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France's New Government: Business as Usual?

By Brunswick's Paris Office

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Three weeks after his victory over Marine Le Pen and his re-election as President of France, Emmanuel Macron announced the appointment of Elisabeth Borne as Prime Minister and the formation of a new government, bringing together a selection of well-known figures from mainstream political parties.

This government will not be able to pass new laws before the legislative elections of June 12 and 19. Until then, its main mission is to persuade French voters to renew the absolute majority Macron needs to implement his programme over the next five years.

Macron will need to pay greater attention to social issues during this second term and respond to the widespread discontent voiced during the presidential election – and demonstrated by strong support for left and right extremes. Avoiding more social upheaval in the 'yellow vests' vein is a *sine qua non*.

Brunswick's Paris office analyses the composition of this new government, and what it means for companies doing business in France.

No changes to the political balance

As France's new prime minister – and the first woman to lead its government in 30 years – Elisabeth Borne fits the required centre-left profile and brings extensive public sector experience. She will be tasked with delivering on Macron's environmental promises and leading a new attempt at unpopular pension reform, all while responding to inflationary cost-of-living pressures on the French population. Most members of her newly announced cabinet are hangovers from the previous government – including Bruno Le Maire, who stays on as finance and economy minister. There are also

new faces from the left and right, such as France's ambassador to the UK (and Brunswick alumnus) Catherine Colonna, who becomes France's foreign minister. A greater emphasis has been placed on diversity, with the appointment of Pap Ndiaye, an historian, as the new education minister, or Rima Abdul-Malak, former advisor to President Macron, as the new culture minister.

A pro-business approach...

During President Macron's first term, tax policy became more business-friendly: the corporate tax rate was lowered to 25% in 2022 (versus 33.3% in 2017) to approach the Organisation for Economic Co-operation and Development (OECD) average; a politically divisive wealth tax was replaced with a real-estate levy; and several production tax rates were lowered. These measures represented a combined €26 billion in corporate tax savings. Furthermore, new foreign direct investment (FDI) incentives were introduced, and related processes simplified. The attractiveness effort is underpinned by the 'Choose France' campaign, featuring an annual summit for foreign CEOs on their way to Davos, hosted by the president in person at the Palace of Versailles.

... with increased redistribution

In response to the looming cost-of-living crisis, as well as a lingering perception of Macron as the "president of the rich," it is likely that he will seek to increase the redistribution of wealth (especially corporate profits) to some degree – although it is hard to predict at this stage what form such measures could take.

Stronger green incentives for companies

Macron has attracted some criticism for the general absence of any new coercive environmental measures applying to companies

during his first term. This could change; one of his first pledges following re-election was to "make France a great ecological nation".

Macron has already declared that executives' variable compensation should be regulated at EU level – and possibly linked to environmental objectives – in the wake of a series of CEO pay controversies that emerged during the presidential campaign.

He has also announced a €50 billion annual budget for environmental transition, which could very well include support schemes for green investments and decarbonation of industry, following on from the €34 billion "France 2030" plan announced in January 2022. This could make new public funds available to companies seeking to improve their environmental footprint and lead to new opportunities in the energy sector – including in hydrogen and nuclear energy.

Elisabeth Borne

France's new prime minister, Elisabeth Borne, is an engineer by training and a technocrat known for her work ethic. Formerly close to the Parti Socialiste, she sits towards the left of Macron's centrist party.



Borne, who has never held elected office, is now running for a seat at the National Assembly after an extensive career in the public sector, spanning roles such as director of strategy at the SNCF, the national rail operator; regional administrator ("prefect"); and head of the RATP, which runs the French capital's metro network, buses and trains.

She joined Macron's government in 2017 as transport minister, where she successfully led a reform of the SNCF against significant opposition from unions and the radical left. She subsequently took on the environment portfolio before serving as labour minister – in which role she worked on an updated pension reform proposal.

Support for lower-income households

President Macron has already implemented several measures to support purchasing power,

both at the fiscal level through tax reductions and with direct aid in the form of vouchers to offset higher energy prices, yet these are widely viewed as insufficient. A sharp drop in unemployment – to a 15-year low of 7.4% at the end of 2021 from 9.5% four years earlier – has done little to soften negative public opinion.

Against that backdrop, Macron is taking a considerable risk by reviving pension reform – repeatedly postponed but now confirmed for 2022. His newest proposal to increase the legal retirement age gradually from 60 to 65 may reignite serious social tensions.

In any event, the new French government can also be expected to offer some social sweeteners, such as increased minimum wages and pensions, more nurses for care homes and new limits to inheritance tax.

Gender equality and anti-discrimination laws

Progress towards gender equality was a key objective of Macron's first five years in office, and he has vowed to go further in his second term.

An online Equality Index introduced under Macron aims to reduce gender-based pay disparities, while a new law requires companies with more than 1,000 employees to promote women to at least 40% of senior positions by 2030 or incur penalties. Under new name-and-shame rules, companies will also be compelled to publish annual data on the gender balance of their leadership teams.

As part of his last government's broader efforts to tackle workplace bias, Macron also introduced systematic screening of all companies with more than 5,000 employees to ensure compliance with existing French anti-discrimination laws.

Key legislative elections

Further changes to the new government line-up are possible once the new composition of the National Assembly becomes clear on June 19th – particularly if Macron and his allies fall short of a majority.

Should that happen, Macron could be forced to enter a coalition with the right and/or the moderate left to form a government. The

consequences for companies would naturally depend on the final coalition makeup and required compromises on policy.

According to recent polling, Macron appears likely to keep his overall majority. This time, however, the governing party may well face

tougher and more politically effective opposition from a newly formed coalition of leftist parties.

The Brunswick Paris office remains at your disposal to help you navigate this changing political landscape.

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