European Employment Observatory

EEO Review: Employment policies to promote active ageing, 2012

France

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1. Introduction

In 2012 there were 7.9 million people aged between 55 and 64 years old in France, according to Eurostat data, which represents 12.8 % of the total population. Between 2008 and 2010, the population aged between 55 and 64 increased by 5.3 % (particularly people aged between 60 and 64 years old) while the whole population increased by only 1%.

At EU level, the increase in the population aged between 55 and 64 between 2008 and 2010 is lower than France at 3.5 %, while the whole population of the EU increased by 0.6 % during this period. However, the proportion of people aged over 65 is larger at EU level than in France (17.3 % of the total population compared to 16.3 % in France).

France is well-known in Europe for having a very low employment rate amongst people over the age of 55. Yet when the data is considered more closely, the gap is less significant than it was in the past, compared with the EU average.

Firstly, even if France is some way from achieving the Lisbon objective of a 50 % employment rate amongst 55-64 year-olds, the French employment rate for people aged over 55 is now close at 40 % (against 46 % at EU level), with an increase of 10 percentage points (p.p.) over the last decade (against 8 p.p. at EU level). Secondly, the French employment rate is very high for those aged between 25 and 54, at around 3.5 to 4 p.p. more than the EU average. After the age of 55, the fall in the employment rate is notable in France, but quite similar to the figure for the EU: in 2010, the employment rate of 55-59 year-olds was approaching 60.6 % in France against 60.9 % at EU level. While the employment rate of 55-59 year-olds grew by 1.9 p.p. at EU level between 2008 and 2010, a greater increase was registered in France (4.3 p.p.).

Nevertheless, the employment rate amongst those aged over 60 presents more of a problem for France: here there is still a strong disconnection. While the EU employment rate reached 30.5 % for the 60-64 age group in 2010, the rate in France was 17.9 % in 2010 for the population aged between 60 and 64 years old. The same situation stands for the employment rate of people aged over 65: 10.2 % at EU level against only 4.2 % in France. One positive aspect can be noted comparing 2008 to 2010. French growth is higher than growth at the EU level: an increase of 1.6 p.p. for the age group 60-64 and 0.4 p.p. for those aged over 65 against at EU level an increase of 0.4 p.p. for the 60-64 age group and 0.2 p.p. for the over 65s, even if it is indisputably not enough to compensate for the delayed progress in France.

Looking at the question of gender, the French situation is a little ambiguous. On the one hand, the employment rate of older male workers is far below the EU average in 2010: 64.2 % for 55-59 year-olds against 69.5 % at EU level and 19.1 % for 60-64 year-olds against 38.2 % at EU level and for the over 65s, the employment rate reaches only 5.3 % in France against 13.2 % at EU level. On the other hand, the situation for French women is better than it is at EU level, with not only a higher employment rate for 55-59 year-olds than at EU level (57.2 % against 52.8 % at EU level), but a stronger growth of the employment rate for this category over the last three years (an increase of 3.4 p.p. for France against 3.1 p.p. for the EU). After the age of 60, as is the case for older male workers, the employment rate of older female workers is falling, even if the gap is not as large (16.7 % in France against 23.4 % at EU level) compared to that amongst male workers. Indeed, at 60-64 years old, a difference of 19
It is quite clear, to summarise, that on the one hand, efforts must be made for the future to improve the employment rate of older male workers and more particularly amongst those aged from 60 to 64 years old. But, on the other hand, the low unemployment rate for people over the age of 55 which characterised the French situation (7 % for 55-59 year-olds and 5.2 % for 60-64 year-olds, against 7.3 % for 55-59 year-olds and 6 % for 60-64 year-olds at EU level) can be explained by the higher volume of earlier retirement. As a result, the main reason given by the inactive population over the age of 55 in France for not seeking employment is overwhelmingly retirement (98 % for people aged between 55 and 64 against only 58.5 % at EU level, according to Eurostat data).

In this context, it is important to note that the French definition of an older worker is not different from the EU definition, but that the French labour market reality is that workers aged over 50, rather than 55, are considered ‘older workers’. For example, a study published in March 2010 by Bearing Point and IFOP showed that according to human resource managers in the biggest French companies, ‘becoming an older worker starts at 50.6 years old’. In this context, French companies are reluctant to recruit people over the age of 50, and with the crisis, recently implemented social restructuring plans introduced age measures in a high proportion, even during the last months while older workers agreements were concluded (see below). At Renault, a recent agreement has set retirement at 57 years old for workers who have been in strenuous occupations. At Rhodia, retirement can start at 60 years old, i.e. two years before the new legal age of retirement (62 years old). From the individual’s point of view, leaving the labour market earlier is still considered to be a social advantage. In recent months, French Dockers have been trying to fight to keep the conditions given in the context of the new Port Act, i.e. the possibility to retire at 58 years old. The social advantage was not completely maintained, but the Government negotiated retirement at 60, meaning two years before the new legal age.

From the point of view of Pôle Emploi, the French Public Employment Service, older workers are people over the age of 50 and in this context, some recent trends amongst unemployed people over the age of 50 are quite questionable: in September 2010, the number of people aged over 50 registered at Pôle Emploi in category A had increased by 16.2 % compared to the year before, against 3.7 % for all ages in category A and in September 2011 there was again an increase of 14.3 % compared to the year before, against only 3% for all ages in category A. As a result, in September 2011, 572 300 unemployed individuals over the age of 50 are registered in category A and 835 500 in categories ABC.

2. Overview of recent reforms relating to pensions and benefits for older workers

Different types of reforms have been undertaken over the past years, which mainly fall into three categories: 1) reforms relating to active labour market policies (ALMPs), 2) reforms relating to benefits for older workers and 3) reforms relating to pensions.

1) Reforms relating to ALMPs

Regarding the low employment rate of older workers, a concrete first action plan was launched by the Government in 2006 and covered the period 2006 – 2010. The plan included softening rules on contractual arrangements, such as the creation of a temporary contract
dedicated to older workers, the ‘CDD senior’, in August 2006, following a national agreement amongst the social partners on 13 October 2005 in relation to the employment rate of older workers. The ‘CDD senior’ is mainly dedicated to unemployed people over the age of 57 and can be concluded for a maximum of 36 months. However, since its implementation, the CDD senior does not seem to have encountered a great success. No evaluation has been made at this time.

In addition, the labour market modernisation act of June 2008 made it possible to terminate a contract on a common basis through a procedure called a ‘conventional rupture’. The measure, not dedicated specifically to older workers, has had considerable success, especially in allowing people to retire earlier. Some experts are speculating that conventional ruptures are being used as an early retirement measure, financed by the unemployment insurance system, mainly by big companies. A recent study published by the research department of the Ministry of Labour (DARES) confirms this hypothesis, showing the use of conventional ruptures for older workers proportionally more in companies with over 50 employees and particularly in companies over 250 employees. In contrast, companies with fewer than 50 employees, which frequently use conventional ruptures, do not target older workers specifically. It is important to note that between August 2008 and April 2011, more than 565,000 ruptures were implemented. According to Pôle Emploi, 20% of new unemployment registrations following this measure relate to a person over the age of 50.

Again in this field, the retirement act of 2010 established a form of financial assistance for companies, which they are given over one year when they recruit unemployed people over the age of 55. However, in the end, the measure was replaced in spring 2011 by a new financial assistance of EUR 2,000 offered to employers when recruiting unemployed people aged 45 and over using a ‘contrat de professionnalisation’, together with an exemption of social contributions when the contract is concluded. The retirement act also established a new deduction for the costs of tutoring between a junior and senior member of staff, which are fully deductible from the professional training tax.

In the field of collective agreements and under pressure from the Government, enterprises with over 50 employees were obliged to conclude before January 2010 (April 2010 for companies with between 50 and 300 employees) an agreement to implement an action plan relating to the employment of older workers. If not, financial sanctions (1% of total wages) were to apply. The agreement had to include quantitative objectives relating to recruiting or maintaining in employment older workers, proposed measures to achieve these objectives, and a monitoring system. The threat was quite effective since a few months after, in September 2010, 33,900 agreements and action plans were in place at company level. Meanwhile, 80 agreements were concluded at branch level. At the end of 2010, in total these agreements covered 12 million employees. As a result, only 250 companies, according to the Ministry of Employment, were affected by the tax penalty. A first evaluation of the measure is made in the next section (Assessment of active ageing policies).

2) Reforms relating to benefits for older workers

The French insurance benefit system is very generous, with a high net replacement rate (over 60%) and a high duration of affiliation. Its generosity is specifically notable for people over
the age of 50. The system functions proportionally to the duration of affiliation\textsuperscript{1}, with a minimum duration of benefit payments of four months and a maximum of 23 months and with no digression during 23 months of compensation. Yet people over the age of 50 can benefit from compensations during a period of 36 months (13 months more). It is important to note as well, that compensations are fixed at the level of the last 12 months remuneration, which puts older workers in a better position than people under the age of 50.

In terms of recent reforms regarding the low level of employment among French older workers, the August 2008 law relating to unemployed people’s rights and duties included the progressive abolition of the exemption from looking for a job (dispense de recherche d’emploi, DRE) based on an annual increase of the age at which the scheme can be accessed (60 years old in 2011 against 57 years old until 2008). In December 2009, more than two thirds of affiliated unemployed people over the age of 55 were exempted from looking for a job. However, the exemption was completely abolished at the end of 2011: with effect from January 2012 - no one can be exempted from looking for a job from the beginning of 2012.

For many observers and labour market experts, the important increase of unemployed older workers over the last months is a consequence of this decision. Unfortunately, the step was decided at a difficult time, in the context of the crisis. In 2008, before the legislation was introduced, more than 400 000 people were in DRE. At this time, the Government thought that the improvement of the economic situation could occur in 2010, which explains why it chose to implement the reform over the course of three years (2009 to 2011). However, the reality was different and since 2008, unemployment among people over 50 years old has dramatically increased: there were 872 700 unemployed people over 50 years old in December 2011 in categories ABC, compared to 755 700 unemployed in December 2010 (an increase of 120 000 over one year). Henceforth, the volume of unemployed people over 50 years old is for the first time larger than the volume of unemployed people under the age of 25 (643 500 at end of December 2011).

3) Reforms relating to pensions

The main reform of recent years is the Retirement Law of November 2010, which enacted a progressive increase in the legal age of retirement (four months by generation) and also a progressive increase in the average age to claim a full pension (four months per year, to 67 years old in 2023). For example, since 1 July 2011, the legal age is 60 years and 4 months for all insured people born after 1 July 1951. However, the prospect of economic recession expected for the end of 2011 and beginning in 2012 has recently accelerated the implementation of the law: included in the Government anti-crisis plan at the end of 2011, the legal age for retirement at 62 years old will be compulsory from 2016 or 2017 while it was initially applicable in 2018. This means that the effective retirement, today fixed at 65 years old but established at 67 years old in 2023, will be implemented from 2022. The Government expects positive results in relation to public debt (a fall of EUR 4.4 billion in 2016 and EUR 7.1 billion in 2017). Finally, the legal age of retirement at 62 years old and the entitlement at 67 years old for a full pension will be applied to people from the 1955 generation rather than the 1956 generation, as the retirement act foresaw initially. These changes will be included in the Corrective Finance Act for social security for 2012.

\textsuperscript{1} It is compulsory to have worked for a minimum period of time to be affiliated, i.e. four months during the last 28 months.
Retirement reform, which has increased the average retirement age, introduced some difficulties for unemployed people on the borderline, particularly those arriving at the end of the benefit system before the legal retirement age or without enough contributions to retire. For people not reaching the new legal retirement age, the Government took the decision last summer to create a new allowance, called the ‘solidarity transitory allowance’ (l'allocation transitoire de solidarité, ATS) which amounts to EUR 1 000 for unemployed people born between 1 July 1951 and 31 December 1953. For those missing contributions, some specific arrangements can be proposed by the public employment service.

It is important to note also that the retirement act defined what could be possible for early retirement and linked it to individual criteria. The law has returned responsibility for preventive measures to the branches in their older workers agreements. In most cases, employers are opposed to this idea of collective agreement, but trade unions are pushing strongly to negotiate on early retirement for strenuous work. At the end of December 2011, employers’ proposals were not a source of satisfaction for trade unions. Negotiations are still ongoing even if some proposals for compensation, like the creation of time-savings accounts, have been put forward by employers.

3. Assessment of active ageing policies

At the end of 2011, an increasing proportion of companies were covered by older worker agreements, estimated at around 72% in comparison to only 44% in 2010.

A recent study published by DARES evaluates the first qualitative impacts of the older worker action plans and agreements that companies had to negotiate in 2010. This study identified a low level of creativity in companies’ agreements, which in the majority took into account only three fields of actions, while they could have explored a potential six. The fields most covered were skills development and access to training, with actions such as: commitments to facilitating training access to employees over the age of 45 (64 agreements of the 116 signed); knowledge and skills transmission or the development of tutoring with actions such as commitments to increase the number of tutors and trainers in the population of older workers (64 agreements); and finally, anticipating the evaluation of careers by using mechanisms like the individual right to training (Droit individuel à la formation, DIF), recognition of prior learning (Validation des acquis de l’expérience, VAE) or, for most of them, by implementing social partners’ recommendations to conduct careers interviews every five years after workers reach the age of 45 (63 agreements).

Fields less covered included the improvement of working conditions and preventive measures relating to strenuous work, with agreements mainly focused on a better knowledge of the strenuous work situation in companies (44 agreements), arrangements for the end of careers and transitions from activity to retirement (43 agreements). The last field, but the least covered, was recruiting older workers (only 19 agreements from the total of 116). As a result, most companies choose to maintain older workers in employment, rather than recruiting them. As most of the agreements were signed at branch level, commitments on the volume of older worker recruitments were difficult to make, explaining the little success in this field. Nevertheless, it can be noted that branches are more capable of being able to give some quantitative volume of recruitments when the target is young people, rather than when it is older workers.
Also, it is important to note that most agreements were decided at the level of companies/branches without input from trade unions and were only decided by employers. It is the opinion of this author that this must be changed for the next generation of agreements, because it is necessary to involve employee representatives in order to increase the quality of the agreements and to make sure that trade unions share same the key issues.

As a result, at the end of 2011, actions plans and agreements signed by companies did not have an impact on trends in unemployment among older workers, which dramatically increased. On the contrary, as 80 % of agreements were focused on maintaining older workers’ employment, the large increase of unemployment could signify that companies do not respect their commitments in this field. But, on another hand, according to public authorities, the fact that the agreements made it compulsory for companies to discuss this question for the first time is a start. It is interesting to note that a lot of agreements will be renewed in 2012, before the end of the year.

There are indisputably fewer negative perceptions of older workers among companies today than there were a few years ago. According to a recent study by DARES, employers in the private sector estimated that companies’ ‘seniors’ are assets in the context of team work. Few employers expressed some fears due to an increase of ‘seniors’ in their own company and furthermore, 70 % are thankful that an increase will have a positive effect in terms of employee experience, company memory, transfer of know-how or in terms of team complementarities. Nevertheless, the main fears identified relate to labour cost (39 % of employers) and productivity (15 %).

Besides, ‘seniors’ seem to be less subject to discrimination in public policies: in 2010, the target for the recruitment of unemployed people over the age of 50 into supported contracts in non-profit sectors was 19 % and 15 % into supported contracts in the private sector, while their share of the whole unemployed population reached 17 %. Nevertheless, unemployed people over the age of 50 recruited into these kinds of supported contracts receive less support and less training than other unemployed people, with finally lower redeployment afterwards. In this context, some specific efforts must be made by the French PES to provide more support to them in their return to work.

Regarding the impacts of the retirement act and measures taken to keep older workers in the labour market in recent years, it is important to note that at the end of 2010, 558 000 persons were still benefiting from early retirement measures subsidised by public policies, limiting the impact of the retirement act on the employment rate. Nevertheless, the impact of a premium introduced firstly in 2003 pension law and then in the retirement Act of 2010, in case people choose to stay at work even if they have cumulated enough contributions to obtain a full pension, seems to be effective: according to the national pensions fund (caisse national d’assurance vieillesse, CNAV), 7 % of people carried on work in 2003 compared to 13 % in 2010. Besides, accumulated work and pension entitlements have become more attractive for people over the last decade.

Also, with the implementation of the retirement act, impacts on the volume of retirement seem to be already significant according to the audit office of the CNAV, which shows a reduction of nearly 100 000 persons in one year. To confirm, and according to a survey on labour force movements published in December 2011 by the Ministry of labour, the volume of retirements in companies with over 10 employees has decreased by more than 32 %
between the second and the third quarter of 2011. Nevertheless, there remains the question of the capacity of the pensions system to continue with the reform: the social affairs commission of the Senate pointed out that the pensions system had a record budget deficit in 2010 (EUR 10.8 billion compared to EUR 1.6 billion in 2005) which represents a growing part of the social debt. According to the Commission, there is a need for EUR 3 billion on the horizon of 2018. From a qualitative point of view, the Senate social affairs commission is very concerned about the consequences for people who have a varied career, especially women, showing that reform could be subject to questions from the new state legislature, after the presidential election in May 2012.

4. Conclusions

Since the beginning of the decade, public authorities and social partners have taken numerous measures to maintain ‘seniors’ in activity: with the 2003 law, the 2005 national social partner agreements, followed by the national action plan on older workers in June 2006, then the 2010 retirement act, the legal framework has been continuously modified to encourage more people over 50 years old into the labour market. The objective of maintaining ‘seniors’ into employment was reaffirmed in different laws, for example the law against discrimination in 2001, establishing a right to VAE in 2002 and the disability law in 2005.

In spite of successive laws, it is important to note that the balance remains quite reserved in 2012: an increasing employment rate for people over 50 years old over the last year in France, with at the same time a growing number of unemployed people aged 50 and over (nearly 1 million); improved awareness among companies, but an exclusion of social partners in negotiations at company level; a retirement act which gives exemptions to some specific sectors and does not give a satisfactory response to the public social debt in a long term perspective; French companies that are ready to focus on people over 50 years old and include them first when restructuring; and human resources employees that have agreed to consider that people are old at age 50. In this context, French public policies need to multiply efforts for the next decade to maintain pressure in this field.

5. Bibliography

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