

THE AGING PROCESS IN GERMANY AND IMPLICATIONS FOR A NEEDS-ORIENTED SOCIAL POLICY

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1. INTRODUCTION

The implications of aging reach far beyond the increase in the absolute number and proportion of elderly people living within a society. The aging population is highly relevant to the functioning of the German social security system, which provides the main financial basis for a needs-oriented social policy. It calls for further improvements in social policy and must take into consideration the quantitative and qualitative dimensions of aging, as well as the level of old-age welfare a society is aiming for and is able to afford.

Thus, in order to properly analyze the topic of this article, three different aspects have to be considered:

- I. What are the quantitative and qualitative proportions of aging in Germany?
- II. What resources do elderly people have at their disposal to organize their lives? What do they need?
- III. What consequences for social policy can be deduced from this? What is necessary, and where are the limits?

Before starting with the analysis, it may be helpful for the non-German reader to briefly outline the so-called pillars of the German social security system which are relevant for the topic. These are a) the public pension scheme, b) health and accident insurances, c) long-term care insurance, and d) payments according to the *Bundessozialhilfegesetz* or BSHG (Federal Social Assistance Act).

The amount of benefits from the *pension scheme* depends on the income level as well as on the number of years spent in gainful employment. Married women – apart from their own pension scheme – receive payments depending on their husbands' contributions. The pensions of the elderly are currently being financed by the contributions made by the employed population, and are based on the assumption that future generations in employment will provide enough contributions for their own pensions ("pay-as-you-go system"). From this, it becomes clear that the proportion between the number of people employed and the number of

retirees is very important, and, thus, must be taken into consideration by social policy-makers.

Health and accident insurance as well as the recently implemented *long-term care insurance* are financed by the entire economically active population. While the percentage of incomes (wages or pensions) paid to long-term care insurance is fixed by law at 1.7%, the percentage paid for health insurance differs; it is partly dependent on the insurance company's offer and partly determined by the composition of the insured. However, benefits from long-term care insurance have an upper limit. Those not able to pay the remaining sum are automatically covered by special security supplements under the BSHG which are provided by municipal authorities.

2. THE QUANTITATIVE AND QUALITATIVE PROPORTIONS OF AGING IN GERMANY

The German *Bundesforschungsanstalt für Landeskunde und Raumordnung* (BfLR) (Federal Research Institute for Regional Geography and Regional Planning)¹ regularly collects regionalized data and calculates ratios which are considered important for the assessment of future needs in social infrastructure as well as for the amount of funds necessary to finance the pillars of the security system, especially the public pension scheme. For instance, the share of the population aged 60 years and older is an important indicator when estimating the ratio of people who are entitled to benefits from the public pension scheme. The proportion of the "older elderly" population aged 80 years and over helps to estimate the ratio of people who may potentially need help by family members, friends, and/or professional caregivers. The proportion of the female population aged between 45 and 75 years provides us with clues about the ratio of people who usually take care of elderly people. Finally, the percentage of the population aged 20 to 60 years shows the ratio of people who are economically active, and, thus, the main contributors to the funds of the social security system.

At least with regard to the period from 1995 to 2010, population trends do not follow spectacular courses. However, it becomes obvious that the proportion of elderly people aged 60 and older is rising more or less constantly from around 21 to 25%. On the one hand, Germany's constant-

¹ Since January 1998, the institute forms a section of the newly created *Bundesamt für Bauwesen und Raumordnung* (Federal Office for Building and Regional Planning).

ly low birth rate can be cited as the main cause for this. There was, on the other hand, a short-term decline in the proportion of people aged 80 and over at the end of the 1990s which was brought about by the "baby bust" during the First World War as well as the casualties incurred by the Second World War. Thus, the share of the "older elderly" will not exceed 5% until 2010. The data also show that disparities between regions of different levels of urbanization are diminishing. While in the 1990s it was still the core cities of conurbations which displayed the largest extent of population aging in Germany, in 2010 only slight differences will remain. This is due to the fact that, on the one hand, regional differences in fertility, still markedly higher in rural areas, are on the decline. On the other hand, however, working-age immigrants, who tend to find jobs and accommodation in cities, lessen the relative increase of elderly people in urbanized regions.

In contrast to the proportion of people who potentially need help and care, the share of people in the "care-giving age group" of 45–75 years will remain quite stable at around 35 to 40% of the total population. It should be stressed, however, that it is not only the number or proportion of people which influences the availability of caregivers. Wealth and social values also strongly affect quality and quantity of help and care that the younger generation provides to the older generation. To date, caring for the elderly is nearly exclusively done by women, but, as rising female employment participation rates show, many women may no longer be willing to put aside their own careers and perform full-time care services for their aged relatives (VEITH and BUCHER 1994: 223). Taking this into account, it can be assumed that the ratio between the availability of caregivers and the potential number of people who need help and care will deteriorate. Nevertheless, about 80% of all support given is still provided in private households.

Even more problematic is the fact that the proportion of the population which is at the age of contributing to the social security system is on a slow but constant decline. This signifies that the financial burden per capita will rise if the social security system's structure is not altered or if the benefits are not reduced. During recent years this demographic trend was further aggravated by high levels of unemployment, and experts expect this trend to continue in the future.

Proportional data, however, do not always give a correct impression about trends in absolute numbers. Table 1 shows the change in the absolute number of people aged 65 and over in need of care and/or support as outlined in the above-mentioned regions for the years 2000 and 2010, respectively. For calculating these figures, projection results on demographic change were multiplied with the results of a survey on the

proportion of people who need help and care by age groups. As a result, a tremendous increase in absolute numbers can be seen. This clearly shows that there will be an enormous additional need for services and material infrastructure designed for the elderly. In particular, the municipal authorities who are mainly responsible for the provision of social infrastructure will have to raise enormous funds to satisfy this demand.

Table 1: Change in the absolute number of people aged 65 years and over in need of care and support, 1991–2010

People aged 65+ in need of	Type of region	1991	2000	2010	1991–2000 (in%)	2000–2010 (in%)
care and support	1	779,265	865,239	983,445	11	14
	2	1,073,037	1,267,301	1,588,482	18	25
	3	461,225	535,584	659,292	16	23
care	1	276,468	318,967	361,099	15	13
	2	277,755	455,464	574,758	21	26
	3	162,088	192,019	239,299	18	25
support	1	502,797	546,272	622,346	9	14
	2	695,282	811,837	1,013,724	17	25
	3	299,137	343,565	419,993	15	22

Note: 1 = core cities; 2 = other urbanized areas; 3 = rural areas.

Source: BMFuS 1993; internal BfLR data and population projections 1991–2010/ROP; own calculations.

With regard to regional differences, the following further conclusions can be drawn (see VEITH and BUCHER 1994: 216, 219, 222): Overall, the increase in the number of disabled elderly will be higher in rural than in urban areas. Within the latter group, a process of local deconcentration of elderly people is expected, i.e., the absolute numbers of aged citizens will increase mainly in suburban “other urbanized areas” and not in core cities. In all areas, the potential availability of private persons nursing the elderly increases at a slower rate than the number of elderly people needing care and support. However, on closer examination it appears that while this ratio is most unfavorable in core cities at the moment, in 2010 it will be rural areas that are worse off. The ratio of people in employment to those in retirement will also change and its consequences have to be considered with regard to the funding of the German social security system.

3. THE MATERIAL SITUATION OF THE AGED AND THEIR NEEDS

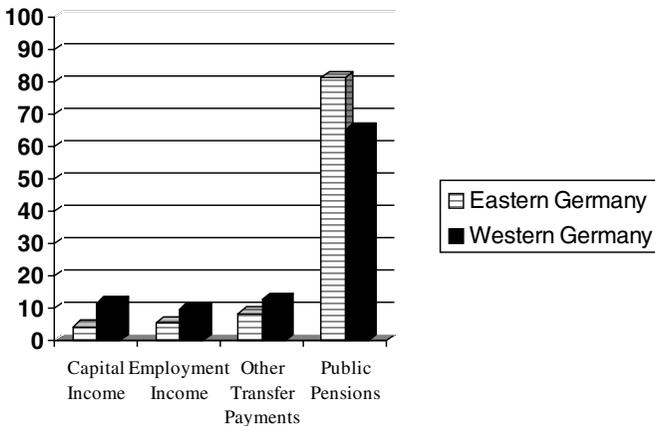
In order to understand how elderly people organize their lives, it is crucial to know what resources they possess and what their requirements are. Income and property are of fundamental importance, but the quality of housing, social contacts, the capacity to master their own lives, and the availability of social services must be considered, too.

3.1 *The economic situation*

When we view the economic situation of aged people, it is useful to distinguish between different types of income, i.e., public pension and occupational pension benefits, capital income, rental earnings, and benefits from long-term care insurance.

As a whole, the level of public pension benefits depends on the level of wages earned in the past and the amount of time spent in gainful employment of a person's life. As a result of the economic prosperity enjoyed throughout the 1960s, 1970s, and partly the 1980s in Germany, nearly all those who retired during the last 20 years are in a financially comfortable situation.

Figure 1: Income structure of two-person pensioner households, 1993 (%)



Source: BMFSFuJ (2001: 194).

From the mid-1980s to the mid-1990s, the gap between the income of employees and those of retired people has shrunk, though only to a slight degree. With regard to one-person households, the pensioners' income rose from 85 to 87% of the employees' income, whereas the corresponding figures for two-person households are 74% and 78%, respectively (*iwd* 1994: 3). As Figure 1 indicates, during the mid-1990s, 65.2% of the household income of a two-person pensioner household in western Germany was covered by public pensions, 11.7% by capital income, 9.9% by income from continued employment, and 12.9% stemmed from other kinds of transfer payments (BMFSFuJ 2001: 194).

In general, regional variations in the economic situation of retired people are not very distinct, while marital status and gender have a greater discriminatory power.

In East Germany, public pension income constitutes an even larger share of the overall household income of the elderly. One reason for this is that – corresponding to a somewhat higher status of women in former East German society – most women were in continuous employment and therefore now have their own, well-doted pensions.

Projections for East Germany suggest that the proportion of capital income will become more important in the future. There are several reasons for this: Given the fact that the ratio between the generations has taken an unfavorable direction, a general reduction of benefits from the public pension scheme is unavoidable. Furthermore, rising unemployment and a growing number of jobs in the informal sector will promote a polarization of pensioners' income levels. Elderly people from low-income groups and/or elderly people who are divorced and do not have capital incomes at their disposal, will become increasingly disadvantaged. From a regional point of view, the situation for the elderly will deteriorate in regions or municipalities with high levels of unemployment. The situation will not change for aged people in need of help and care who can afford it, but for those who depend on long-term care insurance and on municipal BSHG benefits, a future reduction in income levels seems highly probable.

3.2 *Housing conditions*

Research results tell us that people want to live by themselves for as long as possible. To be the owner of one's own apartment and/or to enjoy good housing conditions are factors which enhance the possibility of realizing this desire. The following Table 2 gives a general idea of the housing situation for the whole population and for the population aged 60 years and older.

Table 2: Projected change in the housing situation of all households and elderly households, basic indicators 1993–2010

Indicator	Region	All households		Elderly households	
		1993	2010	1993	2010
sqm dwelling space/person	West	37.8	42.3	50.1	59.0
	East	29.5	39.4	40.5	44.5
sqm dwelling space	West	88.1	93.9	80.8	91.5
	East	70.1	84.3	61.2	68.7
facilities (bathroom/toilet/central heating) in %	West	81.7	–	77.0	–
	East	54.1	–	41.6	–
rent level (in DM)	West	652	–	545	–
	East	333	–	283	–
rent proportion (% of income)	West	21.1	–	23.0	–
	East	12.7	–	15.9	–
proportion of owner-occupiers	West	41.8	45.0	43.8	52.5
	East	26.1	34.2	24.0	30.0

Source: STATISTISCHES BUNDESAMT 1993; BUCHER, KOCKS and SIEDHOFF 1996.

By comparing elderly households with all households, it becomes evident that in general – apart from the facilities within apartments – the aged are much better off. They enjoy more space, pay less rent, and a large proportion owns the apartments or houses they live in. A partial explanation for is that elderly people tend to remain in the home where they raised their children. Several reasons can be cited here: They are accustomed to their apartment, a new one would be more expensive, and very often it would be necessary to leave the area, which would mean that they would lose their existing social contacts (BUCHER, KOCKS and SIEDHOFF 1996).

A comparison between elderly households in the eastern and western part of Germany further reveals that the situation – except for rent levels – is more favorable in the West. By 2010, the overall situation is expected to improve, but the gap between the two parts of the country will broaden further.

When we evaluate the housing situation of people who require care, it is advisable to focus on the quality of their housing conditions. Quality has a considerable impact on how long a person can live in his/her own apartment, how much help is required, and how expensive this additional help may cost. Survey results, which relate to the period immediately after reunification, reveal clear differences between the western and eastern parts of Germany regarding the standard of facilities (BMFuS 1993: 146). However, during the 1990s the housing situation of elderly people living in eastern Germany has improved markedly. The percentage of

people aged 65 years and older who live in apartments with their own bathroom, toilet as well as central heating has risen from 74% (1988) to 94% (1998) in western Germany, and from 33% (1990) to 85% (1998) in eastern Germany (BMFSFÜJ 2001: 245–246).

It is important to bear in mind that home help services and day-care centers can only work efficiently, and thus be financed adequately, if the quality of housing is sufficient. In general, the situation is quite good in the western part of Germany. In the former eastern part, the situation has undergone rapid changes, but further improvements are needed, especially in rural areas.

3.3 The social network, care network, and social infrastructure

Apart from the economic and housing situation, social contacts are very important for coping with everyday life, especially when care and help is required. Today, alongside advances made in medical technology and increases in life expectancy, the number of elderly who are bedridden has risen considerably. Thus, more elderly people than ever before require help that continues over an extended period of time and which is highly intensive. On the other hand, many of them have no other choice but to live alone. This applies especially to elderly females. Data show that in 1993 more than 50% of women aged 65 years and older lived in one-person households, in contrast to only about 15% of aged men. It is expected that this huge difference will continue to exist at least until 2010 (see BMFÜS 1994). One main reason for this is the lower life expectancy of males combined with the lower age at which females marry.

The average size of households, however, is not necessarily an adequate indicator for the level of integration into social networks. First of all, it gives no information on the spatial distance to family members and friends. Moreover, it provides no indication of how many social contacts people have and how intense these relationships are. Survey results show that most elderly people in Germany actually want to live by themselves and not with their children. They are accustomed to their independence and are not willing to relinquish it. To be sure, most elderly people remain in close contact with their children, and they are given their support when they require it. When we examine the age group of elderly people aged 80 years and older, at the outset of the 1990s a total of 67% of them were still cared for by their children or children-in-law (BMFÜS 1993: 129). Nevertheless, it has been determined that the pattern of private care networks is changing as a result of regional mobility. Very often care networks, which play an important role for the dependent elderly population, are supplemented by professional caregivers (SCHUBERT 1994: 236). The tradi-

tional attitudes that employing professional help is something shameful or that elderly people are not accustomed to using care services no longer apply. Today, professional care services are not only socially accepted, but elderly people also better understand how to use them. In general, professional help is available and the qualitative levels of long-term nursing care or institutional care, home help services and day-care centers are not poor. However, further efforts will be necessary to improve supply levels, especially in rural areas.

In addition, there are signs for a further polarization in the quality of social services. The financial basis for social services is provided by payments from health insurance, long-term care insurance, and by the users themselves as well as from subsidies from the municipalities and the German *Länder* [federal states]. Depending on the economic situation of the users, the quality level of social services received might become quite variable. Moreover, the economic situation of the *Länder* and the municipalities might become unbalanced, leading to regionally different levels of services for the aged.

4. THE CONSEQUENCES FOR SOCIAL POLICY – DEMANDS AND LIMITS

It has already been pointed out that elderly people wish to live by themselves for as long as possible. Presently, most of them are in a very good position to do so because of sufficient resources. Economic and housing situations are both quite satisfactory. Moreover, the possibility to organize everyday life with the help of professional elderly-oriented services has increased; it is no longer a stigma not to be cared for by relatives or children. Finally, the level of social services – long-term nursing care or institutional care, home help services and day-care centers – is both quantitatively and qualitatively of a high standard. In sum, the financial situation, housing conditions, and facilities are all favorable for elderly people to continue living at home. Future trends, however, point towards a growing polarization in the economic situation of both private households and the (local) public sector. Thus, the situation will not remain favorable for everybody.

In short this means the following: The changing ratio between the employed and the older, dependent generations as well as the expected developments on the labor market – continued high unemployment and a growing informal sector – will induce a reduction not only in public pensions, but also in the amount of funds available for long-term care insurance and health insurance. Hence, fewer resources will be left for professional care services per person.

Regarding the public sector, recent changes in the economic system (i.e., the process of economic transformation and globalization) will broaden the gap between rich and poor regions. Since the level of elderly-oriented social infrastructure largely depends on the wealth at the municipal level, the “place of residence” might become an increasingly important factor for the elderly who can no longer live by themselves. On the whole, however, a reduction in infrastructure levels is to be expected in all regions.

During the next 10 to 20 years, the situation will still be favorable for most elderly people due to the long-lasting period of economic prosperity up until the 1980s (LANG 1994). In addition to public pensions, quite often they receive benefits from occupational pension schemes, capital income, and rental earnings. Many are thus able to compensate for cuts made in the social security system and the reduction of subsidies from the public sector. Those, however, who depend solely on the public pension scheme will experience a marked deterioration in their quality of life.

Social policy must keep in mind the demographic and economic developments which I have outlined in this article: 1) the changing ratio between the employed population currently aged between 20 to 60 years and the dependent elderly and 2) a growing polarization in the economic situation of both private households and the public sector. It is my contention that, on the one hand, social policy will have no choice but to reduce the qualitative level of social services. By doing this, fair solutions have to be found. On the other hand, social policy will have to concentrate support on the real poor and on those regions, which will probably decline as a result of economic transformation and globalization processes. As a result, the existing German practice of sharing the financial burdens of the different *Länder* and municipalities will have to be reconsidered and adjusted to the new economic situation.

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