

PRESS RELEASE

Social insurance under pressure to reform: Curbing the rise in expenditure, stabilising contribution rates

- Under current legislation, the total social insurance contribution rate is expected to rise to almost 50 per cent by 2040. The increase is likely to continue thereafter.
- According to current projections by the GCEE, contribution rates are set to rise across all social insurance schemes.
- Higher contribution rates reduce the disposable income of households and increase labour costs for companies. This slows down employment growth and overall economic output growth.

Berlin, 27.05.2026 – Demographic ageing is creating expenditure pressure across all social insurance schemes and, under current legislation, is likely to lead to a sharp rise in contribution rates. According to calculations by the German Council of Economic Experts (GCEE), the total social insurance contribution rate would rise to almost 50 per cent by 2040. This would have negative effects on net income and consumption, as well as on investments, employment and economic growth. “To curb contribution rates, it is crucial to limit the rise in social insurance expenditures without compromising their protective function. At the same time, the revenue base of the social insurance schemes should be stabilised,” says Martin Werding, council member.

Social insurance contribution rates are rising

High social insurance contribution rates weigh on labour income as they widen the gap between gross and net wages and increase labour costs for companies. Even today, the burden on labour income from social insurance contributions in Germany is high compared to other OECD countries. The total contribution rate has risen from 39.7 per cent in 2019 to 42.3 per cent today. The GCEE expects a further increase to 45.4 per cent in 2030 and to 49.7 per cent by 2040. According to simulations, contribution rates will rise across all social insurance schemes by 2040: in statutory health insurance (GKV) from the current 17.5 per cent to 19.8 per cent, in statutory pension insurance (GRV) from 18.6 per cent to 21.8 per cent, and in social long-term care insurance (SPV) from 3.7 per cent to 5.2 per cent. This trend is largely due to the advancing demographic ageing and the resulting rise in social insurance expenditures.

Rising contribution rates dampen growth prospects

The rising contribution rates will dampen output growth. Calculations show that the expected rise in the total contribution rate by around 6 to 7 percentage points by 2035 will reduce gross domestic product by 0.5 per cent to 0.9 per cent (compared to a scenario with a constant contribution rate). A key factor is that net incomes and thus consumption will fall by 1.9 per cent. Employment and investment will decline by 0.7 per cent and 0.3 per cent respectively.

Reducing expenditures, stabilising revenue

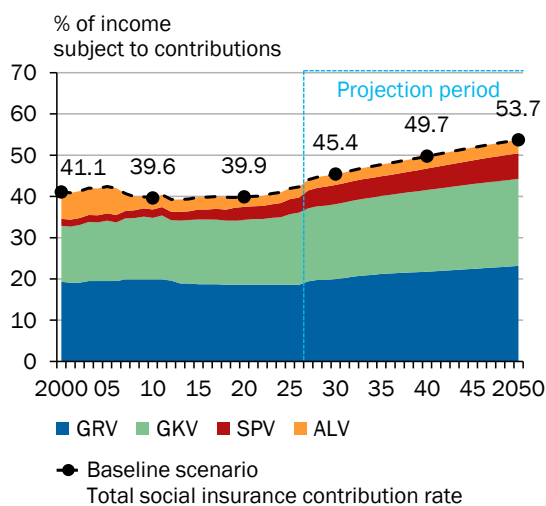
Demographic ageing increases the number of beneficiaries and thus social insurance

expenditures while simultaneously lowering the number of contributors. Measures to curb the rise in expenditures should therefore be prioritised in order to stabilise social insurance schemes despite demographic ageing. The benefits provided by the GRV, GKV and SPV should be focused to ensure their social insurance purpose.

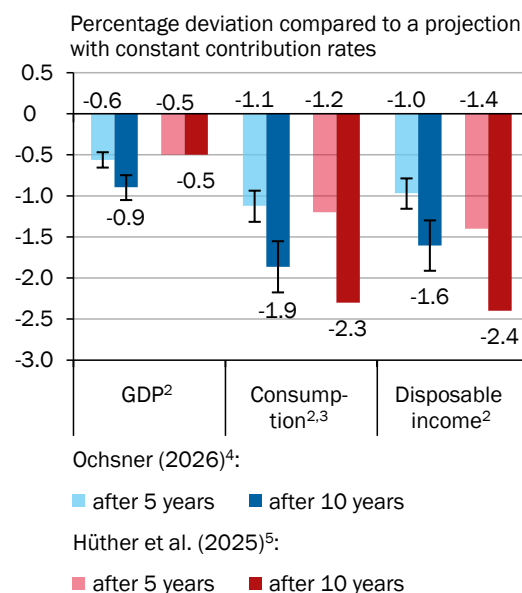
On the revenue side, non-contributory benefits (NBL) should be fully tax-financed if they fulfil clearly justified societal tasks. In this context, a critical assessment should be made as to whether the distinction between NBL and insurance benefits is appropriate and whether their scope is justified. Furthermore, reforms that increase the labour supply are needed such as continuing to raise the statutory retirement age beyond 2031, or abolishing income-tax splitting for married couples, and mini-jobs.

Projected trends in contribution rates and effects on the overall economy

Projected development in the total social insurance contribution rates¹



Macroeconomic effects of rising total social insurance contribution rates



1 – GRV-Statutory pension insurance, GKV-Statutory health insurance, SPV-Social long-term care insurance, ALV-Unemployment insurance. Figures for GKV and SPV include average supplementary contributions or contribution surcharges and reductions based on number of children. 2 – In 2020 prices. 3 – Private consumption only. 4 – Medians with 90 % confidence intervals are shown. 5 – No measures of uncertainty provided.

Sources: BA, BMAS, BMF, BMG, DRV, Federal Statistical Office, Hüther et al. (2025), Ochsner (2026), SIM.24
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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>.

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