

Pension futures in an era of globalisation  
Germany and Britain compared

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the problem

Britain a liberal welfare state/market economy

Germany a coordinated welfare state/market economy

Globalisation => Enhancement of typical features?

British deregulation

German ‚dualisation‘

=> Race to the bottom?

the argument

After most recent major pension reforms

towards German liberalism

towards British social democracy

Pension regimes before 2000s

UK – a liberal-statist hybrid

liberal dimension: low state pensions

voluntarism in occupational/personal pensions  
generous non-state benefits, partial coverage

statist dimension: large public sector with generous occ. benefits  
incremental regulation of non-state benefits

Pension regimes before 2000s

Germany – a conservative regime

Income-related social insurance: status protecting, i.e. stratification by occupation and gender

Occupational benefits: top up, more significant for higher earners

Very generous overall

Pension regimes after reforms in 2000s

Transformation of defining elements UK 2008

ending: very low state pension  
employer voluntarism

beginning: indexing BSP to earnings  
broadening access to state pensions  
obligatory enrolment of employees in occ pensions

## Pension regimes after reforms in 2000s

### Transformation of defining elements, Germany 2001

ending: status protection through state & occupational benefits

beginning: reduced earnings-related benefits  
broader access to occupational and personal pensions but  
lower benefits

## Pension regimes after reforms in 2000s

### Driving forces

UK            means-test dependency increase  
              decline of employer voluntarism  
              under-saving

Germany    costs of public pensions  
              decline of employer voluntarism

### Two exhausted regimes



Impact for citizens of pension regimes pre/post 2000s reform

Impact of change for citizens - Methodology

Simulation of pension outcomes for different hypothetical individuals

Employment careers under old and new systems

Pension entitlement for state and occupational benefits

Results compared with 40% average wages

Assessing inclusiveness of systems at given point in time

## Impact for citizens of pension regimes pre/post 2000s reform

### Working life details of biographies used in pension simulations

	Working time wage as % of gender average <sup>1</sup>	Age when working starts	Age at retirement	Ages when out of workforce	Ages when working part-time and hours
<b>Women</b>	50	18	65	24-25, 27-28	26, 29-64; 50%
	100	20	65	28-29, 31-32	30, 33-64; 50%
	150	24	65	32-33	None
<b>Men</b>	50	18	65	None	None
	100	20	65	None	None
	150	24	65	None	None

<sup>1</sup> During periods of part-time work wages are pro-rata

## Impact of pension regimes pre/post 2000s reform, UK

Projected gross outcomes, individuals without occupational provision; pre-reform/ post-reform UK pension system, % of social exclusion line

Women	Pre-reform			Post-reform				Difference in total pension
	Biography	BSP	S2P	Total	BSP	S2P	Personal Accounts	
<b>0.5</b>	16	22	<b>38</b>	34	28	8	<b>70</b>	<b>32</b>
<b>1</b>	16	27	<b>43</b>	34	31	29	<b>94</b>	<b>51</b>
<b>1.5</b>	16	41	<b>57</b>	34	31	72	<b>137</b>	<b>80</b>

  

Men	Pre-reform			Post-reform				Difference in total pension
	Biography	BSP	S2P	Total	BSP	S2P	Personal Accounts	
<b>0.5</b>	16	26	<b>42</b>	34	29	27	<b>90</b>	<b>48</b>
<b>1</b>	16	34	<b>50</b>	34	32	63	<b>129</b>	<b>79</b>
<b>1.5</b>	16	43	<b>59</b>	34	32	78	<b>144</b>	<b>85</b>

<sup>1</sup> Rules and stipulations as operating immediately prior to 2007 Pension Act & after full implementation of 2007 and 2008 Pension Acts.

## Impact of pension regimes pre/post 2000s reform, UK

Projected gross median outcomes, individuals with occupational provision; pre-reform/ post-reform UK pension system, % of social exclusion line

Men	Pre-reform		Post-reform		Difference	
	State/DC	State/DB	State/DC	State/DB	State/DC	State/ DB
Biography	81	130	118	146	37	16
<b>0.5</b>	81	130	118	146	37	16
<b>1</b>	121	205	170	233	49	28
<b>1.5</b>	146	270	201	306	55	36

Women	Pre-reform		Post-reform		Difference	
	State/DC	State/DB	State/DC	State/DB	State/DC	State/ DB
Biography	59	60	87	78	28	18
<b>0.5</b>	59	60	87	78	28	18
<b>1</b>	78	79	114	92	36	13
<b>1.5</b>	119	248	169	266	50	18

<sup>1</sup> Median state/occupational outcomes based on selection of schemes.

## Impact of pension regimes pre/post 2000s reform, Germany

Projected gross performance of pre-reform and post-reform German state system for all biographies, % of social exclusion line

Biographies	Pre-reform		Post-reform		Difference	
	Female	Male	Female	Male	Female	Male
0.5	45	79	28	54	<b>-17</b>	<b>-25</b>
1	79	153	48	105	<b>-31</b>	<b>-48</b>
1.5	160	188	85	115	<b>-75</b>	<b>-73</b>

Rules and stipulations as in operation immediately before 2001 reform and in 2007.

## Impact of pension regimes pre/post 2000s reform, Germany

Projected gross median outcomes, individuals with occupational provision; pre-reform/ post-reform German pension system, % of social exclusion line

<b>Men</b>	Pre-reform		Post-reform		<b>Difference</b>	
	State	State/ Occupational provision	State	State/ Occupational provision	<b>State</b>	<b>State/ Occupational provision</b>
<b>0.5</b>	79	98	54	64	<b>-25</b>	<b>-34</b>
<b>1</b>	153	189	105	112	<b>-48</b>	<b>-77</b>
<b>1.5</b>	190	239	115	133	<b>-75</b>	<b>-106</b>

  

<b>Women</b>	Pre-reform		Post-reform		<b>Difference</b>	
	State	State/ Occupational provision	State	State/ Occupational provision	<b>State</b>	<b>State/ Occupational provision</b>
<b>0.5</b>	45	54	28	35	<b>-17</b>	<b>-19</b>
<b>1</b>	79	95	48	59	<b>-31</b>	<b>-36</b>
<b>1.5</b>	160	201	85	111	<b>-75</b>	<b>-90</b>

Median state/occupational outcomes based on selected schemes. Rules and stipulations as immediately before 2001 reform & in 2007.

## Comparing post-reform regimes

Projected gross median pension and range of outcomes for all biographies. Britain and Germany, % of social exclusion line

pre-reform	UK		Germany		Difference UK/Germany		
	Median	Range	Median	Range	Median	Range	
<b>Female</b>	0.5	53	30	52	14	<b>1</b>	<b>16</b>
	1	74	57	93	24	<b>-19</b>	<b>33</b>
	1.5	128	179	200	64	<b>-72</b>	<b>115</b>
<b>Male</b>	0.5	82	90	97	39	<b>-15</b>	<b>51</b>
	1	125	177	188	82	<b>-63</b>	<b>95</b>
	1.5	151	243	237	166	<b>-86</b>	<b>77</b>
post-reform	UK		Germany		Difference UK/Germany		
	Median	Range	Median	Range	Median	Range	
<b>Female</b>	0.5	83	33	33	13	<b>50</b>	<b>20</b>
	1	106	54	53	23	<b>52</b>	<b>31</b>
	1.5	178	147	96	48	<b>82</b>	<b>99</b>
<b>Male</b>	0.5	121	61	65	26	<b>56</b>	<b>34</b>
	1	175	115	117	43	<b>58</b>	<b>72</b>
	1.5	210	176	132	74	<b>78</b>	<b>103</b>

## Comparing post-reform regimes

Globalisation => Enhancement of typical features?

British deregulation

No

German ‚dualisation‘

Race to the bottom?

No

British social-democratic/liberal hybrid

German conservative/liberal hybrid





## impact for citizens of pension regimes pre/post 2000s reform

Projected gross performance of pre-reform German state system for all biographies, replacement rates and as a percentage of the social exclusion line

Biographies	Female		Male	
	Replacement Rate	Social Inclusion	Replacement Rate	Social Inclusion
0.5	91	45	61	79
1	80	79	59	153
1.5	54	160	49	190

Rules and stipulations as in operation immediately before 2001 reform