

Globalization Partners provides a PEO and [employer of record service](#) in France for customers that want to hire employees and run payroll without first establishing a branch office or subsidiary. Your candidate is hired via Globalization Partners' France PEO in accordance with local labor laws and can be onboarded in days instead of the months it typically takes. The individual is assigned to work on your team, working on your company's behalf exactly as if he or she were your employee to fulfill your in-country requirements.

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Our solution enables customers to run payroll in France while HR services, tax, and compliance management matters are lifted from their shoulders onto ours. As a Global PEO expert, we manage employment contract best practices, statutory and market norm benefits, and employee expenses, as well as severance and termination if required. We also keep you apprised of changes to local employment laws in France.

Your new employee is productive sooner, has a better hiring experience and is 100% dedicated to your team. You'll have peace of mind knowing you have a team of dedicated employment experts assisting with every hire. Globalization Partners allows you to harness the talent of the brightest people in more than 187 countries around the world, quickly and painlessly.

## Hiring, Negotiating and Doing Business in France

If you're our customer, the work falls on our shoulders, but if not, make sure that you follow ALL best practices when hiring in France. Invest in an air-tight employment contract, which should be in French and tailored to the employee circumstances at hand. Keep track of vacation time and ensure that annual leave days accrued are on each month's pay slip. Keep employee pay slips, and all documentation, in strict accordance with HR rules & regulations. France is very litigious; this is not a place to skimp on legal fees at the outset, lest you pay for it later in severance fees!

France has a strong trade union culture. A Collective Bargaining Agreement (CBA) is a written agreement entered into between one or more trade unions representing employees, or one or more trade unions representing employers in a specific sector. The CBA typically governs individual and collective labour relations, working conditions, employee benefits, etc.

Wages should be clearly outlined within the employment agreement, and if a 13th month salary bonus is to be paid or is mandatory as part of the CBA, this must also be stated within the employment contract.

When negotiating terms of an employment contract and offer letter with an employee in France, it may be useful to keep the following in mind:

### French Employment Contract

It is legally required to put a strong employment contract in place in France, in French, which spells out the terms of the employee's compensation, benefits, and termination requirements. An offer letter and employment contract in France should always state the salary and any compensation amounts in Euro rather than a foreign currency. The employment contract template is part of the service with Globalization Partners; no need to draft a separate template if you use our employer of record and PEO service in France.

## France Working Hours

The length of the work week in France is typically 35 hours. Legally, employees must not work more than an average of 44 hours per week over a period of 12 consecutive weeks, and the work day may not exceed 10 hours or 48 hours during any given week, unless agreed to under a CBA. Under the PEO CBA, the maximum overtime workable per year is 130 hours and the maximum work day is 35 hours.

When overtime is incurred on a normal workday, payment (or rest time in lieu) must be made with following pay increases:

- +25% an hour for each of the first eight hours of overtime (from the 36th to the 43rd hour inclusive)
- +50% for each hour after that

However, it should be noted that many exceptions are allowed, especially under CBAs. Some managerial staff, for example, classified as “autonome” (i.e. autonomous – free to organize their schedule and workload) work more than 35 hours a week, but are given additional holiday days. All PEO staff must be “autonome” managerial-level staff.

If their salary is above 50K€, there is a more flexible worktime option than the default 35 hour/week schedule that includes RTT days. This avoids all tracking/payment of overtime hours. See more information in the vacation leave section below.

## Vacation Leave in France

All employees have a right to paid leave. Employees are entitled to 5 weeks of paid leave per year. This is prorated according to days worked.

Some CBAs and companies have negotiated agreements for working more than the standard 35h week. In that case, the agreement will compensate the overtime with “reduction of working time” or RTT days, which can anything between none (for 35h schedule) and 2 RTT days per month, depending on each company’s worktime agreement. The RTT days are

calculated by taking the working days in the year and subtracting the contracted days. There is no law regulating how to pro-rate RTT days for employees starting mid-year, however all employees must be treated equally so there is a standard calculation Globalization Partners uses.

French law requires a Holiday accrual of 10% of total cost, paid out when the employee takes vacation (5 weeks per year), with the balance paid at the end of the contract if there are any remaining.

### **Sick Leave in France**

Employees must provide the employer with a medical certificate from a doctor if they are absent from work due to illness or injury, even for one day, within 48h of the beginning of his absence. Without a medical certificate, it is unjustified leave. During a sick leave, the employment contract is suspended. Unless repeated absences make it necessary to replace the sick employee with another employee under an indefinite term contract, the sick employee cannot be dismissed. Sick leave pay is determined by the collective bargaining agreement. It should be noted that it is extremely rare for sick-time to be utilized due to the extended vacation and RTT days provided to employees.

### **France Maternity Leave**

Employees who have worked for at least 1 year before childbirth are entitled to parental leave, if they wish, and this right lasts until the child's 3rd birthday. One parent can take up to 2 years, and the other parent the third year. The parental leave can be full-time or part-time (min 16h/week worked). This leave must be requested by employee every year, at least 1 month before the end of maternity leave, or in case of a renewal or 2 months if not consecutive to maternity leave. It cannot be refused by employer. The employment contract is suspended during this time and the employer does not have to pay compensation for time not worked. However, the employee can receive certain indemnities from the social security system.

During maternity and paternity leave employees are entitled to a daily allowance from the

social security authorities and, if there is no CBA applicable in the company, employers are not required to pay salary during maternity and paternity leave. However, CBAs typically state the employee's salary must be paid in full if the employee has a certain length of continuous service (typically one year on the date of the child's birth).

Statutory Maternity Leave is as follows:

- For a single birth bringing the mother's number of children to three or more, maternity leave is 26 weeks, 8 weeks before the expected due date and 18 weeks after the birth.
- For the birth of twins, maternity leave consists of 12 weeks before childbirth, and 22 weeks after childbirth.
- For the birth of triplets or more, maternity leave consists of 24 weeks before childbirth and 22 weeks after childbirth.
- The relevant CBA can also grant additional maternity leave.
- Employees can choose to increase the proportion of maternity leave taken after childbirth, decreasing the proportion taken before childbirth, if approved by a physician.

Male employees are granted 3 work days of leave on the birth of a child (paid by employer), and paternity leave of 11 consecutive calendar days (18 days if there are multiple births), which must be taken within the four months following the birth (paid by Social Security, sometimes with an employer add-on).

Employees have the right to return to their original position after the maternity leave and cannot be dismissed during pregnancy, maternity leave, or the ten weeks after the end of maternity leave.

## **Severance Pay France**

The probation period in France is your best friend. If an employee is terminated while the probation period is in effect, your risk of a very high severance package is substantially reduced. The maximum length of a probationary period for indefinite contracts in France is 3 months for technicians and intermediate supervisors and 4 months for executive employees. The probationary period can be renewed once if the applicable CBA provides for it. For short term contracts, the notice period ranges from 1 day for a 1 week contract to 1 month for 6+

months contract. It cannot be renewed.

The notice period for a termination in France depends on the employee's length of service. If termination occurs during the probation period, the severance payment will include the notice period only. The notice period ranges from 24 hours to 1 month depending on the length of work at the company. If termination occurs after the probation period, there is a notice period as pre-determined by French law (between 1-3 months) and the collective bargaining agreement. For most CBAs it is 3 month notice period for manger. France's termination process is complex and rigid, and typically takes about a month before the notice period commences. Employees who are dismissed or made redundant are entitled to pay in lieu of notice if they are not required to observe their notice period. There is no notice period for short-term contracts, but rather the employer is required to pay out the remainder of the contract until the planned end date. For this reason it is extremely rare to have a short term contract.

Severance pay is awarded if the employer terminates an indefinite-term employment contract or the employee has the minimum length of service required by the Labour Code or applicable CBA (typically 1 year). The amount of severance pay depends on the employee's length of service and the applicable CBA stipulations. Typically, the severance pay is calculated on the basis of an employee's average salary (often including bonuses) during the last year of employment, or last 3 months, whichever is higher. Employees with under 1 year seniority are not entitled to any severance pay. The employee is owed any accrued vacation at termination. You can dismiss an employee for two reasons, economic and personal (performance or attitude).

For an indefinite-term employment contract to be dismissed, there must be real and serious grounds for dismissal, and there is a complex and time consuming termination procedure that must be rigidly adhered to. In case of grave fault, no notice and no indemnity is due. In case of economic dismissal for someone with over 1 year of seniority, there is a special procedure whereby the employee will not serve notice but 21 days after the pre-dismissal meeting will directly be signed up with the unemployment services and will obtain higher benefits (75% of salary for 1 year) and better back-to-work support. The employer will have to pay the cost of employee's notice to the unemployment services to fund this.

France has an alternative to termination via dismissal: Amicable termination. This allows you and the employee to agree upon a set of terms and conditions for an employee to leave amicably. While the minimum settlement required is equal to the amount provided in the case of a dismissal, typically this is increased to compensate the fast processing time and reduced employer risk. The simplified procedure for this type of termination takes 5-6 weeks, during which the employee must be paid.

If the termination is at all complex, most lawyers suggest negotiating a severance package with the employee in order to settle out of court. Our local advisor in France suggests that legal fees may be estimated at about 2,000 Euro and that most companies end up paying about 6-9 months' total compensation as severance. When employing through Globalization Partners you will have expert advice to guide you through this complicated process.

## France Tax Rate

Income is taxed at a progressive tax rate in France depending on the income per “parts” in household (each adult counts as 1, first two children as 0.5, then 1 per child).

Net salary is paid before income tax. Income tax returns and payment is managed by the employee directly (returns in May, payment in September with pre-payments based on previous years in thirds or tenths). This is due to change in 2018, when pre-payments will be deducted from payroll.

The rates on income tax paid in 2017 (for income earned in 2016) are:

Average Income per part	Tax Rate
Up to €9,710	0%
Between €9,710 – €26,818	14%
Between €26,818 – €71,898	30%
Between €71,898 – €152,260	41%
Above €152,260	45%

Social security contributions for employer's amount to approximately 45% of the gross

salary, while the employees' share amounts to about 22% (+/- 2% depending on level of salary).

The vast majority of social coverage in France is made up of contributions to funds which are fixed by law or the collective bargaining agreement and are thus common to all companies in the same branch. There are 5 components to compulsory coverage in France:

1. Social Security (URSSAF)
2. Unemployment (Pole Emploi)
3. Pension plan
4. Life & disability coverage
5. Health care coverage

Social security in France covers:

- Health care costs: generally, refunds patients approx. 70% of most health care costs, or 100% in case of costly or long-term ailments.
- Maternity and sickness pay: sick leave (50% of a capped salary from day 4 of sick leave onwards) and paternity (11 calendar days) and maternity leave (100% of capped salary for 16-26 weeks).
- Disability insurance: to compensate for loss of income due to decreased ability to work. Amount of indemnity depends on level on disability.
- Basic pension fund paid when 43 years have been worked or you reach 67 years (a little less if born before 1971) also paid to surviving spouse upon death (60% of spouse's pension).
- Life insurance: 3 months' capped salary paid out to heirs of deceased employee.
- Work accidents: benefits for work-linked injury or sickness (100% of medical costs linked to injury/sickness and 100% capped pay during leave).
- Family benefits are varied and include basic benefits for families with children, to offset childcare costs and the costs incurred due to the arrival of a child, as well as benefits for special purposes.
- Housing benefits paid out to support social housing and housing aid for low-income households.

Spouses and children dependent of an employee or retired person are covered, if they are

also French tax residents.

In a nutshell, if an employee's contract is terminated by the employer, he will get 57 % of his gross salary as unemployment benefits for up to 2 years (or 3 years if above 50 years old), on the basis of one day worked = one day of benefits. The unemployment fund also provides a wide variety of financial aid and programs for employees creating a business, for training etc.

Above the basic pension plan provided by Social Security, all French employers must by law contribute to an additional private pension fund for their employees. Rates of contribution are determined by law and are the same for all employees in all companies, but differ according to level of salary and cadre or non-cadre status. Generally speaking, someone who has worked a full career will be able to retire at 62 years with a pension of a little over 50% of his average salary.

Life and disability covers death, prolonged sick leave and disability risks. This is a small part of the contributions. Contrary to Social Security, Unemployment and Pension funds, the rates are not determined by law, but by CBA. The rates (and consequently the coverage) determined by CBA are a minimum and each employer can choose to cover more (but all employees in one company have the same coverage, cannot be individualized).

## **French Employee Benefits**

The health care system in France is largely financed by the government national health insurance and the country is considered to provide one of the best overall health care systems in the world.

The government generally refunds patients 70% of health care costs and 100% in the event of costly or long-term ailments. All residents must pay health insurance and the premiums are automatically deducted from employees' pay.

As of January 1, 2016, it is mandatory for employers to provide a private health insurance that will complement the healthcare reimbursements of French Social Security. The amounts

are determined by branch, through the applicable collective bargaining agreement (CBA).

- Prior to 2018, the SYNTEC CBA applied to all PEO, consulting, and technology companies. However, this has since been replaced by the portage salarial CBA, under which the employer is responsible for 50% (or €23.50) of the base coverage of €47 per month in 2017 and the employee is responsible for the other 50%.
- The cost includes coverage of dependent children, however, it does not include coverage of an unemployed spouse or partner.
- Employees can add higher levels of coverage and/or coverage of their spouse/partner at a cost of up to €77 per month, which will be deducted from their net pay (the additional cost is the employee's sole responsibility).
- Employees can refuse the coverage if they were employed with the organization prior to January 1, 2016, if they are already covered by their spouse's compulsory coverage and can provide proof of this yearly, or if they are under a fixed-term employment contract not to exceed 12 months.

### **Additional Benefits in France**

It is extremely rare for Employers in France to provide additional benefits. The benefits listed above give employees in France the second highest level of benefits in the world. It is thus rare for an employer to add on to these, especially as – due to non-discrimination rules – you would have to apply them for all employees.

Allowances are also rare, as they would be taxable and therefore are far from efficient for both the employee and the employer. The best alternative process is to process these requests through expense reimbursement whenever possible. If an employee uses public transportation for their daily commute or to visit clients, they are eligible for reimbursement up to 50% of the 2nd class transportation card.

### **French Holidays**

Only Labor Day/1st May Day is an absolutely compulsory public holiday, but in practice, all the holidays (10 days) are given to employees. The remainder of the holidays are granted by convention (collective agreement between employers' and employees' unions) or by

agreement of the employer.

The people of France celebrate 11 national public holidays, including:

- New Year's Day
- Easter Monday
- Labour Day/ 1<sup>st</sup> May Day
- WWII Victory Day
- Ascension Day
- Whit Monday
- Bastille Day
- Assumption of Mary
- All Saint's Day
- Armistice Day
- Christmas Day

## Why Globalization Partners

It can be challenging to figure out how to set up a subsidiary or branch office in France, which historically was the first and most complex part of hiring an employee in France.

Globalization Partners' [Global Employer of Record](#) solution makes it easy to hire employees in France with minimal time and expense. We put your employee on our locally compliant payroll and you get a simple monthly invoice. We can also process expense reports, take care of personal income tax issues, and set up the employee's statutory local benefits in France with the streamlined ease of a company that has done it hundreds of times before, enabling you to skip the difficulty of creating a subsidiary and instead focus on your company.

If you would like to discuss how Globalization Partners can provide a seamless employee leasing or PEO solution for hiring an employee in France, please contact us at [sales@globalization-partners.com](mailto:sales@globalization-partners.com).