

WHY EMPLOYMENT PROTECTION IS WEAK IN BRITAIN AND STRONG IN FRANCE: IT'S TOUGHER TO GET THAN TO DEFEND ONCE IN PLACE

If employment protection in Britain were raised to French levels, firms would rush to get rid of unsatisfactory workers before the legislation came into effect. New research by **Björn Brügemann** of Yale University suggests that this is why there is so little pressure on government from British workers demanding French-style job security.

While protection against dismissal is very limited in Britain, most workers in continental Europe enjoy strong employment protection. Moreover, French workers fiercely defended these rights in early 2006, defeating then Prime Minister Dominique de Villepin's attempt to introduce more flexible employment contracts for younger workers.

This study, published in the June 2007 issue of the *Economic Journal*, offers the following explanation why there is no similarly determined movement among British workers demanding French-style job security: employment protection is much harder to introduce than it is to defend such regulations once they are already in place.

Central to Brügemann's argument is the fact that passing regulations such as employment protection inevitably requires a slow and protracted legislative process. During this process, firms have ample time and also the incentive to shed precisely those workers who would benefit most from more stringent protection: workers whose situation is already precarious because they generate little profits for their employer.

In France, these workers have every reason to oppose deregulation. In comparison, their peers in Britain have less reason to push for the introduction of employment protection, because they must fear that firms will take advantage of their last chance to sack them before the new law takes effect.

Brügemann finds that the experience of recent small-scale increases in employment protection supports this argument. Most recently, in 1999, the Labour government reduced the period of employment needed to qualify for unfair dismissal protection from 24 to twelve months.

News reports surrounding this event indicate that employment lawyers advised firms to dismiss unsatisfactory employees, and that firms did indeed rush layoffs to beat the law. This occurred despite the government's ability to implement this change relatively quickly, without a new Act and only needing approval of both Houses of Parliament.

Increasing protection to French levels would likely trigger a much more severe response of firms. Not only would this be a much larger change, it would also require a more involved legislative process and thereby give firms more time to react.

Brügemann's analysis shows that in principle, this argument alone could explain why strict job protection survives in France while being a non-starter in Britain. In other words, at first sight it may appear that the French are more averse to job mobility than the British. It may well be, however, that workers in Britain like job security just as much, but realise that an attempt to get it would be self-defeating.

ENDS

Notes for editors: 'Employment Protection: Tough to Get or Tough to Scrap?' by Björn Brügemann is published in the June 2007 issue of the *Economic Journal*.

Björn Brügemann is assistant professor of economics at Yale University.

For further information: contact Björn Brügemann +1-203-809-0604 (email: bjoern.bruegemann@yale.edu; website: <http://www.econ.yale.edu/~bb338/>); or Romesh Vaitilingam on 07768-661095 (email: romesh@compuserve.com).