

ARE PROFIT-SHARING PLANS ABOUT TO MOVE INTO TOP GEAR ?

When interviewed recently on the one o'clock news on TF1 with the very well-known presenter Jean-Pierre Pernaut, the President of the Republic came out with a shock announcement on profit-sharing. From 2019, the flat-rate contribution (forfait social) is to be quite simply dropped for all companies with less than 250 employees. This is one of the measures in upcoming legislation on SMEs known as Pacte (Plan d'action pour la croissance et la transformation des entreprises). It will give a real boost to profit-sharing which over the years, with reform after reform, had lost all meaning and interest. There are still some questions up in the air.

An announcement that puts an end to the gradual stifling of incentives

Employee savings schemes grew by 79% in the years between 2000 and 2007. And then the momentum stopped. Profit-sharing payments to employees began to stagnate at between 14bn and 17bn Euros per year. The cause of this breakdown was the "forfait social" flat-rate levy. It was first imposed in 2008 at a rate of 2% but rapidly took off, year by year, reaching 4%, 6%, 8% and then 20% in 2012. When the flat-rate levy is added to the CSG and CRDS taxes, it meant that taxation was higher on profit-sharing than that on low wage levels.

In 2015, the Macron law tried timidly to encourage profit-sharing by reducing the "forfait social" to 8% for companies with less than 50 employees when signing their first agreement. However, this modest effort left pioneering companies struggling with exorbitant taxation and only willing to reward newcomers. The total abolition of the flat-rate "forfait social" on all profit-sharing sums paid out by companies with less than 250 employees is therefore much fairer, and on such an unprecedented scale that it should kick start profit-sharing once again.

Outstanding issues

Profit-sharing was an invention of the De Gaulle era (1959) but is not quite the same as a bonus. It does not reward an individual for his/her work, but rather the workforce's collective performance. Promoting profit-sharing gives a boost to employee savings at the same time. It associates employees symbolically and financially with the added value created by the company. Yet, only one

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in three employees in France has access. This figure drops to about 10% in companies with less than 50 employees. This move by the government is therefore designed to extend profit-sharing plans to a larger number of employees.

On the other hand, one might well regret the setting of a new threshold of 250 employees, but we'll just have to live with that because the measure will already cost half a billion Euros, as it is. Total abolition of the flat-rate levy would probably be impossible. Furthermore, abolition of this contribution does not lift all impediments to the growth of profit-sharing plans.

Some SME bosses, for instance, are reluctant to submit their income statement for scrutiny by their staff. To respond to this desire for confidentiality, Fondact has suggested that the profit-sharing calculations be verified and signed off by an independent accountant, rather than by the staff representatives.

Finally, one must admit that profit-sharing plans remain rather complex to implement and this is most off-putting for smaller businesses.

Even though the President of the Republic has unveiled this measure, one of the strong measures in Pacte, one should remain attentive to the other simplification measures which will accompany abolition of the "forfait social" levy. It is these finer points of the Pacte that will either drive profit-sharing forward or turn out to be just building castles in the air.

Damien Vieillard-Baron.

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