

Brief

Prepared by the General Secretariat of the Council, under the direction of the President of the COR

Rationale: In order to carry out the financial projections of the pension system, the COR needs to rely on a certain number of assumptions, among which the INSEE demographic and labour force projections play an essential role. This dossier is devoted to the presentation of these projections' new updates that have been carried out by the INSEE since the previous financial projection exercise of the COR. The first part is devoted to demographic projections to the year 2070 published by the INSEE. The second part presents the labour force projections' update published in June 2022. The third part compares the demographic changes for France with those of other countries.

I. The new INSEE demographic projections to the year 2070

a. Population projections 2021-2070

- **What do the new INSEE demographic projections say?** (document no. 2) Compared to the last exercise of 2016, the INSEE has revised downwards the central assumptions of fertility and life expectancy, which now more or less correspond to the low assumptions of 2016. The population of France would increase until 2044 to reach 69.3 million inhabitants then decrease to settle at 68.1 million inhabitants in 2070, i.e. 700,000 more than in 2021.
- **What will be their effect on the financial situation of the pension system?** (documents no. 3 and 4) The COR had already anticipated this change in assumptions in the June 2021 report. The effect on the financial results of the pension system will therefore be limited in the 2022 report. However, some gaps remain: there will be fewer women of childbearing age due to the overestimation of the fertility rate from 2016 to 2020 in the old 2016 projections (noticeable effect from 2036 when these women will be 20 years old). There will also be a distortion of the age profile of net migration with fewer people of working age and more people close to retirement age. The renovation of the census questionnaire made it possible to improve the measurement of the population by taking better account of multi-residence situations, in particular children in shared residence who could in some cases be wrongly counted twice.

b. Recent population developments and focus on the health crisis

- **What has been the impact of the health crisis?** Due to the Covid-19 pandemic, mortality was exceptional in France in 2020 and 2021. Such an increase in mortality had not been recorded in France for 70 years (documents no. 6 and 7). As regards fertility, the drop in the number of births nine months after confinement was subsequently compensated (document no. 8).
- **What is the life expectancy in France?** In 2021, life expectancy at birth (document no. 9) stands at 85.4 years for women and 79.3 years for men: it is up compared to 2020 but still below to the level reached in 2019. The disability-free life expectancy indicator makes it possible in this respect to better assess the benefit of these additional years of life (document no. 10). Since 2008, disability-free life expectancy has increased for both men and women. In 2020, a 65-year-old woman had a life expectancy of 12.1 years without disability and 18.1 years without severe disability; a man, 10.6 years without disability and 15.7 years without severe disability.

II. The new labour force projections

- **How will the labour force in France change?** According to new INSEE projections published in June 2022, the labour force should keep on growing slightly in France over the next two decades, rising from 30.1 million in 2021 up to 30.5 million in 2040, and then should decrease to stand to 29.2 million working people in 2070. Compared to the previous year of projection (2017), activity behaviour is little changed in 2022. The activity rate of people of working age should increase almost continuously by 2.3 points between 2021 and 2070 when it would reach 75.1%. The decline beyond 2040 is explained by a reduction in the working age population of (document no. 11).
- **What will be the impact of these new assumptions on the situation of the pension system?** This downward revision of the active population had been anticipated by the COR which, in 2021, based its work on the low assumptions for changes in life expectancy and total fertility rate (TFR) of the previous demographic projection exercise from the INSEE. However, a gap persists. The lower number of births anticipated due to a lower number of women of childbearing age, assumptions on net migration less favourable to working ages and methodological improvements in population measurement aimed at better taking into account family ties have a downward impact on the level of the active population projected in 2022 compared to the COR financial projection exercise in 2021 (-1.4% in 2040 and -2.8% in 2070) and therefore a negative impact on the financial situation of the pension system.

III. International comparisons

- **What are the dynamics of ageing at the global level?** The dynamics of ageing differ from one country to another and, at global level, aging is not yet very marked: the numbers at young ages remain high but mortality is still high in many countries. However, while the pace and extent of aging vary from one region of the world to another depending on the demographic history of the countries, the United Nations predicts a jump from 700 million in 2020 to 1.5 billion in the number of people aged 65 and over in 2050 worldwide. Their share in the total population would increase from 9.3% to 15.9%.
- **How is life expectancy changing at the international level?** (document no. 12). Among 40 countries with high longevity, distinct trends are observed. Japan, France, and Spain have enjoyed steady gains in life expectancy at birth, posting the highest values since the 1970s. In the United States, life expectancy at birth stopped increasing from 2010 and the trend was even reversed in 2014 for men, in particular in connection with the growth of obesity and diabetes and the sharp increase in the number of drug overdoses (document no. 13). Levels of disability-free life expectancy vary significantly between countries, especially when considering disabilities that are not the most severe. Cultural variations in the apprehension of one's own health and variations in the level of poverty and material precariousness affect levels of disability-free life expectancy.
- **What is the effect of increasing life expectancy at advanced ages?** The length of retirement has steadily increased. Calculated as the residual life expectancy at the effective exit age from the labour market, in 2018, in France, it was 22.7 years for men and 26.9 years for women, one of the highest in developed countries.
- **How is fertility changing on an international level?** Despite the recent decrease, France remains the country in Europe where fertility is the highest (the TFR reached 1.84 children on average per woman in 2018) and where fluctuations in the TFR have also been less marked. (document no. 14).