



Labour market change
**Assessment of public initiatives to
combat labour market segmentation
in the EU Member States**

**Case study: Auto-entrepreneur/
micro-entrepreneur (France)**

[Labour market segmentation:
Piloting a new quantitative and policy analysis](#)

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Introduction

This report presents an analysis of the auto-entrepreneur scheme set up in France by the law on the modernisation of the economy of 4 August 2008 ([Loi n° 2008-776 du 4 août 2008 de modernisation de l'économie](#)). It was created during the economic and financial crisis experienced by Western countries and it is, indirectly, one of its consequences in France.

This initiative was presented as a means of creating new jobs. The status of auto-entrepreneur (see definition below) would allow a certain population to integrate permanently into the labour market as self-employed workers. This would mean upwards transitions into the labour market of the unemployed and would thus help to address labour market segmentation (LMS).

To do so, the government aimed to simplify the creation of commercial, craft and liberal companies as much as possible. This administrative, fiscal and social simplification is intended to encourage business creation. According to the legislator, it was even a question of creating a new entrepreneurial culture among the French people. The [explanatory memorandum of the law n° 2008-776](#) indicates that the purpose of the law is to 'stimulate growth and energy by removing structural and regulatory bottlenecks in our country's economy'. It states that 'France needs both more companies and more competition', underlining the ambition of this law, to 'promote freedom and competition in our economy, to the benefit of growth and employment'.

On 1 January 2016, the auto-entrepreneur plan changed its name to 'micro-entrepreneur', in application of the law of 18 June 2014 on craft, commerce and very small enterprises ([Loi n° 2014-626 du 18 juin 2014 relative à l'artisanat, au commerce et aux très petites entreprises](#)), known as the Pinel law. The micro-entrepreneur regime is broader than the previous auto-entrepreneur regime.

In France, the term 'auto-entrepreneur' was coined in 2008 in the report submitted to the Minister of Economy (Hurel, 2008). This report largely inspired the Law on the modernisation of the economy, which set up the auto-entrepreneurship scheme. At the time, the term 'auto-entrepreneur' derived mainly from the Anglo-Saxon concept of self-employment and concerned being one's own employer. Although present in the first drafts of the law, the term 'auto-entrepreneur' eventually disappeared from the final draft to the benefit of the term 'individual entrepreneur' (*entrepreneur individuel*). This is because in a confusing way the law was intended to jointly regulate two different groups of workers – solo self-employed and self-employed with employees – who have established business entities of their own. In practice, the scheme mainly concerns those who perform all of their business-related activities themselves, meaning the solo self-employed workers. Although inaccurate in legal terms, the term 'auto-entrepreneur' has become widely used in practice since 2008. Even after the scheme expanded and was renamed 'micro-entrepreneurship' in 2014 (effective from 2016), the term 'auto-entrepreneur' remained more commonly used. Therefore, throughout this report, the term 'auto-entrepreneur' is applied and it covers all self-employed workers (with and without employees) who have participated in the auto-entrepreneurship/micro-entrepreneurship scheme.

Methodological approach

The auto-entrepreneur plan was the subject of different types of studies. First, [INSEE](#) (the French statistical institute) regularly provides raw data on the creation and liquidation of companies. As there is a way to identify businesses that benefitted of the scheme in the data, it is possible to evaluate the numerical success of this initiative. INSEE also carried out a more in-depth study of the system in 2016 to determine the share of auto-entrepreneurs who made it their main activity, and to assess their revenues. This study is particularly important to determine the practical success of the initiative.

From a statistical point of view, data are available from the Central Agency of Social Security Organisations ([Agence centrale des organismes de sécurité sociale, ACOSS](#)). This agency manages the cash flow of each of the branches of the French social security system and manages the recovery

branch¹. In a report published in July 2018, ACOSS assessed the number of auto-entrepreneurs in France, their turnover, their sectors of activity and the differences between regions.

The Inspectorate General of Social Affairs (*Inspection générale des affaires sociales, IGAS*) also examined the auto-entrepreneur system. IGAS is responsible in particular for monitoring and evaluating the implementation of public policies in the fields of employment, social security and training. In April 2013, it delivered a very detailed evaluation report of the auto-entrepreneur system (IGAS, 2013).

Evelyne Serverin, a lawyer and sociologist, and Nadine Levratto, an economist, have carried out a critical analysis of the objectives of and challenges to the system. Their studies combine an innovative economic analysis and a detailed standards analysis (Levratto and Serverin, 2009; 2012; 2015).

In addition to secondary data, two interviews helped to identify the main issues of the auto-entrepreneur scheme with a researcher and a trade unionist². These interviews allowed a better understanding of sociological and economic studies, and to see the ambiguities for practitioners of this regime. A contact by email was also established with a person who chairs an organisation advocating for self-employed entrepreneurs, and with a member of an employers' organisation ([CPME](#)).

Description of the initiative in focus

Type of initiative

The auto-entrepreneur scheme is an incentive-based legislative measure related to employment/job stability and implemented at a national level. It should be stressed that there was no national inter-professional negotiation with social partners during the drafting of the law. However, this was not mandatory, as the law did not concern labour law but rather company law and the status of self-employed workers. Drafted quickly in the midst of the international financial crisis, the 'Law on the modernisation of the economy' of 4 August 2008 (Law No. 2008-776) mainly concerns the auto-entrepreneur scheme.

This scheme has been amended several times. The most significant amendment was made by issuing the so-called 'Loi Pinel' of 18 June 2014, which came into force on 1 January 2016. The Pinel law has broadened the scope of the status of auto-entrepreneur and allowed for a larger proportion of self-employed workers to fit under this category. In 2018, a regulatory amendment expanded the maximum authorised revenue for auto-entrepreneurs to keep the self-employed status.

Rationale and objectives

The main objective of the scheme was to stimulate the economy by encouraging people to create their own jobs. The initiative did not explicitly aim to reduce LMS. Nevertheless, it was intended to promote progressions towards stable self-employment, including upward transitions from inactivity, unemployment and precarious work; and such an approach corresponds to the efforts to combat LMS.

The 2008 law aimed to 'mobilise entrepreneurs' and to establish a real status of the individual entrepreneur. The philosophy of the text is to remove obstacles (of a fiscal or social nature) to the exercise of entrepreneurial freedom at the individual level. The text, further than the creation of a real new legal status, aims to amend tax law, company law, social security law and labour law. The law introduces a simplified and liberalised system of tax and social security contributions for self-

¹ This branch of the French social security system is only intended to receive benefits from employees and employers. It thus allows a more agile functioning of all other branches (such as sickness, work accident, maternity).

² Traditional trade unions of employees have difficulty representing self-employed workers, especially auto-entrepreneurs. Several labour unions have been created in recent years to represent the interests of the self-employed, including auto-entrepreneurs such as the Fédération des auto-entrepreneur et des micro-entrepreneurs (FEDAE).

employed entrepreneurs. The principle of a single levy (tax and social security) of 13% of turnover for commercial activities and 23% for service activities has thus been introduced.

In addition, until changes implemented in 2018, the auto-entrepreneur scheme only concerned activities generating low turnover: approximately €83,000 of annual turnover for a commercial activity, and €34,000 for a service provision activity. In 2018, however, the thresholds were substantially increased:

- €170,000 for the sale of goods;
- €70,000 for services, liberal professions; and
- €170,000, including €70,000 for labour, services or liberal professions, for mixed activities.

The law foresees that individual entrepreneurs may perform their services on an ancillary or main basis. This provision aims to enable workers to create their own business, while at the same time benefiting from having another status (such as that of an employee). The aim of the law is, however, that in the long-term perspective workers fully become auto-entrepreneurs (in terms of exclusively being self-employed rather than combining it with employment).

The law aims to reduce unemployment by allowing people to create their own jobs in a sustainable but possibly gradual way. More general effects were also expected in terms of increasing the gross domestic product (GDP) and workers' purchasing power. The then Minister of Economy, Hervé Novelli, presented the scheme in a speech to the National Assembly on 5 June 2008 as follows:

'All French people, without exception, can become auto-entrepreneur. Whether it is on a main basis for, for example, creating his first activity at the same time as their studies, for an unemployed person who wants to start working, or on a complementary basis for a private sector employee, a civil servant or a pensioner who wants to develop a secondary activity in addition to their salary.' (Assemblée Nationale, n.d.).

Time frame

The auto-entrepreneur scheme was created by the law on the modernisation of the economy of 4 August 2008. Between 2008 and 2014, the plan was not amended by law. The Pinel law of 18 June 2014 (which came into force on 1 January 2016) amended the scheme and renamed it 'micro-entrepreneur', although the term 'auto-entrepreneur' remains used in practice. It mainly broadened the possibilities of using this regime and introduced new possible professional activities. In 2018, the turnover ceilings for eligibility were significantly increased (see above).

Target group(s)

As indicated, every French person can become auto-entrepreneur. The scheme allows to be either a full-time self-employed, or combine participation in this scheme with another status (such as that of an employee, student, civil servant, being retired).

Based on relevant statistical data, the IGAS (2013) mentions four main types of auto-entrepreneurs:

- Those who create their own business with a real entrepreneurial approach. They quickly carry out this activity as their main activity. Here the auto-entrepreneur regime is a gateway to the common law of business and companies;
- Unemployed or precarious workers who start as auto-entrepreneurs in order to create their own jobs and test a professional project;
- Employees or civil servants exercising their activity on an ancillary basis to obtain additional income from it; and
- Those who set up their company as their main activity without the intention of eventually entering into the common law of companies. The income they earn from their business allows them to live.

The original philosophy of the system did not provide that the worker should combine for a long time the status of employee and that of auto-entrepreneur. It was intended that auto-entrepreneurs should quickly become full-time auto-entrepreneurs. Therefore, although all four types of auto-entrepreneurs comply with the law, in 2008 the government wanted the first and the fourth type to be the most numerous. It is, indeed, these two groups that make it possible to achieve the objective of creating

one's own job in a sustainable way, and thus to revive the economy. The second and third types were designed as temporary pathways between, for example, an activity as an employee and an activity as a self-employed person. Combating LMS can therefore be considered as one of the implicit objectives of the government in the implementation of this measure. In particular, the purpose of the 2008 law was to promote a progression towards stable self-employment.

Delivery methods

The law does not define what an auto-entrepreneur is, but it provides a strong incentive to become an auto-entrepreneur. In concrete terms, the incentive is based on two levers. First of all, it is very easy to register on the internet as an auto-entrepreneur. Secondly, the tax and social security contribution system is simplified, with a single contribution paid to the tax authorities calculated on the basis of turnover. The main purpose of the auto-entrepreneur scheme is to simplify the administrative procedures for self-employed workers.

The measure is also aimed at lowering the social security contributions of auto-entrepreneurs. The scheme is first of all based on a flat-rate levy on turnover in full discharge of social security contributions. Moreover, the auto-entrepreneur scheme ensures social rights (although modest) to its beneficiaries. If the activity of an auto-entrepreneur is secondary to him/her, the person remains affiliated to his/her original scheme for health and parental insurance. If the activity of an auto-entrepreneur is his/her sole proprietorship, he/she benefits from the health insurance covered through the self-employed workers' fund, which is less advantageous than for regular employees. As regards health and parental insurance, the auto-entrepreneur can also benefit from the insurance of the employed spouse. For retirement, the pension scheme for self-employed workers applies, but is much less advantageous than for employees. The auto-entrepreneurs are neither insured against other risks such as unemployment, occupational accidents and occupation-related diseases nor they have the right to professional training.

The first originality of the scheme is to exempt self-employed workers from minimum contributions. Thus, if there is no turnover, no taxes have to be paid. In addition, the scheme provides a ceiling on the amount of social security contributions that self-employed workers have to pay depending on their turnover. This can encourage the auto-entrepreneurs to increase their turnover.

With the objective to remove the perceived French 'cultural barriers' to entrepreneurship in comparison with the USA or the UK, the administrative steps required to become an auto-entrepreneur³ were simplified as much as possible. In 2008, Hurel observed that 'of the 23.5 million American companies, 76% are auto-entrepreneurs; of the approximately 3.6 million English companies, nearly 75% are self-employed; in Spain out of the almost 3 million of companies, now nearly 70% are self-employed'. In France, there were 2.9 million companies in 2007, but of which 'only slightly more than 50% are sole proprietorships and only a small proportion of them could be classified as auto-entrepreneurs', according to Hurel (2008, p.8).

Auto-entrepreneurs can create their own company by simple online declaration on the webpage dedicated to auto-entrepreneurs on the website of the Social Security and Family Allowance Contribution Collection Offices ([Unions de Recouvrement des cotisations de Sécurité Sociale et d'Allocations Familiales, URSSAF](#)), or on the government's enterprises 'one stop-shop' website ([Guichet entreprises](#)). In addition, the auto-entrepreneur has a partial exemption from registration in the professional registers. Finally, the scheme has limited and simplified accounting requirements. Other costs are to be expected such as for the opening of a bank account dedicated to the activity or the subscription of a professional insurance. Finally, the Company Formality Centres ([Centres de formalités des entreprises, CFE](#)), part of URSSAF, offer support, which is paid for but optional, to new entrepreneurs.

However, there are some limitations to simplification. The auto-entrepreneurs must, for example, comply with safety standards for themselves and their customers, must often have a professional

³ Meaning, to become a 'micro-entrepreneur', or auto-entrepreneur as commonly described despite the change of denomination since the 2014 Pinel law (entered into force on 1 January 2016).

qualification, and must be insured. There is therefore necessarily a whole normative environment that must be respected by the auto-entrepreneurs.

Key actors involved in implementation

In addition to auto-entrepreneurs themselves who are the central actors of this initiative, other important actors include labour market and social policy organisations (such as the national unemployment insurance funds 'Employment pole', *Pôle Emploi*, and URSSAF).

Auto-entrepreneurs have to declare their turnover annually to the tax authorities. The declaration must be made on the website of the URSSAF, the organisation in charge of collecting social security contributions. The URSSAF is therefore the reference administration in this field. This registration automatically leads to registration in the Trade and Companies Register. The dedicated website is as follows: https://www.cfe.urssaf.fr/autoentrepreneur/CFE_Bienvenue.

The Trade and Companies Register directly calculates and collects taxes. The auto-entrepreneurship scheme was intended to simplify the collection of taxes from self-employed workers to the extent possible. Therefore, in one go, auto-entrepreneurs are expected to pay their business tax and the social security contributions specific to their auto-enterprise (as defined under the auto-entrepreneur regime). If he or she is a former unemployed person, auto-entrepreneurs can also benefit from an allowance for business start-up assistance (*Aide à la création ou à la reprise d'une entreprise, ACRE*). This allowance is paid by *Pôle Emploi*.

Administrative level of implementation

The measure is implemented at national level.

Sectoral focus

The status of auto-entrepreneur concerns all professions that can be exercised alone. The fight against LMS is therefore to encourage a person to return to the world of work through this status.

The auto-entrepreneur may carry out commercial, craft and certain liberal professions. However, there are many exceptions. The following activities (indicative and non-exhaustive list) are excluded from the auto-entrepreneur scheme:

- Most agricultural activities;
- Certain liberal legal activities/professions (such as those of lawyers, notaries, ministerial officers); and
- Most liberal health activities (such as those of doctors, pharmacists, dentists, midwives, nurses, masseurs, pedicurists, speech therapists, veterinarians). On the other hand, osteopaths can be auto-entrepreneurs, but they must have a professional qualification.

Real estate activities (those of real estate agents, property dealers) and artistic activities were originally excluded from the auto-entrepreneur scheme, but this is no longer the case since 2016 (Pinel law).

Some activities are allowed, but require a qualification, most often in the form of a diploma. This is the case in particular for the following ones (non-exhaustive list):

- Repair of vehicles or machines;
- Construction and public works;
- Hairdressing;
- Aesthetic care;
- Production of dental prostheses;
- Catering professions, including bakers, pastry chefs, butchers, fishmongers; and
- Blacksmiths and grooms.

Funding arrangements

Financial support is mainly provided through flat-rate payments or reductions in social security contributions. The rate of social and fiscal contribution is set at the national level in the annual laws on the financing of the state budget and the social security budget.

Jobseekers willing to start their own business can also benefit from business start-up assistance. This assistance (ACRE) is an allowance paid to unemployed people registered with *Pôle Emploi* (unemployment insurance). Under certain conditions, these unemployed people setting up a auto-entreprise under the auto-entrepreneur regime benefit from this assistance. For *Pôle Emploi*, it is also a winning operation because the auto-entrepreneur benefiting from ACRE will no longer receive their unemployment benefits.

Linkages with/embeddedness into other measures

The status of an auto-entrepreneur is directly linked to all other legal regulations related to the creation of commercial companies and is therefore complementary to company law. The auto-entrepreneur regime coexists with the various company law regimes: single-person commercial companies, public limited companies, professional civil companies, etc. This regime represents another opportunity to create a business activity. It is even conceived as a springboard to these more traditional forms of companies.

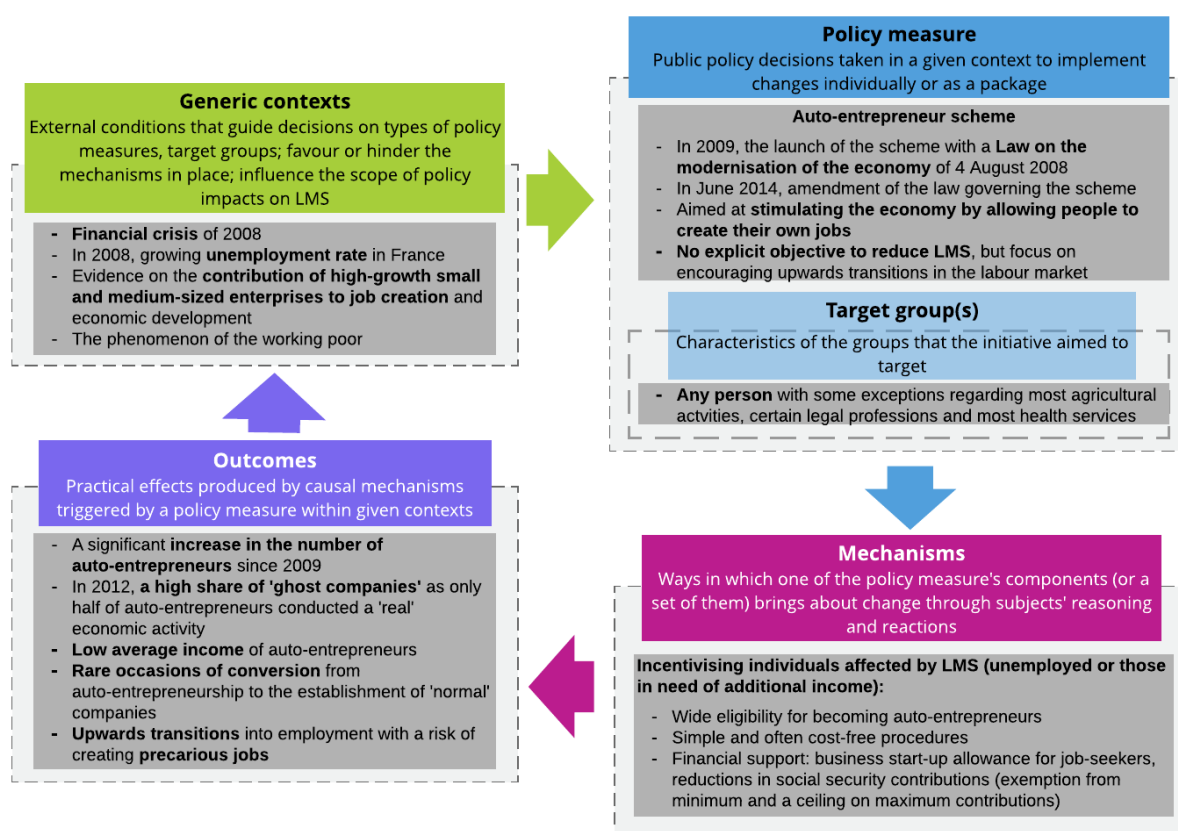
As their status differs from that of standard employees, the auto-entrepreneurs are not much covered by the labour code. However, some of the self-employed workers may find themselves dependent in their activity on one main client, and they may de facto be in a relationship that should have been considered as an employment relationship. According to the French courts, in such and similar situations the subordination of the self-employed worker makes it possible to reclassify the auto-entrepreneur as an employee.

In France, a link can be made between the auto-entrepreneur scheme and the recognition of platform workers in the labour code in 2015. The latter are regulated by Articles L. 8221-6 et seq. and they are presumed to be self-employed. They can declare themselves as auto-entrepreneurs, which is most often the case.

In-depth analysis of the initiative in focus

This section presents an in-depth analysis of the context of the initiative, its details in terms of measures and target groups, mechanisms, and outcomes. These separate elements are represented in figure 1.

Figure 1: Visual presentation of the scheme



Source: Compiled by the authors

Overview of the context

In a 2006 report, the Economic Analysis Council (*Conseil d'analyse économique, CAE*) noted that high-growth small and medium-sized enterprises (SMEs) (so-called 'gazelles') are beneficial for jobs and economic growth, and that it is therefore the role of public authorities to promote them (Betbèze and Saint-Etienne, 2006). However, their impact on employment is indirect. First, because of their size, the smallest companies are the fastest growing in relative terms. They therefore create benefits in terms of economic activity and dynamism and, ultimately, employment benefits. In 2006, the CAE estimated that 'doubling the number of employees in the 27,000 employment-creating SMEs would provide 2.4 million additional jobs to the market sector, including 630,000 jobs for the 2,350 gazelles' (based on figures from 2003) (Betbèze and Saint-Etienne, 2006, p. 31). The impact on employment therefore goes beyond the simple job creation generated by auto-enterprises created under the auto-entrepreneur regime, according to this report.

However, according to results from the Information System on new companies (*Système d'information sur les nouvelles entreprises, SINE*) – a survey conducted by INSEE – the situation was more nuanced. In a report from 2007, INSEE analysed the evolution of young companies over five years (INSEE, 2007). This report showed that 66% of permanent companies (existing for at least five years) had kept the same size, and that that only 27% of these companies had created jobs. The link between auto-entrepreneurship and job creation is difficult to characterise in practice. For example, one cannot equate every creation of auto-enterprise with job creation. Indeed, the possibilities of combination between the status of auto-entrepreneur and employee make this assimilation hazardous. Nonetheless, it is assumed that at least there is a contribution to creating additional economic activity.

The adoption of the law creating the auto-entrepreneur scheme in August 2008 took place in a context marked by the economic and financial crisis and recent growth in the unemployment rate in France. While the unemployment rate was of 7.4% on average in 2008, it increased heavily in the second semester of 2008 and in 2009. In 2011, the average annual unemployment rate was 9.2%, and reached

9.8% in 2012 (INSEE, 2014). However, it should also be noted that the law had been planned before this crisis.

Overview of the mechanisms

Auto-entrepreneurs, benefit from a single and simplified regime. The auto-entrepreneur regime does not constitute a legal form (which remains the individual enterprise status), but consists of a simplified 'micro-social' regime of declaration and payment of taxes and social contributions. This regime is available to a wide range of profiles such as job-seekers, students, employees under a short-term or permanent contract, civil servants, liberal professions (except some regulated professions such as lawyers and medical doctors), pensioners, or farmers (non-employees) who can easily create their own individual enterprise in parallel with their other status or activities, possibly by combining it with a salary or a retirement pension (see above). Auto-entrepreneurs willing to start their own business can benefit from training, for instance, on how to set up business accounts. This is expected to help auto-entrepreneurs in the process of preparation and to facilitate the establishment of new businesses.

The auto-entrepreneur must be subject to a specific tax regime including a turnover cap in accordance with article 50-0 of the General Tax Code. This ceiling was updated on 1 January 2018 by the Finance Act for 2018 (see above).

There are strong incentives to become auto-entrepreneur based on two levers: universality (a broad range of profiles can become auto-entrepreneurs) and simplicity (registration is free and immediate). As a result, there has been a significant number of auto-entrepreneurs registered since 2008.

Casson (1991) lists four reasons that can justify and encourage the creation of a sole proprietorship:

- Finding a way out of unemployment. In this model, the unemployed person creates his/her job at the same time as his/her company;
- Following your own aspirations. Some people have difficulty being subordinate workers and thrive more in self-employment;
- Obtaining additional remuneration; and
- Exploiting your talents.

These four reasons constituted powerful incentives for the government to encourage self-employment. Self-employment could also make it possible to fight unemployment, to have more fulfilled and richer workers, and to develop new talents, a source of collective wealth.

However, behind these different reasons for supporting the creation of individual businesses, Serverin and Levratto (2009) mention that there are two different practical issues which must be clearly distinguished: the issue of the number of business start-ups (it is necessary to support as many auto-entrepreneurs as possible) and the issue of workers' income (self-employment allows workers' incomes to be improved). These two challenges, although distinct, are complementary: in the ideal auto-entrepreneur model, they must make it possible to revive the economy and reduce unemployment by finding new jobs, and by paying better wages to those who invest in their business. If these two issues seem at first glance to be linked, they correspond in fact to two models of auto-enterprise, and therefore relate to two different possible evaluations of the success of the system.

The first issue is the number of business start-ups. The 2008 law and subsequent legislative amendments aimed to increase the number of companies by facilitating sole proprietorship. Consequently, the evaluation of the system can be carried out by analysing the number of individual company creations.

The second issue is more complex to assess. There is a need to see if the sole proprietorship allows workers to live comfortably enough from their professional activity. To enable effective growth of their economic activity and eventually increase personal financial gains, the sole proprietorship must, in the long run, become the main or even sole activity of the worker. Ideally, the auto-enterprise is a gateway to the common law of companies. To assess self-entrepreneurship within this context, it is necessary to study the four types of auto-entrepreneurs (see above and IGAS, 2013).

In practice, it will be necessary to determine which profiles of auto-entrepreneurs are the most frequent in order to try to assess whether the system allows workers to be enriched. These standard profiles, and their frequency, also provide a better understanding of the challenges that the auto-

entrepreneurs scheme raise in relation to LMS. If it can be evidenced that auto-entrepreneurs have been able to establish themselves sustainably, the law is effective in combating LMS. If, on the contrary, the auto-entrepreneur status does not make it possible to provide stable and remunerative employment and to support upward progression in the labour market, the fight against LMS is insufficient.

Overview of results and impacts

The first evaluation of the auto-entrepreneur scheme concerns the number of incorporated auto-entrepreneurs. Since its inception in 2009, the initiative has been an immediate success.

According to INSEE data (INSEE, 2010 and 2012), in 2009 there were 580,200 new businesses created, compared to 331,400 in 2008, an increase of 75%. This increase is mainly due to the 320,000 auto-entrepreneurs created. More than 350,000 auto-entrepreneurs then registered in 2010, 290,000 in 2011 and 307,500 in 2012. In 2012, the total number of registered auto-entrepreneurs was 1.2 million. Since 2012, this figure has stabilised: there were 1,183,000 registered auto-enterprises at the end of December 2017 (ACOSS, 2018), which nevertheless represents an increase of 11.3% compared to 2016.

In 2013, the distribution of economically active auto-entrepreneurs was as follows (IGAS, 2013):

- Consulting activity (scientific, technical, legal) (17%);
- Retail trade (16%);
- Building, public works, construction (12%);
- Other personal service activities (13%, including 4% for hairdressing);
- Education (8%);
- Service and support activities; information and communication (6%);
- Other sectors (28%).

The latest statistics on the sectors of activity concern the year 2017 (ACOSS, 2018). ACOSS notes a strong development over one year of auto-entrepreneurs in the transport sector (+34.6%), real estate activities (+13.9%) and cleaning activities (+12.8%). On the other hand, there was a slowdown in the growth of the number of auto-entrepreneurs in the construction and public works sector (only +1.2% of auto-entrepreneurs over one year). In recent years, in addition to the traditional sectors that remain strong (consulting, trade, construction and public works), new sectors have emerged that have been largely impacted by the auto-entrepreneur regime.

This distribution between very different sectors of activity shows that auto-entrepreneurs can adapt to the most varied sectors. Some sectors are more concerned with intellectual and service occupations requiring specific skills. Others are more oriented towards more manual occupations, but which may also require the development of specific skills. The only aspect that all these sectors have in common is the possibility of setting up one's own business.

The auto-enterprise in the real estate sector is interesting to analyse. Real estate agents, formerly employees, are becoming more and more auto-entrepreneurs. The legal status of the real estate agent, possibly with no subordination, allows this. The real estate agent, although working for an agency, is in control of his/her schedule and his/her clientele. He/she just has access to the portfolio of real estate for sale through the real estate agency. The latter simply pays agents commissions in the event of a sale. A whole new economic system is therefore being put in place. Employees are replaced by auto-entrepreneurs. Does this system create jobs? Does it allow new workers to enter the labour market? To the knowledge of the authors, no study is currently available on this subject.

Furthermore, platform work has been developing in France since 2016. As mentioned in the sections above, the labour code (art. 7341-1) regulates this form of work. Platform workers are considered as non-salaried, thus they can be auto-entrepreneurs. The recognition of this status, and its vitality, presumably has an impact on the distribution of the sectors of activity of auto-entrepreneurs. However, the phenomenon is too recent to be statistically evaluated. It is clear, though, that the development of the platform work will significantly change the status of auto-entrepreneurs and will influence the distribution of their activity sectors.

At the end of 2017, there were 723,000 economically active auto-entrepreneurs in France, an increase of 5.4% over one year.

In 2012, IGAS (IGAS, 2013) established the following geographical distribution of the number of auto-entrepreneurs across the main France's regions, including⁴:

- Île-de-France: 23.3%;
- Provence-Alpes-Côte-d'Azur: 11.7%;
- Rhône-Alpes: 10.0%;
- Languedoc-Roussillon: 5.6%; and
- Aquitaine: 5.5%.

In 2017, the French regions with the highest increases in economically active auto-entrepreneurs in 2017 were the following (ACOSS, 2018):

- Bourgogne-Franche-Comté: + 6.2% ;
- Île-de-France: + 6.7% ; and
- Auvergne-Rhône-Alpes: +6.4%.

Overall, the number and pace in development of the number of auto-entrepreneurs in these regions is linked to their economic and demographic dynamism.

However, the sheer numbers of registrations do not allow to fully understand the success of the auto-entreprise scheme. In 2013, IGAS tried to determine the share of economically active auto-enterprises. It determined that in 2012, only 48% of auto-entrepreneurs had a 'real' economic activity, generating turnover. On the other hand, the remaining 52% had no economic activity, generating no turnover.

A significant proportion of auto-enterprises created under the auto-entrepreneur regime can therefore be considered 'ghost companies', set up when the self-employed person is not yet able to generate turnover due to lack of time or investment, or to lack of market opportunities. However, this percentage has declined since 2013. ACOSS has determined that in 2017 the share of economically active auto-entrepreneurs was 61.1%. However, the percentage of non-active auto-entrepreneurs remains high and stable. Finally, using the most recent data from ACOSS, in December 2017 there were 723,000 active auto-entrepreneurs, meaning those reporting some turnover in a year.

This first evaluation is not sufficient to properly assess the initiative in focus. Additional information may come from the calculation of the average turnover of economically active auto-entrepreneurs. According to ACOSS, the average turnover of economically active auto-entrepreneurs was €3,664 per quarter in the fourth quarter of 2017. This very low figure raises questions about the incomes of self-employed workers.

IGAS (2013) and INSEE (2016) have sought to better understand the profiles and income of auto-entrepreneurs. In 2013, IGAS calculated that nine out of 10 auto-entrepreneurs had a monthly income below the minimum wage in force for salaried workers (*Salaire minimum interprofessionnel de croissance, SMIC*, of €1,430.22 in 2013 and €1,521.22 in 2019). In 2013, the average annual income of auto-entrepreneurs was €4,300. To avoid any statistical bias, IGAS, using INSEE data, took into account active auto-entrepreneurs who had been in business for at least three years. The financial incomes of the auto-enterprises therefore remained very low. These data include all auto-entrepreneurs with a real activity. However, there is no way to distinguish between those who are full-time and those who are part-time.

In terms of the profiles, in 2013 IGAS showed that for 44% of auto-entrepreneurs the main reason to register as such was the desire to create their own job, for 43% to create their own business, for 35% to create an activity complementary to another income, and for 29% to test a business project (respondents had to mention two reasons for their choice). Therefore, the wish of a large majority of auto-entrepreneurs would be to be able to live fully and with dignity from the auto-entreprise.

⁴ Following the 2015 territorial reform, mergers and reductions in the number of regions (from 21 to 12), the Rhône-Alpes region has now become Auvergne-Rhône-Alpes, and Languedoc-Roussillon, Occitanie (since 1 January 2016). See: <https://www.interieur.gouv.fr/Archives/Archives-des-actualites/2016-Actualites/Les-noms-des-nouvelles-regions-sont-actes>.

According to INSEE (2016), in 2014, 54% of the auto-entrepreneurs who started their business made it their main activity. They were mainly present in trade (19%), specialised, scientific and technical activities (17%) and construction (16%). The distribution of auto-entrepreneurs conducting their business as a complementary activity was very different, as it was largely dominated by specialised, scientific and technical activities (22%), followed by trade (13%), construction (9%) and education (9%). In 2014, the average auto-entrepreneur was 38 years old and the proportion of women was 37% (increasing since previous years). Moreover, 29% of auto-entrepreneurs had a diploma higher than the baccalaureate, and 19% had no diploma at all. At the time of registration (in 2014), auto-entrepreneurs were mainly employees (38%) and unemployed (28%). After they registered, half of the auto-entrepreneurs did not invest anything to set up their project. Moreover, the vast majority of them were alone in their project, and did not benefit from any advice.

IGAS (2013) showed that 2.9% of auto-entrepreneurs were written off for exceeding the turnover threshold. This low percentage corresponds to the ideal of the auto-entrepreneur who develops his/her business and joins the common law of companies. Self-entrepreneurship therefore rarely leads to the establishment of 'normal' companies. The vast majority of auto-entrepreneurs are either full-time, but unable to boost their turnover, or part-time, using self-employment as a simple complement to other income, for example, that they receive as employees. As Serverin and Levratto (2012) point out, the system seems much more suitable to support a secondary activity or a retirement scheme than a main activity. The auto-entrepreneur scheme was therefore a success that did not necessarily correspond to the expectations of the government that auto-enterprise would be the only activity of auto-entrepreneurs. The government aimed to develop entrepreneurship, support the economy, and conceived self-employment as a gateway to 'normal' business. This gateway, on the whole, did not function as expected. The vast majority of auto-entrepreneurs remained confined to a low turnover, not allowing them, in most cases, to earn a decent living.

Moreover, the objective of the auto-entrepreneur system was to integrate workers into stable employment. This objective could be conceived as a desire to integrate or reintegrate excluded people into the labour market, via the status of a self-employed worker. Evidence shows that this status is, in the vast majority of cases, insufficient to ensure a decent income.

There are many reasons for this partial failure. The most important, according to Levratto and Serverin (2012), comes from the constitutive fragility of auto-enterprises created under the auto-entrepreneur regime. Many are created without any capital, any previous customers, any market research. The profiles of self-employed entrepreneurs are also at stake. Many have never created a company, and do not have a diploma or qualifications in business management. Finally, the limitation of turnover to a relatively low level may result in a poor ability of the scheme to encourage the creation of a structure ambitious enough to grow rapidly. Consequently, the choice of many auto-entrepreneurs to combine two activities seems understandable, but also becomes an obstacle for the development of their activity under this regime.

The auto-entrepreneur system has found its balance and relevance in a configuration that was conceived as temporary in 2008: that of cumulation of activity. This scheme is adapted for employees, civil servants or pensioners who, considering their income insufficient, choose to supplement it via activities carried out under the status of auto-entrepreneurs. In this sense, the system can create additional income, although in a modest way. As Serverin and Levratto (2012) point out, it mainly reveals the increase in France of the phenomenon of the working poor, or poor pensioners, who choose to supplement their income or pension, for example through self-employment. The combination of employment, and in particular of voluntary work between auto-enterprises and employees, would thus become compulsory. This impoverishment of workers comes from the stagnation of the minimum wage over the past 15 years or so, and especially from the development of imposed part-time work. The initial objective of the auto-entrepreneur regime to integrate workers in a sustainable way into self-employment can be seen as a tool to combat LMS. Nonetheless, the objective that the system would allow people to create their own job has not been sufficiently achieved. On the contrary, by promoting a precarious status of self-employed worker, the system bears the risk of a lasting precariousness of these workers (Levratto and Serverin, 2012). This would create a new segmentation of the labour market between auto-entrepreneurs and other more stable forms of work.

Conclusions and policy pointers

The auto-entrepreneur regime does not meet the ambitious objectives established by the 2008 law on the ‘modernisation of the economy’. Evidence shows that too rarely does this system allow individuals to move from a small business status to a ‘normal’ business status (for example, with employees). This is well illustrated by a very small share of auto-enterprises created under the auto-entrepreneur regime which managed to exceed the turnout threshold and became medium or large enterprises. The sustainable integration of workers benefiting from the auto-entrepreneur status into the labour market is also insufficient. Evidence shows that auto-entrepreneurs have difficulty to live from their individual business. Thus, most often, they cumulate activities performed as self-employed people and as employees.

The relevant operating model, which was only designed as a transitional one, is therefore that of the employee/auto-entrepreneur. In this sense, the system is of practical relevance. However, the status of auto-entrepreneurs bears the risks to segment a worker’s professional activity under several statuses. In this sense, the auto-entrepreneur system seems to be unable to combat LMS, and can indeed constitute a factor to provoke it. The law creating the auto-entrepreneur regime aimed at the effective integration into the labour market with the creation of full-time employment. The model adopted in practice is more that of precarious employment, which alone does not allow people to live decently from their work. Integration and progression into the labour market is therefore incomplete. One could even say that this system has contributed to the creation of an additional segmentation of the labour market between auto-entrepreneurs and salaried workers.

From an economic and social point of view, this use of the auto-entrepreneur status shows above all that salaried work often does not pay enough in France, leading workers to combine available professional statuses. In this sense, this system responds to a real social demand.

All European countries know a distinction between employees and self-employed workers. The auto-entrepreneur scheme could therefore very easily be transferred to another legislation. However, the 10 years of French experience with the auto-entrepreneur scheme show the limits of this system. Admittedly, an incentive right can allow quantitative results in terms of the number of auto-entrepreneurs. However, the sustainable professional integration of these auto-entrepreneurs is not satisfactory as it stands. Since 2016, the emergence of the phenomenon of ‘platform workers’, who are mainly considered self-employed workers and often covered by the auto-entrepreneur status, has raised similar concerns than those related with auto-enterprises created under the auto-entrepreneur regime.

Legally, a strong policy attention is devoted to promoting self-employment in France. It is therefore not clear what other measures could be used to achieve the same objectives more effectively. Above all, promoting self-employment has the potential to encourage upward transitions from inactivity, unemployment and precarious work as well as income progressions for those already employed in standard jobs. However, as revealed by the French experience, this type of tool does not always work as intended: self-employment encouraged in France was often precarious. Thus, although the auto-entrepreneurship regime has helped some of the unemployed to enter employment and some employed workers to complement their income, the scheme runs the risk of perpetuating or even deepening the segmentation between precarious self-employment and more stable and secure standard jobs. The latter trends is well illustrated by the numerical growth of self-employed entrepreneurs in the real estate sector, which suggests downward transitions of standard workers into dependent self-employment.

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List of abbreviations

ACOSS	Agence centrale des organismes de sécurité sociale
ACRE	Aide à la création ou reprise d'entreprise
CAE	Conseil d'analyse économique
DGCIS	Direction générale de la compétitivité, de l'industrie et des services
IGAS	Inspection générale des affaires sociales
INSEE	Institut national de la statistique et des études économiques
SME	Small and medium-sized enterprise
SMIC	Salaire minimum interprofessionnel de croissance

Table 1: CMO configurations of the ‘Auto-entrepreneur’

Initiative	<p>Law on the modernisation of the economy of 4 August 2008 (<i>Loi n° 2008-776 du 4 août 2008 de modernisation de l'économie</i>), amended by the Pinel law of 18 June 2014.</p> <p>No explicit objective to combat LMS, although the initiative aimed at encouraging people to create their own jobs, which corresponds to the efforts to reduce LMS.</p>
Target group characteristics	<p>Anyone can become an auto-entrepreneur. The scheme also provides for the possibility of combination: it is possible to be either a full-time self-employed entrepreneur or to combine this scheme with another status (employee, pensioner, unemployed, student).</p> <p>The professional scope of application is wide. The auto-entrepreneur may carry out commercial, craft and certain liberal professions. However, there are many exceptions from the auto-entrepreneur scheme such as:</p> <ul style="list-style-type: none"> • Most agricultural activities; • Certain legal professions (such as those of lawyers, notaries, ministerial officers); and • Most health services (such as those of doctors, pharmacists, dentists, midwives, nurses, masseurs, pedicurists, speech therapists and veterinarians). On the other hand, osteopaths can be auto-entrepreneurs, but they must have a professional qualification. <p>Real estate activities (those of real estate agents, property dealers) and artistic activities were originally excluded from the auto-entrepreneur scheme, but this is no longer the case since 2016 (Pinel law).</p> <p>Some activities are allowed, but require a qualification, most often in the form of a diploma. This is the case in particular for the following activities (non-exhaustive list):</p> <ul style="list-style-type: none"> • Repair of vehicles or machines; • Construction and public works; • Hairdressing; • Aesthetic care; • Production of dental prostheses; • Catering professions, including bakers, pastry chefs, butchers, fishmongers; and • Blacksmiths and grooms.
Contextual features	<p>The philosophy of the text is to remove obstacles to the exercise of entrepreneurial freedom at the individual level. The objective was to identify and remove obstacles of a fiscal or social nature. The initiative goes beyond the creation of a real status and aims to amend tax law, company law, social security law and labour law. The law introduces a simplified and liberalised system of tax and social security contributions for auto-entrepreneurs.</p> <p>The economic context of 2008 is that of the serious financial crisis affecting all Western countries. However, the law had been planned before this crisis.</p>
Mechanisms	<p>Incentivising individuals affected by LMS (unemployed or low-earning in need of additional income) to create their own jobs:</p> <ul style="list-style-type: none"> • A wide range of persons are eligible to become auto-entrepreneurs

	<ul style="list-style-type: none">• The procedures are simple and often cost-free
Outcomes	<p>The law aimed to promote the freedom of individuals to undertake business. Its objective was to substantially increase the number of auto-entrepreneurs. On this point, the law has been a success as the number of auto-entrepreneurs has significantly increased since 2009.</p> <p>The law also aimed to allow people to create their own jobs, or even, if unemployed, to enter the labour market. On this point, the results are more nuanced. The average income of self-employed entrepreneurs remains low. Auto-entrepreneurs often combine this status with another status as being self-employed is often insufficient to make a decent living.</p> <p>Jobs created by auto-entrepreneurs often remain precarious, and although help the unemployed to enter employment, run the risk of deepening LMS compared to more stable jobs.</p>

Table 2: Evaluation studies on the 'Auto-entrepreneur'

Evaluation study	Period	Data source	Method	Outcomes	Author's assessment of the quality of the evidence
INSEE (2012)	2008/2011	INSEE	Statistical survey of auto-entrepreneurs	Calculation of the average level of remuneration of auto-entrepreneurs.	Data to evaluate if the job created allows the auto-entrepreneur to make a decent living.
INSEE (2016)	2014	INSEE	Statistical survey of auto-entrepreneurs	Determination of the profiles of auto-entrepreneurs, and in particular the percentage of those who make it their main activity.	Data allowing to classify different typologies of auto-entrepreneurs. This data informs on the share of full-time auto-entrepreneurs, and the share of auto-entrepreneurs who combine this activity with another status (employee, student, retired, unemployed).
IGAS (2013)	2008-2013	INSEE, ACOSS, IGAS	New work based mainly on available INSEE statistics. IGAS assessments combine quantitative and qualitative approaches. They use the available statistical data, as well as all qualitative studies. They are based not only on an economic analysis,	Attempt to make an overall evaluation of the system. Several points are studied: the number of auto-entrepreneurs, the typology of auto-entrepreneurs, the sectors of activity, and remuneration.	Overall evaluation of a legal system. Several issues were discussed. A particular focus is placed on the possible typologies of auto-entrepreneurs. IGAS is specialised in this type of evaluations.

			but also on a legal and sociological analysis.		
ACOSS (2018)	2017	ACOSS	Statistical survey of auto-entrepreneurs	Evaluation of the number of micro-entrepreneurs; determination of their average turnover; determination of the number of micro-entrepreneurs actually active; determination of the income of self-employed entrepreneurs; sectoral and geographical study.	Valuable statistics on micro entrepreneurs.

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