

Pension Reform in France

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 - Contributory system funded by SSCs
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 - Contributory system funded by SSCs
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- **High level of spending and contributions**
 - Spending : 13.8% GDP
 - Pension SSCs : \simeq 28% gross earnings

The French Pension System

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- **Private sector complementary schemes : point-based system**
 - Pension contributions lead to points
 - Accumulated point converted into pension annuity
 - High earnings threshold (290K euros)

- **Public sector : annuity scheme**
 - Annuity scheme based on last 6 month earnings
 - Bonuses excluded from earnings base
 - Bonuses = 25% of civil servant earnings
 - Except for teachers (10% of earnings)

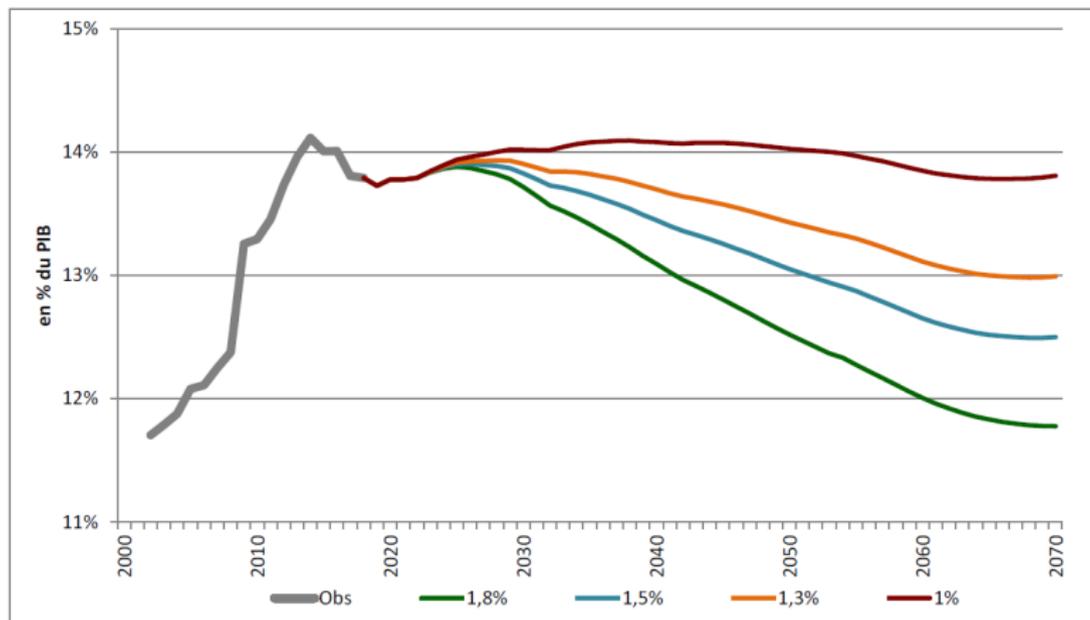
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- **Non-contributory benefits**
 - Minimum pension for full-careers at 62
 - Unemployment spells taken into account
 - Children-related benefits
 - Incapacity pensions
 - Means-tested benefit above 65

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- **Large uncertainty created in long-term balance**
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- **Increase anti-redistributive effects of pension formula**
 - Affects negatively wage earnings with career breaks (women) and less steep earnings profile (low earners)

FIGURE 1 – Projection of public pension spending in France according to long-term productivity growth (% of GDP)



Source : Conseil d'orientation des retraites, Report June 2019, Fig 2.2, p. 85.

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We will create a universal pension system where one euro contributed offers the same pension rights, whatever the period it was contributed, whatever the occupation or status of the person who contributed."

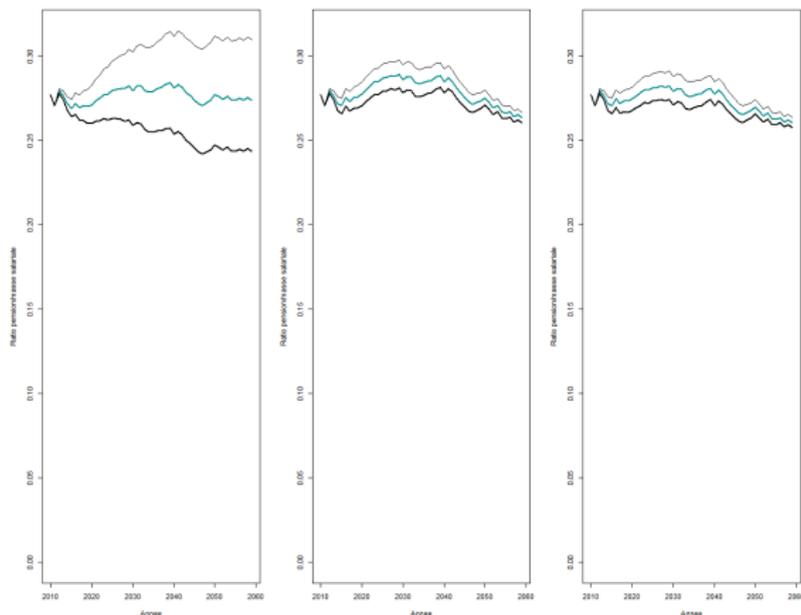
Emmanuel Macron, *En Marche* platform

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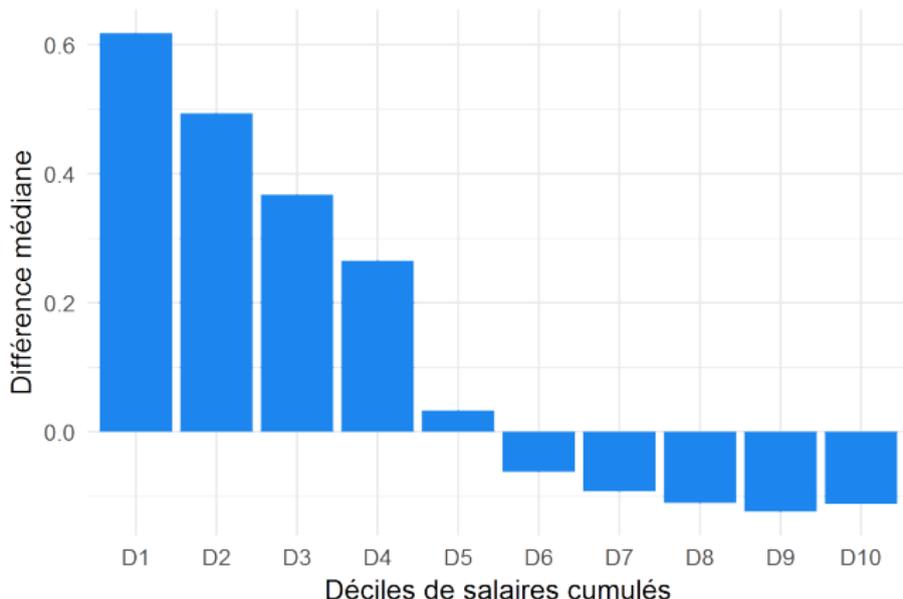
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- **Bozio, Rabaté, Rain and Tô (2019)**
 - Simulation of demographic and economic shocks to point-based systems depending on indexation rules

FIGURE 2 – Pension spending as a share of GDP



SOURCE : Blanchet, Bozio and Rabaté (2016), PENSIPP 0.0.

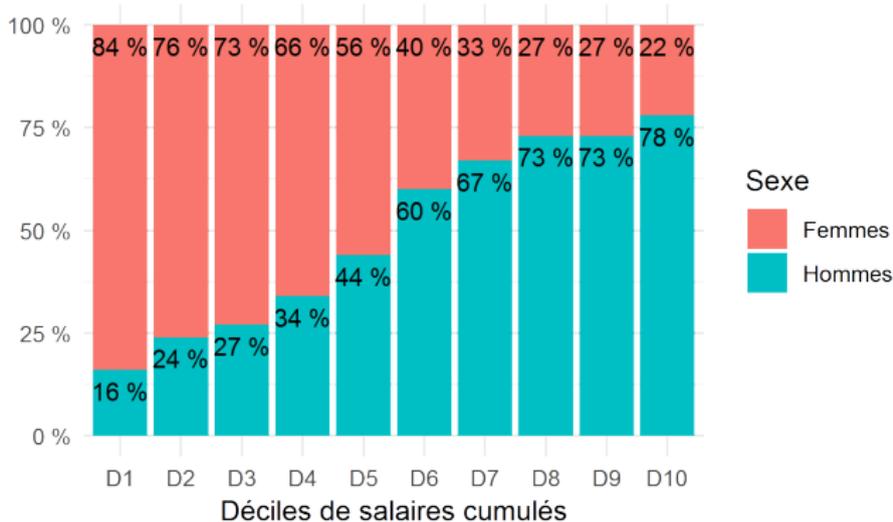
FIGURE 3 – Median change in pension from current formula to incorporate the entire career indexed by wage growth



Source : Bozio, Lallemand, Rabaté, Rain and Tô (2019), IPP Briefing Note, No. 44, Fig 5.a.

Note : private sector wage earners, born in 1946, pension excluding solidarity mechanisms.

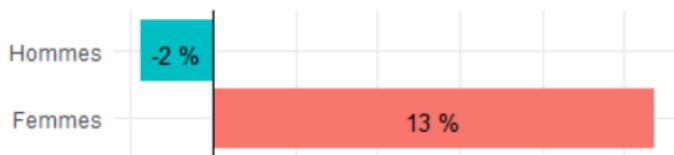
FIGURE 4 – Share of winners/losers in each decile of cumulative earnings



Source : Bozio, Lallemand, Rabaté, Rain and Tô (2019), IPP Briefing Note, No. 44, Fig 5.b.

Note : private sector wage earners, born in 1946, pension excluding solidarity mechanisms.

FIGURE 5 – Median change in pension from current formula to incorporate the entire career indexed by wage growth



Source : Bozio, Lallemand, Rabaté, Rain and Tô (2019) IPP Briefing Note, No. 44, Fig 6.
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- **Point-based system**
 - New entrants from 2022 onwards
 - Progressive switch for cohorts born from 1975 onwards starting in 2025
 - First pension in new system in 2037, full phased-in by 2066-2071

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- **NRA : norms vs incentives**
 - Recent research suggesting large impact of age reference (Behaghel and Blau, 2012 ; Seibold 2016)
 - Policymakers largely convinced of importance of NRA
 - But more because its short-term financial impacts

- Blanchet, Bozio and Rabaté (2016) "Quelles options pour réduire la dépendance à la croissance du système de retraite français?", with Didier Blanchet and Simon Rabaté, *Revue économique*, Vol. 67, No. 4, p. 879–912.
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