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Would a New Form of Employment Contract Provide Greater Security for French Workers?

Critical analysis and proposals relating to Nicolas Sarkozy's employment contract project

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Summary

Labour legislation reform promises to be central to the debate surrounding the French economy in the upcoming presidential campaign. The single contract, which is put forward as an alternative to the current dual system incorporating fixed-term and permanent labour contracts (CDD-CDI), is the focus of much attention among economists and was recently taken up by presidential candidate Nicolas Sarkozy (on the basis of a report carried out by Cahuc and Kramarz [2005]). A uniform labour contract would avoid the "threshold effect"[1] on the cost of job protection in France, which has been the source of excessive job losses and a segmentation of the labour market into two groups: those who are protected under the permanent contract (CDI), on the one hand, and those who remain trapped in the precarious situation of facing either a series of fixed-term contracts (CDDs) or unemployment, on the other.

This study[2] focuses on the varying effects of the measures required to implement this single contract, according to the age of the workers concerned. One of the main findings is that significant job protection should be provided as soon as the trial period ends and applied in a uniform manner regardless of the employee's age or time spent with the employer.

A system that offers progressive rights based on the time spent by an employee in a given position, as proposed by Cahuc and Kramarz, can be opposed for two reasons. First, it may lead to a segmentation of the labour market for older workers. A person dismissed at the age of 50, 55 or more is at risk of falling into a new situation of instability: even if he/she finds new work, the fact that retirement is impending, combined with the fact that companies benefit from an almost complete absence of taxation if the person is laid off again, will place that person in a state of great uncertainty. This means that ageing places an employee at risk of being caught in a vicious circle. Secondly, the notion of progressive rights is itself a problem: a company that can anticipate heavy tax penalties in the future might find it advantageous to anticipate dismissing certain employees ahead of time. This intertemporal dimension behind decisions made to dismiss workers – directly linked to the employee's age and time spent with the employer – is therefore another reason for us to doubt the efficiency of a system based on progressive rights. Ultimately, these two arguments are made in favour of uniform and significant job protection being provided as soon as the trial period ends, as this is the means by which workers over 40 can be kept in employment without any "anticipation effect", which would be unfavourable for younger workers.

The view expressed in this study corresponds to that of Blanchard and Tirole [2003], but also of Cahuc and Kramarz [2005], with regard to the taxation measures associated with the single contract in the case of dismissed workers. According to this viewpoint, companies need to act responsibly: taxes paid by employers ("solidarity" contribution) must for the most part be paid into the state unemployment benefit scheme to ensure that it is companies that bear this cost, and not paid directly to workers in the form of compensation, as such payments are often unfairly negotiated on the basis of the employee's status in the company.

1 - The cost of dismissing a worker from a CDI is greater than in the case of a CDD. Employers who anticipate this additional cost may find it more advantageous not to convert a CDD into a CDI, but rather opt for a series of CDDs, either with or without the same employee.
2 - This work provides an overview of an EDHEC research report written in French entitled « Repenser la protection de l'emploi en France : l'apport d'une approche en termes de cycle de vie » (Chéron [2006b]).

The work presented herein is a detailed summary of academic research conducted by EDHEC. For more information, please contact Joanne Finlay of the EDHEC Research Department at joanne.finlay@edhec-risk.com
The ideas and opinions expressed in this paper are the sole responsibility of the author.

As the company will have borne part of the cost of the dismissal, such responsible action must be rewarded by simplifying as much as possible the procedures to be respected when dismissing workers and by limiting the options available to workers to seek legal assistance from the state conciliation services (Conseil des Prud'hommes). Finally, the company should be exempt from having to relocate dismissed workers, a service that is currently handled by professionals within the framework of the state employment services.

The amount of the solidarity contribution also depends on the population it benefits. High taxation turns out to be favorable to workers over 40, for example. Numeric simulations using a model that considers the primary institutional characteristics of the French labour market[3] indicate that a contribution limited to four months' salary would allow the most jobs to be created and would also benefit workers under 30. According to our estimates, the extension of the permanent contract (CDI) to all workers, together with a solidarity contribution equalling four months' salary, would generate at least 500,000 jobs in the long term.

The changes to current labour legislation proposed herein are therefore as follows:

• Establish the single contract by extending the CDI to all workers;

• Ensure that solidarity contributions equal four months' salary and are paid into the state unemployment benefit scheme (as well as the compensation to which the worker is legally entitled);

• Make companies liable for these contributions as soon as the worker's trial period ends (this may last between three and six months, depending on the type of position) and regardless of the time spent in that position;

• Simplify dismissal procedures and limit the employer's obligations in terms of justifying the reasons for the dismissal;

• Outsource the relocation of workers to professionals within the framework of the state employment services.

While the main conclusions of this study are ultimately in line with the project put forward by Cahuc and Kramarz [2005], which was taken on by Nicolas Sarkozy, the specific aim of this study is to call into question the system of progressive rights and advocate, on the contrary, a system whereby contributions are applied in a uniform manner to all workers at the end of their trial period, regardless of their age or time spent with their employer.

The estimated benefits of such a measure appear to be completely unambiguous in terms of job creation. The question of sound public finances is less clear, however: in the long term, increased employment rates are clearly favourable in this regard, as are solidarity contribution payments in the short term, but the cost of relocating workers through state services has yet to be measured.

For companies, such reforms would mean greater autonomy in managing dismissals without any cost increase: this is the case if solidarity contribution payments are indeed matched by decreased costs resulting from the proposed simplified procedures and the shift in responsibility in terms of relocating workers. However, the proposed measures do not allow employers to offer a series of fixed-term contracts (CDDs) to "test" an employee: once the trial period ends, the employer is liable for a solidarity contribution equalling four months' salary.

Finally, the single contract should not be seen by workers as a threat of "chronic" instability: even though companies would enjoy greater discretion in their dismissal policies, as soon as the trial period ends they would have to bear significant costs when dismissing a worker from a CDI.

The single contract – if adopted as proposed herein – would therefore provide workers with greater security by affording them every chance of being in employment at all stages of their active professional lives.

3 - *See the technical appendix at the end of the document for an overview of this model.*

About the Author

Arnaud Chéron is a Professor at the *Université du Maine* (Le Mans) and Director of Research at EDHEC. He was formerly a researcher with EUREQua and CEPREMAP and received his Doctorate in 2000 from the *Université de Paris I Panthéon-Sorbonne*.

His experience includes research in labour economics, public policies and economic cycles, with several publications in French and international journals (e.g., *Annales d'Economie et Statistiques, Revue Française d'Economie, Journal of Economic Theory, Review of Economic Dynamics*) and professional contracts with the French Labour Ministry, the *Commissariat Général au Plan* and the European Commission.

Introduction

Labour legislation reform promises to be central to the debate surrounding the French economy in the upcoming presidential campaign. The French system for job protection is the focus of extensive research (see reports by Blanchard and Tirole [2003] and Cahuc and Kramarz [2005]). It is a dual system that combines significant job protection for workers on permanent contracts (CDIs) with widespread use of fixed-term contracts (CDDs), despite the restrictive legislation in place. 60% of new recruits and 10% of all employees hold a CDD (Junod [2006]).

The modifications recently made to the legislation on job protection in France do introduce some flexibility to the labour market; to a certain extent, they allow the creation of new jobs. However, recent experiences with the contract for new recruits (CNE) and the "senior" contract reveal new problems, in particular with regard to the risk of windfall or substitution effects under these highly specific measures. Most CNEs would have been signed even in the absence of the new measures and the guillotine effect of the trial period being extended to two years means that the estimated long-term effects show little impact (Cahuc and Carcillo [2006]). With regard to the senior CDD, intended for workers over 57, Chéron [2006a] examines the question of whether there might be a delayed negative effect on younger age groups: why employ a 56-year-old worker when he/she will not provide the employer with the flexibility of the senior CDD?

The idea of the single contract, which Nicolas Sarkozy recently took up on the basis of a report by Cahuc and Kramarz, is part of a reform strategy that would overhaul job protection in France. But would this new measure allow the primary objective to be attained: reduce the unemployment rate in France and provide workers with greater security? Our response is positive, but with precautions regarding the measures required to implement the single contract. The results discussed hereafter, in particular the quantitative results, are taken from simulations carried out using a model that represents the major institutional characteristics of the French labour market (see technical appendix).

1. Job protection and its effects: the advantages of a uniform labour contract and responsible action by employers

The impacts of the costs of dismissal are theoretically uncertain. It is well established that while they reduce job losses, they also contribute to a lower rate of recruitment. The fixed-term contract (CDD) also presents a problem. When the CDD is converted to a permanent contract (CDI), a significant "threshold" effect occurs. The cost of dismissing a worker on a CDI is higher than in the case of a CDD. Companies that anticipate this additional cost may find it more advantageous not to shift workers onto a permanent contract, but rather opt for a series of CDDs, either with the same employee or new recruits. Widespread use of the CDD can therefore simultaneously reduce the duration of unemployment and bring about an increase in job losses as companies seek to avoid the future tax expenditure (see for example Cahuc and Postel-Vinay [2002] or Blanchard and Landier [2002]).

A uniform labour contract would therefore avoid this threshold effect, which is the cause of the labour market segmentation currently being observed, where workers on permanent contracts receive job protection, while those facing either fixed-term contracts or unemployment are left in a situation of instability.

The way in which taxes are paid also raises major considerations. Generally, unemployment compensation is paid directly to the employee[4]. Empirically, however, the high cost of dismissing a worker is especially due to the expenses involved in the dismissal procedures, as well as the cost of legal disputes (initial hearings and actions taken with the Conseil des Prud'hommes, the state conciliation service), which is also highly unpredictable. The compensation afforded to dismissed workers is just 1.3 (respectively 2.7) months' salary for a person who has spent 5 (respectively 15) years with his/her employer, while Abowd and Kramarz [2003] estimate at more than one year's salary the average cost of a dismissal. This suggests that the threshold effect which accompanies a conversion from a CDD to a CDI is primarily the result of the "administrative" cost of the dismissal.

As such, Blanchard and Tirole [2003] examine the lack of transparency and demanding requirements of the administrative procedures in the case of a dismissal. They also point out the absence of responsible behaviour among companies in dismissal cases, advocating an American "experience rating" model, which seeks greater responsibility by ensuring that at least some of the cost to society of a dismissal is paid by employers directly into the state unemployment benefit scheme. This responsible behaviour would be rewarded by a restriction of the legal options available to disgruntled employees and a simplification of the procedures currently in place. Cahuc and Kramarz [2005] also highlight the advantages of a system under which employers pay a "solidarity" contribution to the state for each dismissal made. However, they reject a calculation of this contribution based on a company's past dismissals and the duration for which workers have been unemploymed (as used in the American experience rating model), as it tends to encourage employers to hire the most vulnerable workers.

The single contract put forward by Cahuc and Kramarz [2005] and taken up by Nicolas Sarkozy relies on this same double logic – uniform contract and responsible behaviour – that can be expected to have a positive effect in terms of job creation. The present study looks at the way in which dismissal taxes would be paid under the single contract in order for greater security to be afforded to workers. This approach leads to a proposal for an alternative system to that based on progressive rights, as initially put forward by Cahuc and Kramarz.

4 - The case of the "Delalande" contribution for workers over 55 is an exception: here, the taxes paid by the employer go directly to the state unemployment benefit scheme.

2. Perpetual CDD or CDI for all?

Should the single contract lead to a society in which all workers enjoy a permanent contract (CDI) or should it leave workers in a situation akin to a never-ending series of fixed-term contracts (CDDs)? Independent of the question relating to the threshold effect, this question is intrinsically linked to the effects of job protection on dismissals as against new recruitment. The issue of age is not generally taken into account in studies that have been carried out, but is nonetheless essential.

To illustrate this, let us take the case of workers aged 59, just one year from retirement. Taxes on dismissals strongly discourage employers from eliminating the positions held by such workers: by simply waiting one year, they can then part company with their employee at no expense. Such taxes therefore contribute significantly to the maintenance of older workers in employment, which, when taken to its logical conclusion, means that the rate of dismissal among younger workers is also lower: if the chances of a 59-year-old being dismissed are considerably reduced, then a 58-year-old worker has a greater expected return for his/her employer. This reasoning can then be applied all the way down to the youngest workers. To ignore a worker's life cycle is therefore to introduce a bias that will minimise the benefits provided by job protection.

This result allows us to deduce certain indications as to the methods by which labour contracts may be made uniform under the single contract. Avoiding the threshold effect by pushing the single contract towards a series of fixed-term contracts would prove unfavourable in terms of job creation: accentuating the relative disadvantage of older workers, who by virtue of the "horizon" effect are already the first in line for dismissal[5], means that the absence of job protection would greatly increase the elimination of positions that they occupy. This would have a negative knock-on effect on employment among younger workers.

Quantitative analysis confirms this outlook. Figure 1 by contrast shows the advantages, by age group, of an extension of the CDI to all workers. This is combined with the repeal of the Delalande measures[6] so as to ensure completely equal job protection for all workers. It should also be noted that such a repeal has a negligible overall effect, with the increase in employment among 40-54-year-olds being offset by the fall in employment among 55-59-year-olds[7]. The single contract avoids the problem of converting a CDD to a CDI and it is very clear that such reform in job protection should have a favourable net impact in terms of job creation. 25-54-year-olds would benefit the most from this reform, while there would be almost no impact on the 20-24 and 55-59 age groups. For 20-24-year-olds, the cost of extending the CDI to all workers, when seen in light of a reduction in new recruitment, cancels out the gain made through the reduction in dismissals. Finally, for workers aged 55-59, the repeal of the Delalande measures would negate the positive effects generated by the general shift to the CDI[8].

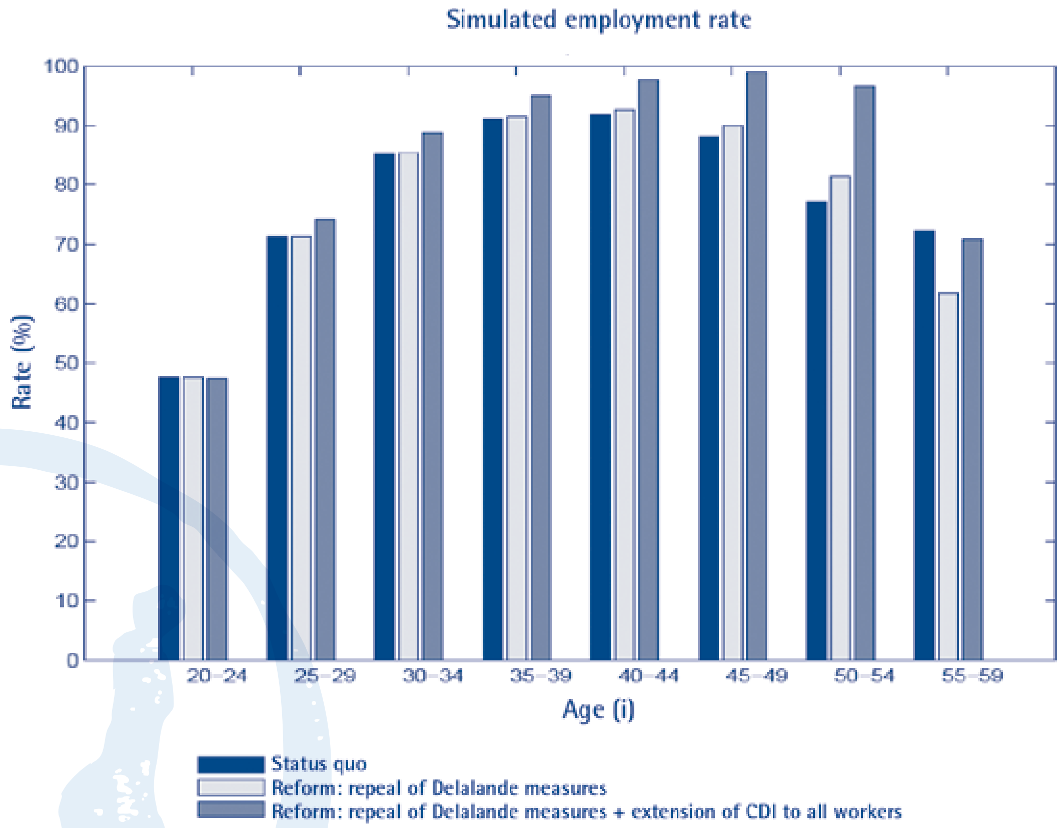
5 - See Chéron, Hairault and Langot [2006] for a detailed look at this horizon effect, with a focus on how the immediacy of retirement weighs heavily on the employment of older workers due to the anticipation of their employers.

6 - The "Delalande" measures were introduced in 1987 and consist of a tax supplement imposed on employers in the case of a worker over 55 being dismissed, with the payment going directly to the state unemployment benefit scheme.

7 - See also Chéron [2006] and Chéron, Hairault and Langot [2006] for a discussion and, respectively, an evaluation of the effects of the Delalande contribution.

8 - For workers aged 55-59, it is above all the immediacy of retirement that explains this group's low employment rate in France: raising the retirement age above 60 is the best way of increasing this rate (see Chéron, Hairault and Langot [2006]).

Figure 1: Impact of an extension of the CDI to all workers



3. Methods and amounts of taxation under the single contract

Cahuc and Kramarz [2005] suggest that the single contract should operate under a system of progressive rights, based on the time a worker has spent in a given position. Again in light of the age of workers, this suggestion appears to ignore the risk of two adverse effects.

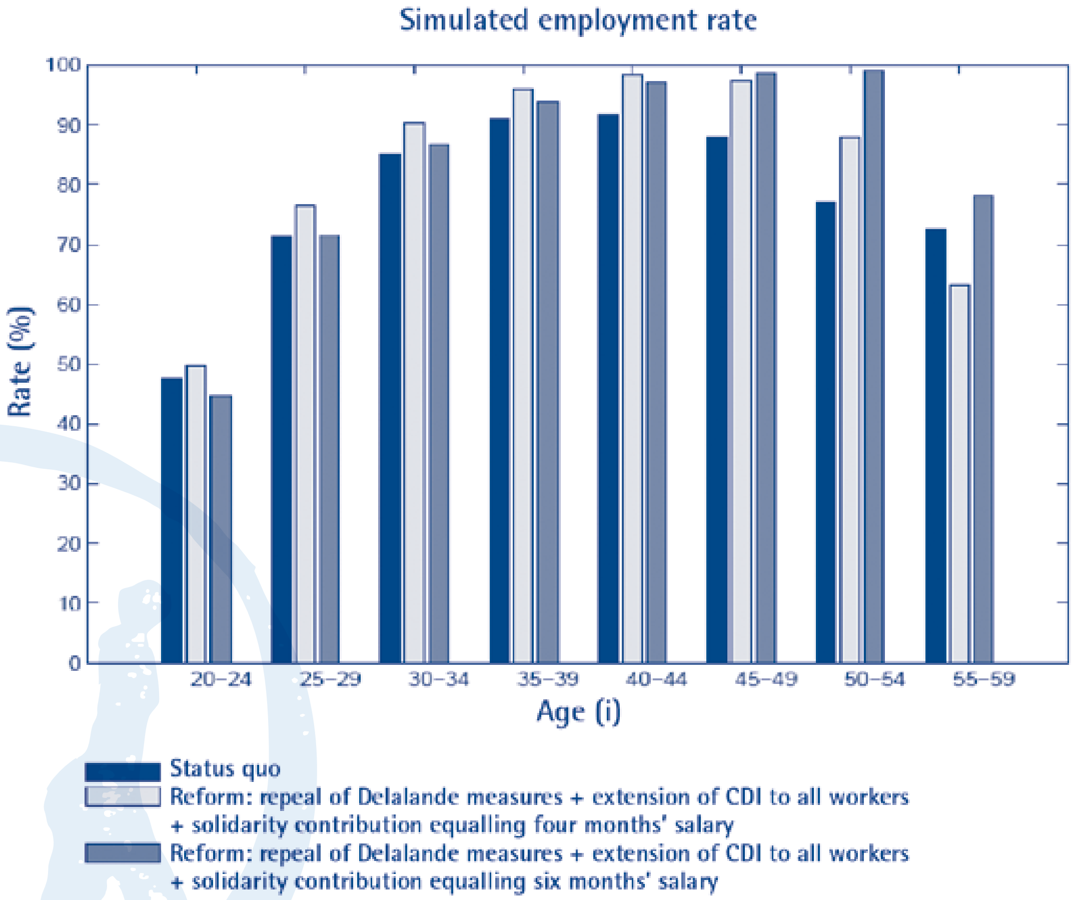
First, there is the risk of making older workers more vulnerable. A person dismissed at the age of 50, 55 or more is at risk of falling into a new situation of instability: even if he/she finds new work, the fact that retirement is impending, combined with the fact that companies benefit from an almost complete absence of taxation if the person is laid off again, will place that person in a state of great uncertainty. This means that ageing places an employee at risk of being caught in a vicious circle. Secondly, the notion of progressive rights is itself a problem: a company that can anticipate heavy tax penalties in the future might find it advantageous to anticipate dismissing certain employees ahead of time[9]. This intertemporal dimension behind decisions made to dismiss workers – directly linked to the employee's age and time spent with the employer – is therefore another reason for us to doubt the efficiency of a system based on progressive rights. Ultimately, these two arguments are made in favour of uniform and significant job protection being provided as soon as the trial period ends, as this is the means by which workers over 40 can be kept in employment without any "anticipation" effect, which would be unfavourable for younger workers.

This paper's analysis focuses on the effect of a solidarity contribution being paid by employers under the system of a single labour contract, whereby the sum paid would be independent of the worker's age. If we consider the average employment rate to be close to 80%[10], the extension of the CDI to all workers, combined with solidarity payments of between four and six months' salary, would provide the best results – an increase of more than four points in the employment rate among workers aged 20-60[11]. By applying this result to full-time non-management positions held by people aged 15-64, the reform can be estimated to represent the creation of 500,000 jobs in the long term. This estimate is "low" as it does not consider the possible benefits experienced under this reform by those aged 15-20 or 60-64, or those in management positions[12].

Figure 2 shows that the effects of the reform would vary according to age group. An extension of the CDI to all workers, combined with low taxation (four months' salary), would make it possible to spread the employment gains more evenly. In the case of a higher contribution, only workers aged over 40 would benefit. The primary beneficiaries of job protection are those already in employment and, for young people facing a job shortage, the primary concern is finding that first job. So because the solidarity payment is an expense incurred during the recruitment process, its negative effects are felt more by the 20-29 age group than workers aged 50-59. The job protection afforded under the single contract will therefore depend on the population targeted.

9 - Chéron, Hairault and Langot [2006] show, for example, that this anticipation by companies means that a tax profile which increases in line with a worker's age is sub-optimal. Indeed, in the specific case where updates are not considered, the optimal tax level is a constant one.
10 - This figure is for men aged 20-60.
11 - A solidarity contribution that is significantly lower (higher) than four (six) months' salary results in a lower employment gain or even a loss in relation to the status quo.
12 - More precisely, the numeric simulations used in the model indicate that an extension of the CDI to all workers, combined with solidarity contributions equalling four months' salary, would result in an increase in employment by 4.4 points in the 20-60 age group. By definition, this model does not forecast the impact on the 15-20 or 60-64 age groups. The employment rate in the 15-64 age group would therefore not vary by more than 3.5 points. Furthermore, the active target population does not include management personnel or workers in the public sector, but only includes private sector workers on a CDI or CDD. In total, this population of employees represents 14.5 million people.

Figure 2: Impact of an extension of the CDI to all workers combined with the introduction of a "solidarity" contribution



4. Rewarding responsible behaviour by employers: simplified procedures and restricted employee options for dismissals

The solidarity contribution works on the same principle as "you pollute, you pay" and aims to encourage responsible behaviour among employers. This implies that the taxes paid by an employer will be paid directly into the state unemployment benefit scheme to ensure that employers bear the cost to society of their actions. Such a system can also contribute to "cleaning up" the public finances.

However, for this contribution not to penalise the level of new recruitment, certain rewards must be offered in return; this will ensure the administrative cost of a dismissal currently paid by employers (estimated at five months' salary) is rendered "productive". This "administrative" cost is directly linked to the complexity of the dismissal procedure and the procedural cost of legal action being taken by employees at the Conseil des Prud'hommes. It is therefore necessary to simplify the dismissal procedure as much as possible and restrict the need for employers to justify any dismissals made. This means widening the discretion of companies (to a certain extent) on the basis that they bear at least some of the cost to society of their actions through the payment of a solidarity contribution.

Such reform would necessarily imply that employee action at the Conseil des Prud'hommes would be limited, which may prove favourable in terms of job creation. A risk-averse entrepreneur will be more inclined to hire someone if it is certain that, at worst, a solidarity contribution of four months' salary will have to be paid, rather than the eventuality of a costly legal dispute with a highly uncertain outcome.

Finally, as noted by Cahuc and Kramarz, companies should be free from the requirement of relocating workers after dismissal, a service that is currently handled by professionals who mediate with the state labour agencies.

The decision to remove certain possibilities available to employees in terms of legal action should not actually be too costly for workers facing the risk of unemployment. Under the current system, compensation paid out as a result of initial hearings following a dismissal is necessarily negotiated on unequal terms in accordance with the worker's status within the company: the amounts paid out in the case of a management position exceed those paid to an unskilled worker. The payment methods proposed for the solidarity contribution limit the possibility of a legal dispute and thereby limit the inequality of compensation actually received.

The proposed changes to current labour legislation are therefore as follows:

- Establish the single contract by extending the CDI to all workers;
- Ensure that solidarity contributions equal four months' salary and are paid into the state unemployment benefit scheme (as well as the compensation to which the worker is legally entitled);
- Make companies liable for these contributions as soon as the worker's trial period ends (this may last between three and six months, depending on the type of position) and regardless of the time spent in that position;
- Simplify dismissal procedures and limit the employer's obligations in terms of justifying the reasons for the dismissal;
- Outsource the relocation of workers to professionals within the framework of the state employment services.

While the main conclusions of this study are ultimately in line with the project put forward by Cahuc and Kramarz [2005], which was later taken up by Nicolas Sarkozy, the specific aim of this study is to call into question the system of progressive rights and advocate, on the contrary, a system whereby contributions are applied in a uniform manner to all workers at the end of their trial period, regardless of their age or time spent with their employer.

The estimated benefits of such a measure appear to be completely unambiguous in terms of job creation. The question of sound public finances is less clear, however: in the long term, increased employment rates are clearly favourable in this regard, as are solidarity contribution payments in the short term, but the cost of relocating workers through state services has yet to be measured.

For companies, such reforms would mean greater autonomy in managing dismissals without any cost increase: this is the case if solidarity contribution payments are indeed matched by decreased costs resulting from the proposed simplified procedures and the shift in responsibility in terms of relocating workers. However, the proposed measures do not allow employers to offer a series of fixed-term contracts (CDDs) to "test" an employee: once the trial period ends, the employer is liable for a solidarity contribution equalling four months' salary.

Finally, the single contract should not be seen by workers as a threat of "chronic" instability: even though companies would enjoy greater discretion in their dismissal policies, as soon as the trial period ends they would have to bear significant costs when dismissing a worker from a CDI.

The single contract – if adopted as proposed herein – would therefore provide workers with greater security by affording them every chance of being in employment at all stages of their active professional lives.

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Technical appendix: modelling elements

The model used to perform the quantitative analyses is presented in detail in the EDHEC Publication Chéron [2006b]. What follows is a brief description to allow this study to be understood in the context of traditional public policy evaluation.

The modelling employed refers to the structural representations of the labour market and identifies the processes of recruitment and job losses that underpin a situation of unemployment that is considered to be balanced. This type of modelling was recently used by Cahuc and Carcillo [2006], for example, to evaluate the impact of the contract for new recruits (CNE). The modelling used herein is specific in that it incorporates the age factor, which is important as it determines the time separating a worker from his/her definitive departure from the labour market into retirement (horizon effect). This method was recently used by Chéron, Hairault and Langot [2006] and is here being extended to include the distinction between the CDI and CDD that marks the dual nature of job protection in France.

Technically speaking, what is used is a pairing model that looks at endogenous job creation and job loss, with salaries being determined through a Nash-type negotiation in line with the work done by Mortensen and Pissarides [1994]. However, it is not a model with an infinite life horizon; it is written in discrete time, whereby the index $i=1...T$ characterises the age of workers and T defines the age at which workers definitively leave the labour market.

Recruitment

Companies are assumed to target their job offers in accordance with a worker's age. At all times, the number of available jobs is determined by a condition of volition: companies only create jobs if there is an opportunity for profit. Such opportunity differs according to age group and so too does a person's chance of finding employment.

The recruitment process is long and costly. It is formalised by a pairing method: the cost of recruitment depends on the unemployment rate; if this rate is high, companies have little difficulty in finding an unemployed person, which in turn tends to reduce the cost of recruitment.

CDD/CDI and the single contract

This document is in line with Cahuc and Postel-Vinay [2002] and Cahuc and Carcillo [2006] in the distinction it draws between the CDD and the CDI. Because of the uncertainty that accompanies recruitment, the CDD is thought to be the strict preference of an employer, but its use is regulated. In effect, this is akin to imposing a kind of CDD "quota". To simplify matters, this quota is supposed to be independent of age, which the data appears to confirm in part. The breakdown of new recruits into CDDs and CDIs shows little dependence on age: on average, a CDD is used in 58% of cases and this figure reaches just 64% for under 25-year-olds (see Junod [2006]). Discretisation is carried out annually; this corresponds approximately to the average duration of a CDD according to the employment census (excluding seasonal jobs). At the end of the first period, therefore, a newly-created position under a CDD is either converted into a CDI or terminated, in which case the worker is once again unemployed. It would therefore be an economic policy shock to establish a permanent contract for all workers and impose a CDD quota of zero.

Job losses

The instant profitability of a position depends on an idiosyncratic and random element, ε. At each period, ε intervenes in a particular way, and when the effect is excessively adverse, either a CDI is terminated or a CDD is not converted into a CDI. As a result of the different applications of job protection regulations, the profitability threshold below which a permanent contract will not be offered is higher than the threshold below which a permanent worker is dismissed. These thresholds depend on the age of the worker, which determines the maximum duration the position can be occupied. Beyond the economic motive of insufficient productivity, it is considered that at the end of the first period a position may be terminated, at an exogenous rate, so as to account for possible mismatches between an employee and an employer that may be revealed following recruitment.

Salaries

Salaries are supposed to have been negotiated individually according to a Nash-type maximisation criterion. This refers to an understanding whereby the surplus generated by a position is divided up between employee and employer. The amount of a salary will therefore depend on a worker's productivity, his/her economic resources if previously unemployed, and the level of difficulty with which he/she would be able to find work in the event of the contract being terminated.

Dismissal costs

On top of the compensation to which a worker is legally entitled, expenses in the case of a dismissal are taken to account for the administrative costs associated with the necessary procedures and the possibility of legal expenses. These costs are considered to equal five months' salary. The tax supplements introduced by the Delalande measures are also included in the case of an older worker being dismissed.

In evaluating the reform of the single contract, the proposed measures are taken to eliminate this administrative cost, which is replaced by a solidarity contribution intended to part finance the cost to society of the dismissal.

Notes

EDHEC is one of the top five business schools in France owing to the high quality of its academic staff (100 permanent lecturers from France and abroad) and its privileged relationship with professionals that the school has been developing since its establishment in 1906. EDHEC Business School has decided to draw on its extensive knowledge of the professional environment and has therefore concentrated its research on themes that satisfy the needs of professionals.

In an effort to ensure that the research carried out at EDHEC is truly applicable, it forms part of a programme whose objectives and relevance are validated on both an academic and business level. Since February 2006, EDHEC has had an economics research team that focuses on the evaluation of public policy and reform of the State.

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- The funding and reform of the French social model
- Employment and competition policy
- Risk evaluation and optimal management of sovereign debt
- European budgetary governance

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