

Preventing Ageing Unequally

How does FRANCE compare?



How will future retirees fare? The OECD report *Preventing Ageing Unequally* examines how the two global mega-trends of population ageing and rising inequalities have been developing and interacting, both within and across generations. Taking a life-course perspective the report shows how inequalities in education, health, employment and income interact, resulting in large lifetime differences across different groups. Drawing on good practices in OECD countries, it suggests a policy agenda to **prevent** inequality before it cumulates; **mitigate** entrenched inequalities; and **cope** with inequality at older ages. The report points to strong policy complementarities and synergies and thus a whole-of-government approach is likely to be much more effective than a series of separate inequality reducing policies. In particular, to ensure a better retirement for all, policies have to be coordinated across family, education, employment, social ministries and agencies.

Overview – Old age might be more difficult for post baby-boomers

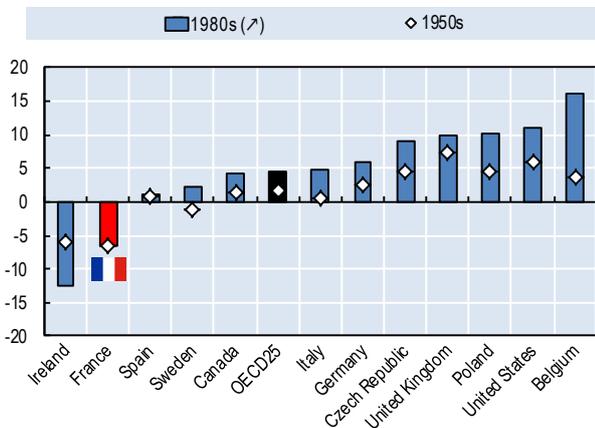
This report focuses on the interaction between two mega-trends, population ageing and increasing inequality. France is currently among the OECD countries having the oldest population, with about 34 people older than 65 per 100 people aged between 20 and 64 years. While it will age fast, the pace is expected to be much slower than in most countries thanks to a relatively strong fertility rate (2.0 against 1.6 on average in the EU). At the same time, France is amongst the few OECD countries in which income inequality has not increased from one generation to the next; on average in the OECD, it is 10% higher for the generation born in the 1980s relative to that born in the 1950s (or 3 percentage points in the Gini coefficient).

Older people fare well in France, relative to other age groups and OECD countries. Income inequality has declined sharply after age 55 on average within the same cohorts. Moreover, since the mid-1980s the average income of those aged 60-64 has grown by

31% more than for the 30-34 age group, against 13% in the OECD. As a result, the average income of people older than 65 is currently slightly higher than that for the whole population while it is 12% lower on average across OECD countries. France is in a unique position in that respect. Beyond averages, the level of income inequality among the 65+ is close to the OECD average, while relative old-age poverty rates are among the lowest together with Iceland and the Netherlands.

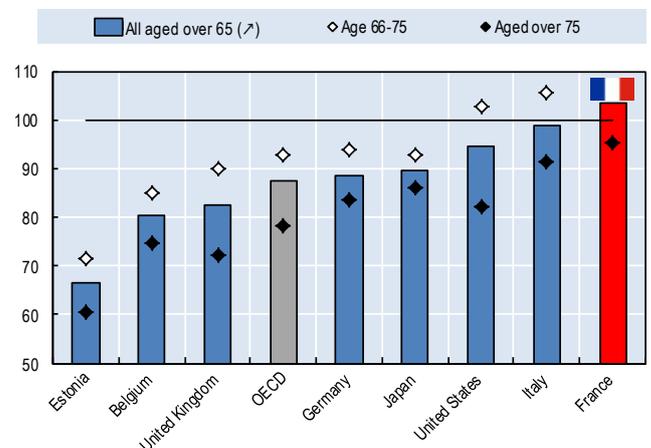
These relatively good achievements among older people are associated with high spending on old-age pension, which is also driven by a combination of high life expectancy at old age – reflecting a good overall health status in the population - and early effective exit from the labour market (60.2 years, compared with an OECD average of 64.2). In France, as in many European countries, successive reforms over the last 25 years have improved the financial sustainability of pensions. As a consequence though, pension promises have been curtailed, and in 2050 replacement rates are expected to be about 15% lower than what they are today.

Change in income inequality across generations
Percentage point change in income Gini at the same age across birth cohorts, compared to the 1920s cohort



Source: Adaption of [Figure 1.5].

Average Income of people older than 65
Percentage of total population average income, in 2014 (or latest year available)



Source: OECD Income Distribution database <http://oe.cd/idd>.

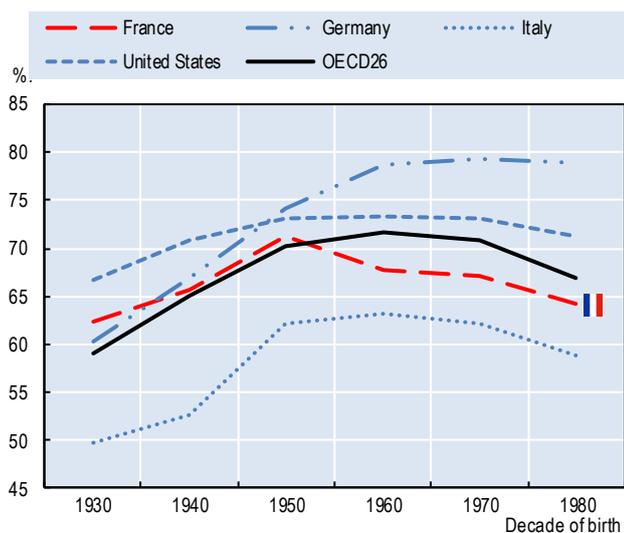
While for generations born before the late 1950s lifetime employment was higher than the OECD average, there has been a sharper fall in France for generations born since 1960. Those born in the 1980s are now estimated to have similar lifetime employment from age 20 as those born half a century earlier. This is in sharp contrast with the situation in other countries. The improvement in female employment across generations has been almost totally offset by male job losses in France.

The implication of these employment trends for the younger generations is that they might not enjoy the improved situation for current old people. Indeed, young people who have entered the labour market in France for several decades have been struggling to get a strong foothold in the job market. This will have long-lasting effects, affecting their condition in old age. In particular, there is a serious risk that ageing will be tough for the poorly educated individuals born after the mid-1960s (post baby-boomers). The report documents how losses in job opportunities at the beginning of the career – and even

disadvantages early in life - tend to cumulate their detrimental effects on health and income over the life course and at old age in particular.

There is a large potential to extend working lives after age 55 in France, especially among workers without a tertiary education. Despite notable improvements since 2000, employment still falls sharply with age for the 50+ in France. Labour market participation declines with bad health and socio-economic disparities in health status are large. Yet worsening health explains only a small fraction of the big drop in employment rates with age. While France has high participation rates until age 50-54 for individuals having a high education level, it then records a strong decline with age especially among the low-educated: from age 60, the participation rates are often the lowest compared with other population groups with the same level of health - as proxied by remaining life expectancy - in OECD countries.

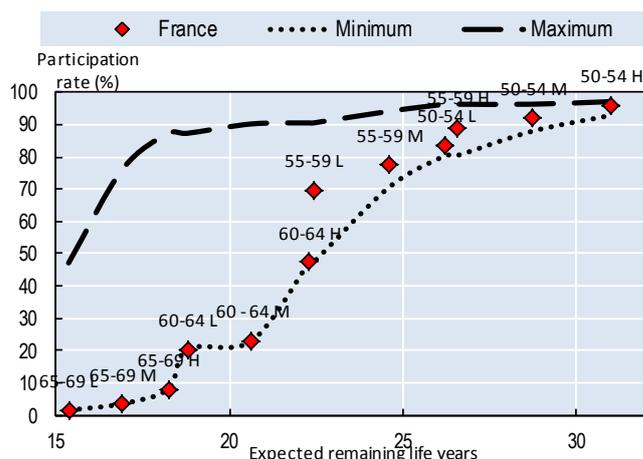
Estimated lifetime employment rates are below the OECD average for generations born from 1960



Note: Data include specifications with cohort and age fixed effects for each country. Source: OECD estimates from Luxembourg Income Survey data. See [\[Figure 3.11\]](#).

Labour market participation rate among men older than 50 years and life expectancy, by age and level of education (Low, Medium, High), 2015 or latest

France, minimum and maximum participation rates in the OECD for groups with the same life expectancy



Reading note: French men aged 60-64 with medium education levels have a remaining life expectancy of 20.7 years and a participation rate of 23%, which is the lowest among male groups in OECD countries with the same life expectancy. The maximum male participation rate with the same life expectancy is at 90% for the highly educated aged 60-64 in New Zealand.

Source: Adaptation from [\[Figure 5.11\]](#) and [\[Figure 5.12\]](#).

It is therefore likely that the older population of the future will be far more varied than today's. Although men and women will live longer, more will have undergone some spells of unemployment or unstable labour market conditions. If France does not successfully address issues faced by the youth and low-educated older workers, inequality is likely to widen in old age and the repercussions will be magnified by population ageing. In this context, it would be more efficient to tackle inequalities when they arise rather than try to remedy their consequences. It is critical in particular in France to better address inequalities in the education system, ensure a smooth school-to-work transition, limit the impact of job loss, combat long-term unemployment and remove barriers to retain and hire older workers. If decisive action is not taken, old-age support systems might have to cope with significantly higher inequalities, thereby increasing the need for their redistributive components to play a greater role.