France

Highlights from OECD *Pensions at a Glance 2009*

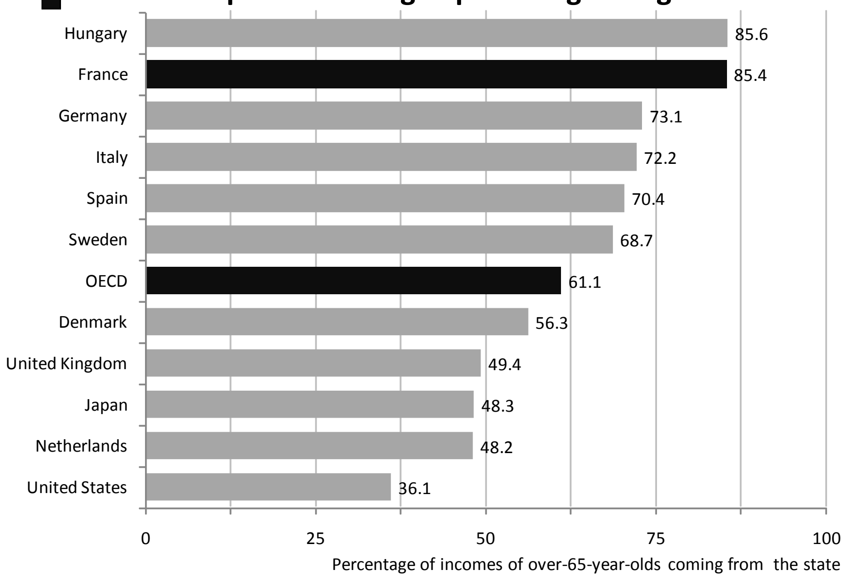
- In France, the over-65s rely more on public transfers for their income than almost anywhere else.
- Reforms of the French pension system have substantially cut future pension benefits for today's workers: by around 20% for average earners. But low earners will be protected from the reduction through stronger safety-nets.
- Coping with high public pension expenditures and population ageing will require working longer and a more diversified retirement-income system, including more private provision.

Older people's incomes

On average in OECD countries, just over 60% of older people's incomes comes from public sources. A little over 20% comes from private pensions and other individual savings and just under 20% from work (either employment or self-employment). In France, people aged over 65 are more reliant on public funding for their incomes – through public pensions and safety-net benefits – than all OECD countries bar Hungary.

In a range of other European countries – Germany, Italy, Spain and Sweden, for example – private income sources have double the share of old-age incomes as in France. And in eight OECD countries, among them Japan, the Netherlands, the United Kingdom and the United States, less than half of old-age incomes comes from public sources, on average.

1 The role of public funding in providing old-age incomes



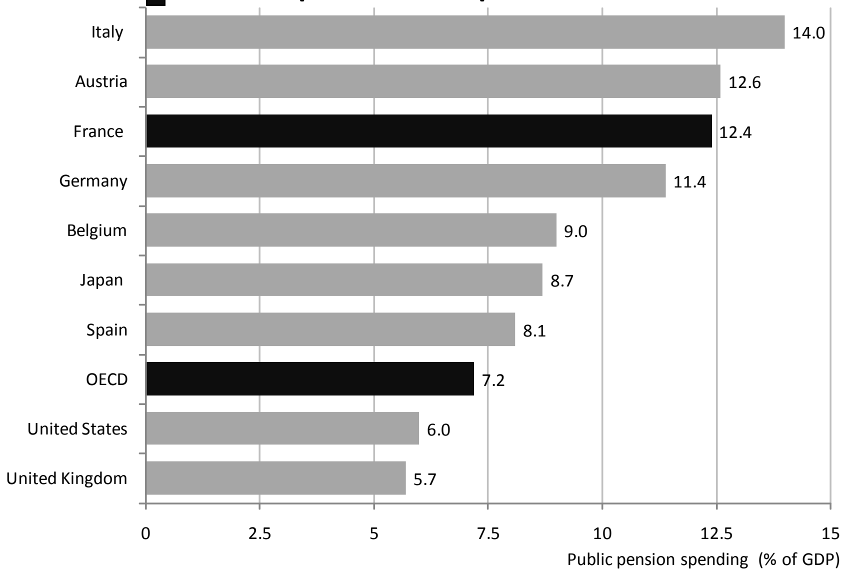
Note: the OECD average is computed using the 27 out of 30 countries for which data are available.

Source: OECD (2009), *Pensions at a Glance: Retirement-Income Systems in OECD Countries*, Figure 2.3; see OECD (2008), *Growing Unequal?*

Public pension spending

This reliance on public sources of old-age income means that public spending on pensions in France is the third highest in the OECD. The 12.4% of national income spent on public pensions in France is much higher than the OECD average of 7.2%, and less only than Austria and Italy. Public pensions account for 23% of general government expenditure in France, compared with an OECD average of 16%.

2 Public expenditure on pensions in 2005



Source: OECD (2009), *Pensions at a Glance: Retirement-Income Systems in OECD Countries*

Priorities for retirement-income provision

"Providing financially sustainable pensions will require an increase in the effective retirement age in France", said Martine Durand, Deputy-Director for Employment, Labour and Social Affairs at the OECD. France has among the lowest effective retirement ages in OECD countries. Policies to increase this – extending the number of contribution years needed for a full pension, changes to adjustments for early and late retirement (the décôte and surcôte) and labour-market measures in favour of older workers – have not been very successful so far. The situation for older workers may well deteriorate further in the short-term due to the economic crisis.

Public pensions for workers entering the labour market today will be significantly lower than those offered to their parents and grandparents. Voluntary, private provision for old age will also be needed to maintain living standards in retirement in the future.

3 Key facts

		France	OECD
Pension replacement rate	Average earner (%)	53.3	59.0
	Low earner (%)	61.7	71.9
Public pension spending	% of GDP	12.4	7.2
Life expectancy	at birth	80.9	78.9
	at age 65	85.4	83.4
Population over age 65	% of working age population	28.0	23.8
Average earnings	EUR	31 000	28 600

Note: replacement rate is pension entitlement from all mandatory sources of retirement income relative to individual earnings. Calculations for a full-career worker entering the labour market in 2006. Low earner is assumed to earn 50% of the average.

Source: OECD (2009), *Pensions at a Glance: Retirement-Income Systems in OECD Countries*

Notes to editors

Pensions at a Glance 2009:
Retirement Income Systems in OECD Countries

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