Franco-German reform plan calls for deep social cuts, wage freeze in France

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26 November 2014

The German and French governments are preparing to present a joint plan for economic reforms, dubbed the “road map,” on Thursday in Paris. On Sunday, German weekly *Der Spiegel* reported key measures of the plan commissioned by the two countries, the two largest economies in the euro zone.

According to *Der Spiegel*, France would make more flexible labour market reforms in many sectors, including a further overhaul of the 35-hour work week law, and freeze wages for three years to make business more competitive. For its part, Germany would increase its infrastructure spending to €20 billion by 2018, change its immigration laws, and encourage women to join the work force.

While the plan is presented as a way to stimulate Europe’s moribund economy, Paris and Berlin are preparing deep attacks on workers’ social rights that will intensify the recession and rising unemployment in the euro zone.

Although *Der Spiegel* did not lay out the plan in detail, it portends an acceleration of the reactionary policies of France’s bourgeois “left” Socialist Party (PS) government, which is seeking to destroy all the social concessions made to the working class since the end of World War II. Having decreed a wage freeze for France’s 5 million public sector workers, the PS is pushing through its measures through an unprecedented combination of provocations and brutality, with total contempt for public opinion.

The economic report was drawn up by Henrik Enderlein, head of the Jacques Delors Institute in Berlin, and Jean Pisani-Ferry, the chief of the France Strategy government institute and economic strategist of French Prime Minister Manuel Valls. They will present the report to the government on Thursday. Early next month, French Economy Minister Emmanuel Macron and his German counterpart Sigmar Gabriel will spell out the concrete measures in the plan.

The measures came as the EU agreed to approve France’s 2015 budget, including €21 billion in public spending cuts, in exchange for demanding that Paris accelerate cuts to social spending and implement pro-business “structural reforms.”

In September, before presenting the 2015 budget, French President François Hollande assured the financial markets and the EU that his government would continue with its hated austerity measures. “The savings are inevitably painful. We have to make savings. What we will do in 2015 will necessarily have consequences,” Hollande said.

Last month, the government announced plans for unprecedented measures, including eliminating the “universality” of family and health benefits, and massive cuts in subsidies for local government spending. Valls also proposed to eliminate France’s standard long-term job contract (CDI), which he claims “protects workers too much”.

The Franco-German “road map” comes as big business calls for deep cuts in social spending, drastic labour reforms such as flexible labour contracts and eliminating the minimum wage.

In September, the head of the Medef employers’ organisation, Pierre Gattaz, cynically proposed to create a million jobs in five years by demanding pro-business “shock therapy”. Gattaz urged the government to scrap the 35-hour work week, scrap two of 11 public holidays, raise the legal retirement age, and cut the minimum wage. He also called for loosening labour rules and overhauling the jobless benefit system.

Gattaz said, “Given our country’s economic and social situation, in the period of national crisis and the perils that we face, the time for hesitation, procrastination and half-measures is over." He bluntly added that the development of the French economy since the liberation from Nazi occupation and the fascist Vichy government had reached a total impasse: "Our social and economic model, inherited from the Liberation and the Thirty Glorious Years [the 1945-1975 economic boom], is dead."

Under the PS' so-called Tax Credit for Competitiveness and Employment and its Responsibility Pact, the government gave €41 billion in handouts to business. However, business is calling for freezing wages to boost competitiveness that the PS is moving to authorize. "Wage moderation is necessary in the service sector," proclaimed a report by the state-led France Strategy institute.

Le Monde admitted that the Franco-German "road map" had no foundation in law, writing that, "About the wage freeze, the proposal—which is hard to enforce, as it is hard to see how to decree such a wage freeze in private enterprises—raises the issue of wage moderation and the cutting of labour costs to boost our competitiveness."

Nonetheless, while French officials downplayed *Der Spiegel* 's report, there is broad support for them inside the ruling class and the political establishment. According to an economy ministry spokesman, "We are not dealing with proposals ... but with a report by two economists [that is] not finalized, so we cannot comment on it at this stage." However, he said that the report provides "the basis for further work on structural reform and investment."

Jean Pisani-Ferry said that " *Der Spiegel* did not have access to the report" and that "the elements that it is publishing do not reflect its content."

The central responsibility for the preparation and imposition of these attacks lies with the pseudo-left allies of the PS and the union bureaucracy. The French unions, which participated alongside business groups in the France Strategy institute led by Pisani-Ferry, made no comment on the report, underscoring their support for it. Having supported the PS' previous reactionary measures, they are collaborating with business groups and the PS officials to prepare further attacks on the workers.

These historic attacks carried out in favour of the financial aristocracy underscore the utterly reactionary character of the PS, its pseudo-left allies like the New Anti-capitalist Party (NPA), and the Stalinist French Communist Party (PCF), which supported Hollande's election. While making limited and empty tactical criticisms of PS's discredited policies, they seek above all to block opposition in the working class.

As a result of their longstanding support for the PS, the main political beneficiaries of the discrediting of Hollande are currently the neo-fascist National Front, which is emerging as the main political force criticizing the PS's austerity measures.

The PCF hypocritically called the report "a very grave economic error, a social provocation that threatens to feed disgust and despair, the right wing, and the FN." The PCF is doubtless exquisitely informed as to the details of the report, moreover, through its contacts with the trade union officials who helped draw them up in the France Strategy institute.

The PS' far-reaching social attacks will have devastating social effects like those in Greece of the harsh austerity measures imposed by the social democratic government of George Papandreou.

Large sections of the Greek working class have been plunged into poverty. On November 24, the International Labour Organization (ILO) published a report warning that Greece risks a prolonged social crisis unless urgent measures are taken. It found that over 70 per cent of the almost 1.3 million unemployed people in the country have been out of a job for more than a year; one in four jobs were lost since the beginning of the country's economic crisis in 2008.

Meanwhile, the number of Greeks at risk of poverty more than doubled in five years, rising from just above 20 percent in 2008 to upwards of 44 percent in 2013, the report found.