

**DRV-Booklet****DRV-Number: 1/2022****Change as the basis of a solid future: The pension reform of 1957,  
still distinctive after 65 years**

Author: Gundula Roßbach

Location: Berlin

It was some 65 years ago, in January 1957, that the German Federal Diet, the Bundestag, passed legislation regarding reorganisation of the state pension scheme for workers and employees. This pension reform of 1957 entailed a fundamental realignment of the statutory pension insurance which still has a major impact today: The so-called contribution equivalence, translating the amount of individual contributions into similar pension entitlements, was introduced as the very heart and soul of the state pension scheme. A significant increase of the pension level along with the introduction of the so-called 'dynamic pension' made sure that old-age pensioners would partake in social prosperity. Last but not least, this reform set in motion the transformation of the state pension insurance from a funded scheme towards a pay-as-you-go system. Although each of the reform's particular components had to be repeatedly readjusted in view of changing conditions, the basic elements of the 1957 pension reform have proved their worth in ensuring a solid old-age provision during the last 65 years and will stand the test of time in the future.

## **What the German traffic-light coalition is planning regarding pension policy**

Author: Prof. Dr. Franz Ruland

Location: Munich

With receipts and expenditures of more than EUR 330 billion per year, the German state pension scheme is a crucial policy sector that the new government cannot afford to overlook in their coalition agreement covering the next four years. The statutory pension insurance system has to be constantly adapted to ever-changing surrounding conditions. This is all the more true with regard to upcoming dramatic demographic changes in the middle of this decade which will impose a significantly larger financial burden on contributors. Against this background, the following article examines the new traffic-light coalition's coalition agreement and tries to establish whether it meets the requirements of a sustainable pension policy.

## **Making the transition to deferred taxation of pensions legally compliant**

Author: Ingo Schäfer

Location: Berlin

Following the ruling of the Federal Fiscal Court, the transition to deferred taxation is to be reformed in a timely manner. This is what the new federal government coalition has set out to do. This article summarises the ruling and calculates the extent of double taxation on its basis in accordance with the applicable legislation. In the coming years, every employee will gradually become subject to double taxation. However, the proposal of the coalition of SPD, The Greens and FDP can avoid regular double taxation only until about

2050, and it unnecessarily favours persons with very high pensions, especially in the 2040s. The article concludes with a proposal that would regularly avoid double taxation while minimising social inequalities between income groups and reducing tax loss to what is absolutely necessary. In doing so, the proposal accepts that double taxation of high incomes is likely to occur on a small scale.

### **Labour market effects of early retirement reforms**

Authors: Prof. Dr. Regina T. Riphahn, Ph. D.,  
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Locations: Nuremberg, Duisburg

We examine retirement due to unemployment in Germany and analyse the causal effects of two reforms of early retirement. In the course of the first reform, the minimum age for drawing a regular old-age pension without deductions (i. e. normal retirement age, NRA) was raised gradually from 60 to 65. At the same time, it became possible to take early retirement with deductions. With the second reform, the minimum age for early retirement with deductions (early retirement age, ERA) was gradually raised from 60 to 63. We examine behavioural responses to the reforms using administrative data and difference-in-difference (DID) models. We actually find strong and significant causal effects in the wake of both reforms. Affected individuals delayed their retirement, stayed longer in the labour force, postponed unemployment and switched to alternative ways of accessing pensions. Overall, calls on the pension system decreased by about 1.5 or 2 months per person, respectively, after each of the two reforms.

## **Employee-financed deferred compensation in the private sector in the 2010s**

Authors: Dr. Johannes Geyer, PD Dr. Ralf Himmelreicher

Location: Berlin

Using representative data for the private sector, we examine shares and amounts of deferred compensation by individual and firm characteristics of employees in Germany for the years 2010 to 2018. The evaluations indicate a selective willingness to participate in conversion and an increased willingness to convert higher pay as income rises. There are differences between women and men, between East and West Germany and between different sectors. In the low-wage sector and among marginally employed persons, conversion of salary is barely common. On the other hand, the proportion of employees at the upper end of the income scale who convert parts of their wages is particularly high. For low-skilled workers in typical low-wage industries, the declining pension level is rarely compensated by supplementary salary conversion.

## **Supplementary pension provision of employees in Germany – Results of the survey regarding the frequency of use of old-age provision in 2019 (AV 2019)**

Authors: Dr. Wolfgang Keck, Dr. Steffen Walther,

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Locations: Berlin, Bonn

This article gives a concise picture of the frequency of use of old-age provision by employees in Germany who are subject to social insurance contributions. Essentially, the question is who uses which pension schemes to what extent to provide for their old age. The results originate from a survey regarding the frequency of use of old-

age provision which was conducted in 2019 when about 12 000 employees were questioned on this matter. These data can be used in particular for looking into accumulation of forms of provision for old age in the three pillars. About 66 per cent of employees aged between 25 and 64 either actively acquired an entitlement to an occupational pension at the time when the survey was conducted or paid contributions to a Riester pension contract. However, the share of low-income earners is below average when it comes to investing in additional old-age provision.

**Intercultural opening-up of the social insurance institutions:  
results of the survey on diversity and equal opportunity at  
Deutsche Rentenversicherung Bund**

Authors: Martin Weinmann, Dr. Andreas Ette, Sophie Straub  
Location: Wiesbaden

This contribution gives an overview of the results of the Survey on diversity and equal opportunity at Deutsche Rentenversicherung Bund. First of all, the research design and the data base of the employee survey, in which more than 5 000 employees participated, will be presented. This is followed by an analysis of how employees with a migration background are represented in Deutsche Rentenversicherung Bund. Furthermore, we will analyse if there are differences with regard to the employment situation or career opportunities of employees with or without a migration background, also applying in-depth statistical methods (regressions). Finally, we will present how the employees of Deutsche Rentenversicherung Bund evaluate the diversity management of their employer. One of the outcomes is that employees with a migrant background are underrepresented at Deutsche Rentenversicherung Bund and that there is potential for improvement with regard to equal employment opportunities and diversity management.