German government launches frontal assault on pensions

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On June 23, the German cabinet presented the recommendations of its expert commission on pension reforms. Chancellor Friedrich Merz (Christian Democratic Union, CDU) announced that his government would implement all 33 recommendations "swiftly." Labour Minister Bärbel Bas (Social Democratic Party, SPD) reinforced this: "There will be no cherry-picking; it is one complete whole."

In reality, the recommendations represent the most massive attack on pensions ever undertaken by a German government. They follow seamlessly from the abolition of *Bürgergeld* (welfare benefits) and the so-called "health reforms." The central objective of the Merz-Klingbeil government is clearly revealed: the redistribution of billions from the pockets of the needy, the sick, pensioners, the low-paid and workers into rearmament to the enrichment of the wealthy.

The government had appointed Frank-Jürgen Weise to chair the commission. The 74-year-old CDU member is Germany's top expert when it comes to dismantling social rights and is at the same time closely tied to the military.

After leaving school, Weise signed up for 12 years as a regular soldier, completed an economics degree at the Army University of Applied Sciences and trained as a paratrooper. In the reserve, he later rose to the rank of colonel.

From 2004 to 2017, Weise headed the Federal Employment Agency, making him responsible for implementing the "Hartz laws," which created a huge low-wage sector previously unknown in Germany on this scale. In parallel, in 2010, he chaired the Bundeswehr (Armed Forces) Structure Commission, which put forward proposals for a "radical renewal of the Bundeswehr." And in 2016 he headed the Federal Office for Migration and Refugees, which sealed Germany off from the influx of war refugees. Since 2025, Weise has sat on the supervisory board of ThyssenKrupp Steel, where 11,000 jobs are currently being destroyed.

Weise's 13-member commission, which also includes one deputy each from the CDU, CSU (Christian Social Union) and SPD, reached all its decisions unanimously. It proposes massive deteriorations for pensioners and contributors—Both contributions and the retirement age are to rise and pension payments will fall, which calls into question the very prospect of a reliable pension.

A new source of money for the financial markets

But the commission does not stop there. With the introduction of a mandatory capital-funded pension within the framework of the statutory pension insurance scheme, pensions are also to become a new source of money for the insatiable financial markets.

This marks the beginning of the exit from the current pay-as-you-go system, the so-called "solidarity-based generational contract," towards the transfer of pension funds to the stock exchange and into the hands of the financial oligarchy. The business press is enthusiastic. The chancellor calls the recommendation "ingenious." The capital-funded pension would channel "at least 30 billion euros a year additionally into the economy," he cheers.

Recommendation number 28 proposes raising the pension contribution, which employers and wage-earners pay in equal halves, by a further 2 percentage points from the current 18.6 percent. This 2 percent is to be "centrally managed according to the Swedish model and invested on the capital markets." The capital-funded pension is supposedly intended to "stabilise" the pension level and cause it to rise again in a few years—If things go well, up to 70 percent. But who is supposed to believe that?

Sweden, to which the commission refers, introduced the so-called "premium pension" in 1998. Since then, 2.5 out of a total 18.5 percent of contributory income has flowed directly into equity or fund savings plans, which have yielded an average annual return of 11 to 14 percent.

But these high returns occurred during a period when stock prices exploded. Germany's DAX index rose fivefold, the S&P 500 six and a half times, and the Nasdaq fifteenfold. When financial markets slumped, as in the great financial crash of 2008 or during the coronavirus pandemic, central banks and governments pumped hundreds of billions into the financial markets. While in 2008 massive pension funds plunged into the abyss and millions of pensioners in the US and UK lost their savings, the wave of speculation continued after only a brief interruption.

But this development has exhausted itself. Share prices have reached a level that no longer bears any relation to the actual value of companies. With the IPO of SpaceX, which made Elon Musk the world's first trillionaire, the company was valued at $2.1 trillion, although it had generated revenues of just $18.7 billion in the past year and made a loss of $4.6 billion. The stock market valuation was 95 times annual revenue, while for an average company in the S&P 500 it is less than four times.

A bubble is forming here that must inevitably burst. The central banks and governments are no longer capable of absorbing another crash without risking uncontrollable inflation and state bankruptcy. State debt and the toxic securities that central banks hold on their books have reached a critical limit.

Yet the financial markets need new money to keep the orgy of enrichment going, which last year produced 1,100 new super-rich individuals with assets of more than $100 million in Germany alone. The capital-funded pensions serve this purpose. It feeds the financial sharks with the pension contributions of workers. It pumps air into a bubble that must inevitably burst.

But experts and politicians close their eyes to these risks. They hope that "the strengthening of capital-funded elements in old-age provisions helps to stimulate the European capital market," as their report puts it.

Attempts had already been made earlier to divert pension funds to the stock exchange. A forerunner was the "Riester pension" of the SPD-Green Schröder-Fischer government. What back then was still presented

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as “voluntary private supplementary provision” is now becoming, under Merz, compulsory for all workers, who are forced to put part of their wages into the capital market.

Rising contributions, falling benefits

Most of the 33 “recommendations” that Merz and Bas now want to implement “swiftly” are attacks on pensioners and contributors.

In the future, the **retirement age** (soon to be 67) is to be linked to life expectancy. The commission proposes “a moderate adjustment of the standard retirement age should life expectancy continue to rise.” In this way, the standard retirement age is to be gradually raised from 67 to 67.5 between 2031 and 2041. The report comments laconically: “The measure stabilises the finances of the statutory pension insurance, as additional contribution revenue is generated and, at the same time, pension expenditure is reduced.”

The previously fixed link between **annual pension increases** and average wage levels is also being loosened. In the finest bureaucratic German, the capping is described as the “sustainability factor.” This is to be used to “dampen” the annual pension increase in the future, in order to “stabilise the finances” of the pension fund. Old-age poverty will continue to rise. Already in 2024, almost 750,000 pensioners were registered as dependent on welfare support in old age.

In the same spirit, the “**pension at 63**” is now being abolished without replacement. Previously, a worker with 45 years of contributions could retire two years before reaching the statutory age without any deductions. The “pension at 63” after 35 years of contributions, which was previously possible with deductions, is also being further reduced and is to be permitted at the earliest from age 64 in future. It is later to be raised further, in parallel with the standard retirement age.

Another achievement, **partial retirement**, is also a thorn in the commission’s side. Many seniors have previously been able to benefit from this in later life. “Partial retirement in the block model” (divided into a work phase and a release phase) is to be abolished completely, and the continuous part-time model of partial retirement will in the future only be permitted from age 58 instead of 55.

At one point the report states: “If all insured persons were to defer their retirement by one year, this would result in savings for the statutory pension insurance of approx. 6.5 billion euros per retiring cohort”—at the expense of pensioners, one must add, because for all those who lose their jobs at an advanced working age; for example, as a result of the mass layoffs in industry. It amounts to a clear pension cut. Who finds a comparable job at the age of 59, 60 or older? Many spend the last few years as low-wage earners or remain unemployed, with corresponding reductions in their pensions.

The commission also recommends the **abolition of “mini-jobs,”** which were introduced in 2003 as part of the Hartz laws. They allow “marginal employment” up to a monthly earnings ceiling of 603 euros. Mini-jobbers generally do not have to pay pension contributions, because their wages are so low that they enjoy a special status under tax and social insurance law. However, they thereby also acquire no pension entitlements.

The WSWS has always rejected this form of exploitation. Yet there are now almost 8 million mini-jobbers—including students, single parents, low-wage earners in a second job, etc.—who cannot make ends meet without the small additional income. They keep large parts functioning of the catering, courier services, and building cleaning industries.

Their special status is no longer to be tolerated, the commission report states, and it adds hypocritically that mini-jobs harbour a poverty risk, particularly for women, which is, of course, true. But what improves if the mini-jobbers in the future have to hand over 100 euros a month from their 603 euros or lose their jobs entirely?!

The commission “experts” and the cabinet are telling working people that their pensions are “no longer demographically sustainable.” But they themselves are not affected by the consequences. Ministers, state secretaries and the entire civil service apparatus do not pay a penny into the statutory pension insurance scheme. A minister receives a lavish, lifelong pension after only four years in office, and members of the Bundestag (parliament) also do not pay into the statutory pension fund but have their own, more advantageous old-age provisions. The civil service pension is also a privileged, tax-funded arrangement that currently amounts to around 70 percent of the last gross salary, while the pension level for workers who have contributed all their lives stands at just 48 percent.

In order to calm the outrage over this inequality and injustice among working people, the commission has added yet another recommendation, Recommendation Number 21. The statutory pension insurance is to “include, alongside dependent employees, also the self-employed, civil servants, members of parliament and board members of public limited companies.”

But it does not propose raising or even abolishing the contribution ceiling of currently 8,450 euros per month. A board member earning tens or hundreds of thousands of euros a month would then have to pay 9.3 percent of this ceiling, i.e., about 750 euros, into the statutory insurance. With the rest, he could bid farewell to any social “solidarity.”

As for the self-employed, they include around 2.3 million people with an average net income of 1,600 euros. Almost a third are low-wage earners. They work in areas such as media, the creative industries, as well as social and care services, and simply cannot afford the pension contribution—which they must pay in full, i.e., including the employer’s contribution.

Chancellor Merz has already declared categorically that he is not willing to “touch the constitutionally protected civil service law.” So, it may at most come about that the self-employed are called upon to pay mandatory contributions.

Only recently, Christiane Benner, the head of the IG Metall union, threatened that “the roof will be on fire” if pensions were cut. However, she can at most have meant a harmless chimney fire. The IG Metall and the entire union bureaucracy are involved in the attacks on the working class. They support the government’s war course and, with their apparatus in the plants, enforce the destruction of jobs, wage cuts and the switch to arms production.

The real answer to the frontal assault on pensions lies not in appeals and “better savings proposals” but in the expropriation of the banks, corporations and large fortunes and the transformation of the entire system of old-age provisions into a unified and solidaristic system. This requires the building of an independent political movement of the working class on the basis of a socialist programme, as advocated by the Sozialistische Gleichheitspartei (Socialist Equality Party).

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