

FINANCIAL SITUATION OF UNEMPLOYMENT INSURANCE FOR 2022-2024

08 June 2022

SUMMARY

Despite deep-seated economic uncertainties, UNEDIC anticipates surpluses for the period 2022-2024, especially in view of the end of measures related to the health crisis. Debt linked to the unemployment insurance scheme remains high.

The war in Ukraine, inflationary pressures and the possibility of a future epidemic shroud UNEDIC's financial forecasts for 2022-2024 with a veil of uncertainty. In this unstable geopolitical and economic context, however, the unemployment insurance scheme is expected to experience surpluses.

The balance is estimated at +€2.5bn in 2022, an improvement of 56% at the end of the emergency measures, 28% due to cyclical improvement and 16% with the entry into force of regulatory changes. In 2023 and 2024, considering new regulations, an even greater surplus is forecast (+€3.1 billion and +€4.2 billion respectively). Anticipated surpluses are comparable to those recorded in the past when compared to revenues of the time.

These surpluses would allow the unemployment insurance scheme to commit to a reduction in its debt, which increased in 2020 and 2021 to cope with the Covid-19 crisis. In late 2024, the debt would thus amount to €53.7 billion, compared to €63.6 billion in late 2021. However, this decline would hardly mark a return to the pre-crisis situation. In late 2019, the unemployment insurance debt was €36.8 billion.

The current economic situation is markedly different from that of February, when UNEDIC's financial forecasts were last published. While the momentum of rebounding from the health crisis is still benefiting business in 2022, the catch-up effect is already over. The annual average growth forecast for 2022 would be +2.4% in 2022, a large part of which would result from stronger assured growth generated by the strong rebound in late 2021. According to Consensus Forecasts growth would reach +1.7% in 2023 and +1.8% in 2024. These forecasts remain subject to developments in the Eastern Europe conflict and the support measures introduced by the authorities to mitigate its economic consequences. A possible resurgence of the Covid-19 pandemic is also a significant hazard. Another major uncertainty is the transitory or non-transitory nature of current inflation shocks.

Regarding jobs covered by unemployment insurance, the exceptional rebound observed in 2021 (+678,000 jobs) would be followed by a slowdown in 2022. After a net job creation of +66,000 in the first quarter of 2022, a higher level than expected by observers, UNEDIC forecasts +79,000 jobs over the whole of 2022. Subsequently, job creation would be more modest, with +52,000 jobs in 2023 and +80,000 jobs in 2024.

1. ASSUMPTIONS USED FOR FORECASTS

Growth: economic recovery thwarted in early 2022

For its growth assumptions, UNEDIC uses the forecasts produced by Consensus Forecasts (average GDP growth forecasts of some twenty banks and institutions), published each month. This forecast is therefore based on the last publication of Consensus Forecasts published on 12 May 2022, but this had to be adjusted to take into account the latest growth data for the 1st quarter of 2022 published by INSEE on 31 May.

2022: the war in Ukraine disrupts the upturn in business observed after the health crisis

After the strong upturn in business of +6.8% in 2021 after most of the health restrictions were lifted, 2022 experienced favourable assured growth of +2.2% in late 2021¹. However, this momentum was quickly interrupted first by the spread of the Omicron variant and then by the outbreak of war in Ukraine. Therefore, compared with the 4th quarter of 2021 business growth was negative in the 1st quarter of 2022, at -0.2%². Considering these developments, the downturn in business in the 1st quarter and the relatively sluggish outlook for business in the rest of 2022, the **growth forecast for 2022 would be +2.4% as an annual average** (*Chart 1 and Table 1*).

2023 and 2024: a return to the pre-crisis growth rate conditional on the effects of the conflict fading away

According to Consensus Forecasts, business would return to levels close to those observed before the Covid crisis, with an annual average growth rate of +1.7% in 2023 and +1.8% in 2024.

Inflation: a significant acceleration in 2022

After the low inflation reached in 2020 (+0.5%), inflation recovered in 2021 to +1.6% due to the rise in energy prices and supply constraints.

The war in Ukraine has exacerbated these tensions. Thus, in May 2022, inflation as measured by the consumer price index stood at +5.2% year-on-year³. **According to Consensus Forecasts, this increase in inflation is transitory in nature, taking into account a slump over the rest of 2022: on average, inflation is forecast at +4.5% in 2022, +2.3% in 2023 and +1.6% in 2024** (*Chart 2*).

Risks to economic activity and inflation forecasts are closely linked to developments in the war in Ukraine, in particular its impact on energy markets. According to the European Commission, a complete interruption in the supply of Russian gas would cause considerable upheaval in the economic situation: GDP growth rates in the euro area would be about 2.5 points lower in 2022 and 1 point lower in 2023⁴.

In addition to these energy challenges, worsening supply chain challenges and rising prices of non-energy commodities, especially food, could increase downward pressures on growth and upward pressures on prices.

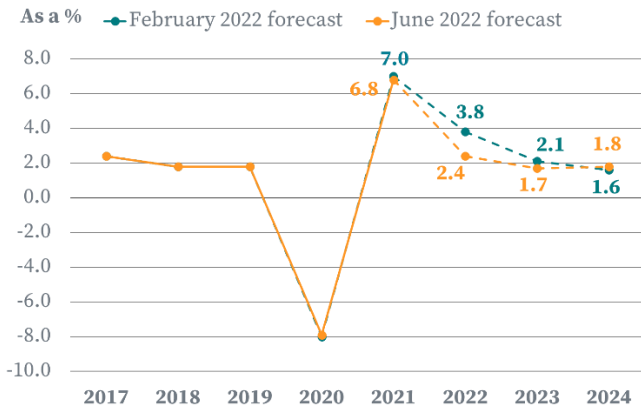
¹ The assured growth of a variable for a year N corresponds to the assured growth of the variable between year N-1 and year N that would be obtained if the variable remained at the level of the last known quarter until the end of year N.

² In the 1st quarter of 2022, GDP fell slightly (-0.2%), while the purchasing power of households' gross disposable income per unit of consumption fell sharply (-1.9%), INSEE, *Informations rapides*, No. 137, 31 May 2022.

³ Changes from May 2021 to May 2022.

⁴ https://ec.europa.eu/info/system/files/economy-finance/ip173_en.pdf

CHART 1 - GROWTH ASSUMPTIONS



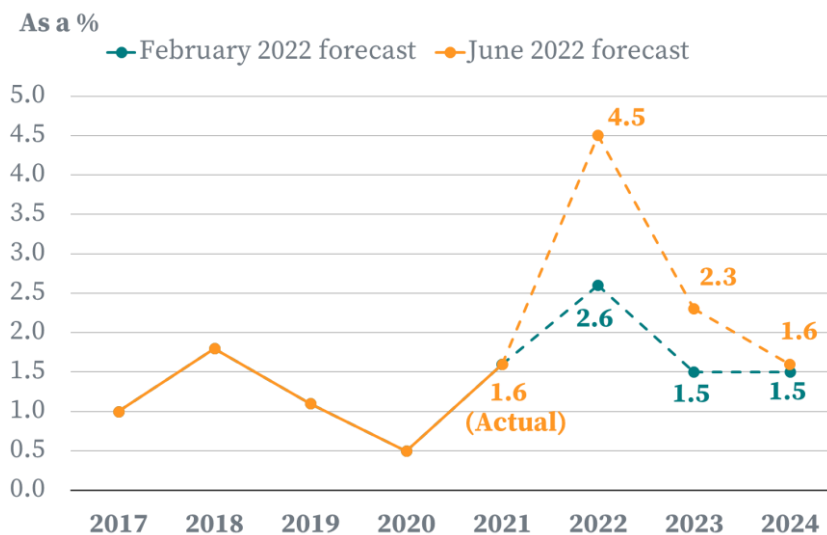
Sources: INSEE for the actual figures; * UNEDIC calculations for 2022 and Consensus Forecasts calculations for the 2023 and 2024 forecasts

TABLE 1 - COMPARISON OF DIFFERENT FORECAST SOURCES

Real GDP growth	2021	2022	2023	2024
UNEDIC (June 2022)	6.8%	2.4%*	1.7%	1.8%
OFCE (May 2022)	7.0%	2.7%		
European Commission (May 2022)	7.0%	3.1%	1.8%	
IMF (April 2022)	7.0%	2.9%	1.3%	1.5%
Banque de France (March 2022)	7.0%	3.4%	2.0%	1.4%
UNEDIC (February 2022)	7.0%	3.8%	2.1%	1.6%

Sources: INSEE for the actual figures, * UNEDIC calculations for 2022, Consensus Forecasts, European Commission, Banque de France, OFCE, IMF.

CHART 2 - INFLATION ASSUMPTIONS MEASURED BY THE CONSUMER PRICE INDEX



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

Employment: slowdown in job creation after an exceptional rebound in 2021

2022: end of Covid post-crisis catch-up

In the 1st quarter of 2022, net job creation slowed down with +66,000 jobs, after +118,000 in the 4th quarter of 2021 and the exceptional increase observed in 2021 (+678,000 jobs over the year). These job creations nevertheless surprised observers who expected a more pronounced slowdown. At the same time, temporary staff fell in this quarter (-12,000) after the sharp increases observed in late 2021.

At sectoral level, **the industry stands out with still lower employment levels than pre-crisis levels**, unlike the other major business sectors, which all exceeded their pre-crisis levels in the rebound phase. In fact, employment in sectors such as construction, commercial services (including temporary workers) and non-commercial services has benefited greatly from the lifting of health restrictions, while industry has been less sensitive to them because of a greater dependence on declining demand for certain goods and services (air transport, etc.) and supply difficulties.

BOX 1: FRANCE’S EMPLOYMENT RATE IS INCREASING WHILE REMAINING BELOW THE OECD AVERAGE

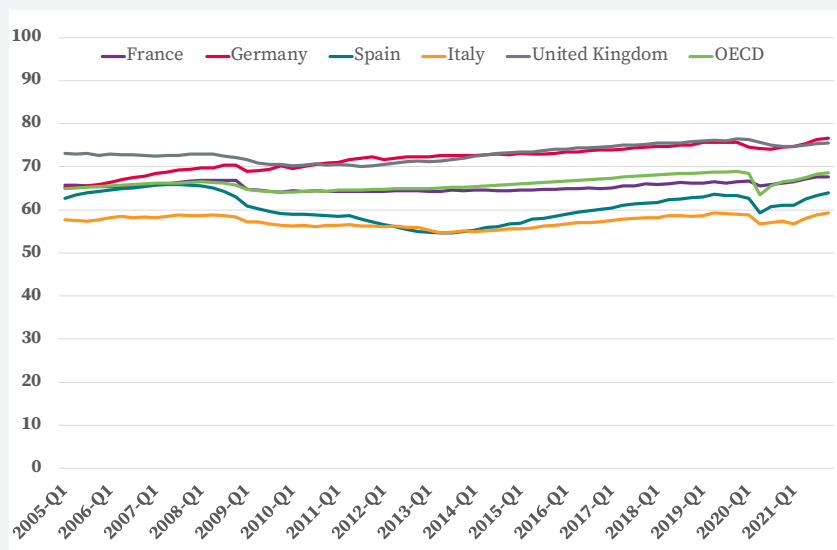
The employment rate is the ratio between the number of people in employment and the total population, unlike the unemployment rate which relates the number of people who are not in employment and are looking for work in the working population (i.e. in employment or unemployed). The difference between the two concepts lies in the fact that the first of the so-called unemployed persons (children, students, pensioners, etc.) is taken into account.

By late 2021, the employment rate in France was 67.7%, compared to the OECD average of 68.7%. Compared to the other OECD members, the employment rate in France showed a smaller downturn during the health crisis, given the support policies for enterprises intended to protect employment (*Chart 4*). During the recovery phase, the employment rate increased sharply and rapidly above its pre-crisis level, reflecting the current favourable trend in the labour market.

This can be enriched by a more detailed analysis of the employment rate by age group: the employment rate in France exceeds the OECD average for people between the ages of 25 and 54. On the other hand, France has a “deficit” in the employment rate compared with the OECD for those under 25 and those aged 55 or over (*Chart 5*). However, the employment rate of these two age groups is increasing.

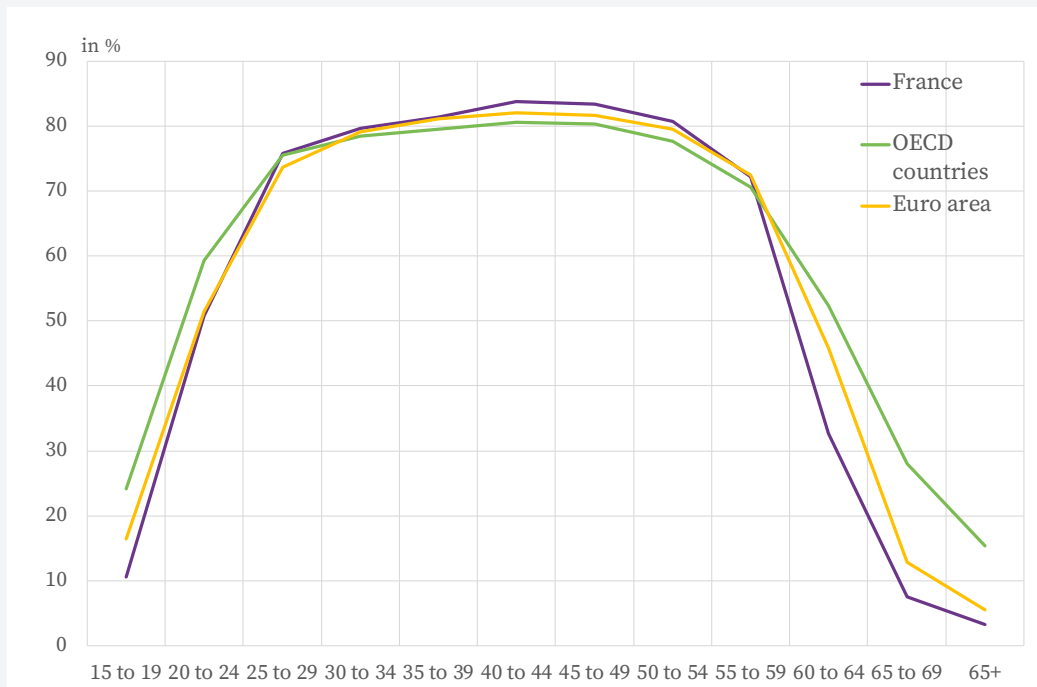
- **While this increase concerns all age groups, the most significant increase is observed for 15-24 year olds (*Chart 6*)**, due to the recent boom in apprenticeships following the special aid implemented under the “1 young solution” plan introduced by the government in response to the crisis (recruitment aid, training, support, financial aid for young people in difficulty, etc.). According to INSEE, slightly more than half of the 2015-2021 increase in the employment rate for the 15-24 age group is attributable to work-study contracts*. They have moved from the “unemployed” category, in which students are classified, to the “in employment” category, young people who follow a work-study programme.
- **The employment rate of the 50-64 bracket is also on the rise, but the trend dates well back before the recent period as it dates back to the early 2000s in connection with pension reforms**, rising from 54.6% in the 1st quarter of 2010 to 65.5% in the 1st quarter of 2022 (*Chart 6*).

CHART 4 - CHANGE IN THE EMPLOYMENT RATE OF 15-64 YEAR OLDS IN THE MAJOR OECD COUNTRIES, AS A %



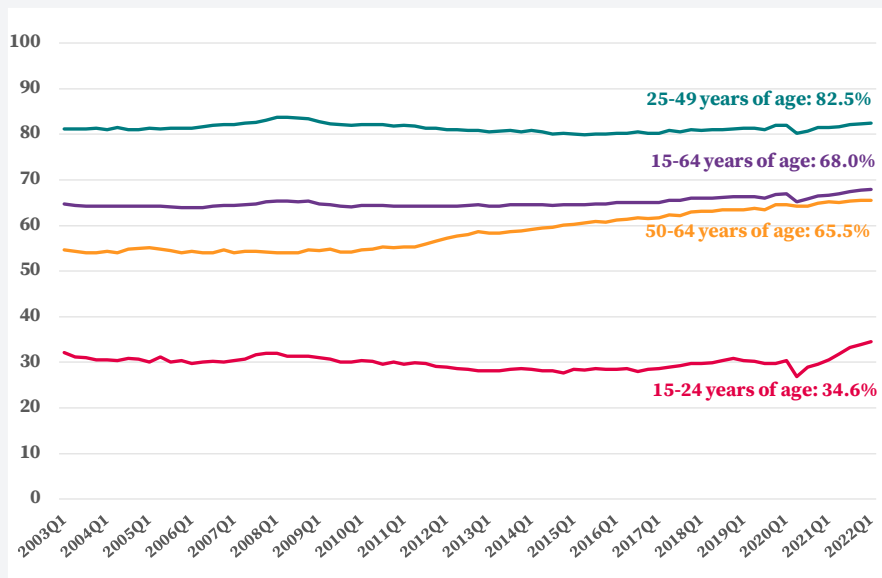
Source: OECD

CHART 5 - EMPLOYMENT RATES BY AGE IN FRANCE, ON AVERAGE IN THE OECD AND IN THE EURO AREA IN 2019, AS A %



Source: OECD

CHART 6 - CHANGE IN THE EMPLOYMENT RATE BY AGE CATEGORY IN FRANCE, AS A %



Source: Insee

* INSEE, "La croissance et l'inflation à l'épreuve des incertitudes géopolitiques" (Growth and inflation under geopolitical uncertainty), Economic report, March 2022.

A dynamic payroll driven primarily by good wage performance

The health crisis and the massive use of part-time work to protect employment led to significant variations in the average wage per capita (AWPC) in 2020 and 2021⁷ (Chart 7A). After a significant contraction in the AWPC in 2020, at -4.4%, the significant reduction in the number of employees placed in part-time employment, the rise in inflation and favourable employment developments encouraged a rebound in the AWPC in 2021 (+6.7%).

In 2022, the **momentum of the AWPC would be still strong, with growth of +3.9%**, notably due to inflation shocks. Indeed, part of the wages paid by companies are indexed to inflation and inflation also forms a basis for future wage negotiations. However, this increase would be lower than the inflation forecast and would therefore lead to a fall in real wages of around -0.5%. **In 2023 and 2024, AWPC growth is forecast to slow to +2.9% and then +2.6%, maintaining a higher pace than that observed before the crisis due to higher inflation.**

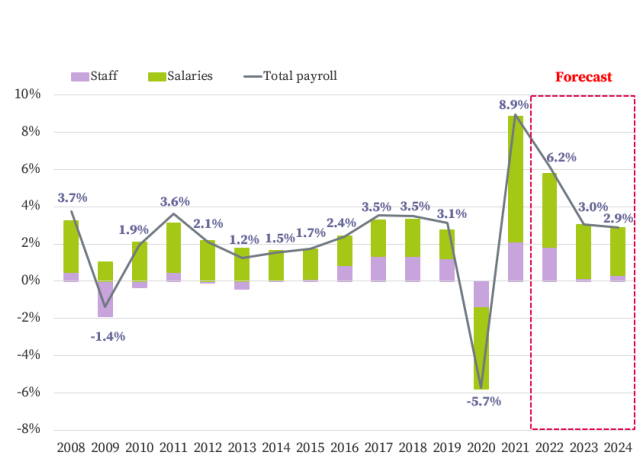
Finally, after a rebound of +8.9% in 2021, **payroll** would maintain a sustained momentum in 2022 (+6.2%) driven mainly by wages. In 2023 and 2024, it is forecast to increase by +3.0% and +2.9% (Chart 7B).

CHART 7A - EVOLUTION OF WAGES (AWPC)



Sources: Urssaf national office for the actual figures; Consensus Forecasts and UNEDIC calculations for forecasts

CHART 7B - EVOLUTION OF PAYROLL



Source: Urssaf national office UNEDIC forecast

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

⁷ The furlough disrupted the changes observed in the AWPC because furlough allowances which are not considered as components of pay are not taken into account in its calculation.

Unemployment rate: a very gradual reduction in the forecast

The decrease in the number of jobseekers observed in 2021 for the ABCDE categories continues. In April 2022, it thus reached 6.2 million people, a decrease of -163,000 compared to the level in late 2021, mainly reflecting the decrease in the number of jobseekers at the end of the month (“Demandeur d’emploi en fin de mois” – DEFM) in category A (-132,000 people over the same period), and to a lesser extent that of DEFM B and C (-36,000 in April 2022 compared to December 2021).

In 2021, the unemployment rate decreased sharply due to the recovery of wage employment. At the end of the year, it thus reached 7.4% of the working population, a reduction of 0.7 points compared to late 2020. In 2022, after a slight fall in the 1st quarter of 2022 to 7.3%, the unemployment rate would remain at this level. **In 2023, the unemployment rate is expected to remain almost stable at 7.2%, as employment is expected to grow at a similar pace to the labour force; the unemployment rate is expected to decrease as a result of a more sustained recovery in job creation to 7.0% by late 2024.**

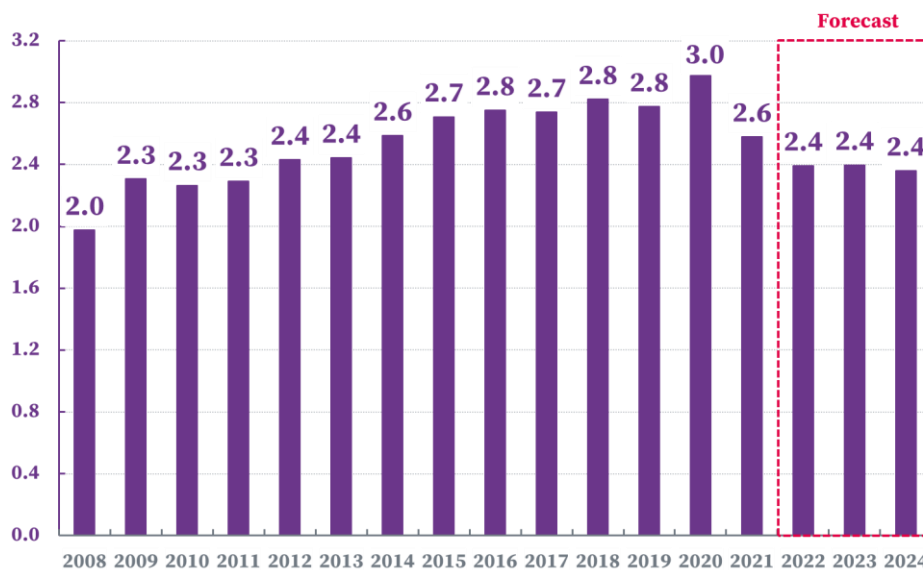
Unemployed receiving benefits: after a marked decrease between 2021 and 2022, the number of unemployed persons receiving benefits is expected to decrease slightly in 2023 and 2024

The end of the measure to extend unemployment rights and the significant rebound observed on the labour market in 2021 resulted in a significant decrease in the number of unemployed persons receiving benefits (-397,000 people in late 2021) to 2.6 million people at the end of the year (Chart 8).

In 2022, the decrease in the number of unemployed persons receiving benefits is expected to continue, with a decrease of 188,000 people between the end of 2021 and the end of 2022 to 2.4 million. This significant reduction would be explained on the one hand by the good performance of net job creation observed in early 2022 and on the other hand by the effects of regulatory changes in late 2021.

In 2023 and 2024, the change in the number of unemployed persons receiving benefits would be mainly based on the economic situation and would be more moderate due to the decline in net job creation (Table 2).

CHART 8 - NUMBER OF UNEMPLOYED PERSONS RECEIVING UNEMPLOYMENT BENEFITS, YEAR-END FIGURES, IN MILLIONS



Sources: Pôle emploi; UNEDIC, UNEDIC forecasts.

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

TABLE 2 - SUMMARY OF MACROECONOMIC ASSUMPTIONS AND FORECASTS

	2019	2020	2021	2022	2023	2024
				Forecast	Forecast	Forecast
Growth, prices and wages						
GDP	+1.9%	-7.9%	+6.8%	+2.4%	+1.7%	+1.8%
CPI inflation	+1.1%	+0.5%	+1.6%	+4.5%	+2.3%	+1.6%
Average wage per capita (AWPC) in the competitive sector	+1.5%	-4.4%	+6.7%	+3.9%	+2.9%	+2.6%
Numbers in employment and wage bill						
Jobs covered by unemployment insurance						
Change in annual average as percentage	+1.2%	-1.4%	+2.1%	+1.8%	+0.2%	+0.3%
annual average level	19,630,000	19,347,000	19,762,000	20,125,000	20,160,000	20,225,000
level at year end	19,737,000	19,383,000	20,060,000	20,139,000	20,191,000	20,271,000
year-on-year at year end	+256,000	-354,000	+678,000	+79,000	+52,000	+80,000
Payroll in the competitive sector	+3.1%	-5.7%	+8.9%	+6.2%	+3.0%	+2.9%
Unemployment						
Unemployed receiving unemployment benefits (ARE, AREF, ASP, AREP, ATI)						
Change in annual average as percentage	-0.4%	+6.8%	-4.3%	-14.2%	-0.4%	-1.1%
annual average level	2,748,000	2,934,000	2,808,000	2,410,000	2,400,000	2,375,000
level at year end	2,774,000	2,976,000	2,579,000	2,391,000	2,396,000	2,359,000
year-on-year at year end	-48,000	+202,000	-397,000	-188,000	+5,000	-37,000
ILO unemployment rate (year-end)	8.2%	8.1%	7.4%	7.3%	7.2%	7.0%

Sources: INSEE, Pôle emploi, DARES, Urssaf national office, UNEDIC's forecast of June 2022.

Scope: Whole of France. Seasonally adjusted data.

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

Expenditure: relatively favourable employment trends put expenditure on a downward path

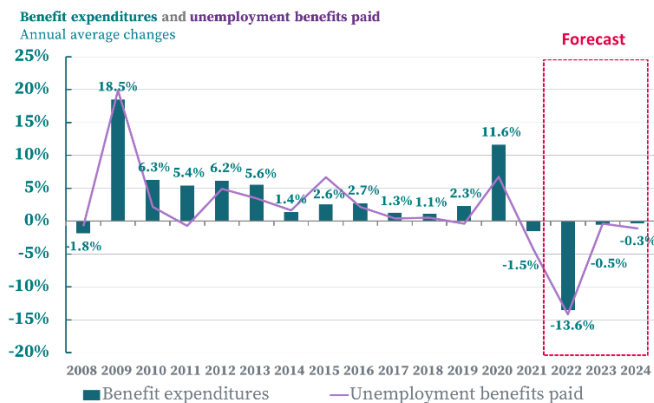
After the peak in 2020, **unemployment benefit expenditures** amounted to €38.4 billion in 2021 (*Charts 9A and 9B*). They would then decline sharply to €33.2 billion in late 2022, due to the end of the emergency measures, the resumption of employment and regulatory changes.

They would continue to decline thereafter but at a very moderate pace, reaching €32.8 billion in 2023 and €32.6 billion in 2024. In fact, two opposite effects are at play. On the one hand, the increase in employment and the new rules on unemployment benefits have a downward effect on expenditure. On the other hand, the increase in nominal wages linked to inflation observed in 2021 and expected in 2022 will result in a more sustained increase in the daily benefits paid to unemployed persons who are receiving benefits. The new recipients will enter unemployment with a higher daily reference salary, which will weigh on spending in 2023 and 2024.

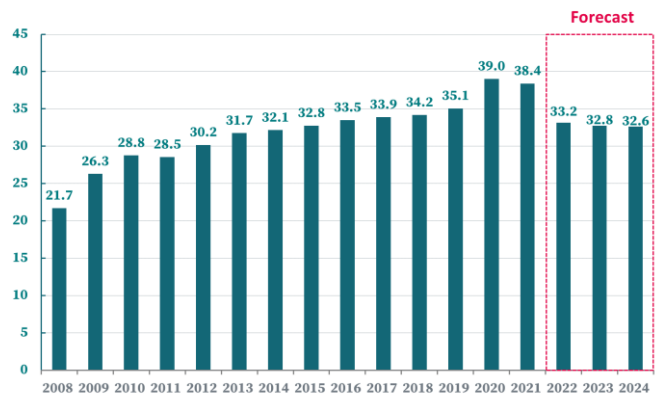
NB: the financial forecast for 2022 to 2024 is based on the rules in force for unemployment insurance, namely those of the 2021 decrees, and the forecast of benefit expenditure is made based on the assumption of benefits increasing +0.5% per year. This assumption corresponds to the average of past observations⁸.

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

A - ANNUAL CHANGE AS A %



B - LEVEL, IN EUR BILLIONS



Sources: Pôle emploi, UNEDIC, UNEDIC forecasts.
Scope: Whole of France. Seasonally adjusted data.

The furloughing scheme (“*Activité partielle*”) i.e. temporary laying off of workers, one-third of which financed by UNEDIC and two-thirds by the State, has supported the French economy since March 2020. For UNEDIC, expenditure was €11.4bn between March 2020 and December 2021. After having remained at a still high level in early 2021, furloughing expenditures began a sharp decline from June 2021⁹.

The number of employees under the furloughing scheme has been stable since the autumn of 2021, at around 300,000 employees (100,000 in full-time equivalent) last March¹⁰. UNEDIC’s May cash flow data even show a slight decrease in furloughing expenditures. **To date, the war in Ukraine has not resulted in greater recourse to**

⁸ The UNEDIC Board of Directors revalues each year the values or elements taken into account in the calculation of benefits, namely:
- the reference salaries composed entirely of previous remuneration of at least six months;
- allowances or parts of allowances of a fixed amount (fixed part, minimum allowance, training floor);
- the floor preventing the application of the coefficient of sliding scale;
- the minimum daily allowance after application of the coefficient of sliding scale.

⁹ UNEDIC, *Furloughing: overview and outlook*, February 2022.

¹⁰ https://dares.travail-emploi.gouv.fr/sites/default/files/ac7f768a14f651970697ef6e02395dcd/Dares_Acemo-covid_Synthese_mars.pdf

furloughing. In this context, furloughing expenditure is expected to be €0.4 billion in 2022 and €0.2 billion in 2023 and 2024

UNEDIC’s contribution to the financing of Pôle emploi represents €3.9 billion in 2022 after €4.3 billion in 2021. **Assuming that funding is maintained** at 11% of UNEDIC’s revenues for the year N-2, it would be €4.3 billion in 2023 and €4.6 billion in 2024.

Finally, after exceptional levels in 2020 and 2021, **UNEDIC’s total expenditure is forecast to decrease sharply in 2022**, from €49.4 billion to €40.0 billion. This expenditure would then remain at this level with €39.9 billion in 2023 and €40.0 billion in 2024.

Revenue: driven by a high wage bill, revenues are forecast to increase over the forecast period

In 2020, the reduction in employment affiliated to the unemployment insurance scheme, the shortfall in contributions due to the furloughing allowance and deferral of contributions **led to a decrease in contributions of €3.4 billion compared to 2019 levels** (Figures 10A and 10B).

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 payroll.

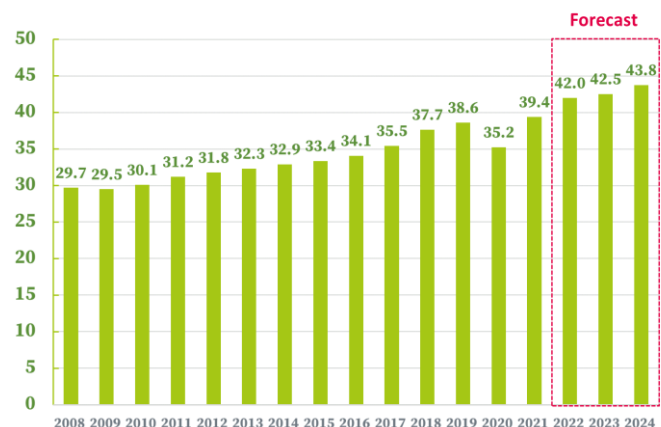
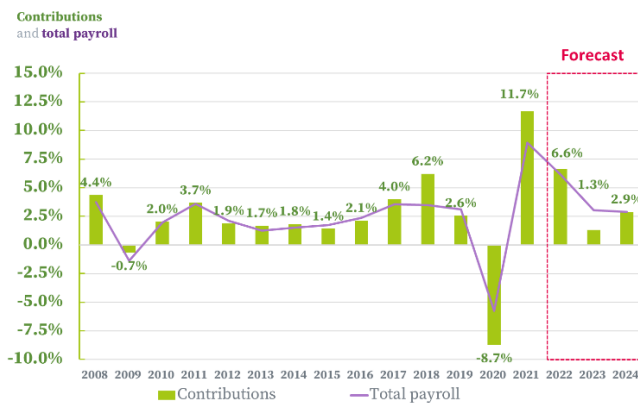
In 2022, unemployment insurance contributions are forecast to increase by €2.6 billion, mainly due to a favourable change in the AWPC, and to reach €42.0 billion over the year, an increase of +6.6% compared to 2021. In 2023 and 2024, contributions are forecast to increase further to €42.5 billion and €43.8 billion respectively (Table 3).

NB: Unemployment insurance contributions are estimated under the assumption that total benefits are maintained by the social security contribution following the abolition of unemployment insurance employee contributions.

GRAPHS 10A AND 10B - UNEMPLOYMENT INSURANCE CONTRIBUTIONS

A - ANNUAL CHANGE, AS A %

B - IN TERMS OF AMOUNT, IN EUR BILLIONS

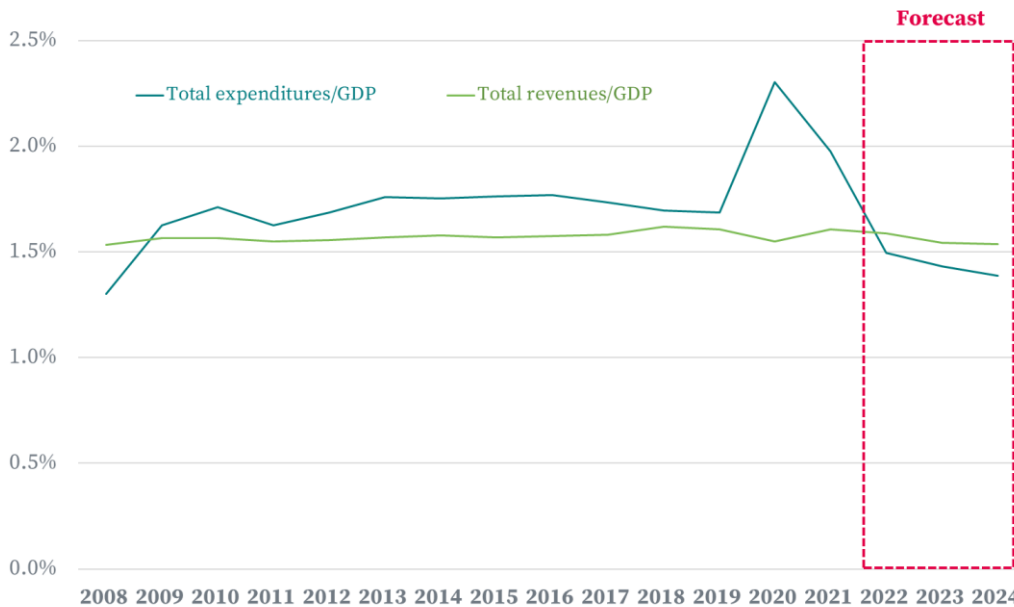


Sources: Urssaf national office, UNEDIC forecasts

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

Finally, in late 2024 UNEDIC’s revenues would reach a share of GDP close to that before the crisis, i.e. 1.5%. At the same time, expenditure would return to a share of GDP equivalent to that of 2007 (1.4%), before the effects of the 2008 economic crisis affected unemployment insurance (*Chart 11*).

CHART 11 - UNEMPLOYMENT INSURANCE EXPENDITURES AND REVENUES AS A PERCENTAGE OF GDP



Source: UNEDIC, UNEDIC forecasts

After -€17.4 billion in 2020, UNEDIC’s annual financial balance was partly faded out to stand at -€9.3 billion at year end 2021 (*Chart 12*).

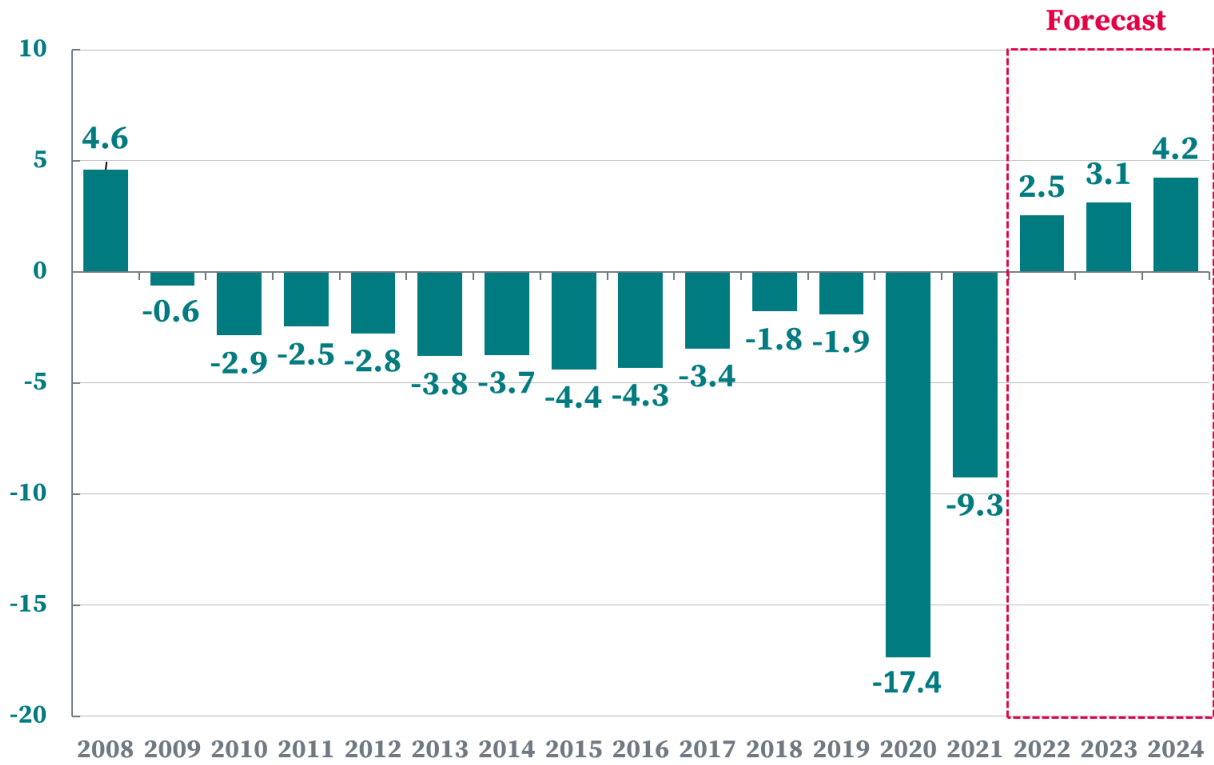
The scheme would return to surpluses in 2022, with a balance of €2.5 billion (*Table 3*). This improvement in the balance was due to 56% at the end of the emergency measures, 28% at the cyclical improvement and 16% at the entry into force of regulatory changes¹¹.

In 2023 and 2024, the balance would be even more in surplus (+€3.1 billion and +€4.2 billion respectively), due to the effect of the new regulations and economic conditions.

The surpluses from 2022 to 2024 illustrate the high sensitivity of the scheme to cyclical reversals. Although their amounts are higher, **these surpluses 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 between +/- 2 months of revenues. In 2008, for example, the surplus was 1.8 month of revenues compared to 1.3 month in 2024 (*Chart 13*).

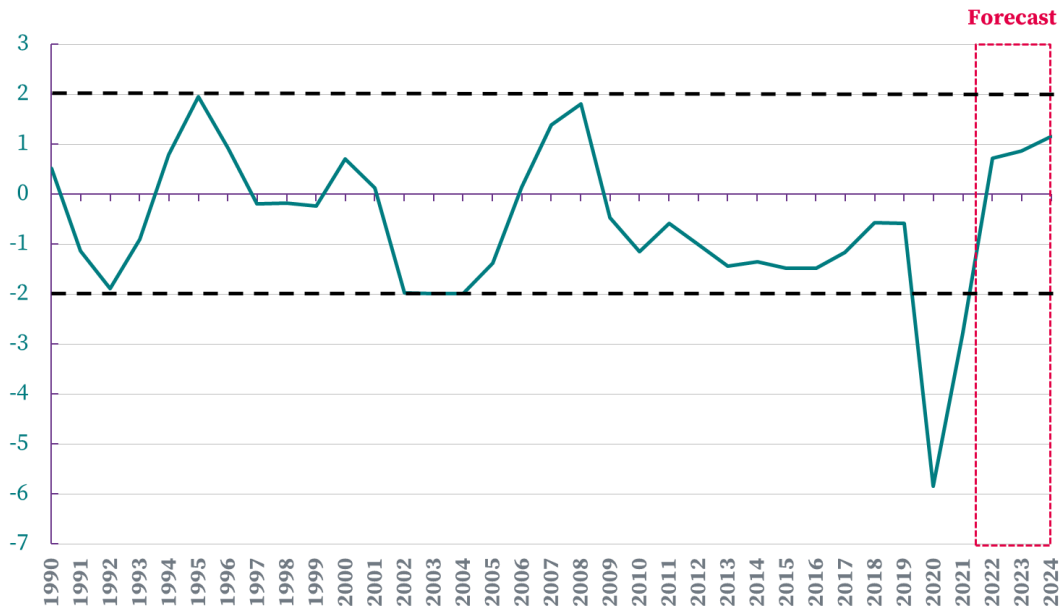
¹¹ Our February 2020 financial forecast foresaw a return to surpluses from 2021 onwards.

CHART 12 - FINANCIAL BALANCE OF UNEMPLOYMENT INSURANCE, IN EUR BILLIONS



Source: UNEDIC, UNEDIC forecasts

CHART 13 - FINANCIAL BALANCE OF UNEMPLOYMENT INSURANCE, EXPRESSED IN MONTHS OF REVENUES



Source: UNEDIC, UNEDIC forecasts

BOX 2: SENSITIVITY OF THE UNEMPLOYMENT INSURANCE BALANCE TO THE ECONOMIC SITUATION

Unemployment insurance is particularly sensitive to economic fluctuations, even more so than other social protection schemes. For example, where employment and wages lose pace, the consequences can be seen in terms of both revenue and expenditure levels.

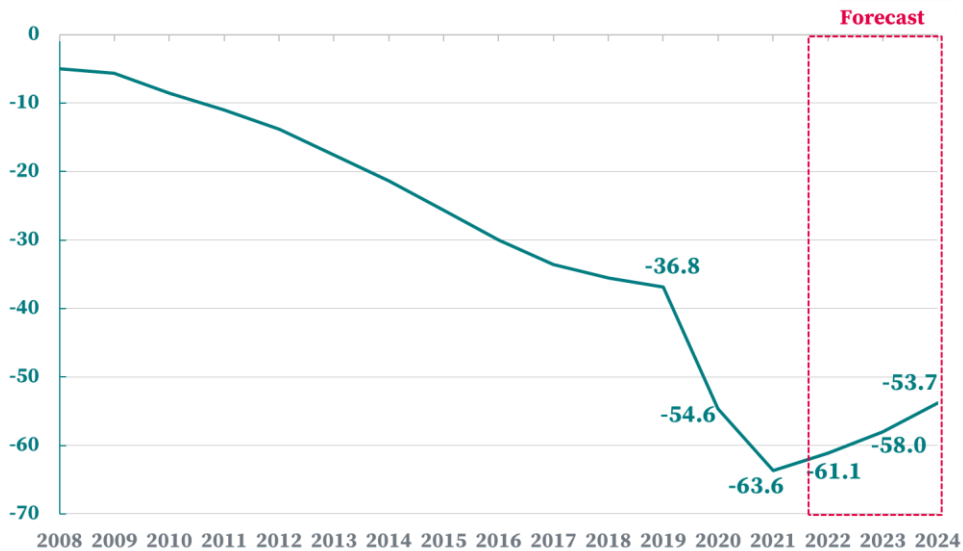
Given the considerable uncertainty surrounding the geopolitical situation and its economic consequences, it may be useful to estimate the variability of the financial situation of the unemployment insurance scheme in the current economic situation: **it is estimated that a difference in GDP growth of +1 point induces a change in the unemployment insurance balance of +€750 million in the 1st year, and from +1.5 billion to +2.0 billion in the following year.**

These estimates should, however, be taken with caution, as they are based on calculations of the balance’s elasticity to GDP or employment observed in the past, during periods of “classic” economic slowdown, and all other things being equal. As the slowdown currently anticipated is exogenous to the French economy and labour market, the mechanisms of impact on employment, wages and unemployment could be slightly different.

Nearly €54bn in debt in 2024

Debt, which stood at €36.8 billion in late 2019, then at €63.6 billion in late 2021, would begin a **reduction trajectory** as early as 2022. It is forecast to reach nearly €61.1 billion in late 2022 and then continue to decrease to €58.0 billion in late 2023, and to **€53.7 billion in late 2024** (Chart 14). Despite the impetus expected in the coming years, debt financing for the regime would therefore continue to be an issue.

CHART 14 - UNEMPLOYMENT INSURANCE SCHEME DEBT, IN EUR BILLIONS



Source: UNEDIC, UNEDIC forecasts

TABLE 3 - UNEDIC EXPENDITURES AND REVENUES FOR 2019-2024

<i>In billions of euros, as at 31 December</i>	2020	2021	2022	2023	2024
			Forecast	Forecast	Forecast
Revenues	35.8	40.1	42.5	43.0	44.2
Unemployment insurance contributions	35.2	39.4	42.0	42.5	43.8
<i>of which loss of revenues due to furloughing scheme</i>	-2.1	-0.8	-0.2	-0.1	-0.1
of which main contributions	22.4	24.7	26.4	26.5	27.3
of which taxes of all kinds (GSC tax)	12.8	14.7	15.6	16.0	16.5
Other revenues	0.6	0.8	0.5	0.5	0.5
Expenditures	53.2	49.395	39.982	39.912	40.006
Gross benefits and subsidies*	39.0	38.4	33.2	32.8	32.6
Furloughing scheme	7.5	3.9	0.4	0.2	0.2
Pension funds	2.3	2.6	2.1	2.1	2.1
Other expenditure	4.5	4.5	4.4	4.8	5.0
of which <i>Pôle emploi</i> financing	4.1	4.3	3.9	4.3**	4.6**
of which interest expense on debt	0.2	0.2	0.3	0.4	0.4
Financial balance	-17.4	-9.3	2.5	3.1	4.2
Debt	-54.6	-63.6	-61.1	-58.0	-53.7

* Arce, CSP premium, end-of-entitlement aid, etc.

** Under the assumption that *Pôle emploi* will continue to receive 11% of its funding.

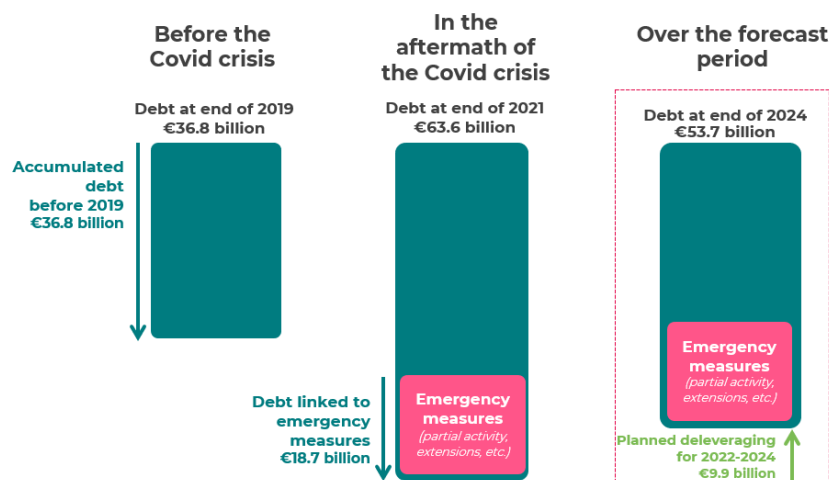
Source: UNEDIC, UNEDIC forecasts

The accumulation of surpluses from 2022 to 2024 would represent €9.9bn in late 2024.

In late 2019, the scheme's debt stood at €36.8bn. This debt was multifactorial: 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 for the compensation of cross-border workers), from decisions to change compensation rules (unemployment insurance agreements, reforms such as the universalisation of rights) and from changes in the labour market (development of short-term contracts, introduction of contractual terminations, etc.)¹².

Years 2020 and 2021 alone generated €26.8 billion in additional debt, due to the financing of Covid-19 measures (*Box 3*) and the economic slowdown. In late 2021, at the end of the crisis, the total debt of the scheme reached €63.6bn. The cumulative surpluses in the years 2022-2024 would eliminate 16% of this debt.

FIGURE 1 - DEBT BEFORE THE COVID CRISIS, AT THE END OF THE CRISIS AND BY 2024



Source: UNEDIC, UNEDIC forecasts

¹² Financial outlook of unemployment insurance 2017-2020

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

Debt management

Each year, the French State grants an **explicit guarantee** for a defined amount to UNEDIC’s bond issues as published in the Finance Budget Act. The amount was €6.25 billion for 2022. Nevertheless, if UNEDIC’s financial trajectory is confirmed, the funding programme for 2022 could be limited to an amount of €2 billion.

Despite the increased use of market financing since the spring of 2020, **the cost of debt remains low** for the scheme, due in the main to borrowing at fixed rates in a context of low interest rates on the bond market in the Eurozone. Currently, UNEDIC’s interest expense projections are stable: €0.3 billion in 2022 and €0.4 billion per year in 2023 and 2024.

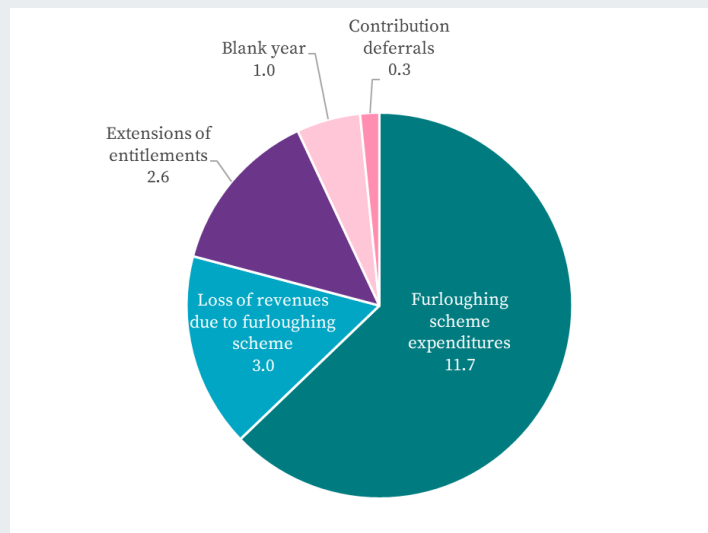
However, **in the face of widespread price increases**, central banks are gradually putting an end to the accommodative monetary policies put in place to respond to the Covid-19 crisis. In the financial markets, the rate hike accelerated in 2022 and could therefore have an **impact on the cost of UNEDIC’s debt in the medium term**.

BOX 3 - BREAKDOWN OF FINANCIAL EFFECTS OF EMERGENCY MEASURES

Between 2020 and 2022, the financial effects for UNEDIC of the emergency measures put in place to cope with the Covid-19 crisis is expected to be €18.7 billion in late 2022. These effects can be broken down into:

- Furloughing to the tune of €14.8 billion, of which €11.7 billion in expenses and €3.0 billion in reduced revenues related to shortfalls,
- Extensions of entitlements: €3.6 billion including €2.6 billion for unemployed persons under the general scheme and €1 billion for intermittent workers in the entertainment industry (blank year),
- Deferrals of unemployment contributions of which €0.3 billion would not be recovered in late 2022.

CHART 15 - FINANCIAL EFFECTS OF EMERGENCY MEASURES BETWEEN 2020 AND 2022, IN EUR BILLION



Source: UNEDIC, June 2022 forecast

APPENDIX 2 - CALCULATION OF ACCOUNTING PROFIT (LOSS) FROM FORECAST FINANCIAL BALANCE

As at 31 December 2021, the transition between the financial balance of -€9.3 billion and the accounting result for the year 2021 of -€6.8 billion is shown in *Table 4* below:

The main source of the mismatch between the net accounting income and the financial flows is the link to the accounting period.

TABLE 4 - FROM THE BALANCE OF THE FINANCIAL FORECAST TO THE NET ACCOUNTING RESULT FOR THE YEAR 2021, IN € BILLION

2021 forecast financial balance	-9.3
Difference in timing (income and expenses) between accounting and financial flows*	+2.2
Transactions generating no change in cash (increase in underwriting reserves)	+0.2
Accounting loss for 2021	-6.8

*These timing differences for accrued income and accrued expenses lead to a €2.2 billion difference between 2020 and 2021 balance sheet totals.
Source: UNEDIC



FINANCIAL SITUATION OF UNEMPLOYMENT INSURANCE FOR 2022-2024

08 June 2022

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