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Retirement at 67 (March 10, 2007)

Pension reform has been a perennial issue over the past decade, with one reform following another. The decision to raise the retirement age from 65 to 67 was contested to the very end, with unions, especially, criticizing the law. However, the topic of pensions remains on the agenda.

Bundestag: Labor Minister Franz Müntefering: “We must act.” Third Pension Reform in Six Years

At the same time, the SPD and the Union also agreed on a program for employees over the age of fifty. Unions are banking on protests.

In the future, Germans must work longer for their pensions. With the votes of the Grand Coalition, the Bundestag passed a law to raise the retirement age to 67. The change will be introduced gradually. This is the third pension reform in six years. In 2001 then-Minister Walter Riester (SPD) supplemented the statutory pension with incentives for voluntary additional retirement contributions. In 2004 the pension formula was changed because the pension funds were becoming increasingly cash strapped. That trend is continuing.

The decision prompted renewed union protest in the streets; eleven SPD parliamentarians voted against the plans, four abstained. The Union voted unanimously in favor. In addition to raising the retirement age to 67, the Bundestag agreed on the implementation of “Initiative 50plus,” which calls for combination wages and continuing training to improve the chances of older workers in the labor market.

In response to many citizens’ fears about the higher retirement age, Federal Minister of Labor Franz Müntefering (SPD) said: “We must act.” Müntefering put the problem in concrete terms: on average, individuals used to take up a vocation at age 16, they worked 48 hours a week, and drew a pension for ten years. Today, the average individual starts work at 21, the workweek is 40 hours maximum, and the [average] pension runs for 17 years. In 1960 there were eight workers per pensioner, today there are 3.2; in 2030 there will only be two.

FDP pension expert Heinrich Kolb raised “massive objections” to the bill on the grounds of “constitutional and European law.” Irmingard Schewe-Gerigk, a Green Party Bundestag

representative, has misgivings about the exception that a person who can show 45 years of contributions can still retire at 65.

The president of the German Employers' Association, Dieter Hundt, also criticized the exception regulation, although he simultaneously praised the reform as an "essential step." The Confederation of German Trade Unions called the Bundestag decision "regrettable." But this does not put an end to the debate, declared the Confederation's social policy expert, Annelie Buntenbach. She maintained that a large number of delegates had "reluctantly yielded to party discipline." Buntenbach pointed to the possibility contained in the law of reviewing the decision in 2010 with reference to the actual labor market situation. Without a labor market that also includes opportunities for older people, postponing pension payments until age 67 will merely introduce longer periods of poverty in old age, declared Christian Zahn, the national chairman of Ver.di.

"Although retirement at 67 does indeed respond in some measure to the demographic trend, it cannot eliminate the structural deficits of the pension insurance fund," declared the president of the German Federation of Small Businesses. He maintained that workers enter the workforce too late and stop working too soon.

Adolf Bauer, president of the German Social Welfare Association, said: "As long as many older workers don't even have the chance to work until age 67, retirement at 67 must not be introduced."

Source: "Dritte Rentenreform in sechs Jahren" ["The Third Pension Reform in Six Years"] *Hamburger Abendblatt*, March 10, 2007.

Translation: Thomas Dunlap