

ETUC SOCIAL PROJECT - SURVEY FOR NATIONAL CONTACT PERSONS

Trade Union report for Germany

National Trade unions that participated in the survey: DGB

This survey, for completion by the National Contact Persons on behalf of their trade union, is an important source of the qualitative and quantitative information required for the ETUC's SociAll Project. This is in addition to the extensive information about each country's pension system that will already be available to the National Experts from established national and international sources.

The survey will provide the National Experts with:

- Background information, specifically from a trade union perspective, about the country's pension system and attitudes to recent trends in pension provision;
- To outline the challenges in the sphere of pension provision that have been identified by trade unions; and
- Set out the trade unions' priorities and proposals.

The survey is divided into three sections that are summarised in Table 1 below. These relate to the corresponding sections of the National Reports, as outlined in the Methodological Note. Section 4 of the National Reports will also be informed by the information that is provided.

Table 1. Outline of the National Survey	
<u>Section 1.</u>	The Country's Pension System: The views of the national trade unions on the strengths and weaknesses of prevailing pension system and the content and the expected effects on the system of recent reforms and those currently under active discussion.
<u>Section 2.</u>	Current Challenges: Trade unions' perception of the main socio-economic and demographic challenges that affect the present and future of pension provision.
<u>Section 3.</u>	Possible Reforms: The trade union's priorities in pension policy and the strategies required to have more effective pension protection in the future.

Section 1. The Country's Pension System

This section of the survey covers the current situation, including questions on the trade unions' views on the strengths and weaknesses of prevailing national pension system. It also asks questions on the content and the expected effects on the country's pension system of recent reforms and those currently under active discussion. It should be taken that the National Experts are already familiar with the country's existing pension system and current issues. The status of the current reforms should be identified as follows:

- **Completed Reforms**, i.e. those implemented since 2010
- **Planned reforms**, i.e. almost certain to be adopted, i.e. having gained enough political support and formulated as draft legislation
- **Reforms under active discussion**, i.e. those that are under discussion, with an indication of the likelihood that the reform will be adopted.

QUESTIONS

GENERAL OVERVIEW

Role of Social Partners in general and trade unions in shaping pension reforms

Q 1.1

Can you describe how trade unions in particular and social partners in general are involved in the pension policy debate and decision-making process in your country and how does the involvement take place (involvement in bipartite/tripartite institutions, consultation by government/parliament, negotiations)?

Trade unions and social partners usually will be involved in pension policy debates. As an example, the social partners each sent one voting member in the ten-member government commission on the further development of the pension system ("Kommission verlässlicher Generationenvertrag", translated as "commission on reliable intergenerational contract"). Furthermore german statutory pension system is self-administrated through social partners and insofar political statements of the statutory pension system take into account the common consideration and desires of social partners. As standard procedure the parliament and the ministry of social affairs involve the social partners in public hearings on draft laws. And of course social partners are involved in political debates of occupational pension reforms. In reform debates on pensions on individual base social partner are more likely involved at a lesser degree.

Apart from the formal involvement of the social partners and trade unions, the political debate on future reforms is still driven by neoclassical economists, who propose a higher retirement age and further steps towards funded pension systems.

Q. 1.2

Which is the trade union role in the latest pension reform processes (implemented and under discussion)? Provide your own assessment (major role, marginal role, total exclusion) and few examples in case of influence.

The last major wave of reforms at the beginning of the 21st century shifted the pension system from a primarily defined benefit to an almost defined contribution system, including cuts in the statutory system for active pensioners and massive application and subsidization of additional funded private or occupational pension schemes. Since then, the trade unions have exerted political pressure to stop the declining replacement rate of the statutory system. Favored by good economic conditions, lower than expected pension expenditure (mainly due to the underestimation of the overall impact of all cuts made) and disappointed expectations for private pension systems, trade union pressure is gradually leading to a political shift towards strengthening the statutory system. The last reform in 2019, which stabilizes the replacement rate until 2025, is mainly due to the campaign of the German trade unions and political partners from the social and welfare associations.

In summary, recent reforms have been mainly driven by trade union perspectives, but have not changed the basic system of a self-regulating defined contribution schemes with decreasing replacement rates after 2025. Disagreement with this basic system of regulation from a trade union perspective remains. In the Government Commission we were at least able to prevent provisions for a further increase in the retirement age and deeper cuts in pension benefits.

Q. 1.3

Provide a general assessment of the extent to which the existing pension system addresses the needs of current and future retired people in your country, indicating where and why it falls short.

A general assessment will be enough, as a more detailed section on challenges will follow. The German system of old-age provision should formally guarantee the standard of living through three pillars. Following this construct, the level of benefits in the statutory pension insurance has already been reduced by 10 percent in the last almost 20 years. The resulting reduced level of security is to be compensated by occupational and private pensions. In addition, there have been considerable further reductions in benefits, such as raising retirement age, lower social compensation and inadequate old-age provision in the event of unemployment.

Those cut backs can be quantified in economic terms: while the number of pensioners has risen by around three million between 2000 and the present day, expenditure now accounts for around one percentage point less of gross domestic product.

By 2025, the replacement rate after 45 years of contribution payments is to be initially stabilized at 48 percent - measured as the "Sicherungsniveau vor Steuern" (meaning: protection level before taxes), which is a very specific measurement, referring to the relative

average earnings position of the entire working life. The gross replacement rate currently corresponds to around 45 percent, while the net replacement rate after taxes is around 60 percent. After 2025, the replacement rate shall again fall following actual law to about 41 percent ("Sicherungsniveau vor Steuern").

Occupational pensions and supplementary private provision (in special "Riester-Rente") often do not close these gaps. On the one hand, about 1/3 of the employees do not participate in these forms of provision at all, and on the other hand, very few save to the necessary extent. The government itself assumes that at least six, rather seven percent of gross wages would have to be saved just to close the torn gaps in old-age pensions.

Moreover, the elements of social equalization have been weakened, so that low wages or unemployment lead to considerable gaps in security. The currently discussed "Grundrente" can only reduce this to a very limited extent.

In the last 20 years the amount of necessary years by given relative wage position to reach at least the value of average minimum subsistence level has risen dramatically - and is expected to raise further again when after 2025 the replacement rate will start sinking again. e.g. for a relative income of 66 percent of average the amount of necessary years has risen for 2000 to 2015 by 36.7 years to 45.2 years. From 2015 on the replacement rate doesn't sink any further and in consequence the necessary amount of years keeps stable by about 44 to 45 years. In addition in 2018 there had been a methodological change in statistics so the average subsistence minimum sunk of about three percent - so the amount of years lays nowadays by about 41 Years. This shows that the actual statutory pension system shows up inadequate benefits and at least in case of under average earnings doesn't protect against a risk for poverty even in case of 45 years of contribution.

Q. 1.4

- a. What are the main principles and policy drivers that inspired the design of the pension system under analysis? Are they still valid?

The principles of actual pension systems follows the neoclassical economist view as propagated by IMF, Worldbank or OECD as well as private capital companies. Aiming at cut back of statutory defined benefits pay-as-you-go financed pension systems in favor of privately organized capital funded pension systems and saving plans. This view is still present and mainly drive by the axioms of none contestable wage cost, higher investments driven by a lower interest rate in line with rising gross savings and the lack of financial sustainability of pay-as-you-go systems especially in an aging society.

These point of view is still dominant in the majority of parties and parliament fractions namely christian democratic union (CDU), christian social union (CSU), liberals (FDP), alternative for Germany (AfD) and relevant groups within the greens (Bündnis 90/Die Grünen) and social democrats (SPD). Only the left (Die Linke) strictly favors the strengthening the statutory system and cutback the subsidies for private capital funded systems. Even in the union movement there is a relevant group which is at least



partly sharing this view or favor on the political background capital funded pension systems as the way of lower resistance and more realistic way for political advance.

- b. Is the European Pillar of Social Rights and the recent European Council's Recommendation on Access to social protection for workers and the self-employed¹ shaping the debate on pensions?

Not in any relevant dimension. Even in the long and intensive political debate on strengthening the protection against poverty risk for long time insured ("Grundrente") goes on without any reference of the European recommendations or the pillar of social rights. And if there are references then mainly aiming on a Beveridge kind of social minimum protection (to the extent of claiming a basic income) neglecting the demand for wage replacement as at least equal relevant or even more the primary goal.

- c. Within trade unions?

Within trade unions there is consensus to strengthen statutory system and set back the demand for supplementary old-age provision. But there is a brought debate with gradual differences in the about and how of change which reach from keeping up the replacement rate by at least 48 Percent up back to the former level of about 53 percent ("Sicherungsniveau vor Steuern") and in extent of this the role of occupational pension systems. Common sense is for sure that private individual schemes are not part of any solution – including PEPP and/or kind of obligatory pension plans.

- d. In bipartite or tripartite social dialogue?

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Q. 1.5

Summarise the trade unions' views on the state of the country's pension system debate in terms of the balance between financial sustainability and social adequacy, coverage and effectiveness.

Preliminary remark: The question is, what's the meaning of financial sustainability. Financial sustainability is an empty phrase. In the end, it only stands for the demand for a defined contribution rate. A defined contribution rate does not change financial sustainability, but only shifts the burden from today and from employers to the future and to pensioners. The concept of financial sustainability assumes that the statutory pension system, or more precisely the pay-as-you-go system, is not sustainable per se. We shall there for try to avoid to discuss financial sustainability and name instead as what it is: defined contribution rate. Sustainability can't be reduced to contribution rate but must also include adequacy of provisions, equal participation of working people as pensioners on the growing economical wealth.

¹ <https://ec.europa.eu/social/main.jsp?catId=89&furtherNews=yes&langId=en&newsId=9478>



And of course from this narrow-minded point of view will be from nowadays point of view no pension scheme at all be financial sustainable because the unknown of the future always could be taken into account only when it's realized and has to be distributed then. From this point of perspective pay-as-you-go financed systems are more flexible in meaning of always adaptable to any social and economic development. It may be mentioned here to, that the construction of the concept of financial sustainability is always preferring systems which auto-regulate the provision as the depended variable of defined contribution. Discretionary policy decisions will not be incorporated and there for negated. Systems with defined benefits will be set as not sustainable as they lead to raising contribution rates.

German trade unions do see that debate in Germany is too fixed on a narrow minded understanding of sustainability aiming on an ongoing withdrawal of financial accountability of employers. In the result German pension system is far lacking adequacy. This includes as shown above the coverage and effectiveness of capital funded private pension plans.

Q. 1.6

Summarise completed reforms (as defined above) and indicate the trade union's assessment (if any) of their impact on the adequacy, coverage, and effectiveness of pension provision?

The reform wave at the beginning of 21st century lead to an almost fully defined contribution system, in which the replacement rate is automatically adopted to the proportion between pensioners and contributors so expenditures follows gross income by defined contribution. Even so officially this cutbacks in statutory pension shall be compensated by supplementary private or occupational pensions. Sinking replacement rate is in force even for pensioners and those close to pension phase which of course meant that they have no option of compensation. So the cost of transition towards a more capital funded system has to been carried out by pensioners and older employees. But of course transition will generate extra cost for at least 40, realistically for about 60 years. So even the younger employees pay an extra bill. Studies show that total necessary contribution in transition phase is none the less higher at this stage than it would have been expected in 20 or 30 years without reforms. Unsurprisingly the problem is enforced by private pension systems which doesn't compensate the reduced statutory system in any efficient or effective way. This is exacerbated by the findings that at least 1/3 doesn't save at all and almost all of the rest does save hardly enough. As already mentioned this whole setting leads to an excessive lack of adequacy.

In 2018 Germany adopted a reform which change the system from defined contribution rate to equally defined benefits (stable replacement rate of 48 percent) and contribution rate (max of 20 percent) initially till 2025 (including) by implementing that deficits has to be financed by government grant. The fundamental principle is still a defined contribution regulation. Instead of lowering the replacement rate the contribution rate is stabilized if necessary by additional governmental grant. While pre corona-crises it's expected not be necessary (or if only to very low extend) – till now it's for sure uncertain as the whole economy progress. German trade unions demanded for stabilizing replacement rate but see the necessity of a rising contribution



rate and mention a raise for up to maximum of 25 percent as acceptable. As model calculations show – and although the experience of the last few year – if statutory system is stabilized there is at least a theoretical chance to compensate the inadequacy.

Q. 1.7

Summarise reforms and those under active discussion (as defined above) and indicate the trades union's assessment (if any) of their impact on the adequacy, coverage, and effectiveness of pension provision?

In addition to Q. 1.6 Germany is debating since at least ten years the implementation of an up valuation of long term contributors with average low wage – no matter if caused by low payment per hour or by part time work. Trade unions demand this without any kind of income or means testing. Politically realizable it seems actually only with income testing.

Section 2. Current challenges

This section of the survey is about the trade unions' perception of the main socio-economic and demographic challenges that affect the present state and future of pension provision in terms of coverage effectiveness and adequacy (and the effective implementation of the Recommendation on Access to Social Protection for Workers and the Self-Employed).

This should cover:

- *The issues the trade union regards as the more urgent challenges to pensions; and*
- *The main social and occupational groups that, in the view of the trade union movement, need greater attention for more effective pension protection.*
- *The gender dimension of the challenges*

The lists of issues provided for certain questions is non-exhaustive and other issues should be covered, if appropriate

QUESTIONS

Main Challenges

Q. 2.1

- a. What are, in general, the main social challenges in pension provision with respect to the social and economic outlook of your country?

Please consider the needs of people, their rights and living conditions. You can make reference to the topics listed below, noting the relevance in the short, medium and long run, and add some others. Please, explain your choices and, for those that are regarded as the most salient, provide a concise explanation, with data and examples.

- Population ageing
- Poverty rates
- Access to essential services
- Out-of-pocket expenditure for healthcare and long-term care
- Low salaries
- Unemployment
- Increased share of atypical jobs (high rate of involuntary part-time/zero-hour contracts/
- Bogus self-employment
- Sluggish economic performance
- Low average productivity
- Increasing inequalities
- Gender gaps in employment/wages
- The Covid-19 Pandemic
- Other:

The main targets in Germany's pension policy in short as long time perspective is to raise replacement rate in general and implement up valuation of pension provision for low earners, long term unemployed and for people with health induced permanent reduction in earning capacity. Those targets are complementary solutions. A higher replacement rate in general lifts all pension provisions and reduces the necessary amount of additional up valuation – and of course the other way round: lower replacement rate means that even by medium wage and long term career the pension provision will almost not or only at low extent exceed social minimum subsistence level. It should be noted here that in Germany the social subsistence minimum is guaranteed by the state at all times and without any advance payment. This minimum subsistence is means tested (including income and wealth of all household members even if not married). The German pension system does not therefore contain any instrument for combating poverty and is regularly missing in international comparisons, as it is a separate system. Debate of revaluation pension provisions for long-term insured low earners therefor aims primary on an individual perspective of acceptability of obligatory pension contribution for low earners and the social pledge of making one's own living with pension provision at least after an almost full career in near fulltime by minimum wage.

Germany's population ageing is till 2035 expected to be faster than in most other countries. While the transition to a three pillar pension approach doesn't reach it's goal, nether in coverage nor in scope of total replacement rate, Germany meets it's cross road for future pension system. Even traditional neoclassical economists stating that time of intergenerational contribution smoothing by building supplementary capital funded pensions has run out cause the baby boomer generation reaching retirement age in the upcoming 15 years. But of course population aging isn't even the main driver for future pension challenges but the conflict between labour and capital and the intergenerational struggle of (re)distribution of wealth.

Germany still needs to address prior to pension adequacy it's persisting labor market problems as nonparticipation, low wages or involuntary part time work thus leading to low lifetime income followed up by low pension provisions – even if provisions are relative to the income adequate. Implying pushing back low-wage sector and non-insured work as “Mini-Jobs” or stand-alone self-employed as well as diminishing gender-wage gap. Of course this includes better coverage of collective bargaining.

The scope and the individual ability to work to retirement age must be enforced by strengthening rehabilitation and health and safety measures.

Corona-crises will make for now no especial adjustment necessary. But it'll enforce well known debates of financial sustainability especially against the background of the effect of short-time work on German pension indexation mechanism: if short-time work is used on a broad base it'll lead to five years spanning statistical induced great leaps in pension adjustment with low direct link to wage adjustment and a higher

replacement rate – although expenditures will not raise by this. So corona will raise already existing political pressure of lobby groups dramatically.

b. Who do these social challenges affect?

Existing three pillar approach mainly effects primarily average earners and low wage earners in way of acceptability of pension system as such as the social pledge of making one's own living with pension provision. Although effected are those with reduced earning capacity as especially third pillar pensions doesn't pay provision in that case (and even occupational pensions is lacking often).

Women of course are mainly affected by under average wage and labor market participation which means lower contribution and in result lower provision. This is partly compensated by raising child provisions (maximum value per child goes up to about 200 Euro pension provision per month)

c. What are the main reasons for these challenges?

The statutory pension system has been cut back dramatically in prearrangement of voluntarily supplementary private and occupational pension schemes filling the gap. Justified with aging society it's aiming on privatization (some referred to as a gushing oil well) and dropping none-wage labor costs.

Lacking coverage and inadequate provision of supplementary pension schemes mainly by high administration costs, acquisition fees, inefficient pension products and of course sinking interest rates and confidence by financial crises and misbehaving agents and firms.

d. Can you please provide data to support your views?

Four Million fulltime workers have a low wage (less than 2.200 Euro). This leads after 45 years of contribution to a pension of statutory system from less above social subsistence minimum.

The gender pension gap is still by about 50 percent (if viewed only on statutory system it's smaller by around 40 percent). The gap is determined by shorter participation/contribution as well as by less contribution because of wage gap.

Occupational pension coverage is lower to smaller firms and by workers with low wage. Except public sector women do have far fewer occupational pension.

Challenges to Formal coverage

Q. 2.2

Please answer the questions shortly framing the relevant situation(s) in the demographic/ social/ macroeconomic context and always keep into account the gender perspective wherever relevant and possible. In your reply, please, consider in particular but not only employees, self-employed and atypical workers, as well as the gender dimension (de facto)

a. Are there any major gaps in formal coverage?

Almost all workers (employed) are obligatory insured (but not all in the same system or to equal conditions).

Formally most of self-employed workers are not obligatory covered (but may do voluntary). Obligatory insured are the members of free professions (the professions each have there on scheme) and some professions are obligatory insured in the statutory pension system (to name some: teachers, caregivers, Midwives, Sea pilots and Coastal boatmen, Artists and publicists, home-business workers or craftsmen) and those self-employed which do have no employees and are in perpetuity economical mainly dependent from one client (“Scheinselbstständigkeit”). Legislation act is planned that will engage them to insure either statutory or in a private alternative (legislation shall start in summer 2020).

b. What categories of workers, i.e. employees, self-employed and atypical workers, are formally excluded from the coverage of pension schemes by reason of their contract, or are only offered voluntary coverage by pension schemes? Which are the main groups (for example migrant, low-skilled, women) affected?

Not insured are “kurzfristig Beschäftigte” (“short-time employed”), which means employments of maximum 70 days or three calendrical month per calendrical year.

Not insured are although most of self-employed, but they all are allowed to insure on voluntary basis. It’s actual planned to engage all self-employed to insure them self, either in statutory system (as standard) or as opt-out in an equivalent private pension.

Insured but having a right to opt-out are “Minijobber” (a tax and contribution free employment with salary of maximum 450 Euro per month).

Insured but having a right to opt-out are employed members of free professions when they are obligatory insured by the pension scheme of their profession chamber.

Not insured, but have the right to insure are working people beyond the statutory retirement age (raising depending of year of birth up to age of 67 if off 1964 born) if they gain an full pension of the statutory system (or if they didn’t reach the minimum contribution time of 60 month till statutory retirement age by an application).

c. What determines/ how would you explain these gaps in formal coverage? ...

Those gaps are almost path dependent.

“Minijobs” and “kurzfristige Beschäftigung” are instruments of activating labor market policy which are extended in the beginning 21st century.

Non insurance of full pensioners corresponds to the character of an old age wage replacement so you shall work or retire. This has been gradually changed in 2017 since

when non-insurance by full pension is limited to persons beyond statutory retirement age and the option to insure voluntarily is introduced.

d. What are their main social consequences/impact?

The main relevant impact is that long time self-employed which are not insured to carry out and far over average risk of inadequate pension old age provisions (for of course they all will get at least social subsistence minimum benefits as “Grundsicherung im Alter”). Social minimum benefits are means tested and since 2018 pension provision of voluntarily contribution are taken not into full account – in the actual legislation “Grundrente” it’s planned that provision of obligatory contributions are take not into full account, too.

e. Do you see issues for fiscal sustainability of a system covering of a system covering people in all forms of employment

Financial sustainability understood as a self-regulatory system subordinating benefits to defined contribution will not be rated better in the long run to cover all forms of employment because it’ll be followed up by rising expenditures in medium and long run. But of course a broader basis will hence contribution income to changes in labour market or the economy.

Looking broader of course a coverage of all will dampen future expenditures for social minimum benefits and will lift contribution to other social insurance (health care etc.) and tax income.

Nonetheless from social point of view it’s to suggest to include all working people into social insurance.

f. Please provide data

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Challenges to Effective coverage

Q. 2.3

a. Is it possible to highlight any major effectiveness issues?

Please, consider effects that, for example, possible entitlement conditions, wage levels, contribution levels, may have on non-standard workers, the self-employed, atypical workers, women.

In total the replacement rate is to rise to insure effective coverage and adequate provisions.

Due to lower expenditures in statutory system compensating mechanism for phases of lower or no contribution are cut back (as school, high school, long term unemployed, low wage, vocational training etc.) - except child care and adult/elderly care for which contribution has been extended.

This problem is sharpened by three pillar approach as occupational pensions usually are suspended while illness or on childcare and of course ends when unemployed. Although the private pensions are often stopped contribution in such cases. A bonus in private pensions per child leads to higher coverage by parental.

- b. Who do these effectiveness issues affect? Are there categories of workers or self-employed that are at particular risk of limited effective coverage of pension benefits? You can make reference to the topics and groups listed below, noting the relevance in the short, medium and long run, and add some others. Please, explain your choices and, for those that are regarded as the most salient, provide a concise explanation, with data and examples.

- Women
- Younger workers
- Self-employed workers
- Bogus self-employment
- Atypical workers
- Precarious workers
- Agricultural employment
- Working poor
- Migrant workers
- Low skilled workers
- Other

Many people doesn't save enough in supplementary pensions, by far - especially low wage and precarious workers doesn't. Coverage of all three

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Longterm unemployed didn't contribute to pensions system nor on a basic level nor on basis of the former wage level. Especially with view on insuring standard of living it would be preferable to contribute on basis of former wage level – so it's done on sickness benefits or unemployment benefits.

Unemployed and sickness often leads to reduce or none contribution to supplementary pension schemes.

Inability to work is usually not insured in the private pensions, so coverage is lacking.

- c. What are the main causes of the risk of ineffective coverage of workers? You can make reference to the topics listed below, noting the relevance in the short, medium and long run, and add some others. Please, explain your choices and, for those

that are regarded as the most salient, provide a concise explanation, with data and examples.

- Significant lack of transparency in the access to relevant information
- Aggregation of contributions across schemes
- Waiting period
- Calculation rules
- Requirements to access old-age or seniority pensions
- Lack of reconciliation of professional and family life
- Incomplete work careers
- Low wages
- Missing financial capacity to save in (voluntary) pension schemes
- Others

Transparency of private pensions is low and often misleading.

Necessary total contribution rate to all three pillars isn't obvious and not really communicated – even in the yearly governmental reports (Rentenversicherungsbericht) as in the additional extended reports every four years (Alterssicherungsberichte) the overall contribution rate isn't shown in tables or calculations. Nonetheless it's argued that contribution rate to statutory system must be dampened due to population aging and to lower burden.

d. How far are the following contingencies significant in leading to ineffectiveness of pension provisions? Please, explain your choices and, for those that are regarded as the most salient, provide a concise explanation, with examples.

- Maternity, paternity, parental leave
- Study or training periods
- Sickness
- Unemployment
- Care duties (elderly, children, disabled, etc...)
- Other

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e. What are their major **social** impacts of ineffective pension provisions?

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f. Do you see issues for **fiscal sustainability of a fair and effective social protection system**?

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- g. Is the lack of transparency or satisfactory information about pension entitlements and obligations limiting *effectiveness of pension provision*; and, if so, which categories of workers and the self-employed are most affected?

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Challenges to Adequacy

Q. 2.4

- a. Is there a prevailing/institutional/constitutional reference or definition of adequacy that is used as standard in your country? How do you define adequacy?

German pension system still aims to insure standard of living on old age provision as in case of disability and death (for the surviving). This aim is grasp as adequate provision level. Traditional in Germany it's quantified as 70 Percent of lifelong average relative net income after a career of 45 years – a person always earning average will get 70 percent of average net wage of active workers. This aiming to keep pensioners up not only to inflation but to participate them on real wage increase.

Nowadays the aim still stays – less loud spoken – but now by a three pillar approach (private and/or occupational). In reality statutory system doesn't ensure it any more – even not for already retired. And it's not checked if coverage of supplementary pensions does fill the gap. So in total old age provision is actual and will further more in future not reach adequacy.

More over German pension system as whole is almost switched to defined contribution thus dropping any aim of adequacy of provision - at least silently because it's still officially claimed that standard of living is and will be ensured if people contribute to all pillars.

- b. Do you use any specific indicator to assess it in your country?

The public indicator in Germany is of a special and complex kind as it's not measuring gross nor net replacement rate but something in between. It's measurement has always been not directly related to real wage but to some non-statistical value of average wage perpetuated by gross wage increase of all employed and reduced by some average contribution to social insurance systems including people's wage who doesn't contribute at all. Even more sophisticated it's calculation has been changed from a post-perspective to an actual perspective changing calculation of average net wage before tax to a perpetuating calculation of wage increase and change of average social contribution rate of an full insured worker - but keeping in the year of conversion the by former way calculated rate so this basis so the new average net wage before taxes is totally fictive. This is good to know but shall not lead to deeper analysis because it wouldn't change any of the results and challenges. Irrespective the calculation methods the replacement rate is sunk and shall sink further after 2025.



- c. Please provide the TU's view of the significance of the two main adequacy indicators used by the Commission (Theoretical Replacement Ratio/TRR; Aggregate Replacement Ratio/ARR – Pension Adequacy Report - PAR 2018).

The TRR almost equals the German calculation – except the specific measuring as after contribution but before tax.

Aggregate Replacement Ratio in Germany will mislead to measure adequacy of statutory pension in Germany because many groups are insured by some special system with fully different calculations of provisions and scheme as such.

- d. How would you define “ageing in dignity”?

This is to have to dimensions:

1) social subsistence minimum must be ensured regardless of contribution or lifetime. This minimum level must include participation on regular social life and not only “surviving”

2) for those who make their living by work/wage earnings it's need to ensure remarkable more than social minimum – even if contribution has been low due to low income.

In addition they need to have affordable health insurance (without out of pocket payments for usual and necessary services) and of course insurance of need for care.

In last years the question of affordable housing has becoming far more recently.

- e. Do you have in mind any specific indicator that could help in assessing “ageing in dignity” in your country?

No not really. At last each indicator is gapping for some aspect.

But it may be of interest to think about a relation of pensions (i.e. a theoretical pension as used in case of TRR) to social subsistence level. Thinkable although as how many years of contribution is necessary to get provisions at least at the level of subsistence (depending on relative wage position).

- f. What are the major deficiencies (if any) in the provision of adequate pensions?

As already mentioned cut backs in general an especially in replacement rate of statutory system. The lacking of supplementary schemes. And of course the extreme strict contribution equivalent provision for low earners. And missing contribution for long term unemployed. And pension by disability.

- g. What determines these deficiencies?

You can make reference to the topics listed below, noting the relevance in the short, medium and long run, and add some others. Please, explain your choices and, for those that are regarded as the most salient, provide a concise explanation, with data and examples.

- Lack of provision of minimum pension

- Volatility of complementary pensions
- Low rates of return from funded pensions
- Wage levels
- Contribution levels
- Worked hours
- Repartition of contributory obligations on employer/employee
- Length/continuity of careers
- Purchasing power erosion
- Lack of indexation
- Cost of living
- Services for old age provided publicly/without out of pocket expenses
- Need of personal/private (out-of-pocket-expenses) for health and long-term care
- Others

As the German system is almost strictly bound to contribution (height and duration) any case leading to none or lower contribution lowers provisions. To some extent phases are insured by contribution by social security system or state (mainly to name in case of sickness benefits, unemployment (as long as paid by insurance), child care (more exactly: just for "having a child") and longtime care.

h. **Who** do these deficiencies affect? Please, consider employees, self-employed and atypical workers

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i. What are the major social impacts of these deficiencies?

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j. Do you see issues for **fiscal sustainability of a fair and adequate social protection system**?

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Other challenges

Q. 2.5

What are the **challenges and the opportunities related to occupational pension policy/schemes** concerning their contribution to formal coverage, effective coverage, adequacy (and transparency) of pension systems?

Coverage of occupational is low to small firms and low wage. This corresponds to a far extent with the coverage of collective agreements or here with the missing of collective agreements. This is driven by employers leaving agreements.

Occupational pension can increase old age provisions, when set on top and not as replacement (as official policy pushed them in).

Q.2.6

Is there any other particular (set of) challenge(s) that you deem key or that should be addressed as a priority in order to give impetus to upward convergence?

a. Please, explain the reasons of your answer.

/

b. Please provide data.

/

Q.2.7

How is the Covid 19 emergency impacting your priorities?

Covid 19 of course pushed up questions of unemployment, short-time work and revitalizing economy. But this doesn't really change positions and priorities in pension.



Section 3. Possible Reforms

*This section seeks information about the trade union's priorities in pension policy; and their involvement in the policy making process and the strategies to have more adequate and effective pension protection for all. **The examples given under each question are for assistance and other issues should be covered, when appropriate.***

QUESTIONS

Q. 3.1

What are the main demands/actions/reforms that the trade unions propose in order to meet the challenge(s) highlighted in the answers to Section 2?

Provide a concise description from those listed below, plus any other that you consider relevant in light of your replies in the previous set of questions. Please, explain your choices and, for those that are regarded as the most salient, provide a concise explanation, with examples

- Minimum schemes
- Employment related or income-based schemes
- Occupational pension provision
- Pensionable age and early retirement schemes
- Regulation of the labour market and active labour market policies
- In-kind benefits, long-term care and social assistance
- Other

Please, explain also how the proposed reform would address the challenge(s) identified in your replies to the previous set of questions

*- keeping in mind the possible effects linked to age groups/ gender/ forms of employment and
- providing an assessment and considering effects of main issues from the topics listed below, in the light of your replies in the previous section, plus any other that you consider relevant. Please, explain your choices and, for those that are regarded as the most salient, provide a concise explanation, with examples.*

- Formal coverage for specific categories of workers and self-employed
- Effective coverage
- Adequacy of benefits
- Inequalities (gender pension gaps, pension rights of younger cohorts of workers, coverage of atypical jobs)
- Other:

Main goal is to stabilize and raise in further step the replacement rate of statutory system. As second goals on statutory system we address upvaluation by low wage and revaluation by contribution free phases as school, high school, training or long term unemployment.

In addition to a strengthened statutory pension system we want to broaden access to occupational pensions and raise the part contributed by employers.

Q 3.2

What would be the main fiscal sustainability drivers necessary to support your policy proposals? What would be the issues arising? What the desirable sources of financing?

Financial sustainability wouldn't lead to an adequate pension and there is of course no way to change financial sustainability of the pension system – so as sustainability just mean fixed contribution and pushing risk and cost into the future and onto pensioners.

For financing there shall be a mixture of higher tax subsidies, higher contribution rate and better employment rate especially for women, disabled and elderly.

Q.3.3

Are there any major actors supporting or opposing your proposal and why?

We be support to far extend by social and welfare organizations, by parties (to different extend) of social democrats, greens, left and partly by christian democrats and by a group of scientist.

Opposed we are of course by employer organizations, the parties of the liberals and mainly the christian democrats and many of scientist (mainly all economist following neoclassical inspired theories).

