



Measuring the Efficiency of Unemployment Insurance

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Since the early 2000s, the French unemployment insurance system has been continuously reformed, while accumulating debt. Although the cumulative debt remains substantial, the 2019–2023 reforms have restored its financial situation, at the cost of a significant reduction in the system's generosity. France is now no more generous than its European counterparts on the system's key parameters (benefit level, benefits duration, eligibility rules).

This *Note* offers a new analytical framework for consistently comparing possible reforms. It builds on the Marginal Value of Public Funds (MVPF), which compares the value of insurance for its recipients with the net budgetary return of reforms, taking into account their effects on public finances, on employment and on other social benefits.

Changes to unemployment insurance have multiple consequences: they influence the duration of unemployment and the rate of entry into unemployment by altering the behaviour of jobseekers and firms; they can also modify the take-up of other benefits, such as the “Revenu de solidarité active” (RSA). These effects must be factored in when assessing net budgetary returns. From this perspective, reforms whose savings come mainly from behavioural responses, leading to an increase in employment, appear more effective.

Furthermore, various reforms affect distinct populations—in terms of age, prior earnings or family composition—for whom the value of unemployment insurance differs. This value can be measured by observing consumption drops within banking data. Reforms that reduce insurance for the most precarious populations—those who experience the largest consumption drops upon job loss—must be evaluated with particular care.

The *Note* applies this analytical framework to the main dimensions of unemployment insurance—benefit duration, benefit levels, eligibility conditions and the senior track—drawing several lessons from it. Tightening eligibility requirements (for example, increasing the minimum contribution period from 6 to 8 months) seems ill-advised: it primarily generates mechanical savings with limited behavioural effects, while disproportionately affecting low-income groups. Conversely, abolishing the intermediate step of the senior track—which allows those aged 55–57 to receive benefits for a longer duration than those under 55—appears justified: it would significantly reduce entries into unemployment, while the loss of insurance for the affected groups seems more limited, likely due to higher levels of savings.

The replication codes are made publicly available, with the aim of contributing to the construction of a shared—and improvable—framework for the analysis of future unemployment insurance reforms.

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Introduction

2017, 2019/2021, 2023, 2025 and 2026: in ten years, the French unemployment insurance system has undergone five reforms, as a result of negotiations between the social partners or at the State's initiative. This has been the case for many years (see [Figure 1](#)). Some changes aim to make the rules clearer or more equitable, while maintaining the same level of generosity. More often, they affect the system's generosity – sometimes increasing it, as in 2009, when eligibility became easier to achieve, and sometimes decreasing it, as in 2019, when the rules that prevailed prior to 2009 were reinstated.

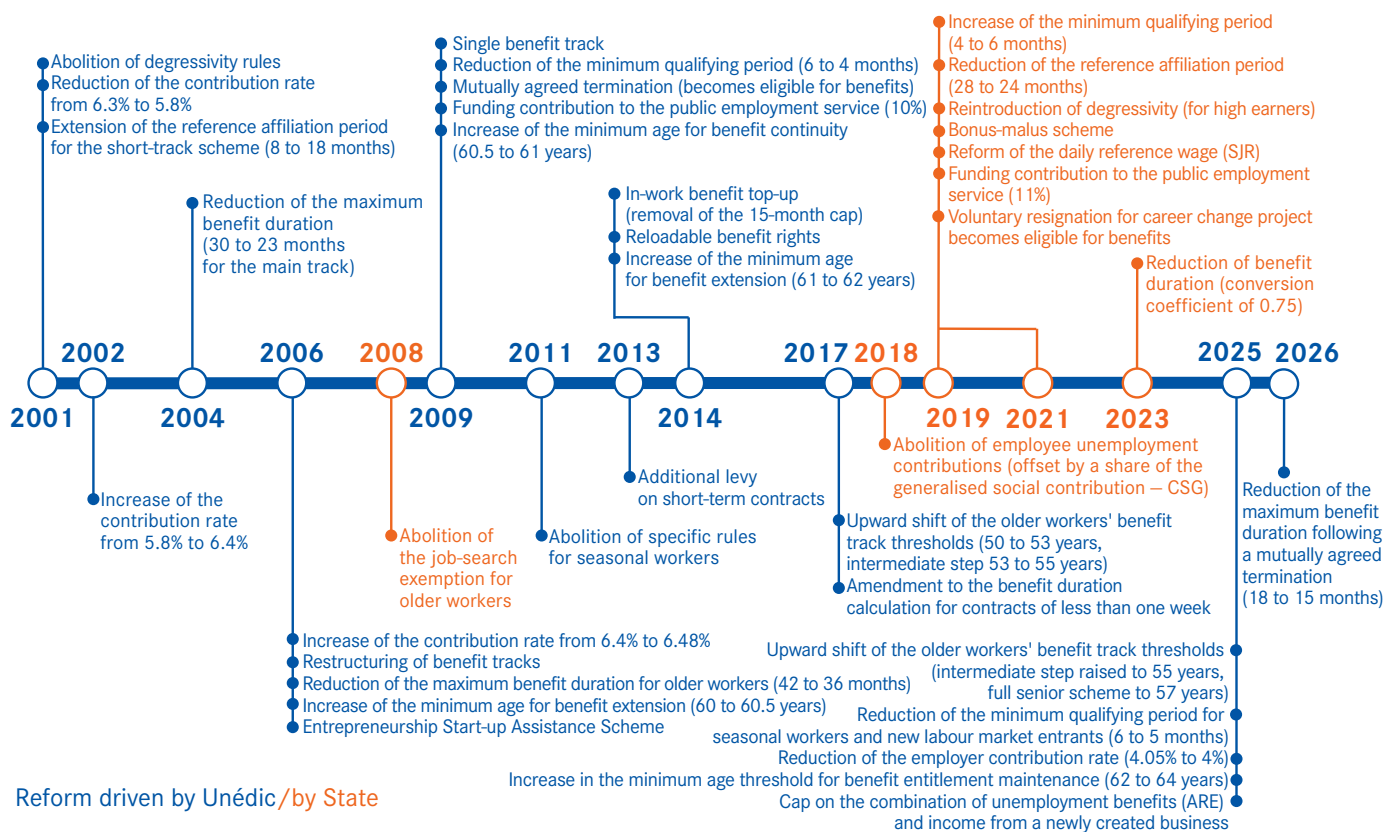
Yet, since the early 2000s, the system has continuously accumulated debt because revenues were lower than expenditures – by an average of €2 billion per year over the period. Adjustments were frequent but often insufficient, and certain reforms (such as mutually agreed terminations and the "reloading" of benefits rights) had poorly anticipated financial consequences. The 2019/2021 and 2023 reforms have put the scheme's finances on a sounder footing: since 2022, revenues have exceeded expenditures, though at the cost of a notable reduction in generosity. However, a debt of €60 billion remains. This also reflects difficulties in the coordination

with the State, which levies part of the resources to fund jobseeker support services and occasionally decides on employer contribution cuts that are poorly compensated.

Finding 1. Until 2019, the revenues of the French unemployment insurance system were generally lower than expenditures by approximately €2 billion per year, regardless of economic conditions. Following the 2021 and 2023 reforms, revenues now cover expenditures, but a substantial debt remains.

In any case, unemployment insurance cannot be reduced to a mere budgetary adjustment variable. Indeed, its primary objective is to mitigate the consequences of job loss on household income. It aims to prevent precarious situations by guaranteeing a replacement income to eligible individuals. This income allows them to cover incompressible expenses and maintain a relatively stable level of consumption during their job search. However, the value of this insurance is not the same for everyone, if only because some have savings while others do not. Furthermore, the system must strive to achieve a satisfactory balance between providing insurance and incentivizing a return to work.

Figure 1. Overview of Changes to the French Unemployment Insurance Rules over the Past 25 Years



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However, each reform shifts this balance, affecting certain groups rather than others depending on the parameters modified. Indeed, unemployment insurance involves many parameters: one can adjust benefit levels, benefit durations, eligibility conditions, or the way age is taken into account, and so on.

Over the past 25 years, a series of successive reforms have occurred without a coherent conceptual framework. They have concentrated on specific levers when the goal was to strengthen incentives to return to work or to achieve savings, or on specific groups of jobseekers (seasonal workers, seniors, etc.) when the goal was to provide better protection. We offer a methodological framework, inspired by recent research advances, to evaluate the vast array of possible unemployment insurance reforms, by simultaneously considering their impact on the financial situation of jobseekers, their effects on public finances and the overall level of employment.

We thus propose a joint analysis of the net budgetary effects of reforms alongside a fine-grained, novel characterisation of the groups affected by these measures, as well as an estimation of the value that unemployment insurance represents for them. When considering potential reforms, we believe it is essential to take into account the fact that they affect different demographics. Preference should be given to reforms where the budgetary return stems primarily from employment effects, as well as those that reduce unemployment insurance for people who need it least or strengthen it for people who would otherwise see their income – and thus their consumption – drop significantly. Our analysis leads us to be reserved regarding the advisability of tightening eligibility criteria and, conversely, to consider that abolishing the intermediate step within the senior track, or even rethinking the entire senior track, is justified.

Overview of French Unemployment Insurance

France allocates 1.3% of GDP (€37 billion in 2025) to unemployment benefit expenditures¹. Managed by social partners, and more rarely by the State when they fail to reach an agreement, unemployment insurance rules change regularly. The latest series of major reforms was led by the State between 2019 and 2023. It simultaneously tightened eligibility conditions, reduced the allowance for individuals with intermittent employment histories, and shortened the average duration of

benefits. While it is difficult to compare the generosity of systems from one country to another due to the multiplicity of parameters (benefit levels, duration, eligibility, etc.), France no longer stands out from its European counterparts.²

Finding 2. Following the recent reforms, the French unemployment insurance system has largely normalized compared to its neighbours, except regarding the cap to unemployment benefits.

The reforms considered here affect different dimensions of the current system. For this reason, it is important to outline its rules in broad strokes. First, to be eligible, one must have worked for 6 months within the last 24 months, whereas only 4 were required before 2021. These 6 months are referred to as the qualifying period, while the 24-month window is known as the affiliation reference period (RP).

The benefit level perceived during unemployment, meanwhile, depends on past earnings. To determine it, a daily reference wage (DRW) is first computed, taking into account all labour income earned during the RP.³ Once this DRW is determined, a formula is applied that makes the benefits increasingly generous as past earnings decrease. The daily benefit is thus equal to 75% of the DRW for the lowest earners. This percentage, known as the replacement rate, then decreases to reach 57% for those who previously earned a monthly salary exceeding €2,400. On average, the net replacement rate is 70%, and only 6% of claimants receive more than €2,000 in unemployment benefits per month.⁴ The cap on the monthly allowance is set at €8,826.

The potential benefit duration (PBD) – that is the maximum length of time a jobseeker can receive benefits while unemployed – depends on the number of days previously worked. More specifically, it depends on the number of days between the first and the last day worked over the reference period. Prior to 2023, the PBD was equal to this number. Since 2023, only 75% of it is taken into account, with a floor of 6 months. Thus the benefit duration cannot exceed 18 months, but entitlements are extended in case of an economic downturn.

Lastly, French unemployment insurance is characterised by a more generous senior track. From the age of 55,⁵ benefits rights are computed taking into account periods worked over the last 3 years, instead of 2 for non-seniors. Mechanically, this longer computation window extends the potential benefit

¹ Unédic 2025: "Situation financière de l'assurance chômage pour 2025-2027".

² See the Europ'Info 2025 overview from Unédic and Figure 4 of the *Focus* "Le public affecté par les réformes de l'assurance chômage" associated with this Note.

³ Before 2021, these earnings were divided by the number of days worked to obtain the DRW. Now they are divided by the number of days between the first and last day worked over this period. Days not worked are therefore included, which yields a lower DRW for workers who alternated short fixed-term contracts with periods without employment. The reform aimed at discouraging such trajectories. It led to a reduction of about 18% in the benefit of recipients with discontinuous trajectories. See Unédic (2025): "Évaluation du nouveau mode de calcul de l'allocation chômage".

⁴ Unédic: "Quelle indemnisation pour les demandeurs d'emploi en France?".

⁵ Before 2024, the age threshold was 53, but an agreement between the social partners shifted it by 2 years, in line with the 2023 pension reform.

duration, which nevertheless cannot exceed 22.5 months for those aged 55 – 57 and 27 months for those aged 57 or older.

There are, of course, other features of the unemployment insurance system, such as the waiting period (which varies according to certain severance payments), special cases (such as the regime for intermittent workers), and differences in compensation based on the reason for unemployment (resignation generally does not entitle one to benefits). In this Note, we focus on the main parameters. The intent is not to be exhaustive but to offer, by way of example, a method for evaluating unemployment insurance reforms through a single, consistent indicator.

Thinking through Unemployment Insurance Reforms with the Marginal Value of Public Funds

The Marginal Value of Public Funds

Our analysis builds on the Marginal Value of Public Funds (MVPF) developed by Hendren and Sprung-Keyser.⁶ It offers a common metric to compare different policies by measuring their social gain or cost per euro spent or saved. The *Focus* "[L'indice EDP appliqué aux réformes du montant de l'assurance chômage](#)" explains the methodology in detail. This method allows us to identify the policies where the social gain per euro of public funds mobilised is the highest.

We compute the MVPFs for different dimensions of unemployment insurance: the qualifying period for eligibility, the benefit duration, the benefit level, and the intermediate step within the senior track. The primary goal is to provide a shared conceptual framework. These indices allow us to compare, in a unified manner, the budgetary effects of reforms, the behavioural changes they may induce, and the populations they affect.⁷ However, this is a complex exercise that relies on a set of assumptions that must be clearly stated.

Interpreting the indices calls for a few remarks. The case of an MVPF below 1 is relatively straightforward. It means that the social gain associated with greater generosity in this dimension of insurance is lower than its budgetary cost. Absent a specific objective to redistribute resources to the affected group, a reduction in generosity on that specific lever should be considered.

Conversely, an MVPF greater than 1 suggests that an increase in generosity could be socially justified. This interpretation must, nevertheless, be nuanced by the question of how the reform is financed when it is costly. If it is financed by reducing a less efficient expenditure (lower MVPF), the reform appears desirable. However, if it is financed by an increase in payroll taxes, it is only justified if its MVPF is higher than the one associated with an increase in those taxes, which is approximately 1.2 (see below). Unless, once again, one assigns a higher social weight on people receiving unemployment benefits than on labour income tax-payers.

Beyond the isolated analysis of each parameter or reform, the primary value of MVPFs lies in their comparison. This comparative approach is, in fact, less sensitive to the choice of assumptions, as these are largely shared across the levers studied. Specifically, if the MVPF of a first lever is higher than that of a second, it is preferable to adjust lever 2 if the goal is to reduce the generosity of unemployment insurance... unless one assigns a greater social preference on the group affected by lever 2. For example, this Note shows that the MVPF associated with the senior track is lower than those associated with other levers. This raises the question of whether to maintain this track. The only justification for such a system would be to grant a particular preference to seniors over other jobseekers.

Computing MVPFs requires two ingredients: an estimation of the net budgetary returns of the reforms and an estimation of the value of insurance for the affected population. The MVPF corresponds to the ratio of these two quantities.

Net Budgetary Returns

Estimates for unemployment insurance reforms often settle for calculating their mechanical budgetary impact. If benefits are reduced by €10 for one million recipients, the mechanical fiscal impact is €10 million. However, the academic literature clearly shows that changes in unemployment insurance benefits affects behaviour and spillovers onto other social insurance programs (such as the RSA, minimum income in France).

There are two types of behavioural effects. First, more generous unemployment insurance leads to longer unemployment spells. This empirical finding is well established by numerous studies,⁸ even if the magnitude of this effect may vary according to certain socio-demographic characteristics. Second, the generosity of unemployment insurance also influences entries into unemployment, through contract expirations,

⁶ Hendren N. and Sprung-Keyser B. (2020): "A Unified Welfare Analysis of Government Policies", *The Quarterly Journal of Economics*. This index was used in CAE Note no. 84: Grenet J. and Landais C. "Education: how to better target public spending".

⁷ We make openly available the codes used for our calculations, in the hope of contributing to the establishment of a shared framework, no doubt improvable over time, for the analysis of future reforms.

⁸ For a synthesis of the main estimates, see Figures 6 and 7 of Le Barbanchon et al., reproduced in *Focus* 129. Le Barbanchon T., Schmieder J. and Weber A. (2024): "Job Search, Unemployment Insurance and Active Labor Market Policies", in *Handbook of Labor Economics*, Vol. 5, ch. 6.

⁹ Jessen J., Jessen R., Johnston A. and Galecka-Burdziak E. (2025): "Moral Hazard Among the Employed: Evidence From Regression Discontinuity", *NBER Working Paper*.

layoffs or mutually agreed terminations. This can stem from the behaviour of employees, who wish to leave a job that does not suit them, or of firms that find it easier to part with a worker when unemployment insurance is more generous. Studies on this second channel are more recent but suggest that it is far from negligible.⁹

Finding 3. Recent unemployment insurance reforms have benefited from ex post evaluations of their behavioural effects. Nevertheless, ex ante evaluations, used for decision-making, often focus on mechanical budgetary effects, without integrating behavioural impacts. Yet, these can substantially affect the net budgetary cost of reforms and should be systematically taken into account.

Behavioural effects are important for two reasons: they can be quantitatively significant and, in the case of reforms reducing the system's generosity, priority should be given to reforms where a larger share of the budgetary return stems from behavioural effects. Indeed, mechanical savings correspond to a direct loss of income for jobseekers. Conversely, savings linked to behavioural responses correspond to people remaining in or returning to employment faster, and thus to an increase in economic activity, generating additional tax revenues.

In practice, measuring mechanical and behavioural returns requires characterising the jobseekers affected by a reform, measuring their rate of exit from and their rate of entry into unemployment, making assumptions about how their behaviour will change with the reform, and calculating how these changes will alter benefit expenditures, collected payroll contributions, and the transitions between unemployment insurance and the RSA (minimum income) or the ASS (allocation de solidarité spécifique).

In the *Focus*, "[Modéliser l'impact financier de réformes de l'assurance chômage](#)", we detail two models designed for this purpose. The first, close to those used in government administrations, explicitly incorporates the effect of behavioural changes on budgetary returns. The second is a simulation model, estimated to reproduce the number and characteristics of jobseekers as well as employment-to-unemployment flows: in this model, heterogeneous individuals accumulate and consume entitlements according to the unemployment insurance rules. This model specifically allows for taking into account the gradual phase-in of reforms. Despite their differences, these two models lead to very similar MVPF

estimates, even if the estimates of budgetary savings can differ slightly.

The Value of Unemployment Insurance

A reduction in the generosity of unemployment insurance always, by definition, generates budgetary savings, which could lead to the conclusion that such reforms are necessarily desirable. This is not the case. Unemployment insurance serves a purpose: it insures individuals against the drop in income caused by job loss. Reducing the generosity of unemployment insurance has a negative impact on the financial situation and well-being of jobseekers. To judge the merits of an unemployment insurance reform, its net budgetary return must therefore be weighed against the deterioration in the situation of those affected, who may be vulnerable. This deterioration corresponds to what the academic literature calls the value of unemployment insurance.

Finding 4. Debates on unemployment insurance reforms do not take into account its insurance value for recipients, even though this is at the very heart of the logic of this social insurance. This value varies significantly depending on the population – notably according to their resources and savings capacity – and taking it into account can lead to a different assessment of the merits of proposed reforms.

Computing the value of unemployment insurance is no easy task; research has suggested several avenues. One of the most convincing involves combining two parameters: the drop in consumption caused by the transition from employment to unemployment, and risk aversion, which captures the welfare cost of income fluctuations. Indeed, income fluctuations are costly, and economic theory indicates that it is preferable to be able to smooth one's consumption.¹⁰ This is easily understood when considering that many expenses are fixed and difficult to adjust in the short term (for example rent, electricity bills, school cafeteria fees, etc.). Take the example of Julien and Emma, who become unemployed. Suppose the data show that Julien's consumption is not affected at all by his job loss, while Emma's drops by 50%. We can infer that unemployment insurance has more value for Emma, since Julien appears able to self-insure, for example through pre-existing savings.

Estimates of consumption drops at unemployment have been produced by Gruber,¹¹ by Ganong and Noel¹² on US data, by Landais and Spinnewijn¹³ on Swedish data, by Bonnet et al.¹⁴

¹⁰ Gruber, J. (1997): "[The Consumption Smoothing Benefits of Unemployment Insurance](#)", *American Economic Review*.

¹¹ *ibid.*

¹² Ganong P. and Noel P. (2019): "[Consumer Spending during Unemployment: Positive and Normative Implications](#)", *American Economic Review*.

¹³ Landais C. and Spinnewijn J. (2021): "[The Value of Unemployment Insurance](#)", *The Review of Economic Studies*.

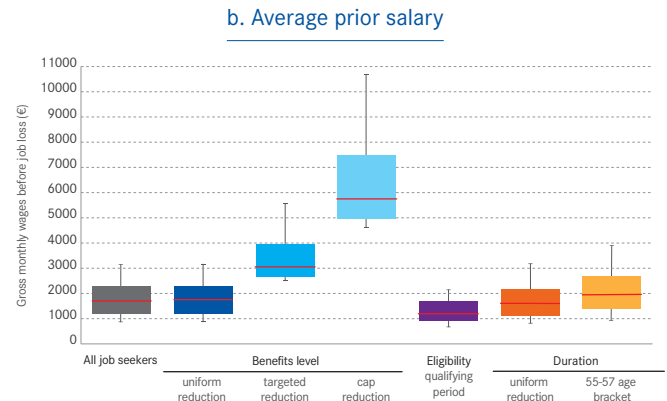
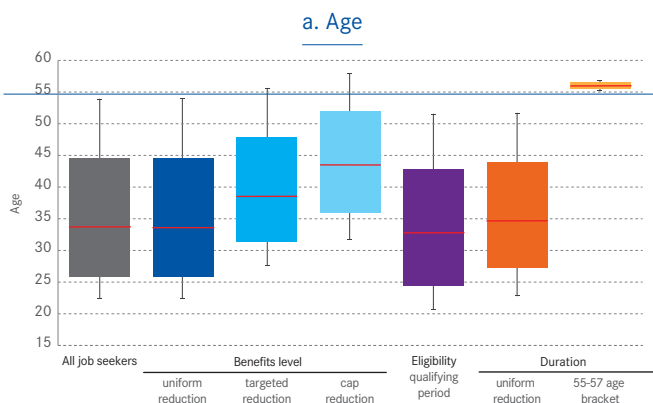
¹⁴ Bonnet O., Le Grand F., Olivia T., Ragot X. and Wilner L. (2024): "[The consumption response to unemployment – Evidence from French bank account data](#)", *Insee, Working Paper*.

on French data from La Banque Postale, and by ourselves on data from Crédit Mutuel.¹⁵ Banking data are particularly well-suited to compute variations in income and consumption. In all these analyses, orders of magnitude are similar. On average, an individual's consumption drops by about 10% when they lose their job and by 25% when their unemployment benefits expire. Risk aversion is more difficult to measure and the estimates are numerous and quite dispersed. While we use here a value consistent with certain benchmark studies, we also demonstrate how the results change when we assume individuals are less averse to income loss.¹⁶

Beyond the value of insurance for an average jobseeker, it is crucial to understand how this value differs across various populations. Indeed, each reform affects a different group and therefore carries a different social cost. We proceed in two steps.

In a first step, we conducted an unprecedented characterisation of the populations affected by different unemployment insurance reforms, based notably on age, prior earnings and marital status. For example, the population affected by a reform of the qualifying period is younger and earns lower wages than the population affected by a reform of the maximum benefit duration.

Figure 2. Comparison of the Populations Affected by the Different Policy Levers



Note: For each reform, the box represents the central half of the distribution for age and average prior salary of the affected population: it extends from the 1st to the 3rd quartile. The horizontal red line indicates the median. The vertical lines ("whiskers") range from the 1st to the 9th decile.

Reading Key: The top income decile of individuals affected by an increase in the qualifying period (in dark purple) stands at €2,000 per month, against €5,500 for those affected by a reduction in benefits targeted at high earners (in light blue).

Source: MiDAS-FNA data.

Figure 2 presents the average characteristics of the people affected by various reforms. The *Focus* "[Le public affecté par les réformes potentielles de l'assurance chômage](#)" describes in detail how we identify the groups affected by the different levers, based on original work using administrative data, and offers a more in-depth characterisation of these populations.

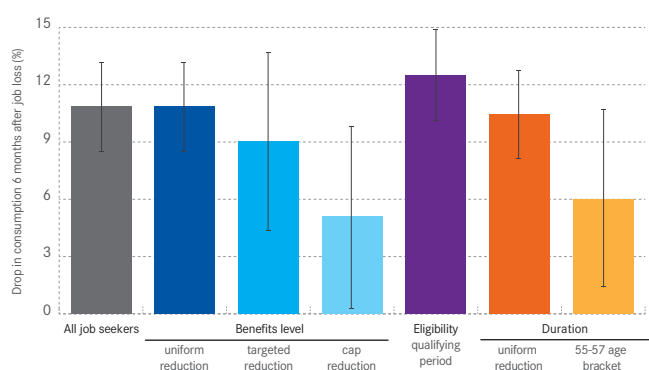
In a second step, we estimate the drop in consumption for different profiles based on age, prior earnings, and marital status. We find, for example, that younger populations and those with lower wages experience greater consumption losses upon unemployment, and therefore have a higher value of insurance, which is consistent with the fact that these groups less frequently have savings compared to older or higher-paid individuals. Figure 3 represents the average consumption drops estimated: they range from 5% for the population affected by a reduction in the monthly benefit cap to 12% for the population affected by a tightening of eligibility. These estimates allow us to assign an insurance value corresponding to the affected population for each reform.¹⁷ These values will then be compared against the net budgetary return to compute the MVPF.

¹⁵ Focus no. 132 "[Comment estimer la valeur d'un euro d'assurance chômage pour les demandeurs d'emploi](#)".

¹⁶ We use a risk aversion coefficient of 4.5, following Chetty and Szeidl (2007) and Landais and Spinnewijn (2021), but also show the results with a risk aversion coefficient of 2. Chetty R. and Szeidl A. (2007): "Consumption Commitments and Risk Preferences", *The Quarterly Journal of Economics*; *ibid*.

¹⁷ For more details on the methodology, see Focus no. 132: "[Modéliser l'impact financier des réformes de l'assurance chômage](#)".

Figure 3. Consumption Drop after Job Loss



Reading Key: The drop in consumption six months after job loss for the population affected by a reduction in the benefit cap (light blue) is 5%, whereas it would be over 12% for the population affected by a tightening of eligibility (purple).

Source: Crédit Mutuel Alliance Fédérale data.

Recommendation 1. Create a common model, shared between government administrations and Unédic, that integrates behavioural responses into the computation of budgetary effects.

Recommendation 2. When evaluating the merits of reforms, it would be desirable to take into account the insurance value across household categories and to use the MVPF methodology to produce, at regular intervals, a compendium of variants showing the impacts of potential reforms, while stating the various underlying assumptions

Applying the Method to Four Unemployment Insurance Levers

A Reform of the Eligibility Criterion

In this section, we examine the potential impact of a reform that would increase the minimum qualifying period from 6 to 8 months (the duration required to open unemployment insurance benefits).¹⁸ We follow the method described above: we first estimate the direct budgetary return, then the behavioural effects, before comparing them to the loss in insurance value for the individuals concerned.

What behavioural effects should be expected from such a reform? By tightening eligibility criteria, some individuals currently in employment may extend their employment spell. It is expected that contracts that grant access to unemployment insurance would be more highly sought after. Increasing the qualifying period from 6 to 8 months could lead firms to more frequently offer 8-month contracts instead of 6-month ones. However, our empirical analysis suggests that this effect, if it exists, is very limited.

Brébion et al.¹⁹ analysed the 2009 reform that lowered the qualifying period from 6 to 4 months. In line with intuition, the authors observe an increase in the frequency of 4-month contracts relative to 3-month contracts but do not detect a decrease in the number of 6-month contracts compared to 5-month contracts. The effect therefore exists, but its magnitude is very small. Using the data provided to us by the authors of this study, we estimate an upper bound for the budgetary returns of a reform raising the minimum qualifying period from 6 to 8 months. The *Focus* "[Les conditions d'affiliation à l'assurance chômage](#)" details the assumptions underlying this calculation.

For each euro saved directly by tightening eligibility, behavioural effects add, at most, 2 cents. They thus represent no more than 2% of the total budgetary return. In other words, the budgetary impact is driven solely by the direct, or mechanical, effect. This explains why, in [Figure 4](#), the direct budgetary impact is very close to 1: there is virtually no amplification linked to behavioural effects, unlike with other policy levers.

Let us now turn to the value of insurance. We begin by characterising the profile of jobseekers directly affected by a change in the qualifying period. Changes in eligibility are often thought to mainly affect young people. This is true: the median age of those affected is 33, lower than for populations affected by other types of reforms ([Figure 2a](#)). Furthermore, [Figure 2b](#) shows that the median salary prior to job loss of those affected by changes in eligibility (in purple) is approximately €1,200 – lower than that of the populations affected by all other levers. Thus, the qualifying period primarily affects the poorest jobseekers. The analysis of consumption drops shows that this is a group for whom insurance against income loss is essential.

When comparing net budgetary returns to the value of insurance, the insurance loss exceeds the budgetary gains for this type of reform. The MVPF of an increase in the qualifying period is well above 1 (see [Figure 5](#)).

¹⁸ The qualifying period required to be eligible for unemployment insurance has been changed several times in recent years. In 2009, a reform increased the system's generosity by lowering it from 6 months (over 22 months) to 4 months (over 28 months). The 2019 reform reversed course, restoring a qualifying period of 6 months (over 24 months). An agreement between the social partners in 2025 then lowered the qualifying period again, to 5 months, for seasonal workers and first-time entrants.

¹⁹ Brébion C., Briole S. and Khoury L. (2025): "Unemployment Insurance Eligibility and Employment Duration", Working Paper.

Recommendation 3. Should unemployment insurance be reformed with a view to reducing the generosity of the system, eligibility conditions should not be tightened. The behavioural effects are negligible relative to the cost imposed on those affected, who are often in precarious employment

A Reduction in the Potential Benefit Duration (PBD)

The 2023 reform reduced the potential benefit duration by 25% (excluding the floor and periods of unfavourable economic conditions). What effects should be expected if the PBD were shortened further? Numerous studies have shown that a reduction in the potential benefit duration accelerates the return to employment. By considering available estimates and selecting those most relevant for the French case,²⁰ we assume that when the benefit duration decreases by 10%, the duration of unemployment falls by 2.7%. Furthermore, based on the work of Jessen et al.,²¹ we consider that it also affects the probability of entering compensated unemployment: contract endings, layoffs, or mutually agreed terminations are more frequent when benefit durations are more generous. With a 10% decrease in the PBD, entries into unemployment fall by 1.2%. Based of these assumptions, behavioural effects increase the direct budgetary return of a reduction in benefit duration by 50%, with each of the two margins contributing half. In other words, for each euro saved through the reduction in duration, behavioural changes can be expected to generate an additional 50 cents of savings (Figure 4).

Furthermore, the concerns sometimes voiced that a shortening of unemployment durations would come at the expense of the quality of the new job do not seem empirically justified.²² Two opposing forces offset each other:²³ on the one hand, a longer benefit duration potentially allows more time to find a higher-paying job (one can afford to be more selective); but, on the other hand, employability decreases with time spent unemployed (possible loss of skills, negative signalling, etc.). Ultimately, the effects on re-unemployment wages are weak, sometimes slightly negative and sometimes slightly positive.

This favourable budgetary impact must be weighed against the value of insurance for the affected individuals. This value is relatively high in the case of a reduction in benefit duration. The affected jobseekers are those who, prior to the reform, used most of their entitlement capital – i.e. who remained on benefits for a long time. Furthermore, as explained earlier, consumption drops even more when benefits expire than

at job loss. Thus, despite the large employment effects, our MVPF for the PBD (post-2023 reform) is only slightly lower than for most other levers (see Figure 5).

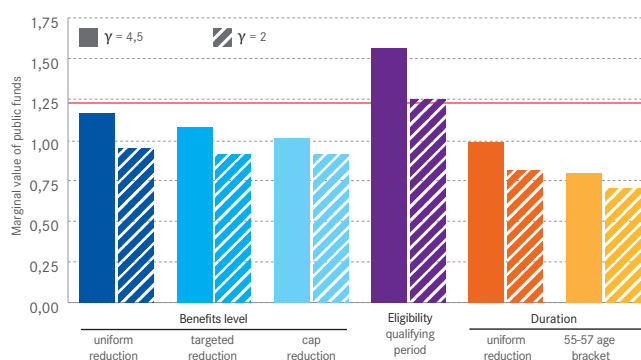
Figure 4. Comparison of Budgetary Returns Across Levers



Reading Key: The budgetary impact is €1.30 for the targeted cut in the replacement rate (light blue). Thus, every €1 of mechanical savings generated by this reform translates into a total savings of €1.30.s

Source: Authors' calculations.

Figure 5. Comparison of MVPFs Across Levers



Notes: For each proposed reform, the MVPF is estimated under the assumption of a risk aversion coefficient of 2 (hatched bars) and 4.5 (solid bars). The horizontal red line marks the value of the MVPF of a tax on labour income (see below).

Reading Key: For a uniform reduction in the benefit level (in dark blue), the MVPF equals 1.16 for a risk aversion coefficient of 4.5 and 0.95 for a coefficient of 2.

Source: Estimate of the consumption drop from Crédit Mutuel Alliance Fédérale data; estimate of budgetary effects: authors' calculations (Figure 4).

A Reduction in Unemployment Benefits Level

There are many ways to modify the unemployment benefits level. Some affect all jobseekers, while others target specific groups, such as the highest earners. Three reform scenarios are studied here: 1) a uniform 1% reduction in the benefit level for all jobseekers; 2) a 1% reduction targeted at jobseekers

²⁰ Le Barbanchon T. (2016): "The Effect of the Potential Duration of Unemployment Benefits on Unemployment Exits to Work and Match Quality in France", *Labour Economics*.

²¹ Jessen et al. (2025): *op. cit.*

²² Le Barbanchon T. et al. (2024): *op. cit.*, chart 8.

²³ Nekoei A. and Weber A. (2017): "Does Extending Unemployment Benefits Improve Job Quality?", *American Economic Review*.

whose gross monthly wage exceeds €2,400; 3) a reduction in the monthly benefit cap from €8,826 to €2,500.²⁴

For each scenario, the computation of the MVPF rests on assumptions regarding individuals' reactions. We assume that a 1% reduction in unemployment benefits amount would increase exits from unemployment to employment by 0.3%²⁵ and decrease entries into unemployment by 0.1%.²⁶

Behavioural effects contribute significantly to the budgetary return (Figure 4): for €1 of mechanical return, they generate an additional €0.20 to €0.30 of savings by accelerating the return to employment and slowing the entry into unemployment. It may seem surprising that the behavioural return appears more limited in the case of a reform affecting the benefit cap (light blue). This is explained by a particularly large mechanical effect: it is directly proportional to the sharp decrease in benefits received by those above the cap throughout their entire unemployment spell. In contrast, the behavioural effect results in a reduction in unemployment duration that is less than proportional to the drop in benefits; it therefore contributes more modestly to the total return.

The value of insurance differs depending on whether one considers all jobseekers (scenario 1) or those whose previous salary was high (scenarios 2 and 3). Figure 2b shows that the population affected by a targeted reduction in the replacement rate (scenario 2) and, even more so, the population affected by a reduction in the cap (scenario 3) stand out for their higher past wages. Our banking data shows that they experience smaller consumption drops upon unemployment than the average jobseeker.

Overall, the MVPF indices associated with the three scenarios are relatively similar (see Figure 5). They are, however, lower when the targeted population corresponds to previously well-paid individuals.

Removing the Intermediate Step within the Senior Tier

Jobseekers over the age of 55 benefit from more generous compensation rules. In particular, their entitlements are computed over a three-year window, compared to two years for others, which mechanically extends the duration of their benefit.

We focus here on the intermediate step within the senior track (ages 55 – 57), as the analysis becomes more complicated beyond age 57 due to interactions with the pension system. For the 55 – 57 age group, the maximum benefit duration reaches 22.5 months. This intermediate step concerns a limited number of people – approximately 65,000 new jobseekers per year – but it nonetheless illustrates an important point. Behavioural effects are particularly marked for this population, while the consumption drop following their job loss is often contained because of larger savings.

Based on the academic literature,²⁷ we adopt two assumptions. First, the return to employment is lower for senior jobseekers, and it reacts less to compensation levels than for the average jobseeker. While the reduction in unemployment duration was 0.27% for a 1% reduction in the PBD, for seniors, it is only 0.2%. This is due to the fact that it is sometimes harder for seniors to find a new job. Conversely, their probability of entering unemployment reacts strongly to more generous compensation conditions. Following a study on French data,²⁸ we assume that a 1% decrease in the PBD leads to a decrease in entries into unemployment of 0.24% (compared to 0.1% for the general population). Ultimately, the direct budgetary impact of a modification to senior compensation is amplified by two-thirds by behavioural effects (in yellow in Figure 4): for every euro saved, an additional 65 cents of savings can be expected.

Furthermore, this is the group for which the consumption drops upon unemployment, as measured by banking data, are the lowest. This implies that the value of insurance is also lower. In total, primarily due to behavioural effects, the MVPF for the intermediate step within the senior track is well below 1, around 0.75. This is by far the lowest of all the indices calculated in this Note. This means that this step is likely not justified: it is too costly relative to the insurance gain.

Recommendation 4. Remove the intermediate step of the senior track

This result also calls for a broader reflection on the entire senior track, while nonetheless taking several factors into account. First, the strong interactions between unemployment insurance and the pension system, which may generate windfall effects or adjustments in late-career trajectories.²⁹ Second, the need to preserve the level of insurance of the

²⁴ This value is close to the average of other European countries. For example, the monthly cap is €2,339 in Sweden and €2,231 in Belgium; see the Europ'Info 2025 overview from Unédic for more details.

²⁵ The value of -0.3 retained is an intermediate value, consistent with the estimates of Lalive et al. (2015) at -0.15 in Austria, of Jessen et al. (2025) between -0.25 and -0.34 in Poland, and of Cohen and Ganong (2025) between -0.34 and -0.43 for the United States. Lalive R., Landais C. and Zweimüller J. (2015): "Market Externalities of Large Unemployment Insurance Extension Program", *American Economic Review*; Jessen et al. (2025): *op. cit.*; Cohen J. and Ganong P. (2025): "Disemployment Effects of Unemployment Insurance: a Meta-Analysis" NBER Working Paper.

²⁶ Jessen et al. (2025): *op. cit.*

²⁷ Le Barbanchon et al. (2024): *op. cit.*

²⁸ Baguelin O. and Remillon D. (2014): "Unemployment insurance and management of the older workforce in a dual labor market: Evidence from France", *Labour Economics*.

²⁹ Baguelin et al (2014): *op. cit.*; Aubert P., Bozio A., Pedrono M. and Tô M. (2025): "Impact de la réforme des retraites de 2010 sur l'équilibre financier de l'assurance chômage", IPP Report.

most modest seniors, for whom job loss can lead to significant and lasting consumption drops. Finally, situations of physical or professional unfitness for certain jobs, which are frequent in this age group.

A Shortening the Affiliation Reference Period

The affiliation reference period (RP) corresponds to the window over which eligibility and the potential benefit duration (PBD) are determined. Modifying this period therefore has two effects: changing the conditions to access unemployment insurance, and changing the duration of the entitlements opened.³⁰ Indeed, since the 2023 reform, the potential benefit duration corresponds to 75% of the time worked over the reference period (i.e., 18 months for a 24-month RP). In practice, this second effect generally dominates: shortening the RP is primarily equivalent to reducing the benefit duration; one can therefore refer to the effects presented earlier in the section on potential benefit duration.

The so-called "Décret Attal", eventually shelved in July 2024, illustrates this point well. It notably proposed to change the conditions for opening entitlements, moving from 6 months worked over 24 months to 8 months over 20 months. This reform has often been described as a tightening of eligibility. In reality, it combined two distinct changes: an increase in the minimum qualifying period (from 6 to 8 months) and a shortening of the affiliation reference period (from 24 to 20 months).

However, by modifying the RP and not just the qualifying period, it became a reform of both eligibility AND benefit duration – the latter accounting for the bulk of the expected budgetary return. Indeed, changing the RP from 24 to 20 months means that the maximum benefit duration drops from 18 to 15 months (for an individual who worked continuously during that period). The benefit duration is also reduced, to a lesser extent, for individuals with discontinuous employment histories. Conversely, the effect on eligibility is more limited: it only concerns individuals who meet the conditions over 24 months but not over 20 months, which represents a smaller fraction of jobseekers.

Summary of the Effects of the Different Levers in Light of the MVPF

Figure 5 summarizes the results for the different levers. The levers can be compared in pairs. Thus, it may be desirable to reduce the generosity of a certain lever to increase that

of others with a higher index – for example, eliminating the senior track to slightly relax eligibility conditions.

Furthermore, it may be useful here to take as a reference the MVPF associated with an increase in labour taxes. Indeed, an increase in the generosity of unemployment insurance must – unless other expenditures are reduced – be financed by additional revenue, all the more so in the context of a scheme that is already heavily indebted.

Computing the MVPF for a labour tax is quite simple. On the social cost side, a €1 tax increase reduces household income by the same amount. On the budgetary side, the mechanical return (€1) is partly reduced by behavioural effects: a tax increase decreases the number of hours worked and, consequently, the associated tax revenue.³¹ The academic literature suggests that a 1% drop in after-tax labour income leads to a 0.2 to 0.3% decrease in hours worked.³² Using an elasticity of 0.25 and a marginal tax rate of 43%, the MVPF of an increase in labour taxes would be approximately 1.23.

This provides a point of comparison. Unless a higher social value is assigned to the affected unemployed individuals than to employees, one might consider reducing the generosity of a lever whose index is below 1.23, while simultaneously lowering labour taxes. These results must, however, be interpreted with caution. They depend on the assumptions made, particularly regarding risk aversion, for which there are significant empirical uncertainties. The higher risk aversion, the more costly the consumption drop in terms of welfare, and thus the higher the estimated insurance value. This is why we present the MVPFs for two contrasting values of risk aversion (4.5 and 2).

Lastly, the MVPFs rely on "marginal" reasoning: for €1 of direct budgetary impact, they indicate the scale of behavioural effects and the cost in terms of insurance value. The total budgetary cost of a reform, however, depends on its scale and on the number of people affected.

Table 1 presents these budgetary orders of magnitude for the various reforms studied and for two estimation models.³³ It shows the significant heterogeneity of these orders of magnitude, and the margins of uncertainty around returns, but also the great stability across models of the ratios of behavioural to budgetary returns. For example, eliminating the intermediate senior step generates a high budgetary return per euro (€1.6 of total budgetary effect for every €1 of direct effect in both models), but concerns a limited number of people, for a total gain of about €150 million. In comparison, moving the qualifying period from 6 to 8 months would yield

³⁰ For more details, see the *Focus* no. 131 "Conditions d'affiliation à l'assurance chômage".

³¹ See the appendix of the *Focus* no. 129 "L'indice EDP appliqué aux réformes du montant de l'assurance chômage".

³² For France, see Lehmann E., Marical F. and Rioux L. (2013): "Labor income responds differently to income-tax and payroll-tax reforms", *Journal of Public Economics*; Sicsic M. (2022): "Does labour income react more to income tax or means-tested benefits reforms?", *Fiscal Studies*. These French estimates remain within the usual range of values found for other countries. See Chetty R (2012): "Bounds on Elasticities with Optimization Frictions: a Synthesis of Micro and Macro Evidence on Labor Supply", *Econometrica*; Kleven H., Kreiner C., Larsen K. and Søgaard J. (2025): "Micro versus Macro Labor Supply Elasticities: The Role of Dynamic Returns to Effort", *American Economic Review*.

Table 1. Budgetary Estimates

Lever	Reform	Mechanical savings (€M)		Behavioural savings (€M)		Unit return (per € of mechanical savings)	
		Accounting	Simulated	Accounting	Simulated	Accounting	Simulated
Benefits level	Uniform reduction	243	346	68	89	1,28	1,26
	Targeted reduction	94	126	28	29	1,30	1,23
	Cap reduction	944	1 254	201	241	1,21	1,19
Eligibility	Qualifying period	446	511	0	0	1,00	1,00
Duration	Uniform reduction	2 137	4 074	1 049	1 700	1,49	1,42
	55 – 57 age bracket	70	102	42	63	1,60	1,62

Note: We use two models ("accounting" and "simulated") for our budgetary estimates. The reforms whose effects are estimated are (from top to bottom): a 1% reduction in the benefit level for all recipients; a 1% reduction in the benefit level for recipients in the top compensation segment (reference wage above €2,400); a reduction in the benefit cap to €2,500; an increase in the minimum qualifying period from 6 to 8 months; a reduction of the conversion coefficient for calculating benefit duration from 0.75 to 0.6; a reduction in the maximum benefit duration for recipients aged 55 to 57 from 22.5 to 18 months.

Reading Key: In our "accounting" model, a reduction in the benefit cap would generate €944 M of mechanical savings per year and €201 M of behavioural savings, totalling €1,144 M (after the reform is fully phased in). This corresponds to a unit return of €1.21 per euro of mechanical saving (€1,144 M/ €944 M).

larger savings – around €450 million – simply because more people are affected; however this reform would be less desirable from a social efficiency perspective, as no employment effect are to be expected and it would penalise vulnerable populations.

Beyond Generosity: Improving System Efficiency

When designing unemployment insurance reforms, it is essential to move beyond a purely budgetary perspective. Reforms change the behaviour of both individuals and firms and affect the financial situation of very different populations. In other words, a sound reform weighs the estimate of budgetary return – which factor in agents' responses – against the loss of insurance that a change in generosity entails for the affected individuals.

In particular, we show that the intermediate step within the senior track is hard to justify given its budgetary effects and the insurance value it provides, while a tightening of eligibility conditions would primarily penalise low-income groups.

These results invite a shift in the debate on unemployment insurance reforms. Several areas of work seem, at this stage,

incomplete. First is the matter of employer incentives, which are crucial in the use of short fixed-term contracts, mutually agreed terminations, and continued employment of seniors. The 2021 reform sketched out an experience rating system aimed at penalising firms whose practices generate a high cost to the unemployment insurance system. However, this mechanism remains limited to a very small number of sectors and relies on an imperfect criterion: the separation rate, which does not fully reflect the actual cost to the system. For example, laying off a senior is, on average, more costly for the system than laying off a young person. A more ambitious scheme would modulate contributions based on the unemployment compensation costs actually incurred for the firm's former employees, rather than the separation rate. Such a reform would be desirable and would balance the measures already taken on the jobseeker side.

The second areas concerns the governance of the system, notably the respective roles of the social partners and the State, already addressed in a previous CAE Note.³⁴ This question remains open and complicates the handling of certain structural difficulties. In particular, unemployment insurance remains poorly coordinated with the rest of the social protection system – such as pensions or minimum income schemes – as with the socio-fiscal system as a whole. Unemployment insurance, even if this is not its primary vocation, contributes

³³ See the CAE Focus no. 133 "Modéliser l'impact financier de réformes de l'assurance chômage" for more details on these models.

³⁴ Cahuc P., Carcillo S. and Landais C. (2021): "Repenser l'assurance-chômage: règles et gouvernance", *Les Notes du CAE* no. 61, January.

³⁵ Fontaine F. and Vidalenc B. (2020): "L'assurance chômage, miroir de la segmentation du marché du travail", IPP, Note 58.

to redistribution between high and low earners.³⁵ From this perspective, while the incentive to return to work is always important, it is crucial for high earners, who are significant contributors to both the system's resources and to the country's productivity. Recent studies³⁶ show that it may be desirable for replacement rates to be more sharply declining relative to previous salary to increase incentives for high earners. Our MVPFs point in this direction: they indicate that an adjustment of the benefit levels at the top of the distribution could improve the system efficiency.

Beyond these two axes, other dimensions deserve attention: the waiting period, the articulation between unemployment insurance and the support offered by France Travail, and the monitoring of job-search efforts. In theory, these reforms could also lend themselves to MVPF computations, which would allow for a comparison with other dimensions of compensation.

Finally, recent developments illustrate the trade-offs at stake. In March 2026, the social partners agreed to reduce the

maximum benefit duration from 18 to 15 months for mutually agreed terminations. In many countries, mutually-agreed separations grant eligibility for unemployment insurance but come with a penalty, often in the form of a waiting period of approximately 2 months. In the present case, the social partners opted for a penalty in the form of a reduction in the duration of entitlements.

Our analysis suggests that this kind of reform can generate significant behavioural effects, but that one must remain vigilant about the value of insurance for the affected groups. The population affected by mutually agreed terminations is slightly better-off than the median jobseeker, with a higher share of managers (25% vs. 10%) and a higher average benefit (€1,590 vs. €1,170 for all benefit recipients).³⁷ It is therefore likely that the MVPF associated with this kind of measure is lower than that estimated for the general population of jobseekers and, consequently, that the reduction in the potential benefit duration for this group may be justified. ■

³⁶ Ferey A. (2022): "Redistribution and Unemployment Insurance", Working Paper.

³⁷ Unédic (2026): "Panorama statistique sur les ruptures conventionnelles", February.



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