

# NOTE RAPIDE

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ECONOMY

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## THE PARIS REGION ECONOMY IN 2025: FUTURE TRANSFORMATIONS AND ACTION DRIVERS

### In 2025...

1 JOB OUT OF 2 WILL BE IMPACTED BY AUTOMATION.

21% OF THE WORKING POPULATION WILL WORK FROM HOME.

100,000 JOBS WILL BE CREATED IN THE GREEN ECONOMY.



SURFACE AREA: **12,012 KM<sup>2</sup>**  
**12 MILLION** INHABITANTS  
**18%** FRANCE'S POPULATION  
**6.2 MILLION** JOBS



THE PARIS REGION ECONOMY IS AT A TURNING POINT WHERE CURRENT TRANSITIONS REQUIRE A RETHINKING OF EXISTING ECONOMIC MODELS AND PRACTICES. BETWEEN NOW AND 2025, THE REGION WILL HAVE TO ADAPT TO SWEEPING CHANGES, PRIMARILY A RECONFIGURED LABOUR MARKET, MORE ECO-FRIENDLY PRODUCTION AND NEW SOCIAL BALANCES. THESE CHANGES WILL RESHAPE THE REGION'S COMPETITIVENESS.

**A**t the end of 2016, the economic indicators for the Paris Region revealed that the consequences of the economic crisis are still being felt. Despite the increase in the number of jobs in the region, unemployment and rising inequalities persist. Moreover, the environmental transition and social cohesion issues continue to pose major challenges (see glossary on p.4).

What transitions and transformations will affect the Paris Region economy in the period between now and 2025? What must public and economic decision-makers do to prepare themselves? How can they foster changes that create added value for society? This Note offers an overview of 10 key structural changes identified during the preparatory phase of the Regional Economic Development, Innovation and Internationalisation Strategy (SRDEII) adopted in 2016 by the Regional Council of the Paris Region (see box on page 2).

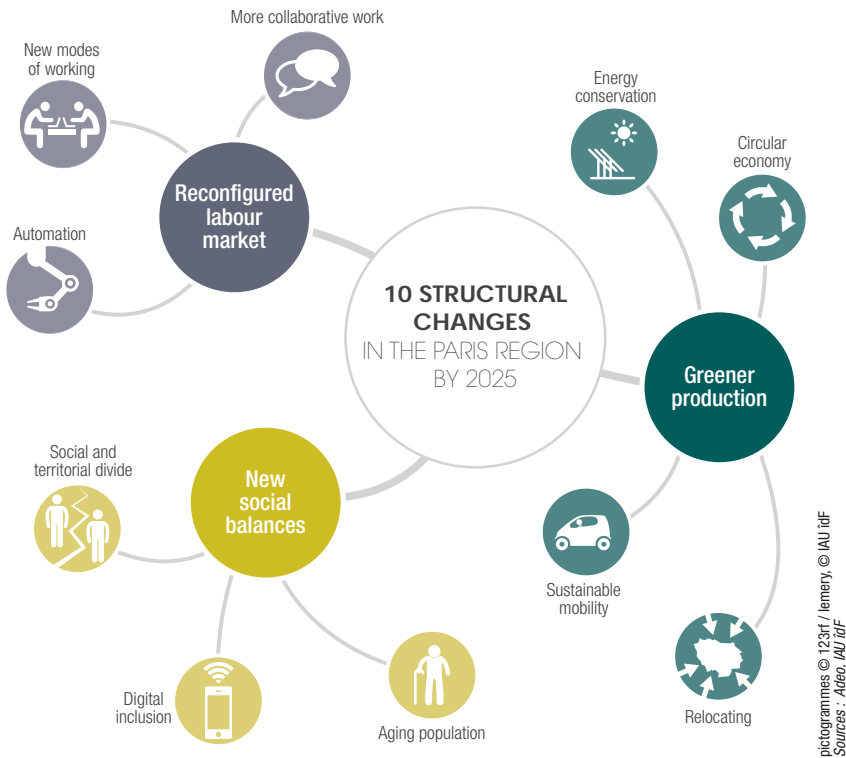
### A RECONFIGURED LABOUR MARKET

A major transformation in the Paris Region economy between now and 2025 concerns new modes of working. Against the background of this transformation, socio-cultural trends will impact the lives of the Paris Region's inhabitants, reflecting a shift towards "post-modern" values related to a desire for emancipation and an awareness of interdependence.

#### *The shock of automation*

How will jobs, the major concern of government policy-makers, survive the new wave of automation that is gaining momentum? The second industrial revolution mainly impacted consumer goods. Automation will henceforth extend to the services sector and will have repercussions on all aspects of daily life. The impact of automation, driven by the introduction of advanced technologies (robotics, artificial

## A forward-looking approach to the Paris Region economy



### THE FORWARD-LOOKING APPROACH AND THE SRDEII

As part of the prospective approach adopted by the Paris Region Council upstream of the “Regional Economic Development, Innovation and Internationalisation Strategy (SRDEII)”, several task forces have been set up to focus on four key changes: competitiveness, transformations of the economy, innovation and the local areas. In connection with the research conducted by the IAU IdF into “Dynamics of the Paris Region”, experts Samuel Sauvage (an economist and consultant at Adeo) and Carine Dartiguepeyrou (a political scientist and forecaster at Uniqueness) were appointed to nurture the forward-looking approach and to identify the key challenges facing the Paris Region in the light of the worldwide changes expected over the next 10 years. This article presents the findings of the research studies conducted.

intelligence, 3D printing, Internet of Things, etc.) has triggered widespread controversy. Five recent studies<sup>1</sup> have highlighted job destruction in the Paris Region: hundreds of thousands of jobs will be lost between now and 2025.

In this context, the economic sectors most exposed to the risk of automation are those that lack flexibility, struggle to adapt and do not require social interaction. In addition to industrial blue-collar workers or handling personnel, various service sector occupations are also likely to be affected, including cleaning and maintenance workers, drivers, cashiers, operating personnel in the transport sector as well as certain job functions in the banking, accounting, legal and medical sectors, which will all fall prey to the digital economy.

Although the report published by the Conseil d’Orientation pour l’Emploi (French National Council for General Employment Strategy) in 2017 is less pessimistic about the projected job losses (10% of jobs are threatened), it points out that one job in two is likely to change. According to the report, the most likely impact of the changes concerns job content:

these changes must prompt public authorities, business sectors and the education system to be pre-emptive and to offer training to workers in new functions or in those that complement the new technologies.

### New modes of working

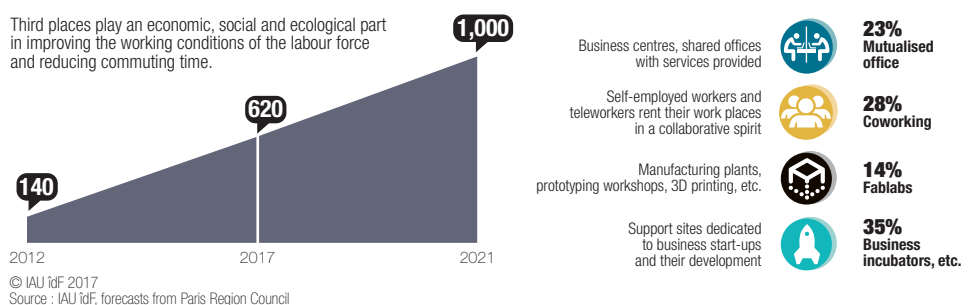
According to the experts questioned, “the new modes of working” are among the main disruptions that will occur in the next 10 years. These new modes of working draw on values centered on making people’s jobs meaningful as businesses seek to adapt their organisations to trends such as: “the liberated enterprise”, “managerial innovation”, “holacracy” (see glossary on p.4), “open innovation”, etc.

New labour laws result in a reduction in the number of salaried employees and an increase in the number of self-employed workers (freelancers, micro-entrepreneurs) featuring multiple-task activities. While self-employment is also driven by the development of tele-working<sup>2</sup>, it tends to be associated with collaboration. Faced with such upheavals, the challenge for public policy-makers is to decide how to accompany and manage such changes and to strike a balance between employee protection and precarious freelancing. The spread of independent and collaborative working goes hand-in-hand with the opening of “third places” (see glossary on p.4), i.e. new work spaces between the office and the home such as: co-working spaces, fab labs and support centres. In 2017, over 620 third places were located<sup>3</sup> in the Paris Region, which aims to double their number by 2021, mainly in the outer suburbs.

### More collaborative working

The redefining of the workplace has gained momentum through the spread of the collaborative economy, which is impacting all sectors of the economy. The collaborative economy symbolises a new economic paradigm in which citizens play a central role in consumption, production and financing - it has a great potential for growth in the Paris region. Its spread is driven by aspirations that are both economic (leveraging purchasing power) and societal (quest for meaningful work, social links) and is made possible through technological changes and efficient intermediation *via* digital platforms. As the latter spread, part of economic activity is organized in “peer to peer” relationships, which may or may not be market-driven. These digital

### The landscape of third places in the Paris Region in 2017



platforms (BlaBlaCar, Uber, La Ruche qui dit Oui, etc.) are as diverse as the different types of workers: salaried employees, self-employed workers, micro-entrepreneurs, side-jobbers (complementary work) or private individuals who exercise a form of active leisure activity.

The work experience of the inhabitants of the Paris Region is undergoing a radical shift. The collaborative economy is opening up a field which arouses fascination but is also a cause for concern. In a world referred to as featuring VUCA<sup>4</sup> (Volatility, Uncertainty, Complexity, Ambiguity), individuals are becoming more flexible and mobile and no longer aspire to life-long stability. The emergence of this economy and its consequences on the labour market call for supportive measures. In an asymmetrical market, the introduction is eagerly awaited of policies that support new rights of workers faced with these platforms, along with appropriate local rules and regulations (see the regulations relating to Airbnb introduced in several European towns and cities).

#### MORE ECO-FRIENDLY PRODUCTION

Between now and 2025, changes to working practices require an eco-friendlier system of production to address the rising threats of climate change, the increase in the number of regulations and the growing scarcity of most non-renewable raw materials. Such eco-friendlier production meets the growing needs of citizens, who seek more meaning in their jobs.

##### *A more energy-efficient system of production...*

The environmental transition primarily entails a new energy paradigm. The growing scarcity of fossil fuels and the need to reduce greenhouse gas emissions require governments to develop more energy-efficient systems. The Paris Region's renewable energy market is extensive and includes geothermal, methanisation and biomass energy. Some one hundred thousand jobs could be created, provided special attention is paid to the structuring of the appropriate economic sectors, to training for Paris Region inhabitants and to consumer support through pricing signals (see glossary on p.4).

##### *...and a more circular economy*

The circular economy meets a two-fold challenge: the growing scarcity of resources upstream in the value chain, and the recycling of 40 million tonnes of waste produced each year in the Paris region. Most companies seek to become more competitive by producing their products with fewer resources. Their aim is to adapt business models to continue to create both value and jobs while making more efficient use of resources.

The Paris Region is highly dependent on external markets to function on a daily basis: 80% of the resources that supply its ecosystem come from abroad<sup>5</sup>. Locally extracted fuels are four times less costly than those that are imported. There is major potential to be leveraged by using fewer resources in a circular economy, to which the Paris Region is particularly well adapted.

#### The circular economy model



#### *Towards the relocation of economic activities*

The trend in this circular economy is to expand on a new scale through a “relocating” process (see glossary on page 4). The trend is already visible in agriculture with the re-emergence of short supply chains. Similarly, the reshoring (see glossary on p.4) of certain activities and a decline in globalisation are affecting the industrial sector with the stagnating volume of world trade and a sharp rise in “made-in-France” products, as demonstrated by the fact that 64% of French people questioned declare that they are willing to pay more for industrial goods manufactured in France.

In the tertiary sector, the spread of the “in-place” or “presential” economy (i.e. tourism, catering, services to individuals, social care, etc. see the glossary on p.4), which is already estimated to account for 64% of the Paris Region economy [INSEE, 2015], is a strong trend that is helping to renew the local economy. The socially responsible economy is part of this trend, which encourages socially useful business projects based on a code of ethics, democratic governance and a growth dynamic rooted in the region (jobs that cannot be off-shored, community services, etc.) as well as citizen engagement. As new places for experimentation, the local areas are poised to become centres of technological, organisational and social innovation, allowing the digital and energy transitions to take place, as demonstrated by various projects in the Paris Region<sup>6</sup>.

#### *Sustainable mobility*

Although the revival of short supply chains may lead to a reduction in travel, the need for mobility will remain strong in the coming years. This revival will drive the development of new sustainable forms of mobility which, as a complement to the Grand Paris project, will boost the Paris Region economy thanks to self-driving vehicles, booking platforms, etc.

These developments will give opportunities to stakeholders in the traditional transport sectors. However, they will have to be backed by appropriate training and regional planning policies.

#### METHODOLOGY

The study identifies 10 key changes in the Paris Region. The authors have drawn on:

- an analysis of documents and systems of values focused on socio-cultural changes and challenges in terms of their impact on the quality of life;
- a “forward-looking questioning” workshop attended by the region's stakeholders;
- the mobilisation of a panel of French and foreign economic forecasters and experts via a questionnaire on future major changes and possible action steps.

Different scenarios were then compiled based on the feedback received from respondents (38) and additional interviews. Given the many changes underway, the study of the trends according to four criteria, i.e. the probability that changes will occur, their impact on the Paris region, its ability to act and the innovative nature of the study, identifies ten key changes in the Paris Region economy. They relate to three areas described in detail in this article: a re-configured work model, an eco-friendlier system of production and new social balances.

## NEW SOCIAL BALANCES

The Paris Region economy can only increase its economic growth between now and 2025 if the risks of social divides in a society whose population is ageing are taken into account.

### *The risk of social and regional polarisation*

The risk of a “breakdown in social cohesion” has been identified by a group of experts as the main disruption that will affect the Paris Region economy. Although the regional and social divides represent different dynamics, they tend to converge. In a region where the poverty rate is three times higher from one “département” (county) to another [INSEE, 2015], the risk of severe social tensions must be seriously considered, including in the economic sphere. This situation demands extra vigilance regarding the dynamics of competition between localities; on the contrary, priority should be given to inclusive developments that foster geographical mobility among the inhabitants of the region.

### *Is the digital transformation exclusive or inclusive?*

Driven by the digital transformation under way, all spheres of social life are impacted: the workplace, online government services (administrative formalities, filing of tax returns online, etc.), the leisure sector and modes of consumption (connected objects, e-ticketing, etc.). However, this inevitable transformation is accompanied by the risk of a digital divide whose causes may have financial or educational origins. Mastery of the digital language (French and English, web culture), a critical factor of integration, requires initial and ongoing vocational training, failing which social tensions may escalate.

### *Where will senior citizens fit in?*

If the current trend continues, this digital divide will particularly threaten elderly people: 25% of Paris Region inhabitants will be over 60 in 2025. Apart from digital technology, all infrastructures (transport, housing, healthcare, etc.) must adapt to the needs of the elderly, including those whose purchasing power is stagnant or in decline.

Although the ageing of the population is less prevalent in the Paris Region than in other regions of France, it is a major challenge for the Paris Region in four key sectors: construction (introduction of suitable facilities), food (preparation of appropriate menus, delivery), services to individuals (home hairdressing, ambulance service, etc.), the design and manufacture of electronic systems, home automation and digital interfaces for home care assistance, etc. There is, therefore, major potential to develop a silver economy in the Paris Region. However, the risk of creating a two-tier society requires the rethinking of existing business models and economic practices, and action must be taken in favour of this section of the population.

In this necessarily limited overview of the changes that will impact the Paris Region economy in the next 10 years, the temptation to offer “ready-made solutions” must be resisted. The digital and environmental disruptions call for the inventing of models of civilization adapted to the 21st century, which rely as much on citizens’ quest for autonomy as on the growing awareness of the limitations of the current development model. Thus, the interconnectedness of the challenges and their apparent complexity make us put a cross-cutting and co-construction approach at the heart of public action, as part of a policy of regaining the trust of citizens in their institutions.

Similarly, the decrease in available resources should prompt stakeholders to form *ad hoc* partnerships with the driving-forces of innovation stakeholders and other public operators. Through their exemplary internal practices and order-taking, they have a leadership role to play in relation to all economic agents. ■

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1. Carl Benedikt Frey and Michael A. Osborne, University of Oxford; Roland Berger; OECD; Forrester; Smith & Anderson.
2. In 2025, the percentage of tele-workers in the Paris Region will increase to 21% of the working population versus 12% in 2009 (source: CAS, 2009).
3. Source: IAU 2017, La Fonderie, Makery, City of Paris, PRM and Néo-Nomade databases.
4. Source: Harvard Business Review, 2014.
5. Source: Eurostat.
6. Examples: Living Lab, an innovation lab opened in a given region; IssyGrid, a smart energy project in a neighbourhood of Issy-les-Moulineaux; or Brienov, a project that develops rural areas in Seine-et-Marne “département” through digital innovation.

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## GLOSSARY

**Presencial economy:** activities that aim to meet the needs of individuals, whether residents or tourists, in a given location.

**Holacracy:** system of governance based on the structured implementation of collective intelligence.

**Relocation:** the spread of digital technologies combined with the increase in transport and production costs could favour the return of activities that have been off-shored since the 1980s. “Relocation” is a broader concept that encompasses all activities.

**Price signals:** through fiscal or regulatory mechanisms, government authorities can influence prices to guide consumers in their choices.

**Third-party work sites:** flexible use shared work spaces: business centres, fab labs, support centres (corporate nurseries, incubators, business accelerators).

**Environmental transition:** trend towards a lower energy consumption economy that uses clean energy (non-fossil fuel, zero waste, etc.), which is renewable and local.



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