

Employment relations in france economics essay



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Within Europe France is known for its exceptional employment relations. The French employment relations are characterised by rather low social dialogue and a great interventions of the state. This paper will closely look at the social actors and their role by putting emphasis

on collective bargaining and its development since 1980s. The major trends with special attention to the Aubrey Laws will conclude the overview.

France – Overview

With a current population of 64, 7 million (INSEE, 2010), France belongs to the most modern countries in the world and to the leaders among European countries (CIA World Factbook). According to EIROnline (2007), French GDP growth, inflation, productivity growth, and the unemployment rate do not substantially differ from EU averages, as indicated in Table 1.

Table 1 – Facts & Figures

Source: EIROnline, 2007

The economy in France, which traditionally has been characterised by considerable government ownership and state intervention (“dirigeisme”), is shifting towards a market-driven economy (CIA World Factbook). Although the state is still present in sectors such as power, public transport, and telecommunication, it has privatised many large companies. With the era of rigueur (“rigour”) the government extensively distanced itself from economic intervention. Though dirigeisme decreased, France is still typified as a state-dominated economy (Jenkins, 2000), especially in the labour market.

The political environment in France has been characterised by volatility which changed with the inception of the Fifth Republic in 1958 (Goetschy and Jobert, 2004). From 1958 to 1981 the Right took the reins, while in 1981 the socialist “ dominance” under François Mitterrand took over which resulted in “ period of instability” (Knapp and Wright, 2006, p. 254). Governments of the right and left experienced a rotative period, with a temporary “ cohabitation” (Goetschy and Jobert, 2004). In 1995 François Mitterrand turned over the reins to Jacques Chirac, a right president, who lasted till 2007. His successor, Nicolas Sarkozy from the right government is the current President of France.

Employment Relations in France

Employment relations in France are highly influenced by the demographics as well as the legal and political environment of the country (Cerdin and Peretti, 2001).

According to the National Institute for Statistics and Economic Studies (INSEE, 2010), the employment rate for the working population in 2008 accounted for about 28 million, corresponding to 56, 2 percent of employed people above 15 years. Whereas the unemployment rate in France amounted for 7, 8 percent in 2008 which correspond to 2. 1 million people. The young people (15 to 24 years-old) are representing the majority of the unemployed with about 19 percent (in 2008). Generally, the young people are most sensitive to the economic fluctuation of the employment market. The labour market participation rate of the 15 to 24-years old is declining

due to the “ trend towards longer schooling” (Goetschy and Jobert, 2004, p. 177).

France has more women in work force than EU average (Brewster et al., 2004). The female labour market participation has risen from 37 percent in 1963 (Goetschy and Jobert, 2004, p. 176) to almost 52 percent in 2008 (INSEE, 2009).

Within Europe, France is characterised by an increased age of the working population. While the proportion of the people between 20 and 59 years decreases, the population proportion of under 20-year-old and above 60-year-old grows. Two factors are responsible for this peculiarity – the post-war population explosion as well as the collapse of the birth rate from 1930 to 1945 (Cerdin and Peretti, 2001). In 2008, 83 percent of the working population was between the ages of 25 and 54 (INSEE, 2009). These numbers can be explained by the delayed entrance of the young in the labour market and early retirement due to an increased early retirement policies since 1974 and the implementation of retirement at age 60 in 1982.

Further distinctive characteristic of the French employment relations is its elitism. Barsoux and Lawrence (1997, p. 11) admit that France is a “ society characterised by a unitary elite”. Complementary, Jackson (2002, p. 38) describes the educational system in France as being “ inegalitarian, discriminatory, and exclusive”. The highest level of the education system is encompassed in the so-called grandes écoles. The grandes écoles, where managers are typically recruited from, typify an essential indication for a high potential which is regarded more important than the actual personal

potential. Managers form part of a social elite, called cadre. Management itself is perceived more as “ a state of being” in France and its development is related to the social and historical context (Beardwell and Claydon, 2007).

The influence of the state on employment relations in France is considerable. EIROnline (2007) describes France as being known “ for its dirigiste type of economy or state-managed capitalism”. Employment relation in France were not only influenced by the predominance of the state but also by the imbalance between labour characterised by more revolutionary socialists and employers being typified by paternalistic or reactionary views (Traxler and Huerner, 2007).

Unions and Employee Representation

Within Europe, France has two distinctive features: although it has the majority of trade unions, its membership rate is the lowest among the European countries (EUROnline, 2007; Ebbinghaus and Visser, 2000). Trade union coverage is higher in large enterprises than in small companies with highest coverage rate in the public sector. Sector or branch levels are the most common levels of trade union organisation (EIROnline, 2007). French trade union, other than union in rest of the European countries, do not offer collective services to its members, which partly may explain the low membership rate as well as the lack of need to benefit from a membership (Brewster et al., 2004).

There are five major representative union confederations and employers are obliged to recognise them in case of at least one employee being an official representative of one of them (Scho, 2008). The five unions, which are

considered representative at national level, regardless of the size of their membership, are summarised in the table below.

Table 2 – Trade Unions

Source: EUROOnline, 2007

All agreements met by the representative unions were for a long period considered legally effective. This fact permitted employers to legally implement an agreement even if it has been signed by just one minority union (Brewster et al., 2004). The Fillon Law of 2004 however widened the scope of this “majority principle”.

French union show a further characteristic uncommon in Europe. Especially SMEs, who usually have no union representativeness, make use of the so-called “mandating” process. Introduced in October 1995 by a three-year national multi-sector agreement, the law especially aimed to encourage negotiations of small and non-union company agreements (Goetschy and Jobert, 2004). The purpose behind the involvement of non-representatives was to increase the typically low membership rate of French unions. For instance, about one-third of collective agreement accompanying the 35-hour-week law application were signed by mandated workers (Pedersini, 2010).

Employees representation in French companies has rather a complex structure and is incorporated in several representative bodies at the enterprise level (Goetschy and Jobert, 2004). The four major players are:

Table 2 – Employee Representation

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Workforce delegates (délégués du personnel)

Workforce delegates are mandatory for companies with 10 or more employees. Elected by all employees, the delegates are representatives of employees for individual or collective concern to the management.

Work council (comité d'entreprise)

Work council is mandatory for companies with 50 or more employees. Elected by all employees and representatives of trade unions, the council has a consultative role about the decisions of the employer. Furthermore, it is concerned with allocating funds for social and cultural facilities for employees.

Workplace Health and Safety committee (Comité d'Hygiène, de Sécurité, et des Conditions de Travail)

The committee is compulsory for all companies with more than 50 employees. It includes head of the company plus employee representatives and has a consultative role about working conditions.

Trade union delegates

Every representative union is given the right for a delegate in a company with at least 50 employees who besides representing their unions also represent employees.

Source: Brewster et al, 2004

Federations of Employers

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Employer representation stands in sharp contrast to the employee representation. Indeed, three out of four employers are represented in an employer organisation (EUROnline, 2007). The major association is the MEDEF (Mouvement des Entreprises de France), former CNPF (Conseil National du Patronat Français). It has a multi-layered structure consisting of various sectoral and territorial organisations (Traxler and Huerner, 2007). MEDEF, founded in 1998, brings together all companies with at least 10 employees. Despite this official purpose, MEDEF also includes several smaller companies. It directly organises 87 federations that cover about 600 associations and 165 regional organisations (EUROnline, 2007). The membership in MEDEF is covered by about 750, 000 companies and 15 million employees from all sectors except agriculture and certain service professions (Traxler and Huerner, 2007).

The SMEs are represented by the CGPME (Confédération générale du patronat des petites et moyennes entreprises), and self-employed artisans by the UPA (Union Professionnelle Artisanale) (EUROnline, 2007).

The State

The French state is not only a major player in employment relations but also plays an essential role as an employer. As already mentioned, despite some privatisations, the government still remains prevailing in some sectors.

Furthermore, Ruysseveldt et al. (1995) stresses that French state is typified for having its intervention in employment relations which are typically “subject of collective bargaining” by incorporating these issues in law. The intervention of the state is for instance given through the requirement for <https://assignbuster.com/employment-relations-in-france-economics-essay/>

company-level negotiations, legal extension of collective agreements, and determination of minimum wage. Therefore, almost “ 90 percent of employees are covered by agreements securing at least minimum standards”, despite the low union membership and a decentralized bargaining system (Ebbinghaus, 2004). For instance, the minimum wage (SMIC), a cross-sector minimum wage, is defined by legislation, involving all employees. Collective bargaining is also used to set branch-level minimum wages which however, are usually lower than the SMIC (EIROnline, 2007).

Finally, the French state played an important role in the development of French employment relations as demonstrated in the following chapters.

Collective Bargaining and Employee Participation

Collective agreement forms an important part of negotiations between the law and the individual work contracts. Within Europe, France distinguishes itself from other countries by not attributing collective agreement as a central element of employment relations (Traxler and Huerner, 2007). The characteristics of the bargaining system have been extensively “ shaped by successive pieces of legislation” (Goetschy, 1998, p. 358) and thus intensive state intervention. Collective agreements face further obstacles. Traxler and Huerner (2007, p. 126) point out that there is a lack of shared identity among the unions and the employees who “ do not feel bound by the decisions taken by the representative unions”. Andolfatto and Labbé (2006) observe a similar dilemma for the employers and the associations. According to Schmidt (2006, p. 121) “ policies are designed without the systematic input from societal actors, but actors are subsequently accommodated in a

rather flexible implementation process, often based on derogation from the law”.

The bargaining structure in France is pyramidal and statute law is decisive. After the abolishment of the favourability principle (*principe de faveur*), decentralised levels are given autonomy on certain issues as long as the law is respected (*plancher legal*) (Euronline, 2007). National-level agreements are less frequently used than lower level agreements. Company-level negotiations gained on importance in the field of wages and working hours which was further encouraged by the Fillion Law (2004) and Aubrey Law (1998/2000/2002).

Development since 1980s

Before 1980s, employment relations in France were characterised by ideological confrontation between the “revolutionary” labour movement and collective bargaining-averse employers (Hoang Ngoc and Lallement, 1994) and collective bargaining particularly took place on the industry level (Goetschy and Jobert, 2004). The 1980s brought a significant move towards decentralisation with a Socialist government that supported collective bargaining in terms of politics and laws. Throughout the 1980s various company-level institutions and practices evolved which enabled negotiation of economic reforms and which tried to limit private sector industrial conflicts (Howell, 2006). The reforms were accompanied by a state intervention that sought to support workplace flexibility negotiations. Although the state experienced varying governments (Left and Right), it pursued equal objectives which underlying strategy was to create legal

obligations within companies to establish self-sustaining social dialogues which again lead to a deregulation of the labour market.

One of the major legislation pieces of the 1980s was the Auroux Report (1981) which contributed mainly to a higher involvement of employees into the company and sought to bring unions and companies closer together (Hoang Ngoc and Lallement, 1994). Focusing on collective bargaining as a keystone in the reform, Auroux created an obligations for employers and unions for regular negotiations at industry as well as company level (Eaton, 2000). This reform introduced more balance between the state and collective bargaining as it put more emphasis on bargaining than on the law itself (Goetschy and Jobert, 2004). In 1987 collective bargaining made further steps towards decentralisation. From then on company-level negotiations were freed from any linkage with a sectoral agreement, and annualisation and more flexible opening was allowed without reducing working hours.

In the 1990s multi-industry bargaining gained on importance after its decline during the 70s and 80s. It was supported by government, as well as employers (by CNPF) and unions (by CFDT) who were aiming at a “ consensus approach” towards the modernisation of French companies (Howell, 2006). Enormous emphasis of multi-industry bargaining was put on the training that became a mandatory part of collective bargaining (Goetschy and Jobert, 2004). Further significant issue throughout the 1990s was the restructuring of the employee representation within the enterprise. According to Howell (2006, p. 169) French companies experienced transformations that “ had the effect of deepening and broadening the construction of a set of firm-level institutions that regularised social dialogue

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with largely non-union employee representatives”. Worth mentioning is also the agreement on the “ articulation of bargaining levels and the possibility of negotiations in companies without union representatives” (1995) which brought two main transformations for collective bargaining. First, the hierarchical level of the three bargaining levels (multi-industry, industry, company) became more complementary. Second, the absence of union delegate gave the elected employee representative and the employees mandated by unions the authority to sign company agreements.

Again in 2000s employment relations development signalled the trend towards more decentralised collective bargaining and a state which exercised restraint in the social dialogue of the labour market. This intention was implemented through the Génisson Law (2001) which made bargaining on equality compulsory at company level (annually) and sectoral level (every three years) (Gregory and Milner, 2009). The 2003 Fillon law encouraged the move towards company-level negotiation about wages and reduced working time by accepting derogation agreements. In July 2008 new law on “ social democracy and working time reform” set new measures for the representativeness of trade unions, especially by removing the ‘ irrefragable presumption of representativeness and making representativeness dependent on the results of the workplace elections” (Boulon, 2008).

Concluding, the last decades were characterised by various developments in French industrial relations. Despite frequent changes of government, France has experienced a high degree of consistency in the direction of employment relations reforms (Howell, 2006). High level collective bargaining shifted towards more decentralisation aiming more at the company-level while the

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labour market and workplace experienced greater flexibility. Nevertheless, these developments were not simply accompanied by the distancing of the state from industrial relations, leaving the field to labour and unions. On the contrary, providing the social actors with company-level bargaining and agreements, developments were initiated and controlled by the state. Self-sustaining bargaining never took place (Lallement and Mériaux, 2003). Thus the state reforms were still shaping the areas of social relations. Finally, Jefferys (2003, p. 128) states “ the state remains at the heart of the organisation of relations between capital and French labour”.

Major Trends in Employment Relations

The Aubrey Law

France faced the most bargaining activity over working time reduction in the late 1990s and early 2000s, driven by legislation reducing the working week from 39 to 35 hours. The so-called Aubrey law, named after Martine Aubry (minister who introduced the legislation), was the sixth law in seventeen years which has an impact on the working time (Jefferys, 2000). The 35-hour week was the flagship policy of Socialist Jospin’s (1997-2002) “ plural-left” coalition government (Hayden, 2006, p. 505). The main purpose of the law implicated the reduction of the working time from 39 to 35 hours by offering financial incentives to companies that used collective agreements for the creation and protection of jobs while reducing the working time (Jefferys, 2000). Using this law, the government also had the ambition to encourage the social partners to “ participate” more actively in the law-making process (Jefferys, 2000).

The legislation which began with a framework law in 1998 resulted in a three-steps process (Levy, 2006): the first law introduced in 1998 provided the terms for voluntary work time agreements; in 2000, a second Aubrey law made work time reduction mandatory for companies who failed to reach agreements employing 20 or more workers; the third law, for 2002, which aimed at extension of this legislation to smaller firms, failed when the Left was replaced by the new conservative government.

First Aubrey Law (1998/1999)

Aubrey I introduced a variety of ways for the reduction of working time, including annualisation of hours, extended vacation periods, and a shorter working week. The companies were given increased flexibility in the creation of work time with the essential requirement for collective bargaining (Supiot, 2001, p. 92). Social costs reliefs were promised to those companies that quickly negotiated the reduction in working hours and created or preserved jobs. Nevertheless, the collective agreements reached under Aubrey I proved that employers put special emphasis on the flexibility in work time reduction left to them rather than on the incentives linked to the implementation (Levy, 2006).

The 1999 law addressed the issue of trade union representativeness (Jefferys, 2000). From then on the social costs reliefs were only made available to those agreements met by union representing the majority of the work-force. Minority agreements were only accepted if ratified by entire work-force referendum, nevertheless the benefits of the reduced charges were not forwarded to these agreements (Howell, 2006). Smaller firms that

lack a representation of unions could benefit from the legislation through the mandating process allowing them to sign company-level agreements.

Without the mandating procedure agreements became legal with the confirmation of a majority of employees and local labour-business commission.

Second Aubrey Law (2000)

On 19th of January 2000, the Aubrey II came into effect reducing the working week from 39 to 35 hours for all enterprises with more than 20 employees.

Due to the high attention paid to the flexibility in the implementation of work-time reduction, the second law provided more innovations in this area still with the prerequisite of a collective agreement. The lack of collective agreement meant less flexibility in options for work time reduction.

According to Howell (2006)

“ without a collective agreement, the reduction in work time had to be on a monthly or weekly basis, but with an agreement there were a range of other options, including annualisation, a wage increase offset against overtime, additional days off and so on.” (p. 148)

The law therefore aimed at the encouragement of the dialogue between social partners. Work time reduction was completed on two levels. Before Aubrey II, company-level agreements were predominant, while after year 2000 branch-level agreements became more common.

Outcomes

The in beginning much discussed and controversial legislation has survived. Though when the Left gave over to the Right government in 2002, the extension for small firms planned in that year was blocked. Furthermore, certain adjustments like extension of the allowable overtime have been adopted.

Various studies about the implementation of the laws, inter alia conducted by the Ministerial Office of Employment and Solidarity (completed mainly between 1998 and 1999), provided following results (Neumann, 2004):

On the employee side, within a year on the first law, in 69 of the 180 bargaining sectors, at least one of the representative national union has signed framework agreements covering 8.3 million workers

About 300.000 new jobs (out of 1,65 mio) were created which were assigned to the relaxation of the social costs and the reduction of working hours of the law

By the implication of the legislation in September 2002, almost half of the employed people were influenced by the Aubrey law

Critical evaluation

The significance of the Audrey Laws does not lie in the actual reduction in the working time. Its essence are the wide-ranging consequences on the employment relations in France. For the Jospin government the law provided an “ opportunity to try to use the basic sympathy of the French electorate with the idea of shorter working hours to encourage the “ organised decentralisation” of collective bargaining” (Traxler 1994, p. 184-86). The <https://assignbuster.com/employment-relations-in-france-economics-essay/>

laws abolished many constraints on temporal flexibility and shifted the emphasis of collective bargaining towards the company-level. Some of the various advantages provided by the Aubrey law affect collective bargaining and work reorganisation.

The company-level collective bargaining was influenced tremendously by the legislation. While after 1998 the rate of agreements signed increased by estimated 15, 000 per year, after 1999, when the law became mandatory, agreements number increased by 35, 000 a year (Howell, 2006).

The financial incentives provided by the Aubrey laws were attached the condition to agree on work time reduction by a collective bargaining. Consequently, this collective agreement offered more options and flexibility for work time reduction to the firms, thus leading to work reorganisation. Many experiments which were made in this area including recalculation of the work time, work shift, and adoption to the market requirements, proved to be advantageous for some companies. Additionally, annualisation became very popular supplying companies with enormous flexibility in the work time reductions.

Despite these advantages the Aubrey laws was met with mingled feelings from the social actors. The legislation was considered “ an attack on entrepreneurs,” “ a triumph of ideology over reason,” and even “ economic suicide” (Hayden, 2006). Still, with the change of the government in 2002 the legislation has not been abolished, although it experienced substantial criticism. Instead, the Right provided more relaxation and greater flexibility introduced by the Fillon Laws 2003 and 2004 indicating that the effects of

the Aubrey laws were less harmful than illustrated by critics. On the contrary, a study conducted by IMF in November 2006 (Estevão and Sá, 2006), indicated that the legislation appeared to have a rather negative effect as it “ failed to create more jobs” and negatively influenced employers and employees as “ they tried to neutralise the law’s effect on hours of work and monthly wages”.

The major concerns were raised by the employers. CNPF became MEDEF in October 1998 under the pressure from French firms for a more aggressive political position (Jefferys, 2000). One year later, in October 1999, a protest with 25000 people against the second law followed. In November, MEDEF threatened to pull out of the bipartite national unemployment benefit scheme if the government make use of UNEDIC (“ Union nationale interprofessionnelle pour l’emploi dans l’industrie et le commerce”) – the National Union Interprofessional for Employment in Industry and Trade agency of the French government – which provided unemployed people with social benefits, to subsidise state incentives to reduce working time (Jefferys, 2000). Additionally, by creating a financial disincentive in case of overtime, the 35-hour-week legislation forced employers to undergo a more fundamental reorganisation of work (Howell, 2006).

From the employees’ perspective, the law could be viewed ambiguously as a “ liberator and job creator” or as “ a mechanism for introducing asocial work schedules” (Bouffartigue, 1997, p. 256). Tensions on the company-level were illustrated for instance by the Peugeot-Citroen strikes, when the Saturday was introduced as a compulsory working day. Additionally, concerns arose about the decrease in wage level, although employees were promised to not

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be disadvantaged regarding income reductions which was supported by the unions' slogan "35 hours pays 39" (Estevão and Sá, 2006).

The question about the representativeness of those who signed the agreement also forms a part of criticism of the legislation. As mentioned several times, the mandating process can be used by all firms with a lack of union representativeness. The mandating process prevailed in the company-levels agreements (70% in 2001), predominantly by smaller companies (Howell, 2006). Nevertheless, this process failed to recruit more members to unions.

Finally, the Aubrey laws can be considered to be an oxymoron. In times of globalisation and extensive pressures on firms to stay competitive, France is trying to improve its competitiveness and decrease unemployment by reducing the working time. The work-sharing logic did not fit in this time when the unemployment rate amounted to nearly 10 percent and an average full-time working week was almost 43 hours (INSEE, 2010). There arises the question what the government could have done better. After considering the development of the employment relations in France, the trend of decentralisation should be pursued more constantly. State intervention should be reduced to give the social partners the possibility to develop and implement own methods for the work time reduction as the legislation did not match appropriately the needs of all French companies. Especially, the smaller companies who suffered from the law and feared to lose their competitiveness, should be better integrated and left more power and flexibility to adopt the legislation. Therefore, although the employers were gradually given more flexibility it still was embedded in frameworks

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which convey an impression of “ regulated deregulation” – once again demonstrating the predominant position of the French state.

Other Major Trends

Collective Bargaining Reform

One of the significant changes to the industrial relations system took place in 2004 with the implementation of the Fillon law. The law brought two major changes into collective bargaining. The “ favourability principle” (principe de faveur), where agreements from lower and higher levels may deviate from each other if it more advantageous for the employees concerned, was relaxed for certain cases (e. g. working time) (OECD, 2005). The favourability principle has been retained for minimum wages, job classifications, supplementary social protection measures and multi-company and cross-sector vocational training funds (EIRR, 2006). The other change concerned the approval of agreements. Hitherto, an agreement has been valid even if it had been signed by only one trade union with representative status. The new law widened the scope of the “ majority principle”, the application of which depends on the level of negotiations.

Individual Right to Training in France

In September 2003 a national cross-sectoral agreement on employees’ lifelong access to training was concluded, approved by all five representative unions (Vincent, 2003). The law promotes individual training rights for employees while putting its focus on sectoral negotiations.

Labour Market Modernisation

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In January 2008, a step towards French “ flexicurity” has been made by the agreement on the modernisation of the labour market. It provides more flexibility on issues like recruitment and termination of employment at the same time maintaining certain employee rights in term of termination (Lefresne, 2008).

Conclusion

In conclusion, employment relation in France can be described as developing towards decentralisation and more flexibility to the advantage of business and labour. Although, the state is taking distance from intervention in the economy, it remains the predominant character in the regulation of social relations.