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France: Redundant employees entitlement to public support

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France

Phase:

Management

Type:

Redundant employees entitlement to public support

Last modified: 22 March, 2023

Native name:

Code du travail; Convention d'assurance chômage du 14 Avril 2017; Règlement général annexé à la Convention d'assurance chômage du 14 avril 2017

English name:

Labour code; Unemployment insurance agreement of 14 April 2017; General regulation annexed to Unemployment insurance agreement of 14 April 2017

Article

Labour code: articles L.5312-1, L.5421-1 to L.5421-4, L.5422-1 to L.5422-2-1, L. 5422-9,L. 5422-13, R.5423-1, L.5422-20 to L.5422-24, L. 5424-1, L.5424-2; Unemployment insurance agreement (whole text); General Regulation annexed to the Unemployment insurance agreement (whole text)

Description

The law entrusts public employment services (*Pôle emploi*) with the following two missions:

- Insuring employees in case of unemployment: public employment services calculate unemployment allowances and pay benefits on behalf of the unemployment insurance scheme (*Unédic*) and the government;
- Facilitating the return of job seekers into employment: public employment services provide job seekers as well as companies with services like collection of job offers, assistance in recruitment, assistance for job search and career guidance.

Unemployment benefits

According to the labour code, the unemployment insurance is a compulsory social insurance scheme which all private employers are required to contribute to, aiming at protecting employees when they lose their jobs. Employees in public administration and in state-owned enterprises are not directly affiliated to the unemployment insurance scheme: these employers can either provide employees with an insurance in case of unemployment or they can join the unemployment insurance scheme, if they are allowed to.

According to article L. 5422-9, these contributions amount to 4.05% of the gross salary, payable only by the employer. The government contributes as well to the financing of the unemployment insurance. Starting in January 2019, this funding is a component of the general social contribution (CSG). In 2019, it corresponds to 1.47% of the CSG, which substitutes the previously existing employee contributions.

A redundant employee can receive an allowance from the unemployment insurance scheme as long as she satisfies all of the following conditions:

- her job was terminated by the employer, was terminated by mutual agreement, ended at the expiry of a fixed-term employment contract or due to resignation for a valid reason;
- she worked, even with different employers, for at least four months in the last 28, which become 36 months if the employee is at least 53 years old at the end date of the last employment contract;
- she registered with public employment services in the 12 months after losing the job;
- she does not satisfy the age requirements for a full-rate retirement;
- she is physically fit to work and she is actively looking for a job;
- she accepts reasonable job offers.

Law 2018-771 opens the access to the unemployment insurance scheme to both resigning and self-employed workers. In these cases, specific conditions to the scope of the unemployment insurance apply. A person receiving an unemployment allowance can refuse up to two reasonable offers without incurring any sanctions, which have been strengthened against non-compliant job seekers with Decree 2018-1335.

The unemployment allowance is partly calculated on the daily wage of reference. The latter corresponds to the recipient's earnings subject to contributions during the 12 calendar months prior to the last day of paid work, up to four times the social security ceiling (€13,076 per

month). The recipient can receive an allowance amounting to the highest among the following three calculations:

- A minimum of €29.26 per day (after a full-time employment);
- A fixed amount of €12 per day plus 40.4% of the daily wage of reference (both components are to be reviewed each year);
- 57% of the daily wage of reference.

Allowances are paid on a monthly basis. The duration of allowance payments is based on the principle of 'a day of work equals a day of compensation'. Pursuant to the Unemployment insurance agreement, allowances are paid for an amount of days that depends on the age of employees:

- For employees below 53 years of age, the minimum period is 122 days (around four months) and the maximum is 730 days (24 months);
- For employees between 53 and 55 years of age, the period is 913 days (around 30 months);
- For employees above 55 years of age, the period is 1,095 days (around 36 months).

Allowances are awarded at most seven days after the termination of the employment contract. However, allowances are awarded at least 75 days after the dismissal on economic grounds or 180 days after dismissal in all other cases if the employee received paid leave at the end of the contract or a severance payment above the legal requirement.

Allowances may be suspended or stopped if the job seeker refuses to comply with reporting obligations, to show up for appointments with the agency and to accept the assigned 'reasonable' job offers.

Job search support

Within the framework of their public service mission, public employment services are committed to help job seekers back into work and to support companies with recruitment activities. Defined in the labour code, the public employment services' main goals are the following:

- To identify trends in the labour market;
- To develop expertise in the evolution of the labour market and related qualifications;
- To collect and match job offers with job seekers;
- To assist and advise companies in their recruitment activities;
- To actively participate in fighting recruitment discrimination and campaigning for equality;
- To provide information, guidance and support to job seekers;
- To provide training and career counselling, regardless of their employment status;
- To facilitate geographic and professional mobility and social and professional integration.
- To register job seekers in up-to-date lists and monitor their search for employment.

Return-to-work incentive measures

Once registered, job seekers agree with public employment services on an individualised return-to-work programme (*Projet personnalisé d'accès à l'emploi*) and show progress in finding a new position.

According to the Unemployment insurance agreement, return-to-work incentive measures include the following:

- 'Reloadable entitlements': Job seekers with an unemployment allowance are allowed to take on a job or more and perform a total of 150 hours or more of work without losing the previously acquired entitlements. This means that the job seeker can add new earnings from a short period of employment to the entitlements that had not been used when employment was resumed. Therefore, each new work period increases the duration of coverage for unemployment insurance beneficiaries, if it is within 28 or 36 months of the last employment.
- Earning while receiving an unemployment allowance: It is possible to earn a salary while receiving an unemployment allowance, and therefore to cumulate a salary with the unemployment allowance, under the condition that the sum of the two does not exceed the average gross salary earned prior to the registration as a job seeker.

In the case of earning while receiving an unemployment allowance, the actual amount of allowance received corresponds to the calculation for the entitlement as described above minus 70% of the gross monthly salary earned from the new employment.

Comments

In France, unemployment insurance plays a major role as a social and economic buffer for redundant employees. Indeed, it offers them a replacement income, thus maintaining their purchasing power and supporting consumer spending.

Originally, the unemployment insurance scheme was negotiated with an agreement between the social partners at national level (including the three employer organisations: MEDEF, CPME and U2P) and it was financed through social contributions paid on salaries by both employers and employees. These features have been recently questioned and subsequently changed. In fact, the governance of the unemployment insurance has changed to give the government a new and prominent role to run the scheme. Nowadays, the government has more legal possibilities to monitor the financial trajectory of the unemployment insurance scheme and therefore to guide the negotiation process of unemployment insurance agreements. For instance, the social partners were intended to agree on a new unemployment agreement at the beginning of 2019 per the negotiation framework provided by the government (labour code, article L. 5422-20-1). When the negotiations failed in February 2019, the government initiated reforms for the unemployment insurance scheme.

The main lines of the reform were presented on 18 June 2019 by the Prime Minister and then transcribed in Decree 2019-797 of 26 July 2019. This text plans to implement the measures between November 2019 and March 2021:

- A bonus-malus system (from 1 January 2021) for employers to disincentivise the abusive use of precarious contracts (especially, short-term fixed-term contracts):
 - The system adjusts the employer component of social contributions to the unemployment insurance scheme, according to the frequency of use of these contracts. In other words, companies that frequently use these contracts would suffer a financial penalty. The measure targets seven economic sectors, including accommodation and food service activities, where precarious contracts is more frequent.

- A regressive unemployment allowance for high salaries:
 - Employees earning a gross monthly salary of €4,500 or more should expect a decrease in their unemployment allowances. The measure reduces unemployment allowances starting from €2,261 by 30% after six months of compensation. The measure is expected to target the top 10% of the wage distribution. Employees with 57 years of age or more are exempted from this measure, as they face more difficulties in finding a job.
- A minimum duration of employment in order to benefit from the unemployment insurance scheme:
 - Employees should have worked for four months over the 28 months prior to registration or for six months over the 24 months prior.
- A new calculation for the daily wage of reference: the latter is determined by the income over the total number of days from the first day of employment (including those as unemployed). The aim is to counteract the adverse effects of split jobs, which allow a job seeker to temporarily earn more on an unemployed status than in work.

The changes cover redundant employees losing their job from 1 November 2019. In this context, the government announced as well the creation of 1,000 new jobs for public employment services over three years in order to set up new job search support measures.

Cost covered by

Companies
National government

Involved actors other than national government

Employer organisation
Public employment service
Trade union

Thresholds

No, applicable in all circumstances

Sources

- ▣ Code du travail, article L. 5312-1
- ▣ Code du travail, articles L.5421-1 to L.5421-4
- ▣ Code du travail, article L.5422-1 to L.5422-2-1
- ▣ UNEDIC, Conventions d'assurance chômage
- ▣ UNEDIC, Convention d'assurance chômage 2017 / Agrément
- ▣ Loi 2008-126 du 13 février 2008 relative à la réforme de l'organisation du service public de l'emploi
- ▣ Loi 2018-771 of 5 September 2018
- ▣ Article L. 5422-20 to L. 5422-24 labour code
- ▣ J.L. Dayan (2019), Assurance chômage : ajustement économique ou nouveaux droits sociaux ?, METIS july 2019
- ▣ Decree of 26 July 2019 reforming unemployment insurance regime

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