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EcoBrief

France: less severe labour shortages suggest a less favourable employment dynamic

Q2 saw a marked reduction in job creation. This drop may seem natural in a labour market which quickly overcame the shock from Covid-19 and in the context of more moderate GDP growth (apart from a few exceptions, such as in Q2 2023). However, it reflects the deterioration in certain sector-based dynamics (including construction), although more favourable developments are observed in other sectors, industry in particular.

In France, payroll employment increased by 21k in Q2 2023 (second estimate). This represents a slowdown compared with Q1 (+102k), but should not be overstated. Q1 benefited from deferral effects, particularly in business services, which had been penalised in Q4 2022 (fears of energy shortages having led to a drop in activity in industry, with a more pronounced impact on outsourcing).

In detail, in Q2, the pace of payroll job creation in market services slowed sharply (+18k in Q2, compared to +76k in Q1) and to a lesser degree in industry. At the same time, job losses increased in the construction sector (-7k in Q2 compared to -1k in Q1). Temporary workers suffered another quarter of contraction, with sectoral breakdowns once again showing a downturn in construction (-2k over the quarter, and even -9k since the end of 2021 in this sector).

The results of the European Commission's July 2023 survey are in line with this data. Labour as a factor limiting production show reduced tension in services (9% of respondents, compared with 12% at the beginning of the year, 7% in terms of historical average), and in construction (28%, compared with 35% at the beginning of 2023 and 19% in terms of historical average), but not in industry (15%, compared with 14% at the beginning of 2023 and 6% in terms of historical average).

Overall, these sector-based developments let expect a more moderate employment dynamic in the second half of the year (+30k according to our forecasts) than in the first (+123k in total). However, a contraction in employment should be avoided.

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