CEEMET SC-IER

BRUSSELS, 29TH OCTOBER 2024

French National report

1. A FEW ECONOMIC FIGURES

The stagnation of French GDP over the last two quarters is primarily due to stagnant private domestic demand, which is barely above its level in the second half of 2023. The household consumption is suffering from a decline in spending on manufactured goods, which is at its lowest level in nearly ten years.

Overall, **GDP growth is expected to be 0.6% in 2025**, according to the European Commission, which means that, unlike the last two years, it will be below the eurozone average (+0.9% forecast). In this context, and in the absence of significant measures, the reduction of the public finance imbalance in France should remain slow (it reached 5.8% of GDP in 2024).

Inflation has slowed in recent months, thanks in particular to the decline in energy prices; on average for 2025, it will be **close to 1%,** compared with +2% in 2024. Over the past five years, inflation and wages have risen at the same rate.

In industry, several points should be highlighted:

- order books remain weak (except in aeronautics) and employers are concerned about the increase in tariffs in the United States (the country is our second-largest customer, accounting for almost 9% of the total exports of industrials goods).
  Trade tensions are not the only cause for concern among French companies: lack of economic policy visibility, tighter fiscal policy, falling demand, …

- For **energy-intensive sectors**, in March 2025, current production levels has remained well below those recorded in the spring of 2021 (i.e., before the surge in energy prices): this is the case for around 30% in the steel industry, 17% in basic chemicals 16% in glass, and 13% in paper and cardboard manufacturing.
  In MET industries, production was 6% below its pre-pandemic level. In the automotive sector, business continues to be affected by the sluggish European market and poor prospects for commercial vehicles. In aeronautics, there are still supply difficulties (particularly with titanium), but order books remain robust and the trade surplus is more than comfortable. The French shipbuilding industry is maintaining a sustained level of activity, driven mainly by the cruise and defense segments.

- Business investment in manufactured goods has fallen by 8% since the summer of 2023 (capital goods and transport equipment), partially offset by continued strong spending on research and development.

- **Some indicators published very recently point to a slightly more favorable economic outlook:** falling energy prices, increased industrial construction, and stabilization in business failures
- In MET industries, the decline in **employment** reached 13,300 over one year in the first quarter of 2025 (including temporary agency work). Due to weak demand, recruitment difficulties continue to ease, with 40% of manufacturing employers reporting such difficulties, the lowest ratio in four years. Similarly, the number of job vacancies has fallen sharply, as is also the case in other major European economies: 54,900 in industry in France during the first quarter of 2025, compared with more than 80,000 in 2022-2023.

2. Collective agreements in the MET industries

- **Employee savings schemes**

Sectoral negotiations on employee savings schemes are still currently ongoing. These negotiations are related to a cross sectoral agreement that was concluded last year (see our report of April 2023). These negotiations take time because of their technical nature.

- **Minimum wages**

On 20 February 2025, the negotiations on wages in the metal industry ended without success.

Negotiations on sectoral minimum wages started in the autumn. This was the first time that the new national minimum wage scale was reviewed. Indeed, our new national collective agreements entered into force as of January 1st, 2024, with a new national minimum wage scale. Previously we had a national minimum wage scale for engineers and managers and local minimum wage scales for blue-collar and white-collar workers.

The trade unions demanded a single percentage of increase for all the levels of the minimum wage scale but UIMM did not support this option.

UIMM's latest proposal, made in early February, was for an average increase of 0.9% across the minimum wage scale.

At the last negotiating session, the unions appeared to be divided:
- CGT and CFDT indicated during the last negotiation meeting that they would not sign the employers' latest proposal.
- FO had given a favourable opinion and planned to consult its internal bodies.
- CFE-CGC, which represents engineers and managers, had given a very reserved opinion and planned to consult its internal bodies.

The CFE-CGC National Council finally decided not to sign the agreement submitted for signature. In accordance with the legal provisions on the joint validation of collective agreements, these minimum wage negotiations therefore ended in failure.

As a result, the minimum wage scale applicable in 2024 continue to apply in 2025.

- **Employment, training and disabled workers**

Conclusion of a new collective agreement on long-term short time work scheme (called-APLD-R)

In order to protect jobs in companies facing economic difficulties, the Finance Act for 2025 introduced a long-term short-time work scheme (called "Activité partielle de longue durée- rebond" or APLD-R). This measure will remain in force until 28 February 2026.

This scheme enables companies that are experiencing a long-term reduction in activity, which does not threaten their sustainability, to reduce or suspend their employees' working hours while ensuring they retain their jobs.

Employees placed on short-time work receive compensation from their employer to offset their loss of wages. In return, the employer receives a partial reimbursement from the State and unemployment insurance in the form of an allowance.

<u>Main characteristics of this scheme:</u>

- companies are able to benefit from the scheme for 18 months, consecutive or not, over a reference period of 24 consecutive months;
- the placement of employees on APLD-R by the employer authorizes the payment of an allowance to the employee amounting to 70% of their previous gross remuneration (the allowance is increased to 100% of the net salary if the employee begins training during their period of placement on partial activity);
- the amount of the allowance paid to the employer is set at 60% of the employee's previous gross remuneration.

Employers who want to benefit from this scheme must

- conclude a collective company agreement; or
- be covered by an extended sectoral collective agreement. In that case, APLD-R can be implemented by a unilateral document drafted by the employer.

These agreements / unilateral document must be validated by the public authorities. Actions for skills development proposed to employees placed in APLD-R must be mentioned in the collective agreement / unilateral document.

On 18th April 2025, UIMM and 2 trade unions out of 4 (FO and CFDT) concluded an agreement on APLD-R. This sectoral agreement is intended – once extended by the administration – to enable companies in our sector – in the absence of a company agreement – to make use of the APLD-R scheme through a document drawn up unilaterally by the employer.

The agreement provides for the obligation to engage in prior negotiations on the terms and conditions for implementing this scheme in companies with at least 250 employees and with one or more trade union representatives at this level.

Negotiations on employment

Following the conclusion of the APLD-R agreement, negotiators agreed to continue discussions on a more ‘proactive’ approach, taking into account the current context and challenges for the future of industry, particularly in the aerospace, nuclear and defence sectors. These discussions aimed to draw conclusions from the work carried out in 2024 on annual recruitment needs in the sector for 2030-2035 and to address issues such as attractiveness, job retention, particularly for older workers, and support for retraining and career transitions.

Our Joint Sectoral Observatory's study of skills needs in the metalworking industry for the period 2030-2035 was presented to the unions in September 2024. The study looks at different economic scenarios. It shows that the industry will need to recruit between 170,000 and 236,000 people per year by 2035. This study is used as the basis for our employment and training policy at industry level.

Several other topics for discussion were put forward by UIMM and the trade unions including:

- defending the place of industry in Europe and the competitiveness of businesses (sovereignty, protectionism, border taxes, strategic autonomy, value chains, mobilising employee savings for industry, etc.),
- responding to employment issues (attractiveness, career development, retaining experienced employees, working conditions, professions under pressure, transition/retraining with a regional approach),
- and the effectiveness of all employment and training measures in relation to the funding allocated (particularly their impact on employment).

The discussions highlighted the shared desire of several organisations (particularly CFE-CGC and FO) to take a collective approach to defend industry: sharing a diagnosis (analysis of the situation through expert hearings to zoom in on the various sectors that are growing or in decline, feedback and assessment of employment and training measures), followed by discussions on the development of joint proposals.

3. Collective bargaining at cross industry level

On 14 November 2024, a cross-industry agreement was signed by all employer organisations (MEDEF, CPME, U2P) and four trade unions (CFDT, FO, CFTC, CFE-CGC) to try to remove barriers to hiring and keeping older people in work, secure their career paths and make the labour market more attractive to this population.

This agreement provides for, among other things

- more intensive social dialogue (at sectoral and company level) on the employment of older workers;
- enhanced professional interviews for workers aged between 45 and 60;
- greater flexibility in working hours at the end of a career;
- lowering the age for phased retirement to 60;
- the introduction of a ‘senior permanent contract’ (Contrat de Valorisation de l'Expérience) : this open-ended contract is available to job seekers aged 60 and over. It allows employers retire automatically employees as soon as they reach the legal retirement age and meets the condition for full benefits.

To be effective, this agreement must be transposed into law. The transposition law is currently being adopted.

Moreover at the request of the government, negotiations have just been launched to revamp and simplify the professional transition/retraining schemes.

4. Other Items

a) AI management in the workplace

The following initiatives can be mentioned as regards AI in our sector:

- **OPCO 2i - APEC study on impact of AI on engineers and managerial staff in the industry (published in february 2025) :**

The proportion of executive job offers in industry mentioning AI-related skills remains low, at 3%. These offers mainly concern positions in IT, research and development, maintenance, quality, safety, production and marketing. However, between 2019 and 2023, AI-related vacancies increased by 56% in industry, compared with only 13% in other sectors. 80% of these vacancies are in the metal sector, some areas of which are particularly impacted by AI. It should be noted that this sector alone represents half of all industrial companies and 55% of industrial employees.

- **Study of the joint skills observatory in the metal industry**

The joint skills observatory of the metal industry is also working on a study regarding AI. The following axes are studied :

- Defining of industrial AI and drawing up a map of AI companies producing solutions (belonging to the metal sector and beyond);
- Defining the frameworks for use (use cases and regulations) and the impact of AI for companies, employees and training organisations by clearly identifying the use cases for this technology;
- Defining the impact of AI (in particular generative AI) on the professions and associated skills in the value chain of mainly industrial SMEs;
- Analysing the types of AI training that already exist and comparing them with the needs expressed.

This study is still in progress.

b) Remote work and right to disconnect

No new developments in France.

c) Automotive sector

- Already severely weakened by the forced transition to electric engines (by 2035), by the buyers' lack of enthusiasm and, more structurally, the lack of competitiveness and the fiscal instability (2025 Finance Law), which is undermining the French industrial companies — leading to numerous supplier bankruptcies and redundancies.

    - The national production of light vehicles falls from 1.5 million in 2023 to 1.36 million vehicles in 2024, a collapse of 63% since 2002 and 38% since 2020.
    - 69,000 automotive suppliers in France in 2019. Today, there are only 56,000
    - 100,000 jobs at risk in the automotive sector within 5 years
- The trade war is adding to the existing crisis, with fears of an even larger influx of Chinese vehicles (a trend already observed -> last year's French auto show).
- Discussion are occurring with labour unions, UIMM and professional organizations to implement in France the European Automotive Plan - > how to modify the European Globalisation Adjustment Fund (EGF) to mobilize it at the right time (before restructuring)
    - Since January 2024, nearly 7,300 jobs have been lost or are threatened by restructuring or site closures