

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.

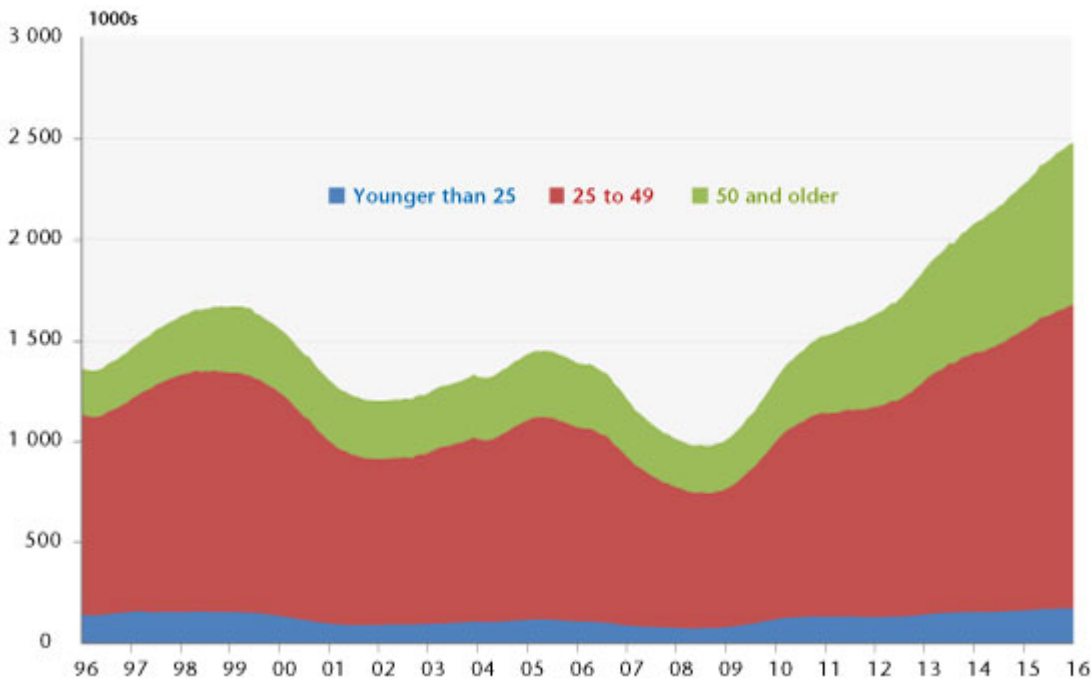
It is true that the increase in the numbers exiting the job centre due to regaining work (+ 5.1% over three months) is a positive sign, suggesting that the expected recovery is underway. Nevertheless, even though a pickup in employment has occurred, it has not been strong enough to halt the steady rise 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*]).

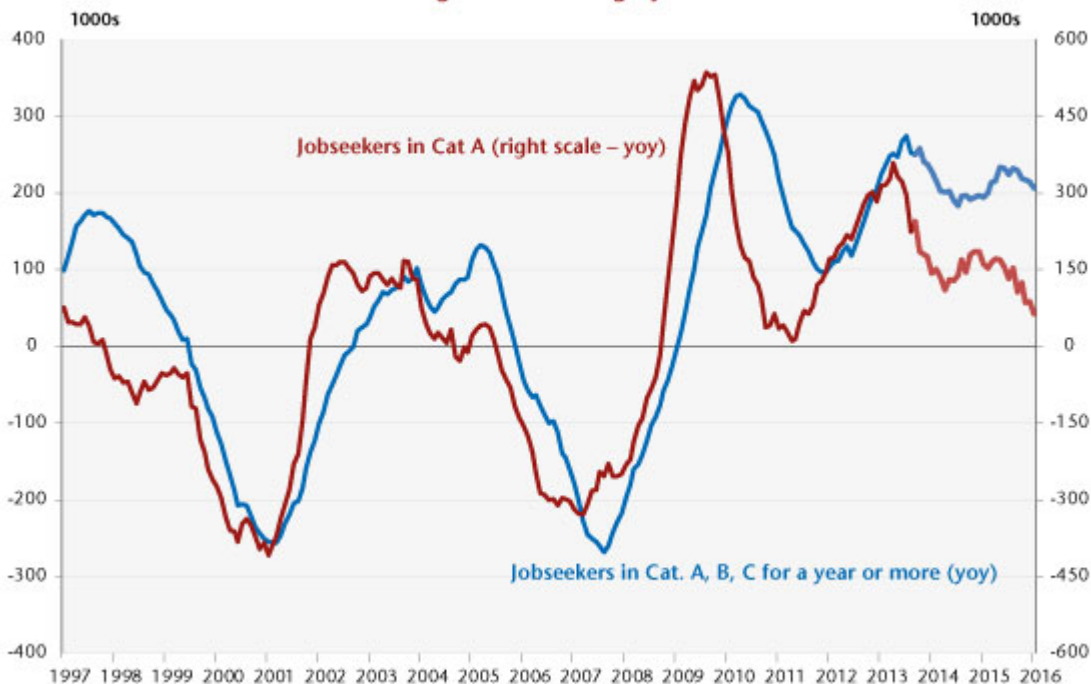
The [relative improvement in the labour market expected in the coming months](#) would stem from a slight improvement in growth and from the implementation of a training plan for the unemployed, announced by President François Hollande in [late December 2015](#). However, it will take a long time for 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).

Should we be celebrating the fall in unemployment at end 2013?

By [Bruno Ducoudré](#) and [Eric Heyer](#)

Every quarter, the INSEE publishes the unemployment rate as defined by the International Labour Office (ILO): for the fourth quarter of 2013, it **fell** 0.1 point in France, meaning 41,000 fewer unemployed. Likewise, every month the number of jobseekers registered with the Pôle Emploi job centre is reported: during the fourth quarter of 2013, this source indicated that the number of registered jobseekers in category A **rose** by 23,000. In one case unemployment is down, in the other it is up – this does not lead to a clear diagnosis about where unemployment is heading at year end.

What explains the difference in diagnosis between the INSEE and Pôle emploi?

Besides differences related to methodology (an employment survey for the ILO, an administrative source for Pôle emploi), it should not be forgotten that, according to the ILO, a person must meet three conditions to be counted as unemployed: being unemployed, being available for work and performing an active job search. Simply being registered at Pôle emploi is not sufficient to fulfil this last condition. So people registered as category A at Pôle emploi who are not actively seeking work are not counted as unemployed according to the ILO. The ILO criteria are thus more restrictive. Historically,

for those aged 25 and over, the number of unemployed registered at Pôle emploi is greater than the number according to the ILO criteria. For those under age 25, registering with Pôle emploi [1] is in general not as worthwhile, except during a period of active social treatment of unemployment, as was the case during the last quarter of 2013: people who wanted to benefit from a subsidized job had to be registered at the job centre.

Table 1. Change in the number of unemployed from Q3 to Q4 2013

1000s

| Age | 15-24 | 25-49 | 50 + | Total |
|----------------------------------|-------|-------|------|-------|
| Unemployed (ILO criteria) | -33 | 3 | -11 | -41 |
| Registered at Pôle emploi Cat. A | -7 | 10 | 20 | 23 |
| Difference | 26 | 7 | 31 | 64 |

Sources: INSEE, Emploi survey, Pôle emploi DARES.

As shown in Table 1, regardless of the age group, the situation seems less favourable using the Pôle emploi figures than according to the ILO criteria: when confronted with more than 2 years of unemployment, a certain number of discouraged jobseekers stop their active job search and are thus no longer recognized as such within the meaning of the ILO, yet continue to update their status at the job centre, and therefore remain listed in Category A.

Is the reduction in the unemployment rate calculated by ILO criteria good news?

The unemployment rate can fall for two reasons: the first one, virtuous in nature, is as a result of escaping unemployment due to improvements in the labour market; the second, less encouraging, is due to jobless people becoming discouraged and drifting into inactivity. The latest statistics from the ILO emphasize that the 0.1 point fall in the unemployment rate can be explained in full by the fall in the participation rate – which measures the percentage of the work force in the population aged 15 to 64 – and not by a resumption of employment that has remained stable. The decline in the

unemployment rate is thus not due to a recovery in employment, but to discouraged jobless people who quit actively seeking employment (Table 2).

Table 2. Breakdown of the change in the labour force participation rate (ILO criteria) Q4 2013

In points

| Age | 15-24 | 25-49 | >49 ans | Total * | Labour force Q4 2013 (1000s) |
|--------------|-------|-------|---------|---------|------------------------------|
| Employed | 0,3 | -0,2 | 0,2 | 0 | 25 547 |
| Unemployed | -0,5 | 0 | -0,1 | -0,1 | 2 784 |
| Labour force | -0,1 | -0,1 | 0,2 | -0,1 | 28 331 |

*The employment rate, the unemployment rate and the labour force participation rate are average rates weighted for the number of individuals in each age group. The 25-49 age group is the largest, representing about 60% of the total. Source: INSEE, Emploi survey.

Looking more closely, the employment policy pursued by the government – “jobs for the future”, CUI “unique integration contracts” – has had a positive impact on youth employment; the employment rate rose by 0.3 percentage point during the last quarter of 2013. Among seniors, the employment rate is still continuing to rise (+0.2 percentage point) due to the decline in the actual age of retirement. ILO-defined unemployment is of course falling among seniors, but the sharp rise in enrolment at the job centre in this age group (Table 1) undoubtedly reflects a change in their job search behaviour: more and more seniors are no longer looking for work. They are now included in the “halo” of unemployment, which is continuing to rise.

Ultimately, the fall in the ILO-defined unemployment rate, which is characterized by the absence of a recovery in employment and the discouragement of jobseekers, is not such good news.

[\[1\]](#) To have the right to unemployment compensation and receive assistance for a return to work, it is necessary to prove a 122 day contribution period or 610 hours of work during the 28 months preceding the end of the job contract.

