

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

Since January 2017, companies have been asked in the business tendency surveys about barriers to hiring additional staff: half say that they do face this kind of barrier. From the start of 2017 to the end of 2018, this proportion has remained stable overall. However, the types of barrier have changed. More companies now report being unable to find skilled workers, while uncertainty about the economic situation and obstacles related to regulations are now emphasised less.

New questions on barriers to hiring since early 2017

Since January 2017, about 10,000 businesses in industry, services and construction have been questioned in the quarterly business tendency surveys on possible barriers preventing them from hiring more employees on open-ended contracts or fixed-term contracts of long duration. The surveys cover around 70% of payroll employment in the non-agricultural market sector, but do not cover trade and "other service activities".¹ These questions complement those on past and future changes to the workforce and difficulties with recruitment (Table 1).

In 2017, half of the businesses questioned reported barriers to hiring: in October 2017, companies that had been hindered in their recruitment represented 50% of total payroll employment in the sectors under consideration (Dortet-Bernadet, 2017). From the start of 2017 to the end of 2018, this proportion remained stable overall. By sector, companies in construction report that they are hampered most in their hiring processes, more so than companies in industry and services.

1. This category in the French classification of activities includes mainly arts, entertainment and recreational activities and the activities of households as employers.

Some barriers are linked and companies group them together: questions on the level of regulation (direct financial costs of dismissal, legal risks involved in the dismissal procedure and uncertainty as to how long labour legislation will remain in place) and questions on the cost of labour (cost of recruitment, social contributions and wage levels too high) often provoke similar responses and can be grouped together into specific categories. Barriers can therefore be grouped as follows into four main types: uncertainty about the economic situation, unavailability of a skilled workforce, cost of labour, and regulations. In 2017, businesses reported that the unavailability of a skilled workforce was the main barrier to hiring. In second place was uncertainty about the economic situation.

Since 2016, market employment has increased, difficulties in hiring too

In the business tendency surveys, companies are asked questions on the barriers to hiring that they experience in a specific context of rising market payroll employment. In the non-agricultural market sector employment has once again been on the increase since 2015, accelerating markedly between 2016 and 2017 (334,000 net job creations in 2017 after 180,000 in 2016). Across the whole of 2018, net job creations (+130,000) are likely to slow but should remain at a higher level than their average since 2004 (+56,000).

Table 1 - Questions on the barrier to hiring in business survey, in model survey on the activity in the industry

QUESTIONS ON WORKFORCE

Please put a cross in the appropriate box or circle the arrow that corresponds to your answer.

1. Total workforce in your enterprise

- | | | | |
|-----------------------------------------|---|---|---|
| a. Change in the last 3 months | ↻ | ⇒ | ↺ |
| b. Probable change in the next 3 months | ↻ | ⇒ | ↺ |

2. Are you currently experiencing difficulties in recruitment??..... YES NO

3. Are there any barriers that are currently preventing you from hiring more workers on open-ended contracts or on fixed-term contracts of long duration?.....

YES NO Sans objet

If YES, what are the main barriers?

- | | |
|----------------------------------------------------------------------------|--------------------------|
| -uncertainty about the economic situation..... | <input type="checkbox"/> |
| - unavailability of skilled labour..... | <input type="checkbox"/> |
| - recruitment costs..... | <input type="checkbox"/> |
| - social contributions too high..... | <input type="checkbox"/> |
| - wage level too high..... | <input type="checkbox"/> |
| - direct financial cost of dismissals..... | <input type="checkbox"/> |
| - legal risks associated with dismissal procedure..... | <input type="checkbox"/> |
| - uncertainties as to whether labour legislation will remain in place..... | <input type="checkbox"/> |
| - others..... | <input type="checkbox"/> |

Source: INSEE, enquêtes de conjoncture.

French developments

This buoyancy in employment has been accompanied by a sharp increase in the difficulties companies have experienced in hiring staff (*Graph 1*). At the end of 2018, 45% of businesses in industry, services and construction said they had encountered hiring difficulties, against 21% at the start of 2015. Hiring difficulties have returned to a similar level to that of 2008 in these three sectors.

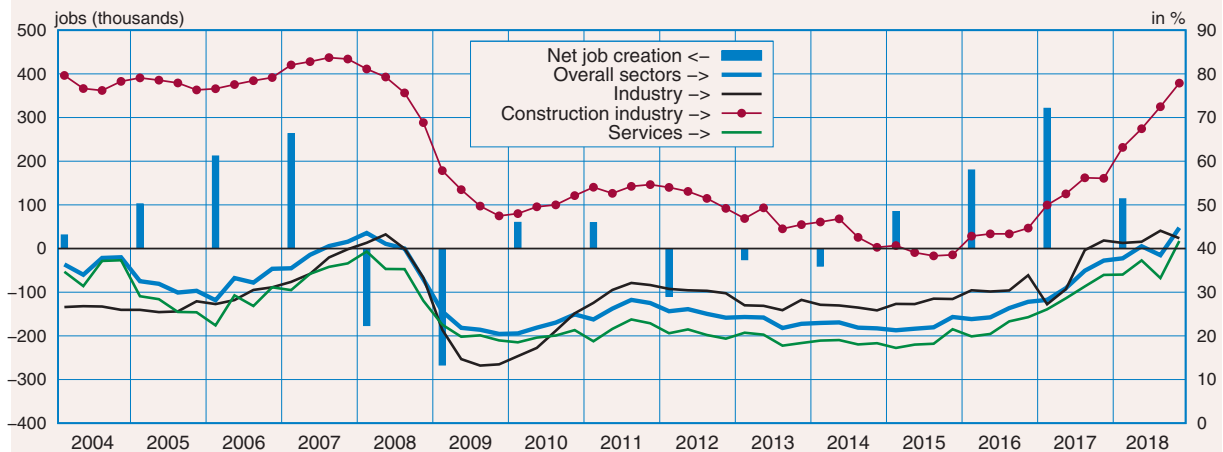
From 2017 to 2018, the unavailability of skilled workers is the barrier that has increased most

Overall, the proportion of enterprises facing barriers to hiring has remained virtually stable since 2017 (*Table 2*). From Q2 2017 to Q4 2018, it stood at around slightly less than half. However, the proportion of the different types of barriers to hiring changed substantially (*Graph 2*).

In autumn 2018, the lack of available workforce was still the primary barrier to hiring, and was reported even more often than before. From the beginning of 2017 to the end of 2018, a much higher proportion of companies were reporting that the unavailability of skilled workers was preventing them from hiring more (+12 points). This increase could be seen in all sectors, but was particularly pronounced in the building and construction industry (+21 points). Conversely, the proportion of enterprises that reported being hampered by uncertainty about the economic situation declined substantially (-8 points), although this proportion increased a little towards the end of 2018, probably in line with the upsurge in uncertainties at international level. Once again the trend was very marked for enterprises in building and construction (-20 points between the beginning of 2017 and the end of 2018).

These changes were concurrent with the acceleration in economic activity observed in 2017 and were in agreement with the declarations companies made

1 - Payroll employment in the non-agricultural market sectors and recruitment difficulties

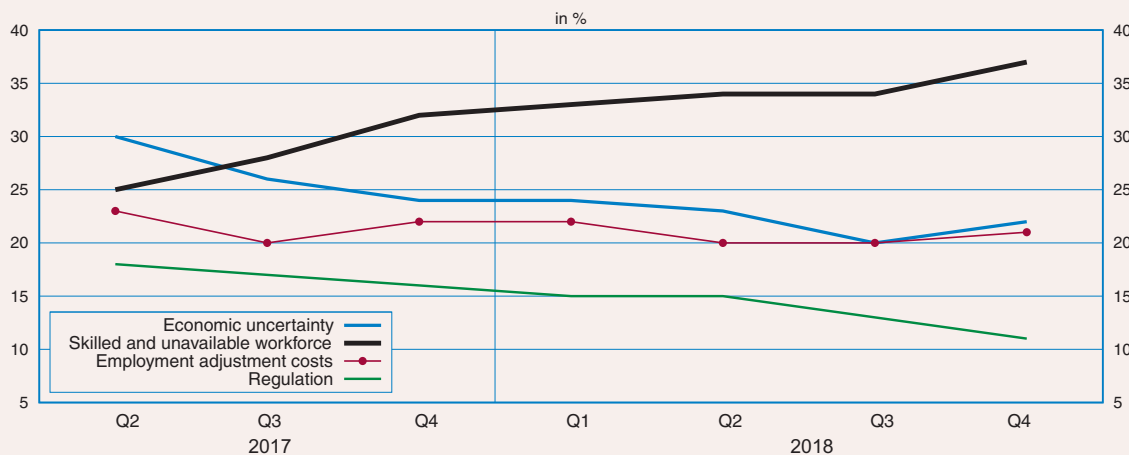


How to read the graph: The sector graphs show the proportion (as a %) of enterprises reporting recruitment difficulties

Note: For each sector, results are weighted by the workforces of the enterprises surveyed; the series including all sectors is obtained by calculating an average of the three sector series weighted by workforce.

Source: INSEE, enquêtes de conjoncture et estimations d'emploi

Change in the different types of barrier to hiring



Note: results are weighted by the workforces of the enterprises surveyed. Several answers are possible for the same enterprise.

Source: INSEE, enquêtes de conjoncture

about production constraints: the proportion of enterprises facing only problems related to demand decreased from 2016. Difficulties with supply, including the supply of workers, have exceeded demand difficulties since 2017 not only in manufacturing but also in the building construction industry and services (*Special analysis: Supply tensions and the position of the economy in the cycle*). Concerning barriers to recruitment, in 2017 the unavailability of workforce exceeded uncertainty about the economic situation and at the end of 2018 this was still the barrier that companies mentioned most frequently.

Companies say they are less limited by the level of social contributions but slightly more limited by wage levels

The strong performance of activity has been accompanied by a slight acceleration in nominal wages: the average wage per capita in the non-agricultural market branches is therefore expected to rise by 1.9% in 2018, after +1.7% in 2017 and +1.2% in 2016 (see *Wages sheet*). This nominal increase in wages may account for the slight increase in

the proportion of enterprises saying that they have been prevented from hiring because wage levels are considered to be “too high” (+3 points).

However, the fact that the barrier linked with wage levels appeared with greater frequency was offset by the decline in the barrier linked with the level of social contributions (-6 points). All in all, barriers linked with labour costs (cost of hiring, social contributions and wages) remained virtually stable.

Businesses reported fewer barriers linked with regulations

Overall, barriers linked with regulations were perceived less at the end of 2018 than at the start of 2017 (-7 points) in a context of the adoption of rulings to reform the French Labour Code in September 2017, with the relaxation of certain provisions in dismissal procedures, notably. Fewer companies considered that the direct financial costs of dismissal, the legal risks associated with the dismissal process and uncertainty about whether labour legislation would remain in place were a barrier to hiring. This decline was greater for small and medium enterprises than for larger businesses. ■

2. Non-response is dealt with during the statistical processing of responses to questions on barriers to hiring. When an enterprise answers questions in the «barrier to hiring» module in one survey but does not reply to these questions the next time, its answers from the previous survey are retained. Thus to maintain comparability, the results from Q1 2017 are not shown or commented on.

Table 2 - Share of enterprises mentioning each barrier to hiring at the end of 2018 and change since the start of 2017

	Niveau fin 2018 (en %)				Évolution depuis début 2017 (en points)			
	Industrie	Services	Bâtiment	Ensemble	Industrie	Services	Bâtiment	Ensemble
Existence de barrières	58	44	72	49	6	1	-1	2
Incertitude sur la situation économique	26	20	34	22	-7	-6	-20	-8
Main-d'œuvre compétente indisponible	42	33	61	37	12	11	21	12
Coûts liés à l'emploi	20	21	32	21	-1	-2	-4	-2
Coûts de recrutement	7	11	12	10	1	5	3	4
Cotisations sociales trop élevées	14	12	25	13	-4	-6	-7	-6
Niveau des salaires trop élevé	7	9	12	9	2	3	4	3
Réglementation	12	9	22	11	-8	-7	-11	-7
Coûts de licenciement	7	5	13	6	-4	-5	-9	-5
Risques juridiques associés au licenciement	8	6	16	7	-7	-7	-10	-7
Incertitudes sur la pérennité de la législation du travail	7	6	13	6	-4	-4	-9	-5

Note: A single enterprise can mention several types of barrier to hiring.

How to read the table: industrial enterprises recording barriers to hiring and mentioning uncertainty about the economic situation employ 26% of workers in the sector (results obtained by weighting the responses by the workforces of the enterprises). This figure was 33% at the start of 2017.

Scope: France, enterprises in the industry sector with more than 20 employees, in construction with more than 10 employees and in market services.

Source: INSEE, enquêtes de conjoncture.

Bibliography

Insee, “What do companies tell us about the barriers to hiring?”, *Conjoncture in France*, June 2017, p. 74-78.
 Dortet-Bernadet V., “Half of all companies report barriers to hiring?”, *Insee Focus n°106*, December 2017. ■