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**„Old Age Provision in Germany 2005“ (“Altersvorsorge in
Deutschland 2005 – AVID 2005”)**

...An Overview of the New Study –

Authors: Dina Frommert, Sabine Ohsmann, Uwe. G. Rehfeld

Location: Berlin

The results of the second study on old age provision in Germany (“Altersvorsorge in Deutschland 2005 – AVID 2005”) have been greatly anticipated. The data provided by the first study have been used extensively and have, along with the processproduced data of the statutory pension scheme, taken on a prominent place in the field of social accounting. Just as in the first study, the data of the statutory pension scheme, which is based on an individual level (both survey and process data) was combined with an exemplary extrapolation of biographies until the age of 65. Thus, AVID 2005 provides a data basis which is particularly suitable for the analysis of career trends and for research regarding the scope of additional pension provision among individuals and households. The article describes the specific features and the terms and conditions of the complex data basis and provides some of the most important results of the study.

**Preliminary Remarks - New Research Activities of the Statutory
Pension Scheme in the Field of Social Security and Distribution -**

The Editorial Staff

Introduction: Selected Findings Regarding Income Distribution in Germany under
Consideration of the Income Situation of Elderly Persons

Author: Dr. Jürgen Faik

Location: Berlin

The article deals with certain aspects of income distribution in Germany. After the clarification of basic technical terms (such as “operationalization of wealth”), the author presents different distributive features. The presentation covers a range of general conclusions as to social inequality in Germany as well as remarks regarding the development of relative income poverty and wealth respectively. The author focuses on an age-based differentiation under particular consideration of the income situation of elderly persons. In its final remarks, the article provides an interesting outlook on further relevant aspects of distribution especially in the context of the German old-age security system.

The Disparity of Economic Wealth among Elderly Persons in East and West Germany

Authors: Dr. Peter Krause, Katja Möhring, Tanja Zähle

Locations: Berlin, Munich

The recent development of the income situation of elderly persons stands out from the general income development. Up to now, the social security systems contributed to the fact that pensioners have not been afflicted with a loss of net income to an extent that people in lower income brackets had to cope with. This applies especially in an east-west comparison. Elderly persons in the New Laender benefit from the higher labor participation rate in the former GDR; their risk of poverty is below average. At the same time, the spreading of income in the upper income brackets is lower and people were not able to accumulate as much assets as people in the Old Laender did. The composition of the household incomes of elderly persons and the portfolio of the individual pension payments indicate significant tendencies of diversification. Last not least, the different “designs” of the occupational phase on the eve of retirement, point to a flexibilization of retirement; the socio-political consequences of this development are not yet foreseeable.

Intra- and Inter-Generational Distributive Effects in the German Pension System

...Considerations Based on the Theory of Human Resources

Authors: Dr. Friedhelm Pfeiffer (Private Lecturer), Karsten Reuß

Location: Mannheim

The authors illustrate selected aspects of intra- and inter-generational distributive effects in the German pension system on the basis of the theory of human resources and by means of simulation methods. They conclude that, in a cost-value ratio, compensating investments in education are a preferable instrument to downsize the disparity of life income within one generation for persons up to the age of 18. For elderly persons, transfer payments are the method of choice. As measured by life income, investments in the education of preschool children are most promising. In the intergenerational dimension, tax-financed investments in the education of preschool children commencing in 2008 would increase the life income of the birth cohorts as from 1975 already.

Empirical and Experimental Evidence regarding the Statutory Pension Schemes and the Distributive Preferences in OECD Countries

Authors: Jun.-Prof. Dr. Tim Krieger (Lecturer), Prof. Dr. Stefan Traub

Locations: Paderborn, Bremen

The article focuses on the relation between income disparity on the one hand and uncertainty about the individual income perspective on the other hand. Furthermore, it deals with distribution preferences in an old-age security system. The authors observed the effect of marginal changes of preferences in a laboratory experiment, concluding that the relevance of the intergenerational distribution component decreases, if the general economic wealth or the spreading of incomes increases. On the contrary, an increasing risk of relative deprivation promotes the desire for more distribution in the pension system.

The Income Wealthiness of Elderly Persons in Germany – New Key Figures and Results of the Wage and Income Statistics (FAST 2001)

Authors: Dipl. Volksw. Paul Böhm, Prof. Dr. Joachim Merz

Location: Lüneburg

The authors analyze the income situation of elderly persons in Germany (2001) by means of the wage and salary statistics, which are particularly suitable for the analysis of high incomes.

The authors conclude that the number of rich persons is relatively small in the upper age groups. However, more profound investigations show that the intensity and concentration of high incomes among elderly persons are particularly strong.

Under consideration of the components relevant for the illustration of wealth, the authors subsume that, as to Germany 2001, prosperity has a higher-than-average significance in the upper age groups.

Poverty in Old Age in Germany – Empiric Assessment and Socio-Political Perspectives

Author: PD Dr. Wolfgang Strengmann-Kuhn

Location: Frankfurt/Main

Between the seventies and the beginning of the nineties, old age poverty was on the decrease. Since then, the poverty rate in the upper age groups continued more or less constant, although the general poverty rate increased. Therefore, the ratio of the elderly persons to the “poverty population” decreased significantly. Nevertheless, a reform of the need-orientated basic income support for elderly persons and for persons suffering from a reduction in earning capacity (“bedarfsorientierte Grundsicherung im Alter und bei Erwerbsminderung”) is still necessary. However, the empiric results regarding the poverty rate of elderly persons are due to the database that is used for the research and to the method of poverty measurement. Therefore, it remains unclear, whether the poverty rate among elderly persons is higher or lower than average. In addition, we have to assume the

risk of an increasing poverty rate, in case counter measures are not taken. At least, the uncertainty about an adequate old age security increases. This fact by itself gives reasons for a reform of the law regarding the need-orientated basic income support for elderly persons. The income support should guarantee an independent protection against poverty. Furthermore, it should not be means-tested to prevent hidden poverty in old age. Concurrently, additional measures (such as the extension of obligatory insurance to other groups of gainfully employed persons, e. g. to self-employed (“Erwerbstätigen-versicherung”)) should allow for (rather) uninterrupted insurance membership to guarantee the accumulation of adequate pension entitlements. The article outlines proposals for socio-political reforms fulfilling those requirements. The author states that a comprehensive reform following the new Swedish old age security could be appropriate for Germany as well.

Aspects of Distribution Regarding the Raising of the Retirement Age

Author: Dr. Anette Reil-Held

Location: Mannheim

The raising of the retirement age can be regarded as an adequate reaction to the increase of life expectancy, which leads to longer periods of pension receipt and results in a considerable financial strain for the statutory pension system. The raising of the retirement age contributes to a stabilization of the contribution rate and is macroeconomically reasonable, because it dampens the decline of the employment rate. However, the exceptional rule for longtime insured persons is not appropriate, because it violates the equivalence principle and leads to problematic distributional effects. The provision benefits men and insured with higher-than-average pension entitlements. Another unwanted distributive effect of the clause, which can be intensified by the raising of the retirement age, affects insured with lower income, because they have – on average – a lower expectation of life and, consequently, a shortened perpetuity period. However, the statutory pension scheme is part of the social security system and not geared to a differentiation with respect to individual risks. Therefore it cannot balance the mentioned effects. The dynamization of the raising of the retirement age could be the next step to limit the expansion of the period of pension receipt. This would prevent a resurgence of the discussion about the raising of the retirement age and contribute to the longterm stability of the statutory pension scheme.