

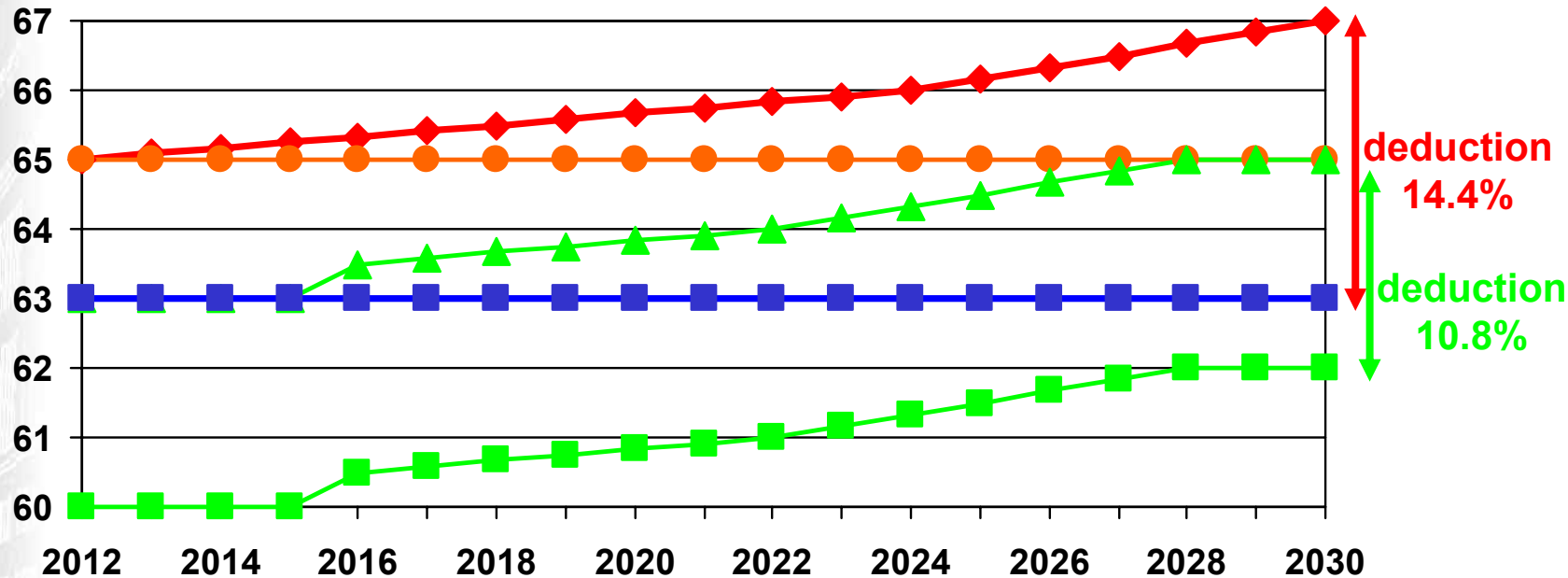
Martin Brussig / **Matthias Knuth**

Germans to the Demographic Front!

Raising the Statutory Pension Age: Extending Working or Unemployment Careers of the Elderly?

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Legislation Currently under Way: Raising Pensionable Age Limits



- ◆ statutory pension age
- pension after 45 contributory years (no deductions)
- ▲ pension for handicapped (no deduction)
- early pension for handicapped (maximum deduction)
- early pension after 35 contributory years (maximum deduction)

**actuarial deductions for early take-up:
0.3% per month = 3.6% per year**

Characteristics of German Statutory Pension System

- ‘wage replacement’ based on lifetime contribution record = lifetime earnings record in dependent employment
- + limited credits for childcare, education, military service... fiscally compensated by injection of tax money into the insurance fund
- universal except for Civil Servants and self-employed
- insensitive to changes of employer or occupation, largely insensitive to final salary or final status (**‘flexicurity’**)
- disadvantages over employment careers accumulate into pension disadvantage
- poor childcare, especially for children under 3, schools not operating whole day
- ⇒ lower probability for mothers to earn individual pension entitlement above poverty line (depending on level of earnings)

Pension Reforms of the 1990ies still in Process of Gradual Implementation

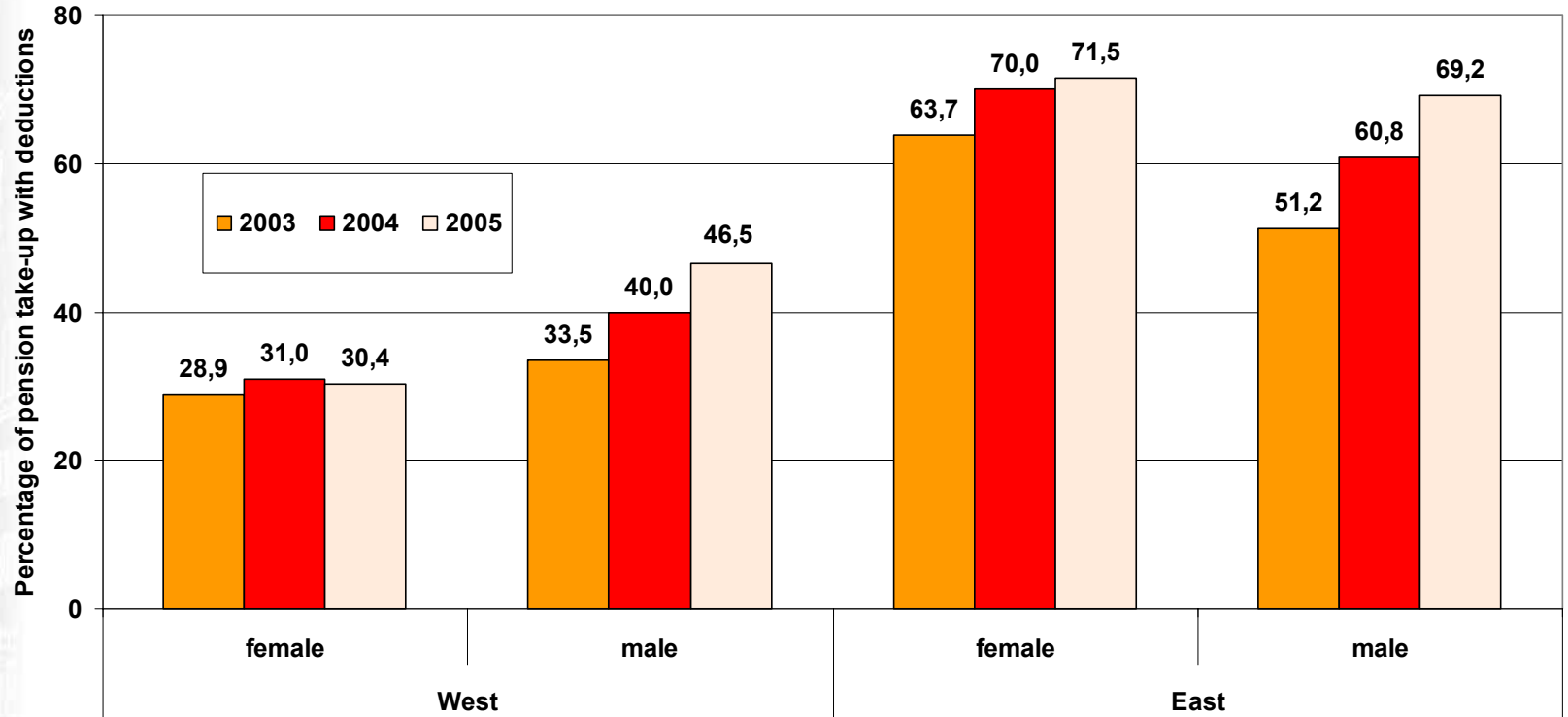
- Phasing out of some early pensions previously accessible starting from 60 by virtue of
 - long-term unemployment
 - old-age part-time schemes ('gradual retirement')
 - being female and having participated in the labour market in second half of adult life
 - through
 - first gradually (month by month) raising minimum age of un-penalised take-up
 - then gradually raising minimum age for earliest take-up even with maximum actuarial deductions
- ⇒ **upward shift of the corridor of individual choice**
- finally abolishing the respective category of pension altogether

Pension Take-up Key Figures 1999-2005

	1999	2000	2001	2002	2003	2004	2005
average age of taking up old-age pension							
percentage of population aged 60 taking up pension (earliest possibility)	35.9						

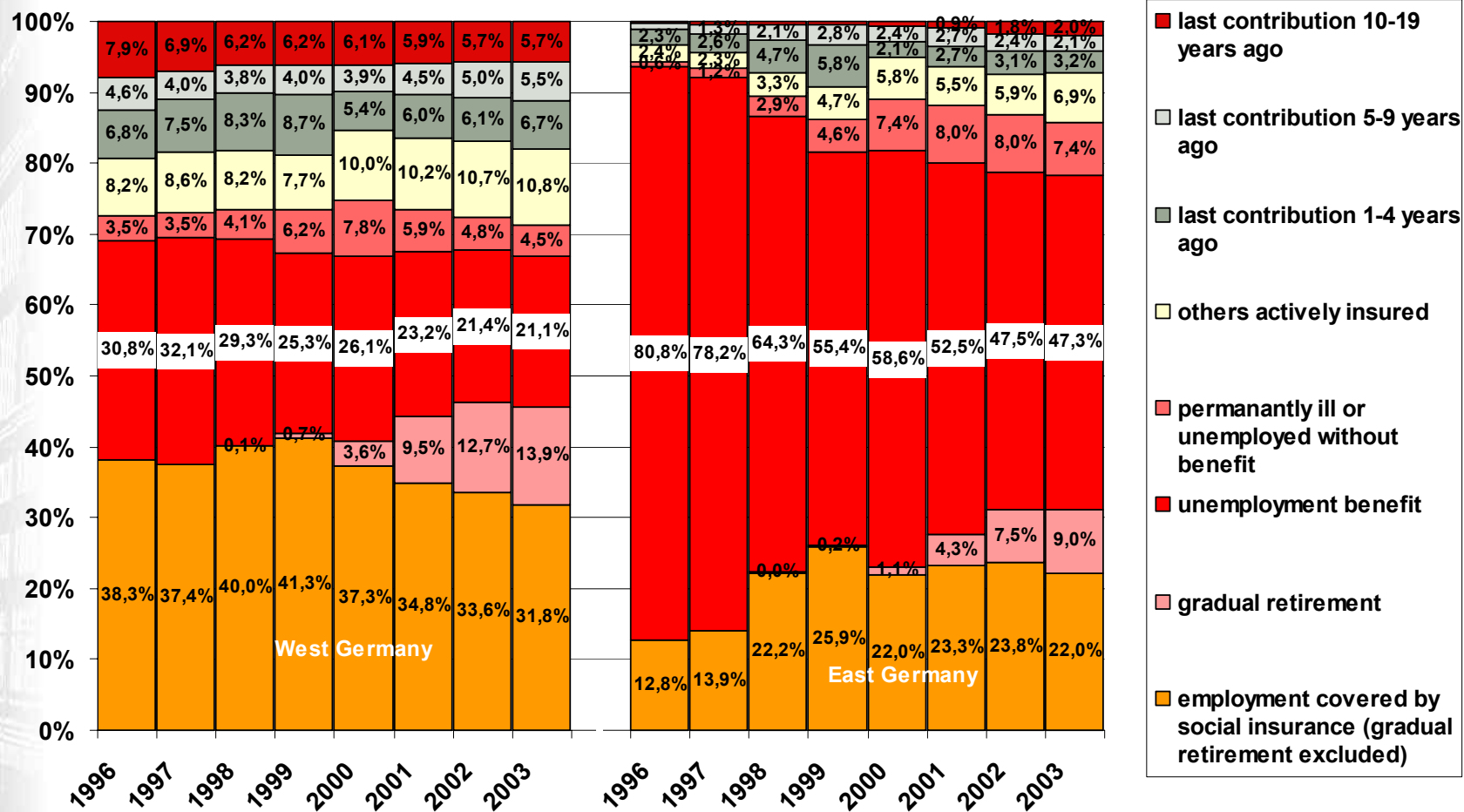
The table is overlaid with a red line graph. The top line starts at a low point in 1999 and rises steadily to a higher point in 2005. The bottom line starts at 35.9 in 1999, dips to its lowest point in 2003, and then rises slightly in 2004 and 2005.

Incurrence of Pension Deductions because of Premature Take-up



Pathways into Retirement

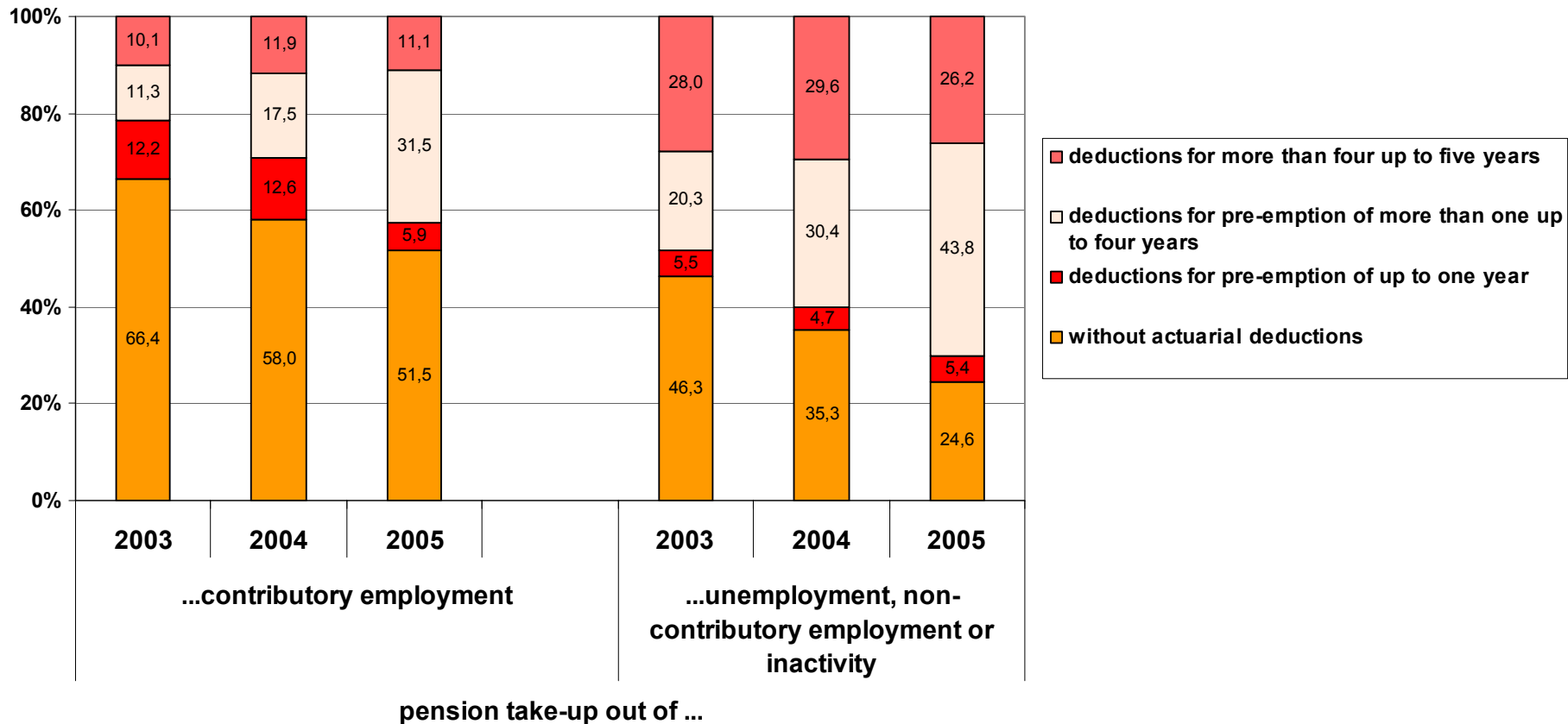
Status immediately Preceding Pension Take-up, West and East Germany, 1996-2003



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Incurrence of Actuarial Deductions by Preceding Status (Men)



Accumulation of Disadvantage over the Life Course

- upper middle class family
- better education
- higher earnings
- few spells of unemployment
- earning higher pension claims
- challenging and rewarding jobs
- high participation in lifelong learning
- good working environment
- better health
- employable well into old age
- working until 67 and beyond possible
- likely to have additional company pension and individual asset-based scheme
- exit at 63 affordable
- high life expectancy
- long duration of high pension

- poor family
- poor education
- low earnings
- many spells of unemployment
- earning low pension claims
- tedious jobs
- (self-) exclusion from lifelong learning
- poor working environment
- poor health
- early loss of employability
- long-term unemployed in older age
- unlikely to participate in any complementary pension scheme
- early pension not available or not affordable
- where available, possibly unavoidable
- low life expectancy
- short duration of low pension

Conclusions

Demographically sustainable policies

- ≠ policies 'for' (or against?!) the elderly
- ⇒ statutory pension age at 65 or at 67 **not** principal issue
- ⇒ education over the lifecourse
- ⇒ quality of working life
- ⇒ worker participation in workplace innovation
- ⇒ extending childcare provision
- ⇒ equal opportunities over the lifecourse
- ⇒ accord between now incompatible imageries of
 - ⇒ the family and the blessings of childhood and parenthood
 - ⇒ the responsible and 'active' individual
 - ⇒ the flexible firm and the fully disposable worker
 - ⇒ (to be continued...)



**Thank you very much for your
attention!**

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