

FINANCIAL SITUATION OF UNEMPLOYMENT INSURANCE FOR 2023-2025

13 June 2023

SUMMARY

Unemployment insurance remains resilient in an economic context marked by inflation. Over the 2023-2025 period, Unédic anticipates surpluses that will reduce the scheme's debt.

After the year 2022 was marked by inflation that had been unprecedented for several decades, price tensions seem to be here to stay in 2023. Their negative impact on business appears to continue. The ebb is expected to occur only from 2024, with a return to inflation of less than 2% in 2025. Against this background, growth is expected to remain sluggish: GDP growth is expected to reach only 0.6% in 2023 according to the Consensus Forecasts, and 0.9% in 2024. A clear recovery (1.6%) is expected in 2025.

After an exceptional level of net job creation in 2021 and a strong increase in 2022, the years 2023 and 2024 are expected to experience a pause. The lack of momentum in economic activity is expected to lead to 82,000 net new jobs in 2023. In 2024, employment gains are expected to be of around 28,000. In addition to limited growth, another factor could play a role: the momentum of apprenticeships, which has contributed to net job creation in recent years, could be affected by the reduction in the recruitment bonus compared to its previous level. Jobs covered by the unemployment insurance are expected to recover in 2025, with 132,000 net new jobs created, as growth picks up.

Regarding growth and employment, one element adds uncertainty for the future: the change in productivity per capita, which has fallen compared to its level and its pre-Covid-19 crisis trend. The phenomenon is not specific to the French economy and is subject to debate among economists.

The number of unemployed receiving benefits is expected to remain stable in 2023 (2.5 million), due to the expected pause in job creation after the first quarter. A reversal of this trend is expected to occur under the effect of the reform of the rules to adapt to the economic situation, which entered into force at the beginning of 2023, and then of the improvement in the labour market. The number of employees compensated is expected to decrease in 2024 (2.4 million), before falling to 2.3 million in 2025.

Total unemployment insurance expenditure is forecast to increase in 2023 (€42.2 bn) and 2024 (€42.9 bn), before decreasing in 2025 (€40.8 bn). On the revenue side, favourable wage momentum is expected to contribute to a marked increase in unemployment insurance contributions: €46.6 bn in 2023, €48.2 bn in 2024 and €49.5 bn in 2025. Unédic's balance is expected to remain in positive territory in 2023 (+€4.4 bn, after +€4.3 bn in 2022). In 2024, it is expected to reach +€5.4 bn, before increasing significantly in 2025 (+€8.7 bn).

Under these conditions, the deleveraging of the unemployment insurance scheme is expected to continue. Burdened by the Covid-19 crisis (€63.6 bn at the end of 2021), financial debt is expected to reach a level of €56.3 bn at the end of 2023, €51.0 bn at the end of 2024 and €42.3 bn at the end of 2025.

NB: these forecasts are based on the assumption that the removal of Unemployment Insurance employee contributions will continue to be wholly offset by the GSC-activity and that Pôle Emploi will continue to be funded in the same way, without presuming any change in funding as part of the creation of France Travail. The financial effects of the measures relating to abandonments of position are taken into account in this forecast, but not those of the pension reform, which are still difficult to estimate to date.

1.ASSUMPTIONS USED FOR FORECASTS

For its growth and inflation assumptions, Unédic uses the forecasts produced by Consensus Forecasts, which is the average of forecasts of some twenty banks and institutions, published each month. This forecast is based on the Consensus Forecasts last published on 12 May 2023.

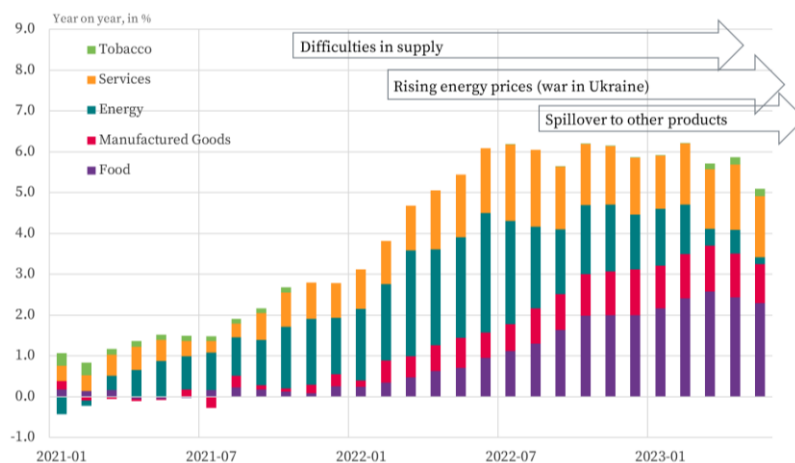
INFLATION: INCREASE IN INFLATION IN 2023, BEFORE A DECLINE IN 2024 AND 2025

As a result of supply issues, then the surge in energy prices following the war between Ukraine and Russia, inflation had risen sharply in 2022 to +5.2% on average (after +1.6% in 2021) despite the implementation of measures, such as the price shield, to mitigate this increase.

2023: Inflation will continue to rise

According to the INSEE’s provisional estimate, in May 2023, year-on-year inflation remains at a high level, at +5.1% (after +5.9% in April). However, the nature of the drivers of inflation has changed as energy prices now make a smaller contribution, while the contributions of food, manufacturing and services have strengthened. In other words, the increases in energy prices that occurred in 2022 have spread throughout the economy and are now reflected in the increase in the prices of a very wide range of goods and services, including food, which has made a strong positive contribution in recent months (Chart 1). According to the Consensus Forecasts, inflation is therefore expected to increase again to reach **+5.4% in 2023** (Chart 2 and Table 1).

CHART 1 – BREAKDOWN OF THE CHANGE IN CONSUMER PRICE INDEX



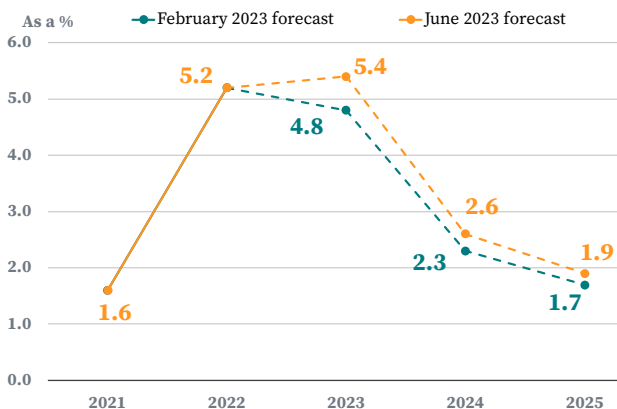
Source: INSEE

2024-2025: clear slowdown in inflation to return to 2%

After the peak of 2023 (+5.4%), inflation is expected to decline significantly to **+2.6% in 2024**. The spread of the inflation shock is expected to come to an end and the effects of the monetary tightening initiated by the European Central Bank in mid-2022 is expected to be felt.

In 2025, inflation is expected to continue to slow to **+1.9%**.

**CHART 2 – INFLATION ASSUMPTIONS
(CONSUMER PRICE INDEX)**



Sources: INSEE for the actual figures; Consensus Forecasts of May 2023 for the forecasts.

TABLE 1 – COMPARISON OF VARIOUS INFLATION FORECAST SOURCES

Inflation	2021	2022	2023	2024	2025
Unédic (Consensus of May 2023; CPI)	1.6%	5.2%	5.4%	2.6%	1.9%
OECD (June 2023; HCPI)	2.1%	5.9%	6.1%	3.1%	
European Commission (May 23; HCPI)	2.1%	5.9%	5.5%	2.5%	
Government (Pstab April 2023; CPI)	1.6%	5.2%	4.9%	2.6%	2.0%
OFCE (April 2023; CPI)	1.6%	5.2%	5.8%	3.8%	
IMF (April 2023; HCPI)	2.1%	5.9%	5.0%	2.8%	2.1%
Banque de France (March 2023; HCPI)	2.1%	5.9%	5.4%	2.5%	2.1%
Unédic forecast of February 2023 (CPI)	1.6%	5.2%	4.8%	2.3%	1.7%

Sources: INSEE for the actual figures; Consensus Forecasts of May 2023, Banque de France, Insee, French Stability Programme, IMF, OFCE, OECD, European Commission.

Note: The CPI is the Consumer Price Index. The HCPI is the Harmonised Consumer Price Index, designed for international comparisons to assess the price stability convergence criterion under the Maastricht Treaty. The CPI remains the benchmark at the national level.

GROWTH: SLOW GROWTH OF ACTIVITY IN 2023 AND 2024, THEN REBOUND IN 2025

2023 and 2024: activity still affected by inflation and its repercussions

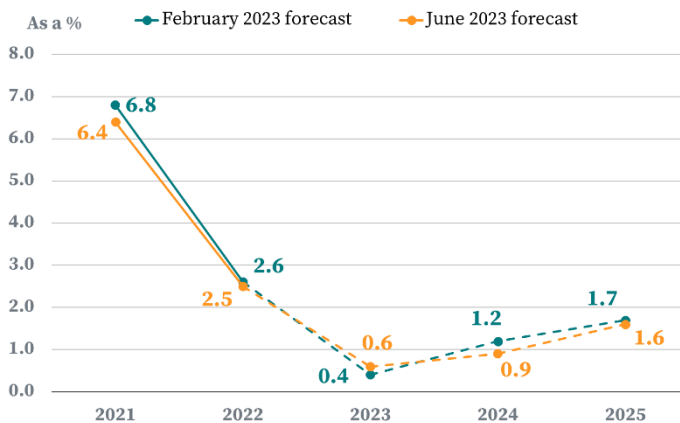
In the 1st quarter of 2023, activity increased by nearly +0.2% after zero growth in the 4th quarter of 2022. These unfavourable developments are extending the sluggish trajectory of activity observed since the beginning of 2022 despite an increase of +2.5% on average over the year as a whole. This slowdown is the result of the inflationary shock that weighs on the purchasing power of households and leads them to reduce their consumer spending.

In addition, the measures of the European Central Bank (ECB) and in particular the increase in key interest rates is expected to negatively affect the investment expenditure of companies and households. As a result, activity is expected to increase by only **+0.6% in 2023 and then by +0.9% in 2024** (Chart 3 and Table 2).

2025: a clear resumption of activity

According to the Consensus Forecasts, activity is expected to be on a more sustained recovery trajectory in 2025 and growth is expected to be **+1.6%**. This scenario remains subject to significant risks and in particular the uncertainties surrounding the effects on activity of the tightening of monetary policy led by the ECB to bring the level of inflation towards its target of 2% in the medium term.

CHART 3 – GROWTH ASSUMPTIONS



Sources: Insee for the actual figures; Consensus Forecasts of May 2023 for the forecast figures.

TABLE 2 – COMPARISON OF VARIOUS GDP FORECAST SOURCES

Real GDP growth	2021	2022	2023	2024	2025
Unédic (Consensus of May 2023)	6.4%	2.5%	0.6%	0.9%	1.6%
OECD (June 2023)	6.4%	2.5%	0.8%	1.3%	
European Commission (May 23)	6.8%	2.6%	0.7%	1.4%	
Government (Pstab, April 2023)	6.8%	2.6%	1.0%	1.6%	1.7%
OFCE (April 2023)	6.8%	2.6%	0.8%	1.2%	
IMF (April 2023)	6.8%	2.6%	0.7%	1.3%	1.9%
Banque de France (March 2023)	6.8%	2.6%	0.6%	1.2%	1.7%
Unédic February 2023 forecast	6.8%	2.6%	0.4%	1.2%	1.7%

Sources: INSEE for the actual figures, Consensus Forecasts for May 2023, Banque de France, Insee, French Stability Programme, OFCE, IMF, OECD, European Commission.

EMPLOYMENT: PAUSE IN NET JOB CREATIONS IN 2023 AND 2024, THEN RESUMPTION IN 2025

After a decline of around 100,000 jobs in 2020 at the time of the health crisis, jobs covered by the unemployment insurance system rebounded sharply in 2021 (+880,000 net job creations) and then rose sharply again in 2022 (+341,000 net job creations). This very favourable trend in the labour market is all the more remarkable as activity increased by only +1.1% between the end of 2019 and the end of 2022. In other words, between 2020 and 2022, the French economy presented a very strong growth in jobs leading to the creation of nearly 1.1 million jobs, that is an increase in employment of nearly +5.6% compared to the level of employment recorded at the end of 2019 (Charts 4A and 4B). However, it can be noted that the first signs of a slowdown in employment appeared during 2022, since it increased by 198,000 in the 1st semester, then by 143,000 in the 2nd semester, i.e. +341,000 over the year. In this context, productivity per capita¹ fell sharply at the end of the crisis and is still far from its level at the end of 2019.

2023-2024: a pause in employment

The good trend in job creation is expected to decline in 2023 and 2024. In the 1st quarter of 2023, however, employment surprised observers by increasing by +87,000, after +52,000 in the 4th quarter of 2022, in connection with still low employment productivity. This increase in employment in the 1st quarter of 2023 mainly concerns the services sector, with the pace slowing in industry and becoming slightly negative in construction. However, given the lack of momentum in economic activity in 2023 (+0.6%), and the observed turnaround in short-term employment indicators (temporary employment, employment climate, etc.), job creation is expected to be very modest over the rest of the year.

In addition, the reduction of the recruitment bonus for an adult apprentice to €6,000 compared to at least €8,000 between the summer of 2020 and December 2022 could affect the momentum of apprenticeships observed in recent years, reducing their support for net job creation.

Ultimately, the net creation of jobs covered by the Unemployment Insurance is thus expected to be around **+82,000 jobs in 2023**. In 2024, despite a slight economic recovery (+0.9%), employment gains are expected to be around **+28 000**.

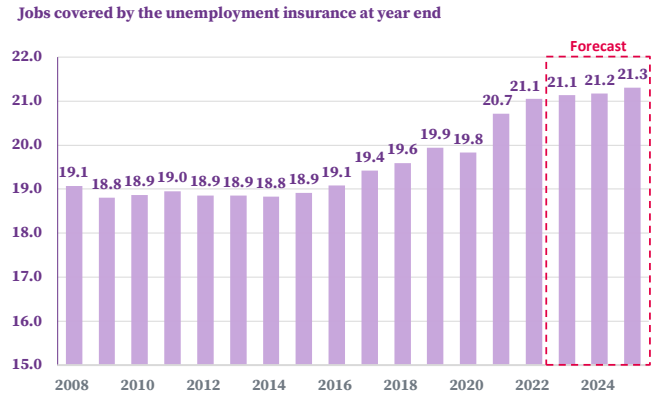
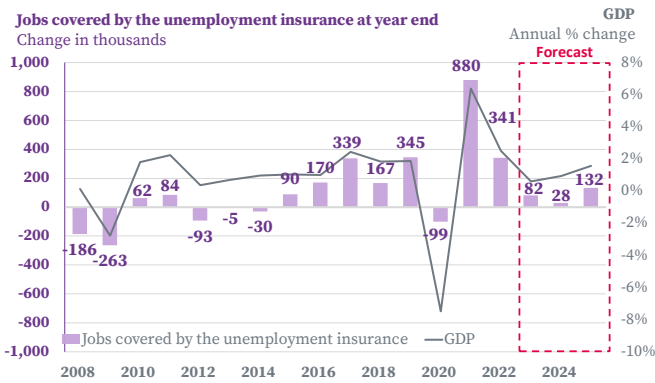
As a corollary, productivity is expected to remain on a downward trend in 2023. It will be necessary to wait until 2024 to initiate a turnaround allowing productivity per capita to converge again towards its pre-crisis trend (Box 1).

¹ Per capita productivity is the ratio of output to a single input used in a production process (labour and capital). Work productivity is calculated as follows: work productivity = value added/number of employees. Productivity gain is the percentage change in productivity over the course of a given period.

2025: recovery in employment

The expected acceleration in economic activity in 2025 is expected to come with an improvement in the labour market situation. The number of jobs covered by the unemployment insurance will increase by **+132,000 in 2025**.

CHARTS 4A AND 4B – CHANGE AND NUMBER OF JOBS COVERED BY THE UNEMPLOYMENT INSURANCE
A – ANNUAL CHANGE, IN THOUSANDS **B – YEAR-END LEVEL, IN MILLIONS**



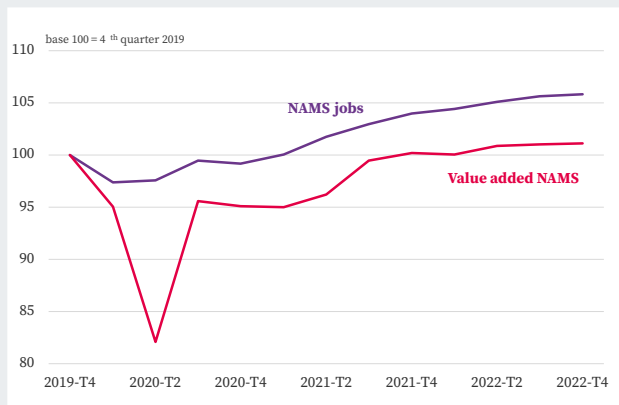
Sources: GDP: Insee, Consensus Forecasts; jobs covered by the unemployment insurance: Unédic's estimates for June 2023 based on employment data co-produced by the Insee, the Urssaf Caisse nationale and the Dares. Year on year at 31 December.
 Scope: jobs covered by the unemployment insurance. France excluding Mayotte. Seasonally adjusted data.

BOX 1 – CHANGE IN PRODUCTIVITY IN QUESTION

Per capita productivity expresses the ratio between value added and employment, i.e. the average value produced per person employed. Over the forecast horizon, it is on the basis of the expected growth rate and the assumptions made on the change in productivity per capita that the change in employment is estimated. However, productivity, after a decade of trend decline, was particularly affected by the Covid crisis*.

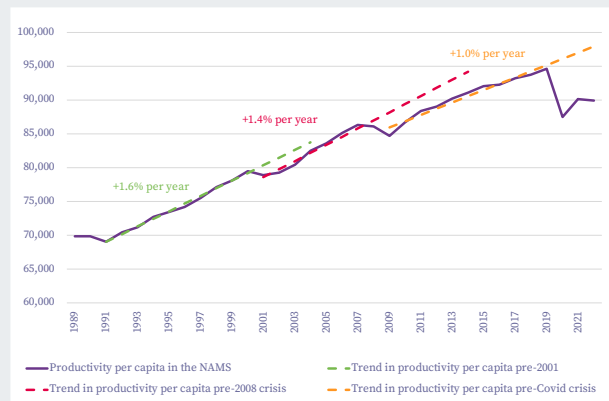
Indeed, during the health crisis, thanks to the several measures put in place with the emergency plan, including furloughing scheme, the loans guaranteed by the Government (PGE), the deferral of contributions, etc., employment was less affected than GDP, and its rebound after the first lockdown was strong and persisted longer than that of GDP (Chart A). As a corollary, productivity per capita fell from its pre-Covid crisis level and trend (Chart B). The phenomenon is not specific to the French economy: it is less widespread and sometimes already resolved in our European neighbours (Germany, Spain and Italy)**.

CHART A - COMPARATIVE CHANGE IN VALUE ADDED AND EMPLOYMENT IN THE NON-AGRICULTURAL MARKET SECTOR (NAMS)



Source: Insee, Unédic calculations

CHART B - PRODUCTIVITY PER CAPITA IN THE NON-AGRICULTURAL MARKET SECTOR



Source: Insee, Unédic calculations

In the 1st quarter of 2023, employment (NAMS) was about 1 million persons higher than prior to the Covid crisis (4th quarter of 2019). The diagnosis of such a rebound in employment is not finalised to date and the various factors frequently considered (increase in apprenticeship, decrease in working hours, decrease in undeclared employment in favour of declared employment, support measures for enterprises), fail to explain it in full. This additional million jobs are therefore partly unexplained and disconnected from the structural determinants of the job market.

Now, some of these explanatory factors are no longer working. The questions today relate to the issue of the employment surplus observed: will it be maintained or not, independently from cyclical developments or not?

These issues are part of a context of an upturn in productivity, with uncertainty about its return to the trend observed during the 2010s (Chart B). This debate is not settled among economists. On the other hand, the assumption of a return of productivity to its 2019 level is rejected by consensus.

La productivité du travail au sortir de la crise sanitaire (*Work productivity in the aftermath of the financial crisis*), E. Dubois et O. Redoulès, study note no.2022-1, Haut Conseil des Finances Publiques.

** Note de conjoncture : Refroidissement (*Note on the economic situation: cooling-off*), Insee December 2022

(<https://www.insee.fr/en/statistics/6677436?summary=6677447>).

UNEMPLOYMENT RATE: STABILISATION IN 2023 AND 2024, THEN DECREASE IN 2025

In the 1st quarter of 2023, the unemployment rate remained stable at 7.1%. Over one year, it decreased by 0.3 points, reflecting the vitality of the labour market; this decrease in the unemployment rate came with very strong increases in the employment rate and the activity rate reflecting the very strong growth in employment of the French economy as well as the strong gains in terms of the working population resulting from the development of apprenticeships observed from 2020 onwards.

The expected pause in job creation in 2023 and 2024 is expected to result in a stabilisation of the unemployment rate around that recorded in the 1st quarter of 2023. It is expected to be 7.0% at the end of 2023, then 7.1% at the end of 2024 due to the slowdown in job creation, stabilising at a relatively low level for the French economy.

In 2025, the resumption of employment would lead to a significant drop in the unemployment rate to 6.7%.

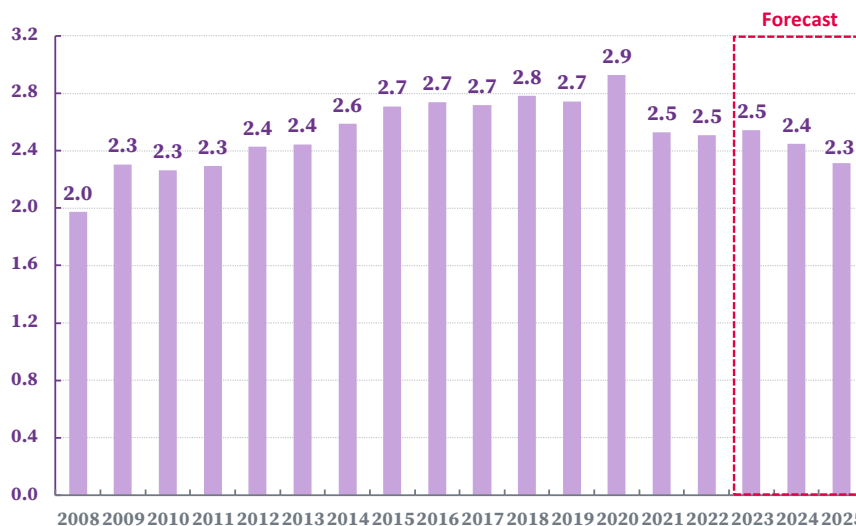
COMPENSATED UNEMPLOYMENT: DECREASE OVER THE FORECAST PERIOD

The number of unemployed receiving benefits fluctuated around 2.7 million in the second half of the 2010s, before peaking at 2.9 million in 2020 as a result of the health crisis and the extension of unemployment entitlements applied to support the economy (Chart 5).

At the end of 2021, the number of unemployed receiving benefits fell to 2.5 million under the combined effect of the end of the extension of entitlements, the entry into force of the 2021 Unemployment Insurance reform, and the employment momentum. It stabilised at this level in 2022 in a context of declining employment.

Due to the expected pause in job creation, the number of unemployed receiving benefits is expected to be broadly stable at 2.5 million by the end of 2023. A new downward trend is expected to begin in 2024 under the effect of the 2023 reform of Unemployment Insurance. In force since February 2023, this reform aims to adapt the compensation rules to the economic situation in favourable times (i.e. unemployment rate below 9% or increasing by less than +0.8 points)², which ultimately reduces the number of unemployed receiving benefits each month. The number of unemployed receiving benefits is expected to decrease to 2.4 million in 2024. In 2025, this movement is expected to be amplified by the improvement of the labour market, the number of unemployed receiving benefits are expected to reach 2.3 million in 2025.

CHART 5 – NUMBER OF UNEMPLOYED RECEIVING UNEMPLOYMENT BENEFITS, YEAR-END LEVEL, IN MILLIONS



Sources: Pôle emploi; Unédic, Unédic’s June 2023 forecasts

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

² Unédic, Financial situation of Unemployment Insurance for 2023-2025, 21 February 2023

PAYROLL: WAGES MOMENTUM INCREASES THE PAYROLL

In the context of its macroeconomic and financial forecasts, the payroll provided for by Unédic corresponds to a payroll subject to contributions, the average wage per employee (AWPE) studied below corresponds to the wage subject to contributions.

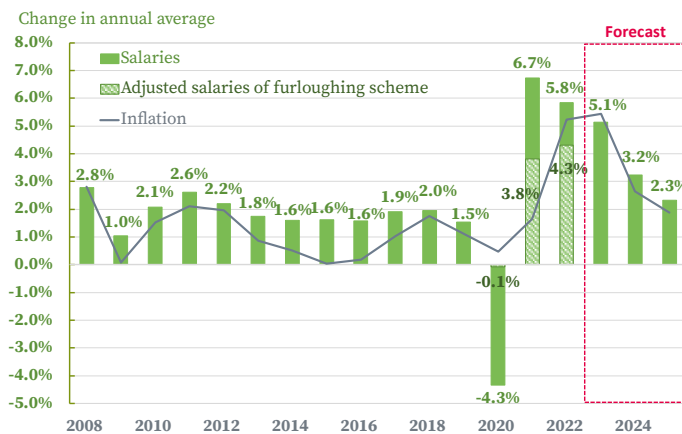
After decreasing by -4.3% in 2020 and rebounding sharply by +6.7% in 2021, the AWPE remained strong in 2022 with an increase of +5.8%. Some of these strong changes in 2021 and 2022 are explained by the absence of furloughing scheme benefits in the calculation of the AWPE which reports the payroll paid to employees to the average workforce. **The sharp decline in furloughing scheme benefits observed from 2021 but also in 2022 led to an automatic increase in the payroll and consequently to very strong changes in the AWPE.** However, these effects do not fully explain the very favourable wage momentum observed since the end of 2021: the favourable state of the labour market and especially the sharp acceleration in inflation also play a powerful role in this momentum (Chart 6A).

From 2023, the furloughing scheme benefits are no longer expected to exert any influence on the change in the AWPE. As a result, changes in the AWPE are expected to depend mainly on inflation, as well as on the state of the labour market and productivity. **The AWPE subject to contributions is expected to increase by 5.1% in 2023.**

The AWPE is then expected to slow down by 2025 in the wake of inflation, while maintaining a higher pace than that experienced during the 2010s. It is forecast to increase by **+3.2% in 2024 and +2.3% in 2025,** slightly exceeding price developments (Chart 6A).

The spectacular rebounds in employment and the AWPE described above brought the growth of payroll in 2021 and 2022 to exceptionally high levels (+8.9% and +8.7% respectively). In anticipation, the expected decline in employment in 2023 and 2024 is expected to be such that the contribution of employment to payroll is expected to become minor. Fuelled mainly by wages, payroll is thus expected to increase by **+6.2% in 2023, then by +3.3% in 2024 and +2.6% in 2025,** that is a rate now less than that of the pre-crisis years (Chart 6B).

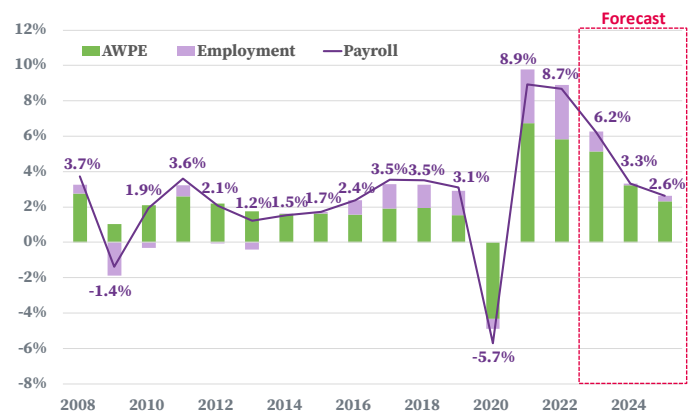
CHART 6A – CHANGE OF THE AVERAGE WAGE PER EMPLOYEE SUBJECT TO CONTRIBUTIONS (AWPE)



Sources: Urssaf Caisse nationale, Consensus Forecasts and Unédic forecasts of June 2023.

NB: the strong variations of the AWPE in 2020 and 2021 are linked to the accounting treatments of the furloughing scheme, the benefits of which are not considered as salary.

CHART 6B – CHANGE IN PAYROLL SUBJECT TO CONTRIBUTIONS



Sources: Urssaf Caisse nationale, Unédic's June 2023 forecast

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

TABLE 3 – SUMMARY OF MACROECONOMIC ASSUMPTIONS AND FORECASTS

	2020	2021	2022	2023 Forecast	2024 Forecast	2025 Forecast
Growth, prices and Salary						
GDP	-7.5%	+6.4%	+2.5%	+0.6%	+0.9%	+1.6%
CPI inflation	+0.5%	+1.6%	+5.2%	+5.4%	+2.6%	+1.9%
Average wage per employee (AWPE) in the competitive sector	-4.3%	+6.7%	+5.8%	+5.1%	+3.2%	+2.3%
Employment and payroll						
Jobs covered by the unemployment insurance						
Change in annual average as percentage	-0.5%	+3.1%	+3.1%	+1.1%	+0.1%	+0.3%
annual average level	19,682,000	20,283,000	20,902,000	21,137,000	21,152,000	21,220,000
level at year end	19,836,000	20,717,000	21,058,000	21,140,000	21,168,000	21,301,000
year-on-year at year end	-99,000	+880,000	+341,000	+82,000	+28,000	+132,000
Payroll in the competitive sector	-5.7%	+8.9%	+8.7%	+6.2%	+3.3%	+2.6%
Unemployment						
Unemployed receiving unemployment insurance (ARE, AREF, ASP, AREP, ATI)						
Change in annual average as percentage	+6.4%	-4.4%	-12.0%	+3.0%	-2.2%	-4.9%
annual average level	2,937,000	2,808,000	2,471,000	2,545,000	2,489,000	2,367,000
level at year end	2,929,000	2,527,000	2,508,000	2,542,000	2,448,000	2,311,000
year-on-year at year end	+187,000	-402,000	-19,000	+34,000	-94,000	-137,000
ILO unemployment rate (year-end)	8.1%	7.4%	7.1%	7.0%	7.1%	6.7%

Sources: INSEE, Pôle emploi, Dares, Urssaf Caisse nationale, Unédic's forecast of June 2023.

Scope: France excluding Mayotte, seasonally-adjusted data for covered employment and ILO unemployment; whole of France, seasonally-adjusted data for unemployed receiving benefits

2. FINANCIAL SITUATION 2023-2025: A BALANCE ANCHORED IN POSITIVE TERRITORY

BENEFIT EXPENDITURES: INCREASE IN 2023 AND 2024, THEN DECREASE IN 2025

After reaching a peak of €39.0 bn in 2020 and €38.4 bn in 2021 due to the Covid crisis, **unemployment benefit expenditures** have fallen sharply since 2022 with the end of the emergency measures, the favourable trend of employment and regulatory changes. They thus stood at €33.4 bn in 2022, below their pre-crisis level (*Charts 7A and 7B*).

In anticipation, benefit expenditures are expected to increase until 2024. They are expected to increase by +€1.5 bn in 2023, then by +€0.3 bn in 2024 due to the interruption of the decline in unemployment observed so far and the increase in benefits, which remain significant due to the inflationary context, which is reflected in the increase in wages and has led to increases in unemployment benefits (see below). However, this upward trend in unemployment benefit expenditures is expected to be weakened by the end of the ramp-up of the 2021 reform, and especially the entry into force of the 2023 Unemployment Insurance reform³.

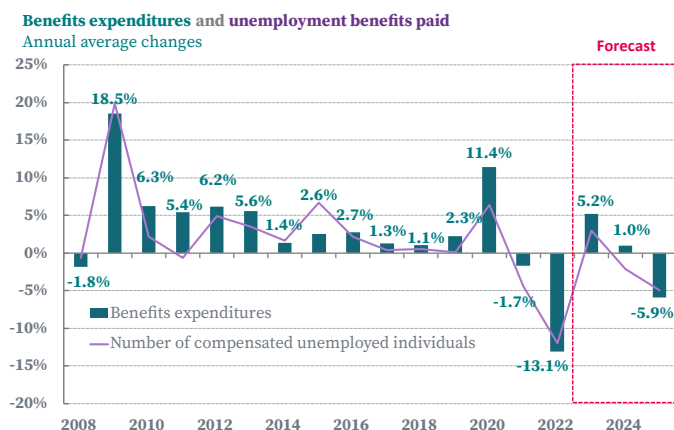
As a reminder, in view of the maintenance of a still very high level of inflation at the beginning of the year, the Board of Directors of Unédic has voted an extraordinary revaluation of unemployment benefits, of +1.9% on 1 April 2023, which is taken into account in these forecasts. Our forecasts also include revaluation assumptions as of 1 July, which do not prejudge future decisions of the Board of Directors of Unédic. In anticipation, we assume an increase of +0.6% which is expected to apply on 1 July 2023, as well as in 2024 and 2025. This assumption corresponds to a return of increases to the average of past increases.

This forecast also includes the effects of the implementation, from 19 April 2023, of the assumption of resignation in the event of voluntary abandonment of the employee’s position, which would ultimately generate savings of around €380 million (*Box 2*).

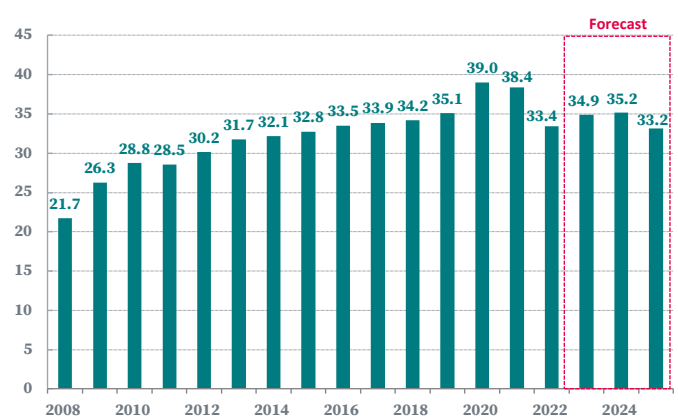
In 2025, the reduction in inflation and the decrease in unemployment is expected to allow a decrease in benefit expenditures. This decline in expenditures is expected to be reinforced by regulatory changes in 2021 and 2023. Finally, the amount of unemployment benefit expenditure is expected to reach €33.2 bn in 2025.

CHARTS 7A AND 7B – UNEMPLOYMENT BENEFIT EXPENDITURES

A – ANNUAL CHANGE AS %



B – LEVEL, IN €BN

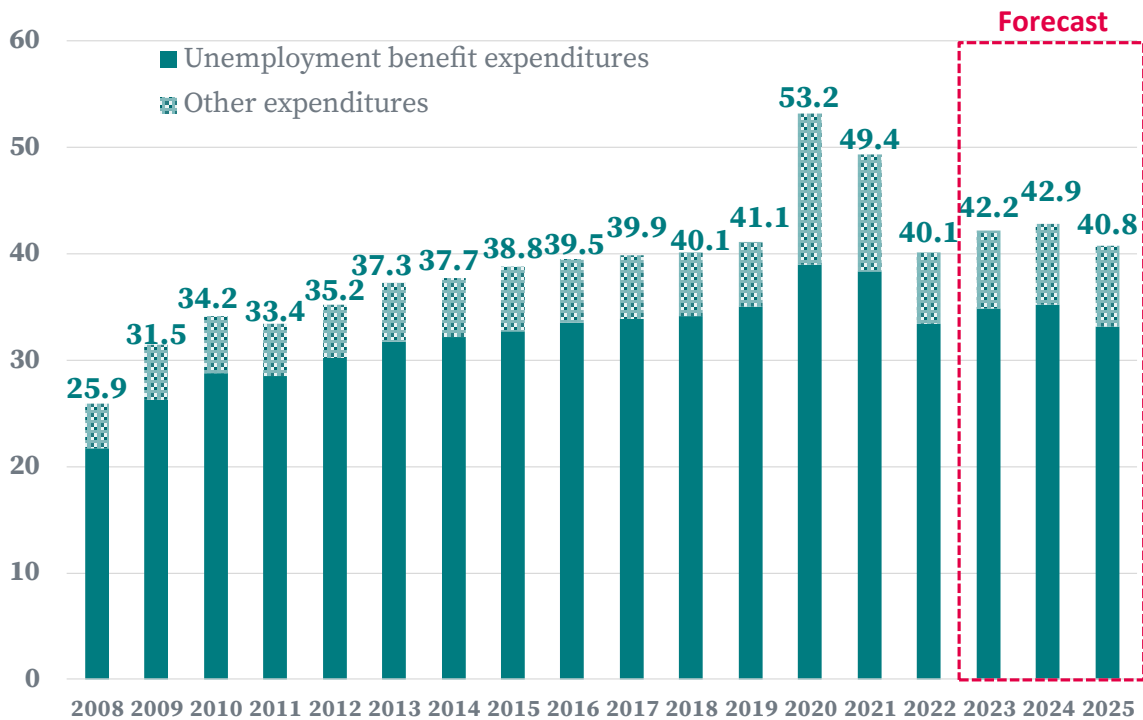


Sources: Pôle emploi, Unédic, Unédic’s June 2023 forecasts
Scope: Whole of France.

³ See Box 1, pp. 10-11, [Financial situation of unemployment insurance for 2023-2025](#), February 2023.

Unédic finances not only the compensation of the unemployed but also the operation of Pôle Emploi, the supplementary pension points of the compensated recipients and the expenditures of the furloughing scheme (one third of the benefits paid to employers). The aggregate represents Unédic’s total expenditures, which follows a similar trajectory to that of unemployment benefit expenditures (Chart 8). After €49.4 bn in 2021 and €40.1 bn in 2022, Unédic’s total expenditure is expected to be **€42.2 bn in 2023, €42.9 bn in 2024, and then to decrease significantly in 2025 to €40.8 bn** (Table 4).

CHART 8 – TOTAL EXPENDITURES AND UNEMPLOYMENT BENEFIT EXPENDITURES, IN €BN



Source: Pôle emploi, Unédic, Unédic’s June 2023 forecasts
 Scope: Whole of France.

After a very strong mobilisation during the Covid period, **furloughing scheme expenditures have begun a sharp decline since mid-2021**. This decline continued in 2022 as expenditures declined to almost €0.2 bn (compared to €3.9 bn in 2021). The furloughing scheme expenditure is expected to decrease further in 2023 to €0.1 bn in 2023 and to remain stable around this level in 2024 and 2025.

Since 2020, Unédic’s contribution to **Pôle Emploi’s funding** corresponds to 11% of Unédic’s N-2 year’s revenues, i.e. €3.9 bn in 2022, after €4.3 bn in 2021. **Under the assumption of maintaining this funding mechanism, without predicting a change in funding as part of the creation of France Travail, this amount is expected to continue increasing from year to year under the effect of revenue momentum: €4.3 bn in 2023, €4.8 bn in 2024 and €5.0 bn in 2025.**

REVENUES: MARKED INCREASE ON THE FORECAST HORIZON DUE TO FAVOURABLE WAGE MOMENTUM

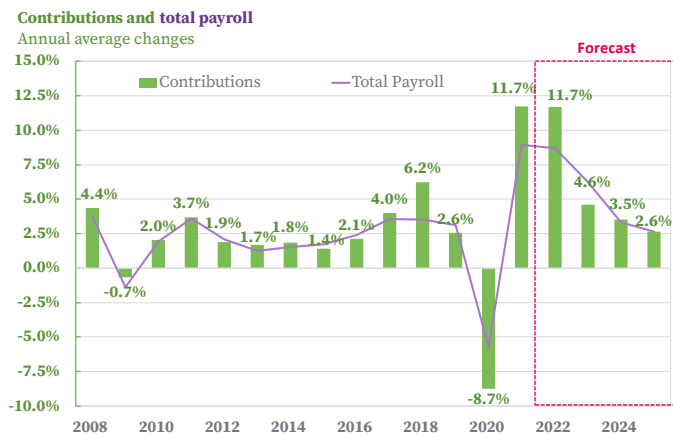
The gap in unemployment insurance contributions, which fell to €35.2 bn in 2020 (-€3.4 bn compared to 2019) as a result of the health crisis, was due to the reduction in the volume of employment, the shortfall in contributions due to the furloughing scheme benefits and the deferral of contributions. Unemployment insurance contributions amounted to €39.4 bn in 2021, as a result of the payroll catch-up (*Charts 9A and 9B*). In 2022, the strong pace of employment, but also wages following the resurgence of inflation, continued to favourably support the payroll and therefore unemployment insurance contributions, which reached €44.0 bn.

In anticipation, **contributions are expected to increase again to €46.0 bn in 2023, €47.6 bn in 2024 and €48.9 bn in 2025**, based mainly on wage momentum, with employment trends being lower (*Table 4*).

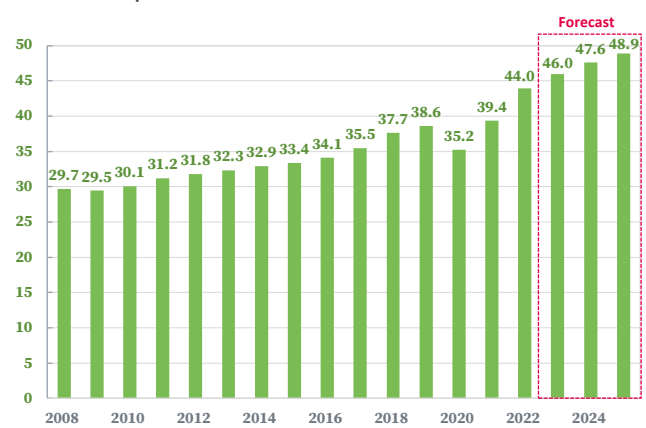
Note: these forecasts are based on the assumption that the removal of unemployment insurance employee contributions shall continue to be wholly offset by the GSC-activity.

CHARTS 9A AND 9B – UNEMPLOYMENT INSURANCE CONTRIBUTIONS

A – ANNUAL CHANGE AS %



B – LEVEL, IN €BN



Sources: Urssaf Caisse nationale, Unédic, Unédic's June 2023 forecast

BALANCE OF FINANCES: A BALANCE ANCHORED IN POSITIVE TERRITORY DESPITE THE ECONOMIC SLOWDOWN OF 2023

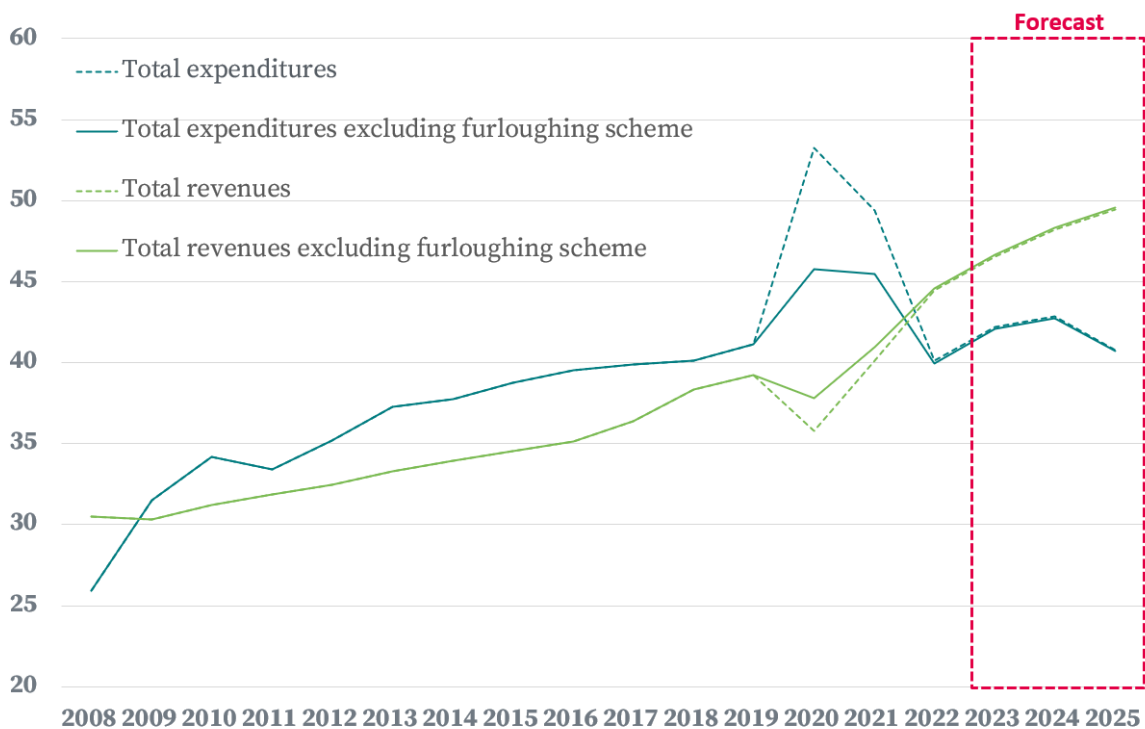
In deficit every year since the 2009 economic crisis, the financial situation of the unemployment insurance scheme has deteriorated sharply in 2020, then to a lesser extent in 2021, due to the health crisis. The end of the emergency measures, as well as the cyclical and regulatory factors detailed above, allowed the scheme to **return to positive territory from 2022 with a balance of +€4.3 bn**.

In 2023, revenue is forecast to increase slightly more than expenditure, leading to a slight increase in Unédic’s balance of finances to **+€4.4 bn**, which is therefore expected to remain in positive territory despite a very uncertain economic context (Chart 10). **In 2024**, the good performance of contributions is expected to maintain a positive balance of **+€5.4 bn**. The acceleration of job creation and the ramp-up of unemployment insurance reforms is expected to result in a significant increase in the balance **in 2025, which is expected to reach +€8.7 bn** (Chart 11).

As a proportion of GDP, Unédic’s revenues remain stable at around 1.6% of GDP, **while expenditures are expected to gradually decrease after the peak in 2020**: 2.3% in 2020, then 2.0% in 2021 and now 1.5% in 2022. Expenditures are forecast to remain at this level in 2023 and 2024 and then decline to 1.4% of GDP in 2025 (Chart 13 in the appendix).

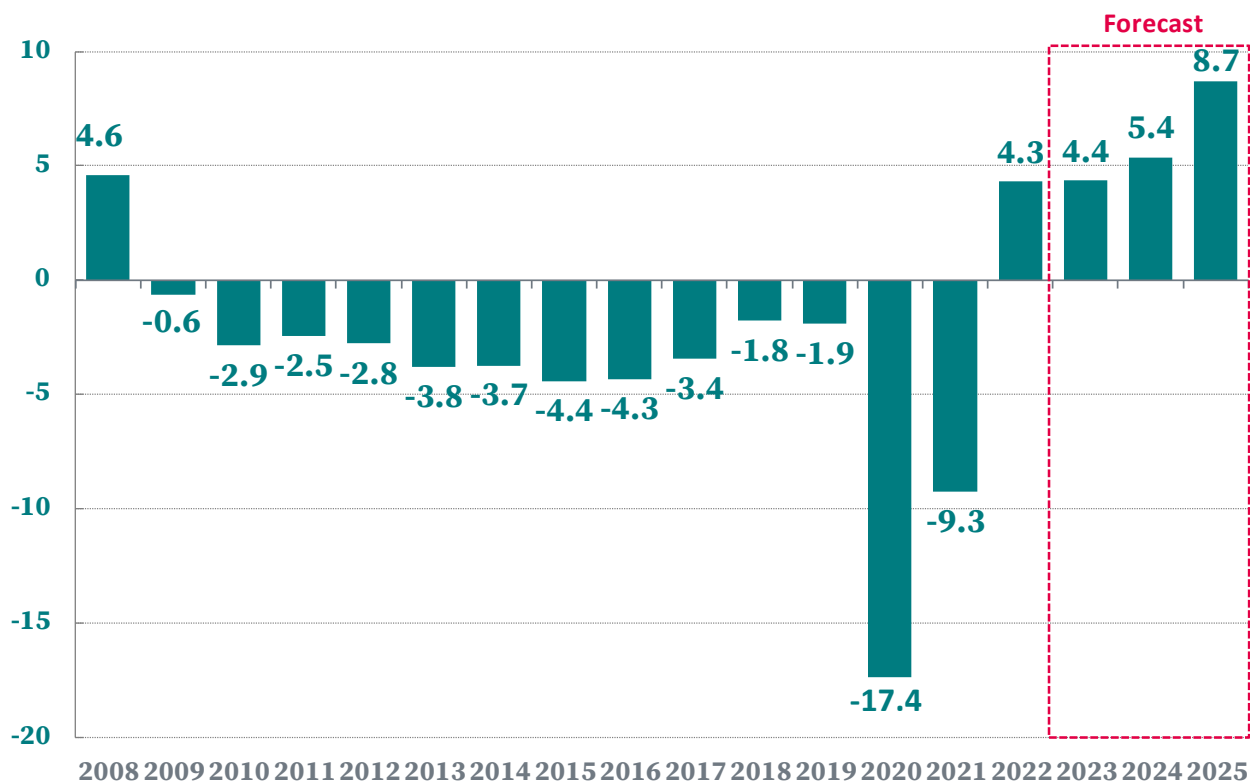
Note: At this stage, the potential impacts on employment and unemployment of the recently-voted pension reform are not taken into account here (Box 3).

CHART 10 – UNEMPLOYMENT INSURANCE EXPENDITURES AND REVENUES, IN €BN



Source: Unédic, Unédic’s June 2023 forecasts

CHART 11 – UNEMPLOYMENT INSURANCE’S BALANCE OF FINANCES, IN €BN



Source: Unédic, Unédic's June 2023 forecasts

BOX 2 – ABANDONMENTS OF POSITION

The “labour market” law of December 2022 modified the situation of employees who abandon their position by instituting an assumption of resignation in the event of abandonment of position by the employee. This new procedure entered into force on 19 April 2023, following Decree No. 2023-275 of 17 April 2023. Until then, the abandonment of a position could give rise to dismissal for serious misconduct, which gave rise to the entitlement to unemployment insurance benefits. The assumption of resignation will prevent entitlement to Unemployment Insurance and result in lower expenditures for the scheme.

There are no administrative data to estimate the number of abandonments of position each year. In order to fill this gap, Unédic interviewed a sample of 6,900 beneficiaries compensated following a dismissal for personal reasons in November-December 2022 in order to know how many had abandoned their position, what the motivations were, and what their career paths would have been if this abandonment of position had not allowed them to be covered by the Unemployment Insurance.

Key findings of the survey

- In 2022, it is estimated that 82,000 persons who left their position exercised their entitlement to unemployment insurance (that is 5% of new claims) mainly following a dismissal for serious misconduct. Abandonments of position are almost all related to permanent contracts and are more common in the first part of a professional career: almost 80% of persons abandoning their position are under 40 years of age.
- According to the interviewees, the motivations for leaving the position are diverse: they can be related to working conditions, the employee’s desire to retrain, or problems of ill-being or harassment.
- According to the respondents: abandonments of position are mostly preceded by a refusal by the employer to sign a contractual termination. Half of them are carried out in agreement with the employer, or even, in 23% of cases, suggested by the employer.
- According to the changes in the behaviour of employers and employees following the introduction of this new procedure, the lowest expenditures generated is expected to be between €380 m and €670 m per year by 2027 (i.e. taking into account the ramp-up of the 2023 reform).

In the present forecast, we retain the low limit of this interval.

BOX 3 – PENSION REFORM

The Amending Social Security Funding Act for 2023 on the reform of pensions was promulgated on 14 April 2023 to enter into force on 1 September. It provides in particular:

- a gradual increase in the legal retirement age from 62 to 64,
- an acceleration of the schedule of the extension of the contribution period necessary to benefit from a full-rate pension which will be increased to 43 years in 2027 (this extension provided for by the “Touraine law” of 2014 previously ended in 2035),
- an adaptation of certain early departure arrangements (long career, early retirement of disabled workers, etc.).

The implementing decrees laying down the terms for the implementation of the gradual increase in the retirement age from 62 to 64, the acceleration of the rate of increase of the insurance period required for the full rate, and, on the other hand, the adaptations of certain early retirement schemes, were published on 4 June.

Raising the legal retirement age from 62 to 64 should have the automatic effect of increasing both revenues (more seniors in employment) and expenditures (more seniors receiving benefits) of the Unemployment Insurance. However, the financial equilibrium of the unemployment insurance must be assessed across all age groups.

The macroeconomic effects of the current reform on total employment (net job creation, substitution between age groups, etc.), and therefore on Unemployment Insurance expenditure and receipts, are difficult to approach, which is why the present forecasts do not include such effects. Note that these effects are only expected to be felt on the unemployment insurance scheme gradually and are expected to take several years to fully ramp up.

Work by Unédic* and Dares** sheds light on the effects of these changes on compensation expenditure for persons over 60. Exploratory work by the Directorate-General of Treasury and the OFCE carried out for the COR in 2022 based on various scenarios of regulatory changes*** highlighted potential low short-term effects on total employment and more significant effects on the unemployment rate, starting in the first years of application of the measure to push back the retirement age****. Further work will be needed to assess the final effect of this reform on employment and ultimately on the balance of the Unemployment Insurance.

* [Articulation between Unemployment Insurance and pensions | Unedic.fr](https://www.unedic.fr)

** Dares, “Estimation of additional ARE/AREF expenditures following an increase in the age of entitlement”, COR plenary meeting of 27 January 2022

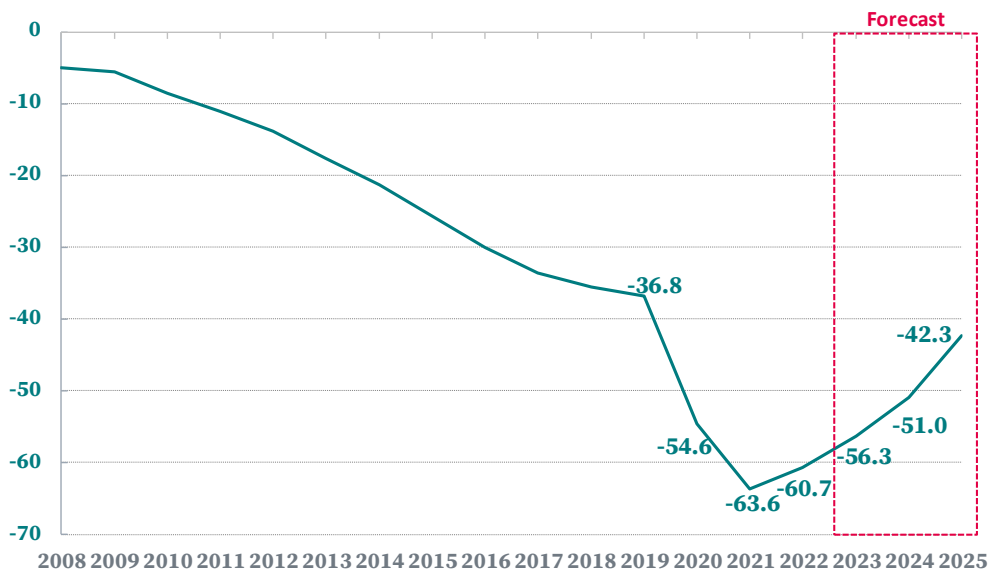
*** HCFIPS, 2022, Report for sustainable social finance, adapted to new challenges, volume 2.

**** In the early years, the labour force shock is not expected to come with a similar increase in labour demand in the market sector.

SCHEME DELEVERAGING CONTINUES

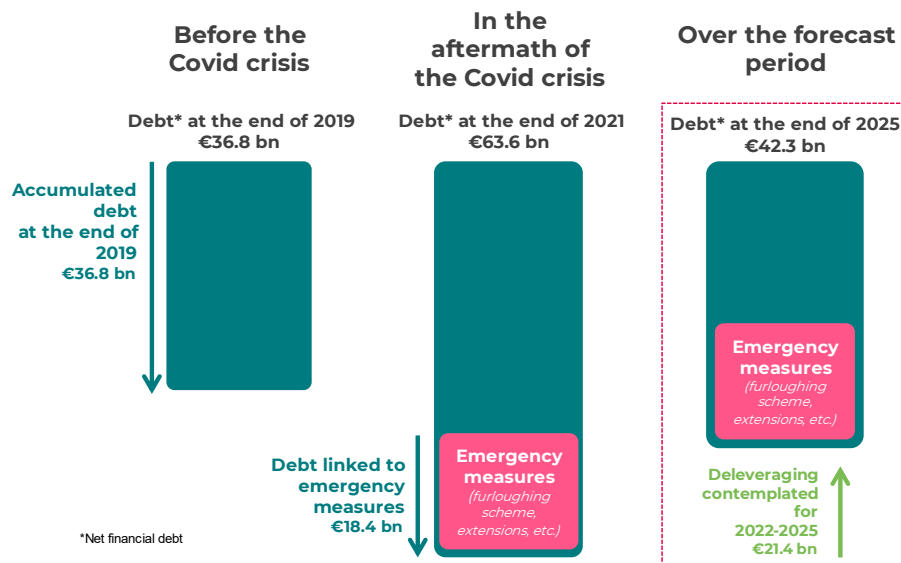
The scheme’s debt, which stood at €36.8 bn at the end of 2019, then at €63.6 bn at the end of 2021, showed a significant reduction in 2022 to reach a net debt of €60.7 bn. **Given that Unédic’s balance of finances is expected to remain in positive territory in 2023 until 2025, the Unemployment Insurance scheme is expected to remain on a deleveraging trajectory. Indeed, debt is expected to decrease to €56.3 bn at the end of 2023, €51.0 bn at the end of 2024 and €42.3 bn at the end of 2025 (Chart 12).** However, it is expected to remain above its pre-crisis level. Excluding emergency measures, it is expected to have reached **€23.9 bn in 2025 (Chart 1).**

CHART 12 – UNEMPLOYMENT INSURANCE SCHEME DEBT, IN €BN



Source: Unédic, Unédic’s June 2023 forecasts

CHART 1 - DEBT BEFORE COVID CRISIS, AT THE END OF THE CRISIS AND UNTIL YEAR-END 2025



* Net financial debt

Source: Unédic, Unédic’s June 2023 forecasts

TABLE 4 – UNÉDIC EXPENDITURES AND REVENUES FOR 2019-2025

<i>In billions of euros, as at 31 December</i>	2019	2020	2021	2022	2023 Forecast	2024 Forecast	2025 Forecast
Revenues	39.2	35.8	40.1	44.4	46.6	48.2	49.5
Unemployment insurance contributions	38.6	35.2	39.4	44.0	46.0	47.6	48.9
<i>of which loss of revenues due to furloughing scheme</i>		-2.0	-0.8	-0.1	-0.1	-0.1	-0.1
of which main contributions	25.5	22.4	24.7	27.7	28.8	29.8	30.5
of which taxes of all kinds (GSC tax)	13.2	12.8	14.7	16.2	17.2	17.8	18.3
Other revenues	0.6	0.6	0.8	0.5	0.6	0.6	0.6
Expenditures	41.1	53.2	49.4	40.1	42.2	42.9	40.8
Gross benefits and subsidies*	35.1	39.0	38.4	33.4	34.9	35.2	33.2
Furloughing scheme	0.0	7.5	3.9	0.2	0.1	0.1	0.1
Pension funds	2.1	2.3	2.6	2.2	2.2	2.3	2.2
Other expenditures	3.9	4.5	4.5	4.3	4.9	5.3	5.3
of which <i>Pôle emploi</i> ** funding	3.5	4.1	4.3	3.9	4.3	4.8	5.0
of which net interest expenditures	0.3	0.2	0.2	0.4	0.5	0.4	0.2
Balance of finances	-1.9	-17.4	-9.3	4.3	4.4	5.4	8.7
Net financial debt***	-36.8	-54.6	-63.6	-60.7	-56.3	-51.0	-42.3

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

** On the assumption of the continuation of *Pôle emploi*'s funding to the tune of 11%

*** Net financial debt excluding *Pôle Emploi*'s current account. Note: the net financial debt shown in the table for the years up to 2022 corresponds to that shown in Unédic's financial report. It is not deducted directly from the previous year's debt from the net balance of finances as other items are included (see Table 6 in the Annex). Its year-to-year variation is therefore not necessarily equal to the amount of the balance of finances. In anticipation, the net financial debt is estimated from the Balance of finances from the last amount of debt agreed.

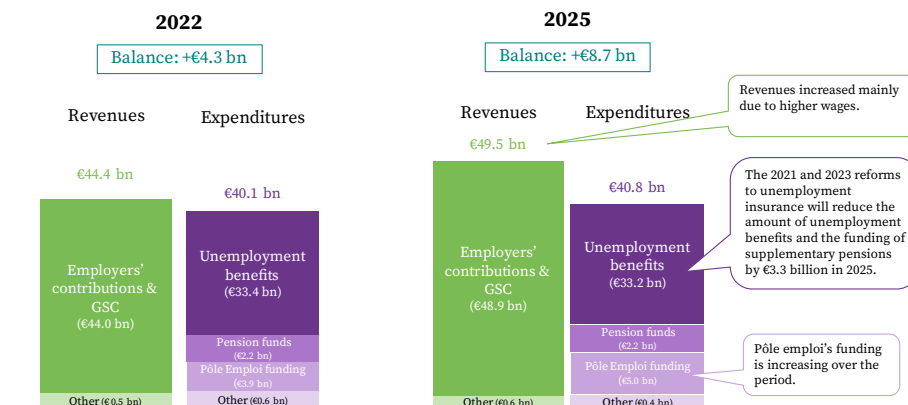
Source: Unédic, Unédic's June 2023 forecasts

EXCLUDING UNEMPLOYMENT INSURANCE REFORMS, THE BALANCE OF THE 2025 SCHEME IS EXPECTED TO BE CLOSE TO THAT OF 2022

Already positive to the tune of €4.3 bn in 2022, Unédic's balance is expected to increase further by 2025, on the one hand due to the increase in revenues, mainly related to **wage momentum**, and on the other hand under **the effect of the Unemployment Insurance reforms which reduce benefit expenditures**.

The increase in the balance between 2022 and 2025, related to the Unemployment Insurance reforms, is €3.3 bn (€3.0 bn related to the entry into force of the 2023 reform and €0.3 bn resulting from the end of the 2021 reform ramp-up)⁴. On the other hand, **Pôle emploi's funding is expected to increase automatically from €3.9 bn in 2022 to €5.0 bn in 2025** (Chart 2), on the assumption that it remains proportional to the amount of Unédic's revenues for the year N-2, **without forecasting the funding arrangements for the future operator France Travail**.

CHART 2 – BREAKDOWN OF THE CHANGE IN THE UNEMPLOYMENT INSURANCE BALANCE, IN €BN



Source: Unédic, Unédic's June 2023 forecasts

⁴ See Box 1, pp. 10-11, [Financial situation of the Unemployment Insurance for 2023-2025](#), February 2023.

INTEREST EXPENDITURES REMAIN UNDER CONTROL

After two years of strong solicitation of financial markets in response to the needs related to the Covid-19 crisis in 2020 and 2021, Unédic's medium- and long-term funding programmes fell sharply from 2022, in line with the return to balance of unemployment insurance accounts. Indeed, Unédic completed a new €1.0 bn "Social Bond" debt issuance in 2022 and 2023. At the same time, Unédic is repaying €4.1 bn and €3.8 bn in medium- and long-term borrowings from the scheme's own resources in 2022 and 2023 respectively.

The year 2023 is part of a context of continued monetary tightening which began in 2022 in the major global economic zones in order to contain inflation. In the euro zone, the European Central Bank (ECB) decided in May to increase its key interest rates by 25 bp, bringing the rate of return on deposits to 3.25%. This is the seventh consecutive increase since July 2022, for a total of 375 bp of increase in key rates in the euro zone. Unédic's financial management, defined by the social partners, makes it possible to limit exposure to refinancing and interest rate risks.

Despite an increase in short-term financial expenditures due to the rapid increase in interest rates and a level of short-term debt higher than the pre-Covid period, they remain under control for the coming years: €0.5 bn in 2023, then €0.4 bn in 2024 and €0.2 bn in 2025, i.e. less than 1% of Unédic's revenues.

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

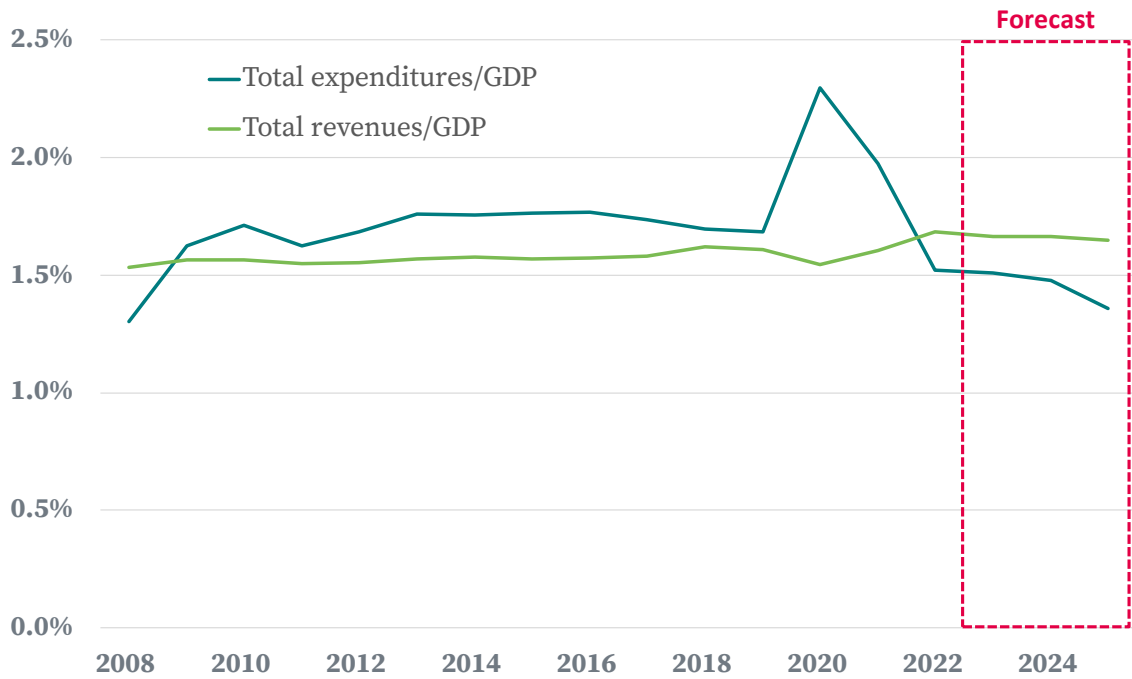
TABLE 5 – UNEDIC'S DEBT AMORTISATION PROGRAMME, IN €BN

	2023	2024	2025
Balance of finances before change in funding	4.4	5.4	8.7
Change in medium- and long-term debt	-2.8	-3.1	-2.0
<i>New medium/long term debt issues</i>	<i>1.0</i>	<i>1.0</i>	<i>1.0</i>
<i>Medium/long term debt repayments</i>	<i>3.8</i>	<i>4.1</i>	<i>3.0</i>
Change in short-term debt	-1.7	-2.3	-3.7
Change in cash	0.0	0.0	3.0
Change in net debt	-4.4	-5.4	-8.7
Net debt	54.9	49.5	40.8

Source: Unédic, Unédic's June 2023 forecasts

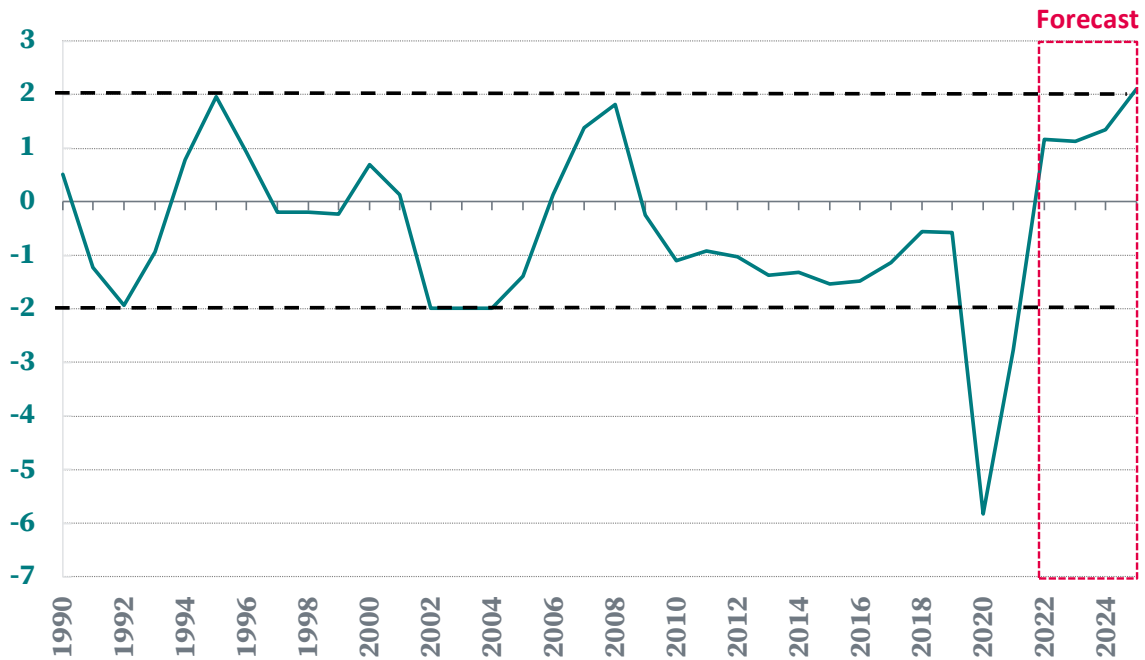
APPENDICES

CHART 13 – UNEMPLOYMENT INSURANCE EXPENDITURES AND REVENUES AS A % OF GDP



Sources: Insee, Unédic, Unédic's June 2023 forecast

CHART 14 – UNEMPLOYMENT INSURANCE'S BALANCE OF FINANCES, EXPRESSED IN MONTHS OF REVENUES



Source: Unédic, Unédic's June 2023 forecasts

APPENDIX – TRANSITION FROM THE BALANCE OF FINANCES TO THE CHANGE IN FINANCIAL DEBT IN 2022

At 31 December 2022, the balance of finances of the scheme was +€4.3 bn. The variation in net financial debt for 2022 is € +2.9 bn. The transition from the balance of finances to the change in net financial debt is shown in [Table 6](#) below.

TABLE 6 – FROM THE BALANCE OF FINANCES TO THE CHANGE IN DEBT FOR THE 2022 ACCOUNTING YEAR, IN €BN

2022 balance of finances	+4.3
Transactions generating no change in cash (increase in underwriting reserves)	-1.2
Decrease in cash requirements linked to business cycle	+0.7
Difference in period of occurrence (income and expenditures) between accounting and financial flows	-0.9
Variation of the 2022/2021 net financial debt	+2.9

Source: Unédic



FINANCIAL SITUATION OF UNEMPLOYMENT INSURANCE 2023-2025

13 June 2023

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