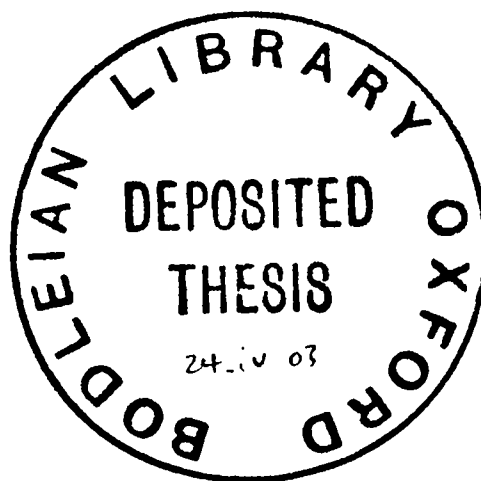


A Regional Perspective on the French 35 Hour Week Policy:

**Tracing policy-making and implementation
from Nord-Pas-de-Calais to Paris**



Chloë Flutter

School of Geography and the Environment and Hertford College

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Abstract

In 1998, the French Socialist Government reduced the statutory workweek to 35 hours. This work time reduction policy was implemented in response to the country's chronic unemployment problem, which had seen unemployment average over 10% during the previous decade. The 35 hour week sought to reduce unemployment by spreading the existing stock of jobs more widely and by stimulating job creation. This policy choice was received with considerable scepticism from commentators outside of France. Critics argued that the 35 hour week diverged too greatly from the international orthodoxy of a flexible and deregulated labour market and, given the convergence pressures caused by contemporary globalisation, would reduce French competitiveness. The implication was that governments no longer had the freedom to implement employment policy that diverged from the international norm.

In this thesis, I reconsider this argument. I undertake a political economy analysis of the use of work time reduction policy in France from the perspective of the regional labour market of Nord-Pas-de-Calais. In doing so, I focus on the implementation of the 35 hour week policy in this high unemployment region. In addition, I focus on the regional work time reduction policy implemented in Nord-Pas-de-Calais, which predated the national 35 hour week policy and was the source of several of its key features. Thus, I provide a regional perspective on the French 35 hour week policy, an alternative to the 'top down' perspective taken by its critics. Throughout this research, I concentrate on three key issues: (1) the logic of work time reduction policy within the local labour market in France, using Nord-Pas-de-Calais as my case study; (2) the method of policy-making and the importance of geographic scale; and (3) the viability of France's work time reduction policy in the face of globalisation. My aim is to understand the policy process that led to this policy choice, to appreciate how traditions of economic governance influenced its formation and implementation in the local labour market, and to study how these traditions influenced the ability of work time reduction policy to reduce unemployment.

I show, first, that French traditions of labour market governance, on which work time reduction policy is based, continue to have meaning in the local labour market, with the public continuing to demand policy consistent with its ideals. Second, I show that scale contributes to policy outcomes and policy innovation, suggesting the importance of geographic factors in the policy process, such as the spatial match between the policy and policy problem, the transfer of policy between scales, and issues such as proximity and homogeneity. Third, I show that the success of work time reduction policy is largely dependent upon socially determined factors including effective negotiation, preferences between work and leisure, and empathy for the unemployed. Fourth, I show that the 35 hour week policy was not incompatible with international demands for labour market flexibility because it provided significant scope for productivity gains via its design and increased flexibility in the use of work time, albeit within constraints. Therefore, by examining the making and implementation of work time reduction policy in France from a regional perspective, I show that while globalisation places genuine exogenous constraints on the policy choices of government, there nonetheless remains considerable scope within these constraints, especially when implementing policy that is compatible with traditions of governance that continue to resonate in the local labour market.

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Abbreviations

ANACT	<i>Agence National pour l'Amélioration des Conditions de Travail</i>
ARACT	<i>Association Régionale pour l'Amélioration des Conditions de Travail</i>
ARTT	<i>Aménagement et réduction du temps de travail (reorganisation and reduction of work time)</i>
CDD	<i>Contrats à durées déterminées (fixed-term contracts)</i>
CDI	<i>Contrats à durées indéterminées (permanent contracts)</i>
CFDT	<i>Confédération française et démocratique du travail</i>
CFE-CGC	<i>Confédération française et l'encadrement-Confédération générale des cadres</i>
CFTC	<i>Confédération française des travailleurs chrétien</i>
CGT	<i>Confédération generale du travail</i>
CGPME	<i>Confédération générale des petites et moyennes entreprises</i>
CNPF	<i>Conseil National du Patronat Français</i>
CR	<i>Conseil Régional</i>
DARES	<i>Direction de la recherche du ministère de l'emploi</i>
DRTEFP	<i>Direction Régionale du Travail et de l'Emploi et de la Formation Professionnelle</i>
FO	<i>Force ouvrière</i>
GDP	Gross domestic product
GIEPP	<i>Groupement pour l'initiative et l'élaboration de projets professionnels</i>
GRATT	<i>Group régional pour l'aménagement – réduction du temps de travail</i>
INSEE	<i>Institut National de la Statistique et des Études Économiques</i>
MEDEF	<i>Le Mouvement des Entreprises de France</i>
NPDC	Nord-Pas-de-Calais
OECD	Organization for Economic Cooperation and Development
OFCE	<i>Observatoire Français des Conjonctures Economique</i>
RMI	<i>Revue minimum d'insertion</i>
RPR	<i>Rassemblement pour la République</i>
SMIC	French minimum wage
UK	United Kingdom
USA	United States of America
WTR	Work time reduction

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How can you be expected to govern a country that has 246 kinds of cheese?

Charles de Gaulle (1962) *Les Mots du Général*

CHAPTER 1

Introduction

In this thesis, I examine the making and implementation of work time reduction policy in France, providing a regional perspective on France's controversial 35 hour week policy. In particular, I focus on the regional work time reduction policy implemented in the northern French region of Nord-Pas-de-Calais. This policy predated the national 35 hour week policy and was the source of several of its key features. In addition, I focus on the implementation of the 35 hour week policy in Nord-Pas-de-Calais, given the high levels of unemployment experienced in this region. Throughout this research, I concentrate on three key issues: (1) the logic of work time reduction policy within the local labour market in France, using Nord-Pas-de-Calais as my case study; (2) the method of policy-making and the importance of geographic scale; and (3) the viability of France's work time reduction policy in the face of globalisation.

Ultimately, I 'place' the 35 hour week policy within debates concerning the convergence of public policy towards an international norm (e.g. Peck, 2001). In doing so, I draw upon economic geographic research into the local labour market (e.g. Clark, 1983; Massey, 1984; Peck, 1996), scales of governance (e.g. Swyngedouw, 1992) and globalisation (e.g. Kelly, 1999), using a theoretical approach that is broadly consistent with regulation theory as often adopted in economic geography (e.g. Tickell and Peck, 1999).

In this chapter, I outline the main elements of this research. I begin by introducing my research problem. Next, I define several of the key terms and concepts needed to explain my argument. In the third section, I outline the aims of my thesis, in each case positioning my research within the context of the existing literature and highlighting its relevance and significance to current debates. In the final part of this chapter, I outline the structure of the thesis and the scope of my research.

1.1 Introduction to the research problem

In June 1997, the Socialist Party defied expectations and won the national parliamentary elections in France. Central to their election victory was a commitment to act decisively to reduce the country's chronic unemployment problem. After two decades of steadily rising unemployment, France's unemployment rate was 12% at the time of the election – one of the highest rates in Europe and amongst Organization for Economic Cooperation and Development (OECD) countries. Furthermore, in some regions, unemployment was as high as 16%. France had a serious unemployment problem and, in regions like Nord-Pas-de-Calais, it had a genuine unemployment crisis.

The 35 hour week was the Socialist Party's main policy response to France's unemployment crisis and one of its chief election promises. As a work sharing policy, the 35 hour week reduced the statutory working week from 39 to 35 hours across all workplaces in France. In doing so, it aimed to spread the existing stock of jobs more widely and thus reduce unemployment by stimulating job creation.¹

As a universally applied work time reduction policy the 35 hour week stood out amongst employment policies in OECD countries. The policy was novel for several reasons: it added a new layer of regulation to the labour market, rather than increase 'flexibility' through deregulation; it used a massive demand-side initiative to reduce unemployment, rather than use supply-side initiatives; and the ideological basis of the policy, which reduced working hours for all so that more could work, was rooted in French traditions of labour market governance and social solidarity. Together, these features meant that the 35 hour week was at odds with the orthodox idealised Anglo-American model of employment policy, which dominated policy in

¹ In June 2002, the Right won France's parliamentary elections, defeating the Jospin Government. Soon after in September, the new Minister for Employment, François Fillon, announced changes to the 35 hour week policy. However, these changes did not reverse the policy, they only altered its detail. Furthermore, they did not impact upon the principal findings of this thesis. I nonetheless analyse these recent changes in the conclusion of this thesis.

OECD countries. Indeed, it could be argued that the 35 hour week policy stood out as the national model of work relations that most diverged from the expected norm amongst OECD countries during the 1990s.

The decision by the French government to reduce working hours rather than deregulate the labour market and increase its flexibility was received with great scepticism outside of France. *The Economist* described the policy as a “dubious scheme” (14 February, 1998, p. 54) and as “a heroic act in political symbolism” (12 February, 2000, p. 19). In *The Sunday Times*, the 35 hour week was described as “a government policy that everyone said would be disastrous” (21 November 1999, p. 5), while *The Independent* wrote that “The economics of the new idea appeared strange, to say the least” (October 11, 1997, p. 12). The American press was particularly confused by the policy idea, *The Los Angeles Times* asking “is it the zaniest idea from France’s leaders since Marie Antoinette told the starving people of Paris to go eat cake? Are the French recklessly sailing against the prevailing international winds of greater labor flexibility?” (23 November 1997, p. D1).

The 35 hour week received a similar reception in academic and policy advisory spheres. The economist Paul Krugman (1997: 79) called the policy a “radical economic doctrine”. This reaction against the policy was widespread:

To most economists, the current measure seems to run completely counter to what standard economic analysis would recommend if one wants to diminish unemployment and increase output, and its introduction is merely an example of Gallic perversity. (Kirman, 2000: 402)

As Artis (1998: 105) noted, “economists customarily give such [work time reduction] suggestions the short shrift, dismissing those who advocate such policies as, at best, succumbing to the ‘lump-of-labour-fallacy’”. Going beyond objections to its logic as a work sharing policy, the 35 hour week was also criticised because, in an international economic environment preoccupied with flexibility, the implementation of the “35 hour week appears to

create the opposite of such flexibility” (Smith, 1999: xvii). Not surprisingly, the OECD (1999a: 15) concluded that the 35 hour week was “more interventionist than they would recommend”.

Overall, the international response to France’s 35 hour week was one of profound scepticism at the introduction of a policy that differed so significantly from the orthodox model. The common argument used against the policy was that a statutory reduction in work time would inhibit the flexibility of the French labour market. In a fast-paced globalised world, as this argument continued, any reduction in flexibility would harm the French economy by reducing the responsiveness and international competitiveness of firms. Given the mobility of capital and the extent of trade liberalisation in an increasingly globalised world, convergence theories predicted that national governments – even in a country with an economy the size of France’s – no longer had the policy freedom to diverge so significantly from the international policy norm. As the reactions quoted above show, this viewpoint was widespread, especially amongst commentators in the English-speaking world.

In this thesis, I reconsider these arguments. I undertake a political economy analysis of the use of work time reduction policy in France as a way of reducing unemployment. I do so from the perspective of the regional labour market of Nord-Pas-de-Calais, first, because of the region’s pioneering role in formulating and implementing work time reduction policy in France in the mid-1990s, and, second, given the unemployment crisis in the region at the time. Drawing on Peck’s (1996) seminal research on the political economy of the local labour market, I am “less concerned with the evaluation of public policies within their own terms of reference than with the political-economic contexts in which they are formulated” (Peck, 2001: 445). Therefore, in this thesis I do not undertake an evaluation of the 35 hour week policy.² Rather, I am concerned

² This has been done by others. In particular, Rouilleault (2001) undertook a thorough evaluation of the policy at the national scale, as did Delsart and Vaneeclo (2002) in the region of Nord-Pas-de-Calais.

with its political-economic context as viewed from the regional labour market, including the policy's local labour market logic and its impact on the policy-making process.

Given the evocation of the global scale in criticisms against the policy, my approach is also explicitly geographic in focus and logic. In particular, I provide a regional perspective on the French 35 hour week policy, looking at the global scale from the policy's local labour market roots in the high unemployment region of Nord-Pas-de-Calais. I have chosen to adopt this bottom-up perspective so as to provide an alternative reading of the policy from the top-down perspective taken by its critics, which is based upon the claimed unavoidable imperatives of globalisation and international competitiveness, challenging the capacity of nation-states to design and implement their own forms of labour market regulation.

In taking this regional perspective on the 35 hour week, I look at the political-economic dynamic between the regional, national and international scales. Peck (1996: 249) argues that “models of labour regulation should be assessed not only in terms of their *internal integrity* ... but also in terms of their *external relations*” (emphasis in original). In this thesis, I follow this recommendation and assess the French work time reduction regulation in terms of its internal integrity, with respect to both the local labour market in which the policy was made and to the process of policy-making, implementation and transfer between geographical scales. I then assess it in terms of its external relations, given global competitive pressure to converge towards the Anglo-American model of flexible and deregulated labour market governance. In doing so, I show that a bottom-up, regional perspective on the 35 hour week reveals a remarkably different story to that told by its critics.

1.2 Terms, definitions and methodology

In this research I use several terms that require definition at this early stage, especially given the “fuzzy” nature of some of the concepts I use (Markusen, 1999). While terms such as the local labour market and governance are useful analytical constructs, they are also slightly vague and prone to misinterpretation. Therefore, I pause at this juncture to provide brief definitions of what I mean when I use these terms, which I expand further in the relevant sections of the thesis.

The first term that requires definition is the local labour market. In this thesis, I do not use this term as an empirically grounded, descriptive term, which relies upon travel-to-work zones or other functional geographic boundaries, but as a conceptual term. I again draw on Peck’s (1996: 266) work, defining the local labour market as “a *geographically specific institutionalization of labor market structures, conventions and practices*, providing unique contexts against which the strategies of labor market actors are formulated” (emphasis in original). By this logic, the local labour market therefore has its own social, economic and political integrity. Furthermore, it is the scale of the labour market at which “labor is mobilized and reproduced” (op cit: 11) and patterns of labour market governance and social regulation are created and acted out. It is the scale at which the labour market is “lived” (op cit: 86). I should also make explicit the distinction I draw between the local labour market and the regional labour market, another term I frequently use in this thesis. While I use the term local labour market as a theoretical and conceptual term, I use the term regional labour market as an empirical term that describes the actual labour market of the region.

Another important term frequently used in this thesis is governance. Jessop (1999: 351) defines governance as “any form of coordination of interdependent social relations”. In particular, it includes the coordination of social relations via formal government legislation and command, via market exchange mechanisms, and by informal social networks and relations. Governance,

therefore, refers to more than just government and includes implicit as well as explicit methods of organizing social relations. Two related terms which I use frequently are models of economic governance and its subset models of labour market governance. Each set of terms describes specific aspects of broader models of governance and methods of coordination and organisation. Kirstensen (1997: 7) describes models of economic governance as being the “outcome of a continuous historical process in which social groups, economic actors, etc. jointly or through the state have attempted to influence each other by trying to ‘order’ their own situation and influence their opponents.” Therefore, models of economic and labour market governance are historically contingent and socially determined “principles or ‘rules of the game’” (Whitley, 1997: 228), that prescribe how market and broader socio-economic relations are organised and coordinated.

Finally, the Anglo-American model of economic governance is another term I use frequently. I explain this term in detail in Chapter 5. However, I should note at this early stage that this term does not refer to an actual model of economic governance but rather an idealised method of governance, based broadly on the American and British models of economic governance, on the neoliberal policy agenda and neoclassical principles of a free and flexible market.

Given that my primary research was carried out in France and largely in French, a further important and related issue concerns the use of terms taken from one setting and language and their translation into another setting and language. In response, I should explicitly note that I am fluent in French, that I have lived in France for periods totalling two years, and have previously worked in a French language environment. In addition, I spent seven months in France in 2001, working closely with economists at the University of Lille 1 who were also conducting research into the 35 hour week policy. This gave me the opportunity to clarify frequently my interpretations of my findings with French experts, thus limiting the potential for the misunderstanding and mistranslation of terms and concepts between settings and languages.

In addition to a seven-month period spent in Lille, the regional capital of Nord-Pas-de-Calais, I also made several shorter trips to France between January 2000 and September 2002. Throughout this fieldwork, I employed a variety of qualitative research methods. However, my primary method of research, which is commonly used in economic geography research (e.g. Healey and Rawlinson, 1993; Schoenberger, 1991), was to undertake semi-structured interviews with elites involved with work time reduction policy in my case study region of Nord-Pas-de-Calais and in France more generally. In addition, I supplemented these interviews with an extensive examination of the policy documents and government records as well as general media and document searches. By triangulating these methods, I was able to cross-check my findings against one another to ensure their validity (Denzin and Lincoln, 2000: 5). I develop my methodology in more detail in Chapter 6.

1.3 Aims and significance of research

My research has four main aims. While each aim focuses on a particular aspect of making and implementing work time reduction policy in France, together they contribute to literatures concerning the local labour market, policy-making, and the convergence of models of economic governance. In discussing my research aims below I position each in the context of the existing literature and debate in the area.

AIM 1 – To query the neoliberal assumption that, due to the converging effects of globalisation, there remains only one effective model of employment policy.

My first and overarching aim through this research is to investigate claims that France's decision to follow an alternative model of employment policy would be detrimental to their economic competitiveness and unsustainable given the converging forces of globalisation. There is a large and rapidly growing amount of research dealing with the effects of globalisation. In particular, there is considerable debate concerning the convergence of national economies and the future of global capitalist diversity (e.g. Boyer and Dore, 1996; Crouch and Streeck, 1997; Hall and Soskice, 2001; Swyngedouw, 2000) and the spread of the neoliberal

agenda (e.g. Peck and Tickell, 1994; Peck and Tickell, 2002). Within policy research, this debate tends to narrow into a discussion about the effects of globalisation on national policy autonomy (e.g. Garrett and Lange, 1995; Pot, 2000; Schulze and Ursprung, 1999).

The neoliberal position is that globalisation will necessarily result in both economic and policy convergence towards the dominant Anglo-American norm. It argues that in order for countries to maintain their international competitiveness in the face of the powerful forces of globalisation, national governments will have to follow the most economically efficient policy path and ensure the free and flexible functioning of their markets. Through considering the effectiveness of an employment policy which differs markedly from the Anglo-American model, I query the assumption that globalisation will force convergence between models of capitalism to the point where only one policy path remains.

Considering the globalisation debate from the perspective of the labour market gives important insights into the processes of globalisation. As Pot (2000: 2) states:

Of all the factors of production, labour is the one that is most society-bound and instilled with cultural meaning. Analysis of developments in the realm of the management of labour can shed light on the intensity of the global pressures towards convergence.

Compared with capital, labour is relatively fixed and its regulation is influenced by societal factors specific to its geographic location. While changes to capital flows resulting from the processes of globalisation are easily quantified, changes to the patterns of labour market regulation are more qualitative and difficult to interpret, and are yet to be fully understood:

The notion of globalization captures various social processes that potentially give rise to global convergence of employment relations. Yet the degree to which these processes can constrain employment relations is not established.
(op cit: 6)

By examining the neoliberal assumption that globalisation will lead to employment policy convergence, my investigation into whether national systems of employment relations remain viable, such as that which led to the French 35 hour week policy, contributes directly to this

literature in an area where further research is needed and where the magnitude of the impact of globalisation is yet to be determined.

AIM 2 – To investigate work time reduction policy in France, its origins and the national imperatives that led to its adoption.

My second research aim is to trace the roots of France's 35 hour week and explore the continuing role of national traditions of labour market governance in determining employment policy. In the field of political economy, a significant literature seeks to describe and explain various national traditions of economic governance (e.g. Boyer, 1997b; Crouch and Streeck, 1997; Hall and Soskice, 2001). In the case of France, this literature focuses on the importance of features such as the inclusion of social partners in decision-making, *l'état volontarist*, or an active state, and the continuing role of solidarity in public policy (e.g. Béland and Hansen, 2000; Boyer, 1997a; Jospin, 1999). This literature identifies features unique to the French approach of labour market governance, as well as others consistent with a more generic 'European' model (Krueger, 2000; Tietmeyer, 1999; Smith, 1999). Importantly, both the French and European models differ from the Anglo-American model with respect to their treatment of risk, equity, and their more collective, as opposed to individualistic, approaches to economic governance.

In my study of work time reduction, I explore the extent to which French traditions of labour market governance continue to influence employment policy and the social regulation of the labour market. Here, I contribute to existing literature describing the 'French model' by adding new research into the imperatives for work time reduction policy. I do so by examining the factors that led to the adoption of this type of policy in Nord-Pas-de-Calais; a policy that directly influenced the national 35 hour week policy. Through this exploration of the continued relevance of France's traditions of labour market governance and their role in shaping employment policy, I am able to consider how such traditions remain pertinent in French society. As the former Prime Minister stated: "It is important that the specific features and

characteristics of our people, our history and our forms of organisation, are not abandoned in this new world order” (Jospin, 1999: 10).³

AIM 3 – To explore the importance of geographic scale in employment policy-making.

My third research aim is to consider how scale-related factors impact upon the making of employment policy, especially at the regional level. Much research has been done on the process that leads to the creation of public policy (e.g. Parsons, 1997; Rose, 1993; Wildavsky, 1980). However, because policy is frequently determined at the national scale, most of this research takes the nation-state as its spatial unit of analysis. One of my aims in this research is to investigate the role of scale in employment policy-making and to identify scale-specific factors, especially at the regional scale, that influence policy formation. I achieve this aim through a detailed investigation of the factors that led to the adoption of a work time reduction policy in Nord-Pas-de-Calais and the identification of those which are specific to the region and the local scale at which the policy was created. In doing so, my research adds to the body of policy literature dealing with the interaction between geographic scale and policy-making (e.g. Allen et al, 1998; Amin, 1999; MacLeod and Goodwin, 1999).

The importance of understanding the relationship between geographical scale and policy-making and its significance for economic governance has become a prominent feature of the literature dealing with the tension between the global and local scales (Amin and Thrift, 1994; Brenner, 1999; Peck, 1996; Peck, 2001; Swyngedouw, 2000). Swyngedouw (2000: 541) argues that this tension has resulted in a ‘new scalar gestalt’, whereby:

the ‘re-scaling’ of the economy and the emergence of a new dynamic articulation between local/regional economies and global economic flows and processes is paralleled by the formation of new forms of governance at both sub-national and supra-national scales.

³ Distrust for the ‘Anglo-Saxon’ model of economic governance is widespread in French society and popular concern about its adoption is common among both politicians and the public: “A bogeyman it has certainly become. In France, Anglo-Saxonism is held responsible ... for all the wickedness of global capitalism” (*The Economist*, 4 March 2000, p. 18).

In the context of local labour market relations, this new direct interaction between global capital and regional labour, which bypasses the national scale, and the corresponding new forms of governance, is viewed by many with particular caution:

globalizing capital is able to use its actual and potential mobility both to extract concessions from labor in production and to evade the costs of social reproduction. ... labor is [then] defensively localized, locality is pitched against locality, labor costs are forced down, and regulatory standards and structure of social reproduction are eroded. ... Once localized, labor regulation can be degraded through regime competition. (Peck, 1996: 237)

This widespread argument claims that increased regionalism in labour market regulation will facilitate the degradation of labour standards through competition between regions, resulting in a ‘race to the bottom’. I use my research into the implementation of work time reduction – a policy which aims to protect rather than degrade regional labour standards and which emerged as an initiative in an economically weak region – to query the assertion that increased regionalism in employment policy necessarily has negative consequences for labour protection.

AIM 4 – To investigate the degree to which the local labour market affects employment policy outcomes.

The fourth aim of my research is to consider how socio-political forces at the scale of the local labour market influence labour relations and policy outcomes. Within economic geography, much research has been undertaken on the local labour market (e.g. Houghton and Peck, 1996; Herod, 1997; Martin, 2000; Massey, 1984; Peck, 1996). In this work emphasis is placed on the importance of the local labour market in affecting employment policy outcomes and determining relations in the labour market. However, while economic geographers have acknowledged the importance of this scale of labour relations, it has nonetheless “been shunted into the sidelines in the debates over labor markets. Its theoretical status is negligible in orthodox, institutionalist, and radical economics” (Peck, 1996: 11). As a result, the local labour market remains under-researched. In my research, I document the degree to which socio-political forces within the local labour market determine labour relations within a depressed

regional labour market and, consequently, their possible role in shaping employment policy outcomes.

Beyond these four specific aims, my research also contributes to several broader debates in economic geography. First, my research considers the impact of globalisation on governance in general, and the labour market in particular. As Coe and Yeung (2001: 376) argue, “while there is a wealth of ‘top-down’ studies of globalisation, particularly those measuring the extent of globalisation via specific economic indicators, there is clearly room for further ‘bottom-up’ studies of globalisation”. Furthermore, they also note that there is “a pressing need for globalisation studies that analyse the phenomenon from theoretically and empirically rigorous *geographical* perspectives” (emphasis in original, op cit: 367). As a bottom-up, empirical study of the political-economic dynamic between the regional, national and international scales, my research does exactly this.

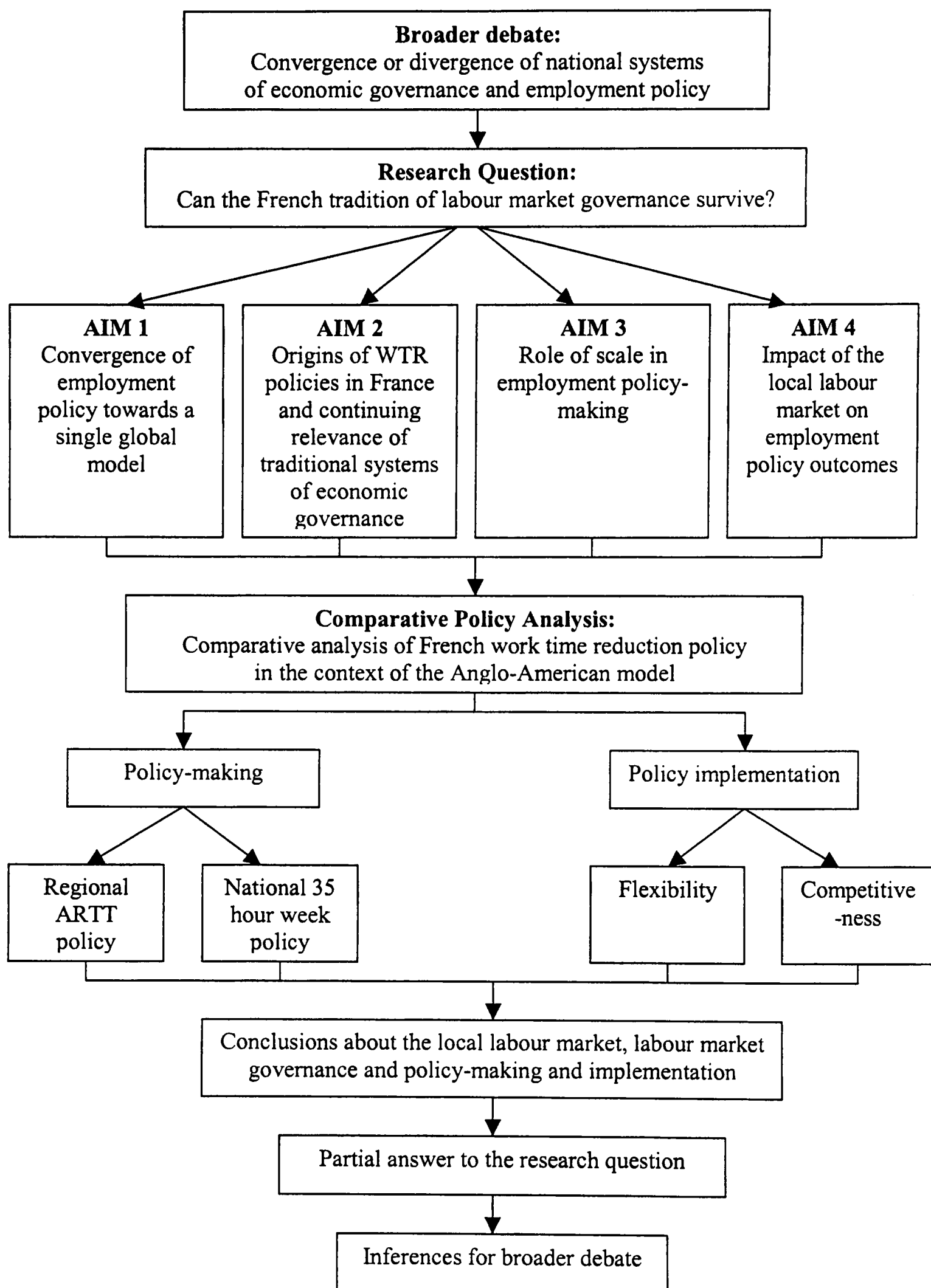
Second, in the late 1990s, economic geographers paid considerable attention to the geography of employment policy (e.g. Haughton et al, 2000; Martin et al, 2000; Peck, 1998; Peck, 1999a; Peck and Theodore, 1999; Turok and Webster, 1998). They focused especially on one specific type of employment policy called active labour market, or workfare policy, which has become the “new orthodoxy” of employment policy (Peck, 1999a: 346). Much of this work concluded that workfare policy was geographically flawed because it only targeted the supply side of the labour market and failed to take into account the absence of demand for labour in high unemployment regions. My research complements this body of work by looking at a demand-side employment policy from a similar geographical perspective, thereby adding to our understanding of the possibilities of employment policy at the local level. Furthermore, by having an applied policy focus my research is also consistent with recent calls for geographical research to engage directly with public policy (e.g. Hoggart, 1996; Martin, 2001; Pollard et al, 2000; Peck, 1999b).

One final reason for the significance of my research is that unemployment, particularly the high levels of unemployment that persisted in France and Europe throughout the 1990s, has devastating effects beyond its immediate economic and social impact: “[a]part from the enormous social costs and the political torpor of such a situation, structural unemployment poses a major problem for democracy and its institutional arrangements” (Bastian, 1994: 307). In France, the unemployment crisis of the 1990s not only exacerbated poverty and social exclusion and strained the social security system, it also contributed to other social ills including strong polling by the far-right *Front National* political party and a youth suicide rate that is the highest in Europe (Ardagh, 1999: 573; Larkin, 1997: 432). Given the massive social and economic cost of unemployment, it is imperative that employment policy is effective at reducing unemployment in a sustainable way, especially where it is most needed, such as in high unemployment regions like Nord-Pas-de-Calais.

1.4 The scope and structure of the thesis

Figure 1.1 illustrates the structure of my research project and how I combine the broader theoretical debates with my specific research aims and my approach to analysing the making and implementation of work time reduction policy in the region of Nord-Pas-de-Calais. The structure of my thesis, in which I present this research, is broadly divided into two parts. The first part positions my research within the relevant literatures and provides the theoretical background to my research project. In the second part I present my empirical findings.

Figure 1.1 Diagrammatic representation of research



(Adapted from Pot, 2000: 133)

However, before I begin the first of these parts, in the following chapter I introduce my research problem in more depth. In particular, I describe the two policies with which my research is concerned, namely Nord-Pas-de-Calais's regional work time reduction policy and the national 35 hour week policy. I also describe the nature and extent of the national and regional unemployment crises in France during the mid-1990s, when these policies were created. As Bastian (1994: 307) notes: "The need for radical solutions which can inspire societies beset by economic insecurity is the major driving force behind the growing fascination with a shorter working week." In this chapter I draw out this link between the policy and the policy problem, arguing that to understand the French 35 hour week policy it is necessary to appreciate the extent of the unemployment crisis, its social as well as economic impacts, and the failure of previous policy efforts.

The third chapter in this thesis is the first of the theoretical chapters. Here, I outline the specific political economy theories I use in my research, namely regulation theory and Peck's (1996) theory of the local labour market. In doing so, I justify why I chose to take this approach rather than the more orthodox neoclassical evaluation of the policies.

In the fourth chapter, I review the literature concerning policy and policy-making and develop the framework I use to analyse the policy process. I reject the rational model of the policy cycle and consider alternative policy theories that conceptualise policy as determined by socio-economic, institutional and political factors. To these I add geography and review the limited existing literature concerning the geography of policy. In doing this, my aim is to develop a theoretical framework through which to consider the policy process that is sensitive to the spatiality of policy and policy-making.

In the fifth chapter I conclude my theoretical analysis. Here, I review the vast literature concerning globalisation, establishing the parameters of this debate as relevant to my research.

In particular, I focus on three areas. The first concerns globalisation and capitalist convergence, including the forces driving convergence and the model of governance that countries are under pressure to converge towards. Second, I consider the impact of globalisation on models of labour market governance. Third, I consider the spatiality of globalisation, looking especially at the region in globalisation debate. I conclude this review by arguing that, despite this large literature, the qualitative impacts of globalisation on the local labour market remain unclear.

My sixth chapter is a bridge between the theoretical chapters of the first part of the thesis and the empirical chapters of the second part. Here, I outline my research methodology. I begin by engaging with recent debates in economic geography concerning the use of qualitative methods. Next, I consider the type of policy analysis I have undertaken. Third, I describe my fieldwork strategy and specific methods I used to gather and analyse information. I conclude with an acknowledgement of the limitations of my research.

In Chapter 7 I present the first of my empirical findings. In this chapter, I assess France's use of work time reduction policy in terms of Peck's (1996: 249) first criterion of the regulation's internal integrity. I assess the internal integrity of Nord-Pas-de-Calais's regional work time reduction policy within the social, economic and political environment in the regional labour market at the time and with respect to the national environment and traditions of economic governance. I then extrapolate from my findings in the regional labour market to draw conclusions about the internal integrity of the national 35 hour week policy. In this chapter, I assert that work time reduction policy has a strong internal integrity in the local labour market, resulting from the severity of the unemployment crisis and the policy's compatibility with traditions of economic governance. I also show that the conditions for the success of such policies, which are largely socially determined, existed in France in the mid-1990s.

In the eighth chapter, I look at the policy-making process in order to assess further the internal integrity of work time reduction policy in France. I evaluate how the policy process used in Nord-Pas-de-Calais contributed to the regional policy's effectiveness and how, when aspects of the regional policy were 'scaled up' to the national scale, they were less effective because of the breakdown in this process. Here, I place considerable emphasis on the role of scale in the policy process, both in facilitating innovative policy-making at the regional scale, and as a contributing factor to the partial break down in the transfer of policy between scales.

The ninth chapter is the final chapter in which I present my fieldwork findings. Here, I assess France's work time reduction policy according to Peck's (1996: 249) second criterion, which is its external relations. In particular, I look at the compatibility of the policy in relation to global competitive pressures and the international economic environment. I begin by considering how the 35 hour week actually increases flexibility in the French labour market rather than decreases it, as many critics have suggested, albeit in a way that remains broadly compatible with French traditions of economic governance. Second, I consider the issue of competitiveness. Drawing on Porter and van der Linde's (1995) seminal work, I show that the 35 hour week is not necessarily anti-competitive because as a piece of 'tight regulation' it has the potential to stimulate long-term productivity gains that can significantly offset the cost of its initial implementation.

In the tenth chapter, I present my conclusions, drawing together my empirical findings from chapters 7 to 9 with the theory discussed in chapters 2 to 5. Here, I address each of my research aims and provide a partial answer to the question, 'Can France maintain its unique approach to labour market governance?'

CHAPTER 2

The Policies, Policy Problem and Context

In this chapter, I introduce my research problem. I begin by outlining the two work time reduction policies in which I am interested. I start first with the national work time reduction policy and the laws pertaining to the 35 hour week because these laws provide the broad policy framework in which the regional policy operates and are, consequently, essential to understanding the regional policy. Then, I introduce the Nord-Pas-de-Calais regional work time reduction and reorganisation policy (the regional ARTT policy), which is the main focus of my research in this thesis.

After introducing the two policies, I then move to the policy problem that these initiatives target and consider the unemployment situation in France and then specifically in Nord-Pas-de-Calais in the mid- to late-1990s, the period during which these policies were being developed and implemented. I first describe the extent, characteristics and causes of French unemployment, before focusing more specifically on the unemployment crisis in the region of Nord-Pas-de-Calais.

In sum, the aim of this chapter is to introduce my research by describing the policies and the policy problem that I examine, thus providing the necessary background information to understanding my research. It is important to appreciate the extent of the unemployment crisis in France, and in Nord-Pas-de-Calais in particular during the early- to mid-1990s in order to understand the policies chosen, the method of policy-making adopted, especially in Nord-Pas-de-Calais, and the impact of the policies.

2.1 The policies

My primary focus is on Nord-Pas-de-Calais's regional work time reduction initiative. However, this initiative is intricately intertwined with the national 35 hour week policy, most especially because, as a regional employment policy, it relies upon the national regulatory framework. Therefore, in this first section of this chapter, I begin by describing the key features of the national work time reduction laws, before turning my attention to the regional policy.

2.1.1 *Les 35 heures*

The French Government stated the aims of the 35 hour week policy as: (1) to create jobs; (2) to increase competitiveness; and (3) to improve working conditions by creating a better balance between career and personal life (*Ministère de l'emploi et de la solidarité*, 2000; see Figure 2.1). Critics of the policy have claimed these are “arguably contradictory aims” (Jefferys, 2000: 242). However, the policy's chief objective was to be a catalyst for employment creation, as the French Prime Minister Lionel Jospin stated: “The first objective of the 35 hour week is to create jobs... [and] to generate job rich growth” (1999: 10). In 1997, when the national unemployment rate exceeded 12%, job creation was the number one policy priority for the new Socialist Government and the 35 hour week was its main policy tool to achieve this goal.

Figure 2.1 The 35 hour week logo and a poster from the government's publicity campaign¹



(Source: www.anpe.gouv.fr, Dec 2000)

¹ Translated, the 35 hour week logo reads “Work time reduction; time freed up; jobs gained”. The motto on the poster translates as “Time for yourself; a chance for jobs”, while the man depicted in the poster says “I’ve found work thanks to the 35 hour week. Here it’s working. What about with you?”.

The legislative framework of the 35 hour week comprised two laws: the *Loi Aubry I*, which was passed a year after the Socialist's electoral victory on 13 June 1998, and the *Loi Aubry II*, passed on 19 January 2000.² The two laws were quite different in character; the first emphasising job creation and aiming to entice firms to move over to a 35 hour week as quickly as possible, while the second clarified the detail of the new work time arrangements.

The Loi Aubry I

The first Aubry law³ reduced the statutory working week in France from 39 to 35 hours per week as of 1 January 2000 for firms with more than 20 employees and by 1 January 2002 for the remainder of smaller firms. It tied this reduction in work time to job creation by requiring that firms reduced their work time by 10% and correspondingly increased employment by 6% in order to be entitled to the government's financial assistance package. The policy also allowed 'defensive' agreements, where firms were required to stop an equivalent proportion of jobs from being made redundant via a 10% reduction in work time in order to be entitled to financial support. The law provided additional financial encouragement to firms that reduced work time by 15% and created (or saved) 9% of jobs, as well as to those that hired long-term unemployed, young and disabled workers. Firms reducing work time and increasing employment received financial assistance in the form of a lump-sum reduction in their social contribution obligations.⁴ Firms with more than 20 employees were eligible to receive this assistance until the end of 2000, while in the case of smaller firms the benefit remained through 2002. These subsidies were relatively generous because, while the law heralded the future statutory reduction of the working week, its primary aim was to encourage firms to move to the new working hours regime before they were legally obliged in 2000 or 2002. The law also

² The laws are named after Martine Aubry who was the Minister for Employment at the time of their enactment.

³ While the first law pertaining to the 35 hour week is commonly referred to as the *Loi Aubry I*, its full title is *La loi d'orientation et d'incitation à la réduction du temps de travail*, which translates to 'The law explaining and encouraging the reduction in working time'.

⁴ The subsidies received by firms ranged from 9,000FF to 13,000FF in the first year, depending on the amount by which work time was reduced and when the accord was signed. The subsidies were paid in the form of an annual reduction in the social contribution per employee. Subsidies continued for five years, falling over this period to between 5,000FF and 9,000FF per employee per year. In addition, firms received a further 1,000FF if they hired young, disabled or long-term unemployed people (OECD, 1999a: 152).

effectively created negative subsidies or penalties for firms that did not sign a 35 hour week accord by specifying increased overtime costs.

The first Aubry law coupled measures to reduce work time with allowances giving firms greater freedom in their use of work time and facilitating firm-level negotiation. This law allowed the '*modulation*' of work time, effectively setting work time at 1,600 hours per year and allowing firms, through consensual agreement with employees, to use the hours flexibly throughout the year to meet the specific needs of the firm.

In order to achieve the sort of negotiation required to maximise the productivity gains possible from this new way of calculating work time, the first Aubry law simplified negotiation procedures and encouraged the negotiation of firm-level employment agreements. Previously firm-level negotiation required there to be a union representative in the firm, because only such employees were allowed to negotiate work place agreements. Given the low rates of unionisation in France this effectively meant that most negotiation happened at the industry and branch level, with very little at the level of the firm. The first Aubry law sought to increase firm-level negotiation and release the productivity benefits this would generate by allowing negotiation at this level providing that at least one employee was 'mandated' by a trade union. In addition, financial assistance was contingent upon signing a consensual agreement between workers and employers, which was then signed off by one of the social partners.⁵ As a result, the law went further than previous French laws in encouraging direct negotiation between employers and workers at the firm level, simplifying considerably the requirements for firm-level negotiation and the flexibility possible in the resulting agreements.

⁵ In particular, agreements had to be signed off by one of the five French trade unions: CFDT, CFE-CGC, CFTC, CGT and FO. However, the term 'social partners' generally refers to the five trade unions plus the two main employers organisations, MEDEF, representing big business and CGPME, representing small business interests.

A further notable feature of the first Aubry law was that it subsidised firms to employ a business consultant to assist them with implementing the policy. The law provided financial assistance to firms with less than 500 staff to employ a consultant whose remit was to audit firms' existing use of work time, assist with negotiations between employees and management, and devise the most effective way of reducing and reorganising work time. This was the first time the French Government had ever funded private individuals and organisations to assist with the implementation of an employment policy (see Table 2.1).

Table 2.1 Summary of the main features of the *Loi Aubry I*

Feature	Description
Work time	▪ Reduced the statutory working week from 39 to 35 hours as of 1 January 2000 for firms with more than 20 employees and 1 January 2002 for those with 20 employees or less. ▪ Allowed work time reduction in both offensive cases (where new jobs were created) and defensive cases (where existing jobs were saved from retrenchment).
Job creation	▪ Specified rate of work time reduction and job creation necessary in order to receive government assistance: - 10% reduction in work time required a 6% increase in employment - 15% reduction in work time required a 9% increase in employment
Subsidies	▪ Set the rate of subsidies, paid as a lump-sum reduction in the social contribution for employees whose work time was reduced and those hired due to the policy.
Annualisation of work time	▪ Increased flexibility in use of work time by allowing, via negotiated agreement, the calculation of working hours as an annual total of 1,600 hours.
Negotiation	▪ Facilitated firm-level negotiation by allowing unions to 'mandate' an employee to negotiate with firms without a union representative.
Consultants	▪ Funded 5 days use of a consultant free of charge to firms with less than 500 employees to assist with negotiating WTR and reorganising work time. ▪ Subsidised, where necessary, the cost of a consultant by 70% or 50%, depending on firm size, for a further 13 days, calculated on a basis of 5,500FF (before tax) per day.
Over time	▪ Redefined overtime regulations, with hours 36 though 39 inclusive paid at time and a quarter and hours 40+ paid at time and a half. ▪ Maintained annual maximum overtime hours (without requiring administrative authorisation) at 130 hours.
Public sector	▪ Excluded the public sector from receiving subsidies when implementing 35 hour week.

(Source: *Ministère de l'emploi et de la Solidarité*, 2000)

The Loi Aubry II

The second Aubry law reaffirmed that the statutory working week in France was 35 hours but replaced the ‘carrot’ of incentives announced in the first law, with the ‘stick’ of penalties for those firms which did not negotiate a reduction in work time (Jeffreys, 2000: 254). The generosity of the first law aimed to encourage firms to implement the 35 hour week and maximise job creation. The second law, which built on the first, was more forceful in character by providing penalties for inaction, clarifying the detail of the policy, particularly the costs of failing to negotiate a 35 hour week accord, the use of overtime, the procedures for negotiation, financial assistance and how the minimum wage (SMIC) would be affected by the reduction in work time (see Table 2.2).

Several features of the second law were particularly noteworthy. First, the *Loi Aubry II* removed the requirement that firms must create (or save) jobs when reducing work time. Whereas the first law specified a percentage of jobs that must be created (or saved) by a reduction in work time, the second law omitted this requirement, significantly reducing the emphasis on job creation. Second, with the exception of those on the minimum wage, the law did not require firms to maintain employees’ salaries when they negotiated a reduction in work time. Third, the law specified how *cadres*, a uniquely French category of professional workers and middle managers, were to reduce work time given that such employees rarely calculate their work in hours. In general, *cadres* were entitled to take additional leave under the 35 hour week, with their work time reduced to an annual limit of 217 days. Fourth, the second law altered the definition of what was counted as work. For example short breaks during the workday, which had been considered normal paid work time, were now no longer included in working hours (Heyer and Timbeau, 2000: 66). This change to the definition of work meant that the actual reduction in work time caused by the 35 hour week was often closer to two to three hours per week than four hours, as the title of the legislation implies.

Table 2.2 Summary of the main features of the *Loi Aubry II*

Feature	Description
Work time	- Restated that the statutory working week would be 35 hours from 1 January 2000 for firms with more than 20 employees and 1 January 2002 for others. - Set the maximum working day at 10 hours and maximum week at 48 hours. Defined what is considered <i>temps de travail effectif</i> or effective work time.
Subsidies	Specified the amount of government assistance given to firms with over 20 employees who signed a work time agreement after 1 February 2000. Firms with less than 20 employees received either the subsidies provided by the first law or, if they could not achieve its employment targets, a new set of subsidies. These new subsidies were again paid as a reduction in the social contribution, which ranged from 17,500FF per year for employees on the minimum wage to 4,000FF per year for workers on 1.8 times the minimum wage and above.
Annualisation of work time	Set the overtime limit at 90 hours per year in cases where work time was calculated on annual basis of 1,600 hours.
<i>Cadres</i> (managers and professionals)	- Identified 3 types of managers and specified their new working hour regimes: <i>Cadres dirigeants</i> or senior managers were exempt from the 35 hour week <i>Cadres intégrés</i> or managers whose work patterns were the same as their staff reduced work time in the same way as their staff <i>Cadres intermédiaires</i> or intermediary managers who did not work according to hours reduced work time on an individual basis to a total 217 days per year.
Over time	Introduced an interim arrangement for overtime rates whereby hours 36 through 39 inclusive were paid at time plus 10% during first 12 months and time and a quarter thereafter. Hours 40 through 43 inclusive were paid at time and a quarter with any further hours of overtime paid at time and a half. The overtime quota was 130 hours for hours of overtime after the 37th in the first year, 36th in the second year and 35th by 2002 and 2004, depending on the size of the firm.
Minimum wage	Guaranteed that the take-home wage of employees on the minimum wage was not reduced with the government promising top-up payments to make up any difference.
Time saving account	Created 'time saving accounts' and specified how 'liberated' work time could be saved up and used in the future.

(Source: *Ministère de l'emploi et de la Solidarité*, 2000)

2.1.2 The regional ARTT policy

Prior to the existence of a national 35 hour week policy, the regional government of Nord-Pas-de-Calais created and implemented its own work time reduction policy with the aim of increasing employment in the region. The policy was known locally by the initials of ARTT, an

abbreviation of *l'aménagement et réduction du temps de travail* or the reorganisation and reduction of work time. While the broad aims and characteristics of this regional policy remained consistent from its inception in 1994 until 2001, the detail of its form and method of implementation moved through several distinct phases over the period, depending on the national employment policy framework in place at the time.

The broad aim of the regional ARTT policy was to create jobs in an attempt to reverse the steady increase in unemployment witnessed in Nord-Pas-de-Calais over the previous two decades, especially during the early 1990s. As a work sharing policy, its logic was to increase the number of jobs available by decreasing work time per person and redistributing the existing stock of jobs more widely.

Importantly, there was also a second dimension to the regional ARTT policy, with “heavy emphasis on the ‘A’ in ARTT” (Vaneecloo, 2001: pers. comm.), which refers to the *aménagement* or reorganisation of work time. The reorganisation of work time involved any measure that better matched production and opening or operating times with demand, particularly increased operating hours or increased variability in work times associated with seasonality or systematic variations in demand. This second dimension of the regional ARTT policy aimed, by using the organisation of work time as a lens through which to examine the whole operation of the firm, to assist businesses in the region to modernise and adapt their use of human resources to an increasingly variable economic climate. Therefore, from its outset, the regional ARTT policy went beyond a simple work sharing policy and aimed at increasing employment through simultaneously reorganising as well as reducing work time and modernising firm management practices in the region.

The first steps towards a regional ARTT policy in Nord-Pas-de-Calais began in 1994 when the Conseil Régional held the *Assises Régionales pour l'emploi et le travail*, a large public

conference focusing on employment and work in the region that sought possible regional policy solutions to Nord-Pas-de-Calais's unemployment crisis. Unemployment was such an important political concern in the region at the time that the regional government was forced to address the problem despite the fact that employment policy was not explicitly part of its remit. Although through its responsibility for regional economic development, regional government is implicitly involved in job creation, with this responsibility generally met by providing assistance to firms in order to secure their investment in the region.

Out of the Assises conference emerged several policy proposals, including ARTT. However, given the restrictive confines of a uniform set of national employment laws and the fact that employment policy, and work hours in particular, are not strictly the domain of the regional government, there was a limited amount the regional government could do initially to encourage firms to reduce work time and increase employment. The early regional ARTT policy, which effectively began operation in late 1995, was therefore entirely voluntary, working solely with firms that were interested in experimenting with work time reduction as a way of increasing productivity and creating employment. The existence of several discreet national laws dealing with work time reduction, firm level negotiation and the calculation of hours of part-time work over the year (rather than week or month) gave the regional government some scope in which to operate, although none of these laws provided any significant financial assistance to help with the transition to and negotiation of shorter working hours.

Unable to offer the financial support of a national work time reduction policy, the Conseil Régional was forced to seek out innovative alternative ways of encouraging firms to pursue work time reduction. The main method used to encourage firms to do this was to offer assistance from business consultants to evaluate the firm's operations and determine how the firm could combine the productivity benefits of a reorganisation in work time with the

employment benefits of a reduction in work time. In addition to providing firms with direct consultant assistance, the Conseil Régional established two additional groups: a network of business organisations, or *têtes de réseaux*, to gather and diffuse information about work time reduction, and a *pôle de compétences*, a group of academics expert in related areas, who advised on best practice in the reorganisation and reduction of work time and evaluated and refined the region's use of work time reduction. Both the consultants and firms interested in work time reduction were included in this network of business organisations and academics, sharing information and experiences and working together with the regional government to determine how best to encourage firms to reduce work time and increase employment.

In June 1996, the regional policy received a “bubble of oxygen” (Kniaz, 2001: pers. comm.), as the former director of the Assises program called it, when the National Assembly passed the *Loi de Robien-Chamard*, known colloquially as the *Loi Robien*, heralding a new phase of the regional policy's operation. This voluntary work time reduction law was applicable in both offensive situations, where jobs were created, and defensive situations, where a reduction in work time was used to save jobs threatened by redundancy. And, most importantly, the law provided firms with financial assistance if they reduced working time by 10% or 15% on the condition that they halted job losses or increase employment by 10% or 15% respectively. This new national work time reduction law allowed the Conseil Régional to significantly expand the scope of its regional ARTT policy because it was able to combine its regional expertise and assistance from consultants with significant financial subsidies from the national government.⁶

⁶ Importantly, these subsidies were paid as a percentage reduction of the social contribution paid by employers per worker in the firm. By paying the subsidy as a percentage rather than a flat rate, this made implementing the *Loi Robien* especially attractive to firms with higher paid employees.

The regional ARTT policy moved into a third phase in 1998, again because of changes in national employment legislation resulting from the adoption of the first Aubry law.⁷ In order to assist with the implementation of the Aubry I law in Nord-Pas-de-Calais, the Conseil Régional signed a two-year convention with the national government, allowing the continuation of the regional ARTT policy and combining it with the national policy. The convention resulted in Nord-Pas-de-Calais receiving additional funds towards the implementation of the 35 hour week in order to improve information-gathering, raise awareness, increase assistance to the region's firms and promote the implementation of the 35 hour week (Article 1, *Convention entre l'état et la région pour la mise en oeuvre de la loi d'orientation et d'incitation à la réduction du temps de travail*, 5 October 1998). Its key features were: (1) to extend the program's existing network of business organisations working with firms on work time reduction; (2) to provide additional assistance from consultants before and after the implementation of work time reduction, most notably to firms working collectively in the Assises' network or those having difficulties reducing work time; (3) to train the consultants who were implementing the policy; (4) to run an information campaign and to provide additional training about work time reduction both in general and with specific groups such as the social partners, firm directors and human resource managers; and (5) to continue research into work time reduction in the region (Articles 1 to 8 of the convention). This *Convention Etat-Région* was the only one of its kind signed in France and allowed firms involved with the Conseil Régional's policy to receive considerably greater assistance during their transition to a shorter working week than elsewhere in France.

When the *Convention Etat-Région* ended in late 2000 so too did the regional government's involvement in the implementation of work time reduction in Nord-Pas-de-Calais. The Assises program was disbanded and the implementation of work time reduction in Nord-Pas-de-Calais became the sole responsibility of the regional arms of two national organisations; namely the

⁷ The start of the third phase also coincided with regional government elections in March 1998, which were won by Socialist Party. Consequently, the Green Presidency ended. However, this led only to small changes to the regional ARTT policy.

Association Régionale pour l'Amélioration des Conditions de Travail (ARACT)⁸ and the *Direction Régionale du Travail et de l'Emploi et de la Formation Professionnelle* (DRTEFP), the regional branch of the employment ministry. During the two years' duration of the convention, these organisations had already become increasingly involved in the region's work time reduction policy, facilitating the handover of the program. After the convention ended at the end of 2000, they continued to use the networks established by the Conseil Régional, but without the emphasis on innovation and research (see Table 2.3).

Table 2.3 Summary of the phases of the regional ARTT policy

	Regional policy	National policy
1995 to June 1996	Voluntary ARTT policy, encouraging firms to implement WTR, create jobs and modernise operations. The CR subsidised expert assistance to firms, in the form of business consultants, sponsored research into WTR and methods of implementation, established networks of business organisations and academics to assist with work on WTR.	Used a collection of national policies because there was no single national policy relating to WTR: - <i>Loi Quinquennale</i> (1993) allowed increased flexibility in the use of work time, conditional on WTR; - From 1994 court ruling allowed calculation of part-time work as an annual average; - <i>Accord National Professionnel</i> (1995) allowed firm-level negotiation by workers 'mandated' by trade unions.
June 1996 to June 1998	Continuation of ARTT regional policy of subsidising consultants, working with business networks and researching and adapting method of implementing work time reduction.	<i>Loi Robien</i> (June 1996) passed, providing firms with significant government aid if they reduced work time and increased employment or stopped job losses.
June 1998 to Dec. 2000	<i>Convention État-Région</i> signed October 1998 between the state and region. The regional ARTT policy continued in similar manner but with state involvement via the regional arm of two national bodies (ARACT and DRTEFP).	<i>Loi Aubry I</i> (June 1998) and <i>Loi Aubry II</i> (Dec. 1999) reduced the statutory working week to 35 hours, aiming to increase employment in exchange for increased flexibility in the use of work time, firm-level negotiation and financial assistance. Firms with more than 20 employees changed over to a 35 hour week by January 2000.

⁸ ARACT is the regional branch of the *Agence National pour l'Amélioration des Conditions de Travail* (ANACT), which is a public organisation established in 1973 by the Ministry for Social Affairs, Employment and Solidarity. In the region of Nord-Pas-de-Calais, ARACT is financed by a combination of the regional government, the national government via the region's development plan, the regional arm of the employment ministry and ANACT. It is run as a co-operative organisation between the social partners, which are France's five main unions (FO, CFDT, CGT, CFTC, CFE-CGC) and the two main employer groups (MEDEF and CGMPE). Currently in Nord-Pas-de-Calais, the President of ARACT is from FO, while its Vice-President is from MEDEF.

2001 to present	Withdrawal by CR from implementation of 35 hour week. Regional implementation carried out solely by ARACT and DRTEFP. Network of firms continued to be used.	Firms with less than 20 employees moved over to a 35 hour week by January 2002.
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2.2 The policy problem

In order to appreciate why such radical, elaborate and expensive work time reduction policies were implemented in France, including Nord-Pas-de-Calais, it is necessary to understand the policy problem that was being addressed by these policies. In the early to mid-1990s France faced a serious and intractable unemployment crisis, which seemed impervious to employment policy efforts. Furthermore, employment creation had stagnated, suggesting deep-seated problems with the functioning of the labour market and the French economy. In Nord-Pas-de-Calais the situation was even worse than the national average since, in addition to a generally weak labour market, Nord-Pas-de-Calais had suffered from several decades of intense deindustrialisation and significant structural economic change. On both the national and regional scales, unemployment had reached crisis point.

In this second section of this chapter, I describe the national and regional labour markets as they were at the time when the two work time reduction policies were developed. I begin by looking at the unemployment situation at the national scale, describing the extent of the unemployment crisis, its characteristics and evolution and explanations for the crisis. I also summarise the employment situation in France, both to provide insight into the unemployment situation generally and because the lack of job creation in France at the time was a contributing factor to the choice of policy. To conclude this section, I turn to the regional labour market, summarising the particularities of unemployment in Nord-Pas-de-Calais and describing its evolution.

2.2.1 The French unemployment situation

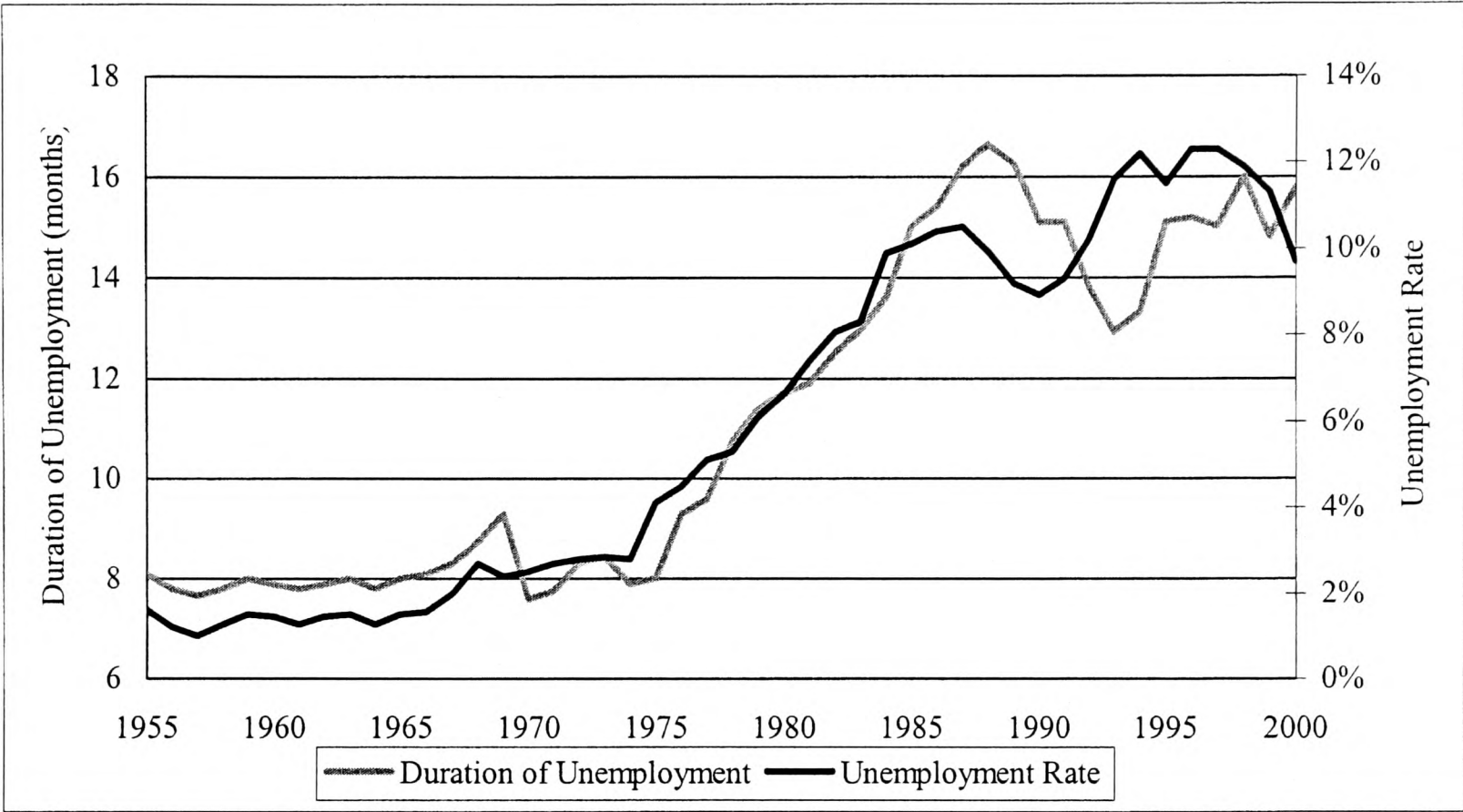
Shortly before Jospin's electoral victory in June 1997, a study commissioned by the Juppé Government into unemployment surveyed the extent, characteristics and effects of unemployment in France (Guiano, 1997). This study found that while 3 million people were unemployed, nearly double this number were directly affected by France's weak labour market, whether through early retirement, under-employment or because they had dropped out of the labour market *découragés* or discouraged (op cit: 173-175). This figure corresponded to a startling one in three people having been affected by unemployment in some way during the ten years prior to 1996 (op cit: 111). Not surprisingly unemployment was the number one preoccupation of the French people (op cit: 29) and the chief cause of a mood of *morosité*, or gloominess, that pervaded French society during the first part of the 1990s (Ardagh, 1999: 715).

The bleak unemployment situation in France in 1990s contrasted starkly with the post-war boom. In the 1950s and 1960s, French unemployment was stable and low (see Figure 2.2). From the end of the Second World War to 1974, France enjoyed '*les trente glorieuses*', thirty 'glorious' years of very low unemployment during which time the unemployment rate did not rise above 2% (Marchand and Thélot, 1997: 80).

Freyssinet (2000: 26) breaks down unemployment during this golden age into two distinct phases. In the first phase from 1946 to 1962, the labour market existed under conditions of full or even over-employment, with employment and the labour force increasing at a similar rate. The unemployment that existed during this period was largely cyclical, fluctuating by approximately 200,000 people, according to the rhythm of economic growth (ibid). The second phase, which began in 1963 and continued until 1974, is characterised by an expanding working population that increased slightly faster than employment, initiating a small rise in unemployment. The growth in the labour force was in part caused by the end of Algerian war, which saw the decommissioning of soldiers and mass repatriations from Algeria, as well as more permanent changes such as an increasing female participation rate and rural-urban

migration. As a result, while some unemployment during this period remained cyclical, there also developed an important frictional component to unemployment as workers adjusted to these structural and geographic changes. However, while unemployment rose slightly in 1963 and continued to rise during the high growth years between 1969 and 1973, it was not considered a serious problem, largely because the duration of unemployment had shortened.

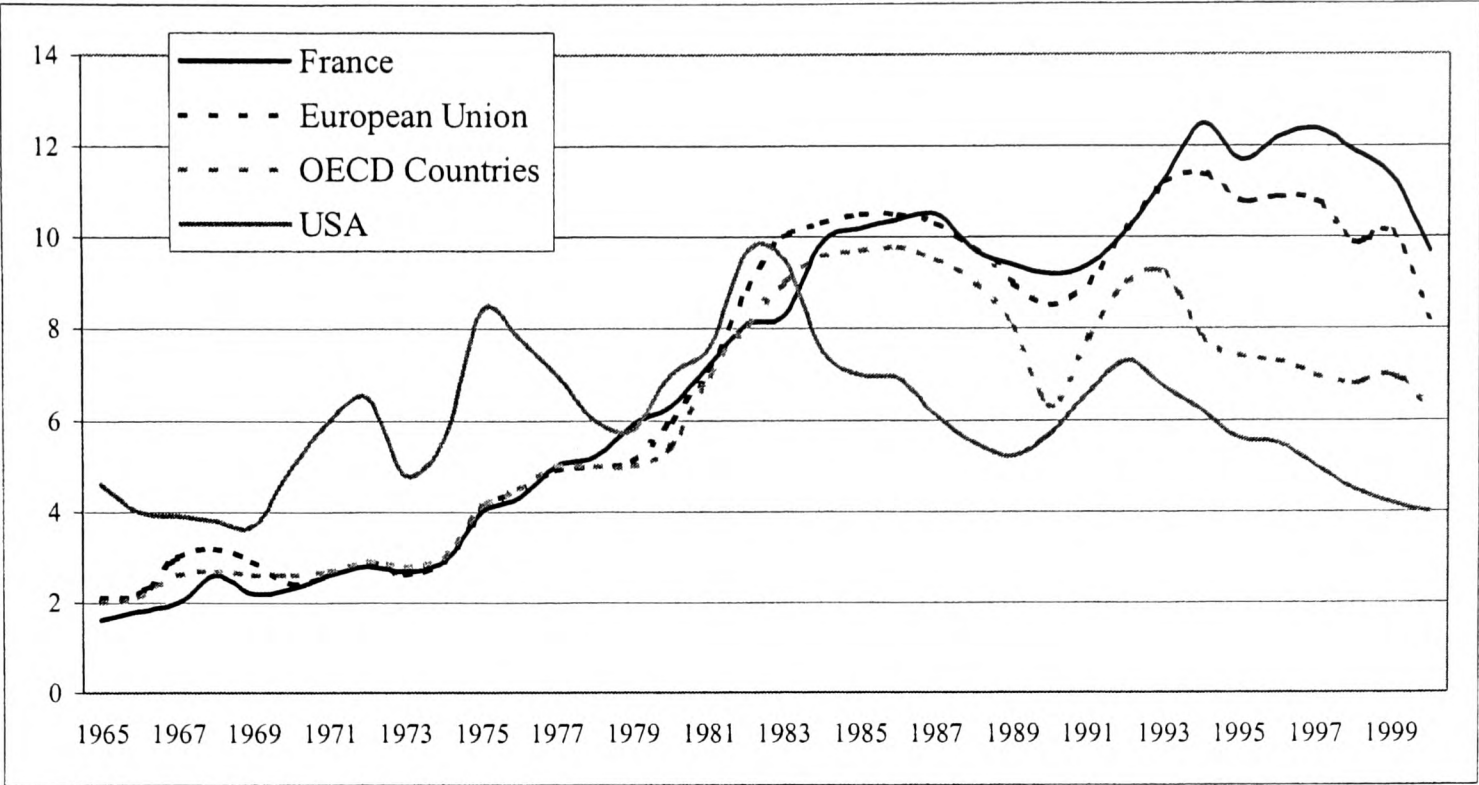
Figure 2.2 Comparison of the unemployment rate and duration of unemployment (1955-2000)



(Source: Marchand and Thélot, 1997: 80; INSEE)

France's thirty glorious years of low unemployment ended abruptly in 1974, a year marking *une rupture généralisée*, or a generalised rupture as it is now often called, in French economic conditions (Freyssinet, 2000: 67). As in most developed countries, the first oil shock of 1974 caused a jump in unemployment, with the unemployment rate in France rising by just over a third in one year. Similarly, the second oil shock in 1979 caused unemployment to rise further in France as elsewhere.

Figure 2.3 Comparison of the unemployment rate in France, the European Union, the USA and OECD Countries (1965-2001)



(Source: OECD, 2002)

In the mid-1980s the French unemployment situation began to diverge from the OECD average and especially from the US experience (see Figure 2.3). While the labour markets of many developed economies began to recover from the oil shocks at this time, conditions in the French labour market continued to deteriorate. Not only did the number of unemployed people rise, so too did the average length of unemployment, doubling in a decade from approximately 8 months in 1975 to 16 months in 1985, where it remained until the late 1990s (Marchand and Thélot, 1997: 80; OECD, 1999a: 37; see Figure 2.2). Therefore, while some unemployment remained cyclical, much of the unemployment in France from the mid-1980s onwards was no longer transitory and instead had more permanent characteristics typical of structural unemployment.

Those most likely to be affected by the permanent or structural component of unemployment were largely new entrants to the labour market, especially women, young people and the low skilled. The unemployment rate for these groups was significantly higher than the average (Freyssinet, 2000: 29). The female unemployment rate was consistently two percentage points higher than the male rate during the 1980s, increasing to three points by the mid 1990s, with

their average length of unemployment also slightly longer (INSEE,⁹ 2000: 77). However, given the total rise in unemployment, this represented a fall in the degree of gender inequality in the French labour market since the 1970s (Lescure and L'Horty, 1994).

For young people and the low skilled, their absolute and relative position in the labour market deteriorated considerably. Since the mid-1970s, the demographic group most affected by unemployment in France has been those aged between 15 and 24. The unemployment rate within this group was nearly double the national rate, reaching 25.9% by 1995 (Guiano, 1997: 48), although the duration of unemployment was comparatively short.¹⁰ Unemployment was similarly concentrated amongst the low skilled who were the least able to respond to the structural shifts occurring in the French economy. In 1975, those with no qualifications had the lowest rate of unemployment (2.9%) of any skill category of workers, significantly below the national unemployment rate at this time (3.8%) and slightly under the rate of the most skilled (3.1%) (op cit: 43). By the mid-1990s this pattern had been reversed, with unemployment highest amongst the least skilled category, whose unemployment rate was 15.4% in 1996 (Lescure and L'Horty, 1994). Unskilled young people were the hardest hit by the unemployment crisis with over half of young people who had not completed any sort of diploma unemployed (Guiano, 1997: 49).

There is also a degree of hidden unemployment in France not identified in the unemployment figures. While the unemployment rate rose 6.4 percentage points between 1970 and 1990, the labour force participation rate simultaneously fell by 1.5 percentage points from 67.8% to 66.3%, despite an increase in the working age population of 5.8 percentage points (Habermeier and Henry, 1996: 68-69). This corresponded to a 5.7 percentage point rise in the rate of non-

⁹ INSEE is the French national institute of statistics and economic research.

¹⁰ In 1996, the average duration of unemployment was 9.5 months for those under 25, compared with an average of 15 months across the whole labour force (Guiano, 1997: 48).

employment¹¹ (ibid). Comparing French labour force participation to that found in other G7 countries highlights the difficulties facing France since the mid-1970s. During the mid-1970s, the French participation rate was comparable with that in the USA, Canada and Germany. By the mid-1990s, the French participation rate was nearly 10 percentage points lower than the American rate, and the second lowest amongst the G7, second only to Italy. In addition, its participation rates amongst younger (under 25) and older (over 55) people were the lowest in the OECD. Seventy percent of younger people were inactive in 1995, thanks in part to a rapid increase in student numbers during the 1980s which gave France the highest proportion of students in Europe (Guiano, 1997: 75). Similarly, inactivity amongst older people grew from 48% in 1975 to 63.9% in 1995, 15 percentage points higher than the rate in the UK and nearly 20 percentage points higher than the American rate. This fall in participation is largely a result of employment policies in the 1980s that encouraged early retirement by reducing the retirement age to 60 and making it a cheap form of retrenchment, especially for industrial workers affected by economic restructuring. By 1995, 467,000 people were receiving government-funded early retirement pensions (op cit: 78). The low participation rate generally, as well as the especially low rates amongst younger and older people suggests, therefore, that there was a considerable degree of hidden unemployment in France, extending beyond the high official unemployment rate.

The geography of French unemployment

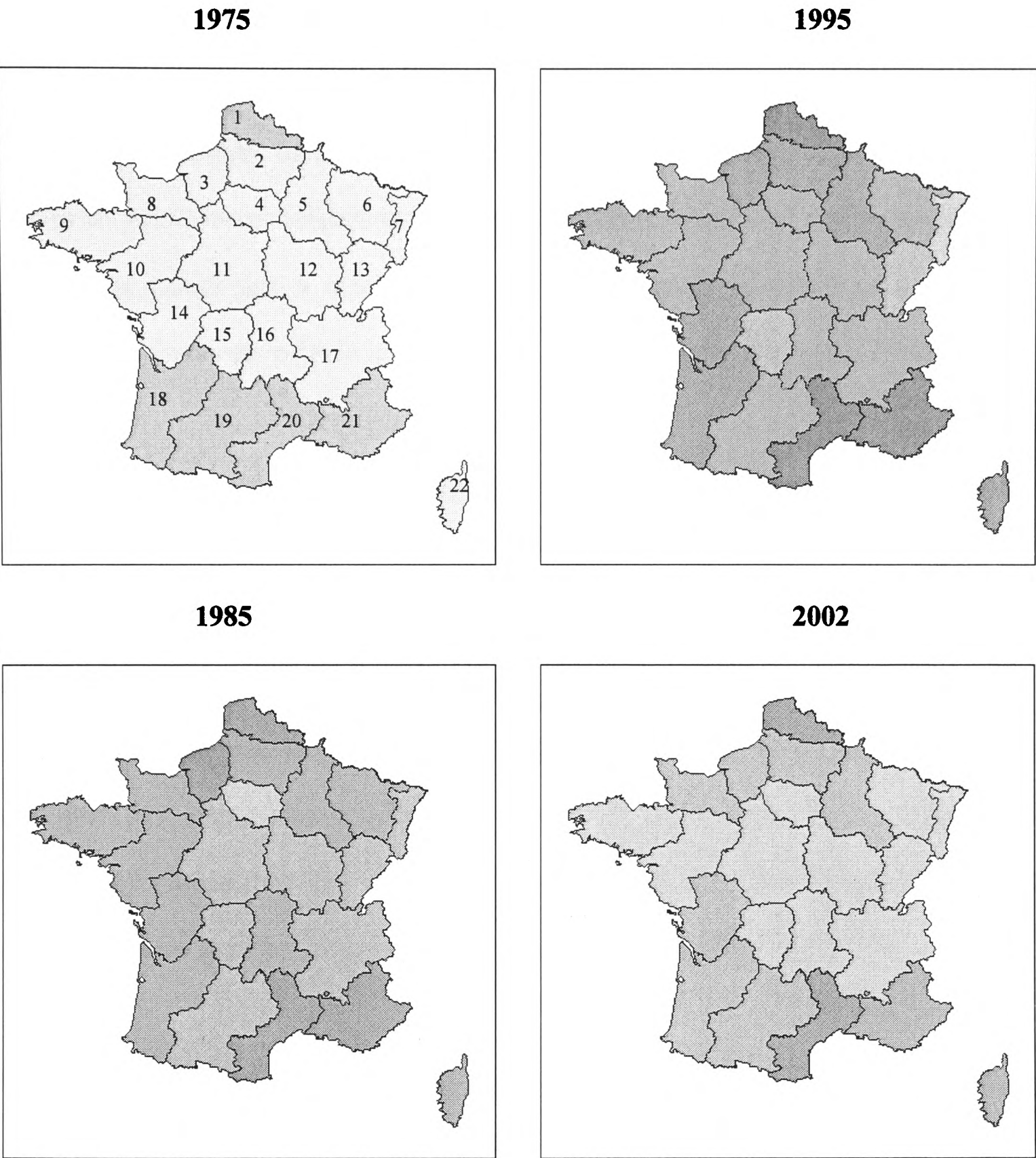
A further important characteristic of French unemployment is its geographic inequality. Since the 1970s, the geography of French unemployment has shown a distinct pattern of higher unemployment in the north and south of the country (INSEE, 1998; see Figure 2.4). This pattern in terms of both its geography and level of regional inequality has remained constant from the 1970s onwards (Guiano, 1997: 46). From the mid-1970s until the present, the southern regions of Languedoc-Roussillon and Provence-Alpes-Côte-d'Azur have had unemployment

¹¹ Calculated as the number of people of working age who are not employed, as a percentage of working age population.

rates above the national average. Similarly, the unemployment situation in the north of France was considerably worse than the national average. The regions of Nord-Pas-de-Calais and Haute Normandie both experienced a sharp increase in their unemployment rate in the mid-1970s. However, while unemployment in Haute Normandie plateaued in the early 1980s at 2% above the national average, the relative level of unemployment in Nord-Pas-de-Calais continued to rise.

While unemployment rates in the two southern-most regions of France were comparable to those of Nord-Pas-de-Calais and Haute Normandie, the northern regions were characterised by a higher proportion of long term unemployed. Just under 40% of unemployed people in the northern regions had been unemployed for over a year and 11% for over three years, compared with 33% to 34% for over a year and 7% for over three years in the southern regions (INSEE, 1997: 138). In addition, there were higher rates of youth unemployment in the north. Over 20% of the unemployed in the north were under 25, compared with 14-15% in the southern regions (ibid). Furthermore, while the unemployment rates in the northern regions and southern regions were comparable, rates of employment growth differed significantly. The southern regions experienced some of the highest rates of employment growth in France, over 5% from 1975 to 1985, while employment fell in the northern regions (Scargill, 1991b: 345). Consequently, unemployment in the south of France was largely a result of the migration to the region. Therefore, these statistics suggest that the labour market in the north of France, while having a similar overall unemployment rate to the south, suffered from additional weaknesses.

Figure 2.4 Evolution of regional unemployment situation (1975, 1985, 1995, 2002)



Regions

1. Nord-Pas-de-Calais

2. Picardie

3. Haute-Normandie

4. Île de France

5. Champagne-Adrenne

6. Lorraine

7. Alsace

8. Basse-Normandie

9. Bretagne

10. Pays de la Loire

11. Centre
12. Bourgogne

13. Franche-Comté

14. Poitou-Charentes

15. Limousin

16. Auvergne

17. Rhône-Alpes

18. Aquitaine

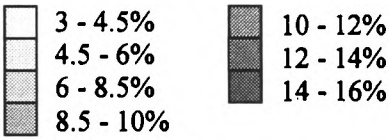
19. Midi-Pyrénées

20. Languedoc-Roussillon

21. Provence-Alpes-Côte d'Azur

22. Corse

Unemployment Rate



2.2.2 The French employment situation

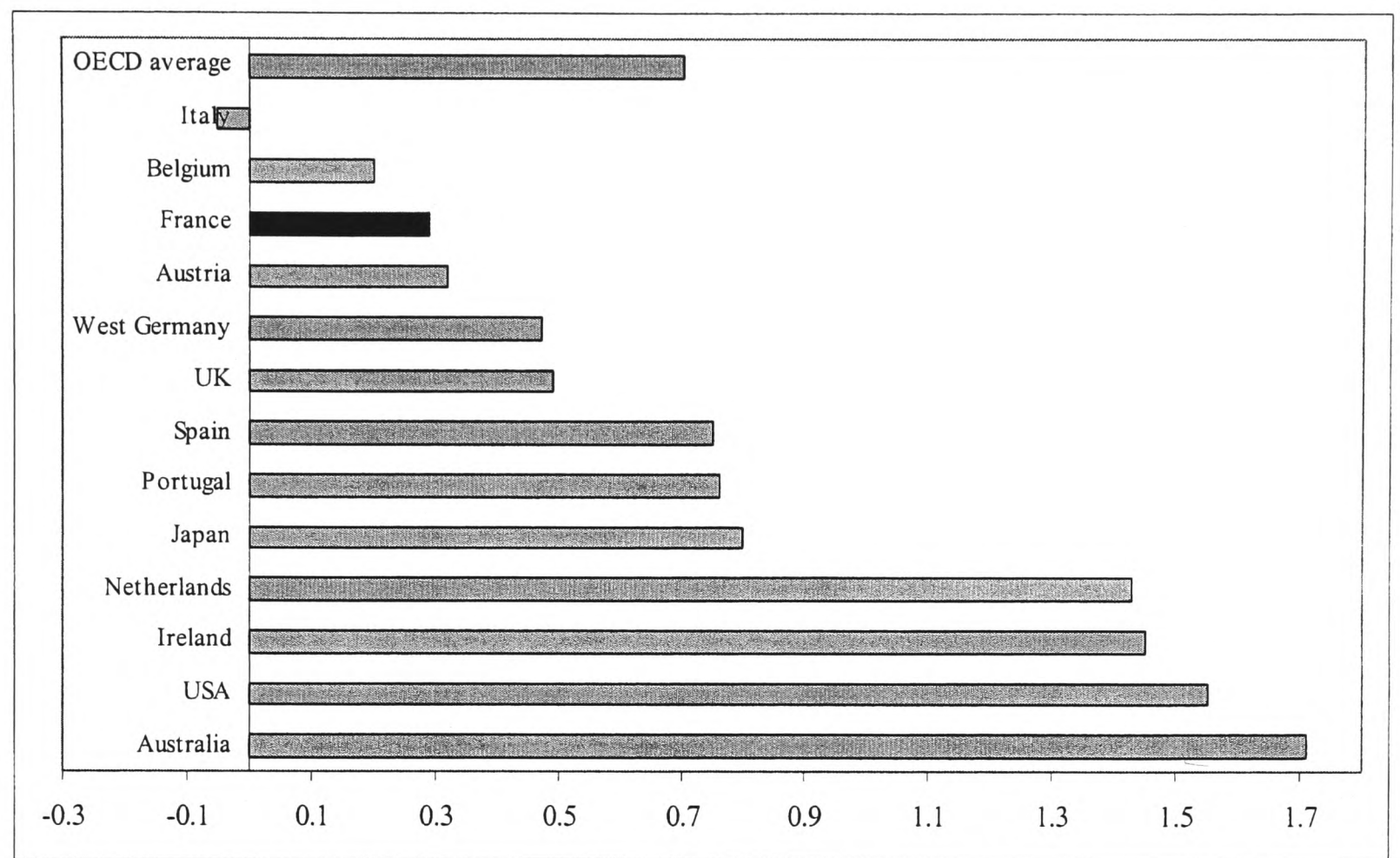
In order to understand French unemployment, it is important to appreciate the employment situation and variables concerning labour demand. Habermeier and Henry (1996: 67) observe that “the salient feature of the French labour market in the last two decades has been the slow growth of employment relative to population”. The mismatch between a small rise in the demand for labour and a much bigger rise in the supply of labour is one of the main explanations for unemployment in France, and especially its rise during the 1980s.

The pattern of slow employment growth relative to population has not always been the case in France. From 1946 to 1974, employment in France grew in parallel with the rise in the active population (Boyer, 1997b: 4). Again, 1974 marks a rupture in the labour market regime with a dramatic change in the relationship between employment and labour force participation. After 1974, employment growth plateaued despite the continuing rise in the labour force. Between 1974 and 1999, employment rose by a mere 8%, or 1.7 million jobs, from 21.2 million jobs in 1974 to 22.9 million jobs 25 years later (Freyssinet, 2000: 27). Over the same time frame, the active population grew by 16% or some 3.5 million people (INSEE, 2000: 75).

The persistently low rate of employment growth experienced in France over the last 25 years is atypical of OECD countries; while many countries experienced low rates of employment growth in the mid-1970s and early 1980s, their labour markets recovered in the 1990s. As a result, the average rate of employment growth in France from 1980 to 1999 is one of the lowest amongst OECD countries, and only one fifth of that experienced in America (see Figure 2.5). Although failing to achieve employment growth, France experienced significant productivity growth. Referring to the period between 1970 and 1995, Habermeier and Henry (1996: 68) argue that “the increase in real GDP can be accounted for almost entirely by higher productivity, which in turn reflects some combination of capital deepening and technological change”. Similarly, Guiano (1997: 55) concluded that “French unemployment is the result of a

weakness in the employment content of French growth because of too fast an increase in French productivity”.

Figure 2.5 Average annual employment growth in a range of OECD countries (1980-1999)



(See Geribaldi and Mauro, 2000)

Breaking down this low rate of employment growth by public and private sectors shows that employment growth in France has been particularly weak in the private sector. From the 1960s to the mid-1990s, the proportion of private sector employment steadily decreased from 55% to 45% (OECD, 1997b: 63), and at certain stages during this period the absolute number of jobs in the private sector actually fell. Over this time France “suffered one of the biggest falls in private sector employment [amongst OECD countries]” (OECD, 1994a: 2). This fall was partly a result of structural changes experienced in all developed economies, whereby industrial and agricultural employment decreased and was replaced by tertiary sector employment. However, in France “modest gains in services fail[ed] to offset job losses in industry” (op cit: 2), causing the proportion of private sector employment to fall and contributing to the rise in unemployment.

While net employment creation has been low since the 1970s, France has a relatively high turnover rate, with high total rates of job creation, job destruction and new employments (OECD, 1994a: 16). The Guaino report (1997: 79) estimated that there were approximately 7 million movements on the French labour market per year, with 3.5 million jobs created and the same number destroyed each year. This figure was comparable to the labour turnover rate in the USA, but greater than that in the UK and Germany.

'Precarious' Employment

A notable feature of employment creation in France is the type of jobs created. Over the last 20 years, many of the new jobs created in France have been '*des emplois précaires*', or precarious forms of employment such as '*contrats à durées déterminées*' (fixed-term contracts (CDD)), subsidised employment contracts¹², temporary contracts and apprenticeships. Fixed- and short-term contract employment has become increasingly popular since CDDs, the most common form of temporary employment contract, were first allowed in 1979. By 1995, most new jobs were in the form of CDD contracts, with permanent contracts (CDI) representing only one sixth of new positions in firms with over 50 staff. CDDs not only account for the majority of jobs created, they also represent approximately half of the jobs destroyed each year. Additionally, non-permanent jobs tended to involve quite short periods of employment, with the duration of the average CDD contract being only three months and temporary work contracts averaging less than two weeks in 1996 (Guaino, 1997: 19). Consequently, workers on CDDs were nine times more likely to find themselves unemployed in any given year than are their counterparts on CDI contracts (op cit: 18). This volatility was the result of CDD posts "having become the principal variable for adjustment" in periods of poor economic conditions (op cit: 101) and used by firms to "manage their labour force in a way that is more flexible and more selective" (INSEE, 2000: 78). As a consequence, French workers have a particularly negative view of

¹² During the 1990s, several types of subsidised employment contracts were created to assist the unemployed re-enter employment, including *contrats emploi-solidarité* (CES, 1990), *contrats emplois consolidés* (CEC, 1990), *contrats initiative emploi* (CIE, 1995), *contrats emploi ville* (CEV, 1996) and *contrats emploi jeunes* (CEJ, 1997). The salaries of workers on any of these contracts are subsidised by the government.

CDD contracts and other non-permanent forms of employment because of the ‘precariousness’ of these positions.

Another form of employment, which is often perceived as ‘precarious’ by French workers and which has been increasingly used over recent years is part-time work. Part-time work is one of the chief ingredients in the Dutch ‘employment miracle’, which saw their unemployment rate drop from a level similar to that of France in the mid-1980s to 3.6% in 1999 (INSEE, 2000: 77). Consequently, there has been much interest in the use of part-time work as a possible way of reducing unemployment throughout Europe. The first step towards encouraging increased part-time work in France occurred in 1992 when the government introduced legislation that reduced the social security contribution made by employers for part-time workers, especially in low paid sectors (Vergriete, 1997: 49). Largely as a result of this legislation, part-time work in France increased from 8.7% of employment in 1990 to 15.8% in 1997 (see Figure 2.8, Galtier and L’Horty, 2000: 101), although it was heavily gender biased with 32.3% of women workers working part-time, compared with only 5.7% of men (INSEE, 2000: 81).

However, much of this rise in part-time work has been involuntary. In 1990, half a million part-time employees said they would prefer full-time work and were classified as involuntarily part-time workers. By 1997, this figure had increased to just under a million employees, representing nearly half of France’s part-time work force. This “aversion in France to part time work” (Kirman, 2000: 48) stands out within Europe. While the French rate of part-time work sits on the European average, France has Europe’s highest level of involuntary part-time employment (Galtier and L’Horty, 2000: 105). Kirman (2000: 49) argues that, as with non-permanent work, the French dislike part-time work because of its precariousness, which they see as typical of the Anglo-Saxon model of labour relations. This aversion by French workers to part-time work is exacerbated by much of the legislation having been tailored to the needs of employers rather than employees.

Taken together, the rise in both part-time and contract employment has led some observers to argue that a dual labour market has developed in France (OECD, 1997b: 68). The core labour market continues to offer secure permanent jobs, protected by traditional employment legislation, while the peripheral labour market is highly insecure, relying on atypical contracts, resulting in a high rate of turnover and little protection for workers. The OECD argues that the existence of a multi-tier labour market partly explains why France has a relatively high labour turnover rate, but only limited net job gains (*ibid*). This is consistent with the Esping-Andersen and Regini (2000: 2) argument that some types of employment protection, while not causing unemployment, do contribute to certain groups remaining outside the core labour market.

As well as underemployment in terms of hours worked, there was also a relatively high rate in France of under-employment in terms of people working beneath their level of qualification. In 1995, 23.1% of employees were working in jobs beneath their level of qualifications (Guiano, 1997: 49). Together, the level of under-employment by both hours and skills, involuntary part-time employment and short-term employment are indicative of considerable dissatisfaction amongst French workers, who remain in unsatisfying jobs because of fear of unemployment and the difficulty of finding anything more fulfilling.

Overall, this description of the French labour market paints a pessimistic picture. The unemployment rate was one of the highest in the OECD and had been rising steadily since the mid-1970s, when the post-war boom abruptly ended. Given the considerable levels of non-employment and under-employment, joblessness was more severe than the official unemployment rate suggested. Concurrently, employment creation had stagnated, with the new jobs that were created being largely in 'precarious' forms of employment such as short-term contract work and part time work. By the mid-1990s, the French labour market was showing deep-seated problems, which explains in large part why unemployment featured so prominently in the consciousness of the French people.

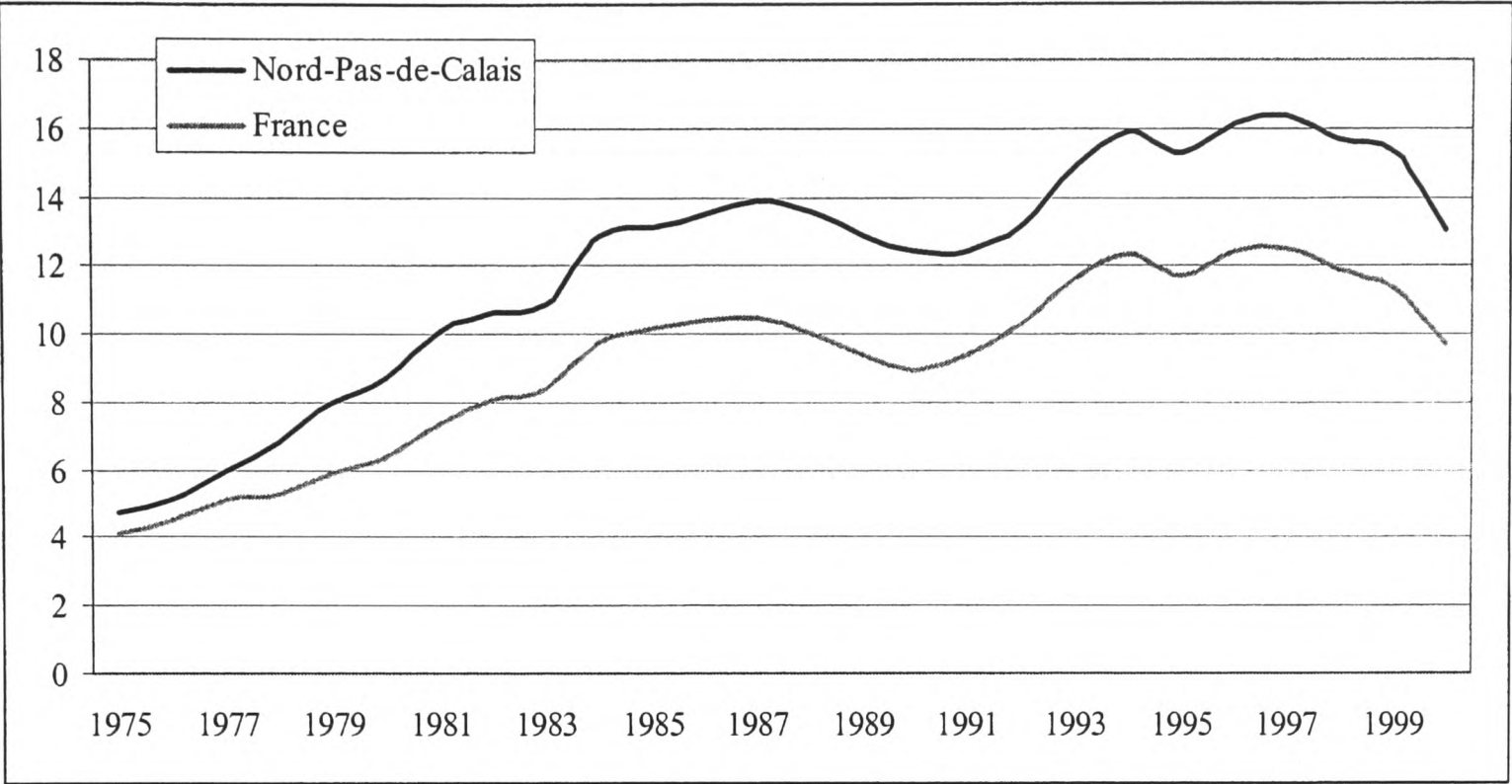
2.2.3 The regional context: the unemployment situation in Nord-Pas-de-Calais

The regional labour market in Nord-Pas-de-Calais suffered from the same general weaknesses experienced at the national scale. However, in addition, Nord-Pas-de-Calais also faced numerous challenges specific to the region, resulting from its economic history and demography. Consequently, “while the national context explains a large part of the evolution of unemployment in the region, the situation [in NPDC] has nonetheless degraded faster than elsewhere in France” (Dormand, 2001: 187), making the unemployment crisis in Nord-Pas-de-Calais in the early to mid-1990s more severe than that found in France generally.

In the early 1990s, when the regional ARTT policy began, the unemployment rate in the region was 16%, 30% higher than the national rate of 12.3% (see Figure 2.6). Since 1982, the region’s unemployment rate has been above 10% and steadily increasing, stalling only briefly at the end of the 1980s, before rising again quickly during the recession of the early 1990s. By 1993, the region experienced its biggest ever annual increase in unemployment, with the total number of unemployed people increasing by 36,300 or 15.6% (Dormand, 2001: 190). In some employment zones¹³ in the region, the situation was even more severe, with unemployment breaking 20% in the worst affected zone of Valenciennois in 1995 (see Figure 2.7). Furthermore, throughout the 1990s the region had the lowest participation rate in the country, suggesting considerable hidden unemployment. This was particularly the case amongst 50 to 65 year olds whose participation was 14 percentage points lower than the national average in 1990 and still 10 points lower in 1996 (INSEE, 1997: 139).

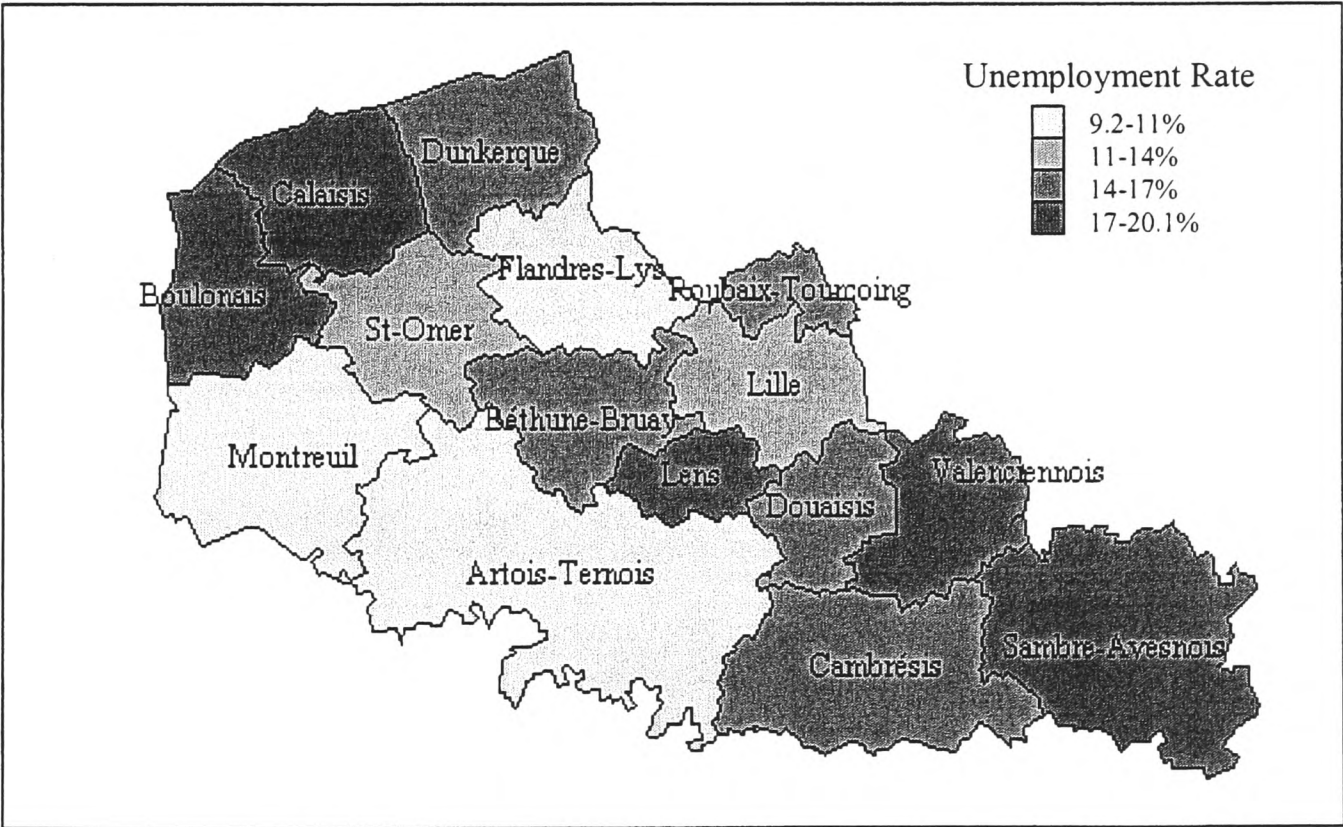
¹³ Employment zones are an administrative category created in 1974. They represent travel-to-work zones in which a majority of the population both work and live.

Figure 2.6 Comparison between the unemployment rate in Nord-Pas-de-Calais and the national average (1975-2000)



(Source: INSEE)

Figure 2.7 Variations in unemployment in Nord-Pas-de-Calais by employment zones (1995)



(Source: INSEE)

In order to understand how the unemployment situation in Nord-Pas-de-Calais and in some zones within the region had reached such an extreme situation by the mid-1990s, it is necessary to consider the region’s economic history. At the turn of the 20th century, the region of Nord-Pas-de-Calais was the “archetypal industrial region” (Paris, 1991: 9). It was one of the most prosperous regions in France; from 1900 to the First World War it contributed between 20%

and 25% of the country's total annual budgetary revenue. At its peak in the 1930s, the region also provided two thirds of the nation's coal supplies (Scargill, 1991a: 171). The department of Nord ranked as France's premier agricultural and industrial department (Vouters, 1999b: 92), making Nord-Pas-de-Calais economically the second-most important region in France, behind Île-de-France (Dormand, 2001: 25). Despite the destruction wrought on the area by the First and Second World Wars, the region recovered quickly following both wars and maintained a strong industrial economy throughout the first half of the 20th century.

The region's industrial strength was based around the three industries of textiles, coal, and steel. By 1954, 53% of the region's industrial labour force was employed in these three industries, corresponding to nearly 30% of the total labour force (Paris, 1991: 75). To these three core industries were added other similarly skilled, labour-intensive industrial activities, such as ship-building, clothing manufacturing, iron and electricity production. Just prior to the Second World War, the region provided France with 45% of its electricity, 59% of its coal, as well as 13% of its cast iron and 18% of its steel (Dormard, 2001: 31; Vouters, 1999a: 92).

Given the concentration of industrial activity in the region, the process of deindustrialisation that began in the 1950s had a major impact on the region. Due to competition from cheap imports and the increasing popularity of alternative energy sources, especially nuclear (Scargill, 1991a), coal was the first industry to be affected. During the 1950s, 37,000 jobs were lost in the industry (Vouters, 1999c: 15), with the mining areas surrounding Avesnes and Béthune becoming some of the first areas in France to receive structural adjustment assistance in 1956. Despite this, unemployment remained constant during the 1950s and 1960s. '*Les trente glorieuse*', the 30 'glorious' years of French growth, went some way to containing the initial impact of deindustrialisation. While growth in the region was lower than elsewhere in France, it was sufficient to offset the effect on employment of a 57% fall in agricultural employment

between 1954 and 1975, a trend experienced throughout France, and an 11.2% fall in industrial employment.

The successful mitigation of the process of deindustrialisation abruptly ended in 1975 when “the first oil shock caused a significant degradation of the region’s labour market” (Dormand, 2001: 187). Between 1960 and 1990, the region lost 300,000 jobs from its three industrial pillars: coal and textiles together losing 250,000 jobs between 1960 and 1990, while the decline in metal industries came later in the form of 50,000 job losses between 1975 and 1990 (Paris, 2001: 75). While some of these jobs were replaced by incoming industries such as car-making, the net loss in industrial employment in the region between 1962 and 1990 was 255,000 jobs, of which 215,000 were lost in the 15 years after 1975 (ibid).

Given the industrial history of the region it is therefore not surprising that the region’s unemployment grew faster than the national average. Not only were the high-energy consuming industries in Nord-Pas-de-Calais most directly affected by the oil shocks, but the region’s economy was also ill prepared for the structural changes that followed. In particular, its labour force was characteristic of an industrial region, and poorly suited to service sector employment. Consequently, while the region lost a large proportion of France’s industrial jobs, it gained a significantly smaller proportion of the service and tertiary sector jobs that replaced them; its proportion of tertiary sector jobs was persistently several points below the French national average throughout the 1980s (INSEE, 1988). As industries closed in the region, they were rarely replaced, causing the employment that remained to become increasingly dependent upon a smaller concentration of economic activities. Dormard (2001: 207) estimates that the increase in the region’s concentration of employment in certain industries and the resulting lack of economic diversification caused the regional unemployment rate to be 3.2 percentage points, or 20%, higher in 1990 than if it had maintained its level of diversity in 1975, suggesting that the

region's limited ability to adapt to the structural shifts occurring in France at the time contributed considerably to local unemployment.

While unemployment in the region as a whole was higher because of a lack of local diversity in certain employment zones, this effect was particularly pronounced because of Nord-Pas-de-Calais's industrial legacy. At the height of its industrialisation, Nord-Pas-de-Calais was composed of numerous specialised employment areas, with each industry compartmentalised into a specific zone (Battiau, 1995: 99). Textiles and coal were particularly concentrated geographically, with textiles centred on the twin towns of Roubaix-Tourcoing, while the mining basin extended from Béthune, through Lens, Douai and Valenciennes down to Avesnes in the south-east tip of the region. Similarly, steel and ship-building focused on the towns of Calais and Dunkirk. This highly geographic organisation of the region's industries and the lack of employment diversity in these zones have contributed considerably to the current concentration of unemployment in these areas, as well as in the region more generally (Paris, 2001: 43).

A further cause for the region's poor employment performance was its demography. The region was the youngest in France, with 40% of its population under the age of 25 (INSEE, 1997: 72). Furthermore, it was the least educated. As age and educational attainment were the two strongest correlates for unemployment, the characteristics of Nord-Pas-de-Calais's labour force meant that unemployment was more likely in the region than elsewhere in France, even if all other things were equal. Furthermore, the region was already handicapped by its industrial history. Dormard (2001: 196) estimates the 'structural impact' resulting from the specificities of the region's labour force, especially its high proportion of low-skilled employees, increased the region's unemployment rate in 1995 by an extra 0.7 percentage points. However, it should also be noted that both the region's demography and low levels of education were legacies of its industrial past and resulted from the particular type of labour market created by the industries that used once to occupy the region.

Therefore, the unemployment situation in Nord-Pas-de-Calais had been affected by both a weak national labour market as well as numerous factors specific to the region that had further contributed to its poor employment performance. In addition, its lack of economic diversity and a labour force poorly suited to the demands of the modern French labour market had contributed to the region's poor performance in both absolute and relative terms. However, the underlying cause of its poor economic performance in employment terms was deindustrialisation and the economic legacy left behind from having once been France's premier industrial region.

2.3 Conclusion

This analysis of unemployment in France and the region of Nord-Pas-de-Calais demonstrates that, by the mid-1990s, unemployment had reached the point of crisis. Not only were absolute rates of unemployment high, there was also significant hidden unemployment, under-employment and a high level of dissatisfaction amongst those employed. Furthermore, unemployment no longer seemed responsive to increased growth, suggesting a sizeable component of structural unemployment. Worse still, employment creation had frozen, especially with respect to permanent, core labour market jobs, particularly in the private sector.

The economic costs of the unemployment crisis were obviously high. However, the crisis was also having insidious social impacts, not only on the 3 million people touched personally by unemployment in 1997 and the 6.7 million affected by other forms of joblessness (Guiano, 1997: 157), but also on French society as a whole. During the 1990s, a prevailing gloom spread over the French: "*Morosit * was the word most usually used to describe the mood of France in the mid-1990s." (Larkin, 1997: 432) The term *morosit * described "feelings of insecurity and pessimism about the future" and unemployment "has been seen as the major factor behind the French *morosit *, creating a climate of insecurity and in some cases hardship and despair" (Ardagh, 1999: 715, 175). This feeling of *morosit * was not confined to the unskilled and

working classes; there had developed “a pervasive climate of insecurity, among *cadres* [middle and senior managers] as well as workers” (op cit: 715, 717). Amongst youth its effects were especially troublesome. High youth unemployment, one study found, was the main contributor to “75 percent of [young people] saying they lacked confidence in the future, either for themselves or society” (op cit: 573). Ardagh finished this sentence by noting that France’s youth suicide rate was the highest in the EU. This national feeling of pessimism brought about by unemployment was also connected to rising racism in France and in the first round of the 1997 elections Jean-Marie Le Pen’s right wing *Front National* party polled 15%, its highest result to that date (Shields, 1997: 416). Together, these social impacts highlighted the profound personal and social cost unemployment was having in France in the mid-1990s.

When these psycho-social impacts are added to the economic cost of a decade when unemployment averaged above 11%, the result was an undeniable unemployment crisis in France in the mid-1990s. Furthermore, it was a crisis that had, to that time, seemed impervious to the government’s policy reforms. Over the previous 15 years government policies had failed to reduce unemployment in any sustainable way. That impression was not assisted by an ill-fated remark by President François Mitterrand during a television interview in October 1993, when he admitted: “All the classical solutions, whether economic or social, for fighting against unemployment have failed. And not just in France but in all developed industrial countries” (*Le Monde*, 27 October 1993, p.8). While he went on to clarify this comment, retained as the catchphrase in the public arena was the sense that the country’s politicians believed there was nothing left that could be done to solve the unemployment crisis and had resigned themselves to the status quo, further deepening the general feeling of pessimism that already existed in French society.

In order to understand the work time reduction policies adopted in France, it is therefore imperative to understand the economic environment and social context in which the policies

were developed. The decisions to implement the 35 hour week and the region's work time reduction policy were linked to the need for radical, proactive reform that demonstrated a real commitment from government to breaking the cycle of high unemployment and kick-starting employment creation in an economy that had witnessed stagnant employment growth for over a decade.

CHAPTER 3

Theorising the Local Labour Market

In this thesis, I provide a regional perspective on the 35 hour week policy, looking up from the local labour market in Nord-Pas-de-Calais. In so doing, my research touches on a range of topics, including the functioning of the local labour market, the making and implementation of employment policy, labour market governance and the relationship between the local labour market and national and global scales. At the core of all these topics lies a common theoretical concern with the local labour market. The theoretical approach I adopt in my study of the local labour market is a political economy approach. I have chosen this approach because it incorporates the breadth of factors that I am concerned with, which include: (1) economic factors impacting upon employment, unemployment and other economic indicators; (2) social factors influencing public demand for certain forms of employment protection and contributing to policy outcomes; (3) political factors shaping the policy process; and (4) geographic factors concerning the relationship between various scales. In my view a political economy approach is best able to combine this range of factors into a single coherent framework.

In this chapter, I outline the political economy approach I adopt to theorise the local labour market. I begin by describing two specific theories that I combine from under the umbrella of political economy. The first is regulation theory, which evolved from institutionalism and focuses on the causes and consequences of national capitalist diversity. The second is Peck's (1996) economic geography theory of the local labour market. This theory, which I draw on heavily, is very suitable for my research purposes because it considers the functioning of the labour market at the local scale; it includes economic and non-economic determinants; and it deals explicitly with the relationship between local, national and international scales in the labour market.

In the second section, I examine neoclassical economic theory, its general theoretical framework, and its conceptualisation of the labour market. I do so for several reasons. The first is in order to show how the theoretical approach I adopt contrasts with the orthodoxy of labour market research and to justify why I have chosen to diverge from this dominant approach. Second, neoclassical economics has heavily influenced the Anglo-American policy model, and, as Snower (1995: 132) stresses, “it is important to evaluate unemployment policies through the predictions of the underlying theories”. Consequently, issues raised here about the neoclassical conceptualisation of the labour market, employment and unemployment are pertinent to discussions about the Anglo-American model of employment policy. The third reason for dwelling on neoclassical economics is because it is the source of the commonly used definitions and explanations for unemployment. I will draw on these definitions in the third section of this chapter where I summarise explanations for the French unemployment crisis, considering both neoclassical and regulation perspectives.

3.1 A political economy approach

Political economy is the study of “the management of the economy by the state” (Bullock and Trombley, 1999: 291). It is based on a “belief that the political and economic are irrevocably linked” (Johnston et al, 2000: 594). Consequently, political economy research concentrates on “the ways in which social and political power geometries, and the shifting alliances of and between political and economic elites interconnect with economic processes” (Swyngedouw, 2000: 542). In economic geography a further spatial element is added to standard political economy theory, incorporating the relationship between social and political power relations and economic processes in a particular place and across different scales. The two key variables that are emphasised are place, especially features particular to a certain place that affect the political and economic processes that occur there, and the scale or scales at which these processes occur. Consequently, political economy research in economic geography views economic processes as embedded in the context in which they occur and influenced by the politics, culture,

institutions, history and geography of a particular place. In other words, economic processes are not studied as abstract phenomena but as ones embedded in a particular socio-political context.

Political economy enjoys a strong tradition within both economics and economic geography. Indeed, the modern academic discipline of economics began as political economy. The writings of the great economists such as Smith, Ricardo, Marx and Keynes were all political economy, seeking to create a “philosophy of capitalism” (Heilbroner, 1995: 253). Their theories grounded the economic processes they sought to explain within their political context. It was not until the ‘scientific’ or quantitative revolution in economics during the 20th century that the political was separated from the economic and mainstream economics began to focus largely on quantitative model-based research (op cit: 240). Economic geography, under the influence of the behavioural school, underwent a similar quantitative transition in the 1960s (Massey and Meegan, 1985: 3). The spatial economic analysis typical of the era had its “roots in neoclassical economics” and relied upon “insistent methodological individualism” (Scott, 2000: 23, 25). It was not until the economic turmoil of the 1970s that political economy was ‘rediscovered’ in economic geography because the behavioural school had proved “clearly inadequate to the task of dealing with the grand structural forces that seemed to lie behind these developments” (op cit: 25). Instead, economic geographers turned towards political economy theories in order to demonstrate “how the forces of capitalist accumulation and their associated social structures create and recreate geographic realities ... and how the conflict built into these realities are mediated by the state apparatus representing the political condensation of the class tensions in society at large” (ibid). This form of political economy analysis proved effective at explaining the geographically highly uneven economic change that was occurring at this time in the developed world, and it remains a prominent theoretical approach in economic geography research.

The theoretical approach I adopt draws upon this long and influential tradition of political economy research in economic geography. Indeed, the topic of unemployment in Nord-Pas-de-Calais, a deindustrialised region struggling with the repercussions of structural economic change, is resonant of the research questions of the 1970s that sparked the 'rediscovery' of political economy by geographers. Beyond it being a 'classic' topic for political economy research in economic geography, my research is compatible with this approach for several further reasons. In studying employment policy, I am necessarily considering the management of the economy by the state, as political economy seeks to do. Furthermore, I am not only interested in the economics of this policy and its impact on employment, but also the politics behind it. Given that I am interested in scales of governance, my research is also concerned with socio-political factors and their interaction with economic processes at and between various scales. A political economy theoretical framework is capable of capturing the broad scope of my research, effectively illuminating the important intricacies and dynamics of my topic.

The exact political economy approach I adopt combines two related theories that fall beneath this theoretical umbrella. This first is regulation theory (Aglietta, 1979; Boyer, 1990; Boyer and Saillard, 2002). Regulation theory is predominantly macroeconomic in its focus and seeks to explain capitalist diversity and the existence of nationally distinct types of capitalism. It does so through the analysis of the various factors that cause national economies to create and perpetuate different socio-political and economic structures. The second theory I adopt is Peck's (1996) political-economic theory of the local labour market. It has the same theoretical and philosophical starting point as regulation theory, but has a micro-economic focus and provides a theoretical framework designed specifically for studying the local labour market. In doing so, Peck's theory reduces the scale of analysis from the national to the sub-national. It explains how the local labour market functions and incorporates space as a variable, not just a descriptive tool, in labour market theory.

3.1.1 Regulation theory

Regulation theory is based on institutionalism, a school of thought that has been highly influential in recent economic geography research (Amin, 2001; Jessop, 2001; Tickell and Peck, 1992; Tickell and Peck, 1999; Wood and Valler, 2001). While institutionalism is a broad field, at its core is the study of the “difference in institutional structures of societies, not only purely economic institutions but also political and wider social ones” (Crouch and Streeck, 1997: 1). This interest in the institutional structures of a country results because institutions are argued to embody “the distillation of more durable historic choices for a specific kind of society, since economic institutions condition levels of social protection, the distribution of income, and the availability of collective goods – features of the social solidarity of a nation” (Hall and Soskice, 2001: 2). In analysing institutional structures, the primary goal of institutional theories is to explain the diversity of modern capitalist economies and to highlight the power of national social, political and cultural characteristics in defining the shape of capitalism in different countries.

An institutionalist analysis focuses on the core institutions and mechanisms of economic governance, namely “competitive markets and property rights based on organisational hierarchies” (Crouch and Streeck, 1997: 2), which vary between national economies and alter capitalism to meet domestic sensibilities and needs. Competitive markets are analysed according to the degree to which they are free or ‘liquid’ and open to perfect competition. Factors considered include the level of regulation, informal collusion between firms, and cultural characteristics. The second core institution is organisational or managerial hierarchies and the way firms organise labour and negotiate with partners.

Three mechanisms of economic governance are recognised in institutionalist analysis. The first is ‘state traditions’ of intervention in the economy, and most notably the nature and level of government involvement in economic management. The second is how formal associations

such as trade unions are organised, their role and their power. The final mechanism of economic governance is the way in which informal networks or social groupings interact and work within the economy (Crouch and Streeck, 1997: 15).

According to institutional theory, these core institutions and mechanisms of economic governance have considerable influence over the workings of capitalism in national economies. They capture national political, social and cultural characteristics and translate them into distinct national models of economic governance. Consequently, institutionalist theory stresses the role of non-economic factors in managing and adapting capitalism according to national priorities and tastes.

Regulation theory is “one of the most influential of institutionalist approaches” (Peck, 1996: 97). Founded by a group of French economists, led largely by Aglietta and Boyer, this theory seeks “to account for the variability of forms of capitalism in space and time” (Boyer, 1997a: 74-5). It does so by identifying the ‘mode of regulation’¹ of an economy, which is defined as:

The set of procedures and individual and collective behaviours that serve to:
(1) Reproduce fundamental social relations through the mode of production in combination with historically determined institutional forms. (2) Support and ‘steer’ the prevailing regime of accumulation. (3) Ensure the compatibility over time of a set of decentralised decisions (Boyer and Saillard, 2002: 341)

This view of the economy is “seductive” because of its “capacity to grasp the economy as a whole” (Aglietta, 1998: 42), incorporating economic relations, socio-political factors and history into a single coherent theoretical framework. In doing so, “the social embeddedness of economic relations” is emphasised, along with the institutions “that routinize behaviour, mediate social relations and provide a coherent set of mechanisms that guide accumulation” (Lewis et al, 2002: 442-443).

¹ The translation of the term regulation from French to English is problematic (Boyer, 2002: 1). The term *régulation*, as used in the original French context, has a broader definition than regulation in English, referring to general issues of control and organisation as well as more formal regulation (as defined by the term regulation in English or *réglementation* in French).

Within the 'mode of regulation', regulation theory divides the capitalist economy into two key relations:

capitalism is defined by the conjunction of two principles of economic organization. A market relationship, horizontal in type, organizes exchange relations between economic agents, while the vertical capital-labour relationship codifies the subordination of wage earners to a rationale set by the firm. (Boyer, 1997a: 75)

The economy is, therefore, divided into two concurrent, interconnected and equally important relationships: the market relation and the wage relation. Regulation theory considers the institutional forms that result from the interaction between the two economic relations, arguing that this is how social and political factors feedback into the economy: "The institutionization of one form of market relation and of one type of wage relation is not simply the result of selection in terms of criteria of economic efficiency. ... [T]he process of institutionalisation reflects the social and political conflict particular to each country" (op cit: 75-76). Indeed, one of the founding assumptions of regulation theory is that "economic actors interact on the basis of a series of institutions, rules of the game and conventions" (Boyer, 2002: 10), which are pre-existent and historically determined. Therefore, regulation theory focuses on the institutional arrangements within the mode of regulation of a national economy and the social and political struggles that produce and reproduce these arrangements.

An important feature of regulation theory is that it does not consider markets to be self-equilibrating. Indeed, it starts with the opposite position, that "market economies are in no way self-equilibrating. The success of capitalist economies depends on institutions" (Grahl and Teague, 2000: 172). Therefore, rather than being viewed as impediments to market efficiency, institutions are considered to be fundamental to their success. In taking this broader view, regulation theory abandons the assumption of neoclassical economics that the market is inherently efficient and self-regulating. Instead, regulation theory argues that "a market economy may indeed achieve a certain coherence and overall efficiency, but it is a functional array of institutions, not spontaneous market equilibrium, which brings this about" (op cit: 163).

Therefore, regulation theory emphasises the role of institutional structures, which are historically contingent upon social and political power struggles, in mediating economic relations.

A further point that makes this theoretical approach particularly applicable to my research is that it places labour at the heart of its analysis: “in spite of the fact that the RS [regulation school] appeals to an array of structural forms, the *rapport salarial* [wage relation] is obviously the most central of these” (op cit: 163). The wage relation is characterised by “mutual relations among different types of work organisation, life-styles, and ways in which the labor force is reproduced” (Boyer, 1990: 38). Specifically, it is determined by five components of the relationship between capital and labour, namely:

the type of means of production; the social and technical division of labor; the ways in which workers are attracted and retained by the firm; the direct and indirect determinants of wage income; and lastly, the workers’ way of life, which is more or less closely linked to the acquisition of commodities or the use of collective services outside the market (ibid).

Therefore, the centrality of the wage relation results from its influence on the form of the market relation directly as well as indirectly via consumption patterns, productivity and adaptability to technological change. Consequently, regulation theory argues that much of the diversity that exists in modern capitalism can be explained via analysis of the wage relation and the corresponding nationally distinct models of labour market governance.

Much of the early research by regulation theorists involved the identification and codification of ‘Fordism’ as a mode of regulation. In particular, Aglietta’s (1979: 382) seminal work analysed the American economy in 1960s and identified a mode of regulation characterised by a social organisation of labour influenced by “the principle of mechanization ... [and] an intrinsically capitalist mode of consumption ... structured by the mass production of standardized commodities”, which together formed “a regime of predominantly intensive accumulation”. More recent work within the regulation school has suggested the emergence of a post-Fordist

mode of regulation resulting from significant transformations that have occurred in developed economies since the mid-1970s, including the rise of the information age, increased global interdependence, and the emergence of new flexible forms of production and patterns of employment (Amin, 1994: 2). However, there is debate about the extent to which these changes represent the creation of a genuinely new mode of regulation with some commentators arguing that they only represent changes in the conditions of production and not the emergence of a new regime of accumulation (Tickell and Peck, 1992: 190; Tickell and Peck, 1999: 121).

Considerable attention has been given to debate concerning the emergence of a post- or after-Fordist mode of regulation in economic geography largely because of inherently geographical tensions that are emerging within this new mode of regulation. Tickell and Peck (1999: 125) identify a “new spatial disorder” with “an uneasy interface between *national* forms of regulation and the *globalizing* dynamic of accumulation” (emphasis in original). Similarly, Swyngedouw (1992) identifies a process of ‘glocalization’, whereby the processes of globalisation and localisation are occurring simultaneously.² Beyond these specific examples, regulation theory is generally conducive to economic geography research because it actively considers space in its theoretical framework. Indeed, as I mentioned earlier, regulation theory seeks to account for capitalist diversity and uneven development in space as well as time and focuses on the causes for nationally distinct patterns of regulation and accumulation.

A study of work time reduction policy in France lends itself to being viewed according to this theoretical paradigm. First, the decision to use work time reduction policy is influenced by historically contingent regulatory arrangements in the French ‘wage relation’. Furthermore, by altering of patterns of production, consumption and work place organisation, the implementation of the 35 hour week is currently having considerable impact on the ‘market relation’, affecting most aspects of the French economy. In addition, the future effectiveness of

² I explore this concept further in Section 5.3.2 of Chapter 5.

work time reduction policy will depend on how much it causes the French market relation to diverge from the dominant model of international capitalism and the impact of this on French competitiveness.

Second, research into the future viability of work time reduction policy raises similar questions to those in contemporary regulation research concerning the degree to which the wage relation remains nationally autonomous. Some researchers argue that “[the wage relation] is increasingly seen as determined by outside factors, as increasingly a dependent rather than an independent variable” (Grahl and Teague, 2000: 169). In this case, if the wage relation is increasingly converging on an internationally determined model then the implication is that national forms of capitalism are also converging on an internationally determined model of capitalism. Consequently, nationally distinct employment policies that diverge from the international norm, like the 35 hour week, will become harder to sustain. Given that my study of the French 35 hour week policy considers these questions and dilemmas, the theoretical paradigm of regulation theory fits well with my research, which contributes to contemporary debates within the regulation school.

The institutionalist theory of the regulation school offers a plausible and well recognised alternative to mainstream economics through which to analyse economic activity and to explain why economies and markets are not homogenous across space. This theory embeds economic processes in the context in which they occur, incorporating into its analysis economic, social and political factors that determine economic outcomes. However, this theoretical approach considers the economy from the macroeconomic level, looking at the workings of the whole economy, nearly always at the scale of the nation-state. While I am interested in the functioning of the French economy, my research is primarily concerned with economic processes occurring at the regional rather than national scale. Furthermore, I am interested in the functioning of the labour market and not the economy as a whole. Therefore, while I adopt a regulationist

approach as the broad framework through which I organise my research and analyse my findings, I combine this with a second related theoretical approach that is more directly applicable to my research questions and aims. This second approach is Peck's theory of the political economy of the local labour market.

3.1.2 Peck's political-economic theory of the local labour market

Labour and the labour market have received considerable attention in economic geography. Indeed, one of the classic economic geographic preoccupations concerns the relative mobility of capital compared with the immobility of labour (Martin, 2000: 455). This spatial tension between the two major factors of production in the local labour market has been used as a key site for research and as a conceptual tool. Significant influential insights have emerged from this economic geographic research.

Since the late 1970s, the notion of a "spatial division of labour" (Massey, 1984) has been highly influential in economic geography (see also Clark, 1980; Clark, 1983; Storper and Walker, 1984). This notion explained the geography of industry, growth and employment "through an interpretation of the spatial organization of the social relations of capitalist production" (Massey, 1984: 5). It showed how past and current patterns of production affected outcomes in the local labour market, the social characteristics of labour in different places and the corresponding division of labour. More broadly, this work built upon segmentation labour market theories, which hold that "the social space of the labor market is not only divided into submarkets ... but also that the rules governing the behavior of labor market actors differ from one segment of the labor market to the other" (Peck, 1996: 46). Since the 1980s, research in economic geography has also highlighted the socially regulated nature of the local labour market, conceptualising the local labour market as "a site of processes of social regulation and politico-economic governance" (Martin, 2000: 463). This research, which draws on institutional and regulation theories, argues that the local labour market is a socially embedded institutional

space and that “the analysis of labour markets is inseparable from a consideration of the complex of institutional forms, patterns of governance and process of social regulation that together constitute its ‘institutional underpinnings’” (Haughton and Peck, 1996: 319). My research draws upon these theoretical insights that have emerged from within economic geography in recent years. However, rather than gathering together the work of various authors in a piecemeal fashion, I have chosen to rely on Peck’s (1996) theory of the local labour market. This work combines the various insights mentioned above into a coherent theoretical framework that, as I show throughout this section, is highly appropriate to my research.

In his book *Work Place: The Social Regulation of Labor Markets*, Peck (1996) establishes a rationale and framework for studying the local labour market. As in my research, Peck’s theoretical approach takes “regulation theory as its point of departure” (op cit: 110) and adopts some of the assumptions of regulation theory mentioned above. Most importantly, he assumes that: (1) the wage relation influences the institutional structure of the national economy; (2) labour relations are mediated primarily through institutions, causing the labour market to be socially regulated; and (3) the form of the national institutional structure is the outcome of past social and political struggles.

From this starting point, Peck’s theoretical framework builds upon regulation theory in two ways. First, he reduces the scale of his analysis of the wage relation from the national to the sub-national, adopting the local labour market as his chief unit of analysis. He justifies this reduction in the scale of analysis by stating “there is a need to bring subnational regulation out of the shadows, not in ritual celebration of diversity and difference but in order to understand *of what* national systems are constituted” (emphasis in original, op cit: 99). He argues that subnational systems of labour market governance are an important unit of analysis in their own right for two reasons. First, the local scale is the scale at which people enter and interact with the labour market: “labour markets are lived *locally*” (emphasis in original, op cit: 86). He

returns to this point again later in his analysis claiming, “a strength of local research is its capacity to throw light on the functioning of labour market processes in different local institutional contexts, and to generate explanations rooted in the scale at which labour markets are lived – the local” (op cit: 112). The second reason Peck advocates for greater concern to be given to the subnational labour market is because the national system of labour relations is the sum of its subnational parts: “Regional systems ... are more than mere derivations from a (dominant) national model: after all, national models are themselves constituted of a series regional systems” (op cit: 101). For these reasons, Peck argues that the local labour market is a “theoretically non-trivial *territorial dimension to the process of labour regulation*” (emphasis in original, op cit: 106). Consequently, Peck’s theoretical framework raises the local labour market from “the lowly status of a case study area” (op cit:112) to the more exalted status of a theoretically important spatial scale at which the regulational structure of the labour market is determined and from which it can be explained.

This point leads to the second way in which Peck’s theory of the local labour market diverges from regulation theory, which is by its explicit incorporation of scale and space as variables in his explanation of labour market relations. Peck does this by using regional institutional variations as a tool to explain geographically uneven economic development:

[Regional] Institutional variability should neither be dismissed as noise around a basic national model (from a top-down perspective) nor used as evidence of the redundancy of national models (from a bottom-up perspective). Rather it should be understood as part and parcel of a wider process of spatially uneven development. The question is not simply which scales are becoming more or less significant, but instead concerns the changing relations within and between scales. (op cit: 101)

Peck highlights three ways in which local regulatory regimes contribute to uneven regional development: (1) via national accumulation regimes creating uneven rates of regional economic development; (2) through the uneven spatial effects of policy, whether because the policy is explicitly regional or because nationally uniform policy has spatially uneven outcomes when implemented across a non-uniform national economy; and (3) through the variety of historical

uses of space and pre-existing institutional and economic structures (op cit: 102-105). Hence, Peck argues that there needs to be a focus on the “geoinstitutional distinctiveness” (op cit: 106) of the labour market, which results from national factors having locally varied outcomes as well as specifically local factors, such as local government policies, local social structures, and local employment and economic histories. Together, these factors create what Peck terms the “regulatory milieu at the local level” (op cit: 107), which impacts upon outcomes in the labour market and its governance.

One of the strengths of Peck’s theoretical approach is that it does not consider the local labour market in isolation. Instead, Peck’s theory of labour market governance not only looks inwards onto the local labour market, it also looks outwards from the local labour market towards the national economy and international capitalist environment:

Analytically, parallel emphasis needs to be placed on both the “place-distinctiveness” of systems of labour regulation and on their “place” within national and international networks. ... [T]he distinctive regulatory milieu of the local labour market should be conceived not so much as a locally organized regime or system, but more as a set of local regulatory dialectics. (emphasis in original, op cit:109)

This parallel emphasis in Peck’s theory places the local labour market at the centre of a dynamic and multi-directional conceptualisation of the labour market whereby the social regulation of the local labour market is both influenced by and influences the scales above it.

Peck’s theoretical conceptualisation of the political economy of the local labour market adds significantly to standard regulation theory in a way that is highly relevant to my research. His reduction from the national to the subnational scale of analysis is especially relevant given the regional scale at which I am undertaking my study. However, beyond this, Peck’s incorporation of the local labour market as an analytical variable and not merely a descriptive tool is also highly appropriate. In particular, his theory overtly considers the way in which the local labour market dually influences and is influenced by the national regulation of labour. Work time

reduction policy in the region of Nord-Pas-de-Calais is an example of this two-way relationship. As I show later in this thesis, the regional labour market of Nord-Pas-de-Calais experimented with work time reduction policy before the creation of the national 35 hour week. Certain features of the regional policy were then transferred into the national 35 hour week policy, only to return again to the region in the form of national legislation. Peck's focus on the uneven economic impact of policy implementation resulting from local variations in the economic landscape and regulatory milieu is also highly relevant to my research.

3.2 Neoclassical economic theory

While political economy generally, and regulation theory specifically, are well recognised, they are not the dominant approaches used for the study of the labour market and employment policy. Neoclassical economics is the academic orthodoxy in this field and clearly exercises "intellectual and policy hegemony at present within the domain of economic analysis" (Thompson, 1999: 427). While I do not adopt a neoclassical approach nor agree with many of its underpinnings, it is nonetheless important to my research because this theoretical paradigm forms the mainstream of current academic economic thinking and the basis for the model of employment policy advocated by international organisations, particularly the OECD. This has been especially so since the influence of Keynesian and Marxist alternatives have faded in recent decades. Therefore, it is important to consider neoclassical economic theory and position my approach in relation to this dominant school.³

The implications for policy of the rise of neoclassical economics have been enormous. The neoliberal policy agenda, as it emerged from Thatcher's Britain and Reagan's America, was informed by neoclassical economic thinking. In the labour market, this type of economic thinking contributed to the rolling back of the Keynesian welfare state and led to the

³ In this section, I tackle the 'text book' version of neoclassical economics. While I appreciate that much of the cutting edge academic economic research is considerably less doctrinaire, it is this 'text book' version that informs much of the commentary from the likes of the OECD and *The Economist*.

development of new forms of employment policy, particularly supply-side, active labour market policies. Indeed, neoclassical economics provides much of the theoretical basis for the idealised Anglo-American model of economic governance and, as a result, its policy prescriptions. Consequently, an appreciation of this theoretical approach is crucial to my research given that I am interested in whether French work time reduction policy remains viable in the face of the dominant Anglo-American model.

3.2.1 Neoclassical economics

The main tenet of neoclassical economics is that markets are the ‘best’, measured as the most economically efficient, way to allocate society’s scarce resources. Within these markets firms aim to maximise profit when making production decisions, while individuals aim to maximise utility when deciding on consumption choices. The preferences and decisions of these two groups of maximising agents are coordinated in competitive markets through the price mechanism. As supply and demand conditions change, prices adjust according to the preferences of individual agents until the market equilibrium is reached. At the equilibrium price, total utility is maximised, causing ‘social welfare’ to be also maximised and resources to be allocated in the most economically efficient way. This model of a flexible competitive market is the foundation of neoclassical economic theory and provides the building block for its conceptualisation of all economic relations.

Given that the flexible movement of the price mechanism is central to markets maintaining equilibrium and, consequently, maximising utility and social welfare, it follows that neoclassical economics advocates a *laissez-faire* approach to economic management. When changes occur in supply (production decisions) or demand (consumption choices), then prices must be able to adjust for the market to maintain its equilibrium at the point where utility is maximised and resources are allocated in the most efficient way. Any interference with the

flexible movement of the price mechanism that stops it from maintaining an equilibrium will result in reduced levels of social utility and efficiency.

Several assumptions underpin this free-market model. The first is that markets are perfectly competitive and free from collusion and non-economic determinants of behaviour. Related is a second assumption that individual behaviour is economically rational and occurs under conditions of perfect information. Central to both of these assumptions in neoclassical economic theory is the notion of individualism.

Contrary to institutionalist theories, neoclassical theory uses the individual as its primary unit of analysis “for the neoclassical paradigm the ‘individual’ is the undertheorized foundation stone for the system” (Thompson, 1999: 431). The decisions and actions of individual economic agents are explained by rational expectation theory, which claims that “each economic agent acts upon the same, consistent economic model, fully deploying the information available” (Fine, 1999: 408). Two important assumptions allow this theory to become a model of human behaviour. The first is that all individuals aim to maximise their own personal utility. The second is that there is perfect information in the market, with all individuals having equal access to the information available. When these theories are combined together, the result is a consistent and predictable model of how humans behave when making economic choices.

This conceptualisation of individual economic behaviour has important ramifications for the claims made by neoclassical economics. Given that “the notion of rational agents beloved of neoclassical economics is universally applicable in all contexts” (op cit: 404), it then follows that the findings and recommendations of neoclassical economics are also applicable in all contexts. The use of a homogenised theory of individual economic behaviour in neoclassical economics removes the individual from their socio-political geography, theorising them to behave in the same way regardless of their background, nationality, location or personal

preferences. In other words, neoclassical economics claims that all individuals behave in the same predictable and systematic fashion when making economic decisions, regardless of who they are or where they are. It therefore follows that markets also operate according to the same principles regardless of where they are or what they are for. Consequently, the use of the individual as its unit of analysis and reliance on the theory of rational expectations to explain the behaviour of individuals allows neoclassical economics to generate universally applicable predictive models of the market and the economy as a whole.

3.2.2 Neoclassical theory, the labour market and unemployment

The competitive market model of neoclassical economic theory applies equally to its conceptualisation of the labour market. “[B]ecause of the pervasiveness of the market mentality and the widespread view of labour as a commodity” (Hollingsworth, 1997: 141), the labour market is treated much like any other commodity market “in which there is unfettered competition and prices fluctuate in accordance with the balance of supply and demand” (Peck, 1996: 2). However, in the case of the labour market, the commodity is human capital and the price is the real wage. Labour supply is the time and effort provided by members of the labour force, who aim to maximise the utility they receive from the trade-off between work and leisure. Labour demand is determined by employers, who again aim to maximise profit.

Like in the standard competitive market model, the wage level is determined by the intersection between supply and demand (Layard et al, 1991). Again the most socially desirable and economically efficient outcome occurs when the wage is at the equilibrium wage rate. At this point the market clears. Those seeking employment are employed and those not working are voluntarily unemployed, choosing increased leisure rather than to work at the equilibrium wage rate. Again, if the market is free of encumbrances then the wage rate automatically adjusts itself when necessary, returning to the rate at which the supply and demand for labour are at equilibrium and there is no involuntary unemployment. Within this model of the labour market,

working hours are seen “as the result of a choice by individual workers” (Rubin and Richardson, 1997: 7). The individual’s decision about how much labour to supply to the market is assumed to be determined by the level of demand in the market, the corresponding wage price, and their personal trade off between work and leisure.

Several types of unemployment are defined in neoclassical theory, varying according to how they are generated. Frictional unemployment results from the time taken to search and procure a job. It is not considered a policy problem because people remain unemployed only for short periods, although policies improving information in the labour market are valuable. Cyclical unemployment (also known as Keynesian unemployment) is the result of insufficient demand and occurs during downturns in the economic cycle. While generally of longer duration than frictional unemployment, it again poses only a limited policy problem because it is reduced by increased aggregate demand, often stimulated by Keynesian-style government spending policies, that causes the downturn to end and employment to rise once again. The welfare net was designed to cope with this type of unemployment, easing the impact of macroeconomic downturns on individuals.

A further type of unemployment is structural unemployment, which causes the greatest policy problem. The OECD (1994a: 66) defines structural unemployment as “that part of unemployment which is not reversed by a subsequent economic upturn – and hence, by implication, not susceptible to the direct influence of macroeconomic policy”. It is the result of “institutions, rules and regulations, and practices and policies which have weakened the capacity of OECD countries to adapt [to rapid structural change] and innovate” (op cit: vii) and “grows from the gap between the pressures on economies to adapt to change and their ability to do so” (OECD, 1994c: 7). Such unemployment results from a mismatch in the labour market between labour demand and supply, exacerbated by rigidities in the labour market that slow its

adjustment to structural economic change. Consequently, those who are unemployed remain out of work for the greatest length of time and pose the greatest policy problem.

According to the neoclassical theoretical paradigm, structural unemployment is generally caused by interference in the labour market, particularly “inappropriate real wages” (Lombard, 1994: 54). Unemployment results when wages are set at a rate above the equilibrium wage (Layard, et al, 2001). Numerous explanations are given for why this might occur “encompass[ing] structural and frictional factors such as technological changes, unemployment benefits, hiring and firing rules, and non-wage labour costs” (Lombard, 1994: 54). In the case of technological change, this can result in a mismatch between workers’ skills and those demanded by the market. Unemployment benefits and other forms of social security are assumed to distort the market, particularly at the low skill end, by altering the decision between work and leisure. Hiring and firing rules limit the flexibility of the labour market to respond to changes, which in turn inhibits the wage rate from returning to its equilibrium. Non-wage labour costs drive a wedge between supply and demand, separating the total cost of labour from the wage received by workers. Unionisation and collective bargaining can cause an ‘insider-outsider’ (Lindbeck and Snower, 1988) effect whereby insiders, who have jobs, negotiate for a higher wage than the equilibrium wage, at the expense of outsiders, who are unemployed.⁴ Finally, while wages rise at times of increasing labour demand, they are sticky downwards and rarely fall, especially in the short-term, as workers are unlikely to accept a pay cut while continuing to provide the same effort (Solow, 1986). It is argued that these factors interfere with the free movement of the labour market, stopping the wage mechanism from adjusting and the market from returning to equilibrium, and resulting in involuntary unemployment.

⁴ This theory is supported by efficiency wage theory which shows that it is not necessarily economically inefficient for firms to pay above the market clearing rate (Shapiro and Stiglitz, 1984). This theory, which is also based in neoclassical economics, shows that it can be economically optimal for firms to pay above the equilibrium wage in order to get increased loyalty and effort from staff.

In sum, therefore, neoclassical theory claims that the labour market works most efficiently and, hence, in the most socially desirable way, when it is free from interventionist regulation and when wages are undistorted by external factors. Given the current dominance of this school of thought in economics and employment policy debates, the ramifications for policy are important. As Martin (2000: 465) notes in his discussion of the local labour market, “the slogan for the contemporary era is *flexibility*” (emphasis in original), and the corresponding employment policy model is thus based upon the “twin totems of deregulation and flexibility” (Haughton and Peck, 1996: 320). In this model, little room is left for nationally specific models of labour market governance and their corresponding institutions. Instead, the policy prescriptions of neoclassical economic theory, which form the basis of the Anglo-American model of economic governance, are held up as universally applicable across developed capitalist labour markets because of their basis in a universal model of individual economic behaviour.

3.2.3 Criticisms of neoclassical economic theory

Numerous criticisms are raised against neoclassical economics. They are directed at a range of concerns, including its quasi-scientific, purely quantitative methodology, its claims of objectivity and many of its initial assumptions such as perfect information, perfect competition and the existence of discrete markets. In my review of this literature, I do not revisit all of these well-known criticisms. Instead, I focus solely on those pertaining directly to my research on the local labour market, unemployment and employment policy. In particular, I focus on related criticisms concerning the basis of neoclassical theory in individualism and its apolitical, aspatial and institution-free conceptualisation of the labour market.

First, critics of neoclassical economics find fault with its model of individual behaviour as well as its sole reliance on the individual as the unit of analysis. As Fine (1999: 405) states:

It has been established time and time again that mainstream economics is fundamentally flawed methodologically... . This is primarily a consequence

of its being based on methodological individualism for which a science of the economy, or, indeed, of any social relation, is impossible except by arbitrary (and often concealed) assumptions of taking as given what is the object of study.

The assumptions incorporated in rational expectations theory, which are imperative to neoclassical theory's claims of universality, are viewed as particularly problematic by critics. Rational expectation theory claims that everyone makes decisions in an economically rational, well researched and consistent fashion, with the aim of maximising utility. It divorces the individual's decision-making from any emotional, social or cultural influences. To Fine (op cit: 408) the idea that humans behave according to such a theory is a "simple, wildly unrealistic assumption". Even Thompson (1999: 431), a supporter of the neoclassical paradigm, admits this simplified theory of human behaviour is "undertheorized".

If the foundational assumptions about individual rational actors are challenged, then many of the claims of neoclassical economics become shaky, especially in relation to the labour market which, given the unique qualities of human capital, is the least 'economic' of all the markets. Critics highlight the need to place greater emphasis on collective factors influencing economic behaviour, such as institutional structures, social norms and political traditions. The political economy and institutional theories I adopt emphasise such factors, with research in these fields contradicting the individualistic neoclassical model by demonstrating that "labour markets are systematically structured by institutional forces and power relations" (Peck, 1996:5). Given my interest in employment policy and traditions of labour market governance, this conceptualisation of the labour market is more appropriate for my research than the stylised neoclassical model.

A second criticism of neoclassical economics is that it presents its findings as apolitical. By taking quantifiable statistical information and manipulating it in economic models, neoclassical economics claims to produce an objective representation of reality, removed from political or

ideological influence. However, this ‘scientific’ approach to research has received considerable criticism. As Fine (1999: 405) claims, “the notion of data as neutral and external is erroneous”. In all research, the information a researcher chooses to collect and privilege over other information is filtered according to what they see as important. As Janesick (2000: 385) rightly argues “research is ideologically driven. There is no value-free or bias-free research”. The reality a researcher presents is constructed according to their ideology and their “assumptions about the nature of the social world” (Hall and Hall, 1996: 29). Not only is the information gathered biased by the filter of ideology, so too, and with more profound implications, are the initial topics being researched: “Ideology has a key influence in determining both the issues to be studied and the recommendations to be drawn from research findings” (Massey and Meegan, 1985: 5). As a result, ideology and political motivations and beliefs are ever-present in social science research. However, the politics of the underlying assumptions of the models used in neoclassical research is rarely, if ever, acknowledged.⁵ Assumptions about the nature of the social world are instead “couched in the ostensibly apolitical discourse of free markets, competition, and flexibility” (Peck, 1996: 2). Yet, like all theories explaining social and economic relationships, neoclassical economics is not apolitical. For example, its basis in the liberal assumptions of individualism differs considerably from the conceptualisation of social organisation under communism or, less radically, under social democracy and its definition of ‘best’ solely according to the parameters of economic efficiency, which ignores other possible criteria, such as social justice or standard of living.

⁵ The underlying assumptions behind economic models have important ramifications on their output. Witness macroeconomic studies that attempt to model the effects of work time reduction policy: “Unfortunately, such studies do little more than reflect their initial assumptions. For example, they do not estimate the productivity effect of reduced hours directly. Instead, they assume a particular effect, based on microeconomic studies” (Rubin and Richardson, 1997: 134). Similarly, they assume the policy’s effect on wages, the second key determinant of the outcome of work time reduction policies, rather than provide estimates of it. Therefore, the output from these models is largely determined by their initial assumptions, which reflect initial prejudices.

The third and overlapping criticism of neoclassical economics is that it divorces the economic from the context in which it is embedded. As Boyer (1997a: 71-2) argues, neoclassical economics largely ignores the role of institutions and socio-political factors:

Neoclassical theory ... reduced the capitalist economy to a series of markets for products, factors of production and shares. This genesis of pure economics dispenses with the particular features of the social and political environment, restricting itself to the problems of production and allocation of resources.

As well as dispensing with the socio-political environment, neoclassical economics also ignores the role of institutions. This is especially so in the labour market. For example, as I noted earlier neoclassical economics assumes that working hours are determined individually. However, as Rubin and Richardson (1997: 7-8) note: “Individual preferences do not determine working hours directly. Individual bargaining over working hours is rare. Institutional forces decide working hours.” The institutional forces they refer to range from social norms concerning working hours and the general daily rhythm of modern society to explicit government regulation. Working hours are by no means solely determined by individual preferences.

Neoclassical economics also “largely ignores space” (Arnott and Wrigley, 2001: 1).⁶ It uses its theoretical foundation of rational expectations to justify its universality, thus removing the need for the consideration of any of the spatial or institutional attributes that form the context in which labour relations occur. Boyer (1997a: 73), when discussing the rise of monetarism and the return to neoclassical assumptions in economics, claims that the current dominance of neoclassical economics “marks a return to pre-Keynesian theories, where national characteristics have no place since the principle of methodological individualism derives from the preferences shown by agents and not by economic institutions that characterize contemporary economies”. Not only is the national scale (the most obvious and easily

⁶ There is one notable exception to this which is ‘new economic geography’ (e.g. Krugman, 1998; Fujita et al, 1999). New economic geography seeks to explain spatial concentrations of economic activity, using mathematical models that show the spatial impact of imperfect competition and increasing returns to scale (Martin, 1999: 387). However, even here, space is only viewed as an abstract plane over which economic processes occur and the socio-economic and institutional specificities of place continue to be ignored (op cit: 388). Furthermore, while space may be considered an important variable in this economic sub-discipline, it continues not to be incorporated into mainstream neoclassical economic theory.

quantifiable scale at which to consider geographic variation) ignored, so too are sub-national scales of analysis. In neoclassical labour economics, the local or regional labour market receives next to no consideration because “space is reduced to a passive and merely contextual economic backdrop: the local labour market is portrayed as a container for universal processes. In orthodox theory, then, the local labour market is no more than a pale geographic reflection of the abstract competitive model” (Peck, 1996: 84). According to this theoretical paradigm, in which data are abstracted from the particular time, place and the socio-political, cultural, and historic setting from where they were gathered and reduced into a series of timeless and aspatial models, the universal forces of the economy act evenly across space. Geography is deemed irrelevant.

I take issue with those in contemporary mainstream economics who dismiss the importance of place and the assumptions they make in the process of doing so. Peck (1996: 10) argues that “the key to understanding real-world labour markets is to grasp the social nature of labour and the institutional means by which it is reproduced, which implies a fundamental break with neo-classical orthodoxy”. The social nature of labour, its production and reproduction and the institutional settings of labour market relations are all place and time dependent. They are spatially variable characteristics, influenced by institutional factors ignored in neoclassical theory. This is especially true when considering the labour market at the regional or local scale. Here, “the local labour market is shaped by both “general” processes of labour segmentation and by “specific” local structures of labour reproduction and institutionalisation. Geographies of labour are formed at this intersection, where flows of capital accumulation collide with the structures of community” (op cit: 15). In other words, factors specific to the local scale influence the way in which the labour market behaves. These factors are ignored in neoclassical economic theory. However, I believe they are important to a full understanding of how the labour market works and especially how employment policy is implemented at the regional scale.

It is interesting to note that while the outcomes of neoclassical economics are held up to be ageographic, couched in apolitical language and presented as applicable anywhere, the rise of this economic orthodoxy is linked to a particular time, place and political context. This academic tradition arose out of the Anglo-American world in the late twentieth century. It dominates research at a time when America dominates the global economy and, consequently, American-style neoclassical capitalism dominates global capitalism. As a result, the Anglo-American model is in a powerful position to overwhelm alternative methods of capitalist governance.

However, it is not a useful theoretical tool for examining the topic of global economic convergence. As Boyer (1997a: 71) writes, “economists’ theories of capitalism have failed to analyse the origins of capitalist diversity”. These theories assume away any logical need for capitalist diversity by using the rational individual as its unit of analysis. However, if the economic world includes socio-political and geographically specific institutions, instead of being peopled by economically rational individuals and firms, then the transfer of economic systems from one context to the next is considerably more problematic than neoclassical economic theory or policy bodies advocating this model presume. While I end this section here, I return to these points in more depth in Chapter 5.

3.3 Theoretical explanations for French unemployment

In this section, I review explanations for the French unemployment crisis, beginning with neoclassical explanations before considering those from within regulation theory. The dominant neoclassical explanation is that the high and persistent unemployment found in France in the 1980s and 1990s is symptomatic of structural unemployment caused by labour market rigidities:

Almost uniformly, in public discussion [of unemployment] of what is after all a high-visibility issue, the blame for this failure falls on ‘rigidities in the labour market’. ... The same knee-jerk reaction appears also as the conclusion

of the OECD Jobs Study (though it might be more appropriately be described as the assumption of the OECD Jobs Study). (Solow, 1998: 190)

Similarly, Agnell (1999: F143) notes:

According to a popular view rigid labour markets are an important factor behind Europe's stubbornly high unemployment. Only if governments get rid of distortions like minimum wages, job protection laws, and generous social benefits, will employment resume growth. This has been a recurring message of publications from the OECD and the IMF, it carries the day in weekly magazines like *The Economist*, it provides the intellectual backbone for policy proposals from various think tanks and it has generated a number of publications in the academic journals.

Therefore, rigidities and the structural unemployment created are put forward by adherents to the neoclassical school as a prime cause of French and European unemployment.

In keeping with this stance, the OECD argued in its assessment of the French unemployment situation that "the rise in [French] unemployment has been largely due to structural factors" (OECD, 1997b: 66). They estimated that the structural component of unemployment remained constant at between 9% and 10.5% from the mid-1980s until the mid-1990s (op cit: 8). They identified numerous factors limiting the economy's ability to adapt to change, including wage and labour cost inflexibility, an overly generous unemployment benefit scheme, excessive employment protection, especially with regard to laying off staff, too little work time flexibility, and an overly generous minimum wage (op cit, 1997: 69-71). The OECD argued that together these factors stopped the French labour market from responding effectively to structural change in the economy, thus causing a high level of structural unemployment. This conceptualisation of unemployment as structural led the OECD to argue that the best policy response to unemployment was to reform the supply side of the labour market, focusing especially on the individual's 'employability' in order to reduce distortionary welfare policies and simultaneously increase labour market flexibility.

However, the notion that French unemployment is primarily structural is contested. For a start, the OECD's estimate of the structural component of unemployment is challenged. The OFCE, a

leading French economic forecaster, estimated that the structural component of unemployment was only 7 to 8% in the mid-1990s (Cornilleau, et al, 1998: 18). By this account, a considerably greater proportion of French unemployment is cyclical and therefore the result of macroeconomic factors.

Furthermore, the OECD's assessment that French unemployment is a result of labour market rigidities is also challenged. Esping-Andersen and Regini (2000: 2) argue, with reference to Europe as a whole, that:

labour market 'rigidities' simply cannot explain 'the European unemployment problem' per se. There is very little solid evidence that 'rigidities' of hiring and firing, or of wage structures, have anything to do with Europe's chronically high unemployment levels, nor with Europe's apparent incapacity to fuel job growth.

The logic behind this argument is that rigidities are forms of employment protection that are demanded by the public and contribute to social cohesion. Rigidities, such as the minimum wage, minimum work standards and the welfare net exist for socially desirable reasons, ensuring the maintenance of an appropriate standard of living for workers and their protection from exploitative demands from capital.

Furthermore, 'rigidities' need not be economically inefficient: "As stressed by the sceptics of wholesale deregulation, worker protection is not just a matter of welfare, but may also be conducive to efficiency" (op cit: 3). Esping-Andersen and Regini argue that employment protection legislation contributes to the creation of a stable, core workforce of qualified, dependable and cooperative workers that is needed in high value-added markets found in developed countries. They note, "even in highly flexible labour markets like the USA, core economy firms operate with efficiency wage systems and implicit, possibly informal rigidities" (op cit: 4). Similarly, Streeck (1997: 206) introduces the concept of 'beneficial constraints', which "posits the indispensability for an economy of a well-integrated surrounding society ... and to a need for the noneconomic to control the economic, *for the sake not only of the former*

but also the latter” (emphasis in original). The cause of this difference in opinion about the impact of rigidities on the labour market results from differing conceptualisations of how the labour market functions. Critics of the market centric approach of neoclassical economics and its corresponding policy suggestions object to the conceptualisation of labour as a commodity, emphasising instead its socially regulated nature.

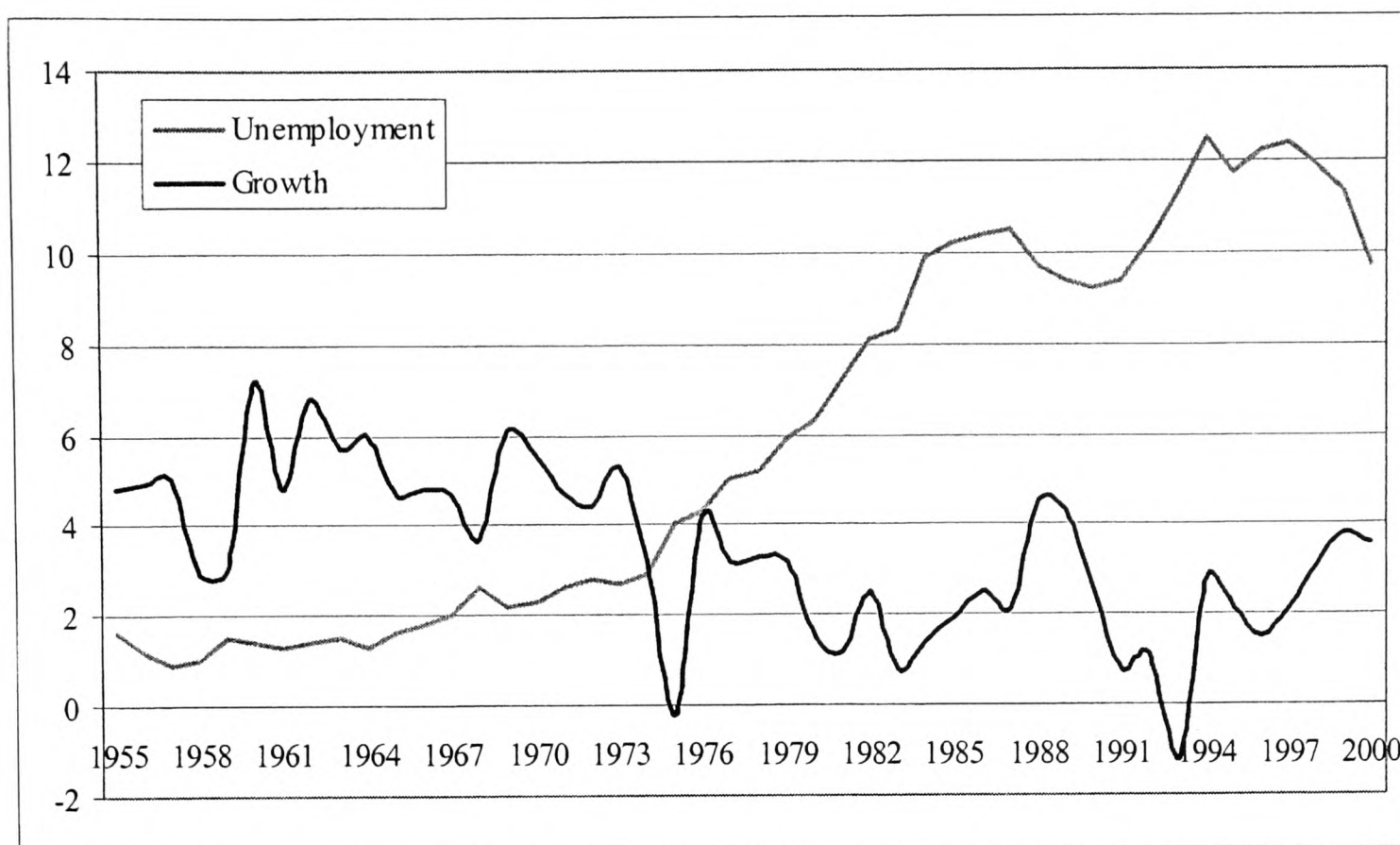
As I expand later, adherents to this position argue that macroeconomic conditions, particularly low levels of growth, explain a larger proportion of European, including French, unemployment than labour market ‘rigidities’. However, they acknowledged that rigidities do have an impact. As Esping-Andersen and Regini (2000: 2) continue, “[t]here is, however, substantially more credible evidence that ‘rigidities’ of this sort influence who are the unemployed.” Therefore, while rigidities may not overly influence the extent of unemployment, they do influence its structure. This argument can explain the high rates of unemployment amongst young people and the low skilled (Kramarz et al, 1999:2), because these are the groups most likely to be employed at the minimum wage, which in France is the second highest in Europe⁷ (Malo et al, 2000: 253).

Related to this idea that unemployment is a result of poor growth rates in the past, is a further explanation for high French unemployment built upon the theory of hysteresis, sometimes referred to in the European context as “Eurosclerosis” (Lombard, 1994: 59). Hysteresis “embod[ies] the idea that the equilibrium unemployment rate depends on the history of the actual unemployment rate” (Blanchard and Summers, 1987: 288). The logic behind this argument is that the unemployed do not impact significantly on wage determination, particularly the long-term unemployed whose employability, in the eyes of the labour market, falls as the duration of unemployment extends. In other words, the theory of hysteresis argues

⁷ The Dutch minimum wage is higher than the French minimum wage. However, it is calculated by age, whereas the French minimum wage is set at a uniform level, making the French minimum wage the highest for young people in Europe.

that unemployment is “path dependent” (ibid) with the actual level of unemployment driving up the equilibrium rate of unemployment and impacting on the future rate. Hysteresis theories have been used to explain a significant proportion of French unemployment, given that the actual rate of unemployment continued to ratchet up from the mid-1970s to the mid-1990s.

This argument has strength when unemployment in France is considered in conjunction with economic growth, as regulation theorists have sought to do. There is a significant correlation between France’s poor employment performance since the oil shocks of the 1970s and weak economic growth. In making this argument, Boyer (1997b: 1) concludes that “contemporary unemployment [in France] is related not so much to the *short run* malfunctioning of the labour market [as suggested by neoclassical economics] as to the erosion of the growth regime in the post-war period” (emphasis in original). Boyer (1997b) analyses the relationship between unemployment and growth, dividing the post-war period into two parts: 1946 to 1974 and 1974 onwards (see Figure 3.1). From World War II until 1974, France’s growth rate averaged over 4%. During this period, there existed the expected relationship between unemployment and growth: as growth increased, unemployment fell and vice versa (Blanchard and Fitoussi, 1998: 9). Hence, it is concluded that much of the unemployment in this period was cyclical.

Figure 3.1 Changes in growth and unemployment in France (1955-2000)

(Sources: Boyer, 1997a; INSEE)

However, after 1974 France's growth rate dropped to consistently lower levels. The average growth rate from 1974 to 1998 was only 2.3% (Blanchard and Fitoussi, 1998). During the period from 1990 to 1996, it averaged even lower at 1.4%. Furthermore, the inverse relationship between growth and unemployment became more complicated. French unemployment no longer seemed as responsive as it once was to economic upturns with periods of improved growth in the 1980s seeming only to stall the rise in unemployment rather than reduce it.

Such correlations between unemployment and growth suggest that French unemployment was largely the result of weak macroeconomic conditions in the French economy generally. Furthermore, when this macroeconomic perspective on unemployment is added to the theory of hysteresis, with its emphasis on the path-dependency of unemployment, it suggests that past failures in the French growth regime contributed to the present unemployment situation. Therefore, this analysis suggests that a significant proportion of unemployment in France is attributable to hysteresis and the carry-over effects of poor growth in the past, rather than solely structural and cyclical forms of unemployment. The diagnosis of French unemployment as

being partly resulting from hysteresis has important policy ramifications: “hysteresis models point to different policy choices ... they imply that policies to decrease the actual rate [of unemployment], if successful would probably also lead to decreases in the equilibrium rate” (Blanchard and Summers, 1987: 294). Therefore, the logic behind the 35 hour week policy must be viewed with respect to macroeconomic and hysteresis explanations for French unemployment.

3.4 Conclusion

In this chapter, I have discussed my choice of theoretical framework, the neoclassical economic orthodoxy and criticisms against it, and economic explanations for the French unemployment crisis. In doing so, I have highlighted why, given my research objectives, I have adopted a political economy theoretical framework rather than the dominant neoclassical economic approach. My theoretical framework combines the detailed and targeted approach of Peck’s local labour market theory with the insitutionalist framework of the regulation school and draws upon the considerable research of economic geography into the theoretical importance of the local labour market, the spatial division of labour and its socially regulated and spatially embedded nature. I believe this theoretical approach offers a more realistic explanation of how the local labour market operates than the “timeless, placeless world of neoclassical economic theory” (Peck, 1996: 84) and gives the appropriate weight to social and political factors, as well as scale-related factors affecting labour market relations.

In this chapter, I also outlined neoclassical theory and highlighted several flaws in its approach that weaken its claim to being a universal model of economic behaviour and, consequently, of providing the ‘best’ model for policy. If neoclassical theory is not apolitical and the quantifiable data used in its models is not wholly objective, then the findings of this theoretical paradigm lose their claim to being universal scientific truth. This has important ramifications when reviewing the initial responses to the 35 hour week policy from the English-speaking world as

well as for understanding French unemployment. When it is acknowledged that the Anglo-American model is not purely a model of economic management, but has an ideological and political bias, then the ‘common sense’ arguments often made in support of Anglo-American forms of policy, and in criticisms against the 35 hour week, lose some of their force. As Snower (1995: 132) eloquently puts it “if there is any sense underlying this common sense, it exists in the form of a coherent self-contained theory”. Quoting Keynes, he continues “Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually slaves of some defunct economist.” (ibid) Given that “[neoliberal economic] thinking is (instinctively or grudgingly) accepted as the commonsense of our age” (Peck, 2000: 256), Keynes’s warning then becomes highly pertinent to contemporary employment policy debates. The ‘common sense’, apolitical facade of the Anglo-American policy model is based upon the coherent theory of neoclassical economics. However, its political biases and questions concerning its universality and transportability into alternative cultural contexts are highlighted when analysed through the lens of the political economy theoretical framework I have established in this chapter. Having constructed this broad theoretical framework that I use to conceptualise economic relations in the local labour market and having shown it to be appropriate for my research aims, I now move to a second important theoretical aspect of my thesis. In the following chapter, I discuss the theory of policy.

CHAPTER 4

Geography and Policy Theory

I now turn to a second theoretical concern in my research and consider the theory of policy. As John (1998: 37) states, sound policy research requires “a framework or a theory to make sense of the policy process as a whole.” In this chapter, I outline the framework I use to make sense of work time reduction policy in Nord-Pas-de-Calais. In doing so, I have two main aims. First, I position my choice of theoretical framework within existing schools of thought. My second aim is to show that mainstream approaches to policy theory tend to ignore geography.

While considerable debate surrounds how policy-makers make decisions, it is usually taken as given that policy is made by some generic placeless ‘policy-maker’. Little attention is given to spatial scale and its role in shaping the policy-making process and policy outcomes. Instead, it is uncritically assumed that policy-making is carried out by government, whether national, regional or local. And while it is acknowledged that policy decisions are partly socially embedded and place-dependent, little further attention is given to geography in policy theory. As a result, important spatial issues are ignored.

In this chapter, I attempt to rectify this omission. I begin by reviewing the policy literature in search of relevant theories that consider policy in a holistic way. Second, I review the policy and economic geography literatures using scale as my filter, looking for theories that add to an understanding of the geography of policy. In the third section, I combine findings from the two previous sections into a single theoretical framework. I do so with the aim of constructing a theory of policy that not only considers policy, policy-making and the policy process, but is also sensitive to the spatiality of policy and policy-making.

4.1 Policy theory

Policy theory is concerned with the policy-making process. It “seeks to understand how the machinery of the state and political actors interact to produce public action” (John, 1998: 1). In general terms, policy or public action is “any form of deliberate intervention, regulation, governance, or prescriptive or alleviative action, by state or nonstate bodies, intended to shape or reshape social, economic and environmental conditions” (Martin, 2001: 206). However, in this thesis, I take a narrower definition of policy, considering only deliberate action by state bodies intended to shape economic, social and environmental conditions.¹ Therefore, the policy theory I am interested in is that which seeks to explain how government makes policy decisions and what influences their decision-making.

Despite the relevance and importance of policy-focused research, only limited attention has been given to policy theory. Consequently, “the study of public policy, as it is conveyed in much of the social science literature, is remarkably devoid of theory” (Stone, 1997: x). In part, this is because the academic formalisation of policy studies is relatively new, having only begun in the 1950s (Marinetto, 1999: 270). However, it is also because most academic attention devoted to policy is focused on specific policy issues, such as economic policy or environmental policy, rather than on creating an overarching and comprehensive theory of policy and how it is made. This is equally true of economic geography, where most policy-focused work considers specific policy questions, rather than combining generic findings from policy-focused research into a comprehensive theory of policy that explicitly incorporates geography.

¹ In taking this definition of policy in my thesis, I omit several important concerns from my study of policy. First, by considering only deliberate action by governments I ignore non-deliberate action as well as inaction, which are both important because they reveal much about a government’s priorities and position. Second, I ignore policy made by non-state actors, which, given the rise of non-government organisations, supra-national organisations and multi-national companies, is becoming an increasingly important domain of policy-making. However, I omit this type of policy-making because the non-democratic nature of such institutions alters significantly the policy-making process in ways that are not of concern to my study.

Of the existing theoretical approaches, the rational choice model dominates policy theory, to the extent that “[t]he hallmark of contemporary policy analysis is its focus on rational methods of decision making” (Stone, 1997: 232). The rational choice model is not only an influential theory describing the policy-making process, it also forms the basis of the policy cycle, a highly pervasive theory describing policy decision-making. However, while the rational model may dominate policy theory, it is by no means the only theoretical framework. There are a number of competing theories of policy, which take alternative perspectives and focus more on political, socio-economic and institutional influences on the policy process. The main distinction between these theories is their relative emphasis on structure versus agency (Marinetto, 1999: 270). One of the theories on the agency side of the debate is the rational model. On the structure side sits a range of alternative theories that draw on various factors external to the immediate decision-making process.

4.1.1 Rational choice policy theory

Since rational choice theory was first formally incorporated into political theory in the 1950s (e.g. Buchanan and Tullock, 1962; Downs, 1957), its importance as an explanatory tool has steadily expanded throughout political science and its sub-disciplines (Green and Shapiro, 1994: 1-5). Its popularity is, in part, because of its analytical elegance, its scientism and its openness to mathematical modelling. However, its domination is also a symptom of a larger trend, which sees the colonisation of the social sciences by rational, economic thought and its idealised model of ‘economic man’ (Fine, 1999; Green and Shapiro, 1994).

The central premise behind the rational choice model² in political science is the behavioural assumption that individuals aim to maximise their personal utility when making political

² While this brief discussion of rational choice theory in political science implies that it is singular and uniform, it should be noted that considerable diversity and debate exists within this broad theoretical school: “there is no single rational choice theory or unambiguous standard for assigning the label “rational choice” to a theory” (Green and Shapiro, 1994: 13). However, unfortunately, in my need for brevity, I have had to condense the numerous understandings of rationality found in the literature into several key points that have broad, albeit not absolute, agreement.

decisions. Whether an individual deciding how to vote or a politician trying to win an election, they independently determine what is in their best interests, given a set of possible options, and act accordingly. Therefore, the rational school considers political activity from its micro-foundations (Green and Shapiro, 1994: 3). It emphasises the individual as its unit of analysis, resulting in a focus on individual agency in decision-making rather than on structural or societal influences and constraints (Marinetto, 1999: 33). From the perspective of the individual, rational choice theory explains political decision-making through “deductive accounts of incentives, constraints, and calculations that confront individuals” (Green and Shapiro, 1994: 3). By creating a comprehensive model of individual behaviour, rational theory aims to create a universal and homogenous explanation of individual activity in the political sphere. This conceptualisation of decision-making in politics is much the same as that in neoclassical economics, from whence the rationality model came, and results from the assumption that “the average individual acts on the basis of the same over-all value scale when he [sic] participates in market activity and in political activity” (Buchanan and Tullock, 1962: 20). Hence, the rational choice model in political science is based on “a conception of society as a market” (Stone, 1997: 10), with the same imperatives governing economic actions as governing social and political actions.

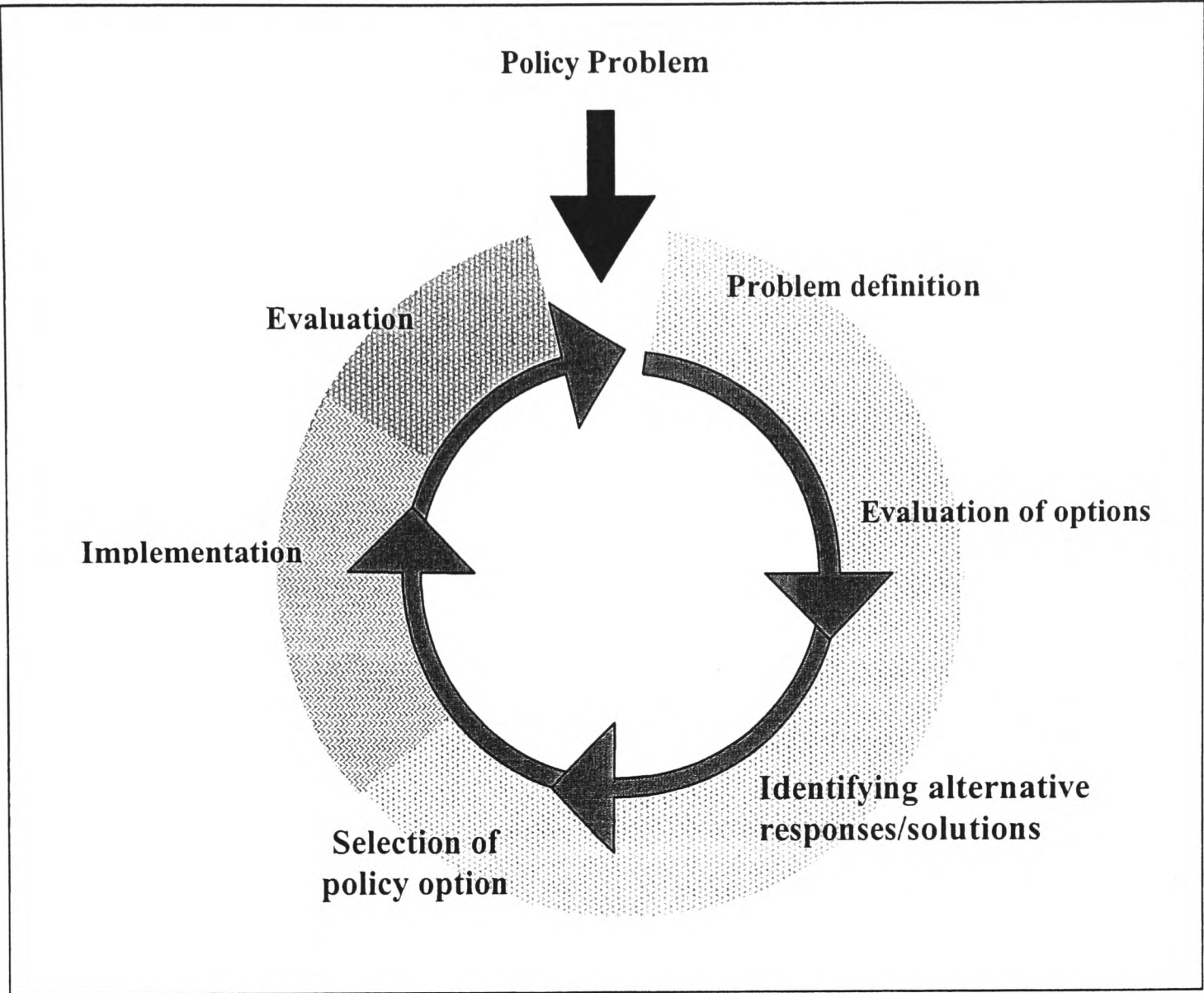
In policy theory, this rational model corresponds to a particular image of how policy is made. Again, it starts at the micro-level, emphasising how decisions are made, using the individual or small discrete group of policy-makers as its unit of analysis (Marinetto, 1999: 33). From this perspective, policy-making is then conceptualised as a process aimed at maximising social utility or social welfare. This process follows certain necessary steps: “[policy] objectives are formulated, alternative courses of action are set out and the likely consequences of each identified, and that course of action chosen which is seen as having the set of likely consequences that best fits the objectives” (Levin, 1997: 33). This idealised view of policy-making conceptualises it as a process in which it is possible to identify clearly measurable

goals, gather information about alternatives in a scientific way, often using quantitative techniques such as cost benefit analysis, and choose between them in an objective and rational manner. In following this decision-making process, not only is the mechanism used to make the policy rational, so too is the policy outcome, “in the sense of being consistent with the objectives adopted” (ibid). Adherents of the rational model believe that following these steps will deliver the optimal policy outcome because it has been reached via a rational, objective and apolitical process.

This conceptualisation of policy-making led to one of the most influential ideas in policy theory – that of the policy cycle (see Figure 4.1). As John (1998: 23) states: “The idea that policy follows a sequential process is the most popular characterization of public decision-making.” Its popularity is evident by its explicit or implicit incorporation into most policy theories, regardless of their theoretical basis.

The policy cycle seeks to explain the timing and order of policy decision-making (for formative contributions see Lasswell, 1956; May and Wildavsky, 1978). It divides the policy process into a series of steps. The first step is to define the policy problem. Next, alternative solutions are identified. Then they are compared and evaluated, before the ‘best’ policy option is selected. The policy is then implemented and, after a certain lag period, evaluated. In this model, each step of the policy cycle is a discrete stage in the process, with different prerogatives driving the policy-makers’ attention during each stage. Moving between the steps is a linear process, with each stage needing to be completed before it is possible to move on to the next.

Figure 4.1 The policy cycle



(Adapted from Parsons, 1997: 77)

The precise definition of the various steps taken during the policy creation portion of the policy cycle and the relationship between them are contested. Numerous alternative divisions are suggested, modifying the generic model presented in Figure 4.1 (e.g. Bridgeman and Davis, 2000; Lasswell, 1956; Rose, 1973). In contrast, the separation between the broader steps of policy creation, policy implementation and policy evaluation is largely accepted and unchallenged, and receives some empirical support (each shaded separately in Figure 4.1). The controversial aspect of the policy cycle is the rational logic used to explain movement between each stage within the policy creation component of the cycle and in between policy creation, implementation and evaluation.

Criticisms of the rational choice policy model

Despite the dominance of the rational choice model in policy studies, numerous criticisms have been levelled against it. In this section, I outline some of these criticisms, particularly those that contribute to my rejection of this theory of policy and inform my construction of an alternative theoretical framework.

As Green and Shapiro (1994: 5) state, “most attacks [against rational choice theory] focus on rational choice assumptions about human psychology and rationality.” I, too, begin here. Critics of the rational model show that humans do not behave in a predictably rational way, arguing that such “analogies and metaphors that depict the brain as a logic-machine, as a calculator, as an information processor and as naturally rational are quite insensitive to physiological reality” (Clark and Marshall, 2002: 6). Instead, irrational, or perhaps more appropriately termed non-rational, behaviour forms an integral, and positive, component of decision-making. For example, Clark and Marshall (ibid) believe that humans are systematically swayed in non-rational ways when making decisions: “Left to our own devices, we are risk averse, overly sensitive to the short-run, and too often affected by immediate events.” They also argue that emotion, which is quintessentially non-rational, “may often have a positive rather than a negative effect upon the practice of choice making” (op cit: 2).

Not only is there evidence against the rational choice model, there is also little empirical support for the model. As Green and Shapiro (1994: ix) note: “Successful empirical applications of rational choice models [in political science] have been few and far between.” Similarly, the rational model has received little empirical backing in policy case studies (e.g. Edwards, 2000). Therefore, despite continuing debate about the psychological and cognitive processes behind decision-making, there is much evidence to suggest that it is more complex than the idealised rational model suggests. Humans simply do not behave in “formally predictable ways” (Green and Shapiro, 1994: 17).

This rejection of the behavioural assumptions in the rational model leads to several more specific criticisms against the model. The first is against its presumption of objectivity. In the rational model, it is argued that by following the appropriate steps, in the appropriate manner, policy can be made in an objective fashion. This idea is based on two inter-related assumptions: first, that policy-makers are unhindered by structural influences and can exercise pure agency; and, second, that they are apolitical. However, the rational, objective and apolitical policy-maker is highly unlikely in 'real life' policy settings. As Haveman (2002: 10) argues, with reference to the USA:

In our political system, there is no consistent government decision maker whose job is to make rational policy choices. There is a Congress with a shifting cacophony of voices and interests, which is checked and balanced by an administration that changes over time.

'Real life' policy decision-making is not peopled with objective clones, but rather by politicians, lobby groups, bureaucrats and other actors, all with vested interests and with differing ideological positions and constraints on their actions.

Not only is objectivity in policy-making limited by structural influences, I also argue that policy decisions cannot be wholly objective because they necessarily involve value judgements. The rational model claims that social welfare maximisation should be the goal of all policy. However, as Haveman (*ibid*) states, "there is little or no well-defined notion of a social welfare objective writ large, nor of the components of the objective, nor of how individual policies affect these components." Social welfare is, instead, a vague notion dependent upon value judgements. To use an example pertinent to the French labour market, reducing the minimum wage might increase total employment. However, would the exploitative labour practices that result counter balance the social welfare benefits of the extra jobs provided? The only way to answer this question is to make a judgement about the quantity versus the quality of jobs. This cannot be done objectively because any comparison is necessarily subjective and inherently political.

The policy cycle also receives considerable critical attention, not withstanding its highly influential role in policy theory:

Despite the fact that there has been a growing unease with the dominant framework of policy analysis, rational decision-making, the policy cycle or stagist approach continues to be the basis for both analysis of the policy process and of analysis in/and for the policy process. (Parsons, 1997: 78)

The main criticism against the policy cycle is its representation of policy-making as a linear step-by-step process. Stone (1997: x) calls the policy cycle “an unrealistic “production” model of policy.” She claims that policy creation is “more like an endless game of Monopoly than a bicycle repair” (op cit: 259). It is a continuous process, not a singular event. John (1998: 36) concurs, stating, “the stages idea confuses more than it illuminates. Policy is continuous.” Through dividing the policy process into a series of steps, the policy cycle generates a false impression of a separation between each stage. What is more, it implies that the logical and rational progression is to step from one stage to the next and that to deviate from this steady forward progression would be irrational. However, as Bridgman and Davis (2000: 31) claim: “a policy cycle cannot capture the full ebb and flow of a sophisticated policy debate”. Rather than being a series of rational steps, I too argue that the policy process is a continuous process, punctated by episodic events, and ebbing and flowing between different elements of the process in a way that is determined more by politics than by rational logic. A linear stagist model does not capture the proper nature of the policy process because it fails to acknowledge the full complexity of the policy-making process, as well as the effects of its legitimate political element.

Therefore, like other critics, I argue that the rational model fails to capture many features crucial to a full appreciation of the policy process. It falsely conceptualises policy-making as a linear process. Furthermore, this model ignores the role of politics and particularly ideology, value judgements and power relations, as well as structural influences and constraints, such as the socio-economic, cultural, political and institutional settings. However, I believe that these

features are not ‘irrational’, unwanted and inefficient deviations from an optimal rational model, but form a core component of policy that should be explicitly incorporated into policy theory. Therefore, in my research I reject the rational choice model as a theory for making sense of policy and, instead, I draw upon alternative policy theories that I believe better represent the policy process and are more suited to my research agenda.

4.1.2 Alternative policy theories

Unlike the rational choice model, alternative mainstream policy theories abandon the pretence at objectivity in policy-making. Instead, they take a more pragmatic approach, focusing on the various constraints and broader, subjective influences that policy-makers face. Consequently, “the wider social settings are given analytical priority” (Marinetto, 1999: 32) in such theories, placing emphasis on structure and how it influences decisions. In this section, I review the literature on alternative policy theories, breaking them down into the three, at times overlapping, categories of socio-economic, institutional and political realist theories. I have chosen to focus on these three groups of alternative policy theories because each adds something to my overall theoretical framework and research needs.

Socio-economic approaches to policy theory

Socio-economic approaches to policy theory emphasise the influence on policy “of social and economic factors that are external to political institutions and policy actors” (Marinetto, 1999: 56). The reason for incorporating such factors, even though they are external to the immediate policy process, is because “collective decision-making can be ‘read’ off from the most powerful forces at work in the economy and society” (John, 1998: 92). Policy decisions are therefore determined, to a contested degree, by economic and social forces, because these powerful forces provide the context surrounding policy creation.

The Marxist approach provides an example of a socio-economic approach to policy theory (e.g. Miliband, 1973), albeit a somewhat atypical one. “Marxists seek to explain policy in terms of

the power of the capitalist class and/or the political logic created by the capitalist mode of production” (John, 1998: 93). According to such theorists, the capitalist system of production influences the actions of political and government institutions, first, by externally constraining policy options and limiting a government’s scope for innovation and change, and second, because government is seen as part of the capitalist system, protecting established economic power. Therefore, according to Marxist policy theory, policy outcomes are largely predetermined by the capitalist system of production.

More contemporary and mainstream socio-economic approaches to policy theory take a less deterministic view of policy-making. However, they continue to stress the idea that socio-economic factors external to policy-making impact on the policy process. Their chief argument supporting this proposition is that:

Either consciously or unconsciously, policy-makers’ decisions reflect wider forces, either through the function of governing for the economic and social systems or the close relationship between elites and power blocks. (John, 1998: 114)

As Marxist approaches have waned in popularity, regulationist and globalisation theories have come to dominate socio-economic approaches to policy, each emphasising different socio-economic and technological factors that influence policy.

Socio-economic theories focusing on globalisation are particularly relevant to my research. Such theories argue that external economic forces place significant pressure on governments when making policy. Whereas in the 1960s it was largely believed that a country’s economy was managed through the economic policies of its government, contemporary globalisation theories suggest that international economic forces increasingly determine the national economic situation, independent of government action (op cit: 115), restricting national policy autonomy.

Nor surprisingly, socio-economic approaches to policy theory are not without their critics. The main criticism is that they place too much emphasis on structural forces. While the rational model over-emphasises agency and ignores structure, socio-economic approaches tend to over-emphasise structure and remove any role for agency. As a result, such theories say little about how policy decisions are made. Nor do they allow individual actors much space for determining policy decisions. Additionally, such theories often ignore the micro-level scale of decision-making, assuming that macro-scale forces are sufficiently powerful to swamp agency effects.

However, while there are limitations, there are nonetheless several benefits from including some level of socio-economic analysis when evaluating policy. This is especially true when considering questions concerning globalisation and its impact on policy. Socio-economic theories provide a useful framework for considering “the effects of international economic processes, and how these feed into national and local decision-making” (John, 1998: 115). They provide a framework for explaining how policy is influenced by external social and political forces and draw attention to macro-scale factors influencing policy outcomes. The second positive contribution of socio-economic theories to policy theory is that they provide some explanation for why certain ideas do not make the policy agenda and why radical policy change rarely occurs, showing that the boundaries of policy-making are predetermined by socio-economic influences and constraints.

Institutional theories of policy

As the term implies, institutional theories emphasise the role institutions play in the creation of policy (e.g. Easton, 1965; Hall, 1986). Followers of a classic institutional approach look at “the formal structures of institutions and examine what they did or what was their function, and how did they function in reality, as opposed to some ‘ideal’ rational type” (Parsons, 1997: 323). This approach is founded on “a belief in the importance of institutions as having a determining role [in policy creation]” (op cit: 333). This belief results from the observation that the formal

institutions of government are “the arena where policy-making takes place” (John, 1998: 38) and that “the state is an independent force which is able to follow its own agenda, while at the same time influencing the course of society” (Marinetto, 1999: 41-42). Consequently, institutional theories of policy start by considering the institutional framework of the state and then how this shapes policy outcomes and determines policy possibilities.

The insight provided by institutional theories of policy is especially useful when trying to understand why certain countries adopt a particular policy approach compared with others. For example, policy-making in France is highly centralised, giving the national government considerable power to implement its policy agenda. Ever since the Napoleonic reforms of the 19th century, policy in France is created in the centre and dictated to the regions.³ In addition, the French bureaucracy is very powerful, with highly respected bureaucrats, often educated at the elitist *grandes écoles*. This combination of a strong bureaucracy and centralised government gives the national government considerable power to set the policy agenda and dictate its implementation. Consequently, the French Government has been able to create strong and uniform national policies that would be far harder to implement elsewhere, such as its highly uniform education system and the Plan Bureau’s national economic plans, which are credited with the success of the post-war French economy. Therefore, the institutional arrangements of government provide considerable explanation for why policies are created in certain ways in certain places and why some forms of policy are not replicable in alternative settings. Consequently, institutional theory is particularly useful when conducting comparative research because it highlights “the unique character of each country’s formal rules and stresses the values shaping a state tradition” (John, 1998: 65).

³ The decentralisation reforms of the 1980s did somewhat weaken the national government’s power to dictate its agenda to the regions (Scargill, 1998). However, even given this decentralisation, France nonetheless remains a highly centralised country in terms of public policy.

New institutional theories extend beyond an analysis of the formal institutions of government. These theories expand their horizons to include informal institutions and economic factors, such as the organisation of labour and capital and the position of the state within the international arena (Hall, 1986: 20). Within this context, institutions are then considered to have two main effects on policy. First, they limit the scope of possible policy outcomes because they affect the degree of power individuals have in policy decision-making. Second, they assume that the institutional position of actors, both within the bureaucracy and in relation to other government departments, defines their interests, responsibilities and relationships (Parsons, 1997: 334).

Like with socio-economic approaches to policy theory, institutional theories are sometimes criticised for being too structure-centred, leaving little scope for human agency. Institutional theories generally lack a theory of human action, assuming that decision-makers internalise the norms of institutions (John, 1998: 65). Because of this assumption, institutional theories provide few insights into how policy change occurs. Instead, they focus mainly on how institutions shape policy outcomes, looking more at stability and continuity in policy-making rather than at change. A second criticism is that institutional theories ignore power. They do not take into account “power within and around organizations” (Parsons, 1997: 326). They do not consider the impact of power relations within organisation nor how external political and economic influences shape policy-creation within institutions. Notwithstanding these apparent shortcomings, institutional theories do offer substantial insight into the policy process because they help explain the ways in which the institutional structure of government affects policy outcomes.

Political realist theories of policy

The dominance of the rational model in policy studies means that “[b]y and large, academic writing disparages politics as an unfortunate obstacle to good policy” (Stone, 1997: x). Politics is divorced from much policy theory and seen as an obstacle to optimal behaviour rather than an

integral component. Proponents of political realist theories of policy reject this notion, with much of their work structured as a counterpoint to the rational model. Instead, political realists “view policy analysis essentially as part of the political process which should aim to complement political argumentation rather than replace it” (Parsons, 1997: 438). In short, they argue that politics is integral to policy-making and, therefore, must also be integral to any theory of policy.

Interestingly, the word policy, like politics, stems from the same origins as the word power, hinting at the politicised nature of public policy. In French, the etymological connection between politics and policy is far closer, with the word for policy, *la politique*, simultaneously meaning politics. As Rose (1984: 4) notes, English is unique in its linguistic separation of policy from politics: “The anglophone use of the word policy, as distinct from politics, is not normally matched in other languages.”

Political realist theories of policy rejoin policy with politics and consider the impact politics and power have on policy-making from a diverse range of perspectives. Corporatist accounts consider “the inclusion of major interest groups, particularly those representing labour and capital in the policy process” (Marinetto, 1999: 57), focusing on how organised interests and lobby groups shape the policy process. Political elite theories primarily consider the role of a small group of individuals in decision-making, attempting to explain why this minority have power, even if they lack economic power, and how they use it (Rose, 1997: 248). Pluralist theories have a wider perspective in their analysis of politics and power in policy-making and consider how power is dispersed throughout society. Stone’s political reasoning theory considers the politics behind each step in the policy-making process. She even conceptualises policy instruments as a form of power because they are “always exerting power, of getting people to do what they otherwise might not do” (op cit: 259). While these approaches vary in focus and scale of analysis, they all share a common emphasis on the political nature of policy

and the importance of considering how power relations affect policy because policy is deemed to be the outcome of negotiation and compromise between powerful and competing forces in society.

Critics of political realist theories of policy argue that, by seeing the whole policy process as political and focusing on the power relations throughout the policy process, such theories become nothing more than description. They do not provide an overarching framework through which to conceptualise policy-making, other than implying that it is a politically driven process. A second criticism is that focusing solely on the political influences on the policy process results in other influences being ignored, such as the wider economic environment and institutional arrangements. However, while both these criticisms have some merit, political realist theories do nonetheless highlight that policy is politically contested throughout the policy process. After all, policy is the product of a political system and the tool by which government imposes its vision and wishes on society.

4.2 Geography and policy

While each of the alternative theories of policy outlined in section 4.1.2 provide useful and important insights into the policy process, none explicitly incorporates geography into the theory of policy. Therefore, before I outline how I combine these theories into a single analytical framework, I consider the relationship between geography and policy, which I believe is a crucial component of the policy process. To do this, I begin by highlighting how mainstream policy theory neglects geography. I then review several literatures from within policy studies and economic geography that consider the relationship between policy and scale. While they may not necessarily be directly related to policy theory, they nonetheless have useful insight to offer about the relationship between scale, place and policy.

4.2.1 The neglect of geography in mainstream policy theory

In most of the policy literature reviewed in section two, little attention is given to geographical considerations in policy-making. The various policies adopt different scales of analysis. At one end of the continuum the rational model takes a micro-scale approach to policy, focusing on the individual, and at the other end socio-economic globalisation theories take a macro-scale approach, considering the impact of international economic forces. However, little attempt is made to link these different scales of analysis or to explain the role of scale in policy-making. Geography is largely neglected in mainstream policy theory.

Rational choice policy theory is particularly ageographic. Its theoretical logic removes any space for geographical considerations. Its characterisation of the policy process, peopled with objective and individualised policy-makers, creates a uniform and independent policy-maker who behaves identically regardless of context, location or the scale at which they are working. Because the assumptions of the rational model of policy theory assume away any space for geography, it has little to offer when trying to understand spatial aspects of policy-making.

Similarly, political realist theories pay little attention to spatial factors. While they stress the importance of considering the political context in which policy-making is embedded, they go no further. They do not suggest how scale may impact on policy-making nor make any relevant predictions about the relationship between geography and policy.

Socio-economic theories have slightly more to say in terms of the impact of geography on policy. For instance, current work in this school explicitly looks at the influence of global forces on national policy-making. However, even here, the attention given to geographic factors is relatively cursory. The logic behind such theories is that globalisation alters the national socio-economic policy environment, thus changing the policy context. While such theories do at least make a link between spatial scales and acknowledge the socio-economic embeddedness

of policy-makers, they do not make any further suggestions about role of geography in the policy process.

Amongst the mainstream schools of thought, institutional theories of policy offer the greatest insight into the role of geography in policy. John (1998: 63) states that “[g]ood institutional analysis recognizes that institutions are constraints and that they vary across space and time.” In focusing on institutions and their impact, institutional theories overtly consider how policy-making varies across time and space by comparing institutional arrangements and considering how they influence policy choices in different places. However, this explanation of the geography of policy is largely descriptive, providing a tool for comparison between similar policy-making scales rather than an explanation for the relationship between scales. Furthermore, such explanations only consider geographic influences on policy-making through the limited lens of institutions, providing a singular explanation for geographic variations in policy. However, despite these limitations, the offering made by institutional theories to the role of geography in the policy process is nonetheless insightful, especially given the general dearth of geography in policy theory.

4.2.2 Geography matters

While limited attention has been given to the role of geography in mainstream policy theory, it nonetheless is an important determinant of policy outcomes. In some cases, the appropriate matching of policy and scale, especially between the scale of policy and that of the policy problem, has been the key reason for a policy’s success or otherwise. Similarly, the transportability of policy between jurisdictions is also an important spatial issue effecting policy outcomes. A further geographic consideration is whether certain policy issues and policy tools are best suited to certain spatial scales. Together, spatial variables, like institutional, socio-economic and political variables considered previously, are important determinants of policy outcomes.

Furthermore, the role of spatial variables is becoming increasingly important for policy. The issue of transportability of policy is of growing relevance given globalisation, competitive pressure towards policy convergence, technological change facilitating the ease and speed of policy transfer, and the growing influence of supra-national actors such as the World Bank, the International Monetary Fund and the OECD (Dolowitz and March, 2000: 6). Additionally, there is new interest in matching policy with the appropriate scale because of recent changes to the spatial configuration of government in many developed countries with, for example, devolution in Britain, decentralisation in France and supra-national integration in Europe. The importance of these trends is also evidenced by the growing attention given to scales of governance and whether globalisation is causing a re-territorialisation and re-scaling of economic, social and political processes. I expand on these debates further in Chapter 5. However, what I wish to highlight here is that scale is becoming an increasingly important determinant of policy outcomes, suggesting the need for increased consideration and understanding of the relationship between scale and policy.

In the following section, I review the policy and economic geography literatures using scale as my filter. I summarise some of the main areas of policy-related research that consider scale and space, showing the boundaries of current research and drawing out any relevant insights that provide an understanding of the relationship between geography and policy.

Scale and its influence on policy outcomes

In economic geography, significant attention has been paid to the role of scale in determining policy outcomes. However, research usually considers specific policies and the influence scale has on their effectiveness at achieving their desired outcomes. In an example particularly relevant to my own work, several studies have criticised Britain's New Deal employment policy because of "its neglect of the geography of unemployment and economic performance" (Turok and Webster, 1998: 312-3; e.g. Martin et al, 2000; Peck, 1999a; Webster, 2000). The geography

of unemployment is highly localised. The geography of economic performance, and consequently employment creation, is also localised, but its geography is usually the inverse of that of unemployment. However, the New Deal is a nationally uniform policy, taking no account of either geographies and applying the same remedy regardless of location.

Consequently, as Peck (1999a: 346) observes:

the scope of spatially uneven development under the New Deal is such that the program is likely to be associated with quite different functional outcomes and political-economy responses in different areas of the country – sources of tension which New Deal policymakers will need to take into account if the initiative is to be a success.

In the New Deal's case, the neglect of geography means that it will potentially be "jeopardised by the geography of unemployment" (Turok and Webster, 1998). Failure to appreciate geographic tensions will limit the policy's effectiveness and possibly lead to counterproductive repercussions that are unexpected and unintended by policy-makers, such as labour market churning and the production of a peripheral labour force (Martin, 2000: 470).

As this example shows geography matters. However, despite this and other policy-specific examples highlighting the importance of geography, economic geography does not provide any broader theoretical framework through which to consider the relationship between geography and policy. Its greatest insight is to stress that the geography of the policy problem, often submerged and not immediately obvious, must be discerned and overtly considered when devising policy, and that the geographies of the policy 'solution' and the policy 'problem' must be compatible.

The geography of public finance

The geography of public finance "concerns the provision of public services in different locations" (Bennett, 1980: 1). It considers how public goods, especially government facilities and services, are distributed and attempts to provide a framework to determine their optimal location. The geography of public finance builds on the foundations of central place theory (Christaller, 1966), which considers the ideal distribution of different sized settlements given

the constraints of consumers and producers and geography (Johnston, 1991: 67), and applies this approach to decisions concerning the location and provision of public goods.

The three main geographic determinants identified in the literature affecting the location of public facilities are jurisdictional partitioning and the boundaries between administrative units; tapering as distance increases from frequently 'point-bound' public goods and services; and spillover effects, including both positive and negative externalities (Bennett, 1980: 28-31; Pacione, 2001: 4). From the basis of these three variables, the geography of public finance attempts to construct central place theory-style models to show the most efficient location for public facilities. These mainly mathematical models aim to optimise the efficiency of location decisions, using variables such as distance, population density, travel cost, social, economic and fiscal needs assessment and the characteristics of the good or service, especially whether it has elastic or inelastic demand (Hodgart, 1978; Bennett, 1980; Massam, 1993; Pacione, 2001). While the various versions of such models give differing results depending on the variables optimised, they all highlight the importance of space and "the friction of distance" (Pacione, 2001: 4) when locating public goods.

However, the major contributions to the geography of public finance acknowledge that such objective criteria are not sufficient to explain fully the spatial provision of public services because they do not capture the full nature of locational decisions. As Hodgart (1978: 18) notes: "A decision to locate any public facility is essentially a decision to distribute certain benefits and costs among different groups of people." Such a decision is "necessarily political" (Bennett, 1980: 32). Furthermore, it incorporates important equity considerations. And, as Pacione (2001: 10) states, "while the specification of locational efficiency is relatively straightforward, equity in public service provision is more difficult to determine". Therefore, while the mathematical models of the geography of public finance provide one solution to the problem of locating public facilities, such efficiency-optimising models are insufficient because

they ignore socio-political and equity considerations that form an integral component of public good locational decisions.

Of those considering the location of public facilities, Massam (1993) makes the most comprehensive attempt to incorporate such considerations into his approach, considering topics such as accountability, choice, consensus and ethics. He argues that any resolution of a location decision “if it is to be seen as acceptable to the collectivity, should satisfy certain conditions concerning fairness and wisdom” (op cit: 206). “Unfortunately” he adds, “these terms rarely lend themselves to formal technical definitions” (ibid). He concludes that while locational models have a role to play in informing debate, they cannot be the sole decision-making tool because “legitimacy within a state and the credibility of the constituents” are necessary to successful outcomes (op cit: 207). Therefore, socio-political factors and equity considerations, which fall under Massam’s notion of fairness and wisdom, also shape the geography of public goods, although they lie outside the scope of formal models. It is perhaps for this reason that the popularity of mathematical attempts to model locational decisions has waned in the last decade.⁴

This area of research, despite being one that most overtly considers scale and a policy-related question, is only of limited use for my purposes because the geography of public finance does not consider the policy-making process in full. Rather it only touches on one particular policy question relating to the location of public goods. Furthermore, it only considers how to evaluate one specific decision faced by policy-makers, not the policy process that surrounds its evaluation. Hence, this body of literature, which is one of the bigger areas of research in economic geography that attempts to create spatial policy-related theory, offers little of direct use to my attempts to incorporate space into the theory of policy. However, what it does show

⁴ For example, Pacione (2001) provides one of the more recent contributions to the debate about the geography of public finance. In this paper, he makes no attempt to model the problem. Instead, he discusses social and political factors, equity and equality, with the same emphasis as efficiency.

is that the spatial outcomes of government decisions are highly important and highly complex and beyond the scope of efficiency-optimising models given their inherently socio-political nature.

Theories of federalism

While the geography of public finance considers the spatial distribution of the provision of individual public services, the federalism literature considers the spatial distribution of activities between the tiers of governments. Federalism refers to “multi-tiered government combining elements of shared-rule and regional self-rule” (Watts, 2001: 24). Academic research into federalism considers the division of government activities between the various subnational tiers and shares “the broad proposition that the optimal degree of (de)centralization is the result of an interplay between centripetal and centrifugal forces” (Dafflon, 1992: 287). Consequently, it focuses on the balance, and tensions, between tendencies towards centralisation and localisation in government.

Two approaches dominate federalist research. The first is economic, focusing on fiscal federalism and the optimal allocation of resources between scales of government. The second is more political, beginning with the proposition that “federalism represents the acme of political and human relationships” (op cit: 283), and is therefore a socio-political phenomena. These two bodies of research differently consider policy in federal nation-states: “in the traditional economic framework, allocative efficiency is treated as being concerned with only resource-use and the *outcomes of policies* rather than with the *procedures* that generate these outcomes” (emphasis in original, *ibid*). Socio-political work, on the other hand, is more interested in policy procedures and the rationale behind policy-making. However, while socio-political federalism research is more directly related to my interest in the policy process, research into fiscal federalism nonetheless provides interesting insights into the division of policy questions between scales.

Like much work on the geography of public finance, the fiscal federalism literature centres on efficiency arguments for and against the decentralisation of government activities. Building on Tiebout's (1956) seminal work, numerous inter-related variables that impact on efficiency are put forward (Bennett, 1980: 293-303; Dafflon, 1992: 287-298; Kincaid, 2001: 88). These include matching the scale of revenue-raising with that of public expenditure, or the geography of those who pay for a good with that of those who receive it. The logic of this argument is that efficiency gains increase as government gets nearer its citizens. As scale decreases the constituency's preferences become more homogeneous, resulting in reduced coercion, improved matching between policy and preferences, and more responsive policy. A second consideration in the fiscal federalism literature is economies of scale, particularly maximising efficiency benefits from providing public goods and services where economies of scale exist in their production, implementation and consumption due to administrative and technical reasons, and where spillover and externalities arising from policies are contained. However, this emphasis on efficiency and the optimal spatial distribution of government under federalism often occurs without much reference to the actual distribution of scales of government and the socio-political reasons for why this distribution exists.

The socio-political literature dealing with federalism focuses on an alternative set of causes and benefits in its consideration of how federalism impacts on policy and public provision. One consideration that has dominated academic writing on the spatial structure of government is the notion of community as a justification and legitimation for local autonomy (Clark, 1985: 159; Bennett, 1980: 293-294). This is often due to historic traditions of governance and the politico-institutional legacy from the federation's formation. It is also related to diversity within a national population, particularly in terms of ethnicity, tastes and incomes because, as Dafflon (1992: 287) states, "the more heterogeneous the federal population, the higher the necessity for decentralization."

Together the federalism literature provides several explanations and much advice about the division of government between scales. However, despite some attempts to attach actual policy topics to the various scales (e.g. Bennett,⁵ 1980: 271-293), most research generally concludes that, “there is no ‘best’ framework within which the assignment of functions at cantonal-local levels of governments can be evaluated” (Dafflon, 1992: 295). Factors relating to fiscal federalism and efficiency criteria are particularly difficult to categorise in any formal way:

Circumstantial and procedural rationales for government decentralization are, realistically speaking, relative and empirical, that is, based on specific circumstances and events. As efficiency changes with spatial scale, so, too, would the provision of public goods and services at the local scale. (Clark, 1985: 162)

Therefore, while efficiency arguments are important concerns, such arguments are dynamic, changing over time. More static justifications for decentralisation are socio-political, institutional and ethnicity-related factors, particularly those that led to the creation of a federal system in the first place and those specific to the location.

The socio-political federalism literature also suggests several procedural benefits from federalism when making policy. One such procedural benefit is the additional flexibility gained from making policy at the local scale which, as Kincaid (2000: 88) notes, allows “increased ... experimentation and innovation in the government sector”. Similarly, Dafflon (1992: 293-4) states:

Decentralized governments can serve as laboratories for introducing new public policies and instruments, with the simultaneous advantage of the ability to test several solutions to an identical problem and to limit the costs of failure, if any, to a single isolated programme.

The smaller scale of subnational governments allows the opportunity for policy innovation at a lower risk, hence providing the possibility to experiment with new and diverse forms of policy

⁵ Bennett attempts to attach policy topics to different scales of government through an empirical analysis of the distribution of expenditure functions between levels of government in Canada, Germany, France, Switzerland, the USA and the UK. His findings show that defence, welfare, health, environment, transport and commerce tend to be national policy concerns, while education, fire, police and housing are more likely to be controlled by local or intermediary levels of government (Bennett, 1980: 275)

without the same cost or political risk. Furthermore, the smaller scale results in a closer proximity between government and citizenry. In theory, this allows government to be more responsive to local policy demands (op cit: 291).

Policy transfer theory

The area of research within policy studies that most explicitly considers the relationship between geography and policy is the literature on policy transfer. Policy transfer is broadly defined as:

the process by which knowledge of policies, administrative arrangements, institutions and ideas in one political system (past or present) is used in the development of policies, administrative arrangements, institutions and ideas in another political setting. (Dolowitz, 2000: 3)

While generally concerned with the transfer of policy between jurisdictions of like scales, usually from one nation-state to another, the policy transfer literature considers what contributes or hinders the transportability of policy, prioritising space, as well as time, as key determinants.

However, as Dolowitz (op cit: 2) states “relatively few existing [policy transfer] studies identify the process directly ... [and] even fewer studies have attempted to put the process within a broader conceptual framework.” Even here, in the area of policy research most directly concerned with the study of scale-related issues, relatively little theorising has occurred. Furthermore, what has been done has only noted that scale is an important variable in policy transfer. Nonetheless, policy transfer does offer one of the few attempts at incorporating scale into a conceptual framework concerned with policy formation.

One of the few comprehensive attempts to create a conceptual framework to explain policy transfer, also noted by Dolowitz (2000: 2), is work by Rose (1991; 1993). Rose’s (1993) theory of policy transfer outlines how policy lessons can be drawn across time and space. He aims to provide a practical guide for how policy-makers can learn from policy experiences in other

places or from different time periods, by determining what factors affect the transferability of policy between jurisdictions. In doing so, he identifies seven key factors that contribute to how “fungible” a policy is (op cit: 120-141). The first three conditions, which are qualifying conditions and necessary for the successful transfer of policy are: (1) the policy’s level of uniqueness; (2) the degree to which the policy requires specific formal and informal institutional arrangements; and (3) whether the policy will be similarly resourced in the new location, particularly with respect to financial, legal and bureaucratic resources. Rose is less absolute about the role of the final four conditions, stating that their impact on the transferability of policy, while still important, is somewhat “iffy” (op cit: 120). These final conditions include (1) the complexity of the policy; (2) how much it differs from previous policies; (3) how independent the policy is; and (4) the compatibility between the value systems of policy-makers and politicians involved in both the new and old policies.

However, one problem with Rose’s model is that it only considers policy transfer through lesson-drawing and “the weakness of the concept of lesson-drawing is that it focuses exclusively on voluntary transfer” (Dolowitz, 2000: 3). It ignores the coercive transfer of policy, which is equally relevant to my research. For example, the transfer of work time reduction policy between the regional and national governments in France was voluntary. However, the pressure to adopt Anglo-American policy norms is partly coercive. Therefore, the theories of both voluntary and involuntary policy transfer are equally important.

Dolowitz and March (op cit: 7) build on Rose’s seminal contribution, attempting to construct “a framework for analysing policy transfer” that is applicable anywhere on the continuum between voluntary and involuntary policy transfer. This framework seeks “to use policy transfer as an explanatory variable” (op cit: 8), determining what contributes to the success or failure of transferred policies. To do this Dolowitz and Marsh (ibid) argue that the researcher must first “understand and explain the process of policy transfer”. Consequently, they organise their

framework, which is based on a series of key questions, into two parts. First, they consider the actual transfer of policy, paying particular attention to the reasons for transfer, the process through which policy is transferred, the characteristics of the transfer, and the scale and context of the policy's original and new jurisdictions.

Next, when the process of transfer is understood, it is considered in conjunction with the relationship between transfer and the policy outcome. Dolowitz and Marsh (op cit: 17-20) identify three causes of ineffective transfer: (1) uninformed transfer, whereby policy is transferred with insufficient knowledge of its regulatory and institution context; (2) incomplete transfer, whereby only part of the policy is transferred, usually because crucial elements of the policy are hidden and indirect; and (3) inappropriate transfer, whereby insufficient attention is paid to the socio-economic, institutional and political contexts in the origin and destination countries. Dolowitz and Marsh show how each of these three types of ineffective transfer can lead to unexpected and unwanted outcomes.

The contributions of both Dolowitz and Marsh and Rose are meant as practical guides for understanding the process of policy transfer, determining where it is applicable and evaluating the role of the transfer process on the success or failure of policy. While scale is only ever considered as one of several variables influencing policy transfer, it is nonetheless shown to have an important influence on policy outcomes. Consequently, policy transfer theories offer some insight into the relationship between geography and policy, particularly with regard to how globalisation may encourage policy convergence.

Reviewing work that combines policy and scale, therefore, provides insight into the geography of policy. First, it shows that there are economic efficiency arguments for making policy at different scales of government. While such arguments change over time, technical, economic and administrative efficiency arguments are nonetheless important considerations in the policy

process. Second, social, political and economic factors that differentiate a region from the country as a whole are also important drivers for subnational policy creation. Third, the subnational scale provides advantages for certain types of policy formation, especially any form of new, innovative and potentially risky policy. The transfer of policy between places and scales is a further geographic concern, given the complexity of voluntary and involuntary policy transfer.

4.3 Incorporating geography into policy theory

From the discussion above, it is apparent that spatial factors are important determinants of policy outcomes and, therefore, need to be incorporated into a theoretical framework for analysing policy. However, none of the points raised in Section 4.2 are incorporated into the policy theories outlined in Section 4.1. Instead, they are generally peripheral to mainstream policy work, either because they only consider one specific aspect of policy or because they come from alternative academic fields. However, I argue that it is imperative to combine the spatial concerns outlined above into mainstream thinking if policy theory is to be truly comprehensive and useful for understanding the policy implications of future global shifts in spatial governance.

Yet, geographically sensitive theories of policy highlight the role of only one variable and its influence on policy outcomes. They fail to provide a complete explanation. Similarly, the dominant theories reviewed above give important insights into the role of a particular factor on policy outcomes. However, again, in isolation each fails to provide a complete explanation and is too narrow for my purposes. Consequently, I combine several of the aforementioned theoretical approaches into a single framework in order to broaden the scope of the conceptual model I adopt.

In order to create such a composite theoretical framework, I apply Morgan's (1997) conception of theory. He argues that theory is most useful when viewed as a metaphor. The power of metaphor is that it creates "one-sided insight" (op cit: 4) that clarifies an observed phenomenon by bringing certain characteristics to the fore. However, simultaneously, "metaphor *always* creates distortions" (emphasis in original, *ibid*), because it distracts attention away from other aspects of the phenomenon. Hence, "metaphor is inherently paradoxical" (op cit: 5). It creates powerful insights while concurrently hiding other aspects from view: "the way of seeing created through a metaphor becomes a way of *not* seeing" (emphasis in original, *ibid*). Therefore, given that "all theories simplify empirical reality through the use of abstraction" (Green and Shapiro, 1994: 180) and abstractions "distort reality" (op cit: 191), then the concept of 'theory as metaphor' becomes very powerful. This approach overtly acknowledges the paradox of theories, but acknowledges their strength as "constructive falsehoods" (Morgan, 1997: 4). Theories are constructive because they provide insight by focusing attention on certain features and simplifying complex phenomena. However, they are falsehoods because by their very nature as abstractions, they distort reality and obscure features that do not conform to the theory's paradigm.

I use this conception of theory when constructing my theory of policy. The composite theoretical framework I adopt for making sense of the policy process draws together a range of observations made by different theories in the literature. I view each of the various theories as separate metaphors or independent 'constructive falsehoods'. Each adds something to my theoretical approach, providing useful insight while the risk of distortion and 'not seeing' is limited. By combining insights from these different policy theories in this way, I create a broad and inclusive theoretical framework that is appropriate for the policy research I undertake.

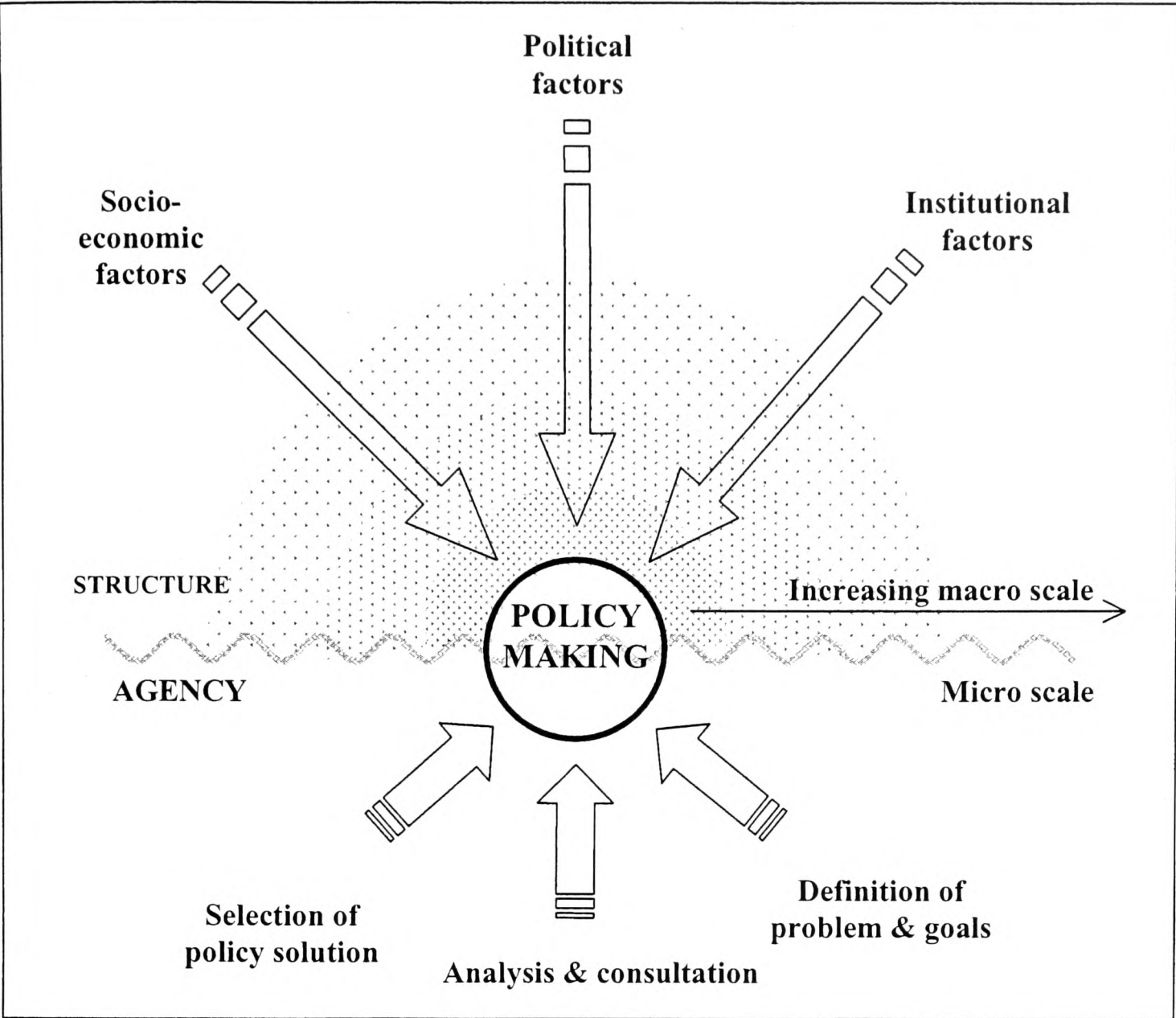
Given that my overarching view of policy is more closely aligned with the position adopted by the alternative theories of policy that I reviewed, it is from these theoretical schools that I adopt

the majority of my theoretical framework. In most part, I reject the rational model of policy-making because I disagree with its idealised rational conceptualisation of policy-making and its behavioural assumptions. I do not believe this is an accurate representation of how policy is made. I do, nonetheless, draw two related insights from this theoretical approach, notably the importance of agency in policy-making and the need to consider policy from the micro-scale.

While it is certainly true that structural factors have considerable influence on policy-making, agency is also important (see Figure 4.2).⁶ Structural factors provide the context in which policy decisions occur and define the boundaries of possible responses. Incorporating structural factors into policy theory is important for understanding the limitations of policy-making and appreciating how its path-dependence tends to lead to policy stability and incremental, rather than radical, change. However, human agency is also important in shaping policy outcomes. While policy-makers may face constraints when creating policy, these constraints are not shackles which overwhelm consciousness. Policy-makers have considerable scope to influence the policy process. Including an agency perspective in policy theory allows the agency-driven forces that lead to change and innovation in policy-making to be highlighted. Therefore, in the theoretical framework I adopt, I incorporate the role of both structure and agency. I consider simultaneously the decision-making process that leads to policy and the role and behaviour of the individuals involved, as well as the range of structural influences and constraints under which they operate.

⁶ This idea to combine structure and agency into a single theoretical framework is by no means new. Indeed, “[a] central problem in social theory is the relationship between the autonomous actions of individuals, and an overarching and stable social order” (Edgar, 1999: 16). Therefore, this attempt to combine the two theoretical perspectives is common, even if the specific task at hand of creating a theory of policy that considers both structure and agency while incorporating an emphasis on geographic factors is more novel.

Figure 4.2 Diagrammatic representation of theoretical approach to policy



In the composite theoretical framework I adopt, I include a range of structural factors influencing policy, drawing from each of the theories of policy I outlined in section 4.1.2. I consider the role of socio-economic factors because, while external to the policy process, the socio-economic context of policy-making is highly relevant. Indeed, this context is especially important to my study given that I am interested in whether changes in the economic context, such as globalisation, liberalisation and increased competitive pressures, limit policy alternatives, as critics of France’s 35 hour week have suggested. The social context is also important to my research given that I am interested in the extent to which national traditions of economic governance, such as social solidarity, remain influential in policy-making. In keeping with new institutional and corporatist theories, I also incorporate institutional factors into the theoretical framework I adopt. I consider the role of and relationship between both formal and informal institutions involved in policy-making and implementation in order to understand how

these shape policy options and outcomes. This is especially relevant to my study given that I am interested in how the effectiveness of a policy was shown to change when it moved from being a regional policy, implemented by one set of formal and informal institutions, to a national policy, implemented by another very different set of institutions. Similarly, it is relevant to understanding why work time reduction may work in France, as opposed to other countries. I also borrow from political realist theories and incorporate the politics of policy into the theoretical framework I adopt. As I argued earlier, policy is inherently political, making political analysis an essential component of policy research. I consider the role politics plays throughout the policy process, including institutional politics, the political players involved and broader national political interests.

I then add geography into this theoretical approach. I do so, first, by considering policy-making from various scales, without privileging any one scale over another. Considering policy-making from the micro-scale highlights the explicit factors influencing policy creation. Considering policy-making from more macro-scales highlights external influences at international, national and regional scales that are implicit in policy-making. Analysis at this scale provides an understanding of the context of policy and how the economic environment at different scales constrains or potentially expands policy options, as in the case of employment policy in a high unemployment region, as well as how the societal preferences are incorporated into policy-making. In this way, I consider the relationship between scale and the structural variables affecting policy, highlighting how spatial and structural variables are co-dependent.

Second, I consider scale as a variable in itself. As the economic geography literature shows repeatedly with respect to specific policy examples, scale affects policy outcomes. For example, the effective matching of the scale of policy with that of the policy problem is imperative if the intended policy outcomes are to occur. Therefore, I also incorporate scale as an independent variable into my theoretical approach. I consider the relationship between the policy problem

and the international, national and subnational scales, as well as the actual geography of the policy problem. I also incorporate the geography of the policy and its spatiality. I then combine the two in order to evaluate the degree to which the scale of the policy matches the scale of the policy problem.

By drawing these various insights together, I have created my own composite theory that combines various sections of existing theories into a single framework for describing policy. The theoretical approach I take considers policy as a subjective process that is inherently political. It also considers policy from both an agency-centred and structural perspective, simultaneously concerned with what causes policy stability and what allows policy innovation. In doing so, this theoretical approach combines processes effecting policy at various scales, capturing some of the important geographic issues that shape the impact of policy when implemented. Furthermore, by seeing each theory as a metaphor or 'constructive falsehood,' forming a composite theoretical framework in this way maximises insights gained while limiting distortions.

4.4 Conclusion

In this chapter, I have outlined the theoretical framework used in my research in order to make sense of policy. I reviewed the main policy theories that exist in the literature, starting with the orthodox rational choice model before moving on to competing theories that take more structural perspectives. In my discussion of these theories I showed that both structural and agency issues are important. However, I discarded the rational choice model, arguing that it misrepresents the inherently subjective and political nature of policy-making. Instead, I drew my theoretical framework from the alternative theories reviewed, combining the insights they provide in accordance with Morgan's 'theory as metaphor' approach.

I also showed that geography is largely ignored in the mainstream theories. However, despite its neglect in mainstream policy studies, geography is an important variable in determining policy outcomes. Therefore, in the theoretical framework I created, I have incorporate spatial variables in three ways. First, I combine both the micro and macro-scales of policy-making. Second, I consider the impact of forces at various scales on the structural determinants of policy. And, third, I consider scale as an independent variable, highlighting the spatiality of the policy and policy problem.

The need for such a theoretical framework that explicitly incorporates geography and policy is highly relevant. As I show in the following chapter, there is considerable evidence that globalisation is causing a reterritorialisation of scales of governance and economic, social and political processes between supranational, national and subnational scales. As a result the question of scale is becoming increasingly topical. If, as it would seem, there is genuinely a trend towards a new spatial logic of governance, then it follows that an understanding of the new spatial logic of policy is also needed. Consequently, a theory of policy that incorporates scale is essential if the impact of these powerful spatial processes on policy is to be understood, evaluated and predicted.

CHAPTER 5

Globalisation, the Convergence of Labour Market Governance and Employment Policy

The early rhetoric criticising the 35 hour week in the international press implied that globalisation was a *fait accompli*: only one model of labour market governance and one set of employment policy options remained viable in an increasingly globalised world, based on the principles of flexibility and deregulation, synonymous with the idealised Anglo-American model. However, the impact of globalisation, particularly on labour market governance and employment policy, is more complex and contested than this populist rhetoric suggests. Much has been written in the globalisation literature to establish the existence of new levels of international convergence: trade and capital flows have been shown to be increasing rapidly as markets deregulate; supra-national organisations and regional blocs have been growing in power; and transnational corporations are adopting more diffused, and genuinely international, patterns of production. Yet, beyond these largely quantitative and descriptive observations, there remains much uncertainty about what such changes mean for national economic governance, for different sectors of the economy and for policy-making. The qualitative effects of globalisation are poorly understood, especially once outside the areas of the economy most obviously affected by globalisation and, particularly, in the labour market and for employment policy.

In this chapter I review three sets of literature concerning (1) globalisation and capitalist convergence; (2) the impact of globalisation on labour market governance; and (3) the spatiality of globalisation. In reviewing these literatures, I draw out the key lessons and findings in order to assess the consequences of globalisation for employment policy and the governance of the labour market at sub-national scales. My aim in this chapter is not to revisit all the debates in the vast literature on globalisation. Instead, I review the relevant sections of the globalisation

literature in order to establish the parameters of current debate that are relevant to my research field.

5.1 Globalisation and capitalist convergence

I begin this chapter by reviewing the broad literature relating to the convergence effects of globalisation on nationally distinct types of capitalism and models of economic governance. I briefly summarise well-rehearsed debates about how globalisation is causing capitalist convergence. I also describe the idealised Anglo-American model of economic governance that countries are under pressure to adopt, and review debate concerning the extent of capitalist convergence, the most contentious part of this literature. I conclude this review with several core propositions which emerge from this debate and form the basis for my discussion of the impact of globalisation on labour market governance.

Before I proceed further, I should first emphasise that the national models of economic governance discussed in convergence debates are all capitalist. Since the end of the Cold War, there is almost unanimous international conformity to the capitalist ideology and method of economic governance. This point often gets overshadowed in debates about capitalist diversity because emphasis is placed on differences between national models of capitalism, with little reference to their similarities (Strange, 1997: 188). In this thesis I am interested in the future of differences between models of economic governance. However it is important to emphasise that my research takes place in a broader context of unprecedented global conformity to a single broadly capitalist model of economic governance.

5.1.1 Globalisation and the impetus for convergence

Many features of contemporary globalisation combine to provide the impetus for the convergence of models of economic governance and policy. However, convergence is due mainly to the financial integration associated with globalisation. Floating exchange rates, the

deregulation of financial markets, increased currency speculation, increased foreign direct investment and the rise of institutional investors have all contributed to increased international flows of capital, growing interdependence between financial markets and heightened competition. This has led to a degree of financial policy convergence that “is more acute than in any other economic sector and ... on an upward curve” (Tickell and Clark, 2001: 1).

Not only has financial integration had direct convergence effects on financial policy, it has also contributed to policy convergence more broadly by significantly changing the policy space in which governments operate, reducing and sometimes even removing governments’ regulatory control over sections of the economy. For example, currency deregulation has meant that the exchange rate, once a tool of domestic monetary policy and, as in the case of the ‘Franc Fort’, an issue of national pride, is now determined almost solely by international markets. Similarly, the increased mobility of capital – and, hence, of companies, investment and jobs – has reduced domestic policy freedom, particularly with regard to the power of governments to tax and regulate business. Financial integration has made easier capital’s exploitation of comparative advantages between countries and regions, shifting the balance of power between governments and capital and making it increasingly important that policy choices do not discourage capital investment. This is a controversial point to which I return later.

Concurrent with increased flows of capital have been changes in the production and trade of commodities: truly trans-national corporations have emerged, as opposed to multi-national enterprises with dispersed production locations, and there has been an increase in international trade in manufactured and semi-manufactured products, facilitated by improvements in communications and technology. Together these changes in how capital and commodities move around the world and the way capital is invested have resulted in the development of what

Woods (2000: 3) describes as a “global financial system”, as distinct from an international financial system.

While there have been previous periods in economic history when trade and capital mobility were at comparable levels,¹ the contemporary period of global integration is regarded as “qualitatively different from the internationalization of previous eras” (Kelly, 1999: 388). In economic, political and cultural spheres there now exists a “functional integration of activities across the globe,” as opposed to merely “simple connections” (ibid). And this functional integration, induced by globalisation, has caused “qualitative changes in international governance” (Woods, 2000: 2), significantly changing the national policy space:

As the world economy in particular is transformed by new modes of production and trade, and as transnational corporations and institutions come to exercise more influence and power, so the capacity of national policy-makers to frame their own agendas is diminished. (Parson 1997: 234)

The functional integration of contemporary globalisation has created unprecedented pressures towards convergence, narrowing the scope of policy choices and altering national economic governance in qualitatively important ways.

However, globalisation is not purely economic as the political ramifications of contemporary globalisation also cause qualitative changes to national models of economic governance. Examples of such political features include supra-national political and economic blocks; supra-national organisations (which can have considerable influence over national governments); and international non-government organisations (often supporting international political movements). When coupled with improvements in communications and the transmission of

¹ A number of commentators stress that globalisation is not new: “Economic globalization has been an integral part of a capitalist market economy since at least 1492.” (Swyngedouw, 2000: 542). More recently in the late 19th and early 20th centuries flows of capital and commodities were at comparable levels to today. What is more, these earlier periods of global integration involved the movement of people to a far greater extent than is witnessed today. Therefore, the processes of globalisation, per se, are not new phenomena.

information, the consequence of this political element of globalisation is that governments are also under pressure to adhere to various international political and policy norms.

Therefore, globalisation has significant implications for governance and policy-making. Political integration is resulting, at times, in national governments voluntarily ceding powers to international institutions and being influenced by international political norms and expectations. Financial integration is having direct and indirect policy consequences, with the policy responses of national governments increasingly limited and constrained by the needs and wishes of capital. These political and economic consequences of contemporary globalisation have resulted in significant qualitative changes as to how national governments manage their economies because “national governments must today simultaneously satisfy two constituencies: their national citizenry and the international capital market” (Crouch and Streeck, 1997: 11). The national citizenry demands government action that is usually consistent with national traditions of economic governance, contributing to the continued diversity amongst national varieties of capitalism. International capital markets prefer a global model of governance, applying pressure to national governments to converge towards the international norm. The result for policy-making is that: “Public policy [creation] now takes place in a world system as well as in national political systems” (Parson 1996: 234). Consequently: “Like companies, [countries] need to ‘think global’ so that national policies fit with and take into account the broader international context” (OECD, 1994c: 40). It is generally agreed that globalisation is creating convergence pressures and that balancing the needs and demands of what Crouch and Streeck call the ‘national and international constituencies’ has become the new challenge for governance and policy-making.

5.1.2 The Anglo-American model of economic governance

Before reviewing the debate concerning the extent of capitalist convergence, I pause briefly to consider the model of economic governance that countries are converging towards under

pressure. This model of governance, desired by international financial markets, is one based on the principles of a free and flexible market and is often referred to as the Anglo-American model of capitalism.

While the Anglo-American model is a much-used term with various discernable features, like many descriptive concepts it is hard to define precisely, largely because it is an ideal-type of economic governance rather than an existing tangible model. Defining it is made yet harder because numerous terms are used in the literature to describe the same concept, including Anglo-Saxon, neo-American, English-speaking and neo-liberal (Albert, 1993, Giddens, 1998; Smith, 1999). Of these terms, I use the term Anglo-American in this thesis for several reasons. It is clear about the geography of this model: while it emanates primarily from the United States, other 'Anglo' countries also broadly adhere to this paradigm, most notably the United Kingdom and Ireland, as well as Canada, Australia and New Zealand (Hall and Soskice, 2001: 20), although the latter countries do to a lesser extent given their stronger traditions of labour activism and welfare states (Albert, 1993: 15). Furthermore, the term Anglo-American does not carry the loaded connotations incorporated in the term Anglo-Saxon, particularly for the French.²

The Anglo-American model of economic governance has gained popularity since the Reagan and Thatcher eras in the USA and Britain in the 1980s (Albert, 1993: 1-3). It should be stressed that this model of governance is an idealised model that differs from the actual institutional models of governance found in the USA, Britain and other broadly Anglo-American countries, which are considerably more complex and influenced by historic traditions of governance

² In France, the term Anglo-Saxon is highly emotive, carrying negative connotations, as an editorial in *The Economist* noted: "The Anglo-Saxons are back. For nearly a thousand years, no one gave them much thought. ... It is the French who have restored the Anglo-Saxons to prominence, though others – even *The Economist* – seem ready to adopt their usage. ... A bogeyman it has certainly become. In France Anglo-Saxonism is held responsible for all the wickedness of global capitalism." (*The Economist*, May 4 2000: 34) These additional connotations associated with the term Anglo-Saxon in the French context make it particularly inappropriate for use in this research.

originating from alternative theoretical and ideological foundations. Peck (2001: 446) argues that this idealised model and its corresponding neoliberal agenda is “everywhere and nowhere at the same time,” with much of its power “stem[ming] from the way in which it structures the wider ‘policy environment’ – of programmatic conventions, (perceived) external constraints, and received understandings of what the World Bank, the credit rating agencies, or what the ‘markets’ will bear”. It forms a macro-political context and logic that, when coupled with the rhetoric of the globalisation ‘threat’, creates a powerful, naturalised, ideal-type model of economic governance deemed most suited to the competitive pressures of a global economy.

This model has its theoretical foundations in neoliberal ideology – “the common sense of our time” (Peck and Tickell, 2002: 381) – and the market-centrism of neoclassical economics, as described in Chapter 3. Consequently, it is individualistic in its approach and based on the premise that the market is the most efficient method of distributing society’s scarce resources and creating wealth. Indeed, the defining feature of the Anglo-American model is its commitment to the market: “Its essential principles ... can be summed up in a few words: the market is good, the state is bad” (Albert, 1993: 253). This model of governance largely corresponds to a neoliberal policy agenda,³ committed to market flexibility, deregulation and privatisation so as to limit any interference by the state in the free movement of the market.

By the 1990s, the Anglo-American model of economic governance had risen to become the dominant ideal-type model of capitalism. “Indeed”, as Peck and Tickell (2002: 381) write, “proselytising the virtues of free trade, flexible labor, and active individualism has become so commonplace in contemporary politics – from Washington to Moscow – that they hardly warrant a comment in many quarters”. Several factors have combined to assist its rise,

³ Kelly (1999: 380) warns that “the easy conflation of neoliberalism and globalization should be treated carefully” because the two terms represent quite different processes: neoliberalism is a well defined economic policy agenda, while globalisation is “a rather diffuse concept” (op cit: 385). The two processes are neither interchangeable nor necessary conditions for the other. While they are by no means synonymous, the model of economic governance that globalisation is causing pressure to converge towards can, nonetheless, be characterised as neoliberal.

including the end of the Cold War and communism's challenge to capitalism; prolonged recessions in many of the institutional or coordinated market economies, especially those in Japan and Europe; and the relative success of the American and British economies, especially with respect to the recent technology boom. In addition, on the domestic front, these international forces have weakened the power of traditional Left and Socialist parties, pushing them towards the centre (Giddens, 1998; Albert, 1993). As a result, the Anglo-American model "has triumphed on every front" (Albert, 1993: 1). Globally, it has defeated communism, as well as institutionalist models of capitalism, and domestically it has shifted the political agenda to the right.

Widely held up as the most effective method of economic governance in an increasingly globalised and financially integrated environment, such a free and flexible model of economic governance is thought to be most suited to "a world economy in which a premium seems to be placed on speed of reaction: on rapid product change and an ability to cut costs fast" (Crouch and Streeck, 1997: 6). In this new and fast-paced world economy, as this argument goes, national forms of governance must become compatible with the needs of international capital if countries wish to maintain economic competitiveness. As a result, "economic globalization places strong pressures on national economic policies for deregulation and privatisation" (op cit: 10). In other words, it places strong pressures on national governments to converge towards the Anglo-American policy agenda, whose principles of market freedom and flexibility are those most compatible with the needs of international capital – the second constituency national governments must now satisfy.

5.1.3 Capitalist convergence?

It is now almost unanimously agreed that globalisation is creating new competitive pressures, changing the global financial, economic and political environment and placing pressure on national models of governance to converge towards the Anglo-American norm. What is contested in the capitalist convergence debate is, therefore, not whether convergence is occurring but the extent of convergence, how convergence pressures are affecting different sectors of the economy, and implications of this for policy.

At one extreme lies the ‘theory of convergence’, which underscores much of the populist rhetoric surrounding globalisation (Tickell, 2000), and the policy advice from international organisations such as the OECD, World Bank and IMF.⁴ This theory “considers the role of the processes of change affecting all the advanced economies to be so powerful that they drastically reduce the possibility of alternative responses,” leaving national policy to be “essentially dictated by outside forces” (Regini, 2000: 6). According to this theory, globalisation is an unstoppable, ubiquitous and homogenising force that is eroding the sovereignty of the nation-state and creating a “borderless world” (Ohmae, 1990). This argument is generally backed up by observations from sectors in the economy where convergence is most progressed, particularly with respect to finance, monetary policy and the production and trade of manufactured goods, and it assumes that experiences in these sectors will be replicated in the remainder of the economy.

Most academic research dismisses the extreme scenario proposed by the theory of convergence, arguing that the balance of power between international markets and the national constituency

⁴ The theory of convergence predates globalisation debates. This theory emerged in the 1960s and predicted that industrialisation and the adoption of technology would lead to the convergence of social, political and economic structures (Pot, 2000: 3). It was only in the 1980s that this theory was adapted to consider the effects of economic and financial globalisation on economic governance.

has not shifted so far in favour of the former as to leave national governments with only one possible model of economic governance. As Hirst and Thompson argue (1997, 349-350):

It might appear that ... the nation-state has lost its salience in the face of “globalization” and supranational economic blocs ... This conclusion would be superficial ... while national governments may no longer be “sovereign” economic regulators in the traditional sense, they remain political communities with extensive powers to influence and sustain economic actors within their territories.

Therefore, it is generally agreed, in academic circles at least, that globalisation and the preferences of international markets constrain national policy decisions, but do not dictate them. As Schulze and Ursprung (1999: 346) write “the ‘theory of diminished democracy’ is overstated; democratic institutions and party ideologies remain important in shaping divergent policy trajectories in advanced capitalist democracies”. In making this argument, many theorists stress that “politics still matters” (Mabbett and Bolderson, 1999: 48). Furthermore, it is also argued that the convergence effects of globalisation are highly varied and complex, with “detailed analysis of the empirical facts clearly demonstrat[ing] that the extent to which individual countries and industries have been exposed to global market integration is not uniform” (Schulze and Ursprung, 1999: 345). This suggests that the convergence experienced in certain, highly open sectors of the economy may be more the exception than the rule. Therefore, most writers concur that globalisation is causing convergence, which is mitigated by national political concerns. The debate lies over the extent to which globalisation is causing the convergence of models of governance in different sectors of the economy, how it is constraining policy choices and how it will tread down in different places.

A number of reasons have been put forward to explain why convergence is not experienced in uniform ways between countries. Woods (2000: 2) proposes state strength as one factor that affects the impact of globalisation on different countries, arguing that convergence is influenced by the characteristics of the state and its relationship with the international economy: “Strong states have not only influenced the nature and pace of globalization but, equally, have

controlled their own integration into the world economy.” Therefore, strong states, such as France,⁵ are in a better position to control the convergence effects of globalisation than other states.

Furthermore, regulation and institutional theory stress the importance of pre-existing institutional arrangements and models of economic governance in determining the various national impacts of globalisation. As Boyer (1995: 552) writes: “Only general equilibrium theories consider that history does not matter, given the full reversibility and flexibility of a highly idealized market economy.” Institutionalists, instead, argue that the politico-institutional characteristics of a country cannot be quickly or easily erased. Consequently, even when states are affected by similar globalisation pressures, their different pre-existing traditions of economic governance will necessarily result in differing outcomes, causing globalisation to impact differently in different places.

It is also argued that globalisation will have different outcomes in different sectors of the economy. In some instances, this is because of the type of market: labour, for example, while a factor of production, is also socially regulated and, hence, affected by globalisation in qualitatively different ways to capital. In other instances, this is because of a particular set of national prerogatives: agriculture in Europe is heavily insulated from competitive pressure – at enormous cost to the citizenry – in order to ensure food self-sufficiency and preserve a way of life. Generally, the outcome of globalisation is affected by differing levels of openness and exposure to competitive pressures as well as differing levels of demand for protection and types of regulation. National governments are, after all, democracies and must remain responsive to domestic demand, even in a globalised world. Schulze and Ursprung (1999: 345) give an

⁵ In both the periods 1975-1980 and 1990-96, France ranked third behind the United States and the United Kingdom in terms of average annual foreign direct investment (FDI). In the 1990-1996 period, FDI in France and Britain was almost equal receiving 12.4% and 12.8%, respectively, of the total amount invested in developed countries (Dunning, 2000: 24).

example of this, showing that “social policies will always be feasible if the *population at large* is in favour of an extended welfare state” (emphasis in original). As I show later in this thesis, there is strong evidence to suggest that in France the population at large does continue to demand protective social policies. Many of the population’s key preferences remain, particularly towards risk and social solidarity, that led to the initial development of national systems of economic governance, causing the persistence of broad types of policies, even if their exact form changes.

A further argument is that, even when firms face similar global economic pressures, the impact will vary because responses to change are heavily determined by nationally distinct cultures of governance in which the firm is embedded. As Hall and Soskice (2001: 56) argue “firms are not essentially similar across nations. ... Thus, we should not expect identical responses from them to globalization.” A similar observation by Pot (2000: 199) led him to conclude that “the triggers of change should be distinguished from their effects”, arguing that the outcomes of globalisation-induced change differ between firms in different countries in ways that are consistent with the key characteristics of national patterns of employment relations and methods of economic governance.

Finally, debate about the extent of convergence is also due to uncertainty about the degree of competitive pressures and how competition occurs. The theory of convergence rests largely on the assumption that competitiveness is a matter of cost, with the locational decisions of capital determined primarily by the cost of labour, government regulation and tax rates (Hall and Soskice, 2001: 55). Walker (1999: 265) calls this the “myth of least-cost location”: in order for countries to remain internationally competitive they must ensure the cost of locating within their borders does not exceed that found elsewhere, precipitating convergence between

regulatory standards and reducing policy freedom, particularly taxing to fund social and welfare policies.

This conceptualisation of competitiveness, and its implications for convergence, is contested. Proponents of the notion of comparative institutional advantage argue that what makes developed countries competitive in certain spheres is not only cost but equally a range of non-cost factors, encapsulated in the national model of economic governance. As regulation theory emphasises, institutions matter because they play a role in coordinating the economy and in creating economic dynamism. Therefore, they differentiate one developed state from another, creating comparative advantage.

Hall and Soskice (2001: 36-44) use innovation – the basis for the “new paradigm of international competitiveness” (Porter and van der Linde, 1995: 97) – as an example of institutional comparative advantage. They argue that certain types of economies, particularly coordinated market economies as found in continental Europe, are better suited to incremental (as opposed to radical) innovation than are liberal market economies that follow the Anglo-American model. This is the result of a combination of factors including a relatively highly skilled workforce across all levels; greater job security, reducing the threat of job loss if innovation occurs; consensual decision-making, giving workers greater input; and greater work autonomy. The consequence of comparative institutional advantages for competitiveness, therefore, is that they “tend to render companies less mobile than theories that do not acknowledge them imply” (Hall and Soskice, 2001: 56), such as theories of convergence that conceptualises competitiveness simply as a matter of cost. Furthermore, they show that firms in coordinated market economies are less likely to relocate, given the alternative cheaper sources of labour, than firms in liberal market economies because “[liberal market economies] coordinate their endeavours using the market structures that less developed nations usually

provide, while the [coordinated market economies] often pursue corporate strategies that rely on high skills and institutional infrastructure difficult to secure elsewhere” (op cit: 57). Consequently, Hall and Soskice query the “monolithic political dynamic conventionally associated with globalization” (ibid), arguing that the competitive pressures caused by globalisation are likely to be felt far more under certain types of capitalism, particularly Anglo-American capitalism, than in more coordinated economies, such as the French economy.

Furthermore, Porter and van der Linde (1995) argue in their seminal paper that tight regulatory controls, if devised correctly, may not be the antithesis to competitiveness. Basing their argument on the trade-off between tight environmental regulation and competitiveness they argue that “properly designed environmental standards can trigger innovation that may partially or more than fully offset the costs of complying with them” (op cit: 98). This is because such regulation requires firms to reconsider their entire method of production and organisation, which can often trigger innovation and break organisational inertia. This conclusion is based on two key assumptions: that firms are not in “a static optimization framework where information is perfect” and that competition is dynamic and “characterized by changing technological opportunities coupled with highly incomplete information, organisational inertia and control problems” (op cit: 99).

The ramifications of these observations about competitiveness means that convergence pressures caused by globalisation are potentially not as fierce as initially predicted because alternative regulatory models to the flexible, deregulated approach may also generate economic dynamism. As Boyer and Hollingsworth (1997: 51) state: “There is more than a single optimal institutional arrangement for organizing modern societies.” This reconceptualisation of national competitiveness, as being based on more than just cost, significantly reduces the convergence pressures of globalisation.

5.1.4 Core propositions

From this review of the literature concerning globalisation and the convergence of national models of economic governance emerge several core propositions relevant to my research. The first is that globalisation is occurring. And it is having tangible effects on national economies, economic governance and policy. The altered economic environment resulting from globalisation is a significant structural change that must be considered in contemporary policy-making. Governments need to take this into account when making policy and be sensitive to two constituencies: their national citizenry and the international financial market.

The second core proposition, which builds from the first, is that while globalisation is resulting in convergence in certain highly visible sectors, its impact in these largely financial and tradable sectors of the economy should not be extrapolated to predict how globalisation will affect other areas of the economy. Similarly, the reduction in policy autonomy in these areas of the economy most directly affected by globalisation should not be considered indicative of the general impact of globalisation on policy-making.

Following from this, the third core proposition is that the convergence caused by globalisation is not a ubiquitous homogenising force. The extent and form of convergence is affected by the strength of the state and its institutional arrangements; the sector of the economy, the industry and the market; domestic demand for various policies, which is socially-determined and historically contingent; the response by firms to various triggers, which is again culturally and historically contingent; and the economy's degree of institutional comparative advantage. These nationally-specific factors constrain and mitigate the convergence effects of globalisation, resulting in different outcomes in different places and in different markets and allowing governments greater freedom to pursue policies demanded by the population at large.

The fourth core proposition is that national competitiveness is not determined solely by cost but also by institutional comparative advantage. In coordinated market economies, such as France, the reliance on competitiveness induced by institutional advantage results in their being less vulnerable to capital mobility and the convergence pressures of globalisation than theories of convergence suggest, again allowing national governments greater policy freedom, especially in the case where policies are compatible with existing institutional structures. Furthermore, regulation is not necessarily the antithesis of competitiveness, with properly crafted legislation able to spur innovation, productivity and competitiveness.

Combined, these core propositions imply that, while there are convergence effects associated with globalisation, these effects vary considerably. Furthermore, they are limited by ongoing demand by the national citizenry for certain forms of policy and the comparative advantages that arise from the institutional arrangements of national models of governance. As a result, the qualitative impacts of globalisation on governance and policy-making are highly variable and remain contested.

5.2 Globalisation and the convergence of labour market governance

The discussion above about globalisation and its impact on national methods of economic governance shows that there remains considerable debate about the qualitative impacts of globalisation on economic governance. In this section, I take the core propositions that emerged from this discussion and review them with respect to the economic governance of the labour market and employment policy. Here, too, the implications of globalisation on the local labour market and on employment policy are complex and contested.

Before moving on, it is worth stressing the importance of understanding the impact of globalisation on the labour market in order to comprehend the implications of globalisation more generally. Labour market governance, referred to as the wage relation in regulation

theory, plays a key role in determining the form of the national model of economic governance. As I explained in Chapter 3, the institutionalisation of a particular type of wage relation reflects social and political conflict particular to that country (Boyer, 1997a: 75-76). Consequently, much of the diversity between models of economic governance is the result of different methods of labour market governance and forms of the wage relation. Therefore, “[a]nalysis of the developments in the realm of the management of labour can shed light on the intensity of the global pressures towards convergence” (Pot, 2000: 2). This is because changes in labour market governance provide an indication of the direction in which change is occurring in the economy generally and the persistence of demand from the national constituency for specific models of economic governance.

It is now generally accepted that globalisation is having tangible effects on labour market governance and is precipitating some degree of convergence: “the once distinctive character of particular national industrial relations ‘models’ is said to be under threat” (Gertler, 2001: 5). Convergence in the labour market is caused by the same forces as convergence generally, particularly financial integration, the rise of multinational companies and increased capital mobility. It is generally assumed that the heightened international competition that ensues causes a “decline in the political influence and economic bargaining power of labor [with respect to capital]” (Hirst and Thompson, 1997: 342). It is also acknowledged that employment policy choices and models of labour market governance must now satisfy the dual constituencies of the national citizenry and international financial markets. For example, Peck (1996: 249) talks about the importance of assessing methods of labour market governance in terms of both their “internal integrity” and “external relations”, while Rhodes (1998: 99) stresses “the international constraint” on welfare policy choices in Europe and the “need to conform with the expectations and prejudices of the international financial markets”.

However, an important additional impact of globalisation on labour, raised by economic geographers, is due to the exacerbation of the existing tension between mobile capital and immobile labour. Greater capital mobility resulting from globalisation better allows capital to exploit the spatial division of labour at a global scale, expanding considerably the market in which labour competes and tilting the balance of power between capital and labour further in the favour of capital (Peck, 1996: 237). Therefore, not only is competition heightened generally, globalisation also results in capital being better placed to exploit its position over labour and extract its demands and preferences.

The Anglo-American model of labour market governance is widely argued to be that preferred by international capital markets. In the labour market, the Anglo-American model of governance corresponds to a market-centric and individualistic method of governance, with the ‘twin totems’ of deregulation and flexibility (Haughton and Peck, 1996: 320). Flexibility refers to real and relative wage flexibility, flexibility to hire and fire workers, geographic mobility, high labour turnover and a highly adaptable labour market, while deregulation frees the market from any rigidities that distort its functioning, driving a wedge between the value of labour and its price, such as non-wage labour costs, the minimum wage and unemployment and other welfare benefits. Individualism is also a key attribute of the Anglo-American model, with policies promoted that encourage direct negotiation between employer and employee, including decentralised wage bargaining and constraints on union power.

The OECD, “an important policy actor” in the employment policy sphere despite concern in Europe that it represents an “Americanised” approach (Artis, 1998: 101; 106), provides the most comprehensive description of the policy agenda resulting from the Anglo-American model in its *Jobs Strategy* and *Jobs Study*⁶ series. The OECD’s *Jobs Study* argues that increased

⁶ The OECD first launched its findings from the *Jobs Study* in 1994, when unemployment in OECD countries reached a post-war high and at a time when the American and British labour markets were significantly

labour market flexibility is the only way to create jobs, ensure full employment and remain competitive in a rapidly changing global economy (OECD, 1994a; OECD, 1994b; OECD 1994c). Two forms of flexibility generating reforms are especially important, particularly for reducing structural unemployment (see Table 5.1). The first reform is to increase wage flexibility: “there is a need for policies ... to encourage wage flexibility and, in countries where the scope for increasing wage flexibility is limited, to reduce non-wage costs” (OECD, 1994b: 53). Given their equilibrium model of the labour market, they recommend removing cost rigidities in the labour market as well as any non-wage costs that raise the cost of labour above wages, particularly social security contributions and employment taxes. The second reform is to increase work time flexibility by, for example, extending the range of working hours, allowing greater variability in working hours, promoting voluntary part time work and creating short term and flexible forms of employment contracts. The OECD’s *Jobs Study* concludes that increased labour market flexibility is the only way to create jobs, ensure full employment and remain competitive in today’s rapidly changing economy (OECD, 1994a; OECD, 1994b; OECD 1994c). In reaching this conclusion, the OECD stresses that globalisation, technological change and increased competition have combined to create a situation whereby national governments must ‘adapt’ and follow this policy model if they wish to minimise unemployment and remain competitive.

Table 5.1 Summary of OECD’s *Jobs Study* recommendations for employment policy

▪ Increase flexibility of working-time ▪ Make wage and labour costs more flexible by removing restrictions ▪ Reform employment security provisions ▪ Strengthen the emphasis on active labour market policies ▪ Reform unemployment and related benefit systems

(Source: OECD, 1995: 15)

outperforming those in Europe (although not Japan), providing empirical backing for their ideological support of the Anglo-American model of labour market governance.

Recent work in economic geography on the proliferation of workfare⁷ policies supports the argument that there is employment policy convergence under globalisation (Peck, 1998; Peck and Theodore, 2001). With respect to employment policy and welfare, this body of work finds that “the range of *politically legitimate* options in public policy seems to be narrowing” (Peck, 2001: 446). In particular, the policy agenda is now dominated by supply-side policies that focus on the individual. Similarly, work undertaken from the perspective of employment relations within the firm in economic geography, especially the adoption of ‘best practice’ and lean production, suggests some level of convergence (Gertler, 2001; Rutherford and Gertler, 2002). However, Pot (2000), in one of the more thorough empirical studies of the convergence effects of globalisation on employment relations within the firm, tempers suggestions of simple convergence. Pot undertook a cross-cultural comparison of globalisation-induced change in employment relations between multi-national firms in the Netherlands and the United States.⁸ He found that, while the triggers for change were similar, “The responses of, respectively, Dutch and American firms to the challenges of globalization appear to differ in fundamental respects.” (op cit: 10) This was because “the actual responses of firms depend on the cultural inclinations of the actors who represent them” (op cit: 199). Again, this literature shows that while there are convergence pressures, these pressures or triggers for change continue to be mitigated and translated into different outcomes in different places.

Therefore, while some degree of convergence of labour relations is accepted, the extent and nature of the impact of globalisation on national models of labour market governance is contested. As Pot (2000: 6) concludes, “the degree to which these processes can constrain employment relations is not established”. Research in this field often concludes that the process

⁷ Workfare policies are “[a]ny public welfare program that requires welfare recipients to work (work + welfare = workfare) or to enrol in a formal job-training program” (Shafritz as quoted in Peck, 1998: 133). They are also called active labour market policies and supply-side employment policies because they focus on the unemployed rather than on creating jobs.

⁸ These two countries were chosen because they are “exemplars” of the Rhine-land and Anglo-American models of capitalism, respectively (Pot, 2000: 10).

of convergence is “more complex than a dualism, such as divergence and convergence, can capture” (Christopherson, 2002: 1). Similarly, Rutherford (forthcoming: 4) writes that “while convergence is a strong tendency, convergence and divergence must be seen as co-existing”. Similarly, Gertler (2001: 22) suggests that convergence is “unlikely to be continuous, but instead will hold sway during times of crisis”. Therefore, while convergence pressures are acknowledged, their implications are unclear.

There are many arguments put forward for why and how models of labour market governance resist pressures to converge. The regulation theory literature stresses the socially regulated and historically contingent nature of the labour market and its model of governance. As Boyer (1995: 555) argues: “Industrial relations is a social construction, exhibiting a strong historicity and a clear national flavour.” Therefore, different models are the result of different demands from the national population over time for employment protection and labour regulation.

Social attitudes towards risk and distributional equity are two key explanations for differences between the European and Anglo-American models. With respect to equity: “In the language of economists, [the Anglo-Saxon model] scores highly on allocative efficiency but ranks low in terms of distributional equity” (Smith, 1999: 17). The inequity of the Anglo-American labour market model is demonstrated by the rise in wage disparities and in-work poverty. As Freeman (1995: 19) argues “The rise in joblessness in Europe is thus the flip side of the rise in earnings disparities in the U.S.” and the outcome of a different set of social attitudes. The use of work sharing policies can also be viewed from the perspective of equity:

[work sharing policies] seem to answer a call for equity: the unfairness of unemployment and a large part of the social cost is precisely that it is visited upon a small section of the work force, for most of whom their human capital accounts for their wealth. If a certain amount of unemployment is inevitable, therefore, it can easily be argued on welfare grounds that it should be spread about in the form of an all-round reduction in hours. (Artis, 1998: 106)

Therefore, varying demands for equity, both in the past and present, influence national forms of labour market governance and the types of employment policy adopted. This is especially so in Europe, and France in particular, where policy makers have sought to maintain the quality of employment, albeit risking higher unemployment, which is then supported by a generous welfare system.

Social attitudes to risk also contribute to the continuation of certain models of economic governance, as well as the rejection of others. In an externally flexible and individualistic Anglo-American labour market the risk and uncertainty resulting from economic cycles and shocks is largely borne by the individual, whose pay, working hours and employment status are all vulnerable to the volatilities of the market. However, as the French socialist Senator Henri Weber was quoted as saying “Europeans are Americans who refused to take the boat. We do not take the same risks; we have a need for greater security” (as quoted in *The Economist*, February 12 2000: 18). This collective attitude towards risk is reflected in models of governance, particularly in the labour market.

There is evidence to suggest that these attitudes towards risk and equity, which have historically shaped national models of governance, remain relevant to societies in France and Europe. Esping-Andersen and Regini (2000: 2) argue that: “The absence of dramatic departures from the status quo may also reflect a genuine and broadly shared commitment to maintaining egalitarian traditions.” Schulze and Ursprung (1999: 345) go so far as to suggest that globalisation may actually increase commitment to egalitarian traditions such as equity and risk pooling:

globalisation exerts an influence not only on the supply side, but also on the demand side of the political market. The demand-side effects ... propose that political forces (electoral or political support considerations) cause globalisation-induced redistribution to be moderated, i.e. globalisation-induced losses are *compensated* via fiscal policies. Demand for social welfare programmes thus increase in the course of globalisation.

Together, the entrenchment of past attitudes towards equity and risk in models of labour market governance and continued public support for them, especially in the face of the uncertainty caused by globalisation, result in strong nation-based pressure for the persistence of distinctive models of labour market governance.

Distinctive models of labour governance may also persist because the competitive threat and the power of international financial markets may not be as great as convergence theories suggest. As mentioned earlier, institutional comparative advantage is an important source of competitiveness. The type of labour force and model of labour market governance are important components of institutional advantage. Consequently, the persistence of 'social democratic strategies', as Hirst and Thompson (1997: 342) call them, may remain a competitive option for advanced economies, although only under certain conditions: "“Social democratic” strategies of enhancement of working conditions would thus be viable only if they assured the competitive advantage of the labor force, without constraining management prerogatives, and no more overall cost in taxation than the average of the advanced world.” Furthermore, not only can a workforce supported by 'social democratic strategies' be an economic asset in advanced economies, the alternative is a potential economic hazard because “labour market deregulation can jeopardize the social consensus and unleash conflict because of the inequalities that it, inevitably, will catapult” (Esping-Andersen and Regini, 2000: 1). Porter and van der Linde (1995) also argue that competitiveness is determined by more than cost alone, with the propensity for innovation equally important. Consequently, if national demands for types of governance remain and these can be implemented in a way that is broadly consistent with or at least not antagonistic to the demands of international financial markets then it is argued that such models can persist even in an increasingly globalised world.

Therefore, there is as yet no consensus about the qualitative impact of globalisation on labour market governance. Globalisation is placing pressure on models of labour market governance to converge towards the deregulated, flexible norm. Furthermore, it is strengthening capital's ability to extract its demands from labour, given its actual and threatened increased mobility. However, research suggests that these tendencies towards convergence are counter-balanced and tempered by two other factors. First, the national citizenry continues to demand certain models of labour market governance and, conversely rejects other models, based largely on how they treat risk and equity. This suggests that traditional social attitudes towards risk and equity persist in European labour markets and remain core concerns. Second, many of the regulatory features of models of labour market governance that diverge from the international norm are not necessarily counter-productive to competitiveness, providing a stable, core workforce and contributing to institutional comparative advantage.

5.3 The geography of globalisation and the region in globalisation debates

The geography of globalisation is another key issue in globalisation debates. Whether originating from political economy, political science, economics or geography, scale is often used as an argumentation tool in these literatures. National and sub-national scales are used by those in the diversity camp to highlight continued capitalist heterogeneity, while the opposing camp usually cites the global scale to support the convergence hypothesis. As Kelly (1999: 396) argues, "Too often we read of global processes and local processes as if the two follow entirely separate logics." Rather than considering the processes affecting each scale in isolation and as "hierarchical, distinct and mutually exclusive", Kelly (ibid) argues that "it is useful to think of scales as *relational*" (emphasis in original). In this way, changes occurring at one scale of governance are seen as integral to and interdependent with those at other scales, and part of a grander process of spatial reorganisation initiated by globalisation. Much of the geographic literature that considers the spatial implications of globalisation for governance adopts this

relational conceptualisation of scale, providing useful insight into the consequences of globalisation for the region.

It is generally presumed that the spatial implications of globalisation will be a deterritorialisation of economic activity and governance, particularly in the globalisation literature that adheres to the theory of convergence. Brenner (1999: 432) summarises this view, writing: "These accelerated, globally circulating flows are said to embody processes of deterritorialisation through which social relations are being increasingly detached and disembedded from places and territories on sub-global geographical scales." As a result of deterritorialisation, "the balance of power is thought to be tipping in favor of globalized organisations, networks, practices, and flows" (Storper, 1997: 169) and "the locus of control over important dimensions of the economic development process ... is passing from territorialized institutions such as states to deterritorialized institutions such as intrafirm, international corporate hierarchies or international markets that know no bounds" (ibid). This argument claims that the forces of globalisation result in a 'hollowed out' state (Jessop, 1994), with reduced sovereignty and less control over economic activities within its borders. It is this argument that has lead to speculation of a 'borderless world' and the 'end of geography'.

However, this view is contested. While it is acknowledged that globalisation is causing a reconfiguration of the relationships between scales of governance, in much of the geography literature this reconfiguration is argued to be a 'reterritorialisation' of governance rather than a deterritorialisation. Globalisation changes the relationship between various scales and the global economy, rather than eroding the relationship, with important qualitative ramifications for governance:

the 're-scaling' of the economy and the emergence of a new dynamic articulation between local/regional economies and global economic flows and processes is paralleled by the formation of new forms of governance at both sub-national and supra-national scales. (Swyngedouw, 2000: 541)

This theory suggests that globalisation is not causing the nation-state to be eroded into obsolescence, but it is nonetheless having profound spatial consequences, particularly with respect to governance at sub-national scales. However, again there is no broad agreement on what the effects of globalisation will be on regional economic governance, with views ranging from a 'race to the bottom' between regions to regional empowerment and increased autonomy.

5.3.1 Globalisation as a regional 'race to the bottom'

The 'race to the bottom' argument is frequently used in the globalisation literature (Leyshon, 1992; Peck and Tickell, 1994; Tickell and Peck, 1996). Indeed, "[o]ne of the most widely held beliefs about the globalization of markets is that it has substantially decreased the autonomy of the nation-state, resulting in a 'race to the bottom'" (Garrett, 2000: 107). In general, the 'race to the bottom' argument refers to the effects of globalisation, often via a process of "neoliberalisation" (Peck and Tickell, 2002), on levels of regulation, particularly concerning labour, safety standards and the environment, as well as other forms of government intervention such as taxation and the provision of welfare (Kelly, 1999: 383). The idea behind this argument is that, in a global economy, the competitive pressures to attract and maintain capital investment will be such that costly regulation will be arbitrated away in order to compete. It should be noted that this argument assumes that competition is based primarily on cost and largely ignores the possibility of alternative sources of competitiveness.⁹

This same logic is used to predict the spatial consequences of globalisation for regional governance. In a world of 'hollowed out' states, regions will no longer have the protection and support of the nation-state above them, forcing them to compete independently for capital investment. This reduction in the scale at which competitive pressures are enacted is predicted to have negative consequences for governance because:

⁹ The way in which competitiveness is conceptualised has important implications for the predicted outcome on regulatory standards. Interestingly, Porter and van der Linde's (1995) conceptualisation of competitiveness and innovation predicts the possibility of 'race to the top' in regulatory standards.

A reduction in the scale of regulatory-institutional organisation increases the power of capital over space and constrains the command of territorially-organised interests to control territorial organisation. Scale reduction, therefore, reconfigures the boundaries of territorial organisation and intensifies inter-territorial struggle. (Swyngedouw, 1992: 61)

As the reterritorialising effects of globalisation shrink the scale of territorial organisation, the balance of power between the regional citizenry and international financial markets tilts in favour of capital, leaving regional governments with reduced regulatory and policy-making power. In order to remain competitive and retain capital investment, regions must therefore respond by reducing factors that make their locale more costly. As one region after another attempts to attract capital in this way, the result is a 'race to the bottom' in regulatory standards, which is hastened and facilitated by the reduction in the scale of governance.

In some sectors of the economy, the notion of a regional 'race to the bottom' has considerable weight, with the effects of globalisation dependent upon the initial territorialisation of the industry at hand:

Where territorialization is low or declining, that is, where locational substitution becomes more and more possible, there is often a "race to the bottom" for territorially defined states, a competitive bidding war for economic activity (Storper, 1997: 188).

For a region to retain an industry profile with low or declining territorialisation, its government must necessarily reduce or remove regulatory factors that increase its relative costs of production. The most obvious example of industries with high mobility and cost sensitivity are highly tradable manufactured goods, particularly those produced by low-skilled labour. If a region wishes to retain such industries, it must either take part in the 'race to the bottom' or experience the type of deindustrialisation witnessed in Nord-Pas-de-Calais and many other former industrial regions in developed countries.

5.3.2 'Glocalisation'

An alternative view to the gloomy 'race to the bottom' argument, which is more refined in how it conceptualises the spatial effects of globalisation, is the idea of 'glocalisation' (Swyngedouw, 1992; 2000). The term 'glocal' is used "to describe the bifurcated scales on which the state now operates" (Kelly, 1999: 391), considering concurrently the local and global implications of globalisation. The glocalisation hypothesis does not assume that globalisation will necessarily result in a 'race to the bottom'. Rather it attempts to describe how local and global spatial pressures will reconfigure the state and scales of governance by seeing scales as relational and without being overly deterministic about the outcome of globalisation.

Swyngedouw (1992: 40-41), who brought this term into popular usage in the economic geography literature, explains the concept of glocalisation, suggesting

that the local/global interplay of contemporary capitalist restructuring processes should be thought of as a single, combined process with two inherently related, albeit contradictory, movements and as a process which involves a *de facto* recomposition of the articulation of the geographical scales of economic and social life. (emphasis in original)

The two related movements which make up the single combined process of glocalisation and result in the rearticulation of geographic scales, emanate from the national scale and involve both decentralisation and centralisation tendencies. There are numerous examples of the decentralisation of power: in politics this tendency is shown by the decentralisation of power to sub-national scales; in production it is exemplified by flexible specialisation, often cited as the post-Fordist method of production; and in innovation through the growing promotion of learning regions and zones of innovation (op cit: 41). These examples correspond to a down-scaling or localisation of governance and economic activities to sub-national scales. Centralisation tendencies, on the other hand, are a response to the forces of globalisation mentioned in the first section of this chapter, and include the increased role of supranational

bodies, financial capital markets and multi-national corporations. Here, the effect of globalisation on governance is to up-scale governance roles to the supra-national level.

However, despite globalisation and localisation tendencies, the national scale nonetheless remains important. As Swyngedouw (2000: 549) states “the rescaling of the State by no means implies a diminished role for the national-state”. However, it does imply a “mutated” role for the nation-state (Coe and Yeung, 2001: 368). Previously, “the politics that was supposed to generate capitalist diversity was national... it happened to be mainly through and within nation-states that twentieth-century capitalism was organised and regulated by twentieth-century society, and that ... societies were able through democratic politics to ‘talk back’ to their economies” (Crouch and Streeck, 1997: 2). Today, while the nation-state remains the primary scale of governance, the regional and global scales are nonetheless becoming increasingly important for economic and political organisation and governance.

The conclusion that the regional scale is becoming an increasingly important scale of governance is a very different outcome from that predicted by the theory of convergence:

far from signalling the ‘end of geography’, the territoriality of globalization leads capital, people, institutions and technologies to be ever more intensely motivated by and stimulated through localized geographical agglomeration and spatial clustering (MacLeod, 2001: 804-5)

Instead of a borderless world, what results is a “new scalar gestalt” (Swyngedouw, 2000), in which the sub-national scale is brought to the fore as a vital scale of governance, creating economic dynamism and institutional comparative advantage. Consequently, it is also becoming an increasingly important scale for understanding the consequences of globalisation, especially on governance.

By predicting that the region is becoming an increasingly important scale of governance, with greater empowerment and autonomy from the nation-state, the notion of glocalisation does not

necessarily oppose the idea that the spatial reconfiguration resulting from globalisation will cause a 'race to the bottom' between regions. In some instances, greater regional autonomy may lead to a situation where there is a deterioration in the balance of power between capital and the region, particularly when the territorialisation of industry is weak. However, this scenario represents only one possible outcome because: "Economic globalisation is not spatially homogeneous, but instead depends upon, and contributes to, uneven geographical development at different scales" (Coe and Yeung, 2001: 368). In another scenario, often seen as more plausible for regions within developed countries, glocalisation processes may result in the more effective exploitation of institutional comparative advantages. Factors unique to the regional scale, such as "relational assets" and "untraded interdependencies"

produce bundles of non-pecuniary externalities that are embedded in the social and institutional configuration of the regional fabric. ... These forms of institutional or organizational 'embedding' have become increasingly more important as the national scale has given way to a mosaic of regional production complexes. (Swyngedouw, 2000: 551)

Consequently, such features embedded at the regional scale are argued to contribute to economic growth and dynamism, particularly when globalisation has curtailed the power of the nation-state. However, the converse is that the absence of such features in a region contributes to economic decline and 'race to the bottom' scenarios, supporting the argument that globalisation exacerbates uneven development.

The observation that globalisation can cause regional empowerment and economic dynamism is supported by empirical findings from research into some of Europe's more successful regions, whereby: "Their success is explained not primarily by the economic structure, but by the particular institutional web, the informally (or formally) codified practices of exchange and encounter, and the regulatory environment" (Swyngedouw, 2000: 550). This institutional web and regulatory environment, as Swyngedouw terms it, is the source of institutional comparative

advantage, differentiating one region from the next. Furthermore, it is untradable and spatially fixed and defines what makes a region unique.

Given that globalisation has caused a reconfiguration of the scales of governance, this finding has important implications for the region, supporting the notion that the regional scale is an important scale of governance. It suggests the possibility that regions can differentiate themselves to positive effect, rather than merely converge on a global minimum. Furthermore, it suggests that there is growing space for regional policy-making, particularly in developed regions where the territorialisation of industries is not declining and in cases where policy enhances regional institutional advantages or facilitates the creation of an appropriate ‘bundle of externalities’.

5.3.3 Core propositions

From the discussion above about the spatial implications of globalisation, I distil several core propositions. The first is that while the nation-state is not becoming obsolete, its governance role is nonetheless changing. Rather than causing the deterritorialisation of governance and economic activity, globalisation is resulting in the reterritorialisation of governance. This reconfiguration of the scales of governance can be characterised by the process of glocalisation, which describes two related but contradictory tendencies towards the centralisation of governance above, and the decentralisation of governance below the nation-state. As Peck (2001: 447) argues we “need to see [this] ‘hollowing out’ as a qualitative process of state restructuring”, with globalisation having qualitative effects on the geography of governance.

The second core proposition is that the reterritorialisation of governance need not result in a ‘race to the bottom’ between regions. Only in situations where industries have low or declining territorialisation and are highly price sensitive will a fall in regulatory standards be necessary in

order to retain capital in the region. In other cases, the impact of globalisation on regional governance and autonomy is likely to be more complex.

This leads to the third and most important core proposition that, in many cases, the region is “a key site to gain competitive advantage in a more open international competitive environment” (Swyngedouw, 2000: 550). Given that institutional comparative advantage is an important source of global competitiveness and that globalisation is causing the decentralisation of governance to sub-national scales, this suggests that the region is becoming an increasingly important scale at which to exploit institutional comparative advantage and, consequently, generate economic dynamism. Furthermore, given that many of the institutional and organisational features of the regional economy that generate institutional advantage are spatially fixed and embedded in the regional fabric, this implies that there is significant scope for bolstering the characteristics specific to the regional method of economic governance, rather than their erosion.

Together, these core propositions suggest that globalisation is having real spatial implications for governance and policy-making, particularly at the regional scale. Under certain conditions, this may have deleterious effects on regulatory standards. In other conditions, more prevalent in developed countries, it may also result in greater regional empowerment and scope to enhance institutional, organisational and regulatory characteristics that contribute to the regions’ institutional advantage. However, overall it is generally agreed that globalisation is contributing to uneven regional development trajectories.

5.4 Globalisation, glocalisation and the implications for the local labour market

In this section, I consider the implications of globalisation on the local labour market. To do so, I combine the core propositions that emerged from my review of the literature concerning the spatiality of globalisation with the conclusions from my discussion of the effect of globalisation

on labour market governance. The implications of globalisation on the local labour market are important to understand because: “Geographies of labour are formed at this intersection, where flows of capital accumulation collide with the structures of community” (Peck, 1996: 15). The geographies of labour and the geographic impact of globalisation on labour markets can, therefore, be understood from the perspective of the local labour market because this is the scale at which people interact with the labour market and the scale at which they determine their preferences for certain types of labour market governance. Furthermore, national and international economic forces tread down at this local scale to produce spatially uneven development, thus revealing the tensions between international capital flows and social structures. Therefore, the specificities of the local labour market influence how the labour market operates and the outcomes of employment policies, as well as shed light on the impact of globalisation on labour market governance.

As I argued above, globalisation, or more specifically glocalisation, is causing a reterritorialisation of the scales of governance. Evidence from the local labour market supports this notion that this is resulting in a down-scaling of power to sub-national scales. For example, there is a growing trend towards decentralised wage bargaining and other forms of employer-worker negotiation, often to the firm level. Similarly, there is also a trend towards the decentralisation to the regional or local scale of the delivery of employment policy, particularly supply-side and workfare policies (OECD, 1998; OECD, 1999b). These trends, witnessed in the local labour market, further support the glocalisation thesis that predicts the decentralisation of governance of some responsibility to the local or regional scale.

However, like elsewhere in the economy, the qualitative implications of the reterritorialisation caused by globalisation are complex and unclear. The ‘race to the bottom’ hypothesis suggests that there will be an erosion of governance standards in the labour market. Peck (1996: 237)

argues that the decentralisation of labour market governance to the sub-national scale will exacerbate this situation yet further:

globalizing capital is able to use its actual and potential mobility both to extract concessions from labor in production and to evade the costs of social reproduction. ... labor is [then] defensively localized, locality is pitched against locality, labor costs are forced down, and regulatory standards and structure of social reproduction are eroded. ... Once localized, labor regulation can be degraded through regime competition.

Consequently, by decentralising labour market governance to the local scale, labour's bargaining power is not only further reduced, but the protection it receives from the nation-state is also decreased. This new direct interaction between global capital and regional labour, which bypasses the national scale, allows competitive forces to erode regulatory standards and force convergence towards the neoliberal Anglo-American model. As Peck (op cit: 233) argues, the "driving forces behind this geographical degradation of labor are unfettered global competition and its ally, neoliberalism". This widespread argument, therefore, claims that increased regionalism in labour market regulation will facilitate the degradation of labour standards through competition between regions, resulting in a 'race to the bottom'.

However, this pessimistic view of the future of local labour market governance is not the only predicted outcome. Other arguments suggest that the implications of globalisation for the local labour market are not as dire as this scenario suggests because, like elsewhere in the economy, the pressure to converge towards the Anglo-American model is neither ubiquitous nor unstoppable. Rather, it is mediated by the citizenry's preferences, regulatory traditions and institutional comparative advantage.

In particular, two factors work against the degradation of labour standards in the local labour market. First, as argued above, demands for certain models of governance remain, particularly with respect to attitudes towards equity and risk, and these mediate how the same globalisation-induced triggers tread down to create very different outcomes in different places. As I showed

in my theoretical discussion of the local labour market in Chapter 3, the local scale is the scale at which the labour market is lived and where preferences for methods of labour market governance are generated. Combined, these two propositions imply that the decentralisation of governance to the regional scale could well have positive implications for harnessing and responding to the citizenry's preferences for particular types of policies and models of labour market governance. This suggestion is supported by evidence from Chapter 4, which showed that policy made at the regional scale can be more responsive to the population's demands than national policy because the scale of policy-making is better matched with the population's preferences. Under such circumstances, the decentralisation of labour market governance may, if appropriate scales of government exist, facilitate the making of policies that help to perpetuate accepted models of governance.

Second, the predictions that globalisation pressures will cause convergence to an Anglo-American model are further queried by suggestions that competitive pressures are not as strong as this hypothesis predicts, even in a local labour market with decentralised governance. This is because the local labour market rarely behaves according to the self-equilibrating neoclassical model of labour markets on which this premise is based. Rather, as I showed in Chapter 3, the local labour market is socially embedded and its institutional and regulatory character is determined by socio-political factors as well as economic. When the local labour market is seen in this light, the threat that a deregulated and flexible labour market is the only competitive alternative becomes less likely.

5.5 Conclusion

What the above discussions show, first, on globalisation and its impact on national methods of economic governance and, second, on the spatiality of globalisation is that there remains considerable debate about the qualitative impacts of globalisation with regard to governance as well as geography. Consequently, the qualitative impacts of globalisation on governance in the

local labour market are also complex and unclear. Various possible outcomes are proposed. However, these are based on competing conceptualisations of how labour markets operate and of the local labour market itself. While convergence theories predict convergence towards the Anglo-American model of labour market governance, alternative theories of the local labour market, that conceptualise it as an important regulatory scale that is socially regulated and spatially embedded, see the possible outcomes as less homogeneous and determined by a range of local-scale factors including, institutional characteristics, demand for types of governance, and locales' openness and vulnerability to competitive pressures.

By taking a regional perspective on the 35 hour week in France, I investigate these issues. I consider the extent of globalisation pressures on the local labour market and its repercussions for policy, using the example of a policy that is in keeping with the French tradition of labour market governance but which differs considerably from the Anglo-American model of governance.

CHAPTER 6

Research Methodology

In the previous three chapters, I have outlined the theoretical approach I adopt in my research and reviewed the relevant literature. In this chapter, I provide a bridge between the literature-based section of my thesis and the following section in which I present my empirical findings. I do so by outlining my research methodology, showing how I undertook research into the issues raised in the previous discussions, explaining the reasons for choosing my approach and acknowledging its strengths and weaknesses. This chapter has two parts. The first concerns debates about research methodology as they relate to policy theory and economic geography. I begin with a discussion on the “art and craft” of policy analysis (Wildavsky, 1980). My purpose is to explain the type of policy analysis I undertake and the particular issues I am concerned with. I then consider recent debates in economic geography concerning “fuzzy concepts” (Markusen, 1999). In doing so, I address concerns about the use of qualitative research techniques and case studies. In the second part of this chapter, I describe my empirical research, focusing on my fieldwork in France. I explain my broad fieldwork strategy, including my reasons for choosing the region as my scale of inquiry, and particularly the region of Nord-Pas-de-Calais, as well as detailing the exact methods I used to collect and analyse data. I conclude with an acknowledgement of the limitations of this research.

6.1 Aims and rationale

My research provides an account of the use of work time reduction policy in the region of Nord-Pas-de-Calais, providing a regional perspective on the French 35 hour week policy. Therefore, my research is essentially policy analysis and, in this first section, I touch on methodological issues that are relevant to this type of research.

Dye (1976: 1) defines policy analysis as “finding out what governments do, why they do it, and what difference it makes”. It is therefore an attempt to understand the motivations of government and other relevant actors, the policy-making process, its implications on policy and the implications of the policy itself. There is no prescribed method for undertaking policy analysis. Wildavsky (1980: 15) argues that for policy analysis to be effective the method chosen “cannot be determined by disciplinary boundaries but by whatever appears appropriate to the circumstances of the time and the nature of the problem”. Therefore, Wildavsky argues that effective policy analysis must be pragmatic. The choice of methods should be determined according to the specific policy, while ensuring that multiple perspectives are gathered on the policy under review. The choice of what methods to use in order to achieve this successfully is what Wildavsky calls the “art and craft” of policy analysis.

Furthermore, the nature of policy analysis and its concern with a variety of issues, such as the political process and socio-economic outcomes, implies that multiple methods should be adopted. As I showed in Chapter 4, policy is determined by a range of factors operating at both the macro- and micro-scales. It is constrained by structural factors, including institutional arrangements and the socio-economic environment, and it is inherently political. Given the breadth of factors that influence the making of policy and its outcomes, it follows that policy analysis ought to use multiple methods in order to capture its complexity. This is especially the case in my research given that I am interested in the policy-making process, policy implementation, as well as the content of the policy.

With respect to policy-making and in keeping with classic policy analysis, I focus on “the stages through which issues pass ... to assess the influence of different factors on the development of the issue” (Ham and Hill, 1993: 9). However, I do not assume that issues pass through these stages in a rational, linear fashion. Rather I envisage a process encompassing a

“web of decisions” (op cit: 12) that influences policy outcomes. In order to unravel this web, I focus on several aspects of the policy process, including the definition of the policy problem, the development of policy options, the choice between policy options, and the process through which the chosen policy became an actual policy.

In the course of my analysis of the policy problem, I am interested in how the specificities of unemployment at the national and regional scales affected the way the policy problem was framed, the political and public responses, and policy outcomes. In looking at the choice of policy options, I return to my overarching concern with the content of policy. Here, I consider how certain policy ideas rose onto the agenda, who influenced this process, how it was influenced and why certain ideas were adopted over others. A full appreciation of this aspect of the policy process is crucial in order to understand the relationship between work time reduction policy and the French tradition of labour market governance, and to place this in a comparative context with the Anglo-American policy norm. The final aspect of the policy process that I am concerned with is how the policy choice became actual policy. Here I am interested in the internal workings of the bureaucracy and the actual process by which the policy was designed and made as well as the way various ideals, articulated when choosing between policy options, were incorporated or potentially lost in the design of the policy.

In addition to focusing on policy-making, I also consider policy implementation in my analysis of work time reduction policy in Nord-Pas-de-Calais. As Jenkins (1978: 203) writes: “A study of implementation is a study of change: how change occurs, possibly how it may be induced.” Hence, in this section of my analysis I am interested in how the change to a shorter working week occurred in the region’s labour market and how the government induced this change. In order to do this, I analyse how the policy was implemented, looking at the various actors involved and their roles and reactions. I also look at the conditions necessary for the success of

the policy and consider how the method of implementation contributed, or otherwise, to the policy's outcomes.

It should be noted that this separation between the creation and implementation phases of policy, which is often reiterated in the literature, is generally a false dichotomy. Frequently the boundary between the two phases is blurred. This is especially so in the case of my own research where the regional government was creating, adjusting and recreating the region's employment policy, while simultaneously implementing it. However, the artificial division between creation and implementation has practical advantages when organising my research findings, although I remain sensitive to the constructed nature of this division and the overlap that exists between policy creation and implementation.

Furthermore, while I am interested in policy implementation, I did not seek to evaluate the policy in its own terms. Instead, my aim was to undertake a political economy analysis of the policy process, considering how the policy process influenced outcomes, rather than the impact of the policy itself. Of course, its impact is of concern to me at points in this research. In these instances, I draw on work by others who have undertaken thorough evaluations of the impact of work time reduction policy in France and in Nord-Pas-de-Calais specifically (e.g. Delsart and Vanecloo, 2002; Rouilleault, 2001). In this thesis, I do not seek to replicate this type of research. Instead my aim is to understand the policy process that led to this policy choice, to appreciate how traditions of economic governance influenced its formation and implementation in the local labour market and how these traditions influence its ability to reduce unemployment.

Finally, the type of policy analysis I undertake is comparative, even though my research focuses in detail on only one policy in one country. Heidenheimer (1990:3) defines comparative public

policy as: “the study of how, why, and to what effect different governments pursue particular courses of action or inaction”. The policy analysis I undertake in this thesis is comparative because I look at how, why and to what effect the French government decided to pursue work time reduction as its course of action to reduce its unemployment problem, particularly given that this course of action contrasts with the dominant model. Given that my thesis engages with criticisms the policy received from within the Anglo-American orthodoxy and debates about capitalist convergence, it is necessary to consider the French 35 hour week policy from a comparative perspective. This provides an understanding of why the French chose the course of action they did and why alternative courses of action would, or would not, have been appropriate. Furthermore, this approach highlights the consequences of France’s decision to follow an alternative course of action to the dominant neoliberal policy agenda.

6.2 ‘Fuzzy concepts’ and research methods in economic geography

Recently in economic geography there has been a quite heated debate about research methods (e.g. Amin and Thrift, 2000; Markusen, 1999; Martin and Sunley, 2001), which I address in this second section concerning broad methodological debates relevant to my research. Sparked by a provocative article by Markusen (1999), this debate has concerned the emergence of “fuzzy concepts” in economic geography. Markusen (op cit: 870) defines fuzzy concepts as “characterizations lacking conceptual clarity and difficult to operationalize” and uses the question “How do I know it when I see it?” as her litmus test. The point of her criticism is “not to discount the usefulness of notions of process, but simply to point out that processes often are not well-defined and, worse, are abstracted from actors and institutions” (op cit: 871) and express her fear that the rise in fuzzy concepts may represent a “wane of concern for evidence and an increasing distance between intellectual work and policy” (op cit: 872). Similarly, Martin and Sunley (2001: 152) warn of a trend towards “vague theory and thin empirics” in economic geography. By vague theory they refer to “a retreat from detailed, carefully formulated, and empirically testable theoretical frameworks ... in favour of ... loose

assemblages of ill-defined concepts, fuzzy-metaphors, or more neologisms” (op cit: 153), supported by “partial “stories”, anecdote, and thin empirical observation” (op cit: 155). They too caution against the focus on concepts that are ill-defined and researched in ways that lack rigour. While both articles aimed to spark debate, at their core was an underlying concern about research into empirically vague concepts via case study research. Given that this is the research method I adopt, it is therefore necessary to consider explicitly some of the concerns these authors raise.

Starting first with the warning against the study of fuzzy concepts, I do not believe that the ‘fuzziness’ or complexity of a concept should preclude it from research. As Peck (2002: 4) notes in his response to Markusen, the social world is inherently ‘fuzzy’:

Maybe it’s my failing eyesight, but many things seem fuzzy to me, at least in the terms defined by Markusen. Can you always equate concepts with readily observable facts? Can you expect to test social-theoretical claims under replicable and controllable conditions? You can’t see labor market segmentation, or at least I can’t, because this relates to qualitative discontinuities in the systems of labor rules, conventions, and behavioural relations ... that govern the labor market as a whole.

Peck continues, noting that not only is labour market segmentation not readily observable, it is also a complex, multi-faceted process in which the direction of causality is difficult to identify, thus making it an archetypal ‘fuzzy concept’ according to Markusen’s definition. However, despite its fuzziness, or complexity as Peck prefers to describe it, labour market segmentation remains an important research concern, even if empirically vague and difficult to study. Storper (1999) makes a similar argument, using power as his example. Despite power being one of the “most important concepts in social science” (op cit: 15), he argues that it is very difficult to know power when you see it, and he suggests that this fundamentally important social scientific concept also fails Markusen’s test.

Storper and Peck's arguments are equally applicable to my research into labour market governance. It is difficult to know labour market governance when you see it. Furthermore, convergence between models of governance is a complex and multi-faceted process in which causality is difficult to attribute. However, again like labour market segmentation and power, it nonetheless remains an important research topic and not one that should be discarded merely because of its fuzziness or complexity. Therefore, I agree with Storper and Peck that the fuzziness or vagueness of certain key research concepts should not preclude them from empirical research.

6.3 Research design

It is the second criticism of economic geography research raised by Markusen, Martin and Sunley relating to 'thin empirics' that is of more concern and requires greater attention. Markusen, in particular, questions the reliance on case studies using interview-based qualitative techniques. Her concern rests on the ways in which such research is undertaken, arguing that there needs to be greater attention given to "rigour and transparency in methodology" (1999: 879). This is a valid concern and one that I now address. In the remainder of this chapter, my aim is to make transparent my research methodology and address the warnings issued by Markusen, Martin, Sunley and others concerning the use of qualitative, case study-based research in economic geography.

6.3.1 The merits of case study-based qualitative research

Much of my fieldwork in the region of Nord-Pas-de-Calais relied upon qualitative research techniques. Qualitative methods are particularly useful when the research is seeking to illustrate the ways in which "social experience is created and given meaning" (Denzin and Lincoln, 2000: 8). In doing so qualitative research methods allow the researcher to gain an understanding of how change is occurring in society, focusing in particular on the forces leading to change. The ability of qualitative techniques to reveal information about the forces leading to change makes

them especially appropriate to my research needs given that it explores how globalisation is changing the scope of national policy autonomy. Furthermore, “[t]he word qualitative implies an emphasis on the qualities of entities and on processes and meanings” (ibid). This type of emphasis on the qualities of social processes and their meaning is also highly relevant to my research given my interest in the socio-economic and political factors surrounding a certain policy choice, particularly in relation to why the French decided to embark on a policy of work time reduction and how social and political forces contributed to its outcomes. Given that qualitative methodologies are well suited to revealing the nuance and complexity of the social and political factors at play in the policy process, I believe they are appropriate for my research.

“[Q]ualitative research is inherently multi-method in focus” (op cit: 5) and I used several qualitative research methods during my fieldwork in order to broaden my findings. These included the close reading of policy documents, media searches and searches of other published material, general observations while living in the region and semi-structured, in-depth interviews or, as Clark (1998) terms it, “close dialogue”. These methods were complimentary, with the effectiveness of one resting on the other. For example, as Healey and Rawlinson (1993: 348) note, for non-standardized interviews to be effective the interviewer needs “a thorough knowledge of the research topic”, which I obtained from my document-based research and general observations and discussions. In addition, my knowledge of the policy and context was considerably deepened and brought alive by the rich information gathered when interviewing key respondents.

Indeed, the richness of the information gathered from respondents during interviews is one of the chief benefits of using non-standardised interviews, as opposed to shorter, structured interviews or even surveys. By doing so, the researcher is able to gather information that incorporates the “deep texture of local circumstances” (Clark, 1998: 82), revealing detailed and

complex information that provides “a very useful means of promoting conceptual and theoretical innovation” (op cit: 83).

A further advantage of using semi-structured interviews is that they allow the interviewee to influence the agenda of the interview: “the interviewee is emphasized rather than minimized” (Healey and Rawlinson, 1993: 344). As a result, the respondent is able to reveal the information they believe to be most relevant and the interviewer has the flexibility to pursue unexpected issues as they arise. The use of semi-structured interviews is therefore most effective when the information sought is complex (Schoenberger, 1991: 181) and when the perspectives of different respondents are multi-faceted and vary considerably from one to the next (Healey and Rawlinson, 1993: 341). Consequently, this technique was highly appropriate for my purposes given that I was interested in complex and detailed information concerning the policy process from a variety of sources, often with competing opinions and varied perspectives on the policy I was investigating.

However, a warning raised by Markusen, Martin and Sunley concerns the verification and credibility of information gathered using such qualitative techniques. In order to reinforce the credibility of my research findings, I employed the research strategy of triangulation, which requires “the use of multiple methods to study a single problem” (Janesick, 2000: 391). The logic behind this commonly used strategy is that by considering the research problem from several perspectives, research is cross-checked and different, sometimes competing, perspectives and findings can be revealed. Consequently, the use of triangulation suggests that “no methodology is perfect” (Helper, 2000: 231). Instead, it overtly acknowledges that there is considerable benefit from using several methods at once, not only to broaden the scope of the information revealed but also to verify the credibility of findings. In doing so, triangulation provides a way to reinforce the rigour of qualitative research.

Another issue raised above concerned the use of case studies in economic geography research. As Radaelli (2000: 38) notes, “[c]ase studies do not allow statistical generalization, but they have potential for theoretical progress”. This is because the aim of case study research is to “investigate the working out of causal processes or tendencies in different settings” (Peck 2002: 3). Therefore, case study-based research is intensive research designed to “promote theoretical inferences not enumerate frequencies” (Healey and Rawlinson, 1993: 345). Typical research questions posed in intensive research include ones concerning “how some causal process works out in a particular case or limited number of cases” (Sayer and Morgan, 1985: 150). The chief focus of intensive research is therefore on causal explanations, providing detailed information about how and why social processes occur, and on structural inter-dependence between decisions and actors (Massey and Meegan, 1985: 10). Intensive research methods used in case study-based research include studies of individual agents or entities, interactive interviews and other forms of qualitative analysis. In economic geography research, these methods are able to reveal considerable detail about the way economic processes are embedded in local economies (Markusen, 1994: 478), data which are “impossible to find in secondary sources and difficult to evoke even in surveys” (ibid). This type of information about causal relationships and structural processes at work in the regional economy of Nord-Pas-de-Calais is very relevant to my study. It allows me to understand the complexities of the implementation of work time reduction policy, using a method that has the potential to contribute to theoretical progress. This use of a case study approach is therefore appropriate given the type of causal and intensive information I require.

I should raise two further related points in this broad discussion on methodology in economic geography. The first concerns my position as an Australian woman researching in France, while the second relates to undertaking research in a foreign country and culture. As McDowell (1992: 214) notes, the inter-personal relationship between the interviewer and interviewee

influences the outcome of semi-structured interviews. Healey and Rawlinson (1993: 349) make a similar observation, stressing the importance of “trust and rapport” when undertaking interviews. During my research in France, and in Nord-Pas-de-Calais in particular, I believe my identity as an Australian woman who spoke French with a French accent¹ contributed considerably to the success of the interview-based component of my research. First, I was ‘exotic’, which assisted me when I approached people to request interviews. Second, this ‘exoticism’ was particularly amplified in Nord-Pas-de-Calais, given that it is not a part of France often frequented by foreigners and is looked upon somewhat disparagingly by the rest of France, making people more open to talk to someone who had travelled a great distance (even if via Oxford) to learn about events in the region. Third, I believe my French accent added to my credibility because it implied that I had spent considerable time in France and suggested that I had an appreciation of French society. In doing so, it helped to position me as someone who straddles both French and ‘Anglo-Saxon’ cultures. This leads me to a final point concerning cross-cultural research.

Comparative, cross-cultural research is inherently problematic because “all comparative study seems to involve the transfer of concepts between circumstances, their translation into local vernacular, and some kind of adjudication about their meanings in different circumstances” (Clark et al, 2002: 278). However, while there are additional challenges to this type of research, these should not “bar the prospect of conceptual bridge building” (op cit: 279). Furthermore, there are ways in which the difficulties of such research can be limited. In my case, this involved being fluent in both languages and having an existing general appreciation of French culture, resulting from having lived in France for a total of two years. More specifically, it involved spending considerable time in France while undertaking my fieldwork and working directly with French researchers, who were also studying work time reduction in the region, and

¹ Perhaps my accent is better described as francophone, given that in several cases people confused me for being Belgian! However, given that I initially learnt to speak French at the age of four and attended a bilingual primary school, my accent is particularly good for an English-speaker.

with whom I was able to clarify frequently my interpretation of events and issues. In this way, I sought to limit the possibility of misunderstandings due to cultural difference and the mistranslation of terms and concepts between the French cultural and language setting in which I undertook my fieldwork and the English language and English-speaking academic tradition in which I present my findings. Finally, as Clark and Kim (1995: xvi) write “the translation of work from one culture to another is always and necessarily relative to the location of the translator.” While my location is primarily in the English-speaking world, I believe that the research methodology I used and my personal attributes allowed me to cross between the two and to build a bridge, if only relative, between the two cultures.

6.3.2 The Nord-Pas-de-Calais case study

In selecting a particular case study there is “absolutely no advantage in going to the trouble to find a ‘typical case’” (Mitchell, quoted in Peck, 2002: 3). Instead, Peck recommends that case studies should be chosen on the basis of their explanatory power. This is what I have sought to do in selecting the region of Nord-Pas-de-Calais. As I have already shown, I selected this region in part because it has a high unemployment rate and I was interested in the implementation of employment policy in a depressed region where it was most needed. However, more importantly, I selected this region because of its regional work time reduction policy and the link between this policy and the national 35 hour week policy. This link meant that findings pertaining to experiences in this region had the potential to have considerable explanatory power about employment policy and processes of labour market governance in France more generally.

Therefore, the unique policy experience in the region of Nord-Pas-de-Calais made it an obvious choice for my case study. Less immediately obvious was my decision to choose the region as the sub-national scale at which I undertook my research into French unemployment. The role of the region, the largest and newest tier of government in French society, is often spoken of

disparagingly. Scargill (1998: 884, 879) describes the regions as the “featherweights of French local government” with only “modest power” in French political life. France’s regions are also frequently accused of being too small, especially within the context of a ‘Europe of regions’, as well as being under-funded compared with other tiers of sub-national government.

However, despite these valid observations, the region nonetheless plays a crucial role in French economic development. This is because the region, the largest of France’s three tiers of elected local government,² is the scale of government responsible for regional economic development and, therefore, at least indirectly, for sub-national employment initiatives and job-creation. Free from the costly service provision tasks of local government, which are the responsibility of the *départements*, the region’s “main role has been to help coordinate economic planning” (Ardagh, 2000: 284). With the decline of central economic planning and the decentralisation of economic management through the regional reforms of the 1970s and 1980s, regional government has taken over much of the management of regional economic development at a time when unemployment was growing. It is therefore not surprising that one of the main aspects of economic management that the regional administrations undertake is “attracting and maintaining new forms of employment” (Scargill, 1998: 884). Because of this role in regional economic development and job-creation, the region is the appropriate scale of government in France for my research purposes.

6.3.3 Data collection and analysis

My primary research for this thesis was undertaken during fieldwork in France between January 2000 and September 2002. During this time I made eight one- to two-week trips to France. However, I undertook the majority of my fieldwork during a seven-month period when I lived

² There exist 22 regions in metropolitan France, each comprising several of France’s 96 *départements*, and many more of its 36,763 communes. Compared with France’s *départements* and communes introduced in 1789 by Napoleon, the region has only very recently come into being. It was only in 1981 that the region became a *collectivité territoriale*, making it administratively equal to the *département*, and it was only in March 1986 that the first direct regional elections were held (Scargill, 1998).

in Lille and worked with economists at the University of Lille 1, who were also interested in work time reduction policy in the region. I chose to spend this extended period of time in Lille in order to increase the breadth of my understanding of socio-economic and political issues in the region and France generally from that which I would have gathered had I only made repeated short visits.

During my fieldwork, I undertook several different types of primary research. First, I spent considerable time reviewing policy documents relating to employment policy in the region (see Appendix 1 for a full list of the documents reviewed). In doing so, I not only reviewed all the publicly available literature pertaining to the regional ARTT policy, I also reviewed internal documents from the Conseil Régional. I undertook a similar review of the documentation relating to the 35 hour week. Together, these documents gave me a thorough understanding of the policies, their aims and rationale. In addition, I also reviewed documentation from non-government sources, such as lobby groups and trade unions. While some of this material was given to me personally, other material was publicly available printed and electronic material. In addition, I did a thorough media search. I searched the national and regional newspapers as well as other general press coverage. I also undertook media surveys of the English-speaking press. The aim of this documentation-based research was to generate a thorough understanding of the policy, the public opinions of the various actors involved and to gain a general appreciation of the various issues influencing employment policy in France during the mid-1990s.

The final type of primary research I undertook was semi-structured interviews and less formal discussions and observations (see Appendix 2 for a full list of people interviewed). The format of these interviews varied considerably. They ranged from quite formal semi-structured interviews, lasting 45 minutes to an hour, to conversations over several hours, full day visits and even lunches and dinners. The format depended on the person I was interviewing, my

relationship with them, especially the number of times I had already spoken with them, and their level of involvement in the policy. The topics discussed during these interviews varied greatly. However, there were two core themes I addressed in each case, namely the policy process, including the respondents' involvement and opinions of it, and the policy itself, including its details and the respondents' opinions of it. From this starting point, interviews were then tailored to suit the involvement of the particular respondent, with a focus on work time reduction policy in the region, or France more generally, and their particular interests.

I interviewed most of the key players involved with the regional ARTT policy in the region, including the former Regional President, all the staff who had worked for the Assises program, and a range of the external players who were involved with the program including academics, consultants and business organisations. I also spoke with the several representatives from each of the two regional arms of national government agencies involved with implementing work time reduction policy in the region. In addition, I spoke to many of these people more than once. For example, I met the two main bureaucrats who implemented the regional ARTT policy on numerous occasions, returning frequently to collect new material as it became available or to clarify issues as they arose. In addition, I also attended three large meetings in the region in late 2001, attended by firm representatives, at which various issues concerning the implementation of work time reduction policy were discussed. Attending these meetings allowed me to observe first hand the policy process at work, as well as broaden my understanding of the perspectives of different groups and talk informally with various people.

I also undertook several interviews with a range of people at the national scale. These included several people who were involved with the 35 hour week policy, including a key member of Aubry's personal staff brought in to work specifically on the policy, as well as one of the government's main legal advisors. In addition, I also spoke with several people at the DARES,

the research arm of the Ministry for Employment, who were involved with following and evaluating the 35 hour week. However, given that my research was concerned with the making and implementation of work time reduction policy from a regional perspective, the majority of my research efforts were focused on the regional scale.

A further point concerns my method of analysing the information I gathered. In doing so, I did not use any prescriptive method of analysis or organised procedure. Instead, I analysed it by arranging the information gathered according to certain aspects of the policy process, as described in Section 6.1 of this chapter. Once this was done, I then attempted to recreate the ‘story’ behind the policy process, including as much detail as possible from the range of sources I had used. As Janesick notes (1994: 215), “[q]ualitative research depends on the presentation of solid descriptive data, so that the researcher leads the reader to an understanding of the meaning of the experience under study”. By broadly arranging the information I gathered into various aspects of the policy process and then providing considerable description about what occurred during each of these phases, I have attempted to provide the reader with the necessary information to understand the experience of work time reduction policy in the region of Nord-Pas-de-Calais and to appreciate how I reached the conclusions I have, given my research findings.

This leads me to a final point concerning the presentation of my empirical findings in the following three chapters. In these chapters, I present the evidence I gathered from my fieldwork as a narrative that distils my findings into a single coherent story describing the events that occurred and the opinions and issues that existed at the time. Given that much of this information has come from numerous sources, I do not reference each individual source. Instead, where there was general consensus about events and issues I present these in my own words. When I do make reference to specific individuals or documents, I do so in order to

emphasise a particular point or because they provide an alternative or interesting perspective. In all other instances, I present my findings as a distilled, logical and discursive argument that is a compilation of the information gathered in various ways during my research.

6.4 Conclusion: limitations

I conclude this chapter by explicitly noting several limitations to my research. The first of these relates to the methodology I use. The type of qualitative case study-based research I undertook does not provide an understanding of the extent of the phenomena being researched. In order to overcome this limitation, I rely on secondary sources, particularly evaluations of the policy that provide an overview of the total impact of work time reduction policies at the regional and national scales. Similarly, by using one particular region as my case study, my analysis of work time reduction policy from the perspective of one particular regional labour market allows me a good understanding of what occurred in the region of Nord-Pas-de-Calais. However, I do not compare the experience of this region with any other region or with a similar analysis for France as a whole. While this undoubtedly reduces my understanding of the total impact of the 35 hour week policy, this limitation is counter-balanced by the richness of the information I uncovered in Nord-Pas-de-Calais.

A further limitation of this thesis is that I did not speak directly with firms that had implemented the policy. In part this was by choice, designed to limit the scope of my research. However, it was also because logistical difficulties in doing so became apparent early on in my research (e.g. key staff had moved on, managers and owners did not have time). Instead, in analysing the implementation of the policy, I relied upon information gathered from business organisations and employer lobby groups as well as from the consultants who worked directly with firms when they implemented the policy. These groups of actors provided detailed information about the process of implementation, which was condensed from their considerable experience of working in a number of varied firms in the region. As a result, the information

they provided was a summarised version of the overall opinions of firms into specific aspects of the policy and their experiences when implementing it. Therefore, while my research, particularly into policy implementation, is undoubtedly limited by not having spoken directly with firms, these alternative sources provided a rich and detailed secondary source of information into the implementation of the policy in firms in the region, providing me with a greater diversity and breadth of information than I would have been able to gather myself had I surveyed firms directly.

Despite these limitations, my research nonetheless has revealed considerable insights into the making and implementation of work time reduction policy in France, which I present in the following three chapters. Furthermore, by adopting this methodology I was able to capture the many and diverse factors that were raised as relevant to my research in the theoretical and general literature reviewed in the preceding part of this thesis. Although, as with all research, no method is perfect, I believe that the methodology I have adopted is appropriate and effective for the purpose of analysing the making and implementation of work time reduction policy in France from a regional perspective. In the next part of the thesis, I turn to my empirical findings.

CHAPTER 7

Work Time Reduction Policy and the Local Labour Market in Nord-Pas-de-Calais

In this chapter, I trace the local labour market roots of work time reduction policy in Nord-Pas-de-Calais, delving into the local labour market origins of the policy that was the precursor to the national 35 hour week. As Peck (1996: 249) argues, an assessment of models of labour regulation requires an understanding of their internal integrity, as well as their external relations and logic. I focus on the first of these conditions and assess the internal integrity of the regional ARTT policy in Nord-Pas-de-Calais, both in terms of its integrity within the regional labour market as well as with respect to the national scale and national traditions of economic governance. My aim in doing so is to determine the factors specific to the local labour market of Nord-Pas-de-Calais that led to the policy's adoption and influenced its outcome, and to position these factors within the national context in order to gauge the degree to which the traditional French model of economic governance, of which work time reduction policy is an exemplar, remained relevant.

I begin by giving an overview of the history of work time reduction policy in France. I show that there was a long history of using work time reduction policy to reduce unemployment and that, by the early-1990s, this policy option had captured the imagination of the public and was high on the policy agenda. In the second section, I turn to the region of Nord-Pas-de-Calais. Here, I describe the events that led to the creation of a regional work time reduction policy, highlighting how economic, social and political factors influenced the choice of policy. In the third section, I position work time reduction policy within the context of the French model of economic governance, drawing the link between the key values of this model and the values incorporated into the regional work time reduction policy. In the fourth section, I consider the logic behind work time reduction policy, noting the necessary conditions for it to be effective at

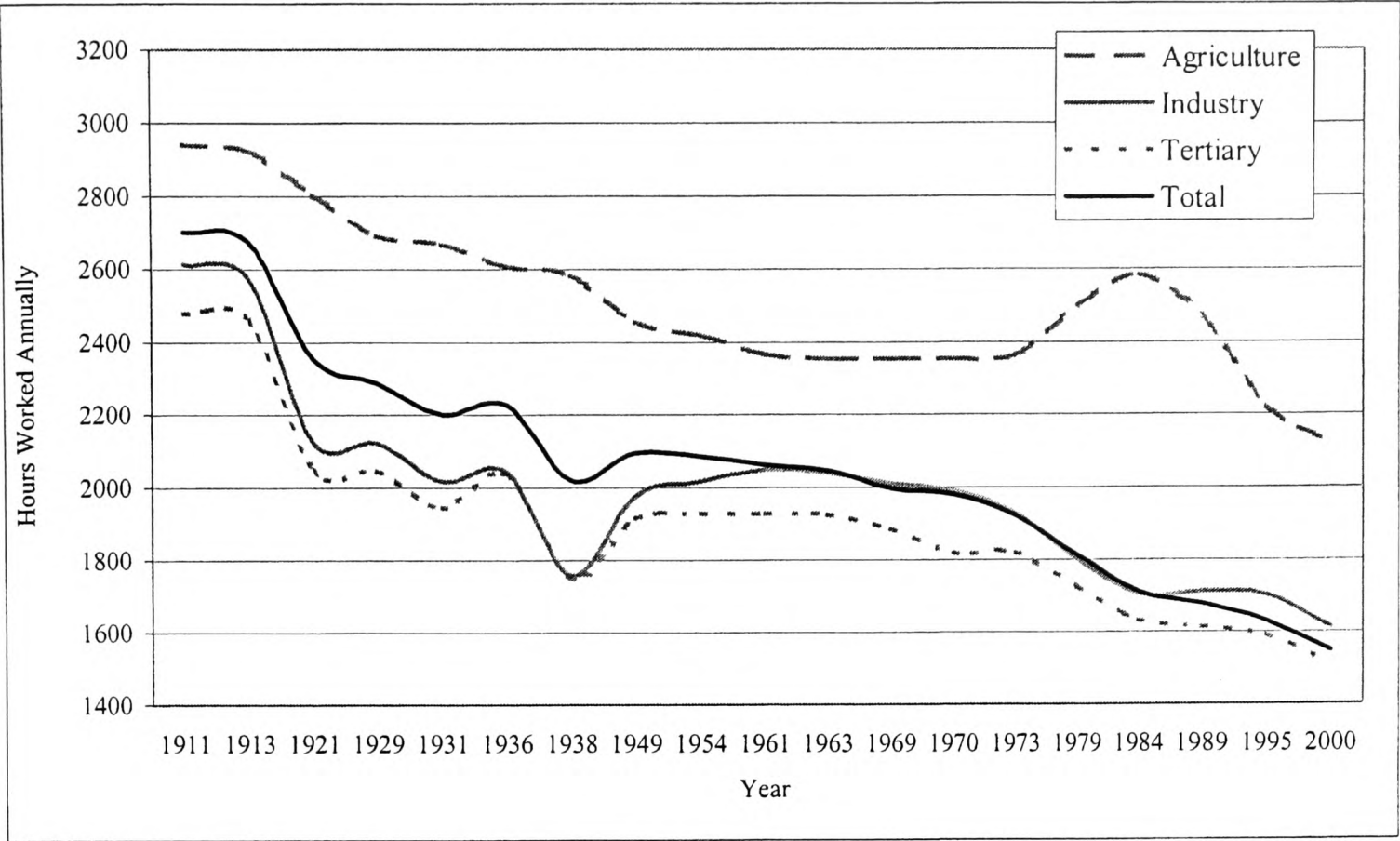
reducing unemployment and ascertaining whether these conditions were present in the regional ARTT policy in Nord-Pas-de-Calais.

I should reiterate that, throughout this chapter, I take the evidence gathered during my fieldwork and present it as a distilled, logical and discursive story describing the events that occurred and opinions at the time. When I make reference to specific individuals or documents, I do so in order to emphasise a particular point or because they provide an interesting or alternative perspective. For the remainder, I present my findings as a distilled compilation of the information gathered in various ways during my research, as I described in the previous chapter concerning methodology.

7.1 Work time reduction policy in France: the historical context

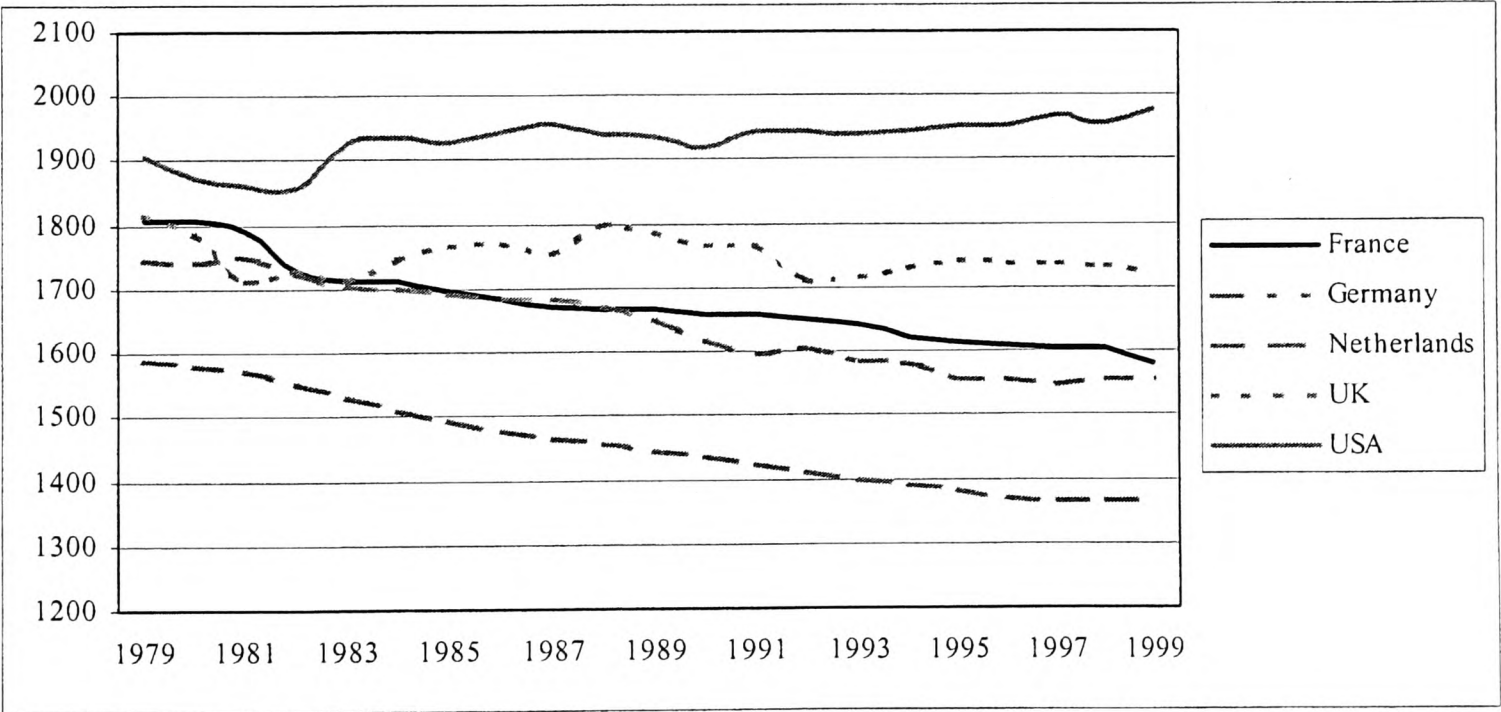
The Jospin Government's decision to implement the 35 hour week to reduce unemployment "did not just appear out of the blue" (Kirman, 2000: 41). It was "a major step in an evolution" (OECD, 1999a: 150). Since the turn of the century, work time reduction legislation has been introduced on several occasions in France. In some instances, it was introduced to improve working conditions, as occurred worldwide. However, in other instances, work time reduction laws were passed with the explicit aim of reducing unemployment. Together, legislative changes and a general decline in working hours due to economic and social change, have contributed to average working hours nearly halving in France this century to a level that is comparable with other mainland European countries but considerably lower than the level of working hours in the UK and the USA (see Figure 7.1 and Figure 7.2).

Figure 7.1 Changes in average annual hours worked in France (1896-2000)



(Source: Marchand and Thélot, 1997; DARES)

Figure 7.2 International comparison of working hours (1979-1999)



(Source: Evans et al, 2001: 30¹)

¹ The discrepancies between data in figures 7.1 and 7.2 result from Evans et al (2001) standardising national rates in order to make them internationally comparable. Given this limitation in their data, Evans et al recommend that their comparison be viewed only as an indication of relative trends between the lengths of average annual working hours in different countries.

The first law dictating a reduction in working time in France in the 20th century was introduced in 1900. *La Loi Millerand*, as it was called, reduced the working day to 11 hours and set up a framework to progressively reduce working hours to 10 hours per day over the following six years.² The next major change to work time occurred in 1919 when a law was passed capping the working week at 48 hours (Marchant and Thélot, 1997: 14). Part of an international eight hour day movement inspired by the Russian Revolution, this law limited the working week to six eight hour days. The 1919 law also allowed work time to be determined for the first time through collective bargaining between employers and trade unions (Jefferys, 2000: 244).

In 1936, work time was reduced further to 40 hours per week. On this occasion, *La Loi des 40 heures* was passed with the explicit aim of reducing unemployment, making it the first example of '*le partage de travail*' or 'work sharing' in France. This policy was part of a larger package of radical employment reforms introduced by the coalition Popular Front Government in its first week in office that included compulsory collective bargaining, a 12% increase in wages and a fortnight's paid leave³ (Larkin, 1997: 55; Barou 1983). The Popular Front was the first populist, working class government in France, elected largely on the basis of its promise to improve conditions for workers and these reforms were an expression of its commitment to the working class and social solidarity.

However, the reform package introduced by the Popular Front Government was not overly effective. Given that the economy was already weakened by poor growth and rising inflation, the sudden and dramatic reduction in work time saw per person levels of production fall by 17% (Larkin, 1997: 55) at the same time as the government increased wages by 12%. Furthermore, unemployment fell by only 3% (Larkin, 1997: 56), which was less than expected,

² This goal was achieved earlier than anticipated, with working hours reduced to 10 hours per day by 1904 (Marchant and Thélot, 1997: 13).

³ This was the first time employers had been required to provide paid leave in France. It was a highly popular move and became the defining act of the Popular Front Government.

largely because there was a shortfall in skilled workers to fill the job vacancies created. With war looming, constraints on work time were lifted in May 1938 and in April 1939 the French public service returned to a 45 hour week without any increase in salary (Marchant and Thélot, 1997: 14).

A combination of the limited success of the 1936 work time reduction policy and the low unemployment levels during the post-war economic boom meant that work sharing policies receded from the employment policy agenda. However, the trend of legislative reductions in work time continued in France: an extra week of paid leave was added in 1956 and again in the mid-1960s. These reductions in work time reflected socio-economic changes brought about by increased wealth and economic development.

Up until this point, the process of work time reduction in 20th century France was characterised as ‘conflictual collectivism’, whereby the standard working day was determined by shifts in the balance of power between trade unions and employers (Jefferys, 2000: 242-246). However, from the start of the 1980s, a new phase of work time reduction emerged, described by Jefferys as ‘modernizing *dirigisme*’. This phase was characterised by bipartisan attempts to combine ‘modern’ flexible work time arrangements with firm-level negotiation. Work time reduction was viewed by progressive French Governments as a bargaining counter that could be exchanged for ‘modernizing’ industrial relations without causing industrial unrest or losing political popularity, because it maintained employment protection and gave workers the positive trade-off of increased leisure. As I show in Chapter 9, such reforms aimed to generate labour market flexibility in a way that was compatible with French labour market traditions and demands for employment protection.

In 1982, work time reduction policy was again used explicitly to reduce unemployment, which had reached a post-war high of 8%. The Socialist Mauroy Government introduced legislation to reduce work time from 40 to 39 hours and increase mandatory paid annual leave by an extra week, without any loss in pay.⁴ The policy combined a reduction in work time with new space for negotiation over work time agreements and included a commitment from the social partners to introduce greater flexibility into the use of working time (Jefferys, 2000: 246).

The 1982 work time reduction policy is credited with the creation of between 15,000 and 70,000 jobs or 145,000 jobs if the time scale is extended to three years, less than the government's initially estimate of 150,000 jobs (Jefferys, 2000: 247).⁵ In addition, some observers found that the policy may have contributed to jobs losses in certain sectors of the labour force, particularly those employed at the minimum wage, which was simultaneously increased by 5% (Crépon and Kramaz, 1999). The effectiveness of the policy was also limited by the reduction in hours not being accompanied by a significant reorganisation in the use of work time, resulting in shorter machine usage times in some cases and contributing to rising costs, inflation and reduced competitiveness (OECD, 1994b: 82). Furthermore, the reduction in work time was implemented rapidly, leaving firms with little time to negotiate new solutions (Crépon and Kramaz, 1999: 21), and without effective political consensus between the social partners over the method of implementation. The effectiveness of the policy in creating jobs was further limited by the low economic growth in France at the time, resulting in the 1982 policy's final outcome being primarily to slow the rise of unemployment and halt job losses rather than decrease unemployment.

⁴ Initially, the legislation ruled that there would be no loss of pay for workers in the public sector and a 5% increase in the minimum wage (Crepon and Kramarz, 1999: 3). However, industrial unrest caused President Mitterrand to overrule the Employment Minister and ensure that the pay of private sector employees would also be maintained (Rubin and Richardson, 1997: 138).

⁵ As this range of estimates shows there is still considerable debate about the impact of the 1982 reduction in work time, even 20 years since it occurred, highlighting the difficulties faced when evaluating the effects of work time reduction policy as well as predicting its impact (OECD, 1999a: 134).

Therefore, as this review shows, there was a long-standing tradition of government imposed reductions in working time in France. Furthermore, there was also a history of implementing work time reduction policy as a way of combating unemployment at times when it reached socially unacceptable levels. It is not surprising that at the height of the unemployment crisis in the early-1990s the public and politicians turned again to this policy option.

7.1.1 Work time reduction policy in France in the early 1990s

By 1994, at the time when the region of Nord-Pas-de-Calais first began to experiment with work time reduction policy, soaring unemployment meant that interest in the use of work time reduction policies was mounting. As an editorial in *Le Monde* noted, there was “a general mobilisation to try to stem the flood of unemployment” and “signs of real expectations and a real willingness to find new solutions [to unemployment], at a time when the possibility of strong job-creating growth was receding” (*Le Monde*, November 10 1993, p. 32). One policy solution that the debate frequently returned to was work time reduction.

Indeed, from 1992, a popular movement emerged in France based around the idea of reducing work time to tackle unemployment. This movement was spearheaded by Pierre Larroudurou, who co-founded a prominent lobby group pushing for a four day week.⁶ By November 1993, debate on the issue of work time reduction and a four day week had gained sufficient momentum to reach the front page of *Le Monde*. The article began:

Given the direction things are going, who currently is still opposed to the principle of work time reduction in its broad sense, whether it be a 35 hour, 33 hour or 32 hour week or a four day week? Just about no body, if you follow the public statements, admittedly sometimes nuanced, that are being made at the moment. Except for the CNPF,⁷ who have shown little interest in the debate, or ultra-liberals like Alain Madelin, the Minister for Commerce, rare are those who stand in opposition... After all, what do they [Balladur's Right Government] risk from opening up this possibility when, paralysed by

⁶ The organisation was called *Comité d'action pour le passage rapide aux 4 jours sur 5* (CAP 4j/5). Interestingly, prior to this he worked as a business consultant at Arthur Andersen. In 1995 Pierre Larroudurou stood as a single-issue candidate in the presidential election, campaigning for a four day week.

⁷ CNPF was the national French employers lobby group. It has since been renamed as MEDEF.

recession, France is terrified by the unemployment abyss that is opening up under our feet? (*Le Monde*, November 3 1993, p.1)

France had re-entered recession in 1991. The strong growth in the late 1980s had not been sufficient to reduce substantially unemployment and once again the unemployment rate was ratcheting up, with the number of unemployed breaking the psychological 3 million mark in 1993. The perceived intractability of unemployment in France caused the idea of work time reduction to return to the political agenda.

By this stage, there was a significant public groundswell around the idea of reducing work time. Politicians responded. In November 1993 they debated the proposition of a four day week in the Senate and on December 20 1993, the *Loi Quinquennale*, the first piece of legislation to come out of this debate, was passed by the right-leaning Balladur Government. This law allowed firms to calculate weekly work time as an annual average, within daily and weekly limits, on the condition that they implemented a reduction in work time for existing staff and encouraged job creation. It also allowed the calculation of part-time workers' hours as an annual average and further encouraged, under certain conditions, negotiation on work time at the firm level (Favennec-Héry, 1995: 224). However, the restrictions associated with implementing this legislation meant that very few firms implemented it.⁸ Therefore, it was relatively ineffective and was soon superseded.

In June 1996, the Gaullist Coalition Government passed a second law encouraging work time reduction, named the *Loi Robien*. This loosened some of the requirements of the *Loi Quinquennale* and extended it to 'defensive' cases where it could be used to save, rather than solely create, jobs. The law provided subsidies to firms that reduced working time by 10 or 15%

⁸ By May 1996, only 13 accords has been signed under the *Loi Quinquennale*, of which 9 were within the one company, Brioche Pasquier (Cahuc and Granier, 1997: 8).

on the condition that they increased employment or halted job losses.⁹ Subsidies were given as a six-year reduction in the social security contribution, calculated as a proportion of the positions directly implicated (Taddéi, 1997).

While this voluntary work time reduction legislation was more popular than the *Loi Quinquennale*, it still had relatively little impact on the French labour force as a whole. Under the Robien Law, 2,953 agreements were signed covering 279,727 employees, or less than 2% of French workers. Eighty percent of the agreements were job-creating, while a third of people covered by the law were under defensive agreements (OECD, 1999a: 150). Many of the agreements increased flexibility in the use of working hours with over half allowing working hours to alter according to fluctuations in demand, 20% lengthening the range of working hours and 15% lengthening plant utilisation time (OECD, 1999a: 150). Nearly all agreements maintained employees' salaries, although often on the condition of a wage freeze. The final impact of the *Loi Robien* on employment was to create or save 34,000 jobs (OECD, 1999a: 150), which, given its voluntary nature, made it a 'success' in comparison to the previous work time reduction policy (Cahuc and Granier, 1997: 8).

While "legislation to reduce work time has long been a favoured solution to the employment crisis on the political left" (Whiteside, forthcoming: 23), the work time reduction policies prior to the 35 hour week were implemented by the Right. This change was significant:

rightist politicians... are now arguing that [WTR policies] can no longer be considered 'socialist lunacy' and must be discussed as a serious possibility to stem the shedding of jobs that has imperilled France's social cohesion. In that respect, a taboo about work sharing in conservative parties and business associations is effectively beginning to crumble. (Bastian, 1994: 311).

⁹ Offensive agreements under the *Loi Robien* could be implemented by two methods. Firms could reduce work time by either 10% or 15%. If they then increased employment by 10% or 15% respectively, they were entitled to a 40% cut in their social security contribution in the first year and 30% for the 6 years thereafter or, in the case of a 15% reduction, a 50% cut in the social security contribution in the first year and 40% for the 6 years thereafter. For companies that implemented a 10% reduction in work time this corresponded to the cost of employing new staff decreasing by 95% in the first year and 75% in the 6 following years (Cahuc and Granier, 1997: 8).

Support for work time reduction policy was increasingly bipartisan¹⁰ in French politics because of the popular approval of the idea of work time reduction in France, especially when linked to reducing unemployment, and because of the severity of the French unemployment crisis.

Interest in the use of WTR as an employment policy by both sides of politics and a range of social actors was not unique to France, but part of a more general trend across Europe:

That the proposal to share the available work with the unemployed is again being taken seriously by collective bargaining organisations across Europe is noteworthy What adds respectability to the idea, and is rather unprecedented, is that the business community and conservative governments are now beginning to reconsider their positions. Thinking of other solutions, legislators representing the entire political spectrum and employers associations have discovered the issue's appeal. (Bastian, 1994: 302)

Work time reduction policy was becoming increasingly popular in Europe¹¹ for reducing unemployment and avoiding job losses because of the intractable nature of European unemployment and because this method had public support.

When the Jospin Government came to power in 1997, the tradition of using work time reduction was very much alive. The policy was being debated in the public arena and had

¹⁰ It should be noted that the policies introduced by the two sides of French politics differed in that the Right's policies were generally voluntary work time reduction policy while the Left's policies were statutory changes in the length of the working week. The one exception to this occurred in 1964 when Georges Pompidou, a Prime Minister on the Right, introduced a fourth week of paid holiday leave.

¹¹ In Germany in 1984, 1987 and again in 1990, work time reduction was incorporated into collective bargaining agreements at the firm and branch level with IG Metall, the metal work trade union, eventually reducing the industry's workweek to 35 hours (OECD, 1994b: 96). In 1993, Volkswagen AG, Europe's largest car manufacturer, introduced a radical compromise with workers in its six German plants, cutting the working week to four days or 29 hours, with a 10% reduction in pay, in order to avoid 30,000 job losses (Bastian, 1994: 302). In Belgium between 1983 and 1986, the government ran 'Operation 5-3-3', whereby a 5% reduction in working hours was combined with 3% wage restraint and a 3% increase in employment. This policy generated 23,000 new jobs, while increasing flexibility in the use of work time (OECD, 1994b: 95). Work time reduction has been a crucial component of the Dutch 'employment miracle', with the implementation of a mandatory reduction in work hours to 38 hours in 1982, collective agreements further reducing working hours, increased part time work and more flexible working hours (Cette and Gubian, 1997: 30). The impact of this combination of changes to the use of work time has been 'miraculous'. In 1983, unemployment in The Netherlands was at 11% (compared to 8.3% in France) and average annual working hours were 1552 hours (1567 hours). By 1997, the unemployment rate had fallen to 5.6% (12.4%) and working hours had dropped by 11.6% (1.8%) to 1372 hours (1539 hours). Concurrently, the active population had increased by 22.3% (7.5%), employment had grown by 26.2% (2.4%), gross domestic product had increased 49.4% (33.6%) and the percentage of people working part time had increased from 19.8% to 36.5% (9.1% to 16%) (Cette, 1998: 139). This job-rich transformation of the Dutch labour market was assisted by a limited rise in individual productivity, which increased by only 18.4% between 1982 and 1997 (compared with 30.6% in France), and wage moderation, with wages rising by only 8.3% over the same period (16.9%) (Cette, 1998: 139). The Dutch example shows that it is possible for a country, with a similar level of openness and development to France, to significantly reduce working time without affecting its growth and competitiveness, and potentially even enhancing it.

reached the political agenda, with two voluntary work time reduction policies having already been introduced during the 1990s, explicitly to tackle unemployment. Furthermore, there was considerable public support for the idea. However, the 35 hour week differed in an important way from the policies that preceded it. Unlike the “generally ineffective voluntarism of the previous laws” (Jefferys, 2000: 249) implemented in the 1990s by Right-leaning Governments, the Socialist’s work time reduction policy was compulsory.

7.2 Work time reduction policy in Nord-Pas-de-Calais

At the same time as the issue of work time reduction was being debated at the national level and the *Loi Quinquennale* was introduced, this policy option also reached the agenda in the region of Nord-Pas-de-Calais, again as a response to unemployment. By December 1993, the region of Nord-Pas-de-Calais was undeniably in the midst of an economic crisis. The unemployment rate was soaring upwards at a seemingly unstoppable rate. In early December, it was announced that a further 8,000 people had joined the region’s jobless in the previous month, proportionally more than in France as a whole, taking the total number of people on unemployment benefits in Nord-Pas-de-Calais to over 265,000 (*La Voix du Nord*, 12 December 1993, p. 13). Furthermore, the almost daily reports of further job losses in the region continued: Sollac, a steel manufacturer in Dunkirk, announced it was cutting 300 staff and at Leşquin Selnor, a refrigerator manufacturer in the Moulinex group, shed a third of its staff, making another 300 people redundant (*La Voix du Nord*, December 15 1993, p.17). In December 1993, the European Commission also announced its new Objective Two classifications, increasing the number of Objective Two areas in Nord-Pas-de-Calais from eight to ten, covering a total of 2.5 million people. These were added to three existing Objective One areas, resulting in 80% of the region falling under one of the two categories. Not surprisingly the headline on the front page of the regional paper on Christmas Day 1993 read ‘Christmas: Despite the crisis still a day of celebration’ (*La Voix du Nord*, December 25 1993, p.1).

During this time, the region's minority Green President, Marie-Christine Blandin, was embroiled in a political crisis not unrelated to the region's unemployment situation. Despite employment policy being outside the regional government's remit, she was challenged for her inaction against the region's unemployment crisis. In response, she began searching for policies that could tackle the unemployment crisis at the regional scale and initiated the *Assises régionales pour l'emploi et le travail*, a public conference discussing employment and work in the region, from which emerged the region's ARTT policy.

In following section I provide a brief history of the 'Assises' program established by Blandin, focusing on the outcomes from its public consultation process and method of turning the general public's suggestions and ideas into concrete policy outcomes. I then discuss specifically the regional work time reduction policy that emerged from this public consultation process as one of several policy suggestions.

7.2.1 *Les Assises régionales pour l'emploi et le travail*

The economic situation and the extent of the unemployment crisis in Nord-Pas-de-Calais in the early 1990s had considerable political impact and were significant for the policy experience that followed. In the 1992 Regional Assembly elections in Nord-Pas-de-Calais no single party won a majority. This outcome was a surprise loss for the Left, given that the region was considered a relatively safe Socialist region. However, in the 1992 elections there was a significant protest vote away from the major parties, largely because of dissatisfaction with the political establishment due to unemployment. As a result, no party had a clear majority.¹² The election outcome was a shaky coalition between parties on the Left, creating a compromise that saw the

¹² In the 1992 regional election, the Socialist Party and UPR, the two major political parties in France, only won 27 seats each from a possible 113. The remainder of the seats was shared between smaller parties: 15 seats went to both the Communist Party and the far-Right National Front; 13 seats to candidates on the right-leaning Borloo ticket, 2 seats to the pro-hunting lobby, 6 seats to Ecology Generation Party and 8 to the Greens. Given that all parties refused to go into coalition with the extremist National Front, this allowed the parties on the Left to create a coalition government, essentially between the Socialist Party and the Greens but with some support from other parties on the Left.

Greens gain the presidency after a marathon 12-hour session of negotiations. “It was hardly a resounding victory for democracy” (Grass, 2001: pers. comm.).

By December 1993, the position of Marie-Christine Blandin, the region’s minority Green President, was precarious. She was facing severe opposition to her first budget from the Communists on the far Left to the National Front on the far Right. As an editorial in the regional newspaper wrote: “Short of a miracle, we cannot see how the Conseil Régional will be able to adopt its budget for 1994 today” (*La Voix du Nord*, December 17 1993, p.2). As predicted, Blandin’s budget was rejected by the Regional Assembly in 1993, receiving only 34 votes from 113.¹³ Its stumbling block was unemployment, with all parties arguing that the regional government was not doing enough to tackle the region’s escalating unemployment crisis.

In response to the rejection of her budget, the isolated President made two promises: to redraft the budget from scratch and to create a forum for public debate about unemployment in the region (Garcett and Léval, 1998: 23). There were several reasons why she decided to create a public forum for debate about employment policy rather than immediately create a regional employment policy initiative from within the Conseil Régional. First, she argued that politicians and bureaucrats no longer had any “miracle recipes” to reduce unemployment (Garcett and Léval, 1998: 23), making it necessary to have public involvement in finding a solution; a position that must be seen in the context of Mitterrand’s comment only two months previously about the government having already tried all the employment policies available. Second, open and wide public consultation was a typical method used to create policy and generate ideas and consensus in the Green Party (Blandin, 2002: pers. comm.). Third, this method of generating policy was also a practical necessity given that the Greens had unexpectedly won power in the

¹³ The budget only received support from Green and Socialists members, with the President not voting as is customary.

Regional Assembly and did not have a ready-made employment policy nor expertise to drawn upon. Fourth, the decision to create a public forum in which to debate possible solutions to the region's unemployment crisis was also political. Given the precarious position in which the President found herself she needed direct public support in order to overcome resistance from within the Regional Assembly and the absence of a majority (Blandin, 2001: pers. comm.). As Jean Gadrey (2001: pers. comm.), an academic heavily involved in the Assises, noted Mme. Blandin had to do "something dramatic to validate her presidency".

In early 1994, Blandin wrote an open letter publicising the upcoming conference on unemployment in the region, explaining its purpose and inviting public involvement. The letter was distributed widely. It was published in the regional newspapers and 40,000 copies were sent to individuals and organisations in the region. Her letter, entitled 'Jobs, work and activity: a conference to understand and move forward', began by emphasising the human face of unemployment and its social tragedy:

It is one thing to hear talk about retrenchments in this or that factory or to read about them in the headline of a newspaper article. It is another thing to look straight in the eye those who live with this tragedy. ... There is no need to publish here columns of statistics. We all know what lies behind the numbers: men and women scarred by forced inactivity and the feeling of exclusion this creates. Unemployment is an economic phenomenon, but also a social one in that it touches deeply one's own identity and the 'heart of one's being'. With so many millions of people thus thrown overboard, society as a whole is under threat of becoming shipwrecked. (Marie-Christine Blandin's open letter, January 1994)

The letter also discussed how work had changed due to the structural shift in the economy away from its industrial base, where work was at the centre of social organisation and a job was for life:

For decades, we have attached to work, particularly salaried work, a fundamental value, that is quasi sacred. ... However, the rarefaction of jobs that are built on this model, that were once jobs for life, is difficult to cope with. From out of the fog that we are currently travelling through, the first signs of a radical change in behaviour and attitudes are becoming apparent. ... If the exploitation of people's labour was at the heart of the social difficulties

of the industrial era, the main question towards the end of the century is raised by the mass of people now excluded from the system. (ibid)

She also called for public participation in this debate, noting the failure of government measures to date and the unlikelihood of growth being sufficient to reverse unemployment alone:

It is important that the public can be heard, can express themselves and develop practical experiences collectively. Given what is at stake, the classic recipes no longer suffice. As necessary as they have been, the measures taken by the public powers to date (lengthening the duration of education, lowering the retirement age, increasing opportunities for work experience, creating the RMI¹⁴ [a guaranteed minimum income for everyone]) are only palliatives. As for the constant wait for increased growth, it is only in vain: a higher rate of growth will provide improved conditions to create jobs but, at the final count given that jobs continue to be destroyed, it alone will not be able to reduce unemployment sufficiently. (ibid)

She ended her public appeal again inviting the public to participate in the debate about work and unemployment at the upcoming public conference:

Imagination is imperative, audacity a must! This is why the region has taken the initiative to organise from May to November 1994, the *Assises régionales pour l'emploi et le travail*. ... We will survey ideas, initiatives and partial solutions. Together we will pave the way, sweep a path, that leads to another form of political, social and economic organisation; modestly, but courageously, as we know how to do in Nord-Pas-de-Calais. (ibid)

Blandin's public appeal was highly emotive as well as being very broad in its scope. Her aim was to arouse the public's attention so that they would contribute to a debate on an issue that was highly pertinent to them but on which they had never previously been asked to participate. Unemployment had always been considered the "realm of experts" (Grass, 2001: pers. comm.). Furthermore, Blandin wanted to ensure debate at the conference considered the broadest range of topics possible, spanning from structural economic shifts to changes to the organisation of work and the social implications of unemployment. In this way, the regional government aimed to survey public opinion about all aspects of employment and employment policy, thus

¹⁴ The *Revenu minimum d'insertion* or the RMI was created in 1988 by the Mitterrand Government for people who had not contributed to social insurance and therefore were not entitled to mainstream employment benefits (Béland, 2000). It is a universal minimum income, financed from general revenue, for unemployed people over 25 (who are not students) and requires recipients to undertake training or be placed in work. In 1998 the Jospin Government extended the RMI to include all unemployed people over the age of 18.

effectively capturing the opinions and sentiment that existed in the local labour market of Nord-Pas-de-Calais at the time.

The response to Blandin's appeal was enormous. Over 500 written responses were received (O'Miel, 2001: pers. comm.), far exceeding expectations and providing a thorough survey of the ideas and attitudes existing in the population at the time. Of the responses received from the general public 16% came from people who were unemployed, 30% came from employers, whether firm owners, bosses or human resource managers, and 24% from teachers and educators (Garcett and Léval, 1998: 32). The remainder came from representatives of various organisations such as the trade unions, employer groups and politicians. The content of submissions was highly varied, ranging from personal experiences of being unemployed to policy suggestions and general commentaries on the state of the region's economy.

Six key themes were drawn out of the submissions. These included: (1) France's model of economic development and its transformations; (2) employment and the economy in Nord-Pas-de-Calais; (3) social exclusion and marginalisation; (4) the experiences of the unemployed, their public expression and possible activities; (5) changing skills and competencies in the labour market; and (6) regional development, especially from the perspective of employment and training. These themes, which emerged directly from the public consultation process initiated by Blandin's appeal, became the foundation for the Assises program that followed, structuring its first public meeting as well as the more in-depth public workshops that followed.

On 24 June 1994, the first session of the *Assises régionales pour l'emploi et le travail* was held, attended by approximately 700 people. The official opening of the Assises program involved a day-long conference, during which the region's President presented her logic behind the program and ambitions for it. The other speakers at this one-day event were chosen to represent

the range of submissions received. They included the unemployed, academics, particularly an economist and a sociologist, a business consultant, several firm-owners and representatives from the trade unions, selected explicitly to ensure that the full diversity of options and accounts was raised during the initial conference.

The main outcome of the day was to establish six workshops, each with responsibility for developing one of the six themes that emerged from the submissions received in response to the initial appeal and suggesting possible policy options (see Table 7.1). These workshops were “brainstorming sessions”, as one convenor called them (Gadrey, 2001: pers. comm.). They were also designed to be as democratic as possible and specifically aimed to capture the general public opinion rather than that of the main players, such as the chambers of commerce and industry groups who were usually consulted by the Conseil Régional (Vaneecloo, 2001: pers. comm.).

While Table 7.1 summarises the detail of the outcomes from each session, several broad themes emerged that should be noted. The first concerned a sectorial shift in the economy away from the industrial sector towards services. This shift was seen as being accompanied by significant changes to work, including to the types of jobs, work patterns and the type of labour force required. A second theme was an acknowledgement of the importance of global competitive pressures to the economic and employment future of the region and its corresponding demands for productivity gains and flexibility. The third theme concerned the role of the region and its potential contribution towards creating employment and economic dynamism as well as assisting firm development and improving their capacities. The fourth key theme was of a different nature. It focused on marginalisation and was a sombre thread through all the workshops. It was acknowledged that current economic trends were having significant negative social impacts, exemplified by but not restricted to unemployment, which needed to be

explicitly taken into account when dealing with various economic issues. In sum, it was argued that the model of economic development in the region had to be reconsidered in terms of its economic logic, its spatiality and its social consequences.

From these workshops emerged five concrete policy proposals, presented at the second meeting of the Assises program on 10 January 1995, attended this time by close to 1500 people. The policy proposals were: (1) government assistance to create new services (especially ‘third sector’ and interpersonal services); (2) training schemes to improve the competencies of individuals and firms in the region; (3) a regional charter for work and employment, in which government and firms pledged their support to increasing employment; (4) the continuation of participatory democracy and public consultation, such as the Assises program, and an information campaign; and (5) the reorganisation and reduction of work time or ARTT as it is known in the region (see Table 7.2).

From the policies that emerged as the final suggestions from the public consultation part of the Assises program, two in particular became tangible lasting policies, apart from the regional ARTT policy. The first was the *Services de proximité* policy, which provided financial assistance for new business ventures in the ‘third sector’ (e.g. the environment and social care) and in interpersonal services (e.g. domestic work). The second was the establishment of the *Fond regional d’insertion social*, which was a social fund, managed by the unemployed themselves, which funded projects to assist the unemployed cope with joblessness (e.g. creating ‘survival guides’ and collective transport services).

workers; and expand job opportunities in the environment and tourism.

- *ARTT*: Identified as a policy option where the regional government has real margin to manoeuvre. Recommended investigation into the reorganisation, reduction and redistribution of work time as a possible way of increasing employment as well as creating innovative staffing solutions for SMEs and improving the organisation of work time. Steps needed include creation of a research program incorporating firms, unions, government, associations and other groups; survey of opinions of employees, managers; and studies into the economic impact and diffusion of information.

3. Model of development, model of integration: towards a new social contract

- *Current situation*: New forms of exclusion and marginalisation now exist in France, symbolised by but not restricted to unemployment (e.g. geographic exclusion). They are exacerbated by two-speed economic development and are causing a crisis in traditional values of solidarity and the breakdown of social cohesion. A new social contract is required that takes into account current socio-economic changes while strengthening social integration and cohesion.
- *Changes to the social value of work*: Work, especially salaried work, was the foundation for social relationships and order over the last century. Society must now reconceptualise 'work' and methods of exchanging labour to see work as a 'mobile process', alternating between paid work, training and socially useful but unpaid work, thus allowing all forms of work to have social value and reduce marginalisation and exclusion
- *Action required*: Provide immediate assistance to those marginalised and without salaried employment, as well as in the longer-term change stereotypes, promote new forms of exchange of labour and assist with the acceptance of social mobility and work.
- *Policy outcomes*: Look into the creation of new intermediary jobs between the labour market and society; recognise the demands of those who are marginalised and work with – not for – them; increase policies designed to help individuals respond to new model of work including training, and work experience programs; improve innovation through creation of networks and information diffusion.

133 participants
3 full-day meetings

4. The public expression and collective action amongst the jobless population

- *Origins of the workshop*: The unemployed are denied a public voice and silenced in contemporary society because of their inactivity and because the unemployed are seen as having no value. The individual nature of unemployment blocks the possibility of collective action and having a collective voice, leaving the unemployed to be discussed as a 'problem to be solved'.
- *Personal effects of unemployment*: Unemployment causes isolation, psychological stress, the loss of dignity, shame, economic insecurity and poverty.

106 participants
15 regional and local meetings

	▪ <i>Existing initiatives:</i> Associations for the unemployed have numerous local initiatives for improving conditions for assisting unemployed people, financially, socially and psychologically, but these are hampered by a lack of money and resources. ▪ <i>Recognition and assistance for associations:</i> Associations for the unemployed must be recognised as legitimate partners, incorporated into existing networks dealing with unemployment and helped to assist the unemployed. ▪ <i>Propositions:</i> Recognition of associations and movements for the unemployed, a public forum to express the effects of unemployment, creation of ways to share information between the unemployed, including a survival guide for the unemployed and a place to gather, and the creation of a regional fund to finance self-managed projects to assist the unemployed.	123 participants
5. New skills and training	▪ <i>Current situation:</i> Employees are increasingly required to be multi-skilled and have new skills such as IT and communication skills. These are particularly difficult for the unemployed to gain and maintain. Similarly, jobs are no longer for life, replaced by 'careers'. ▪ <i>Action required:</i> The education system needs to be re-evaluated in light of the new skills required in the labour market. There needs to be better access to life-long training programs to ensure the labour force has the skills that are now required, for those working and for the unemployed. Schooling needs to be more vocational.	4 full-day meetings
6. Jobs, work, training and territory: the requirements for regional development	▪ <i>Structural changes:</i> Structural socio-economic shifts, induced by globalisation and increased competition, are altering requirements for regional development in Nord-Pas-de-Calais. The region can no longer be considered as a fixed stock of assets and labour, but as a 'melting pot' of social, cultural and economic relations that makes the region unique. ▪ <i>Regional development strategies:</i> The region has several unique characteristics that should be exploited, including its border location, its rural-urban-coastal mix, its population density and its diverse population. Three types of regional development strategies were necessary, reflecting the varying sub-regional economies in the region. ▪ <i>Proposals for territorial development:</i> No standard model exists with each area affected differently by national, European and global factors. However, certain factors contribute including improved tangible (e.g. public and private services) and intangible infrastructure (e.g. community structures and networks).	144 participants 3 full-day meetings

(Sources: Summary documents from the six workshops held as part of the *Assises régionales pour l'emploi et le travail*, 1994 Lille)

Table 7. 2 Policy outcomes from the Assises program

Policy	Key elements
1. Reduce/reorganise work time, creating new activities and jobs	▪ Learn from and diffuse information about experiences with ARTT in region and elsewhere, creating a ‘guide’ for ARTT; ▪ Provide expert assistance in mounting ARTT initiatives that covers a range of topics as well as ARTT; and ▪ Create a research program ‘to arm’ economic and social actors with the maximum information about the use of ARTT and potential benefits.
2. Create new activities responding to social and public need	▪ Explore employment opportunities in the ‘third sector’ and possibility of creating high quality, socially useful and durable jobs; ▪ Investigate potential for ‘hybrid’ services, provided by a combination of actors (public and private); ▪ Create demand for new services as well as identify where they can be supplied; and ▪ Provide financial and expert assistance to assist with the creation of new service activities.
3. Improve competencies of individuals, firms and the region	▪ Support the improvement of skills and competencies in the region, especially given that the location of investment decisions increasingly depends upon the complete range of competencies and skills in a place; ▪ Promote continuous re-skilling within firms and by government, particularly for employees threatened by redundancy; and ▪ Strengthen business associations for small and medium sized enterprises and support their creation and development in the region.
4. Create a regional ‘Employment Charter’	▪ Create an ‘Employment Charter’ for the region signed by government, town councils, large industrial and service firms and business associations, recognising a willingness to work together with civil society to improve the employment situation.
5. Improve participatory democracy	▪ Recognise that civil society is concerned and mobilised by the problems of work and jobs in the region; and ▪ Create means for diffusing information and maintaining public involvement and commitment initiated by the Assises, including a printed publication and regular meetings.

(Source: du Tertre, C. (1995) *Une stratégie pour l’emploi et le travail dans le Nord-Pas-de-Calais: Synthèse des travaux et apports des six ateliers des Assises*, Assises régionales pour l’emploi et le travail, Conseil Régional, Lille)

Overall, between January 1994, when Mme. Blandin distributed her open invitation to the public to participate in a conference on unemployment and employment policy, and January 1995, when the results from the workshops were presented at the Assises program's second major public meeting, over 2,000 people were involved in this public consultation process that led to five policy proposals. As the initial director of the Assises program stated: "The enormous public response, the media attention and the program's notoriety meant the Assises program had a strong mandate to go ahead with creating a regional employment policy" (Grass, 2001: pers. comm.). It also showed that the idea of a work time reduction policy had considerable resonance within the regional labour market.

7.2.2 The regional ARTT policy: local labour market demand for work time reduction

"ARTT is certainly the policy idea that emerged from the Assises with the most force" (1995: 9), wrote du Tertre in a report to the Conseil Régional in which he was asked to translate the initiatives that arose from the Assises's public consultation process into discrete policies. Work time reduction policy received frequent mention in the initial written submissions to the Conseil Régional, as well as being incorporated into the final policy suggestions emerging from two of the six workshops (see Table 7.1). In general, the policy was seen as a way to reduce unemployment as well as a tool that could satisfy some of the new requirements of a changing economy.

The use of work time reduction was explicitly mentioned in the reports from the first and second workshops, albeit in different contexts and with different aims for the policy. In the first workshop, which looked at the model of economic development, work time reduction was seen not only as a policy that could reduce unemployment but also as being particularly compatible with the needs of the emerging service economy. This workshop argued that the organisation of work time in a service economy was radically different to that in an industrial economy, where the standardised rhythm of work time (e.g. Monday to Friday, 9.00am to 5.00pm) was fast

becoming outdated as the economy evolved from an industrial, modernist economic model of development towards a more flexible, quality- and speed-driven service economy. The first workshop argued that work time reduction was a socially just and economically efficient way of meeting the new flexible work time needs of the service economy, while simultaneously protecting workers, increasing employment and assisting people to adjust their lifestyles to the new service economy.

The second workshop, which looked at work and the regional economy, argued that work time reduction provide a possible way of reducing unemployment while simultaneously creating innovative staffing solutions, improving the use of work time and curtailing some of the negative trends existing in the regional labour market. The second workshop noted several problematic trends in the regional labour market that required attention including the contradictory tendency towards increased unemployment and longer working hours, the incompatibility between the current drive for economic efficiency and socially desirable development, particularly with respect to the use of labour, and problems with current employment policy, which remained fixed in an outdated 'Fordist' model of development. This group argued that ARTT could be beneficial in several ways. First, the reduction and redistribution of work time was viewed as a possible way of increasing employment that was within the administrative scope of the regional government. Second, reducing work time would reverse the socially unsatisfactory situation of longer working hours and high unemployment. Third, the reorganisation of work time was seen as an innovative way of creating employment solutions (e.g. shared employment of people with specific skills between several small firms). Finally, the reorganisation of work time was seen as a way of meeting economic efficiency goals in a more socially desirable way than existed.

The idea of using work time reduction was also raised several times in the fourth workshop, attended largely by the unemployed. It was seen as a possible solution to unemployment if

society as a whole was genuinely committed to reducing it. As one unemployed participant said: “[WTR] is certainly one solution for reducing unemployment. But it will only be possible to make it into a general policy if everyone takes responsibility for unemployment. Everyone has to want to do something about unemployment” (quoted in Garcette and Léval, 1998: 121). As another participant commented: “We are about to enter the third millennium with 3 million unemployed. What are we waiting for, that there are 10 million people who are excluded? We must prove our solidarity and create durable employment [via WTR]” (ibid). While the fourth group agreed that work time reduction was a way to reduce unemployment, it did not put it forward as one of its policy recommendations because it lay outside the scope of their topic area.

Numerous factors contributed to work time reduction having such broad public support in the region. The foremost reason was the extent of the unemployment crisis: “Indeed, the reduction of work time and its reorganisation takes on new meaning in the current period, with the desire to create (or save) jobs strongly articulated” (du Tertre, 1995: 9). The current period of job losses, the precariousness concentrated in certain sectors of the labour market and the exclusion experienced by particular groups in the region, especially the young, contributed to a willingness to experiment with work time reduction on the part of all parties concerned.

The second contributing factor was the culture of the region. Nord-Pas-de-Calais had a strong working class tradition and sense of solidarity typical of industrial areas, and especially mining areas, that matched well with the region’s administrative borders. This sense of a regional culture was the result of a combination of the region’s industrial history, unique in France in its intensity, its experiences of occupation during the First and Second World Wars,¹⁵ and the

¹⁵ Much of the territory of Nord-Pas-de-Calais was occupied during the First World War, under particularly harsh conditions that included the deportation of working-aged men and the destruction of most of the region’s infrastructure. When the region was again occupied at the start of the Second World War, a strong resistance movement was immediately formed, under the direction of the *lillois*, or Lille native, Charles de Gaulle. This

shared burden of deindustrialisation. It was further fortified by the rest of France having a generally negative perception of the region, especially from the 1960s onwards. Furthermore, the region had a long history of turning its culture of solidarity into socially-minded policies; for example social security and social housing both began in the region before becoming national policies and the radical working class Popular Front party that won government in the 1930s emanated from the region and introduced numerous radical reforms including paid leave and a work sharing policy.

Third, as in the rest of France, the idea of work time reduction was already a matter under public debate in the region at the time and had considerable credibility and public appeal as a way of reducing unemployment. For example, shortly before Mme. Blandin announced her Assises initiative, a one-day public conference on the potential use of work sharing was held in Tourcoing, the traditional heart of the textile industry in Nord-Pas-de-Calais and one of the cities hardest hit by the unemployment crisis (*La Voix du Nord*, December 16 1993, p.10). While the conference was a public conference organised independently, the topic was of sufficient public interest and concern that it was attended by Jean le Garrec, the Socialist Vice-President of the region and a former minister in the national government.

The repeated attention given to work time reduction during the initial consultation phase of the Assises program and the breadth of suggestions concerning its potential use resulted in work time reduction becoming the main policy initiative to emerge from the Assises program. Consequently, it was the primary policy action pursued by the regional government because it was seen as the best way of meeting the economic development goals of the region while also maximising job creation.

In du Tertre's report to the Conseil Régional on the policy outcomes from the six workshops and public consultation component of the Assises (1995), he identified three necessary conditions for ensuring that the region's work time reduction policy was capable of generating the range of potential benefits identified in the workshops (see Table 7.2). The first of these conditions was a public information campaign, diffusing examples of positive experiences of ARTT's use. The second condition was providing firms with expert assistance when implementing work time reduction to assist them consider the full breadth of topics relating to the reorganisation of work time that were raised in the workshops and maximise the benefits attainable from a reorganisation of work time. The third condition was to create an intense research program looking into how best to use work time reduction.

In designing the regional policy, these suggestions were largely adopted. First, the *Group régional pour l'aménagement – réduction du temps de travail* (the regional group for the reorganisation-reduction of work time (GRATT)) was established. This was a diverse group of actors including firms' owners and operators, business organisation representatives, consultants, academics, bureaucrats, trade unionists and concerned individuals. The group met regularly, eventually for nearly two years, to exchange information and experiences concerning the use of work time reduction policy with the aim of improving knowledge in the région about the use of ARTT, analysing and transferring experiences and debating the use of ARTT and its method of implementation. The Conseil Régional also incorporated business consultants and existing business organisations into its ARTT policy in order to provide firms with the expert assistance recommended. In keeping with the third recommendation, the Conseil Régional also created the *pôle de compétences*, a group of academics and researchers who investigated various factors relating to the use of work time reduction policy. I delve further into these features of the policy and the policy-making process in Chapter 8, however I mention these features of the policy here in order to emphasise the degree to which the ideas and suggestions that emerged from the public consultation process were incorporated into the method of implementation adopted.

As this brief history of the *Assises régionales pour l'emploi et le travail* and the emergence of the region's ARTT policy showed, the idea of using work time reduction to tackle the region's unemployment problem had considerable public support and a strong grass roots legitimacy in the region of Nord-Pas-de-Calais: it had reached the policy agenda via an open appeal process that surveyed public opinion about possible strategies; its transformation from an idea to a policy incorporated a high degree of public input; and there was an enormous willingness in the region to experiment with the policy given the extent of the unemployment crisis at the time. In addition to a strong social logic, the policy also had a sound political logic. The region's President was in a weak political position and needed an innovative employment policy initiative like work time reduction that had broad public support and could impact on the unemployment crisis. Therefore, work time reduction policy in the region of Nord-Pas-de-Calais had a strong internal integrity and logic within the local labour market.

7.3 Work time reduction policy in the context of the French model of economic governance

In this section, I pause briefly in my analysis of the regional ARTT policy to describe the key features of the French model of economic governance. I do so in order to show how work time reduction policy is an exemplar of this national method of economic and labour market governance. Furthermore, I do so to highlight the link between the key values and aims of the regional ARTT policy and those of the French model of economic governance.

7.3.1 The French model of economic governance

The French model of economic governance is described as institutional (Albert, 1993) and as a coordinated market economy, characterised by “a distinctive ‘Mediterranean’ style of capitalism” (Hall and Soskise, 2001: 21). However, the French model of capitalism fits uneasily into any national groupings. In general, most commentators see it as a unique model of capitalism in its own right. Albert argues that the French model of economic governance is one

of four distinct models of capitalism found in Western Europe, while Maurice calls it an ““exceptional” form of capitalism” (Maurice, 1999: 27).

One of the main features of the French model of capitalism that makes it unique is the central role subscribed to the state: “Historically, French identity has been defined by and built upon a strong central state, first monarchical, and then Republican.” (Védrine, 2001:17). Albert concurs:

More than any other capitalist country, France has long had a powerful state at the heart of society, a state that has always taken the economy under its wing: protecting and planning on the one hand, but on the other investing and creating in the spirit of Saint Simon, the social philosopher who promoted the development of industry and science. (Albert, 1993: 234)

This model of economic governance is also an example of ‘State Fordism’, whereby “the State plays a leading role in the creation of conditions of mass production, including state control of industry” (Tickell and Peck, 1999: 123). The tradition of *l’etat entrepreneur* or Colbertism, as it is also referred to, is long in France and dates back to Jean-Baptiste Colbert, who was Louis XIV’s chief minister (Albert, 1993: 233). More recently after the Second World War, it was further bolstered when the government renationalised much of French industry with relative economic success.

Not only does the state play an important role in economic management, state power is also highly centralised: “France is still characterised by an omnipresent central state. On the political level, despite decentralisation, government from the centre, which dates back to the Jacobins, is still the norm” (Albert, 1993: 233). The state also has this central role in the labour market. For example, Whiteside shows that it is widely regarded that the solution to the current era of unemployment lies with state action and government intervention “through social programmes to create work, through technological investment in more sophisticated products, through the use of legislative sanctions to force firms to cut the length of the working week” (Whiteside,

forthcoming: 25). Therefore, the main features of the French model of capitalism are a long tradition of strong, centralised economic governance.

In addition to a history of the state playing a particularly large role in economic governance, there is also only limited acceptance of free market ideology in France: “market forces and free enterprise have for so long been distrusted in France” (Albert, 1993: 235). The recent neoliberal turn in Anglo-American economies is particularly distrusted:

neo-liberal ideology enjoys only a precarious legitimacy in France ... ‘Thatcherite’ neo-liberalism, radical individualism and an idealisation of the market are poorly received in mainstream French political debate, particularly as they concern the system of social protection. (Béland, 2000: 48)

This distrust for the free market and neoliberalism is especially strong in the labour market and is exemplified by France’s aversion to part-time work and distrust of ‘precarious’ forms of employment. Therefore, the preference for a strong, centralised state and an aversion to the free market combine to create a model of economic and labour market governance that, while capitalist, nonetheless is significantly state controlled.

French views towards social protection and attitudes towards risk and collectivism in particular have led to the development of France’s unique model of capitalism. Again, these views have a long tradition in France: “Citizenship of the Republic has long embodied legal rights and duties which reflect the collective commitment to social solidarity and which originate in the Napoleonic Code Civile” (Whiteside, forthcoming: 24). The concept of social solidarity is of particular importance. Béland writes: “*Solidarité* holds that all citizens face a series of social risks (unemployment and illness) that make them dependent on one another” (2000: 49). Consequently, central to the ideal of social solidarity is recognition that people are socially and economically interdependent and can significantly reduce the negative effects of social risk when it is shared collectively. What is more, solidarity remains an important ideal. Béland highlighted this using the 1995 Presidential election as an example in which all candidates,

from the Communist to Jean-Marie Le Pen on the extreme Right, “affirmed their commitment to social solidarity and social protection” (2000: 48).

A further characteristic of the French model of economic governance is the role played by the ‘social partners’ in economic management, who include the five major trade unions and the two main employer groups. Despite the strength of the French state, it has nonetheless incorporated the social partners into the decision-making process, giving them a considerably greater role in economic management than they have in Anglo-American economies. For example, the social partners manage and administer the social security and pension system and they are consulted whenever the government proposes major changes to employment relations or social security. In such debates, they are considered ‘veto players’ (Béland, 2001). Therefore, despite trade unions having low membership rates in France they nonetheless play an important role in economic management: “labor unions generally have greater political influence on policy-making, partly because of the ideological claim derived from their formal managerial responsibilities” (Béland, 2001: 156). Trade unions gain their influential role because they are viewed as the guardians of employees’ rights, protecting them politically from risk, or *precarité*, and maintaining solidarity.

Therefore, the main features of the French model of economic governance are its powerful state at the centre of the economy, coupled with a general scepticism towards the free market and market solutions, and a continued commitment to social solidarity and the collective bearing of risk. Together, these features combine to make the French model of economic governance unique amongst developed capitalist economies and very different from the dominant Anglo-American model of economic governance.

7.3.2 Work time reduction policy in the context of French traditions of labour market governance

Work time reduction policy is in keeping with this tradition of the state ‘protecting and planning’, reflecting many of its key values. First, the idea of using work time reduction as a tool to control unemployment is an example of *dirigisme* consistent with the tradition of a strong French state: “This solution has the merits of being simple and being compatible with the very French notion of ‘orchestrated liberty’” (Vanneecloo, 1997: 10). Furthermore, it is also consistent with the tradition of *l’etat entrepreneur* whereby the French state concerns itself with the intricacies of firm management and internal resource use. Third, the employment protection aspect of work time reduction policy, particularly its attempt to create permanent core labour market jobs, is in keeping with the traditional values of solidarity and the low tolerance of risk. Fourth, the emphasis on creating negotiated solutions that use a reduction in work time to counter-balance firm modernisation is typical of the French distrust for free-market solutions by providing a tight regulatory framework in which to test solutions that are broadly in keeping with those found in the market but without the risk and ‘precariousness’; a point I expand further in Chapter 9.

While work time reduction policy, in general, is in keeping with the French tradition of economic governance, the 35 hour week is especially an exemplar of this tradition, particularly for the Left in French politics. By reducing working time for all so that more could work, the mandatory nature of the 35 hour week policy was a symbol of the French Left’s continuing ideological commitment to the ideals of social solidarity and equality (Jospin, 1999). In its election campaign, the Socialist Party campaigned that the *Loi Robien* should be extended and that work time reduction should be made mandatory. The Socialists believed that a reduction in work time would be ineffective at reducing unemployment unless enforced nation-wide. Furthermore, they argued that society as a whole should work together to reduce the burden of unemployment.

The 35 hour week was also an example of the Left's vision for a *volontariste*, or active state, approach to economic management (Jospin, 1999). Jospin argued that given the extreme levels of unemployment and its social consequences, economic growth alone could not reduce unemployment sufficiently or sufficiently fast. As a result, active government intervention was necessary to ensure that the unemployment crisis was resolved. "Here", Jospin argued, "the transition to the 35 hour week is crucial" (1999: 10). The 35 hour week policy illustrates the Socialist government's ideological commitment to a particular method of economic management:

With reference to the reduction in work time, [...] it is important to invent a new model of development founded on the principles of solidarity and social consensus. (Lionel Jospin, quoted in Taddei, 1997)

As such, the 35 hour week policy exemplified the Socialist Party's attempts to manage the economy in a way that was compatible with its goal "of putting the market economy at the service of the people... Because society is far more than an exchange of goods, the market cannot be its only driving force" (Jospin, 1999: 1). The 35 hour week was one of the main policy examples of the Socialist Party's commitment to socially progressive economic management. Furthermore, its decision to implement a mandatory reduction in work time to reduce unemployment was also in keeping with broader traditions of labour market governance in France, showing that they remained relevant in France in the mid-1990s.

The decision to adopt a work time reduction policy in the region of Nord-Pas-de-Calais further highlighted the fact that the ideals incorporated in the French model of economic governance continued to be meaningful and relevant. However, it showed that they were not only useful rhetoric for political parties but also meaningful to people on the ground, working in the local labour market. This was particularly highlighted in Nord-Pas-de-Calais by the fact that the idea to use work time reduction as the main policy tool to tackle the region's unemployment crisis grew out of a massive public consultation process, involving 12 months of public discussion and over 2,000 participants from a diverse range of backgrounds and interests.

7.4 The economic logic of work time reduction policy

In order to appreciate whether these socio-political factors were sufficient to ensure the success of a regional work time reduction policy it is necessary to return to the theory of work time reduction policy and ascertain the key factors that determine its success. In the following section I briefly summarise the economic theory behind work time reduction policy, before evaluating whether the economic, as well as social and political, requisites necessary for the policy's success existed in the region at the time.

The foundational logic behind work time reduction policy is relatively simple. It is based on the assumption that there exists an exogenous stock of employment in the economy that can be divvied out in a variety of ways (Cordonnier and Vaneeecloo, 1999: 9). Reducing the number of hours worked by each individual causes the total number of jobs in the economy to rise and unemployment to fall. It is through this simple redistribution mechanism, known as the 'work sharing effect'¹⁶ (Cette, 2000: 3), that work time reduction policy directly effects employment outcomes.

However, work time reduction policy is more complex than this initial logic suggests: "A workplace which cuts working hours will, other things being equal, employ more people as a result. In practice other things are not equal" (Rubin and Richardson, 1997: vii). Other things do not remain equal because work time reduction policy has various indirect effects as well as its direct effect on employment, and:

Whether employment is increased or reduced by shorter basic hours depends on the relative size of the direct and indirect effects. The direct effect can only increase employment, while the indirect effect can only reduce it. (op cit: 20)

The indirect effects of work time reduction policy result because: "Working time policies, in particular within a work sharing context, carry a price tag" (Bastian, 1994: 304). This price tag

¹⁶ The 'work sharing effect' is also referred to as a 'Malthusian effect' because work time reduction policy aims to redistribute wealth at the national level, rather than create new wealth (Cette, 2000: 4).

is the cost of the initial transition to a shorter working week, as well as its impact on the unit cost of production, with the latter cost being the more important determinant of the policy's final outcome: "[Economic studies] generally conclude that in the long run, the lasting effects of a reduction in work time depend essentially on the impact on the unitary cost of production, both at a company level and at a country level" (Cette, 2000: 3). There are three ways in which this impact can be limited: by increasing hourly productivity, by wage restraint and via financial subsidies during the transition period. Effectively combining these three elements into the design of work time policy in such a way as to maximise jobs creation while also minimising its potential negative indirect effects, particularly on the unitary cost of production, is the key to creating an effective work time reduction policy.

The impact of reducing individuals' work time on productivity is the most important indirect effect that must be considered in the design of work sharing policies. When individual working hours are reduced, it is very difficult to directly offset the impact of this change on output by solely increasing employment, especially given various fixed costs associated with the employment of an individual (direct costs such as government charges and taxes and indirect costs such as initial training and on-the-job experience). In order to limit the negative effects of a change in working hours on total output, and consequently the unitary cost of production, it is necessary to combine a reduction in hours with an increase in productivity. Examples of how this can be done include decreased worker fatigue causing accelerated work patterns, more effective use of existing work time (e.g. increased seasonality in working hours) and increased operating times for capital (e.g. by adding extra shifts). Therefore, the indirect effects of work time reduction on productivity are key determinants of the policy's success or otherwise because, if the cost of total labour hours increases (because of the fixed costs of employing an individual) without a change in productivity, then the unitary cost of production also will rise, with negative impact on the competitiveness of firms.

While productivity improvements are often able to offset part of the negative impact of a reduction in work time on the unitary cost of production, they are rarely sufficient. Therefore, it is necessary to ensure that the longer-term unitary cost of production does not rise using the second tool of future wage moderation. The most effective way to ensure wage moderation in the longer term is for the methods used to reduce work time “to correspond to the ones which give the best improvements in the quality of life for employees” (Cette, 2000: 12-13), thus providing employees with valued, but non-financial, benefits from the reduction in work time. The improvements considered ‘best’ by employees are, however, highly variable: “This topic is, of course, more a sociological than an economic one, even if it has important economic consequences” (op cit: 13). However, it has been shown in France that workers place a high value on increased leisure time and, furthermore, are more likely to accept the trade off between increased leisure and future earning when they know it will contribute to the creation of jobs and especially when it saves jobs, when their increased leisure time matches their individual preferences and when their actual pay does not fall (Boulin et al 1998; Cahuc and Granier, 1997; Cordonnier et al, 1996). Therefore, the extent to which wage moderation can finance work time reduction is determined by social factors such as preferences concerning the trade off between work, leisure and income and traditions of social solidarity.

While the longer-term impacts of a reduction in work time can be financed by a combination of productivity gains and wage moderation, the immediate one-off costs of the transition to a new work time regime must also be covered. Here, financial assistance from government is imperative because “Clearly, it is not up to the firm to structurally finance such a reduction [in work time that seeks to reduce unemployment]” (Cette, 1998: 132). These subsidies are especially important to cover the costs of negotiating a reorganisation in the use of work time and to ensure that the profitability of firms in the immediate term is not affected. Therefore, government subsidies are necessary during the transitional phase, while the remainder of the

cost of a reduction in work time can be funded via a combination of productivity gains, resulting from more the efficient use of labour, and future wage restraint.

In the case of the 35 hour week policy, Cette summarises estimates of how the cost of financing the reduction in work time was divided between the three mechanisms of increased productivity, wage moderation and government subsidy. He found that estimates in macro-economic models range from 25% to 50% for proportion of the cost of work time reduction financed via productivity gains, with a general consensus at 33% (Cette, 2000: 9; see also Heyer and Timbeau, 2000: 58). The government subsidy is thought to finance up to a third of the costs of implementing the policy in the short run, without significantly damaging the government's budget because of cost savings due to lower unemployment.¹⁷ Therefore, the contribution required from wages, whether by static (a fall in wage) or dynamic (wage moderation) contributions, is a third in the short term, rising to two thirds in the medium- to longer-term when the government subsidies end¹⁸ (Cette, 2000: 11). Given that wages provide such a significant proportion of the financing for work time reduction, it is therefore crucial that any reduction improves the quality of life for workers and is compatible with workers' desires and sympathies.

Therefore, while the foundational logic behind work time reduction policy is relatively simple, implementing such policies in a way that reduces unemployment while not adversely impacting upon the unit cost of production is considerably more difficult. To do so requires that the price tag attached to work time reduction policy is financed via a well-balanced combination of productivity gains, wage moderation and government subsidy. Harnessing potential productivity gains depends upon effective negotiations between workers and employers; a

¹⁷ Government subsidies were funded by a concurrent decrease in government spending on unemployment benefits and an increase in tax revenue caused by increased employment (Cette, 2000: 9).

¹⁸ The short term was equal to 7 years under the *Loi Robien* and 5 years under the *Loi Aubry*, the periods over which subsidies were paid.

factor which itself is dependent upon the possibility of productivity improvements through the more creative use of work time but also on the willingness of employers and employees to negotiate. Similarly, gaining agreement to moderate wage growth rests heavily upon satisfying workers' preferences between work, leisure and income and the continuing relevance of traditions of social solidarity. Therefore, financing the cost of the 35 hour week's price tag depends upon two key variables that are heavily dependent upon socio-political factors and determined in large part by attitudes in the local labour market.

7.5 A preliminary evaluation of the regional ARTT policy: conditions necessary for success?

I have already shown that the implementation of a regional work time reduction policy had strong public and political support in Nord-Pas-de-Calais. In addition, I have shown that this policy choice was in keeping with French traditions of economic governance and that the ideals of this model of governance continued to resonate in the regional labour market. Consequently, it can be concluded that work time reduction policy had strong internal integrity in the regional labour market of Nord-Pas-de-Calais in terms of its socio-political logic as well as historical basis. In this section, I combine these findings with the previous discussion on the economic logic of work time reduction policy. I ask whether there existed in the region the requirements for work time reduction policy to reduce unemployment without negatively impacting upon the unit cost of production and, hence, the profitability and competitiveness of firms. I conclude that the answer was both yes and no, depending upon the phase during which the policy was being implemented and also the specific economic and social circumstances of individual firms.

In the first phase of the policy, from the first experiments in early 1995 to June 1996 (see Table 2.3 for a description of the various phases), the regional ARTT policy failed to meet the three economic criteria necessary for the successful implementation of work time reduction policy. In particular, the regional policy lacked any form of financial subsidy to assist firms with the short-term costs of implementing the policy and negotiating a new organisation of work time.

However, despite the regional policy lacking the financial assistance usually considered imperative for the effectiveness of the policy, there were nonetheless examples of where work time reduction policy worked without significant financial aid. This was usually in cases where productivity gains and wage moderation were sufficient to cover alone the costs of implementing the policy. In general, this only occurred in firms where large productivity gains could be achieved through the better management of work time and where the threat of redundancies made workers more willing to accept wage moderation.

One prominent example of a firm in the region that implemented work time reduction during the regional policy's earliest phase (before significant financial subsidies were provided by the national government) was Bonduelle, a food processing company specialising in tinned beans, corn and other vegetables. The firm has a long history in the region. The company was initially formed in the 19th century by two of the region's prominent farming families from Marquette-lez-Lille on the outskirts of Lille (www.bonduelle.fr). Founded in its current form in 1926, Bonduelle continues to be run by the Bonduelle family and is Europe's largest producer of tinned and processed vegetables (ibid).

Bonduelle was one of the first firms in the region to implement work time reduction after the Assises were held, using the assistance of a consultant, funded and trained by the Conseil Régional. As an agricultural processing firm, their production was obviously highly seasonal, with employees working considerably more during particular times of the year such as the planting and harvesting periods. In order to better match their labour use to this seasonality, Bonduelle negotiated with employees to reduce the working week from 39 to 38 hours in exchange for a 'modulation' in work time whereby working hours could reach 45 to 48 hours a week in peak times without overtime pay but in exchange for time off at other periods of the

year (Traisnel,¹⁹ 2001: pers. comm.). In doing so, Bonduelle maintained employees' wages as well as employed an additional 20 staff. Therefore, as a result of implementing the regional ARTT policy, Bonduelle was able to make considerable productivity gains by reorganising work time in line with seasonal variations in their demand for labour, while also creating jobs.

The reason why Bonduelle implemented work time reduction and re-evaluated its entire use of its human resources was to contribute to job creation in the region. The head of the company, a member of the Bonduelle family, had attended the Assises meetings and was committed to the idea of doing something proactive to reduce unemployment. Similarly, the union representative in the firm had also been involved with the Assises, speaking at one of its public meetings. Together, that meant there was a considerable willingness amongst both the employer and employees to negotiate about work time reduction and explore its potential, especially in order to reduce unemployment. Therefore, the social requirements for work time reduction to be effective were present. However, there was also considerable scope to improve productivity via the more creative use of work time, which was captured in the agreement that was negotiated. Therefore, the economic requirement of substantial productivity gains was also met.

Under the right conditions it was possible for the regional ARTT policy to meet the requirements for work time reduction policy to be effective in the earliest stage. Furthermore, the design of the regional policy increased the possibility of achieving sufficient productivity gains for the policy to be effective at reducing unemployment. By financing business consultants to work directly with firms and analyse their operations in the broadest possible terms, the regional policy provided firms with important intangible assistance, even if they were unable to provide financial subsidies.

¹⁹ Christian Traisnel was the consultant who assisted Bonduelle implement work time reduction.

While not all firms had the potential to reap the productivity benefits of a seasonal industry like Bonduelle, there were nonetheless over 50 other firms that were able to devise ways to successfully implement work time reduction during this period. Agreements in these firms were often based on wage moderation and non-financial trade-offs with employees. In the initial regional work time agreements, the range of factors that could be included in agreements was very broad and negotiations were sometimes highly creative. For example, in one case a work time reduction agreement included the clause that employees would be notified of the new jobs created two days before they were advertised publicly in order to forewarn friends, family and neighbours of the possibility of employment (Blandin, 2002: pers. comm.). This clause, as well as others concerning the way work time could be liberated, were sufficient for the agreement to be acceptable to employees and employers, particularly because it was compatible with notions of solidarity that were highly relevant in the local labour market.

Therefore even in this early phase of the regional ARTT policy, the design of the region's work time reduction policy along with the socio-political factors in the region were sufficient for the regional ARTT policy to be effective in certain firms, despite the lack of the financial subsidies. What this shows is that work time reduction policy can be effective in situations where there is strong support for the policy amongst both employers and employees, creating a real willingness to negotiate and discover innovative work time solutions, and when there is a strong appreciation of the reasons for reducing work time. When this is coupled with significant outside expert assistance, from both researchers and consultants, the likelihood of achieving the requirements necessary for the successful implementation of work time reduction policy is further increased.

However, the occasions where these factors coalesced to a sufficient degree for the transition to a reduced workweek to be self-funding, while possible, were limited. For work time reduction to be effective in a broader range of firms required some form of financial assistance.

Throughout the later phases of the policy, from June 1996 onwards, this financial assistance was provided, initially by the *Loi Robien* and later the *Lois Aubry*. Under these laws, significant financial assistance was added to the regional ARTT policy's intangible assistance to firms, providing a 'bubble of oxygen' to the regional policy.

Therefore, from mid-1996 onwards the third criteria necessary for the successful implementation of work time reduction policy was met by the regional ARTT policy. This resulted in the types of firms where the implementation of the policy was possible expanding beyond those where there existed an exceptional social commitment to improving unemployment or large potential productivity gains. However, even in these firms, the addition of subsidies improved the policy's potential at improving productivity and increasing employment.

Returning to the example of Bonduelle, the firm renegotiated its work time reduction agreement in the light of the *Loi Robien* in March 1997. In doing so, they decreased average weekly working hours yet further to 34 hours. They also used the new agreement to expand production hours. In doing so, they created a further 70 jobs and transferred 10 existing staff from short-term seasonal contracts to permanent contracts. In total, the two work time reduction agreements resulted in the hiring of an additional 100 permanent staff at Bonduelle. The firm was one of the examples held up in the region to show the possibilities of the policy when implemented in the spirit in which it was intended, and the firm still boasts on its web site of its leading role in the implementation of work time reduction.

Initially the regional ARTT policy did not meet the three conditions necessary for work time reduction policy to be successful, namely wage moderation, productivity gains and financial assistance during the transition phase. However, even in this sub-optimal situation the policy was still able to be successful in certain situations, given the strong commitment that existed in

region, on behalf of both employers and employees, to do something about unemployment. In the later phases of the policy, the regional ARTT policy was supported by national legislation that provided the third ingredient for work time reduction policy to be successful. Consequently, the potential of the regional ARTT policy was greatly bolstered and it became one that could be effectively implemented in a wide range of firms, especially given that the national government's financial assistance was supplemented by the region's intangible assistance in terms of knowledge about work time reduction and support to maximise the productivity gains possible from its implementation. Therefore, from mid-1996 onwards, the regional ARTT policy met the conditions necessary for its success as a work time reduction policy.

7.6 Conclusion

In this chapter, I have traced the local labour market roots of Nord-Pas-de-Calais's regional ARTT policy; a regional work time reduction policy that was the precursor to France's 35 hour week policy and from which some of the key elements of the national policy were transferred. I have shown that in Nord-Pas-de-Calais, work time reduction policy had a strong internal integrity in the local labour market, resulting from a combination of factors. First, the unemployment crisis in the region meant that the policy had significant public support; indeed the policy choice arose out of a massive public consultation process. The unemployment crisis in France generally suggested that this same broad public support for work time reduction was also likely to exist at the national scale. Second, there was also political support for work time reduction policy, both regionally and at the national scale. Third, the policy was in keeping with the French model of economic governance and there was a long history of this policy choice being used in response to unemployment crises. Therefore, a ripe national political climate, an unemployment crisis and public empathy towards work time reduction as a way of reducing unemployment combined to give work time reduction policy a strong internal logic in the regional labour market, which had many parallels with the national labour market.

I have also showed that the economic success of a work time reduction policy depends upon the unit cost of production remaining unchanged; a condition that can be achieved via improved productivity, wage moderation and financial subsidies to assist with the cost of transition. The successful achievement of productivity gains and wage moderation, however, is in large part socially determined and depends upon the method of reducing work time matching the sympathies and desires of employees and employers being willing to consider the full potential of the policy. Given the atmosphere in the region at the time these conditions were largely met with employers and employees in the region open to the possibilities of work time reduction, especially if this meant creating jobs. Furthermore, the regional policy maximised the potential for capturing this public support through its emphasis on negotiation and reorganisation. Therefore, once supported by subsidies from the national government, the regional policy had the conditions necessary for the policy to be effective.

However, from the basis of this analysis it is not possible to answer whether there existed the necessary conditions for the success of the national 35 hour week policy. In order to answer whether the conditions for the success of the policy existed at the national scale it is necessary to understand the policy-making process as well as the external context in which the policy was made, topics I turn to in the following two chapters.

CHAPTER 8

Making Employment Policy in Nord-Pas-de-Calais

In the previous chapter I considered the internal integrity of the regional ARTT policy in Nord-Pas-de-Calais. I considered it in terms of the social, political and economic environment in the region and France generally, showing how this environment contributed to the policy's logic and relevance and affected its outcomes. In this chapter, I focus on the policy-making process examining how the process by which the regional ARTT policy was developed contributed to its effectiveness and how, when the policy was 'scaled up' to the national scale, aspects of this process that had made the policy effective at the regional scale broke down.

In this chapter I argue that the policy-making process adopted in the region of Nord-Pas-de-Calais contributed considerably to the positive outcomes that resulted from the region's ARTT policy and from the Assises program generally. I argue that the flexible, consensual and inclusive model of policy-making used by the regional government contributed to the scope of the region's ARTT policy, the sophistication of its design and its success in the region. Furthermore, I argue that the scale at which this type of innovative policy-making was conducted was also fundamental to the regional ARTT policy's effectiveness. Importantly, I show that this had significant ramifications when features of the regional policy were transferred to the national scale and incorporated into the 35 hour week policy, providing some explanation for some of the shortfalls of the national 35 hour week policy.

I begin this chapter by describing the method used to make the regional ARTT policy. I consider how this method, which differed considerably from the standard method of policy-making in the region, contributed to its ability to maximise the socio-political factors that gave the policy its internal integrity, harnessing the goodwill that existed in the region at the time and effectively capturing it in the policy. My aim here is to show that the policy-making process

used by the regional government contributed to the policy's outcome via its consensual, inclusive, responsive and flexible nature.

In the second part of this chapter, I focus on scale and geographic aspects of the policy-making process with respect to both the regional ARTT policy and the features of this policy that were transferred into the national 35 hour week policy. I start by considering the role of scale in the regional policy-making process, including the importance of factors such as the fit between the scale of the policy and that of policy problem, the degree of social, cultural and economic homogeneity in the region and logistic and institutional factors associated with making policy at the smaller, more 'human' scale of the region. Next, I consider the process of policy transfer between the regional and national scales and how key features of the regional policy were transformed as they were 'scaled up,' altering their impact and effectiveness when they were implemented at the national scale. My aim in this section is to show how scale was a crucial variable in the policy process, in the case of both the regional and national work time reduction policies.

8.1 The standard method of regional economic policy-making

The method of policy-making used by the Assises program to make the regional ARTT policy differed significantly from the standard method of policy-making and implementation normally adopted by the Conseil Régional, and regional governments generally, when creating regional economic development policies.¹ As Amin (1999: 365) notes, "Until recently, regional policy has been firm-centred, standardized, incentive-based and state-driven". This standard model of regional economic development policy, particularly in less favoured economic regions like

¹ It should be noted that while the policies created by the Assises program were employment policies, they were also more broadly regional economic development policies because their aims extended beyond employment creation and included modernising firms in the region and improving their growth potential. Furthermore, prior to the Assises program there were no regional employment policies in Nord-Pas-de-Calais, making regional economic development policies the closest comparison available.

Nord-Pas-de-Calais, is usually based on policies that assist firms directly and are made according to the classic policy cycle model of making policy discussed in Chapter 4.

The type of regional economic policy used in less favoured regions has remained more or less consistent since the 1960s. Amin (ibid) compares the 1960s Keynesian regional economic development policies with more recent neo-liberal policy approaches and argues that:

The common assumption in both approaches, despite their fundamental differences over the necessity of state intervention and over the equilibrating powers of the market, has been that top-down policies can be applied universally to all types of regions.

He concludes that the successes of this ‘imperative’ approach to regional economic development policy “have been modest in terms of stimulating sustained improvements in the economic competitiveness and development potential of the LFRs [less favoured regions]” (ibid). The policy process behind this standard model of regional economic development policy was typically similar to the stagist model described by the policy cycle. It was based on a linear approach to policy-making, with a particularly strict differentiation between the policy-creation stage, the implementation stage and evaluation.

In Nord-Pas-de-Calais, this standard type of regional economic development policy and the typical method of policy-making associated with it was very much the model used prior to the *Assises régionales pour l'emploi et le travail*. This type of policy and its associated policy-making process was described by regional bureaucrats as a *guichet* approach to policy, or an ‘over the counter’ policy approach. In general, this type of policy was created internally within the *Direction de l'Action Économique*, the economics department of the regional government, according to their own policy goals. Some public consultation would be incorporated into the policy creation phase, but it was usually confined to a small group of well-known economic actors, such as the Chambers of Commerce and industry lobby groups. Public consultation would end once the creation phase was over with the shape and scope of the policy set prior to

its implementation. Implementing such policies usually involved publicising their existence, then waiting for firms that met the criteria to approach the Conseil Régional and apply over the counter, as at a *guichet*. Applications were then accepted or rejected, in accordance with a fixed set of criteria and rules. After a certain period of implementation, an evaluation would be carried out. Its findings were usually incorporated back into policy by redrafting some aspect of the policy and re-implementing the policy in its new form, thus separating the creation, implementation and evaluation phases.

These *guichet*-style regional economic development policies usually took the form of financial assistance, paid either as a direct subsidy to individual firms or as an exemption from tax. They were often used to encourage large industrial companies to locate themselves in the region or were provided to firms for specific purposes such as assistance in starting up a new firm or developing a new part of an existing firm, assisting firms in financial trouble, especially in declining sectors such as textiles, and supporting innovation. It should be noted that while the broad aim of these policies was to improve regional economic development, they were implicitly employment policies in that they were the main tool used to encourage job creation in the region. As I show in the following section, the regional ARTT policy was a very different type of policy to standard *guichet* policy usually deployed in the region and the result of a very different policy process.

8.2 Making the regional ARTT policy

In this section, I trace how the outcomes from the mass public consultation process initiated by the *Assises régionales pour l'emploi et le travail*, and described in Chapter 7, were transformed into a work time reduction policy. The method of policy-making that was adopted was novel and innovative in the region and with respect to regional economic development policy more generally. I begin by describing the process that turned the thoughts and ideas that emerged from this intense period of public consultation into a discrete policy, its operational context and

the key players, how the policy was then implemented and the responses to it from involved parties.

8.2.1 The operational context and policy players

In establishing the regional ARTT policy, several organisational factors were important to the way the policy was made and the final policy outcomes, including the administrative organisation of the Assises program, the types of people working on it and the external actors who were involved in the policy from the start, given the very public nature of the Assises program.

Given the massive response generated by the Assises's public consultation process, the Regional President created a new secretariat to administer the program and follow-up on the policy suggestions that emerged. This secretariat sat apart from the regional government bureaucracy as a separate unit, not incorporated into any of the existing regional government departments.² In addition, the secretariat was not responsible to the bureaucracy. Instead it answered directly to two influential politicians charged with specific responsibility for the Assises program, namely Jean le Garrec, the Socialist Vice-President of the region and Jean-François Caron, a senior Green member of the Regional Assembly, and to Marie-Christine Blandin, the region's President. Therefore, those working on the Assises bypassed the usual bureaucracy of the regional government and worked directly for people with the power to make executive decisions.

The secretariat was also staffed by people drawn from outside the bureaucracy. At the very beginning of the Assises program, those working on it had been drawn from the parliamentary staff of the Green politicians. However, it quickly became apparent, especially as responses to

² After the Greens lost control of the regional Presidency in the elections of March 1998, the Assises secretariat was incorporated into the regional economics department and, therefore, technically became part of the general administration of the regional government. However, it continued to answer directly to one of the region's Vice-Presidents and effectively maintained its independence.

the President's initial appeal began to return, that the Green Party did not contain the skills and knowledge necessary to take the ideas that were emerging and develop them into economic and employment policies. Consequently, as early as mid-1994 and before the first public meeting of the Assises, the Assises program began to seek expertise outside both the Green Party and the bureaucracy to advise them on particular issues.

These administrative arrangements proved important to the policy-making process that followed. Having the secretariat outside the main bureaucracy and answerable directly to key politicians freed the Assises program from many of the administrative constraints usually faced when making public policy and placed it in a privileged position to act decisively. Similarly, staffing the Assises program with people from outside the bureaucracy and enlisting the assistance of academics and specialists contributed to the program's ability to make innovative policy because it sought external advice and fresh perspectives.

After a year of intense public consultation, the Assises program entered a new phase in early 1995. Its emphasis turned from consultation and surveying public opinion to creating discrete policies from the ideas that had emerged. However, those working for the secretariat were well aware that they lacked the expertise to create a work time reduction policy. Not only did they not understand the legal and economic intricacies of implementing a regional work time reduction policy, they had little knowledge about the needs and constraints of the firms they hoped would implement it, nor did they know how to find firms that would experiment with the policy. Gerard Grass, the head of the secretariat at the time, therefore looked outside the Conseil Régional for support and advice on these matters and, in doing so, approached three groups of people and organisations, who later became essential components of the ARTT policy and integral to its ability to innovate.

First, he turned to academics and specialists, creating the *pôle de compétences* (see Table 8.1 for a summary of the policy players). The aims of the *pôle de compétences* were twofold: to provide expert advice on aspects of the policy's design and implementation, and to undertake research into the use of work time reduction in the region. Its main areas of interest were: economics, particularly the conditions necessary to make a work time reduction policy effective; sociology and community attitudes towards reducing work time and the conditions under which people were willing to accept it; and the law, especially the national policy and legislative framework and the region's ability to create a work time reduction policy within this. While the *pôle de compétences* provided the secretariat with some of the specialised knowledge and expertise it needed to create a work time reduction policy, the Assises secretariat still lacked an understanding of, and access to, firms.

Table 8.1 The policy players

	Characteristics and role in the regional ARTT policy
Assises secretariat	▪ Managed the creation and implementation of the policies that emerged from the <i>Assises</i> initiative ▪ Situated outside the main bureaucracy ▪ Answered directly to key politicians ▪ Staffed by experts and political advisors
<i>Pôle de compétences</i> (Centre of expertise)	▪ Group of academics and experts ▪ Provided advice on economic, legal and social aspects of WTR ▪ Undertook research into WTR generally and its implementation in the region
<i>Têtes de réseaux</i> (Heads of networks)	▪ Existing business organisations in the region interested in experimenting with WTR to reduce unemployment ▪ Found firms interested in experimenting with policy ▪ Administered the program amongst groups of firms
Business consultants	▪ Worked with firms on the implementation of the regional ARTT policy ▪ Trained by the Assises secretariat

Therefore, the Assises secretariat approached two additional groups to assist it with the ARTT policy. The first were business consultants. Their role was to provide the Assises secretariat with an understanding of the situation within firms and to assist firms with the implementation

of the policy. During the public consultation process, it had been emphasised that a reduction in work time could be combined with broader aims of modernising a firm's production and reorganising its use of work time, turning work time reduction into "an instrument for creating economic dynamism" (Vaneecloo quoted in Garcette and Léval, 1998: 125). To achieve these broad ambitions the Assises secretariat was hesitant simply to provide individual firms with direct subsidies to implement the policy. They did not believe this method of implementation would create the necessary changes in firm behaviour that they hoped the policy would achieve. Furthermore, the Assises secretariat did not, especially initially, have a substantial budget. Implementing the policy in a collective manner, using consultants rather than subsidising firms directly extended the number of firms the regional government was able to assist.

This led the Assises secretariat to introduce a final group of actors into the policy process. The Assises secretariat approached business organisations partly because they wanted to work with firms collectively rather than individually, and this was compatible with the way such organisations worked, and partly because they "didn't know how to find a firm!" (Kniaz, 2001, pers. comm.). The Conseil Régional did not have an existing network of firms that it could ask to experiment with a new policy. Therefore, the Assises secretariat approached business organisations to act as an intermediary, given they had access to the type of network the government wished to tap into, asking them if they and the firms they represented were willing to be involved with an experimental work time reduction policy. The Assises secretariat provided the business organisations, who became referred to as *têtes de réseaux*, or heads of network, with financial assistance to administer the program amongst interested firms in their organisations, as well as access to the expert assistance provided by the *pôle de compétences* and the use of trained business consultants.

The first two *têtes de réseaux* became involved with the program in July 1995. They were *Groupement pour l'initiative et l'élaboration de projets professionnels* (GIEPP), an organisation

that helped firms initiate new projects, and *Essor MPI*³, a community-based organisation representing and assisting small and medium sized enterprises. In both cases, the organisations informed their members of the possibility of becoming involved with the regional government's experimental ARTT policy, explaining the potential benefits they would receive while also emphasising that showing interest did not constitute a commitment to any future reduction in work time within their firm. Because of the voluntary and experimental nature of this appeal, approximately 60 firms expressed their interest in becoming involved in the regional ARTT policy in this first round.

Therefore, by July 1995 the key players who were involved with the region's ARTT policy were in place (see Table 8.1). The secretariat was established, outside the usual constraints of the bureaucracy. A group of expert advisers had been brought together to research the details and formalities of creating and implementing a work time reduction policy in the region and to provide advice. Business consultants interested in the possibilities of the policy had been found and briefed on the government's objectives as had the experts in the *pôle de compétences*. Finally, firms potentially interested in implementing the policy had been found via the *têtes de réseaux*, providing the logistical solution to the Assises program's desire to implement ARTT collectively rather than subsidise individual firms. Together, they formed a far more diverse group of policy actors than usually brought together in the regional economic policy-making process. Included were a considerable number of actors from outside the Conseil Régional.

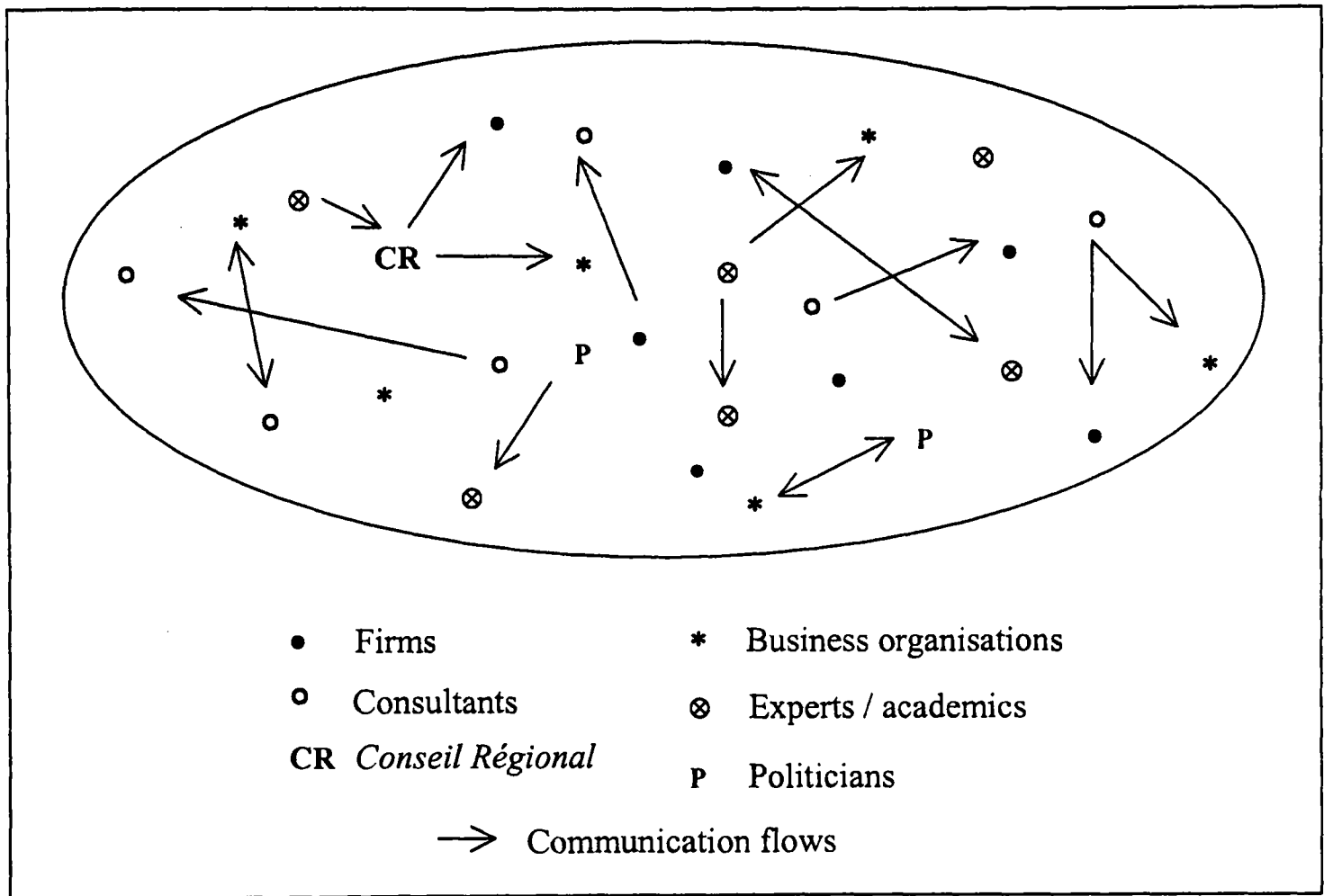
8.2.2 *La patate*: research, development, experimentation, evaluation

This range of actors incorporated into the ARTT policy-making process was diverse and considerably more inclusive than was usual for regional economic policy-making. Similarly, the method by which these actors worked together was also novel for policy-making in the

³ Essor MPI is the regional arm of a national lobby group that promotes the needs of small and medium sized industries and provides general organisational and operational support. In Nord-Pas-de-Calais Essor MPI represents approximately 400 firms, divided into 30 geographically arranged sub-groups.

region. Eric Kniaz, the head of the Assises program from 1997 and a legal advisor to the program prior to this, knick-named this method of policy-making *la patate*,⁴ or the potato, after the shape this policy-making method formed when he represented it diagrammatically (see Figure 8.1).

Figure 8.1 Kniaz’s *patate*: diagrammatic representation of the regional ARTT policy-making process



(Source: Kniaz, 2001: pers. comm.)

Kniaz highlighted several key features to his ‘policy potato’ that contributed to its success in developing innovative policy solutions (see Table 8.2). In addition to the incorporation of a diverse range of actors (discussed in section 8.2.1 and represented by a different symbol in Figure 8.1), an important feature of this *patate* was its largely non-hierarchical nature. All the actors involved were on the same level and equal players in the policy-making process. Another feature of his ‘policy potato’ was how information flowed between actors involved with the policy (examples of which are represented by arrows in Figure 8.1), which was multi-directional and largely unconstrained. Actors were able, and even encouraged, to communicate

⁴ *Patate* is a colloquial term for potato. Part of the humour of using this term is that Nord-Pas-de-Calais is France’s biggest producer of potatoes.

directly with each other, without relying on the Conseil Régional to act as an intermediary. A final characteristic of Kniaz’s model was that the four elements of the policy-making process – research, development, experimentation and evaluation – occurred simultaneously.

Table 8.2 The key features of the *patate* policy-making method

	Feature and its contribution to the policy-making process
Diverse range of actors	▪ Diverse range of policy actors, many from outside the Conseil Régional who were not usually consulted when making regional economic policy ▪ Brought a broad range of skills together, including a thorough understanding of the needs of firms in the region
Non-hierarchical	▪ All actors were equal players in the policy process ▪ Facilitated open communication between actors
Multi-directional flow of information	▪ The flow of information between players was encouraged and unconstrained ▪ Maximised spread of information and intangible benefits from working on the policy
Continuous and concurrent policy-making	▪ The research, development, evaluation and experimentation stages occurred concurrently and continuously ▪ Allowed any new information and knowledge to be rapidly incorporated into policy

The Conseil Régional then added the fuel to animate these key features of the policy-making process. This came in the form of a concerted public communication, information and consultation program. One of the key elements of this was the GRATT, a regular public meeting of individuals and organisations in the region involved with the ARTT policy (see Section 7.2.2). At these meetings experiences, research findings and strategies for implementation were shared and debated, maintaining the level of public ownership over the policy that resulted from the initial consultation phase. These meetings were important to the policy-making process because, as Grass noted, “when you are making innovative policy it is important that it is owned by the public” (Grass, 2001: pers. comm.). Not only did these meetings serve to maintain the public involvement in and commitment to the policy, which were pre-requisites to its success given the socially-determined conditions necessary for work

time reduction to be effective, they equally set the agenda for the continuing direction of the program.

As well as the GRATTT meetings, the Assises secretariat sponsored training programs for the consultants working on ARTT, providing legal and technical information about ARTT, sharing successful implementation strategies as well as up-to-date information about experiences in the region. In addition, the secretariat published a considerable quantity of information about work time reduction in the region and generally. Some of this information was in the form of in-depth studies undertaken by members of the *pôle de compétences* in response to specific questions or issues that emerged during the implementation of ARTT. Other publications were designed for broader audiences including syntheses of the studies undertaken, 'letters' concerning particular legal aspects of reorganising and reducing work time, bibliographies and reference lists on material available on particular aspects of work time reduction and regular newsletters detailing experiences in the region to date. A further way in which the Assises secretariat facilitated communication was by using the business organisations as an intermediary for communicating with firms. The secretariat tried to overcome the usual scepticism amongst firms about government attempts to influence their internal operations by using an intermediary who was trusted by firms and aware of their constraints as well as being appreciative of the government's aims. Consequently, communication between the two was facilitated greatly.

Kniaz identified two of the four key features from this 'potato' method of policy-making that were particularly crucial to its success. The first was its continuous nature. Contrary to the classical policy cycle model where each stage is undertaken individually, under the *patate* model the various stages of the policy-making process were occurring concurrently: research was being undertaken into the design of work time reduction policy at the same time as the regional ARTT policy was being implemented in firms; the policy and its method of implementation were being continuously evaluated, with the findings being immediately

incorporated into how the policy was structured and implemented, for the next groups of firms. By simultaneously researching aspects of ARTT, developing the policy design, experimenting with its implementation and evaluating outcomes, the Assises secretariat created a feedback mechanism that was crucial to the policy's effectiveness and ability to innovate. Incorporating a feedback mechanism into the policy-making process allowed the policy to continuously evolve and adapt as their understanding of ARTT increased.

The second feature of the 'potato' model identified by Kniaz was the non-hierarchical relationship between the various actors involved. By incorporating a wide range of actors and by including them in a continuous and egalitarian process of communication between each other, the Assises secretariat broke down the standard hierarchical relationship between firms and the regional government. Under the standard method, firms were passive policy-takers, while the Conseil Régional was the active policy-maker. Under the Assises program, this relationship was very different. The Assises secretariat explicitly sought to create a process whereby firms, business consultants, business organisations, experts and academics were all active players in the policy process and equal partners with bureaucrats and politicians from the Conseil Régional. While a perfectly egalitarian process is impossible to achieve, particularly when the Conseil Régional was financing the policy, they nonetheless attempted to achieve this goal by maximising the degree of involvement these groups had in the policy process, by facilitating communication as much as possible and via having a method of policy-making that could evolve and respond to new information fed back into it.

Together these two features of the *patate* method of policy-making combined to create important benefits. They allowed all available knowledge about ARTT to be harnessed and incorporated into the policy, thus maximising its potential to create jobs. Second, the level of public involvement, coupled with continuous communication and a non-hierarchical policy process, meant that a large number of individuals and organisations shared a sense of ownership

over the policy and had an interest in its success – as Kniaz noted, “even the politicians were no one special in this process!” (Kniaz, 2001: pers. comm.) – further contributing to the policy’s potential to reap the possible benefits of reducing work time, creating jobs and improving the general economic management of firms.

In a report to the regional government, Jean Gadrey (1999), an economist from the University of Lille 1 who had been involved with the Assises program from its inception, argued that the Conseil Régional should adopt this model of continuous policy-making as standard. He argued that their existing model of policy-making, described at the start of this chapter, was an outdated ‘Fordist’ approach to policy-creation that corresponded to an economic development logic based on industrial production. Given the structural changes that had occurred in the previous decades in the French, and indeed global, economy, he argued that this flexible, ‘intelligent’ model of policy-making was now a more appropriate model of regional policy-making because it was well suited to a ‘Post-Fordist’, service economy in which economic competitiveness was linked to a region’s intangible assets and its responsiveness to change. While I do not go so far as to suggest that this model of policy-making, which simultaneously incorporates research, development, experimentation and evaluation, is a new template for a ‘Post-Fordist’ economy, my analysis of this policy process shows it to be highly effective at creating policy in an innovative and flexible way and, as I show in the following section, in a way that was well received by the range of policy players.

8.2.3 Responses from the policy players

Almost universally, the response to this method of policy-making from the key players external to the Conseil Régional was highly favourable. Regardless of their opinions concerning work time reduction policies, and especially the compulsory national 35 hour week policy, consultants, academics and the various business organisations involved at the regional scale

agreed about the strength of the method of policy-making used by the Assises program in Nord-Pas-de-Calais.

Responses from the têtes de réseaux

Amongst business organisations, or the *têtes de réseaux*, there existed a strong degree of support for the policy process, despite their attitude towards work time reduction policies being almost universally negative.⁵ This negative attitude was largely to be expected given that the Conseil Régional was tapping into business networks via employer lobby groups. Since the break down in negotiations between MEDEF, the powerful national employers interest group, and the Socialist Party in 1997, public debate about the 35 hour week became highly politicised and heated, with employers polarised against the policy. By 2002, the politicisation of the debate about the 35 hour week, particularly as it affected firms with less than 20 staff, had reached the point where even bosses and firm owners who had had positive experiences with the policy were not prepared to admit to them: “It was just too political and that wasn’t what they were meant to say” (Robati, 2002: pers. comm.). Therefore, it is unsurprising that the official stance taken by business organisations about work time reduction policies was almost universally negative.

Essor MPI, one of the first two *têtes de réseaux*, provides an example of this.⁶ Their decision to be involved in the regional ARTT policy was “interesting but controversial” (Dauchez, 2001: pers. comm.). It was controversial because some members believed that involvement in the policy meant they were too close to government, particularly because the policy was viewed as

⁵ There were several exceptions to this. Some of the business organisations used by the Conseil Régional as *têtes de réseaux* had more socially progressive ambitions than purely representing business interests (e.g. *Autonomie et Solidarité* which helped place the long term unemployed in jobs, and an organisation for young, Catholic firm-owners). However, in most cases the organisations used in the network were employer interest groups.

⁶ Interestingly, in early 1994, Essor MPI in Nord-Pas-de-Calais surveyed its members’ views on employment and possible changes to it. Five proposals emerged from this research. One of them recommended a reassessment of the use of work time. The fact that the idea to explore the possibility of better using working hours had emerged from within their organisation contributed to Essor MPI’s decision to become involved with the regional ARTT policy. Furthermore, it highlighted the extent to which the public viewed work time as a possible solution to a multitude of problems pertaining to employment that existed at the time, including both the distribution of employment and production issues.

leftwing (Dauchez, 2001: pers. comm.). However, while Essor MPI are scathing about the 35 hour week, they were positive about the regional policy and particularly approved of the method adopted and the way the Assises secretariat went about the implementing the policy, describing the process as both “ground-breaking and effective” (Dauchez, 2001: pers. comm.).

Many employers’ organisations in the region overcame their opinions of the 35 hour week and work time reduction policies generally by becoming involved with the regional ARTT policy. MEDEF was one notable exception. The regional branch of the main national employers organisation in France declined to become involved because of the organisation’s strong official stance against the policy. However, their absence from the regional ARTT policy had little effect. Many of the firms represented by MEDEF were relatively large⁷ and, therefore, had the internal capabilities and structures to implement a reduction in work time themselves. Furthermore, there were numerous other organisations able to provide practical assistance with implementation to firms in the region, quickly filling any void left by MEDEF’s absence.

The regional arm of CGPME, the national organisation representing small and medium sized enterprises in France, provides a similar example. Despite the organisation’s official stance against the policy at the national scale, CGPME in Nord-Pas-de-Calais was heavily involved with the regional ARTT policy from 1998, becoming the largest *tête de réseaux* in the region assisting over 175 firms via 13 working groups. CGPME had the attitude that given the statutory reduction in work time, it was in their interests to be involved in the regional ARTT policy to maximise the assistance they could provide to the firms they represented. In addition, they saw real benefits in being involved with the regional government’s policy, given the way the Assises secretariat worked and the possibility of affecting the implementation process.

⁷ It should be noted that the 35 hour week policy only funded consultants to work with firms of under 500 staff.

Responses from the business organisations involved with the regional ARTT policy to the policy process were positive with several features receiving particular commendation. These included the Assises secretariat's coordination role, the additional support to firms, the possibility to provide feedback to the Assises secretariat about aspects of the policy, their use of existing business networks and their communication campaign.

The Assises secretariat's coordination role was considered particularly important. By coordinating the various players involved with the implementation of work time in the region the Assises secretariat ensured that the policy was implemented smoothly and in the spirit in which it was intended. This was vital given that the regional and national work time reduction policies had broad productivity and reorganisation goals, combined within the reduction in work time. One important example of this was its impact upon the role played by consultants. By tightly coordinating the implementation of the policy in the region, the Conseil Régional effectively stopped unscrupulous and ineffective consultants by scrutinising the accords that were signed, giving firms the opportunity to provide feedback about the service they had received, and then communicating this information to firms seeking consultants for the first time.

The additional support provided by the regional ARTT policy, over and above what was provided in the 35 hour week legislation, was also raised by the business networks involved as a positive contribution made by the regional government. In particular, the Assises secretariat sponsored additional support from consultants for firms implementing the policy that was given in a variety of ways (e.g. collectively or individually) and at various times in the implementation process (e.g. before implementing a policy, during negotiation and after implementation). This was viewed particularly highly because it improved firms' ability to explore the possibility of productivity gains and improved negotiations with employees. As a result, the likelihood of firms achieving two conditions necessary for the success of a work time

reduction policy was increased and it was generally agreed that the quality of the accords were improved.

A further feature of the policy process that received support from business organisations was the possibility to provide feedback to the Assises secretariat about aspects of the policy. This feedback mechanism allowed business organisations to report back to the secretariat about specific issues that became apparent when firms implemented the policy, and especially in the post-accord phase, and have solutions incorporated into the regional government's policy. Soheila Robati, who was in charge of the work time reduction program at CGPME, stressed the effectiveness of this feedback system, arguing that it allowed the business organisations to raise recurrent problems that firms were facing when implementing the policy and work collectively with the Assises secretariat and other actors to create possible solutions (Robati, 2002: pers comm.). For example, when it was suggested that some firms were having trouble filling the newly created vacancies, the secretariat organised seminars for employers and managers on how best to recruit staff and, in some instances of acute skills shortages, contributed to specifically targeted training programs for unemployed people (Robati, 2001: pers. comm.). The initiation of 'post-accord' assistance on the ground by actors outside of government was only possible because of the avenues for feedback incorporated into the regional ARTT policy process. However, it assisted firms greatly in dealing with the transition to a shorter working week and was viewed as particularly helpful. Furthermore, by being able to influence the policy outcome in this way, this legitimated the involvement of business organisations, who were in general against any statutory reduction in work time, and provided tangible benefits to their members from their involvement, countering their disapproval for the policy itself.

Another feature of the policy process raised by business organisations that was viewed positively was the use of networks rather than working directly with firms. The use of existing business networks was seen as an effective way for the Assises secretariat to communicate with

firms because their message was transmitted by organisations trusted by firms and translated into a form which met the needs and concerns of firms. Business organisations also noted direct positive benefits from working in this way. In particular, the financial assistance they received from the Assises secretariat to coordinate the implementation of work time reduction improved the service they were able to provide to firms and their ability to assist their members, thus strengthening their own position and legitimacy.

Finally, the regional government's communication campaign was also viewed positively by business organisations. It contributed to a relatively high level of awareness amongst firms in the region, compared with elsewhere in France about their rights under the 35 hour week policy, particularly their rights to access assistance from a consultant. The use of business networks meant that it was possible to transmit this information from the secretariat to a far greater number of firms than would have been possible otherwise.

Responses from consultants

Consultants were the second group of external players who were directly involved with the implementation of the regional ARTT policy. Their views concerning the policy process were also relatively positive, in large part echoing those expressed by the *têtes de réseaux*. However, they also raised several additional points. The first concerned the collective approach to working with firms. They argued that this approach worked particularly well, only under the right conditions. It worked well when the firms volunteered to work in this way; when the firms came from a broad range of industries and were not in direct or indirect competition; when they were experienced at discussing business issues collectively and were used to the group they were working with; and when the business organisations had played a role in generating the groups. They also noted that working collectively was not effective under other conditions, particularly when the firms were grouped according to the sector they were involved with, when they are were reluctant to work collectively, and when they had no say over the group

they were assigned to, as occurred with increasing frequency from mid-2001 onwards when the national government began to fund firms to work collectively with consultants.

The second positive aspect of the process adopted by the Assises secretariat that was raised by consultants was the intermediary role played by the business organisations. Benefits of having an intermediary like the *tetes de réseaux* included administrative benefits, particularly having an organisation to arrange the many meetings required by the process, to coordinate consultants and firms and especially to help form workable sub-groups of firms. The business organisations also assisted with ensuring that information was transmitted effectively throughout the system, particularly where direct communication was problematic (e.g. between the consultant and firms when the firm was unsatisfied with the consultants' work and between the government and firms). The process provided a safety net to ensure that the implementation was occurring in the desired way, picking up on problems before they became entrenched.

The third benefit they saw from the policy process used by the secretariat was, not altogether surprisingly, the impact their work had on the quality of outcomes achieved by the policy, especially given the breadth of policy's desired impacts. They believed that by using consultants firms were able to achieve these broad goals, particularly with respect to reduction in work time in terms of a reorganisation of production and the use of work time, as well as the firm's strategic direction and development. They argued the use of consultants helped guarantee that 'A in ARTT (referring to the reorganisation) was stressed as much as the R (referring to the reduction in work time)' (Pringent, 2002: pers. comm.).

Responses from the pôle de compétences

The academics and experts working in the *pôle de compétences* were the final external policy actors involved in the Assises secretariat's 'potato' model of policy-making and again their response to the policy-making process was positive. They argued that drawing on expert

knowledge in the various relevant areas significantly improved the quality of the regional ARTT policy and its potential because it resulted in the available knowledge being incorporated into the policy. For example, economists involved with the policy stressed the importance of combining a thorough reorganisation of work time with any reduction and suggested methods for doing so. In another example, an external legal advisor discovered a little-known national accord that allowed employees ‘mandated’ by a union to undertake firm-level negotiation when there was no union representative in the firm. As Eric Kniaz, who was a legal adviser to the Assises program before becoming its director, said: “we weren’t 100% sure this was legal but the *inspecteurs de travail* didn’t pull us up!” (Kniaz, 2001: pers. comm.) If it had not been for this legal tool, it would have been impossible to implement ARTT in individual firms in the region prior to the *Loi Aubry*.

There were also positive comments from members of the *pôle de compétences* about the variety of ways their expertise was incorporated into the policy process. They provided a strong theoretical foundation to the regional ARTT policy. They were also commissioned to work on particular problems as they arose, feeding possible solutions directly back to those implementing the policy and disseminating the findings widely. In addition, they worked with the consultants, teaching them the theory behind work time reduction policies and the latest insights from economics, law, business studies and sociology and spoke regularly at the GRATT meetings about particular aspects of the policy. Through this variety of methods of incorporating academics and experts into the policy process, the Assises secretariat ensured that the policy had a strong academic grounding that not only improved the quality of the policy and its implementation but also contributed to the policy’s credibility.

Therefore, it was widely agreed that the policy process adopted by the Assises secretariat when creating and implementing the regional ARTT policy was highly effective. The inclusive nature of this policy process, which drew together a broad range of actors, maximised the knowledge

and experience that was incorporated into the policy's design. It ensured that an academic understanding of work time reduction was combined with the consultants' practical understanding of managing change in firms and the enormous business knowledge and experience found in the business organisations. Furthermore, the non-hierarchical nature of the process facilitated the exchange of this knowledge and information between the various actors, further strengthening the policy that resulted. This policy process also allowed consensual policy-making, further contributing to the effectiveness of the policy outcomes. The regional ARTT policy brought together an unlikely coalition of actors who often had radically opposed views. This was particularly the case after the announcement of the 35 hour week given that most business associations and some consultants fundamentally opposed a compulsory work time reduction scheme. However, the consensual nature of the policy-making process used by the Conseil Régional meant that despite the diverse opinions held by the policy players they could nonetheless work together to create a regional ARTT policy. The flexible nature of the policy-process and the feedback mechanisms through which the policy players could directly influence the policy's shape and scope were key to ensuring this could occur. Given the regional ARTT policy's adaptability and flexibility to respond quickly to problems raised by the actors involved, the regional government ensured consensus amongst the various players and their continuing involvement despite differences of opinion.

8.2.4 Work time reduction in Nord-Pas-de-Calais after the end of the regional ARTT policy

Perhaps one of the best ways to appreciate the strength of the regional ARTT policy and its method of policy creation and implementation is to consider how work time reduction was implemented Nord-Pas-de-Calais after the end of the *Convention Etat-Région* in the later months of 2000. From early 2001, the Conseil Régional withdrew its involvement. Instead, the 35 hour week policy was implemented in the region solely by ARACT, a publicly funded organisation managed by the social partners, and the DRTEFP, the regional branch of the

Ministry for Employment and Solidarity. This meant that the 35 hour week was now being implemented in the same way in Nord-Pas-de-Calais as was occurring in the rest of France.

The withdrawal of the Assises secretariat from the implementation of work time reduction in the region meant that many of the elements of the regional ARTT policy process ended. The *pôle de compétence* was closed down, ending the use of expert advice and the research program that had investigated specific aspects of work time reduction. The network of business associations, or *têtes de réseaux*, remained active. The support they provided to firms to assist them with the transition to a shorter working week continued to be funded. However, their ability to influence the way the policy was implemented in the region was significantly reduced because the avenues for communication and feedback no longer existed. In particular, the regular meetings between the various actors ended, especially those with the regional bureaucrats, consultants and experts. In addition, the possibility of providing firms with added support from consultants ended, reducing the amount of assistance firms in the region received from consultants, particular in the post-accord phase.

However, other aspects of the process established by the Assises secretariat continued to have effect. First, while official avenues for communication had closed, informal communication continued between the various actors who were now quite familiar with each other and in some cases had been working together for up to 5 years. Second, because they had already been working collectively in the region, firms and consultants were better able to adjust to the government's decree in June 2001 that firms, under particular conditions, were required to work with consultants in groups. Elsewhere in France this practice proved particularly problematic. Third, the consultants assisting firms in the region continued to draw upon the knowledge and experience gained during the period of the regional ARTT policy, improving the quality of the support given to firms.

However, in general it was agreed that the implementation of work time reduction in the region was far less effective after the Conseil Régional withdrew its support. One consultant even went so far as to say that “the whole process fell apart” (Pringent, 2002: pres. comm.). There were several reasons why the process worked less satisfactorily. First, the Conseil Régional withdrew at a time when the 35 hour week was being implemented in firms of under 20 staff (firms with more than 20 staff having made the transition to a 35 hour week at the start of 2000). Implementing work time reduction in these firms proved particularly difficult for various reasons including their limited scope for reorganisation and an increased propensity to have key personnel whose work time was difficult to reduce without leaving the firm short staffed. In addition, small firms were less used to seeking outside assistance, particularly from consultants. Together these factors meant that implementing work time reduction in these firms was difficult and posed a new set of problems to consultants. These factors were exacerbated because of the tendency for firms run by people who were more open-minded towards work time reduction and those where reducing work time was simpler, were the first to make the transition to a shorter working week. This meant that in 2001, it was generally the ‘harder’ firms that remained.

Second, the withdrawal of the Conseil Régional meant that there was less assistance from consultants, despite the needs of small firms posing a set of new and difficult problems and issues relating to the remaining ‘harder’ firms. The consequence was that work time reduction was implemented without as much time and attention given to the broader modernising and reorganisation ambitions of the policy. As a result, as one consultant noted, “the reorganisation of work time wasn’t being implemented with the reduction of work time” (Pringent, 2002: pers. comm.).

Therefore, from 2001 onwards, the general consensus was that the effectiveness of implementing work time reduction in Nord-Pas-de-Calais was reduced. The method of

implementing the 35 hour week in the region, which was now little different from that experienced in the rest of France, was no longer flexible, consensual and dynamic but rather fixed by national legislation, leaving little scope for regional adaptation.

8.3 The role of scale

Throughout this policy process scale played an important role, contributing to the type of process that was created, the positive outcomes of the policy and its innovative nature. There were several factors associated with the policy being made at the regional scale that allowed this to occur. These related to efficiency factors such as technical and logistical aspects of the policy process, to social and economic factors that existed at the regional scale and differentiated it from the national scale, and institutional factors associated with the way the policy was made within the regional government. As I will show, these scale-specific factors were all relevant to the policy outcomes that resulted from the regional government's experimentation with work time reduction policy.

The first of the scale-specific factors relates to the actual policy process used by the regional government, particularly given its dynamic, inclusive and flexible nature. First, various qualitative features of this policy process were well suited to the regional scale. In particular, the innovative *patate* policy process relied on face-to-face contact. This was especially because communication and the sharing of individual experiences were integral to the process. While some of this communication was published, much of the most valuable communication occurred at meetings where all the actors were present. Such meetings allowed the creation of a shared knowledge about the implementation of work time reduction policies based on the cumulative experiences of the group of actors involved. Another qualitative feature of the policy process was that it relied on networks, including networks of firms working collectively to implement the policy and the broader network of actors working together to create an effective work time reduction policy. In both cases, face-to-face contact was imperative for the

creation and functioning of these networks, for their effectiveness at transmitting information between various actors and for maintaining interest and involvement. Therefore, these qualitative aspects of the actual policy process behind the regional ARTT policy required a degree of physical proximity between the actors involved, which was possible given the regional scale.

There were also several practical and logistical factors associated with working at the regional scale that were important to the policy process. For a start, the *patate* process involved a large number of actors who needed to be brought together frequently in meetings. For these to be effective forums for communication and transferring information they had to be a manageable size. If meetings became too big then the communication that was essential to creating a sense of ownership over the policy would become unworkable. There were indications that the regional ARTT policy had started to reach an unworkable size as interest in it increased following the announcement of the *Loi Aubry* and the number of actors involved grew to its peak of approximately 40 consultants and 30 business organisations. This view was summarised well by one consultant who stated: “As the project got bigger after the first Aubry Law and 30+ consultants and business organisations became involved it became harder to keep up the same dynamic. The process of creating the policy and continuously experimenting fell down a little” (Devliegheer, 2002: pers. comm.).

Therefore scale played an important role in ensuring the effectiveness of the policy process used by the regional government because of both the qualitative nature of the process and of its logistics. These features required that the process was contained within a relatively small space to ensure physical proximity between the players and that their number did not become unmanageable for effective communication.

A second set of scale related factors that affected the outcome of the policy concerned the fact that the scale at which the regional ARTT policy was made had a strong social logic. First, the regional scale was identified as a 'human scale' at which to create and implement this type of employment policy, particularly given that the Assises program relied on public consultation and public mobilisation. As Kniaz noted, the regional scale was an appropriate scale to create momentum around the idea of a dynamic and innovative work time reduction policy because it was a scale at which people could speak face-to-face and have personal connections with one another (2001, pers. comm.). Simultaneously, it was also big enough for the momentum generated to have noticeable employment outcomes.

Mobilising support amongst the regional population for the policy was further assisted by the fact that the geographic boundaries of the region of Nord-Pas-de-Calais had a strong social logic. This socio-geographic logic was largely a result of the region's long and shared history as an industrial region and more recently as a region in industrial decline. This history contributed to an industrial culture specific to the Nord-Pas-de-Calais region, described variously as social-democrat (especially with respect to the *patronat* who were typically paternalistic); particularly catholic; militant (with reference given to the Resistance during World War Two, to trade unionism and to other forms of political activism that have emerged from the region); and as continuing to have a strong sense of solidarity and a culture of collective action. This culture, which was relatively homogeneous throughout the region, was believed by many to have facilitated the process of mobilising people to become involved with the regional ARTT policy and experiment with its implementation.

The regional specificities of the economic situation in Nord-Pas-de-Calais were a further way in which scale impacted on the outcomes of the policy. While the exact experiences of unemployment varied considerably between different parts of the region, there was a strong sense that unemployment was a problem faced by the region as a whole and not solely confined

to certain employment zones. In particular, it was the regional scale that was repeatedly emphasised by the media, by interviewees and in government documents as the scale at which unemployment diverged from the French average and, hence, as the scale of the policy problem. Given that the policy problem was articulated as a regional problem this meant that the scale of the policy was compatible with the scale of the problem in the public eye, providing an additional spatial logic to creating the policy at the regional scale. Consequently, there was a sense of a common purpose and willingness in the region to do something decisive to tackle unemployment, which was further heightened by the lack of effective action from the national government and the sense that it had resigned itself to the unemployment situation. These feelings within the region greatly facilitated the Assises program's attempts to mobilise society.

A final set of scale related factors that affected the outcome of the policy concerned politico-institutional factors. First, the institutions of the regional government are "closer to the ground" (Gadrey, 2001, pers comm.). This was noted to have several effects. First, it facilitated the type of experimentation that was incorporated into the regional ARTT policy because, by being closer to the various actors, it was better positioned to bring them together than the national government. Second, and as noted earlier, the regional scale also affected the types of methods that could be used allowing greater flexibility and inclusion. Third, by being closer to the ground the regional government was in a better position to gauge public sentiment and respond to it.

A second politico-institutional factor specific to the regional scale that impacted upon the policy was the regional government's ability to take risks when making policy. Indeed, both the Regional President and the initial director of the Assises program considered the Assises initiative to be a big political risk when it was first announced because there was no guarantee that it would generate effective outcomes and the President's position was dependent upon its success. Despite this, they were better positioned to take this risk than the national government

largely because the smaller scale at which the regional government operates meant that the risks of failure from experimenting with policy were less. For similar reasons, when these risks paid off, they were well positioned to create novel and innovative policies.

A final politico-institutional factor specific to the French region that contributed to the policy and policy process was the nature and history of regional government in France. The regional tier of government in France is relatively new, dating from the 1980s. Therefore, it was less established than other tiers and was seeking to articulate more firmly its role in government in France. Similarly, employment policy was the domain of the national government and there was no specific regional employment policies in place before the Assises program began. A further factor specific to the French regional government that contributed to the outcome was that its electoral system differs from the rest of France and is based on a system of proportional representation. As a result, single parties rarely have a clear majority (Scargill, 1998). It is therefore more likely that there will be representation from smaller parties, providing a broader spectrum of opinions, and that a situation like that in Nord-Pas-de-Calais in 1992 again will emerge whereby a representative of a minor party wins the Presidency. These politico-institutional factors combined to make policy innovation more likely at the regional scale in France.

Together these various factors relating specifically to scale contributed to the policy process that was adopted in the region, the positive outcomes that emerged from the regional ARTT policy and its innovative nature. In particular, creating policy at the regional scale allowed for a powerful combination of factors to coalesce, most especially a strong sense of social consensus and common purpose towards tackling the policy problem, facilitated by a relatively homogenous population with a shared culture and history, the effective matching of the policy scale and the policy problem and various political, practical and institutional factors that resulted in this scale being one at which risky policy experiments could be conducted. These

scale-specific factors all contributed to an ability to create innovative work time reduction policy and to the effectiveness of the model.

8.4 The constraints on national 35 hour week policy

In the final section of this chapter I briefly compare the features specific to the regional ARTT policy with what occurred at the national scale when the 35 hour week policy was created and implemented. My purpose in doing so is to suggest several features of the 35 hour week that, despite being based on the regional ARTT policy, were unlikely to have the same impact at the national scale. I begin by first showing how policy transfer occurred between the regional and the national government before, in the second section, highlighting several key factors that were absent from the national policy but had been crucial to the effectiveness of the regional policy.

8.4.1 Policy transfer

In June 1997 the Jospin Government unexpectedly won government in France, due to a combination of “the terminal unpopularity of the Juppé administration”, particularly the incumbent right-wing Prime Minister Alain Juppé himself, and strong polling from the Front National (Sheilds, 1997). During the election campaign, the Socialist Party promised to implement a compulsory work time reduction policy as its main policy tool for tackling the unemployment crisis. Until the results of the first round were announced, they had not expected to win and therefore while the principle of work time reduction was a strong part of the campaign platform, the details of the policy were unclear and ill-prepared.

Concurrently, the first results from the regional ARTT policy in Nord-Pas-de-Calais were emerging. The regional work time reduction policy had been operating for over two years, including a year during which it had been bolstered by the financial support from the national *Loi Robien*. During this period, work time reduction accords had been signed in over 500 firms in the region and the *patate* policy process was well established. Furthermore, at this time the regional ARTT policy was the only comprehensive work time reduction policy in existence in

France.⁸ Therefore, it is unsurprising that the new national government paid attention to Nord-Pas-de-Calais's ARTT policy and their method of implementing the policy.⁹

There were several links that further confirmed that the policy experiences of Nord-Pas-de-Calais were taken into account when the national 35 hour week policy was designed. First, Martine Aubry was appointed Minister for Employment and Solidarity. Aubry's political strength emanates from Nord-Pas-de-Calais, where she is currently the Mayor of Lille. Hence, she was very aware of the high-profile Assises program that was underway in the region and the work time reduction policy that emerged from it. Furthermore, after the limited success of the Socialist work time reduction policy in 1981, Aubry was seeking a new and innovative method of implementing a work time reduction policy that would have a positive impact on unemployment while at the same time only limited impact on business.

Second, two other politicians involved with the regional policy were also key individuals involved with the national policy. From 1998, Pierre de Saintignon was Vice-President of the region of Nord-Pas-de-Calais, in charge of economic development and hence the regional ARTT policy. He was also one of Martine Aubry's closest advisors, working very closely with her at the national level and also later as her deputy when she became the Mayor of Lille. Similarly, Jean Le Garrec was also involved with both the regional ARTT policy and the national 35 hour week. He had been one of the two politicians who oversaw the Assises program from 1994 to 1998. He was also a member of the National Assembly and from 1998 he was President of the Commission for Social, Cultural and Family Affairs, which in early 1998 debated drafts of the 35 hour week legislation.

⁸ The region of Rhône-Alpes had also experimented with a regional work time reduction policy. Their policy was created in 1996 to supplement the Loi Robien after it was passed by the national assembly. It involved additional financial assistance paid to firms that reduced work time.

⁹ While considerable attention is given in the policy transfer literature to the transfer of policy between countries, there is little attention given to the transfer of policy between scales in the one jurisdiction, despite, as my analysis reveals, this type of transfer having important ramifications on the effectiveness of policy, its creation and implementation.

Third, several of the key players involved with the regional ARTT policy advised the national government about the regional work time reduction policy and elements of its design. In particular, Le Garrec requested briefs from two of the economists who had been involved in the *pôle de compétences* as well as Eric Kniaz, who had been the legal advisor to the Assises program before becoming its head in early 1997. Furthermore, this consultation came after the previous head of the Assises program and another of the economists involved with the regional policy had already advised the national government about the regional ARTT policy.

Several elements of the regional policy were transferred to the 35 hour week policy. The first and most obvious element that was transferred was the use of consultants to help firms implement the policy. Consultants had never been funded to act as intermediaries to assist with the implementation of an employment policy in France prior to the 35 hour week policy (DARES, 2001). The idea to do so came directly from the regional ARTT policy experience and its success at using consultants to ensure that the policy's combination of objectives were met, particularly its emphasis on job creation, on the reorganisation of the use of work time, and on the general modernisation of the firm and attention to its future strategic development.

This leads to the second element of the regional ARTT policy that was transferred to the national policy, which was the breadth of its aims. The regional policy emphasised the importance of combining a reorganisation of work time with any reduction. In particular, it had shown considerable productivity gains could be harnessed by calculating work time in more flexible ways, including as an annual average. It also emphasised the importance of consensual negotiation between employers and employees in order to achieve these productivity benefits and ensure workers were willing to accept the tradeoffs necessary to minimise the potential negative impact of work time reduction on firms. In taking this broad view, the region's approach broke the issue of work time reduction into five components necessary for the effective implementation of a work time reduction policy. These components were:

employment creation; its social components including consensual negotiation and other social implications of readjusting work patterns; its economic impacts particularly on the firm; legal aspects, especially the need for firm-level negotiation despite the absence of union members; and its strategic element, particularly how implementing work time reduction could be used to focus attention on the future strategic direction of the firm and its productivity requirements. These five key components are all evident in the first Aubry Law: it required firms to create jobs; it emphasised firm-level negotiation and social consensus; it provided subsidies to assist with the economic effects of the transition to a shorter working week; it altered the law, allowing individuals to be 'mandated' by unions in instances where there were no union members in the firm; and it emphasised the importance of the strategic element by providing firms with assistance from consultants.¹⁰

The importance of each individual element of the five components incorporated into the regional ARTT was well known. In particular the need to combine a reduction in work time with increased flexibility in the use of work time was especially appreciated. What was novel about the regional ARTT policy was that it brought these five elements together into the one policy for the first time. Importantly, the fact that it incorporated these components in such an innovative way was the direct result of the continuous experimentation and evolution that the regional work time reduction policy had undergone. Their incorporation relatively unchanged into the national 35 hour week policy was a second example of the policy transfer that occurred between the regional ARTT policy and the national work time reduction policy.

The third element of the regional policy that was transferred into the national policy was the use of networks and the collective implementation of the policy. As noted earlier, from June 2001 the government introduced the possibility of firms working in groups and sharing the use of a

¹⁰ While the first Aubry law was framed around these five key components, it should be noted that the second Aubry law had a very different emphasis and did not incorporate these elements, exemplified by the absence of any job creation requirements.

consultant.¹¹ Again, this idea of firms working collectively was taken from Nord-Pas-de-Calais' regional ARTT policy, which had been implementing work time reduction using this approach since 1995.

While considerable national debate about work time reduction and the modalities of such a policy was occurring in France during the 1990s, the regional ARTT policy was the only effective policy that was active at the time. Furthermore, its openness to consultation, its experimental nature and its continuous adaptation and evolution meant that many of the ideas about the use of work time reduction that existed at the time had been incorporated into this policy. When the new Minister for Employment was seeking ideas and suggestions for how to implement the promised 35 hour week policy, she was well briefed on Nord-Pas-de-Calais's regional ARTT policy both directly and indirectly given certain staffing coincidences and, as a result, many elements of the regional ARTT policy reappeared in the national 35 hour week policy.

8.4.2 Constraints on the national policy's outcomes

While the national policy included several elements of the regional ARTT policy, the process by which it was created and implemented was very different, with important implications for its outcome. The policy process behind the national 35 hour week policy returned to the standard policy cycle model whereby the creation and implementation phases were separated. Furthermore, the elements that gave the regional ARTT policy its strength, flexibility and innovativeness were absent, particularly its method of continuous research, development, experimentation and evaluation. Consequently, the elements that were transferred were transformed as they were 'scaled up' to the national scale, altering their impact and effectiveness.

¹¹ On 14 June 2001, the government passed decree No. 2001-526 which detailed the modalities for how firms of under 20 staff were to receive assistance from consultants. Three methods of support were possible: (1) collective support; (2) inter-enterprise support; and (3) individual support.

The 35 hour week was created much like any other government policy in so far as it was designed and drafted internally within the national government. There was some external consultation during the creation phase of the policy, such as the consultation of several players involved with the regional policy. However, this consultation was limited and not made open to the wider population. Furthermore, it never achieved the broad public consensus that was so important to the effectiveness of the regional ARTT policy.

In October 1997, Lionel Jospin held the *Conférence nationale sur l'emploi, les salaires et le temps de travail*, a national conference on employment, wages and work time, attended by the social partners.¹² The aim of this conference was to discuss the work time reduction policy that the Socialist Party had promised to implement during its election campaign, in an atmosphere of “listening”, “dialogue” and “respect for each other” (Jospin, quoted in *Le Monde*, 11 October 1997, p.10) in order to generate consensus amongst the social partners about its necessity and form, as well as broader issues concerning employment in France.

Unfortunately, this conference was not as Jospin intended and failed to achieve consensus amongst the social partners. Indeed, it created enormous antagonism between the government and employers with the representatives of employers groups claiming to have been “swindled,” “fooled” and “duped” (*Le Monde*, 12-13 October 1997, p.6). The head of CNPF, the precursor organisation to MEDEF, went so far as to declare as he left the conference that, “We may have lost the battle, but we haven’t lost the war” (*Le Monde*, 12-13 October 1997, p.6). As a result of this breakdown in negotiations between the government and employers from the start of the policy-creating process, broad public consensus about the implementation of a work time reduction policy was never achieved at the national scale in France. Consequently, one

¹² The exact organisations that participated were the three employers organisations in France, CNPF, which later renamed itself as MEDEF, CGMPE and the *Union Professionnelle artisanale*, the employers organisation representing cottage industry, as well as two lobby groups from the agricultural sector, namely *Fédération nationale des syndicats d'exploitants agricoles*, the main agricultural employers lobby group, and *Confédération nationale de la mutualité, du crédit et de la coopération agricoles*, and the five trade unions, CGT, CFDT, FO, CFE-CGC, CFTC.

important factor that had given strength to the regional ARTT policy was absent at the start from the national policy. Furthermore, while MEDEF's lack of involvement in the regional ARTT policy had no significant impact on the regional policy's outcome, the failure to gain their support for the national policy, indeed their total ideological objection to the 35 hour week, had a significant impact. It resulted in debate about work time reduction descending into an ideological battle at the national scale between government and employers, with little attention paid in this debate to the modalities of implementation.

The implementation of the 35 hour week policy also differed in important way from the regional ARTT policy. As a national legislative change to the statutory working week it was necessarily rigid and hence lost the flexibility that had been integral to the regional policy's effectiveness. In particular, it lost the ability to be responsive to the demands of the various actors involved with the policy; a feature that ensured consensus and rewards from being involved. Furthermore, the flexibility of the regional policy in delivery and design was part of the cause of its success at finding appropriate ways to implement work time reduction in very varied circumstances. By cementing the national work time reduction policy in law, some of this flexibility was lost.

Furthermore, while certain discrete parts of the regional policy were transferred to the national policy, the policy process was not transferred. Certain elements of the new policy process differed considerably and to important effect. For example, the national policy took the idea of using consultants to assist firms implement the work time reduction from the regional ARTT policy, with the aim that consultants would ensure that the productivity requirements of the policy were met and facilitate negotiation. However, while the national policy borrowed the idea of using consultants as tool for delivering the national policy, they left behind the process surrounding their use in the region. For instance, in the regional policy consultants were trained by experts and academics in a broad range of topics concerning work time reduction.

Furthermore, the process of continuous communication meant that their knowledge base was being continuously updated. But, more importantly, the regional process created a system of checks and balances that stopped 'bad' consultants from working with firms and exploiting the policy. These features surrounding the use of consultants were as important to the effectiveness of the policy as the use of consultants themselves. Quoting a metaphor used by Kniaz, the region gave the national government the ingredients for making mayonnaise but without the recipe for how the ingredients went together. As the French will tell you, it takes more than the ingredients alone to make the mayonnaise work! (Kniaz, 2001, pers. comm.)

A final factor that altered the policy process associated with the 35 hour week from that of the regional ARTT policy concerns scale. By increasing the scale from the regional to national scale the process used and its outcomes were transformed. At the national scale, there was not the same homogeneity as was found at the regional scale, as regards several factors. First, it differed because unemployment varied considerably between regions. Second, this contributed to differing perceptions of the policy problem, especially because of how unemployment touched communities, with Nord-Pas-de-Calais, for example, especially touched by deindustrialisation. Third, these factors meant that there were different levels of public commitment to reducing unemployment, dependent upon differing experiences of the unemployment crisis and differing cultures in different regions. For example, the culture found in Nord-Pas-de-Calais differed significantly from other regions in terms of demographic and industrial structure. As a result of the greater social and economic heterogeneity at the national scale, consensus and support for the policy was harder to achieve, which was important in the case of work time reduction policy given its socially dependent criteria for success.

In addition, it was not possible to create the same dynamic and level of social mobilisation that existed in the region. In part this was because of greater economic and social heterogeneity, as mentioned above. However, it was also because of other qualitative factors causing less public

ownership, such as less communication, particularly less face-to-face communication and less public inclusion in the policy process. This resulted in various logistical problems, such as problems with using consultants as mentioned earlier, as well as logistical problems that arose when the government tried to get firms to work collectively with consultants. Therefore, when work time reduction policy was implemented at the national scale some of the scale-specific factors that had facilitated its creation and implementation at the regional scale broke down, constraining the policies' effectiveness.

8.5 Conclusion

In this chapter I have shown how the policy-making process adopted when making the regional ARTT policy contributed to its effectiveness and outcomes because it was inclusive, responsive and flexible. This facilitated the regional government's ability to mobilise society around the policy, harness the goodwill that existed in the region towards trying innovative solutions for reducing unemployment and maximise consensus. I identified several factors that contributed to this including the incorporation of a range of external and specialised actors into the process, having the secretariat for the policy outside of the main administrative structure of the regional government, and the method of policy-making that was used, especially its emphasis on continuous communication and lack of hierarchy between actors. Furthermore, I showed that the scale at which the policy had been made was important to its effectiveness because many of its features were scale-dependent, relying on a degree of proximity and homogeneity, and thus facilitated by the policy being made at the regional scale.

The success of this experimental form of policy-making was evidenced by the fact that several parts of the regional ARTT policy were incorporated directly into the national 35 hour week policy. The most notable aspect of the policy that was transferred was the use of consultants and funding them to work directly with firms to help implement a reduction in work time. In addition, the scope of the regional ARTT policy was also transferred, particularly its

combination of emphasis on job creation, social implications, the economic impacts, negotiation, and the strategic development of the firm, as was the idea to implement the policy via firms working together collectively.

Further proof of the innovative nature of the regional Assises policy-making process was that the 35 hour week was not the only policy idea borrowed from the policies that emerged from the *Assises régionales pour l'emploi et le travail* in Nord-Pas-de-Calais. Two other policies were also transferred from the region. First, the main elements of the region's *Nouvelles Activités, Nouvelles Services* policy were transferred into the national *Emplois Jeunes* policy, which was the other major employment policy introduced by the Jospin Government. Second, the idea of a *Fond Régional d'Insertion Sociale*, a social fund that funds projects to assist unemployed people and is managed by the unemployed, was recently taken up by the European Commission and implemented across European regions.

However, certain problems with the policy transfer became evident when features from the regional ARTT policy were 'scaled up' to the national scale. These arose because of the increased economic and social heterogeneity at the national scale compared with the regional scale, at the lack of consensus between the main players at the national scale and the failure to create the same degree of public mobilisation around the idea of using work time reduction to reduce unemployment, and because of the lack of flexibility in the national policy, largely as a result of its being a fixed legislative change. These findings highlight important concerns with the process of transferring policy between the regional and national scales, suggesting the existence of an optimal spatiality for types of employment policy, which is dependent upon numerous factors including the compatibility between scale of the problem and scale of the policy, social and economic homogeneity and the ability to generate consensus and public ownership over the policy.

Finally, an important feature of the policy process at the national scale that influenced significantly the outcome of the 35 hour week was the breakdown in negotiations between employers and government. The result of this breakdown in communication between the two keys players in the national policy was that debate about the 35 hour week focused not on the modalities of implementation and the conditions necessary for the policy to work, but instead descended into an ideological battle about types of employment policy. MEDEF, following the same line as the OECD, argued that the implementation of further regulation in the labour market would be incompatible with the demands from a competitive global economy for a deregulated and flexible labour market, the issue I address in the following chapter.

CHAPTER 9

Work Time Reduction Policy, Competitiveness, Flexibility and Innovation

As Peck (1996: 249) recommends, labour regulation should be assessed in terms of its internal integrity as well as its external relations, particularly its compatibility with the international economic environment and global competitive pressures. In the previous two chapters I focused on the internal integrity of work time reduction policy in France, first, considering its internal integrity in terms of the policy's roots in the local labour market and its socio-economic and political logic and, second, in terms of the policy-making process, the design of the policy and its transfer from Nord-Pas-de-Calais to the national scale. The purpose of this chapter is to assess work time reduction policy in terms of Peck's second criteria thereby assessing its external logic.

In the previous two chapters my analysis of French work time reduction policy effectively assumed a situation of autarky. In this chapter I open up my analysis to factors external to the French labour market and consider work time reduction policy in the light of the competitive pressures faced by the French labour market as a result of globalisation. Critics of the 35 hour week policy relied heavily upon this argument, claiming that the policy adds regulation to the labour market at a time when France must instead deregulate its labour market and make it more flexible. In other words, they argued that French labour regulation must converge towards the idolised Anglo-American model if France is to remain competitive in a globalised economy.

In this chapter I contest this argument that work time reduction policy was necessarily incompatible with the needs of a globalised economy and therefore has a weak external logic. Instead, I argue that the French 35 hour week policy created a form of regulated flexibility, increasing the flexibility of the French labour market rather than reducing it and doing so in a way that is compatible with the French model of economic governance. Furthermore, drawing

on seminal work by Porter and van der Linde (1995), I argue that work time reduction policy is not necessarily counterproductive to competitiveness. I show that appropriately crafted and well implemented work time reduction policy can spur innovation because they require firms to re-evaluate their operations and resource use in a holistic way. Therefore, I argue that French work time reduction policy did take heed of the policy demands of the global economy, but did so in a way that remained compatible with the French model of economic governance and was acceptable to the French population.

I begin this chapter by briefly reviewing the results of the 35 hour week policy as at August 2002. I show that the policy was successful at creating jobs in France, contributing to the reduction in unemployment witnessed since 1998, while also achieving the productivity and wage restraint conditions necessary for work sharing policies to be effective. In the second section, I consider the issue of flexibility, a key criterion by which to assess the external logic of the 35 hour week policy given that its perceived lack of flexibility was the chief argument put forward for its incompatibility with the requirements of the global economy. In the third section, I consider the 35 hour week from the perspective of competitiveness and, using Porter and van der Linde's approach, demonstrate how work time reduction policy can generate innovation within firms and hence create positive productivity benefits.

9.1 The impact of work time reduction policy in France and Nord-Pas-de-Calais

In order to assess the 35 hour week policy in terms of its external logic in light of the international economy's demands for flexibility and competitiveness, it is first necessary to appreciate the success of the policy at reducing unemployment in France. Therefore, I begin this chapter by describing the impact of the reduction in work time on the key indicators in the French labour market. I focus on how the policy was implemented, the number of jobs created and the impact on wages and productivity. Throughout this section, I compare, where relevant, results at the national level with those achieved in the region of Nord-Pas-de-Calais. Overall, I

show that the 35 hour week was successful, especially in the first instances, at reducing unemployment in France without negatively impacting on firms, although its later implementation was less successful.

9.1.1 The implementation of the 35 hour week in France and Nord-Pas-de-Calais

As at the end of August 2002, 200,038 firms in France, employing a total of 8,864,226 people, had officially reduced the working week to 35 hours and signed accords under one of the Aubry laws.¹ These figures correspond to 12.4% of firms in France and 52.3% of French employees having officially made the transition to a 35 hour week.² The official impact of the 35 hour week on employment, based on the declarations made by firms in accords they submitted to government, was that 430,788 jobs were created or saved in France since mid-1998 a result of reducing work time.

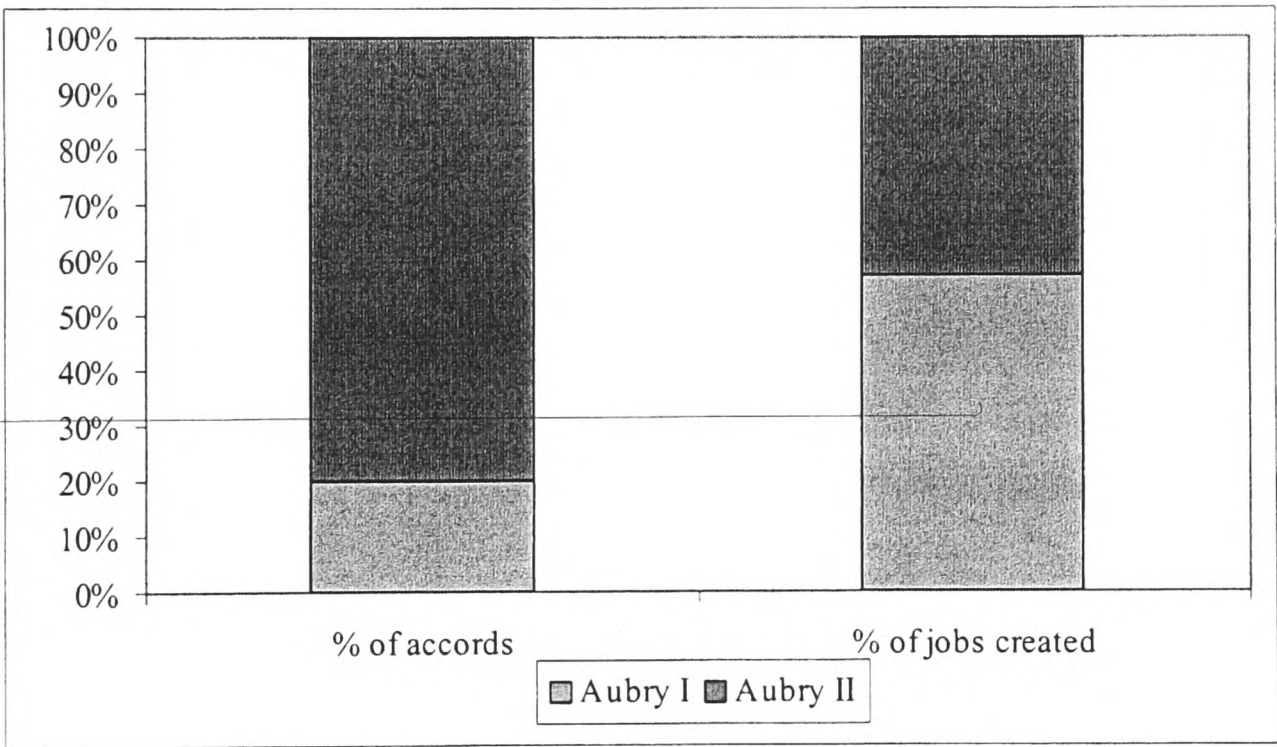
In the region of Nord-Pas-de-Calais, 19,879 firms, employing a total of 569,000 people, had officially reduced the working week to 35 hours and signed accords under one of the Aubry laws. While many of the work time reduction agreements signed in Nord-Pas-de-Calais were concluded in the same way as in France as a whole, 1,100 firms, 5.5% of those that made the transition to a shorter working week and employing 4.4% of the region's total workforce, did so with the additional support given by the regional ARTT policy (Delsart and Vaneecloo, 2002: 2).

¹ The statistics used in this chapter are the official figures from the DARES, the research arm of the Ministry for Social Affairs, Employment and Solidarity. The numbers quoted are compiled from those declared by firms in the work time agreements they submit to the ministry. Unless otherwise indicated the statistics used were current as at the 29 August 2002.

² It should be noted that not all French employees are eligible to make the transition to a 35 hour week. For example, part-time workers, who make up approximately 13% of the work force, are exempt as are various categories of professional workers.

Of the accords that were signed in France, 20% were signed under the rubric of the first Aubry law, while 79% were signed under the second Aubry law³ (see Figure 9.1). The emphasis on employment creation in the first Aubry Law was evident with over half the jobs created by the 35 hour week (57%) being created in agreements signed under this first law. There was also a greater emphasis on job creation in the early period of implementation, with 85% of agreements signed prior to the 2000 creating and/or saving jobs compared with only 53.5% of firms that implemented agreements after 2000. Overall, over half the firms that signed 35 hour agreements (57.4%) included some form of commitment towards employment, whether by creating jobs (60.8%), preserving jobs (33.1%) or both (6.1%).

Figure 9.1 Break down by law of accords signed and jobs created



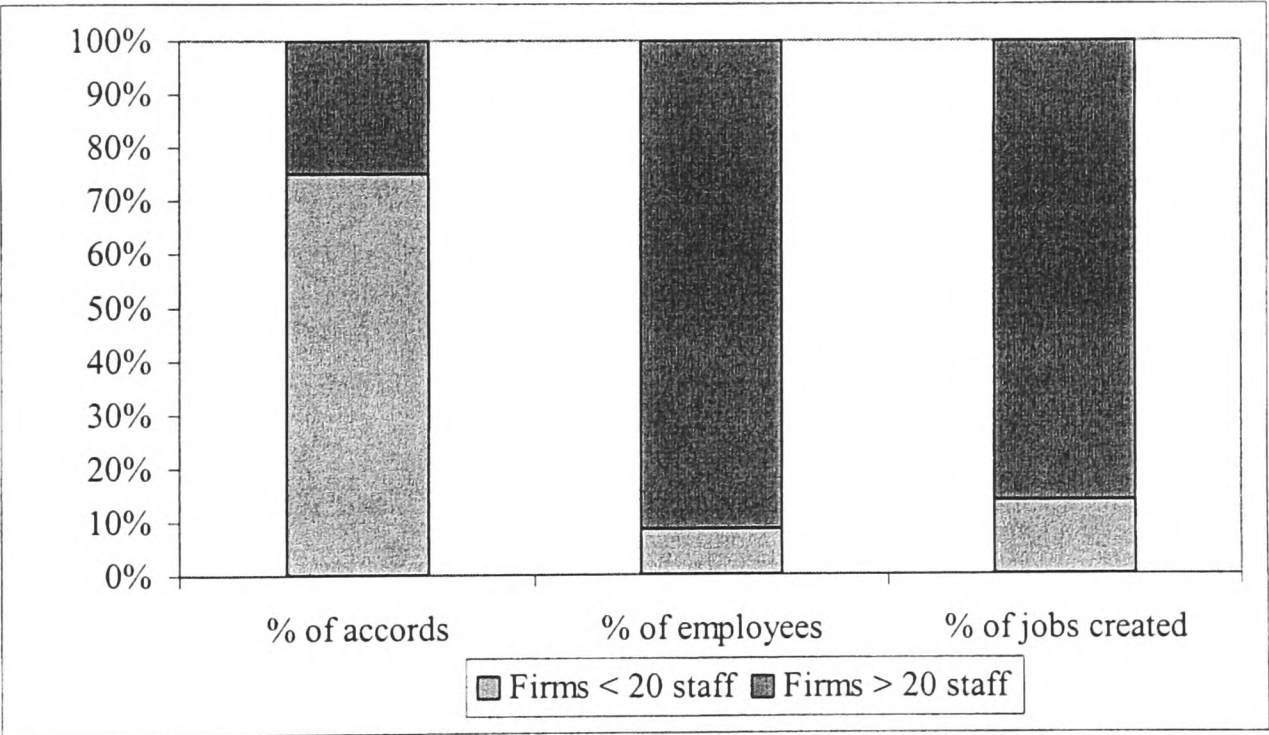
(Source: DARES, 2002)

In the process of reducing work time in Nord-Pas-de-Calais, 22,866 jobs were created or saved in the region. This corresponded to a rate of employment creation of 5.6%, comparable to the national rate of 5.7%. Of those firms that did create or save jobs, a slightly higher proportion created jobs in the region than in France as a whole (67.3% compared with 60.8%), rather than create and preserve them or only preserve them (DREFTP, 2002).

³ The remaining 1% of agreements were existing agreements signed under the *Loi Robien* which were transferred over to 35 hour week agreements.

Breaking down the implementation of the 35 hour week by the size of the firm, shows that three quarters of 35 hour week agreements were signed in firms with less than 20 staff, although these concerned only 10% of the total of employees covered by 35 hour week agreements (see Figure 9.2). The implementation of the 35 hour week was more job-rich in small firms with firms with under 20 staff increasing their levels of employment by an average of 13.2% compared with an overall average of 5.7% amongst firms that created jobs. However, the rate of transition to a 35 hour week was considerably slower amongst small firms with just under 10% of firms with under 10 staff and 20% of firms with 10 to 20 staff having made the transition compared with 77% of firms with over 200 employees. This was largely a result of increased uncertainty about the future and form of the 35 hour week from early 2001 onwards.

Figure 9.2 Break down by size of firm of accords signed, employees covered and jobs created

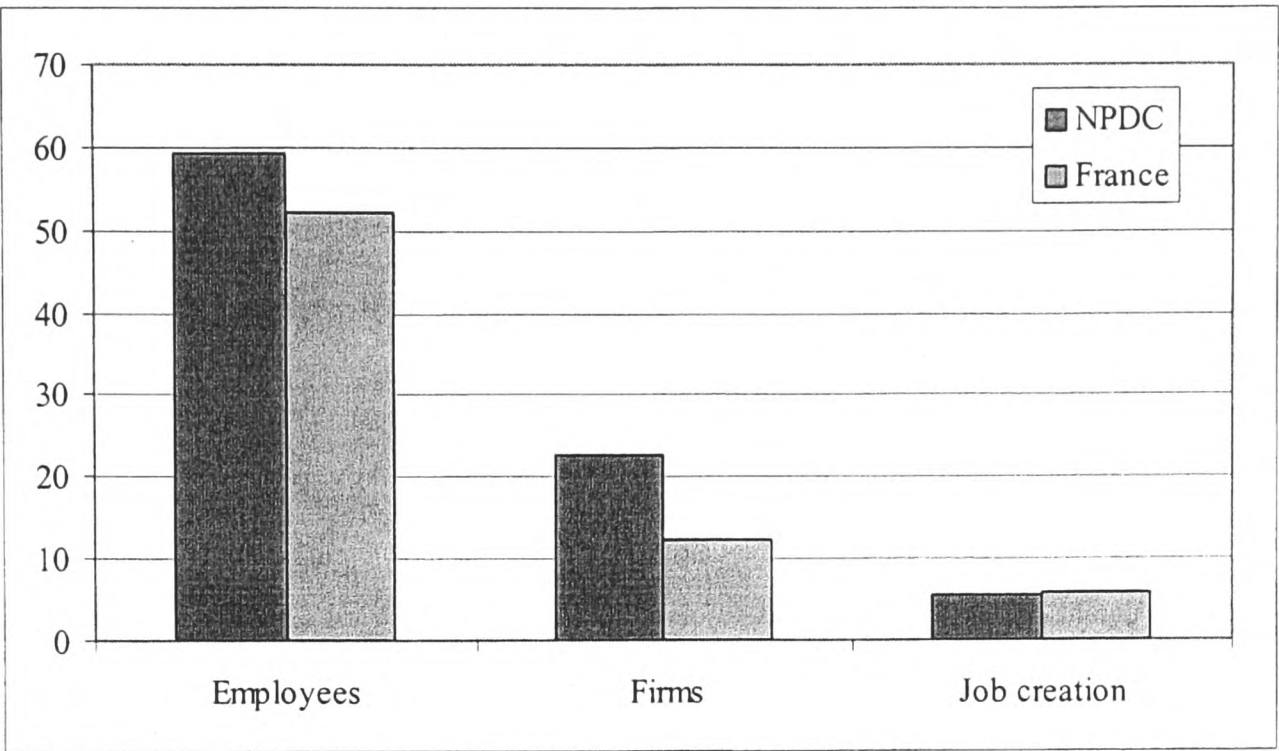


(Source: DARES, 2002)

The rates of implementation witnessed in Nord-Pas-de-Calais compared favourably to the national average, with Nord-Pas-de-Calais having a higher rate of implementation than France as whole. By August 2002, a greater proportion of firms had made the transition to a shorter working week and a greater proportion of employees were working a shorter average week in the region than the national average (see Figure 9.3). The high profile of the 35 hour week in the region resulting from the regional ARTT initiative was considered to be the chief reason

why implementation rates were higher in Nord-Pas-de-Calais than elsewhere (Delsart and Vaneecloo, 2002: 2).

Figure 9.3 Comparison of the implementation of the 35 hour week in Nord-Pas-de-Calais and France



(Source: DARES, 2002)

9.1.2 The impact of the 35 hour week on employment and unemployment

M. Jospin (1999: 10) stated: “The first objective of the 35 hour week is to create jobs,” and use the implementation of the 35 hour week policy to generate “job-rich growth, achieved through structural reform” (ibid). Therefore, while the policy had numerous secondary aims such as firm modernisation and increasing flexibility in the labour market, the reason why the 35 hour week was implemented was to address the unemployment crisis in France. Consequently, as Cornilleau et al (1998: 18) argue, “it is from the point of view of employment that the policy should be judged”.

As I mentioned earlier, the 35 hour week is officially credited with creating or saving 430,788 jobs in France, and nearly 20,000 in Nord-Pas-de-Calais in the 4 years since the first Aubry Law was enacted. The Ministry of Social Affairs, Employment and Solidarity initially estimated that the 35 hour week would create 700,000 jobs over three years (DARES-BDF-OFCE, 1998). However, this estimate falsely assumed that the public sector would meet the

policy's job creation targets.⁴ When the OFCE redid this estimate to exclude the public sector it predicted the policy would create or preserve 480,000 jobs, assuming that 7.5 million employees made the transition to the 35 hour week (Cornilleau, et al, 1998). The outcome of the policy therefore compares well with initial estimates.

There is, however, some scepticism about whether these jobs were created by a reduction in work time or the strong economic growth witnessed in France between 1998 and mid-2001. The DARES attempted to separate the two effects (DARES, 2002). Using information gathered directly from a survey of company directors, they found that while total employment had increased by 6.8% over the period of implementation, the net increase in employment directly attributable to the 35 hour week was 4.5%. This survey also revealed that the net job creation effect, discounted for the impact of economic growth, was higher under the first Aubry law (5.4%) than the second (3.4%). In another attempt to separate the employment effect of the 35 hour week from any indirect growth effects, the ACEMO⁵ survey was used to compare employment outcomes in firms that had signed 'offensive' 35 hour week agreements under the first Aubry law and firms of similar size in the same industry that had not signed agreements (Rouilleault, 2001: 157). It showed that in the two years between December 1998 and December 2000, employment increased by 14.8% in firms that had signed agreements compared with only 3.8% in the comparative group, resulting in a net employment effect between 6% and 7.5% in firms in this sample (ibid). Therefore, both studies concluded that the 35 hour week had had a significant net impact on employment, regardless of economic growth.⁶

⁴ The government's decision to implement the 35 hour week in the public sector without increasing employment was met by significant strikes and protest. In one of the higher profile strikes, employees of the Ministry for Culture closed down France's museums and galleries for over two weeks, the longest period ever outside of wartime.

⁵ The ACEMO survey is a quarterly survey of labour activity and employment status conducted by the employment ministry in 45,000 non-agricultural firms in metropolitan France.

⁶ The variation between the estimates from two studies of the rate of net employment growth in firms that implemented the 35 hour week highlights the difficulty of calculating precisely the impact of the 35 hour week policy.

In addition to creating new jobs (or saving jobs that were to be made redundant), the 35 hour week also impacted upon the proportion of people 'precariously' employed in the French labour market. In particular it reduced the rate of involuntary part-time employment. Results from the same comparison of like firms that had and had not implemented the 35 hour week revealed that the proportion of part-time workers in firms that had implemented the policy had fallen from over 14% in 1998 to 13.2% in 2000 while it remained constant in firms that did not implement the policy (op cit: 175). However, the policy had only limited impact on reducing the rate of employment under temporary CDD contracts. Indeed, a comparison of like firms showed that firms that implemented the 35 hour week increased the proportion of their workforce on CDD contracts by 0.7% between 1998 and 2000 compared with other like firms where it remained constant (DARES, 2000). Despite this marginal increase in the use of temporary employment, the DARES found that, overall, firms that implemented the 35 hour week were more likely to manage fluctuations in demand via internal reorganisations of staff, than by resorting to contract employment (ibid).

Estimations of the employment impact of work time reduction were also made for the region of Nord-Pas-de-Calais (Delsart and Vaneecloo, 2002). The same method of comparing like firms that had and had not implemented the policy revealed that between 1997 and 2000 there was a 10.2% increase in employment in firms that had signed accords, with employment growing at its fastest rate of 4% between 1998 to 2000. Firms that did not sign accords only saw their employment levels increase by 1.5% over this same period, resulting in a differential between the employment growth rates in the two groups of firms of 8.7%. This employment effect was particularly remarkable given that employment in both categories of firms had remained effectively frozen since 1991.⁷ Delsart and Vaneecloo (2002: 6) also found that the employment effect was greater still in firms that had signed 'offensive' accords, with employment in these firms growing by 15% resulting in an even greater divergence between the employment

⁷ Between 1991 and 1997 employment had varied by 0.1%.

trajectories of firms that did or did not implement a reduction in work time. As a result of their findings, Delsart and Vaneecloo (op cit: 7) concluded that the employment growth witnessed in firms that signed work time reduction accords in the region after 1997 was “a fundamental rupture in the previous trajectory of these firms that can only be attributed to the new dynamic initiated by the implementation of a reduction in work time”.

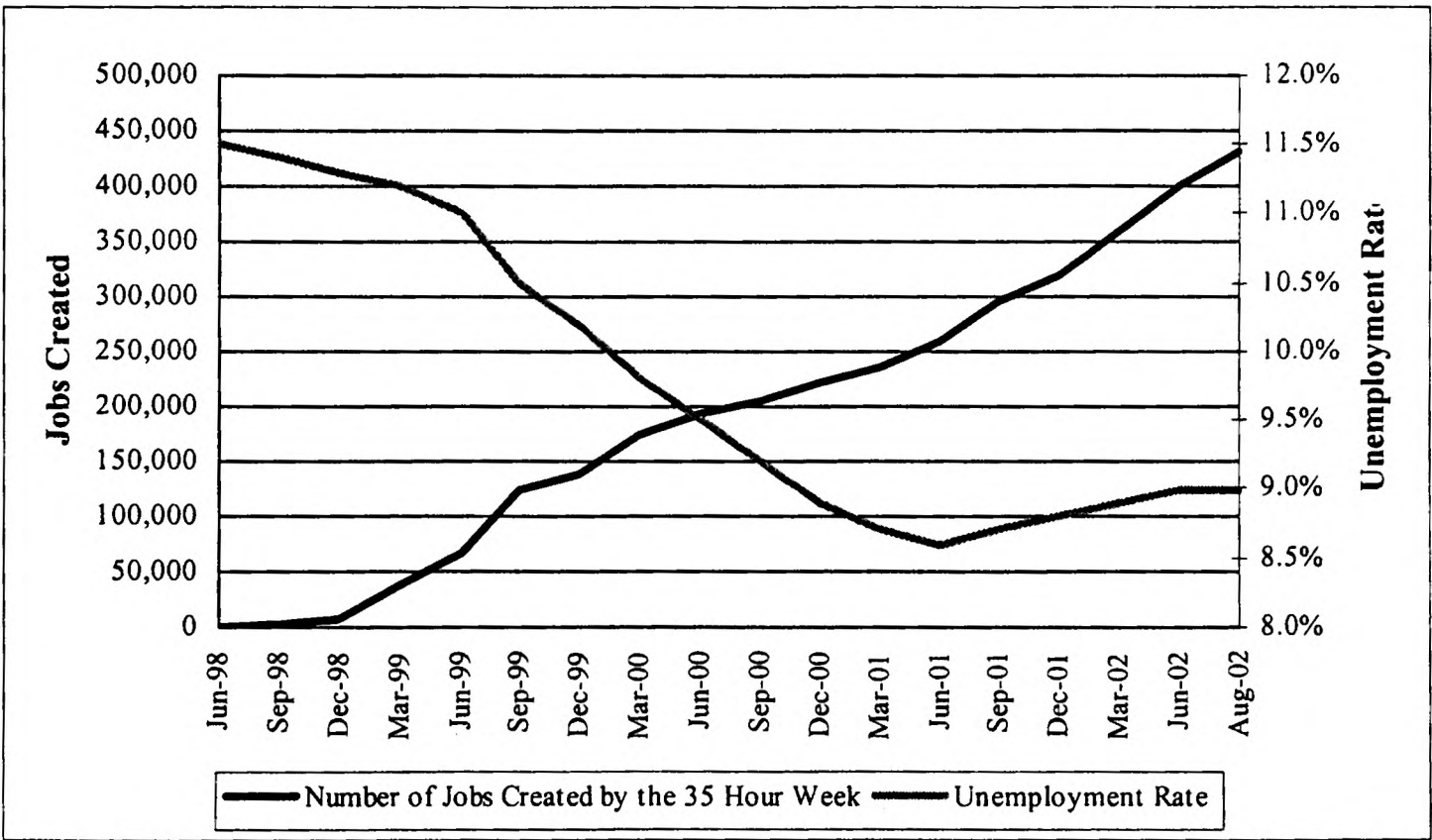
Delsart and Vaneecloo compared their findings for the employment effect in Nord-Pas-de-Calais with the national results for the same period from 1998 and 2000. They estimated that amongst firms in the region that had implemented ‘offensive’ agreements, their employment impact was 3 points above the rate at the national scale (op cit: 8). In seeking reasons for this divergence, they found that the only significant difference between the work time reduction agreements signed in the region, and those signed in France as a whole, was the degree of reorganisation in work time that occurred, particularly the greater propensity to introduce the ‘modulation’ of work time, whereby work time could be calculated as an annual average of 35 hours per week or 1,600 hours per year, a point I return to later.

The impact of the 35 hour week on unemployment is even more difficult to estimate than its impact on employment. Over the period from mid-1998 to mid-2002 during which the 35 hour week officially created or saved 430,000 jobs, the French unemployment rate fell from 11.5% to 9%, the equivalent of just over half a million people, and reached its lowest level of 8.6% in June 2001 (see Figure 9.4). The Plan Commission attempted to isolate the effect of the 35 hour week on unemployment and concluded that by the end of 2000 the 35 hour week was directly responsible for a reduction in the number of unemployed by 200,000 or 0.8 percentage points (Rouilleault, 2001: 158).

An alternative method of predicting the impact of the 35 hour week on unemployment is to use estimates of what unemployment would have been without the 35 hour week under different

growth scenarios. Again, these suggest that the impact of the 35 hour week on unemployment has been significant. The economics ministry's *Direction de la prévision* (1997) estimated in 1997 that an average annual growth rate of 3% would reduce the unemployment rate by 0.3 percentage points per year, resulting in a rate of 11% by 2002, equivalent to a total reduction in the number of unemployed people by 350,000. Similarly, the OFCE estimated that it would take five years of economic growth at 4% for growth alone to account for the 480,000 jobs it estimated would be created by the 35 hour week (Cornilleau et al, 1998). Therefore, while French growth did average 3% in France from 1997 to 2000, it is widely accepted that growth alone was not sufficient to reduce unemployment by the degree that was witnessed.

Figure 9.4 Unemployment and job creation since the *Loi Aubry I* (June 1998-August 2002)



(Source: DARES, 2002)

Indeed, the years 1999 and 2000 had the two highest rates of employment growth ever recorded in France. While this is a result of a combination of the direct impacts of the 35 hour week and other employment policies⁸ as well as growth, there are suggestions that this extraordinary job growth is also attributed to indirect effects associated with the 35 hour week, particular on the

⁸ While the 35 hour week was the main employment policy implemented by the Jospin Government, there were other policies at work at the time including active labour market policies assisting the long term unemployed and *Emploi Jeunes*, a job-creation policy targeting young people.

employment content of growth. Since 1997, France has experienced a decline in the rate of growth in productivity per head, although not in hourly productivity, and an increase in the employment content of growth.⁹ While there is considerable debate as to why this has occurred, several theories make links between this trend and the 35 hour week. This is suggested to be partly due to the general increase in attention given to job creation because of the 35 hour week policy, changing the mindset of employers. However, a stronger theory is that there is a link between the high job content of growth and the indirect social impacts of the 35 hour week. In particular, increased leisure time has resulted in increased demand for services, particularly ones relating to sport, leisure and cultural activities, training and education programs, tourism and even the do-it-yourself industry (du Tertre, 2000). These services are often “intangible and interpersonal services” and are highly labour-intensive, thus contributing to the higher job content experienced in French growth in 1999 and 2000 (du Tertre, 1999).

Therefore, while there is agreement that the 35 hour week has impacted upon job creation and unemployment, the exact impact and the extent to which the policy has been responsible for the unprecedented growth in employment that occurred in 1999, 2000 and during the first half of 2001 before the world economic downturn, cannot be determined. In part this is because it is still too soon to evaluate the policy’s impact, particularly given that firms with under 20 staff only officially made the transition to a 35 hour week in January 2002. However, it is also in part because of the difficulties in ascertaining the impact of a work sharing policy and isolating it from other events occurring in the economy at the time. Indeed, there is still considerable disagreement as to the impact of the 1982 reduction in work time.¹⁰ As the OECD (1999a: 134) concludes “Even *ex post* evaluations of the effects of such a measure are uncertain”. Therefore, despite difficulties isolating the exact impact of the 35 hour week on employment and

⁹ The increase in the job content of growth experienced in France is the opposite to what occurred in the UK and USA, although does have some parallels in Italy and Spain (Rouilleault, 2001: 155).

¹⁰ Estimates of the employment impact of the 1982 work time reduction policy range from 15,000 to 145,000 jobs (Jefferys, 2000: 247), with still no consensus twenty years later.

unemployment, there is sufficient evidence to suggest that the policy was directly responsible for the creation of several hundred thousand jobs, as well as indirectly responsible for increasing the employment content of growth in France, which had been notoriously low since the 1980s. Consequently, it can be concluded that the 35 hour week policy met the Jospin Government's primary objective of creating jobs and job-rich growth.

9.1.3 Wages and productivity: the key conditions for success

While the policy's primary objective was to create jobs, there are several other criteria by which the success of a work sharing policy must also be judged. The two further criteria essential to the effectiveness of work sharing policies are wage moderation and increased productivity. As I mentioned in Chapter 7, it was generally agreed that one third of the cost of the transition to the 35 hour week needed to be absorbed in the short-term by improvements in hourly productivity, while a further third had be covered by wage moderation and the final third was borne by government subsidies.¹¹

In the case of productivity, the employment ministry estimated that a productivity increase equivalent to a third of the cost of the transition to a 35 hour week, necessary for the unit cost of production to remain unchanged, equated to an increase of 3.4% (DARE-BDF-OFCE, 1998). The Plan Commission's report suggests that this target was not only met but exceeded in the implementation of the first Aubry law with average productivity gains of 4.3% (Rouilleault, 2001: 159). However, the report was less confident about the ability of firms implementing the second law to reach this target, predicting that the average productivity gain in firms implementing the second Aubry law would only be 2.5% (ibid). Yet, at the end of 2001 "the level of French measured hourly productivity was still one of the highest in the OECD areas"

¹¹ In the longer-term, the full cost of the policy must be shared between productivity improvements and wage restraint. However, the longer-term refers to the period after government subsidies end, which is 7 or 5 years after signing an accord under the Robien and Aubry laws respectively. As a result, it is too soon to make assessments about the longer-term effectiveness of the policies.

(OECD, 2001: 25). I expand further on the issue of productivity in the following two sections of this chapter.

The second condition necessary for a work time reduction policy to be effective is wage restraint. Again, the first Aubry Law appears to have been more effective at achieving this criterion. Results from the ACEMO survey comparing like firms that did and did not implement the 35 hour week showed that wages in firms that implemented the policy according to the first Aubry law increased by only 1.7% between the end of 1998 and the end of 2000, compared with 2.6% in firms that did not. Further, wage restraint in firms that implement the second law was also less than in firms that did not, although by the smaller margin of half a percentage point. Given that inflation over this period was approximately 1.5%, increasing slightly towards the end of 2000, this meant that the criterion of wage restraint was largely met. As the OECD (2001: 41) concluded in its most recent survey of France: “All told, French unit labour costs continue to benefit from the moderate trajectory of wages in recent years... In relative terms, unit labour costs in France are still competitive *vis-à-vis* non-European countries”.

Therefore, not only did the 35 hour week meet its primary objective of job creation, it also did so in a way that achieved the two necessary conditions of wage moderation and increased productivity. However, it would appear that the accords signed under the first Aubry Law and earlier accords were more effective at achieving these conditions and minimising the negative impacts of a reduction in work time on firms, as well as creating jobs. This was in part because of a natural selection process, whereby the firms that implemented the policy first were likely to be ones where management were more willing to implement the policy or where its implementation was easier. However, it was also due in part to other factors including the easing of the unemployment crisis, resulting in a decrease in the willingness of firms and employees to implement the change, as well as a rising uncertainty about the future of the

policy and a deterioration in relations between the government and employers' organisations, a factor that had particular impact on firms of under 20 staff.

9.2. Flexibility

Having provided an account of the impact of the 35 hour week on the labour market, I now assess the effects of the work time reduction policy in France in the light of international demands for flexibility and competitiveness. In doing so I focus especially on the conditions under which the policy could have had positive externalities on the international competitiveness of firms, while simultaneously improving the employment situation in France.

As I have already noted, the 35 hour week was attacked in the international press, by the OECD and others, especially initially, for going against the international trend of increased labour market flexibility; a condition deemed crucial for national competitiveness and the key characteristic of the idealised Anglo-American model of labour market governance. By some, the policy was even seen as being counterproductive to reducing French unemployment because it not only failed to increase the flexibility of the labour market, but potentially did the opposite and made it more rigid. And as Solow (1998: 190) noted: "Almost uniformly, in public discussion of [European unemployment] what is after all a high-visibility issue, the blame for this failure falls on 'rigidities in the labour market'". Therefore, given the possibility that the 35 hour week could potentially worsen rigidities in the French labour market, it was obviously viewed with scepticism from those, like the OECD, who advocated flexibility as the panacea to unemployment and job creation. However, as I have shown in the previous section the 35 hour week had a positive impact on the employment situation, and thus did not, as sceptics predicted, worsen the situation in the French labour market.

The types of flexibility itself, essential for an economy dealing with international shocks and competitiveness, advocated by the OECD and others critical of the 35 hour week include wage

flexibility as well as increased flexibility resulting from the removal of 'rigidities' in the labour market such as the minimum wage, unemployment benefits and regulation concerning the hiring and firing of workers. Flexible working hours are another type of flexibility sought in this model of labour market governance (Rubin and Richardson, 1997; Solow, 1998). However, as the cartoon suggests, these types of flexibility found in the Anglo-American model are well suited to the needs of capital, but they are implemented at the determinant of labour, especially workers' security and employment protection (see Figure 9.5).

Figure 9.5 'You decide: flexibility or unemployment?'



(Source *Le Monde*, 4 October 1997, p.2)

The 35 hour week, with its blanket cap on working hours, was criticised for going against this international demand for flexibility. However, as I show, this was not the case. In the design of both the regional and national work time reduction policies, the importance of having a degree of flexibility in the labour market was recognised, with explicit attention paid to international demands for flexibility. However, continuing demands from the domestic population for

employment protection were also taken into account when designing these policies. Consequently, the policies were a compromise between the two, creating, as I argue in this section, a form of internal flexibility that differed in important ways from the external flexibility found in the Anglo-American model, but nonetheless increased flexibility in the labour market while continuing to be compatible with the French model of economic governance.

9.2.1 Flexibility and the regional ARTT policy

In designing the regional ARTT policy, the demands of international financial markets concerning the need to have a flexible and responsive labour market were well appreciated. Nord-Pas-de-Calais has a highly open economy: amongst French regions it ranks third behind l'Île-de-France and Rhône-Alpes in terms of its levels of imports and exports (Stevens, 2000: 43) and given its recent and painful experience of deindustrialisation it had a heightened awareness of the consequences of failing to meet international standards for competitiveness. Therefore, when the Conseil Régional began to experiment with its work time reduction policy it was very aware that any such policy had to be compatible with the demands of international capital if it was to be effective in the long term at creating jobs in the region.

Therefore, the Conseil Régional had two aims when implementing the regional ARTT policy. The first was to improve conditions in the regional labour market, both by reducing unemployment as well as by reducing the 'precariousness' of employment. The second was to modernise firms in the region and improve their responsiveness to market fluctuations, using the internal management of labour as a key tool. These aims combined to result in the regional policy having the dual emphasises of reducing work time as well as reorganising it.

The Conseil Régional considered the issue of the flexibility of work time in several ways and with respect to several different contexts. First, the early discussions that occurred as part of the

initial consultation phase of the Assises program focused considerable attention on the continuing global economic shift in the developed world towards a service economy and away from the previous Fordist, industrial economic model. In this discussion, the issue of the flexibility of work time was pertinent. In particular there was considerable emphasis on readjusting the norms of work time away from the uniform and standardised workday, workweek and holiday periods that had been regularised under the industrial model of development. Furthermore, these discussions noted that many of the new jobs in developed countries were being created in “interpersonal services” (du Tertre, 1999), thus concluding that a new, more flexible work time regime was necessary to capture the full growth potential of this sector.

Similarly, these early discussions also highlighted the need to promote greater flexibility in the use of work time at the individual scale. Again, the existing industrial model of work time rested on a collective model of work time, whereby the majority of the population worked similar hours. Again, it was evident given structural economic shifts towards a service economy as well as social changes, such as higher female employment, that another method of regulating work time was required in order to provide the flexibility to personalise work time according to individual needs.

However, more generally the Conseil Régional recognised that a degree of labour market flexibility was a necessity under the conditions of heightened competitiveness resulting from globalisation. They admitted that for the region to remain competitive, regardless of sector, there needed to be an improvement in the responsiveness of the labour market. Consequently, the Conseil Régional sought to increase flexibility in the labour market by facilitating firm-level negotiation and by encouraging firms to reconsider how they used work time. In order to maximise the potential of firms to do so they provided firms with the support of consultants, who had been well-trained in the implementation of work time reduction and were capable of

assisting them garner the maximum productivity benefits out of more flexible methods of using work time.

In particular, the region was especially successful at implementing work time reduction via ‘modulation’ or the calculation of work time as an annual average. This method maximises the firm’s potential flexibility in its use of work time. Two thirds of firms in the region that signed ‘offensive’ work time reduction agreements implemented a modulation in work time, compared with only half of firms in France. In a study of 101 of the first firms to implement a reduction in work time in the region, it was noted that the overwhelming reason why firms chose to implement a modulation in work time, stated by 82 of 101 firms, was to increase their flexibility and their ability to respond to fluctuations in demand (Aubree et al, 1996).

Several regional studies investigated how firms implemented a modulation in work time (Bertrand, 1999; Bertrand, 2001; Aubree et al, 1996). These studies revealed that firms adopted modulation in a variety of ways that were designed to increase the flexibility of the firms’ use of work time and to increase production or opening hours. The benefits of being able to calculate work time as an annual average included having a more responsive labour force, paying less overtime, being better able to adapt opening hours to the needs of clientele, and extending machine usage times, especially by creating an additional production team (Bertrand, 1998: 5; Bertrand, 2001). There was also considerable variation in how firms implemented this method of calculating work time, creating highly personalised solutions that were frequently a combination of several of the methods above (see Figure 9.6).

Figure 9.6 Examples of flexibility introduced via the modulation of work time

A chemical manufacturing firm reduced work time by 10% to an annual average of 34 hours and 20 minutes per week while reorganising work time over the year to suit its production requirements. In doing so it increased the number of days of production from 207 to 240 days per year, while at the same time employing an additional 13 people, a 10% increase in employment. The overall financial impact on the firm was positive.

A food producer implemented a modulation of work time around an annual total of 1582 hours. Within this annual total, the workweek varied between 28 and 47 hours, or 4 to 6 days, peaking during the planting and harvest periods. The firm employed a greater number of new staff than required in its accord, resulting in the acquisition of certain skills previously lacking in the firm.

An agricultural producer, with its own chain of shops, reduced work time to 35 hours across its workforce of 600. In doing so, it extended the opening hours of its shops and created an additional production team. It also recruited 42 new staff and transferred 5 existing staff onto permanent contracts. This reorganisation of staffing allowed the company to stop plans to make some agricultural workers redundant, transferring them instead into the retail division that was expanded. While the wage bill rose, there was an increase in revenue and no adverse impact on profit, even in the year of transition.

A printing firm reduced work time to 35 hours by creating a 4 day week, whereby staff work 8.75 hours per day. In doing so, it created a second production team and extended production hours from 7.30am to 4.30pm, with a half hour lunch break, to 6.00am to 8.00pm. It also implemented a modulation in work time, allowing the workweek to vary between 27 and 43 hours, so that the firm is better able to respond to large orders and peaks in demand.

An industrial firm of 40 staff reduced average annual work time to 33.6 hours. In doing so it created a new work time regime, whereby staff worked 7 days on/3 off, 7 on/4 off then 7 on/7 off. It also added a 5th production team, resulting in the employment of 7 new staff. As a result the firm no longer stopped production for 9 weeks per year, instead producing year round with considerable gains in revenue.

(Source: Bertrand, 1998; Bertrand, 2001)

Therefore, with the intangible assistance provided by the regional ARTT policy and the financial subsidies paid by the national government, firms had considerable scope in which to introduce increased flexibility into their use of work time. However, importantly, this increased flexibility was introduced as internal flexibility whereby a firm's responsiveness to demand was increased via improved internal management of labour rather than via recourse to external flexibility in the labour market. It was also introduced via negotiation with employees, compensating them for their acceptance of these changes by reducing their working hours without, in the vast majority of cases, any loss of pay. In addition, the higher rate of implementing a modulation in work time in Nord-Pas-de-Calais compared with the French

average suggests that the additional support provided by the regional government better positioned firms in the region to achieve the potential flexibility gains available under the 35 hour week legislation.

Therefore, combining the reorganisation of work time with a reduction in work time allowed the regional government's broader goals of increasing flexibility to be met, while at the same time contributing to the reduction in unemployment and under-employment in the region. Furthermore, it did so in a way that did not undermine the employment security of the region's employees, thus incorporating international demands for convergence towards a more flexible model of labour market governance with domestic demands for continued employment protection.

9.2.2 Flexibility and the 35 hour week

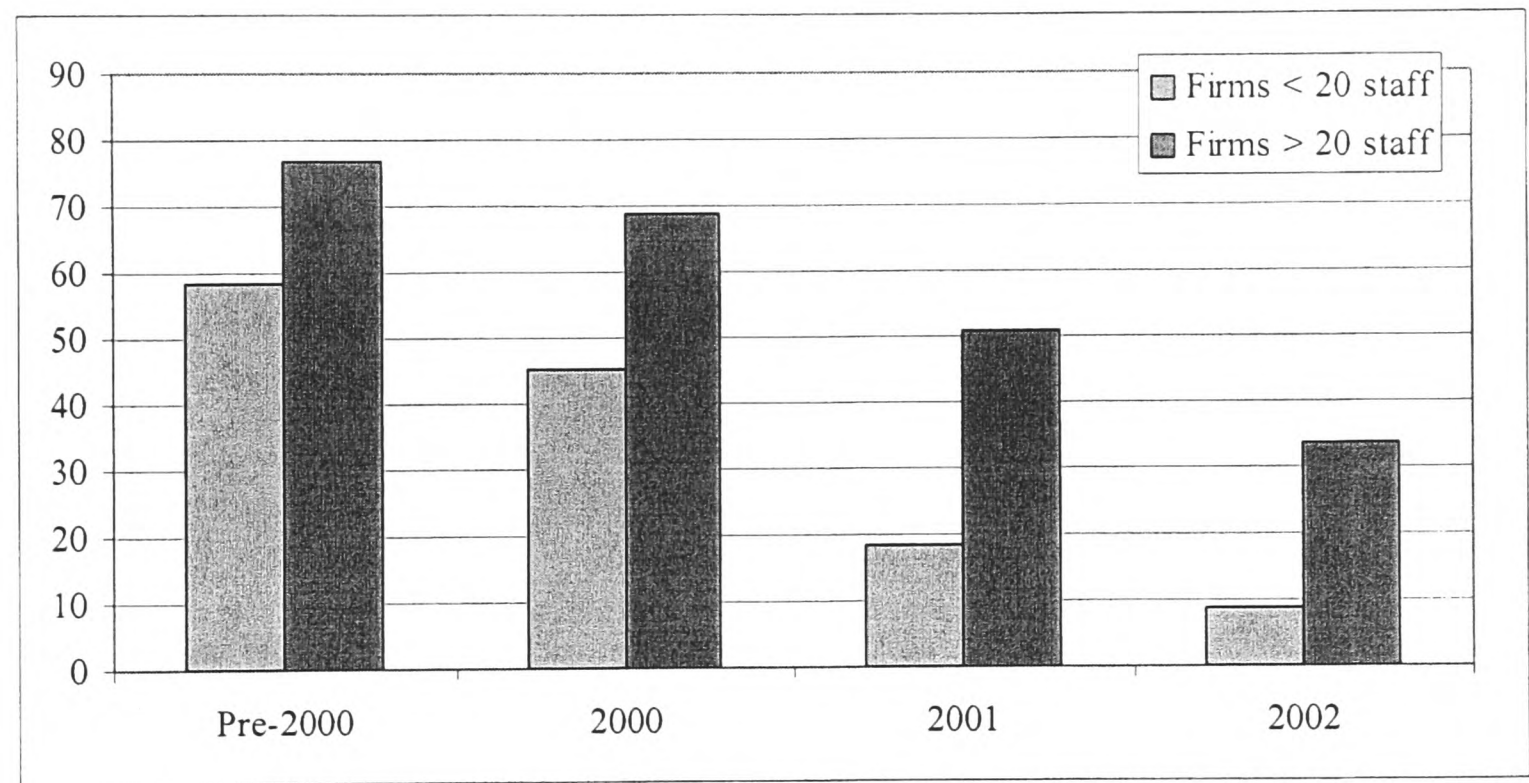
Similarly, the need to incorporate a greater degree of flexibility into the national labour market was also appreciated in the design of the national 35 hour week policy. Indeed, increased flexibility was one of the government's explicit aims from the 35 hour week:

Efforts to reduce the workweek – a major tool for stimulating job growth – have been both flexible and firm: firm because the 13 June 1998 law capped weekly hours at 35; flexible because the method proposed relied on negotiations – one company and one branch at a time – to work out the nuts and bolts of reducing work hours. (Ministère de l'emploi et de la solidarité, 2001)

In combining a mandatory and uniform reduction in work time with the right for employers and workers to negotiate directly at the level of the firm and the more flexible use of work time, the government sought to make the 35 hour week policy 'firm but flexible'. Therefore, increasing flexibility was one of the explicit aims of the policy. However, as with the regional ARTT policy, flexibility was increased within well-defined constraints rather than allowing the external labour market flexibility to drive the agenda.

Negotiation was one of the main mechanisms used to ensure that the policy generated flexibility in a sustainable and just way. Under the Aubry laws, firms could sign two different 35 hour week accords: they could either negotiate their own agreement amongst staff creating an enterprise-level agreement or they could adopt the ‘template’ agreement negotiated between employers and unions at the branch or industry level. The firms that made an earlier transition to a 35 hour week were more likely to negotiate their own enterprise-specific agreements, as were larger firms (see Figure 9.7). Together, those firms that negotiated their own accords created over 90% of the total number of jobs that were created under the 35 hour week.

Figure 9.7 Proportion of firms implementing the 35 hour week by enterprise-level agreements by size of firm (1998-2002)



(Source: DARES, 2002)

The Aubry Laws wanted to encourage firms to negotiate at the enterprise level and so facilitated negotiation in firms that lacked union representation, as most French firms do, given the very low unionisation rates in France. They did so by providing firms with a new tool whereby unions could ‘mandate’ an employee to negotiate on their behalf in firms without union representation. In a total of 11% of accords, and 23% of those signed under the first Aubry law, negotiations were carried out by a staff member who was ‘mandated’ by the unions to conduct negotiations (DARES, 2002). In this way the 35 hour week allowed firms to create

their own unique outcome for implementing work time reduction, based on a company's specific needs and its workers' preferences.

Through negotiation, the policy aimed to increase the possibility that agreements were 'win-win', matching both employer and employee preferences in a way that maximised the possibility of both being satisfied by the outcome. Negotiation meant employers were able to extract productivity gains due to the better use of work time. For employees, negotiation meant that they had a say in how their work time was reduced, thus improving the likelihood of wage moderation by maximising the chance that newly liberated time matched employees' preferences.

The second mechanism used to implement flexibility was to allow greater freedom in how working hours were calculated and when they could be undertaken. The 35 hour week allowed this to occur via the negotiated 'modulation' of work time, whereby work time could be calculated as an annual average of 35 hours per week. In this way the actual hours of work per week could fluctuate according to the rhythm of the firm, without recourse to overtime in weeks when working time exceeded 35 hours. In 51% of accords this method of reducing work time, which allowed the maximum reorganisation of work time, was adopted.¹² On average, the difference between the longest and shortest working week was 11 hours and broken, on average, into nine periods over the year and 15 periods in larger firms. As noted earlier, the proportion of firms that implemented a 'modulation' of work time in Nord-Pas-de-Calais was approximately two thirds (Delsart and Vaneecloo, 2002: 8).

¹² The other main method of reducing work time, also implemented in just over half of firms (53%), was the creation of '*des jours RTT*' as they have become colloquially known, or creating additional days leave. The next most popular methods of implementation were to reduce work time by one day per fortnight (32%) and to reduce the working day (25%). It should be noted that it is possible to implement the several methods for reducing work concurrently.

Therefore, like the regional ARTT policy, the 35 hour week placed specific emphasis on improving flexibility in the use of labour in France, recognising the imperatives of international competitiveness for a responsive labour market. It encouraged increased flexibility in the use of labour and broadened the parameters in which firms could implement flexibility. However, it did so in a way that recompensed workers for accepting the transition to greater flexibility: it increased leisure time and ensured that the new work time arrangements were negotiated with employees.

9.2.3 Flexibility in another form? Internal flexibility and the French model of economic governance

Both the regional and national work time reduction policies explicitly sought to increase labour market flexibility, albeit in the context of a reduction in work time. However, the way they introduced flexibility differed in important ways from what was advocated in the idealised Anglo-American model and witnessed in the US and British labour markets. Flexibility in France was introduced within particular constraints and trade-offs, creating a form of internal flexibility compatible with the French model of economic governance.

The type of flexibility found in the Anglo-American model of labour market governance was a form of external or defensive flexibility. Grahl (2000: 164) defines the Anglo-American form of flexibility as “defensive flexibility (i.e. labour-market flexibility) as opposed to a feasible and desirable alternative, offensive flexibility (i.e. productive flexibility based on a more stable and complete involvement of workers in the organisation of the enterprise)”. Defensive or external flexibility is found in the labour market, or external to the firm, causing the risk and uncertainty that results from economic cycles and shocks to be borne largely by the individual worker, whose pay, hours of work and employment status are all flexible to changes in the market place.

This form of external labour market flexibility, while consistent with the Anglo-American model of capitalism, was inconsistent with the French model of economic governance and

unpopular amongst the French population. The individualised, decentralised nature of external flexibility went against French traditions of solidarity, centralised government and collective agreements negotiated with the social partners. Furthermore, its reliance on market solutions also went against the French tradition of greater state control. Therefore, as Whiteside (forthcoming: 23-24) notes, Anglo-American style external flexibility was viewed with considerable trepidation in France:

Far from flexibility parading as a solution to labour market problems, as in Britain, in France a deregulated labour market still embodies a threat – to personal security and to republican principle. ... Here, we find no Anglo-Saxon neo-liberal concept of a flexible labour market, no desire to exclude government from the realm of economic activity, no implicit belief in the intrinsic merits of competition – but in effect the exact opposite.

Therefore, while the forces of globalisation placed pressure on the French labour market to increase its level of flexibility, the type of external flexibility found in the Anglo-American model was incompatible with the broad characteristics of the French model of economic governance, particularly a strong state, collectivism and solidarity. It was also distrusted by the French people and incompatible with the demands of the domestic population. A prime example of this distrust for external flexibility is aversion to ‘precarious’ forms of employment in France, which in the case of part-time workers is the highest in Europe.

However, the type of flexibility introduced into the labour market by both the regional and national work time reduction policies differed importantly from this model of external labour market flexibility. Instead, the type of flexibility found in the 35 hour week policy was internal flexibility, located within the firm and giving firms greater freedom to adapt production and work practices within their organisations to market fluctuations. By promoting internal flexibility the Socialist Government aimed to create a form of labour market flexibility that provided protection for workers, removing some of the individual risk associated with external flexibility, and was in keeping with their ideology and the French tradition of labour market governance. Furthermore, coupling increasing flexibility with work time reduction meant that

workers were compensated for the negative consequences of increased flexibility via increased leisure time.

The 35 hour week, as did the regional ARTT policy, explicitly aimed to increase flexibility in the labour market, via improvements to the capacity of firms to implement internal forms of labour market flexibility:

Since the Socialists regained government in 1997, working time reduction is increasingly being considered an important element in aiming at substituting 'internal' flexibility – increased hirings and reduction in precarious forms of employment, in exchange for higher working time resilience and even reduction – for 'external', less desirable, flexibility – dismissals and redundancies, and the use of atypical contracts. (Malo et al, 2000: 247)

As I mentioned earlier the main means by which this was done was to increase the options by which firms could use work time and facilitate negotiations between employers and employees at the enterprise level. Both tools allowed firms greater flexibility in their management of labour and improved their ability to respond to changes in demand and economic fluctuations, while, importantly, ensuring the employment security of staff.

Increasing internal flexibility, particularly through increasing flexibility in the use of work time has been a policy aim in France since the 1980s and, interestingly, work time reduction has been frequently used as a trade-off to achieving this aim (Favennec-Héry, 1995: 222). The 1982 work time reforms, which reduced the workweek from 40 to 39 hours and added a 5th week of paid leave, combined a reduction in work time with increased space for negotiating non-standard work time agreements (Jeffreys, 2000: 246). There were several similar although optional policies that followed the 1982 compulsory reduction in work time that also sought to increase flexibility. In 1986, a policy was introduced to make it easier for firms to implement atypical work hours if work hours were reduced. In 1989, the *Plan Emploi* gave three years of import credit to firms that reduced work time without reducing capital usage time (Cahuc and Granier, 1997: 7). While these policies were implemented only in a relatively small number of

instances, they do show that there was an emerging tradition of trading off shorter working hours for increased flexibility. However, the type of flexibility sought was, in all cases, internal flexibility.

Therefore, there was, as the government itself called it, a combination of firmness and flexibility in the 35 hour week laws. Through combining firmness with flexibility, the 35 hour week laws attempted to achieve a process of 'regulated deregulation' (Jefferys, 2000: 256; see also Whiteside, forthcoming: 22). Labour market relations were deregulated because employers were given increased flexibility to use work time, to individualise work schedules and decentralised bargaining at the firm level was encouraged. This process of deregulation was nonetheless regulated because any liberalisation of the labour market was only allowed under strict measures that ensure employees were recompensed via increased leisure and their employment was protected. Therefore, "the French way towards flexibility has not followed the path of deregulation, but rather that of more regulation" (Malo et al, 2000: 249). Instead of introducing the deregulated model of Anglo-American external flexibility, the French introduced a form of regulated and internal flexibility that improved the responsiveness of firms while continuing to insulate workers from the fluctuations of the market. Consequently, the French introduced a type of flexibility that was in keeping with the French model of labour market governance and its history of employment policy traditions.

Therefore, the 35 hour week and the regional work time reduction policies were both highly conscious of demands from international financial markets. Their demands for increased labour market flexibility and greater responsiveness were not ignored as many early commentators presumed. Instead, these triggers for change were carefully incorporated into the design of the 35 hour week, as well as the regional ARTT policy. However, they were incorporated in a way that was compatible with the demands for continued employment protection from the domestic population, with its distrust for the externally flexible model of labour market governance and

given the continued importance of key characteristics of the French model of economic governance such as attitudes towards risk, equity and solidarity. Therefore, while France was faced with internationally uniform triggers for globalisation-induced change, notably an increase in international demand for labour market flexibility, the effects of this change differed in significant ways when implemented in the national labour market. The effects of a common global trigger for change were mediated according to the existing French model of economic governance, altering the way they impacted upon the French labour market, and producing nationally specific outcomes.

9.3 Productivity and innovation

So far in this chapter I have shown that the 35 hour was effective at achieving its primary goal of reducing unemployment. I have also shown that the 35 hour week did so in a way that was respectful of the demands of international financial markets because it increased the flexibility of the French labour market, albeit in a way that differed from the orthodox external form of flexibility, but was compatible with the French model of economic governance.

In this section, I look at a final impact from the 35 hour week policy and the regional ARTT policy, namely the policies' ability to stimulate gains in productivity and innovation. Drawing on Porter and van der Linde's findings (1995), I show in this section how, under the right conditions, the tightening of work time regulations stimulated innovation in firms and improved their productivity and competitiveness. However, I argue that these conditions were better met under the regional ARTT policy than the 35 hour week.

9.3.1 The positive externalities of tight regulation

Writing specifically about environment regulation, Porter and van der Linde's central argument is that the debate concerning regulation and competitiveness is framed incorrectly and that tight regulatory standards are not necessarily contradictory to international competitiveness (1995).

In making this argument, Porter and van der Linde start with the proposition that

“internationally competitive companies are not those with the cheapest inputs of the largest scale, but those with the capacity to improve and innovate continually” (1995: 98). Once they establish innovation as central to competitiveness because of its positive link to improved productivity, they then go on to claim that “properly designed environmental standards can trigger innovation that may partially or more than fully offset the costs of complying with them” (ibid). Consequently, they argue that ‘innovation offsets’, as they call them, can result when firms implement well-designed environmental regulation because such regulation forces firms to reconsider, in a holistic way, how they use resources. Therefore, their key argument is that: “By stimulating innovation, strict environmental regulations can actually enhance competitiveness” (ibid).

While Porter and van der Linde wrote with specific reference to environmental regulation and competitiveness, their findings have many parallels with work time reduction policy-making and their insights highly relevant to my research on labour market regulation. For a start, the debate about the impact of the 35 hour week on the international competitiveness of domestic firms is often framed in the same way as that about the impact of environmental legislation. Both are usually portrayed as automatically resulting in an increase in costs that necessarily causes a deterioration of the international competitiveness of domestic firms. There are also parallels between the labour and environmental regulation debates concerning the convergence of regulation, particularly the possibility of a ‘race to the bottom’. With their emphasis on ‘innovation offsets’, Porter and van der Linde suggest an alternative possibility to this outcome that is as relevant to environmental standards as to labour standards. A further parallel between environmental regulation and work time reduction policy is that both types of policy force firms to reconsider resources productivity and how they use resources throughout the production process. While environmental regulation concentrates on material resource use, work time reduction legislation concentrates on the use of human resources, resulting, again, in many similarities between the two debates.

The reason why ‘innovation offsets’ are possible from tight regulatory standards is because productivity reserves exist in firms that result from “incomplete information, organisational inertia and control problems reflecting the difficulty of aligning individual, group and corporate incentives” (op cit: 99). The OECD acknowledged, when it estimated the impact of the 35 hour week, that such productivity reserves existed in French industry (1999: 66).

Porter and van der Linde identify six benefits from the introduction of new environmental regulation that allows productivity reserves to be captured, two of which are particularly transferable to my topic of tight labour regulation. First, regulation causes information gathering within the firm, which would otherwise not have occurred and which has the benefit of raising corporate awareness. Second, “regulation creates pressure that motivates innovation and progress” (op cit: 100). Here, they stress the importance of outside factors in prompting firms “to overcome organisational inertia, foster creative thinking and mitigate agency problems” (ibid).

Several factors are also identified that make legislation more effective at capturing innovation offsets. First, environmental legislation is more effective at generating offsets when it is framed in terms of resource productivity because it prompts firms to think about ‘total quality management’ and the efficiency and effectiveness with which they use resources throughout the production process (op cit: 106). Second, they argue that tight regulation can result in greater innovation offsets than lax regulation because “compliance requires more fundamental solutions” (op cit: 100). Therefore firms must implement radical change to the production process rather than incremental change as under lax regulation. Third, not all regulation will lead to innovation offsets nor will all firms be able to innovate when implementing the same regulation. However, the potential for innovation offsets is maximised “if regulations are properly crafted and companies are attuned to the possibilities” (op cit: 110).

Porter and van der Linde identify three conditions necessary to generate ‘well-crafted’ legislation (op cit: 110-114). First, there should be maximum scope for innovation, with desired outcomes phrased as goals not rules, thus allowing firms the maximum scope to create individualised solutions. Second, regulation should foster continuous improvement. Here government has an important role to play, collecting and diffusing information as well as stimulating innovation by working with universities and business organisations to determine effective methods of implementation. And, third, uncertainty should be minimised, while coordination between the various bodies involved should be maximised.

Finally, Porter and van der Linde show that under the right conditions it is possible for tight environmental regulation to have positive externalities on productivity and competitiveness because of the innovation offsets such regulation triggers. I argue in the following sections that this is equally true with tight labour market regulation. However, again as Porter and van der Linde show, I argue that this is only possible when the legislation is designed and implemented under appropriate conditions. Furthermore, analysing the regional ARTT policy and the 35 hour week according to their recommendations for creating environmental regulation, compatible with the demands of competitiveness, provides insight into why the regional and national work time reduction policies had varied effectiveness at different times and with different groups of firms.

9.3.2 Competitiveness and the regional ARTT policy

During the period from mid-1997 when the *Loi Robien* was announced to the end of 2000 and the end of the *Convention État-Région*, the regional ARTT policy met many of Porter and van der Linde’s criteria for innovation-inducing regulation. During this period, the regional ARTT policy was supported by financial subsidies provided initially by the *Loi Robien* and later by the *Loi Aubry*. In addition, the *patate* policy process was at its height, with policy research, development, experimentation and evaluation being undertaken continuously and concurrently.

First, the regional ARTT policy, once it had the support of a national work time reduction policy, was a stringent piece of labour regulation, rather than a lax legislative change. Firms were required to cut employees' working time by 10% to 15%¹³. This was a significant reduction in work time and its implementation often required radical change in organisational structures rather than incremental change. Therefore, this degree of change to the existing work time regulation was, at least theoretically, sufficient to break organisational inertia in firms and stimulate a broad rethinking of their use of human resources.

Furthermore, both the 35 hour week and regional ARTT policy aimed to provide the maximum encouragement to firms to undertake a broad rethink of their human resource use and, thus, maximise the chance of breaking organisational inertia. The 35 hour week allowed for significant scope for the reorganisation of work time, especially by allowing work time to be calculated as an annual average. What is more, both policies placed a strong emphasis on the reorganisation of work time, highlighted by the policies providing financial support for firms to work with business consultants. Therefore, the possibility of initiating radical change in firms and stimulating a break in organisational inertia was high due to the design of the policies.

Second, the regional ARTT policy also required firms to gather considerable information from within the firm about their existing use of resources, again satisfying one of Porter and van der Linde's criteria for innovation-inducing regulation. The scope of the change initiated by the legislation required firms to gather information about their existing use of work time, as noted in the previous point. However, the policy also provided firms with two important new tools with which to do this. The first was enterprise level negotiation with both the regional ARTT policy and later the 35 hour week facilitating negotiation at this scale. The second was the provision of consultants to assist firms evaluate their existing operations. In the regional ARTT

¹³ Under the *Loi Robien* firms were required to cut work time by either 10% or 15%, while under the *Lois Aubry* they cut work time by 10.4%.

policy in particular there was considerable emphasis on ensuring that firms gathered as much internal information as possible about resource use and demand fluctuations. For example, under the *Convention État-Région*, the Conseil Régional provided additional funding to firms to use consultants during an ‘animation’ phase prior to the implementation of the 35 hour week. During this phase, which lasted 1 to 5 days depending on the size of the firm and the problems encountered, consultants considered the firms’ operations in their totality with the aim of maximising the reorganisation of work time, discovering ways in which human resource use could be better matched with demand and considering potential areas for expansion, particularly into services, and improvement in production practices. Nord-Pas-de-Calais was the only region in France where the additional funding was provided for consultants to assist firms in this early information-gathering phase (Pays, 2001: pers. comm.).

The third criterion for regulation to induce innovation was for the legislation to be framed in terms of resource productivity with emphasis on the management of resource use in its totality. The regional ARTT policy aimed to ensure this occurred, encouraging firms to consider resource productivity in terms of their total human resource use. As noted above, this was one of the main emphases of the regional ARTT policy, with its strong commitment to combining any reduction in work time with reorganisation. Again, supporting firms’ use of consultants was the key way in which the policy attempted to ensure that firms considered their resource productivity in its entirety. However, encouraging firms to calculate their work time as an annual average also contributed to ensuring this occurred.

The final criterion raised by Porter and van der Linde is that the regulation is well-crafted, whereby it provides maximum scope for innovation; it is continuous not one-off; the government plays a communication and coordination role; and uncertainty is minimised. As I show, the regional ARTT policy met many of these criteria, although to varying degrees.

First, in order to provide maximum scope for innovation Porter and van der Linde emphasise the importance of legislation setting goals not rules. In the earliest phase of the regional ARTT policy prior to the major national legislative changes, the regional policy was particularly goal orientated. For a start, as a regional government policy it was unable to set rules concerning the use of work time. However, the regional ARTT policy did not even set specific targets for the percentage reduction in work time or increase in employment it wanted firms to implement. Instead, these were determined within the firm, depending on their conditions and needs.

Even after the national legislative changes and the introduction of the *Loi Robien* and the 35 hour week laws the policy can still be characterised as goal orientated rather than rule based, allowing firms considerable flexibility in their approach to meeting these goals. The national laws set a goal of reducing work time by 10% to 15% rather than specify rules for how a reduction in work time must occur. As a result firms were left with the maximum scope for innovation within the constraints of reduced work time. This is an important difference between the 35 hour week policy and the previous statutory reduction in work time implemented in 1982. In 1982 firms were required to reduce work time by an hour per week¹⁴ and to introduce an additional week's paid leave. Therefore, the 1982 regulation set specific rules for how work time was to be reduced. By contrast, the 35 hour week policy set the goal of reducing work time by 10% rather than rules for how this goal was to be met. What is more, it even opened up additional scope within this constraint for how firms could use work time, as I noted in the second section of this chapter. Therefore, the design of the regional and national policies was more goal orientated than rule based.

¹⁴ There was some flexibility in the policy in terms of how the reduction in weekly work time could be implemented. However, given that the policy required a reduction of only one hour per week it was implemented in the vast majority of cases as a simple reduction in the working week and usually without any reorganisation of work practices but rather by intensifying work, thus being very much an incremental rather than a radical change.

The second condition for policy to be well-crafted is that it fosters continuous improvement within the firm rather than initiates a one-off change. The regional ARTT policy attempted to do this by requiring firms to establish *comités de suivi*, or follow-up committees. These committees, which were made up of staff from different areas of a firm, followed the progress of the policy after it had been implemented. Their role was to ensure work time agreements were properly implemented as well as make adjustments as issues arose. A further aim for these committees was to continue the process of social dialogue that had been initiated by the initial period of negotiation undertaken when drafting the work time agreement. However, as Christophe Pays admitted, this was one aspect of the regional ARTT policy that was less effective than hoped (2001: pers. comm.). While the committees were formed and did oversee the implementation of work time agreements, in practice they rarely managed to maintain a sufficient level of social dialogue to induce continuous radical improvements in a firm's use of its human resources. Most improvements were incremental improvements.

However, while the 35 hour week did not create continuous radical improvements in firms' use of human resource, it did nonetheless create lasting improvements to social dialogue in firms. This was particularly so in firms where a staff member received a union's mandate to negotiate directly with employers at the enterprise level. In over 80% of these cases the person who had been mandated continued to play a role in the implementation of the work time reduction accord and in any follow-up, while in a third of cases they became involved in broader consultation and negotiations between staff and employers (DARES, 2002). Given that these firms were ones where there had never previously been any firm-level negotiation, these findings suggest that the negotiation of work time reduction accords had both immediate and lasting effects on the level of social dialogue in firms. Therefore, while the policy failed to create a situation in which there was continuous radical change in the use of work time, it did nonetheless improve social dialogue in firms on a longer-term basis and particularly in ones where it had not existed previously.

A third feature highlighted by Porter and van der Linde that contributes to well-crafted regulation is when the government or regulatory body plays a strong communication and co-ordination role. They give the example of Environment Protection Agencies, arguing that the likelihood of innovation offsets are maximised when these agencies play a role in collecting and disseminating information about possible offsets and when this is done in conjunction with universities and industry associations (Porter and van der Linde, 1995: 112). Given the *patate* policy process by which the regional ARTT policy was made and implemented, the regional government very much played this role. Through the *pôle de competences*, through research commissioned by the regional government and at the regular GRATT meetings that regrouped all the actors involved with the implementation of the regional ARTT policy, the regional government worked hard to collect as much information as possible about the implementation of work time reduction and its possibilities. Furthermore, they then disseminated this information to as wide an audience as possible, again via the GRATT reunions, but also via numerous publications and smaller meetings. They also involved external groups in the policy process, especially universities and industry organisations, as recommended by Porter and van der Linde, as well as consultants and, after the signing of the Convention, other government organisations and trade unions. Finally, the regional government also played a strong co-ordination role, bringing the various actors together and facilitating their communication and also ensuring that each played their appropriate role in the implementation of the policy. Therefore, in terms of the government's involvement in the policy, the regional ARTT policy not only met but exceeded this particular criterion for well-crafted regulation.

The final criterion for regulation to be well-crafted is that uncertainty is minimised. In the early phase of the regional ARTT policy, prior to the announcement of the 35 hour week, this criterion was met. However, during this period work time reduction only occurred on a voluntary basis and therefore the issue of certainty was less important because firms were implementing the change by choice. Furthermore, uncertainty over work time regulation was

not a condition that the regional government could control. As I go into greater detail in the following section, the issue of uncertainty was an important issue after the announcement of the national 35 hour week policy and particularly during the second phase of its implementation in firms with under 20 staff.

In Nord-Pas-de-Calais, and in France generally, there were numerous examples of firms implementing the policy in ways that initiated sufficient productivity gains via innovation offsets to overcome the cost of implementing the policy (see Figure 9.8). These innovation benefits arose because of various factors including finding new ways to organise production, hiring new staff with skills that were otherwise lacking in the firms, and broader productivity gains because employees were happier (Bertrand, 1998).

Figure 9.8 Examples of innovation induced via the negotiation of a reduction in work time

In the chemical plant mentioned in Figure 9.6, the review of operations that accompanied the implementation of a reduction in work time also resulted in the creation of new after-sales services. The implementation of the reduction in work time was so effective that two additional staff were employed, beyond those anticipated in their accord, and profits increased even in the year of implementation and again in the following year.

A hairdressing chain in Lille used the introduction of the 35 hour week to massively reorganise its operations in line with its systematically variable workload (e.g. busy in the mornings and evenings and on Wednesdays¹⁵ and Saturdays). Initially, the chain operated 15 salons in Lille, each employing 4 or 6 people. In reducing work time, the operations of the chain were reorganised. Two shifts were implemented, one starting at 8.30am and finishing at 5pm and the other from 10.30am until 7pm. A mobile unit of 6 hairdressers was also created who were at the disposal of any store to provide support when shortages arose. Under this new regime, employees only worked a 4 day week or an average of 33 hours, without loss of pay, and 10 additional staff were employed. The financial success resulting from this new method of organisation was sufficient for the chain to open a 16th store.

(Source: Bertrand, 1999; Pringent, pers. comm.)

In their study on the impact of the regional implementation of work time reduction in Nord-Pas-de-Calais, Delsart and Vaneecloo found that combining a reduction in work time with its reorganisation had “an immediate work sharing effect that was supplemented by indirect impacts from the accords on competitiveness” (2002: 7). They calculated these indirect effects

¹⁵ Most French school children attend school for half a day or not at all on Wednesdays.

on the growth of the firm to be in the order of 2.7% to 3.3% (2002: 6). When they confined their analysis solely to firms that had implemented 'offensive' agreements they found that the indirect effect of reducing work time on the growth of the firm was even greater and in the order of 3.4% to 4% (op cit: 8). As a result, they concluded that: "Far from reducing the competitiveness of the firms in question, an ARTT accord seems instead to have improved their competitiveness resulting from a direct work sharing effect as well as an indirect effect on growth of firms' activities" (ibid).

In another finding that directly supports Porter and van der Linde's theory, Delsart and Vaneecloo found that the more radical the reorganisation in work practices, the greater the indirect impact on the firm's growth and, therefore, competitiveness. In firms in the region that implemented a modulation in work time, the maximum level of reorganisation possible, there was an indirect impact on firm growth of 5% to 5.6%. Furthermore, the employment effect of reducing work time in these firms was 11.1 to 12.9% greater than like firms that did not implement the change (ibid).

Therefore, despite there being some uncertainty in the latter stages of the implementation of the regional ARTT policy, the policy met, to varying degrees, the criteria for well-crafted regulation. It set goals not rules, thus maximising the scope for innovation within the constraints of lower total working hours; it set up structures that were aimed at promoting continuous innovation within the firm in terms of work time; and the government provided strong coordination and communication support, maximising the information available to firms and bringing together the wide range of actors involved with the policy in the region.

Therefore, not only was the policy well-crafted according to the criteria set by Porter and van der Linde it also met their other criteria identified as necessary for tight regulation to create positive externalities on innovation and productivity. First, it was a stringent piece of legislation

that required firms to reconsider their resource use in its entirety and the production process more generally. Therefore, it had the potential to stimulate a break in organisational inertia in firms. Furthermore, the policy gave firms new tools which to achieve this, notably via facilitating firm-level negotiation and funding the use of business consultants in firms. Therefore under the conditions found in the regional ARTT policy, which required firms to look at their use of labour in a holistic way, the implementation of tighter regulation in the use of work time did not necessarily lead to a reduction in the international competitiveness of firms because it allowed significant scope for improvements in productivity within the policy as well as the necessary conditions to break organisational inertia and encourage innovation to offset some of the initial costs of the legislation.

9.4 Limitations of the 35 hour week

While the regional ARTT policy met many of the conditions for innovation-inducing regulation and for increasing flexibility in the labour market, the national 35 hour week policy was less effective at achieving these conditions. It suffered from several limitations, most notably as a result of the lack of consensus among the major players and increasing uncertainty about the future of the policy. Nonetheless, even in these less than ideal conditions, the 35 hour week policy still allowed increased flexibility, productivity and met several of the conditions necessary for the policy to stimulate innovation offsets.

For example, as I mentioned above, the 35 hour week was a stringent, rather than a lax, piece of legislation. Therefore, it usually required radical rather than incremental change to implement. Furthermore, the policy widened the scope and flexibility within which work time would be managed, albeit within constraints. It also provided firms with additional tools for achieving these aims. And, it set the goal of reducing work time and increasing employment rather than any particular rules about how this might be done.

Where the 35 hour week fell down, both in comparison with the regional ARTT policy and Porter and van der Linde's conditions, was with respect to conditions necessary for 'well-crafted' regulation. In particular, it did not effectively satisfy three of these conditions, including initiating continuous improvement, the communication and coordination role of government and minimising uncertainty. First, as noted previously, the 35 hour week policy tended to create a one-off change in firms' usage of work time rather than initiate continuous improvement, although negotiating the 35 hour week did improve social dialogue in firms.

In terms of communication and coordination, the 35 hour week was considerably less effective than the regional ARTT policy. As I noted in Chapter 8, the regional policy was accompanied by a particular policy process that was inclusive, flexible and consensus-based. While many of the elements of the regional policy were transferred to the national scale, this process was not. As a result the communication and coordination features of the regional policy, which had contributed considerably to the policy having positive productivity and innovation impacts at the regional scale, were lost. Not only did the national government fail to achieve the necessary levels of communication and coordination in terms of implementing the policy, it failed to achieve this when creating the policy because of the early break down in its negotiations with the social partners. Because of this failure to gain consensus at an early stage in the process, the national government did not play an effective role at coordinating actors nor was there effective communication between them.

However, the government did implement a massive communication campaign about the 35 hour week policy. The campaign included an advertising campaign (see Figure 2.1), a significant amount of published material about how to implement the policy, an email campaign updating subscribers on the policy's progress and continuously publishing research by the DARES. Furthermore, the government also mobilised the network of ARACT associations, using these organisations, which are jointly run by the government and social partners, to

provide additional information about the 35 hour week and its implementation. However, despite these efforts there remained an important and irreparable break in communication between the government and employer organisations.

Finally, the criterion on which the national 35 hour week failed most was the requirement for certainty and assurance that the tight regulation was one which firms had to adhere to. During the first phase of the 35 hour week, when the policy was being implemented in firms with more than 20 staff, there was a relatively high degree of certainty that the reduction in work time was permanent and would continue according to the conditions laid out in the existing regulation.

However, as I noted earlier, this was not the case with firms of under 20 staff. From early 2001 onwards, there was a considerable degree of uncertainty about the future of the 35 hour week policy. This uncertainty concerned not only how firms would be required to implement the reduction in work time but also whether they would have to implement the policy at all. It resulted from several factors including the Prime Minister's own announcement that the government would review the policy's implementation in small firms, which eventuated in the announcement of changes in June and September 2001 and speculation about the outcome of presidential and parliamentary elections in early 2002. Furthermore, it was exacerbated by the continuing public campaign against the policy by employers' organisations. Together these factors combined to create considerable debate about the future of the policy, with enormous impact on the 35 hour week's implementation rates in small firms (see Figure 9.7) and its implementation in a way that was capable of creating the productivity and innovation gains necessary in order to limit the impact the policy had on the international competitiveness of domestic firms. This high level of uncertainty contributed substantially to the very low implementation rates in small firms.

Therefore, the lack of consensus between government and employer organisation, and the break down in communication that this caused, as well as uncertainty about the form and continuation of the 35 hour week from 2001 onwards were the two key limitations of the 35 hour week policy that contributed to it being less effective than the regional ARTT policy at capturing the type of reorganisation necessary to stimulate increased productivity and achieve Porter and van der Linde's innovation offsets. However, even given these limitations, the policy still did not represent a simple increase in the costs of production in France that necessarily reduced the international competitiveness of domestic firms. Its combination of flexibility and the potential for simulating productivity gains and innovation offsets meant that its impact on international competitiveness was far more complex, and as I have shown in this chapter, potentially positive rather than negative as the policy's critics initially assumed.

9.5 Conclusion

Taddei (1997: 7) wrote in the opening sentence of the Jospin Government's first report on work time reduction published in 1997: "Reducing work time is, more often than not in our country, a topic over which ideological positions are taken – there are those who believe in it and those who do not believe in it – rather than one where opinion is determined by reasoned analysis." The severity of the unemployment crisis, with its massive socio-economic impact, was sufficient to overcome these ideological cleavages early during the implementation of the 35 hour week in France, and especially during the implementation of the regional ARTT policy in Nord-Pas-de-Calais. However, as the unemployment situation improved and as the government and employer organisations entrenched themselves deeper into their respective positions, further obviating the possibility for compromise, negotiation and discussion, these ideological cleavages remerged, resulting in argument over the choice of policy rather than over how to implement the policy in a way that could concurrently improve the employment situation, increase flexibility in the use of labour, stimulate innovation and productivity gains and improve working conditions for employees.

As I showed in this chapter, the 35 hour week was successful at creating employment and stimulating job-rich growth. It did so directly as a job sharing policy and as a policy that increased enterprise-level negotiation and flexibility in the use of work time as well as indirectly as a catalyst for increasing the job content of growth. What is more, in many instances employees were satisfied with its impact. For example, results from a government survey conducted in early 2001 found that 85% of employees reported that “the shift to a 35 hour week was a good thing for them personally”, with 86% saying that it improved their personal and family life; 74% saying that it allowed them more time for personal growth and development; 68% saying that it helped them to better organise their schedules and 50% saying it created a better morale at work (Ministère de l’Emploi et de la Solidarité, 2001). Furthermore the 35 hour week was successful at increasing employment without impacting overly negatively on firms, with the necessary conditions of wage moderation and productivity largely met at the national scale. The same survey reported that 84% of chief executives who had signed an agreement under the *Loi Aubry I* were satisfied with the results with 81% reporting that the shorter working week had resulted in better labour relations in their companies and 65% believing that it improved the way they organised their work (ibid). Therefore, the 35 hour week did not impede the function of the labour market and impose rigidities, but rather contributed to an historically unprecedented increase in employment in France.

Furthermore, as I have shown it did so in a way that was sensitive to the demands of international capital markets: it increased the flexibility with which labour could be used in France, stimulating productivity gains that were quite substantial in cases where the policy was implemented to its full extent via modulation and the calculation of work time as an annual average. In the case of the regional ARTT policy, when a work time reduction policy was ‘well-crafted,’ according to Porter and van der Linde’s definition, I have shown that it had the potential to generate significant innovation offsets by stimulating a re-evaluation by firms of how they used their human resources, breaking organisational inertia. Therefore, the policy

took heed of the demands of international financial markets. However, as I argued, these common triggers for change resulted in nationally specific outcomes in France, because they were mediated by French traditions of economic governance, particularly social attitudes towards risk and equity, which as I showed in Chapter 7 were attitudes that continued to resonate in the local labour market.

One final point that should be reiterated is that accords signed under the first Aubry Law and earlier accords were more effective at creating jobs while minimising the negative impact on firms and maximising the positive impact on productivity. While Porter and van der Linde acknowledge that innovation offsets cannot be captured by all firms, even under ideal conditions and with well-crafted legislation, the decline in the effectiveness of the policy and the extent to which the results from its implementation differed between the early and later stages suggest that re-emergence of ideological cleavages in France was an important contributing factor to the limitations that emerged in the policy from late-2000 onwards.¹⁶

In this chapter, I assert that it was these domestic issues, rather than the external relations of the policy and its compatibility with the international economic environment and global competitive pressures, that led to its reduced effectiveness and created its limitations, because the 35 hour week was not inherently contradictory to international demands for flexibility and improved competitiveness. Furthermore, as I showed in Chapter 8, scale was a crucial variable affecting the policy's outcome given that as the scale of the policy was increased from the regional to the national scale, the policy process that made the regional policy effective at stimulating innovation offsets broke down, thus contributing to the reduction in the policy's effectiveness.

¹⁶ Firms could be exempted from implementing the 35 hour week if they could show organisational reasons for why it was impossible for them to implement the policy. In such cases, firms did not have to pay the additional overtime rates, but were allowed to continue the existing work time schedule.

CHAPTER 10

Conclusion

This research has examined the making and implementation of work time reduction policy in France from the perspective of the region of Nord-Pas-de-Calais. I undertook a political economy analysis of work time reduction policy, considering the policy from two perspectives. I considered its internal logic, assessing work time reduction policy from within the local labour market, including in this assessment an analysis of the policy process. Second, I assessed the policy in terms of its external relations and considered the implementation of work time reduction policy in Nord-Pas-de-Calais from the perspective of global demands for flexibility and competitiveness. In doing so, I followed the lead of economic geographers who have pioneered this type of research into the labour market including Clark (1980, 1983), Massey (1984), Peck (1996) and others.

In this concluding chapter, I draw together my findings. I begin by noting recent revisions to the 35 hour week policy. Thereafter, however, I suggest through my principal findings that there are important lessons to be learnt for research and policy, despite recent changes to the detail of the 35 hour week policy. I draw out these lessons in the remainder of the chapter, restating my principal findings in the second section and then considering the contribution of my research, first, to the existing literature and theoretical debate and, second, in the context of policy. Finally, I conclude this chapter by suggesting possible directions for future research.

10.1 The end of the 35 hour week?

On September 7 2002, *Le Monde* ran on its front page the headline 'Towards an effective return to a 39 hour week'. Across the Channel the 35 hour week's death knell was exalted even more loudly, *The Guardian* claiming that 'French end working hours revolution: 35-hour week scrapped by rightwing government' (4 September 2002, p. 2). While the 35 hour week was far

from scrapped, François Fillon, the new rightwing Minister for Social Affairs and Employment did make certain changes that eased the regulations on the use of work time. These changes were a further step in a series of '*assouplissements*' or measures easing the initial 35 hour legislation, and highlight the extent to which the 35 hour week has become a political battleground.

The main changes announced by the new Minister for Employment on Thursday 5 and Friday 6 September 2002 were: (1) an increase in the number of hours of overtime allowed to 180 hours; (2) a reduction in the cost of overtime; and (3) the harmonisation of the various minimum wages back to a single rate. While the third measure concerned a particular flaw in the 35 hour week policy,¹ the first and second measures were presented as solutions to problems faced in *les très petites entreprises*, those very small firms with less than 20 employees.

However, the reality of these changes is that they are not likely to alter the impact of the 35 hour week on very small firms and are instead as much political symbolism as any real change to the 35 hour week legislation. First, very small firms were already allowed 180 hours of overtime in 2002. On 15 October 2001, Jospin announced several changes to the implementation of 35 hour week in firms of under 20 employees. According to these changes, firms were allowed 180 hours of overtime in 2002, 170 in 2003 reducing to 130 (the general cap on overtime hours under the 35 hour week) by 2004. Therefore, in 2002 and 2003 this change will have very little impact on very small firms. Instead, where it may have an impact is in bigger firms, which changed over to a 35 hour week by 1 January 2000. These bigger firms will be allowed to increase their use of overtime. However, to implement this they will have to renegotiate their work time agreements and it is highly likely that many firms will be reluctant

¹ Due to the second Aubry law, which guaranteed the maintenance of wages for the lowest paid, there were six minimum wage rates in France, depending on the type of work time agreement workers were under and when it was signed. The legislation dealing with the minimum wage was widely regarded as too complex and unusable and, even those who had helped design the policy, considered this a failing of the 35 hour week legislation (Cette, 2001: pers. comm.; Coutrot, 2002: pers. comm.).

to do this, especially given that the existing agreements have been in operation now for two or more years.

Similarly, the decrease in the cost of overtime will again have very little impact on very small firms. Fillon announced that the premium on overtime wages will be fixed at 10%. Again, it is big business that will benefit from this change. Firms with under 20 staff were already only paying a 10% excess on overtime. It was firms with more than 20 staff who were paying the higher rate of 25%. Again, to incorporate these changes it will be necessary to renegotiate work time agreements. And, again, larger firms are likely to be reluctant to do this, especially given that they will not receive any assistance, such as support from consultants, to renegotiate.

The measures announced by Fillon, therefore, do not scrap the 35 hour week but rather tinker at its edges. Furthermore, the changes introduced were insignificant for very small firms, the group they were supposedly directed towards. They were more pertinent to large firms where their implementation would require the renegotiation of 35 hour week accords, a process, as the cartoon suggests, that would not be easy (see Figure 10.1).

Instead of marking the end of the 35 hour week, Fillon's amendments to the policy were a political gesture, rather than any substantial change to work time legislation, highlighting the degree of politicisation of debate over work time. The Right see the 35 hour week as a barrier to flexibility and productivity, while the Left see it as a progressive way of increasing flexibility while maintaining productivity and protecting workers. Gone is any discussion of the policy's role in reducing unemployment.

Figure 10.1 'It would have been simpler to keep the 35 hour week and change an hour to 80 minutes'



(Source: *Le Monde*, September 7 2002, p.6)

The demise of the 35 hour week – the spirit in which the policy is intended rather than the actual legislation – harks back to 1997 when the Jospin Government failed to garner support for the policy from all the social partners. Most especially, the government failed to gain the support of MEDEF, the powerful French employers organisation. From this moment onwards MEDEF led a campaign against the policy staying outside any negotiations and attacking it on principle, rather than dealing with the details of the legislation. Given that one of the key ingredients for the successful implementation of work time reduction is the goodwill of the *patron* and their openness to seeing the law as a way of reorganising work time as well as reducing it, this campaign from the *patronat* had significant effects on the outcome of the policy. This point is highlighted by comparison with the regional ARTT policy, which not only had the support of employers' organisations but also involved them in the policy process with positive effect on policy outcomes in Nord-Pas-de-Calais.

The uncertainty generated by the political debate over the 35 hour week from 2001 onwards, heightened by the election scheduled for early 2002, was a principal cause for the policy's reduced effectiveness in smaller firms and in the policy's later stages – above and beyond actual economic conditions and issues concerning the policy's implementation in smaller firms. Furthermore, the recent changes will have little impact on very small firms implementing the 35 hour week. They reflect the Right's ideological position, rather than being any substantial legislative change.

10.2 Principal findings

I now turn to my principal findings, organising them in accordance with my research aims as presented in Chapter 1. I begin by presenting my findings with respect to my second, third and fourth research aims. I then conclude with my findings pertaining to first aim, which was the overarching aim of my research in this thesis.

AIM 2 – To investigate work time reduction policy in France, its origins and the national imperatives that led to its adoption.

In my research, I traced the origins of the 35 hour week policy to its local labour market roots in the region of Nord-Pas-de-Calais. Basing my conclusions from the outcomes of the massive public consultation process that occurred in this region, I showed that work time reduction policy was adopted for a combination of reasons, including the extent of the unemployment crisis, its persistence, its imperviousness to past policy efforts and empathy within the population towards this approach. Furthermore, I showed that this empathy existed because the policy was in keeping with French traditions of labour market governance and a further step in a long history of using statutory reductions in work time to reduce unemployment. Furthermore, I showed that the conditions that led to the policy's adoption at the regional scale were also broadly present at the national scale.

Most importantly, this research showed that the French traditions of labour market governance, on which work time reduction policy is based, continue to have meaning in the local labour market. Several key features of the French model of governance remain particularly pertinent at the scale of the local labour market. These include: the notion of social solidarity and emphasis on equity, exemplified by the acceptance of the notion that everyone's working time should be reduced so that more people can work; attitudes towards risk and the aversion towards 'precarious' forms of employment; and the notion that the government should regulate the market for the benefit of society. Therefore, I found that the main features of this model and the ideals at its foundation remain relevant in the regional labour market of Nord-Pas-de-Calais and that the population continued to demand employment policy consistent with these ideals. Furthermore, I showed that the conditions that contributed to its continued relevance at the regional scale were also broadly present at the national scale, suggesting that the French model of labour market governance remains meaningful in French society and continues to influence employment policy choices.

AIM 3 – To explore the importance of geographic scale in employment policy-making.

My third aim here was to consider how scale-related factors impacted upon the formation of employment policy. To do so, I examined the policy process used in Nord-Pas-de-Calais, which turned public suggestions made during the *Assises régionales pour l'emploi et le travail* into a dynamic work time reduction policy, as well as the process of policy transfer from the Nord-Pas-de-Calais to Paris.

I showed that scale was an important variable in the policy process. In particular, I showed that the making of the regional ARTT policy at the local level allowed the policy to be developed according to a policy process that was highly effective. This choice of geographic scale contributed to the success of the policy process because it meant there was a degree of proximity between actors that allowed effective and frequent communication, facilitating

inclusion, consensus and flexibility in the policy process. A further scale-related factor was the degree of homogeneity found at the regional scale. At this smaller, sub-national scale there was a tight match between the scale of the policy problem and the scale of the policy. Furthermore, there was a degree of homogeneity in social attitudes, particularly in terms of general public empathy towards the unemployed (a factor important to the policy's effective implementation). Together, these factors facilitated the creation of innovative policy, which reflected the attitudes found in the local labour market.

The final scale-related finding concerning policy-making that emerged from my research involved policy transfer and the 'up-scaling' of policy from the regional scale to the national scale. Here, I showed that, even in broadly the same socio-cultural, political and economic context, this transfer between scales was problematic. This was because certain scale-specific factors that caused the policy to be effective in Nord-Pas-de-Calais were unable or failed to be effectively transferred to the national scale (e.g. the use of consultants, the continuous review of policy, and genuine holistic negotiation). This finding suggests that there is an optimal size for the creation and implementation of certain forms of employment policy, particularly forms of employment policy that rely on socially-determined factors for their success.

AIM 4 – To investigate the degree to which the local labour market affects employment policy outcomes.

My fourth aim was to investigate the degree to which the local labour market affects employment policy outcomes. Here again, I used the region of Nord-Pas-de-Calais as my case study. I showed that the three necessary conditions for work time reduction policy to be effective were wage moderation, increased productivity and financial subsidies to assist with the transition period. The third condition was satisfied in the design of the *Loi Robien* and the *Lois Aubry*, therefore making the first and second conditions the key criteria for the policy's success. However, I showed that achieving these conditions was dependent upon socially determined factors.

In particular, I showed that achieving the necessary conditions required workers to be empathetic towards the unemployed and the motivations for implementing a collective reduction in work time. More generally, I showed that effective negotiation between employers and employees of the modalities of work time reduction was also crucial. Such negotiation required goodwill from employers and a commitment to implement the policy in the sense in which it was intended – in other words to reconsider the existing use of work time and production strategies in their entirety, thus maximising productivity gains. Furthermore, the policy's effectiveness required that the free time liberated by the reduction in work time was compatible with the desires of workers – in other words that this increased leisure was valued, thus contributing to future wage restraint. Given that the necessary conditions for the success of work time reduction policy were in large part socially-determined, attitudes in the local labour market were highly relevant.

Therefore, I showed that the successful achievement of the aims of work time reduction policy was heavily influenced by conditions and attitudes in the local labour market. Consequently, the compatibility of work time reduction policy with French traditions of labour market governance contributed to the acceptance of this policy in the local labour market and its likelihood of meeting the three conditions necessary for it to be successful at reducing unemployment without impacting negatively upon the profitability of firms.

AIM 1– To query the neoliberal assumption that, due to the converging effects of globalisation, there remains only one effective model of employment policy.

I now return to my first aim, which is the overarching aim of querying the assumption that the convergence effects of globalisation have reduced employment policy options to the extent that the Anglo-American model of a flexible and deregulated labour market remains the only option.

Here, I conclude that the Anglo-American model is not the only viable model of labour market governance in an increasingly globalised world. I reached this conclusion, drawing on two of

my principal findings, namely that demand remained in the local labour market for employment policy that was consistent with the national model of governance and that policy outcomes were influenced by social factors in the local labour market. Together, these findings suggest that the internal integrity of policy and its local labour market logic continues to be important. The domestic constituency remains a powerful actor affecting employment policy.

That said, global pressures must be taken into account when designing policy. While there may not be one single model of employment policy that remains effective, any employment policy must be sensitive to the global imperatives of flexibility in order to maintain competitiveness. Therefore, the global imperatives of flexibility and competitiveness are highly important. They are genuine exogenous constraints on the policy choices of government. However, there remains considerable scope within these constraints for national governments to implement employment policy, which is sensitive to the requirements of the global economy, while also meeting the needs of the domestic population and compatible with attitudes in the local labour market.

I should conclude this summary of my principal findings with one caveat. While these findings have emanated from my research into the work time reduction policy in the region of Nord-Pas-de-Calais, they are limited by my research methods. As I discussed in Chapter 6, there are several limitations to my research associated with my choice of subject matter and the methods I used. Furthermore, the aim of this research was to provide a political economy assessment of work time reduction policy. I did not attempt to evaluate these policies within their own terms of reference, drawing on other researchers' findings for this part of my analysis. However, even within these limitations, this regional perspective on France's controversial 35 hour week policy that I provide reveals a remarkably different story to that paraphrased in Chapter 1 and a level of success that was unanticipated by its early critics, who failed to appreciate the continuing role of the local labour market in affecting policy outcomes.

10.3 Contributions to the literature

My research has sought to contribute to three quite distinct literatures, namely the literatures on globalisation, policy theory and the local labour market. Starting first with debate on globalisation, my research has provided an empirical study of the impacts of globalisation on employment policy, thus contributing directly to the literature and debates reviewed in Chapter 5. While much has been written about globalisation, there is a need for more empirically grounded studies that attempt to determine the qualitative impact of globalisation on the labour market generally and on employment policy specifically. My research sought to do so, revealing interesting findings concerning the dynamics between globalisation pressures and employment policy outcomes in France.

My research also contributed to the extensive literature on the geography of globalisation (e.g. Brenner 1999; Kelly, 1999; Storper, 1997) or, as Swyengdouw (1992) calls it, the process of glocalisation. By providing a regional perspective on the making and implementation of employment policy, I explicitly considered the tension between the regional and global scales. Furthermore, I showed that globalisation need not necessarily result in a 'race to the bottom' in regulatory standards between regions. In the case of my research, the making of employment policy at the regional scale allowed for improved employment protection, when it was complementary to national legislation, and better meeting of demands from the local labour market that were in keeping with national traditions of economic governance.

Furthermore, my research supported findings by Pot (2000) which suggest that there needs to be a differentiation drawn between the triggers for change initiated by globalisation and the effects of these triggers. In the case of labour, globalisation has changed the nature of the world economy, requiring labour markets to be responsive and flexible. This has provided a trigger for change in national labour markets. However, the effects that can result from this trigger remain highly varied because any change is mediated by existing traditions of economic governance

(consider, for example, the difference between internal and external labour market flexibility). Therefore, it is possible for the effects from the same triggers to vary considerably between places.

With respect to policy theory and the second body of literature that my research engaged with, I have highlighted the importance of geographic factors in the policy process, which, as I showed in Chapter 4, are ineffectively incorporated into mainstream policy theory. First, my research supported previous findings that scale impacts upon policy outcomes (e.g. research on the New Deal by Peck (1999) and Turok and Webster (1998); on economic development policy by Amin (1999)). It showed that scale-related factors impact on the effectiveness of policy, on the policy-making process and policy transfer, even when the transfer occurs within the same country and within broadly the same social, cultural, political and economic environment. Furthermore, my research also showed that sub-national scales can be highly effective scales at which to experiment with policy, given the reduced risk of experimentation at this scale, the closer proximity of policy actors and the potential for greater degrees of homogeneity.

However, my research's main contribution to policy theory is potentially the documentation of Kniaz's *patate* model of policy-making that I described in Chapter 8. This method of policy-making was highly effective and, I believe, unique. Its strength resulted from the way it concurrently integrated research, development, evaluation and experimentation into the policy process, as well as how this policy process allowed consensus to be created and maintained amongst a broad range of actors. As a consequence of this process the regional ARTT policy was continuously fine-tuned based upon the evaluation of experience; it was responsive to the demands of the diverse policy players, maintaining their commitment and involvement; and it maximised consensus, greatly improving the policy's chance of success. As Gadrey (1999) suggested, could this model be a new model of policy-making conducive to a post-Fordist economy, whereby policy is made at the regional scale in a highly flexible manner? I leave this

question unanswered, awaiting future research. However, I argue that, at the very least, this method of policy-making is one that should be emulated elsewhere in situations where effective policy responses, at sub-national scales, are required to contentious policy problems.

The final literature that my research drew upon concerns the theory of the local labour market. Here, my findings support the notion that the local labour market is socially regulated, more akin to that described by economic geographers (e.g Clark, 1980, 1983; Massey, 1984; Peck, 1996) than the commoditised, placeless market conceptualised in neoclassical economics. My research showed that socially determined factors were highly pertinent, having significant influence on the outcome of employment policy and, therefore, on unemployment. As a result, my findings further support the much-reiterated arguments in economic geography that stress the importance of the local labour market and its spatially embedded and socially regulated nature. If the local labour market is not a self-equilibrating market but rather a socially regulated environment, then this has important implications for policy, which I turn to in the following section.

10.4 Contributions to policy

I believe my research made two types of contributions to policy. The first concerns policy content and the specific form of employment policy, particularly within an increasingly globalised world. The second, as has already been noted above, concerns the documentation of a method of policy-making that is innovative, responsive, inclusive and consensual.

With respect to the content of employment policy, my research findings went against the homogeneous policy recommendations emanating from the OECD and other such international policy advisory bodies. The OECD recommends the implementation of a single set of employment policies across all developed countries. My findings concerning the continuing role of the local labour market in determining policy outcomes and the continued relevance in

the local labour market of national traditions of economic governance suggest that such homogeneous policy recommendations over-emphasise the power of global forces. Furthermore, they under-emphasise the importance of employment policy being compatible with the desires and demands of the local labour market. Therefore, they fail to take into account the importance of continuing diversity between places and inappropriately conceptualise the dynamic in the labour market between regional, national and global scales.

Therefore, my research shows that for employment policy to be effective at reducing unemployment and facilitating the functioning of the labour market it has to be at once sensitive to the constraints imposed upon it by the global economy and compatible with demands from the domestic constituency. This finding was especially relevant to France where the traditional method of labour market governance was not only different from the international norm, but where there was active dislike for the precarious, externally flexible, individualistic and market-centric (or as the French would say 'Anglo-Saxon' or 'Americanised') international employment policy norm. In this way, my research contributes to our understanding of employment policy-making by providing some indication of the balance in power that exists between the regional, national and international scales when devising the employment policy.

10.5 Directions for future research

Finally, I conclude by suggesting directions for future research. With respect to the particular topic of the 35 hour week policy, my analysis was necessarily only partial. There is much further research that could be done on this topic. For a start, it would be of interest to combine the political economy-style research I undertook with a thorough evaluation of the policy in its own terms. Furthermore, in doing so there would be considerable benefit from talking directly with firms, rather than relying on business organisations and consultants. In addition, it would be highly beneficial to undertake comparative studies that parallel this research, particularly looking at how work time reduction has been used in the Netherlands and in Germany. Indeed,

in Germany the question of how to reduce unemployment was highly topical during the recent election campaign, with the Hartz Commission proposing numerous solutions for how to make the German labour market more competitive, while reducing unemployment.

With respect to the broader issues my research touched upon, several other areas that require further research became apparent. First, there is a need for more empirically grounded research into the effects of globalisation that looks at both the convergence effects of globalisation as well as its geography and the reterritorialisation of scales of governance. While a great deal has been written on globalisation, there is a need for further research into its actual qualitative implications on the ground given its ramifications for effective policy-making. This need is particularly urgent in the case of employment policy given the massive economic, social and political implications of prolonged and localised unemployment.

Second, a further direction for future research concerns employment policies that diverge from the dominant Anglo-American model of supply-side, active labour market policies. In order to argue against the dominant logic supporting the implementation of such policies it is necessary to provide concrete evidence of examples where alternative models of employment policy are effective. Through greater research into such policies, it will be possible to supply strong evidence to policy-makers to support the use of employment policies that maintain employment protection without risking decreased competitiveness. Furthermore, this may even contribute to the re-acknowledgement that unemployment is not necessarily the fault of the individual but primarily results from a poor macroeconomic environment.

The third and final direction in which I suggest there is a need for future research involves undertaking similar studies but in different countries and different contexts. In my research I have shown that in France it is possible for national traditions of labour market governance to continue to influence employment policy and press back against global pressures to converge

towards the Anglo-American model. However, France is a strong state. It is also one of the world's richest countries. What is more, it has strong national traditions of economic governance and a very particular national culture and outlook on foreign influences. Further research is necessary to ascertain whether the experiences I have described in France are pertinent only to a nation in such a strong position that it can resist global influences or whether these experiences are replicable elsewhere in the world, most especially in less developed countries whose labour markets are more vulnerable to global pressures.

Finally, I should reiterate that this research was not an attempt to evaluate the 35 hour week policy and determine its impact on the labour market and unemployment. My research was instead a political economy assessment of the use of work time reduction policy in the region of Nord-Pas-de-Calais. In viewing the 35 hour week from its local labour market roots, I have provided an alternative perspective on this policy from that which dominated the English-speaking press and was put forward by policy advisory bodies. In doing so, I have shown that the local labour market remains an important scale, influencing employment policy choices and affecting their outcomes. While convergence pressures induced by globalisation are also powerful and have significant impact upon models of economic governance, the factors that led to capitalist diversity persist and continue to shape the outcomes of employment policy.

Appendix 1

Primary Research Reference List

1. Documentation from the Assises program and Conseil Régional, Région Nord-Pas-de-Calais

- *Synthèses des ateliers*: summarises of discussions and outcomes of the workshops held as part of the public consultation phases of the Assises program (1994)
 - La synthèse de l'atelier No. 1 : Vers un autres modèle de développement
 - La synthèse de l'atelier No. 2 : Économie et gestion de l'emploi dans la région Nord-Pas-de-Calais
 - La synthèse de l'atelier No. 3 : Modèle de développement, modèle d'intégration : vers un nouveau contrat social
 - La synthèse de l'atelier No. 4 : Expression publique et pratiques collectives des populations sans-emploi
 - La synthèse de l'atelier No. 5 : Nouvelles compétences et formation citoyenne
 - La synthèse de l'atelier No. 6 : L'emploi, le travail, la formation et le territoire
- *Lettres IST*: short explanatory documents prepared by the *Institut des Sciences du Travail* (an employment research institute at the University of Lille 2) to clarify for firms certain aspects of the labour law in order to facilitate their implementation of work time reduction.
 - La Lettre No. 1 : La modification des horaires de travail (May 1996)
 - La Lettre No. 2 : Le temps partiel annualisé (June 1996)
 - La Lettre No. 3 : La loi de Robien (volet offensif) (July-August 1996)
 - La Lettre No. 4 : La loi de Robien (volet défensif) (September 1996)
 - La Lettre No. 5 : L'annualisation du temps de travail (la modulation de type III) (January 1997)
 - La Lettre No. 6 : Comment passer aux 35 heures par le temps partiel (January 1997)
 - La Lettre No. 7 : La négociation collective du temps de travail (March 1997)
 - La Lettre No. 8 : La négociation individuelle du temps de travail (May 1997)
 - La Lettre No. 9 : La notion juridique du temps de travail aujourd'hui (October 1997)
 - La Lettre No. 10 : La compensation salariale dans le cadre du temps partiel (December 1997)
- *Études*: detailed presentations of findings from research undertaken as part of the Assises program.
 - Études No. 1 : Synthèse et bilan critiques des enquêtes portant sur l'opinion et les préférences des salariés françaises en matière d'ARTT (January 1996)
 - Études No. 2 : Recensement et analyse des expériences de RATT dans la région Nord-Pas-de-Calais (March 1996)
 - Études No. 3 : Les préférences des salariés de la région Nord-Pas-de-Calais en matière d'ARTT : Premières résultats (July 1996)
 - Études No. 4 : Comparaison et bilan des expériences d'ARTT dans la perspective de l'Eurorégion (July 1996)
 - Études No. 5 : Étude de l'ARTT dans les collectivités territoriales (November 1996)
 - Études No. 6 : L'aide à l'incitation à l'ARTT par les régions françaises : analyses et perspectives (January 1997)

- Études No. 7 : La loi « de Robien-Charlard », justification et impacts possibles d'une incitation à l'ARTT (February 1997)
 - Études No. 8 : L'ARTT : un levier de développement des entreprises (May 1997)
 - Études No. 9 : L'ARTT dans la pratique : l'expérience de quatre PME (October 1997)
 - Études No. 10 : Les processus de négociation de l'ARTT : étude de 14 cas d'entreprises régionales (January 1998)
 - Études No. 11 : Les effets pour les salariés des accords d'ARTT : les bases d'une négociation pour travailler moins et vivre mieux (February 1998)
 - Études No. 12 : ARTT : coût du travail et rémunération (May 1998)
 - Études No. 13 : Les préférences des salariés de la région Nord-Pas-de-Calais en matière d'ARTT (May 1998)
- *Synthèses*: brief summaries of findings from research undertaken as part of the Assises program.
- Synthèse No. 1 : Recensement et analyse des expériences de réduction ou d'aménagement du temps de travail dans la région Nord-Pas-de-Calais (December 1995)
 - Synthèse No. 2 : La négociation d'entreprises sur l'ARTT aujourd'hui (May 1996)
 - Synthèse No. 3 : L'opinion et les préférences des salariés français concernant l'ARTT (May 1996)
 - Synthèse No. 4 : Les attentes des salariés de la région Nord-Pas-de-Calais en matière d'ARTT : Premières résultats (September 1996)
 - Synthèse No. 5 : Coût du chômage, coût du chômeur évité, coût de la création d'un emploi dans la cadre de la loi de Robien (November 1996)
 - Synthèse No. 6 : L'aide à l'incitation à l'ARTT par les régions françaises : analyses et perspectives (January 1997)
 - Synthèse No. 7 : Les préférences des salariés de la région Nord-Pas-de-Calais en matière d'ARTT (March 1997)
 - Synthèse No. 8 : L'ARTT un levier de développement des entreprises (March 1997)
 - Synthèse No. 9 : L'ARTT dans les collectivités territoriales (March 1997)
 - Synthèse No. 10 : L'ARTT au quotidien : observation de terrain (June 1997)
 - Synthèse No. 11: Réussir la réduction de temps de travail (October 1997)
 - Synthèse No. 12: Les bons comptes de l'ARTT pour les salariés (December 1997)
 - Synthèse No. 13: La négociation d'entreprises le temps de travail : une analyse des facteurs de succès ou d'échec (December 1997)
- *Références et agenda*: up-to-date lists of published information available on work time reduction policy for use by firms. Seven 'agendas' were published between September 1996 to December 1997.
- *Le Journal des Assises*: twenty issues of this magazine were published between mid-1995 and January 2000. They were made up of journalistic articles about the outcomes and continued progress of the Assises program.
- *35 H en Nord-Pas-de-Calais : une réalité* : four issues of this newspaper-style newsletter were published between November 1999 and May 2000. This magazine replaced *Le Journal des Assises*.

▪ *Other public documents:*

- Appel de Marie-Christine Blandin 'Emploi, travail, activité : des Assises pour comprendre et avancer' (January 1994)
- Une stratégie pour l'emploi et le travail dans le Nord-Pas-de-Calais: Synthèse des travaux et apports des six ateliers des Assises, Assises régionales pour l'emploi et le travail (du Tertre) (March 1995)
- Le développement des services de proximité (May 1997)
- Dispositif régional emploi-environnement (1996)
- Convention entre l'état et la région pour la mise en oeuvre de la loi d'orientation et d'incitation à la réduction du temps de travail (5 October 1998) (signed in Lille by Alain Ohre, Préfet de Région, Michel Delebarre, Président du Conseil Régional Nord-Pas-de-Calais and Martine Aubry, Ministre de l'Emploi et de la Solidarité)
- Pôle de compétences ARTT : Rapport final (September 1999)
- La mise en œuvre de l'ARTT dans les PME suivant la Loi Aubry : Première évaluation (May 2001)
- L'aménagement et réduction du temps de travail : une politique régionale (May 1996)
- La région et le développement économique (June 2001)

▪ *Internal documents:* reports from within the Assises program (not publicly published material)

- Changer le travail pour faire face au chômage : le rôle majeur des 'relations de services' (October 1995)
- Chartes des têtes de réseaux ARTT (January 1996)
- Rapport intermédiaire sur l'évaluation des Assises régionales pour l'emploi et le travail (February 1997)
- Compte rendu des débats et recommandations des experts : journées de préparation à l'évaluation des Assises régionales pour l'emploi et le travail (February 1997)
- Rapport de la mission pré-évaluation (June 1997)
- Pôle de compétences ARTT : Rapport final (September 1999)
- La mobilisation des « têtes de réseaux » et des entreprises : rapport (October 1999)
- Évaluation de la politique du Conseil Régional Nord-Pas-de-Calais : Rapport final (January 2000)
- Nouveau régime de croissance et ARTT : le rôle « clé » des activités immatérielles et relationnelles (October 2000)
- La mobilisation des «têtes de réseaux» et des entreprises (4 October 2000)
- Politique nouvelles activités – Nouveaux Services : Documentation de présentation des critères de la procédures d'instruction (March 200)
- La mise en œuvre de l'ARTT dans les PME suivant la Loi Aubry : Première évaluation (May 2001)

2. Other documentation

▪ Publications produced by ARACT, Nord-Pas-de-Calais

- Enquête sur le dispositif d'appui-conseil aux PME relatif à la réduction du temps de travail (November 1999)
- Compte rendu animation plénière : forum organisation du temps de travail du réseau des consultants en appui conseil (March 2000)

- Vivre l'accord des 35 heures : la mise en oeuvre de la réduction du temps de travail dans 6 entreprises du Nord-Pas-de-Calais (April 2000)
 - Pour un évolution concertée du travail et de la performance dans l'entreprise (June 2000)
 - Les actions menées dans le cadre de l'ARTT par l'ARACT Nord-Pas-de-Calais (May 2000)
 - Les actions menées dans le cadre de l'ARTT par l'ARACT Nord-Pas-de-Calais (October 2001)
 - Le temps de travail des cadres : Quelles réalités ? Quels enjeux ? (June 2001)
 - Bilan et perspectives de dispositif d'appui conseil RTT (March 2001)
- National government publications from Ministère de l'emploi et de la Solidarité
 - 35 Heures : La dépêche du ministère de l'emploi et de la solidarité (weekly email publication from January 1999 to June 2001)

Appendix 2

List of Interviewees

Olivier Barrat	Statistician in charge of 35 hour week statistics, DARES
Jacques Bartélémy	Legal advisor to the national government
Luc Belval	E21 (consultant)
Catherine Bloch-London	Director of work time division, DARES
Marie-Christine Blandin	Former Green President of the region of Nord-Pas-de-Calais
Gilbert Cette	Former member of Martine Aubry's staff, economist
Thomas Coutrot	Director of employment division, DARES
Pierre-Yves Dauchez	Essor MPI (têtes de reseau)
Christian de Tertre	Economic advisor to Assises from its inception, economist at Université Paris-Dauphine (pôle de competences)
Virginie Delsart	Economist, University of Lille 1, researcher for CFDT (NPDC)
Patrick Devliegher	Institut CSE (consultant)
Leslie Devos	Chambre de Commerce et d'Industrie Valenciennes (têtes de reseau)
Laurence Duhomez	Chambre de Commerce et d'Industrie Arras (têtes de reseau)
Christine Ehrel	Economist, University of Paris V, advised national government
John Evans	Economist specialising in work time, OECD
Jean Gadrey	Economist, University of Lille 1, ran pôle de competences
Camal Gallouj	Economist, University of Lille 1 (pôle de competences)
Rabah Ghomrane	Staff of Assises
Gerard Grass	Founding director of the Assises program
Thomas Gregoire	Club des entreprises (têtes de reseau)
Eric Kniaz	Former director of the Assises program
Catherine O'Miel	Assistant to Regional Vice-President, staff of Assises
Marc Lebleu	Chambre de Commerce et d'Industrie Dunkerque (têtes de reseau)
Bernard Lefort	MEDEF-NPDC
Francette Legrand	Inspecteur de travail, DRETFP
Philip Lemaire	Assistant director, DRETFP
Christophe Pays	Staff of Assises program
Sophie Poirier	Chargé de mission ARTT, ARACT
Eric Pringent	MC2 Partenaire (consultant)
Sohelia Robati	CGPME, (têtes de reseau)
Frederique Seels	Chargé de mission ARTT, ARACT
Xavier Timbeau	Economist specialising in WTR, OFCE
Christian Traisnel	Hexa Conseil (consultant)
Nicholas Vaneecloo	Economist, University of Lille 1, convenor of GRATTs (pôle de competences)
Willy Wasse	Director, ARACT

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