On 21 May 2019, after an intensive debate on the introduction of a basic pension, the German Federal Ministry of Labour and Social Affairs published a bill for a basic pension (Grundrente) within the statutory pension insurance scheme (SPI) (Bundesministerium für Arbeit und Soziales 2019). The basic SPI pension is intended as a supplement to the SPI pension. Its purpose is to ensure that people with lengthy creditable periods do not have to apply in retirement for the means-tested pension supplement under Social Code Book XII, which is part of the minimum income benefit system in Germany.

Pensioners with a minimum creditable period of 420 months in the SPI are eligible to apply; this criterion is similar to the rules for calculating pensions for individuals with lengthy creditable periods (at least 420 months). Creditable periods include periods of compulsory contributions, periods of child-raising and of informal long-term care as well as periods during which sickness benefits were drawn.

Creditable monthly periods are taken into account only if they count for at least 0.02 personal remuneration points (PEPs) up to a maximum of 420 months. PEPs are calculated by dividing the individual insurable monthly income by the national average earnings of all insured persons in the SPI for the same month. The (minimum) PEPs for child-raising and informal care periods are regulated by law.

For the calculation of the SPI pension, the monthly average of PEPs for the creditable periods is calculated. If the monthly average of PEPs is below 0.0667, the average value of PEP will be doubled, but with an upper limit of 0.0667. The monthly basic SPI pension is obtained by multiplying the monthly average value of PEPs by the number of creditable monthly periods and by the "pension value", which is currently €33.05.

The basic SPI pension will obviously lead to additional public expenditure. For the years 2021 to 2025, it is estimated that this additional expenditure will total €21.5 billion (Bundesministerium für Arbeit und Soziales 2019: 21). The bill stipulates that this additional expenditure will have to be financed from government revenues (including an increase in VAT on overnight stays and the planned financial transaction tax).

Two examples

A person with 460 creditable months and monthly average PEPs of 0.05 will have 23 PEPs, which will result in an SPI pension of €760.15/month (0.05 x 460 x €33.05). After introduction of the basic SPI pension he/she will receive an additional €231.81/month (0.0167 [=0.0667-0.05] x 420 x €33.05) and the new supplement will raise the total pension amount to €991.96/month.

Similarly, a person who fulfils the minimum conditions of a PEPs average of 0.02 and 420 creditable months will have 8.4 PEPs, which will result in an SPI pension of €277.62/month (0.02 x 420 x €33.05). The basic SPI pension will be €277.62/month (0.02 x 420 x €33.05) and will increase the total pension amount to €555.24/month.
Prior to the publication of the draft bill, the idea of a basic pension within the SPI attracted considerable criticism (Schmitz 2018). The bill has also been attacked by a broad alliance of interested parties, including the Christian Democratic Party (CDU), the Free Democratic Party (FDP), the Confederation of German Employers’ Associations (BDA), the New Social Market Economy Initiative, the Ifo-Institute, and the German Institute for Economic Research (DIW). The attacks focus mainly on two aspects: a) the basic SPI pension is not means-tested; and b) it will involve considerable additional costs. In particular, the CDU has accused the Minister of Labour and Social Affairs of breaking the coalition agreement by not making the basic pension subject to means testing.

As a basic pension is intended to secure a minimum standard of living – as is the means-tested pension supplement under Social Code Book XII – critics are insisting that the basic SPI pension should also be means-tested. Otherwise, basic SPI pensions would also be received by persons with their own income from other sources, or who benefit from the income of other household members and are financially well-off. The BDA draws the conclusion that the measure would be ineffective in reducing actual old-age poverty (BDA 2019). Also, the financing provided for in the bill is seen as purely hypothetical.

On the other hand, the bill has been welcomed by a coalition of the Social Democratic Party (SPD) and The Left (Die Linke), trade unions and welfare associations (see, for example: Brinkwald 2019, DGB 2019, SPD 2019). They see it as a logical and appropriate supplement to the SPI. The omission of means-testing and the financing from taxation are features that are rated particularly positively. The SPD and DGB even started an internet campaign to support the bill. According to the Alliance 90/The Greens, the proposal does not go far enough. They are proposing a so-called guaranteed pension for every person who has at least 30 creditable years in the SPI. The pension should be tax financed with a minimum level of 30 PEPs (€991.50) (Bündnis 90/Die Grünen 2019).

In view of the polarised positions, it remains to be seen whether and how a basic pension in the SPI will be introduced. At the moment, the political process is at a standstill. As a consequence of the criticism that immediately followed the presentation of the bill, the legislative process was halted by the Federal Chancellery and the bill was not even released to the interdepartmental coordination process between the ministries. Overall, the law would add another component to a system that is already extremely complex. Although it is known that the steady increase in old-age poverty is caused mainly by the gradual reduction in the pension level – especially for existing pensioners – changes to the adjustment formula have, in general, been excluded from the debate.

If the goal of Germany’s old-age pension system is to ensure sustainable, accessible and adequate retirement incomes, the formula used to adjust pension levels would be the appropriate lever. The welfare gains from real economic growth could be used to finance SPI expenditure, as well as the resources used to finance ineffectual measures such as the mothers’ pension (“Mütterrente”) or the subsidies for occupational and private pensions, to name but a few. The question is not whether an appropriate pension level can be financed, but whether the political will is there to do so.

Further reading


Bundesministerium für Arbeit und Soziales (2019), “Entwurf eines Gesetzes zur Einführung der Grundrente für langjährig in der gesetzlichen Rentenversicherung Versicherte mit unterdurchschnittlichem Einkommen und für weitere Maßnahmen zur Erhöhung der Alterseinkommen” [Draft Bill for a basic pension for persons with many years in insurance in the SPI with below-average income and other measures for improving old-age income], (Grundrentengesetz – GruRG), 21 May 2019, Berlin.


Sozialdemokratische Partei Deutschlands (SPD) (2019), “Für eine Grundrente – Aus Respekt vor Lebensleistung” [For a basic pension – In deference to lifetime achievements], Berlin

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