

Employment and unemployment

In Q1 2021, payroll employment rebounded, but did not get back to its pre-health crisis level: +86,000 jobs after -296,000 for the whole of 2020. As a result, at the end of March 2021, payroll employment was still 210,000 below its pre-crisis level (end of 2019), a level comparable to that at the start of 2019. In Q2 2021, and with the easing of health restrictions from May, activity would appear to have gained in momentum, especially in services to households and accommodation-catering, and payroll employment would seem to have accelerated (+101,000 between the end of March and end of June). In Q3 and Q4 2021, payroll employment is expected to continue to increase but less rapidly: +134,000 across the half year. The rebound in employment is likely to be held back on the one hand by the gradual tightening of short-time working schemes, and on the other by a small upswing in productivity gains in certain sectors, especially industry.

In 2020, self-employment would appear to have done better than simply withstand the health crisis, as numbers increased by 30,000, once again boosted by micro-entrepreneurs. In 2021, the dynamism of micro-entrepreneurs is expected to weaken and 40,000 self-employed jobs are likely to be destroyed. Lastly, total employment (payroll employment and self-employment) is expected to increase by 281,000 in 2021 and to recover its pre-crisis level by the end of the year.

Across the whole year, the upswing in employment on the one hand, and the return to the labour market of people who were forced out because of the crisis on the other hand,

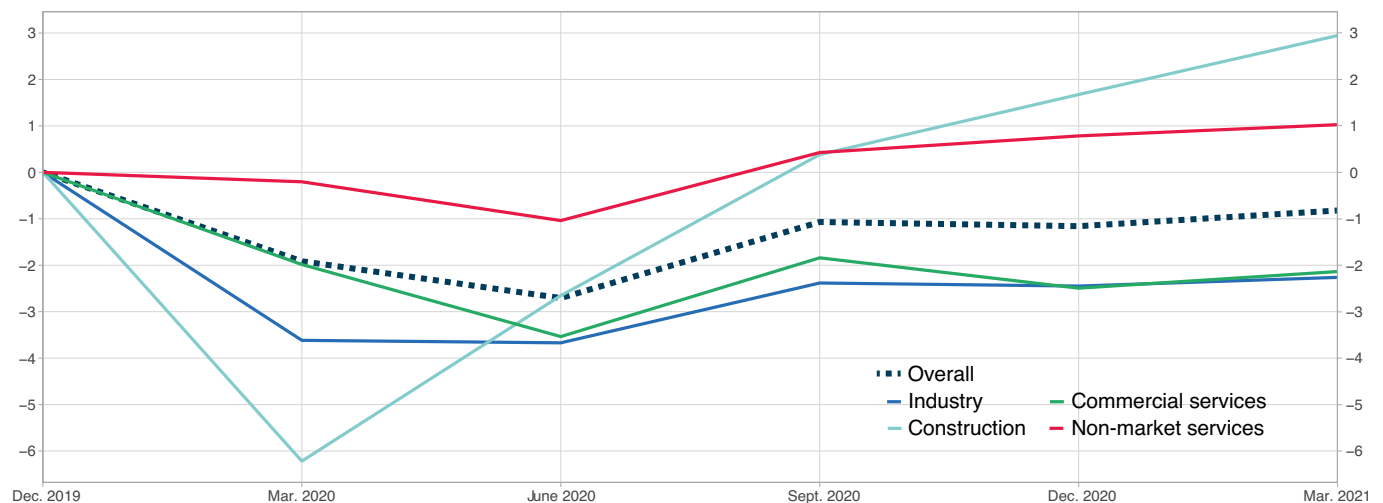
are likely to largely offset each other, with the result that the unemployment rate is expected to be virtually stable by the end of 2021.

In late March 2021, payroll employment was still lower than its pre-crisis level in industry and the market tertiary sector but exceeded it in construction and the non-market tertiary sector

Between the end of December 2020 and the end of March 2021, payroll employment in France (excluding Mayotte) increased: +86,000 after -23,000. This rebound happened between the November 2020 lockdown and the national lockdown put in place at the beginning of April. Payroll employment grew particularly in the tertiary sector, both market (+44,000) and non-market (+20,000), and in building construction (+20,000).

At the end of March 2021, payroll employment was still well below its level at the end of 2019 (-210,000 jobs, or -0.8% compared to payroll employment at the end of 2019, ► **Figure 1** and **2**). However, the loss of jobs at the end of Q1 2021 remained much less than the drop in activity itself (-5% for GDP in Q1 2021, compared to Q4 2019), due to the extensive use of short-time working schemes. These payroll job losses related particularly to accommodation-catering (-145,000 between the end of 2019 and the end of March 2021), services to households (-64,000) and trade (-27,000).

► 1. Payroll employment compared to the end of 2019



How to read it: at the end of March 2021, payroll employment was 0.8% down on its level at the end of 2019.

Note: in this graph, temporary workers are counted in the sector where they carry out their assignment.

Scope: France (excluding Mayotte)

Source: INSEE

Conversely, payroll employment exceeded its pre-crisis level in the non-market tertiary sector (+83,000 between the end of 2019 and the end of March 2021), driven by hirings in the health sector, linked directly to the health crisis. Payroll employment has also clearly exceeded its level at the end of 2019 in building construction (+47,000). In this sector, jobs were adjusted to activity largely by reducing the recourse to temporary employment and hence were able to react particularly quickly both downwards in spring 2020 and upwards in summer.

During 2021, payroll employment is expected to continue to pick up but is likely to be hampered by the gradual tightening of short-time working schemes and an upturn in productivity gains

The easing of health restrictions since early May would appear to have galvanised activity, and payroll employment would appear to have increased by 101,000 between the end of March and the end of June. The rebound appears to concern mainly those sectors that were most affected by these restrictions: accommodation-catering (+51,000, with a gradual reopening of bars and restaurants from 19 May) and services to households (+25,000, with the reopening of museums, cinemas and concert halls). All in all, payroll employment would appear to have risen by 187,000 in H1 2021.

Over the rest of 2021, payroll employment should continue to grow, but a little less rapidly: +70,000 in Q3 2021 and +64,000 in Q4, or +134,000 in H2. The rebound in payroll employment is expected to match that in economic activity, but is likely to be slowed down by

the gradual tightening of short-time working measures, which allowed employers to retain their workforce, even if they were not working. Accommodation-catering would be concerned (+32,000 in H2 2021 after +43,000 in H1), also services to households (+3,000 in H2 2021 after +31,000 in H1). In addition, after experiencing an exceptional lull in 2020, apparent labour productivity is expected to rebound strongly in 2021. At the end of the year, it should slightly exceed its pre-crisis level in certain sectors, driven in particular by companies that continued to invest. This is expected to be the case for industry in particular (-14,000 in H2 2021 after +18,000 in H1).

Finally, payroll employment is expected to increase by 321,000 in 2021 and should therefore exceed its pre-crisis level slightly. In the two years affected by the health crisis, 25,000 net payroll jobs would appear to have been created, against 216,000 per year on average between 2015 and 2019. With activity almost back to its end of 2019 level, this very small improvement in employment is expected to mark a slight drop in apparent labour productivity, explained by the persistence of some short-time working in certain sectors.

Total employment (payroll employment and self-employment) looks set to increase by 281,000 in 2021 after a decline of 266,000 in 2020 and should therefore return to its pre-crisis level

In 2020, self-employment appears to have done better than simply withstand the crisis: numbers would appear to have increased by 30,000, driven by a rise in the number of micro-entrepreneurs. However, this still represents a marked slowdown compared to the two

► 2. Change in payroll employment

in thousand, SA, at the end of the period

	Evolution over 3 months								Evolution over 1 year		Evolution since end of 2019	
	2020				2021				2020	2021	End of March 2021	End of Dec. 2021
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Agriculture	-8	-2	2	9	-3	2	0	-2	1	-3	-2	-2
Industry	-125	-2	44	-2	6	12	-2	-12	-84	4	-78	-80
Construction	-99	57	48	21	20	5	20	20	27	66	47	92
Commercial tertiary sector	-241	-188	206	-79	44	91	52	55	-302	241	-259	-61
Trade	-44	-18	31	-7	9	-7	15	23	-37	41	-27	4
Transports	-48	1	25	21	-3	13	-12	-22	0	-24	-3	-24
Accommodation and catering	-58	-83	58	-55	-8	51	17	15	-137	75	-145	-63
Corporate services	-38	-32	35	-1	16	3	15	14	-37	48	-21	11
Household services (including culture and recreation)	-40	-40	44	-35	6	25	3	0	-70	35	-64	-36
Tertiary non-trading	-16	-67	118	29	19	-9	1	2	63	13	83	76
Ensemble	-489	-202	418	-23	86	101	70	64	-296	321	-210	25

Note: in this table, temporary workers are counted in the sector where they carry out their assignment.

Scope: France (excluding Mayotte)

Source: INSEE

French economic outlook

previous years (+66,000 self-employed jobs in 2018 and +121,000 in 2019). The buoyancy of micro-entrepreneurs, driven since 2018 by the doubling of the turnover ceiling and in 2020 by the unusual circumstances of the health crisis, is likely to weaken in 2021. As a result of the downward trend in the number of “traditional” self-employed (excluding micro-enterprises) and the

end of the aid schemes associated with the crisis, self-employment is expected to fall back by 40,000.

Finally, total employment (payroll employment and self-employment) is expected to increase by 281,000 in 2021, and should return to virtually the same level as two years previously, pre-crisis (+15,000).

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) are no longer used to forecast employment: the exceptional context makes the notion of the apparent labour productivity trend underlying this type of model, 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 three main assumptions involved in forecasting employment for Q2, Q3 and Q4 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](#)). Throughout 2021, activity is expected to return gradually to its pre-crisis level in most sectors, but to remain below this level in the sectors most severely affected by the restrictions, such as accommodation-catering, services to households and transport, or by a long-term drop in demand, as in the manufacture of transport equipment.

•Workforce retention assumption

This is based mainly on the assumption of relying on short-time working. From July 2021, in general, compensation for short-time working will gradually be reduced. It was assumed that at the end of 2021 this rate would be zero for all sectors apart from those that had been most affected by the crisis in the long term (services to households, accommodation-catering and manufacture of transport equipment) for which a long-term scheme has been put in place.

•Productivity assumption

The gradual upturn in activity is likely to go hand in hand with a slight increase in productivity at the end of 2021 compared with the end of 2019 in some sectors of industry and the market tertiary sector, thus resulting in fewer job creations for a given economic activity.

•Self-employment

In addition, because of the way the self-employed declare their income, the employment of self-employed workers is currently not yet known for 2020. Pending the first estimates, advance information observed in VAT declarations and business start-ups has produced a slightly higher forecast for self-employment in 2020, before a downturn in 2021.

A look back on previous forecasts

The change in payroll employment observed in Q1 2021 has proved to be very much greater (+0.3% against -0.3%) than that forecast in the Economic Outlook of 11 March 2021. ●

The unemployment rate looks set to be virtually stable until the end of 2021

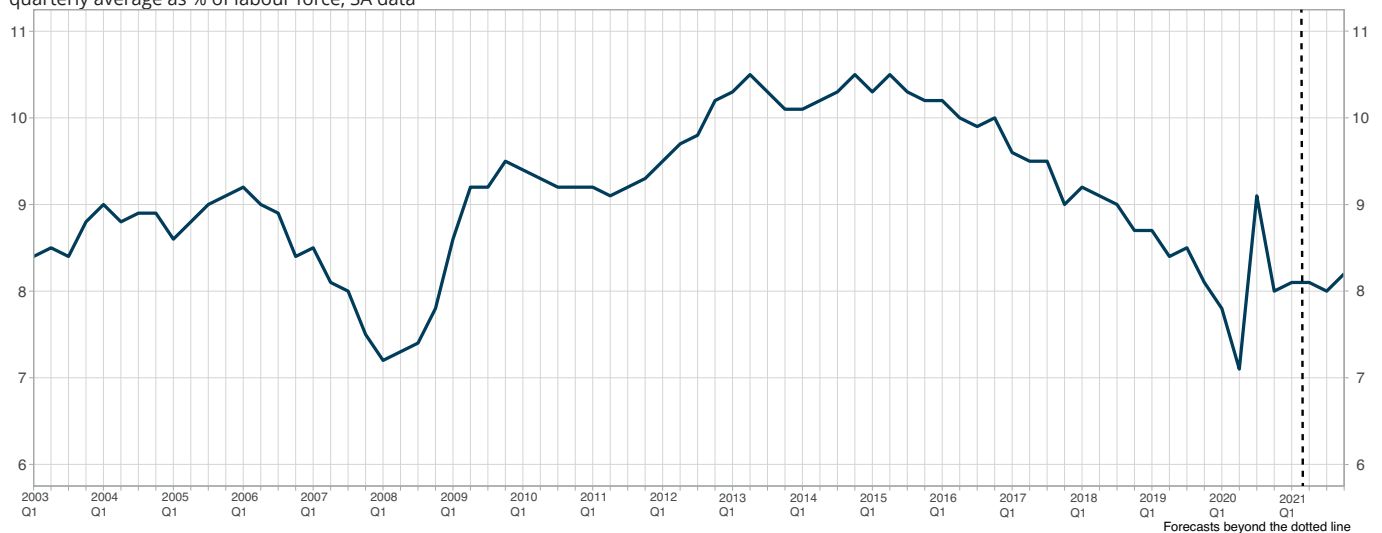
In Q1 2021, the unemployment rate was virtually stable compared to the previous quarter (+0.1 points, ► **Figure 3**), at 8.1% of the active population, after a drop of 1.1 points at the end of 2020 (► **Figure 4**). Two factors can account for this virtual stability in the unemployment rate: the small increase in employment on average over the quarter (+23,000), and the continuing behaviour of withdrawing labour as a result of the crisis and the restrictive health measures imposed. During the first two lockdowns, some of those without work stopped searching actively for a job (perhaps because their specific sector of activity had stopped work), and therefore withdrew from the labour market; as a result, they were no longer considered as unemployed according to the ILO definition.

By the end of 2021, the lifting of health restriction measures should mean that these people can return to the labour market, by resuming their active search for a job. The number in the active population is therefore expected to rebound sharply and return to its trend level: it is expected to increase by 377,000 over the year, mainly in H2 (+274,000).

At the same time, employment should increase by the end of 2021 and is expected to return to its pre-crisis level (+267,000 over the last three quarters of the year). These two phenomena, the upswing in employment and the return of those who had been excluded from the labour market, are expected to cancel each other out to a large extent. As a result, the unemployment rate is likely to remain virtually stable until the end of the year, reaching 8.2% at the end of 2021, 0.2 points above its level at the end of 2020, and only 0.1 above its pre-crisis level at the end of 2019. ●

► 3. Unemployment rate (ILO definition)

quarterly average as % of labour force, SA data



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

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

variation in quarterly average in thousands, SA data

	2020				Q1	2021			Cumulative change since end 2019
	Q1	Q2	Q3	Q4		Q2	Q3	Q4	
Employment (1)	-34	-737	357	167	23	52	165	50	44
<i>reminder: employment at the end of the period</i>	-481	-195	425	-15	76	91	60	54	15
Unemployment (2)	-101	-274	665	-347	18	10	-3	61	29
Active population = (1) + (2)	-135	-1011	1022	-180	41	62	162	112	73
<i>trend labour force</i>	15	15	15	15	10	10	10	10	99
Variation in unemployment rate	-0,3	-0,7	2,0	-1,1	0,1	0,0	-0,1	0,2	0,1
Unemployment rate	7,8	7,1	9,1	8,0	8,1	8,1	8,0	8,2	

How to read it: between Q4 2020 and Q1 2021, employment increased by 23,000 on average, unemployment by 18,000 and the active population by 41,000.

The unemployment rate increased by 0.1 points, reaching 8.1%.

Note: unemployment corresponds here to total employment (payroll + self-employment).

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

Source: INSEE, Labour Force Survey, Quarterly employment estimates