Pension at 68: Workers in Germany to pay for the pandemic with poverty in old-age

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Three months before federal elections, a German government advisory committee has posed the possibility of raising the pension age to 68. It calls for linking retirement to rising life expectancy and reducing statutory benefits. The committee argues, “shocking growing financing problems in the statutory pension insurance system from 2025” are to be expected.

The Scientific Advisory Council of Federal Economics Minister Peter Altmaier (Christian Democratic Union, CDU) published its “Proposals for a Reform of Statutory Pension Insurance” on June 7. In a press release, the Advisory Council criticises the fact that “sharply increasing subsidies from the federal budget are flowing into the pension fund,” accounting for more than a quarter of the budget. This number will “rise to over 44 percent by 2040 and over 55 percent by 2060.” Inevitably, therefore, the council argues that retirement age will have to be raised to 68 or above. At the same time, the size of the payout that retirees receive must be reduced.

Since the report was issued, the attack on pensions has not stopped. There are already calls to raise the retirement age to 69 or 70. In the spring, several economic institutes proposed bringing it up to 69, citing the size of the national debt incurred during the coronavirus pandemic. Germany’s central bank, the Bundesbank, also supported this demand.

With an eye on the election, leading politicians from almost all parties quickly and vociferously distanced themselves from these proposals. Federal Finance Minister and Social Democratic Party (SPD) lead candidate Olaf Scholz described them as “horror scenarios” that were “wrongly calculated and anti-social.” Left Party co-chair Susanne Hennig-Wellsow told the DPA press agency, “This is the anti-social hammer.” However, the broad outlines of the proposal are supported by all parties.

During the pandemic, the government has issued massive aid packages in order to boost the profits of the banks and corporations. While the number of billionaires has increased, the next government will have to take out a net loan of almost 100 billion euros to finance spending during 2022. At the same time, all parties advocate a return to the policy of a “balanced budget” without any new borrowing. The legally mandated “debt brake,” which was suspended during the pandemic, is to come back as soon as possible.

This requires budget cuts and sharp attacks on social services. Federal subsidies for pensions, which amount to more than 70 billion euros a year, are targeted in particular. These subsidies are financed with general tax revenues and have therefore long been a thorn in the side of employers, the super-rich and top politicians. The pressure to end them has intensified in the pandemic.

As early as last autumn, a “Commission on a Reliable Intergenerational Contract” appointed by the federal government put forward new proposals aimed at abolishing the “double limit” (which caps contribution rates and provides for a minimum pension level).

In its report, the Commission proposed to raise retirement contributions for employees, currently at 18.6 percent of a person’s wage, to between 20 and 24 percent. At the same time, the “standard pension” would be reduced.

The “standard pension” is not to be confused with the pension actually paid out. It is an average amount calculated based on a ratio of a statutory pension after 45 years of contributions to average income. It takes neither deductions due to missing years of contributions nor tax contributions into account. The effective pension amount, on which very many people have to live, is well below half the average wage. If the “experts” have their way, it will be lowered even further.

Criticism of these planned cuts by the SPD, the Greens, the Left Party, and the main trade unions is purely for show due to the election campaign. In the face of protests from social organisations, even Economics Minister Altmaier piously assured that no one would introduce the “pension at 68.” Meanwhile, more and more publications by advisory bodies are testing the waters by floating the idea, making clear what is being prepared behind the backs of the working class.

The phoniness of the opposition expressed by politicians can be seen just by looking at what has happened to government pensions over the last thirty years. Since the era of Helmut Kohl (CDU) in the 1980s and 90s, every labour and social affairs minister has worked to erode statutory pensions systematically. Of these eight ministers, six were Social Democrats.

This began with the first Kohl government, whose Labour Minister Norbert Blüm then claimed, “Pensions are safe.” With the reintroduction of capitalism in East Germany in 1990, some 14,000 state-owned enterprises and hundreds of thousands of jobs were destroyed by the Treuhand, a process that the forerunner to the Left Party, the PDS, supported. Unemployment and low-wage work lead directly to old-age privation because of poverty-level pensions.

When the SPD-Green Party federal government of Gerhard Schröder (SPD) and Joschka Fischer (Greens) took the helm in 1999, it initiated unprecedented social cuts through the “Hartz” laws, attacking welfare and labour rights and creating a huge low-wage, temporary and part-time sector. This was accompanied by a sharp assault on pensions.

Walter Riester (SPD), then labour minister and former deputy chairman of Germany’s largest industrial union the IG Metall, created a breach in the pay-as-you-go statutory pension insurance scheme with his capital-based “Riester pensions.” It quickly became clear that low earners with small statutory pensions and no entitlement to a company pension could not afford Riester's capital-based private pensions, because they had to spend everything they earned to keep themselves and their family’s heads above water. The pension insurance companies and their managers, however, have profited.

On February 3, 2006, the grand coalition of the CDU/CSU and SPD decided to raise the retirement age from 65 to 67. The driving force behind this was Vice-Chancellor and Labour and Social Affairs Minister Franz Müntefering (SPD). Subsequently, the Merkel government furthered the by gradually introducing the taxation of pensions.

Other steps taken by the Merkel government, supposedly introduced in order to honour the lifetime efforts of hard-working people, include the ability to draw a pension at 63 and the creation of a so-called basic pension. Both, however, are subject to tough standards. Only workers who can prove 45 years of paid contributions can access their retirement funds at 63 and they must forgo 10 percent of their total earned for the rest of their lives.

From 2012 to 2029, the retirement age will gradually rise from 65 to 67. There are already calls for it to be raised to 68 by 2042.

In the face of growing unemployment, such a step constitutes an additional pension cut. This will happen in a situation where company closures and mass layoffs are driving ever-larger sections of the working class into so-called poorly paid “mini-jobs,” long periods of unemployment and low-wage positions. Already one in five, that is more than four million workers, must slave away for an hourly wage of just 9.35 euros. It is obvious that these people can pay little or nothing into pension insurance or savings accounts.

The previous attacks on the statutory pension have already led to rampant old-age poverty. The number of senior citizens at risk of poverty is growing year by year, and women, single people, the low-skilled and immigrants are particularly affected.

Among pensioners the poverty rate is increasing the most. According to the Paritätischer Wohlfahrtsverband charity, poverty increased in 2019 among all affected population groups, but the largest long-term rise was among retirees. The poverty rate of this population has grown since 2006 by sixty percent, rising to 17.1 percent. This does not take into account the impact of the coronavirus pandemic.

It has also just been revealed that over one million people older than 67 are still working, most of them because they are forced to do so for financial reasons. Of the approximately 38 million people in employment, 1.04 million were 67 or older last year. Almost 600,000 still had a regular job at age 70 or older. 72,000 were over 80 years old. The figures come from an answer by the federal government to a parliamentary question from the Left Party. Of the more than one million older workers, 800,000 are “mini-jobbers” who earn just 450 euros a month.

As the retirement age rises, fewer people get to draw their pension at all. Almost 20 percent of all those who died in 2019 were younger than 69 (19.8 percent). 17 percent of all deceased had not reached the age of 67 and 14.4 percent even died before they turned 65.

Nevertheless, the bourgeois media drum relentlessly for the retirement age to be raised.

The *Berliner Zeitung* of June 30, 2021 headlined its editorial, “Pension at 68: There is no way around a longer working life.” As in previous screeds, demographic trends are used to justify pension cuts and raising the retirement age.

The *Berliner Zeitung* criticised the timidity of those in power to make what it deems the necessary changes to the pension system. Regarding the proposals of the Scientific Advisory Council, it says, “The economists warn of a 'funding shock' that could soon hit pensions. This was to look into the abyss. The baby boomers will soon be retiring, and at the same time, people are getting older and older--and thus drawing pensions for longer. By 2035 at the latest, two working people would have to finance one pensioner.”

“Due to demographic developments in Germany, the statutory pension insurance system is threatened with a financing problem in the long term,” was the message in a broadcast by Deutschlandfunk on 24 June 2021, because “fewer and fewer working people will have to pay for more and more pensioners.”

The supposedly decisive argument revolving around “demographic developments” is a bald-faced lie. Whether or not sufficient old-age support can be paid depends less on the average age of a society or the birth rate than on the productivity of society's labour. Objectively, globalisation and modern technology have laid the foundations for all people -- including children, pensioners, the sick and the disabled -- to live in the best possible health, with an adequate standard of living and material security.

That this is not the case is because the means of production under capitalism are not utilised for the satisfaction of social needs, but the personal enrichment and profit maximisation of a few individuals. Hundreds of millions of euros have been, and are being, swallowed up by the corporations and banks through the coronavirus bailout packages of the German government and the European Central Bank.

The associated rise in share prices and the pervasive exploitation of the working class by keeping production going while mass deaths result from the virus have obscenely increased the wealth of the bankers, capitalists and the super-rich. The money needed to finance these bailouts is to be squeezed out of the working class. The brutal attacks on pensioners already in the pipeline are part of this.

Corporations and their shareholders also benefit from the numerous tax breaks in their favour. Corporate taxes alone have fallen by more than half in Germany, from a nominal 60 percent in 1981 to 29.6 percent in 2011. The share of corporate tax receipts in total tax revenues was just 5.4 percent in 2017.

Only by fighting for an international, socialist programme can the corporate and government attacks on the social gains of the working class be beaten back. Old-age poverty can only be eliminated if big business and the banks are expropriated without compensation. Social needs such as education, health, well-paid work, and pensions must take priority over the profit interests of the wealthy. This is what the Sozialistische Gleichheitspartei (Socialist Equality Party) is fighting for in the federal elections.