As European car market shrinks, Renault plans mass sackings

Francis Dubois
2 August 2008

French automobile manufacturer Renault, the sixth biggest carmaker in Europe, has announced a drastic cost-cutting plan involving thousands of redundancies. Not naming any definite figures, it left it to the media and the unions to announce the number of sackings, which are estimated at between 5,000 and 6,000. Most of the jobs will be cut in Renault's European factories.

According to the company, this target is to be achieved through "voluntary redundancies", attrition (the company announced a hiring freeze throughout Europe), a shelving of "non-essential" projects and cuts in investments. The package aims to save 350 million euros ($550.7 million) in 2009 and 500 million in 2010. Renault management is currently discussing with the unions a voluntary redundancy plan in Europe, aimed at reducing overhead costs by 10 per cent.

Renault will get rid of one shift out of two at the Sandouville plant near Le Havre, which will mean the sacking of 1,000 workers. On July 23, the management of the Renault Technocenter at Guyancourt in the Paris area announced it will cancel contracts for 1,000 employees at the end of 2008. It envisaged further "adaptations" if the situation worsened.

One line of production at the Flins factory, northwest of Paris, could be scrapped "if the conjuncture was unfavourable". This factory will close for ten days between September and October. "If the situation happened to worsen, other dispositions could intervene, in particular concerning small vehicles and the level of production at the Flins factory," Renault's financial director Thierry Moulonguet told *Le Monde* on July 24. The production of two models made in this plant had previously been shifted to factories in Slovenia and Turkey. About 400 temporary workers will not have their contracts renewed at the Cleon factory near Rouen.

The latest announcement follows years of "downsizing" in various Renault plants, including those in France. Within the last two years, the plants in Cleon and Sandouville have lost about 3,000 jobs.

For decades Renault was a state-owned company, following its expropriation in 1945 from its owners, the Renault family, which had collaborated with the German Wehrmacht in World War Two. Between 1990 and 1996, it was gradually privatised, with the state remaining a major shareholder, controlling 46 per cent of shares. In 1999, Renault became a major shareholder of the Japan-based Nissan company and of the Romanian-based Dacia company.

In the 1970s and 1980s, Renault liked to present itself as a role model for a "socially oriented" company. For many years, industrial disputes involving the Renault work force were considered symptomatic of the social climate in the France, and Renault workers often played a leading role in broader social movements.

Renault is not the only French carmaker shedding jobs. The PSA group (Peugeot/Citroen), the other French-based car producer, recently completed a "downsizing" plan involving the loss of 10,000 jobs in Western Europe. In the last week of July, its CEO, Christian Streiff, announced that PSA would sack its temporary workers and virtually stop hiring. His personnel manager Jean-Luc Vergne said, "Today we are in a logic of staff levels which continue to drop". According to company spokespersons the company will rely on "natural attrition" affecting around 4,000 workers per year in Western Europe.

Following the announcement of Renault's latest plan, 200 workers at the Renault plant in Sandouville demonstrated in front of the plant on July 30 to protest against the decision. Last year a flexibility agreement that that entailed sacrifices for workers in terms of working hours and wages had been signed between management and the unions at Sandouville with the argument that more flexibility would ensure job security.

Since the beginning of 2008, Renault shares have fallen by 45 percent, far more than the average 27 percent fall experienced by a cross-section of European car manufacturers. The latest announcement was widely seen as a sign that the profit recovery plan announced two years ago by the present Renault CEO Chief executive Carlos Ghosn was failing.

This plan was meant to make Renault the most profitable car manufacturer in Europe. Ghosn is also the CEO of the Nissan car company. A few years ago, Nissan faced bankruptcy until Ghosn intervened, sacking 20,000 workers.

Two years ago, Renault told its workers it would not engage in redundancies and would carry out the new strategic plan on the basis of the existing workforce. In explaining the recent decision for job cuts, the company said that the economic situation had “far exceeded the worst-case scenarios envisaged” when it launched its plan.

Nevertheless the company is still posting a profit. It has reported a 2.3 percent rise in worldwide sales in the first half of this year, and a rise in net profits from 1.07 billion euros ($1.68 billion) to 1.5 billion. Renault is one of a growing list of European-based multinationals that are implementing drastic cuts and redundancies, although they are making substantial profits.

In justifying its decision, Renault named a number of immediate factors, such as the sharp fall of car sales in Spain, Italy and the UK in the first half year of 2008, the lack of success of its operations in Iran, and also “macroeconomic development”. Ghosn warned: “We are in a fight in Europe,” adding: “If the markets head south, we’re going to have to restructure our manufacturing capacities in Europe.”

The European car market has been shrinking for various reasons. In the first half of 2008, sales dropped by 22 percent in Spain, 12 percent in Italy and 12.9 percent in the UK, while Germany and France have seen increases respectively of 14.8 and 5.7 percent. Renault started the production of its low-cost Logan model in Iran in 2007. It expected to sell 300,000 cars by 2009, but, according to *Le Monde* (July 24), it only delivered 24,000 cars in the first half of 2008. It is also planning the construction of a new plant in Tangier, Morocco.

Conditions on the European market have become tougher and competition between its many car manufacturers has increased. It was expected at the start of the year that European car sales would fall by 4 percent, but recently this figure was revised upwards to 10 per cent. In Western Europe (without France) sales have dropped so far this year by 4.6 percent.

The rise of the euro against the dollar makes exports from Europe more difficult and has been a complaint, especially of French manufacturers, for some time. “Unlike the American and Japanese carmakers, we cannot turn to exports as a way of escape. They have a weak dollar and weak yen, but we do not,” Ghosn complained.

The French unions at Renault have presented the decision of the carmaker as illogical or bad management, explaining that a company making an overall profit couldn’t possibly sack thousands of workers. Following many years in which the trade union accepted one downsizing package after the other on the basis that factories in France would remain open—though with a downsized workforce—they are now confronted with the bankruptcy of their perspective. All of their past concessions to the carmakers and previous sacrifices imposed on workers have not brought job security — but just the opposite.

Pointing out that the union would have great difficulty justifying the latest round of job cuts at Renault, the CGT’s representative at the company, Vincent Neveu, expressed his union’s unease: “In the ‘Contract for 2009’, Carlos Ghosn pledged not to shut down any plants or to shed any jobs,” He continued, “Usually it’s when you’re making a loss that you tell the unions that there are difficulties and we anticipate big problems. Right now they’re making big profits and so this is difficult, very difficult, for us to hear.”

Rather than call for independent action by the workers to defend jobs, the only response of one of the main CFDT representatives at Renault, Emmanuel Couvreur, was to advise the Renault management to conduct a different commercial strategy. “We are insulating ourselves instead of strengthening our commercial and offensive capacity in order to re-conquer sections of the market in Europe,” he said.