Sweeping Changes to French Labor Laws Signal Employer-Friendly Future

Insights
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Today, the French labor market experienced the start of a power swing, from its historically employee-friendly labor regime to a more employer-friendly set of laws, intended to provide employers with greater flexibility in the employee relations arena. Indeed, despite vigorous protests from labor interests, French President Emmanuel Macron today approved decrees to overhaul France's labor laws, which should create a number of changes beneficial to employers across the country. If ratified by the French Parliament, President Macron's sweeping labor reform, which is part of a larger plan to reinvigorate France's economy and lower its near-10% unemployment rate, will install key changes for employers, including:

1. **Increased Flexibility in Negotiations**
   Under the new laws, employers will be able to negotiate wages and conditions directly with their employees. In the past, employers were bound by industry-wide collective bargaining agreements. This change will also allow French employers with multiple places of business in the country to negotiate specific wages and conditions for each location.
2. **The Creation of a Cap on Damages for Unfair Dismissal**
   The new laws also implement a cap on damages paid to workers for unfair dismissal. Damages will be capped at three months' salary for employees with two years of seniority and 20 months' salary for employees with more than 30 years of seniority.
3. **Centralized Employee Representative Bodies**
   Under the previous regime, employers with over 50 employees were required to nominate three different workers' representative bodies: the works' council, the safety committee, and workers' representatives. Under the new reform, the three bodies will be merged into a single employee representative body known as the "Social and Economic Committee."
4. **Shift in Focus in Determining Firm Financial Health**
   Under French law, all layoff plans must first be approved by the Chamber of Commerce before they take effect. Before the reform, if an employer wanted to layoff French employees, a Chamber of Commerce judge would consider that firm's global financial health to determine whether the layoffs were justified. Now, the judge's determination of financial health is limited to France's geographic borders, preventing the judge from considering global circumstances.

Takeaways for US Employers

With Parliament's ratification of these decrees viewed almost as an afterthought, US employers doing business in France can expect an easier road to compliance with French labor laws. The reform, considered by many to be a shift towards "Anglo-American deregulation," should reduce the burden on US employers when hiring and firing French employees.

We will continue to monitor developments and provide updates as they are available.