PRESS RELEASE

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Basic pension increases life expectancy

- **OECD warns of old-age poverty**
- **German government subsidy for low-income pensions analyzed**

Bonn, Mannheim, Germany, 11.03.2024 – **Subsidizing pensions of low-income retirees has important health benefits and lowers the risk of dying early. The analysis of German administrative data shows: A government subsidy of 100 Euros per month (13% increase of pension benefits) reduces the probability of dying before age 65 by 23.5 percent, before age 70 by 8 percent and before age 75 by 2 percent. These are findings of the discussion paper "Live Longer and Healthier: Impact of Pension Income for Low-Income Retirees" published by the EPoS Economic Research Center at the Universities of Bonn and Mannheim.**

"Small extra money prolongs the lives of low-income retirees," says Han Ye from the EPoS Economic Research Center. There is a second benefit of the government subsidy: Additional incomes also lead to better physical and mental health of low-income pensioners."

Extra 65 Euros prolong lives by two months
The researchers analysed the data covering retirees who died between 1994 and 2018. They find that being eligible for the German pension subsidy program at the time leads to a permanent increase in monthly pension income of 8.6 percent, which amounts to about 65 Euros per month. Those eligible lived two months longer. "These results highlight that pension subsidies can be a key measure in tackling extreme consequences of old-age poverty," says Ye.

OECD warns of old-age poverty
The OECD emphasizes how old-age poverty has become an important policy concern in light of less generous public pensions. Many governments have provided safety nets for pensioners with low benefits. However, so far, relatively little is known about how pension income affects mortality and health. The analysis of German data emphasizes the importance of old-age income support programs.

Men' health improves with income support
The benefical effect of additional pension income is most prominent among men. Income support by the government leads to significant improvements in both mental and physical health for elderly men. The possible explanations are that these retirees feel less financially constrained, more optimistic about the future and life chances, and reduce alcohol and cigarette consumption.

"Providing safety nets for low-income pensioners is important," says Ye. "Subsidies can narrow the socioeconomic disparities in old-age mortality. Our results not only apply to Germany but also other countries with a contributory pension system and universal healthcare."

What about women?
Eligible women benefit less from the subsidy. While marital status and number of children do not explain the different gender responses, the authors find suggestive evidence that household level, financial resources, and initial health status might. First, the composition of eligible women is more heterogeneous than that of men. For example, some eligible women are not poor when including additional financial resources other than their own pension. Second, eligible women are on average healthier to start with than eligible men, possibly due to

different lifetime working conditions and occupations. Therefore, women's health cannot benefit that much from additional money. "More research is needed to understand what are the effects of pension subsidies on women and how to improve targeting to those in need," says Ye.

The presented discussion paper is a publication without peer review of the Collaborative Research Center Transregio 224 EPoS. Access the full discussion paper here: https://www.crctr224.de/research/discussion-papers/archive/dp514

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The Collaborative Research Center (CRC) Transregio 224 EPoS
Established in 2018, the Collaborative Research Center Transregio 224 EPoS, a cooperation of the universities Bonn and Mannheim, is a long-term research institution funded by the German Research Foundation (Deutsche Forschungsgemeinschaft, DFG). EPoS addresses three key societal challenges: how to promote equality of opportunity; how to regulate markets in light of the internationalization and digitalization of economic activity; and how to safeguard the stability of the financial system.

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