French “social summit” prepares attack on social security

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On December 31, French President Nicolas Sarkozy used the occasion of presenting his 2012 New Year wishes to the country to announce the introduction of a new sales tax, the “social VAT” (Value Added Tax, or sales tax). This consists of sharply reducing the *charges*, or funds employers pay to finance the social security system (one figure speaks of 5.4 percent), and replacing them by an equivalent increase in the VAT sales tax.

This would transfer the burden of financing social spending onto the backs of the workers, and as such it is deeply unpopular.

This was the main measure under consideration at yesterday’s “social summit” between the government, business representatives, and trade union officials. Due to its unpopularity, it was not formally agreed to at the summit, but Sarkozy said that he would make an announcement by the end of the month.

The summit did, however, announce an agreement to eliminate limits on companies’ ability to force workers to go on short time hours (“partial unemployment”). The summit agreed to cut the time work inspectors have to refuse firms’ requests to put workers on short time from 20 to 10 days; it added that this time delay might be completely eliminated if there were “a major and sudden degradation of the firm’s activity”.

Such agreements only underscore the deeply anti-working class character of these summits.

The government cynically presented the “social TVA” as a way to “encourage job creation” or even to “keep companies in France”. Also called an “anti-offshoring measure”, it signifies in fact a massive cut in wages and a frontal attack on workers’ social rights.

The “Social VAT” project functions on two levels: it limits employers' obligation to finance social security in general, and it also effectively taxes imported products.

A study commissioned by the employers’ organisation Medef and reported in the *Financial Times* gives as “a minimum scenario that a reduction in social charges on wages of €30 million would necessitate an increase on the VAT of 22 percent, plus a limited supplementary increase in other taxes. The study showed that a €70 million reduction would be necessary in order to bring the social charges into line with those in Germany, which would necessitate a sharp rise of 25 percent in VAT, the maximum level authorised in Europe”.

The Social VAT is a protectionist measure, designed to increase French company profit margins and improve their competitiveness against foreign rivals. Faced with the loss of competitiveness of French products in the world, the bourgeoisie want to impose a drastic and generalised reduction of hourly labour costs.

The *Wall Street Journal* wrote on January 3 : “As France cannot approach the labour costs of China, the social VAT is rather comparable to a competitive attack by France on the position of its euro zone neighbours....This measure is equivalent to a devaluation, because it effectively increases the price of imports and reduces the price of exports”.

With the transfer of the financing of social security from the employers to the VAT sales tax, the bourgeoisie is preparing to make working people, the unemployed and retired workers bear the cost of it. Since the end of the Second World War, social spending has been financed jointly by employers and workers. The VAT, which taxes the purchases of workers even with the most modest incomes, signifies an equivalent and extra decrease in these earnings.

Such unreliable financing by consumption taxes, under conditions of low wages and job insecurity, will lead to a massive reduction in social welfare=above all in health care, retirement insurance and insurance for dependency in old age. The whole social security system is being undermined.

The reaction of the bourgeois "left" parties to this measure shows that workers can expect nothing from them to help them defend themselves against this assault. The Socialist Party (PS), which is contesting the presidential election based on more severe austerity measures than those imposed so far, has half-heartedly criticised the measure.

François Hollande, the Socialist Party presidential candidate said that was a "bad tax" which would "penalise [economic] growth". This cynical criticism, which in no way corresponds to the political convictions of Hollande nor the PS, is dictated by simple electoral calculations vis-à-vis Sarkozy.

The PS is not against a "social VAT". In fact Manuel Valls, a leading PS official who is currently responsible for the public relations of Hollande's presidential campaign, declared during last year's PS primary election contest: "The solution is the social VAT". The PS has itself proposed an "ecology" tax on imports.

The CGT union (General Confederation of Labour), for its part, postures as fiercely opposed to a Social VAT. CGT General Secretary Bernard Thibault even declared that the Social VAT project constitutes "the greatest confidence trick of the new year".

The only reason for such declarations is to cover up the real objective: to negotiate with the government the means to reinforce the French employers'competitiveness. Since the CGT has negotiated a range of social cuts, most notably the 2010 pension cut, and is preparing in the wings at the same time to reach an understanding with employers on a range of anti-worker measures, such declarations are not credible.

What the CGT fears is that, like other union bureaucracies, it could lose some of its revenues as a "social partner" of the employers, partially overseeing business financing for social spending, if it does not defend its own, purely bureaucratic interests in the current talks on social cuts.