

Employment

Non-farm market payroll employment in France continued to rise solidly in Q1 2017 (+76,000 jobs, after +60,000 in Q4 2016). It is expected to rise by +45,000 in Q2, bringing the number of job creations in H1 2017 to +121,000. It should slow in H2 (+82,000) especially since the effect of higher employment intensity of growth linked with measures to reduce the cost of labour is likely to lessen, as the hiring premium for SMEs is to come to an end. Over the year as a whole, it should therefore increase by 203,000 jobs, practically the same as in 2016 (+205,000).

In the non-market sector, employment is likely to slow in 2017 (+17,000, after +49,000 jobs in 2016) as a result of the expected decline in the number of subsidised employment contracts.

All in all, 222,000 jobs should be created in 2017, slightly fewer than in 2016 (+255,000). The pace of job creations is expected to be less sustained in H2 (+81,000) than in H1 (+142,000).

Market sector payroll employment should continue its sharp rise in 2017

In 2016 in France (excluding Mayotte), payroll employment in the non-farm market sectors accelerated significantly (+205,000, after +108,000 in 2015, Table 1), with a more marked increase in H2 (+117,000 jobs after +88,000 in H1). In Q1 2017, market sector employment continued to rise steadily (+76,000): it once again declined in industry (-5,000) but picked up in construction (+9,000); temporary employment

continued to rise (+17,000) and employment in the tertiary sector excluding temporary work accelerated (+55,000, after +25,000).

Payroll employment should continue to rise in the market sectors through to the end of 2017, albeit a little more moderately in the second half-year (Graph 1). The pick-up in activity is expected to sustain job creations. In addition, the tax credit for encouraging competitiveness and jobs (CICE) and the Responsibility and Solidarity Pact (PRS) should continue to boost growth by adding about 20,000 jobs in H2 2017, as they did in H1. However, the planned withdrawal of the hiring premium for SMEs on 30 June 2017 is likely to slow job creations in H2 (about -20,000 jobs, after +20,000 in H1).

Through to the end of 2017, temporary employment should stabilise and tertiary sector employment excluding temporary work is expected to slow down

In 2016, temporary employment increased significantly (+82,000, after +54,000 in 2015). After growing slightly in H1 2016 (+13,000), it accelerated sharply in H2 (+70,000). As temporary employment is particularly sensitive to fluctuations in activity, it picked up sooner than other components of employment and approached the high levels it had reached before the 2008-2009 economic crisis. It is likely to slow in H1 2017, however (+29,000), then stabilise in H2 (Graph 2).

Table 1

Change in employment in thousands, SA

	2016				2017				2016 H1	2016 H2	2017 H1	2017 H2	2016	2017	Level end 2016
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4							
Mainly non-agricultural market sectors (1)	52	36	57	60	76	45	41	41	88	117	121	82	205	203	16,483
Industry	-7	-9	-2	-4	-5	-5	-5	-5	-15	-6	-10	-10	-21	-20	3,147
Construction	-4	-2	-3	-3	9	3	6	6	-6	-6	12	12	-12	24	1,334
Temporary employment	7	6	28	42	17	12	0	0	13	70	29	0	82	29	671
Market services excl. tempory employment	56	41	34	25	55	35	40	40	96	59	90	80	155	170	11,332
Agricultural workers	1	2	3	0	1	0	0	0	3	3	1	1	5	2	301
Mainly non-market service sectors	12	18	14	6	13	6	-1	-1	30	20	19	-2	49	17	8,058
Self-employed	-1	-1	-1	-1	0	0	0	0	-2	-2	0	0	-4	0	2,811
TOTAL EMPLOYMENT	64	54	72	65	90	52	41	40	118	137	142	81	255	222	27,653

Forecast

(1) Sectors DE to MN and RU

Source: INSEE

French developments

Employment in the tertiary market sector excluding temporary employment accelerated in 2016 (+155,000, after +120,000 in 2015). It gained momentum in Q1 2017 (+55,000). With business leaders remaining optimistic about prospects for growth in their workforce, employment in services excluding temporary employment should remain favourable in Q2 (+35,000, *Graph 3*). It should therefore increase by +90,000 in H1, before slowing slightly in H2 2017 (+80,000).

All in all, tertiary sector employment including temporary employment is set to rise by 199,000 in 2017 (+119,000 in H1 2017, then +80,000 in H2).

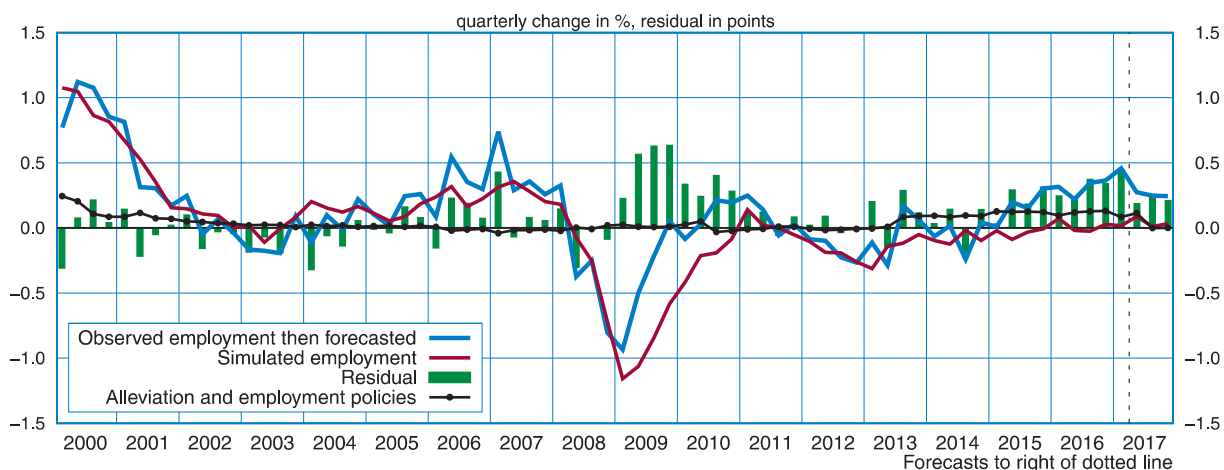
Job losses in industry are expected to continue into 2017

Net job losses in industry reached -21,000 in 2016, after -34,000 the year before. In Q1 2017, there were 5,000 job destructions in this sector. As the opinions of business managers in industry on changes in their workforce remain relatively stable, the drop in employment is likely to continue at the same pace throughout the last three quarters of 2017 (-5,000 jobs per quarter). Industry is therefore set to lose 20,000 jobs across the whole year.

Employment in construction should return to growth in 2017

Having fallen almost continuously since late 2008, payroll employment in construction returned to growth in Q1 2017 (+9,000). In the business

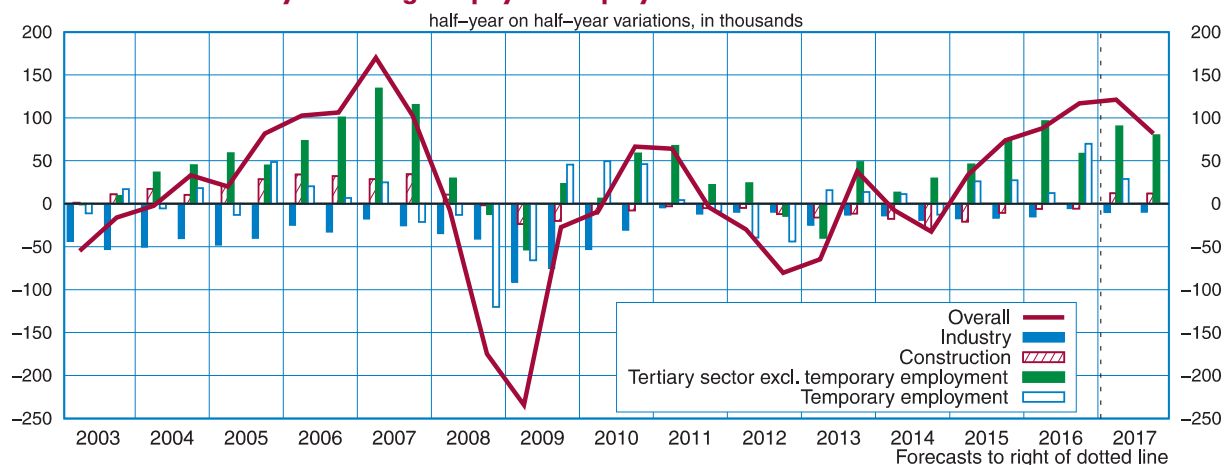
1 - Employment observed in the non-agricultural market sector, simulated and residual employment



Note: The equation residual for employment is the spread between the observed employment and the simulated employment from past and current variations in employment and activity and from effects of employment policies (included, over the recent period, the effects of the CICE, the PRS and the employment plan). A positive residual, such as that observed in 2015, indicates that observed employment showed better growth than past behaviour would lead us to expect. Estimation period: 1984-2009.

Source: INSEE

2 - Year-on-year change in payroll employment in the non-farm market sectors



Source: INSEE

tendency surveys the expectations of entrepreneurs concerning growth in their workforce have improved substantially in civil engineering and construction. Employment in construction is expected to continue to increase until the end of the year and should reach 24,000 in 2017.

Non-market payroll employment is expected to level off

In 2016, non-market payroll employment increased by 49,000, driven mainly by private employment in the sector (+30,000) as well as by subsidised contracts and civic services (+9,000, *Table 2*).

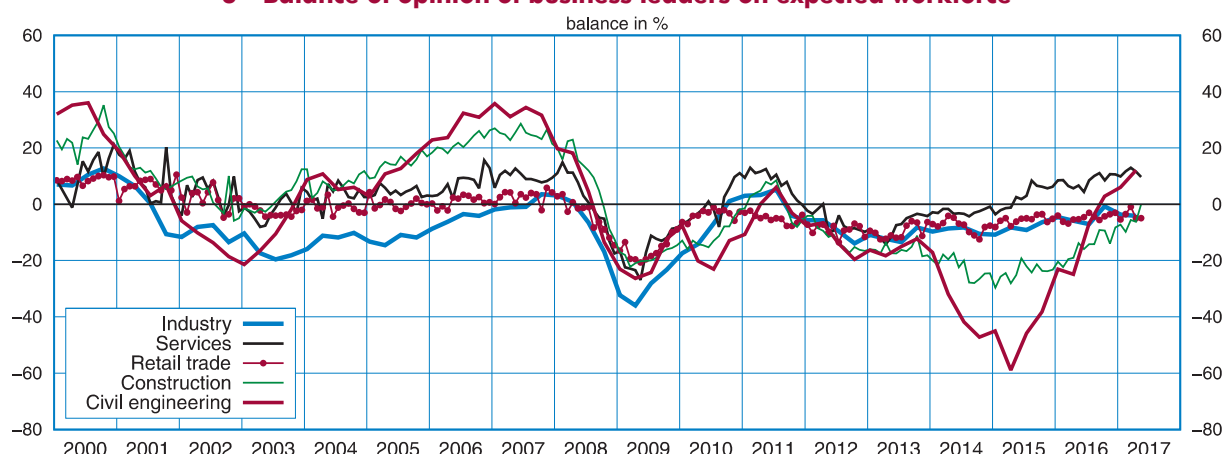
In 2017, non-market payroll employment is expected to grow more slowly (+17,000), mainly because of the reduction in the number of beneficiaries of subsidised employment contracts: the number of beneficiaries of the "Future Jobs" programme is likely to continue to decline in 2017 (-24,000 after -21,000 in 2016); for the other

schemes, even assuming a small additional budget for around 75,000 new entrants in H2, across the year as a whole the number of beneficiaries is likely to fall back (-22,000 after +19,000 in 2016). The number of people in civic service should continue to rise while non-subsidised public employment and private employment are expected to retain their slight upward trend (*Focus*).

Total employment is set to increase by 222,000 in 2017

Taking into account the self-employed and agricultural workers, net job creations, all sectors combined, should reach 222,000 in 2017, slightly less than in 2016 (+255,000). Over the year, employment is likely to slow in H2 (+81,000, after +142,000 in H1): this dip is likely to stem from the one hand from the decline in public subsidised employment and on the other from market sector payroll employment after the end of the hiring premium for SMEs. ■

3 - Balance of opinion of business leaders on expected workforce



Source: INSEE, Business tendency surveys

Table 2

Change in subsidised employment and civic service in the non-market sector

in thousands

	2016				2017				2016 H1	2016 H2	2017 H1	2017 H2	2016	2017
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4						
"Future Jobs"	-2	-4	-7	-7	-4	-4	-7	-8	-6	-14	-9	-15	-21	-24
CUI-CAE incl. ACI*	13	10	-4	0	6	-2	-13	-13	23	-4	4	-26	19	-22
Civic service contracts	2	2	3	4	0	0	3	5	4	7	0	8	11	8
Total	13	7	-7	-4	2	-7	-17	-16	20	-11	-5	-34	9	-39

Forecast

* Since July 2014, recruitment by integration workshops and sites (ACI) no longer takes the form of a CUI-CAE (*Contrat unique d'insertion – Contrat d'accompagnement dans l'emploi* – Single integration contract – Employment support contract) but instead a CDDI (*Contrat à durée déterminée d'insertion* - Fixed-term integration contract). Nevertheless, in order to ensure that the scope of this analysis remains constant when tracking subsidised jobs, the CUI-CAE forecasts given here include ACIs.

Scope: Metropolitan France

Sources: DARES, INSEE calculations