



The poor performance of socialist and social democratic parties in recent elections across the continent has led many to question whether it is still possible to implement progressive reforms in and through the state. Are governments limited to managing short-term issues? Are they leaders or followers? Can the State really be an agent for change?

An analysis of recent policy reforms in France (the regulatory framework for redundancies and the reduction in working time) may enable us to build a clearer picture of the process of change, and to draw lessons about how we should go about future reforms.

} Creating the momentum for change

Before we assess the French experience, and the lessons that we can learn from this, we should first identify how a momentum for change can be

Letter from the Frontline Yves Barou

created. In essence, an ‘ideal-type’ can be identified, one that is essentially a three-fold process based on: the development of a shared vision, the establishment of a general consensus for change in which the major stakeholders buy-in to the process, and the successful management of the process of change itself.

A shared vision – creating a picture of what the ‘finished product’ will look like is the essential first step in developing a momentum for change.

A ‘master plan’ helps guarantee the economic and social consistency of

reforms, while simultaneously clarifying the goals, strategies and milestones. This plan should not be a simple or vague ideological statement, but a clear definition of measurable objectives. The foundation, on which any initial momentum must be built, it must also be accompanied by a description or definition of the ‘rules of the game’ – that is to say the key steps involved in the process of reform.

A consensus – change will not be easy to achieve without a clear and strong presentation of the mutual benefits that can be expected. Of course, in order to illustrate this, key players and stakeholders must be consulted, and their expectations clearly identified.

These stakeholders are often disregarded by governments, and thus commonly left wondering what benefits the change is going to bring them. Excluding stakeholders at this early stage is more likely to breed resentment and opposition to change. In order to build consensus we should take a step back from ideological disputes. On a step-by-step basis, the ‘cross-fertilization’ of ideas and expectations should facilitate the development of a mutually beneficial strategy.

A transparent process – once the process of reform has been initiated, it is necessary to put in place pioneer and pilot projects. These projects should serve a dual purpose: namely experimentation and communication. On the one hand, these projects provide a means of assessing the effectiveness and efficacy of reforms. It is thus crucial that the process of reform also allows a certain degree of leeway, so that adaptations can be made to the plan when initial results have been analysed. However, these adjustments should not

be seen as a sign of failure, but as a sign that change is underway and needs to be managed. On the other hand, then, the results of these assessments should provide the evidence necessary to convince stakeholders on the merits of the reform itself. The most difficult aspect in the reform process will concern how decentralised issues should be organized, and the clarification of the roles and responsibilities therein. A sound communication strategy is thus essential. This should be readable, transparent and clearly understood by all the actors.

Despite being relevantly straightforward, this model has nevertheless proven difficult to implement. Our ‘change culture’ is very poor. Too often problematic and unsuccessful at company level, change is of course even more difficult to manage at the national or European level.

} Drawing lessons from an inconsistent reform

We should accept that the state can no longer stop firms from shedding labour, in the same way that it cannot prevent firms from going bankrupt, or even relocating. Behind each job there are, of course, both clients and a market.

The emergence of new products, services or businesses entails the creation of new forms of employment, and thus new jobs. Job losses are the natural flip side to this, when an economic activity is in decline. This is nothing new. The biggest social plan of the post-war era has been the Common Agricultural Policy. Even in the agricultural sector, millions of jobs have been lost, despite a plan that sought to

safeguard against redundancies. This led to mass migration, and fundamental changes in the rural way of life.

During the 1970s a different form of economic restructuring was witnessed. In the steel industry, older workers were invited to take early retirement and thus – with apparent common sense – make way for younger workers.

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However, there was a financial contradiction to all of this, how do you pay for those who take early retirement? Since the 1970s this trend has continued, and now the French have the lowest employment rate in Europe of those workers aged 55 to 60, with the consequent loss of know-how this implies. Early retirement now represents a vicious circle that, having deprived firms of a natural process of retirement, has led to an indeterminable series of redundancy packages.

The unwillingness of workers to understand this situation reached boiling point when those taking early retirement became less and less satisfied with job losses in a period of high unemployment. Even if the creation and loss of jobs increases a dynamic and open economy, this should not be trivialised!



For each individual concerned, it is a traumatic experience, a human drama that macro-economic equilibrium neither justifies nor puts right. And this pain, which is all the greater given the strong loyalty and attachment many workers feel towards their job and their company, is growing for two principal reasons. On the one hand, the pace at which industrial change is taking place is accelerating. Before, this was something that could be managed from generation to generation, when individuals retired naturally, or entered the workforce. On the other hand, not only are jobs disappearing due to changes in the market, they are also being relocated in order to cut costs; and this logic is less understandable, even if those who lose their jobs wish, as consumers, for continually lower prices.

This acceleration and globalization cannot be stopped. To the same degree, the shedding of jobs should not take place behind closed doors. Employment should not be considered as just another variable that needs to be adjusted. Here, there are real responsibilities for both the state and the firm. However, despite the misunderstandings that sometimes occur during these dramas, it is important that the responsibility of each party is clear. This is particularly the case in France, where we often tend to demand too much of the state.

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This is a difficult balance to find, as the majority of French fail to understand that a profitable firm may still make people redundant. The '*loi de*

modernisation sociale' (Redundancy Law, also known as the '*Loi Guigou*'), passed in 2001 by the Jospin Government, was designed to reduce this misunderstanding. However, having organised discussions with the social partners over two stages, (a discussion of alternative economic proposal and one about the redundancy and restructuring package), the length of the process was increased.

Hastily designed by politicians alone, it is a model of change that is the inverse of that described above:

There was no coherent vision built around the social responsibility of firms: i.e. safe working conditions, a balance between private and professional life, the opportunity for professional development. Essentially, the central issue is that of maintaining and enhancing the employability of each individual employee. This should be in the firm's interests, as it attracts workers, and increases their loyalty. But, it is when economic restructuring is necessary that this investment and training become most useful: it permits each worker to adapt to their new position, either inside or outside the firm. When times are tough, firms cannot just wash their hands of the problem, and leave each (ex)employee to deal with the situation on their own. Measures to increase professional mobility within the firm, and for the re-industrialisation of the local environment must accompany any necessary restructuring.

Developed without the advice of the social partners, the only consensus that emerged was a general rejection of the bill, by both the trade unions and the employers' organisations.

Drafted in reference to one particular case – *Renault Vilvorde* – it did not draw any lessons from other European practices. Accordingly, the idea of a mediator, interesting in and of itself, appeared without adequate preparation, and suffered due to its overly vague nature – even before the change of government. The list of recognised mediators, which was supposed to have been published by decree, was never drawn up. Each of the key stakeholders found themselves confronted by a process in which they had little interest, and no idea of how to apply.

Poorly timed for the workers, paralysing for firms, the legislation was a false response to a real problem. In time, there will be little left of the process. Recent negotiations have shown it is possible to make win-win decisions. When jobs are lost, it should be possible, through negotiation, to exchange the speed of execution and legal protection necessary for the company, for supplementary funds to increase professional mobility, training and employment.

In parallel to this process, the State should assume its own responsibilities: providing minimal guarantees while encouraging negotiation; framing these in rules that allow majority agreements to be made; providing reliable training instruments; and assuring the quality of public infrastructures and public services.

} Working-Time reduction: a model for modernisation

The process for reducing working-time that has taken place since 1997 developed in two parts (laws), but over five acts.

Act one: During the 1970s and 1980s, negotiations were blocked and priority was given to the employed rather than employment creation.

Act two: Following a series of controversial political discussions the government decided, on 6th October 1997, on its own initiative, in favour of voluntary intervention that would oblige firms to negotiate the reduction of working time; this was followed by a first law (known as the '*Loi Aubry*') in June 1998, which established a timetable for the reforms.

Act three: An exceptional year of negotiations, experimentation, and innovation followed, despite the ideological disputes triggered by the unilateral decision made in October 1997.

Act four: A second law was presented in the summer of 1999, and was passed in January 2000. Originally, it pushed for the transposition of these agreements into national employment law. In addition, major legal innovations were also introduced: annualisation,

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referencing in days rather than hours, flexi-time, majority agreements, referendums within the firm. If the first law was about the 'imposed' 35-hour week, the second was the 1600-hour year, or 217-day negotiated year. This was the last law of the 20th century,



and the first of the 21st.

Act five is in the process of being written. There have been considerable successes, as solutions have been found in many firms that have not caused any notable economic difficulties. However, there have also been failures, for example, on working-time negotiations in hospitals. Also, there are a number of unanswered questions, particularly those concerning SMEs and legal protection.

As far as the process of change itself is concerned, the last five years are particularly interesting, and stand in marked contrast to the previous example.

It is hard to deny the force and precision of the vision proposed: priority was given to employment; negotiations proposed reduced working-time in exchange for increased flexibility; solutions were reached in the firm, but accompanied by agreements at branch level; reduced working-time was financed through new forms of flexibility, productivity gains and wage moderation in order to reduce costs. The setting of a clear objective could also have set an example, if both the government and a majority had unanimously backed it, which was not the case. In its response to the challenge of mass unemployment (more than three million at the time), politics took on a new dimension. It proved well suited to the role, calling the social partners together against the logic of an uncontrolled market.

However, there was no attempt to find and elaborate a national consensus. This was, it is true, particularly difficult, even maybe destined to failure, as, at the macroeconomic level, it simply became a matter of principles and

ideology, where as at the local level one could find solutions. Thus, a violent ideological dispute at the national level co-existed with innovative local consensus. The origins of the process, namely the crisis in October 1997 and the first law, had left their mark. If a few more months had been given over to a national negotiation on rules and procedures, this inconvenience could, however, have been avoided.

Despite its false start, the reform did not stray from its initial objectives, thanks to a process of experimentation and adjustment: pilot schemes were widely implemented; calendars were tailored to each firm; economic strengths and the consequences of the reform for one's way of life we also made explicit. For the first time, 200,000 negotiators had written a 'structuring' law. All of this in such a short space of time. Half the firms had substantially reduced their working-time in less than 24 months. As far as economic history is concerned, it is literally incredible that the acceleration of such a trend took place with real 'confrontation', but without any real negative consequences.

Two observations can be drawn from the success of this reform:

- } The total number of hours worked in France has never been so high, illustrating that unemployment has been the real victim.
- } No one is seriously considering a return to the old system.

This second observation merits reflection on the speed of the reform process itself. The reform was fast, and perhaps necessarily so. It is a bit like riding bicycle; a minimal amount of forward momentum is necessary. In a

while, a third law may well be necessary in order to enrich, adjust and reassure. However, this would only confirm the reality of the changes that the first two have inspired.

} Advice for future reformers

Even if the results of these two projects differ substantially, several common lessons can still be drawn.

The obstacles to change are largely the same: excessive political intervention, an overly ideological approach, difficulties in finding negotiated solutions, and the primacy of the law.

In both cases, the temptation to over simplify, fed by the press and media, was great: permanently searching for simple solutions to complex problems pushed us towards *'prêt à porter'* solutions that were cheap, short term reassurances. The economic environment is, nevertheless, complex, and it is not possible to develop single and simple resolutions. Legislation and negotiations cannot and should not have uniformity as their central objective; rather, their aim should be to promote diversity.

Discussion on the 'SMIC' (minimum wage) is a clear illustration of this almost unhealthy quest for simplicity: in France the SMIC has always been fixed on an hourly basis, and has evolved each year according to the rate of inflation and the average salary. A process was established over several years that attempted the impossible. It tried to succeed on every issue, whatever the cost, irrespective of the firm's timetable for negotiation, for a similar full time income.

On this point, the second law on working-time was extremely practical. It

was not content with a simple guarantee against the reduction of the salaries to the level of the SMIC, it also refused to raise the SMIC itself – a measure that would be as useless as it was costly, and one that would send everyone back to the drawing board.

The fact that this question has remained largely theoretical has not

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deterred numerous commissions from attempting to square the circle!

Discussion on the means available for avoiding job losses, or stimulating employment are often based on simplistic understandings of the labour market: a stable labour market with an annual increase of some ten thousand jobs and salaries that don't change. It is far more accurate to view the labour market as an immense brownian movement. Analysing the flux is always more important than analysing stocks. A single example is sufficient to illustrate this phenomenon: each year in France, more than 5 million people change or leave their jobs. The level of mobility, evidently much higher in the service sector than in industry is, year after year, 35 per cent.

The concept of flexibility is also largely misunderstood. In the Anglo-Saxon culture flexibility is defined, codified, and organised, as the norm is to refer to official policy. In the Latin culture, flexibility goes without saying, and exists without necessarily being codified; indeed any attempt to make this flexibility explicit is likely to pose problems. For example, trade unions which accept different working hours



according to the seasons, will still oppose the concept of annualisation! The country, which is, historically speaking, the most rigid in terms of the organisation of work is the United Kingdom. One can witness, for example, how behind the times it has become over the last 30 years with regard to ‘fixed’ forms of employment. Few countries are as advanced as France when it comes to the annualisation and rationalisation of working-time. When it comes to professional and geographic mobility, there is not a great deal of difference between the developed countries.

That France is as, if not more, flexible than others does not mean that it does not have its own specific problems: in particular the heavy role of the state vis-à-vis the labour market. Insufficient negotiation is clearly a corollary of this. Here, then, the creation of free spaces, and the generation of novel social practices capable of building consensus are of up most importance. One of the lessons from the reduction of working-time is the difficulty entailed when trying to organise, in a legal framework, the form of experimentation necessary for redundancy packages. Giving a legal status to such experimentation that does not contravene constitutional rules, in particular the principal of equality should nevertheless be possible.

This is a precarious balance. Systems such as the US, where the law is minimal, also illustrate the risk in over regulating social relations. The second working-time law opens, from this point of view, a conflict between the law (which predominately favours negotiation) and the judges (who generally do not hesitate to disown the social partners, thus ruining the

foundations of negotiations). More than flexibility, this law needs protective mechanisms.

The strengthening of these agreements requires legitimacy from both the agreement itself and the actors that sign them. One of the major advances with the second law is the introduction of the notion of majority agreements and referendums, which in and of themselves can provide a solid base for change.

As a consequence, it is clear that politics is not the only means of expressing one’s choices: majority agreements, referendum, and individual choice in the framework of a collective agreement. Despite the general arrogance of politicians, they still need such intermediary bodies.

In the two examples we have analysed, politicians seem to have been tempted to seize the problem without bothering to listen to trade unions. This is all the more paradoxical given that, when attempting to reduce working-time, the French Socialist Party opposed the reform while the majority of the trade union movement supported it. This irony of history was only possible thanks to their surprise victory in 1997.

Finally, an analysis of the process of change must also be and analysis of the diffusion of social norms. On the economic front, norms are spread themselves through the rules of the market. On the social front, they do not develop in and of themselves; social progress is not spontaneously contagious. These norms must be diffused by regulation and rating. The recent announcement regarding the establishment of a European Social Rating Agency is, in this context, excellent news. }

Yves Barou is Senior Vice President and Director of Human Resources at Thales. He was previously Deputy Head of Cabinet to the then French Minister of Employment and Solidarity, Martine Aubry, where he was the architect of the 35-hour working-time reform.