The System Economy · June 2026

National report on labour tribunal risk for micro and small businesses

How current system incentives can discourage hiring, apprenticeships and entrepreneurial risk-taking

99.9 %

Micro businesses

38 %

Hesitate to hire

12 %

Litigation experienced (5 yrs)

30

Pages · facts & field

Executive summary

- Micro businesses (0–9 employees) account for 99.9% of companies in France and employ roughly 59% of private-sector wage earners.
- 38% of owners say they hesitate to hire; 29% hold back on apprentices — litigation risk is among the cited brakes.
- 165,000 labour tribunal cases filed per year; 18 months average duration. For a micro business, a single case can absorb 6 to 24 months of net margin.
- This report cross-references a field case (B2B consulting, apprenticeship, business closure), three anonymised testimonies, eight institutional sources and an international comparison.

- The issue is not to rule on an individual dispute, but to show how keeping someone in post — publicly valued — can produce disproportionate legal and financial exposure for the smallest structures.
- Five concrete proposals aim to realign incentives and public discourse without undermining worker protection.

59 %

Private wage employment (micro)

29 %

Hold back apprenticeships

68 %

Labour tribunal conciliation

18 months

Average case duration

INSEE — Micro businesses in the French economy · 2024

https://www.insee.fr/fr/statistiques/2011101 · accessed June 2026

Bruno Ghezali · The System Economy

Economic and field analysis document. It does not constitute legal advice. Individual cases are anonymised or composite where sources require it. Amounts in the main case study come from the owner's testimony — they do not prejudge the merits of labour tribunal claims.

We are asked to hire — and taught not to take risks anymore.

For a decade, apprenticeships, internships and first hires have been publicly valued. On the ground, many micro business owners internalise a different message: every contract is exposure.

What we are asked to do

- Hire despite economic uncertainty
- Train and host apprentices
- Trust people, pass on a trade
- Keep jobs during hard times

What the system sometimes rewards

- Anticipate termination to cap cost
- Outsource rather than hire
- Cap headcount below legal comfort threshold
- Avoid apprenticeships while rules stay unclear

"The paradox is not that the law protects workers — it is that it can discourage those who tried to play by the rules."

— *Field formulation, CGPME 2024 survey*

Institutional discourse values hiring, apprenticeships and job retention. Field feedback shows another rationality: cap exposure before it becomes disproportionate.

This gap is not a political opinion. It is a reading of costs, timelines and observed behaviour — following pages.

Main case — B2B consulting micro business (Greater Paris)

B2B consulting entrepreneur, Greater Paris. Growth via referral, team built with apprentices and juniors. Narrative from owner testimony; apprentice not named.

2018

Founded

8

Peak headcount

420k

Peak revenue (2021)

180k

Low revenue (2024)

Founding and activity

Structure founded in 2018 (SASU then SAS). Activity: Consulting and support for micro and SME owners. Owner clients, recurring billing and project work.

The owner built a lean team using apprentices — common in services micro businesses that cannot carry a senior bench from day one. Publicly, this model trained juniors while absorbing revenue volatility.

Key point: a consulting micro business has neither cash reserves nor in-house legal. Every employment contract is a risk decision, not just HR.

99.9%59%Company sharePrivate emplo…

Source: INSEE (2024)

Hiring and apprenticeship

Between 2019 and 2021, several apprentices joined (production, communications, client follow-up). In September 2022, a new apprenticeship contract was signed while revenue was still high.

Context: keeping an apprentice when activity slows is presented as virtuous. For a micro business, it is also €3,500–4,500/month in charges — with no safety net if things worsen.

Item	Fact
Contract	Apprenticeship — apprentice not named
Role	Client production and communications
Peak headcount	8 people (including apprentices)
Key decision	Contract kept 11 months beyond break-even (Q2 2023 – Q1 2024)

2018SASU incorporated. Commercia…2019–2021Growth phase: revenue near €…Sept. 2022Apprenticeship contract sign…Q2 2023Mid-market consulting slowdo…2023–2024Deterioration: client paymen…Jan. 2025Operational activity ceased.…Mar. 2025Case filed at Bobigny labour…

Main case timeline (2018–2025)

Timeline from owner testimony and reviewed accounting records.

Hardship and job retention

From Q2 2023, quarterly revenue fell ~35%. Cash below €8,000, then below €2,000 end 2024. Owner chose not to terminate — aligned with public discourse, costly month after month.

18-month deterioration: client terms extended to 45–90 days, investment deferred, shareholder current account used for charges and payroll.

Debts at cessation (January 2025)

Item	Amount
Social security and payroll charges	€12,000
Suppliers and contractors	€18,000
Shareholder current account	€12,000

€42,000	Total residual debt
January 2025	Activity ceased
€1,800	Final cash
Conciliation (failed) — referred to merits hearing	Procedure stage

Personal impact: Personal guarantee on business loan (€15,000), shareholder current account drawn (€12,000), owner unpaid for 14 months.

Procedure and consequences

Case filed March 2025 at Bobigny labour tribunal (Conseil de prud'hommes). Conciliation failed; referred to merits hearing.

Quantified claims (€38,500)

Item	Amount

Termination and notice indemnities	€18,500
Back pay and hours	€12,000
Damages claimed	€8,000

Defence costs incurred

Item	Amount
Lawyer fees (retainer)	€7,200
Admin and expert costs	€2,000

Item	Value
Total defence (fees + owner time)	€9,200 fees + ~120 owner hours
Status	Proceedings ongoing — merits hearing scheduled

> **Economic reading:** €38,500 claimed + €9,200 defence = 18 to 24 months of net margin for a business this size — excluding merits outcome.

Full timeline

Date	Fact	Linked amount
2018	SASU incorporated. Commercial structuring and management consulting for micro/SME owners. First clients via referral.	—
2019–2021	Growth phase: revenue near €350k. Hired interns then apprentices (production, communications, client follow-up). Peak headcount: 8	€350,000

	including 4 successive apprentices.	
Sept. 2022	Apprenticeship contract signed (BTS communications / sales). Role integrated into client production. Apprentice not named in this report.	—
Q2 2023	Mid-market consulting slowdown. Quarterly revenue down 35%. Cash below €8,000. Decision to keep the apprenticeship contract despite the role being below break-even.	—
2023–2024	Deterioration: client payment terms extended (45 to 90 days), investment deferred, shareholder current account topped up. Apprentice payroll maintained 11 months beyond break-even.	—
Jan. 2025	Operational activity ceased. Contract terminated. Residual debts: social security, suppliers, shareholder current account. Final cash below €2,000.	€42,000
Mar. 2025	Case filed at Bobigny labour tribunal. Quantified claims on termination, back pay and damages. Lawyer retained; conciliation failed.	€38,500

This case illustrates a documented sequence: job retention → deterioration → late termination → amplified litigation. It does not rule on the merits. It measures structural cost for a micro business with no upfront settlement capacity.

Consulting micro business — 5 staff and apprentices Field testimony

Activity: B2B consulting and training · Inner Paris suburbs · 5 employees

Problem encountered

Owner kept an apprentice 9 months beyond role profitability amid 40% revenue drop. Termination at partial business closure. Dispute over termination classification and production hours.

Consequences

€32,000 adverse claim. 16 months of proceedings. Two planned hires cancelled; apprenticeships stopped for 24 months.

Collected testimony — anonymised (2025)

Sector context

Micro businesses in b2b consulting and training share short cash cycles and no in-house legal function. A single case can equal 6 to 24 months of net margin.

Indicator	Value
Headcount when events occurred	5
Contract type involved	Permanent, apprenticeship or mix — case dependent
Observed procedure duration	12 to 24 months (field range)

What this case shows

Profile close to the main case: services, thin margin, no in-house legal function. Litigation became the main 'unexpected cash' line of the year.

Economic reading: after costly litigation, many owners report voluntarily capping headcount — sometimes for several years.

Effect on local employment

- Next hire cancelled or deferred
- More outsourcing or freelance
- Apprenticeships dropped for 12 to 36 months

Source: Collected testimony — anonymised (2025).

"I kept the contract out of conviction. Litigation cost me more than two years of margin."

— Consulting micro business owner — anonymised testimony

Retail — 4 employees Sourced composite case

Activity: Food retail · Centre-Val de Loire · 4 employees

Problem encountered

Owner attempted internal mediation for 8 weeks before individual economic dismissal. Initial settlement offer of €8,000 refused.

Consequences

Store closed 14 months later. Cumulative litigation, residual rent and closure cost: ~€120,000 per owner. Job not replaced.

Anonymised composite — U2P / business press feedback · https://www.u2p-france.fr

Sector context

Micro businesses in food retail share short cash cycles and no in-house legal function. A single case can equal 6 to 24 months of net margin.

Indicator	Value
Headcount when events occurred	4
Contract type involved	Permanent, apprenticeship or mix — case dependent
Observed procedure duration	12 to 24 months (field range)

What this case shows

Total cost far exceeds the settlement offered upfront — classic asymmetry when a micro business cannot provision at the right moment.

Economic reading: after costly litigation, many owners report voluntarily capping headcount — sometimes for several years.

Effect on local employment

- Next hire cancelled or deferred
- More outsourcing or freelance
- Apprenticeships dropped for 12 to 36 months

Source: Anonymised composite — U2P / business press feedback. Anonymised composite — no identifiable party.

"I closed six months later. Litigation cost more than two years of margin."

— Retail owner — U2P composite

Digital agency — 12 employees Sourced composite case

Activity: Digital services for SMEs · Lyon · 12 employees

Problem encountered

Apprentice hired on permanent contract during growth (+25% revenue). Reversal in 2024: headcount maintained, then contested economic dismissal. 30 months tenure at termination.

Consequences

€55,000 accounting provision. Apprenticeship scheme dropped for two years. Headcount voluntarily capped at 10 instead of 15 planned in 2025 budget.

Anonymised composite — CGPME / MEDEF surveys · https://www.cgpme.fr

Sector context

Micro businesses in digital services for smes share short cash cycles and no in-house legal function. A single case can equal 6 to 24 months of net margin.

Indicator	Value
Headcount when events occurred	12
Contract type involved	Permanent, apprenticeship or mix — case dependent
Observed procedure duration	12 to 24 months (field range)

What this case shows

The apprenticeship → permanent contract → crisis → litigation sequence is what many micro businesses fear: each step increases exposure without a safety net.

Economic reading: after costly litigation, many owners report voluntarily capping headcount — sometimes for several years.

Effect on local employment

- Next hire cancelled or deferred
- More outsourcing or freelance
- Apprenticeships dropped for 12 to 36 months

Source: Anonymised composite — CGPME / MEDEF surveys. Anonymised composite — no identifiable party.

"We will not take another apprentice until the end-of-contract framework is clear."

— Digital agency owner — CGPME composite

Part I

The numbers

How many owners hesitate to hire? How many drop apprenticeships? How many faced litigation?

Hesitation to hire

38%

Hesitation to hire

36%

Cash deteriorating

42%

Owner morale down

38%29%47%Hesitate hireHold apprenti…Fear litigati…

Source: Bpifrance Le Lab · MEDEF · U2P (June 2026)

- 38% of surveyed owners report hiring hesitation (Q4 2025, Bpifrance series).
- 36% report quarter-on-quarter cash deterioration.
- Morale remains fragile despite timid investment intentions.

Bpifrance Le Lab · Rexecode — SME Barometer · T4 2025

https://lelab.bpifrance.fr/publications/barometre-tpe-pme · accessed June 2026

Apprenticeships and headcount caps

29%

Apprenticeship drop (litigation fear)

34%

Voluntary headcount cap

18%

Micro businesses hosting apprentices

29% of micro businesses hold back on apprenticeships; 34% voluntarily cap headcount.

12%68%8%Experienced l…ConciliationClosure linked

Source: Ministry of Justice · U2P (June 2026)

CGPME — Micro business apprenticeship barometer · 2024 https://www.cgpme.fr

· accessed June 2026

Litigation and closures

165000

Cases filed / year

68%

Conciliation rate

18

Average duration (months)

12%

Litigation experienced (5 yrs)

47%

Fear of litigation

8%

Closure after dispute

- Roughly 165,000 annual filings at labour tribunals.
- 68% of cases end in conciliation or settlement.
- 12% of respondents faced labour tribunal litigation over five years.
- 47% cite fear of dispute as hiring brake — far beyond direct experience.

Ministry of Justice · CPAD — Labour tribunal statistics · 2023-2024

https://www.justice.gouv.fr/statistiques-et-analyses · accessed June 2026

Method note: causal link litigation → closure is not rigidly established statistically; field surveys converge on a threshold effect for the smallest structures.

Incentivesp. 17

Which behaviour does the system actually reward?

Comparison without moralising: two strategies facing an unprofitable role.

Owner A — early termination

- Dismissal once role unprofitability confirmed (months 2–3 of tension)
- Immediate provision: estimated statutory indemnities + limited legal mandate
- Outsource function or short interim to absorb volume

Dimension	Reading
Immediate cost	Estimated indemnities €6,000–10,000 + €2,500 lawyer — bounded cost
Deferred cost	Moderate litigation risk if procedure compliant and documented
Cash	Single cash peak, predictable in quarterly budget
Signal	Internal message: profitability first; external message: less virtuous

Owner B — keeping the job

- Kept employee or apprentice 9–14 months despite tension
- Payroll absorbed: €3,500–4,500/month all-in

Owner B — keeping the job (continued)

- Investment deferred, shareholder account, unable to hire elsewhere

Dimension	Reading
Immediate cost	€40,000–60,000 unprovisioned payroll over the period
Deferred cost	Late termination: longer tenure, €30,000–50,000 claims, long proceedings
Cash	Cash eroded over 12–18 months; no capacity for upfront settlement
Signal	External message: responsible employer; internal message: risk is asymmetric

Immediate costDeferred costLitigation riskCash impactOwner AOwner B

Relative index (0-100) — comparative reading, no absolute figures

Comparative synthesis

	Owner A	Owner B
Cost predictability	High	Low
Labour tribunal risk	Moderate if procedure compliant	High if late termination
Responsible employer image	Damaged short term	Valuable short term
Micro business viability	Preserved	Weakened

Implicit incentive: the system penalises ex post those who tried to save the job — not those who anticipated termination. This is not opinion: it is a reading of costs and timelines.

Following pages place this mechanism in an international comparison.

International comparison

France, United Kingdom, United States, Germany — costs, timelines, apprenticeships.

Country	Hiring cost index	Dismissal	Litigation	Apprenticeship share
France	100	52 wks	18 mo	8.2 %
United Kingdom	78	21 wks	6 mo	4.1 %
United States	65	0 wks	12 mo	2.8 %
Germany	92	38 wks	10 mo	9.5 %

Hiring index: France = 100 (micro employer charge synthesis).

OECD — Employment Protection Legislation (EPL) index · 2023

https://www.oecd.org/en/data/indicators/employment-protection.html · accessed June 2026

Dismissal cost

52 wks21 wks0 wks38 wksFRUKUSDE

Source: OECD EPL · TSE synthesis (June 2026) — indicative salary weeks

France leads this comparison in indicative salary weeks for individual dismissal — excluding settlement.

Litigation duration

18 mo6 mo12 mo10 moFRUKUSDE

Source: OECD · CPAD · TSE synthesis

Apprenticeship: strength or brake?

Germany combines procedural rigour and mass apprenticeship. France has an ambitious national target but low micro penetration (22% of contracts — DARES).

> **Exportable paradox:** countries that secure workers do not all discourage hiring — predictability of costs and speed of dispute resolution also matter.

- **United Kingdom:** shorter procedure, moderate termination cost — but heavy use of precarious contracts.
- **United States:** employment at will in many states — sporadic litigation but variable damages.
- **France:** high protection + relative slowness = asymmetry unfavourable to micro businesses without legal counsel.

Part IV

Economic impact

How many jobs not created? How many apprentices not hired? How many SMEs staying small by choice?

80k25k34%Jobs not crea…Apprentices (…Cap headcount

Orders of magnitude — assumptions on pp. 24-26

Jobs not created

Indicative range: 80,000 to 150,000 jobs/year.

Range derived from owners reporting cancelled or deferred hiring (Bpifrance, MEDEF surveys)

— order of magnitude, not official accounting.

Apprentices not hosted

Range: 25,000 to 45,000 contracts/year.

Projection from micro businesses citing fear of post-contract litigation.

34 %

Micro businesses cap headcount

38 %

Hesitate to hire

165k

Labour tribunal cases / year

18 months

Average duration

Collective cost

Multiplying 38% hesitant owners by average micro hiring potential (0.3 to 0.8 FTE/year) gives an order of magnitude — not an official statistic.

The invisible cost is not only financial: a generation of apprentices less trained in businesses, and owners learning not to take human risk.

— TSE synthesis

- Less trade transmission in micro businesses
- Pressure on mid-size SMEs and larger employers
- More interim and subcontracting

Following proposals aim to realign incentives and public discourse — without undermining worker protection.

Part V

Five proposals

Reform or pilot tracks — not exhaustive legal analysis. Each proposal includes an operational mechanism.

1. Mandatory pre-litigation mediation

Generalise a mandatory qualified mediation phase before filing for disputes involving businesses with fewer than 20 employees. Maximum 30 days; filing conditional on completion.

Supporting fact: 68% of cases end in conciliation; earlier access would reduce duration and cost for both parties.

Mechanism: Accredited mediator, single session or short cycle, cost shared or covered for micro businesses below revenue threshold.

2. Micro business protection fund

Mutualised scheme funded by a micro employer contribution (e.g. 0.05% payroll), covering part of defence costs and provisions for a first case.

Supporting fact: A micro business without in-house legal support faces disproportionate cash shock — €9,000 in fees can equal 4 months of margin.

Mechanism: Annual cap per business, eligibility limited to structures under 10 employees, no coverage of merits awards.

3. Specific distressed-business status

Temporary framework (6–12 months) activated on joint accountant / auditor certification, allowing framed termination or working-time adjustments.

Supporting fact: Avoid documented crisis-period job retention turning into litigation amplified by tenure.

Mechanism: Watch-list registry, ex post control, no removal of worker rights but clearer exit options.

4. Reduced procedural costs

Shorten average timelines, digitise exchanges, simplify appeals for claims below a threshold (e.g. €25,000) involving a micro business.

Supporting fact: 18 months average proceedings in France vs 6 in the UK — time is a direct cost for micro businesses.

Mechanism: Fast-track labour tribunal route, fixed calendar, document-only judgment for standard quantified disputes.

5. Stronger apprenticeship protection

Clarify by regulation termination regimes at end of apprenticeship and secure micro businesses converting apprentices to employees during growth.

Supporting fact: 29% of micro businesses hold back on apprentices; uncertainty on post-contract consequences weighs more than financial aid compensates.

Mechanism: Indicative end-of-apprenticeship indemnity scale, enforceable guide, dedicated CFA / employer / worker mediation.

> **Guiding principle:** secure the worker without punishing ex post the employer who played the job-retention game. Each measure must be measurable: timeline, cost, conciliation rate.

These proposals open debate; they do not assume immediate legislative feasibility.

Is it still worth the risk of hiring?

This report cross-referenced a documented field case (consulting micro business, €42,000 debt, €38,500 claimed), anonymised testimonies, eight institutional sources and an incentive analysis. It does not rule that one side is right — it shows that behaviour virtuous in public discourse can be unfavourable in real costs.

When a struggling entrepreneur chooses to keep a job rather than end it, does the system encourage or discourage that choice?

The answer belongs to the reader: journalist, elected official, owner, employers' organisation.

Economic and field analysis document. It does not constitute legal advice. Individual cases are anonymised or composite where sources require it. Amounts in the main case study come from the owner's testimony — they do not prejudge the merits of labour tribunal claims.

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