

## Richard McCreery's Business Blog

### Expect More Strikes In France



**Richard McCreery's Business Editorial** RLTV 09 Apr 10

Riviera based Independent Investment Adviser, Richard McCreery, has joined the expanding *RivieraLife.tv* team as Business Editor. Richard publishes a weekly Financial Editorial every Friday with informed comment on topical financial matters relevant to residents and businesses on the Cote d'Azur.

This week the SNCF went on strike for the third time this year, demanding higher pay and changes to working conditions. Anyone living in the south of France will be used to stoppages by the rail workers and employees of the State such as air traffic controllers, teachers and post office workers. It's a way of life that we seem to have to put up with. Many people had hoped that Mr Sarkozy would usher in a new regime when he came to power, one that supported the users of State services rather than the 'fonctionnaires,' but we have seen very little improvement. The number of State employees has risen 36% since 1980 to become an increasingly large influence in French society.

Expats often find it difficult to understand how the French unions can still carry so much power in a country with such high unemployment. On the one hand, there are plenty of people who are out of work (the French unemployment rate is now over 10%) and who would be glad to earn a proper living, but on the other hand we have a workforce that is cushioned by its legal rights which enables it to stop work each time it has a complaint. A new development is that management are now at risk of being kidnapped and held to ransom by their own employees if they lay off staff, which appears to be closer to terrorism than socialism.

Whilst these disruptions make life harder for the private sector, it should however be pointed out that a large proportion of the French population usually support strike action and many demonstrations are very well attended. This is obviously part of the French way of life but it might also be related to the fact that a significant proportion of employees work for the State and that the most desirable career choice for young French people is with a State-run enterprise, an attitude which doesn't bode well for the future of France's economy.

However, the credit crunch is making it more difficult for France to maintain its over-sized State system and it now needs to cut back. The budget deficit stands at 8% of GDP, compared to a Eurozone target of below 3%, so it needs to get this down, primarily by cutting spending or raising taxes. In Greece, workers have responded to government cutbacks with demonstrations and rioting and unless we have a strong economic recovery in the Eurozone, and its export partners, then we are likely to see similar responses here.

France is a country where the State supports a large part of the population, either through employment or through the social security system, and in the global economy it is struggling to compete with countries such as China and India where there is no social security safety net, only an understanding that people need to work in order to survive. Economic hardship, especially that which is seen to be caused by government actions, is not something that the French will take lying down. They have a history of violent demonstrations and it isn't difficult to once more imagine scenes of burning cars on the streets of our cities, which could, ironically, have been subsidised by the State as part of the scrappage scheme. Expect more strikes.

**Richard McCreery 9th April 2010** Send us your comments for publication email: [richard@rivieralife.tv](mailto:richard@rivieralife.tv)