

# Increased risk of poverty for German retirees

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On January 1, the legislation increasing the retirement age first passed in 2007 by the former grand coalition government (Social Democratic Party-Christian Democratic Union), came into effect. For those born between 1947 and 1963, the retirement age now increases in stages from 65 to 67 years. New statistics from the German pension system reveal that at the heart of the new legislation is a drastic cut in pensions.

The number of workers who take early retirement and thereby have to accept substantial cuts in their pensions has increased dramatically over the past 10 years. From just 14.5 percent in 2000, the proportion of early retirees rose to 47.5 percent in 2010. From the total of 674,000 new retirees in 2010, 320,000 were forced to take a cut in their pensions because they had not worked until the official retirement age of 65. On average, monthly pensions declined by around €113.

If this trend continues, the hike in the retirement age will lead to longer working lives for a number of workers, and vastly reduced pensions for those taking early retirement.

The president of the VdK Social Association, Ulrike Mascher, told the *Süddeutsche Zeitung* she feared the raising of the retirement age would increase the risk of poverty in old age. For many elderly people, it is an illusion to believe they can take retirement with a full pension. “Currently, neither the jobs market nor the personnel policy of Germany companies provides evidence that a worker can expect to work until the normal retirement age.”

Pension payments in Germany are already low. According to the German Pension System, an average pensioner who has worked for 45 years receives a monthly pension of €1,236. Anyone who has worked

less than 45 years in a job with social insurance, or was forced to retire early due to health problems, age-related unemployment or other reasons, often receives a pension amounting to €1,000 or less, or for low-wage workers just a few hundred euros a month.

Statistics of the German Pension Insurance System for the year 2009 show that the net average pension for men in east Germany was €1,069, for men in west Germany €990, for women in east Germany €702, and for women in west Germany €487.

Given the economic crisis and the dramatic changes in working conditions, the trend towards low-paid work will continue to increase. Fewer and fewer people are able to work until retirement age without interruptions due to unemployment or temporary employment. Or they are paid so poorly in a full-time job that their level of pension remains less than the miserly basic rate of social welfare (Hartz IV).

According to the “Monitor” television programme broadcast in September, last year a bakery clerk in Dresden, who earns €1,000 a month (gross), is entitled to a pension of €398, while a baker with a gross monthly salary of €1,400 will receive a pension of €466. The “Monitor” contribution was titled “Work till you drop: how the government encourages poverty for the elderly”.

For people who receive disability benefits, the situation is even more dramatic. Nearly all of the 183,000 persons who received an incapacity pension in 2010 for the first time suffered cuts in their benefits. The average disability pension is just €695 per month—less than the amount necessary to live on, based on the current cost of living. According to the Social Association of Germany, the number of those who

cannot work due to disability and are dependent on Hartz IV welfare payments doubled from 181,000 to 364,000 between 2003 and 2009.

Taken together, these figures show that poverty among the elderly in Germany is increasing dramatically, and that this growth will accelerate in the years to come. Responsibility for this trend lies first and foremost with the Social Democratic Party.

It was the SPD-Green government (1998-2005) that introduced the Hartz laws and established a huge low-wage sector in Germany. The same coalition repeatedly prevented any increase in pensions. Then, as a partner in the grand coalition led by Angela Merkel (2005-2009), it was Labour Minister Franz Müntefering (SPD) who was the chief architect of the legislation to increase the retirement age.

The increase in retirement age to 67 also shifts the minimum age for early retirement. Whoever wants to, or must, take early retirement can now do so only at the age of 63 years—with attendant significant deductions in benefits.



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