

## How Variable Are Population Aging and its Consequences for the Social Security Systems in Germany?

**€171,000 – under the current legal framework, that is how much more an average employee born in 2010 must contribute to the social security systems over his or her working life to receive the same benefits as an average employee born in 1970 with identical gross life income. The reason for this is population aging and the associated shifting of social burdens.**

### Even significantly more births and immigration will bring any relief

Higher birth rates cannot influence the strong population aging process through 2035: They will only have a positive impact on the demographic age burden when the additional children born reach the age of 15 and are employable.

Higher immigration rates will initially slow the population aging process. Over the long term, however, the immigrants will also grow old or emigrate again. If net immigration levels do not remain consistently high, the aging process can even become more intense in the long run.

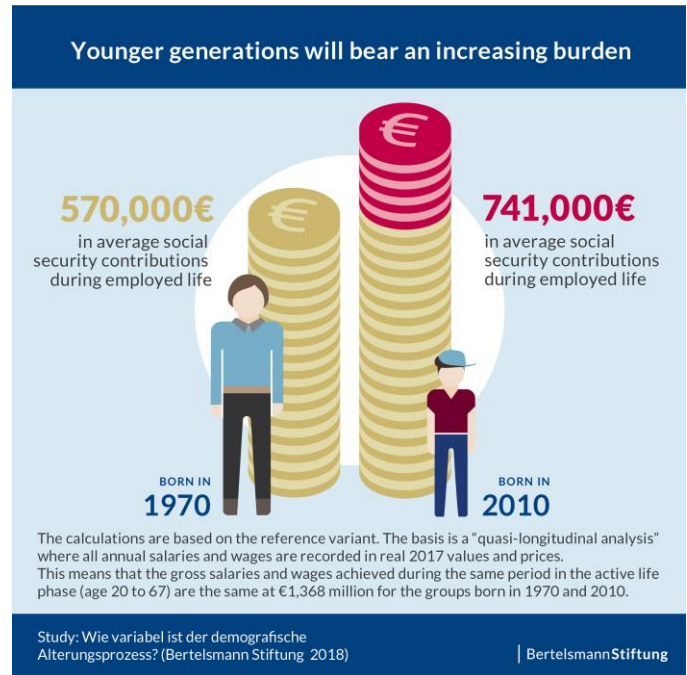
Irrespective of whether birth and immigration rates rise to a fairly realistic or less realistic degree, social security expenditures will increase substantially, from a good 27 percent of gross domestic product (around €890 billion) in 2017 to around 33 percent (around €1.6 trillion, in real 2017 prices) in 2045. And there will not be any relief after that either (see Fig. 1).

The main reason for the low variability through 2045 is that more births directly increase expenditure in the areas of “education and family.” In contrast, they have a relieving effect on expenditure for the elderly only in the longer term.

In order to finance rising social expenditure and under the current legal framework, the younger generations have to bear an increasing burden: For people born in 2010, the average contribution rates during the employment phase will rise to above 50 percent of the income subject to contributions.

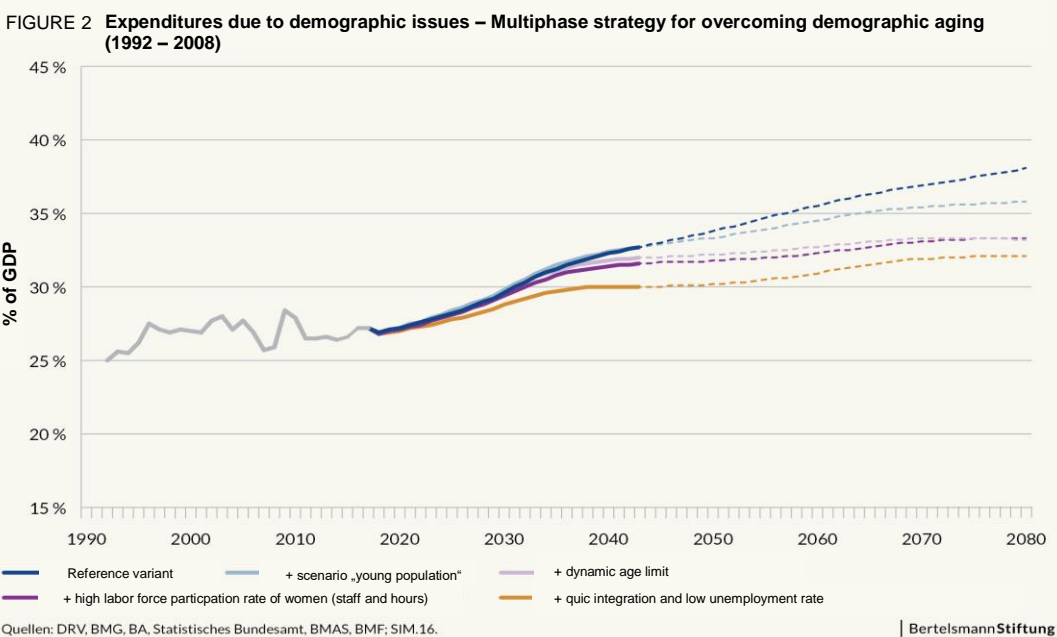
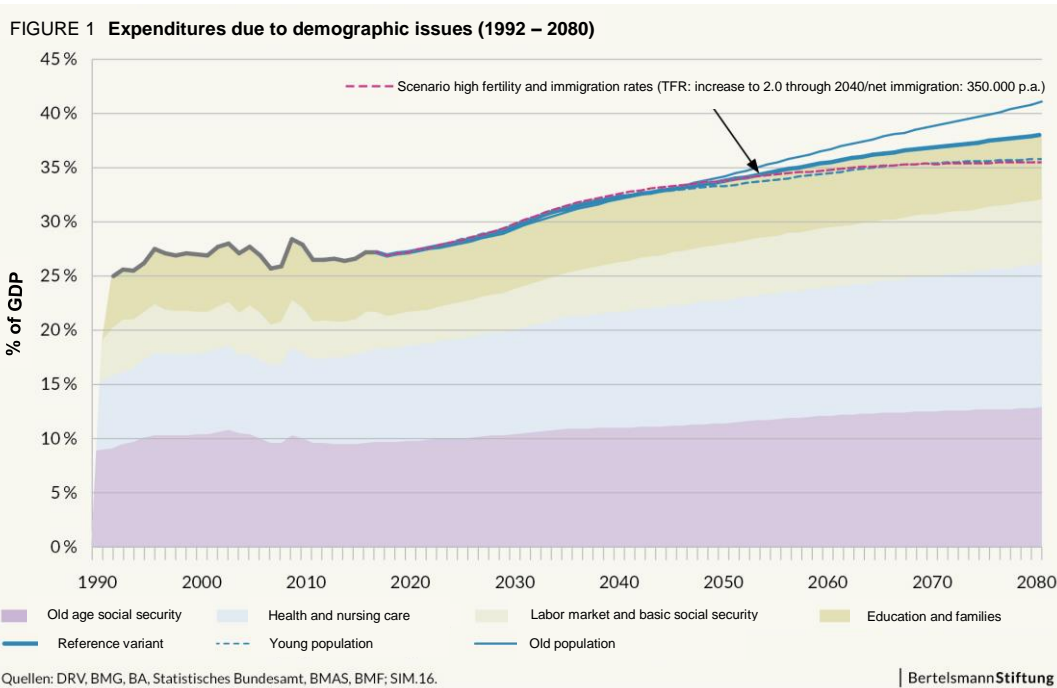
### A bundle of measures could mitigate effects substantially

A mix of moderately higher birth and immigration rates (scenario: “young population”) and measures to increase employment rates will have relieving effects on social security expenditure and contribution rates



both in the short and long term (see Fig. 2). These measures consist of:

- an increase in the labor force participation rate of the elderly on account of a dynamic age limit that is based on rising life expectancy;
- an increase in the labor force participation rate of women to 98.5 percent of the comparable figures for men through 2060, along with an increase in the average hours worked (from an average of 1350 hours per year today to an average of 1500 hours per year in 2050);
- a rise in the labor force participation rate of immigrants through twice-as-fast integration into the labor market as in the past and a permanently lower unemployment rate as well as a slower rise in the unemployment rate of society as a whole.



## References:

Werding, M. und B. Läßle (2019): *Wie variabel ist der demografische Alterungsprozess? Effekte von Geburten und Zuwanderung – Folgen für die soziale Sicherung*. Kurzstudie im Auftrag der Bertelsmann Stiftung. Gütersloh.

Werding, M., Läßle, B., Lizarazo López, M. (2019): *Wie variabel sind die demografische Alterung und ihre Folgen für die soziale Sicherung?* Policy Brief.

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