

Brief

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

Summary: As a follow-up to the COR Symposium held on 4 December 2018 and dedicated to intergenerational relations and in particular to inequalities between successive generations, this session explores the inequalities within each generation, asking whether they tend to increase over time. Indeed, a generation is not a homogeneous group: there are significant inequalities in terms of employment, wages and standard of living. These inequalities question the organization of our pension system: how much should they be compensated for at retirement?

I – Inequalities linked to the situation on the labor market: job insecurity and wage inequalities

- **Have precarious situations in the labor market become more common?** The unemployment rate, the precarious employment rate (fixed-term and temporary work), the rate of part-time work, and particularly the involuntary part-time work, have overall increased between 1975 and 2018 (*document no 2*). From generation to generation, a weakening of career paths can be observed, especially at the beginning of a career and to a lesser extent at the end of a career (after the age of 50), which is particularly acute for women. Between the 1970 and 1985 generations, however, these precarious situations have stabilized for young people (*document no 3*).
- **How does this affect wage income?** Wage income (the sum of all wages earned by an individual in a year) inequalities have widened at all ages over generations. As hourly wage inequalities are stable, this results from the increasing dispersion of the amount worked over the year. Thus, inequality increases more strongly for the categories most affected by precarious employment and part-time work, such as young people and women. However, the gender gap tends to shrink for recent generations (*documents no 4 and 5*).
- **Is it increasingly common for an employee to earn less than the annual minimum wage?** The proportion of private sector employees whose wage income is below the annual SMIC (due to short-term unemployment, part-time work, entry in / exit from labour market, students working during their studies, etc.) is high among young people, with an increase between the 1960 and 1975 generations. After the age of 30, this proportion is lower, it increases over the generations for men but tends to decrease for women, hence a reduction in gender gaps (*document no 6*).
- **Is this low wage income recurrent during their career?** Before the age of 30, it is increasingly common for wage income to be below the annual SMIC for most of the early part of the career. After the age of 30, it is more and more common for a private sector employee to experience at least one year of salary income below the SMIC; when this is the case, one in two employees earns less than the SMIC for most of their career between the ages of 30 and 44 (*document no 6*).
- **How do these inequalities affect pension entitlements before the age of 30?** The average number of quarters credited at the CNAV at the age of 30 fell until the 1975 generation and then stabilized. The increase of job insecurity does not seem to have resulted in lower pension entitlements, especially for the generations born after 1980. However, more and more unemployment-related quarters have been credited to men while the share of AVPF-related credits has declined among women over the generations (*document no 7*).

II - Inequalities of standard of living and living conditions

- **Can it be said that some generations are more favored than others in terms of standard of living?** Currently, the income distribution is favorable to seniors: people over 40 have on average a higher standard of living than the population as a whole, whereas people from 0 to 40 years old have a lower standard of living. If this situation were to be reproduced permanently, there would be no problem of equity between generations, each person being successively young then senior. However, the situation was very different in the 1970s: on the contrary, it was the over-65s who had a lower average standard of living than the whole population. In addition, the situation is likely to remain unfavourable for the over-65s in the future by 2050. The generations born around 1945 appear then relatively favored, because they were successively young at a time favorable to young and then seniors at a favorable time to senior age (*document no 8*).
- **Do or will younger generations have a lower standard of living than the generations born around 1945?** Although growth has been weaker for 40 years than during the "golden thirties", the average standard of living of the population has risen by a little over 40% since 1978. As a result, the average standard of living over the whole life cycle -calculated for successive generations by projecting the career ends of the youngest and future pensions-should always increase in real terms over generations. The progression would nevertheless be very small between the 1945 and 1965 generations (*document no 8*).
- **Do standard of living inequalities increase over the generations?** No, inequalities among retirees and among working people (employed or self-employed) was larger in the 1970s than they have been since the mid-1980s until today, with little change in last three recent decades. Admittedly, unemployment and job insecurity have contributed to a rise in standard of living inequality among employed and unemployed people in the 1980s and 1990s, but this increase remains limited (*document no 9*).
- **Are younger generations more often poor?** While poverty mainly concerned the elderly in the 1970s, it has mainly affected young people since the 1990s. Three sets of generations have thus succeeded one another: older generations, who often spent their old age in poverty; intermediate generations born around 1940-1950, rather spared from poverty at the beginning and end of their life cycle; and finally the younger generations, who were often poor during their youth and who remain slightly more at risk of poverty than previous generations, between the ages of 30 and 45 (*document no 10*).
- **Are living conditions improving over generations?** Today's retirees live much better than yesterday's retirees. What about working people? Today's 30-50 year-olds certainly have smaller homes than their parents at the same age, but household size is also smaller, so that homes are not more often overcrowded; their rate of car ownership and their rate of holidaying is only slightly higher than that of their parents (*document no 11*).

III – Social mobility over generations and school inequalities

- **Do inequalities tend to be reproduced over generations?** The prospects for social mobility deteriorate between the 1944 and 1969 generations, and then social immobility is confirmed: more than two-thirds of the children of employees or blue-collar workers occupy the same status, while the proportion of executives' children working as managers stabilizes (*document no 13*). The perception of these downgrading remains important since a quarter of people consider that the level / status of their profession is lower than that of their father (*document no 14*).
- **Does the school system help to reduce inequalities?** The level of education is an important determinant of career, but educational inequalities related to social origin have strongly increased between 2003 and 2012. Furthermore, it is the educational level of the least successful pupils that has recently deteriorated the most (*document no 15*).