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Snap

French labour reform is born

Macron's French labour market reforms could boost hiring intentions in coming months, but there will be opposition

Prime Minister Edouard Philippe presented Mr Macron's second set of reforms this afternoon, together with the Labour Minister Muriel Penicaud. After the National Assembly reform this summer, Macron's Government has been tackling labour market reform. Given the President's approval rating has sunk to 40% after only three months in office, this reform is also politically significant.

The reform was presented in five decrees and 36 measures which are the result of 300 hours of consultation with social partners, including unions. Although not all are positive on the new measures, most unions declined to follow the CGT union in a strike on 12 September. Resistance should, therefore, be limited for now, but they have only begun to enter the public debate.

The main measure taken today to improve labour flexibility are related to the maximum set for dismissal compensation. There was a minimum, but no maximum - leading most permanent contract interruptions to Court. The maximum has now been fixed at three to 20 months of salary so that resorting to the Courts becomes less necessary. This, in turn, should accelerate the Court procedure (to up to 12 months instead of 24 nowadays). Layoffs for economic reasons will also be less burdensome in the future. Other measures were mainly aimed at modifying the way social dialogue between employees and companies is organised, with a focus on very small companies, where unions are non-existent.

As such, the law is unlikely to be modified as prime minister Philippe announced this afternoon. It will be presented on 22 September to the Minister Council for adoption. As the Government chooses to reform by decree, there will be no more votes in the Assembly.

We believe the ceiling on dismissal compensation is a milestone in labour flexibility and a real positive for permanent contract creation. In Spain, a similar reform kick-started an unprecedented labour market recovery. We believe it will affect hiring intentions in the months to come and reinforce the current recovery.

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