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SOCIÉTÉ CIVILE

Investigating to reform N° 199

GREAT DEBATE 2019

PUBLIC SPENDING SAVINGS PLAN:

30 billion in 2022
60 billion in 2027

March 2019 - € 8

FONDATION iFRAP
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Public spending: the iFRAP Foundation's plan

to save 30 billion euros in 2022 and 60 billion in 2027.

The “yellow vests” crisis demonstrated that our country has reached a level of fiscal exasperation such that a single measure, the rise in fuel tax - could trigger a wave of protest and a social crisis the likes of which have rarely been seen before.
With tax cuts announced at the end of the year for nearly 11 billion euros, together with the great debate subsequently organized, we are witnessing a kind of innovation competition to reform the French tax system rather than tackling our country’s number 1 problem: our record in terms of public spending.

Eurostat statistics show that our country is positioned at 56.5% of national wealth (GDP) in terms of public spending (including tax credits) in 2017 when the EU average is 45.8%. This puts us in first position, in front of Finland and way ahead of Germany (43.9%) or Sweden (49.3%). We have chosen to compare ourselves with these two countries to show that it does not come down to simply a choice of social model, as Sweden and Germany have public services and a social protection system at least as ambitious as ours, it is also a public management system that must be reformed. As such, we spend 287 billion euros more than the Germans or 163 billion euros more than the Swedes.

With international statistics, we can compare ourselves more accurately in each public policy area based on a nomenclature of public spending by function:

- hence, compared with Germany, we spend: 63 billion more on economic actions, 21 billion more on healthcare, or even 92 billion more on pensions despite Germany’s falling population figures.
- compared to Sweden, we spend 14 billion more on the environment and 15 billion more on unemployment.

Therefore, economic levers are very decisive.

The President of the Republic wrote to the French people to ask for their opinion on taxation, public spending, ecological transition and institutions. In particular, he asked them “ *What savings do you think should be made on priority?* ”

The iFRAP Foundation submits its action and transformation plan to reduce spending with 7 topics and 60 billion euros of savings as a target for 2027. This effort would put our public finance trajectory back to 52% of GDP in 2022.

The iFRAP Foundation's savings plan

	2022	2027
Retirement pensions	10.8	18.7
Public service wage bill	4.2	12.8
Single social welfare benefit	3.5	5.0
Unemployment	4.3	4.3
Local authorities	5.5	14
Health	1.4	4.7
State lifestyle	0.5	0.5
TOTAL	30.2	60

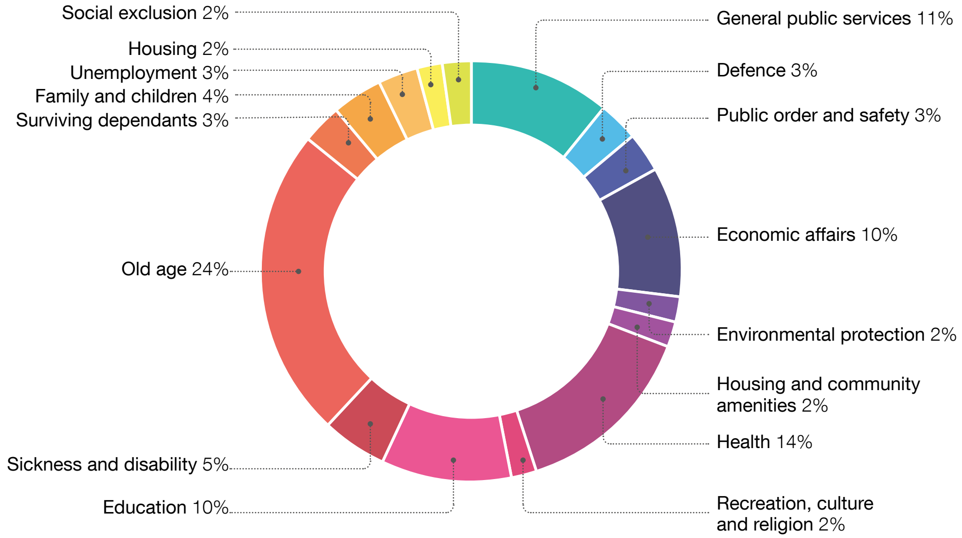
Breakdown of general government expenditure

The entire government sector		Central government	Local governments	Social security administrations	TOTAL
General public services		85.1	45.8	5.8	**136.6**
Defence		41.0	-	-	**41.0**
Public order and safety		29.9	7.8	-	**37.6**
Economic affairs		87.3	48.4	-	**135.7**
Environmental protection		3.0	18.7	-	**21.7**
Housing and community amenities		4.7	19.2	-	**23.9**
Healthcare		5.0	1.9	177.2	**184.0**
Recreation, culture and religion		8.1	23.6	-	**31.7**
Education		87.8	36.4	-	**124.1**
Social protection		106.0	49.6	402.2	**557.7**
Including	Sickness and disability	15.1	7.8	44.6	**67.4**
	Old age	54.4	7.1	244.8	**306.3**
	Surviving dependants	0.8	-	33.8	**34.6**
	Family and children	1.8	14.2	38.6	**54.5**
	Unemployment	4.5	-	40.0	**44.5**
	Housing	21.5	0.0	0.5	**22.0**
	Social exclusion	7.9	16.3	-	**24.3**
Total expenditure		457.8	251.1	585.2	1,294.1

Source: INSEE 2017

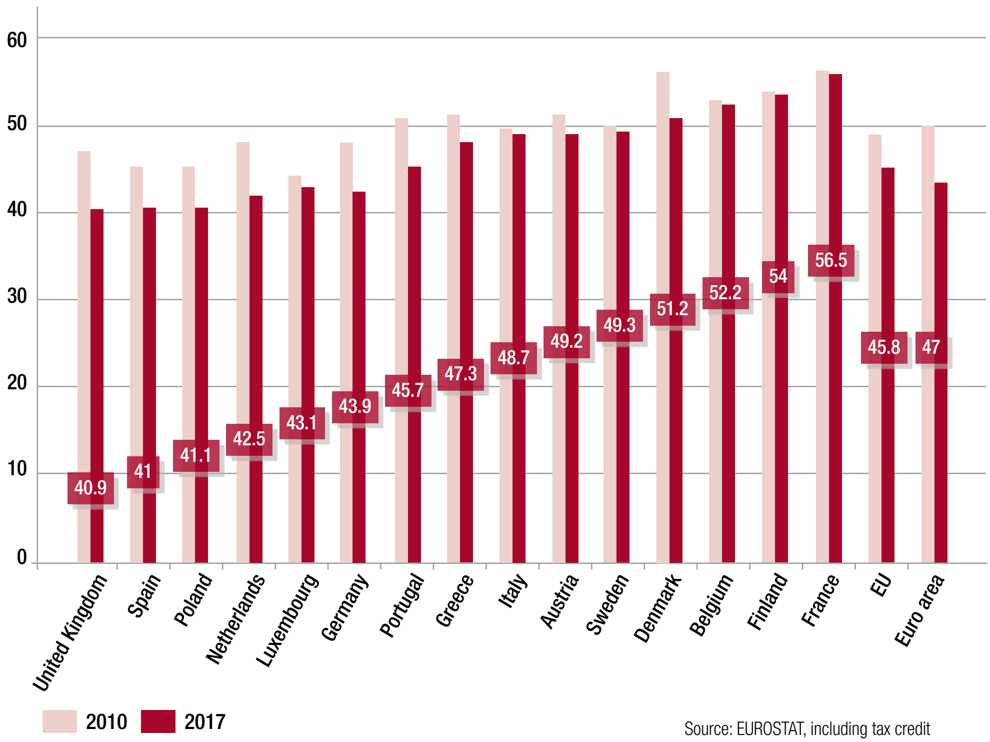
Public spending in figures

Breakdown of total public expenditure by public policy



Source: INSEE 2017

Breakdown of total general government expenditure by public policy



Source: EUROSTAT, including tax credit

International comparison of public policies

			Where France spends more compared to		Where France spends less compared to		Net differences with	
in billion euros		**2017**	**Germany**	**Sweden**	**Germany**	**Sweden**	**Germany**	**Sweden**
Total expenditure		**1,294.1**	**375.2**	**366.3**	**-88.0**	**-202.7**	**287.2**	**163.5**
General public services		136.6	34.8	40.5	-27.1	-58.3	7.7	-17.7
Defence		41.0	17.0	14.7	0.0	-0.8	17.0	13.9
Public order and safety		37.6	7.1	9.8	-4.7	-2.2	2.4	7.7
Economic affairs		135.7	67.1	54.7	-3.3	-12.8	63.8	41.9
Environmental protection		21.7	10.2	14.6	-3.0	0.0	7.2	14.6
Housing and community amenities		23.9	16.3	11.9	-1.3	-5.4	15.1	6.5
Health		184.0	34.6	35.1	-13.4	-9.4	21.3	25.7
Recreation, culture and religion		31.7	13.3	7.5	-4.8	-0.3	8.4	7.1
Education		124.1	33.9	46.1	-3.9	-77.1	30.0	-31.0
Social protection		557.7	140.8	131.4	-26.6	-36.5	114.2	94.9
Including	Sickness and disability	67.4			-6.4	-26.7		
	Old age	306.3	92.1	69.9				
	Surviving dependants	34.6		28.8	-7.7			
	Family and children	54.5	17.3			-1.7		
	Unemployment	44.5	7.0	14.9				
	Housing	22.0	14.5	15.5				
	Social exclusion	24.3	10.0			-8.1		

General government expenditure is broken down according to an international nomenclature defined in the national accounts system, the Classification of the Functions of Government (COFOG)-OECD. This classification divides government expenditure into ten categories according to their function (general public services, defence, public order and safety, economic affairs, environmental protection, housing and community amenities, healthcare, recreation, culture and religion, education, social protection). In total, the difference in public spending is 287.2 billion compared with Germany and 163.5 billion compared with Sweden. This corresponds to net savings on items for which we do better than Germany and Sweden.
Given our level of public spending, there are differences to our disadvantage in all public policies. With regard to health, spending classed as social protection (sickness) corresponds to daily allowances, whereas spending classed as healthcare expenditure corresponds to healthcare payments (reimbursement of medical consultations and pharmaceutical products). We were able to analyse our performance differences compared with Germany or Sweden more closely by also exploring the subcategories.

It appears that gross savings represent significant amounts that are potential sources of savings and point to specific public policies. Hence, in economic affairs, compared to its neighbours, France tends to spend more in supervisory bodies that govern the general economy, trade and employment. In particular, we think of the devolved network of the Ministry of Economy and Finance with the DIRRECTE (Regional Directorate for Businesses, Competition, Consumption, Labour and Employment), DGCCRF (Directorate-General for Competition, Consumer Affairs and Prevention of Fraud), etc. There is also a significant difference in spending on the transport sub-function within economic affairs that corresponds to the State's heavy commitment notably with regard to the national state-owned railway company, the SNCF. There is also significant over-expenditure onhousing and community facilities, particularly related to the burden of this public policy: here too, the State is heavily implicated, especially in terms of planning and road maintenance. Savings can easily be achieved by outsourcing in this function.
In terms of health, there is considerable overspending, particularly in hospital services and outpatient services, which are the two weaknesses of the French system. However, France spends less than Germany on medical products and equipment and less than Sweden on public health and health R&D.
In terms of education, the results are also mixed: France spends more than Germany and Sweden on secondary education, but it spends less than Germany and much less than Sweden on higher education. It also spends significantly less than Sweden on infant and primary schools.
In terms of social protection, the differences are significant and are addressed in this study: note that the difference amounts to a total of 114 billion euros with Germany and 94 billion with Sweden.
The biggest differences concern retirement, unemployment and housing benefits.

PROJECT 1: RETIREMENT PENSIONS

Key figures

- Over 27.1 million contributors (including 17 million in the general scheme);
- 16 million pensioners, 17 million if surviving dependants' pensions are included;
- 42 compulsory pension schemes;
- 310 billion euros of expenditure, including: 113 billion for the general scheme, 79 billion for complementary pensions, 52 billion for the State's civil service, 18 billion for the territorial civil service, 16.8 billion for special schemes, etc.

Our over-spending compared with Germany and Sweden

- Germany spends 92 billion euros less than us.
- Sweden spends 70 billion euros less than us.

CONTEXT

A layer-cake of schemes

Since 1945, the French pension system has become an expensive layer-cake. When we talk about pension reform in France, we are talking about a system made up of basic schemes and compulsory complementary schemes, i.e. accounted for in public expenditure. Within each scheme, different funds manage the pensions, especially the complementary pensions, which are most often managed under union-management cooperation. Their perimeters may evolve over time as shown by the banks' scheme that was reconciled with the general scheme or the electricity and gas industry's scheme that was affiliated with the private sector's scheme (CNAV (French national retirement insurance scheme) and complementary schemes), etc. Since 2018, the RSI (social security scheme for the self-employed) is affiliated with the general scheme. For each scheme, there are as many funds, broken down locally, with significant staff resources (more than 12,000 people work at the CNAV, more than 30,000 in the complementary pension funds) resulting in substantial management costs, estimated between 4 and 5 billion euros.

This layer-cake creates complexity with rules that differ in terms of age of entitlement, method of calculation, contribution rate, ancillary benefits such as family rights or surviving dependant, hardship, etc. If differences exist between employees and non-employees, justified by differences in activity, there are also major differences between employees in the public sector and employees in the private sector, as well as employees in special schemes (SNCF and RATP).

Inequality between the public and private sectors

Harmonization between the schemes of the public and private sectors is one of the major steps to be taken: firstly, to simplify the landscape between public officials. Indeed, how can we justify that 16 million employees in the private sector are managed by a basic scheme and a complementary scheme when six schemes are required to manage civil servants[1]: this fragmentation hinders the mobility of civil servants, whereas it is the key to reforming the State. The next pension reform must also tackle the differences between the public and private sectors: basic wage and pay-out rate (75% of the salary excluding bonuses over the last six months - compared to the average over the last 25 years in the private sector!), surviving dependant, child supplement, active categories and bonuses.

1 State retirement services for the State's civil servants, National retirement fund for territorial and hospital staff, State workers' scheme, National old age insurance fund and IRCANTEC for contract workers, and complementary public service retirement body.

In a study based on a representative sample of more than 4,000 cases, the iFRAP Foundation has highlighted that simply the method alone used to calculate retirement (application of the private scheme to civil servants (without overvaluation or undervaluation) represents a differential of -21%: on average, applying the rules of the civil service leads to a pension of 27,847 euros, whereas it would only be 21,975 euros by following the rules of the private sector.

A retirement age that is too low

When the main schemes were created starting in 1945, the retirement age was 65 and the average life expectancy for retired people was a further 10 years. In 1982, the Government lowered the statutory retirement age to 60, believing it would combat unemployment. At the same time, life expectancy for retired people has increased considerably: pensions are no longer paid for 10 years but on average, for 20 years or even longer (25 years for men at the Arrco complementary pension scheme for salaried employees and 28 for women, and even 30 years for women at the Agirc complementary scheme for executives) in a difficult economic context with low growth. The legal age remains fixed at 62, while the Dutch retire at 66, the Danes at 65, the Germans at 65, (it will be 67 in 2029) and the Italians retire at an age of 66.

The problem is simple: how can we conceive that an employee contributes 28% of their salary over a period of 43 years to receive 60 or 70% of their final salary paid in the form of an annuity for more than 25 years? This means that mechanically, pensions should decrease by 30% between now and 2070[2]. Unless a reform is carried out today.

SAVINGS & REFORMS
Savings of 18.7 billion euros in 2027

The iFRAP Foundation proposes delaying the retirement age by a quarter of a year per year for everyone from the 1st of January 2020, i.e. a retirement age of 65 years in 2028. This reform would go along with longer life expectancy and bring us closer to the reference age in most OECD countries. The delay would only maintain the pace of the Woerth reform. Admittedly, the contribution period to be able to retire at full rate will continue to increase under the effect of the Touraine reform, but the pension eligibility age is an important marker for both employers and employees. Considering life expectancy, we propose to retain this "horizon" of 65 years.
If the delay starts as early as 2020, and if recovery and better management measures are introduced, additional savings of 6.9 billion euros could be achieved by 2022 compared to the trend in retirement pension expenditure.

1.5 billion to be saved on management costs and governance

Our proposal is to set up a single public interest group (GIP) structure dedicated to managing pensions. It would be a common platform for all pension schemes, which would require them to work together, to share information, rather than competing to find out who is going to win management “leadership”. The objective is to improve quality of service.
The following actions are also required:
- speed up the digital transition for career management and retirement applications. A number of projects that have been started must be continued (nominative social declaration (DSN), Single Career Management Register (RGCU), etc.). The Caisse des Dépôts has also recently declared (through its director Éric Lombard) that it is interested in bringing the management of civil servant schemes closer together;
- improve the fight against unduly paid pensions: to do this, we must rely on the electronic data interchange system with the INSEE (SNGI), which the CNAV uses. We can also mention the efficiency of the collection of contributions: this problem was underlined by the Court of Auditors in its 2014 public report on supplementary pension schemes;

2 See the latest annual report from the COR (pensions advisory council)

▌the Court of Auditors again also highlighted the scattered social action of the different schemes.

Savings of 4.7 billion euros by aligning how pensions are calculated for the public and private sectors, and completely reviewing the other parameters of the scheme.

The Foundation proposes a thorough overhaul of the pension system based on convergence between public and private pensions. As indicated above, applying the rules for the private sector results in a 21% decrease in pension amounts compared to the calculation method for the public service.

This calculation excludes bonuses as they are not subject to contributions in the public sector. If bonuses are included, assuming that they were subject to contributions, applying the rules of the private sector results in a decrease of only 7%.

There are two possible routes for the convergence method:

▌freeze pension rights already acquired and lower the rights to be acquired. This solution makes savings, but only in the medium term;

▌or increase the contribution base for employees with constant rights: by extending the contribution base to bonuses, increasing resources rather than lowering pensions and at the same time, allowing employer contributions to be reduced.

This second method[3] must allow savings to be quickly made, which we estimate as being 1.4 billion euros per year for the State's public service and about the same amount for the territorial civil service and hospitals.

We propose gradually incorporating bonuses: one third of bonuses subject to contributions in 2020, two thirds of bonuses in 2021, and 100% of bonuses in 2022.

Admittedly, this additional contribution is "without any new rights", but it represents what has been happening for several years in complementary schemes with the increase in contributions without any rights to balance the accounts. In the long term, for clarity reasons, the calculation method must nevertheless explicitly converge.

At the same time, the system for active categories, which concerns 29,000 retirements per year out of the 120,000 total departures for the three public functions, must be reviewed, together with other associated benefits such as bonuses and surviving dependants.

Non-contributory rights (family, surviving dependants) must be transferred to a separate fund (the simplest way is to group them together in the old age solidarity fund), responsible for managing social transfers between pensioners, or between working people and pensioners (minimum, children, unemployment, etc.).

Bringing them all together into a single "fund" would be a way of clarifying a situation that is currently very confusing in terms of funding and a source of unequal benefits. It would also be a way of quickly aligning their conditions without waiting for the pension system to switch over completely.

Savings to be made on pensions in billion euros

	2020	2021	2022	2023	2024	2025	2026	2027
Postpone retirement age by a quarter of a year per year	62 years and 4 months	62 years and 8 months	63 years	63 years and 4 months	63 years and 8 months	64 years	64 years and 4 months	64 years and 8 months
Savings on postponing the retirement age	2.3	4.6	6.9	9.2	11.5	13.8	16.1	18.4
Savings on management costs		0.2	0.2	0.2	0.2	0.2	0.2	0.3
Alignment between the public and private sectors	0.6	1.8	4.7			3		
Total	2.9	6.6	10.8	9.4	11.7	17	16.3	18.7

▌3 While retaining the RAFP (compulsory supplementary public-service pension scheme) contributions, as these contributions would be added to the basic scheme.

PROJECT 2: THE PUBLIC SERVICE WAGE BILL

Key figures

The public wage bill was 291 billion in 2017 including pension contributions.
- Including 144 billion for the State civil service and central government.
- Including 81.5 billion for the territorial civil service and other local governments.
- Including 66.4 billion for the hospital civil service and other local Social security administrations.

Our over-spending compared with Germany

- Germany spends 44 billion euros less than us.

CONTEXT
A costly status

With 291 billion euros of expenditure in 2017, the payroll of public employees still represents 12.7% of our national wealth... Whilst the Germans are at 7.53% and the British at 9.02%. For Germany, the equivalent of the earmarked account for pensions (CAS pension), the civil servant employers' retirement pension contributions, must be re-incorporated, which is achieved via a single account line in the general German budget. In this case, the amount for staff expenditure is 8.62% in 2017[4].

All countries, including those best known for their welfare state, have switched to hiring public staff who no longer have civil servant status, but are under contract and therefore, without a "job for life". Sweden has more than 99% of contract staff, the United Kingdom has 90% and Germany has 60%, whereas France has just 17%. The comparison with Sweden is particularly interesting because this country manages to obtain a higher level of administration with lower expenditure on remuneration: the difference is how public pensions are financed (CAS pensions) in France.

France has two costly characteristics: we place ourselves in the high average in terms of the number of civil servants per inhabitant, and because of lifelong employment and low average working hours, the wage bill of such staff costs us more on average.

An under-worked phenomenon

As a reminder, if the legal 35-hour working week is included in the Labour Code, no legislative text sets a legal duration for the public sector. Therefore, the issue has been regulated through three decrees that are respectively applicable to the State civil service, the territorial civil service and the hospital civil service, by setting a period that is not weekly, but yearly, of 1,607 working hours. The problem is that this annual duration of 1,607 hours for a full-time job is not respected, especially in local governments where the administrations decided to keep the additional days of leave and the exemption schemes that territorial officials had before the 35-hour week was introduced, even though they do not have any legal basis. According to the report by Philippe Laurent, President of the Higher council for the local government sector and Mayor of Sceaux, local

4 See, www.bundesbank.de/de/ublikationen/berichte/monatsberichte/monatsbericht---oktober-2015-664612 et www.destatis.de/DE/Publikationen/Thematisch/Finanzen Steuern/Querschnitt/FinanzenAuf EinenBlick.html

executives would cumulate nearly 40 different reasons for dispensatory leave including: "mayor days", leave granted for the marriage of an official (up to 5 days) or the marriage of a relative (up to 3 days), days of leave for moving or even "back to school" days, etc. More recently, the impact study of the public service transformation bill reports working hours

France (2017)	Full time equivalent (FTE) officials	Actual workforce
State civil service	2,370,800	2,504,900
Territorial civil service	1,836,800	1,970,000
Hospital civil service	1,105,900	1,189,800
Total	5,334,500	5,664,700
Germany (2017)	**FTE**	**Actual workforce**
Federal level	493,400	702,745
Länder level	2,387,500	2,555,550
Municipal Level	1,487,600	2,317,270
Social Insurance	370,100	411,880
Total	4,738,600	5,987,445
Sweden (2017)	**FTE**	**Actual workforce**
Central government	224,800	236,600
Municipalities	694,700	833,700
County Councils	215,000	243,700
Total	1,134,500	1,314,000

Source: INSEE, Destatis, Statistikdatabasen (SWE)

in local governments of 1,562 hours/year in 2016. Lastly and most recently, the report by the Inspectorate General of Finance on the working hours of civil servants submitted to Gerald Darmanin, indicates that out of some 1.1 million officials whose working hours were examined (excluding teachers, magistrates and people in uniform such as military and police), "at least" 310,000 of them have working hours that are lower than the legal threshold of 1,607 hours per year. The Court of Auditors estimated that working hours in local governments are around 1,567 hours per year and that returning to the common law quota would represent a gain of 47,000 officials, for savings of 1.2 billion euros. This should make it possible to eliminate an equivalent number of posts without degrading the public service provided.

SAVINGS & REFORMS

To save money, we must act on the number of officials and their working hours, which must allow a public service of equivalent quality (or even better) to be proposed, and at a lower cost for the taxpayer. The objective to be achieved is to eliminate approximately 315,000 jobs in 2028 (105,000 jobs by 2022) while organizing an increase in staff working hours to 1,807 hours per year (compared with 1,607 hours at present) (see box on following page).

The following forecasts take into account the impact of the proposed pension reform in project n° 1, and in particular, the impact of raising the retirement age of civil servants (one quarter of a year per year from 2020 onwards) and phasing out active categories).

Save 2 billion euros for the State and its operators in 2022, 6 billion by 2027

By considering the impact of raising the retirement age, in the State civil service (excluding defence and police, post office and telecoms), the flow of people retiring should fall from 47,300 to around 29,500 people from 2020. These efforts only concern civilian civil servants who work in ministries or operators.

Where should the headcount be reduced?

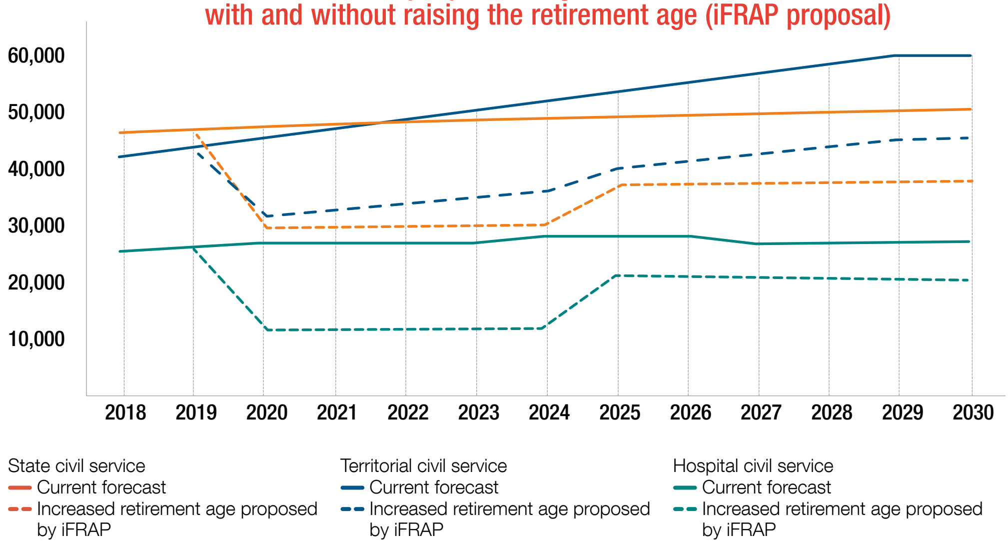
To properly identify where the headcount should be reduced, the iFRAP Foundation has isolated the sectors in which France overspends, in terms of wage bill, compared to Sweden, Germany and the Euro area, excluding France (ZE- FR), based on the OECD's COFOG classification[5]:

- for policies concerning the Ministry of the Economy and Finance (DIRECCTE, various inter professional research organizations or consular bodies);

5 See page 6.

- there are also big differences in the wage bill used in education. This reflects the deep fragmentation of the structures (primary schools, secondary schools and colleges) and related services: school transportation services, catering, school medicine, student accommodation, libraries, school library, etc. Significant streamlining decisions should be taken to optimize these expenditures, with priority given to non-teaching staff;
- other savings are possible in the State's devolved network The withdrawal of the sub-prefecture network as part of the new-generation prefectures, the digitization of services and the rise in public service houses (MSAP) and State houses (MDE), should enable substantial savings to be made, as well as streamlining the DGFiP network (more than 4,000 sites), especially with regard to its small revenue offices.

Forecast of people retiring from the civil service, with and without raising the retirement age (iFRAP proposal)



France: full-time working hours in the civil service = 1607 hours. Germany = 1 807 hours

With the prospect of eliminating 315,000 jobs in all three civil services by 2027, the question of quality of public service is raised. However, it must be remembered that there is significant potential to maintain or even improve the quality of service provided by increasing working hours above 1607 hours.

The aggregated data for 2016 provide France with an average of 1,575 working hours for all civil services combined (including national education). For local authorities, there were 1,562 working hours in 2016. In Germany, there are 1,807 working hours. Increasing working hours by 232 hours per official would represent a theoretical gain equivalent to 785,780 officials. Excluding teachers and soldiers, the figure is closer to 500,000 jobs.

By replacing only one out of two people who retire, the number of government employees would drop by 44,595 FTE (full-time equivalents) in three years (2022). Would public service seriously deteriorate? These people leaving must be considered relative to the people entering and leaving the State Civil Service each year. The decline envisaged over three years would represent a quarter of the annual departures. Furthermore, these departures would be offset by an increase in working hours. Two levers exist in the short and medium term:

- In the short term, as called for by the report by the Inspectorate General of Finance on *35-hour dispensation systems in the State civil service*, the 310,000 civil servants with statutory working hours of less than 1,607 hours must be aligned: respectively 120,000 State officials who have special subjections and 190,000 officials who have special working hours "through imitation". Simply returning to the legal duration would represent the equivalent of 30,000 FTEs. There is an overlap with the significant over-expenditure on the wage bill for administrative and technical staff in educational institutions and the decentralized services of the Ministries of Education, as well as with officials who receive and deliver documents in prefectures and sub-prefectures;
- in the longer term, switching to 1,807 hours without a wage increase would actually represent an increase in working hours[6] of 3.8%, but the equivalent of 50,827 FTEs, which would make it possible to reduce the number of hours worked by 130,282 FTEs between now and 2027.

Make savings of 1.5 billion euros in local governments in 2022 and 4.6 billion euros in 2027

The proposed adjustment of the local government (FPT) wage bill is expected to represent a decrease of 49,081 officials between 2020 and 2022, resulting in savings of 1.56 billion euros in gross remuneration. This effort would be made possible by failing to replace one out of two people who retire (statutory officials). The largest contingent of local government officials is expected to retire between 2022 and 2025. The number of people leaving would increase (with the retirement age deferred to 65) from around 48,200 to only 33,800 in 2022. On these bases, it is possible to plan a reduction in the headcount of 49,081 FTEs by 2022 and 144,601 by 2027.

When compared to the ratio between people coming into (all reasons) and people leaving the civil service, the total drop in headcount would represent 32.4% of those leaving over one year. This cut could be achieved without degrading public service. Aligning the working hours of local officials to 1,607 hours per year could represent the equivalent of 47,000 officials, for a saving of 1.2 billion euros. Therefore, it is possible to predict a similar volume adjustment up to 2022. Beyond that, it will probably be necessary to consider an increase of up to 1,807 hours / year in working hours without a pay increase (or to revise the scope of public service missions performed by local governments).

Where can cuts in wage bill expenditure be made?

The comparison with Sweden and Germany, as well as expenditure of the Euro area outside France, can also help to identify a number of priority functions:

- general services where the difference is, for example, 9.2 billion euros with Germany. Major simplification work on structures (the local layer-cake) and powers, should enable significant savings to be made, including resorting to outsourcing;
- environmental protection expenditure, in particular waste management expenditure. The wage bill is +1.8 billion higher than the Euro area (excluding France) for this function, like with Germany and Sweden. The fragmentation of the sorting centres prevents them from reaching a critical size (253 sites in France as opposed to 80 in Germany), just like the structuring of the sectors ("financial"[7]) to the detriment of the "operational" approach that prevents competitive procedures from being

6 Excluding teachers and ring-fenced missions.

used, which is a cost-cutting factor. A shortcoming clearly pointed out by the competition authority in 2016;

- for collective equipment, the wage bill difference is 3.6 billion compared with Germany and 3.2 billion compared with Sweden. A vast simplification project should be able to be launched (construction, release of property, redundancy of equipment services, etc.);
- lastly, for cultural services, as well as sports and recreation services, the difference compared with the Euro zone (excluding France) is 3.4 billion for the first item and 2.7 billion for the second item. Here too, there is a potential source for adjustment in the local wage bill.

Save 600 million euros in the hospital civil service by 2022, followed by 2 billion in the hospital civil service, Social security and joint management

By gradually raising the retirement age, the number of people retiring from the hospital civil service (FPH) is expected to fall from 27,000 to 11,500 in 2020 ... before returning to their initial pace. The iFRAP Foundation's proposal is to renew, on average, only two out of three staff members who retire in the hospital civil service up until 2022. Subsequently, Social Security staff could partially take over from staff that leave or rejuvenate them depending on the chosen option, for about 1,902 jobs per year. For the hospital civil service alone, the headcount decrease could be 11,536 jobs over three years (focused primarily on administrative positions). The expected savings would amount to 577 million euros.

Comparison with Europe in this area is delicate. It concerns mainly organizational and perimeter effects as most European countries, such as Germany, have placed most of their hospitals outside the field of public administration.

To ensure that any savings made are durable, several measures must be taken:

- switch to private law contracts for all new recruits in the civil service and allow those who want to change from the civil service status to the contract status to do so;
- introduce a limit on the wage bill in local authorities;
- for civil servants, abolish the reclassification obligation, so that the civil servant status is automatically lost in the event of mobility to a non-governing position, to put an end to the principle of civil service uniqueness, introduce a portion of remuneration based on merit and abolish secondment;
- finally, increase the statutory working hours (or compulsory service) in the public service by decree.

▮ 7 The financial sectors are those that only deal with the financing of waste treatment, and not with the actual treatment. Whereas the operational channels are incorporated. Therefore, they can more easily open up to competition.

Decrease in the number of officials and savings to be made on the wage bill (in € bn)

	2020	2021	2022	2023	2024	2025	2026	2027	Total decrease	Saving
State civil service	14,738	14,865	14,993	15,122	15,252	18,437	18,437	18,437	**130,282**	**6.182**
Territorial civil service	15,799	16,360	16,922	17,554	18,116	19,950	19,950	19,950	**144,601**	**4.607**
Hospital civil service	3,846	3,846	3,846	3,846	3,988	7,000	7,000	7,000	**40,731**	**2.018**
Total	34,382	35,071	35,761	36,522	37,356	45,387	45,387	45,387	**315,253**	**12.807**

PROJECT 3: SOCIAL BENEFITS

Key figures

On benefits: 714.5 billion euros paid in social benefits in 2016 including:
- 325 billion in old-age and surviving dependants' benefits;
- 210 billion in healthcare benefits;
- 54 billion in family benefits (including 20 billion for family allowances);
- 44 billion in employment benefits (including 35 billion in unemployment benefits);
- 22 billion in poverty-social exclusion benefits (including 11 billion in inclusion income support (RSA) and 4 billion in employment bonuses);
- 18 billion in housing benefits.

Approximately 105 billion euros of these benefits are non-contributory and/or means-tested (Disability, independence social allowance (APA), minimum compensatory pension, the entire family branch excluding family allowances, the entire housing and social exclusion branch).

Our over-spending compared with Germany and Sweden

- Potential savings of 41.8 billion euros compared to Germany for family, housing and social exclusion branches.
- Potential savings of 15 billion euros compared to Sweden for the housing branch.

Social protection management costs

Current management costs by risk (in million euros)	2015
Retirement	**5,869**
- as a percentage of benefits (average)	1.84%
Sickness	**16,551**
- as a percentage of benefits (average)	6.76%
Family	**2,876**
- as a percentage of benefits (average)	5.31%
Employment	**4,702**
- as a percentage of benefits (average)	10.79%
Housing	**600**
- as a percentage of benefits (average)	3.31%
Poverty - Exclusion	**3,494**
- as a percentage of benefits (average)	16.88%
ACOSS (central agency for social security organizations)	**1,260**
Financial expenses	**6,900**
Total social protection management costs	**42,254**
Benefits	**701,210**
- as a percentage of benefits	6.03%

CONTEXT
Social benefits: explosion of costs, aid and calculation methods

All our social spending is adrift: 659.9 billion euros of expenditure in 2012, we spent 714.5 billion euros in 2016 ... an increase of 57.6 billion euros, half of which concerns the increase in old-age benefits. Benefits for poverty and social exclusion increased by 3.2 billion euros, the family branch increased by 2.2 billion and housing increased by 1.2 billion euros.
In total, social spending represents 31.2% of our GDP: a record for the OECD (20.1% on average). This is unsustainable in the long run... especially as the cost of distributing aid has also exploded: 42 billion euros in management fees, (28 billion euros excluding staff costs) which is 6% of the total benefits when the average in the Euro area is 3% for the same mission. Social benefits cover two large families: 609 billion for contributory benefits, i.e. social insurance to which the working population (both salaried and self-employed) contribute to be insured against a risk (health, old age and unemployment). In contrast, about 105 billion euros are non-contributory benefits, i.e. financed by taxes, paid on (or not on) a means-tested basis and which covers all family benefits, housing, a large part of the disability benefits, the fight against poverty and minimum welfare benefits.
With over 200 different forms of aid and benefits answering to 80 different calculation methods, the profusion of social aid specific to France is as inefficient as it is unjust and ruinous. Furthermore, it is not possible to find out how much accumulating aid and social benefits brings at a maximum: untraceable data to which even the Parliament does not have access even though it votes social budgets. Consequence: we are flying blind and the departments and family allowance funds are bordering on bankruptcy. Only a substantial reform and an in-depth simplification project will prevent bankruptcy.

6% of expenditure lost in management fees

Our social protection system has nearly 330 different funds, which means just as many points of contact for users to find their way around. It includes all the funds of Social security schemes, farmers (MSA) and special schemes, complementary pension funds or unemployment insurance. These funds can actually have several points of contact: just for social matters, the directory of public services lists close to 5,000 points of contact including 928 for the family allowance fund (CAF) and 395 "point info famille" family information points. Emmanuel Macron promised to set up a single point of contact for users... However, it is the entire back office that needs to be streamlined.
As an additional complexity, the amounts of aid are often calculated by one body... but paid by another entity. This results in tedious exchanges of information and financial flows between bodies.

SAVINGS & REFORMS
4 billion euros in savings by introducing a single social benefit: ASU, including 2.5 billion by 2022

The iFRAP Foundation proposes merging the points of contact and all 47 non-contributory benefits into a single social benefit: ASU. Pensions, unemployment benefits and health benefits will not be affected by this reform. The ASU will replace:

- the entire family branch, including Paje[8], family income supplement, back-to-school allowance, child and disabled adult benefits, and housing benefits;
- some benefits in the old-age branch, including minimum compensatory pension benefits (supplementary benefit, pension supplements, family allowances for mothers, etc.);
- the benefits paid by Unédic (National union for employment in industry and trade), for the return to unfunded employment and by contributions (training and assistance to return to employment, supplementary reclassification allowance);
- as well as local aid from departments, such as domestic assistance (APA, PCH, ACTP)[9] and fostering.

8 Early childhood benefit

The single social benefit will be:

❙ subject to a ceiling for the accumulation of aid set at 100% of the legal minimum wage in 2022 and at 90% in 2027

At the same time as this ceiling is introduced, to ensure family policy, the idea would be to increase the family quotient up to 3,000 euros per child.

❙ and taxed

Today, the vagueness (and part of the fraud) is upheld by the distinction between the social home and the tax home. A single account must be created for the household and all aid must be taken into account in the taxable income. This must be consistent with the principle that one euro perceived as solidarity is equal, as far as the State is concerned, to one euro perceived from work. Having a vested interest in declaring income and working must once again become the norm as matter of public interest and to console everyone that working always earns more than accumulating income from solidarity.

Ultimately, the ASU will also need to become a household tax credit to avoid taking from one side what is redistributed to on the other, and save on management costs.

These cumulative measures are expected to save around 3 billion euros on all benefits in 2022 and up to 4 billion euros in 2027.

Reduce management costs 1 billion euros by 2027

The introduction of a single social benefit will also require that the points of contact and various social action funds of the housing, poverty and family branches merge into one. 1 billion euros can be saved in these management costs between now and 2027. This will make our expenditure fall within the European average for this assignment.

Initially, at regional level, a regional ASU fund must be created by merging:

❙ the services of the family allowance fund (CAF) (responsible for paying out all aid);

❙ the services of the State and departments that co-manage inclusion income support (RSA) with the family allowance funds;

❙ the services of departments that manage social action (housing solidarity fund (FSL), inclusion income support (RSA), etc.);

❙ the teams and services of the healthcare branch that manage aid for the acquisition of complementary health insurance or energy tariffs.

At the local level, this single body could be supported by municipal social action centres that have become communal welfare centres.

At the same time, computerization of the system will have to be organized with a digital point of contact for each household where the main beneficiary will have to enter: their Social security number, their bank account details, their address, their monthly income and the composition of their household.

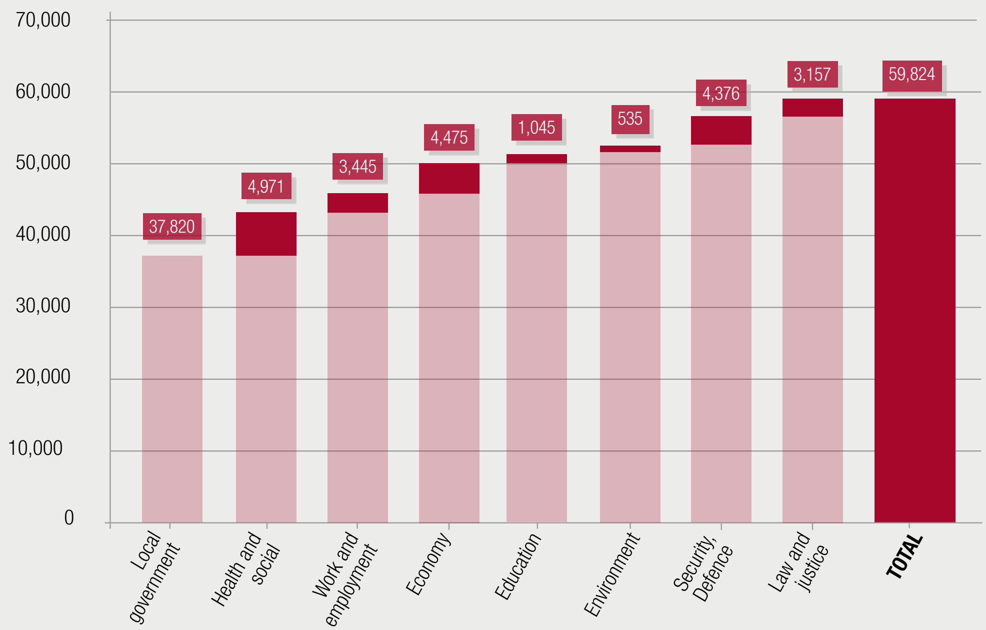
Eventually, it will be up to the tax authority to collect the information used to determine the amount of ASU to be paid out. This assumes that any potential beneficiary will have to be listed in a tax household in order to benefit from the ASU, regardless of whether or not they have any income. Lastly, the fact that the tax services take into account the ASU will drastically bring an end to fraud.

Savings to be made on social benefits in billion euros

	2020	2021	2022	2023	2024	2025	2026	2027
ASU (100% of the legal minimum wage and then 90% of the legal minimum wage in 2027) and lower management costs	3.5	3.5	3.5	3.8	4.1	4.4	4.7	5.0

❙ 9 Independence social allowance, disability compensation allowance, third party compensation allowance.

59,824 physical reception points for public services in France, i.e. more than 590 reception points per department



Region	Population	Counters	Counters for 10 000 inhabitants
Auvergne-Rhône-Alpes	8,026,685	7,186	8.95
Bourgogne-Franche-Comté	2,795,301	5,411	19.36
Brittany	3,329,395	2,354	7.07
Centre-Val de Loire	2,566,759	2,966	11.56
Corsica	339,178	663	19.55
Grand-Est	5,518,188	7,530	13.65
Hauts-de-France	5,978,266	5,746	9.61
Île-de-France	12,213,364	3,727	3.05
Normandy	3,319,067	4,505	13.57
Nouvelle-Aquitaine	5,987,014	7,290	12.18
Occitania	5,892,817	7,256	12.31
Pays de la Loire	3,786,545	2,587	6.83
Provence-Alpes-Côte d'Azur	5,059,473	2,603	5.14
Total for metropolitan France	64,812,052	59,824	9.23

Source: Service-public.fr website

PROJECT 4: UNEMPLOYMENT INSURANCE

Key figures:

The Unédic figures for 2017 in billion euros are as follows:
- Collected contributions: 35.7
- Allowances paid: 34.3
- Return-to-employment assistance: 0.5
- Contributions to pension funds: 3.5
- Allocations for the budget of Pôle Emploi: 3.3
- Deficit for the year: 3.4
- Debt at the end of 2017: 33.5

Our over-spending compared with Germany and Sweden

- Germany spends 7 billion euros less than us.
- Sweden spends 14.9 billion euros less than us.

CONTEXT

A high replacement rate

Unemployment Insurance celebrated its 60th anniversary in 2018 by exhibiting a debt of over 37 billion euros, and 39 billion in 2019. While the unemployment rate still reaches 8.5%, successive governments fail to take the necessary measures to free up a labour market that is now choked by the burden of compulsory contributions, and the Labour Code is as complex as ever, the question of the sustainability of unemployment insurance is pressing. France is finding it increasingly difficult to support one of the most generous compensation systems in Europe. In 2014, the National union for employment in industry and trade (Unédic) compared the replacement rates with the eligibility requirements in Europe where France arrived, on average wages, in the lead, followed by Germany with a replacement rate of on average 71%[10]. The difference is particularly obvious for high-incomes, where the average for the European countries points to a replacement rate of 57%.

A particularly generous scheme

With a maximum of 7,715 euros, the maximum French allowance is also twice the size of the maximum German allowance and the highest in Europe.

The same applies to the ceiling for the reference wage, which is set at 13,508 euros for 2019, while it was 5,800 euros in Germany or 2,660 euros in Sweden in 2018. Furthermore, this allocation does not progressively reduce, which makes the French system even more generous. As such, the duration of the compensation ranges from 4 to 36 months in France. If the Netherlands and Belgium have compensation terms of up to 38 and 48 months respectively, these countries apply a progressively declining system that reduces the replacement rate over time.

Consequence of this generosity: the contributions represent a very heavy burden. Even if, since the 1st of January 2019, the French unemployment insurance is financed by contributions from employers and by social security contributions (CSG), i.e. tax … despite this reform, the contribution rate for French unemployment insurance remains the second the highest in Europe, after Spain.

SAVINGS & REFORMS

Savings of 4 billion euros on unemployment benefits by 2022

The aim is to lower the replacement rate of unemployment benefits from the 1st year, through a calculation based on the net salary and no longer on the gross salary. The proposed

10 iFRAP Foundation calculations

Net average reference salary	Current replacement rate	New replacement rates proposed by the iFRAP Foundation
362	93%	75%
763	84%	68%
1,059	78%	63%
1,249	73%	59%
1,447	70%	57%
1,647	68%	55%
1,948	67%	55%
2,217	64%	52%
2,726	63%	51%
3,212	64%	51%
3,729	63%	51%
4,230	63%	51%
5,252	63%	51%
6,209	64%	52%
7,235	63%	51%
8,258	64%	51%
9,167	63%	51%

reform is very simple and can be effective in a very short time, and all the more so as the Government has just regained control of unemployment insurance reform negotiations. The transition to the new calculation method can be included in the new agreement.

Today, the Government's objective is to save between 1 and 1.3 billion euros; the iFRAP Foundation proposes here to save 4 billion euros starting in the 1st year. For example: for a reference salary of 1,948 euros net per month, the replacement rate would change from 67% to 55%.

In addition to dropping the replacement rate in the first year, the measures to be taken are:

- increase the eligibility requirements from working for four months to eight months;
- gradually reduce the duration of the unemployment benefit for people under 50 by making it converge with the German model. This convergence could be done over seven years, changing to 20 months of compensation, then 18 months, then 15 months, then 12 months for people under 50 years old. One billion euros could be saved per year;
- extend unemployment contributions ... to civil servants (at least the 2.4% wage share). Today, civil servants and their public employers only pay 1% of solidarity to unemployment insurance (for a total of 2.6 billion euros in 2013). There is nothing abnormal in incorporating civil servants into the Unemployment insurance system. In the vast majority of European countries, public service is provided by a contractual public service system that pays unemployment insurance contributions not for "solidarity" purposes, but because their contract is aligned with the rules of the private sector. Aligning unemployment contributions between public and private sectors, eventually creating a contractual public service system, would generate new revenues that are still difficult to assess.

Save 180 million euros in management costs in the employment branch by 2022 and save up to 300 million by 2025

To achieve this, two measures must be taken:

- authorize the public service mission of providing "guidance for unemployed people" to be delegated.

Today, the human resources of the French employment agency, Pôle Emploi, are unevenly distributed and unsuitable: 22% of working time is devoted to management and administration functions, while providing support and guidance for unemployed people only represents 30% of the time:

- regionalize Pôle Emploi in all 13 regions:

the public employment service is managed by the State, particularly through Pôle Emploi, in which vocational training and guidance are competencies that are shared with the Regions, whereas economic development is an exclusively regional competency.

Savings to be made on unemployment benefits in billion euros

	2020	2021	2022	2023	2024	2025	2026	2027
Unemployment	4	4.1	4.2	4.2	4.2	4.3	4.3	4.3

PROJECT 5: EXPENDITURE OF LOCAL AUTHORITIES

Key figures

- Local governments account for 18% of total expenditure and 13% of compulsory levies. They account for 9% of public debt.
- 240 billion euros in spending by local authorities in 2017, including 183.8 billion in operating expenses and 55.7 billion in investment.

- For the municipal block, the operating expenses are 104 billion euros, including 48.2 billion for staff costs;
- For departments, the operating expenses are 58.6 billion euros, including 12.3 billion for staff costs;
- For regions, the operating expenses are 19.7 billion euros, including 3.3 billion for staff costs.

- 32.8 billion euros in social spending for departments.

Our over-spending compared with Germany

- Germany spends 7 billion euros less than us.

CONTEXT

The territorial layer-cake...

France is crippled under a layer-cake of over 35,000 communes, 15,000 municipal associations, as well as 13 regions and 100 departments.

The outcome is more than 50,000 levels or layers that send expenditure, headcount and public duties through the roof, without anyone being able to understand who does what. While France accumulates 40% of all the local authorities in the entire European Union, even though we represent only 13% of the European population, our neighbours are reducing the number of municipalities and administrative layers. In 30 years, Germany has gone from 30,000 to 12,196 municipalities, despite reunification. Throughout the twentieth century, Sweden has gone from 2,532 to 290 municipalities, adjusting the minimum number of inhabitants per municipality to 5,000. Therefore, we are very late, the fault of small municipalities that play the hand of proximity rather than choosing efficiency in providing public services.

…which is expensive to uphold.

Since the 1970s, community spending has increased by 50% and their revenues have gone up by 80%. With more than 243 billion euros of expenditure per year, i.e. 18% of total public expenditure, local authorities cannot escape from the necessary collective effort required of all our administrations.

SAVINGS & REFORMS

Savings in operating costs

To more effectively control local public spending, local executives must be encouraged to seek out the best way of spending. The Government has already approached this idea by making objectives contractually binding with 322 local authorities. This action can be speeded up by introducing a bonus/penalty system based on budgetary incentives (State allocations) in accordance with the streamlining objectives achieved (operation and investment). Objectives can be calculated by focusing on the average expenditure of the layer to which the local authority belongs, and then lowering this spending target to the best local authority (calculated here excluding staff costs because the savings on the wage bill are presented elsewhere). We also propose to eliminate the departmental layer and encourage outsourcing (which will be facilitated by the civil service law), especially for the management of green spaces, canteens, nurseries, for cleaning and maintenance of schools and colleges, etc.

Potential for savings for regions: 900 million euros in 2022, 1.5 billion euros in 2027

For regions, based on the figures published by the Directorate-General for local authorities (DGCL), we can see that the region the best placed in terms of operating costs **excluding staff** is the Pays-de-la-Loire region, with expenditure of 208 euros per inhabitant. Indeed, if Ile-de-France exhibits lower expenditure, its situation is favoured by its demographics and appears extraordinary compared with the rest of France.

Aligning with this standard of expenditure represents potential savings of 2.1 billion euros (2017 figures)[11]. Aligning with the metropolitan average (excluding Corsica), represents potential savings of 935 million euros. The iFRAP Foundation proposes to set a savings target of 900 million euros by 2022 and 1.5 billion euros by 2027.

Where can savings be made? The merging of regions in 2015 should have been an opportunity to streamline the organization of services and reduce costs by dropping from 22 to 13 metropolitan regions:

- streamlining policy for premises, renegotiate rents or consider setting up regional offices and services that are sometimes duplicated (tourism committees, development agency;
- subsidy for local authorities (vertical equalization), for different associations (electrification, environment);
- group the purchasing policy of different entities into a regional structure in order to make budgetary savings: IT, communications, etc.

Concerning expenditure for actions, the regional competency that displays the greatest room for manoeuvre in terms of savings is the transport policy. Today, the money spend on transport by regions is € 339 per billion passenger-km in the Hauts-de-France and € 721 in Normandy. Therefore, potential savings in transport can be estimated at more than 1.5 billion euros. For regions, the need to keep a rail service instead of a bus transport should be studied. Regions have widely deployed their offer in the 2000s because of compensation perceived from the State for decentralization. The regions preferred to finance this development via the taxpayer (subsidies) rather than the user (ticket price). Hence, the cost per train-kilometre increased by 60% between 2004 and 2011, or 5.3% per year, three times faster than inflation!

Other regional actions can also contribute to better spending: apprenticeship and training, tourism and economic attractiveness, regional planning and development[12].

The potential savings represent 1 to 2 billion euros for departments in 2027

By applying the same reasoning as for Regions, we managed to establish a possible savings sequence on departmental spending, **excluding staff costs**:

- with an alignment on the average of each layer, 650 million euros would be saved, of which nearly half can be saved on departments with more than 1 million inhabitants. It is especially in these departments that merging with the metropolis is the most advanced and that the potential for reconciliation in the Grand Paris region can lead to savings;
- with an alignment on the best of each layer, 2.8 billion euros would be saved.[13]

The iFRAP Foundation proposes saving 600 million euros by 2022, by eliminating the departmental layer and transferring their powers to the regions and municipalities. For expenses in social action, which represent the main part of the actions of departments, the savings to be made involve introducing a single social benefit, ASU, and correspond to project n° 3.

11 This calculation excludes Île-de-France and Corsica, again for specific demographic reasons

12 These savings do not include the transfer of competences, particularly in terms of apprenticeship policy, employment services (regionalization of the employment agency (Pôle Emploi)) and education, which we think is important for the regions.

For the other departmental competencies: the iFRAP Foundation proposes distributing the expenses differently by handing over the responsibility for road maintenance to the Regions and the responsibility for managing the secondary schools to the municipalities... which would take care of all the schools within their geographical limit, including school transportation. From a financial viewpoint, transferring secondary schools and colleges to municipalities must allow major savings to be made whilst pooling resources.

Indeed, to streamline local public policies, the competencies must be reviewed. In fact, in 2015, the services of the Ministry of Territorial Reform quantified the overlapping of competencies between regions and departments as costing 18 billion euros, or 18% of the total budgets. To put an end to unnecessary spending and target the most efficient expenditure, we propose reorganizing the territorial powers around large regions, which represent more homogeneous employment areas and around super-municipalities with at least 5,000 inhabitants.

The potential savings represent 10 billion euros on municipal operating expenses

iFRAP objective: 3.6 billion euros in 2022 and 6 billion euros in 2027.

The potential savings on the operating expenses of municipalities, **excluding staff costs**, as well as on actual investment expenditure, excluding debt repayment, amount to 10.5 billion euros, broken down as follows:

- 4.4 billion in potential savings on pure operating costs and excluding staff costs;
- 6 billion in potential savings on actual investment expenditures, excluding debt repayment.

Note that Paris alone represents potential savings of one billion euros in this total.

The iFRAP Foundation proposes setting an objective of six billion euros of savings by 2027 and already 3.6 billion euros by 2022, by introducing a genuine policy of merging small municipalities, together with streamlining actions on certain missions where we overspend: management of water, waste, cultural policy, etc.

Streamline the municipal map

Municipal fragmentation is collectively costing us dearly. We must adopt the same approach as our European neighbours and set a minimum threshold of inhabitants per municipality to speed up mergers. Maybe this threshold should be increased to 5,000 inhabitants, which would amount to having 5,000 municipalities in France and would force all the cities below the threshold to merge with the "inter-municipal bodies". The merging of municipalities and the streamlining of their expenses (by aligning or merging with the upper level) represent a potential source of savings on operating costs, broken down as follows:

- 1.7 billion to be saved on municipalities with 1 to 1 000 inhabitants;
- 3.6 billion to be saved on municipalities with 1,000 to 10,000 inhabitants;
- 3.3 billion to be saved on municipalities with 10,000 to 300,000 inhabitants;
- 1.7 billion to be saved on municipalities with 300,000 to 1,000,000 inhabitants.

Other sources of savings, operating expenses can be streamlined, either by introducing a savings policy, by abolishing a competency, by switching to public service delegation or by seeking out more efficient management. The iFRAP Foundation estimates that it is possible to reduce these expenses by 3.5 billion euros.

13 We have singled out the potential savings based on the profile of each department, more rural or more urbanized (depending on the population).

Savings to be made on local authorities in billion euros

	2020	2021	2022	2023	2024	2025	2026	2027
Territorial authorities	2.9	4.1	5.5	7.2	8.9	11.0	13.2	14

PROJECT 6: HEALTHCARE EXPENDITURE

Key figures

- Expenditure: 199.3 billion euros, 11.5% of GDP, record in the European Union (OECD 2018).
- 30% of irrelevant healthcare procedures.
- Breakdown of expenditure by sector:
  - Public and private hospital care: 46.6%;
  - Outpatient care: 26.8%;
  - Outpatient medication: 16.3%;
  - Other: 10.3%.
- Breakdown of healthcare procedure coverage.

In terms of the number of procedures: 95% of procedures are covered by both the Compulsory national health insurance (CNAM) and a complementary health insurance

In terms of funding: compulsory health insurance covers 78% of expenses, complementary health insurance covers 13% and policyholders cover 7.5%.

Our over-spending compared with Germany and Sweden:

Margins for savings exist:

- Sweden spends 15.6 billion less than us on medical products, devices and equipment;
- Germany spends 17.9 billion less than us thanks to outpatient care, 15.5 billion less on hospital services and 1.2 billion less on public health services.

CONTEXT
Reforms that don't work

Public and private hospitalization reform act (Juppé 1996), Patients' rights and the quality of the healthcare system act (Kouchner 2005), Hospital, Patients, Healthcare and Territories act (Bachelot 2009), 2007 hospital plan (Mattei 2007) 2012 hospital plan (Bertrand 2012), modernization act (Touraine 2014).

According to the OECD 2018, France scores well in terms of the health status of the population, but by devoting very high resources to it: with 11.5% of its GDP, France is the third biggest spender after the United States (17.3%) and Switzerland (12.3%), two significantly wealthier countries. Until it has improved its economic situation, France must reduce its healthcare expenditure by 2027 to the average of those in comparable countries where the results of the healthcare system are equivalent to ours (e.g. Netherlands, Denmark, Austria, Finland and the United Kingdom). An objective of 10.6% of GDP, instead of the 11.5% spent today, would represent a reduction of 20 billion euros on our healthcare expenditure. A figure that indicates the potential savings that can be made within the next 10 years.

Admittedly, our country has conducted many reforms, but not enough to move those involved and rectify the accounts. Even so, there is a strong consensus in France on the measures to be implemented: develop hospital outpatient care, telemedicine, home care, implement genuine care pathways or open up hospital care. But these reforms are blocked or too slow, with the State trapped in its conflicting roles as a regulator, caregiver, funder, and employer. All in all, if our healthcare system remains at the forefront of medical progress in many areas, it is paralysed by its organization while the world all around it is changing profoundly and at a fast pace.

Hospital-focused system

Our healthcare system is characterized by its very "hospital-based" approach. France has 30% more health facilities than Germany, i.e. 2,751 as opposed to 2,084, and significantly more beds. Relative to the population, there are more than 42 facilities per million inhabitants as opposed to 25 in Germany. The reason for this is the high proportion of small hospitals: the Court of Auditors counted 320 of them in September 2013. These small public healthcare facilities, which have an oversized technical platform, can be dangerous and are not economically or humanly viable, with few competent health professionals willing to work in such places. In September 2017, the Court of Auditors identified another 27 public hospitals with less than 750 surgical procedures a year and 13 hospitals with less than 350 procedures a year. Furthermore, too many university hospitals are set up to provide advanced care while performing almost exclusively conventional care.

Once again, the Court of Auditors emphasized this point that results in duplicated advanced care services (14 cardiac surgery centres in Île-de-France in 2012) with very expensive conventional care taking place in these hospitals. In addition, there are very large performance differences between regions and facilities, and recurring deficits in some of them (e.g. AP-HP (Public Assistance - Paris Hospitals) and AP-HM (Public Assistance - Marseilles Hospitals)). In contrast, private outpatient medical practice is disorganized, under-sized and disillusioned faced with the proletarianization of their status (even more than their income) by the State and the National health insurance fund (CNAM).

SAVINGS & REFORMS

The two necessary structural reforms involve clarifying the responsibilities of the State that must:

- refocus uniquely on regulating the healthcare system and funding it;
- abandon managing public hospitals and health insurance directly.

Reforms that will enable operators to take the necessary decisions and give the State the necessary distance to accept them.

Save 3 billion by reducing unnecessary care

The aim is to reduce the amount of unnecessary care from 30 to 25% by 2027.

In France, failure to take quality into account in funding does not promote prevention and screening. On the contrary, it leads to demand-inducing behaviour, i.e. unnecessary prescription of certain treatments or overpricing of procedures provided. These phenomena are boosted by the absence of inspection[14]. This behaviour is fostered by the demands of patients and the fear of legal risks. This is all the more so in areas with a high concentration of private doctors, where the smaller number of patients is offset by the increase in the number of procedures, and in hospitals where the lack of flexibility in management means that staff and existing equipment must be indefinitely funded. The phenomenon is also explained by the low valuation of consultations, which is one of the lowest in the OECD, and the single flat rate. It is exactly the opposite that should be done: re-evaluate practitioners' procedures, make them flexible with regard to the territory where they are dispensed, while promoting quality and penalising abuse.

- Save 1 billion by applying identical rates for identical services, in both the public and private sector.

The objective is to reduce the cost of hospitali-

14 According to a TNS-Sofres survey in France, in 2012, only 72% of procedures by private and hospital doctors are fully justified.

zation by aligning the costs of hospitals and clinics. For identical treatments for similar groups of patients, the cost of treatment in hospitals is higher than that in clinics by about 20%. The very detailed tariffs, which include thousands of cases, can easily take into account population differences such as multiple pathologies, age or socio-economic conditions. A convergence plan was started in 2005, which was supposed to end in 2012 and then in 2018. It was stopped in 2013. As specific hospital activities (training, research, highly specialized care[15]) are covered by specific budgets, they do not justify any difference in rates for other activities.

Save 1 billion euros by refocusing university hospitals on advanced care

This reform includes several measures:

- restructure university hospitals into a network as recommended by the Court of Auditors, and make small university hospitals become specialized to save two billion euros;
- broaden the use of telemedicine, which is expected to save one billion euros;
- and in parallel, boost outpatient and follow-up care, set up practice groups, round-the-clock care services and delegate tasks (administrative and medical) more efficiently: this will require a financial effort of two billion euros.

To achieve this, the following are required:

- re-evaluate the general practitioner's practices, through closer cooperation with nurses or in nursing homes. Unrestricted contractualization with health insurance funds means they can diversify their remuneration, adapt their practices and avoid having to depend on a single funder;
- empower and depoliticize the hospital, trapped by local politicians, who can launch oversized projects or block mergers, closures or privatization of inefficient or dangerous services or hospitals. Give greater autonomy by adopting the status of private sector employees, hired under local employment conditions and by appointing managers above them who contractualize their budget to allow the hospital to implement the necessary reforms;
- authorize the development of private facilities to stimulate competition, by giving them access to the entire public hospital service through public service delegations, by equalizing reimbursements between the public and the private sector and by separating common functions within the regional health agencies (ARS) that plan healthcare supply and govern public facilities.

Save 2 billion euros by putting health insurance funds in competition from the first euro

This reform includes several measures:

- abolish overlapping of areas of action between insurers and reduce the number of complementary health schemes from 400 to 40 to save five billion euros;
- invest in quality assessment, informed purchasing and guidance for policyholders for an effort amounting to three billion euros.

The objective is to reshape the hybrid architecture of care reimbursement between the health insurance and complementary schemes, which costs 13.5 billion euros more in compulsory insurance than in Germany (with equal populations). To do this, governance of the health system must be decentralized and a "regulated competition" system must be introduced between health insurance funds, through unrestricted contracting between funds and healthcare providers to find the most suitable solutions in terms of prevention, care pathways, cost coverage and remuneration of doctors. Nevertheless, State regulation remains necessary to prevent patients from being selected based on their risks (creation of a "health fund" as in Germany or the Netherlands).

15 Healthcare emergencies are not specific to public hospitals.

Savings on healthcare expenditure in billion euros

	How	Evolution of expenditures in 2022	Evolution of expenditures in 2027
Optimization of the healthcare system			
Reduce unnecessary healthcare procedures	Drop from 30 to 25% in 2027	- € 0.5 billion	- 3 billion
Identical rates for identical services	Identical rates in 2025	- € 0.5 billion	- 1 billion
Refocus university hospitals on advanced healthcare	Structure university hospitals into a network Specialize small university hospitals	- € 0.5 billion	- 1 billion
Reduce the workload on hospitals	Telemedicine, boost outpatient practice and follow-up care	- € 0.5 billion	- 1 billion
Boost outpatient and follow-up care	Practice groups, delegate tasks, round-the-clock care services	+ € 1 billion	+ 2 billion
Optimization of the healthcare procurement system			
Health insurance competition from the first euro	Abolish overlapping coverage between insurers, reduce the number of complementary health schemes from 400 to 40	- € 0.5 billion	- 2 billion
Health insurance competition from the first euro	Invest in quality assessment and informed purchasing Invest in guidance for policyholders	+ 0.5 billion	+ 1 billion
Total		**- € 1 billion**	**- 5 € billion**

OTHER PROJECTS: LIFESTYLE OF THE STATE AND ELECTED OFFICIALS

CONTEXT

There is no global data, no fixed definition on the lifestyle of the State or the lifestyle of our elected officials... even though this topic embodies many fantasies and misunderstandings. This is due to the lack of transparency on these issues. There are undeniably abuses: for example, if a member of parliament buys an official car with their AFM (parliamentary expense allowance), nothing prevents them from keeping the keys at the end of their term of office. Hence, if efforts in terms of public spending are demanded from all citizens, our elected officials and the State will have to make an equivalent effort to set an example. Lastly, to restore confidence, strong measures must be taken to provide transparency: every single euro of public money spent on "lifestyle" must be justified. The British are well ahead on this point: the salaries of senior officials are made public and registered, and the British Ministry of foreign affairs publishes details of its expenses... including sending greeting cards and floral arrangements.

SAVINGS & REFORMS

Lifestyle: 200 million euros of savings

For solidarity reasons, a cut of around 5% in "public life" expenditure is necessary, which is the equivalent of the general effort to reduce public spending. If a lack of transparency remains concerning the amount of these expenses, there is still a way of doing this.

At the Government level:

To support the activity of the 22 French ministries and secretariats, for all the cabinets combined, there are:

- 294 people for commissariat (cooking/catering), i.e. an annual wage bill of nearly 12 million euros;
- 222 people for logistics (drivers), i.e. an annual wage bill of approximately 8.7 million euros per year.

Applying an effort of - 5% on this mission represents a saving of 1 million euros.

Concerning the Government's hospitality expenses, the Ministry of Foreign Affairs is the only ministry to give details on its expenses related to staff operating expenses (6.98 million euros), protocol (8.41 million euros) and communications (1.87 million euros). Examples include the purchase of beverages, catering services, floral decoration, laundry costs for 1.79 million euros, or even the costs of hosting foreign heads of state (for 0.11 million euros). The Ministry of Culture also gives details on its room rental expenses (0.60 million) and travel expenses (4.71 million euros). These expenses remain unknown for the other ministries, but as budget data is available, it can be estimated that ministerial (and secretariats of State) travel expenses come to approximately 80 million euros per year. If an effort of - 5% is applied to these missions, it would amount to savings of approximately 5 million euros.

The expenses of the Presidency of the Republic are described in great detail. In 2016, they were 101.6 million euros and 36.5 million euros, excluding staff expenses. Between 2015 and 2016, these expenses increased by 3% due to a larger number of diplomatic trips: 7.1 million euros were spent on this, plus 7.7 million euros on using ETEC (transportation, training and calibration squadron) aircraft. Non-diplomatic travel cost 2.6 million euros. Diplomatic travel has become the main source of variation in the presidency budget, which has made many budget cuts since 2012: -16% on purchasing expenses (food, drinks, etc.) and -12% on service expenses (rent and maintenance). The same work on streamlining and transparency for expenditures must be demanded of all departments.

Concerning the vehicle fleet of the State and local authorities:

In 2017, a circular issued by the Prime Minister advocated measures to make savings worth 150 million euros on the car fleet of the State and its public institutions: 65,000 vehicles costing 600 million euros. There are approximately 45,000 vehicles available for the ministries, including the Ministry of Defence (18,090), the Ministry of Justice (3,450) and the Ministry of the Interior (2,096). Apart from these three Sovereign ministries, the French Prime Minister's offices have 8,183 vehicles, followed by … the Ministry of Ecology and its 6,987 vehicles: this ministry (currently in the process of passing a mobility law to encourage the French to make more use of public transport) have as many vehicles as the Ministry of Foreign Affairs, Agriculture, Culture, Economy and Finance, National Education and the Ministry of Labour combined. Therefore, there are indisputable margins for savings. The iFRAP Foundation estimates that an additional effort of 25 million euros can be demanded on this matter, in addition to the 150 million already programmed, notably by streamlining the benefits of the staff of non-sovereign ministries.

And what about the local authorities? The Association of Mayors of France suggest a fleet of 125 000 cars for local authorities. Given the various statistics taken from reports by the regional audit chambers (especially Nouvelle-Aquitaine and Hauts de France), the iFRAP Foundation estimates the total expenditure at about 310 million euros, on which we can request an effort of 15 million euros. How? By conducting a moratorium on car benefits for elected officials, by reforming acquisition and maintenance policies and making more regular use of private services.

Institutions & elected officials: 350 million euros of savings

Other possible avenues for savings include speeding up efforts to reduce spending and obsolete structures and reducing the number of elected officials. A few possible avenues are given below.

Abolish the Economic, social and environmental council (CESE) as well as the Regional economic, social and environmental councils (CESER):

The CESE produced no less than 28 reports in 2017 for a budget of 41.2 million euros. Same phenomenon with the CESERs, which are the regional counterparts of the CESE and that exhibit total budgets of 32.2 million euros. They produced nearly 428 reports for an average cost of 75,500 euros per report. Given the performance and operating costs of these bodies, the solution is to abolish them to save 73 million euros.

Reduce the number of local councillors and members of parliament

With 608,000 elected officials, France has an elected official for every 100 inhabitants as opposed to one elected official for every 500 inhabitants in Germany and one local official for every 600 inhabitants in the United States. While streamlining the local layer-cake, it will be necessary to envisage a reduction in the number of local councillors and members of parliament. The iFRAP Foundation proposes an organization with 114,000 electoral mandates, i.e. one elected official for 600 inhabitants. This is made possible by eliminating inter-municipal and departmental layers, while strengthening the role of mayors and regional councillors. Through this reorganization of public life, 100 million of euros of savings can be made while at the same time improving remuneration for our elected officials (with greater competencies).

Reducing the number of mandates will also be effective on the members of parliament. It is possible to reduce the number of MPs from 577 to 350 and the number of senators from 348 to 150. This reduction will automatically lead to a cut in Parliament's expenditure of 256 million euros, out of the 840 million euros that the State grants to the two Assemblies that manage their budgets autonomously.

Sequencing and impact of the iFRAP Foundation's savings plan

Sequencing of the savings by major project	2020	2021	2022	2023	2024	2025	2026	2027
Wage bill	1.4	2.8	4.3	5.7	7.2	9.1	10.9	12.8
Lifestyle savings	0.1	0.3	0.5	0.5	0.5	0.5	0.5	0.5
Territorial authorities	2.9	4.1	5.5	7.2	8.9	11.0	13.2	14
Retirement pensions	2.9	7	10.8	10.7	13.3	14.1	16.4	18.7
Unemployment	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Single social benefit (ASU) (100 % of the minimum legal wage and then 90 % in 2027)	3.5	3.5	3.5	3.8	4.1	4.4	4.7	5
Health	0.0	0.7	1.4	2.1	2.9	3.6	4.3	4.7
Total	15.1	22.8	30.3	34.3	41.1	46.9	54.3	60

Public spending trajectories (in% of GDP)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Public expenditure (Government's favourable scenario Stability programme (Pstab)* 2019)	56.4	56.0	55.3	54.5	54.0	53.4	53.5	53.3	53.0	52.8	52.5
Our expenditure scenario for a favourable scenario	**56.4**	**56.0**	**55.3**	**53.9**	**53.1**	**52.2**	**52.3**	**51.8**	**51.4**	**51.0**	**50.6**
Public expenditure (adverse scenario)	56.4	56.0	55.7	55.4	55.0	54.4	54.0	53.8	53.6	53.5	53.4
Our expenditure scenario for an adverse scenario	**56.4**	**56.0**	**55.7**	**54.8**	**54.1**	**53.3**	**52.8**	**52.3**	**52.0**	**51.6**	**51.4**

Effects on the public balance up to 2022 (in % of GDP)

	2020	2021	2022
Public balance for the Stability programme (Pstab)* scenario 2019-2022	-2	-1.6	-1.2
Public balance for the Pstab 2019 scenario with our measures	**-1.4**	**-0.7**	**0,0**
Public balance for the adverse scenario	-3.1	-2.0	-1.6
Public balance for the adverse scenario with our measures	**-2.1**	**-1.4**	**-0.8**

Without macroeconomic closure

*Government's projections