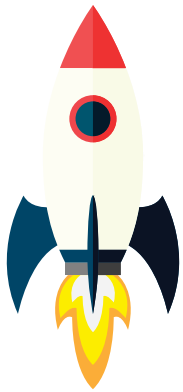
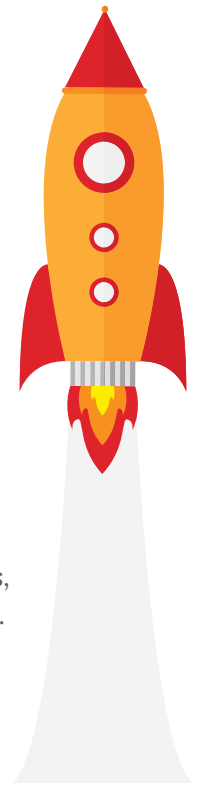


# FRANCE vs UK: Building an entrepreneur- driven economy



Many countries aspire to build their economy around entrepreneurs, whose fast-growing businesses create jobs and wealth for the nation. **Philippe Chalon**, Managing Director of French thinktank **Cercle d'outre-Manche** and Director of External Affairs at **International SOS**, looks at what France can learn from the UK



Job and wealth creation, especially in countries such as France and the United Kingdom, are largely driven by SMEs and scale-ups. These new jobs are mainly created by young companies – typically less than four or five years of age.

This is, in fact, true for most developed countries. Indeed, over the past 25 years, virtually all net job creation in the United States has been provided by companies that were created less than five years ago.

## Seed funding

The success of a start-up, however, is closely linked to its kick-off speed: young companies with the most promising funding are endowed with strong growth potential right from the start. Conversely, when a business starts off with a lack of capital, it never really catches up, remaining extremely vulnerable to its competitors.

This is especially true for tech start-ups during their first year on the market. Better funded from the seed stage, in comparison with their French counterparts, British start-ups have a 95 per cent survival rate after two years of activity (75 per cent for innovative French SMEs).

Overall, it would seem that the UK economic environment makes things easier for entrepreneurs. From competitive fiscal incentives to labour market flexibility and a pro-business administration, all of these make a significant contribution to the British entrepreneurial effort.

On the whole, start-ups grow more soundly and more quickly than in France, by a three-to-one ratio. While Paris

enjoys factual advantages over London (for instance, the annual rental cost per square meter is twice as cheap in Paris), French start-ups are undercapitalised as soon as they are created, having fewer business angels available to tap for funding, which leads to smaller amounts being raised annually (over £3.4bn in the UK against £1.5bn in France).

## Political drive

Can political leaders better allocate national resources so as to foster scale-up creation? A recent study, jointly published by Deloitte and Nesta, shows that 1 per cent more scale-ups would represent no less than 150,000 new jobs by 2034 and a £225bn gain for the British economy.

In the UK, the government, political leaders, trade unions, universities, think tanks... all work in the same direction, with the same objective: to design, support and expand the finest entrepreneurial environment in order to boost job creation for today and tomorrow.

There are therefore a number of cues that France could take from the United Kingdom in order to improve its entrepreneurial ecosystem.

For example, it could set up a fiscal package inspired by the Enterprise Investment Scheme (EIS), which would stimulate higher individual investments. It could also revise its corporate tax rate downwards – the actual tax rate paid by French companies is equal to 33 per cent in France versus 20 per cent in the United Kingdom. Or it could even work to attract the best talent with a new, improved form of Entrepreneur Visa.



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### French election: A time for change?

There is a lot that could be improved in France to create the right environment, should the right political will be present. To a greater extent, the French presidential election in May could actually be the right time to remind our political leaders that today's advanced economies live or die by their ability to

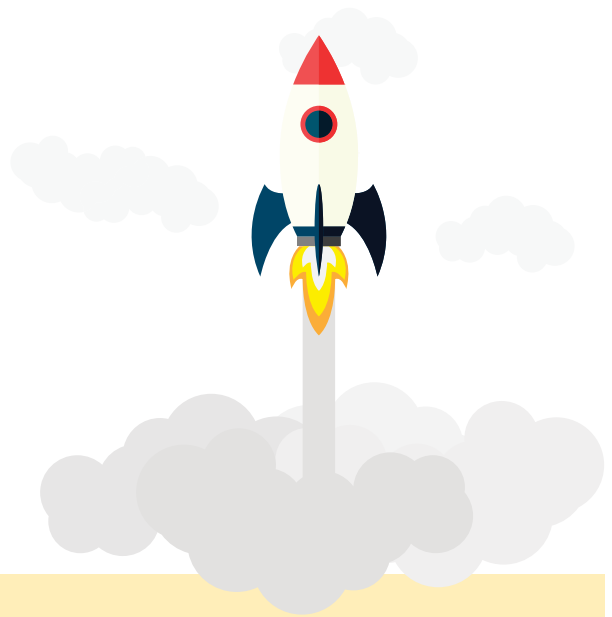
get smarter: we must allow our entrepreneurs and our universities to work together and promote tech innovation.

At the heart of an entrepreneurial economy is the ability to foster innovative start-ups, which in turn boosts job creation and then creates economic growth. ■ PC

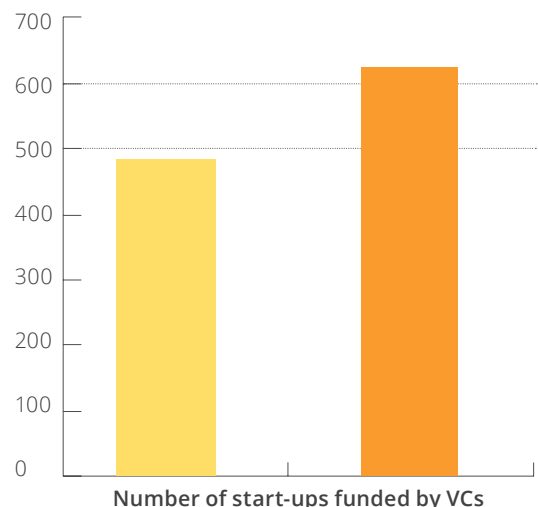
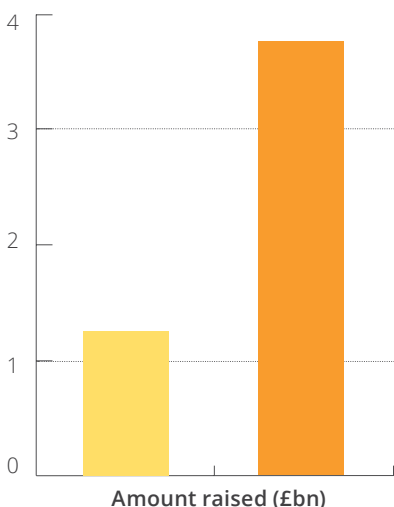
#### Start-ups, scale-ups, scalers and unicorns

	France (2015)	UK (2015)
Start-ups	20,000	30,000
Scale-ups	205	399
Scalers	6	19
Unicorns	1	6

Source: Cercle d'outre-Manche



#### Start-up funding in France and in the UK (2015)



■ France ■ UK

Source: OCDE (2014), *The Dynamics of Employment Growth: New Evidence from 18 Countries*