

# FINANCIAL SITUATION OF THE UNEMPLOYMENT INSURANCE FOR 2024-2027

20 February 2024

## SUMMARY

**The financial trajectory of the Unemployment Insurance remains positive and continues to reduce its debt despite a slowdown in growth and deductions from the scheme's revenues decided by the State to finance France Travail and France Compétences.**

After a sluggish end of 2023, growth is expected to remain modest in 2024, standing at +0.7% according to the Consensus Forecasts. The activity would gradually revive from 2025 (+1.3%) and would remain at this rate in 2026 and 2027.

As a result, the slowdown in job creation in 2023, anticipated in Unédic's latest financial forecasts, is confirmed (+114,000 net new jobs created after +347,000 in 2022). Depending on the sector, situations diverge: industrial employment remains on the rise while it falls in construction. Temporary work also suffers a significant decline: -57,000 jobs in 2023. In this context of sluggish growth and weak labour market momentum, job creation is expected to pause in 2024 (+29,000), before recovering slowly in 2025 (+112,000) and more clearly in 2026 (+129,000) and 2027 (+ 200,000).

After the peak reached in February 2023, inflation decreased throughout the year (+4.9% on average per year in 2023, after +5.2% in 2022). According to the Consensus Forecasts, this slowdown is expected to continue in 2024 (+2.4%) and the following years (+1.9%).

### **Stabilisation and then reduction in the number of unemployed receiving benefits**

The number of unemployed receiving benefits increased slightly in 2023 (2.6 million), due to the weak momentum of the labour market. This number is forecast to stabilise in 2024 before declining modestly in 2025 (2.5 million) and more frankly in 2026 and 2027 (2.4 million) as reforms are ramping up and the improvement in the economic situation.

## The favourable financial trajectory is confirmed despite State deductions

On 27 December 2023, an order published in the Official Journal set the amount of State deductions from the Unemployment Insurance scheme to finance France Compétences and France Travail: €2.0 billion in 2023, then €2.6 billion in 2024, €3.35 billion in 2025 and €4.1 billion in 2026, i.e. a total of €12.05 billion in lower compensation for the exemptions from Unemployment Insurance contributions planned in the Social Security Finance Act of 2024.

These deductions significantly affect the revenues of the scheme, which would thus amount to €45.5 billion in 2024 (€48.1 billion excluding deductions), €46.0 billion in 2025 (€49.35 billion excluding deductions), €46.5 billion in 2026 (€50.6 billion excluding deductions) and €51.6 billion in 2027.

In addition, the growth in the number of unemployed receiving benefits would have an impact on the expenditures of the Unemployment Insurance scheme: €44.5 billion in 2024, €43.0 billion in 2025, €41.2 billion in 2026 and €40.4 billion in 2027.

Despite the lower financial compensation from the State, Unédic's balance is expected to remain in positive territory in 2024: +€1.1 billion. In 2025, it is expected to reach +€3.0 billion, before increasing significantly in 2026 (+€5.3 billion) and 2027 (+€11.2 billion).

Unédic's financial debt is expected to continue to decline, especially at the end of the forecast period, reaching a level of €58 billion in 2024, €55.1 billion in 2025, €49.7 billion in 2026 and €38.6 billion in 2027. Without the deductions made by the State, the financial debt would have been €25.5 billion at the end of 2027.

*Note: For its growth and inflation assumptions, Unédic uses the forecasts produced by Consensus Forecasts, which is the average of forecasts of some twenty institutions and banks, published each month. This forecast is based on the Consensus Forecasts last published on 15 February 2024.*

# 1. MACROECONOMIC ENVIRONMENT: DECLINING INFLATION AND SLUGGISH ACTIVITY

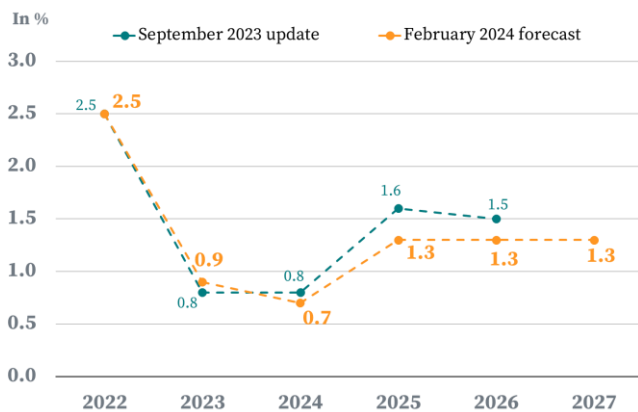
## SLOW GDP GROWTH IN 2023 AND 2024, THEN A MODEST RECOVERY UNTIL 2027

In 2023, GDP grew by +0.9% (after +2.5% in 2022) mainly due to the gains made at the end of the previous year and a one-off increase in activity in the 2<sup>nd</sup> quarter of 2023 (+0.7% quarterly change).

This lack of activity would continue in 2024 given the weak economic environment and characterised in particular by the high level of interest rates that continue to negatively affect the economy. Therefore, economic activity would remain very modest in 2024 with a GDP growth of only +0.7%. The hosting of the 2024 Olympic Games in France is not expected to have a significant effect on overall economic growth<sup>1</sup>.

From 2025 onwards, the Consensus Forecasts contemplates a more sustained growth in activity: +1.3% with respect to the previous year. The increase in activity is still expected to follow this pace in 2026 and 2027, suggesting a particularly modest recovery momentum (Chart 1 and Table 1).

CHART 1 – GROWTH ASSUMPTIONS



Sources: Insee for the actual figures, Consensus Forecasts, Unédic’s February 2024 financial forecasts.

TABLE 1 – COMPARISON OF VARIOUS GDP FORECAST SOURCES

Real GDP growth	2022	2023	2024	2025	2026	2027
<b>Unédic (Consensus of February 2024)</b>	<b>2.5%</b>	<b>0.9%</b>	<b>0.7%</b>	<b>1.3%</b>	<b>1.3%</b>	<b>1.3%</b>
European Commission (February 2024)	2.5%	0.9%	0.9%	1.3%	-	-
IMF (February 2024)	2.5%	0.8%	1.0%	1.7%	-	-
OECD (February 2024)	2.5%	0.9%	0.6%	1.2%	-	-
Banque de France (December 2023)	2.5%	0.8%	0.9%	1.3%	1.6%	-
Government (December 2023)	2.5%	1.0%	1.4%	1.7%	1.7%	1.8%
<b>Unédic update of September 2023</b>	<b>2.5%</b>	<b>0.8%</b>	<b>0.8%</b>	<b>1.6%</b>	<b>1.5%</b>	-

Sources: Consensus Forecasts, Draft 2024 Finance Act, IMF, OECD, Banque de France macroeconomic projections, Unédic’s February 2024 financial forecasts.

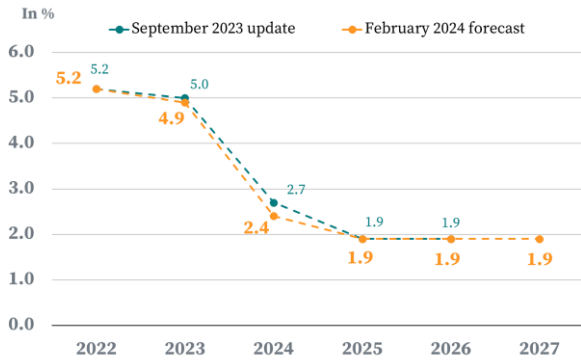
## INFLATION IS EXPECTED TO CONTINUE TO SLOW, BUT PRICES ARE NOT EXPECTED TO FALL

After peaking at +6.3% in February 2023 (year-on-year), inflation declined almost continuously throughout the rest of the year to an annual average of +4.9% (after +5.2% in 2022). This slowdown concerns the prices of food, energy and manufactured products to a lesser extent. On the other hand, tobacco and services continue to accelerate.

<sup>1</sup> Based on assessments of the economic impact of events of the same type organised in the past in France or abroad. Several effects are involved. First, a strong substitution effect would be established between, on the one hand, the positive effects generated by certain sectors and territories and, on the other hand, the losses suffered by other territories or sectors (example: sports tourism vs family and cultural tourism). Then, expenditures on infrastructure could be at the expense of other budgets, spread over several years and can serve several purposes. CDES and KENEO (2016), Study on the economic impact of the Euro 2016 (<https://www.sports.gouv.fr/etude-sur-l-impact-des-retombees-economiques-de-l-euro-2016-1528>). Asterès (2024), Paris Olympics: no significant macroeconomic impact to be expected (<https://asteres.fr/je-de-paris-pas-dimpact-macro-economique-notable-a-attendre/>).

This decrease in inflation comes at a time when the European Central Bank (ECB) has been conducting a restrictive monetary policy since 2022, marked by the increase in its key interest rates, in order to bring annual inflation below 2% in the euro zone. According to forecasts made by the Consensus Forecasts, this objective is on track to be achieved in France since inflation is expected to rise to +2.4% in 2024 and +1.9% in the following years (*Chart 2 and Table 2*).

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



Sources: Insee for the actual figures, Consensus Forecasts, Unédic’s February 2024 financial forecasts.

**TABLE 2 – COMPARISON OF VARIOUS INFLATION FORECAST SOURCES**

Inflation	2022	2023	2024	2025	2026	2027
<b>Unédic (Consensus of February 2024*; CPI)</b>	<b>5.2%</b>	<b>4.9%</b>	<b>2.4%</b>	<b>1.9%</b>	<b>1.9%</b>	<b>1.9%</b>
European Commission (February 2024; HICP)	5.9%	5.7%	2.8%	2.0%		
OECD (February 2024; HICP)	5.9%	5.7%	2.7%	2.1%		
Banque de France (December 2023; HICP)	5.9%	5.7%	2.5%	1.8%	1.7%	
European Commission (November 2024; HICP)	5.9%	5.8%	3.0%	2.0%		
Government (December 2023)	5.3%	4.8%	2.5%	2.0%	1.8%	1.8%
<b>Unédic update of September 2023 (CPI)</b>	<b>5.2%</b>	<b>5.0%</b>	<b>2.7%</b>	<b>1.9%</b>	<b>1.9%</b>	

\* Consensus of October 2023 for the years 2026 and 2027

Sources: Consensus Forecasts, Draft 2024 Finance Act, OECD, Banque de France macroeconomic projections, Unédic’s February 2024 financial forecasts.

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.

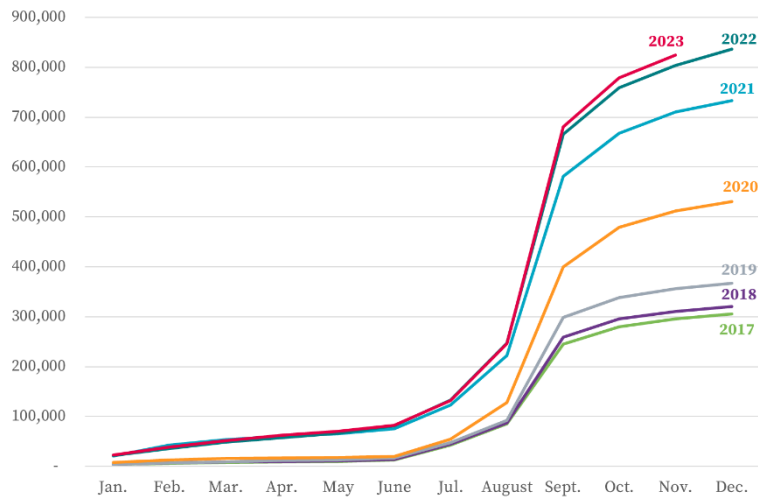
**PAUSE IN NET JOB CREATIONS IN 2024**

As expected, the slowdown in net job creations continued throughout 2023. Jobs covered by the Unemployment Insurance amounted to 21.1 million at the end of 2023, i.e. +114,000 more jobs compared to the end of 2022 (after +347,000 in 2022 compared to 2021). Disparities by sector are notable: employment remains on the rise in industry and the non-commercial services sector, while it pauses in the commercial services sector and falls in construction. After reaching a peak in its workforce in 2022, temporary work is also struggling and is declining by nearly -57,000 jobs in 2023.

Apprenticeships, on the other hand, made a lower contribution to job creation in 2023 after very favourable years in 2021 and 2022. Indeed, the momentum of apprenticeships slowed in 2023 (*Figure 3*), particularly in connection with the revision of the bonus for the recruitment of apprentices at €6,000 regardless of their age, compared to €5,000 for a minor and €8,000 for an adult between the summer of 2020 and December 2022. It is likely that this new trend will continue in the coming years, marginally supporting salaried employment. This forecast is based on the assumption of modest or no effects of public employment policies (assisted contracts, etc.) on salaried employment.

In anticipation, the deterioration of several short-term indicators relating to the labour market on the one hand and the growth prospects for 2024 on the other hand reinforce the scenario of a stability of employment affiliated to the Unemployment Insurance in the short term (*Figure 4A*). Affiliated employment would then increase by only +29,000 jobs in 2024 (*Figure 4B*), before accelerating for the first time in 2025 (+112,000 net jobs created) and even more sharply in 2026 (+129,000 net jobs created) and 2027 (+200,000 net jobs created).

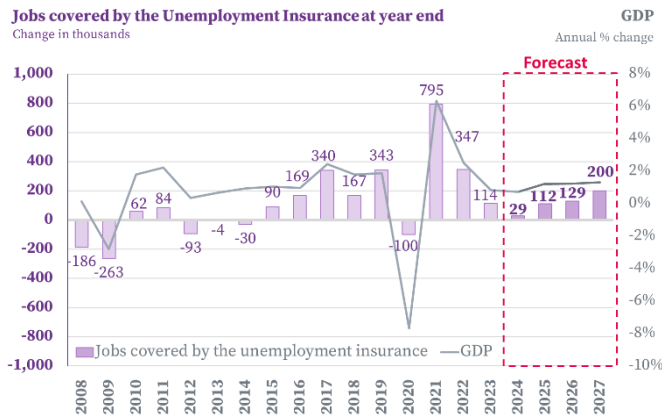
**CHART 3 – APPRENTICESHIP ENTRIES: MONTHLY ROLL-UPS**



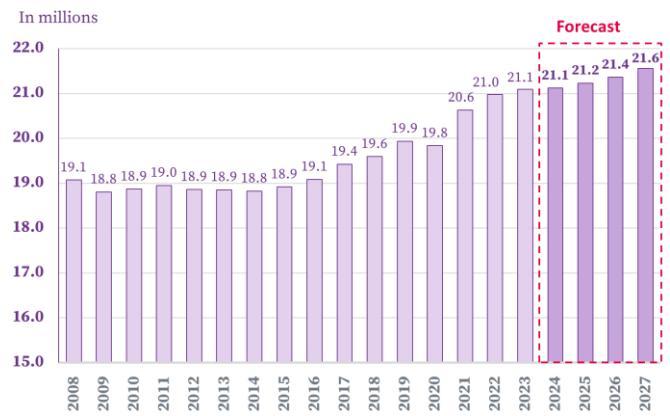
Source: Dares.  
Scope: private and public.

**CHARTS 4A AND 4B – CHANGE AND NUMBER OF JOBS AFFILIATED WITH THE UNEMPLOYMENT INSURANCE SCHEME**

**A – ANNUAL CHANGE, IN THOUSANDS**



**B – YEAR-END LEVEL, IN MILLIONS**



Sources: GDP: Insee, Consensus Forecasts; jobs covered by the Unemployment Insurance: Unédic’s February 2024 financial forecasts based on salaried employment data co-produced by the Insee, the Urssaf Caisse nationale and the Dares.  
Scope: jobs covered by the Unemployment Insurance. France excluding Mayotte. Seasonally adjusted data.

**THE LOWER PROSPECTS IN TERMS OF EMPLOYMENT WOULD WEIGH ON UNEMPLOYMENT**

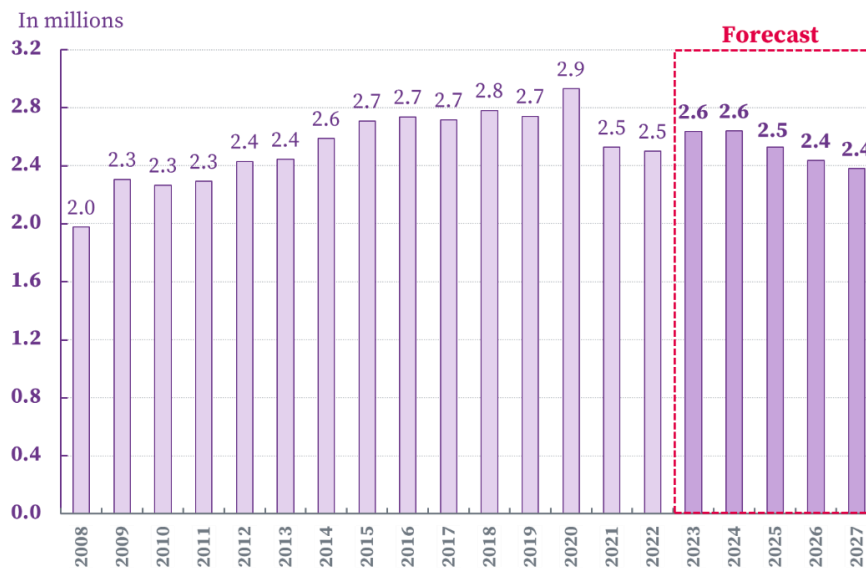
In 2023, the situation on the labour market showed signs of deterioration as the unemployment rate according to the ILO resumed an upward trajectory and reached 7.5% at the end of 2023 after having reached a low point of 7.1% at the beginning of the same year. This deterioration in the unemployment rate reflects the now unfavourable direction of the labour market with the slowdown in growth and job creation.

In 2024, given the pause in job creation and the entry of new workers into the labour market following the pension reform, the unemployment rate is expected to increase again: it will reach 7.9% at the end of 2024. The improvement in the economic situation contemplated in our forecast from 2025 would allow modest reductions in the unemployment rate to 7.8% at the end of 2025, then 7.7% at the end of 2026. At the end of 2027, the decline in the unemployment rate is expected to be greater, reaching 7.2%.

The number of unemployed receiving benefits reached a low point in the spring of 2022 of around 2.4 million persons. Since then, their number has slowly increased to 2.6 million persons by the end of September 2023. The

deterioration in the state of the labour market and more particularly the slowdown in job creation would further push up the number of unemployed receiving benefits, while the ramping up of the Unemployment Insurance reforms, in particular the adaptation of the rules to the economic situation, which entered into force in February 2023, would push in the opposite direction in similar proportions. Thus, the number of unemployed persons receiving benefits is expected to stabilise at around 2.6 million in 2024. The following year, the effect of the reforms supported by a more favourable labour market would allow the number of unemployed receiving benefits to decrease to 2.5 million. From 2026, the Unemployment Insurance reforms and the economic situation would push the number down to 2.4 million at the end of 2027 (Chart 5).

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



Sources: France Travail, Unédic’s February 2024 financial forecasts.  
 Scope: unemployment benefits paid under ARE, AREF, ASP, AREP or ATI schemes. Whole of France. Seasonally adjusted data.

**THE PAYROLL WOULD MAINLY BE DRIVEN BY WAGES**

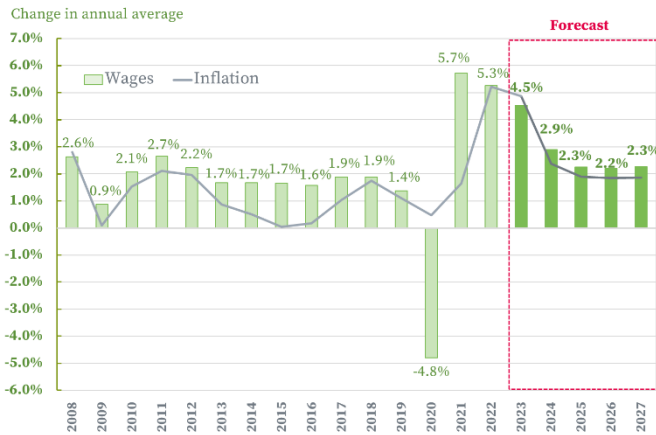
In the context of its macroeconomic and financial forecasts, the payroll provided by Unédic corresponds to a payroll subject to social contributions. Therefore, the forecast made by Unédic of the average wage per employee (AWPE) also corresponds to an AWPE subject to contributions.

In 2023, the AWPE is expected to increase by almost +4.5% as salary increases have been more dynamic due to inflation. If the change in the AWPE subject to social security contributions shows a slowdown compared to the previous two years, it should be noted that the strong increases observed in 2021 and 2022 were driven mechanically by the reduction in furloughing scheme allowances paid to employees. In 2023, the change in the furloughing scheme allowances no longer has a significant effect on the change in the AWPE. The increases in the AWPE are rather driven by the sharp rise in inflation that began at the end of 2021.

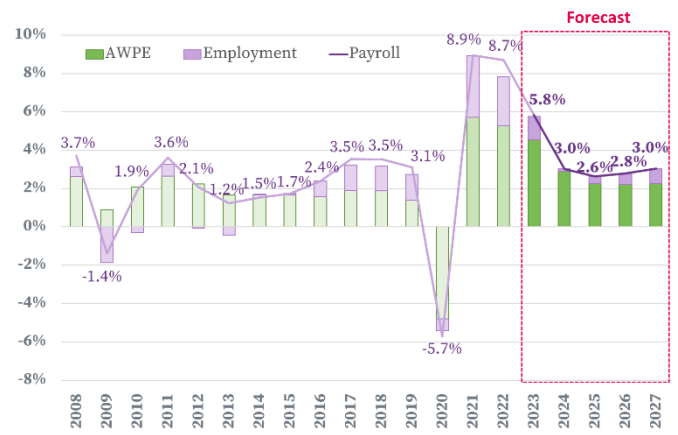
From 2024, the almost halving of inflation would have a downward effect on wage evolution. The latter would increase by +2.9% in our scenario. However, this wage increase would be higher than the inflation forecast. In 2025 and until 2027, inflation will be established in the vicinity of +1.9% per year leading to a further decline in wage growth. However, as in 2024, this weaker trend in wages would remain above the expected level of inflation (Chart 6A and 6B).

In 2024, the pause in job creation and the expected change in the AWPE would lead to an increase of nearly +3.0% in the payroll (after an increase of +5.8% in 2023). In 2025, payroll is expected to decline, with an increase of +2.6%, taking into account the lower change in wages, despite a more favourable contribution from the change in employment. In 2026 and 2027, payroll would begin to grow slightly more strongly due to employment changes that have become stronger over this forecast horizon. In detail, payroll would increase by +2.8% in 2026, then by +3.0% in 2027.

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



**CHART 6B – CHANGE IN PAYROLL SUBJECT TO CONTRIBUTIONS**



Sources: Urssaf Caisse nationale, Insee, Consensus Forecasts and Unédic's February 2024 financial forecasts.

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.

Sources: Urssaf Caisse nationale for the AWPE and payroll, Insee for employment, Unédic's February 2024 financial forecasts.

Scope: payroll subject to the competitive sector social security contributions.

**TABLE 3 – SUMMARY OF MACROECONOMIC ASSUMPTIONS AND FORECASTS**

	2022	2023	2024	2025	2026	2027
		Forecast	Forecast	Forecast	Forecast	Forecast
<b>Growth, Prices and Wages</b>						
<b>GDP</b>	+2.5%	+0.9%	+0.7%	+1.3%	+1.3%	+1.3%
CPI inflation	+5.2%	+4.9%	+2.4%	+1.9%	+1.9%	+1.9%
Average wage per employee (AWPE) in the competitive sector	+5.3%	+4.5%	+2.9%	+2.3%	+2.2%	+2.3%
<b>Employment and Payroll</b>						
<b>Jobs covered by the Unemployment Insurance</b>						
Change in annual average as percentage	+2.6%	+1.2%	+0.1%	+0.4%	+0.6%	+0.8%
annual average level	20,807,000	21,063,000	21,094,000	21,171,000	21,292,000	21,453,000
level at year end	20,976,000	21,090,000	21,119,000	21,231,000	21,360,000	21,561,000
year-on-year at year end	+347,000	+114,000	+29,000	+112,000	+129,000	+200,000
<b>Payroll in the competitive sector</b>	<b>+8.7%</b>	<b>+5.8%</b>	<b>+3.0%</b>	<b>+2.6%</b>	<b>+2.8%</b>	<b>+3.0%</b>
<b>Unemployment</b>						
<b>Unemployed receiving unemployment insurance (ARE, AREF, ASP, AREP, ATI)</b>						
Change in annual average as percentage	-12.1%	+4.8%	+2.6%	-3.2%	-4.0%	-2.6%
annual average level	2,468,000	2,587,000	2,655,000	2,570,000	2,466,000	2,402,000
level at year end	2,500,000	2,636,000	2,640,000	2,527,000	2,436,000	2,379,000
year-on-year at year end	-27,000	+136,000	+4,000	-113,000	-91,000	-57,000
<b>ILO unemployment rate (year-end)</b>	<b>7.1%</b>	<b>7.5%</b>	<b>7.9%</b>	<b>7.8%</b>	<b>7.7%</b>	<b>7.2%</b>

Sources: Consensus Forecasts, Insee, Urssaf, France Travail, Unédic's February 2024 financial forecasts.

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 2024-2027: THE BALANCE TO REMAIN ANCHORED IN POSITIVE TERRITORY

### UNEMPLOYMENT BENEFIT EXPENDITURES TO REMAIN CONTAINED

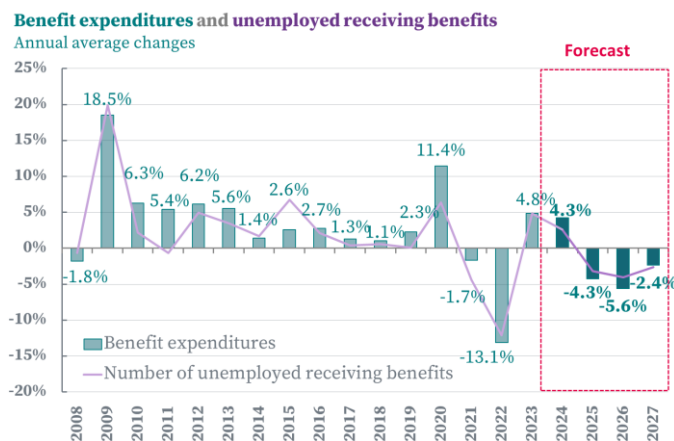
Due to the rise in unemployment, the number of persons covered by the Unemployment Insurance was higher in 2023, and therefore benefit expenditures increased to €35.0 billion versus €33.4 billion in 2022.

In anticipation, benefit expenditures are expected to increase again in 2024 due to the continued upward trend in unemployment. In addition, the inflationary environment has strongly affected the trajectory of nominal wages; in our forecast, entitlements would result in higher benefit amounts that include these wage increases. The increase in benefit expenditures also reflects the effects of the two revaluations of 2023<sup>2</sup>. In summary, benefit expenditures are expected to increase again in 2024 to €36.6 billion (*Charts 7A and 7B*).

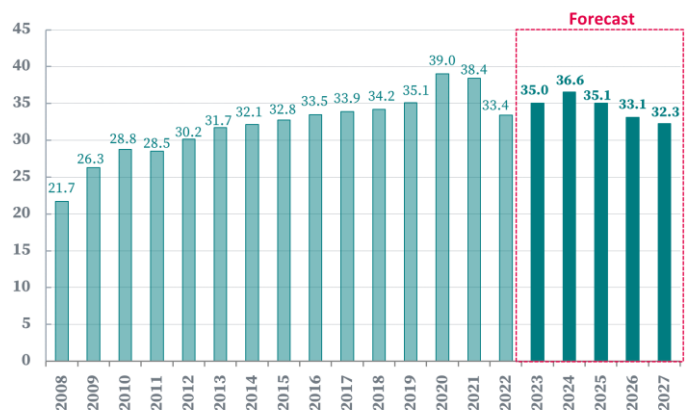
From 2025, the decrease in unemployment as well as regulatory changes in 2021 and 2023 are expected to lead to a decrease in benefit expenditures until 2027.

#### CHARTS 7A AND 7B – UNEMPLOYMENT BENEFIT EXPENDITURES

##### A – ANNUAL CHANGE IN %



##### B – LEVEL, IN € BILLIONS



Sources: France Travail, Unédic, Unédic’s February 2024 financial forecasts.  
Scope: Whole of France.

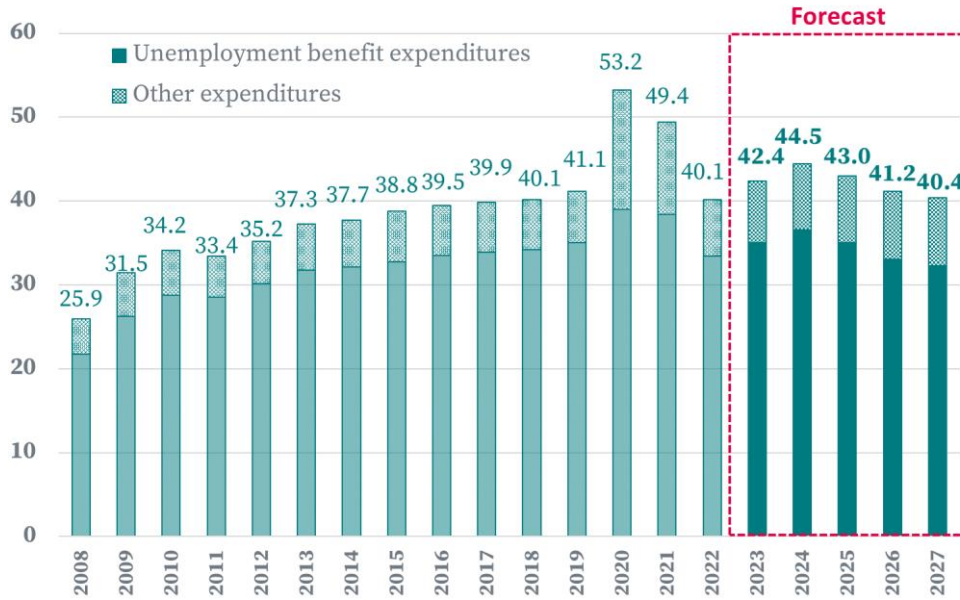
Unédic finances not only the compensation of jobseekers but also the operating budget of France Travail, the supplementary pension points of the compensated recipients and the furloughing scheme (one third of the benefits paid to employers). In addition to these expenditures, there is interest related to the financial management of the scheme. Until now, they accounted for a small share of expenditures (<1%). Under the effect of the monetary policy of increasing interest rates led by the European Central Bank and due to new debt issuances, they have increased and are expected to be around €500 million.

<sup>2</sup> As a reminder, in 2023 the Board of Directors of Unédic voted two revaluations of unemployment benefits: an extraordinary revaluation of +1.9% on 1 April 2023 and a revaluation of +1.9% also on 1 July 2023. They are taken into account here. Our forecasts further include revaluation assumptions for the coming years, which do not prejudge future decisions of the Board of Directors of Unédic. Thus, in anticipation, we are using an assumption of revaluation of +0.6% for the coming years, this assumption corresponds to the 5-year average of revaluations occurring before 2022.



Together with the benefit expenditures, all these items constitute Unédic’s total expenditures. The latter generally follows a similar trajectory to that of unemployment benefit expenditures (*Chart 8*). After €40.1 billion in 2022, Unédic’s total expenditures are forecast to increase in 2023 and 2024 to €42.4 billion and €44.5 billion respectively, before falling significantly from 2025 to €40.4 billion at the end of 2027 (*Table 4*).

**CHART 8 – TOTAL EXPENDITURES, OF WHICH UNEMPLOYMENT BENEFIT EXPENDITURES, IN € BILLIONS**



Sources: Unédic, Unédic’s February 2024 financial forecasts  
 Scope: Whole of France.

**DECREASE IN REVENUES DUE TO LOWER COMPENSATION FOR GENERAL RELIEF**

In application of the Social Security Finance Act for 2024, the Order of 27 December 2023 specifies that **the funding of France Travail and France Compétences will result in lower compensation for exemptions of €12.05 billion on the Unemployment Insurance revenues from 2023 to 2026**: €2.0 billion in 2023, €2.6 billion in 2024, €3.35 billion in 2025 and €4.1 billion in 2026. For Unédic, these deductions would take the form of lower compensation for general relief in employer contributions<sup>3</sup>.

The inclusion of these lower compensations in our financial forecast scenario significantly affects the trajectory of Unemployment Insurance contributions, which show a certain decline over the forecast period.

In the absence of these lower compensations, the Unemployment Insurance contributions would have followed the payroll with an upward trajectory until 2027 (*Charts 9A and 9B*).

Nevertheless, taking these lower compensations into account would lead to a decline in Unédic’s revenues until 2026 (*Chart 10*). In detail, total revenues are expected to increase by €1.6 billion in 2024 and by only €0.5 billion in 2025 and 2026. In 2027, the increase in total revenues would be more in line with the increase in payroll.

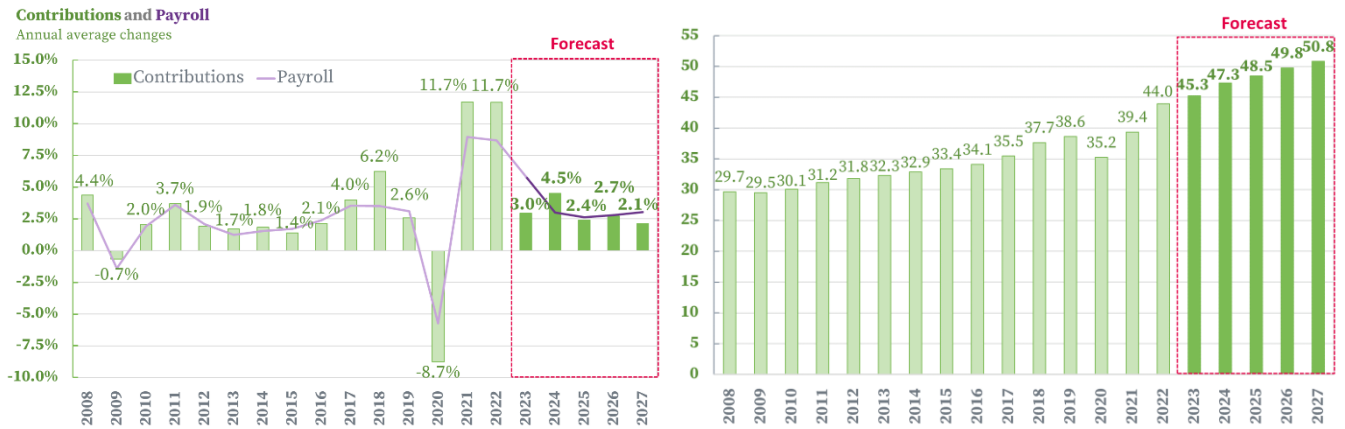
Note: these forecasts are based on the assumption that the removal of the Unemployment Insurance employee contributions shall continue to be wholly compensated by the GSC-activity.

<sup>3</sup> Unemployment insurance employer contributions have been in the scope of general relief since 2019.

**CHARTS 9A AND 9B – UNEMPLOYMENT INSURANCE CONTRIBUTIONS EXCLUDING STATE DEDUCTIONS**

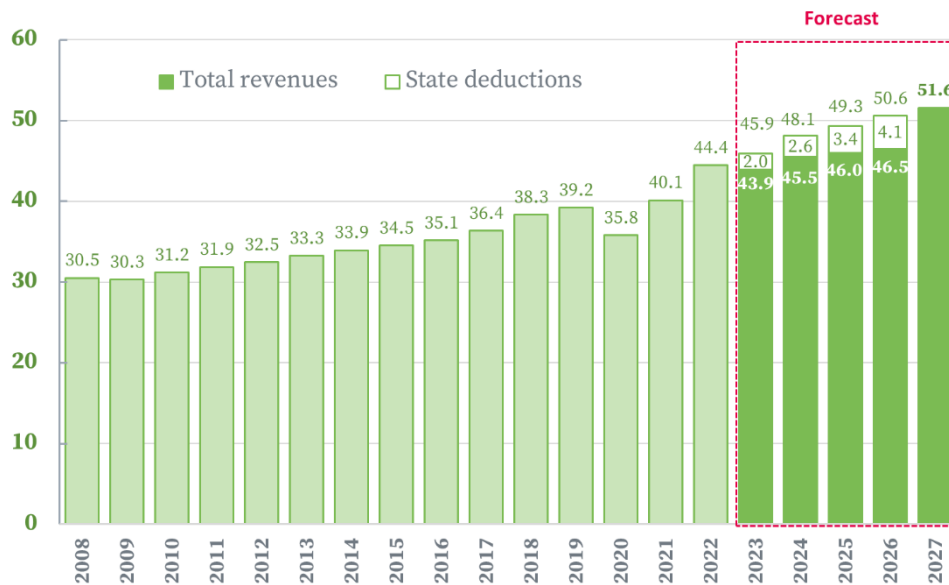
**A – ANNUAL CHANGE IN %**

**B – LEVEL, IN € BILLIONS**



Sources: Urssaf Caisse nationale, Unédic, Unédic’s February 2024 financial forecasts.  
Scope: payroll subject to the competitive sector social security contributions.

**CHART 10 – TOTAL UNEMPLOYMENT INSURANCE REVENUES WITH STATE DEDUCTIONS, IN € BILLIONS**



Sources: Unédic, Unédic’s February 2024 financial forecasts.

**DESPITE A DETERIORATION IN 2023 AND 2024, THE FINANCIAL BALANCE WOULD REMAIN POSITIVE AND SHOW AN UPWARD MOMENTUM FROM 2025**

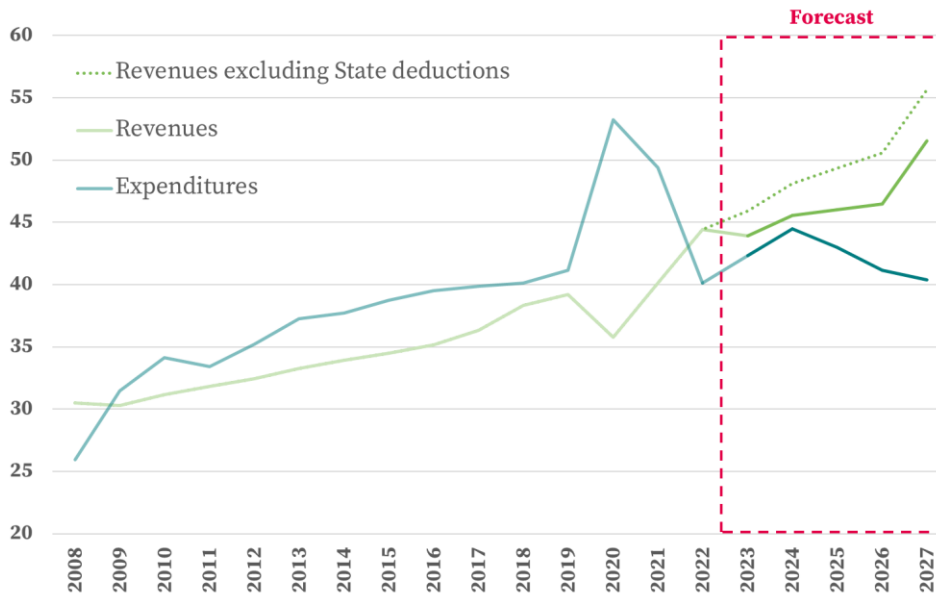
The end of the emergency measures, as well as the cyclical and regulatory factors allowed the Unemployment Insurance scheme to return to positive territory in 2022 with a balance of +€4.3bn.

In 2023, the drop in revenues following the lower compensations of €2.0 billion and the increase in compensation expenditures of the workforce of compensated persons generated by the increase in unemployment led to a decrease in the balance of finances to €1.6 billion (Chart 11).

In 2024, Unédic’s financial balance is expected to deteriorate once again due to a still unfavourable labour market situation and the lower compensation for general relief of €2.6 billion. Nevertheless, the balance of finances would remain positive and would reach €1.1 billion.

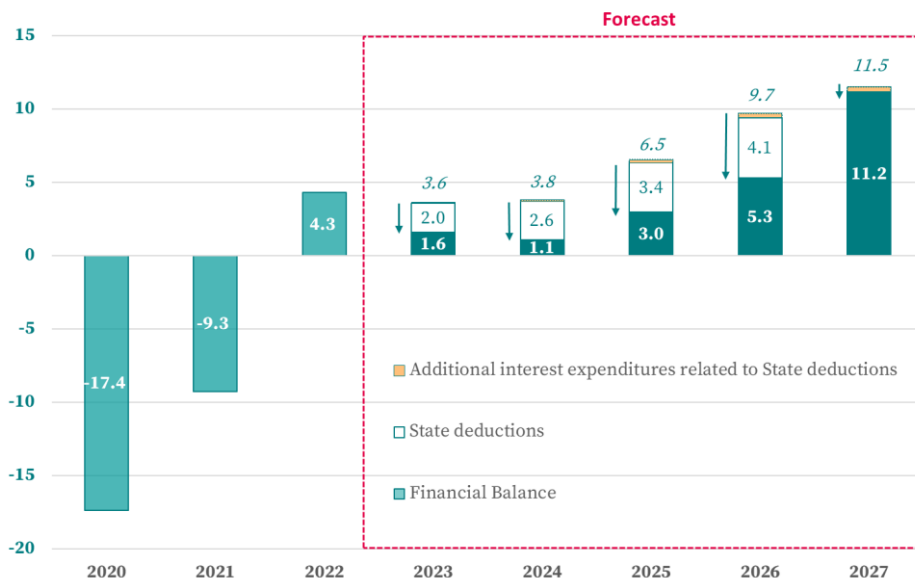
From 2025 until 2027, the financial balance of the Unemployment Insurance scheme is expected to return to an upward trajectory due to the decline in unemployment benefit expenditures and a slightly more favourable trend in revenues. Specifically, the financial balance would reach €3.0 billion in 2025, then €5.3 billion in 2026 and finally €11.2 billion in 2027 (Chart 12).

**CHART 11 – UNEMPLOYMENT INSURANCE REVENUES AND EXPENDITURES, IN € BILLIONS**



Sources: Unédic, Unédic’s February 2024 financial forecasts.

**CHART 12 – UNEMPLOYMENT INSURANCE’S FINANCIAL BALANCE, IN € BILLIONS**



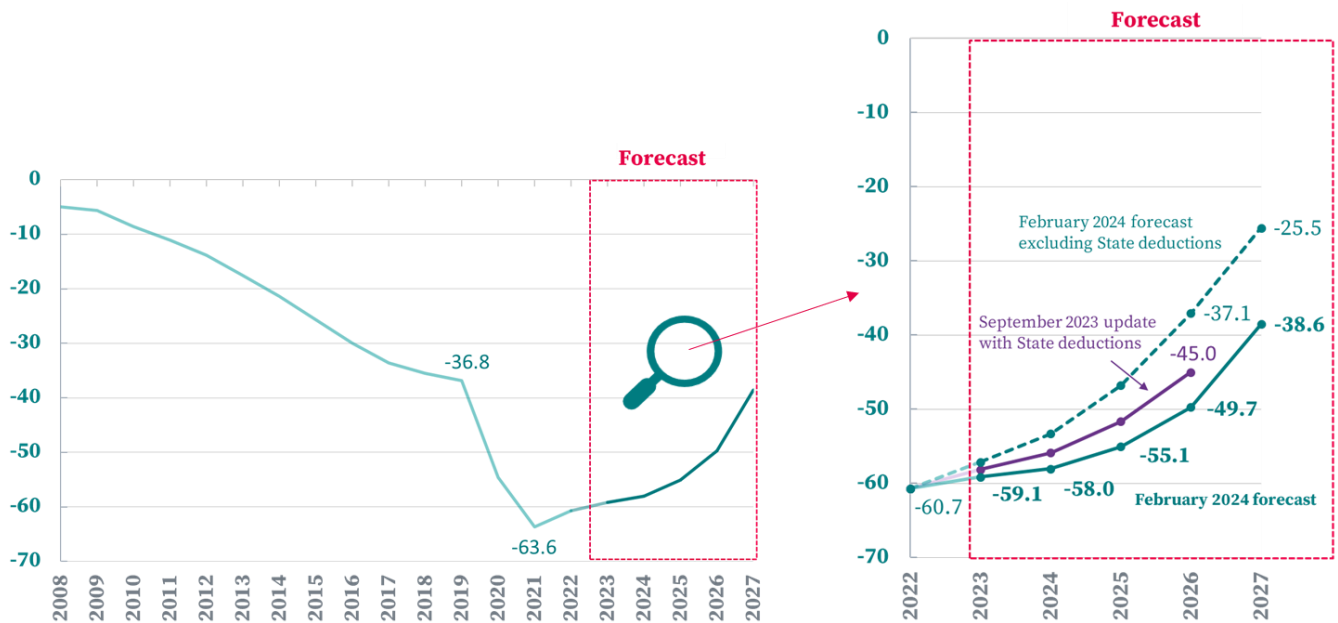
Sources: Unédic, Unédic’s February 2024 financial forecasts.

Expressed as a percentage of GDP, Unédic’s revenues amounted to 1.7% of GDP in 2022. In our forecast scenario, they would show a slight decrease to around 1.6% of GDP in 2027. On the side of Unédic’s expenditures, they would show a more significant decline because after reaching 1.5% of GDP in 2022, they would stand at 1.3% of GDP in 2027 (Chart A in the appendix).

### THE SCHEME IS CONTINUING ITS DELEVERAGING

Despite the State deductions and the rise in unemployment in 2023 and 2024, the financial balance of the Unemployment Insurance scheme would remain positive until 2027. This favourable trajectory of the financial balance would therefore ensure a deleveraging phase for Unédic (Chart 13). At the end of 2027, the debt would reach €38.6 billion and would be reduced by a third compared to the level observed at the end of 2022. Excluding State deductions, the debt would be reduced by more than half and would reach €25.5 billion at the end of 2027.

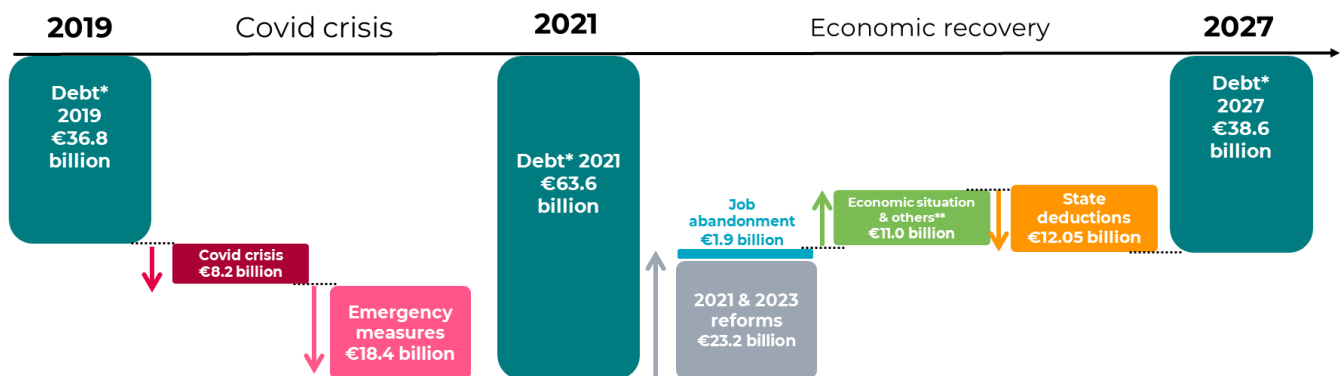
CHART 13 – UNEMPLOYMENT INSURANCE SCHEME DEBT, IN € BILLIONS



Sources: Unédic, Unédic's February 2024 financial forecasts.

The expected deleveraging (including State deductions) was such that the scheme's debt would be close to its 2019 level in 2027, before the covid crisis (Figure 1). It had increased from €36.8 billion in 2019 to €63.6 billion in 2021 due to the covid crisis and emergency measures (furloughing scheme, etc.). Since then, debt has begun to fall and will continue to do so by 2027 under the combined effect of regulatory changes (2021 and 2023 reforms, job abandonment reform) and the economic situation. State deductions for the financing of France Travail and France Compétences (€12.05 billion from 2023 to 2026), would work in the opposite direction, increasing Unédic's debt.

FIGURE 1 – CONTRIBUTIONS TO THE SCHEME DEBT



\* Net financial debt

\*\* Changes in the labour market: pension reform, decline in furloughing scheme, increase in interest expenditures, etc.

Sources: Unédic, Unédic's February 2024 financial forecasts.

**TABLE 4 - UNÉDIC'S REVENUES AND EXPENDITURES FOR THE YEARS 2022-2027**

<i>In billions of euros, as at 31 December</i>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
		Provisional	Forecast	Forecast	Forecast	Forecast
<b>Revenues</b>	<b>44.4</b>	<b>43.9</b>	<b>45.5</b>	<b>46.0</b>	<b>46.5</b>	<b>51.6</b>
Unemployment insurance contributions	44.0	43.3	44.7	45.1	45.7	50.8
<i>of which State deductions</i>		-2.0	-2.6	-3.35	-4.1	
of which main contributions	27.7	26.5	27.1	27.0	27.1	31.7
of which Generalised Social Contribution (GSC)	16.2	16.8	17.6	18.1	18.6	19.2
Other revenues	0.5	0.7	0.8	0.9	0.8	0.7
<b>Expenditures</b>	<b>40.1</b>	<b>42.4</b>	<b>44.5</b>	<b>43.0</b>	<b>41.2</b>	<b>40.4</b>
Gross benefits and subsidies*	33.4	35.0	36.6	35.1	33.1	32.3
Furloughing scheme	0.2	0.1	0.1	0.1	0.1	0.1
Pension funds	2.2	2.3	2.4	2.3	2.2	2.2
Other expenditures	4.3	4.9	5.4	5.5	5.7	5.8
of which France Travail** funding	3.9	4.3	4.8	5.0	5.2	5.3
of which net interest expenditures	0.4	0.5	0.5	0.5	0.5	0.4
<b>Financial Balance</b>	<b>4.3</b>	<b>1.6</b>	<b>1.1</b>	<b>3.0</b>	<b>5.3</b>	<b>11.2</b>
<b>Net financial debt***</b>	<b>-60.7</b>	<b>-59.1</b>	<b>-58.0</b>	<b>-55.1</b>	<b>-49.7</b>	<b>-38.6</b>

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

\*\* On the assumption of the continuation of France Travail's funding to the tune of 11%

\*\*\* Net financial debt excluding France Travail'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.

Sources: Unédic, Unédic's February 2024 financial forecasts.

## INCREASED INTEREST EXPENDITURES

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. Unédic issued €1.0 billion in new "Social Bonds" in 2022 and 2023 and repaid €4.1 billion and €3.8 billion in medium- and long-term debts, respectively. However, while in 2022 repayment could be made from the scheme's own resources, this was not the case in 2023. Indeed, the change in cash flow was positive but lower than the amount of bond repayments for the same year, in particular due to the deduction from the State of an amount of €2.0 billion at the end of the year.

The year 2023 was 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) steadily increased its key interest rate until the monetary policy meeting in September 2023, bringing the deposit facility rate to 4.00%. In total, the increase in key rates in the euro zone amounts to 450 basis points since the beginning of the monetary tightening in July 2022. According to the financial markets, the first policy rate cuts are expected in 2024. Unédic's financial strategy, defined by the social partners, makes it possible to limit exposure to refinancing and interest rate risks.

The State deductions on the Unemployment Insurance to finance France Compétences and France Travail, however, reduce the scheme's ability to reduce its debt. As a result, Unédic must make greater use of the financial markets in a context of high interest rates, thus leading to an increase in net interest expenditures of nearly €1 billion in total between 2023 and 2027<sup>4</sup>.

Unédic's net interest expenditures are expected to represent €0.5 billion per year between 2023 and 2026, then €0.4 billion in 2027, i.e. approximately 1% of Unédic's revenues.

Changes in the Unemployment Insurance scheme's financial situation would make it possible to continue the scheme's deleveraging, but at a lower pace than initially planned (*Table 5*).

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

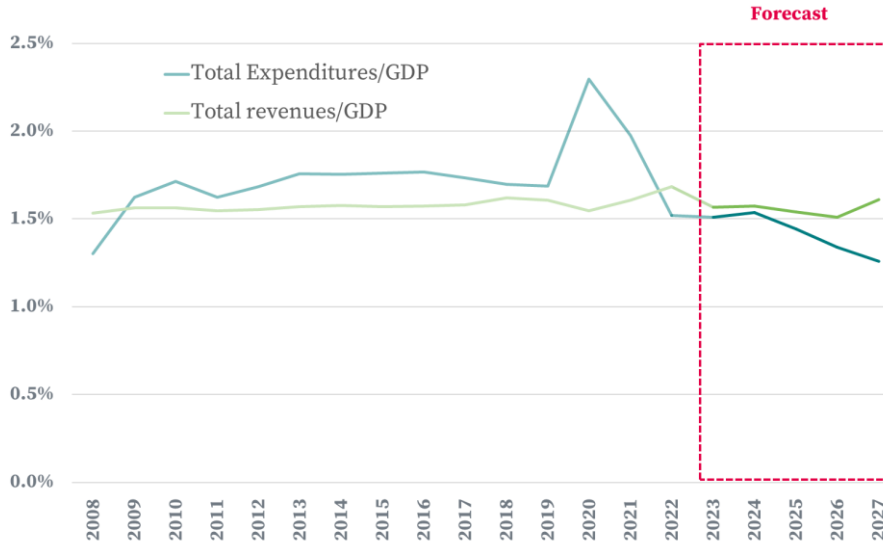
	2024	2025	2026	2027
<b>Financial balance</b>	<b>1.1</b>	<b>3.0</b>	<b>5.3</b>	<b>11.2</b>
Change in medium- and long-term debt	-3.1	-2.0	-5.3	-4.3
<i>New medium/long term debt issuances</i>	<i>1.0</i>	<i>1.0</i>	<i>1.0</i>	<i>1.0</i>
<i>Medium/long term debt repayments</i>	<i>4.1</i>	<i>3.0</i>	<i>6.3</i>	<i>5.3</i>
Change in short-term debt	2.0	-1.0	-0.1	-6.9
Change in cash	0.0	0.0	0.0	0.0
Change in net debt	-1.1	-3.0	-5.3	-11.2
<b>Net debt</b>	<b>58.0</b>	<b>55.1</b>	<b>49.7</b>	<b>38.6</b>

Sources: Unédic, Unédic's February 2024 financial forecasts.

<sup>4</sup>Additional net interest expenditures related to State deductions is the difference between the forecast of net interest expenditures from the trajectory of the financial balance with State deductions and the forecast of net interest expenditures from the trajectory of the financial balance without State deductions. Net interest expenditures are the interest paid on the debt less interest earned on investments. For the year 2027, although no State deduction is planned, the stock effect would continue to have an impact on net interest expenditures *via* the surplus of debts and the lower level of cash from previous State deductions.

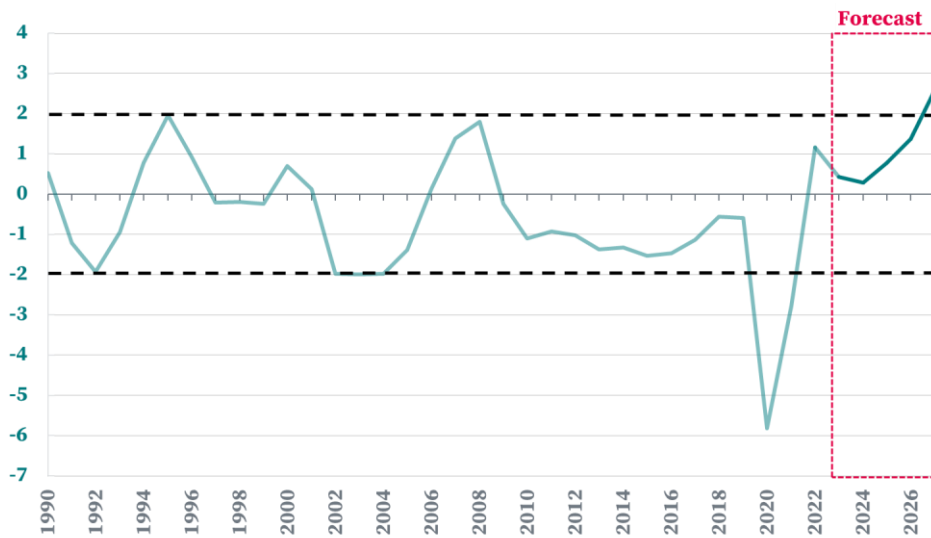
APPENDICES

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



Sources: Insee, Unédic, Unédic’s February 2024 financial forecasts.

CHART B – UNEMPLOYMENT INSURANCE’S FINANCIAL BALANCE, EXPRESSED IN MONTHS OF REVENUES



Sources: Unédic, Unédic’s February 2024 financial forecasts.





## **FINANCIAL SITUATION OF UNEMPLOYMENT INSURANCE 2024-2027**

**20 February 2024**

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