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Recent developments regarding jurisprudence and interactions between the German-Polish Social Security Agreement and European Regulations

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The 30th anniversary of the German-Polish Social Security Agreement is an excellent opportunity to look back at the history of positive pension insurance-related collaboration between both states, on the one hand, and to examine legal challenges that arise from European integration, on the other hand. In fact, good cooperation between Germany and Poland has already been in place for over 45 years. Both states have always advocated a reliable and modern legal framework, also in view of the strong migration flows between these countries. Following Poland’s accession to the EU, another component was added: European law and the right to freedom of movement, in particular. However, more components imply more potential for conflicts. Consequently, national courts and the ECJ were given the opportunity to clarify legal issues with regard to the implementation of bilateral agreements, thereby creating more legal certainty within a Europe of open borders. This article focuses on important judgements regarding such German-Polish constellations.

Self-government of social insurance institutions – Is it outdated?

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This contribution examines critical objections with regard to self-government of social insurance institutions, i. e. doubts as to its representative status, accusations that its agencies have too little influence and criticism of its allegedly far-reaching power, and explores the validity of these objections. Are they justified or are they based on misconceptions? Overall, the concept of self-government of social insurance institutions is demonstrated within the context of collective bargaining law as well as corporate and economic co-determination as part of "social democracy". Self-government does not primarily provide a basis for self-portrayal and expressions of interest of its representatives. On the contrary, it pursues an aim that is in the public interest, namely that these representatives take an active part in the responsibility of institutions. The system of self-government ensures that its representatives are directly involved in the activities of the self-regulatory body. Self-government does not threaten democracy, instead one forms the other and is supported by it in turn. Self-government is not an alternative to democracy but rather a direct expression of it.

Reintroducing the so-called 'compensatory mechanism' – two approaches for bringing into balance the safeguard mechanisms for preventing a decrease of the pension value and a decrease of the pension replacement rate by integrating the compensatory offsetting procedure

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As a rule, German pension benefits are adjusted, i. e. increased, each year as of 1 July. In case the regular calculation process should result in a nominal decrease of the pension value, however, a safeguard mechanism takes effect in order to prevent this, using the potential reduction as an offset against future pension calculations. When the safeguard mechanism for preventing a decrease of the pension replacement rate was introduced, this very compensatory mechanism, the so-called 'Nachholfaktor', was suspended in order not to destabilize the safeguard mechanism's intended purpose. Due to the COVID-19 pandemic, however, potential reductions of the pension value are to be expected arithmetically speaking. Based on the forecasts as presented in the pension report, this might result in higher pensions in the long run, as an offset will be dispensed with. This article presents two proposals as to how the compensatory offsetting procedure could be reactivated without neutralising the safeguard mechanism for preventing a decrease of the pension replacement rate. As model calculations show, applying so-called 'separate proceedings' will regularly result in a decrease of the current pension value until 2034 with the value of the compensatory offset being reduced at the same time. Applying so-called 'integrated proceedings', however, will slow down the increase of pension and the reduction of the compensatory offset value at the same time.

‘Stop lines’ concerning contribution rate and net pension replacement rate within the German state pension scheme – distributive and allocative effects of a social arrangement

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In their final report, reform commission ‘Verlaesslicher Generationenvertrag’ (‘Reliable Inter-Generational Contract’) have suggested to stipulate obligatory so-called stop lines concerning contribution rate and net pension replacement rate even for the period after 2025. This article takes a closer look at the welfare effects brought about by a double stop line, tying in with studies that have already been conducted on this topic. Against this background, two scenarios are discussed. In the first one, the double stop line is financed by an increase of consumption tax, whereas it is funded by raising the income tax in the second one. For each scenario, inter- and intra-generational welfare effects are assessed. In addition to that, an assessment of efficiency effects resulting from modified cohort behaviour caused by a change in incentive structures is carried out. Welfare effects resulting from these model assumptions show that especially low and middle income earners in covered employment are doing better owing to the double stop line.