



**TO:** *The President of the Republic of France, Mr. François Hollande*

**FROM:** *Youth of the European People's Party, Jeunes Populaires*

**Summary:** The State should offer tax breaks to every company that hires a young unemployed person (**under 30 years**) who was previously registered and receiving unemployment benefits.

The tax break for **X** number of hired workers (under this programme) should be equivalent to the cost of unemployment for **X** number of registered unemployed. In other words, for every young unemployed that a company hires, it should get a tax break that equals the annual amount of his/her unemployment benefits (table 1).

UNEMPLOYMENT BENEFIT (ANNUAL / WORKER)	GROSS MINIMUM WAGE (ANNUAL / WORKER)	<b>COST FOR COMPANY AFTER TAX BREAK</b> (ANNUAL / WORKER)
€10.923	€17.162	€6.239

TABLE 1: TAX BREAK IMPLEMENTATION IN FRANCE

The tax break should be given under 3 conditions: 1) the person hired should be previously unemployed (**registered**), 2) the person hired should remain employed for the **full financial year** the tax break is to take effect and 3) the company will **not fire** another person instead, with the purpose of getting the tax break.

**Reasoning:** This measure is implemented in a **tax-neutral way**, meaning that the equation between the tax break and the unemployment cost for the state results zero (0). In other words it is a **win-win** situation as the state will stop paying unemployment costs for the hired workers and the company will have the chance to employ more workforce much cheaper (table 2), which will help it in achieving its economic goals. Moreover, these workers will **pay more income tax** at the end of the year and are expected to consume more, therefore paying **VAT** and other taxes on consumption.

EXAMPLE COMPANY	REVENUE	CORPORATE TAX 33%	TAX BREAK	EXTRA COST	HIRED WORKERS
BEFORE PROGRAMME	€500,000	€165,000	N/A	€51,486	3
AFTER PROGRAMME	€500,000*	<b>€132,231</b>	€32,769	<b>€18,717</b>	3

\* It is estimated that the revenues increase in parallel with the workforce. The average worker in France produces €45/h according to Eurostat.

However, we kept the same amount of revenue to display the difference after the tax break. Since the example shows an extra cost of 18,717 annually, this means that each of the 3 new employees would need to produce an average of €9.5/h so as for the company to profit from the programme.

An extra advantage is that the measure would **frontload** the income for the state in the first year, while the tax break would be budgeted for the year after the implementation of the measure. This means that the effect for the economy during the first year would be higher.

Research shows that **re-employed workers have higher chances** to continue being employed in the same, or another company, while this one-year experience is considered to be much more effective than a one-year training programme.

Research shows that employment growth leads to an increase in the sustainable rate of growth of GDP (Roubini, NYU Stern School of Business). This means that adding workers to the workforce of a company should increase its revenues at a higher rate than the increase in expenses (for the higher number of workers).