



## DYNAMICS OF THE PARIS REGION ECONOMY

**6.2 million**

JOB IN THE PARIS REGION IN 2015

**31%**

OF NATIONAL GDP

**944,000**

COMPANIES

THANKS TO DYNAMIC NETWORKS, INNOVATION, CULTURAL CREATIVITY AND HUMAN SKILLS, THE PARIS REGION HAS A POWERFUL, HIGH-PERFORMING ECONOMY. HOWEVER, IN ADDITION TO MANAGING THE 2009 CRISIS, IT HAS HAD TO FACE THE NUMEROUS CHALLENGES ARISING FROM DEEP TRANSFORMATIONS IN ITS ECONOMY, SUCH AS INCREASED INTERNATIONAL COMPETITION, SOCIAL AND ENVIRONMENTAL ISSUES AND THE WIDESPREAD EXTENSION OF DIGITALISATION.

As the driver of the national economy and the gateway to a globalised and competitive world, the Paris region plays a very special role in France. The source of its economic dynamism is its exceptional openness, but paradoxically this has also intensified the economic and geographical transformations and the rise in social inequality, as evidenced in a study by the Paris Region Development and Urban Planning Institute [IAU îdF, 2016].

Since the early 2000s, the Paris region's economy has had to tackle simultaneously one of the most serious economic crises of the last 50 years as well as deep economic and societal change. The effects of what has occurred during this special period are immediately visible across the Paris region, from the core city centre to the rural outer ring, including the areas earmarked for the development of the future Grand Paris Express metro network. The list of these effects is long: the blossoming of "start-up factories"; the emergence of new office districts and business parks; the development of new cultural amenities; and the setting up of methanisation units in the region's farms. This dynamic has opened up many opportunities, but has also given rise to the challenges of increasing poverty in the Paris region, the adverse impact of business closures, including that of iconic locations such as the Peugeot car plant in Aulnay and the social difficulties the inhabitants of the Paris region face in certain rural districts or areas.

### THE ECONOMY OF A GLOBAL CITY REGION

The Paris region's economy is powerful at national, European and world levels. It is home to 19% of the population of France, represents 22% of the total number of jobs in the country and generates 31% of French gross domestic product (GDP). It accounts for 4.7% of Europe's GDP and 7% of Europe's R&D expenditure. Various classification systems rank the Paris region among the top



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## REGIONAL ECONOMIC, INNOVATION AND INTERNATIONAL DEVELOPMENT SCHEME (SRDEII)

Since the reforms aimed at decentralising the state in recent years, the regions have been under the obligation: to draw up a plan that sets their strategic aims in terms of support for businesses; to draw up a regional strategy for supporting small and medium-sized enterprises as well as intermediate sized companies; to formulate a regional plan to internationalise businesses by setting export development objectives; and to develop a regional innovation strategy. The Paris region has therefore drawn up its regional economic, innovation and international development scheme (SRDEII). The regional council voted in favour of its "Regional growth, employment and innovation strategy" on 14th December 2016. This strategy has four main objectives:

- Investing in the attractiveness of the Paris region
- Developing the competitiveness of the Paris region's economy
- Developing entrepreneurship and innovation in all parts of the Paris region
- Acting collectively at the service of companies, employment and all parts of the Paris region.

To learn more, go to:

<http://bit.ly/2p8dZW3>

five most competitive regions in the world. Several indicators highlight this position. The Paris region represented 6.2 million jobs in 2015, as many as the Los Angeles metropolitan area, and is ranked second in Europe in terms of the number of foreign businesses; it is also home to 944,000 companies and over 106,600 researchers; finally, it accounts for 40% of France's national R&D expenditure.

The Paris region's attractiveness also owes much to its wealth of cultural and tourist assets, featuring world famous sites and events. In 2016, the number of overnight tourist stays (for business and leisure) amounted to 172.6 million euros. The annual influx of young workers or students (80,600 people from 18 to 29 year's hold in 2012) reflects the vitality of the labour market and the presence of 16 universities and 60 top-ranking higher educational establishments.

Our study has highlighted the dynamism of the region's networks, drivers of innovation, cultural creativity, highly qualified workforce, high quality of commercial property and infrastructures. This attractiveness capitalises on the renown of the capital, internationally recognised hubs such as the city of Paris itself, Greater Roissy, La Défense or Paris-Saclay, but also on numerous sub-regions, which contribute to the good functioning, high performance and diversity of the regional economy.

## THE ECONOMIC CRISIS HAS HAD A CLEAR IMPACT

Over the last 10 years, the regional economy has been impacted by two major developments: the economic crisis and profound long-term transformations.

In 2008-2009, the crisis adversely affected all the regions of France, leading to drops in GDP and employment and, conversely, to increases in the number of job-seekers and the unemployment rate. The decline in employment was slightly slower in the Paris region (-0.6% on average per year) in 2008 and 2009, compared with -0.7% in the provinces. Unemployment also increased at a slower pace: between early 2008 and the third quarter of 2016, regional unemployment rose by 2.5 points compared with three points on average in the rest of France.

Since this crisis, and against a background of weak growth, the Paris region has evolved more favourably than the other regions. Between 2009 and 2015, employment increased by 0.6% a year on average (0.4% in the rest of France).

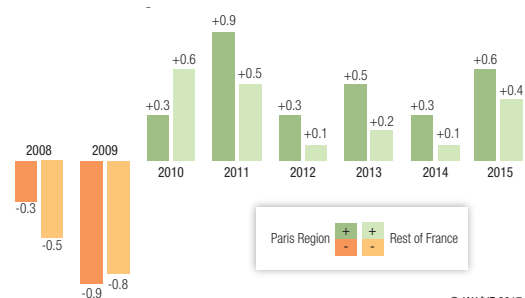
At the end of 2016, there were over 972,000 job-seekers in the Paris region, 42% of whom were long-term unemployed workers. The unemployment rate in the Paris region is 9.1% and 10.2% in the rest of France<sup>1</sup>.

Poverty now affects 15% of the population, including new categories of people. Inequality is high. Geographical contrasts are considerable and have tended to worsen due to the crisis. The Paris region is home to the two richest counties (*départements*) in France - les Hauts-de-Seine and the city of Paris - and to the poorest in terms of per capita income, namely la Seine-Saint-Denis.

## PROFOUND TRANSFORMATIONS THAT CREATE MORE WEALTH THAN JOBS

Over the past few years, the Paris regional economy has continued to experience the changes that began in the 1990s: growth in services, decline in production activities, move upscale of activities and jobs and stronger GDP growth compared with employment. Thus, between 2000 and 2015, employment in the services sector increased by 512,000 jobs (+10% over this period), whereas jobs in the industrial sector declined by 155,000 jobs (-25% over this period). In all the large regions of France, the increase in GDP has been greater than in employment.

## Annual change in employment trends 2008-2015 in the Paris region (%)



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source: National Institute for Statistics and Economic Studies, Estel, total employment





This gap increased in the 2000s, even more so in the Paris region. This situation has been more significant in the Paris region than in the rest of France due to the greater presence in the Paris region of high value-added activities and less labour-intensive activities. In 2015, GDP per job reached 105,500 euros in the Paris region, against 70,700 euros in the rest of France. This gap has continued to widen.

#### DIGITALISATION, GREENING OF THE ECONOMY AND SELF-EMPLOYMENT

Although developments in the Paris region's economy have been structurally impacted by the unchanging factors just reviewed, they have also been influenced by certain deep transformations, which are now perfectly visible and measurable.

##### 512,600 jobs in the digital sector

In 2012, the digital sector, at the interface between the ICT and creative industries, represented 512,600 jobs in the Paris region, 30% of which in computer programming and IT consulting. Between 2007 and 2012, employment in the digital economy increased slightly (+1.4%, compared with +1.9% in all sectors). The digital sector stood out from the others by recording a greater increase in the number and presence of non-salaried, self-employed, freelance and independent professionals and entrepreneurs: 12% compared with 9% on average. Digital companies also stand out by seeking to

locate in more urban and central areas: 80% are in the heart of the Paris agglomeration.

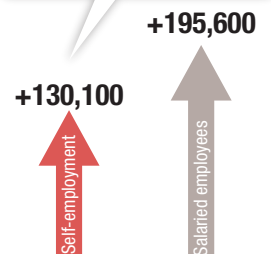
The impact of the digital industry goes beyond these activities because the whole of society is being transformed by the digitalisation process: generalisation of the use of digital technology, arrival of new entrants to traditional markets such as taxis, digitalisation of manufacturing processes and service provision, etc.

Digitalisation is deeply transforming the Paris region and the presence of a strong digital sector, supported by several competitiveness hubs and clusters, such as Cap Digital, Systematic or Opticsvalley, is a real asset for the capital city region.

##### The ecological transition on the march

The transformation of consumption patterns and production methods to make them less polluting and more energy-efficient has begun. In this area too, the Paris region has real potential: it is estimated that the green economy in the Paris region relies on 246,000 professionals operating in sectors at the heart of the green economy or in those that are introducing these skills to modify their "business models" and practices. At the same time, the "greening" professions, which incorporate environmental skills without having any direct environmental purposes, are estimated to represent 744,800 jobs. Although still greatly dependent on state support, the ecological transformation process is a great opportunity for job creation, as much in the sectors

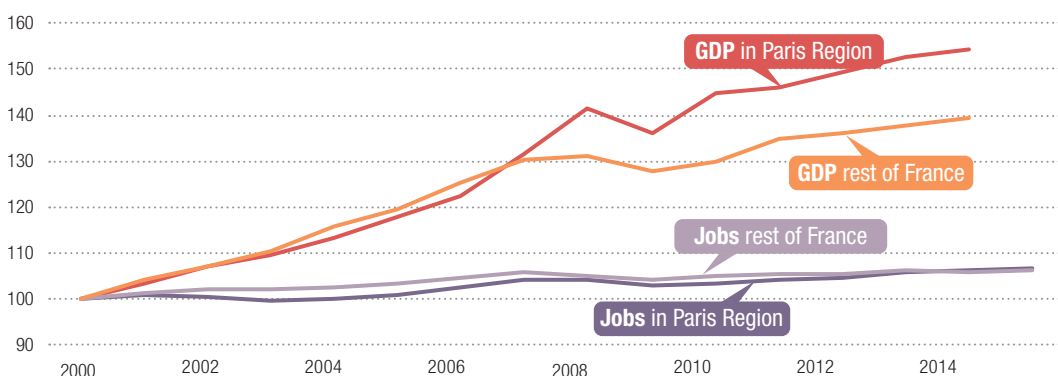
Over a 10-year period (2005-2015), self-employment accounted for **40%** of job growth



© IAU idF 2015  
source: National Institute for Statistics and Economic Studies, Estel

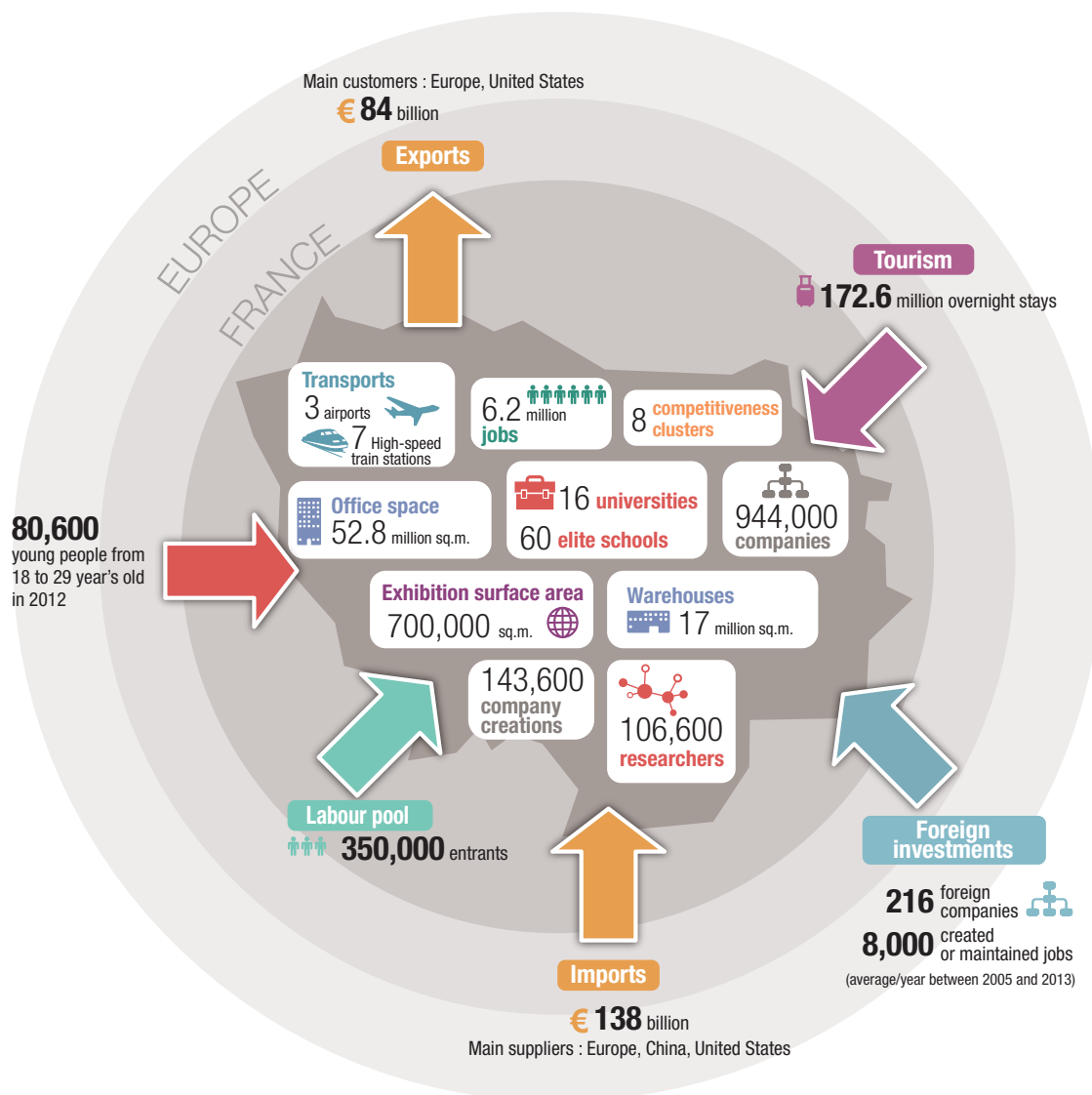
#### Comparative trends in GDP and employment in the Paris region and the rest of France, 2000-2015

Base 2000 = 100



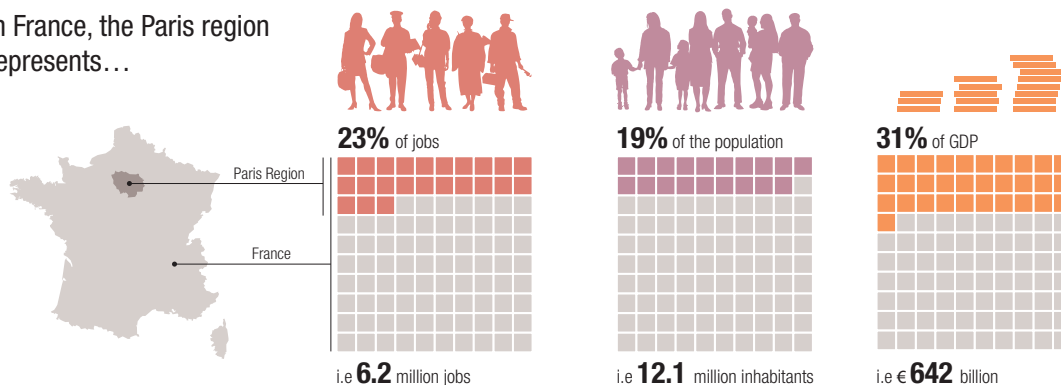
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source: National Institute for Statistics and Economic Studies

## Global city region key figures



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 sources: National Institute for Statistics and Economic Studies (population, jobs, companies); PRE/AFI (foreign investments); French Ministry of Higher Education and Research (research); French customs (imports, exports), CRT (tourism); Grecom (real estate); ORIE (office)

In France, the Paris region represents...



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 source: National Institute for Statistics and Economic Studies





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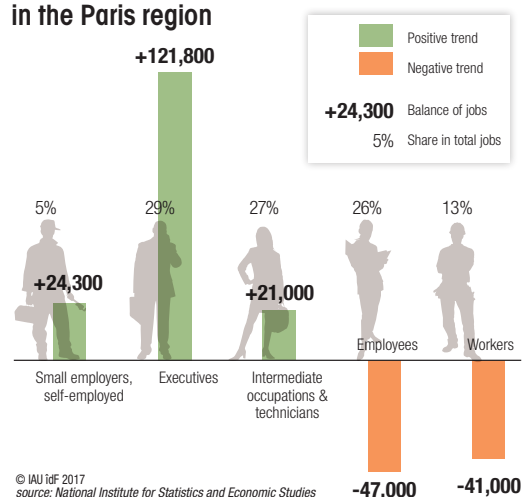
at the heart of the green revolution (construction, transport or eco-industries) as in other economic sectors (automotive, digital, consumer goods, etc.). The circular economy, which is still at an experimental stage in the Paris region through 87 initiatives, is likely to gain more and more momentum.

#### *Diversification of jobs and growth in self-employment*

Over a 10-year period (2005-2015), non-salaried employment (self-employed workers and employers) accounted for 40% of the employment gains. This trend is linked to new work organisation methods and to the fact that companies, thanks to digital technology, are encouraging entrepreneurship, loosening the links between the workplace and work itself, fostering the need to socialise in third places, etc. In addition to this major trend, the soaring rise in business start-ups is also due to the crisis: starting your own business enables you to create your own job.

Another recent trend: the number of salaried employees decreased significantly between 2008 and 2013 (-47,000). This is specific to the Paris region and has been emerging in a context that favours the creation of the most qualified jobs. The number of executive jobs has continued to increase: +121,800 between 2008 and 2013, whereas the number of worker jobs has continued to decline (-41,000).

#### **Employment trends between 2008 and 2013 in the Paris region**



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source: National Institute for Statistics and Economic Studies

#### **BUSINESSES ATTRACTED BY THE CENTRAL PARIS AGGLOMERATION**

In spatial terms, economic activity is considerably more concentrated and polarised than the residential function: 93% of jobs and 96% of office space that provide work and workspace for 89% of the population are in the central agglomeration. Paris and the 19 largest municipalities account for 50% of regional employment. After some spacing out in the 1990s, the spatial organisation stabilised in the 2000s due to the dynamism of the inner suburbs.

The economic crisis has had great spatial repercussions. By causing property prices to fall in the centre of the Paris region, the crisis had a windfall effect on economic activities there, which benefited from access to better resourced locations and at lower prices. This trend became more marked when some major property developments were completed and delivered in the heart of the agglomeration.

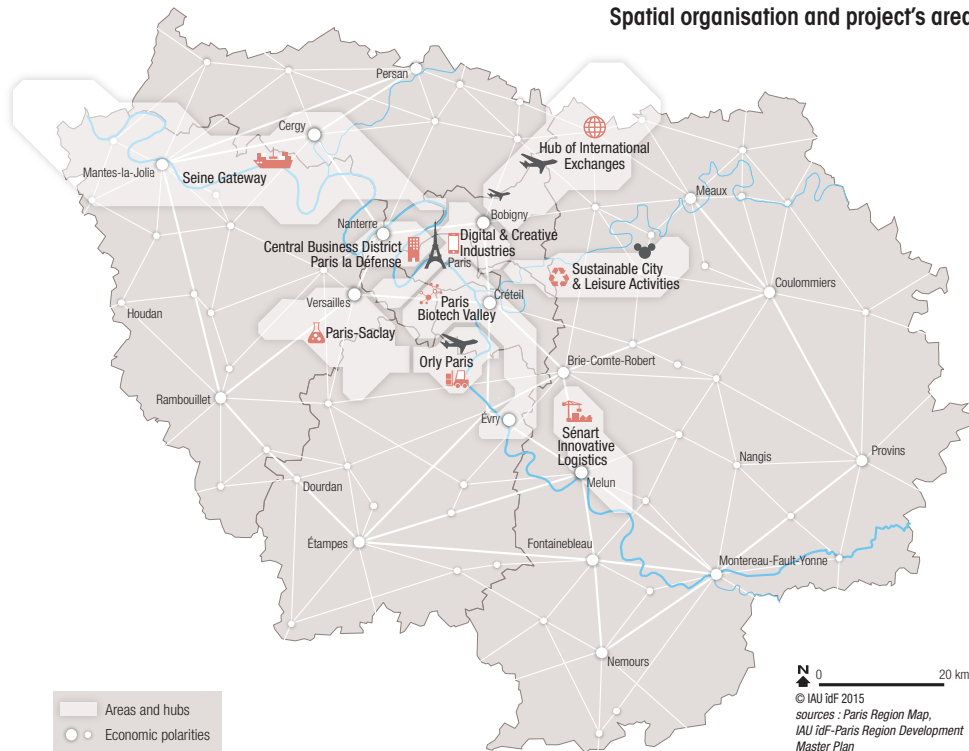
However, the economic crisis is not the only explanation. Changes in the productive system accelerated the flourishing of companies that favoured urban areas when deciding where to locate. The development of the "Silicon Sentier" district and the massive increase in hosting capacity for start-ups and entrepreneurs in new central urban locations such as the Cargo or l'Usine IO in central Paris perfectly illustrate this. The digital society needs urban life to thrive and grow.

Since the beginning of the 2000s, stimulated by the factors reviewed above and by unprecedented spatial transformations, the inner suburbs have experienced an increase in employment greater than that of the Paris region and of the outer suburbs, a completely new development. Thus, the inner suburbs represented over half (55%) of employment gains between 2007 and 2012. The development during this period of districts and municipalities located to the east and north of the Paris agglomeration helped reduce the imbalance with the west of the agglomeration.

#### **ECONOMIC, SOCIAL AND ENVIRONMENTAL CHALLENGES**

On the level of the Paris region, various economic, social and environmental challenges emerged in 2016: the need to enhance the performance of the

## Spatial organisation and project's areas



capital-city region; the need to adapt to an unstable economic climate; to improve the link between wealth and job creation; to reduce unemployment and poverty in order to diminish social and territorial inequality; to provide a better quality of life (housing, amenities, healthcare, mobility); and, finally, the need to reduce dependence on energy and resources and to cut the production of waste. On an international level, the major challenge is that of attractiveness. It is necessary to assert the economic positioning of the Paris region more strongly in response to the initiatives taken by the large recognised metropolitan regions, such as London or New York, but also by new entrants such as Berlin, Dubai or Shanghai. These regions have greatly invested in innovation and directly threaten our established positions in many more traditional sectors, such as leisure and business tourism, the luxury sector or urban services.

## 11 IDENTIFIED CHALLENGES

To improve the overall situation of the inhabitants of the Paris region, notably regarding employment, the study identifies 11 challenges organised around three priorities: supporting the adaptation of the economy to major transformations; maintaining a diverse and competitive regional economy; and building economic development rooted in the various areas that make up the Paris region. These challenges concern numerous fields of investigation for the future regional economic, innovation and international development plan (SRDEII, see box on p. 2), namely: territorial marketing, quality of life, research and innovation, networks, experimentation, training, infrastructures, commercial real estate, etc. They also show that initiatives taken on the right territorial scale within the Paris region, as shown on the above map, can become drivers of economic development of the capital-city region. Needless to say, the Greater Paris project also has a major role to play in the transformation of the Paris region and the enhancement of its international attractiveness.

Pascale Leroi, economist

*Under the responsibility of Vincent Gollain, Head of the Economic Department*

1. Insee, Estel, total employment.

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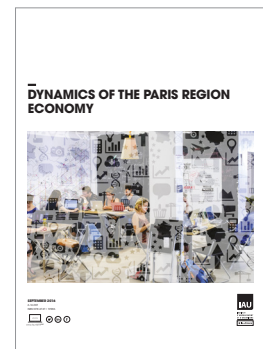


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