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In French Business, Old Castes Die Hard

by Nicolas Véron

As the French presidential elections draw near, economic debate centres on the normal subjects: debt, taxation, reforms, subsidies, legislation, or regulation. But there could be other causes for this country's competitiveness problems, and for the all-pervading feeling of stalemate. In a remarkably clear and well-argued book*, economist Thomas Philippon has set aside the usual economic-policy topics and focused on how companies work. The results are revealing. Basing himself on an extensive body of comparative research carried out on both sides of the Atlantic, he demonstrates that the individual 'work ethic' is no weaker in France than elsewhere – in fact, it is rather stronger than average. Our problem is not to be found in the beliefs of individuals, but in a trust gap between managers and employees, identifiable at all levels.

The roots of the problem go back a long way. A century ago, with the lowest rate of unionisation in the industrialised world, France already stood out as a country where industrial relations were stagnant and bosses and workers were unable to agree and engage on shared objectives, while in the US this had been a focus of attention as early as the end of the 19th century. The originality of Philippon's approach is the link he makes between industrial relations, trade unionism and the structure of capitalism. It is impossible to pinpoint who is to blame: on the one hand, confrontational unions and, on the other, 'status' or 'dynastic' capitalism, as the title puts it. They mutually reinforce each other. Business leaders lack legitimacy, because they are appointed on the basis of their station in life rather than on their ability to lead and inspire. In family firms it is the son (daughters less often) or the son-in-law who takes over the reins. In companies currently or formerly controlled by the state, or in those heavily dependent on public tenders or political decisions, CEOs are co-opted from among senior figures in the key civil service departments at the expense of rewarding ability and hands-on experience. By contrast, the big SMEs of the German *Mittelstand* have been calling upon outside expertise since the beginning of the 20th century. In 1993, only 21% of CEOs of large French companies owed their position to their company management record, compared to 66% in Germany (the situation has improved a little since then). Leaders without legitimacy and irresponsible unions feed off each other in a vicious circle. The result is worse performance and unhappy workers.

The evidence shows that even French middle managers, let alone other employees, are less fulfilled at work than the lowliest third of workers in Denmark or Switzerland. No company created in France appears at the top of a ranking of French 'best places to work'. The highest marks all go to subsidiaries of (generally American) multinationals.

In another instructive book, political scientist Isabelle Ferreras highlights, on the basis of detailed field work, a comparable dynamic in the supermarket sector in French-speaking Belgium**. She points out the failings of a management system which, as in France, is based on paternalistic notions of authority as opposed to the authority freely conferred on a democratic leader.

In sum, the 'French problem' may reside within the country's companies as much as in the State. Then, is the State powerless to improve things? Not at all. Philippon suggests several directions in his book, all indirect ways but relevant ones nonetheless: the taxation of legacies; the architecture of the financial system; the rules under which unions are deemed representative, and collective bargaining is transposed into law; the management of public administration; the independence of the media; and education. It would be a good thing to assess presidential candidates from left, right or centre on their ability to grasp and leverage this message.

* 'Dynastic Capitalism: The French Work Crisis', La République des Idées / Seuil, 110 pages

** 'Political Critique of Work: Labour Relations in the Services Era', Presses de Sciences Po, 273 pages.

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