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## Long-term consequences of socio-economic and tax policies of developed countries in growing migration processes (on the example of France)

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### Abstract

**Relevance.** The relevance of this research lies in Ukraine's need to modernize its fiscal policies for market efficiency and social welfare, while Georgia must accelerate job creation and wage improvement despite its reforms.

**Purpose.** The study aims to address and analyse the tax and socio-economic policies of France, their impact on the country's economy and forecast the consequences of implementing with due regard to migration processes.

**Methodology.** The basis of the methodological approach in this paper is a qualitative combination of empirical analysis methods based on the collected material, namely analysis, synthesis, specification, the method of analogies, study of experience, methods of mathematical statistics and graphical representation of results.

**Results.** The main result of the study is the analysis of the key elements of the social and tax systems of France in the dynamics, their interrelationships with the economic and political contexts of the country's development, the description of key migration processes, analysis of their causes, consequences and state regulation measures (including the impact of the COVID-19 pandemic).

**Conclusions.** The results of this research, as well as the conclusions drawn from them, are important for improving the current socio-economic policies and taxation system in Ukraine and Georgia. France is a good example of how Ukraine and Georgia should develop real sectors of the economy to achieve effective results.

**Keywords:** tax system; social protection; gross domestic product; taxes; migration; economic development.

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## **Introduction**

At the beginning of the 21st century, the world plunged into another wave of transformational change: globalisation, digitalisation, the rapid development of science and technology, pandemics, local and global crises and conflicts, and the growth of migration processes. As such, the study of social, economic, tax, and migration policies of leading countries to use their best practices to improve for the policies of post-Soviet countries, namely, Ukraine and Georgia has become even more relevant and practical for these countries, as it is perhaps the only way to ensure the country's competitiveness.

At the current stage of globalisation, the world economy has grown rapidly. The total volume of the world's gross domestic product (GDP) amounted to about \$101 trillion (73.1 times and 4.4 times more than in 1960 and 1990, respectively). By this indicator, the United States is in first place, and China is in second place (in terms of GDP at purchasing power parity, it is in first place) [1]. In the recent period, India's economy has been developing rapidly and is among the Top-10. In general, and in the post-COVID-19 phase, economic growth is accelerating, migration processes are accelerating, countries are becoming more dependent on remittances, and elements of regulation in the economy are tightening. Globalisation has put the management of economies in front of qualitatively new approaches. In a highly competitive environment, the introduction of new technologies and their effective management are crucial. Winning in today's competitive landscape is impossible without acquiring new economic knowledge.

The state, through the tax and budgetary mechanism, pursuing certain economic and social policies, creates the necessary conditions for the successful functioning of market mechanisms. The effectiveness of economic, tax and social policies is reflected in the quality of the market system and the social well-being of citizens. The research relevance is determined by the key role and place of these policies and mechanisms in ensuring stability, economic development and security, and the competitiveness of the state in the region and in the world. In this sense, the study and analysis of the socio-economic and tax system of France, as one of the leaders of European and global politics and economy, which after Brexit has further consolidated this status, is of significant interest and practical value in itself, not least for the public administration sector in Ukraine [2].

These and other issues form the main objective of this study: study and analysis of the tax and socio-economic policies of France, their impact on the country's economy and forecasting the consequences of their implementation, considering migration processes. France was chosen as the country of study as one of the largest unitary states in modern Europe, which holds high rankings in terms of socio-economic development and has the highest tax burden among the EU member states. In addition, the structure of the French economy is largely similar to that for Ukraine and Georgia. For instance, France is the largest agricultural country in the European Union and, thanks to its climate, soils and overseas territories, is the only European country capable of producing all agricultural commodities [3]. France holds leading positions in

defence, automotive, aerospace, rail transport, food, cosmetics and luxury goods. Another characteristic feature of France is the high qualification of its workers – the country leads Europe in the number of specialists with higher education per thousand workers [4]. France's tax system is quite complex, but at the same time flexible and efficient, and tends to reduce the tax burden on citizens, which is ensured by high wages, the use of a progressive personal income tax rate, high taxes on the wealthy, and contributions from legal entities to off-budget funds for the benefit of employees [5]. Thus, France can certainly serve as a good example and an effective basis for analysis, and even some imitation, when Ukraine and Georgia develops its own tax and socio-economic policies, of course, considering national peculiarities. The Tax Code of Georgia [6] may also be attractive – with six non-differentiated taxes and interesting pension schemes that are constantly being perfected.

The article examines the main mechanisms and directions of the social system of France, the basic structure and indicators of its economy in the main areas (in dynamics), the tax system and its key features, and its current migration policy. Unlike earlier research studies on the subject, this study provides a comprehensive analysis of the social and tax systems of France and their joint impact on the country's economy, addressing migration trends. As such, Y. Khvatov [7] reviewed the main stages of economic development in France, identified its main characteristics, analysed the peculiarities of the sectoral structure of the French economy, assessed the strengths and weaknesses of the French financial and credit and tax systems. N. Zotikov [8] addressed taxes of individuals and legal entities, primarily on the taxation of family income on a progressive scale. O. Gilchenko and O. Rabchevska [9], L. Mutz [10] addressed the issue of migration in France and the EU, respectively. Even though there are many studies devoted to these issues, foreign experience has been studied insufficiently and rarely considered in conjunction with taxation, economics and migration processes.

## **Materials and Methods**

The study was conducted on the collected material on the research topic (articles by individual authors in journals, the press, Internet resources, and official statistical materials). The research used empirical methods (study of experience, regulatory and statistical documentation) to describe the key elements of the social and tax systems of France, the main indicators of French economy; theoretical methods (analysis and synthesis, specification, generalisation) to identify the dependencies of the systems, addressed in the study; statistical and graphical methods to develop tables, diagrams and figures.

The study problematics was addressed in the following stages. The initial phase of the research encompassed a comprehensive literature review on the selected subject. This involved gathering and examining pertinent data, as well as conducting a theoretical analysis of current methodological approaches in economics and political science. The researchers then defined the problem statement, objectives, and research methods. Finally, they developed a plan to analytically investigate France's

existing socio-economic and tax policies, its current economic landscape, and the influence of migration processes, along with an assessment of potential outcomes from implementing these policies. The second stage of the study, developed appropriate visual and graphic materials using the methods of statistics, modelling and graphic representation to improve the understanding and perception of the research materials presented. The third stage of the study analysed possible consequences of the socio-economic and tax policy of France in the long term by employing the methods of analysis and forecasting, further addressing the dynamics of migration processes.

The study also analysed, verified and refined the conclusions made during the study.

**Results**

**The French social security system**

The French social security system is focused on social risks, including disability and poverty, job loss, retraining, childbirth and childcare, and old age. The French social security system has gone through certain historical periods of development, which are summarised in Table 1.

**Table 1.** Periods of development of the French social security system

Period	Context	Description
50-70s of 20th century	The material basis for the social security system is created by the rapid and successful development of the country's economy.	The state is directly involved in the creation of a social protection system that covers pensions, unemployment, family assistance, and social exclusion.
70-80s of 20th century	Due to globalisation and the energy crisis, economic growth is slowing, and production costs are rising. The new round of scientific and technological progress is driving up the requirements for employee qualifications, while increased competition from Asian countries is further exacerbating the employment problem.	The high costs of the social system have revealed its weaknesses. As life expectancy increases, the number of people covered by the social security system is growing, which is leading to an increase in the social budget deficit.
80-90s of 20th century	Due to problems typical of Western European countries, primarily due to insufficient budget revenues, the socio-economic model was reformed to liberalise the economy and to allow for large-scale privatisation, which was carried out under strict state control.	In 1991, a general social contribution was introduced, and in 1996, a contribution to repay social debts, and in 1999, the Law on Universal Health Insurance was adopted. Income tax revenues accounted for 66.5% of social insurance revenues. The reform of the social protection system increased the state's influence on the social system and was accompanied by protests and did not have the expected success.
The beginning of the XXI century	The French economy is a key EU economy that has grown in importance since Brexit. In the early 2000s, France's average annual GDP growth rate coincided with that of the EU, and in 2008-2015 it even grew faster than the Eurozone economies. Nevertheless, the country's social budget remains in deficit.	The reform of the social security system continues in 2003, 2010 – pension reform; 2004, 2006 – health insurance reform. There are demonstrations and rallies, primarily against pension reform.

**Source:** compiled by the authors.

Social protection in France is comprehensive and consists of two dozen institutions. Social guarantees apply to all citizens of the country, and all working citizens pay contributions to the national social system. The system is financed by taxpayers and includes the following main areas: healthcare, pensions, family support and unemployment benefits to which every French citizen or resident is entitled. The various schemes are financed by enterprises, trade unions and employees. It is worth considering these programmes in more detail:

1. Healthcare. An insurance minimum for medical services is guaranteed to every citizen. The payment for compulsory health insurance is split between the employee

and the employer in the ratio of one-quarter to three-quarters respectively. There is significant compensation in the case of an ordinary illness and full compensation in the case of a serious illness. Under standard conditions, 80% of the cost of treatment and 40% to 80% of the cost of medicines are reimbursed, and in the case of a serious illness, even up to 100% of the cost of treatment and medicines. The financing of health insurance is predominantly public.

2. Pension provision. The pension system includes basic, supplementary and special regimes for different categories of employees. The basic regimes are the main ones and operate according to a single methodology for

pension provision for industrial and commercial workers. France's pension system is characterised by a high replacement rate, meaning that the pension amount reaches 70-80% of the previous salary.

3. Family support system. They are financed mainly by enterprises through payroll taxes and, together with the state's share, are redistributed by the National Family Benefits Fund. This system provides financial assistance regardless of the family's income.

4. Unemployment benefits. Provided through the National Interprofessional Trade and Employment Centre. It is not provided to those who have not worked and have not made the relevant insurance contributions. Such persons receive employment benefits. Assistance is distributed through family allowance funds and is funded mainly by the state.

It should be noted that France's further development in the long term is primarily determined by the plan "Reconstruction of France", which runs until 2030. The plan was adopted by the government on 3 September 2020, including to address the economic impact of COVID-19. This plan provides for the following in terms of improving the social protection of citizens and their welfare:

1. Individual support. The government immediately assumed responsibility for overcoming the consequences of the crisis to protect French citizens and deployed a framework of four emergency measures: state-guaranteed loans (141 billion EUR); part-time employment (32 billion EUR); solidarity fund (35 billion EUR); exemption from social security contributions for small businesses that have been administratively closed (84 billion EUR).

2. Support for energy modernisation of housing. This soft loan programme is open to all owners – regardless of their income, whether they are tenants or landlords, and to all co-owners of housing – and allows residents to renovate their buildings to reduce energy consumption and heat loss. More than 190 thousand applications were submitted in 2020 and 475 thousand in the first eight months of 2021.

3. Supporting young people and developing territories. To support young people and territories, 36 billion EUR have been invested. Resources are allocated to employment, social inclusion, assistance to people with disabilities and the most affected employment sectors. For these purposes, the government has introduced long-term part-time employment and increased tuition fees. As part of this event, companies receive compensation and financial support to employ young people and people with disabilities. It supports young people who lack qualifications and promotes training in the sectors and professions of the future: environmental transition, digital technologies, and health.

4. Healthcare. The 6 billion EUR package is designed to finance institutions, healthcare professionals and nursing homes, as well as to digitise the healthcare system. Given the current demographic changes, the French Recovery is also financing additional places for the elderly (+65 thousand places in renovated nursing homes by 2025).

As such, it is possible to state that the current model of social security in France is flexible and efficient and, despite the need for further reforms, confirms its leading position among European countries with the highest living standards. Most French people believe that no other country has a social security system like France's, and for many of them, this model is an important national asset. The system is future-oriented, has a clear development plan and identified sources of funding, considers global trends, and national development priorities, and considers the interests of the EU countries and the UN Sustainable Development Strategy. This approach will certainly not only maintain France's leadership position in this area but also ensure further development.

### Economic policy of France

French economy is one of the key economies of the European Union, and its importance has increased since Brexit. Gross domestic product is the main, most accurate official measure of social welfare, meaning that the higher the level of production, the higher the country's welfare. The dynamics of French GDP by year is shown in Figure 1.

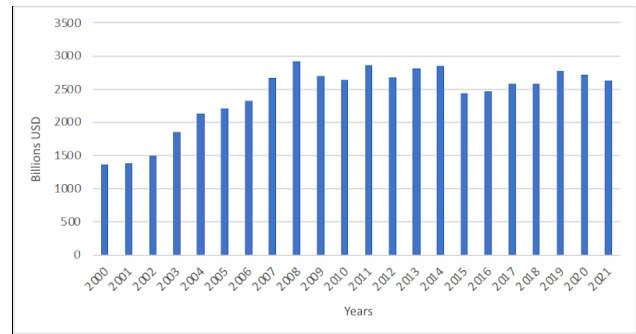


Figure 1. GDP dynamics in France

Source: France GDP data: Value, growth rate, per capita and structure [11].

To analyse the dependence of a country's GDP on the social and economic policies pursued by its presidents at the turn of the twentieth and twenty-first centuries, the dependence of the national GDP on the social and economic policies pursued by its presidents, as shown in Table 2, was analysed. The data presented in the table confirm that the development of the vector for increasing the social orientation of public spending, which grew with each successive president, became one of the key factors in reducing the rate of GDP growth in France to negative values, which peaked during the presidency of F. Hollande. Only at the end of his first presidential term did E. Macron and his government manage to minimise the negative impact of social spending on GDP, "warm up" the economy and lay the groundwork for the country's future return to positive GDP.

**Table 2.** GDP dynamics by presidents

President	Period	Beginning	End	Max	Min	Dynamics
Macron	14.05.2017-...	2465.45	2465	2465.45	2465	-0.02%
Hollande	15.05.2012-14.05.2017	2681.42	2465.45	2849.31	2433.56	-8.05%
Sarkozy	16.05.2007-15.05.2012	2663.11	2862.68	2923.47	2646.84	7.49%
Chirac	17.05.1995-16.05.2007	1609.89	2325.01	2325.01	1368.44	44.42%
Mitterrand	21.05.1981-17.05.1995	617.59	1401.64	1408.72	532.65	126.95%

**Source:** France GDP data: Value, growth rate, per capita and structure [11].

Services are the main sector of the country's economy, accounting for about 80% of GDP. France is one of the world's leaders in the manufacturing industry, as well as in the automotive, aerospace, food, railway transport, cosmetics and luxury goods sectors. In addition, France has a highly skilled workforce [11].

France is the largest agricultural country in the European Union, with a share of agricultural land of more than 16%. The country specialises in the production of wheat, sugar beet, potatoes, beef, and dairy products, and holds leading positions in viticulture and winemaking. Livestock production accounts for about 45% of agricultural production. GDP from agriculture in France increased to 8076 million EUR. (USD 8.516 billion) in the fourth quarter of 2021. Nuclear power significantly dominates France's electricity generation, accounting for about 80% of total production. France is also a major exporter, accounting for 20% of global exports. In the fourth quarter of 2021, France's GDP from construction amounted to 28.872 billion USD, from manufacturing 59.229 billion USD, from services 319.187 billion USD, from transport 22.516 billion USD, and utilities 13.766 billion USD for the period [11]. Tourism is the leading sector in the French economy, accounting for almost 8% of GDP and providing around two million jobs. France has been a major tourist destination for several decades, and 2019, with 90 million tourists visiting the country, was a record year, making it a substantial vector of influence abroad.

The French banking system is one of the oldest and largest in the world and is effectively a system of universal banks. Five key banking groups hold about half of the system's assets. Four of them (Groupe Credit Agricole, BNP Paribas, Groupe BPCE, Societe Generale) are globally systemically important banks. France's banking system is closely integrated into the international one and has total assets of more than EUR 12 trillion, which is more than six times its GDP. The French insurance market is one of the largest in the world, and its mutual fund market is the second largest in Europe. The national securities market and financial infrastructure are at the forefront. In recent years, the number of banks has been declining and their share in total financial assets of the financial and credit system has been increasing, while the share of foreign banks in total banking assets has also been growing. The French state budget has been in deficit for the past decades: 39.679 billion USD as of February 2022, and the public debt for 2021 was 113% of GDP [12].

France invests substantial resources into innovation development. The country ranks second in Europe in terms of spending on science. According to the European Innovation Scoreboard, France is one of the countries with

a strong innovation system. The effectiveness of France's innovation policy can be evaluated using several key criteria. These include the strong integration of fundamental and applied research, and the formation of multidisciplinary research teams. Additionally, robust connections between scientific institutions and industry, coupled with a focus on young talent, play crucial roles. The presence of a comprehensive network of innovation hubs and incubators, along with companies' swift responsiveness and resource allocation, further contribute to success. Lastly, the international reputation of French innovative firms serves as an important indicator of the policy's efficacy. France, unlike most European countries, refuses to use administrative and legal levers in the field of science and technology and is building infrastructure to create the most favourable conditions for cooperation between science and industry. According to the Global Competitiveness Index, France ranked 29th in the world in 2021 (32nd in 2020).

In 2022, the French economy continues to recover from 2020 marked by severe restrictions, with 2021 GDP rising sharply to +7%. An unprecedented figure for the last 52 years (according to Insee, the French Institute of Statistics), the best in the Eurozone. The French economy began to recover after a record first year of the pandemic and a GDP decline of as much as 8%. However, 2021 was not marked by a full return to normal for the French economy, as significant sanitary restrictions were still in place due to the pandemic. Household consumption returned to its pre-crisis level only at the end of the year, with the positive dynamics driven by growth in the production of goods and services. Foreign trade also contributed to the recovery. Overall, however, exports and imports remain below pre-crisis levels. As mentioned above, to overcome the economic consequences of COVID-19, on 3 September 2020, the French government presented the "Recovering France" plan. This is a major investment plan of 100 billion EUR, of which 40 billion EUR is provided by the European Union in the form of grants, to support businesses, revise production models, transform infrastructure and invest in training. This plan includes three main areas of activity [13]:

#### I. Ecology.

1. Carbon-free economy. The goal is to achieve carbon neutrality by 2050. A significant acceleration of environmental transformations is envisaged, with 30 billion EUR allocated for this purpose. In particular, France will support the reconstruction of building insulation, decarbonisation of industry, production of green hydrogen, use of more environmentally friendly transport and transformation of the agricultural sector.

2. Development of means of everyday transport. It provides for the allocation of 1.2 billion EUR to promote the wider use of bicycles and develop public transport by improving existing services.

3. Support for the railway industry. The goal is to increase supply in less populated areas and improve their connectivity to urban areas, accelerate work to improve the reception of citizens at stations, especially in terms of access for people with reduced mobility, and develop freight transport to provide transport services as close as possible to businesses, logistics platforms and ports.

4. Biodiversity. France will strengthen its food sovereignty to meet the demand for local products. This will restore biodiversity in the areas and combat the loss of soil naturalness.

## II. Competitiveness.

1. Modernisation of production. France has opted for modernising its production system, investing heavily in future technologies (especially environmentally friendly ones), reducing production taxes, and strengthening support for research, training, skills development, and existing national knowledge and expertise. The “Reconstruction of France” plan allocates 34 billion EUR for this purpose.

2. Localisation of industrial production. To ensure its economic and technological independence, France is investing in five strategic areas: healthcare; factors of production (elements included in the production process) that are of the utmost importance for the industry; electronics; agro-industrial complex; 5G industrial applications. Some production activities will be moved to France.

3. Investing in the technologies of the future. The state will support innovations that include, among others, digital technologies, medical research, carbon-free energy, responsible agriculture and food sovereignty, sustainable transport and mobility, and even the fields of culture and creativity. The aim is to create the most favourable conditions in Europe for research and entrepreneurship in France.

4. Reduction of production taxes. Such taxes affect the competitiveness of French companies. In 2018, they amounted to 3.2% of GDP, compared to 1.6% on average for the European Union. To increase France’s economic attractiveness and facilitate the location of industrial enterprises in its territory, these taxes have been reduced by 10 billion EUR per year since 1 January 2021.

III. Cohesion. Envisages substantial investments (36 billion EUR) in the area that represents French wealth – human potential. To avoid rising inequality at all costs, it is necessary to strengthen support and assistance in finding employment for young people and the most vulnerable across France. Among other things, it provides for:

1. Improvement of the skills of the working population. To respond to the emergence of new activities related to environmental transformations, the circular economy and digital technologies, the recovery plan calls for, among other things, increasing the number of trainees (around 400,000) from the working population and transforming the vocational training system to make France a leader in digitalisation, learning and pedagogical innovation.

2. Training of young people in strategic and promising industries. To respond to the expected increase in demand

for employment from young people, 1.6 billion EUR is being allocated to increase the number of vocational qualification courses for all young people entering the labour market from September 2020.

From the above, it is possible to conclude that France has a clear plan for economic growth and competitiveness and is focused not only on the development of existing sectors of the economy but also on the creation of new economic, scientific and technological areas, taking into account the latest trends, which will undoubtedly contribute to further strengthening the country’s leadership position. At the same time, the most valuable asset in the development plan’s value system is not the last, if not the first, one – human capital, its development and well-being.

## The French tax system and its features

The French tax system ensures a high standard of living for the population through the effective redistribution of income. The French tax system is characterized by several distinctive features. It relies heavily on indirect taxation, which accounts for 60% of tax revenue, and substantial contributions to the social security fund comprise over 40% of total tax payments. The system also generates significant income from taxes on goods and services. Local budgets benefit from a considerable portion of tax revenues, with regions retaining up to 60% of budget funds. Notably, the French tax system demonstrates elasticity, with annual adjustments to tax rates based on global and national economic conditions. Finally, it takes into account territorial aspects in its structure and implementation.

Despite the rather high tax burden, taxes in France are socially oriented and flexible. In general, the French tax system consists of taxes on individuals and legal entities. Personal income taxes (also paid by foreign nationals who receive official income in the country) account for one-third of the budget and have a progressive tax rate scale covering 5 groups of taxpayers with a range from 0 to 45% depending on the amount of annual income. Income tax rates vary according to income and a special coefficient assigned to a fiscal unit depending on its type (e.g. married couple with or without children). A family is considered to be the payment unit for which discounts are provided. Legal entities in France can operate in a variety of legal forms, from sole proprietorships to joint stock companies. Legal entities pay more than 50% of budget revenues [14].

Personal taxes include:

1. Inheritance and gift tax. The tax rates depend on the degree of kinship and the market value of the taxable object. The rates are set for children, parents, guardians, brothers, sisters and other family members on a progressive scale from 5% to 60% with a certain reduction of the tax base. At the same time, spouses are exempt from paying taxes.

2. Real estate tax. Housing maintenance fees are set by local authorities. The payer of real estate tax is the person who occupies the living space. Property tax rates are set for properties over 700 thousand EUR and range from 0.55% to 1.83%. The fee rates also depend on the life of the facility.

3. Wealth taxes. They apply to individuals whose total assets exceed 800 thousand EUR. Real estate, bank deposits, vehicles, and jewellery are taxed. The rates

depend on the value of the property, ranging from 0% (less than 800 thousand EUR) to 1.5% (over 10 million EUR).

4. Taxation of dividends paid to individuals. The company paying out the income is subject to corporate tax on the income from which the dividends will be paid. Subsequently, when paying out dividends, the company will pay a mandatory fee (3% of the amounts paid out). At the shareholder level, dividends paid to individuals are taxed on a progressive scale from 0 to 45% depending on the amount of income and residence.

Corporate taxes include:

1. Value-added tax (VAT). VAT accounts for 50% of indirect taxes and is levied according to the classical scheme. The difference between VAT received from the buyer and the amount of VAT paid to the supplier is to be transferred to the budget. Exports of goods from France outside the EU are not subject to French VAT, while imports to France from a non-EU country are. The standard VAT rate in France is 20%, with intermediate rates available. Among the EU members, only Sweden, Finland, Denmark, and Ireland have higher VAT rates than France.

2. The corporate tax is levied on the amount of taxable income reduced by expenses for charity, insurance and pension contributions, child support, membership in public organisations and political movements. Unlike most tax systems in economically developed countries, corporate income tax in France is based on the territorial principle. The basic tax rate is 33.33%. Starting from 2017, the basic corporate tax rate was reduced primarily by increasing the taxable threshold. There are also other rates depending on the direction of the campaign, for example, the rate for mining is 50%, and the rate for the production of energy-saving equipment is 0%. There is also a rather complex system of benefits.

3. Taxation of capital gains. When alienating shares and stakes in organisations held by the seller for at least 2 years, capital gains are exempt from tax, but only for 88% of the gain from the sale of shares, the remaining 12% are taxed at a general rate of 33.33%.

4. Taxation of dividends when paid to legal entities. For legal entities resident in France (unless exemptions apply), dividends are included in the general corporate tax base and are taxed on the usual terms. Dividends paid to non-residents are subject to withholding tax at a rate of 30% (or at the rate provided for by a double taxation treaty). Dividends paid to companies from non-cooperating jurisdictions are subject to a 75% withholding tax.

5. Payroll tax. The employer makes deductions from the annual payroll: 4.5% – up to 36 thousand EUR; 8.5% – up to 71.7 thousand EUR; 13.6% – over 71.7 thousand EUR. The contributions are distributed among social funds: to pay pensions, sick leave, and unemployment benefits.

6. Professional tax is set for those who live on individual fees: writers, artists, composers. The tax rates are set in the regions at a level not exceeding 3.5% of net annual income.

7. The EU levies account for 2.3% of tax payments and include payments on alcohol and petrol surcharges, value-added tax, and tobacco surcharges.

8. The social tax is paid by commercial organisations at a rate that depends on the company's turnover in the

reporting period, and the funds collected are invested in the country's social and economic infrastructure.

9. Tax on vocational education. Legal entities pay 1.45-3.5% of their payroll.

10. Social and insurance contributions. In France, mandatory contributions to state and public funds consist of two large categories, roughly equal in size: taxes and social security contributions. Contributions to non-budgetary funds are made by the employer (in the amount of 4.5 to 13.6% of the annual payroll) and the employee (20-22% of the employee's gross salary is transferred to the compulsory health insurance fund, pension fund, and social unemployment fund before income tax). The French pension is mainly financed by additional contributions to non-governmental funds, with payments of 20-50% of earnings. In France, there are social pensions that are not a fixed income, financed by a general 2.4% social tax on all income, duties and excise taxes on beverages. The local system of state unemployment insurance is not based on state guarantees but on collective agreements between specific employers and their employees.

In general, the French tax system tends to reduce the tax burden on citizens, which is ensured by high wages, the use of a progressive personal income tax rate, high taxes on the wealthy, and contributions by legal entities from the payroll to non-budgetary funds for the benefit of employees. The French tax system is socially oriented, which means that tax payments are redistributed from the highest-income taxpayers to the lowest-income taxpayers. Wages in France are much higher than in Ukraine. The personal income tax system provides for a tax-free minimum and deductions for expenses related to income. In France, the tax system is more stable than in Ukraine or Georgia. There are six types of taxes in Georgia: income tax (20%) is non-differentiated; VAT and income tax have the largest share in budget revenues. Taxes account for a significant share of local budget revenues. Local budgets have independence in the formation and use of budget funds. Indirect taxes predominate in budget revenues (the share of VAT is over 50% of indirect taxes). In the budget process, the approval of budget revenues is the first step, and only after that are the areas of spending determined, and tax rates are reviewed annually.

### Migration policy in France

For this study, it is advisable to consider the period since 2015, when France was going through perhaps the largest migration crisis in its history. This crisis was the context of the presidential election in which E. Macron won in 2017. To better understand the principles of the migration policy of the French president, who secured re-election in 2022, it's important to examine the main immigration trends in France.

Student migration, comprising about 30% of the total, is viewed favorably by the government as "promising" immigration. France ranks fifth globally in international student numbers, with approximately 350,000 foreign students enrolled in universities. A small percentage of these students later transition to economic or family-based immigration.

Family-related immigration, accounting for 50-70% of the total, includes family reunification, marriage-based immigration, and "maternity tourism." This category sees

steady growth of about 2.2% annually and is considered the most contentious area for the government, partly due to international obligations.

Humanitarian immigration, linked to the influx of refugees, represents about 10% of the total. France receives the largest number of these migrants in the EU, prompting authorities to implement stricter admission policies.

Economic immigration, at approximately 11%, targets individuals with exceptional abilities. The government has introduced a new "talent passport" residence permit category and may issue work permits to attract skilled migrants. It is worth noting that the issue of receiving immigrants and refugees in particular is of particular relevance to a socially oriented state like France. The system of social and medical care, including such forms as "public health care" and "basic health care", applies not only to French citizens but also to immigrants, which, with the increase in the number of the latter, becomes too costly for the state. 90% of foreigners who have been refused asylum remain in the country and have access to these types of health insurance. The situation is exacerbated by the growing proportion of young children arriving in France without parents, from Africa.

Communities with a high percentage of foreigners among the local population are the poorest. Poverty is accompanied by intercultural conflicts, crime, risks of radicalisation. A closer examination of E. Macron's initiatives, which are the position of the French government and reflect the result of the influence of society on state policy, is in order. The fundamental difference between the position of the current French president is that Macron considers it important to combat the causes of migration flows – economic underdevelopment, hunger, and negative climate change – and not just implement programmes to welcome and integrate immigrants, for which France, like other EU countries, has assumed responsibility. E. Macron's key initiatives and actions include the following [15]:

1. Development of immigrant integration programmes (key priority). Integration requires a good command of the French language, and an understanding and acceptance of basic republican values, especially women's rights and secular traditions.

2. Encouraging the inflow of knowledge and talent. France is interested in receiving qualified foreign specialists, promising entrepreneurs, investors, scientists and artists. It is intended to simplify the procedure and reduce the timeframe for obtaining a visa under the "talent passport" status. As of January 2020, 32,000 people have received these passports.

3. Simplification of access to employment in France and the procedure for obtaining French citizenship for students with French master's degrees.

4. Responsibility for the reception of refugees has been established. The state, on the one hand, should maintain the historical traditions of hospitality, and on the other hand, remain unwavering in its stance towards people who do not comply with the conditions of staying on its territory.

5. Support for the actions of EU states to protect external borders, which includes: strengthening the police corps as part of building a single pan-European border control system, and transferring to it the authority to supervise and protect Europe's external borders;

establishment of checkpoints to limit the number of refugees entering the EU; strengthening the fight against illegal immigration in the EU and its organisers.

6. The so-called "20 measures to restore control over immigration flows" were announced on 6 November 2019 by Prime Minister E. Filip, whose key changes include the introduction of quotas by profession for a year in those sectors of the economy that have problems attracting labour resources and a review of the list of professions and jobs of enterprises that require foreign labour. According to the novelties, foreigners who have applied for asylum will have access to services under "basic medical care" in three months. Restrictions are introduced on the provision of "state medical care". It is also planned to tighten the requirements for knowledge of the French language, republican values and secular traditions for obtaining citizenship. The number of students accepted by France is planned to reach 500 thousand by 2027.

An important event for assessing the current migration situation in France was the publication in October 2019 in the National Assembly of the real costs of the state for immigrants. They amount to about 25 billion EUR a year: 8.5 billion for social assistance and healthcare, 4.47 billion for legal needs, 10 billion for school and higher education, 1 billion for housing costs and 500 million for public transport services.

Public opinion in France is rather negative towards immigrants: 45% of the French are against the influx of refugees, 67% are against providing them with medical care, 82% are in favour of strengthening the practice of naturalisation, 83% are in favour of expelling foreigners from the country in case of crimes, 67% are in favour of providing family and social assistance only to the French and EU citizens. Significant government spending on immigrants, coupled with austerity measures in social and pension programmes for the native population, worsened the socio-economic situation of French people with modest incomes. Serious disagreements over the issue of immigration also exist among the contemporary French political elite. The Macron government is pursuing a so-called co-development policy aimed at assisting developing countries to create favourable conditions that discourage emigration. Thus, in 2019, France's development assistance funding increased by 4.85% to about 3 billion EUR. It is one of the top five leaders in financing the economic development of the Third World. As part of this policy, the French government regularly allocates subsidies to countries in need [16].

A distinctive feature of Macron's migration policy is a set of measures aimed at increasing the participation of French citizens living abroad in the socio-political and economic life of their homeland. In general, E. Macron's position in French current migration policy can be characterised as pragmatic and rather flexible, which largely continues the line of his predecessors. The integration of immigrants remains a priority of its migration programme, which includes the creation and implementation of local integration projects, French language training and the assimilation of republican values, history and traditions by immigrants.

## Discussion

Unfortunately, despite significant reforms in the economic and social spheres following the events of 2013-2014, Ukraine still pays insufficient attention to addressing social and economic issues, which leads to rather negative consequences; interesting tax and pension reforms were carried out in Georgia, but they need to be perfected taking into account international experience (the scale of migration is large). Studying and analysing the experience of social protection and taxation systems in developed countries, which certainly include France, is important for improving the current socio-economic policies and taxation system in Ukraine. Ukraine, like France, is a welfare state, as enshrined in Article 1 of the Constitution of Ukraine [17], along with the rule of law. However, when discussing this issue, it should be noted that in Ukraine, unlike France, such goals are only declared rather than implemented. In Georgia, in order to promote business, there is a constitutional limit on the increase of tax rates, and reinvested funds are exempt from taxation.

The French social security system is a combination of the two classical models: “Beveridge” (liberal solidarity, which aims to fight poverty in the whole society) and “Bismarck” (conservative corporate, which is focused on overcoming the material and social difficulties of workers). It is a mixed model with decentralised corporate governance, but with substantial state control and involvement, and is financed by tax revenues and contributions. The period when the current social protection system in France began to develop is considered to be the 50s and 70s of the last century, but it has undergone two stages of significant reforms. The first was in the early 1990s, driven by changing economic contexts that led to significant budget deficits, resulting in the introduction of a general social contribution in 1991 and a social debt contribution in 1996 [18]. The second was in the early 2000s, when, despite the growing importance of the French economy in the European Union, the social budget remained in deficit, leading to a series of demonstrations and protests that resulted in reforms of pensions and health insurance. As a result, a model of social security was formed that is now considered a model in many countries around the world and is aimed at the total elimination of poverty in all segments of the population.

The current stage of the development of social policy in France is primarily due to two factors: the impact of the global COVID-19 pandemic on the economy and the position of French President E. Macron, who was re-elected for a second term in 2022, which is also enshrined in the French long-term development plan “France Relance recovery”, calculated until 2030 [13]. A significant ideological change and distinction of the updated social policy is the emphasis not only on supporting socially vulnerable citizens of the country but also on providing economic support to the main countries that are “donors” of immigration to the French Republic, to reduce the volume of such immigration. It is also worth noting that today more and more factors, such as globalisation, digitalisation and technological progress, climate, food and environmental safety, are affecting the economies of countries around the world. For France, they are a catalyst for finding new directions of development and improving

economic potential, including at the supranational level, especially given the growing migration problems.

In recent decades, despite certain fluctuations in gross domestic product, France has been and remains one of the key economies in Europe and the world, ranking seventh among the countries of the world. It is GDP that is the main economic criterion that characterises a country’s ability to ensure public welfare. In general, the French economy can be described as service-oriented in terms of its GDP structure. It is a leading month in Europe in terms of agricultural production, production of high-tech products with high-added value, electricity exports and tourism. The most negative dynamics in terms of GDP occurred during F. Hollande’s presidency in 2012-2017, but during President E. Macron’s first term, it returned to almost zero dynamics with the potential to move to a growth zone.

The French economy continues to recover from the global pandemic crisis. After a year marked by severe restrictions in 2020, GDP in 2021 rose sharply to +7%. This is an unprecedented figure in the last 52 years and, according to Insee, the French statistics institute, the best in the Eurozone. For comparison, Spanish GDP grew by 5% over the same period, and Germany’s by only 1.4% – albeit after a less pronounced decline than its neighbours last year – by 5%. The French economy began to recover after the record first year of the pandemic when GDP declined by as much as 8%. France demonstrated similar indicators (albeit less pronounced) 11 years ago during the financial crisis. However, 2021 was not marked by a full return to normal for the French economy: in the first six months, there were still significant sanitary restrictions due to the epidemiological situation. Household consumption returned to pre-crisis levels only at the end of the year, and the positive dynamics were driven by strong growth in the production of goods and services [19].

It is possible to state that the positive trend in GDP and the development of the French economy as a whole will provide the government with the ability to maintain and further develop the social security system, especially since French tax policy is also one of the most progressive in the world, despite its rather complex structure. The period of formation of the modern French tax system relevant to this paper begins in the 80s of the twentieth century when the reform of local self-government was carried out in France. The Law on the Rights and Freedoms of Communities, Departments, and Regions of 2 March 1982 regulated the division of powers and the distribution of financial resources between state and local authorities. As a result of the decentralisation of governance, the share of local budgets has reached 60% of the total state budget. Today, France has a two-tiered tax system, with state and local taxes. This system is one of the most complex, with some of the highest taxes in the world, as evidenced by the country’s 4th place in the European Union in terms of total tax burden.

Taxes and duties account for about 90% of French budget revenues and 45% of gross domestic product, which is slightly higher than the EU average. The French tax system is the most complex, with some of the highest taxes in the world, as evidenced by its 4th place in the European Union in terms of the total tax burden. Meanwhile, the French tax system ensures a high standard of living for its population through the redistribution of

income, while having some notable features that differ from other tax systems around the world. The French tax system exhibits several distinctive characteristics compared to other European countries. Notably, it features exceptionally high social taxes, with payments and contributions to social funds exceeding 40% of total mandatory payments and taxes, surpassing the EU average of about 30%. Indirect taxation, particularly value-added tax, contributes more to government revenues than direct taxation. The budget process in France adheres to a resource priority principle, while the government actively pursues a decentralization policy, empowering local authorities and redistributing tax revenues accordingly. In recent years, to align with EU tax system unification requirements, France has reduced tax rates while broadening the tax base by eliminating various exemptions.

The French tax system is a unique set of taxes and fees that has been developed over several centuries, addressing historical and cultural characteristics. At the same time, the system is stable in terms of the list of taxes and fees collected and the rules for their application. Tax rates are reviewed annually, addressing the state of the economy and the current social policy of the state. Globalisation processes against the backdrop of military threats, international terrorism and the food crisis have led to a chaotic growth of migration processes, which may eventually turn into a real security challenge for several European countries. Peak immigration to Europe has led to a new global threat and triggered a migration crisis in the EU.

In particular, as of September 2016, 318275 migrants arrived in Europe. France, more than other EU countries, is experiencing an aggravation of the migration crisis, which prompts the French government to seek rather radical measures to bring migration flows under control and to adapt national and European legislation to conduct a more effective migration policy [19]. Another distinctive feature of France compared to other EU countries is the large number of citizens of foreign origin, and their share is constantly growing, including due to the higher birth rate among immigrants. The number of children of foreign origin is increasing mainly due to people from African countries.

There are usually several key areas of migration: student, which accounts for about a third of the total volume, family when it comes to family reunions or “birth” tourism, which can range from 50% to 70%, humanitarian (or political) related to the influx of refugees, which reaches 10%, and economic (or professional), which is heterogeneous in nature from business representatives to illegal immigrants, which also amounts to 10% [20]. The immigration issue has been and still is a field of heated debate between the political elites of France. Public opinion is also largely negative towards migrants. However, certain European requirements and relevant obligations, ethical and value standards of France encourage the president and the government to build a balanced migration policy based on the principle of “humanity but closure”, i.e. an attempt to reduce the number of migrants but make their level of maintenance more decent [21].

## **Conclusions**

The study of France’s experience in implementing socioeconomic and tax policy against the background of migration processes was used to formulate the following conclusions. French social security system is one of the world’s leading, and comprehensive and provides social guarantees to all citizens of the country, and contributions are paid by all employed persons. It includes healthcare, pensions, family support and unemployment benefits to which every French citizen or resident is entitled. The various schemes are financed by companies, trade unions and employees. The French model of social security is flexible and efficient, future-oriented, has a clear development plan and defined sources of funding, and takes into account global trends, which will not only maintain France’s leadership in this area but also ensure further development. The system requires significant expenditures, which is a limitation, but a study of the country’s economic policy shows that this problem is not insurmountable.

France is one of the economic leaders in Europe and the world. Key sectors of its economy include the automotive, aerospace, food, rail transport, agriculture, cosmetics and luxury goods industries. In terms of GDP, France demonstrated almost standard European dynamics until 2021, when its GDP increased significantly to +7% as it recovered from the COVID-19 crisis. The country has a set plan for economic growth and is focused on creating new areas based on the latest trends, which will undoubtedly contribute to further strengthening the country’s leadership position. France has a two-tiered tax system, with state and local taxes. This system is one of the most complex, with some of the highest taxes in the world. However, the French tax system ensures a high standard of living for the population through the effective redistribution of income. Taxes in France are socially oriented and flexible, and in general, the tax system tends to reduce the tax burden on citizens. A characteristic difference between France and other EU countries is the large number of citizens of foreign origin, and their share is constantly growing. Public opinion in France is rather negative towards immigrants. The country adheres to the so-called co-development policy aimed at assisting developing countries to create favourable conditions that discourage emigration. Integration of immigrants is a priority of the government’s migration programme and involves the creation and implementation of local integration projects, teaching French and the assimilation of republican values, history and traditions by immigrants.

The French government’s plan for the “Reconstruction of France”, approved on 3 September 2020, is comprehensive, and gives confidence in the country’s successful development in the long term, even with migration issues that will not diminish in the coming years. In Ukraine, on 03 March 2021, the government also approved the programme document “National Economic Strategy for the period up to 2030”, so further research should be conducted to address the French experience in the next updates of the Ukrainian development strategy. The Government of Georgia has an interesting socio-economic ambitious government program, the realization of which will meet the European Union’s integration indicators by 2030.

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None.

**Conflict of Interest**

None.

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## **Довгострокові наслідки соціально-економічної та податкової політики розвинених країн в умовах посилення міграційних процесів (на прикладі Франції)**

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### **Анотація**

**Актуальність.** Актуальність цього дослідження полягає в тому, що Україні необхідно модернізувати свою фіскальну політику для підвищення ефективності ринку та соціального добробуту, в той час як Грузія, незважаючи на реформи, повинна прискорити створення робочих місць та підвищення заробітної плати.

**Мета.** Метою дослідження є розгляд та аналіз податкової та соціально-економічної політики Франції, її впливу на економіку країни та прогнозування наслідків реалізації з урахуванням міграційних процесів.

**Методологія.** Основою методологічного підходу в цій роботі є якісне поєднання методів емпіричного аналізу на основі зібраного матеріалу, а саме: аналіз, синтез, конкретизація, метод аналогій, вивчення досвіду, методи математичної статистики та графічне представлення результатів.

**Результати.** Основним результатом дослідження є аналіз ключових елементів соціальної та податкової систем Франції в динаміці, їх взаємозв'язків з економічним та політичним контекстами розвитку країни, опис ключових міграційних процесів, аналіз їх причин, наслідків та заходів державного регулювання (включаючи вплив пандемії COVID-19).

**Висновки.** Результати цього дослідження, а також висновки, зроблені на його основі, є важливими для вдосконалення поточної соціально-економічної політики та податкової системи в Україні та Грузії. Франція є гарним прикладом того, як Україні та Грузії слід розвивати реальні сектори економіки для досягнення ефективних результатів.

**Ключові слова:** податкова система; соціальний захист; валовий внутрішній продукт; податки; міграція; економічний розвиток.