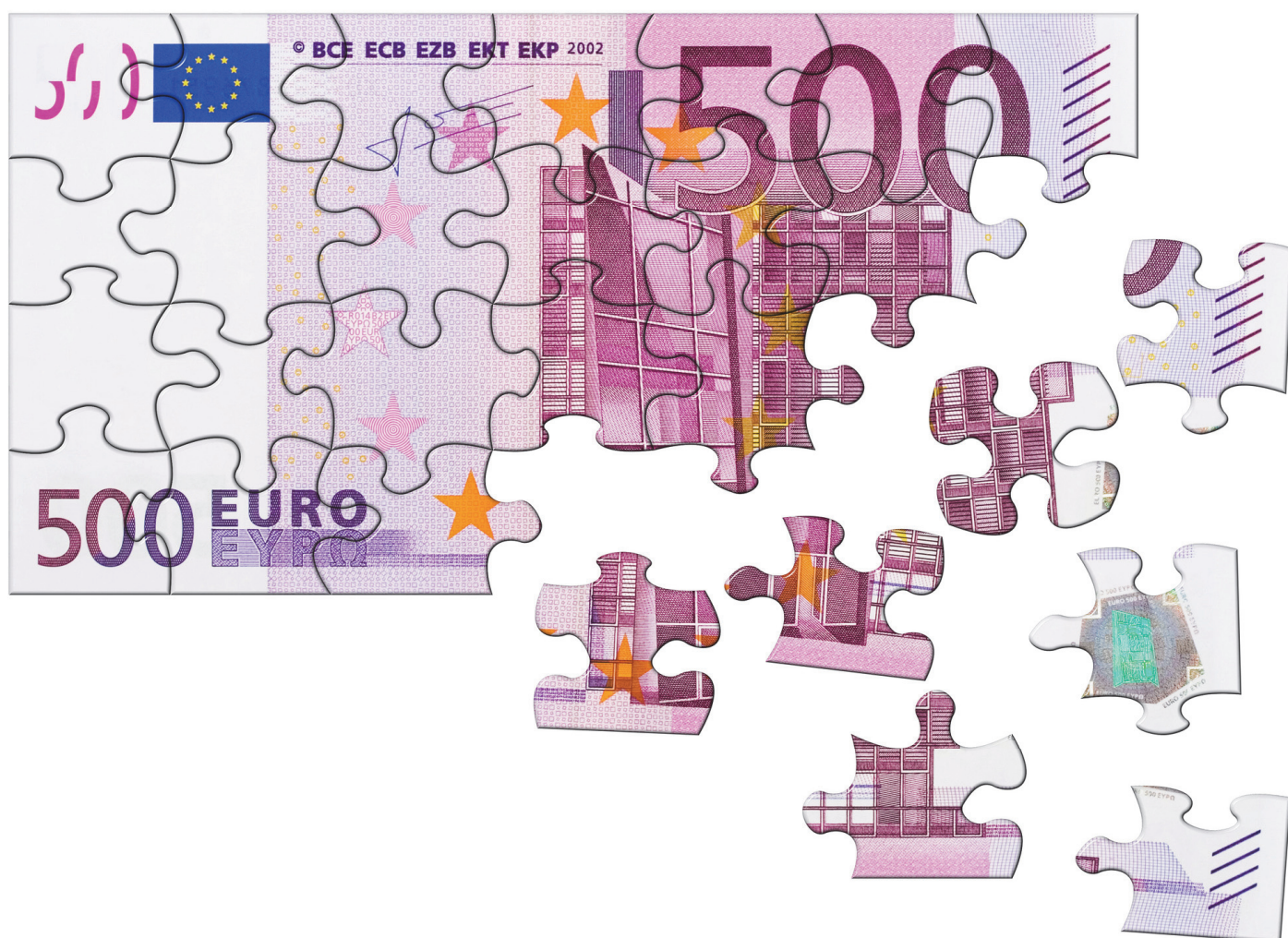


# The social and fiscal contribution from France's CAC 40 companies in 2016 ...

€240 billion for employees,  
€66 billion for governments and  
€32 billion net of taxes for shareholders

Nicolas Marques & Cécile Philippe



## 1. SUMMARY OF THE STUDY

The social and fiscal contribution from large companies in France and worldwide remains largely unrecognised. Traditional accounting and financial presentations do not provide for externalisation of the creation of value for the broader community. Devised to present corporate earnings, they focus on financial data and understate the benefits for the French and global community while overstating shareholders' income by presenting dividends before taxes.

This study aims to remedy this.

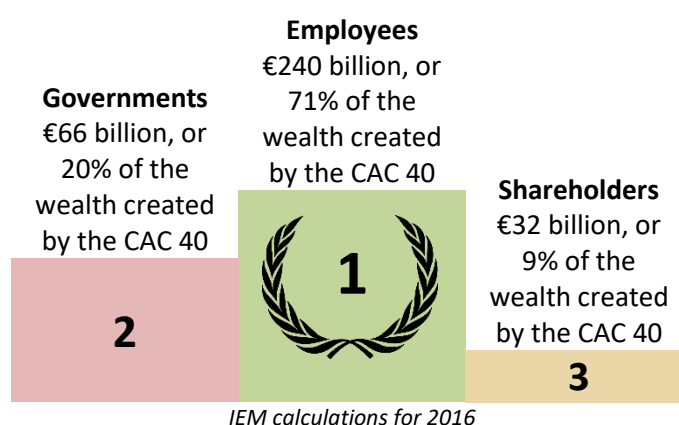
It presents **a new way of quantifying the social and fiscal contribution from CAC 40 companies and how it is shared between employees, governments and shareholders.**

It shows that **the CAC 40 companies created €338 billion in wealth for the French and global community in 2016, and it clarifies the sharing of this wealth.**

This €338 billion generated €240 billion in wealth for employees, €66 billion for French and foreign governments and a net €32 billion for shareholders.

**Employees are the top beneficiaries of this wealth creation**, with €235 billion in staff expenditures (wages, bonuses, compulsory and optional social protection, etc.), €4 billion in employee savings and share ownership and €1 billion in dividends.

### *Podium of beneficiaries from the sharing of the social and fiscal contribution from the CAC 40 companies*



**Governments are the second biggest beneficiaries**, with €25 billion in taxes on production and €28 billion in corporate income taxes plus €10 billion in taxes on dividends and €3 billion in dividends, with governments benefiting from dividend distributions through taxation and as shareholders.

Among them, the French government has a particular interest in this. On the one hand, it gets revenues from taxes on production and on profits. In addition, it benefits from the various taxes on dividends distributed to physical persons and corporate entities that own the rest of the capital. Also,

it receives earnings from dividend distributions as a reference shareholder (it owns 3.5% of the capital in the CAC 40 companies).

**Shareholders come after employees and governments. They are the third biggest beneficiaries, with €32 billion in dividends (net of taxes and dividends paid to employees and governments). Far from grabbing most of the profits, they take part in a collective wealth creation chain accounting for €338 billion in France and abroad.**

Breakdown of the social and tax contribution (€ billion)	2016
Staff expenditures (wages, bonuses, compulsory and optional social protection, etc.) other than employee savings and share ownership	235
Other production taxes (estimate)	25
Earnings before corporate income tax	109
Corporate income tax	28
Net earnings after corporate income tax	81
Employee savings and share ownership (including participation and profit sharing)	4
Dividends before taxes	46
Dividends received by governments	3
Dividends received by employees	2
Dividends received by non-government, non-employee shareholders	42
Taxes on dividends (estimate)	10
Tax on employee shareholder dividends	0
Tax on non-government, non-employee shareholder dividends	10
Dividends net of taxes (estimate)	36
Government net dividends	3
Employee shareholder net dividends	1
Net non-government, non-employee shareholder dividends	32
Undistributed earnings (for information purposes)	31

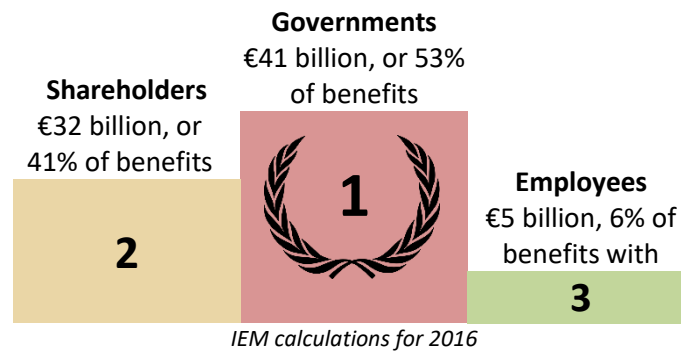
*IEM calculations for 2016*

If we focus **only on the share of earnings, governments appear to be the top beneficiaries**, followed by non-government, non-employee shareholders and then by employees.

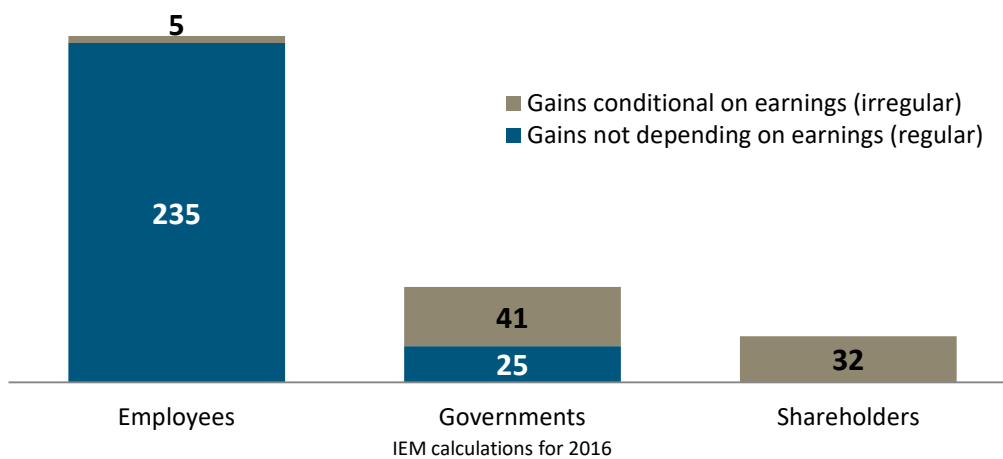
**Employees get 98% of the benefits that do not depend directly on earnings**, with €235 billion in compensation other than employee savings and share ownership. However, **they are not neglected in the sharing of earnings, with €5 billion** (at least €4 billion in group savings and share ownership and €1 billion in net dividends).

With 3.5% of the capital, they get 6% of the benefits from the CAC 40 companies' earnings. This distinctive feature, related to the development of employee savings in France, reflects employers' efforts to link employees collectively with profits, going beyond traditional compensation.

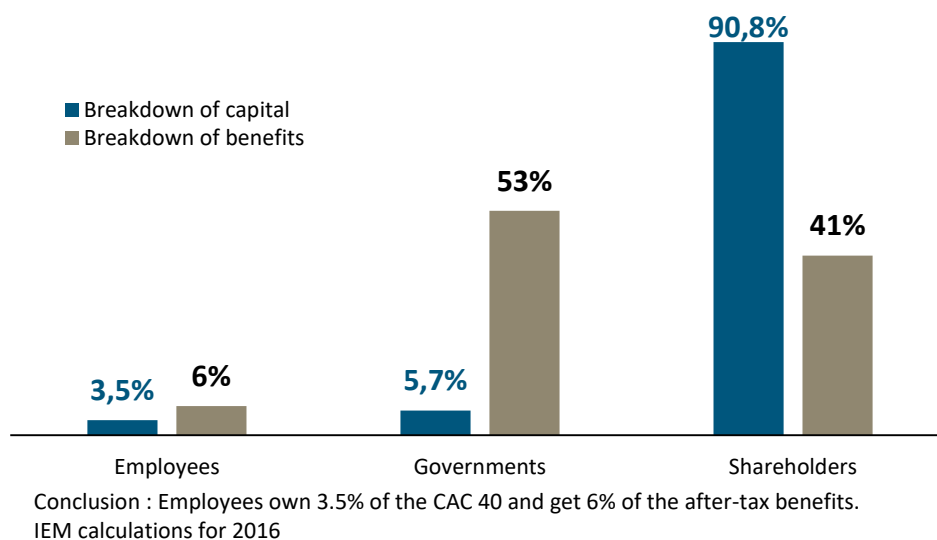
**Podium of beneficiaries from the sharing of earnings of the CAC 40 companies**



**Employees, the top recipients of benefits not depending on earnings (€ billion)**



**Employees receive a share of earnings beyond their collective share ownership**



## 2. CONTEXT OF THE STUDY

For as long as capitalism has existed, debate has flourished between those who challenged its rise and those who sought to alter its direction or simply to take advantage of its existence. Questioning business's contribution to society has become a recurrent theme. Companies are simultaneously a source of hopes, doubts and fears. With their ability to put together an ecosystem that joins employees, senior managers, banks, lenders and subcontractors, governments and shareholders, they are a key link in the creation and sharing of value between stakeholders.

From a historical standpoint, the debate has long been about whether businesses shared benefits equitably between shareholders and employees or whether, on the contrary, the benefits for some were shifting to the detriment of others.

New questions have arisen in the last few years. In many European countries, persistent public deficits and a sharp upswing in debt are creating tensions between those who favour higher taxes and those who, on the contrary, advocate more lenient taxation. These tensions are especially significant in countries such as France, characterised by the persistence of high public deficits together with severe tax pressure.

An often overwrought debate is developing and spreading in public forums, with the risk that views will become polarised along rigid and irreconcilable lines. A certain economic populism is leading increasingly to major employers being denounced and accused of various evils: they are not sharing profits and are favouring dividends over investment, thereby generating abnormal shareholder enrichment.

Some people see business as behaving like a stowaway, benefiting from the services provided by governments and public administrations while balking at participation in their funding. Business is also accused periodically of not paying enough in taxes while maximising tax credits and practising tax optimisation.

These assertions generate questions and concerns in public opinion. Presentations that are often partial or biased uphold a divisive view inherited from the class struggle concept.

In fact, business contributes significantly to the common good. It promotes wealth creation, as is widely acknowledged worldwide. It sets the stage for increasingly prosperous societies.

In the face of these questions, the IEM feels it is legitimate to contribute to the debate by raising points that allow everyone to refine or alter their convictions, taking the complexity of the issue into account. The questions are out there. It is legitimate to help establish a calm debate on the role of business and its contribution to the development of our societies.

### 3. PURPOSE OF THE STUDY : IDENTIFYING THE BENEFITS FOR EMPLOYEES, GOVERNMENTS AND SHAREHOLDERS

The purpose of this study is to outline the contribution of the CAC 40 companies to the development of the French and global economies.

This work is intended to provide citizens with insight in an area that is especially difficult for a non-specialist to follow. It relies on an approach that helps, clearly and simply, in visualising the scope of wealth creation by CAC 40 companies and how it is shared between employees, governments and shareholders.

As major economic players, the CAC 40 companies directly generate jobs and private investment that constitute positive externalities for the French and global communities.

In 2016, they employed 4.7 million people in France and elsewhere and paid €239 billion in compensation. They had 2016 revenues of €1,243 billion, in Europe (56%) and in the rest of the world (44%). They had net earnings of about €77 billion. These earnings, though down from the €91 billion reported 10 years ago, prior to the financial crisis, are on the rise, leading to questions about the sharing of this wealth.

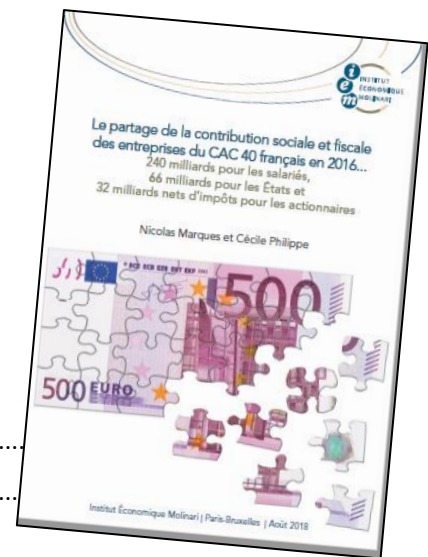
Yet the social and fiscal contribution of these large companies, in France and worldwide, remains largely unrecognised and unknown.

Traditional accounting or financial presentations do not provide for the externalisation of value creation for society in the broader sense. Intended to present corporate earnings, these presentations focus on financial data that are significant for shareholders. They understate the benefits for the French and global community and for local administrations while overstating shareholders' income by presenting dividends before taxes.

The reference documents that companies publish each year illustrate this bias perfectly. They provide a very incomplete view of the benefits for governments. While comprehensive when it comes to taxes on earnings, they rarely take account of taxes on production and do not include figures on the taxes applied to the payment of dividends. As such, they provide inadequate information on the creation and sharing of value between stakeholders.

This study sets out to remedy this shortcoming. It presents **a new way of quantifying the wealth created by the CAC 40 companies. It outlines the sharing of this wealth between employees, governments and shareholders.**

This document is excerpted from a study by the Institut économique Molinari (Paris-Brussels). The full study (30 pages) is available in French. It contains original figures on the sharing of wealth created by the CAC 40 companies and the sharing of their earnings.



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