

# FINANCIAL SITUATION OF UNEMPLOYMENT INSURANCE FOR 2021-2023

22 October 2021

## SUMMARY

The economic shock caused by the Covid crisis resembles no other previous economic crisis, either in size, form or scale of measures taken by government. Unédic's forecasts had to be adjusted in view of the cyclical and regulatory contexts, adversely affected by the health crisis.

Thanks to the strong rebound in economic activity and employment in the first half of 2021 and the introduction of the unemployment insurance reform, Unédic's accounts should return to surplus in 2022.

The economic rebound that followed the crisis is also unprecedented in scale and form. The increase in the level of employment observed at the end of the first half of 2021 exceeded all the forecasts of the various institutions at the beginning of the year. In the second half of the year, employment is forecast to continue to grow but at a slower pace, reaching 498,000 net job creations at the end of 2021. Over the next two years, employment is expected to grow by 23,000 in 2022 and by 96,000 in 2023.

The unemployment insurance scheme has been quick to react to these cyclical improvements and should return to surplus as early as 2022 with the introduction of new changes to the regulation. Thus, after a deficit of €17.4 billion in 2020, Unédic is forecast to post a deficit of €10.0 billion in 2021, followed by a surplus of €1.5 billion in 2022.

Almost 60% of this forecasted improvement in the scheme's financial balance is expected to be accounted for by the end of the scheme's financing of emergency measures (in particular the extension of entitlements and furloughing scheme); 25% by the economic situation, that is to say, the rebound in employment, reflected in a strong rebound in revenues, and a reduction in expenditures; and 15% by the effects of the unemployment insurance reform. In 2023, this improvement in the scheme's financial balance is expected to continue, with a surplus of €2.3 billion forecasted at year end 2023.

The scheme's debt is forecast to reach €64.7 billion at year end 2021. This debt is forecast to begin to decrease in 2022, falling to €63.2 billion by year end 2022 and €60.9 billion by year end 2023. The unemployment insurance is therefore on a trajectory of a reduction in its debt. However, the scheme is starting out on this trajectory with a higher amount of debt than before the crisis, mainly due to the financing of emergency measures in response to the health crisis (€19.4 billion at the end of 2022).

## 1. FORECASTS ADJUSTED EACH QUARTER, IN VIEW OF THE CYCLICAL CONTEXTS AND CHANGES IN REGULATION, STILL VERY MUCH AFFECTED BY THE HEALTH CRISIS

**The economic downturn caused by the Covid crisis is, in many ways, unprecedented.** The downturn is unlike any previous economic crisis, both in terms of its size, form (shutdown of a part of the economy) and scale of the response from government (massive emergency measures and recovery plans).

**The economic recovery that has followed is also unprecedented:** economic activity in the sectors that were shut down quickly recovered in the spring of 2021 following the end of the health restrictions, while the rest of the economy adjusted to the health restrictions and was only slightly affected by the 2<sup>nd</sup> and 3<sup>rd</sup> lockdowns<sup>1</sup>. The numbers of people in employment grew in the first half of 2021. The form of the recovery is also very unusual: in early 2021, new hire declarations concerning long-term contracts (contracts of indefinite duration and fixed-term contracts of more than one month) increased, while declarations concerning contracts of less than one month and temporary contracts were below their pre-crisis level.

In this context, since the beginning of the Covid crisis, **growth and employment assumptions have been repeatedly reviewed** by the government and the forecasting institutes, such as Banque de France, the OECD and OFCE (*Figure 1*). Leading indicators that generally provide the first glimpse of the emerging trends have also been greatly revised.

At the same time, **expenditure on emergency measures funded through Unemployment insurance had a considerable impact on the scheme's accounts in 2020 and early 2021, but began to fall sharply from that summer** (furloughing scheme and extension of entitlements).

Finally, **the Unemployment insurance reform has been postponed and/or amended several times in its content** (*Appendix 1*). Unédic takes into account, in each of its forecasts, the reform and all regulatory changes that may have an impact on its scope of intervention (reforms, emergency measures, public policies, etc.). To this end, it uses ex ante figures based on micro-simulation data (*Box 1*).

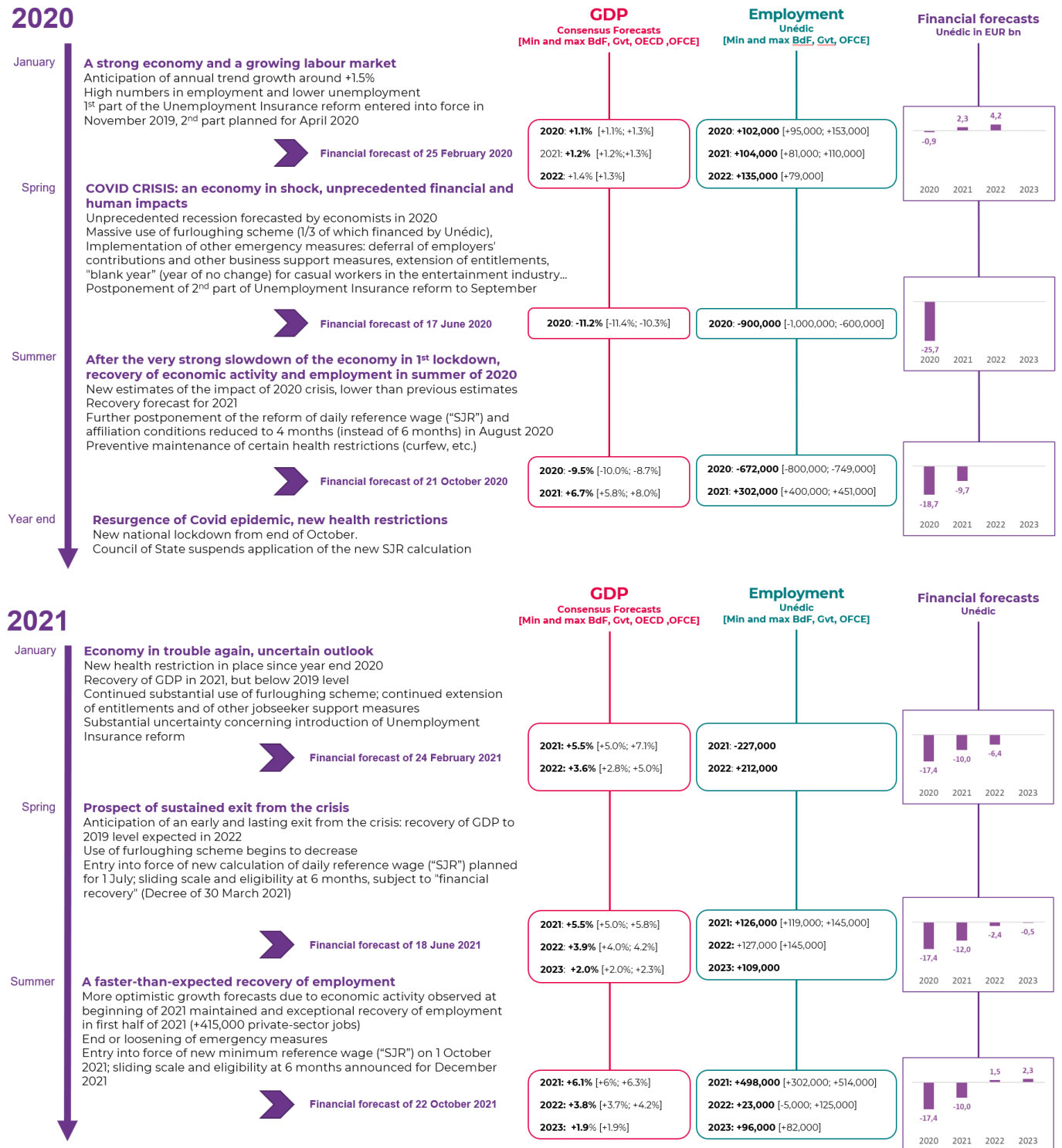
**Unédic's forecasts of its financial situation**, which are based on the economic and regulatory environment, have thus **varied considerably from one set of forecasts to another** (*Figure 1*).

And although the differences in growth forecasted by the different forecasting institutions are now smaller than at the beginning of the crisis, **uncertainty continues regarding the forecasts for 2022 and 2023**.

As pointed out by INSEE and the OFCE, **several factors are likely to reduce growth in 2022 and 2023** (inflation, companies' production capacities, consumption of savings accumulated during the crisis and the slowing down of growth in China and the United States).

<sup>1</sup> "Financial situation of Unédic for 2021-2023", Unédic, June 2021, <https://www.unedic.org/publications/previsions-financieres-de-lunedic-juin-2021>

FIGURE 1 - FROM ONE SET OF FORECASTS TO ANOTHER



Source: Unédic

## 2. ASSUMPTIONS USED FOR FORECASTS

### Growth: net rebound in 2021 and 2022

For its growth assumptions, Unédic uses the forecasts produced by the Consensus Forecasts (average GDP growth forecasts of some twenty banks and institutions), published each month. This forecast is based on the Consensus Forecasts' last publication of 14 October 2021.

#### 2021: strong rebound after the 2020 crisis

2020 was marked by the health crisis and the two lockdowns, which gave rise to an unprecedented 8.0% fall in growth. In 2021, economic activity grew sharply. According to the Consensus Forecasts' October 2021 forecasts, GDP is projected to grow by 6.1% (*Chart 1*).

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

In 2022, the economy is expected to continue its rebound trajectory and would post a high growth of 3.8% according to the October 2021 Consensus Forecasts. This level of growth would see economic activity returning to its level of the end of 2019 by the beginning of 2022 (*Chart 2*). This growth in activity is in line with the forecasts recently produced by the various institutions (*Table 1*).

#### 2023: a return to the pre-crisis trend?

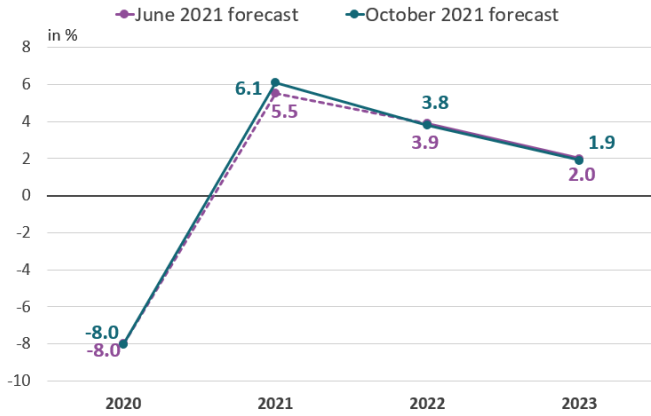
After two years of strong growth linked to the ending of the health crisis, growth is expected to slow to 1.9% for 2023.

### Growth forecasts still uncertain

**Although differences in growth forecasted by the different institutions are now smaller than at the beginning of the crisis, there continue to be many uncertainties regarding the forecasts for 2022 and 2023.** As regards the **factors exerting downward pressure on growth**, as highlighted by INSEE and the OFCE<sup>2</sup>, there are many factors that could weaken the economy in 2022 and 2023: the rise in inflation, which could put a burden on household spending; the rise in commodity prices, which puts at risk companies' production capacities; and the global situation, which appears more uncertain than in the summer, with the slowdown in growth in China and the United States. As regards the **factors supporting growth**, a reduction in the amount of savings accumulated during the crisis in favour of additional consumer spending would lead to an upward revision of growth. Although, it is not yet possible to estimate by how much this increase in spending would increase growth.

<sup>2</sup> INSEE, *Note de conjoncture* (note on the economic situation), October 2021: [After the crisis, a quick rebound already under pressure - Note on the economic situation | Insee](#)  
OFCE, *Policy Brief*, No 94, October 2021: [The price of the recovery. 2021-2022 outlook for the global economy? 2021-2022 outlook for the global economy \(sciences-po.fr\)](#)

CHART 1 – GROWTH ASSUMPTIONS FOR 2021-2023



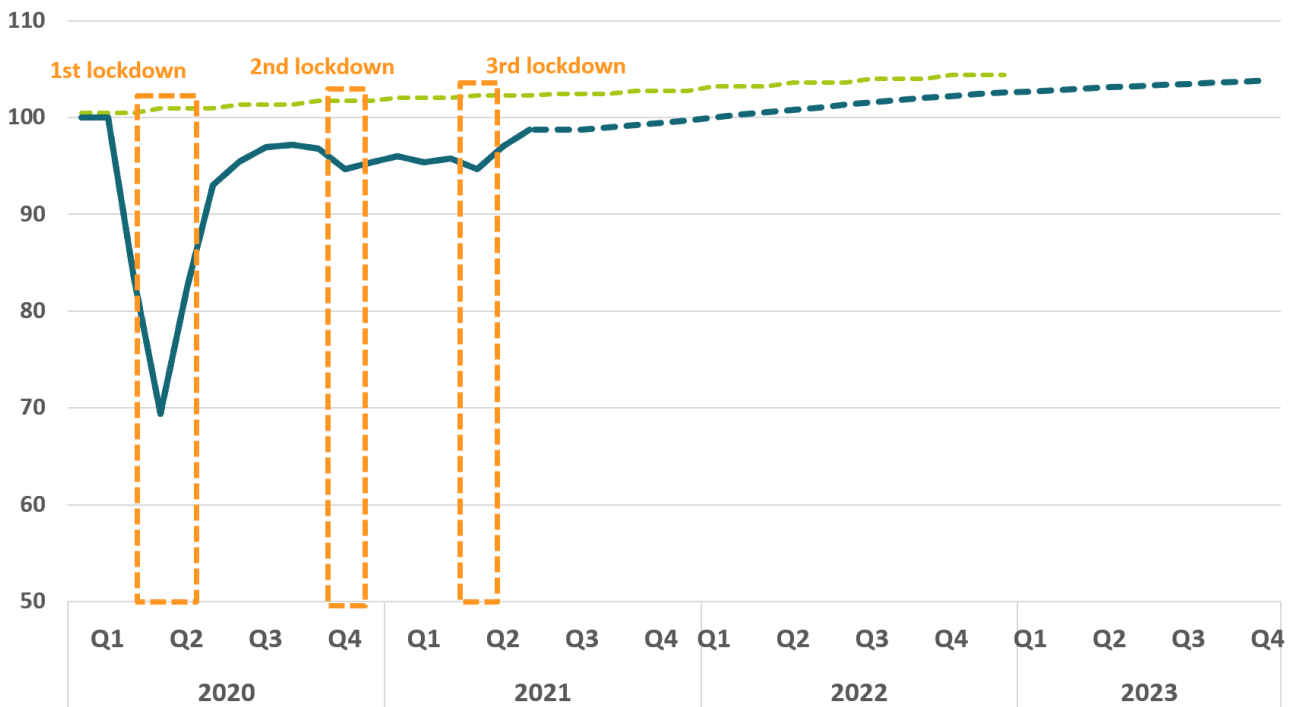
Sources: INSEE for the actual figures; Consensus Forecasts for the forecast figures.

TABLE 1 – COMPARISON OF DIFFERENT FORECAST SOURCES

Real GDP growth	2021	2022	2023	2022 GDP index (2019 = 100)
<b>Consensus Forecasts (October 2021)</b>	<b>6.1%</b>	<b>3.8%</b>	<b>1.9%</b>	<b>101.3</b>
Government (PLF 2022)	6.0%	4.0%	-	101.4
IMF (October 2021)	6.3%	3.9%	-	101.6
OFCE (October 2021)	6.3%	4.1%	-	101.8
INSEE (September 2021)	6.25%	-	-	-
Banque de France (September 2021)	6.3%	3.7%	1.9%	101.4
OECD (September 2021)	6.3%	4.0%	-	101.7
European Commission (July 2021)	6.0%	4.2%	-	101.6
<b>Unédic forecast of June 2021</b>	<b>5.5%</b>	<b>3.9%</b>	<b>2.0%</b>	<b>100.8</b>

Sources: Consensus Forecasts, INSEE, European Commission, Banque de France, OECD, OFCE, IMF and Government.

CHART 2 – 2020-2023 VALUE ADDED TRAJECTORY (4<sup>TH</sup> QUARTER 2019 = 100)



--- February 2020 forecast    - - - October 2021 forecast    — Actual

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

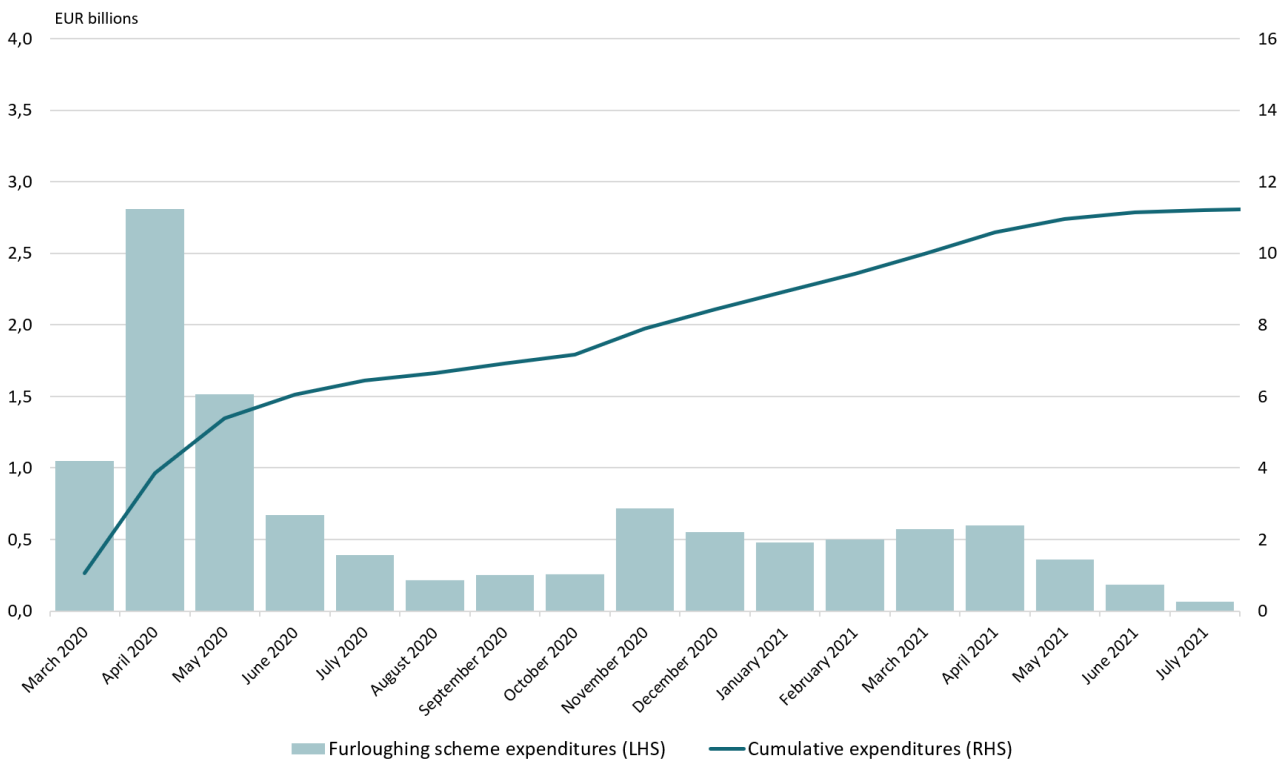
Interpretation: a 2% increase in growth for the 4th quarter 2020 compared with the same period in 2019 was forecast in February 2020 (last forecast before the crisis), leading to value added increasing to 102, based on Q4 2019 taken as 100. The value added of 95 (based on Q4 2019 taken as 100) recorded for the 4th quarter 2020 showed a loss in value added of 5% for this period compared with the same period in 2019.

### Furloughing scheme: decrease in expenditures

The temporary laying off, or furloughing scheme, of workers, one-third of which financed by Unédic and two-thirds by the State, has supported the French economy since March 2020. After having been maintained at a high level at the beginning of 2021, the furloughing scheme expenditures (standard furloughing scheme and long-term furloughing scheme) began a **sharp decline from June 2021 as the loosening of the health restrictions led to economic activity returning to “normal” levels**, making the furloughing of workers less necessary (Chart 3). Unédic’s expenditures in respect of the funding of the furloughing scheme are forecast to be €4.1 billion in 2021 and €0.4 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 that before the crisis**. However, expenditures are forecast to be slightly higher than before the crisis (around €200 million, compared with €40 million in 2019) due to requests for assistance under the long-term furloughing scheme (*Activité partielle de longue durée* – APLD), which will run over into 2023, and companies being quicker to take advantage of the scheme in case of economic difficulties or because of temporary accidents affecting their business: natural disasters, etc.

**CHART 3 – UNÉDIC’S FURLOUGHING SCHEME EXPENDITURES RECORDED BETWEEN MARCH 2020 AND JULY 2021, IN EUR BILLIONS**



Sources: ASP, furloughing scheme extranet, Unédic calculations.

Interpretation: expenditures in March 2020 were €1.1 billion; in July 2021, Unédic's total recorded expenditures for the period were €11.2 billion.

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

Since the beginning of the health crisis, although strongly supported by the furloughing scheme, employment has varied considerably.

### 2020

While the number of jobs covered by the unemployment insurance scheme reached nearly 19.8 million at the end of 2019, the first months of the health crisis resulted in a sharp fall in the employment numbers: at the end of the 2<sup>nd</sup> quarter of 2020, the number of those in work covered by the scheme had contracted, with a loss of 634,000 jobs.

As a result of the loosening of the health constraints on coming out of the 1<sup>st</sup> lockdown in the summer 2020, the number of those in employment rose in the 3<sup>rd</sup> quarter of 2020, with a recorded 332,000 additional jobs. This first rebound was interrupted at the end of 2020 because of the resurgence of the epidemic and a new lockdown. During this 4<sup>th</sup> quarter of 2020, employment contracted again, but to a lesser extent than during the first months of the health crisis. **At the end of 2020, the numbers of jobs covered by the unemployment insurance scheme were 329,000 less than before the crisis.** Ultimately, the job losses recorded in 2020, although significant, remained relatively limited in view of the magnitude of the economic downturn. By way of comparison, this contraction in the number of jobs in 2020, although considerable in magnitude, is relatively minor given the loss in economic activity. The loss in growth is indeed comparable to that observed at the time of the 2008-2009 financial crisis. However, at the end of this crisis, the numbers in employment were down by almost 415,000 compared with before the crisis.

### 2021

In 2021, the increase in the numbers in employment, which stalled at the end of 2020, continued during the first half of the year, in a health context that was still critical. Despite the epidemic's resurgence in the spring and the 3<sup>rd</sup> national lockdown, **the number of jobs created reached 415,000 during this first half – a rebound of historic magnitude both in terms of numbers and form** that surprised all observers. Moreover, **the recovery saw particularly high numbers of additional contracts of indefinite duration being created**, which is unusual as normally it is temporary and short-term contracts that benefit most from a recovery. As a result, at the end of June 2021, there was an additional 86,000 in salaried employment compared with the end of 2019. By the end of 2021, employment is forecast to continue to grow to reach a historically high total of jobs created: 498,000 additional jobs.

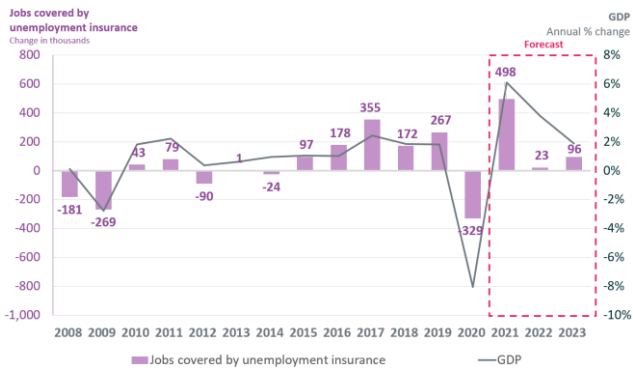
### 2022 and 2023

**The numbers in salaried employment in the private sector is forecast to continue to grow in 2022 and 2023, with 23,000 and 96,000 additional jobs respectively** (*Charts 4A and 4B*), but at a much slower pace than in 2021 due to greater workforce productivity<sup>3</sup>. After the onset of the health crisis, productivity deteriorated sharply in a situation where the decline in activity was proportionately greater than the fall in numbers in salaried employment, as the latter were protected by the furloughing scheme. In 2021, the rebound in economy activity combined with a sharp decline in the number of furloughed workers is expected to result in productivity gains. 2022 is expected to be characterised by productivity returning to its level before the crisis, with a more "intensive" use of those in employment (e.g. increase in hours worked per capita), thus leading to a significant slowdown in job creation in 2022. Productivity is expected to increase further in 2023 but at a slower pace, approaching pre-crisis productivity growth levels. This slowdown in productivity is therefore expected to lead to greater employment gains than in 2022.

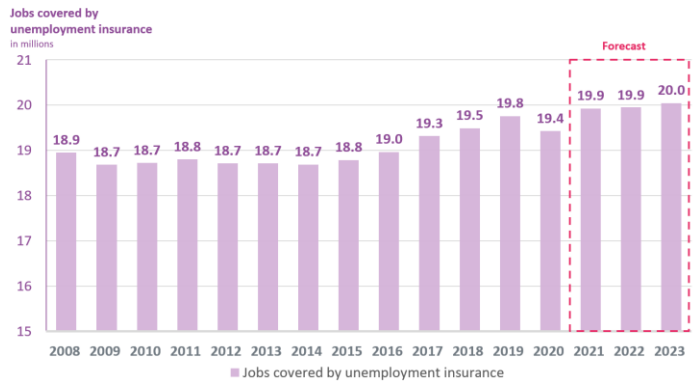
<sup>3</sup> Productivity is the ratio of output to a single input used in a production process (labour and capital). Work productivity is calculated as follows: work productivity = value added/number of employees. Productivity gain is the % change in productivity over a given period.

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

**A – ANNUAL CHANGE AS %**



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



Sources: GDP: INSEE, Consensus Forecasts' October 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.



## Wages and wage bill: strong rise driven by strong job market

According to the Consensus Forecasts, after a 0.5% decrease in 2020, **inflation** is forecast to increase by 1.7% in 2021 due to the recent and sharp rise in energy prices and the increase in economic activity and employment. In 2022 and 2023, the rate of inflation is forecast to fall slightly but remain at relatively high levels: +1.6% and +1.4%.

Because the furloughing scheme is not considered to be a component of a worker's remuneration but a benefit, the **average wage per capita (AWPC)** fell sharply in 2020 (-4.7%). We expect that **the AWPC would increase by 5.9% in 2021**, due to a strong job market, reduction in benefits paid under the furloughing scheme and increased inflationary pressures greater than before the crisis. **In 2022 and 2023, the AWPC is expected to follow a trend restoring it to its pre-crisis level**, with a forecasted increase of 3.3% in 2022 and 2.5% in 2023.

Due to the strong upward trend of the AWPC and wages, **the wage bill is expected to grow by 7.9% in 2021**. In 2022 and 2023, the pace in the growth of the wage bill is expected to slow but remain at high levels: 4.3% in 2022 and 2.8% in 2023.

## Unemployment rate: the fall in unemployment is expected to continue over the forecast period

During the health crisis, the change in the number of DEFM A jobseekers registered with Pôle emploi closely mirrored the changes observed in the numbers in employment: for example, the decrease in numbers in employment between the end of 2019 and the end of 2020 resulted in an increase in the number of DEFM A jobseekers of nearly 298,000.

As a result of the rebound in employment in the first half of 2021, the number of DEFM A jobseekers fell sharply, mainly from May, by nearly 319,000. At the end of August 2021, however, the number of DEFM A jobseekers was still nearly 61,000 higher than before the crisis (February 2020).

Despite this decrease, **the International Labour Organisation (ILO) unemployment rate, measured by INSEE, has been relatively stable since the end of 2020 and stood at 8.0% in the 2<sup>nd</sup> quarter of 2021**. The favourable employment trends observed in the first half of the year have not yet resulted in a fall in the unemployment rate because the improvement in employment has also led **to a return to the working population of people who had left it during the health crisis**<sup>4</sup>.

By the end of 2021, with jobs continuing to be created and a more gradual return to the labour force of those who had left it, **the unemployment rate is expected to fall to 7.7% by the end of 2021**. In 2022, the slowdown in the number of jobs created following the recovery in productivity gains is forecast to lead to a **slight rise in unemployment, reaching 7.8% at the end of 2022**. By 2023, jobs are expected to be created at a faster pace, taking **the unemployment rate to 7.6% by the end of the year**.

<sup>4</sup> INSEE, note on the economic situation cited above.

## Regulations taken into account in the forecasts

### Unemployment insurance regulations

The unemployment insurance regulations considered in these forecasts are those provided for by Decree 2021-346 of 30 March 2021 and Decree No 2021-1251 of 29 September 2021, setting the date of entry into force of certain provisions of the unemployment insurance scheme to be 1 October 2021.

In detail, the measures contained in the decree are as follows:

- **Change in the calculation of unemployment benefit**, which entered into force on 1 October 2021 following various postponements due to the health crisis (*see Appendix 2*);
- Since 1 July 2021, the **sliding scale** of benefits continues to apply to benefit recipients under 57 years of age who have received gross salaries of more than 4,500 euros a month. The sliding scale applies from the 9th month of receiving benefits and then from the 7th month in the event of a return to a favourable labour market ("*retour à meilleure fortune*");
- Change in the **registration condition to 6 months** (compared to 4 months previously) conditional on the observation of a return to a favourable labour market ("*retour à meilleure fortune*");
- Finally, the "**bonus-malus**" applied to employer contributions will take effect on 1 September 2022; the period of recording for companies began on 1 July 2021. As a reminder, this measure is expected to have a neutral financial effect.

The criteria for determining the **return to a favourable labour market** ("*retour à meilleure fortune*"), defined in the March 2021 decree, are as follows:

1. a cumulative number of declarations prior to hiring (*declarations préalables à l'embauche* – DPAE) of more than one month (excluding temporary contracts) greater than 2.7 million over four consecutive months;
2. a decrease in the number of DEFM A jobseekers over six consecutive months of more than 130,000 (after neutralising the effects of the lockdown periods).

The figures taken into account in Unédic's forecast are based on the government's announcements that the return to a favourable labour market ("*retour à meilleure fortune*") is expected to take effect on 1 December 2021.

**TABLE 2 – ESTIMATED REDUCTION IN EXPENDITURES FOLLOWING THE NEW TIMETABLE OF THE UNEMPLOYMENT INSURANCE REFORM**

<i>In EUR millions</i>	Reduction in expenditures linked to the reform		
	2021	2022	2023
<b>Measures</b>			
<b>Calculation of daily reference wage ("<i>salaire journalier de référence</i>" – SJR) and duration</b> <i>Modification of the calculation on 1 October 2021</i>	< 50	800	1,000
<b>Minimum registration requirement</b> <i>Change from 4 to 6 months on 1 December 2021</i>	< 50	800	800
<b>Sliding scale</b> <i>Application to 7<sup>th</sup> month on 1 December 2021</i>	0	260	420
<b>Total</b>	<b>&lt; 100</b>	<b>1,860</b>	<b>2,220</b>

Source: Unédic

## BOX 1 – STUDIES OF IMPACT OF UNEMPLOYMENT INSURANCE REFORMS AND THEIR INCLUSION IN THE FORECAST

### Purpose of impact studies

On each change to the unemployment insurance rules, Unédic conducts an ex ante impact study of the new regulations in order to **assess its financial and employee-related effects** (nature of effects, number of benefit recipients concerned, effects on benefits and duration of the benefit, financial effects on the unemployment insurance scheme). These impact studies **inform the decisions of the social partners** when they negotiate the unemployment insurance rules.

For the measure of the impact of changes to the unemployment insurance rules, Unédic has developed **simulation tools based on individual benefit payment plans**. These tools help to estimate any change in the rules, whether parametric or systemic, the pace at which they are introduced, the effects of the measures year on year and the time needed for the measures to produce their full effect on all jobseekers.

They are **ex ante impact studies**; they take into account the information known at the time of the study – economic situation, population structure, other rules in force. Changes in behaviour due to the measures are rarely quantifiable in this type of study. Such changes are **assessed after the new rules have come into force**.

To assess the impact of the rules once they have come into force, Unédic has put in place **monitoring tools** (indicators monitoring changes to the regulations) and conducted **quantitative and qualitative studies** as part of its assessment plan, which are published regularly.

### Impact studies, sensitivity to the economic situation and financial forecasts

Each financial forecast takes into account the regulatory changes based on the estimates provided by Unédic's impact notes.

Regarding the current reform, as these provisions have been postponed and amended several times since 2019 (*Appendix 1*), Unédic has **produced three impact notes**. In September 2019, the decrees of July 2019 introducing the government reform were the subject of an ex ante impact study conducted each time there was a change to the regulations. In November 2020, the impact was reassessed to take into account postponements of measures related to the health crisis and the effects of the crisis on the labour market. In April 2021, Unédic updated its estimates to take into account the effect of the floor introduced in the new calculation of the daily reference salary ("*salaires journalier de référence*" – SJR), and the postponements of the entry into force of the other measures<sup>5</sup>.

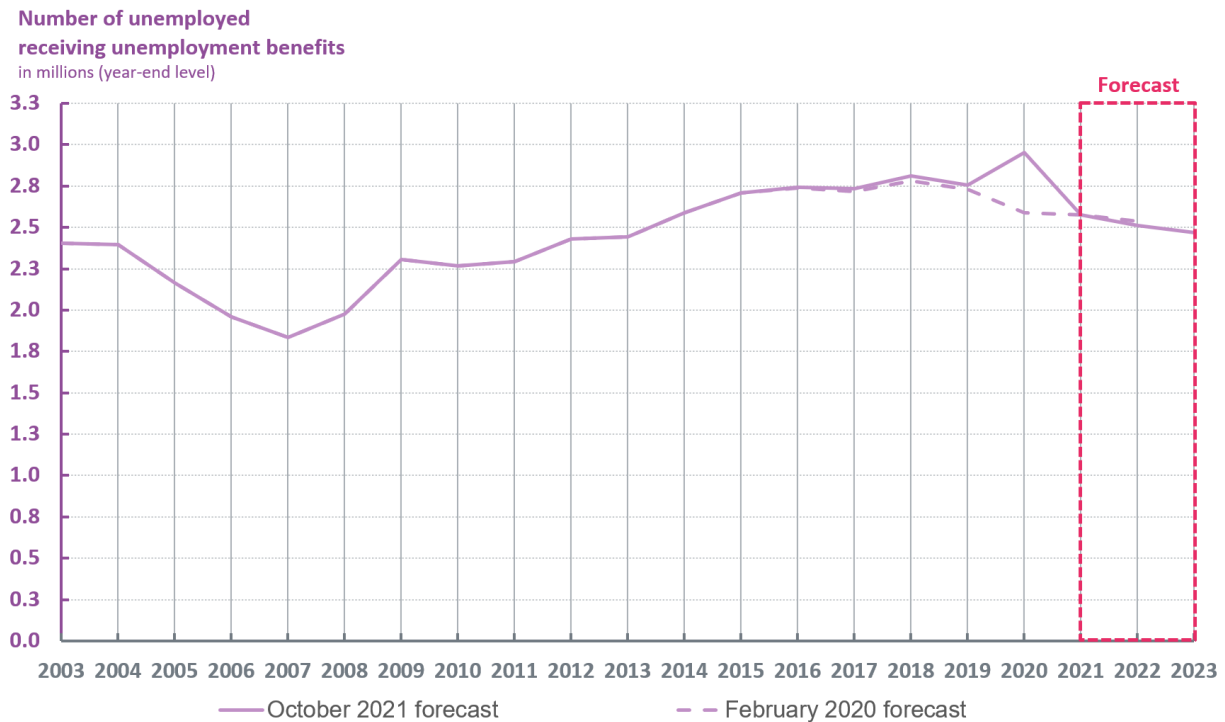
In the November 2020 study, the effect of the exceptional economic crisis on the impacts of the reform that was being introduced was also estimated. **The reform's sensitivity to the 2020 crisis regarding the reform's financial costing was estimated at 20%**. The crisis therefore increased the sensitivity of the reform to cyclical changes because the fall in GDP (-9.5%) used for the forecast was exceptional.

As a result, although the Unemployment Insurance scheme's financial trajectory is very sensitive to the economic situation, since it can vary, in a few months, the scheme's expenditure and revenue forecasts for future years by several billion euros, it is much less so when the economic situation is included or not in the impact note.

<sup>5</sup> "Impact of Unemployment Insurance Reform 2019", Unédic, September 2019: [Impact study of unemployment insurance reform 2019 | Unedic.fr](#)  
 "Study of impact of changes to unemployment insurance rules on 1 April 2021", Unédic, November 2020: [Study of impact on the changes in unemployment insurance rules on 1 April 2021 | Unedic.fr](#)  
 "Study of impact of changes to unemployment insurance rules on 1 July 2021", Unédic, April 2021: [Study of impact on the changes in unemployment insurance rules on 1 July 2021 | Unedic.fr](#)



CHART 5 - NUMBER OF UNEMPLOYED RECEIVING UNEMPLOYMENT BENEFITS



Sources: Pôle emploi; Unédic, Unédic forecasts.

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

TABLE 3 - SUMMARY OF MACROECONOMIC ASSUMPTIONS USED FOR THE FORECAST

	2019	2020	2021 Forecast	2022 Forecast	2023 Forecast
<b>Growth, Prices and Wages</b>					
<b>GDP</b>	+1.8%	-8.0%	+6.1%	+3.8%	+1.9%
CPI inflation	+1.1%	+0.5%	+1.7%	+1.6%	+1.4%
Average wage per capita (AWPC) in the competitive sector	+1.7%	-4.7%	+5.9%	+3.3%	+2.5%
<b>Numbers in employment and wage bill</b>					
<b>Jobs covered by unemployment insurance</b>					
Change in annual average as percentage	+1.2%	-1.4%	+2.0%	+1.0%	+0.3%
annual average level	19,626,000	19,360,000	19,746,000	19,937,000	20,001,000
level at year end	19,757,000	19,428,000	19,926,000	19,949,000	20,045,000
year-on-year at year end	+267,000	-329,000	+498,000	+23,000	+96,000
<b>Payroll in the competitive sector</b>	+3.1%	-6.0%	+7.9%	+4.3%	+2.8%
<b>Unemployment</b>					
<b>Unemployed receiving unemployment insurance (ARE, AREF, ASP, AREP, ATI)</b>					
Change in annual average as percentage	-0.1%	+7.6%	-4.1%	-10.2%	-2.0%
annual average level	2,742,000	2,950,000	2,830,000	2,543,000	2,493,000
level at year end	2,756,000	2,952,000	2,574,000	2,512,000	2,467,000
year-on-year at year end	-56,000	+196,000	-378,000	-62,000	-45,000
<b>ILO unemployment rate (year-end)</b>	8.1%	8.0%	7.7%	7.8%	7.6%

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

Scope: Whole of France. Seasonally adjusted data.

### 3. FINANCIAL SITUATION 2021-2023: RETURN TO SURPLUS IN 2022

**Expenditures: a decrease, which is forecast to continue over the whole of the forecast period, linked to the change in the numbers in employment, the end of the emergency measures and the new unemployment insurance rules**

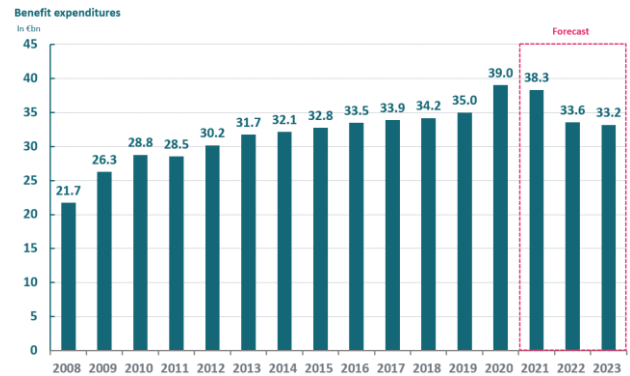
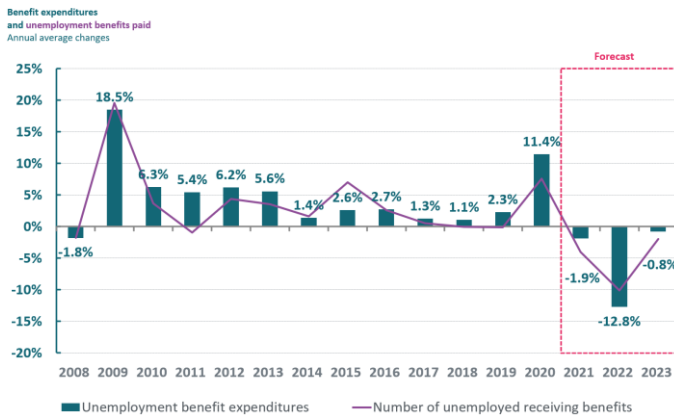
After the peak in expenditures in 2020, expenditures are forecast to decrease in 2021 and 2022.

**Unemployment benefit expenditures** totalled €39.0 billion in 2020 and are forecast to decrease to €38.3 billion in 2021 and €33.6 billion in 2022, mainly due to the end of the extensions of entitlements and the marked improvement in employment (*Chart 6*). In 2023, expenditures are forecast to continue to fall due to the effects of the new rules regarding the payment of benefits and the continued improvement in employment (€33.2 billion).

#### CHARTS 6A AND 6B – UNEMPLOYMENT BENEFIT EXPENDITURES UNTIL YEAR END 2023

**A – ANNUAL CHANGE AS %**

**B – LEVEL, IN EUR BILLIONS**



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

**Furloughing scheme funding** borne by Unédic is forecast to amount to €4.1 billion in 2021, compared with €7.5 billion in 2020. It is expected to reach €0.4 billion in 2022 and finally €0.2 billion in 2023.

**The expenditures linked to the funding of the Pôle emploi budget** since 2020 equal 11% of the annual contributions collected by Unédic two years before. These expenditures totalled €4.1 billion in 2020. They are forecast to continue to grow and reach €4.3 billion in 2021 due to the increase in Unédic's 2019 revenues. 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 €4.3 billion in 2023, a level comparable to 2021 expenditures, due to the 2021 economic recovery.

**Finally, in 2021, Unédic's total expenditure is forecast to decrease by 6.6% to €49.6 billion.** Expenditures are forecast to continue to decrease substantially in 2022: they are forecast to fall by 18.3% compared to 2021. In 2023, expenditures are forecast to reach €40.3 billion.

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

In 2020, the **fall in salaried employment**, the **loss of revenues from contributions due to the furloughing scheme and deferral of contributions** substantially reduced unemployment insurance contributions (employer contributions and earned-income-based GSC).

**After the decline in revenues in 2020, the improvement in the employment situation and the strong average wage per capita (AWPC) will help unemployment insurance contributions to recover for the 2021-2023 period.**

In 2021, the high number of jobs created and the reduction in the use of the furloughing scheme will have a very beneficial effect on the wage bill, which is forecast to substantially increase by 7.9%, after a 6.0% decrease in 2020, leading to forecasted contributions totalling €38.9 billion, after €35.2 billion in 2020, i.e. a 10.3% increase, after taking into account contribution deferrals<sup>7</sup> (Chart 7).

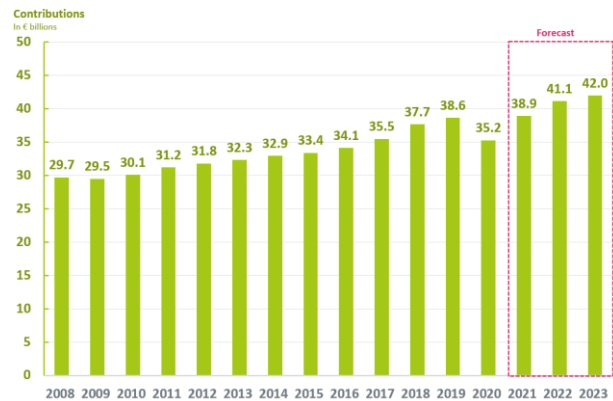
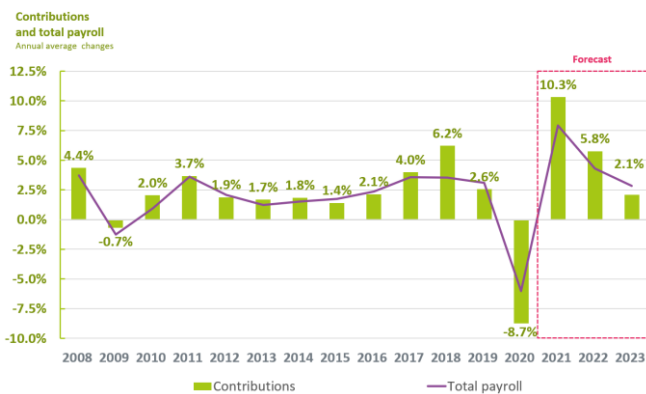
In 2022 and 2023, the wage bill is projected to remain at a high level and contributions are expected to continue to increase: they are forecast to amount to €41.1 billion, then €42.0 billion.

Finally, in 2021, we forecast Unemployment Insurance revenues to total €39.6 billion, an increase of +10.6% compared with the previous year, a level close to that observed in 2019. We also expect these revenues to increase in years to come and reach €42.0 billion in 2022 and €42.6 billion in 2023 (Table 3).

**GRAPHS 7A AND 7B – UNEMPLOYMENT INSURANCE CONTRIBUTIONS**

**A – ANNUAL CHANGE, IN EUR BILLIONS AND AS %**

**B – IN TERMS OF AMOUNT, EUR BILLIONS**



Sources: ACOSS, Unédic forecasts.

<sup>7</sup> Deferrals of unemployment insurance contributions (employers' contributions and earned-income-based GSC) granted to employers amounted to €0.9 billion at the end of 2020. Nearly 2/3 of this amount is projected to be reimbursed between 2021 and 2022. Due to the extension of contribution deferrals, deferrals are projected to reach €0.5 billion in 2021, 2/3 of which are expected to be reimbursed between 2022 and 2023. Deferrals regarding earned-income-based GSC for the self-employed is forecast to amount to €0.5 billion in 2020: half of this amount is expected to be recovered between 2021 and 2023.

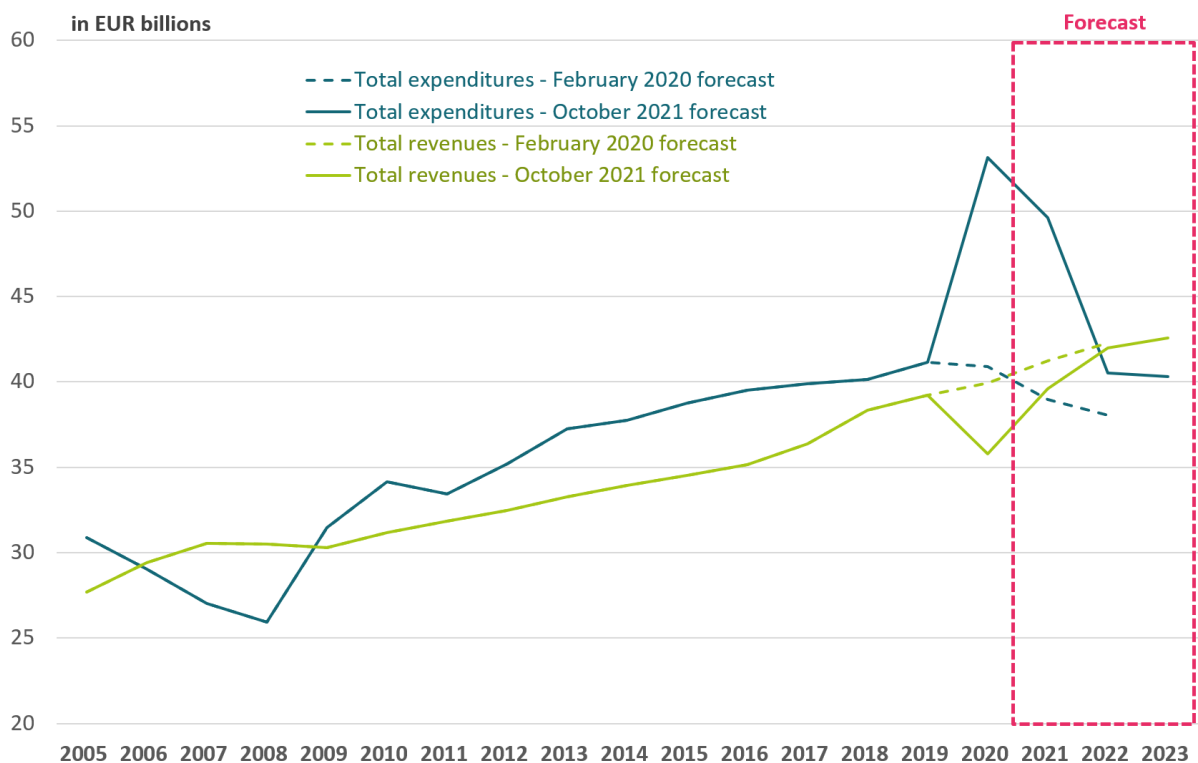


TABLE 3 - UNÉDIC EXPENDITURES AND REVENUES FOR 2019-2023

<i>In billions of euros, as at 31 December</i>	2019	2020	2021 Forecast	2022 Forecast	2023 Forecast
<b>Revenues</b>	<b>39.2</b>	<b>35.8</b>	<b>39.6</b>	<b>42.0</b>	<b>42.6</b>
Unemployment insurance contributions	38.6	35.2	38.9	41.1	42.0
<i>of which loss of revenues due to furloughing scheme</i>		-1.8	-1.1	-0.1	-0.05
of which main contributions	25.5	22.4	24.4	25.9	26.4
of which taxes of all kinds (GSC tax)	13.2	12.8	14.5	15.2	15.5
Other revenues	0.6	0.6	0.7	0.9	0.6
<b>Expenditures</b>	<b>41.1</b>	<b>53.2</b>	<b>49.6</b>	<b>40.5</b>	<b>40.3</b>
Gross benefits	35.0	39.0	38.3	33.6	33.2
Furloughing scheme	0.04	7.5	4.1	0.4	0.2
Pension funds	2.2	2.3	2.6	2.2	2.2
Other expenditure	3.9	4.4	4.7	4.4	4.7
of which <i>Pôle emploi</i> financing	3.5	4.1	4.3	3.9	4.3
of which interest expense on debt	0.3	0.2	0.3	0.3	0.4
<b>Financial balance</b>	<b>-1.9</b>	<b>-17.4</b>	<b>-10.0</b>	<b>1.5</b>	<b>2.3</b>
<b>Debt</b>	<b>-36.8</b>	<b>-54.6</b>	<b>-64.7</b>	<b>-63.2</b>	<b>-60.9</b>

Source: Unédic, Unédic forecasts.

CHART 8 - UNEMPLOYMENT INSURANCE EXPENDITURES AND REVENUES UNTIL END OF 2023



Source: Unédic, Unédic forecasts.



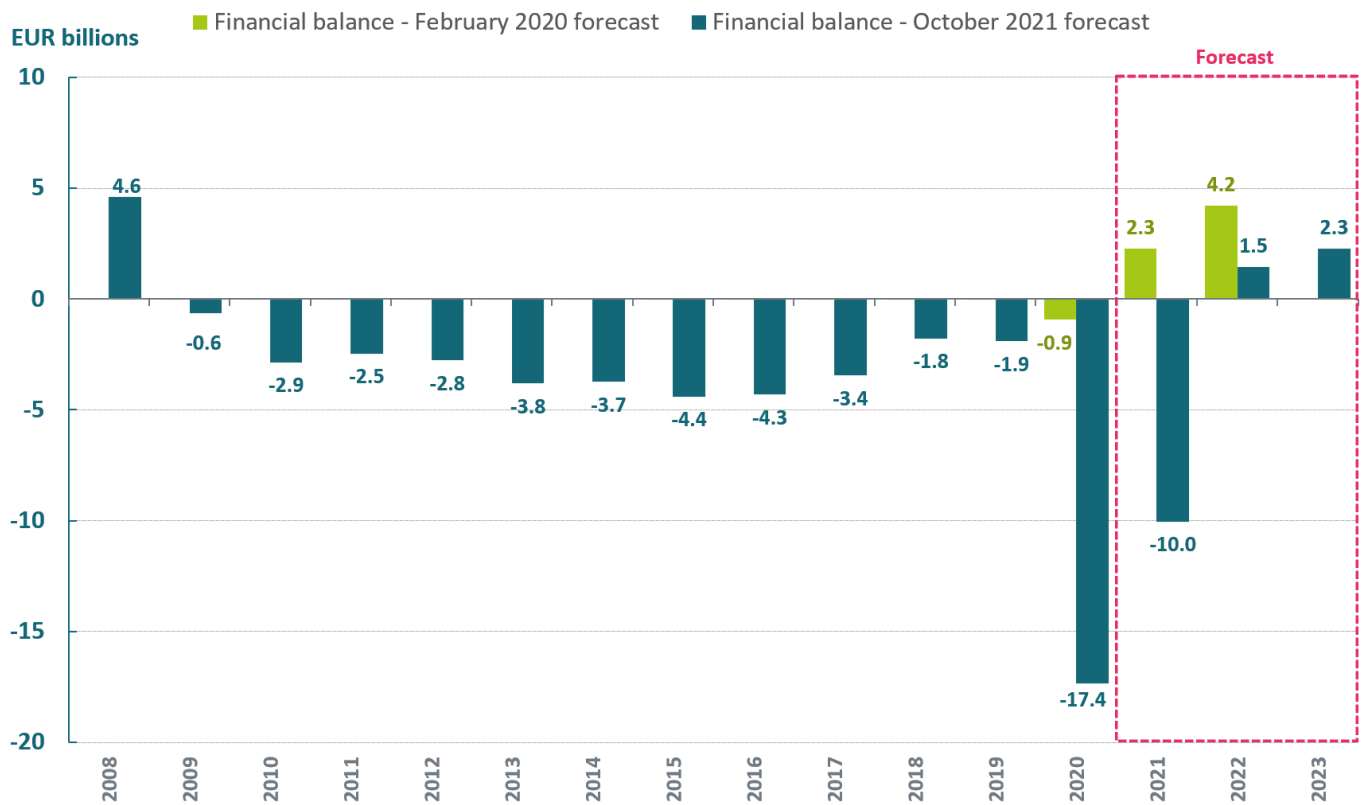
**Financial balance: a scheme in good health, projected to return to surplus in 2022 and 2023**

After a deficit of €17.4 billion in 2020, we expect Unédic’s financial balance to improve in 2021, to stand at a deficit of €10.0 billion at year end 2021 (*Chart 9*).

**The scheme is forecast to return to surplus by 2022, posting a surplus of €1.5 billion (Table 3), mainly due to the effects of three factors:** 60% of this forecasted improvement in the scheme’s financial balance is expected to be accounted for by the end of the scheme’s financing of the emergency measures (in particular the extension of entitlements and furloughing scheme); 25% by the rebound in employment, reflected in a strong rebound in revenues and a reduction in expenditures; and 15% by the effects of the unemployment insurance reform.

**In 2023, an even greater surplus is forecast (€2.3 billion).**

**CHART 9 – UNEMPLOYMENT INSURANCE CASH BALANCE UP TILL YEAR END 2023**



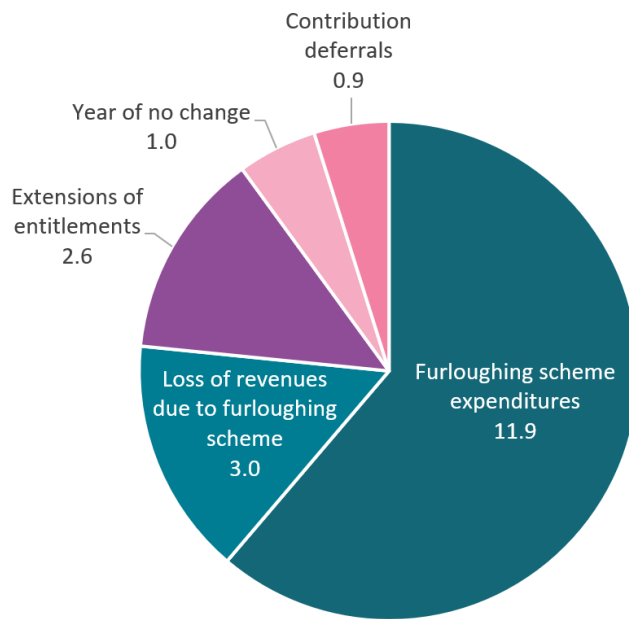
Source: Unédic, Unédic forecasts.

### Effects of the emergency measures on the unemployment insurance scheme's financial balance

At October 2021, the funding of the furloughing scheme, the deferred contributions and the other emergency measures (extension of entitlements for the general scheme and casual workers in the entertainment industry) had adversely affected the Unemployment Insurance scheme's balance by €18.7 billion.

**We ultimately estimate that these measures will generate additional debt of €19.4 billion for the Unemployment Insurance scheme at the end of 2022 (Chart 10).**

**CHART 10 – FINANCIAL EFFECTS OF EMERGENCY MEASURES BETWEEN 2020 AND 2022, IN EUR BILLIONS**



Source: Unédic, Unédic forecasts.

## Debt and debt management

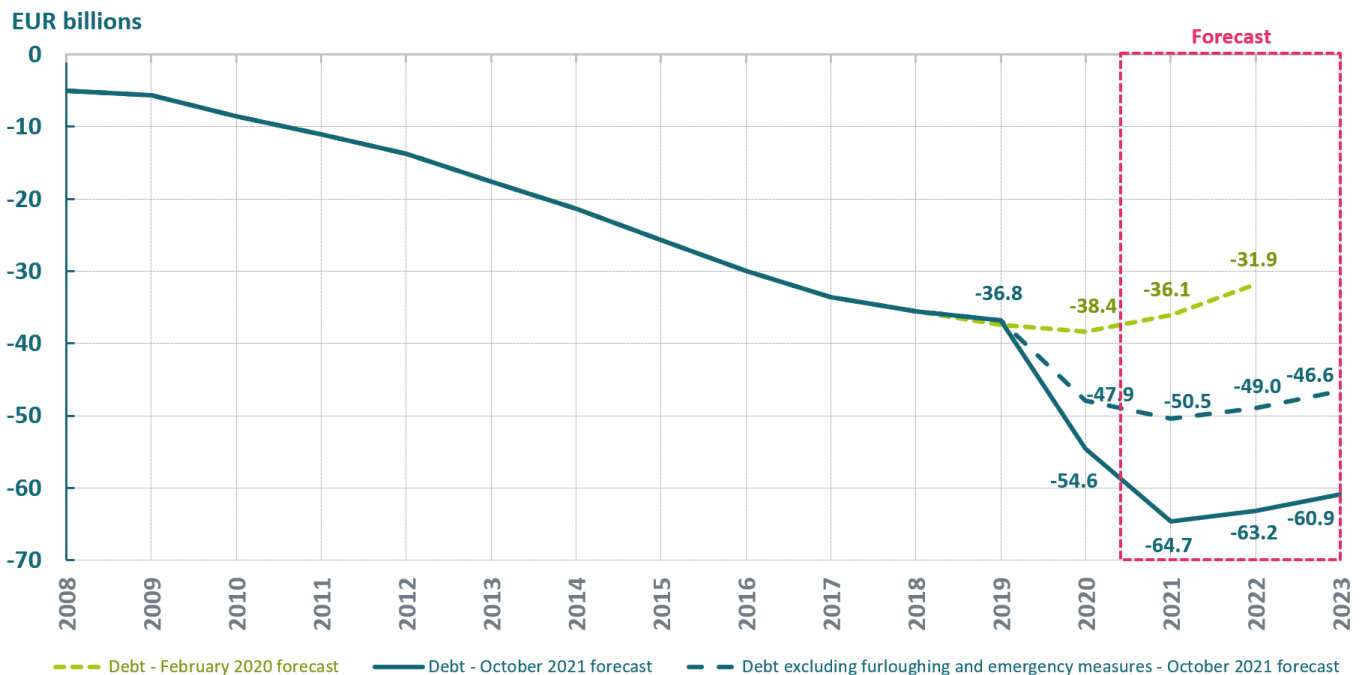
At the end of 2020, the debt amounted to €54.6 billion. It is forecast to reach nearly €64.7 billion at the end of 2021 and then begin to decrease to €63.2 billion at the end of 2022, and to €60.9 billion at the end of 2023 (Table 3). Without the financing of the furloughing scheme and emergency measures, we forecast that the debt would have been €41.4 billion at the end of 2023 (Chart 11).

In connection with the Covid-19 crisis, Unédic has adapted the size and the arrangements of its borrowings in 2020 to secure the scheme’s funding. In 2020, Unédic carried out medium- and long-term debt issuances in the amount of €19 billion, including "Social Bonds" in the amount of €17 billion. This year, Unédic's bond funding activity remains significant with a €13 billion programme.

As a reminder, each year, the State grants an **explicit guarantee** for a defined amount to cover Unédic’s new bond issuances. For 2022, the amount of the guarantee, provided for in the Finance Law, is projected to be €6.25 billion, reduced from the extraordinary amounts for 2020 and 2021.

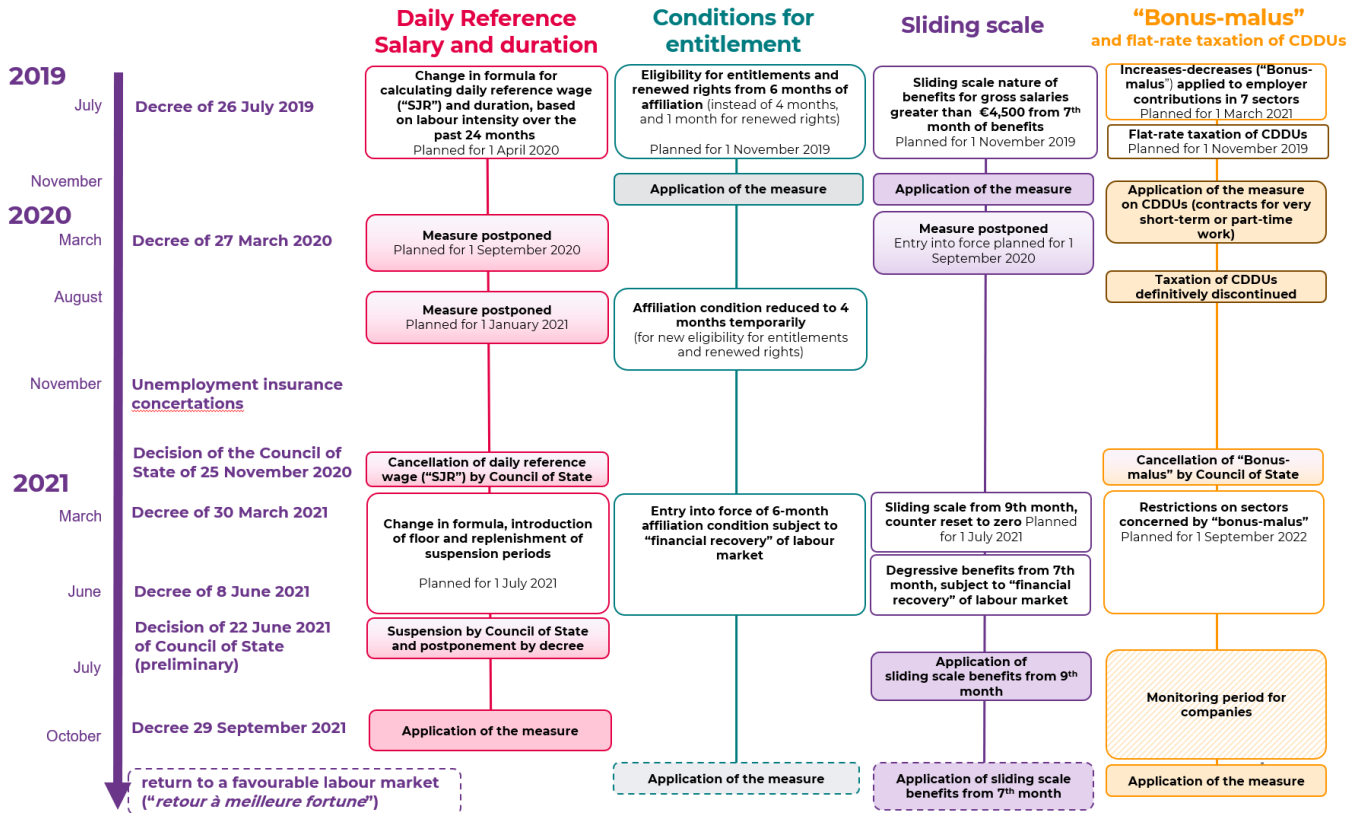
Despite the increased use of market financing since the spring of 2020, the cost of debt remains low for the scheme, due in the main to borrowing at fixed rates in a context of low interest rates on the bond market in the Euro zone. However, the recovery in economic activity observed in 2021 – accompanied by an increase in inflation – brings with it the risk of a rise in rates on the Eurobond market and could therefore have an impact on the cost of Unédic's debt in the medium term. The interest expenditures on Unédic’s debt is expected to be €0.3 billion in 2021, €0.3 billion in 2022 and €0.4 billion in 2023.

CHART 11 - UNEMPLOYMENT INSURANCE SCHEME DEBT UNTIL THE END OF 2023



Source: Unédic, Unédic forecasts.

**APPENDIX 1 – REGULATORY CHANGES CONCERNING THE MAIN MEASURES OF THE UNEMPLOYMENT INSURANCE REFORM SINCE 2019**



Source: Unédic



## **FINANCIAL SITUATION OF UNEMPLOYMENT INSURANCE 2021-2023**

**22 October 2021**

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