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## Labour Market Reform in France: Prospects and Implications

Łukasz Jurczyszyn

*The labour market in France has been one of the weakest points of its economy for several decades. Entrepreneurs lack qualified employees and yet high unemployment persists. That is why President Emmanuel Macron has decided to change vocational training and internships system, increase the number of people entitled to receive unemployment benefits, and reform labour law. These changes have high public support and are being undertaken with a good economy. The traditional resistance from trade unions and increasingly better organised opposition remains a challenge to Macron's reforms.*

France's president's push for deep economic structural reforms and a break in long-standing impasses could lead to *de facto* social and economic transformation of the state not seen since the creation of the Fifth Republic in 1958. The most important element of the reform is reconstruction of the labour market.

This market in France is exceptionally inefficient. The biggest problems are high non-wage labour costs, especially the portion consisting of social security contributions, which has been growing over the last 15 years, ranking France first among the EU countries with the highest non-wage employment costs. As a result, the competitiveness of French industry and its ability to react to crises is weak. Unemployment has increased to 9.7%, especially among the young: one in four aged 18–24 is unemployed. Macron aims to lower unemployment, of course, but his goals are larger. Mainly, he is thinking about the ability of the French economy to compete at the global level by reducing the burden on the public sector and, importantly, accelerating economic growth.

**Macron's Ambitious Labour Market Reform.** The solutions developed by the ruling political camp in France go further than those attempted by previous governments. The first step in this change was reform of the labour law that entered into force on 25 September 2017. This has been Macron's most important reform to date. Besides the effects of the reform, politically it is intended to demonstrate the effectiveness and determination of the new president. However, he took this step through presidential decree, which has the power of law, and bypassed parliamentary debate. The new labour law significantly simplified negotiations on employment conditions between employer and potential employees and limited trade union influence in enterprises employing fewer than 50 employees. Until then, 95% of employee contracts had been negotiated by trade unions in various professional sectors, which the president's side claims hampered the adaptation of working conditions to the economic reality in both the country and in Europe. In addition, a limit on compensation for redundancies was introduced, which greatly facilitated an adjustment of employment in companies to real conditions.

Meanwhile, legislative proceedings are underway, this time through the standard process, on laws designed to significantly change professional training, the system of internships, and the range of unemployment benefits. Currently, only 36% of French people benefit from the training scheme, so therefore the government wants to popularise the use of a Personal Account Management system that

would be more convenient for employees to use. A draft law reforming the training system was presented on 5 March by Minister of Labour Muriel Pénicaud. According to the new law, so-called Individual Training Accounts will be established, connected also to a smartphone app. In France, employees traditionally accumulated hours that could be used for further training. The new law introduces a special training fund of €500 a year that would be transferred to the employee.

The last reform in Macron's "employee package" is a change to the unemployment benefit system to cover self-employed workers for the first time, mainly farmers, crafts people, and micro-entrepreneurs, and to increase social security for dismissals. The government wants mostly to better protect self-employed workers, who after a break in activity would receive €800 euros a month for six months.

**Chances for an Historic Change.** In recent years, successive presidents of France have all tried to reform the labour market to make it more flexible and effective, but Macron is the closest to achieving that goal. His ideas to transform the labour market have surprisingly high public support. The reform has not met with such massive and spectacular protests as when former President François Hollande attempted something similar in 2016. However, a weeklong rail workers' strike against the reform of the rail market has been troublesome for the public. In this context, the changes presented by Pénicaud are not perceived by citizens as a threat, rather as a necessity. According to one poll, 44% of French people consider the pace of the reform to be right. In addition, the good economic situation in the eurozone for the last year and a half favours a sort of amortisation of Macron's reforms. In France alone, the GDP growth rate has been the highest it's been in six years, from 1.1% in 2016 to 2% in 2017. Consumption increased by 1.3% last year compared to 2016, and national investment has been finally launched, amounting to 4.3% in 2017 compared to 2016. New jobs are being created, with unemployment in 2018 expected to fall from 9.7% to 9.4%. The elections calendar also favours Macron, with no elections planned in France before 2019 that could jeopardise his position.

The reform plans may also thwart consolidation of the political opposition, which is rapidly reorganising after the last elections were lost. The right-wing Republicans especially have better-developed local structures than the ruling LRM (La République En Marche) and are becoming an increasingly serious critic of the presidential reforms. So far, resistance from the trade unions to the labour market reform has been insignificant, but more objections are being raised to the vocational training reform and change to the apprenticeship system. A harbinger of trouble could be the protests by seven trade unions in the country on 22 March after the introduction of the railway reform measures. The unions cited a lack of consultation during the process. According to the social partners, the government did consult them but followed its own agenda. As a result, most of the social partners are against the changes as proposed by the government. Their main concern is the loss of influence of trade unions and company managers on the training system to the benefit of the state, which would have a more controlling role. If the strained relationship between the government and its social partners intensifies, there will be the risk that Macron will have to slow down and return to more traditional negotiations, which in an extreme scenario would mean no profound transformation of the French model and only superficial reforms carried out.

**Conclusions for the EU and Poland.** The success of Macron's reforms would strengthen France's economic position, especially in relation to Germany, which wants closer cooperation for the Franco-German tandem to be successful. Thanks to the labour law reform, France has gained more credibility in the EU, recording 0.5% more GDP growth than in recent years and generating an increase of 300,000 new jobs. On the one hand, Macron has for a number of months pushed forward visions of EU institutional and economic reform, such as deeper integration of the eurozone, but on the other hand, he cannot yet present his changes as having had significant results in France. Macron's ideas for the EU have received criticism, apart from Poland, from some countries, including Sweden, Finland, Denmark, Lithuania, Latvia, Estonia, and especially the Netherlands, whose prime minister, Mark Rutte, demands government structural reforms as the path to an improvement in the economic condition of the Member States, not through centralised eurozone assistance.

However, with President Macron's growing political ambitions for the European scene, Germany will eventually want to balance his influence. That may lead to a chance of a real revitalisation of the Weimar Triangle, thanks to which Poland would be able to pursue its interests more effectively. Such a scenario would suggest greater German interest in improving relations with Poland, evidenced by two significant state visits in March to Poland, first by the new head of diplomacy, Heiko Maas, followed by Chancellor Angela Merkel.