CONSEIL D'ORIENTATION DES RETRAITES
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« History of the pension »

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

Rationale This COR session was thought up during the debates on the implementation of a universal pension system from 2017-2019. It aims to recall that the current system, which seems fragmented, is the result of a construction that has spread over two centuries and that many regimes and principles existed before 1945. The aim is to look back at the period going from the end of the 19th century to the Workers' and Farmers' Pensions (WFP) of 1910, then to present the main stages that led to the establishment of social security in 1945. The dossier concludes with a rapid overview of the emergence of mandatory public pension schemes in the countries reviewed by the COR.

1. A slow building process

- **Did the idea of a retirement for everybody come naturally after the Revolution?** No, the dominant idea at the time was that retirement should be based on individual provision without any State intervention. It took a long path in the public debate for this idea to gradually take hold (document no. 3).
- **What were the first pension plans?** The first mandatory schemes were intended for specific categories of workers (civil servants in 1790, Banque de France in 1806, relief funds for miners in 1820, etc.). Following the demonstrations of 1848, voluntary systems operating by capitalization were developed: National pension fund in 1850 and collective savings fund managed by mutual insurance companies in 1852.
- **Do these schemes allow older people to get out of poverty?** Not really: on the eve of the First World War, the CNRV and mutual savings funds paid out less than 500,000 pensions and only 6% of workers joined these schemes. At that time, pension expenditure thus represented less than 1.5% of GDP (document no. 2).
- **How was old-age coverage subsequently extended?** First by the assistance law of July 14, 1905 intended for people unable to work (people aged 70 and over, infirm and incurable) which made it possible to distinguish between the able-bodied and the invalid to whom the community owed help. Then, by the law on WFP of April 5, 1910, the first mandatory social insurance, which made it possible to intervene downstream by building up pension rights through contributions.

2. The Workers' and Farmers' Pensions Act of 1910

- **Who is mandatorily covered by the law and at what age?** All employees whose annual salary is less than 3,000 francs, without targeting a particular profession unlike the pre-existing schemes (document no. 4). The retirement age is 65 with 30 years of contributions and early retirement is also possible.
- **How is the scheme financed and how are entitlements calculated?** The scheme is financed equally by both insured and employers, and by the State. The scheme is funded, which means that the first full pensions will be paid from 1940 on. Initially, the annual amount of the pension varies between 60 francs and 360 francs.
- **Who defended the law?** Personalities from different political and ideological backgrounds (social Christians, trade union reformists and socialists), under the influence of Léon Bourgeois's solidarism (document no. 5).
- **And who are its opponents?** On the one hand, resolute opponents of the republican State (who are at the two extremes of the spectrum), and on the other hand, supporters of liberalism and of the mutualist solution, who will end up joining in, mainly because they will be able to keep the management of the pension funds.
- **What were the debates about?** They were centred around the three themes that make up the architecture of the law: acceptance or rejection of the workers' contribution, the age of 65 and capitalisation (document no. 6).

- **Was this law a success?** No. Following appeals by the conservatives, it was stripped of its mandatory nature by a decision of the Court of Cassation and the law between 1911 and 1913. In 1920, only 20% of the working population contributed to the WFP.
- **Why does it remain iconic?** Directly linked to salaried activity, the WFP law inaugurated a mandatory insurance dynamic and an interventionist logic in social matters. It led, with some modifications, to social insurance in 1928-1930 and to social security after the Liberation.

3. From the WFPs to the 1945 acts

- **What kind of compulsory old-age insurance was introduced after the First World War?** The social insurance laws of 1928-1930 were based on the 1910 law. Old-age insurance continued to be financed on a funded basis with a threefold contribution and continued to be aimed at employees whose total earnings did not exceed a certain amount. The age of entitlement is set at 60, subject to a minimum membership period of 30 years. The amount of the pension is equal to 40% of the average annual salary over the whole career (document no. 7).
- **Who was excluded?** Managerial staff who, however, was not always able to build up assets on which to rely for their retirement. Following the Matignon agreements of 1936, they negotiated with the employers to set up a conventional social protection system that dispensed with the need to resort to the legislative process (document no. 8).
- **What about civil service pensioners?** They continue to benefit from their scheme, set since the 19th century, but suffer losses in purchasing power due to inflation. They then organised themselves into associations and took action through the press or through pressure groups in parliament (document no. 9). These movements led to the adoption of the law of 14 April 1924, which significantly improved the calculation of rights and the revaluation of pensions for former civil servants.
- **Were these schemes adequate?** To overcome the persistent poverty of the elderly, in 1941 the Vichy regime set up the allowance for old employees (AOE), which aimed to pay a minimum pension to any former employee aged 65 and over whose resources did not exceed the ceiling and who paid social insurance contributions (document no. 10). To finance the scheme, contributions paid by working people in the framework of social insurance were mobilised, making the AOE a pay-as-you-go scheme (document no. 11).
- **And in 1945?** The idea was to return to the principles of the 1928-1930 social insurance schemes, with some adjustments. However, the principle of distribution was maintained in order to be able to pay pensions immediately, particularly the AOE, which would only be phased out gradually. The idea of "affinity funds" was abandoned in favour of entrusting management to social security funds administered by boards of trustees with a majority of employee representatives. Despite the ambition of the scheme's title to constitute a "general" scheme, special schemes remained.

4. The implementation of pension systems in the countries reviewed by the COR

- **Was the movement uniform in other countries?** Even if the specific processes varied across countries, two forms of mandatory pension systems emerged. In continental Europe, the first schemes were designed on a contributory basis (e.g. on 1889 in Germany, 1920 in Belgium, 1910 in France), whereas in the UK (1908) and the Nordic countries (1913 in Sweden and 1919 in the Netherlands), the first schemes were designed as non-contributory benefits, for the poorest elderly (document no. 12).