Employment and unemployment

In Q4 2020, payroll employment fell once again in the context of the continuing health crisis and the second lockdown, but this was a much more modest decline than during the first lockdown: –21,000 jobs after –689,000 in H1 and a rebound of +426,000 in Q3. Between December 2019 and December 2020, 284,000 payroll jobs were lost. This was the first annual decline since 2012, with the level of employment at the end of 2020 comparable to that of mid-2018. In Q1 2021, while health restrictions continue to affect activity in some sectors, such as services to households and accommodation-catering, payroll employment is expected to continue to fall (–77,000 jobs) and total employment (payroll employment and self-employment) is expected to decline by 91,000.

After a year disrupted by the effects of the lockdowns on activity behaviour, resulting notably in Q2 in an "artificial" one-off drop in unemployment, the unemployment rate looks set to increase again in Q1 2021, to 8.5% after 8.0% in Q4 2020.

284,000 net payroll job destructions in 2020: a year scarred by two lockdowns with differing effects

Between the end of December 2019 and the end of June 2020, payroll employment in France (excluding Mayotte) nosedived by 689,000, i.e. –2.7% compared to the end of 2019. The economic shock associated with the first lockdown resulted in payroll job losses in all sectors (► **figures 1 and 4**), although on a much smaller scale than the drop in activity itself, as so many were able to benefit from the short-time working scheme.

In terms of numbers, most job destructions were concentrated in the commercial tertiary sector (including temporary workers) in H1 (–430,000 between the end of 2019 and mid-2020). The decline was particularly severe in accommodation-catering (–141,000 jobs across the half-year) and services to households[1] (–80,000 jobs), which were directly affected by the restrictive health measures. In industry and construction, adjusting jobs to match activity was largely driven by a reduction in the use of temporary workers (► **figure 3**) and therefore happened particularly fast. In construction for example this rate is structurally high, at around 10%: it dropped to 4.2% from March and climbed back to 7.5% in June 2020. In the tertiary sector, employment adapted in the short term basically by not renewing fixed-term contracts and cancelling or delaying hiring; its decline was therefore a little slower.

In Q3 2020, the easing of restrictive measures resulted in a vigorous upturn in payroll employment (+426,000) although this did not do enough to offset the job losses in H1. With the second lockdown, payroll employment fell again in Q4 2020 (–21,000 jobs). Nevertheless, the immediate effects of the second lockdown on activity and employment were much less than in the first lockdown and more moderate than forecast in the Economic Outlook of 15 December (► **Box**). Compared to the first lockdown, the drop in payroll employment was concentrated much more in the sectors directly concerned by the restrictive health measures, and tended to spare other sectors. In particular, the adjustment of payroll employment to activity by using temporary workers was much tougher in April 2020 (first lockdown), when the use of temporary workers reached its low point of the year (1.5%), than in November 2020 (second lockdown) when the rate was 2.8%, fairly close to the value at the end of

1 The "services to households" sector includes, among others, jobs in the arts and entertainment.

► 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	End of December
Industry	–3,6	–3,7	–2,4	–2,4
Construction	–6,2	–2,6	0,4	1,7
Commercial tertiary sector	–2,0	–3,5	–1,8	–2,5
Tertiary non-trading	–0,2	–1,0	0,5	0,9
Together	**–1,9**	**–2,7**	**–1,0**	**–1,1**

How to read it: at the end of December payroll employment was 1.1% down on its level 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

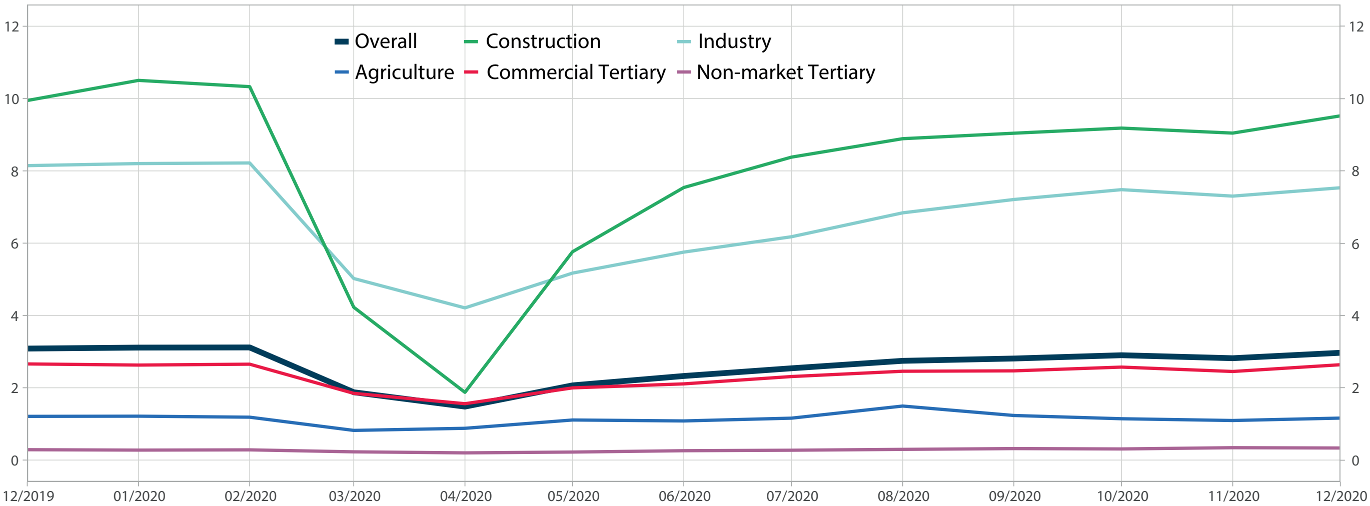
December 2019 (3.0%) (► figure 2). Similarly, short-time working was used much less in November than in April 2020 (► figure 3), and it was concentrated more in the commercial tertiary sector.

The relatively good resilience shown by employment throughout the year is due mainly to the huge numbers using the short-time working scheme, with people on short-term working or temporary layoffs being considered as employed, according to the ILO definition. However, the effective employment rate for 15-64 year-olds (share of people in work in this age bracket and declaring that they have effectively worked for at least one hour during the reference week) puts this resilience into context: in Q4 2020 it fell by 1.7 points year-on-year, to 55.1%; previously it had declined by 9.8 points in Q2, during the first lockdown, compared to the pre-crisis situation.

Finally, between December 2019 and December 2020, 284,000 payroll jobs were destroyed. This was the first annual decline since 2012. The level of employment at the end of 2020 was comparable to that in mid-2018. This decline was basically due to job losses in

► 2. Rate of recourse to temporary employment by sector of activity between December 2019 and December 2020

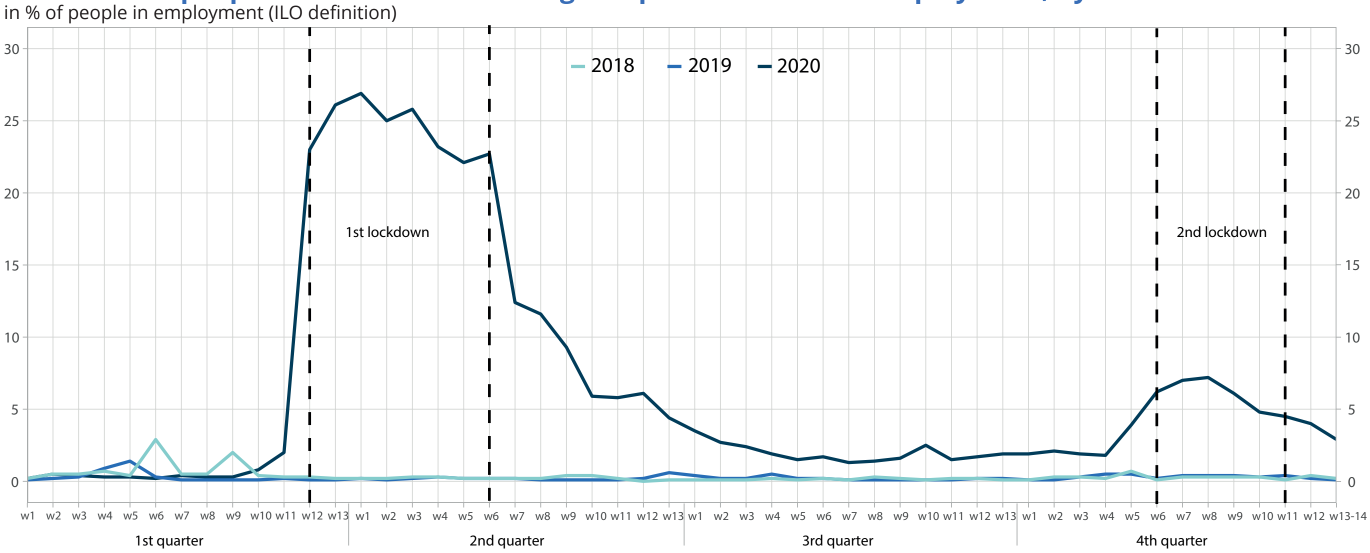
in % of payroll employment, SA data



How to read it: temporary workers represented 9.5% of payroll employment in the construction sector in December 2020.
Scope: France (excluding Mayotte)
Source: Dares for temporary work by sector, INSEE calculations

► 3. Share of people on short-time working compared to those in employment, by reference week

in % of people in employment (ILO definition)



Scope: France (excluding Mayotte), people living in ordinary housing, in employment (ILO definition)
Source: INSEE, Labour Force Survey

the commercial tertiary sector (–299,000 jobs) which includes those sectors most affected in the long term by the crisis, such as accommodation-catering and services to households. In industry, 84,000 payroll jobs (including temporary workers) were destroyed over the year. Conversely, payroll employment (including temporary workers) exceeded its level at the end of 2019 in construction (+27,000) and tertiary non-trading (+72,000) (► **tables 1 and 4**).

Payroll job losses are expected to continue into early 2021 due to the effect of the economic crisis and continuing restrictions on activity

In Q1 2021, payroll employment will probably fall further (–77,000). Although economic activity may pick up slightly in some sectors, the long-term nature of the crisis is likely to result in companies gradually giving up holding on to their workforce, mainly by reducing their use of the short-time working scheme. Job losses are expected to be mainly in accommodation-catering (–39,000) and services to households (–52,000) (► **figure 4**).

Self-employment is expected to decline at the same pace as payroll employment, which would bring net job destructions (employees and self-employed) to a total of –91,000 by the end of March 2021 compared to the end of December 2020 (after –323,000 between the end of December 2019 and the end of December 2020).

The unemployment rate looks set to rebound, to 8.5% in early 2021

The unemployment rate fell by 1.1 points in Q4, to 8.0% of the active population, after a rebound of 2.0 points in the previous quarter (► **figure 5**). This decline is primarily (two thirds) due to the good performance of employment which, on average, increased during Q4. However, the decline is accentuated (one third) by people removing themselves from the labour market, linked to the restrictive health measures during the second lockdown. During this period, those without work no longer searched actively for a job (perhaps because their specific sector of activity had stopped work), which meant that they were no longer classified as unemployed according to the ILO definition. This withdrawal of activity was significant, but nevertheless on a much smaller scale than that observed during the first lockdown.

At the beginning of 2021, activity behaviour is likely to return partly to normal (+196,000 workers aged 15 and

► 4. Change in payroll employment

in thousand, SA, at the end of the period

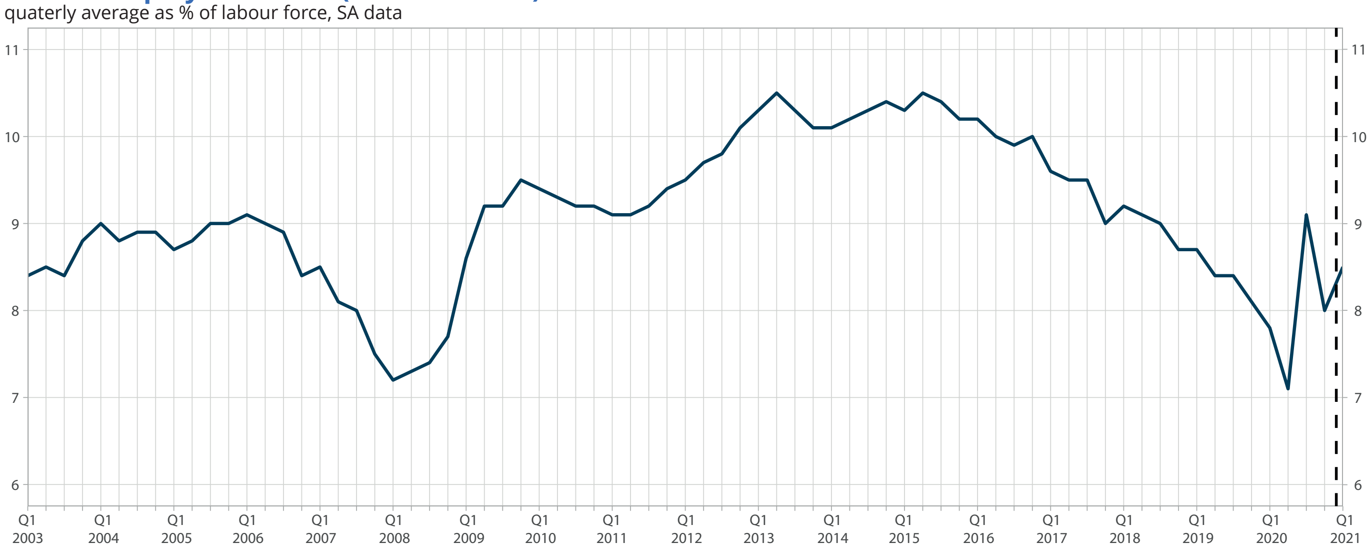
	2020					Prévision 2021		
	Change over 3 months				Change over 1 year	Change over 3 months	Cumulative change between end 2019 and March 2021	
	Q1	Q2	Q3	Q4	Q4	Q1	thousand	%
Agriculture	–4	–5	0	6	–3	2	–1	–0,2
Industry	–124	–2	44	–7	–89	12	–77	–2,2
Construction	–98	56	46	11	15	–8	7	0,4
Commercial tertiary sector	–245	–187	193	–81	–320	–93	–413	–3,4
Trade	–44	–17	27	–15	–48	3	–45	–1,4
Transports	–50	1	23	21	–4	2	–2	–0,1
Accomodation and catering	–61	–84	57	–50	–138	–39	–178	–15,3
Corporate services	–38	–32	30	9	–31	3	–27	–1,0
Household services (includint culture and recreation)	–40	–40	44	–37	–73	–52	–125	–9,4
Tertiary non-trading	–21	–66	118	6	37	10	47	0,6
Ensemble	**–493**	**–204**	**401**	**–64**	**–360**	**–77**	**–437**	**–1,7**

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

over, after –176,000 in Q4), (► figure 6), as at the end of the second lockdown some people were able to actively resume their job search. At the same time, employment is expected to remain more or less stable as a quarterly average (+16,000). As a result, the unemployment rate is likely to rebound and settle at 8.5% on average, or 0.7 points higher than one year previously and 0.4 points above its pre-crisis level at the end of 2019. Compared to the upward trend in the pre-crisis labour force participation rate, at the end of Q1 the potential workforce that has withdrawn from the labour market is likely to be around 200,000 people. ●

► 5. Unemployment rate (ILO definition)

quaterly average as % of labour force, SA data



Scope : France (excluding Mayotte), household population, persons aged 15 or over
Source: INSEE, Labour Force Survey

► 6. Change in employment, unemployment and the active population

variation in quaterly average in thousands, SA data

	2020				2021	Cumulative change since end 2019
	Q1	Q2	Q3	Q4	Q1	
Employment (1)	–38	–753	339	163	16	–272
reminder: employment at the end of the period	*–498*	*–211*	*416*	*–30*	*–91*	*–414*
Unemployment (2)	–91	–277	655	–339	180	128
Active population = (1) + (2)	**–129**	**–1030**	**994**	**–176**	**196**	**–144**
trend labour force	*15*	*15*	*15*	*15*	*10*	*70*
Variation in unemployment rate	**–0.3**	**–0.7**	**2.0**	**–1.1**	**0.6**	**0.4**
Unemployment rate	7.8	7.1	9.1	8.0	8.5	

How to read it: between Q4 2020 and Q1 2021, employment is expected to increase by 16,000, unemployment by 180,000 and the active population by 196,000. The unemployment rate is expected to rise by 0.5 points and reach 8.5%.
Note: in this case employment corresponds to total employment (payroll + self-employment).
Scope: France (excluding Mayotte), persons aged 15 or over
Source : INSEE, Labour Force Survey, Quaterly employment estimates

Box How to forecast employment in the time of Covid?

Since the start of the crisis, the usual econometric equations linking payroll employment and value added (presented in the special report "Slowdown in labour productivity and forecasting employment in France", Conjoncture in France June 2018) have no longer been used to forecast employment: the exceptional context makes the notion of the apparent labour productivity trend on which they are based, and hence their use, inappropriate.

They have been replaced by tools based on comparing, at a relatively disaggregated sectoral level, payroll employment on the one hand and economic activity and workforce retention on the other. This retention can be observed directly through the use of the short-time working scheme, but it can go beyond this (and it is then estimated from the balance of the different components). Thus the aim is to understand the link between payroll employment and some of its determinants (economic activity, workforce retention) since the start of the crisis in order to forecast what employment behaviour and workforce retention could be in companies in the near future.

Main assumptions

Based on these observations, there are two main assumptions involved in forecasting employment for Q1 2021:

• Economic activity assumption
The assumption is based on the economic activity scenario and particularly on sectoral activity losses compared to Q4 2019 (► **Economic Activity Sheet**). In Q1 2021, these losses look set to remain substantial, mainly in accommodation-catering and services to households.

• Workforce retention assumption
This is based mainly on the assumption of relying on short-time working. The rate at which this scheme was used was three times higher in April 2020 (first lockdown) than in November 2020 (second lockdown), a month when it was much more concentrated in certain sectors. In December 2020 it slipped back, with the result that the assumption adopted was that in sectors where the rate was less than 5%, it would decrease by half as much again between the end of December 2020 and the end of March 2021. For the other sectors, i.e. accommodation-catering and services to households, the use of the scheme is expected to decrease slightly, but still remain high, since restrictions on activity are still in place and businesses benefit from support schemes which cancel out their charges.

In addition, because of the way their income is declared, the employment of self-employed workers is currently not known for 2020. Pending the first estimates, the assumption retained for 2020 and for the quarter being forecast is that self-employment changes in the same way as payroll employment.

Feedback on forecasts

With the publication of the estimate for payroll employment in Q4, the estimate for change in payroll employment has proved to be very much higher (–21,000) than what was forecast in the Economic Outlook of 15 December 2020 (–301,000). The difference of 280,000 jobs represents 1.1 points of payroll employment. This follows on directly from the fact that the decline in economic activity proved to be much more moderate than forecast: –1.4% against –4%.

The forecast for the unemployment rate (8.0% in Q4) has proved to be accurate, however, as at the same time the active population declined less than expected. ●