

# Pensions in France

## Separating Facts from Rhetoric

Dr David Rees. January 2023

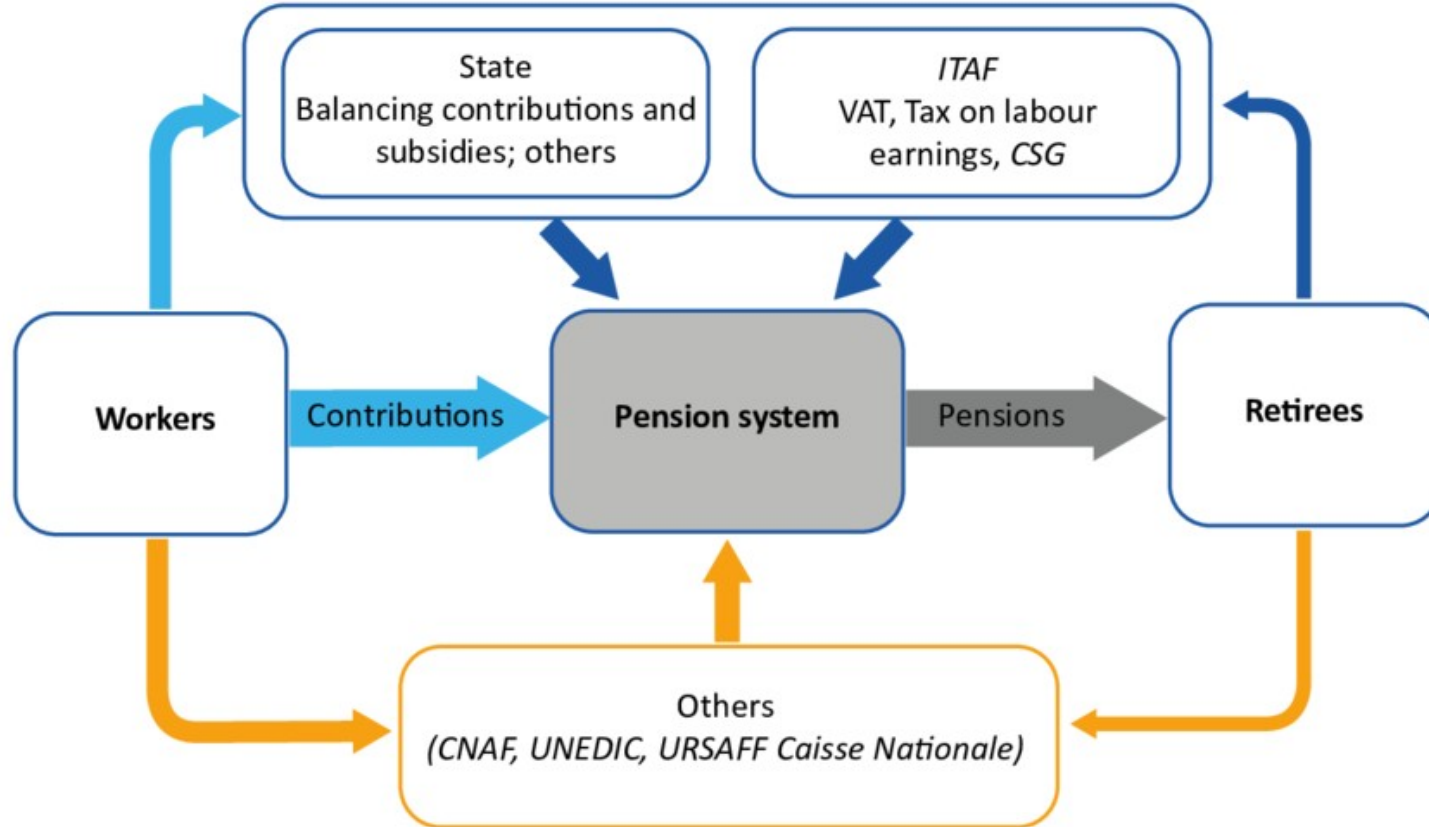
The French government claims that the French pension system is unsustainable, and that therefore the retirement age should be extended from 62 (the current age) to 64.



The unions and political opposition claim that this is false and simply the imposition of right-wing political ideology.

## The calculation of the pension budget is complex. Money IN

Workers and their employers put money into the retirement system (about 80%) and the government adds their share (about 20%). The amount going in depends on the level of employment, the level of salaries (since it's proportional) and the number of years worked. This can obviously vary from year to year.



## **Money OUT**

The pension budget then provides (or returns) money to those who are retired. This is variable since it depends on how long people live after starting their retirement and the amount of retirement provided. Those who live longer take more out than they put in, and vice-versa.

## **Solidarity system**

In countries like the UK, the money going into the pension fund is invested, but exists. Therefore pensioners receive the money that they put into the fund. Therefore the proportion of workers to pensioners is not important. In France my pension payments go to pay someone who is already retired. So where did his money go – to those who were retired before him. France, therefore, has a generation of pension debt, and the proportion of those working to those retired is very important.

How does the French retirement system work in detail? See [THIS](#) from the CLEISS

## Retirement Funds

However, even though my retirement payments are used by someone already retired, there are considerable retirement funds in France.

If you take the most pessimistic scenario from the COR (see slides 7 and 8), the annual deficit for pensions would be 20 billion € per year. But the existing pension fund reserves are 200 billion – so easily enough for 10 years of deficit under the worst scenario!

The 'Fonds de réserve pour les retraites' (Lionel Jospin) has 26bn€.

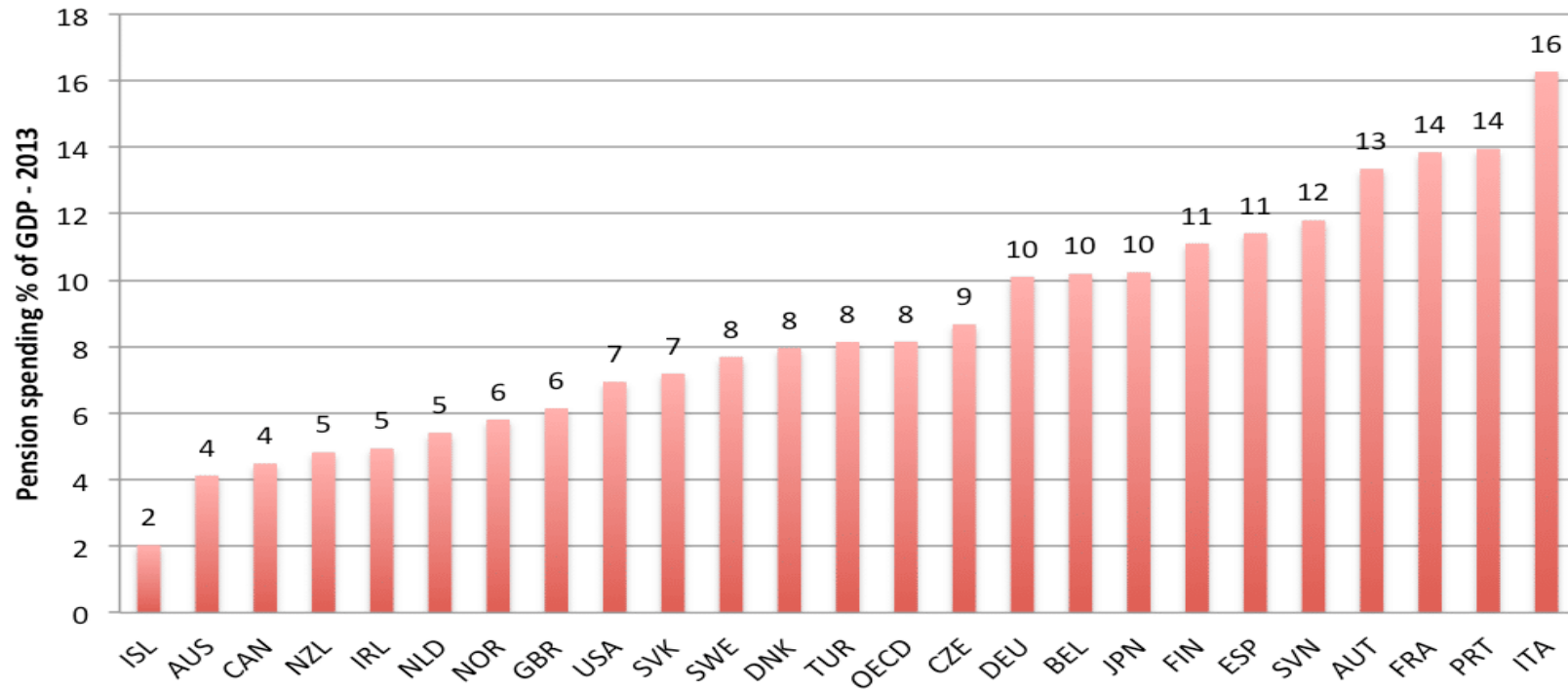
The 'Caisses Complémentaires' GIRC and ARRCO have a reserve of 86bn€.

The Banque de France has a pension fund of 15bn€.

The total of the retirement funds is 180bn€ (COR, Sept. 2022, p 110). If you add the 'Jospin Funds' of 26bn€, you have over 200bn€!

Therefore even if the ratio of workers / pensioners diminishes, there is a very comfortable pension reserve.

## Pension spending as % of GDP



www.economicshelp.org | Source: OECD (2017) - doi: 10.1787/a041f4ef-en

Pension spending is only calculated on the public state system, and doesn't include private pension systems, as used predominantly in the USA and the UK.

## COR

In France, the pension budget is calculated by the Conseil des Orientations des Retraites (COR). See '[Perspectives de retraites en France à l'horizon 2030](#)' (in French)

Their last report showed that in 2016 pensions were just above 14% of the GDP, and that in 2018 they were less (13.7%). Therefore the 'cost' is reducing. They predicted that by 2030, whether or not the economy was growing or not, the % would not be greater than 14%. However, since pensions are not part of GDP, this relationship is artificial.

The COR made three scenarii. In the best one, in 2023 the pension debt would be 0.2% GDP (5bn€). Compare this to the 17bn€ used during the 'Yellow Jackets' demonstrations (*which actually improved the French economy considerably – ref. Keynes, the Propensity to Consume and the Multiplier Effect*).

In the worse scenarii, the figures were worse since it was considered that the government would reduce its historical share (20%) of the pension budget.

You can find the full article by Le Monde [here](#).

## COR

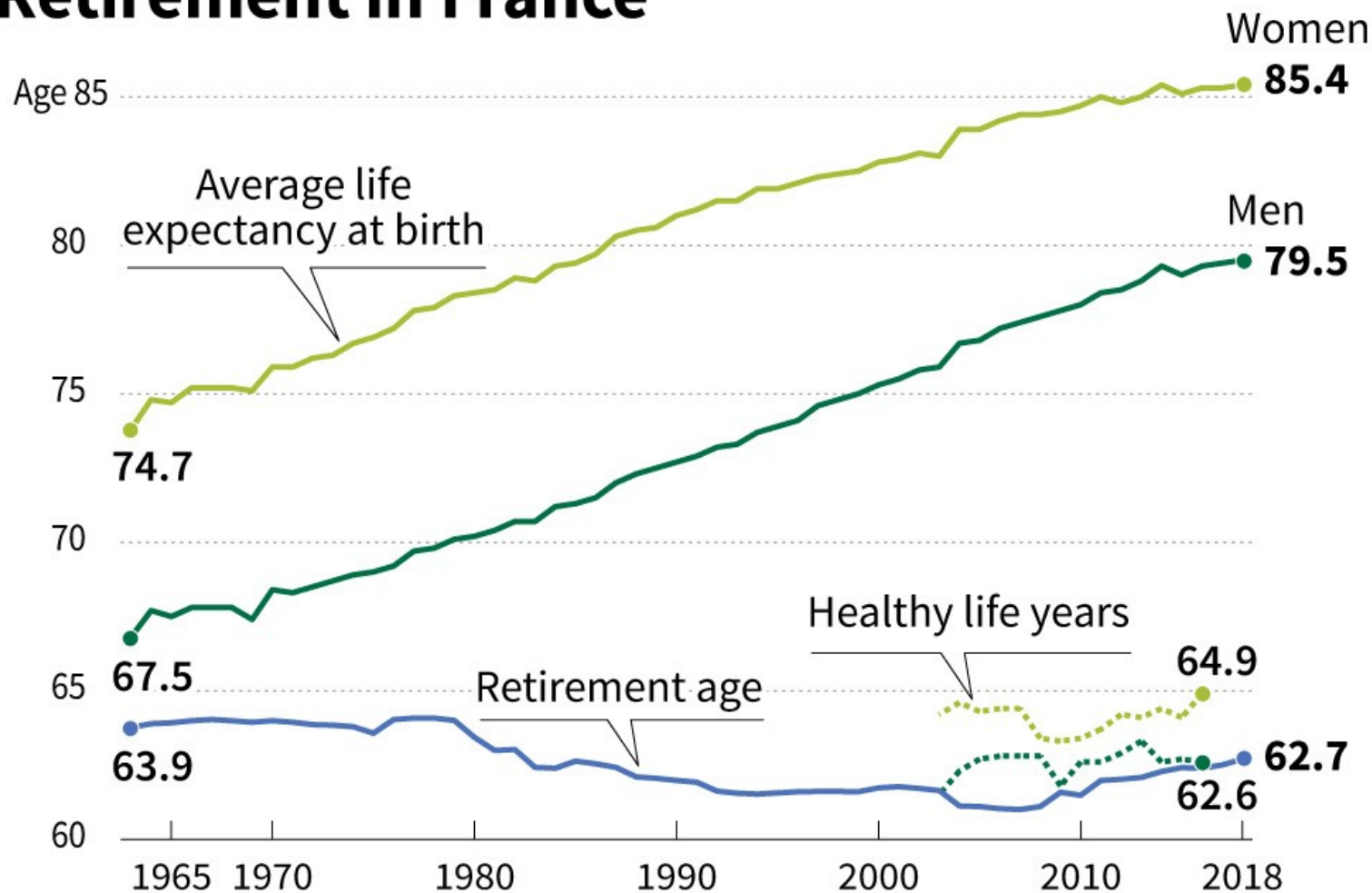
The COR concludes by saying *“the deficit is not linked to changes in pension expenditure, the share of which in GDP remains constant. It is explained by the reduction in the resources of the pension system. This decline is itself mainly explained by a decrease, as a percentage of GDP, in the contribution of various public entities (State, local public administrations, CNAF, Unédic)”*

Therefore, the budget might be in deficit because the government is putting in less than before, and that it has nothing to do with demographic or economic events.

INSEE says that the COR's previsions of living longer are overly optimistic, and that the COR's calculation should actually be more optimistic.



# Retirement in France



Sources: Caisse nationale d'assurance vieillesse, INSEE

\*Pre-2004 data not available © AFP

Many economists who were favourable to Macron, have warned him that this reform is unnecessary and dangerous.

Here is an extract from Benjamin Dodman (France 24, 23/12/22)

But as things stand, a whole lot of categories stand to lose from the pension overhaul, warns Daniel Cohen, another economist who has previously been supportive of Macron's reformist drive.

Lamenting a “*huge waste*”, Cohen told [France Culture](#) radio station that the government had achieved the very opposite of what the reform was intended for.

*“Now that resources are sufficient, that they are stabilised in time, and that there is no systemic pension crisis in France, the main purpose of this reform was to ensure that pensions are no longer a source of anxiety for the vast majority of the people,”* he argued. *“Instead, the government has managed the tour de force of generating even more anxiety.”*

Referring to recent policies that helped widen the pension deficit, Cohen added: *“it's a bit rich of the government to deprive our pension system of resources and then complain of a deficit.”*

See '[The heated debate over France's pension system](#)' from 'Courthouse News Service'



Ranking

Country

Public expenditure  
on pensions (% of  
GDP)

Retirement age  
by type of  
pension scheme

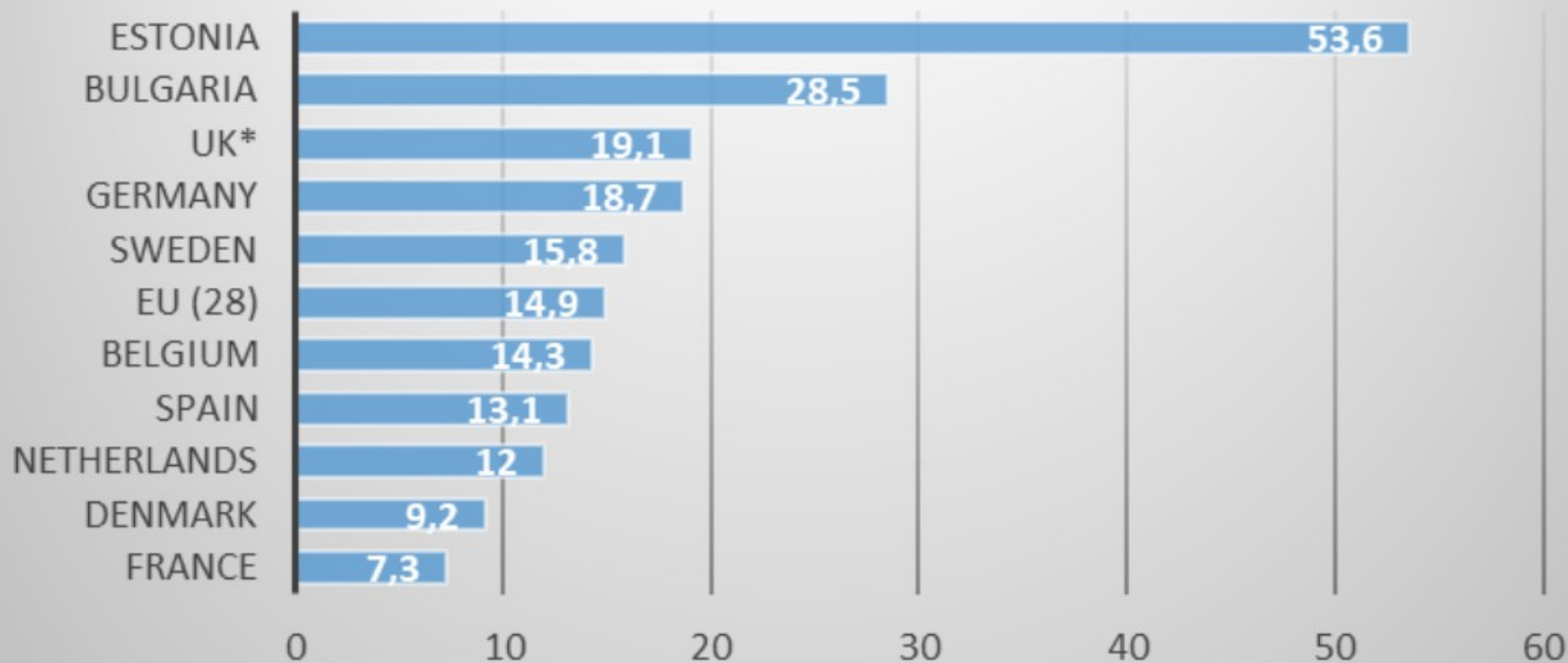
Contributions as  
a % of average  
wage

Participation as  
a % of working  
population

1	Finland	13.4	67.9	24.4	89.8
2	Poland	11.2	65	27.52	66.2
3	Sweden	8.2	65	21.71	100
4	Slovenia	10.9	62	24.35	39.1
5	France	15	65	27.5	24.5
6	Latvia	7.4	65	20	100
7	Greece	17.3	62	20	1.3
8	Czech republic	8.2	65	28	52.1
9	Switzerland	9.8	65	16.6	73.6
10	Israel	5.3	62	13.81	80.7
11	Italy	15.6	71.3	33	19.6
12	Austria	13.8	65	22.8	13.9
13	Spain	12.2	65	28.3	3.3
14	Norway	10.7	67	20.1	59.4
15	Japan	10.2	65	18.3	49.4
16	Belgium	12.1	67	16.4	59.6
17	Netherlands	7.3	71.3	25.64	88
18	Iceland	3.3	67	22.85	87.7
19	Hungary	9.7	65	25.5	18.4
20	Estonia	8.1	71	22	83.4

This graph doesn't take into account private pension schemes (for the contributions). This therefore distorts the columns of 'Public Expenditure' and also the column of 'contributions'. The final column makes no sense to me, since participation is 100% obligatory in France.

## Percentage of retired people threatened by poverty in EU in 2018



## **A bit of History**

Before the existence of the French Social Security system, unless you were a landowner, shop owner or farmer, becoming old meant for many, becoming poor.

Shortly after the end of the Second World War, members of the Conseil National de la Résistance created the Social Security system in 1945.

Today in France, the average salary is 2,000€ nett, but his/her employer pays 3,500€ since the 1,500€ extra goes mostly into the Social Security system – which is called a ‘salaire différé’ or delayed salary since you only get it when you retire. It is not the state that pays your pension, but us, since this money was deducted from our salaries.

## **The Injustice of Age**

According to INSEE, the richer you are, the longer you live.

Among the richest 5%, men live to an average age of 84.4

Among the poorest 5%, men live to an age of 71.7 – a gap of 13 years!

For women, the gap is 8 years.

For the richest, they work fewer years, since they have normally studied for longer, and have physically easier jobs.

For the poorest, who are less well educated, they work for longer and in jobs that are physically harder.

You are more likely to have ‘gaps’ in your employment history if you are poor, and hence need to work longer to have your pension rights.

Age justice would be served if everyone paid into the system for the same number of years worked (années de cotisation), rather than having a ‘final age’, which is considered by many to be unjust.

## Final Words

To finish this little study on French pensions, here is a quotation from **Emmanuel Macron, President of France**, given during a press conference at the Elysée on 25<sup>th</sup> April 2019 (my translation).

*“Should we increase the legal retirement age, that is currently at 62 years? I don’t think so. Until we have resolved the problem of unemployment in our country, it would frankly be hypocritical to do so. Today, when you don’t have much education, when you live in a region with industrial difficulties, when you are yourself in difficulty, having had a career with different jobs or unemployment, good luck to get to 62 years old. That is the reality of our country”*

*“Est-ce qu’il faut reculer l’âge légal, qui est aujourd’hui à 62 ans ? Je ne crois pas. Tant que l’on n’a pas réglé le problème de chômage dans notre pays, franchement ce serait assez hypocrite. Aujourd’hui, quand on est peu qualifié, quand on vit dans une région qui est en difficulté industrielle, quand on est soi-même en difficulté, que l’on a eu une carrière fracturée, bon courage déjà pour arriver à 62 ans. C’est cela la réalité de notre pays”*

## Bibliography

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Jean Gadray. Adieu à la croissance, Les Petits Matins, 2015

Michel Husson, Soixante d'emploi, 2009. [hussonet.free.fr/etratamy.pdf](http://hussonet.free.fr/etratamy.pdf)

Bernard Maris. Souriez, vous êtes français ! Grasset, 2016

Richard Wilkinson et Kate Pickett. Pour vivre heureux, vivons égaux. Comment l'égalité réduit le stress, préserve la santé mentale et améliore le bien-être de tous. Liens qui Libèrent, 2020



## Useful free links about pensions in France

Collectif 'Nos retraites'. [Blogs.mediapart.fr/collectif-nos-retraites](https://blogs.mediapart.fr/collectif-nos-retraites)

L'Observatoire des inégalités : [www.inegalites.fr/](http://www.inegalites.fr/)

Le Blog de Michaël Zemmour (maître de conférences à l'université Paris 1)  
[Blogs.alternatives-economiques.fr/zemmour](https://blogs.alternatives-economiques.fr/zemmour)

Les économistes atterrés. [www.atterres.org/](http://www.atterres.org/)

