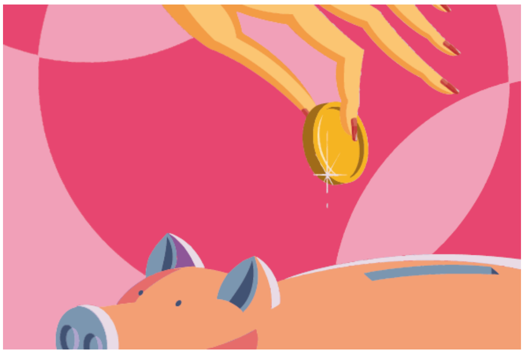


Pensions at a Glance 2013

OECD and G20 Indicators

GERMANY

- **Future retirees may expect low pension replacement rates in Germany.**
- **Public transfers currently represent a large share of older people's income in Germany despite a significant increase in employment rates at older ages.**

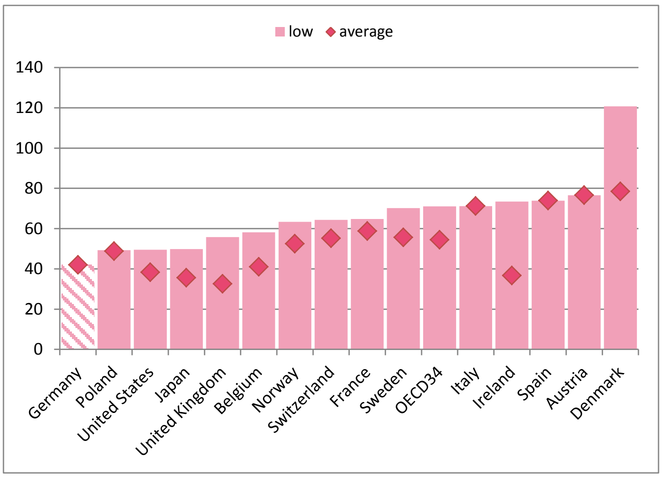
Net pension replacement rates for future retirees are among the lowest in OECD. German workers earning half the average wage and retiring after a full career in the future may expect the second lowest net pension replacement rates among OECD countries: 55.2% relative to 81.7% on average. For average wage workers, replacement rates in the future will also be among the ten lowest in OECD: 57.2% compared to 65.8% on average.

Retirement-income adequacy may be an important concern for vulnerable groups and in particular for women who currently represent two-thirds of current Germany's pensioners. Shorter careers, fewer working hours and lower wages earned while working contribute to their relatively low pension – which is only about half that of men.

Germany currently spends around 10% of its GDP on public pensions (close to Belgium and Slovenia). This percentage is set to increase to 13% by 2050, which is higher than what is expected on average in the OECD (11.7% of GDP). The country is also facing rapid population ageing due to increasing life expectancy and low fertility rates. The number of active people per retiree is set to halve in the next 40 years: from around 3 currently to around 1.5 in 2050.

Working longer may help to improve both financial sustainability of the pension system and retirement-income adequacy.

Future net pension replacement rates



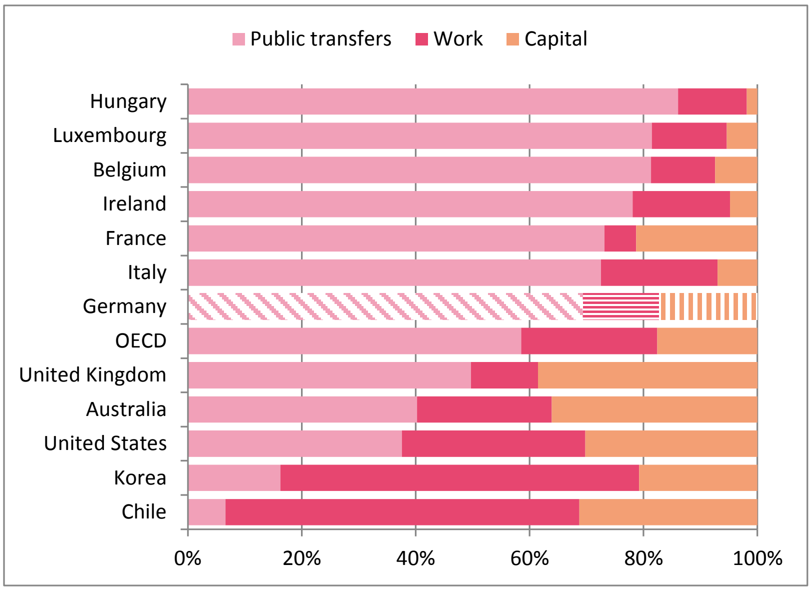
Source: OECD (2013), *Pensions at a Glance 2013, OECD and G20 Indicators*, OECD Publishing.

Public transfers make up around 70% of the income of the over 65 year olds in Germany despite the rising employment rates among older Germans. Today, about 10% of Germans aged 65-69 are still in employment, a share that has almost doubled since 2002. However, earnings from work contribute only about 13% of older people's income while 17% is derived from capital.

In addition to incomes from work and pensions, other resources contribute towards more adequate income in old age. In particular, the monetary benefit from home ownership and from publicly provided services play an important role as income-enhancers in many OECD countries. However, while in the OECD 76% of people aged 65 and over own their homes, the share in Germany is much lower at around 53%.

Adding the value of public service to older people's income would increase their resources by 30% in Germany; this is well below the OECD average of 40%. Care services for the elderly are still a minor component of social spending. Recent projections from the European Commission (2012), however, point to eldercare costs almost doubling in Germany: having to pay for long-term care can have dramatic consequences for retirement incomes.

Income sources for the over-65s, late 2000s



Source: OECD (2013), *Pensions at a Glance 2013, OECD and G20 Indicators*, OECD Publishing.

Key indicators

		Germany	OECD
Gross replacement rate	Average earner (%)	42.0	54.4
	Low earner (%)	42.0	71.0
Net replacement rate	Average earner (%)	57.2	65.8
	Low earner (%)	55.2	81.7
Public pension spending	% of GDP	11.3	7.8
Life expectancy	at birth	80.6	79.9
	at age 65	19.3	19.1
Population over age 65 and over	% of working-age population	34.8	25.5
Average worker earnings (AW)	EUR	44 800	32 400

Note: replacement rate is pension entitlement from all mandatory sources of retirement income relative to individual earnings. Calculations are for a full-career worker entering the labour market in 2012. Low earner is assumed to earn 50% of the average.

Source: OECD (2013), *Pensions at a Glance 2013, OECD and G20 Indicators*, OECD Publishing.

Notes to editors:

Pensions at a Glance 2013:
OECD and G20 Indicators

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The report includes pension indicators for the OECD member countries and G20 economies with 2012 pension rules and parameters. There are two special chapters on (i) distributional impact of reforms; (ii) future retirement income adequacy, the role of housing, financial wealth and publicly provided services.

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