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Battling Youth Unemployment in France: Can Macron Put Young People to Work?

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An Honors College Project Presented to  
the Faculty of the Undergraduate  
College of Business  
James Madison University

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by Adriana C. Bolivar

April 2021

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Accepted by the faculty of the Economics Department, James Madison University, in partial fulfillment of the requirements for the Honors College.

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**PUBLIC PRESENTATION**

This work is accepted for presentation, in part or in full, at the Spring Honors Symposium on April 23<sup>rd</sup>.

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## Abstract

High unemployment has been a persistent struggle for the French economy, especially over the last 30 years under presidents Mitterrand, Chirac, Sarkozy, Hollande, and now Macron. In recent years, this problem has particularly plagued young workers making them the “lost generation” of Europe (“Chômage des jeunes: remettre sur les rails une generation perdue,” 2013). This paper studies the history of youth unemployment in France and assesses the impact of government policies and cultural norms on young workers. Additionally, it highlights the trade-off between workers’ rights and economic growth in an attempt to draw attention to the importance of culture and context in development.

The factors that have driven French structural youth unemployment, such as types of employment contracts, hiring and firing legislation, and structural mismatch in the labor market are identified through an in-depth analysis of the *Code du Travail* (French Labor Code). This paper also examines labor market reforms proposed and implemented by President Emmanuel Macron and evaluates their effectiveness in creating employment for young workers.

The last section discusses the social, cultural, and political challenges Macron has faced and will continue to face in his struggle to reduce youth unemployment, focusing on public reactions to his reforms and the importance of workers’ rights to French culture. It is concluded that his labor code reforms are not only an attempt to improve the economy, but also to change how French people think.

## Introduction

The most significant economic challenges that France currently faces are high structural unemployment and slow growth. Youth unemployment levels are particularly alarming as they raise concerns for the country's future in terms of investment and wealth accumulation. Youth rates tend to be higher than adult rates across developed nations as young people are typically in the process of acquiring the skills required for entry-level positions, whereas adults generally build skills overtime through work experience, thus their unemployment spells are shorter and less frequent. Additionally, many times, young workers voluntarily choose a position of nonemployment in order to explore different professional paths and/or further their education and training. The main area for concern is the amount of young people that are neither in employment nor in education or training. Moreover, many educated young people still struggle to find a job post-graduation due to the lack of adequate housing where jobs are located as well as the rigid labor market structure. This is where the real challenge lies for French political leaders as they attempt to reduce youth unemployment and grow the economy.

Elected in 2017, Emmanuel Macron made young people a central element of his reform agenda. The leading goals of his platform were to cut overall joblessness rate to 7% ("France's Macron signs labour reforms in law, defying protests," 2017), to invest in a training and apprenticeship program for young and unskilled workers, to reform the education system, and to attract foreign investment. He vowed to bring change for French youth,<sup>1</sup> beginning with an overhaul of the labor code and ending with a revolution of the French mindset: "The backdrop

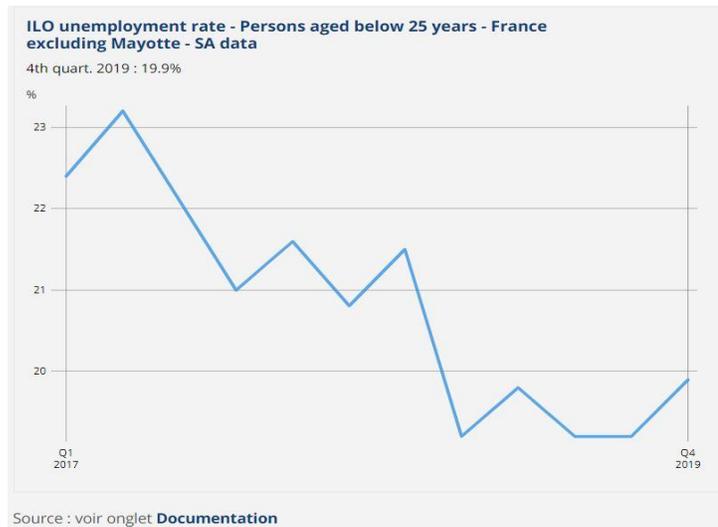
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<sup>1</sup> "[...] fewer young people have access to school, fewer have access to culture and fewer have access to employment. [...] Suburban France and rural France have the right to succeed, to develop themselves and we have to permit them to move forward, we have to invest in them." (Rubin, 2017)

was chosen to burnish image as the candidate who would revive France, especially for young people,” (Rubin, 2017).

### **Data on Youth Unemployment**

This paper focuses on changes in youth unemployment in France during President Macron’s administration, pre-pandemic, therefore, the data is from 2017-2019. According to the *Institut national de la statistique et des études économiques* (National Institute of Statistics and Economic Studies, INSEE) (2021), France’s youth unemployment rate was 23.2% at the time of Macron’s election to the presidency (quarter 2 of 2017) and fell to 19.9% by the end 2019’s fourth quarter, as shown in Figure 1 below. Although there was a decline in the unemployment rate of young workers after Macron took office, comparing France to its European Union partners Germany and the Netherlands, these rates are considerably high. By the end of 2019, the youth unemployment rate in Germany was 5.8% and, in the Netherlands, it was 6.8% (World Bank, 2021). In addition, France’s youth unemployment rate during this period was significantly higher than the overall unemployment rate. The general unemployment rate in quarter 1 of 2017 was 9.6% and fell to 8.1% in quarter 4 of 2019. Furthermore, the unemployment rate of workers 50 years and older in quarter 1 of 2017 was 6.9% and declined to 5.8% in quarter 4 of 2019, and the unemployment rate of prime-age workers (25-49 years old) was 9% in quarter 1 of 2017 and fell to 7.4% in quarter 4 of 2019 (INSEE, 2021).



*Figure 1. Graph of The Unemployment Rate of Persons Aged Below 25 Years in France from 2017-2019. Source: Institut national de la statistique et des études économiques (2021)*

While all unemployment rates mentioned above declined during Macron’s first two years in office, not much has changed and young workers remain the most affected by unemployment spells. Additionally, high unemployment has particularly burdened young people without qualifications or an education. In 2017, the *Direction de l’animation de la recherche, des études et des statistiques* (Statistical Office for Labor and Employment, DARES) found that the unemployment rate for young workers (16-25 years old) without a diploma was 27.9% compared to 23.3% for young workers with a diploma (DARES, 2018, p. 4). Unskilled youth are typically the most impacted agents of the labor force during economic downturns, however the fact that France’s skilled and educated youth is also highly prone to unemployment spells is the biggest cause for concern.

## **What is Youth Unemployment and how is it measured?**

France has measured unemployment according to International Labor Organization (ILO) guidelines since 1975. The youth unemployment rate can be defined as the number of unemployed 15–24-year-old workers as a percentage of the active youth labor force (OECD, 2021). To qualify for unemployment, a person must be at least 15 years of age, out of work during a “*semaine de reference*” (a given week), have actively searched for employment in the last four consecutive weeks, and be available to work within the next two weeks. Additionally, the person must be seeking jobs that start within three months from the given week. If they work at least one paid hour during the given week or if they maintained a formal relationship with an employer, they are considered employed (INSEE, 2016, p. 2).

Every trimester, INSEE calculates the number of unemployed people according to the *Emploi* survey. This survey has been carried out by INSEE since 1950 and is a statistical study that measures unemployment in accordance with the ILO. In addition, it provides data on occupations, work hours, training courses, employment contracts, and job search in France. The survey is conducted in the following fashion:

- a sample of 90,000 housing units in France (excluding Mayotte) is collected each quarter
- all dwelling occupants aged 15 years and over are surveyed through in-person interviews, representing 110,000 people (12,000 are from DOM territories<sup>2</sup>)

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<sup>2</sup> Territoire d’outre mer. “Overseas departments (DOM) are territorial authorities integrated into the French Republic in the same capacity as the departments and regions in Metropolitan France. Each of these departments makes up a single-department region, called an “overseas region” since the constitutional revision of 2003,” (INSEE, 2016).

- In a series of twenty questions<sup>3</sup>, survey respondents must describe their situation to determine their employment status within a given week. Responses are confidential and used solely for statistical purposes (INSEE, 2016, p. 6).

Another element of France's unemployment measurement is the "*Halo autour du chômage*" which essentially means "the outer circle of unemployment." This concept refers to persons who are out of work, and wish to work, but are not considered unemployed because they are not available to begin a new job in the next fifteen days and/or have not actively searched for employment for four consecutive weeks. It is similar to the concept of discouraged workers – those who are eligible and available for employment but have given up on the search for a job after not finding suitable employment options (Investopedia, 2021) – but it is not entirely the same. Additionally, INSEE measures underemployment which occurs when people are employed but involuntarily work less than their desired hours. These people typically work part-time and/or seasonally.

### **Causes of Youth Unemployment**

There are four main types of unemployment: frictional unemployment, cyclical unemployment, technological unemployment, and structural unemployment. Frictional unemployment occurs because of the time it takes to match workers to employers and leads to short unemployment spells. Cyclical unemployment is a consequence of economic difficulties such as a recession. Technological unemployment arises when firms increase their use of technological capital in the production process and displace workers with

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<sup>3</sup> Every 10 years, Insee updates the *Emploi* survey to account for changes in the labor market.

machines or artificial intelligence. Lastly, structural unemployment is the result of the obsolescence of skills. In this case, even if the number of jobs available equals the number of job searches, due to changes in the economy and technological advances in the labor market, workers' skills no longer fit the needs of employers. This type of unemployment is the most concerning for policymakers across countries as the unemployment spells are long-lasting, and reducing it requires active government policies to improve human capital, such as training programs and education.

In general, youth unemployment is caused by factors such as aggregate demand, youth wages, and the size of the youth labor force. Typically, youth unemployment rates are higher and more cyclical than adult rates as they are particularly sensitive to changes in aggregate demand. The higher cyclical volatility of youth unemployment can be attributed to lower job protections, in general, for young workers as well as less job-specific experience (Görlich, Stepanok, & Al-Hussami, 2013, p. 3). When aggregate demand decreases this causes the demand for overall labor to fall, thus decreasing the demand for young labor as well. Fluctuations in aggregate demand impact the youth labor force more than the adult labor force because on the demand side, it is less expensive for employers to terminate young workers than older workers with more experience. Additionally, during a recession, firms are more likely to cease recruitment of young employees causing cyclical unemployment. This is because young workers tend to be of lower skill levels, making them more vulnerable to layoffs and hiring freezes. On the supply side, people between the ages of 15 and 24 tend to voluntarily quit and shift between multiple jobs while searching for an *ideal* career path as

their opportunity cost of doing so is usually lower than that of older workers (O'Higgins and Niall, 2001, p. 40).

Another cause of youth unemployment is the structural mismatch between workers' skills and employers' requirements. Depending on which sectors are in highest demand of labor in a country, this issue can be seen in two forms: underqualified and overqualified workers. Moreover, this problem is interrelated with the demand for labor. When demand is weak, it creates a wider skill gap. A reason for the mismatch between supply and demand of labor in a variety of sectors is generally a result of poor training efforts. It can also result from limited work experience, hindering them in the competition for entry-level positions (ILO, 2020, p. 13). The mismatch leads to structural youth unemployment, the most prominent in France, as technological advances and changes in the structure of the labor market make some jobs obsolete and increase opportunities in others. Oftentimes, workers are not able to meet the demands of the restructured labor market as it requires further education and training, which costs money and time (Restrepo, 2015, p. 1).

## History of Youth Unemployment in France

Over the last forty years, France has persistently struggled with youth unemployment. A few years into Mitterrand's presidency in 1984, youth unemployment in France reached 20.4% and has lingered between 14% and 25% until today (INSEE, 2021). While Mitterrand and the Socialist Party came into office promising rapid growth and an unemployment reduction, his presidency was instead characterized by slow growth and higher unemployment than had been seen since the 1950s. In a 1986 study, Jeffrey Sachs and Charles Wyplosz (p. 263) argue that while Mitterrand's administration brought radical change for France, the French economic crisis during this period was a result of the two oil shocks in the 1970s which led to a worldwide recession. Expansionary policy under Mitterrand, such as monetary accommodation, minimum wage increases, and new labor laws reducing the workweek along with the Auroux Laws<sup>4</sup> failed to reduce unemployment. Thus, France has since suffered from systemic unemployment, mostly affecting low-skilled youth and senior citizens. Furthermore, the French unemployment problem can be characterized as a case of hysteresis<sup>5</sup> (Baudchon, 2015, p. 4), in which high unemployment persists even after factors driving it have been removed due to an inherent structural issue.

The youth unemployment rate was at approximately 16% in 2002 (INSEE, 2021) thanks to reforms such as "*Emplois-jeunes*" and "*Contrats-jeunes en entreprise*," both under President Jacques Chirac. "*Emplois-jeunes*" (youth employment scheme) was created in 1997 and

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<sup>4</sup> The Auroux Laws were industrial law reforms enacted in 1981 and named after Jean Auroux, Minister of Labor from 1981-1983. They were designed to grant stronger rights to trade unions and employee representatives while requiring annual sector and firm bargaining (Moss, 1988).

<sup>5</sup> In economics, hysteresis refers to an event that continues to occur even after the driving factors have been eliminated (Kenton, 2020).

implemented by Martine Aubry, the former Minister of Employment and Solidarity, as an effort to insert young workers into the economy. The contracts were reserved for people under 26 years of age and promised to create at least 700,000 new subsidized jobs, both in the public and private sectors. The contracts were of fixed-term, lasted five years and created 310,000 jobs of the 700,000 originally promised (Laurent, 2012). The next reform, “*Contrats-jeunes en entreprise*” (youth company contracts) was enacted in 2002 and replaced the former. This program consisted of subsidies from the State to companies in the commercial sector hiring low-skilled young people for jobs of indefinite duration. In addition to receiving a monthly premium for three years, such companies were also exempted from employer charges and payroll taxes. From 2002 to 2005, those eligible for participation in this system were young people aged between 16 and 22 with qualifications below a baccalauréate level.<sup>6</sup> In the spring of 2006, the system was changed to allow for the eligibility of young workers between 16 and 25 years of age with an education level below the baccalauréate. Additionally, eligibility was also granted to more qualified young people who resided in *zones urbaines sensibles (ZUZ)*<sup>7</sup>, benefitted from the *contrat d’insertion dans la vie sociale (CIVIS)*<sup>8</sup> system, and/or were under *contrats de professionnalisation*<sup>9</sup> (DARES, 2007, p. 3). Also under Chirac, Prime Minister Dominique de Villepin introduced the *Contrat première embauche* (First Employment Contract, CPE), as an

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<sup>6</sup> Baccalauréate level (“niveau bac”) refers to having completed secondary education (lycée). Achieving a baccalauréate level means that students obtain the “bac” diploma.

<sup>7</sup> “Sensitive urban zones (ZUZ) are infra-urban territories defined by the authorities as being priority targets for urban policy, according to local factors relating to the difficulties that the inhabitants of these territories are experiencing,” (INSEE, 2016).

<sup>8</sup> Translation: The social life integration contract (CIVIS) targets young people between 16 and 25 years old who face struggles to enter the workforce. It aims at implementing actions that help integrate them into sustainable employment options (Ministère de l’Éducation Nationale, de la Jeunesse et des Sports, 2015).

<sup>9</sup> Translation: “Professionalization Contracts” are employment contracts that enable unemployed people to obtain a professional qualification such as a diploma, a title, or a certificate, that is recognized by the State, in order to integrate or re-integrate people into employment (Ministère du Travail, de l’Emploi et de l’Insertion, 2015).

amendment to the *Loi sur l'égalité des chances* (Statute on the Equality of Opportunities) in 2006, which would have made termination easier for employers by implementing a two-year trial period in which they would not be required to provide reasons for the dismissal of employees. This contract was of indefinite duration and targeted young people under 26 years of age. The act was not implemented as it was met with a series of mass protests by French youth and unions. Students and trade unionists believed that the CPE would make it harder to find permanent jobs by allowing employers to abuse the system (Fortuna, 2011).

When Nicolas Sarkozy took office in May of 2007, France faced a youth unemployment rate of 19.2%. On the eve of a financial crisis, Sarkozy's administration carried out various initiatives targeting youth unemployment, since young workers were the most affected by it. First on the agenda was the *plan d'urgence*, an emergency plan enacted in 2009 that aimed at getting 700,000 young people into a job or professional training by mid-2010. Approximately 1 billion euros were allocated to this program, funded primarily by the government via the *Fonds d'investissement social* (Social Investment Fund) ("Emploi des jeunes : ce que prépare Sarkozy", 2009). Under this plan, the following measures were proposed:

- Increase number of young people in work-study training programs,
- Provide a *prime exceptionnelle* (bonus) to companies that hired young employees under a *contrat de professionnalisation* until June 2010,
- Exempt companies recruiting apprentices by June 2010 from employer charges (for companies with less than 50 employees, a *prime supplémentaire* (additional premium) would be added),
- Promote internship programs and compensate interns for their work,

- Turn internships into a *contrat à durée indéterminée (CDI)*<sup>10</sup> (permanent contract) with compensation (companies who hired interns on permanent contracts would receive a 3000-euro bonus (Amrhein, 2009)),
- Provide state subsidies to local public authorities when they hire young people under *contrats initiative emploi (CIE)*<sup>11</sup>, *contrats d'insertion dans la vie sociale (CIVIS)*, and *contrats d'accompagnement dans l'emploi (CAE)*<sup>12</sup>

Critics of this plan have called it a failure as barely 7000 young people benefitted from it by the end of 2010 (Perrin, 2011). This could be a result of rigid termination legislation that was in place during this period. While companies hiring on permanent contracts would be rewarded with a bonus, the costs of dismissing an employee were still significantly high and detrimental to business, which discouraged many companies from doing so.

Also in 2009, Sarkozy's administration developed a new type of unemployment benefit with the goal of reducing the duration of unemployment required to be eligible for State assistance, from six to four months. Nonetheless, the crisis persisted. Additionally, the former High Commissioner for Youth introduced a youth plan, "*Plan Jeunes: Agir pour la Jeunesse*" (Youth Plan: Act for the Young) that concentrated on young people having difficulties in school, hindering them from entering the labor market. This plan included a social inclusion income supplement, in addition to the already established income support program, *Revenue de*

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<sup>10</sup> See page 19.

<sup>11</sup> Translation: Employment Initiative Contract. A subsidized employment contract that allows employers in the commercial sector to hire new employees. Applies to employers who have not dismissed employees on economic grounds in the last 6 months. (Droit-finances, n.d.)

<sup>12</sup> Translation: Follow-through contracts. Commercial sector employment contract that facilitates the access of stable employment to unemployed people who are struggling socially and professionally. (Ministère du Travail, de l'emploi, et de l'insertion, 2015).

*Solidarité Active (RSA)*, which was intended to encourage unemployed young persons to enter or return to the labor market, while decreasing social exclusion. This initiative, however, excluded many groups as in order to benefit from it, having full-time work experience for at least two years or being a young parent was required. RSA was also considered a failure as it merely benefitted 10,000 young people out of the 160,000 that had been promised (Pickard, 2014, p. 54). This failure can be attributed to the rigor of the eligibility criteria which prevented young people who needed it the most from qualifying.

President François Hollande, coming to power in May of 2012, immediately tackled the socio-economic challenges encountered by young people in France. The first plans proposed were *Contrats de Génération* (generation contracts), enacted in September of 2012, and *Emplois d'Avenir* (jobs of the future), enacted in October of 2012 (Baudchon, 2015, p. 15). *Contrats de Génération* was implemented with the objective of getting people under 30 years of age into permanent employment contracts while simultaneously cutting down unemployment for prime-age and senior workers by making the younger worker a trainer of the older worker. These contracts would be subsidized by the government. *Emplois d'Avenir* was intended to give underqualified young people training opportunities to secure employment. The focus of this program was to provide career guidance along with a permanent or three-year contract. The effects of *Contrats de Génération* were seen in 2015. Of the young workers hired on these contracts in 2013, only 22% were unemployed whereas 48% were still on permanent contracts at their respective companies (Sud Ouest, 2015).

## Factors that Drive Youth Unemployment in France

Youth unemployment in France can be tied to the structure of the labor market. The famous *Code du Travail* (French Labor Code), originally published in 1804, is over 3,300 pages long and is regarded as a fundamental aspect of French labor law and culture. Not only does it serve to delineate laws and regulations, but also to generate debate over the meaning of work and employment in one's life. This code is regarded as both sacred and problematic. For unions, the rights "enshrined" in the French labor code must be protected at all costs, whereas employers view them as a hindrance to economic growth as well as contributors to high unemployment (Villemont, 2017). The key elements of the *Code du Travail* and their effect on youth unemployment in France will be discussed next.

### Contrat de duration déterminée vs. Contrat de duration indéterminée

French employment is characterized by two main types of contracts: *contrat de travail à durée déterminée (CDD)*<sup>13</sup> and *contrat de travail à durée indéterminée (CDI)*<sup>14</sup>. The former is a fixed-term contract that provides temporary employment for a specific task. According to Article L1242 of the labor code, it can be used in the case of replacement for absent or pending employees, seasonal work, or part-time work. This type of contract generally sets an end date by which the employment relationship must be terminated. In the case of imprecision, the contract ends when the specific task has been completed. Typically, a CDD lasts 18-24 months. The latter is an open-ended contract with no set end date. The *contrat de travail à durée indéterminée* is the "normal and general" (Article L1221-2, Code du Travail, 2018) employment contract used in

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<sup>13</sup> Translation: Fixed-term contract

<sup>14</sup> Translation: Open-ended, permanent contract

France and may be established in writing or verbally between the employer and the employee, depending on its nature. The CDI can be terminated by the employer, by the employee, or by mutual agreement, after due process. A *période d'essai* (probationary period) – a period in which an employer can evaluate an employee's suitability with the job – is granted in both the CDD and CDI and must be clearly stated in order to maintain its validity (Article L1221-19, Code du Travail, 2008).

The dichotomy present in employment relations has contributed to youth unemployment in France as it has separated the labor market into two groups: the insiders and the outsiders. The insiders are those who possess CDI contracts. Insiders are likely to be more qualified and avoid unemployment. The outsiders are workers who perform jobs under CDD contracts. CDDs are generally given to young people with few to no qualifications and less training. This leads to a higher risk of unemployment. Due to certain protections such as obstacles to termination, the CDI provides more job security than the CDD. As of 2017, 35% of 15-29 year olds were on limited-term contracts (France Stratégie, 2017) and the workforce turnover rate skyrocketed from 29% in 1993 to 96% in 2017 (DARES, 2018, p. 1), as workers continuously moved from one temporary job to the next. Another imperfection with the labor market structure in France is that it is very difficult to shift from a CDD to a CDI, with a 7% rate of transition (ages 25-39) in 2018 (Eurostat, 2019). Additionally, among employees on CDDs in 2008, only 47% were hired on CDIs in 2015 (INSEE, 2019, p. 47). While mobility between jobs and companies is more frequent for limited-term workers, the transition from CDD to CDI is not as frequent, due to a lack of qualifications generally required for permanent employment. It is important to recognize that young employees are more likely to transition from CDD to CDI than older employees.

While they are more frequently exposed to unemployment, they have more lifetime and opportunities to gain professional experience and thus have greater mobility between types of employment. However, the increased share in employment of CDD contracts has been a significant factor contributing to the unemployment of young people in France, and the chances of obtaining a CDI are lower for those who are unemployed: “[les chances] restent plus faibles pour un chômeur que pour un salarié en CDD ou en mission d’intérim,”<sup>15</sup> (Ruello, 2016).

### **Hiring and Firing Regulations**

French employment relationships are clearly defined by contracts and can only be terminated under certain conditions. When a contract is not in writing, it is considered an open-ended contract (CDI), whereas fixed-term contracts must be written, specifying relevant job information according to labor law. While CDIs can be formalized verbally, an employer is required to inform the employee, in French writing, of the position title and description, the workplace, the identity of both parties, the amount of paid leave, the salary and payment frequency, the length of notice period, the hours to be worked, and any collective agreements applicable to the contract.

The employment contract in France is much more sacrosanct than in the United States. The *Code du Travail* states that the termination of an open-ended contract (CDI), on personal grounds or economic grounds, must be justified by a “cause réelle et sérieuse” (real and serious cause). On personal grounds, the cause of termination must be supported by clear evidence of misconduct. Examples of valid reasons include theft, disciplinary problems such as the intent to

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<sup>15</sup> Translation: [The chances] remain lower for an unemployed person than for an employee on a fixed-term contract or on a temporary contract

damage the company or the breach of employee obligations, and incompetence. However, because it is often arduous to provide objective proof (that will be recognized by French law) of these actions, it leads to lengthy and costly court disputes. On economic grounds, the company can terminate a contract due to difficulties characterized by significant changes in at least one economic indicator, technological changes, a business reorganization to secure competitiveness, and a company shut down.<sup>16</sup> The economic difficulties faced by a company must be assessed on the level of the individual company or at the level of the company's sector. The formal procedure of termination has multiple steps and requirements that make it a burdensome process. With a 5 days' notice, employees to be terminated must be invited, by letter, to a meeting in which the employer states the reasons for dismissal and allows the employee to provide a response. Furthermore, a notice of termination must be given in a letter, two days following the meeting. In May of 2017, the *Code du Travail* stated that for employees with at least one year of seniority, the company was obliged to provide a severance pay of at least one fifth the average of a month's salary for each year of seniority, as well as compensation for unused vacation time.<sup>17</sup> Furthermore, priority for re-employment within one year had to be given to the employee being

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<sup>16</sup> « Constitue un licenciement pour motif économique le licenciement effectué par un employeur pour un ou plusieurs motifs non inhérents à la personne du salarié résultant d'une suppression ou transformation d'emploi ou d'une modification, refusée par le salarié, d'un élément essentiel du contrat de travail, consécutives notamment : 1° A des difficultés économiques caractérisées soit par l'évolution significative d'au moins un indicateur économique tel qu'une baisse des commandes ou du chiffre d'affaires, des pertes d'exploitation ou une dégradation de la trésorerie ou de l'excédent brut d'exploitation, soit par tout autre élément de nature à justifier de ces difficultés.

2° A des mutations technologiques ; 3° A une réorganisation de l'entreprise nécessaire à la sauvegarde de sa compétitivité ; 4° A la cessation d'activité de l'entreprise, » (Article L1233-3, Code du Travail, 2016).

<sup>17</sup> « L'indemnité de licenciement ne peut être inférieure à un cinquième de mois de salaire par année d'ancienneté, auquel s'ajoutent deux quinzièmes de mois par année au-delà de dix ans d'ancienneté. » (Article R1234-2, Code du Travail, 2008).

dismissed for economic reasons. Additionally, if the employer did not attempt to find an alternative position for the laid-off employee, the dismissal may have been considered unfair.

French companies can also perform collective dismissals; however, this procedure consists of stricter conditions. For companies exceeding 50 employees, when dismissing at least 10 during a 30-day period, it is required that the employer propose a job protection redundancy plan: *plan de sauvegarde de l'emploi*<sup>18</sup>. This plan must be discussed at length with the *Comité d'entreprise*<sup>19</sup> (Works Council) and must be a product of negotiations with labor unions or company leadership, with approval of the Labor Administration. Under personal and economic reasons, for individual and collective termination, employees being terminated can challenge the grounds for their dismissal within 12 months from the date of termination. This must be done by filing a formal complaint with *Conseil de Prud'hommes* (industrial tribunal). If there is no settlement, both parties enter a conciliation hearing in which a judge decides the case. Such a hearing is confidential and is intended to reach a settlement between the parties. Officially, if no real or serious cause is found for dismissal and/or the employer has breached its re-employment duty, employees are entitled to damages to be paid by the employer. In contrast, due to the temporary nature of fixed-term contracts (CDD), there are not as many obstacles to termination, thus it is more likely that an employer will be able to avoid having incompetent employees in the long run. For this reason, employers have begun to prefer fixed-term contracts over open-ended contracts, especially for underqualified young workers.

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<sup>18</sup> “Dans les entreprises d'au moins cinquante salariés, lorsque le projet de licenciement concerne au moins dix salariés dans une même période de trente jours, l'employeur établit et met en œuvre un plan de sauvegarde de l'emploi pour éviter les licenciements ou en limiter le nombre,” (Article L1233-61, Code du Travail, 2016).

<sup>19</sup> Translation: Works Council. This is an organization of delegates that represents workers in workplace negotiations and conflict (“Works Council”, 2021).

Historically, the French have been determined to protect jobs as a means of reducing the amount of people out of work. However, this insistence upon job protection strategies, such as termination regulations and contract laws, has actually contributed to structural unemployment in France. Cahuc, Malherbet, and Prat (2019, p. 30) found that job protection raises unemployment rates for both skilled and unskilled workers between the ages of 15 and 24. For skilled young workers, the presence of job protection increased unemployment from 5.28% (no protection) to 8.61%. For unskilled young workers unemployment increased from 7.75% to 14.19% with the presence of job protection legislation. Additionally, increased employment protection ironically leads to increased job insecurity as one of its consequences is the reduction of job creation (Tirole, 2017, p. 241). Both CDD and CDI workers feel insecure about their employment because these protections make mobility between jobs rare. For those with CDI's, insecurity arises from the fact that if dismissed from a job, the chances of being hired again for a similar position are low.

### **The Skills Gap Between Workers and Jobs**

Youth unemployment is also strongly driven by the lack of qualified agents in the workforce. Firms in France often indicate that they struggle to recruit new hires due to the mismatch between their requirements and candidates' skills. In April of 2019, approximately 14 percent of manufacturers reported experiencing skills shortages in production (Provan and Romei, 2019). According to a report performed by Skills Panorama in 2016, occupations in shortage of labor were information and communications technology (ICT), health and veterinary care, engineering, finance, and legal services. Additionally, high unemployment is further generated by the lack of affordable and adequate housing in certain regions where jobs are

located. This discourages skilled workers from relocating to regions that need new skills, leading to unfilled vacancies. In 2017, between 200,000 and 330,000 job postings remained unfilled in France (Agnew, 2018). The next year, companies reported that 44.4 percent of recruitment efforts were troublesome (“Labour shortages: These are the most needed workers in France.”, 2019). The skills gap not only plagues France but also several other European countries including the UK, Germany, Sweden, Portugal, Spain, Greece, and Italy. Figure 2 shows the percentage of companies in each of these countries who claimed that a skills gap negatively impacted their businesses in 2012 and 2013.

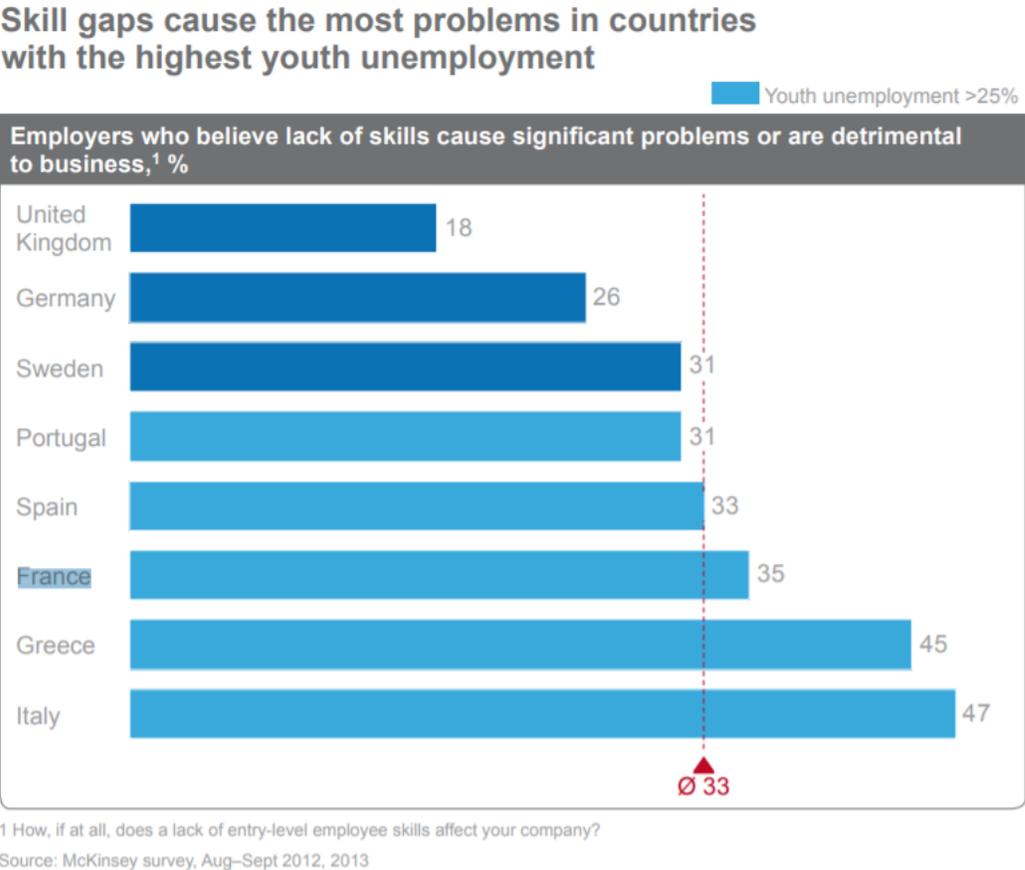


Figure 2. Graph of The Percentage of European Employers Who Believe That a Skills Gap is Detrimental to their Business. Source: McKinsey & Company (2014)

The mismatch in skills is most significant in countries that already have high youth unemployment rates. In France, 35% of employers found that a lack of new, qualified workers costed the firm in money, time, and quality of production (McKinsey & Company, 2014, p. 9). Many European employers believe that young people are not adequately prepared for the workforce, whereas most educators believe otherwise. Additionally, only 35% of French youth felt that their higher studies improved their chances at employment (McKinsey & Company, 2014, p. 12). The difference in perspective indicates that employers and educators do not understand each other's needs and therefore, young people often fall quite short of the demands of employers. Thus, the fact that France does not produce enough qualified workers for the emerging needs of today's world contributes to high rates of youth unemployment even as the economy grows. It is important to note that the skills gap is interconnected with the national minimum wage as together, they both affect youth unemployment rates.

### **The National Minimum Wage (SMIC)**

The first minimum wage law in France was enacted in 1950 as the *salaires minimum interprofessionnel garanti (SMIG)*<sup>20</sup>. The SMIG was partially indexed to the rate of increase in consumer prices. In 1970, the *salaires minimum interprofessionnel de croissance (SMIC)*<sup>21</sup> was introduced and it has remained in place since. The SMIC brought a new indexation structure in which it is revised under the following conditions:

- Increasing the consumer price index by 2% or more automatically increases the SMIC by an equivalent amount,

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<sup>20</sup> Translation: guaranteed minimum wage

<sup>21</sup> Translation: minimum growth wage

- The SMIC is revised every year by at least half of the rise in an industry's real hourly wages,
- The SMIC is raised at the government's discretion (Moghadam, 1994, p. 10).

The SMIC presents a plausible argument for the high levels of youth unemployment rates in France. A study on the relationship between minimum wages and youth unemployment in France and in the United States found that a 1% increase in the real minimum wage (SMIC) decreased the chances of employment for a young man employed at the SMIC level by 2.5% (Abowd, Kramarz, Lemieux, Margolis, 1997, p. 1). The French have fought long and hard for increases to the SMIC level, however increasing the minimum wage has a negative effect on employment. The minimum wage is meant to be appropriate for the employee's level of productivity as it is costly for a business to pay a worker more than they produce. Most employees working for a minimum wage lack the productivity or skills to demand higher pay, therefore when the wage increases, companies are incentivized to cease recruiting and hiring or replace low-skilled workers with machines or high-skilled workers. Therefore, minimum wage increases cause shortages in job opportunities for less skilled workers and from this, job insecurity arises (American Legislative Exchange Council, 2014, p. 4). It can be concluded that French youth unemployment rates are high not only because of a shortage of skills but also because with increases in the SMIC, young people lose access to minimum wage jobs where they could gain those skills.

## Macron's Promises

### Proposed French Labor Reforms 2017-2019

*“France is witnessing reform at a rate never seen before.” (Dias, 2018)*

On May 14<sup>th</sup> of 2017, Emmanuel Macron was sworn into office as President of France. Backed by his political party, *“La République En Marche!”*<sup>22</sup> (On The Move!). President Macron quickly and impressively rose to power with vows to restore confidence in the nation and its economy. During his campaign, Macron promised to tackle high unemployment, particularly youth unemployment, in hopes of increasing France's attractiveness to foreign investors and stimulating economic growth. In order to put young people to work, Macron set out to not only enact new policies and programs, as his predecessors had done, but to also reform the *Code du Travail*.

Traditionally protective of workers' rights, the French labor code is seen as a hindrance to economic growth by Macron. He aimed his reforms at completely restructuring it, shifting the power from employees to employers. The reform consisted of five governmental rulings and was signed into law on September 22<sup>nd</sup> of 2017 to “reinforcer le dialogue social.”<sup>23</sup> These rulings included the relaxation of hiring and firing legislation, making it easier for employers to dismiss workers who no longer served their goals. The new laws cap damages for unfair dismissal to encourage employers to hire, removing the cost of lengthy court cases. The cap is limited to 3.5

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<sup>22</sup> A political movement launched by Emmanuel Macron in April 2016. It recruited more than 200,000 members and aimed for independence from the bureaucracy of established political parties. It is a centrist party (Chwalisz, 2018).

<sup>23</sup> Translation: strengthen social dialogue

months' pay for 2 years of seniority and 20 months' pay for 29 or more years of seniority,<sup>24</sup> compared to a minimum 6 months' pay-out for two years previously. In addition to setting a fixed scale for indemnities, the reform also removed termination red tape for firms with more than 50 employees to simplify the dismissal procedure. Under the new law, firms can amend the dismissal reasons given in the notification letter after it has been received by the employee and they are no longer punished by labor courts for technical errors on dismissal forms. Furthermore, the period in which an employee can challenge a dismissal was reduced from 2 years to 1 year. In the case of dismissals for economic reasons, a multinational firm's economic health is only assessed at the national level now, making it possible for employers to adjust staff levels in their French operations.

In addition to the changes made to the termination procedure, changes were also made to fixed-term employment contracts (CDD). Macron's reforms allow for the duration and renewal terms of CDD's to be set by the professional sector rather than by national law. Employers no longer need to adhere to the 18-month limit set by the national sector, instead they can hire and fire CDD employees as they see fit. Additionally, national trade unions can negotiate new terms and conditions with employers under collective bargaining agreements. While the reforms didn't make changes to open-ended contracts, the idea behind easing firing regulations is to increase the attractiveness of CDIs, especially for young workers. Another type of employment contract expanded by Macron is called "*contrat de projet*" (project contract) which can be performed for a longer duration than traditional fixed-term contracts and can be terminated upon the project's

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<sup>24</sup> See Table 1 in Code du Travail, Art. L.1235-3 (2017).

[https://www.legifrance.gouv.fr/codes/article\\_lc/LEGIARTI000036762052/#:~:text=Si%20le%20licenciement%20d'u n,maintien%20de%20ses%20avantages%20acquis.](https://www.legifrance.gouv.fr/codes/article_lc/LEGIARTI000036762052/#:~:text=Si%20le%20licenciement%20d'u n,maintien%20de%20ses%20avantages%20acquis.)

ending. This contract was made possible by the *Loi de transformation de la fonction publique* (civil service transformation law)<sup>25</sup> in 2019. It is defined as a fixed-term contract intended to allow the completion of an identified mission. It is applicable in public service sectors such as the state, public hospitals, and local community development, and must be concluded within a period between one and six years (Bergé, 2020). This type of contract does not require employers to pay damages to employees at the end of their contract, however, they must compensate employees an amount equal to 10% of their total planned remuneration if the contract is terminated early. While completing a project contract does not guarantee the opportunity of working on an open-ended contract next, employees can use this experience as an asset in the civil service market.

Another key element of the reform was the modification made to collective bargaining agreements. Previously, these agreements were to be made at the industry level, however, the new laws enabled companies to negotiate without trade unions by negotiating directly with elected employee representatives. As an extension of the El Khomri law of 2016,<sup>26</sup> the purpose of this ordinance is to promote social dialogue within firms, making it simpler for them to obtain their own deals on workplace rules. In addition, the reform simplified employee representation by merging the three bodies that companies must consult with: workers' representatives, a works council, and a health and safety committee. The creation of the new body lessens the

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<sup>25</sup> A law to promote strategic social dialogue, simplify and guarantee transparency of public administration, encourage more efficient and responsive public action, guide the transition of civil servants, and reinforce professional equality in civil service (Ministère de la transformation et de la fonction publiques, n.d.)

<sup>26</sup> Adopted in August, 2016 by Myriam El Khomri, this law made it easier for employers to dismiss employees, reduce overtime payments and minimize the costs of termination. It also implemented a program, *garantie jeunes* (youth guarantee), to promote the professional development of young people.

[https://en.wikipedia.org/wiki/El\\_Khomri\\_law](https://en.wikipedia.org/wiki/El_Khomri_law)

administrative burden for employers with more than 50 employees and encourages them to hire new staff.

Lastly, to promote job creation, Macron enacted a business-friendly tax plan that reduces employer social security tax contributions. His goal was to gradually decrease the nominal corporate tax rate from 33.3% to 25% by 2022 (“The Ongoing Reform Agenda”, 2019, p. 6). The new tax strategy also cuts taxes for the wealthy and grants firms the right to amend errors made in tax statements without financial penalties. The purpose behind the tax cuts is to revive economic growth and reduce unemployment by providing businesses with more support as they take on new hires. Reflecting on his predecessor’s wealth tax, Macron justified the tax cuts by stating that jobs cannot be created without entrepreneurs and that to encourage investment, tax reductions are necessary. In contrast, payroll taxes were increased on companies across seven sectors if they chose to hire more on fixed-term contracts (CDD) than on open-ended contracts (CDI).

### **Proposals Targeting Youth and the Unskilled**

When Macron announced his presidential campaign, he promised to combat youth unemployment not only by reforming the labor code, but also by implementing vocational training programs and educational reforms. In September of 2017, the *Plan d’Investissement dans les Compétences* (skills investment plan) was launched and set to be officially established by 2019. It is a five-year, 15-billion-euro investment plan that aims at bridging the gap between qualified and unqualified young people by providing more equal access to training. The quantitative goal of this plan is to train one million unemployed workers who have been out of work for five years as well as one million unqualified young people by 2022. Thus, this plan

addresses the structural mismatch between workers and employers as it enables the financing of new training courses that prepare young people for the needs of businesses in the digital age. It is managed at the national level by the High Commissioner for Skills and Inclusion through Employment, Jean-Marie Marx, and carried out through projects and apprenticeships. To ensure that training programs would suit local needs and realities, regional pacts were made in which half of the 15 billion euros would be allocated to local authorities. Additionally, recognizing that youths in *banlieues*<sup>27</sup> are the most affected by unemployment, the plan rewards companies who hire from banlieues through subsidies and punishes those who discriminate by naming and shaming them publicly. Lastly, other key elements of the plan are providing grants to disadvantaged youth for startup launches and increasing the amount of and access to apprenticeships.

Also in 2019, Macron's pilot program for the *Service National Universal* (compulsory national civic service, SNU) was initiated with 2,000 teenagers selected from a pool of 4,000 volunteers. It involves 15- and 16-year old's leaving their homes for two weeks to train and develop a variety of skills such as first-aid and emergency response. Macron stated that the purpose of this program is to give French youth “des causes à defender, des combats à mener dans le domaines social, environnemental, culturel”<sup>28</sup> (Nunès, 2018). Additionally, it aims to enable young people to develop patriotism and social cohesion (Guillot, 2019). Seeing that the program includes high school students, high school dropouts, apprenticeships and vocational trainees, Macron hopes to reduce youth unemployment by exposing young people to new

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<sup>27</sup> A banlieue defines a suburban area of a French city. Banlieues are typically poverty-stricken. See <https://www.franceculture.fr/societe/banlieues-un-concentre-de-pauvrete> for more information.

<sup>28</sup> Translation: “causes to defend and battles to fight in the social, environmental, and cultural domains,” (Guillot, 2019).

experiences and teaching them new skills, increasing their chances of moving on to employment in industry or public service.

To further enhance the human capital of young people, the president vowed to reform the education system in addition to the labor market. Making the most dramatic educational changes since the 19<sup>th</sup> century, Macron proposed reducing class sizes in primary school to allow for inclusion and equality, making school attendance mandatory starting at age 3 rather than 6, and prohibit the use of cellular devices in class. Additionally, he encouraged the increased study of foreign languages and computer science (coding). At the university level, he announced an overhaul of the *baccalauréate*, changing the admissions process for universities. The reforms to education will enable schools to prepare students for life, giving them practical and specialized skills that employers increasingly seek.

## **Effectiveness of 2017-2019 Policies and Programs on Youth Unemployment**

As time passes and new presidents are elected, a recurring headline is: “Will France’s new leader be the one to save French youth?” This question has been asked and answered during each administration as it seems that the more politicians attempt to reduce youth unemployment, the more it remains stagnant. Although the number of jobless young people remains high, as of 2019 Macron’s labor reforms showed signs of hope for French youth. Reaching a ten-year low, the national unemployment rate fell to 8.1% by the fourth quarter of 2019 (INSEE, 2021), driven by a fall in the youth unemployment rate to 19.9% (INSEE, 2021). In fact, youth unemployment fell at a faster pace than national unemployment as more jobs were being created and young people were finding them more quickly. In December of 2019, the president announced that more than 500,000 new jobs had been created since his election to office. According to INSEE’s reports of job creation by trimester, 117,200 were created in the second half 2017, 149,600 were created in 2018, and 263,000 were created by the third trimester of 2019. The overall number was a total of 529,800 jobs (EUFACTCHECK, 2020). Additionally, the French labor market experienced an increase in the number of employees hired on open-ended contracts (CDI) along with a decrease in fixed-term contracts (CDD). In fact, the number of firms reporting an intention to hire on CDIs was 10% higher in the third quarter of 2018 than in the same period of 2017 (“Emmanuel Macron’s labour reforms may be working”, 2018). Figure 3 shows that approximately 49% of 15–64-year-old workforce participants were employed on a CDI by 2018 and nearly 8% were employed on CDD.



The Economist

Figure 3. Graph of the Trajectory of Permanent and Temporary Employment Contracts in France from 2015-2018. Source: The Economist (2019).

Furthermore, the number of new companies created rose to 815,000 in the final quarter of 2019, increasing 38% from quarter 4 of 2017, which contributed to the increase in job creation. It can also be inferred that Macron’s labor reforms are working since due to the new termination laws, the number of dismissal cases brought to court fell by 15% since September of 2017 (“Emmanuel Macron’s labour reforms may be working”, 2018).

Although more jobs have been created and more young people are working, by October of 2019, the government estimated a total of 400,000 job offers waiting to be filled. This is a result of the overwhelming number of young workers without qualifications. In June of 2018, the number of unemployed workers fell by 31,000 relative to a year earlier but rose again by 2% by October of 2018 (Vignaud, 2018). By February of 2020, 7% of young French people were participating in

apprenticeships (“Emmanuel Macron’s reforms are working, but not for him”, 2020). While Macron’s skills training initiatives are sure to improve the skills gap by 2022, they have yet to bear fruits as the *plan d’investissement dans les compétences* was only officially enacted in 2019 and is intended to ensure the vocational training of two million workers over the course of five years.

## **The Social Challenges of Tackling Youth Unemployment**

*“Just because the French President was elected doesn’t mean he gets to propose new laws without pushback.” (Nassie, n.d.)*

No leader in the history of the French Republic has passed new laws without backlash from the people. Macron is no different. In fact, he has received much criticism, mostly for his personality, pro-business policies, and approach to the office he holds. Known as “president for the rich,” Macron has been called aloof and out of touch with the realities of inequality in France. Sixty eight percent of people surveyed in January 2019 polls found him arrogant, making him the most unpopular president of the 5<sup>th</sup> Republic (Fassin & Defossez, 2019). His background as an investment banker and his labor reforms do not help his case for popularity; instead, they inspire distrust. This distrust in government, and in the president specifically, has led to massive protests and strikes attempting to prevent the passage of new economic reforms, even those that would help reduce unemployment. To draw conclusions about the impact of social reactions on Macron’s capacity to improve economic indicators, it is important to first understand the history behind them.

### **A Nation Born to Revolt**

According to a study performed by the European Trade Union Institute (ETUI), an average of 120 days of labor were lost to industrial action per year between 2010 and 2018 (ETUI, 2020). *La grève*<sup>29</sup> is an essential aspect of French culture. While the right to strike exists in many countries, French strikes are generally more radical than in other countries. It has been recognized

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<sup>29</sup> Translation: Strike

by unionists as a “fundamental means of action” that enables workers to convene, debate, and gain concessions from employers or the government (Fargues, 2016). The French gained the right to strike in 1864 under the *Loi Olivier* (Olivier Law) which allowed employees to stop working as a form of protest. Their reputation as protesters dates to the Revolution of 1789 when Louis XVI increased taxes on workers to fund the American Revolution overseas. At the time there were no workers’ rights, that is until the French fought for them. Violence broke out and citizens mob rule was established. This was the rebirth of France as a republic. Ten years later, the people once again removed their leader, Robespierre, by force and beheaded him, even though he had been elected to office. The idea that the masses were strong enough to remove (and execute) an elected official through protest fundamentally changed the country for centuries to follow.

France witnessed some of its longest strikes in 1936 when workers achieved the right to freely unionize, the 40-hour workweek, paid vacations, collective bargaining, and a wage increase as part of the *Accords de Matignon*<sup>30</sup> (Matignon Agreements). Additional notable strikes include those in 1968, 1995, and 2006.<sup>31</sup> In fact, strike culture is so heavily entrenched that rail strikes have occurred every year since 1947 for a variety of reasons including protests against pension reforms and labor code simplifications, among others (Radio France Internationale, 2019). Although strikes disrupt aspects of daily life, most of the French population often sympathizes with strikers. This is due to the innate spirit of skepticism among the French which can be tied to the system of direct presidential elections in place. The system fosters the idea that one person –

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<sup>30</sup> Signed on June 7<sup>th</sup>, 1936 between the CFPF employer’s organization, the CGT union, and the government.

[https://en.wikipedia.org/wiki/Matignon\\_Agreements\\_\(1936\)](https://en.wikipedia.org/wiki/Matignon_Agreements_(1936))

<sup>31</sup> 1968 – See <https://www.nytimes.com/2018/05/05/world/europe/france-may-1968-revolution.html>

1995 – See <https://libcom.org/history/french-pensions-strikes-1995>

2006 – See <https://www.nytimes.com/2006/03/29/world/europe/protests-in-france-over-youth-labor-law-turn-violent.html>

the president – will bring great change to the country and solve its issues.<sup>32</sup> As a result, people are bound to be disappointed and lose trust in the government. Thus, strikes are needed to establish a balance of power between workers, employers, and politicians that advances social progress.

Unions play a significant role in demonstrations as they have a great capacity of organizing strikes and have historically influenced politicians' decisions to concede or resign. Although trade union membership has been relatively low, at 8.8% in 2018 (OECD, 2019), French unions are unique in that they involve many workers directly in movements rather than solely representing them in negotiations. Additionally, they are funded by members themselves as well as companies, local authorities, and public subsidies (“Comment est financé un syndicat?”, 2019). The long fight for workers' rights has created a tradition of protest and revolt when necessary, and unions are a crucial element of this tradition. French workers will always fight to protect the benefits granted to them by their cherished *Code du Travail*.

### **Public Reactions to Macron's Reforms and Youth Initiatives**

The first major street protests against Emmanuel Macron happened in September of 2017. The demonstration was led by France's biggest trade unions and aimed at putting a stop to the labor code overhaul scheduled to take place that same month. Nonetheless, the president passed his reforms by decree ten days later. Since then, Macron's presidency has been marked by

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<sup>32</sup> *Syndrome de l'homme providentiel* (providential man syndrome) : a recurring figure in political mythology that represents a politician that is capable of saving France's third parties from political crises (Homme providentiel, 2021). See [https://fr.wikipedia.org/wiki/Homme\\_providentiel#:~:text=L'homme%20providentiel%20ou%20femme,d'une%20criste%20sociopolitique%20majeure.&text=Il%20b%C3%A9n%C3%A9ficie%20d'un%20certain%20culte%20de%20la%20personnalit%C3%A9](https://fr.wikipedia.org/wiki/Homme_providentiel#:~:text=L'homme%20providentiel%20ou%20femme,d'une%20criste%20sociopolitique%20majeure.&text=Il%20b%C3%A9n%C3%A9ficie%20d'un%20certain%20culte%20de%20la%20personnalit%C3%A9) for more.

continuous turmoil, with long-lasting strikes across a variety of industrial sectors including transportation, civil service, and education.

An opinion poll conducted by Reuters in 2017 found that 6 in 10 voters opposed the labor decrees overall, but almost all voters supported most individual reforms. This indicates that French people acknowledge the need for reforms in their country but still fear the loss of tradition. The opposition to the labor reforms stemmed from the feeling that Macron aimed to benefit the wealthy rather than to reduce inequality among socio-economic groups. Although his reforms were implemented as a means of cutting down unemployment rates and spurring economic growth, they also threaten fundamental employee protections enshrined in the labor code. To a worker, eliminating obstacles to termination implies that the president cares more about protecting corporations and wealthy citizens than about protecting workers or jobs. Reducing social security contributions for companies and overhauling the wealth tax intensified this sentiment. Furthermore, unions have taken to the streets to protest the reforms, especially those on collective bargaining agreements, as they threaten their power and influence on company and sector-wide negotiations. Macron has defended his business-friendly platform claiming that pro-business policies are not policies for the rich, but rather policies for the whole nation, including jobs and public services (Radio France Internationale, 2018). However, when defending his reforms, he fails to empathize with the public's concerns, calling out "slackers, cynics, and hardliners," (Lough & Cotton, 2017). Undoubtedly, his attitude regarding his reforms has not helped his popularity rankings nor support for the overhaul. Instead, it has brought more people to the streets and fueled

anger, culminating with the *Gilets Jaunes*<sup>33</sup> (Yellow Vests), a grassroots protest movement heavily associated with anti-Macron sentiment (Chrisafis, 2018).

The national service program designed to promote youth activity and national unity also sparked controversy. In 2019, teenagers and parents petitioned for the re-allocation of the SNU budget to education and vocational training initiatives. The main complaints have been the authoritarian-like approach whereby students who don't complete the program would be sanctioned and risk exclusion from their *baccalauréate* and driving examinations, hindering their academic and professional futures (Bock, 2019). Furthermore, no exemptions would be granted. Another concern is the cost of the program, summing up to 1.6 billion euros. Many have accused the government of misallocating resources and neglecting workers by investing in this program rather than in the betterment of working conditions across more than 130 service sectors. In response to Macron's educational reforms, protests broke out as teachers feared they would deter underprivileged students. Parents and students joined the manifestations claiming that the reforms would create more inequality than equality as a result of increased competition between high schools for resources as teachers would have more autonomy in their teaching methods. Moreover, protesters denounce the implementation of reforms without a detailed plan. The challenge Macron faces in education is to persuade the public of the benefits of increased autonomy and experimentation in the classroom ("One kind of education does not fit all", 2017).

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<sup>33</sup> The Yellow Vest Movement began in November of 2018 as a reaction against a planned tax hike on gasoline. It is an ongoing movement that has morphed into protests over inequality, pension reform, and other grievances. It has gathered approximately 100,000 protesters at some demonstrations (Chrisafis, 2018).

## Conclusion

*“Plus ça change, plus c’est la même chose.” - Jean-Baptiste Alphonse Karr (1849)*

Macron believes that the key to improve France’s competitiveness and move young people out of unemployment is labor market flexibility. The increased flexibility introduced in the 2017 reforms of the *Code du Travail* has encouraged entrepreneurship and enabled companies to lose their fear of hiring new workers. Why, then, is youth unemployment still at an alarming level? Youth unemployment remains high as result of a structural mismatch in skills among young people. Although more jobs have been created since 2017, a growing concern for the French is the shortage of qualified people to perform them (“France’s new labour problem – skills shortages”, 2018). Every year, companies report that despite their willingness to hire new employees, they often cannot, as they struggle to find candidates that meet the requirements of their position. Multiple policies such as the *Plan d’investissement dans les compétences* have been implemented by the current government to fight this inequality but it may take years before any results are seen. Until the country sees the effects of the president’s training and apprenticeship programs, it will continue to face high structural youth unemployment. After all, most presidents don’t experience the benefits of their policies during their presidential terms. However, although the rates remain high, there have been notable improvements since 2017 which, arguably, can be attributed to Macron’s administration.

While it may be too soon to deduce that Macron’s reforms alone are to thank for the decrease in the youth unemployment rate, given his predecessors implemented similar policies, it is not merely a coincidence that France has seen a rise in job creation during his administration.

Figure 4 shows the trajectory of youth unemployment rates during Chirac, Sarkozy, Hollande, and Macron's presidencies.

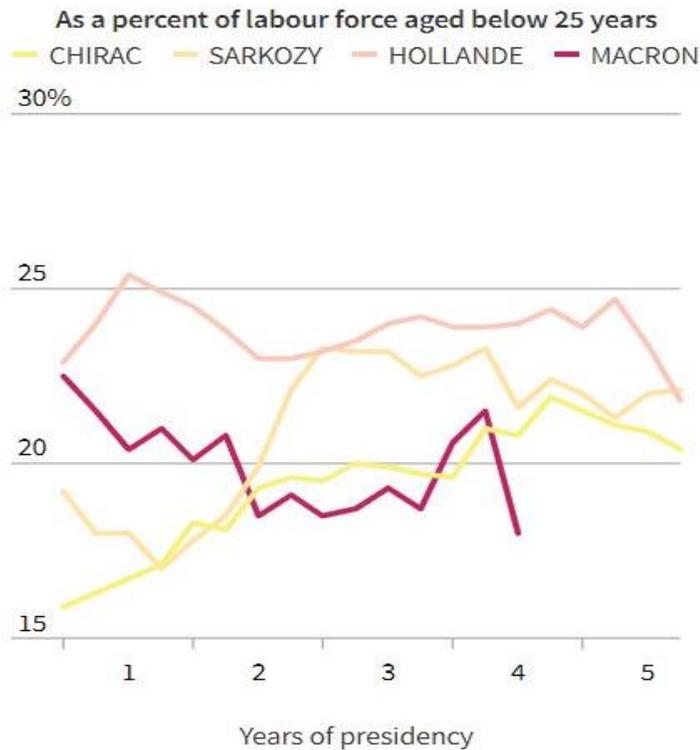


Figure 4. Graph of the Youth Unemployment Rates Under Each President from Chirac to Macron. Source: Reuters Graphics (2021).

What sets Macron apart from previous presidents is a more systematic and consistent plan (Copeland & Romei, 2019). Battling multiple labor code issues at once, he has enacted initiatives to reduce the share of employees on CDDs, to narrow the skills gap, and to foster the creation of new employment opportunities. His ambition and determination to bring change to France also separate him from his predecessors in that he refuses to have his plans derailed by demonstrators and rioters. Macron set out to not only revive the economy but to transform the way that France thinks. He implemented policies that threatened employment protection rights enshrined in the

labor code, a staple of French culture, especially for trade unions. Furthermore, his overhaul of the education system attacked fundamental principles of academic culture in France, a culture that dates back to Napoleon I's reign. There is also an entrenched negative perception of apprenticeships and vocational training among the French which has in turn led to stigma regarding young people pursuing them as well as discouraged unskilled workers from obtaining work experience (Rubin, 2017). Macron is determined to change this mindset and increase the number of people enrolled in these types of programs. In a society whose culture is deeply rooted in revolt and the protection of workers' rights, it is difficult to pass legislation that threatens those rights even if it would benefit the economy and people in the long run. However, although Macron has experienced backlash from the masses, he came into the presidency as a reformer and intends to continue on that path.<sup>34</sup>

Adding to the transformation of France, in 2019, Macron unveiled his pension reform proposal. It sparked controversy and some of the biggest and longest strikes France had seen in decades. This time, the anger was stronger than ever, mobilizing thousands of workers, unions, and students to take to the streets. This rage even led some workers to promise “the same fate for him as befell Louis XVI,” (Nossiter, 2020). In this proposal, Macron suggested changing the retirement age from 62 to 64 years old in order to reduce government spending on pensions and further increase flexibility in the labor market, thus reducing unemployment rates. A poll conducted by BBC News in 2019 found that 75% of people felt that the reforms were necessary. Despite this understanding, strikes received strong support from the public with 69% of people

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<sup>34</sup> Macron will in all likelihood be a presidential candidate in 2022. See [https://www.lemonde.fr/politique/article/2020/10/12/en-vue-de-la-presidentielle-de-2022-emmanuel-macron-veut-jouer-la-carte-du-president-protecteur\\_6055664\\_823448.html](https://www.lemonde.fr/politique/article/2020/10/12/en-vue-de-la-presidentielle-de-2022-emmanuel-macron-veut-jouer-la-carte-du-president-protecteur_6055664_823448.html) for more.

backing it (“Macron pension reform: Why are French workers on strike?”, 2019). Once again, the French see the need for change but condemn its implementation. The prime minister, Edouard Philippe, offered concessions to unionists and rioters and withdrew the proposal increasing retirement age. Alternatively, the government called for a compromise with unions to devise a new plan. Evidently, the French will never stop protesting until they have carried out their duty to defend the labor code. The persistence of unionists and workers presents real challenges to Macron’s reform agenda and re-election, however, his own persistence and the ongoing development of his youth initiatives and labor reforms show signs of hope for the unemployed young.

Up until 2020, France witnessed a decrease in the youth unemployment rate, indicating that Macron’s policies may be working. However, when the COVID-19 pandemic hit, youth unemployment increased again to 22% by the third quarter of 2020 (INSEE, 2021) due to the public health crisis and lockdowns. Further studies should investigate the effects of the pandemic on youth unemployment in France and how long it will take to recover the progress that was made during Macron’s first term. Additionally, future research should be conducted on the likelihood of Macron’s re-election in 2022 and what his pension reform, the central item of his campaign platform, can do for young people in France. Based on the findings of this paper, it can be argued that if elected to the presidency again, Emmanuel Macron’s policies will significantly lower youth unemployment over time, that is unless the masses overpower him. Either way, his labor code reforms and training programs have already borne fruits and will continue to do so as market flexibility increases and young people acquire new skills.

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