

DRV-Booklet

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Reduction of Poverty (in Old-Age) of Recipients of Long-Term Incapacity Benefits by an Extension of the Credited Compensation Periods and by Most-Favored-Tests?

Simulations with Biographical Data stored at the Research Data Centre (“Forschungsdatenzentrum, FDZ”)

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The so-called pension package (“Rentenpaket”) presented by the Federal Ministry of Labour and Social Affairs („Bundesministeriums für Arbeit und Soziales, BMAS“) in spring 2012 contained two reform measures aiming at an increase of long-term incapacity benefits. This is due to the fact that recipients of long-term incapacity benefits are particularly affected by the risk of old-age poverty. The first reform measure mentioned in the package was the extension of the credited compensation period (= supplementary period, “Zurechnungszeit”) by two years. Furthermore, the pension package included the implementation of most-favored-tests.

The authors describe the effects of both measures on the pension amounts by means of a simulation with biographical data stored at the research data centre of the statutory pension scheme (“Forschungsdatenzentrum, FDZ”). It shows that the extension of the credited compensation period by two years leads to an increase of long-term incapacity benefits on average by 4.5 percent, whereas the implementation of most-favored-tests leads to an increase of long-term incapacity benefits on average by 1 percent. If the impact of the classification of periods of receipt of

unemployment benefit II (compensation supplement for long-term unemployment according to the Second Book of the Social Code – SGB II, “Arbeitslosengeld II”) as credit periods (credit periods are periods in which no contributions were paid but which are considered pension-relevant periods for special waiting periods and pension calculation, “Anrechnungszeiten”) as implemented in 2011 is taken into account as well, an increase of long-term incapacity benefits by 8 percent in total is possible.

Cultures of Age Transition in Europe

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The public debate about the ideal time for retirement is continuing. This is reflected, for instance, in the protests and demonstrations against a rise of the retirement age in France in 2010 and in the protracted resistance against the “pension at 67” (“Rente mit 67”) in Germany. In the political debate, the extending of working life is most frequently seen as the only possible way to address the predicted economic and social problems arising from the demographic development (Bäcker et al. 2009: 46 et seq; Bosch and Schief 2007: 576). At the same time, the predominant attitude patterns among the citizens seem to be directed against an extension of the period of gainful employment deep into the seventh decade of life (Esser 2005: 33; Radl 2012: 762 et seq). This apparently existing discrepancy between economic rationality on the one hand and culturally shaped norms and values regarding age transition on the other hand corresponds with the observation that the European countries are not equally successful at meeting the target set by the EU Commission to increase the employment

rate of elderly persons between 55 and 64 (EUROSTAT 2013; Bosch and Schief 2007: 576; Hinrichs and Aleksandrowicz 2008: 585). In 2012, Sweden (73.0 percent), Norway (70.9 percent), and Switzerland (70.5 percent) were able to ensure an employment rate of more than 70 percent among this age group, whereas the corresponding comparative figure amounted to only 39.5 percent in Belgium, 38.7 percent in Poland, and even 32.9 percent in Slovenia (EUROSTAT 2013).

The Welfare State between the Poles of Individualization and General Settlement (“Sozialstaat zwischen Individualisierung und Pauschalierung”)

- Report on the 45th Conference of Judges (“Richterwoche des Bundessozialgerichts”) held at the Federal Social Court in Kassel on November 5th to 7th, 2013

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Location: Kassel