

Changes to labor code: French Companies Have Newfound Freedom ... to Fire

Wednesday 24 January 2018, by [ALDERMAN Liz](#) (Date first published: 23 January 2018).

PARIS — The announcements came in a steady drumbeat. Around 1,300 job cuts at France's biggest automaker. At least 2,500 at France's largest supermarket chain. Over 200 sought at a major clothing retailer. And thousands more are on the way.

Just weeks after France's labor overhaul went into effect, companies are readily taking advantage of new rules that make it easier to hire and fire. But the other changes, those designed to help cushion the blow like retraining programs, haven't been put into place yet, leaving workers vulnerable to a coming wave of downsizing.

The changes to the country's voluminous labor code [\[1\]](#) are part of a broad push by President Emmanuel Macron to revive growth and steer France toward a Scandinavian-style economic model known as "flexible security." [\[2\]](#) But the initial imbalance between employers' rights and workers' protections means the economic picture could get worse before it gets better.

Unemployment, persistently stuck at more than 9 percent for nearly a decade, could rise in the coming months. Unions, already dubious of the overhaul, may grow impatient if the government doesn't follow through on its promises to workers.

"Right now it's flexibility, and no security," said Jean-Paul Fitoussi, an economics professor at the Institut d'Etudes Politiques de Paris. "Companies will do everything they can under the new law to maximize flexibility and facilitate the firing of people."

Perceptions of France, long derided as a difficult place to do business for its onerous labor rules, are changing.

Growth has recently picked up after being stagnant for nearly five years. And there are signs that the changes, a major piece of the president's economic program, are drawing the interest of investors.

Amazon will open a new distribution center south of Paris this year, creating over 1,000 jobs. Facebook and Google announced Monday they would invest in artificial intelligence development in France. Also Monday, Toyota announced it would invest 300 million euros, or \$367 million, to increase capacity at a plant in northern France, creating up to 700 jobs through 2020.

"The complex labor laws have historically been the No. 1 obstacle to the competitiveness and attractiveness of France," said Olivier Marchal, the chairman of Bain & Company France, a business consulting firm. The changes, together with other business-friendly measures such as a gradual reduction in the corporate tax, have "drastically changed investor perceptions," he said.

The transition, though, is off to a halting start.

Mr. Macron wants to invest more than €15 million in programs to improve public and private

retraining that have had only mixed success in recent years at ushering the jobless back into employment. Lawmakers won't vote on the measures until the spring, and any improvements are expected to take months, if not years, to bear fruit.

That layoffs are being announced before this crucial part is done has fueled suspicion among organized labor. And while new jobs will eventually be created, many unions worry the changes are a ploy to strip away worker protections — and their own power. In the last several weeks, the country's most ardent trade organizations have vigorously opposed such plans, with differing results.

The new rules tip the balance of power from workers to employers. Businesses have been reluctant to hire because it was difficult to shed workers. Employers have turned en masse to precarious short-term contracts to fill the gaps.

Now, companies will be able to negotiate job cuts and restructurings through voluntary departures directly with labor representatives inside the business, rather than under strict industrywide collective bargaining agreements. Multinationals can downsize loss-making French operations more easily, even if the overall business is profitable. Companies will face less risk of legal action over dismissals, and can hire new staff immediately, rather than waiting.

The government has portrayed the changes as continuing to protect workers. When Pimkie, a struggling fast-fashion chain whose parent company is profitable, sought hundreds of voluntary buyouts, unions and workers rejected the proposal as insufficient [3]. Managers must now go back to the negotiating table until payout terms satisfactory to the unions are reached. And unions will negotiate with management over the terms of at least 2,500 voluntary departures being pushed by the retail giant Carrefour.

Yet the measures clearly give companies more flexibility. PSA Group, which makes Peugeot and Citroën cars, will offer 1,300 voluntary buyouts to older workers. It will fill most of those vacancies with younger, less expensive employees on full-time contracts after most unions approved the plan [4], originally unveiled last year. PSA will also offer 2,000 low-paid apprenticeships to young people.

Pierre-Olivier Salmon, the head of corporate information at PSA Group, said the carmaker is looking to bring in a new generation of workers with the digital and programming skills needed to develop projects like electric cars and future technology for the automotive industry.

Yet most of the positions affected in this round are white-collar posts, such as administrative assistants, communications personnel and those in research and development.

That is seen as hardly a positive by some of France's unions. They are concerned that the outcome at PSA will be replicated by other companies seeking to shed protected workers, and at most bring in a new generation of cheap labor.

"This is a means for companies to get rid of employees with seniority, and therefore considered too highly paid, while at the same time recruiting precarious and disposable workers," Philippe Martinez, the secretary general of the General Confederation of Labor [5], said in a statement while the negotiations at PSA were being carried out. The union, which spearheaded raucous street demonstrations last year to protest the coming labor law changes, was one of the two that voted against the carmaker's plans.

The new measures may also have the effect of pitting labor groups against one another — a development that could work in Mr. Macron's favor.

While Mr. Martinez's organization has hewed to a hard line, it is having to contend with another union, the increasingly influential and more moderate French Democratic Confederation of Labor. That group's leader, Laurent Berger, has pushed for a more flexible approach as the forces of globalization redraw the competitive landscape [6].

His union hailed last week's agreement at PSA, saying it was "not a danger for employees," but "an opportunity for those who want it."

Under that deal, the older workers are being offered generous terms to take the buyouts. And at a time when youth unemployment in France is stuck at nearly 25 percent [7], the automaker's simultaneous hiring spree will give thousands of young people a path to work.

Yet there is also little doubt that the restructuring will benefit PSA Group's bottom line: Incoming young workers won't be paid nearly as much as those heading out the door.

"The main point is not to reduce costs," Mr. Salmon of PSA insisted. "It's to meet new challenges."

Whatever the case, last week's announcements of job cuts will likely be followed by others, providing a test for Mr. Macron. He campaigned for the presidency with pledges to make France more dynamic, but not at the cost of unraveling its social welfare model.

The challenge is not lost on his rivals.

"This labor law allows big companies to fire more quickly and easily," Marine Le Pen, the leader of the far-right National Front, wrote on Twitter. Ms. Le Pen, who unsuccessfully challenged Mr. Macron last year in the presidential runoff, added: "The human dramas will multiply."

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Correction: January 24, 2018

An earlier version of this article misquoted a statement from Philippe Martinez, the secretary general of the General Confederation of Labor. He said, in part, "This is a means for companies to get rid of employees with seniority," not "This is a means for companies to get rid of low-cost employees with seniority."

P.S.

* NEW YORK TIMES. JAN. 23, 2018:

<https://www.nytimes.com/2018/01/23/business/france-labor-jobs.html>

A version of this article appears in print on January 24, 2018, on Page B1 of the New York edition with the headline: Newfound Freedom ... to Fire.

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Footnotes

[1] <https://www.nytimes.com/2017/08/04/world/europe/emmanuel-macron-france-economy-labor-l>

[aw.html?_r=0](#)

[2] <https://www.nytimes.com/2017/10/26/business/france-labor-reform-economy-macron.html?mtrref=www.nytimes.com&gwh=9B722155AD9F54CFE075FA667F86405A&gwt=pay>

[3] <http://www.lefigaro.fr/societes/2018/01/08/20005-20180108ARTFIG00311-pimkie-se-resout-a-f-ermer-37-magasins-et-a-supprimer-207-postes.php>

[4] http://abonnes.lemonde.fr/economie-francaise/article/2018/01/18/psa-une-majorite-de-syndicats-donne-son-accord-a-un-projet-de-rupture-conventionnelle-collective_5243572_1656968.html

[5] <https://www.nytimes.com/2016/06/19/world/europe/a-commitment-to-class-conflict-drives-leader-of-french-labor-unrest.html?mtrref=www.nytimes.com&gwh=0DC151F3917490547B1F464B3125D39C&gwt=pay>

[6] <https://www.nytimes.com/2017/06/20/business/macron-france-labor-union-laurent-berger.html?mtrref=www.nytimes.com&gwh=B2394EDC38C96D545CDB12B6C828F3EE&gwt=pay>

[7] <https://www.statista.com/statistics/266228/youth-unemployment-rate-in-eu-countries/>