Flash Economics

N° 135
November 4th, 2025

It will be necessary to reduce the generosity of social protection in France, regardless of resistance

Social protection expenditures in France account for 32.3% of GDP, compared to 26.5% of GDP across the European Union. Although this choice faces significant resistance, it will be necessary to reduce the generosity of social protection in France for several reasons:

- The lack of competitiveness arising from the high tax pressure financing social protection;
- Demographic trends, with aging increasing pension and healthcare expenditure;
- Weak economic growth, which reduces the available tax resources to finance social protection;
- The need for increased investment (in energy transition, digital technologies, training, and defense industry) which will challenge the allocation of public funds in favor of social protection.

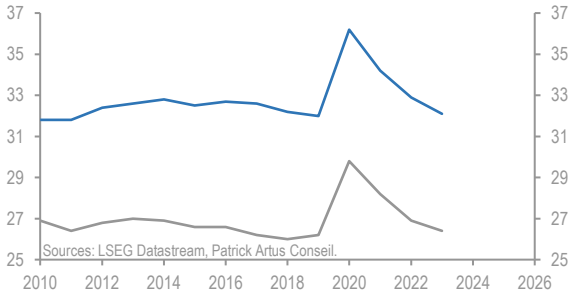
Patrick Artus
Senior Economic Advisor
patrick.artus-ext@ossiam.com
@PatrickArtus
Patrick Artus

Marketing communication: this document is a marketing presentation. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research; and it is not subject to any prohibition on dealing ahead of the dissemination of investment research.

In France, high social spending and associated strong tax pressure

In 2023, **health and social protection expenditures in France** represent 32.2% of GDP, compared to 26.5% of GDP across the European Union (**Chart 1**).

Chart 1
Public expenditure on health and social protection
(as % of nominal GDP)



This gap is primarily due to **the weight of public spending on pensions and healthcare** (**Charts 2a/b**).

Chart 2A
Public pension expenditure (as % of nominal GDP)

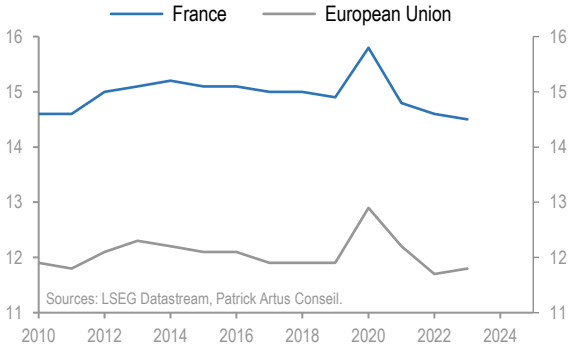
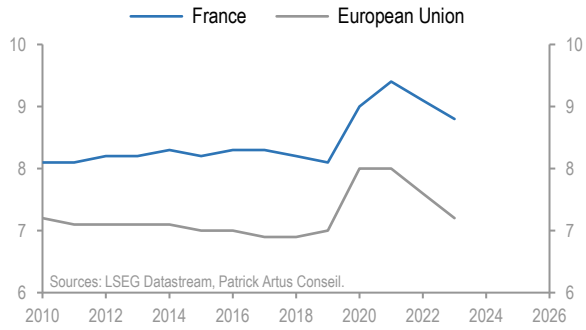
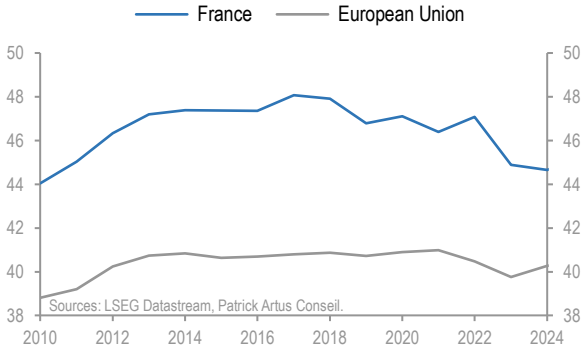


Chart 2B
Public expenditure on health
(as % of nominal GDP)



The inevitable consequence of the high level of social benefits in France is **high tax pressure** (**Chart 3**).

Chart 3
Tax burden (as % of nominal GDP)



Clearly, **this high tax pressure creates a competitiveness problem for France**, as it particularly increases labor costs (**Table 1**).

Table 1 : Mean nominal hourly labour cost per employee in the manufactring sector (2024, EUR)

Country	Mean nominal hourly labour cost (EUR)
Germany	48.3
France	46.3
Italy	31.7
Slovenia	27.8
Spain	27.2
Slovakia	18.1
Croatia	17.0
Portugal	15.7
Poland	15.5
Hungary	14.6
Romania	10.7
Bulgaria	9.0

Source: ILO.

This cost-related loss of competitiveness is one reason why it would be effective to reduce the weight of social protection in France.

Demographic aging will significantly increase the weight of social protection

Demographic aging first appears **by reducing the ratio of contributors to the pension system relative to retirees**.

This ratio is 1.67 in 2025 and would fall to 1.2 by 2050, according to the Pensions Orientation Council. This explains why the deficit in pension schemes, under unchanged rules, is expected to reach €35 billion by 2045 (according to the Court of Auditors). **Demographic aging will also lead to an increase in healthcare expenditures**, which are much higher for the elderly than for younger people (**Table 2**).

Table 2 : France: Health expenditure by age group (in euros per year)

Age group	Expenditure in euros
0-1	2135
2-16	870
17-59	1802
60-74	4195
75-79	6448
over 80	8355

Source: Sécurité sociale.

By 2025, the social security deficit will reach €23 billion. It is clear that **without reform, demographic changes will lead to a significantly faster increase in social protection spending than GDP growth in real terms**.

Weak economic growth

Economic growth in volume has been weak in France since the Covid crisis, due to a decline in productivity per capita (**Charts 4a/b**). **This has resulted in weak tax revenues** and, therefore, a reduced capacity to finance generous social protection.

Chart 4A
France : Real GDP (Y/Y as %)

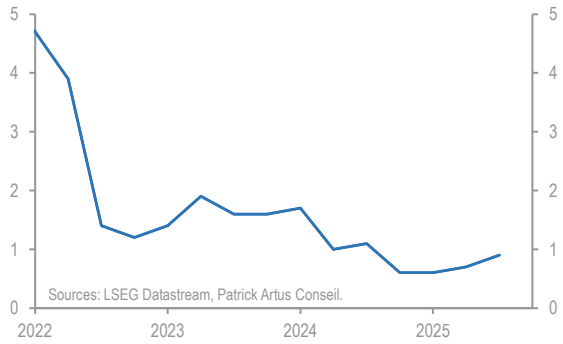
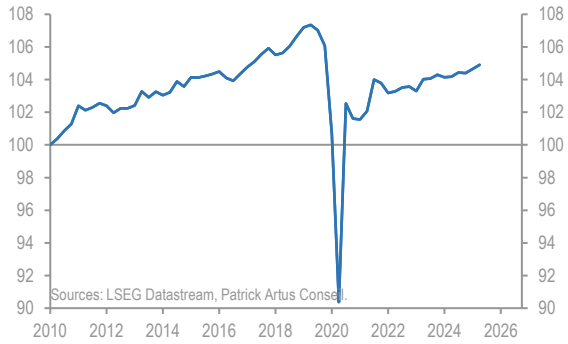


Chart 4B
France: Productivity per head (2010.Q1 = 100)



The need for increased investment

It is clear that **the priority for public spending should be to increase investment in**:

- energy transition;
- digital technology;
- training (to improve the skills of the working population) and education (to improve the education level of young people);
- the defense industry.

If public funds must be increasingly directed towards investment, they can no longer be as heavily allocated to financing social protection.

Summary: even if the French reject this idea, it will be necessary to reduce the generosity of social protection

Public opinion surveys show that a large majority of the French reject the under-indexation of pensions to prices or the reduction of healthcare expenditures (for example, through higher deductibles or out-of-pocket costs).

However, the very high generosity of social protection in France will not be sustainable in the future due to:

- the loss of competitiveness implied by the high tax pressure financing healthcare expenditures;
- demographic aging;
- weak economic growth;
- the need to allocate more public money to investment.

Having higher public deficits is not feasible, nor is increasing tax pressure due to the resulting competitiveness problem.

Disclaimer

Ossiam, a subsidiary of Natixis Investment Managers, is a French asset manager authorized by the Autorité des Marchés Financiers (Agreement No. GP-10000016). Although information contained herein is from sources believed to be reliable, Ossiam makes no representation or warranty regarding the accuracy of any information of which it is not the source. The information presented in this document is based on market data at a given moment and may change from time to time. This material has been prepared solely for informational purposes only and it is not intended to be and should not be considered as an offer, or a solicitation of an offer, or an invitation or a personal recommendation to buy or sell participating shares in any Ossiam Fund, or any security or financial instrument, or to participate in any investment strategy, directly or indirectly. It is intended for use only by those recipients to whom it is made directly available by Ossiam. Ossiam will not treat recipients of this material as its clients by virtue of their receiving this material. All performance information set forth herein is based on historical data and, in some cases, hypothetical data, and may reflect certain assumptions with respect to fees, expenses, taxes, capital charges, allocations and other factors that affect the computation of the returns. Past performance does not predict future returns. Any opinions expressed herein are statements of our judgment on this date and are subject to change without notice. Ossiam assume no fiduciary responsibility or liability for any consequences, financial or otherwise, arising from, an investment in any security or financial instrument described herein or in any other security, or from the implementation of any investment strategy. This information contained herein is not intended for distribution to, or use by, any person or entity in any country or jurisdiction where to do so would be contrary to law or regulation or which would subject Ossiam to any registration requirements in these jurisdictions. This material may not be distributed, published, or reproduced, in whole or in part.