

Eclairage(s) Public(s) **Making French Companies Competitive Again** September 29th, 2015

For the third working breakfast of its “Eclairage(s) Public(s)” sessions on Tuesday September 29th, SAMMAN law firm was pleased to host Pierre Gattaz, President of MEDEF, the biggest French employers’ organization, and Chairman of the Board of Radiall, who came to present his analysis of the economic situation in France and how growth and employment can be boosted, before taking questions from the attendees.

Pierre Gattaz began by explaining his commitment to the MEDEF. Radiall’s international operations having required him to make frequent trips abroad, he gained insight into how other countries work and that experience allowed him to have a critical view of French political leaders, as well as to appreciate our country’s specific strengths, of which the most should be made. The structure of the French economy is undergoing rapid change, despite the fact that industrial production now only accounts for 12% of GDP and 10% of the active population is unemployed. This reality calls for a strong commitment.

Several factors should permit the French economy to remain strong:

- The globalization and liberalization of the world economy means that 150 countries are effectively in competition. But these 150 countries also represent as many **markets to be conquered**.
- The digital world represents a real opportunity for those who come prepared, the more so as **France is especially well placed in terms of innovation and digital technology**. It has strong cards to play. To give just one example, out of the 10 national awards given at the Consumer Electronic Show in Las Vegas, 4 or 5 of the awardees were French.
- France also has strong performance in the energy sector. This is a real advantage in the run-up to the **COP21** [UN Climate Change Conference] in terms of the development of energy efficiency policies.
- France was able to anticipate the awakening of China and Africa, has good relations with them and needs to be present there today when its presence is welcomed.

Faced with these facts, Pierre Gattaz proposes applying what he terms the “5V” method: *Vision, Valeurs, Vérité, Volonté & Victoire* (in English, Vision, Values, Veracity, Resolve & Victory).

- **The future has yet to be written** and to succeed it will be necessary to fight defeatism and come up with a vision. MEDEF would like to see France and in particular French companies regain confidence in their strengths.
- In a constantly evolving world, France needs to set itself an objective and shared values. **Our citizens need to be reminded of what France’s 200-year old motto stands for, while values can also be developed in the business community**. Companies are among the most trusted institutions in France and 50% of young people aspire to be entrepreneurs. The values of entrepreneurship, work and investment need to be revived. It is essential that French people be given new hope that their situation will improve.

- A truthful discourse about the state of the economy in France is necessary. In this connection, MEDEF is working on a blue book about its vision of France that should be published this coming November/December. **We need to apply the continuous improvement cycle theorized by Deming, namely PDCA: “Plan, Do, Check, Act”.** Assessing the implementation of laws that have been adopted is imperative.
- Based on a vision, values and a truthful discourse, France should be able to recover the resolve necessary to revive growth and reduce unemployment, and transcend traditional divisions. Only once this resolve has been built can we put in place the structural reforms that are necessary if we are to achieve victory.

In Pierre Gattaz’s view, the elimination of certain barriers to job creation **would permit reducing the unemployment rate from 10% to 6% of the active population, in other words creating 2 million jobs over the next 5 years.** But to achieve this objective, several reforms must take place:

- **A drop in mandatory payroll taxes and social security levies, in business taxes, and a cut in public spending.** The application of lean management methods to the public sector would allow reducing public spending from 57% to 50% of GDP.
- **Structural reforms of the employment market.** MEDEF approves of the recommendations formulated in the Combrexelle report and is hopeful that one day company-level agreements will prevail over branch-level or collective bargaining agreements and that a new employment contract will eliminate disincentives to employment.

Questioned about the issue of innovation in French companies, Pierre Gattaz indicated that in his view the competitiveness of French companies hinges mainly on **a drop in the cost of labor, the simplification of the Employment Code** and on **non-cost competitiveness.** MEDEF is also committed to helping VSE/SMEs to export and develop their ability to innovate. Big and small companies need to **interact more effectively help one another conquer international markets.** To seize the opportunity represented by the COP21, companies need to believe in a principle of innovation complementing the principle of precaution.

Concerning the Volkswagen case, Pierre Gattaz insisted about the need for corporate ethics in the conduct of business and the defense of such ethics.

Pierre Gattaz also made a few observations regarding the “Macron Law”, stressing the contribution made by it while at the same time insisting on the need for other laws to follow it. The responsibility and solidarity pact¹ is a good initiative, but it should not be seen as a gift made to companies.

Pierre Gattaz wrapped up the session by stating that a shared project built together with the people of France, and the pursuit of structural reforms were required to allow the French economy to pick up and avoid future crises.

¹ In January 2014, French President Hollande announced the launch of a **“Responsibility and Solidarity Pact”**, based on a tradeoff: less social and fiscal burden on companies against more jobs creation. This pact notably entails the suppression of the “family social contributions” paid by companies by 2017, in exchange for more job creations by companies.