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Statistical Update



International
Labour
Office

FRANCE: RECESSION SPARKED RISING NUMBERS OF UNEMPLOYED AND FALLING HOURS OF WORK

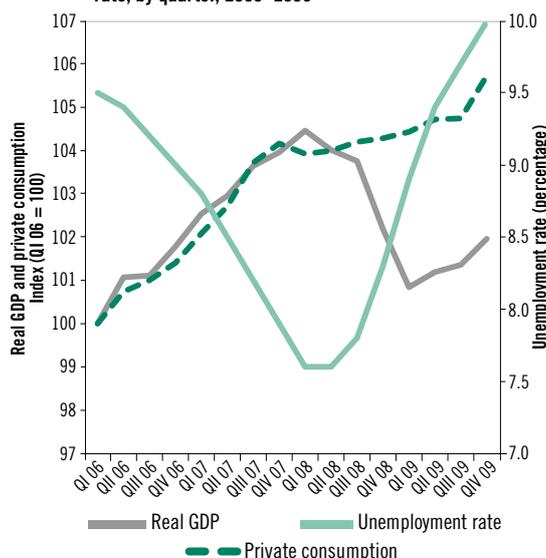
Unemployment rate has deteriorated with the crisis

- Following average annual growth of nearly 2 per cent between 2000 and 2007, real GDP started contracting in the second quarter of 2008, and continued to decline through the first quarter of 2009.
- Real GDP growth thus slowed to 0.4 per cent in 2008 and contracted by about 2.2 per cent in 2009. Resilient private consumption, boosted by stimulus measures, has nonetheless softened the shock of the economic crisis.
- The total unemployment rate increased sharply, from a recent low of 7.6 per cent in the first quarter of 2008 to 10 per cent in the fourth quarter of 2009.

Stimulus programme targeted domestic consumption and financial support to vulnerable workers

- The fiscal stimulus package was worth €32.9 billion (1.7 per cent of GDP in 2008). The main elements of the package were:
 - €10.8 billion in public investment (roads, hospitals, research and universities, defence and security, modernization of railways, energy and postal services);
 - €14.9 billion in support of employment and enterprises (tax rebates, cash incentives for the car industry, emergency loans for carmakers);
 - €4.3 billion allocated to solidarity and housing actions, notably through the creation of a Social Investment Fund (*Fonds d'investissement social, FISO*), to coordinate short-term and temporary anti-crisis measures; and
 - €3 billion to a strategic fund for investment.
- The duration and coverage of full-time and partial unemployment have been increased. The new *Revenu de solidarité active* came into force in June 2009, which includes an extension to young workers (less than 25 years old).

Figure 1. Real GDP, private consumption and unemployment rate, by quarter, 2006–2009



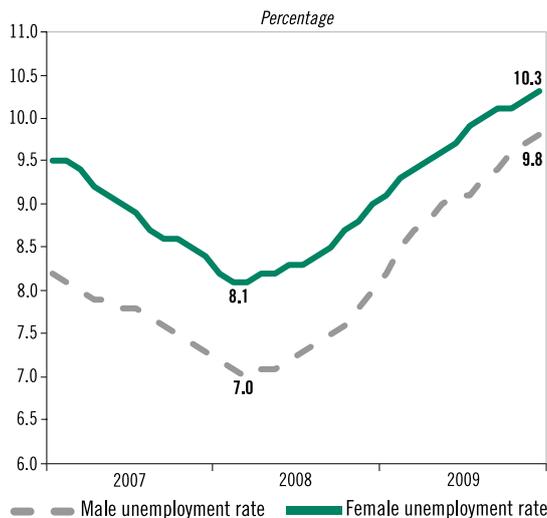
Source: EUROSTAT, based on national official sources (INSEE for GDP data and *Ministère du travail, de la solidarité et de la fonction publique* for labour market data). Seasonally adjusted data.

Male unemployment rate increases exceeded the rise among females, but female rates remain higher

- The male unemployment rate has increased more than the female rate during the crisis, and as a result the gap between the two has narrowed (the female rate was higher by around 0.5 percentage points in December 2009).

- The male unemployment rate rose 2.8 percentage points to 9.8 per cent (between the recent low in March 2008 and December 2009) while the female rate rose 2.2 percentage points to 10.3 per cent during the same period.
- The less pronounced increase in the female unemployment rate has taken place in the context of an increasing female labour force participation rate, which rose by one percentage point between the first quarter of 2007 and the last quarter of 2009. However, the female labour force participation rate was still 7.2 percentage points lower than that of males in December 2009.

Figure 2. Total monthly unemployment rate by sex, January 2007 – November 2009

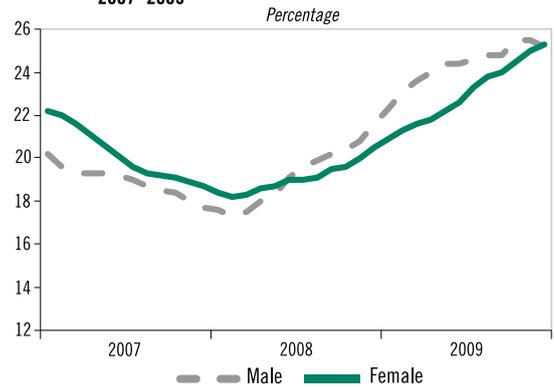


Source: EUROSTAT, based on data from *Ministère du travail, de la solidarité et de la fonction publique*. Seasonally adjusted data.

Youth experienced higher increases in unemployment rates than the total population

- The youth unemployment rate was already about 2.3 times higher than the total unemployment rate prior to the crisis in 2007; this ratio increased to about 2.5 times in 2009 and highlights the high degree of vulnerability of young workers during the crisis.
- The youth unemployment rate in December 2009 was estimated at 25.3 per cent, compared to 17.9 per cent in January 2008, thus far exceeding the increase among the total unemployed population.
- Youth unemployment rates increased among females and males alike. However, the male youth unemployment rate, which had been slightly lower than the female rate prior to the crisis, increased 7.9 percentage points from the recent low in February 2009 to 25.2 per cent in December 2009; the rate among females increased 7.1 percentage points to reach 25.3 per cent during the same period.

Figure 3. Monthly male and female youth unemployment rates, 2007–2009

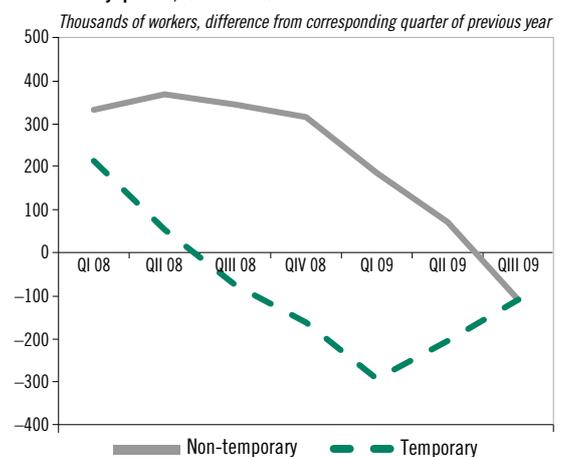


Source: EUROSTAT, based on data from *Ministère du travail, de la solidarité et de la fonction publique*. Data are not seasonally adjusted.

Temporary workers were affected first by the crisis, followed by permanent workers

- The number of temporary workers declined sharply (294,000 jobs lost) between the first quarter of 2008 and the first quarter of 2009 due to the onset of the crisis.
- Employment losses among temporary workers have eased since that time, primarily reflecting an improvement among female workers, but temporary employment remained somewhat below pre-crisis levels, at 3.2 million in the third quarter of 2009.
- Nonetheless, job destruction continues and now extends to a larger segment of more permanent jobs, which were virtually unaffected in 2008. Permanent employment thus reached 22.6 million in the third quarter of 2009, representing a decline of about 110,000 from a year earlier.

Figure 4. Change in temporary and non-temporary employment, by quarter, Q1 2008 – QIII 2009

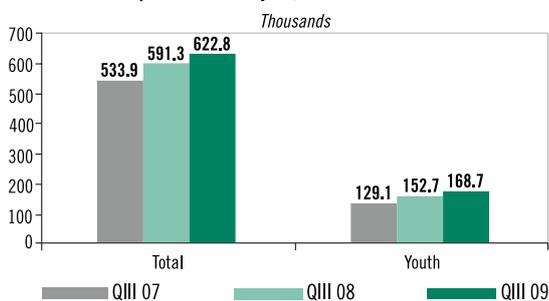


Source: EUROSTAT, based on data from *Ministère du travail, de la solidarité et de la fonction publique*. Data are not seasonally adjusted.

The number of discouraged workers is steadily rising

- The number of discouraged workers (or persons that would like to work but are not seeking employment) as a percentage of the total inactive population increased from 2.5 per cent in the third quarter of 2007 (representing 533,900 persons) to 2.9 per cent in the third quarter of 2009 (622,800 persons).
- The increase in young discouraged workers over this period was 30.7 per cent number (to 168,700 workers) compared with an increase of 16.7 per cent for the increase in total discouraged workers. The average levels of unemployment among youth yield a higher risk of becoming discouraged over job prospects.

Figure 5. Number of total and young discouraged workers, third quarter of each year, 2007–2009

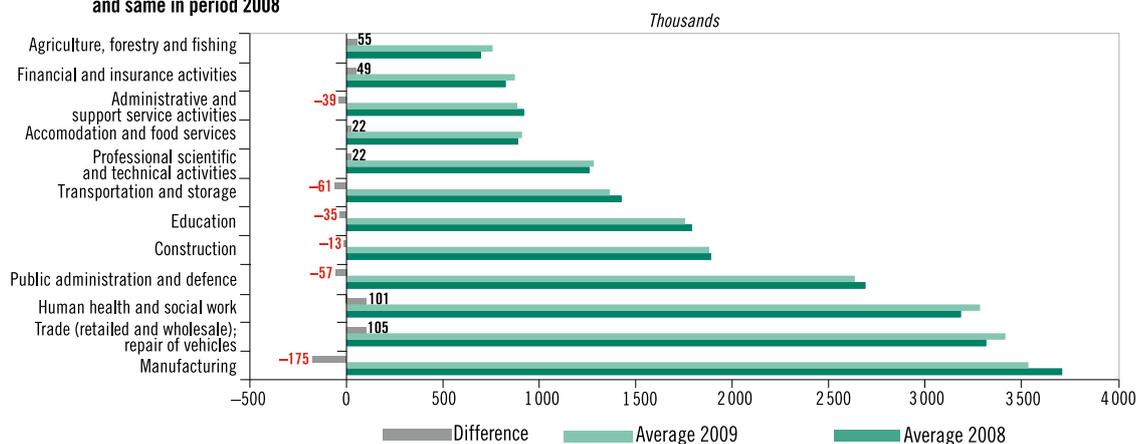


Source: EUROSTAT based on national data. Data are not seasonally adjusted. These figures should be interpreted as indicative only. Defined as the inactive population that would like to work but is not seeking employment.

Manufacturing has suffered the largest employment declines

- Manufacturing employment recorded the sharpest decrease with the crisis, as job losses reached 175,000 comparing the average employment level of the first to third quarter of 2009 and the same period in 2008. This figure is preliminary and it does not include the temporary workers' grove, where some tens of thousands jobs have been lost in manufacturing in 2009.
- Trade activities, repair of vehicles, human health and social work activities, as well as hotels and restaurants have proved resilient, experiencing net employment gains over the period.
- Job losses were relatively small in construction thanks in large measure to the implementation of infrastructure projects associated with the stimulus package.
- If a combination of stimulus measures and the use of short-time work schemes had not been applied across sectors, it is likely that France would have experienced higher job losses.
- It is worth mentioning the decrease of employment in public administration, defence and education which resulted from reforms or measures taken by the government (not related to the stimulus package).

Figure 6. Employment by economic activity in the largest sectors, level and change. Average of first three quarters of 2009 and same in period 2008



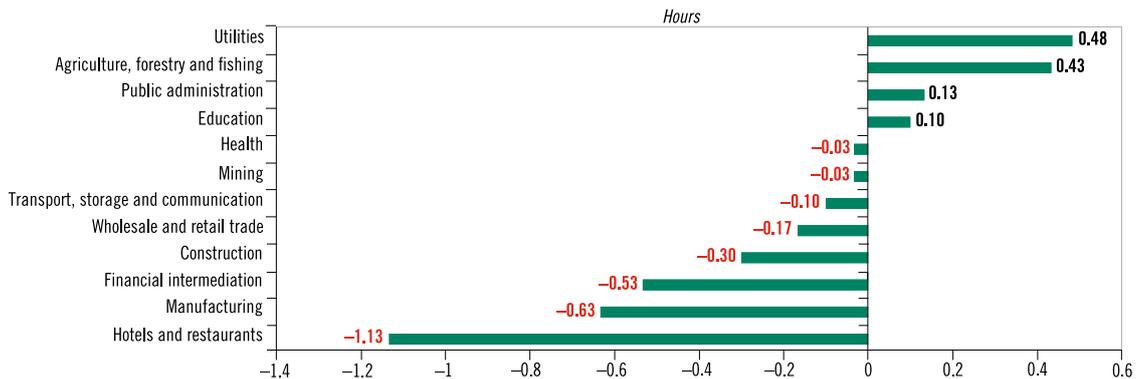
Source: EUROSTAT based on national data. Based on NACE rev 2. Data are not seasonally adjusted. Figures next to the bars reflect changes in employment between the two periods.

Decreased hours of work recorded in most sectors

- Many sectors have been characterized by a decrease in the number of actual working hours, in particular hotels and restaurants (1.1 hours decline) and manufacturing (0.6 hours), supported by the French work-sharing scheme (*chômage partiel*).

- Other sectors which experienced declines in hours of work include financial intermediation; construction; transportation, storage and communications; mining and health.

Figure 7. Weekly hours of work by economic activity. Average of the first three quarters of 2009 compared with the same period in 2008



Source: EUROSTAT based on national data. Based on ISIC. Data are not seasonally adjusted. Figures next to the bars reflect changes in employment between the two periods.

The number of unemployment insurance beneficiaries has increased steadily since the third quarter of 2008

- At the end of 2009, there were close to 2.5 million persons receiving unemployment benefits out of a total of 2.9 million unemployed persons. This included more than 400,000 persons benefiting from *allocation de solidarité spécifique*, a state-funded benefit for long-term unemployed workers.

Outlook: slight GDP growth is projected for 2010 but labour market challenges will remain

- The French response to the crisis included a number of employment promotion and labour market support measures, both cyclical, such as extension of short-time working arrangements, and structural, such as unemployment insurance reform and the introduction of the active solidarity income. The aim has been to make the labour market more accessible and create a more secure and supportive framework for people in the labour market, by improving their entitlements in return for actively seeking employment. The latter is a key element of policies to combat long-term unemployment, which will be a major challenge in the short term.

- These measures have smoothed the impact of the crisis on the labour market, as it is estimated that they generated from 80,000 to 110,000 jobs, according to the French ministry of economy and employment.
- Moreover, the government has also started implementing fiscal reforms (replacement of professional tax by carbon tax) in order to encourage the private sector and to promote the green economy. Other government reforms and measures resulted in job losses in public administration and education.
- Real GDP is forecast to grow by approximately 1.4 per cent in 2010 (according to the French ministry of economy). There are, however, still many uncertainties and the 2010 GDP forecasts made by 18 independent experts, range from 0.6 to 2.6 per cent. Private consumption is expected to stagnate.
- The unemployment rate is projected to increase by half a percentage point while net wages are expected to decrease in 2010.
- The rise and possible persistence of long-term unemployment risks (particularly among youth) are generating increased tensions, with large numbers of people coming to the end of their entitlements and possibly becoming discouraged. Furthermore, these measures require public services to help people find employment or training opportunities and provide jobseekers with adequate support.