



France

Significantly more jobs, a little less unemployment in 2016

- The job market is finally showing clear signs of improvement. In 2016, 170 000 payroll jobs were created in the non-farm business sector, the strongest pace of job growth since 2007.
- The unemployment rate fell by 0.3 points to 10.1% in 2016 in annual average terms, the biggest decline since 2008.
- Even so, the job market is still far from being in good health. Further measures are still needed to remedy job market dysfunctions and mass unemployment. Once again, this will be one of the key challenges facing the next president.

The year 2016 was a good one for the job market, clearly for employment and slightly less so for unemployment. The job market recovery that began in 2015 has not only been confirmed, but it has accelerated (see chart).

The net creation of 62,200 non-farm payroll jobs in Q4 2016 (INSEE's first estimate) brings the full-year 2016 total to 170,000, and to 191,700 when measured on a year-on-year basis. These figures show a significant improvement compared to 2015, when average annual job creations totalled 24,000, or 99,000 year-on-year in Q4 2015. The main drivers of job growth were in the services sector (159,000 net job creations in 2016, up from 82,000 in 2015) and temporary employment services (53,000 and 29,000 jobs, respectively). Industry and construction continue to report net job destructions, but the figures have been diminishing (-29,000 vs. -40,000 in industry, and -13,000 vs. -46,000 in construction).

In 2016, the pace of job creations also reached its highest level since 2007, even though economic growth was much slower (averaging 1.1% last year vs. 2.3% in 2007). In fact, non-farm payroll employment grew at the same pace as growth in 2016, an exceptional situation synonymous with the crushing of labour productivity gains. Yet, although the dynamic pace of job growth augurs well for economic growth in the short term, the absence of productivity gains is harmful for longer-term prospects.

The improvement of the unemployment situation is less important. In Q4 2016, the unemployment rate slipped to 10% of the labour force (9.7% for Metropolitan France), down 0.1 points compared to the previous quarter, and 0.2 points in year-on-year terms. In 2016, the full-year average dropped to 10.1%, 0.3 points less than in 2015, the biggest decline since 2008.

The number of category A jobseekers registered with *Pôle Emploi* also resumed declining: it is down 3% year-on-year in December. France counted 30,000 fewer Category A jobseekers in full-year 2016 than in 2015: although this is tiny compared to the total of 3.5 million, it is nonetheless the first decline since 2008. The jobless curve has been reversed even though only modestly so.

These favourable trends should be credited more to measures to boost the job content of growth undertaken over the past four years,

Jobs and unemployment

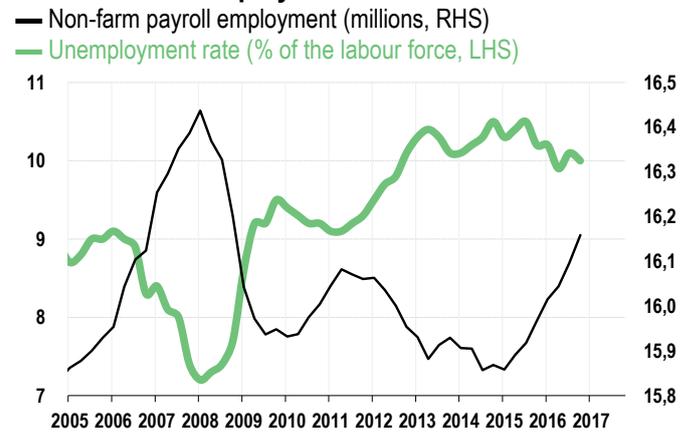


Chart Source: INSEE

rather than to growth alone, which has been relatively weak. Besides, although the French job market situation has improved, it is still far from being in good health. For example, non-farm payrolls are still nearly 2% below their pre-crisis peak (whereas GDP is 4.5% higher). And above all, the problem of mass unemployment and its structural nature is still intact.

Further measures are necessary to remedy the deep-rooted and persistent dysfunctions of the French job market¹. Once again, this will be one of the key challenges facing the next president. To help clarify the debate, the table on next page summarises the job market proposals of the main presidential candidates (the four leaders based on current polls of voting intentions).

The table presents both specific job market measures and those aimed at supporting companies and households, and thus growth and employment (knowing that, other measures not presented here, typically financing measures, play in the opposite direction). A wide range of proposals have been made, but they can be aggregated along two key lines: greater (or lesser) job market flexibility, and the type of economic policy (whether the accent is placed more on supporting supply or stimulating demand).

¹ See: "France: unemployment, a deep-rooted problem", *Conjoncture* n°2, February 2015.



■ **Comparison of economic platforms: job market proposals**

	Fillon	Macron	Hamon	Le Pen
Job market	<ul style="list-style-type: none"> - El Khomri labour law maintained and accentuated with a refocus of the Labour Code on a few fundamental standards while leaving all the rest to company and sector-wide negotiations - Elimination of all references to an official working week; each company is given the liberty to negotiate collective bargaining agreements setting the number of working hours best adapted to their needs (within the European limit of a maximum 48-hour workweek) - Decreasing unemployment benefits - Introduction of a "secure" long-term job contract - Raising of social welfare thresholds 	<ul style="list-style-type: none"> - El Khomri labour law maintained - 35-hour workweek maintained, albeit with greater possibilities for modulation - Universal unemployment benefits (open to the self-employed, small businessmen and employees who have resigned); end of the joint administration by social partners of the Unédic unemployment insurance system, which would be taken over by the State - Introduction of a floor and ceiling on labour court awards - Introduction of a bonus/penalty system for CDD short-term contracts - 50% increase in the in-work bonus (<i>prime d'activité</i>) - Limitation of government-subsidised contracts in the private sector 	<ul style="list-style-type: none"> - Repeal of the El Khomri labour law - 35-hour workweek maintained, but various incentives for reducing the number of working hours 	<ul style="list-style-type: none"> - Withdrawal of the El Khomri labour law - 35-hour workweek maintained, but authorisation to negotiate an increase in the number of hours worked exclusively at the branch level, on condition of full wage compensation - Creation of a "first job" system, with total exemption of employer contributions for hiring youth under 21, for a maximum of 2 years - Massive development of work-study programmes
Support for companies	<ul style="list-style-type: none"> - EUR 40 bn in tax cuts (including capital taxation measures): transformation of the CICE tax credit into an employers' contributions cut; cut in the corporate tax rate (from 33.3% to 25%); reductions in various taxes paid by companies 	<ul style="list-style-type: none"> - Transformation of the CICE tax credit into an employers' contributions cut - An additional 4-point reduction in employers' contributions for minimum-wage earners (in addition to the 6-point decline due to the transformation of the CICE tax credit) 	<ul style="list-style-type: none"> - The CICE tax credit is tied to employment targets, ecological improvements and a reduction in the number of hours worked 	<ul style="list-style-type: none"> - Support measures target small and very small SME: introduction of an intermediary corporate tax rate of 24% (EUR 5.5 bn) - Transformation of the CICE tax credit into an employers' contribution cut, which would be tied to preserving employment - Priority given to French companies, notably SMEs, for public contracts (unless national products are more than 25% more expensive than international products)
Support for households	<ul style="list-style-type: none"> - EUR 12 bn in tax cuts: reintroduction of universal family allowances; increase in the ceiling on the family quotient; lump-sum deduction for employees' contributions; revaluation of small pensions 	<ul style="list-style-type: none"> - Elimination of employees' contributions for health and unemployment insurance (EUR 22 bn) 	<ul style="list-style-type: none"> - Immediate 10% increase in the minimum wage and minimum social welfare benefits; revaluation of the public sector point system - Reduction in the CSG tax for low-income households (via a merger with income tax; number of tax brackets increased to 10) 	<ul style="list-style-type: none"> - EUR 40 bn in tax cuts (EUR 20 bn) and support for purchasing power (EUR 20 bn): tax exemption of overtime work; 10% reduction in income taxes for first three tax brackets; local and property tax cuts; increase in the ceiling on the family quotient; reintroduce the universal family allowances; 20% increase in minimum old-age pensions and the allocation for adults with disabilities; purchasing power bonus (by revaluing low wages and pensions); increase in public sector point system

Table

Source: BNP Paribas