

# Financial situation of Unemployment Insurance for 2021-2023



17 June 2021

**After the major role played by Unemployment Insurance in 2020 and the first half of 2021 in connection with the health crisis, the scheme's financial situation is expected to improve in 2022 and 2023.**

The actions taken through the Unemployment Insurance scheme since March 2020 in support of businesses on the one hand (furloughing scheme), and the unemployed on the other (extension of entitlements of beneficiaries of the general scheme and of casual workers employed in the entertainment industry), have weighed heavily on the scheme's financial situation. Between 2019 and 2020, the scheme's debt increased by 45% in a single year, rising from €36.8 billion in 2019 to €54.6 billion in 2020.

**The first half of 2021 continued to be marked by the funding of measures taken to limit the effects of the crisis on the labour market**, including furloughing scheme expenditures and benefits paid to beneficiaries of the general scheme at the end of their entitlement being extended until the end of June 2021, which have significantly increased the scheme's expenditures.

However, apart from further risks due to the health crisis, **the situation is expected to improve significantly in the second half of 2021 and in 2022.** With the improvement of the health situation and gradual lifting of restrictions, growth expectations are now positive: **activity in 2022 is expected to return to its pre-crisis level**, resulting in an end to the reliance on the furloughing scheme and a rebound in the number of people in employment. The emergency measures concerning beneficiaries of Unemployment Insurance should also end. As a result, the number of beneficiaries is expected to decrease and revenues to increase. Finally, the entry into force of the Unemployment Insurance reform on 1 July 2021 would start to generate savings.

**Because of the reform and on the assumption of a return to a sufficiently robust labour market ("retour à meilleure fortune") by 1 January 2022, the scheme's balance of revenues and expenditures is expected to improve from a deficit of €12.0 billion in 2021 to a deficit of just €2.4 billion in 2022.** In 2023, the balance is forecast to continue to improve, with the gap between revenues and expenditures narrowing to close to zero as a result of the cyclical improvement. On the same time horizon, however, the unemployment rate and wages are not expected to have recovered to their pre-crisis levels: despite the reform, **a slight deficit of €0.5 billion is still expected in 2023. Unédic's debt is expected to reach €69.5 billion by the end of 2023.**

However, there is some **uncertainty** on whether the new formula for calculating the daily reference salary will be introduced **on 1 July 2021** as planned. An opinion from the Council of State is expected soon. Several forecasts are therefore included in this note (see Box 3, page 17).

## A. Assumptions used for forecasts

After the onset of the health crisis, the Unemployment Insurance scheme's financial situation deteriorated considerably in 2020. A situation compounded by the scheme's unprecedented expenditure on the job retention (furloughing) scheme and emergency measures such as extending the beneficiaries' entitlements. In spring 2021, the increased rate of vaccinations and possible long-lasting exit from the health crisis make a quick recovery in economic activity likely over the forecast period.

### Growth

#### 2021: a sharp rebound

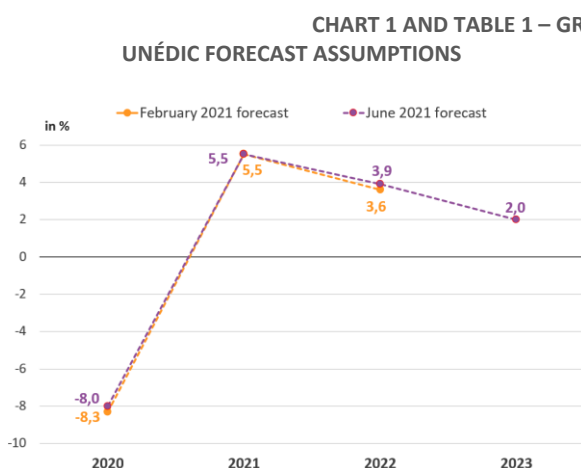
After an unprecedented 8.0% decline<sup>1</sup> in 2020, activity is expected to rebound sharply in 2021: according to the Consensus Forecasts' figures published in May, GDP growth in 2021 is forecast at +5.5% (*Chart 1*). France's 3<sup>rd</sup> lockdown in the spring had relatively little effect on activity, according to initial INSEE estimates<sup>2</sup> (*Chart 2*). As a result, the economy is expected to continue to recover. Nevertheless, this growth forecast remains highly dependent on the health situation and could be revised downwards in the event of a resurgent epidemic.

#### 2022: return of activity to 2019 level

In 2022, the economy is forecast to have fully recovered from the crisis and experience strong growth, with GDP growth of +3.9% forecast by the Consensus Forecasts. This forecasted growth means that activity will have returned to its 2019 level (*Chart 2*) and is in line with the average of GDP growth figures produced by other organisations (*Table 1*).

#### 2023: a return to normal?

After two years of strong growth linked to the ending of the health crisis, activity is expected to slow to +2.0% according to the consensus of economists' figures for 2023. Given the high level of uncertainty in this post-crisis period, this two-year growth forecast should be viewed with caution.



Sources: Consensus Forecasts for the forecasts.

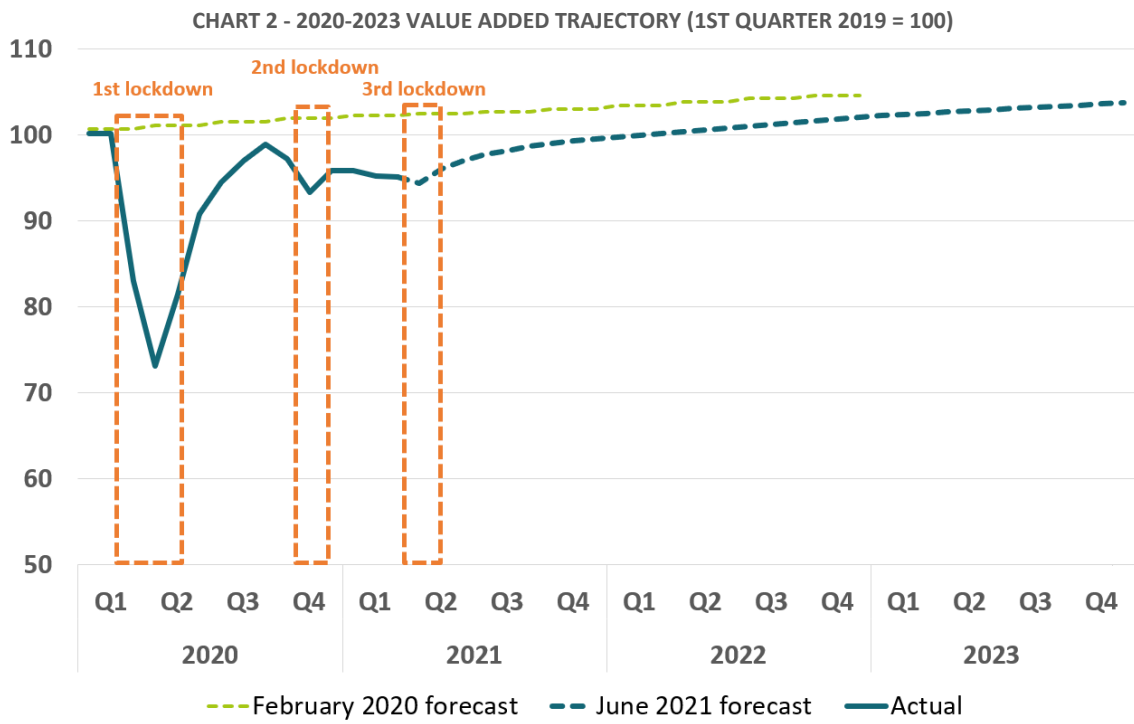
#### COMPARISON OF DIFFERENT FORECAST SOURCES

GDP Growth	2021	2022	2023	2022 GDP index (2019 = 100)
Consensus Forecasts (Unédic assumption)	5,5%	3,9%	2,0%	100,8
Banque de France (June 2021)	5,75%	4,0%	2,0%	101,2
OECD (June 2021)	5,8%	4,0%	-	101,2
European Commission (May 2021)	5,7%	4,2%	-	101,3
Government (April 2021)	5,0%	4,0%	2,3%	100,5
OFCE (April 2021)	5,0%	-	-	-
IMF (April 2021)	5,8%	4,2%	-	101,4
Unédic February 2021 forecast	5,5%	3,6%	-	100,6

Sources: Consensus Forecasts, European Commission, Banque de France, OECD, IMF, OFCE, government (*Stability Programme 2021-2027*).

<sup>1</sup> GDP was practically unchanged in the first quarter of 2021 (-0.1%), purchasing power of households' gross disposable income decreased (-1.0%) but remained above its pre-crisis level. Quarterly national accounts – Detailed results – First quarter 2021. INSEE, *Informations rapides* (key data), May 2021, No 136.

<sup>2</sup> INSEE, *Note de conjoncture* (note on the economic situation), May 2021.



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

Reading: in February 2020, GDP was forecast to increase in Q3 2020 compared with Q3 2019, rising to 101.6, based on Q1 2019 being taken as 100. In June 2021, the value added was forecast to contract by 3% in Q2 2021, compared with the end of 2019, i.e. a level of 97, based on Q1 being taken as 100.

## Temporarily laying off workers

The Temporary laying off, or furloughing, of workers, one-third of which financed by Unédic and two-thirds by the State, has supported the French economy since March 2020. Although lower than in 2020, furloughing expenditures (standard furloughing scheme and long-term furloughing scheme) were still substantial in the first months of 2021: **nearly €500 million a month were disbursed by Unédic between January 2021 and May 2021**, a period that continued to see many administrative closures (bars, restaurants, museums, cinemas, gyms, shops, etc.).

Long-term furloughing scheme (“*Activité partielle de longue durée*” – APLD) expenditures continue to be far below those of the standard furloughing scheme (7% of expenditures in February 2021) because the APLD scheme is still little used, possibly due to the higher rates of compensation paid by the standard furloughing scheme and absence of obligations to keep employees in employment under the scheme. However, it is likely that the standard furloughing scheme will end in 2022. The APLD scheme is expected to remain open only for those sectors that are likely to be permanently affected by the crisis (e.g. aeronautics industry).

**Apart from peaks in periods of lockdown, these expenditures are on a downward trend compared to 2020.** The main determinant of furloughing scheme expenditures, like the number of furloughed employees, continues to be the loss of activity as measured as the difference in value added when compared with the 4<sup>th</sup> quarter of 2019 (*Chart 3*). For 2021 and 2022, both the number of furloughed workers and amount of furloughing scheme expenditures are thus estimated based on loss in activity.

**Both the number of furloughed workers and furloughing expenditures are expected to gradually decrease in the second half of 2021**, in line with the return of activity to pre-crisis levels and reductions in the percentage of workers’ salaries paid under the standard furloughing scheme announced for this summer for unprotected sectors. Unédic’s furloughing expenditures are forecast to be €4.5 billion in 2021 and €0.7 billion in 2022

For 2023, with economic activity returning to its pre-crisis level, the number of furloughed workers is expected to return to a level close to the one before the crisis. Nevertheless, it is estimated that expenditure will be slightly higher than before the crisis (€200 million compared to €50 million in 2019) due to requests for assistance under the APLD scheme which will run over into 2023 and the learning effect of companies, which could use the system more quickly in case of difficulties.

**GRAPH 3 - VALUE ADDED TRAJECTORY AND FURLOUGHING SCHEME EXPENDITURES SINCE JANUARY 2020**



Sources: INSEE, for GDP; ASP, for furloughing scheme expenditures. Unédic calculations.

Reading: in April 2020, activity decreased by 28 percentage points compared with its 2019 level; furloughing scheme funding (ASP source) was then at its maximum of 8.5 billion euros (State + Unédic).

## Employment

Thanks to the support measures provided to companies, including the furloughing scheme, the considerable loss of activity caused by the first two lockdowns did not lead to comparable losses in terms of employment. Thus, at the end of the first lockdown, there was a loss of economic activity of around 18% compared to its level before the crisis, while there was a 3% loss in jobs in the private sector. At the end of 2020, at the time of the second lockdown, when the level of activity was still 5% below its pre-crisis level, the number of jobs covered by the unemployment insurance scheme was only 1.7% lower than at the end of 2019, which corresponds to a difference of around 332,000 people in employment in the private sector<sup>3</sup>.

The health crisis interrupted a strong upward trend in employment which saw large numbers of jobs created in the private sector between 2015 and 2019. At the beginning of 2021, salaried employment had returned to a level close to the one observed at the end of 2018.

Between the end of 2019 and end of 2020, the number of people in salaried employment (including public employees) fell by almost 296,000. **This adjustment in employment resulted in a sharp decline in hiring in the private sector** during 2020. Indeed, the number of new appointments fell sharply and was less than the number of appointments terminated, leading to a hiring deficit, particularly regarding employment contracts of indefinite duration. Specifically, **the fall in salaried employment was mostly seen in industry and market services (e.g. commerce, transport, accommodation and catering, etc.), where falls in numbers of salaried employees of around 387,000 were recorded** (84,000 in industry, or -2.4%, and 303,000 in market services, or -2.5%). Industry and market services were the most affected by restrictive health measures, as they include segments in which staff come into contact with the public (accommodation, catering, etc.) or which are highly dependent on people's mobility (manufacture of transport equipment, etc.). Conversely, at the end of 2020, construction and non-market services (e.g. public administration, education and health) recorded higher numbers of jobs, compared with their levels at the end of 2019: +27,000 jobs in construction, or +1.7%, and +63,000 jobs in non-market services, or +0.8%.

**At the beginning of 2021, employment showed encouraging signs of improvement**, although activity continued to be weakened by the various health restrictions:

- ▶ in the first quarter, according to the latest figures from INSEE, employment in the private sector was on an upward trend with around 89,000 jobs created, leading to a reduction in the gap between the number of jobs before and after the crisis, although there was a 5% contraction in activity in the first quarter compared with the pre-crisis level.
- ▶ although still lower than their pre-crisis level and despite an economic context still marked by health restrictions, new hire declarations collected by France's central agency for social security bodies ("*Agence centrale des organismes de sécurité sociale*" – ACOSS) showed an increase of 5.0%.

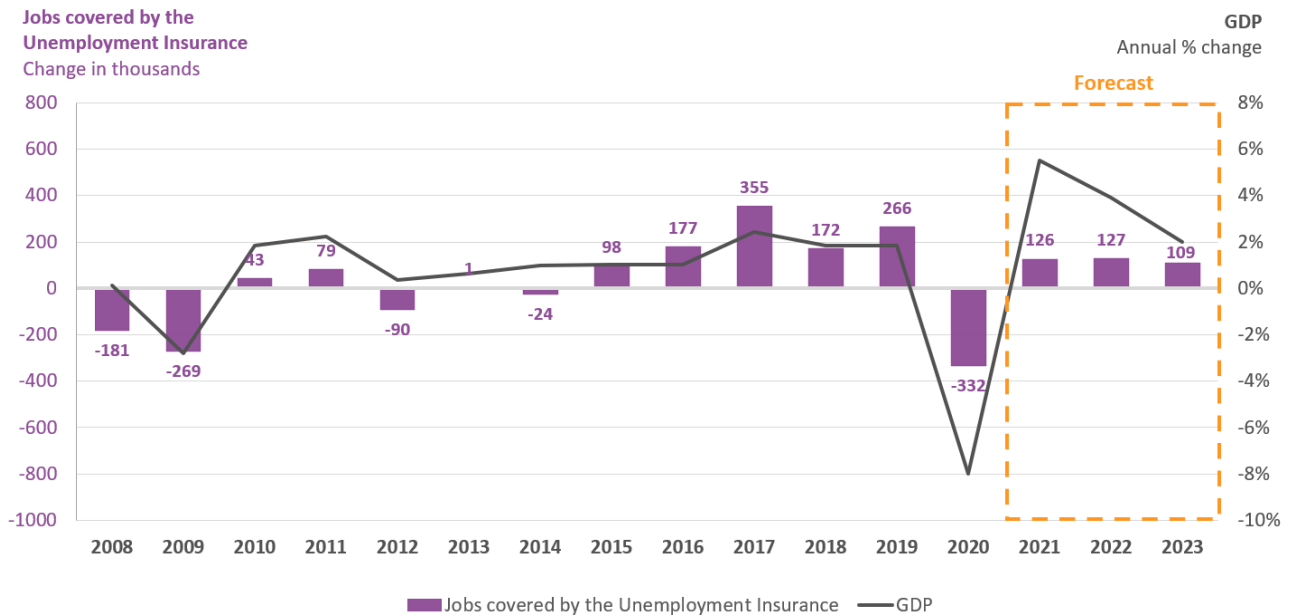
**Finally, at the end of 2021, thanks to the cyclical improvement linked to the end of health restrictions, the number of people in employment covered by the Unemployment Insurance scheme is expected to recover (+126,000 jobs year on year) and continue to grow in 2022 and 2023, with increases of +127,000 and +109,000 respectively (Charts 4A and 4B and Box 1).**

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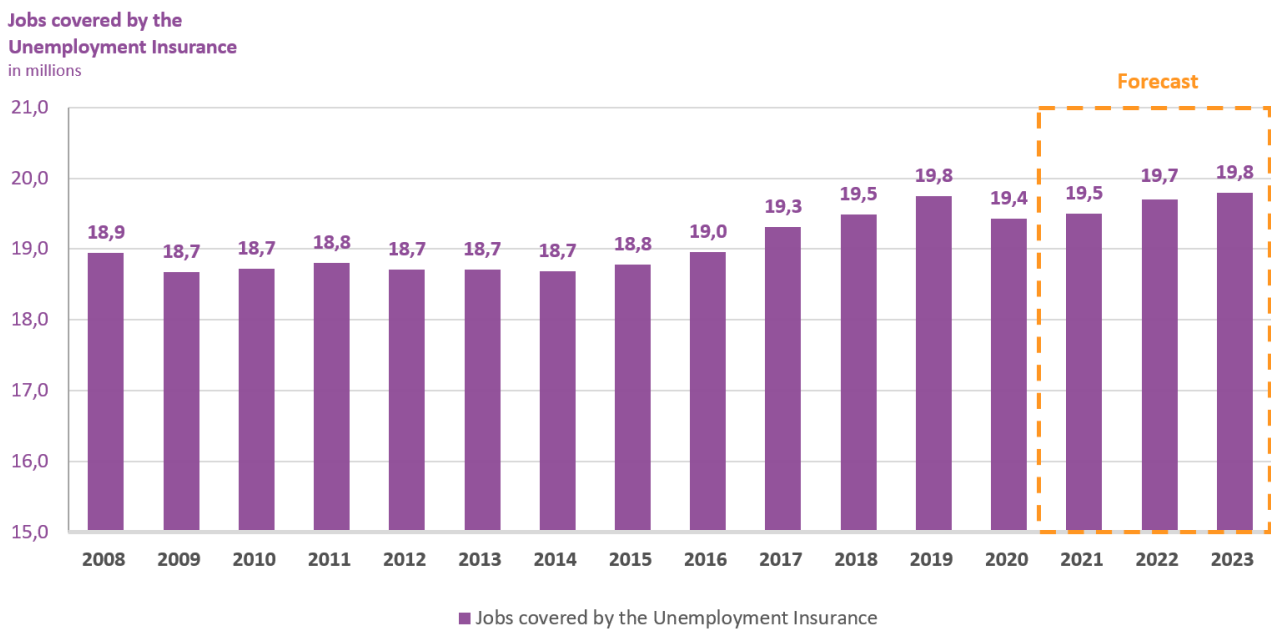
<sup>3</sup> It should be noted that this contraction in the number of jobs in 2020, although considerable in magnitude, is relatively minor given the loss of activity, which is comparable to the loss of activity due to the financial crisis of 2008-2009. Indeed, following that crisis at the end of 2009, salaried employment fell by 512,000 compared to its pre-crisis level while the loss of activity, compared to its pre-crisis level, was around 4%.

**CHARTS 4A AND 4B – CHANGE AND NUMBER OF JOBS COVERED BY UNEMPLOYMENT INSURANCE SCHEME SINCE 2008**

**A – ANNUAL CHANGE IN NUMBER OF PEOPLE IN EMPLOYMENT AT YEAR END**



**B – NUMBERS IN EMPLOYMENT AT YEAR END**



Sources: GDP: INSEE, Consensus Forecasts' May figures; jobs covered by Unemployment Insurance: Unédic's estimates based on employment data co-produced with INSEE, ACOSS and DARES; and Unédic forecasts. Year on year at 31 December.  
Scope: Jobs covered by Unemployment Insurance. Whole of France. Seasonally adjusted data.

### Unemployment rate

Since March 2020, the change in the number of category-A jobseekers registered at the end of the month with the French governmental employment agency *Pôle emploi* ("DEFM A") reflects the change in the number of unemployed during the health crisis: between the end of 2019 and end of 2020, the number of "DEFM A" jobseekers increased by +298,000, an order of magnitude comparable to the change in the number of those in employment.

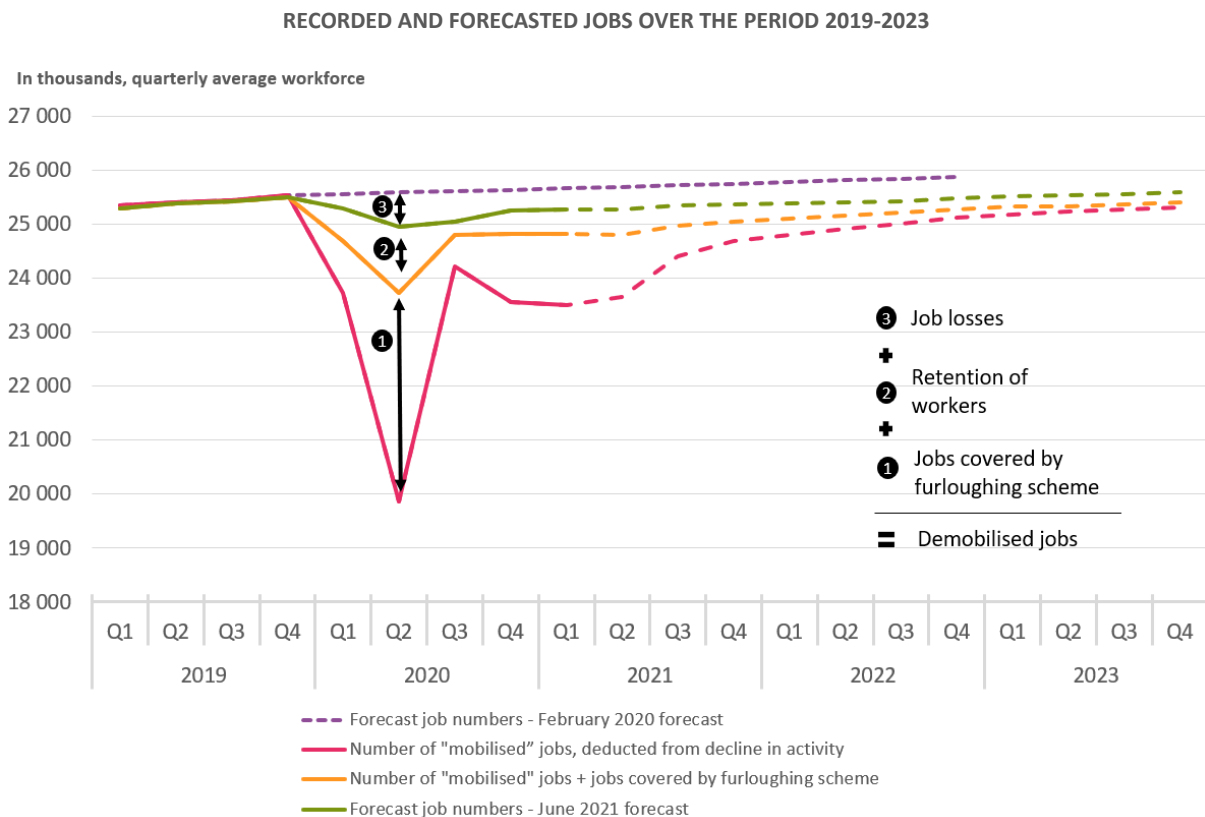
Conversely, the change in numbers of unemployed as measured by the International Labour Organisation (ILO) during recent months is difficult to interpret: at the end of 2020, the unemployment rate was 8.0%, down 0.1 percentage points from its level at the end of 2019. This decrease mainly reflects the fact that the lockdowns of 2020 led to a number of unemployed no longer being counted as part of the working population. Those people were not able to look for work in the usual ways as defined by the ILO, thus leading to an artificial reduction in the unemployment rate.

In the second half of 2021, some people who had temporarily withdrawn from the labour market or who had delayed their entry into working life are expected to be looking for work: with this increase in the working population, which would thus reverse its long-term trend, **the unemployment rate is forecast to increase to 9.1% by the end of 2021. From 2022 onwards, the change in the number of those unemployed is expected to again match the change in the number of those in employment, with an unemployment rate of 8.7% at the end of 2022 and 8.4% at the end of 2023.**

#### Box 1 - Unédic's forecasting method

Since June 2020, the forecasting method has been modified due to the scale of the crisis and the need to take into account the furloughing scheme, the effects of which vary greatly between sectors. Unédic's forecasts are now based on estimates of the level of activity for each sector. These losses in activity are expressed in terms of the volume of so-called "demobilised" jobs, that is, jobs which are endangered by the decline in activity (assuming that the contraction of value added threatens an equivalent percentage of jobs).

The number of jobs is determined based on the estimated number of "demobilised" jobs after deducting the number of jobs covered by the furloughing scheme (see above) – (for more details on the method used, see Unédic's forecasts of the financial situation of 18 June and 21 October 2020).



Source: Unédic forecasts.





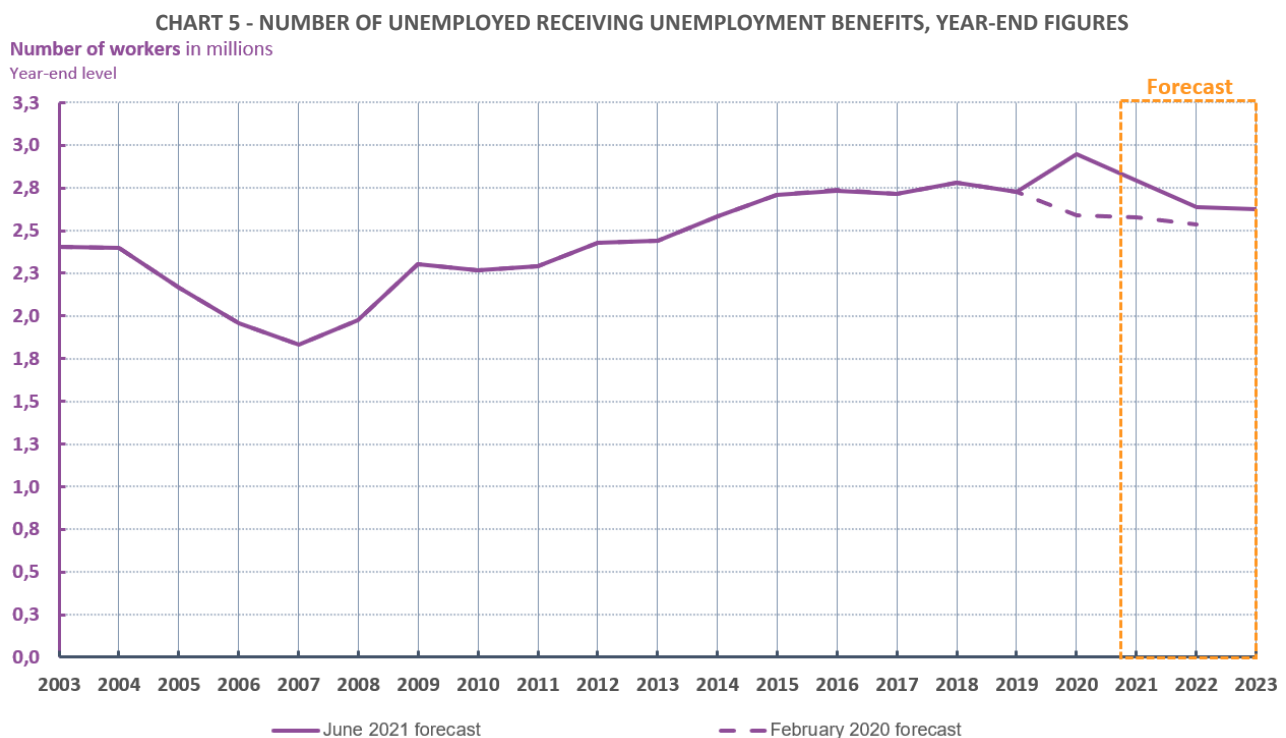
The **exceptional support measures** for those severely affected by the Covid crisis are also taken into account in the forecasting exercise:

- ▶ extension of entitlements announced until the end of June 2021 for beneficiaries of the general scheme whose unemployment entitlements have just ended or are about to end<sup>5</sup>; this measure leads to additional expenditure of +€0.7 billion in 2020 and +€1.9 billion in 2021;
- ▶ extension of entitlements for casual workers in the entertainment industry until December 2021 (“blank year” or year of no change) and adjustments to entitlement conditions on 1 January 2022. The extension of the “blank year” or year of no change now announced until December 2021 would lead to an additional cost of +€0.5 billion in 2020 and, similarly, +€0.5 billion in 2021 compared to a year without the crisis.

### Unemployed receiving benefits

**At the end of 2020**, due to the loss of jobs, continuation of payments to those whose entitlements had just ended or were about to end and change in the conditions of entitlement from 6 to 4 months on 1 August 2020, **2.9 million people received unemployment benefits**, i.e. an increase of +222,000 compared with the end of 2019.

By the end of 2021, the number of people receiving benefits is forecast to decrease by 154,000 compared to the end of 2020, due to the cyclical improvement and the end-of-entitlement extension scheme. In subsequent years, with the resumption of employment and the full effect of the new unemployment insurance rules (mainly as a result of more restrictive entitlement conditions, see Box 2), the number of unemployed receiving benefits is expected to fall by 158,000 by the end of 2022, and by 10,000 by 2023, bringing **the number of unemployed receiving benefits to around 2.6 million by the end of 2023**. However, this improvement will not achieve a return to the trajectory anticipated before the crisis, in February 2020 (*Chart 5*).



Sources: Pôle emploi; Unédic, Unédic forecasts.

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

<sup>5</sup> Unédic, “Extension of entitlements: what effects on the unemployment insurance scheme?”, May 2021. [Extension of entitlements: what effects on the unemployment insurance scheme?](#)

TABLE 3 - SUMMARY OF MACROECONOMIC ASSUMPTIONS OF THE FORECAST

	2019	2020	2021 Forecast	2022 Forecast	2023 Forecast
<b>Growth, Prices, Employment, Salary, Unemployment (annual average change)</b>					
<b>GDP</b>	+1,8%	-8,0%	+5,5%	+3,9%	+2,0%
Consumer price index	+1,1%	+0,5%	+1,3%	+1,1%	+1,4%
<b>Jobs covered by the Unemployment Insurance</b>	<b>+1,2%</b>	<b>-1,3%</b>	<b>+0,7%</b>	<b>+0,6%</b>	<b>+0,7%</b>
Average wage per capita (AWPC) in the competitive sector	+1,7%	-4,8%	+4,1%	+3,4%	+2,5%
Payroll in the competitive sector	+3,1%	-6,1%	+4,8%	+3,9%	+3,1%
ILO unemployment rate (year-end)	8,1%	8,0%	9,1%	8,7%	8,4%
<b>Unemployed receiving unemployment insurance (ARE, AREF, ASP, AREP, ATI)</b>	<b>+0,3%</b>	<b>+7,1%</b>	<b>+0,5%</b>	<b>-7,9%</b>	<b>-2,8%</b>
<b>Unemployment (level at end of seasonally adjusted period)</b>					
Jobs covered by the Unemployment Insurance	19 754 000	19 422 000	19 548 000	19 675 000	19 784 000
Unemployed receiving benefits (ARE, AREF, ASP, AREP, ATI)	2 726 000	2 948 000	2 794 000	2 636 000	2 626 000
<b>Jobs, Unemployment (change over the period)</b>					
<b>Jobs covered by the Unemployment Insurance</b>	<b>+266 000</b>	<b>-332 000</b>	<b>+126 000</b>	<b>+127 000</b>	<b>+109 000</b>
<b>Unemployed receiving benefits (ARE, AREF, ASP, AREP, ATI)</b>	<b>-56 000</b>	<b>+222 000</b>	<b>-154 000</b>	<b>-158 000</b>	<b>-10 000</b>

Sources: INSEE, Pôle emploi, DARES, ACOSS, Unédic's forecast of February 2021.

Scope: Whole of France. Seasonally adjusted data.

## B. Financial situation 2021-2023 – with Unemployment Insurance reform on 1 July 2021

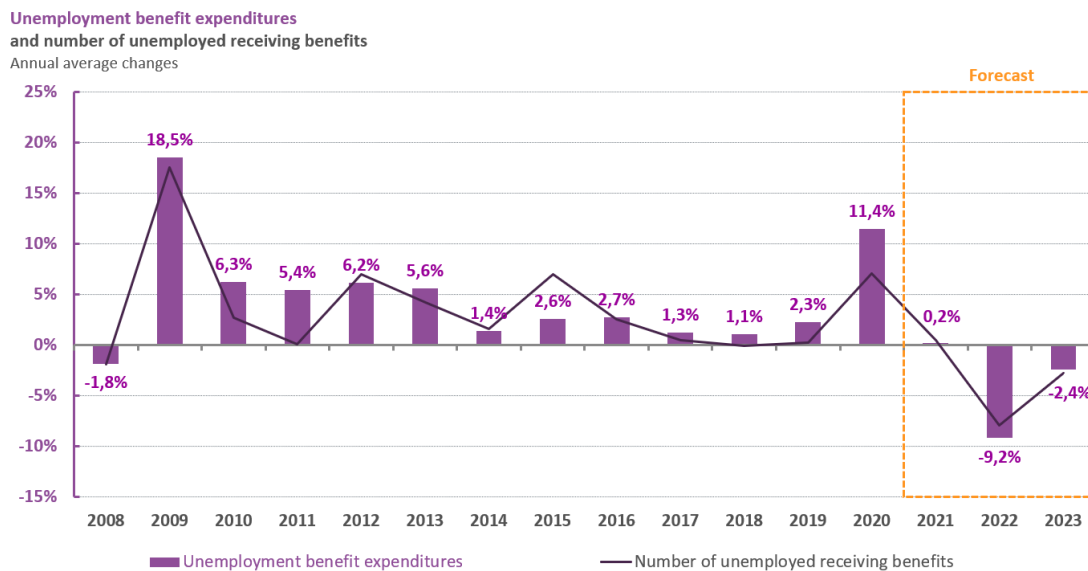
The following results are based on the regulations known to date, i.e. with the Unemployment Insurance reform as announced in the decree of 30 March 2021. Box 3 (page 17) shows the scheme's situation in the event that the reform is cancelled in part or in full following the decision of the Council of State.

### Expenditures (with Unemployment Insurance reform on 1 July 2021)

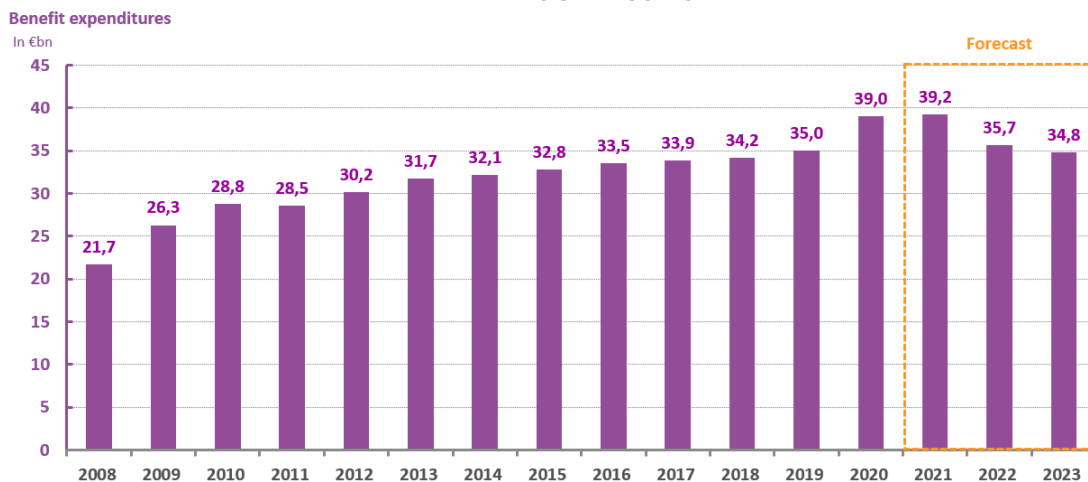
The scheme's expenditures are forecast to fall between 2021 and 2023 after the peak reached in 2020.

**Unemployment benefit expenditures** totalled €39.0 billion in 2020 and are forecast to level off in 2021, mainly due to the end-of-entitlement extension measures (*Chart 6*). In 2022, expenditures are forecast to fall due to an improved economic situation, savings arising from the new Unemployment Insurance rules and an end to the 2020-2021 emergency measures. In 2023, expenditures are forecast to continue to fall due to the effects of the reform and increase in the numbers in employment.

CHART 6A AND 6B – UNEMPLOYMENT BENEFIT EXPENDITURES UNTIL YEAR-END 2023  
A - IN TERMS OF ANNUAL CHANGE



B – IN TERMS OF AMOUNTS



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

**Furloughing scheme funding** borne by Unédic is forecast to amount to €4.5 billion in 2021, compared with €7.5 billion in 2020. It is expected to reach €0.7 billion in 2022 and finally €0.2 billion in 2023 (see details on page 3).

**The expenditures linked to the funding of the *Pôle emploi* budget** since 2020 equal 11% of the annual contributions collected by Unédic during year Y-2, i.e. €4.1 billion for 2020. These expenditures are forecast to continue to grow and reach €4.3 billion in 2021, due to the increase in Unédic's revenues two years earlier. They are forecast to fall to €3.9 billion in 2022, due to the decline in 2020 revenues. Finally, they are expected to increase again to €4.2 billion in 2023, a level comparable to 2020 expenditures, due to the 2021 economic recovery.

**In 2021, Unédic's expenditures are expected to total around €50.9 billion, or -4% compared to 2020. In 2022, expenditures are forecast to fall sharply to €43.0 billion, or -16% compared to 2021, and to €41.9 billion in 2023, a reduction of -2% compared to 2022 (Table 4).**

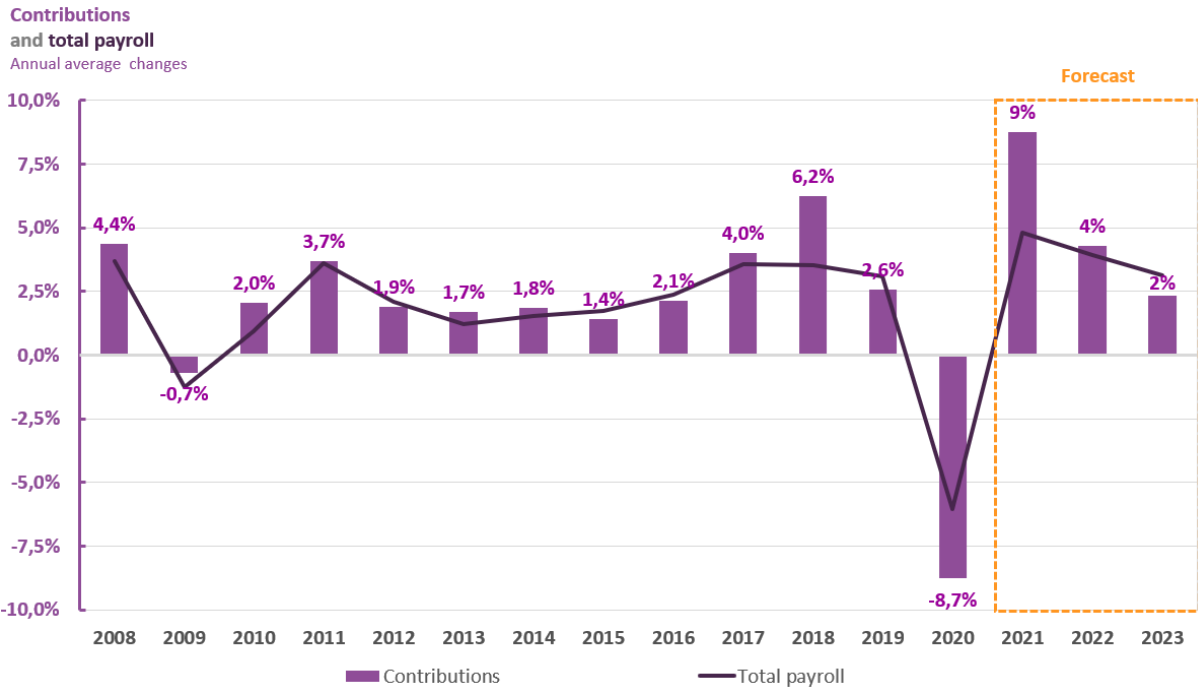
## Revenues

Excluding the Covid crisis, Unédic's revenues should have grown on average by 2.7% a year between 2020 and 2022, as they are linked to changes in total payroll. Yet they have contracted since March 2020, due to the fall in, and deferral of contributions.

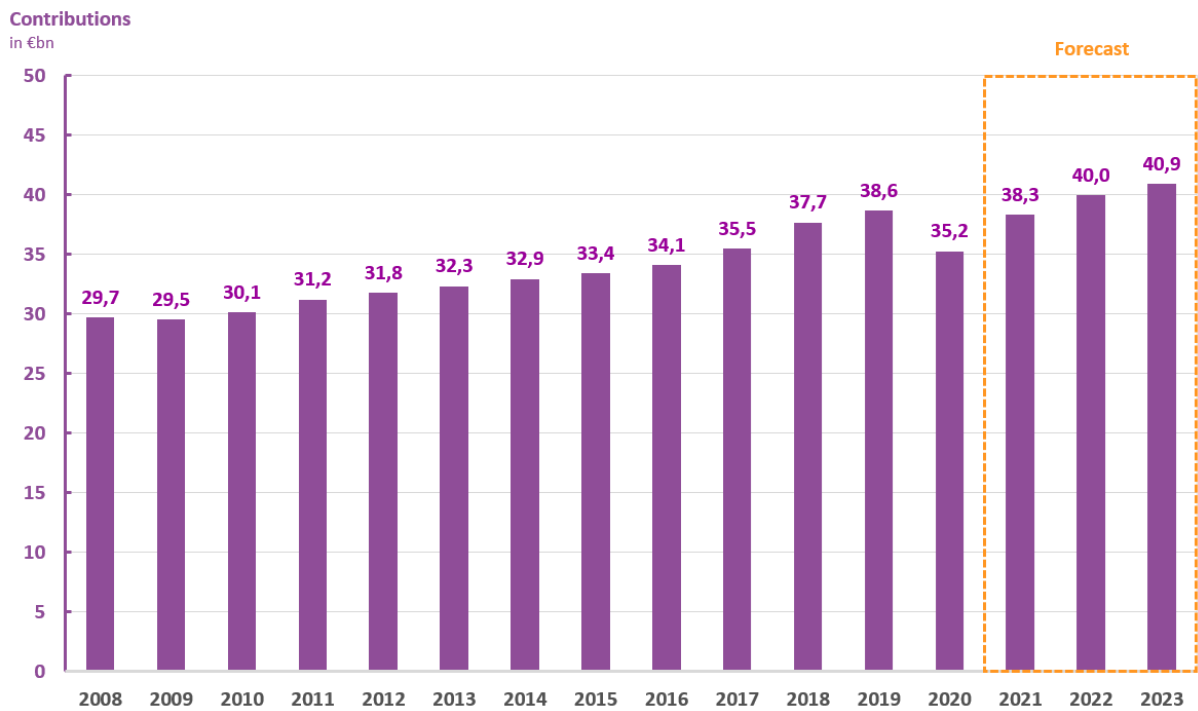
- ▶ **Under the effect of the fall in activity** and therefore in jobs, the total payroll subject to unemployment contributions (employer's contributions and GSC on income from employment) has decreased. In addition, payments made to furloughed workers paid instead of workers' normal wages are not subject to employer's contributions or GSC. Finally, these **shortfalls (excluding contribution deferrals) and the effects on revenues of the decline in activity** are expected to be around €3.0 billion in 2020, €1.8 billion of which are due to the furloughing scheme. Shortfalls due to the furloughing scheme are then expected to decrease, given the reduction in furloughing scheme expenditures to be almost zero in 2023. However, due to the effects of the economic situation on total payroll, the shortfall is expected to continue (Chart 7).
- ▶ Since March 2020, the State has authorised the deferral of social security contributions, a part of which concerns Unemployment Insurance revenues.
- ▶ **For private-sector employers:** deferrals of unemployment contributions (employers' contributions and GSC on income from employment) amounted to more than €1.3 billion in 2020, or 3% of Unédic's annual revenues. Of this €1.3 billion, €0.4 billion was offset by the State and ACOSS, through the measures to compensate for exemptions and support for the payment of contributions granted in the third amending finance law of July 2020. It is assumed that two-thirds of the remainder to be recovered by the end of 2020 in respect of these deferred contributions will be paid in 2021 and in 2022, i.e. around €0.6 billion. At the beginning of 2021, the contribution deferral arrangements were extended. We assume that collection will return to normal in 2022. We anticipate that by the end of 2021, €0.9 billion will not have been recovered for periods of employment concerning 2021. Of this €0.9 billion, €0.4 billion is expected to be offset by the State. We also assume here that two-thirds of the remainder to be recovered by the end of 2021 in respect of these deferred contributions will be paid in 2022 and 2023, i.e. approximately €0.3 billion.
- ▶ **For the self-employed:** in view of the deferral of GSC in respect of 2020 and the facilities granted by Urssaf for the payment of contributions (2020 contributions calculated on the basis of 50% of 2019 income), the remainder to be recovered in respect of the deferred self-employed contributions at the end of 2020 is expected to amount to €0.5 billion. We assume that half of the remainder to be recovered by the end of 2020 will be recovered between 2021 and 2023, i.e. approximately €0.2 billion.

**In 2021, we forecast Unemployment Insurance revenues to total €38.9 billion, an increase of +9% compared with the previous year, a level close to that observed in 2019. We also expect these revenues to increase in the following years and reach €40.6 billion in 2022 and €41.5 billion in 2023 (Table 4).**

**CHARTS 7A AND 7B- CHANGE IN AND LEVEL OF UNEMPLOYMENT INSURANCE CONTRIBUTIONS UNTIL YEAR-END 2023**  
**A - IN TERMS OF ANNUAL CHANGE**



**B – IN TERMS OF AMOUNT**



Sources: ACOSS, Unédic forecasts.

TABLE 4 - UNÉDIC EXPENDITURES AND REVENUES FOR 2019-2023

<i>In billions of euros, as at 31 December</i>	2019	2020	2021	2022	2023
			Forecast	Forecast	Forecast
<b>Revenues</b>	<b>39,2</b>	<b>35,8</b>	<b>38,9</b>	<b>40,6</b>	<b>41,5</b>
Unemployment Insurance contributions	38,6	35,2	38,3	40,0	40,9
<i>of which loss of revenues due to furloughing scheme</i>		-1,8	-1,0	-0,2	-0,05
<i>of which main contributions</i>	25,5	22,4	23,8	25,1	25,6
<i>of which taxes of all kinds (GSC tax)</i>	13,2	12,8	14,5	14,9	15,3
Other revenues	0,6	0,6	0,6	0,7	0,6
<b>Expenditures</b>	<b>41,1</b>	<b>53,2</b>	<b>50,9</b>	<b>43,0</b>	<b>41,9</b>
Gross benefits	35,0	39,0	39,2	35,7	34,8
Temporary laying off (furloughing) workers	0,04	7,5	4,5	0,7	0,2
Pension funds	2,2	2,3	2,5	2,4	2,3
Other expenditure	3,9	4,4	4,7	4,3	4,6
<i>of which Pôle emploi financing</i>	3,5	4,1	4,3	3,9	4,2
<i>of which interest expense on debt</i>	0,3	0,2	0,4	0,3	0,3
<b>Financial balance</b>	<b>-1,9</b>	<b>-17,4</b>	<b>-12,0</b>	<b>-2,4</b>	<b>-0,5</b>
<b>Net debt (debt)</b>	<b>-36,8</b>	<b>-54,6</b>	<b>-66,6</b>	<b>-69,0</b>	<b>-69,5</b>
<b>Financial balance, excluding furloughing</b>	<b>-1,9</b>	<b>-8,1</b>	<b>-6,5</b>	<b>-1,6</b>	<b>-0,2</b>
<b>Debt excluding furloughing</b>	<b>-36,8</b>	<b>-45,4</b>	<b>-51,9</b>	<b>-53,4</b>	<b>-53,7</b>

Source: Unédic, Unédic forecasts

#### Financial balance (with Unemployment Insurance reform on 1 July 2021)

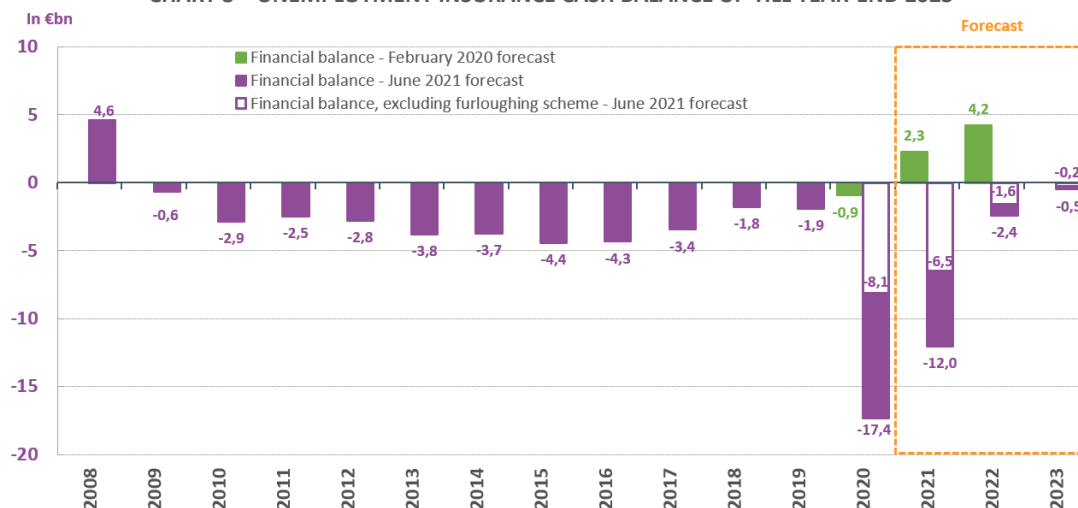
After a deficit of -€17.4 billion in 2020, we expect Unédic's annual deficit to reduce partially in 2021, to stand at -€12.0 billion at year-end 2021.

We expect the deficit to reduce further in 2022 to -€2.4 billion (Table 3), partly because of the end of the emergency measures and reduction in the use of the furloughing scheme, and partly because of an economic situation leading to fewer unemployed receiving benefits and more revenues. We expect this trend to be accentuated further because of the effects of the reform introduced on 1 July 2021, which we expect to reduce unemployment benefit expenditures.

By 2023, we expect break-even to be very nearly achieved (-€0.5 billion). However, we do not expect the unemployment rate and wages to have recovered to their pre-crisis levels by 2023: while the working population is expected to continue to grow according to INSEE's demographic projections, there will be a lag in activity, average wages and job creation compared with the pre-crisis trajectory.

Excluding furloughing scheme expenditures, we expect the Unemployment Insurance scheme's deficit to be much reduced: -€8.1 billion for 2020, -€6.5 billion for 2021, -€1.6 billion for 2022 and -€0.2 billion in 2023 (Chart 8).

CHART 8 – UNEMPLOYMENT INSURANCE CASH BALANCE UP TILL YEAR-END 2023



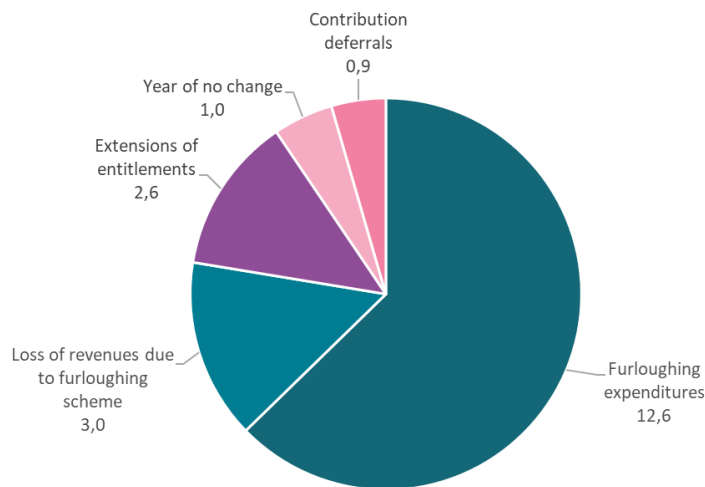
Source: Unédic, Unédic forecasts.

### Effects of the Covid crisis on the Unemployment Insurance scheme's financial balance at year-end 2022

The **funding of the furloughing scheme, deferred contributions and other emergency measures** (extensions of entitlements for the general scheme and casual workers in the entertainment industry) are ultimately expected to generate **nearly €20 billion in additional debt** for the Unemployment Insurance scheme (Chart 9).

If we add the increase in unemployment benefit expenditures, growth in expenditures due to supplementary pension funds, drop in revenues due to the Covid crisis and change in *Pôle emploi* expenditures, we estimate that **the Covid crisis will have cost the scheme around €37 billion in 2022**, compared with the pre-crisis trajectory (Chart 10).

**CHART 9 – EFFECTS OF FURLOUGHING SCHEME, DEFERRED CONTRIBUTIONS AND OTHER EMERGENCY MEASURES ON THE SCHEME'S DEBT BETWEEN 2020 AND 2022 IN BILLIONS OF EUROS**



Source: Unédic, Unédic forecasts.

### Debt and debt management (with Unemployment Insurance reform introduced on 1 July 2021)

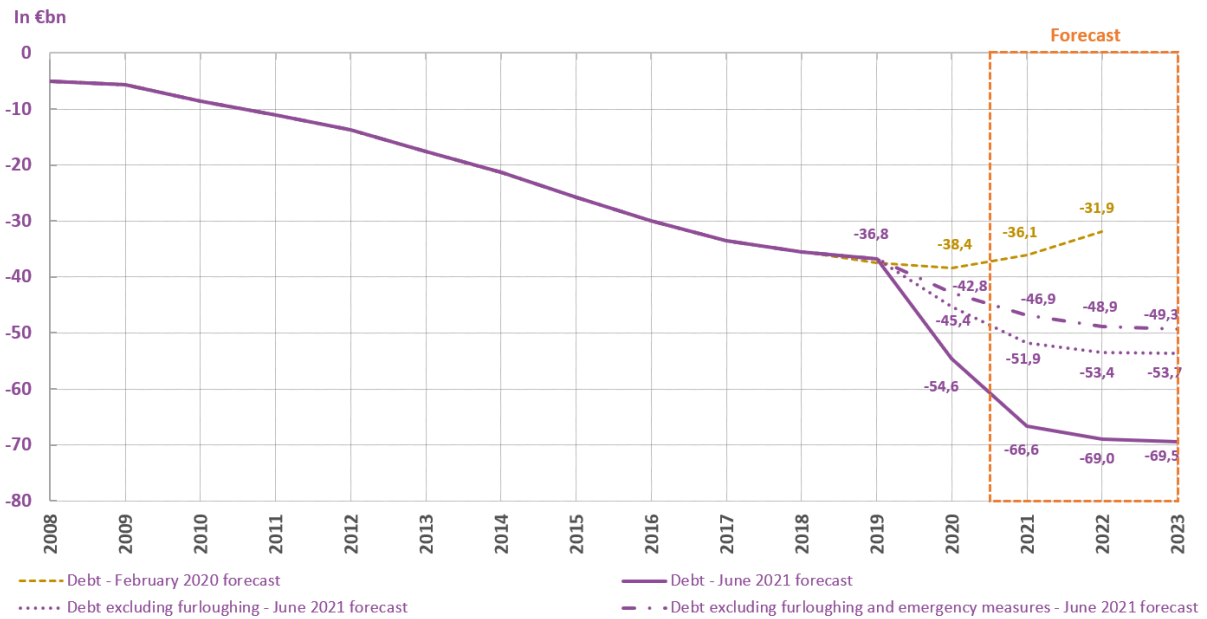
**Debt is thus forecast to increase to nearly €69.5 billion by year-end 2023, compared with €69.0 billion by year-end 2022, €66.6 billion by year-end 2021 and €54.6 billion by year-end 2020 (Table 3 and Chart 10).**

To secure the scheme's funding in respect of the Covid-19 crisis, Unédic has adapted the size and the format of its borrowings in 2020. Following the completion during the first quarter of 2020 of the annual funding programme planned before the crisis, i.e. €2 billion, six medium- and long-term "Social Bond" issues were successfully completed in 2020, raising an additional €17 billion and securing the funding requirement for the year.

Each year, the State grants an explicit guarantee for a defined amount on Unédic's bond issuances. For 2021, the Finance Law published in December 2020 granted the State guarantee in respect of the loans contracted by Unédic, up to a ceiling of €13 billion, to cover the refinancing of bonds maturing as well as the Unemployment Insurance scheme's funding needs. As a result, Unédic's financing activity in 2021 remains significant with a funding programme up to the ceiling granted by the State. Two fundraising transactions of €3 billion each and one of €2 billion have already been carried out in February, March and June through the euro medium-terms notes (EMTN) programme, which benefit from the State guarantee.

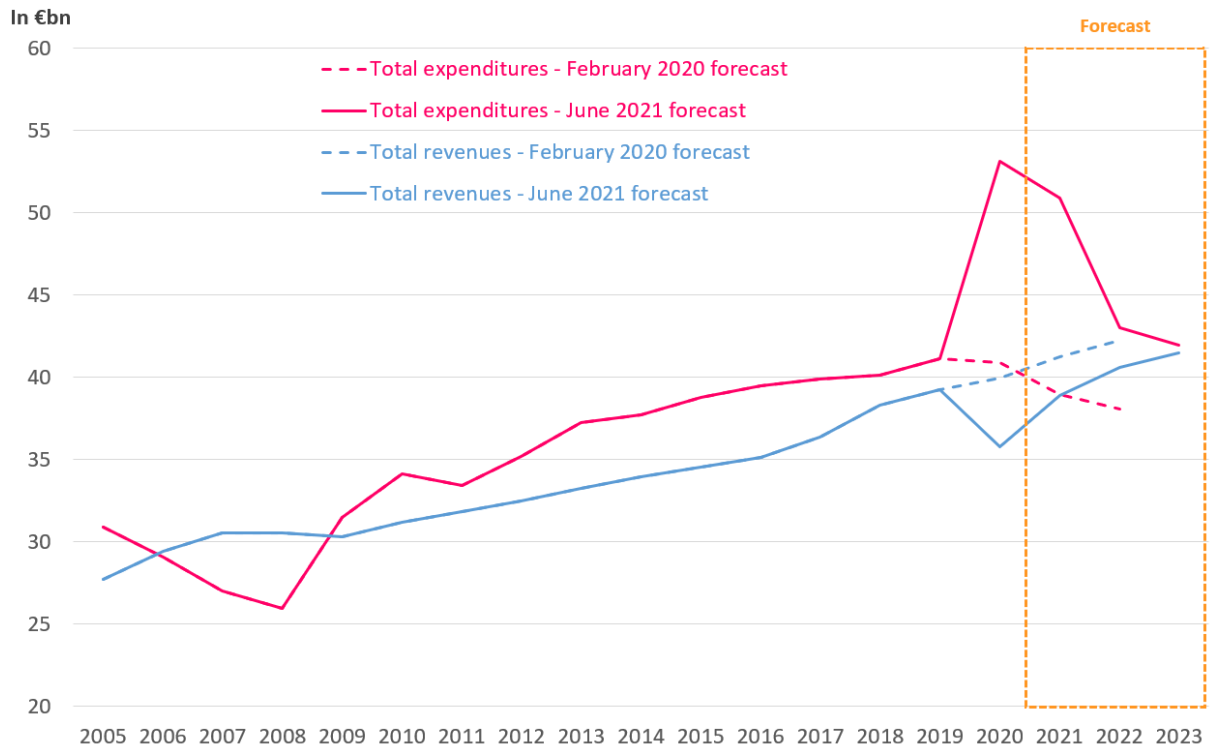
Despite the considerable financing, the cost of debt remains low for the scheme, due in the main to the maintenance of an accommodative monetary policy by the European Central Bank. The interest expenditure on the debt is expected to be €0.4 billion in 2021 and €0.3 billion in 2022 and 2023.

CHART 10 - UNEMPLOYMENT INSURANCE SCHEME DEBT UNTIL THE END OF 2023



Source: Unédic, forecast Unédic.

CHART 11 - UNEMPLOYMENT INSURANCE EXPENDITURES AND REVENUES UNTIL THE END OF 2023



Source: Unédic, Unédic forecasts.



**Box 3 – Financial situation without Unemployment Insurance reform**

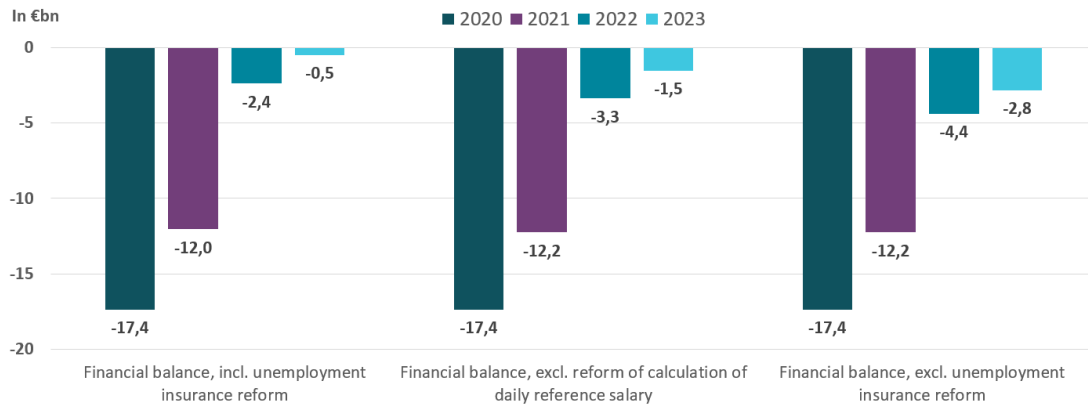
Pending the opinion of the Council of State on the reform of Unemployment Insurance, we compare here changes in the scheme’s financial situation in various scenarios:

- ▶ with reform of unemployment insurance on 1 July and return to favourable labour market conditions (“*retour à meilleure fortune*”) on 1 January 2022 (scenario presented in detail in the body of the note),
- ▶ with reform of Unemployment Insurance on 1 July, except for the reform’s calculation of the daily reference wage (“SJR”),
- ▶ without reform on 1 July.

**Deficit**

With the reform planned to be introduced on 1 July 2021, we expect a deficit of -€0.5 billion in 2023. If the reform calculation of the “SJR” is not applied, the deficit is expected to be -€1.5 billion in 2023, and if the entire reform is cancelled, we expect a deficit of -€2.8 billion in 2023 (Chart 12).

**CHART 12 - UNEMPLOYMENT INSURANCE SCHEME FINANCIAL BALANCE UNTIL YEAR-END 2023, WITH OR WITHOUT REFORM**

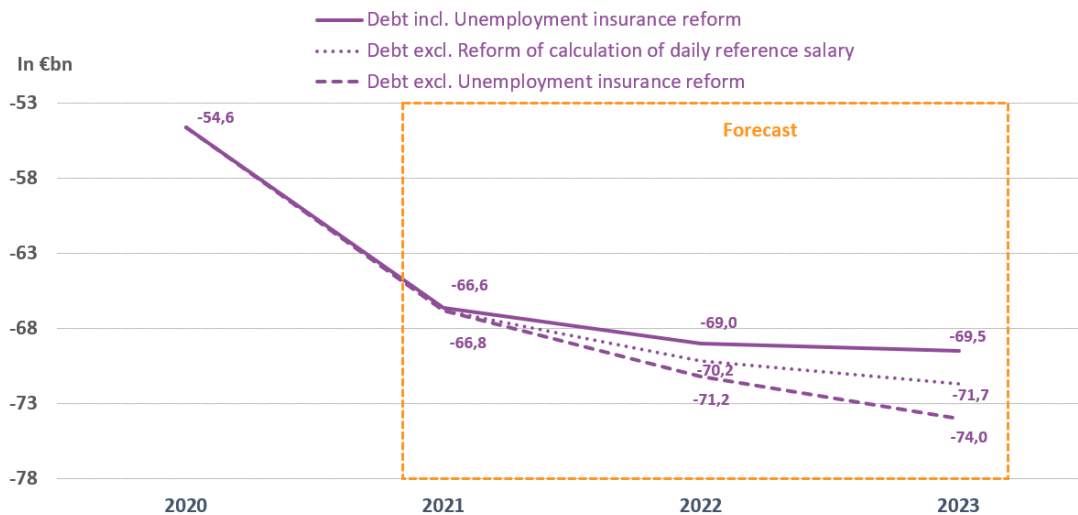


Source: Unédic

**Debt**

With the reform on 1 July, Unédic's debt is expected to reach €69.5 billion in 2023. If the reform calculation of the “SJR” is not applied, the debt is expected to reach €71.7 billion in 2023, and if the reform is cancelled, it is forecast to be €74 billion (Chart 13).

**CHART 13 - UNEMPLOYMENT INSURANCE SCHEME DEBT UNTIL YEAR-END 2023, WITH OR WITHOUT REFORM**



Source: Unédic

## Appendix 1 - From one forecast to another

Since the last forecast, published on 24 February 2021, many factors have changed the trajectory of projected expenditures and revenues.

For 2021, we now anticipate **the deficit to increase by €2 billion**, compared to what was projected last February.

- ▶ February's forecasts preceded the announcements of the 3<sup>rd</sup> lockdown and decision to maintain the proportion of employees' salaries paid through the furloughing scheme until the summer of 2021: the **furloughing scheme expenditures** therefore had to be revised upwards in the 1<sup>st</sup> half of the year.
- ▶ The **emergency measures** were extended: extension of entitlements for the general scheme was postponed from the end of February 2021 to the end of June 2021 and the year of no change for casual workers in the entertainment industry was extended to the end of December, thus increasing the gap between the scheme's revenues and expenditures.
- ▶ Further **contribution deferrals** were granted by the State in connection with the 3<sup>rd</sup> lockdown.
- ▶ Nevertheless, employment figures were much better than expected in February, with the result that the general scheme's expenditures were revised downwards in the second half of the year.

For 2022, we expect an **improvement in the financial balance of €4.0 billion**, compared with February's forecast.

- ▶ The reform of unemployment insurance, which had not yet been announced at the time of February's forecast, is expected to result in substantial savings in 2022.
- ▶ Furloughing scheme expenditures are forecast to be lower than in February due in the main to an upward revision of growth in 2022.
- ▶ In 2022, we expect to receive payments in respect of deferred 2020 and 2021 contributions.
- ▶ Moreover, the employment scenario has been revised upwards as a result of better-than-expected employment figures and higher growth assumptions, which we expect to lead to lower unemployment benefit expenditures.

**TABLE 5 - FINANCIAL BALANCE FORECAST FOR 2021 AND 2022 BY FORECAST DATE, IN BILLIONS OF EUROS**

	2021	2022
24 February 2021 forecast	-€10.0bn	-€6.4bn
17 June 2021 forecast	-€12.0bn	-€2.4bn

Source: Unédic

## Appendix 2 – Calculation of accounting profit (loss) from forecast financial balance

As at 31 December 2020, the calculation of the accounting loss of -€19.2 billion from the -€17.4 billion financial balance is shown in the table below:

**TABLE 6 - FROM THE FORECAST FINANCIAL BALANCE TO NET ACCOUNTING RESULT FOR THE YEAR 2020, IN BILLIONS OF EUROS**

<b>2020 forecast financial balance</b>	<b>-17.4</b>
Timing differences due to accounting for revenues and expenditures using the accruals convention*	-1.3
Transactions generating no change in cash (Increase in underwriting reserves)	-0.5
<b>Net accounting result for 2020</b>	<b>-19.2</b>

\* Recording revenues and expenditures in the periods to which they relate leads to timing differences with the financial flows. These timing differences for accrued income expenses lead to a €1.3 billion difference between 2019 and 2020 balance sheet totals.

Source: Unédic