

In rare praise of Dominique de Villepin

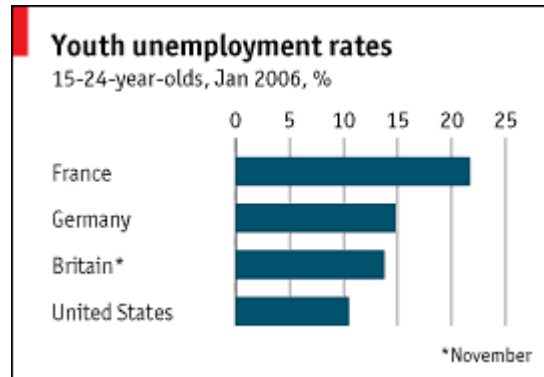
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French students are missing the point of the government's labour-market reform

REVOLTING students unnerve French governments. In May 1968 they forced de Gaulle to dissolve parliament and, a year later, to step down. In the 1980s they made the prime minister, a certain Jacques Chirac, abandon university reform after a student was killed by police during protests. And 12 years ago they led Edouard Balladur, another centre-right prime minister, to give up a planned youth labour contract after widespread demonstrations.

Given this history, the latest outbreak of student unrest in France—which has included the overnight occupation of the Sorbonne by students for the first time since May 1968 (see [article](#))—is a testing moment for the nine-month-old government of President Jacques Chirac's current prime minister, Dominique de Villepin. The students' target is a new, more flexible job contract for youths under 26. They argue that it will institutionalise insecurity and do nothing to reduce unemployment. They are right to say that it is not a complete answer to France's endemic problem of high joblessness. But they are wholly wrong over the reasons why.



France has acute problems getting its young people into work. The unemployment rate for 15-24-year-olds is almost 22%, one of the highest in Europe. Mass access to the school-leaving exam and to universities has not been matched by more jobs for the young. Fewer than 30% of French 15-24-year-olds are in employment, way below the OECD average and half the rate in Britain. And many of those with jobs are on short-term contracts that often last no more than a couple of months; they find it hard to move into steadier work.

Respectable objections can be raised against the new contract, even so. If Mr de Villepin really wanted to stimulate job creation and bring down overall unemployment from its near-10% level, why segment the job market into different groups, granted different treatment? His latest contract follows an earlier one, with similar firing rules, that was introduced for firms employing fewer than 20 people. It would be more sensible to replace the whole of France's two-tier system—with comfortably protected jobs for "insiders", including public-sector workers, and less secure short-term contracts for outsiders—with a single, more flexible job contract for all. Olivier Blanchard, a French economist at America's MIT, has suggested that such a contract might carry job security that increases with the length of time an employee spends in the job.

Mr de Villepin's new contract could end up deepening the divide in the job market, if employers transform permanent jobs into less secure ones under the new contract. Or, after their two-year probation period, employers might opt to recycle recruits into yet more short-term work rather than switch them to permanent contracts. As long as France props up a heavily protected top tier, which makes it extremely hard to shed workers, most employers will seek to exploit lower-tier contracts to avoid taking on staff permanently.

Yet the choice that France faces is not between the new job contract and a more radical overhaul of the entire labour market. The students are not demanding a more widespread reform: they simply want the nice secure permanent jobs that their parents once had and that their teachers have still. Nor are the opposition Socialists, whose leaders have queued up to condemn the new contract, and some of whose deputies are contesting its legality in France's highest court.

Poetry is in the street

Moreover, the new contract was devised partly in response to last autumn's rioting in France's troubled suburbs. Indeed it is not meant primarily for students, many of whom will not even graduate before they reach 25, at all—but rather for those who leave school with no qualifications and face unemployment rates as high as 40-50%. For them, even two years under the new job contracts would offer work experience that might lead on to something better than a life on the dole.

Above all, Mr de Villepin's new contract introduces an essential principle that is now largely absent from the labour market: that if it is made too hard to fire people, employers will not hire them in the first place. The prime minister may yet back down, like so many of his predecessors, in the face of continuing protests. But if he holds firm, and the new contract turns out to be popular with employers, it might then be extended further up the labour market, with benefits all round.

French students are right to fear insecurity, but not the sort that they are protesting about. The country's real shame—and the biggest contributor to last autumn's riots—is mass unemployment, which has been barely dented, by governments of left and right alike, in two decades. One in ten workers is out of a job; one in four among young people; and one in two on the roughest estates. That is genuine insecurity.