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31/03/20113

Competitiveness, Competition and Alternatives.

International competition in the manufacturing sector has, hitherto, taken place essentially between firms. With the new phase of globalisation, it is now taking place between production sites. The firm itself is being reconstructed round “values chains” that are permanently keeping up this competition between their different production sites. The social systems (right to work, social security, public budgets …) are destabilised. Europe is divided into Northern countries with “up-market” products and those in the South that are doomed to being de-industrialised and having deficits
“Competitiveness” cannot be the context in which these indispensible developments are considered in Europe. Nevertheless, the weakening of the economic fabric, particularly industrial, and the “North-South” and “Centre-Periphery” splits that have developed, are major problems for all European countries. Thus it is essential to go back on that diagnostic and put forward other ways of answering. Other breaks are also essential in the field. I will limit myself to the “French debate” on the difficult struggles undertaken. I will cover to 7 issues amongst others

The cost of labour is not the cause of French Industry’s loss of competitiveness,

The Medef (French employers Federation) has pinpointed the guilty party: the cost of labour. The government assents. The OECD puts in its pennyworth. Yet nothing is more untrue. The figures have been published time and again. The only date that counts is that of the “unit cost of labour in industry”. This index that combines the cost of the hour worked and the productivity of the work. The value of this index is lower than that recorded for our principal European competitors. It has not grown faster than the European average. Thus it is not in the cost of labour that we can find an explanation of the market losses of French firms — losses that have been constant since 1990.
As for flexibility, we must stop telling cock and bull stories. It is high in France and is accompanied by high productivity. One last measure — breach of contract. According to recent research, less that one in 4 breach is due to resignation — in ¾ of the cases, the wage earner is forced to leave. So here, with the “11th January inter-professional agreement” the employers and the government are trying to make restructuring and job elimination easier.

The things that handicap competitiveness are easy to enumerate.

Their source is in the management choices of firms — a lower level of Research and Development, that does not enable modernisation of production processes and of products; less commitment to work or professional training, which is stagnating and even regressing, the priority given to financial investment. Financiers and manager, as a result of reasoning in terms of “chains of shareholder values” have forgotten the basic principle of “productive system”.

French industry has become a “gruyere cheese” that foreign firms and Anglo-American financial funds come over to plunder. Only a few sectors like aeronautics, pharmaceuticals and food processing are keeping afloat.

The bosses want a “low cost” France.

What is falling is not the volume of exports but the price at which France sells its products. France exports more or less as much goods as 10 years ago. However, their prices have dropped. We are losing market share in terms of value because we going “down market”.

The Medef is proposing to lower wages to adapt itself to this development whereas we should aim at going over the top. Quality must be improved, innovation strengthened rather than aligning ourselves with a “low cast” model that is leading to an amputation of our purchasing power and to the end of our system of social security.

Present day orientations will lead us into falling into the “Japanese trap”.

They talk about the “German model” — but, in fact, what the employers are preparing is a copy of the “Japanese model”. The wages bill has dropped 8 % in real terms in a little over 10 years. The firms have rebuilt their margins, profits have doubled. However, the slimness of wage incomes depresses household demand. The firms don’t reinvest their profits, since there is no need for additional production in the absence of demand. They clear their debts and accumulate financial assets — the volume of the latter has increased by 1/3.
There is a danger that the “Japanese trap” catch the whole of Europe, which would enter a long period of stagnation with major social consequences.

A “Productivity shock” or the “reorientation of public policies”?

If we want to create an “impact” a number of policies will have to be redirected. The development of human capacities is the first issue. Developing resources in both jobs and qualifications must be a priority. We must guarantee to everyone access to training because the present hecatomb of job cutting is combined with a lack of recognised qualifications
It is also necessary to redirect credit. Firms must be able to access credit or equity funds at rates compatible with the constraints of industrial projects. Out of 1,200 billion euros of credit issued in France, barely 80 of them, that is 7% of the total, went directly to manufacturing industry: 43% of the credits, on the other hand were raised for property development and holding companies. The banks have ceased to make the financing of productive activities their business. The idea of setting up a “public financial centre come to the forefront. Finally, it is necessary to develop a policy of integration through work. France has 5 million wage earners who are temporarily or on a long-term basis excluded from any real work. This is where the cause of our deficits really lies. The “right to

work” is not just an old pipe dream. It can be achieved concretely through a “job social security system”.

The priority is to bring the insatiable shareholders to heel.

None of this will happen without changing the rules and management of firms. The loss of competitiveness, which is very real, can be found in the financial and speculative vision of the economy that has been dominant for the last 25 years. The notion of “creating value” has been hijacked. The firm has become an object that enables speculation, even if it means amputating it — either to make short-term gains or to turn it into a machine to “produce cash”. The shareholders help themselves — the rate of dividends distributed by companies is higher in France than the European average.

The crucial issue, however, is not the share value of firms or the profits distributed. It is collectively to increase the wealth produced and to meet social needs. It is in this field that we are waiting for an innovative political discourse.

Competition or Solidarity in Europe?

Pursing competition between production sites in Europe is playing the shareholders’ game. Seeking to increase competitiveness and modernise the economy at the expense of employment is a dead end. It is not possible to invest and stabilise by favouring capital at the expense of labour.

Let the experience of the last thirty years serve as a lesson! We must not try to make the wage earners be patient when Europe is being committed to a bad course. We must not underestimate the boldness of the measures needed to pull through. The question of the most effective levers to fight the crisis must again be at the heart of the debate.