Employment and unemployment

On account of the health crisis and the first lockdown of the population (from 17 March to 10 May), payroll employment in France tumbled by almost 700,000 in H1 2020. It bounced back strongly in Q3 (+400,000 approximately), but this only partly compensated for the losses at the beginning of the year. In Q4, the worsening health situation and the measures taken to cope with it, especially the second lockdown from 30 October, are expected to result in a further decline in payroll employment (about –300,000). By the end of 2020, there are therefore likely to be almost 600,000 fewer payroll jobs than at the end of the previous year.

Almost 700,000 net destructions of payroll jobs in H1 2020: a general lockdown but some major differences between sectors

In H1 2020, payroll employment in France (excluding Mayotte) plummeted by 697,000, or –2.7% compared to the end of 2019, cancelling out the net job creations accumulated since the start of 2017.

The scale of the initial decline in March varied according to sector: payroll employment (including temporary employment) fell sharply in construction, less in industry and the market tertiary sector and resisted better in the non-market tertiary sector (which includes most of the civil service). In the months that followed, the rebound in construction was particularly brisk and by the end of September, payroll employment in construction had returned to its pre-crisis level (*Table 1*).

The diversity of the original decline in payroll employment in the different sectors is primarily a reflection of the variation in the shock they experienced to their economic activity. By the end of March, the decline in payroll employment in construction was three times that in the market tertiary sector, but activity had also declined more. In terms of numbers, it was in the market tertiary sector, which represents almost one in two payroll jobs, that most job destructions were concentrated in H1 (–432,000 between the end of 2019 and mid-2020). The decline was particularly significant in accommodation-catering (–145,000 jobs over the half-year) and services to households (–80,000), as their activity was directly affected by the restrictive measures put in place during the first lockdown.

In general, the initial decline in payroll employment (–3.1% on average in Q2 2020 compared to Q4 2019) was much more moderate than that in activity (–18.8% for the same period): this workforce retention was made possible largely by the short-time working scheme, which concerned up to one in three employees in April.

In each sector, adjusting employment to activity was done in various ways: complete or partial hiring freeze for workers on either open-ended or fixed-term contracts, non-renewal of fixed-term contracts as they reached their end-date and decline in the recourse to temporary employment. The rate at which businesses hire temporary workers, which is structurally higher in construction (about 10% of payroll employment in this sector) fell drastically in March and April, and this alone accounts for almost all variations in employment in this sector (*Graph 1*). In the market tertiary sector, where temporary workers are used much less often, it was fixed-term contracts that bore the brunt of employment adjustment.

Employment is expected to fall back once again with the second lockdown

In Q3 2020, payroll employment picked up strongly (+401,000 jobs) (*Table 2*). However, at the end of September 2020, it was still below its pre-crisis level (–296,000 compared to the end of 2019), at a similar level to the end of 2018. Payroll employment (including temporary workers) rebounded particularly well in the market tertiary sector (+193,000) and industry (+44,000), after

Table 1 - Deviation in payroll employment compared to the end of 2019

difference compared to level at the end of 2019 in %, SA data

	End of March	End of June	End of September
Industry	–3.6	–3.7	–2.4
Construction	–6.2	–2.6	0.3
Commercial tertiary sector	–2.0	–3.6	–2.0
Tertiary non-trading	–0.3	–1.1	0.4
Together	**–1.9**	**–2.7**	**–1.2**

How to read it: at the end of June, payroll employment was 2.7% lower than at the end of 2019.
Note: in this table, temporary workers are counted in the sector where they carry out their assignment.
Scope: France (excluding Mayotte)
Source: INSEE

two quarters of decline. In non-market services, employment also picked up (+118,000), mainly as a result of the upturn in hiring in the civil service, which had been partly frozen in the previous quarter. Finally, employment remained dynamic in construction (+47,000), which started to pick up in Q2.

In Q4 2020, payroll employment looks set to plummet once again (–301,000) with the effect of the worsening of the health situation and the strengthening of restrictive measures, notably the second lockdown which came into force on 30 October. The resulting decline in economic activity is likely to be on a smaller scale than that in the spring, and concentrated even more in certain sectors, especially in the market tertiary sector. In the very short term, the link between activity and employment is expected to be similar to that observed in the spring, particularly with the short-term working scheme being used again on a huge scale in the hardest hit sectors.

Between the end of 2019 and the end of 2020, 597,000 payroll jobs would appear to have been destroyed, or 2.3% of the pre-crisis level.

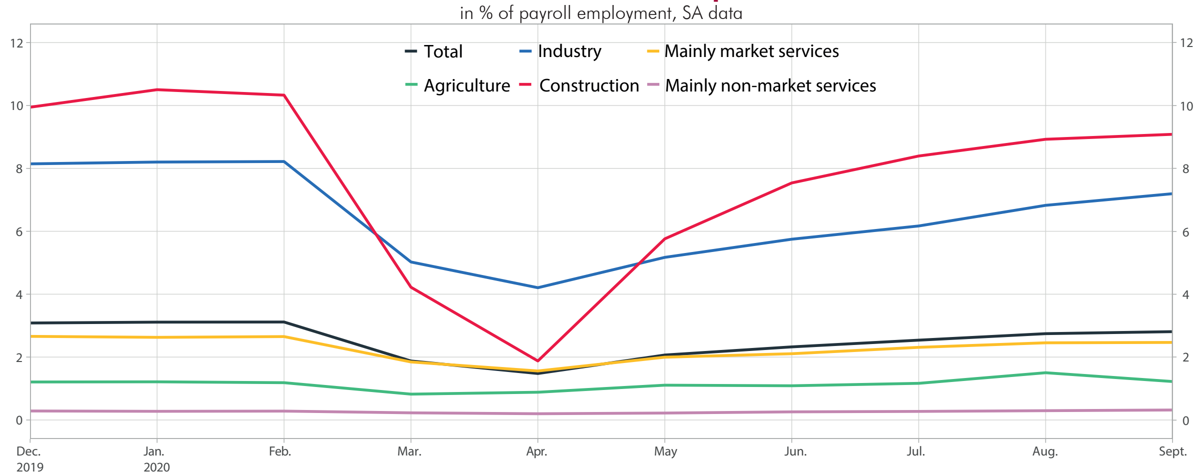
As a result, the forecast published in the Economic Outlook of 6 October 2020 can now be revised upwards (+130,000). The overall situation at the end of the year is certainly worse than expected (second lockdown) but conversely, the rebound in payroll employment in Q3 was significantly greater than forecast.

Total employment (payroll employment and self-employment) is expected to fall by almost 700,000 in a year

Over 2020, self-employment is likely to fall at the same pace as payroll employment, which would bring the total number of net job destructions (employees and self-employed) to 691,000 at the end of 2020 compared to the end of 2019.

1 - Rate of recourse to temporary employment by sector of activity between December 2019 and September 2020

in % of payroll employment, SA data



How to read: temporary workers represented 9.1% of payroll employment in the construction sector in September 2020.
Scope: France (excluding Mayotte)
Source: Dares for temporary work by sector, INSEE calculations

Table 2 - Change in payroll employment

in thousands, SA, at the end of the period

	2020					
	Change over 3 months				Annual change	
	T1	T2	T3	T4	milliers	%
Agriculture	–4	–5	0	4	–5	–1,7
Industry	–124	–3	44	–13	–96	–2,8
Construction	–98	56	47	–16	–11	–0,7
Commercial tertiary sector	–245	–187	193	–245	–484	–4,0
Transports	*–50*	*1*	*23*	*–15*	*–40*	*–2,6*
Accomodation and catering	*–61*	*–83*	*57*	*–113*	*–201*	*–17,3*
Corporate services	*–38*	*–32*	*30*	*–50*	*–90*	*–3,1*
Household services (including culture and recreation)	*–40*	*–40*	*44*	*–35*	*–71*	*–5,4*
Tertiary non-trading	*–21*	*–66*	*118*	*–31*	*–1*	*0,0*
Together	**–493**	**–204**	**401**	**–301**	**–597**	**–2,3**

Note: in this table, temporary workers are counted in the sector where they carry out their assignment.
Scope: France (excluding Mayotte)
Source: INSEE

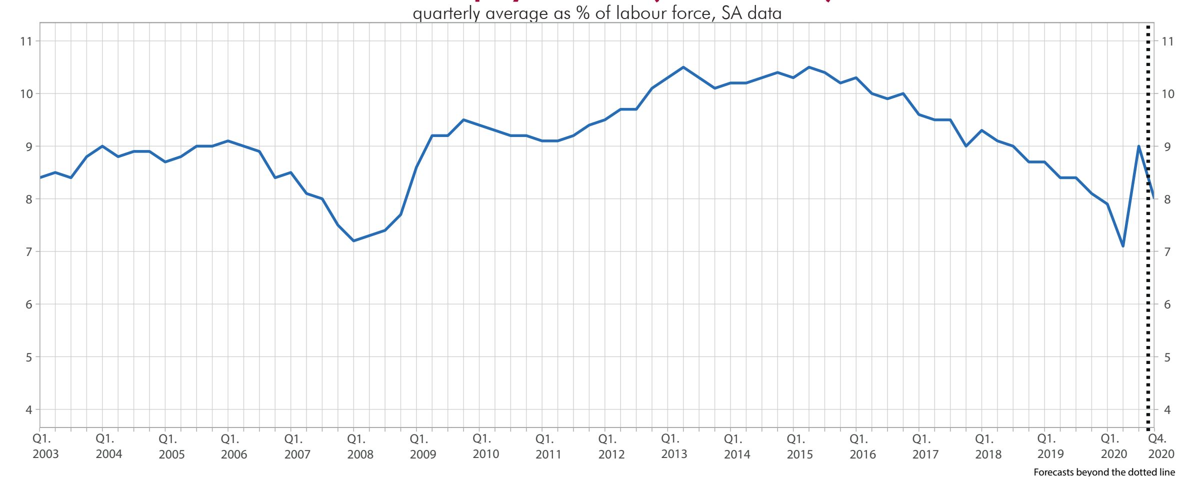
The unemployment rate is likely to fall back to 8.0% by the end of the year but the halo of unemployment is expected to increase substantially

The unemployment rate dropped sharply in Q2 before rebounding in Q3 (*Graph 2*). This decline was unexpected as the number of people without jobs increased considerably from the end of Q1, however, it can be explained by the fact that a large number of people without work interrupted their job search during the first lockdown, and thus left the labour market within the meaning of the ILO and switched from unemployment to what is called the "halo of unemployment" (people without a job who wish to work but are not actively seeking work and/or are not available for work). As a result, in Q2, 6.0% of people aged from 15 to 64 were in the halo, or 1.9 points more than in the previous quarter. At the same time, the unemployment rate fell back by 0.7 points, to 7.1% of the active population. With the end of lockdown and a return to the usual job searching behaviour, the unemployment rate increased sharply in Q3, by 1.9 points to 9.0%. This was 0.9 points above its Q4 2019 level, before the health crisis, thus reflecting the decline in employment over the period.

The second lockdown, which started on 30 October, once again limited job opportunities and hence the search for jobs in the sectors most affected by the restrictions to their activity (tourism, culture). This effect is expected to be less than in the spring but, given that employment is expected to be virtually stable as a quarterly average, this would be sufficient to bring about a further decline in the unemployment rate (*Table 3*). Thus the unemployment rate is expected to stand at 8.0% at the end of the year, virtually back to its level at the end of 2019. On the other hand, the halo of unemployment is likely to increase significantly in Q4. ■

2 - Unemployment rate (ILO definition)

quarterly average as % of labour force, SA data



Scope: France (excluding Mayotte), persons aged 15 or over.

Source: INSEE, Labour Force Survey

Table 3 - Change in employment, unemployment and the active population

variation in quarterly average in thousands, SA data

	Q1	Q2	Q3	Q4	Year-on-year change in Q4
Employment (1)	–27	–790	312	–34	–539
reminder: employment at the end of the period	*–515*	*–228*	*377*	*–325*	*–691*
Unemployment (2)	–82	–287	628	–340	–81
Active population = (1) + (2)	**–109**	**–1077**	**940**	**–374**	**–620**
Trend labour force	*15*	*15*	*15*	*15*	*60*
Variation in unemployment rate	**–0.2**	**–0.8**	**1.9**	**–1.0**	**–0.1**
Unemployment rate	7.9	7.1	9.0	8.0	

How to read: between Q2 and Q3, employment increased by 312,000 on average, unemployment by 628,000 and the active population by 940,000. The unemployment rate increased by 1.9 points and reached 9.0%.

Scope: France (excluding Mayotte), persons aged 15 or over.

Source: INSEE, Labour Force Survey, Quarterly employment estimates