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National Business Associations under Stress: Lessons from the French Case

Cornelia Woll


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Abstract

Since its reform in 1998, the national association of French employers and industry, MEDEF, seems to be an example of strong interest organisation. Unlike trade unions, the peak business organization has been stable and unified, if one considers membership density. Through a study of the collective action of businesses in France, this article sheds doubt on such an impression and argues that the national business association has been put severely under stress in recent years. Like all encompassing associations, MEDEF comprises a great variety of interests and constantly has to manage its internal heterogeneity. An analysis of the historical and institutional context of its recent reform demonstrates that MEDEF’s forceful media campaign should not be understood as a display of actual strength and coherence; rather it is the last resort of collective action that the association can claim legitimately as their responsibility.
Introduction

The political representation of private interests in France has changed profoundly in recent years. Traditionally regarded with suspicion, interest groups and lobbying are slowly becoming acknowledged political phenomena. In the context of European integration and the globalization, private actors find more and more access points to the political process and may even circumvent their government on certain issues (Grossman and Saurugger 2004). Yet the French state also actively solicits societal input to policy-making, which has led several authors to speak of a “participatory turn” (Rey et al. 2005; Grossman and Saurugger 2006).

These transformations have affected the place of business interests in French politics. With the breakdown of a statist or “dirigist” system (see Wright 1997; Culpepper forthcoming 2006), the position and political clout of business actors have been bolstered (Schmidt 1996a; Schmidt 1996b). This analysis seems to be in line with popular impressions about the new strength of the national peak organization of business interests. Reinventing itself in 1998, the Conseil national du patronat français (CNPF) became the Mouvement des entreprises de France (MEDEF) and launched a public relations campaign that many observers interpreted as the rising dominance of business interests in French public affairs. According to press reports, MEDEF is “organizing a permanent coup d’Etat,” “leads the dance,” “is in the control tower.” Trade unions complain about the “coalition between MEDEF and the government.”

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1 I would like to thank Wolfgang Streeck, Dominique Andolfatto, Michel Goyer, Emilano Grossman, Sophie Meunier, Olivier Mériaux, Jérôme Minonzi, Sabine Saurugger, Jörg Teuber and two anonymous reviewers for their helpful suggestions and comments.
Seemingly, a part of the population shares this impression: over 10,000 people demonstrated against the influence of the business association during the annual congress of MEDEF in 2002.

The apparent strength of the central French business organization is surprising in international comparison. As studies of neo-corporatist countries show, business peak associations are profoundly challenged by internationalization and European integration (Streeck et al. 2006; Heinisch 2000; Lehmkuhl 2000). Struggling to adapt their internal structures to these new challenges, the organization of business and employer interests everywhere moves from corporatist representation to more pluralist arrangements. Arguably, France has never really been a truly neo-corporatist country, so why should these challenges affect its peak organization as much as in other countries? Indeed, the membership density of CNPF, traditionally one of the highest in Europe, has barely moved between 1986 and 1996 (Traxler 2006: 100). Is France an exception then, where recent political and economic evolutions have in fact reinforced the role of the central business associations?

Contrary to popular impression in France, this article argues that it is not the case. Recent transformations have indeed favoured the role of large firms in policy-making (Schmidt 1996a; Hancké 2002), but they have put severe stress on the encompassing business associations at the national level. The recent reform of MEDEF and the public relations campaign that followed should therefore not be mistaken as a demonstration of force. Rather, they were the reaction to a crisis that the organization

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4 Neo-corporatism refers to the inclusion of business associations and workers’ unions in the administration of certain economic and social domains, as well as the hierarchical organizational structures that result from such inclusion. Even though some of these features exist, France has a relatively weak bargaining system and fragmented social partners. For a discussion of corporatism “à la française”, see Jobert (1996). For further discussion, see Streeck/Kenworthy (2005).

5 Membership density measures the proportion of actual to potential members of the organization.
had been facing in the late 1980s and the 1990s. Like all peak associations, the CNPF constantly has to manage its internal interest heterogeneity and only succeeds in unifying its members when it is facing external threats (Streeck 1991; see also Olson 1993). The activities of such associations therefore need to be explained not only by the pursuit of the quest for political influence, but also by the need to manage their internal cohesion. Schmitter and Streeck (1999) have called these two motivations, “the logic of influence” and “the logic of membership.”

By situating MEDEF’s recent reform in its historical context and by showing the heterogeneity of the political representation of French firms, the article shows that the turn to a more aggressive public relations strategy was the last resort for an organization that else would have be incapable of unifying its diverse constitutive interests. It could even be even argued that de-unionization in France was paralleled by a similar crisis in the political mobilization of business representatives, even though the two are difficult to compare. In an effort to counter this collective action crisis, the peak organization had to move away from collective political action on behalf of all firms and turn to a more membership-oriented strategy. Moreover, it had to abandon it previous discrete approach to political participation and adapt to more aggressive strategy of public political deliberation that is characteristic of pluralism (Streeck and Visser 2006: 247).

Despite different starting positions, France is therefore no different that their neo-corporatist counterparts in Scandinavia, the Netherlands or Germany. Faced with secular changes to their membership base and their political role, the peak organization had to distance itself from its former function and develop into a business lobby capable of speaking in the name of French firms. When evaluating the changing role of business interests in French politics, one therefore needs to distinguish between individual firms and encompassing associations. Throughout Europe, firms have developed into more
active political actors, but the position of national peak organization has been put under stress in the last twenty years, even in countries that had only weak neo-corporatist structures.\(^6\)

In order to analyze the difficult organization of business interests in France, this paper begins with the question: how is the collective action of firms possible? Understanding the historical reasons for founding a French business confederation helps to understand the current challenges that led to the 1998 reform. From a historical perspective, the first section shows that the organization of firms and employers at the national level arose only in response to common attacks and is weakened every time these external threats disappear. Until today, the landscape of French business representation continues to be fragmented, as the second section shows. This fragmentation helps to understand the crisis of business representation in the late 1980s and the 1990s. Horizontal and vertical competition between groups and federations constantly puts stress on the central administration. Since information about internal tensions is not easily available, the third section discusses the difficulties of organizing coherent collective action through the prism of electoral participation and provides a brief analysis of the evolution of social dialogue in France. The final section returns to the study of MEDEF and analyzes its recent reform. By connecting the difficulties of business representation in France in general to the reform of its central organization, the article cautions that a strategy dictated by the requirements of its membership base should not be confused with a proof of political influence. The conclusion highlights the comparative lessons of this country study.

\(^6\) The present analysis draws on a series of interviews with French business representatives, carried out between January 2001 and July 2005.
1. The “raisons d’être” of French business associations

This article focuses on the collective action of French firms through business associations. With the exception of several excellent historical studies (Villey 1923; Ehrmann 1957; Bunel and Saglio 1979; Weber 1986; Garrigues 2002), there are few analyses of French business associations, especially when compared with the wealth of studies on the French trade unions. In particular, we know little about the ways in which encompassing organizations in France manage the interests of all the different types of French firms. What unites firms of different sizes, sectors or regions? The answer is much less evident than the stereotypes associated with the “patronat” suggest (for further discussion see Cohen 1988; Marin 1988).

Certainly, the existence of an encompassing organization of French firms is a historical fact. The central organization, MEDEF, represents almost two-thirds of French firms today. This is a quite unified front compared to the trade union movement, which is divided into five representative unions at the national level and a handful of independent unions. Still, it was not the desire to express a common national interest that led French firms to build this association. Rather, it was created in response to two external threats: state interventionism and the trade union movement. Without several important crises caused by these two forces, firms and employers would have never mobilized collectively. The history of French business associations is therefore a stop-and-go evolution that is, above all, reactive to forces coming from its external environment. At least four founding periods have led to the formation of the association we know today (for further information, see Priouret 1963; Lefranc 1976; Weber 1986).

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7 In France, industrial associations are not separate from employers’ associations. Therefore, when the term “business associations” is used, it refers to employers’ associations as well.

8 Exact numbers are difficult to obtain because firms are affiliated with MEDEF only indirectly through sectoral or regional associations. On its website, MEDEF indicates that it represents about 750,000 French firms. According to the national statistics institute INSEE, there were 1,217,000 French firms with at least one employee in 2003, <http://www.insee.fr>.
1.1. Historic origins

Initially, French firms united in order to oppose the free trade policies of the French state between 1835 and 1860. After several smaller associations, the first interprofessional association, the Association pour la Défense du Travail National was founded in 1846 to fight for the exclusion of foreign products at the World Fair in Paris, which it obtained in 1849. Simultaneously, 11 professions belonging to the construction sector formed the Groupe de la Sainte-Chapelle in 1848, followed ten years later by a competing Union nationale du commerce et de l'industrie. The opposition between different professions and branches thus accelerated the formation of different groups.

A second impulse came at the turn of the century: the trade union movement. In 1884, the Waldeck-Rousseau law affirmed the right to form a trade union, both for workers and employers, which had been illegal with short exceptions since the French Revolution. The unionization that followed was paralleled by the growth of business associations, but mostly at the regional and sectoral level. A real soar followed the emergence of the radical trade union movement and the mass strikes that shook several European countries in 1905. By founding the Conseils du Travail, the French government obliged employers and trade unionists to meet and work on social issues (Olszak 1995). Feeling the need to get organized, the Comité des Forges founded the Union des Industries Métallurgiques et Minières (UIMM) in 1901, which was to become one of the pillars of the employers movement. Specializing in industrial relations, the association most notably organized a mutual fund which compensated members in the case of strikes.

Between 1914 and 1918, a third impulse came directly from the interventionism of the French state. World War I led to a dirigisme de guerre, for which the government needed to institute a dialogue with the economic actors. At the same time, the
government became more and more involved in industrial relations, above all with the law on collective negotiations in June 1919 which increased the political power of trade unions. In reaction to these events and at the suggestion of the French government, firms and employers reinforced their representative institutions. In 1919, the *Confédération Générale de la Production Française* (CGPF) was founded at the initiative of the minister of industry and commerce, Etienne Clémentel, to speak for 21 sectoral federations of some 1,200 professional associations. The CGPF benefited from the exclusive recognition of the French state and became the national representation of French firms. However, the CGPF proved to be merely a façade rather than a real organization of French firms. On several occasions, it was not even capable of producing reliable statistics on its members because all of them feared that giving out information on their activities would ruin their competitive positions (Ehrmann 1957; Weber 1986: 73).

This hollowness was partially filled in a final organizational wave between 1936 and 1946, when French firms had to face the government of the *Front populaire* and the corporatism under Vichy. June 1936 was a cataclysmic moment for the business leaders in France (Kolboom 1986). The election victory of the socialist government of Léon Blum coincided with the first general strike that paralyzed production in all factories of the country. While most employers’ associations refused negotiations, certain employers started making concessions to the workers’ movement. The patronat was finally obliged to review its strategy and ended up signing the Matignon Agreement with the *Confédération Générale du Travail* (CGT) on June 7. The agreement put the entire employer representation into question. Business leaders outraged by the willingness of the CGPF to negotiate with the CGT faced others who felt humiliated by the lack of coordination and reliable statistics about the extent of the strike and the
working conditions in individual factories (Ehrmann 1957: 6-7). Obliged to participate more seriously in tripartite negotiations, the CGPF took over the responsibility for industrial negotiations from the UIMM and started to rethink its organization.

Paradoxically, however, it was the dissolution of the confederations under the Vichy government that had an important effect for the internal reorganization. On August 16, 1940, the government replaced the CGPF with “Comités d’organisation” (CO) organized by sector. Membership and the implementation of the CO’s directive became mandatory. During this period, French firms got used to paying financial contributions, distributing statistical information and cooperating with government representatives. The semi-public status of the COs also allowed the establishment of administration and management procedures. Despite the dissolution of the COs after 1945, these formal elements survived the Vichy period, which explains the internal organization of business associations in the postwar period. The years immediately following the war were a very dark time for French firms. They were accused of having collaborated with the occupation. Then, in 1946, the socialists and the communists won the election of the Assemblée Constituante and nationalized certain infrastructure sectors. As it reorganized itself, French business not only had to come to terms with the past, but also had to learn from the lessons of 1936. These ambitions led to the Conseil National du Patronat Français (CNPF) on June 12, 1946.

1.2. Instability punctuated by moments of coherence

The history of the collective action of French firms and employers shows that their mobilization was only possible through the resistance to state interventionism and the trade union movement. Moreover, the associational and administrative structures after the war, especially at the highest level, are much more the result of state activism
than an organic development of common interests. In fact, the interests of firms and employers are far more specific, sometimes ephemeral and often contradictory; they do not easily produce a general direction for political activities.

Only when it was defending itself was the national organization able to regroup and overcome the inadequacies of its collective action. After its creation in 1919, the CGPF reformed itself for the first time after the defeat in 1936, responding also to increasing tensions between large, small and medium-sized firms (SME): It became the Confédération Générale du Patronat Français, replacing the P in “production” with the P in “patronat.” Later on, the strikes in 1968 raised doubt about the conservatism of the CNPF. A subsequent reform in October 1969 aimed to centralize its authority and set up a new internal structure. The transition from the CNPF to MEDEF in 1998 followed the same logic. Having been defeated on the issue of the 35-hour work week, the association gathered momentum for another internal reform: It changed its name and logo and developed a new political strategy.

Even though the confederation blossomed to full legitimacy during these specific historical moments, the collective action of firms outside of these defensive phases is largely characterized by heterogeneity, i.e. a high number of professional or local associations and their autonomy from central decision making. Against this background, “the elimination of conflicts [happens] through organizational fragmentation” (Streeck 1991: 179). Indeed, managing their diversity is a real challenge for the collective action of French firms.

2. Diversity and tensions in the political representation

In their comparative study of business associations, Schmitter and Streeck (1999) show that this challenge applies to the political activities of firms everywhere.
The success and coherence of business associations therefore depends on the services they can provide to their members and the looseness of centralized coordination. Moreover, the French organizational landscape is particularly redundant due to the ambiguous institutionalization of the peak organizations: Recognized as representative confederations, the horizontal organizations have never been as powerful as some of their counterparts abroad. A consequence of this lack of stable relations is that many organizations acquire similar competences and then overlap or compete with each other.

At the national level, not just one but several confederations represent French firms and employers. Besides MEDEF, there are the small and medium-sized enterprises’ Confédération Générale des Petites et Moyennes Entreprises (CGPME), the crafts confederation Union Professionnelle Artisanale (UPA), the union of liberal professions Union Nationale des Professions Libérales (UNAPL) and the agricultural confederation Fédération Nationale des Syndicats d’Exploitants Agricoles (FNSEA). These voluntary associations coexist with the Chambers of Commerce and Industry (CCI), where affiliation is mandatory. The Assemblée des Chambres Française de Commerce et d’Industrie (ACFCI) and the Assemblée Permanente des Chambres des Métiers (APCM) are the peak organizations of the chambers of commerce structure. In contrast to these mandatory forums, the voluntary associations depend upon the recognition of the French state for their political legitimacy. Only representative organizations, such as MEDEF, CGPME, UPA and since 1997 the UNAPL, have the right to participate in collective negotiations. In other words, no single organization can speak for all of the firms or employers in France.

9 CCIIs play an economic role and concentrate on providing services to their members, but the ACFCI is also consulted in several political committees and designates the representatives to the Conseil Économique et Social, together with MEDEF and the CGPME.

10 However, on October 7, 1986, CNPF, CGPME, FNSEA, UNAPL and UPA joined forces against the socialist government and formed the Comité de Liaison des Décideurs Économiques (CLIDE). With few exceptions, this forum has been practically invisible over the last 20 years.
2.1. Axes of tension

The interests of French firms differentiate along several axes, which creates a certain amount of tension underneath the highest level of representation. To begin with, MEDEF, CGPME and UPA do not represent actual people. As confederations assembling professional unions or federations, the indirect members of the peak associations are firms, not company directors. Even though the business leaders are the ones who represent their firms in the committees of the confederation, the interest of a firm is not always equivalent to the interest of its chief executive officer or its owner. Therefore, several associations have formed explicitly to represent particular groups of actual business leaders, such as the Association of Women Entrepreneurs (Association des Femmes Chefs d’Entreprises – FCE), the Center for Young Entrepreneurs (Centre des Jeunes Dirigeants - CJDES) and the Christian Entrepreneurs (Entrepreneurs et Dirigeants Chrétiens – EDC). The tension between individuals and firms is thus a first line of differentiation of these actors’ political representation.

A second and more important axis of tension comes from the different sizes and types of firms. Since federations are structured around sectors of activity, professions or regions, representatives working in the committees of MEDEF speak for the automobile industry, for example, or for the Northern region, but not for the group of firms of their size or type. This was already a problem in the interwar period and explains the creation of the CGPME in 1944, the UPA in 1975 and the UNAPL in 1977. However, it is wrong to assume that these new organizations represent the smaller firms and MEDEF the large ones. According to MEDEF’s website, 70% of the firms it represents have less than 50 employees.\(^{11}\) It is true that big companies have more weight than small companies, but even the most important ones have to reconcile their interests with the

\(^{11}\) For more information, see http://www.medef.fr.
general interests of their sector or region in order to have a lasting influence in the internal decision-making. For these reasons, large firms founded the *Association des Grandes Entreprises Françaises* (AGREF) in 1967, which turned into the *Association Française des Entreprises Privées* (AFEP-AGREF) in 1981 after the nationalization of certain industries under the socialist government. Unlike the other confederations for different sized firms, the AFEP is not a representative organization, but rather a corporate think tank like the *Entreprises de Taille Humaine, Indépendante et de Croissance* (ETHIC), the *Institut de l’Entreprise*, the *Institut Montaigne* or *Entreprise et Progrès*.

However, it is wrong to assume that each of the associations based on size has a monopoly on the representation of different segments of the French business landscape. On the contrary, many of their competences and even their representatives overlap. Since the ambition of MEDEF is to represent all French firms, it has had a working group of SMEs for a long time. As a consequence, double and even triple representation is quite common. It is difficult to find accurate figures, but one estimation suggests that 60% of the members of the CGPME are also affiliated to MEDEF.¹²

These two axes of tension are still less important than the complexity of the federal structure and with it, the competition between different sectors and the redundancy of professional and regional membership. Even professional representation is sometimes problematic. Based on a diverse list of criteria – e.g. materials used, techniques, phases of the product cycles, final products – different professional trade associations often overlap. Sometimes, their competences are so close that two associations are in direct competition. To cite an example, the *Union Nationale des

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¹² For more information, please refer to the documentation of the *Institut des Sciences du Travail* of the *Université Catholique de Louvain* on social organisations in Europe http://www.trav.ucl.ac.be/partenaires/default-en.html.
Entreprises de Travail Temporaire and the Syndicat des Professionnels du Travail Temporaire compete for members and the representation of temp workers within MEDEF (Bunel 1997b: 9). Furthermore, the representation of French firms is also divided into horizontal regional associations, like the Association des Producteurs des Alpes Françaises. These regional associations exist at the level of cities, départements, regions and other territorial units, again often with considerable overlap. They are not only assembled into one or several federations at a higher regional level, but also into subdivisions of MEDEF, the so-called MEDEF territoriaux.

2.2. A complex universe of representation

A single firm is thus quite often affiliated to its primary craft association, a horizontal regional association and its local chamber of commerce, which are in turn members of sectoral associations, territorial federations and the confederation of CCIs. At the lowest level, one can find powerful trade associations or almost inactive groupings of firms. Furthermore, the territorial representation of MEDEF and the CGPME might co-exist, divide its work or merge, like they have done in the Midi-Pyrénées region. The structure of any of the peak associations is therefore quite complex and far from rational. Although the different levels are loosely linked, the sectoral and regional associations jealously guard their autonomy with respect to political statements and to membership fees, which can sometimes be quite uneven (Bunel 1997b: 13).

FIGURE 1 ABOUT HERE
Any detailed examination of the political representation of French firms quickly reveals its complexity, simplified schematically in Figure 1. In addition to this, there are ideological differences in different historical contexts, such as free trade, competition policy and the social role of employers.

The perceived unity of French business is not a natural occurrence and is not due to a perceived facility of capitalist interests to organize more easily than labor (Offe and Wiesenthal 1980); it is the result of a political process. Inside MEDEF, certain groups have been able to establish hegemonic positions, like UIMM, which has played an essential role in social policy since the beginning. In fact, the CNPF has never elected a president who did not have the support of the metal industry.\(^{13}\) Between the different federations, battles and compromises have helped to establish an informal order for political activities. A former president of CGPME explains that his role is simply to “assure behind the scenes that MEDEF integrates the position of CGPME into its discussion with the trade unions and the government.”\(^{14}\) This informal order gives some coherence to the collective action of French business, but heterogeneity, competition, redundancy and coordination difficulties constantly threaten this apparent unity.

3. **French business representation in crisis?**

The historical origins and structure of business representation in France show that its collective action is a fragile process. Due to the multiple tensions described in the previous section, coherence only arises after periods where external developments have raised doubt about the performance of the peak organization. Traditionally, these

\(^{13}\) The recent election of Laurence Parisot as the new president of MEDEF in July 2005 marked a small revolution. As the candidate of the service sector, Laurence Parisot won for the first time against the candidate of the industry federations, Yvon Jacob. See Mériaux (forthcoming). Cf. “Medef: les métallos ne font plus la loi,” *Le Point*, 26 mai 2005.

\(^{14}\) Quoted in Saurugger (Saurugger forthcoming:13).
external shocks came from state interventionism or the labor movement. Outside of these specific conjunctures, the stickiness of institutional forms might give the impression that French firms are well organized, but care should be taken not to assume that this appearance implies political impact.

Yet if French firms need external threats to reinforce their unity, what are the effects of de-unionization and the retreat of the French state from a number of economic domains formerly under its control? If free enterprise and the requirements of the markets become accepted societal values, do the peak organizations not lose their principal justification? Indeed, in the mid-1990s, many observers agreed that the political representation of firms was undergoing a crisis (quoted in Dubois 1999). The studies by Jean Bunel (1995; 1997a; 1997b) are some of the rare and precious attempts to evaluate the force of this collective action over time. He shows that the central coordination of political activities has indeed been in decline since the 1970s. After all, one of the main functions of the peak organizations CNPF/MEDEF, CGPME, UPA and UNAPL is to represent their members in bipartite or tripartite forums. As the most encompassing organization, MEDEF (and before it CNPF) obtained its fullest legitimacy from the co-administration of such neo-corporatist institutions. However, most neo-corporatist elements have been viewed sceptically over the last twenty-five years by business leaders. Can we then speak of a crisis comparable to the one the trade union movement has been going through? And if there was a crisis, has the reform of the CNPF succeeded in overcoming it? In order to evaluate the causes and the effects of the transition from the CNPF to MEDEF, it is necessary to study the evolution of collective action of French firms.
3.1. Lack of membership data

Unfortunately, a statistical comparison between the two evolutions is difficult, since gathering data about business membership poses several challenges (but see Traxler 2000; Traxler 2006). Most importantly, the number of affiliations does not really measure the degree to which firms support their political associations. This is due, first of all, to the fact that membership of firms is often indirect: Firms are members only of their immediate professional or local associations, which are then federated into the different levels of the peak organizations. Yet, although the members of MEDEF are actually federations themselves, the services MEDEF offers are aimed at firms. If these firms were no longer content with the services or the performance of the peak organization, they would need to disaffiliate as an entire sector or region, which is often difficult. Second, the multiple affiliations of associations and individual firms make it impossible to figure out overall support or political activity based on the membership statistics. Third, the affiliation of firms often does not only result from general interest or support, but also from the services the association offers to its members, as we will see further on.

In sum, we do not have meaningful membership statistics. Information about disputes or tensions between federations and the peak organization are also not easily available, as they are most often handled discreetly. Thus unable to study corporate de-unionization or internal coordination directly, we have to rely on alternative indicators about the evolution of the collective action of French firms. Following the work of Bunel, this article examines the degree to which entrepreneurs participate in the election of their representatives in two political institutions: the Chambers of Commerce and the work tribunals, the Conseil des Prud’hommes. A brief examination of collective
negotiation shows that falling electoral participation corresponds to a decentralization of collective decision-making in industrial relations.

3.2. Electoral participation

Entrepreneurs vote on a regular basis for their representatives in two forums: the Chambers of Commerce (CCI) and the Conseils de Prud’hommes. The CCIs are mandatory chambers of representation with two principal functions: to act as the interface between the firms and the French state in several consultative organs such as the Conseil Economique et Social, and to promote and support business activities in France and abroad by offering services, educational opportunities and expertise (see Andolfatto 2000). At present, there are 155 local CCIs and 20 regional CCIs in France. The Conseils de Prud’hommes are public tribunals charged with resolving disputes between employers and employees over their work contract. The conseillers prud’hommes are people from different sectors and regions who represent either employers or employees depending on their own background. These bipartite work tribunals are unusual judicial institutions since the judges are elected every five years. Today, 14,610 conseillers prud’hommes sit in the 271 work tribunals in France.

FIGURE 2 ABOUT HERE

The drop in electoral participation for both institutions since the 1970s is striking. From 1979 to 1997, the work tribunal election participation decreased from 50% to 21%. After participation levels of 40% in the 1970s, the participation in the CCI elections dropped to about 20% between 1988 and 2000: One in five voters abstained.
How should this low voter turnout be interpreted? With respect to the work tribunals, the drop in employer participation corresponds to the worker participation: After a high level of over 63% in 1979 and 59% in 1982, the percentage dropped by almost half in the following fifteen years: 34% of employees participated in 1997 and 33% in 2002. Does employer participation simply align? It is indeed difficult to understand why employers should mobilize for bipartite work tribunals that do not even interest employees anymore, despite the fact that the large majority of cases are decided in favour of the workers. But what explains the fact that employer participation rose again to almost 27% in 2002, while employee participation continued to drop? The same surge of mobilization happened in the CCI elections, where participation climbed to 26% in 2004. Part of this increase might be due to the fact that the 2004 CCI vote was the first election where employers could participate by “e-vote.” Still, the simultaneous reversal of the two participation declines is striking.

Inversely, we could also ask why participation was so high in the 1970s, especially for the CCIs where participation was rarely high. Before the Second World War, and then between the 1950s and 1970s, participation was at around 20%, like it was in the 1990s. Only in the 1960s did it rise and oscillate between 33% and 40%.\textsuperscript{15} It thus seems more important to explain the rise of electoral participation in the 1970s and in 2004 than the weak mobilization during the other periods. Bunel (1995: 78) suggests:

\begin{quote}
Few entrepreneurs vote regularly because the democratic dimension of these institutions is not evident to them; just as the majority of shareholders do not participate in the general assembly of a joint stock company. However, these elections become important to them when they feel threatened.
\end{quote}

The analysis of electoral participation thus confirms the hypothesis that collective action suffers when firms and entrepreneurs do not feel threatened. Their general unease was strong in the years between 1968 and the election of François

\textsuperscript{15} After 20% from 1920 to 1950, participation rose to about 24% in the 1960s (Andolfatto 1993).
Mitterrand in 1981. After the U-turn of the socialist government in 1983, the decline of the labour movement and the fall of communism, employer unity fell steadily and contributed to a sense of crisis in the peak organization CNPF in the mid-1990s. The periods that followed the reform of CNPF in 1969 and the transition from CNPF to MEDEF in 1998 were in turn characterized by reinforced electoral participation. Whether the reforms of the peak organization have a positive effect on electoral participation or whether the two phenomena are parallel reactions to a sense of crisis is difficult to say. In either case, electoral mobilization increases.

3.3. **The transformation of industrial relations**

The mobilization of the entrepreneurs is not the only indication of a change in their collective actions. It is also necessary to look at the role and function of the peak associations. According to a survey in 1994, only 21% of firm representatives think that the CNPF should be a real employers’ association that defends the interests of business owners and employers.\(^\text{16}\) Seemingly, the old neo-corporatist functions of the peak organization have lost legitimacy in the eyes of the entrepreneurs.

Indeed, a superficial glance at the complex history of industrial relations in France indicates that the role of the peak organization in collective negotiations might also be changing (Lallement forthcoming 2006). Over the last twenty-five years, CNPF/MEDEF has sought to disengage from bipartite institutions and collective negotiations at the national level and pursue a decentralization of industrial relations. Collective negotiations at the national level have existed since the Matignon Agreement in 1936. Since then, the representative employers’ organization and the trade unions have had two functions at the macro-level, First, they can engage in collective

negotiations, often introduced by the government, and second, they jointly administer a series of bipartite institutions on issues such as unemployment, social security, and pensions, for example the Association pour l’Emploi Industriel et Commercial (ASSEDIC), the Union Nationale pour l’Emploi dans l’Industrie et le Commerce (UNEDIC) the Agence Centrale des Organismes de Sécurité Sociale (ACOSS) or the Union des Caisses Nationales de Sécurité Sociale (UCANSS). At least since the 1990s, these two functions have been severely criticized by French business leaders as “hollow tripartism.”¹⁷ The proposal for selective disengagement was passed by 95% of the business representatives assembled by MEDEF after its reform and implemented in the following years: MEDEF withdrew from UCANSS in 2000, threatened to leave UNEDIC and withdrew from ACOSS and the CGPME in 2001.

Compared with other European countries, collective negotiations never played a very important role in France, even though they have attained some of the highest coverage rates in the OECD – up to 92% in 1985 – due to the governments’ capacity to extend and enlarge sectoral agreements (Van Ruysseveldt and Visser 1996). Crucial issues often move from the bargaining level to the political arena. Therefore, it is difficult to evaluate the evolution of collective negotiations by looking at the pure number of agreements. In fact, the actual number of agreements has not changed: About thirty are signed every year (Ministère de l’emploi du travail et de la cohésion sociale 2004: 18).¹⁸ At the sectoral level, the number of collective agreements is equally stable, but it is questionable whether the number of agreements reflects their importance. In contrast, the negotiations at the firm level have exploded over the last twenty years. Before the 1980s, few firms even conducted individual negotiations (Saurugger

¹⁸ Not counting amendments.
forthcoming: 7). As a result of European integration, the declining importance of national negotiations and new legislation, the number of firm-level agreements increased radically: from 1,955 in 1983 to an average of about 10,000 per year in the late 1990s and again after 2003.

At a more qualitative level, Lallement (forthcoming 2006) notes the transformation of collective bargaining away from encompassing regulation towards more contractual agreements, which provide important leverage for adjustment to the firms. A significant change in this context was the interprofessional agreement on contractual policy from October 1995, which reversed the hierarchy between sectoral and company-level agreements. While firms were previously allowed to make adjustments to sectoral agreements only if these were provided beforehand, sectoral agreements now applied to firms only where local negotiations had failed. In line with these developments, MEDEF made the continued decentralization of collective negotiations one of its principal objectives, which eventually led to an agreement between the social partners in 2001 and then to a proposed bill of a reformed social dialogue in 2003 (Lallement and Mériaux 2003).

The transformation of French firms’ collective action in the last quarter of the twentieth century indicates that centralized activities are being called into question. Traditionally, the CNPF played an important role in state-led institutions. After all, we have seen that it was the French government which incited the creation of the CGPF, which was watched suspiciously by the sectoral federations. After the Second World War, the CNPF became the bridgehead between the interests of French firms and employers, and the state and trade unions. Through this representative function, the CNPF was able to give the impression of business unity. After the internationalization of markets, however, this bridgehead function of peak business associations disappeared.
in most countries during the 1980s and the 1990s (Streeck and Visser 2006). Without the threat of state intervention or trade union strength, the different corporate interest groups in France have retreated to their own particular interests and focused on their competition with one another. The survey results, the radical drop in electoral participation and the desire to decentralize collective negotiations indicate that the few remaining neo-corporatist elements were rapidly losing legitimacy at the end of the twentieth century. In France, this cast doubt on the need for central coordination of diverse business interests through the CNPF/MEDEF.

4. **The reform of MEDEF: Display of strength or crisis management?**

An examination of the history of French business representation, the diversity of its institutional forms and interests and its evolution since the 1970s stresses the fact that the reform from the CNPF to MEDEF has to be understood as a response to a sense of crisis. Above all, the main stake in this reinvention was the management of its internal heterogeneity. The political context facilitated MEDEF’s tackling its internal reform. However, the fact that MEDEF succeeded in giving the impression that corporate France spoke with one voice is not the result of a change in the nature of collective action of French firms, but rather of the political effort inside the organization and a concerted effort to change its image. In order to respond to new challenges and apply what it had learned from its political weakness in the 1990s, MEDEF followed two objectives in its reform: the decentralization of collective action and the reinforcement of its communication strategy. With this strategy, Ernest Antoine-Seillière took up one of the central ideas of an internal report on the future of the peak organization written in 1997: In order to re-establish its authority in the eyes of French firms, the organization was to renounce “all artificial forms of legitimacy,” such as
collective negotiations or the administration of bipartite institutions dictated by legal
obligation, and to focus on developing “influence leadership” (Scherrer 1997). The peak
organization no longer wanted to act continuously on behalf of its members, a goal
which previously paralyzed the organization. Instead, it was trying to become the place
where general guidelines were elaborated and agreed upon, and where these guidelines
were then communicated to the government and the general public.

4.1. The logic of membership: Decentralization and service provision

The decentralization of collective action is an effort that started long before
1998, but that continues to play an important role in the new orientation of MEDEF.
After a period of “great contractual policies” under François Ceyrac, who was first head
of the Social Commission and then president of the CNPF from 1972–1981, the peak
organization tried to move away from encompassing negotiations on behalf of its
members (Seillière 2005: 50). In the words of Schmitter and Streeck (1999), the peak
organization shifted its emphasis away from the logic of influence towards the logic of
membership: Instead of trying to influence governmental decisions and trade unions, it
concentrated increasingly on the services it had to offer to its members. Bunel notes that
“the member has turned into a client.” In his interviews, business representatives
confirm that “entrepreneurs decide to join only because the organization can offer a
return on their membership fees.” Put differently, “there are no militant entrepreneurs
anymore. Business leaders join to get services” (Bunel 1995: 88).

What are these services? According to several business representatives, one of
the principal reasons to become a member of business associations is the insurance
regimes that members can benefit from: the garantie sociale des dirigeants, an
unemployment insurance for CEOs financed through membership fees, but also
ASTRE, an insurance that facilitates the transferal of firms or property and reduces the taxes to be paid on such transactions (Coulouarn 2004: 6). Furthermore, MEDEF provides a long list of consulting services and educational programs in areas such as administrative and fiscal management. It also serves as a clearinghouse for information that is useful to entrepreneurs. Its large regional and sectoral network helps firms invest or broaden their operations in different parts of the country. Created in 1989, MEDEF International extends this service abroad and provides support and advice to French firms doing business in foreign countries. A number of events, meetings, newsletters, online publications and recently also “MEDEF TV” help to inform members about MEDEF’s services.

This service orientation imposed itself once the CNPF realized that it could no longer just be the interface of French business with the state and the trade union movement. In his speech to the General Assembly in 1987, François Périgot (quoted in Bunel 1995: 130), a former president of the CNPF, addressed those that

... wonder about the future of the CNPF in an economy that is less and less administered by the state and more and more liberated. Our political mission must be adapted to reflect the relocation of decision-making centers, and our organization needs to seek involvement at the new levels of authority where the destiny of our firms is increasingly being decided upon: Europe and the regions.

Indeed, the CNPF became very active in European and international affairs with the creation of CNPF International and later with the help of its Brussels office and the leadership of François Périgot, who was to become president of the European peak association Union des Industries de la Communauté Européenne (UNICE) from 1994 to 1998.

Reviving regional activities turned out to be more difficult, because it is not exactly clear how a comprehensive organization can decentralize its activities without

19 Moreover, membership comes with a tax incentive, since membership fees can be deducted from taxable income.
20 Medef TV is not a television channel, but a collection of audio-files on the activities of the peak organization that can be downloaded from their website: <http://www.medef.fr>.
losing its function entirely. Still, the will to act less on fundamental questions on behalf of its members continued, and decentralization advanced incrementally. Back in 1969, the reform of the CNPF pursued the goal of giving greater authority to the peak organization, enabling it to speak for its members in collective negotiations, with the exception of salaries (Seillière 2005: 49). The failure of negotiations on flexible employment marked the end of the grande politique contractuelle promoted by the CNPF. In late 1978, the CNPF acknowledged the failure of this model and started promoting “the competitive administration of social progress” (Weber 1986: 296). After this date, the CNPF focused on procedural negotiations at the national level and delegated the bulk of negotiations to the sectoral or firm level. As a consequence, the reform of the CNPF in 1997 followed the opposite objective of the one in 1969. Having been defeated on the issue of the 35-hour work week, the peak organization emphasized that it was no longer interested in the traditional tripartism at the national level. Newspapers quoted business leaders as having replaced “the negotiator” Jean Gandois with “the killer” Ernest-Antoine Seillière as the president of the CNPF in the election on December 16, 1997.

Under Seillière’s leadership, the CNPF modified its statutes and changed its name and logo at the General Assembly in Strasbourg on October 27, 1998. Declaring that “tripartism was no longer adequate,” Seillière promoted leadership based on subsidiarity and communication. General guidelines and grand projects were elaborated at the highest level, but the implementation was in the hands of the sectors and the individual firms, the levels where “the most efficient compromise between the imperatives of competition and the aspirations of the workforce can be found.”

Despite the apparent peak-level activism, MEDEF’s “social re-foundation program”

was mainly a vehicle for decentralizing collective negotiations towards the company level (Mériaux forthcoming).

4.2. Societal projects and communication

Still, the challenge for MEDEF was to go through this process without becoming obsolete. To this end, MEDEF put an enormous emphasis on developing large projects and promoting them with a new and ambitious communication strategy. First of all, the transition from the CNPF to MEDEF was primarily the “launch of a new brand” aimed at changing the image of firms as political actors. The new word “movement” was chosen to inspire a new dynamism and “enterprise” as a reminder that the members are firms, which are necessary for the wealth of the country. The words “national” and “patronat” were dropped to get away from a sense of self-centeredness, protectionism and class struggle. As a final step in the internal reform, the organization was quite literally conscious of renovating its façade and moved into a new building in 2003.

However, the transformation of the organization did not just revolve around its image; it was first and foremost a change in political strategy. Disappointed by its lack of clout in the state-led social dialogue, MEDEF decided to aim higher. Rather than just giving its opinion when it asked, it wanted to take charge of developing its own policy alternatives and socio-economic projects. Through the proposition of large action plans under the heading of “social re-foundation,” MEDEF was trying to become a think tank which incited debates on societal issues and even organized a yearly summer university and promotional tour on the value of enterprise in schools. The action plans covered a diverse set of domains: unemployment, pensions, health, collective negotiations and

vocational training, but also more general issues such as sustainable development (Lallement and Mériaux 2003).

The elaboration and promotion of policy alternatives has become essential to the work of MEDEF. This explains why the communication strategy has changed dramatically. Ehrmann (1957: 184) has described the traditional “passion for anonymity” of French business leaders, who seemed to be “genetically predisposed to thinking that being happy means living in secret.” Indeed, for a long time French business leaders felt that it was necessary to be discreet to have political influence. Certainly this conviction had evolved over time, but it was completely abandoned under the new communication strategy. Unlike other responsibilities with the organization, communication was under the direct leadership of the president of MEDEF since the reform, which illustrates the importance of the domain. Monthly press conferences were organized and the president started appearing on an impressive number of radio and television shows in the years following his election. The new communication machine and the effort put into publicity had a tremendous impact. In the years following the reform, the presence of MEDEF in the print media was stronger than ever.

Today, the political strategy of MEDEF is to try to affect political decision-making through public opinion, which depends crucially on communication. The election of Laurence Parisot to the presidency of MEDEF in July 2005 is particularly noteworthy in this context. Unlike her predecessors, she did not have a background in the traditional industrial branches; she is the CEO of the Institut Français d’Opinion Publique, a major public opinion polling company. Even the background of its presidents thus indicates that the French business confederation has put a new emphasis on public communication.

The elaboration and promotion of large projects is a domain it can fill legitimately without questioning its relations with the autonomous subunits of the political representation structure. After all, 77% of entrepreneurs would have liked the organization to take on this role in 1994, while only 21% encouraged its work as an employers’ association.\(^{24}\) The reorientation of MEDEF’s strategy is therefore well received by French entrepreneurs. In 1999, 39% felt that MEDEF’s work reflected the reality of French firms, up from only 25% in 1996.\(^{25}\) The communication strategy complements the selective disengagement from traditional institutions: The empty chair strategy in the tripartite institutions and the abandonment of discreet consultation all work to make MEDEF the deliberative centre of the French patronat. But it is no longer an organization acting on behalf of French firms in all political and socio-economic contexts.

In summary, the reform of MEDEF needs to be understood in the context of a legitimacy crisis. Paralyzed internally by the heterogeneity of French business interests, the organization replaced its two social and economic commissions – forums where many of the tensions crystallized – through nine flexible “action and proposition groups.” A decision-making reform abandoned the consensus requirement and replaced it with a majority vote. With a continuing emphasis on service provision and decentralization, the organization is now able to act as a deliberative centre that enjoys legitimacy in the eyes of its members.


Conclusion

The goal of this article was to analyze the difficult collective action of a national business association in the last fifteen years. Through a detailed investigation of indications such as voting behaviour and industrial relations, it has shown that internal heterogeneity have become particularly stressful for the French peak organization in the light of internationalization and the opening up of new political opportunities for its constitutive groups and individual firms. The reinvention of CNPF into MEDEF and its new public relations strategy was a reaction to this crisis and an attempt to transform the organization in a business lobby focused on the elaboration of grand projects and public opinion.

The French study highlights that we need to look at the details of an organizations’ membership relations, if we want the challenges of recent economic and political developments. In his study of membership density, Traxler (2006) shows that the density of the peak employer organization hardly changed in 20 countries from 1986 – 1996. In fact, France’s CNPF even remained one of the densest organizations of the sample. The stability of employer representation is a remarkable finding, since union density for the same countries displays a comparatively higher decline over the same period. Our case study indicates that the aggregate figures do not tell the complete story. Stability in organization density notwithstanding, national peak associations for business and employers are under stress comparable to that put on national labour unions. However, the organizational dilemmas of firms do not manifest themselves in membership data as easily as they do for trade unions.

Nation-wide collective action of French business interests is a fragile process: No matter how reinforced it can be in times of adversity, it always threatens to fall apart in the long run. In the 1990s, the collective action of French firms was undergoing a
crisis, because the neo-corporatist elements and the old contractual policy had become obsolete. As a consequence, the central peak organization was no longer needed as a bridgehead between the state, labour representatives and employers. For the time being, the crisis management seems to be working. MEDEF appears as the voice of French firms, and its activities as a demonstration of force. Yet the tensions inside the organization will continue and one can wonder about the life-span of this new appearance. If MEDEF succeed in decentralizing the collective action of French firms and starts to work only as a lobby for its members, it effectively dissolves the principal justifications for a nation-wide confederation of French firms.
Figure 1: The universe of political representation of French firms
Figure 2: Electoral participation of entrepreneurs (%)

Sources: ACFCI; French Ministry of Social Affairs; Le Figaro; Bunel (1995); Andolfatto (1993).
Bibliography


