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# Goodyear's French Nightmare

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If you want to know what an unforgiving place France can be for doing business, especially in difficult economic times, ask Goodyear, the U.S. tire maker.

Since 2007, it has been trying to reconfigure its plant in Amiens, in northern France, which makes low-end tires for passenger vehicles and farm equipment, and has been losing about $80 million per year. But every attempt to change working hours, or seek voluntary redundancies – including as part of a sale – has been met with fierce, and highly effective, resistance. One militant labor union at the plant has essentially managed to veto all management's proposals, often over the objections of other, more moderate unions.

On Thursday, the inevitable happened: Goodyear's French management announced that it planned to shut down the plant altogether, with the loss of 1,173 jobs. "Closing the plant is the only possible option after five years of fruitless discussions," Goodyear's French director, Henry Dumortier, said in a statement. He didn't rule out, however, that there might be a last-minute rescue by a third party. "Goodyear will remain open to initiatives that could be proposed, in the framework of the procedure started today."

Goodyear's announcement isn't the end of the story, and in fact, might be just the beginning of a new one. That's because in France, where the unemployment rate has been rising for the past consecutive 19 months and now totals about 10.5% of the workforce, layoffs have become the top item on the political agenda, with the government of President François Hollande becoming increasingly involved in trying to block even private companies from cutting staff. Late last year, a succession of ministers attacked a decision by the steel maker Arcelor Mittal to lay off workers at a blast furnace in a case that dominated the headlines for weeks. This week, the Minister of Industrial Renewal, Arnault Montebourg, signaled that the Goodyear case was now a hot national political issue, saying he wanted "to bring everyone around a negotiating table" in order to find a solution other than closure. Adding more spice to the tale is the fact that Hollande actually visited the Goodyear Amiens plant during his presidential election campaign last spring, in a show of support for the workers.

Firing workers or even seeking voluntary redundancies is notoriously difficult in France, where the labor laws run to 3,371 pages – almost four times the volume of the legislation in neighboring Germany, whose workers are nonetheless very well protected. Indeed, the very heaviness and inflexibility of the law is widely seen as a significant competitive disadvantage in France. In the World Economic Forum's "Global Competitiveness Report", for example, "restrictive labor practices" are listed as by far the most problematic factor for doing business in the nation – a finding echoed in other similar surveys.

Goodyear's problems make for a cautionary tale. Back in 2007, management proposed an increase in working hours at the plant in exchange for job guarantees and about $60 million in additional investment. The plant's unions refused, complaining they were being blackmailed. The following year, management sought 400 layoffs. But the CGT union, famous for its militancy, took the company to court arguing that it hadn't correctly followed French procedures – and won. The court invalidated the layoff plan.

The next step was an attempt by Goodyear to sell off its agricultural tires business at the plant to another U.S. company, Titan International. Some job cuts were part of the deal, and management proposed a voluntary redundancy plan. Titan promised to safeguard the remaining 537 jobs and invest an additional $40 million over three years. But the CGT union again balked, and after eight months of fruitless negotiations, the plan fell through.

With news of the planned closure, some of the other unions at the plant turned on the CGT. "If the CGT had listened to the opinion of the staff about the voluntary redundancy plan, it would have been accepted because it was the least painful solution," said Virgilio Mota Da Silva, representative of a smaller union.

The government now appears to be pinning its hopes on the idea that Titan could again be interested. But after the collapse of the talks in 2011, Titan CEO Maurice Taylor declared publicly that the situation in France was "screwed up" and said: "French workers are very good at what they do when they work but as I told the union personnel, you cannot get paid seven hours for three hours of work."

The saga looks set to continue. With the government swinging into action, it's possible that some solution will be found for Goodyear's workers. But that won't solve the problem that's much bigger for France as a whole: When it's so hard to fire in difficult times, it's not surprising that companies are reluctant to hire in good ones.

795 words

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