

Germany

Highlights from OECD *Pensions at a Glance 2009*



- The German pension system has so far been less affected by the crisis than many other OECD countries. Trust in private pensions has been maintained.
- Replacement rates for low-earners are the lowest within the OECD at 43.0%.
- But coverage of private pensions is high, especially for lower earners, compared with other OECD countries, such as the United Kingdom and the United States.

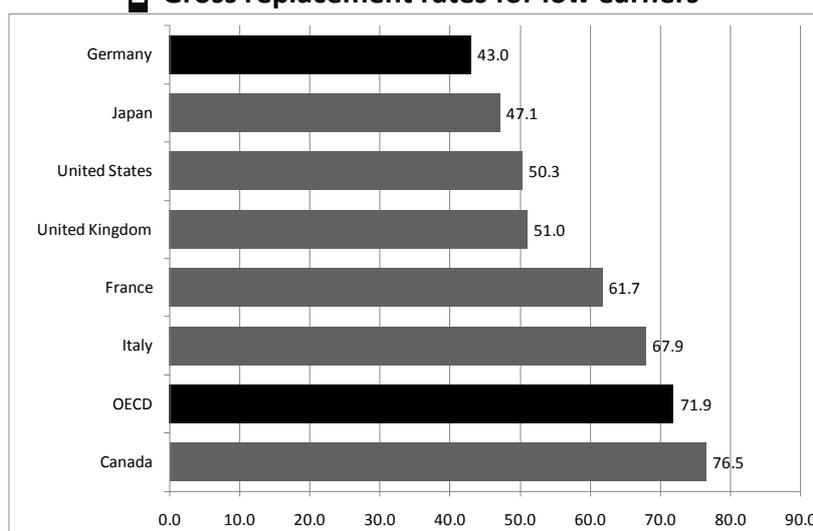
The crisis and pensions

Germany's retirement-income provision has, so far, been less affected by the financial and economic crisis than many other OECD countries. Occupational and personal pensions have been well-protected through various layers of safety provisions, as well as a relatively conservative approach to investments. The pension guarantee scheme for occupational plans has held up, but employer contributions to the scheme will increase substantially should one or more of the large companies with insured pension liabilities fail. Public confidence in private pensions has been maintained in Germany, while in other countries the crisis has had a negative impact.

Old-age safety nets

Today's older people in Germany are in a good position, compared with most other OECD countries. Less than 10% of the people aged 65 and over in Germany had incomes below the OECD poverty threshold (half of median household income) in 2005, well below the OECD average of 13.3%.

1 Gross replacement rates for low earners



Source: OECD (2009), *Pensions at a Glance: Retirement-Income Systems in OECD Countries*

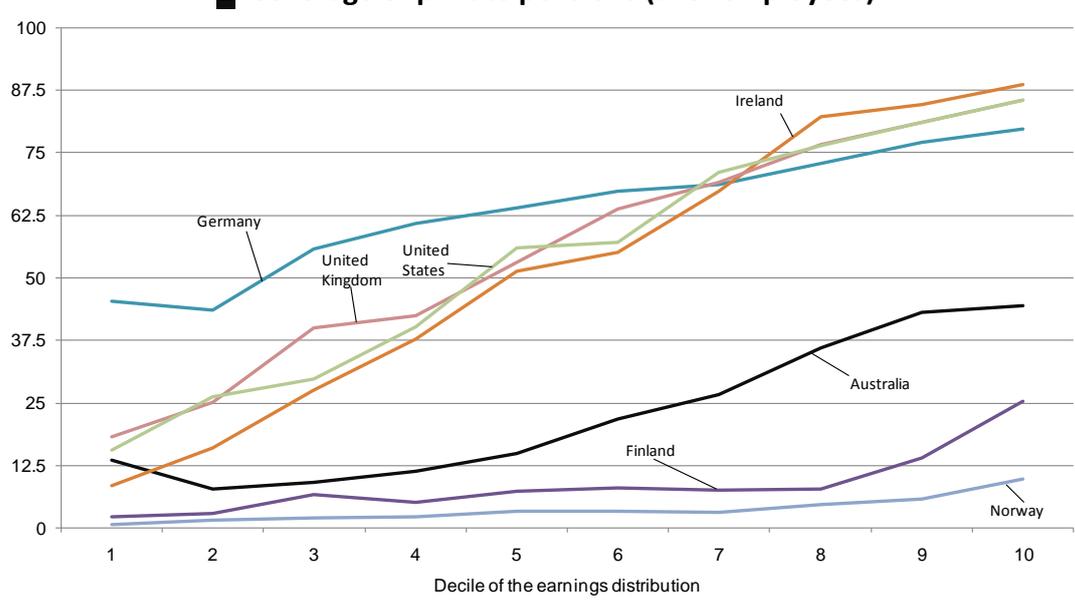
Pension reforms in Germany in the past decade have reduced pension replacement rates across-the-board, for low and high earners alike. Among people entering the labour market today, people with persistently

low earnings will have the lowest benefits among the 30 OECD countries. For a person with 50% of average earnings, the projected gross replacement rate in Germany is 43.0%, compared with the OECD average of 71.9%. Social assistance for older people in Germany is worth the equivalent of just 19% of average earnings (on the OECD measure). Among OECD countries, only Finland, Japan, Hungary and the United States have lower levels of old-age income safety-nets.

Private pensions

“It is important to keep in mind that the coverage of private pension plans in Germany is the highest among OECD countries for voluntary schemes”, said Monika Queisser, head of the social policy division at the OECD. “Germany has been particularly successful at getting lower-income groups to save for their old age.” For these groups, coverage of private pensions is more than double the proportion achieved in the United Kingdom and the United States. However, workers in Germany typically only contribute around half the proportion of earnings as people in the UK and the US.

2 Coverage of private pensions (% of employees)



Source: OECD (2009), *Pensions at a Glance: Retirement-Income Systems in OECD Countries*, Figure 4.6

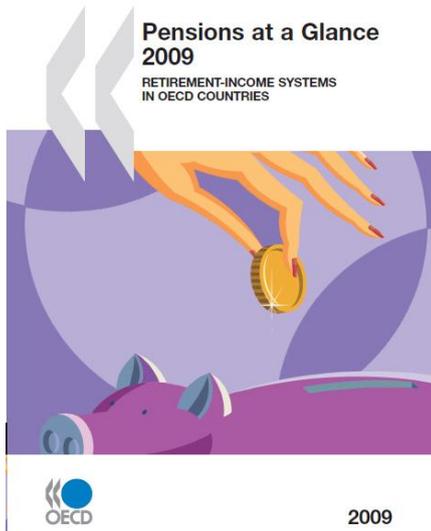
3 Key facts

		Germany	OECD
Pension replacement rate	Average earner (%)	43.0	59.0
	Low earner (%)	43.0	71.9
Public pension spending	% of GDP	11.4	7.2
Life expectancy	at birth	79.8	78.9
	at age 65	83.9	83.4
Population over age 65	% of working age population	32.2	23.8
Average earnings	EUR	42 400	28 600

Note: replacement rate is pension entitlement from all mandatory sources of retirement income relative to individual earnings. Calculations for a full-career worker entering the labour market in 2006. Low earner is assumed to earn 50% of the average. Average earnings are

Source: OECD (2009), *Pensions at a Glance: Retirement-Income Systems in OECD Countries*

Notes to editors



Pensions at a Glance 2009: Retirement Income Systems in OECD Countries

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The report includes 17 indicators of retirement-income systems for the 30 OECD member countries plus four special chapters on (i) pensions and the financial and economic crisis; (ii) incomes and poverty of older people; (iii) recent pension reforms; and (iv) voluntary retirement savings.

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