French strikes will cause limited economic impact

France is currently facing a movement of protests against the pension reform proposed by the government. This Tuesday 7 March marks the 6th day of mobilisations and the unions hope that the movement will strengthen. Although this is an important event from a political and social point of view, the economic impact of the strikes should not be overestimated

People take part in a demonstration against the French government's pension reform

Unions in united front against pension reform

In France, the eight main trade unions (CFDT, CGT, FO, CFE-CGC, CFTC, Unsa, Solidaires and FSU), which are presenting an unprecedented united front, kicked off a mobilisation on 19 January. They want the government to back down on its pension reform. The first day of mobilisation,19 January, brought together 1.12 million demonstrators throughout France, including 80,000 in Paris, according to the Ministry of the Interior. On 31 January, the figure reached 1.27 million demonstrators (87,000 in Paris). Subsequent days were less successful, with 757,000 people on 7 February, 963,000 on 11 April and 450,000 on 16 February. Now that the school holidays are over, the strike of 7 March should see a resumption of the movement in force, with between 1.1 and 1.4 million people expected on the streets.

The unions wish to "bring France to a standstill". Transport will be paralysed, school closures are expected and other sectors will be disrupted, notably the energy sector and the chemical industry. The government has called on the French to work from home as much as possible. The unions have announced a "renewable" strike, which could last, at least partially, beyond 7 March.

What is the economic impact of these strikes?

The economic impact of a strike can be defined as the sum of direct effects (on the companies concerned) and indirect effects (on the companies penalised in their activity by the transport and supply problems), to which are added substitution effects: for example, some of the travellers deprived of their train may turn to other modes of transport. By observing economic growth over a period when strikes have taken place and comparing these data to an estimated counterfactual situation, not impacted by mobilisations, it is possible to estimate a posteriori the impact of a strike on GDP growth.

Overall, research shows that, while activity may be impacted in some sectors of the economy, strikes have had little lasting effect on economic growth. In fact, the economic impact of strikes is most often limited to the period of mobilisation and the losses recorded are generally quickly offset in the following months. INSEE (the national statistics institute) has estimated the macroeconomic impact of previous social movements in France. For example, the impact of the November 1995 strikes against the Juppé plan and its pension reform was less than 0.2 points of GDP growth loss at the national level in the fourth quarter of the year, although the social tensions lasted three weeks, with a major blockage of public transport. This drop was then very much offset by an increase in activity in the following quarter.

As for the protests in November 2007 against the reform of the special pension schemes, they mobilised more people than in 1995 but lasted only 10 days, generating a drop of about 0.2 points of GDP which was totally compensated afterwards. In 2018, the "intermittent strike" of the SNCF strongly disrupted transport for three months, to the detriment of certain sectors such as tourism and the hotel industry. But this strike only cost a little less than 0.1 points of GDP in the second quarter of 2018, according to INSEE, and a positive impact of the same order was recorded in the following quarter.

During the fourth quarter of 2018, mobilisations resumed, with the "yellow vests" crisis, unprecedented because it was not managed by the trade unions, with a large number of rallies scattered over time and across the territory. The actions took place at the weekend, making them less noticeable. According to INSEE, this movement cost 0.1 points of GDP in the fourth quarter of 2018, at the height of the movement.

French President Emmanuel Macron

What impact can we expect from the 2023 strikes?

So far, the mobilisation of French people to demonstrate or go on strike has been important, but probably not enough to have a significant macroeconomic impact. The microeconomic impact on some sectors is also very limited. Tomorrow will only be the sixth day of mobilisation and the disruptions have been, for now, limited to some very specific sectors, such as transport. Given the development of homeworking since the pandemic, it is likely that the "indirect costs" of transport disruptions on other sectors of activity will be much more limited than in previous strikes.

If the mobilisation were to intensify drastically and some sectors were blocked for several weeks, the impact on GDP growth could become quantifiable, of the order of 0.1 or even 0.2 percentage points less than in a situation without a strike. As the current French economic situation is, for other reasons, marked by a slowdown in activity, this could lead to a growth rate of 0%, or even a tiny bit negative for French GDP over this period. However, strikes would only be one of the factors (with a small impact) behind this development. An impact greater than 0.2 percentage points on French economic growth seems, at this stage, very unlikely.

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