

***A revolution in French labor law !
A new type of employment agreement, with flexibility
The 'contrat nouvelles embauches' (CNE)***

A very important change occurred in France with the government implementing a new type of employment agreement.

Then CNE is a specific type of employment agreement which can be entered into by any French company with less than 20 employees.

It allows termination of employee hired under a CNE, during the first two years of employment very close to what is called "at will" (such concept did not exist previously in France). No need to establish a due cause, very limited indemnity to pay to the departing employee.

This CNE is applicable since August 4th, 2005.

Below are some details of the CNE:

- The CNE is a written contract, for an indefinite duration. It can be used for any new hiring except for seasonal employment.
- During the first two years, both parties can terminate the contract without justification (but with a notice period of 2 weeks to one month depending on the date on which the contract is terminated) merely by sending a registered letter with return receipt requested (formalism is very important). The indemnity due to the employee (and the French administration) in case the company terminated the contract is an overall of 10% of the amount owed to the employee since the beginning of the contract (that is the total cost for the employer).
- After the first two years, the contract is treated as any other indefinite term contract.
- A waiting period forbids that a new CNE be entered into between the same employer and the same employee during three months after the employer has taken the initiative to terminate the primary CNE.

If you would like more guidance or information about French regulations in this area, please contact us at newdevelopment@kahnlaw.com, or contact directly one of our partners (www.kahnlaw.com).

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Kahn & Associés - Law Offices

51, rue Dumont d'Urville 75116 Paris FRANCE - Tel: +33 1 45 01 45 01 Fax: +33 1 45 01 45 00 <http://www.kahnlaw.com/>

Branch office : Sophia-Antipolis, Cote d'Azur