

Value sharing bonus: massive payouts at the end of 2022, with potential windfall effects

In 2022, almost 5 million employees in non-agricultural market branches received a value sharing bonus (PPV), for an average of €806 per beneficiary. The PPV was set up on 1st July, replacing the extraordinary purchasing power bonus (PEPA). It was limited to a €3,000 bonus per calendar year and per employee (€6,000 in the case of a profit-sharing agreement and participation), and was exempt from social contributions and tax. PPV payouts were particularly high in December, contributing to the acceleration in wages at year's end. However, while the use of this bonus cannot, in theory, replace wage revisions or other bonuses provided for by a wage agreement or in the employment contract, the sluggishness of basic wages in Q4 suggests the generation of windfall effects: without the PPV scheme, employers would undoubtedly have paid out at least some of the bonus amounts to their employees – estimated at first analysis at around 30%– albeit in a different form.

Since 1st July 2022, the value sharing bonus (PPV) has replaced the extraordinary purchasing power bonus (PEPA), which had first been introduced at the start of 2019 (► **Box**). The PPV adopts the same principles as the PEPA, but triples the payout ceilings: thus between July 2022 and December 2023, companies were able to pay out up to 3,000 euros in bonuses per calendar year and per employee (and even 6,000 euros in the case of a profit-sharing agreement) all exempt from social contributions and tax. Employers were under no obligation to implement this scheme, however.

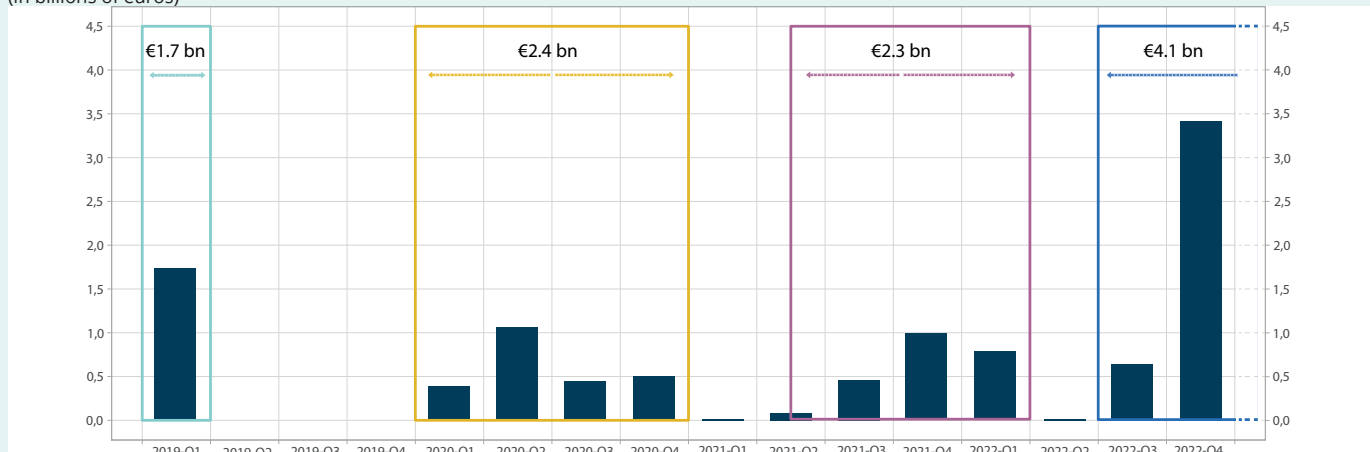
Since these schemes were put in place, the amounts paid out by employers have varied widely (► **Figure 1**): €1.7 billion (€bn) in the non-agricultural market branches during the initial period of the PEPA payouts at the beginning of 2019, then €2.4 billion for the whole of 2020 and €2.3 billion from June 2021 to March 2022, during the two renewal periods. In H2 2022, when inflation was high and the payment ceilings were tripled by the PPV, employers made considerable use of this scheme: as a result, €4.1 billion were paid out between July and December, peaking at €1.7 billion for December alone.

According to data from the URSSAF national fund, almost 5 million employees in the non-agricultural market branches received a PPV payment between July and December 2022, with an average of €806 per beneficiary (► **Figure 2**). These recipients made up 30% of all employees, with proportions varying from 17% in accommodation-catering to 80% in coke and refined petroleum production (the PPV having been specifically announced in the agreement bringing strikes in the refineries to an end in autumn 2022). Amounts paid out per beneficiary were, on average, higher in finance and some sectors of industry and, conversely, lower in transport, trade and accommodation-catering.

The massive amounts of PPV payouts contributed to the acceleration in the average wage per capita (SMPT) at the end of 2022 (the SMPT in the non-agricultural market branches increased by 1.7% in Q4 2022, after +0.7% in the previous quarter). The bonus cannot, in theory, replace wage increases or bonuses provided for in a wage agreement or stipulated in the employment contract. However, analysis of past schemes of the same type shows that in the absence of this measure,

► 1. Amounts of PEPA then PPV bonuses per quarter and per payout window

(in billions of euros)



Note: the coloured rectangles indicate the payout windows for the bonuses; to learn more about the various changes to the modalities of the schemes, ► **Box**.

How to read it: in H2 2022, 4.1 billion euros of PPV were paid out to employees.

Scope: non-agricultural market branches.

Source: DSN provisional data, INSEE processing.

employers would undoubtedly have paid out at least part of the bonus amount to their employees, in a different form. The impact of the scheme on wage increases in Q4 2022 is therefore probably less than the amount paid by companies under this bonus scheme (“windfall effect”). This is suggested, for example, by the lack of momentum, compared to previous quarters and given the context of high inflation, of the basic monthly wage (SMB) at the end of the year; the SMB reflects underlying change in wages and, in particular, it does not include the PPV, nor other bonuses paid out to employees. It increased by 0.8% in Q4 2022, after +1.0% in the previous quarter.

In the first analysis, in the non-agricultural market branches, the PPV scheme would appear to have contributed 1.4 points to year-on-year variation in SMPT in Q4 2022 (which increased by 5.0% between Q4 2021 and Q4 2022). Around 30% of this contribution (or 0.4 points) would seem to be the result of a windfall effect. This estimate was reached by comparing the increase observed in the basic monthly wage to the increase that there would have been if the PPV scheme had not been in place. By definition, this absence cannot be observed, but it can be estimated (► **Box** “Forecasting changes in the basic monthly wage”, *Economic Outlook* March 2022). In other words the PPV payouts would appear to have replaced about 30%, on average, of basic wage pay

increases. The windfall effect calculated for the quarter-on-quarter variation is around the same.

At this stage, the margin of error for this estimate of the windfall effect remains significant and the effect measured is that of possible substitutions, by PPV payouts, for pay increases in just the basic salary, without taking into account substitutions that may also affect the other components of pay. However, the scale of the windfall effect thus identified is well within the range of a previous estimate (between 15% and 40%) made during payments of the extraordinary purchasing power bonus in Q1 2019 (► **Frel-Cazenave and al.**).

The scale of the PPV payouts that will be distributed in 2023, and the potential associated windfall effect, represent a high degree of uncertainty for wage forecasts in H1 2023. In the central scenario used for this *Economic Outlook*, based mainly on the first observations of payouts in January (provisional DSN data), a sharp decline in PPV payouts is assumed for Q1 2023, then relative stability in Q2. This assumption results in a less buoyant SMPT in Q1 2023, in reaction to the significant rise in Q4 2022. Other scenarios for implementing the PPV scheme could produce forecasts for quarterly change in SMPT that deviate by up to plus or minus 0.4 percentage points from the forecasts in the central scenario chosen here. ●

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► 2. Distribution of PPV payouts in H2 2022

	Employees receiving PPV		Average amount received per employee benefiting from PPV (in €)	Share of PPV in total payroll	
	Number of employees receiving PPV	Share of employees receiving PPV		Share in Q3 2022	Share in Q4 2022
Agrifood industries	109,600	21%	723	0.5%	1.1%
Coke and refined petroleum	6,800	80%	3416	0.0%	14.8%
Capital goods	157,000	39%	784	0.5%	2.1%
Transport equipment	215,500	64%	855	0.4%	3.8%
Other industrial branches	574,900	42%	795	0.7%	2.5%
Energy, water and waste	203,800	52%	724	0.2%	3.3%
Construction	522,800	34%	815	1.0%	2.9%
Trade	948,600	30%	667	0.4%	2.0%
Transport	389,200	27%	630	0.4%	1.6%
Accommodation and food	200,500	17%	689	0.4%	1.6%
Information and communication	203,900	23%	924	0.2%	1.4%
Financial services	362,000	46%	1242	0.4%	3.6%
Real estate services	76,200	29%	848	0.5%	2.2%
Services to businesses	795,900	23%	876	0.4%	1.8%
Services to households	194,500	24%	734	0.4%	2.0%
All	4,961,100	30%	806	0.4%	2.2%

How to read it: in H2 2022, 4,961,100 employees benefited from the PPV, or 30% of employees. They received 806 euros on average.

Scope: non-agricultural market branches.

Source: Provisional DSN data, Urssaf National Fund and INSEE processing.

The Pepa and PPV schemes

The extraordinary purchasing power bonus (Pepa) scheme was initially adopted at the end of 2018 as a social emergency measure in response to the yellow waistcoats movement. In the first quarter of 2019, all employers could pay up to €1,000 in de-socialised and tax-free bonuses per employee with an annual remuneration of less than 3 times the SMIC. The scheme was reactivated in the first half of 2020 only for companies with a profit-sharing agreement, before being extended at the end of March 2020, in the context of the health crisis, to all companies. The payment ceiling was then raised to 2,000 euros for companies with a profit-sharing agreement. At the beginning of the summer, the payout window was finally extended to the whole year 2020. The Pepa scheme was then extended again, with the same terms and conditions, between June 2021 and March 2022.

Since July 2022, the value-sharing bonus (PPV) has replaced the Pepa: it extends the scheme to all employees (but the bonus is tax-free only for employees with an annual remuneration of less than three times the minimum wage) and triples the payment ceilings (3,000 euros maximum bonus per calendar year in the general case, 6,000 euros in the case of a profit-sharing agreement), over a period extending to December 2023. ●

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