

FINANCIAL SITUATION OF UNEMPLOYMENT INSURANCE FOR 2022-2024

20 October 2022

SUMMARY

Unédic's financial forecasts for 2022-2024 are marked by the many uncertainties weighing on the global economy. However, the unemployment insurance scheme's surplus budget balance should be higher than expected for the period. The scheme's debt will remain high (€59.2 billion at the end of 2022, €18.4 billion of which related to Covid-19 emergency measures).

The sum of international tensions, including the energy crisis hitting Europe and tighter monetary policies adopted by the main central banks to combat inflation should lead to a marked slowdown in activity in France in the next few months. According to the Consensus Forecasts, GDP should increase by 2.5% in 2022, which is only slightly higher rise than the 2.2% assured growth at the end of 2021. GDP is expected to rise by 0.3% in 2023, significantly lower than the growth forecast in Unédic's previous financial forecasts. Stronger growth of 1.6% is forecast in 2024. Inflation, a major economic factor in 2022, has been revised upwards, and is expected to reach much higher levels than that in June's forecast. No curb in inflation is expected until 2024. Over the forecast period, a rise in prices remains a major risk for the economy.

The creation of jobs affiliated with the unemployment insurance scheme rose sharply until mid-2022, after record employment in 2021. The sustained level of net new jobs created in the 1st and 2nd quarters (88,000 and 93,000 jobs created respectively) contrasts with a slowing economy. Net new jobs created are now expected to increase at a slower rate, with 246,000 net new jobs created forecast in 2022. 2023 should see a fall of 6,000 net jobs created, a fall which is expected to continue despite the public policies in favour of employment, particularly those promoting apprenticeships. Employment is then expected to recover in 2024, with 92,000 net jobs created. The unemployment rate, forecast at 7.3% in 2022, is expected to increase slightly to 7.5% in 2023, before reaching 7.4% in 2024.

The inflationary environment is expected to lead to a significant increase in the unemployment insurance scheme's revenues, driven by a strong rise in the wage bill between 2022 and 2024. Inflation should also lead to a rise in the scheme's expenditures, but this rise is expected to be deferred and lower than the rise in the scheme's revenues.

These forecasts lead Unédic to revise significantly upwards the surpluses anticipated last June. Financial balance surpluses of €4.4 billion for 2022, €4.2 billion for 2023 and €4.2 billion for 2024 are forecast.

These surpluses would contribute to reducing the unemployment insurance scheme's debt, which rose sharply in 2020 and 2021 because of the emergency measures in response to the Covid-19 crisis to the tune of €18.4 billion. The debt is forecast to be €59.2 billion at the end of 2022, then €55 billion at the end of 2023 and €50.8 billion at the end of 2024.

NB: the financial forecast for 2022 to 2024 is based on the rules in force at the time of its publication, namely those of the 2021 unemployment insurance reform. It therefore does not reflect the possible consequences of a change in the regulations governing unemployment insurance, which is currently the subject of consultations between the social partners and government. As for Unédic's revenues, this forecast assumes that the scrapping of unemployment insurance employee contributions shall continue to be wholly offset by the earned income based GSC. As for Unédic's expenditures, the forecast assumes that Unédic will continue to fund Pôle emploi for 11% of its revenues.

1. ASSUMPTIONS USED FOR FORECASTS

Growth: sharp slowdown in economic activity in 2023, then a recovery in 2024

For its growth assumptions, Unédic uses the forecasts produced by Consensus Forecasts (average GDP growth forecasts of some twenty banks and institutions), published each month. This forecast is based on the Consensus Forecasts last published on 13 October 2022.

2022: post-crisis growth slowed by Omicron variant, then by war in Ukraine

After strong growth of 6.8% in 2021, GDP fell by 0.2% in the 1st quarter of 2022 compared to the 4th quarter of 2021 due to the combined effect of the Omicron variant and then the outbreak of the war in Ukraine. The epidemic faded in the 2nd quarter of 2022 allowing a recovery in tourism, leading to a 0.5% rise in GDP compared to the 1st quarter of 2022. On the other hand, the war in Ukraine continues and weighs on global economic growth, in particular through its inflationary effects on energy prices (see below). Growth in France is expected to be sluggish in the 3rd and 4th quarters of 2022, with GDP forecast to rise by 2.5% in 2022, slightly higher than the 2.3% assured growth¹ recorded at the end of 2021 (*Chart 1 and Table 1*).

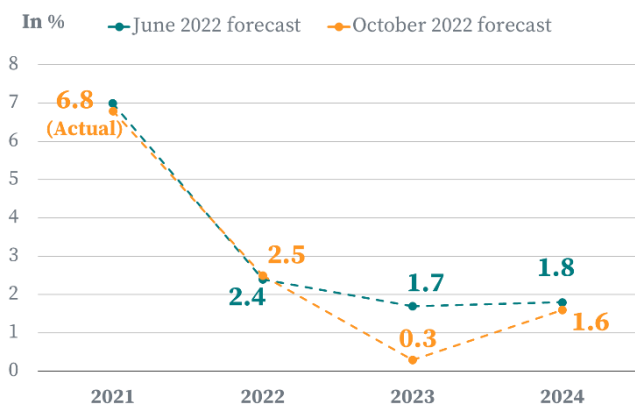
2023: continued slowdown in growth due to disrupted energy supplies

The Consensus Forecasts anticipate zero growth during the winter 2022-2023, without France falling into a sustained period of recession. Renewed growth is expected as early as the 2nd quarter 2023. Taking into account changes in the conflict in Ukraine and in inflation in France, **growth is forecast to rise by 0.3% in 2023**.

2024: a return to the pre-crisis growth rate conditional on the easing of prices

According to the Consensus Forecasts, the economy is expected to return to growth levels close to those observed before the Covid crisis, with growth of **1.6% in 2024**, depending on the evolution of the war in Ukraine and the easing of prices, especially energy prices.

CHART 1 - GROWTH ASSUMPTIONS



Sources: INSEE for the actual figures (2021); Consensus Forecasts

TABLE 1 - COMPARISON OF DIFFERENT GDP FORECAST SOURCES

Real GDP growth	2021	2022	2023	2024
Unédic (Consensus of Oct. 2022)	6.8%	2.5%	0.3%	1.6%
Banque de France (Sept. 2022)	6.8%	2.6%	0.5%	1.8%
INSEE (Oct. 2022)	6.8%	2.6%		
Finance Bill (Oct. 2022)	6.8%	2.7%	1.0%	1.6%
IMF (Oct. 2022)	6.8%	2.5%	0.7%	1.6%
Unédic forecast of June 2022	6.8%	2.4%	1.7%	1.8%

Sources: INSEE for the actual figures, Consensus Forecasts, Banque de France, INSEE, Finance Bill, IMF.

¹ The assured growth of a variable for a year N corresponds to the assured growth of the variable between year N-1 and year N that would be obtained if the variable remained at the level of the last known quarter until the end of year N.

Inflation: significant acceleration in 2022, with no curb before 2024

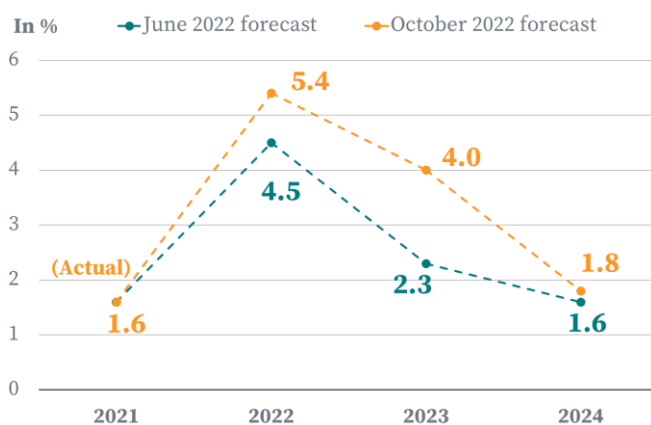
The acceleration in prices that began in 2021, in the wake of the economic recovery and supply constraints in some sectors, significantly increased in 2022, as a result of the war in Ukraine and its direct and indirect impact on energy prices.

Initially considered transitory, the sharp rise in inflation affecting the French economy in 2022 was constantly revised upwards, its duration increased and its scope extended to goods and services other than energy.

As the situation is at best similar or even worse in the rest of the euro area, the European Central Bank (ECB) has significantly changed its monetary policy. Because of these changes, **inflation is expected to reach 5.4% in 2022, 4.0% in 2023 and 1.8% in 2024** according to the Consensus Forecasts (*Chart 2 and Table 2*).

Change in prices, particularly energy prices in connection with the situation in Ukraine are a major risk to the economy.

CHART 2 - INFLATION ASSUMPTIONS MEASURED BY THE CONSUMER PRICE INDEX



Sources: INSEE for the actual figures; Consensus Forecasts for the forecast figures.

TABLE 2 - COMPARISON OF DIFFERENT INFLATION FORECAST SOURCES

Consumer price growth	2021	2022	2023	2024
Unédic (Consensus of Oct. 2022; CPI)	1.6%	5.4%	4.0%	1.8%
Banque de France (Sept. 2022; HICP)	2.1%	5.8%	4.7%	2.7%
INSEE (Oct. 2022; CPI)	1.6%	5.2%	-	-
Finance Bill (Oct. 2022; CPI excluding tobacco)	1.6%	5.4%	4.3%	3.0%
IMF (Oct. 2022; HICP)	2.1%	5.8%	4.6%	2.4%
Unédic forecast of June 2022 (CPI)	1.6%	4.5%	2.3%	1.6%

Sources: INSEE for the observed figures; Consensus Forecasts for the forecast figures, Banque de France, INSEE, Finance Bill, IMF.

Employment: exceptional growth recorded until mid-2022 is expected to fall off

2022: strong growth in net jobs created concentrated in the first part of the year

The exceptional rise in the number of jobs created affiliated with the unemployment insurance scheme in 2021 (841,000 net jobs created) peaked in the 2nd quarter of 2021 (292,000 net jobs created). This rise has since slowed, remaining very strong in the 1st and 2nd quarters of 2022 (88,000 and 93,000 net jobs created respectively), contrasting with the reduction in economic growth, fuelling the debate on the economic benefits of these net jobs created². Job creation continues to be driven by the rapid growth in apprenticeships from the 2nd half of 2020 onwards (*Box 1*). The divergence between the business climate indicators, which have shown a deterioration since March, and the employment climate indicators, which have shown a buoyant economy in the INSEE surveys, still suggests short-term employment gains despite the deterioration in future economic activity.

This diagnosis on employment is supported by other short-term indicators such as new hire declarations, surveys conducted by INSEE among company top managers on the expected changes in the workforce or recruitment difficulties which still show rises in the numbers in employment during the 3rd quarter.

² Indeed, considering the level of recorded growth, the number of recorded net jobs created in the recent past has been particularly high. This increase in the number of net jobs created is still difficult to analyse. According to some economists, it is the corollary of the drop in productivity, which is itself linked to new entrants to the job market (those on work-study contracts, the unemployed, those isolated from the world of work, illegal workers), which would have the consequence of increasing the number of those in employment to reach a given level of activity. Other explanations are also given by economists: maintenance or even an increase in the number of those employed in the event of strong economic growth after the crisis, lower labour costs, high level of sick leave, etc.

Conversely, the number of temporary workers fell in August for the 7th consecutive month. Numbers fell by 8% compared to their peak of January 2022, falling to 775,000, a level slightly lower than that before the Covid crisis (790,000 in February 2020). Thus, **the rise in net jobs created affiliated with the unemployment insurance scheme is expected to slow down, reaching an increase of 246,000 in 2022** (Charts 3A and 3B).

2023: low growth in the number of those in employment, mainly driven by public policies

The clear slowdown in employment is expected in 2023 against a backdrop of uncertainty and declining economic activity. However, this downward inflexion is expected to be partly offset by the impact of employment policy measures, notably **a continuation in the increase of those taking up apprenticeships, so that the number of those in employment will fall slightly, with a 6,000 decrease in the number of those employed at the end of the year.**

2024: beginning of a recovery in employment in the wake of renewed economic activity

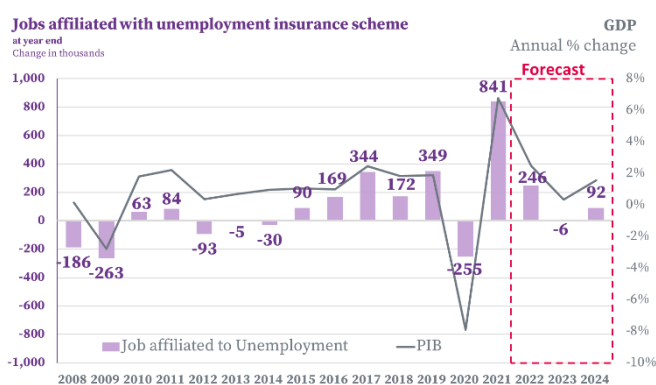
Once implemented, the impact of public employment policies on job creation would likely decrease in 2024, while an upturn in the economy would likely to lead to a rebound in employment. **Net jobs created affiliated with the unemployment insurance scheme are forecast to increase by 92,000 in 2024**, lower than the average increase recorded between 2015 and 2019 (225,000 net jobs created affiliated with the unemployment insurance scheme on average a year).

The strong growth in the numbers in employment over this period was accompanied by **low per capita productivity gains**³ (0.8% annual gain on average between 2015 and 2019). Productivity gains were even lower at the end of the Covid crisis, in connection with the large rise in the number of those in employment described above. However, these gains are expected to accelerate in the coming quarters so that per capita productivity should experience similar gains as those achieved before the crisis, in line with the weaker rise in the number of those in employment. The debate among economists about the path of productivity in the next few years, however, has not yet been settled.

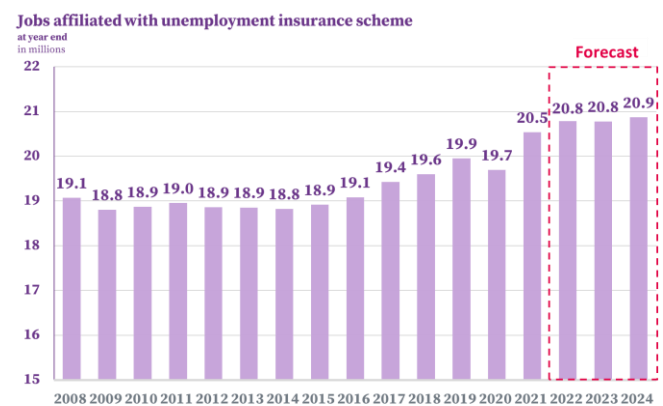
This employment forecast is based on a slight increase in the furloughing scheme in the 4th quarter of 2022 and 1st quarter of 2023, reflecting measures taken by companies adapting to the supply and pricing conditions in the energy market. This assumption could be revised in the event of heightened tensions in the energy market.

CHARTS 3A AND 3B - CHANGE AND NUMBER OF JOBS AFFILIATED WITH UNEMPLOYMENT INSURANCE SCHEME

A - ANNUAL CHANGE, IN THOUSANDS



B - YEAR-END LEVEL, IN MILLIONS



Sources: GDP: INSEE, Consensus Forecasts; jobs affiliated with the unemployment insurance scheme: UNEDIC's estimates based on employment data co-produced by INSEE, Urssaf Caisse nationale and DARES. Year on year at 31 December.

Scope: jobs affiliated with the unemployment insurance scheme. France excluding Mayotte. Seasonally adjusted data.

³ Per capita productivity is the ratio of output to a single input used in a production process (labour and capital). Work productivity is calculated as follows: work productivity = value added/number of employees. Productivity gain is the percentage change in productivity over the course of a given period.

Unemployment rate: levelling off at a relatively low level

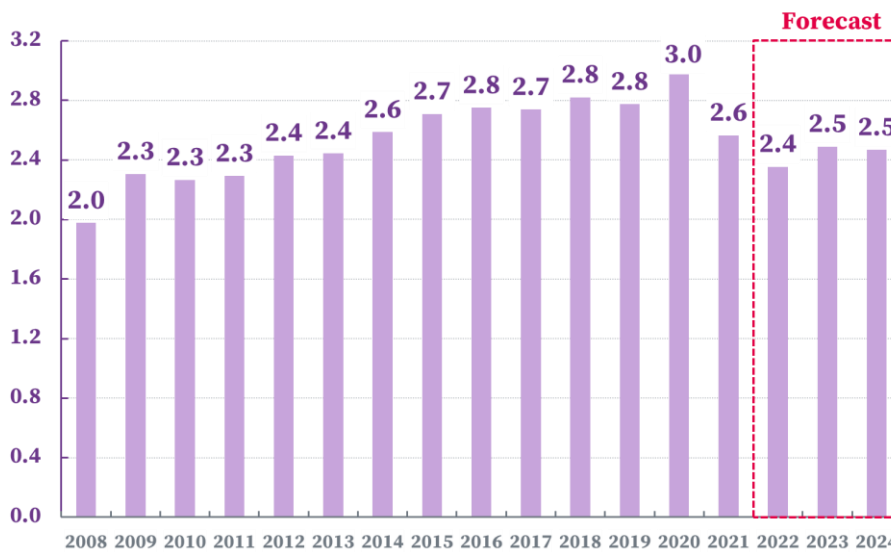
The unemployment rate stopped falling in the 2nd quarter of 2022, reaching 7.4% compared to 7.3% in the 1st quarter of 2022, due to a lower rise in employment compared to the rise in the working population. The unemployment rate is expected to fluctuate around this level in the 2nd half of 2022 to reach **7.3% by the end of 2022. The lower number of jobs created forecast in 2023 should lead to a slight increase in the unemployment rate, expected to be 7.5% at the end of 2023, before falling to 7.4% at the end of 2024, given the anticipated recovery in employment.**

Unemployment benefit: 2021 reform almost fully in place

After the sharp fall in the number of unemployed receiving benefits in 2021 (linked to the end of the extension of entitlements), the number of unemployed receiving benefits continued to fall between 2021 and 2022, this time due to the strong employment figures and economic situation and the reform of unemployment insurance in 2021 (change in the conditions of entitlement to 6 months and change in how the daily reference salary is calculated). As a result of these three effects, the number of unemployed receiving benefits was **2.4 million in the 2nd quarter of 2022.**

Now that the reform has been largely implemented, the number of unemployed receiving benefits is expected to change little, in line with the pace of employment and unemployment. Thus, **the number of unemployed receiving benefits is expected to oscillate around this level and reach 2.5 million by the end of 2024** (*Chart 4*).

CHART 4 - NUMBER OF UNEMPLOYED RECEIVING BENEFITS, YEAR-END FIGURES, IN MILLIONS



Sources: Pôle emploi; Unédic, Unédic's October 2022 forecasts

Scope: unemployment benefits paid under ARE, AREF, ASP, AREP or ATI schemes. Whole of France. Seasonally adjusted data.

BOX 1 - RISE IN APPRENTICESHIPS AND ITS EFFECT ON EMPLOYMENT AND UNEMPLOYMENT INSURANCE**Strong impact of the 2018 reform, especially of the "1jeune1solution" ("1young1solution") scheme**

The apprenticeship reform resulting from the 2018 law on the freedom to choose one's professional future aimed at making apprenticeships more accessible and attractive, in particular simplifying the financial support granted to employers by replacing the various types of support by a single aid.

In fact, the slight increase in apprenticeships observed in 2018 (a rise of 20,000 compared to 2017, with a total rise of 302,000 for the year) increased slightly in 2019 (a rise of 51,000 compared to 2017, with a total rise of 353,000 for the year). But **the real rise in apprenticeships occurred in the 2nd half of 2020, following the introduction of the exceptional apprenticeship bonus under the "1jeune1solution" scheme** in response to the Covid crisis. The scheme consists of **financial support paid to employers** of €5,000 for the recruitment of a minor (under 18 years-old) apprentice and €8,000 for an adult apprentice, without condition of size of the company or level of training course being prepared, which widens the scope compared to the single aid regime. However, the scheme applies only to the 1st year of apprenticeship, during which the exceptional aid replaces the single aid, which remains available for the 2nd, 3rd and 4th years of apprenticeship, where applicable, under the terms set out above.

The success in terms of numbers taking up apprenticeships was immediate, with 515,000 new contracts in 2020, 712,000 in 2021 and already nearly 80,000 by the end of the first half of 2022, with most of the contracts starting in the second half of the year. This high take-up mainly reflects the surge in apprenticeships by young people preparing for higher education, to the point that they represented 60% of apprenticeships in 2021 compared to 38% in 2018.

Effects on employment difficult to assess for now

However, apprenticeships have probably contributed to boosting youth employment given the increase in the participation rate and employment rate of 15-24 year olds between the end of 2019 and the end of 2021 (+2.8 point and +2.5 point respectively) compared to that of the other age groups (+1.3 point and +1.7 point respectively). In its October 2022 note on the economic situation, INSEE estimates that a third of the salaried jobs created between the 4th quarter of 2019 and the 2nd quarter of 2022 are those on work-study contracts, particularly apprenticeships, i.e. approximately 280,000 jobs.

However, **determining the precise effect of apprenticeships on employment is complex and depends on changes in employment without this apprenticeship scheme.** The OFCE (French Economic Observatory) identifies three possible types of effect in its Policy Brief No103 of March 2022:

- **substitution effect** (i.e. an apprentice is recruited instead of someone on long term contract) assumes a neutral effect in terms of net jobs created, both in the short and long term;
- **early windfall effect** (i.e. an apprentice is recruited now to meet a future need) assumes an effect on net jobs created that is positive in the short term but negative in the long term since recruitment is brought forward. On the other hand, the effect on the stock of jobs is neutral;
- **opportunity effect** (i.e. recruitment of an apprentice with no real need) corresponds to an effect on net jobs created that is positive in the short term and negative in the long term. The effect on the stock of jobs is also negative in the long term if the apprentice is not hired or replaced.

In practice, exceptional aid is still available, and more time is needed so that a comparative assessment can produce satisfactory results.

Tenuous effect on youth unemployment

The unemployment rate for 15-24 year olds decreased significantly from 21.5% at the end of 2019 to 16.1% at the end of 2021. However, this decline cannot be attributed to the growth of apprenticeships alone, which is one of the measures of the "1jeune1solution" scheme. Indeed, according to Dares, only 8% of apprentices in 2021 declared that they were unemployed before taking up the apprenticeship, the remainder were previously mainly inactive, or, to a lesser extent, in employment, or in apprenticeship-type training or employed on a professionalisation contract.

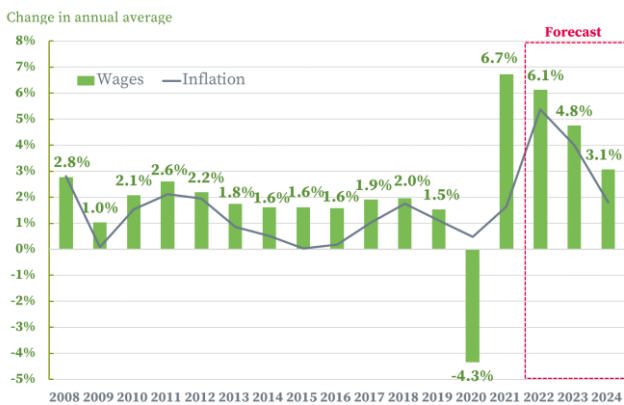
Wage bill: the dynamism of wages supports the wage bill

In 2022, the average wage per capita is forecast to rise by 6.1% due to the appearance of the first inflationary pressures and the favourable state of the labour market, while the reduction in the number of workers employed under the furloughing scheme no longer has an acceleration effect on the rise on the average wage per capita (+6.7%)⁴.

On the other hand, increases in the minimum wage⁵ could bring forward wage negotiations at branch level, thus leading to deferred effects of inflation on wages, so that the **average wage per capita would increase further by 4.8% in 2023 and by 3.1% in 2024 (Chart 5A).**

After the spectacular increase of 8.9% in 2021, **the wage bill is expected to continue to rise sharply over the forecast period, increasing by 9.0% in 2022, 5.1% in 2023 and 3.3% in 2024.** This lower increase in the wage bill in 2023 would be due to the stabilisation of employment. Wages would then be the wage bill's only driver in 2023 and 2024 given the strong wage increases forecast. However, wage bill gains are likely remain significantly higher than those observed before the health crisis (Chart 5B).

CHART 5A - CHANGE IN WAGES (AV. WAGE PER CAPITA)



Sources: Urssaf Caisse nationale for the actual figures; Consensus Forecasts and Unédic calculations for October 2022 forecasts

CHART 5B - CHANGE IN WAGE BILL



Source : Urssaf Caisse nationale ; Unédic's October 2022 forecast

Field: wage bill subject to private sector social security contributions (base uncapped) in France excluding Mayotte

⁴ The furloughing scheme, disrupted the changes observed in the average wage per capita because the benefits paid under the scheme, which are not considered components of pay, are not taken into account in its calculation.

⁵ In October 2022, there had already been three increases to the minimum wage since the beginning of the year, compared to only one usually. These increases have led to a 5.6% rise in the minimum wage in October 2022 compared to October 2021 (excluding the increase on 1 October 2021).

TABLE 3 – SUMMARY OF MACROECONOMIC ASSUMPTIONS AND FORECASTS

	2019	2020	2021	2022 Forecast	2023 Forecast	2024 Forecast
Growth, prices and wages						
GDP	+1.9%	-7.9%	+6.8%	+2.5%	+0.3%	+1.6%
CPI inflation	+1.1%	+0.5%	+1.6%	+5.4%	+4.0%	+1.8%
Average wage per capita (AWPC) in the competitive sector	+1.5%	-4.3%	+6.7%	+6.1%	+4.8%	+3.1%
Employment and wage bill						
Jobs covered by unemployment insurance						
Change in annual average as percentage	+1.4%	-1.1%	+2.8%	+2.8%	+0.4%	+0.2%
annual average level	19,788,000	19,574,000	20,127,000	20,692,000	20,770,000	20,809,000
level at year end	19,950,000	19,695,000	20,536,000	20,782,000	20,776,000	20,868,000
year-on-year at year end	+349,000	-255,000	+841,000	+246,000	-6,000	+92,000
Wage bill in the competitive sector	+3.1%	-5.7%	+8.9%	+9.0%	+5.1%	+3.3%
Unemployment						
Unemployed receiving unemployment insurance (ARE, AREF, ASP, AREP, ATI)						
Change in annual average as percentage	-0.4%	+6.8%	-4.6%	-15.3%	+2.9%	+1.9%
annual average level	2,748,000	2,935,000	2,802,000	2,372,000	2,441,000	2,488,000
level at year end	2,774,000	2,977,000	2,566,000	2,355,000	2,490,000	2,467,000
year-on-year at year end	-48,000	+203,000	-411,000	-211,000	+135,000	-23,000
ILO unemployment rate (year-end)	8.2%	8.1%	7.4%	7.3%	7.5%	7.4%

Sources: INSEE, Pôle emploi, Dares, Urssaf Caisse nationale, Unédic's October 2022 forecast.

Scope: Whole of France. Seasonally adjusted data.

2. FINANCIAL SITUATION 2022-2024: RETURN TO SURPLUS IN 2022

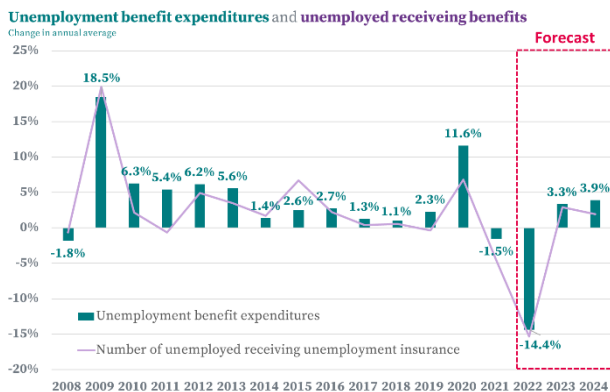
Expenditures: expenditure on benefits and allowances expected to level off from 2022

After the peak in 2020, **unemployment benefit expenditures** amounted to €38.4 billion in 2021 (*Charts 9A and 9B*). Due to the end of the emergency measures, recovery of employment and regulatory changes, unemployment benefit expenditures are forecast to decline sharply to €32.9 billion at the end of 2022.

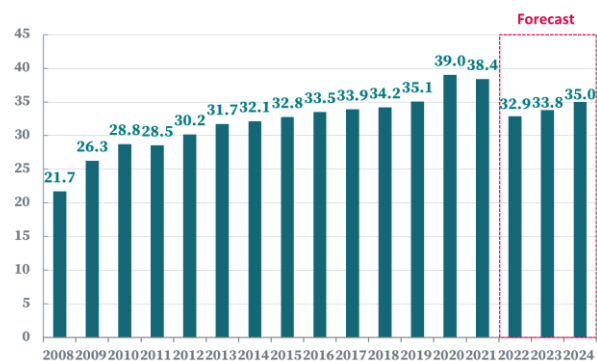
They are forecast to increase slightly thereafter, reaching €33.8 billion in 2023 and €35.0 billion in 2024. In fact, **opposite effects are at play. On the one hand, despite the drop in employment in 2023, the increase in employment in 2024 and the new rules on benefits resulting from the 2021 reform have a downward pressure on expenditures. On the other hand, the increase in nominal wages linked to inflation over the forecast period will result in a larger increase in the benefits paid to those unemployed receiving benefits. This upward pressure on expenditures is reinforced by the increase in benefits in 2022 to reflect rising inflation.** New beneficiaries would have a higher daily reference salary prior to becoming unemployed, while existing beneficiaries would, in general, see an increase in their allowances, all of which leading to an increase in expenditures in 2023 and 2024 (*Box 2*).

CHARTS 9A AND 9B - UNEMPLOYMENT BENEFIT EXPENDITURES UNTIL YEAR END 2024

A - ANNUAL CHANGE AS %

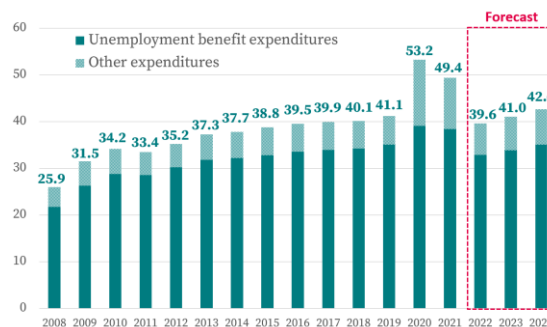


B - LEVEL, IN EUR BILLIONS



Sources: Pôle emploi, Unédic, Unédic's October 2022 forecasts
 Scope: Whole of France. Seasonally adjusted data.

CHART 10 – TOTAL EXPENDITURES AND BENEFIT EXPENDITURES UNTIL YEAR END 2024, IN EUR BILLIONS



Source: Pôle emploi, Unédic, Unédic's October 2022 forecasts
 Scope: Whole of France. Seasonally adjusted data.

NB: the other expenditures include the funding of pension points, Pôle emploi, the debt burden, the furloughing scheme and career safeguarding contract (CSP)

BOX 2 - SENSITIVITY OF UNEMPLOYMENT INSURANCE EXPENDITURES TO INCREASES IN BENEFITS

Each year, Unédic's board of directors reviews the values and elements included in the calculation of benefits⁶. To date, the increase in benefits estimated as part of the financial forecasts has been based on an average of the increases recorded over the past five years. On average, for period 2017-2021, the increase in benefits was 0.6%.

Given the observed high inflation, Unédic's board of directors has decided a greater increase of 2.9% in the amount of benefits on 1st July 2022. It concerns 95% of jobseekers receiving unemployment insurance benefits, i.e. around 2.2 million people in mid-2022.

As inflation assumptions are still strong but nevertheless downward, an assumption of an increase in benefits of 1.5% in 2023 and 0.6% in 2024 has been used in these forecasts to model the change in benefits. This assumption corresponds to a gradual return to the average of past increases, following the change in inflation.

The impact on unemployment insurance scheme expenditures of a change in the increase in benefits can be assessed: **it is estimated that, compared to these assumptions, a 1-point increase in 2023 would lead to an increase in unemployment insurance expenditures of €100 million in 2023 (from July to December) and 150 million in 2024, conversely for a 1-point decrease.**

In general, the effect of the increase would be strong in the second half of the year of the increase, upon it coming into effect; moderate the following year and then weaker as benefits are withdrawn. Indeed, the increase in the reference salary only concerns current beneficiaries present in receipt of benefits for at least 6 months on 1 July of the current year, and their number decreases gradually.

The furloughing scheme, which is one-third funded by Unédic and two-thirds by the State, protected the labour market during the health crisis by avoiding mass lay-offs. For Unédic, expenditures rose to €11.4 billion between March 2020 and December 2021. After having remained high at the beginning of 2021, furloughing scheme expenditures began to fall sharply from June 2021⁷.

Unédic's cash balance thus shows a decrease in furloughing scheme expenditures in the first half of 2022. The number of furloughed workers has continued to fall, despite several epidemic waves in the spring-summer of 2022 and **tensions on energy prices and supply difficulties resulting from the war in Ukraine since February 2022**. In June 2022, according to Dares, the number of furloughed workers was around 115,000 (around 25,000 full-time equivalent workers). **Unédic's furloughing scheme expenditures are expected to reach €0.2 billion in 2022, then €0.2 billion in 2023 and €0.1 billion in 2024**, remaining at a level higher than that observed before the crisis.

After €4.3 billion in 2021, Unédic's contribution to the **funding of Pôle emploi** represents €3.9 billion in 2022, in connection with the smaller change in revenues in year N-2. Regardless of Pôle emploi's future as part of France Travail, and on the assumption that Unédic allocates 11% of its revenues from year N-2 to fund Pôle emploi for the coming years, **this contribution would be €4.3 billion in 2023 and €4.6 billion in 2024.**

Finally, after exceptional levels in 2020 and 2021, Unédic's total expenditures are forecast to decrease sharply in 2022, falling from €49.4 billion in 2021 to €39.6 billion in 2022 (Chart 10). These expenditures are then forecast to increase to €41.0 billion in 2023 and to €42.6 billion in 2024, driven by a greater increase in the amount of benefits paid to the unemployed receiving benefits (Table 4).

⁶ Each year, Unédic's board of directors reviews the values and elements included in the calculation of benefits, namely:

- the reference salaries composed entirely of previous remuneration of at least six months;
- benefits or parts of benefits of a fixed amount (fixed part, minimum benefit, training floor);
- the floor preventing the application of the sliding-scale coefficient;
- the minimum daily benefit after application of the sliding-scale coefficient.

⁷ [Furloughing scheme: overview and outlook | Unedic.fr](#)

Revenues: driven by a high wages dynamic, revenues are forecast to increase sharply over the forecast period

In 2020, the reduction in employment, the shortfall in contributions on benefits paid to furloughed workers and contribution deferrals led to a decrease in unemployment insurance contributions of €3.4 billion compared to 2019 (Charts 11A and 11B).

Unemployment insurance contributions recovered sharply in 2021 to €39.4 billion, an increase of €4.2 billion compared to 2020 due to the rebound in the wage bill.

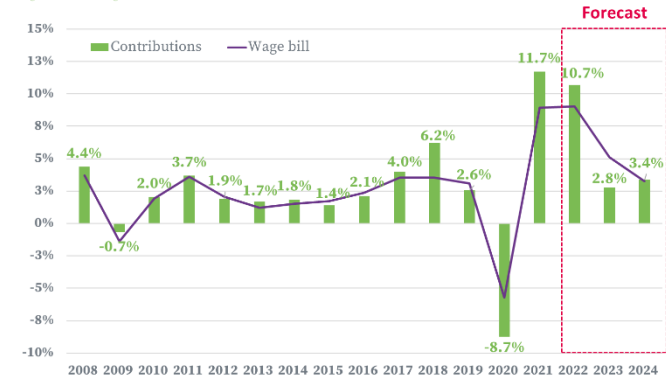
In 2022, unemployment insurance contributions are forecast to rise sharply by €4.2 billion, due to a further increase in the wage bill driven by further significant employment gains and by wage increases because of inflation. They are expected to reach €43.6 billion for the year, a 11% increase compared to 2021. In 2023 and 2024, contributions are forecast to increase further to €44.8 billion and €46.3 billion respectively (Table 4).

NB: unemployment insurance contributions are estimated on the assumption that the scrapping of unemployment insurance employee contributions shall continue to be wholly offset by the earned income based GSC

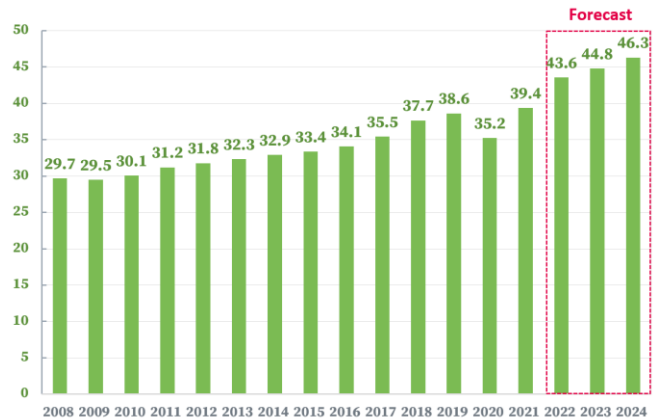
GRAPHS 11A AND 11B – UNEMPLOYMENT INSURANCE CONTRIBUTIONS

A - ANNUAL CHANGE AS %

Contributions and wage bill
Change in annual average



B - LEVEL, IN EUR BILLIONS



Sources: Urssaf Caisse nationale, Unédic's October 2022 forecast

Financial balance: a return to surplus in 2022, which is set to continue in 2023 and 2024

Unédic’s annual financial deficit of €17.4 billion in 2020 was partly resorbed the next year as it recorded a deficit of €9.3 billion at the end of 2021.

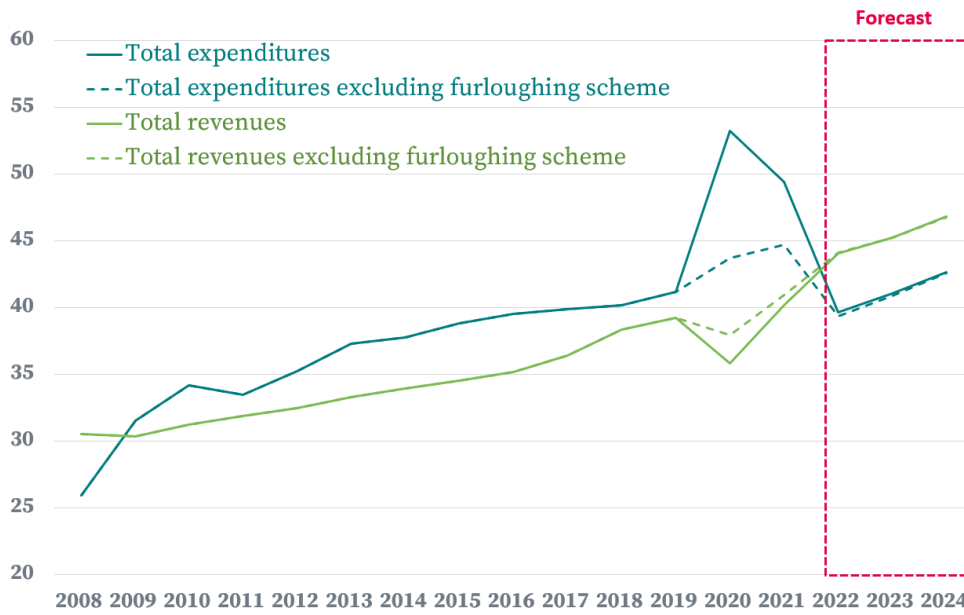
The scheme is forecast to return to surplus in 2022, with a surplus of €4.4 billion (Table 3). 50% of this improvement in the scheme's financial balance was due the end of the emergency measures, 36% to the cyclical improvement and 14% to the introduction of regulatory changes⁸.

In 2023 and 2024, despite the downturn in activity, revenues are forecast to grow at the same pace as expenditures but remain at a higher level (Chart 12), due to the good level of employment and, above all, the favourable growth in wages, as well as the full effects of the new regulations. Thus, the balance is forecast to show a surplus in 2023 and 2024: + €4.2 billion per annum (Chart 13).

The change in revenues continues to follow the change in GDP, as shown by the stability of the ratio of revenues to GDP at around 1.6%. On the other hand, when expenditures are expressed as a percentage of GDP, that percentage shows a clear decline over the forecast period. Indeed, in 2023 and 2024, expenditures are forecast to be nearly 1.5% of GDP (Charts 15 and 16 attached).

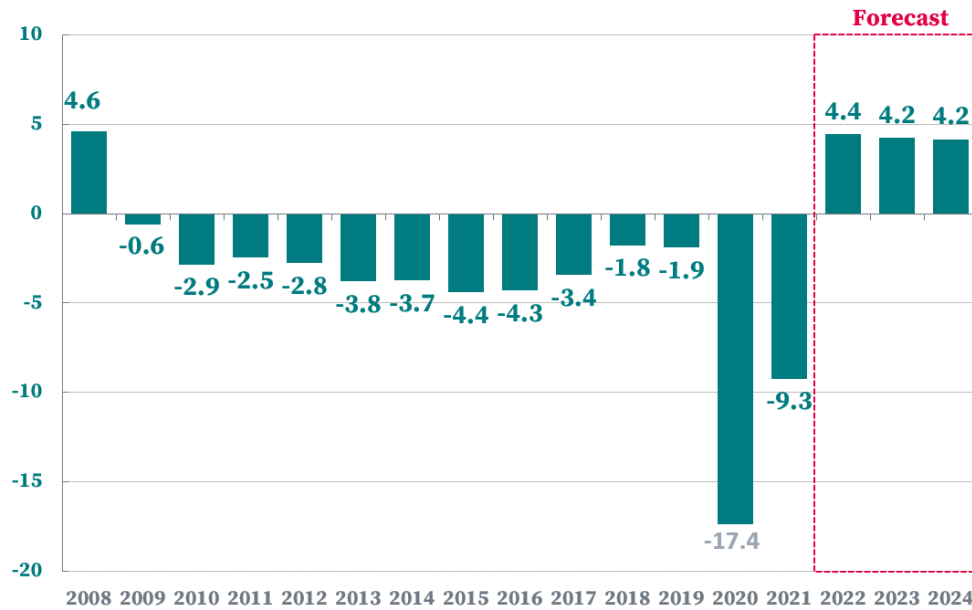
⁸ Our February 2020 financial forecasts foresaw a return to surplus from 2021 onwards.

CHART 12 - UNEMPLOYMENT INSURANCE EXPENDITURES AND REVENUES, IN EUR BILLIONS



Source: Unédic, Unédic's October 2022 forecast

CHART 13 - UNEMPLOYMENT INSURANCE'S FINANCIAL BALANCE, IN EUR BILLIONS



Source: Unédic, Unédic's October 2022 forecast

The surpluses from 2022 to 2024 illustrate the scheme's high sensitivity to cyclical reversals. These financial results are **comparable to those recorded in the past**, when compared to revenues for the year: depending on the years and the position in the economic cycle, both surpluses and deficits are around 2 months of revenues. In 2008, for example, the surplus was 1.8 month of revenues compared to 1.5 month in 2024 (*Chart 16 attached*).

These results do not take into account the possible consequences of a change in unemployment insurance regulations, which is currently the subject of consultations between the social partners and the government (Box 3).

BOX 3 - ADAPTION OF RULES TO THE ECONOMIC SITUATION

The bill on the first emergency measures to strengthen and improve the functioning of the labour market was presented to the Council of Ministers, submitted to the National Assembly on 7 September 2022 and now submitted to the Senate. It includes measures relating to unemployment insurance, introducing regulations by decree from 01 November 2022 and at the latest until 31 December 2023.

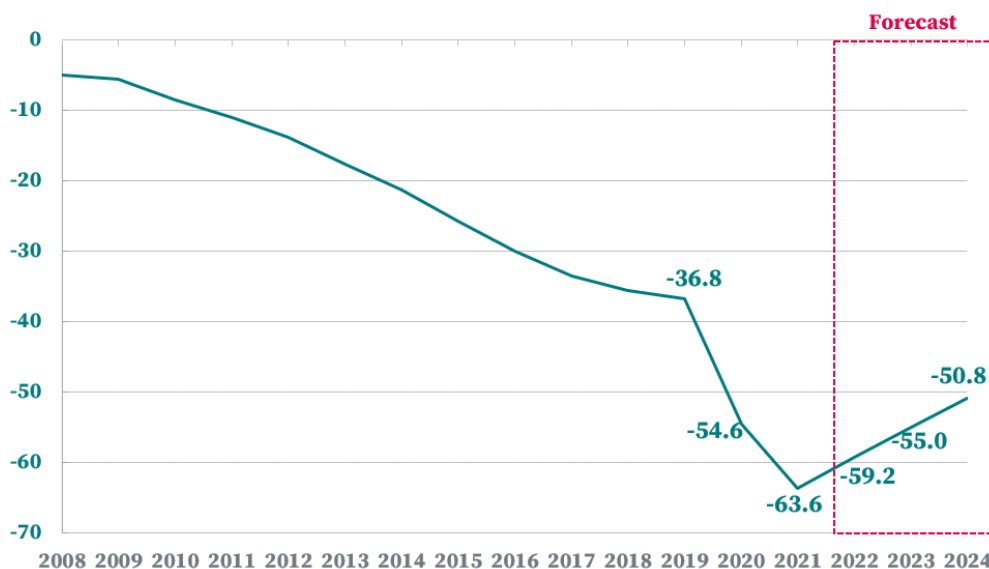
The bill envisages the temporary competence of the Government until 31 December 2023 at the latest. This period should make it possible "to conduct the necessary consultations on the changes to the rules on payments and the negotiations on governance" (statement of reasons for the bill). **The government is thus planning a consultation between the State and the social partners which began on 17 October and relates in particular to the introduction of a contracyclicality mechanism in unemployment insurance regulations, i.e. the modulation of certain payments parameters according to economic conditions.**

As the outcome of the consultations is subsequent to the issuance of the present note, future changes are not reflected in the financial forecasts. Indeed, the mechanisms by which this modulation of the rules would be carried out are uncertain: the indicators to be used to trigger a modulation of unemployment benefit parameters, the choice of parameters to be modulated and the time from which they would be modulated are still to be defined. Nevertheless, irrespective of the choices made, these new rules are expected to have an impact on the dynamics of unemployment insurance expenditures, making them more sensitive to the economic situation in the medium term.

Debt of nearly €51bn in 2024

Debt, which stood at €36.8 billion at the end of 2019, then at €63.6 billion at the end of 2021, is forecast to fall trajectory from 2022. **It is forecast to fall to €59.2 billion at the end of 2022 and then to continue to decrease, falling to €55.0 billion at the end of 2023 and to €50.8 billion at the end of 2024** (Chart 14). However, it is expected to remain above its pre-crisis level. Excluding emergency measures, it is nevertheless expected to fall to €32.4 billion.

CHART 14 - UNEMPLOYMENT INSURANCE SCHEME DEBT, IN EUR BILLIONS



Source: Unédic, Unédic's October 2022 forecast

TABLE 4 - UNEDIC EXPENDITURES AND REVENUES FOR 2019-2024

<i>In billions of euros, as at 31 December</i>	2019	2020	2021	2022 Forecast	2023 Forecast	2024 Forecast
Revenues	39.2	35.8	40.1	44.0	45.2	46.8
Unemployment insurance contributions	38.6	35.2	39.4	43.6	44.8	46.3
<i>of which loss of revenues due to furloughing scheme</i>		-2.1	-0.8	-0.1	0.0	0.0
of which main contributions	25.5	22.4	24.7	27.4	27.9	28.9
of which taxes of all kinds (GSC tax)	13.2	12.8	14.7	16.2	16.9	17.4
Other revenues	0.6	0.6	0.8	0.5	0.4	0.5
Expenditures	41.1	53.2	49.4	39.6	41.0	42.6
Gross benefits and subsidies*	35.1	39.0	38.4	32.9	33.8	35.0
Furloughing scheme	0.0	7.5	3.9	0.2	0.2	0.1
Pension funds	2.1	2.3	2.6	2.1	2.2	2.3
Other expenditure	3.9	4.5	4.5	4.4	4.8	5.2
of which <i>Pôle emploi</i> financing	3.5	4.1	4.3	3.9	4.3	4.8**
of which interest expense on debt	0.3	0.2	0.2	0.4	0.4	0.3
Financial balance	-1.9	-17.4	-9.3	4.4	4.2	4.2
Debt	-36.8	-54.6	-63.6	-59.2	-55.0	-50.8

* Notably: Allowance for the takeover or creation of a business (ARCE); career safeguarding contract extra payment (prime CSP)

**On the assumption of Unédic's continuing to contribute to Pôle emploi's funding to the tune of 11% of the scheme's revenues.

Source: Unédic, Unédic's October 2022 forecast

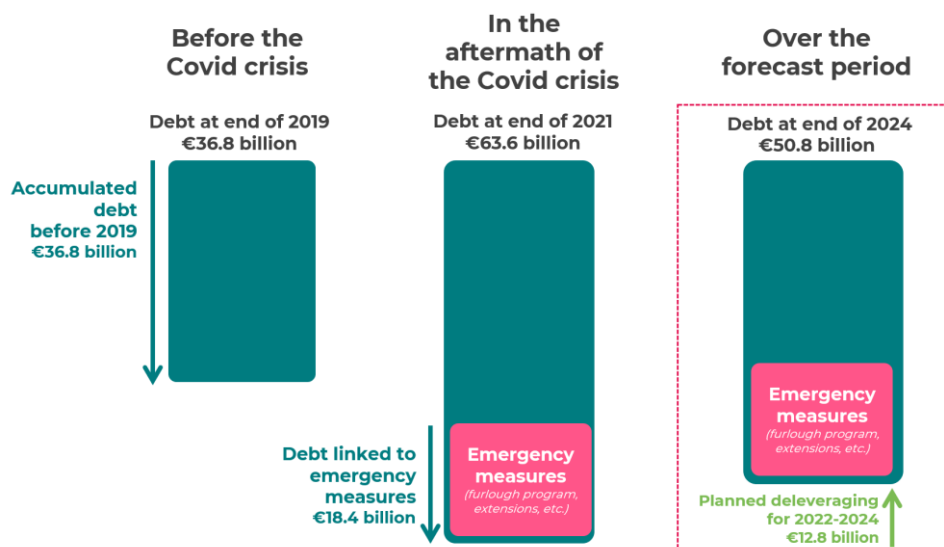
Accumulation of surpluses between 2022 and 2024 would represent €12.8bn

Compared to 2021, half of these surpluses would be due to higher revenues and half to lower expenditures. In total, they are forecast to amount to €12.8 billion and would reduce the debt recorded at the end of 2021 by 20%. At that time, the debt amounted to €63.6 billion, after an increase of €18.4 billion related to the funding of the emergency measures (*Chart 1*).

Before the crisis, at the end of 2019, the scheme's debt stood at €36.8 billion. This debt was had many causes: it resulted from the deteriorating economic situation after the 2008-2009 financial crisis, from decisions of the government or European regulations (financing of Pôle emploi or regulation on payments to cross-border workers), from decisions to change payments rules (unemployment insurance agreements) in connection with changes in the labour market (development of short-term contracts, introduction of contractual termination of employment contracts, etc.)⁹.

⁹Financial outlook of unemployment insurance 2017-2020, June 2017

<https://www.unedic.org/publications/perspectives-financieres-de-lassurance-chomage-2017-2020>

DIAGRAM 1 - DEBT BEFORE COVID CRISIS, AT THE END OF THE CRISIS AND UNTIL YEAR-END 2024

Source: Unédic, Unédic's October 2022 forecast

Interest expenses to remain stable

In 2022, Unédic issued a €1 billion "Social Bond". Unédic's medium- and long-term financing programme is therefore much reduced compared to the €19 billion debt issued in 2020 and €12.5 billion in 2021. This marked decrease was made possible by a return to balance of the unemployment insurance scheme's accounts. This year, €4.1 billion in medium- and long-term borrowings are reimbursed from the scheme's own resources.

This year 2022 is also marked by disruptions in financial markets linked to a rapid and strong rise in interest rates that was not anticipated at the beginning of the year. This increase in interest rates stems in particular from changes in the monetary policies of the European Central Bank (ECB), which, like the other major central banks, aims to limit the rise in inflation. Unédic's financial management, defined by the social partners, makes it possible to limit exposure to refinancing and interest rate risks.

Interest expense projections thus remain stable for the coming years: €0.4 billion in 2022 and 2023, then €0.3 billion in 2024, i.e. less than 1% of Unédic's revenues.

Changes in the unemployment insurance scheme's financial situation should make it possible to reduce the scheme's debt, based on the debt amortisation programme below (*Table 5*).

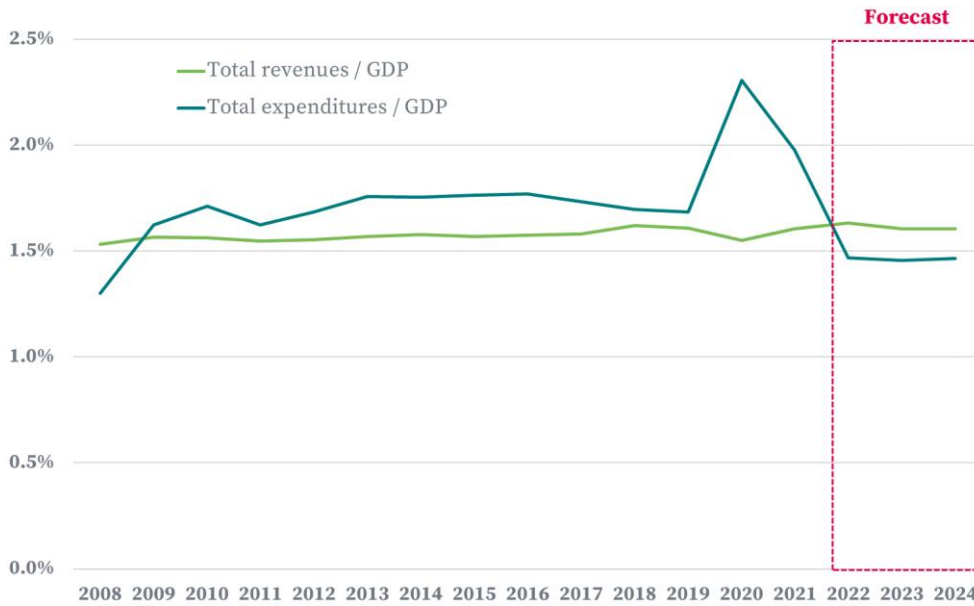
TABLE 5 – UNEDIC'S DEBT AMORTISATION PROGRAMME, IN EUR BILLIONS

	2022	2023	2024
Financial balance before funding	4.4	4.2	4.2
Change in medium- and long-term debt	-3.1	-2.8	-3.1
<i>New medium- and long-term debt issuances</i>	1.0	1.0	1.0
<i>Medium- and long-term debt reimbursements</i>	4.1	3.8	4.1
Change in short-term debt	-1.3	-1.5	-1.1
Change in net debt	-4.4	-4.2	-4.2
Net debt	59.2	55.0	50.8

Source: Unédic, Unédic's October 2022 forecast

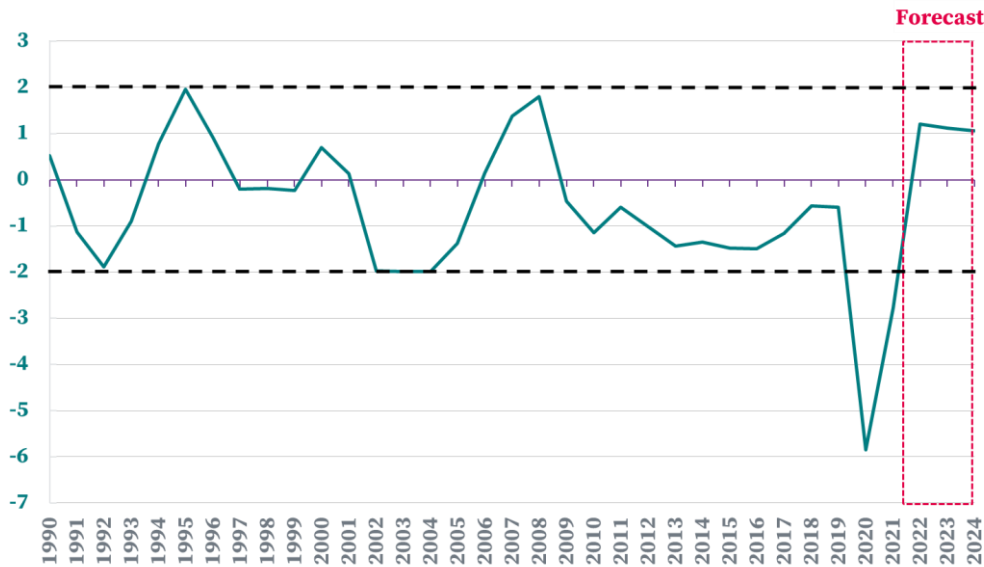
APPENDICES

CHART 15 - UNEMPLOYMENT INSURANCE EXPENDITURES AND REVENUES, AS A PERCENTAGE OF GDP



Source: Unédic, Unédic's October 2022 forecast

CHART 16 - UNEMPLOYMENT INSURANCE'S FINANCIAL BALANCE, EXPRESSED IN MONTHS OF REVENUES



Source: Unédic, Unédic's October 2022 forecast



FINANCIAL SITUATION OF UNEMPLOYMENT INSURANCE 2022-2024

20 October 2022

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