

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.TD/W/152/Add.4
14 December 1972

Limited Distribution

Expert Group on Adjustment
Assistance Measures

ADJUSTMENT ASSISTANCE MEASURES

Information Supplied by Governments

Addendum

The following details have been provided by the delegation of France for the information of the Expert Group on Adjustment Assistance Measures.

France's policy on adjustment measures goes back a relatively long way as it originated with the introduction and achievement of the objectives of the Economic and Social Development Plans, the first of which was drawn up immediately after the war for reconstruction of French industry and the most recent being the current Plan, the Sixth, which covers the period 1970-1975.

Justification for such a policy has been considerably strengthened, especially over the past ten years, by the increased liberalization of international trade and by the need to adapt domestic industrial structures to increased competition.

Such a policy must, however take account of a number of considerations and must not be motivated by any one alone, however important it may be, and in particular by the trend in imports. It would, in fact, be difficult to persuade national public opinion to accept measures exclusively based on commercial considerations and which took little account of domestic concerns of a political, economic and social character. While recognizing that the commercial aspects of adjustment have a certain rôle to play, France does not accord them a major rôle.

For this reason France's adjustment policy is aimed essentially toward modernization and rationalization of production, town and country planning and development, regional development, improvement of working conditions and training facilities, so that France may share in a better distribution of production factors at world level.

The basic principles underlying France's policy, which were explained in detail in the previous communication sent to GATT in 1969, are still entirely valid and this communication will therefore consider only implementing modalities which existed in 1969 and have been improved since, or those which have been introduced since that date.

The principal changes have been in respect of the system of regional development assistance. Re-structuring efforts have been concentrated more on medium-sized industry. The most striking reforms, however, have been in the field of employment and vocational training.

* * *

I. Regional development aids

Regional development aids in fact consist of subsidies granted out of public funds. As such, they are subject to company profits tax proportionally to the depreciation of the goods for the purchase of which the subsidy was granted. Therefore, 50 per cent of the sum granted may be considered to be a subsidy in the true sense whereas the other half is more of a treasury loan in view of the spreading of tax and is really a true subsidy only to the extent of 14 to 16.5 per cent. Equipment subsidies are paid only against proof that the investments have already been made but, in some cases, specially for long-term operations, partial or advance payments are still possible.

The rôle played by these aids, introduced in 1964, has so far been quite appreciable. Since their introduction they have been better adapted to the specific characteristics of each region, and in particular:

- formalities have been decentralized;
- measures have been strengthened in respect of undertakings, by improvements in the rates applicable or by more flexible conditions and procedures for eligibility;
- the scope of such aids has been extended considerably to the benefit of tertiary activities.

A. Regional development aids since 1964

Within the context of the policy for regional economic expansion and town and country planning, the public authorities have taken steps to further adjustment. They have granted incentives in the form of development or adjustment premiums and decentralization payments in order to promote:

- the creation of new activities
- the development of existing activities
- the reconversion of declining activities
- the decentralization of establishments in the Paris area.

1. Industrial development premiums and industrial adjustment premiums

Premiums have been granted to encourage certain investments. They were originally provided for by the Decree of 30 June 1955 under the heading Special Equipment Premiums, and subsequently, under the Decrees of 21 May 1964 and 27 October 1967, they became Industrial Development Premiums and Industrial Adjustment Premiums, according to their respective objectives. The granting of such assistance was based on two ideas: firstly, the creation of nuclei of economic development benefiting from higher premiums, and, secondly, application of this system over a broader geographical area in the form of spot grants for which the premiums would, however, be considerably lower.

Their object was to encourage the creation of employment opportunities in those regions where economic development was lagging (west, south-west, centre, Corsica) and in zones having serious reconversion problems (textile and mining regions especially Montluçon, Commentry, Ardennes, Vosges).

In practice, the originally very clear distinctions between industrial development premiums and industrial adjustment premiums have been gradually disappearing as the more favourable system, the former, has been increasingly followed.

More recent texts have confirmed this trend i.e. a Decree of 21 March 1969 has regulated both types of premium since that date while the Decree of 24 October 1967 was amended by another of 21 March 1969 which introduced the Premium for the Localization of Certain Tertiary Activities.

(a) Industrial development premium

Industrial undertakings and research, study, experimental or scientific or technical testing establishments in the west, the south-west, the centre and Corsica were eligible for these premiums, as were undertakings in the services sector in certain exceptional cases.

As for the conditions attached to such grants, until last year the premium could not be granted for the creation of an establishment unless the latter involved investment of at least F 300,000 without tax and provided at least fifty permanent jobs; the period of implementation of the programme could not exceed three years in principle (five years if the investment exceeded F 20,000,000 and if more than 500 jobs were created).

Where activities were being extended, in addition to the minimum investment requirement, an increase in staff of at least 30 per cent or 100 persons was stipulated and the duration of the programme was in such cases reduced to 2½ years.

Nevertheless, in all cases, the premium could be obtained only if the projected investment financing plan was balanced, that is if the implementing company had all the necessary credits for carrying it out. This is, moreover, still the case.

The amount of the premium was determined as a standard proportion of investment expenditure without tax, and varied from one geographical zone to another. The rate was 25 per cent, 15 per cent or 12 per cent for new industrial plants and 15 per cent or 6 per cent for extensions. Under a Decree of 27 April 1970, however, the rate of the industrial development premium was set at 20 per cent in certain urban areas which were main nuclei of development, and at 12 per cent in the rest of the development area. At 1 January 1970, the maximum premium granted was F 13,000 per new job created in the first case, and F 7,000 in the second. These provisions were harmonized, however, in Autumn 1971 resulting in a considerable levelling out of the difference between the system for new investments and that for extension of investments.

From the point of view of taxation, such premiums are subject to the law relating to subsidies. They are therefore subject to company profits tax, which in France is charged at the rate of 50 per cent. If the fixed capital created is not amortizable, the subsidy must be spread in equal portions over the profit made on the ten years following payment.

Applications for premiums must be presented before operations begin and must be filed with the Préfecture of the region in which the investment is to be made. A case file, compiled by the industrialists, is examined at regional, (programme involving less than F 2 million) or national level, generally within a two-month period. Approval of the application is granted by a decision of the Minister for the Economy and Finance, acting on a recommendation by the specialized committees (Committees No. 1 Ter and 6) of the Economic and Social Development Fund (ESDF). Payment is made, normally over two or three years, as soon as proof can be given that the undertaking receiving the premium is observing the conditions on which it is granted.

(b) Industrial Adjustment Premium

In certain areas where the decline in traditional activities creates serious problems of reclassification of workers, an industrial adjustment premium could be granted to companies which made investments for the reclassification or continuing employment of workers. This aid was limited to a specific part of the country.

Nevertheless, where investment exceeded F 40 million and the number of jobs created was higher than 800, and if the nature of the investments did not allow for the establishment of a plant in the geographical area mentioned in the relevant texts, the premium could still be granted, provided that the plant was established near to that area and that it afforded a solution to the adjustment problems, concerned.

Whereas the rate applicable to industrial development premiums was fixed, that applicable to adjustment premiums varied, being 25 per cent for establishment of a plant and 15 per cent for extension of a plant. In other details, the conditions for the granting of premiums, the amount, thereof, the conditions of taxation and of repayment were identical to those applicable to industrial development premiums. The granting of the industrial adjustment

premium was not so automatic, however, When local employment conditions warranted, the decision to grant an industrial adjustment premium could be accompanied by conditions relating to manpower reclassification which would be settled through agreement with the Ministry of Labour and Population.

Furthermore, certain regions - the north (the basin of Nord-Pas de Calais and the Sambre valley), Lorraine (the steelworking, ironmining and coalmining areas), the regions of Saint-Etienne and Alès (the coal fields of the Loire and the Cévennes) - there are resident Commissioners for industrial conversion who under the direction of the regional Préfets, are responsible for seeking, proposing and promoting measures likely to help in solving conversion problems.

The public authorities have ensured that adjustment assistance is not diverted to other uses. A decree to that effect, issued on 27 April 1970, relating to industrial development and industrial adjustment premiums, stipulated more stringent conditions for eligibility for a premium for extension. If a company cannot meet the condition of an increase of not less than 30 per cent in the number of workers it employs, the fact that it implements a programme resulting in the taking on of at least 100 persons is no longer sufficient to make the request eligible for consideration. Such a programme must also involve decentralization of activities from the Paris region or the creation of some new activity or some type of operation which is likely to facilitate the solution of some conversion problem. Furthermore, in assessing the social implications of a programme submitted in support of an application for a premium, account is taken of the numbers already employed by the undertaking in all its workshops within any given urban area and within a radius not exceeding 20 kilometres from that urban area.

Premiums for these two types of operations amounted to F 88 million in 1960, F 91 million in 1965, F 95 million in 1966 and F 69 million in 1967. The subsidies helped in bringing about considerable investments, exceeding F 900 million in 1965 and 1966 and F 600 million in 1967. They resulted in the creation or the reconversion of more than 25,000 jobs during those three years.

(c) Localization premium for certain tertiary activities

Under the Decree of 27 October 1967, a localization premium for certain tertiary activities may be granted to undertaking which wish to create or decentralize their general services (management, administration, and study or research departments) in a limited number of towns.¹

¹The list of towns covered by this decree is: Lille, Roubaix, Tourcoing, Nancy, Metz, Strasbourg, Besançon, Dijon, Lyons, Saint-Etienne, Grenoble, Clermont-Ferrand, Marseilles, Aix-en-Provence, Nice, Montpellier, Toulouse, Bordeaux, Limoges, Poitiers, Nantes, Saint-Nazaire, Rennes and Brest.

This premium cannot be awarded in addition to the industrial development premium but the conditions under which it is granted are approximately the same.

In order to be considered, the investment programmes must involve the creation of at least 100 permanent jobs, or in the case of study or research departments at least fifty. The programme is to be completed within not more than three years, with the possibility of extension to five years for operations which will eventually create 300 jobs.

The rate of the premium is set on a standard basis in relation to the undertaking's investment expenditure, without tax. However, the amount of realty investment taken into consideration in calculating the premium may not exceed F 40,000 per job created. The rate, which bears a direct relation to the interest and importance of the operation, ranges from 5 to 15 per cent of the amount invested, but in the case of operations of exceptional interest, may be increased to 20 per cent. As with the industrial development and industrial adjustment premiums, the premium for localization of certain tertiary activities may not exceed F 13,000 per job created and it is granted by means of a similar procedure.

The factories, the creation of which is facilitated by the grant of premiums, may provide advantages for workers locally affected by industrial conversion measures resulting in the closing down of certain establishments. They also provide a specific solution to the problems of re-employing women workers.

2. Decentralization grants

Industrialists in the Paris region who transfer all or part of their production plant to the provinces may be granted a partial reimbursement of their removal costs. This compensation is granted independently of the "Premium for Evacuation of Premises" in the Paris region. This latter premium, instituted by the Law of 2 August 1960 varies from area to area and depends on the type of building. It ranged from F 25 to F 100 per square metre of floor area for industrial premises and their annexes and from F 100 to F 200 for office premises.

The decentralization grant proper is a standard percentage of transfer costs, being equal to:

- 60 per cent of industrial equipment stripping charges
- 60 per cent of the cost of transporting such equipment
- 60 per cent of reassembly costs, these being fixed at one half of the stripping costs.

Exceptions to these provisions may be made if such fixed percentage results in a grant exceeding F 500,000. The decentralization grant is payable on two conditions: at least 500 square metres of industrial floor area in the Paris region must be vacated and the plant must be set up again outside the Paris basin. Vacating means that either the undertaking moves out of the premises entirely, or in some cases that they are converted into office or business premises. The company may claim the grant whether it is the owner or merely the tenant of the premises vacated.

Even though the decentralization grant comes more under regional development aid policy than under adjustment assistance policy, it may nevertheless be considered under the latter heading in so far as undertakings benefiting from it frequently take systematic advantage of removal operations in order to modernize their management and rationalize their production by abandoning unprofitable activities.

By the end of 1967, that is to say nearly three years after being instituted (by the Decree of 21 May 1966), a total of more than F 11 million had been paid out in the form of decentralization grants.

The effort that France is making in the sphere of adjustment is clearly reflected in these subsidies.

In 1970, the considerable increase in the efforts made by the public authorities to bring about adjustments was reflected in their financial commitments and the results obtained. The premium budget has increased from an average rate of F 100 to F 120 million five years ago, to about F 300 million. Between 1 January 1969 and 30 June 1970, Government aid was given for the creation of 50,000 industrial jobs in the western regions alone. Industrial conversion progressed at the same rate in the mining regions. The procedure whereby aids are granted has been simplified both at the investigation stage and with regard to the payment of premiums. Furthermore, where small and medium-sized undertakings are concerned, one third of the premium is now paid to the industrialist as soon as the decision to grant it has been made. The various types of aids have been made more selective and effective by bringing all the rules relating to the granting of assistance within the ambit of the Interministerial Committee for Industrial Policy which met for the first time in 1970 under the chairmanship of the Prime Minister. Its work led to the introduction, early in 1972, of a major reform of the existing system.

B. The reform of regional development aids in 1972

The reform, which comprised an in-depth revision rather than a change of the system, brought a number of important modifications. The new system of premiums to help industrial undertakings is based on three main points of concern, vis-à-vis the regions, the undertakings, and the system itself.

(a) with regard to the regions

Where the regions are concerned, the new premiums system retains most of the priorities already recognized, but makes some changes in the distinctions as between the regions aided. It makes it possible to apply the same effort to developing the western regions, which have so far benefited from the "development premium", as to reconverting a number of small areas or broader regions affected by the decline or disappearance of major industries (mining, steelwork, textiles, metallurgy, etc.).

Until the end of 1971, there were two clearly defined categories of priority regions, those in the west which were short of industrial jobs in view of the social consequences of changes in agriculture and those of the already industrialized regions of the north, the east, the centre and the south-east which were suffering from a heavy reduction in industrial employment. Regions in the first category seemed to require more general industrialization, less adapted to specific employment problems than was the case in the second type of region where what was needed was to encourage the reclassification of workers in industries undergoing transformation. In fact that clear-cut distinction which used to exist has progressively dwindled in importance and even in significance.

It has, in fact, been noticed that in the western regions industrial changes could come about resulting in a need to reclassify workers and that in many so-called adjustment areas the main consideration was not to reclassify staff directly affected by action at the level of individual undertakings, but to offer new employment possibilities to the population group concerned, as a whole. It was therefore decided that the two premium systems should be replaced by one, meeting all cases which would finance new industry, extensions and internal conversions alike.

The rate of premium varies from 12 to 15 per cent according to the region in question and depending on whether the particular case concerns extension or creation. For zones particularly affected by reconversion, the rate has been increased to 20 per cent in the first case and 25 per cent in the second.

A further element of flexibility has been introduced in that the premiums may, by way of exception, be granted for cases outside the classified areas. This concerns more particularly large programmes and the creation of a large number of jobs near conversion zones. This provision is nevertheless very strictly applied to ensure that the system is not abused. The resources available under this head may not exceed one tenth of the whole.

(b) with regard to undertakings

The new system represents an overall increase in the level of assistance for undertakings.

Thus the limitations on premiums in the form of a maximum amount per job have been relaxed. The maximum applicable to new industrial establishments has been increased from F 13,000 to F 15,000 per job, and that for extensions from F 7,000 to F 12,000. These maxima can be waived in exceptional cases where their application would lead to rates of less than 12 and 10 per cent respectively for new establishments or extensions.

At the same time the eligibility threshold for applications has been raised from F 400,000 to F 500,000 (and 30 new jobs). The duration of all programmes has been set at three years. Furthermore extensions may be taken into consideration only if they result in an increase of at least 30 per cent or at least 100 persons in the number of persons employed for transfers from the Paris region, the creation of new activities within an establishment, efforts to convert industrial establishments and the first extensions after initial establishment. This rule is broader than that previously applied and is more favourable to structural adjustments.

The system has been made more effective by decentralizing procedures to the regional level, an arrangement which previously had only existed in the western regions, while the adjustment premiums had always been handled centrally. Procedures have also been simplified and speeded up as a result of a broadening of regional competence (up to F 5 million worth of investments since 1972, instead of F 2 million). Now two thirds of all cases are examined at regional level, as against one third previously.

(c) with regard to the system itself

The premium for the localization of tertiary activities has, in fact, been applied in only very few cases and the amounts granted have generally been fairly small since 1967. Nevertheless the tertiary sector has been developing appreciably (of every three new jobs created, two are in the tertiary sector). The introduction of a more systematic localization policy for the tertiary sector was found to be necessary to supplement industrial decentralization and adjustment activities.

In order to strengthen the existing system, it was decided to set a standard rate depending on the nature of the localized activity and to apply it to poles of equilibrium and assimilated towns or cities, and to those areas where premiums could be granted to industry.

The assistance must be exclusively intended to influence the localization of tertiary activities and not to encourage their development. The premium is granted only for programmes resulting in the creation of at least 100 jobs in general cases, or at least fifty in the case of study or research departments or head offices. It cannot however be granted by a regional body. The rate varies from 10 to 15 or 20 per cent, depending on whether it is granted for executive and administrative services, managerial services, study or research, or for head offices. The maximum grant per job created is the same as that applicable to industrial premiums (F 15,000). The amount of realty investment taken into account in the calculation has been increased from F 40,000 to F 50,000.

* * *

Of the F 350 million provided for premiums in the 1972 budget, about F 50 million have been earmarked for aids to the tertiary sector, whereas hitherto that sector had only received an annual allocation of F 10 million.

II. Industrial adjustment loans and efforts to help medium-sized industry

In the past, certain banking or financing bodies have traditionally participated in industrial adjustment, whether in a principal or a secondary capacity. Nevertheless efforts of this kind under credit policy have remained somewhat limited and for this reason the public authorities have, in the past two years, been moving toward a closer association between adjustment activities and credit policy, in particular by creating a financing corporation, the Industrial Development Institute (IDI).

A. Loans for industrial adjustment

1. The Economic and Social Development Fund (ESDF)

The ESDF is both a group of administrative committees and a special Treasury account which examines all investment programmes financed with direct or indirect State assistance.

With regard to its rôle in adjustment matters, the ESDF may be considered as a body whose action affects both the structure of industry and the level of activity. It recommends the grant loans at low interest rates in order either to facilitate the reconversion of undertakings or, more particularly, to promote industrial adjustment in regions threatened by underemployment. Thus the ESDF intervened in the reorganization of the machine-tools sector and in the creation of new or substitute jobs in mining or steel-working areas.

However, ESDF loans to private industry are still of a subsidiary nature for they represent on average only 3 to 4 per cent of total loans granted for investment in this sector (about F 1.3 thousand million out of some F 40 thousand million), which normally pass through banking and financing establishments. Nevertheless, loans in respect of aids for conversion, decentralization, productivity and research account for 60 per cent of all loans granted by the ESDF to the private industrial sector.

(a) Loans for conversion, concentration, specialization and the creation and transfer of activities within the framework of regional development

This category of loans plays a decisive rôle in the adjustment assistance policy. Such loans, lasting on average 8 to 15 years at a rate of 6 per cent with a 2 to 5 year deferment on amortization, are granted through financing or banking organizations such as the National Credit Bank and the Central Credit Bank for Industry, Trade and the Hotel Industry, depending on their amount. In 1967-1968, such loans totalling F 85 million were granted to sixty-five undertakings making it possible to transfer or create 14,000 jobs (of which 5,500 were in the mining regions and 4,000 in the west, the centre and the Vosges). In 1968-1969 credits were granted from an initial sum of F 250 million to 126 undertakings, resulting in 14,500 new jobs (of which 10,000 were in areas undergoing industrial conversion and 3,000 in the western regions).

(b) Loans for improved organization and increased productivity of undertakings

This category of loans over a shorter period (4-10 years) but at a lower rate (4-5.5 per cent), is granted to undertakings wishing to improve their production methods or carry out conversions, to cover fees payable to organizational specialists or to their own organizers who study or prepare the suggestions for improving management or rationalizing production. It also covers studies and investments made to increase productivity and to give the workers an interest in the results of their work. However, such loans, granted mainly to medium-sized undertakings, account for a fairly limited sum.

2. The Deposit and Consignment Office

This Office contributes to industrial adjustment through its network of branches. Its direct loans to private industry have in the past gone mainly to steelworking undertakings. From 1957 to 1965 average annual loans totalled F 200 million, in 1966 they fell to F 74 million, in 1967 to F 18 million, disappeared from 1968 onwards.

One of its subsidiaries, the SCET, has however contributed to the establishment of semi-public corporations (generally called "departmental equipment corporations") to plan and equip industrial zones and build factories. Furthermore, half a dozen industrial building corporations, which are particularly active in the east, have made it possible to effect dozens of industrial conversion operations partly as a result of the facilities made available to them by the Government. By the end of 1966, one of these corporations, the SIIHR, had carried out 24 operations in the Upper-Rhine region, 15 of which were conversions and 9 building operations which together helped to create 8,000 jobs. Another of these, the SIIBR, completed 40 operations in the Lower-Rhine area (17 conversions, 23 building operations) creating nearly 3,000 jobs.

The building and sale of prefabricated factories by the SCIBI, which is attached to the Deposit and Consignment Office, in regions affected by conversion problems, have allowed a better adjustment to the contingencies of economic activity, using the funds held by local savings banks. Consequently, by the end of 1965, fourteen prefabricated, polyvalent and standardized factories had been constructed; eleven in Brittany, two at Le Boucan and one at Decazeville.

3. The SICOMI and the extension of leasing

The public authorities have intervened to enable both rapidly expanding companies and those faced with structural problems to put more of their own funds into more specialized equipment, their working capital or any research which they might undertake with a view to adjusting to new production or market conditions.

Since July 1966, leasing corporations have been considered to be financial establishments under French law. At the beginning of 1967 their intervention potentiality was equivalent to 1 per cent of the total investment expenditure of French undertakings. Under an Ordinance of 28 September 1967, corporations specialized in letting professional premises (SICOMI) were established; these are authorized to contract loans in an amount double or triple that of their own funds, depending on the case. By using the leasing system the SICOMI can make available to industrialists, factories in running order on a down payment of only 25 per cent. Regional development corporations in the north, the west and the south-east have been authorized to combine to set up branches specialized in leasing. These new bodies tend to considerably facilitate the financing of industrial premises, thereby facilitating adjustment. In 1968, there were 35 leasing corporations which were particularly dynamic as, on average, their turnover increased three-fold between 1965 and 1968.

4. The National Credit Bank and the Central Credit Bank for Industry, Trade and the Hotel Industry (CCCHIC)

The National Credit Bank, which deals with large undertakings has become the main long-term credit establishment for the industrial and commercial sector. It has, since August 1969, been granting loans of an average duration of 8 to 12 years at 8.75 per cent or less not counting certain interest bonuses which may accrue. However, eligibility for such loans is subject to relatively strict criteria.

The National Credit Bank participates in the work of the ESDF (loan management, reimbursable subsidies, guarantees) and is associated with the administration of various bodies which play an active rôle in adjustment activities (CCCHIC, SEET, SODIC - the Industrial Conversion and Development Corporation).

The Central Credit Bank for Industry, Trade and the Hotel Industry grants loans to small and medium-sized undertakings. The loans are made to partially finance (50 to 75 per cent) professional investments (premises, equipment) over a maximum of twenty years at 8.5 per cent, sometimes with rebates, on the basis of debenture loan issues on the financial market. Like the National Credit Bank, the CCCHIC participates in the work of the ESDF and in that of various financing committees and bodies. In April 1970, the maximum unit amount authorized for loans to small or medium-sized undertakings, which had hitherto been F 500,000, was increased to F 1 million. At the same time, the monthly volume of loans granted was increased from F 30 million to F 45 million so that the raising of the maximum unit amount would not result in a reduction in the number of loans.

B. The restructuring of medium-sized undertakings and the Industrial Development Institute (IDI)

1. Rôle and principles of IDI activity

The Decree of 1 June 1970, by which the IDI was created, entrusted to it a very general task, namely, to promote a more rapid rate of growth and change in French industry. This will include improving the structure of undertakings, strengthening resources and, in the future, reshaping certain branches of the industry to which they belong. Even though the original capital (F 333 million) entrusted to the IDI was largely public money, it enjoys a high degree of independence and full freedom of decision in its interventions, vis-à-vis both the public authorities and the private industrial and financial sectors. It tries to promote intervention by existing institutions and does not act of its own accord unless it does not succeed in obtaining sufficiently rapid and vigorous action by some other means.

The IDI has private law status and is a flexible and progressive instrument of intervention. Its resources are to be progressively increased to F 1,000 million over three years by means of advances, mainly from State sources.

It maximizes the efficacy of its activities by endowing them with a multiplier effect, firstly by combining financial action (contributions from its own funds) with action bearing on structures and management and, secondly, by using the assistance of existing financial establishments which it is obliged to do.

The criteria governing IDI activities derive either from a sectoral approach, whereby the restructuring of a specific sector is concentrated on a few undertakings, or from a very pragmatic approach whereby it tackles adjustment problems by means of the "blow by blow" technique.

The non-financial activities of the Institute consist in improving the management of undertakings and in activities of a "diplomatic" nature, designed to improve and facilitate relations between undertakings. At financial level, it may temporarily invest in industrial concerns, subscribe increases in capital, grant loans on repayment conditions adapted to each case, intervene during momentary critical situations (e.g. reorganization of an undertaking after a merger), etc.

Since its creation, the IDI has dealt with some sixty cases, all of which presented structural problems.

2. Prospects for collaboration between the IDI and the Regional Development Corporations (RDC)

The IDI collaborates with the RDCs by referring small undertakings to them and encouraging them to adopt a more dynamic policy in co-operation with it. There are fifteen RDCs, created by a Decree of 30 June 1965 in order to assist in the financing of industrial undertakings in regions suffering from under-employment or insufficient economic development by means of equity investments. For that purpose they enjoy certain tax advantages. However, this type of activity has not met with the expected degree of success. Although equity investments accounted for 42 per cent of the amounts utilized out of the own resources of the RDCs, they only accounted for 4 per cent of total interventions. In view of this disappointing situation, partially due to the inadequacy of their own resources, the reticence of regional manufacturers and the insufficiency of returns on investments, while being unable to influence the management of the undertakings concerned, they were transformed into regional long-term credit establishments (1957 and 1960 Finance Acts) operating with their own funds or with the proceeds from various State-backed grouped loan issues in the financial market. They also receive rebates on interest.

The operations thus financed are, in many instances, related to industrial adjustment endeavours. Between 1957 and 1969 over 100 grouped loans were issued on the financial market resulting in the distribution of F 1,927 million to nearly 2,300 undertakings both for development purposes and conversions proper. Even though the results fell short of expectations, it may legitimately be considered that over the next few years the close collaboration between these bodies and the IDI will be fruitful for the restructuring and adjustment of small and medium-sized undertakings at regional level.

III. Adaptation of workers to industrial adjustments

The adaptation of workers to adjustments which have been noted or can be foreseen both enables firms to rely on the requisite manpower resources for their possible reconversion and reduces the social difficulties involved in such operations, which prevent or unduly delay their fulfilment. The effort of workers to adjust themselves is a token of the normal adjustment of undertakings to economic changes which competition steps up or renders inevitable. It thus obviates the need to resort to protective measures which the existence of social unrest might otherwise have warranted.

It must nevertheless take account of the basic characteristics of the French economy as well as of specific employment problems.

- The basic characteristics: the structures of the French economy, like those of any developed economy, are constantly evolving. In 1939, one third of the active population was employed in the agricultural sector as against less than 14 per cent in 1967. The tertiary sector which only represented 38 per cent of the national labour force in 1954, accounted for 42 per cent in 1968 and over 46 per cent in 1970. The number of executives, managerial staff and highly skilled workers doubled between 1954 and 1962. Many sectors of industry are still not very concentrated, however, for although 5 per cent of industrial undertakings employed 67 per cent of all workers in 1968, only one undertaking in ten had more than ten employees. Foreseeable structural changes indicate that in coming years the most rapidly developing sectors will be those in which undertakings have fifty to one hundred employees.

- Specific problems: during the Sixth Plan, account being taken of population growth, provision was made for 600,000 new jobs. In 1971, over 40 per cent of the French population was under twenty years of age and one worker in four was under twenty-five. The problems of women workers are no less considerable, for one woman in three goes out to work which means that in the active population, for every two men there is one woman. Executives and managerial personnel account for an ever-growing category of workers and although they used to be privileged they are nowadays increasingly concerned by conversion or adjustment problems. These are all specific elements which cannot be ignored when considering how to adapt men to changes in industrial structures, and they have to be considered from two angles i.e.:

- from that of vocational training, firstly;
- from that of reconversion and guarantees of resources and employment afterwards.

Major changes have occurred in this sector over the past three years. They have tended to strengthen and to improve the quality of the original provisions. This shows that the public authorities have been concerned not only with guaranteeing employment but also with improving it.

A. Vocational training and adjustment

Vocational training in the broader sense has two facets. First, there is vocational training in the true sense which has a three-fold objective: to provide skilled labour, promote social advancement and facilitate the reconversion of workers. The possibility of taking up another trade and of acquiring adequate skills, or of improving their skills and knowledge, greatly reduces harmful effects due to loss of employment. Now, industrial adjustments usually lead either to large-scale lay-offs or to a decrease in the number of unskilled or relatively unskilled workers.

Second there is the whole policy of continuing training or education the rôle of which is to prevent changes or make them easier to bear. In the former case, it is a matter of facing the problems arising from external adjustments (conversion, merger, change of occupation, desire for better employment, etc.). In the second, the worker is generally faced with a problem of internal adaptation (rationalization of production, introduction of new methods that upset the organization of the undertaking, partial suspension of activity or manufacture). In practice, however, the distinction is not so clear for these two hypotheses frequently overlap.

1. Vocational training proper

(a) Evolution of vocational training policy

Before the Act of 3 December 1966, which in a way constitutes France's vocational training charter, training centres existed in undertakings or professional groupings, most of them being the outcome of regulations laid down in 1946. Furthermore, under the terms of the Act of 3 July 1959 on social advancement, other centres received technical and financial aid from the Ministry of Labour or the Ministry of National Education, after having entered into an agreement with the public authorities. This system is gradually being discontinued but still covers eighty agreements.

The Act of 1966 was novel in that it considerably improved financing by creating a Vocational Training, Social Advancement and Employment Fund and clearly stated the joint responsibility of the Government and employers for such matters on a contractual basis. Agreements are drawn up for various types of activities (young workers, new techniques, up-dating, etc.) and the AAVT (Association for Adult Vocational Training) has administrative, technical, pedagogical and financial responsibility for their implementation. Under an Act dated 31 December 1968, this system was further improved by making provision for remuneration of trainees during their training.

The employers' and workers' trade-union organizations have, in the past year been more closely associated in the formulation and implementation of the co-ordinated vocational training and social advancement policy, within the bodies set up under the Act of 3 December 1966. A permanent delegation of the National Council meets regularly with members of the Standing Group of senior civil servants responsible for preparing and carrying out vocational training policy.

In addition two Decrees were issued on 16 September 1970 concerning a reform of the composition and functions of the Regional Vocational Training, Social Advancement and Employment Committees. These texts made particular provision for:

- extension of the functions of the Committees in respect of employment and training;
- broader representation of social partners;
- the possibility of setting up within each Committee a permanent delegation of representatives of employers' and workers' trade-union organizations which will be able to sit periodically with the Standing Group of Local Civil Servants under the chairmanship of the Préfet.

Lastly, tripartite management (Government, employers, workers) is already written into the statutes of the AAVT which intervenes both indirectly (supervising training courses) and directly (organizing training courses) and is one of the most important instruments of vocational training policy. However, in order further to improve this management a working group, comprising representatives of the Government and of the social partners, was set up in May 1970 and after carrying out an examination, has made suggestions for a more thorough adjustment of AAVT structures.

(b) What has been achieved so far

During the past two years, the Government has considerably increased its efforts to promote vocational training.¹

Resources available for further education were 20 per cent higher in 1970 than in 1969. In 1971, budget credits made available were 14.5 per cent higher. This increase in resources made considerable progress possible. Whereas in July 1968, 115 training agreements had been signed affording openings for 35,000 trainees, 1,000 agreements covering 280,000 trainees had been signed by the end of 1970.

It should be noted that, during that same year, a large number of agreements (about 250) were signed by regional Préfets after consultations with Regional Vocational Training, Social Advancement and Employment Committees (local advisory bodies created under the Act of 1966), in furtherance of the deconcentration policy followed by the public authorities.

¹The three-year programme from 1967-1969 involved credits totalling F 2,000 million.

To the above figures should be added the 52,000 adult vocational trainees benefiting from direct AAVT action and the 20,000 trainees undergoing vocational retraining organized by the National Employment Fund (NEF), the 20,000 trainees of the National Conservatory of Arts and Crafts (NCAC), the 200,000 trainees in social advancement courses run by the Ministry of National Education, the 80,000 adults enrolled in correspondence courses with the National Correspondence Course Centre and the 50,000 national servicemen who were undergoing general and technical training during their military service.

Furthermore, following the entry into force, on 1 October 1969 of the Act of 31 December 1968 concerning the remuneration of trainees during vocational training the number of paid trainees increased from 80,000 to 135,000 in the first year.

(c) Diversification of training courses (see table)

The importance of AAVT should be underlined because of its two major sectors of intervention; namely the provision of control and managerial assistance for training activities, and also the provision of direct training facilities.

- control and managerial assistance: the AAVT acts as:

- . technical adviser by carrying out enquiries prior to the signing of agreements, in particular those concerning reconversion by the National Employment Fund (NEF). For this purpose, the AAVT relies on certain specialized bodies such as the regional technical and educational centres for the preparation of "training officers" to be responsible for retraining the staff of undertakings undergoing reconversion.

- . educational adviser on the use of audio-visual aids. In this sphere, it works in close contact with the Ministry of National Education. In addition, it encourages small and medium-sized undertakings to organize vocational training and retraining in joint training centres.

- supervisor of activities undertaken and of the content and value of programmes. It has several dozen inspectors who carry out enquiries prior to the signing of agreements or who periodically check more than 430 centres.

- direct training: the AFPA undertakes two types of activities:

- . continuing complementary activities in the general vocational training system. It tries to remedy certain shortcomings by encouraging the business sector concerned to intervene, especially in cases of conversion. It is progressively developing its activities to help the most underprivileged social classes, including immigrants (5,000 such trainees were assisted in 1969) and it encourages mobility of labour during adjustment.

- . rapid intervention in the context of industrial concessions organized by the NEF. Agreements signed between the undertakings concerned and this body determine under what conditions the AAVT is to intervene. These activities are "flash actions" which are under way within three to four weeks as soon as any grave structural problem appears at local level. In 1969, these resulted in the opening of 198 training sections to retrain more than 20,000 workers.

Of all the AAVT training courses in the following table, 80 per cent of those directly organized by the Association are reconversion courses subsequent to adjustment, 8.5 per cent are adaptation and refresher courses, 7 per cent pretraining courses, and lastly 3.5 per cent are full-time further training courses which are being developed in accordance with education needs.

TYPES OF TRAINING COURSES OFFERED
BY THE AAVT

	<u>Characteristics</u>	<u>Conditions and coverage</u>	<u>Duration</u>
<u>Preparatory training courses</u>	Preparation for adult vocational training: <ul style="list-style-type: none"> . to raise the level of general culture . to give a technical grounding . to find out aptitudes with a view to vocational guidance 	Concerns relatively limited sectors (buildings, metal-work)	12 weeks
<u>First-level courses</u>	To provide some qualifications for workers who have had no traditional education	Level of education: primary studies Lower age limit 17. Upper age limit depending on industrial sector 166 specialities including building, metal-work, chemistry, plastics, clothing, electricity	Varies from one industrial sector to another
<u>Second-level courses</u>	To train highly-skilled workers (technicians) Social advancement for skilled workers	Variable Variable	9 to 12 months 3 to 9 months at the rate of 44 hours per week
<u>Further training courses</u>	Further training and retraining	Vocational training or experience required CAP (vocational aptitude certificate) or an adult vocational training diploma required	Either full-time for three to five weeks or part-time at eight hours per week
<u>Introductory courses on in-plant training</u>	To prepare training officers to be responsible for retraining the staff of undertakings undergoing reconversion (Participation of the NEF)	Supervisor or skilled worker	Educational training sessions (variable) Annual introductory sessions

<u>Pre-vocational training</u>	<u>Characteristics</u>	<u>Conditions and coverage</u>	<u>Duration</u>
	To orient young persons toward new occupations Further education in areas undergoing reconversion or with serious employment imbalances	Young persons from sixteen to twenty years of age and other workers	Four to six months

2. Continuing training

Continuing training enables the worker to foresee and to some extent forestall adjustments. Public authorities have encouraged employers to recognize that workers have a right to continuing training within working hours and to accept the participation of trade-union organizations in the formulation of training course policies which then have to be approved by Joint Employment Committees. Workers' representatives may sit on the further training boards of centres attached to private undertakings.

The inter-professional agreement of 9 July 1970, concluded at national level, recognized that workers have this right. It concerns more than 10 million workers. The implementation modalities of this agreement are as follows: except in special cases, the percentage of workers absent for vocational training may not exceed 2 per cent of all workers employed in any given establishment. It may therefore be taken that at all times 170,000 to 200,000 workers are following training courses, not including specific activities organized for young people. Training activities which in the past were carried out by private undertakings now come within the scope of the agreement of 9 July.

There is, however, a minimum "waiting period" between any two training courses which all workers must respect, this being equal to one month for every eight hours per month of training undergone during the preceding course, i.e. if a worker has, for example, undergone one month of training comprising 160 hours he is not eligible to participate in another course until 20 months later.¹ Furthermore, any worker threatened by a large-scale lay-off prior to adjustment may immediately leave his undertaking to follow a conversion course while continuing to receive his or the equivalent thereof for the whole duration of the training course which may last up to one year.

Another agreement, which was signed on 30 April 1971, extended the right to continuing education to executives or managerial staff for whom certain provisions vary according to length of service. This measure offers the additional advantage within the adjustment policy, of rapidly providing training officers to undertake the further training of other workers.

Lastly, the Act of 13 July 1971 simplified and codified all existing texts relating to vocational training.

¹ Considered within the framework of a working life, this will offer a worker the following possibilities:

- 20 one-month courses
- 7 to 8 three-month courses
- 3 one-year courses

B. Reconversion and guarantees for income and employment

1. Reconversion: the NEF - specific body (Act of 18 December 1963; Decree of 24 February 1964; Government Order of 13 July 1967).

The National Employment Fund (NEF) intervenes at the request of employers and trade unions, particularly in undertakings which are obliged to pay off part of their staff and sometimes in those, whether new or not, which have an urgent need of personnel who have to be trained for the job concerned. The NEF can ease the consequences of lay-offs by many forms of assistance designed not only to maintain the workers' income at its previous level where possible, but also to facilitate both their reclassification through remunerated training courses and their transfer to regions where employment opportunities are plentiful by means of removal aids.

Some of these aids imply the signature of an agreement between the NEF and the undertaking which is adjusting. Each of the participants then has to finance part of the operation, the balance being provided by the supplementary unemployment grants system (ASSEDIC) and the public manpower service. The signature of an agreement is subject to two criteria: the region or industrial sector must be beset or threatened by a serious employment imbalance and large-scale lay-offs must be the result of industrial change. The former criterion has in fact been applied with some flexibility since 1968.

(a) Conversion agreements

Through such agreements, laid-off workers may receive:

- Vocational conversion grants if they agree to follow vocational retraining courses. (Such aids have been granted also to young persons demobilized from military service who cannot find employment because of their previous occupation or the fact that their vocational qualifications are insufficient.)

- Decreasing grants which enable the workers concerned to keep their income at 90 per cent of their previous earnings for the first six months and 75 per cent for a further six months if they are not immediately accepted for a retraining course and are assigned to a job that implies an occupational downgrading for them.

- Special grants for the early retirement of laid-off workers over the age of 60. This system has met with considerable success. The number of persons to receive this grant was already very high in 1964 when the NEF was set up. It tripled from 1965 to 1966 and doubled the following year, continuing at the level of 6,500 to 6,800 persons from 1967 to 1968, a period when amalgamation and restructuring of plants caused a sharp increase in under-employment in France. The figure declined, however, the following year. In 1969, as in previous years, this system was most used by the textile industry (39 agreements, 538 beneficiaries) and the metal-working industry (39 agreements, 3,025 beneficiaries).

Fairly frequent use is made of these three types of grants if the statistics are compared with those of large-scale lay-offs involving 20 or more persons: 60,700 persons in 1967, 52,700 in 1968 and 39,800 in 1969.

(b) Training agreements

The other activities of the NEF are more limited even though there has been some development in training agreements. The purpose of these is to facilitate the internal or external reclassification of wage earners by means of courses, in accordance with the method laid down by the AAVT. In many cases, temporary training divisions are installed within the factories themselves, thus facilitating the psychological adjustment of the trainees. The number of these agreements has been increasing steadily since 1964. In 1969, most of them concerned the coal-mining industry (24), mechanical engineering (16) naval repairs (14) and steel-working. In addition, more has been done to help executives and managerial staff: ten agreements have been signed directly with training bodies in liaison with the Association for the Employment of Executives and Managerial Staff (APEC), without the agreement of the undertakings responsible for the lay-offs. Under these arrangements, nearly one thousand unemployed executives followed three to six-month training courses in 1969, as against 350 in 1968.

To these activities should be added ESDF activities which will henceforth come under the heading of the NEF. These are retraining courses for specialized workers to fit them for specific jobs on the occasion of the establishment of new plants.

(c) Supplementary material assistance

Workers who leave a region of under-employment after a retraining course to take up employment in a region having a labour shortage may claim complementary compensation (removal grants and travel assistance). The former are by no means negligible as they vary in amount from F 2,800 to F 8,400 approximately. The latter are granted when the applicant for a job and his wife travel in order to make an on-the-spot assessment of the working and housing conditions accompanying the employment offered. With the recent development of the National Employment Agency and co-ordination of its services with those of the NEF, this type of activity has increased.

To these aids may be added certain specific grants for particular categories of trainees such as farmers, farmers' sons or farm workers who are unemployed and giving up farming. Moreover, all trainees receive paid leave and other social benefits and occasionally payment in kind (lodging, canteen) or in the form of extra cash (end-of-training bonus, tool allowance, etc.).

A two-fold advantage derives from the essential rôle of the NEF¹ in adjustment:

- the possibility of public aid enables the administration to discuss termination arrangements with undertakings and to lay down certain conditions such

¹The NEF fund totalled F 77 million in 1970.

as reasonable notice, staggered terminations, special compensatory measures, retention of workers in exceptional cases where it would be difficult to reclassify them.

- Whereas social assistance often merely serves to ease the effects of industrial changes without affecting the causes of such changes, the assistance given by the NEF, special grants apart, has the merit of giving the workers concerned an opportunity to acquire a new trade with the prospect of occupational promotion. Under a Government Order of 13 July 1967, moreover, wage-earners who had not lost their employment but who wished to follow a vocational training course with a view to forthcoming adjustments also became eligible for the conversion grant.

Furthermore, the Regional Delegation for Town and Country Planning and Development has a standing quota of 5,000 dwellings which it can allocate to workers where a geographical transfer of labour would help in solving problems arising from industrial changes.

Vocational Retraining from 1959 to 1968

<u>Year</u>	<u>Wage-earners retrained</u>
1959	2,385
1960	3,500
1961	6,417
1962	10,017
1963	9,214 - Year in which the NEF was
1964	16,909 created
1965	15,818
1966	16,825
1967	31,546 - Years in which there was a large
1968	23,083 number of mergers and reconversions of undertakings

2. Guarantees for earnings and employment

The Interprofessional Agreement concluded at national level on 10 February 1969 concerning more than 9 million workers provided certain guarantees to help workers who might be adversely affected by adjustments.

Where a change causes downgrading of a worker, the undertaking has to continue to pay him his previous wage throughout a period equal to the notice period which would have been applicable had he been laid off (generally two months). Thereafter a temporary and decreasing grant is paid for four months. The worker also has reclassification priority for one year if a post requiring equivalent qualifications becomes vacant.

The public authorities, for their part, have stepped up their planning efforts in regard to adjustments affecting small and medium-sized companies undertakings in particular; these employ half of the workers in industry. In June 1969 the Secretary of State for Small and Medium-Sized Industry introduced several pilot training schemes, based on agreements signed with various bodies (chambers of commerce and industry, employers' organizations, auditing boards, banks, productivity centres, etc.) concerning undertakings with a payroll of 200 to 500 workers with a view to improving the standard of managerial personnel; as industrial changes generally increase the size of undertakings, more highly qualified supervisory staff are needed. For this reason, the chambers of commerce have made technical assistants in management available to many undertakings which are engaged in reorganization. In most cases, these efforts are designed either to prevent changes from being too sudden or to complement changes which are taking place.

* * *

The adaptation of labour to industrial adjustments has thus improved considerably over the past few years. The most recent measures in this sphere result from the Decrees of July and August 1971 harmonizing the training aids granted under various provisions and bringing those aids into conformity with the provisions of the occupational agreements of February 1969 and June 1970. In this context, a vocational training tax has been introduced alongside the existing apprenticeship tax, the rate of which has been proportionally reduced.

This long-term policy of the public authorities has had the effect of speeding up what is nevertheless a natural phenomenon:

In 15 years (1955 to 1970) the number of workers employed in agriculture fell by 50 per cent, in the mines by 35 per cent, in the textile industry by 25 per cent. With respect to the structure of employment, there has been a 1.4 million increase in executive and managerial staff, a 1 million increase in clerical workers and a 1.2 million increase in manual workers, with a 6 per cent increase in population over the same period. There has, moreover, been a pronounced increase in the number of wage-earners (20 per cent), clearly reflecting the continuing process of change in the pattern of industry. In France, 27,000 undertakings close down each year, while at the same time slightly more than 18,000 are established.

Evolution of Development in Industrial Structures
in relation with Town and Country
Planning and Development

For every 100 m² of industrial surface area there was:

	<u>in 1965</u>	<u>in 1969</u>
In the West	23 m ²	40 m ²
In the East	42 m ²	52 m ²
In the Paris region	35 m ²	8 m ²

* * *

Lastly, it is very difficult to predict how these activities will develop in future, whether in relation to undertakings or to workers. One can see only the broad outlines from the preparatory work leading up to implementation of the Sixth Economic and Social Development Plan (1970-1975).

According to forecasts, there should be no appreciable change in the pace and characteristics of structural changes. One can expect, therefore, that efforts in coming years will aim more at improving the government machinery in regard to adjustment matters rather than at any reorientations or major changes.

1. The pace and characteristics of structural changes will probably remain unchanged.

The statistical trend in regard to workers affected by large-scale lay-offs (of more than 20 persons) gives an approximate overall idea of the situation.

	Overall numbers affected by large-scale lay-offs ¹	Of these, subsequent to adjustments or change of premises (conversion, merger)	Decentralization of the Paris region involving conversion
1964	40,693	3,117	2,584
1965	49,598	2,844	2,045
1966	41,891	1,508	2,757
1967	31,669 (first six months)	1,565	1,469

¹The building, clothing, textile and woodworking industries alone account for 50 per cent of all large-scale lay-offs.

Although structural changes of an external character are considerable (60,000 persons were affected by large-scale lay-offs in 1970) nevertheless they do not reflect the full scope of the mobility of labour, especially from the geographical point of view. They account for only 3 per cent of job changes whereas 2 to 2½ million persons change employment annually (1 worker in 8; 500,000 move from one department to another; 300,000 more from one geographical region to another).

Efforts will therefore concentrate on arriving at a better understanding of structural changes. Studies carried out so far do not confirm the idea that a higher rate of expansion would result in more rapid transformation of industrial structures, for in most cases the changes concern undertakings, that are marginal or declining.

However the establishment of joint employment committees (the agreement of 10 February 1969) is likely to improve forecasting of short-term adjustments.

The introduction of "vulnerability indicators" might in some cases make it possible to identify in good time those undertakings which are likely to have reconversion problems. Such indicators could, for example, be based on the following elements:

- overdue social insurance contributions or taxes (turnover tax, direct tax);
- cash flow in relation with net turnover (e.g. cash flow which for several years has been less than 2 per cent of the net turnover).

2. Improved government machinery in regard to adjustment matters

Present facilities have been strengthened and given added incentive force in that they no longer simply cover adjustments but in fact encourage them better. Thus, the employment criterion for the allocation of regional premiums and aids has recently been relaxed to some extent.

An active policy is currently underway to inform workers of the aids available to them and of which they are occasionally unaware. For this purpose certain grant procedures have been simplified.

The work done by the Study and Research Centre on Qualifications (CERQ), established under the Decree of 20 March 1970, will, over the next few years, result in a better knowledge of the development of different occupations and will in particular highlight those sectors where adjustment is needed.

Without prejudging the future, one can expect, having regard to the desire of most workers for improved working and living conditions, that stress may be laid more particularly on certain types of aids; for example, the search, not merely for a job, but for a better job may in the future, and in parallel with adjustment aids of a purely structural character, act to strengthen aids designed to promote mobility.