NEW IN FRANCE

Compensation scale for unfair dismissal

Dismissals in France less expensive

Under a new law adopted on the 10th of July 2015 (Macron¹ Law), the damages for unfair dismissal will be capped in France.

Until now, employment tribunals decided upon damages based mainly on the employee’s length of service and age. Damages would generally range from 6 months (employee with 2 years of service) to 30 months (employee aged at least 55, with a length of service of more than 20 years).

Interestingly, under the Macron Law, damages will be determined based on the length of service and the number of employees in France:

<table>
<thead>
<tr>
<th>Compensation (in months of salary) in a company of</th>
<th>Less than 20 employees</th>
<th>20 to 299 employees</th>
<th>300 employees and more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 2 years of service</td>
<td>Maximum : 3 months</td>
<td>Maximum : 4 months</td>
<td>Maximum : 4 months</td>
</tr>
<tr>
<td>From 2 to 10 years of service</td>
<td>Minimum : 2 months</td>
<td>Minimum : 4 months</td>
<td>Minimum : 6 months</td>
</tr>
<tr>
<td></td>
<td>Maximum : 6 months</td>
<td>Maximum : 10 months</td>
<td>Maximum : 12 months</td>
</tr>
<tr>
<td>10 years onwards of service</td>
<td>Minimum : 2 months</td>
<td>Minimum : 4 months</td>
<td>Minimum : 6 months</td>
</tr>
<tr>
<td></td>
<td>Maximum : 12 months</td>
<td>Maximum : 20 months</td>
<td>Maximum : 27 months</td>
</tr>
</tbody>
</table>

The amount actually awarded within a given bracket will mainly depend on the employee’s age.

¹ Named after Emmanuel Macron, Minister of Finance.
The new scale is quite beneficial to companies of less than 300 employees in France, as the awards are lower than current practice.

However, it will not change the situation of companies of 300 employees and more, as the scale represents what an employment tribunal would have awarded until now.

Finally, the judge will be allowed to overstep the limits provisioned by this scale in case of a gross breach of contract by the employer:

- sexual or moral harassment;
- discriminatory dismissal;
- violation of the protection from which some employees benefit (maternity, pregnancy, occupational accident);
- violation of a fundamental liberty.

The Macron Law will be published in the coming weeks. The compensation scale will apply to claims lodged after its publication.

It will make dismissals in France less expensive.

Sébastien Le Cœur
Member of the Paris Bar
slc@mgglegal.com
Direct Line: + 33 1 84 17 45 66