# Pensions and Social Progress – Sharing wealth should mean taxing profits, not our living standards!

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**Thanks to social progress, it has gradually become possible for work to take up less and less of people's total lifespan.**

But each step forward has had to be fought for. Today we once again have to fight to prevent the employers and the bankers from grabbing an even bigger share of the cake. They want to cut our pensions even further, and to prevent us from retiring on a full pension at age 60.

To justify this they cite a rise in human life expectancy, despite the fact that lifespans have been increasing for more than two centuries.

They also refer to an increase in the number of people eligible for retirement, even though the current system could perfectly well cater for that increase, as it has catered for similar rises in the past.

**Pushing back the minimum retirement age would increase unemployment** and constitute an unacceptable step backward. What is needed is an equitable sharing-out of wealth, and a system which provides jobs for young people.

***If we'd listened to the bosses, children would still be working in the mines***

**Social progress has been part of human history**. In opposition to the employers and governments who complained that it would bring down ruin on all our heads, it was popular struggle that won the abolition of the most violent forms of labour exploitation, such as slavery, indentured labour and child labour. Over time, this process has brought a progressive reduction in the proportion of most people's lives that has to be devoted to earning a living. In most industrialised countries the past two centuries have seen reductions first in the total daily hours worked, then in weekly labour time. Since the 1930s in France we have seen the introduction of paid holidays and pensions, with the retirement age first at 65 and then at 60. More recently still, we have won the introduction of the 35-hour week for many employees. It has also become generally accepted that people can and should spend more time in further education and training.

**The record of the past shows that social progress is possible.** The overall reduction in the total time spent working has also gone hand-in-hand with a huge increase in the wealth of our society, made possible by technological progress. Over the past hundred years or so the hourly productivity of the average worker has been multiplied by 30: while total output has been multiplied by a factor of 15, average labour time has been cut by around a half. Average hours worked per year went from 2,695 hours per year in 1896 to 1,441 in 2004 [1].

**This means that the wealth generated by a given number of people in employment is sufficient to support a higher number of people who are not working, even as overall living standards have improved and working time has gone down**. This social progress must continue: France's official Pensions Orientation Council (COR), which brings together representatives of the state, the employers and the unions, bases its projections on a continuing increase in labour productivity of between 1.5 and 1.8% per year, which is slightly lower than the long-term trend over the past two centuries.

Such productivity growth does not necessarily have to imply an increase in production, with a concomitant exhaustion of our planet's limited resources. Instead, gains in the amount of wealth produced per hour can be used to reduce working hours, and increase the share of the socialised element in wages, ie spending on health, pensions and unemployment benefits.

### *Pushing back the retirement age means preventing both wage-earners and retirees from enjoying a better life*

*Life expectancy has been increasing for centuries!*

The French government wants us to believe that an increase in the retirement age is inevitable because we are living longer. This is a fairy-tale: average life expectancy has been increasing since at least 1740, and has tripled in 250 years, going from 25 then to more than 80 today! On average, it has risen by around three months per year for over two centuries. [2]

*How long will we be living in 2050?*

The predictions of a range of experts show life expectancy continuing to rise, as it has done over the past two centuries. The only factors likely reverse that trend are the biological limits of our existence in the long term and in the short term, increases in stress and suffering in the workplace.

France's Pensions Council (COR) bases its projections on an average increase in life expectancy of 0.6 quarter per year, while for the National Statistics Institute INSEE the figure is 0.4 of a quarter.

### *The "Pensions Burden" can easily be shouldered*

*An acceptable number of retirees*

**The "baby-boom bulge" is a passing phenomenon.** It is clear that the number of pensioners is going to rise as the post-World War II generation reaches retirement age. This increase will go on until 2035, after which the figures will start falling.

**A decrease in the ratio between the number of people paying in to the system and the number of pensioners is nothing new.** In 1960, there were on average four people in work for every French retiree; by 2000 the figure had fallen to two to one. That did not pose a problem for the simple reason that in the meantime, hourly productivity gains meant that every two people in work were producing one and a half times as much as the four who had been working in 1960. **The same thing will happen in the future:** the government wants to scare us by predicting that by 2050

there will be only 1.25 people in work for every pensioner. But they keep quiet about the fact that those 1.25 workers will then be producing just as much as the 2.5 who are financing each of today's pensioners. Indeed, by 2050, the state of our pension funding system will be even better than it is today!
The sharing-out of future gains in hourly productivity will allow us to ensure continuing improvements in living standards for both employees and pensioners - on condition that those gains are not allowed to accrue only to shareholders and financiers.

*A manageable financial burden*

**Social advances have made it possible for the ratio of pensions to overall national wealth to continually increase**, in line with rising life expectancy, and this has taken place even as living standards have improved for those in work. If the number of pensioners increases as a proportion of the population, it is perfectly normal that their share of national income should also rise.

If we were to roll back all the counter-reforms made to the French pension system since 1993, the total share of gross domestic product going to pensioners would be 18.5%. Thanks to those counter-reforms, the present figure is only 13%. In 1950, less than a generation after the pension system was created, it was 5%: future gains should result from the efforts made in the past.

I**n April this year the French Pensions Council (COR) estimated that the extra resources required by the system by 2050 would be equivalent to three percentage points of GDP**. That could be financed by simply raising employer contributions by 0.25% per year between now and then: a change that would hardly bring the economy to its knees. In fact it would simply mean clawing back the share of national wealth that has been diverted from wages to shareholder dividends over the past two decades. That share has increased from 3.2 to 8.5%.

***Pushing back the retirement age is an unacceptable step backwards***

**For a wage-earner retiring at 60, the average number of years in which he or she can expect to remain active and in good health is currently around ten**. For people subject to physical hardship or stress, which can arise not only from the work itself but also from excessive times spent getting to and from work, life expectancy in good health is even less. Must we demand that people who have to climb electricity pylons, or work on rotating night shifts, or as nurses or teachers, to go on working past age 60?

**The huge numbers of people who have been pushed out of their jobs before they reach 59 are by definition not going to work longer because the retirement age has been pushed back.** As things stand now in France, 60% of wage-earners have already ceased work by the time they claim their pensions. They are either on unemployment benefit, often dispensed from seeking work, or on long-term sick leave or invalidity. As those people will have to wait longer to claim their pensions, they will have to be paid in the interim by the unemployment benefit system.

**Pensions and unemployment are closely linked**. For more than a century, productivity gains have not resulted in mass unemployment because wage earners, by standing up for their rights, have ensured that those gains translated into higher living standards and less time spent working. The latter gains have notably been won thanks to the pension system, and the right to retire earlier. Over a century, average hourly productivity has been multiplied by a factor of 30, translating into a fifteen-fold increase in purchasing power and a halving of working time.

**Solidarity between generations:** France's "pay as you go" system ensures that the pensions of today's retirees are paid by those currently in work. In return, when people take their retirement they make their jobs available to the young. For that reason, pushing back the retirement age is unjust from both the social and economic standpoints.

• **A later retirement age obliges somebody who no longer wants to work to go on doing so**, and thereby deprives a young person who wants to join the labour force of the possibility of doing so;

• **A later retirement age creates yet more joblessness**, and simply transfers the problem of funding the social deficit from the pension system to the unemployment benefit system.

**Conclusions**

**It is normal to devote an increasing share of national wealth to reducing the total time devoted to paid labour** over people's lifetimes. This is also true in a society in which the total number of pensioners is increasing for demographic reasons.

**Productivity gains can and should be used to both increase the living standards of wage-earners and those of pensioners, while further reducing average hours worked.** The condition for this to take place is that the extra wealth resulting from productivity gains be shared out among workers and pensions, instead of being captured by shareholders and big companies.

**Pushing back the retirement age is an absurd measure. The real debate should be about how to bring about further cuts to working hours in order to mop up unemployment, and about ways to improve, rather than degrade, our pension system.**

**Sud-Agence France Press**
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## P.S.

* The following document is adapted from a "Solidaires" leaflet published on May 25, 2010 and available in the original French at:
http://www.solidaires.org/article31029.html

* Translation SUD-AFP, Tuesday September 7, 2010
http://sudafpengl.zeblog.com/443828-pensions-and-social-progress/

## Footnotes

[1] Source Michel Husson, "Un Pur Capitalisme", 2008: http://hussonet.free.fr/ouvrages.htm

[2] The graphic in the French version of this text shows average life expectancy in France between 1740 and 2006, as calculated by the National Institute for Demographic Studies, INED.