German business leaders and politicians denounce pension increase

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On April 8, the German grand coalition government (Christian Democratic Union—CDU, Christian Social Union—CSU, Social Democratic Party—SPD) decided to suspend for two years the so-called "Riester factor," which has led to continuous annual declines in pensions.

Following three years in which no increase was made, the government moved to raise pensions for Germany's 20 million pensioners by a miserly 1.1 percent, instead of the planned 0.54 per cent. This so-called "bonus" is to be supplemented by further minor increases in 2012 and 2013.

Currently, inflation in Germany averages around 3 percent, which means the latest increase amounts, in real terms, to a 2 percent cut in income for pensioners. The pension increase will put just 13 additional euros into the pockets of the average pensioner from July—a pathetic amount under conditions in which the prices of basic food stuffs and ga soline and heating oil are rising well above the average rate of inflation.

Even so, the decision by the government, which was obviously timed to coincide with a number of forthcoming local and state elections, was greeted with cries of indignation by business groups and certain political circles.

According to an article by the SPD economics expert Dieter Wend, published in the *Bild* newspaper, the measure is directed against the younger generation. A leading economic spokesman for the CDU, Kurt Lauk, referred to the increase as a "political sin."

The alliance of German employers' associations (BDA) warned that the pension increase would cost employees and enterprises billions.

In the *Bild*, BDA President Dieter Hundt declared that the pension increase would cost an additional 10 billion euros, while Alexander Gunkel, a member of the BDA executive board and chairman of the Germ an pension insurance federation, referred to a sum of 12 billion euros.

Even if these figures are correct—which is highly questionable—they would amount to a yearly sum of just over 2 billion euros. This sum pales in comparison to the tax relief awarded the rich in recent years.

The most virulent attack on pensioners came in a statement to the *Bild* by the former German president, Roman Herzog (CDU), who said, "I fear we are seeing the beginnings of a pensioner democracy: The numbers of elderly are continually increasing and are receiving disproportional attention from all political parties. This could mean in the end that the elderly plunder the young."

Herzog's declamations against a monthly pension increase of just 13 euros comes from a man who receives a monthly pension from the German Treasury of 17,000 euros as a result of his tenure as federal president from 1994 to 1999. This, in fact, is just the tip of the iceberg. It does not take into account his earnings from other past political posts and from investments, lectures, books, etc. The average pensioner, who unlike Herzog has paid pension contributions his or her entire life, can reckon with around 14,000 euros per year.

The reproach that pensioners are living at the expense of the younger generation was taken up by a host of newspapers and radio and television talk shows. The theme was especially popular with young, up-and-coming politicians from the "free market" Free Democratic Party, the CDU and the Greens. They all referred to demographic factors that indicate that the proportion of pensioners in the overall population will grow as a result of declining birth rates and increasing life expectancy.

The claim that pensioners are, in effect, leeching on younger workers is not only politically reactionary, it assumes that the social wealth is finite, ignoring the huge increases in productivity that cha racterise modern production. Rising productivity rates mean that a worker today can produce many times over what was possible just a few decades ago. With a fair and sensible distribution of the national wealth, it would be entirely possible to guarantee a reasonable income to the growing ranks of pensioners.

The real reason for the crisis in pension schemes is the systematic redistribution of wealth from the bottom to the top carried out over decades by successive German governments—a process that has accelerated greatly over the past few years. Social budgets have been slashed and wealth increasingly diverted into the pockets of speculators, major shareholders and executives, none of whom pay into the official pension scheme.

The CDU government led by Helmut Kohl financed the reunification of Germany by slashing spending for social needs, while cutting taxes for wealthy investors as part of its programme to “regenerate the east.”

Then, the SPD- Green Party coalition government led by Gerhard Schröder passed its own legislation to further reduce taxes for the rich, while introducing a massive cheap labour programme within the framework of the so-called Agenda 2010. This further reduced the basis for contributions to pension and social insurance schemes.

Millions of low-wage workers can no longer afford to pay contributions and will upon retirement be confronted with a life of poverty, while the wealthy have been increasingly freed from making any contribution to social and pension funds.

Those most adversely affected by this development are the socially deprived and the pensioners. Experts are now warning of a “predictable return of poverty amongst pensioners”—in particular, in east Germany. According to projections, in the course of the next 30 years, pensions for workers currently working full-time and paying contributions will sink from the current level of 63 percent of the last calculated net income before retirement to just 43 percent. Millions of seniors will be plunged into dire poverty.

Seven years ago, the SPD-Green coalition passed a pension reform that lowers pensions year by year. The labour minister at that time was Walter Riester (SPD), who had moved directly from the executive of the IG Metall trade union to the ranks of the Schröder government. The Riester law also introduced taxes and social security contributions for company pensions.

Five years later, Riester’s successor, Franz Müntefering (SPD), implemented a law for a gradual increase in the retirement age from 65 to 67. In view of the high level of unemployment amongst older workers, this amounts to a drastic cut in pensions.

Currently, only 17.5 percent of employees work up to the official retirement age, and just 37.5 percent of the 16 million workers over the age of 50 are gainfully employed.

The increase in the retirement age will do nothing to impro ve employment prospects. Rather, older unemployed people will be dependent for longer periods on the miserably low levels of unemployment pay imposed by the Schröder government under the Hartz IV laws, which require that workers exhaust all of their savings before becoming eligible for benefits.

Just this week, the Federal Social Court ruled that an unemployed person must sell his life insurance before becoming eligible for Unemployment II payments. The plaintiff, a 50-year-old self-employed worker, had only paid small amounts into the official pension scheme, and will be eligible for a monthly benefit of just 90 euros.

Even those who work up to retirement age will not be able to escape poverty. The purchasing power of pensioners is declining rapidly.

At the start of 2007, the value-added tax was increased from 16 to 19 percent—a measure that particularly hits the poor, who spend a large part of their income on basic goods and food. They are also hardest hit by the huge rises in gasoline and heating costs. Heating costs in Germany have doubled in the last seven years.

The purchasing power of pensioners will be about 8.5 percent less at the end of this year than it was in 2003, according to a survey by the bank UniCredit. The survey examined the incomes of pensioners over the past 40 years and concluded that, since 2003, a “historically unique decrease” had taken place in pensioners’ income.

The German Social Federation (SoVD) estimates the real loss in pensioners’ purchasing power to be more than 10 percent, if one includes increased health care costs.

Increasing poverty is forcing growing numbers of seniors to rejoin the workforce. According to one study, the number of pensioners with either a “mini-job” or regular work rose from 615,000 in 2002 to 817,000 today. Approximately 702,000 have a “mini-job,” where they earn up to 400 euros per month, while 115,000 have a regular job.

There are also substantial differences in the pensions received by male and female pensioners, between the east and west of the country (pensions are lower in the east), and between cities and rural areas (pensions are lower in less densely populated areas). For example, the average female pensioner in the rural district of Kusel (Rhineland-Palatinate) receives just 325 euros a month.