

## A BRIEF HISTORY OF SELF-EMPLOYMENT IN FRANCE

Stéphane Colliac

After a long period of decline from the late 1940s to the early 2000s, self-employment has been on the rise once again in France for almost 20 years.

This resurgence of self-employment, initiated by tax incentives in favour of home-based employment or craft industries (non-market services, domestic services, building crafts), was also fuelled by the outsourcing by companies of certain tasks (for the purpose of controlling costs on non-essential activities, incubating innovation) and the emergence of new needs (in particular in terms of maintenance and renovation in building).

And lastly, transformations such as uberisation, the growth in teleworking and the increasing formalisation of self-employment (particularly through *umbrella companies*) have developed gateways between the two statuses (self-employed versus employed), causing a knock-on effect in favour of the former.

### SELF-EMPLOYMENT: AGRICULTURAL VS. NONAGRICULTURAL

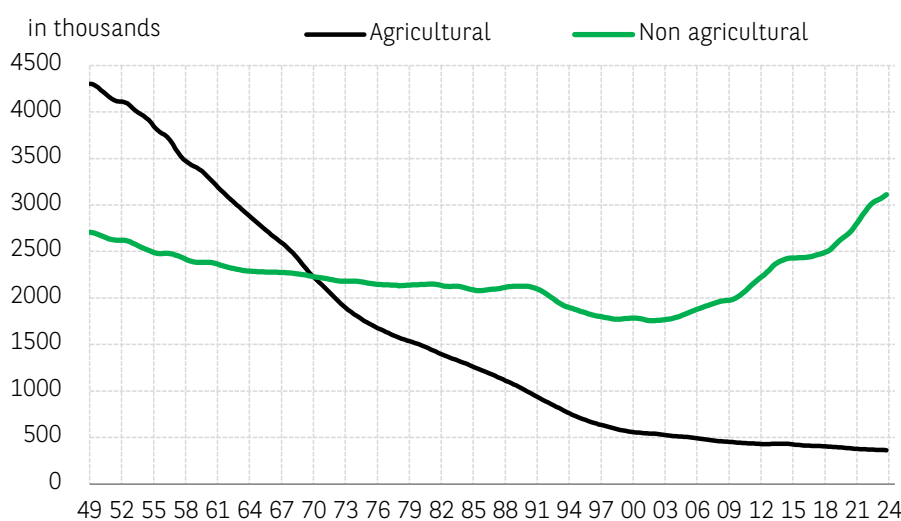


CHART 1

SOURCE: INSEE, BNP PARIBAS CALCULATIONS

In the last two years (2022-23), self-employment has led to the net creation of one in four jobs. This figure is much higher than what it represents in total employment (11.5%) and reflects its relatively rapid growth. Although relatively recent, this trend seems to be a sign of a revival. It is easy to imagine the city of the immediate post-war period organised around a succession of businesses owned by independents, whether blacksmith, butcher or notary. This image of France oriented towards self-employment is not just a cliché. According to INSEE statistics, at the end of the 1940s, there was one self-employed person for every two salaried employees<sup>1</sup>, a ratio that was close to one in eight in Q4 2023, after falling below one in 10 in the early 2000s. However, this image is strongly biased by the major weight of agriculture in the immediate post-war period. The sharp decline in the sector explains that there are now fifty per cent fewer self-employed jobs than at the end of the 1940s (when statistics began).

Self-employment excluding agriculture (*Chart 1*) initially fell sharply, to the benefit of the wage system, accompanying in particular the development of more concentrated forms of trade (in other words, fewer small businesses, cheesemakers, butchers and bakers, and more mass distribution). The strengthening of the wage system also benefited from the creation and subsequent expansion of the scope of social security, which increased the attractiveness of the wage system.

<sup>1</sup> According to the INSEE's definition, "salaried employees are people who work, under a contract, for another resident entity in exchange for a salary or equivalent remuneration, with a hierarchical relationship". Self-employed, or non-salaried people are people who work but who are paid in a form other than salary. All data used in this study comes from INSEE.

These phenomena have also been accompanied by a rural exodus that has seen children of farmers swell the ranks of industrial and service employees, mostly as salaried workers. And crises have added an accelerating effect, particularly in the 1990s, when the property crisis at the time led to severe job losses in the building crafts, while the decline in the number of farmers was further accelerating (before slowing down from the 2000s onwards). It was at the end of this truly lost decade, the 1990s, that self-employment reached a record low: nearly 2.3 million people in 2002 (1.8 million excluding agriculture).

## A REVIVAL DRIVEN BY TAXATION AND NEW SECTOR-BASED NEEDS

The early 2000s marked a turning point, with the return of the rise in the number of self-employed non-agricultural workers. A new beginning, which in two decades brought self-employment, excluding agriculture, to a higher level than in the late 1940s: 3.1 million people in Q4 2023 compared to 2.7 million at the time. And the time when this last figure was exceeded is not insignificant: Q2 2020, when we were in full lockdown.

Changes in self-employment over the past 20 years, with the creation of more than 1.3 million jobs, reflects most of the changes that have shaped the French economy during this period.

One of the first striking facts is the doubling of the number of self-employed in the non-market services sector (Chart 2). This represents nearly one in four jobs created in the sector over the period. This phenomenon began with the appearance, in 2003, of tax cuts linked to home-based employment. It accelerated sharply after 2007 with the replacement of the measure by tax credits (enabling non-taxable persons to benefit from the tax advantage).

The growth in self-employed market sector employment represents nearly one million net jobs created in 20 years. These significant creations conceal several realities. Among these, a focus on outsourcing existing businesses and functions, mainly for the sake of efficiency and cost control. Over time, this trend was to increasingly affect "new" (technical) professions. This allowed innovation to be incubated outside the company, before infusing this innovation into the company, accompanying the servicisation of corporate investment (particularly in digital, or investment in "information and communication" according to INSEE's terminology (Chart 3)). Self-employment played a role in this dynamic, representing, with nearly 300,000 creations, nearly one in five jobs created in business services.

Household services followed, with nearly 150,000 self-employed jobs created in 20 years (compared to 300,000 for salaried employment). Here again, the sector has been significantly supported by tax benefits, as has the construction sector, where self-employment has increased by 140,000 units in 20 years.

There are three major points to consider. Firstly, the sector reversed its very negative momentum seen in the 1980s and 1990s. Since mid-2022, the number of self-employed has exceeded its previous high seen in the early 1980s.

### SELF-EMPLOYMENT: MAIN SECTORS IN 2023

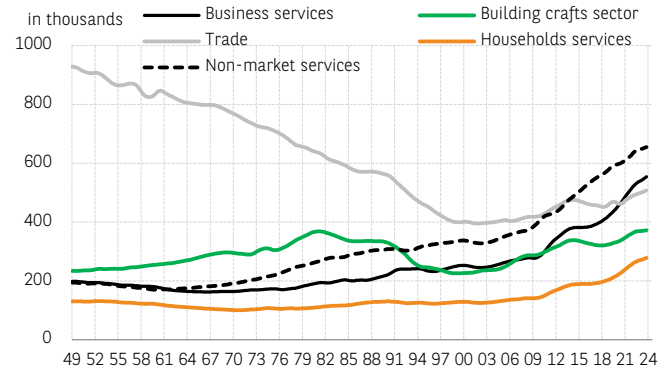


CHART 2

SOURCE: INSEE, BNP PARIBAS CALCULATIONS

### INVESTMENT OF NON-FINANCIAL CORPORATES (IN %)

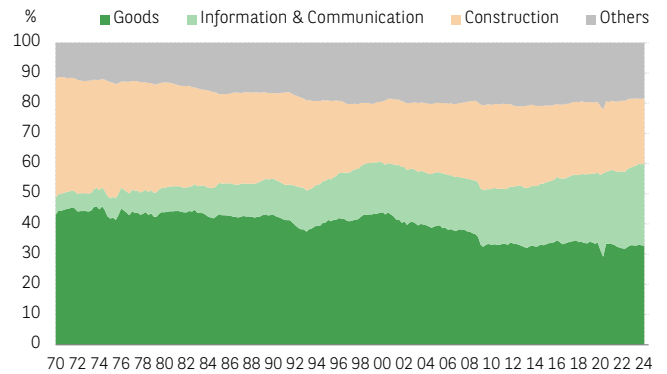


CHART 3

SOURCE: INSEE, BNP PARIBAS CALCULATIONS

### RATIO OF FULL-TIME EQUIVALENT TO NUMBER OF JOBS

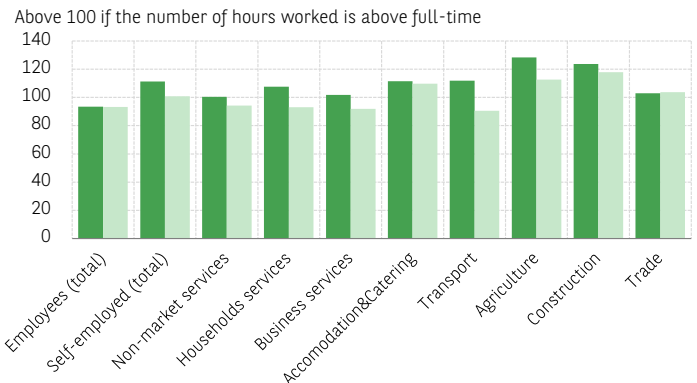


CHART 4

SOURCE: INSEE, BNP PARIBAS CALCULATIONS



Secondly, this dynamic has accompanied the transformation of the building sector with less new construction and more maintenance-renovation (in which building crafts play a bigger role<sup>2</sup>). And lastly, unlike personal or domestic services and digital services, the construction sector has experienced marked cycles, to which the employment of self-employed is also exposed (to a lesser extent, however, than salaried employment).

Other sector-based dynamics also played a role. Considered separately, they have created less self-employment than the developments mentioned above, but each has accompanied the transformations seen in French society, whether it be in trade, transport services, information and communications, accommodation and catering or even industry. The common factor in these sectors is that they have created self-employment through changes in society: in particular, uberisation<sup>3</sup>, against a backdrop that has favoured this, marked by innovations and benefiting from the development of adapted legal structures (self-managed sole trader status).

## COVID-19 USHERED IN A NEW ERA

The Covid-19 pandemic was conducive to self-employment, with a notable positive impact on building crafts, household services, transport services (including deliveries) and even on industry, albeit to a lesser extent. Periods of lockdown in fact supported some of these dynamics that the lifting of restrictions did not affect, and which seem to be increasingly structural.

To what extent are these trends set to continue? These trends are expected to be long-term in personal, domestic or business services (the three main providers of self-employment creation), which are supported by tax incentives and/or by needs that will continue to grow. These sectors are not very affected by crises: employment decreases in these sectors only rarely, as their growth is supported by trends rather than by cycles.

France entered a period of low growth in early 2022, which has led to a sharp reduction in net creation of salaried jobs since the beginning of 2023 (28,000 on average over the last five quarters, compared to nearly 100,000 jobs per quarter in 2022). The momentum of self-employment slowed at the same time, but less markedly (16,000 net job creations per quarter in 2023 compared to 27,000 in 2022).

Building crafts were particularly affected (600 creations per quarter in 2023 compared to 2,500 in 2022), penalised by the decline in all residential building indicators (second-hand building transactions, new constructions), even though some self-employed working in the sector benefited from positive momentum in terms of thermal renovation work on buildings, which is not expected to contract.

## THE LANDSCAPE OF SELF-EMPLOYMENT IS SHIFTING

When comparing salaried employment and self-employment, the latter has long included a lower proportion of part-time work: a lawyer or a craftsworker often works significantly longer than statutory hours. However, with recent developments, in addition to its expansion, the nature of self-employment has also changed.

The difference in working time between salaried employees and the self-employed can be approximated by the ratio of "full-time equivalent employment" to the "number of jobs" (ratio equal to 100 when both are equivalent). This ratio was often higher than 100 for the self-employed and lower for salaried employees, some of whom were part-time (*Chart 4*). The "long-standing" self-employed (farmers, building craftspeople or traders) remain in this situation. On the other hand, new applications, which have grown over the past 20 years (personal, domestic or business services), use part-time more.

Another notable change is that the "typical" self-employed person of the past, often their own boss, now co-habits with the independent service provider. While their predecessor was clearly distinguished from a salaried employee, the "new" self-employed person shares certain characteristics, with an income that looks more like pay than gross operating surplus. At the same time, salaried activity has not stood still: the growth in teleworking has strengthened its autonomy, eliminating some of the previous differences between the self-employed and salaried employees. This translates into greater substitutability and gateways developed between two increasingly complementary statuses (especially for those self-employed working alongside salaried employees in companies). The development of "infrastructure" (such as *umbrella companies*<sup>4</sup>), which should further remove differences (leave entitlements, etc.), is a driving factor, likely to swell the ranks of self-employed.

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<sup>2</sup> See "Housing supply challenges in France: an unsolvable issue?" S. Colliac, Eco-Conjoncture No. 23.07, where Chart 6 shows this growth in maintenance-renovation.

<sup>3</sup> The many aspects include connecting the end consumer with service providers through platforms of which they are not salaried employees.

<sup>4</sup> This is a contractual relationship through which an employee signs an employment contract with an *umbrella company*, which itself signs a commercial contract with a customer company. In this way, supported by the *umbrella company*, the employee provides their services to the customer company.



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