

THE SHAPE OF THINGS TO COME

COUNTRY CASE STUDY

GERMANY

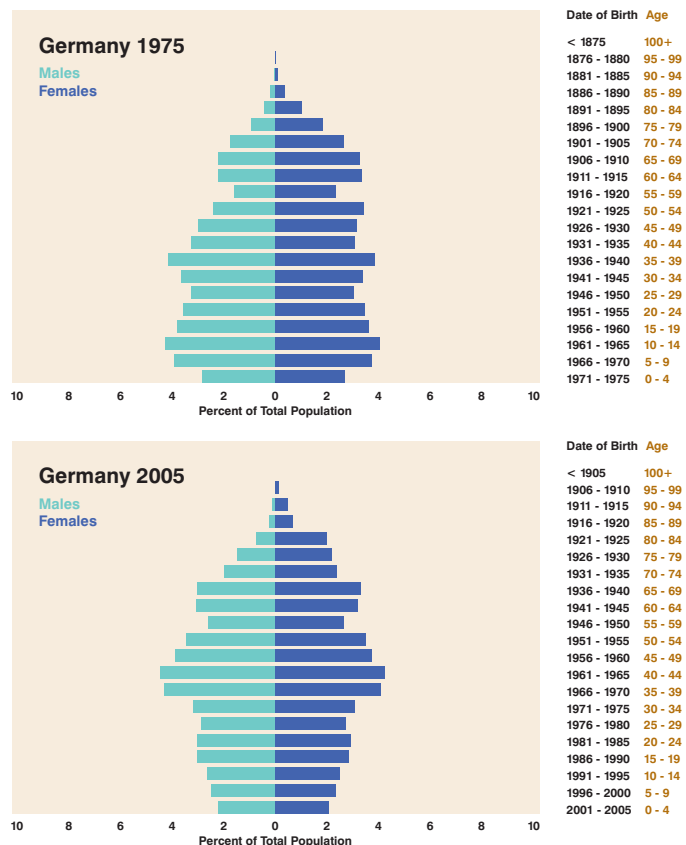
Countries in Profile: Germany

Growing More Family-Friendly in Response to Aging in Response to Aging

Germany's population trends are typical of most advanced industrial countries. The country has completed the demographic transition and now has a mature age structure type. In the late 1950s and during the 1960s, both East and West Germany experienced "baby booms," stimulated by a heightened sense of security and greater economic prosperity following the devastation of World War II. For the past 30 years, however, fertility rates have been declining, from a peak of 2.5 between 1960 and 1965, to 1.3 between 2000 and 2005.¹ Fewer babies were born in Germany in 2005 than in the final year of World War II.² At the same time that fertility has fallen, life expectancy has risen significantly to more than 80 years at the beginning of this century.³

Figure 1
Germany's Age Structures, 1975 and 2005

Germany's fertility rates began declining in the early 1960s, and for the past 30 years the country has had a mature age structure. The very oddly shaped profile for 1975, partially an effect of the death toll in World War II, has evolved into a structure with a bulge among middle-aged adults and steadily declining proportional size among younger age groups.



Other health indicators are similar to those of wealthy developed countries, and indicative of Germany's advanced health care system. Reproductive health services, including family planning, are specifically mandated by law, and thus they are widely available and affordable. Nearly three-quarters of women who are married or in union use modern methods of contraception.⁴ State health insurance, which covers 90 percent of the population, is legally required and mandates that the insured have the right to medical examinations and prescriptions for family planning devices.⁵

Germany's health care system is highly regarded by international standards. A 2000 report by the World Health Organization ranked Germany twenty-fifth out of 191 countries based on a cost-effectiveness ratio, better than both the United States and Canada. However, Germany's system is very costly and might prove unsustainable in the long term. Germany is the second-highest spender of public funds on health care as a percent of gross domestic product (GDP) in the world.⁶ Currently, the system is supported by contributions from workers, who pay roughly 14 percent of their wages toward health care.⁷ But Germany's high unemployment rates and the future prospect of financing support for an older population are causing concerns about the sustainability of the current health care system.

Germany's pay-as-you-go pension system is already undergoing reforms. Demographers anticipate that when the "baby boom" generation reaches retirement age, the current ratio of those paying into the pension system (roughly 2:1) is likely to shift towards 1:1.⁸ For the first time since World War II, the German government has deviated from the long-held promise that government benefits alone could maintain workers' living standards in retirement. Major reforms enacted within the past six years include scaling back future public pension benefits, linking pension adjustments to the ratio of employees contributing to the scheme relative to the number of pensioners, encouraging employees to invest in private old-age insurance and raising the minimum age for early retirement.

Figure 2
Germany's Position Along the Demographic Transition

Germany was already near the end of the demographic transition in 1975, and has advanced further in the decades since. The range of fertility projections for 2025 all show the country continuing to progress along the transition to a point reached by few other countries, in which the share of people older than 60 will equal or surpass those younger than 30.

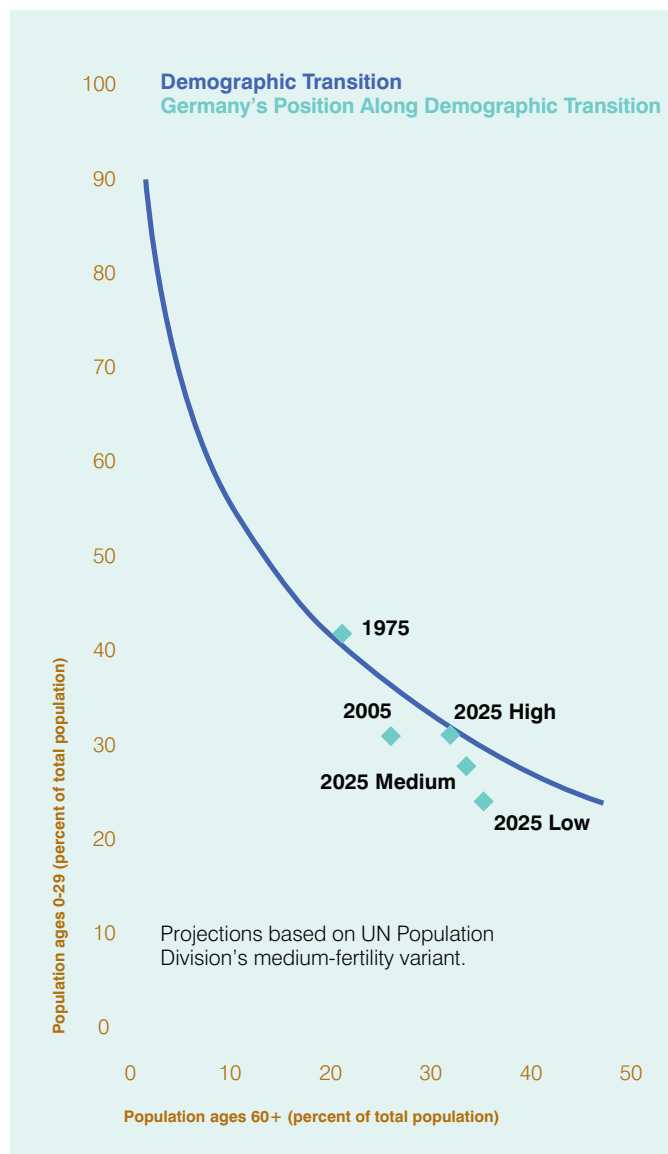


Figure 3 Current Demographic Statistics for Germany⁹

Population 1980 78 million
Population 2005 83 million
Population 2025 (medium term projection) 82 million
Population 2050 (medium term projection) 79 million
Median population age 42 years
Population under age 15 14%
Total fertility rate (2005-2010) 1.3
Contraceptive prevalence rate (modern methods, 1992) 72%
Unmet need for family planning no data
Life expectancy 76 years male, 82 years female
HIV prevalence rate (ages 15-49, 2005) 0.1%
GNI per capita (Atlas method, current US\$, 2005) \$34,580
Population living below poverty line 8%
Unemployment rate (2005) 9%
Adult literacy rate (2003) 99% female and male
Arable land (% of total, 2003) 34

Germany boasts the fifth largest economy in the world.¹⁰ However, declining economic growth rates and relatively high unemployment combined with low fertility have made policymakers concerned about the impact of population aging. Since the end of the boom period sparked by reunification in 1990, Germany's rate of per capita GDP growth has been the third slowest of the 25 European Union member states, and one of the slowest of all the major industrial countries.¹¹ The fall in government revenues and the rise in expenditures have raised the external deficit to a looming \$3.6 trillion.¹² Moreover, structural rigidities in the labor market have made unemployment a chronic problem.

The unemployment challenge has encouraged significant migration within Germany, especially among women, who still have a lower employment rate than men.¹³ Since reunification, approximately 1.5 million people have left East Germany, nearly two-thirds of whom were women.¹⁴ Thus, fertility rates continue to be lower in East Germany, where young people, and women in particular, are likely to migrate to the West in search of employment. In both the East and the West, Germany is becoming increasingly urbanized, and remote rural areas are aging more quickly.

Since the 1950s, Germany has attracted millions of immigrants seeking employment, citizenship or asylum, such that roughly one in six German residents has an "immigration background."¹⁵ Immigration could help mitigate population aging, given that fertility rates are greater on average among immigrants than among native Germans, but it is unlikely to ever completely reverse the aging effect. Immigrants are twice as likely as native Germans to be unemployed and dependent on social welfare, and 18 percent of immigrants' children do not complete school.¹⁶ Much more needs to be done to ensure that immigrants are successfully integrated into German society – including ensuring their access to sexual and reproductive health services – and that their children can capitalize on the education system.

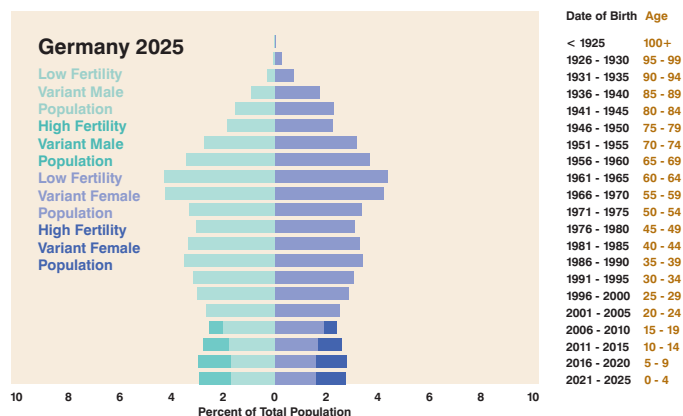
In efforts to bolster the country's declining birthrates, German politicians are aiming to transform Germany into a more family-friendly nation. Policymakers are particularly interested in neighboring countries, such as France and Sweden, where both the numbers of professional women and birthrates are high. While there is no doubt that numerous factors are contributing to Germany's low fertility, many experts agree that a change in values in support of family-friendly working conditions is paramount. On average, both men and women desire fewer than two children, well below the level necessary to sustain the population.¹⁷ However, desired fertility (1.6 children for men and 1.75 for women) is higher than the actual fertility level of 1.3, signifying that changes could help couples achieve their full desired fertility.¹⁸

The government's response includes a variety of measures that take into account parental needs for infrastructure and time, in addition to money. Currently, mothers are allowed to take up to six months of paid maternity leave and unpaid leave of up to three years. The state is working on ways to make motherhood more attractive to women, particularly by providing monetary incentives for fathers to play a larger role in child care.¹⁹ Germany has also set its sights on improving the country's day care offerings and providing tax relief for families.

In order to increase the birthrate and make an older society more sustainable, Germany will need to continue to experiment with a variety of policy measures in a two-pronged effort. Such measures should aim to better integrate immigrants into the education system and channel the positive impact of immigration to the job market; to improve work opportunities for young potential parents (especially women), and also for older people so that they stay in the work force longer. They should also help potential parents balance their professional and family lives to allow parents to have the number of children they desire, and perhaps in so doing also increase desired fertility.

Figure 4
Germany's Potential Age Structures, 2025

If fertility rates decline from the current level of 1.3 to 1.05 by 2025, as in the UN's low-fertility projection, Germany will cross into the unprecedented category of aged age structures. Achieving the high-fertility projection, in which the country would remain in the mature age structure category, would require a dramatic increase in fertility to more than two children per woman. Germany's fertility rates will have to increase to 1.55 even to meet the medium-fertility projection.



Endnotes

- 1 United Nations Population Division. 2005. *World Population Prospects: The 2004 Revision*. New York: United Nations.
- 2 Federal Statistical Office Germany. 2006. Available at <http://www.destatis.de/indicators/e/lrbev04ae.htm>, last accessed 20 November 2006.
- 3 United Nations Population Division. 2005. *World Population Prospects: The 2004 Revision*. New York: United Nations.
- 4 United Nations Population Division. 2006. *World Contraceptive Use 2005 Wallchart*. New York: United Nations.
- 5 Center for Reproductive Rights. August 1995. Excerpt from *Women of the World: Formal Laws and Policies Affecting Their Reproductive Lives*. Available at http://www.crlp.org/pub_bo_wowlaw_ger.html, last accessed 17 November 2006.
- 6 United Nations Development Programme. 2006. *Human Development Report 2006*. New York: United Nations Development Programme.
- 7 National Coalition on Health Care. *Health Care in Germany*. Available at <http://www.nchc.org/facts/Germany.pdf>, last accessed 17 November 2006.
- 8 Kroehnert, Steffen, et al. March 2006. *The Demographic State of the Nation: How Sustainable Are Germany's Regions?* Berlin, Germany: Berlin-Institute for Population and Development.
- 9 UN Development Programme. 2006. *Human Development Report 2006*. New York: UN Development Programme; UN Population Division. 2005. *World Population Prospects: The 2004 Revision*. New York: UN Population Division; UN Population Division. 2006. *World Contraceptive Use 2005*. New York: UN Population Division; World Bank. 2006. *World Development Indicators 2006*. Washington, DC: World Bank; Central Intelligence Agency (CIA). 2006. *The World Factbook 2006*. Washington, DC: CIA.
- 10 World Bank. 2006. *World Development Indicators 2006*. Washington, DC: World Bank.
- 11 United Nations Development Programme. 2006. *Human Development Report 2006*. New York: United Nations Development Programme.
- 12 Central Intelligence Agency (CIA). 2006. *The World Factbook 2006*. Washington, DC: CIA.
- 13 Federal Statistical Office Germany. 2006. Available at <http://www.destatis.de/presse/englisch/pm2006/p0980031.htm>, last accessed 20 November 2006.
- 14 Kroehnert, Steffen, et al. March 2006. *The Demographic State of the Nation: How Sustainable Are Germany's Regions?* Berlin, Germany: Berlin-Institute for Population and Development.
- 15 Ibid.
- 16 Ibid.
- 17 Ibid.
- 18 Federal Institute for Population Research at the Federal Statistical Office and the Robert Bosch Foundation, eds. 2005. *The Demographic Future of Europe—Facts, Figures, Policies: Results of the Population Policy Acceptance Study (PPAS)*. Wiesbaden, Germany: Federal Institute for Population Research.
- 19 Deutsche Welle. 2006. "New Parenting Legislation Focuses on Fathers." Available at <http://www.dw-world.de/dw/article/0,2144,1975364,00.html>, last accessed 15 November 2006.