Massive tax credits, but very few employment effects: an ex post evaluation of the CICE in France

Fabrice Gilles∗1,2, Yannick L’horty†3,4, Ferhat Mihoubi‡5, and Yang Xi§6

1Travail, emploi et politiques publiques (TEPP (FR 3435)) – Travail, emploi et politiques publiques – France
2LEM-CNRS (UMR 9221) – CNRS : UMR9221, Université Lille I - Sciences et technologies, Fédération Universitaire et Polytechnique de Lille – Université de Lille 1, Sciences et Technologies Faculté des Sciences Economiques et Sociales Bâtiment SH2 - Bureau 113 Cité Scientifique 59655 Villeneuve d’Ascq Cedex, France
3Travail, Emploi et Politiques Publiques (TEPP) – CNRS : FR3435, Université Paris-Est Marne-la-Vallée (UPEMLV) – France
4ERUDITE (ERUDITE) – Université Paris Est – 5 bd Descartes, 77454 Champs sur Marne , France
5Erudite (Equipe de Recherche sur l’Utilisation des Données Individuelles en lien avec la Théorie Economique) – ERUDITE – Université Paris Est-Créteil 61 avenue du Général de Gaulle 94010 Créteil Cedex France, France
6EconomiX – CNRS : UMR7166, Université Paris X - Paris Ouest Nanterre La Défense – Bat K 200 Avenue de la République 92001 NANTERRE CEDEX, France

Abstract

The Crédit d’Impôt pour la Compétitivité et l’Emploi (CICE) (tax credit for competitiveness and employment) is the most important employment measure of François Hollande’s five-year term with regard to the total amount as well as the number of employees and the number of companies concerned. Representing an annual amount of more than 20 billion euros, i.e. almost two GDP percentage points, the amount of this tax credit is 6% of the payroll of all companies in 2014, for all wages that are equivalent to less than or equal to 2.5 minimum wages. To evaluate the effects of this measure, we use an identification according to intensity of treatment

∗Speaker
†Corresponding author: yannick.lhorty@univ-mlv.fr
‡Corresponding author: ferhat.mihoubi@gmail.com
§Corresponding author: xiyang92@gmail.com
by comparing the job growth rate of companies that greatly benefited from the CICE to that of companies of the first quartile, while controlling for a large number of structural variables and instrumenting the apparent CICE rate by its simulated value before its implementation.

Estimates are based on a balanced sample of more than 130,000 companies with five employees or more between 2009 and 2014. We found that the CICE has a positive but small effect on employment, payroll, and company margins, a negative effect on average salaries, but no effect on investment or productivity.

**Keywords:** empirics