

# **The main changes brought about by the reform of the French unemployment insurance system**

**In the wake of the reform of the French Labor Code implemented by the so-called Macron Ordinances of September 22, 2017[1] and the reform of the apprenticeship and vocational training system introduced by the Law on professional future of September 5, 2018[2], the reform of unemployment insurance is an additional part of the “major transformation” of the French labor market that has been carried out by Emmanuel Macron over the past two years.**

**In accordance with the announcement made last February, the Government re-took the leadership on this thorny issue after unsuccessful negotiations with the social partners, with the aim of achieving “full employment” [3]. During a press conference on June 18, 2019, Prime Minister Édouard Philippe and Minister of Labor Muriel Pénicaud unveiled the key features of this reform which will be set out in a Decree to be published by the end of the summer.**

## **Brief presentation of the main contemplated measures.**

- 1. Companies: financial sanctions to limit the use of short-term contracts**

**A bonus/penalty system for companies on short-term contracts**

The Government plans to introduce a bonus/penalty system on employers' unemployment insurance contributions based on the number of employees working under a fixed-term contract and temporary workers, which should be applicable from **January 1, 2021**, depending on how each company will behave during 2020.

However, this system would only apply to companies with more than 11 employees in one of the following 7 business sectors identified as having the highest number of termination of employment contracts: manufacture of food, beverages and tobacco products; other specialized, scientific and technical activities; accommodation and catering; water-sanitation production and distribution, waste management and de-pollution; transport and storage; manufacture of rubber and plastic products and other non-metallic products; woodworking, paper and printing industries. It should be noted that the Government reserves the right to extend this measure to all business sectors at a later date.

The amount of the unemployment insurance contribution, currently at 4.05%, would vary between 3% (for good performers) and 5% (for bad performers) depending on the company's practice.

#### **A flat-rate tax on fixed-term contracts in specific business sectors (*CDD d'usage*)**

As from **January 1, 2020**, a flat-rate tax of 10 euros would be payable by companies for each *CDD d'usage* (excluding employers of intermittent workers in the entertainment industry who are not affected by this measure).

#### **1. Employees and job seekers: restricted rights**

##### **Stricter rules for employees' access to unemployment benefits**

It is expected that from **November 1, 2019**, employees will have to work longer to qualify for unemployment benefits. Specifically, an employee will have to work at least 6 months out of the last 24 months, instead of 4 months out of the last 28 months under the rules currently applicable.

For jobseekers, the minimum threshold for renewing their entitlement to unemployment benefits would also be increased to 6 months of employment instead of 1 month under the rules currently applicable.

##### **Recast of the compensation rules**

A global recast of the rules for calculating unemployment benefits is planned and should become effective on **April 1, 2020**. The objective of this recast is that unemployment benefits can never exceed the amount of the average monthly net salary (which is currently the case for some beneficiaries), without being less than 65% of said salary. Unemployment benefits would be calculated on the average monthly income from work, and no longer only on the days worked as is the case today.

##### **Gradual reduction of high unemployment benefits**

From **November 1, 2019**, a gradual reduction of unemployment benefits would apply for employees receiving more than €4,500 gross per month, whereas the level of benefits is currently constant throughout the benefit

period for all income levels. According to this new rule, after 6 months, the benefits will decrease by 30%, but may not be less than €2,261 net.

This measure would not apply to jobseekers aged 57 or over.

## 1. Employees and job seekers: new rights

### Increased support for job seekers

The Government has announced a reinforcement of the measures to support job seekers and enhanced resources for this purpose at *Pôle Emploi* (the French unemployment agency), applicable as from **January 1, 2020**.

### Right to unemployment benefits following a resignation to carry out a professional project

The Government has confirmed this measure that had been adopted by the Law on professional future and that should enter into force on **November 1, 2019**: employees with at least 5 years' seniority in their company would be entitled to unemployment benefits when they resign to carry out a professional project. This right could be renewed every 5 years (i.e. a maximum of 8 times over a working life of 40 years).

### Right to unemployment benefits for self-employed / independent workers

Pursuant to the provisions of the Law on professional future, self-employed / independent workers facing the judicial liquidation of their company would be eligible for a monthly benefit of 800 euros for a period of 6 months, provided that their activity has generated a minimum income of 10,000 euros per year over the last two years preceding the judicial liquidation. This measure would be applicable from **November 1, 2019**.

[1] On the Macron Ordinances, cf. in particular our article entitled [The Macron Ordinances also aim at reducing the number of employer-employee disputes brought to court](#) published in March 2018.

[2] Law n°2018-771 of September 5, 2018 on freedom to choose one's professional future

[3] Press conference by Mr. Édouard Philippe, Prime Minister: presentation of the reform of unemployment insurance, June 18, 2019

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