

Unemployment: an ambiguous fall, but an unambiguous rise in long-term jobless

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The unemployment figures for the month of January 2016 published by France's Pôle Emploi job centre show a fall of 27,900 in the number of job seekers who are not working (category A), which follows an increase recorded in the month of December (+15,800). While this fall might seem encouraging (a decline of this magnitude has not been seen since 2007), it must be qualified. First, recent changes in administrative practices made by Pôle Emploi [\[1\]](#) have resulted in an abnormal increase in exits from the jobless rolls due to failures to update (239,000, against a monthly average of 207,000 in 2015). Second, the high volatility of the monthly figures in recent months is a sign of a labour market in which job creation is insufficient to reduce unemployment on a sustainable basis.

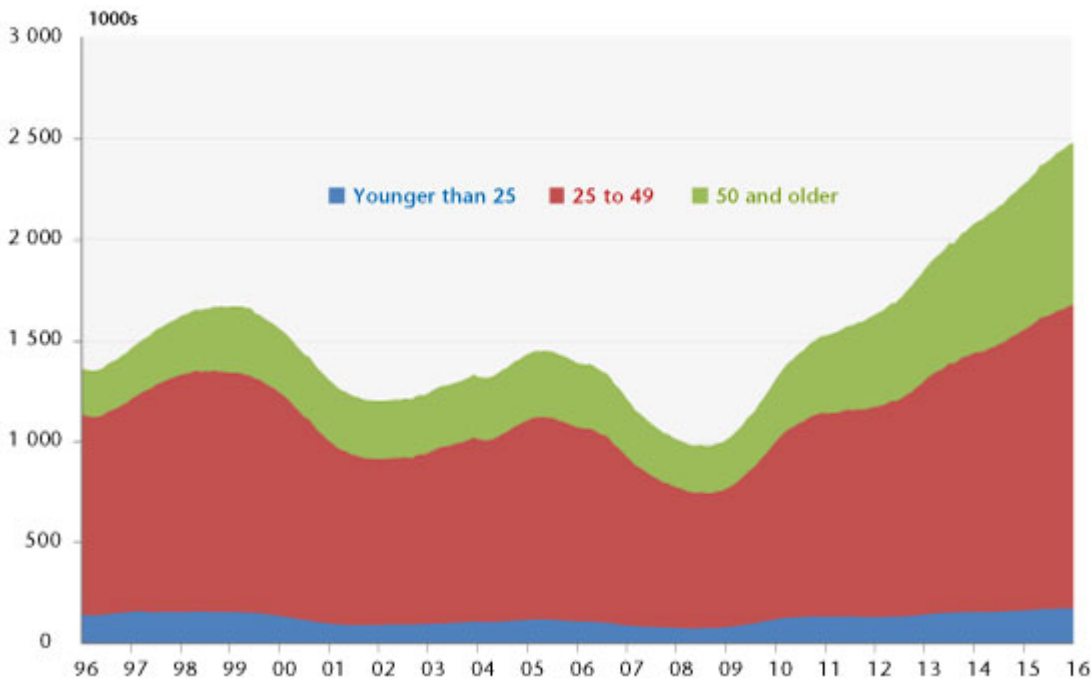
It is true that the increase in the numbers exiting the job centre due to regaining work (+ 5.1% over three months) is a positive sign, suggesting that the expected recovery is underway. Nevertheless, even though a pickup in employment has occurred, it has not been strong enough to halt the steady rise in the number of long-term unemployed (+9.1% in one year). Thus, in a context of near-zero average growth since 2008 and a continuing deterioration in the labour market, the share of the unemployed registered for a year or more in categories A, B or C has increased since mid-2009 (by 31% approximately) and is now at a historical high, representing 45.4% of all jobseekers in categories A, B or C (Figure 1).

This increase is explained by the rise in unemployment among

older workers (+ 8.9% yoy): the implementation of a series of pension reforms (2003, 2010), coupled with the elimination of job search waivers for seniors, has led to prolonging the working life and to a later retirement age. In a context of weak growth, the increase in the employment rate of older workers has been insufficient to absorb the growth in the working population in this age group, with a consequent rise in unemployment among those over age 50 (see [La suppression de la Dispense de recherche d'emploi: quand les gouvernements augmentent volontairement le décompte des chômeurs !](#) [The elimination of job search waivers: when governments voluntarily increase the unemployment count – *in French*]).

The [relative improvement in the labour market expected in the coming months](#) would stem from a slight improvement in growth and from the implementation of a training plan for the unemployed, announced by President François Hollande in [late December 2015](#). However, it will take a long time for this improvement to affect the long-term unemployed. Indeed, the time taken for a fall in the numbers of Category A jobless to be transmitted to the long-term unemployed is relatively long (Figure 2). In the late 2000s, a period that saw a significant drop in jobless numbers, it took almost a year and a half for the fall in Category A jobless to result in a significant drop in the number of the long-term unemployed. The mechanisms for a pickup in jobs are clearly subject to considerable inertia.

Figure 1. Jobseekers recorded for a year or more in Category A, B or C, based on age



Sources: Pôle Emploi job center; Dares; OFCE calculations.

Figure 2. Jobseekers registered in Categories A, B or C for a year or more and jobseekers registered in Category A



Sources: Pôle Emploi job center; Dares; OFCE calculations.

[1] Because of this change in methodology, the unemployed have had one day less to complete their updates, leading in practice to a significant increase in the number of those

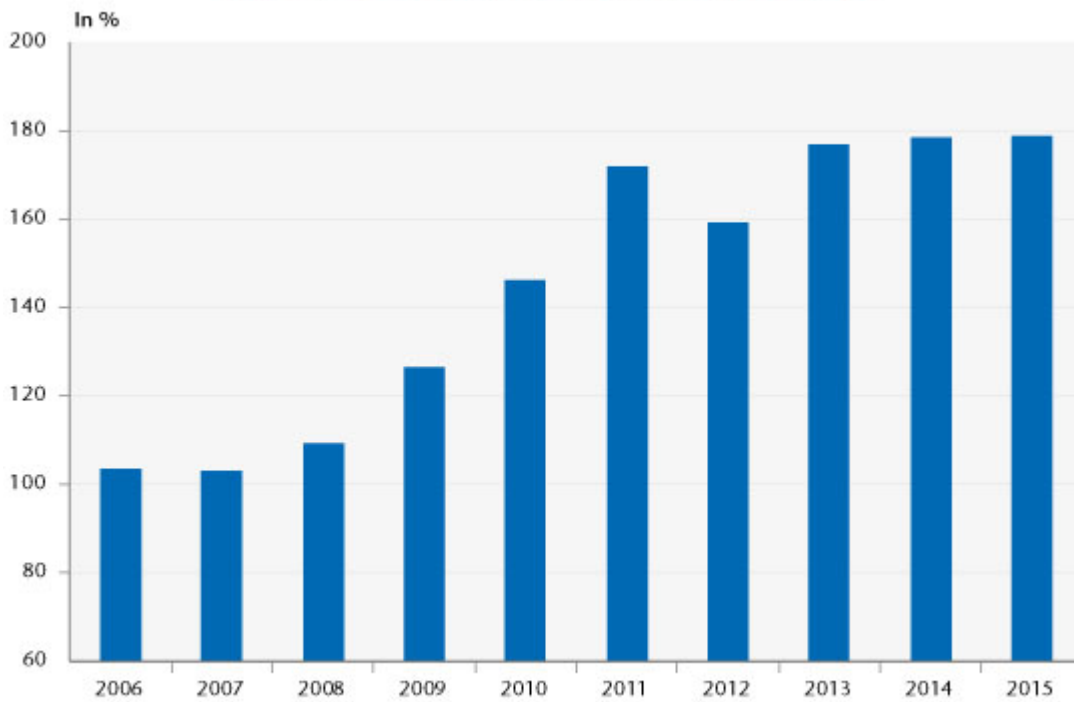
struck off due to a failure to update (+1.5% in three months).

Why can't Greece get out of debt?

By [Sébastien Villemot](#)

Between 2007 and 2015, Greece's public debt rose from 103% to 179% [\[1\]](#) of its GDP (see chart below). The debt-to-GDP ratio rose at an uninterrupted pace, except for a 12-point fall in 2012 following the restructuring imposed on private creditors, and despite the implementation of two macroeconomic adjustment programs (and the beginning of a third) that were aimed precisely at redressing the Greek government's accounts. Austerity has plunged the country into a recessionary and deflationary spiral, making it difficult if not impossible to reduce the debt. The question of a further restructuring is now sharply posed.

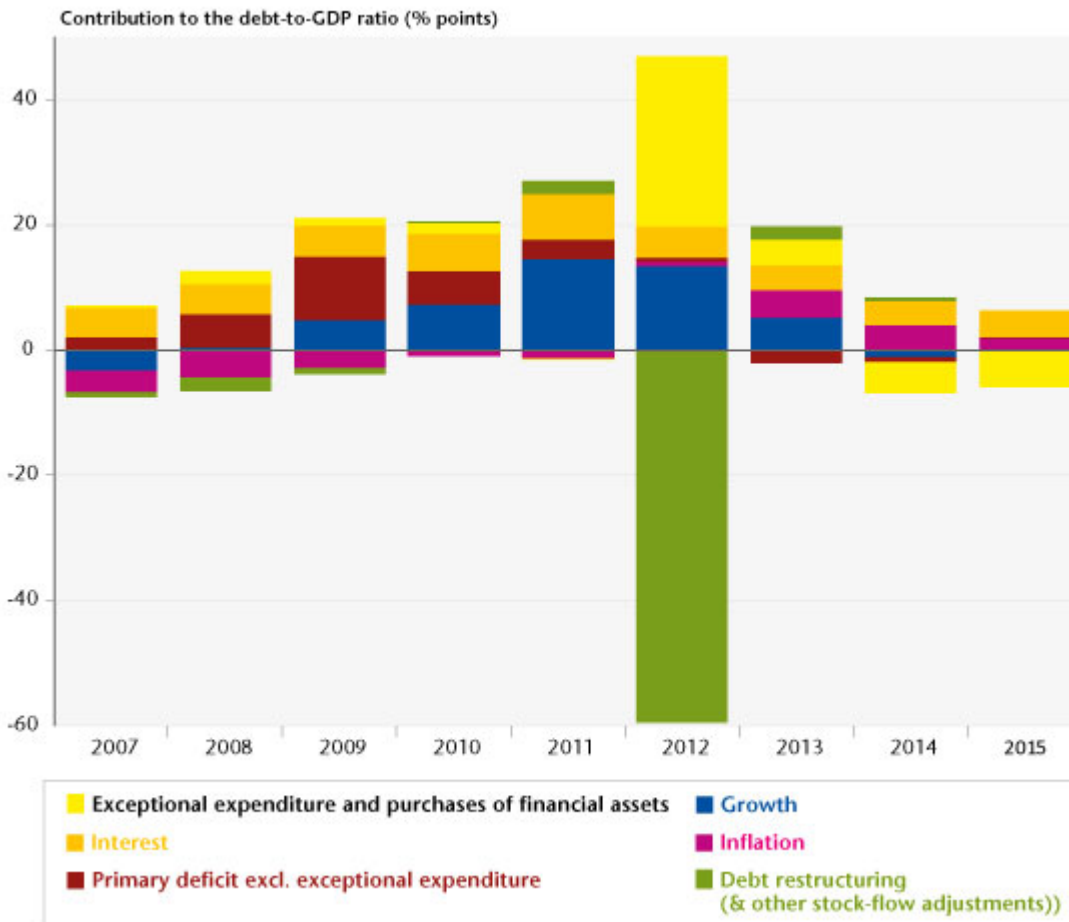
Figure 1. Greece's public debt as % of GDP, 2006-2015



Sources: Eurostat, European Commission..

What explains this failure? How much have the various factors involved (public deficit, austerity, deflation, restructuring, bank recapitalization, etc.) contributed to changes in the debt? To provide some answers, we conducted an accounting breakdown of the changes in the debt ratio: the result is given in the graph below for the period 2007-2015.

Figure 2. Accounting breakdown of changes in the debt ratio



Several phases, which correspond to various developments in the Greek crisis, are clearly identifiable on the chart.

In 2007, prior to the financial storm, the GDP-to-debt ratio was stable: the negative effect of the budget deficit (including interest), which increases the ratio's numerator, was offset by the positive impact of growth and inflation, which increase the denominator. So the situation was stable, at least temporarily, even though the debt level was already high (103% of GDP, which also explains the significant interest burden).

This stability was upset with the onset of the global financial crisis in 2008 and 2009: growth disappeared and even entered negative territory, while the primary deficit was rising, partly due to the "automatic stabilizers", and by 2009 came to 10 percentage points of GDP.

Given the intensity of the fiscal crisis, an initial adjustment plan was implemented in 2010. As the austerity measures began to bite, the primary deficit began to fall (to almost zero in 2012, excluding extraordinary expenses). But austerity also resulted in intensifying the recession: in 2011, growth (very negative) contributed nearly 15 GDP points to the increase in debt. Austerity also led to reducing inflation, which dropped to almost zero, and which is therefore no longer playing its natural role of cushioning debt. Meanwhile, the interest burden remained high (rising to 7.2 GDP points in 2011).

It should be recalled that the accounting breakdown presented here tends to underestimate the negative impact of growth and to overestimate the impact of the budget deficit. Indeed, a recession generates a cyclical deficit, through the automatic stabilizers, and therefore indirectly contributes to debt through the channel of the budget balance. However, to identify the structural and cyclical components of the budget deficit, an estimate of potential growth is needed. In the Greek case, given the depth of the crisis, this exercise is quite challenging, and the few estimates available diverge considerably; for this reason, we preferred to stick to a purely accounting approach.

2012 was a year for big manoeuvres, with two successive debt restructurings in March and December. On paper, there was a substantial cancellation of debt (measured in terms of the stock-flow adjustment): almost 60 GDP points. But what should have been a significant reduction was largely offset by opposing forces. The recession remained exceptionally intense and accounted for 13.5 GDP points of the increase in debt. Above all, the main negative effect came from bank recapitalizations, which were necessitated by the writing off of public debt securities, which were largely held by domestic banks. In accounting terms, these recapitalisations take two forms: grants to banks (recorded as extraordinary expenses) or

purchases of newly issued shares (recorded as purchases of financial assets) [2], which is why these two categories are grouped on the graphic. The category of purchases of financial assets also recognizes the establishment of a financial cushion to finance future bank recapitalizations [3].

In 2013, the debt-to-GDP ratio once again rose sharply, even though the primary balance (excluding exceptional expenses) showed a surplus. Bank recapitalizations (19 billion euros) were a heavy burden and were only partially covered by the sale of financial assets. The recession, although less intense, and deflation, now well established, made the picture even gloomier.

In 2014 and 2015, the situation improved, but without leading to any decline in the debt-to-GDP ratio, even though the primary deficit excluding exceptional spending was almost zero. Deflation persisted, while growth failed to restart (the 2014 upturn was moderate and short-lived), and the banks had to be recapitalized again in 2015 (for 5 billion euros). The interest burden remained high, despite the decision of the European creditors to lower rates on the loans from the European Financial Stability Facility (EFSF): several years would be needed before this shows up in the effective interest burden. Only the sales of financial assets made it possible to hold down the increase in debt, which is clearly not sustainable in the long run since there is a limited stock of these assets.

The table below shows the cumulative contribution of each factor for the period as a whole, and for the sub-period during which Greece was under programme (2010-2015).

Cumulative contribution of each factor

	2007-2015	2010-2015
Growth	41.7	39.7
Inflation	-1.8	8.7
Primary deficit excl. exceptional expenditure	23.9	6.2
Interest	44.7	30.3
Exceptional expenditure & purchase of fin. assets	25.7	22.1
Debt restructuring (& other stock-flow adjustments)	-58.7	-54.6
Total	75.4	52.4

Sources: Eurostat, European Commission, author's calculations..

The two main contributors to the increase in debt are growth (negative) and the cost of interest. In other words, the total increase in debt is due primarily to a “snowball effect”, which means the automatic increase due to the differential between the real interest rate and growth (the infamous “ $r-g$ ”). The debt forgiveness in 2012 was not even sufficient to offset the snowball effect accumulated over the period. The bank recapitalizations that became necessary due in particular to the cancellation of debt were a heavy burden. The primary deficit, which is under the more direct control of the Greek government, comes only in 4th position from 2007 to 2015 (and doesn't contribute much at all over the period 2010-2015).

It is therefore clear that the sharp rise in the debt-to-GDP ratio since 2007 (and especially since 2010) was not primarily the result of the Greek government's fiscal irresponsibility, but resulted instead from an erroneous consolidation strategy that was based on a logic of accounting austerity and not on coherent macroeconomic reasoning. An upturn in growth and inflation will be necessary to achieve any substantial debt reduction. But the new austerity measures set out in the third adjustment plan could cause a return to recession, while the constraints of price competitiveness within the euro zone make it impossible to foresee any renewal of inflation. A significant reduction of debt that is not conditional on a new destructive phase of austerity would allow a fresh start; in a

previous study[\[4\]](#), we showed that a restructuring that cut Greece's debt to 100% of its GDP would correspond to a sustainable scenario. However, Europe's member states, which are now Greece's main creditors, are currently rejecting such a scenario. The path to reducing Greek debt now looks more uncertain than ever...

[\[1\]](#) The data for 2015 are not yet fully available. The figures quoted for this year are projections by the European Commission published on 4 February 2016.

[\[2\]](#) These holdings in bank capital are recorded here at their purchase value. Any subsequent deterioration in these holdings is not reflected in the chart, because this would not lead to a further increase in the gross debt (although it would increase the net debt).

[\[3\]](#) In 2012, Greece bought 41 billion euros worth of EFSF bonds. Of this total, 6.5 billion were immediately given to the Bank of Piraeus, while 24 billion were lent to 4 big banks (which benefited from partial cancellation of their debt in 2013 against equity participations by the Greek State for a lesser value). The remaining 10 billion were returned unused by Greece to the EFSF in 2015, following the agreement of the Eurogroup on 22 February.

[\[4\]](#) See Céline Antonin, Raul Sampognaro, Xavier Timbeau and Sébastien Villemot, 2015, "[La Grèce sur la corde raide](#)" [Greece on the tightrope], *Revue de l'OFCE*, no. 138.

Is missing disinflation a uniquely American phenomenon?

By [Paul Hubert](#), Mathilde Le Moigne

Are the dynamics of inflation after the 2007-2009 crisis atypical? According to Paul Krugman, “If inflation had responded to the Great Recession and aftermath the way it did in previous big slumps, we would be deep in [deflation](#) by now; we aren’t.” In fact, after 2009, inflation in the US has remained surprisingly stable in terms of changes in real activity. This phenomenon has been called “missing disinflation”. Can a phenomenon like this be seen in the euro zone?

Despite the worst recession since the 1929 crisis, the inflation rate has remained stable at around 1.5% on average between 2008 and 2011 in the US and 1% in the euro zone. Does this mean that the Phillips curve, which links inflation to real activity, has lost its empirical validity? In a [note](#) in 2016, Olivier Blanchard argued instead that the [Phillips curve](#), in its simplest original version, is still a valid instrument for understanding the relationship between inflation and unemployment, in spite of this “missing disinflation”.

Blanchard nevertheless noted that the relationship between the two variables has weakened, because inflation increasingly depends on inflation expectations, which are themselves anchored to the inflation target of the US Fed. In an [article](#) in 2015, Coibion and Gorodnichenko explained this missing disinflation in the US by the fact that inflation expectations are influenced by variations in the most visible prices, such as fluctuations in the price of oil. Furthermore, since 2015 inflation expectations have declined concomitantly with oil prices.

The difficulty of accounting for recent trends in inflation through the Phillips curve led us to evaluate its potential determinants in a [recent working paper](#) and to consider whether this “missing disinflation” phenomenon was also present in the euro zone. Based on a standard Phillips curve, we did not come up with the results of Coibion and Gorodnichenko when the euro zone was considered in its entirety. In other words, real activity and inflation expectations do describe changes in inflation.

However, this result appears to come from an aggregation bias between the behaviours of national inflation within the euro zone. In particular, we found a significant divergence between the countries of Northern Europe (Germany, France), which demonstrate a general tendency towards *missing inflation*, and countries on the periphery (Spain, Italy, Greece), which exhibit periods of *missing disinflation*. This divergence nevertheless appears right from the start of our sample, that is to say, in the early years of the creation of the euro zone, and seems to reverse around 2006, without any significant change during the crisis of 2008-2009.

Unlike what happened in the US, it appears that the euro zone has not experienced missing disinflation as a result of the economic and financial crisis of 2008-2009. It seems instead that divergences in inflation in Europe preceded the crisis, and tended to subside with the crisis.

Measuring well-being and

sustainability: A special issue of the Revue de l'OFCE

By [Eloi Laurent](#)

This issue of the [Revue de l'OFCE \(no. 145, February 2016\)](#) presents some of the best works that are being produced at a rapid clip on indicators of well-being and sustainability.

Why want to measure well-being? Because the idea that economic growth represents human development, in the sense that growth represents a good summary of its various dimensions, is simply false. GDP growth is not a prerequisite for human development; on the contrary, it is now often an impediment (as is illustrated by the exorbitant health costs of air pollution in India and China, two countries that concentrate one-third of the human population).

Achieving growth is not therefore sufficient in itself for human development; there is a need for specific policies that deal directly with education, health, environmental conditions and democratic quality. If the multiple dimensions of well-being are not taken into account, one dimension, typically the economic dimension, is imposed on and crushes the others, mutilating the human development of both individuals and groups (the example of health in the United States is particularly striking in this regard).

Why want to measure sustainability? Because today's global growth rate of 5% is of little importance if the climate, the ecosystems, the water and air that underpin our well-being have irrevocably deteriorated in two or three decades due to the means deployed to achieve that growth. Or to put it in the words of the Chinese Minister of the Environment, Zhou Shengxian, in 2011: "If our land is ravaged and our health destroyed, what benefit does our growth bring?" We need to

update our understanding of well-being so that it is not a mirage. Our economic and political systems exist only because they are underpinned by a set of resources that make up the biosphere, whose vitality is the condition for the perpetuation of these systems. To put it bluntly, if ecological crises are not measured and controlled, they will eventually do away with human welfare.

Indicators of well-being and sustainability must therefore enter a new, performative age: after measuring in order to understand, we now need to measure in order to make change – to evaluate in order to evolve. Because the change called for by these new visions of the global economy is considerable. This time of action invariably involves choices and trade-offs that are far from simple. This underscores the dual purpose of this issue of the *Revue de l'OFCE*: to show that indicators of well-being and sustainability have reached maturity and that they now can change not only our vision of the economic world but also the economic world itself; they can make clear the types of choices available to public and private decision-makers so as to carry out the change needed. In this respect the two sections of this special issue clearly highlight the issue of the relevant scale for measuring well-being and sustainability.

The first part of this issue is devoted to the relatively new topic of measuring regional well-being in France. Measuring well-being where it is actually lived presupposes moving down the scale to the local level: the need to measure and improve human well-being as close as possible to people's lived reality, along with the scale of spatial inequalities in contemporary France, demands a territorial perspective. There are at least two good reasons why territories (regions, cities, *départements*, towns), more than nation-states, are the vectors of choice for the transition towards well-being and sustainability. The first is that they have grown in importance due to the impact of globalization and

urbanization. The second is their capacity for social innovation. Following on from the late Elinor Ostrom, we talk about a “polycentric transition” to mean that each level of government can seize on the well-being and sustainability transition without waiting for a push from the top.

Monica Brezzi Luiz de Mello and Eloi Laurent (“Beyond GDP, beneath GDP: Measuring regional well-being in the OECD” – *all OFCE Revue articles in French*) gives the initial results of the theoretical and empirical work currently underway in the OECD framework (interactive access on the site <http://www.oecdregionalwellbeing.org/>) that measures certain dimensions of well-being at the regional level and applies these new indicators to the French case in order to draw useful lessons for public policy.

Robert Reynard (“Quality of life in the French regions”) provides an overview of recent findings by the INSEE using regional quality-of-life indicators. These can be used to develop a new typology of French spaces, highlighting eight major types of territories, which are distinguished both by the living conditions of their inhabitants (employment, income, health, education, etc.) and the amenities that these areas provide for their people (living environment, access to services, transport, etc.). The new representation of France that emerges constitutes a valuable decision-making tool for those in charge of policies aimed at promoting equality between the regions.

Kim Antunez, Louise Haran and Vivien Roussez (“Diagnoses of quality of life: Taking into account people’s preferences”) looks back at the approach developed by France’s regional monitoring body (*Observatoire des territoires*) and highlights indicators, offered at appropriate geographical scales, that can be used to account for the multidimensional character of quality of life in France. Here too, regional typologies explore the link between the diverse amenities in people’s environments and the diverse aspirations of the people who

live in them, so as to highlight the imbalances that exist and the public policy levers that can be used to reduce these.

Finally, Florence Jany-Catrice (“Measuring regional well-being: Working *on* or *with* the regions?”) discusses a fundamental aspect of the debate about measuring well-being in the French regions: the participation of citizens in defining their own well-being. She shows in particular that the impact of the indicators depends on whether those who develop them work on the regions or with them – it is only in the latter case that the region and its inhabitants become active players in the development of a common vision.

But, in contrast to these localized approaches, the measurement of sustainability requires moving up the geographical scale to the national or even global level. This is the subject of the articles in the second part of this issue, which deal with a subject whose importance has been emphasized by the recent law on the energy transition: the circular economy. Here there is a crucial difference to be made between a seemingly circular economy, which concerns a product or business, and genuine economic circularity, which can be understood only by enlarging the loop to develop a systemic vision.

This is what Christian Arnsperger and Dominique Bourg aim to demonstrate (“Towards a truly circular economy: Reflections on the foundations of an indicator of circularity”) by examining the main issues and questions that designers of an indicator of a truly circular economy would need to take into account, if it were ever to be developed formally and technically. They conclude in particular that without a systemic vision oriented towards the reduction, rationing and stationarity intrinsic to the permaculture approach, the notion of the circular economy will forever remain vulnerable to misuse that, however well intentioned, is ultimately short-sighted.

Vincent Aurez and Laurent Georgeault (“Indicators of the

circular economy in China”) attempt to assess the relevance and the actual scope of the assessment tools developed in recent years by China to flesh out an integrated circular economy policy that aims at ensuring the transition to a low-carbon model with a restrained use of resources. These instruments, which in many respects are unique, but still inadequate, are distinguished by their systemic and multidimensional character, and therefore constitute an original contribution to the field of sustainability indicators.

Finally, Stephan Kampelmann (“Measuring the circular economy at the regional level: A systemic analysis of the management of organic matter in Brussels”) draws on the theory of social-ecological systems to carry out a particularly innovative exercise. He uses a battery of indicators to compare the economic, social and environmental impact of two possible pathways for the municipal management of flows of organic matter in Brussels: a centralized treatment using anaerobic digestion, and a process based on decentralized composting.

Thus while well-being is best measured at the local level, to assess sustainability properly, including at the regional level, the impact felt beyond local and national borders has to be taken into account. The trade-offs between these dimensions, including the exploration and possible transformation into synergies at regional and national levels, then turn out to be the most promising projects opened up by the welfare and sustainability transition.

The secular stagnation equilibrium

By [Gilles Le Garrec](#) et [Vincent Touzé](#)

The economic state of slow growth and underemployment, coupled with low inflation or even deflation, has recently been widely discussed, in particular by [Larry Summers](#), under the label of “secular stagnation”. The hypothesis of secular stagnation was expressed for the first time in 1938 in a speech by A. Hansen, which was finally [published in 1939](#). Hansen was worried about insufficient investment and a declining population in the United States, following a long period of strong economic and demographic growth.

In a [Note by the OFCE \(no. 57 dated 26 January 2016 \[in French\]\)](#), we studied the characteristics and dynamics of a secular stagnation equilibrium.

A state of secular stagnation results when an abundance of savings relative to demand for credit pushes the “natural” real interest rate (what is compatible with full employment) below zero. But if the real interest rate permanently remains above the natural rate, then the result is a chronic shortage of aggregate demand and investment, with a weakened growth potential.

To counter secular stagnation, the monetary authorities first reduced their policy rates, and then, having reached the zero lower bound (ZLB), they implemented non-conventional policies called quantitative easing. The central banks cannot really force interest rates to be very negative, otherwise private agents would have an interest in keeping their savings in the form of banknotes. Beyond quantitative easing, what other policies might potentially help pull the economy out of secular stagnation?

To answer this crucial question, the model developed by [Eggertsson and Mehrotra](#) in 2014 has the great merit of clarifying the mechanisms behind a fall into long-term stagnation, and it is helping macroeconomic analysis to update its understanding of the multiplicity of equilibria and the persistence of the crisis. Their model is based on the consumption and savings behaviour of agents with a finite lifespan in a context of a rationed credit market and nominal wage rigidity. As for the monetary policy conducted by the central bank, this is set at a nominal rate using a [Taylor rule](#).

According to this approach, secular stagnation was initiated by the 2008 economic and financial crisis. This crisis was linked to high household debt, which ultimately led to credit rationing. In this context, credit rationing leads to a fall in demand and excess savings. Consequently, the real interest rate falls. In a situation of full employment, if credit tightens sharply, the equilibrium interest rate becomes negative, which leaves conventional monetary policy toothless. In this case, the economy plunges into a lasting state of underemployment of labour, characterised by output that is below potential and by deflation.

In the model proposed by Eggertsson and Mehrotra, there is no capital accumulation. As a result, the underlying dynamic is characterized by adjustments without transition from one steady state to another (from full employment to secular stagnation if there's a credit crisis, and vice versa if credit doesn't tighten much).

To extend the analysis, we considered the accumulation of physical capital as a prerequisite to any productive activity ([Le Garrec and Touzé, 2015](#)). This highlights an asymmetry in the dynamics of secular stagnation. If the credit constraint is loosened, then capital converges on its pre-crisis level. However, exiting the crisis takes longer than entering it. This property suggests that economic policies used to fight

against secular stagnation must be undertaken as soon as possible.

There are a number of lessons offered by this approach:

- To avoid the ZLB, there is an urgent need to create inflation while avoiding speculative asset “bubbles”, which could require special regulation. The existence of a deflationary equilibrium thus raises the question of the appropriateness of monetary policy rules that are overly focused on inflation.
 - One should be wary of the deflationary effects of policies to boost potential output. The right policy mix is to support structural policies with a sufficiently accommodative monetary policy.
 - Cutting savings to raise the real interest rate (e.g. by facilitating debt) is an interesting possibility, but the negative impact on potential GDP should not be overlooked. There is a clear trade-off between exiting secular stagnation and depressing potential GDP. One interesting solution could be to finance infrastructure, education or R&D (higher productivity) through government borrowing (raising the real equilibrium interest rate). Indeed, an aggressive investment policy (public or private) funded so as to push up the natural interest rate can meet a dual objective: to support aggregate demand and to develop the productive potential.
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How do French people look at equality of opportunity?

By Michel Forsé (CNRS) and [Maxime Parodi](#)

Do the French people believe in equal opportunity? The Dynegal survey asked the question in 2013 to a representative sample of 4,000 individuals, whose responses were very mixed. In a [recent article in the *Revue de l'OFCE* \(no. 146, 2016 \[in French\]\)](#), we show that it is the middle classes who prove to be a little more convinced than others by the idea that schooling gives everyone a chance and that one's success in life does not depend on social origin. This result is in line with the thesis by Simmel that makes the middle-class the site of social mobility.

The survey also raises questions about the link between the belief in equal opportunity and social expectations in terms of recognition of merit and equality of results. As might be expected, the less one believes in equality of opportunity, the less one defends the recognition of merit, and the greater the demand for equality of results. On the other hand, French people who are perfectly convinced that everyone has the same chance of success defend not only the recognition of merit, but also equality of place. This unexpected result highlights, in fact, a risk inherent in a society that is conceived of as totally meritocratic: the risk of completely discrediting the losers and of not finding them a place in society.

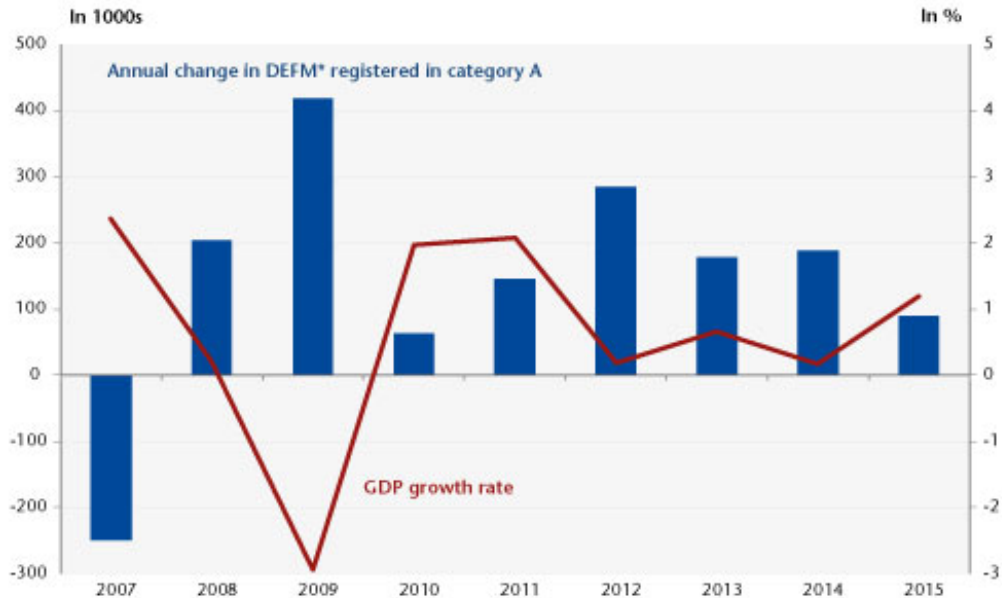
2015: An eighth year of rising unemployment in France

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Since June 2015, the number of job seekers at the end of the month (the number of “DEFM”, in French) in Category A registered with Pôle Emploi has swung from month to month, rising and falling. This high volatility, which reflects a sluggish labour market in which there is insufficient job creation to make a long-term reduction in unemployment, is directly related to the sluggish growth in the French economy overall. So after a relatively favourable November 2015 (15,000 DEFM fewer in category A), December once again saw an increase in the number of unemployed (+15,800), offsetting the previous month's fall. In addition, for the first time since May 2015, all age groups experienced an increase in the number of category A DEFM in December.

Ultimately, the number of jobseekers registered in category A with the Pôle Emploi job center increased for the eighth consecutive year in metropolitan France. With the return of higher growth, this increase has nevertheless been less than in previous years: +90,000 in 2015, versus +200,000 on average between 2011 and 2014. The increase has massively affected job seekers aged 50 and over (+69,000 in 2015), while the numbers under age 25 were down (22,000 fewer in 2015).

Annual change in the number of jobseekers registered in category A and annual GDP growth



* Jobseekers enrolled at end of month.
Sources: Pôle Emploi, Dares, Insee, OFCE calculations.

The implementation of successive pension reforms (2003, 2010), coupled with the elimination of exemptions on job-seeking by seniors, has led to a longer duration of economic activity and to putting off the age of retirement. In a context of weak growth, the rise in the employment rate for seniors has been insufficient to absorb the increase in the workforce for that age group, with a consequent increase in unemployment of those over age 50.

The decreasing number of unemployed young people is due to two main factors. First, the employment policies enacted since 2013 have targeted youth in particular through the Jobs of the future (*emplois d'avenir*) programme. Second, the low job creation in the market sector is mainly taking the form of temporary jobs (fixed-term CDD contracts, temping), a type of employment in which young people are heavily represented (34.2% of young people in employment are on CDD contracts or temping versus 8.4% for other age groups). This development can be compared to the observed increase in categories B and C (+170,000 in 2015 against 97,000 on average between 2011 and 2014). Thus, while some return to work has been observed, this has not resulted in exits from unemployment as measured by the

job center, and has not led to halting the continuing rise in the number of long-term unemployed (+9.5% in a year).

The year 2015 therefore did not see a reversal in the unemployment curve. Recall that it takes a GDP growth rate of over 1.4% to create enough jobs to begin to roll back unemployment, and only an extended return to growth over that threshold would be sufficient to lead to a sustained drop in the number of category A jobseekers enrolled in the job center.