Unemployment

In Q3 2021, the unemployment rate according to the ILO definition remained virtually stable compared to the previous quarter: +0.1 points, at 8.1% of the active population (► **Figure 1**). This near-stability is the result of substantial accompanying increases in employment (+273,000 as a quarterly average, after +305,000 in H1) and in the active population (+325,000, after +320,000 in H1, with the active population reaching an unprecedented level and thus exceeding its trend level). Half of these increases involved 15-24 year-olds, and were mainly the result of sandwich contracts which have increased in number since 2017 and accelerated in 2021. Thus the activity rate among young people reached 41.1% in Q3 2021, up by 1.8 points compared to spring and by 3.2 points compared to its pre-crisis level. For all people aged 15 and over, the increase in the active population in Q3 2021 was mainly offset by a substantial decline in the number of inactive persons in the "halo of unemployment": –175,000 persons, after near-stability since Q3 2020.

In Q4 2021, the active population is expected to slip back slightly in reaction (–27,000), due to a rebound in the halo of unemployment after its atypical decline in the previous quarter, then increase a little in H1 2022 (+40,000) (► **Figure 2**). Taking into account the expected rise in employment (+73,000 as a quarterly average in Q4 2021, then +84,000 in H1 2022), the number of unemployed according to the ILO definition is likely to drop by 100,000 in Q4 2021. The unemployment rate is therefore expected to fall to 7.8% of the active population, then decrease gradually over H1 to 7.6% (► **Figure 3**).

This forecast remains dependent on future change in the active population, however, the trend level remains difficult to determine after two years of exceptionally large fluctuations. The chosen scenario is based on the latest available active population projections, dating from 2017, adjusted to take into account observed pre-crisis trends and the recent activity behaviour of young people, attributable to the growth in sandwich contracts.[1] All in all, the forecast for the active population is for a slowdown compared to the changes observed in 2021, with a return to a similar level of growth to pre-crisis: it is likely that the slowdown in the trend labour force population will be more than offset by the effects of sandwich contracts on the activity of young people. ●

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1 INSEE's latest active population projections date back to 2017. In this Sheet, they have been adjusted to take several factors into account, which will still need to be ana-lysed and confirmed in the coming quarters. First, the activity trend for people of intermediate age was reduced slightly to take account of changes observed between 2015 and 2019. Second, since 2017, the number of sandwich contracts has increased significantly and this increase accelerated in 2021. Projections for the active popula-tion of young people have therefore been revised upwards to take this into account. Finally, a more technical detail which does not affect the dynamics of 2020 and 2021, projections have also been adjusted to take into account the overhaul of the continuous Labour Force Survey in 2020, which slightly increases the activity rate, and to transpose the results so that the scope is "France excluding Mayotte", the same as the Labour Force Survey. A full programme updating INSEE's labour force projections will be disseminated in June 2022.

► **1. Unemployment rate (ILO definition)**
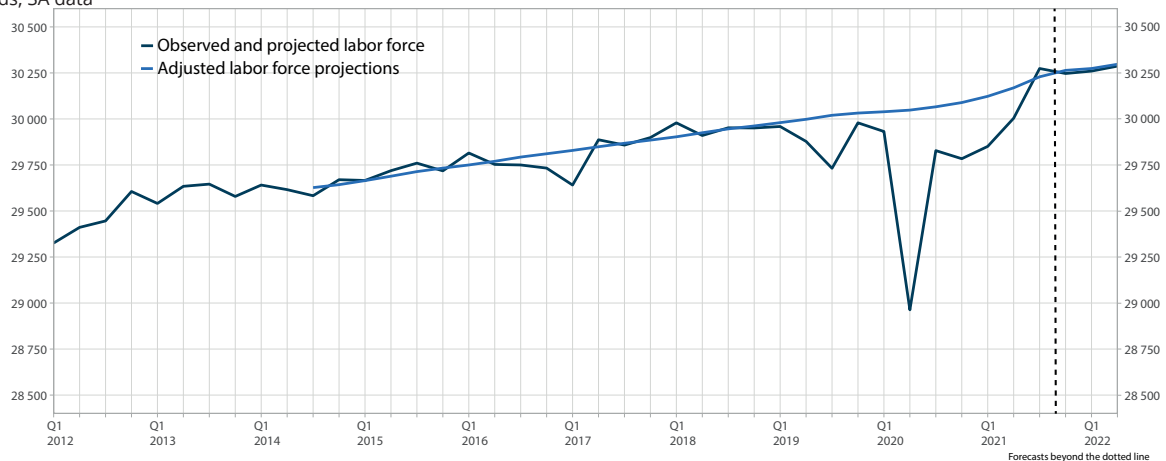quarterly average as % of labour force, SA data
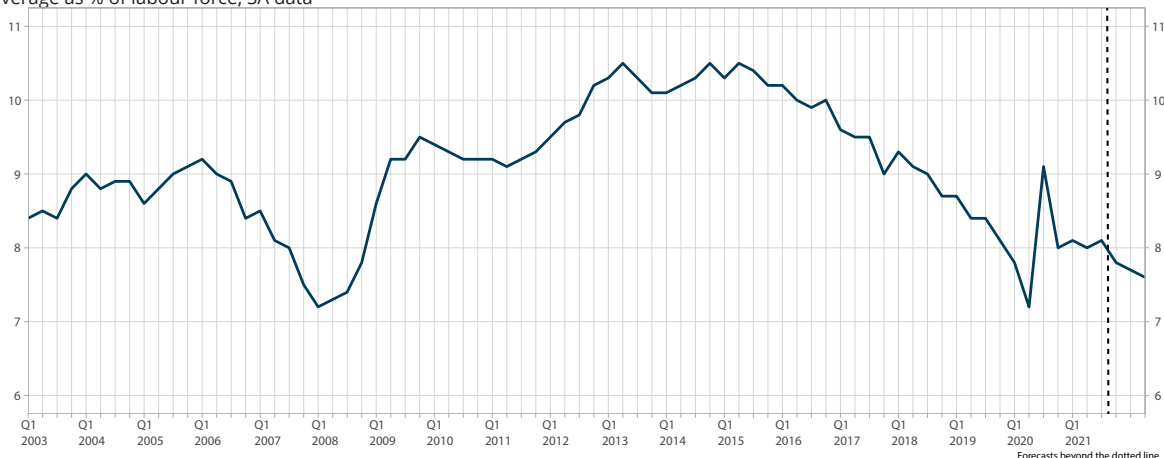
Scope: France (excluding Mayotte), persons aged 15 or over living in ordinary housing
Source: INSEE, Labour Force Survey

French economic outlook

► 2. Change in the active population compared to adjusted projections
in thousands, SA data

Legend:
- Observed and projected labor force
- Adjusted labor force projections

Forecasts beyond the dotted line

Scope: France (excluding Mayotte)
Source: INSEE, Labour Force Survey, adjusted labour force projections; DARES, numbers of sandwich contracts

► 3. Change in employment, unemployment and the active population
variation in quarterly average in thousands, SA data

	2020				2021				2022		Cumulative change since end 2019
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Employment (1)	–26	–731	361	167	67	238	273	73	32	52	506
Unemployment (2)	–94	–266	642	–338	23	–8	52	–100	–19	–25	–133
Active population = (1) + (2)	–120	–997	1003	–171	90	230	325	–27	13	27	373
Trend labour force (a)	7	7	7	7	7	7	5	4	3	2	56
Effect of work-linked training on youth activity (b)	0	3	12	17	27	40	54	33	8	22	216
Pre-crisis» cyclical bending effect (c)	–3	–73	35	15	4	20	22	6	2	3	31
Residue (d)	–124	–933	950	–210	52	164	244	–70	0	0	73
Variation in unemployment rate	–0.3	–0.6	1.9	–1.1	0.1	–0.1	0.1	–0.3	–0.1	–0.1	–0.5
Unemployment rate	7.8	7.2	9.1	8.0	8.1	8.0	8.1	7.8	7.7	7.6	

▪ Forecast

How to read it: between Q2 2021 and Q3 2021, employment increased by 273,000 on average, unemployment increased by 52,000 and the active population increased by 325,000. The unemployment rate rose by 0.1 points, reaching 8.1%.
Note: Employment corresponds here to total employment (payroll employment including sandwich contracts + self-employment), measured as a quarterly average
(a)Trend based on adjusted active population projections.
(b) Effect based on sandwich contract numbers from DARES, calculations by INSEE.
(c) This flexibility effect represents the fact that new workers enter the labour market when the employment situation improves. It was estimated over the pre-crisis period.
(d) In 2020 and 2021, the remainder covers the specific effect of the health crisis on activity behaviour, i.e. mainly the massive withdrawal of activity during the 1st lockdown in spring 2020.
Scope: France (excluding Mayotte), persons aged 15 or over
Source: INSEE, Labour Force Survey, Quarterly employment estimates