More cuts for German pensioners

Konrad Kreft
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Germany’s 20 million pensioners can expect further cuts in their income and purchasing power in 2013. This is the conclusion of a report in the German business newspaper *Handelsblatt* on October 15. The paper based its report on information provided by the Kiel Institute for the World Economy (IfW). In the report, Alfred Boss from the Kiel Institute explains: “The reason is that, from today’s perspective, outdated figures were used in the calculation of the last pension increase.”

In its calculation of pension levels for 2013 the authorities used wage data from the year 2009. In that year, immediately after the finance crash of 2008, employers cut the wages of 1.5 million workers, dismissed temporary workers and extensively used the short-time working scheme introduced by the former Social Democratic Party (SPD)-Green party government.

The amount of pensions paid out is calculated on the average income of employees, and now pensioners are paying the consequences for the recession triggered by the international financial crisis. According to the calculations of the Kiel Institute, any pension increase next year will not exceed 1 percent and could be even less. This is much lower than the current inflation rate, which hovers between 2 and 3 percent.

The purchasing power of pensions in Germany has been falling steadily for years. It has declined by about a fifth since 2000—an average of 17 percent in West Germany, and 22 percent in the East.

In response to a parliamentary question, a government spokesman revealed that the average pension after the deduction of social security contributions amounts to €1,062 (US$1,378) in West Germany and €1,047 (US$1,358) in the East. Since 2000 pensions have risen in West Germany by just €17 and have fallen by €23 in the East. During the same period the consumer price index rose by about 20 percent.

Against this background the report issued last week by the Federal Ministry of Labour, the “Security for the elderly report”, makes a mockery of pensioners and their incomes. The report claims that pensioners in Germany “are generally well provided for”.

In fact the state pension, which most retirees depend upon, represents only one element and a small percentage of the incomes analysed in the “Security for the elderly report”. On the one hand, there is a small group of relatively wealthy retirees in Germany who possess private insurance, capital and real estate, while a large number of pensioners barely have enough income for their subsistence.

The growing risks of poverty in old age are indicated by the increasing number of retirees dependent on state welfare payments. The total number of pensioners in this category rose by 4.3 percent in just one year, 2009. At the same time, a large number of poor pensioners eligible for welfare payments do not claim them. According to a study by the Hans Böckler Foundation, about half of all claimants over the age of 65 eligible for such payments have not lodged claims because they have not been informed of their legal right to do so.

The pension reforms adopted by various federal governments in recent years—involving the gradual reduction of pensions to just 43 percent of net income, the increase in the age of retirement to 67 years, etc.—will continue to increase poverty among the elderly and have disastrous consequences for broad sections of the working population. Even the official “Security for the elderly report” was forced to conclude that these factors have led “to a rising risk of poverty for low-wage earners, including those with a long working career.”

The number of low-income earners in Germany is largely a product of the Hartz laws introduced by the former SPD-Green coalition and supported by the trade unions. These laws have not only fulfilled their intended function of reducing incomes and thereby reducing the basis on which pensions are estimated. They have also led to the development of a fast-growing group that can no longer support themselves with their pensions. The “Security for the elderly report” also includes “former self employed” amongst those who must now apply for social assistance.

In response to increasing poverty amongst the elderly, the established parties are pushing for private provision of pensions, although insurance companies raise a number of conditions for the paying out of supplementary pensions.

State pensions are funded by a 50 percent contribution from employees. Supplementary pensions, however, are exclusively funded by employees, and many low-paid and even average earners are unable to afford such additional expenditure. Those who do pay into a private pension scheme must also reckon with possible losses due to the speculation with such funds on the financial markets. The end effect is to intensify the policy of successive German governments of redistributing wealth into the pockets of the rich.