French automaker PSA Peugeot-Citroën prepares to cut 10,000 more jobs

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The business news site *Usine Nouvelle* has reported that French automaker PSA Peugeot-Citroën is preparing to cut 10,000 jobs in France by the end of 2015, as PSA and automaker Renault both call for accelerating labour reforms and slashing labor costs to boost their competitiveness. *Usine Nouvelle* cited a confidential October 1 letter by PSA, which stated, "After having briefly mentioned the subject in a meeting of its Council of Trades on September 26, PSA Peugeot Citroën has confirmed its intention to the trade unions … Of PSA's 86,000 workers in France, it would like to cut 10,000 jobs by the end of 2015. This would be on top of over 10,000 jobs cut since 2011, notably with the closure of factories at Aulnay-sous-Bois and Melun."

PSA management and officials of the trade unions—which have signed cost-cutting deals with the automakers, including job cuts and plant closures—denied the report.

PSA's CEO, Carlos Tavares, told *Usine nouvelle*, "I do not know where this rumor comes from, but I am denying it categorically. Each [industrial] site is slated to produce a vehicle and is guaranteed for at least the next six years."

The PSA union bureaucracy also said that they were surprised by the report. One union source told *The Usine Nouvelle*: "I do not know where this figure of 10,000 job cuts comes from, but there was no meeting of the Council of Trades last week."

Although the management and the unions are downplaying the report, there is every reason to believe that both are working behind the backs of the auto workers to slash jobs and shut down plants. In the past, similar confidential documents were leaked, denied, and then confirmed as management and the unions reached deals to slash jobs and shut down plants, such as Aulnay.

In 2011, the General Confederation of Labor union (CGT) published an internal document outlining plant closures at Aulnay (3,600 jobs), SevelNord in northern France (2,800 jobs), and Madrid (3,100 jobs). At that time, the unions decided not to make this issue in the middle of the 2012 presidential campaign—in which the unions and petty-bourgeois pseudo-left parties like the New Anti-capitalist Party (NPA), backed Socialist party (PS) presidential candidate François Hollande.

After Hollande was elected, the PS backed PSA's plans to shut down Aulnay and cut approximately 11,200 jobs in France by 2015. Hollande's policy has been completely aligned with the demands of big business. It aims to boost French corporations' competitiveness by slashing labor costs and workers' living standards, while working with the union bureaucracy to avoid an explosion of social discontent in the working class.

At the same time, the PS gave massive handouts to big business at the workers' expense, including €40 billion in tax cuts for business as part of the austerity measures in its so-called "Responsibility Pact."

The unions at both PSA and Renault have struck big cost-cutting deals, including wage freezes and increased flexibility of working time. In March 2013, Renault reached an agreement with the unions to cut its workforce in France by 17 percent and freeze wages.

Having isolated workers strikes against the PSA Aulnay plant closure, the unions voted in favor of shutting down the 40-year-old factory, which took place last October. After shutting down Aulnay, PSA struck a cost-cutting deal with the unions, which agreed to freeze wages and cut overtime pay.

In order to catch up with its foreign competitors, the PSA is stepping up its restructuring plan, known as

"Back in the race." The plan includes limiting the number of PSA car models to 26, upgrading auto plants, boosting market share in South-East Asia, Russia and Latin America, and increasing PSA cash holdings to allow for more financial speculation. This is accompanied by slashing jobs and labor costs. Tavares has set a target of lowering production costs by 1,100 euros per vehicle by 2018.

Although auto sales still remain some 20 percent lower than before the outbreak of the 2008 economic crisis, reflecting the deep austerity measures carried out by governments across Europe, PSA and Renault both reported increased sales and profits due to the ruthless cuts imposed by the unions and the PS government.

According to the *Financial Times,* "In September, when new vehicle sales in France rose 6 per cent compared with the same month last year, PSA's domestic sales were up 17.3 per cent, while Renault's sales were up 5.3 per cent. Their joint market share in France hit 57 per cent in September, up from 56 per cent at the start of the year."

After the PS government took a 14 percent stake in PSA, alongside Chinese car-maker Dongfeng, as part of a €3 billion rescue package this year, PSA reported an estimated €477 million profit in the first half of this year, its first profit in three years.

PSA and Renault are demanding the government intensify labor reforms to introduce working conditions found in low-wage countries like China or in US auto plants that imposed deep wage cuts under the Obama administration. Maxime Picat, chief executive of the Peugeot brand, told the *Financial Times,* "If you just travel the world and look at what happens, not only in Anglo-Saxon countries but also in Asia, you see that we need to accelerate our reforms."

Picat claimed that the PS has not yet done enough to slash France's labor laws and labor costs: "Some reforms are done; [but] we want more because we want the competitiveness of the country to improve … The level of taxation and (social) charges are putting huge pressure on labour costs. This is really the key and where we've got the biggest gap with the countries very close to France."

"With 1 million cars [made in France] and such an exporting position, this is clearly key to us," he added.

Having made big financial handouts to the automakers while slashing workers' wages, cutting jobs and closing plants, Hollande congratulated himself at the biennial Paris car show last week, for his role in restoring the profitability of French car-makers. He declared, "Two years ago, France's automobile industry was in crisis, the government faced mass layoffs and plant closures, and the market was in serious trouble."

He added, "Businessmen and the state made efforts to provide funding, stimulus, incentives, and the results are there: French industry is back on its feet and going again."