

Germany

Exchange rate: US\$1.00 equals 0.80 euros (€).

Old Age, Disability, and Survivors

Regulatory Framework

First law: 1889.

Current law: 2003.

Type of program: Social insurance system.

Note: Following the unification of the Federal Republic of Germany (FRG) and the German Democratic Republic (GDR) on October 3, 1990, the social security system of the FRG remained in force and the system of the GDR continued to apply on an interim basis within the former GDR territory. The FRG and GDR systems were merged effective January 1, 1992, at which time Part VI of the Social Act came into force throughout the entire federal territory. In the summary that follows, particular provisions that were in place on January 1, 2004, in the new federal states are preceded by the designation "E".

Coverage

Employed persons (including apprentices), certain self-employed persons, persons caring for a child under age 3, recipients of social benefits (such as unemployment benefits), conscripts or persons doing community service instead of military service, and voluntary care workers.

Voluntary affiliation for all others aged 16 or older who are currently exempt from compulsory insurance, including German citizens residing abroad and resident foreigners.

Special systems for certain self-employed persons, miners, public employees (supplementary insurance), and farmers.

Source of Funds

Insured person: 9.75% of earnings; none if earnings are below €400 a month; a reduced contribution if monthly earnings are between €400 and €800.

Self-employed person: 19.5% of income.

Employer: 9.75% of payroll; 12% of earnings for employees with monthly earnings below €400.

Government: A subsidy to compensate for the cost of benefits not covered by contributions.

The maximum annual earnings for contribution purposes are €1,800 (E - €2,200).

Qualifying Conditions

Old-age pension: Age 65 with 5 years of contributions.

Early pension: Retirement is possible from age 63 with 35 years of coverage; from age 60 with 15 years of contributions and unemployed for 1 year after age 58 and 6 months or for older employees in part-time work for at least 24 months before age 60; from age 60 for women with 10 years of compulsory contributions after age 40; from age 60 for severely disabled individuals with a minimum of 35 years of coverage.

Partial retirement is available for pensioners under age 65 with the partial cessation of employment; if monthly earnings are less than €345, the full pension is paid; if earnings are above €345, a partial pension is paid at 2/3, 1/2, or 1/3 depending on individual earnings.

Deferred pension: A deferred pension is possible after age 65.

Disability pension: The full reduction in earning capacity (unable to work more than 3 hours a day in any form of employment) or partial reduction in earning capacity (unable to work at least 6 hours a day in any form of employment; for insured persons born before January 2, 1961, unable to work at least 6 hours a day in his or her former occupation). The insured must have a total of 5 years of contributions and 36 months of compulsory contributions in the last 5 years.

Survivor pension: The insured had 5 years of contributions or was a pensioner at the time of death.

Old-Age Benefits

Old-age pension: The total of individual earnings points (individual annual earnings divided by the average earnings of all contributors multiplied by the entry factor) multiplied by the pension factor of 1.0 and the pension value.

From January 1, 2004, to June 30, 2005, the pension value is €6.13 (E - €2.97). The pension value is calculated as the monthly benefit amount for 1 year's average covered earnings, adjusted for changes in wages.

Periods of incapacity for work, unemployment, and schooling after age 17 are also taken into account. The normal entry factor is 1.0 and increases or decreases depending on the age at which the pension is first taken.

For low-income workers with 35 years of coverage, the value of compulsory contributions paid before 1991 is increased to 1.5 times the value, up to a maximum of 75% of the value of contributions for average earnings of all insured persons.

For persons with 25 years of coverage, the value of compulsory contributions paid after 1992 while caring for a child under age 10 is increased to 1.5 times the value, up to the value of contributions for average earnings of all insured persons.

Early pension: The entry factor (1.0) is reduced by 0.003 for each calendar month the pension is taken before age 65.

Deferred pension: The entry factor (1.0) is increased by 0.005 for each calendar month a pension is deferred after age 65.

Benefit adjustment: Benefits are to be adjusted on July 1, 2005, for changes in the pension value in proportion to changes in earnings and the contribution rate.

Permanent Disability Benefits

Disability pension: The total of individual earnings points (individual annual earnings divided by the average earnings of all contributors multiplied by the entry factor) multiplied by the pension factor and the pension value.

The pension factor for a full reduction in earning capacity is 1.0; for a partial reduction, 0.5.

From January 1, 2004, to June 30, 2005, the pension value is €6.13 (E - €2.97). The pension value is calculated as the monthly benefit amount for 1 year's average covered earnings, adjusted for changes in wages.

If disability occurs before age 60, the period from the onset of the reduction in earning capacity up to age 60 is taken fully into account for the purpose of calculating the pension.

The normal entry factor (1.0) is reduced by 0.003 for every calendar month a pension is awarded before age 63, up to a maximum reduction of 0.108.

Benefit adjustment: Benefits are to be adjusted on July 1, 2005, for changes in the pension value in proportion to changes in earnings and the contribution rate.

Survivor Benefits

Survivor pension: The total of individual earnings points (individual annual earnings divided by the average earnings of all contributors multiplied by the entry factor) multiplied by the pension factor and the pension value.

The pension factor is 1.0 in the first 3 months, then 0.55 if age 45, disabled, or caring for at least one child (0.6 if married before 2002 and one spouse was born before January 2, 1961); otherwise, 0.25.

From January 1, 2004, to June 30, 2005, the pension value is €6.13 (E - €2.97). The pension value is calculated as the monthly benefit amount for 1 year's average covered earnings, adjusted for changes in wages.

The pension is payable to a widow(er).

Special rules apply if the insured was recently married.

Orphan's pension: The pension factor is 0.1 for a half orphan and 0.2 for a full orphan. Supplements are paid depending on the insured's length of coverage period and other factors. The pension is payable in full if net income is less than a set limit; for income above the set limit, 40% is offset against the pension.

Benefit adjustment: Benefits are to be adjusted on July 1, 2005, for changes in the pension value in proportion to changes in earnings and the contribution rate.

Administrative Organization

Federal Ministry of Health and Social Security provides general supervision.

Separate organizations administer benefits for wage earners, salaried employees, and miners.

Sickness funds normally collect contributions for employees from employers and forward them to pension insurance organizations. Other sickness funds (for example, for the self-employed) pay contributions directly to the organizations.

Sickness and Maternity

Regulatory Framework

First law: 1883.

Current laws: 1924 (maternity benefits); 1988, 2002, and 2003 (sickness insurance); and 1994 (long-term care).

Type of program: Social insurance system.

Coverage

All wage and salary workers earning up to €41,850 a year; pensioners, students, and persons with disabilities under certain conditions; and apprentices and beneficiaries of unemployment benefits.

Voluntary insurance is possible for persons whose compulsory insurance ends, subject to certain conditions.

Special systems for miners, artists, public-sector employees, and self-employed farmers.

Long-term care for all persons covered by the statutory sickness insurance scheme and some special groups subject to certain conditions. Persons with private sickness insurance must buy equivalent private coverage for long-term care.

Source of Funds

Sickness and maternity benefits

Insured person: Contributions vary by fund. On average, 7% of covered earnings. No contribution if monthly earnings are less than €400; a reduced contribution if monthly earnings are between €400 and €800. Pensioners contribute 7% of the pension on average. (Pension insurance organizations pay the same contribution as, and on behalf of, compulsorily insured pensioners and a contribution subsidy for voluntarily insured pensioners.)

Employer: Contributions vary by fund. On average, 7% of covered earnings; 11% of covered earnings for employees with monthly earnings less than €400.

Government: Subsidy for maternity benefits and for pensioned farmers' and students' health benefits. The cost of benefits for unemployed and persons in authorized training.

The maximum annual earnings for benefit and contribution purposes are €41,850 (adjusted annually to 75% of the pension contributions ceiling).

Long-term care benefits

Insured person: In one federal state, 1.35% of earnings; in all other federal states, 0.85% of earnings. Pensioners contribute 0.85% of the pension until March 31, 2004; thereafter, 1.7% of the pension. (Until March 31, 2004, pension insurance

organizations will pay the same contribution as, and on behalf of, compulsorily insured pensioners and a contribution subsidy for voluntarily insured pensioners; thereafter, the contributions will cease.)

Employer: In one federal state, 0.35% of payroll; in all other federal states, 0.85% of payroll.

Government: Contributes for unemployed persons and farmers and for students receiving benefits under the Federal Education Support Act.

The maximum annual earnings for contribution purposes (long-term care) are €1,850 (adjusted annually to 75% of the pension contributions ceiling).

Qualifying Conditions

Cash sickness and medical benefits: Membership in a sickness fund. No minimum membership period is required for medical benefits.

Cash sickness benefits: Insured persons who are unable to work or are taking care of a sick child younger than age 12.

Cash maternity benefits: Payable to female sickness fund members.

Long-term care benefits: Five years of insurance in the last 10 years. The benefit entitlement varies corresponding to a substantial need for care requiring at least one daily procedure, a severe need for care requiring procedures three times a day, or a critical need for care with round-the-clock care required.

Sickness and Maternity Benefits

Sickness benefit: Sickness funds pay 70% of gross earnings (up to a maximum of 90% of net earnings) for up to 78 weeks in a 3-year period for the same illness.

If a child is ill, sickness benefit is paid up to 10 working days per child but no longer than 25 days per insured person in each calendar year. In single-parent households, the benefit is payable for 20 working days per child, up to 50 days in a calendar year.

Maternity benefit: For female sickness fund members with an employment contract, a benefit equal to 100% of net earnings (up to €13 a day from the sickness fund with the remainder paid by the employer) is payable 6 weeks before and 8 weeks after the expected date of birth; other fund members receive the same amount as for sickness benefit.

Long-term care allowance: A carer's allowance is payable to insured persons who organize care provision for themselves (for example, care provided by relatives). The allowance is €205, €410, or €665 a month depending on the degree and frequency of care required.

The carer's allowance may be combined with benefits in kind (see home care benefits under Worker's Medical Benefits, below) provided by a professional care worker (the carer's allowance decreases in proportion to claimed in-kind benefits).

Social security contributions for carers: Contributions are paid for old-age pension insurance by long-term care funds on

behalf of unpaid relatives who provide care for at least 14 hours a week for a person needing care at home and who are not employed for more than 30 hours a week. The paid contributions depend on the level of care required. Insurance coverage for work injury is also provided. When care giving ceases, former carers have the right to a cost-of-living allowance in order to facilitate their return to employment.

Workers' Medical Benefits

Benefits are provided to patients by doctors, hospitals, and pharmacists under contract with sickness funds. Benefits include comprehensive medical and dental care, preventive examinations and treatment, laboratory tests, maternity care with a midwife or doctor, hospitalization, surgery, appliances, and prescribed medicines.

Cost sharing: A copayment is necessary for certain benefits (including medicines, appliances, ambulatory care, hospitalization, and transportation) but not for hardship cases (depending on means).

Long-term care (home care benefits): Benefits include care at home and housework provided by professional care workers or outpatient care services, appliances and technical assistance (such as home modification), day and night care (including services partially provided by a care establishment), short-term institutional care, care at home if the care organized by the insured person (see long-term care cash benefits, above) is temporarily unavailable. The maximum benefit amounts are fixed for the different services.

In-kind benefits for care at home are €84, €21, or €1,432, depending on the level of care required.

Long-term care (institutional care benefits): The cost of care services is covered up to maximum amounts. The insured pays the cost of room and meals.

Dependents' Medical Benefits

Medical benefits: Same as for the insured person.

Long-term care benefits: Same as for the insured person.

Administrative Organization

Federal Ministry of Health and Social Security provides general supervision.

Federal Insurance Institute supervises federal health insurance.

Supervision at state level by designated state authorities.

Sickness funds administer contributions and benefits. Separate sickness funds are organized within federations at the national level and, if applicable, at the state level. Day-to-day administration of funds is handled by a board of directors who are elected by an administrative council generally consisting of representatives of insured persons and employers.

Regional physicians' associations contract annually with federations of funds for payment for medical services.

The total sum paid by sickness funds to physicians' associations is apportioned by the latter to participating doctors.

Federal Ministry of Health and Social Security provides general supervision of long-term care. Separate funds for long-term care organized by sickness funds and private sickness insurance funds administer benefits. Federal states pay construction costs for long-term care institutions.

Work Injury

Regulatory Framework

First laws: 1884 (work accidents) and 1925 (occupational diseases).

Current law: 1996.

Type of program: Social insurance system.

Coverage

Employed persons; some categories of self-employed person; voluntarily insured employers; apprentice; students; children in day care institutions; family helpers in agriculture; persons engaged in specified voluntary activities, including blood donors, volunteers, and accident helpers; persons undergoing rehabilitation in hospitals paid by health or pension insurance; and any other persons with a status similar to that of an employee.

Special system for civil servants and public employees.

Source of Funds

Employees: None.

Employer: Contributions vary according to assessed classes of risk. The average contribution is 1.33% of payroll (2002).

Government: A subsidy to agricultural accident insurance and for the coverage of students, children in day care institutions, and persons engaged in specified voluntary activities.

For insured persons aged 18 or older, the minimum annual earnings for benefit purposes are €17,388 (E - €14,616).

The maximum annual earnings for benefit purposes vary depending on the accident insurance fund but are no more than €8,000.

Qualifying Conditions

Work injury and occupational disease benefits: There is no minimum qualifying period.

Temporary Disability Benefits

70% of gross earnings (up to a maximum of 90% of net earnings) for up to 78 weeks, including payment by the employer. After the termination of the continuous wage

payment (in most cases, 6 weeks), payment is assumed by the accident insurance fund. The benefit is payable from the day after the onset of the insured event until recovery or the award of a pension. A transition benefit is paid during vocational rehabilitation.

Permanent Disability Benefits

Permanent disability pension: 66.6% of last year's earnings if 100% disabled (full pension).

Partial disability: If the assessed loss of earning capacity is 20% or more, a percentage of the full pension in proportion to the loss of earning capacity.

Severe disability supplement: 10% of the basic pension if the assessed loss of earning capacity is 50% or more and the insured is not working and not receiving another pension; if the insured is unemployed, the pension is further increased for a maximum of 2 years.

Constant-attendance allowance: €95 to €1,180 a month (E - €56 to €1,023).

Workers' Medical Benefits

Benefits include comprehensive medical care; medical, occupational, and social rehabilitation; appliances; and help with housework. The benefits are provided exclusively by accident funds.

(Agricultural accident insurance covers the provision of assistance to guarantee vital farming operations.)

Survivor Benefits

Survivor pension: During the first 3 calendar months, 66.6% of the insured's earnings; thereafter, 40% of the insured's earnings if aged 45 or older, disabled, or caring for at least one child. Other eligible survivors receive a reduced survivor pension of 30% of the insured's earnings. The payment of the reduced survivor pension is limited to 2 years if the survivor is younger than age 40. The pension is payable to a widow(er).

Orphan's pension: 20% of the insured's earnings for each orphan under age 18 (under age 27 if a student); 30% for a full orphan.

Earnings test: Earnings over a certain limit are offset in the case of beneficiaries over age 18.

Other eligible survivors (means-tested): Parents and grandparents receive 20% of the insured's earnings as single beneficiaries; 30% if a couple.

Former spouses (if eligible) may receive a survivor pension. The amount is split between the surviving spouse and the former spouse according to the length of marriage.

The maximum survivor pension is 80% of the insured's earnings.

Death grant: €4,140 (E - €3,480).

Administrative Organization

Federal Ministry of Economics and Labor supervises accident prevention and primary care.

Federal Insurance Institute or relevant state authorities supervise other areas.

Accident insurance funds (nonagricultural, agricultural, public authorities) administer the scheme. Accident insurance funds operate under bipartite management involving elected representatives of employers and the insured.

Unemployment

Regulatory Framework

First law: 1927.

Current law: 2002.

Type of program: Social insurance system.

Coverage

Employed persons, including home workers, apprentices, and trainees. Under certain conditions, other groups (including participants in occupational training schemes) are also covered.

Exclusions: Persons engaged in negligible employment (mini-jobs).

Source of Funds

Insured person: 3.25% of covered earnings.

Employer: 3.25% of covered earnings.

Government: Loans or subsidies to cover any deficit; also covers cost of unemployment assistance.

The maximum annual earnings for contribution purposes are €1,800.

Qualifying Conditions

Unemployment benefit: 360 days of insured employment in last 3 years (180 days for seasonal workers). Personally registered at an employment office and capable of, available for, and actively seeking employment.

Unemployment assistance (means-tested): Based on need, payable to workers with 150 days of employment in the last year or who have exhausted their statutory unemployment benefit. Personally registered at an employment office and capable of, available for, and actively seeking employment.

In certain cases, the right to unemployment benefit or assistance can be suspended (for up to 12 weeks).

Unemployment Benefits

Unemployment benefit: 67% of net earnings for unemployed persons with children; 60% if without children. The benefit is

payable for 90 to 960 calendar days, according to the length of insured employment and age.

Unemployment assistance (means-tested): 57% of net earnings for unemployed persons with children; 53% if without children. There is no limit to duration.

Short-time work benefit: Paid to workers who lose working hours for short periods, in particular for economic reasons.

Bad weather allowance: Paid to construction workers whose work is halted because of bad weather. The allowance is payable after the 100th hour of stoppage between November 1 and March 31 of any year.

Cost-of-living allowance: Paid to participants in occupational training, retraining, and rehabilitation.

Administrative Organization

Federal Ministry of Economics and Labor supervises the program.

Local employment offices are responsible for employment placements, career guidance, and the administration of benefits.

Sickness funds collect contributions.

Family Allowances

Regulatory Framework

First law: 1954.

Current law: 2002.

Type of program: Universal system.

Coverage

Parents with one or more children.

Full orphans and children who have lost contact with their parents.

Source of Funds

Insured person: None.

Employer: None.

Government: Total cost.

Qualifying Conditions

Child benefit: Child must be under age 18 (under age 21 if unemployed; under age 27 if in education, if no apprenticeship is available, or if in voluntary work; no limit if disabled). For children older than age 18, the amount of child benefit depends on their income.

Family Allowance Benefits

Child benefit: €154 a month for the first, second, and third child; €179 for each subsequent child. (Lower rates may be

paid if the children of workers employed in Germany reside in countries where the cost of living is lower.) If a child supplement from a statutory work accident or pension program is also paid, only the portion of the child benefit higher than the supplement is payable.

Administrative Organization

Federal Finance Office (Family Fund) administers benefits through regional and local labor offices of the Federal Agency for Labor.

Benefits for public employees are administered through salary payment offices.

Administrative costs are reimbursed by the federal government.