

Commission d'experts sur les grands défis économiques: Démographie, Santé, Intégration

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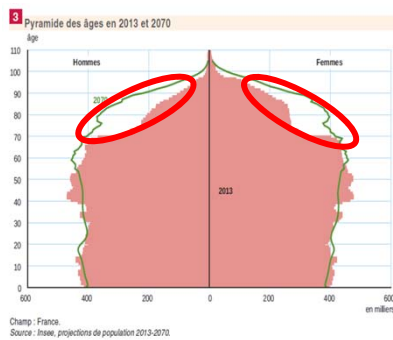
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September 2021



Diagnosis:

Problem area 1: Population aging

- Babyboom goes into retirement
 - Increase in life expectancy
- => Hence additional expenditures for next decades

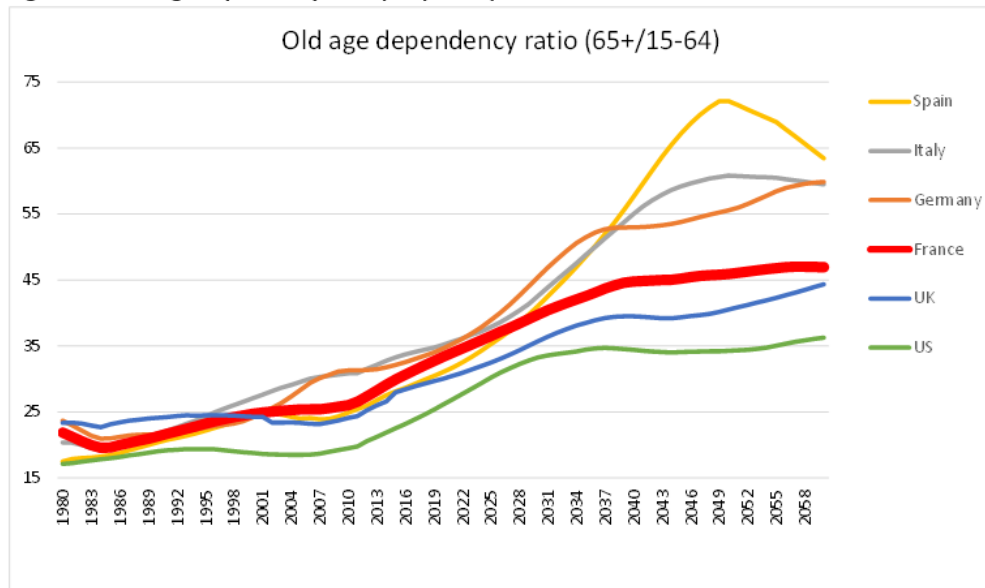
Problem area 2: Pension system

- Price indexing is a trap: works only if large productivity gains but then reduces relative living standard of pensioners
- Highly complex, incomprehensible, perceived as unfair

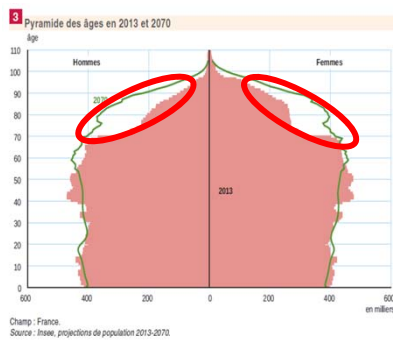
Problem area 3: Old-age labor market

- At age 60, before the earliest retirement age, less than 50% of French are working
- After the earliest retirement age, few continue to work
- Especially low is labor market attachment among those with chronic illnesses and immigrants.

Figure 2-1: Old age dependency ratio (65+/15-64) in France and selected OECD countries



Source: OECD Baseline projection, downloaded August 2020



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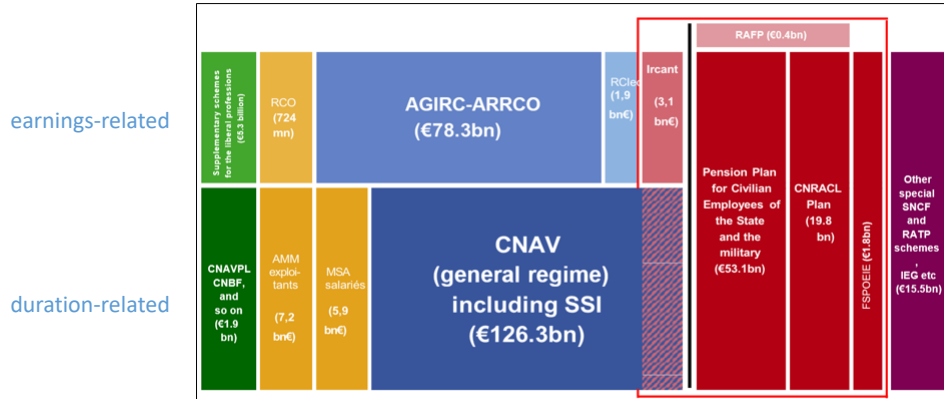
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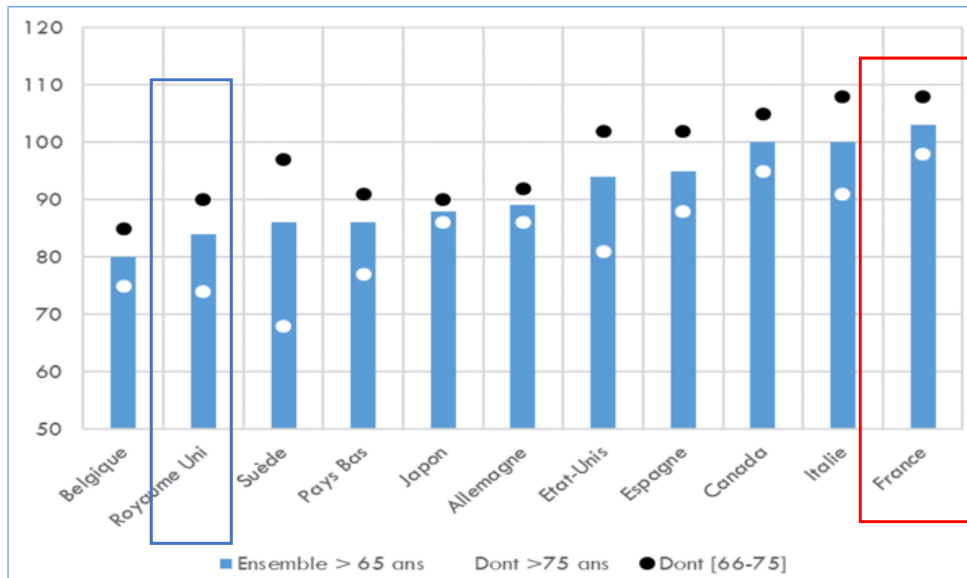
<--- by sector --->

Figure 12-1: The French pension system (simplified)

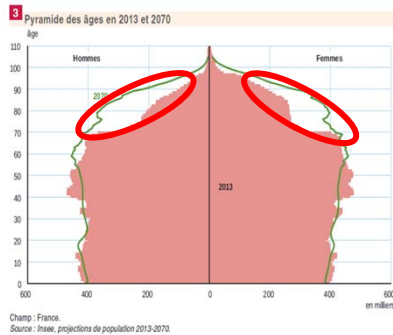


Source: Report on civil service pensions appended to the draft budget bill for 2020 (from the report to the Social Security Audit Committee, September 2019, restatements Budget Directorate).

Figure 2-6: Equalized disposable household income of retirees in percent of the equalized disposable household income of the general population



Source: Etude d'impact p.13



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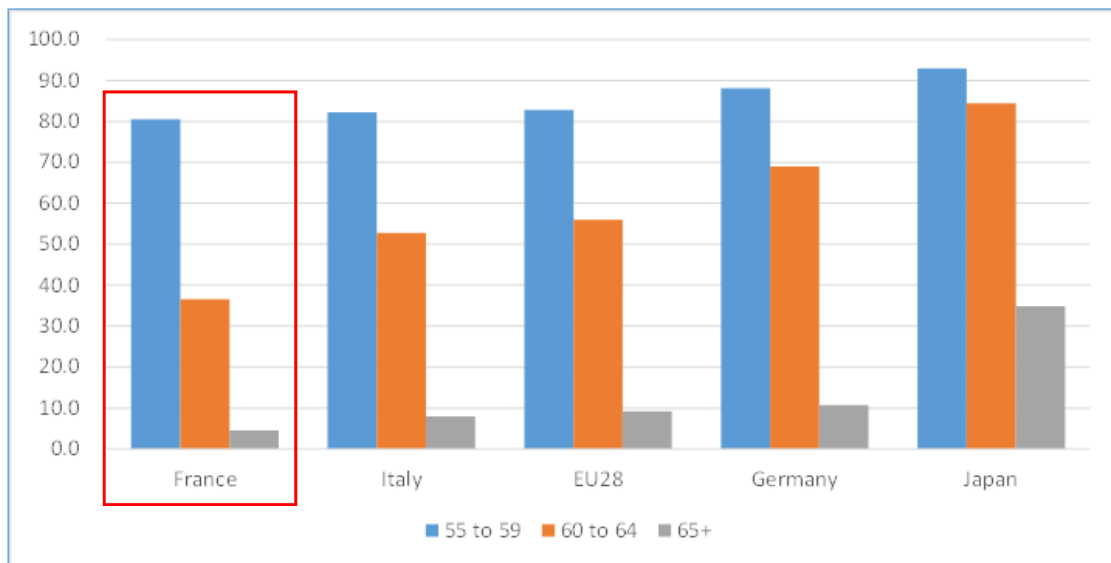
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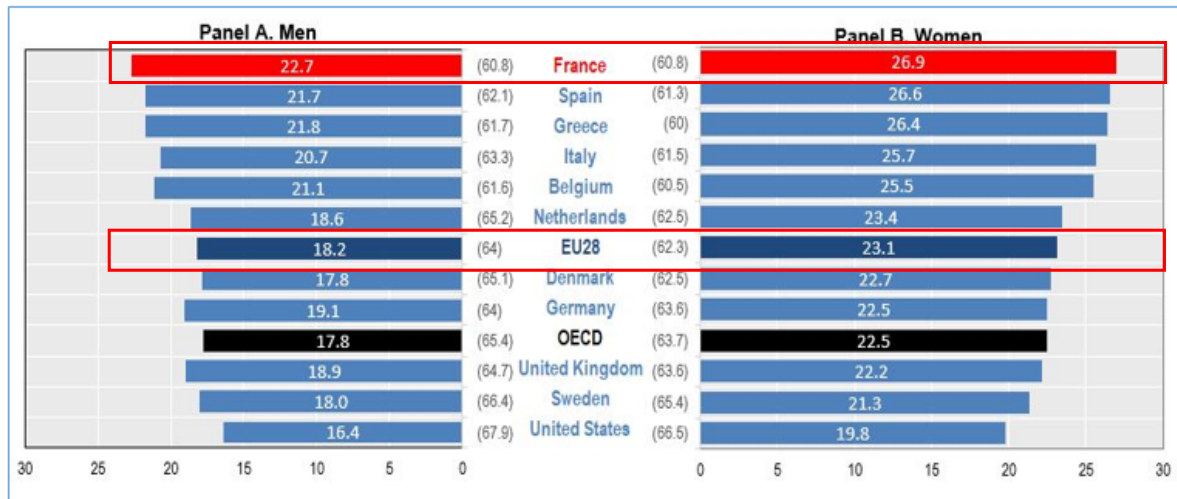
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Figure 3-1: Labor force participation of men aged 55-64



Source: OECD. Data extracted on 17 Oct 2020 18:15 UTC (GMT) from [OECD.Stat](https://data.oecd.org/).

Figure 3-2: Average labor market exit age and remaining life expectancy at that age



Source: OECD Pensions at a Glance 2019. Number in parentheses denote mean age of labor market exit

What is the cure? Holistic strategy:

- **Fundamental pension reform**
 - unifies and simplifies the confusing system
 - protects the poor and unhealthy
 - balances length of work life and pension benefits
- **Accompanying reforms**
 - Labor market for older workers
 - Healthcare to support workers with chronic illnesses
 - Integration of workers with migration background

Pension reform:

- Complexity and fragmentation => **Universal point system**
- **Unpleasant fact:** More pensioners, fewer contributors => **Cannot give gifts to everybody**
- Hence: Need to **protect** the poor and unhealthy. **Two sides of a coin!**
- **Smaller future benefit increases**, linked to change of dependency ratio (=old/young)
 - BUT: Basic indexation of benefits to **wages** (rather than prices) for everybody
 - BUT: Protect low earners , even **improve** their position by **bonus points**
- **Higher average retirement age** IF life expectancy increases further
 - BUT: Retirement „**window**“ rather than fixed age, give flexibility
 - BUT: Address **penibilité** as part of collective agreements outside pension system
- **Together: still possible to keep and even increase value of pension benefits**

Technical details of our recommendations for pension reform

Two sides of the coin. Side one: Keep costs under control

- **Fix contribution rate** since already one of the highest contribution rates in EU
- **Benefits: Relate to combination of wages and pension system's dependency ratio** (=number contributors/number beneficiaries) rather than to prices
- **Retirement window** rather than a single age of full rate. **Relate to life expectancy**, if necessary. Within window, increase incentives to work longer by larger actuarial adjustments
- **Balancing the system:** Use **reserve fund** to indicate when action becomes necessary
- If action is necessary: Leave choice between increasing retirement age and reducing benefit increases annually to a **pension board**

Other side of the coin: Strengthen protection

- Return to **wage indexation** of past earnings
- Give **bonus points for low earners**
- Address **penibilité** as part of collective agreements outside pension system

Pension reform needs to be a package:

Labor market actions, accompanied by healthcare and integration improvements, to support people remaining in employment:

- **“Good jobs” for older workers:**
 - Flexible, part-time
 - Motivating
- **Active labor market policies:**
 - Temporary wage subsidies after unemployment
 - Targeted training programs
- **Health at work place:**
 - Workplace-based health interventions
 - Rehabilitation as part of disability insurance

Healthcare - diagnosis

- Long average life expectancy
- Masks inequalities in life expectancy (differences as much as 10 years between poorer/less educated and richer/better educated)
- Rising tide of chronic illness
 - Similar pattern to other rich countries
 - Inequalities in incidence of chronic illness
 - Part of the reason given for retirement/non participation in labour market
- French healthcare system
 - Very focused on curative medicine, less on prevention
 - Unequal distribution of healthcare resources

Healthcare - proposals:

- We do not propose large scale reform of the healthcare system
- Instead propose a narrower set of reforms intended to incentivise healthcare suppliers to focus on prevention and treatment of chronic illness
- Build on the reforms that have been introduced to the French healthcare system in recent years
- Operate alongside other measures to reduce chronic illness, such as bans on consumption of hazardous goods, provision of information, taxes.

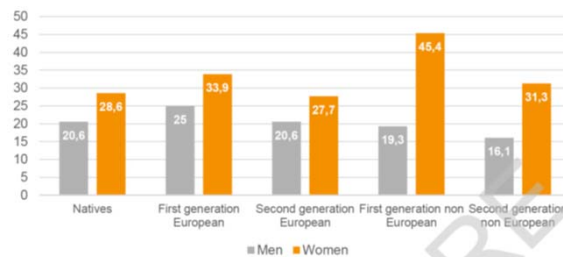
We propose:

- Reforms that emphasise experimentation, build on lessons from COVID
 - Relate payments to quality of treatment and prevention of chronic illness
 - Move from payments for single items to payments for course of treatment
 - Fully reimburse basket of medical care for prevention
 - Change regulatory and financial incentives for telemedicine to deliver prevention and chronic illness care

Integration – diagnosis:

- Low LFP participation among immigrants, esp. non-EU women

Figure 35 – Percentage out of labor force in France by origin group, men and women aged 20-64



Note: Out of labor force includes unemployed and inactive.

Source: Based on Gorodzeisky A, Semyonov M, 2017: 10. Data: EU Labor Force Survey

Integration – diagnosis:

- Shortage of transferable skills
 - Low skill levels due to selective immigration, especially pronounced among some groups (Turkey, North Africa)
 - Overqualification adds to this, esp. for women
 - Intergenerational transmission of low skill levels, aggravated by fact that majority of children with migration background visit disadvantaged schools
- Shortage of “additional” resources
 - PIAAC data: migrant-native gap in literacy scores in France is higher than in UK, even among those who are native speakers
 - Net- “gaps” (after controlling for edu, lang. skills, family composition) in labor market integration reflect shortage of social capital, namely ties to natives

Integration – diagnosis:

- Role of motivational factors
 - Gaps in employment are much smaller than gaps in LFP, esp. for women
 - Net- “gaps” (after controlling for edu, lang. skills, family composition) even among 2nd generation females, esp. among women from Turkey and North Africa
 - Reflects partly motivational factors (gender norms)

- Ethnic/racial discrimination
 - Employers in France can discriminate “largely due to the absence of monitoring or measurement along these lines” (Quillian et al., 2019, p. 489)
 - Anticipated discrimination may further reduce motivation to join labor force, esp. for women

Integration – proposals:

- Important to take multifaceted reasons for migrants’ low LFP into account when thinking about solutions

- Three starting points:
 1. Encourage and facilitate (partial) recognition of existing skills and experience and achievement of new ones
 - Welcome newcomers with “signpost” with information (“welcome culture”), target (female!) low-skilled migrants in particular
 - Provide information on opportunities for skill recognition
 - Improve access to (occupation-specific) language classes, make up for shortage of language skills *and* social capital (Lochmann 2018)

Integration – proposals:

2. Better social mixing of schools is key for (children of) immigrants (Oberti and Savina, 2019)
 - Make disadvantaged schools less disadvantaged in terms of student composition rather than just “throwing money” at them
 - Tie state support for private schools to better mixing
 - Provide informal learning opportunities / availability of role models /exposure to host country norms

3. Detecting and reducing discrimination
 - Capture ethnic background in census, implement new panel study
 - Improve documentation about ethnic representation in organizations: building “structures establishing responsibility”