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275 Report by Hermann Buslei, Johannes Geyer, Peter Haan, and Lukas Harder

Basic pension recipients are more likely to be employed than other pensioners

- Round 1.4 million people in Germany receive a basic pension averaging just under 100 euros monthly
- Those entitled to a basic pension remain in the labor market at an above-average rate
- Women in particular benefit from the basic pension supplement



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AT A GLANCE

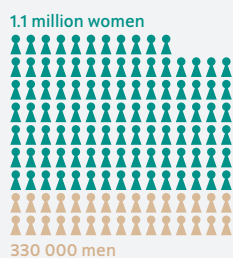
Basic pension recipients are more likely to be employed than other pensioners

By Hermann Buslei, Johannes Geyer, Peter Haan, and Lukas Harder

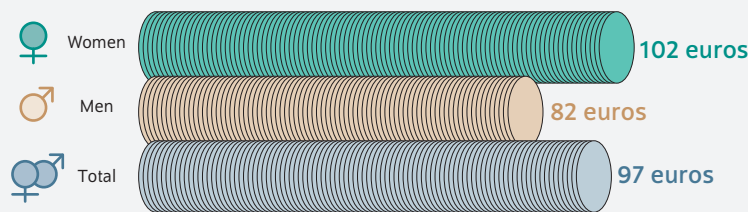
- Around 1.4 million people in Germany receive a basic pension averaging just under 100 euros monthly
- German Pension Insurance data show that women in particular benefit from the basic pension supplement
- Those eligible for basic pensions remain active in the labor market – mostly marginal employment – at above-average rates while getting their old-age pension
- People are particularly likely to remain in employment if they were working during the last year before retirement
- The planned "Aktivrente" could positively affect the extent of employment in this group if the tax allowance were also excluded from the earnings test for the basic pension

First analysis of the basic pension: Women benefit disproportionately from the supplement to retirement income

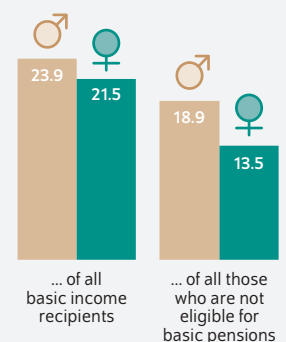
Basic pension supplement
Total (2024): 1.4 million
(Five percent of all pensions)



Amount of the average basic pension supplement
in euros per month (2024)



Working pensioners between the ages of 63 and 74 (2023)
in percent ...



Source: Pension Insurance Research Data Center; authors' own calculations.

Note: The basic pension introduced in 2021 only benefits long-term insured pensioners with low incomes.

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FROM THE AUTHORS

"The aim of the basic pension is to increase the retirement income of long-term insured persons with below-average incomes. However, many remain in employment. The "Aktivrente" currently under discussion, which makes the earned income of pensioners tax-free up to a certain amount, could therefore be an interesting option for basic pension recipients." — Johannes Geyer —

MEDIA



Audio Interview with Johannes Geyer (in German)
www.diw.de/mediathek

Basic pension recipients more likely to be employed than other pensioners

By Hermann Buslei, Johannes Geyer, Peter Haan, and Lukas Harder

ABSTRACT

With the 2021 introduction of Germany's basic pension, long-term insured persons with low incomes can receive a supplement to their statutory pension. In 2024, around 1.4 million recipients received an average pension increase of 100 euros as a result. Data from the German Pension Insurance show that women especially benefit from the basic pension supplement. At the same time, it is striking that people entitled to a basic pension are more likely to remain active in the labor market while receiving their old-age pension. The majority of them hold marginal jobs. It has been observed that all pensioners are particularly likely to continue working if they were still employed in the last year before retirement. Among basic pension recipients, the proportion of those in employment is even higher. The planned "Aktivrente" includes a tax allowance that could positively affect employment in this group; consequently, it should be excluded from the earnings test. Additionally, the growing number of basic pension recipients should be closely monitored. Politically, the primary goal is to ensure that fewer people are dependent on this supplement after a long working career.

The 2021 introduction of the basic pension supplement (Grundrentenzuschlag) aimed to increase the retirement income of long-term insured individuals with below-average incomes. Above all, in its justification, the federal government emphasized that the lifetime achievements of the beneficiaries should be taken into account.¹ Unlike a minimum pension, as other countries offer, the basic pension in Germany does not guarantee a flat-rate minimum amount;² rather it increases individual pension entitlements through an income-tested supplement based on pension points and insurance periods (box).³ Due to the complex review process behind reviewing all pension entitlements, calculating all the supplements took until the end of 2022.⁴

Parallel to the debate on poverty in old age, the labor force participation of older people is also becoming a greater focus of the pension policy debate in Germany. A frequently expressed hypothesis is that the increase in employment among older people can also be explained by their precarious income situation. This is also evident when asking about the motives for continuing to work. Pensioners with low household incomes often cite financial motives as the reason for their continued employment.⁵ However, scientific evidence on the determi-

1 For the development of the Basic Pension Act, see Silvia Dünn, Claudia Bilgen, and Sophie-Charlotte Heckenberger (2020): Das Grundrentengesetz. Deutsche Rentenversicherung 2020, Nr. 3, 325–346 (In German; available online; accessed on September 23, 2025. This applies to all online sources in this report, unless otherwise noted).

2 Internationally, several countries grant minimum pensions or basic pensions in the true sense of the word. These include the Netherlands, New Zealand, Sweden, and the United Kingdom. In these cases, the state guarantees a pension of a certain amount regardless of employment history. In some cases, like Sweden, these basic pensions are more like minimum pensions, where the pension generally depends on employment history, but with a guaranteed minimum. In other cases, such as in the Netherlands, the pension consists solely of this lump sum payment.

3 In addition to the supplement, allowances for income from the statutory pension insurance scheme were introduced for housing benefits, basic income support in old age and in the event of reduced earning capacity, as well as social assistance.

4 Accordingly, the basic pension supplement was only paid out to those entitled to it over time, including retroactively. Deutsche Rentenversicherung Bund (2023): Einführung des Grundrentenzuschlags abgeschlossen. Press release dated January 20, 2023. (In German; available online)

5 Silke Anger, Annette Trahms, and Christian Westermeier (2018): Erwerbstätigkeit nach dem Übergang in Altersrente: Soziale Motive überwiegen, aber auch Geld ist wichtig, IAB Kurzbericht 24 (In German; available online); Laura Romeu Gordo et al. (2022): Rentnerinnen und Rentner am Arbeitsmarkt: Erwerbsarbeit im Ruhestand hat vielfältige Gründe nicht nur finanzielle, IAB Kurzbericht 8 (In German; available online); Sascha Drahs-Walkemeyer (2024): Hinzuverdienst neben der Altersrente: Auf den Erwerbsstatus vor Rentenbeginn kommt es an. RV aktuell, No. 2 (In German; available online).

Box

How the basic pension is calculated

People who have accrued at least 33 years of basic pension periods are entitled to the basic pension supplement (§ 76g (3) SGB VI).¹ These include contribution periods from employment, raising children, or providing care. The full supplement is granted for pensioners with at least 35 years of basic pension periods. If these requirements are met, the pension insurance calculates the basic pension assessment periods. Only calendar months in which at least 0.025 pension points were earned are taken into account. Extrapolated to the year, this corresponds to an income of 30 percent of the average earnings of all insured persons, which in 2024 corresponded to approximately 1,130 euros per month. A basic pension supplement is also only granted if the average pension point value achieved within these assessment periods is less than 0.8 remuneration points per year (80 percent of the average earnings of all insured persons).

The exact amount of the supplement depends on the individual average pension points during the basic pension assessment periods, the total number of months with basic pension periods, and the number of months assessed.² The maximum supplement is 12.25 remuneration points, which, from July 1, 2024, corresponds to a supplement to the gross pension of 481.67 euros (from July 2025:

¹ For a list of eligible months depending on the year of retirement, see Dünn, Bilgen, and Heckenerger (2020), *idib*.

² For a detailed analysis of the calculation, see: Johannes Geyer, Peter Haan, and Michelle Harnisch (2020): *Zur Wirkung der Grundrente und der Mütterrente auf die Altersarmut*. Report for the German Council of Economic Experts No. 7, Wiesbaden (in German; available online).

499.68 euros). However, the average supplement is significantly lower, as shown in this analysis.

Before the basic pension supplement is paid, an automatic earnings test is carried out, based on taxable income plus tax-free pensions and benefits, as well as capital gains exceeding the lump sum (§ 97a Abs. 2 Satz 2 SGB VI). Since taxable income is only finally determined by the tax authorities after a certain period of time, typically not the current income, but rather income from the previous year (t-2) is used for the earnings test. The basic pension supplement itself is not part of taxable income. The earnings test applies different income limits for single persons (1,438 in 2025 euros) and married couples or registered civil partnerships (2,243 euros in 2025). If income exceeds this amount, 60 percent is credited against the basic pension supplement. If income exceeds 1,840 euros (single persons) or 2,646 euros (married couples/civil partnerships), 100 percent of the income is credited.³

Fulfilling the basic pension periods (waiting periods) also affects supplementary social benefits from basic income support, housing allowance, and social assistance. For example, an allowance for pension income from pensions was introduced in the aforementioned transfer system – if at least 33 years of basic pension periods have been completed.

³ The income limits are calculated as a multiple of the current pension value and, thus, are adjusted each year in line with pension adjustments.

nants of employment in retirement is limited. Various analyses suggest that employment status in the years prior to retirement has a significant influence on the likelihood of employment during retirement.

This Weekly Report evaluates current data on basic pensions, thereby updating and expanding on previous analyses.⁶ It also analyzes the relationship between the basic pension supplement and employment in old age. The group of basic pension recipients has two interesting characteristics: First, it is relatively close to the labor market, as beneficiaries must have a long insurance history and, second, as these are low-income individuals, they may also be dependent on employment for financial reasons. The analysis is based on an evaluation of administrative data from the German Pension Insurance.⁷

⁶ Johannes Geyer and Peter Haan (2024): *Bilanz der Grundrente: Weniger Menschen als erwartet profitieren davon*. DIW aktuell No. 91 (in German; available online); Johannes Geyer (2024): *Die Grundrente: Was ist das eigentlich? Mythen der Sozialpolitik*; Teil 5; WSI-Blog Work on Progress (in German; available online).

⁷ Forschungsdatenzentrum der Rentenversicherung (FDZ-RV) (2025): *Aktiv Versicherte 2023*, OSV.AKVS. 2023 (On-Site-Version 1.0); *Rentenbestand 2022–2024*, OSV.RTBN.2022–2024 (On-Site-Version 1.0); *Rentenzugänge 2011–2023*, OSV.RTZN.2011–2023 (On-Site-Version 1.0).

Number of basic pension beneficiaries rises considerably

At the end of 2024, around 1.4 million statutory pensioners received a basic pension supplement (Table 1).⁸ This corresponds to 5.4 percent of all current pensions paid by the statutory pension insurance scheme and represents an increase of just under ten percent compared to 2023, when around 1.27 million people received a supplement (4.9 percent). While fewer people than forecasted initially benefited from the basic pension supplement in 2022,⁹ the current number of recipients now exceeds the 1.3 million expected cases.¹⁰ A similar trend can be observed among people who are entitled to a basic pension but do not receive the payment due to the earnings test. Since the introduction of the benefit, this group of people has been roughly the same size as those

⁸ Strictly speaking, around 1.4 million pensions are being increased, not the same number of people. The difference arises from the fact that individuals can receive multiple pensions and, thus, also receive multiple basic pension supplements. However, this only affects a small proportion of pensioners. For the sake of clarity, the term "people" is used in the following.

⁹ Geyer and Haan (2024), *ibid*.

¹⁰ Deutscher Bundestag (2020): *Entwurf eines Gesetzes zur Einführung der Grundrente für langjährige Versicherte in der gesetzlichen Rentenversicherung mit unterdurchschnittlichem Einkommen und für weitere Maßnahmen zur Erhöhung der Alterseinkommen* (Grundrentengesetz). Bundestags-Drucksache 19/18473 (April 8, 2020).

Table 1

Basic pension supplement and entitlement by pension type

Number and proportion by gender in 2024

Pension type	Men (thousands)	Men (percent)	Women (thousands)	Women (percent)	Total (thousands)	Total (percent)
Basic pension supplement						
Old-age pension	278	3.3	942	8.9	1,220	6.5
Disability pension	19	2.5	48	4.9	67	3.8
Survivor's pension	33	3.7	80	1.8	113	2.1
Total	330	3.3	1,070	6.7	1,400	5.4
Basic pension entitlement						
Old-age pension	431	5.2	1,972	18.7	2,403	12.7
Disability pension	25	3.3	85	8.8	111	6.3
Survivor's pension	100	11.3	134	3.0	234	4.3
Total	556	5.6	2,191	13.7	2,748	10.5

Note: The percentages refer to all pensions of the respective pension type as of December 31, 2024.

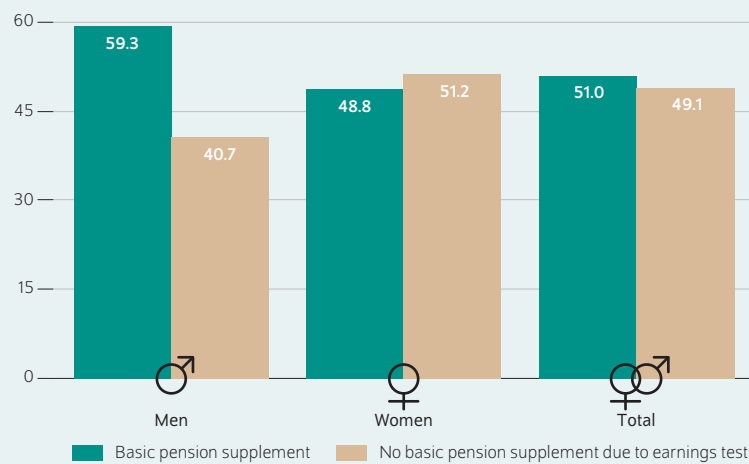
Source: Pension Insurance Research Data Center; authors' own calculations.

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Figure 1

Importance of the earnings test for the granting of the basic pension supplement

In percent in 2024



Note: Pension stock as of December 31, 2024.

Source: Pension Insurance Research Data Center; own calculations.

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Women are more likely than men to be denied the basic pension supplement due to high household income.

who receive the supplement. Accordingly, the total number of people entitled to a basic pension now stands at 2.75 million (Table 1). One reason for this trend is the increasing number of new pensioners. Not only are the new cohorts larger, but a larger proportion of new pensioners are also entitled to receive the basic pension supplement. The older cohorts are also smaller due to the increase in mortality with age and are less likely to qualify for the basic pension supplement.¹¹

11 Johannes Geyer (2025): Zwischen Leistungsausbau und sozialem Ausgleich – Verteilungseffekte aktueller Rentenreformen. Soziale Sicherheit 74(6), 20–25.

As in previous years, most supplements were paid in the context of old-age pensions. In 2024, more than 1.2 million of the supplements, or 87 percent, were paid for this type of pensioners. Of all old-age pension recipients, 6.5 percent received a basic pension supplement, compared with 3.8 percent and 2.1 percent for disability pensions and survivors' pensions, respectively.¹²

Women are the main beneficiaries of the basic pension

There are significant differences between the sexes when it comes to basic pension payments. In 2024, around 1.1 million women received a basic pension supplement, which corresponded to around 76.4 percent of all supplements (Table 1). While 8.9 percent of all women receiving old-age pensions received a basic pension supplement, this was only the case for 3.3 percent of men receiving old-age pensions. A comparable discrepancy between men and women is also seen in the case of reduced earning capacity pensions. In the case of survivors' pensions, however, the relative proportion of men receiving a basic pension supplement was 3.7 percent, which is slightly higher than that of women receiving survivor's pensions (1.8 percent). This is explained by the fact that, in this case, the man's basic pension entitlement is based on the insurance history of his deceased partner.

Overall, the significant gender gap reflects structural differences in employment histories. Despite long insurance periods, many women have only low, below-average incomes, which is reflected in significantly lower pension entitlements (gender pension gap).¹³ This is mainly due to interrupted employment histories, lower-paid jobs, and the high

12 Due to the requirement of 33 years of waiting periods (basic pension periods), people with reduced earning capacity cannot qualify for the basic pension supplement before the age of 50 (assuming starting work after high school).

13 Peter Haan et al. (2025): The Gender Pension Gap Grows the More Children a Woman Has. DIW Weekly Report No. 12/13, 79–85 (available online).

Table 2

Basic pension supplement and entitlement by region and gender

Percentage of eligible persons by pension type in 2024

Pension type / Region	Basic pension supplement		Basic pension entitlement	
	Men	Women	Men	Women
East Germany				
Old-age pension	6.4	10.4	9.6	17.8
Disability pension	5.9	5.4	7.7	8.0
Survivor's pension	3.9	2.4	10.3	4.5
Total	6.1	7.9	9.5	13.6
Western Germany				
Old-age pension	2.7	9.0	3.6	19.4
Disability pension	1.5	4.9	2.0	9.1
Survivor's pension	3.9	1.7	12.1	2.5
Total	2.7	6.8	4.2	14.2

Note: The percentages refer to all pensions of the respective pension type in the region as of December 31, 2024.

Source: Pension Insurance Research Data Center; authors' own calculations.

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proportion of part-time employment (gender pay gap).¹⁴ For decades, there has been a significantly higher part-time employment rate among working women. In 2024, around 49 percent of working women were part-time employed, compared to only around 12 percent of men.¹⁵ In the long term, these part-time rates result in a high proportion of women with many years of employment but, at the same time, permanently low incomes. This is especially true since periods of childcare also count toward the basic pension period, meaning that mothers retain the opportunity to reach the minimum waiting period of 33 years even if they take longer breaks from work.

Around 50 percent do not receive the basic pension because their income is too high

The proportion of women is even higher (79.8 percent) when considering not just the actual basic pension payments, but also the fulfillment of the eligibility requirements (box). Only slightly more than half of the approximately 2.75 million eligible people actually received a supplement in the form of additional income points (Figure 1). The proportion of people who met the eligibility requirements but did not receive a basic pension due to the earnings test was significantly higher among women (51.2 percent) than among men (40.7 percent). This difference can be primarily explained by gender-specific income disparities within households. Women are more likely to live in couple households where the household income prevents the supplement from being paid.

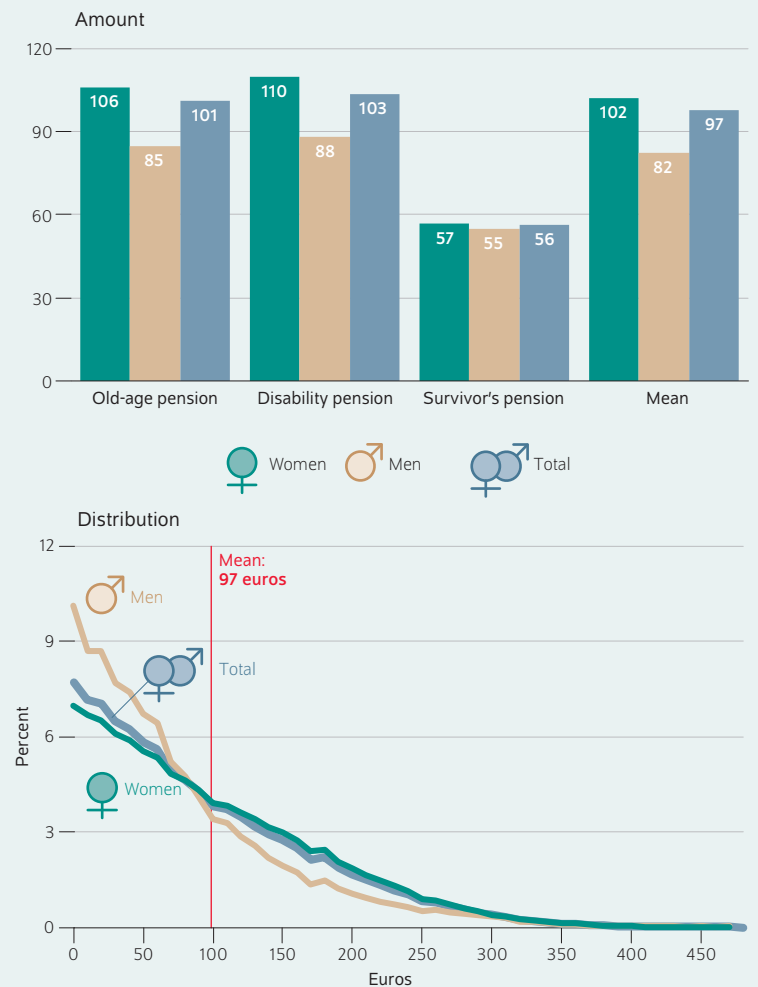
¹⁴ Fiona Herrmann and Katharina Wrohlich (2025): Gender Pay Gap steigt in allen Bildungsgruppen mit dem Alter stark an. DIW Wochenbericht No. 10, 131–137 (in German; available online).

¹⁵ Statistisches Bundesamt (2025): Fast jede zweite erwerbstätige Frau arbeitet in Teilzeit. Press release No. 175 of May 19, 2025 (in German; available online); Svenja Pfahl, Eugen Unrau, and Anika Lindhorn (2025): Teilzeitquoten der abhängig Beschäftigten 1991–2023. WSI GenderDataPortal (in German; available online).

Figure 2

Amount and distribution of the average basic pension supplement in the pension stock

Percentage distribution in 2024 according to the amount of the supplement in euros per month



Note: Pension stock as of December 31, 2024.

Source: Pension Insurance Research Data Center; authors' own calculations.

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On average, women receive a basic pension supplement that is 20 euros per month higher than that received by men.

Pensioners in eastern Germany receive the basic pension more often

In addition to gender-specific differences, regional patterns between eastern and western Germany can also be identified. In 2024, the proportion of pensioners receiving the basic pension supplement was higher in the eastern federal states. This difference was particularly pronounced among men, whose share in eastern Germany was more than three percentage points above the western German level (Table 2). Among women, the difference was slightly smaller, at just over one percentage point. These regional differences can be explained, on the one hand, by the fact that significantly

Table 3

Employment among 63- to 74-year-olds receiving old-age pensions

In terms of numbers and percentages in the respective group in 2023

Employment	Total		Basic pension recipients		Eligible without payment		No entitlement	
	Thousand	Percent	Thousand	Percent	Thousand	percent	Thousand	percent
Total								
Employment	1,545	17.4	167	22.0	166	24.1	1,212	16.3
Mini-job only	1,046	11.8	116	15.3	105	15.2	825	11.1
More than marginal	500	5.6	51	6.7	62	8.9	387	5.2
Men								
Employment	797	19.3	41	23.9	27	31.5	729	18.9
Mini-job only	527	12.8	27	15.7	15	18.4	484	12.5
More than marginal	270	6.5	14	8.2	11	13.2	245	6.3
Women								
Employment	748	15.7	126	21.5	140	23.1	483	13.5
Mini-job only	519	10.9	89	15.2	89	14.7	341	9.5
More than minor	230	4.8	37	6.3	50	8.4	142	4.0

Notes: The percentages refer to all persons in the respective group aged 63 to 74 who were receiving a pension on December 31, 2023. Eligible without payment refers to those who do not receive a basic pension supplement due to the earnings test. The percentage of employed persons does not include self-employed persons.

Source: Pension Insurance Research Data Center; authors' own calculations.

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more men in eastern Germany meet the eligibility requirements for the basic pension than in western Germany.¹⁶ On the other hand, income calculation has a greater impact in western Germany than in eastern Germany. While only about 50 percent of those eligible for the basic pension in the west received the supplement after the earnings test, this proportion was around 60 percent in the east (without table).

Women receive higher monthly supplements

In 2024, the average monthly gross supplement¹⁷ from the basic pension was around 97 euros. Men received an average of 82 euros, while women received 102 euros (Figure 2). Broken down by pension type, the supplement was higher for pensions due to reduced earning capacity and old-age pensions than for survivors' pensions. With an average monthly pension payment of 990 euros for basic pension recipients, the supplement of 97 euros represented a significant increase in individual pensions. However, the means test is also relevant within the group of recipients. After the earnings test, the basic pension supplement within this group is reduced by an average of 72 euros, which means that without the earnings test, their supplement would average 170 euros.

Since the majority of eligible persons received only a very low supplement, the median¹⁸ of the supplements for both sexes was below the respective average of 97 euros; namely 85 euros

for women and 61 euros for men. Individual pensioners received amounts of up to 464 euros per month (Figure 2).

Basic pension entitlement often goes hand in hand with employment

Despite receiving an old-age pension, a significant proportion of pensioners aged 63 to 74 remained professionally active. In 2023,¹⁹ more than 1.5 million pensioners in this age group were in employment (Table 3).²⁰ This corresponds to 17.4 percent of all people in this group. Minor employment was particularly common, with over one million people (11.8 percent) in such jobs. Around 500,000 pensioners were in formal employment subject to social insurance contributions (5.6 percent).

The descriptive analysis of employment rates shows a clear correlation between entitlement to a basic pension supplement and continued employment. Among recipients of the supplement, the employment rate was 22 percent; about five percentage points above the average employment rate for all pensioners (Table 3). The proportion was even higher among people who met the eligibility requirements but did not receive any payments due to their own or their partner's income. In this group, 24.1 percent continued to be employed. Among people without entitlement, the rate was significantly lower at 16.3 percent. This difference was particularly large

16 This is also because some (older) beneficiaries in eastern Germany receive the supplement based on the provisions of § 307f of the German Social Security Code VI (SGB VI). This concerns a number of special provisions for pensions that were calculated according to federal law applicable before 1992.

17 Social security contributions (nursing care and health insurance) and, where applicable, income tax are deducted from the gross supplement.

18 The median (middle value) divides basic pension recipients into two equal groups sorted by supplement amount. Compared to the average (arithmetic mean), the median is more robust against outliers.

19 Since the insurance statistics for 2024 were not yet available at the time of publication of this DIW Weekly Report, employment is analyzed using 2023 data.

20 Unlike previous DRV evaluations, this analysis takes into account employment during the year, not just employment on the reference date (December 31). This allows seasonal employment to be included. At the same time, however, the data do not clearly distinguish between activities before and after the start of retirement in the year of retirement when it comes to marginal employment. For this reason, only marginal employment that still existed on the reference date of December 31, 2023, is included in this year. This leads to a conservative estimate of employment in the year of retirement.

among pensioners under the age of 70. In older age groups, aged 70 and above, the gap narrowed increasingly, and the employment rates converged (Figure 3).

The differences in employment are evident in both mini-jobs (marginal employment) and more than marginal employment. The proportion of people with more than marginal employment among basic pension recipients was 6.7 percent, which is 1.5 percentage points above the level for people without entitlement. Even though this difference seems small, the relative gap is around 29 percent. The difference was even greater for mini-jobs. Here, the difference was 4.2 percentage points, which corresponds to a relative difference of around 38 percent.

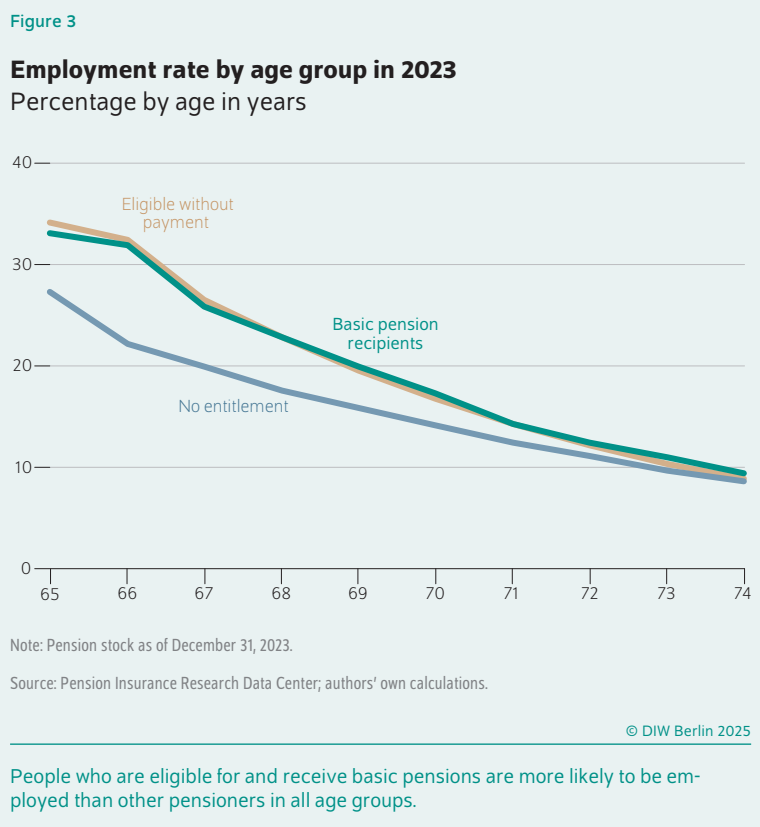
Eligible pensioners without basic pension payments were particularly likely to be in employment above the marginal employment threshold (just under nine percent). Compared to people without entitlement, of whom only slightly more than five percent were employed above the marginal employment threshold. This corresponds to a relative difference of almost 72 percent. This high proportion could be related to the fact that income from employment often exceeds the income thresholds, thereby preventing payment of the basic pension supplement.

The higher labor force participation of basic pension recipients cannot be explained by their receipt of the basic pension. In theory, the basic pension supplement actually reduces the incentive to work, as additional income reduces entitlement, if not completely negating it.²¹ Thus, the high employment rate is more likely to be due to the underlying employment profile. This is discussed in detail below. At the same time, the continuing low level of income likely plays an important role. This means that people continue to be dependent on employment income despite receiving a basic pension.

Greater variation in women's employment depending on basic pension eligibility

The gender-specific evaluation of employment alongside pension receipt highlights structural differences between men and women. Overall, the employment rate among male pensioners was 19.3 percent, which is higher than the rate among female pensioners, which stands at 15.7 percent (Table 3). Within the group receiving a basic pension supplement, employment among men rose to 23.9 percent, which was significantly higher than in the group not entitled to a basic pension (18.9 percent). Among women, the difference between the groups was even more pronounced: 21.5 percent of female pensioners with a basic pension supplement were employed, compared to only 13.5 percent of women without entitlement. Further analysis shows that women without basic pension entitlement have fewer months of

²¹ In addition, the basic pension supplement also increases the number of people eligible for housing benefits and basic income support, which, in turn, creates negative incentives to work. Furthermore, the basic pension supplement itself is means-tested. Thus, taxable earned income could negatively affect the supplement, consequently reducing incentives to work.



contributions on average, as they were only active on the labor market to a limited extent or in phases during their working lives. Thus, employment history plays a key role in continued employment in old age, particularly for women. However, the low incomes of female pensioners with a basic pension supplement are also likely to be a factor.

Labor market attachment before retirement important driver for continued employment

To analyze employment in retirement in a more nuanced way, two key factors supplement the evaluation below. On the one hand, regional differences are taken into account and, on the other hand, employment status in the year before retirement is included.²²

Previous studies emphasize the importance of employment in the previous year for the likelihood of continuing to work after retirement.²³ The data also shows a clear correlation. While 26.2 percent of people who were employed in the year before retirement also worked after retirement, only 7.4 percent of pensioners who were not employed before retirement started a new job (Table 4). Over 83 percent of employed retirees were also working in the year before retirement.

²² Employment in the previous year can be seen from the pension commencement statistics (Rentenzugangstatistik). However, this information is only available for 91.1 percent of the age group under consideration. In the following, therefore, only the group for which corresponding data is available (excluding foreign pensions) is considered.

²³ Drahs-Walkemeyer (2024), *ibid.*

Table 4

Employment among 63- to 74-year-olds receiving old-age pensions by employment status prior to retirement

Percentage share in 2023

Employed in the year before retirement		Total		Basic pension recipients		Eligible without payment		No entitlement	
		No	Yes	No	Yes	No	Yes	No	Yes
Total	Employment	7.4	26.2	9.4	29.5	8.3	29.9	7.2	25.3
	Mini-job only	5.6	17.1	7.4	20.1	6.4	18.4	5.4	16.5
	More than marginal	1.8	9.1	2.0	9.4	2.0	11.5	1.8	8.8
Eastern Germany	Employment	7.3	20.3	9.5	23.8	11.1	26.5	6.9	19.0
	Mini-job only	5.2	12.8	6.6	16.3	7.2	16.1	4.9	11.9
	More than marginal	2.2	7.4	2.9	7.5	3.9	10.4	2.0	7.1
Western Germany	Employment	7.4	27.9	9.4	31.6	7.7	30.6	7.2	27.0
	Mini-job only	5.7	18.3	7.8	21.5	6.2	18.9	5.5	17.8
	More than marginal	1.7	9.6	1.6	10.1	1.5	11.8	1.7	9.2

Notes: The percentages refer to all persons aged 63 to 74 in the respective group who were receiving a pension on December 31, 2023. Eligible without payment refers to those who do not receive a basic pension supplement due to the earnings test. The proportion of employed persons does not include self-employed persons. The table does not include pensioners who are not included in the pension access statistics for 2011 to 2023.

Source: Pension Insurance Research Data Center; authors' own calculations.

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The difference is particularly salient in the case of employment relationships above the marginal employment threshold. In this group, 9.1 percent of former employees continued to work in a job above the marginal employment threshold after retirement, while only 1.8 percent of those who were not employed shortly before retirement entered into such employment. Differences in employment ties, qualifications, health, and individual preferences can explain these patterns.²⁴ People who were actively participating in the labor market shortly before retirement not only have better institutional and social connections, but also current work experience, which makes it easier for them to continue working. In contrast, the probability of re-entering the labor market during retirement is significantly lower for those who were previously not employed, continually decreasing as the duration of unemployment increases.

A similar pattern can also be seen among basic pension recipients. However, regardless of their employment status shortly before retirement, they had higher employment rates than people without entitlement in both groups. Again, mini-jobs dominated employment contracts during retirement. Of those who were employed shortly before retirement and received a basic pension, around 29.5 percent remained professionally active, compared with 25.3 percent of those without entitlement. Among those who were not employed shortly before retirement, the proportion of basic pension recipients who were professionally active was 9.4 percent, compared to only 7.2 percent for those without entitlement.

This confirms that employment history has an explanatory influence beyond the previous year's employment.

A regional comparison shows that pensioners in western Germany remained in employment slightly more than those in eastern Germany. This difference existed regardless of their basic pension status, i.e., it affected both people with and without entitlement to a supplement. However, a detailed analysis based on employment status in the year before retirement shows that the slightly higher employment level in the West can be explained by differences in employment among those working in the previous year. While the employment rates for people without employment in the previous year are similar (7.3 percent in the east, 7.4 percent in the west), 27.9 percent of West Germans with employment in the previous year were working, compared to 20.3 percent of East Germans with employment in the previous year (Table 4).

However, regional differences in labor demand, which is lower in the eastern German states, must also be taken into account. Within this evaluation, the employment rates for basic pension recipients were consistently higher than for people without entitlement, with mini-jobs specifically showing higher rates.

Conclusion: Basic pension entitlement correlates with employment – further development should follow

The basic pension introduced in 2021 is a, so far, little studied social security instrument. Newly available data allow for initial assessments of whether the instrument is achieving its intended objectives and whether any adjustments or changes in direction are already necessary. Due to the strict requirements for granting benefits, the target group of long-term insured persons with low pensions is reached, with simultaneous verification of household income, as designed.

²⁴ Older people who are not in employment and do not receive a pension are often not registered as unemployed and, for a variety of reasons (including a lack of employment opportunities, illness, permanent reduced earning capacity, and personal commitments), are not looking for work; cf. Hermann Buslei, Johannes Geyer, and Peter Haan (2024): Beschäftigungspotenziale Älterer – Umfang und Realisierungschancen bis 2035. Bertelsmann Stiftung, 35 ff (in German; available online).

With about 1.4 million recipients and an average gross monthly payment of around 100 euros in 2024 (with an average pension payment of just under 1,000 euros), the instrument is becoming increasingly important not just for old-age provision as a whole, but also for individual beneficiaries. After all, 6.5 percent of all old-age pensions are now supplemented. At the same time, people with a long insurance period but less than 33 years of basic pension periods will continue to receive nothing at all. Another consequence of the basic pension supplement's design is that "lifetime achievement" is assessed differently. As the analysis shows, a high proportion of women who would be entitled to the basic pension on the basis of their own insurance periods do not receive it or have it reduced because their household income is too high. This occurs more frequently in western Germany than in eastern Germany. However, the means test increases the accuracy of the basic pension supplement in supporting low incomes in the pension phase and reducing poverty in old age.

With the introduction of the basic pension supplement, the German federal government broke new ground in terms of concept and organization, as information on both individual employment history and household income is used to calculate the basic pension supplement. The fact that the basic pension is paid out via the pension insurance system without a complex application procedure means that there are no problems of under-take-up, which is estimated to be significant in the case of basic income support (Grundsicherung) in old age.²⁵ Since the basic pension better reaches low-income households and, therefore, is an effective means of reducing

poverty in old age, entitlement should be extended to people with a shorter insurance period who are particularly vulnerable to the risk of poverty. It would be conceivable for the entitlement to be reduced in the case of a shorter insurance period, so that "lifetime achievement" continues to be taken into account.

At the same time, politicians must critically monitor the increasing importance of the basic pension supplement. A rising number of basic pension recipients shows that, even with continuous insurance histories, employment biographies do not guarantee a sufficiently high income in old age. Redistribution after retirement is not ideal, as it only mitigates the consequences of low wages and low employment. However, these are areas falling within the remit of labor market and education policy.

An interesting finding is that basic pension recipients work more often than pensioners as a whole – at least up to the age of 74. An obvious reason for this could be that, even with the supplement, these individuals' income is low compared to the average pensioner and they must work. On the other hand, those who do not receive the basic pension due to their income also work more. In any case, the eligibility requirement of a long working life means that eligible women in particular had an above-average attachment to the labor market. It is precisely this attachment, especially if it continues until retirement, that facilitates continued labor force participation in old age. The currently planned "Aktivrente"²⁶ could positively affect labor force participation if the tax allowance are also excluded from the earnings test for the basic pension.

²⁵ Hermann Buslei et al. (2019): Starke Nichtinanspruchnahme von Grundsicherung deutet auf hohe verdeckte Altersarmut. DIW Wochenbericht No. 49, 909–917 (in German; available online).

²⁶ Stefan Bach et al. (2025): Active Pension Mainly Relieves Higher-Earning Pensioners; Employment Effects Are Uncertain. DIW Weekly Report No. 25/26, 143–149 (available online).

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