2018 SBA Fact Sheet  France

Key points

Past & future SME performance: SMEs make a significant contribution to the French ‘non-financial business economy’. They account for 55.2 % of value added, close to the EU average of 56.8 %. Their share of employment, at 61.6 %, is somewhat lower than the EU average of 66.4 %. The productivity of French SMEs is almost one third higher than the EU average. The outlook for SMEs in France is favourable. Growth in SME value added is projected to accelerate to 6.5 % in 2017-2019. Furthermore, SME employment is expected to rise again, increasing by 1.9 % in 2017-2019 or around 169 900 new SME jobs.

Implementing the Small Business Act for Europe (SBA): France continues to maintain a balanced SBA profile, performing in line with the EU average in most of the SBA areas. State aid & public procurement as well as skills & innovation remain the strongest areas, with below-average performance recorded only in the areas of ‘responsive administration’ and single market. France’s performance in all other areas is very close to the EU average. However, since 2008, strong progress has been made in the single market area, and less, but still significant progress has been made in state aid & public procurement, skills & innovation and access to finance.

SME policy priorities: While the ‘SME test’ has been strengthened during the reference period (2017 and first quarter of 2018), it could still be improved. Although the French government’s general secretariat coordinates this procedure, its outputs could be verified by an independent body. SMEs would prefer to be more systematically consulted throughout the legislative process in order to soften the impact of the rapidly changing legal and regulatory environment. The regulatory and administrative burden is currently being reduced through legislation to promote SME growth and increase their competitiveness. Assessments are being carried out on the efficiency of public support schemes for innovation, but it remains to be seen how these schemes will be put into practice. Market access is still a problem, in particular for established firms, and there are still too few manufacturing SMEs exporting and importing within the EU. However, it is expected that the consolidation of various agencies will lead to economies of scale and improve the quality of regional support.

About the SBA fact sheets

The Small Business Act for Europe (SBA) is the EU’s flagship policy initiative to support small and medium-sized enterprises (SMEs). It comprises a set of policy measures organised around 10 principles ranging from entrepreneurship and ‘responsive administration’ to internationalisation. To improve the governance of the SBA, the 2011 review of it called for better monitoring. The SBA fact sheets, published annually, aim to improve the understanding of recent trends and national policies affecting SMEs. Since 2011, each EU Member State has appointed a high-ranking government official as its national SME envoy. SME envoys spearhead the implementation of the SBA agenda in their countries.
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1. SMEs — basic figures

<table>
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<th>Class size</th>
<th>Number of enterprises</th>
<th>Number of persons employed</th>
<th>Value added</th>
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<tbody>
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<td>France</td>
<td>EU-28</td>
<td>France</td>
</tr>
<tr>
<td></td>
<td>Number</td>
<td>Share</td>
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<td>2 824 470</td>
<td>95.3 %</td>
<td>4 131 973</td>
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<tr>
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<td>4.0 %</td>
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<td>0.6 %</td>
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<td>0.1 %</td>
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<tr>
<td>Total</td>
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<td>100.0 %</td>
<td>14 894 603</td>
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</table>

These are estimates for 2017 produced by DIW Econ, based on 2008-2015 figures from the Structural Business Statistics Database (Eurostat). The data cover the 'non-financial business economy', which includes industry, construction, trade, and services (NACE Rev. 2 sections B to L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. The following size-class definitions are applied: micro firms (0-9 persons employed), small firms (10-49 persons employed), medium-sized firms (50-249 persons employed), and large firms (250+ persons employed). The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.

SMEs make a significant contribution to the French 'non-financial business economy'. They account for 55.2 % of value added, close to the EU average of 56.8 %. Their share of employment, at 61.6 %, is somewhat lower than the EU average of 66.4 %. French SMEs are smaller than the EU average, consisting of only 3.1 people compared to 3.9 in the EU. The productivity of French SMEs, calculated as value added per person employed, is around EUR 57 600 per person, almost one third higher than the EU average of EUR 43 900.

The development of SMEs in the 'non-financial business economy' has been mixed recently, with SME growth lagging behind that of large firms. SME value added rose by a modest 2.7 % in 2013-2017, while SME employment declined by 4.3 %. In contrast, employment in large firms grew slightly, by 1.6 %, in the same period, whereas their value added growth was significantly stronger than that of SMEs, at 14.4 %. Most recently, SME value added grew by 2.8 % in 2016-2017. This was accompanied by a 1.7 % increase in SME employment.
SMEs in the manufacturing sector continued their weak performance of the last decade. In 2013-2017, SME value added stagnated and SME employment declined by 9.8%. The French manufacturing sector suffers from weak international competitiveness, especially when compared with the EU as a whole. This is due to a number of factors, including declining profit margins leading to sluggish investment in the 2000s, two decades of high and accelerating labour costs, and comparatively low investment in machines and equipment, even today. In reaction to the persistent downturn of this sector, the French government initiated dedicated policy measures to improve the competitiveness of the industrial sector and reindustrialise the French economy. For example, the Industry of the Future (Industrie du Futur) project was launched in 2015 to modernise firms by introducing robotic and digital technologies and supporting the transformation of business models, organisation and marketing tools. The government also introduced the competitiveness and employment tax credit (CICE — Crédit d'Impôt pour la Compétitivité et l'Emploi) in 2013, effectively reducing corporate social contributions for low paid employees through equivalent tax reductions for employers. The resulting savings from the lower wage bill were intended to enable firms to invest in research and development and tap into new markets. Signs indicate that these two government programmes have been successful: the negative trend for SMEs in this sector has slowed recently, with SME employment dropping only slightly, by 0.4%, and SME value added growing by 0.6% in 2016-2017.

In contrast to the moderate growth of the ‘non-financial business economy’ as a whole, SMEs in the administrative activities sector have generated strong growth in recent years. SME value added rose by 14.7% in 2013-2017, and SME employment increased even more vigorously by 18.1%. SMEs significantly outperformed large firms, which grew more slowly during the same period, only achieving an 8.8% increase in value added and suffering a 9.0% fall in employment. The overall rise in demand for services has mainly been driven by an increase in business-to-business transactions. The more rapid growth of business-to-business transactions compared to business-to-consumer transactions of services reflects the increasing trend of large companies outsourcing services formerly carried out in-house to specialised service providers, which are often SMEs. In line with this trend, the biggest growth drivers for administrative activities have been employment activities and rental and leasing activities.

Business registrations in France rose to 591,267 in 2017, a 6.7% increase compared with the previous year and the highest of the past 7 years. Also, business failures continued to fall in 2016-2017, by 5.3%, to a total of 54,954. In the previous period, 2015-2016, business failures had already fallen by 7.8%.

The following segment presents data that has been collected for the EU Startup Monitor and refers mainly to the population of online and technology based start-ups. The French start-up ecosystem has been developing steadily over the past decade. The typical French founder is male (80.0%) and holds a university degree (94.3%). Compared to other European countries, a large proportion of founders completed a Master’s degree (78.6%, compared to the EU average of 53.0%) and a certain number even a PhD (14.3%, compared to the EU average of 12.6%). Start-ups in France are to be found in many sectors such as ‘software as a service’ (21.4%). In education (7.1%, compared to the EU average of 3.5%) and green technologies (7.1%, compared to the EU average of 6.4%), the sectorial representation of start-ups is above the EU average. French start-ups currently employ 17.1 people (compared to the EU average of 12.85) and are planning to create 9.8 more jobs within the next 12 months. This emphasises the important role start-ups play in European job markets and shows just how much these innovative businesses do to boost their national economy. Many French start-ups are generating all their revenues through business-to-business transactions (60.9%), mainly within the eurozone (71.0%). However, international operations go beyond European borders. The share of revenue being created in the U.S. (13.9%) is, for example, higher than the revenue being created in other European countries (8.9%). The geographic start-up hub for France is Paris, with most start-ups operating from there.

In 2015, 13,188 French firms in the ‘business economy’ with at least 10 employees were high-growth firms. This corresponds to 8.6% of all firms in the ‘business economy’, lower than the EU average of 9.9%. Similar to the EU as a whole, the sectors with the highest proportion of high-growth firms in France are information and communication (17.0%) and administrative activities (13.8%).

The outlook for SMEs in France is favourable. Growth in SME value added is projected to accelerate to 6.5% in 2017-2019. Also, SME employment is expected to rise again, up 1.9% in 2017-2019 with around 169,900 new SME jobs. Micro firms are forecast to be the main drivers of this SME growth, with an estimated 9.5% increase in value added and a 4.7% rise in employment.
France’s SBA profile remains similar to last year’s, performing in line with the EU average in most areas. France performs above the EU average in state aid & public procurement and skills & innovation, the latter having improved since last year. ‘Responsive administration’ and single market remain weak points, though all other areas are closely aligned to the EU average. France is not among the top or bottom three Member States for any of the SBA areas.

Since 2008, France has implemented many policy measures addressing all policy areas of the Small Business Act. Policy activity has mainly focused on improving the business environment. As such, several measures have been implemented to stimulate business creation and improve responsive administration. However, more effort is required for business transfers.

In 2017 and the first quarter of 2018, the reference period of this year’s fact sheet, France implemented nine measures addressing 4 out of the 10 policy areas under the Small Business Act. The SBA areas where the most progress was made are ‘responsive administration’ and access to finance. The SBA areas experiencing the least or no progress during the reference period are state aid & public procurement and to a lesser extent, single market and internationalisation. However, for these last two areas the government has announced an initiative.

Overall, SME stakeholders acknowledge that progress in implementing the SBA has been limited, though there is widespread consensus that the areas that saw the most progress during the reference period were ‘responsive administration’ and access to finance.

France has adopted a series of policy measures in line with SBA recommendations, and SMEs continue to show positive sentiment in opinion polls on recruiting or investment intentions. Over the past 9 months, the new government has guided key reforms through the French parliament within a calmer social context. These include: (i) significant reform of labour law and clearer redundancy rules (with ceilings for redundancy payments in case of dispute); (ii) the replacement of the solidarity tax on wealth (ISF — l’Impôt Sur la Fortune) with a tax exclusively on property (IFI — L’Impôt Sur la Fortune Immobilière); (iii) and the introduction of a flat tax on financial income and lower social contributions to help reduce the cost of labour. The reform momentum initiated by the new government had a positive impact on the general mood among the SME/business community. The consultation of businesses is more widely used as was the draft law on growth and business transformation at the end of 2017\(^4\). Generally, government officials are being encouraged to practice and promote a culture of awareness of SMEs and their needs. SME representatives have noted a more productive dialogue with the administration in recent times, particularly on the financial consequences of some measures. Despite this, there remains room for improvement; measures such as a better SME impact assessment framework and more SME consultation during the legislative process would help SMEs keep step with the rapidly changing legal environment and administrative procedures, both side effects of the high number of regulatory changes of recent years.

SME sentiment is positive on the direction taken and the level of modernisation of the economy during the reference period, though it remains cautious about actual outcomes\(^5\). For example, the end of the solidarity tax on wealth (ISF) should create more opportunities to invest in SMEs, but the end of this solidarity tax also ended ‘ISF PME’, a special vehicle for investing in SMEs to avoid paying the ISF. Many of the reforms are difficult to grasp because of uncertainty during the transition period. SMEs are concerned about whether the current reform momentum, and the boost it gives them, can be maintained. They are also concerned about the consequences and the way forward should it slow.
SBA performance of France: state of play and development from 2008 to 2018\(^6\)

**Legend:**
1. Entrepreneurship
2. "Second chance"
3. "Responsive administration"
4. State aid & public procurement
5. Access to finance
6. Single market
7. Skills & innovation
8. Environment
9. Internationalisation

Note: The scores presented in the chart above are not fully comparable to those displayed in previous versions of the fact sheet. This is due to a review of the framework of indicators used to assess performance across the SBA principles. Only the aspects with sufficient background data are presented. The value for progress over time was set to 0% in case of insufficient data and marked in the above chart by a diamond shape. For more details, please consult the methodological note on the webpage of the SME Performance Review: http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/
3. SBA principles

3.0 ‘Think Small First’

The ‘Think Small First’ principle is meant to be a guiding principle for all policy- and law-making activities. It requires policymakers to take SME interests into account at the early stages of the policy-making process. The principle also calls for newly designed legislation, administrative rules and procedures to be made simple and easy to apply.

Since 2008, France has implemented parts of the ‘think small first’ principle but still needs to put several fundamental pieces in place.

The French administration consults companies and federations on a regular basis to survey business opinion before a reform is adopted. For example, an internet consultation for some legislative proposals can highlight the need of companies to take full advantage of the new law. Moreover, when the French administration is drafting a bill, an inspection unit often conducts a study visit to examine the possible impact the proposed legislation could have on businesses and specifically SMEs.

The results of these consultations are included in impact assessment reports that have become mandatory for laws, orders and decrees proposed by the government since 2011. However, there is no independent scrutiny of the quality of impact assessments18. Also, impact assessments are rarely made before drafting a legislative text; more often, they are made in parallel to the drafting or just before the parliamentary debate.

Some elements of the SME test are required in these impact assessments. After examining the impact assessment reports, the government’s general secretariat can decide to carry out an SME test if it considers that it does not have sufficient information to assess the consequences of a regulation on SMEs. In other words, an ‘SME test’ is only carried out through a consultation with SMEs when a text appears to be complex and will have a strong economic impact on them, according to the principles laid down in a manual adopted in 2014.19 However, this manual only provides guidelines and is not a mandatory mechanism. Since 2013, only 4 SME tests have been conducted involving 69 companies from 7 regions.

To better comply with the requirements of an ‘SME test’, an extended ‘SME test’20 was introduced in 2014. It complements impact studies with additional information from SMEs that is requested through a qualitative assessment when deemed necessary. However, no ‘extended SME test’ was carried out in 2016 or 2017, despite the number of laws and decrees passed concerning SMEs21. For example, the tax reform requiring companies to withhold payroll taxes directly starting in 2019 did not undergo an ‘extended SME test’ even though the reform concerns SMEs that will have to change their accounting software and explain to employees why their net salary will be lower. However, the Senate did conduct a study22, which led the government to conduct its own23. Based on the results of this latter study, the government decided to postpone the law’s entry into force for one year.

France is currently reviewing the SME test to improve its application.

Even though several key provisions of the ‘think small first’ principle still need to be enacted, progress was made in applying it during the reference period, 2017 and the first quarter of 2018. The threshold for micro-enterprises to be eligible for a streamlined administrative process has been doubled, and the social security scheme for self-employed workers has been merged with the general scheme, removing the need for people to move between the two. The timeliness of payments from public services and large companies to their subcontractors has improved (average late payment now 10 days overdue, down from 14) thanks to a growing culture of mediation. In April 2018, the government proposed unemployment insurance for independent and self-employed workers, which was introduced in the law ‘for the freedom to choose one’s professional future’ (and adopted by France’s parliament on 1 August 2018). Also, the government adopted a ‘right-to-make-mistakes’ approach for companies dealing with public services, cancelling punishment for mistakes made for the first time and in good faith.

Despite these measures, SMEs still feel that they must deal with a rapidly changing legal environment and complex administrative procedures created by the large number of regulatory changes in recent years24. More generally, government officials should be made more aware of the needs of SMEs. This could be done, for example, through schemes where civil servants work in small companies for a week to better understand their culture.

On the consultation of SMEs in legislative procedure, SME representatives have noted better and richer exchanges with the administration on new and existing actions, including on financial aspects. Early drafts and more internal material and data are shared with stakeholders. The country’s Senate has proposed several recommendations to improve the quality of the legislative process and make better use of impact assessments, including an independent body to control their quality and application. The Senate has also proposed to improve the quality of existing legislation by assessing its cost to SMEs and setting yearly simplification targets — this is crucial given that the OECD has estimated the existing administrative burden to cost SMEs an annual EUR 60 billion25.
Overall, France remained in line with the EU average in this area during the reference period. This was despite the lower performance in early-stage entrepreneurial activity (both overall and for women) and the established business ownership rate and despite the fact that all three indicators are now the second lowest in the EU. Indeed, entrepreneurial intentions increased from 15.7% in 2016 to 17.6% in 2017, as did perceptions of entrepreneurship as a desirable career choice (from 57.1% in 2016 to 59.1% in 2017). This is possibly due to the higher status given to successful entrepreneurs (from 69% in 2016 to 74.2% in 2017) and the slight increase in media attention given to entrepreneurs. A gap remains between the indicator scores for the quality of entrepreneurial education provided at basic schools and the scores for the quality in post-secondary levels. France still performs in line with the EU average for the former but well above the EU average for the latter.

Since 2008, the promotion of entrepreneurship has been one of the most active SBA areas. A key policy measure was the creation of a ‘micro-entrepreneur’ status in 2009 (formerly called ‘auto-entrepreneur’) to encourage self-employment by simplifying the administrative requirements. Start-ups or people willing to take over a company are supported by schemes such as ARCE/ARE that provide funds to job seekers who are eligible for benefits, or NACRE/ACCRE that provide advice, a 0% interest rate loan, and tax breaks (available to all starting on 1 January 2019). Since 2010, self-employed entrepreneurs have been able to easily separate (further simplified in 2016) their personal and business assets with the EIRL status. This allows them to safeguard personal assets from business creditors and effectively limit their liability. Since 1 January 2018, the ceilings for the micro-entrepreneur scheme have been raised to EUR 70,000 for service provision activities and EUR 170,000 for sales activities. The current ceilings for VAT-based exemptions (EUR 35,200 for service activities and EUR 91,000 for sales activities) remain unchanged. Therefore, whether they are craftsmen, traders or professionals, more entrepreneurs can benefit from this scheme to help develop their professional activity. Since 1 January 2018, the ceilings for VAT-based exemptions (EUR 35,200 for service activities and EUR 91,000 for sales activities) remain unchanged. Therefore, whether they are craftsmen, traders or professionals, more entrepreneurs can benefit from this scheme to help develop their professional activity. The status of ‘young innovative enterprise’ (UEI — Jeune Entreprise Innovante) has also been extended until 31 December 2019. This status provides exemption from taxes and social security contributions for enterprises classified as innovative and identified to have high-growth potential (R&D expenses must account for a minimum of 15% of their expenditure and must have been incurred less than 8 years ago). Most cities and higher education institutions are offering facilities to support start-ups in the form of third places (‘tiers-lieux’), open labs, incubators and accelerators, co-working or collaborative spaces. They often host start-ups and provide access to counselling.

In 2017, EUR 2.563 billion in risk capital was raised through 605 business transactions in the early years of the start-ups’
existence, with an average transaction of EUR 4.03 million\(^3\). However, funding is much harder to find in France for amounts over EUR 50 million\(^3\).

Opened in June 2017, Station F\(^3\) is already the world’s biggest start-up campus, and Viva Technology conventions\(^3\) dedicated to technological innovation have become a reference for start-ups. Today, one out of two companies\(^2\) is created by a job seeker, and since June 2017, about 1.1 million micro-entrepreneurs have been registered (out of 3.14 million companies\(^3\)).

The ‘Student Plan for Innovation, Transfer and Entrepreneurship’ (PEPITE) helped anchor entrepreneurship in higher education: in 2015-2016, 120,000 students were made aware of or trained in entrepreneurship. Also, the creation of the ‘national student entrepreneur’ status promotes the transition to entrepreneurial action (since the launch of the status in 2014, 8,328 student-entrepreneurs have benefited from it).

### 3.2 ‘Second chance’

‘Second chance’ refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. While France performs in line with the EU average in this area, there has been very little change to the individual indicators over the last 4 years. The only exception is the improvement in the fear-of-failure rate, which fell from 40.3% in 2016 to 39.1% in 2017, bringing it close to the EU average in 2017 of 38% and continuing the strong progress since 2008, when it was 52%.

Overall, moderate progress has been made in the area of ‘second chance’ since 2008. Most of the legal procedures to wind up a business in France require less than 2 years to complete, although according to the EU Justice Scoreboard, the actual court proceedings for bankruptcy in France alone last at least 2 years\(^3\). In 2010, protection against the seizure of an individual entrepreneur’s main residence was introduced with the ‘EIRL status’ and further simplified in 2016. In 2013, the central bank’s abolition of the ‘040’ list (entrepreneurs who went bankrupt for the first time) was a major improvement. However, even though honest entrepreneurs are discharged if they record a bankruptcy proceeding (previous indicator ‘040’), they still have difficulty securing new loans. This is because commercial banks maintain their own records of all past incidents, even if the official ‘040’ indicator has been expunged. This contributes to negative perceptions of failed entrepreneurs that prevail in the wider society\(^3\).

There is also still not enough difference between the treatment of ‘honest’ entrepreneurs and those deemed to be committing fraud. For example, if an entrepreneur was in charge of more than one bankrupt company (for example, in the case of the separation of the company with the infrastructure), his/her name is recorded by the national bank (‘Banque de France’) for 3 to 5 years (using the ‘050’ or ‘060’ indicators).

In March 2018, the government announced a new type of unemployment insurance for independent and self-employed workers\(^3\). However, this system will be less generous in terms of duration (about 6 months maximum) and compensation (although it has not yet been confirmed). In return, independent and self-employed workers will not be asked to contribute to the cost of the system.
3.3 ‘Responsive administration’

‘Responsive administration’ refers to public administration being responsive to the needs of SMEs. France performs below the EU average in this area, similar overall to last reference period’s performance. The time to register a property remains the longest in the EU. However, although still some distance from the EU average, there has been an improvement in the way businesses perceive the impact that fast-changing legislation (seen as a problem by 89% in 2015 compared to 80% in 2017) and the complexity of administrative procedures (seen as a problem by 89% in 2015 compared to 85% in 2017) have on doing business. Such improvement was partially offset by a drop in the perceived competency and effectiveness of people working for government agencies that support new and growing firms, and by an increase in the cost of transferring a property from 6.1% of the property value in 2016 to 7.3% in 2018.

Since 2008, moderate progress has been made in ‘responsive administration’. A company’s registration number is now used to share information between various administrative organisations directly, rather than the company having to provide the information to each organisation separately. Another important measure is the ‘silence-is-consent’ principle, which is now gradually being introduced (about 1 500 processes are covered). Most requests addressed to the administration are treated within 2 months (with some exceptions, such as the six-month period for patent applications). Not receiving any reply from the administration after the set time passes is considered to be equivalent to an agreement.

Despite this progress, the simplification process has been hampered by the large number of new and revised laws these past 8 years. SMEs highlight the number and significance of changes to regulatory mechanisms, most of which are not preceded by an ‘SME test’ assessing possible impacts (this is mainly due to the sheer number of legislative texts being voted on). Arguably the most anticipated change was to the ‘account for arduous work’ (compte pénibilité), which is a measure that provides employees whose roles involve physically strenuous, repetitive tasks on a daily basis with the opportunity to retire early. The time-consuming compliance process was streamlined in 2017 by the new government, a very welcome development for SMEs.

During the reference period, 2017 and the first quarter of 2018, several important policy measures were adopted or announced. These included: (i) further reforms to labour law to simplify the collective bargaining process, (ii) the creation of a standard financial scale of damages to provide more visibility and security in case of redundancy, (iii) and reforms to rules governing dismissal that re-prioritise employee rights and the substance of the matter at hand over procedural improprieties. The
government has also doubled the ceiling for self-employed workers in micro-enterprises to benefit from a streamlined administrative process and merged the social security scheme for the self-employed with the general scheme for company and state employees, removing the need to move from one to the other. In addition to the Circulaires of 26 July 2017 and 12 January 2018 on simplification issued by the Prime minister, France's parliament adopted the ‘right to make mistakes’ ('Loi pour un État au service d'une société de confiance') on 31 July 2018. This is essentially a measure that allows companies to avoid punishment for a first mistake provided it was made in good faith and was not an attempt to cheat or circumvent the system40.

3.4 State aid & public procurement

France has maintained its above-average performance in this area — it still has the EU’s second highest proportion of businesses taking part in public tenders despite the figure falling from 54% in 2015 to 47% in 2017, and the third highest amount of aid earmarked for SMEs. The average late payment from public authorities fell from 12 days in 2016 to 9 days in 2017, which is in line with the EU average.

Overall, moderate progress has been made in this area since 2008. One of the most significant policy measures was changes to public procurement laws to make it easier for SMEs to participate in public tenders. Since the simplified public procurement procedure (MPS — marché public simplifié) was introduced in 2014, it has been utilised more than 46,000 times41. Rules to further simplify and modernise public procurement practices entered into force in April 2016 (as provided for by the three EU public procurement directives of February 2014) and are being implemented by local, regional and national authorities, albeit slowly. Moreover, the new legal framework is leading to changes in buyer behaviour. This is thanks to 'innovation partnerships' between supplier and buyer and the possibility for buyers to meet with companies upstream in the competitive bidding process. These meetings are facilitated through a specific platform where buyers are able to request innovative services and suppliers with innovative solutions (less than 2 years old or not yet commercialised) not yet technically on the market42. Two ombudsmen have been appointed, one to mediate between SMEs and their banks or credit insurance companies and the other to improve relations between public services, large companies and their subcontractors43. Both also share best practices to help SMEs participate more in public procurement. The efforts of the ombudsman for subcontractors have seen positive results across several indicators. Late payments (by law considered late after more than 45 days) from large or public entities to SME suppliers have been reduced on average from 14 to 10 days44, adding the equivalent of EUR 4 billion in cash flow for SMEs. There has been a steady rise in ombudsman cases (1 200 in 2017 against 100 in 2010)45. This actually strengthens links between customers and suppliers by creating a culture of mediation (the success rate of mediations is 75 %) rather than litigation or other costly dispute-resolution mechanisms.

Because of these various measures, responsibility has become less centralised (e.g. labour market reforms negotiated with regional branches, or local administrations given the ‘right to make mistakes’). This indicates a higher level of faith by the government in the capacity of local operators to administer services, though some SMEs are sceptical of this.

The action plan to promote company growth and investment, PACTE, was devised using a co-construction methodology that involved various stakeholders (regions, parliamentary groups, the social and economic council, professional organisations and trade unions) and an online public consultation held between 15 January and 5 February 201846.

Variation from the EU average (measured in standard deviations, EU average=0)

| Percentage of businesses participating in public tenders (%) | 2017, France: 47; EU avg: 32 |
| Percentage of businesses submitting proposals in a public electronic tender system (e-procurement) (%) | 2013, France: 18.6%; EU avg: 12.85 |
| Percentage SMEs account for in the total value of public contracts awarded (%) | 2013, France: 31; EU avg: 29 |
| Average delay in payments from public authorities (in days) | 2017, France: 9; EU avg: 9.27 |

Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

No major policy measures on state aid & public procurement were implemented or announced in 2017 or the first quarter of 2018.
3.5 Access to finance

France continues to perform in line with the EU average in this area. At a time when private credit to non-financial corporates in France has increased as a share of GDP since 2010, overall financing conditions appear to be improving. In particular, the cost of borrowing for small loans relative to large loans fell from 27.1% in 2016 to 22.8% in 2017. Willingness of banks to provide a loan (percentage of respondents that indicated a deterioration), 2017: France: 14.0%, EU avg: 9.68. Rejected loan applications and unacceptable loan offers (percentage of loan applications by SMEs), 2017: France: 4.33%, EU avg: 5.93. Access to public financial support including guarantees (percentage of respondents that indicated a deterioration), 2017: France: 12.99%, EU avg: 10.18. Venture capital investments (percentage of GDP), 2016: France: 0.04%, EU avg: 0.03. Equity funding for new and growing firms (1-5), 2017: France: 2.88, EU avg: 2.78. Business angels funding for new and growing firms (1-5), 2017: France: 2.77, EU avg: 2.8. Since 2008, access to finance has significantly improved. Measures addressing this include the 2008-2009 recovery plan and the 2010-2015 ‘national loan’ (‘grand emprunt’) of EUR 47 billion (extended by EUR 10 billion for 2017-2022). Such measures have boosted French competitiveness by investing in research, higher education and vocational training, industry and SMEs, sustainable development and the expansion of sectors such as digital technology. Other measures included here are the introduction of funding for unemployed people starting businesses (which has seen a strong uptake) and the creation of Bpifrance, a public bank for entrepreneurs. The lending capacity of Bpifrance has been strengthened several times since its inception, both for guaranteed loans and equity investment.

Commercial banks have also warmed somewhat to SMEs (EUR 967 billion in loans to companies in 2018 against EUR 780 billion in 2011), and ombudsman cases involving disputes between SMEs and their banks or credit insurance companies has fallen (2,302 requests in 2017 against 16,864 in 2009). The competitiveness and employment tax credit (CICE) was also introduced in 2013, reducing labour costs for SMEs.

The ‘Industry for the Future’ policy framework adopted in May 2015 is an important step in modernising France’s industrial base and turning traditional business models into more disruptive ones. In December 2016, 4,100 SMEs had been supported by this policy framework through a mix of professional advice, loans and tax incentives to accelerate their transformation. Several tools are also available for start-ups and innovative firms under the ‘French Tech’ initiative. These include funding for business incubators and accelerators and the special status of ‘young innovative enterprises’ (JEI).

SMEs are also benefiting from a gradual reduction of the corporate tax rate from 33.3% in 2017 to 25% in 2022 and from better access to finance through simplified inter-company loans, fiscal incentives for corporate ventures and an innovative SME account that provides tax breaks if capital gains are reinvested. The government is pushing hard for stronger sanctions for late payment to SME subcontractors by large and/or public entities; stronger rules, more control and a combination of fines and name-and-shame practices are all envisaged. The ombudsman for subcontractors also helps to
recover late payments from large companies by encouraging a culture of mediation and by spreading good practices. The ‘Responsible Supplier Relations’ (RFR — Relations Fournisseurs Responsables) charter brings together 1,900 companies and public entities (including major cities and urban communities) under 10 common charter commitments that promote respect for their suppliers. The Supplier Relations and Responsible Purchasing (RFAR — Relations Fournisseurs et Achats Responsables) accreditation, now backed by the ISO 20400 standard (‘responsible purchasing international standard’), was awarded to 39 organisations after a thorough audit covering economic, societal and environmental responsibility.

Several additional measures were implemented or announced during 2017 and the first quarter of 2018. A new EUR 57 billion ‘Big Investment Plan’ for 2018-2022 will accompany structural reforms and address four issues: (i) accelerate the transition to carbon neutrality, (ii) improve access to employment by increasing skills, (iii) increase competitiveness through innovation, (iv) and build the digital state. The government will turn the competitiveness and employment tax credit (CICE) into a permanent reduction of payroll charges in 2019 under its action plan for investment and growth. It has set a flat tax rate of 30 % on all capital income, which is lower than in the past. The solidarity tax on wealth (ISF) has been replaced by a real estate tax (IFI — ‘Impôt sur la Fortune Immobilière’), applicable only to property and real estate interests and holdings. Unemployment and sickness insurance contributions, currently paid by employees, will also be eliminated, thus lowering labour costs to improve competitiveness and increase employee pay. This elimination of employee contributions is offset by an increase in the social contribution (CSG — ‘Contribution Sociale Généralisée’) paid by all taxpayers (together with personal taxes). This also takes pressure off employers to increase salaries given that employees will see their take-home pay increase once the insurance contributions are no longer deducted.
3.6 Single market

France has improved its performance in this area since the previous reference period, moving out of the bottom three in the EU. Progress has been driven by a sharp reduction in the number of single market directives not yet transposed (from 11 in 2016 to 2 in 2017) and the number of pending infringement proceedings (44 in 2016, 34 in 2017) and by a slight reduction in the average time for transposition from 5.6 months in 2016 to 4.3 months in 2017. Despite this, market access remains a problem, with France still the second poorest scoring Member State for established firms hindering the growth of new firms, and a slight drop in the ease with which new or growing firms can easily enter new markets. The proportion of SMEs exporting online in the EU also fell from 7.9% in 2015 to 7.4% in 2017, remaining in line with the EU average. This deterioration was slightly bigger for traditional manufacturing SMEs importing and exporting within the EU (by more than 1 percentage point each in the same period) and constituted the main challenge in this SBA area.

Since 2008, the single market is the SBA area that has seen the least policy progress. A number of administrative services exist to help SMEs expand across national borders; however, the duplication and number of administrative services, and lack of coordination among them, has resulted in a suboptimal and complex supporting environment that makes it harder for SMEs than for large companies to engage in cross-border business.

No significant new single market policy measures were implemented in 2017 and the first quarter of 2018. However, in February 2018, the government announced a plan to merge a number of operators supporting SMEs. The plan follows the examples of successful contracts won recently in the defence sector and the setup of the regional agency in Brittany (BCI — ‘Bretagne commerce international’)54 where the agency merged with the local international chamber of commerce. Consolidating various agencies into a main operator should lead to economies of scale and better regional support for SMEs and help boost the number of exporting companies. The objective of the foreign minister is to increase the number of exporting companies from 124 05755 in 2017 to 200 000 by 202256 (compared with 350 000 in Germany and 240 000 in Italy in 2017).
3.7 Skills & innovation

France scores slightly above the EU average in this area and scores second highest in the EU for the adequacy of government subsidies to acquire technology. The share of SMEs selling online stabilised (from 15.9% in 2016 to 15.8% in 2017) with a similar increase in the proportion of SMEs purchasing online over the 2015-2016 period. Turnover from e-commerce continued to grow from previous years, up from 10.3% in 2016 to 11.1% in 2017. The percentage of employees with specialist ICT skills also continued to grow slowly (from 14% in 2016 up to 15.7% in 2017) while the proportion of SMEs providing specialist ICT-focused training to their employees fell from a peak of 19.1% in 2016 to 17.6% in 2017.

Since 2008, moderate progress has been made on skills & innovation. Substantial funding for research and innovation was provided through: (i) the 2010-2015 ‘Investment for the Future’ plan of EUR 47 billion (extended by EUR 10 billion for 2017-2022), (ii) the public investment bank ‘Bpifrance’, (iii) the 2000 ‘tax research credit’ (iv) and the 2004 ‘status of young innovative companies’ (JEI). SMEs can also find support from ‘competitiveness clusters’ in forming innovation partnerships. The ‘Investment for the Future’ plan has supported structured investment in research and innovation, involving 14 larger, more professional innovation incubators (called SATT, equivalent to the Fraunhofer Institutes in Germany) and 38 thematic research networks known as ‘Instituts Carnot’ that sign about 3 000 contracts with SMEs per year. The ‘research tax credit’ and the ‘status of young innovative companies’ are also increasingly used by SMEs. The government is pursuing the ‘Industry for the Future’ policy framework launched in May 2015 to modernise the industrial base and encourage disruptive new business models.

The French Tech initiative has achieved scale, with seed funds equivalent to other advanced nations, but fails to create ‘unicorn’ firms valued above EUR 1 billion. For example, start-ups only account for 0.1% of the amount spent by major companies on purchases. Complex regulatory and administrative requirements seem to prevent the growth of the digital and collaborative economy.

As mentioned in the 2018 country report for France, ‘there has (...) been only limited progress in raising the efficiency of public support schemes for innovation and revising the system of vocational education and training’.

The government’s plan to create 500,000 additional training opportunities significantly increased the annual access rate to
training for job seekers, from 8.4 % in 2015 to 15.1 % in 2016, and was followed up by 200 000 training opportunities in 2017. The plan was seen as an exceptional opportunity for increasing the training of job seekers — and meeting the recruitment needs of companies, which were beginning to return to certain regions. The plan reached its quantitative objectives with 1 013 000 training entries recorded in 2016 (an increase of 48 % compared to 2015) and 356 060 training course entries for long-term or low-skilled jobseekers.

However, according to national reports56, 66, the rapid set-up of the plan implied rather an intensification of existing orientations, focusing in particular on short training without any clear strategic vision of the needs that would have to be fulfilled to return to work67. Hence the average duration of training fell between 2015 and 2016. With a growing focus on targeting jobseekers further away from the labour market, the number of people finding work did not go down.

3.8 Environment

France performs in line with the EU average in this area. 94 % of SMEs took resource-efficiency measures in 2017, the third highest score in the EU. The percentage of SMEs benefiting from public support for their resource-efficiency actions increased from 31 % in 2015 to 54 % in 2017, indicating that the public policy of financing green initiatives might have been effective. Despite this, the country had the second lowest percentage of SMEs in the EU with more than half their turnover generated by green products or services.

Policy progress on the environment principle has also been limited by the lack of measures taken for the benefit of SMEs, though the ‘Grenelle 1 and 2’ laws have provided some momentum for environmental initiatives. The ‘Grenelle 2’ law, adopted in 2010, has aimed to stimulate green growth by supporting sustainable development activities. The ‘Ecotech Ambition 2012’ programme was set up to encourage the growth of environmentally friendly industries by providing funding and advising green SMEs. The programme was complemented by the

In September 2017, the new government announced an important plan for vocational training in conjunction with a deep reform of both continuous vocational training and apprenticeships (‘Réforme de la formation professionnelle et de l’apprentissage’), to be complemented by measures on school-based initial vocational education. In 2016, SMEs still accounted for close to 82 % of new apprenticeship contracts. Providing the adequate skills is key, as many companies are still affected by skilled labour shortages: 57 % of business leaders say they lack skilled workers to grow their company (83 % experience some difficulties in recruiting, 49 % experience serious difficulties)48.

The government planned to address this by spending an additional EUR 15 billion over 5 years on vocational training initiatives targeting 1 million young people not in education, employment or training (NEETs) and 1 million low-qualified and long-term job seekers. The skills investment plan is being gradually implemented, in line with the law ‘for the freedom to choose one’s professional future’, presented in April 2018 (and promulgated in September 2018).
3.9 Internationalisation

France’s performance in this area is in line with the EU average, despite a decrease in the scores of individual indicators in relation to the EU average, which itself has increased. There was a marginal drop in the percentage of SMEs exporting online outside the EU from 5.2% in 2015 to 4.6% in 2017. The methodology for the indicators on trade facilitation changed in 2017, preventing comparison with previous fact sheets on these indicators. These are indicators on information availability, advance rulings, the automation of procedures or formalities and border agency cooperation.

Since 2008, the main French agency for promoting exports, ‘Business France’, has been strengthened with additional resources. The aim has been to support about 10 000 companies (in 2009), a merger with similar departments located abroad from the Ministry of the Economy (in 2011), and a merger with the French Agency for International Investment (in 2015). These mergers were designed to streamline the various smaller agencies and bring them under one umbrella.

Bpifrance, the public bank for entrepreneurs, took over responsibility for the public export guarantee from COFACE (2016). This consolidation of agencies and responsibilities has increased efficiency and enabled resources previously consumed by administrative processes to be reallocated for more productive uses. This has seen the number of companies exporting increase for 4 consecutive years, with an additional 4 000 companies sending products or services overseas since 2015. However, the overall number of companies exporting to foreign markets remained relatively low at about 125 000 in 2015 and 2016, and the net trade balance deteriorated in 2016 after several years of improvement. While not all the news is good, SMEs are certainly playing a growing role in internationalisation efforts, with 26 000 new SMEs exporting in 2016.

Currently there is no single ‘helpdesk’ or contact point but a variety of public agencies and professional associations assisting SMEs in going global (Business France, Bpifrance, chambers of commerce and regional authorities). Despite this, many SMEs have little or no access to public support due to the limited resources of these agencies.

France’s industrial base must modernise if it is to move up in the value chain and become more competitive. Initiatives supporting this outcome include the ‘Industry for the Future’ policy framework, the ‘French Tech’ programme for innovative companies, the ‘French Fab’ programme for industrial companies and the ‘Living Heritage Industries’ (‘industries du patrimoine vivant’) programme that recognises French companies exhibiting expert craftsmanship and industrial excellence. Major obstacles to internationalisation remain and include lack of fluency in foreign languages, production costs and unfavourable regulation.

During 2017 and the first quarter of 2018, the Prime Minister announced the new strategy for international export support. Its four objectives are to: (i) make France’s regions a launch-pad for internationalisation based on Team France Export; (ii) develop simpler, more efficient export support; (iii) ensure greater proximity on the ground for access to public financing abroad; (iv) and ensure companies have employees trained for international trade, given that the success and sustainability of exports depend largely on the level of skills of employees.
4. Interesting initiative

Below is an example of an initiative from France to show what governments can do to support SMEs:

France Expérimentation

Since March 2003, the French Constitution (Article 37-1) has allowed temporary exceptions from certain regulatory provisions for the purposes of testing and evaluating new services in real-world conditions. This is in acknowledgement of the role experimentation plays in innovation and in recognition of certain legal and administrative standards that restrict or prevent innovation. Unfortunately, this measure is rarely utilised due to the lack of a single point of contact for interested parties, poor coordination between various export support agencies and the lack of a formal application procedure. To address this, ‘France Experimentation’ was launched in June 2016 to unify the various aspects of the legislative permission for experimentation, and to act as a single point of contact for interested parties with a clear, transparent and responsive system. The first call for projects was made in 2016, from June through December, and was addressed to legal entities or individuals pursuing innovative projects whose development had been slowed or hindered by regulations (decrees or orders). Out of 85 submissions, 6 projects were selected and 26 were provided a solution that fell within existing regulatory standards. Once a project is selected, the government publishes a decree defining its implementation features such as duration, location and evaluation method. At the end of the experimental period, an evaluation is carried out to enable the administration to assess whether or not it would be beneficial to apply the exemption more widely. Out of the 85 project applicants, 72 % were SMEs of which 48 % were microbusinesses. A new call, launched in May 2018, proposed regulatory exemptions and legislative derogations under which selected projects will be tested for a limited time and then generalised if approved. The call for regulatory exemptions should be open permanently while the call for legislative derogations closed at the end of May.

References:

https://www.entreprises.gouv.fr/politique-et-enjeux/france-experimentation


https://www.gouvernement.fr/sites/default/files/document/document/2018/05/dossier_de_presse_-_soutenir_nos_entreprises_innovantes_-_deplacement_de_m_edouard_philippe_premier_ministre_dans_le_cher_-_03.05.2018.pdf

www.xyz.se
Important remarks

The European Commission Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW) produces the SBA fact sheets as part of the SME Performance Review (SPR), its main vehicle for economic analysis of SME issues. They combine the latest available statistical and policy information. Produced annually, they help to organise the available information to facilitate SME policy assessments and monitor SBA implementation. They take stock and record progress. They are not an assessment of Member State policies. Rather, they should be regarded as an additional source of information to improve evidence-based policy-making. For example, they cite only policy measures national SME policy experts consider relevant. They do not and cannot reflect all measures the government has taken over the reference period. There is more policy information on a database accessible from the SPR website.

SME Performance Review:  
grow-spr@ec.europa.eu

Small Business Act:  

Entrepreneurship and SMEs:  
https://ec.europa.eu/growth/smes

Endnotes

1 The two graphs below present the trend over time for the variables. They consist of index values for the years since 2008, with the base year 2008 set at a value of 100. As from 2016, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2015 figures from Eurostat’s Structural Business Statistics Database. The data cover the ‘non-financial business economy’, which includes industry, construction, trade and services (NACE Rev. 2 sections B to J, L, M and N). They do not cover enterprises in agriculture, forestry and fisheries or largely non-market service sectors such as education and health. A detailed methodology can be consulted at: http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/


7 Ibid.
In March 2017, 48 new measures to simplify burdens on SMEs were adopted by the Simplification Council. Later in July, the new government issued a circulaire prescribing that any new regulatory norm should be counterbalanced by the withdrawal or, if duly justified, simplification of at least two existing norms. In the last 5 years, around 100 decrees have been taken per year while between September 2017 and March 2018 only 12 decrees were prepared and 5 adopted, leading to around 10 repeals or simplifications.
The name will change to 'exonération de début d’activité', https://www.afecreation.fr/pid643/accre.html

The rate applicable to companies with profits up to EUR 50 000 will decrease from 33.3 % to 28 %. Others rates applicable in 2017 remain unchanged in 2018.

https://www.mps.aplentreprise.fr

In 2018 only the rate applicable to companies with profits up to EUR 500 000 will decrease from 33.3 % to 28 %. Others rates applicable in 2017 remain unchanged in 2018.

https://www.bretagnecommerceinternational.com