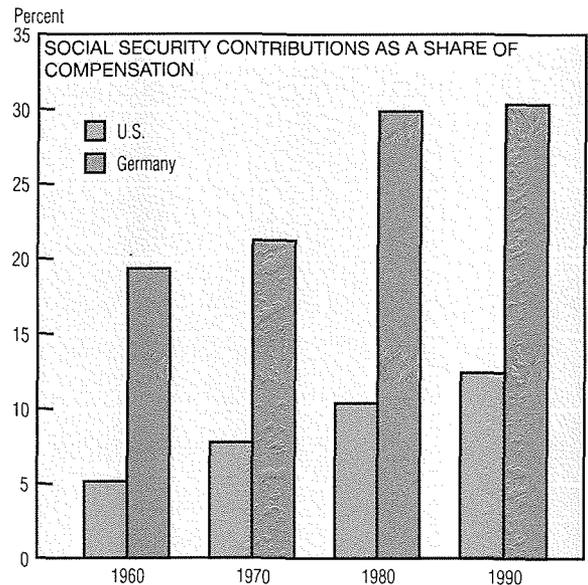
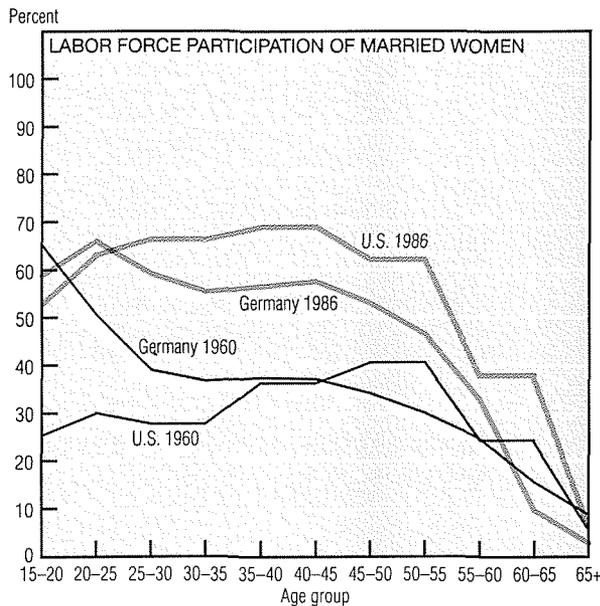
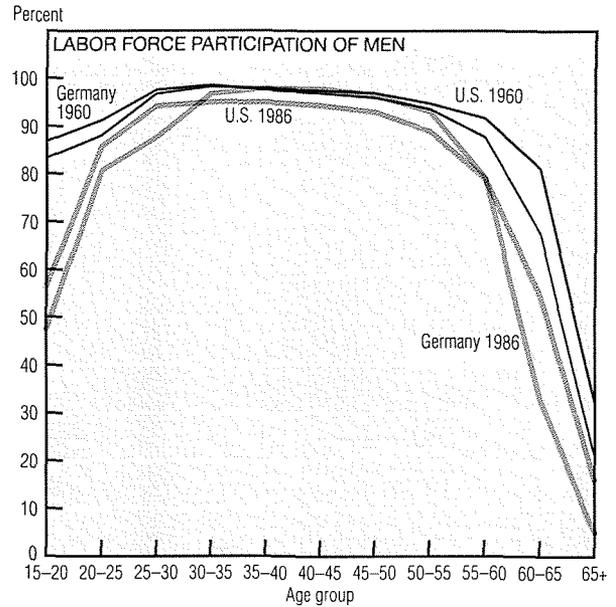
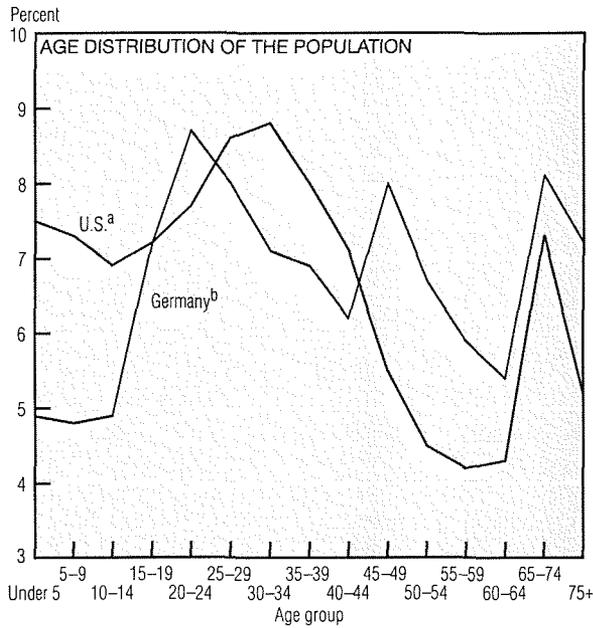


# West German Demographics and Social Security



a. 1990 data.  
 b. 1987 data.

SOURCES: U.S. Department of Labor, Bureau of Labor Statistics; U.S. Department of the Treasury; Office of Management and Budget; U.S. Department of Commerce, Bureau of Economic Analysis and Bureau of the Census; Organisation for Economic Co-operation and Development; United Nations *Statistical Yearbook*, New York, 1995; and Wolfgang Franz, *Arbeitsmarkt-Ökonomik*. Heidelberg: Springer-Verlag, 1991.

Many U.S. policymakers are worried about the effect of changing demographics on the Social Security system. Because the number of elderly Americans is increasing relative to the number of working-age people who can support them, either benefits must decrease or the Social Security tax must increase if the system is to remain solvent. Both of these options are politically unpopular.

The problems in Germany are similar, but they seem to be accelerating at a faster rate. Because its

population is older than that of the U.S., Germany already has proportionately more elderly citizens to support. Further, because German birth rates are so low, the already high proportion of elderly will continue to increase and will remain above that of the U.S. well into the next half century.

The social security system is more generous in Germany than in the U.S. Indeed, private pension programs represent a small portion of Germans' savings because the public pension is so generous. Moreover, full benefits start at age 61.

Compared to Americans, German men and women leave the labor force at a much earlier age, greatly increasing the ratio of retirees to the working population. Also, because Germany has not experienced the degree of labor force participation among married women that the U.S. has had in recent years, there are relatively fewer workers to tax. So far, the German people have opted to keep their current system. This system comes at a price: Germans pay nearly a third of their labor compensation to fund it.