

Dramatic rise in poverty among German retirees

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Recent estimates and reports predict that poverty among Germany's elderly will rise dramatically in the years ahead. The broadcaster Westdeutsche Rundfunk (WDR) reported April 21 that almost half of new pensioners in 2030 would, in spite of working all their lives, only receive a pension equivalent to the Hartz IV social welfare benefit. A large proportion of current employees earn too little to obtain a higher pension when they retire.

This grim outlook for the future generation of pensioners is anything but an unintended consequence of the pension reform pushed through by the Social Democratic Party (SPD)-Green government of Gerhard Schröder, as Labour Minister Andrea Nahles and Vice Chancellor Sigmar Gabriel (SPD) now both claim. The Hartz laws passed during their party's time in office from 1998 to 2005 served to create a huge low-wage sector.

At the same time, the Schröder cabinet, with its ministers Walter Riester and Franz Müntefering, adopted a gradual increase of the retirement age to 67 as well as a reduction of the legal minimum for pensions from 47.5 to 43.5 percent of average income.

These measures of the Social Democrat-Green government continue to be praised to this day in the highest tones by big business and neo-liberal economists. For workers, they mean that almost half of future retirees face the threat of old-age poverty.

Thanks to the reforms of the SPD-Green government, the number of those in low-wage or part-time jobs, who are only able to pay minimal amounts into the pension insurance system, has increased massively. In addition, there are those who, due to illness, raising children or unemployment, have an employment history with gaps.

According to the poverty report from the Paritätische Gesamtverband, a voluntary welfare organisation, poverty among pensioners has grown 10 times compared to the rest of the population since 2005, with many pensioners compelled to work in miserable paying jobs to make ends meet.

The argument about a demographic shift with which all

parties justify increasing the retirement age is a barefaced lie. Whether sufficient old-age security can be paid is much less dependent upon the birth rate in a society than it is on the productivity of labour, which has increased greatly over the past century. Today, many more people—including children, pensioners, the sick, those with disabilities—could be provided for if the super-rich elite composed of the financial aristocracy and big business did not appropriate the wealth produced by society.

The SPD-Green government claimed that the rise in the retirement age and the inevitable reduction in the pension rate could be compensated for by implementing the “three pillar model.” The state pension would simply be topped up by company pensions and the newly introduced Riester Pension, based on capital investments. This pension, named after then labour minister and former IG Metall trade union head Walter Riester, was to be made palatable to workers with some state funding.

The fact that the Riester Pension was a fraud is now clear to everyone. Even Bavarian state Premier Horst Seehofer of the right-wing Christian Social Union declared recently, “The Riester Pension has failed. We need a major pension reform.”

Investigations into the cause of its failure have demonstrated that precisely those in need of a top-up because they lack access to a company pension could not afford the contributions for the investment-based pension even with state assistance, since they are compelled to spend all of their earnings on the necessities of life. The result is that more privileged layers have been able to “riester,” i.e., top up, their already substantial pensions.

These facts were further confirmed in a study published in the summer of 2015 by the German Institute for Economic Research and the Free University of Berlin. The study was published in a discussion paper series within the university's department of economic science.

According to this, the top 20 percent of income earners receive almost 40 percent of state assistance. For the bottom 20 percent, only 7 percent of the funding is given. For 2010

this meant that for the €2.79 billion of assistance made available by the state, more than €1 billion was given to people with a net income of more than €60,000 per year. Only 6.4 million people were able to “riester,” i.e., benefit from the pension.

In addition, a vast majority of the investment-based pension fund was destroyed in the course of the 2008 economic crash. As a result, many mistrust the banks and insurance firms and have no desire to entrust them with the money for old-age provision. In contrast to pensioners, the banks and insurance firms have done good business out of the Riester Pension.

A further reason for the failure of the investment-based pension plan is the zero interest rate policy of the European Central Bank.

The number of those over 65 in poverty has been continually rising for years. A further increase in the risk of old-age poverty is to be expected over the next 10 years in regions with high unemployment levels or in rural areas, but especially in the eastern German states and the Ruhr region. Particularly hard hit are women, single people, people with low qualifications and persons with an immigrant background. This was shown in an October 2015 study by the Ruhr University Bochum in cooperation with IT.NRW, which was commissioned by the Bertelsmann Foundation.

The federal government’s coalition agreement between the Christian Democrats and SPD in 2013 agreed a pension package aimed at dealing with some of the worst disadvantages. However, the impact of this has protected nobody to date from old age poverty, let alone helped to prevent future increases.

This includes the mothers’ pension, through which women who had children prior to 1992 would receive less than €30 per child per month, from which health and caring insurance charges still had to be deducted. However, this pension was not paid for out of taxpayers’ money, but from contributions paid by pension funds.

Retirement at the age of 63 was also introduced, but this is limited to employees who have paid pension contributions for 45 years, who have relatively good pensions and often company pensions as well, meaning they are less likely to be at risk of old-age poverty.

The catastrophe facing future pensioners has forced the governing parties to take action, fearing further causes for social unrest. Politicians in the SPD, whose popularity levels have slumped below 20 percent, have announced a “comprehensive package of reforms.”

The CDU is also concerned about its voter base. According to a report by the *Rheinische Post*, mid-term finance planning sees increased spending of 35 percent, €6.5 billion, by 2020 to provide the basic minimum for

pensioners. Pensioners will benefit from the support for the basic security if their payments do not meet the minimum requirements for the necessities of life. The federal government anticipates that to pay for the basic security for pensioners in 2020, €8.81 billion will have to be spent, roughly a third more.

But old age poverty will hardly be reduced as a result. How can anyone today living on an income at the level of the basic necessities of life afford rising rents and care and doctors’ fees, which are only partially covered by health insurance?

“If pension rates drop as in previous years, then it will come close to the level of social welfare, which not only damages the good reputation of pension insurance, but also its function as social security,” warned former CDU labour minister Norbert Blüm in the *Saarbrücker Zeitung*. A system in which one receives no more by paying contributions than by paying nothing at all “is self-defeating,” he said.

On the occasion of the 125th anniversary of the introduction of the state pension by Chancellor Otto von Bismarck in 1889, current Chancellor Angela Merkel expressed her concern about its continued existence.

Labour Minister Nahles and Vice Chancellor Gabriel are calling for a “comprehensive concept” for future generations of pensioners. But the “life achievement pension” that is currently on the agenda is a deceitful promise. It is supposed to guarantee a state top-up to people who have worked their whole lives but receive a pension below the absolute poverty rate. A precondition for this will be that they have invested in private pension provision, which is virtually impossible. Who will be able to benefit from this?

According to the Bremen-based scientist Rudolf Hickel, the WDR figures on future old-age poverty are actually very optimistic because they do not project a future financial crash like that of 2008, which many experts already anticipate.



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