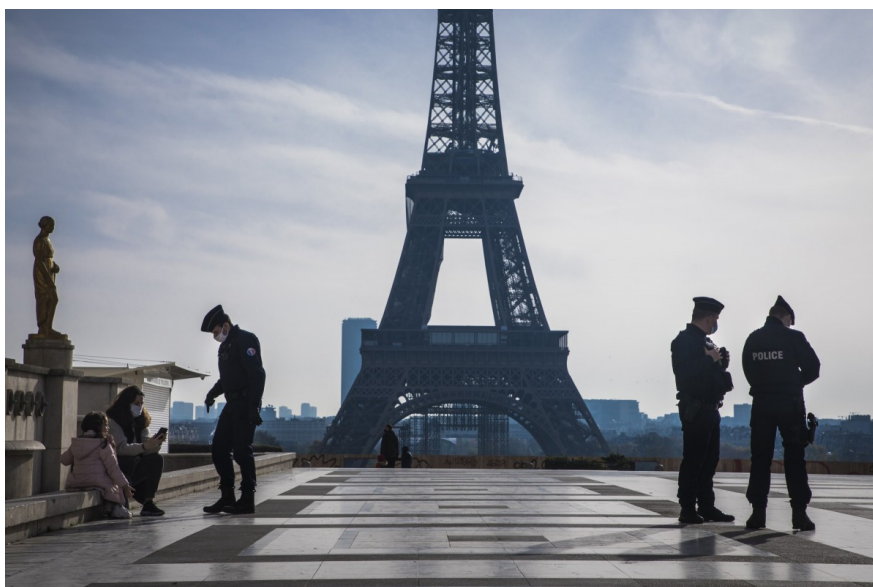


France: employment falls less than expected

The decline in employment remained moderate in France in the fourth quarter, despite the lockdown. This is good news, which unfortunately does not erase the worsened outlook for the labour market in 2021



Covid-19 Second wave lockdown in Paris, France - 07 Nov 2020

Source: Shutterstock

Good news

Good news in a bad number. In these complicated economic times, when there is a lack of superlatives to describe the exceptional extent of the shock we are experiencing, some data may surprise positively despite a negative figure. This was the case last week for French GDP, which had decreased by "only" 1.3% quarter-on-quarter in the fourth quarter of 2020, against an anticipated decline of 4%.

It is also the case with the employment figures for the fourth quarter published this morning. Over the fourth quarter, employment in France fell by "only" 0.2% compared to the previous quarter. This fall is much smaller than the declines observed during the first half of 2020 (-2.5% QoQ in 1Q and -0.8% QoQ in 2Q). And the slight drop in 4Q does not erase the strong rebound observed in 3Q. In the last quarter of 2020, 39,600 private jobs were lost in France, following the strong creation of 312,400 jobs in the third quarter. This less unfavourable than expected development is

attributed to interim employment, which continued its dynamic recovery, agriculture and construction. Despite the lockdown in place in November, these three sub-sectors created jobs in the fourth quarter.

The economic shock of the coronavirus has led the French private sector to erase 360,500 jobs over the year 2020, a 1.8% drop in total private employment over one year. This is much less than the 600,000 job losses that INSEE predicted in mid-December. Compared to the extent of the decline in GDP (-8.3% over the year), this data shows remarkable stability of employment in 2020. This can obviously be explained by the employment support measures that have been taken during the crisis, notably the short-time working scheme. According to the statistical office, DARES, 3.1 million employees were on short-time work in November and 2.4 million in December (compared to 8.4 million during the peak in April). Also, quite remarkably, some sectors have even created jobs during 2020. Private employment in the construction sector has increased by 1.4% compared to before the crisis.

What's next?

Despite this good news, the prospects for employment are not very bright for the future. As long as the health crisis persists and health restrictions are imposed, the short-time working scheme will be maintained, supporting the labour market and strongly limiting job losses.

However, once the economic recovery begins, the gradual disappearance of support schemes will inexorably lead to a reduction in salaried employment. It is therefore when the economic situation improves that the labour market is likely to suffer a setback. The extent of it will depend on the way in which the support schemes, including short-time working but also state-guaranteed loans and solidarity funds, are gradually phased out. Abandoning these schemes as gently as possible for the labour market, while taking care not to artificially maintain for too long jobs that have no chance of continuing after the end of the health crisis, is one of the main challenges facing the authorities for 2021, not only in France but also in Europe as a whole.

We believe that the consequences of the health crisis will lead employment in France to deteriorate in 2021 compared to 2020. For employment, 2021 could therefore be more difficult than 2020. We then forecast an improvement for 2022 thanks to the economic recovery. A return to the level of employment that prevailed before the crisis is not envisaged before the end of 2023.

Author

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s),

as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.