2012

SOCIAL SECURITY

Draft Social Security Financing Law - PLFSS

Quality and efficiency programs in the 2012 draft Social Security financing law: improving outcomes in troubled times

Quality and efficiency programs are an appendix of the annual draft Social Security financing law. They report the outcomes achieved by public policies carried out through Social Security agencies, in relation to the targets set to those policies. The programs aim at providing an evaluation of former Social Security policies, and at enabling the Parliament to assess how the new policy measures proposed in the current Social Security bill match with the demographic, economic, social and health context in France.

Given the current trends of the economic and financial crisis which require a strong recovery of public accounts, and notably those of Social Security, special attention must be paid to data which allow to assess adequacy and efficiency of resources allocated to the policies undergone by the French social security system.

In this context, 2012 quality and efficiency programs stress on some policy issues, such as the decrease in the Social Security deficit, an efficient and affordable provision of health care, or the improvement of the employment ratio of workers aged 55 to 64, which are at the agenda of the Parliament within the 2012 draft Social Security financing law.

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Quality and efficiency programs, which are an appendix of the 2012 draft Social Security financing law, provide an assessment of health care and social policies carried out in former Social Security budgets, with respect to the general goals assigned to those policies: sustainable financing, affordability, quality and efficiency of the provision of health care and social benefits. A special attention must be paid to the outcomes of the French Social security system in the context of the current trends of the global economic and financial crisis, which strengthens the need for a fast consolidation of public accounts, in France as well as in other developed countries.

Therefore, assessing adequacy and efficiency of health care and social expenditures, and sustainability of the resources allocated to their funding, is a major policy issue. In this respect, the current quality and efficiency programs show recent hopeful outcomes:

- the share of "out-of-pocket" health care expenditures of households – e.g. those which are directly paid by households, after deduction of reimbursements from mandatory public and optional private health insurance schemes – has been decreasing since 2008;
- the French health care system confirms its good results in the field of quality of medical services;
- the achievement of targets on reduction of savings health care expenditures which have no clear medico-economic justification has been higher in 2010 than before;
- the ratio of people aged 55 to 64 at work goes on improving despite an unfavourable economic context.

However, some improvements might be required in other fields of French social protection:

- as far as financial affordability of health care is concerned, the current increasing trend of the share of people who report unmet health needs for financial reasons, and of the growing average amount of extra-payments requested by physicians, suggests that policymakers keep watching over this issue;
- a similar concern arises from the increasing number of occupational diseases and from the stable gravity of work accidents;
- alternatives to in-patient care, especially at-home hospitalization, could grow at a faster face,in order to reconcile cost containment and improvement in quality of health care.

The 2012 draft Social Security financing law puts a special stress on sustainable financing of health care and social expenditures. In accordance with the plan devoted to the reduction of public deficits, announced by the Government on August 24th, it takes into account the measures already endorsed in a recent amending financing law (state budget) and proposes an additional allocation of taxes to Social Security. Altogether, 6 Bn€ will be transferred to Social Security in 2012, out of them 4 Bn€ coming from a reduction of "shelters" on payroll taxes earmarked to Social Security. As a result of the containment of expenditures and of this additional revenue, the deficit of Social Security will decrease sharply in 2012 and in the following years. Therefore, the French Social Security is now settled on a sustainable financial path, while French citizens will go on benefiting from a high level of social protection.

Quality and efficiency programs constitute an appendix of the annual draft Social Security financing law. They result in a monitoring process of health care and social policies financed within the Social Security budget – health insurance, work accidents and occupational diseases, old-age pensions, family benefits -, and aim at providing to the Parliament and, more broadly speaking, to all Social Security stakeholders, some information on the outcomes achieved by those policies. Analyzing how adequacy and quality of social benefits and services match with efficiency of their provision and with sustainability of their financing is of course a main concern of quality and efficiency programs, given the heavy global burden of social protection in France (about one quarter of GDP and one half of total public expenditures). Assessing the balance between the welfare impact of social benefits and the cost of their financing on the French economy, and checking whether it is or not money's worth for the citizens, are therefore major policy issues.

Overcoming the cost/quality dilemma of the Social Security system is especially important in the context of the highly uncertain macroeconomic context at the word level, which strengthens the pressure on public accounts in all developed countries. Given this background, the French Government is committed in reducing the public deficits (-5.7% of GDP in 2011, -4.5% in 2012, -3.0% in 2013 and -2.0% in 2014). All sub-sectors of public administrations will take part in this fiscal consolidation, including Social Security, although its contribution to the global public deficit is limited (16.7% in 2010, compared with its share in total public expenditures and resources, almost 50%). Ensuring that health care and social expenditures actually are cost-efficient and improve social welfare holds therefore a high degree of priority in the Social Security bill for 2012.

Appendix 1 of the draft Social Security financing law includes six quality and efficiency programs: one for each of the four subsectors of Social Security (health insurance, work accidents and occupational diseases, old-age pensions, family benefits), plus one for the issues of funding and resource collection, and an other one for long term care – whose responsibility is shared in France between the State's budget, Social Security (through health care expenditures) and local authorities. Although each program has its own concerns, a general pattern may however be inferred, which appears to be suitable for analyzing the outcomes of health care and social policies. Hence those policies should help reach four major objectives:

- sustainable resources financing Social Security;
- access to affordable and adequate health care services and social benefits;
- quality of health care and social benefits and services;
- efficient provision of those benefits and services.

SUSTAINABLE FINANCING OF SOCIAL SECURITY: *continued efforts in cost-containment have been carried out over the last years; in 2010, for the first time since 1997, the national target on health insurance expenditures has been achieved; together with additional resources earmarked to Social Security within the framework of the Governmental plan on public deficit reduction, this leads to reasonable expectations of a balanced Social Security budget in the medium term.*

Sustainable financing means the ability of Social Security to cover in the long run expenditures for health care, work accidents and occupational diseases, pensions and family benefits by its own resources. As far as this issue is concerned, it must first of all be noted that the economic and financial crisis started in 2007 induced a drop in the revenue of all Social Security schemes, and especially of the "régime général" ("general scheme", which covers the workers in the private sector and their families; this scheme represents three quarters of the total Social Security expenditures). For the first time since World War II, wages of the private sector – the main basis of the resources of the "régime général" decreased in 2009 (-1,3%, in nominal value). This explains why the Social Security deficit rose up to 20,3 Bn€ for the same year.

Taking account of this adverse context, the French Government undertook, as soon as 2010, to reduce the deficit of public administrations to 3% of GDP by 2013. The "Stability program" sent to the European Commission in May 2011, and then the 2012 Finance and Social Security bills, which are currently investigated by the Parliament, are built on the basis of the strict respect of this commitment.

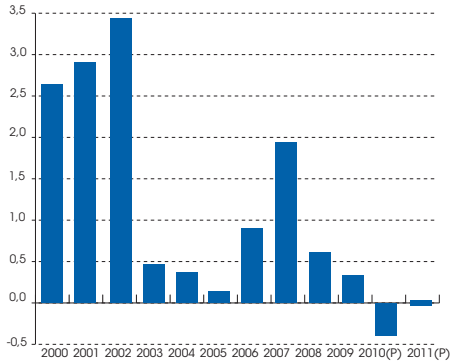
Given the heavy burden of Social Security in the whole of public expenditures, containing health care and social expenditures is a major issue of the fiscal consolidation. In this respect, a significant success has been registered since 2005, with a sharp slowdown of health insurance expenditures. The effectiveness of continuing efforts in this field has been observed in 2010 when, for the first time since 1997, the national target on health insurance expenditures ("Objectif national des dépenses d'assurance maladie", ONDAM) adopted by the Parliament was met (*see Graph 1*). The current trends on the first part of 2011 suggest optimistic expectations as regards the capacity to meet the health insurance expenditures target set for 2011 (target increased by 2.9 % compared to 2010). Building on this achievement, the Government proposes to limit the growth of health insurance expenditures under 2.8 % each year as of 2012. Achieving these targets will confirm the position of France among OECD countries with the slowest pace of growth of public health care expenditures.

In the field of old-age pensions, the reform adopted by the Parliament in November 2010 also aims at contributing to the reduction of public deficits. Indeed, its main target is that the own resources of public pension schemes exceed their expenditures from 2018 onwards, starting from a forecasted global deficit of 45 Bn€ by 2020 if the reform were not carried out. This financial strategy will be implemented through a steady lengthening of the working life. In this way, retirement ages – either the minimal age or the age when individuals automatically benefit from a full-rate pension – will be steadily postponed by 2 years in order to reach

GRAPH 1

Overruns on health insurance expenditures (as a % of endorsed target)

Source : Social security account commission



respectively 62 years (minimal age) and 67 years (full rate pension) by 2018. At the same time the contributory work periods allowing workers to claim for a full-rate pension before 67 will be increased at the same pace than the one of life expectancy at 60. The global expected impact of the reform is a sharp reduction of the deficit of public pension schemes, through both a drop of their expenditures, and an increase of their resources due to improving participation in the labour market. Of course, success in this strategy requires behavioural changes on the labour market and especially in the field of employment of oldest workers, either from workers themselves – on the supply side – and from firms – on the demand side.

While continued efforts in containing health care and social expenditures are carried out, securing resources is a second major pillar of the French strategy for sustainable financing of Social Security. The 2010 pension reform includes a set of measures which aim at supporting the revenue of the pension schemes. For instance, the rates of payroll taxes paid by the workers in the public sector will steadily converge towards the rates applicable in the private sector. Moreover, additional resources have been earmarked to pension schemes: they have been chosen in order to reach an equitable share of the financial efforts between economic actors. Thus, the marginal rate of income taxation has been increased by 1% for high income households, and levies on stock-options and supplementary pensions are getting heavier. Incomes from financial and non financial assets (capital gains on financial and real estate assets, interests, dividends) are also more taxed. As far as firms are concerned, payroll tax reductions on low wages are rationalized – calculated from now onwards on the basis of annual wages -, the financial impact of this measure benefiting entirely to the "régime général" pension scheme. In a longer run, payroll taxes allocated to pensions schemes will be increased from 2015 until 2018, while those financing the unemployment insurance scheme will be reduced in the same proportion, taking account of an expected improvement of the unemployment insurance financial situation.

The financial resources of Social Security will also be increased through the impact of the Government plan on reduction of public deficits announced on August 24th 2011. Social security schemes will receive almost 6 Bn€ of additional resources in 2012, out of them 4 Bn€ from reductions in "shelters" on payroll taxes. The main measures, which have already been voted in the former amending financing law (state budget) or are right now being examined by the Parliament within the State and Social Security budgets are:

- an additional taxation of capital gains on real estate assets (excepted on main homes);
- an increase from 6% to 8% of the lump-sum taxation of incomes which are not subject to payroll taxes (e.g. participation in the firm's profits);
- a new restriction of professional expenditures allowed to deduction from the basis of the "general social contribution" ("contribution sociale généralisée", a levy on all household incomes earmarked to Social Security);
- an increase in the taxation of asset incomes;
- some rationalization of tax incentives for supplementary hours, which will be combined with payroll tax "shelters" on low wages.

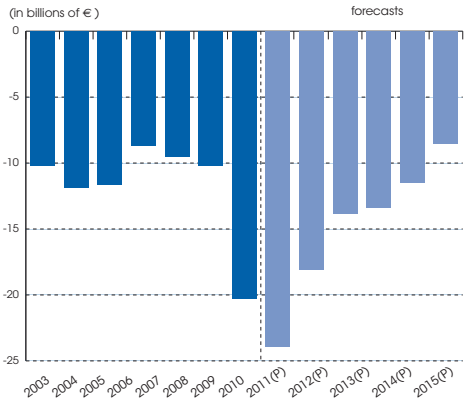
Additional resources come from measures combining financial and public health impact, such as an increase in tobacco prices – and therefore on taxes on tobacco consumption – and in taxes on beverages with high degree of alcohol, as well as the creation of a new tax on beverages containing added sugar.

Altogether, cost-containment and complementary resources will lead to a substantial recovery of the accounts of Social Security (*see Graph 2*). For instance, the deficit of the "régime general" will decrease by 10 Bn€ between 2010 and 2012, and will then be reduced by 5 additional Bn€ until 2015: at that time it should reach 8.5 Bn€.

GRAPH 2

Deficit of the "general scheme" *

Source : 2012 draft Social Security financing law



(*) the "régime général" (general scheme) covers workers of the private sector for pensions and work accidents and occupational diseases; workers of the private sector and of part of the public sector (notably civil servants) against sickness, and the whole French population for family benefits.

Those medium-term financial trends help build credible scenarios where Social Security goes back to a sound balanced situation before 2017 (the end of the next presidential term). Such a target might be more easily achieved in the case where Social Security and CADES (a public body in charge of redeeming the past deficits of Social Security) accounts are aggregated.

ACCESS TO AFFORDABLE AND ADEQUATE HEALTH CARE SERVICES AND SOCIAL BENEFITS: *the great diversity in health care and social benefits, together with a high level of public old-age pensions ensure a good protection of the French population against vital risks and poverty, although there remain some unmet needs, especially in the field of access to health care services.*

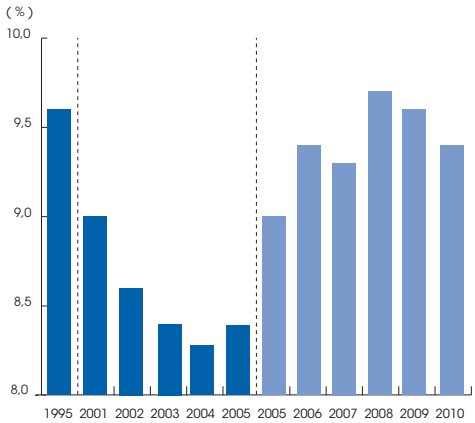
In line with the high level of health care and social expenditures, the French Social Security ensures a good coverage of the population against the various life risks. In the field of sickness insurance, the share of public health expenditures (e.g. expenditures financed by the social security scheme, the State and local authorities) in the total health expenditures is continuously over 75% (77% in 2010). France is among the first OECD countries for the share of public health expenditures in GDP. A substantial supply of public health insurance allows for pooling individual sickness risks, and therefore makes the access to health care services easier for people with bad health status. Those people improve subsequently their opportunities on the labour market, thus investing in health care services through public expenditures is money-worth for the society. The French Government is committed in maintaining the current high level of public financing of health expenditures.

The share of overall health expenditure borne by household ("out-of-pocket") represents 9.4% of total health care expenditures in 2010. It has been downward oriented since 2008, following an upward trend from 2005 until 2008 (*see Graph 3*). Among developed countries, only the Netherlands report a ratio of "out of pocket" expenditures on total health care expenditures lower than in France, although it has increased by about one point over the last decade in this country.

GRAPH 3

Share of households "out of pocket" in total health care expenditures

Source : DREES



Note : data breakdown in 2005 due to the new basis for national accounts.

A number of factors affect the trend of public financing of health care expenditures, either downward or upward. First of all, given the context of an ageing population, the number of people suffering from a chronic disease and benefiting subsequently from a complete reimbursement of health care expenses by Social Security, is currently growing fast, which induces an increase of public health expenditure. On the other hand, various measures have been carried out since 2008 in order to improve the efficiency of health care provision and to reduce the deficit of public sickness insurance schemes, which are subject to drive the household's "out of pocket" on a increasing trend: cancellation of the reimbursement of drugs with insufficient medical impact, rationalization of the patient's course within the health care system – a "referent" practitioner, generally a general practitioner, being allowed to orientate the patient towards specialized practitioners -, increase in the patient's lump-sum payment for each day of in-patient care, implementation of mandatory excess on some cares, drugs or examinations. Since no such measure was carried out in 2009 and 2010, the ratio of household's "out of pocket" to total health expenditures could decrease during these two years.

Basically, low-income persons should not suffer from those measures, since they may benefit from the "couverture maladie universelle complémentaire" (CMUc) - a public means-tested supplementary sickness insurance program, which offers complete financing of health care, extra-payments of physicians being forbidden. 4.3 million of people were recipients of CMUc in 2010. Moreover, people whose income is just above the income threshold set for CMUc may benefit from "aide à l'acquisition d'une complémentaire santé" (ACS), a subsidy in case of subscription of a supplementary sickness insurance contract. At the end of 2010, more than 530 000 persons had benefited from ACS. The income threshold applicable for ACS has been significantly increased in 2011, and will again in 2012: notably, some recipients of minimum incomes, especially for disabled or old people, are now eligible to ACS. This mechanism allows for protection of low-income persons against catastrophic rises of "out of pocket" health care expenditures, which on average is hardly higher than 2% of household's disposable income among the 10% poorest.

Nevertheless, some household sample surveys – such as the survey on health and social protection carried out each two years – reveals an increasing proportion of persons reporting unmet health care needs for financial reasons between 2006 and 2008 (the years of the two former waves of the survey). Such a trend affects also the recipients of the CMUc program, although those people report unmet needs in a smaller proportion than people without any supplementary sickness insurance. Evidence from household surveys calls for a better consideration to the crucial issue of access to affordable health care services, as well as it suggests a need for socio-economic studies, in order to better understand what "unmet needs" means for people when interviewed in household's survey. New results from a research program coordinated by the Ministry of Health on this topic are expected before the end of 2011.

Benefits and services towards families are an additional policy issue where French outcomes appear to be successful. According to OECD figures for 2007, France is the first developed country for income redistribution towards families, inclusive of motherhood, family and housing benefits, subsidies to day-care facilities and tax breaks linked to family size. At the beginning, the French family policy aimed at compensating the living standard losses arising

from the enlargement of the family size, regardless to income. Later on, a stress was put on the support of low-income families. In the recent years, a priority has been set on reconciliation of family and professional responsibilities of parents, following the item on this topic in the "integrated guidelines for growth and employment" within the "Lisbon strategy" carried out by the European Union from 2000 until 2010. According to this strategy, which aims at reaching a fast economic growth together with a high level of employment and social protection, allowing parents, and especially mothers, to participate in the labour market and to save time for children education, stimulates fertility and ensures high participation rates. Both lead to population replacement and thus mitigate the issue of sustainable financing of Social Security.

Since the middle of the past decade, an unprecedented financial effort has been carried out in the fields of investment in day-care facilities and of temporary parental leaves, the rationale for the latter being to protect workers from the risk of social exclusion after a long period of time out of the labour market. In 2004 was created the "prestation d'accueil du jeune enfant" (PAJE) – a set of benefits and services towards families with children aged under 6 -, which increases the subsidies to parents who use the services of childminders - the economic status of the latter having been simultaneously improved -, and creates a new allowance in case of parental leave at the first birth. At the same time, a strong financial support has been devoted to the creation of new capacities of day-care structures. At last, since 2001 fathers may benefit from a special 11 days leave at each birth, which aims at encouraging a more balanced share of parental responsibilities between men and women.

The Government is committed in continuing this strategy until 2012. In this respect, a national target of 200 000 additional childcare opportunities from 2009 until 2012 has been set: among those new capacities, one half will be created in individual structures (typically, through childminders), and the other in collective day-care facilities (*see Table 1*). Two years after the beginning of this plan, 41 600 new places have yet been created in collective facilities, which means the achievement of 88% of the intermediate 2010 target. 24 800 new physical places have been opened, while the remaining 16 800 come from an increase of the occupation rate in existing structures. As far as individual ca pacities are concerned, 42 500 additional children have been cared since 2009, e.g. 85% of the intermediate 2010 target.

TABLE 1

Monitoring of 2009-2012 target on day-care facilities (200 000 additional opportunities over the period)

Source : CNAF and Acoss/pajemploi

	2009 target	2009 outcome	2009 achievement ratio	2009-2010 cumulative target	2009-2010* cumulative outcome	2009-2010* cumulative achievement ratio	2009-2012 target
Collective facilities							
New physical places	12 460	12 400	99 %	27 400	24 820	91 %	60 400
Increase in occupational ratio	10 015	8 175	82 %	19 940	16 815	84 %	39 600
Childminder							
Additional children aged under 3 looked after by childminder	25 000	21 170	85 %	50 000	42 520	85 %	100 000

* data for 2010 are provisional.

QUALITY OF HEALTH CARE AND SOCIAL BENEFITS AND SERVICES: *improvements in progress in all sectors of Social Security.*

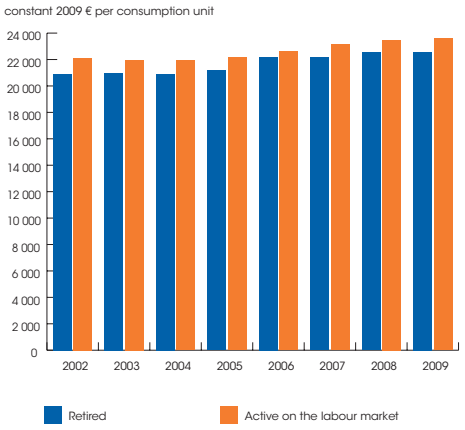
The impact of Social Security on individual welfare is not only a matter of scope of the health care and social services offered to citizens, but also of quality of the related benefits and services.

First of all, in the field of old-age pensions, France is known for a high level of public pensions, due to two mandatory pillars in the private sector, the first ensuring a basic compensation of past earnings, and the second a complementary allocation of income. On average, a "young" retiree – aged 65 to 74 – benefits from pensions whose amount reaches 74% of the wage of an "old" worker – aged 50 to 59. Furthermore, after taking into account asset incomes, more concentrated on oldest individuals, and the family size, smaller in retired households, the living standard of the average pensioner is hardly lower than the one of the average worker (*see Graph 4*).

GRAPH 4

Average living standard of households where the head of family is either retired or at work

Source : INSEE, survey on incomes, taxes and social benefits



The 2010 pension reform aims at maintaining in the long run the current balance between at work and retired people in terms of living standard. Taking into account the need to restore financial balance of pension schemes, the achievement of this objective requires to adjust the actual retirement age, through an increase in either legal retirement ages or contributory work period required in order to benefit from a full-rate pension, in the same proportion as the progression of life expectancy. As far as long-term care is concerned, quality deals with diversification of services supplied to disabled people and to the elderly, in order to match with their needs. In this respect,

household's sample surveys show an overwhelming majority of citizens who wish to stay at home as long as possible. Meeting such needs requires a sufficient supply of at-home services for disabled people and for the elderly. Indeed the share of at-home services in the global supply of services for disabled people is steadily growing, reaching 28.5% for disabled children, 18.4% for disabled adults. In the sector of services for the elderly, the target is an increase in the proportion of dependent people who live at their home, regardless to the dependency level. Yet Table 2 shows that this proportion is actually growing in the case of people with moderate dependency, but not when old-aged people suffer from a heavy level of dependency. Thus, there is a rationale for improvements in the response to the specific needs of people with a serious loss of autonomy.

TABLE 2

Share of recipients of long-term care allowances who stay at their home, according to the degree of dependency

Source : DREES

	2005	2006	2007	2008	2009	2010
GIR1	19 %	19 %	19 %	18 %	19 %	18 %
GIR2	41 %	42 %	42 %	42 %	42 %	41 %
GIR3	65 %	66 %	67 %	67 %	67 %	67 %
GIR4	75 %	77 %	78 %	79 %	79 %	79 %
Total	**59 %**	**60 %**	**62 %**	**61 %**	**62 %**	**61 %**

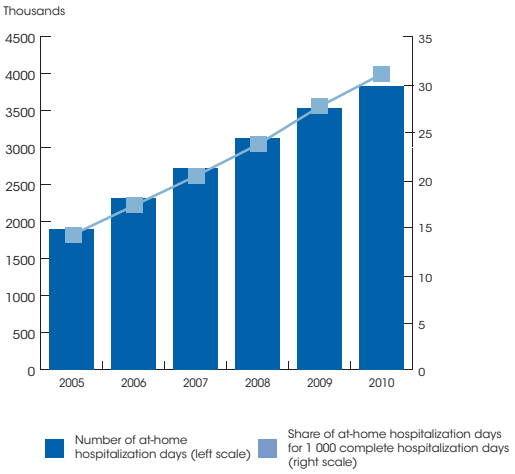
Note : assessment of dependency of oldest person uses the "iso-resource group" ("groupe iso-ressources", GIR) pattern, which includes 6 degrees from GIR 1 (severe dependency) to GIR 6 (moderate dependency). Allowances are paid only to persons with GIR 1 to GIR 4.

At last, quality issues are especially important in health care provision. As a general background, it must be noted that international comparison of health care systems shows some positive outcomes in France: for instance, our country is at the second rank among OECD countries for the life expectancy of women (22.5 years at 60 in 2009). Building upon this basis, future progress must concern quality items where the French outcomes are under the international average, such as alternatives to in-patient care, especially at-home hospitalization. Accelerating the development of those alternatives would provide an improvement in the quality of health care for patients, by avoiding unneeded hospitalizations, as well as it would reduce the cost of medical treatments. Available data (*see Graph 5*) show a fast increase in the number of at-home hospitalization days, although the latter still accounts for only a small part of complete hospitalization days, which suggests that the current trend should be strengthened.

GRAPH 5

Number of at-home hospitalization days for 1 000 complete hospitalization days

Source : SAE-DREES, DSS calculations



EFFICIENT PROVISION OF HEALTH CARE AND SOCIAL BENEFITS AND SERVICES: *the targets of reduction of health care expenditures presenting no medical justification have been better achieved in 2010 and the employment ratio of workers aged 55 to 64 goes on increasing; on the other hand, some concerns arise from the present trends of frequency and gravity of work accidents and occupational diseases, which are no longer clearly decreasing.*

Reconciling sustainable financing of Social Security, which requires a close control of the costs of health care and social benefits, with quality of services supplied to individuals, stresses the issue of efficiency in the provision of those benefits. There is an obvious dilemma between cost and quality, which may be overcome through adequate incentives to people covered by the social security system and to employers and suppliers of health care services, in order to encourage efficient provision and appropriate use of those services.

First of all, as far as sickness insurance is concerned, a reform carried out as of 2004 underlined the need for a medical approach in cost control. Hence annual targets are set through agreements between public schemes and physician unions, on topics such as sickness leaves, prescription of examinations and drugs, notably of generics, or control of expenses of patients who suffer from chronic diseases. The global target of the amount to be saved through this medico-economic approach had been set to 590 Mn€ for 2010: 501 Mn€ have been actually achieved, which means a rate of fulfilment of 85%, an increasing outcome with respect to former years (*see Table 3*).

TABLE 3

Savings from medical control of health care expenditures (millions euros)

Source : CNAMTS

	2005	2006	2007	2008	2009	2010
Agreement with physicians	721	581	383	333	398	396
Antibiotics	35	46	27	56	0	12
Statines	122	135	131	55	78	68
Proton pump inhibitor	-	13	27	71	20	67
Psychotropic medicine	11	20	8	5	1	3
Sickness leaves	432	262	0	0	0	-
Medical transportation	-	-	24	57	46	42
Chronic diseases	88	80	73	44	42	10
Prescription of generic medicine	33	25	-	-	-	-
Respect of medical best practice advices	0	0	24	15	80	35
Converting enzyme inhibitor	-	-	62	25	70	89
Anti-osteoporotics	-	-	-	-	21	21
Anti-depressants	-	-	-	-	33	50
Anti-diabetics	-	-	-	-	8	-
Analgesics	-	-	-	-	-	-
Others	-	-	7	5	-	-
Physiotherapists (best practice recommendations in repeated procedures)	-	-	-	-	55	53
Sickness leaves and medical transportation prescribed by hospital	-	-	-	48	23	52
Total prescribers	721	581	383	381	476	501
Agreement with drug dispensers (substituted generics)	33	25	107	101	47	-
Total	754	606	490	482	523	501
Target	-	816	683	635	660	590
Achievement ratio	-	74 %	69 %	76 %	79 %	85 %

In the field of old-age pensions, France has to catch up with employment ratio of people aged 55 to 64 years. Incentives must be established for workers, in order to delay the average retirement age, and for employers who could help maintain in job or hire oldest workers. The employment of 55-64 has reached 39.7% in 2010, e.g. an increase by 0.9 point compared with 2009. Data of the second quarter of 2011 show a continuation of this hopeful trend (40.9%), despite the negative demographic and economic background, especially the accession to the 60-64 age bracket of large cohorts of people who were born immediately after World War II. Improvements are particularly significant for women (+7 points from 2003 until 2010), while gains are smaller among men, due to the new early pension entitlement for people with long professional course which is applicable since 2004.

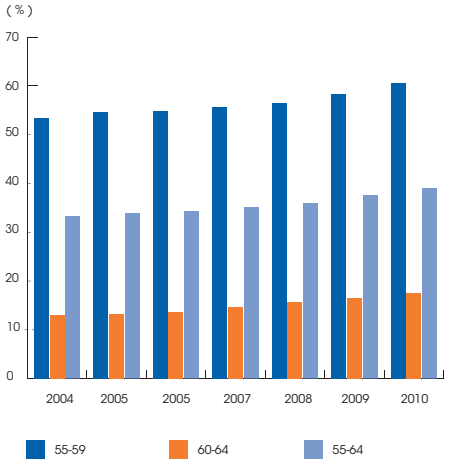
The "Lisbon Strategy" for the European Union over the past decade included a target on the employment ratio of workers aged 55 to 64, set to 50% on European average by 2010. The final outcome for 2010 is 46.3%, which means a partial achievement of the target. The increase in the ratio in France has weighed in the final result, although the French figures remain significantly lower than the European average.

Hence, the 2010 pension reform aims at raising the share of oldest persons at work, which will maintain the current high average level of pensions as well as ensure a sustainable funding of pension schemes. In order to achieve this compromise between adequacy and sustainability of pensions, the minimum retirement age and that required to benefit automatically from a full-rate pension will be delayed at, respectively, 62 and 67 years, while the recorded period required to claim for a full-rate pension before 67 will be brought up to 41 years by 2012 and 41.5 years by 2015, in accordance with the trend of life expectancy.

GRAPH 6

Share of people aged 55 to 64 at work

Source : INSEE, Labour force surveys, DARES calculations



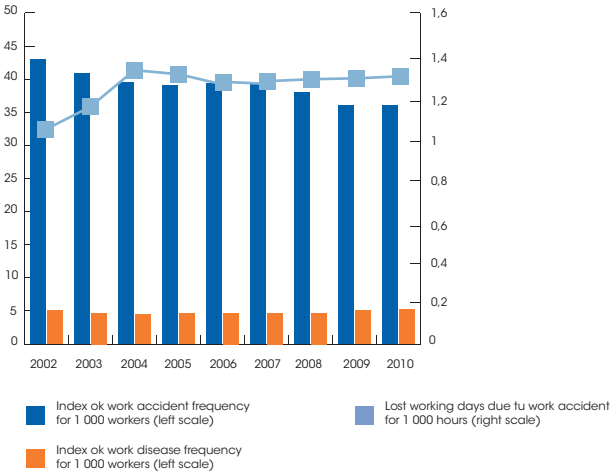
A final issue of efficiency in provision of social benefits refers to compensation of work accidents and occupational diseases. In this field, the French devices rely on individual ratings of employers – at least for the biggest firms – depending on the history of accidents in each firm, and on specific investments in prevention of accidents and diseases allowing for deductions on payroll taxes. Such a pattern may lead to an adequate trade-off between firm's incentives to prevention and risk-pooling. However, recent trends of frequency and gravity of work accidents and occupational diseases are rather disappointing: while

the frequency of work accidents is certainly going on decreasing, although at a slower pace than before 2000, however the frequency of occupational diseases appears to be slightly upward-oriented, and the gravity of both accidents and diseases has been quite stable since 2004 (*see Graph 7*). Given this background, a reform of the setting of tariffs of work accidents and occupational diseases compensation is being carried out, and will provide its full impact by 2014 on risk prevention through stronger financial incentives to employers.

GRAPH 7

Frequency and gravity of work accidents and diseases

Source : CNAMTS, annual national statistics



In conclusion, a strengthened control of health care and social expenditures and additional resources allow Social Security to weigh in the recovery of public accounts, without jeopardizing its basic functions of insurance against life risks, reduction of economic inequalities and household income support.

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