

PRESS RELEASE

Reforming the social insurance schemes, curbing rise in contribution rates

- The war in Iran is weighing on economic development in Germany. The GCEE has lowered its gross domestic product (GDP) growth forecast for the current year to 0.5 % and expects output growth of 0.8 % for 2027.
- According to the GCEE's projections, total contribution rates will rise to almost 50 per cent by 2040 across all social insurance schemes. Higher contribution rates dampen output growth.
- The finances of the statutory health insurance (GKV) should primarily be stabilised by curbing the current sharp rise in expenditures. For this, reforms aimed at controlling expenditures in inpatient care and on pharmaceuticals are particularly suitable.
- Social long-term care insurance (SPV) should be retained as a partial insurance scheme. Care classifications should be limited and measures that are not targeted should be abolished. With cohort-specific funding, the financial burden of social long-term care can be distributed in a way that is fairer across generations, and the level of benefits in social long-term care insurance can be stabilised.

Berlin, 27.05.2026 – The already weak economic performance is being hampered once again by the current energy supply shock. At the same time, demographic ageing is intensifying the pressure on social insurance schemes. Their expenditures are rising faster than the contribution-based revenue, so the total contribution to social insurance schemes is expected to rise to almost 50 per cent by 2040. This trend is increasingly becoming a burden on the economy. Higher contribution rates increase labour costs for companies and reduce households' net incomes. "The foreseeable rise in social insurance scheme expenditures should be slowed down. At the same time, it is essential to stabilise the revenue base and the level of benefits provided by the social insurance schemes," says Monika Schnitzer, chair of the German Council of Economic Experts (GCEE).

War in Iran boosts inflation and erodes purchasing power

The rise in energy prices caused by the war in Iran is driving inflation, thereby reducing the purchasing power of private households. Consumer price inflation in Germany is expected to rise to 3.0 per cent this year and to fall only slightly to 2.8 per cent in 2027. High energy costs are also burdening companies, reducing industrial production – which is already in decline – and hampering private investments. Public expenditures from the fiscal package for defence and infrastructure are likely to support gross domestic product (GDP) growth in Germany over the forecast period. The GCEE expects Germany's GDP to grow by 0.5 per cent in real terms in 2026 and by 0.8 per cent next year.

Rising contribution rates dampen growth prospects

Social insurance schemes, comprising the unemployment, accident, pension (GRV), health (GKV) and long-term care (SPV) insurance, form a central pillar of social security in Germany. They protect households against major life and employment risks. Contribution rates

will rise across all social insurance schemes by 2040 due to the demographic ageing. The GCEE expects the total contribution to the social insurance schemes to rise to 45.4 per cent in 2030 and to 49.7 per cent by 2040. This increase will dampen output growth in the economy. Estimates show that the expected rise in the total contribution rate will reduce GDP by 0.5 per cent to 0.9 per cent by 2035 (compared to a scenario without contribution rate increases). As contribution rates rise, the net income of households falls and their consumption declines. Simulations by the GCEE also show that younger cohorts will have to spend a significantly higher proportion of their lifetime earnings on social insurance contributions over the course of their working lives than older cohorts, shifting the intergenerational burden to the younger, smaller cohorts.

Health insurance: curbing expenditure growth, promoting prevention

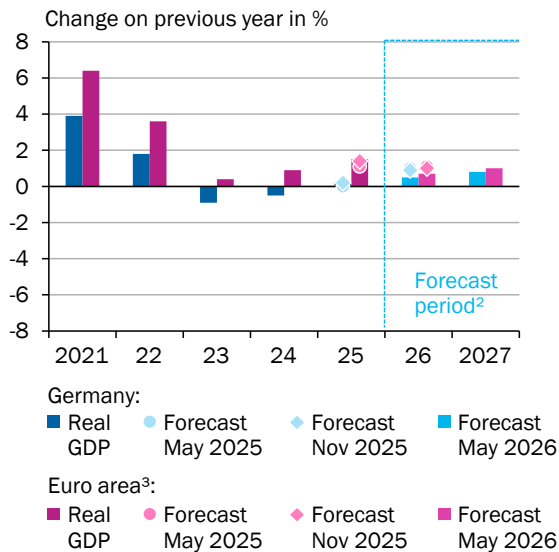
Expenditures by the GKV have grown significantly faster (by just under 64 per cent) than its revenue (by just under 31 per cent) since 2005. Therefore, funds should be used efficiently and the rise in expenditures, particularly in inpatient care and for pharmaceuticals, should be curbed. At the same time, preventive healthcare should be strengthened. Reforms on the revenue side can also help to stabilise the financing of the GKV. For instance, abolishing the non-contributory co-insurance for spouses who are not raising children would increase the GKV's revenue.

Care insurance: focusing on benefits, financing that is fair to all generations

Following the reform of social long-term care insurance in 2017, expenditure under the SPV has also risen sharply. This increase will continue due to demographic ageing. A new reform of the SPV must resolve the trade-off between the scope of benefits, the level of the contribution rate and the level of co-payments by those in need of care. A single measure will not be able to address all three objectives simultaneously; rather, a package of different measures is necessary. Firstly, care classifications should be limited to the level recommended by the expert advisory board in 2013. Secondly, the benefit surcharge and the relief allowance should be abolished, as both benefits are not very targeted. Thirdly, the capital funding in the care system should be reoriented. To stabilise the level of benefits, a new care provision fund with cohort-specific capital funding should be established.

Economic outlook for Germany and Europe

GDP¹ in Germany and the euro area



Key economic indicators (in %)

	2025	2026 ²	2027 ²
Germany			
GDP growth ¹	0.2	0.5	0.8
Inflation rate	2.2	3.0	2.8
Unemployment rate ⁴	6.3	6.4	6.2
Wage growth ⁵	4.5	3.5	3.4
Budget balance ⁶	- 2.7	- 3.7	- 4.3
Euro area			
GDP growth ^{1,3}	1.5	0.7	1.0
Inflation rate ⁷	2.1	3.0	2.6
Global economy⁸			
GDP growth ^{1,3}	2.7	2.3	2.3
Inflation rate	3.0	3.5	2.8

1 – Constant prices. 2 – Forecast by the GCEE. 3 – Values are based on seasonal and calendar-adjusted quarterly figures. May 2025 and November 2025 forecasts without Bulgaria. 4 – Registered unemployed in relation to civil labour force. 5 – Change of gross wages and salaries (domestic concept) per employees' hour worked. 6 – In relation to nominal GDP; territorial authorities and social security according to national accounts. 7 – Change of the Harmonised Index of Consumer Prices. 8 – Aggregation according to the weights in Table 1.

Sources: Eurostat, Federal Statistical Office, national statistical offices, own calculations

© Sachverständigenrat | 26-100-01

The German Council of Economic Experts (GCEE) provides support to policymakers and the general public on questions and matters of economic policy. It was founded as an independent body in 1963 and currently consists of the council members: Professor Gabriel Felbermayr, Professor Dr. Veronika Grimm, Professor Dr. Dr. h.c. Monika Schnitzer (chair), Professor Dr. Achim Truger, Professor Dr. Martin Werding. By publishing regular reports, the GCEE aims to help the general public and decision-makers in politics, business and society to form a reasoned opinion on economic policy developments in Germany.

Further information on the German Council of Economic Experts and its publications are available at <http://www.sachverstaendigenrat-wirtschaft.de/en>.

Press contact:

Nadine Winkelhaus
 Senior media and public relations officer
 Phone: +49 611 75-3110
presse@svr-wirtschaft.de