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# Social Security for the Digital Age: Beyond France’s Pension Reform

**Article by Rodrigo Arenas**
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Designed to increase workers’ insecurity and enrich private funds, France’s disputed pension reform is part of a global trend towards financialisation. To push back, states need to rethink their role in the digital era.

Since the beginning of 2023, France has been rocked by the kind of social unrest for which it is famed. The eight main trade unions and three biggest student unions have mobilised against the latest attempt to reform the pension system, bringing millions of French citizens onto the streets. To date, there have been a dozen days of largely peaceful protest nationwide against the reform, which will require people to work 43 years before retirement and raise the minimum retirement age from 62 to 64.

The use of a controversial constitutional mechanism (Article 49.3) that enables the government to force legislation through parliament without a vote provoked further, more violent protests. It also set off a spiral of mutual radicalisation: on one side, a protest movement demanding to be heard; on the other, a government deaf to popular opposition, which it dismissed as illegitimate and irresponsible. With each side blaming the other, a “democratic crisis” took hold of the country, from the street to the institutions. The Constitutional Council’s approval of the law on 14 April did not ease tensions.

But what is the controversy all about? According to the government, the reform aims to avoid the looming deterioration of public finances caused by the redistributive pay-as-you-go pension system, in which working people pay for the elder generations’ pensions. The French have shown their attachment to this model since the turn of the 20th century and turned out en masse to defend it most recently in 2019. However, the Pensions Advisory Board (COR), an independent body whose expertise is recognised by all stakeholders, does not seem to share the current French government’s pessimism over the sustainability of the pension system. Last September, COR estimated that in most of the scenarios envisaged there was no “uncontrolled trend in pension spending”. In 2021, it considered pensions to be on a “controlled path” until 2070.

While minor, temporary deficits are expected in coming years, they are mainly the result of previous reforms that reduced social security funding. According to expert, this is a “parametric” reform involving three variables: the amount of employer contributions, the amount of pensions paid, and the number of years of contributions made. To pay down a temporary deficit from 2027, the government decided to increase the number of years of work needed to receive full state pensions.

The reform is likely to disproportionately affect two of the most vulnerable categories of employees: those who do strenuous jobs (a notion already undermined by previous reforms) and women, whose careers are often more fragmented and less well paid.

## Privatisation by stealth

For tactical reasons, the government claims that this reform will save the country’s finances, exaggerating the unsustainability of public debt incurred in mitigating the impact of the pandemic and the energy crisis. By overriding the people's opposition and reducing democracy to the respect of constitutional provisions, the government has undermined the political legitimacy of its actions. Its calls for financial sustainability and the preservation of the pay-as-you-go system seem to pursue a different objective: financialisation by stealth.

Despite the insistence on rising life expectancy (a trend put into question by the Covid-19 pandemic) as a reason to increase retirement age, the reform may bear harmful consequences for the labour market. In France, where the employment rate for older workers is already among the lowest in Europe, the main effect will be to lengthen the period of precarity preceding retirement. This will be especially the case for women (whose pensions are lower on average) and the least well off. Traditionally, the French state was committed to correcting inequalities when they were too pronounced. This reform could spell the end of French exceptionalism.

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The uncertainty surrounding the amounts of pensions and the long-term sustainability of the system is fuelling growing anxiety. To secure their pensions, those who have the means are likely to resort to savings and private pensions. It was against this insidious attempt to privatise the pension system that protestors symbolically surrounded the Paris offices of American investment firm BlackRock on 6 April. The reform is a case of Chomsky-style privatisation by defunding: weaken the public service so much that people no longer trust it, thereby encouraging them to turn to private alternatives.

This democratic and social crisis holds two important lessons. First, by pushing the middle classes to gradually turn their backs on national solidarity and the social contract that has underpinned the French Republic for two centuries, the government is strengthening relationships of domination within society. When much of people's energy is spent on keeping precarity at bay, there is none left for challenging the social order – more so when the increasingly violent doctrine of maintaining order makes protest as physically dangerous as it is economically costly. Holding a vision of society in which all the poor have to do is "cross the road to find a job", French President Emmanuel Macron rules atop the pyramid.

An old-fashioned pharaoh, Macron embodies the France of meritocracy, convinced that success and power stem from talent alone. Like Monsieur Homais, the conceited pharmacist mocked by Flaubert in *Madame Bovary*, the President shows contempt for the France of female front-line workers, union marches, and the *gilets jaunes*.

As historian Paul Pasquali puts it, Macron represents the France of "inheritocracy", confident in its entitlement, background, and future. In the social Darwinism it embraces, this new aristocracy sees its domination as the natural order of things. The less well-off deserve care and consideration but only in the form of charity that is offered, not rights that must be respected.

Here lies the second lesson: whether it is won by the opposition or by the government, the ongoing battle over pensions is yesterday's war. A relic of the old world, it remains dependent on a paternalist vision of the state and does not consider the cultural shift brought about by the digital revolution.

## The broken promises of financialisation

The financialisation of pensions is a global trend. In Chile (my country of origin), it was one of the flagship neoliberal policies inspired by the “Chicago Boys”, but it brought none of the emancipation and enrichment that were promised. Forty years later, the average worker receives barely 30 per cent of their salary upon retirement, rather than the expected 70 per cent; almost 40 per cent of Chilean retirees do not have a pension pot large enough to live on and most pensioners’ income is lower than the minimum wage. To remedy these major flaws, the state needs to step in, placing a strain on public finances. The only ones who benefited from privatisation were capital markets and pension fund managers.

Yet despite the risk of losses highlighted by the 2008 subprime crisis, Chileans – like many others around the world – seem convinced that the financial system will protect them from a state they see as corrupt and untrustworthy. During the Covid-19 pandemic, a law was passed allowing Chileans to withdraw some of their pension savings, enabling them to individually weather the financial difficulties brought about by the sudden shutdown of the world economy.

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In Germany and Sweden, where reforms over the past two decades have increased the role of pension funds in financing retirement incomes, the better off who have benefitted most.

In a world where the power of governments is limited by markets and often discredited by the behaviour of those who lead them, the middle class and part of the working class view financialisation as a credible alternative to systems of national solidarity. By offering a prospect of individual salvation, pension funds are another expression of belief in meritocracy.

The gradual weakening of our collective stories predates the digital era. The unity once represented by work, family, nation or religion has gone undermined in the name of liberty and opposition to all power structures. Social networks and their aggregative power facilitate sporadic collective mobilisation, as in the case of the Arab Spring and the *gilets jaunes*, and enable citizens to organise around shared causes. But digitalisation has also accelerated the atomisation of society. Studies regularly highlight its worrying consequences: we are all increasingly turned inwards on ourselves, prisoners of a simultaneously vast and narrow universe.

The upheaval wrought by the digital age goes beyond the forms of collective belonging. It has shrunk space and time, flattening the world. It has affected our minds, views, inner realities, interpersonal relationships, and perceptions. Digitalisation is everywhere, including the economy: 90 per cent of assets in the S&P 500 (an index tracking the stock performance of 500 of the largest US-listed companies) are intangible.

## Collective struggles in the digital age

This shift is not over. But it is the reason why current opposition to the French pension reform is both necessary and already obsolete: necessary to avoid that the already weary working class pays the highest price; obsolete because tax and social security systems are still organised around trade and the added value generated in a territory, while most of the wealth created is beyond the reach of nation states. We must ask ourselves, how can we enable governments to capture their fair share of this wealth? In a global economy dominated by flows (of finance, energy or pollution) we can no longer build a tax base on material stocks such as added value, work, and property.

The idea of a tax on financial transactions has long been mooted, but has run into numerous obstacles from the outset. The opacity of the international financial system suits banks, multinationals, organised crime, intelligence agencies, and the world's richest. So perhaps it is time to redesign the system. New technological solutions such as blockchain may allow for greater transparency of all financial flows, which could then fall under the jurisdiction of nation states. Calculations by Marc Chesnay, one of the inventors and advocates of this micro-tax tailor-made for the virtual economy, suggest that even with a fairly low rate applied to all the annual financial transactions in a country like France, all social needs would be covered.

It is time to look beyond mere opposition to unjust reforms. The role, organisation and funding of the state need to be completely reimagined in the digital age. Only then can collective struggles finally shift from desperate resistance to concrete proposals for a better world.

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A son of Chilean refugees, Rodrigo Arenas grew up in France. He holds a Master of Advanced Studies in economics and has a career in local government. In 2022, he was elected to the Assemblée nationale with FI-NUPES.

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