



The Dilemma of French Retirement System Reform under Macron's Administration and Implications for China

Shiqi Meng

Department of French, Shenzhen University, Shenzhen 518000, China

2020076032@email.szu.edu.cn

Abstract. The retirement system has always been an essential topic in social livelihood issues in all countries. The French retirement system has undergone a long reform process, but the fiscal deficit, social aging, and other problems have never been solved. In 2023, Macron's government launched the seventh reform of the retirement system in the history of France. As with every previous reform, the plan was met with fierce protests in January, with millions of people striking in the streets. Without conflicts between the Macron government's determination and the people's demands, the government's financial woes, the conflicting interests of various welfare groups, individual versus collective, and the ultimate determination of leaders are all factors holding up the reform of the French retirement system. At the same time, France can also try to alleviate the current social problems of fiscal deficit, aging population, and low employment rate from other perspectives, such as expanding taxation, introducing immigration, and changing employment patterns. China's retirement system reform is also being gradually implemented, and the government has proposed to extend the retirement age for men and women, respectively. French experience has a crucial significance for China. Drawing on France, China can avoid hidden crises and learn practical ways to push reform.

Keywords: Retirement system; France; Reform dilemma; Aging society.

1 Introduction

Although the French retirement system was only established in the 20th century, its distinctive features have been gradually reflected in early history, starting from the sailor industry of Louis XIV in the second half of the 17th century and then extended to the military, royal employees, clergy and other professions, with the royal family bearing their retirement costs ^[1]; then in the 19th century, to encourage more people to engage in production, the government granted unique retirement benefits to some professions related to the industry. After the end of World War II, the modern French retirement system was established, and various industrial groups were generally included in the design, which gradually improved as history progressed.

The French retirement benefit system's fragmented nature is due to how the

distribution is refined for different industries. Established at the beginning of the Golden Decade (1945-1975), it was essentially a “pay-as-you-go” model in which the working population paid a certain amount to the retired people. That was a great test of social solidarity. During these 30 years, the large proportion of employment and high social productivity significantly contributed to the economic explosion, allowing this “pay-as-you-go” method to create a financial chain between workers and retirees effectively. The “fragmentation” characteristic has entitled people in all sectors to receive specific benefits, and society functions well.

However, after 1975, French society entered a phase of economic slowdown, the aging problem was exacerbated, and the employed population decreased so that there was a higher percentage of unemployment. As a result, fewer people were paying pensions, and heavier pressure on government finances caused an imbalance between revenues and expenditures that has become very serious. In 2021, as a significant area, social security will account for 41.6% of the French government's public service spending [2]. According to forecasts, the retirement system is already extremely fragile, with an annual pension deficit of \$15-24 billion from 2022 to 2032 [3].

The disadvantages of the fragmented French retirement system showed that things that worked so well during the golden thirty years have yet to be adapted to the current national situation. The distribution is confused; the existing “pay-as-you-go” model is on the way to solidifying. Reform is the only way to go. But severe fiscal deficit, people's determination to protect their welfare, and the economic slowdown or even stagnation of French society make it challenging to pursue. The government has to face the difficulties. It is still uncertain whether the social-environmental factors and relevant international policies can reinforce the system on thin ice, carry it out and reap success.

2 Basic Information about the French Retirement System

Looking at the retirement status of other European countries, Germany, Italy, and Denmark provided a retirement age of 67 years old, and Belgium 65 years old. 62 years old in France is generally lower than in others. Premature retirement brought pressure on pensions. And French society's aging, unemployment, and other problems are worsening. According to the French national data survey platform INSEE, between 2002 and 2023, the proportion of the French population aged 20 to 64 years old reduced from 58.5% to 55.2%, while the population of 65 years old and above rose from 16% to 21.3% [4]; and the average life expectancy of men and women is also increasing, reaching 85.2 years for women and 79.3 years for men [4]. The early retirement and the long life expectancy of the French population meant that many older people who took pensions overhung the government fiscally. The mechanism has been in place for a long time.

The relevant departments have attempted six reforms: the first “Balladur reform” in 1993, followed by reforms in the years of 1995, 2003, and 2008, the “Sarkozy reform” in 2010, and “The Hollande reform” in 2013. Zhao Yongsheng, director of the French Economic Studies Center at the University of International Business and Economics and a doctoral fellow at Sorbonne University in Paris, witnessed the Sarkozy-era

reforms and the current one. He said, “After the general strike, former French President Sarkozy succeeded in raising the retirement age to 62, but the ultimate cost was his failure to be re-elected ^[5].” Conversely, Macron is already re-elected president in 2022 and will be able to go ahead with reforms firmly in his second term. Zhao Yongsheng predicted: “The French government might delay the retirement age directly and forcibly. A special clause in the French constitution allows it to implement the policy without going through parliament ^[5].”

As defined in the introduction, the French retirement system can be generally divided into a special and unified one. It seems like the different criteria for different professions, and the special one permits some public sectors an early retirement, a short pension contribution period, and good welfare. The three primary sources of pensions: firstly, the most important for funding is the “pay-as-you-go” system mentioned above; secondly, the re-distribution is used to balance the unequal benefits in each sector, sometimes by transferring funds from different branches to operate in other industries. Those two fund sources require high social solidarity, with the collective interest taking precedence. The last way is the usual taxation route, of which a share is taken for the pensions.

3 Basic Elements of Macron's Retirement System Reform

On 10th January 2023, the French government announced its initial reform plan for the retirement system. They aim to rescue its fiscal horror, ease the pressure on social pensions, and enable a buoyant social economy by extending the work time, collecting pensions two years more from the working population. Since Macron was elected president in 2017, he has advocated a deferring age from 62 to 65. After being rejected in 2019, the government renewed its concessions: the retirement age will be postponed to 64 starting in 2030, while the pension contribution period will be extended from 41 to 43 years starting in 2027.

The core of the 2019 French retirement system reform is to create a unified points system, cancel many special arrangements, and eliminate inequalities between different occupational groups ^[6]. The three main objectives of 2023 are “justice, balance and progress”, which aims to abolish unique institutional benefits, to guarantee fair retirement rights for all working groups, to reduce the deficit and achieve fiscal balance, and to promote socio-economic progress and the improvement of people’s living standards by ensuring that their purchasing power does not decrease. These three points are also crucial for France’s competitiveness in the European Union.

In addition to the measures above, it proposes supplementary benefits to reduce resistance to reform. First, it plans to raise the minimum pension to 85% of the SMIC (French minimum salary), which means a net income of 1200 euros ^[3]. Second, it would allow for the continuation of unique retirement systems in industries that dedicate themselves to public services, such as the police, the military, and other agencies of the state apparatus. Finally, the creation of an “Employment Index for the Elderly People” encourages companies to promote the re-employment of the elder, with a “Retirement Accumulation Account” to allow retirees to accumulate additional pension benefits ^[6].

4 Current Dilemma of Retirement System

Macron's government is determined to move forward with this reform, but the interests of the general public are at stake, and the reform has led to widespread strikes and protests. For the current retirement system reform, Macron and his Prime Minister Borneo encountered obstacles not only from the discontent of the working people but also from the government's poor financial performance, as well as the political game between the parties and the interest conflict of social groups. Some experts mentioned, "We do not doubt Macron's determination to reform, but when it comes to doing it concretely, it must take into account the people's livelihood, their ability to bear and the timing [7]."

4.1 Fiscal Deficit and Resistance of Popular Demands

This reform is at odds with the demands of most working groups, and the government has faced strong opposition on the issue of postponing the statutory retirement age. In the eyes of the public, especially the younger generation who have just joined or are about to enter the workforce, they must go through a longer work cycle. The extended working hours make them bear more of the consequences of social regression and environmental degradation. Ten petitioners aged 15 to 36 interviewed by *Le Monde* said, "When we reach retirement age, we will have to survive in a world of +3°C. We may also have to work a long time and receive lower pensions than elders, whose income and wealth levels are already much higher than ours [8]."

French socio-economic development is no longer rapid. Except for those who have retired and a few highly wealthy classes who have expressed their support or neutrality to the reform, the rest who will be affected by the policy have mainly shown a solid willingness to oppose it. They have demonstrated distrust in the government's future goal of restoring fiscal balance and boosting economic growth. Under the long-term economic downturn, it is difficult for France to return to the high growth rate of society, and the social structure and financial situation are deeply troubled. Therefore, the road to reform won't be smooth.

People have a strong sense of disparity. In France, a developed country in Western Europe, the high welfare per capita policy promoted people's demands for rights and quality of life. When the reform is introduced one by one, people's interest once enjoyed is gradually reduced, and the growing sense of gap caused people to resist the policy strongly.

The expression of democratic opinions has an essential impact on policy implementation. Because of French distinctive democratic words, the introduction of policies is closely related to the views of citizens, and people often choose to express their public sentiments and opinions in radical forms such as demonstrations and marches, which put a lot of management and decision-making pressure on the government, reducing administrative efficiency. Many reform plans were aborted as a result. Therefore, in this newly launched retirement system reform plan, the contradiction of the public's demands directly affects the concrete implementation of the plan.

4.2 Game of Interests and Political Mindset

As a multi-party state, France is inevitably characterized by ideological conflicts and games of interest between the ruling and opposition parties. Right after Macron's government launched its reform proposal, the opposition parties encouraged unions to organize strikes because they claimed that the current government had exaggerated the fiscal deficit and made grossly inaccurate statements about the risks of the retirement system, hoping the citizen to defend their well-being. They pointed out that instead of carrying out the so-called reform in a way that would harm the public interest, they should find other, more effective ways to open up sources of income.

In other words, the cheese of unique retirement system industries will be shared. The French public sector and other special ones initially enjoyed shorter working hours and more generous retirement benefits than others. The pursuit of social welfare fairness will inevitably reduce their gifts and lead to dissatisfaction within the industry.

The public will vote for the former in a conflict between individual and collective interests. Among the three essential funding sources for French pensions, the "pay-as-you-go" system and the transfer of benefits between sectors are a high test of the solidarity of society as a whole. In times of economic prosperity, when individual interests are met, society can pull together. However, when the structure of society changes and economic development hits a snag, individual interests have to be curtailed to meet the collective good. In the retirement system reform, workers need to pay more to support the retired group who no longer need to work. Despite the rationality of the policy, it is human nature that individuals will resent this sacrifice. Facing France's "vote politics", people still use their votes to express their will and pursue policies that are in their personal, rather than collective, interest. This kind of conflict not only shakes social unity but also hinders the implementation of reforms that would benefit the country's overall social livelihood.

In this form of democracy, reform is also a test of the mindset of the politicians in charge, of whom ability and charisma are definitively needed. The people now fiercely opposed to policies are likely to become voters in the next political election and vote against the leader, who will not be re-elected or even leave the political arena.

In the past six changes, former French President François Hollande and Sarkozy provided us with suitable examples: Sarkozy was pushed out of the presidency by voters because of the popular resistance to delaying the retirement age to 62 and then suffered several prison sentences due to the detection of corruption, and his political career was cut entirely short. His successor, Francois Hollande, won the election with a guarantee that the retirement age would be lowered to 60, which was supported by the public. After he became president, Hollande was forced to renege on his election promise to bring the retirement age back to 62 because of the pressure on government finances and the seriousness of the aging problem in society. Consequently, the public cursed him, and he was also not re-elected.

And under Macron's government, he was successfully re-elected as French president in 2022, followed by the new retirement reform measures in 2023. Although, in the current view, everything cannot shake his determination, if the tug of war with the public always performs, it is unclear whether he cannot compromise.

5 Other Responses to Current Problems

On the one hand, in addition to retirement measures, the French government, for its part, can also try to find other ways to alleviate the financial pressure and boost economic growth: they can appropriately raise taxes for specific industries, for some highly profitable ones, such as luxury goods, those harmful to environmental protection and health, like the automotive industry, manufacturing industries with high CO₂ emissions, etc. As well as consumer goods that are addictive and have adverse effects on the human body---the tobacco industry. This will increase the fiscal revenue, effectively slow down environmental pollution and maintain human health.

In addition to industry tax revenues, income generation from employed people is equally important. Compared to some other EU countries, from which France has an overall high unemployment rate, it should be improved by learning.

For one thing, try to change the employed mode and enhance the flexibility of occupational positions. In France, full-time jobs are still popular, and the model of one person with one fixed job corresponds to a limited working population. Some people are destined to lose the opportunity to compete and be excluded. Looking at the high employment rate countries, the UK and Germany have diverse employment methods and flexible working hours. In this way, they encourage the public to participate in part-time jobs to enjoy free employment mobility, giving everyone as opportunities as possible.

Secondly, the specific policies support the unemployed people and retrain them. Before the government pays monthly subsidies to the unemployed, they can try to set up a prerequisite to receiving job retraining, teaching people how to feed themselves. So that the unemployed can re-enter the social occupation as much as possible and create economic value.

Many of the female population have to balance family and work and cannot work full-time hours, so they sometimes have to quit their jobs and stay at home, making up a high percentage of the unemployed population. Unlike France, where part-time jobs are still considered irregular, the Netherlands, as one of the best-performing countries in Europe, has converted most of its jobs to part-time mobile employment, resulting in an employment rate of 78%^[9], with a female labor force participation rate of 75.3%, of which 78.7% say they are satisfied with their current working hours^[9].

In addition, gender discrimination and stereotypes are also reasons that prevent some women from participating in the workforce. Although all European countries have policies and laws against gender discrimination, the situation varies from country to country based on historical traditions and social attitudes. For example, compared to the Nordic European countries, which have been at the forefront of gender equality, women's labor force participation rate and social status in Southern European countries are much lower^[10]. France will also have to face this topic. The government should take the responsibility to strengthen the awareness and education of gender equality and introduce relevant policies to guarantee women's right to work and income equity.

On the other hand, immigration policies could be adjusted to the long-standing problem of an aging population. In recent years, France has admitted many immigrants from North Africa and elsewhere. However, the French government still has to think about

how to manage them orderly and how to make the labor force of the immigrant population contribute effectively to the government's financial problems.

The government can consider immigrants as a complement to the market labor force and includes them in higher education and the social security system so that immigrants are not only in the marginal labor sector but also encouraged to more professional fields. This will enable them to be "self-sufficient and self-reliant", balance the government's financial expenditure on medical aid and livelihood assistance, and boost the population's employment rate. What's more, the government's talent policy, which actively brings in and encourages immigrants to stay in France for a long time, will help the proportion growth of young workers, increase tax revenue, slow down the aging process, and energize the "pay-as-you-go" funding of the existing French retirement system.

6 Implications for China

In China, the retirement system is also essential for the government and the people concerned. In some aspects, the situation in China is similar to that of France. Since its reform and opening up, China has entered a fast-growing society, but the aging problem has also emerged: the proportion of people over 65 years old will increase from 9.4% in 2012 to 14.2% in 2021^[11].

In response, China's retirement reform measures in recent years have also focused on postponing the legal retirement age and extending the pension insurance contribution period. The French reform and development experience is an excellent inspiration for China. While studying the evolution of Western systems and ideas, China implements the good ideas in its context, reflecting on the causes and avoiding the risks of their limitations and drawbacks, thus allowing efficient development through mutual learning.

Regarding retirement system reform, first of all, China and France have maintained a continuous and moderate approach to reform. In terms of effectiveness, the phased delay of retirement time can bring an uninterrupted socio-economic cushion without causing public discontent to boil over from a one-time move. The reform is steady and gradual, and it is by achieving one short-term goal that the reform can reap the ultimate results.

Second, the system should be universal and avoid a "fragmented" distribution. The French retirement system has too many branches, which will gradually slow down the efficiency of distribution, adding to the already downward economic and social problems; the unfair distribution among various groups will become more and more prominent, and the conflict between the parties will increase the burden of government management and become a great resistance to future reform. Therefore, in China's reform, we should insist on the relative unity of the system and not make many special rules by dividing it too much.

Finally, China should insist on the multifaceted preparation of pension funding sources. As countries develop, the proportion of the working population gradually falls short of the balance of the retired population. France has focused too much on relying

on workers' pension contributions and the turnover of the distribution gap between groups so that the fiscal imbalance grows as the social structure shifts and fails to adjust in time. Diversifying the funding sources and preparing for the budgetary deficit would be better.

Regarding aging and employment, France has a large immigrant population, and effective management policies to promote the employment of immigrants can inject new vitality into its labor market. At the same time, China focuses on the "three-child policy" to encourage childbirth, in line with its large population base, with a view to the workers over the aging population in the future. This could be complemented by a policy of introducing foreign talent into the tax system.

In terms of employment patterns, both France and China are dominated by full-time standard jobs, with part-time jobs being less secure and less well-paid. In recent years there has been a continuous increase in the number of unemployed people in China. In the more intense competition brought about by the large population, more people are constantly excluded from the market. It is essential to adjust the flexibility of working hours and forms. Gradually expanding part-time jobs in terms of specific sectors, improving part-time pay and security, allowing workers to be mobile, and giving as many people as possible the opportunity to be productive while balancing work and life, will bring about a structural and innovative transformation of the job market and promote social development.

7 Conclusion

After three decades of rapid development, French society has experienced problems such as economic recession, uneven fiscal balance, and an aging society. These problems confirm shortcomings of the pension system in the social security field: excessive fragmentation, unfair distribution of benefits, and imbalance of the "pay-as-you-go" system. Therefore, the French government has made several reforms. During Macron's term in office, he proposed to extend the retirement age and pension contribution period again, abolish some unique benefit systems to maintain the fairness of rights and raise the minimum pension rate, among other key initiatives.

Every reform of the French retirement system has experienced numerous obstacles throughout its history, and this time is no exception. The government is facing a shaky financial situation, conflicting values and interests of parties and groups, and fierce resistance from the public. As one of the objectives of the reform, improving the imbalance between revenues and expenditures and the social aging structure may also be carried out in a multi-channel way by raising taxes on specific sectors, introducing policies related to immigration, and changing employment patterns. The difficulties must still be overcome through coordination and consultations between the government and various parties. We still need to wait and see whether Macron will compromise with public opinion and whether the reform can be implemented smoothly and effectively.

At the same time, for China, which is also focusing on pension system reform, the French experience undoubtedly plays a vital role in inspiration. China should learn from the shortcomings of the "fragmented" system and pay attention to the relative unity of

the system; gradually postpone the retirement age year by year and insist on the continuity of reform; from the French solutions to aging problems and high unemployment rate, China can also learn to introduce immigrants to adjust the proportion of the working population, and enhance the employment rate of the flexible job model. By removing the disadvantages and taking the advantages, China can develop a reform path that suits its national conditions and socialist characteristics.

References

1. Wang, Z. (2020) The evolution of the French retirement system and the dilemma of reform. *People's Tribune*, 11: 135-137.
2. INSEE. (2022) Government Expenditure Structure--Annual Data 2021. <https://www.insee.fr/fr/statistiques/5235216>
3. Retraite.com. (2023) Pension reform: The passage by the 49.3. <https://www.retraite.com/reforme-retraite/>
4. Papon, S., INSEE (2023) Demographic Review 2022. https://www.insee.fr/fr/statistiques/6687000#figure6_radio2
5. Feng, D.F., Gao, Y. (2023) France intends to extend the retirement age to 64 years old Why is Macron's government so determined? *China Business Daily*, A05(06/02/2023). 10.28207/n.cnki.ndycj.2023.000467
6. Zhang, J.L. (2023) The double crisis behind the reform of the French retirement system. *World Affairs*, 05: 46-48.
7. Wang, W. (2023) French government announces retirement system reform plan. *Legal Daily*, 006(16/01/2023). 10.28241/n.cnki.nfzrb.2023.000321
8. Le Monde. (2023) Pension reform: "We don't want this world that glorifies 'work value' but creates exclusion and destroys the planet." https://www.lemonde.fr/idees/article/2023/02/07/reforme-des-retraites-nous-ne-voulons-pas-de-ce-monde-qui-glorifie-la-valeur-travail-mais-qui-cree-de-l-exclusion-et-detruit-la-planete_6160825_3232.html
9. Liu, Y.C. (2020) Research on European Labor Market Transition—Problems Countermeasures and Lessons. *Journal of Technical Economics & Management*, 10: 99-105.
10. Chen, G.J., Li, L.Y. (2018) The Problems and Countermeasures of EU Women's Employment Policy. *Laodong Baozhang Shijie*, 33: 11-11+17.
11. Central People's Government of the People's Republic of China website. (2022) National Aging Development Bulletin 2021. http://www.gov.cn/xinwen/2022-10/26/content_5721786.htm

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

