France Addresses Unemployment with Different Approach

By Stephanie Overman

GlobalHR

In today’s flexible global economy, France follows the beat of its own drummer. A French law reducing the workweek from 39 to 35 hours, without any reduction in pay, went into effect in January.

French proponents argue that the reduced workweek creates more jobs because companies have to hire more workers. They see the plan as a remedy for the country’s 12 percent unemployment rate.

Critics say that companies are not going to hire more workers to compensate for the shorter workweek, but will have to absorb increased labor costs because of the need to pay more overtime.

A French employers’ coalition—Mouvement des Entreprises de France, known as Medef—argues that the shorter workweek will actually destroy jobs by making the country less competitive. Medef says French employees already work less than the European Union average workweek of 40.4 hours.

And French unions have expressed concerns that the law will allow companies to reorganize the way they do business, speed up production and limit salary increases.

The law covers companies with more than 20 employees. The next stage of the plan will require French businesses with fewer than 20 employees to introduce shorter hours.

U.S. business analysts Edward Potter, president of the Employment Policy Foundation in Washington, D.C., and Delos Smith, senior analyst with The Conference Board in New York, see few advantages to the French strategy.

Smith, in fact, expects a backlash. Instead of helping to reduce the high unemployment rate, the workweek reduction will lead to “just the opposite,” he predicted.

“Companies are hunting for an exit. A lot of companies are leaving the country. They are building operations in North America and in other parts of Europe. Multinational companies want all the flexibility they can get, [not] rigid rules for their labor force.

“It’s their culture. It’s a culture problem, from our point of view. It’s a rigid political system and social system,” Smith said. In Germany, which has the same type of rigid employment system, an exodus is under way, he explained.

Potter agreed with Smith that companies want—and need—flexibility and that, if they don’t get it, they will move to other countries.

“In Europe there are higher flexibility-lower wage countries, such as Spain, Portugal and Greece,” he said.

“I see no domestic policy law impact,” Potter continued. “While there are always complaints about Americans working too hard, the actual data show that it’s not much different than it was 20 years ago. It’s about a 10th of an hour higher.”

In the United States, which has many dual-earner households, employees’ concerns focus on the quality of work life and flexibility for workers who need time off to care for children or elderly parents, Potter explained.

The new strategy in France “doesn’t have anything to do with the quality of work life. It’s an approach to create jobs, but the jury is still out on that,” he said.

Potter said it will be difficult to measure whether the new French law helps to create jobs, especially since “overall, European economies are doing better anyway” and can expect to see job growth.

Jacqueline Grapin, president of the European Institute in Washington, D.C., and that for U.S. companies operating in France it is not only a matter of implementing the new law, “but also managing the negotiations which result for the need to discuss how to practically limit the workweek.

“Some find that it is an opportunity—welcome or not—to discuss many other social issues,” Grapin said.

But Potter noted that when U.S. expatriates work in another country as managers and executives, “they work on the American plan, not on the other country’s plan. The 35-hour workweek in France wouldn’t affect them directly. They will continue to do what they do. I think even French executives give the new law a wink and a nod.”

And U.S. operations of French companies do not necessarily follow the French lead. Jacques Bramhall, vice president and director of human resources for T-Fal in Pine Brook, N.J., said employers in the United States are not moving to a shorter workweek.

In fact, said Bramhall, “we’ve headed in the other direction. A year and a half ago we changed our hours from 35 to 38 per week. The tendency in our company is to take our cues from companies of similar size in the countries we are operating in.”

T-Fal, which manufactures cooking equipment, operates in 135 countries. “Each operation needs to be competitive in the market it operates in,” he said.

In the United States, for example, “we have found a middle ground. We’re a little more generous than American companies but not as generous as the French when it comes to vacation. Employees get four weeks in five years, instead of in 10 years,” Bramhall said.

The Conference Board's Smith said France "is going down the wrong road."

There's a great difference between France and the United States in the two nations' approach to employer and employee rights, he explained.

"We [in the United States] have accepted layoffs as part of the process, while France has totally rejected that. It's logical that if the United States has the kind of flexibility where a company can have layoffs with no penalty from the national government, a company is going to want to come here," he said.

In France, Smith said, "they think our system is a problem because it allows people to be poor and hungry and is so competitive. In France people receive benefits throughout their life, while our safety net is much more fragile. It's different points of view.

"We'll have to see if their formula works," Smith said, adding, "It's no longer a U.S. company or a French company—it's all over the world."

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