

# Living Longer, Working Longer: A French Challenge

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## 1. Introduction and Summary

The striking increase in longevity is a new venture for humanity and a privilege for our nations as long as the aging population remains healthy and active. Many studies have amply demonstrated <sup>1;2</sup> that two important determinants ensure a successful aging: the absence of disease and the maintenance of activity including participation in the labour market.

The number of years between 50 and 70 represent a key period that determines the future of old age in terms of physical, psychological and cognitive health. The challenge is to maintain the social integration and active participation of that age group.

The experience of people over the age of 50 is vital to promote the wealth of societies. In France, as in other nations, the professional participation and financial contribution of that age group is crucial. Their economic power allows the development of new and innovative services. Their role in financially assisting the younger population guarantees an intergenerational equity and tutoring younger workers enables the essential transmission of professional skills.

## 2. Background - Demographic Trends

In France<sup>3</sup>, on January 1<sup>st</sup> 2008, 21.8% of the 61.8 million inhabitants were over 60 years of age (Table 1). The percentage of the population under the age of 60, though decreasing, remains rather high, due to the maintenance of the fertility ratio at 1.9; one of the highest in Europe.

	Population (x000)				Proportion (%)		
	0-20	21-59	60+	Total	0-20	21-59	60+
<b>1980</b>	16418,6	28155,1	9157,6	53731,4	30,6	52,4	17,0
<b>1990</b>	15719,6	30093,8	10763,6	56577,0	27,8	53,2	19
<b>2000</b>	15043,9	31673,7	12131,9	58849,5	25,6	53,8	20,6
<b>2008 (p)</b>	15219,3	33150,6	13506	61875,8	24,6	53,6	21,8

Table 1: **Breakdown of the total population by age group**-Source : adapted from<sup>3</sup>  
[http://www.insee.fr/fr/ffc/ficdoc\\_frame.asp?ref\\_id=ip1170&doc\\_id=2176](http://www.insee.fr/fr/ffc/ficdoc_frame.asp?ref_id=ip1170&doc_id=2176)

The mean life expectancy at birth and at 60<sup>3</sup> is continuously progressing up to 77.6 years at birth and 22 years at 60 for men and 84,5 years at birth and 26,9 years at 60 for women (Table 2).

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	Men		Women	
	At birth	At 60	At birth	At 60
<b>1980</b>	70,2	17,3	78,4	22,4
<b>1990</b>	72,7	19,0	81,0	24,2
<b>2000</b>	75,3	20,5	82,8	25,6
<b>2007 (p)</b>	77,6	22,0	84,5	26,9

Table 2 : **Life expectancy at various ages**. Sources : adapted from<sup>3</sup>  
[http://www.insee.fr/fr/ffc/ficdoc\\_frame.asp?ref\\_id=ip1170&doc\\_id=2176](http://www.insee.fr/fr/ffc/ficdoc_frame.asp?ref_id=ip1170&doc_id=2176)

The female advantage in life expectancy remains nearly universal and widened in the twentieth century. Precise explanation of the gender difference is not clear because of the interplay of biological and social factors<sup>4</sup>. However, this difference explains the large predominance of women in the older population over 65 across the world in 2005: 266 millions women in comparison to 207 millions men<sup>1</sup>. It must be noted that a majority of older women live in developing countries.

The same trend is observed in France: At each age and period, the mean life expectancy is significantly higher for women than for men. However, there seems to be a slight stagnation for women probably due to the increase in lung cancer in female smokers.

Births exceeded 800 000 again in 2007<sup>3</sup> as in 2006 and the average age for women's maternity has increased. The decline in marriage continues, while the "Pacs" (Pacte civil de solidarité), which may be broken more easily than marriage, attracts more and more couples. The stability of mortality enables the maintenance of a rather strong population growth. Within the European Union, France remains at the forefront in terms of fertility and life expectancy of women. As in other nations, there will be a continuous increase in the 80+ populations until 2050 (Table 3).

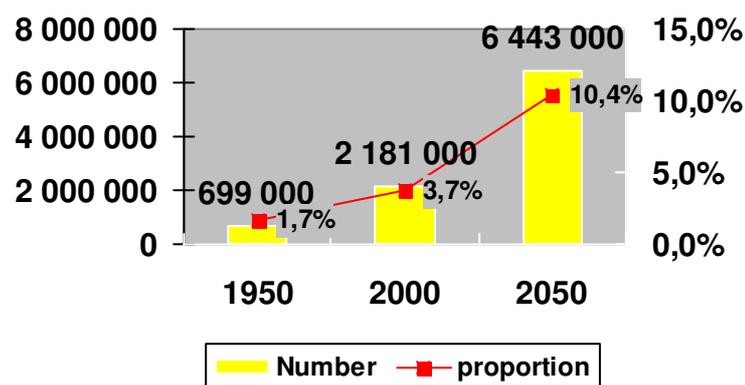
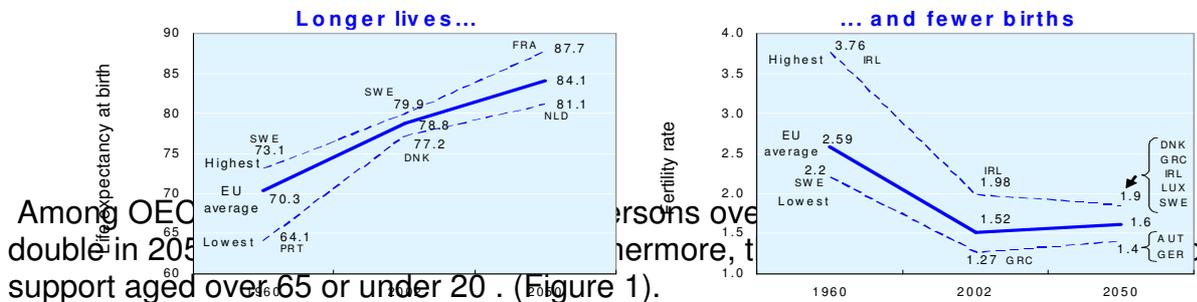


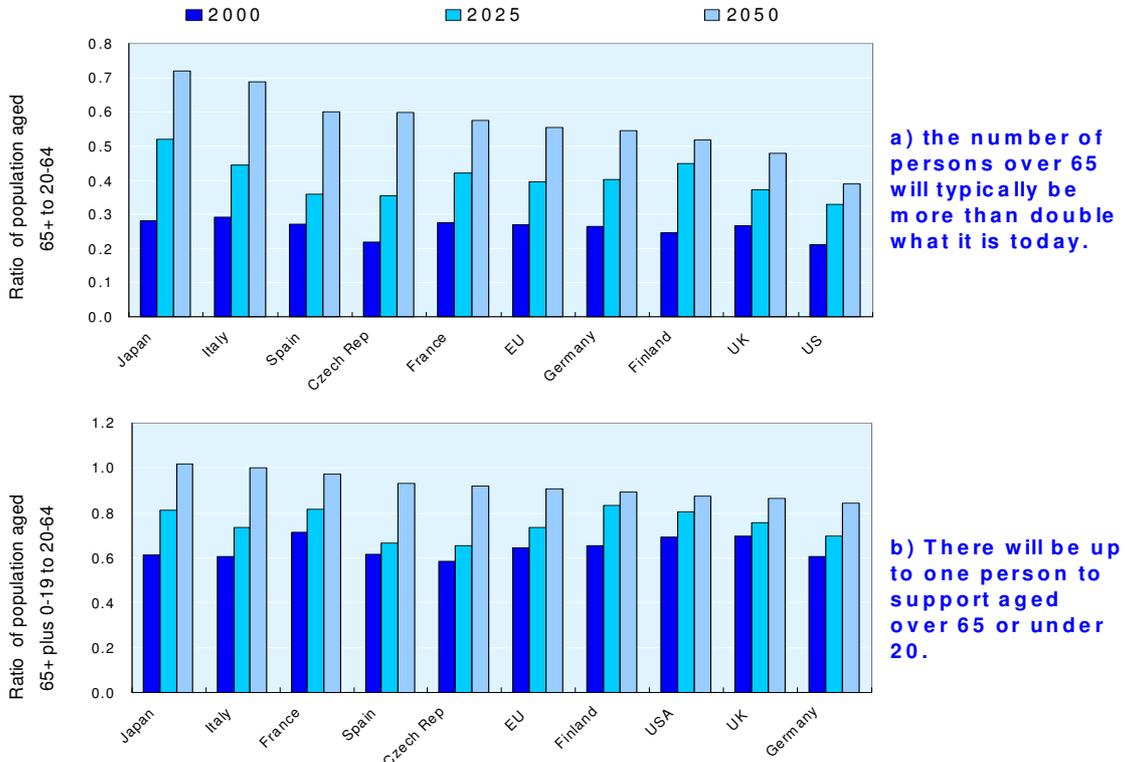
Table 3 : **Changes in the number and proportion of people aged over 80 years in France from 1950 to 2050 (from 2000 to 2050: projections)**. Source : adapted from<sup>5</sup>- <http://esa.un.org/unpp/p2k0data.asp>

<sup>1</sup> U.S. Census Bureau, International Data Base.2005 <http://www.census.gov/cgi-bin/ipc/idbagg>



Among OECD countries, life expectancy at birth is projected to double in 2050. This will mean that by 2050, for each adult aged 20-64, there will be up to one person to support aged over 65 or under 20.

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**Figure 1 : Demographic trends in OECD countries, ratio of population aged 65+ to 20-64, from 2000 to 2050.** Source <sup>6</sup> OECD "Ageing and employment policies" database- Report for ILC France- M.Keese-2005

### 3. Labor Trends

Tomorrow will be more prosperous if the older population and particularly older women are allowed to take part in the economic circuit. Women highly contribute to the economy of the country. In France they represent 46.5% of the active population in 2005 versus 35% in the sixties<sup>7</sup>. However, the rate of activity decreases significantly in the older population. In 2005, the participation rate in the labour market for the 55-64 age group was 37.9 % which is low in comparison to other countries. France finds itself at one end of the European spectrum, just ahead of Italy, while at the other end, Sweden holds a rate of 69%. However, improvement is underway: The rate increased by eight percent between 2000 and 2005. Despite this increase, France is not yet ready to meet the EU recommendations. The objective of an employment rate of 50% by 2010 set by the European Council of Stockholm in 2001 for the 55-64 age group will be difficult if not impossible to achieve (Table 4).

	Workforce		Employment rate In 2005 in %			
	Number (x000)	% of women	15-64 years			55-64 years
			men	Women	Total	
Germany	39 772	45,4	70,8	59,2	65,0	41,8
Belgium	4 518	43,7	67,9	52,6	60,3	30,0
Denmark	2 898	46,8	79,7	71,6	75,7	60,3
Spain	20 115	40,9	73,8	48,3	61,1	41,3
Ireland	2 593	48,1	69,7	65,6	67,6	50,9
France	17 005	46,5	69,0	57,4	63,1	37,9
Hungary	4 153	45,7	63,1	50,7	56,8	31,1
Italy	24 365	40,3	70,1	45,2	57,6	30,5
Netherlands	8 493	44,5	80,2	65,8	73,1	45,2
Portugal	5 488	46,1	74,2	61,7	67,8	50,3
United Kingdom	29 392	46,0	77,8	65,6	71,6	56,2
Sweden	4 586	47,8	73,6	70,5	72,1	69,1
EU -25-	114 083	44,6	70,9	55,7	63,3	41,0

Table 4: *Total workforce and employment rates 55-64 by gender in the European Union.* Source: [http://www.insee.fr/fr/ffc/chifcle\\_fiche.asp?ref\\_id=CMPFPS03138&tab\\_id=200](http://www.insee.fr/fr/ffc/chifcle_fiche.asp?ref_id=CMPFPS03138&tab_id=200)

The new Survey of Health, Ageing and Retirement in Europe (SHARE) studied labour force participation behaviour of individuals aged 50 to 64 in 11 European countries. The data drawn from the study <sup>8</sup> shows that the employment rate after 60 in France is particularly disastrous for men: 7,9% in comparison to 67.8% in Sweden. And while the proportion of working women after 60 stands at 16,8% in France, the European average for women stands at 22,6%. (Table 5).

Country	Age 50-54		Age 55-69		Age 60-64	
	Men	Women	Men	Women	Men	Women
Belgium	79,7	59,8	51,1	30,1	19	7,58
Denmark	84	85,9	78,3	73,6	56,5	29,4
France	87,7	68,7	60,9	58,8	7,9	16,8
Germany	83	78	77	60,9	39,4	23
Greece	92,4	40,6	78	28,7	45	15,3
Italy	85,3	47,3	56,3	28,3	29,2	8
Netherlands	87	61,7	78,1	49,5	29,6	17,2
Spain	85,4	47,7	77,3	40,5	40,5	19
Sweden	93,8	85	82,9	79,9	67,8	62,4
Total	86,3	64,3	71,2	50	38,2	22,6

Table 5: *Labour force participation in% by sex in Europe.* - Source adapted from <sup>8</sup>

#### 4. Employment and Health Status

Important measures remain to be taken to increase employment in the older population, especially because the health status of the 50-70 age group is very satisfactory.<sup>9</sup> The absolute number of frail elderly needing assistance or Long Term Care either at home or in institution in France is probably close to 1 million. However, it must be emphasized that the percentage is low: only 6.6% of the population over 65 years of age, and 2% of the population between 60 and 69 years of age suffer from loss of autonomy due to disabling diseases. This percentage of course increases with age but remains rather low before the age of 80 (Table 6).

Age	Men	Women	Total
60-69	2.19	1.95	2.06
70-79	4.99	4.35	4.65
80-89	13.40	19.85	17.69
90	29.31	46.45	42.55
Total	5.00	7.80	6.63

**Table 6: The French population of seniors: 6.6% of dependents over the age of 60 (Insee –HID study -GIR 1-4) Source : adapted from <sup>9</sup>**

A recent ILC France research project put forward an innovative indicator: the Healthy Working Life Expectancy (HWLE) at age 50 in Europe<sup>10</sup>. This indicator offers a model of successful ageing combining two essential dimensions: the absence of disease and the employment of older persons. On average in Europe, among the 20 years available between 50 and 70 years, men spend 14.1 years in good health, of which about one half is spent at work, and women spend 13.5 years in good health, of which about one third is spent at work. Therefore, in theory, it should be possible to increase the healthy working life expectancy between the ages of 50 and 70, especially for women, by reallocating years in good health from retirement to work (Table 6 and 7).

European Average	Men	Women	Differences Men/Women
HLE Healthy life expectancy	14,1 yrs	13,5 yrs	0,6 yrs
WLE Working life expectancy	9,4 yrs	6,4 yrs	3,0 yrs
HWLE Healthy and working LE	7,5 yrs	4,8 yrs	2,7 yrs

**Table 6: Healthy life expectancy, working life expectancy and healthy working life expectancy at 50 by sex. Source <sup>10</sup>**

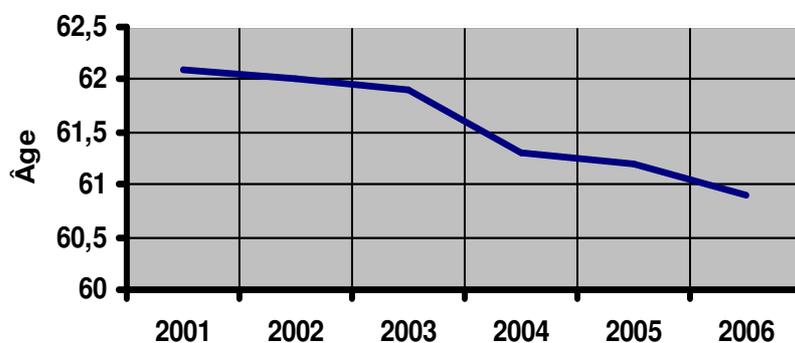
	Healthy Working Life Expectancy at 50 for women in years	Healthy Working Life Expectancy at 50 for men in years
United Kingdom	5.8	8.8
Greece	6.1	9.7
Portugal	6.2	8.3
Denmark	5.2	8.8
Germany	6	7.3
Italy	5.2	7.2
Spain	3.9	8.4
Netherlands	3.9	7.4
Austria	5.1	6.1
Belgium	2.9	6.2
France	5	5.5
Finland	4.2	6.3
Average	4.8 years	7.5 years

**Table 7 : Healthy Working Life expectancy at 50 for men and women. Source : adapted from <sup>10</sup>**

Based on the findings that employment and health levels differ between European countries, the HWLE indicator enables comparisons between these countries. The indicator confirms a good health status for a large part of the population. This health status must be extended as much as possible and the 50-70 year interval is the key period to promote health prevention, particularly in the workplace.

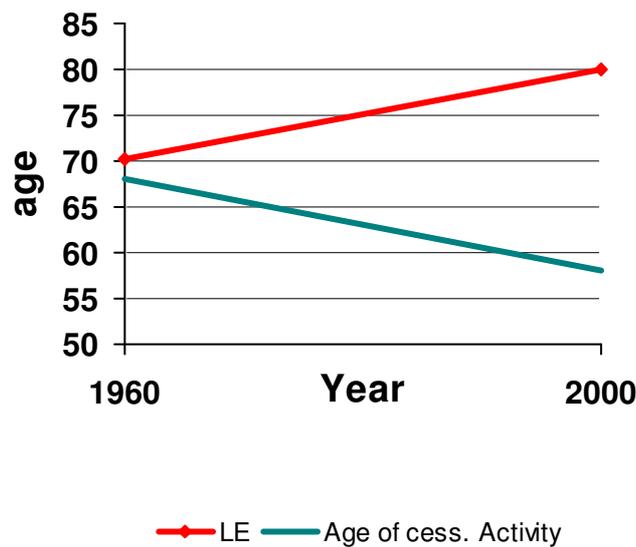
## 5. Early Retirement

In France, the main problem is that people are retiring too early and earlier year after year <sup>11</sup>. The average age of retirement was 60.9 years in 2006 (Table 8).



**Table 8 : Average age of retirement in France. Source <sup>11</sup>**

Moreover, there is a difference between the age of retirement when individuals are entitled to a pension and the “true” age of cessation of activity. During this period of inactivity before retirement, the unemployed worker is entitled a “pre-retirement” allowances or unemployment benefit. As mentioned above, the age of cessation of activity is gradually declining . Consequently, the divergence between life expectancy at birth and age of cessation of activity continues to increase in France (Table 9).



**Table 9 : Evolution of Life expectancy at birth and age of cessation of activity between 1960 and 2000 in France.** From ILC France

The number of private sector employees who permanently leave the labour market before 60 in France approximately corresponds to 700 000 persons. This represents 12% of the 55/ 59 age group population.<sup>12</sup>

In fact, two-thirds of those who apply for retirement pension are no longer at work. Indeed the age of cessation of activity is on average 59 years, two years before average retirement and 6 years before the official limit of retirement age.

Recently, in order to promote senior employment, the government drastically reduced the number of workers entitled to a “pre-retirement” allowance paid by the Social Security System. Nevertheless, a number of employers prefer to finance the entirety of allowances (retirement packages) in order to get rid of older workers.

As of December 31<sup>st</sup>, 2007, 11 852 852 people were retired with an average pension of 573 euros per month from the Social Security System which can be cumulated with complementary allowances.

The decline in the age of cessation of activity and the increase in the number of the baby-boomer retirees could lead to a decrease in the active population and even to a deficit of 100 000 workers by 2015 <sup>13</sup>-(Table 10).



**Table 10 : Annual increase (decrease) of active population between 1951 and 2015 in France (x 000 people). Source <sup>13</sup>**

## 6. Employment Versus Retirement: Incentives and Disincentives

The employment of older workers is clearly the most important challenge facing the aging of the population. All of the current policies aim at bringing the effective age of cessation of activity up to the age of legal departure, i.e. after 41 years of contribution to the Social Security System. Changes in the retirement age have been widely debated in most countries and many of them have successfully reformed their system. In general, there are three types of potential reform strategies that could contribute to later retirement <sup>6</sup>: lowering entitlements, increasing the marginal rate at which pensions rise with age or contribution years, and restricting the minimum age at which they may be drawn. In practice, all three strategies have become common in Europe, with many countries adopting a combination of more than one of them. For example, both Sweden and Italy have reduced the overall generosity of their pension systems to improve their financial sustainability, while at the same time improving marginal rewards for those who stay in the workforce by linking benefits more directly to lifetime contributions. Italy has also directly restricted options for early retirement. The United Kingdom has sharply increased the pension reward for those who delay drawing it beyond the main official pension age, and has raised the minimum retirement age for women from 60 to 65, while keeping it at 65 for men. Germany and Spain have introduced benefit reductions for early retirement and benefit increases for late retirement, whereas France has extended the contribution period required to access a full pension. In several countries, such as Belgium, Finland and France, where there have been explicit publicly-financed schemes for early retirement, such schemes have been either abolished or severely scaled back.

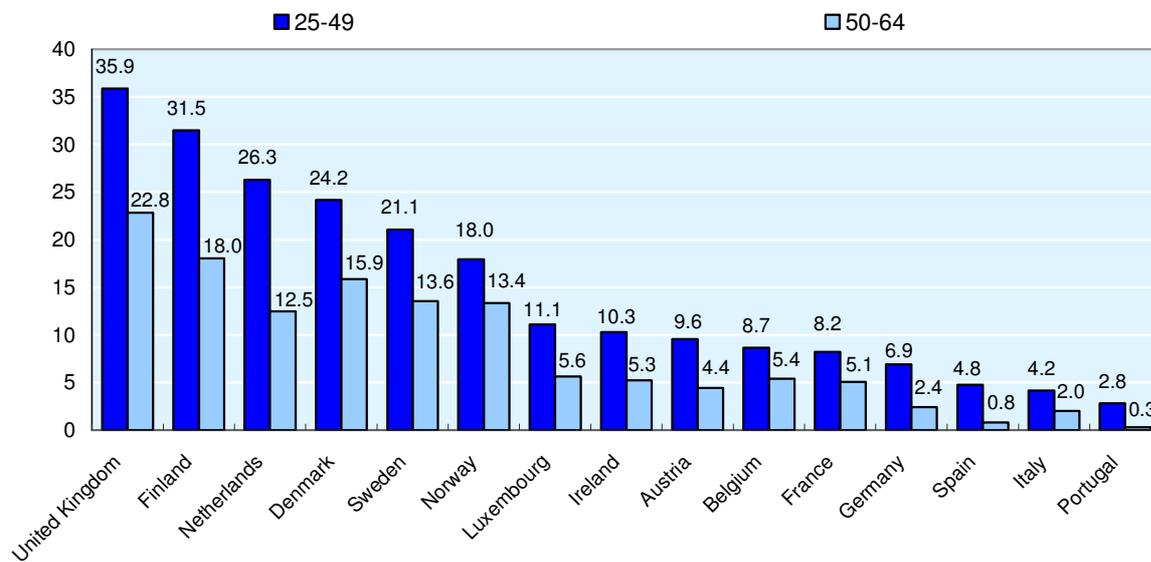
Reform seems to be more difficult in France but nevertheless indispensable because the “pay as you go system” is jeopardized by the change in the age pyramid (people at work pay for those retiring). The increase in the retirement expectancy (27 years for women in particular) must lead France to reorganize this period of life. It does not mean working longer at the same tempo or at the same level of salary. It implies adaptation and deep

changes in terms of workplace conditions such as, ergonomic adjustments, training after 50, part-time work, tutoring younger workers so that they benefit from the expertise of older workers.

Several reasons can explain the French situation and the low employment rate found in the older population, here are a few of them:

**Lack of training**

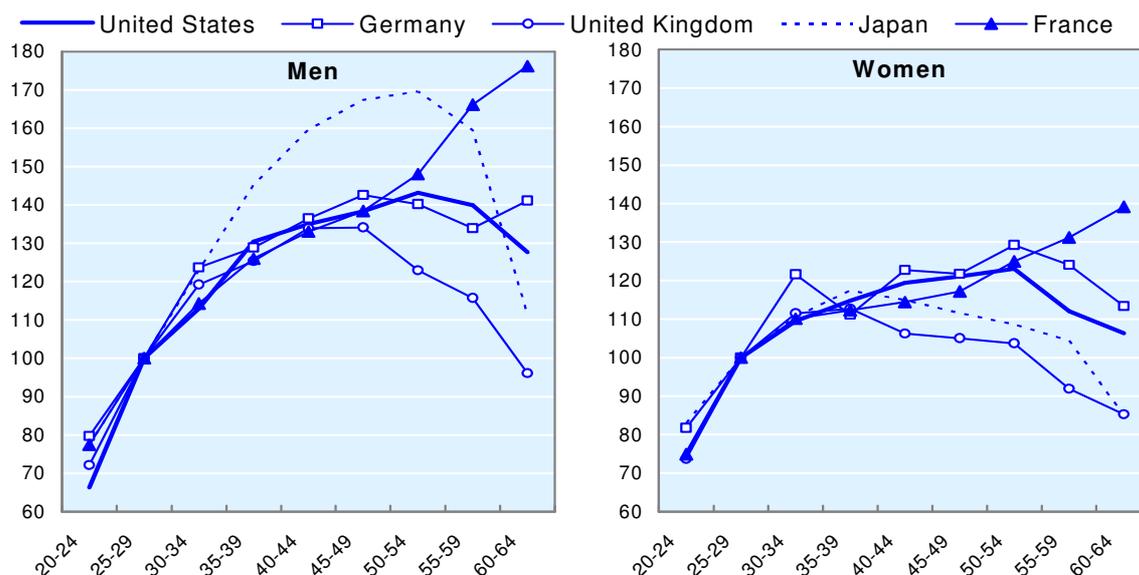
In most countries, older workers receive less training than their younger counterparts. In France, the percentage of training even for young workers is especially low, exemplifying the difficulty to change job positions and the increasing rigidity of the labour market (Table 12). This may explain the presumed inability of older workers to master new technologies <sup>6</sup>.



**table 12. Percentage of employees in age group who received job related training over the previous year-2002- in %** Source <sup>6</sup>: European Labour Force Survey .Report OECD for ILC France –

**High earnings**

Another reason <sup>6</sup> for the lack of flexibility of older workers is that they are reluctant to reduce the high salaries they earned at the peak of their career (Table 13). In most countries such as Japan, USA and the UK, earnings rise with age until the mid fifties, it then progressively declines with the evolution of responsibilities. In contrast, earnings in France rise steeply with age and never diminish. The financial interest of employers is then to fire the highly paid older workers and replace them by younger ones with equivalent competences.



**Table 13 : Earning in some country rise deeply with age.** Index : earnings of 25-29 years old = 100. The data refer to 1998 for Germany and to 2002 for the other countries. Source: French Labour Force Survey; German Socio-Economic Panel; UK Labour Force Survey; Japanese Basic Survey on Wage Structure; US Current Population Survey.<sup>6</sup>

For all these reasons “age” has been increasingly seen as an adjustment variable to master labour market needs in France. Whenever necessary, older workers were thrown out to reduce the salary bulk of companies in financially difficult situations. The consequences are serious: deadlock of the pension system, lack of intergenerational junction in companies, increase of an inactive “3rd age” population which will swell rapidly (between 2005 and 2010, 650 000 people are expected to retire every year versus 480 000 between 2000 and 2005). This short term perspective fully justifies the economic and social concerns of governments and reforms which are currently in negotiation.

The measures already taken by the government in 2003 to encourage employees to work longer have had a limited impact. The pension bonus for people who work longer, the retirement pensions which may be drawn concurrently with employment and the progressive retirement do not seem to compensate for the shortcomings of the labour market and the current professional context.

Employees do not have faith in the future of the pension system, thus leading them to retire at 60 or even long before.

Nevertheless, reforms are under way to improve the incentives and opportunities of older persons so that they can continue to play a part in the labour market, and to tackle the various disincentives and barriers of employment experienced by the older population. This requires collaboration between public authorities, employers and unions in the following areas:

1. Reform retirement and social welfare systems to strengthen work incentives (progressive retirement, new contracts, simultaneous working/retiring). The French pension system is based on a pay-as-you-go

principle and mainly financed by contributions from workers and employers. A “capitalisation” scheme will be proposed to individuals to complement this “repartition” system.

2. Change the attitudes of employers and workers;
3. Adapt employment protection rules to promote safe working conditions and employment of older workers.
4. Promote training to upgrade skills and acquire new ones.
5. Improve access to high-quality employment services for older job seekers.
6. Improve working conditions.

Some recent measures have been taken in 2008:

-Possibility to draw concurrently employment and retirement benefit when the insured person has contributed the necessary years to receive a full pension or reached the age of 65."

-“Surcote”: employees continuing to work beyond 60 and having reached the period of contributions required, will benefit from a 5% increase in their pension per additional year worked .

-Requirement for industries and businesses to open negotiations on employment of older workers and management of jobs and skills in order to reach an agreement before the end of 2009, with a quantified significant progress on the part of the 55-64 age group in the workforce.

-In the absence of sufficient results regarding the employment rate of older persons, a sanction mechanism would be implemented by 2010 in the form of additional retirement contributions. Therefore, sectors or enterprises that have not reached any agreement would be penalised.

-Suppression of automatic retirement or retirement age limits in the private and public sector.

-Progressive increase in the age (currently 57 years and a half) from which the unemployed receive an exemption from seeking employment .

## **Conclusion**

From 2000 to 2050 there will be a 30% increase in the active population in the USA. As a whole it will remain stable in the OECD countries but it will decrease by 10 to 15% in France and by nearly 30% in Japan. It is time to develop strategies to promote the employment of healthy seniors and particularly of healthy senior women.

The longevity revolution will be an opportunity and not a threat if we are able to maintain equity between men and women and promote health, quality of life, activity and wealth of all generations . We must guarantee that the labor market fosters productive engagement and does not compromise the rights of the expanding aging population. A peaceful world also implies that all countries will equally benefit of the fantastic venture of longevity.

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