

ARITAKE-WILD

Joint European Level Social Partners
Work-programme 2006 . 2008

Joint Study on Restructuring in the %EU15+
Phase one

France
National Dossier

Paris
21st and 22nd November 2007

Prepared by;
ARITAKE-WILD



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Joint European Level Social Partners Work-programme 2006 - 2008

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Introduction - the Purpose of the National Report

This report on the role of the French social partners in restructuring was prepared following the discussion of an initial draft by the national social partners at a seminar held in Paris on 21st and 22nd November 2007.

The French national seminar was the fifth in a series of similar meetings to be held in ten European Union member states between April 2007 and June 2008, in the framework of the 2nd Integrated Project of the European Social Partners¹. The report was prepared by the selected external expert for France, Göran Hultin and his associate Ms Kati Heikinheimo of CADEN Corporation SA, working with the expert coordinator for the project, Mr Alan Wild.

The document is presented as an **%expert report+** It represents the views of the consultants involved in its preparation and does not purport to represent the views, either individually or collectively, of the French social partners or the French case study company representatives that contributed to it, or those of the European level social partner organisations that were responsible for its commissioning.

The prime purpose of the report is to contribute to the development of a synthesis paper that compares and contrasts the roles of the social partners in restructuring in the ten countries studied with a view to drawing lessons for the future and to help shape the activities and priorities of the social partners at the European level in this area. It also informs readers on the role played by the French social partners in the process of economic restructuring at the national, sectoral and enterprise levels. By the end of phase two of the integrated project of the European Social Partners, similar national reports will have been prepared and been discussed by the social partners in all 27 EU member states. It is planned to develop an overall discussion document based on the role of the social partners in restructuring in every country in the European Union for consideration by social partner representatives from throughout the EU.

Frequently, studies of the role of the social partners in restructuring have focussed on well publicised cases where significant numbers of jobs have been lost in **%household-name+companies**. In this series of reports it is hoped to capture social partner influence on a broader range of restructuring activities that involve not only major job losses in private sector companies, but also what we have chosen to call **%silent restructuring+** Silent restructuring includes change processes that have affected significantly the nature of work undertaken within a company or public sector organisation without major job loss. It also describes the changes taking place in small and micro enterprises that typically fall below the radar of official redundancy statistics. In this way the overall study will seek to capture how the social partners have influenced both the quantitative and qualitative effects of anticipating and managing economic restructuring.

The main body of the report is presented in three sections;

¹ The 2nd Integrated Project on restructuring of the EU Social Partners is divided in two phases. The first one will concern ten EU member states, notably Republic of Ireland; the Netherlands; Greece; Italy; France; the UK; Spain; Sweden; Austria and Denmark. The second phase will start in 2008 and cover Germany, Belgium, Finland, Portugal, Luxembourg, Romania and Bulgaria. Finally, the EU social partners' organisations ran a similar project which involved the 10 countries that joined EU in 2004.

- ◊ Section one - A macroeconomic review of restructuring;
- ◊ Section two . The role of the social partners in restructuring;
- ◊ Section three . Case studies.

Each of the sections was briefly presented and discussed at the national seminar. The French social partners were asked to comment on the accuracy of the report; to suggest areas that might be %over+or %under+stated or omitted; and to assist in the drawing of overall conclusions on the effectiveness of the French social partners at all levels in the anticipation and management of restructuring. This final national report takes into account the content of the meeting, but remains nonetheless an %independent expert report+

Finally, it should be noted that the ultimate audience for this document is %on French+ and the authors therefore apologise to the national seminar participants for providing elements of detail and background that may appear obvious or superfluous to the French reader. The inclusion of this material is essential however if the broader objectives of the project described above are to be accomplished.

Section one . A macro-economic review of restructuring in France

Summary and overview

This section of the report aims to illustrate the basic elements of structural adjustment in France. It provides a succinct analysis of demography, the state of the economy and its competitiveness, employment, labour costs, productivity and education. The bullet point descriptors below highlight the main issues covered in section one of the report. More detailed descriptions and references are to be found in the main body of the text;

- ◊ France is the world's 6th ranked economic power. It is a service dominated economy with a significant manufacturing base. The share of agriculture amongst the active French working population is very low and continues to decline. In 2006, French GDP grew by 2.0% (in volume) compared with 1.2% in 2005;
- ◊ French small and medium sized enterprises employ 10 million persons and are responsible for two-thirds of jobs in the country. The majority (96%) of French enterprises employ less than 20 salaried workers;
- ◊ In terms of standard of living, France recorded " 19,650 GDP per capita in 2006. Whilst this figure is significantly lower than the equivalent figure for the United States (" 25,970) the broader measure of %societal well being+captured in the UNDP Human Development Index (HDI) however rates France highly, at roughly the same level as the United States;
- ◊ The challenge of an ageing population is an issue for the French economy, although the phenomenon is less marked than in other industrialised countries. The French population is growing, due to net positive migration and a relatively high birth rate;

- ◊ According to the World Bank Employment Rigidity Index, the French labour market is more rigid than the OECD average. The Doing Business ranking compiled by the same organisation places France 35th in the world;
- ◊ Capital invested in French business activities over recent years has made the country a world leader in terms of hourly productivity of labour. Measured in terms of unit labour costs however French productivity is less competitive in global terms. According to the World Economic Forum (WEF) and the IMD business school competitiveness ratings, France ranked 18th (in 2006) and 28th (in 2007);
- ◊ From the point of view of inward foreign direct investment, France remains a popular investment destination but has more recently lost ground to the economies of Central and Eastern Europe. France, like many other countries, is finding it increasingly difficult to respond to price competition. In response, French enterprises are attempting to increase the value added in their services and products;
- ◊ France performs relatively well in the level of training given to employees at around the average for OECD members. In addition, French students show an above average interest in higher scientific studies. A comparative weakness is that France invests much less in R&D than its main competitors;
- ◊ Structural adjustment in France most often manifests itself in layoffs. According to the McKinsey Global Institute (2002-05), the impact of structural adjustment on employment is mainly due to internal restructuring (64% of cases); to bankruptcies (23% of cases) and to acquisitions and mergers (9% of cases). International relocation or offshoring account for just 4% of cases, compared with a 7% average in Europe;
- ◊ France performs less well than it might in creating value from the transfer of services. For every %offshored+Euro in the service field, France only obtains 0.86 euros in return;

Population

France has a population of 63.7 million, 60.9 million of whom live in Metropolitan France (2007 estimate²)³. The country has a positive natural population growth rate and a net positive migration rate . 0.588% and 1.52 immigrants per 1000 inhabitants.⁴

² UNEP

³ Metropolitan France is the part of France located in Europe, including Corsica. Overseas France is the collective name for the French Overseas departments (Martinique, Guadeloupe, Réunion and French Guiana)

⁴ CIA Fact Book 2007 <https://www.cia.gov/cia/publications/factbook/geos/fr.html>

Figure 1 French population and international comparison, with estimates⁵

Pays	Population			Taux de croissance de la population annuelle		Démographie / groupes d'âges			Rapport de dépendance (personnes à charge pour chaque personne en âge de travailler, 2004)	
	(millions)			(%)		(% , 2004)			Jeune	Agé
	1990	2004	2020	1990 - 2004	2004 - 2020	Ages 0-14	Ages 15-64	Ages 65+		
France	56.7	60.4	63	0.4	0.3	18.2	65.2	16.6	0.3	0.3
Allemagne	79.4	82.5	82.3	0.3	0	14.6	67.2	18.3	0.2	0.3
Grèce	10.2	11.1	11.2	0.6	0.1	14.4	67.6	18	0.2	0.3
Italie	56.7	57.6	57.1	0.1	0	14.1	66.3	19.7	0.2	0.3
Chine	1,135.20	1,296.20	1,423.90	0.9	0.6	22	70.5	7.5	0.3	0.1
Inde	849.5	1,079.70	1,332.00	1.7	1.3	32.5	62.3	5.2	0.5	0.1
Etats-Unis	249.6	293.7	338.4	1.2	0.9	20.9	66.8	12.3	0.3	0.2
Japon	123.5	127.8	126.7	0.2	-0.1	14.1	66.7	19.2	0.2	0.3

According to INSEE (National Institute for Statistics and Economic Studies) population projections, on 1 January 2050, Metropolitan France will have 70.0 million inhabitants, 9.3 million more than in 2005. The population will increase over the entire period, but at a decreasing rate.⁶ By 2050, one inhabitant in three will be 60 years old or more, compared with one in five in 2005. The share of young people will decline, as will that of active-age persons. In 2050, there will be 69 inhabitants aged over 60 or more for every 100 inhabitants between 20 to 59 . double than in 2005 (figure two below).

Stable growth can be observed in the level of immigration into France over the last hundred years. This has had an important effect on French society. Nevertheless, French immigration policy has more recently taken a more restrictive turn. Like other European countries France is endeavouring to manage immigration in a manner that maximises economic activity. This approach, known as controlled immigration facilitates immigration for workers in areas of labour shortage and encourages high-level professionals to immigrate to or remain in France.⁷

Despite this more restrictive policy, the immigration rate has continued to increase. The country's migration balance has been positive and relatively stable in recent years showing annual growth of around 100,000 people. Immigration has therefore contributed to the French population growth rate. According to currently available data, EU enlargement in 2004 does not seem to have increased immigration from Eastern European countries to the extent that it has in other European economies like the United Kingdom, the Republic of Ireland and Sweden.⁸

⁵ World Bank development indicators 2006

⁶ <http://www.insee.fr/fr/ppp/ir/accueil.asp?page=projpop0550/synt/synthese.htm>

⁷ INSEE Situations démographiques et projections de population 2005-2050

⁸ Focus Migration Country Profile France, March 2007 <http://www.focus-migration.de/France.1231.0.html?&L=1>

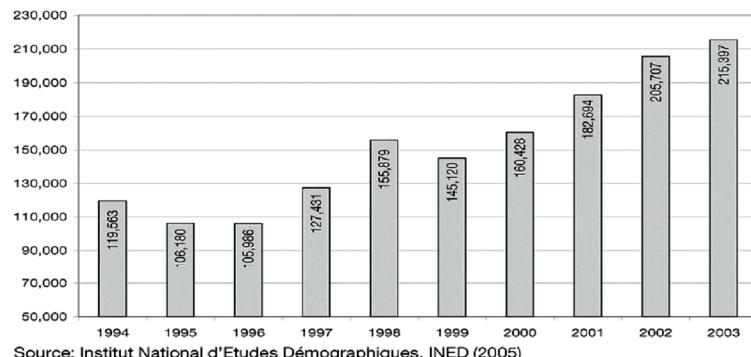
Figure 2 Population growth in Metropolitan France from 1950 to 2050⁹

Année	Population métropoli-taine	Pourcentages			Solde naturel (en milliers)	Solde migratoire (en milliers)
		0-19 ans	20-59 ans	60 ans -		
1950	41 647	30	54	20	327.8	35
1990	56 577	28	53	26	236.2	80
2000	58 796	26	54	28	243.9	70
2005	60 702	25	54	29	243.5	95
2010	62 302	24	53	32	199.4	100
2015	63 728	24	51	34	163.6	100
2020	64 984	24	50	35	135.3	100
2025	66 123	23	49	38	119.2	100
2030	67 204	23	48	41	111.1	100
2035	68 214	22	47	44	81.7	100
2040	69 019	22	47	45	27.9	100
2045	69 563	22	46	47	-13.3	100
2050	69 961	22	46	48	-26.4	100

Le solde naturel de l'année 2050 - différence entre les naissances de 2050 et les décès de cette année - n'est donc pas projeté.

Chiffre pour l'année 2049. Les projections s'arrêtent au 1er janvier 2050.

Figure 3 Migration into France 1994-2003¹⁰



Source: Institut National d'Etudes Démographiques, INED (2005)

Compared to the European average, population ageing is less acute in France than in other EU member states due to a continued high birth rate and stable inward migration patterns. In the longer term a continuation of the policy of controlled immigration (migration linked directly to needs of the French labour market) will be needed to assure the ongoing viability of the French economy and social system.

⁹ Focus Migration Country Profile France, March 2007

¹⁰ Focus Migration Country Profile France, March 2007

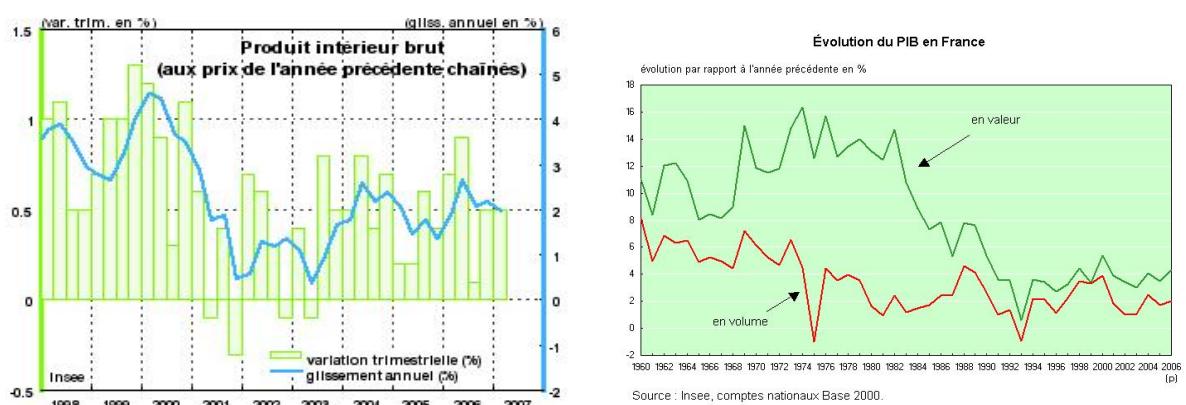
National income

France is the world's 6th ranked economic power with a GDP of US\$1.871 billion, or 1.4081 billion euros (2006 forecast¹¹). Services play a leading role in the economy with 77.2 % of the total. The industrial share of GDP is 20.6%, and agriculture 2.2% (2006 forecast).¹² Although the proportion of agricultural workers in the active French population continues to decline, France remains a leading European agricultural producer.

In 2006, the French economy grew steadily. GDP growth was 2.0% (in volume) compared with 1.2% in 2005 as a result of improved performance in both services and manufacturing. Nevertheless, France took less advantage of world growth than many of its European partners, registering a growth rate less than the Euro zone average.¹³

During preparation of the initial version of this report (September 2007), the OFCE (Science Po Economic Research Centre) forecast a growth rate of 2.9% in 2008 for France following 2.3% in 2007, bringing it close to the growth experienced by its main partners, with a public debt which would continue to decline in 2007.¹⁴ In September 2007, the forecasts became more modest. The OECD, for example, revised its figures downwards for France from 2.2% to 1.8%.¹⁵

Figure 4 GDP growth in France 1998-2006 and 1960-2006



In terms of standard of living as measured by GDP per capita, France ranks 16th in the world. GDP per capita at purchasing power parity is expected to continue to grow in 2007 and 2008.

¹¹ OECD

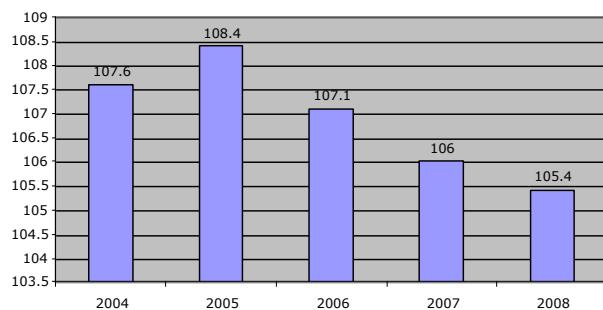
¹² CIA Fact Book 2007 <https://www.cia.gov/cia/publications/factbook/geos/fr.html>

¹³ <http://www.ofce.sciences-po.fr/publications/lettre.htm>

¹⁴ <http://www.ofce.sciences-po.fr/publications/lettre.htm>

¹⁵ <http://www.lemonde.fr/web/article/0,1-0@2-3224,36-951905@51-882765,0.html>

Figure 5 GDP per capita at purchasing power parity, France 2004-2008e; EU25=100¹⁶



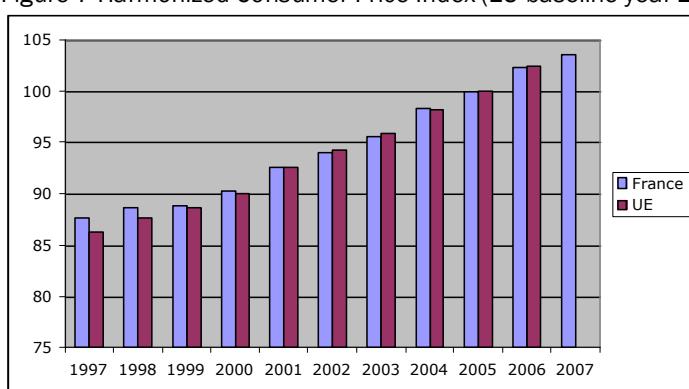
Internationally, although GDP per capita in France is within the EU-15 average, it remains significantly below that of the United States.

Figure 6 Comparison of GDP per capita (selected countries) - 2005¹⁷

PAYS	PIB (Md \$)	PIB/hab (\$ PPA)	PIB/hab (\$ taux de change courant)
Allemagne	2 461	29 800	33 900
Belgique	341	32 500	35 400
Canada	1082	33 600	34 600
Etats-Unis (séries)	12 428	41 900	41 900
France (séries)	1 896	30 200	33 900
Italie	1 666	28 500	30 100
Japon (séries)	3 902	30 500	35 700
Royaume-Uni	1 929	32 100	36 600
Zone Euro	9 206	29 400	31 700
EU 15	11 616	29 900	32 900

French inflation is relatively low and declining (see figure seven below).

Figure 7 Harmonized Consumer Price Index (EU baseline year 2005)¹⁸



¹⁶ Source : Eurostat 2007

¹⁷ "OECD en chiffres 2006/2007", OCDE, 2007

¹⁸ http://www.indices.insee.fr/bsweb/servlet/bsweb?action=BS_ACCUEIL

Competitiveness

According to the most frequently cited competitiveness rankings, the World Economic Forum (WEF) and the IMD Lausanne Business School world competitiveness centre, France claimed 18th position (in 2006) and 28th position (in 2007).

Figure 8 WEF global competitiveness index results comparison 2006 and 2005¹⁹

PAYS	Classement 2006	Résultat 2006	Classement 2005	Changements 2005-2006
Suisse	1	5,81	4	3
Etats-Unis	6	5,61	1	-5
Japon	7	5,60	10	3
Autriche	17	5,32	15	-2
France	18	5,31	12	-6
Belgique	20	5,27	20	0
République Tchèque	29	4,74	29	0
Inde	43	4,44	45	2

The recommendations for the French economy contained in a study published by the European Commission in December 2006,²⁰ were;

- ◊ To ensure the viability of public finances through deepening of budget consolidation and debt reduction;
- ◊ To take steps aimed at strengthening competition in the fields of gas, electricity and rail freight;
- ◊ To modernise job security and strengthen lifelong training in order to favour flexibility and security on the labour market and fight segmentation between contract types by easing transition between time-limited and unlimited contracts;
- ◊ To strengthen competition in regulated professions;
- ◊ To strengthen laws and enterprise policies to support new enterprise growth and the promotion of entrepreneurialism.

The Commission considered France's strong points to be the establishment of competitiveness focal points and new structures for research and innovation with the objective of setting 3% of GDP aside for research in 2010; they suggested recent reforms of the regulatory framework for public finances should contribute to better management of public expenditure; and noted the recent decrease in unemployment, for the first time since 2001.

One employer interviewee commented that the French tradition of centralisation and the proprietor-State+used to be a recipe for industrial success, but is today more of a handicap to the country's competitiveness.

¹⁹ World Economic Forum 2006

²⁰ The analysis is part of the Commission's latest Annual Progress Report on the Lisbon Growth and Jobs Strategy. <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1751&>

Figure 9 Progress on Lisbon indicators 2006²¹

Classement et résultats des pays européens										
	Indice finale		Sous-indices							
			Société informatique	Innovation et R&D	Libéralisation	Industries de réseaux	Services financiers	Entreprise	Occlusion Sociale	Développement durable
Pays	Clas.	Score	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank
Danemark	1	5,76	4	4	5	2	5	1	1	3
France	9	5,21	11	8	11	3	7	9	15	10
Belgique	10	5,15	14	7	10	10	11	11	6	9
Estonie	12	4,93	5	11	12	17	12	6	12	16
Italie	24	4,17	16	19	23	20	23	24	24	19
UE25	--	4,84	--	--	--	--	--	--	--	--
Etats-Unis	--	5,45	--	--	--	--	--	--	--	--
Asie de l'est	--	5,28	--	--	--	--	--	--	--	--

In 2006, KPMG published a study providing a comparison of nine developed countries (Canada, France, Germany, Italy, Japan, the Netherlands, Singapore, the UK and USA) of costs born by enterprises. This study measured the combined incidence of 27 major cost factors most likely to vary as a function of location (mainly related to labour, social costs, taxes and public services).²² According to the study, France and the Netherlands had the lowest costs among the European countries, with a cost index of 95.6 for France (100= USA). According to Eric Heyer, Assistant Director of the OFCE study and forecasting department,²³ in terms of hourly costs, France was among the lowest in Europe along with Italy and Spain. High productivity in France allows French unit costs to be lower than in many other Europe economies.

Conversely, the World Bank's Doing Business ratings, the index which compares countries with respect to the relative ease of "doing business", puts France in 35th position.

²¹ Source: World Economic Forum 2007

²² <http://www.choixconcurrentiels.com/default.html>

²³ <http://www.lemonde.fr/web/chat/0,46-0@2-3234,55-759022,0.html>

Figure 10 World Bank Doing Business indicators à France (2006)²⁴

Facilité de...	2006 classement	2005 classement	Variation dans le classement
"Doing Business"	35	47	12
Création d'entreprise	12	12	0
Octroi de licences	26	34	8
Embauche des travailleurs	134	135	1
Transfert de propriété	160	158	-2
Obtention de prêts	48	96	48
Protection des investisseurs	60	58	-2
Paiements des impôts	91	92	1
Commerce transfrontalier	26	81	55
Exécution des contrats	19	17	-2
Fermeture d'entreprise	32	31	-1

Remarque: les classements de 2005 ont été recalculés afin de refléter les changements méthodologiques effectués en 2006 ainsi que l'inclusion de 20 nouveaux pays.

A major dimension of competitiveness is the competence of business managers. A view put forward during the interviews held to prepare this dossier was that French managers are not generally well trained in leadership and people management skills. Leadership training is not an important feature of business school curricula and is consequently undervalued as a management competence.

Human development indicators and gender equality

Since 1990, the UNDP World Human Development Report has provided a human development indicator, which allows well-being in a wider sense to be evaluated. The Human Development Index (HDI) takes three dimensions of human development into account: Longevity and health (measured by life-expectancy at birth); education (measured by adult literacy and primary, secondary and higher schooling); and a decent standard of living (measured by income purchasing power). According to the most recent results (2004, published in 2006) France's HDI is 0.942, putting it in 16th position among the 177 countries studied. This is the same ranking as the previous year, keeping it below eight EU countries and ahead of 18 others (See figure 11 below).

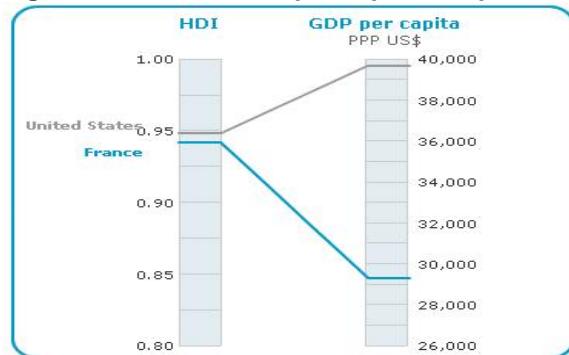
Some countries have an HDI ranking driven primarily by purchasing power, others by health and education attainment. The figure below shows that France and the USA have similar overall HDI ratings despite a major difference in GDP per capita (see figure 12 below).

²⁴ Source: La Banque Mondiale 2007

Figure 11 HDI 2004²⁵

Classement selon l'IDH ^a	2004	Valeur de l'indicateur du développement humain (IDH)	2004	Espérance de vie à la naissance (en années)	2004	Taux d'alphabétisation des adultes ^b (en % des 15 ans et plus)	2004	Taux brut de scolarisation combiné dans le primaire, le secondaire et le supérieur ^c (en %)	2004 ^d	PIB par habitant (en PPA en USD)	2004	Indice d'espérance de vie	Indice de niveau d'instruction	Indice de PIB	Classement selon le PIB par habitant (en PPA en USD) moins classement selon l'IDH ^d
DÉVELOPPEMENT HUMAIN ÉLEVÉ															
1 Norvège	0,965	79,6	.. ^e	100 ^f	38 454	0,91	0,99	0,99	0,99	3					
2 Islande	0,960	80,9	.. ^e	96 ^g	33 051	0,93	0,98	0,97	0,97	3					
3 Australie	0,957	80,5	.. ^e	113 ^f	30 331	0,92	0,99	0,95	0,95	11					
4 Irlande	0,956	77,9	.. ^e	99	38 827	0,88	0,99	1,00	1,00	-1					
5 Suisse	0,951	80,3	.. ^e	96	29 541	0,92	0,98	0,95	0,95	11					
6 Canada	0,950	80,2	.. ^e	93 ^{g,h}	31 263	0,92	0,97	0,96	0,96	4					
7 Japon	0,949	82,2	.. ^e	85	29 251	0,95	0,94	0,95	0,95	11					
8 Etats-Unis	0,948	77,5	.. ^e	93	39 676	0,88	0,97	1,00	1,00	-6					
9 Suisse	0,947	80,7	.. ^e	86	33 040	0,93	0,95	0,97	0,97	-3					
10 Pays-Bas	0,947	78,5	.. ^e	98	31 789	0,89	0,99	0,96	0,96	-1					
11 Finlande	0,947	78,7	.. ^e	100 ^f	29 951	0,89	0,99	0,95	0,95	4					
12 Luxembourg	0,945	78,6	.. ^e	85 ^{h,i}	69 961 ^j	0,89	0,94	1,00	1,00	-11					
13 Belgique	0,945	79,1	.. ^e	95	31 096	0,90	0,98	0,96	0,96	-2					
14 Autriche	0,944	79,2	.. ^e	91	32 276	0,90	0,96	0,96	0,96	-7					
15 Danemark	0,943	77,3	.. ^e	101 ^f	31 914	0,87	0,99	0,96	0,96	-7					
16 France	0,942	79,6	.. ^e	93	29 300	0,91	0,97	0,95	0,95	1					
17 Italie	0,940	80,2	98,4 ^o	89	28 180	0,92	0,96	0,94	0,94	3					
18 Royaume-Uni	0,940	78,5	.. ^e	93 ^g	30 821	0,89	0,97	0,96	0,96	-5					
19 Espagne	0,938	79,7	98,0 ^{e,k}	96	25 047	0,91	0,98	0,92	0,92	3					
20 Nouvelle-Zélande	0,936	79,3	.. ^e	100 ^f	23 413	0,90	0,99	0,91	0,91	5					

Figure 12 HDI and GDP per capita comparison for France and USA²⁶



The generic HDI measures average achievements in a country, but it does not assess any gender imbalance in outcomes. The gender related development index (GDI), introduced in Human Development Report 1995, measures achievements in the same dimensions using the same indicators as the HDI but captures inequalities in achievement between women and men. It is simply the HDI adjusted downward for gender inequality. The GDI puts France a little higher, in 14th position, but this is entirely explained by higher life expectancy and greater literacy among women. The difference in women's and men's average incomes remains as significant in France as it is in most other countries.

Employment

The total French workforce is some 27.88 million (2006 estimate), with 4.1% working in the primary sector, 24.4% in industry and 71.5% in services (1999 data).²⁷ The labour market is highly segmented between those with indefinite employment contracts and

²⁵ Source: Programme des Nations Unies pour le développement 2006 (UNDP)

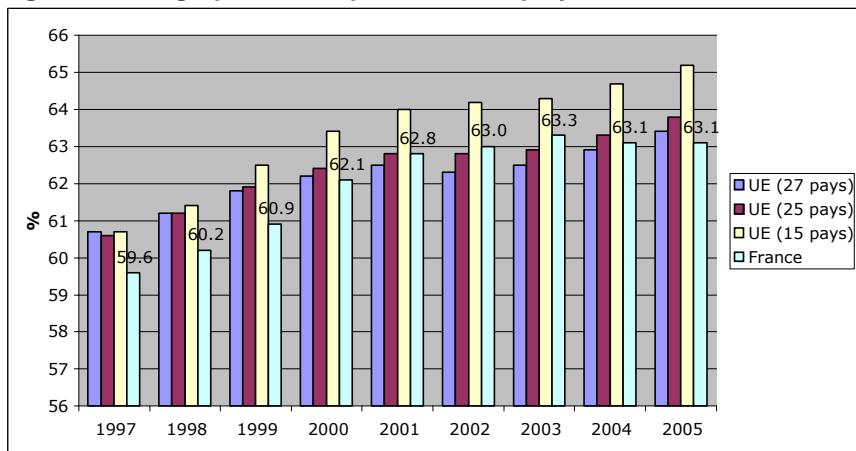
²⁶ Source: Programme des Nations Unies pour le développement 2006 (UNDP)

²⁷ Source: CIA Fact Book 2007 (<https://www.cia.gov/cia/publications/factbook/geos/fr.html>)

those with fixed-term, part-time and temporary contracts. This issue is the subject of discussions under the current reform proposals.

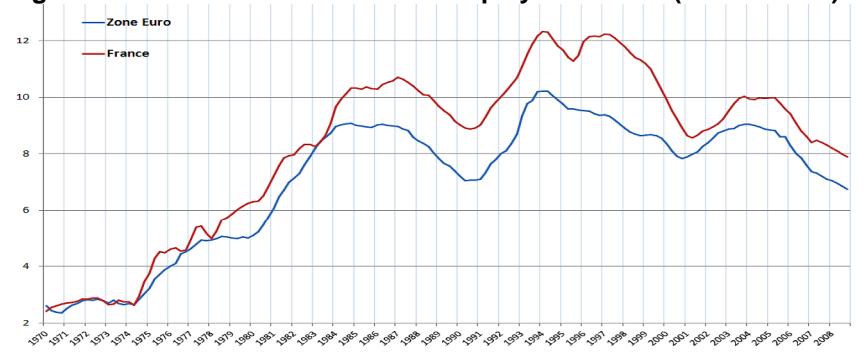
Although the rate of employment has risen steeply in the last ten years (see below), in comparison with other European countries, the employment rate in France remains below that of the EU-15.

Figure 13 Geographical comparison of employment rates 1995-2005²⁸



The French unemployment rate has been consistently higher than that of the Euro zone since the 1970s (see below). However, at the end of 2006 all indicators (unemployment for all types of job seekers) were the lowest recorded since the middle of 2001.

Figure 14 French and Euro zone unemployment rates (1970 to date)²⁹



At the end of May 2007, the French unemployment rate, according to the ILO was 8.1%. There were 1,987,200 job seekers registered as Category 1.³⁰ Over the last year, the number of Category 1 jobseekers has declined by 10.4% (-10.3% for men and -10.5% for women) and the number of long-term unemployed registered for at least a year with ANPE (Agence Nationale pour l'Emploi), has declined by 2.3%. The number of young jobseekers declined by 0.5%.³¹ Unemployment in France is often long term. According

²⁸ Source : Eurostat 2007

²⁹ OCDE

³⁰ Immediately available job seekers looking for full-time employment in CDI.

³¹ <http://www.travail.gouv.fr/> le 9 juillet 2007

to the INSEE Employment study the average unemployment term in 2005 of those declaring themselves as unemployed was 14.3 months.

The projected strong increase in retirements and the slight reduction in young first-time job seekers will bring about major changes in the labour market. The French economy has functioned to date with more young first-time employees arriving on the market each year than there are retirements. In the future this surplus will reduce to close to zero.³²

Figure 15: Share of long-term unemployed (at least one year) in 2005 for Japan, USA and EU-15 countries (OECD, 2004 data for Sweden)³³

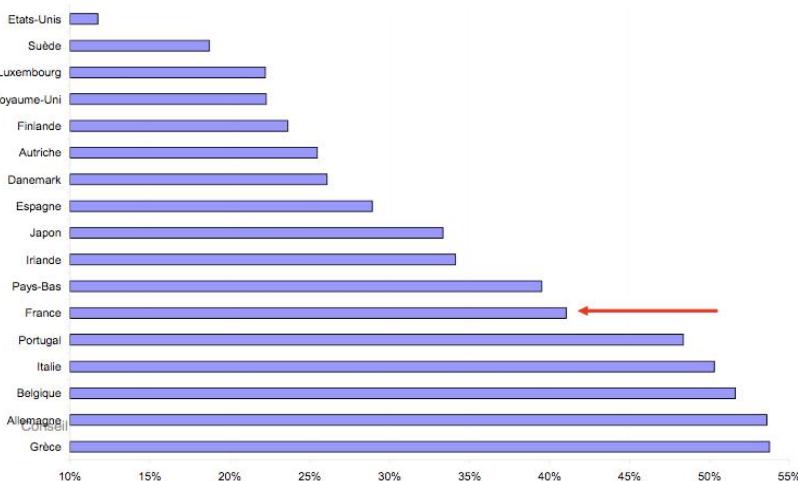
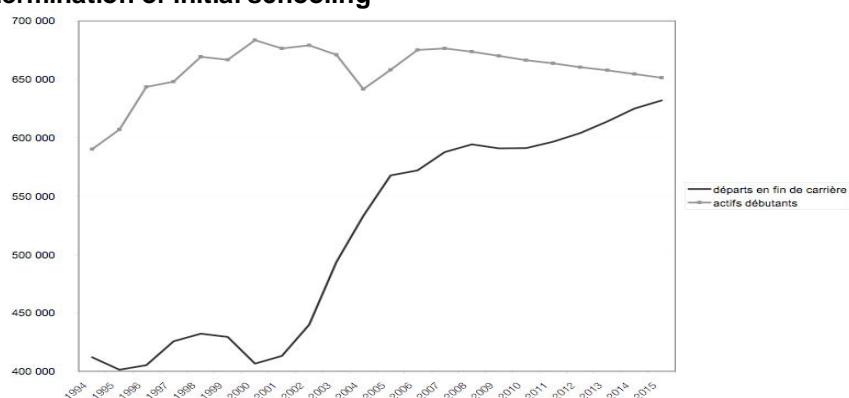


Figure 16: Comparison between projected retirements and labour market entries after termination of initial schooling³⁴



The World Bank measures the flexibility of labour market regulation in 175 countries. This index measures hiring difficulties for a new employee, non-wage costs related to hiring an employee, the rigidity of rules governing extension of working hours or signing of agreements on working hours, and the problems and associated costs of termination

³² Centre d'Analyse Stratégique et DARES, Les métiers en 2015, Rapport du groupe

³³ Conseil d'orientation pour l'emploi . Sécurisation et dynamisation des parcours professionnels . Mai 2007

³⁴ Centre d'Analyse Stratégique et DARES, Les métiers en 2015, Rapport du groupe

for economic reasons of a wage earner. For each factor measured, France is above the OECD average (the scale goes from 0 to 100, 0 indicating a minimum of rigidity).³⁵

Figure 17: World Bank Hiring Difficulty Index (2006)³⁶

Indicateur	France	OCDE
Indice de difficulté d'embauche	67	27,0
Indice de rigidité des horaires	60	45,2
Indice de difficulté de licenciement	40	27,4
Indice de rigidité de l'emploi	56	33,3
Coût des avantages extra-salariaux (% du salaire)	47,4	21,4
Coût de licenciement (salaire hebdomadaire)	31,8	31,3

Remarque: l'indice affiche des valeurs de 0 à 100, avec les valeurs plus élevées représentant des régulations plus strictes.

L'indice de rigidité de l'emploi est une combinaison de trois indices.

Education

There are some 15 million students in the French education system, including primary, secondary and higher level.³⁷ The level of education (shown below by number of years of education) is close to the OECD average for almost all age groups. Outcomes from education are less positive. The Generation 2001 poll by the Centre d'études et de recherches sur les qualifications (2005) on a sample of 10,000 young people ending their schooling shows that 18% did not have a certificate; 45% left the education system with only a secondary certificate (Baccalauréat) and 37% of the sample held a higher education certificate.

Figure 18: Level of education in number of years (2004)³⁸

Pays	Total	Hommes	Femmes	Hommes (groupes d'âge)					Femmes (groupes d'âge)				
				25-34	35-44	45-54	55-64	25-34	35-44	45-54	55-64		
France	11,6	11,7	11,4	12,8	12,1	11,3	10,3	13,1	12,0	10,7	9,6		
Etats Unis	13,3	13,2	13,4	13,1	13,2	13,4	13,2	13,4	13,4	13,5	13,1		
Japon*	12,4	12,6	12,1	13,3	13,3	12,4	11,2	13,2	12,9	11,9	10,5		
OCDE	11,9	11,9	11,8	12,5	12,2	11,7	11,0	12,8	12,1	11,4	10,3		

More positively, of the university degrees issued, the proportion of them in scientific disciplines is high in France compared with other OECD countries.

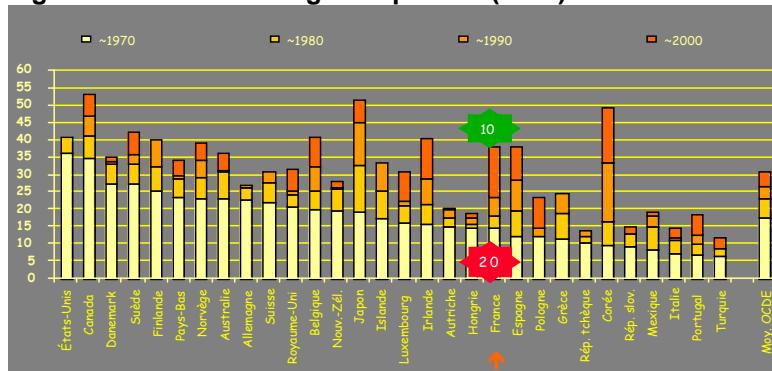
³⁵ French trade union representatives interviewed stated that they were distrustful of this index. It is included as it features in the other national dossiers in the project.

³⁶ <http://francais.doingbusiness.org/ExploreEconomies/?economyid=70>

³⁷ (<http://www.education.gouv.fr/cid195/les-chiffres-cles.html>)

³⁸ Source: OCDE 2007 (www.oecd.org/edu/eag2006)

Figure 19: Increase in higher diplomas (2004)³⁹

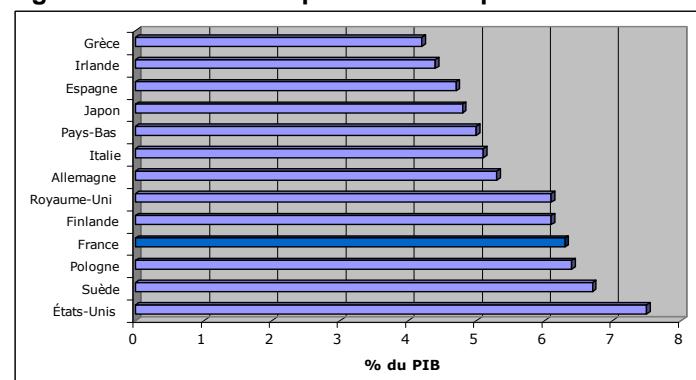


Educational attainment is improving. The share of secondary education certificate holders is markedly higher among those between 25-34 years of age than it is among those between 45 to 54.

On average for 2003, OECD countries spent " 5,093 per pupil/student enrolled at all levels of education (except primary). The amount was " 5,824 for France, i.e. " 731 per pupil/student more than the OECD average. On the other hand, the annual cost of higher education in France was " 7,986, 5% lower than the OECD average (" 8,396).⁴⁰ However, with a relatively long average duration for higher studies (four years) cumulative expenditure per student in France reaches " 32,102 . exactly the average for OECD countries.

With a cumulative expenditure of equivalent to " 60,150 a pupil, France is some " 6,000 above the OECD countriesqaverage. Public and private education expenditure for all levels of education is 6.3% of GDP for France . an above-average figure compared with OECD countries. (5.9%).⁴¹

Figure 20: Education expenditure compared with GDP in selected countries (2003)⁴²

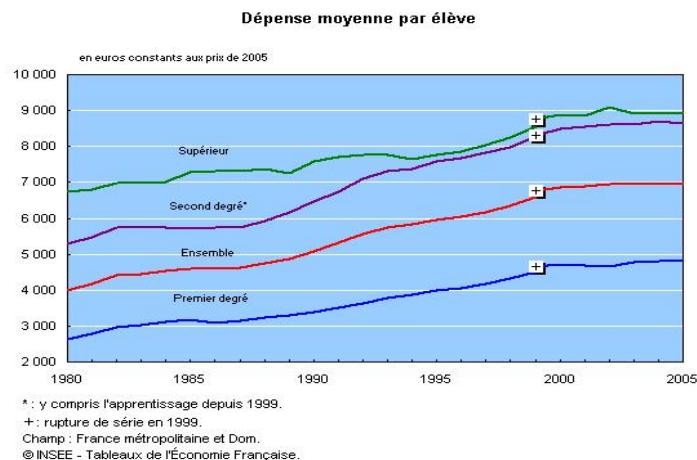


³⁹ Source : Regards sur l'Éducation 2006, (OCDE).

⁴⁰ Source : Regards sur l'Éducation 2006, (OCDE).

⁴¹ Source : Regards sur l'Éducation 2006, (OCDE).

⁴² Source : Regards sur l'Éducation 2006, (OCDE).



The debate on the future of French universities continues following the recent Presidential election. Not only are French universities in financial difficulty,⁴³ they face the acute problem of high dropout rates. During the first two years of study four students in ten drop out.

Figure 21: Internal R&D expenditure in the leading OECD countries (2003)⁴⁴

	DIRD	DIRD/PIB	Part de la DIRD
	\$ / hab.	%	%
Suède*	1 151,6	4,27 e	...
États-Unis	976,3 p	2,60 p	36,9 p
Japon	894,2	3,15	25,2 e
Allemagne	690,9	2,55 e	31,6 e
France	635,6	2,18	40,5
Canada	592,1 p	1,94 p	...
Royaume-Uni	567,2	1,89	36,7

* Données 2001.

... : donnée non disponible.

e : estimations.

P : données provisoires.

The share of new technologies in total R&D and development investment is only 10% in France, while it is around 16% in Germany, 20% in the UK and 25% in the USA. This shortcoming means a lower contribution by new technologies to growth. The main reason is a lack of investment in R&D in the private sector, since, in the public sector, the amounts spent on new technologies are comparable to Germany, the US and the UK.⁴⁵

⁴³ (http://www.lefigaro.fr/france/20061003.FIG000000032_la_france_malade_de_ses_universites.html)

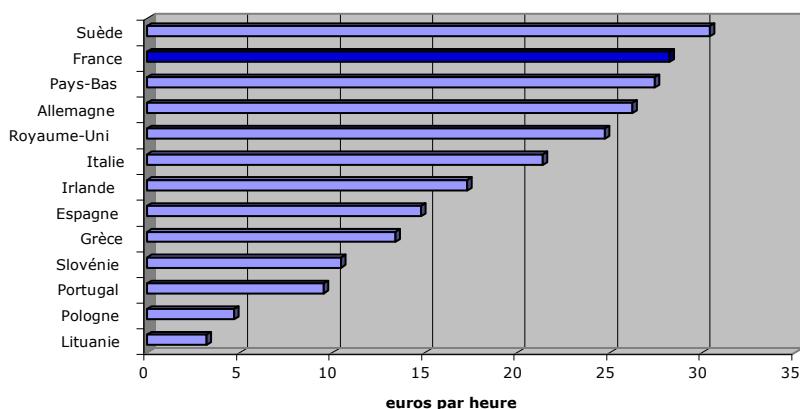
⁴⁴ Source : Minefi, http://www.insee.fr/fr/ffc/chifcle_fiche.asp?ref_id=NATFPS03106&tab_id=317

⁴⁵ (Source: Le Monde 2006 <http://www.lemonde.fr/web/chat/0,46-0@2-3234,55-759022,0.html>)

Labour costs and productivity

Labour costs break down into several factors, with the shares varying according to country. The two main components are remuneration received by the wage earner (gross salary, premiums, and allowances) and social changes built into this remuneration and dues paid by the employer. In France remuneration represents 65% of the total cost in industry compared with 75% in Germany.⁴⁶

Figure 22: Labour costs for selected countries (2004)⁴⁷



During the first quarter of 2007, labour costs increased by 2.2% in the Euro zone and by 3.7% in the EU-27 compared with first quarter of 2006. In France the increase was 3.8%.⁴⁸

There is a minimum guaranteed wage in France (the SMIC), which is reviewed every year on 1st July. The current SMIC basic hourly wage is "8.44, from which tax and social costs have to be deducted (some 23% of the wage). The SMIC increased by almost 25% between 2002 and 2007 (see below).

Figure 23: SMIC (2001-2006)⁴⁹

Année	Salaire brut par heure, en euros	Salaire minimum mensuel brut pour 151.67 heures de travail, en euros	Salaire minimum mensuel brut pour 169 heures de travail, en euros	Date de publication dans le Journal officiel
2007	8.44	1,280.09	//	30/06/2007
2006	8.27	1,254.28	//	30/06/2006
2005	8.03	1,217.88	1,357.07	30/06/2005
2004	7.61	//	1,286.09	02/07/2004
2003	7.19	//	1,215.11	28/06/2003
2002	6.83	//	1,154.27	28/06/2002

⁴⁶ Some French trade unions interviewed stated that some exemptions enjoyed by employers are not integrated into these costs – which are therefore inflated.

⁴⁷ Source : Eurostat / INSEE

⁴⁸ (Source : Le coût de la main-d'œuvre en France et en Allemagne / Marcus Vincent, Insee)

⁴⁹ Source: <http://www.insee.fr/en/indicateur/smic.htm>

Legal working time in France is set at 35 hours a week. The 35-hour law applies to all salaried employees although there are many exceptions including managers, guards and domestic staff. The main categories covered by the 35 hour limit are administrative personnel and large company employees.

The treatment of overtime is generally laid down in collective agreements. In the cases where there is no collective agreement, overtime is paid at a 25% premium above the daily wage for the first eight hours and 50% thereafter. Until the end of 2005, enterprises with less than 21 employees and without a collective agreement were allowed to remunerate the first four hours at a 10% premium. Working time and remuneration for overtime are currently under review in the French labour market reform programme.

Figure 24: Productivity growth (OECD estimates for 2005)⁵⁰

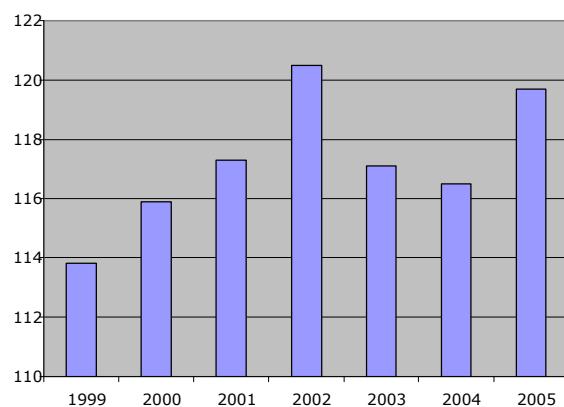
	PIB, en monnaie nationale, basée sur ANA	PPA du PIB total, 2005	PIB, millions de USD	Emplois (1000 personnes)*	Heures travaillées par an, basée sur estimations d'emploi	Total d'heures travaillées (millions d'heures)	PIB par heure travaillée, en USD	PIB par heure travaillée, Etats-Unis =100
France	1 710 024	0,90	1 896 431	25 028	1 546	38 702	49,0	101
Japon	502 487 096	128,78	3 901 917	63 948	1 775	113 532	34,4	71
Etats-Unis	12 397 900	1,00	12 397 900	149 788	1 713	256 587	48,3	100
OCDE			34 044 279	534 592	1749	934 887	36,4	75
G7			25 344 240	347 048	1686	584 972	43,3	90
Amérique du Nord			14 631 649	208 015	1754	364 906	40,1	83

* Pour les Etats-Unis, la quantité de main d'oeuvre se réfère au nombre d'emplois.

Pour Irlande, toutes les données sont des estimations.

In terms of hourly productivity, France outperforms every OECD country with the exception of Norway. However, measured by productivity per employee, French employees perform less well due to their shorter working hours.

Figure 25. Hourly productivity in France (1999-2005)⁵¹ (GPD at Standard Purchasing Power by hour worked in comparison with EU-25, EU25=100)



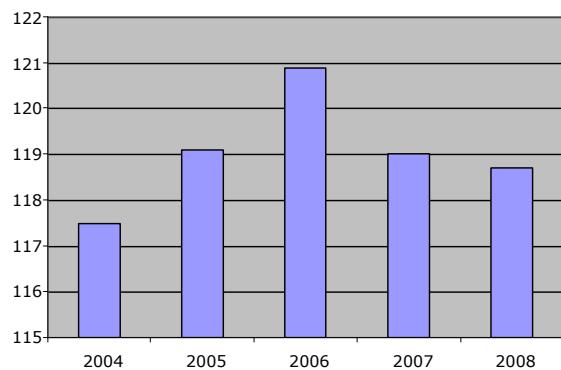
According to Eric Heyer, one explanation behind an element of the high average level of work productivity is the relatively high rate of unemployment in France. If French

⁵⁰ Source: OCDE Productivity Database, Septembre 2006

⁵¹ Eurostat 2007

unemployed workers have a productive capacity that is less than active workers, their entry into the labour market will reduce the average productivity even if total productivity increases. An international comparison at an identical rate of unemployment shows that productivity in France falls below US productivity levels.⁵²

Figure 26: Productivity by employee 2004-2008 (GDP standard purchasing power by employee in comparison with EU-25 (EU-25=100)⁵³



The structure of the French economy

The structure of the French economy has evolved considerably over recent decades with a sharp growth in services⁵⁴ and a decline in the primary (agriculture and fisheries) and secondary (industry) sectors. The tertiary today sector produces 77% of GDP, while the primary sector represents only 2.2% and the secondary sector 20.6% of GDP.

Figure 27: Structure of the French economy (2006)⁵⁵

Agriculture	2,2% du PIB	Céréales (blé, maïs) et sucre, vin, produits laitiers, fruits et légumes, animaux et produits carnés.
Industrie	20,6% du PIB	Avions, produits électroniques, transportation, textiles, habillement, produits chimiques.
Services	77,2%	Sans données.
Commerce (2005est.)	Exportations: 324,9 billion euros	Automobiles et pièces de recharge d'automobiles, avions, produits pharmaceutiques, composants électroniques, vins.
	Imports: 277,64 billion euros	Pétrole, Automobiles et pièces de recharge d'automobiles, produits pharmaceutiques, gaz naturel, pièces de recharge d'avions, composants électroniques.
Partenaires principaux	UE et Etats-Unis	

⁵² Le Monde 2006 <http://www.lemonde.fr/web/chat/0,46-0@2-3234,55-759022,0.html>

⁵³ Eurostat 2007

⁵⁴ Some commentaries suggested that offshoring (e.g. IT maintenance) has contributed to growth in the services sector by switching from %industry+to %services+.

⁵⁵ CIA Fact Book 2007 (<https://www.cia.gov/cia/publications/factbook/geos/fr.html>) et US Department of States 2007 (<http://www.state.gov/r/pa/ei/bgn/3842.htm>)

Figure 28: Structure of the economy & international comparison⁵⁶

Pays	Production valeur ajoutée (€ millions)		Nourriture, boissons, tabac (% du total)		Textiles et habillement (% du total)		Machines et équipements de transport (% du total)		Produits chimiques (% du total)		Autre productions* (% du total)	
	1990	2002	1990	2002	1990	2002	1990	2002	1990	2002	1990	2002
Chine**	85420.2	...	15	15	15	12	24	32	13	12	34	28
Inde	35764.6	53257.9	12	2	15	27	26	17	14	5	34	49
France	...	140894.7	13	13	6	12	31	22	9	7	41	45
Japon	593797	594877.3	9	10	5	0	40	9	10	11	37	70
Etats Unis	762511.9	1052465.7	12	12	5	8	31	30	12	10	40	39

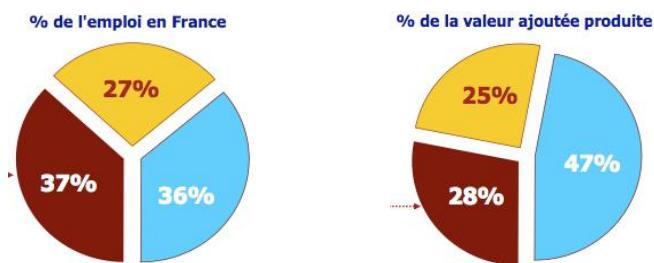
The total of French overseas trade reached " 7.6 billion in 2002. In 2006, the overseas trade deficit was " 29.2 billion (see below)

Figure 29: Features of exports and imports⁵⁷

Exportations	359 milliards d'euros (2006 estim.)
Produits d'exportation	Machines, équipements de transportation, avions, plastiques, produits chimiques, produits pharmaceutiques, métallurgie, boissons.
Partenaires d'exportation	Allemagne 14.7%, Espagne 9.7%, Italie 8.7%, 8.3%, Belgique 7.1%, Etats-Unis 7.1% (2005)
Importations	387.7 milliard d'euros (2006 estim.)
Importations des biens	Machines, équipements de transportation, pétrole, avions, plastiques, produits chimiques

Of the 2.5 million French enterprises, 96% are micro-enterprises employing less than 20 persons and just under 4% are SMEs with 20 to 249 employees. Just 0.2% of enterprises employ more than 250 employees.⁵⁸ According to the Chamber of Trades and Crafts (CMA), the micro-enterprise sector creates some 60,000 new enterprises and 60,000-70,000 new jobs (net) every year. A recent trend in this sector is that of qualified executives setting up or taking over the general management of a small business.

Figure 30: Share of jobs and value added produced by micro enterprise (in red), SME (in yellow) and major corporations (turquoise) in France⁵⁹



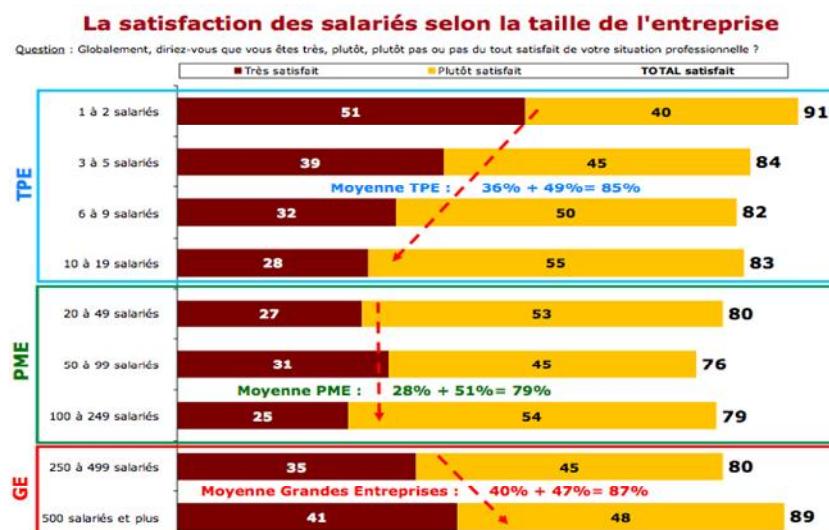
⁵⁶ La Banque mondiale, Indicateurs de développement mondiale 2006

⁵⁷ CIA Fact Book 2007 (<https://www.cia.gov/cia/publications/factbook/geos/fr.html>)

⁵⁸ Baromètre de conjoncture des TPE . Vague 24 . Octobre 2006 1

⁵⁹ Baromètre de conjoncture des TPE . Vague 24 . Octobre 2006 1

It would appear that so far as employee engagement is concerned, French employees find most satisfaction in working in both very small and very large enterprises⁶⁰ (by responses to the question: %Globally speaking, are you very, not or not at all satisfied with your professional situation?).⁶¹



In 2004, more than 320,000 enterprises were set up, an increase of more than 9% building on a slightly smaller increase in 2003 (+8.7%).⁶² The survival rate of enterprises improved in all sectors and sizes of enterprise.

Figure 31: Survival rate of enterprises set up in 1994, 1998, 2002⁶³

Par secteur	Créées en 1994 Survie à 3 ans	Créées en 1998 Survie à 3 ans	Créées en 2002 Survie à 3 ans
Par secteur			
IAA	67.4	70.4	74.8
Industrie hors IAA	61.6	68.4	70.0
Construction	60.7	68.6	67.8
Commerce et réparation	52.5	59.5	64.0
Transport	59.6	66.0	79.4
Services aux entreprises, immobilier, logistique	58.7	61.6	69.1
Hôtels-cafés-restaurants	56.8	59.4	65.1
Autres services	65.4	69.7	74.7
Par taille (1)			
0 salarié	53.8	60.1	65.6
1 ou 2 salariés	63.2	69.8	74.7
3 à 5 salariés	67.2	71.2	75.4
6 à 9 salariés	69.5	73.8	73.8
10 salariés ou plus	75.0	72.7	74.7
Ensemble	57.9	63.4	68.2

(1) effectifs au démarrage y compris dirigeant.

Champ : France métropolitaine et Dom.

If the 212,000 pureqset-ups in Metropolitan France (known as ex-nihilo, i.e. not including takeovers and re-activations) in 2004 are considered, it can be noted that:

⁶⁰ Results from IFOPDE 2006 : study carried out between 28/9 and 4/10 2006 on a sample of 757 employees representing French workers of which 276 in VSE.

⁶¹ Baromètre de conjoncture des TPE . Vague 24 . Octobre 2006 1

⁶² http://www.insee.fr/fr/ffc/chifcle_fiche.asp?tab_id=168

⁶³ http://www.insee.fr/fr/ffc/chifcle_fiche.asp?tab_id=168

- ◊ 12% or 25,000 founders were at most 24 years old in 2004, year of the set-up
- ◊ 31%, or 66,000 founders were at most 29 in 2004, year of the set-up
- ◊ 50%, or 106,000 founders were 34 at most in 2004.

The phenomenon of %young entrepreneurialism+is new. On the 1st January 2004, the share of these three age groups in the stock of existing enterprises was respectively 1%, 5% and 14%.⁶⁴ Looked at positively, this shows an increasingly entrepreneurial attitude amongst young French people. Seen negatively, it reflects the impact of high unemployment and poor employment prospects amongst young people.

Direct investment and international relocation

France is one of the world's most important recipients of FDI. In 2005, it was placed third in the world rankings with " 2.35 billion invested in the country.⁶⁵ With the exception of the other EU member states, the US is the prime source of job-creating investment in France.⁶⁶

Looking at %outward FDI+, according to a report by the DREE in 2002, French enterprises had 22,000 subsidiaries abroad which employed some 5 million people. In the EU25, Poland had the most French subsidiaries (153,800 employees).

As in other industrialised countries, France has experienced offshoring of some of its traditional enterprises (mainly textiles). However, this is not a new development. Three waves of offshoring can be identified: The first was in the 1900s when enterprises became aware of potential foreign markets; the second in the 1980s when industries in developed countries offshore some of their factories for economic reasons; the third wave came at the beginning of the 1990s when enterprises reconfigured their value chain.⁶⁷

Offshoring can be understood in different ways. In the strictest sense, it means moving an economic activity that exists in France abroad and importing its production back into France. There are also relocations, localisations and investment abroad. Relocation means moving a production site abroad to get closer to a local market and sell production on the spot. Localizations of production abroad are a form of foreign investment.⁶⁸

At *national* level, it appears that the effect of offshoring remains relatively minimal. Between 2002 and 2004, only 4% of job losses were due to offshoring . against 7% in Europe as a whole (see Figure below). However, the phenomenon is most often concentrated locally or by sector meaning that the effects can be significant at *subnational* level.

⁶⁴ INSEE - DCASPL, répertoire SIRENE, <http://www.pme.gouv.fr/>

⁶⁵ (« Les multinationales investissent davantage dans les pays de l'OCDE », dans Le Monde du 30/06/2006).

⁶⁶ (Problèmes économiques No 2.803 2 avril 2003,
<http://www.ladocumentationfrançaise.fr/catalogue/3303332028030/index.shtml9>)

⁶⁷ (<http://www.vie-publique.fr/actualitevp/dossier/delocalisation.htm>

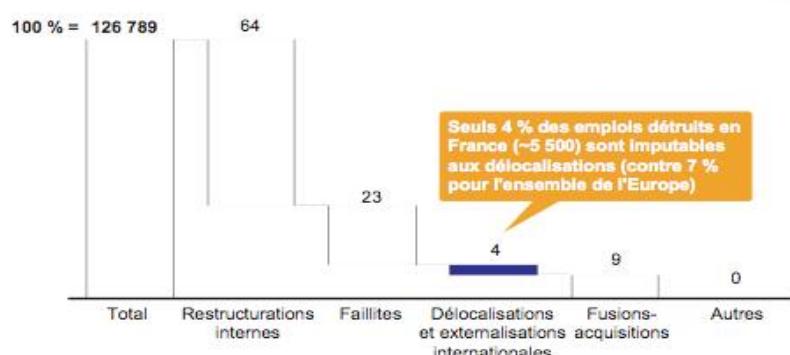
⁶⁸ (<http://www.vie-publique.fr/actualitevp/dossier/delocalisation.htm>

Figure 32: The effects of offshoring on France according to McKinsey Global Institute

**LES DÉLOCALISATIONS ONT EU UN FAIBLE IMPACT SUR L'EMPLOI
AU NIVEAU MACRO-ÉCONOMIQUE**

Emplois détruits à la suite restructurations en France (dans l'industrie et les services),
%, janvier 2002 - juillet 2004*

ESTIMATIONS



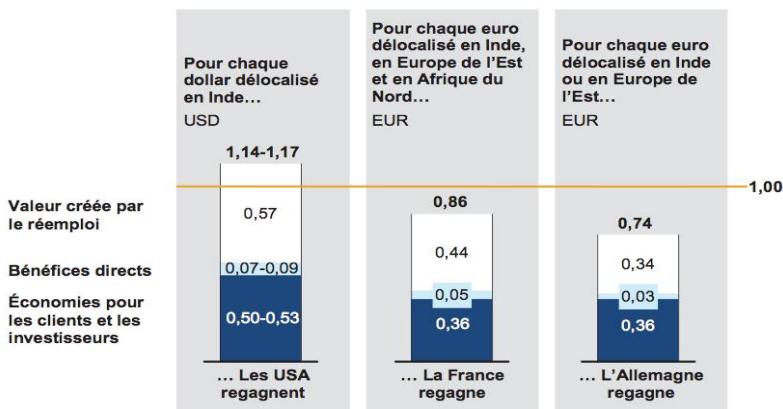
* Définition de l'Observatoire européen du changement : perte d'au moins 100 emplois ou concernant des sites employant plus de 250 personnes et touchant au moins 10 % de l'effectif.

Source : Observatoire européen du changement, Dublin ; OCDE, perspective sur l'emploi 2004 ; Ministère français du travail, de l'emploi et de la cohésion sociale (étude MMO)

Offshoring of services in France is still in its infancy. According to a study by the McKinsey Global Institute, offshoring of services holds the potential of value added for countries transferring the services. France does not yet gain maximum benefit from service offshoring. For each Euro offshored, France obtains only " 0.86 in return. The effects of low specialisation in France can be observed in the low levels of subcontracting, R&D investment and hi-tech specialisation.

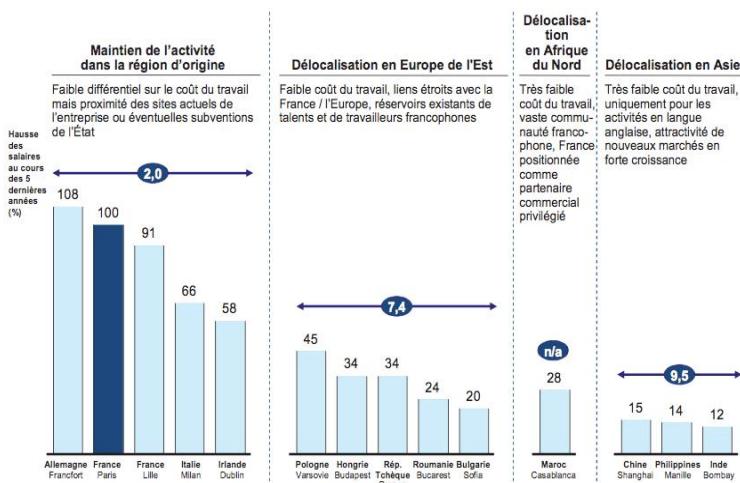
Figure 33: a) Economic impact of and b) examples of target destinations for offshoring of services (McKinsey Global Institute)

**IMPACT ÉCONOMIQUE DE LA DÉLOCALISATION DES SERVICES
AUX ÉTATS-UNIS, EN ALLEMAGNE ET EN FRANCE**



EXEMPLES DE DESTINATIONS CIBLES POUR LES DÉLOCALISATIONS

Indice du coût du travail, salaire moyen charges comprises pour un col blanc en 2004*



* Paris = 100 (79 744 €), coût du travail total incluant les charges patronales, moyenne calculée sur la base de 7 profils dans 3 fonctions (comptabilité, RH, informatique)

Source : Base de données de McKinsey

According to MGI, more efforts are required to increase the rate of re-employment of workers whose jobs have been offshored. This should be achieved through policies to stimulate innovation and future job creation; and to facilitate new job creation through improved market flexibility.

It is noted that the French social partners are currently engaged in an important series of discussions to help improve the performance of the French economy. In the discussion of this section of the paper they might consider the relatively disappointing returns on increased education investment; low spending on R&D; facilitating the entry of young people into the labour market; the combination of high hourly productivity, high wage costs, the relatively short working week and high reported labour market rigidity.

Section two - The role of the French social partners in restructuring

Introduction

The aim of this chapter is to describe briefly the French social partners; to describe their role in restructuring; and to summarise the issues they raised in the interviews conducted during the preparation of this paper.

Laws governing the establishment of social partner organisations in France date back to the 1880s. Simple measures of trade union membership numbers and density are inadequate in describing representativity in the manner it is done in other countries. In France, certain trade unions are defined in law as representative+and their relative strength is generally measured by the number of seats they secure in Comité d'entreprise elections. Reflecting the importance of social dialogue, Employers organisations in France are very representative+of the nation's employers. The *Mouvement des Entreprises de France* or MEDEF is the largest employersorganisation

in France. It was formerly known as the *Conseil National du Patronat Français* or CNPF and changed its name and statutes in 1998.

At the national level, the social partners are involved in a number of tripartite social institutions. The role of the social partners at the national level has recently changed fundamentally, and significant potential powers have been granted to them. On 17th January 2007, the French parliament passed a law on Modernization of social dialogue which obliges the government to follow an obligatory dialogue procedure with the social partners prior to any draft reform of employment issues. The recent French national reforms to an extent mirror those that already exist at the European level.

Unlike many of the old EU+member states, collective bargaining in France takes place primarily at the enterprise level and it is at the level of the Comité d'Entreprise (Works Council) that discussions on restructuring take place. Once a French company has 11 employees, it must organise elections for Union Delegates (Délégués du personnel). When a company grows to 50 employees, it must have a Works Council (Comité d'Entreprise). The Works Council is a legal entity in its own right. It was created in 1945 so that employees could "express themselves collectively and thus ensure that their interests were taken into account." The Works Council has to be informed and consulted on nearly every aspect of the management of the company: its economic and financial health; the way in which work is organised; the training plan; and methods of production.

When restructuring is being contemplated works councils are able to present "alternative proposals". They also have the "right to oppose" restructuring and staff-reduction plans as well as the terms and conditions for their implementation. However, the right to oppose applies only to management proposals and not to the redundancies themselves. The latter may be dealt with by a mediator. Lastly, works councils may ask a judge in chambers (juge des référés) to rule on whether appropriate procedures have been followed for the tabling of counter-proposals. Works Councils routinely engage their own experts to assist them in the evaluation of management plans.

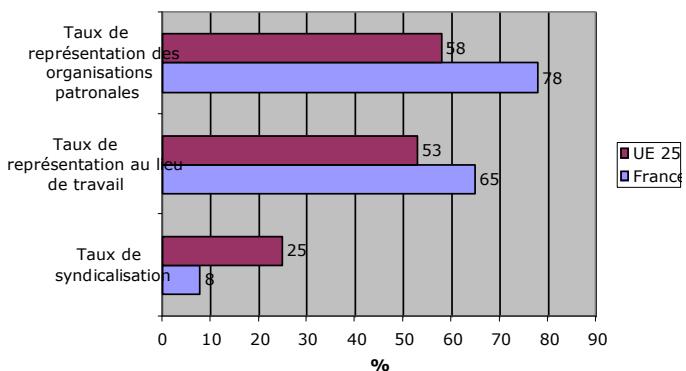
The French social partners

Two long established laws govern the establishment of French social partner organisations and other professional organisations. The Waldeck-Rousseau Law of 21 March 1884 facilitates the formation of trade unions or regional professional associations without government authorisation. The subsequent Law of 1 July 1901 provides for the right to associate and to create national level confederations. In France, the social partners are organised in interprofessional and sectoral structures.

At first review, the data included in figure 34 below showing a disparity between the organisation of workers and employers in France seems unusual. The data however reflects the French law and practice related to representativity described in detail below.

Figure 34: Representation rate in France and the EU⁶⁹

⁶⁹ EIRO 2007 (*France Industrial relations profile*,



Trade unions

Measures of employers' organisation and trade union representivity vary according to national traditions. In France, simple measures of trade union membership numbers and density are inadequate in describing representivity in the manner it is done in other countries. In France, certain trade unions are defined in law as %representative+and their relative strength is generally measured by the number of seats they secure in Comité d'entreprise elections.

Article L.133-2 of the Labour Code establishes five criteria for trade union representivity . independence; number of members; subscriptions collected; seniority; and a patriotic attitude under the Occupation.⁷⁰ The five trade unions designated as legally representative are: the CGT; the CFDT; the CGT-FO; the CFE-CGC; the CFTC. The decree of 1966 designating the five has not been modified since this date despite the emergence of other trade unions such as UNSA, FSU and G10. Being declared %representative+confers significant legal advantages on the trade union concerned. In particular, only representative unions can negotiate collective agreements and present candidates in the first round of workplace representation elections.

According to a report by the Institut de l'entreprise (Ibid) the trade union density rate is very low by European standards at 8.2% of all salaried employees (according to EIRO (2007), 8%⁷¹). The density rate varies considerably by sector. Whilst 15.1% of civil servants and 15.6% of public sector employees are trade union members only 5.2% of private sector workers are in membership. By category, the %adres+are the most highly unionised.⁷²

The Confédération Générale du Travail or CGT has around 700,000 members. The CGT comprises 33 national professional federations made up of unions from professional branches like the federation of agro-food industries, the federation of construction industries and the national federation of Postal and Telecommunications sector employees.⁷³ It is the largest French union in terms of votes (32.1% at the 2002 professional election), and second largest in terms of membership numbers.

⁷⁰ Working paper n°14, Mars 2006 , Institut de l'entreprise

⁷¹ EIRO 2007 (*France Industrial relations profile*,

⁷² Working paper n°14, Mars 2006 , Institut de l'entreprise

⁷³ http://www.cgt.fr/internet/html/notre_reseau/presentation

At the end of 2006, the **Confédération Française Démocratique du Travail or CFDT** had 803,635 members. It is the largest French trade union confederation by number of members but comes only second after the Confédération Générale du Travail (CGT) in voting results for representatives on Comités d'entreprises. The CFDT was created in 1964 when a majority of the members of the Christian union Confédération Française des Travailleurs Chrétiens (CFTC) decided to become secular.

The Confédération Générale du Travail -Force Ouvrière or CGT-FO is made up of 15,000 unions spread across French territory (Metropolitan France and overseas territories and departments). It represents workers in all sectors of activity, with 33 national federations grouped into La Confédération Force Ouvrière.⁷⁴

La Confédération Française de l'Encadrement-Confédération Générale des Cadres or CFE-CGC comprises professional federations and unions. In conformity with the law of 27th December 1968, the CFE-CGC is represented at enterprise level by its trade union section. At the end of 2006 CFE-CGC had 160,000 members, 65% per cent of whom had university level education⁷⁵.

La Confédération Française des Travailleurs Chrétiens or CFTC took its current form in 1964 when the union split, and a majority of members founded the secular CFDT. CFTC has 132,000 members and is inspired by the principles of Christian social science (article 1 of its statutes).⁷⁶

The table below shows membership growth over the last 15 years in two of the five major French trade unions. Despite considerable membership growth in CGT and CFDT, EIRO suggests that it would be inappropriate to draw more general conclusions from this data as only two of the five major unions are featured. Similar historical data for the other unions is not publicly available.⁷⁷

Figure 35: Number of members of selected French trade unions (1993-2003)⁷⁸

Confédération	1993	1999	2006	Changement 93-06
CGT	639 000	668 000	700 000	+9,55%
CFDT	617 000	757 000	803 635	+30,2%

Employers' organisations

The European Industrial Relations Observatory (EIRO) identifies the national employer peak associations in each country. The French peak employers' associations organisations are listed as: CGPME, FNSEA, MEDEF and UPA. France differs from many other European countries in that the CGPME is recognised as the specific partner organisation for small and medium sized enterprises.⁷⁹ The peak employers' organisations and their subsidiary affiliates are not split by sector of representation and there is some competition for membership between them.

⁷⁴ http://www.force-ouvriere.fr/page_principal/fo_presente/index.asp

⁷⁵ http://www.cfecgc.org/020-Qui-Sommes-Nous/60-10_Aujourd'hui.asp

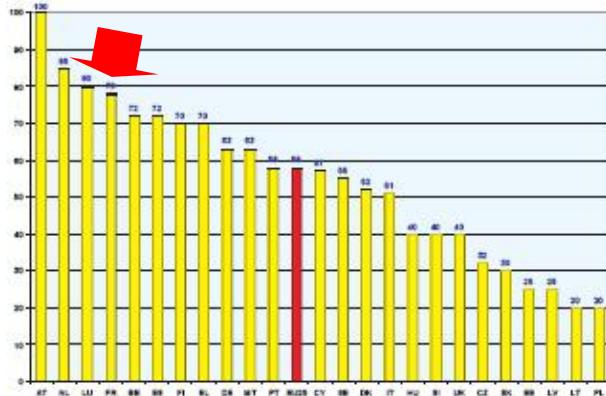
⁷⁶ http://www.cftc.fr/ewb_pages/c/cftc.php

⁷⁷ EIRO (<http://www.eurofound.europa.eu/eiro/2004/03/update/tn0403105u.html>)

⁷⁸ EIRO 2007 (<http://www.eurofound.europa.eu/eiro/2004/03/update/tn0403105u.html>)

⁷⁹ <http://www.eurofound.europa.eu/eiro/2003/11/study/tn0311101s.html>

Figure 36 Employers' organisation density in the EU⁸⁰



Employers' organisations in France are very representative of the nation's employers (see above). The *Mouvement des Entreprises de France* or MEDEF is the largest employers' organisation in France. It was formerly known as the *Conseil National du Patronat Français* or CNPF and changed its name and statutes in 1998. The organisation is a member of BUSINESSEUROPE.

Enterprises with public participation and of general economic interest are organised in CEEP France.

The role of the social partners in restructuring

Unlike many of the old EU+members states, collective bargaining in France takes place primarily at the enterprise level (see figure 37 below) and it is at the level of the Comité d'Entreprise (Works Council) that discussions on restructuring take place. As can be seen in figure 38, French workers are well represented at this level. The major employee representation deficit is in small enterprises.

Figure 37 Level of collective bargaining (EU25)⁸¹

	Intersectoral *	Sectoral	Company		Intersectoral *	Sectoral	Company
AT		3	1	IT	1	3	2
BE	2	3	1	LT		1	3
CY		2	3	LU		2	2
CZ		1	3	LV	1		3
DE		3	2	MT		1	3
DK	1	3	2	NL	1	3	1
EE	1	1	3	PL	1	1	3
EL	2	3	1	PT	1	3	2
ES		3	2	SE		3	1
FI	3	2	1	SK		3	2
FR		2	3	SL	2	3	2
HU	1	2	3	UK		1	3
IE	3	1	1				

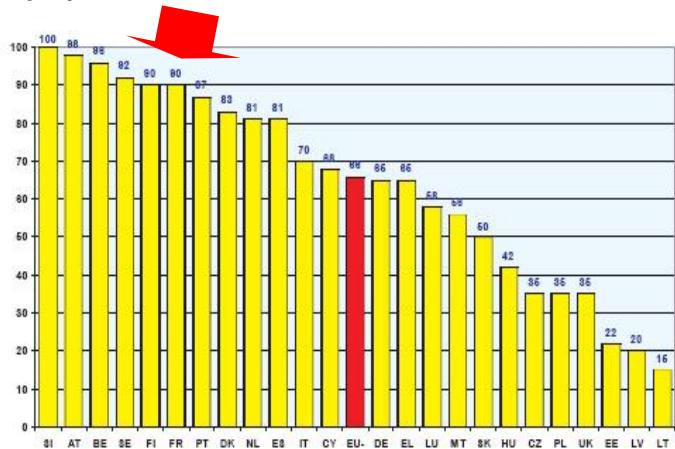
Note: 1 = existing level of collective bargaining; 2 = important but not dominant level of collective bargaining; 3 = dominant level of collective bargaining. * Tripartite or bilateral agreements.

Sources: EIRO, Country profiles, 2006

⁸⁰ Industrial relations in the EU member states 2000 to 2004 (EIRO)

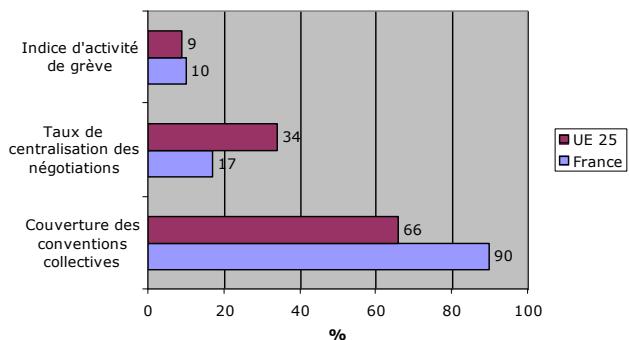
⁸¹ Industrial relations in the EU member states 2000 to 2004 (EIRO)

Figure 38 The presence of trade unions or similar organisations in workplace, %age of employees⁸²



It can be seen from figure 39 below that the French system of bargaining is marked by low intersectoral bargaining coordination and high levels of collective bargaining coverage. French employees are more likely to resort to strike action than employees in other member states.

Figure 39: Some data on employee relations in France⁸³



Social partners role at the national level

At the national level, the social partners are involved in a number of tripartite social institutions. These include the Boards which administer unemployment benefits (through the UNEDIC-ASSEDIC); the job search offices (l'ANPE--Agence National pour l'Emploi); the complementary pension funds (ARRCO, AGIRC); the National Training Council; and the Boards of a number of other institutions. On the boards of institutions such as ARRCO, the Government is represented by a civil servant from the appropriate ministry, industry is usually represented by an employee of the MEDEF and one or two of the main unions have a Delegate.

The role of the social partners at the national level has recently changed fundamentally, and significant potential powers have been granted to them. On 17th January 2007, the French parliament passed a law on Modernization of social dialogue which obliges the

⁸² Industrial relations in the EU member states 2000 to 2004 (EIRO)

⁸³ EIRO 2007 (*France Industrial relations profile*)

government to follow an obligatory dialogue procedure with the social partners prior to any draft reform of employment issues. The recent French national reforms to an extent mirror those that already exist at the European level.

The 2007 law makes involvement of the social partners mandatory for all draft reforms planned by the government on;

- ◊ Individual and collective labour relations;
- ◊ Employment;
- ◊ Occupational training

... and that are related in any way to national and interoccupational collective bargaining.

All draft reforms in these fields must first be the subject of dialogue with representative workers~~s~~ and employers~~s~~ organisations at national level. The government must provide the social partners with a working document which presents the ~~the~~ elements of diagnosis, aims pursued and main options~~s~~. The social partners can then elect to undertake negotiations and indicate the timescale they believe necessary for reaching an agreement. This procedure may be disregarded ~~in~~ case of emergency~~s~~ but the government must give reasons for its decision, and this may be legally opposed.

The government is not obliged to follow the terms of negotiated agreement in its own law-making process. It must however submit its proposals, depending of areas of competence, to:

- ◊ The National Committee on Collective Bargaining (CNCC) (for reform on work relationships);
- ◊ The Higher Labour Committee;
- ◊ The National Committee for Lifelong Occupational Training.

The social partners who are represented in these institutions can therefore verify that the government proposals correspond to any agreement reached and, if need be, express their formal opinion. The initial intention of grouping these authorities into a ~~social~~ dialogue council was dropped by the government.

Finally, and according to the draft law, the government is required to present its policies on the areas covered to the CNCC once per year, and to give a calendar of reforms for the coming year. The government must also annually submit to parliament a report on the state of discussions and consultations covering the year to date.

Social Partners~~s~~ role at the enterprise level

Once a French company has 11 employees, it must organise elections for Union Delegates (Délégués du personnel). When a company grows to 50 employees, it must have a Works Council (Comité d'Entreprise). In practice, many small French companies limit themselves to either 10 employees or 49 employees.

The French "Code du Travail" contains detailed rules providing for the holding of Union and Works Council elections. Elections have to be organised every two years. A company of between 75 and 99 employees must have four Works Council delegates and

three Union delegates. A company of 500 employees must have eight Union delegates and seven Works Council delegates. In companies counting less than 200 employees, the employer can decide to merge the responsibilities of Works Council and Union Delegates in a DUP, "Délégation Unique du Personnel". In this case, the number of elected delegates is four for a company of between 75 and 99 people and five for a company of between 100 and 124.

The role of Union Delegates

The union delegate in French enterprise has the following responsibilities;

- ◊ To present to the employer all individual and collective complaints about salaries, respect of the "*Code du travail*" and other rules and regulations in force concerning Health, Safety, Hygiene and other forms of Social Protection (Protection sociale);
- ◊ To inform the Work Inspectorate (L'inspection du travail) of all non-respect of complaints and observations relative to the application of laws and regulations within the company over which they have a duty to provide control. When a work inspector visits a company, he or she informs the Union Delegates and they are asked to accompany him or her during the visit;
- ◊ To be consulted about any changes in annual vacation, changes in weekly or monthly working hours, "reclassement" of employees who have been victims of on-the-job accidents or work-related illnesses.

They are entitled to receive information on a number of aspects of company life and the employer has to meet with them once a month.

The role of the French Works Council (Le Comité d'entreprise)

The works council is made up of the senior manager in the company, who acts as President of the Works Council; the elected Works Council delegates; and each Union represented in the company, can also designate a delegate to the Works Council.

The Works Council is a legal entity in its own right. It was created in 1945 so that employees could "express themselves collectively and thus ensure that their interests were taken into account." The Works Council has to be informed and consulted on nearly every aspect of the management of the company: its economic and financial health; the way in which work is organised; the training plan; and methods of production. Article L431-4 of the "*Code du travail*" states that the Works Council "elaborates, on its own initiative, and examines at the request of the Head of the Company, all proposals which could improve working conditions, improve training and employment among employees and their life in the company."

The Works Council is financed by a payment from the company which amounts to at least 0.2% of the gross wage bill. The company must also provide the Works Council with a place in which to meet, and equipped with the material necessary for its satisfactory functioning.

The Works Council has six main areas of responsibility;

- ◊ *The area of contributing to satisfactory life in the company, which can be resumed as "Social and cultural activities".* These are the activities which the employer is not obligated to provide but which have been put in place for the benefit of the employees, their families and retirees of the company. In this area are found activities such as organizing of ski trips, Xmas parties for children of employees, theatre outings, etc;
- ◊ In the area of *daily working conditions*, the Works Council is informed of and consulted about all matters relating to changes in working hours, new technologies, changes in working conditions, competencies, qualifications, methods of remuneration and changes in career paths;
- ◊ *Training.* Every year the Works Council has to be consulted about the coming year's training plan. It also gives its opinion about how the previous year's training plan worked out;
- ◊ With regard to *the employment situation*, the Head of the Company must inform the Council about trends in numbers employed, the employees' qualifications by gender, give a breakdown of temporary and permanent contracts and explain why he or she has had recourse to temporary employment;
- ◊ With regard to *the introduction of new technologies*, before every new technology introduction the Council has to be informed of the repercussions this will have on working conditions, remuneration, competencies, training and overall working life inside the company;
- ◊ With regard to *the overall financial health of the company*, the Works Council must be kept up to date and consulted about new and old market developments, all economic developments which could affect the company and the general management of the company.

At least once a year, the Works Council must receive a written report about the company. This report must include figures of total turnover, profits or losses, global figures on the volume and value of production during the preceding year, information about transfers of capital or profits between subsidiaries and parent or holding companies, the status with sub-contractors, how the profits have been shared out, a resume of all subsidies or loans received from the State to buttress employment, a breakdown of investments made, any changes which have been made to the structure of the organisation and the total amount of salaries paid.

Every quarter, the Works Council must receive a report detailing information about trends in customer/client orders, the financial health of the organisation, and the number of jobs (including temporary jobs) which have been created or eliminated.

The role of the works council in restructuring

When restructuring is being contemplated works councils are able to present "alternative proposals". They also have the "right to oppose" restructuring and staff-reduction plans as well as the terms and conditions for their implementation. However, the right to oppose applies only to management proposals and not to the redundancies themselves. The latter may be dealt with by a mediator. Lastly, works councils may ask a judge in chambers (*juge des référés*) to rule on whether appropriate procedures have been followed for the tabling of counter-proposals. Works Councils routinely engage their own experts to assist them in the evaluation of management plans.

Mediators may be brought in by either party where a company or autonomous economic unit (workshop, shop etc) plans to make at least 100 workers redundant as part of a partial or total closure programme. Appointed by the district level tribunal d'instance, mediators have a maximum of one month - during which time the redundancy process is put on hold - to bridge the gap between the two parties and table a "recommendation". If this recommendation is rejected, it is up to the judge in chambers to make a final ruling. As a result of this and their role in deciding on works council procedures, judges in chambers play an important role in the process. They are responsible for deciding whether a genuine debate on works council and mediator proposals has taken place.

Companies with more than 100 employees planning redundancies are required to present a new "plan to safeguard employment" (plan de sauvegarde d'emploi), which must provide for redeployment and assess the social and local impact of redundancies. Companies with a workforce of over 50 are required to make either a financial or in-kind contribution in proportion to the number of workers made redundant and their financial situation.

More recently, and with a view to reducing the number of economic redundancies and to facilitate the better anticipation of restructurings, the law of January 18, 2005 requires that companies with at least 300 employees set up every three years negotiations on forward-looking labour force and skills management (*gestion prévisionnelle des emplois et des compétences*). This issue is covered in more detail later.

The views of the social partners interviewed

During the course of the preparation of this paper a series of discussions was arranged with social partner representatives. Whilst many subjects were raised in these discussions, some came up more frequently than others, and these are presented below.

The two most common issues for French enterprises need little detailed explanation. They relate to their capacity to adapt quickly to changing circumstances and their ability to assure continuing competitiveness in the globalised market. These two major challenges are related on the one hand to internal processes (management capacity and social dialogue) and on the other to external regulations that are perceived to be too rigid in a permanently changing environment.

The other main observations are grouped below under two headings;

- ◊ Obstacles met by small and medium sized enterprises in global competition; and

- ◊ Minimising the impact of restructuring on employees.

Small and medium sized enterprises and competitiveness

In their effort to adapt to the general restructuring of the economy, SMEs often do not have the skills or flexibility open to them that large enterprises routinely enjoy. SME activities tend to be geographically very limited and are hypersensitive to the local economy and/or region. Three issues are considered below; dependence, management skills and regulation.

Dependence - the presence in a region of a major local employer often results in a symbiotic climate for SMEs. There is however the danger of total dependence on the fortunes of a larger organisation. Negative effects can arise from either a downturn or upturn in business. The effects of a business downturn are clear. SMEs are also however subject to turbulence caused by expansion of a larger neighbour, especially where project activities require the recruitment of large numbers of workers. These can take up all local human capacity, including current and potential staff of very small enterprises . for the duration of the project, after which a large group of employees reappears on the market.

Management skills - sometimes the obstacles to re-organisation or outsourcing of activities are simply due to a lack of management resources and/or know-how. Managing change represents a real challenge for many SMEs. There is a clear need for external assistance during and after the changes, especially when a major restructuring is caused by the changing circumstances of a major company located in the area. An example of the assistance available is the widespread system of training of a future workforce by Trade and Crafts Chambers (CMA). Another CMA service is designed to assist in the takeover of an enterprise when, for example, the previous owner retires.

Regulation - according to SME representatives, industrial legislation at the national and European levels is developed with large enterprises in mind. The requirement to enter into dialogue+is complex when there is no trade union representation, and therefore no negotiating partner. It has been stated that greater flexibility for SMEs in employment regulations would lower the cost of recruitment for small companies and a more robust external infrastructure to manage job transitions in the case of layoffs would ease the concerns of both employers and the employees.

Minimising the impact of restructuring

The restructuring of the economy affects a large number of workers. Two main themes were discussed in this context;

- ◊ The management of transitions between jobs and organisations;
- ◊ Minimising the impact of restructuring through better anticipation of change.

The management of job transitions between jobs and organisations È the objective of job transition+is to provide workers with continuity for their occupational career despite enforced breaks or gaps. Three types of break can happen: *work breaks* (a period of

unemployment or different type of employment), breaks in *income* and breaks in *social rights* (health, retirement, training, etc)⁸⁴

The interim report of the Labour Guidance Council, offers alternative responses to this problem. However, three main issues can be noted:

- ◊ The linking of employment related rights to the individual rather than a particular job;
- ◊ The matching of job seekers with restructuring-related services of all forms: public and private employment services, unemployment insurance, occupational integration measures, measures that anticipate future restructuring;
- ◊ Occupational training: initial training, lifelong training, ongoing trade and competence development.

The issue of continuation of social rights in retirement, illness or family responsibilities has been improved by recognition of rights as a function of residence (family, illness) and no longer of just work alone. According to the report however, there is still progress to be made to guarantee continuation of social rights where complementary coverage is required and where occupational development between professional branches, between salary and wage-earner status, but also between independent status and salaried status, is concerned.

In order to facilitate the entry of young people into the job market, initial education and training needs to guarantee each young person effective mastery of a common base of knowledge and competencies and access to a first qualification.

Minimising the impact of restructuring through better anticipation of change.

At the instigation of two ministers, Jean-Louis Borloo and Gérard Larcher, the Social Cohesion Law of 18 January 2005 introduced in article L 320-2 of the Labour Code, a chapter entitled ~~Management~~ of employment and competencies - Prevention of the consequences of economic change~~mandates~~ mandates a new tri-annual obligation to negotiate on forward-looking labour force and skills management in enterprises, and groups of enterprises, which employ at least 300 workers, as well as in enterprises and community dimension groups with at least 150 workers in France (GPEC).⁸⁵ The enterprises involved in tri-annual negotiations account for nearly half of the salaried employees in the private sector.

The tri-annual negotiation set up by the social cohesion law of 2005 requires a periodic review and development change strategies, and, where change is planned, the mechanisms to mitigate the effect on jobs. After a slow start (only 2% of enterprises with at least 300 employees had reached agreements in December 2006), negotiations have developed. This progress is due in part because they are perceived by some to be

⁸⁴ Conseil d'orientation pour l'emploi . Sécurisation et dynamisation des parcours professionnels . Mai 2007

⁸⁵ Anticiper et concerter les mutations - Rapport sur l'obligation triennale de négocier (Rapport ROUILLEAULT

helpful and in part for simple legal reasons (i.e. the fear of judicial rulings suspending layoffs until GPEC negotiations have been completed).

Trade unions are encouraging the fostering of a culture of anticipation and commitment to employees. The enterprise, they believe, should have the objective of ensuring that employees are more qualified when leave an enterprise than they were on joining. This strategy would allow more timely structural adjustment plans for staff to be put in place and for other solutions to be found to layoffs. At present, it is felt that the GPEC negotiations are perceived by enterprises and employees, as a prelude to layoff negotiations.

In France there is an obligation, in the case of economic layoffs, to attempt to find jobs for those laid off in the enterprise or group itself. The critics of this law, as it stands, suggest that the significant spread of layoffs for personal reasons or for end of contract is a result of getting around this law. They also suggest that some of those laid off have refused the work offered to them so that they can obtain the more significant assistance available in such situations.

Section three . case studies

LA POSTE

The strategic change plans of La Poste cover quantitative impacts on employment; qualitative impacts on employment; and identifying and exploiting the synergies between social obligation, industrial modernisation and commercial success.

Quantitative impacts on employment . the employment effects of change in terms of staff numbers in the organisation have not been large. La Poste employed 312,439 staff in 1999 and 303,041 in 2005. There has however been a major change in the nature of jobs and the employment relationship;

- ◊ The number of civil servants has reduced significantly, being replaced by private sector style open-ended contracts;
- ◊ Unlike many of its competitors, the number of fixed term contracts in use has remained constant over the last seven years;
- ◊ Part time contracts have moved from around 8% to around 12% of the population.

Qualitative impacts on employment . training and skills development are major priorities for La Poste. The organisation's training plans have shifted from top down menu driven+approaches to initiatives that involve and engage individuals and their managers in assuring the continuous adaptation of individuals to the needs of the organisation.

Particular areas of focus are improved flexibility; improving staff employability; and making a step change in customer service. A competency based approach

to personal development is delivered through individual training plans supported by the right to receive training. Associated with this are new approaches to reward and motivation that support the change environment.

The change process and social dialogue

La Poste has a long history of social dialogue undertaken between strong and effective social partners. The organisation views a %trust+and %confidence+ system of social dialogue as indispensable to the change process. It also realises that if the social dialogue machinery is to be effective in the new competitive environment facing the organisation, practices and procedures need to be modernised. In 2004, a new agreement on the organisation of social dialogue was struck between the La Poste and the representatives of its employees. The agreement contained a number of fundamental changes to historic practice;

- ◊ If social dialogue was to be effective in a decentralised business, then the social dialogue process itself had to be relevant at the points where decisions were taken. This called for a decentralisation of the process;
- ◊ To be effective, the issues discussed in the social dialogue had to change to match the new environment and business agenda. The subjects covered in meetings had to become more diverse;
- ◊ If social dialogue is to be based on trust and confidence, then both parties must respect the commitments made;
- ◊ To assure concrete outcomes in negotiations on complex subjects, decisions have to be made by majority and respected by all;
- ◊ Where there will inevitably be disagreements between the parties on issues that affect adversely some parts of the La Poste workforce, the role of the social dialogue is to act as a %social alarm+;

Réussir ensemble - Effective social partnership underpins the major initiative, réussir ensemble (succeeding together). A number of elements are built into the initiative;

- ◊ The employee relations framework is underpinned by a general collective agreement;
- ◊ As the nature of work and contracts gradually change, commitments have been given on the limitation of the use of fixed-term contracts;
- ◊ The need to improve the skills and capacities of employees through training is reinforced by an agreement to provide lifelong training for employees;
- ◊ Internal promotion and development systems are made more simple and based on the recognition of skills achieved;
- ◊ If employees are to %are more+about customers, this attitude needs to be reflected in the organisation's %are for+its staff. Consideration for employees moves up the organisation agenda. One manifestation of this in the area of improved safety and health provisions;
- ◊ The organisation's reinforced commitment to social obligations are reflected in increased attention to equal opportunities in employment, focused in particular on women and people with disabilities;

- ◊ Social benefits, and particularly those related to worklife balance, are moved up the agenda.

La Poste clearly bases its future success on building the skills and commitment of its workforce through initiatives that reinforce the importance of the relationship between the company and individual employees (training, development, employability, empowerment) and also the relationship between the organisation and those who are elected to represent employees in the new social dialogue processes.

VIDEOGLASS/RIOGLASS

The Thomson Videoglass plant in Bagneaux sur Loing (Seine et Marne) produced some 6 million cathode tubes in the year 2004. By the beginning of 2005 demand had halved to 3 million and the product was approaching the end of its life.

In the spring of 2005, Thomson announced to the comité d'entreprise that the production of cathode tubes at the site was to close as the televisions for which the tubes were made would in the future only exist in flat screen format. As a consequence 450 jobs at the plant were threatened and there were a number of demonstrations in the local area.

At the beginning of July 2005 the Spanish company Rioglass took over the factory in order to produce car windows rather than television tubes. This would require around 300 workers.

During September 2005 an agreement was reached between Rioglass and the trade unions representing workers in Bagneaux detailing how the conversion of the site from TV tubes to car windows would be undertaken. 300 workers would be retained and the remaining 150 would be eligible for voluntary severance terms, through which means it was hoped to secure the headcount savings by voluntary means. The workers transferring to Rioglass would retain the service seniority, employment contract, pay and acquired rights contained in collective agreements. Whilst the site underwent a complete refurbishment associated with the production of the new product, the workers undertook a comprehensive retraining programme.

The final agreement was signed on 21st October 2005 between Thomson, the regional authorities and the owners of Rioglass (OPCAREG). It committed to 900 hours training and requalification for the workers involved. Thomson contributed " 5.4m to the project and OPCAREG " 4.1m. The regional authorities and the FSE contributed " 500,000 each. Thomson also took responsibility for the demolition of the existing buildings and the construction of new ones for the production of car windows.

The process of social dialogue at the enterprise and at national level was instrumental in helping secure a rapid solution for retraining and requalification of the workers and in obtaining the support of public funding for the project.

The Videoglass/Rioglass restructuring project was followed up in 2006 by a regional initiative designed to support the industry in the area.

KODAK INDUSTRIE

Background

In 2004 Kodak Industrie at Chalon-sur-Saône announced that it was entering into a process of restructuring which was triggered by the rapid developments in digital imaging technology and consequently a sharp decline in the demand for traditional photographic film. The process was part of a global restructuring plan which entailed 12-15,000 job cuts worldwide over a three year period. Kodak Industrie in Chalon sur Saône had 2,000 employees but the employment of 10,000 people in the region depended indirectly on the company.

Objectives

Instead of simply closing down the site, the company decided on an approach designed to mitigate the negative effects on both its employees and on the community. Essential for the successful outcome of the plan was a shared commitment by the management and the trade unions representing the employees to finding valid and sustainable solutions for all employees.

The Status in 2007

The restructuring process was started at the beginning of 2005. In February of 2007, 173 involuntary lay-offs were announced. The majority of the employees were redeployed, retained in other jobs, or provided with a pre-retirement solution. Of the 2,000 employees, 600 people accepted a pre-retirement package, the employment contracts of 500 employees were transferred, 820 employment contracts without limit of time have been created, and solutions for 40 persons are still pending.

The Strategy

The company decided on a restructuring strategy of reorienting its own activities towards research and market support; the creation of a industrial campus to attract new businesses to take over the freed-up premises; and a "*Plan de Sauvegarde de l'Emploi*" in order to offer each employee the choice of relocating within the Eastman Kodak Group, or the opportunity for outplacement with the new businesses in the campus or elsewhere. Corporate financing was secured for the "*Plan de Sauvegarde de l'Emploi*", including a voluntary pre-retirement plan.

Communication and Trust

99.8% of the employees participated in the "*Plan de Sauvegarde de l'Emploi*". It was vital that the process as a whole be based on mutual trust and respect for the individual, and on open and transparent communication. In order to ensure effective participation and meaningful interaction with the employees, it was also important to encourage people to speak up and to take initiatives. Employees needed to be engaged first hand and be well informed in order to avoid learning about developments or decisions through the media. A multi level communication process was established including information, consultation and continuous exchange with works councils, a committee for daily follow-up, and working groups including management and employees.

Establishment of an Industrial Park

An important part of the "*Plan de Sauvegarde de l'Emploi*" was helping secure continued employment for as many people as possible. At the heart of the process was the innovative approach of establishing an industrial park designed to attract new businesses to the Chalon site. Rather than to tear down the premises, the new businesses were to take them over and install themselves in office and industrial space liberated by Kodak. The company worked closely with the government authorities to develop the industrial park and to attract a wide variety of companies. Possibilities for starting business activities at the Chalon site were actively explored and pursued with potential enterprises. Today 18 new businesses have been installed in the industrial park.

Training for Employment

One of the main issues was reconciling Kodak based staff competencies with the requirements of the new enterprises moving onto the campus. The challenge therefore was to further develop the competencies of the Kodak employees in a manner that matched the skill requirements of new companies. This underlined the importance of undertaking training for specific employment rather than generic employability programmes. This required working with the enterprises on one hand and with the Kodak employees on the other to understand the skill requirements of the new job opportunities; assessing the competencies and skills of the Kodak employees; identifying the training needs; and providing the necessary training to fill the gaps. One week to three month on-the-job training opportunities were created in the new enterprises, paid for by Kodak.

Poor Public Sector Support

Close collaboration with the authorities was difficult as the perceptions of the public and private sectors proved to be far apart. The urgency of timely action which drove the Kodak team was a reflection of the commercial reality the company faced; dealing sensitively with the needs and anxieties of its employees; and a commitment to finding a solution for each employee. Existing public policies were not well tuned to the specific needs of the Kodak restructuring process. The sense of urgency felt by the Kodak team met with little response from the authorities. Consequently the authorities' support fell far short of Kodak's expectations.

Conclusions

The Kodak experience of restructuring was a joint presentation by the management and the trade unions. It is an encouraging case not only in its successful outcome, but as a demonstration of enterprise level social dialogue and of a mutual commitment by the individuals, the company and the trade unions, to going the extra mile in order to mitigate the effects of restructuring on both Kodak staff and the local community. The experience highlights five factors of success:

- ◊ A visionary strategy to save jobs through redeployment, reorientation of activities and development of new skills;
- ◊ Placing the individual employees at the centre of the process;
- ◊ Cooperation between management and the trade unions . a shared commitment to finding and financing valid and sustainable solutions for all employees;

- ◊ Efficient and functioning two-way communication . open and transparent information and trust between management, trade unions and employees;
- ◊ Two-way engagement between Kodak and the new enterprises . including the commitment to training and competency development to bridge skill gaps in order to maximize placements.



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