

Last hired – First Fired: Political Rivalries and Personal Ambitions Versus Genuine Reforms of the Employment Process in France

On Friday February 14, 2003, Mr. Dominique de Villepin, French minister of foreign affairs, became popular in France almost overnight after he eloquently explained, in front of the members of the Security Council of the United Nations, the official intention of the French government to block a second resolution allowing the use of force against Saddam Hussein. His speech, (which made France sound like the leader of a coalition against the invasion of Iraq), was received at home with overwhelming popular approval, and conferred to Mr. de Villepin a status of international dimension.

A year later, in March 2004, the still popular Mr. de Villepin was appointed interior minister to replace Mr. Sarkozy who took the job of finance minister. As interior minister, Mr. de Villepin further enhanced his popularity by showing a personality and a style that many found smoother than his predecessor's. Rumors started that Mr. de Villepin, who had faithfully served Mr. Chirac for years, was being groomed by him to succeed an increasingly unpopular Mr. Raffarin as prime minister. The rumors were proven accurate on May 31, 2005, two days after the lost referendum on the European Union constitution, when a hapless Mr. Raffarin resigned and Mr. Chirac appointed Mr. de Villepin as head of a new government.

By appointing a popular Mr. de Villepin prime minister less than two years before the next presidential elections, Mr. Chirac was placing him deliberately in a position of

presidential hopeful, in direct competition with Mr. Sarkozy whose style and impatience the president did not appreciate. All Mr. de Villepin needed to do to further his image, was divert the attention away from Mr. Sarkozy, and present himself as soon as possible as a competent, energetic and charismatic leader, with a clearly defined program.

At the end of July (barely two months after his nomination), the new prime minister announced that lowering unemployment was going to be the priority of his government. The choice appeared judicious and ambitious. It seemed judicious because of its timeliness: recently published statistics had just started to show a slight, but on-going, decline of the unemployment figures. It was also ambitious because, for the previous twenty five years, all the governments, conservative as well as liberal, had consistently failed in their effort at curbing unemployment.

A few days later, on August 2, during the weekly meeting of the government, and at a time when most people are on vacation, Mr. de Villepin presented a project called *Contrat Nouvelle Embauche* (New Job Contract). He explained that this new contract was meant to give employers of fewer than 20 workers (i.e. 96% of all employers) more flexibility in creating jobs. To sound reassuring, he also added that it would be similar to the existing *Contrat à durée indéterminée* (Contract for an unspecified duration), with the exception that it would include a consolidation period of two years during which an employee could be dismissed without motive, but with payment of 8% of the total remuneration, which was more than what the existing contract offered in case of termination.

In so doing however, the prime minister displayed serious signs of his impatience to see the bill promulgated into law. He used article 49-3 of the Constitution to push the bill through, without parliamentary debate and without consulting the unions, even though his large center-right UMP majority party _ in parliament would have voted it. The *Contrat Nouvelle Embauche* (CNE) was presented on August 2 (when many people were on vacation) to be implemented as of August 4. The opposition as well as the unions was furious but Mr. de Villepin answered their criticisms by arguing that, due to summer vacation, there was no time for parliamentary debate. As is often the case, the summer went on without any further ado, and by the time the French were back at work, the new law had been passed. A few days later, Mr. Chirac gave his prime minister another timely opportunity to further his image on the international scene. Unable, for health reasons, to attend a United Nations summit in New York on September 14, the president asked Mr. de Villepin, and not his minister of foreign affairs, to replace him.

By early October, several opinion polls showed that the French were split on the implementation of the *Contrat Nouvelle Embauche* (CNE) with 49% in favor versus 48% against. At the same time, another poll, conducted by Ipsos _ on October 7-8, showed Mr. de Villepin tied with Mr. Sarkozy at 51% of favorable opinion in case they would decide to run for president. This was good news for Mr. de Villepin but, at that moment, a sudden change in the social climate presented him with a very serious crisis.

On October 27, two youngsters died of electrocution in a substation in Clichy-sous-Bois, a suburb of Paris, as they were running away from the police. Two days later violence erupted in numerous Parisian suburbs and spread to the rest of the country. For the following two and a half weeks, many French cities suffered the most violent riots the country had known since May 1968. Throughout the crisis, the president was widely criticized for his lack of leadership, and the government for its lack of efficiency. Even though the prime minister was not held personally responsible for the violence, he was not credited as much as his interior minister, Mr. Sarkozy, for putting an end to it. When calm came back to the suburbs, the monthly opinion poll conducted by Ipsos on November 12 confirmed that Mr. Sarkozy enjoyed the preference of conservative voters over Mr. de Villepin as presidential hopeful (61% of favorable opinion for Mr. Sarkozy versus 53% for Mr. de Villepin). Also, another poll, conducted on December 8-9 and published by the newspaper *Le Monde*, showed that only 1% of the voters would favor a re-election of Mr. Chirac. This came as the confirmation that, among center-right voters, Mr. de Villepin and Mr. Sarkozy were the only credible candidates. Faced with this evidence, the prime minister was more than ever under the obligation to produce fast political results if he were to entertain serious presidential ambitions. To do so an acceleration of his reformist agenda was in order, and the publication of the unemployment figures for December gave him an opportunity.

For the seventh consecutive month figures showed a slight drop of the unemployment rate. Many, especially in the opposition, questioned the numbers by pointing out that the country's economic growth was anemic (1.6% for the year), and that the number of job-

seekers was on the rise. They argued that the decline of the jobless rate was most likely due to the fact that baby-boomers were retiring in increasing numbers, leaving behind an increasing amount of space for the younger generation. Of course, Mr. de Villepin dismissed those arguments and gave all the credit to his *Contrat Nouvelle Embauche* which he had pushed through parliament in August. Encouraged by what he considered to be the success of his reform, he announced that he was making the issue of jobs for young people the priority of his government. To justify the fact that he had to act promptly, he emphasized the urgency of the situation by quoting published statistics that placed unemployment for people age 15-26 at 23% nation wide and at 40% in the most fragile Parisian suburbs. His determination to address such a serious problem proved to be popular. The January Ipsos opinion poll, conducted on the 13 and 14, showed that, while the Socialist Ms. Royal was taking the lead as a presidential hopeful among left-wing voters, the prime minister was again catching up to Mr. Sarkozy among conservatives (56% of favorable opinions for Mr. Sarkozy versus 55% for him) . Is it coincidental that a few days later, on January 16, the prime minister announced the creation of a private-sector contract specifically for young people?

This new private-sector contract, which became known as *Contrat Première Embauche* (CPE) (first employment contract) was officially meant to give employers more hiring flexibility in order to encourage them to create jobs for unqualified or ill-qualified youth between 15 and 26 years of age. Under the proposed contract, employers were to be able to hire youngsters for a two-year trial period during which they could also be dismissed,

with some compensation, but without justification. After the two-year trial period, full job protection would kick in.

Coming five months after the *Contrat Nouvelle Embauche* (CNE) and hardly two months after the suburban revolts which had emphasized the need for jobs for young people, Mr. de Villepin's proposal seemed rather safe. After all, this new *Contrat Première Embauche* (CPE) was nothing much more than the already existing *Contrat Nouvelle Embauche* (CNE). It even presented the added advantage of offering a little more security to the newly employed by allowing the person to deduct from the two-year trial period all previous training or temporary contract done within the same company. Unfortunately for him, M. de Villepin made several crucial mistakes which can only be attributed to his precipitation. He did not take the time to assess and inform his environment, he did not take the time to fine tune his project, and he did not take the time to fine tune his method.

There is little doubt that the French labor market needed reforming but, before announcing his project, M. de Villepin did not assess his environment carefully and did not seriously address what has often been referred to as "the French reluctance towards change". He did not take into consideration (or chose to ignore) the experience of two of his predecessors: M. Balladur in 1994 and M. Juppé in 1995. In February 1994, confronted with students' riots, M. Balladur had to withdraw a project meant to institutionalize a minimum salary specifically for young people; and following the demonstrations of December 12, 1995, M. Juppé had to water down considerably his

project of reforming the financing of the Social Security system. In both cases, failure to adequately inform public opinion sealed the fate of both men. M. de Villepin repeated the mistake. He did not take the time to prepare public opinion by carefully explaining the meaning and potential implications of his reform project.

Also, the prime minister did not take the time to fine tune his proposed project and failed to address the numerous legitimate concerns that it raised. Many youth, including of course students, were afraid that, in cases of unscrupulous employers, the proposed contract might deprive them of their social rights and place them in situations where it would be impossible for them to ask for better work conditions, salary increase, or even payment of overtime. Many pointed out the fact that there was nowhere any guarantee that, after the two-year trial period, the contract would automatically turn into a permanent job. Instead there were fears that employers might take advantage of this new contract to transform permanent jobs into less secure ones. Finally, many were also afraid that employers might try to extend this kind of contract beyond the youth, to the labor market in general, which would place all workers in a precarious situation. At that point, “last hired, first fired” without any justification would become institutionalized. M. de Villepin did not take the time to comment on any of these issues.

Finally, the prime minister did not take the time to fine tune his method either. As he had done with the *Contrat Nouvelle Embauche* (CNE), he acted with lamentable imperiousness. On February 9, he again chose to use Article 49-3 of the Constitution to push his bill through parliament without debate and without consulting the unions.

Again, the timing coincided with a period of vacation for high school and university students. This time however, the result was immediate and disastrous. Infuriated students went on strike with the full support of the unions, as soon as they returned to school. By early March the strikes had become a daily occurrence. On March 8, the law was adopted, and on the March 18, the unions threatened the government of yet another general strike if the new law was not withdrawn by March 20. M. de Villepin repeated what he had vowed before, that the law was not negotiable and that he had no intention of changing his mind. At that point numerous conservative leaders started to voice their own criticism of the prime minister's stubbornness. They mostly accused him of giving the opposition an opportunity to mobilize anti government feelings, and of jeopardizing their chances for re-election. Mr. de Villepin remained deaf to those criticisms. The ultimatum expired without concession on his part, and another day of strike was called by the unions for March 28.

The day turned out to be a resounding success for the students, the workers and the unions, and gave the true measure of the extent of people's opposition to the *Contrat Première Embauche* (CPE). The strikes turned out to be the largest the country had known since the days of Mr. Juppé's attempted reforms in December 1995. Despite this popular success however and despite polls confirming that a large majority of French voters opposed the new contract, Mr. de Villepin remained firm and vowed that his proposal would take effect in April.

Three days after the strikes, a new turn of events sealed the fate of the *Contrat Première Embauche* (CPE) and most likely of the prime minister's presidential ambitions. On March 31, Mr. Chirac announced to the nation that he would formally ratify the law but that it would not be applied until significantly amended by parliament, in other words, by the majority party (UMP) whose chairman was no other than Mr. Sarkozy. Under the requested amendment, the two-year trial period was to be reduced to one year and employers were to be required to justify any termination of contracts. In other words the law was being emasculated before taking effect. The president was trying to appease public opinion while at the same time giving the impression he was still supporting his Prime minister and his reform when in fact he was calling for the cancellation of the reform. The law was enacted on April 2 and, within a week, Mr. de Villepin's approval ratings dropped by 14 points (as shown by the Ipsos opinion poll of April 7-8); and Mr. Sarkozy was making no secrets that he would have managed the situation better and more efficiently.

Sensing victory in the midst of all that cacophony, the students were no longer willing to accept any compromise, and their perseverance paid off. Another day of strikes followed on April 4 and, on April 10, Mr. Chirac announced that he had made the decision to scrap the new law. It was officially replaced, on April 21, by a completely different one which offered some financial aid to employers willing to give a permanent job to youngsters between 16 and 26 years of age, ill-qualified, unqualified or residing in sensitive suburbs. For Mr. de Villepin the defeat was humiliating. Following the poor handling of other unrelated problems such as the chikungunya outbreak on the Reunion island, the fiasco

with the Clemenceau aircraft carrier, the discovery of the H5N1 virus near Lyon, the energy merger, it fueled the impression that the prime minister was acting with excessive precipitation because too impatient, too often ill-prepared and caught off-guard.

Unsurprisingly, the May 12-13 polls showed him trailing Mr. Sarkozy by 24 points.

Mr. de Villepin's precipitous actions appear even more obvious when considered from the perspective of the young people's real employment situation. A close look at it confirms that the *Contrat Première Embauche* (CPE) was conceived as an instrument in the prime minister's strategy for a presidential campaign rather than as an economic reform. M. de Villepin knew that, to make a strong impact on public opinion in a very short period of time, he could not afford a campaign with too many themes. The employment figures over several months convinced him to focus his energy on jobs as his unique theme because they looked encouraging and promising, hence the *Contrat Première Embauche* (CPE). This contract however never constituted a genuine economic reform for the simple reason that it was neither a necessity, nor an emergency. The statistics quoted by the prime minister prove the point.

The 23% unemployment rate among young people (between age 15-24) shown by the statistics used by Mr. de Villepin to justify his reform is misleading because too general. It is not 23% of the young people between 15 and 24 who are unemployed, but 23% of the young people who are no longer attending school and who are seeking employment. Many people of that age are still in school and do not figure in the statistics. If we consider that there are approximately 610,000 people between 15 and 24 who cannot find

a job and that the total size of that age group stands at approximately 7,850,000, it follows that only 7.8% of young people are unemployed in France (less than the European average). Statistics published by the Center for Studies and Research on qualifications confirm that the situation is not as dramatic as Mr. de Villepin pretended it was. According to those statistics 71% of the young people who left the educational system in 2001 had found a job three years later. Among them 38% found a job as soon as they left school, and 50% six months later. The only serious problem comes from the fact that 160,000 young people leave the educational system every year without any qualification and 40% of them are still unemployed after three years.

Seen from this perspective, the *Contrat Première Embauche* (CPE) appears by no means to have been a necessary economic reform, and Mr. de Villepin had to be aware of it. In all likelihood, it was a way for him to boost his image as a political leader in order to take a decisive advantage over his interior minister and adversary in the race to the presidency. His failure to win the favors of the voters has resulted in his likely elimination from the presidential race, and has confirmed the curse that prime ministers of the Fifth Republic seem to share. Mr. de Villepin's failure however is not without consequences.

With the prime minister out of the presidential race, Mr. Sarkozy is practically guaranteed to be chosen as the candidate of the center-right UMP party, of which he is the chairman. This promises a fierce, and most likely not so reasonable, competition between him and Mr. Le Pen, the leader of the right-wing National Front, for

conservative votes. Mr. Sarkozy has already been trying to woo voters away from Mr. Le Pen by making inflammatory statements and promising measures deemed controversial by many. Since the centrist party, Union for French Democracy (UDF), does not look like it will be able to present a serious contender, the only reasonable alternative left is with the Socialists. So far they have appeared disorganized, divided, and somewhat short of a convincing program. Will they be able to regroup and convince the voters of their credibility? Their priority now should be (but is not yet) to join forces behind Ms. Segolène Royal, who looks poised to win the favors of left wing and liberal voters. A woman president would be a first for France and would show that the country is not, after all, opposed to innovations. Ms. Royal's main weakness at the moment however seems to come from the fact that many still doubt her political competence, but a look at the man who has been president for the last ten years should put those doubts to rest.

Endnotes

_ The acronym *UMP* stand for “*Union pour un mouvement populaire*” (Union for a popular movement). Created on November 17, 2002, it is at the moment the majority party in parliament.

_ Ipsos opinion polls mentioned in the text are polls conducted on national samples of about 950 people.