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Germans to the Demographic Front!

Raising the Statutory Pension Age: Extending Working or Unemployment Careers of the Elderly?

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Legislation Currently under Way: Raising Pensionable Age Limits

actuarial deductions for early take-up: 0.3% per month = 3.6% per year
Characteristics of German Statutory Pension System

• ‘wage replacement’ based on lifetime contribution record = lifetime earnings record in dependent employment
  + limited credits for childcare, education, military service… fiscally compensated by injection of tax money into the insurance fund
• universal except for Civil Servants and self-employed
• insensitive to changes of employer or occupation, largely insensitive to final salary or final status (‘flexicurity’)
• disadvantages over employment careers accumulate into pension disadvantage
• poor childcare, especially for children under 3, schools not operating whole day
  ⇒ lower probability for mothers to earn individual pension entitlement above poverty line (depending on level of earnings)
Pension Reforms of the 1990ies still in Process of Gradual Implementation

- Phasing out of some early pensions previously accessible starting from 60 by virtue of
  - long-term unemployment
  - old-age part-time schemes (‘gradual retirement’)
  - being female and having participated in the labour market in second half of adult life
- through
  - first gradually (month by month) raising minimum age of un-penalised take-up
  - then gradually raising minimum age for earliest take-up even with maximum actuarial deductions
- upward shift of the corridor of individual choice
- finally abolishing the respective category of pension altogether
Pension Take-up Key Figures 1999-2005

<table>
<thead>
<tr>
<th>average age of taking up old-age pension</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>percentage of population aged 60 taking up pension (earliest possibility)</td>
<td>35.9</td>
<td>62.0</td>
<td>62.15</td>
<td>62.8</td>
<td>62.76</td>
<td>62.56</td>
<td>62.3</td>
</tr>
</tbody>
</table>

Average age of taking up old-age pension appears to increase from 1999 to 2005.
Percentage of population aged 60 taking up pension shows a decreasing trend from 1999 to 2005.
Incurrence of Pension Deductions because of Premature Take-up

- Female West: 28.9%
- Female East: 63.7%
- Male West: 33.5%
- Male East: 70.0%
- Female 2004: 31.0%
- Female 2005: 71.5%
- Male 2004: 46.5%
- Male 2005: 71.5%
- Female 2003: 30.4%
- Female 2004: 51.2%
- Male 2003: 60.8%
- Male 2004: 69.2%
**Pathways into Retirement**

Status immediately Preceding Pension Take-up, West and East Germany, 1996-2003

- **West Germany**
  - Last contribution 10-19 years ago
  - Last contribution 5-9 years ago
  - Last contribution 1-4 years ago
  - Others actively insured
  - Permanently ill or unemployed without benefit
  - Unemployment benefit
  - Gradual retirement
  - Employment covered by social insurance (gradual retirement excluded)

- **East Germany**
  - Last contribution 10-19 years ago
  - Last contribution 5-9 years ago
  - Last contribution 1-4 years ago
  - Others actively insured
  - Permanently ill or unemployed without benefit
  - Unemployment benefit
  - Gradual retirement
  - Employment covered by social insurance (gradual retirement excluded)
Incurrence of Actuarial Deductions by Preceding Status (Men)

The diagram shows the percentage of contributors to actuarial deductions by preceding status from 2003 to 2005. The categories are:

- Contributions over more than four up to five years
- Contributions over three up to four years
- Contributions over one up to three years
- Contributions over one year or less
- No actuarial deductions

The data for men is as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Contributions over more than four up to five years</th>
<th>Contributions over three up to four years</th>
<th>Contributions over one up to three years</th>
<th>Contributions over one year or less</th>
<th>No actuarial deductions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>10.1</td>
<td>11.9</td>
<td>11.1</td>
<td>66.4</td>
<td>0%</td>
</tr>
<tr>
<td>2004</td>
<td>11.9</td>
<td>20.3</td>
<td>12.6</td>
<td>58.0</td>
<td>0%</td>
</tr>
<tr>
<td>2005</td>
<td>11.1</td>
<td>31.5</td>
<td>51.5</td>
<td>46.3</td>
<td>0%</td>
</tr>
</tbody>
</table>

The percentages are calculated based on contributions from contributory employment and unemployment, non-contributory employment or inactivity.
Accumulation of Disadvantage over the Life Course

- upper middle class family
- better education
- higher earnings
- few spells of unemployment
- earning higher pension claims
- challenging and rewarding jobs
- high participation in lifelong learning
- good working environment
- better health
- employable well into old age
- working until 67 and beyond possible
- likely to have additional company pension and individual asset-based scheme
- exit at 63 affordable
- high life expectancy
- long duration of high pension

- poor family
- poor education
- low earnings
- many spells of unemployment
- earning low pension claims
- tedious jobs
- (self-) exclusion from lifelong learning
- poor working environment
- poor health
- early loss of employability
- long-term unemployed in older age
- unlikely to participate in any complementary pension scheme
- early pension not available or not affordable
- where available, possibly unavoidable
- low life expectancy
- short duration of low pension
Conclusions

Demographically sustainable policies
≠ policies ‘for’ (or against?!?) the elderly
⇒ statutory pension age at 65 or at 67 not principal issue
⇒ education over the lifecourse
⇒ quality of working life
⇒ worker participation in workplace innovation
⇒ extending childcare provision
⇒ equal opportunities over the lifecourse
⇒ accord between now incompatible imageries of
  ⇒ the family and the blessings of childhood and parenthood
  ⇒ the responsible and ‘active’ individual
  ⇒ the flexible firm and the fully disposable worker
⇒ (to be continued…)
Thank you very much for your attention!