

## **Behind the pension reform demonstrations--discontent with politics and politicians, and with the capitalist system itself**

### **How the French pension system works**

In France for more than fifty years, everyone, whether they worked or not, had the right up until now to a minimum old age benefit at 65 years old. This right, independent of income earned elsewhere, is matched with add-ons depending on health, number of children, etc. Additionally, if someone's income didn't reach a minimum level, this basic pension can be supplemented with housing aid, transportation, etc. and if needed, at the local level with other financial benefits.

Everyone working a large part of his or her adult life reaches retirement with a pension set higher than this minimum. All social classes have the right to a basic pension, including the non-wage earner, because setting up a retirement fund is legally mandated (sometimes contractual, becoming legal). This general situation however conceals widely varying differences in circumstances. If non-wage earners relying on legislative guarantees are excluded along with the administrative agencies collecting and managing benefits independent of the State for them, the retirement system for the working becomes extremely complex.

Depending on their occupation, all wage earners come under the control of:

- The general system: most private sector wage-earners draw from the Caisse Nationale d' Assurance Vieillesse de la Securitie Sociale (1), whose benefits are matched by compulsory supplements specific to each economic sector. Right now, for a worker having worked from 20-60 years these two retirement funds together add up to around 70% of salaries.
- State workers (which includes most teachers) whose retirement is specifically paid directly by the State.
- "Special programs" whose conditions are by and large more favorable than the general retirement system for certain classes of workers like local government officials and workers in essential economic sectors nationalized in the past like mining, energy and railroads or specialized sectors like the national theatres or notary clerks.

The legal and financial administrators of the general system are State appointed but the system's management is independent and jointly run by the bosses' and labor unions (in the beginning the latter were elected but became bureaucratized with the introduction of union stipends). For the complementary or special retirement funds, the management rules depend on the sectoral agreements. They are managed according to rules, whether elective or bureaucratic, made part of these union benefits too. In principle the management of most retirement funds, whether general, special or supplementary, is done by distribution, that is to say that receipts of 50-50%

contributions from both employers and employee are prioritized to pay current pensions. Nevertheless, all these funds must invest their surplus into financial markets, making them subject to capitalization. For accounting and financial reasons (often because of privatizations), the special sectors which functioned like those of state workers as a direct service by the employer, have been forced to create separate funds acting like other retirement funds.

### **The General Reduction in Labor Costs**

This point has been part of a wider longstanding attack on these special sector retirement plans that in past years – and now – are at the center of conflicts over retirement plans. It is an important issue in the current struggle because the beneficiaries of the special retirement plans (notably in energy and transportation) work in key economic sectors and, by taking action, can paralyze economic activity across the country. There were memorable strikes in 1953 and 1995 that forced the government to back down from changing these special plans.

It is true that these particular pension schemes offer benefits superior to those of the general plan. Successive governments have tried to use this fact in trying, in the name of ‘equality’, to align these special sector plans (and those for government workers too), with the general pension plan. In fact, these attempts had nothing to do with any improvement but acted only as a smokescreen for the general tendency of capital tied to social insurance to complete making cuts in legal benefits, lowering all incidental wage related costs and financing of all the pension plans. This is an especially complicated situation not only because of the reactions of workers affected, but also because of the multiple interests involved:

- Economic: Bosses look to reduce their own contributions and the financial sector tries to take over individual investments.
- The unions: Retirement questions are only one element in reconsidering the unions’ role in systemic mediation in managing the work force.
- Political: Although tangled up in a web of scandal and corruption, the current government is making pension reform a central point of its “politics of change.”

What is usually called “the attack on retirement” is nothing but an expression on the French level of the world-wide tendency to ward off the global fall in the rate of profit by both increasing productivity and cutting labor costs. This systematic and global attack develops under intensified capitalist competition between the multinationals and states that still make up the framework for financial activity.

In the European Union (EU), for a long time this pressure has been displayed by the transfer of production to European countries with lower labor costs and sometimes semi-non-existent social expenses, which has led on one

hand to changing working conditions (lower wages and social guarantees, rising insecurity) and restructuring production and distribution.

For the past two years, the crisis has accentuated these tendencies. On the other hand, helping these businesses stay competitive in various ways by exempting them from social or fiscal expenses have helped lower their production costs in France. Together, these factors, imposed directly or indirectly by the crisis of capital, have produced growing shortages in the many organizations providing social benefits because their income has shrunk while their expenses increase. This was especially obvious in all the pension organizations, whose shortfalls worsened more because of increased life spans.

Besides, for the special plans affecting specifically defined groups from national industries, political and economic changes like sub-contracting cut back the number of active workers while increasing the number of retired. This imbalance was especially obvious, for instance in the case of mines since hardly any mines are open in France because global competition forced them to shut down while numbers of ex-miners continue to collect pensions paid with 'special case' funds. Another example is the national railroad company, SNCF, which severely downsized its workforce through subcontracting and by using many outside workers not covered by statutes. SNCF's pension funds see the number of retirees increase with receipts based on lower salaries.

All these pension funds, whether general or special case, have no other alternative but to appeal to the State or to borrow to finance the deficits, which increases total State debt. To the economic pressure of competition aggravated by the crisis is added the pressure from the European Union which, to stabilize the Euro, requires reducing State debt in the community. Thus, in France, as in other member states, this obligation to cut back State expenses especially those concerning public debt, which the pension system is an important part. To that is added another indirect strategy--that of capital as a whole, looking to expand into the public sector to find both sources for financing as well as for profit.

### **A Systematic Attack On Deferred Income**

Certainly, the extension of lifespan is a basic factor in the pension problem (life expectancy in France has risen from 66 years in 1950 to 80 years in 2010) while for different reasons, working life has been lessened by 8 years. In 2010, 1.5 active workers could be counted for every retiree. This situation is imposed regardless of financial arrangements for pensions because the whole system relies on the same basic methods. The main problem is above all financial and comes up whatever the system used: who is going to pay for pension services? Labor or capital, on which side does the surplus value go? This is not an insolvable problem especially considering the surplus value extracted from the large growth in workers' productivity.

Recent surveys carried out with workers have shown that most are so dissatisfied with work that they prefer to be able to keep the present time-frame for exiting the workforce, even if it means increasing their own costs

or leaving with a reduced pension. But such solutions, which would also involve a contribution from employers, doesn't fit in with the general tendency to reduce the part of surplus value going to wages for the benefit of capital. Both employers and government strongly oppose them and these alternatives aren't addressed by the unions.

The core of the present debate over pension reform thus unfolds almost exclusively over technical details. This is the terrain chosen by capital: discussions on liabilities and demands from the union federations that don't see the whole picture but only these tangled procedural details which spread great confusion. Excluding the individual calculations for those approaching retirement, no one can say for sure what his or her future will be, except the certainty of having to work longer to get a reduced pension compared with former expectations. It isn't possible in this article to describe in detail all the manipulating these technical facts are subjected to; we list here only a few:

- Age, where previously confusion set in between the legal minimum for retiring (65 years which must be extended to 67 to get full retirement benefits) and the possible age of retirement (under certain conditions, notable reduced retirement, 60 years which must be raised to 62.)
- Length of work history, that is, the contribution estimated by the number of trimesters granting right to full retirement without reducing benefits proportionately. From 150 trimesters (37 and a half years), this time period was regularly raised and now exceeds 40 years.
- The base salary used for calculating retirement varies with the time considered. Right now, it is the average salary of the 20 "best" years, which is a step backwards compared with the past. For now, there is no question of touching it.

These reforms, being discussed now before parliament, not only affect the general system, but will eventually adjust civil servant pensions and the special plans, which will be aligned to the outcome of the general system. What should be remembered from all the pronouncements is that capital and the government habitually manipulate the complexity of the retirement system, avoiding the mistake of frontal attacks that have unleashed strong movements of struggle and forced reversals on specific points. A united struggle over this issue though seems hard to realize because of the variations in individual situations.

### **Who opposes the present retirement reforms?**

Before answering, a few words have to be said about the French union federations. These federations can be characterized by:

- Important legal protections safeguarding union activity inside companies, mandatory participation in many internal committees often elected (enterprise committees, personal delegates) and many joint

committees managing most social benefits, sick leave, retirement, training, and work-related disputes or in national consulting bodies (Economic Council). Besides what is considered legal income, the unions can also receive many types of grants from the State or local government.

- A very small membership, altogether fewer than 10% of active workers, almost non-existent in certain sectors like retail or small businesses, which makes union functioning dependent on legal protection.
- Union pluralism, with no less than seven “recognized” national federations (that is to say, beneficiaries of various degrees of legal protections), which on the one hand leads to administrative complications which capital wants very much to get rid of and, on the other hand, to competition which doesn’t make forming unified movements easy.

Reform and any changes to it now run through this specifically French union situation which is also an unspoken part in the confrontations around retirement.

If you pay attention to the government – union negotiations and to movements against pension reform, there aren’t any independent resistance movements now. The union federations remain the only mediators along with the government and the demonstrations with the “days of action” and even the one day general strikes against pension reforms are entirely organized by the union federations either separately or together.

### **The demonstrations against pension reform hide growing resistance against the global capitalist offensive**

In France, there is a cult or routine around demonstrations, which are more acts of political pressure than a direct expression of class action. The demonstration is a weapon in the hands of the unions because they are almost the only ones able to organize significantly across the whole country. Government and the unions clash over how many demonstrators it takes to act as a de facto thermometer of social tension, shifting the balance to union leaders in negotiating with the state. But there should be no delusions about this number. Generally, such demonstrations are coupled with a “day of action” which doesn’t really represent a strike but gives leeway to workplace union branches in organizing protest in the workplace. The numbers don’t necessarily come from large numbers of workers actively taking part. It’s well known the union federations can, if they judge it necessary to apply political pressure, “mobilize” everyone on-the-job having a legal right to “non-productive” paid time off. If necessary, others can be added for whom the

trip or tweaking of the 35 hours law let them demonstrate without loss of pay (1)

The demonstration is a substitute for the strike but it only has political character without socially affirming class struggle.

Despite this, the issue of demonstrations should be considered from another angle. If the union federations are a way to channel a movement and eventually exhaust it by repetition, which leads to disaffection and the movement's death, this can also have the opposite effect: a wider participation than was predicted. The nature of these actions can even reveal a much broader current which itself goes past the apparent objective of union demands.

This was the outcome at the time of the last demonstrations of September 7, 2010, which were meant to be similar to the prior ones against pension reform. Not only did Paris bring out more participants than the previous actions (hard to estimate, probably several hundreds of thousands) but parallel actions held in provincial cities regrouped more participants than the actual number of employed workers in the city. This characteristic shows the protests against pension reform contained a more general: they conveyed wider social discontent which couldn't be expressed because of the official demands but which took advantage of the opportunity to surface.

The unity of the union federations in the call to demonstrate further testifies to the extent of this hidden current of social discontent. The federations' discomfort about what follow-up to give to this Sept. 7 demonstration shows well that they are afraid of a growing movement that could escape their control. Union leaders openly expressed such fears and they planned, even though the question of reform was being discussed in parliament, of scattered actions and a new day of September 27<sup>th</sup> identical in spirit to the preceding national demonstrations. This showed the unions had no intent of promoting large-scale actions, knowing well the reform will be adapted in the end and that their political games with the government will only let them demand adjustments in details. Their actual role now, objectively or not, is well within the line of the union function: to be effective agents when capital has need to resolve its ongoing problems and, eventually, the guard dogs of the proletariat. No one can say, on the actual state of affairs in France, how the class struggle will compel them to reveal their true character.

Notes:

(1) What is called "the RTT strikes" resulted from applying the thirty-five hour per week law which let workers collect off days which they can take throughout the day notably to take part in demonstrations during working hours without losing pay.