

Employment

In France, non-farm market payroll employment continued to grow at a moderate pace in Q3 2018 (+20,000 after +28,000 in Q2). It should continue to grow at a similar pace in Q4. Across the whole year, 114,000 market payroll jobs should therefore be created (after +321,000 in 2017). In H1 2019, employment is expected to progress at the same pace (+49,000).

In the non-market sector, the decline in employment in H2 2018 appears to be similar to that in H1 (-10,000), although the decrease in the number of beneficiaries of subsidised contracts was much less pronounced. In H1 2019, non-market employment is expected to bounce back a little, with 9,000 additional jobs. All in all, 107,000 jobs would seem to have been created in 2018, a substantial slowdown compared with 2017 (+341,000). In H1 2019, total employment should continue the same trend as in 2018, with 64,000 jobs created.

Market payroll employment should continue to increase moderately at the end of 2018 and in H1 2019

In 2018 in France (excluding Mayotte), the rise in payroll employment in the non-farm market sectors is likely to be much smaller than the previous year (+114,000, after +321,000 in 2017, *Table 1*). It should continue at the same pace in H1 2019

(+49,000 jobs). The increased difficulties in hiring staff, as reported by companies since 2017, may have contributed to this slowdown

(Focus: At the end of 2018, companies were pointing to the lack of qualified workforce as the main barrier to hiring, even more so than at the start of 2017).

Compiled from business leaders' responses on hiring in the business tendency surveys, the employment climate has faltered a little since this summer but still remains favourable, with the index standing at 105 in November, above its long-term average. In Q4 2018, non-farm market payroll employment should continue to increase moderately (+24,000): it is expected to stabilise, more or less, in industry (-1,000) and to continue to rise in construction (+5,000) as well as in the tertiary sector, excluding temporary work (+30,000, after +25,000 in Q3). At the beginning of 2019, payroll employment is expected to increase at this pace once again in the non-farm market sectors (*Graph 1*), in line with the growth expected in activity and a slight upturn in the effects of policies aimed at lowering the cost of labour. In particular, the transformation of the CICE into reductions in employers' contributions from 2019 should help to boost growth by about 15,000 jobs in H1 (*Focus: The transformation of the CICE tax credit into a reduction in social contributions on 1st January 2019 could have a positive – though limited and short-lived – effect on employment*).

Table 1

Change in employment in thousands, SA

	2018				2019		2018	2018	2019	2017	2018	Level end 2018
	Q1	Q2	Q3	Q4	Q1	Q2	H1	H2	H1			
Mainly non-agricultural market sectors (1)	42	28	20	24	26	23	70	44	49	321	114	16 856
Industry	0	0	-1	-1	-3	-4	0	-2	-7	-1	-2	3 139
Construction	5	6	5	5	3	2	11	10	5	28	21	1 376
Temporary employment	2	-5	-10	-10	-10	-10	-3	-20	-20	123	-22	789
Market services excl. tempory employment	35	27	25	30	36	35	61	55	71	172	116	11 553
Agricultural workers	3	0	1	1	1	1	3	2	2	4	5	309
Mainly non-market service sectors	3	-12	-6	-3	5	5	-10	-10	9	1	-19	8 029
Self-employed	2	2	2	2	2	2	4	4	4	15	8	2 861
TOTAL EMPLOYMENT	50	18	16	23	33	31	67	40	64	341	107	28 055

Forecast

(1) Sectors DE to MN and RU
Scope: France excluding Mayotte
Source: INSEE

Temporary employment is expected to fall but the rise in employment in the tertiary sector excluding temporary work should remain steady

Temporary employment has slipped back slightly since spring and over the whole of 2018 is expected to turn around completely (-22,000, after +123,000 in 2017). As it reacts particularly quickly to fluctuations in activity, it recovered sooner than the other employment components, and in 2017 it exceeded the high levels it had reached before the economic crisis in 2008-2009 (Graph 2). In line with 2018, temporary employment is expected to continue to decline slightly in H1 2019 (-20,000, as in H2 2018).

The increase in employment in the tertiary market sector excluding temporary work is likely to falter in 2018 but should remain solid (+116,000, after +172,000 in 2017). In H1

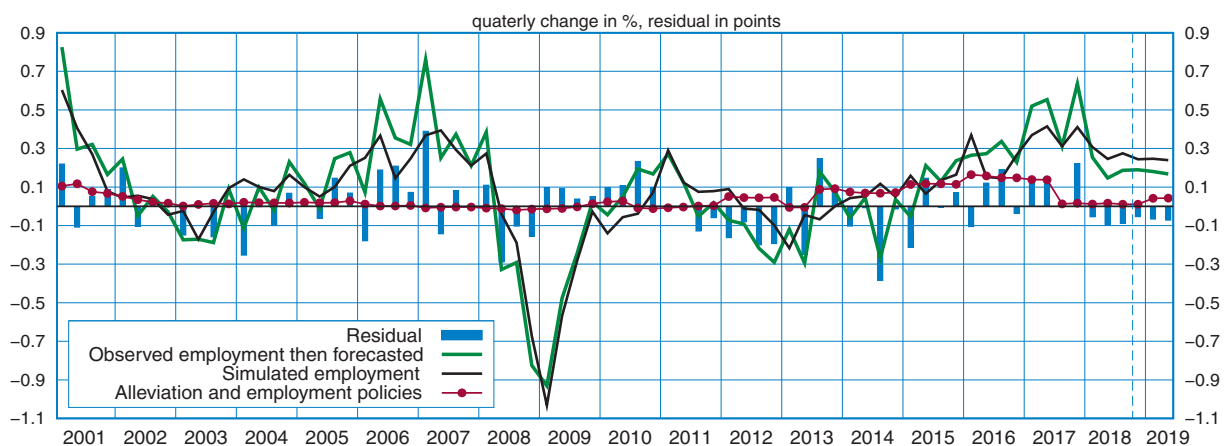
2019, since business leaders in the sector remain optimistic about changes in their workforce, employment is likely to keep the same pace (+71,000, Graph 3).

All in all, employment in the tertiary mainly market sector (including temporary work) should increase by 94,000 in 2018 (+59,000 in H1 2018, then +35,000 in H2). This increase is set to continue at a similar pace in the first half of 2019 (+51,000 jobs).

Job losses once again in industry

In industry, employment has remained stable since the beginning of 2018. Across the year, it is expected to decline slightly (-2,000) after stabilising in 2017 (-1,000). The expectations of business managers in industry regarding their workforce suggest that employment in industry is likely to continue to decrease over the next few quarters (-7,000 in H1 2019).

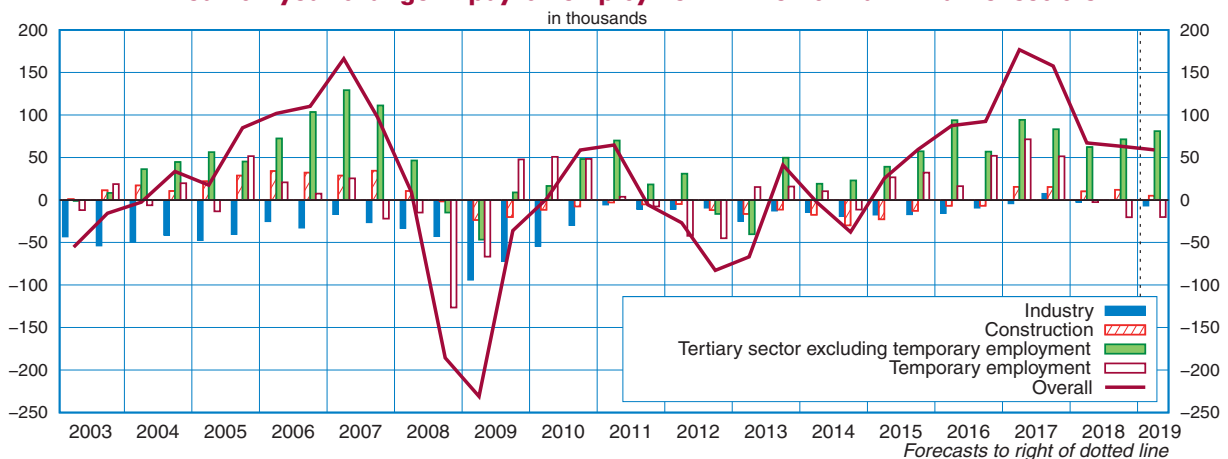
1 - Employment observed in the non-agricultural market sector, simulated and residual employment



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, see special analysis of the conjuncture in France in June 2018. Estimation period: 1990-2015.

Scope: France excluding Mayotte
Source: INSEE

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



Scope: France excluding Mayotte
Source: INSEE

French developments

Employment in construction should continue to rise

Payroll employment in construction decreased almost continuously between the end of 2008 and the end of 2016. However, job losses gradually declined, and since the beginning of 2017, the sector has returned to growth. In 2018, employment in construction is set to remain buoyant (+21,000 jobs, after +28,000 in 2017). In the business tendency surveys, however, business leaders' opinions on changes in their workforce are deteriorating in civil engineering and building construction. Thus in H1 2019, employment in construction should continue to increase but at a slower pace than in the previous half-year (+5,000 after +10,000).

Non-market employment is not expected to fall back further

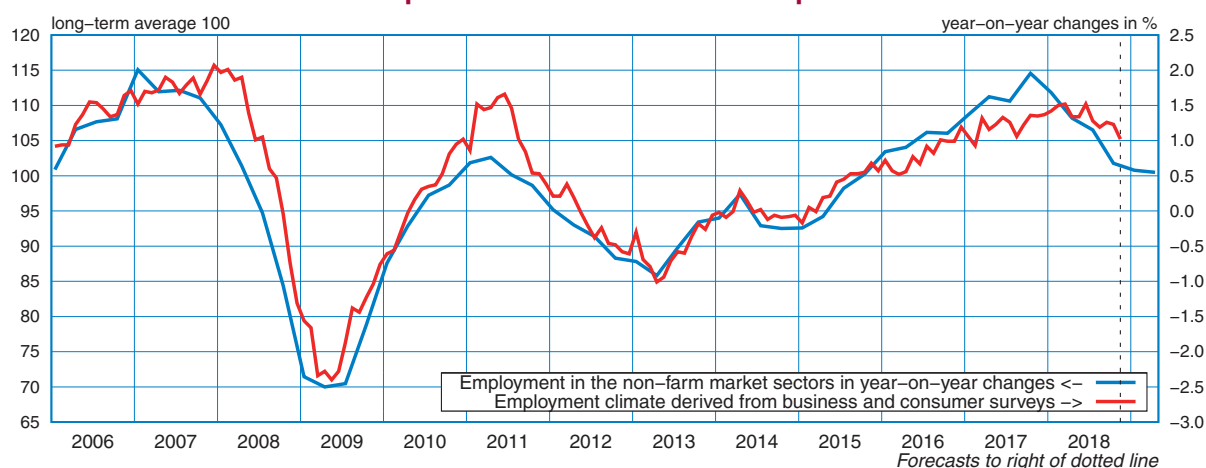
Non-market employment is set to decrease in Q2 2018 (-10,000), for the third consecutive half-year. However, the net reduction in the number of beneficiaries of

subsidised contracts observed from mid-2017 to mid-2018 is expected to fade in the second part of the year (Table 2). Non-market employment should bounce back a little in the first half of 2019, with the ramping up of the "Employment skills pathway" and the creation of 9,000 non-market jobs.

Total employment should increase by 64,000 in H1 2019

Including the self-employed and agricultural payroll employees, net job creations across all sectors should reach 107,000 in 2018, which is considerably less than in 2017 (+341,000). Total employment is expected to be slightly less vigorous in H2 (+40,000, after +67,000), due to the slowdown in market payroll employment, and to non-market payroll employment which is still falling. In H1 2019, total employment should pick up somewhat (+64,000), driven by moderate growth in activity, and a slightly favourable effect on employment when the CICE is converted to a reduction in social contributions. ■

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

	Variations trimestrielles				Variations semestrielles						Variations annuelles		
	2018		2019		2017		2018		2019		2017	2018	
	T1	T2	T3	T4	T1	T2	S1	S2	S1	S2	S1	S2	
Contrats aidés non marchands, hors ACI:	-34	-25	-8	-1	-5	2	7	-75	-58	-8	-3	-67	-66
Emplois d'avenir	-10	-8	-8	-5	-3	-3	-8	-23	-18	-13	-5	-31	-31
Contrat unique d'insertion (CUI-CAE)	-54	-53	-44	-25	-6	-1	6	-77	-106	-69	-7	-71	-175
Parcours emploi compétences (PEC) (*)	22	28	39	23	-2	4	0	0	50	62	2	0	112
Ateliers et chantiers d'insertion (ACI)	-2	0	-3	1	3	-2	1	2	-2	-1	1	3	-3
Services civiques	1	0	4	2	-1	-4	10	4	1	6	-4	14	7
TOTAL	-43	-32	-11	-4	-8	-5	9	-93	-75	-15	-12	-84	-90

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