

## THE COMPLEXITY OF THE MODERN FRENCH SOCIAL INSURANCE SYSTEM

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### *Abstract*

*In this article the social security system and its development in France is analysed; the analysis, the assumptions of the complexity of the French system and the relations between general and independent professions social security systems are presented. In this article author analyses the financing, identifies specific types of benefits, other specific regulations in the general and independent professions social insurance schemes. The paper presents reforms, the trends of the social insurance and deficit reduction measures.*

*The French government introduced the new general social security system in 1945 according to the principles of universality, unity and social equality of the partners. In 1947-1967, the social insurance system become fragmented, split special professional systems. This situation could be explained by the fact, that different professional groups treat social security as a social victory and does not want to accept stricter or universal conditions, does not want to lose the current benefits and independent social insurance fund management.*

*The general social insurance system applies to employed persons and includes five branches, which become autonomous since 1967: health insurance (including maternity, disability and death risk), accidents at work and occupational diseases insurance, old-age insurance, family insurance, and the collection of social security contributions.*

*Special social insurance systems are applied to the professional groups or to the company's professional funds. The analyse of autonomous advocate's social insurance system is presented in this article, because the principle of independence of advocacy institute is introduced in French legislation.*

*In France we could identify the classical approach, that an advocate is independent profession, having a legal procedural independence and advocacy institute is autonomous.*

*As conclusion we could note, that financial problems can not be solved only by reducing the coverage of social security and it must be accompanied by institutional reforms, providing employment and higher labour market activation measures, as well to increase the competitiveness of companies and the financial sustainability of the state budget.*

*Key words: Social insurance, reform, France, advocacy, pensions.*

## **Introduction**

The aim of this article is to analyse the contemporary French social security system (from the middle of the last century) transformation problems, related to the implementation of the principle of the universality. The key of this analysis is concentrated on the research of the assumptions of actual social security system construction: the emergence of system's complexity; the refusal of the principle of universality; the separation of the independent professions system and other social insurance subsystems from the general social insurance system. As well, several autonomous social security systems have a special place because of the specific provisions or principles guaranteed by the law. For example, advocates social insurance system is exceptional because of the statutory provisions of advocacy's institute autonomy and the guarantee of the freedom of advocate's activity. Accordingly, the special contributions and benefit rules for advocates are fixed and an autonomous system's administration is introduced.

Before the analysis of the social security system transformations and problems of post-war France, it may be noted that the traditional concept of the social security system covers nine groups: medical care, sickness benefits, maternity benefits, accidents at work and occupational disease benefits, retirement benefits, survivors (orphans) benefits, disability benefits, unemployment benefits and family benefits.

This article examines social security system assessing basic social security system design elements: the concept of social insurance (universal or specialized approach, according to the professional groups); system organization (unified or delegated to the professional categories); allocation of benefits in-cash or in-kind; methods of financing (pay-as-you-go, funded or mixed system); types of social insurance contributions (contributions related to the employment, contributions related to all income, taxes).<sup>2</sup> As well, it is important to analyse who pays social insurance contributions, which is the rate of social insurance contributions and how decision is making.<sup>3</sup> For example, in France, the social security legislation is incorporated into a single code, in Lithuania - social security is regulated by special laws and the Constitutional Court rulings or decisions, in the Nordic countries the social security and social guarantees determined by collective agreements.

D. Grandguillot defines social security as a national solidarity based system, which guarantees to workers and their families protection against various types of risks, which reduces or eliminates possibility for the person an opportunity to earn money. Social risks may have originated from the professional activities (accidents at work and occupational diseases) or could

be not related to the profession (illness, maternity, disability, old age and death).<sup>4</sup> We could note, that social protection system (including social insurance) is a set of different measures, which creates the solidarity among the people who lost their jobs or income or had extraordinary expenses. This could be a benefits in-cash (paid under conditions of social risks): due to old-age; disability; unemployment (when a person loses income from the employment relations); survivor benefits; family benefits or benefits in-kind (for example, medical care; lack of means of living etc.).

When we are searching for the better efficiency of the social security system and higher social security coverage, it is important to note, that social security structure depends on the type of social model. Today it is difficult to find pure social model, designed in the classic Bismarck or Beveridge tradition, but the essential elements of a theoretical model still dominates. The strengths of *Continental model* (France, Germany) could be: mandatory participation in the social insurance system; the right to social security benefits is related to the paying of social insurance contributions; relatively high benefits; indexation related to the economic situation; autonomous management of the system; social insurance contributions are related to the social insurance risks. The weakness of this model are: complexity of the system; the system is not fully universal; the system do not guarantee minimum level of benefits. The strengths of *Anglo-Saxon model* (United Kingdom, Ireland) are: universality; free medical care; the system includes all needs of person. Weaknesses: relatively low level of benefits; medical care (financed by taxes) coverage depends on the economic situation; the biggest role is given to the additional voluntary private systems. The strengths of *Nordic model* (Scandinavian countries): universality (wide coverage); extremely high benefits; the minimum level of benefits is established; the public social insurance depends on the contributions paid; large public confidence in the system; equality between women and men. The weakness of this model is the high cost of system and high level of social insurance contributions.<sup>5</sup> *Eastern European social model* characterized by both Nordic social model features (active labour market policies), Continental model (the structure of the social security system) and the Anglo - Saxon features (development of private initiatives and labour market liberalization policy). Development of Eastern European social model is related to the fact, that countries in this region changed economic orientation from socialist to market-oriented system. But we could note, that the economic transformation (increased unemployment, poverty, inequality, bankruptcies of companies and industries, fiscal crisis, creation of new public institutions) and other related facts (the needs of different social groups, recommendations of international institutions, European integration) resulted the limited public financial resources. G. Esping - Andersen argues, that the Eastern European countries have opted for a liberal social

security system concept, where the basis of social security schemes have been privatized, reduced social security coverage, social assistance is based on the means-testing principle and labour market is flexible.<sup>6</sup>

France and other European Union countries began to reform the state social insurance systems in the past decades, which aim - to reduce the budget deficit, promote efficiency and strengthen the state social insurance guarantees. M. Ferrera emphasized, that a genuine European invention, public protection schemes were introduced to respond to the mounting “social question” linked to the industrialization and the disruption of traditional, localized systems of work-family-community relations and the diffusion of national markets (based on free movement and largely unfettered economic competition within the territorial borders of each country) profoundly altered the pre-industrial structure of risk and need.<sup>7</sup> Today France neighbors and competitors profoundly reformed their pension systems, reconciling social justice, the economic efficiency, financial viability and political feasibility. Henceforth, dominates plural architectures, combining management modes (public-private) and funding methods (distribution-capitalization), technical innovations.<sup>8</sup>

## **I. THE DEVELOPMENT OF THE SOCIAL INSURANCE SYSTEM: FROM THE GENERAL TO SPECIFIC SOCIAL SECURITY SYSTEMS**

Social security system’s changes in France are related to the transformation of the economic and social situation: the economy become more open; the ageing of population; economic competition required a reduction of labour costs (raising the rate of social insurance contributions is problematic); the social insurance system partially financed from taxes; labour forms modified (the appearance of atypical employment relationships); family structure changed (higher participation of women’s in the labour market, the number of divorces increased, the fertility rate decreased); public services moved into electronic space; the pension funds invested in the global market etc. From one side, the economic growth preconditioned the increase of social benefits, but from other side, the budget deficit in the social security system increased (in 1959, social security expenses was only 14.64% of the GDP, but in 2003 the level of expenses reached 29.9% of GDP).

Therefore, from the last decade of the twentieth century, social security reforms in France and in other European Union countries were implemented. The level of social security benefits decreased, the access to benefits become more strict: longer work record to receive benefits; targeted social security benefits; development of private funded systems (more private insurance and less from the state budget); development of electronic services (more responsibility to the

social security system's participants); the part of public functions are transferred to private companies (funds); encourage participation in an supplementary individual or professional insurance; strengthening the financial management of the social insurance budget; increasing dependence from the state budget (more from taxes).

Such transformations in social security system changed the concept and the scope of social solidarity. Social security system is based on the classic concept, trying to distinguish social insurance from the social assistance. But today we could fix a tendency to encourage individual, but no state responsibility from the social risks, reducing the social solidarity in the society. However, the social security can not be the economic and labour market hostage. G. Esping-Andersen noted that the human and labour can not become treated as good, because the social rights ensure to the person the independence from the market.<sup>9</sup>

It should be noted, that French social security system's reforms are designed in relation to the mandatory principles of social dialogue (projects of law should be discussed with the social partners; reforms should maintain the relationship between the national solidarity and benefits; the link between contributions and benefits should be improved). It means, that it is enough complicated to reach a final agreement on social security system's reforms. Therefore, the social partners in France have the opportunity to evaluate the scope of social solidarity and social partners could ensure the adequate level of the social security coverage.

Council of the European Union in the recommendation "on France's 2013 national reform programme and delivering a Council opinion on France's stability programme for 2012-2017" indicated for France to take further action to lower the cost of labour, in particular through further measures to reduce employers' social-security contributions, in association with social partners.<sup>10</sup> It means, that all reforms in social security field must be accompanied by the other sectorial institutional reforms: to raise the level of employment, to create new jobs, to introduce the labour market activation measures, to increase the competitiveness of business and to maintain the financial sustainability of the state budget.

### **1.1. State social security development problems in France**

The development of the contemporary French social security system began after the Second World War in 1945. Government adopted the main social security system organization principles: *universality* (the system must be accessible to all residents and include all social security risks. No privileges to special social groups. The same basic amount of social security benefits is paying for all or and the maximum benefit "ceiling" is fixed for all professional categories. Social security benefits shall be awarded in accordance with the clear rules and shall be applied to the widest

possible group. Certain exceptions must be reasoned objectively); *uniformity* (the same system should be applied to all) and the principle of *the management of social insurance system, based on the social partnership*.

Despite of these principles, in the period of 1952-1966 we could fix the separation of independent professions social security system from the general social security system, the formatting of different social security subsystems or autonomous systems. In the period of 1968-1978, we could observe the partial harmonization of the different social security systems (for example, artists and small business pension schemes, introducing of the compensation mechanism between different systems).

Today in France we could identify several social security systems (according to the number of participants: a) the general system (covers all employed persons. About 72% of participants of all social security systems are involved in this general system); b) agriculture social security system (only self-employed persons, working in the agriculture sector, are involved); c) system of civil servants and employed persons in the military structures; d) self-employed persons system; e) special systems (state enterprises, civil servants, persons of military structures etc.); f) additional compulsory social insurance system (AGIRC and ARRCO); g) other (independent professions etc.). Civil servants and special social security systems cover about 18% of participants, self-employed system covers about 10% of persons.

For the specific social groups, the occupational or professional enterprise social security systems are applicable. Social security systems in France could be autonomous (systems of French railway, underground companies, sailors, employees of French Bank, miners etc.) or partially autonomous systems (EDF-GDF company, notaries, students etc.).

Such heterogeneous social security system is related with the historical context and a social structure. W. Korpi argues, that the conflict between the ruling elite and well-organized groups of workers in France highlighted during decades, as well as the conflict between the corporate model and the idea of self-insurance. Such conflicts influenced reforms in France and we can see now the most fragmented social security system in Western Europe.<sup>11</sup>

It should be noted that modern French social security system (created in 1945) was constructed in relation with two of the three major Beveridge system principles (universality and uniformity) and in relation with main Bismarck's system fundamental principle - benefits depends on the contributions paid. However, the principles of uniformity and universality evolved toward the traditional Bismarck system: the system lost the universality and uniformity characteristics. When the social transfer system was created after World War II, it was organised mainly as an insurance: if risk is not linked with income, then the higher the wage, the lower the contribution

rate. The system progressed to a general coverage of every resident and turned toward the purpose of redistribution.<sup>12</sup>

The Social security system Act (adopted in 1945) provides, that social security should guarantee to every person (and his family) the necessary measures for a dignified living (Grandguillot, 2008, p. 23). French Constitution (adopted in 1946) provides, that all persons (despite of age, physical or mental ability, economic situation) are entitled to different measures, which are necessary for proper living, if they are not able to work. The preamble of the Constitution of France of 1958 indicates, that any human being, regardless of age, physical or mental condition, economic situation, disability, has the right to an adequate standard of living measures.

However, an unified system did not became real: in the period of 1946-1958 the independence of the management of different professional groups strengthened. Firstly, the independent professions opposed to the universal system and retained a special social security system. However, the social insurance of several social groups (civil servants, students, writers) was incorporated into the general universal system. Also, due to the social security budget deficit, the partially financing of social security system from taxes introduced.

Initially, the organisation of the social security system was based on three levels of the social security institutions: local insurance funds, regional insurance funds and the National Social Insurance Fund. The aim of such universal system was to ensure that all professional groups should be entitled to receive same benefits and to pay the same social insurance contributions (fixed in the national legislation), without any privileges. At the beginning the law stated, that social insurance is financed by the contributions of employers and employees and is managed by social partners (elected from employers and employees and under the supervision of the state), management of social insurance fund is executed through the administrative councils. In 1945, the law indicated the proportion of social partners participation: two thirds of representatives appointed by the employees and one third by the employers. In 1946, the law changed the proportions of representation: 3/4 of employees and 1/4 of employers. In 1967, the law established the parity representation without elections and in 1982, the election of representative persons introduced on a parity basis.

In the French Constitution (adopted in 1958), we could see the expansion of the government role regulating social security systems: the state participates in the formation of administrative councils (together with social partners) and executes financial and management control.<sup>13</sup> But the procedures of management of the social insurance funds become different, contrary to what was intended in the Social security system Act of 1945.<sup>14</sup>

In the beginning of seventies of the last century in France and in other Western European

countries the economic recession (because of oil crisis) and state budget deficit rose and the debate on the need for further harmonization of the different social security schemes launched again. For example, in 1968, the general social insurance system was in surplus of 611 million French francs. However, in 1974 the budget of the general systems had a deficit of 3.3 billion French francs. In 1984, the budget was in surplus again (16.7 billion French francs), but in 1994 the deficit reached 54.8 million French francs. In 2004, the budget deficit was 12 billion French francs.<sup>15</sup> Because of growth of the deficit, the process of merging of different social security schemes started. It should be noted, that in 1974 the law introduced the financial and demographic compensation mechanism between all social insurance systems (because of ageing and the deficit in the different systems). This mechanism allows to transfer financial means between the different systems. However, the French society actively opposed to any changes in the social security system for a long time and the reforms in social security field began later than in other European countries or in other sectors in France (industrial restructuring, deregulation of the transport and communications systems etc.).

This public opposition can be explained by the fact, that the persons are attached to the current system (especially pensions), social security is treated as a social win, persons does not want to accept restricted conditions and they does not want to lose the benefits and independency of social insurance fund management. Another explanation is that persons have adequate social protection and wants to be a closed social group. The existence of special schemes breaches the principle of universality and uniformity of the social security system management. Different specific privileged systems and different management creates exemptions from the general social insurance laws.<sup>16</sup> M. Dreyfus notes, that massive strikes against the planned reform of the French Prime-Minister A. Juppé showed how much the French population actively supports social insurance. In addition, trade unions defend social insurance rights as the achievement of workers. Thus, this situation in France created a strong connection between people and the social protection in France.<sup>17</sup>

The growth of the budget deficit led to introduce the additional financing of social security budget by taxes: the tax revenue from sales of alcohol beverages is transferring to social security budget; special general social contribution (CSG) introduced (revenue from this source in 1991 was about 41 billion French francs, in 2000 it was about 377 billion French francs) (Palier, 2005, p. 373).

In 1993, pension reform touched the general system and the system of self-employed persons. The main task of this reform was to preserve the fundamental rights of the insured persons as well as the principle of solidarity and to ensure equality between different generations.<sup>18</sup> The law



indicated, that the fundamental pension system reform provisions should be discussed in a special institution - Pension Guidance Council (*Conseil d'orientation des retraites*), which is composed from the representatives of social partners. Pension reform established measures to encourage older people to stay in the labour market: for example, for each career year at the age of 60, the pension is increased by 3% per year until the person reaches the age of 65. The pension reform laws introduced changes in the pension calculation formula. By default, the missing social insurance periods can be included in the pension formula, if the person pays the financial compensation for the social insurance fund (but not more than 12 quarters). The number of working record for the pension raised from the best 10 years to 25 years (gradually until 2008), compulsory social insurance record for the full pension increased from 150 quarters to 160 quarters period (from 2003).

Under the stricter conditions of competition and globalisation, the government continued to restrict benefits without raising the level of contributions. This fact caused public disagreement. Together with tax reform, the structural reforms started in the mid nineties of last century, which caused the fall of French government in 1995 (because of a huge strike). Moreover, government adopted the pension reform plan in 1995 without broader consultations with social partners (in France it is extremely important). This can also be explained by the fact, that by the nineties the government increased social security benefits, increasing and social security contributions at the same time, which have been accepted by the public. Because of complicated negotiations with social partners and growing of the budget deficit, a comprehensive reform of the pension, health, unemployment, family benefits started at the end of the last century.

In 1999, the pension system reserve fund created. The aim of this reserve is to accumulate the capital because of ageing and to ensure financial sustainability in the future.

From 2000, the structural social security reforms launched in France. When the economy grows, the social welfare can be created by introducing new types of benefits or increased benefits. Growing of the budget deficit requires not only parametric but also structural - institutional reform, because the increase of taxes or social insurance contributions is problematic. Start of the reform was influenced not only the rising costs of social insurance, but also because of the regulatory development of the European Union: the Maastricht deficit criteria introduced, competition increased. The aim of structural reforms was to raise employment, to personalize the pension calculation rules, to develop and regulate private pension funds, to strength universal health system provisions, to develop the supplementary health insurance system and to extend the requirements of pension calculation.

In 2002, the compulsory supplementary pension schemes merged and additional mandatory

retirement ARRCO system created and the legal provisions of AGIRC and ARRCO compulsory supplementary pension schemes unified. This was done in order to unify the different pension schemes and seeking for the pension system uniformity. After a long discussion, it was decided not to increase the retirement age to 65 because of negative opinion of society and does not reform civil servants and other specific systems.

The pension reform of 2003 touched almost all autonomous pension schemes. The main objectives of the reform - to continue the harmonisation of pension systems, to promote the longer work of older people and to encourage participation in the private pension funds.<sup>19</sup> In 2007, the social insurance record for the employees of state enterprises (railways, underground, EDF) rose until 40 years (in 2012) and pension indexation on the inflation (no longer on the growth of average salary).

The data in 2013 European Commission Draft Joint Employment Report<sup>20</sup> shows that the nominal unit labour costs in whole economy in 2011 (annual rate of change) in France was almost twice higher than the EU average (change in France was 1.6, in the EU average was 0.9), the general government debt in 2011 was 86% of GDP (the EU average was 83% of GDP), the total amount of taxes in 2011 (total taxes as % of GDP) in France was 45.6 (the EU average was 39.9). This indicator of total taxes was higher only in Denmark. Sustainability of social security systems (the higher ratio means the less sustainability) in 2011 in France was only 1.6, and it is less than the EU average (2.1). There we could conclude, that despite of high taxation, the sustainability of social security system in France is relatively low. B. Palier notes, that French government tries to raise taxes or contributions and to finance the deficit of social security, but not reducing the benefits (because of negative reaction of social partners).<sup>21</sup> For example, in 1975 the health insurance contribution raised by 1% and pension contribution raised by 0,5%; in 1977, social insurance contributions for aged persons (65 years and more) increased; in 1995, CSG tax increased from 1.1% to 2.4% and taxation of alcohol increased; in 1996, alcohol and tobacco excise tax increased and the CSG tax increased; in 1997, CSG tax increased again and property tax was introduced; in 2004 CSG tax increased again. Accordingly, the tax part in the financing of social security is increasing: in 1996, the social security contributions composed about 90% of total social security revenue, in 2005 social security contributions composed only 65 % of the total social security budget revenues.

In the report of the Pension Guidance Council of 2010, there was a national reflection on a reform of the pension system on the following themes: the conditions for setting up a universal social security system by the account units (“points”) or notional accounts in pay-as-you go system, the conditions for more equity between mandatory pension plans, facilitating the choice

and the conditions of insured persons of their cessation of activity. The government began a comprehensive negotiations with the social partners on the retirement age, duration of the assessment of contributions, the pensions level, the evolution of budget income, changing pension calculation formula into the account units (“points”) or notional accounts.<sup>22</sup>

The reforms in the last decade of past century and at the beginning of this century were related to the strengthening of social insurance management, harmonisation of different systems and strengthening of the benefits.

L. Ch. Viosat argues, that it is also a complex goal that encompasses several dimensions difficult to combine: horizontal equity (for equal career, equal retirement pension) vertical equity (more for the poorest, least for the rich), individual equity (each receives that he contributes), and “transversal” equity (no generation is in favor).<sup>23</sup>

It could be concluded, that contemporary French social security system moved away from the declared principles in 1945: restricted conditions for benefits, expanded private insurance, more responsibility for persons’ future, increasing the state budget role financing the social security system (the part of social insurance contributions falls), modernisation and digitalisation of the social security institutions etc. The differences between the post-war and modern social security system are obvious: from the income support and the support of social needs (in relation with economic growth) to the improvement of working conditions and growth of the competitiveness.<sup>24</sup> Today French social security system is Bismarck tradition-based, the system become dependent on economic situation, social security system’s welfare and solidarity decreased.

Despite social security reforms, France maintained system, based on the solidarity principle. This may be regarded as an advantage for the society and in the spirit of the concept of welfare state. The safeguard of social security guarantees is a positive phenomenon, positively indicated in the European Union strategy “Europe 2020”, which provides a social market economy orientation.

## **1.2. General social insurance system in France**

The general social insurance system applies to employed persons (under employment contract) and includes five branches, which become autonomous in 1967: health insurance (including maternity, disability, and death risks); accidents at work and occupational diseases insurance; old age insurance; family insurance; contribution’s collection and administration system. General system is administered by the four national funds: National Health Insurance Fund (CNAMTS), National Pension Insurance Fund (CNAVTS), National Family Benefits Fund (CNAF), Central institution of social security funds (this agency collects and administers

contributions) (ACOSS). The Ministry (responsible for social security policy) and national fund concludes three-year management and objectives contracts with targets and financing sources.

In order to finance the budget of the general social insurance system, persons pay social security contributions and additional general social contribution (CSG): 7.5% from the business income and pre-retirement benefits; 6.2% from the unemployment and sickness benefits; 6.6% from the retirement or disability benefits; 8.2% from the income for the use of real estate; 9.5% from the revenue of gambling.

In order to cover the deficit of the general system, persons additionally pay social security deficit recovery contribution (CRDS), which is 0.5% of person's income. The budget deficit of this systems also is financing from the other sources: a part of the state revenues from gambling; excise taxes on tobacco, alcohol; from realized pharmaceuticals etc.

If the salary or professional income is below of a ceiling of social security (36,372 euro in 2012), the social insurance contributions are calculating from the maximum ceiling level.<sup>25</sup>

General social security system's participants receive the cash benefits or benefits in-kind:

- medical expenses (medical consultations, pharmaceuticals, medical analysis, optics, dental services, vaccines, transport costs) and hospitalization (80% or 100%, if the treatment lasts longer than 30 days) compensation;
- sickness benefits (from 8 th day);
- childbirth and maternity benefits in kind: from the 6 month of pregnancy up to 12 days after birth maternity leave is granted and medical consultations, medicines, tests are fully reimbursed;
- disability pensions (if person lost 2/3 or more capacity). The benefit amount is determined by the capacity to work (the first category -30% of the average wage; the second category - 50% of the average wage; the third category -50% of the average wage and 40% for the carer). The disabled person can receive full reimbursement of all medical expenses. Disabled person can receive an additional payment if the person's income is below the minimum established by the state;
- death benefits (lump sum is related to the average daily wage, multiplied by 91.25);
- disability pension for widow. If the disabled person died under age of 60, the pension is 54% of the deceased person's pension (calculated on basis of the second disability category); if the disabled person dies at 60 years or more, the pension is 54% of the deceased person's pension. The pension is increased by 10%, if the deceased person had three or more child;
- accidents at work and occupational diseases (in-kind and in-cash) benefits. Person has full reimbursement of medical expenses. Benefits is cash are 60% of the estimated earnings for

the first 28 days and 80% of the estimated earnings from the 29 day;

- family benefits are related to the families needs: for housing or housing improvement, for the child care, for disabled child care; child benefit etc.;
- old-age pensions are paid to a person at the age of retirement, if this person has the necessary social insurance record (the best 25 years of work, the minimum and maximum limits are applicable). Full pension is 50% of the estimated person's wage. In order to receive a full pension, the social insurance contributions must be paid not less than 164 quarters and not less than 166 quarters (from 2015). If person reached a full retirement age and full social insurance contributions record, this person receives 1.25% higher pension. Accordingly, a person who retires at the minimum retirement age, but have not enough social insurance record, such person receives 1.25% per quarter reduced pension. Early retirement is possible for a person, who already receives disability pension or who was war veteran, or mothers with three or more children (having enough of social insurance record). Persons under the age of 60, have right to take partial retirement. The amount of this pension depends on the number of reduced working hours. The minimum age for retirement is 60 years (in 2017-62 years). The person can get a full pension at the age of 65 years (in 2023-67 years). Survivors (orphans) pensions are paid, if the survivor's incomes does not exceed the fixed limit. The pensioner can receive additional payments from the social insurance fund, if the person's pension is less than fixed limit.

### **1.3. Additional mandatory social insurance system (AGIRC and ARRCO)**

General social insurance system participants are compulsory covered for the additionally pension insurance AGIRC (public sector) and the ARRCO (private sector). AGIRC pension contributions are paid by the employer (depending on the category - from 4.5% to 12%) and employees (depending on the category - from 3% to 8%). AGIRC pension contributions are paid by the employer (12.6%) and the employee (7.7%) and the employee pays 1.5% contribution for the death insurance. Full pension in this system can be obtained at the age of 65 years (the insured persons can nevertheless receive the retirement pension in this system from 60 years, if they receive mandatory full basic pension, they are in early-retirement of in case of disability). In the case of pre-retirement, the pension is reducing. It is also possible to receive survivor pension from the age of 55 (amount is 60% of the deceased person's pension).

## **2. THE SOCIAL INSURANCE SYSTEM OF INDEPENDENT PROFESSIONS**

As already mentioned, the various special social insurance systems has been developed by the

occupational categories (general system, self-employed insurance system, farmers' social insurance system, social insurance for the independent professions, social insurance system of railways workers etc.). The conditions of participation in these systems are different and is based on membership of a particular professional group. The independent professions social insurance system created in 1948, when social security system began to separate from the general system. In 2009, 581,000 people contributed to this system and 223,500 persons received benefits. The revenues of the system were 1.5 billion euro, while its expenses were 1.47 billion euro.<sup>26</sup>

Sickness and maternity social insurance for the independent professions is organized by National Health Insurance Fund (CANAM); family allowances – by National Family Benefits Fund (CNAF). Old-age pensions, widow's (orphans) benefits, disability benefits are administered by National Pension Fund of Independent Professions (CNAPVL), which includes different professional funds: notaries (CRN); bailiffs, advocates of the Appeal Court, judges (CAVOM); doctors (CARMF); dentists (CARD); pharmacists (CAVP); nurses (CARSAF); medical nurses, physical therapy doctors (CARPIMKO); veterinarians (CARPV); insurance agents (CAVAMAC); financial brokers (CAVEC); arts, sports, tourism guides (CREA); architects, translators, writers (CIPAV).<sup>27</sup> In 1954, the social insurance fund of advocates (CNBF) become independent from CNAPVL.

Independent professions' social security system in France administers several autonomous social insurance funds: bailiffs, notaries, doctors, insurance agents, architects, pharmacists, advocates. These funds are financially independents, except that they participate in the compensation mechanism between all social insurance funds. Participants of independent professions social security system are compulsory covered by sickness and maternity social insurance, family insurance, disability, old-age social insurance and the death insurance.

Participants in this system pay contributions for sickness, maternity, family, disability, death, pension (basic and additional coverage) insurance. Also persons pay contributions for the vocational training (0.15%). In order to finance the social insurance budget of this system, individuals pay general social contribution (CSG) and social security deficit recovery contribution (CRDS). The size of CSG and CRDS is 8% of person's income.

Sickness and maternity social insurance system in 1945 constructed under the principle of solidarity, accessibility, universality and quality of service. Gradually, this type of insurance expanded and included not only workers, but also inactive persons. In 1967, sickness and maternity social insurance of independent professions become autonomous. In 1996, the sickness and maternity social insurance is expanded to all persons residing in France at the age of 18. In 2000, all persons aged 16 years, receive an electronic health insurance card *Carte Vitale*, which is

a health insurance document. In 1973, the health insurance of independent professions integrated into general social security system. Sickness and maternity benefits in-kind and family benefits are identical as in the general social security system, but benefits in-cash are different. Family benefits are administered by the National Family Benefits Fund – CNAF.

The National pension fund of independent professions (CNAVPL) administers ten different professional pension insurance funds, which are responsible for the retirement (including old-age pension, disability and death risks) social insurance. In this system 26 professional pensions categories or special pension schemes exist. In 2011, 615,232 persons paid contributions to this fund and 211,181 persons were entitled to pension benefits. CNAVPL is in deficit: in 2010, the deficit was about 21 million euros and 73.6 million euro in 2011. CNAVPL was established in 1948 by the special Act and the Social Security Code. This fund is responsible for the pension insurance (basic and complimentary), disability and survivors' pension social insurance. In 1956, additional systems were included: notaries, doctors, veterinarians, dentists, financial brokers; in 1956 - composers, in 1960 - dramas authors and writers, in 1967 - insurance agents; in 2009 - nurses. In 1977, the pension insurance system of literature, music, choreography, audio-visual works authors, cinematographic works authors, graphic and plastic art authors and drama works authors transferred to the general social security system. In 1977, the pension insurance funds of engineers, technicians and experts merged.

The main pension system reforms started in 2004: pension calculation by the accounting units (“points”) introduce. In 2011, the pensionable age increased; the option to buy the missing “points” introduced; extra “points” added for persons with disable child; the possibility of early retirement (for the persons, having a long professional career) introduced. In 2012, the law accelerates the increase of pension age.

After reforms, the pension formula is calculating according accounting units (“points”) and it is similar to the general pension insurance system. Contributions for the basic pension in 2012 was 16.65% and 7.2% (if the annual income is less than 35,876 euros) for the additional pension part. Higher income earners pay 7.6% (if income is between 35,876 euros and 145,488 euros). Persons, having low incomes (below fixed level), pay reduced social security contributions - 5.25%, but the minimum quarterly payments shall not be less than 164 euros. If a person wants to get an early-retirement pension, the pension amount will be reduced by 1.25% (but not more than 20 %). If a person works after retirement age, the pension amount will be increased by 0.75% per quarter. The minimum retirement age in this scheme is 62 years (if person were born after 1955) or between 60 years and 4 months and 62 years (if person were born between 1951 to 1955). In order to get the maximum pension, the retirement age is 67 years (if person were born

after 1955) or between 65 years and 4 months and 67 years (if person were born between 1951 and 1955).

## 2.1. Advocates social security system

Advocates pension system is administered by the National advocates pension fund (hereinafter - Advocates pension fund). This fund was established in 1938 and in 1948 was integrated into the National Pension Fund of Independent Professions (CNAPVL). In 1958, Advocates pension fund become independent and administers only old age, survivors (orphans) and disability benefits. In 1990, the law merges the advocates and legal advisers (only former salaried legal adviser before 1992, remain affiliated to the general social insurance system).

In 2003, a national social security reform launched, which aims - to unify the different systems and subsystems (at that time there were about 30 basic pension systems and 300 additional pension systems). During this reform, the retirement age increased, the working record periods prolonged and the possibility to buy the missing pension periods introduced. Despite the government efforts, the advocates pension fund remained independent and can fix contribution rates. During the reform in 2010, the retirement age (gradually up to 67 years) and the working record for the full pension prolonged farther.

The articles No. L. 723-1, R-721-1 and D-723-1 of French social security code provide the fundamental principles of advocates social security system. In 1979, the General assembly of advocates pension fund approved the regulation of additionally pension insurance. The subjects of advocates pension insurance are State Council advocates, the advocates of Supreme Court, other advocates and assistants of advocates (indicated in the special list). Also, advocates having more than 50% of the advocates company's capital, fully participate in this system. Advocates with less than 50% of the company's capital, are insured only for pension insurance, other social risks are covered by the general social insurance system. Advocates from the French Overseas territories are involved in the same pension insurance.

According to the French social security code, the financial supervision of Advocates pension insurance fund is executed by the Ministry of Finance and the Ministry, responsible for the social security. In 2012, about 50 thousands of advocates paid pension's social insurance contributions and about 11 thousands received pension benefits.

Advocates pension fund administers the basic pension and additional pension benefits. The advocate can work and can receive the pension benefit at the same time. But in this case, the pension can not be reduced: for the additional worked quarter, the basic pension is increased by 0.75% (period between 2004 and 2010) or 1.25% (from 2010).



Advocates pay the social insurance contributions for the basic pension insurance related to the working years. For the first year of activity, the annual contribution rate of 264 euro fixed; for the second year - 527 euro; for the third - 829 euro; for the fourth and fifth years - 1130 euro and 1444 euro from the sixth year. Also, advocates pay income tax (which is reduced for the first and second activity's year). The maximum taxable income is 273,000 euro. Similar to the general pension system, advocates can buy the missing quarters. The minimum retirement age is from 60 to 62 (depending of birth year), but the full pension could be paid only at the age of 65-67 years. Mandatory contribution period is from 160 to 166 quarters (depending on the year of birth) and there are favourable provisions for disabled persons and persons with child.

The contribution rate for the supplementary pension part (participation in this pension scheme is mandatory from 1979) is 3.08% (if income is less than 39,860 euro) and 6.15% (if income is between 39,861 euro and 159,440 euro). During the first year of activity, persons pay the reduced contributions which level in 2012 were 213 euros per year. There is also the opportunity to participate in the voluntary supplementary pension scheme (if income is between 39,861 euro and 159,440 euro) and the contribution rate is from 2.67% to 9.43% (depending on income).

There is also a survivors pension. Widow is entitled to 50% of basic pension benefits if deceased person was married at least for five years (or during the marriage one child or more were born). The widow is entitled to 60% of supplementary pension, if his age not less than 50 years, was married at least for five years (or a child born during marriage). Accordingly, 25% of basic and supplementary pensions are paid for orphans (the child must be younger than 21 years or a student, younger than 25 years in the day of death).

Advocates pay contributions for the incapacity and death risk. Contribution rate per year is 216 euros (from first to fifth years) or 298 euros (from the fifth year of activity). The benefit amount for this insurance risk is a half of the basic pension (if the advocate worked more than twenty years) or equal to the supplementary pension (if person worked more than 20 years). In case of death, the lump-sum could be paid (the amount of benefit depends on the cause of death).

Contribution rate for the sickness social insurance is 6.5% from the declared income (if annual income is not more than 34,620 euro). If annual income is between 34,620 euro to 173,100 euro, the contribution rate is 5.9% from income. The medical expenses, dental services, the expenses for pharmaceuticals (from 35 to 65%) are reimbursed and partially medical expenses in hospitals (80%, if the treatment lasts from 30 to 50 days; 100%, if the treatment lasts longer than 50 days) are covered. Sickness benefit is paid only from 91 day and its size is 61 euros per day.

## Conclusions

1. Contemporary French social security system began to develop after the Second World War, when the Government adopted the main social security system organization principles: universality, uniformity and equality of the social partners management. However, these principles was not implemented in the reality. Independent professions opposed to the idea of the unified social security system and preserved a special social security system.

2. The opposition of different social groups in France can be explained by the fact, that persons, belonging to the different social security systems, does not want to lose the current benefits and want to keep independent social insurance fund management.

3. The general social security system applies to employed persons and includes five branches, which become autonomous in 1967: health insurance (including maternity, disability and death insurance), accidents at work and occupational diseases, old age insurance, family and administration of social insurance contributions.

4. Special social security systems created for the different professional groups or there are professional company's funds systems. Specific systems can be completely autonomous or partially autonomous.

5. The autonomous management of advocates social security system can be distinguished from other professional social security systems because of the principle of the independence of advocate activity and principle of autonomy of the advocacy institute.

6. The adequate social insurance coverage is guaranteed in France. It follows from the principle of autonomy of advocacy institute and contributes to the development of social security coverage.

7. The autonomous advocates social security system creates the possibility for the further social development and adequate social security coverage, promotes personal involvement in private social insurance and establishes the principle of social solidarity.

8. Social security system is based on the classical concept of intention to separate social insurance system from the social assistance. Today there is a tendency to promote the individual responsibility for persons welfare, reducing social solidarity in the society.

9. The financial problems can not be solved reducing social security coverage. It is important to activate employment and labour market, to increase the competitiveness of companies and the maintain the financial sustainability of the state budget.

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