Hancké, Bob

**Working Paper**

# The political economy of organizational change: industrial restructuring and industrial relations in France: Le cas Renault

Discussion paper // Wissenschaftszentrum Berlin für Sozialforschung, Forschungsschwerpunkt Arbeitsmarkt und Beschäftigung, Abteilung Wirtschaftswandel und Beschäftigung, No. FS I 96-302

**Provided in cooperation with:**
Wissenschaftszentrum Berlin für Sozialforschung (WZB)

discussion paper

FS I 96-302

# **The Political Economy of Organizational Change**
Industrial Restructuring and Industrial Relations in France: Le Cas *Renault*

Bob Hancké

January 1996 ISSN Nr. 1011-9523

**Acknowledgements**
Many thanks go to Suzanne Berger Emmanuel Couvreur, Laurent Ducios, Robin Foot, Michel Goyer, Richard Locke, Andrew Martin, David Soskice and Pierre-Eric Tixier. Since none of them may, in fact, agree with what I write here, I do not want to implicate them in any further way. Financial support was provided by the Center for European Studies at Harvard University and the Wissenschaftszentrum Berlin. The research is in preparation of a doctoral dissertation at MIT.

## Abstract

This paper discusses the development of shop floor industrial relations and industrial restructuring in France in the 1980s. It argues that French companies appeared to have found a way out of their Fordist spiral, into a form of flexible mass production, but that they managed to do so only after having eliminated the labour unions. In contrast to other analyses of labour relations in France, however, this paper argues that this was not the result of explicit strategies by the companies, but the outcome of a series of unintended consequences of other policies with regard to the workforce. A detailed study of labour relations and work organisation in Renault during the 1980s provides the empirical body of the paper.



## Zusammenfassung

Diese Arbeit diskutiert die Entwicklung der industriellen Beziehungen im produzierenden Sektor in Frankreich in den 1980er Jahren. Hier wird der Standpunkt vertreten, daß französische Unternehmen anscheinend einen Weg aus der fordistischen Produktionsspirale gefunden haben, hin zu einer flexibel organisierten Massenproduktion. Diesen Wandel konnten sie aber nur vollziehen, nachdem sie die Gewerkschaften weitgehend ausgeschaltet hatten. Im Gegensatz zu anderen Analysen über die Arbeitsbeziehungen in Frankreich wird hier allerdings argumentiert, daß dies nicht das Ergebnis explizit auf den Ausschluß der Gewerkschaften gerichteter Unternehmensstrategien ist, sondern das Resultat einer Vielzahl unbeabsichtigter Folgen anderer Unternehmenspolitiken, die auf die Arbeitnehmerschaft ausgerichtet waren.

Eine ausführliche Untersuchung der Arbeitsbeziehungen - und der Arbeitsorganisation bei Renault für die 1980er Jahre stellt die empirische Grundlage der Arbeit dar.

# Table of contents

## Introduction

In the current debate on institutions, industrial organization and competitiveness, France often appears as the big exception among West-European nations. While in most other countries a postwar settlement was concluded between labor and capital, French labor relations were characterized by a socio-economic version of a civil war. When, in part as a result of this settlement, industry in other European countries embarked on a path toward competitiveness that emphasized non-cost competition, France became the "best student" of Fordism and its industry sought ever greater economies of scale. When firms in other countries installed mechanisms to decentralize decision-making and increase the flow of workers' knowledge into the production process, French companies remained characterized by the "presidentialism" of management. And when other countries, in an era of increased international competition, combined the thus gained resources in order for their industries to stay outside the purview of low-cost competition from the NICs and the Southern European states, French industry lowered wages and increased productivity in order to remain competitive in the markets where the new entrants had gained a foothold.

The argument that explains this scenario of ever more "Fordist" accumulation was that the societal actors in France were insufficiently strong to force a way out of this institutional stalemate. French labor unions were incapable of imposing -as their German and Swedish counterparts were able to do- a series of institutional arrangements upon capital (often with the explicit help of important sections of business) because they were numerically too weak, dispersed over at least three ideologically mutually hostile confederations, who nonetheless shared a total rejection of capitalism, and organizationally unable to control their constituencies sufficiently to implement whatever agreements may have-been concluded with employers and the state. French business, caught in this highly unfriendly environment, appeared unable to propose and implement changes, retreated in what is presumably the most elaborate version of Fordist mass production bureaucracies found outside the US, and waited for initiatives to come from the state to change the status quo. When these came, however, they usually reinforced the existing order, and when state policies were designed for reshaping the environment of firms to make them more prone to non-cost competition, they failed because neither the companies nor the other actors that were involved in this process were sufficiently strong and therefore secure to try out the social innovations. As a result, French managers were not forced to find ways for non-cost competition, and took the "low road:" low wages, low skills, standardized products and high gross productivity.

Yet there is little doubt that French industry is changing. In recent years, French companies have introduced their own procedures for quality control, and provided opportunities for workers to raise their skills and thus allowed them a degree of shop-floor self-administration hitherto unknown in France. Companies have frequently, as in other countries, changed their relationships with suppliers to meet the flexibility requirements of the market. And French products are generally agreed to be both of high quality and relatively inexpensive, a market strategy which the Japanese have succesfully exploited over the last few decades. Whatever the actual extent and actual success of the innovations in French industry, a more detailed analysis of this move out of the low-end equilibrium institutional set-up appears necessary.

In this paper, I will report preliminary findings (and a series of working hypotheses) on how the stalemate inherent in this system was circumvented by one large company: Renault. Renault is an interesting case for a number of reasons. First of all, in the 1960s and 70s, the company was, in every important aspect, typical of the French model. Renault embraced mass-production strategies as few others in the sector have done, followed a skill strategy that was primarily geared toward skill dilution and degrading work, was simultaneously the arena for many heroic battles between management and labor unions and the social display window of French social policy, and was owned, organized, financed and saved with great regularity by the French state after its nationalization at the end of WWII. Furthermore, as this paper will document, it appears that Renault still is a social laboratory, albeit of a somewhat different kind. Keeping in mind the necessary caveats that this is one firm in one industry, a detailed analysis of the process of change at Renault should tell us a lot about change in the large firm-sector of French industry, by far the most important segment of the French export sector.[1] Second, of all product markets, in the car industry the pace of internationalization has been among the highest. Despite persistent national buying patterns, intra-European car trade has increased tremendously since the 1960s, and Japanese volume producers account for roughly 12% of the European car market. With textiles and consumer electronics, the car industry is presumably one of the most internationalized producers of final consumer goods in the world and in countries such as the US accounts for well over half of the current trade deficit. Third and finally, the number of possible success recipes that has been proposed for the car industry is very large. They all converge, however, on a series of company-level structures that in essence question the basic cultural tenets of the French model of industrial organization and, for the reasons outlined above, appear therefore extremely hard to implement. Since the challenge for the French car industry has been very clear for quite a while now -change fundamentally or perish— an analysis of the roots of these changes illustrates how French industry dealt with the cultural and structural predicament it found itself in by the end of the 1970s.

The story of change presented here hinges on how management dealt with the labor unions and the conflictual arrangements on the shop-floor in the company. During the 1980s, management both confronted the labor unions head-on and simultaneously followed a human resources strategy that changed the sociological make-up of the workforce and therefore also of the constituency of the CGT, the largest and most powerful labor union in Renault. The end result was that by the second half of the 1980s, Renault was implementing a series of organizational changes that set the stage for a serious boost in productivity and quality -the company currently makes roughly the same number of cars as in 1980 with half the workforce- and as a result it has become, barely ten years after facing, bankruptcy, one of the most profitable European car producers.

The paper consists of three sections. The first one deals with the question why labor relations are central in any process of change in the French political economy, and how the last ten years have seen a new pattern of how French companies get around this problem. The second section presents the details for the Renault story. The third section concludes by recapitulating the most important points and discusses possible answers to the question why French management did what it did.

## 1. Industrial relations and industrial organization in France

As in every other European economy, manufacturing in France has been forced to rethink itself in the face of increased international competition. Mass-production of standardized goods no longer appears a viable option for French industry: wage costs are -despite being the lowest of the G7- still too high for competition with the newly industrializing countries (Taddéi & Coriat 1993). Other European economies - and Germany stands out as a paradigm example in the European debate- managed this transition by producing high-value added, semi-customized goods, where the skill of workers are crucial for companies to survive in volatile markets. According to this literature, German industry faces both a set of constraining institutions that pre-empt a move toward the low-end of the market (Streeck 1992) and a set of enabling institutions that allow firms to adjust in creative ways (Soskice 1991, 1994). In contrast to these other cases, however, the institutional landscape of France does not allow the type of "high-end" adjustment strategy that characterized the North-West European economies. Factories are organized according to Taylorist mass-production principles, labor unions too weak and unwilling to implement shopfloor reform, and neither management nor the state appear able to break out of this type of deadlock. (Crozier 1964; Crozier 1989; Taddéi & Coriat 1993; Coriat & Taddéi 1993)

The central strategic question for large companies, who want to embark on a path of innovation is one of labor relations. Even if and when management decides to change, for example, work organization, labor unions are generally unwilling to support them in this modernization process, afraid that it will destroy their already tenuous position in the workplace, and the fundamentally conflictual nature of workplace industrial relations makes serious changes virtually impossible. In other words, in a conflictual workplace setting such as the one in French companies, even "enlightened" management is in itself an insufficient source of change because of the obstacles that the labor unions provide. How then can French companies move out of this trap? How can they simultaneously depoliticize human resources management, by-pass obstinate unions and create more cooperative workplaces that rely on workers[1] skills in order to produce a different type of goods?[2]

First, in the first half of the 1980s, companies tried to reorganise by rapidly introducing new technology and by engaging the labor unions in a battle in order to redefine the power relationship. Both failed. Even new technology, French engineers discovered to their surprise, need people to staff them and the unions were, true to the French model, simply too solidly entrenched to be dislodged. Because the unions, as elite organisations of the working class, were especially well-equipped with the class warfare inflicted upon them by employers, every attempt to decimate them, ultimately failed.

Yet, two things had changed after 1981, the year the left took over French government, and together they would, inadvertently but certainly, change the age of labor relations and human resources in French companies. The first was a series of laws, passed in 1982, whose aim it was to fundamentally change French labor relations —the so-called Auroux laws. The other was that French companies, basically exhausted by the regular gigantic conflicts of the semi-skilled workers (O.S.), wanted to deal with job content, qualifications and job classifications, for once and for all. In part in response to unions, who seized upon the social conflicts to mobilize against change, in part forced by technological change, employers began to redesign jobs and negotiate job classifications. What happened then demonstrates the revolutionary potential of small changes.

These two attempts to reorganize work on the shopfloor had three largely unintended effects. The first one was that slowly but steadily, the workforce was restructured. Not only were they now less workers, who worked with more modern technology, but the type of work required considerably higher skills than before. As a result, these workers relied on other means to make their grievances and demands known than the strikes and negotiations that had characterized industrial life before: instead of conflicts, these workers were talking to each other and their supervisors. This change in workers[1] attitudes coincided with a partly state-imposed, partly management-driven attempt to decentralize decision-making on the shopfloor. In 1982, the PS government introduced a series of laws to modernize industrial relations, the Auroux laws. One of the sections of the law dealt with shopfloor teams of workers who discuss the organization of their part of the workplace: the *groupes d'expression direct* (GED). Beside these GED, which were at first looked at it with a mixture of fear and amazement by management, companies began to create their own teams and introduce their own methods of participative management, most of which were, in conception at least, borrowed from Japan (Howell 1992). Whatever the actual intentions of the state and management policies, their net effect was that *voice* now not only implied conflict, but could mean cooperation in the workplace as well.

The third effect was that the new composition of the workforce and the new firm structures that had emerged, created a large set of new challenges for labor unions. The first was organizational. The unions were incapable of dealing with the decentralization of decision-making, because they never developed the type of shop-floor capacity that these new organizational models required. It was not until after 1968 that unions were allowed to organize in companies, and even after that their primary focus has been on the economy at large, not firm-level union work (Eyraud and Tchobanian 1985). In terms of identity, they had an equally big problem. Their structures had been geared toward the low-skilled industrial worker—of which there were less and less: the workers who remained after rationalizations, were typically more skilled than those that went. Finally, none of the unions had a good idea of how to deal with participative management and decentralized decision-making. In order to define their strategies, they relied as much if not more than French management on a sharp division of authority in the workplace, and the new participative structures that were emerging created gigantic problems with that preassumption (Linhart 1991). Add to this firm-level picture of union problems the general disenchantment of workers with the (over-)politicized French labor unions, and the end result was a serious drop in membership, in votes in workplace elections and in influence generally. (Mouriaux 1993, Rosanvallon 1988).

In the face of these new challenges, the divisions between the reformist and the radical unions —FO being in the first camp, the CGT in the second and CFDT constantly hovering in between— became more explicit than ever, and began to translate into very distinct patterns of adjustment. The CGT remained in its fortresses and persisted in denouncing capitalism's evils. FO, on the other hand, realized that there was a huge opportunity for shopfloor organization, set up grassroots sections in most of the companies were it was active, and opted for membership services as a way of tying the workers to FO. The CFDT, finally, gradually moved from a less hierarchical version of the radical CGT approach to the FO stance.

The end result of all this was precisely what appeared to be impossible given the parameters of the French institutional structure. The labor unions, first of all, ended up in a situation of considerable weakness in the firms. Union density, one of the prime indicators of market power, dropped to all-time lows in the private sector during the 1980s, and there is no indication of the downward trend changing. Far more important, perhaps, than these numerical losses, is the loss of influence, both *vis-à-vis* workers and vis-à-vis employers and the state. Currently, there are more works councillors elected on non-union slates than union lists vis-à-vis despite the representational monopoly of the unions, which guarantees them a competition-free first round. Even the "ideological" disenchantment of French workers with the unions is tremendous. An opinion poll published by Le *Nouvel Observateur* (May 1994), for example, claimed that roughly three quarters of the French workers would like unions to be stronger generally and particularly in the workplace, but not the unions that exist now. The distance between workers and unions also shows up in international strike statistics: France currently ranks among the lowest of the OECD countries with regards to strikes. None of the big employers take unions seriously as negotiating partners and if it were not for the legally defined position in a number of state agencies, neither would the French state. And perhaps most telling, where strategic partnerships between unions, employers and the state exist, they are organized around principles of competitiveness that the employers define, not the issues of social justice that were traditionally at the core of union programs.

Labor unions basically disarmed, the French workforce is considerably more cooperative, and frequently happily participates in what could be described as local productivity coalitions. In many manufacturing firms, considerably more highly skilled workers are making decisions about how and what to produce in teams. French industry thus can aim more towards the high end of the market than before, and in return for their involvement in such questions, the workers then not only receive higher wages, but also implicit job security.

In what follows, this generic story will be presented in much more detail for one large company, Renault. I will start by making the argument that Renault is helpful in understanding the process of change in French industry because it was the single firm that came closest to incorporating all the contradictory elements of the French model. The role of the labor unions in blocking change is addressed next; the point there is that, in contrast to the car industry in other European countries, negotiated change appears impossible in Renault. This opens the road to the third part of the account: how Renault circumvented the labor unions by combining confrontation toward the labor unions and of up-skilling toward the workforce.

## 2. Renault: modernizing industrial relations

At its high point, in the mid-1960s, Renault was in practically every regard typical of the French model. The company embraced mass production as a marketing and production strategy, searching for ever bigger economies of scale, and ultimately ended up in the quest for the "world car," (Katz & Sabel 1985) which they thought to have found in the R5 and Super Cinq. In the search for economies of scale, and pushed by the French state, Renault entered into alliances with Peugeot to produce and purchase parts jointly.

The company was also typical in its insistence on low-skilled workers: a study of the skill structure at Renault indicated that between 1953 and 1969 the proportion of skilled and semi-skilled workers increased ten percentage points, from 68.3 to 78.5 (Naville et al. 1971, quoted in Sabel 1982). Yet despite this aggregate decrease in skills, productivity rose sharply: between 1959 and 1972, the average number of cars per employee per year went up from 7.9 to 13.8 (Dubois 1974).

Labor relations displayed the strange mixture of quasi-violent conflict and firm-level functionality that typified all of French industry. Most Renault plants have been the site of almost legendary long and bitter strikes, sometimes with hostage-taking and deaths as a consequence. In the Clean and the Flins works, some of the longest strikes in the history of Renault took place, and the Billancourt workers in Paris took their direction hostage on more than one occasion (a feat slightly facilitated by the location of the plant: an island on the Seine near Paris). Yet while this was the image that the radical workers retained, there was also the company as a "vitrine sociale," a social display window. In 1955, Renault concluded a path-breaking two-year separate firm-level agreement with its unions that included an impressive package of benefits, a social peace clause and tied wages to the cost of living and anticipated productivity gains (Howell 1992). Over the years, Renault also became a working laboratory for the government's social policies: extension of holiday pay, profit-sharing and changes in labor law (Labbé & Périn 1990). All of these social policies had their roots in postwar Renault.

Finally, and without surprise, there was the state, the owner of the company since the end of World War II. In several ways, the state safeguarded its investment in Renault, by protectionist measures for its markets, and by excluding foreign competitors from producing inside France. The state also insisted on strategic alliances and even attempted to mastermind a merger between "Renault and Peugeot. And when things turned sour for the company, or when big sums were needed for investment plans, Renault always benefited from state assistance (Dubois 1974; Hart 1992). Without the French state, Renault would probably not be in existence today.

Because of the mutual mistrust between the strongest union in Renault and management, any attempt to reorganize the shopfloor hinges upon CGT-goodwill. This is not forthcoming because of the ideological stances against labor-management cooperation, or will only be given after large-scale conflicts have led to salary increases and renamed occupational categories, but without necessarily changing much in the actual job contents. Negotiated change therefore does not exist at Renault, unless management can, in its plans for reorganization, side-step the CGT. And that is exactly what happened since 1980: by combining stick and carrot policies -the stick for the labor unions, the carrot for the workers-management marginalized the CGT in company politics after confrontations, while a new human resources strategy aimed precisely at the heart of the CGT constituency. Meanwhile, the other unions got relatively stronger, but insufficient to play a determining role in company politics. After the operation was over, therefore, the labor unions in Renault were very weak and largely insignificant.

The account of these processes starts with the confrontational policies toward the labor unions. Next, it will address the evolution of skill structures. In reality, however, both processes took place simultaneously and, most importantly, reinforced each other through what was really a matter of mere luck. Neither management nor the labor unions realized what was happening until after the process was over.

## 2.1. Carefully confronting the labor unions

There are two major ways in which the changes in management attitudes from quasi-submission to confrontation became clear. The first is seen in the way conflicts and disagreements on strategy were handled; the other in the strategies used to distribute new assembly work over different plants and thus secure (or not) their future.

Strikes have always been very prevalent in Renault. In previous periods, however, what would happen is that, after a period of posturing, management eventually caved in and accepted the demands of the labor unions, which would ultimately solely concentrate on wages. Management thus bought off social peace by reclassifying a large category of workers, accompanied by wage increases, without, however, changing anything fundamental about the jobs themselves.

Throughout the 1980s, that pattern changed. On several occasions, management refused to bow to labor union demands, and occasionally even asked armed police troops to secure free access to the plants. Escalation was the logical consequence: in response, the labor union occupied buildings and sequestered the direction in order to push its demands. The general economic situation, however, and most of all the persistent high unemployment, and the new orientation of management, which insisted on higher quality and lower costs, made such an aggressive stance by the labor unions rather hard to sustain. Many conflicts thus ended in a clear union defeat.

The CGT, being the most radical among the unions and pushing hardest for such confrontations, regularly found itself footing the bill of these losses. Instead of social conflicts being the source of energy for labor unions, as they were in the past, they turned into occasions that led to membership losses rather than gains. The story of the "10 of Billancourt" underscores this point. In the summer of 1986, Renault announced that 30 to 40 shop stewards—most of them CGT—were on a larger list with some 1500 lay-offs scheduled in the Billancourt plant immediately after the annual company holidays. They did not, however, make the list public. In its traditional style, the CGT began to mobilize the workers against the decision, concentrating on the fate of the shop stewards, and, they admit today, largely ignoring the other workers on the list. The CGT's basic idea was that the rights of shop stewards were more important since they were expressions of collective ("class") rights. In their first reaction, Renault reduced the number of shop stewards that were to be fired to 12, and then further to 10. The CGT, however, insisted on the reintegration of the shop stewards. Because of the CGT's unilateral insistence on the defense of the shop stewards, the union was unable to mobilize any of the other workers in the plant, and in the end both the *"10 of Billancourt,"* as they became known in recent French social history, as well as the others were laid off. The symbolic victory of Renault management did not consist so much in the actual lay-offs, but in the fact that for the first time in many years, management had been able to actively use the wedge that the had driven between the CGT and its constituency in the Billancourt plant. In retrospect, many CGT officials now readily admit that this episode was crucial for the evolution of labor relations in Renault.

The weakness of the CGT was sanctioned almost immediately after the "10 of Billancourt." When the closure of the mother plant in Billancourt was first discussed in the mid-1980s, a scenario ensued that would probably have been unthinkable a few years earlier. The CGT stance was that the plant could remain open if a new small car was built there. With the old R4 taken out of production in France and the R5 over 12 years old, the union figured that Renault needed two new small cars and saw that as a way to secure the Billancourt plant's future.

It so happened that top-level discussions for a new small car were in fact under way at that time. The project that would lead to the Clio, which was introduced in 1990, already meant to replace the older R5, and the first steps were taken on the project that led to the Twingo, introduced in 1993. Yet in order to take the wind out of the CGTs sails, top management decided in 1985 to freeze the project and muffle its existence until the debate over the future of the Billancourt plant was settled (Midler 1993): as soon as the left-wing/Communist press mentioned that the projects were under way, management gathered and destroyed all copies of the documents pertaining to the project. Only in January 1988, after the Billancourt debate had run its course and the closure decision was made, did management re-open the *dossier* on the Twingo. The closure itself was, after an agreement had been reached between management and the CFDT and FO, finally managed by the labor unions themselves, without the CGT. The most remarkable thing was that, once the decision made on how the plant closure would take place, the CGT appeared entirely inept and was unable to call even a strike to protest the closure. In order to understand why the once so powerful CGT was entirely unable to react, we need to examine changes in skills levels and work organization in the same years.

## 2.2. A new human resources strategy

One of the peculiarities of the French labor union structures is that there is usually a large disjunction between the labor unions and the workforce. In its human resources strategies, management was able to exploit this split.

Not all unions are equally strong in all the Renault plants in France. Union strength is generally a tricky variable to measure. In the case of French labor relations this general point is even more true than elsewhere because of the relative insignificance of union membership more generally. At the level of individual plants, however, election results for the *Comité d'entreprise* (CE-works council) are a relatively good indicator of the local union control over the local workforce.

**Table 1: Seats on works council in the main Renault plants 1980-90**

| | | | |
|---|---|---|---|
| Billancourt | no data available | | |
| Flins | 1980 | 1985 | 1990 |
| CGT | 5 | 6 | 5 |
| CFDT | 4 | 5 | 5 |
| FO | 0 | 1 | 2 |
| Douai | | | |
| CGT | 7 | 7 | 5 |
| CFDT | 0 | 2 | 2 |
| FO | 1 | 2 | 3 |
| Sandouville | | | |
| CGT | 6 | 7 | 6 |
| CFDT | 1 | 0 | 0 |
| FO | 1 | 4 | 6 |
| Le Mans | | | |
| CCT | na | 8 | 3 |
| CFDT | na | 3 | 3 |
| FO | na | 0 | 0 |
| Cléon | | | |
| CGT | 5 | 7 | 9 |
| CFDT | 4 | 4 | 2 |
| FO | 0 | 1 | 0 |

source: official data works council elections

Table 1 presents these data for the four assembly plants and for the Cléon and Le Mans works, where gear boxes, engines and drive trains are produced. These latter two plants have, within France, a company monopoly on at least one of the products assembled there: gears in Cléon, drive trains in Le Mans.

A few short notes are in order for a good understanding of the table. Billancourt has traditionally been CGT territory, even if FO and the CFDT made important inroads into the CGT quasi-monopoly since the early 1980s. In Flins, the situation is slightly more complex: the local CFDT was, until the early 1980s at least, considerably more radical than in the other plants. Despite the generally rather intelligent analysis of the Renault situation and particularly the conditions in the Flins works by the chief shop steward, CFDT-Flins was, for Renault management, a highly problematic local section, functionally speaking on a par with the Communist CGT. In the two remaining plants, CFDT and FO have been in a "reformist" alliance since the early 1980s—i.e. against the CGT. In both Le Mans and Cléon, finally, the influence of the local CGT over the workforce is immense: never did the Communist union lose its absolute majority in the local CE. Combined the distribution of union influence over the different plants is therefore the following.

In the early 1980s, the CGT was strong in the Billancourt plant and both CGT and a rather radical CFDT section in Flins -two plants located centrally in the Paris Bassin. In previous periods, when management policies basically consisted of bowing to the CGT, this meant that skill-intensive work (the titles, not necessarily requiring more skills from the workers) would be concentrated here, while the highly de-skilled work would be concentrated in the other plants. In the Douai and Sandouville plants, on the other hand, non-CGT (and often anti-CGT) unions were, relatively speaking, considerably stronger. This relative union strength found its expression among other things in the product mix. As an expression of the unspoken agreement between the CGT, the French state and Renault management, small cars which were produced in very high volume—the R4, R5, Supercinq, Clio and Twingo—were built in the Billancourt and Flins plants. Higher end cars, with lower volume—the R16, R30, R25 and Safrane—were, in contrast, built in the Sandouville factory near Le Havre. In terms of the union politics sketched just above, in the early 1980s, oppositional unions controlled the plants where employment appeared most assured, with—anyway—the highest proportion of the workforce. In 1976, almost three quarters of the Renault workforce in French assembly plants was found in Billancourt and Flins.

From the point of view of management, however, the problem was that the Flins and Billancourt plants also were the oldest plants with a very unfavorable mix of workers for new policies of upgrading skills and drastically improving productivity. Most of the unskilled immigrant workers -of various national origins, but with a heavy emphasis on workers from former French colonies in Africa- in Renault worked in these two plants. In 1983, almost 85% of all immigrant workers in Renault could be found in the Flins and Billancourt works, and a large part of them were Senegalese, Morrocon, Algerian and Tunisian (in both plants roughly 70% of the immigrant workers). Often these workers were not only low-skilled in their jobs, but also functionally illiterate. Any modernization of plants such as the one Renault embarked on in the mid-1980s, therefore almost of necessity entailed serious reductions in this section of the workforce.

This is also exactly what happened. In response to a series of conflicts of the semi-skilled workers, many of which were immigrant workers in the main assembly plants in Flins and Billancourt, and as part of a giant productivity and quality drive, Renault set out to change the skill structure in these plants. The company strategy was relatively simple. First, they sharply reduced the number of semi-skilled workers. Between 1975 and 1985, the number of assembly workers in Billancourt fell by 10000, from almost 18000 to just below 8000, while the total workforce, including technicians and *cadres* fell from over 30000 to below 15000. Using 1976 as a basis, 56% of the then workforce had disappeared within ten years. In Flins, the corresponding figure was 37%. The remaining Renault assembly plants in France either actually gained workers (+13% in Douai), or lost slightly less of their workforce (-31% in Sandouville). Furthermore, in most plants—the exception is Billancourt—the proportion of technicians in the workforce increased quite seriously: in Flins from 12% in 1976 to 20% in 1985, in Douai from 12.5% to 17%, and in Sandouville from 10% to 17%. Billancourt, the CGT bulwark, was eventually closed in 1992

Snapshots with five-year intervals tell the same story in an even more poignant way. In 1976 roughly 50% of the total Renault workforce in France was concentrated in Billancourt and Flins and over 70% of the assembly workers. By 1980 the latter figure was still almost 70%. In 1985, Billancourt and Flins accounted for a little over 60% of the workforce in the assembly plants, and in 1990 their share had dropped below 50%! The Billancourt closure in 1992 consecrated the new situation in Renault: Flins, though still the largest assembly plant, employed just slightly more than one third of the workforce in assembly plants. In 15 years time the Billancourt and Flins plant combined had seen their workforce reduced by almost 75% (adding the 1992 Billancourt closure raises the figure to a staggering 84%!), while for Douai and Sandouville combined the corresponding figure—and as part of the same productivity drive—was 24%.

These changes in employment were the result of the new human resources policies, not of a dramatic change in product mix, whereby Renault gradually turned to the production of more medium-large to large cars which were built in Douai and Sandouville, instead of the smaller cars assembled in Billancourt and Flins.[3] In fact, both the product line-up and the respective volumes of the models remained favorable for the Billancourt and Flins plants. Renault was famous for its cheap and cheerful cars and the recent ventures into the high end of the market should not make us forget that.

The changes in the workforce throughout the 1980s, both in terms of employment and skills structure, therefore were a goal in themselves, not the by-product of other corporate strategies. And while they were (perhaps) not meant to, these changes had a tremendous impact on the power of the labor unions.

As a result of this strategy, the two oppositional labor union sections, the CGT in Billancourt and the combined (although not united) CGT and CFDT in Flins, in effect saw their social basis inside the company diminish quite dramatically. In some of the plants more accomodating union sections therefore took over from the CGT. This, then, made it possible for management to take a tougher line—especially with the CGT—when social conflicts erupted.

Between 1981 and early 1985, the company went through a severe financial crisis, yet none of the recipes proposed led to the business results that everybody hoped for or expected. Between 1980 and 1985, the total Renault workforce hardly changed, despite a precipitous drop in sales. The reason was management's conviction that competitiveness had to be sought in offensive product innovations, which would lead to increases in market share, that, in turn, allowed management to persist in its strategy of ever higher volume and economies of scale. All this, however, also meant relatively small profit margins: social peace has a price: high wages. This general strategy was, unsurprisingly, shared by the labor unions, who understood that it implied relative stability for the labor force. Judging from previous experience, the tacit alliance between the state, management and the CGT easily appeared capable of surviving the crisis.

The 1984 financial crisis—losses of over FF 12 billion—which even forced the company to borrow in order to pay wages, redrew the picture. Assuming responsibility for the dramatic situation, the then CEO stepped down and a new management team, under the direction of Besse, who had just "saved" Pechiney, was installed. Its first goal was a giant program to control costs, and (after Besse's assassination) later added quality as an explicit aim. Instead of primarily relying on innovative products, *productivity* and *quality* became the guiding principles for shopfloor management. In the search for higher productivity and quality, Renault management soon realized that the particular combination of skill and modernization policies in the plants also usefully served as a way to eliminate the persistent labor problem. The modernization drive eventually led to a considerably smaller social basis of the CGT and oppositional CFDT sections, while favoring FO and the more accomodating CFDT. The immediate result was that the CGT lost its majority in many plants and in the end (in 1992) also its overall majority in the Renault works council. Yet probably much more important, it seems, is that all unions have lost their importance in the company. For management, now the road toward systematic up-skilling of the labor force and decentralized decision-making could be taken, in which the same unions that gained from the CGTs sudden relative weakness—but were not necessarily strong labor unions themselves—participated. This was sealed through the *accords a vivre,* concluded between all the non-CGT unions and Renault in 1989.

## 3. Conclusion: industrial reorganization à *la française*

Any program of industrial change in France critically relies on management's ability to circumvent labor unions. This paper discussed why, and how French companies do this; Renault, a paradigm case of the organizational predicament of the French model was used as the case to illustrate this more general point. The company managed to raise production, product quality and profitability by effectively neutralizing labor unions and incorporating workers in new production methods.

This is a strategy which suggests tremendous continuity with the well-known, "old" French model. However, in its substantive outcomes, it also suggests gigantic changes. Anybody who entered a French factory ten years ago, and appears in one now, is surprised about the differences. And that is a surprise in itself: because the French model was assumed to be so "blocked," substantive changes were equally assumed to be impossible.

If the changes that I described in the paper are general enough, how, then, do we account for them? The most important point to remember here, it seems, is that traditional confrontational policies failed, but that the submission of labor worked through (partly union-demanded) changes in skills structures. By upgrading skills, the company was also able to change the organisation of work, which, in turn, changed how the workforce thought of interest representation: instead of striking, they now talked, as Jacques Gautrat summarised the new situation (in a private conversation).

Labor relations are not the only field where change is gradual —but revolutionary in its outcomes. The same is true, for example, of large firm-small firm links, where high interest rates, quality problems, and labor relations forced small, pragmatic changes on both large and small firms. And it appears true as well of financial reform, which has created a type of organized capitalism very different from but reminiscent of the type found in Japan or Germany, instead of the dispersed ownership structure found in the Anglo-Saxon countries. All these fields share the crucial characteristic that reform plans failed in their stated goals, but that, because the reforms were embedded in other institutional elements, things did eventually change.

Since resistance to reform is strong, change cannot be decreed in France, it cannot even be smuggled in, it appears; it has to come about without anybody noticing it. What is true of France, is also true of the study of the French political economy. Too often this is caught in the dichotomy between change and stability. Either things change -and then they change dramatically, with all the pathos resulting from the *grandeur* with which the programs for change are proclaimed. Or they remain the same because the underground tracks on which French society is riding, force it toward stalemate.

This paper documented a third way of thinking about France. Take serious what is happening, describe it in sufficient details, and think of it as the unintended effect of small, pragmatic adjustments to challenges in sometimes very different fields. Doing this will allow to see how change and continuity are linked in today's France, which role economic actors and institutions play in economic and industrial adjustment, and how resistance to change can lead to revolutionary outcomes. It is, in short, only by taking change seriously as a possibility, that we can understand the deeper continuity. And if all this eventually leads us to re-interpret what we thought we knew about it, it is all for the better.

**References**

Sylvie Cieply, Le financement des PMEs, (ms. Université Lyon Lumière II, Monnaie-Finance-Banque 1995)

Benjamin Coriat & Dominique Taddéi, Entreprise France (Paris: Librairie Générale Française 1993)

Michel Crozier, *Le phénomène bureaucratique* ; Paris: Le Seuil 1964

Michel Crozier, *Etat modeste, état moderne* (Paris: Seuil 1987) Michel

Crozier, *L'entreprise à l'écoute* (Paris: Seuil 1989) Pierre Dubois, *L'état*

*entrepreneur (Paris:* Editions ouvrières 1974)

François Eyraud & Robert Tchobanian, "The Auroux Reforms And Company Level Industrial Relations In France," *British Journal Of Industrial Relations* Vol.23 (1985), No 2

Chris Howell, *Regulating Labour. The State and Industrial Relations in France* (Princeton: Princeton University Press 1992)

Harry Katz & Chartes Sabel, "Industrial Relations And Industrial Adjustment In The Car Industry", *Industrial Relations,* 1985, Vol. 24, Nr 3, Pp.295-315

Dominique Labbé & Frédéric Perm, *Que reste-t-il de Billancourt?* (Paris 1990)

Jonah Levy, *Toqueville's Revenge,* Ph.D thesis MIT, 1994

Danièle Linhart, *La modernisation des entreprises* (Paris: Éditions La Découverte 1994)

Christophe Midler, *L'auto qui n'existait pas* (Paris: Intereditions 1993)

Rosanvallon Pierre, *La Question Syndicale* (Paris: Calmann-Lévy 1988)

Mouriaux René, Le *Syndicalisme en France depuis 1945* (Paris: Éditions La Découverte 1993)

Joseph Romano, *La modernisation des PME* (Paris: PUF 1995)

Charles Sabel, *Work And Politics* (Cambridge: Cambridge University Press 1982)

David Soskice, *Finer Varieties of Capitalism* (Berlin: ms. WZB 1994)

Dominique Taddéi and Benjamin Coriat, *Made in France* (Paris: Librairie Générale Française 1993)

## *Notes*

[1] The small firm sector requires a different kind of treatment, since the problem of labor relations and human resources policies is not posed in way similar to the large firms. See Romano 1994; Levy 1994; Cieply 1995; and Hancke 1995 for discussions of the small firm sector in France.

[2] One short note appears in order here: contrary to what some of the debates in the USA and Europe may lead us to believe, it is highly unclear what exactly the most successful product strategy is today. In fact, despite consistent prophecies that the survival of industry in OECD-countries depends solely on non-cost competition -customization, time and delivery, quality, services, etc.- many company success stories throughout the 1980s have been found in what could be termed *flexible quality mass production:* for example, Toyota in Japan and BMW in Germany, Motorola in the US, Benetton in Italy and BOSS in Germany, Microsoft, and Compaq and NEC in the computer software and hardware industry. This listing is not to prove that an alternative, even more successful recipe exists, only to point out that different success scenarios appear simultaneously possible. The German machine-tool industry and ABB, as well as Boeing, also fared well in the 1980s.

[3] Because of product cycles in the industry, assembly assignments are highly path-dependent. A new model of a small car is introduced in year Y, the new model in Y+5, again in Y+10, etc. A large car is introduced in year Z (one or two years after Y), a new model in Z+5, etc. As a result of this alternating cycle, "small car plants" rarely shift to large cars (ignoring for a moment possible skill problems) and vice versa. A change in product mix such as a move upscale would then have a major impact on employment, independent of possible changes in social policies.