France: corruption scandal hits employers' federation, unions

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A police investigation into large cash payments by Denis Gautier-Sauvagnac, a top member of the Medef (French employers' federation), is roiling the French political establishment.

The basic facts of the police case are still coming out. The affair first broke on September 26 in the conservative daily *Le Figaro*, which noted that Gautier-Sauvagnac had made cash withdrawals of at least €5.64 million from accounts of the Union of Industries and Crafts of Metallurgy (UIMM—a major constituent federation of the Medef), of which he is president, to be paid to undisclosed parties. *Le Figaro* added that these withdrawals were being studied by anti-money-laundering investigators at the Finance Ministry.

On October 12, investigators seized €2 million in cash at a UIMM cash box. Peculiarly, the UIMM had suggested that the police search that account.

On October 14, *Le Monde* quoted police estimates of the total sum of cash withdrawals by Gautier-Sauvagnac at €17 million. *Le Figaro* wrote on October 15 that the cash had passed through over 30 bank accounts. On October 16, the business daily *Les Echos* reported that these sums were drawn from various UIMM funds, including a secret €160 million anti-strike fund established by the UIMM after the strikes of 1968.

The response of Gautier-Sauvagnac and the UIMM leadership has been brazen. Called before a judge for a "brief hearing," according to press accounts, Gautier-Sauvagnac said the cash payments were made to "regulate social relations." He apparently did not give any further details. However, his reference to "social relations" was widely taken by police and the media to mean payments to unions to agree to labor law reforms or to end strike actions.

In a long October 15 interview with *Le Monde*, former UIMM president Daniel Dewavrin confirmed that the payments were meant to "fluidify social relations." He said that such cash payments were routine during his presidency, from 1999 to 2006 and had in fact "always existed" at the UIMM.

The conduct of the UIMM leadership suggests that they are receiving high-level assurances that they will avoid criminal prosecution. Indeed, one judge interviewed by *Le Figaro* for its initial article called the affair a "hot potato" and said, "nothing would be decided without the approval of the Justice Minister."

In an October 17 article in *Libération*, another judge noted that police first searched UIMM headquarters on the 16th—fully three weeks after the story broke. He concluded that if the police "had wanted to orchestrate the destruction of evidence, they would not have acted otherwise." Quoting other judges, *Libération* noted that the government's refusal to nominate an investigating judge with full powers to compel testimony amounted to a deliberate decision to shield the UIMM.

The revelation of the UIMM affair has clearly been timed by top members of the French political and business establishment. According to the October 7 *Journal du Dimanche*, the Finance Ministry has been investigating illicit withdrawals from UIMM accounts since 2004, when BNP-Paribas contacted money-laundering investigators about the UIMM's accounts. French Prime Minister Nicholas Sarkozy, then Economy and Finance minister, told investigators to hold off filing charges. This was confirmed by *Le Nouvel Observateur*, which added that the matter had been monitored closely by the last three Finance ministers: Sarkozy, Thierry Breton, and Christine Lagarde.

There is a definite element of infighting in top layers of the French bourgeoisie, as it hammers out its tactics for the onslaught against the working class Sarkozy is preparing to carry out. A top manager of Unedic unemployment insurance system, Gautier-Sauvagnac reportedly opposes Unedic's merger with the ANPE (public job placement agency), a major plank of Sarkozy's program. He is also a political rival within the Medef of its president, Laurence Parisot, who was elected without the UIMM's support, but with that of marketing, tourism, and finance executives—notably BNP Paribas CEO Michel Pébereau.

The press' reaction to the scandal suggests, however, that its principal targets are in the trade union bureaucracy.

The possibility that Gautier-Sauvagnac's cash payments were payoffs to the union bureaucracy has dominated press speculation on the scandal. The French bourgeois press has also carried many anonymous accounts of union officials taking money from businessmen in contract negotiations in order to pay union salaries or rents for union locals. In *Le Figaro*'s October 8 article, "Opaque practices never deeply reformed," one union negotiator was quoted as asking another: "You can't seriously want to sign this agreement?" and receiving the response: "Of course not. But if I say no, how will I pay the union federation's rent?"

This is part of a political campaign in sections of the French bourgeoisie to rework the financing of the trade unions and generally bind them more tightly to the state.

The five government-recognized French trade union confederations—the General Confederation of Labor (CGT), French and Democratic Confederation of Labor (CFDT), Workers' Power (FO), French Confederation of Christian Workers (CFTC), and the General Confederation of Cadres (CGC)—play crucial roles in the French social system. They negotiate common accords with business representatives from the Medef on key elements of social policy: labor law, Social Security, unemployment insurance, etc. They thus have a crucial role to play in drawing up and agreeing to the destruction of the welfare state that Sarkozy plans to carry out.

The fundamental political unpopularity of the reforms repeatedly prepared by the state and agreed to by the trade union bureaucracy over the last decade does, however, exact a political price. As the unions have increasingly opted for collaboration or token protests against social austerity, their member base has collapsed, passing from 20 percent of the workforce in 1980 to approximately 8 percent today. As a result, it is very difficult for unions to operate on their existing member dues base.

Paritarism—the system of business-trade union collaboration, overseen by the government—is increasingly stumbling on the desperate state of the unions' finances.

The unions themselves at times admit that their finances are of dubious legality. In a 2003 letter quoted by *Le Monde*, the five unions' treasurers complained of a "precariousness of financing" that left open the risk that "carrying out union functions has an element of money laundering or embezzlement."

It is hard to give reliable figures on unions' finances. They are covered by an 1884 law by then-Interior Minister Pierre Waldeck-Rousseau, which places very few obligations on unions and employers' associations to report on their finances. Most union confederations do not issue regular financial statements and do not receive them from their constituent unions. However, it is widely supposed that only a small percentage of their revenues comes from members' dues.

In the 2006 Hadas-Lebel study, a government study of the unions carried out with their co-operation, the following estimates were given for the percentage of the total budget coming from dues: CGT-34 percent; FO-57 percent; CFDT-50 percent; CFTC-20 percent; CGC-40 percent. The remaining portions of the budget are presumed to come from salaries paid to union officials helping administer Social Security funds, other state subsidies, workers "loaned by" (i.e. whose salaries are paid by) corporations, and other means.

As a result, there is increasing support for state funding of the unions. Sarkozy himself commented on the issue in his September 18 social policy speech, saying: "I am ready to discuss, without taboos, the financing of paritarism."

Sarkozy's call, repeatedly mentioned in press coverage of the UIMM scandal, is hardly a novelty. There have been several laws proposed in the National Assembly, most notably in 2001 and 2004 that would have officially instituted state funding of the unions.

The argument addressed to the unions was spelled out by *Les Echos* in an October 17 article, "Good can come out of evil." It wrote: "Public financing is the only good option [...] Unions have been hostile, citing that such a system would compromise their independence from the state. But the UIMM affair destroys this argument: isn't it more 'compromising' to be financed by a business group—or simply to be suspected of that—than to be financed by the state?" *Les Echos* called for state funding to be divided between the unions, according to workplace votes to establish what portion of the workforce would like to be represented by each union.

The reaction to the UIMM of at least one union, the CGT, indicates that such proposals are attractive to elements of the trade union bureaucracy. Bernard Thibault, head of the CGT, has pointedly refused to deny that the CGT had taken money from Gautier-Sauvagnac, saying: "If Gautier-Sauvagnac had been quietly giving money to the CGT, that would be a scoop, but it's hard for me to say." He then called for a reform of the rules on representation of unions as a prelude for reforming of financing.