

France Approves Major Labor Reform Package

Sarah DiLorenzo, AP Business Writer

PARIS (AP) — France's parliament has passed a package of significant labor reforms Tuesday that the government hopes will help halt rising unemployment and jumpstart the country's stagnant economy.

The bill is one of President Francois Hollande's signature pieces of legislation designed to overhaul the country's notoriously hidebound labor market. It includes measures such as making it easier for workers to change jobs and for companies to fire employees.

Hollande, who is struggling in the polls, hopes the law will help bring down France's 10.6 percent unemployment rate and get the economy moving again. The country's gross domestic product hasn't risen significantly in a year, and France may have already fallen into another recession. GDP contracted 0.3 percent in the fourth quarter of 2012, and data released this week could show it fell again in the first quarter.

While France's economy has so far not suffered the same decline of its recession-hit neighbors, such as Spain and Italy, it also hasn't made the same efforts at reform.

The law "is a very good step in a very good direction but it has to just be the first," says Elie Cohen, an economist who has advised Hollande.

"We need a second, a third a fourth and a fifth step."

The Senate easily passed a final version of the law Tuesday. The National Assembly had already approved it.

Here's a look at some of the measures in the law and what more needs to be done to shake up France's labor market:

MORE FLEXIBILITY FOR EMPLOYERS

One of the main measures of the bill allows companies to temporarily cut workers' salaries or hours during times of economic difficulty. This measure takes its inspiration from Germany, where furloughs have been credited with allowing companies to weather difficult times without resorting to massive layoffs. The government is hoping this will stem the tide of job losses that have been piling up in France; companies may find it easier to put workers on temporary leave rather than go through the notoriously onerous firing procedures.

LESS UNCERTAINTY IN FIRING

There is another measure that aims to simplify the firing process. Layoffs in France

France Approves Major Labor Reform Package

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

are often challenged in courts and the cases can take years to resolve. Many companies cite the threat of lengthy court action — even more than any financial cost — as the most difficult part of doing business in France. The law shortens the time that employees have to contest a layoff and also lays out a scheme for severance pay. The government hopes this will help employees and companies reach agreement faster in contentious layoffs.

WORKER MOBILITY

Several measures are also aimed at making it less daunting for employees to change jobs. French contracts are known for the tremendous protections they afford workers and as those benefits increase, the longer an employee stays with a company. While it is frequently noted that these contracts make employers reluctant to hire, they can also make employees more likely to stay put in stable jobs. When no one moves, it becomes harder for the unemployed to find work.

Among the measures introduced are credits for training that follow employees throughout their career, regardless of where they work, and the right to take a leave of absence to work at another company. The law will also require all companies to offer and partially pay for supplemental health insurance. Only some jobs currently offer that.

The law also reforms unemployment insurance, so that someone out of work doesn't risk foregoing significant benefits when taking a job that might pay less than previous work or end up only being temporary. Under the new law, workers will be able to essentially put benefits on hold when they take temporary work, instead of seeing their benefits recalculated each time.

WHAT MORE NEEDS TO BE DONE?

While Hollande's law gets the ball rolling, a lot more needs to be done to really crack open the French labor market. For instance, France has laws prohibiting many shops from opening on Sundays.

Workers protested those restrictions on Tuesday, saying they'd like to work Sundays because they get paid double. Meanwhile, companies say they're losing out to online merchants by not opening seven days a week. Economists say such restrictions cost France tremendous amounts of revenue, especially from tourists.

There's more. French labor contracts are still too complicated and too stringent, many economists say. Access to many jobs, like driving a taxi, is still restricted by special licenses and Byzantine rules. The paperwork necessary to start a business is onerous.

Source URL (retrieved on 10/21/2014 - 4:53pm):

<http://www.impomag.com/news/2013/05/france-approves-major-labor-reform-package>

France Approves Major Labor Reform Package

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)
