

FINANCIAL SITUATION OF THE UNEMPLOYMENT INSURANCE FOR 2022-2024

24 February 2022

SUMMARY

Unédic confirms the return to surpluses and the beginning of a path towards deleveraging of the unemployment insurance scheme, after strong growth and an exceptional rebound in employment in 2021. However, its debt remains very high: €52.2bn estimated in 2024.

The brutal impact of the Covid-19 crisis will continue to leave traces in the finances of the unemployment insurance scheme. Despite a clear improvement in its financial situation, the scheme remains heavily burdened with debt. According to Unédic's financial forecasts in February 2022, debt would still reach €52.2bn at the end of 2024. This level would be significantly lower than that observed at the end of 2021 (€63.9bn) after two years marked by emergency measures. However, it would remain much higher than that observed before the crisis at the end of 2019 (€36.8bn).

After a financial balance of -€9.3bn in 2021, the expected surpluses for the years 2022, 2023 and 2024 would allow the scheme to take the path of deleveraging. Under the combined effect of the end of the emergency measures, the favourable economic situation and the unemployment insurance rules in force, the balance would be +€2.2bn in 2022. It would then be +€4.1bn in 2023 and +€5.4bn in 2024 (including €2bn per year related to changes in compensation rules). This improvement in the balance between 2021 and 2022 would be derived to the extent of 30% from the increase in revenues and to the extent of 70% from the decrease in expenditures. Cumulatively, these surpluses from 2022 to 2024 correspond to 18% of Unédic's total debt at the end of 2021.

In the past, Unédic has already recorded surpluses, which are part of the countercyclical model of the unemployment insurance scheme. They allow to guarantee the financing of compensation for jobseekers in times of crisis, when expenditures increase and revenues decrease at the same time.

These financial forecasts, which are more optimistic than those of October 2021, are determined by a very favourable economic environment, in particular a rebound in growth in 2021 (+7.0%), thanks in particular to the lifting of health restrictions. In 2022, growth would slow down but remain at a high level (+3.8%) before reaching a dynamic comparable to the pre-crisis situation in 2023 (+2.1%) and in 2024 (+1.6%).

In terms of employment, an exceptional rebound in 2021 (+648,000 jobs) should be followed between 2022 and 2024 by a more contained level of creations (159,000 in three years). The number of unemployed people receiving benefits would decrease over the forecast horizon. Some of the creations in 2021 are expected to have a lasting impact on the level of employment and unemployment, which stood at 7.4% (according to the meaning of the ILO) in the fourth quarter. Moreover, the return of inflation to a higher level and the fall in the unemployment rate could place employees in a more favourable position in wage negotiations, encouraging the increase in payroll, with the result that the revenues of the scheme increase.

Note: The financial forecast for the years 2022 to 2024 is based on the rules in force for the Unemployment Insurance, namely those of the decrees of 2021.

1. ASSUMPTIONS USED FOR FORECASTS

Growth: after a net rebound in 2021 and an increase that is still dynamic in 2022, a normalisation in 2023 and 2024

For its growth assumptions, Unédic uses the forecasts produced by the Consensus Forecasts (average forecasts of some twenty banks and institutions), published each month. This forecast is based on the last publication of the Consensus of economists published on 10 February 2022.

2021: the relaxation of health restrictions allows the activity to return to its pre-crisis level

Thanks to the restart in the sectors that had been most affected by the health crisis, the activity resumed a positive trajectory from the spring of 2021. More specifically, after a 1st quarter still marked by curfews and administrative closures (+0.1%), activity was very dynamic in the 2nd and 3rd quarters (+1.3% and +3.1%). **These increases allowed activity to return to pre-crisis levels more quickly than anticipated.** At the end of 2021, the activity showed signs of slowing down with a growth of +0.7%, which is explained by a catching-up potential that has weakened in most sectors. Indeed, at the end of 2021, only certain sectors such as accommodation and catering or the manufacture of transport equipment continue to have activity levels that are still lower than those recorded at the end of 2019. On an annual average, according to the latest INSEE estimate¹, GDP growth was +7.0% after a decline in activity of -8.0% in 2020 (*Chart 1*).

2022: the activity benefits from the momentum out of the health crisis

According to the February 2022 Consensus Forecasts, growth in activity over the next few quarters is expected to be more modest in 2022, with most of the catch-up taking place in 2021. As a result, **growth is forecast to decline in 2022** to +3.8% (*Chart 1*). **Nevertheless, this growth forecast remains particularly high compared with the trends observed before the crisis.** This dynamic is partly based on the good performance of the activity observed in 2021. Indeed, if the level of activity remained in 2022 at the level observed in the 4th quarter of 2021 without any increase in production from one quarter to the next, the growth of the year 2022 would already reach +2.4%. The momentum of 2021 alone would therefore be sufficient to explain two thirds of the momentum forecast for 2022.

This growth in activity is in line with the forecasts recently produced by the various institutions and is similar to the assumptions underlying the financial forecast made in October 2021 (*Table 1*).

2023 and 2024: the return to a pre-crisis level of activity

After two years of strong growth linked to the end of the health crisis, growth is expected to fall again and be around +2.1% in 2023 and +1.6% in 2024, **in line with the changes observed before the start of the health crisis.** On this horizon, uncertainties still remain, and although the activity seems to be more resistant to the resurgences of Covid-19, certain factors could darken the economic situation (increase in the prices of energy and raw materials, supply constraints, new variant, geopolitical environment).

¹Quick information, no. 25, "GDP grew by +0.7% in the fourth quarter of 2021. On average in 2021, it rebounded by +7.0% (after - 8.0% in 2022)." Quarterly national accounts, First estimate, Fourth quarter 2021

CHART 1 – GROWTH ASSUMPTIONS FOR 2022-2024



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

TABLE 1 – COMPARISON OF DIFFERENT FORECASTS SOURCES

GDP growth in volume	2021	2022	2023	2024
Unédic according to the February 2022 Consensus	7.0%	3.8%	2.1%	1.6%
INSEE (February 2022)	7.0%			
European Commission (February 2022)	7.0%	3.6%	2.1%	
IMF (January 2022)	6.7%	3.5%	1.8%	
OECD (December 2021)	6.8%	4.2%	2.1%	
Banque de France (December 2021)	6.7%	3.6%	2.2%	1.4%
INSEE (December 2021)	6.7%			
INSEE (October 2021)	6.25%			
Unédic forecast of October 2021	6.1%	3.8%	1.9%	

Sources: Banque de France, Consensus Forecasts, European Commission, IMF, INSEE, OECD

Furloughing scheme: end of the extensive use

The furloughing scheme, financed at one third by Unédic and at two thirds by the State, has supported the French economy since March 2020 (*Box 1*).

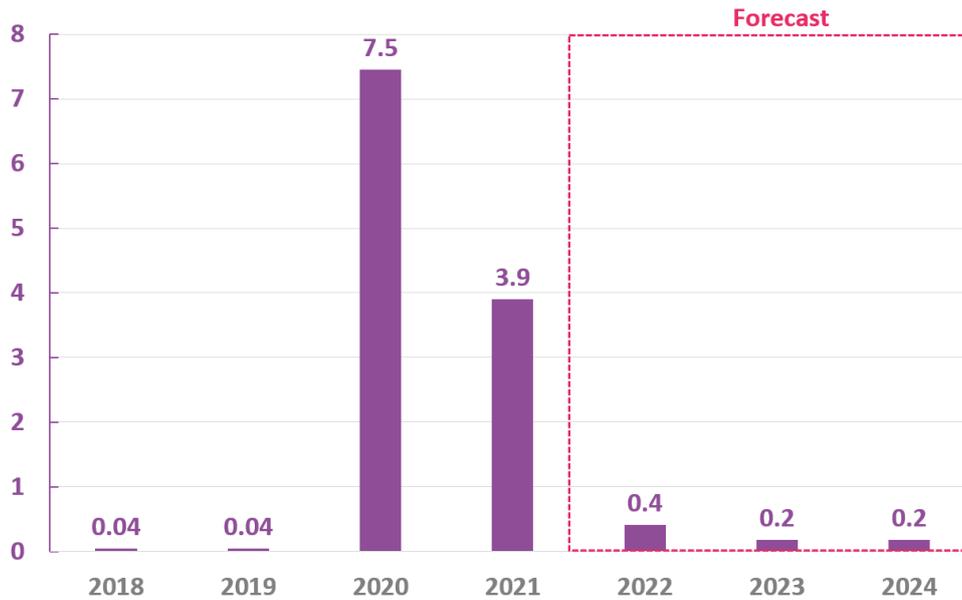
For Unédic: furloughing expenditures were €11.4bn between March 2020 and December 2021, that is about 43% of the (negative) balance recorded by the scheme in 2020-2021.

After remaining high at the beginning of 2021, the expenditure on the furloughing scheme (standard furloughing scheme and long-term furloughing scheme) sharply declined from June 2021 as **the loosening of the health restrictions led to the return of the activity to “normal” levels, thus making it less necessary for employees to be operating part-time** (*Chart 2*).

Thus, the successive epidemic waves had less and less recessive effects on the activity and the appearance **of the Omicron variant, which was accompanied by few restrictive measures, resulted in a moderate increase in the use of the furloughing scheme**. Unédic's expenditure in respect of the funding of the furloughing scheme is forecast to be €3.9bn in 2021 and to be reduced to €0.4bn in 2022.

For 2023, with economic activity returning to its pre-crisis level, **the use of the furloughing scheme is expected to return to a less exceptional level, albeit much higher than before the crisis. It is estimated that expenditures will remain higher than before the crisis** (around €0.2bn in 2023 and 2024, compared with €0.04bn in 2019) due to requests for long-term furloughing scheme (“*Activité partielle de longue durée*” – APLD), which will run into 2023, and the learning effect of companies that may use the mechanism more quickly than before in the event of economic difficulties or temporary accidents affecting their business: natural disasters, etc.

CHART 2 – UNÉDIC FURLOUGHING SCHEME EXPENDITURES OBSERVED AND FORECAST IN €BN



Sources: ASP, Extranet Furloughing scheme, Unédic forecasts.

BOX 1 – FURLOUGHING SCHEME: INVENTORY AND OUTLOOK

On 28 February, Unédic will publish a general overview of furloughing scheme that experienced an unprecedented boom during the Covid crisis.

This overview reminds us that the furloughing scheme is an old but little used joint mechanism, and entered French economic life in full swing in March 2020. Inspired by the German response to the 2008-2009 crisis, public authorities chose to establish a broad and universal mechanism to respond to the unprecedented nature of the 2020 crisis. Within a few weeks, this mechanism has become one of the major levers of public policy in support of employment in response to the unprecedented health and economic crisis in the country.

This inventory thus recaps the history of the mechanism and describes the regulatory changes that it underwent in 2020. It then examines the mobilisation of the mechanism since that date, the profiles of employers who have used the mechanism and employees operating in part-time employment. It also outlines the issues surrounding training during these periods and provides an update on the long-term furloughing scheme (APLD) mechanism. A section is devoted to the issues of evaluation of the mechanism and takes stock of what the scientific literature and institutional work teach us. Lastly, this overview looks back at the financing of the mechanism over the last two years and provides prospects for the coming years.

Employment: an exceptional rebound in 2021, a return to normal in the following years

In the first phase of the health crisis and although the furloughing scheme was massively used, employment had nevertheless decreased to a low point corresponding to the level of 2017 (*Charts 3A and 3B*). This decline in employment proved to be transitory, as it rebounded sharply after the first lockdown in the summer of 2020. However, this improvement in employment was interrupted in the winter of 2020 with the appearance of a new epidemic wave which led to a further fall in activity and a further fall in employment before it could return to its pre-crisis level. As a result, at the end of 2020, the level of employment was down by almost 351,000 jobs compared with the level at the end of 2019.

2021: an exceptional rebound in employment

In 2021, there was a rebound in employment, comparable to that which took place in the summer of 2020, as a result of the lifting of the main health restrictions in France and abroad that kept the activity below its usual level and the business and employment support measures that remained in force.

Indeed, **between 2020 and 2021, 648,000 jobs in the field affiliated with the Unemployment Insurance were created, an increase of nearly +3.3%** (after a decrease of 1.8% in 2020). These developments surprised observers who did not expect such a rapid recovery in salaried employment.

- **During the first half of 2021, employment gains were very significant:** nearly 446,000 jobs were created **mainly on “long-term” contracts**, i.e. permanent contracts and fixed-term contracts of more than a month, while temporary and fixed-term contracts of less than a month remained weak.
- **In the second half of 2021, job creation showed a decline but was still sustained** with employment gains of 202,000 people. Jobs created in the second half of the year were driven by a **very significant increase in temporary hires**, since this sector accounted for 40% of job creations in this semester, thus taking over the job creation from long-term permanent contracts and fixed-term contracts.

Massive recruitment of staff to ensure “contact-tracing”, hiring on short-term contracts to replace sick leave, which multiplied due to the strong contagiousness of the Omicron variant, all potentially explain the rebound in temporary employment and short fixed-term contracts at the end of 2021.

The very strong increase in **apprenticeships** in 2020 (+42% compared to 2019) and 2021 (+38% compared to 2020) could also explain part of the strong increase in employment observed in 2021: apprenticeships increased from 368,000 in 2019 to more than 700,000 in 2021. These increases are mainly supported by contracts to prepare for higher education courses (a level of 2 to 5 years of higher education). Conversely, increases in apprenticeship entry for persons of a level equivalent to a professional qualification certificate (“*Certificat d'aptitude professionnelle*” – CAP) are very moderate.

From 2022 to 2024: a more moderate change in employment

The increase in employment in 2021 was mainly driven by **market services** (e.g. information and communication, scientific and technical activities, etc.) with a positive contribution of 2.9 percentage points out of the +3.3% increase observed. Other sectors such as construction, industry and non-market services, on the other hand, posted rather modest gains during 2021. Industry has the particularity of still having a lower employment level than before the crisis: it is therefore one of the last sectors where there is still **significant catching-up potential for the next few years** (*Box 2*).

In addition, a significant part of the rebound observed in the second half of 2021 is manifested by short-term temporary and fixed-term recruitments, part of which would meet **temporary needs** (see above).

Ultimately, the expected employment gains would be more modest and would no longer benefit from the catch-up effect, as most sectors have already regained relatively high levels of activity.

In 2023 and 2024, business growth would return to more usual levels, leading to measured job gains. **Thus, after an increase of 41,000 jobs in 2022, the French economy would create 57,000 jobs in 2023 and 61,000 in 2024.**

This recovery in employment being faster than that recorded on activity, the change in **productivity**² remained modest in 2021 and did not present the rebound character that is usually observed in the aftermath of a crisis (generally employment restarts more slowly than activity in the aftermath of a crisis with, as a consequence, an increase in productivity). Rather, we would observe gradual increases in productivity over the forecast horizon to arrive at the end of 2024 towards a productivity gain close to its pre-crisis trend, i.e. around 1%.

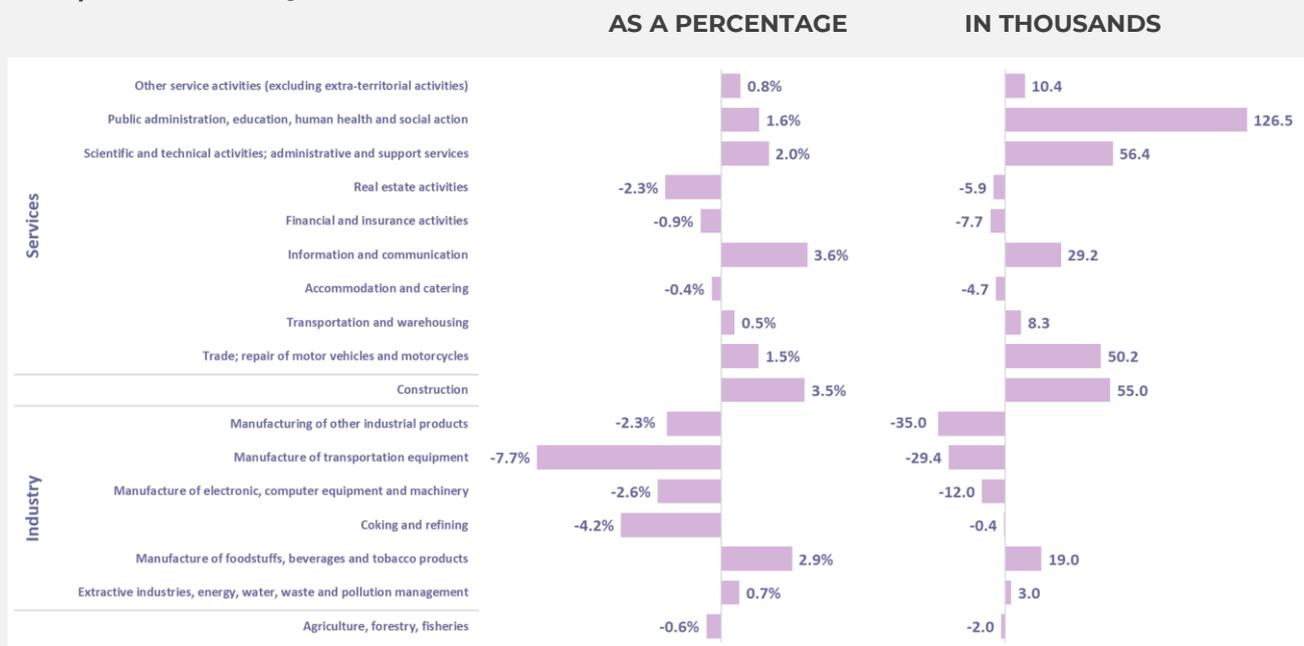
BOX 2 – SECTORAL DEVELOPMENTS IN EMPLOYMENT

In this box, we examine job losses and gains compared to the pre-Covid crisis on the field of total salaried employment (the rest of the note relates to jobs affiliated with the Unemployment Insurance).

A reading of the data reveals a lag in employment in industry compared to other sectors, resulting from the slow recovery of this sector during the recovery from the health crisis. Indeed, in the 3rd quarter of 2021, the level of employment in this sector was almost 54,000 jobs lower in total compared to the level before the crisis (4th quarter of 2019), which represents a negative difference of 3.2% compared to 2019, and particularly in the manufacture of transport equipment (*Chart A*). The situation is different in the construction sector, which has a higher employment level of 55,000 jobs, that is a gap of almost +3.5%. While construction has been a driving force in the rebound in employment since mid-2020, its workforce stagnated in 2021.

The situation in services is more heterogeneous. The level of employment is higher by nearly 263,000 jobs in total compared with its pre-crisis level, an increase of 1.3%. While some sectors, such as information and communication, have exceeded their pre-crisis levels, other sectors, such as accommodation and catering, still show negative differences, suggesting future catching-up effects, albeit much more limited than those anticipated in industry, even though this sector is still a major consumer of long-term furloughing scheme (APLD).

CHART A – CHANGE IN TOTAL PAID EMPLOYMENT BETWEEN THE 4TH QUARTER OF 2019 (PRE-CRISIS LEVEL) AND THE 3RD QUARTER OF 2021 BY SECTOR



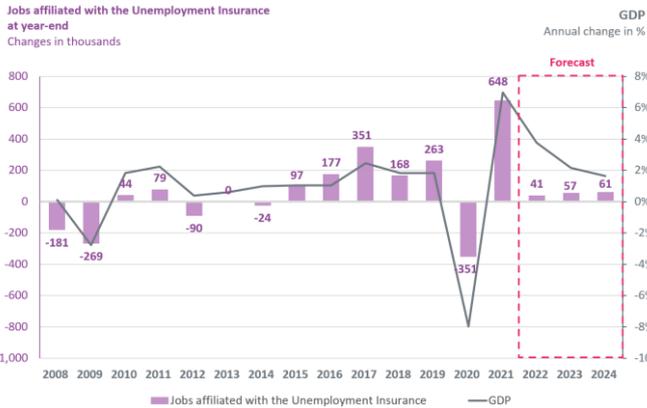
Source: Insee, Acoess, Dares

Scope: France excluding Mayotte, temporary employment is recorded in the user sector

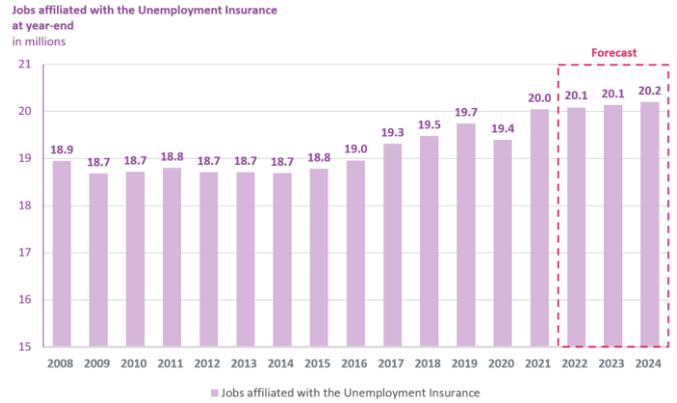
² Productivity is the ratio between output and the resources (labour and capital) used to obtain it. Labour productivity is calculated as follows: labour productivity = value added / number of employees. Productivity gain is the % change in productivity over a given period.

CHARTS 3A AND 3B – CHANGE AND NUMBER OF JOBS AFFILIATED WITH THE UNEMPLOYMENT INSURANCE SCHEME SINCE 2008

A – ANNUAL CHANGE



B – YEAR-END LEVEL IN MILLIONS

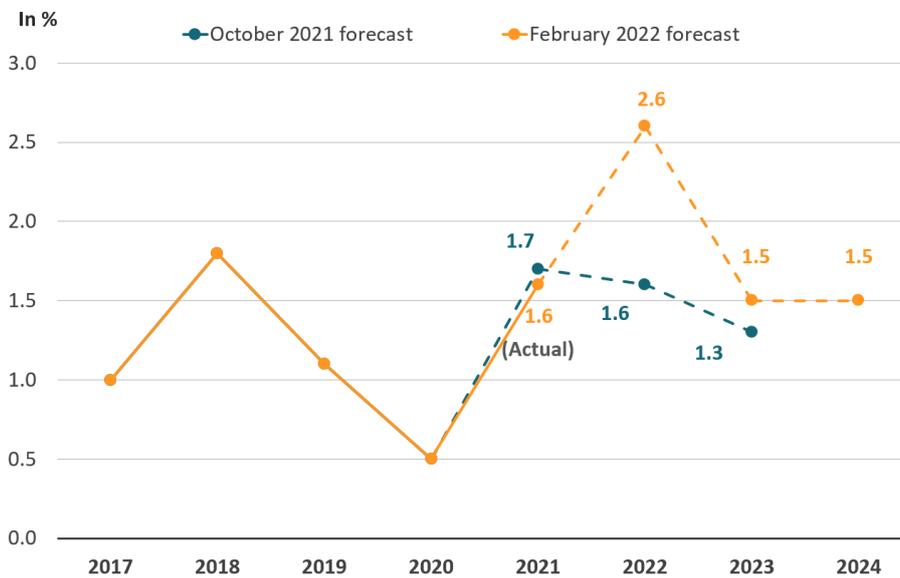


Sources: GDP: INSEE, February Consensus of economists; jobs affiliated with the Unemployment Insurance: Unédic's estimates based on salaried employment data co-produced by the Insee, Acoess and Dares; and Unédic forecasts. Year on year at the end of December. Scope: jobs affiliated with the Unemployment Insurance. France excluding Mayotte. Seasonally adjusted data.

A dynamic payroll driven by wage increases and a very favourable employment climate

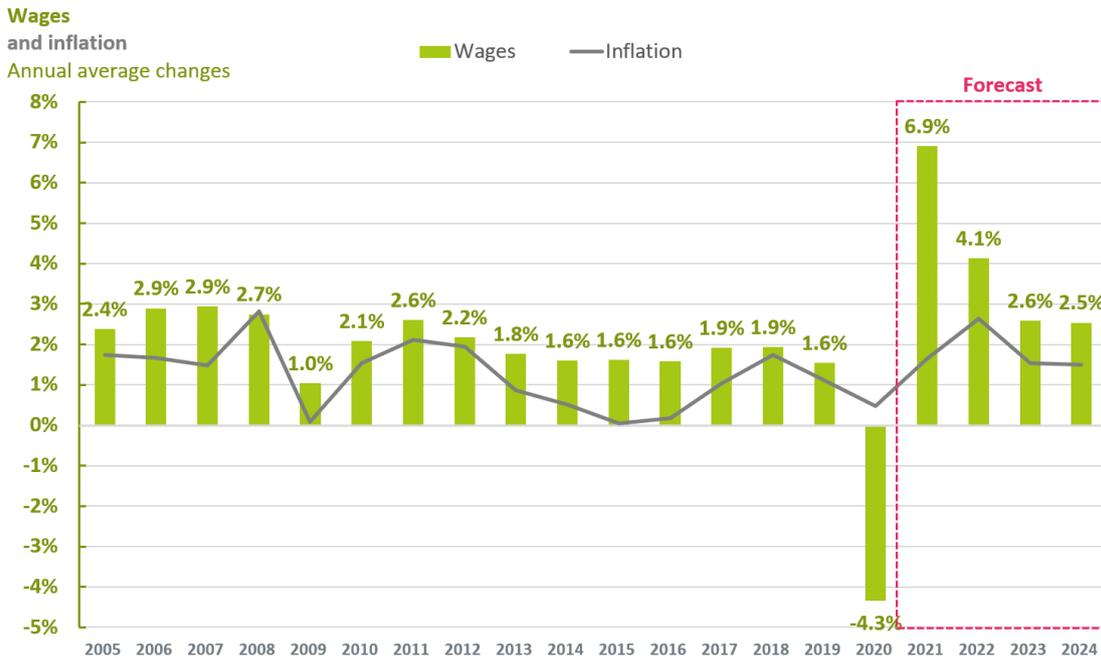
After a relatively low inflation level in 2020 of +0.5%, it increased in 2021 to +1.6% due to a positive contribution from energy prices. According to the Consensus Forecasts, **inflation is projected to rise again in 2022** with a significant increase of 1.0 percentage point to +2.6% before falling to +1.5% in 2023 and 2024 (Chart 4).

CHART 4 – INFLATION ASSUMPTIONS FOR 2022-2024, IN %



Sources: INSEE for the actual figures; Consensus of economists for the forecast figures.

CHART 5 – CHANGE IN WAGES (AVERAGE WAGE PER EMPLOYEE) AND INFLATION FOR 2022-2024, IN %



Sources: URSSAF CN for the actual figures; Consensus of economists and Unédic calculations for the forecasts.
 Scope: France excluding Mayotte, competitive contributors affiliated with the general scheme

The health crisis and the massive use of the furloughing scheme to protect employment have led to significant variations in the average wage per employee (AWPE) in 2020 and 2021; the AWPE actually establishes a ratio between the gross payrolls paid by all employers and the number of employees. However, furloughing scheme benefits are not considered as remuneration items. The payment of those benefits, if massive as was the case in 2020, lowers the AWPE and thus explains the sharp decrease in AWPE observed in 2020 (-4.3%) (Chart 5). As a result, the high level of furloughing scheme expenditures blurs the understanding of AWPE developments and makes its forecasting more complex³.

In 2021, the significant reduction in the number of employees under the furloughing scheme as well as the improvement in the state of the labour market and the rise in inflation led to a very strong rebound of +6.9% of the AWPE.

Over the remainder of the forecast horizon, as furloughing scheme expenditures become residual, the change in AWPE would again be more dependent on macroeconomic developments. From 2022, under the combined effect of a further rise in inflation and a fall in the unemployment rate that would put employees into a more favourable position in wage negotiations, the AWPE would still post a high growth of +4.1%. In 2023 and 2024, the AWPE would increase by +2.6% and then by +2.5%, developments that are still very favourable and even higher than the growth levels observed before the onset of the health crisis.

Ultimately, the very favourable orientations of the AWPE and employment would lead to payroll growth of +9.0% in 2021. Between 2022 and 2024, payroll would slow down but still remain at high levels: +5.7% in 2022, +2.9% in 2023 and +2.8% in 2024.

³ Frel-Cazenave E., Guggemos F. (2021), "With the furloughing scheme, the professional income of employees has, on average, not decreased in 2020", boxed in Overview, in Employment, unemployment, income from work, coll. "Insee Références" (Insee References), 2021 edition.

Unemployment rate: a significant fall over the forecast period

The number of unemployed people in category ABCD decreased by 404,000, this large-scale decrease in jobseekers at the end of the month (*“Demandeur d’emploi en fin de mois”* – DEFM) in category ABCD allowed a return to a level very close to that observed before the crisis in February 2020. Indeed, the number of jobseekers registered in category A decreased below its pre-crisis level, while the number of those registered in categories BCD increased compared to the pre-crisis level.

The fall in the unemployment rate was only observed at the end of 2021 to 7.4% of the labour force, while it had remained in the vicinity of 8.0% over the first three quarters of 2021. This fall in the unemployment rate appeared later than that of jobseekers at the end of the month in category A because the labour force increased sharply in 2021 due to the return to the labour force of discouraged workers and the massive inflows into apprenticeships.

The unemployment rate would then show more modest decreases over the forecast horizon due to lower employment. Finally, the unemployment rate is expected to be 7.3% at the end of 2022, 7.2% at the end of 2023 and 7.0% at the end of 2024.

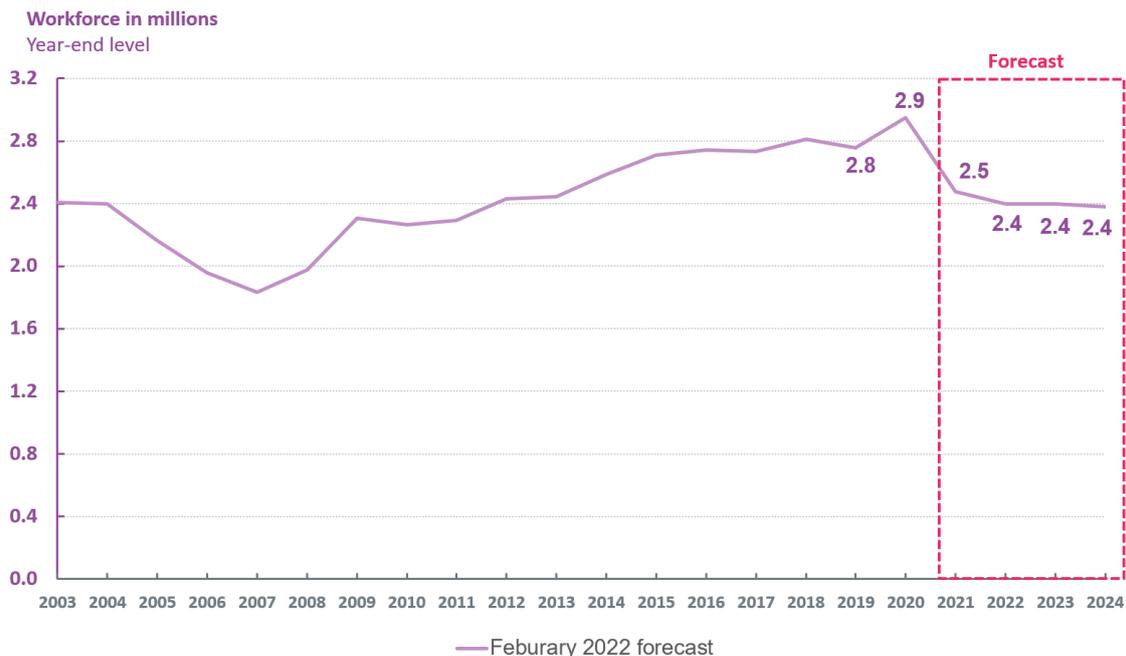
Unemployment benefits: as a result of the high employment numbers, the number of unemployed people receiving benefits is expected to decrease over the forecast period

At the end of 2020, due to the economic crisis and the continuation of payments to those whose entitlements had just ended following the extension of entitlements, 2.9 million persons received unemployment benefits, an increase of 193,000 people compared with the end of 2019 (*Chart 6*).

At the end of 2021, as a result of the end of the extensions of entitlements as well as the significant rebound observed in the labour market, the number of unemployed receiving benefits **decreased significantly** to 2.5 million persons (-471,000 people).

Over the forecast horizon, the number of unemployed people receiving benefits is expected to continue to fall but at a slower pace than in 2021 due to the slowdown in job creation. By the end of 2022, the number of unemployed people receiving benefits is estimated to be 2.4 million and is expected to decrease slightly in 2023 and 2024.

CHART 6 – NUMBER OF UNEMPLOYED PEOPLE RECEIVING UNEMPLOYMENT BENEFITS, YEAR-END FIGURES



Sources: Pôle emploi; Unédic, Unédic forecasts
 Scope: unemployment benefits paid under the ARE, AREF, ASP, AREP or ATI schemes. Whole of France. Seasonally adjusted data.

TABLE 3 – SUMMARY OF MACROECONOMIC ASSUMPTIONS USED FOR THE FORECAST

	2020	2021 Estimate	2022 Forecast	2023 Forecast	2024 Forecast
Growth, Prices and Wages					
GDP	-8.0%	+7.0%	+3.8%	+2.1%	+1.6%
CPI inflation	+0.5%	+1.6%	+2.6%	+1.5%	+1.5%
Average wage per employee (AWPE) in the competitive sector	-4.3%	+6.9%	+4.1%	+2.6%	+2.5%
Employment and payroll					
Jobs affiliated with the Unemployment Insurance					
change in annual average in percentage	-1.4%	+2.1%	+1.5%	+0.3%	+0.3%
annual average level	19,347,000	19,761,000	20,055,000	20,111,000	20,170,000
level at year-end	19,393,000	20,041,000	20,082,000	20,139,000	20,200,000
year-on-year at year end	-351,000	+648,000	+41,000	+57,000	+61,000
Payroll in the competitive sector	-5.7%	+9.0%	+5.7%	+2.9%	+2.8%
Unemployment					
Unemployed receiving Unemployment Insurance (ARE, AREF, ASP, AREP, change in annual average in percentage					
	+6.8%	-4.6%	-13.8%	-0.6%	-0.5%
annual average level	2,935,000	2,799,000	2,412,000	2,397,000	2,386,000
level at year-end	2,949,000	2,478,000	2,400,000	2,397,000	2,378,000
year-on-year at year end	+193,000	-471,000	-78,000	-3,000	-19,000
ILO unemployment rate (year-end)	8.1%	7.4%	7.3%	7.2%	7.0%

Sources: INSEE, Pôle emploi, dares, ACOSS, Unédic forecasts
Scope: Whole of France. Seasonally adjusted data.

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

Expenditures: favourable employment trends put expenditures on a downward path

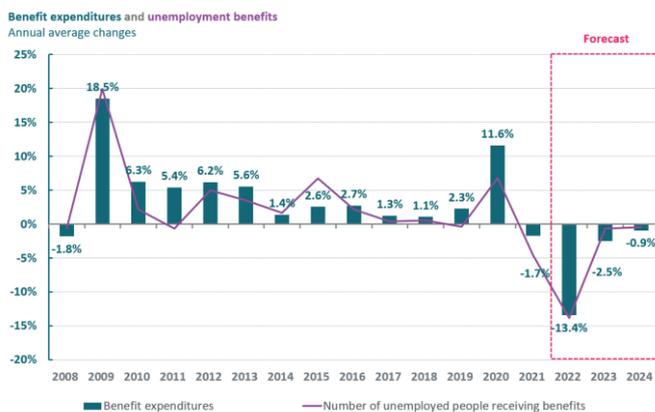
After the peak in 2020, **unemployment benefit expenditures** remained high in 2021 at €38.4bn (*Chart 7*).

They would then fall sharply to €33.2bn in 2022 due to the end of the emergency measures, the economic improvement and regulatory changes.

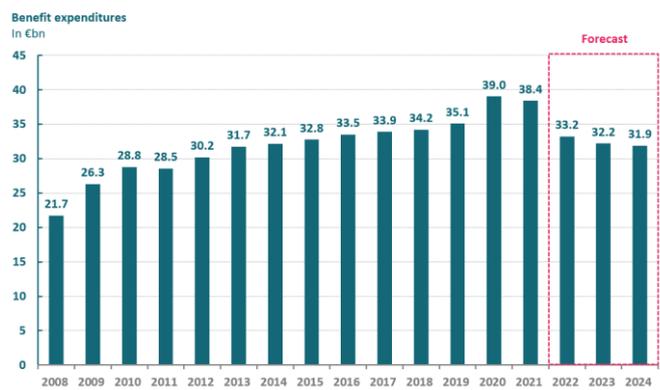
They are forecast to continue to fall, albeit at a slower pace thereafter, reaching €32.2bn in 2023 and €31.9bn in 2024, due to the effects of the continued improvement in the labour market and the increased level of new rules on the payment of benefits.

CHARTS 7A AND 7B – UNEMPLOYMENT BENEFIT EXPENDITURES UNTIL YEAR-END 2024

A – ANNUAL CHANGE IN %



B – LEVEL, IN €BN



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

The furloughing scheme expenditures financed by Unédic would amount to €3.9bn in 2021, compared with €7.5bn in 2020. They would be significantly reduced to €0.4bn in 2022 due to a return of activity to “normal” levels (see *part 1*). Over the remainder of the forecast horizon, expenditures are expected to remain at €0.2bn in 2023 and 2024.

Lastly, after exceptional levels in 2020 and 2021, Unédic's total expenditures are forecast to decrease sharply in 2022, from €49.4bn to €40.1bn, due to the exceptional rebound in employment in 2021, the impact on expenditures of which is usually felt a few months later. These expenditures would decrease more slightly thereafter: ultimately, it would fall by almost 20% compared to 2021, reaching €38.9bn at the end of 2024.

Revenues: driven by a good wage momentum, revenues are forecast to increase over the forecast period

In 2020, the fall in salaried employment, the loss of revenues from contributions due to furloughing scheme expenditures and the deferral of contributions negatively affected unemployment insurance contributions and led to a loss of contributions of €3.4bn compared to 2019.

The scheme's contributions then recovered sharply in 2021 to €39.4bn, an increase of €4.1bn compared to 2020. This recovery in revenues stemmed, on the one hand, from the end of deferred contributions and the decline in furloughing scheme, which explains the spectacular rebound in the average wage per employee and the strong job creation.

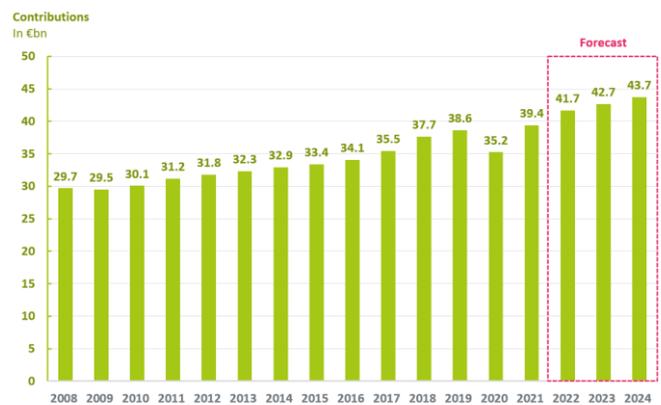
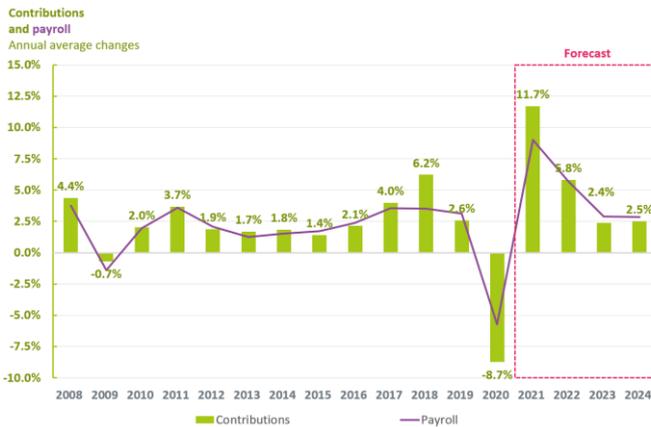
In 2022, unemployment insurance contributions would still show significant gains of around €2.3bn, thanks to a favourable change of the AWPE; unemployment insurance contributions would reach €41.7bn, that is an increase of +5.8% compared to 2021 in the wake of changes in payroll. During the years 2023 and 2024, contributions would amount to €42.7bn and €43.7bn respectively (Table 3).

Overall, Unédic's revenues would represent about 1.6% of total GDP in 2021, only a portion of that which was known before the crisis (Chart 9). Expenditures would then return to a share of GDP equivalent to that of 2007, at 1.4%, before the effects of the economic crisis of 2008 affected the Unemployment Insurance.

CHARTS 8A AND 8B – UNEMPLOYMENT INSURANCE CONTRIBUTIONS

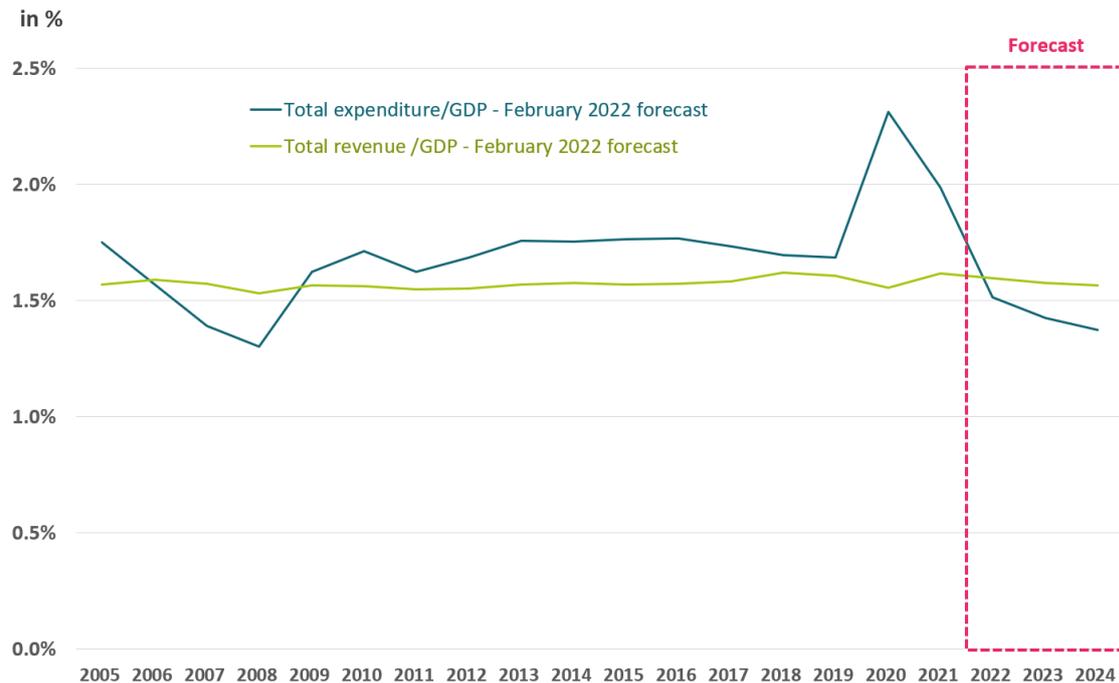
A – IN ANNUAL CHANGE, IN %

B – AS AN AMOUNT, IN €BN



Sources: Acoess, Unédic, Unédic forecasts.

CHART 9 – UNEMPLOYMENT INSURANCE EXPENDITURES AND REVENUES UNTIL 2024 YEAR-END, EXPRESSED IN % OF GDP



Source: Unédic, Unédic forecasts.

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

After -€17.4bn in 2020, the negative financial balance of Unédic partially cleared, reaching -€9.3bn at the end of 2021 (*Chart 10*).

The scheme would return to surpluses in 2022, with a balance of +€2.2bn (*Table 3*). This improvement in the balance of €11.4bn comes firstly from the end of the emergency measures (60%), secondly from the economic improvement (25%) and finally from the entry into force of the regulatory changes (15%).

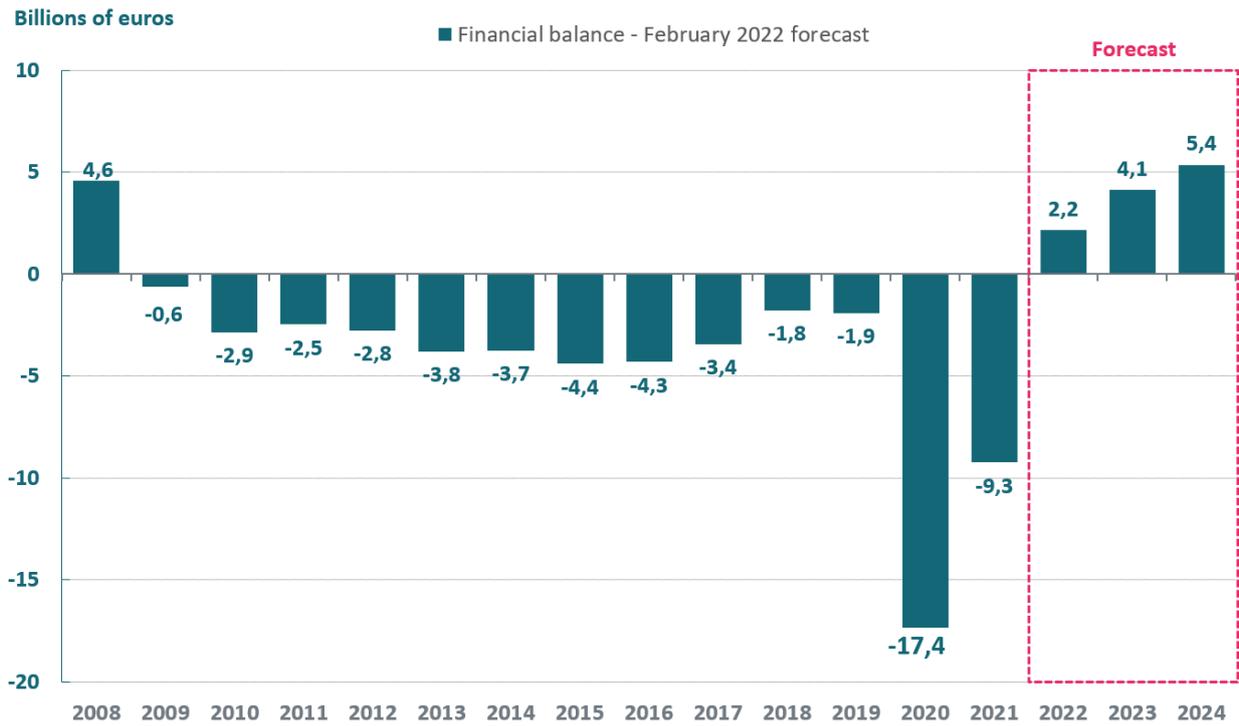
In 2023 and 2024, the balance would be even more in surplus (+€4.1bn and +€5.4bn respectively), due to the effect of the new regulations (approximately +€2bn per year) and economic conditions.

This improvement in the balance over the 2021-2024 horizon would come from the decrease in expenditures for almost 70% and the improvement in revenues for 30%. Thus, the crisis would have delayed by one year the return to surpluses expected before the pandemic⁴.

The surpluses from 2022 to 2024 are a perfect illustration of the regime's countercyclical nature and its high sensitivity to cyclical reversals. Although their amounts are higher, **these surpluses are comparable to those recorded in the past, when compared to revenues:** depending on the years and the position in the cycle, both surpluses and deficits are between more or less 2 months of revenues. In 2008, for example, the surplus was 1.8 months of revenues compared to 1.5 month in 2024 (*Chart 11*).

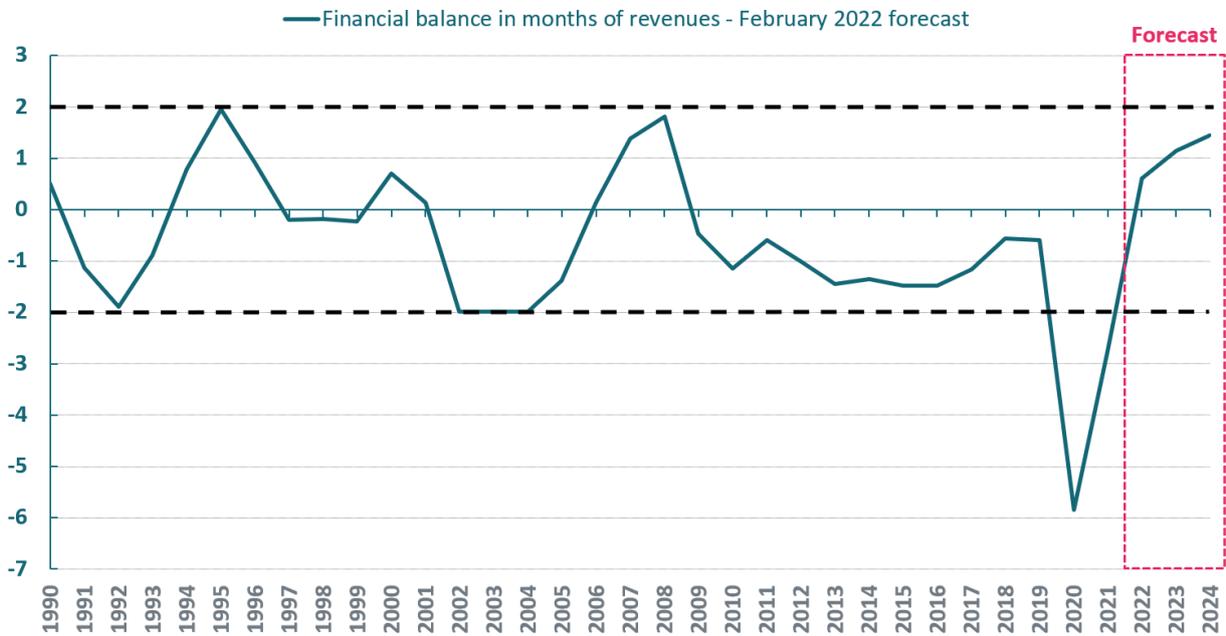
⁴ The February 2020 financial forecast note contemplated a return to surpluses from 2021 onwards.

CHART 10 – FINANCIAL BALANCE OF UNEMPLOYMENT INSURANCE, IN €BN



Source: Unédic, Unédic forecasts.

CHART 11 – FINANCIAL BALANCE OF UNEMPLOYMENT INSURANCE, EXPRESSED IN MONTHS OF REVENUES

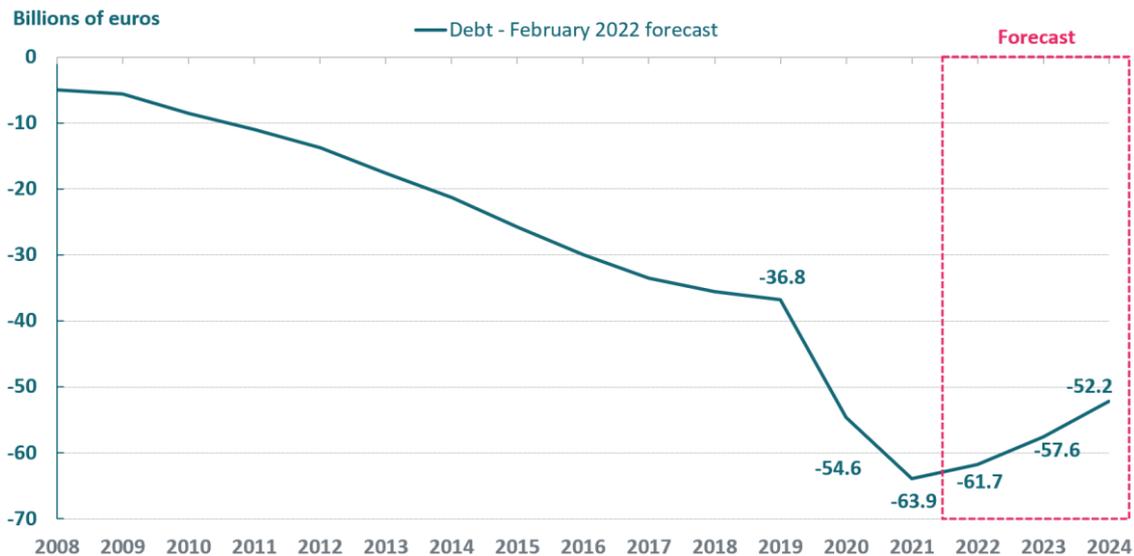


Source: Unédic, Unédic forecasts.

Scheme debt

Debt, which stood at €36.8bn before 2020, then at €63.9bn at the end of 2021, would begin its recovery trajectory as early as 2022. It is forecast to reach nearly €61.7bn at the end of 2022 and then continue to decrease to €57.6bn at the end of 2023, reaching €52.2bn at the end of 2024 (*Chart 12*).

CHART 12 – UNEMPLOYMENT INSURANCE SCHEME DEBT UNTIL THE END OF 2024, IN €BN



Source: Unédic, Unédic forecasts

Return to a countercyclical momentum halted by the Covid crisis

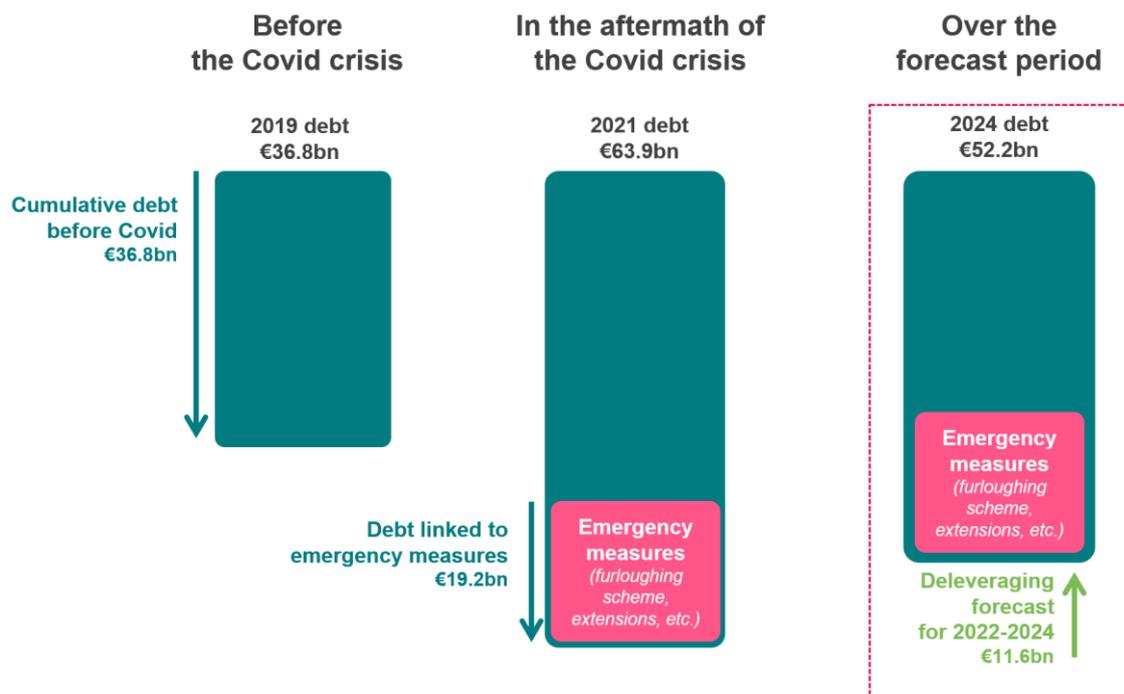
The accumulation of surpluses from 2022 to 2024 would represent +€11.6bn at the end of 2024, an amount that should be put into perspective with the debt accumulated by the scheme until then (*Figure 1*).

- **At the end of 2019, the debt of the scheme amounted to €36.8bn** (cf. *Financial Perspectives of the Unemployment Insurance 2017-2020*⁵). This debt is multifactorial: it results from the deteriorated economic situation after the years of financial crisis of 2008-2009 but also from decisions of the Government or European regulations (financing of Pôle emploi or regulation of the compensation of cross-border workers), decisions of changes in the compensation rules (Unemployment Insurance agreements) and changes in the labour market (development of short-term contracts, introduction of contractual terminations...).
- **The years 2020 and 2021 alone generated an additional €26.6bn in debt**, linked to the emergency measures (€19.2bn) (see *Box 3*) and the economic slowdown.

At the end of 2021, at the end of the crisis, the total debt of the scheme reached €63.9bn. **The cumulative surpluses in the years 2022-2024 would eliminate 18% of this total debt. Excluding emergency measures, the debt would reach €33.0bn in 2024** (*Figure 1*).

⁵ <https://www.unedic.org/publications/perspectives-financieres-de-lassurance-chomage-2017-2020>

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



Source: Unédic, Unédic forecasts

TABLE 3 – UNÉDIC EXPENDITURES AND REVENUES FOR 2019-2024

In billions of euros, as at 31 December	2019	2020	2021	2022	2023	2024
			Provisional	Forecast	Forecast	Forecast
Revenues	39,2	35,8	40,1	42,2	43,2	44,3
Unemployment Insurance Contributions	38,6	35,2	39,4	41,7	42,7	43,7
of which loss of revenues due to furloughing scheme		-2,1	-0,8	-0,1	0,0	0,0
of which main contributions	25,5	22,4	24,7	26,2	26,8	27,5
of which taxes of all kinds (GSC tax)	13,2	12,8	14,7	15,5	15,9	16,2
Other revenues	0,6	0,6	0,8	0,6	0,5	0,5
Expenditures	41,1	53,2	49,4	40,1	39,1	38,9
Gross benefits and subsidies*	35,0	39,0	38,4	33,2	32,2	31,9
Furloughing scheme expenditures	0,04	7,5	3,9	0,4	0,2	0,2
Pension funds	2,2	2,3	2,6	2,1	1,9	1,9
Other expenditure	3,9	4,4	4,5	4,4	4,8	5,0
of which Pôle emploi financing	3,5	4,1	4,3	3,9	4,3	4,6
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	2,2	4,1	5,4
Debt	-36,8	-54,6	-63,9	-61,7	-57,6	-52,2

*ARCE, CSP premium, end-of-entitlement benefits, etc.

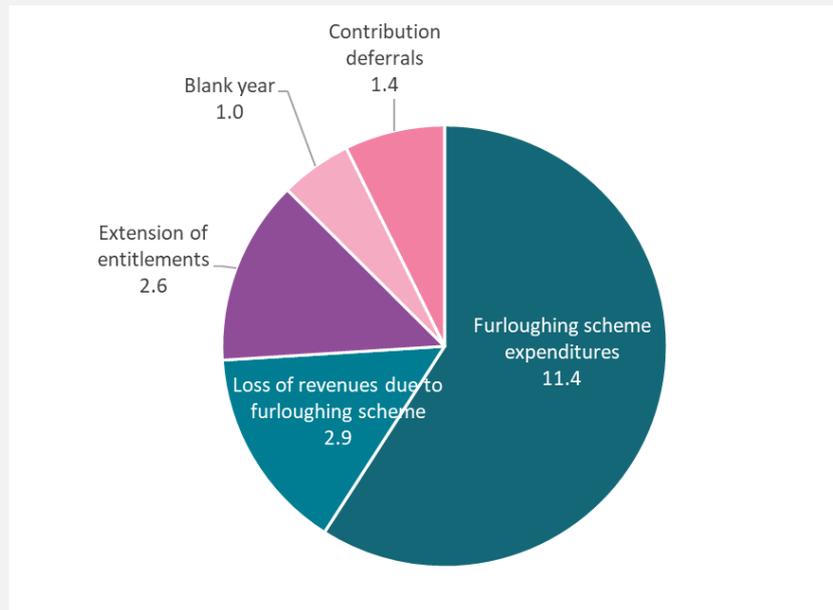
Source: Unédic, Unédic forecasts

BOX 3 - BREAKDOWN OF THE FINANCIAL EFFECTS OF EMERGENCY MEASURES

The emergency measures cost Unédic €19.2bn in 2020-2021. These measures can be broken down into:

- the financing of the furloughing scheme (€14.2bn), of which €11.4bn in compensation expenses and €2.9bn in reduced revenues,
- €3.6bn from the extension of entitlements, including €2.6bn for the unemployed people under the general scheme and €1bn for casual workers in the entertainment industry (blank year),
- €1.4bn in deferred unemployment contributions granted to companies since March 2020.

CHART 13 – FINANCIAL EFFECTS OF EMERGENCY MEASURES IN THE YEARS 2020 AND 2021



Source: Unédic, Unédic forecasts, calculated as of February 24, 2022

Debt management

In connection with the Covid-19 crisis, Unédic adapted in 2020 the size and format of its borrowings to secure the scheme's funding. In 2020, Unédic carried out €19bn of medium- and long-term new debt issuances, including €17bn in “social bonds” format⁶. In 2021, Unédic's bond funding activity remained significant with €12.5bn of new issuances.

As a reminder, each year, the Government grants an **explicit guarantee** for a specified amount in respect of Unédic's bond issues. The amount of the guarantee to cover Unédic's bonds is defined in the Finance Law. For 2022, it provides an amount of €6.25bn, a decrease from the years 2020 and 2021.

Despite the increased use of market financing since the spring of 2020, the cost of debt remains low for the scheme, in particular due to borrowings concluded at fixed rates in a context of low interest rates in the Euro zone. However, the recovery in economic activity observed in 2021 – accompanied by an increase in inflation – creates a rise in euro rates and could therefore have an impact on the cost of Unédic's debt over the medium term. The interest expenses on Unédic's debt is forecast to be €0.3bn in 2021, €0.4bn in 2022 and 2023 and €0.3bn in 2024.

⁶ See Unédic's first annual report: [Allocation and Impact Reporting - Social Bonds 2020](#)



FINANCIAL SITUATION OF THE UNEMPLOYMENT INSURANCE 2022-2024

24 February 2022

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