high individual pension claims would be in case of splitting, and whether the widow(er) is likely to marry again.

<Table 5>

Several criteria have to be met before such a pension splitting can take place. Most important is that both partners must have reached retirement age and that both have individually accumulated 25 years of qualifying time. In other words, the decision to split pension entitlements takes place at the time of retirement. At this point, the decision to split or not to split is influenced by factors such as assumptions about the life expectancy of the partners, additional income sources, the wish to remarry after one partner dies, etc. For example, if a couple decides to split pension entitlements, this will usually lead to a higher pension for the wife and a lower pension for the husband, because men have on average higher individual pension entitlements, as explained above. If the husband dies before his wife, the wife will continue to receive her individual pension, but will not receive a widow's pension. On the other hand, any additional working income is not subtracted from the wife's pension and she does not lose her pension entitlement, even if she chooses to remarry If the couple decides not to split entitlements, the wife will receive a widow's pension after her husband's death, but her own pension and additional working income will be taken into account when the widow's pension is calculated. This new splitting option is a highly complicated issue and it remains to be seen how many couples will make use of it.

The most important change in disability pensions concerns the concept of "ability to work in a job according to occupational qualification". Before the reform, there were two kinds of disability pensions. The first one, *Berufsunfähigkeitsrente*, was paid to employees who because of disability could no longer work in their former job or a similar job requiring a similar degree of qualification. This kind of disability pension was lower than the second type, because there was the assumption that the person was still able to perform a job below his/her qualification to earn additional working income. The second type of disability pension, *Erwerbsunfähigkeitsrente*, was paid to persons who were not able to perform any kind of job, regardless of his/her qualifications. These two different types of disability pensions were replaced by a unified disability pension, which no longer considers the work qualification of the person concerned, but solely considers the number of hours the person is still able to work (six or three hours a day).

4. Some Implications and Possible Lessons for Japan

Both Japan and Germany are suffering from a low birthrate, and experiencing aging of the population. Both countries have a similar social security system and decided to introduce public long-term care insurance in the 1990s. Life expectancy at age 65 in Japan is higher by 3 years than that in Germany, and Japanese average pension age of employees is 3 years later than that of German counterparts (Table 6). Public pension spending is 7.1 percent of GDP in Japan, which is higher than that in the US (6.8 percent), but considerably lower than the 12.0 percent in Germany and 13.1 percent in France (OECD, 2003). However, Japanese public pension expenditure will increase quite rapidly in future. Another similarity in Germany and Japan is that the public pension benefits are dominant in the income of elderly households aged 65 and above.

The public pension systems for employees in the private sector in Japan and in Germany have much in common: pay-as-you-go financing method, earnings-related contributions and benefits, defined benefits, etc. However, there are some remarkable differences between the two countries. The Japanese Employees' Pension Insurance (EPI) has a flat rate benefit part, and a benefit accrual rate for earnings-related part of the EPI is almost half of the German system (Table 6). The EPI covers only about half of the working populations because part-timers and self-employed are excluded from the EPI. The share of national subsidy in the EPI is low partly because there is an interest on the accumulated fund which is payable for pension benefits for 5 years. In Germany, the share of national subsidy including tax revenue earmarked for the pension system was enlarged in order to avoid an increase in the contribution rate. The German pension system places more weight on supporting child care and long-term care, and it suffers more from early retirement and high unemployment than the Japanese system (OECD, 1999; Schmähl, 2002a).

<Table 6>

Based on the latest population projection in January 2002, the Japanese Ministry of Health, Labour and Welfare published a reform proposal in December 2002, for the next scheduled overhaul of the Japanese public pension system in 2004. The contribution rate of the EPI will increase from present 13.6 percent to 23 percent in 2025 without further reform, assuming that the government subsidy will be increased from the present one-third to one-half of the Basic Pension expenditure. According to the proposal, the future contribution rate to the EPI should not exceed 20 percent, and pension benefits need to be lowered accordingly. The contribution rate will be increased gradually but be fixed at 20 percent in 2022 and afterwards, and the model replacement rate will decrease from the present 59 percent to 52 percent in 2025. When there is a ceiling on the future contribution rate, the way to control expenditure becomes all the more important. Although there are several ways to control expenditure, a further increase in the normal pension age has not been seriously discussed yet. The proposal by the Ministry has chosen the way of adjusting benefit more slowly. Previous earnings will be revalued in line with total net wages of all insured, instead of present average net wage increase. If we denote total net wage increase minus average net wage increase as D, pension benefit will be increased each year in line with price increase minus D, instead of the present price increase. The package of these adjustments is called "macro economy slide". Part-time workers will also be included in the EPI. Child-rearing periods will result in higher future pension entitlements in order to fight the decrease in the birthrate and to improve old-age provisions for women. The issue here is an optimum scale of the EPI for the Japanese working population in order to provide meaningful retirement income within an affordable level of contribution (Fukawa and Yamamoto, 2003).

Since most of the described measures will be phased in over a longer period of time, it is too early for a comprehensive evaluation of the latest pension reform in Germany at this point. However, in light of the next scheduled overhaul of the Japanese pension system in 2004, it is useful to point out some implications and possible lessons for Japan. The differences between the two countries as mentioned above already have significant implications for the Japanese reform. The following are among them (Fukawa, 2002):

1. The main function of the German public pension system is to cope with the loss of earnings after retirement, and there is a broad consensus on pension benefits that they should serve income-smoothing.

2. Income redistribution is considered in Germany to be done not by contributions but by tax revenues, and the share of national subsidy has increased accordingly.
3. The upper ceiling of contribution is set at 20 percent until 2020 and 22 percent until 2030 in Germany. The public pension benefits are so dominant in the retirement income in Germany that more radical reform would be quite difficult. Nevertheless, the issue of increasing the normal pension age from 65 to 67 years of age has already been raised.

With these differences in mind, two important issues are discussed below.

4.1 Securing future pension provisions

Some of the ideas behind the Japanese reform proposals are, in fact, quite similar to the ones discussed in Germany. The most serious problems in the Japanese Employees' Pension Insurance (EPI) before the 2000 Reform were 1) the height of eventual contribution rate in order to maintain the planned benefit level, and 2) the degree of inter-generational inequality in the contribution-benefit relation due to the PAYG financing system (Fukawa and Yamamoto, 2003). Establishing or at least improving "generational equity" has also become a major concern of policy makers in Germany. Quite contrary to former reforms (where benefit levels were at the center of the public debate), the contribution rate has now become the central issue of recent German pension policies. Since the German public pension system is a classical pay-as-you-go system (with reserves covering only 0.8 months of expenditure) fixing a maximum premium level does naturally imply to reduce pension benefits in the future, if we assume that increases in the wage rate cannot counterbalance a decrease in the growth rate of the population. [2]

Via changes in the adjustment formula, the replacement rate of the standard pension in Germany (45 earnings points) was lowered from about 70 percent to 64 percent in 2030. Several observers in Germany have argued that this reduction might cause problems in the future in so far as the difference to social assistance benefits is reduced, which in turn might have adverse incentive effects on the labor supply. Today, basic social assistance benefits

[2] In a pay-as-you-go system the pension benefit per capita p depends on the growth rate of the working population n, their wage rate w and their contribution rate b with $p_t = (1+n_t) \cdot w_t \cdot b_t$.
(Homburg, 1988: 16-29)

for a couple without children are about 37 percent of average net earnings (Table 7). A worker with an average working income has to pay almost 24 years of contributions to receive a pension equal to social assistance benefits. Currently, around 8 percent of all male pensioners (old age and disability pensions) have less than 24 years of qualifying time and accordingly receive pensions below social assistance levels (Rentenversicherungsbericht, 2001: 40). Assuming that the standard pension is lowered to 64 percent of average net earnings and social assistance benefits are kept at current levels, paying contributions to the social pension insurance might become less attractive, even if the strong contribution-benefit link is maintained. From the German perspective, it seems likely that the planned decrease in the pension benefits could cause similar disincentive problems in Japan. General distrust in the pension system together with low expectations about future payouts leads to an increasing unwillingness to pay contributions to the public pension system in Japan.

<Table 7>

Another missing piece of recent pension policies in Japan regarding benefit levels is the lack of an adequate incentive system for private or occupational pension provision. Although the occupational pension reforms from October 2001 and April 2002 greatly increased the options of Japanese companies to restructure their pension systems, many observers agree that the tax system limits the attractiveness of such schemes as the Japanese-style 401(k) plans. The Japanese government seems to hope that the reduction in public pensions will be compensated by an increase in occupational and private provisions. However, the current tax environment does not exactly favor such additional pension provisions. Also, lower income earners who work predominately in smaller and middle-sized companies - where occupational pension provisions have always been less generous than in the larger corporations - cannot easily compensate for the reductions in public pensions by additional private provisions. With regard to this problem, the latest pension reform in Germany might give some helpful hints for future reform initiatives in Japan.

The introduction of subsidies/tax privileges-granted private pension in Germany presents a uniform incentive system for additional private provisions. Although the system favors married couples and higher income groups and is thus not as neutral as one might like it to be, it includes at least some incentives for lower income earners to increase their private old-age provisions. From the viewpoint of employees, the advantage of the newly introduced right of employees to allocate part of their earnings into occupational pension schemes is that they have to pay neither income tax nor social insurance premiums on those parts of their gross income. Employers can also lower their labor costs, because they do not have to pay social insurance contributions on these parts of employees' income.

4.2 Towards a less gender-biased pension system

Reforming women's pensions has become a major issue in most industrialized countries over the last 10 to 20 years. In Germany, the topic of women's pensions is usually approached from two different angles. One angle is securing adequate pensions for women, and the other is achieving a gender-neutral pension system.

Since pension benefits in Germany are closely linked to premium payments during working life, women receive on average much lower old-age pensions than men, because of interrupted working careers due to child-rearing periods. The average old-age pension for men in West Germany in 2003 was 832 Euro, whereas women received on average only 364 Euro (VDR, 2003). The latest pension reform introduced basically two measures to improve pensions of women who have raised children. First, women with below average contributions to the pension system receive additional Individual Earnings Points if they have raised children. Second, the reduction of widow's pensions is counterbalanced for women who have raised children. These measures aim at the improvement of individual pension entitlements of women.

Creating a gender-neutral pension system is much harder to achieve than increasing pensions for women. A pension system, which is largely neutral with regards to criteria such as marital status, number of income earners, number of children, etc., still remains an ideal in most countries. It is possible that, depending on the strictness of the applied criteria, the German system may still be regarded as highly gender-biased. For example, for some observers, the simple fact that married couples receive tax advantages such as spouse deductions in their income tax constitutes a form of gender bias because this system reflects traditional perceptions of roles such as the working husband outside the home and housekeeping, child-rearing, dependent wife. To give another example, from the perspective of single women, the institution of a widows' pension, for which no additional premiums were paid during the life course of the working spouse, constitutes an unfair advantage of married women over unmarried women. In Germany, pension entitlements of married couples are split evenly in case of divorce. A next step towards splitting pension entitlements would be a system, where the Individual Earnings Points of the working spouse are split every year, regardless of whether a marriage continues or not. The latest German pension reform stopped short of such a radical general solution and definitely lacks transparency, but it might be regarded as another step in the evolution of the German pension system towards a gender-neutral system.

5. Conclusion

The German pension system has undergone major changes in recent years. Especially noteworthy is the paradigmatic shift from a system where contributions have been adjusted to finance an agreed-upon level of benefits to a system where benefits will be adjusted so that a maximum premium level of 22 percent of gross income will not be exceeded until 2030. The other significant feature of the latest reform is the introduction of subsidies/tax privileges-granted additional private pension.

A similar paradigm shift from benefit-first to contribution-first is occurring also in Japan. A driving force behind this shift is the concern about long-term sustainability of the public pension system. Pension policies in both countries will have to confront the incentive effects of lower pension benefits at a time when premium payments keep rising. From pension reform efforts in Germany, we pointed out two important implications for Japanese reform: coordination between public pension and occupational pension; and a gender-neutral pension system. A kind of legal right of employees to use occupational pension provision might be an effective way also in Japan to promote these plans and to achieve the aim of counterbalancing the public pension cuts. Since such a new option can create benefits not only for employees, but also for employers, it deserves more attention in Japan. Although Germany's pension policy is still grounded on a rather conservative value system and perceptions of the family, it seems to be less gender-biased compared to the Japanese system.

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Table 1. Financing sources of public pension insurance schemes in Germany : 2002

(in Billion Euro)

Pension schemes	Pension Expenditure	Contribution payments	Subsidies from the general budget	Other income (including capital	Payments from other schemes (fiscal equalization)
Blue-collar workers	100.0	67.5	40.2	0.5	8.2
White-collar workers	89.7	96.9	9.1	1.0	0.1
Miners	12.6	1.1	7.4	0.0	6.1
Total	202.4	165.5	56.7	1.5	–

Source: VDR Internet Database at http://www.vdr.de

Table 2. Assets held under occupational pension schemes in Germany : 2000

Pension scheme	Assets in billion Euro	Share (%)
Book reserve funds	194.6	59
Pension insurance funds	71.0	21
Direct insurances	42.8	13
Support funds	22.9	7
Total	331.3	100

Source: Deutsche Bank Research (2003)

Table 3. Income component as a share of total income of the elderly in West-Germany 1996 and the United States 1993 by equivalent income quintiles

Income	Average		Lowest Quintile		Middle Quintile		Highest Quintile	
Component	Germany	USA	Germany	USA	Germany	USA	Germany	USA
Old Age Pension	78.7	45.7	87.1	69.5	74.3	40.3	61.8	20.0
Private Transfers	3.6	14.8	3.1	6.0	3.1	16.2	9.5	21.6
Public Transfers	0.7	2.4	1.9	7.0	0.6	1.3	0.2	0.9
Employment	8.6	14.8	2.1	4.0	10.9	15.8	20.7	33.1
Capital Income	12.4	27.6	6.0	13.8	14.8	30.4	19.6	41.8
Taxes	-4.0	-5.3	-0.2	-0.3	-3.4	-4.0	-11.8	-17.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Schwarze and Frick (2000: Table 4 and 5) (original data from the German Socio-Economic Panel and Panel Study of Income Dynamics)

Table 4. Subsidies/tax privileges granted private pension

(in Euro per year)

Year	Percent of Pension contribution ceiling	Basic subsidy per individual spouse	Child subsidy per child	Maximum income tax deduction
2002-2003	1	38	46	525
2004-2005	2	76	92	1050
2006-2007	3	114	138	1575
From 2008	4	154	185	2100

Source: Viebrock and Schmähl (2001)

Table 5. Example for the effect of splitting pension entitlements

(In Euro)

	Husband	Wife	Both partners
Pension entitlement for the period			
before the marriage	300	100	
during the marriage	900	400	
Pension entitlement without splitting	1200	500	1700
Pension entitlement for the period			
before the marriage	300	100	
during the marriage (after splitting)	650	650	
Pension entitlement after	950	750	1700

Table 6. Comparison of Public Pension System between Germany and Japan : around 2000

	Germany		Japan	
	Public Pension	GRV	Public Pension	EPI
Expenditure/GDP (%)	12.0	9.6	7.1	4.1
Coverage of the working population (%)		85		49
Coverage of part-timers		yes		no
self-employed		yes		no
Financing (%)		(2002)		
Contribution		74		71
National Subsidy		25		13
Others		1		16
Contribution rate (%)		19.5 (2003)		13.6
Type of benefit (F = Flat rate , LS = Lifetime Salary)		LS		F + LS
Benefit accrual rate for earnings-related part (%)		1.07		0.548
Average pension age	59			62
Life expectancy at age 65 (Both sexes)	17.4		20.0	
Share of public pension benefits in the incom of average elderly households aged 65+	76 (1996)		64 (1997)	

Table 7. Indicators of Public Pension Insurance

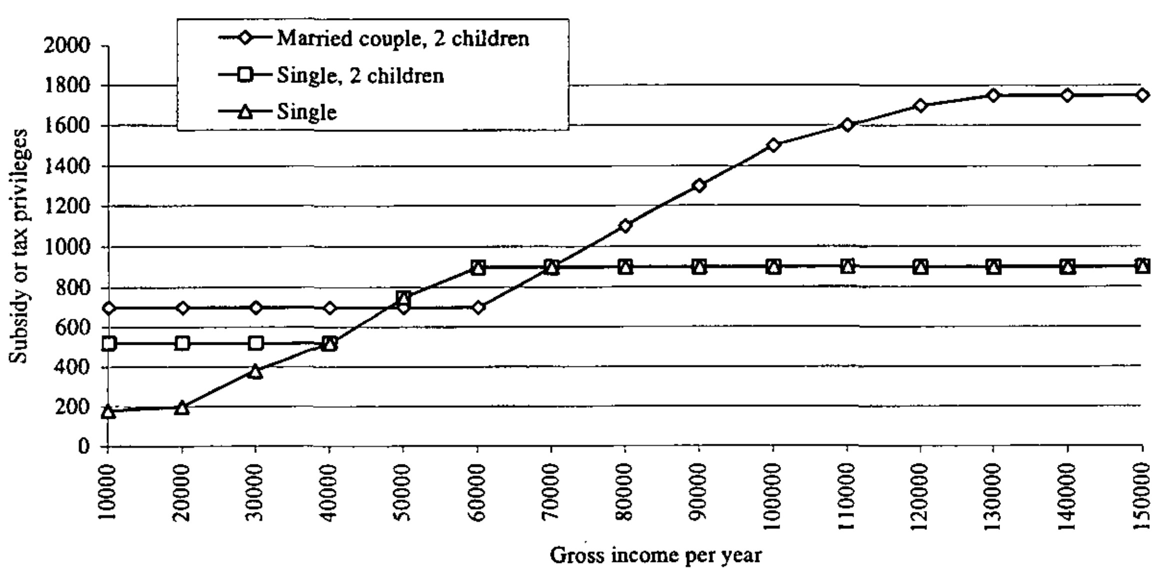
	Germany 2000 (in Euro per month)			Japan 2000 (in 100 Yen per month)		
	Males	Females	Total	Males	Females	Total
Average net earnings [a]			1,363	4,010		
Standard old-age pension [b]			968	1,710		
West Germany			1,036	(2,380)		
Easy Germany			899			
Average old-age pension at 65	836	359		2,050	1,130	1,770
Basic social assistance benefits (couple without children)			506			931 ~1,195

a) of all employees for Germany; of EPI insured for Japan

b) with 45 PEP for Germany; for those average earners who are insured in the EPI for 40 years for Japan (with dependent spouse in parenthesis)

c) West Germany only for Germany; EPI for Japan

Figure 1: State subsidy and tax privileges in dependence of gross income and household type (in Euro)



Source: Ebert 2001: 185

2. 4 Pension Reform in France

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abstract

France is also ageing in demographic structure and confronting with the serious financial difficulty in pension schemes. The discussion on the pension reform started officially in about 1990 and the White Paper on Pension Reform was issued in 1991. The Government has prepared the drastic reform since then. The Government made in public the pension reform proposal in 2003.

This paper tries to make clear the general background surrounding pension reform in France and show the future direction of the reform by examining the official reports of different Councils(1). Finally the Law on the Pension Reform was enacted in August 21st 2003. This paper also tries to illustrate the contents of the reform. However one must remark that this pension Law of 2003 is not the complete and final legal text. As shown later this law means just the beginning of drastic reform and will be followed up by many complementary reform Laws since now.

1. Background

Before beginning the discussion on the pension reform in France, it may be worth while introducing the background. French pension schemes are very unique even comparing with those in other European countries. To begin with, the basic characteristics of French pension schemes shall be made clear.

characteristics of French pension schemes

Generally normal text on French pension schemes mentioned following three points as the basic characteristics(2). First, pension schemes are complex and separated according to the occupation. Therefore, many pension schemes exist under the autonomous administration. Through the history, the movement of generalization of social security has been confirmed but the integration or unification of the different schemes has never been established. This may be one of French tradition, which can be seen in many fields such like political party, labour union, etc.

Second, different pension schemes keep the unequal conditions without any coordination. For instance, the average pension benefits amount to 1598 F for the commercial self-employed, 1692 F for farmers, 4146F for normal wage earners in private sector, 8654F for management employees in private sector and 10339 for public employees. In addition the differences between sexes are also big in France.

Third, French pension schemes are estimated as expensive but for certain purpose. France makes much of minimum guarantee even in pension scheme. Those who can not satisfy the qualification or whose pension amounts to quite lower can receive non-contributive pension. All the aged persons can enjoy minimum income, which amounts to about half of minimum wage. Here public aids and minimum guarantee scheme in pension must be distinguished each other(3).

The above mentioned are all characteristics in social security pension schemes. Here if considering the whole income security for the aged, another point can be mentioned. Therefore, fourth, the secondary pension means in France "complementary pension" concluded by the collective agreement between the social partners, which apply to all the wage earners in France. This pension is juridically out of social security law but plays a great role with public characteristics. The Government can not intervene directly into the management of this scheme.

Movement for pension reform

French pension schemes marked considerable progress in 1970's. The pension amounts raised from 40% to 50% of previous wages during this period. However the economic crisis made worse French economy and unemployment became one of the serious social problems. Therefore different early pension schemes were introduced eventually.

The pensionable age has been 65 for men and 60 for women. President F.Mitterand decided to drop down the pensionable age of male workers to 60 in 1982, which met with the demand of labor unions. Thereafter the financial conditions became worse and pension reforms were discussed. In 1991 the Government issued "White Papers on French Pension", which made started the long discussion on pension finance.

In 1995 according to the Juppe Plan the Government tried to reform special pension schemes.

However they failed and the discussion of pension reform was succeeded in another way. Charpin Report was presented in 1999, which includes general and concrete reform measures of inbalanced pension schemes such like increase of insurance period for full pension, enlargement of wage scope of application, increase of maximum amounts of employers' contribution, modification of indexation method, etc. In addition, the French Government created the specific organisation: Conseil d'Orientation des Retraite (COR) to coordinate the negociation between the social partners and propose concrete measures in 2000.

COR issued its own Report since 2001, which will be introduced below. Again the big discussion occurred after the Report of COR and many strikes were practiced in all France not only by trade unions but by many others. However, finally, the new Pension Reform Law was enacted in August 2003 as shown later.

2. Actual Situation of French Pension

increase of life expectancy

France is also facing with the ageing population, while in slow speed. As the result, the duration after retirement tends to be longer. To maintain the income security for a longer period after retirement, France must provide sustainable pension schemes in a long term vision. Table 1 shows the transition of life expectancy. It might be understood that the life expectancy became longer between 1932 and 1990.

While the life expectancy was 55 years old in men and 60 years old in women in1932, the same ages have become 73 and 81 in 1990, that is to say, 18 years longer in men and 21 years longer in women. Then the life expectancy at the age of 60, in the same period, men prolonged 5 years and women did 8 years, which indicates the difficulty to keep a good balance in the pension finance.

This trend of ageing is to be prospected to continue even in the future. Figure 1 illustrates the trends of population by age groups. Only those aged 60 or more will grow the share even after 2000, while both age groups of 19 or less and of 20-59 will drop the proportion after 2000.

financial independency of pensioners

The retired persons have becoming rather richer and richer compared with the other generations.

When we look the average income standard without assets, the income of retired (77,500Ff) is certainly lower than that of working population (93,800Ff). However if we think of the amount of asset, those incomes become respectively 103,900Ff and 105,000 Ff without big difference.

Another data shows the number of poor persons is diminishing. The proportion of poor persons below official poverty line to the whole certain population has decreased from 28% in 1970 to 4.7% in 1997 among the retired persons. On the other hand, that of wage earners shifted from 4.8% to 6.5%. In short, the retired persons became richer and younger active persons became relatively poor during this period.

growing scale of pension

As seen in many advanced countries French pension tends to play a bigger role in social security schemes. The proportion of old age pension expenditure to the GDP increased from 5.4% in 1959 to 12.6% in 2000. That is to say the proportion became about 2.3 times higher in 41 years. This tendency can not be modified easily. The Government might seek for the measure to limit the increase of pension expenditure. Pension reform will go along with this direction in different measures.

financial resources

French pension is financed mainly by the contribution of social partners and tax. The ratios are often modified according to the negociation between the social partners depending on the occupational profession as illustrated in Table2. The ratios are 10.35% for employees and 15.50% for employer in the case of normal employees in private sector. The same ratios become 9.75% and 15.54% in the case of management employees in private sector. Public employees show higher contribution ratios in general. They are 7.85% and 26.5% in local public employees. While the case of national public employees is difficult to conclude the single ratio because of different profession, COR suggested 48.78% which includes extremely high occupation such like military officials.

As for tax for pension, the Government has adopted different measures to secure the resources. First, all the residents in France are collected 1% of tax for old age pension and survivors pension for the incomes from assets or investment. Second, 1.3% of tax is collected for all the incomes to meet the financial resources of Old Age Solidarity Fund (FSV), which constitutes the minimum pension for all. Third, the General Tax was introduced to compensate the deficit not only in pension but in whole social security schemes.

The subsidy from National Budget is not regularized for old age pension in France. However the equivalent amounts to the exempted contributions are reimbursed by the National Budget in general, which occupies a bigger proportion recently.

retirement behavior

Because of higher unemployment ratio, the retirement age becomes earlier in France. As mentioned above, the normal retirement age has fixed at 60 for both sexes. However, more than half of the aged 60 already retired from labor market (see Figure 2). The retired persons just in normal pensionable age of 60 is less than 1/4 of all retired.

Another investigation shows the professional situation just before retirement. The results in men are 45% in employment, 32% in pre-retired, 14% in unemployment and 9% in inactivity. In the case of women, the same figures are 42%, 21%, 18% and 19%, which express the employment difficulty in women(4). Here "pre-retired" means the retired persons with some early pension scheme.

3. Financial Prospect

financial inbalance

The Council of Orientation of Pension carefully analyses the future prospects of pension schemes in France. They fix many factors which decide pension standard such like population, economic indicators, etc., then forecast pension finance in the future. The results are so pessimistic. Here this paper mentions only to the result.

First, we mention again to the proportion of pension expenditure to GDP. This proportion continue to increase even in the future. The proportion of pension expenditure to the GDP is estimated to change from 11.6% in 2000 to 11.8-11.9% in 2010, 13.6-13.8% in 2020 and finally 15.7-16.0% in 2040(5).

As the result, if there will be no measures to reform the schemes, the big financial difficulty would come certainly. Table 3 shows the financial prospect in major pension schemes. As mentioned above many pension schemes are coexisted by different occupation. The financial balance is also different but most of pensions have clear tendency to be worse keeping bigger deficits. This Table just consider the relation between contribution and benefit, therefore any subsidy, tax, management costs, compensation and the others are not taken into account.

The financial balances prospected in 2040 by the scheme are −39.7 billion Euro (-49.6 billion Euro according to the other hypothesis) in General Pension, -36.8 billion Euro in Pension of National Employees, -3.8 billion Euro in AGIRC and −13,2 billion Euro in ARRCO. Naturally the estimation depends on which economic indicators we adopt. However it will be certain that the balance drop into serious difficulty before 2010 in any indicators(6).

Pension Standard

If the same conditions will be maintained, the future pension amounts would be also increased but the proportion of income replacement might be diminished. For instance, in the case of normal wage earner, the proportion of wage replacement by pension was 84% in 2000, then will be 71% in 2020 and 67% in 2040. I the other case of higher management, the same figures are 56%, 50% and 47%. The bigger influences are seen in higher wage than low wage earners. The public employees can always keep the same proportion in income replacement.

4. Debate and Proposal

(1) Construction of a new social contract

The debate on the pension reform tends to induce different opinions among different preasure groups, which could be the obstacles to conclude a single proposal. After the long discussion, Conseil d'orientation des retraites came to establish the basic idea to reform the pension schemes in France(7).

basic principles

The Council proposed following 3 basic principles to be confirmed for the reform of French pension schemes (8).

1. The pay-as-you-go method and solidarity between the generations must be adopted and maintained as the basic operation in French Pension. This principle meet with the social justice and accepted for long period in France.
2. The amount of pension is decided in the certain proportion of the incomes during working life, while the period of unemployment, family care, etc must be reflected in the calculation of pension amount.
3. The right to work must be encouraged even for the retired persons to provide the wider room to choose. Pension must be designed to promote their employment.

Complementary principles

In addition to those three basic principles, following four complementary principles are also emphasized in the Report.

1. solidarity in pension finance

French population think much importance in the financial solidarity particularly in the ageing society. "Solidarity" is the traditional and basic idea of social security so that this idea should be cherished even in ageing society.

2. equal treatment among the contributors

French pension schemes have been classified according to the different professions, which seemed inevitable. Now after the long history France must reconsider the equal treatment among the contributors in different pension schemes including the integration of the pensions.
optional management by individuals.

3. room for free choose

French social security has been managed in autonomous mechanism, which guarantee the participation of the contributors them-selves. Succeeding this tradition the future pension schemes also must be remain optional by the individual insured person: reimbursement of contribution, age of retirement, etc..

4. accessibility to the information concerned by the insured

In advanced information technology, the insured must be informed completely on their situation in pension scheme. France has already open the Home Page to guide the individual insured to know the amount and age of personal pension, which can be important element to decide