

Industrial relations and enterprise restructuring in France

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In all market economies the decision to restructure an enterprise is a management prerogative, but in France the plant-level statutory bodies representing the employees have to be consulted about its social implications. Our main purpose here is to analyse the interactions that exist between management decisions and workforce consultations or, more precisely, the attitude of management towards such consultations, particularly in recent years when management theories have argued that the human factor should be an integral part of strategic decision-making. This of course means looking at the way the hitherto highly centralised French system of industrial relations is reacting to enterprise restructuring.

We shall examine the consultations and negotiations entered into between management and labour on the occasion of restructuring programmes in three enterprises operating in very different socio-economic contexts. We have chosen these three because, although not representative of French enterprises as a whole, the approach they have adopted is based on the new theories and the bodies representing the workers have had a say in the outcome.

The multidisciplinary standpoint from which we shall be examining these questions calls for some preliminary remarks on the strategic nature of restructuring, its causes and the new management theories. The case studies will show how these theories have influenced practice and how the two sides of industry have reacted to change. We shall then explore the diversity of restructuring arrangements and their social effects, as well as their impact on the French industrial relations system.

1. The place of the human factor in restructuring decisions

Restructuring is a major change in the economic strategy of an enterprise that affects its markets, products, production processes and relations with other firms (mergers, formation of subsidiaries, equity

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participation, alliances, etc.). The purpose of a restructuring programme is to secure strong and tenable positions on the markets open to the enterprise when changes in economic circumstances have threatened its long-term development or even its survival. To be sure, there is nothing new about remodelling the industrial structure of a market economy but the scale and pace of current changes have called in question the traditional methods of enterprise management developed in a context of growth with full employment.

The causes of restructuring are many and varied: a persistently unpredictable and complex economic climate, a new international division of labour, the increasingly shorter life span of technologies. The introduction of new technology is in fact only one of numerous elements of international competition that can undermine economic positions once thought to be secure, not to mention the effects it has on employment: it is a means deliberately used by the technological leader to change the rules of the game so that the other players have to follow suit or give up.¹ Government economic policy can be another cause. Even during periods free of strict budgetary and monetary controls, French industrial development has been marked by intervention on the part of a mercantilist State: post-war reconstruction plans, the establishment of the Common Market, industrial concentration designed to preserve national independence, regional restrictions on private enterprise investment, the 1982 nationalisations, the restructuring of entire branches in 1983 as part of industrial rationalisation policies, the privatisations of 1986. Since the onset of the crisis such direct state intervention, intended to combat structural unemployment, has been marked by a number of U-turns and has been a source of additional uncertainty for enterprises.

Previous planning methods² and scientific management practices have been rendered obsolete by the complexity and unpredictability of today's industrial climate. The new theories regard the human factor as a durable source of development because of man's unique capacity to apply intelligence and judgement to deal with complex and unforeseeable situations, to learn from experience, to adjust readily to mishaps, to create and invent. Human resources are seen as the principal lever of lasting economic success since they are less exposed than clients, products and technology to the pressures of competition. All of this has resulted in a new approach based on the notion of the "core" activity. This reflects the enterprise's expertise (skills, technical know-how and market intelligence) acquired through experience and training, or founded on a technological lead gained through research and development. It draws on individual and collective skills that have been thoroughly analysed in order to determine specific advantages which the

¹ J. Morin: *L'excellence technologique* (Paris, Publi-Union, 1985).

² R. L. Ackoff: *A concept of corporate planning* (New York, John Wiley and Sons Inc., 1970).

enterprise has over its competitors, and transforms the nature of strategic choices: moves to establish purely financial holding companies are relinquished in favour of a reconcentration on the core activity to the exclusion of marginal activities: the choice is whether to do the work or farm it out, to branch out or to gear its expertise to new product markets.

The sequence of events in the decision-making process is also altered. Previously, strategic positions were based solely on technical and economic criteria, and the labour factor was dealt with *a posteriori* from the logistical standpoint, belated consultations being sometimes held as well with the workers' representatives. In the new approach the human factor is explicitly included from the very start: job analysis in the broad sense is one of the bases for scenario-building. The scenario evaluation stage takes account of what the workers will be likely to accept, proposals they might oppose, the required periods of notice and the expected training arrangements. At the implementation stage, the uncertainties of the economic climate make it extremely difficult to guarantee the success of the strategy: unable to impose a detailed plan and a complete standardisation of tasks, the enterprise has to rely on the intelligent initiative of the workforce, which presupposes its support for the decisions taken. While these theories may recommend strategic participation of the workers from the earliest planning stages for the sake of efficiency,³ they have nothing in common with current thinking on industrial democracy and in fact do not explicitly involve industrial relations *per se*.

The final decision on restructuring is the result therefore of a tacit social compromise arrived at in a difficult economic environment. Owing to the age and background of the majority of heads of enterprises, this new approach is not very widespread in France. It relies upon entrepreneurs' ability to think ahead: some are alert and act in time while others, prisoners of past success, wait too long for a return to a golden age and then proceed to apply surgical measures whose negative social effects can later be blamed on the urgent nature of the rescue operation. The tardiness and improvised nature of so many restructuring operations partly explain why they have become synonymous in France with unemployment, whereas they could have positive, job-creating effects, as one of our examples demonstrates. The restructuring process must therefore allow for some form of consultation or negotiation if the workers are not to be treated as mere objects. As regards redundancies and the conditions of employment of the workers retained in the enterprise, such involvement has been the subject of national multi-

³ P. F. Drucker: *Innovation and entrepreneurship. Practice and principles* (New York, Harper and Row, 1985); F. J. Jalbert: *La ressource humaine, atout stratégique* (Paris, Editions de l'Harmattan, 1989); C. Piganiol: *La participation directe des salariés aux changements stratégiques: cas d'une entreprise d'équipement électro-nucléaire française*, Paper presented at the 2nd European Regional Conference on Industrial Relations, Tel Aviv, 14-17 December 1987.

industry bargaining, but only very unevenly at the other levels of collective bargaining, as our three case studies show.

2. Three case studies of restructuring

A building enterprise

The building industry differs significantly from the others in numerous ways – as regards the nature of the enterprises and their activities, the status of the workers, personnel management methods and industrial relations. There are basically two different types of enterprises: a few big prime contractors and a great many specialised subcontractors (small enterprises or self-employed workers) who are also dominated upstream by the suppliers of building materials, themselves highly concentrated.⁴ The industry exports very little and is protected against foreign competition by the arcana of French law: its structure can be likened to an “oligopoly with offshoots”.

For the past ten years budgetary austerity and monetary control have considerably reduced the industry's turnover even though the nation's housing needs are still far from satisfied. It is estimated that 300,000 jobs⁵ have been lost through the liquidation of small enterprises, without causing a public stir owing to the extreme fragmentation of the industry and the little attraction felt by the French for the building trades.

Apart from a small number of skilled jobs in the prime contracting enterprises, the industry's labour force is made up largely of unskilled workers subject to great geographical mobility, having little job security and often no work permit; 84 per cent are spread among the subcontractors. It is the sector that employs the largest number of migrant workers and has the worst occupational safety and health record in France;⁶ very little initial training is provided and no certificates are awarded for training acquired on the job. Many enterprises fail to comply with the minimum statutory requirements in respect of continuous vocational training.⁷ And yet the lack of skilled workers is an impediment to the spread of new building techniques, and a handicap for France faced with the establishment of a single European market in 1993.

⁴ M. Quellenec: “La sous-traitance gagne du terrain”, in *Economie et statistique* (Paris, Institut national de la statistique et des études économiques), May-June 1987, pp. 27-42.

⁵ P. Corbel et al.: “Les mouvements de main-d'oeuvre en 1985”, in *Economie et statistique*, Nov.-Dec. 1986, pp. 17-26.

⁶ Institut national de la statistique et des études économiques (INSEE): *Tableaux statistiques Travail-Emploi-Formation de 1986* (Paris, La Documentation française, 1988).

⁷ P. Jansolin (ed.): *Statistique de la formation professionnelle continue financée par les entreprises (Traitement des déclarations d'employeurs n° 2483), années 1985-86* (Paris, Centre d'études et de recherches sur les qualifications, La Documentation française, 1988), pp. 49, 105 and 111.

Industrial relations are not highly developed at the national level. On the employers' side, the National Federation of Building Contractors (FNB) broke ranks in 1982 with the National Federation of Public Works Contractors (which has established an innovative system of protecting workers against the effects of restructuring). The FNB defends the economic interests of its members by fighting against taxes or social charges that are too onerous for the fringe of small enterprises, despite the social dumping that is rife in the industry. On the workers' side, the trade unions are affiliated to five national confederations but enjoy little local support: unable to field candidates in the few enterprises subject to the statutory obligation to hold elections, they cannot gear their activities to the specific needs of the building trade. The working-class ideologies of the confederations clash with the spirit of traditional labour relations inherited from the Middle Ages. The FNB, having a powerful voice within the National Council of French Employers (CNFP), is able to obtain dispensations from the multi-industry agreements and even from certain laws.⁸ Administrative supervision of the implementation of the social and labour legislation is rendered ineffective by the mobility and short life span of building sites as well as by the nature of such loosely structured enterprises. Joint bodies or institutions were set up at the national level in 1947: funds for paid holidays and unemployment due to bad weather, and an Occupational Safety Agency for the Building Trades and Public Works. Despite its considerable financial means, this Agency is represented in the field only on large sites where there is an inter-enterprise health and safety body composed of the various employers. The occupational health, safety and working conditions committees provided for in French ordinary labour law⁹ have existed in building enterprises only since 1985.

Until very recently the building industry had not been covered by any collective agreements: the last national agreement, which was not extended, dated from 1966.¹⁰ Although the social partners have been compelled by the Government to conduct negotiations on several occasions since 1983, it was only on 26 June 1989 that a national industry-wide agreement was signed. In the event of lay-offs on completion of construction, certain ordinary labour law provisions are now applicable to building workers, including those governing notice, consultation of worker representatives, retraining contracts and preference in rehiring.

The SCIC (Société centrale immobilière de la caisse des dépôts et consignations), which was set up in 1954, is a private subsidiary of the Caisse

⁸ The legislation governing redundancies (section L.321-12 of the Labour Code, the Act of 30 December 1986 on retraining contracts and the Act of 2 August 1989 on redundancies for economic reasons and retraining rights) does not apply to lay-offs on completion of construction work.

⁹ "BTP: le changement dans la continuité", in *Travail et Sécurité* (Paris, Institut national de recherche et de sécurité), June 1988, pp. 326 ff. See also note 6.

¹⁰ Commission nationale de la négociation collective: *Bilan annuel de la négociation collective: 1987*, rapport du ministère des Affaires sociales et de l'Emploi (Paris), 28 June 1988.

des dépôts et consignations (Deposit and Consignment Office), a sort of central bank for the savings banks and one of the biggest financial institutions in the world. The SCIC is the largest property developer in Europe, managing 450,000 private or government-subsidised low-income dwellings. It also manages 200,000 moderate-rent flats, an activity which runs at a loss but counts as a public service. It has a workforce of 5,000, of whom 3,000 are employed in managing the moderate-rent flats. Conditions of employment are above average for France and thus in a class of their own in the building industry.

The restructuring of the SCIC was occasioned by the slowdown in public investment in low-income housing, the drop in the effective demand for private housing caused by the squeeze on credit and, indirectly, the entry into the property development market of large public works enterprises faced with falling orders from abroad. In 1982 the SCIC had 11,000 unsold dwellings on its hands, which entailed a loss that was deemed unacceptable by its public shareholder, the Deposit and Consignment Office (CDC).

The requirement that it run at a profit is new for the SCIC, whose links with a powerful time-honoured public institution had generated a bureaucratic apparatus and a sense of security that blinded it to the evolution of its economic fortunes. For the first time in its existence the SCIC found itself forced to carry out market research and look for openings suited to its basic activity. It decided to disengage gradually from the housing market and concentrate on industrial real estate, public buildings (hospitals, prisons, police stations, etc.) and amusement parks. It has not been allowed, however, to give up the management of the loss-making moderate-rent apartment blocks. Consequently, with both lines of business to contend with, it has been obliged to improve its competitive position by reorganising: the enterprise has been divided up into several legally separate companies, each responsible for a specific activity, and linked by customer-supplier relationships calculated to increase its competitiveness. The employees have been regrouped on occupational lines in the new companies. Mobility causes no problems at all since it has always been a feature of the enterprise.

The first social consequence of this restructuring was a 20 per cent reduction, spread over three years, in the workforce not engaged in the management of the moderate-rent flats. This reduction, which was not as much as the drop in the company's turnover and thus leaves it a margin for responding quickly to a future upturn in the market, took the employees by surprise since they were accustomed to thinking of themselves, like public servants, as having job security for life. The social plan, financed by the public shareholder (the CDC), encountered no opposition at all from the workforce. Under the regulations governing the National Employment Fund, the SCIC offered employees early retirement at 56 years of age and retraining leave. In addition, it offered special assistance for those who wished to set up in business on their own and also sizeable voluntary redundancy payments (up to one year's pay). The negotiation of those

payments on a case-by-case basis paved the way for a number of resignations.

The social plan was formally negotiated with the statutory staff representatives, whose role has always been respected in the SCIC even though trade union influence there is very slight. In fact, the representatives carry no weight with the workforce and, during meetings with the employer, they seldom have concrete arguments to put forward in support of their position. Their opposition, purely verbal, is based on ideological criticism of the capitalist system and is not directed towards specific problems within management's power to resolve. It is significant that the redundancies and closures of establishments – subjects on which the militants could well have pushed demands – did not give rise to a single dispute or any resistance on the part of the employees.

This climate of industrial peace is the result of an intensive policy of communication conducted by the management since 1984 via the publication of an enterprise manifesto and the company's development plan. The management holds meetings of the entire staff and open discussions with the staff representatives within the works committee. This policy of openness has enabled it to justify its economic and social decisions to the satisfaction not only of the workforce but also of its representatives, who have not challenged management's arguments. Their disagreement with the staff cutbacks was evinced only by an automatic refusal to endorse the management's decisions.

The SCIC intends to pursue this policy of communication in order to build up a new corporate identity and enlist the workers' active support in achieving the new economic objectives set in the light of growing competition and the forthcoming opening up of the European market. The company is planning to introduce an employee profit-sharing scheme.

While this case cannot be regarded as representative of the industry since the enterprise departs from the norm in many respects, including the economic power of its public shareholder, the nature of its activities, its size, and the skills and attitudes of its workforce, nevertheless it enables us to analyse the influence of industrial relations on the restructuring of an enterprise. The restructuring and the accompanying social plan were worked out and applied entirely by the employer, without any intervention by the trade unions. Although statutory bodies representing the workers exist in the enterprise and management was prepared to engage in a constructive social dialogue, the weakness of the trade union representation has reduced these bodies to a mere cipher. Moreover, the sizeable benefits granted to the redundant workers were sufficiently attractive to undermine any attempted opposition to the social plan.

The steel industry

In contrast to the preceding case, industrial relations in the steel industry not only have exerted influence on its restructuring, but have cushioned the social effects and led to major innovations.

Even before the onset of the 1974 recession this heavy industry was plagued by overcapacity and overmanning. Having habitually pursued a strategy of full-capacity production, the management of the then private sector enterprises realised too late that the recession was going to last. Since then a series of restructuring operations have been carried out as a result of direct state intervention: assumption of financial control in 1979, nationalisation in 1982 and decisions to limit investment to specified geographical areas. In 1984 the board of directors appointed by the Government regained some autonomy in running the industry. In 1986 the Government appointed a common chairman and general manager to head the two nationalised groups and abolished all competition between the enterprises with a view to establishing an internationally competitive industry. The restructuring process thus covers the entire industry.

The trimming of production capacities and the modernisation of plant proved to be a difficult operation because of strong union opposition. The majority of workers employed in the big steelworks are members of the five major French confederations (50 per cent belonging to the General Confederation of Labour, the CGT). Their trade unions, inheritors of the workers' struggles against the steel barons in the nineteenth century, are combative and had been successful in the past in obtaining decent wages and social security benefits. The geographical location of the steelworks, close to mines or ports, had created regional basins of single-industry employment: plant closures ran the risk of turning certain regions into disaster areas, especially the North and the East, which were bastions of different and competing political parties. Riots in the provinces and Paris and pressure on politicians were combined with strikes in an effort to block the restructuring measures and then, after accepting their inevitability, to contest the geographical areas to be affected.

The restructuring had a severe impact on employment – 200,000 jobs lost in 1979 and 96,400 in 1986 – but a very healthy effect on personnel management methods. Modernisation brought with it improvements in safety and health and also the need for training in the new technologies and for upgrading skills. Regular lines of communication were opened between management and labour to inform the workforce about what was at stake in the enterprise and to win their support for the restructuring process. Quality circles were introduced in some units in 1980, with “direct expression” groups being added in 1982 and workshop or office councils in 1983. Faced with powerful trade unions, management made a point of consulting them extensively and as a result the open opposition of the past gradually gave way to a concerted search for workable solutions. The socialist Government of

the time did much to ease this process: it appointed the directors, it enjoyed the confidence of the trade unions and it provided the funds.

There was a marked change in industrial relations after 1982. The old employer mentality disappeared, and the trade unions recognised that there were limits to what they could demand and that nationalisation did not provide all the answers to economic problems. Management discussed the situation with the unions, explaining the industrial decisions and the reasons for taking them. This policy of openness on the part of the employers and the State induced the unions to take a more realistic attitude about the sacrifices necessary to ensure the survival of the industry. National tripartite bargaining culminated in the conclusion of "social protection" (redundancy) agreements in 1984 (for manual workers, office staff, technicians and supervisors) and in 1985 (for managerial staff) which facilitated labour shedding thanks to extremely favourable compensation arrangements financed by the State. These arrangements were supplemented by local agreements in many enterprises.

The negotiations leading to these agreements focused primarily on the compensation and social protection of the workers to be laid off. A high level of protection is beneficial to redundant steelworkers and also has an indirect effect on the volume of employment: the higher the cost of layoffs, the smaller the advantage to be gained from them. The 1984 agreement allowed redundant steelworkers to retain all of the social security benefits granted to those still employed (survivors' benefit, supplementary pension, housing, social services) and provided for a number of different labour-shedding methods combined with income guarantees far above the statutory norm: early retirement at 55, deferred-benefit retirement at 50, retraining for workers under 45 (two years' training and two outside job offers), and voluntary redundancy payments or repatriation grants for immigrants. The social protection funds were to be administered by joint bodies at the national and regional level and in the enterprise.

Collective bargaining also resulted in supplementary enterprise agreements to adjust the conditions of employment of the steelworkers who were being kept on. Depending on the enterprise, these agreements provided for reductions in hours of work, cuts in pay or individualised wages, profit-sharing, interim compensation to offset pay losses in the event of transfer, and vocational training when new technology was introduced.

In Lorraine a tripartite consultation group, backed up by three tripartite area committees, co-ordinated local job-creation projects and did all it could to mobilise public or private support. Some enterprises set up regional industrialisation companies in 1982 with a view to attracting new activities to the depressed areas. The steelworks took the initiative in setting up new arrangements: a steel industry employment exchange to encourage transfers rather than new recruitment, and individualised vocational guidance with the participation of some militants.

All in all, the difficulties in which the French steel industry found itself produced irreversible changes in its pattern of industrial relations: the new directors have transformed staff management methods and have won a degree of acceptance from the employees and trade unions that would have been unimaginable ten years ago, while the trade unions have shifted from a hard-line ideology of class struggle to greater realism in defending the workers' interests; the State has extended some of the arrangements arrived at in the steel industry to all wage earners, subject to a few adjustments.¹¹ Public opinion, once solidly behind the desperate struggle of the steelworkers, is now less responsive to the ideological arguments of the trade unions when they seem to stray from economic realities.

The new general agreement on social protection, signed in July 1987 after the change in the parliamentary majority, extends the essential points of the 1984 arrangements up to 1991 but with a slightly lower level of compensation, and envisages their becoming part of ordinary labour law in ten years' time. This likely scenario, which has not been challenged now that the Left has returned to power, testifies to the exceptional advantages won by the steelworkers' struggle.

An industrial electronics enterprise

The French industrial electronics industry, the third largest producer in the world, makes a profit from its foreign trade and appears to have excellent long-term development prospects. Though it is an industry subject to the uncertainties of technological innovation, its high value added enables firms to offer extremely favourable conditions of employment to a highly skilled workforce.

The State is the principal client because of military contracts, arms exports and French participation in international programmes (Strategic Defence Initiative, European Space Agency). Only a quarter of the industry's turnover is accounted for by civilian applications of its products, a field in which there is fierce international competition. The industry is dominated in France by a few large nationalised enterprises which have long been engaged in this type of activity.

Industrial relations follow the pattern of the metalworking and mining industries which, owing to the numbers employed and the range of activities covered, constitute the single largest bargaining unit in France. The metalworking and mining sector has established joint committees on employment (1973) and working conditions (1976); they are not empowered to make rules or regulations but are essentially discussion groups for studying developments in science and technology and their effects on employment and

¹¹ Under the Act of 30 December 1986 a retraining contract is offered to every worker laid off for economic reasons (except in the case of building sites). Under the 1989 Act on redundancies for economic reasons, workers laid off are entitled to a training grant.

working conditions, and indirectly lay the groundwork for collective bargaining. Bargaining is very active: in 1987 ¹² several national agreements were concluded or extended, while additional clauses to regional agreements and works agreements registered increases of 21 and 22 per cent respectively. The industrial electronics sector has no national body of its own and bargaining is carried out in the enterprise, with negotiated labour standards generally being superior to those of the metalworking and mining sector.

Electronique Serge Dassault (ESD) is a private company that was established in 1963 as part of a "hiving off" process following a diversification of the Marcel Dassault aircraft company begun in 1955. As a relative newcomer to the sector, ESD is not as big as the leading French electronics companies. Its history is studded with technological innovations, the only way open to it for carving out a niche in the market. Its workforce has risen from 1,100 in 1963 to the current figure of 4,000 and it provides employment indirectly to about the same number of workers in the employ of its subcontractors.

ESD specialises in the design and manufacture of electronics for military equipment – homing heads for missiles, computers, radar, defence systems controls and advanced communications systems. It designs products, produces prototypes and prepares for their industrial manufacture by specialised subcontractors, exercises quality control and assembles the finished product. It has the highest concentration of brain power in its field: 50 per cent of the staff are engineers and 30 per cent technicians. Remuneration is above the average for the sector and its labour-management relations are marked by original ideas.

Its restructuring has been carried out along somewhat the same lines as originally led to its creation. As early as 1972, when it was employing 1,700 workers, a small team of ten suggested applying the enterprise's expertise to non-military activities in order to reduce its dependence on government orders. The human skills available in the enterprise were the criteria for the principal choice of civilian outlets: ultra-modern products capable of being mass-produced for large and solvent clients to whom access could be had directly without a marketing network (since ESD had no marketing experience). Today exports account for 50 per cent of ESD's turnover and its civilian activities for 20 per cent.

The first effect on the workforce of restructuring was a change of mentality. It meant creating jobs that were new to the enterprise, and the graft took slowly. Branching out into new fields to make the best use of the firm's know-how requires a mastery of marketing and cost control, hence a broadening of skills and a significant change in collective attitudes. The production cycle of civilian products is shorter since rapid adjustments are required to keep ahead of competitors. The company has to anticipate customers' needs, win new ones over to industrial electronics, watch what its

¹² See note 10.

many competitors are doing, and ensure close and rapid co-ordination between the marketing and technical departments so as to determine the quality standards attainable at prices customers can afford, whereas in the military sphere reliability is the prime consideration regardless of the cost. Owing to the firm's gradual entry into the civilian market – gradual because of the limited funds at its disposal – it had time to digest these changes before attempting to take on a more varied and widely scattered clientele.

The success of ESD's restructuring programme has been due in no small part to its human resource policy. The high level of staff skills, maintained thanks to an active programme of continuous training, was considered to be essential for success, though not enough in itself. The complex and rapidly changing environment in which the enterprise operates could be coped with adequately only if each employee took a personal interest in its development, its successes and its setbacks, and felt that his contribution was being recognised and rewarded. The firm's wage policy accordingly is based on the rewarding of individual merit, various types of profit-sharing and share-holding. Other means are also used: flexible and decentralised structures and staff mobility permit a pooling of resources and of the experience acquired by all departments. Executives are trained in a style of management based on self-discipline, the active pursuit of efficiency, everyday oral discussions and – as the best means of anticipating staff needs – meetings where the staff are able to express their collective and individual views. Employees are kept directly informed about company affairs through the circulation of a company newspaper, as well as the balance sheet and trading account, and the holding of an annual meeting of the entire staff with the top management. Periodic meetings between executives and their assistants on company policy also serve as a means of relaying information to the staff.

Industrial relations in the enterprise fall within the framework of the law. The workforce is represented by the French Confederation of Executive Staffs – CGC (70 per cent), the French Democratic Confederation of Labour – CFDT (20 per cent) and the CGT (10 per cent) (1986 elections). Staff representatives keep management informed about the views and feelings of their constituents but do not incite industrial action. The social activities of the works committee give the trade unions an opportunity to bolster their influence with the workers. A *de jure* consultation on the subject of restructuring was held with the staff representatives, and went smoothly.

This social climate is the result of good will on both sides: by keeping his ear open to the employees' needs, the employer is able to grant advantages in advance, whose costs are covered by the wide profit margin. Such an approach is in fact an economic imperative for a high-risk enterprise that needs a workforce willing to give of its best in producing high-quality products for an advanced technology market where obsolescence is a constant threat. The company's human resources are the key to its long-term success or, at the very least, its continued existence in this sector. Its social policy thus forms the centre of a virtuous circle that benefits the enterprise

and its employees alike. All ultimately depends on the coherence of the strategic policy decisions made by the management in the light of the characteristics of the sector.

This case study shows at least that restructuring does not necessarily mean redundancy or loss of acquired rights.

3. The diverse forms of restructuring

The strategies we have discussed are quite different. ESD has opted for a long-term offensive based on constant upgrading of its know-how and gradual diversification. The steel industry, after carrying out a belated and painful surgical operation, has been modernising its plant and reorganising its enterprises as specialised units. The SCIC has adopted an approach that contains elements of both strategies: it has split up some operations into specialised units and it has diversified its core activity enough to enable it to conquer new markets in the future.

There are various reasons for these differences. The need for restructuring is of course due to the current economic climate: fluctuating public markets, falling demand, more intense international competition, greater demands of shareholders. However, these phenomena occur in sectors that have very little in common. As part of a fairly new industrial sector, electronics firms are accustomed to anticipating rapid technological change so that they can equip themselves to react in time. The steel industry, on the other hand, dates back to the nineteenth century and its capital-intensive production processes led management to neglect the short term and even ignore foreign technological innovations with a lower capital intensity, such as mini-steelworks. The ESD's competitive position in the sector at the onset of the recession is another explanatory factor. It was not one of the industry leaders and its continued existence depended on its ability to react quickly and on the performance of its workforce. Conversely, the steelworks entered the recession as triumphant leaders convinced of the lasting superiority of their position in France and the rest of the world. The SCIC, for its part, was not vulnerable to the cyclical fluctuations that characterise the building trade: since its founding it had occupied a public niche which blinded it to the growing volume of unsold housing units. Finally, the state of industrial relations in a sector can influence the nature of restructuring operations. The openly adversarial relations in the steelworks and the real influence of trade unions bent on fierce ideological opposition constituted an additional economic handicap for the enterprises: as a result, the restructuring came later than in neighbouring countries and the high cost of redundancies acted as a damper to manning cutbacks.

The social effects of restructuring depend on the behaviour of management. Thus dismissals are the result of belated adjustments to changes in the economic situation. The lack of strategic foresight betrays a

failure by management to assess risks properly, the logical corollary of which is a lack of forward manpower planning. The ESD case study shows on the other hand how a virtuous circle can be created by innovative personnel management considered to be a must for lasting success in a highly competitive and constantly changing sector.

While the personnel management methods in the three case studies were very different prior to restructuring, they have since appeared to converge. The nature of the decisions taken in all three cases indicate a new approach towards employees who have been kept on: skill upgrading and training, intensive information and communication policies to generate a real interest in the economic goals of the enterprise, selective decentralisation of authority and greater emphasis on the social role played by managerial staff, individualised wages and profit-sharing. The restructuring process is accompanied by a strategic management of human resources which requires time and cannot be improvised. Of necessity if not intentionally, the human resource factor is looked upon as an essential element in the success of a restructuring programme.¹³

4. The effect of restructuring on industrial relations

Plant-level relations

Apart from the case of ESD where the restructuring did not have a negative effect on employment, the prime focus of bargaining has been on measures to avoid dismissals, on redundancy procedures and on more flexible work rules for the employees retained. The range of issues involved and the need for consistency in the rules applied presupposes new skills on the part of the bargaining parties, and particularly the ability to put forward and assess possible solutions. The unions have to be able to analyse the strategic position of the enterprise, anticipate possible changes, and weigh up the economic and social options before they can bargain usefully or advance realistic counterproposals. In the restructuring operations we have described, bargaining was preceded by an enlargement of the scope of consultations, on the employer's initiative, to include strategic planning. There was no question of formal negotiation of management decisions since co-management has been rejected by all the social partners in France; rather there was an implicit search for a workable long-term compromise. Apart from ESD, where co-operation with staff representatives has long been a means of anticipating the employees' needs, management has sought to soften trade union opposition through a policy of openness. In the steelworks industrial relations had previously been characterised by open antagonism between the owners and the powerful unions which were fully capable of

¹³ See note 3.

resisting industrial decisions. The change in the Government and the management was accompanied by a policy of openness designed to convince the trade unions of the need for sacrifices, but it took years of effort to bring about a change in industrial relations. In the SCIC the dialogue initiated by the employer was not essential to the success of the restructuring programme; it was more in the nature of a pedagogical exercise intended to create a climate for good future relations with workers' representatives and make them more aware of the economic constraints. These are all examples of employers acting out of a sense of social responsibility and willing to enter into a constructive dialogue with credible partners concerned about the future of the enterprise and capable of defending the interests of the workers. The dialogue covers a much wider field than statutory bargaining and precedes it.

The scope of such bargaining depends on the state of industrial relations in the sector. The steelworkers' unions were able to obtain very high levels of compensation in return for concessions on employment. On the other hand, the militants in the SCIC were not supported by their trade unions and had no influence on their fellow workers owing to the industrial relations vacuum in the building industry. The co-operative industrial relations in ESD were what one would expect in a sector characterised by active bargaining.

Restructuring decisions are invariably dictated by the particular circumstances in which the enterprise finds itself and their social effects are determined by the strategic skills of the management. The circumstances can vary enormously and so can the outcomes. Consultations and negotiations to mitigate harmful social effects have necessarily to take place at plant level and their success or failure will depend on the attitudes and skills of the parties concerned.

Relations at the national level

This very diversity highlights the importance of decentralising industrial relations. The centralised mechanisms of the past are only slowly giving way to the enterprise-level bargaining encouraged by the Auroux laws of 1982. French labour law is indeed moving towards a greater diversification of standards and their negotiation at local levels.¹⁴ While the general directions are still laid down at the national level, the lower levels have a freer hand than before in introducing improvements or exceptions under plant-level agreements. In the event of restructuring, the work rules in the enterprise have to be adapted in the light of its particular circumstances and future prospects. The examples of the industrial electronics and building enterprises

¹⁴ M.-L. Morin: "L'évolution des relations professionnelles en France: contractualisation et diversification", in Y. Delamotte and G. Spyropoulos (eds.): *Concertation sociale et mutations économiques dans les pays du Sud de l'Europe* (Geneva, International Institute for Labour Studies, 1987), pp. 57-73.

testify to the growing importance of enterprise-level bargaining over industry-wide bargaining. In the steelworks local agreements were concluded to supplement the industry-wide arrangements.

Restructuring sometimes brings new local actors into play. Owing to the extent of the regional employment imbalances which the restructured enterprises were unable to remedy themselves, the area tripartite committees and the industrialisation companies set up by the steelworks and the offshoots of the other enterprises enlisted the active support of local authorities and public establishments.¹⁵

This growing diversity also explains the long-term disengagement of the State in favour of the employers. Since July 1986, following the change in government, the removal of the requirement of prior administrative authorisation for making dismissals has deprived employees of any check on the merits of the employer's decisions. Despite the further change in government, that requirement was not reintroduced into the 1989 Act on redundancies for economic reasons; rather a provision was included requiring management to hold discussions about ways of preventing dismissals at a mandatory annual meeting with the works committee. Other government measures to encourage improvements in forward personnel planning in small enterprises are currently being introduced.¹⁶ The disengagement by the State is accompanied by public financing of retraining, which under the 1989 Act is available to all redundant workers in order to make good the differences in the coverage of collective agreements.

Restructuring has tempered the adversarial relations previously existing between labour and management in France and made both sides more alive to economic realities. The example of the steel industry shows how the threat of collapse transformed such relations into a search for social consensus with powerful trade unions. In the other two examples management deliberately set out to establish a climate of good relations since the success of the enterprise's strategy depended on the support of its workforce. In the majority of French enterprises, however, industrial relations have not evolved in quite the same way as in the cases described, owing in particular to the declining rate of unionisation. Unions tend to have little influence in matters of restructuring. On the one hand, in most enterprises there are no representative bodies or militants able to intervene effectively in cushioning the impact of management's strategic decisions. In sectors where there are no collective agreements, such as the building industry, and in small enterprises where there is little information available to employees about their statutory rights, the workforce has no say at all. On the other hand, some employers adopt overtly or implicitly anti-union tactics: direct communication policies

¹⁵ X. Greffe: *Décentraliser pour l'emploi* (Paris, Economica, 1989).

¹⁶ The state budget for 1989 contains an allocation to promote new forms of personnel management which can be used to help finance works council involvement in forward planning in small and medium-sized enterprises and industries.

can at times drive a wedge between militants and their constituents, and consultation of the representative bodies can be postponed until it is too late to change decisions.

5. Conclusion

Our analysis raises three questions that deserve further thought: the sort of interactions encountered in the examples described; the impact of restructuring on the French industrial relations system; and, finally, current theoretical shortcomings.

The interactions we have observed between industrial decisions and industrial relations reflect a confrontation of arguments rather than an attempt to resolve differences between genuine partners; however, this will probably change.

The human dimension is taken into account by management both in reaching strategic decisions and in putting them into practice. At the same time management works out with the staff representatives a consultation policy (which in fact proved necessary only in one of the three cases). If management takes the initiative to consult the representatives on strategic matters it is because it wants them to be in a position where they can understand the economic implications of any negotiations on labour matters. In the short term, the purpose is to ensure the greatest possible coherence between industrial relations and personnel policy in order to avoid misunderstandings and groundless accusations. In the medium term, a restructuring programme can afford an opportunity for encouraging co-operative relations with partners who have come to take a more realistic attitude and know how to gauge the implications of their demands. It would seem clear then that worker participation in strategic decisions calls for a policy of openness designed to involve staff representative bodies in the development of the enterprise.

The staff representatives seem to be at a loss when it comes to negotiating rules geared specifically to their enterprise. Apart from the case in which restructuring had positive social effects and the representative bodies were well informed, the militants clung to entrenched positions or took refuge in sterile ideological arguments, disregarding the economic problems facing their enterprise. This failure casts doubt upon the unions' methods of recruiting, designating and training rank-and-file militants and the assistance given by the trade union executives at the time of the restructuring operation. The chances are that in time the militants will show a greater willingness to listen to and entertain the arguments advanced by the enterprise if only to re-establish their credibility with their constituents.

The uncertainty surrounding restructuring means that consultations on its social effects must be conducted at the enterprise level since no national system of legal regulations or agreements can possibly cover all the different

circumstances in which enterprises find themselves. However, the necessity of doing so may result in workers losing the ability to influence the social outcomes because of the absence of negotiating partners or dialogue, the incapacity of their representatives to appreciate the difficulties facing the enterprise and to defend their real interests, abuses of power by an irresponsible employer, or the anti-union attitudes adopted by some managements. It needs to be stressed that the cases we have examined may well be exceptional: there is no overriding reason to believe that all French employers want strong and credible workers' representatives whom they can consult *before* taking irreversible decisions. The French industrial relations system, with its centralised structures, will have to change radically if it is to avoid the havoc that could be produced by a "free-for-all".

As matters now stand, the social effects of restructuring depend mainly on the employer, not only because of these structural shortcomings, but also as a matter of principle: decision-making in technical and economic matters, after all, is still the sole prerogative of management. The fact remains that the day-to-day running of an enterprise, the failure to pay due attention to changes in the economic environment, the ability to anticipate change, to innovate and to make the human factor an integral part of an enterprise strategy are all elements of managerial behaviour that, although not within the generally acknowledged scope of industrial relations, vitally affect the fate of the workforce.

One thing is sure: there is a gap between theory and practice. On the one hand, we know ¹⁷ that industrial relations theory fails to take account of management theory, and yet strategic decisions determine the content, conditions and results of collective bargaining. This failure goes some way towards explaining the lack of proper training for shop stewards, the underutilisation of staff representative bodies in the enterprise and the decline in the influence of militants who adopt ideological positions divorced from the economic problems of their enterprise. On the other hand, while the new management theories give the human factor due emphasis, they ignore the industrial relations dimension, assuming either that it does not exist or that it should be left to the individual manager's intuition. This brushing aside of representative institutions could lead to the bypassing – or consultation only when it is too late – of representatives whose whole purpose is to defend the workers' long-term interests.

Pending an actual synthesis between the two theories, each could profitably draw on the other and thereby help to break down the barrier between them.

¹⁷ M. Cote, M. Lemelin and J.-M. Toulouse: *Le lien entre le management et les relations industrielles*, Working paper (Quebec, University of Montreal, 1987).