

# **Retirement Pension Provision Schemes in Germany 1996**

## **AVID 1996**

(Altersvorsorge in Deutschland 1996 – AVID 1996\*)

### **-Summary-**

**Important findings of the study „Structures and Trends in Retirement Pension Provision Schemes for Pension-insured Persons aged between 40 and 60 and their Spouses“**

**Klaus Kortmann und Christof Schatz**

Dieser Text ist eine Übersetzung von Altersvorsorge in Deutschland 1996 –(AVID 1996). Zusammenfassung wichtiger Ergebnisse der Untersuchung „Strukturen und Trends der Altersvorsorge von 40 bis 60-jährigen Rentenversicherten und ihrer Ehepartner“, erschienen in Deutsche Rentenversicherung Heft 10-11/1999, Seite 573-597

\* Forschungsprojekt im Auftrag des Verbandes Deutscher Rentenversicherungsträger und des Bundesministeriums für Arbeit und Sozialordnung durchgeführt von Infratest Burke Sozialforschung

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## Retirement Pension Provision Schemes in Germany 1996 – (AVID '96)\*

### Summary of important findings of the study „Structures and Trends in Retirement Pension Provision Schemes for Pension-insured Persons aged between 40 and 60 and their Spouses“

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*Statutory pension insurance (SPI) is equipped with a well-developed reporting system largely based on data concerning individual pension accounts. However no current and detailed empirical information has been available, either for individuals or for married couples, as to the accumulation of pension entitlements arising from the statutory pension insurance and the concurrence of pension entitlements from the SPI with entitlements from other standard and supplementary systems. Apart from that, no reliable data have been available for events and/or gaps in the insurance biography which indirectly influence the amount and accumulation of entitlements. In order to fill this information gap, BMA\* and VDR\*, in 1995, commissioned Infratest Burke Sozialforschung to carry out a special survey called „Retirement Pension Provision Schemes in Germany 1996 – (AVID '96)“.*

*Even the initial data presented here show in detail that statutory pension insurance will no doubt continue to be the decisive system as to the amount of old-age income for the vast majority of the population in decades to come. Its expansion will increase greatly in the old Länder<sup>1</sup>, particularly for women, while in the new Länder it will provide for most people the one and only pension system of relevance.*

*Even within the bounds of this project it is not possible to make exact predictions in the future for people whose insurance records are complete as to how their life will develop. However, the results of the trends relating to the structures of retirement pensions do show the potential need for action and help to assess the distributory effects of planned changes to a much greater extent than has been possible to date.*

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\* Research project commissioned by *Verband Deutscher Rentenversicherungsträger* (VDR) (= Federation of German statutory Pension Insurance Institutes) and *Bundesministerium für Arbeit und Sozialordnung* (BMA) (= Federal Ministry of Labour and Social Affairs) and carried out by Infratest Burke Sozialforschung, Munich. AVID stands for „**A**lters**V**orsorge in **D**eutschland“.

<sup>1</sup> Old Länder: former „West Germany“ (Federal Republic of Germany);  
new Länder: former „East Germany“ (German Democratic Republic)

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## Preliminary remarks

### Objectives of AVID

In December 1995 the Federation of German statutory Pension Insurance Institutions (VDR) and the Federal Ministry for Labour and Social Affairs (BMA) commissioned Infratest Burke Sozialforschung to carry out a broad survey on **Retirement pension schemes in Germany 1996 (AVID '96)**. The study aims to identify the type and amount of entitlements to old-age income for individuals and married couples, i.e. for pension-insured persons between 40 and

under 60 years of age (age-groups born between 1936 and 1955, Germans living in Germany and – irrespective of nationality and age – their spouses).<sup>2</sup> Thus, in AVID '96 for the first time

**entitlements** to payments from the statutory pension insurance for those between 40 and under 60 years of age **for married couples** are shown,

**accumulation of entitlements** within the statutory pension insurance are covered, including entitlements arising from other standard and supplementary pension systems,

**previously unavailable information** as to **gaps** in the insurance biographies of the statutory pension insurance is gathered, and

**extrapolation data** are supplied for the analysis of future developments.

Moreover various data concerning life and working biographies are being supplied which are not included in the individual pension accounts.

### **Schemes considered for retirement and for types of income**

The survey comprises all the important schemes for retirement in Germany, i.e., apart from the statutory pension insurance as the most significant system, private and public supplementary systems, civil servants' pension scheme, farmers' old-age pension scheme as well as schemes for the independent professions. Private provisions such as life insurance and private pension insurances, ownership of property as well as maintenance payments made by children and partners are also taken into account.

After the deduction of income tax and statutory contributions for health and old-age insurance, the net old-age income shown is the sum of benefits due to personal entitlements arising from the pension schemes described above, including private provisions such as life insurances and private pension insurances and survivors' income or benefits, if any, arising from such schemes. Other sources of income such as earned income or transfer payments, i.e., housing subsidies, welfare benefits, and other forms of unearned income, are not taken into account.

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<sup>2</sup> Persons of foreign nationality could join the survey by being a spouse.

## The survey's components

The analysis is composed of multiple phases and partial steps:

1. a representative survey of insured individuals and their spouses according to SPI via Infratest (phase I, partial step 1),
2. clarification of SPI accounts carried out by the insurance institutions and a subsequent joining of both partial data records with the surveyed person's consent (phase I, partial step 2),
3. extrapolation of courses of life and income up to the age of 65 based upon a microsimulation model developed by Infratest (phase II, partial step 1),
4. calculation of type and level of entitlements to pensions accruing from SPI and benefits of all important pension schemes (supplementary pensions provided by private companies and civil service, civil servants' pension scheme, old-age pensions for farmers, schemes for independent professions organised in boards and associations) and the resulting gross and net incomes according to income tax and social insurance contribution model (phase II, partial step 2),
5. status quo analysis of distribution structures of old-age incomes based upon current social and taxation legislation (phase II, partial step 3).

Apart from that the data base allows for simulation calculations concerning legal variants.

AVID '96 refers to the surveys gained from studies known as „Alterssicherung in Deutschland 1986, 1992 and 1995“ (ASID) in which all current incomes and their determinants for the population as of 55 years of age were collected with respect to married couples. However, the study pertaining to retirement pension provisions is designed to show the **future** old-age income of those people (in 1996) between 40 and under 60 years of age. We aimed at receiving empirically well-founded analyses concerning pensions of insured persons with respect to the legal implications of insurance biographies as well as with respect to events in these biographies, e.g. in the context of the family or income, not included in the pension accounts because they are, at this time, irrelevant in terms of pension legislation.

## **Sample survey and the study's representativity**

AVID is based on a personal face-to-face survey on net 14,434 persons<sup>3</sup> of a representative sample taken from the whole of those Germans possessing a statutory pension account record. 13,006 participants are between 40 and under 60 years of age and possess a statutory pension insurance account, while 12,536 are entitled to receive a pension from the SPI at the age of 65.<sup>4</sup> They are the population to be surveyed for analyses on a personal level. As far as evaluations of married couples are concerned, the data of the other persons questioned will also be taken into account.

The data were extrapolated to the population in Germany according to features such as gender, age (5-year-groups), marital status, Federal State, possession of an SPI account, persons on fixed income from insured and widows' pension accruing from SPI, and the line of the insurance business.

## **On the reporting scheme**

This report presents for the first time a summary of results concerning future developments of entitlements to pensions for persons insured in the statutory pension insurance and to self-gained benefits accruing from other pension systems. These results refer to those insured in the SPI born between 1936 and 1955 and the benefits for which they earned entitlements until the 65<sup>th</sup> year of life is reached. Up to the year 1996 the data were based on the survey while for the following years extrapolations were made. The result is a projection into the future on the basis of extrapolating the subjects' biographies and calculating the level of entitlements accruing thereof.

Due to the differences in the developments in the new and old Länder prior and subsequent to the „Wende“, the results for West and East Germany are shown separately. As to the interpretation of contents and in comparing the results for the new and old Länder, it is mandatory to take into account the historical and current peculiarities, the reference of the monetary quantities to the year 1996 and the other assumptions of the extrapolation.

This summary report is supplemented by a detailed text and table section.

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<sup>3</sup> During data verification 201 incorrect cases were eliminated from a total of 14,635 data records available subsequent to the survey.

<sup>4</sup> Thus in AVID 470 persons are represented which do have an SPI account but who, due to an insurance period of less than 60 months will not be paid a pension when their time has come.

## 1. General Settings

The results of the study are based upon a combination of survey data, data from the pension record accounts as well as data from sample calculations designed to supplement the biographies of insured persons. The study aims at representing old-age income in the 65<sup>th</sup> year of life. This requires certain general settings. In order to interpret the initial preliminary results as to type and level of projected old-age income of persons (1996) from 40 to under 60 years of age insured in the SPI, following aspects need to be taken into account:

- In principal, the general legal setting of the year 1996 had been taken. Calculation of the SPI entitlements was based on the legal provisions valid for the second half of the year 1996, while also taking into account the WFG (Growth and Employment Promotion Act) as well as the new regulations laid down in the RRG (Pension Reform Act) 1999 insofar as these are relevant for the study. (extension of recognition of children education time). Transitional arrangements were not taken into account. The decrease of the pension level planned for in the 1999 Pension Reform Act and suspended for the time being has not been taken into account.
- Insofar as legal provisions have been changed only recently and it cannot be estimated whether any changes, if any, will result thereof in the future, an unchanged condition was assumed. This applies particularly to the pension credit periods for times of care and to the granting of benefits by the care insurance in cases of home care provided for by relatives as of April 1, 1995. Potential effects due to the seeking of part-time work by those approaching retirement were also not taken into account.
- The economic framework setting as well as the legal provisions relevant for decisions of SPI insured persons and other participants remain unchanged compared to 1996.
- Any and all monetary values are shown in figures pertaining to 1996 for the total period of extrapolation. In case these have changed during this reference year, they are based on the level pertaining to the second half of the year. Thus the current pension values upon which the calculations are based are 46.67 DM for the old and 38.38 DM for the new Länder. The values for the East and the West during the survey period will not be equalised. This means, for example, that changes resulting from changed biographies or their evaluation as to the legal implications are shown in the survey while the results of expected general pension increases are neglected.

- The microsimulation model extends the courses of employment and non-employment both for men and women until they have reached 65 years of age. Events are simulated which are beyond the discretion of those insured within the SPI such as (old-age) unemployment and longer periods of sickness when payment of remuneration has been discontinued. Also shown are individual decisions such as interruption or discontinuation of employment, whether in order to run a household or to care for family members, which do not result at the same time in payments of old-age benefits. The situation for the years 1992 up to 1996 forms the data basis for estimation of future developments. Enterings into retirement before or after reaching the age of 65 due to personal decision (as well deductions or allowances) have not been simulated. Enterings into retirement prior to the 65<sup>th</sup> birthday only happen in cases of inability to work and are evaluated according to RRG 1999.
- The simulation model does not take into account socio-demographic processes as consideration of these would compromise the necessary standardisation of all persons surveyed in 1996 toward a fictitious entering into retirement at the age of 65 in order to provide a comparability of results in varying birth cohorts. Thus the marital status shown represents the findings in the basic year 1996.
- The amounts shown in DM are average projected values for the population group represented, i.e. usually DM/month per recipient at the age of 65 in figures pertaining to 1996. They may not be interpreted as cross-sectional data referring to a particular calendar year.
- Due to these restrictions the projected values arising from the sample calculations for the amount of entitlements on pensions to be paid later out of SPI funds cannot be directly compared with the amounts for entrance or current pensions.
- The percentages shown as well as amounts in DM and other values are based upon a sampling and – inasmuch as they refer to future years – upon the simulation model developed by Infratest. They are subject to statistical errors inherent in such methods which are difficult to specify in the individual case. Thus, negligible differences between individual values should be interpreted as “no significant change”, and values in DM should be considered to be approximations.



## 2. The current and projected distribution of the statutory pension scheme

The statutory pension scheme is by far the most important pension system in Germany. In the old Länder 89% of the men and 70% of the women aged 65 years and beyond drew pension benefits from the SPI in 1995.<sup>5</sup> These high percentages will continue to increase in the future, and the SPI will gain in importance. In the old Länder 95% of the men and 93.5% of the women aged between 40 and under 60 years had an SPI account in 1996. (Table 2-1). While the percentage of men is the same in all 5-year cohorts examined, the average value for women shows an increase from 92.5% in the age group 55 to under 60 years to 95% in the age group 40 to under 45 years. In this cohort men and women thus show equal figures. The increase in the percentage of women with self-gained entitlements is due to gainful employment subject to social insurance contributions far beyond the scope of the generation of current female pensioners and also because there was no possibility for those birth figures examined by AVID to have their contributions to the SPI reimbursed when they got married. Changes concerning the statutory pension scheme thus affect old-age provisions of almost the total population. In the new Länder the whole population is insured according to this system due to the social insurance regulations of the GDR and due to the acceptance of all entitlements by the SPI.

**The following statements refer to persons entitled to receive benefits from the SPI at the age of 65.**

Whether these entitlements result in benefits actually paid, and the amount in question, is due to the legal regulations enforced at the time of the potential pension entrance. This is also true for persons entitled to receive benefits from other pension systems.<sup>6</sup>

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<sup>5</sup> The figures for 1995 are based upon a survey called „Alterssicherung in Deutschland,, (ASID), carried out by Infratest Burke Sozialforschung for the third time in 1995, commissioned by BMA. See Infratest Burke Sozialforschung: „Alterssicherung in Deutschland 1995 (ASID '95) – Schnellbericht.“ „Research Report 264-S“ by Bundesministerium für Arbeit und Sozialordnung, Bonn 1997; Infratest Burke Sozialforschung: „Alterssicherung in Deutschland (ASID '95) - Die Einkommen von Personen und Ehepaaren im Alter ab 55 Jahren.“ „Research Report 264/I“ of Bundesministerium für Arbeit und Sozialordnung; Infratest Burke Sozialforschung: „Alterssicherung in Deutschland - (ASID '95), Methodenbericht.“ „Research Report 264-M“ of Bundesministerium für Arbeit und Sozialordnung, Bonn 1997. Results gained by ASID '95 found particular mentioning in a report published by the Federal Government called „Alterssicherungsbericht 1997, BT-Drucksache 13/9570.“ At this time, field research (interviews) as to ASID '99 is in progress. First results are expected by the end of the year 2000.

<sup>6</sup> For reasons of linguistic simplicity we will use, instead of what would correctly but rather clumsily be called „persons with entitlements to an SPI retirement pension“, more often the term „SPI insured person“.

**Table 2-1**

Percentage of persons having an SPI account with respect to the total population<sup>1)</sup> (%)  
Age-group of Germans from 40 to under 60 (1996) in old and new Länder

	Old Länder		New Länder	
	Men	Women	Men	Women
55 to under 60 years	95	92,5	100	100
50 to under 55 years	95	92,5	100	100
45 to under 50 years	95	94,5	100	100
40 to under 45 years	95	95,0	100	100
Total	95	93,5	100	100
reported: 65 years and beyond (1995) <sup>2)</sup>	89	70	99	99

1) Joint estimate of VDR, BMA, BfA, and Infratest based upon data provided by Statistisches Bundesamt (Federal Statistical Office Germany) and VDR (abbr. explained in section abbreviations).

2) Survey „Retirement Pensions in Germany in 1995 (ASID '95)“.

Retirement pension provisions in Germany in 1996 (AVID '96)

### 3. Present and projected incidence of other schemes providing retirement pensions for persons with pension entitlements covered by SPI

There will be little change in the **old Länder** as to the percentage of people with SPI entitlements having supplementary or additional old-age income entitlements as to the (in 1996) group between 40 and under 60 years as compared to those who were, in 1995, aged between 65 and under 75 years old<sup>7</sup>. This is particularly true for men.

The percentage of male occupational pensioners having an SPI pension entitlement will (Table 3-1) remain stable – the simulation model shows a slight increase of 35% to 36% – and the percentage of those receiving the remaining benefits will decrease, i.e. in the supplementary civil service pension scheme from 14% to 12%, in the civil servants' scheme from 6% to 4%, and in the farmers' scheme from 4% to 2%.

<sup>7</sup> The figures for 1995 are based upon the survey „Alterssicherung in Deutschland 1995“ which includes the population as of 55 years of age. The figures for comparison to AVID are based upon the partial population of those between 65 and under 75 years of age since this cohort's income and retirement pension structure is closest to the AVID population extrapolated up to the 65<sup>th</sup> year of life.

For women the picture is somewhat different. Here, there is an increase of those who receive additional payments from private industries with respect to all female SPI pensioners from 9% to 12%. However, this only amounts to a third of the respective percentage in men. In contrast to that the percentage of women receiving supplementary public service benefits rises from 10% to 16% which means a substantially higher value than for men. The increase with respect to the older cohort might be due to a higher percentage of women being employed in public service. Another reason might be that any and all women in a main profession in public service as from the age of 17 are, according to a leading decision, entitled to benefits when they're subject to social insurance contributions, provided their employment will last longer than 12 months<sup>8</sup>. Apart from that contributions made will no longer be refunded in cases of marriage.

When we compare these structures with the situation in the **new Länder**<sup>9</sup>, the differences are very clear (Table 3-2). Supplementary private industry pensions will play a very minor role in the next 25 years. No more than 4% of the men and 2% of the women aged between 40 and under 60 years (1996) entitled to SPI pension payments will in fact receive such payments when reaching the age of 65. The percentage of those males or females entitled to receive civil servants' pension payments will be 1% (men) and 0.5% (women) respectively.

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<sup>8</sup> As to the prerequisites for obtaining entitlements to a supplementary civil service pension scheme cf. *Boßmann, Gabriele: Was ich von der Zusatzversorgung wissen muß*. Berlin u.a. 1997

<sup>9</sup> There are no benchmark figures for the new Länder for 1995.

**Table 3-1**

Current and projected percentages of persons entitled to receive self-gained old-age income (%)  
 – 40 to under 60 years of age (1996) entitled to receive, at age 65, SPI payments, old Länder

	Men		Women	
	Projected AVID %	Current ASID '95 <sup>1)</sup> %	Projected AVID %	Current ASID '95 <sup>1)</sup> %
Statutory pension insurance	100	100	100	100
Supplementary private industry pensions	36	35	12	9
Supplementary civil service pensions	12	14	16	10
Civil servants' pension scheme	4	6	1	1
Farmers' old-age pension scheme	2	4	0.5	0
Independent professions' pension scheme	0.5	0.4	0.1	0.1

1) Persons with SPI benefits aged between 65 and under 75 years.

Retirement pension provisions in Germany in 1996 (AVID '96)

**Table 3-2**

Projected percentages of persons entitled to receive self-gained old-age income (%)  
 – 40 to under 60 years of age (1996) entitled to receive, at age 65, SPI payments, old and new Länder

	Men		Women	
	Old Länder	New Länder	Old Länder	New Länder
Statutory pension insurance	100	100	100	100
Supplementary private industry pensions	36	4	12	2
Supplementary civil service pensions	12	12	16	20
Civil servants' pension scheme	4	1	1	0,5
Farmers' old-age pension scheme	2	0,1	0,4	-
Independent professions' pension scheme	0,5	0,3	0,1	0,5
Private provisions <sup>1)</sup>	64	59	40	52

1) Life insurance and private pension insurance.

Retirement pension provisions in Germany in 1996 (AVID '96)

These small percentages in cases of occupational pensions are mainly due to the economic situation of companies being, on average, less favourable in East Germany as compared to that in the West. Moreover, due to the high unemployment rates in the new Länder the incentive occupational pension as instrument for personnel recruitment and consolidation seems to be unnecessary.

The small percentage of those receiving retirements benefits out of the civil servants' pension scheme with respect to all SPI insured persons in the new Länder is the result of the way in which people are granted the status of civil servants and of structural facts. Civil servants employed in postal or rail services are, subsequent to their privatisation in East Germany, the exception. Until at least 1996 teachers were mainly gainfully employed, and also in local government the granting of the status of civil servant is likely to be less often the case than in the West, particularly in the age-group considered here.

The lower rate of granting the status of a civil servant in the new Länder, particularly as far as women are concerned, results in a higher percentage of projected female recipients of supplementary civil service pensions as compared to the old Länder and reaches for all that 20% (as compared to 16% in the West). However, the percentage of men are the same in East and West with 12% respectively.

Due to the structural peculiarities of the economy in the former GDR, the percentage of self-employed farmers in the new Länder is lower than in the West. This reflects in a low percentage of persons receiving, apart from SPI payments, also a farmers' old-age pension. The figures for women amount to very few only (0.0%) and for men only 0.1%. This is also true for the independent professions' pension scheme which, in the next 25 years to come, will be also of minor importance in East Germany. The percentage of those receiving payments is clearly below half a percent, both in men and women, of all SPI insured persons.

Also the independent professions' pension scheme plays only a minor role both in the new and old Länder. Less than half a percent of all SPI insured persons will receive supplementary benefits from this system.

In view of the lower involvement in institutionalised old-age pension systems outside the SPI it comes as no surprise that the percentage of men in the East possessing private pension insurances is almost as high as in the West (East: 59%, West: 64%). As for women the figure in the new Länder is even higher at 52% as compared to 40% in West Germany. This is particularly due to the fact that immediately following what is called the „Wende“ many East Germans entered into a life insurance or private pension insurance. Apart from that an unknown percentage of the population in the new Länder had already entered into a private life insurance at a time where the GDR was still alive.

#### 4. Current and projected amount of entitlements to SPI pensions

The following results as to the projected amount of SPI pension entitlements are based upon a microsimulation model developed by Infratest as are all other statements pertaining to the future. Thus these are subject to a statistical error of estimation as well as other restrictions described in chapter 1. We would like to emphasise this fact once more. When interpreting these figures it is very important to note that the calculation was based upon current pensions values for East and West Germany of the second half of the year 1996. Future changes of these values in the sense of an East/West adaptation is not taken into account in these calculations. Any and all entitlements refer mostly to a working biography up the 65th year of life which means that deductions due to receipt of pension payments before due time at one's own discretion are not taken into account. Apart from that it is noteworthy that the demographic factor (not taken into account until the year 2000) was not to be considered when calculating the sums of entitlement. However, the model provides for such changes to be taken into account during evaluations to be made in to future.

In the **old Länder** the pension entitlements – in values of 1996 – of men will be decreasing. For men belonging to the birth cohort 1936-1940 these amount to 1,986 DM and for the birth cohort 1951-1955 to 1,891 DM (Table 4-1). The entitlements for women increase from 882 DM within the oldest partial cohort to 1,026 DM within the youngest, i.e. for those women born between 1951 and 1955, that means by about 16%. Despite this increase the entitlements of women in all four birth cohorts to a SPI pension will be just about half as high as those of the men.

The decrease of pension entitlements for **men** in the **old Länder** is mainly due to a reduction of working years with an employment subject to social insurance contributions by 2 years, a prolonged period of school and university studies by about 1 year, and a slight increase of unemployment by, on average, 1 year. Apart from that the reforms laid down in the RRG 92 (Pension Reform Act 1992) and the subsequent legal changes designed to stabilise the contribution rates have a stronger effect on the individual biographies in that they reduce various elements which would contribute toward higher pension payments (e.g. periods of unemployment or vocational training) while certain gaps will increase. The increase of pension entitlements of women in the old Länder is the result of prolonged working years due to employment subject to social insurance contributions from 21.6 to 28 years from the oldest to the youngest cohort examined. Below that the years with partial employment subject to social insurance contributions increase to about 5 years. The number of years during which a household with or without children is kept is clearly decreasing when we compare the older

birth cohorts with the younger ones (with children under 18 years from 12.3 to 6.7; without children from 6.3 to 4.6; see Table 7-2).

In the **new Länder** the pension entitlements – also expressed in values for 1996 – for men will decrease in the next 25 years to come by 12%, i.e. from 1,529 DM in the cohort born between 1936 and 1940 to 1,346 DM in the birth cohort born between 1951 and 1955. There will, however, be almost no change for women in this period, with the amount being 1,113 DM. This is true provided the current pension value of the year 1996 remains unchanged and that the current pension value is not adapted to the West German level. (see section 1).

In the second half of 1996, the current pension rate in the new Länder stood at 82.2 % of the rate in West Germany. After assimilation to 100 % (equal to the West German level) the pensions in the new Länder would be about 22 % higher than indicated. If such an assimilation process were undertaken, the pension entitlements for men in the coming 25 years would not fall by 12 %, but would, in fact, rise.

The decrease of pension entitlements for men in the new Länder is mainly due to a reduction of working years with a full-time employment subject to social insurance contributions by 4.7 years (from 42.7 to 38.0 years), an increase of working years free from any contributions by roughly one year, and an increase of periods of unemployment by 1.5 years. Apart from that also in the new Länder the reforms are effectively designed to stabilise the contribution rates in connection with the structural changes subsequent to what is called the „Wende“. This is all the more so the longer the biography of the insured becomes subsequent to Germany's reunification and the lighter the weight becomes in terms of insurance times which were lived through in what was once the GDR. Hidden behind almost constant pension entitlements of women in the new Länder is an almost negligible shortening of working years subject to social insurance contributions by less than one year from the oldest to the youngest cohort, while at the same time those periods of part-time employments increase by about 2.8 years which are subject to social insurance contributions (from 4.7 to 7.5; see Table 7-4). The average duration of unemployment periods becomes longer by 2.2 years from the oldest to the youngest cohort. The number of years of keeping a household with children are clearly decreasing when we compare the older with the younger birth cohorts (with children under 18 years from 4.4 to 1.8; Table 7-4) (see section 1).

**Table 4-1**

Amount of projected entitlement to SPI pension payments<sup>1)</sup>

– Age-group of Germans from 40 to under 60 (1996), projected up to age 65, old and new Länder

	Men	Women
<b>Old Länder</b>		
1936 - 1940	1,986	882
1941 - 1945	1,994	982
1946 - 1950	1,878	980
1951 - 1955	1,891	1,026
1936 - 1955	1,939	964
<b>New Länder</b>		
1936 - 1940	1,529	1,089
1941 - 1945	1,461	1,146
1946 - 1950	1,351	1,110
1951 - 1955	1,346	1,110
1936 - 1955	1,424	1,113

1) Average projected amount paid to each pensioner (DM/month) at age 65 in values of 1996, i.e. without the current pension value East being adjusted to the value for the old Länder.

Retirement pension provisions in Germany in 1996 (AVID '96)

## **5. Present and projected amount of entitlements to payments accruing from other re-tirement pension schemes**

When we take a look at the projected entitlements arising from private and public supplementary pension schemes for SPI recipients in values of 1996 (Table 5-1), we can see that in the **old Länder** for men there is a decrease of supplementary schemes of private industry from 632 DM to 588 DM (- 7%). If the current trend continues, there will be an even sharper decrease of entitlements arising from supplementary civil service schemes from 862 DM to 630 DM (-27%). One reason for this kind of development concerning wage-earners and salaried employees in public service is the reduction of high supplementary pension schemes since 1985 as had been agreed in collective bargaining.



As for women and their supplementary private industry pension systems, a tendency to the contrary can be observed. Their entitlements show an increase from 302 DM to 369 DM (+22%). However, despite this development they are still markedly lower than those of men. Clearly negative – as with men – is the development concerning supplementary civil service pension schemes. On average, entitlements decrease from 575 DM to 460 DM, i.e. by 20%. One reason is the larger number of low entitlements going hand in hand with an increase of the percentage of entitled female persons from 10% to 16% beyond the age 65 (see Table 3-1). As for the reasons why entitlements to private industry pension schemes are increasing, we can only speculate. It seems to make sense that women, due to longer periods of employment, benefit from a larger number of years being taken into account. Another reason might be that more women enter into better paid jobs and are offered higher occupational pensions than had been the case in the past.

If we compare these values with those for the **new Länder** (Table 5-2), we may be confronted with surprising results for the supplementary private industry pension schemes. The average entitlements for both men (506 DM) and women (347 DM) are comparable to those in the old Länder. This is due to structural differences pertaining to the recipients. In the new Länder only a small percentage of persons projected for the age 65 possess entitlements to a personal occupational pension (see Table 3-2). As compared to the West these are, at a disproportionately high rate, higher-ranking employees with entitlements clearly beyond average, a fact which corresponds to the scenario in the West.

In contrast to that, the situation as to the supplementary civil service pension scheme, however, corresponds to the a-priori expectations. The entitlements amounting to 425 DM for men and to 321 DM for women are 33% (men) and 30% (women) lower than in the West.

As can also be seen from Table 5-2, the projected entitlements arising from private provisions due to life insurances and private pension insurances are higher in the West than in the East and are – in both parts of Germany – higher for men than for women. Average payments to be expected by the recipients amount to 419 DM for men in the West and 163 DM for women in the East<sup>10</sup>.

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<sup>10</sup> As for a lump-sum payment from a life insurance, the guaranteed insurance sum has been converted into monthly part payments based upon the life expectancy after *completing* the 65<sup>th</sup> year of life. In view of lack of quantifiable hypotheses it was presumed that the payments exceeding the guaranteed insurance sum are paid as lump-sums when considering the total average. This means that lump-sum payments have not been taken into account and neither have other forms of assets such as savings deposits, securities, and the like.

**Table 5-1**

Projected and current amount of entitlements to supplementary payments from private industry and public service at the age of 65<sup>1)</sup>  
 – 40 to under 60 years of age (1996), projected up to the age of 65, entitled to receive SPI payments, old Länder

	men		women	
	projected AVID <sup>2)</sup>	current ASID '95 <sup>3)</sup>	projected AVID <sup>2)</sup>	current ASID '95 <sup>3)</sup>
Suppl. private industry pension scheme	588	632	369	302
Suppl. civil service pension scheme	630	862	460	575

1) There are no figures as to additional sources of old-age income for 1995 (e.g. private provisions as defined by AVID) or these cannot be compared owing to deviant definitions concerning the basic setting (ASID: population as a whole, AVID: persons entitled to SPI payments) (e.g. BV, AdL, BSV; for explanation of abbr. see section Abbreviations).

2) Average projected payments to each recipient (DM/month) at the age of 65 expressed in values of 1996.

3) Payment to each recipient (DM/month), persons with a SPI pension insurance between 65 and under 75 years of age.

Retirement pension provisions in Germany in 1996 (AVID '96)

**Table 5-2**

Projected amount of entitlements to additional personal old-age income<sup>1)</sup>  
 – 40 to under 60 years of age (1996), projected up to the age of 65, entitled to receive SPI payments, old and new Länder

	men		women	
	Old Länder	new Länder	old Länder	new Länder
Suppl. private industry pension scheme	588	506	369	347
Suppl. civil service pension scheme	630	425	460	321
Private provisions <sup>2)</sup>	419	246	237	163

1) Average projected payments for each recipient (DM/month) at the age of 65 in values of 1996.

2) Life insurance and private pension insurance; life insurances independent from intended purpose (e.g. old-age security, purchase of condominium property, early consumption).

Retirement pension provisions in Germany in 1996 (AVID '96)

## **6. Persons with only one personal projected system-supported old-age income**

More than half of all persons entitled to receive pensions from the SPI funds will, also in the future, possess only one system-supported old-age income which they are personally entitled to receive<sup>11</sup>. The scope is from 46% of the men in West Germany up to 82% of the men in the East (Table 6-1). As for women in the old Länder, the percentage is 67%, and 77% in the new Länder. Any additional earned income, capital, or transfers of individuals and their spouses as well as the spouses' entitlements are not taken into account in this context.

When private provisions such as life insurances and private pension insurances are included, between 17% (men in West Germany) and 36% (women in East Germany) have only one entitlement not derived from the spouse. No significant improvements can be observed, even when we include private forms of provisions, in the next 25 years to come with respect to the average quite low amount of projected entitlements to receive a pension.

As can also be seen from Table 6-1, the percentage of those SPI pensioners with only one system-supported old-age income is particularly high in some group. This is true both for men and women in the age group of 55 to under 60 years, for married women with three and more children (in the West with two and more children), and for male and female wage-earners. In these groups the percentages are between 70% and 96% – without taking into account private provisions. The value mentioned as last one refers to women employed in private industries in the new Länder.

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<sup>11</sup> System-supported retirement incomes from SPI, supplementary private industry or civil service schemes; civil servants pension schemes; farmers' pension schemes as well as schemes for the liberal professions.

**Table 6-1**

Projected percentages of persons participating only in SPI with respect to selected groups of the population (%)  
 – 40 to under 60 years of age (1996), with SPI account, old and new Länder

	Old Länder		New Länder	
	Men	Women	Men	Women
System-supported income				
Personal SPI only	17	40	33	36
Personal SPI + PP <sup>1)</sup>	29	27	49	41
<b>Total (SPI and partial PP)</b>	<b>46</b>	<b>67</b>	<b>82</b>	<b>77</b>
Including:				
<b>Beyond average</b>				
55 to under 60 years	-- <sup>2)</sup>	71	91	96
Married, two children	• <sup>3)</sup>	70	•	--
Married, three children	•	74	•	82
Wage-earners	54	76	90	91

1) SPI: Statutory pension insurance; PP: Private provisions

2) --: Not beyond average

3) •: Not available

Retirement pension provisions in Germany in 1996 (AVID '96)

## 7. Working years and gaps in the SPI biography

The data presented to date have provided for some benchmark figures as to the projected development of the insured pensions in the SPI and other important sources of old-age income of men and women in the old and new Länder. In the section to come the report will deal with aspects of old-age security of particular interest for women: working years and gaps in the SPI biography subject to social security contributions, types of occupational activities, and the influence of the number of children on the amount of the personal income and that of the married couple. The number of working years up to the year 1996 is based upon the data observed, for subsequent years up to the individual's 65th year of life on the extrapolation of the course of employment using the model designed by Infratest Burke (see section 1).

The number of working years subject to social security contributions is, on average, when taking into account the age group 1936-1955, in the West for men 38 years and for women 25 years (Tables 7-1 and 7-2). In East Germany men of this age group on average work 40 years, and women 36 years in jobs which are subject to social security contributions (Tables 7-3 and 7-4). Differentiated into age cohorts in classes of five year, in the West for men, and in the East for women the differences can be neglected. However, in the new Länder the working periods subject to social security contributions for men clearly decrease with decreasing age, that is from 43 years in the oldest to 38 years in the youngest partial cohort. Nevertheless they are still higher than in the West. In contrast to that the projected number of working years increases from just under 22 years to 28 years for West German women. As has been mentioned at the beginning of this report, these calculations are based on the assumption of unchanged economic conditions as compared to the period between 1992 and 1996. Changes of conduct which may arise due to modified general settings, have not been taken into account.

This situation for women in the West is mainly due to shorter interruption periods because of housekeeping including minors under the age of 18 (from an average 12.3 years to 6.7 years) or housekeeping without children (from 6.3 to 4.6 years), between the oldest and youngest partial cohort respectively. A contrary development can be seen for times of unemployment. These increase from the oldest to the youngest partial cohort from 1.5 to 2.7 years, that is by an average 1.2 years. In contrast to that the importance of care time will show a slightly decreasing tendency and amount to about half a year<sup>12</sup>.

In East Germany the periods of interruption, already quite short to date, will further decrease due to housekeeping with minors under 18 from 4.4 years for women born between 1936-1940 to 1.8 years for the cohort born between 1951-1955, while the periods of housekeeping without children will remain at the low level of 0.5 years. Also care times will, in East Germany, have no significant importance at 0.1-0.2 years<sup>13</sup>. However, there will be an increase in the number of interruption years due to unemployment, from 5.0 years in the oldest cohort to 7.2 years in the youngest.

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<sup>12</sup> All care times irrespective of whether or no they were taken into account by the SPI.

<sup>13</sup> The extrapolation model does not take into account any changes resulting from eligible periods of care, of pension-law relevance, if any, or from benefits paid by a care insurance in case of home-care carried out by relatives as of April 1, 1995.

**Table 7-1**

Working years subject to social insurance contributions and gaps in such gainful employment<sup>1)</sup> according to birth cohorts<sup>2)</sup>  
 – 40 to under 60 years of age (1996), projected up to the age of 65, entitled to receive SPI payments, old Länder

	<b>Men</b>		
	Total figure	1936 - 1940	1951 - 1955
Working years subject to social insurance contributions	37,7	38,8	36,8
<b>Gaps in working years subject to social insurance contributions</b>			
Working years not subject to social insurance contributions Total	4,8	4,8	4,3
including:			
civil service	1,5	1,5	1,5
self-employed	3,1	3,0	2,5
marginal part-time	0,1	0,1	0,2
Total time without work	5,5	5,0	6,4
including:			
School/University education	1,0	0,7	1,5
Housekeeping/care	0,0	0,1	0,0
Sickness after continued payment of remuneration	0,9	0,7	1,0
Unemployment	2,4	2,1	2,9

1) Years per person possessing entitlements to SPI payments.

2) This takes into account periods as of January of the year in which insured persons are beyond the age of 14 up to the age of 65.

Retirement pension provisions in Germany in 1996 (AVID '96)

**Table 7-2**

Working years subject to social insurance contributions and gaps in such gainful employment<sup>1)</sup> according to birth cohorts<sup>2)</sup>

– 40 to under 60 years of age (1996), projected up to the age of 65, entitled to receive SPI payments, old Länder

	<b>Women</b>		
	Total figure	1936 - 1940	1951 - 1955
Working years subject to social insurance contributions	25,3	21,6	28,0
<b>Gaps in working years subject to social insurance contributions</b>			
Working years not subject to social insurance contributions Total	2,6	2,5	2,6
including:			
civil service	0,3	0,1	0,4
self-employed	0,9	0,6	1,1
marginal part-time	0,9	0,9	0,9
assisting	0,6	0,9	0,2
Total time without work	19,9	22,8	18,0
including:			
School/University education	0,8	0,5	1,3
Housekeeping with minors under age 18	9,3	12,3	6,7
Housekeeping without minors under age 18	5,6	6,3	4,6
Care	0,5	0,7	0,4
Sickness after continued payment of remuneration	0,6	0,7	0,7
Unemployment	1,8	1,5	2,7

1) Years per person possessing entitlements to SPI payments.

2) This takes into account periods as of January of the year in which insured persons are beyond the age of 14 up to the age of 65.

Retirement pension provisions in Germany in 1996 (AVID '96)

**Table 7-3**

Working years subject to social insurance contributions and gaps in such gainful employment<sup>1)</sup> according to birth cohorts<sup>2)</sup>  
 – 40 to under 60 years of age (1996), projected up to the age of 65, entitled to receive SPI payments, new Länder

	<b>Men</b>		
	Total figure	1936 - 1940	1951 - 1955
Working years subject to social insurance contributions	40,3	42,7	38,0
<b>Gaps in working years subject to social insurance contributions</b>			
Working years not subject to social insurance contributions Total	1,3	0,9	1,7
including:			
civil service	0,2	0,0	0,3
self-employed	1,0	0,6	1,3
marginal part-time	0,0	0,0	0,1
Total time without work	7,0	5,8	8,5
including:			
School/University education	1,5	1,2	1,6
Housekeeping/care	0,0	0,0	0,0
Sickness after continued payment of remuneration	0,5	0,4	0,5
Unemployment	3,8	3,4	4,9

1) Years per person possessing entitlements to SPI payments.

2) This takes into account periods as of January of the year in which insured persons are beyond the age of 14 up to the age of 65.

Retirement pension provisions in Germany in 1996 (AVID '96)



**Table 7-4**

Working years subject to social insurance contributions and gaps in such gainful employment<sup>1)</sup> according to birth cohorts<sup>2)</sup>  
 – 40 to under 60 years of age (1996), projected up to the age of 65, entitled to receive SPI payments, new Länder

	<b>Women</b>		
	Total figure	1936 - 1940	1951 - 1955
Working years subject to social insurance contributions	36,3	36,2	35,4
<b>Gaps in working years subject to social insurance contributions</b>			
Working years not subject to social insurance contributions Total	1,1	0,7	1,5
Total time without work	12,1	12,6	12,4
including:			
School/University education	1,4	0,9	1,7
Housekeeping with minors under age 18	2,9	4,4	1,8
Housekeeping without minors under age 18	0,5	0,5	0,5
Care	0,2	0,2	0,1
Sickness after continued payment of remuneration	0,3	0,4	0,3
Unemployment	5,8	5,0	7,2

1) Years per person possessing entitlements to SPI payments.

2) This takes into account periods as of January of the year in which insured persons are beyond the age of 14 up to the age of 65.

Retirement pension provisions in Germany in 1996 (AVID '96)

## **8. Occupations subject to social insurance contributions and projected entitlements to SPI pensions by women**

64% of the women in the old and 80% in the new Länder are both full-time and part-time employed in jobs subject to social security contributions during their working life. (Tables 8-1 and 8-2). Exclusive full-time jobs as such are, however, rarely to be found. Only about a third of West German women and a fifth in East Germany are exclusively gainfully employed in this manner and subject to social security contributions. Exclusive part-time jobs, however, are as such only to be found as an exception (West: 2%, East: less than 0.5%).

Those women who were subject to social security contributions in both form achieved both in the old and new Länder the highest projected entitlements to SPI payments. The differences

in West Germany come as a surprise: Women who work exclusively full-time do have entitlements to a projected pension amounting, on average, to no more than 483 DM. However, women working in both forms achieve 1,250 DM – more than 2.5 times as much. Even a part-time job in the West yields an average entitlement of 609 DM.

These results are due to the varying duration of an employment subject to social security contributions, as can be seen in Table 8-1. Women who do not work part-time at all have, on average, a job subject to social security contributions for no more than 11 years. For women who have been working according to both schemes, however, this is considerably longer at 34 years.

The situation in the new Länder shows, although less pronounced, a similar tendency. Exclusive full-time work usually extends over a period of 27 years, while the mixed form comprises 39 years. Exclusive part-time work only occurs in a few exceptional cases. (Table 8-2).

**Table 8-1**

Type of work, working years subject to social security contributions, and amount of SPI entitlements of women grouped according to birth cohorts  
 – women, 40 to under 60 years of age (1996), projected up to the age of 65, entitled to receive SPI payments, old Länder

	Total figures	1936-1940	1941-1945	1946-1950	1951-1955
<b>Percentage<sup>1) 2)</sup> (%)</b>					
Full-time only	31	43	29	28	22
Part-time only	2	2	3	1	1
Full and part-time	64	49	63	70	76
<b>Duration (years)</b>					
Full-time only	11	13	12	10	9
Part-time only	21	17	24	22	20
Full and part-time	34	32	34	34	34
<b>Projected SPI retirement pension (DM)<sup>3)</sup></b>					
Full-time only	483	573	501	387	375
Part-time only	609	(492) <sup>4)</sup>	(723)	(642)	(520)
Full and part-time	1,250	1,251	1,286	1,241	1,229
Total	964	882	982	980	1,026

1) Of all women with SPI retirement pension entitlement.

2) Difference to 100%: women with SPI working periods of less than one year.

3) Average of projected payments per recipient (DM/month) at the age of 65 in values of 1996, i.e. without adaptation of current pension value East to the value of the old Länder.

4) /: Statistically hardly confirmed due to small number of cases.

Retirement pension provisions in Germany in 1996 (AVID '96)

**Table 8-2**

Type of work, working years subject to social security contributions, and amount of SPI entitlements of women grouped according to birth cohorts  
 – women, 40 to under 60 years of age (1996), projected up to the age of 65, entitled to receive SPI payments, new Länder

	Total figures	1936-1940	1941-1945	1946-1950	1951-1955
<b>Percentage<sup>1) 2)</sup> (%)</b>					
Full-time only	20	32	18	16	14
Part-time only	0	0	—	—	—
Full and part-time	80	68	82	84	86
<b>Duration (years)</b>					
Full-time only	27	31	28	24	19
Part-time only	/ <sup>4)</sup>	—	—	—	/
Full and part-time	39	39	40	38	38
<b>Projected SPI retirement pension (DM)<sup>3)</sup></b>					
Full-time only	879	982	894	813	674
Part-time only	/	—	—	—	/
Full and part-time	1,173	1,141	1,200	1,168	1,179
Total	1,113	1,089	1,146	1,110	1,110

1) Of all women with SPI retirement pension entitlement.

2) Difference to 100%: women with SPI working periods of less than one year.

3) Average of projected payments per recipient (DM/month) at the age of 65 in values of 1996, i.e. without adaptation of current pension value East to the value of the old Länder.

4) /: Statistically not confirmed due to small number of cases.

Retirement pension provisions in Germany in 1996 (AVID '96)

## **9. Projected SPI pension entitlements and net old-age income of women and married couples according to the number of children**

### **All cohorts**

The number and amount of SPI pension entitlements and the amount of personal net old-age income entitlements of women are the lower in West Germany, the higher the number of children. In the new Länder the amount of incomes hardly correlates to the number of children.

As Table 9-1 shows, the average number of participation of women in pension retirement systems – including private provisions – varies in West Germany between 2.1 for female singles without children and 1.6 for married women with three and more children. This is paralleled by clearly lower projected average SPI retirement pension entitlements. Also here the value for female singles without children is highest at 1,820 DM, while it is the lowest for married women with three and more children at 669 DM. The differences become even more pronounced when we look at the entitlements to the whole personnel net old-age income. Female singles without children obtain about 2,440 DM, while married women with three or more children receive a third of this sum (809 DM). The values in all partial groups and for SPI pensions as well as for net old-age income are higher for female singles than those for married women.

This constellation remains also the same when we differentiate the income of married couples with a husband between 40 and under 60 years of age according to the number of children. Also in such a context both the sum of SPI pension entitlements of both spouses as well as the entitlements to a joint net old-age income decrease with the growing number of children in West Germany. Married couples without children have a total SPI entitlement of 3,382 DM at their disposition, while this figure for married couples with three and more children is 2,490 DM. This value is only 2,260 DM for married couples with five and more children not shown in Table 9-1. These represent 67% of SPI entitlements of married couples without children. As for the entitlements to net old-age income the rift between these values is even wider. The income of couples with five or more children (2,725 DM) reaches only 63% of the amount available to married couples without children (4,296 DM).

In the new Länder these differences are less pronounced (Table 9-2). This is true for the numbers of participation in retirement pension systems which is, outside of the SPI, mainly determined by supplementary private measures. In this context the values for women with two children (married women and single women) are with 1.9 the highest. The least favourable scenario in East Germany also presents for married women with three or more children with an average participation of 1.6.

**Table 9-1**

Projected personal participation in pension retirement systems<sup>1)</sup>, projected amount of SPI pension entitlements, and net old-age income of women and married couples according to the number of children

Women and married couples between 40 and under 60 years of age (1996), projected to the 65th year of life, old Länder

	No children	1 child	2 children	3 and more children
<b>Single women</b>				
Number of participations	2,1	2,0	1,8	1,7
SPI entitlement at the 65 <sup>th</sup> year of life <sup>2)</sup>	1.820	1.295	1.149	918
Personal net old-age income (DM) <sup>2)</sup>	2.440	1.876	1.809	1.478
<b>Married women</b>				
Number of participations	1,9	1,7	1,6	1,6
SPI entitlement at the 65 <sup>th</sup> year of life <sup>2)</sup>	1.503	971	788	669
Personal net old-age income (DM) <sup>2)</sup>	1.810	1.159	970	809
<b>Married couples<sup>3)</sup></b>				
Number of participations	4,1	4,0	3,9	3,7
Sum of SPI entitlements of both spouses <sup>2)</sup>	3.382	2.955	2.763	2.490
Sum of net old-age income of both spouses <sup>2)</sup>	4.296	3.872	3.744	3.323

1) Systems taken into account: GRV, BAV, ZÖD, BV, AdL, BSV, and PV (explanation of abbr. see section Abbreviations).

2) Average of projected payments per recipient or married couple (DM/month) at the age of 65 in values of 1996, i.e. without adaptation of current pension value East to value of the old Länder.

3) Male spouse between 40 and under 60 years of age with SPI pension entitlement.

Retirement pension provisions in Germany in 1996 (AVID '96)

**Table 9-2**

Projected personal participation in pension retirement systems<sup>1)</sup>, projected amount of SPI pension entitlements, and net old-age income of women and married couples according to the number of children

Women and married couples between 40 and under 60 years of age (1996), projected to the 65<sup>th</sup> year of life, new Länder

	No children	1 child	2 children	3 and more children
<b>Single women</b>				
Number of participations	1,6	1,7	1,9	1,8
SPI entitlement at the 65 <sup>th</sup> year of life <sup>2)</sup>	1.210	1.220	1.155	1.001
Personal net old-age income (DM) <sup>2)</sup>	1.396	1.795	1.487	1.316
<b>Married women</b>				
Number of participations	1,7	1,8	1,9	1,6
SPI entitlement at the 65 <sup>th</sup> year of life <sup>2)</sup>	1.160	1.124	1.119	1.041
Personal net old-age income (DM) <sup>2)</sup>	1.310	1.280	1.310	1.162
<b>Married couples<sup>3)</sup></b>				
Number of participations	3,6	3,7	3,8	3,4
Sum of SPI entitlements of both spouses <sup>2)</sup>	2.345	2.560	2.555	2.396
Sum of net old-age income of both spouses <sup>2)</sup>	2.775	2.972	3.028	2.813

1) Systems taken into account: GRV, BAV, ZÖD, BV, AdL, BSV, and PV (explanation of abbr. see section Abbreviations).

2) Average of projected payments per recipient or married couple (DM/month) at the age of 65 in values of 1996, i.e. without adaptation of current pension value East to value of the old Länder.

3) Male spouse between 40 and under 60 years of age with SPI pension entitlement.

Retirement pension provisions in Germany in 1996 (AVID '96)

Moreover in the new Länder the average amount of SPI pension entitlements and of net old-age incomes is less diversified than in the West. They correlate, however, also in a positive way with the number of children, even if less clearly so. In all partial groups the average SPI pension entitlements are beyond 1,000 DM, i.e. they range from 1,001 DM for single women with three or more children to 1,220 DM for single women with one child. Thus, compared to the West, the amounts of married women and single women show less differences.

In East Germany for married couples more favourable values for those with children can be observed as compared to those without children than in the West. Married couples with children have at their disposal higher SPI pension entitlements as well as net old-age income entitlements. But in the East also the entitlements of couples – not shown in Table 9-2 – with more than five children and beyond to SPI pensions are at a joint sum of 2,211 DM and at a net old-age income of 2,531 DM lower than in all other groups.

### **SPI entitlements and net old-age income of married couples according to the number of children and age cohort**

The negative correlation between the number of children and the amount of SPI pension entitlements and the net old-age income applies – in the old Länder – to all cohorts examined by AVID. Table 9-3 shows the results for the oldest and youngest age group. Thus, for West German married couples of the birth cohort (male spouse) 1936-1940 the sum of SPI pension entitlements for both spouses is, for couples with four children, only 72% of the value married couples without children achieve. An almost identical level – 71% – shows the relation of net old-age income. Somewhat more favourable is the situation for married couples with the man being born between 1951 and 1955. But also for them the proportional values for couples with four children do not exceed 86% (SPI) or 82% (net old-age income) respectively, when compared with couples without children.

In the **old Länder**, at least for the next 25 years to come, families with many children will have to live on considerably lower retirement pensions than couples without children.

In the new Länder the situation is different. No considerable differences can be observed for married couples with not more than two children – provided we have statistically verified values. However, in both age cohorts the SPI pension entitlements for married couples with three or four children are lower. For married couples with the husband born between 1936 and 1940, these make only 89% of the value for couples without children. A similar relation (91%) can be observed in this cohort for the net old-age income. Due to the limited number of cases for married couples with a husband born between 1951 and 1955, statements can only be made for couples with one, two, and three children. Here, the income situation is apparently more favourable both in terms of SPI pensions as well as net old-age income. SPI pension entitlements shown for married couples having not more than two children amounting to 2,501 DM are considerably higher than the value of 2,158 DM for couples without children, a value which is, however, difficult to confirm statistically.



As to the net old-age income the values for couples with one to three children are closely together. The scope ranges from 3,022 DM (one child) to 3,105 DM (two children).

**Table 9-3**

Projected amount of SPI pension entitlements and of net old-age income of married couples according to the number of children and birth cohort of the male spouse  
 – Married couples, male between 40 and not beyond 60 years of age, projected values at the age of 65, old and new Länder

	Birth cohort (male spouse)			
	1936-1940	1951-1955	1936-1940	1951-1955
	SPI pension entitlements of couple		Net old-age income of couple	
<b>Old Länder</b>				
No child	3,159	2,902	4,097	4,103
1 child	3,015	2,990	3,830	3,872
2 children	2,743	2,774	3,594	3,944
3 children	2,542	2,541	3,382	3,619
4 children	2,279	2,488	2,916	3,368
Couples with four children in % of couples without children	72	86	71	82
<b>New Länder</b>				
No child	2,688	(2,158) <sup>1)</sup>	2,814	(2,394)
1 child	2,678	2,410	2,887	3,022
2 children	2,641	2,501	2,852	3,105
3 children	2,575	2,151	2,740	3,023
4 children	2,388	/ <sup>2)</sup>	2,569	/
Couples with four children in % of couples without children	89	/	91	/

1) (...): Statistically hardly confirmed due to small number of cases.

2) /: Statistically not confirmed due to small number of cases.

## Summary

### Improved data situation

The statutory pension insurance is equipped with a well-developed reporting system. It provides for information on insured persons, entitlements, rehabilitation, pension accession or termination as well as pension stocks, and is largely based on data gained from individual pension record accounts. However, the only information available are those required to calculate entitlements or actual payments. Further information as to family background and working or unemployment biographical context are almost completely missing. Nevertheless, such quantitative information are required not only for analysing amount and structure of our modern pension schemes, but also in order to prepare administrative and legal measures to support active development of the current social security systems. The effects of changes of the legal setting can only be analysed by using complex microsimulation models. In view of these requirements the availability of internal material belonging to insurance organisations only is not sufficient. Thus it is necessary to also take into account important information referring to persons. This was one of the considerations leading to the conception of a special survey called „Altersvorsorge in Deutschland 1996“ („Retirement Pension Provisions in Germany 1996“).

The special survey consists of a combination of process-produced longitudinal data taken from the individual pension account sample with retrospective data from a survey of insured persons and a subsequent extrapolation of the individual biographies on the basis of a complex estimation model up to the 65th year of life. This allows for important new evaluation and analysis options as to the projected retirement income of persons currently aged between 40 and under 60 years.

The special survey retirement schemes provides an instrument to describe and analyse the types of retirement incomes which goes far beyond what had been available in this context to date. With the help of this instrument entitlements of SPI insured persons are represented providing also a possibility to analyse these with respect to their causality. Apart from that for the first time

- the relation to married couples regarding entitlements to payments from the SPI is made;

- the basis is laid to consider in our analysis family events (data of children or marriage) with respect to the married couples; thus it is possible to evaluate the effects of intended new regulations in the SPI which take into account such events;
- it is possible to analyse entitlements from the SPI in relation to entitlements from other systems of standard and supplementary pension schemes; as a result we have data available as to entitlements from civil servants', farmers', independent professions', supplementary civil service, supplementary occupational and private provisions schemes;
- we receive information as to gaps in insurance biographies in the SPI also by facts which are legally irrelevant; we particularly gathered such data which influenced the duration and the scope of employment subject to social insurance contributions or gaps in the working biography but which are missing in the insurance records;
- a statement can be made as to trends how individuals and married couples are insured in the various standard and supplementary pension schemes.

The survey is completed by a methodological report designed to round off this highly complex project in terms of both statistics and methodology. This report documents all important steps and decisions from the gaining of samples, field work, and validation and integration of data pertaining to the insurance record samples with the survey data to extrapolation.

While it is not possible for the biographies of all surveyed persons having a clear and settled insurance record to make exact predictions as to the development of future life courses for up to 25 years to come even within this type of project, the results as to the trends concerning the structures of retirement pensions do show the potential need for action and help to better assess the distributory effects of planned changes than had been possible to date.

## Important trends

Initial results of the survey „Retirement Pension Provision Schemes in Germany 1996” – (AVID '96) clearly show:

- The **statutory pension insurance** will no doubt continue to be the decisive system as to the amount of old-age income for the vast majority of the population in the decades to come. Its incidence will increase strongly in the old Länder even for men, but particularly for women, while in the new Länder it will provide for most people the one and only pension system of relevance.
- The **projected average amount of entitlements to SPI pensions** of men in the West will – expressed in values of 1996 – in the next 25 years decrease by just under 100 DM between the age cohorts of those born from 1936-1940 and 1951-1955. That means it will be a little less than the current entrance pensions. In the new Länder the entitlements to pensions for insured persons (without taking into account the adjustment of the current pension value in the East to the current value of the old Länder) will decrease in the future by about 180 DM. Women's entitlements in the new Länder will remain at about the same level. It will only be for women in the old Länder that the model calculations and the projected assumptions show moderate improvements, with the entitlements increasing by about 140 DM from the oldest to the youngest cohort examined.
- For the younger cohorts the **importance of additional sources for old-age income**, such as supplementary company and public service schemes, will – in comparison with the situation in 1995 – decrease or at best stagnate. This is particularly true in the old Länder as far as private and public service supplementary schemes for men are concerned. For women employed in public service the development in the West will be different. On the one hand there will be an increase of the percentage of women receiving such payments. On the other hand there will be – as is the case for men – a decrease of the average projected amount of benefits. If the current trend continues, in the new Länder additional payments not covered by supplementary civil service schemes will continue to be of minor importance. Elder people will, to a very large extent, continue to depend upon benefits paid by the statutory pension insurance.
- **Private provisions** do not result in any considerable complementation of system-supported old-age income (GRV, BAV, ZÖD, BV, AdL, BSV) for the generation of those born 1955 or earlier. Benefits arising thereof are generally low, particularly in the new Länder. Apart from that it must be assumed that persons with a low earned income and

thus with an income from retirement pension schemes below average could only take private provisions below average standards.

- Retirement pensions for **women** are the better the longer they had been able to pursue a long-term **full-time or part-time** job subject to social insurance contributions. This fact clearly emphasises the necessity to take measures enabling women both to work in a job subject to social insurance contributions and educate children.
- The **average duration of jobs subject to social insurance contributions** will increase for younger **women** in the old Länder and stagnate for those in the new Länder.
- The **importance of housekeeping without simultaneous gainful employment** will decrease sharply for **mothers** in the old Länder.
- The periods in which unemployment are only partially covered in terms of pension insurance regulations will markedly increase in the new and old Länder.

Apart from that it became clear that **women's pension retirements** in the old Länder are the lower the more **children** they have born and raised. This is true in view of both the amount of their personal SPI pension as well as for old-age income of married couples and also pertains to single women. This relation has a tendency to be stronger in the youngest age cohort born between 1951-1955 than in the oldest (1936-1940) and is more pronounced for net incomes than for SPI entitlements.

## Abbreviations

aBL	old Länder (alte Bundesländer)
AdL	farmers' old-age / retirement pension (Alterssicherung der Landwirte)
ASID	Surveys „Alterssicherung in Deutschland“ 1986, 1992, 1995 und 1999 („Retirement Pension Schemes“ 1986, 1992, 1995, and 1999)
AVID'96	Survey „Altersvorsorge in Deutschland 1996“ (Retirement Pension Provision Schemes in Germany 1996 – (AVID '96)
BAV	Occupational private industry supplementary pension (betriebliche Zusatzversorgung der Privatwirtschaft)
BeamtVG	Civil servants' retirement pension act (Beamtenversorgungsgesetz)
BfA	Federal Insurance Institution for Salaried Employees (Bundesversicherungsanstalt für Angestellte)
BMA	Federal Ministry of Labour and Social Affairs (Bundesministerium für Arbeit und Sozialordnung)
BSV	Retirement pension scheme for the independent professions organised in chambers and employees in these professions (Berufsständische Versorgung für verkammerte Freiberufler und Angestellte dieser Berufsgruppen)
BT	Lower House of the German Parliament (Bundestag)
BV	Civil Servants' Retirement Pension (Beamtenversorgung)
EU(Renten)	Invalidism (pensions) (Erwerbsunfähigkeit(-srenten))
GDR	former German Democratic Republic (nowadays called “new Länder”)
GRV	Statutory Pension Insurance (SPI) (Gesetzliche Rentenversicherung)
Lj	year of life (Lebensjahr)
LV	Retirement pensions and capital payments from life insurances converted into monthly partial payments (Renten und in monatliche Raten umgerechnete Kapitalauszahlungen aus Lebensversicherungen)
LVA	Social Insurance Board of a Land – Workers' Pension Insurance (Landesversicherungsanstalt – Rentenversicherung der Arbeiter)
nBL	new Länder (neue Bundesländer)
PRV	Private Pension Insurance (Private Rentenversicherung)
PV	Private Pension Provisions such as life insurance and/or Private Pension Insurance (Private Vorsorge in Form von LV und/oder PRV)

RRG	Pension Reform Act (Rentenreformgesetz)
SGB	Social Security Code (Sozialgesetzbuch)
SV(-pflichtig)	subject to social insurance contributions (Sozialversicherung(-spflichtig))
VDR	Federation of German statutory Pension Insurance Institutes (Verband Deutscher Rentenversicherungsträger)
WFG	Growth and Employment Promotion Act (Wachstums- und Beschäftigungsförderungsgesetz)
ZÖD	Supplementary Civil Service Pension Scheme (Zusatzversorgung im öffentlichen Dienst)