

**NEO- LIBERALISATION AND LABOUR:  
A STUDY OF LABOUR REFORMS IN CONTEMPORARY FRANCE**

*Thesis submitted to Jawaharlal Nehru University  
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**DOCTOR OF PHILOSOPHY**

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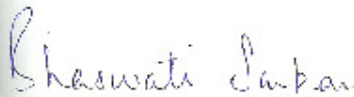
**DECLARATION**

I declare that the thesis entitled "Neo- Liberalisation and Labour: A Study of Labour Reforms in Contemporary France" submitted by me in partial fulfillment of the requirements for the award of the degree of Doctor of Philosophy of Jawaharlal Nehru University is my own work. The thesis has not been previously submitted for any other degree of this University or any other University.

  
M. V. THIRUMALA


**CERTIFICATE**

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
  
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*Dedicated to:*

*WORKERS OF THE WORLD*

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## ABBREVIATIONS

ACC	Advanced Capitalist Countries
CFDT	(Confédération française démocratique du travail) French Democratic Confederation of Labour
CFTC	(Confédération Française des Travailleurs Chrétiens) French Confederation of Christian Workers
CGE	<i>Compagnie Générale d'Electricité</i>
CGT	(Confédération Générale du Travail) General Confederation of Labour
CGT-FO	(Confédération Générale du Travail - Force Ouvrière) General Confederation of Labour - Workers' Force
CGTU	(Confédération Générale du Travail Unitaire) General Work Confederation Unit
CNAVTS	Office for the Old Age Security of Private Sector Wage Earners
EDF	Électricité de France
EMU	European Monetary Union
FNIC- CGT	French Chemical Industry Federation
FO	(Force Ouvrière) General Work
FSO	Federal Statistical Office
FSU	(Fédération Syndicale Unitaire) Trade Union Federation Unitaire
GDF	Gaz de France

GDP	Gross Domestic Product
IMF	International Monetary Fund
LFME	Laissez Faire Market Economy
MNC	Multi National Corporation
MRP	(Mouvement Républicain Populaire) Popular Republican Movement
OECD	Organisation For Economic Cooperation and Development
PAYG	Pay- As- You- Go
PCF	(Parti communiste français) French Communist Party
RATP	(Régie Autonome des Transports Parisiens) Autonomous Operator of Parisian Transports
RGPP	(Révision Générale des Politiques Publiques) General Review of Public Policies
RPR	(Rassemblement pour la République) Rally for the Republic
SMIG	(Salaire Minimum Interprofessionnel Garanti) Guaranteed Minimum Professional Wage
SNCF	(Société Nationale des Chemins de fer français) French National Railway Company
SUD	Solidaires Unitaires Démocratiques (Unitarian Democratic Solidarity)

TNC	Trans National Corporation
UDF	(Union pour la Démocratie Française) Union for French Democracy
UMP	(Union pour un Mouvement Populaire) Union for a Popular Movement

**CHAPTER I**  
**INTRODUCTION**

## **1:1 BACKGROUND OF THE STUDY**

Labour, the principal force in the production of material wealth is a major element in understanding the political economy of a state. Being a vital factor in the economic and political decision making, it reacts to social, political and economic events that are occurring both within and outside the state. The nature and characteristics of labour is always undergoing transformations in accordance with the political budgets and particular social circumstances. In France, the role of labour is relevant as it has always remained a powerful social force and has the potential capacity to make fundamental changes in the state institutional mechanisms for a reformed social order.

A historical analysis makes it clear that, the period after First World War put mammoth changes in French social system. In order to overcome the post-war socio-economic crisis and to make a total progressive restructuring of the society, France introduced a potential counter model with provisions of relief and overall protection of its citizens. It developed a comprehensive social welfare model based on the principle of solidarity. In the field of employment, state extended its social funding and began to provide generous aids to workers. It emphasised on the equitable distribution of wealth and equal opportunities. By possessing all aspects of a welfare state, it is generally said that French system extended its protection to its people from cradle to grave.

The so-called welfare state began to change in France during the 1970's. The period was marked by the withdrawal of the state from all the key roles related to the social protection. Along with this, the country slipped into permanent double-digit structural unemployment. The dwindling role of the state and the subsequent dominance of the market led to an overall shift in policy making. In this period, the most advanced form of modern capitalism, namely neoliberalism, has become the dominant assumption in France. It can be seen as a specific power configuration within capitalism, in which the power and income of the upper fractions of ruling classes have been restored after a period of decline.

There has been a huge shift in the power geometry of world economy with the consolidation of neoliberalism. Under this dominant ideology, inequality and

insecurity spurred and the French workers intensified their resistance for the protection of their employment rights. The ideological shift from Keynesianism to free market economic policies showed its inefficiency in creating stable jobs. Broad and varied dimensions associated with work, especially the concept of decent work continues to be a topic for extensive discourse in the context of French upsurge. Under neoliberalism, where the orientation of economic performance is concentrated is a relevant theme. With the consolidation of this complex set of economic and financial set ups, the question of its relationship between labour standards also got momentum. The proposed study is intended to explore the major policy reforms and the role of labour in the age of neoliberalism.

Both classical and modern political economy emerged in different historical time periods tried to analyse and define the root causes for the labour problems through distinct perspectives. Karl Marx's historical and economic explanation culminated in the theory of alienation of labour and continues to be an effective model to assess the objective alienating relations imposed on the working class by the structure of industrial capitalism. It states that, within the capitalist mode of production, workers invariably lose determination of their lives and destinies by being deprived of the right to conceive of themselves as the director of their actions, to determine the character of their actions, to define their relationship to other actors, and to use or own the value of what is produced by their actions (Marx 1932: 19) Marxian view point argues that, alienation is rooted in the structure of capitalism and pinpoints that the major causes of alienation are elements within the capitalist structure.

John Maynard Keynes affirmed the validity of labour theory by denying the desirability of socialism. He stated that, it is wrong to assume that competitive markets will, in the long run, deliver full employment or that full employment is the natural, self-righting, equilibrium state of a monetary economy (Keynes 1936: 30). He emphasised on aggregate demand and argued that it could lead to prolonged periods of high unemployment. The goal of Keynesian approach is for the state to reduce volatility and tackle uncertainty inherent in capitalist economies in order to ensure sustained investment and full employment. Giving utmost importance to the concept of labour, These comprehensive approaches towards labour contributed an authentic understanding of the relationship between labour and employment and its relationship with market. All these understandings tried to define the activities of



labour market and the rationality of these processes within the peculiar national economic framework. These can provide a clear picture to understand the present labour situations under neoliberalism.

The complexities of neoliberal economic policies and its relation with work and labour paved way for debates by different strata in accordance with their class nature. Proponents and sceptics of neoliberalism put forth arguments to strengthen their perspectives on neoliberal economic policies' effects on labour and employment. Eric Swyngedouw is of the opinion that the emergence of neoliberalism has become part of a powerful political economic ideology through which capital- labour relationships and relative class power positions are shifted in profound ways (Swyngedouw 2004: 28). For pro market scholars, flexible employment relations were crucial for a viable employment structure in the age of globalisation. Placing neoliberalism as the most efficient method of global resource allocation, they state it as an inevitability and possibility for the total well being of the labourers around the world. Neoliberal definition to labour emphasise on more flexible labour markets. They are of the opinion that, under neoliberalism, there will be a general convergence of wages and working conditions and its subsequent economic growth will ultimately leads to further employment.

The neoliberal experiments of more than three decades created a kind of scepticism towards its authenticity among workers. The dominance of finance capital and the dramatic wave of market oriented reforms made drastic transformations in the realm of work. The contradiction between market-driven economic laws and labour rights created a pervasive sense of insecurity and social fragmentation among the workers all over the world. Under this situation, where capitalism is not only a mode of production but a well established economic model, is underpinning the very existence of labour in different ways. The capitalist method of centrality of money mediated value as the form of wealth made the very concept of national economy less important in labour issues. In such a situation, where the capital labour nexus was nationally regulated but the circulation of capital spiralled out to encompass ever larger spatial scales, there was a concerted attempt to make the 'market imperative' as the ideologically and politically hegemonic legitimisation of institutional reform (Swyngedouw 2004: 40). International Labour Organisation (ILO) states that many workers have fallen into more vulnerable forms of

employment which in turn has worsened decent work deficits, precarious employment situations have swollen and the ranks of the working poor have increased.

Yilmaz Akyuz, the former chief micro economist of United Nations Conference on Trade And Development (UNCTAD) explains that, under neoliberalism the policy focus has emphasised liberalisation and deep global economic integration as the way to deal with high unemployment and adequate productive investment (Akyuz 2006: 35). In this way the last two decades of the 20<sup>th</sup> Century have been marked by notable transformation from the sustainability to flexibilisation through deregulation and structural adjustment programmes. Seeraj Mohamed argues that within a short space of time, mainstream economic theory appropriated the ideas of neoclassical economics and created a hybrid that supported laissez faire ideology and disapproved of state involvement in the economy (Mohamed 2004: 2). By undermining elaborate social security system, national economies accepted this transformation. France, the country which had a long tradition of centralized public service administration, a strong interventionist state a well developed western European economy is also not an exception to this.

In France the emergence of neoliberal policies as a most desirable mechanism for the regulation of economy started towards the last quarter of the 20<sup>th</sup> century. Replacement of state from the position as a prominent power in economic matters allowed the ceaseless flow of external factors. Transnationalisation of production and finance and its dominance over the sovereignty of the state resulted in an economic slump which undermined many of the traditional bedrock practices of labour. Restructuring employment relationships through the processes, like job flexibilisation, cross border flow of capital, goods and services are major elements of this new international economic order. In such an integrated global financial market system with deregulated national markets, complications are comparatively high for the labourers, who are the fundamental actors of production process in every economy. This time period is crucial in contemporary French history as it is passing through a sharp decline in the economic and productivity growth along with high unemployment. France's long history of state intervention in tax, industrial and monetary policies including planning the economy and organising state enterprises

left the scene with these initiatives. Deep transformation in the structure of economy considerably affected French employment policy making.

It was during the period of Socialist President Francois Mitterrand (1981- 1988), the French government made remarkable developments in labour policies. It led to an overall increase in social welfare benefits. Increase in the minimum wages and pension and reduction of working hours were the most prominent measures. But the face of Mitterrand's economic reforms changed in the context of inflation and devaluation of Franc and the government introduced austerity programmes to overcome the difficulties. This period marked the official beginning of neoliberal policies at institutional levels in France.

The first major attack against the employment security in France came in the form of the CPE contracts (*Contrat Première Embauche* or first hiring contract). This labour market "reforms" initiated by the neoliberal government of Dominique de Villepin (2005-2007) widely created workers discontent. This employment contract was a move towards the employment security of the young workers, which provided all kind of freedom to employer to take action by denying the fundamental rights such as employment social protection, workers right and social dialogue. As Remy Herrera noted, it ultimately resulted only in expanding public deficits and in reducing demand, thus in exerting new unemployment pressures—since unemployment, contrary to neoliberal ideology, is not due to excessive labour costs, but to the submission of firms to constraints of financial profitability imposed by their shareholders (Herrera 2006: 23).

Another major measure taken against the workers right was towards the national pension scheme. Prime Minister Alain Juppe's plan to cut the public deficit in 1990's gave a big blow to workers, unemployed and pensioners. It proposed the removal of a 20 per cent tax allowance given to all employees, changes to retirement and superannuation schemes, workers now being required to work 40 years instead of 37.5 to receive pensions at the full rate. Recently initiated against the background of economic stagnation, the government argued that people need to work longer because they are living longer. The economic crisis has increased France's state debt and the massive and rising state deficit leading neoliberal France to economic instability. According to the observations of European Commission on Economic

and Financial Affairs, the wages share of GDP in France has declined from 73.3% in 1985 to 65.4% in 2010. Severe economic and social implications of this decline was tried to manage with the funds from both workers' share and the pensions system.

Massive austerity programme propagated by the neoliberal French government after the structural adjustments period again and again fuelled workers discontent. They argue that flexibilisation of individual labour laws and the major trade, financial and tax reforms have a direct and negative effect on the working class. Under the hegemony of finance capital, France started to cut most of the labour welfare schemes like leisure, hours of work and pension policies. The capitalist accumulation of wealth and the means of production, fiscal discipline and resulted jobless growth are pointing to the visible signs of anti labour approaches in France. Political insecurities that are visibly spread over in France are the clear reflections of financial jeopardy of the neoliberal policies. Politically, the economic freeze and the rise in unemployment have come at a dangerous time. How to raise creativity and productivity without destroying the services sector remains an unsolved and relevant question in this time.

The transition of labour and employment patterns from the industrialisation period through the Fordist and Post - Fordist economic models, Welfare State models and the present stage of neoliberal policies is a long and complicated one. Under this situation, issues related to the labour market and employability underlines that, the very basis of labour itself is redefining according to the needs of the new economic policies.

In this current situation of uncertainty, for a thorough understanding of policies and labour market mechanisms, a selected literature review of the above mentioned areas are incorporated hereunder.

## **1:2 REVIEW OF THE LITERATURE**

### **Labour, Employment and Neoliberalism: Analytical Approaches**

Ronald. W. McQuaid and Colin Lindsay (2005) in the article, *The Concept of Employability* explore current and previous applications of the term employability and discuss its value as an exploratory concept and a framework for labour policy

analysis. The authors discuss the role and relevance of the concept of employability to local, national and international labour market policy. The paper aims to trace the development of the concept to discuss its role in informing current labour market and training policies and to identify an approach to defining the concept that can better inform labour market policy, by transcending explanations of unemployment that focuses solely on either supply or demand side factors. By considering employability as one of the four original pillars of the European Employment strategy the authors view it as cornerstone of labour market policies and employment strategies in Europe.

Jack Barbash (1981) through his *Theories of the Labour Movement in an Institutional Setting* explains that the labour movement theories are necessarily limited by the historical milieu and the economic environment in which they came into being. By giving the influential theories of the labour movement the following labels: utopian, Marxist, Leninist, Wisconsin, neo-Marxist, and social contract, he argues that all these theories means theories that generalize about labour movement goals, usually in terms of capitalism versus socialism. He states “the evolving theories reflect the evolving nature of capitalism. In the breakout stage, industrial capitalism inflicts such heavy blows on traditional ways that workers' organizations turn to protest and even withdrawal”. The author is of the opinion that instead of obstructing capitalism's profitability, as might have been expected, humanization goes hand in hand with profitability and an ever-rising standard of life for the working classes that aborts the immiseration Marx counted on to make his revolution.

Harry Braverman (1974) through the book *Labour and Monopoly Capital: the Degradation of Work in the Twentieth Century* deals with the development of the processes of production, and of labour processes in general, in a capitalist society. The book offers a thorough Marxian analysis of the division of labour and views that labour degradation is structural to the progress of a capitalist economy. Braverman's study examines the Babbage principle and describes, “not only that various working steps are split up into simple units which are then performed by workers all day long in a repetitive manner, the capitalists also expects to purchase that labour at the ‘adequate price, and adequate means the lowest possible price’”. He shows how the clerical work has initially been an occupation of the bourgeoisie and now has

become proletarianised through the mechanisation of office work and the scientific organisation of administrative work in the modern cooperation. It is the surplus of labour that has been drawn into new forms of production or of nonproduction that concerns us, since it is in this way that the occupational structure and thus the working class have been transformed. The author also states how the combination of scientific management, the Babbage principle and mass production necessitate a growth in size of the company and ultimately lead to the American style of modern cooperation.

Katherine Van Wezil Stone (1995) in the article *Labour and the Global Economy: Four Approaches to Transnational Labour Regulation* examines the challenge to domestic labour regulation posed by the increasingly international economic and legal order. She is of the opinion that, increased globalisation of the world economy means increased capital mobility and which undermines labour bargaining power and union efforts in the legislative arena. The inability of the nation state to regulate effectively in the domestic sphere raises troubling social, distributional and political concerns. The study deals with the several ways in which increased global economic intervention creates problems for labour, which includes a decline in union bargaining power, a race to bottom in labour standards, and a weakening labour role as a political actor. The author identifies four approaches for transnational labour regulation that have emerged in the western world such as preemptive legislation, harmonisation, cross border monitoring and extra territorial jurisdiction.

In the article *Neoliberalism as Creative Destruction* David Harvey (2006) examines the history of neoliberalism either as a utopian project providing a theoretical template for the reorganization of inter-national capitalism or as a political project concerned both to re-establish the conditions for capital accumulation and the restoration of class power. It argues that, neoliberalization has in effect swept across the world like a vast tidal wave of institutional reform and discursive adjustment, and the actual practices of neoliberalism frequently diverge from this template for a variety of reasons. Nevertheless, there has everywhere been an emphatic turn, ostensibly led by the Thatcher/Reagan revolutions in Britain and the US, in political-economic practices and thinking since the 1970s. In this background Harvey observed that, “the creation of this neoliberal system has obviously entailed much destruction, not only of prior institutional frameworks and powers but also of

divisions of labour, social relations, welfare provisions, techno-logical mixes, ways of life, attachments to the land, habits of the heart, ways of thought, and so on”. He outlines some preliminary arguments as to how to both understand and evaluate this transformation in the way global capitalism is working. The attention of the author is focused mainly on the questions that, in whose particular interests is it that the state takes a neoliberal stance and in what ways have these particular interests used neoliberalism to benefit themselves rather than, as is claimed, everyone, everywhere?

In the article *Neoliberal Dynamics- Imperial Dynamics* Gerard Dumenil and Dominique Levi (2007) discuss the nature of the complex phenomenon, neoliberalism which has defined a new course of capitalism, at the centre as well as at the periphery. The article attempts to approach neoliberalism as a power configuration by describing its basic economic features and analyse the problem of the macro economy during the second half of the 1990s and early 2000s. They argue that the financial hegemony corresponds to the new functioning of capitalism both domestically and internationally, with somewhat specific contents which created new income flows in favour of capitalist owners. The article again stress that the neoliberalism is clearly forming a new financial patterns of ownership and imposing a stricter discipline on labour and management, targeted to increased profitability.

The book, *The Rise of Neoliberalism in Advanced Capitalist Economies, A Material Analysis* written by M.C. Howard and J.E. King explains neoliberalism in advanced capitalism on the basis of historical materialism. One theme which runs through the book is that, neoliberalism is not a rebirth of classical liberalism but is a genuine successor of the ‘mixed economy’ that prevailed for over 30 years after world war second. It states, “all changes in economic and political relations that characterise neoliberalism, including the development of globalisation and new right politics, the privatisation and deregulation of economic activity, the decline of unions and transformation of left political parties and the restructuring of welfare programmes and taxation systems, forms a loop of causation in which each component tends to reinforce the others”. The book raises the question, why the loop of institutional interdependence takes a neoliberal form rather than a form of another kind? It

argues, the deregulation of finance is the weakest link in all of neoliberalism and any serious crisis here will certainly endanger a political reversal.

Andreas Bieler (2000) in *Labour and the Struggle against Neoliberalism: A Conceptualisation of Trade Unions' Possible Role in the Resistance of Globalisation* analyses two mainstream definitions about globalisation and role of labour by internationalist and globalists and looks at a Marxist critique of them. The author also introduces a neo-Gramscian alternative, which takes on board the Marxist criticism of the established approaches, while at the same time stressing the international dimension of labours' potential role. The article examines that the potential for resistance by labour and trade unions as its institutional expression, can only be fully grasped, once a potential theoretical understanding of its possible role at the international level has been developed. Further, the work tries to establish the fact that, "a theoretical conceptualisation of labour needs to be developed, which allows the analysis of labour at the international level, while incorporating an investigation of the different national institutional set-ups". The author argues that different national backgrounds have different impact on social forces of labour acting within and through them, privileging some forces and strategies over others. He argues that these different national backgrounds need to be taken into account, when labour activities at the international level are investigated.

Ha-Joon Chang (2003) in *Globalisation, Economic Development, and the Role of the State* provides a rich historical and theoretical analysis for concrete policy issues in the context of globalisation. The gradual decline of liberal capitalism followed by the great depression and Bolshevik Revolution changed the power structure of the post war world. As a result of this, the advanced capitalist countries witnessed the emergence of interventionist economic theories such as welfare economics and Keynesian economics and policy practices like New deal and Swedish social corporatism. By examining these interventionist theories in a historical perspective, the book enquires how the debate on the role of the state has evolved over the post second world war period. While rejecting the rather naive view of the state as the powerful agent of social betterment, the book argues that the neoliberal view of the state as no more than a collection of self seeking agents that have no moral values is equally problematic. The book states that there are fundamental problems with the very way in which neoliberalism theorises the state and the market. The author deals



in great deal to expose the bankruptcy of the neoliberalism and construct a theoretical alternative framework to neoliberalism informed by a balanced understanding of empirical evidence.

Ronaldo Munck (2002) through his *Globalisation and Labour: The New "Great Transformation"* put forward a detailed analysis of workers and their organisations in the era of capitalist globalisation and their potential to construct a democratic alternative. The author addresses the question, 'has the labour movement risen from the ashes of the defeats inflicted by neoliberalism and begun creating a new transnational democratic force'? It tries to understand the complexity and contradictions lying behind this new discourse of domination. The author argues that labour is simply not a commodity like any other in so far as it reflects a human capacity and pointing out the needs to understand that the distribution of social product also depends on the ongoing bargaining, conflict and compromise between capital and labour. It states that the new flexible financial capitalism led to new post Fordist labour processes and social regimes of accumulation. In this context the book explains the main characteristics of workers conditions and social dynamics in the countries of the relatively prosperous North during the era of globalisation. The author is of the opinion that, there are signs that in the 21<sup>st</sup> century the labour movement may be reborn with a globalist perspective. In this situation the book tries to trace the emergence of internationalism and critically examines the negative practice of trade union imperialism and workers in the south.

In the book, *The French challenge: Adapting to Globalization* (2001), authors Philip H. Gordon and Sophie Meunier assert that the greatest example of globalisation's impact on France, and of France's adaptation, is in the economic domain. Authors are of the opinion that, France is not the only country where globalisation has become both a political and public issue and pointing out the paradox that, France is resisting globalisation and adapting to it in the same time. The book makes a detailed analysis of the impact that globalisation is having on France's economy, cultural identity, domestic politics, and foreign relations and conclude with an assessment of France's response to the challenge of globalisation. Breaking with its mercantilist and dirigiste past, France has since the early 1980's converted to market liberalisation, both as the necessary by-product of European integration and

globalisation as a result of deliberate attempt by policy makers. In this background the book argues that, globalisation refers to the increasing speed, ease, and extent with which capital, goods, services, technologies, people, cultures, information, and ideas now cross borders. It tries to explore the structural transformation of the economy driven first by liberalisation and most recently by globalisation. It also discusses in detail how globalisation is reshaping French domestic politics and examines how it is contributing to the restructure of traditional French political spectrum and blurring the traditional differences between left and right.

### **Neoliberalisation and Labour in France**

Timothy. B. Smith (2004) in the book *France in Crisis: Welfare, Inequality and Globalisation Since 1980* trace the historical roots of France's current economic and social malaise. The book looks at the French welfare state and political economy - its recent past, its present, and its relevance as a potential counter model to the USA and Britain, and its future in a "globalising" world. In the book, the author challenges the left political opinion that the states are no longer free to pursue social solidarity and full employment in an age of rising trade, open borders and financial speculation. He argues that domestic political decisions still largely determine economic success and failure. The author says that France must stop blaming outside forces for its problems and it must also stop equality reform with the unattractively in egalitarian US and British economic path. It explains, "by linking France problem to the challenge of globalisation French politicians like Jospin encouraged French citizens to seek the culprits beyond their borders. Partly as a result of this France is psychologically and institutionally locked into inaction". Author views that many of France's economic and social problems are the direct result of social, fiscal, taxation, and economic policies which are locked into protecting the upper half of the economic ladder at the expense of others such as youth, woman, immigrants and the unemployed. The book argues that in order to reduce inequality, French politicians must peel away the layers of ideology and misinformation masking the striking publicly subsidized privileges which widen the social divide.

Susan Milner (2001) through the article *Globalisation and Employment in France: Between Flexibility and Protection* examines the extent to which employment, particularly manufacturing employment, has been 'hollowed out' as a result of

internationalisation Strategies of leading French multinationals. She finds evidence of a shift to overseas employment, but notes the complexity of globalising trends which make it difficult to interpret them solely in terms of competition for lower labour costs. However, globalisation has shifted power decisively towards business and away from labour and the state. As a result, the state has found it difficult to steer between protection of labour and the promotion of flexibility in a relatively strictly regulated economy. She argues that “State interventionism in social policy has been both a response to and an instrument of economic restructuring”.

Sophie Meunier (2004) in the article *Globalization and Europeanization: A Challenge to French Politics* examines how globalization and Europeanization interact with each other, either in a centrifugal or in a centripetal way, to alter French politics. It analyzes how globalization has redefined domestic politics in France and it explores whether Europeanization has accelerated or hindered these transformations. It studies in turn the impact of globalization and Europeanization on power, preferences and institutions which are three essential components of a country’s domestic politics. The article views that the transformation of the French political landscape from a predominantly left- right divide to an outward society-inward society division is still in its gestation period. The central argument is that globalization and Europeanization not only have transformed the nature of domestic politics, but are also becoming a new cleavage around which domestic politics are being structured.

Peter Karl Kresel and Sylvain Gallais (2002) deal in great detail in *France Encounters Globalisation*, the French public policy debates. The book investigates in great detail the conflict between the exceptionalist French models of an economy and the pressing need to make accommodations to the demands of an emerging universalist model of liberal market economic relations. The authors clearly examine the dynamic between protectionism and free trade in France prior to and following 1945. Authors state that, “changes in technology, in demography, in political processes and in social behaviour may have only a tenuous connection to liberalisation of product and factor markets or to the development of integration within the European union”. The book examines the experience of France, at times in contrast with other major industrialised economies, with rising unemployment and

with growing inequality in the distribution of income. The book point outs that, the French state as producer has been replaced by the state that is generous in its support and assistance to the private sector in innovation and restructuring, and has turned its focus toward Europe and its markets. The authors opined that, the desire of the employers' association to renew the dialogue with the unions on the project of redesigning the French system so that it will be less rigid and more modern is very encouraging

### **Labour issues in France**

The book *The French Workers' Movement: Economic Crisis and Political Change* edited by Mark Kesselman and Guy Groux (1984) aims to describe and analyse the French labour movement during the critically important period of 1970s. It seeks to analyse the background and complexities of the situation created by the left parties victory in 1981. Most of the authors agree on one point that the gap has increased between the labour movements innovations in the realm of ideology and practice. They state that "while unions have forged daring new programmatic approaches, they have been less successful in developing appropriate new forms of struggle which adequately reflect their ideological adaptations". The book addresses the questions like, 'Have trade unions succeeded in developing new organisational capacity and vision adequate to the new situation'? 'To what extent have they represented the new demands and issues emerging at this time'? All the essays in the volume provides a coherent and comprehensive analysis of the history of the trade union movement, focusing on the constrains and opportunities created by the economic crisis of the 70s and the political change ushered in by the Socialist party's victory.

Chriss Howell (2009) in the article *The Transformation of French Industrial Relations: Labour Representation and the State in a Post-Dirigiste era* argues that a fundamental transformation took place in the regulation of class relations in France. This article explores two paradoxes of this transformation. First, a dense network of institutions of social dialogue and worker representation has become implanted in French firms at the same time as trade union strength has declined. Second, the transformation has involved a relaxation of centralized labour market regulation on

the part of the state, yet the French state remains a central actor in the reconstruction of the industrial relations system. Thus he state, “Institutional reform of industrial relations could not take place without the active intervention of the state because employers and trade unions alone were unable to create durable industrial relations institutions. The collapse of trade unionism meant the need for new actors on the labour side and only the state could both create and confer legitimacy upon those new actors”.

Jochen Clasen and Daniel Clegg (2003) through the article *Unemployment Protection and Labour Market Reform in France and Great Britain in the 1990s: Solidarity versus Activation?* present a comparative analysis of French and British national discourses in relation with labour market developments and unemployment policies. The authors argue that in France, the resistance of traditional values of solidarity are seen to have put a brake on both labour market reform and the retrenchment of unemployment protection. Authors opined that benefits for the unemployed in France do seem to have remained considerably more generous than those of their British counterparts. It states, “French path made greater discursive appeals to conventional norms of solidarity; this actually favoured the relative depoliticisation of a certain number of quite ostensibly individualist, ‘active’, perspectives on the social protection of the ‘socially excluded’”. It again stresses that the public policies are not simple reflections of coherently applied abstract norms. Their legitimacy is the product of embedded interaction and exchange between governments, social actors and the broader public.

In the book *Employment Relations in France: Evolution and Innovation*, Alan Jenkins (2002) mainly focuses on the human dimension of the technical and organisational changes in the new industrial regime and measuring what is the real significance of the changes for the quality of the work and employment relations in France. Jenkins explains perception and understanding of employment practices in a fuller comparative perspective and points out some of the paradoxes and contradictions related to employment and also raise the issue of increasing employee insecurity and threat. The study views that the French model itself is not very well understood in the Anglo-American world and that this is particularly so with regard to its employment relations, their historical development, and their dynamics today.

The author explains some of the main phases of the evolution in workplace relationships in both industrial relations and personnel management processes. The book aims to contribute to wider debates on the international evolution of industrial relations and personnel or human resources management. It tries to comprehend that how the French innovation has continually changed the model itself and given it the character it has today.

The book *Low Wage Work in France* edited by Eve Caroli and Jerome Gautie (2008) gives a detailed account of political debates related to law wages, employment models and labour market institutions in France and attempts to tackle these issues at a macro level. The authors are of the opinion that, the working condition of law wage workers are influenced by national and local institutions, either directly or in response to changing economic conditions. The book highlights the high level of unemployment and the small proportion of low wage workers compared to the United States as well as to some other European countries. It also investigates the role of minimum wage in reaching this equilibrium and discusses how French firms cope with the cost of labour. The book states, “French labour market appears to be highly segmented. A substantial share of low skilled, low paid workers is on non permanent contracts, and therefore job insecurity is a big issue for workers and unions. The authors traces the reason for this in the industrial relations system, which is characterised by rather strong unions at the national level and in the state-owned sector and by weak union representation at the firm level in the private sector. They again stress that the sector is facing increasing competitive pressure and rising flexibility requirements.

A number of studies have been done related to neoliberal economic policies and its effects on labour especially in France. Here, the above literature review tried to present a thematic dealing of some of the major works related to the research topic. The body of literature contains scholarly works in and against the relevant ideologies and tried to explain their viewpoint related to the labour issues in France.

### **1:3 RATIONALE AND SCOPE OF THE STUDY**

Labour can be defined as a purposeful human activity aimed at changing objects of nature and adapting them to people’s needs. It contains all the physical and

intellectual capabilities used in the production process. Labour is a very dynamic aspect of the French society. After the great depression, France moulded a unique welfare social protection scheme and implemented policies to protect the labour of the country. It developed pro- workers policies and powerful labour laws, which have been progressively refined several times in favour of the workers. But the period after 1970's witnessed considerable reduction or cut backs in state expenditure on welfare activities. Neoliberalism emerged in this context as an alternative economic formula to overcome the crisis. In present times, it has become the dominant assumption in policymaking.

The complexities and contradictions lying behind neoliberal economic ideology emphasising on the principles of free markets and minimal state interventions. France, the advanced western European country easily underwent such a structural transformation. The profound changes occurred in French economic realm with increased role of market and decreased role of government results in a structural shift in the state- labour relationship. The institutional changes put forward by neoliberalism in such an advanced economy reshaped traditional labour standards and power relationships. Domestic financial structures were subdued by flux and uncertainty in a high manner, which subsequently widened the gap between rich and poor. Labour market flexibilisation, a prominent feature of this shift was actively promoted by fixed term contracts and temporary work. Neoliberal economic policies are directly and negatively affecting number of jobs available in the economy and thus affect key macro-economic variables such as the employment rate and the unemployment to population ratio. By changing the distribution of jobs these policies are transforming the structure of work. It is said that the job earning gap between the best and the least qualified workers seems to be widening within developed countries. Hence, it is vital to enquire the changing role and nature of the labour and employment in the neoliberal period. In this context, the study of labour in France occupies a prominent position as the country is a classic case of the neoliberal economic policies in the western world. The present study will focus on the fact that how the nature and traditional definitions of labour is undergoing transformations. The neoliberal drifts of France and its economic approach towards the traditional progressive labour policies are needed to be analysed. It will try to go deeper into the topics and provide some empirical answers to the question of the

paradigm shift which started in 1980's till the end of Nicolas Sarkozy's period with special emphasis to the resultant labour unrest. By analysing the changes and experiences, the study will try to understand, how the concept of labour is being redefined under neoliberal economic regime.

#### **1:4 RESEARCH QUESTIONS**

- How the role and relevance of labour has historically evolved in France?
- What is the trajectory of French welfare social model's shift to a neoliberal one?
- To what extent labour policies have undergone changes after reforms in France?
- What are the major challenges, responses and resistance methods of workers towards the changes brought under the neo-liberal economic policy?
- How does the negotiation between nation state and the transnational regime theory of neo-liberalism taking place in France on the issue of labour?
- How the neoliberal policies have redefined the notion of labour and work in France?

#### **1:5 HYPOTHESES**

- The neoliberal economic policies are redefining the nature and characteristics of the labour, their work culture, space, discipline and social benefits.
- Welfare retrenchment in the form of social security cuts and new labour laws are undermining the pro- workers policies related to pension, retirement age and working hours.



- The measures adopted by French government in balancing the employment relations are not fulfilling the demands of the working class and are resulting in the formation of new hierarchies, labour alienation, crisis and unrest.

## **1:6 METHODOLOGY**

The present study has adopted a deductive approach and a historical analysis of the concept and importance of labour in French society. In order to understand and evaluate the subject matter in a thorough manner the study also adopted a historical approach and conducted a comparative analysis. Writings on the concept of labour, emergence of neoliberal economic policies and its engagement with socio-economic situations can equip the study in an authentic way. The section of the literature contains writings on the role and relevance of labour, neoliberalism and the French experiences in the context of a changed social order. In accordance with the nature of study, the research adopted a mixed research strategy which combines both qualitative and quantitative methods. Data for this are based on the accessible primary sources as well as secondary sources. Primary sources such as public speeches, interviews, policy documents of the workers organisations, press releases and French government's Labour Ministry records have utilised to generate information by using quantitative method. Available relevant secondary materials were also used to examine the role of neoliberal policies and its impact upon the transformed labour. For this purpose sources like books, journal articles, seminar papers, research papers and discussion documents have been used to analyse, interpret and discuss the information derived from the primary sources. Annual report of the organisations like Organisation for Economic Co-operation and Development (OECD), International Labour Organisation (ILO), and European Trade Union Confederation (ETUC) etc: - are some other important sources used for collecting information for the research. Websites of major French trade unions like General Confederation of Labour (CGT), Workers Force (FO), French Confederation of Christian Workers (CFTC), French Democratic Confederation of Labour (CFDT) etc: - were used to understand the contemporary political positions and activities of the unions and to get in touch with the union leaders.

## **1:7 CHAPTERISATION**

### **Chapter 1- Introduction**

This chapter sets the introductory background for the research. An analysis of the scope of the current study and a review of the selected literature relevant to the subject is being made. The research questions addressed, the hypotheses advanced by the research and the research methodology applied are itemised in this Chapter.

### **Chapter 2- The Concept of Labour in France- A Historical Overview**

The chapter focuses on the role and influence of various ideas in defining the character of the labour and employment in France. A historical approach has been used to understand and contextualise the labour in this chapter.

### **Chapter 3- The Crisis of Welfare State and the Need for Reforms- The Economic Experiences in France**

The chapter looks into the crisis of welfare state after 1970s and the subsequent withdrawal of French government from the promotion and protection of socio-economic measures. It analyses of the emergence and development of neoliberal policies as an alternative form for the promotion of more balanced growth strategies.

### **Chapter 4- Neoliberal Economic Policies and Labour Reforms: Changing Schemes of Retirement and Pension**

The chapter has focused on how the new economic policies took an institutionalised form by influencing the political and economic affairs of the country. It made a detailed study of the major labour and employment policy reforms implemented by the government with special emphasis to retirement age, pension policies and working hours.

### **Chapter 5- Worker's Resistance: Labour and Employment in a Period of Crisis**

By critically approaching the economic transformations taking place in France, the chapter focused on the new challenges over the rights and security of the employment and labourer. It made a detailed evaluation of the nature and forms of workers resistance and protests through various trade unions.

## **Chapter 6- Conclusion**

The final chapter deals with the major consequences of economic reforms and analyse how the notion of labour and work redefined in the post liberalisation period. It also consisted of the summary and important findings of the study under the framework of issues investigated with a theoretical backup.



## **CHAPTER II**

### **THE CONCEPT OF LABOUR IN FRANCE- A HISTORICAL OVERVIEW**

## **2:1 Introduction**

Labour is a major political actor in France. Its role in the political and economic decision making of the country is vital. Ever since the industrial revolution period, workers in France passed through various stages of historical developments by adapting necessary survival mechanisms. Throughout these periods large number of ideologies have emanated in France as a reaction towards the disparities created by economic changes. Workers joined their hands with ideologies which they felt relevant for the social circumstances they lived. In order to understand the very idea of labour it is necessary to understand its association with major ideologies and the way such philosophies influenced them. The current chapter is an attempt to locate the historical background of the origin of labour and major ideologies.

## **2:2 Rise of Industrial Revolution**

18th century European socio- economic realm witnessed a particular historical juncture, namely the Industrial Revolution. It marked a major transition in the course of modern economic history and had redrawn the European and American social structure in a considerable way. The vivacity of industrialisation and its more visible effects eventually resulted in a consummate change in the 19th century European industrial society. Emanated in Britain, its repercussions gradually spread to the economies of other parts of the world notably France, Germany and Belgium. This age of machineries along with technological advancements had far reaching consequences in almost all spheres like agriculture, transport, metallurgy, textiles and had largely redrawn patterns of production process.

## **2:3 Capital Formation, Factories and Labour**

Industrial revolution moulded a new social structure, under which capital and labour were appeared as economy's' most prominent characteristics. During the first industrialisation period, the economies, predominantly agrarian in nature along with artisan manufacture, there occurred some notable shifts in the existing system of production and livelihood. The industrial revolution provided the acceleration of

technological progress along with capital formation; both phenomena are closely interconnected with each other. Invention of machineries changed the techniques of manufacture and production with these equipments was boosted with the appearance of large scale factories. As a result, there was a sudden growth in the export and profit oriented manufacturing industries.

Mass productions in these urban centred factories were under the control of newly emerged forms of authorities mainly the 'middle and upper' strata of society. The advanced factories and industrial capitalism paved way to the development of new urban centres with a large number of workers. With the very first stirrings of industrial revolution, factory owners in the new production process could easily determine the production procedures and thereby could control the entire mechanisms of the economy. Its influence eventually resulted in a wide spread change in the day today life and activities of the working class of western society.

Material factors of the capital from its embryonic stage installed the society in two distinct ledges. Its basic characteristics provided maximum profit to industrial bourgeoisie and extreme insolvency to the real producers of wealth. The insatiable appetites of capital stressed the contradiction between the logic of market and working class life. Its ultimate result was the increasing hiatus between factory proletariat and urban industrial bourgeoisie in every aspect of the social and economic life. "The vast expansion of old modes of production, the dissolution of the legal basis of regulating conditions of production, and the appearance of new modes like the factory, threatened to dissolve the delicate balance of those 'fields of force' that had reserved the curious social stability of eighteenth century society" (Price, Richard, 1986, pp.49) Production relations became the artery of the newly emerged Western European industrial society. This gradually led to a different kind of industrial organisation and created increase in the division of labour. It brought about grim employment conditions and there were very limited improvement in the living standard of Workers. Unhygienic and dangerous working conditions prevalent in the so called "dark satanic mills" and labourers began to work long hours approximately 3,200 hours per year.

There was no equilibrium in terms of the difficulties in physical work, the earning they received for it and living standards of the factory workers. Under this highly

contradictory system, a minority was fattened with affluence and the large majority, represented by labour, the poorest of poor, was facing abrasive inhumanity. Parlous living conditions initially provided a kind of trepidation to workers. In the early 1850s deaths in Oldham from tuberculosis, the characteristic disease of overwork, were more than double the national average of England. A large number of artisans, peasants and shop keepers, who were unacceptable to the new industry, were throwing away to the drainages of the newly emerged urban centres. High accident rates and deterioration of social security led the workers to start umpteen protests through collective organisations. As Eric Hobsbawm has put it “nothing was more inevitable in the first half of the 19<sup>th</sup> century than the appearance of labour and socialist movements, and indeed of mass social revolutionary unrest”.

These circumstances created a historical move in the European society, a turning toward the organised movements, to address the burning issues of the workers. In other words, organised movements with strong ideological backbone emanated in a peculiar milieu, where the class differentiations reached its zenith and majority of the human beings became a mere element of the production process. This ignited the workers consciousness of resistance as a unified force. “The whole history of modern industry shows that capital, if not checked, will recklessly and ruthlessly work to cast down the whole working class to the utmost state of degradation”.

In France organised labour movements with industrial revolution period as its primary battleground walked through the evolutionary stages by reacting to particular national situations of the country. France by 1870s passed through the main stages of industrial revolution with about 12-13 million industrial workers. French economy with its specific characteristics like the existence of a rural economy and family centred working unit system collapsed with the intervention of capitalism. Capitalist commodity circulation, advanced transport facilities, expanded and diversified markets and above all the emergence of wage labourers paved way for a new social system. It can be says that French working class was the product, mainly of an internal migration of peasants and artisans. It was easier for it to affirm a class consciousness, for, despite the talk of "the two Frances"-the "working France" and the "parasitic" one-it felt itself indubitably French” (Lorwin Val, R 1957: 33).



## **2: 4 Role and influence of various ideas**

Man made Ideologies strengthened the motion of modern society's liberation from the attachments of irrational medieval world. By expressing harmony and animosity towards international developments, French unions, accepted and rejected various ideological approaches occasionally; but most of them in the course of time became an integral part of the society. French working class always tried to embody the entire range of ideological viewpoints. As a result of this, the movements were simultaneously embedded in often overlapping ideological discourses especially those with radical or ultra revolutionary elements mainly due to its revolutionary past. Therefore there was a high influence of these ideas in the policies and propagandas of labour including the form, nature, and level of demands, willingness to compromise and ratify accords, frequency and type of industrial action, and employment policies. Rigorous ideological dialogue among and within the labour organisations has reflected Trade unions moulded sometimes with extreme radical approaches and other times with utter moderate policies. Most prominent modern trade unions in France developed with Communist, Syndicalist, and Catholic streams of ideas.

## **2:5 Marxism: The Philosophy of Proletarian Emancipation**

Marxism rank among the most prominent in the theoretical heritage regarding labour. Primarily reflecting the major interests of the working class, Marxian theory put forward the ways and methods of struggle of the working class. Marxism soberly assessed the objective position of labour among other classes and sections of society and provided a scientific explanation to substantiate its world historic mission. The philosophy ultimately stands for Communism and the dictatorship of proletariat. In Marxian understanding, the building of a socialist society and its transition to communism is an inevitable result of the development process of modern capitalism. It provides a theoretical framework for the emancipation of labour, who is the subject of exploitation under the capitalist system of production. The ideology gives utmost importance to 'class struggle', a determined struggle of proletariat<sup>1</sup> or

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<sup>1</sup> Proletariats are the group of wage workers without any means of production, who sells their labour power to the capitalist. It is says that, the capitalist development in its every stage witnessed a numerical growth of the proletariat. They form the basic class of a capitalist society and always subject to the exploitation by the bourgeoisie. The proletariat had three major stages of development

working class, against the bourgeoisie<sup>2</sup>. In general, “Marxism armed the working class with a revolutionary theory and gave a socialist orientation to the labour movement, which had hitherto developed spontaneously”. (Iskrov, M.V, 1970 : 249).

With the standpoint of historical materialism<sup>3</sup>, Marxism enquires the roots of capitalist society and proposes the need of undertaking the historic mission of taking power by expropriating the capitalist power. Marxian philosophy considers the society’s existing economic order as the basis, upon which the ideological and political superstructures emerges. It places the doctrine of surplus value<sup>4</sup> as the cornerstone of this economic understanding. The theory connects society’s major historical transitions with economic development. Characteristic features of this development such as changes in the mode of production and development of exchange are the prime reasons for the division of society into various classes and hostile class struggles.

According to Marxist theory, capitalist production is commodity production and this product or commodity is the result of expenditure of ‘human labour’. It states that the value of a commodity is determined by the quantity of socially necessary labour

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in the initial stage, namely, pre- proletariat, manufactory workers and factory proletariat. Marxism views a revolutionary character in proletariat and suggests that their historical mission along with peasantry is the eradication of capitalism for the building of a new communist society.

<sup>2</sup> Bourgeoisie is originally the name for the inhabitants of walled towns in medieval France. In Marx’s theory of class struggle the bourgeoisie plays a significant role. By overthrowing the feudal system it is seen as an originally progressive force that later becomes a reactionary force as it tries to prevent the ascendancy of the proletariat in order to maintain its own position of predominance. In the work, ‘Class struggle in France’ Marx states that the, the development of industrial proletariat is conditioned by the development of industrial bourgeoisie. In his opinion the destruction of the feudalism by bourgeoisie is making the ground for a proletarian revolution.

<sup>3</sup> As a major element of Marxism-Leninism, historical materialism deals with the most general laws and motive forces of the development of society. It considers the mode of production of the material wealth as the original basis of human society. Shifts from the existing Socio- economic form to a comparatively better another one is the result of the replacement of one mode of production. Historical materialism arranges the stages of human society in an order like, primitive communism, slave owning, feudal, capitalist and communist. The clashes and contradictions emerges among the productive forces, which develops within the structures of given production relations, is ultimately results in a social transition. Historical materialism views workers as the real makers of history and suggest a programme of liberation struggle for their emancipation.

<sup>4</sup> Surplus value is the part of the value produced at capitalist enterprises which is created by the unpaid labour of wage- workers over and above the value of their labour power and is appropriated by the owners of the means of production that is capitalists. It clearly reflects the capitalist form of exploitation.

time embodied in it<sup>5</sup>. Marx showed that, “the basis of social life is material production, that historical changes take place primarily as a result of changes in production, and that the workers and peasants, who are the most important productive force in society and who create material wealth, are the real makers of history” (Suslov M. A 1975: 5). The basic principle lies here is that, the capitalist buys labour power for the commodity production. Under such a system the prime motive of the capitalist is to increase the mass of surplus value. Marxian political economy states that, this is possible only through an increase in the exploitation of workers with lengthen working days and below minimum wages. These workers are property less proletariat who has nothing to sell other than their labour power. In this way, accumulation of wealth or increase in surplus value means that there is a high level accumulation of miseries for the labour.

All through the history of capitalism, it always has had a tendency to decrease the wages and extent the working days. Through the sale of labour power, the worker in a capitalist society becomes “a mere machine for producing foreign wealth, broken in body and brutalized in mind”. (Marx, Karl 1969: 67). In various periodical cycles of capitalist production such as a state of quiescence, prosperity, over trade, crisis, growing animation and stagnation, the market price of the commodities are regulated by their values. But even in the period of extra profit the workers are not able to receive an reasonable wage for his labour. This basic contradiction is the root cause of the struggle between capital and labour.

Marxism strengthened the working class with an economic understanding to make them capable to realise the nature of the economic developments. It contains the aims for workers to organise into classes and later on into a political party to defeat capitalism. Such a party is the indispensable instrument for the socialist revolution and for the abolition of classes. It proposes an independent working class political party or a party of class collaboration. It also stress on the point that, workers cannot make use of capitalist state machinery to achieve their purposes. On the other hand it should smash the existing state and formulate a new ruling class of proletariats.

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<sup>5</sup> According to Marxian understanding a commodity is essentially produced by the expenditure of human labour and produced for the purpose of exchange. It is and therefore includes a specific quantity of socially necessary labour time.

## 2:6 Class Struggles

The Manifesto of the Communist Party contains the first and most complete summarised statement of the theoretical principle of Marxism and of the strategy and tactics of communism. It states, “the history of all societies since the break-up of the primitive communes has been the history of class struggles” (Karl, Marx and Frederic Engels 1973: 34) Marxism founds its material social base on the concept of class struggles between proletariats and bourgeois. Marxian understanding of Class struggle considers workers as a social force which has the ability to become the creator of new social system. The determining characteristic of class is property and it is the expression of the dialectical nature of history. Class struggle is simply against the owners of the means of production.

The concept of class was not a discovery of the Marxists. Even though the bourgeois historians and economists already analysed the phenomenon of the prevalence of classes in the society, Marxism put forward the most authentic base and analysis for it. Marx comprehensively explained the dialectical interconnection between the objective and subjective factors in the class struggle. They connect its existence with particular historical phases in the development of production process. It views bourgeoisie society as a product emerged from the remnants’ of feudal social order which could not solve the class conflicts.

The Manifesto of the Communist Party, considered as an epoch making document, provides the most comprehensive statements of the theoretical principle of Marxism and of the strategy and tactics of communism. It states, “the history of all societies since the break-up of the primitive communes has been the history of class struggles”. The theory explains the emergence of the class of workers through the process of proletarian transmogrification. The proletarian transmogrification process is considered as the most important form of down ward social mobility, a large number of peasants and artisans during the industrialisation period were converted as wage labourers in the newly emerged urban factories<sup>6</sup>.

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<sup>6</sup> Proletarian transmogrification was an attempt to build up a home market for the capitalist for the accumulation of wealth. It is based on the general notion that the growth of capital will lead to the growth of working class. Under this, former small scale cultivators were converted into wage labourers in the newly emerged cities. It became inevitable for them to sell their labour power in

Marx was trying to prove that, 1) “The existence of classes is only bound up with particular historical phases in the development of production, 2) The class struggle necessarily leads to the dictatorship of the proletariat and 3) that this dictatorship itself only constitutes the transition to the abolition of all classes and to a classless society”. (Karl, Marx and Frederik Engels 1965: 69). It views bourgeoisie society as a product emerged from the remnants’ of feudal social order which could not solve the class conflicts. It states, the proletariat “with its birth begins its struggle with the bourgeoisie” (Karl, Marx and Frederik Engels 1965: 83). Manifesto declares that, communists have no interests apart from those of the working class as a whole. It was in the proletariat that Marxism found its material social base.

Marxism argues that, freedom of the working people from exploitation is the foremost freedom and it views working class as the grave-digger of capitalism and the creator of a communist society<sup>7</sup>. It states the necessity to transform class struggle into a proletarian revolution. Manifesto states that the class struggle necessarily leads to the dictatorship of the proletariat and that this dictatorship itself only constitutes the transition to the abolition of all classes and to a classless society”. It further declares that, communists have no interests apart from those of the working class as a whole.

## **2:7 Proletarian internationalism**

Marxian ideology upholds the spirit of proletarian internationalism.<sup>8</sup> In Marxian philosophy, propagating internationalist solidarity among the workers is considered as

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order to satisfy their lively hood and to buy means of subsistence which they produced for themselves in the earlier stage. The expansion of capitalist market involved process of primitive accumulation and privatisation, which transferred more and more assets into capitalist private property, and concentrated wealth in few hands. There for, an increasing mass of the population was reduced to dependence on wage labour for income

<sup>7</sup> Bourgeoisie is its own grave diggers in the sense that, capital accumulation brings about industrial concentration, which in turn brings about the combination of workers with low wages, which struggles to overthrow private property to put an end to their enslavement.

<sup>8</sup>Internationalism is the ethical value of the workers’ movements towards the interests of the working class of all countries over and above the interests of the working class in any one country, and the practice of organising on an international basis. Internationalism is not only a natural manifestation of proletarian solidarity and brotherhood, but a real policy that serves the general cause of revolution.

a major agenda. It aims the development of relations among nations and nationalities based on scientific understanding of socialism. It strengthens the alliance between workers as well as peasants and intellectuals. Theoreticians of this social class concept stressed on the point that, the character of capital is international. In order to fight against such a borderless thing the proletariats also should break the borders of nationalities. It emphasise on the necessity of unity among workers beyond borders with a common class interest. "It is a theory of the dictatorship of proletariat as a special form of the class alliance between the proletariat and all exploited people of non- proletarian and semi- proletarian origin (Iskrov, M.V (1970:249). While respecting the in dependence of other revolutionary movements, this form of internationalism opposes narrow nationalism and narrow patriotism, which is blind to class contradictions.

Communist Internationals was formed in this context as a major instrument for the promotion of Marxian proletarian ideology and is regarded as a central element in the revolutionary struggle. Communist League was the first ever revolutionary association of the workers to propagate against the reactionary forces. While respecting the independence of other revolutionary movements, this form of internationalism opposes narrow nationalism and narrow patriotism, which is blind to class contradictions.

Anti- capitalist struggles in Europe and United States got a new dimension with the establishment of World's first mass revolutionary proletarian organisation, the International Working Men's Association or the First International in 1864. This premier multilateral platform formed to uphold the spirit of class interest beyond national borders. They used the First International to promote their ideas to the proletariat of Europe and around the world. Its intention was the replacement of socialist or semi-socialist sect for an organised working class struggle. In the first eight years, the International could make an organisational unification of the international working class movement and gave right and authentic leadership to various socio-political problems of the workers. The Communist International also became a venue for the workers of different European countries in solving their

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For this reason genuine internationalism also find its expression in the support of all the fraternal parties for the existing socialist society and in the assistance rendered by the socialist countries to the world communist movement.

confusions and fights against various revisionist tendencies which had some kind of influence in them.

Marx dreamed the springing up of a new society, “whose international rule will be peace, because its national ruler will be everywhere the same- ‘Labour’ and the pioneer of that new society is the International Working Men’s Association” (Marx and Engels 1986: 7). It succeeded in raising the most advanced workers in its rank from spontaneous actions and an instinctive feeling of class brotherhood to awareness of the need for international solidarity and unity of action by the proletariat as a whole. This gradually led to the formation of Second International (1889-1914) and Third International (1919-1943). According to Antonio Gramsci, “The communist international is not a bureaucratic office of leaders of the masses, but the historical conscience of the masses embodied in the vast and multiform movement of the whole international proletariat” (Gramsci 1972: 37).

## **2:8 Paris Commune**

Paris Commune (March 18, 1871 to May 28 1871) was a most influential and inspirational chapter in the history of working class movement. It was the first workers revolution in the history with ‘labour’ as the main motive force. Class extracted its revolutionary spirit and essence from the Paris Commune. All the then existed revolutionary theories were got tested in the soil of Paris commune. Working In the words of Lenin, “the thunder of the canon in Paris awakened the most backward sections of the proletariat from their deep slumber, and everywhere gave impetus to the growth of the revolutionary socialist propaganda” (Lenin 1968: 143). The commune was led by the world’s first mass revolutionary proletarian organisation, the International Working Men’s Association or the First International.

Taking lessons from its failure Marx envisaged the necessity of smashing the entire mechanisms of state. He recognised a new form of proletarian democracy in the commune. The proclamation of Paris Commune, a highest form of proletarian democracy, was an epoch making in the history of world revolutionary movement and is regarded as the brain child of the Communist International. Marx developed the theory of state, the revolution and the dictatorship of the proletariat on the basis of the experience of the Paris Commune. “This was the first revolution in which the

working class was openly acknowledged as the only class capable of social initiative” (Marx 1971: 336). Marx analysed the historical conditions and causes for the emergence of the commune, and exposed the “national betrayal” of the French bourgeoisie, which surrendered to the foreign invader in order to suppress the revolutionary proletariat. Marx analysed the communes' social and political measures and its policy making documents and proved that the proletarian state had acted, not only in the interests of the working class, but also of the peasantry and the urban petty bourgeoisie. By studying the experiences of the commune, Marx wrote, ‘The civil war in France’,<sup>9</sup> which examines the origin and development of the state superstructure of capitalism, the dialectical interaction between superstructure and the economic base, the role of bourgeoisie state as an instrument of the oppression of the working people and the capitalist relations of production. Thus Marx stated, “if the Commune was thus the true representative of all the healthy elements of French society, and therefore the truly national government, it was, at the same time, as a working men’s government, as the bold champion of the emancipation of labour, emphatically international” (Marx 1971: 79).

## **2:9 Trade Unions**

The political orientation of Marxian social theory is purely revolutionary. Independent factories were the places where the conflicts between classes occurred in the initial stage. Later in the more matured stage of capitalism, there emerged a coalition among the factories to face the growing disparity among the classes which represents different interests. Growth in the level of class consciousness manifested in the form of unified interests and policies among the workers. Thus the classes became political forces and subsequently led to more powerful class conflicts. These activities ultimately resulted in the formation of trade unions in different parts of the European continent. Marxian scientific enquiries state that the value of labour is a

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<sup>9</sup> The civil war in France analyses the historical conditions of the origin of the Paris Commune. It is written in the form of an address of the General Council to all members of the International in Europe and the United States of America. It was published as an official document of the International Working Men’s association a fortnight after the defeat of the Commune and became widely known in various countries. In this Marx poses the problem of the period of transition from capitalism to socialism. Marx demonstrated a dialectical and concrete historical approach, a differentiated attitude to the various elements of the state machine.



variable magnitude.<sup>10</sup> In ‘The political economy of labour’, writings dating from the years 1863-1881, Marx and Engels examine primarily the role of trade unions in determining the affairs of labour like wage rates. The trade unions were a tremendous step forward for the working class in the early stages of capitalist development and marked the transition from the workers’ disunity and helplessness to the rudiments of class organisation.

The trade unions sprang up during the early stage of capitalism as an organization aimed at improving the economic conditions of the workers within the framework of the existing capitalist system. (georgi dimitrov, *Selected Works* Vol. 1, Sofia 1972). Trade unions urged the workers to fight against the relics of feudalism and not to put any kind of trust in new bourgeoisie government. Their conceptions stance for the advancement of the independent working class demands. Leninism considers the “governmentalisation of trade unions as a severe threat to the stability of proletarian supremacy.”<sup>11</sup> Thus he made the conclusion that, “ being a school of communism in general, the trade unions must, in particular, be a school for training the whole mass of workers, and eventually all working people, in the art of managing socialist industry( and gradually also agriculture) (Lenin 1970: 27)”.

As Marx saw the development of class conflict, the struggle between classes was initially confined to individual factories. Eventually, given the maturing of capitalism, the growing disparity between life conditions of bourgeoisie and proletariat, and the increasing homogenization within each class, individual struggles become generalized to coalitions across factories. Increasingly class conflict is manifested at the societal level. Class consciousness is increased, common interests and policies are organized, and the use of and struggle for political power occurs. Lenin stresses that the political struggle of working class must be

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<sup>10</sup> In Marxian view point, the value of labouring power is formed by two elements-namely physical and historical or social. It also determined by a particular countries’ standard of life. By comparing the standard of wages in different historical epochs Marx came to the conclusion that, values of all other commodities are remaining constant but the nature of labour value is fixed.

<sup>11</sup> Lenin wrote that, governmentalisation of trade unions would leave them no chance to fulfil the important function of ‘non class economic struggle’ that is, to protect the material and spiritual interests of the working people and fight bureaucratic distortions.

totally wider than mere trade union politics. The major purpose of these unions is to make workers capable of resisting against all manifestation of reaction.

Vladimir Ilyich Lenin, a major promoter and elaborator of the Marxian revolutionary theory, produced an economic understanding suitable for the 20<sup>th</sup> century. Lenin's strong and unique theoretical legacy on the working class and trade union movement shares a majestic place of the Marxian literature. Lenin always emphasise on both the role of theory in working class movement and necessity of testing and developing it with the development of revolutionary practice. According to him, "the role of vanguard can be fulfilled only by a party that is guided by advanced theory (What is to be Done?) Lenin has made a substantial advancement in the theory of socialist revolution and comprehensively elaborated it. Placing concrete historical situation as the basic analysing tool, Lenin made profound examinations on the development of revolutionary struggles which got momentum in Russia, Western Europe and the United States.

Lenin's conception of working class party is that, it should be the highest form of class organisation of the proletariat. As a vanguard of the working class or a major prerequisite of success, the party must act as the instrument of the dictatorship of the proletariat. For the completion of the revolutionary task, Lenin urges the workers to make an alliance with the mass of the poorer and exploited peasants against the capitalism.

Lenin views an indissoluble connection between the political and economic forms of the working class movement and stress on the necessity to combine these factors for the overall welfare of labourer. He states "the working class movement only then grows out of its embryonic stage, its infancy, and becomes a class movement when it makes transition to the political struggle. Conscious political struggle is what fits the proletariat for the role of the revolutionary vanguard of the working people, putting it in the lead even at the stage of the bourgeois- democratic revolution" (Lenin 1970: 15).

In his understanding, tasks of the labour unions are primarily to increase labour productivity, raise people's cultural standards, training new personal for socialist industry and so on. They have to play the role of main link between the party and the

rest of the working population. He is of the opinion that, general success in building socialism depended to a great extent on correctly established relations between the party and trade unions. The Fifth All Russia Conference of the Trade Unions, held from November 2 to 6, 1920 directed that, the trade unions should carry out mainly organisational economic and educational work. Consolidation of democratic principles, production propaganda, introduction of bonuses in kind, institution of disciplinary courts to deal with offenders against labour discipline, inculcation of a Statesmanlike attitude to production – such was the work the trade union were to organise on a national scale.

The comprehensive characterization of the diverse aspects of the work, wage, protest, internationalism, and revolution by the Marxist revolutionised the realm of labour and employment. The historical role played by Marxist ideology for the development modern labour is distinctive. Its basic understanding was based on the fact that rising wealth of the capitalists is equal to growing wretchedness for the workers. Their scientific understanding of Marxism recommends explanation to both the domestic and international workers issues.

## **2:10 Anarchism: The Theory of Unconditional Realisation of Human Freedom**

### **Ideas, state and activities**

Anarchism, a revolutionary ideology of post industrial revolution period had far reaching effects in shaping and influencing the European labour and its organised movement. Even though it is a multi dimensional ideology with various streams, the major traditional typology of anarchist thought largely linked to the working class activism. It has provided new dimensions to the concept of labour. Anarchist movement's relation to the organised working class movement is a mighty one with an aim to launch a massive international struggle for the emancipation of the working class. European labour movement has been closely associated with anarchism. Labour movement for class unity with anarchist aims consider trade unions as a powerful weapon in the struggles of workers against suppression. Workers with anarchist ideology believe that workers under the umbrella of a union

can easily destroy the state power. In order to acquire the factories and land in a revolutionary way they suggested the idea of seizing factories to convert it under democratic control of the workers.

A doctrine emerged in mid 18<sup>th</sup> century and intellectually strengthened during mid 19<sup>th</sup> Century; anarchism literally mean ‘without government’<sup>12</sup>, and primarily believes in non hierarchical free associations. It opposes submission to law and obedience to any authority with better realisation of liberty as its ultimate aim. They offers aesthetic elements to emancipation and expanded the liberal principle of *laissez faire* to every individual actions, and identified nothing but a liberated convention or accord as the only allowable outline of human society (Zenker 1898: 14). It also stipulates the absolute apprehension of freedom both subjectively and objectively, uniformly in economic and political life. In other words anarchy is regarded as “underlying society as the ideal state of nature; every form of society is only a consequence of the degeneration of mankind or at a rate, only a voluntary renunciation of the original, inalienable and unalterable rights of man and nature, the chief of which is freedom” (Zenker 1898: 14).

Even though the doctrine means an ordered way of life, the name of the ideology itself carries a negative connotation which in every sense preaches the idea of anarchy and emphasise on the breakdown of existing order. Various streams or categories of anarchism with specific character and composition emerged in different time periods in accordance with the needs of particular historical time periods. Anarchism underlines the mutual interconnections among the state, property and all kind s of oppressions

## **2:11 Rejection of State, Authority and Power**

State has created multi dimensional images in generating the fundamental ideologies of anarchism. It urges to go beyond the prevailing structures of state organisations. By rejecting state in every sense, anarchists consider its existence as an undesirable and unnecessary element for the society, with violence as its characteristic feature. In this philosophy, there is a close and unholy relationship between state and

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<sup>12</sup> The word anarchism is of Greek origin. Their notion is a society without any manly constituted authority and government.

authority. Their perspective on authoritarianism is based on the conceptions that state is commanding, controlling and corrupting<sup>13</sup>. They synonyms state with exploitation, monopoly, oppression, immorality, repression and inefficiency. Anarchism connects power with authority and rejects it by viewing the element of enforcement in it. This power in the form of political structures and law can lead even to physical oppression. Anarchism is strongly against the liberal understanding of law that it is the natural result of the social agreements and the organic process of development.

They place, state or unfettered self government of the individual or all kinds of external governments as undesirable things which is the sole responsible reason for the troubles of human beings. In the view of Peter Kropotkin, anarchism is “the name given to a principle or theory of life and conduct under which society is conceived without government - harmony in such a society being obtained, not by submission to law, or by obedience to any authority, but by free agreements concluded between the various groups, territorial and professional, freely constituted for the sake of production and consumption, as also for the satisfaction of the infinite variety of needs and aspirations of a civilized being” (Kropotkin 1905: 38).

Even if they generally eschew political parties, large section use anarchism as a political movement directed towards the working class liberation. Incorporating the principles of anarchism and ideas popular revolution was the clear manifestation of their inclination towards political parties. Egalitarian and libertarian ideas got placed in the larger ideological realm of anarchism to give a permanent end to social divisions and civil strife. Their historical roots can be largely visible in the working class activism under radical political parties. Social revolt became their visible characteristic feature. Political character of anarchists in the early years got visible in a practical sense when they began to oppose and criticise the post French- revolution Jacobean government of France in 1792. It was in fact a stepping stone towards the formation of a broad based political platform of workers to build a revolutionary mass movement against the authoritarian government. Even though they called

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<sup>13</sup> Anarchist notions of these three factors are based on a critical and clear-cut understanding. For them, commanding is clearly negation of reason. Since control over people rejects their creativity and various initiatives, corruption, a by-product of the above mentioned factors affects the harmonious nature of social relations in a considerable way.

themselves as ‘fanatics’ and never used the term anarchist to call themselves, the revolutionary governments at various time periods used it against them. It was a government tactic to discredit their political propagandas by categorising it as political abuse.

## **2:12 Proudhon, Bakunin and Kropotkin**

French political philosopher greatly influenced the intellectual realm of French Socialism and laid the foundations of anarchism in a structured way. Proudhon, the person, who first named or labelled himself as an anarchist is also regarded as the father of anarchism and later made the statement, “property is theft”. He made radical criticisms in the realm of political economy with the help of Hegelian principles. His prominent economic ideas are based on the association of workers. He considered it as the medium for working class self emancipation. In his view labour itself is a force that makes for equilibrium and productivity. Proudhon in his classic work ‘The system of economic contradiction: The philosophy of misery’, states that, labour is the principle of wealth and the power which creates or abolishes value, or places them in proportion to one another and also distributes them. Taking advantage of the small business person’s hatred towards the big capital, he believes in the self-sufficient independent proprietor. His ideas were based on the assumptions that, by negating the private enterprises and state (either totalitarian or democratic), the producers should take the overall control of economy. This can be achieved in a local system of exchange by the self sufficient small scale producers.

He is of the opinion that for an improved working situation, the worker should identify and establish itself in other words ‘organise itself. In his view the division between masters and income earners and the differences between capitalist and working men emerged with the introduction of with the machinery. He is of the opinion that the miseries of poverty could only be eradicated by the labourer getting the whole products of his labour. Based on such an understanding he expanded his proposal about a workers struggle. He observes social revolution as the means and political revolution as the end and everything is based on the principle of revolution is freedom.

Michael Bakunin, is one of the most important leaders of international anarchist movement in the 19<sup>th</sup> century. His ideological and practical efforts culminated in the structuring of a modern anarchist movement in its current form. He states, “no theory, no ready-made system, no book that has ever been written will save the world” (Avrich 1972: 14). Bakunin views state as the agent of evil practices and gave emphasis to revolutionary dictatorship and rebellion. Bakuninism states, “freedom is a greater necessity than even the most efficient concentration of political and economic power” (Doldoff 1972: 25).

Peter Kropotkin was an authority in the anarcho-communist ideology. He considers that, every society has an inclination towards anarchism. He believed that the working class should have massive unexploited moral and organisational capabilities and should gain maximum potential degree of self sufficiency. Through the ‘The conquest of bread’ He explains that, “the abolition of wage labour is central to anarchist communism ... Anarchist communists argue that there is no valid way of measuring the value of any one person’s economic contributions because all wealth is a collective product of current and preceding generations”( Kropotkin 1906). His ideas were based on egalitarianism and the elimination of social ladder and class differences. Anarcho communist ideology is strongly against the concept of state and property. To facilitate this ideology suggests the participation in radical trade union practices.

French anarchist movement is the by-product of capitalist development and its resultant disparities. Its relationship with labour in France led to the formation of CGT. In France anarchists otherwise known as anarcho syndicalists joined labour unions to spread their ideas affectively among workers. In 1895, Fernand Pelloutier a major figure among the French anarchists became the head of *Fédération des Bourses du Travail*. He attempted to convert this organisation as a platform for the future restructuring of the society. In such a society industries would be under working class control and eventually it will put back government. He urged the anarchists to enter into trade unions in order to transfer it as unions with revolutionary character and there by destroy the social democratic politics. French anarchists vigorously rejected party, organisation and election and worked for the direct action by the unions (Darlington: 11). Years from 1902- 1908 were the zenith

of their activity and maintained their active political positions through strong attack against rival ideas and it continuing in the contemporary time also.

## **2:13 Catholic Labour Movement**

Political mobilisation of the Catholics into an organised labour group developed during the 19<sup>th</sup> and early 20<sup>th</sup> century. Considered as the by product of social catholic movements, it came as a response to the connection of organized religion with the anti-worker establishments. Being a version of political Catholicism<sup>14</sup>, it was a platform for the European workers to maintain their loyalty to religious faith as well as support to labour movements. Catholics began to emerge as a major force in post war Europe and represented Christian democracy. Formulated from the chaos of Second World War, it questioned liberal, Communist and socialist doctrines in complete sense.

France has the largest catholic trade union in the world named CFTC (Confédération Française des Travailleurs). The union reflects the ideological and political characters of both labour and international Christian movements. With its dual nature, the union includes the nuances of both sides in a balanced way.

French social Catholics in its beginning years represented the features of a ‘middle class movement’ and stood for traditional reactionary and paternalistic French Catholicism. The period after Second World War created a political restructuring in the union with the majority group’s intention to reorganise the movement by stabilising its white collar membership and strengthening its so called confessional outlook. At the same time another faction tried to stress on the working class heritage of the union along with extending its membership to non Roman Catholic believers

Catholic ideas establishment into an organised workers movement started in France in 1887 with the formation of Paris Commercial and Industrial Employees’ Trade

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<sup>14</sup> Secular ideas beyond the walls of religiosity got momentum in Europe during the later years of 19<sup>th</sup> century. Increasing intolerance of the Prussian Catholics towards these developments resulted in the formation of political Catholicism as a movement. The wake of capitalism again modified the goals of the movement which in the course of time began to engage with social, economic, political and cultural aspects of the society.



Union. French Catholicism remained organisationally open although it was strongly characterised politically, isolated and unsuccessful. Presence of exclusively Feminine Unions was a significant feature of the French Christian unionism in its early years<sup>15</sup>. During the second half of the 19<sup>th</sup> century no real catholically political currents existed within the working class. But the early years of the 20<sup>th</sup> Century, the movement gained considerable importance and began to spread quickly among both manual workers and salaried employees. Attempts to create a social Catholicism remained with Catholics supporting mainly conservative and moderate forces or less frequently mildly progressive forces. “French Social Catholicism has been essentially a middle-class movement with little appeal for industrial workers” (Bames 1959: 105). Corporate occupational groups were formulated under the leadership of Aalbert de Mun and other Catholic Social reformers. For legally organised trades, they laid foundation for many programme<sup>16</sup>. They put forward the idea of formulating a ‘mixed trade associations’, including both employers and workers without any discrimination. The birth of CFTC (*Confederartion Francaise des Travailleurs Chretiens*) entered into the French trade union sphere in this context as a pure national organisation. CFTC “rejects the theory of revolution by peaceful penetration no less than that of revolution by pursuit of the class war, and founds its doctrine as well as its action upon the Christian principles of justice and charity as set forth in the encyclical *Rerum Novarum* of Pope Leo 14” (Sappos 1931: 107).

The organization considers man as the essential element of production. It had the realisation that the existing social situation is not capable for the material, moral and intellectual satisfaction of the worker, as he is the basic instrument and object of the production. It was strictly against the political and revolutionary strike of other radical organisations. Working class interest protection through mutual benefit services in an extremely peaceful way became its hallmark. It was the upholder of the policy of collective bargaining and for cooperative societies, employment

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<sup>15</sup> Catholic Women’s trade unionism belongs to three principal groups. They are: - The central Federation of Women’s Trade Union, often called the ‘abbaye unions’ from the name of the street where they had their first head quarters in Paris; 2) The French Federation of Unions of Women’s Trade Association’ 3) The Free Trade Union of the Department of Isere”.

<sup>16</sup> Major lines of these programmes were: 1) All the members of each occupation, in an area to be specified should be officially entered on a special list of the public administrative authorities. 2) The members of each occupation so entered on this list should constitute the corporate occupational group. 3) Each corporate occupational group would have special regulations applying to all members of the occupation. 4) In each corporate occupational group various trade association would be freely formed, whether of employers, or of workers, or mixed, in accordance with the act of the 1884.

bureaus, technical classes and evening study classes for the benefit of workers. CFDT periodical *L Employe* states: - “the CFTC believes that legislation for the protection of the working classes are to be considered neither as favours nor as privileges granted to the workers, but as measures of elementary justice, which it will be impossible to modify or delay indefinitely, without gravely compromising the maintenance and development of the productive forces of the country”.<sup>17</sup> Confessional and white collar make-up became its characteristic features.

In 1964 CFDT removed the word ‘Christian’ from its title<sup>18</sup>. By dropping all its connections in terms of status and programmes to the church, it officially embraced Socialism in 1970. This move is considered as an ideological evolution as a part of the Second World War. A group of Christian trade unionists began to challenge the confessional and white-collar make-up which had been characteristic of the organization since its origins in the late nineteenth century. Post war ideological shift also resulted in an opposition from this group against the highly confessional orientation of the Confederation. The views of the CFTC minority perhaps owe more to the French radical working-class tradition than to Social Catholicism. The minority criticised the majority's reports to the 1953 and 1955 CFTC conventions as being too moralistic and too capitalistic. Soon after the war there emerged a discussion about the relevance of socialism and its characteristic features like planned economy and a classless society. They considered a planned economy with considerable public ownership as the only way to improve the conditions of the French working class. The minority group was ready to cooperate with communist-led trade unions to attain limited goals.

Representatives of traditional reactionary and paternalistic French Catholicism, CFDT carried the syndicalist tradition in a more moderate way. The new union “exercises its political role directly, intervenes in public discourse through its own

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<sup>17</sup> *L Employe*, NO: 351, PP: 14. [Online: Web] Accessed on 12 July 2009, URL: <http://www.scirp.org/journal/PaperInformation.aspx?paperID=2061>.

<sup>18</sup> In November, 1964, the great majority of delegates to a special convention of the Confederation Francaise des Travailleurs Chretiens (C.F.T.C.) decided to remove the explicit reference to Christian moral principles from article 1 of its statutes and to change the name of the organization to that of the Confederation Francaise Demo cratique du Travail (C.F.D.T.). In terms of their immediate back ground, these decisions were the result of an intensive process of self-examination which had been formally initiated in 1960.

resources, that accepts the party system but does not ally itself with any party and that retains for itself the mission of defining and advocating a new society” (Reynaud 1975: 210).

## **2:14 How ideas got shaped France**

The country is regarded as the mother of revolutions always accepted of universal philosophies and established it in their own political sphere. The influence of all these intellectual discourses or ideologies defined the concept and role of labour according to their ideological understandings. Theoretical and historical understandings of these ideas made it clear that they played a decisive role in influencing and defining its character in every historical stages of its development. These kinds of highly politicised acts of unions made the life of working class secure in France compared to other countries.

Taking inspiration from these ideas several social revolutions had occurred in the 18<sup>th</sup> and 19<sup>th</sup> century France. This transformation trumpet raised by the labour through trade unions has an umbilical connection with the political history of France. According to Henry Ehrmann, “The great popular movement that freed France from the enemy was not only a movement of national liberation, but of social liberation also. The foremost role in this "social liberation" of the country was played by French organized labour”( Ehrmann 1947: 465).

Workers put forward various political defence mechanisms by taking inducement from Marxism, Socialism, Anarcho- Syndicalism and Catholicism, which were able to deter both internal and external exploitation stratagems.

## **2:15 Initial worker’s Involvements**

Organised labour movements in France had stood as the cornerstone of international working class movement throughout its history. Extracting experiences from the French Revolution and Paris Commune, French trade unions always renewed and strengthened its ideological base. The early form of French labour activities could be seen in the Mutual Aid or Friendly Societies and Educational Associations. Proliferated in 1830s, these companionships provided a new impetus and intrinsic strength for all radical working class activities of the French labour.

Even though the failure of Paris Commune challenged the very existence of labour movements, due to the absence of proper leadership (most of them were imprisoned or exiled), attempts were made in 1870s itself for the rejuvenation of the labour organisations. Still the labours could organise its first Congress of the Labour Organisation In 1876. It was attended by around 360 delegates of unions, co-operatives and mutual aid societies. Higher wages and shorter working hours were highly demanded and suggested peaceful solution to all industrial disputes. Moderates dominated first session was followed by a second one in 1878; also under the influence of moderates. Third Labour Congress held at Marseilles paved way for a Socialist victory and the control of labour movement went to their hands<sup>19</sup>. Following years saw the emergence of some national federations by ‘*Syndicats*’ or unions. Under the initiative of Lyon weavers a congress was called in 1886 to form a wider organisation for moderate and apolitical activities. *Federation nationale des Syndicats*, a Marxist run organisation also took shape at that time.

Revolutionaries emerged from the labour-union movements of the advanced capitalist countries demanded the inclusion of economic organizations and actions and considered it as an integral part of the socialist revolution. One of the cardinal features of industrial unionism after 1900 was its ability to accommodate and pass through a variety of ideologies, none of which ever succeeded in dominating or defining the movement as a whole (Larry 1985: 45).

## **2:16 French Labour in the Time of World Wars**

The very concept of labour and its organisational patterns have undergone substantial changes since both World Wars. There was a drastic shift in the ideological outlooks of the labour organisations in France. According to Richard Hyman, “The years around the beginning of the twentieth century and its end were periods of key historical importance, in the first for the founding, in the second for the restructuring, of International trade unionism” (Hyman 2002: 1). Those skilled

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<sup>19</sup> When the Labour Congress along with Socialists planned to conduct an International Labour Congress as a part of International exhibition, the government decided to ban it. Moderates led Labour Congress obeyed the government decision and Socialist under the leadership of Jules Duesde raised strong opposition against that. They called the congress and received arrest. These incidents resulted in a socialist triumph at the Third Labour Congress. In that a collectivist resolution was passed by 73 votes to 27.

workers who struggled for the job control began to attach themselves with the organizational forms that promised to transcend the boundaries of craft and to include the mass of less skilled workers in the general project of democratic management.

The period succeeded by First World War, workers shifted the nature of their struggles to get control over their productive activities and introduced a general outline for the democratic management. "For the first time the efforts of skilled workers to control their own jobs were transformed into mass struggles to wrest control of the production process as a whole from the capitalist class and to lodge it in organs democratically constituted by the workers themselves" (Carmen 1980: 29). Mobilization of industry for war production and the impact of this mobilization on the working classes can be considered as its reason.

The period after Second World War created a more powerful and influential labour movements in France. Catholic trade unions tended to share the aggressive working-class outlook of the industrial workers whom they began to organize after the war. One of their greatest accomplishments was their ability to compete successfully with Communists in organizing industrial workers. They were able to rebuild the fledgling catholic industrial unions destroyed by the war and to expand into new areas. The same aggressive working-class outlook which made them successful in organizing soon brought them into conflict with the older leaders of the CFTC. A number of Catholic leaders and philosophers were deeply disappointed about the church's deteriorated relationships between the industrial working class and the church. A new generation of Christian trade unionists came into its own after the war which was eager to strike out in directions not hitherto travelled by the traditional leadership. In the words of one of their leading spokesmen, it was a generation "initiated into new methods and conditions of action for whom paternalism no longer had any meaning."(Cahiers 1955:32). The war time crisis proved to be difficult for all labour groups both ideologically and practically.

The political changes brought about by world wars placed the organisations in complicated doctrinal positions. In France, importance of Roman Catholicism in the period succeeded by war could not cope up with any kind of common social doctrine agreement. The growing relevance of the labour organisation of Communist party,

CGT, also caused serious competition to the CFTC. They reached the conclusion that it will favour the left wing politics.

The activities of communist international and several other fraternal parties got momentum during the subsequent period between two world wars. The formation of popular Fronts in France was an immediate result of this<sup>20</sup>. In the ideological sphere Communist International encouraged the unity of broad sections or democratic forces of the society to strengthen the anti imperialist and anti- fascist struggles. Second World War also resulted in a catabolism in the in the political organisms of France. By the outbreak of the World War fewer than 10% of the total French labour force had been drawn into economic or political organisations.

Leftist organisations considered war as an unexampled calamity. Minority section raised strong voice against the nationalisation and class collaboration. They viewed minorities' decisions as a betrayal of the revolutionary spirit of the charter of Amiens.

War time witnessed the reversal of CGT from its revolutionary ideas. Leaders' entry to the governmental bodies during the war was a clear sign of its change.<sup>21</sup> Through these new class collaborations, they undermined the basic internal policies and general activities of the union. They gave up even the May Day celebrations and embraced the methods, once they considered as revisionist and meaningless. There was a total transformation in the attitudes and approaches of pre-war Communist movements and they transformed into a union which union justified it as a realistic

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<sup>20</sup> Popular front was a form of people's organisation to fight against both fascism and war. Their major intentions were to achieve national independence, democracy and social progress. They also defended the economic interest of the working class. The workers under the communist organisations were the leading force behind this. It tried to unite democratic political parties, workers groups, women's and youth organisations under one umbrella. It was a prominent force in establishing and strengthening democratic power of the people in in various European and Asian countries.

<sup>21</sup>When Jouhaux offered a propagandist post, CGT gave complete support. The union welcomed his entry into the *Comite de Secours National* (a body composed of representatives of all classes of society) and into the commission du travail charged with the organization of the Parisian labour market. In 1916, the secretary of CGT was a member of a commission appointed by the minister of munitions for the solution of labour problems in the factories devoted to manufacture of war material, with a view to the intensification of production.

defence of the interest of the workers. There was a considerable reduction in the strike activities and violence. CGT stated: - “the strike has developed into a brutal and unjust weapon which affects not merely the parties in conflict. Even if today the right of strike must be considered as inviolable, it is none the less a derivative of the primitive right of force, and for this reason, if for no other, it is incumbent upon society to introduce into the realm of labour means of obtaining justice and rules for the examination of differences, which are more in keeping with the social and economic interdependence of mankind and of our very civilisation.”<sup>22</sup>

## **2:17 Conclusion**

Interests of the working people all around the world found expression in various philosophical doctrines, which provided them laws of social development and methods to construct an egalitarian society. Organised unions with powerful ideologies made the workers possible to challenge the pressures of economic and political circumstances of the society through a class based insight and perspective. Like the other countries in the European continent, France also witnessed the germination of organised labour force with the decline of feudalism and its resultant bourgeoisie economic dominance. The current dynamic social structure is deeply influenced by these ideological streams. Theories were substantially advanced in accordance with the needs of the society. All branches and tendencies of organized labour progressively clarified the ideas for the betterment of the working class. They outlined the road towards the building of a powerful group which forms a central perspective from which French social policies are deployed in the contemporary time.

Organised movement of the modern working class was ignited by the political philosophies created with perspicacious class understandings. By amplifying the logic of the development of nature, these ideologies connected the activities of humanity in a scientific way. Most of the ideas were confirmed in the revolutionary movement in the later decades of the 19<sup>th</sup> century.

Now the capitalist world has found itself in a state of general crisis. A gradual crumbling of capitalism as a social system is taking place. In order to understand the

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<sup>22</sup> *LA Voix du peuple*, NO. 74, PP: 364 , [Online: Web] Accessed on 18 July 2009, URL: <http://www.marxists.org/archive/marx/iwma/documents/minutes/footnotes1.htm>

current state of affairs evolution of the European working class movement and its political and ideological developments occupies an important place.

Historical and organisational development of the heterogeneous French working class is beyond mere paradoxical generalisations. These developments are closely interrelated with the political and economic undercurrents which decided the ups and downs of French societies' particular time periods.

The coexistence and competence of three different traditions or concepts of the working-class movement created a unique political atmosphere in French political realm. Noted by their political labels, communist, social- democratic and syndicalist traditions contribute much to the development of the labour in France.



**CHAPTER III**  
**THE CRISIS OF WELFARE STATE AND THE NEED FOR REFORMS-**  
**THE ECONOMIC EXPERIENCES IN FRANCE**

### **3.1 INTRODUCTION**

The period following Second World War occupies a prominent place in the modern European history. It saw the rise and fall of various economic and political ideologies and its practical experiments. Extraordinarily harsh socio- economic and political atmosphere created by two world wars and Great Depression led continental Europe to a total stagnation. But this disastrous period of economic crisis paved way to an astonishing phase of overall growth in the immediate post war years. During this so-called ‘golden age of capitalism’, Europe began to experience glories under some structural transformations. Social and economic policies were reconfigured under the ideology of ‘welfare’. The concept of ‘welfarism’ took an institutionalised form in almost all economies according to their peculiar national conditions. This period of unprecedented growth supported by state interventions and social securities, subsequently placed Europe in a safety zone.

French welfare state was considered as one of the most successful among the post-war western European countries. Its evolution as an extensive support mechanism with generous provisions, active labour force and all embracing schemes made France as a unique welfare model. But a prolonged economic crisis emerged during 1970s as a result of some international political and economic circumstances curtailed the post second world war western European prosperity. It marked a radical departure from the previous post-war period gains. Welfare retrenchment policies were implemented at this period in order to stabilise the economy. The economic philosophy of neo- liberalism emerged at this time as a desirable solution for capitalist crisis. Its philosophy is chiefly based on the dismantling of an interventionist and regulationist welfare state through institutional changes and free market philosophy. French departure from a fully fledged and robust welfare state model to a neoliberal one towards the last decades of the twentieth century had far reaching effects on the labour and employment and social securities.

By historically analysing welfare state’s origin, its classifications and its relationship with labour, the following chapter will look into the crisis of this system after 1970s and the subsequent withdrawal of French government from the promotion and protection of socio-economic measures. The chapter will look into the policy alterations and institutional agreement compared with the chief characteristic

features of welfare state. It tries to make an analysis of the extent to which the policies have affected the labour and policies as a whole. The chapter will also trace the emergence and development of neoliberal policies as an alternative form for the promotion of more balanced growth strategies in France.

### **3. 2 THE CONCEPT OF WELFARE STATE**

The idea of social protection by state got a new impetus in the last quarter of 19<sup>th</sup> century and elaborated during the first half of the 20<sup>th</sup> century. As a part of this, history of modern nations in west witnessed a social change especially after the Second World War, where social security and social insurance became the core elements of democratic state's policy making. This entirely different new phenomenon, known as 'welfare state' put forward a new concept of governance to satisfy the necessary needs of people and subsequently became a fundamental and dominant element to modern democracy. It enriched and strengthened the base of state institutions with political ideas based on ethics and social justice. It also emphasised on social cohesion by placing egalitarian aims on the forefront. In this way, welfare state has evolved as a 'particular manifestation of western democratic societies' (Titmus 1962: 49). It has developed as a parameter to assess the wellbeing of the citizens and functioning of institutions. The fundamental understanding as well as the current idea of human right is deeply implanted in the discussions on the welfare state (DiCaprio 2007: 9).

Welfare state could be simply considered as a state led ethico-political movement for a progressive social change. It is "defines as an economy with a philosophy that identifies an ideal set of social and economic conditions, a programme for achieving those conditions, and a justification of that programme" (Angresano 2011: 4). It was the derivative of an idea for a highly determined state with powerful government and citizen relationship<sup>23</sup>. Under this privileges offered by state are considered as a 'long-term contracts between the government and the citizens (Lindbeck 1995: 13)

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<sup>23</sup> Thomas Paine in his book 'Rights of Man: Combining Principle and Practice' published in 1792 argued for a social security system under the complete control of state in terms of funding and administration in order to escape from the vulnerable working conditions and severe poverty and joblessness. He also proposed a progressive tax measures to overcome such hurdles.

In this sense, “welfare states philosophical basis was a synthesis of moral, political and economic beliefs that emphasised the negative socio-economic effects of industrialisation in an economy dominated by private ownership and a limited state agenda” (Angresano 2011: 9).

It ultimately presented the idea of overall development and well being of the society through an institutional transformation. In this, democratic institutions have to take the responsibility of interacting with the vastly enlarged area of government activity. Welfare state in a broader sense addresses all forms of socio- economic organisations and it explicitly highlights on the features like equal opportunity and equitable distribution of wealth. Under this, state has the moral responsibility to ensure nominal requirements for a good life for those who cannot afford it themselves.

There was a general understanding that reduction of income inequality is one of the primary roles of the welfare state in the advanced capitalist countries. They could achieve this with the welfare state’s structure as a mixed economy funded through redistributive taxation. Regarded as a progressive taxation system, it collects higher amount of income tax from those who earn higher incomes. Through this way they sought to lessen the income gap between the rich and poor and maintain the balance of economy.

Governments transformed as an active provider of social services and started to address issues beyond its conventional borders. In the initial stage it is generally identified and understood as a social mechanism which can address the issues of lower strata of society. Later it came to be recognized that the welfare state is more than just social assurance and income redeployment policies. Its Philosophical basis also contains policies to be undertaken by the state for direct market interventions such as import barriers and ownership of enterprises. This understanding paved way for the notion that welfare state is an “important bulwark against the destructive effects of the market place” (Blau 1989: 36).

### 3.3 HISTORICAL ORIGIN OF WELFARE STATE

Ambler points out that the origin and evolution of welfare state was the by-product of certain social circumstances such as ‘the social effects of industrialisation, changing ideas about the proper functions of government, and the constraints of existing institutions’ (Ambler 1993: 2). Economic growth and demographic and bureaucratic outcomes are also considered as the other factors which made the evolution easier (Bilski 1976: 451). Even though the term is associated with William Temple, Archbishop of Canterbury<sup>24</sup>, the basic understanding on the welfare state philosophy have originated from the observations put forward by “Robert Owen, John Stuart Mill, the Fabian Society, the Beveridge Report, Karl Polanyi, and Gunnar Myrdal” (Angresano 2011: 4).

The idealistic roots of modern welfare state doctrine come into forefront as a rejoinder against the breakdown of Laissez Faire market economy (LFME) philosophy of Adam Smith in England. Due to this, the socio- economic scenario of England demanded a complete protection of its citizens and enterprises from the some unfavourable outcomes of self- regulating market forces such as poverty, joblessness and income disparities. In major capitalist countries, Laissez-faire state was gradually abandoned and almost all states sought to provide at least few measures of social assurance correlated with the welfare state.

Social policy became the leading edge of the regeneration of democratic government and the early welfare state a confession that old values of private charity and individual self-reliance were no longer adequate policy guidelines. The take off of modern welfare state followed a liberal break, a break between the old, pre-industrial

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<sup>24</sup> William temple was the Arch Bishop of Canterbury (1942-1944) and the author of the renowned text ‘Christianity and Social Order’ (1942). Being a champion of working class movements, he defended socio-economic and labour reforms through public theology and became the first president of ‘Workers Educational Association’. His understanding on the post second world war society was based on Anglican social theology and contained the elements of welfare state. It urged for the implementation of the prerequisites of universal access to health care, education, decent housing, proper working conditions, and democratic representation.

[Online: Web] Accessed on 13 march 2015, URL:

<http://williamtemplefoundation.org.uk/about-the-foundation/archbishop-william-temple/>

concept of dependence and protection and the emerging modern concept of social protection induced by industrialisation and democratisation. From the end of 18<sup>th</sup> to end of 19<sup>th</sup> century, ideals of liberalism, principles of individual freedom, equality and self help, dominated social policy thinking. The erosion of liberal principles was prompted by rapid social transformation and growing political mobilisation of workers and demands for democratisation.

### **3:4 Welfare State's Evolution through World Wars and Its Results**

After the First World War, workers struggle took new forms for the control of their own productive activities and initiated a general project of democratic management. "For the first time the efforts of skilled workers to control their own jobs were transformed into mass struggles to wrest control of the production process as a whole from the capitalist class and to lodge it in organs democratically constituted by the workers themselves" (Sirianni 1980: 29). Mobilization of the industry for war production and the impact of this mobilization on the working classes can be considered as its reason. Thus the experience of First World War paved way for the emergence of a Keynesian concensus<sup>25</sup>, which marked the beginning of welfare state policies in Europe. Capitalist economist John Maynard Keynes well placed the role and calibre of 'state sector' in capitalist economies. He had the opinion that states sector has the capacity to back up welfare policies. This idea justified policies that promoted high levels of employment and high tax and expenditure levels. It stressed on the notion that government intrusion in economic and social affairs was imperative for stabilising demand and the business cycle in capitalist countries. Under the welfare scheme, social benefits were significantly raised and existing programmes were extended to cover new groups of beneficiaries and entirely new schemes were adopted.

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<sup>25</sup> John Maynard Keynes in his famous work, *The General Theory of Employment, Interest and Money* advocated the importance of a mixed economy predominated by private sector. The concept shares the view that, during the recession time economic input is strongly influenced by total spending in the economy. He underlines the role of state intervention in the economic recession time. Capitalist countries in the interwar period considered it as the standard model of economy.

Years followed by Great depression (1928-1932) made notable changes in the economic policies of all European countries. The great depression exposed the tendencies inherent in capital accumulation. It clearly revealed the changing structure of capitalist market and the need for the state to play a much greater role in the capitalist economy (Gamble and P. Walton 1976: 145). In many countries, the great depression put an end to the first phase of welfare state expansion. Even though institutions and expenditure of state was in a growing condition, its importance was not recognised in a considerable way. As a result of this importance of state as a central figure was strengthened. Against a backdrop of spectacular slow-down of economy, some of the countries of continental Europe made major benefit cutbacks, reinforcing political crisis, and often resulting in cases, contributing to the downfall of democratic regimes. In Scandinavia, the same economic events were a precursor of a move towards a new and arguably more advanced stage of welfare state development. The period of great depression is considered as the longest period of economic crisis and stagnation and it ended with the Second World War.

Interwar period was a time of great political significance. During this period social protection provided by state was extended in three different ways. It was in terms of scope of risks, coverage of population and through an increasing compulsory provision. For example industrial accident or occupational injury insurance as well as pension insurance were gradually expanded to cover more groups of workers and employers and also to cover family dependants. The interwar years have been characterized by acute industrial and agrarian crises, intense inter-imperialist rivalry and trade wars, instability of exchange rates and a drying up of capital exports which exchange instability engendered. Since, “there is no single world capitalist state to back a single world currency, discipline in international finance can only be enforced from time to time Outbreak of the Second World War made significant transformation in Europe. The effects of war led to a reshaping and strengthening of welfare state policies” (Patnaik 1982: 25)

In the post second world war period, the emergence of modern welfare state occurred in a context, when the structures of state institutions were undergoing an overall change. Various political led economic reasons can be responsible for its historical evolution. By the late 1940s, the international economic order was in

turmoil. The earlier system of international trade, multilateral exchange, and the free convertibility of the currencies had largely disappeared under the impact of depression and world war. Large scale, increasing influence of capitalism and widening urbanisation had reshaped the then existed equilibrium of society. Such changes in the socio- economic mechanisms along with a population growth have automatically led to an entirely different situation. Along with this, security provisions offered by traditional family tie ups, church and charity groups got an end which subsequently led to backwardness in all respect (Traditional patterns of welfare policies were based on dependence and protection)<sup>26</sup>.

In the immediate post war years from 1945-50 the concept of welfare evolved into an institutionalised reality. Need for economic reconstruction after Second World War was a profound stimulus to the economic growth and provided enough resources for welfare state expansion on an unprecedented scale. The war once again made the welfare state the first priority and its end provided the impetus for further policy expansion. The Beveridge plan became an important document during this time as it is one of the founding documents of the modern welfare state. It was during the war time the idea of welfare state became a common term related to state's social welfare policies. In this time period, many western European countries gave utmost importance to public policy as well as institutional arrangements to control economic system and to "guide and regulate the power of capitalist accumulation to rebuild the continent's devastated economies and conquer mass unemployment" (Vail 2010: 82).

### **3:5 Golden Age of Capitalism and End of Post-war Boom**

Industrialised nations in Western Europe, United States and Japan passed through an unprecedented growth in the period between 1950 and 1973. This period is generally regarded as the 'Golden Age' of capitalism. For the first couple of years following war, preponderant role of the state in the economy was the most powerful characteristics of this time. This age of economic prosperity was the result of

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<sup>26</sup> From the end of 18<sup>th</sup> to end of 19<sup>th</sup> century, ideals of liberalism, principles of individual freedom, equality and self help, dominated the social policy thinking. The erosion of liberal principles was prompted by rapid social transformation and growing political mobilisation of workers and demands for democratisation.



increased economic growth and expansion of international trade. Rising external demand, secured by universal adherence to trade liberalisation, made investment more profitable and was thus instrumental in facilitating the high investment high productivity low age equilibrium characteristic of western economies during the 1950s and early 1960s (Eichengreen 1996: ). It was also an economic recession free period. Thus the post-war period saw a marked improvement in 'social capabilities' for growth, at least among western industrialised nations (Abramovitz 1986: 32). There is a notion that after Second World War, the mixed economies of western European countries worked in a remarkable way<sup>27</sup>. "It allowed western Europe to pass remarkably smoothly through the final stages of its structural transformation to an industrial economy and society" (J. Bradford DeLong, 1997). There was major structural change in the sectoral distribution of the labour force and also a growth in the labour productivity. During this period, full employment and social welfare were placed as the twin peaks of welfare state policies (Goldberg 2002: 16). The culture work organisation during the golden age was altered with the strengthening and expansion of 'Taylorist principle', which led to considerable changes in the system of production in advanced capitalist countries (ACC).

In Europe, social protection is the major characteristic feature of welfare state, where it is considered as the collective responsibility of government, independent, voluntary, and autonomous public services. The modern usage of the phrase is correlated with the wide-ranging measures of social insurance adopted in 1948 by Great Britain on the basis of the report on *Social Insurance and Allied Services* (1942) by Sir William Beveridge. In other words Beveridge was actually responsible for its establishment in Britain. With these recommendations, he explicitly urged the government to fight the five 'giant evils' of want, disease, ignorance, squalor and idleness to secure peace by providing 'security from cradle to grave'.

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<sup>27</sup> Supporters of this view are of the opinion that there was a unique and rapid economic growth and income distribution was conducted in an egalitarian way.

### **3.6 CLASSIFICATION OF WELFARE STATE**

Welfare state comes in different shapes and sizes and varies substantially in their political orientation and distributional outcomes. Based on the codes embedded in welfare states, there are various patterns of welfare states, which share analogous characteristics. More countries began to implement welfare statism more effectively after the war. Socio- economic policies were framed in a format to widen the scope of provisions to cover more beneficiaries. The end of Second World War provided the impetus for the further expansion of social policy. Need for economic reconstruction after the war was a profound stimulus to the economic growth and provided resources for welfare state expansion on an unprecedented scale.

Welfare state works as an agent of social reform and social control (Blau 1989: 26). The existing economic and political circumstances decided the characteristic of welfare state to be adopted in a region for reform and control. Remarkable achievements gained in the post war period created a number of welfare state models in Europe. These rich variations in welfare state can be attributed to significant difference in national political context, shaped by different legacies in terms of state and nation building. Distinctive national political cultures and pressure of socio economic problems were also responsible for this. The political context or arena of the welfare state varied considerably in each democracy. Historical, political and organisational structures determined social policies in the countries.

Liberal and socialist models are the two prominent and contrasting patterns of welfare states. Liberal state model basically tried to exclude welfare as a primary political concern of democracies. On the other hand, Socialist model aimed at capturing the state in order to achieve a more perfect equality.

The most influential classification and conceptualisation of welfare state is by Danish sociologist Gosta Esping- Andersen through his works 'The Three Worlds of Welfare Capitalism (1990) and The Social Foundations of Postindustrial Economies (1999). His preliminary differentiation was focused on the social insurance-centered dimensions of state. Later he placed the argument that a welfare state cannot be defined not only on the basis of security services provided by the state. His later stage welfare state interpretations incorporated a wide range of labor market

institutions, regulation and family policies in order to cope up with the vital issues of postindustrial

Esping Andersen categorized the most developed welfare state systems into three extremely diverse regime types. These are Social democratic welfare states, Christian Democratic or conservative welfare states and liberal welfare states. Social democratic model is based on equality of treatment, otherwise known as 'universalism'. Christian Democratic states give utmost importance to a workers relationship with labour market instead of right in order to get benefit. Liberal welfare state is structured in a way to target those in furthestmost requirement. When the social democratic model accentuates on maintenance of income and services, both Christian democratic and liberal regimes mainly offer monetary remunerations.

The social democratic world is comprised of the five nations whose social insurance programs are most universalistic in its coverage and homogeneous in its benefit level. The most prominent modern welfare state pattern is the Nordic model. It includes Norway, Sweden, Denmark, Finland and Island. In the early post Second World War decades, Scandinavian countries, especially Sweden epitomised a successful third way compromise between unregulated capitalism and state socialism (Kuatto, 2010: 586). Distinctive nature of Nordic social policies was built firmly on conditionality and the work welfare relationship.

The liberal world includes the five countries most marked by means testing and by private (as opposed to public) health and retirement insurance. Apart from this, Castles and Mitchell classifies the welfare countries into four clusters. It includes an English speaking group of nations like United Kingdom, Ireland, United States, Canada, New Zealand and Australia; a continental family consisting of Austria, Belgium, France, Germany, Italy and the Netherlands; a Scandinavian family of nations consisting of Norway, Sweden, Finland and Denmark; and a Southern family of nations comprising Greece, Portugal and Spain (Castles and Mitchell 2010: 631). There is also an extended group of welfare state nations which contain Cyprus, Malta, Turkey and Israel (Gal, (et.al) 2010: 283)

Imagining welfare state posed very different problems for each country. In its more thorough going form, the welfare state gives state aid for the individual in almost all phases of life—"from the cradle to the grave"—as exemplified in the Netherlands

and the Social Democratic governments of the Scandinavian countries. State's capacity in spending and the number of people it employs and its more interventionist role occurred in the spurts and assumed quite different trajectories in different countries.

### **3.7 LABOUR, WELFARE AND SOCIAL SECURITY**

'Occupational safety, unemployment insurance and pension benefits' are the major components of welfare state policy making in relation to labour (Olofsson, Hvid, Jensen 1982, 469). It provide attention to protection of workers' rights, regulations in factories, provisions to prevent child labour, legally permitted working hours and healthy relationship between labour and employer. Unemployment insurance was a key element in the formation of 20<sup>th</sup> Century welfare states, but its objective, organisation and outcomes differentiated considerably among the democracies.

Esping- Andersen observes the phenomena of de-commodification of labour as a major characteristic of welfare state social protection. He states that the implementation of social rights entails an abandonment of the pure commodity status of a worker. "De- commodification occurs when a service is rendered as a matter of right, and when a person can maintain a livelihood without reliance on the market" (Esping- Andersen 1990: 21, 22). Income maintenance under welfare state is a means of de-commodification of labour power, protecting the worker from the pressures of the labour market, and from its tendency to treat human beings as the commodity of supply and labour. Garton and McCallum (1996) suggest that, labour-welfare relationship is a displeased activity. They states,

"on the one hand, labour has long been suspicious of the welfare state as a weapon to undermine working class radicalism. On the other hand, labour has sought to support the welfare state as a means of easing the worst excesses of capitalist exploitation" (Garton and McCallum 1996: 116).

"Reconstitution of the employment condition came to the forefront of policy agenda in post war period. These policies sought to reduce unemployment in the aggregate as well as among specific segments of the work force, to offset the generally

disruptive impacts of the opening of markets, and to limit the reduction in income faced by those who have become unemployed” (Kresl and Gallais 2002: 148)

There is an observation that more ideological versions of welfare state transformation often attribute social reform to fears of class struggle and apprehensions over working class movements (Ashford, Douglas E, 1986, pp: 2). Rise of collective organisation initially along class lines and fashioned a growing labour movement which itself became an important driver of welfare state consolidation. Labour unions are greatly significant with regard to the direction of welfare state in almost all countries. Spreading out of social security is one of the fundamental objectives of unions and most of them can pressurise the government for a seeking political solutions. Focus on the integration of proletariat and the notion of social security as a solution to class antagonism was prominent in debates about citizen’s social rights which became the key rationale for the growing labour movement. As , Gray argues,

“social protection has derived as response to the demands put forward by working class. State institutions formulated welfare measures with a twofold strategy. First was to obstruct revolt and dissent and the second was to mould, mobilise, preserve or develop the labour supply” (Grey 2004: 28).

Welfare systems also (social rights) favour workers with a long contribution record in stable jobs (ibid. 16).

### **3:8 FRENCH WELFARE STATE**

In the second half of the 20<sup>th</sup> century, France has evolved as a matured welfare state model with an all-embracing scheme of social provisions. Welfare state of France is “one of the most interesting and significant case from the perspective of its theoretical underpinnings, political importance and extent of social protection” (kesselman 2002: 181). Such a unique and full-fledged welfare state was the by-product of some historical factors and its evolution through years. Political and economic scenarios subsequent to 1945 were not the single factor responsible for the

robust augmentation of the welfare state in France. It is argued that the welfare state was “merely expanded, consolidated and fed more money with great political fanfare- after world war second” (Smith 2003: 3, 4).

The presence of a Christian democratic party or a social democratic party and its active involvement with workers issues and movements are believed to be the basis for the growth of a healthy welfare state. But French welfare state does not represent any of these categories in complete sense (Kesselman 2005: 185). Even though France shares numerous general characteristics with other European welfare states, it “fits the usual typologies so poorly because it is a political hybrid” (ibid.).

Mark Kesselman put forward the argument that,

“French Welfare State reflects a strong consensus among a wide range of otherwise divergent political forces in France, including the communist and socialist parties on the left and the Christian democratic, Gaullist, and centrist forces across the political divide”. “It is a hodgepodge of different elements that developed according to divergent logic under the aegis of ruling coalitions with different social, ideological and partisan orientations” (Kesselman, 181, 183:2002).

According to Levi,

“French welfare state combines elements of Bismarck and Beveridge, of categorical privilege and the universal rights of citizenship. Esping-Anderson places France in the conservatist corporatist or Christian democratic welfare world, but it is an awkward fit at best” (Levi 1998:4).

France had a very different historical origin and its political traditions are highly complicated. In France the violent clash of ideas in the revolution provided sharper differences which may account for the continuity of social concern in French political debate.

French Revolution set the background from where the modern thought of welfare state began to go forward. The revolution has intended to craft a national scheme of social welfare provisions such as ‘secularisation, centralisation and entitlements based on the rights of citizenship’, which largely resembles the provisions emerged after the Second World War (DiCaprio 2007: 9). Consequently the ‘Declaration of the Rights of Man’<sup>28</sup> was endorsed by the French National Assembly in 1789 (See ANNEXURE 1). The second Article of the declaration states, “the aim of all political association is the preservation of the natural and imprescriptible rights of man. These rights are liberty, property, security and resistance to oppression” (Angresano 2011:162). The elucidation of this article in the post Second World War period laid the foundation for the 20<sup>th</sup> century welfare state in France (ibid.).

Apart from this, ‘The Resistant Charter of 1944’ also occupies a prominent place in crafting the French welfare system. Formed by George Augustine Bidault, the then French foreign minister, the Resistance Charter advocated an all-embracing post war restructuring programme for the country. It insisted widespread nationalisations, a social security system and economic planning. The charter formulated a comprehensive system of social insurances capable of protecting workers from the negative impacts of industrialization and there by leading a dignified life.

Following the Second World War the French have constructed one of the world’s most expensive ‘cradle to grave’ health and welfare system. France flourished rapidly under the welfare state system in the post war period and it was regarded as the most generous among the European countries. Considered as the brainchild of Pierre Laroque<sup>29</sup>, it is often presented as very peculiar as it was the most

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<sup>28</sup> The ‘Declaration of Rights of Man, is the fundamental document of the French revolution based on the doctrine of natural right. It is also occupying the position as a precursor document to international human rights instruments. Drafted by Immanuel Sieyes, it is a landmark in the French constitutional history. The document asserted the equality of men and the sovereignty of the people, on whom the law should rest, to whom officials should be responsible, and by whom finances should be controlled. Many of its provisions were aimed at specific abuses of the ancien régime. The declaration had immense effect on liberal thought in the 19th century.

‘interventionist’ European state of that time. In 1945, the policy review put forward by him took the form of a comprehensive French social security system. He gave utmost importance to the “virtue of an interventionist state and stressed that social benefits had to be conceived as part of a comprehensive set of social and economic policies aimed at promoting both the security of income and full employment” (Jabbari 2012: 8).

### **3.9 WELFARE STATE ACTIVITIES IN FRANCE**

Profound social changes occurred in France could be seen as the result of some fundamental alterations in the political landscape. Emergence of state as the ultimate authority with control over social and economic affairs was the primary factor<sup>30</sup>. During 1945-1974 the economy in France grew at a 5.2 percent annually, full employment was maintained and the system of social security was working perfectly” (Beland and Hansen 2000: 53). State powers got strengthened and elaborated especially during 1945-58, the period of Fourth Republic<sup>31</sup>. State had the command over a large portion of country’s productive capitals. It resolute the direction of investments and persuaded the primary equilibria in the economy such as budgetary, external, monetary, social, geographic and inter occupational categories (Kresl and Gallais 2002: 23). In order to prevent monetary depreciation

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<sup>29</sup> Being a career civil servant, he planned to construct a single, universal system that would cover all citizens against the principal risks of life in an industrial society, administered democratically by the beneficiaries themselves (Dutton 2002 :81)

<sup>30</sup> Even before the war, French state began to assure its position as the supreme authority. Large scale nationalisation of the industries and regulation over the economic affairs could be seen as the signs of this development.

<sup>31</sup> Fourth Republic ruled the Republic of France from 1946 to 1958. The Fourth Republic saw an era of great economic development in France and the rebuilding of the nation's social institutions and industry in the post war time. World War II, The greatest accomplishments of the Fourth Republic were in social reform and economic development. In 1946, the government established a comprehensive social security system that assured unemployment insurance, disability and old-age pensions, and health care to all citizens.



and inflation, government introduced various stabilisation policies. For example during the years 1945 to 1949 - France nationalized the banking, electricity, gas, and the coal sectors, as well as the companies that consorted with Vichy regime.

The wave of nationalisation touched French banking sector in the reconstruction period. Bank of France was nationalized as a part of this. Ministry of finance and economy got ultimate command over its activities like management and credit control. Banker Jean Monnet develops output and modernization goals for key economic sectors. Under "indicative planning," details of the Monnet plan in each sector are left to committees represented by the Planning Commission, major firms, public enterprises, unions, and technical experts.

French state has implemented various labour welfare policies in the first half of the 20<sup>th</sup> century. Pro-workers policies and powerful labour laws strengthened during this period can be considered as a sophisticated form of policies already prevailed. Such policies date back to the period of great depression when France moulded a unique welfare social protection scheme and implemented policies to protect the labour of the country. During the inter war period, France gave utmost important to agricultural sector, conventional patterns of small firms, and family based retail shops. Just before the outbreak of war, there was an increase in the regulation of wages and working conditions, for example, *Accords de Matignon* or Matignon Act of 1936<sup>32</sup>.

The immediate Second World War period was crucial for French workers. In this period of reconstruction, there was a large scale migration from the rural areas to urban regions in search of jobs in the newly strengthened and elaborated

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<sup>32</sup> Known as the 'Magna Carta' of French labour movement, Matignon Act was signed on 7 June 1936 by French government, CGPF Employees trade union and CGT trade union. It was the result of a huge general strike of French workers with an aim to attain descent working conditions and to protect basic rights of the working class. Started in 16 May 1936, strike waves immediately spread in to the nook and corners of France. Workers occupied factories to avoid lock outs. Popular Front came to power in June and major trade unions pressurised the government to make decision on the issue. Labour welfare reforms were introduced after negotiations. Major guarantees workers benefited from this act includes, the removal of all restriction to labour union organisation, right to strike, paid annual leave, wage increase, mandatory collective agreements and decrease in the workweek and collective bargaining.

manufacturing industry. Large scale Social security schemes were introduced in 1945 to protect the life of these workers. *Salairé minimum interprofessionnel garanti* or SMGI started in 1950 and third week of holiday was introduced in 1958. Unemployment rate was less than two percentages and working hours declined gradually in this period.

During 1960s, welfare state mechanism made solid base for the protection of labour standards, avoidance and decline of unemployment and proper income maintenance. When unemployment began to increase towards the closing years of 1960s, state introduced unemployment compensation scheme. In order to prevent the negative effects of industrial restructuring, France implemented The National Employment Fund. Implemented on 18 December 1963 it assisted workers to adapt “occupational changes resulting from technological innovation or some modification in the conditions of production”. (Hollifield 1991: 176).

French social security scheme with both public and private involvement was compound at institutional level. This is evident from the retirement schemes offered by the government for its workers. Different groups of workers received various forms of plans such as general fund, complementary pensions, pensions for minors and farmers, civil servant and others (kesselman 2002:190). Under this system, workers had to take membership in mutual aid societies. The minimum guaranteed retirement benefits legislated by the state in 1975 was joined with this for making provisions more beneficial for the workers (ibid.).

Post war period pension funds were generated from two sources. The main share came from state’s general fund and rest of the portion from separate funds. Early retirements of workers were made possible through the funds of government. It also guaranteed a transitional pension as an interim assistance for those who did not reach the required retirement age. In the 1980’s government offered special pension provisions called conversion pension to satisfy the needs of workers who got displaced from industries (kesselman 2002:190). One of the other remarkable characteristics of French labour welfare policy was the usage of income for maintenance and redistribution for both employed and qualified unemployed (ibid.).

### **3: 10 DECLINE OF WELFARE STATE**

A number of policies adopted during the post war boom time considered as the reason for this protracted crisis. Uneven development patterns, energy crisis began in 1973, inter- imperialist rivalries, failure of neo- Keynesian<sup>33</sup> economic model were some of the major reasons for this set back. The crisis was a truly all embracing crisis of the capitalist system in Western Europe, “afflicting not only all branches of industry, but also the sphere of circulation, international economic relations and national system of state monopoly regulation”(shenayev 1981: 55). New phase of protracted crisis in the view of Marxist economists is mainly due to the indiscipline of world economy headed by imperialist powers. They are of the opinion that, capitalism in the 1970s thus saw declining growth rates, growing unemployment, accelerating inflation and negative current account balances has triggered the interest rate increases and trade wars.

Western Europe during the period of 1970s witnessed a transformation from the prolonged post war boom to a structural economic crisis<sup>34</sup>. These countries in the immediate post war years positively converted their states into a powerful and dynamic block. Economic growth rate, price and employment stability are the factors mainly helped the economies to maintain the balance. These factors lost the grip with 1970s crisis. The radical measures adopted by them proved to be not sufficient enough in preventing them from slipping into a structural crisis. This crisis inflicted a severe blow to western economies which subsequently led to ‘profitability cut, increased inflation and stagflation’ (Heertum 2013: 225).The ultimate result of this transformation was the decline of welfare state in advanced capitalist countries.

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<sup>33</sup> Neo-Keynesianism is a new version of classical Keynesian economics set up in accordance with the new social situations that took shape after World War II. Post-war economic crisis, changes in the monopoly capitalism, decline of colonialism in many parts of the world are directly responsible for the modification of Keynesian economics. Most prominent proponents of this ideology are R. Harrod, N. Kaldor, J. Robinson, E. Domar, and A. Hansen.

<sup>34</sup> 1970s crisis was one of the worst since the Second World War due to its character as a stagflation. Structural economic crisis leads to corrosion of labour. There occurred the erosion of comparatively regulated and contracted labour.

The national economies failed miserably and could not resist the damages inflicted by the newly emerged economic scenario.

Foremost capitalist economies were battered by cyclical overproduction crisis in the post war period, especially in 1969-1970, 1973-1975, and in 1979-1980. However the 1973 crisis was the deepest and destructive one occurred in the capitalist world after the Great Depression. The entire capitalist world came under its shadow concurrently and synchronously. The Cyclical overproduction got connected with the whole sequence of structural and sectoral crises. These circumstances led to many fundamental changes in the then existed political and economic set up and gradually led to the withdrawal of state from welfare social policies. A Teeple noted, “all the social and political institutions associated with the national economy come into question and indeed begin to undergo a commensurate transformation” (Teeple 2000: 5).

There is a view that, Keynesianism, the ideological back bone of post war boom, failed in extending the post war prosperity in capitalist economies. Breakdown of Brettonwood exchange rate system intensified its crisis. Stagflation and fiscal crisis, rising unemployment and accelerating inflation shook the economies from international to domestic level and announced the failure of neo Keynesianism. Problems of US productive output outshined the dollar’s international demand. Dual character of dollar as national and international currency also created contradictions.<sup>35</sup>

The inter- imperialist rivalry which started during the inter war years and strengthened during 1970s was one of the main characteristic aspect of the crisis. There was an intensifying contradiction among the capitalist countries along with the increasing might of United States. After the Second world war United States rose to prominence in terms of military, economic and political strength and became the centre of modern capitalist world. But the subsequent growth of other capitalist blocks such as Western Europe and Japan along with disunity among them created serious rivalries.

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35 Decline of the international demand of dollar mainly happened because of the decline in the share of total manufacturing goods in the world market and slow down of productivity growth.

All the above mentioned issues directly and negatively affected the very base of advanced welfare states. The factors responsible for its decline emerged in this broader context. Along with this few internal issues also can be added as the reasons. This include “population aging, changing family patterns, new gender roles, decreasing economic growth rates, technological change, internationalization of the economy, and changing relations between nation states” (Korpi 2003: 596). These factors emerged in different European countries with their own national peculiarities. Among these, internationalisation through neoliberal globalisation occupies the prominent place. Its “relationship to welfare states has been conventionally conceived as an external force or pressure that acts to dissolve or undermine the welfare state and the nation state” (Clarke 2003:202)

Neoliberalism made an entry at this point by making an end to Keynesian welfare state. According to Esping-Andersen, this concept is a “deregulation of the public sector and greater labour market and wage flexibility. This strategy is made possible by weak labour movements and the liberal welfare set-up, where most of the population is privately insured” (Esping-Andersen 1996: 15-18).

This economic philosophy was supposed to cure welfare state’s incapability and thereby to create a stable economy through a free market. Under this dominant economic paradigm “the state would play a minimal role in the economy and “the invisible hand” of market decisions would determine economic outcomes (Purcell 2008: 13).

### **3:11 France under Welfare Retrenchment Policies**

Ideological debates on the crisis or retrenchment of the welfare state is mainly focused on the significance and role of the state. The crisis which shook the western European countries diluted the assurance in an enduring and sustained economic growth under welfare state. Reorganisation of the state structure occurred in a context where a general assumption emerged in the capitalist world that, welfare state is incapable of handling the economic issues emerged after 1970s crisis. A number of diverse reasons are generally considered as the reason for welfare state transition from protection to retrenchment. Emergence of neo- liberal economic

policies, European union integration, aging national populations, major societal changes, technological changes etc-:- combined together and urged the states to transform their national social policies (Palier 2004: 97).

The table given below shows the considerable increase in the level of unemployment in France since 1970s.(see **TABLE 3: 1**)

**TABLE 3: 1**

**Unemployment Indicators in France**

	1970	1980	1990	1997	2000	2001	2002
<i>ILO unemployment rate (%)</i>	2,5	6,3	8,9	12,4	10,0	8,8	8,9
<i>Average duration of unemployment (months)</i>	9	12	15	16	15,9	14,5	12,8
<i>Unemployed for more than one year (% of aggregate)</i>	21	32	40	43	40,1	35,3	30,2
<i>Unemployed collecting benefits (% of aggregate)</i>		72	73	65	82	89,8	92

Source, Gramain, Exertier and Herbillon/92006), “Rescaling Social Welfare Policies”. URL: <http://www.euro.centre.org/rescalingDocuments/files/France.pdf>

The structural economic crisis into which the capitalist economies entrapped was sufficient to destroy the stability of advanced capitalist country economies. Specific economic structures, level of their involvement in the international capitalist financial matters, tendencies and mode of internal and external economic policies decided the severity of crisis in individual countries.

The French welfare state passed through a transformation after 1970s in three different ways. Firstly there was a reduction in the social security shortages on one side and an increase in the employer and employee social contribution on the other side. Secondly state tried to control social spending through cutback of welfare

programmes. Thirdly there was an alteration in welfare states very basis by implementing institutional changes (Palier 2004: 97).

Insurance contributions were increased and direct payments extended. France entered into a prolonged economic crisis. Growth slows, becoming negative in 1975. Boost in productivity also slowed and there was a decline in the competitiveness of the economy. The period after 1970's witnessed considerable reduction or cut back in state expenditure on welfare activities. President Giscard d'Estaing imposes unpopular austerity measures to stem rising inflation and unemployment.

French welfare state stood up sternly during the energy shock implicated on it by OAPEC in the 1970s. But these measures were not at all favourable for working class in France. State formulated policies to stay away from the energy shock and its clear implications on the labour and employment relations. There was a drastic increase in the unemployment rate after 1973. French government initiated an array of strategies to stabilise countries employment. Reduction in the supply of labour was a major step. As a part of this, immigration policies were tightened in 1974. Workers were pushed for voluntary retirement; benefit to the older workers who were laid off was increased, workers above a certain age were not entertained to employ in firms (the age limit was 60 in 1972 and reduced to 55 in 1977).

Since the 1980s, frequent institutional modifications have been undertaken in France. Subsequent to the oil shock, government in France under both left and right wings sponsored a remarkable range of active and passive labour market policies. The attempt by the French socialist government in the year 1982 to stimulate growth by encouraging wage rises and increasing public expenditure failed within only a few months. The share of GDP allocated to social security increased by 1986. In addition, The European Monetary System, set up in 1978, aimed at keeping exchange rate fluctuations within a narrow band and thereby made adjustment through currency devaluation much more difficult (Streeck and Hassel 2003: 351)

These changes were evidently observable in the fields of in the finance, the product and labour market, the welfare state structure etc. During this period, consecutive governments took apart the existing management of prices. By integrating the

country with the rest of the continent it reduced trade barriers and got rid of the constraints on labour and financial markets. Privatisation of public sector enterprises was also carried away by the state (Babb 2002: 562). In order to strengthen states role in countries economic affairs, the socialist government tried to implement some policies though reducing work week, lengthening holidays and escalating social transfers, which resulted in partial success. But the crisis worsened and the government declared austerity plan in 1983. In order to curb the inflation government increased taxes and cut down public spending. (Babb 2002: 565).

The above mentioned economic and political circumstances, emerged at international and national level were the fundamental reasons from the transformation of well established welfare state model in France. Neoliberal globalisation had far reaching effects on French domestic politics. It has affected the state power in many ways. It Augmented of the power of the individual, weakened the autonomy and tools of the state, Increased the power of multinationals and international investors and most importantly, it has decresed the bargaining power of labour (Meunier 2004: 127).

### **3:12 Conclusion**

In post Second World War France there is two clear stages of welfare state transition. One related to an astounding enlargement stage and the later one is characterised by an all embracing retrenchment phase. The former stage is responsible for the post war national reconstruction, boosting of economy, nationalistaion of the state institutions, worker's protection and wide ranging social welfare policies. Even in the absence of a strong social democratic or Christian democratic party, French welfare state evolved into a vigorous and unique model with generous social security net. The share of GDP French government spent for social security provisions was an obvious example for the state's commitment towards the well -being of its citizens.

Since the early 1980s the welfare state has been in retreat. Ageing, low employment and public debt forced welfare state to restructure. Its withdrawal has ambivalent repercussions for the economy as a whole. The nature of labour and employment



relations was redefined in this stage. Welfare retreat emanated as a danger to the position of labour and threatened their participation level in social policy making. Governments have taken initiatives and tried to curtail the role of the social partners in the governance of the welfare state.

The reversal from Keynesian welfare state model to neoliberal economy was decades long process in France under which fundamental definitions of labour, social securities and welfare policies got redefined. The next chapter will look into the major labour policy reform occurred in France under neoliberal economic doctrine and its impact on labour.

## **CHAPTER IV**

### **NEOLIBERAL ECONOMIC POLICIES AND LABOUR REFORMS: CHANGING SCHEMES OF RETIREMENT AND PENSION**

## **4:1 Introduction**

Varying meaning of human work in the context of economic, institutional and cultural transformations in France is more evident in the contemporary period. Marketisation and commodification of work in a flexible labour market creates ambiguities about the identity of labour and the definition of employment. Neoliberalism, the dominant philosophy of the capitalist world has redefined the existing patterns of socio- economic and political mechanisms, which were once in favourable of the working class. *France through a fully State-led-capitalism embarked into neoliberal structural reforms in 1980's. In a continental model state<sup>36</sup> like France, this change was notably visible in the areas of finance sector, welfare models and product as well as labour market.* The chapter will focus on how the new economic policies took an institutionalised form by influencing the political and economic affairs of the country. It will make a detailed study of the major labour and employment policy reforms implemented by the government with special emphasis to retirement age, pension policies and working hours.

## **4:2 A BRIEF HISTORY OF FRENCH NEOLIBERALISATION AND LABOUR SOCIAL SECURITY**

Contemporary economic and political dynamics of France is closely associated with the philosophical influence of neoliberalism. France is the land where the intellectual origin of the concept of neoliberalism have taken place. Walter Lippmann colloquium<sup>37</sup> was its birth place and remained exclusively inside the boundary of

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<sup>36</sup> Continental model states are those countries which maintain strict control over the economic activities in society. In such countries, protection of jobs and regulation of industries are under the strict rule of the state. A number of insurance based unemployment benefits and a state funded welfare measures are used to decrease poverty in the society. Countries like France, Austria, Belgium and Luxemburg come under this category. It is considered as a middle ground between Nordic model and British model states. It is observed that, such country's labour markets are generally inflexible and its reaction towards globalisation is also slow.

<sup>37</sup> The Lippmann Colloquium, a discussion forum of intellectuals and entrepreneurs, was held in Paris in 1938. Conducted by French philosopher Louis Rougie, its occurrence was the result of their

France and French language until 1950. Before the neoliberal era, major employment policies implemented in advanced western industrialised countries were Keynesian Policy and neo-classical approach. The former one give emphasise on stimulating private demand, the later one is about the relative decrease in the production coast, particularly labour coasts. The term "neo-liberalism" denotes new forms of political-economic governance premised on the extension of market relationships. (Larner 2000: 5).

Neo-liberal notions such as flexibility, innovation, productivity and competitiveness are closely interconnected with the changes in the realm of work. The emergence and evolution of French neoliberalism was a long process. France looks a lot like other western European countries in this long process of economic transformation, which gained maturity in the 1980s. "Neoliberalism in advanced capitalist economies was the product of a long period in the development of the productive forces and associated changes in the production relations, which modified the superstructure and had significant effect on social consciousness" (Howard and King 2008: 193).

The first half of the 20<sup>th</sup> Century, notable restructurings occurred in the political economy of France. Priorities were redefined with new apparatus of economic management. According to Richard Kuiseel, a shift in goals from stability to modernity and the development of economic management were the principal changes. In the last half of the 20<sup>th</sup> century there were attempts to furnish French economic institutions with the principles of neoliberalism. *This shift is considered as a response by the nation state to the internationally evolved economic changes. French Néoliberalisme, the ideology it institutionalised under the umbrella of 'Pan European' capitalism, considered it as the only solution for all economic problems, especially after the oil shock of 1973.* Labour policies were largely redrawn during this period. Labour and working life have undergone significant changes with the evolution of state-business relations in France. Labour reforms could be seen as a strategic approach by the government to make changes in the existing system.

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perception that ideas like collectivism, socialism and laissez –faire liberalism was in a turn down position. its main aim was to discuss the scope for the formulation of a new liberalism. The Colloquium's discussions led to the foundation of International Centre for Studying and Renewing Liberalism (ICSRL).

Gradual historic evolution of French economic policies from individualism to state paternalism to neoliberalism was very evident in policies implemented by the state over a period of time. In the 19<sup>th</sup> Century, the liberal economies in the western European countries were run by market forces, natural economic laws and automatic regulators and the role of the state was essentially to keep the market free and secure (Kuisel 1981: 248). Towards the end of the Second Empire and the beginning of the Third Republic (1848- 1897), the social acceptability and importance of extreme individualism were replaced by modern state intervention<sup>38</sup>. State took initiatives in implementing laws related to employment. These include the limiting of hours of labour, regulating apprenticeship, recognising the right of the workers to organise unions and to conduct strikes (Sappos 1931, 227).

A number of factors have contributed to the enforcement of a powerful social security system in France. Being a unique blend of the two traditions of national and socio-professional solidarity the French social security system is considered as the envoy of other European systems. “The war experiences; the labour provisions in the peace-treaties; the example of foreign countries; the rise of social Catholicism; the growing reformism of French trade unionism; the waxing strength of political groups in France were favourable to labour legislation” (Sappos 1930: 267).

It was in the beginning of the 20<sup>th</sup> century, government in France initiated the process of strengthening administrative mechanism for the accurate application and enforcement off the labour legislation. A labour office was created in France in 1900 and later a new ministry of labour was founded in 1906. It was in this period, that the state took a most important decision related to the strengthening of institutions, which was culminated in the creation of specific joint commissions, composed of equal representation of employers and workers. Its aim was to deal with the

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<sup>38</sup> Roughly from the period of Great Revolution in 1789 to the Revolution of 1848, the dominant ideologies which ruled the French thought and legislation were economic liberalism and individualism. According to this, the state should not interfere in the conduct of private business except to protect the property, prohibit coalitions and guarantee the freedom of occupation and that of conduct. It was considered as the ‘passive-policeman theory of the state (Sappos 1931: 227)

industrial legislation and administration. The years from 1906-1914 occupies a prominent place in the history of social security system in France. State recognised the necessity of social insurance in order to promote and guarantee the well being of labourers outside their work place. Even though there was no general scheme of insurance, the principle was applied to many industries and groups of workers by specific enactments. Such legislations were notably elaborated during the war and role played by influential labour leaders are the reasons for this.

The French economy since the Second World War underwent some major transformation. Firstly, the industrial economy of France, dominated by the state was replaced by a service economy which is more open to external contacts. Secondly, the social protectionist state had to reorient itself towards an economy of market and competition. The elaboration and establishment of neoliberalism happened in France at this particular historical juncture. French state in 1950's, in its attempt to mingle with the new system, encourages expansion of market through selective promotion and control of industry and through more lively competition. Competition between advanced industrialised nations compelled the state to set up more efficient production units equipped with most modern and advanced technology, manufacturing and marketing techniques.<sup>39</sup>

In case of social security a number of reasons can be traced in this context. Lower growth rates, which are the result of post industrialism and more diversity in private family households, are some among this. Structural changes in the labour markets, that is decline in the standard employment relationship and globalisation are the other major strains faced by mature welfare state in the contemporary period( Hinrichs 2005 : 47)

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<sup>39</sup> In this process of expansion, the state had to adopt decision related to the removal of structural obstacles prevailed in the economy. These include, an economy laced with privileged *situations acquises*, an archaic distribution net work, a retrograde agriculture, a tax system that discouraged investment, a weak capital market, flabby competition, timid entrepreneurs, restrictive cartels, and a web of state subsidies that preserved the inefficient (Kuisel 1981: 249)

France, a continental model state introduced such institutional changes through the reforms in labour market, welfare system, financial market and product system<sup>40</sup>. “These reforms were a national response to exogenous economic changes affecting capitalism in general and taking place at the international level, including the process of economic globalization and European unification” (Amable, Guillaud and Palombarini 2011: 2). The country set up the important pre- conditions like managing the discomforts created by economic dislocation, mechanisms for growth and promotion of full employment, managing business cycles and facilitating the general coordination of public policy (Kuisel 1981: 248). New public institutions were formed and arranged them in the line of modernisation. On the one side it incorporated the intrusion of state and planning and on the other side; it began to make public policies by developing a network of corporatists to strengthen the involvement of private interests. The market with the dogma of liberal philosophy could work and endure along with the new organs of management. “The result was a Gallic style of economic management that blended state direction, corporatist bodies and market forces” (Kuisel 1981: 248).

The structure of labour policies took a new shape in the 1980s, in the wake of neoliberal economic policies. French role in globalisation is generally considered as a paradox. The French paradox is heightened by the fact that the French Left was more responsible than the Right for France's embrace of capital liberalization (Abdelal 2006:6).

During the first years of socialist government under Francois Mitterand, their understanding on the fundamental rationale of nationalisation was to encourage a new dynamism of the French economy. In 1981, Francois Mitterrand's government decided to implement 100% nationalisation of major firms in the country. Decisions related to some policy reforms, especially labour issues, were also emerged in connection with such an understanding. By reconciling the French (and particularly the French workers) with industry these reforms are meant to remove and important

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<sup>40</sup> Countries all over the world embarked into neoliberal restructuring in different patterns and speeds. 24 Latin American and Caribbean nations enacted major financial reforms, 23 countries implemented major trade reforms and 14 countries privatised a substantial number of state assets, only five countries reformed their labour laws between 1985 and 1995 (Madrid 2003:55)

psychological obstacle to greater economic vitality and reindustrialisation (Lauber 1983: 161). It can be understood that, Economic conditions prevailed in France before the neo liberal era is largely contributed to the strengthening of this policy. It is clear from the experiences that, the socialist government policies created a favourable background for the easy implementation of neoliberal policies in France.

#### **4:3 IMPACT OF NEOLIBERALISM ON WORK AND EMPLOYMENT**

Espring- Anderson (2001) stated that, the notion of neoliberalism has become part of the European employment Strategy and underlines an erosion of the traditional separation between the spheres of social protection and labour market policy. Labour market policies initiated in such circumstances under the guidance of supra national organisation generally applies stricter degree of conditionality in terms of social security transfers. The hegemony of neoliberal ideology and its widespread implementation have significant impact on workers and the labour movement. It alienates workers both from the end products of their labour and from labour process itself. In such a situation, labour power is sought at minimum cost by owners of capital, whose sources of profit rest in cost- minimisation through worker exploitation, division and domination, work intensification and ever- increasing control over production (Baldry 2007: 4).

Neoliberalism advocates the opening up of capital market, which allows affluent countries to control economic activities of poor countries. In this way the economically less powerful countries lose their control over their internal economic activities. But paradoxically, lower strata such as working class in the advanced western European countries and United States are also not free from such exploitations. Neoliberalisation harm the interests of workers as it often involved measures to restrict the influence of trade unions, attacks on social security systems, privatisation, the contracting out of public services to the private sector, less secure employment conditions, and moves away from progressive taxation”(Backhouse 2010:55)



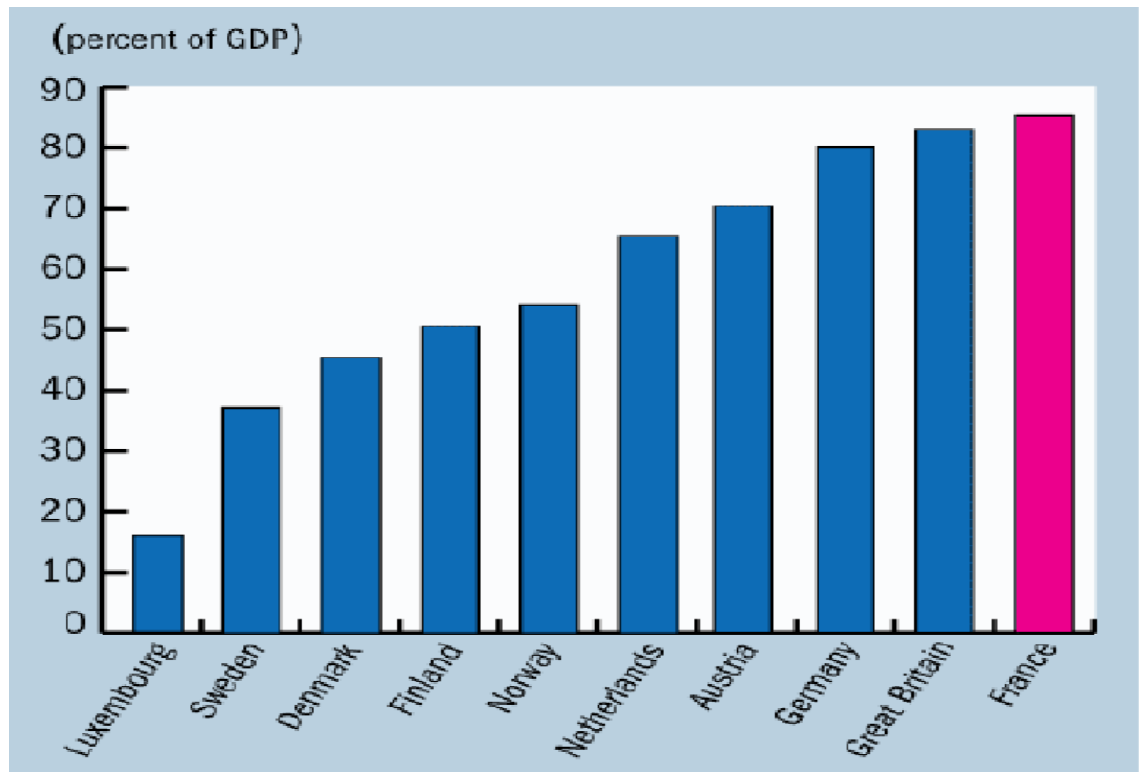
Neoliberalism explicitly reduces the role of state and public sector. “The public sector scenario requires a ‘socialisation of demand, that is, that the government or the public sector workers in effect will decide which of the people’s unsatisfied needs should be fulfilled (Emmerji 1983: 264). All over the world, neoliberalism drastically affected the existed labour and employment policies. Understanding of structural transformation through deregulation occurred in international economic scenario is relevant for a proper analysis of French case. Swiss Federal Statistical Office (FSO) document on globalisation’s impact on employment identifies the aspects of employment which can be directly affected by neoliberal policies. According to this, there may be an impact on the number of jobs available in the economy. It may also affect the structure of jobs, i.e. their distribution across economic activities.

Increasing labour market flexibility is a main agenda of neoliberal policies. It attempts to make markets work more “freely” and “efficiently.” central objectives of these reforms. Labour markets are a popular target of structural reforms in a neoliberal economy. There has been a dramatic change in collective bargaining systems, where various measures implemented enable a profound decentralisation, and an erosion of collective bargaining systems. It is argued that, labour and pension reforms will typically facilitate economic stabilisation by reducing labour costs and, in some cases, cutting government spending as well.

Reforming the social protection system is essential in order, on the one hand, to strengthen incentives to produce and work and, on the other, to reduce the negative employment implications of current methods of financing benefits (Marco Buti, Daniele Franco, Lucio R. Pench 1999:229). In contemporary period, neoliberal economy in France faces difficulties in terms of financial management. After 2012, there is a clear stagnation in the economic growth of the nation. The economic stability of the country is threatened by the public debt, which is predicted to hit record levels in 2014 of 95.8% of GDP.

Below given figure shows French public debt in comparison with other European Countries.

Figure- Public Debt of European Countries



Source- IMF

Level of country's social welfare spending is under criticism of pro- neoliberal policy makers in this context. Currently government expenditure on social security and welfare in France accounted for 44.2% of government spending in 2013, amongst the highest in the OECD. Furthermore, the government faces repeated difficulty in carrying out reform or savings cuts because of social discontent and frequent strike action<sup>41</sup>.

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<sup>41</sup> This paragraph draws mostly from the information provided, titled "Risks and Vulnerabilities France: Will France Be the Next Victim of the Sovereign Debt Crisis?", in the Eorometre International website <http://blog.euromonitor.com/2014/07/risks-and-vulnerabilities-france-will-france-be-the-next-victim-of-the-sovereign-debt-crisis.html>

A number of issues can be drawn from the perspective of working class on neoliberal impact on labour. Profit motive by financial markets and competition in global goods markets leads to the poor treatment of labour by large corporations. They can reduce the benefits of workers in many ways. Making cuts in employment and reduction in wages are important among this. Shift from centralised bargaining to decentralise wage setting is another major consequence of this. Increase in the casualisation of workers is also a major threat to the security of labour in the neoliberal time.

#### **4:4 PENSION AND RETIREMENT: AN OVERVIEW**

Understanding the history of pension is crucial to understand its importance in the contemporary time. A heated debate emerged in 19<sup>th</sup> century in one of the prominent centre of international finance of that time, London, throws light on the history of pension in the modern times. The then prevalent nature of the labour market was not sufficient to prevent the old age poverty mainly in urban centres, which gradually led to the need for states responsibility in ensuring welfare provisions for workers. A committee formed in United Kingdom in 1899 named, 'Parliamentary Select Committee on Age Deserving Poor' dealt with the framework and enduring cost of an old-age PAYG pension policy. It states, 'cases are too often to be found in which poor and aged people, whose conduct and whose whole career has been blameless, industrious, and deserving, find themselves for no fault of their own, at the end of a long and meritorious life, with nothing but the work house or inadequate outdoor relief, as a refuge for their declining years'. In the following years 'nation state' was emerged as the protector of elderly. To a large extent nation state replaced old institutions like employers, charitable organisations and local systems of welfare in many countries.

Second World War was a bench mark in the gradual evolution of pension. Economic backwardness and mass poverty created by political upheavals and great depression refigured the values existed in the previous decade like co-operatism and self-reliance. National pension systems introduced in the aftermath of the second world war reflected a commitment to universality growing out of the enormous economic and political upheavals of the first four decades of the twentieth century ( Clark,

Munnell and Orszag 2006: 15). Pension reform at this stage was a most important characteristic of the formation of welfare state all over the world.

Pension schemes can be distributed in two ways. Public and private pensions funded by national governments and employers, commercial groups or insurance companies respectively. Public or state pension schemes are managed by national governments according to their specific national conditions is the most trusted source of pension. In order to avoid poverty after retirement, the state ensure adequate living standard of old age by keeping a balance in the value of both pension payments and the wage they receive during employment. These returns are their rights as they contributed a share of their income for several years. Introduced for the first time in Germany in 1889, other western countries like Denmark, United Kingdom, Australia and America followed the same path.

Public pensions considered as the largest single public expenditure item in most national budgets. The existence and functioning of public pensions can be justified due to some of its fundamental characteristics. Martin Sullivans analysis on the importance of public pension explains these factors. Eradication of poverty through a well maintained and systematic redistribution is the most important element among this. Public pension can also be justified on grounds of paternalism and the need to prevent free riding.

Pension industry has a prominent role in financial sector of every country. It stands for the safe guarding of social protection policy objectives. Being the largest investment block in an economy, pension funds serves the purpose of providing monthly benefit to employees in the post- retirement period. By providing basic financial security and thereby increasing the living standards of old age people; pension plays a crucial role as an instrument of social policy. Pension system of different countries developed over a period of time by incorporating factors like demographic peculiarities as well as socio-economic conditions.

Most of the public pensions are based on Pay As You Go (PAYG) system. Under the PAYG system, the pension received by people after retirement is taking from the contributions of those who are currently working. The scheme is like a redistribution

system in which the retired workers, current employers and future workers are mutually interconnected in the same web.

It was not until the nineteenth century, however, that employers began to establish pension plans for their employees along more or less modern lines, and it was the latter part of that century before the “analysis” of pension costs gained any sophistication(Shapiro 2005: 3). In the modern times it became the responsibility of the democratic states to provide a regular payment to a retired employee. Pension system of different countries developed over a period of time by incorporating factors like demographic peculiarities as well as socio-economic conditions. Modern French government expressed some interests in the absolute welfare of workers who are anticipated and therefore incapable of continuing to earn a living at their usual work.

In France, the modernisation and industrialisation of the realm of labour and employment emphasised on the need for a variety of schemes of social security to meet this purpose. The Workmen’s Compensation Law of 1898 was the first general enactment in the field of social insurance in France. A general scheme for old age pension was enacted in 1910. Several special pension and insurance funds were being established by the state for particular categories of workers like miners, marine merchants, government employees, railway workers, industrial and agricultural workers. The state also implemented laws to subsidise and encourage unemployment funds in the form of insurance and assistances. *Caisses Ouvrieres de chomage* or the state sponsored unemployment fund for trade unions was the first most important step. It was first subsidised by the state in 1905.

Working hours has emerged as a serious issue in the neoliberal time and it is closely associated with the right and leisure of the working class. The first law passed in France to limit the hours of work was in 1841. This was the pioneer attempt by the state administrative machinery for the legal enforcement of this field. Regulation to working hours took a long time to reach the present stage, through a number of laws and legal actions. In 1892, a law restricted to the hours of labour to eleven for women and for men working with women in the factories. In order to address the issue of legal limitation of hours of work, a body was constituted, namely, the

Commission on International Labour Treaties on 20 July 1917. As the next step, ten representatives of French employers and ten representatives of French workers were added to this on 1 March 1919. All of them were nominated by the minister of Labour from the list proposed by the employer's association and CGT. According to the 1919 law, "the actual period of work must not exceed eight hours a day or 48 hours a week or an equivalent number of hours distributed over a period of time other than the week" (Sappos 1931: 232). It also ensured that the reduction of working hours may not be used as a pretext for reduction of wages. Restructuring of working hours can be resulted in the "individual spending less time on the labour market over his life span and giving him at the same time an opportunity to invest in himself" (Emmerji 1980: 257).

#### **4:5 PENSION REFORM UNDER NEOLIBERALISM**

The second half of the 19<sup>th</sup> Century witnessed fundamental alterations in the social and economic fabric of France. Since the decline of a well built and grown welfare state, deep imbalances emerged within the country due to changing demographic patterns and modified economic patterns. Adopting neoliberal measures in matters related to labour and employment reforms were an attempt to overcome these imbalances. In other words restoration of the financial viability was presented as the reasons behind such actions. In such a system, international economic institutions try to configure the internal system by using external factors. "The fundamental trait of the French at the end of the century is ideological innovation in which the market is rediscovered, an innovation that is truly destructive of the traditional French ideal of the economic role of the state" (Kresl and Galais 2002: 19).

Experiences have shown that the neoliberal intervention tried to rearrange the French social welfare landscape. A primary element of the neoliberal squeeze on workers and the welfare state has been employer and government attacks on social security schemes like pension benefits and retirement. In a neoliberal economic set up, financial markets are largely liberalised. Such a liberalisation has resulted in the fast growth of institutional investors like pension funds and their world wide

activities without any boundaries and restrictions. It provided them the face of a global actor. Social security reforms in the contemporary period largely stress on the role of private funded schemes. Such actors in the form of multinational corporations and corresponding interest associations are seeking to expand their venture in the discussions related to pension reform of a particular country. In this way they can pressurise the government to act in accordance with their direction in the reform process. In almost all cases, they gain the authority to make decisions in the policy framing and reforms. “Drawing upon an appraisal of a spectrum of liberal philosophical perspectives, it develops an evaluative framework that specifies the appropriate normative foundations of the design of retirement pension system” (Hyde and Dixon 2009 :).

#### **4:6 Institution of pension and its French adaptation**

A pension scheme is a mechanism for providing retired people with annuities, and for allowing those of working age to build up entitlements to an annuity when they retire (Sullivan 2004: 6). Pension is important because in every state, retired and old age people constitute a substantial number of total populace. For a large majority of old age disadvantaged section income derives from pension payments is the main means of livelihood. In other words earning from job replace pension in the later stage of life. Due to growing financial strains, an inequitable distribution of costs and benefits between generations and socio-economic groups, ineffective responses to new forms of social exclusion, and problems of economic competitiveness, pensions have been at the core of public debates on recasting welfare (Natali and Rhodes :1) .

Pension provision is considered in terms of the development of state welfare in each country and the political climate influencing pension policy (Ginn, Street and Arber 2001: 2). The chronology of French social security system does not present a uniform nature. The institutional pattern of pension in France passed through many frameworks in accordance with the social and economic preferences of the rulers in power. Pension in France can be identified only in the light of its welfare state model. Structure of a social security measure like pension is always depends upon

the changing financial circumstances of a particular nation. Pension reform in France has always been a matter of high political importance due its premier position as a social security tool, social adequacy and the mobilisation capacity of trade unions. French public pension system can be considered as a powerful one as the state acts as the provider of more than 85% of the income resource of the elderly. The country follows Hungary in the highest provider among OECD countries. Historically the French pension edifice has been built by mixing different logics and normative principles (Bozec and Mays 2001: 3)

Debates related to the reforms emerged in 1980's. There was a deficit in the social security system in France during the 1980's. It was particularly visible in the pension system too. It was the International Monetary Fund (IMF) managing Director Dominique Strauss-Kahn who prepared a study on the forthcoming deficit of pension system. In 1989 Socialist Party's (PS) Prime Minister Michel Rocard also indicated the matter of population ageing and called for an immediate action in the form of reform to address the issue (Leger 2011: 7).

#### **4:7 CHARACTERISTICS OF FRENCH PENSION**

French pension system is come under the Bismarckian pattern. The system is dominated by the public state pensions based on the first pillar and partly supplementary occupational pension scheme based on the second pillar. A lion portion of it, based on social security benefits and contributions, approximately 98%, are paid out through a PAYG scheme. Private contribution systems or occupational non-government schemes are not mandatory in France. There exist three main groups, each group comprised of several different schemes; employees of the private and public sector, independents and special regimes for certain public professions. The contributions are paid by both employers and employees for a general public scheme and some specific schemes for certain groups, independents contribute for themselves. Those are earning related public pension and a mandatory occupational pension scheme. Funded with the PAYG system, the worker has to contribute to the pension fund under the first tier. The criteria for a full pension after retirement are the contribution for forty years and otherwise needs to be aged 65 and over. A



worker can earn more if he contributes more during the employment. The average retirement age in France is sixty.

Based on a method of deficit benefits, the occupational pension scheme is mandatory in France. ARRCO and the AGIRC come under this category. ARRCO<sup>42</sup> include the large majority of workers and AGIRC contains only executives and professionals. The second pillar is formed by the occupational pension schemes. For all workers an occupational scheme is mandatory. The mandatory occupational schemes which exist in many forms can be split into two national pension federations, ARRCO and AGIRC. The ARRCO scheme is designed for all private employees, while the AGIRC scheme is an extension for professionals and executives. They are private schemes dating back to 1947 and are governed by the social partners, but they were made mandatory by the government.

#### **4:8 Pay As You Go Pension Scheme in France**

The French pension amount system contains a number of schemes. But Pay As You Go (PAYG) is the mainstay of modern French pension scheme. Pay As You Go began to dominate the pension system by replacing the capital funded arrangements of the previous times and became legally mandatory in the later stage. Crisis emerged in Europe in the first decade of the 20<sup>th</sup> century due to the great depression and world wars and its resultant monetary crisis made the capital funding for pension impossible. PAYG emerged at this time as a reliable and safer financing method in France, based on the logic of contribution by workers.

Under this system the fixed contributions of the currently working people are redistributed to meet the pension requirements of retired employers. 'It is based on a chain of obligations that are imposed upon successive generations. Under this, 'each

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<sup>42</sup> Under ARRCO French employees are responsible for contributing on an every year basis. Every worker obtains pension points with such contribution. Such points have assured value but fluctuate every year. Total number of points attained over a period of time is calculated by dividing the contributions by the cost of one pension point that year. These accrued points of pension will be converted into pension sum at the time of retirement. The worker's supplementary pension point will be result of accumulated pension points multiplied by the value of one pension point ( Der Vlist : 15)

generation inherits the pension debt of the prior generation' (Bozec and Mays 2001: 10). PAYG scheme includes two main tiers. The first one includes the legally mandatory base pension regimes and the second tier is based on complementary pension system. Under the first benefit system, the responsibility of managing the allocation of resources and distribution of its benefits are vested in the institution named National Office for the Old Age Security of Private Sector Wage Earners (CNAVTS). Working as an autonomous body, it is jointly controlled by state and other social collaborators like workers associations and trade unions. The second scheme, complementary pension system, stands for private sector wage earners. ARGIC and the ARCCO are the two major plans under this. These are instituted by the combined concurrence of social groups such as trade unions and employers associations and managed by the envoys of the same. Compared to other European countries, it is legally mandatory in France. Complementary pension regime has a national as well as inter-professional character it come under the definition of PAYG.

In case of minimum pension, there is an untargeted system in France, regardless of the amount of pension received from other basic or supplementary schemes. From September to December 2008, the amount was EUR 7013.87 for those aged 65 with at least a one-quarter registered career and EUR 7 664.23 for those who had at least 40 actually contributed years. The minimum pension is pro-rated for shorter periods" (ECON 2011:136).

The EU joint report on pensions indicates that people in France have the highest life expectancy in Europe at age 65, 19.9 years. Labour market aspects are also of importance. The French labour market has an unemployment rate of about 8% in 2009, which has risen slightly in 2010. The below given table clearly depicts this trend.

**Graph4. 2- Unemployment Rate in France**



**Source-** [www.Trading economics.com](http://www.Trading economics.com)

Participation amongst older workers stands on average, but especially for men aged 60 to 64 the participation rate (19%) is well below OECD average of 54% (Report of European Commission, 2010: 32)

The French Pensions Advisory Council in 2009 counts a participation of 16.4% of those aged 60 to 64, compared to 30.1% in the EU-27. The poverty rate amongst the elderly in France is with 8.8% below the OECD average of 13.5%, which indicates that the replacement rate and the pension benefits succeed in providing many people a respectable income. Home ownership in France, an important element of pensioner's wealth, stands at 63% in 2009. About 36.9% of the households with an adult above 65 own property opposed to 63.4% in the EU-15 and 66% in the EU-27(OECD 2011: 42)

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The table given below shows the Characteristics of the current pension system in the France.

**Table 4. 2**

General features	
Statutory retirement age (m/f)	62/62
Autonomous funds assets in % GDP	0.77%
Functioning	
Actual retirement age	59.3
Gross replacement rate	49.1
Net replacement rate	60.8
Net pension wealth	8.5
Contextual parameters	
Life expectancy (m/f)	77.5/84.3
Unemployment rate	7.8%
Participation rate (55–64)	41.0%
Old-age dependency ratio	25%
Old-age Poverty rate	8.8%
Home ownership	63.0%

**Source: ECON 2011.**

#### **4: 9 MAJOR PENSION POLICY SCHEMES IN FRANCE**

The period for 1970 – 1980 in France has been considered as a ‘golden age’ of pension. During this period, the expansion of the pension system took the form of a progressive increase in the generosity of benefits.<sup>43</sup> The institutional design of this system is greatly fragmented, with a plethora of regimes based on different rules and configurations of actors (Bozec and Mays 2001: 3)

In the modern world, an ideal state has the responsibility to manage the income adequacy of citizens in the later life. Pension policy and the debate over pension reforms, may be seen as a barometer for welfare policy more generally, since pensions form the bulk of social security spending (Ginn, Street and Arber 2001: 1). The trend of reducing states role in economies was clearly visible in case of pension policies compare to other policy (Madrid 2000: 51). ‘Regardless of actuarial reports, economic figures and demographic data pointing towards a “pension crisis”, pension reform remains primarily a political problem’ (Marier, Patrik 2009:1). Most important pension reforms implemented by French governments were Juppé Plan of 1995, Balladur in 1993 and the Fillon Reform in 2003.

Politics surrounding pension reforms came to the forefront of French political discourse after 1990. This reform was the result of government’s decisions to reduce the state’s expenditure or public spending by cutting the welfare provisions of workers. In 2003, It was the result of ‘General Review of Public Policies’ (RGPP) commenced by the government of François Fillon in 2007. It put forward an intention to boost the state’s overall reform policies by enlarging the competence and excellence of public action. Increase in the number of older population along with the decreasing number of workers was also considered as a reason for this.

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<sup>43</sup> The legislation known passed in this period contained very progressive elements. Bowlin Law passed in 1971, raised the full rate pension from forty to fifty percentage of the reference wage. Under the law of 1973, the progression of pension benefits has been increased by the favourable indexation of pension entitlements. Until 1980, the annual adjustment of pension benefit levels was based on gross wage growth, generally the most generous indexation method.

Though the political scenario was undergoing transformations, the content of two major reforms namely Balladur pension reform of 1993 and Juppé *plan of 1995* was almost similar. The decade started with some major changes in the policies related to workers. For government those reforms were some important steps to deal with the escalating pension sustainability problems of the country. Policy makers are of the opinion that, the attempts to introduce reforms are based on the assumptions that the government is no more capable of operating the existing pension provisions in the long run. The introduction of , and increase in new social contributions levied on pension was the first key changes identified in France during this period .The alteration of the first tier PAYG basic pension in 1993 and amendments related to the PAYG supplementary pensions in the AGRIC and ARRCO schemes were the other main changes of this period ( Concialdi 2001 :16)

In the following session of this chapter, the major labour reform policies initiated by French parliament are discussed, with special reference to their policy side.

#### **4:10 BALLADUR PENSION REFORM 1993**

The centre- right cohabitation government of Rally for Republic (RPR) and Union for French Democracy (UDF) led by President Francois Mitterrand implemented a pension reform in 1993. The reform marked a notable swing towards the corporatist model. Named after the then Prime Minister Edouard Balladur, it was a major venture in addressing the pension problem in France with special emphasis on private pension regime (*regime general*). The reform proposed to reduce benefits but was limited to the private sector's employees and did not concern the civil servants (*regime speciaux*). French government considered it as an attempt to refurbish the fiscal feasibility of the PAYG system. In this reform there was a sweetening pension retrenchment reduction with concessions on the management side of the social security schemes. The reform seeks to cut the benefits provided by pension. Control of the future expenditure was the aim of this plan. It reset the eligibility requirements and made changes in the pattern of calculation of pension benefits.

The reform changed the calculation formula and the indexation method pension. The most important change in this reform was the steady conversion of the obligatory insurance period required for full rate pension before the age of 65 from 150 to 160 quarters of contributions. Insurance period was increased from 37.5 to 40 years. “It moved from wage to price indexation, progressively increased from 37.5 to 40 years—the required number of years to get a full pension and progressively based the calculation of the pension benefits on the salaries of the 25 best years instead of 10” (Leger 2011:7). In case of calculation of pension, there was an increase from best ten years to best 25 years for setting up the average reference wage known as SAM. It significantly reduced the return rate of the base general regime designed to private sector wage earners. The upward review of workers annual salaries, which is a part of the reference wage calculation, began to be reviewed on the basis of consumer price index instead of average wage index. The index linking of pensions to the CPI was another major change. The reform stressed the link between contributions and benefits and was predicted to be resulted in the reduction in the replacement rate of pensions under the general regime.

Another major characteristic of the reform was the Veil Law of 1993 for the creation of a public fund. . It made some changes by putting forward a structural shift for creating old age solidarity fund or FSV (*Fonds de Solidarité Vieillesse*). The old age mutual aid or solidarity fund was created for financing those pensions which are not based on contributions. In other words to finance non-contributory benefits for retirees who had made insufficient amount of contributions to the system during their working lives. This fund was detached from PAYG funds and furnished through different types of earmarked taxes like taxes on alcohol. Such a differentiation was not a new phenomenon in France. It was a part of official reports drafted before. It was also the result of one of the main demand raised by trade unions, who argued that the state should pay for the non-contributory benefits, and not old age insurance funds (Mandin and Palier 2003:76). Some aspects of the reform with visibly progressive elements were the minimum income scheme for old

people known as “*minimum vieillesse*” bonus for those retired pensioners who are having at least three children and free validated periods.<sup>44</sup>

An analysis of this policy made it clear that, the most important far reaching effect on the slimming down of pension benefits were mainly because of the changes in the estimation of reference wage. The increase in the in the insurance period was a major debate among workers because of its symbolic importance (Concialdi 2009: 18).

A number of contextual factors made the smooth approval of this reform. This reform was heralded by reports from the official side which already set the public opinion. Publications of the government reports like ‘White book on pension’ (*Livre blanc sur les retraites*) prior to the reform come under this category. Such initiatives were favourable in creating a public opinion on the restrictive reforms. Apart from this the government of Edouard Balladur came to power with huge majority in the election. This majority worked as an advantage for the government as they could pass it without a proper debate and discussion with social actors. The opposition groups were not in a powerful position to defend the reform and it was implemented on 22 July 1993. In the reform, the adoption phase of the reform involved extensive discussions with the unions, but the real problem was a failure to explain the complexities to the young people who would be most directly affected by it (OECD 2009: 49). Majority of the trade unions did not protest against the reform. It is due to the mentality of blue collar male workers, who dominate the trade unions. They were not very concerned about the increase in the insurance period. The deficiency of a powerful opposition group can be connected with this act. Mobilisation against rest of the regressive features of the reform was also absent due to this reason (Concialdi 2009: 18).

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<sup>44</sup> Unemployment, sickness, invalidity, military service or child rearing un worked periods come under this category (Concialdi 2009: 18)



#### **4:11Juppé Plan 1995**

After the successful pension reform in private sector, the French government got involved in another venture of reorganising pension in 1995. The 'Plan for the Reform of Social protection' generally known as Juppe Plan, (named after the then French Prime Minister Alain Marie Juppé) gave an official end to the original Bismarckian nature of French social security system. It also challenged all the traditional norms prevailed about the public sector pensions. The ultimate aim of the plan was to achieve both substantial savings and changes in the social protection system. Some aspects of the system intended to restore the financial viability of the system. These included mainly of increase increases in revenues and in savings on the expenditure side, partially in order to comply with the Maastricht criteria for monetary union (Rhodes 1997: 254). Maastricht convergent criteria for fiscal balances created the most important impetus for the reform.

Pension of public sector workers has always been a very sensitive issue in France. It was the 1993 Balladur pension reform, which paved way for a debate on the special regimes enjoyed by public sector workers. Successive governments dare to touch the area due to the above mentioned reason and also due to the highest rate of trade unionisation. The '*regime general*' which covers the pension plans of the public sector workers like SNCP, RATP, EDF-GDF etc. enjoyed a superior status compare to those of private sector. Specific entitlement rules for public sector workers and the peculiar working conditions of some categories like rail and mine workers were totally different from the public sector workers. Due to these reasons there was always a need for considering both sectors separately in case of reforms. (Schludi 2005:198).

Major aspects of the plan were pension policies and health care system in order to cope up them with the changing socio- economic atmosphere of the totally neoliberalised France. This much ambitious plan is considered as a prolongation of the previous attempts of the government to restructure the social security measures. It was the outcome of government's decision to expand the measures for public sector workers in the same pattern of those implemented for private sector workers

in 1993<sup>45</sup>. Juppé plan tried to deal with short term financial problems confronting social security in the advent of the European Monetary Union (EMU) as well as long term sustainability problems with a view to ensuring the financial viability of the system (Marco Buti, Daniele Franco, Lucio R. Pench 1999:230).

Pension provisions of public sector workers and civil servants were remained untouched until the enactment of Juppe plan. Government described this plan as a move to harmonise the regimes of both public and private sector workers especially in the case of time period of contribution. Drafting of the plan started in august and ended in November 1995. French president Jacques Chirac's austerity measures were getting strengthened in that period. In order to boost French economic growth, Chirac called for a cut in the areas like tax, spending and deficit and adopted measures to address unemployment through the conception of new jobs. The basis of *all his measures was to overcome* France's social fracture through neo-Keynesianism (Ross George 1997: 3). It was also a time when the drive for 'social divide'<sup>46</sup> was launched.

With an intention to maintain precision in the accounts of pension of civil servants, the plan aimed to start an autonomous office to deal with the issue. Four central measures of the Juppé plan were:-

- A lengthening of the contribution period from 37.5 to 40 years for employees in the public service, a measure already agreed for private sector workers in the Balladur pension reform in 1993;

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<sup>45</sup> The special privileges enjoyed by public sector workers and the gap between both public and private sector workers were a matter of discussion in France after the Balladur pension reform. *Benefits enjoyed by the civil servants and public sector workers include not only pensions but also employment and wages as well.* In France, equity issues in the field of pensions mainly took the form of a general public-private cleavage. ( *Bozec and Mays 2001: 47*)

<sup>46</sup> French philosopher Marcel Gauchet used the term social divide in his writings on the class struggle. In this he explains about the increased division between elites and poor in France. It was a major political issue addressed by Jacques Chirac during the 1995 French presidential election. He emphasised on the need to fight against social divide and considered it as the major reason for social unrest and risk in the society.

- The establishment of an annual Social Security Act, which sets targets for spending growth diseases and considering the introduction of penalties for doctors who exceed this goal;
- Increased access to the prices hospitals and restrictions on reimbursable medicines;
- Blocking and taxation of child benefit paid to families, combined with the increase in health insurance contributions for the pensioners and the unemployed.

On 15 November 1995, Alain Juppé presented his plan in Parliament. It included the following elements (Bonoli 2000):

- The introduction of a universal health insurance scheme;
- The reform of public sector pension schemes (*régimes spéciaux*), which was intended to (at least partly) harmonise pensions in the public sector with those in the private sector. This would include the extension of the qualifying period for a full pension from 37.5 to 40 years,
- The introduction of a minimum retirement age of 60 (some civil servants are allowed to retire as early as age 50) and the calculation of benefits on the basis of the best 25 years ;
- The freezing of family benefits in 1996 and their taxation after 1997
- The partial shift of health insurance financing from employment-related to general contributions levied on all incomes;
- The increase of health insurance contributions for unemployed and retired people by 1.2% in 1996 and in 1997 (at that time at 1.4%, or 5.4% below
- The standard contribution rate for those working);

- The introduction of a new tax, levied at a rate of 0.5% on all revenues, earmarked for the repayment of the debt accumulated by the social security system;
- The introduction of a constitutional amendment which allows Parliament to vote on the social security budget.

The Juppe plan invited serious criticisms from different corners. In the words of Giuliano Bonoli (1997: 121) “the plan was not merely a series of cuts in social provision, but an attempt to change the fundamental structure of the French welfare state”. The Juppé plan had projected a reduction in the social security deficit from \$13 billion to \$3.2 billion in 1996. It targeted elimination of the deficit altogether for 1997. In fact, the 1996 deficit was about \$10 billion, with projections of \$7 billion for 1997 (OECD 2000:14)

Political conditions existed in France were very favourable for the enactment of a plan with the back of the social security reform policy. President Jacques Chirac and Prime minister Alian Juppé belonged to the same political party, Rally For the Republic (RPR). Their government also enjoyed an extensive majority in the French parliament. Alian Juppé had a remarkable and comfortable parliamentary majority of 79.7%. Limited electoral constraints were highly favourable for the enactment of liberal welfare reforms.<sup>47</sup> They enjoyed a strong executive power as well.<sup>48</sup> Instead of this, the coming general election was scheduled after three years. It provided them with an opportunity to take advantage of the time span for the implementation of unpopular policy reforms. By utilising this power, the government showed the guts to adopt uncompromising standpoint against the will of the workers and trade

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<sup>47</sup> Juppe government had a highly centralised policymaking apparatus and faces no institutional veto powers. There were no institutional constraints in defining and implementing the content and the method of pension reform (Pitruzello 1997).

<sup>48</sup> The French executive was represented by people from different political parties, Socialist party’s President Francois Mitterand and conservative party’s Prime Minister Edouard Balladur. This cohabitation was not favourable for both sides to implement policies in a smooth way. This cohabitation rule began in 1993.

unions. During this period government bodies maintained secrecy and cut contacts with social partners without giving an option for any kind of negotiations (Bozec and Mays 2001: 48).

The Juppe plan's major structural measures include the introduction of a number of budgetary reforms through constitutional amendments. The national daily *Le Monde* reported that, "the juppe plan is the biggest theft in the history of the French republic. It is the end of the *securite Sociale*. By deciding that parliament is going to direct social protection, it robs the French Franc 2,200 billion made up of contributions paid by employers and employees. We were told that, we needed to act in order to save social security, but they are taking it away from us" (*Le Monde*, 17 November 1995, 12). Government combined security cuts along with an attack on the trade unions' role in the system. The trade unions were reduced to combatant outside the policy process and were forced to compete rather than co-operate with policy makers in their quest to modify or force the withdrawal of the government's proposals.

The government was compelled to withdraw the plan due to large scale strikes unleashed by trade unions which literally paralysed the country for weeks. As a result of this, the government took a decision to exclude the retirement age of pension and later was compelled to withdraw it on 30 December 1995. A number of reasons could be traced as the reasons for its failure. Trade unions determination to protect the hard earned pension rights can be considered as the prominent cause. Chances for a confrontation was quite high in any case related to any public sector regulatory mode.

Trade union's sturdy authority over the affairs related public sector worked well in this case. It also elevated the issue of the transparency of the public sector pays (Bozec and Mays 2001: 48). The plan lacked the basic understanding of a social security reform as the content of the plan itself in general showed confrontational approach. The strategy of government was entirely different in case of 1995 plan. In September 1995, government had discussions with main leaders of trade unions on

the foremost principles of the policy reforms. But it was a failure in terms of equal information exchange and a legitimate negotiation.

Comparing both reforms Bonoli made a notable observation that the 1993 reform was based on the policy of cooperation and the Juppe plan lacked this side but contains the elements for a confrontation. These reforms resulted in a decrease in pension levels today, estimated to be about 20 percent (Leger 2011:7). “There were a number of structural changes that did not directly affect the level of protection, but that were geared towards removing, in part at least, the control of the social partners over the system” (Bonoli 2000:144)

#### **4:12 The Pension Reform Act of 2003 (FILLON REFORM)**

The proposal of law put forward by the French government under labour minister François Fillon in 2003 occupies a prominent place in French pension reform debate. The pension reform act of 2003, known as Fillon reform had far reaching effect on the matters related to work and labour in France. The reform planned for a massive restructuring of the existing patterns of policies related to worker’s pension and retirement age. The main objective of the reform was to bring the public sector into line with the private sector. Management of different minimum wage regulations and reduction in social security contributions were the primary concerns of this plan. The most important objective was to abridge the complicated regulations that had been created by the progressive introduction of 35 hours week. This reform led to a change in the costs of labour on the basis of the type of firm and the pay level within it. It proposed laws to lengthen the period of contribution to obtain a full pension.

The major proposals of the government were increase in the working life and thereby delay the effective retirement age. Alignment of public sector and private sector workers in terms of some rules governing pension was the another major plan. The basic underlying aim of this reform was the reduction of future PAYG expenditure. The logic behind this was the promotion of funded schemes. The major changes of the reform are under follows.

The first major change addressed the older workers.

- The new law demanded that, the older workers have to stay longer in the labour market<sup>49</sup>. To make this purpose easy, a set of rules have been changed. Rules regarding cumulating work and pensions were softened.
- The new law increase the age limit of the worker to 65, unless exception otherwise agreed in collective agreements. Under the earlier legislation an employer could individually force a worker to retire if that person was at least 60 year old. That person had the possibility to be entitled to a full rate pension.
- The employer has to bare more expense in case of early retirement as the government made the scheme costlier.
- Those workers who have started working at the age of 14, 15 and 16 and work experience of at least 42 years had the opportunity to retire before the age of 60.

Second major discussion was related to the raise in the qualification period for full rate pension in both public and private sector. The government prepared a long term plan in this case. There was an increase in the period of insurance from 37.5 to 40 for full rate pension of the public sector workers. This was an attempt to replicate the 1993 plan by 2008. According to the proposal, after 2008, the period of insurance will keep on increasing in public and private sectors up to the age of 41 in 2012. As a continuation of this, there will be a further increase in the way in accordance with the increase in the life expectancy of the population. The policy makers calculated that, in the future it should be approximately 42 years by 2020 and around 44 years by 2040. Changes also came in the form of the reduction of the

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<sup>49</sup> Labour market is the market in which wages, salaries and conditions of employment are determined in the context of the supply of labour force and the demand for labour. It is a factor market consisting of firms as buyers and workers as sellers which exists to match job vacancies with job applicants and to set wages. It is linked to the product market because the demand for labour is derived from the demand for goods and services.

value of annuity. It proposed that, by 2020 there will be a decrease progressively from 2% to 1.8%. The reduction will keep on going along with an increase in the qualification period for full rate pension from 37.5 to 40, 41, and 42.

Third major change was related to the calculation of first tier PAY pension of private sector and the similar regimes like self-employed ones. Under this, the proposed change was pointed towards the formula of calculating the first tier of PAYG<sup>50</sup>. This method was set in a way, in which the coefficient will keep on increasing along with the period of insurance required for a full rate pension. That is  $n/164$  for 41 years,  $n/168$  for 42 years, etc. In order to measure the SAM, some new measures were attached to the calculation of first tier PAYG. This was the method of 'upward review on the price index' for the salaries per year.

Another major change targeted the area of penalty known as the 'decote system'. As per the existing rule, a worker in the private sector will come under a penalty in first tier PAYG pension if he/ she retire before the age of sixty five without fulfilling the criteria of working 160 quarters. It was ten percentages for each missing year with a maximum of five years of such a reduction in the rate of pension. According to the reform it will steadily divide this penalty. The plan intended to make an increase in quarters (for example from 160-164 by 2012).

The next modification was associated with the area of bonus. A bonus of 3% per year was introduced with a maximum time span of five years. It was for those employees who work above the age of sixty and beyond the obligatory period of insurance to get a full charge pension. There was also an increase in the minimum rate of pension of those workers with low wages, who have already qualified for a full rate pension.

A well framed 'decote system' was introduced to manage the pension rate in the form of penalty. This was applicable in case of the workers who will not have worked the required years to receive a full pension. Its aim was the reduction of the

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<sup>50</sup> "This coefficient remained untouched in case of 1990's reform. In that case coefficient was equal  $n/150$  (with  $n$  the number of validated quarters). With the 2003 reform, the coefficient becomes  $n/160$  by 2008. This meant that any missing trimester will reduce the first tier pension by  $1/160$ " (Concialdi 2010:22).



rate of public sector workers pension. The plan was decided to implement as a step by step process and the penalty will be 5% reduction for each five years, as in the case of private sector workers. The scheme also replaced the civil servant wages and presented the method of index linking of pensions on process.

The Fillon reform made changes in the bonus for parents with kids. Before the reform, it was granted for one year per child and only mothers were eligible to receive it, even if they continued to work. The reform began to provide the benefit to both father and mother and will be limited to the time they stopped working. According to this, the maximum bonus can be received for three years per child. The new plan increased the rate of minimum pension for full rate pensioners.

The reform of 2003 gave utmost importance to the funded schemes and savings. A mandatory PAYG supplementary pension scheme was introduced for craftsmen and shopkeepers. Some plans like PIER, PPESV and PPESVR were formed and reframed by the new reform. PIER was a new individual voluntary pension plan called. In this contributions were exempted from income tax in the limitation of a ceiling. The system of PPESV was transformed into PPESVR. The former one was limited to ten years but the later one's time limit was the retirement age.

A compulsory funded scheme was introduced for the civil servants. Bonus up to a ceiling by both employees and employers were collected for this pension fund. The policy stated that the pension rights obtained through the new scheme will give them an opportunity to supplement their pension. Under the he pension system until the legislation of 2003, the civil servants pensions were based and calculated only on the basis of statutory wage<sup>51</sup>.

PAYG supplementary pension schemes were reframed by the 2003 Fillon reform. The new five year agreement put forward measures under which a worker can retire with a supplementary pension from the age of 60. In order to balance the budget, they decided to make an amendment of the functioning parameter of the scheme. The first amendment was related to the calculation of wages. In order to purchase retirement points, the previous system used wage as the basis of calculation. It was

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<sup>51</sup> "In average, these bonuses are 15% of the remuneration. For some categories, the share of these bonuses in their wages may be as high as 30% or even more" (Concialdi 2010:24).

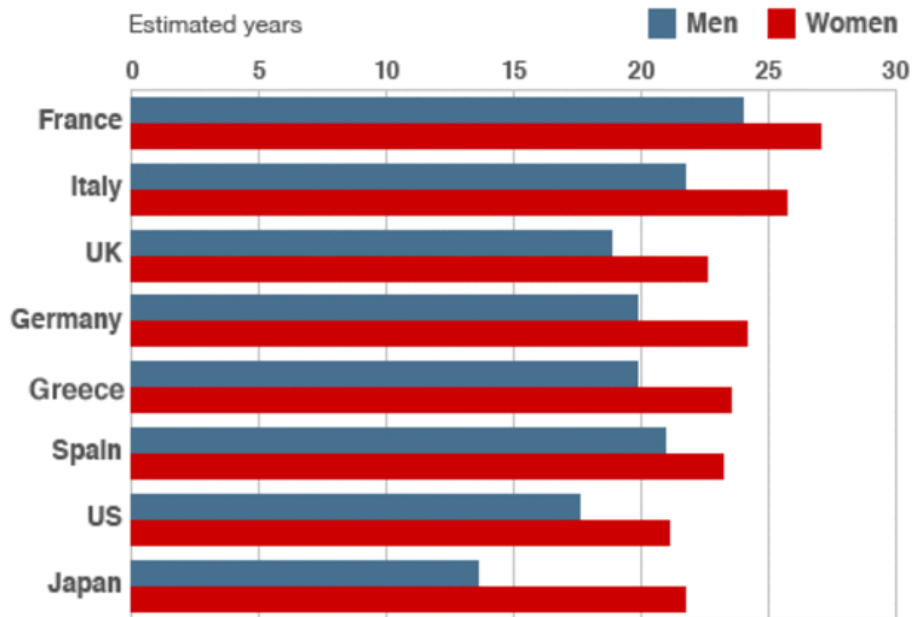
decided to connect this wage with the average wage, rather than prices. Rise in the cost of the buying point was the result of this amendment. Under the new reform, the value of the point used in calculating supplementary benefits from 1 April 2004 to 1 April 2008 will be linked to the consumer price index.

The amendment decided to make a 0.16 % point increase in the employee's contribution to AGRIC on 1 January 2006. In the similar way the contributions of employers will be increased by 0.08 point, this plan was implemented to meet two purposes. The first was to cover the funding of AGRIC management and professional staff scheme, which has been in deficit for a year. The second was to bring the distribution of the contributions progressively into line with that of ARRCO general scheme. In effect it will be 6 % from the employer and 4% from the employee.

The French Parliament adopted the pension bill on 24 July 2003. In the beginning stage itself, labour minister Francois Fillon and civil servants minister Jean- Paul- Delevoye conducted discussions with all the concerned actors, political parties, experts, trade unions and employers' organisations. Trade unions like CFDT and CGC accepted the recommendations of the government.

In the Fillon reform, the main intention for preserving the future of PAYG pensions includes an extension of the period of contribution necessary for a full pension, which means either an increase in the effective age of retirement or a decrease in the amount of pension (Mandin and Palier 2005:85). In short, the reform "announced the progressive closing of most of the early retirement schemes, which are presented as a waste for France" (Mandin and Palier 2005:90). The below given figure clearly depicts the expected years of retirement in various countries, in which France occupies a highest position.

## Expected years in retirement



Source: OECD Society at a Glance 2009

Figure- Expected Years in Retirement

Source- OECD

### 4:13 An overview of Policies

Decades long social welfare policies enacted by the state since early 19<sup>th</sup> century, created a kind of atmosphere in France, where the working class people were free from exploitation to a large extent. But the entire social security system entered a new era after 1980s.

Since then, the social security policies and welfare measures of workers has been influenced by neoliberal political economy, giving rise to a range of market-oriented reforms, including mandatory privatization, and measures that have accentuated individual responsibility for retirement futures, including the retrenchment of public retirement pensions (Hyde and Dixon 2009: 1). These policies aimed at limiting state's public expenditure on social welfare schemes. Government is of the opinion that, they adopted the reforms to face the challenge of population aging and increase in the life expectancy. A generally accepted neoliberal argument is that, the shift to

private pension allows the government to transfer the consequences of the demographic shock on to the private sphere (Mandin and Palier 2005: 91).

With the introduction of schemes in new patterns, the term 'pension fund' was replaced by the terminology 'pension savings funds'. Bank and insurance companies promoted the idea of capital funded supplementary pension schemes. There is an argument that the uncontrolled development of funded provision will mean increasing inequalities and more difficulties especially for those on precarious jobs. Establishment of a market with its complete control in their hand is the reason behind such an initiative. In all reforms, the aim of the policies is focused on two main issues, an increase in the employment rate of older workers and to delay the age of retirement. The aims of the new plans are to restrict the access to early retirement. The authorities controlling the pension schemes declared that, one of the most important strategies in dealing with pension problem is to let people 'work until the legal age of retirement' (Mandin and Palier 2005: 90).

Early retirement policies were introduced in the 1980s as a main instrument in the fight against unemployment. Currently France is running with an aging population and underfunded pension system. The 35 hour working week has not succeeded in providing a solution to high levels of unemployment. French unemployment rate was just less than 10 percentages in 2005. Major employers have argued that the 35 hour week has further weakened the relative competitiveness of their production units. As a result some countries, negotiation between certain key employers and unions have effectively started to unravel the 35 hour week agreements. The neoliberal amendments have proposed the right for employers to negotiate collective agreements to allow longer hours, and deals to work outside the 35 hours principle are beginning to emerge.

#### **4:14 CONCLUSION**

The chapter tried to analyse, how the economic role, expenditure patterns, understanding of social security and nature of the reforms by French government

have changed since the institutionalisation and elaboration of neoliberal economic policies.

While the content of the all reforms were roughly the same, the political contexts in which these were discussed were entirely different. The intervention of external factors such as flexible market and free movement of capital, intervention of private institutions in the decision making, the major characteristics of neoliberal economy, was clearly visible in all these reforms. Here, the strength of government in making workers friendly welfare policies began to deteriorate with the strengthening of such policies. It was clear that, the positions, influence and power over executive was a major determining factor in the implementation of the above mentioned reforms.

A social security reform policy needs extensive regulation and proper government intervention. There is an obvious difference between the traditional French views on the freedom of capital movements. But in the neoliberal period, French policy makers played a crucial role in promoting the liberalization of capital in the EC, OECD, and IMF. The French state had to revise radically their views on the regulation of policies to fit with new economic policies. Government's attempt to manage the welfare system of the country without any negotiations and reductions were clearly visible. The government has transformed into an agency of power to implement policies according to the will of the neoliberal think tanks. Here, the policy reforms were used as the basic diagnosis to overcome economic problems. The goals they attempted to achieve through the reforms were fundamental for the success of neoliberal economic policies.

The progressive policies began to face challenges in the 1980s, but now they face far more fundamental questions. The major rationale of all these reforms was the reduction of states share in the social security activities of workers. In most plans the polarisations of the working class was visible at an extreme level. Labour and employment became a prominent medium through which the state could effectively implement and develop policies according to the demand of external factors such as capital and market.

One of the key global problems facing social security all over the world is that, about half of the workers and their dependants are excluded from any type of social security protection. The successive waves of structural adjustment programmes have led to wage cuts, lengthening of working hours and extension in the years to work both in the public and private sectors and thereby eroding the financial base of statutory social insurance schemes.

This chapter was an attempt to explore the question to what extent neoliberalisation of the French state could change the policy reforms and to what extent it could define the political nature of these shifts. Whatever approaches government has taken were confrontational for the organised working class of France. Left wing organisations and trade unions completely negated the plan. Organised working class were not ready to lose the benefits provided by the existing pension system that is earned through organised struggles of their predecessors. The next chapter will look in detail how the organised work force under the banner of trade unions resisted against anti labour neoliberal economic policies.



## **CHAPTER V**

### **WORKER'S RESISTANCE : LABOUR AND EMPLOYMENT IN A PERIOD OF CRISIS**



## **5:1 Introduction**

Reforming policies are one of the most sensitive political problems in France. It has become evident from the experiences that France is reluctant to reform (See Annexure 2). France under neoliberal economic policies has drafted a number of labour policy reforms in order to cope up with the transformed economic scenario. Reforms in the form of raise in the contribution rates and the retirement age were presented as the solutions to overcome financial constrains in the neoliberal period. In France, a number of powerful strikes were waged against such unpopular and anti worker reform programmes without showing any kind of sympathetically driven approach with the government.

All the policy reforms in neoliberal period have extensive implications for workers and labour unions. In the age of neoliberal globalisation there is a general assumption that, feasibility of organised labour union movements as vital political actors has declined considerably. Experiences shows that, struggles against the dismantling of social securities are in many crucial occasions proved to be incapable. In this context, by critically approaching the economic transformations taking place in France, the chapter will focus on the new challenges over the rights and security of the employment and labourer. It will make a brief analysis of the concept of resistance and its French experiences. It will also make a detailed evaluation of the nature and forms of workers resistance and protests through various trade unions.

## **5:2 Workers Resistance and Protests**

Resistance is an unavoidable reaction to every major transformation which has a negative impact on a particular section of society. Resistance of workers is a “collective response in the form of union activity and strike action” (Roscingo and Hodson 2004: 12). Such Labour disputes are intriguing feature of the landscape of industrialised economies. (Cramton, Tracy 2003:86). In an advanced capitalist economy like France, trade unions are the major players from workers side. International Labour Organisation states, “trade unions are embedded in one important concern of people’s lives—their job. They understand the labour

challenges in their country and they have practical ideas for overcoming them. That makes them natural stakeholders in employment policy-making. No one speaks better for workers than their unions” (ILO 2015: 5). French trade union fit perfectly into this definition in many ways.

Modern trade unions take action in two different ways. On the one side it handles the state and politics and on the other side it deals the labour market and collective bargaining (Streeck: 335). French trade unions with their long history of intervention, participation in policy making and strong mobilisation capacity was a huge success in playing both roles. The below given table shows the major trade unions and their membership numbers in the first decade of the 21<sup>th</sup> century.

**Table 5: 4 Number of members in French trade unions in the early twenty-first century**

	Memberships
Confédération Générale du Travail (CGT)	540 000
Confédération Française Démocratique du Travail (CFDT)	450 000
Force Ouvrière (CGT-FO)	300 000
Union Nationale des Syndicats Autonomes (UNSA)	135 000
Fédération Syndicale Unitaire (FSU)	120 000
Confédération Française des Travailleurs Chrétiens (CFTC)	100 000
Confédération Générale des Cadres (CFE-CGC)	90 000
Union syndicale Solidaires (SUD)	80 000
Divers non confédérés	80 000

**Source:** Andolfatto & Labbé 2007, <https://hal.archives-ouvertes.fr/hal-00768567/document>

The strikes in neoliberal period were carried out by the joint support of these labour unions without diluting its declared aims and commitment towards the workers welfare and dignity. France since 1990 witnessed a number of major strikes against the deregulation, austirty measures and structural adjustments imposed ny the agents of neoliberalism. The below section provides an acocunt of the major strike waves in France

## **5:3 MAJOR STRIKES IN FRANCE**

### **1995 Strikes Against Juppé plan**

The 1995 protest was a glorious chapter in the history of French trade union movement. It was against conservative president Jacques Chirac and Prime Minister Alian Juppé government's plan to reform public sector pension in order to lessen French budget deficit (See Annexure). This protest is regarded as the biggest strike in France ever since 1968 anti capitalist student protest. The strike was unique in nature due to involvement of diverse social groups and high level mobilisation which literally paralysed the country. Seven major trade unions in France unanimously joined their hands together and emerged as a serious political threat against the government during this prolonged strike.

On 5 December 1995 Juppé in a speech delivered at parliament's National Assembly stated his resolution to endorse the pension reform as an obligatory means in the changed political and economic scenario. Maintenance of international competitiveness and commitment towards Europe got emphasis on his speech (Schludi 2005:204). Juppé plan was wholeheartedly welcomed by both internal and external actors, French employers and international economic organisations respectively (ibid 2005: 201). Socialist Party and major trade unions including CGT and FO rigorously rejected the reform plan but CFDT took a modest position by criticising only public sector pension reform. CGT and FO strongly protested against other proposed too such as provisions including the constitutional approval for state direction over the fixing of yearly expenses limit (Bonoli 2001: 145).

Trade unions under the leadership of CGT and FO started strong protest and evolved into a "gigantic, albeit incoherent" resistance (Schludi 2005:203). Le Monde reported this strike as an anti globalisation strike. It called the resistance move as a "massive and collective reaction against financial globalisation and its consequences".<sup>52</sup> Participated by all sections of public sector workers including those from Bank of France, Air France, postal and telecommunication, gas and electricity, ports, regional transport, schools and hospitals (ibid 2005: 203). As it planned for a massive reshuffling of the national railway system, railway workers participated in

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<sup>52</sup> le-monde-(1968), [Online: Web] Accessed on 20 October 2009, URL: <http://www.workersliberty.org/blogs/edwardm/2008/05/21/le-monde-article-22-may-transport-strike->

the strike with full rigour (It is reported that during this period, there was a larger demand for publications on the history of Paris Commune as the striking workers became more interested and enthusiastic about the glorious and revolutionary resistance history of France). Private and semi public workers also took part in the strike in large numbers. Pierre Bourdieu, strongly condemned the government position at a public meeting held in Paris. He stated, “we must retake democracy against the technocracy. We must finish with the tyranny of 'experts' from the World Bank and the IMF, who impose on us the verdicts of the new Leviathan - the financial markets - who don't listen or negotiate, but only explain what's good for us”( Spratt, 1996:2). In the same way 'Le Monde Diplomatique'reported that, “By their incredible revolt in December 1995, the French have collectively shown, for the first time, their rejection of a society based on economism, on uncontrolled liberalism, the totalitarianism of the market and the tyranny of globalization. They reminded their leaders about an old republican principle: citizens prefer disorder to injustice (Spratt 1996: 24).

This violent disruption with immense popular hold up compelled Juppé to invite trade unions to be part of the reform discussions. Unions acted with total non cooperation and claimed a total extraction of the plan. These circumstances led the government to take out the reform plan (See Annexure 5). The reason for the failure is considered as the involvement of public sector workers who are strongly unionised and politicised. This strike marked a strong French resistance against the neoliberal economic policies and its attempt to transform the economy through social welfare cuts.

#### **5:4 2007 General Strike**

2007 public sector workers strike in France was against the anti workers policies of President Nikolas Sarkozy and Prime Minister Francois Fillon. The Proposal was an attempt to reintroduce the plans once put forward by Alan Juppe in 1995. Major recommendations include the highly sensitive issue of pension reform, and withdrawal of public sector from the funding establishments. Government came up with clarifications that, reform in such important fields are necessary for the onward

march of French economy. The reason behind this was the meeting of necessary requirements suggested for the budget deficit parameters suggested by European Union.

In June 2007 Sarkozy introduced a power structure reorganisation of state run institutions in accordance with the guidelines of RGPP (General Review of Public Policies) with the aim of cutting public spending. Through the elimination of lower level or local administrative outlets and positions, the merging of various administrative bodies and the introduction of private sector style management were its major intentions.

Labour unions in France considered this as an attempt to dismantle the powerful public sector enterprises. Government want to put an end to the special pension system and proposed a harmonious pension system for state's economic constancy. The special pension system extended benefit for some sections of workers who could retire before the age of 37.5. This system was highly beneficial for around 1.6 millions of workers and 1.1 million retirees (Berman eds. 2013: 432). This system roughly assisted around 5,00,0000 French workers( *ibid*).

French workers entered into a wide spread strike against this social security cuts. Trade unions considered this political strategy as an attempt to reduce early retirement benefit and a roll back of trade union protection. The protest started from Lille when a large number of transportation workers stopped to work (See ANNEXURE 6). This affected the country's movement drastically as they decreased the "high speed train facility to 15%, metro and bus services to 20% and electricity production to 10%" (Berman eds. 2013: 433). Protest was further made stronger with the involvement teachers and postal workers. The retirement plans were strongly opposed by diverse sections including opera dancers and artists from French national theatre company. Unions like SUD (Solidaires Unitaires Démocratiques) and FSU (Fédération syndicale unitair) were in the forefront of the artists strike.

Nikolas Sarkozy strongly opposed the workers strike by stating that importance of reforms in the changed global economic context. In this immobile situation government passed 'Minimum Service Law' in order to decrease the intensity of

strikes and avoid social disturbances. It suggested a 6 hours daily work for keeping bare minimum services. It also suggested that, those who are intending to strike should get permission 48 hours prior to the protest. The strike reached an end by the month of November after the government agreement on a negotiation with the unions.

Struggle against Sarkozy reform was not capable in attaining a complete success. Even though the strike was huge and influencing, it could not pressurise the government as what happened in 1995. Still it could create a general understanding among the workers that, trade unions still have strong political power and bargaining capacity.

## **5: 5 2010 STRIKES AGAINST PENSION REFORM**

In 2010 the French socio political ambience once again witnessed a sequence of massive and dynamic strikes and demonstrations by the trade unions. Joined by both public and private unions, the strike made a clear mandate against Nicolas Sarkozy government's pension reform policy. This policy was intended to increase the customary age for retirement for public full pensions from 65 to 67 and minimum legal retirement age for pensions from age 60 to 62. It was an attempt by the Sarkozy government to further table pension reform agenda as the central measure of his administrative reforms.

In June 2010, French labour minister Eric Woerth stated that the government will make plan to raise the minimum age for claiming pension from 60-62. Subsequently the reform scheme was presented in September and was passed in October 2010 by French Parliament's lower house; National Assembly (*Assemblée nationale*). In French Parliament's upper house Senate, this reform proposal was caught for three weeks with resistance from the opposition members who tabled hundreds of clauses and 1237 amendments against it. Later senate voted 177 to 153 to endorse important measures. Sarkozy made it possible by exercising French constitution's emergency clauses to move forwards the proposals. Opposition spokesperson Jean-Pierre Bel stated in senate that, "You haven't finished with pensions. You have ignored what the French people have expressed; you have listened to none of our proposals. Your

reform is unfair” (Willsher, The Guardian, 2010) French Communist Party (PCF) leader Pierre Laurent, stated, "This ultimate provocation will not stop the will of the people, and cannot but increase the protests."(ibid).It reform was then promulgated in November 2010. (Willsher 2010)

The reform invited extensive disparagements from the left wing parties and all trade unions. French post financial calamity austerity measures led to a dynamic strike period in the country (See Annexure 8). Occurred during the September and October of 2010 with the joint participation of all major French trade unions, this strike was sufficient to bring the country to a languish (See Annexure 8). Unions started the first strike in September when the National Assembly began to debate about the bill. From the protest against the reforms made to go hand in hand with neoliberal policies got remarkable support from all sections against the rigid approach of the French government. 6 of the major oil refineries in the country were shut down which resulted in an alarming fuel shortage. Air ports were closed in France and it affected the air trafficking of neighbour countries also. High school and university students also took part in the strike as they were concerned that the reform can potentially affect their future. Major tourist centres including Eiffel Tower were also closed due to strike. Stoppage of the train and metro services considerably affected country's mobility and led to travel disturbances. In this context ex- Prime Minister Dominique de Villepin, stated about the jeopardy of “social revolution” in France (Woods 2010). The Daily mail report states,“grappling with a £30billion pension deficit, not to mention suffering from the worst recession in living memory, Mr Sarkozy is adamant the country must change” (Dailymail :2010).

Even though the strikes were predominantly in the public sector, its effects were also in the private sector. The Guardian report states that more than 70 percentage French people were in support of the strikes. 68% of the people expressed pessimistic view about government's reform policy (The Guardian 2010).

The causes for this intensified struggle were many. It took place in a context in which France was suffering with severe economic constrains. In 2007 French general election Nikolas Sarkozy of centre- right wing party UMP (Union for Popular Movement) triumphed with 53.06 % of the votes by defeating Socialist Party (PS) candidate Ségolène Royal. At the celebration rally immediately after the

election victory, Sarkozy declared, "the French have chosen to break with the ideas, habits and behaviour of the past. I will restore the value of work, authority, merit and respect for the nation" (Fenby 2015: 12). As a part of this Sarkozy government proposed a clear directive regarding French labour and employment culture, which suggests "put France back to work, or at least change the way it works by ending the culture of labour entitlement and encouraging entrepreneurship and employment" (Kheiriddin, 2007: 46).

Sarkozy period was marked with extensive disruption due to the internal and external economic conditions. By the end of 2007, there was a 2 point rise in unemployment rate which reached 9.8% in 2009 (OECD 2009: 1). In case of per capita GDP, the economy has tripped from 7<sup>th</sup> to 17<sup>th</sup> place. Compare to other European countries, the GDP growth rate was sluggish and only Portugal remained behind France in the list. Along with this, global recession broke in 2007 affected the EU economies in a considerable manner. As a result, labour markets began to grow weaker by the mid of 2008 and depreciated more in the course of 2009 (EC 2009: 36). In 2009, French GDP reduced to 2.2%. Government could not succeed in adopting necessary steps to decrease country's deficit

## **5:6 Government reasons**

According to the national pensions advisory council, if the system is not changed, France will face a funding shortfall of between 72bn and 115bn euros by 2050, and that is with optimistic assessments of the recovery. try to reduce the cost of government, severe reductions in France's generous social security allowances. The French pension reform, endorsed by the Council of Ministers on 18 September, is a comprehensive response to the various challenges of the French pension system: financial balance, governance and fairness. In particular, the reform, which combines short-term measures with medium-term structural efforts, will bring the pension system into balance as from 2020, in a sustainable manner. This reform is an appropriate response to the Council recommendation of July, which was addressed to France in the context of the European Semester. The centre-right government says that, with an ageing population, it cannot continue to pay people pensions over such a long time frame.



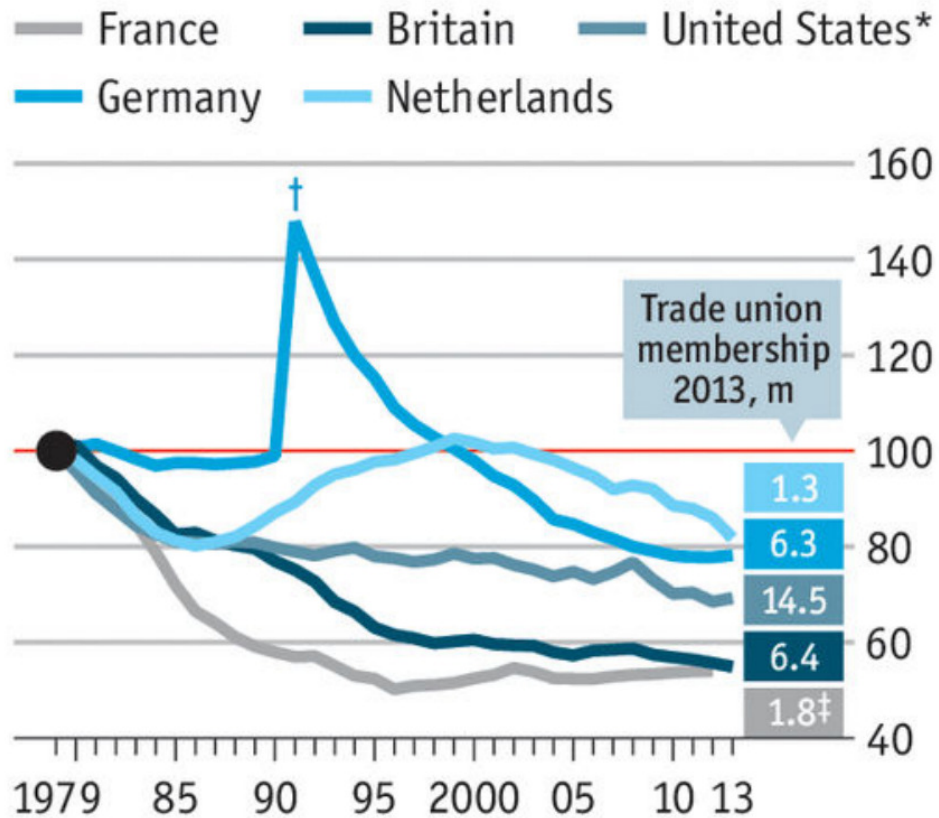
President Nicolas Sarkozy announced that the pension reforms are the largest and most ambitious in decades but workers stated that it will lead to a general weakening of social security provisions. Thus, French trade union's forceful political fight back against pension system reform was one of the important chapters in modern French struggles. Workers believed that they were betrayed by state policies as they were compelled to reimburse by working longer. It is because; France imposed such policies upon labour when the government could easily solve it by collecting more taxes from the rich instead of giving them tax cuts. The workers had the opinion that pension may be the initial step in dismantling a whole system of benefits.

The mass protest against the pension reforms of Nicolas Sarkozy in many ways is a continuation of the 1995 strikes. But it failed to repeat the success of 1995 strikes as the political and economic scenario of France became more rigid and anti worker due to the establishment of neoliberal economic policies. The prolonged strike resulted in gaining some minute concessions such as dispensation for mothers with 3 kids.

### **5:7 Trade union Issues**

Labour in the age of neoliberalism is facing a number of threats. Decline in the union density is one of the major factors among this. Even though they are showing strength and attacking government policies, its union membership is declining drastically. Since 1980 trade union membership has turned down in a number of European countries. Among this France is identified as the least unionised country. The below given figure shows the trade union membership rates in major capitalist countries.

#### **Graph 5. 5**



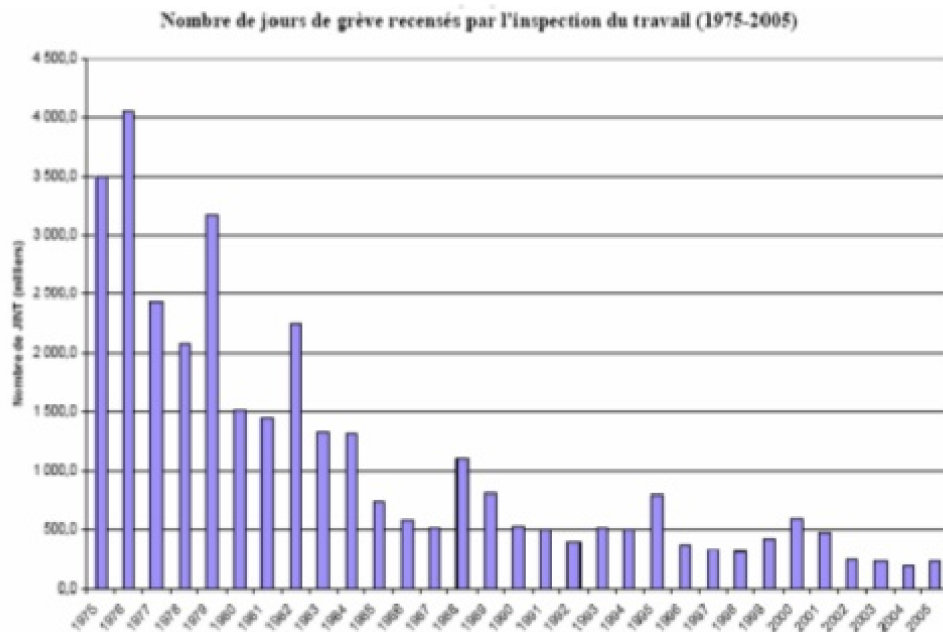
Source- OECD

In broader sense both internal and external factors play equal role in such a decline. External threats include intervention of globalisation, increased international competition and Employment is shifting from highly unionised industry to less unionised private firms is also a major reason (Waddington 2005:2). “The decentralised and diversified pattern s of service provision combined with the concentration of corporate power reinforces the critical importance of maintaining or regenerating links between the different levels at which trade unionism operates (local, regional, national and international)” (Waddington 2005:2). In 2010 union membership has declined for several years and reached the lowest in Western Europe that is 8%. In such a situation, labour unions are not able to play properly. In French case the problem lie in the fact that, unions are having a lot of power, but without being representative (The Economist: 2006).

Such a tendency also resulted in a change the way French unions strike. Even though the protests are vibrant and powerful, the number of days has declined considerably. French trade unions significant mobilisation capacity during the strike days is

considered as one of its distinguished features. A decline in their influence subsequently resulted in the turn down of number of protest and demonstration days.

**Figure 5.3 Number of Strike Days**



The above given figure shows the evolution of number of days of strikes from the year 1975-2005

**Source-** Dares

## 5: 8 CONCLUSION

The French protests in the contemporary period raise a number of questions related to its power and authority. Decline in the number of strikes and density shows that trade unions have failed to affirm itself in the situation of neoliberal economic policies. Even though there was a strong anti government tendencies among citizens, unions could not attain success due to its failures at organisational level. All these are the clear indications that, labour unions are succumbed to the strategies of neoliberal polices and they are finding solutions to overcome the problems.

**CHAPTER VI  
CONCLUSION**

The contemporary period discussions on Labour and work in France are closely interrelated with ideological and economic notions of neoliberal economic philosophy. How the conception of labour and work redefined in the neoliberalisation period and the way it works in a capitalist country like France is of greater political importance. The notable shift in the basic characteristics of labour, worker's organisations, state policy making, state- labour relationship, welfare provisions, cut backs etc: - are the by-products of this doctrine which gained ascendancy since 1980s.

In the preceding chapters attempts were made to analyse the theoretical underpinnings and historical evolution of labour in France. The character of French labour is enormously combative and intricate. Originated in the much complex background of 18<sup>th</sup> century industrial revolution, it absorbed the essence of class consciousness and understood the necessity of forming organisations in order to cope up with the intensified mass production processes of new economy. France was never hesitant in acknowledging various doctrines and ascertained those in its political field. Diverse political ideologies ranging from Marxism, anarchism and catholic unionism got fertile soil in France and influenced the labour and their work culture in a considerable manner. Paris commune strengthened the basis of such ideas and provided a flow for the ideologically manipulated unions to work. In France, labour is closely adhered to Marxist ideology. They always connected French broader political developments with economic aspects and equality concepts and there by radicalised the workers. For anarchists, labour unions were their potential base for spreading the ideology. French Catholic labour movement with its roots in 19<sup>th</sup> Century was segregated and unproductive in nature but stayed highly political and organisationally open with a middle class character and woman majority. The presence and manipulative capacity of these ideologies characterized the notion and role of labour in France through century's long evolution. The politically backed labour activities had a major role in state's decision making in France. All major French labour unions are integrated with the state decision making system at national level.

The part dealt with welfare state attempted to analyse the emergence and expansion of a social security system in the Post Second world War period. France since the

Second World War has been dominated by the Keynesian economic philosophy. This astonishing phase of post war boom known in French as "*Trente glorieuses*" (Thirty Glorious Years) offered a stable economic condition to France under the complete control of state. In the post war period France created one of the world's most expensive 'cradle to grave' health and welfare systems in the world. This period was a recession free period with full employment and highly developed social capabilities. Work-related protection, unemployment assurance and pension benefits' were the major components of welfare state policy formulation corresponding to labour. It made the position of labour strong and offered them much favourable collective bargaining capacity. France prospered quickly under the welfare state model and evolved as a most generous among the western European countries.

The decades of 1970s and 1980s marked as the period of prolonged economic crisis for western capitalist countries. Keynesianism, the leading economic philosophy behind the post war boom was unsuccessful in extending the prosperity which subsequently led to slow economic growth. Collapse of Brettonwood arrangements along with stagflation led to unemployment and total fiscal crisis in developed economies. The trend became negative by 1975 and France was compelled to impose unpopular austerity measures under President Giscard d'Estaing in order to staunch mounting inflation and unemployment.

Neoliberalism has emerged at this juncture in the western world as a most desirable economic philosophy to overcome the crisis. Political-economic practices and thoughts since the 1980s have been largely dominated by this doctrine. But in France Socialist president Francois Mitterrand's attempt implement radical reforms in order to extend the welfare state policies once again made pro worker experiments in France. Nationalisation of banking and insurance sector and large industries like nuclear energy and armaments was an attempt to cope up with the *French dirigisme*. These policies were favourable for the workers in France as the reforms led to an increase in minimum wage, cut in the work week by an hour, expanded salaried holidays and total social security benefits. But as the entire western capitalist economies were passing through distress, it was not possible for France to stand up as an independent model with an interventionist state. Enlarged state social

spending, taxes on high incomes and less profit making nationalised companies led to damage in state economy and placed France in a harsh economic scenario. Attack on state dirigisme and its interventionist nature led to a policy change in France. It was during the socialist regime neoliberalisation entered France with an institutionalised form. Government began to think state protectionism as an outdated phenomenon and put an end to larger public spending in support of austerity measures. Thus the French socialist economy with Keynesian principles gave way for neoliberal globalisation or market fundamentalism.

While analysing the French welfare state it could be observed that the transition was entirely different from other capitalist countries. Even after the retrenchment of welfare state policies, the government made attempt to refurbish major characteristic features of welfare state. A national level economic policy with a protectionist state centred approach was very much favourable for the labour. Even though it could not long last, such a re-entry was possible in the country due its long term commitment with the interventionist state and dirigisme. It was also a clear indication of the socialist attempt to push back France from the dominance of international finance market. French welfare state experiences made it clear that the authority of state could be used as an instrument to make progressive changes in the society especially in favour of its most vulnerable sections like workers.

In the fourth chapter the study undertook an analysis of the establishment of neoliberalisation as a major economic principle in France and its influence on the labour policy reforms with special reference to pension. It was evident in all transformed economies that, national governments discarded their typical domestic institutions and policies, and get on a set of general policies. This was to adjust itself with a range of pressures enforced by the international finance capital and global markets upon the national economies. A bare minimum state intervention and flexible labour markets are the necessary requirements under such a system. Policies associated with labour commences in such situations with the direction of multinational organisation which works with strong degree of demands about generous welfare provisions. Neo-liberal conceptions including flexibility and competitiveness are strongly interrelated with the modifications in the realm of work. Towards the end of 1980s France initiated denationalization and deregulation

as a primary step to integrate itself with the global economy. New economic policies took an institutionalised form by influencing the political and economic affairs of the country. State planning and corporate policy making began to go hand in hand in France with the commencement of new system. Private interests got an upper hand in such initiatives.

When France had transferred as a neoliberal state, its influence began to reflect clearly in the social security provisions extended for workers by the post war successive governments. French pension reform has always been a subject of greater political significance as it serves as a major social security tool. Any negative changes affecting workers can mobilise the trade unions against government. The organisational mould of French pension based on Pay As You Go (PAYG) passed through a number of changes in line with socio-economic inclinations of the authorities. Balladur pension reform of 1993, Juppé plan of 1995 and 2010 reforms were the two major pension reforms in France in the neoliberal period. According to government these reforms were a part of the plan to control the pension sustainability problem in the country. It also intended to control the future spending and made changes in the eligibility requirements and insurance period for getting benefits. 1993 reform targeted the private sector employees and was associated with the fiscal viability issue and intended to cut the benefits offered by pension scheme.

The 1995 Juppé plan was a direct attack against the public sector workers social security through many budgetary reforms. The reform took necessary steps to reduce social security deficit by 1996 and eliminate it by 1997. It introduced reforms to make fundamental changes in the existing provisions through large cut backs. The Juppe plan was a clear indication of French governments turn towards neoliberalism as it was designed in a way to perfectly match with the demands of new economic policies. The Fillon reform of 2010 was about worker's pension and much sensitive issue of retirement age. This plan also gave stress to the dealing of various minimum wage regulations and cutback in social security contributions. It suggested recommendations to extend the time of contribution to attain a full pension. Grouping of both public sector and private sector workers in case of pension and postponement the effective retirement age was based on the neoliberal logic of maximum utilisation of labour power for profit making.



It is evident from the analysis of all major labour policy reforms enacted since the onset of neoliberal economic policies that, France has shown a clear tendency to bend towards the capitalist logic. By making the labour market more flexible through deregulation, welfare cuts, reforms and structural adjustments, the government acted as an agent to implement the commands of international finance capital. In short there was a complete restructuring and reduction of the benefits enjoyed by the workers. The government could not elaborate it into a more sustainable system beneficial for those who produce the wealth for the economy.

The fifth chapter deals with the intensified workers resistance and protests under organised labour unions against the neoliberal attack. Strikes in France during the neoliberal period are both political as well as ideological. It is visible in the last few decades that struggle against the dismantling of social securities is intensified in France. It is not an isolated phenomenon. A number of other countries in Europe like Britain, Greece, Italy, Sweden etc: - are also witnessing such struggles against the anti worker policies initiated by neoliberal governments. All these struggles address fundamental and relevant questions associated with the role of labour and conditions necessary for the stable survival of their lives. While government presenting solutions like increasing contribution charges, elevating the retirement age to overcome the constrains, labour unions view such attempts as the measures to curtail their strength, collective bargaining capacity and involvement in the policy making. In terms of union strength French trade union movement is one of the most fragile compare to other Europe counterparts. It contains less than ten percentages the total workforce. However, the unity and strength showed by them during all the major struggles were remarkable and worth to imitate.

Even though the French protests could mobilise workers, students and common citizens under a common platform, the unions could not achieve their demands in many occasions. Strikes against *Juppe* plan literally shook the country and the government had to with draw the plan. But trade unions failed to repeat this success in 2010 strike as the government used more powerful strategies to make it passed. This was a clear sign of inefficiency of the unions and shows decline in their capacity to pressurise the government.

These resistances were an attempt to use state as an instrument for economic and social progress of the labour. Some questions are relevant in this context. Is there any transformation in the political scheme of labour in the neoliberal period is the most important among them. The question of whether it has become much concentrated or much fragmented is another question. Even with a weak membership rate French labour was capable of challenging the authority in the earlier times. But labour unions powerlessness in the context of structural adjustments is questioning their vital role as a political player. All major trade unions participated relentlessly but whether it could properly reconstitute the movement in the context of a deepened economic crisis and austerity is a major concern.

The study in short was an attempt to explore the major characteristic features in France both theoretically and practical vice. The glorious past of French labour and their capacity to manipulate the state was a relevant factor even after the Second World War. But the structural adjustment programmes initiated with the entry of neoliberalism completely transformed the very nature of labour. Welfare retrenchment implemented as social security cuts and new labour laws significantly damaged the pro- workers policies, which are the results of years long progressive reforms. The new economic policies drastically redefined the employment patterns and converted social benefits pension and early retirement became a hard to achieve one.

Incredibly powerful state in France constituted with institutions, rigid frame works and homogenized procedures has converted into a nation which can be manipulated very easily with the interest of the market and other international organisation. Neoliberalism is an ongoing practice in France. The French experience shows that, the strengthened influence of neoliberalism with state as the channel of implementation led to a total retrenchment of the social programmes and fragmentation of the working class strength and movement. The transition from Keynesian welfarism to neoliberalism tried to eliminate the remaining welfare provisions through well structured policy reforms and such a state largely served the interest of market rather than labour. The neoliberal government to a large extend

could not succeed in generating and safeguarding an appropriate institutional structure to protect the rights of the workers. The contemporary proliferation of protest is the clear sign of growing disruption among workers against the neoliberal economic policies.

Various governments under socialist and right wing adopted the same methods to fit within the system through welfare retrenchment. Under this, the state regulatory mechanisms lost its prominence. The method adopted by government to stabilise the employment, worker relations are not satisfying the requirements of the working class. Such changes are consequential in the formation of different social hierarchies and produces alienation, crisis and unrest among the workers. The close connection between state, labour market and workers organisation, once existed in the country for more meaningful economic reforms have lost their importance in contemporary neoliberal France.

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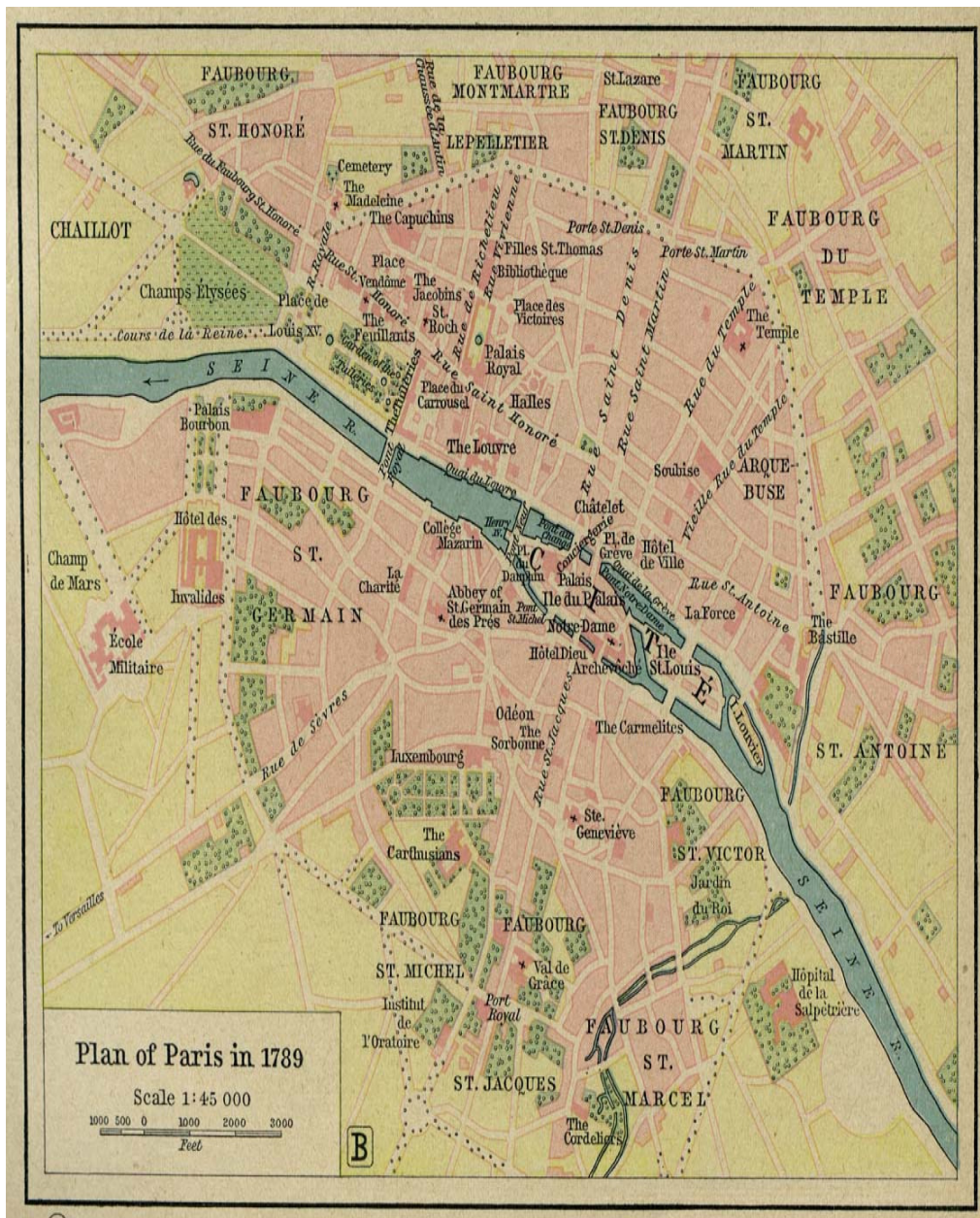
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**MAPS**





Map 2 France during French Revolution

## **ANNEXURES**

ANNEXURE 1



Declaration of the Rights of Man and of the Citizen, 1789 (*La Déclaration Des Droits de L'Homme et de la Citoyen*)

ANNEXURE 2



SOURCE - L'Express, October 20, 2010



# France at standstill as strike continues

By Vajju Naravane

PARIS, December 2.

It is 6.30 am and freezing cold. The motorway leading to Paris from the western suburbs is already chock-full of cars, bumper to bumper, they crawl along at a snail's pace. Roller-bladers, skaters and cyclists dressed up like snowmen with moon boots weave in and out of the traffic.

Francoise lives in the western suburbs of Versailles. She is careless and has walked and hitch-hiked her way to work in Paris for the eighth consecutive day. She wears boots, thick socks, both mittens and gloves and a warm scarf which, bedouin-style covers her nose and mouth.

"Yesterday because of the students' demonstration it took me over five hours to get back home. I walked for more than three hours, I can't afford to take a day off. I'm on probation and with the unemployment situation getting worse I dare not be late. I was for the strikers in the beginning but I'm now running out of patience," she says.

Millions of people in France find themselves trekking long hours to work every day as the railway strike continues. Not a single train, suburban or national has left its depot since Friday. Indeed the situation is worsening with other public and gas utilities, and airlines joining in, the traffic jams around Paris totalled more than 500 km on Friday.

Says economist and television commentator Francois Closets: "A change, when it comes, often comes violently. Look at our history — revolutions in 1789, 1830 and 1848. Closer to our winter of 1986 which again began with a railway strike. But this time we have no choice. The economy is in a very bad way. We have inefficient national services, the results of the last two quarters were dismal. In the next quarter we are likely to register a zero growth. Unemployment continues to rise and the recession is round the corner."

France is in bad shape and President Chirac and Prime Minister Juppe have decided to steamroll reforms in order to reduce the country's budget deficit (an estimated five per cent of GDP) to more manageable proportions. They really have no choice. France has been overspending these past two decades with generous social security and welfare schemes and public sector wages that are amongst the highest in Europe.

The spending spree must stop if France is to qualify for Europe's monetary union. If it fails to bring its deficit down to under three per cent of GDP by the end of 1997, the monetary union might go ahead with a limited number of countries or be postponed. This should inevitably mean the demise of a single currency for Europe.

So after making fine promises about reducing the "social fracture" between the haves and have-nots, after promising measures in favour of job creation, Mr Chirac did a sudden about-turn towards the end of October. "My priority," the President announced in a television interview, "is to reduce the budget deficit." Within a week's time Prime Minister Juppe had announced an avalanche of measures including a freeze on public sector wages. An increased compulsory contribution to the social security scheme and the proposed abolition of special privileges enjoyed by a certain category of public servants such as retirement at 50 years of age.

No one, not even opposition politicians like Lionel Jospin, question the need for reform. France has a staggering number of debts. The national railways face a deficit of \$ 35 billion. The social security system is in the red to the tune of \$ 15 billion. The state has agreed to cough up \$ 8 billion for Credit Lyonnais, France's largest nationalised bank which came close to bankruptcy through a string of bad loans, another \$ 4 billion have been promised to Air-France, another sick public sector company.

Where is all this money going to come from? Mr Juppe who described the state's finances as being "catastrophic" has decided to wield the axe. Predictably, the reaction has been strong.

"We are calling for a withdrawal of Mr Juppe's plan. We also reject the contract on wages and pensions the government wishes us to approve. What we are facing is the ultimate parcelling off the national railways. It will be the end of public service.

The rich man's trains like the TGV will prosper and proliferate while small lines which serve a poorer and humbler clientele will be cut down, dismantled. Mr Juppe is planning to sell off the electric supply company as well as the French telecom.

"The market will decide and as usual the poor man will be hit. We fought for. The government is waiting to break the strike. Mr Juppe will wait until the public cannot put up with work stoppages then he'll set the strikers against the public. But if he tries that he will be playing with the fire," said Jacques Thibaud, the leader of the rail workers' union.

The government has repeatedly said it would not back track. "We remain committed to reform," Mr Chirac announced. But how long can the government afford to hold out? The strike is hurting France's economy terribly.

"If the strike continues any longer, we expect at least 50,000 small and medium sized companies to go bust. That will mean an additional 300,000 jobless. Share prices have fallen for the fifth consecutive day. The markets are jittery and the franc might not be able to withstand so much pressure. The government must act quickly to put an end to this situation and dialogue, to my mind, is the only way out," said banker Helene Chollet, the government seems determined to stick it out and break the strike. But this confrontational approach could prove to be dangerous.

Student demonstrators on Thursday turned violent with several students and policemen suffering injuries. The students have now decided to throw in their lot with the rail workers. The strike is spreading quickly across the board and might infect workers in private service too. Both Mr Chirac and Mr Juppe have lost a few more points on the popularity charts.

There is no doubt that Mr Juppe went about announcing his cost-cutting measures the wrong way, his government's actions have lacked coherence right from the start. In the first week after being appointed Prime Minister Juppe decided to hike up the minimum wage.

Was that necessary, given that the wage burden on the exchequer is already excessively high and the welfare system so desperately in the red? Almost simultaneously, Mr Juppe increased the VAT — a classic demonstration of paying Paul by robbing Peter. Duties on petrol and tobacco came next, land taxes went up by 50 per cent then came the bombshell concerning compulsory payments to the social security system. What blew the lid off, however, was the decision to bring public sector pensions in line with those in the private sector.

The urgency of France's problems cannot be questioned; what can be questioned however, is Mr Juppe's dictatorial style of government. Had he engaged in more dialogue and spaced out the measures instead of dumbing them on people's heads in one go, the response would have been very different.

The government and the strikers are both camping on their positions. Something has to give. It would be wisest for the government to open a dialogue. However, at this point in time, it looks as if the government has decided to wait it out and break the strike by force once the public sympathy for and patience with the strikers has run out.

Source- The Times of India, December 1995

## ANNEXURE 4



SOURCE - The Local, 09 Apr 2015

## ANNEXURE 5

# French PM Juppe says his decision to step down will boost the right

PARIS: French Prime Minister Alain Juppe said on Tuesday his decision to stand down would give President Jacques Chirac new arguments to convince voters to re-elect the centre-right with new faces to lead change in France.

Mr Juppe said a victory of the centre-right was "probable" in the run-off round for the National Assembly on Sunday but that a win by the leftist Socialists and Communists was "possible" after the left outpolled the right in round one on May 25.

A left-wing victory "would be a return to the elephants," he told RTL radio.

Mr Juppe, 51, said that Mr Chirac would "clarify" the aims of the ruling centre-right coalition in his televised address at 8 p.m. (1800 hrs GMT) on Tuesday after he took the blame for the right's worst showing since the start of the Fifth Republic in 1958.

He said that his decision to stand down on Monday "would give the President an extra argument to convince the French people that it's really something new that's starting."

It would also "reinforce the sense of union" in the ruling coalition.

Mr Juppe is deeply unpopular because of record 12.8 per cent unemployment and austerity to help France qualify for a single European currency. He is also criticised for a technocratic style.

"I'm proud to have taken part in this important task of recovery," he said. "But now a new future is opening up, a new stage, a new prime minister."

In a separate newspaper interview, Mr Juppe said he was leaving exclusively to help the right win. "I hope that we will be able to capitalise on my departure," he told the Bordeaux daily *Sud-Ouest*, saying it might lure back voters who abstained on the first round.

Mr Juppe said that opposition Socialist leader Lionel Jospin was misleading voters by saying he would not raise taxes with his plans to create 700,000 jobs, and cut the working week from 39 hours to 35 with no loss of pay.

"Mr Jospin says he would not raise

public spending. This is deceiving electors," he said.

Mr Juppe said the ruling coalition would maintain candidates in three-way run-off races against the anti-immigrant far-right National Front wherever their candidate had a chance of victory.

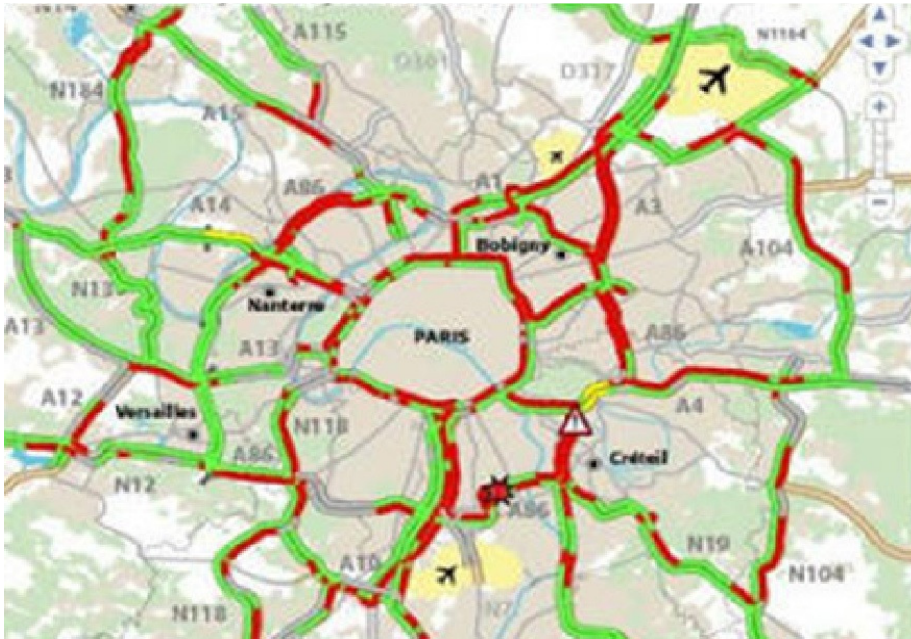
"I tell our electors that we will maintain our candidates everywhere, except in extremely rare exceptions," he said.

Under an informal pact, the mainstream left or right pulls out candidates where the other has a better chance of winning in districts where there is a threat of a win by the Front of Jean-Marie Le Pen, which currently has no seats.

In cases of run-offs where the National Front and a mainstream left candidate were contesting a seat with no centre-right candidate, Mr Juppe gave an indirect call to vote for the left, saying voters should examine underlying values of humanism and tolerance before voting.

Source- The Times of India, May 1997

ANNEXURE 6



Routes affected by Paris Metro workers strike on

SOURCE- The Local, 12 Jun 2014

ANNEXURE 7



SOURCE - The Guardian, 7 September 2010

## ANNEXURE 8



SOURCE - The Hindu, September 15, 2010