



# PRESERVING EMPLOYMENT The French Ministry of Labour and the health crisis

**PUBLIC THEMATIC REPORT**

July 2021



## Summary

### 1. Wide-ranging, rapid support for employment throughout the health crisis

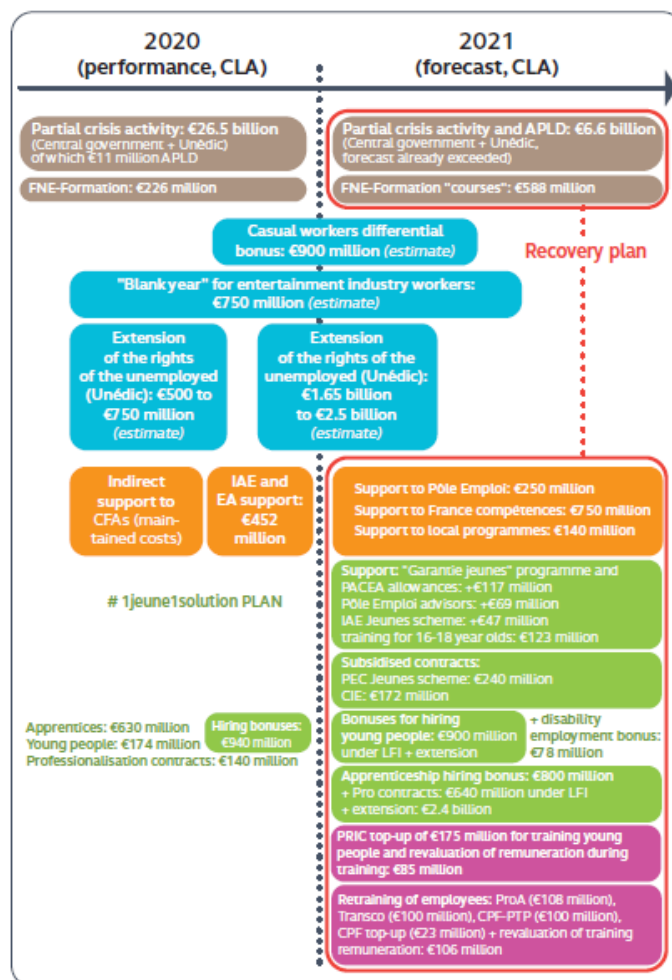
Faced with the health crisis and its economic and social consequences, the objective of the French Ministry of Labour was to ensure a certain continuity of companies' day-to-day operation while ensuring the working conditions of employees, preventing the immediate collapse of the economy, securing the situation of most stakeholders and avoiding immediately pushing some sectors of the population into a precarious situation. Emergency, targeted, wide-ranging measures, implemented quickly in the early stages of the crisis, gave way to a profusion of measures in summer 2020 meeting various objectives – tackling the continuation of the health crisis, taking into account new emergencies, preparing the post-crisis period – at the risk of some confusion.

The resources committed to the Ministry in charge of employment are unprecedented: for an executed budget of €13.4 billion in cash-limit appropriations on programme 102 and 103 in 2019 and €31.8 billion in 2020 (all budget allocations), the General Delegation for Employment and Vocational Training had €29.8 billion available at the beginning of 2021, not including the financing by the Unédic of certain measures or the additional appropriations provided during the year.

The main mechanisms deployed in 2020 and the first half of 2021 are recalled in the following graph.



**Diagram 1: emergency, support and recovery measures implemented by the French Ministry of Labour in 2020 and 2021**



The diagram mentions the recorded (2020)<sup>1</sup> or estimated (2021) cost of the measures implemented. The amounts indicated for 2021 are those voted under the Initial Finance Act or announced when they have not been the subject of the opening of credits under said Initial Finance Act<sup>2</sup>. ACRONYMS USED: APLD: extended short-time working – CFA: training centres for apprenticeships – CP: cash-limit appropriations – EA: adapted companies – IAE: integration structures by economic activity– PACEA: contractualised support towards employment and self-sufficiency – PEC: career development – PRIC: regional skills investment agreements – ProA: retraining or promotion via release – Transco: professional collective transitions.  
Source: Court of Accounts

<sup>1</sup> For the cost of these measures for central government, see Court of Accounts, Analysis Note on the 2020 Budget Implementation of the Labour and Employment allocation credits and Analysis Note for the 2020 Budget Implementation of Emergency Plan allocation credits, April 2021.

<sup>2</sup> This is notably the case for benefits for recurrent casual and seasonal workers, as well as for collective transitions. In addition, the amounts voted under the Initial Finance Act do not cover the cost of extending several of the benefits, announced in the first quarter of 2021 (in particular benefits for hiring under an apprenticeship contract or professionalisation contract until the end of 2021).



## 2. Wide-ranging emergency measures implemented with responsiveness

At the beginning of the health crisis, thanks to a very strong mobilisation of services and teams in designing measures and their implementation, central government and its implementing partners managed to provide a rapid response, despite the difficulties inherent in the emergency.

Central government's involvement in the fields of employment and work was focused on a few strong measures: short-time working to secure the position of companies and employees and avoid redundancies, the "FNE-Formation" measure to strengthen the vocational training of employees on short-time working, and the maintenance of benefit entitlements in order to avoid immediately pushing certain job seekers into a precarious situation (deferral of the unemployment insurance reform, extension of the rights for the unemployed reaching the end of their benefit entitlements, adaptation of the regime for workers in the entertainment industry). The organisation of working conditions in the context of an epidemic has also been a major issue for the Ministry of Labour since the beginning of the crisis.

It is all the more important to underline this responsiveness given that many public or private stakeholders were engaged in reforms and were not always prepared for remote working or the closure of their premises. All have strengthened their ability to conduct their activities remotely. This crisis has also enabled more regular dialogue between central government and its partners, both nationally and locally, which should be maintained after the health crisis.

With regard to short-time working, France has retained the lessons of the 2008 financial crisis by immediately putting it at the heart of its response favouring employment, with considerable financial resources made available (€33.8 billion planned for 2020 including €22.6 billion from the central government budget and €11.2 billion from Unédic) and one of the most favourable regimes in Europe. The preparation of texts aiming to profoundly modify the pre-crisis system, such as the establishment of budgetary appropriations, has been carried out quickly, with regular adjustments to take into account changes in context and certain situations (notably, a differentiated regime by sector).

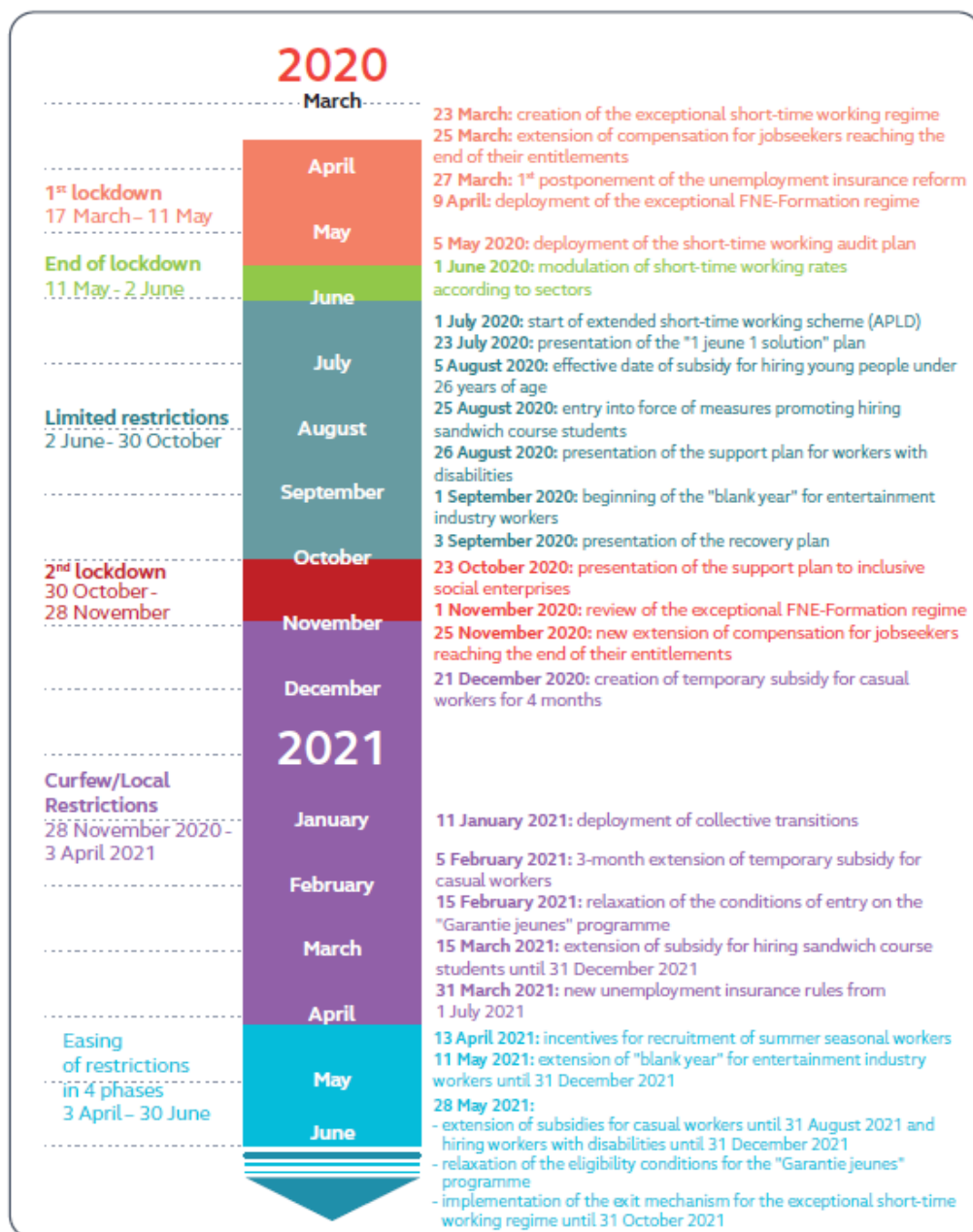
Despite its mobilisation, the Service and Payment Agency (ASP), which is responsible for the management and payment of short-time working, was unable to cope in the first few weeks with the massive influx of registrations on its information system. After a few weeks of difficulties, central government services, such as the ASP, managed, however, to deal with companies' requests – by redeploying part of their workforce and choosing to simplify and automate procedures – under conditions recognised as satisfactory by all concerned. Payments were thus made in a timely manner (6.3 days on average in 2020).

The choice of supplementing short-time working with an exceptional vocational training mechanism took place a few weeks after the start of the crisis. While the decision to entrust the examination of the files fairly quickly to the Skills Operators (Opco) was relevant because central government services (Direccte) were saturated, it led to some onerousness due to decentralised management (signature of 159 bilateral conventions,



initial differences of doctrine between Direccte on the application of the rules), which were gradually overcome with pragmatism.

### Chronological timeline tracking the main stages of the health crisis and the measures taken accordingly



Source : Court of Accounts



### 3. A profusion of measures in September 2020 at the risk of a certain level of dispersal

In summer 2020, the Government announced a new package of measures promoting employment and vocational training. Mainly integrated into the Recovery Plan, they should replace the initial emergency measures. However, the duration of the health crisis has complicated the implementation schedule of said measures. Emergency measures introduced at the beginning of the crisis were extended and co-existed with new measures implemented to respond to new emergencies, such as providing a solution for approximately 750,000 young people entering the job market in September 2020, and longer-term measures with a view to relaunching activity or preventing the more longer-lasting effects of the crisis on employment.

This superimposition explains the deployment difficulties in the second half of 2020 for extended short-time working (APLD), intended to take over from the highly favourable short-time working regime introduced at the beginning of the crisis. The conclusion of sector-wide agreements relating to APLD was also less rapid than expected. Its implementation made some progress in Q1 2021, but it does not cover all sectors equally.

The review of the FNE-Formation regime on 1 November 2020 only materialised during the Q1 2021 with the conclusion of national framework agreements with Opcos and a sensible reorientation towards training courses. This is part of the priority now given to the vocational training of employees, in anticipation of the post-crisis period, whereas since 2018 its resources had been mainly directed towards apprenticeships and job seekers. Since significant resources are mobilised for measures that were hardly used before the crisis or which are new – promotion or retraining by release (ProA), personal "transitional" training account and collective transitions – it is important to carry out regular, quantitative, qualitative and financial assessments, and to evaluate the impact of these various measures.

The "#1 jeune 1 solution" (1 young person, 1 solution) initiative has implemented a number of measures for young people at the risk of a dispersal of resources and saturation of government services. This pragmatic choice of an all-encompassing response in favour of young people, sometimes calling into question previous guidelines, also requires organising precise and regular follow-up of their deployment.

Several measures were launched in the second half of 2020. This is the case, in particular, for subsidies for hiring apprentices and young people, which have been successful since September 2020 and shortly thereafter respectively, meeting the expected reactivity objective of such measures. However, some difficulties in managing these subsidies, which were gradually resolved in the first quarter of 2021, led to late payments to companies. In Q1 2021, the extension of the crisis led to in the decision to extend some of these subsidies until the end of 2021.



In terms of supporting young people, the objective of doubling the number of entries on the "Garantie jeunes" programme in 2021 is ambitious in view of the support arrangements and the criteria previously applied. This led the French Ministry of Labour, Employment and Professional Integration to modify these criteria and strengthen the resources allocated to local programmes. An increase in entries to this scheme was observed in the first months of 2021 compared to the same period in 2019 (the last year not affected by the crisis). At the same time, central government revised its strategy by using subsidised employment contracts for young people, whereas this mode of support for young people had become marginal. The start-up was below expectations in the final months of 2020 and early 2021 for contracts concluded in the commercial sector.

In order to correct a "blind spot" in the emergency plan launched at the beginning of the crisis, the Government created, from 1 November 2020 and for a period that was extended firstly until May 2021 and then the end of August 2021, a subsidy for employees alternating between periods of employment and unemployment ("casual workers") and recurring seasonal workers. Due to the complexity of determining beneficiaries by the French Employment Centre, (Pôle Emploi), the first payments to approximately 535,000 beneficiaries took place in February 2021; undue payments were recorded for approximately 15,000 people, according to the number of cases identified at the end of April 2021.

Finally, in the inclusive social enterprise sector, a support plan of more than €300 million, drawn up fairly early on, was only deployed in autumn 2020, reducing the timeframes for preparing files and investigating by central government departments.

The decision to mobilise a very large number of initiatives, both old and new, since the summer of 2020 implies significant management work and monitoring by central government departments and the other stakeholders responsible for this. It is appropriate in this context to ensure that the resources available to implement it are appropriate.

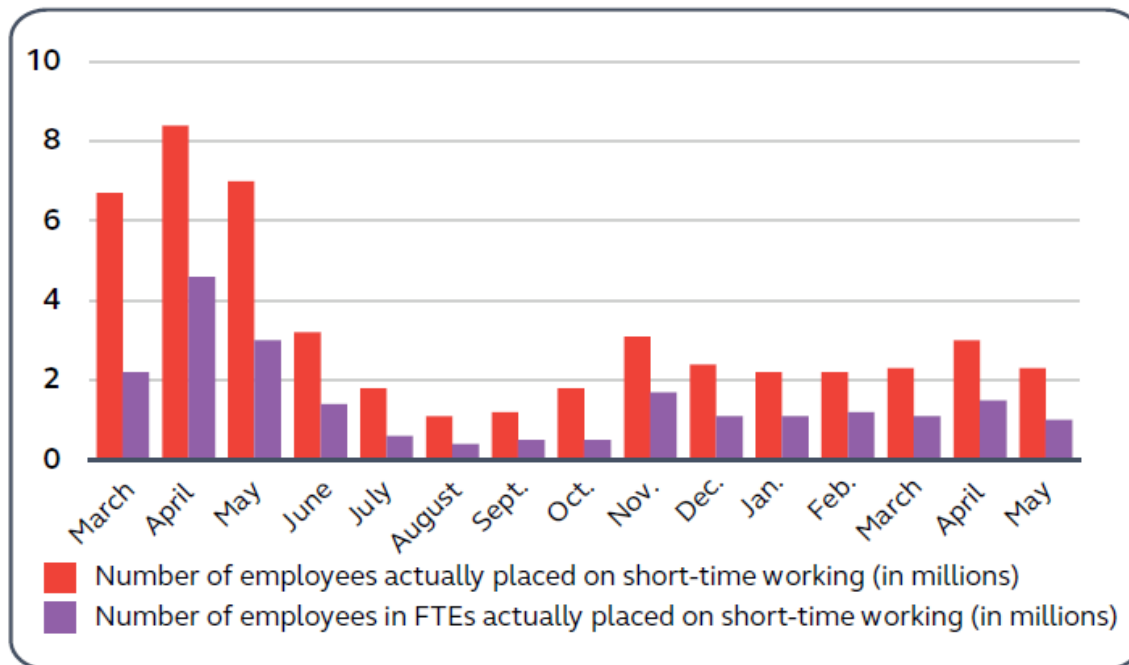
#### **4. An immediate job preservation goal met despite certain limits and uncontrolled cost**

Initial signs suggest that short-time working has avoided – or at the very least delayed – some of the negative impact of the crisis on employment, but the management of exiting the crisis will be decisive in drawing up the final balance sheet. Detrimental effects that are normally feared when such a measure is applied (wind fall effects benefitting companies that would not have needed it and payments in pure loss to unsustainable companies) appear, after an initial analysis, relatively limited.





**Graph 1: Estimate of the number of employees actually placed on short-time working, in natural persons and FTE**



Source: Dares

The other two main emergency measures require a more nuanced opinion. On the one hand, the public authorities wanted to open wide-ranging access to the FNE-Formation programme to finance training for employees of companies using short-time working. The initial, commendable objective was to incorporate a "training" component into a job retention policy, as this link is all too often missing. It was a question of taking an opportunity to improve the qualification of employees with free time, in the face of a further tightening of labour market conditions. However, the results are limited due to a lack of targeting of the measure in terms of public and content. Thus, the implementation procedures have mainly enabled the financing of short and non-qualified training for various audiences, regardless of their fragility or real interest of the training projects for companies or securing the career paths of the interested parties. The necessary refocusing of the measure took place too late, due to its link to the unforeseeable changes in the short-time working adjustment schedule.

On the other hand, the extension of rights for the unemployed during the lockdown period was a measure of indisputable fairness, which was implemented quickly by Pôle Emploi. The cost of this measure should amount to €3.7 billion due to its duration (during the first lockdown and then from 30 October 2020 to 30 June 2021) and the high number of beneficiaries (360,000 during the first period and 830,000 during the second period). The cost of the "lost year" initiative for entertainment industry workers proves to be much higher, per person concerned, than that of the common law measures, in a proportion that does not always justify the particularity of their sector. The difference in treatment is particularly clear





with certain categories of employees on non-permanent, temporary or casual employment contracts, for whom the support was much more moderate and arrived much later.

The measures implemented from summer 2020 present a variable state of progress. The success of the subsidies for hiring apprentices has resulted in a marked increase in the number of apprenticeship contracts in 2020, even though it was partly at the expense of professionalisation contracts. The impact of the recruitment subsidy on the entry of young people into the labour market since the September 2020 must, for its part, be analysed more closely, as well as any competition between the mechanisms put in place. It is thus possible that the difficulties in starting subsidised contracts for young people may be partly related to the success of subsidies for hiring young people during the same period.

## **5. Monitoring, a major issue that was underestimated**

The wide-ranging roll-out of new support measures in the field of work, employment and vocational training was in itself the decisive issue concerning legitimately monitoring the payment of subsidies, especially since priority had been given to speedy processing of applications.

Despite the mobilisation of personnel and the undeniable results obtained, the challenges vis-à-vis monitoring were not properly understood by the public authorities. The audit plan was designed based on a quantitative logic and a willingness to demonstrate a speedy response to fraud, to the detriment of the quality of this response.

In the absence of a broad reflection upstream, the emphasis has been placed on the search for certain forms of fraud that has been covered extensively by the media, such as the cumulation of short-time working and concealed teleworking, which proved extremely difficult to establish. The risks were, in reality, as much and if not more, in the over-evaluation of hours and wages reported and in the implementation of organised fraud based on the creation of shell companies or identity theft. Moreover, certain characteristics of the measure itself, such as the modulation of rates or the failure to take into account paid leave, led to the possibility of errors or risks of attempted fraud in large numbers.

In order to prevent these forms of abuse, it would have been necessary to quickly allow cross-checks of new data, particularly between claims for compensation, registered social declarations and bank account files. These were only carried out late in the game and in a fragmented manner. It would also have been necessary to quickly re-establish the a priori controls, the temporary removal of which could be understood in the first few weeks but no longer justified after this period. The chosen targeting methods do not even allow us to estimate what the amount of overpayments could have been, for a measure with a budget cost of more than €26 billion for 2020. This all justifies that a new audit plan should look at all the allowances paid, this time using appropriate tools and methods.

Of course, the shortcomings found in the design and implementation of controls are to be assessed in the very specific context of the urgency in which these controls were carried out, and the resources available. However, this experience must encourage the French Ministry of Labour, Employment and Professional Integration to make a cultural change in its relationship to abuse and fraud. This change has already been carried out in other authorities, such as the DGFIP or Urssaf. The existence of organised fraud networks



will have to be taken into account in the future as of the creation of the measures, and decisive progress still needs to be made in interfacing data.

### Key figures

#### ***Short-time working:***

- 2020 expenditure: €25.3 billion of appropriations used (Central government and Unédic) in 2020; expenditure estimated at €26.2 billion, taking into account claims not processed in 2020.
- 2021 expenditure (including extended short-time working): estimate of the recovery plan reviewed upwards from €6.6 billion to €14.7 billion by the draft Supplementary Finance Act of June 2021.
- Maximum number of employees actually placed on short-time working: 8.4 million in April 2020 (in nearly one million companies).

#### ***FNE-Formation:***

- Appropriations committed in 2020: €297 million
- Number of training files received (2020): 205,000
- Number of employee beneficiaries (2020): 437,000

#### ***Measures to extend the rights to compensation:***

- Extension of the rights of jobseekers reaching the end of their entitlements : €680 million for 360,000 beneficiaries during the first lockdown (March to May 2020); €3 billion estimated for 830,000 beneficiaries for the second period (end of October 2020 to June 2021).
- "blank year" measure for entertainment industry workers: €750 million from March 2020 to August 2021 and an additional €200 million for the extension until end 2021; 47,000 beneficiaries (estimate for the first period).

#### ***Other measures:***

- Estimated initial cost of employment support measures over the duration of the Recovery Plan: €16 billion, of which €11 billion included in the 2021 budget. Cost revised upwards, with the "1 jeune, 1 solution" plan increased from €6.7 billion to approximately €9 billion.
- Consolidation and support plan for the development of suitable companies and integration structures by economic activity: €300 million (€32 million consumed in 2020).
- Number of hiring subsidies granted in mid-June 2021 for apprentices (532,927), sandwich course students on a professionalisation contract (61,645) and for young people (383,725).

#### ***Employment situation in 2020:***

- 284,000 net jobs lost.
- Decrease in unemployment rate by 0.1 point within the meaning given by the International Labour Office (between the end of 2019 and the end of 2020) due to people who have withdrawn from the workforce.
- Increase in the number of jobseekers by nearly 261,000 in categories A, B and C, for a total of 6 million (+266,000 in category A).



## Summary of recommendations<sup>3</sup>

### Ensure the correct payment of crisis-related subsidies

3. Put in place provisions allowing for the return of short-time working allowances received by companies that have not recorded a decrease in activity (*French Ministry of Labour, Employment and Professional Integration*).
5. Systematically ensure eligibility to the most favourable rate of short-time working allocation for companies that have benefited from it (*French Ministry of Labour, Employment and Professional Integration*).
6. Launch in local offices of central government a new wave of ex-post audit controls on short-time working cases since March 2020, under conditions that will allow extrapolation to assess the full extent of fraud (*French Ministry of Labour, Employment and Professional Integration*).
7. Enable central government audit services and the Agency for Services and Payment to carry out data cross-referencing, notably social, tax and banking data, in order to better combat fraud (*French Ministry of Public Accounts, Acoiss, Cnam/MSA, French Ministry of Labour, Employment and Professional Integration, Service and Payment Agency*).
8. Deploy in local offices of the central government a quality control plan for the cases examined by the Skills Operators (Opco) for the FNE-Formation (*French Ministry of Labour, Employment and Professional Integration*).

### Better targeted measures

1. Study, for the future, the reduction in the cap for covering short-time working for indemnities paid by companies to their employees to 3.5 or 4 times the level of minimum wage instead of 4.5 times minimum wage (*French Ministry of Labour, Employment and Professional Integration*).

### Monitoring and evaluating measures; capitalising on experiences

2. Based on the data collected by the Emergency Measures Evaluation Committee, define a shared work programme to assess the impact of measures in the field of work and employment, under the aegis of France Stratégie (France Stratégie, INSEE, French Ministry of Labour, Employment and Professional Integration, Ministry of Economy, Finance and Recovery).
4. Systematically prevent the emergence of organised fraud from the design of a new exceptional measure (*French Ministry of Labour, Employment and Professional Integration*).

---

<sup>3</sup> The numbering of the recommendations corresponds to their order of submission over the course of the report.