



Re-establishing work incentives: a priority for France

French labor regulations have been evolving over the past year to the advantage of businesses and employees. Various reforms are moving towards:

- greater freedom to work more,
- greater autonomy for companies for work week arrangements,
- greater flexibility in the labor market,
- greater social democracy.

With the introduction of better support for job seekers (merger of ANPE-UNEDIC, personalized service for job seekers) and the planned reform of legislation concerning professional training, these measures combined show a determined move towards **French-style "flexi-security"**. These reforms are also accompanied by a reworking of the French labor code in order to make it more accessible for businesses in particular.

FRANCE, A HIGHLY PRODUCTIVE COUNTRY

Average annual hours worked (in 2007)

Germany	1,433
Denmark	1,574*
France	1,561
Italy	1,824
Japan	1,785
Netherlands	1,392

Source: OECD
* Data 2006

Average weekly hours worked by salaried employees (in 2007)

Spain	42,0
France	41,0
Italy	41,1
United Kingdom	43,0
European Union-27	41,8
Germany	41,7

Source: Eurostat 2008

Average weekly hours worked by management staff (in 2007)

Spain	42,0
France	41,0
Italy	41,1
United Kingdom	43,0
European Union-27	41,8
Germany	41,7

Source: Eurostat 2008

France ranks 3rd worldwide in terms of hourly productivity (behind Norway and the US), well ahead of Great Britain and Germany.

Country	GDP/ hour worked
Norway	37,99
United States	35,63
France	35,08
Great Britain	30,42
Germany	29,49

Source: BIT September 2007



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AN INCENTIVE TO WORK EVEN MORE

35 hours remains the legal duration for the working week. However, the employer and trade unions are free to negotiate at a company level, which ensures a practical approach geared towards the needs of businesses.

Companies are able to set their rules regarding the overtime hour quota, the hours exceeding this quota, and the corresponding statutory rest days.

The limit for overtime hours, previously fixed at 220 hours per year, can now be determined by collective agreement within the limits of European Union regulations (48 hours per week specifically). In the absence of an agreement, the overtime hour quota reverts to government law. Companies will be able to exceed the overtime hours by simply consulting staff representative bodies and without requiring authorization from labor inspection authorities.

■ Overtime hour overview:

- The number of companies using overtime hours increased for the 6th consecutive month to reach **59%**
- Increase in the number of overtime hours worked in 2008: **+40%**

Source: Ministry of Economy, Industry and Employment (May 20, 2008)

■ **560,000**: The number of companies that indicated using overtime hours during the 1st quarter of 2008

Source: Secretary of State for Industry and Consumption (Porte-parolat du Gouvernement)

Companies can finally raise the working hours of management staff or independent salaried employees working under the “forfait jours” (fixed days) system (about 40% of such employees are under this system) **from 218 to 235 days**¹ (even up to 282 working days if there is a collective agreement for working on Saturdays).

Also, since October 2007², **salaried employees benefit from exemptions from tax and social security contributions for overtime hours worked over and above the legal working week** (35 hours), effectively an increase of 25% compensation for overtime hours. The employer also benefits from a flat reduction in employer social security charges for each additional overtime hour. This new rule applies to all salaried employees, including executive managers and part-time employees.

NOTE ¹Law on social democracy modernization and work week reform, August 20, 2008

²Law favoring work, employment and purchasing power (TEPA law), August 21, 2007



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A MODERN WORK CONTRACT³

- **Introduction of a new procedure to terminate a contract: the “rupture conventionnelle”** (conventional termination). Inspired by the compromise agreement commonly used in the United States or United Kingdom, this is an **amicable termination which is mutually agreed between the employer and the employee**. The procedure is more streamlined. The conditions of termination and the amount of compensation are set out in the agreement. The compensation is **not subject to tax and social security contributions** (up to a maximum of two year’s salary). Terminating a work contract in this manner entitles the employee to claim **unemployment benefits immediately (no waiting period)**.
- **Introduction of a new type of work contract: the “objectif défini” or defined objective contract**. This contract with a **18-to-36-month duration**, is reserved for engineers and management staff. It normally terminates when the defined objective has been achieved.
- **Introduction of new hiring rules: the maximum trial period is increased by 2 months**; bringing the total trial period to **4 months for blue collar workers and employees, and 8 months for management staff**. France is now more in line with Germany, where the trial period for management staff is 12 months.

MORE SOCIAL DEMOCRACY WITHIN THE COMPANY

Trade union representation must be proven from now on and also accurately reflect actual presence within the company: trade unions must obtain 10% of votes to be considered representative and to sign agreements.

To be valid, company agreements must be signed by one or more unions which have at least 30% of the votes and not be opposed by any organizations with majority representation.

The employer is entitled to negotiate individually with each employee an agreement to determine the number of days to be worked over and above the level decided by collective agreement. These voluntary individual agreements are valid for one year.

AN UPDATED LABOR CODE

The French government decided to rework the labor code with a twofold objective:

- to make a simplified law that is easier to understand,
- to better inform and instruct users

In the new labor code, which was introduced on May 1, 2008, there is now only one concept per article. The number of articles has also been significantly increased: 3,652 compared to 1,891 in the previous code and their size has been reduced (an average of 416 characters per article compared to 894 in the previous code).

→ **Labor Code on-line:**

<http://www.legifrance.gouv.fr/affichCode.do?cidTexte=LEGITEXT000006072050&dateTexte=20080903>