French government announces plan to undermine pension system

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Last week, French President Emmanuel Macron's government announced a new raft of austerity measures focused on pension cuts, continuing the social attacks of the first year of his term. After trade unions organized token strikes this spring that blocked a class struggle against the privatization of the railways, Macron is stepping up his offensive aiming to destroy basic social rights established at the Liberation from Nazi Occupation in 1945.

While it stresses its determination to "go all the way," the government knows it is isolated and unpopular. French and international media are openly expressing their concerns that Macron is weak and facing growing social opposition, on top of which he faces low economic growth.

According to an Elabe poll published last Wednesday, only 16 percent of the population believe that Macron's policies affect the country positively. Only 6 percent believe that Macron and Prime Minister Edouard Philippe are improving their personal situation.

While announcing measures to undermine basic social rights, the government is proclaiming that it will work more closely with the trade unions. "Since it wants to show that it is responding to critiques of its isolation, the executive plans … to pay attention to its relations with the trade unions, which the president has promised to … associate more directly to social reforms," *Le Monde* wrote.

Nothing concrete has been revealed about the social cuts, due to fear of a social explosion that could swamp the union bureaucracies, during what *Le Monde* called the "high-risk back-to-school period."

Macron is imposing deep austerity policies worked out by the European Union (EU). The *Cour des Comptes*, the institution that oversees the strict implementation of the EU budget diktat, wrote in a memo last week: "In 2017, the very limited improvement of the budget deficit [€67.7 billion] was the product of a sharp increase both in spending and in tax receipts," due to a spike in economic growth figures. Now, amid a noticeable slowdown of economic activity, it is demanding deep cuts to social spending.

While France's sovereign debt is very high (96.8 percent of gross domestic product, one of the highest in the EU), Macron hurried to eliminate the Tax on Wealth (ISF) and slash corporate taxes, handing tens of billions of euros over to the super-rich.

According to *Le Monde*, Macron plans to initially cut "roughly 10,000 public sector jobs in 2019 and even more in 2020, 'as the reforms go into effect.'" During his election campaign, Macron announced plans to cut 120,000 jobs in the public sector.

The central focus of these attacks, however, is two key sectors of social life that will affect the entire working population: the so-called "hospital reform" and, above all, pensions. The cut to pensions was discussed and arranged with the trade unions in the first half of the year. *La Tribune* calls it a "systemic reform," while *Le Monde* calls it "the most dangerous for the executive."

The government demagogically claims it is creating "a universal system where each euro paid in gives the same rights to all, whenever it was paid in and whoever paid it." In fact, what is being prepared is a complete undermining of the pension system whose current foundations date back to the Liberation, despite various reforms in favor of the financial aristocracy since the 1990s and the aftermath of the Stalinist dissolution of the Soviet Union.

A pension "by points" is to replace the current "pay-as-you-go" system. Pensions are to be calculated based on points accumulated in a personal "virtual account," and converted into money at retirement. Workers would get no points during periods of unemployment, casual work or work disability. As the official tasked with implementing the reform, Jean-Paul Delevoye, bluntly said: "No one gets free points."

Various mechanisms would further slash pension payments. If, for example, life expectancy rises, pensions—that the state therefore anticipates it would pay out over a longer period—will be cut.

The social right to a pension of stable and legally guaranteed value would disappear, as the government can now modify the value of a "point" at its discretion.

Moreover, the legal retirement age, no longer relevant in the "points" system, is to be eliminated.

Workers are to be forced to work until they have enough "points" to retire. For millions of workers, this means working indefinitely: the age of 62 is to be retained only as the minimum age for retirement. Delevoye stated, "in a points system, the notion of a fixed-length working life disappears. Your number of points allows you to make a personal decision: I have enough points, my pension looks big enough, so I retire. If not, I don't have enough points, I keep working."

The "pay-as-you-go" pension system, created by the authorities of the National Council of the Resistance (CNR) in 1945, was the cause of the collapse of poverty rates for older workers starting in the 1970s—poverty that had been automatic and widespread in previous generations.

Moreover, a pension "by points" system can pave the way to funding pensions via investment accounts, with workers forced to pay for their own pensions, favoring high earners and the forming of private pension funds. Amid the 2008 crash, many European retirees lost pensions this way.

Macron is not ruling out requiring workers to privately fund their pensions, as Delevoye admitted: "In our future universal regime, this will be raised for higher earners … Many scenarios are on the table. Do we need obligatory private pensions? Or individual accounts, possibly by capitalization?"

The reform would also undermine "reversion pensions," paid to spouses or partners of deceased workers. In 2016, 4.4 million people were dependent on such pensions, over a quarter of France's 17.2 million retirees.

Another key effect of the reform would be to force retirees to bear the impact of future financial crises by automatically varying pension payments based on availability of funds, without requiring the state and trade unions of going through the motions of negotiating further cuts.

To pass its reform, the Macron government also needs to eliminate so-called "special regime" pensions, notably in the public service, that were also established after World War II. This would affect some 5 million workers.