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Work in France and Germany: opposite strategies

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Abstract :

Both France and Germany want to maintain a high level of social protection in a globalised economy. But beyond this common goal, everything separates the two countries in terms of the strategy to achieve it: both countries differ quite clearly over the role that is to be played by work in the economy and society.

Via the self-sustaining negotiation of a responsible relationship between entrepreneurs and the workforce, Germany is creating an economy and a society in which labour, and notably qualified labour, for the guarantee of a high level of social protection, lies at the centre of the system and its strategy. For about ten years now Germany has undertaken major social reform whether this is in terms of health insurance, retirement pensions or the functioning of the labour market, all leading to reductions in costs and the maintenance of links with businesses.

Conversely France continues to over tax labour to a certain degree, notably qualified labour, deeming that its economy and its society must revolve around sustained consumption via social transfers. In these conditions it hesitates to undertake in depth reform which would lead to reductions in labour costs and limits its effort to small scale measures, centred on unqualified work.

The dividing line between the two countries, which almost tends towards social anthropology, comprises maintaining the competitive capacity of the productive system in Germany, whilst on the other hand France, is increasing the burden of social charges on businesses. By reducing labour costs and increasing consumer contribution to social protection, Germany has succeeded in increasing growth and reducing unemployment, and at the same time, it has managed to master its public and social spending again. At the end of the day the German strategy has enabled the extension of the means available to social protection.

France however, which is bogged down in a Keynesian, Colbertist mind-set, continues to want to have labour bear the burden of social costs and reduce those of consumption even further. The cumulative process of the loss of competitiveness of French businesses and increasing social costs, beyond all that is reasonable, means that the government is demanding more and more from an exhausted productive fabric.

In Germany the company is both the heart of social integration and a community of shared wealth which has to be protected. This is what explains, in spite of some signs of fatigue in the 1990's, the capacity of the German model to be autonomous and responsible, to forge vital compromises for its own long term survival. Conversely in France, where employers and unions only enjoy residual legitimacy, the State continues to privilege the ring-fencing of a non-tradable sector. Finally Germany makes the most of reality for its social vitality, whilst France camps on denial.

France and Germany both want to guarantee their populations a high degree of social protection and to use this as a means to limit inequality. Hence in both countries social protection represents a major percentage of the wealth produced. This is where all similarity ends, because beyond the social direction of the economy, two quite different approaches emerge on either side of the Rhine [1]. Although falling under a mainly "Bismarckian" approach to insurance in both countries, and in contrast to the "Beveridgian" model set up in the UK, based on the State's coverage of obligatory social protection funded by the taxpayer, the way in which social protection is called to regulate the economy is based on fundamentally different economic strategies.

1. https://www.tresor.economie.gouv.fr/File/374396

Economic issues

Member states

The difference between France and Germany is almost a question of social anthropology. In Germany labour is the focus of both the economy and society: it rallies economic performance and social integration. In this context, everything has to be done no to over tax it and master costs, otherwise the link with the company would be broken. Germany is particularly careful not to over tax qualified labour because the major share of the economy's capacity to guarantee a high level of social protection is based on this. It is labour, as the central value of German society, which enables social players' autonomy. Because in France qualified labour guarantees entrepreneurs and employees social autonomy it is questionable and over taxed. In these conditions France ostensibly privileges an economy and a society focused on consumption that is maintained by increasing social transfers and financed by public debt: labour is therefore on the periphery of both the economy and society, with its quantitative contribution toward the creation of available revenues finally being of lesser importance in relation to the product of re-distribution.

Social protection in France is still part of a Keynsian economic logic: growth and unemployment depend on the economic policy's ability to maintain, notably thanks to social transfers, the vitality of consumption. Moreover within the French Colbertist tradition it is the State which is responsible first and foremost for social regulation. In Germany economic logic is both Ricardian [2] – this entails protecting the competitiveness of an open economy – and Schumpeterian – the company's ability to innovate, invest and above all to guarantee a strategy that is based on giving value to qualified labour. In France, from an economic and social point of view, the State is both guardian and manager; it is the arbiter and guarantor in Germany. Général de Gaulle wrote the following: "*However although freedom is still a vital lever from an economic standpoint, it is no less collective, and shapes directly the national destiny and implies social relations at all times. This implies that there are rules, which only the State knows how to implement. In brief interventionism is required.*[3]" Conversely Ludwig Ehrard, whose political legacy is synonymous to the social economic market and to the prosperity for all projects, laid out its principles in a speech delivered on 21st April 1948 as follows: "*The economy has to be freed of its State shackles (...) We must avoid anarchy and the termite State, (...) because only the State, via the establishment of freedom and the responsibility of the citizen can legitimately speak on behalf of the people.*[4]"

In addition to these traditional concepts in both countries we might add that France, because of the austerity policy undertaken as of 1983 and that Germany, under the burden of reunification, found themselves in similar situations when the euro was adopted at the end of the 1990's but for different reasons. But the need to rise to considerable challenges led the German governments, as of 2003, to implement major reforms that aimed to adapt social protection and the functioning of the labour market in a bid to protect them in a fast moving global context. Conversely at the beginning of the 2000's the French government, whose goal it was to counter globalisation with a policy designed to contain it, tried to ring-fence social protection and the labour market, with the adjustment burden being transferred over to the productive sector.

Nearly ten years after the launch of the 2010 Agenda by Chancellor Gerhard Schröder in 2003 the differences between France and Germany have reached significant heights, which are now a problem due to the decline of the French economy – not only in relation to the EU's most important economy but also because of the uncertainty that this brings to the balance on which the stability of the euro zone ultimately relies, to a point that German leaders are now really concerned [5].

Whether we are speaking of the Welfare State or the regulation of the labour market, the choices made by the governments in both countries are founded are quite different approaches; by contrasting the two countries they highlight the decisive role played by social protection in terms of overall respective results.

Extensive social protection, the responsibility of businesses in France – under control and the responsibility of households in Germany: taxing labour or consumption?

The financial burden and the management of social protection are based on opposite approaches in Germany and France. In France the burden of public spending comprises a major, growing share in the wealth produced; this share is stable and minimal in Germany.

2. David Ricardo (1772-1823) is the founding theorist behind international trade. According to his theory countries must specialise in producing things for which they have comparative advantages. His theory justifies the base of free trade. Joseph Schumpeter (1883-1950) states that the entrepreneur is the decisive factor of growth via innovation which generates a process of creative destruction: this relegates old techniques but increases growth potential (steam engine, electricity, IT)

3. Charles de Gaulle, Mémoires d'espoir, t.1, Le renouveau 1958-1962, Paris, Librairie Plon, 1970.

4. Quoted by Fabrice Pessin, Christophe Strassel, Le modèle allemand en question, Paris, Economica, 2006.

5. Is France about to become the new Greece? Bild Zeitung, 31st October 2012.

Between 2002 and 2010 the burden of public spending remained unchanged in Germany, at much lower levels than those witnessed in France; it increased by 3.7 points in France between 2000 and 2008, whilst it had already reached a significant level at the beginning of this period. As a whole the share of social public spending declined by one GDP point in Germany; it grew by 2.7 points in France, which if measured in terms of volume between the two countries represents a difference of 3.7 points. Hence with a rate of public spending at 56.6% against 48% in Germany, France – with Denmark apart (58%) records the highest level in the Union.

The respective role of public spending is therefore the most distinctive mark between the two countries. Because at the same time, Germany, in spite of the extent of the reforms undertaken in the 2000's, is not less social than France: the share of the whole in social spending as a percentage of the GDP is not so different from one country to the other: 33.1% in France, 31.4% in Germany.

The second difference involves financing, in the measure that unlike Germany, France lays most of the burden on the cost of labour, particularly in terms of employer contributions. This perspective must not just be limited to contributory contributions: French employers have taken the full brunt of the continued increase in social levies (CSG, CRDS).

The Franco-Geman contrast is therefore particularly significant. Obligatory levies decreased slightly in Germany between 2000 and 2008 dropping from 42% to 39% of the GDP. In France the trend was the same but in a more limited way: from 44% in 2000 to 42.8% in 2008. However if we look at social security levies, both countries differ due to completely contrasting developments. Starting off at a lower level in Germany (16.9%), their share declined in 2010 by 1.1 GDP point to lie at 15.8%. In France social levies totalled 21% of the GDP in 2000; they stood at 23.3% of the GDP in 2010. The difference between France and Germany in terms of social levies is equivalent to 7.5 GDP points. The implementation of German levies on French employers would represent a payment of 150 billion € less than the present rate!

Over the last ten years the way that France and Germany have chosen to finance social protection has differed greatly. In both countries contributions represent 65% of all of the revenues granted to social protection. But in France the contribution burden weighs mainly on businesses whilst the sharing of the burden is more balanced in Germany: 44% in contrast with 21% in one case, 34% against 29% in the other. The ratio of employer/employee contributions is 2.1 in France against 1.2 in Germany. Expressed in percentage of the GDP, employer contributory payments represent 14% of the GDP in France, 11.1% in Germany.

Generally Germany has opted for a strategy that combines a high level of social protection and a bid not to increase labour costs so that business competitiveness is maintained and unemployment avoided. This is why the governments in Berlin to use VAT revenues to finance social protection. On January 1st 2007the ordinary VAT rate was brought from 16% up to 19%. Two points of this rate were allocated to the reduction of the deficits; the third point led to a two point reduction in the unemployment contribution rate and a rise of 0.4 points in retirement contributions. A major share of the Franco-German difference lies in social taxes (CSG-CRDS). This type of levy does not exist in Germany. On 1st January 2012 the CSG rose to 7.5% and the CRDS 0.5% of gross salaries. In all, and if all social levies are taken into account, both contributory and fiscal, obligatory levies set on labour and paid by employers totalled 12.2% of the GDP in France against 6.5% in Germany. Both countries have moderated the call for social contributions somewhat by using tax revenues as a relay to the financing of social protection. But France has taxed labour via increases in the CSG, whilst Germany has taxed consumption via VAT. All of the obligatory levies represent 18% of businesses' added value in France in comparison with 11% in Germany. France has the highest level across the entire EU, the average rate of which is 12.6%. [6]

Taxing consumption or labour – here lies the heart of the difference between France and Germany. According to the Court of Auditors [7], the tax on consumption has even declined in France whilst in Germany priority has been given to reducing tax on labour: on the one hand, due to a reduction of low rates, tax on consumption contracted by 0.9 GDP points between 2000 and 2008; because in Germany the government did not want to raise contributions, likewise because of an 11 point reduction in the income tax regime, tax on labour contracted by 2.7 GDP points over the same period.

Social protection reformed in Germany, still to be reformed in France

The observation of comparative strategies over the last ten years reveals the German determination to undertake extensive reform that favours the productive system; in contrast France has stepped up the social burden born by businesses, contenting itself with rather technical measures, in all events, measures which are less effective than those undertaken by its main partners. As much as Germany wants to make high levels of social protection compatible with businesses' capability to bear the weight of this, France has been surprisingly tenacious in placing an increasing burden on

6. Data 2009. Eurostat-Chamber of Commerce and Industry Paris.

7. Court of Auditors, Les prélèvements fiscaux et sociaux en France et en Allemagne, Paris, March 2011.

the productive system – which is already called upon more in this sense than in Germany – and this includes both health insurance as well as retirement pensions.

As a whole German health insurance spending has been under control in comparison with the French situation. Although in Germany the deficit totalled 3.5 billion € in 2003, it lay at more than 11 billion € in France at the same date. In 2011 after two years of low deficit (-1.5 billion €) it lay in surplus again by 4 billion €, with health insurance enjoying reserves of 19 billion € [8]. However these results, which would have enchanted French leaders, did not prevent their German counterparts from undertaking major reform as of 2001, the most decisive being in 2003. As in other areas the idea behind the reform was to adapt the Bismarkian approach to insurance by providing more room for individual responsibility. A part of the Agenda 2010, the reform led by Ulla Schmidt at the end of 2003, aimed to reduce the rate of health contributions from 14.4% to 13% on January 1st 2005. In 2009 the reform of the 2007 contribution rates, which is now set by the government, meant that it rose to 15.5%. This text was part of the extension of the measures taken as of 1997, which led to an increase in user fees on community medicine (10€ per quarter), the introduction of a 10€ tax/day on hospitalisation (limited to 280€), as well as the abolition of certain services. Moreover the reform excluded services from the realm of health insurance which are now covered by taxation. Finally sick pay is now assumed by the employees, since employers' contributions (0.4%) were abolished in 2007. Regarding the range of care on offer, Germany employs a complex remuneration system that mixes capped fee-for-service in a global capitation regime according to the number of patients registered with doctors in the region. Negotiations focus on the total capitalisation designed for each insured person, whilst in France negotiations bear on the tarif of the medical consultation. In terms of hospitalisation, since 2003, Germany has moved towards a per-service pricing system. If budgets are not used up completely, the money left over is paid back in part.

At the end of the day Germany has arrived at a controlled revenue sysem whilst in France, spending is still adrift, since the measures taken only limit excesses on a temporary basis. In the area of healthcare in Germany coverage of the insured is more limited than in France. Independent workers and civil servants who receive a monthly gross salary of 4050€ may as well give up contributing to the public system and take out insurance with a private company - 8.8 million insured parties, ie 11% of them have chosen this solution. In France public insurance covers the entire population. According to the social security's management if the most well off 10% were allowed to choose their own insurance system, health insurance would lose 20% of its revenues and 8% of its spending i.e. a negative impact of 20 billion €.

In terms of retirement pensions in a country that had been witnessing rapid, increasing ageing since the 1970's, Walter Riester, former chair of the union IG Metall and Labour Minister in the first Schröder government introduced a second pillar alongside the legal regime, i.e. a complementary savings system through capitalisation in the shape of either a company or an individual pension, with both solutions being supported by tax credits. In terms of the legal pension (first pillar) Germany has undertaken more extensive reform than France. Both countries have obligatory, contributory Bismarkian systems based on distribution. The general German regime goes further than its French counterpart. Only the civil servants' regime runs alongside it. In France the legal retirement system combines many exemption regimes. In Germany since 1st January 2012 the contribution rate has been set at 19.6% divided equally between the employer and the worker. In France the rate lies at 26.3%, 60% of which is paid by employers and 40% by employees. In both countries there is both a legal age and a reference age that opens the way to full pension rights. The legal age, which was deferred from 60 to 65 by Chancellor Helmut Kohl in 1996 has, since the reform of 2007, been set at 67 in Germany; it is 62 in France in the wake of the reform adopted in 2010. The Germans can however cash in their rights as of 63 after 35 years in work; but this possibility is not very advantageous since it goes together with sharp cuts in the pensions paid. In France pensions are calculated according to the 25 best years; since 1992 in Germany pensions have been governed by a number of accumulated points. One original feature in the German system lies in the pension adjustment method via a corrective measure linked to

8. Le Monde, 8th March 2012.

the active/inactive ratio. The French rate in the replacement of obligatory regimes lies around 65% in comparison with a rate of 50% in Germany.

In France the share of the wealth produced which is devoted to pensions is higher than in Germany: 14.5% in comparison with 13.1%. Over the period 2000-2008, developments have been very different in both countries: in France pensions have risen by 5% whilst in Germany in the wake of the reform approved in 2004, they have contracted. Over the period 2010-2060, the burden of pensions is due to increase faster in Germany than in France because of their different demographic trajectories. However in 2060 this spending will total 13.4% of the GDP in Germany in comparison with 15.1% in France.

The Labour Market and the fight to counter unemployment: reduction in costs and greater flexibility in the labour market in Germany, rising costs and a defensive strategy in France

The way that Germany and France have addressed employment and labour over the last decade reveals different approaches in relation to social protection.

In terms of the social sector German leaders have lent more towards individual responsibility in the completion of the reforms undertaken. This was the heart of the Agenda 2010 undertaken by Chancellor Schröder, who based himself on the work of a committee chaired by Peter Hartz, Director of Labour at Volkswagen. The Hartz laws adopted between 2003 and 2005 mainly aimed to facilitate and encourage (*fördern und fordern*) the unemployed to return to work. The Federal Office for Employment, which was restructured and renamed, the Federal Agency for Employment was granted greater autonomy, notably in support of local agencies which take on the reception, and guidance of the unemployed and their allocations. The unemployed are encouraged to create their own company (*Ich-AG*) or a family company (*Familien-AG*). Mini-jobs, which can run alongside other work contracts, are encouraged, with their remuneration being brought up to 400€. The same applies to one-euro-per-hour, occasional jobs. The rules for accepting work have been tightened: the unemployed have to accept jobs the remuneration of which is 30% below the conventional minima.

The most emblematic chapter of the reforms included in the Hartz IV laws relative to unemployment benefit entered into force on 1st January 2005. Unemployment aid, which took over from unemployment benefit for those who had exhausted their right to claim, was abolished. It was replaced by a formula that combined a flat rate benefit and social aid. The duration of unemployment benefit was reduced from 32 months to 18 for wage earners over 55, and it was set at 12 months for the under 55's. After the implementation of the reforms in Germany, France, in contrast, has an extremely generous compensation system: in Germany a person has to have worked 12 months before being entitled to compensation, it stands at four in France. Benefits are based on the principle of one day worked, one day of compensation in France, in Germany however it is based on two months in work and one month of benefit.

The flexibility of the labour market in Germany and its rigidity in France also stem from the extremely different use of partial unemployment. We should note that in Germany we speak of "short- time work" (Kurzarbeit) and not of "partial unemployment" (chômage partiel) as in France. Short-time involves 1.2 million people in Germany, 200,000 in France. The slow increase in unemployment at the height of the crisis was due in the main to the measure's efficacy in the reversal phase of the economic cycle: it applied to 1.5 million people in 2008-2009 in Germany against 250,000 in France. During this period the unemployment rate in Germany increased by 0.3 points only against a contracting GDP of 5% whilst in France it rose from 7.8% to 9.5%, i.e. 1.7 points against a GDP contraction of 2.5%.

The difference lies in the speed with which short-time work was adopted in Germany after an easing in the conditions of eligibility and the extension of the compensation period, whilst in France the system continues to be typified by its exhorbitant cost and red-tape. Germany demands neither the upkeep of employment nor training, unlike the French law applicable to long term partial activity (APLD). Moreover until January 2012, the French procedure was subject to official authorisation. In Germany its cost is born by unemployment benefit, whilst in France the employer is only reimbursed by the State in part.

The German drive to master wage costs comprised a major condition for the completion of the reform of social protection and the labour market. Hence in the manufacturing industry, the hourly labour tariff, estimated by the national accounts, rose between 2000 and 2008 by 28% in France against 16% in Germany. As for the total hourly labour tariff, it rose by 17% in Germany in comparison with 56% in France. Unit labour costs rose over the same period by 3% in France against a contraction of 11% in Germany. This slippage was due to the accumulated effects of the reduction in working hours to 35 in France and the excesses of the social costs of labour. To price we have to add quantities, i.e working hours. With the exception of Finland, France is the country in which people work the least in Europe: 1679 hours in 2010, i.e. a reduction of 10% in 10 years. In Germany the annual time worked is 1904 heures, i.e. a reduction of 5.4% between 2000 and 2010. In Italy the annual time worked totals 1813 heures, i.e. a reduction of 6.4% in 10 years. The accumulated burden of labour costs, which has risen more sharply than in Germany and working hours which have been compressed unlike anywhere else in Europe, means that French businesses' offer is restricted, which in the main explains the difference in performance with Germany.

The way that the burden of fiscal and social charges affects two companies of the same size, undertaking the same kind of activity was the focus of a simulation by Henri Lagarde [9]. The French company achieved a current result before tax equal to 10% of the turnover, whilst the German company achieved 22.6%. In the main the difference lies in employers' social charges: 38.1% of gross salaries in France against 16.6% in Germany. The net result would be 7% of the turnover in France in contrast to 16.7% in Germany. Apart from having a lesser burden in terms of social charges taxation in Germany is also more advantageous in two ways: company tax was brought down to 15% in 2007 whilst it is still set at 33.3% in France. Moreover local taxes tap into value added in France, but into the current result before tax in Germany. Hence a French company will still have to pay tax although it has made a loss in France – which would not be the case in Germany. We should also point to the effects of the two national regimes on the financial structure of businesses: whilst cash-flows (net result plus depreciation) total 24% of the turnover of a German company – the total is only 14.8% for the same kind of company in France.

In these conditions the more advantageous development of operating margins in Germany than in France (gross operating surplus/value added) which now totals 42% in the one instance and 28% in the other, explains in the main the capability to undertake reforms without having a massive rise in unemployment in Germany, whilst employment in France has remained the adjustment variable. At the time when Germany, under the impetus of Chancellor Schröder, decided to implement the 2010 Agenda, it was in a situation not unlike the one France is in at present. In particular unemployment had become endemic affecting 4 million in 2002. As Matthias Bittorf and Alexander Klein comment, "*Agenda 2010 was the focus of bitter controversy in the public sphere, its opponents deeming that the reduction in aid to the unemployed decided in this context was tantamount to an unacceptable hardening in benefit eligibility conditions and that this reform would lead to the "dismantling of the Welfare State". With hindsight the reforms contained in Agenda 2010 are considered to be one of the main reasons why the German economy has recovered its competitiveness over the last few years.* [10]"

The fundamental difference lies in the specific relationship Germany and France have in terms of labour. All of the reforms in Germany strive to maintain or to bring the greatest number of people back into the labour market. The level and variations in activity rates [11] clearly bear witness to these differences in strategy. Employment rates are higher in Gemrany than in France in all age categories. France practices a "Malthusian" employment policy: employment is a rare, voluntarily restricted commodity. Unlike the German policy, France delays the entry of young people onto the job market and accelerates the exit of the seniors. Hence there is a low employment rate because activity is also low. The activity rate is decisive for employment: logically there are higher employment levels if activty rates are also high. In these two areas the Franco-German split 2003-2004 was glaring: just as France introduced the 35 hour week, Germany was reforming social protection and its labour market so that more people could work, particularly by reducing obtstacles to the job market.

9. Henri Lagarde, France-Allemagne : du chômage endémique à la prospérité retrouvée, Paris, Presses des Mines, 2011.

10. Matthias Bittorf, Alexander Klein, Niveau des qualifications et distribution des revenus, CIRAC, Regards sur l'économie allemande, N°104, Spring 2012.

11. The activity rate measures the share of the active population including those who are unemployed. The employment rate measures the share of people in a category of the population which is of working age.

A different role played by social partners in Germany and France

The role played by social partners is still central to the effective management of German results. German social regulations are based on the principle of "Tarifautonomie" which is the exclusive shared responsibility of the Unions and employers –unlike in France where the State plays the leading role. The German system is two-tiered: the sector and the establishment. In terms of the sector, the social partners set the norms; the establishment – via a "Works Council" which is established in companies with over five workers, is responsible for applying these norms. The employers really do support this system which they deem to be one of the decisive factors of the success of their businesses and beyond that, of Germany as a whole. With a two-fold constraint comprising reunification and the crisis, likewise the decline of trade union representation and the increasing demand for individual responsiblity, there has been a widespread feeling that Tarifautonomie has been flagging. However in spite of these undeniable developments the ability of employers and unions to compromise in the name of shared responsibility vis-à-vis businesses, is obviously one of the main reasons why Germany, notably in view of the entire euro zone, has had the best results in terms of growth and unemployment. In particular all elements of social compromise, be it wage moderation, partial work, the common drive by the major political parties and social partners to control themselves, and even to reduce the pressure of social protection on the cost of labour, have strengthened businesses' financial structure. This is the main reason why, in spite of a contraction in growth rates in 2009 double that of France because of its social stabilisers, unemployment in Germany has risen very slightly on the base of lower rates than in France. The way the unions and employers jointly manage social compromise is basically founded on the will to protect companies' financial situations - the final, strongest bastion against unemployment and also to protect qualified labour, the only guarantor of high living standards and social protection.

It is this specific chemistry, commonly called "Rhineland Capitalism", which, according to Michel Albert, has enabled the construction of the necessary compromises for the upkeep of Germany's added value, well beyond the Mittelstand – the universe of big SMEs employing 200-500 people. From this point of view the emblematic adaptation of the German social model, appears to be embodied in the so-called Pforzheim Agreements (Baden-Wurtemberg), which in February 2004, with IG Metall for the Unions and Gesamtmetall for the employers, set out a compromise leading to agreements in the sector on salaries and working hours. Hence in 2003-2004, there were numerous agreements within the major groups, which bid to maintain employment in Germany in exchange for an adaptation of working time and wages (Siemens, Mercedes, Volkswagen, etc.). In the main these agreements led in return to a 40 hour working week with no wage increases but the upkeep of employment.

Contrary to developments in Germany France has held on to its "35 hour week", limiting its reform to subsidised technical easing measures. Just as the State is imposing a fiscal shock on the economy equivalent to an oil shock, the 35 hour week represents a budgetary burden of around 20 billion €, with its effects only being limited via the defiscalisation of overtime at the budgetary cost of 5 billion €. These measures were abolished in the summer of 2012 by the new French government. Where Germany has found solutions in the managed relaxation of its social model, France has simply implemented superficial measures, which, in all, strengthen the singularity of a euro zone country which subsidises its businesses for not working!

Whether it is a question of political or social discourse, businesses in France are still seen as the stronghold of the owners and a place of dissociation of the social classes. In Germany the company is the place, not only for shared responsibility, but also of social integration. In keeping with the social doctrine of the Church [12], the business is a community, an institution; work is not a commodity but a means for personal fulfilment. The company's social role is therefore the centre of the German conception of economic development, which considers it a decisive player in the personal fulfilment of its employees. The driving role of the company in terms of training via apprenticeship cannot be entertained without considering that the business is central to society: the numbers involved in apprenticeship yearly totals 1.6 million people, which leads to a job in 60% of the cases.

12. Ulrike Reisach, La responsabilité sociale de l'entreprise en Allemagne, CIRAC, Regards sur l'économie allemande, N°103, Winter 2011

As in France the Unions have witnessed a decline in their representation. Between the 1990's and the mid-2000's union membership fell by 5 million members in the main union, the DGB. Membership totals 8 million, nearly seven of which belong to the DGB, which means that German union membership totals 26%. In comparison French union members total around 1.5 million, i.e. 6%. Again, as much as the German unions depend closely on their members, the French counterparts only owe their existence to the way the State guarantees their living standards – they draw 90% of their resources from it and impose their representativeness. *In fine*, it is because the State has the control over social regulation in France to the detriment of the shared responsibility of the unions and emplyers in Germany, that reform is impeded on the one hand and possible on the other.

State supervision or autonomy of the economic and social players?

In the end the main difference between France and Germany, if we look at the way they structure social protection, comprises the way business productivity gains are processed in one country and the other. In Germany the thing which typifies the economic functioning of businesses as well as their social role, is also their autonomy. Autonomy in keeping their productivity gains: the shared responsibility of employers and employees with regard to the company, a central feature of society. The reforms started by Gerhard Schröder and continued by Angela Merkel are not in the register of the political voluntarism as exalted by the French political classes. On the contrary they are based on the compromise and responsibility of the social players involved. If we are to judge by the action undertaken by the new government, in France the Colbertist and Keynesian State still cannot shake off its supervisory role over the economy and the infantalisation of the social partners. Hence social players are weak and forced towards ideological radicalism in order to exist. In this situation neither employers nor unions have any control over the productivity gains generated by business: whereas in Germany they are oriented towards autonomy, in France the trend is towards supervision.

These are clear signs. In the country which swears only by the eradication of inequality, living standards have been declining and diverging from those in Germany for a long time. The difference gauged by the GDP/capita is around 7% across Germany as a whole but reaches 20% if we exclude the new Länder.

The worst of these inequalities lies in unemployment: since 1990 the unemployment rate has never dropped below 8% in France. Under the weight of the recession it is now near to 11% and the trend seems to be pointing upwards for the years to come. Moreover this does not take in account all of the different types of hidden unemployment which take the shape of the recruitment of civil servants, and all kinds of labour market exclusion affecting young people, women and older workers. Conversely Germany, which at the beginning of the 2000's was in a situation close to the one presently experienced by its main partner, has focused all of its efforts to reform in a drive to reduce unemployment. In spite of a tense European and international economic climate the German unemployment rate has dropped to around 6.5% to 7%. Again, unlike France, where young people only have access to this privilege, which a permanent contract has now become (notably because of the cost of labour), young Germans have access to the same kind of job as the rest of the population. In France youth unemployment totals 25% and is two and a half times higher than the entire population whilst in Germany the rate is the same as the rest of the population.

Conclusion

The dividing line between France and Germany does not therefore depend neither on the priority given to the social sphere on the one hand nor in its rejection on the other – as we can see by the position it holds in the success of Rhineland capitalism. The split is two-fold: in France, the State encourages a demonised view of globalisation and business and deliberately organises antagonism between the economic and social spheres. In Germany autonomous, responsible social partners link the latter closely together and show that not only is the age of globalisation not designed to cause the collapse of social protection but on the contrary, it offers the means for its vitality provided that a winning strategy can be implemented. Germany sees the world as an opportunity whilst France is retreating into a denial of reality, as seen in the quite British humour of Sophie

Pedder [13]. France continues to want to exist in the 21st century by ring-fencing the revenues of a non-tradable sector, which is continually stretched by the increasing confiscation of productivity gains of the sector in question; in Germany this dichotomy does not exist, everyone is called on to take part in the an effort that relies on society as a whole.

Because it has adhered doggedly to this type of strategy France is in danger of missing out in this era: what is globalisation and the general opening of the economies – if it not a somewhat brutal reminder – that work is the vital element and condition for economic growth and living standards, and particularly for social protection? France's strategy was logical perhaps in a time of closed, administrated economies. But this is part of the past.

Finally, in a country which has a "voluntarist" idea of the State, which comprises retreating from reality, the ultimate drama of the French social and political elites is that Germany is forcing them to face the truth.

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13. Sophie Pedder, Le déni Français, les derniers enfants gâtés de l'Europe, Paris, JC Lattès, 2012.

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