

THE WORLD IS CHANGING, LET'S GIVE FRANCE A BOOST!

WHAT ARE THE DRIVERS TO SUSTAIN GROWTH
IN EXCESS OF 2%?



EDITORIAL



Seneca once said, "If a man does not know what port he is steering for, no wind is favourable". For the last five years, the Medef has been striving to build a shared economic vision through participatory groundwork. This resulted in the publication, in 2015, of our foresight study, "France 2020". We then looked at reforms to be introduced in France to release the economic potential that we identified. So, in 2017, prior to the presidential and parliamentary elections, the Medef published a second volume entitled, "The world is changing, let's change France!" This summarised our proposals for reforms based on four building blocks: education, social model, simplification and taxation.

Today, the direction seems clear, as do structural reforms, and we now need to take action to finally make our country grow, and by that I mean return to a growth rate that is firmly rooted above 2%. I am always struck when I hear politicians talk about growth. They seem to have discovered it and await it like people waited for rain in the Middle Ages. But, we seek out and generate growth in our businesses and I'm convinced the the same goes for the country.

If we do nothing, France may very quickly return to a growth rate of around 1.3%, perhaps less, and keep a persistently high unemployment rate. I believe that our country can do better, a lot better, if it takes the right decisions now.

But, I wanted to put this belief to the test. The Medef teams made a list of available studies and identified opportunities and risks in terms of growth, for each of France's 7 challenges for 2020. This unprecedented piece of work was not based on a specific macroeconomic model, but rather on the summary of work from renowned institutes, expert opinions and economic institutions, in an over-arching approach.

What I take from this research is that France holds all the cards to succeed. By taking the right course of action, with courage and conviction, France could secure an average of 1.9 to 3.2% growth in the medium-term and gear up to face the long-term with confidence. The growth potential is there and we have the considerable ability to make up for lost time. France has lost almost 8% of GDP per capita in ten years compared to its German neighbours. At the same time nearly 9% of the active population is unemployed. France therefore has untapped resources and considerable room for improvement, so let's use it! I also note that doing nothing has a cost. The 1.3% potential growth flagged up by certain economists could well drop at 0.8% or even 0.3%, if we don't collectively give ourselves the means to deal with the challenges ahead.

This publication aims to drive a lasting debate on growth and gives free reign, on both sides, to twenty four specialists and business leaders to collect their assessments and solutions to boost growth in France, challenge by challenge. I encourage readers to look at these interviews, which provide tangible and effective ideas on solutions to be introduced and the way forward.

What I really want is that all those involved in economic matters, citizens, business leaders, students and apprentices, trade unionists, specialists, employees, journalists, politicians and public servants challenge this book by providing their ideas, analyses and solutions to fuel a far-reaching debate on growth.

Pierre Gattaz

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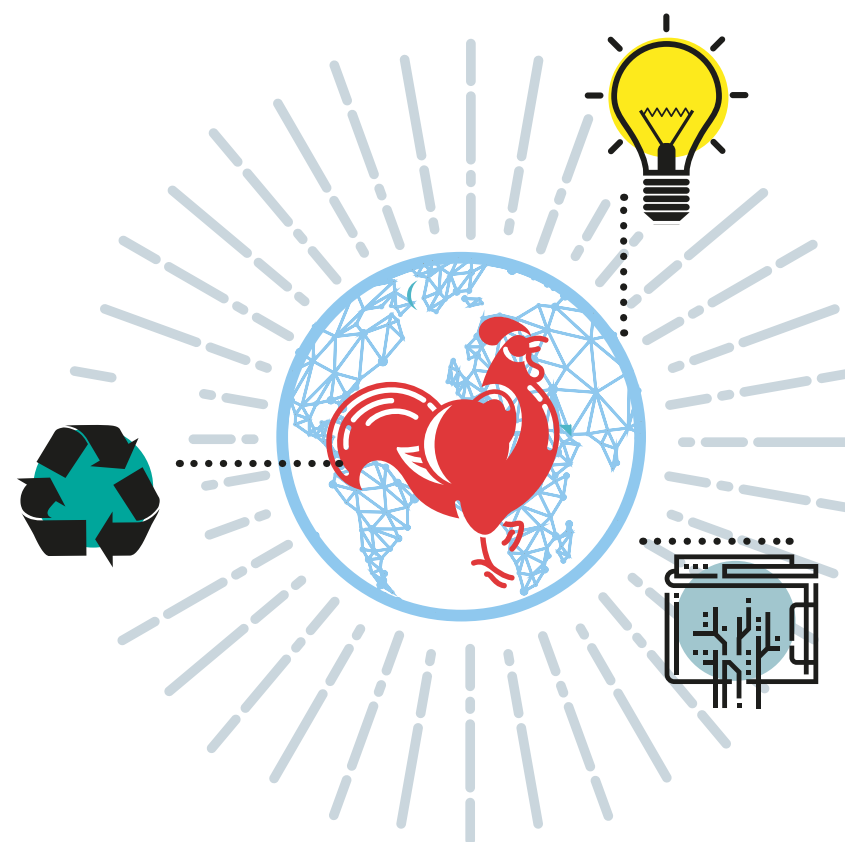
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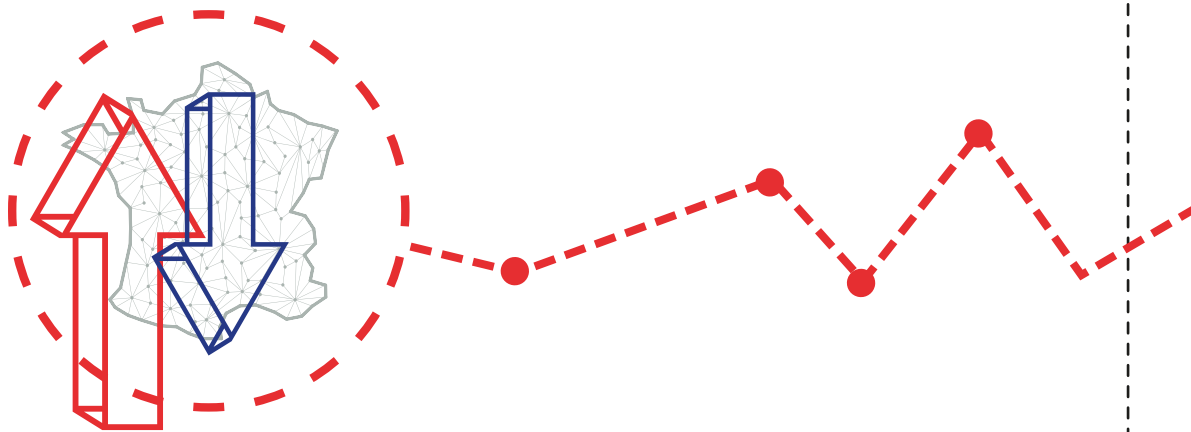
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OUR WORLD IS EXPERIENCING GREAT CHANGE DUE TO TECHNOLOGICAL REVOLUTIONS AND SOCIAL UPHEAVAL. THE CHALLENGE FOR FRANCE IS TO TRANSFORM THESE CHALLENGES INTO OPPORTUNITIES FOR GROWTH, JOBS AND PURCHASING POWER. IN 2016, THE MEDEF SET OUT THESE CHANGES IN ITS WHITE PAPER, *"THE WORLD IS CHANGING, AND WHAT ABOUT FRANCE? 7 CHALLENGES TO MEET BY 2020"* A YEAR LATER, BEFORE THE PRESIDENTIAL AND PARLIAMENTARY ELECTIONS, THE MEDEF PUBLISHED ITS BLUE PAPER, *"THE WORLD IS CHANGING, LET'S CHANGE FRANCE!"*, WHICH SUMMED UP ITS PROPOSALS FOR REFORM. TAKING A FORESIGHT APPROACH, THIS LATEST PUBLICATION OPENS THE DEBATE ON COURSES OF ACTION TO SECURE ROBUST AND SUSTAINED GROWTH.





A CONTRIBUTION TO THE DEBATE ON GROWTH AND ITS DRIVERS

The return to 2% growth in 2017 surprised and reassured everyone, after five years of weak growth. But this improvement should not mask the fact that, structurally speaking, France has stalled since the crisis! Most economists estimate potential growth at around 1.3%, which could put France on a path of weak growth and high unemployment. This scenario could lead to a rise in financial, budgetary and external imbalances, heightened tension between regions, a weakened profile on the world stage and challenge its social model.

The Medef elaborated an economic analysis to try to answer the following question: How can we increase and sustain growth in France?

This analysis was undertaken by the Medef teams and comprises:

- an analytical response to the question about drivers for growth, based on the existing economic literature;
- a series of interviews with representatives from the business world and renowned specialists on the question of drivers for growth for France.

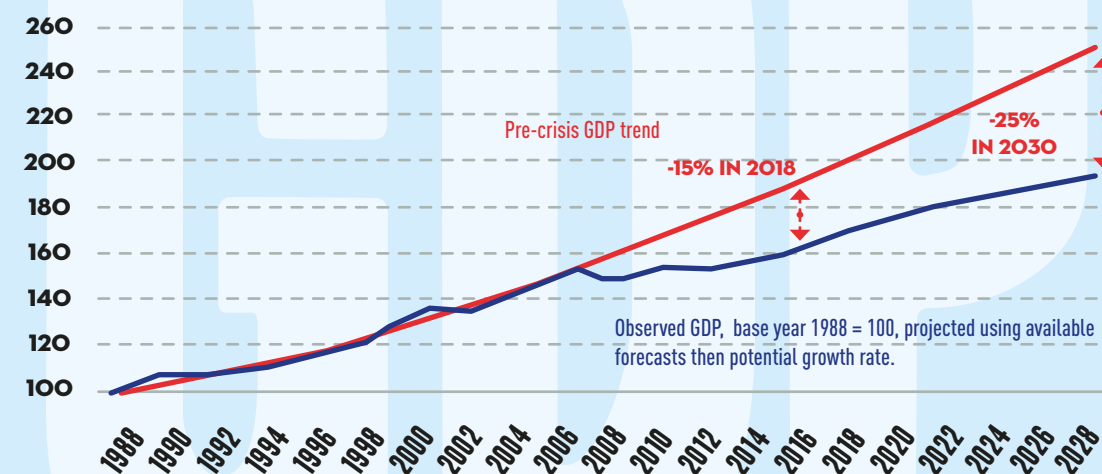
The outcome is a proposal that contributes to a sustained economic debate on growth which the Medef wishes to instigate.

SIGNIFICANT POTENTIAL FOR GROWTH

Given the major challenges facing us, a 1.3% rate of growth is not guaranteed. In the past, potential growth has even tended to fall. If nothing is done, there is a danger that growth

will be lost and could fall to 0.8%, or even 0.3% as future changes in markets and value chains could cost between 0.5 and 1 point in annual growth.

REAL GDP GROWTH OVER AN EXTENDED PERIOD: AFTER 2008, GDP SLUMPED WHEN COMPARED TO PRE-CRISIS TRENDS AND THIS DIVERGENCE MAY WORSEN OVER THE NEXT DECADE.



The trend line follows the formula $y_{[t+1]} = y_{[t]} * (1 + g)$, where g is the average rate of growth over the period 1988-2008, which is approximately 2.3%, while GDP data is expressed in volume using base year 1988 = 100. The projection uses an annual growth rate of 1.8% for 2018 and 2019 (average of forecasts available in March 2018), then 1.25% per year from 2020 (potential rate of growth estimated by the French Treasury in September 2017).

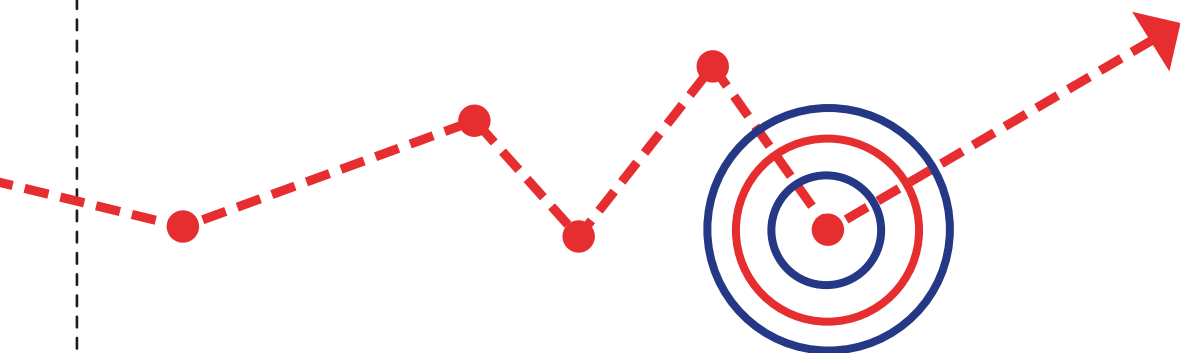
Source: INSEE, French Treasury, calculations by the Medef

France has considerable growth potential if it can catch up with the best-performing countries in terms of structural economic parameters. France could gain an average of 1.6 to 2.4 points of growth in the medium-term by taking ten courses of action:

- **half these gains could come from "structural reforms"**: including labour market (0.3 to 0.5 point), products, goods and service regulations (0.2 to 0.3 point), taxation (0.2 to 0.3 point) and greater efficiency in the public sector (0.2 point);
- **a quarter could come from "European" levers**, in three dimensions: the domestic market (0.1 to 0.2 point), trade policy (0.1 point) and macroeconomic stability (0.1 to 0.3 point);
- **the remaining quarter could come from "investments for the Future"**: from the push for innovation (0.2 point), education/training (0.1 to 0.2 point) and infrastructure and urban development (0.1 point)

In total, France could gain between **1.9%** and **3.2%** potential growth in the medium-term by triggering the right drivers to catch up with the best-performing countries. Broadly speaking, this is catch-up growth that could lead to an ongoing increase in jobs, average living standards and prepare the ground for more sustained long-term growth. In addition, certain drivers like labour market reform would help support both medium and long-term growth. Recent government reforms could, at least partially, trigger some of these courses of action, but catch-up potential is still important.

"IN TOTAL, FRANCE COULD GAIN BETWEEN 1.9% AND 3.2% POTENTIAL GROWTH IN THE MEDIUM-TERM BY TRIGGERING THE RIGHT DRIVERS TO CATCH UP WITH BETTER-PERFORMING COUNTRIES."



TEN COURSES OF ACTION TO BOOST FRANCE

-  **Product market reform (goods and services)**, consists of encouraging the creation of new products, new varieties, new business models and new companies by removing or reducing obstacles to create and develop businesses and innovation.
-  **Reforming the labour market** for flexicurity could better help allocate the workforce and skills within the economy and encouraging risk-taking and innovation. Policies to speed up and incentivise job creation must also favour employability and harness skills. The pension system also plays a part in how the labour market operates.
-  What we mean by **tax reform** is altering the scale in which the tax burden is split to benefit business and production factors. France currently has record-high rate of tax and social security contributions as a share of GDP, that amounted to 45.4% of GDP in 2017. This disproportionally targets businesses and production factors.
-  **Public sector reform** concerns the effectiveness of public expenditure, i.e. for a service provided related to a budget cost, with potential gains, especially in the form of budget savings and freed-up resources. As a reminder, the share of public expenditure in GDP has reached 56.5%, one of the highest rates in the world.
-  **The European internal market** includes Member State markets and is based on the four freedoms of movement: goods, capital, people and services. There is still scope to increase trade between European Union Member States compared to the United States, especially for services and digital products. The labour market and financial sector also provide integration potential.
-  **The EU's common trade policy** involves negotiating trade agreements with non-European countries. It could be more active and ambitious and better capitalise on existing agreements.
-  **Macroeconomic stabilization at the european level** now happens mostly through ECB monetary policy. This could be supplemented with anti-crisis instruments, as they have in the United States. The lack of macroeconomic stability mechanisms during the crisis may have contributed to the euro zone lagging behind the United States in terms of recovery and reabsorbing unemployment.
-  **Innovation efforts** can be measured from the level of investment spent on research and development (R&D) in GDP. In France, this is less than a certain number of other European countries.
-  For the purpose of this analysis, **education/training** includes all processes to improve the population's skills and qualifications. France actually comes out quite poorly compared to other OECD countries.
-  **Infrastructure and urban development** as a driver includes, for instance, housing, transport, or water, electricity and communication networks. These parameters are generally seen as an advantage for France but offer room for improvement (especially for housing) and adaptation to new uses (superfast broadband, smart cities).

FRANCE COULD REACH BETWEEN +1.9% AND +3.2% GROWTH IN THE MEDIUM-TERM BY MEETING THE 7 CHALLENGES FOR FRANCE BY 2020.

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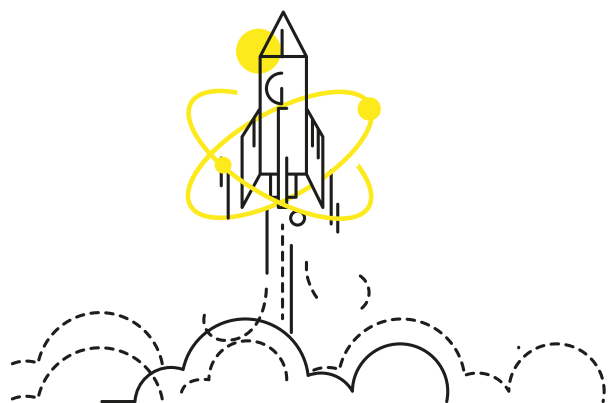
ANALYSIS BY CHALLENGE

Our findings are based on analysing challenges to growth using publicly available research. To identify the right courses of action and estimate the available gains in terms of growth, we have analysed the growth-related issues for each one for the 7 challenges from the Medef's France 2020 paper:

- creative audacity:** entrepreneurship and innovation, business growth and investment;
- men and women fulfilling their potential:** quality of life in the workplace, jobs, skills and employability;
- digital technology:** producing digital goods and services and distributing them throughout the economy;
- sectors of the future:** health, e-health, the silver economy, smart cities, tourism, e-education, etc.;
- sustainable development:** ecological and energy transition, energy efficiency, biodiversity, CSR, the circular economy, sustainable cities, etc.;
- Europe:** the internal market, trade policy, monetary union;
- globalisation:** opening up to the international market, attractiveness, cost and non-cost competitiveness.

The framework provided for these 7 challenges is very useful for detecting all the growth risks and opportunities for the economy, based on the economic literature. However, estimated growth gains for each challenge can neither be compared nor added together. To obtain the overall gain, we used the appended methodology. This also helped break down the effects of each course of action for each challenge.

Note: ranges of gross medium-term growth gains are derived by taking the courses of action identified to meet each challenge. These indicative ranges cannot be compared nor added together as they are (see the following pages and full paper at www.medef.com and www.france-2020.com for more details on sources and methodology).



CREATIVE AUDACITY

Creative audacity refers to the whole range of conditions for business creation and growth, plus innovation too. This applies to doing business climate, taxation, regulatory frameworks, sharing added value and financing the economy.

The countries with the best macroeconomic performances in Europe are often those that make life easiest for their businesses. This applies

particularly to Scandinavian countries which come top of the competitiveness rankings, like those of the World Bank or the World Economic Forum.

France has considerable room for improvement. By matching up all the parameters of the best practices in Europe, France could secure a rate of growth of between 1.1 and 1.4 points in the medium-term.

1.1 to 1.4 points of additional growth by activating the following drivers:



PRODUCT MARKET
0.2 TO 0.4
POINT



INNOVATION EFFORTS
0.3
POINT



TAXATION
0.2 TO 0.3
POINT



PUBLIC SECTOR
0.2
POINT



**INFRASTRUCTURE
AND URBAN DEVELOPMENT**
0.2
POINT



MEN AND WOMEN FULFILLING THEIR POTENTIAL

In an economy dominated by innovation, creativity, emotional intelligence and non-cost competitiveness, men and women fulfilling their potential has become a condition for growth for more and more companies. For them, proposals for quality of life in the workplace are levers for success.

In terms of the economy as a whole, men and women fulfilling their potential is measured by a certain number of parameters, such as average skills levels and qualifications, gender

equality and more generally, social policy supporting diversity, the participation of young and older people in the labour market, or access to housing. France still lags behind the best-performing European countries in these areas.

The economic literature helps estimate a gain in growth of between 0.5 and 1 point in the medium-term, when aligned with the best-performing European countries, especially Germany or the Scandinavian countries.

0.5 to 1 point of additional growth by activating the following drivers:



LABOUR MARKET
0.3 TO 0.7
POINT



EDUCATION/TRAINING
0.1 TO 0.2
POINT



**INFRASTRUCTURE
AND URBAN DEVELOPMENT**
0.1
POINT



DIGITAL TECHNOLOGY

Digital transition encompasses the emergence of the digital sector in all its forms, as well as the use of digital technology in all conventional sectors. It is a catalyst for productivity gains and innovation.

Digital transition could generate between 0.5 and 1 point of growth per year if France was to catch up with the best-performing countries in terms of the share of digital technology in GDP.

0.5 to 1 point of additional growth by activating the following drivers:



PRODUCT MARKET
0.1 TO 0.2
POINT



LABOUR MARKET
0 TO 0.1
POINT



PUBLIC SECTOR
0 TO 0.1
POINT



EUROPEAN INTERNAL MARKET
0.1
POINT



TRADE POLICY
0 TO 0.1
POINT



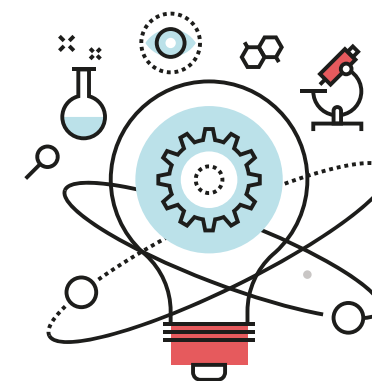
INNOVATION EFFORTS
0.1 TO 0.2
POINT



EDUCATION/TRAINING
0.1
POINT



**INFRASTRUCTURE
AND URBAN DEVELOPMENT**
0.1
POINT



SECTORS OF THE FUTURE

Sectors of the future combine changes in society and the new technological order. They include smart cities, health, e-health, e-education, tourism, food security and safety and the silver economy, etc.

Global trade and finance, the digital revolution, ecological and energy transition and upheavals in the global economy will continue to transform the French economy.

Entire sectors of our economy will disappear or be reconfigured, while others will emerge

to adapt as markets move elsewhere and value chains evolve. These changes could affect 5 to 10% of our economy in the next ten years.

We estimate that making France a global leader in sectors of the future could result in 0.25 to 0.5 point of growth.

By contrast, if we miss out on this shake-up in the markets and value chains, it could cost the country between 0.25 and 0.5 point of growth.

0.5 to 1 point of additional growth by activating the following drivers:



PRODUCT MARKET
0.1 TO 0.2
POINT



LABOUR MARKET
0.1 TO 0.2
POINT



TAXATION
0.1 TO 0.2
POINT



INNOVATION EFFORTS
0.1 TO 0.2
POINT



EDUCATION/TRAINING
0.1 TO 0.2
POINT



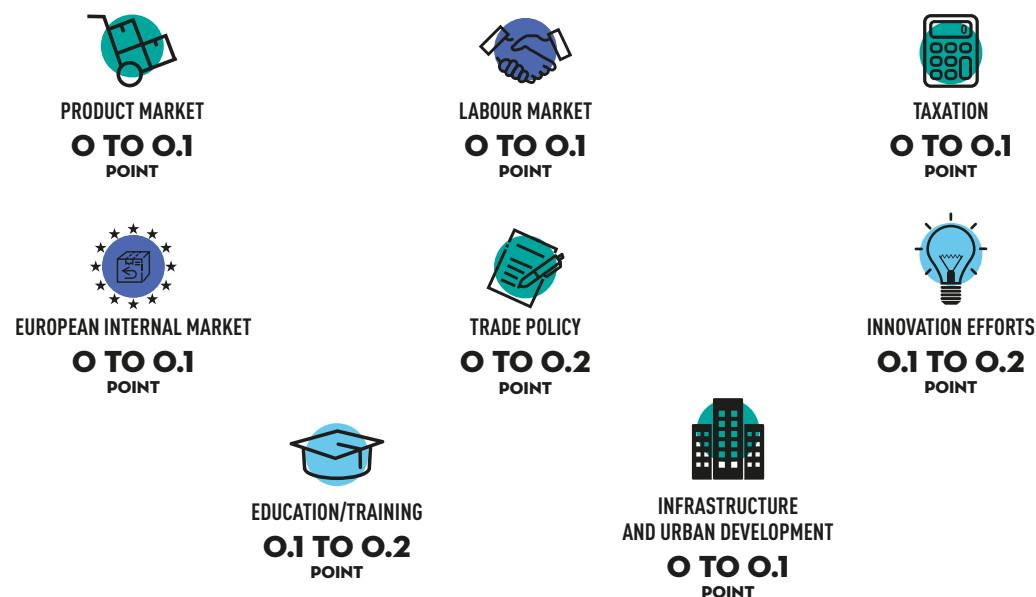
SUSTAINABLE DEVELOPMENT

Sustainable development offers real opportunities for growth, especially in activities related to energy transition (the changing energy mix, renewables, energy efficiency, etc.), the circular economy and more generally in the challenges linked to combatting climate change and safeguarding biodiversity. In total, productivity gains secured by better use of our resources

could result in around 0.2 to 0.6 point of growth over the medium-term.

However, a poorly-managed transition that prevents French companies from adapting to the ongoing revolution, or which might hamper their competitiveness, could cost between 0 and 0.5 point of growth per year.

An additional 0.2 to 1.1 points of growth could be gained by taking the following courses of action:



EUROPE

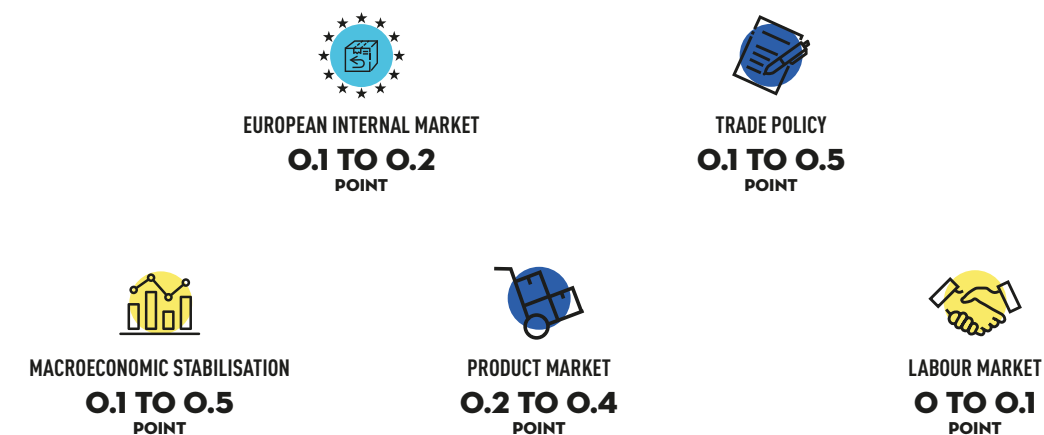
France benefits from the construction of the European economy in three key ways: the internal market and the freedoms it bestows (circulation of goods, services, people and capital), monetary stability and economic and trade cooperation.

That said, European assets are fragile and must be consolidated. The future of Europe still has to be clarified after Brexit, economic integration is unfinished and is a source of

tension. France and Europe sometimes have a cagey relationship.

As a founding member of the European Union, France has a key role to play in Europe achieving its potential. It can do this by debating in favour of an ambitious integration approach and by boosting its economic and budgetary credibility and legitimacy.

0.5 and 1.7 points of additional growth could be gained by activating the following drivers:





GLOBALISATION

Globalisation means that we have a huge market on our doorstep and France has all the key cultural, economic and technological assets to take full advantage. France already welcomes tourists, talent and foreign investment in large numbers. Its multinational companies are among the world leaders and it is internationally renowned for the excellence of its industries.

However, aside from differences in sector positioning, external trade has become a burden for economic growth over the last few years:

- compared to other countries, the contribution of external trade to GDP growth is negative;

- the trade deficit has been rising year on year and France is living on credit;
- France's share of the export market has been falling for more than fifteen years compared to its European partners.

If France were to make better use of globalisation, it could boost its growth in the medium-term by 0.7 to 1.3 points:

- by triggering a competitive process that would redress the trade deficit in the medium-term;
- by giving itself the means to further open up its economy to the rest of the world and access new markets.

0.7 to 1.3 points of additional growth could be gained by activating the following drivers:


PRODUCT MARKET
0.1 TO 0.2
POINT


LABOUR MARKET
0.1 TO 0.2
POINT


TAXATION
0.1 TO 0.2
POINT


INNOVATION EFFORTS
0.1 TO 0.2
POINT


EDUCATION/TRAINING
0.1 TO 0.2
POINT


PUBLIC SECTOR
0 TO 0.1
POINT


EUROPEAN INTERNAL MARKET
0.1
POINT


TRADE POLICY
0.1
POINT

LET'S TALK ABOUT GROWTH

24 SPECIALISTS AND BUSINESS LEADERS GIVE THEIR OPINIONS

To kick-off the debate, Medef teams interviewed 24 specialists and business representatives to collect their assessments and proposals on reviving growth in France. We have reproduced their comments, although this does not mean that we endorse them, no more than the interviewees necessarily share the opinions of the Medef.

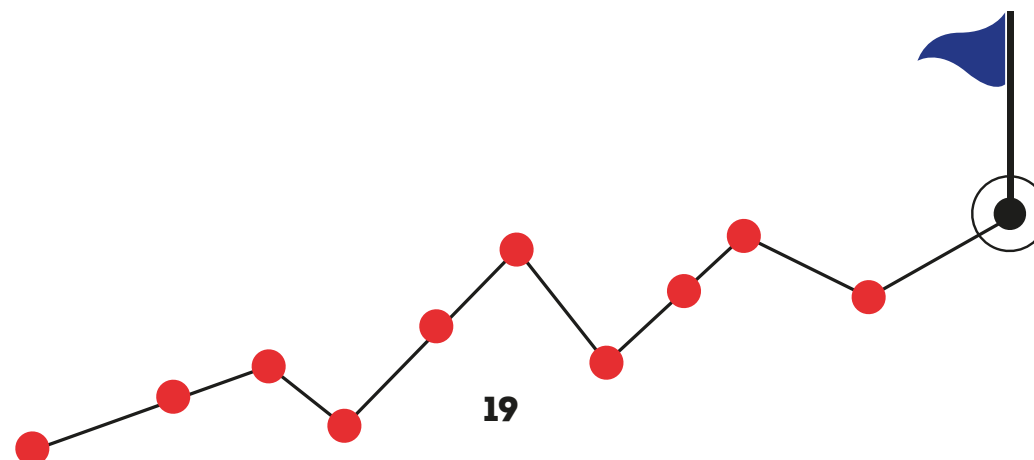
Here are a few stand-out ideas arising from the interviews (you can view the full transcripts at www.france-2020.com and www.medef.com):

Overall, the 24 interviews stressed the need for urgent action to catch up and prepare for the future:

- France is lagging behind its European partners, in terms of growth, jobs, living standards and integration into global value chains, adopting new technology, skills, value for money of its products;

- Its social, public and administrative management system and sometimes even its values are outdated. Most of these structural parameters stem from the post-war period when France was catching up with the American model and in a closed economy paradigm. Given the lack of ambitious economic reforms over the last few decades, these habits have become a handicap, resulting in current issues of administrative complexity, inflexibility and deficits.

- The major changes to come involve immense challenges. The digital revolution will have the same impact as previous industrial revolutions that, at the time, divided industrialised and developing countries. Ecological and energy transition also represent a major upheaval. Entire sectors of the economy will disappear or be transformed, while occupations and skills will change radically.



A certain number of comments call for ambitious collective efforts:

- **France must pull out all the stops on the international stage.** The global market can become a real driver for growth in all sectors, including the digital technology industry, health, energy transition or the silver economy. There has to be an approach based on an up-market move for our products, as in the luxury sector, to seize the opportunities arising from free-trade agreements, more accurately adapt to local markets, especially in Africa, and to work together to export and invest.
- **Reframe our efforts on European and international standards by accepting the open economy paradigm:** this applies to wage trajectories that must not differ from those of our neighbours, to our standards and regulations that must not hamper growth and to our tax and social contribution system that place a disproportionate burden on the cost of doing business. Several comments highlight obstacles to competitiveness, like record levels of public expenditure (57% of GDP) and of tax and social security contributions as a share of GDP (45% of GDP) in France.
- **Promote agility and change,** innovation and renewal to adapt to the digital revolution and other major upheavals ahead of us: move away from the rationale of protecting jobs, adapt standards and regulations to make it easier to experiment and develop new products, remove obstacles from the outset for new businesses

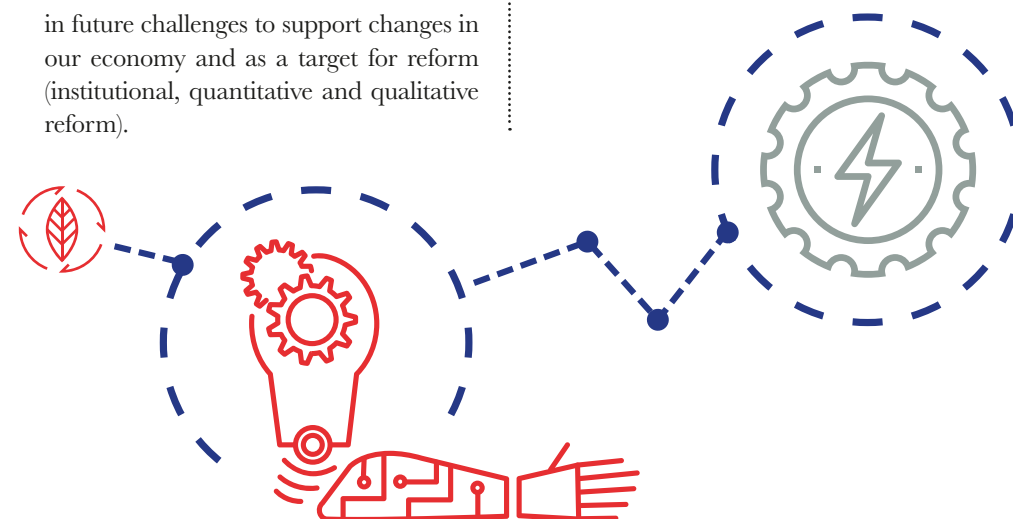
and mobility, give ourselves the means to support change by training and sharing good practice, especially changes that will affect entire sectors and occupations (services, specialist professions, etc.).

- **Far-reaching reforms to our social and economic institutions:** consider a one-stop-shop approach for our businesses, but also for people who increasingly change careers throughout their lives, consider flexicurity to free-up the labour market by assisting access to jobs, qualifications, employability and terminating job contracts. Switch from a State that distributes purchasing power to one that provides safety nets and offers springboards. The State must also shift to one that enables people to achieve things, stop accumulating costly administrative complexities (costly in euros and in time) and, ultimately, introduce more competition, incentives and freedom of organisation in the public sector to improve quality, foster innovation and cut costs.
- **Harness the strategic capital of the European construction:** by creating a joint assessment on the causes of the crisis in the euro-zone and introduce collective, long-term solutions to keep financing the economy, make better use of trade policy as part of an ambitious and demanding approach with checks and balances, develop a pro-competition industrial policy that fosters the emergence of an innovative and competitive European industrial sector; better exploit the internal market and encourage development in sectors that are still fragmented, including the labour market (skills and mobility).

- **Make business truly entrepreneurial:** promote management geared to the innovation and the service economy where emotional intelligence and the ability to detect weak signals plays a key role, where diversity equals performance and innovation, where responsibility replaces control and where experimentation is the rule.
- **Long-term investment** in education, higher education and research to provide future innovations and growth, in sustainable development, which is a factor for a competitive economy and businesses. The financial sector must be fully involved to promote innovation and lay the ground for the CAC40 of year 2100; discussions between employers and employees must adopt a long term view consistent to sustaining a competitive economy.
- **Training and skills** are among of the subjects most frequently mentioned by interviewees, such as short-term challenges (recruiting difficulties) and long-term issues (productivity growth), as a weakness compared to other countries and therefore a remedial tool as a factor of success in future challenges to support changes in our economy and as a target for reform (institutional, quantitative and qualitative reform).

In addition to the content of actions to be delivered, a method for collective action was developed throughout the interviews:

- France must conduct more economic analysis to clarify public choices, draw on what works elsewhere and better understand the challenges ongoing upheavals have on long-term interests.
- A mature public debate is required to arrive at a collective decision to jointly adapt to change and make lasting decisions.
- Educating people is key to jointly advancing this thought process and to develop shared assessments for the general interest that can have various implications for specific interests.
- Reforms must be backed at the highest political level once measures to be introduced involve different institutional stakeholders and complex political issues.



LIST OF PEOPLE INTERVIEWED



Philippe Aghion,
Professor at Collège de France



Jean-Luc Belingard,
President of the French Federation of
Healthcare Industries (FEFIS)



Olivier Blanchard,
Economist at the Peterson Institute for
International Economics and MIT



Gilles Briatta,
General-Secretary of the
Société Générale Group



Emmanuelle Butaud-Stubbs,
Delegate-general to the Union
of Textile Industries (UIT), member
of the European Social and
Economic Committee



Gilbert Cette,
Associate Professor at the Faculty of
Economic Science of the University of
Aix-Marseille



Pierre-André de Chalendar,
President and CEO of the
Saint-Gobain Group



Jean-Pierre Clamadieu,
Chair of the Executive Committee
and CEO of Solvay



Jean-Marc Daniel,
Associate Professor at ESCP Europe
and Managing Editor of Societal



Philippe Darmayan,
President of the French employers
organisation of metal industry com-
panies (UIMM), Vice-President of
France Industrie



Michèle Debonneuil,
Civil Servant with INSEE, General
Inspector of Finance and author of the
book, "La Révolution Quaternaire"



Michel Didier,
President of Rexecode



Laurent Fiard,
President and CEO of Visiativ,
President of Medef Lyon-Rhône



Michel Hervé,
Chairman of the Supervisory Board
for the Hervé Group



Sébastien Jean,
Director of the French Centre
for Prospective Studies and
International Information (CEPII)



Vincent Kraus,
Co-Founder of SeniorAdom



Philippe Lemoine,
President of the New Generation
Internet Foundation (FING)



Olivier Midière,
Advisor to the President of Medef and
Medef Digital Ambassador



Christian de Perthuis,
Associate Professor of Economics at the
University of Paris-Dauphine



Guillaume Poitrinal,
Co-President of Woodeum, President of
the Fondation du Patrimoine, President of the
Strategic Board for Attractiveness and Em-
ployment in Île-de-France, for Valérie Pécresse



Xavier Quérat-Hément,
President of the Association Esprit
de Service France



Xavier Ragot,
Director of Research at the CNRS,
Professor at Sciences Po, President of the
French Economic Observatory (OFCE)



Frédéric Sanchez,
President of Medef International, President
of the Fives Group Board of Directors



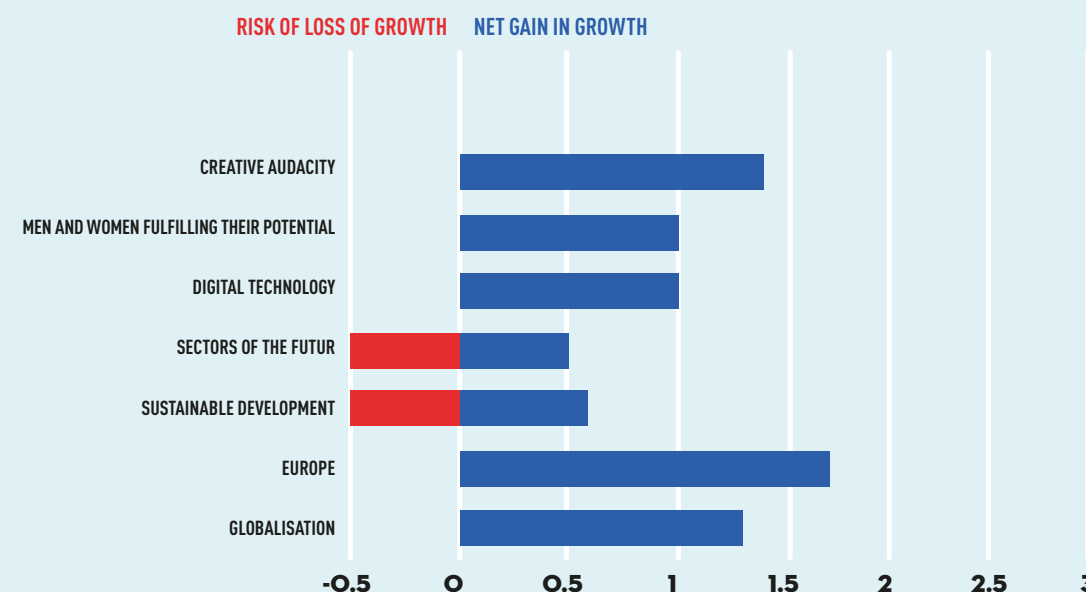
Natacha Valla,
Head of the Policy and Strategy Division
at the Economics Department of the
European Investment Bank

METHODOLOGICAL APPENDIX

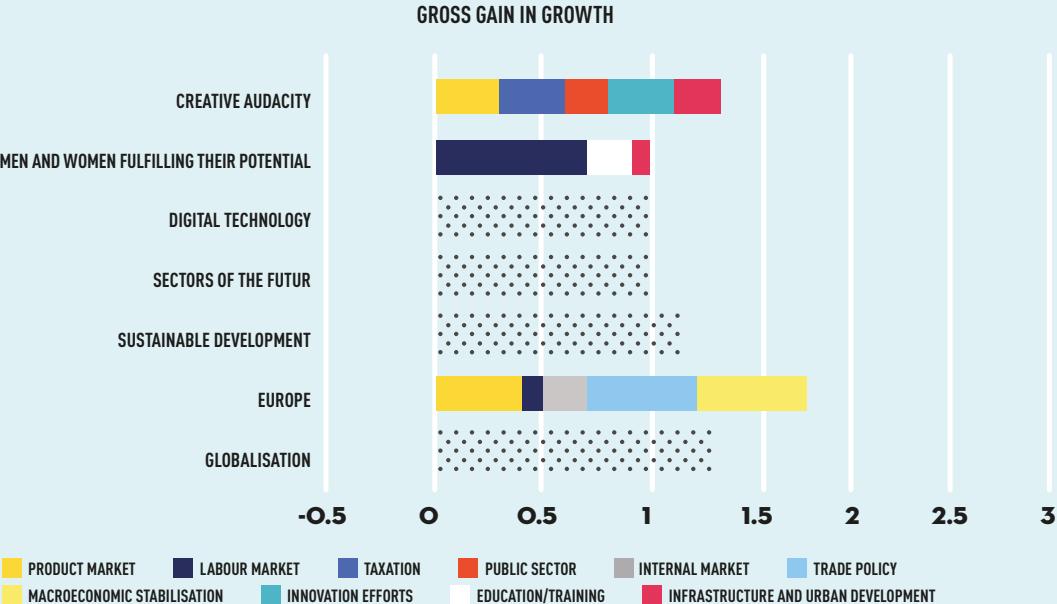
THE MAIN CALCULATION STEPS

In this appendix, we describe the main guidelines used to calculate the overall effect on growth of the ten stated courses of action, based on analytical findings for each challenge. More details in the integral version of the book, which can be downloaded from the www.france-2020.com et www.medef.com websites.

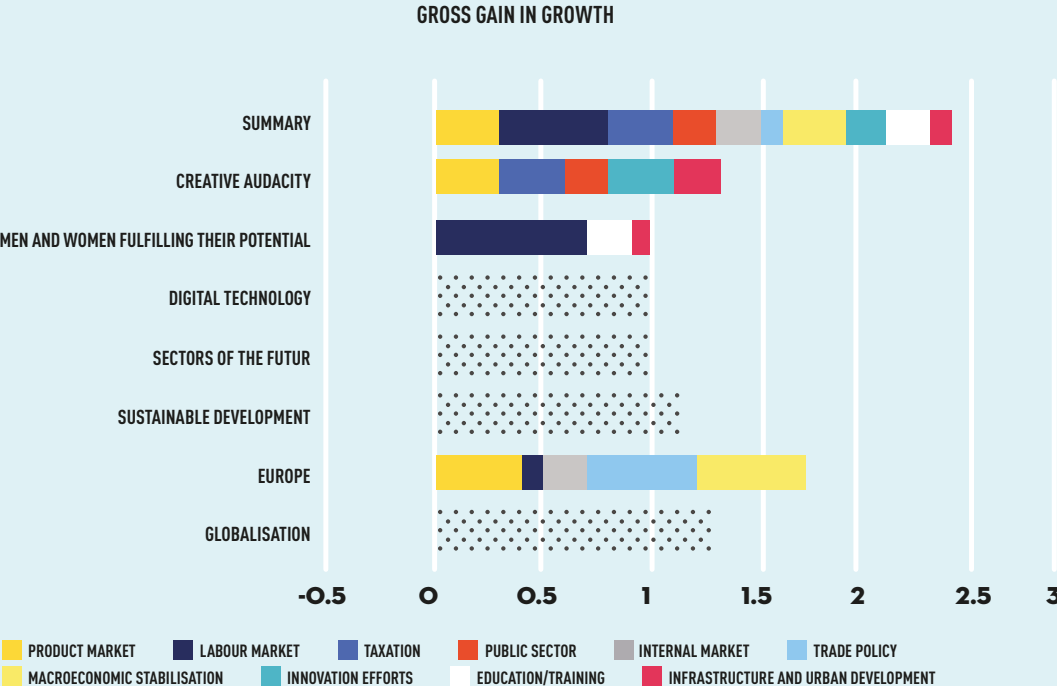
Step 1: estimating the opportunity and risk for growth for each of the seven challenges provides a range of net gains and, for some, the risk of a loss of growth (only the upper-end of the estimated ranges feature on the graphs below).



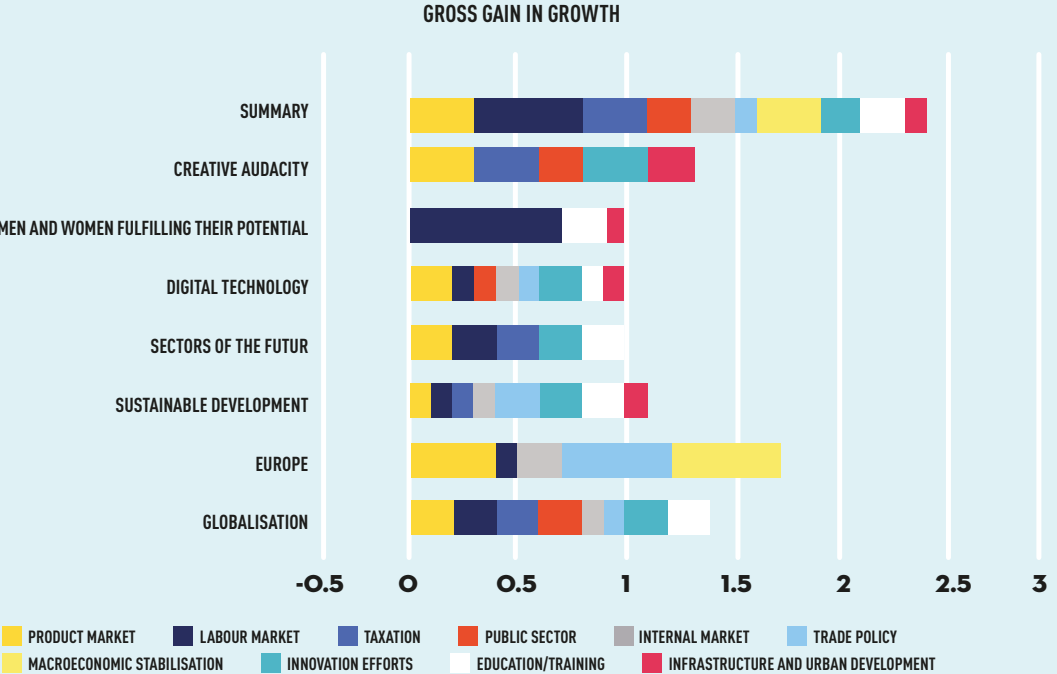
Step 2: the analysis reveals the ten courses of action whose effects are directly measured by estimating the three challenges, i.e. creative audacity, men and women fulfilling their potential and Europe.



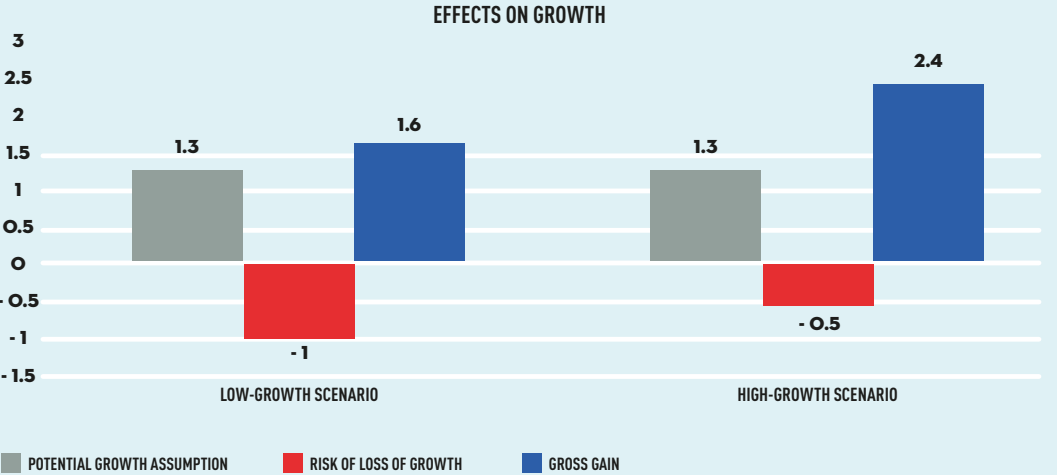
Step 3: after adjustment, the total sum of the effects from the ten drivers identified helps calculate a total gross gain of 1.6 to 2.4 points of growth (illustrated below by the summary bar).



Step 4: the effects of the courses of action are broken down for all challenges using the most common qualitative assessments, such as recommendations from international organisations.



Step 5: we produce growth scenarios based on a potential growth rate of 1.3%. We deduct from this a growth loss range of 0.5 to 1 point to obtain our risk scenario for loss of growth, resulting in a growth range of 0.3 to 0.8%. We add gross gains to this range, obtained by activating the ten stated courses of action (a growth range of 1.6 to 2.4%) to secure our enhanced growth scenario of between 1.9 and 3.2%.



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THE WORLD IS CHANGING, LET'S GIVE FRANCE A BOOST!

WHAT ARE THE DRIVERS TO SUSTAIN GROWTH IN EXCESS OF 2%?

France has considerable potential to put its economic situation back on a sound footing. There is no excuse for it falling behind the best-performing countries in Europe, apart from a collective failing on our part to muster our resources and talents. Why not take inspiration from countries that have thoroughly overhauled their economic model and are now top of the class?

To meet the challenges ahead, France has to transform its economic model by triggering the right drivers, such as structural reforms, European construction and investments for the future. Returning to buoyant, medium-term growth means catching up with Europe's best-performing nations and will prepare France for future challenges. Inaction or passivity would, by contrast, incur risks for our economy. A scenario of weak growth and high unemployment, with all its drawbacks, cannot be ruled out.

Public debate and pedagogy will be vital in this major collective undertaking. With this initial contribution, the Medef encourages all economic stakeholders to join the discussion by offering their insights and solutions.