Peugeot Workers Shut Down Plant Slated To Be Sold

Sarah DiLorenzo, AP Business Writer

PARIS (AP) — Hundreds of Peugeot Citroen workers occupied a French factory scheduled to be sold off, largely shutting down production in a protest against planned layoffs at the struggling automaker.

The Aulnay plant near Paris has been at the center of a battle over the future of France's largest automaker. The company announced last year that it planned to cut 8,000 jobs and close Aulnay as it struggles to compete in Europe's stagnant car market. The company reported a €819 million ($990 million) loss in the first half of 2012; it will announce its full-year results next month.

On Wednesday, the CGT union said 300 workers stopped all production at the plant. The company meanwhile said around 230 were out on strike — with many more absent — and that very little work was being done.

That's a small percentage of the 3,000 people employed at Aulnay, but the union said they were able to "paralyze" the factory because most of the striking employees work in production.

Anne-Laure Descleves, a spokeswoman for Peugeot, said the unions stage a strike once a month and the current one was only slightly worse than others.

The standoff at Aulnay comes at an unfortunate time for the government, which is trying to bask in the signing of a deal between unions and the country's business lobbies to reform the labor market. The deal — inked Friday but notably not signed by the CGT and another union — makes it easier for companies to reduce workers' hours in times of difficulty and promises to shorten the time employees have to challenge layoffs.

The government has called the agreement historic and hopes it will help drive down France's unemployment rate, which is over 10 percent. It also hopes the agreement will open a new era in relations between unions and management. Wednesday's action by the CGT, one of the country's most radical unions, calls into question whether labor relations will be able to evolve from one of skepticism to greater cooperation.

It also lays bare the difficulties facing France's carmakers.

The European car industry is facing big difficulties at the moment: vast numbers of unsold cars sit on lots while production lines lie idle. The industry is now also facing severe recessions in important markets throughout southern Europe.

Some observers — and even some of the manufacturers themselves — have said the continent's car makers need to shut down factories in order to restore profitability, as in the United States. But efforts to lay off workers in France have been met with stiff resistance.

The government initially called Peugeot's layoff plan "unacceptable." It eventually found a company — IG Logistics — to take over the Aulnay plant, but only with a reduced workforce of 600. The state also offered Peugeot a lifeline loan of €7 billion ($9 billion), in exchange for having a say in its decisions.

Peugeot's rival Renault, while is faring slightly better, is facing similar pressures. It announced Tuesday that it would cut 7,500 jobs in France over the next three years by not replacing departing workers and offering an early retirement package. No layoffs are envisioned.

Arnaud Montebourg, the minister for Industrial Recovery, said Wednesday that Renault's plan had not violated any of the government "red lines" but that it would be carefully watching for any sign of layoffs.

The action at Aulnay comes a day before Peugeot and unions are to sit down again to discuss layoffs at the plant.

"Employees at PSA Aulnay refuse to accept being laid off without anything. The false negotiations begun in November give absolutely nothing at all, the management is refusing to address the demands of the employees," a statement from the CGT said. "The striking workers demand that management restart the negotiations from the beginning."

Peugeot and unions are locked in discussions over how many jobs will be cut and what deal laid off workers will receive. Unions are pushing for early retirement incentives for those over 55; Descleves would not comment on PSA's position.