

Macron kicks off controversial labour reform

The Macron effect might not be enough. The President will have to show his reforms can work and there is more to his menu than budget cuts.



Source: shutterstock

First steps towards a labour market reform

While Emmanuel Macron is facing his first political crisis, his party continues to make progress towards a reform of the labour market. This is the first change President Macron wants to achieve in a relatively narrow agenda. The reform should be finalised before the end of September. It will be composed of several executive orders which will be finalised by 28 August. The first step was this week when the Assembly defined the limits of these executive orders and voted on the Government's right to proceed through executive orders within these limits. The vote was widely supported with 270 votes and 50 against.

What might it look like?

The content of the executive orders will be negotiated in the coming weeks, but discussions started at the end of June between the Government and the social partners. They will amend the so-

called El Komhri Law (the watered down labour market reform PM Valls had to force through Parliament under François Hollande's Presidency), especially on labour market flexibility. With unemployment still extremely high especially among the young (more than 20%), more flexibility around fixed-term contracts are essential to ensure their access to more attractive contracts.

A big step would be the definition of a rule to define severance payments. Indeed, as France has one of the lowest standards in Europe (20% of one month salary per year in the company), severance payments are most often determined by Courts which makes it uncertain and expensive to dismiss workers on fixed-term contracts. That's why most of the job creation in recent years has taken the form of less attractive contracts.

However, a breakthrough can be envisaged as Labour Minister Penicaud evoked a maximum of 100% of one month salary per year in the company with a maximum of 20 months, a standard that would be closer to the norms in neighbouring countries like Belgium.

Macron's commitment put to the test

The reform is likely to contain much more elements. However, it will be a test for Mr Macron's willingness to shake things up. His insistence on short-term spending cuts cost him his army chief this week, even though the military's budget is settled to increase to 2% of GDP in 2021. But, the Government is short of EUR 9bn and wants to reduce the deficit-to-GDP ratio to 3% this year - a necessary condition to support Mr Macron's pro-European policy.

If he wants to satisfy the French, he also has to show there are other things than budget cuts on his menu.

All in all, the coming months will be crucial for his Presidency: his successes on the international scene have been many, but if he wants to satisfy the French, he also has to show there are other things than budget cuts on his menu. As necessary as the success of the labour law reforms are for the French economy, they seem even more essential to President Macron himself.