Pensions at a Glance 2025

OECD and G20 Indicators

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Foreword

This edition of *Pensions at a Glance* is dedicated to the memory of Edward Whitehouse, who died in September 2025, aged 56.

Ed worked at the OECD in the 1990s and 2000s, becoming Head of Pension Policy Analysis. He co-ordinated and actually wrote much of the first few editions of *Pensions at a Glance*, establishing it not only as the place to go to find international comparisons of pension systems but also insightful analysis of particular areas of pensions policy. He was remarkable in combining analytic excellence with elegant and clear explanations of complex issues. His legacy will persist, at the OECD but also in the wider pensions' community, which continues to rely heavily on the analytic models he developed.

This eleventh edition of *Pensions at a Glance* provides a range of indicators for comparing pension policies and their outcomes between OECD countries. The indicators are also, where possible, provided for the other major economies that are members of the G20. Two special chapters provide a review of the pace of population ageing and of recent pension reforms (Chapter 1) and an in-depth analysis of gender differences in pensions (Chapter 2).

This report was prepared by the OECD Social Policy Division within the Directorate of Employment, Labour and Social Affairs (ELS). Hervé Boulhol led the team and was responsible for revising and enhancing the chapters under the leadership of Monika Queisser (Senior Counsellor and Head of Social Policy). National officials – particularly delegates to the OECD Employment, Labour and Social Affairs Committee and the OECD Working Party on Social Policy and members of the OECD pension expert group – provided invaluable input to the report.

Chapter 1 on "Recent pension reforms" was written by Wouter De Tavernier. Chapter 2 entitled "Gender pension gap" was written by Maciej Lis with contributions from Cemre Dane who was then an intern from the Ludwig Maximilian University of Munich. Chapters 3 to 8 were written and the indicators therein computed by Andrew Reilly, while Chapter 9 was written by Romain Despalins with inputs from Pablo Antolin and Stéphanie Payet from the Directorate for Financial and Enterprise Affairs (DAF). Maxime Ladaique provided support for tables and figures. Hanna Varkki, Marie-Aurélie Elkurd and Alastair Wood prepared the manuscript for publication and the infographics.

We are grateful to many national officials, to Carole Bonnet (INED), Emmanuel Bretin and Frédérique Nortier Ribordy (*Conseil d'orientation des retraites*) for their useful comments as well as to colleagues in the OECD Secretariat, notably Romain Despalins, Stéphanie Payet and Jessica Mosher (DAF), Valerie Frey and Jasmin Thomas (ELS). This publication also benefited from comments by Stefano Scarpetta (Director of ELS) and Mark Pearson (Deputy Director of ELS). The OECD gratefully acknowledges the support from the European Union.

Editorial

What can be done about the Gender Pension Gap?

Improving the situation of women in old age and ensuring that they are treated fairly has taken centre stage in pension reform debates, from France and Mexico to Germany and Japan, to name just a few countries. Indeed, in many countries women's pensions are far lower than those of men, and old age poverty affects women disproportionally. While gender pension gaps have been falling from 28% in 2007 to 23% in 2024, on average across the OECD, women still receive only 77 cents for every Euro or Dollar that men receive in pensions.

Countries have been trying to address disadvantages of women in retirement in different ways. Chile and Mexico, for example, undertook major pension reforms over the last two years, and in both countries, they included boosts specifically to women's pensions.

One policy measure frequently used in the past was to grant women earlier retirement, as a compensation for time spent caring for children and elderly relatives. While many women may have appreciated the opportunity to retire early, this also resulted in lower pensions given the shorter contribution spell. By now, the vast majority of OECD countries have equalised pension ages for men and women or are in the process of doing so; only 6 countries will maintain different ages in the future.

Most OECD pension systems link retirement benefits to contributions made by workers over their lifetime. A common feature of these systems is to credit times out of paid work spent caring, mostly by women, in the calculation of pensions. Such pension credits go a long way in narrowing gender gaps, provided that women return to full-time work after maternity and parental breaks.

The reality, however, is that many women do not return to full-time work but only work part-time or stay out of work altogether. This affects lifetime earnings, contributions, and thus pension levels. Add to this the persistent gender pay gaps observed in nearly all OECD countries and it becomes clear that pension systems alone, however well designed, will not be able to remove the disadvantage that women are facing in retirement.

It is in the labour markets where gender differences need to be tackled most urgently. The analysis in this report shows that gender differences in employment, hours worked and hourly wages make equal contributions to gender gaps in lifetime earnings – each contribute about one-third to the total. These lifetime earnings gaps, at 35% on average across OECD countries, in turn, are the key factor driving gender pension gaps. And change also has to happen at home; without better sharing of unpaid work it will be difficult for women to increase their working hours.

This does not mean, however, that pension policies have no impact on gender pension gaps. Given that more women than men rely on basic pensions and old-age safety nets, any policy measures that support and redistribute towards low-income retirees will also have an effect on gender pension gaps. The gender pension gap is lowered by high levels of means-tested first-tier benefits, as in Denmark, Iceland and Norway. for example, and by a progressive pension formula, as in Czechia.

Pension credits, as mentioned, also help stabilise women's pension rights during caring breaks. Moreover, despite increasing labour force participation of women, survivor pensions are still very important. They reduce the gender pension gap in mandatory earnings-related schemes by about one-third on average.

Several countries have universal flat-rate pensions which, by definition, have no gender gaps as every retiree gets paid the same. Moreover, public pensions are set in many countries at a level that requires additional occupational and private pensions or personal savings to ensure adequate living standards in old age. And here again, women are at a disadvantage. They are less likely to work in sectors that offer good occupational pensions. Also, employer pension plans rarely credit career breaks or part-time work to provide child- or eldercare. Furthermore, due to lower incomes women also have less capacity to save. The Netherlands and the United Kingdom, for instance, are among the countries with the highest gender pension gaps, at above 35%, despite having above-average basic pension entitlements. Thus, in asset-backed pensions, occupational and personal, policymakers also need to address gender gaps. It is only with a comprehensive strategy encompassing labour market, family and pension policies that we will be able to finally close the gender pension gap.

Stefano Scarpetta,

Director,

OECD Directorate for Employment, Labour and Social Affairs.

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Executive summary

This edition of *Pensions at a Glance* reviews the pension measures legislated in OECD countries between September 2023 and September 2025. It includes a discussion of recent demographic trends and ageing projections and a summary of bonus/penalty pension schemes, of combining work and pension practices and of mandatory retirement ages in OECD countries. The thematic chapter provides an in-depth analysis of differences in pension levels between men and women. As with past editions, a comprehensive selection of pension policy indicators is included for OECD and G20 countries.

Population ageing

- Population ageing will be fast over the next 25 years. On average across the OECD, the number of people aged 65+ per 100 people aged 20-64 is projected to increase from 33 in 2025 to 52 in 2050 while it was 22 in 2000. The projected increase is particularly strong in Korea, by almost 50 points, and in Greece, Italy, Poland, the Slovak Republic and Spain by more than 25 points.
- Fertility rates continue to decline in many countries, while past population projections have systematically overestimated the evolution of the total fertility rate. The COVID-19 pandemic has not affected the long-term projections of life expectancy at age 65.

Main recent pension policy measures in OECD countries over the last two years

- Czechia and Slovenia have raised the statutory retirement age from 65 to 67, to be reached in 2056 and 2035, respectively. In Slovenia, the retirement age without penalty with 40 years of contributions will also go from 60 to 62. Moreover, the Slovak Republic has linked early-retirement conditions to life expectancy.
- The average normal retirement age among OECD countries will increase from 64.7 and 63.9 years for men and women retiring in 2024 to 66.4 and 65.9 years, respectively, when starting the career in 2024. The normal retirement age will increase in more than half of OECD countries based on current legislation. Future normal retirement ages range from 62 in Colombia (for men, 57 for women), Luxembourg and Slovenia to 70 years or more in Denmark, Estonia, Italy, the Netherlands and Sweden.
- Chile undertook a systemic reform strengthening its pension system, improving earnings-related pensions as well as pension protection for low earners. Mexico has introduced a large earnings-related top-up to the mandatory scheme, changing the nature of its earnings-related pensions. It guarantees that old-age pensioners receive 100% of their last monthly salaries, up to the average monthly salary of social security participants and even after only 20 years of contributions. Both countries have taken measures to boost women's pensions.
- Chile increased targeted benefits significantly. Korea expanded childcare credits for parents, which will significantly raise their pensions.
- Slovenia legislated a comprehensive pension reform, which will improve both the financial sustainability and the equity of the system. Beyond the increase in the retirement age, the reference wage period for the calculation of benefits has been extended from the best 24 to the best 35 years, benefit accrual rates have been increased and the indexation of pensions in payment lowered.

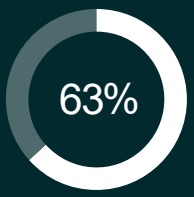
- To improve pension financial sustainability, Ireland and Korea have raised mandatory contribution rates, Japan has increased its contribution ceiling and Czechia has reduced future benefit levels.
- Ireland has introduced automatic enrolment in occupational pensions, while Lithuania abolished it.
- On average across OECD countries, full-career average-wage workers entering the labour market now will receive a net pension at 63% of net wages. Future net replacement rates are below 40% in Estonia, Ireland, Korea and Lithuania. The future net replacement rate of full-career workers at half the average wage is higher at 76% on average.

Pension gap between men and women

- Women receive monthly pensions that are about one-quarter lower than men's on average across OECD countries, ranging from less than 10% lower in Czechia, Estonia, Iceland, the Slovak Republic and Slovenia to more than 35% lower in Austria, Mexico, the Netherlands and the United Kingdom, and reaching 47% lower in Japan.
- The large average gender pension gap (GPG) across OECD countries has declined from 28% in 2007 to 23% in 2024, and this downtrend is projected to continue.
- The GPG is the key indicator of average gender differences in pension levels. However, it does not measure differences in living standards between older men and women because living standards account for other sources of income, household compositions and income sharing within households. There is actually no correlation across countries between the GPG and the gender gap in the average household disposable income of the 66+.
- Gender differences in lifetime earnings are the main driver of the GPG. Gender differences in employment, hours worked and hourly wages make a similar contribution to the gender gap in lifetime earnings (about one-third each), which averages 35% across OECD countries.
- Women will still be able to retire without penalty at lower age than men in Colombia, Costa Rica, Hungary, Israel, Poland and Türkiye, which negatively affects their pension levels. Countries wanting to promote gender equality in the labour market and reduce the GPG should eliminate earlier access to pensions for women.
- Mothers can retire between four months and four years earlier than childless women in Czechia, France, Italy, the Slovak Republic and Slovenia. Care-related pension credits are an effective instrument to cushion the impact of relatively short employment breaks, especially at low-income levels. Mandatory pensions cushion about half of the effects of a five-year child-related employment break on pensions for mothers with two children on average across OECD countries. Nine countries give credits just for having had children or provide pension bonuses to parents, irrespective of whether a career break occurred.
- Protecting survivors' standards of living following the partner's death is an important policy objective. Survivor pensions reduce the gender pension gap in mandatory earnings-related schemes by about one-third on average, as women account for 88% of recipients on average.
- The most efficient measures to reduce the GPG over the long term should tackle gender differences in employment, hours worked and wages. The unequal share of unpaid care between men and women as well as persistent disparities in education and labour market pathways have large implications.
- Reducing income inequality in old age is often part of the objectives of pension systems. Policy instruments that reduce the impact of labour market inequalities on retirement-income differences tend also to reduce the GPG. The GPG is actually lowered by high levels of first-tier benefits, particularly when means-tested as in Denmark, Iceland and Norway, and by a progressive pension formula, as in Czechia.

Infographic 1. Facts and figures

Mandatory pensions vary widely across OECD countries

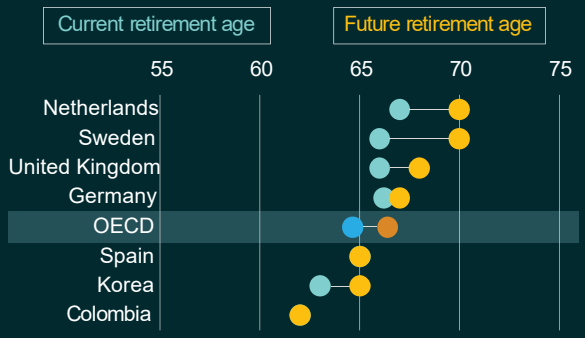


Across the OECD, workers on an average wage with a full career from age 22 in 2024 will take home 63% of their previous income when they reach retirement.

But this ranges from under 35% in Ireland and Lithuania to over 90% in the Netherlands, Portugal and Türkiye.

Retirement ages are set to rise in over half of OECD countries

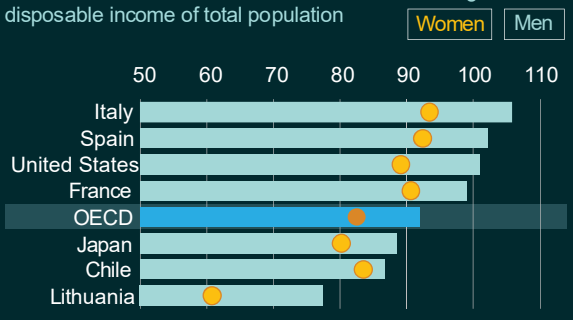
Normal retirement age, men



OECD average: 64.7 years currently, 66.4 in the future.

Men have higher disposable income in retirement than women

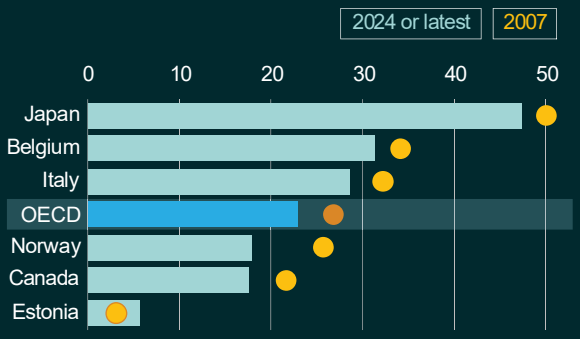
Income of men and women over 65, as % of average disposable income of total population



OECD average: 92% for men, 82% for women.

Gender pension gaps are large, but are steadily declining

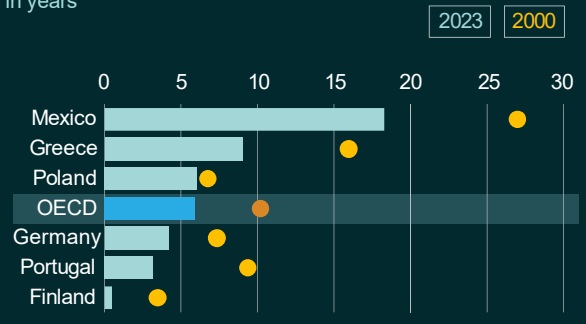
% difference of average pension of women relative to men



OECD average: 28% in 2007, 23% in 2024.

Gender gaps in career length have dropped sharply

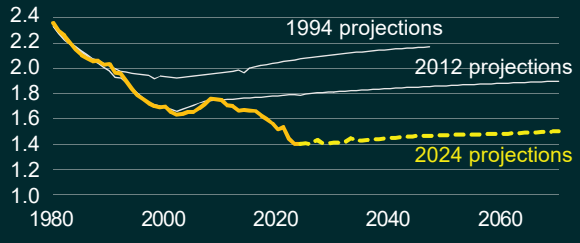
Difference in expected career length between men and women in years



OECD average: 10.2 years in 2000, 5.9 years in 2023.

Unforeseen fertility declines pose challenges for pensions

Evolution of the OECD average total fertility rate, based on projections carried out in different years



If fertility falls further, populations may age even faster than projected, making pension sustainability harder to achieve.

1 Recent pension reforms

This chapter looks into pension developments over the past two years. It presents an overview of pension reforms introduced in OECD countries between September 2023 and September 2025. The chapter also describes recent demographic trends and ageing projections. The section on employment at older ages provides an overview of bonus/penalty pension schemes, of combining work and pension practices and of mandatory retirement ages in OECD countries.

Introduction

Over the next 25 years, populations in OECD countries will age almost twice as fast as over the last 25 years. Past projections have systematically overestimated total fertility rates, and even the most recent projections are built on the assumption that total fertility rates will stabilise at current levels on average. However, long-term projections of life expectancy at older ages have been little affected by COVID-19 and life-expectancy gains are still projected to be lower than between the mid-1990s and the early 2010s when they were exceptionally strong.

Pensioners who want to work, still face obstacles to do so in many OECD countries. Half of OECD countries have at least some restrictions to work while receiving a contributory pension after the normal retirement age, and two-thirds have such restrictions before that. Moreover, half of OECD countries allow or require mandatory retirement practices for private-sector workers and over two-thirds do so for public-sector workers or civil servants.

Chile and Mexico undertook systemic reforms in their pension systems over the last two years. Chile has boosted its earnings-related pensions through a sharp increase in the mandatory contribution rate. It also increased redistribution in its pension system by adding several components, including a contribution-based basic pension, a pension supplement for women and higher targeted benefits. Mexico has introduced a huge earnings-related top-up to the mandatory funded defined contribution (FDC) scheme, which changes the nature of its earnings-related pensions. In addition, the Slovak Republic substantially increased its minimum contributory pensions, and both the Slovak Republic and Switzerland increased pensions overall by introducing a 13th month payment.

Increasing retirement ages remains a common strategy to improve financial sustainability of pension systems without reducing pension levels. Alternatively, financial sustainability can be pursued through raising contributions paid or reducing benefit levels. More than half of OECD countries will increase the normal retirement age for future retirees based on current legislation. Only Czechia and Slovenia decided to increase their statutory retirement ages since September 2023, from 65 to 67, and access to early retirement was tightened in the Slovak Republic. Ireland and Korea have increased contribution rates and Japan has raised the contribution ceiling to mobilise more resources for the pension system. Czechia has improved pension finances by reducing future pension benefits. Furthermore, seven countries have made it easier or financially more interesting to combine work and pensions.

Finally, several countries expanded the coverage of certain pension schemes. Ireland has introduced automatic enrolment in FDC pensions, but Lithuania abolished it. Japan, Korea and Mexico have expanded coverage to include one or more types of non-standard workers. The expansion of childcare credits in Korea has significantly increased the pensions of parents taking childcare breaks.

This chapter is structured as follows. The first section looks into population ageing and takes stock of past and projected evolutions in fertility, life expectancy and migration, and their implications for the development of the old-age to working-age ratio. The second section presents employment at older ages and provides an overview of bonus/penalty schemes, combining work and pension practices and mandatory retirement ages in OECD countries. The chapter then turns to pension reforms legislated in OECD countries since the previous edition of *Pensions at a Glance*.

Key findings

Population ageing

- Population ageing will be fast over the next 25 years. On average across the OECD, the number of people aged 65+ per 100 people aged 20-64 is projected to increase from 33 in 2025 to 52 in 2050 while it was 22 in 2000. The projected increase over this period is particularly strong in Korea,

by almost 50 points, and in Greece, Italy, Poland, the Slovak Republic and Spain by more than 25 points.

- The working-age population (20-64) is projected to decrease by over 30% in the next four decades in Estonia, Greece, Japan, the Slovak Republic and Spain and even over 35% in Italy, Korea, Latvia, Lithuania and Poland.
- Fertility rates continue to decline in many countries, while past population projections have systematically overestimated the evolution of the total fertility rate. If countries do seek to boost fertility, they should create conditions that help adults have the number of children they desire at the time of their choosing.
- Fertility declines threaten the financial sustainability of pay-as-you-go pension systems. As the effectiveness of policies to uphold or increase fertility levels is uncertain, it would be prudent to prepare for a low-fertility future. This could be achieved through parametric reforms or through introducing automatic adjustment mechanisms adapting pensions to total contributions or a proxy thereof, such as growth of the wage bill, GDP or the number of contributors.
- Improvements in life expectancy at age 65 have slowed significantly for both men and women compared to the period between the mid-1990s and the early 2010s. The COVID-19 pandemic has not affected the long-term projections of life expectancy at age 65.
- UN population projections are based on net migration rates over the next 30 years that are two-thirds of their levels between 1990 and 2020 in the OECD on average.

Working longer

- On average across the OECD, 65.5% of people aged 55-64 and 25.7% of those aged 65-69 are in employment, compared to 82.5% of those aged 25-54. In Denmark, Estonia, Iceland, Israel, Japan, Korea, New Zealand and Sweden, the gap in employment rates between people aged 55-64 and those aged 25-54 is 10 percentage points (p.p.) or less. That gap is between 25 and 30 p.p. in Austria, Poland and Türkiye, and it is even larger in Luxembourg and Slovenia.
- The annual bonus and penalty rates in contributory pension schemes are 4.8% and 4.4%, respectively, on average among OECD countries, close to actuarial neutrality. Within contributory basic, defined benefit or points schemes, Belgium and Luxembourg, as well as Hungary for women, are the only countries that do not apply penalties. Disincentives to work after the normal retirement age are large in Belgium, Costa Rica, Greece, Luxembourg and Türkiye as bonuses to defer pensions are low or do not exist.
- There are no restrictions on combining work and pension receipt beyond the normal retirement age in half of OECD countries, and one-third of countries have no such restrictions before the normal retirement age. Moreover, in Belgium, France, Germany, Greece, Luxembourg, Mexico, the Slovak Republic, Slovenia, Spain and Türkiye, pension contributions are generally paid when pension recipients work beyond the normal retirement age while no or reduced pension entitlements are built up.
- Eleven OECD countries do not apply any form of mandatory retirement to either public or private-sector workers. Half of OECD countries, by contrast, have mandatory retirement practices for both public- and private-sector workers. In the remaining eight countries, mandatory retirement exists solely for public-sector workers or statutory civil servants.

Current income of pensioners

- The average income of people over 65 is equal to 87% of that of the total population on average across OECD countries. Those aged over 65 currently receive 70% or less of economy-wide

average disposable income in Estonia, Korea, Latvia and Lithuania on average, and about 100% or more in Israel, Italy, Luxembourg and Mexico.

Recent pension policy measures

Retirement ages and incentives to work longer

- The average normal retirement age among OECD countries will increase from 64.7 and 63.9 years for men and women retiring in 2024 to 66.4 and 65.9 years, respectively, for those starting their career in 2024. The normal retirement age will increase in more than half of OECD countries based on current legislation. Future ages range from 62 in Colombia (for men, 57 for women), Luxembourg and Slovenia to 70 years or more in Denmark, Estonia, Italy, the Netherlands and Sweden.
- Czechia and Slovenia have raised the statutory retirement age from 65 to 67, to be reached in 2056 and 2035, respectively. Moreover, in Slovenia, the retirement age without penalty with 40 years of contributions will go from 60 to 62.
- The Slovak Republic has linked early-retirement conditions to life expectancy. Italy has extended further multiple early-retirement schemes although conditions have been tightened for several of these. Czechia has introduced the option for workers in arduous or hazardous jobs to retire without penalty between 15 and 30 months earlier, and Spain now determines the arduousness or hazardousness of occupations based on occupational accident and sickness-leave statistics.
- Czechia, Greece, Japan, Lithuania, Spain and Switzerland have made it easier or financially more interesting for pension recipients to work, and Denmark has increased its tax incentive for working beyond the statutory retirement age.

Benefits and contributions

- Chile undertook a systemic reform strengthening the pension systems, improving earnings-related pensions as well as pension protection for low earners. Chile has raised pension benefits for both current and future pensioners and increased contribution rates significantly.
- Mexico has introduced a large earnings-related top-up to the mandatory FDC scheme, changing the nature of its earnings-related pensions. It guarantees that old-age pensioners receive 100% of their last monthly salaries, up to the average monthly salary of social security participants, and even after only 20 years of contributions. As the residence-based basic pension is paid on top of that, the replacement rate for low earners is well over 100%. How this reform will be financed over time is unclear.
- Several countries have taken measures to boost women's pensions. Chile has introduced a benefit compensating women for their lower retirement income due to their higher life expectancy, given that Chile applies sex-specific mortality tables. Mexico has introduced a new residence-based basic pension specifically for women before the statutory retirement age.
- Chile has increased targeted benefits significantly and the Slovak Republic raised the levels of minimum contributory pensions.
- Slovenia legislated a comprehensive pension reform, which will improve both the financial sustainability and the equity of the system. Beyond the increase in the retirement age, the reference wage period for the calculation of benefits has been extended from the best 24 to the best 35 years, benefit accrual rates have been increased and pension indexation has been lowered.
- To improve the financial sustainability of public pensions, Ireland and Korea have raised contribution rates, Japan has increased its contribution ceiling and Czechia has reduced future benefit levels.

- Beyond Chile and Mexico, Korea, the Slovak Republic and Switzerland have increased benefits from mandatory earnings-related pensions.
- Taking into account all legislated measures, full-career average-wage workers starting their career at age 22 in 2024 will receive on average a net pension at 63% of net wages. Future net replacement rates are below 40% in Estonia, Ireland, Korea and Lithuania. The future net replacement rate of full-career workers earning half the average wage is higher at 76% on average.

Coverage

- Ireland has introduced automatic enrolment in occupational pensions, while Lithuania abolished it.
- Japan, Korea and Mexico have expanded coverage to include one or more types of non-standard workers.
- Korea expanded childcare credits for parents, which will significantly increase their pensions.

Population ageing will be fast over the next 25 years

Population ageing is driven by changes in three factors: fertility, life expectancy and migration. This section briefly looks into past trends and future projections of each of these factors, and of the resulting old-age to working-age ratio. As the relative importance of these three factors in population ageing can differ across countries, the last part of this section provides a decomposition of changes in the old-age to working-age ratio over the past 10 years by driver of population ageing.

Declining fertility

Total fertility rates (TFRs) halved on average across OECD countries since the 1960s. Increased educational attainment among women, improved access to effective contraceptive measures, a growing predominance of dual-earner households often grappling to reconcile work and family commitments, and increased economic, labour market and housing insecurities especially among younger people have all contributed to declining birth rates (OECD, 2024[1]). This trend may further have been spurred by changes in attitudes towards parenthood. Indeed, men and women increasingly find meaning outside of parenthood, while more intensive parenting norms emerged. More gender equality in households has exposed more fathers to the need to better balance time between work and family life. At the same time, family and care policies such as paid leave and formal early childhood education and care services have been strengthened to support families and help working parents balance work and family responsibilities.

Low fertility challenges the financial sustainability of pay-as-you-go pension systems. A total fertility rate below the population replacement level of 2.1 children per woman results in each future generation being smaller than the previous one, and thus a higher old-age to working-age ratio. While a low fertility rate entails a higher pressure on working-age people, pension systems' parameters (retirement age, pension level and contribution rate) can be set in a financially sustainable way. Declining fertility requires regular reassessment of these parameters. Keeping a pension system financially sustainable in a context of low fertility is politically challenging in particular in the absence of automatic adjustment mechanisms; such an absence makes pension systems especially sensitive to the uncertainty around fertility-rate projections.

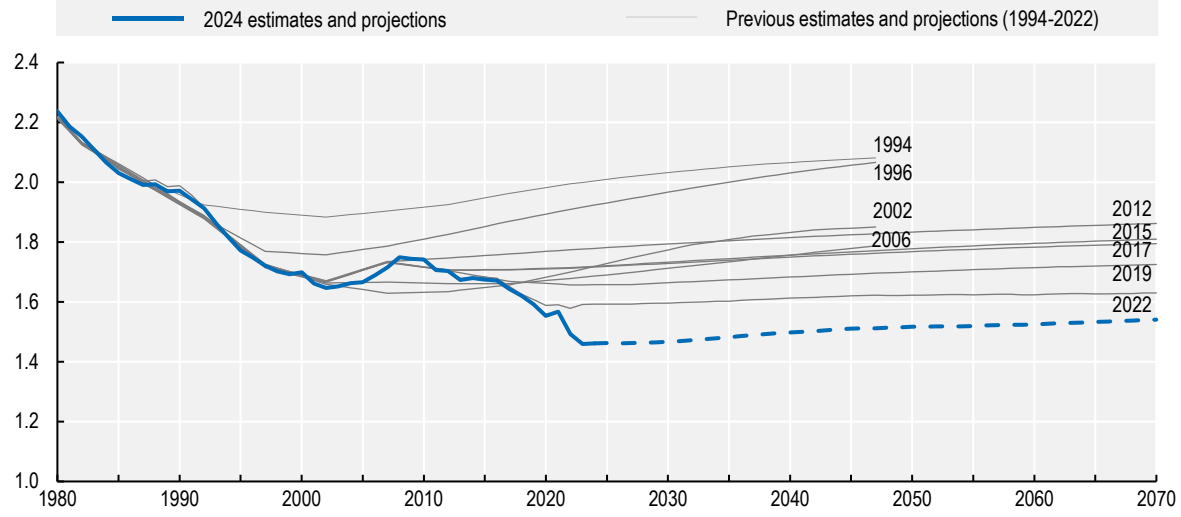
Projections have systematically overestimated the total fertility rates, and have therefore underestimated the pace of population ageing. Invariably, projections have assumed that the decline in the total fertility rate would stop around the time the projections were published and start increasing again soon after, only for the next edition to reveal that the trend reversal did not happen – except for a brief period between 2005 and 2010 (Figure 1.1). Estimates of the total fertility rate in 2025 have been corrected downward with

almost every new edition: while the 1994 edition still foresaw a total fertility rate of 2.01 in 2025 on average across OECD countries, by the 2024 edition the estimate had decreased to 1.46.

The most recent projections still display a trend reversal around the time of the projection, but do not assume a substantial rebound in fertility levels. Projections in the 1990s assumed a quick return to the replacement level of 2.1 live births per woman by the end of the projection horizon in 2050, although editions since 2012 project a milder increase over the rest of the century. Under the 2024 projections, the average total fertility rate across OECD countries is projected to reach its lowest point in 2025, at 1.46, after which it would slightly increase.

Figure 1.1. Projections have systematically overestimated fertility

Evolution of the OECD-average total fertility rate in different projections, 1980-2070



Note: The lines refer to estimates and medium-variant projections for the 1994, 1996, 2002, 2006, 2012, 2015, 2017, 2019, 2022 and 2024 editions of the World Population Prospects. As data are only available for five-year periods before 2022, the data are smoothed over a five-year period to produce annual estimates.
Source: United Nations, Department of Economic and Social Affairs. World Population Prospects 1994-2024: http://population.un.org/wpp/.

StatLink https://stat.link/s9jiy2

As much as possible, pension systems should be resilient to low fertility, which is a challenge for policymakers. The impact of the decline in fertility on the number of people contributing to the pension system can to some extent be mitigated by higher employment rates, in particular of women and older people (OECD, 2025[2]). Yet, given the uncertainty around the evolution of both fertility and employment rates in the future, it would be prudent to prepare for a low-fertility future (OECD, 2024[1]). For pension policy, this could be achieved through parametric reforms or through automatic adjustment mechanisms adjusting pensions to total contributions (Box 1.1). Adjusting pensions to total contributions not only accounts for changes in the size of the working-age population, but also for changes in productivity reflected in wage growth. If countries do seek to boost fertility, they should create conditions that help adults have the number of children they desire at the time of their choosing. Falling teenage fertility rates, rising female education levels and rising female employment rates are major accomplishments, which improve women's well-being and reduce their old-age poverty risks. In modern societies, countries that are concerned about fertility rates should promote more gender equality and fairer sharing of work and childrearing. This involves providing family policies that help the reconciliation of work and family life, but

policy must also have a greater focus on the costs of children, especially housing costs (OECD, 2024[1]). However, it is unlikely that such policies will enable countries to approach replacement fertility rates again.

Box 1.1. Adjusting pensions to total contributions or a proxy thereof in order to protect the pension system against declining fertility

In the face of declining fertility, the financial sustainability of the pension system can be improved through adjusting pensions to changes in total contributions. For pay-as-you-go pension schemes to be sustainably financed from contributions, the effective rates of return they generate on contributions should be equal to the system's internal rate of return. When redistributive instruments are financed by external sources (i.e. not by pension contributions), a pay-as-you-go pension system provides an internal rate of return equal to the growth rate of total contribution receipts. In a system with a constant contribution rate, total wage-bill growth is a good proxy for the growth rate of total contributions. In turn, the total wage-bill growth is equal to the sum of the growth rates of the average wage and of total employment.

This is why in a generic NDC scheme the notional interest rate is equal to the growth rate of the contribution base: with such a notional rate, the scheme does not become financially unsustainable when fertility declines. Latvia and Poland use the growth rate of the total wage bill and Italy uses GDP growth as the notional interest rate applied to NDC accounts, all proxies of the growth rate of the contribution base. The notional interest rate in the NDC scheme that is being phased out in Greece is the growth rate of total contributions. Norway and Sweden, in contrast, use average-wage growth as the notional interest rate, and therefore do not account for the evolutions in the size of the working-age population – although this is less of an issue for these countries as Sweden's working-age population is projected to remain stable over the next 40 years and Norway's to shrink to a much smaller extent than in other NDC countries (Chapter 6, Figure 6.6).

Some countries adjust to growth in total contributions or a proxy thereof in DB or points systems. In Estonia, the value of a pension point is adjusted for 80% to total contributions and for 20% to price growth, affecting both new pensions and pensions in payment. Lithuania adjusts the point value fully to wage-bill growth. Japan corrects for declines in the number of contributors to public pensions. Finally, Greece and Portugal partially index pensions in payment to GDP, depending on economic circumstances.

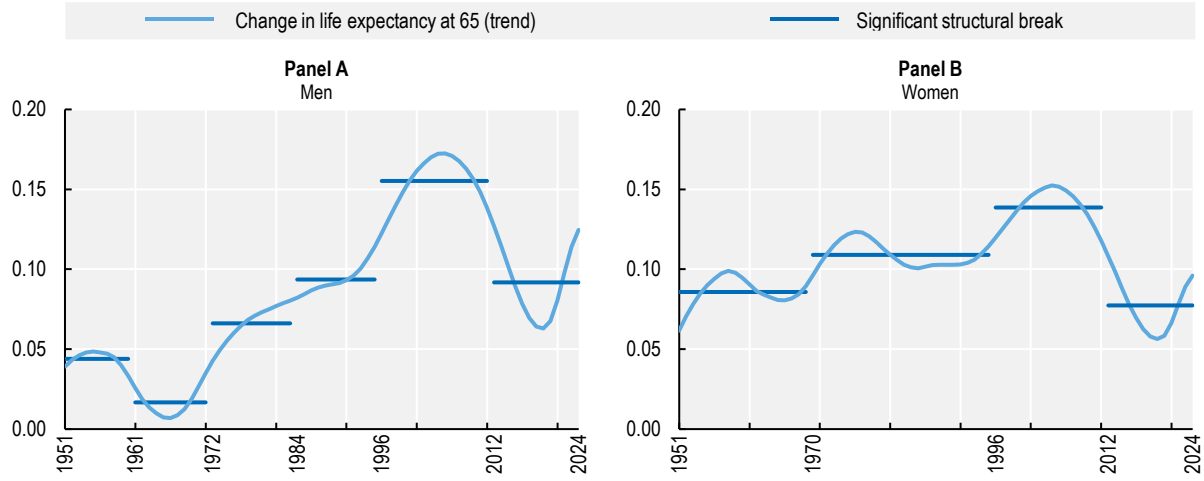
Source: OECD, (2021[3]), *Pensions at a Glance 2021*, Chapter 2, and OECD, (2022[4]), *OECD Reviews of Pension Systems: Slovenia*.

Slowing life-expectancy gains

After a period of much faster longevity growth between the mid-1990s and the early 2010s than before, improvements in life expectancy at age 65 have slowed significantly for both men and women. On average in all 38 current OECD countries, the estimated trend in life expectancy at age 65 shows an increase at a pace of around 1.6 years for men per decade and 1.4 years for women during that period of faster life-expectancy increases (Figure 1.2). Since about 2012, this pace has almost halved at 0.9 and 0.8 years per decade for men and women, respectively.

Figure 1.2. Life expectancy gains have been smaller over the last decade

Annual change in the trend of remaining life expectancy at age 65 in the OECD on average, in years



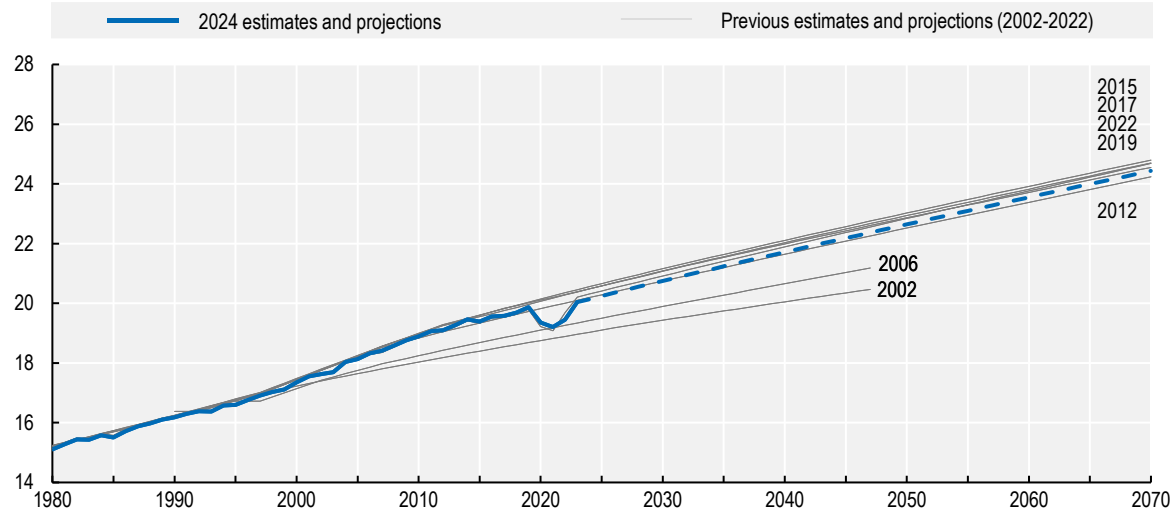
Note: The breaks are significant at the 99% confidence level. To limit interferences from short-term fluctuations in change in period life expectancy, the breaks are estimated on the Hodrick-Prescott filtered trend series (lambda=100).
Source: See Chapter 6, Figure 6.4, https://stat.link/gkc90x.

These life-expectancy gains have mostly been in good health. According to WHO data, the share of life expectancy at age 60 spent in good health has remained constant in OECD countries since 2000, around three-quarters of life expectancy at that age (OECD, 2023[5]; 2025[2]). Hence, people not only live longer, they largely do so in good health as well. This illustrates that the relationship between age and health evolves over time. For instance, people in the United States have become biologically "younger" at any given chronological age since the 1980s (Levine and Crimmins, 2018[6]).

Despite COVID-19, long-term projections of life expectancy at age 65 have been fairly consistent over the last decade. While UN Population Prospects in its 2002 and 2006 editions underestimated improvements in life expectancy in the 2000s, later projections are more consistent across editions (Figure 1.3). Although life expectancy at age 65 fell sharply from 2020 due to COVID-19, the impact is projected to be temporary and future life-expectancy levels would resume their pre-COVID trend. For the OECD on average, life expectancy at age 65 is projected to increase by 1.0 year over the next decade, slowing slightly to 0.9 years per decade around 2050.

Figure 1.3. Projections of life expectancy at 65 have not been significantly affected by COVID-19

OECD-average remaining period life expectancy at age 65, in years, in different editions of the UN World Population Prospects, 1980-2070



Note: The lines refer to estimates and medium-variant projections for the 2002, 2006, 2012, 2015, 2017, 2019, 2022 and 2024 editions of the World Population Prospects. As data are only available for five-year periods between before 2022, the data are smoothed over a five-year period to produce annual estimates.
Source: United Nations, Department of Economic and Social Affairs. World Population Prospects 1994-2024: http://population.un.org/wpp/.

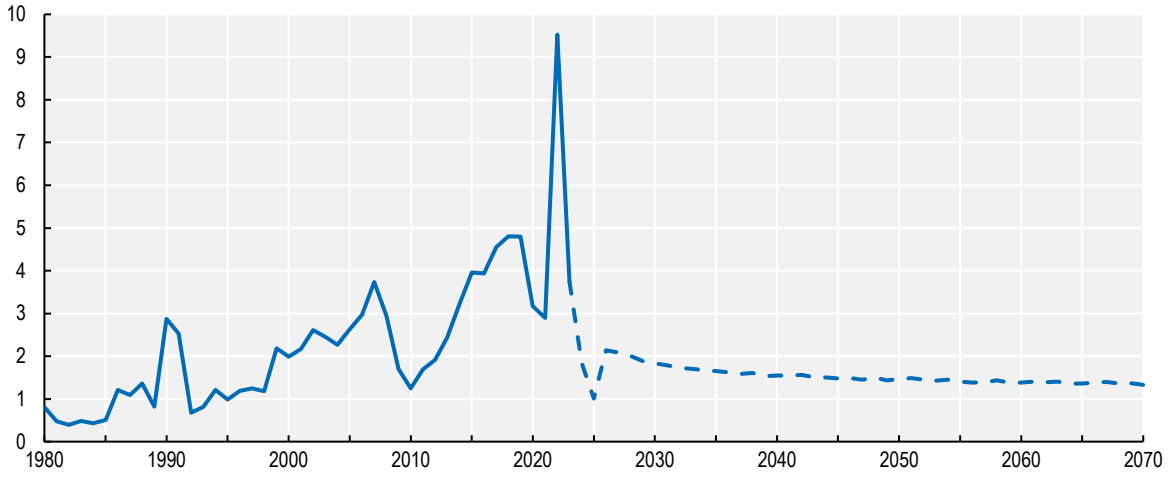
StatLink https://stat.link/lah7pc

Trends in migration

In the OECD on average, over the next 30 years, the net migration rate is projected to be well below the rate observed between 1990 and 2020 based on UN population projections (Figure 1.4). The OECD-average net annual migration rate is projected to be 1.6 migrants per 1 000 inhabitants per year between 2025 and 2055, whereas it was 2.5 per year between 1990 and 2020. Between 2000 and 2020, the net migration rate has consistently exceeded 1.6 migrants per 1 000 inhabitants except in 2010, in the wake of the 2008 financial crisis. The peak in 2022 is to a large extent driven by an influx of people fleeing Russia's war of aggression against Ukraine, with net migration rates in most European countries exceeding the 2019 rate.[1] The net migration rate increased particularly sharply in Czechia, Estonia, Lithuania and Poland, where the 2022 rate exceeded the 2019 level by more than 20 points.

Figure 1.4. Projected migration rates are below the average rate between 2000 and 2023

OECD-average net migration rate per 1 000 population



Source: United Nations, Department of Economic and Social Affairs. World Population Prospects 1994-2024: http://population.un.org/wpp/.

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Old-age to working-age ratios will be increasing at a fast pace by 2050

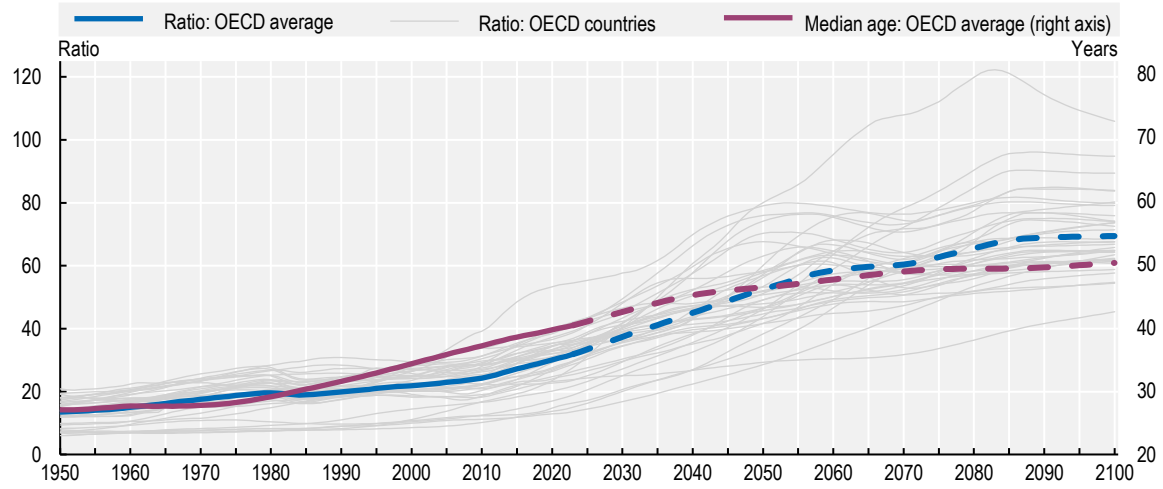
Trends in population ageing differ depending on the chosen demographic ageing indicator. The old-age to working-age ratio is the most commonly used demographic measure in relation to pension systems as its changes provide a proxy for changes in the number of potential beneficiaries relative to the number of potential contributors at stable retirement ages. The median age of the total population is one direct measure splitting, by definition, the entire population equally between those younger and those older than the median age.

The old-age to working-age ratio will increase fast over the next 25 years. On average across the OECD, the number of people aged 65+ per 100 people aged 20-64 has increased from 22 in 2000 to 33 in 2025, and is projected to reach 52 in 2050 (Figure 1.5). Fast population ageing is partly driven by the baby-boom generation moving from the working-age into the old-age side of the fraction. The projected working-age population will decrease by 13% in the OECD on average over the next four decades, and by over 30% in Estonia, Greece, Japan, the Slovak Republic and Spain and even over 35% in Italy, Korea, Latvia, Lithuania and Poland (Chapter 6, Figure 6.5). As more people in that generation will die, population ageing will eventually slow. The increase in the old-age to working-age ratio over 2025-2050 is projected to be particularly strong in Korea, about +50 points, that will overtake Japan as the OECD country with the highest ratio from around 2050. In Greece, Italy, Poland, the Slovak Republic and Spain, this ratio is projected to increase by at least 25 points over this period, while it would increase least in Israel (+5 points) and in Finland, Sweden and the United States (less than +10 points).

When assessed using the median age as an indicator, population ageing accelerated earlier and will slow down earlier as well. In contrast to the old-age to working-age ratio, which accelerated around 2010, the median age has been increasing faster since the 1980s. The increase in the median age will start slowing down earlier as well, around 2040. This is the result of the fall in fertility rates having an immediate impact on the median age as there are fewer children, but it takes one generation to affect the old-age to working-age ratio as the latter does not consider those under age 20.

Figure 1.5. The old-age to working-age ratio is projected to increase fast until the mid-2050s

Number of people older than 65 years per 100 people of working age (20-64), 1950-2100



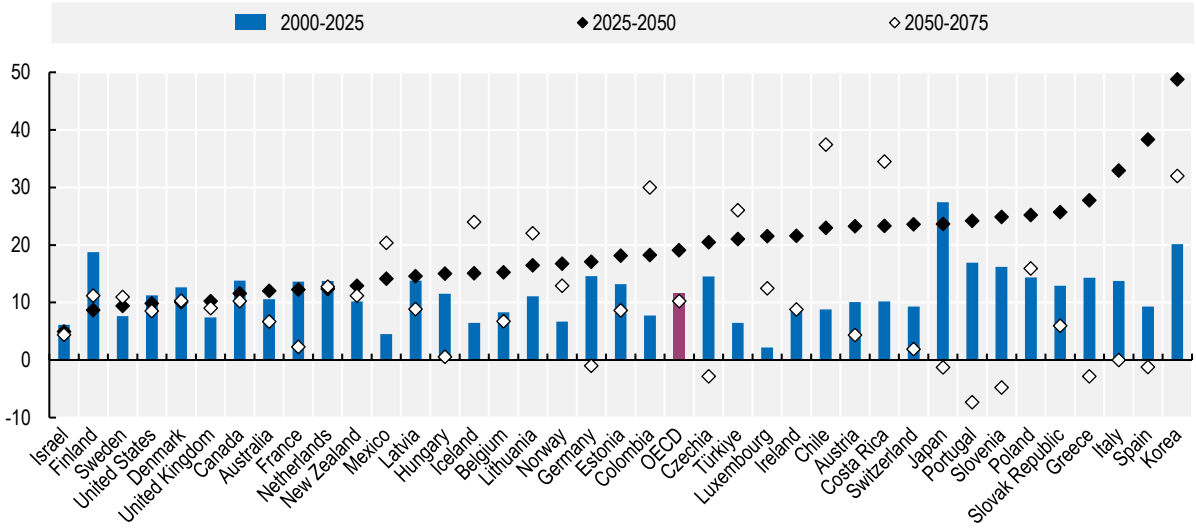
Source: United Nations, Department of Economic and Social Affairs (2024). World Population Prospects 2024: http://population.un.org/wpp/.

StatLink https://stat.link/ivoc6e

Beyond the OECD average, in most countries, the old-age to working-age ratio is projected to increase faster over the next 25 years than over the previous 25 years. All OECD countries saw their old-age to working-age ratio increase, but by less than 20 points between 2000 and 2025, except Japan and Korea where the increase was higher (Figure 1.6). Between 2025 and 2050, the ratio is projected to grow by between 10 and 30 points in most countries. The change over this period is only projected to be lower in Israel, Finland, Sweden and the United States, while it would be higher in Italy, Korea and Spain. The old-age to working-age ratio will accelerate particularly fast in Luxembourg, Mexico, Spain and Türkiye, where it is projected to grow over three times faster between 2025 and 2050 than it did since 2000. In Finland, by contrast, the ratio is expected to grow at a significantly smaller pace. Overall, the ratio is projected to grow at a slower pace again after the middle of the century, and even decline in a few countries, in particular Portugal and Slovenia. In Chile, Colombia, Costa Rica, Iceland, Lithuania, Mexico and Türkiye, however, the ratio is expected to grow the fastest between 2050 and 2075.

Figure 1.6. Most countries will age faster over the next than over the previous 25 years

Change in old-age to working-age ratio per 25-year period, percentage points (p.p.)



Source: United Nations, Department of Economic and Social Affairs (2024). World Population Prospects 2024: http://population.un.org/wpp/.

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The relative roles of fertility, life expectancy and migration in population ageing

In some countries, population ageing has mainly been driven by declines in fertility whereas in others rising life expectancy has been the more important factor in recent years. Decomposing the average annual change in old-age to working-age ratio following the method outlined in Box 1.2, fertility and life expectancy on average have had a similar impact on the old-age to working-age ratio over the last decade (Figure 1.7). In particular in Canada and Iceland, but also in Finland and the Netherlands, the impact of falling fertility well outweighed that of rising life expectancy. In Italy and to some extent also in Denmark and Spain, the reverse is the case, with life-expectancy having been a much more important driver of population ageing than fertility decline in recent years. While the temporary reduction in life expectancy due to COVID-19 may have resulted in a reduced importance of the life-expectancy component, the results are very similar to those of Scott and Canudas-Romo (2024[7]) based on population data until 2019. Finally, migration has mitigated the impact of fertility and life expectancy to some extent. In particular in Canada and Iceland, the increase in the old-age to working-age ratio has been significantly lowered by immigration. In France and the Netherlands, by contrast, past migration is estimated to have had little or no impact.[2]

Box 1.2. Method for decomposing the change in old-age to working-age ratio by driver

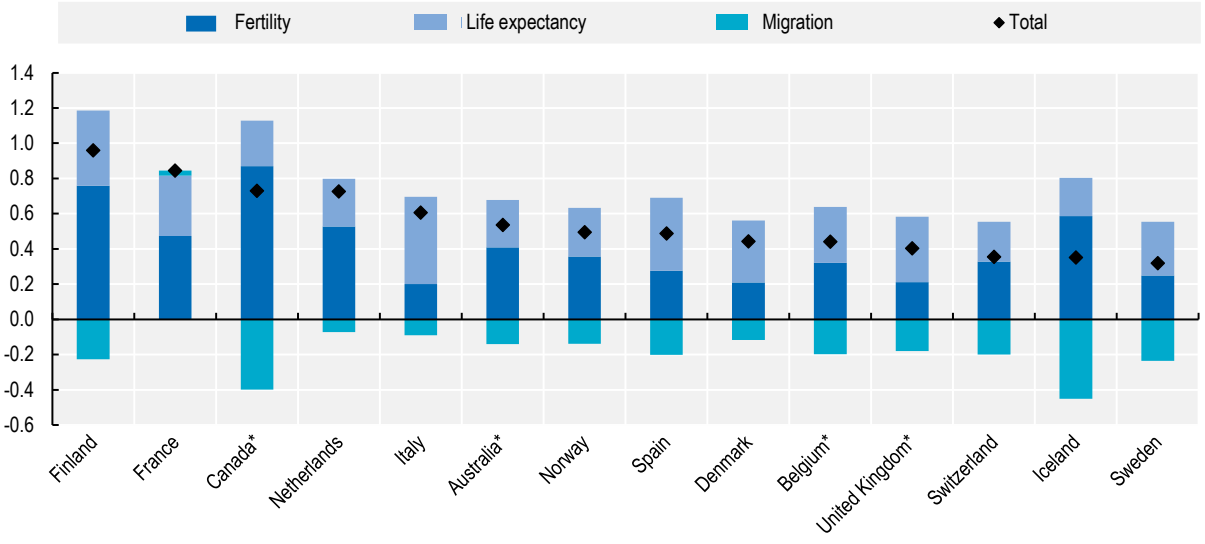
The decomposition of the old-age to working-age ratio follows the method proposed by Scott and Canudas-Romo (2024[7]), and the results presented here are based on an adjusted version of the code shared by the authors. Following the method, *variable-r decomposition*, age-specific population growth rates are expressed as the sum of the growth rates in births, survivorship and net migration. It is based on cohort data, tracking the size and mortality for each cohort from birth. Migration is treated as a residual: changes in cohort size that are neither the result of changes in birth rates nor in mortality rates, are attributed to migration.

As cohorts are followed from birth, long and uninterrupted data series on births, age-specific population size and mortality are required: to determine the relative importance of these three drivers in the change in old-age to working-age ratio between 2013 and 2023, and assuming a maximum age of 100 years, data have to cover the full lives of each cohort from the 1912 birth cohort onward. For 10 OECD countries in the Human Mortality Database, data are available to decompose the old-age to working-age ratio over the period 2013-2023, and assuming a maximum age of 100. In addition, Belgium and Canada are included by setting a maximum age of 90 and Australia and the United Kingdom with a maximum age of 89. The lower maximum age does mean that changes in mortality over age 90 are not taken into account, resulting in an underestimation of the life-expectancy component in the decomposition. Among countries for which full data are available, the life-expectancy coefficient is 16% lower if a maximum age of 90 instead of 100 years is applied. Hence, for the four countries with data only available to 89 or 90 years only, the life-expectancy component is increased to compensate for the underestimation based on this 16% estimate, keeping the total change in old-age to working-age ratio constant.

Source: Scott and Canudas-Romo, (2024[7]), "Decomposing the Drivers of Population Aging: A Research Note".

Figure 1.7. The importance of fertility and life expectancy in population ageing differs across countries

The average annual change in old-age to working-age ratio over a ten-year period, decomposed by driver, 2013-2023 or latest available



Note: Data for Denmark refer to 2014-2024, for France, Italy, the Netherlands and the United Kingdom to 2012-2022, and for Australia to 2011-2021. * While for other countries, the results are based on population data until age 100, for Belgium and Canada population data this is limited to age 90 and for Australia and the United Kingdom to age 89 due to limitations in data availability. As this this means that gains in life expectancy over age 90 are not taken into account, the life-expectancy component for these countries is increased with the average of the difference in the component when applying the 90-year cutoff to the countries for which population data until age 100 are available (-16%), keeping the total change in old-age to working-age ratio constant. Data with the 90-year cutoff are available in the StatLink.
Source: Human Mortality Database (2025[8]), analysed using a modified version of the code provided by Scott and Canudas-Romo, (2024[7]).

StatLink https://stat.link/9cgy04

If current projections become reality and life expectancy continues to rise while fertility remains stable, gains in life expectancy will become the most important driver of population ageing. Based on United Nations population projections, Lee and Zhou (2017[9]) estimate that improvements in mortality will become the main driver of population ageing in advanced economies over the next decades. This marks a break with the past, as they estimate that population ageing over the last century was mostly driven by declining fertility. The picture is different in emerging economies, where fertility would remain the main driver of population ageing until the end of the 21st century, in particular in Sub-Saharan Africa (Lee and Zhou, 2017[9]). Nonetheless, given the importance of fertility declines in population ageing until now, the systematic overestimation of future fertility rates in previous projections means that there is a real risk that current projections underestimate the speed of population ageing over the coming decades.

These shifts in the drivers of population ageing may have important implications for pension policy. As mortality improvements become the more prominent force behind demographic change, adjustments to life expectancy will gain greater importance in efforts to maintain financial sustainability in the pension system. While adjustments both to evolutions in the size of the working-age population and in life expectancy will continue to be needed to maintain sustainability, the increasing importance of life expectancy in population ageing means that automatic adjustments to life expectancy will become more effective tools to maintain financial sustainability in the future. Unlike the cost of ageing due to lower fertility, which is difficult to allocate to any specific cohort as there is no clear beneficiary, it is fair to allocate the cost of higher life expectancy to the cohort that can expect to live longer (Schokkaert and Van Parijs,

2003[10]). This can be achieved through automatically adjusting the retirement age or the pension benefit level to life expectancy (OECD, 2021[3]). Finally, immigration can delay population ageing or slow its pace, but permanently lowering the old-age to working-age ratio would require an ever-increasing net migration rate across cohorts. Hence, immigration could be an effective strategy to "buy time" for countries to adjust to a new demographic reality, but it is not a permanent solution to population ageing.

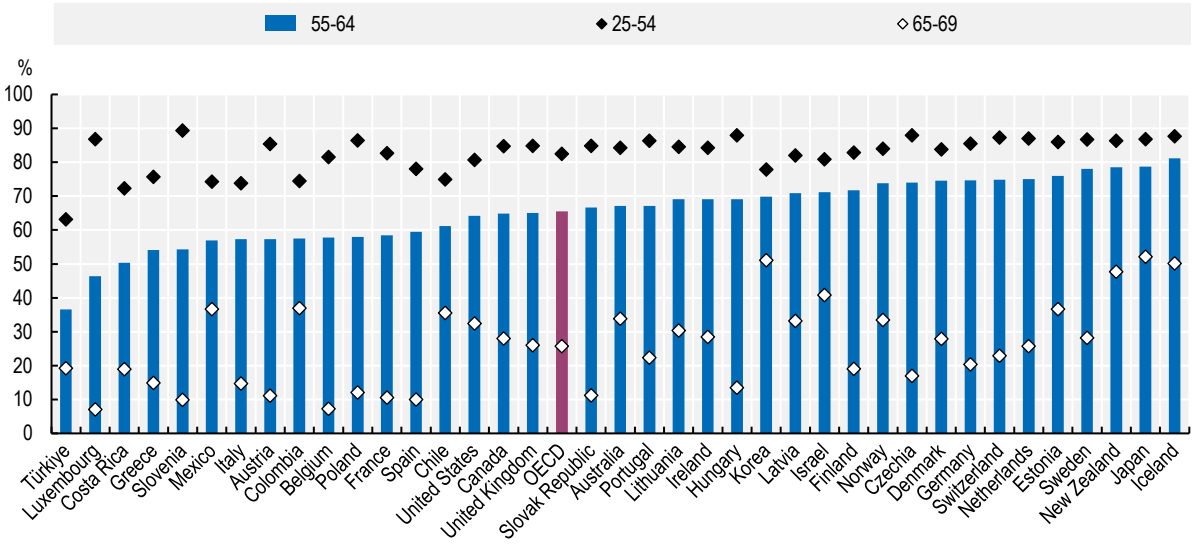
Working longer: financial incentives and flexible retirement

The employment gap between prime-age and older workers remains substantial

The employment rate of older age groups remains well below that of prime-age workers. On average across the OECD, 65.5% of people aged 55-64 and 25.7% of those aged 65-69 are in employment, compared to 82.5% of those aged 25-54 (Figure 1.8). Less than half of people in the age group 55-64 are in employment in Luxembourg and Türkiye, compared with more than three-quarters in Estonia, Iceland, Japan, New Zealand and Sweden. In the age group 65-69, fewer than one in ten are employed in Belgium, Luxembourg and Slovenia against around half in Iceland, Japan, Korea and New Zealand. Moreover, in Denmark, Estonia, Iceland, Israel, Japan, Korea, New Zealand and Sweden, the gap in employment rates between people aged 55-64 and those aged 25-54 is 10 p.p. or less. That gap is between 25 and 30 p.p. in Austria, Poland and Türkiye, and it is even larger in Luxembourg and Slovenia.

Figure 1.8. Employment rates for older adults continue to lag behind those of prime-age individuals

Employment rates by age group, 2023



Source: OECD Labour Force Statistics; Australian Bureau of Statistics table LM9 for Australian employment rates 65-69.

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Pension policy is an effective tool to increase employment at older ages, as raising normal and early retirement ages triggers large employment increases. While not everyone affected by increases in retirement ages continues working for the extended period, there is little evidence of more people seeking access to disability or unemployment insurance in response to pension reforms (OECD, 2025[2]). Increases in the number of disability or unemployment beneficiaries due to pension reforms are largely the result of

mechanical substitution: people who were receiving these benefits before remain longer in these schemes. In contrast, evidence of behavioural substitution, referring to people seeking access to disability or unemployment benefits in response to a retirement-age increase because they think they cannot continue working until the new retirement age, is limited (OECD, 2025[2]).

Various aspects of retirement and pension policies beyond normal and early retirement ages can affect employment at older ages. Three sets of policies can incentivise, facilitate or impede working longer. First, adequate penalties for early retirement and bonuses for deferral of pension uptake can provide financial incentives to work longer. Second, by making it possible to combine work and pensions, countries can avoid that people leave the labour market when they take up their pension. And third, mandatory retirement practices can stop older workers who want to stay in their jobs after a certain age from doing so. This section provides an overview of these policies in OECD countries.

Incentivising later retirement through bonuses and penalties

Early retirement can be discouraged through high enough minimum retirement ages and penalties before the normal retirement age, while late retirement can be encouraged through bonuses after the normal retirement age. Such penalties and bonuses are typically part of contributory public pension schemes, while residence-based basic or targeted benefits are generally only available at the normal retirement age (although Canada, Denmark, Finland, and Iceland also increase non-contributory benefits in case of deferral). The higher the bonuses and penalties, the higher the incentives to work longer. Actuarial neutrality defines the bonus and penalty levels that are neutral for pension finances over time. Hence, actuarially neutral bonuses and penalties provide flexibility in retirement timing without affecting pension finances: higher (lower) than actuarially neutral penalties (bonuses) generate savings for public finances, and encourage (discourage) working longer (Box 1.3). Bonuses and penalties below actuarially neutral rates are effectively an implicit tax on employment of people around the retirement age, as an extra year worked results in a decline in pension wealth (Blöndal and Scarpetta, 1999[11]).

On average across contributory basic, DB and points-based pension systems in OECD countries, the actuarially neutral rate for anticipating or deferring pension by one year is 4.8%, ranging from below 4% in Luxembourg and Slovenia to around 6% in Estonia and the Slovak Republic (Figure 1.9, Panel A). This among others reflects differences in remaining life expectancy at the future normal retirement age. Estonia and the Slovak Republic currently have a relatively low remaining life expectancy at age 65 and their retirement age will increase at the same pace as life expectancy. By contrast, the normal retirement age is set to remain at 62 in Luxembourg and Slovenia.

All countries except Colombia, Costa Rica, Greece,[3] Ireland, Israel, Türkiye and the United Kingdom allow for early retirement before the normal retirement age in their contributory basic, DB or points schemes. Deferring the uptake of contributory pensions is possible in all countries except Colombia.

Box 1.3. Actuarial neutrality and retirement timing

Actuarial neutrality is a central indicator for the assessment of the size of this bonus or penalty and thus for the assessment of work incentives around retirement ages. When individuals defer their pensions and work past the retirement age, they should not only build up new entitlements but also receive a higher pension benefit from previously built-up entitlements as they will receive the benefits for a shorter period. Conversely, when retiring earlier, pensions should be lower. Actuarially neutral pension schemes ensure that at a given age (e.g. at the normal retirement age) a worker is overall financially indifferent in terms of contributing to and receiving pensions between retiring and working an extra year – that is, taking up the pension one year later does not change the total amount of already accumulated pensions the person can expect to receive in its life. A bonus on accumulated entitlements for deferring

pension receipt that is larger than implied by actuarial neutrality provides financial incentives to work longer but is costly for the pension provider; a bonus that is lower than would be consistent with actuarial neutrality effectively is a disincentive to continue working. Similarly, penalties exceeding the actuarially neutral rate disincentivise early retirement whereas penalties falling short of the actuarially neutral rate make it financially more interesting to retire early.

The calculation of actuarially neutral rates for bonuses and penalties in a given pension scheme depends on four key determinants: the retirement age, mortality rates, pension indexation and discount rates. They do not depend on the other parameters used to compute pension benefits. Country-specific rates decrease with remaining life expectancy *at the normal retirement age* and with shifting for example from price to wage indexation as a lower bonus is needed to incentivise working longer if remaining life expectancy is longer and pensions grow at a faster rate during retirement. Therefore, part of the cross-country variation in actuarially neutral rates relates directly to differences in the retirement age as rates are low in case of a long period of pension receipt and high in case of a short period of receipt.

Source: OECD, (2017[12]), *Pensions at a Glance 2017*.

In several OECD countries, bonus and penalty rates within these schemes deviate significantly from actuarially neutrality. The average effective bonus is at the actuarially neutral rate, 4.8%, and the average effective penalty is slightly below at 4.4% (Panel A). Belgium and Luxembourg as well as Hungary for women are the only countries that do not apply penalties within such schemes in case of retirement one year before the normal retirement age – although Belgium is in the process of legislating a bonus-penalty scheme (see Recent pension reforms). By contrast in Canada, the penalty is over 2 p.p. *above* the actuarially neutral rate, generating strong disincentives to retire early. This is also the case in the occupational scheme in Switzerland, although to some extent this is offset by a penalty below the actuarially neutral rate in the public scheme.

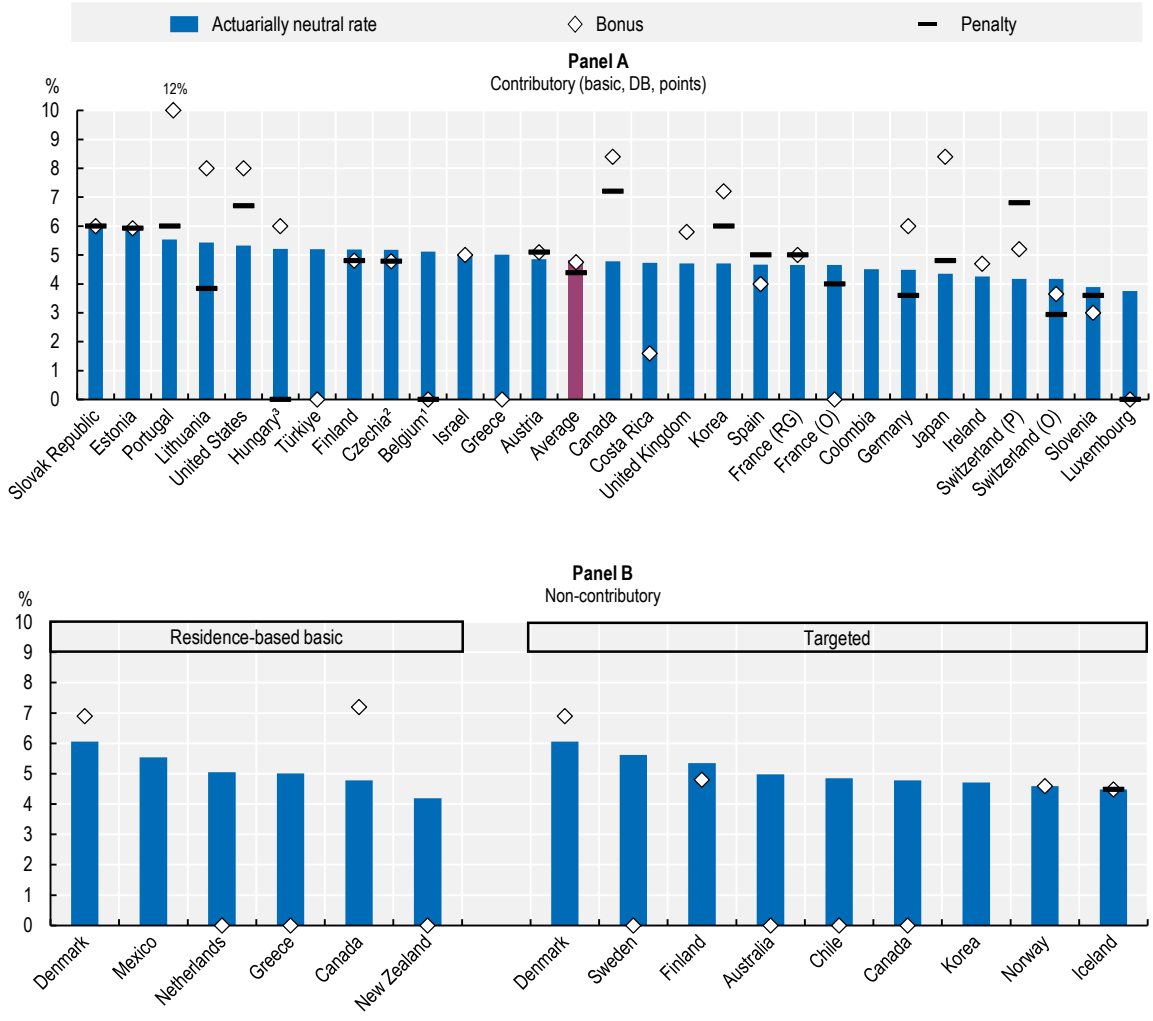
Belgium, Greece, Luxembourg and Türkiye currently do not provide a bonus for deferring pension benefits, and the bonus in Costa Rica's DB scheme is 3 p.p. *below* the actuarially neutral rate: this provides disincentives to delay pensions beyond the normal retirement age. In France, the lack of a bonus in the mandatory occupational scheme diminishes the incentives to work longer provided by the 5% annual bonus in the main public mandatory scheme (*régime général*). Korea, Lithuania and the United States provide a bonus of 2.5 p.p. *above* the actuarially neutral rate; in Canada and Japan it is 3.5-4 p.p. above that level; and, Portugal's bonus is even double the actuarially neutral rate. Bonuses well in excess of the actuarially neutral rate can provide strong incentives to delay claiming a pension but can also generate significant financial costs to the pension system.

DC pensions do not have explicit bonus and penalty rates, but they have built-in adjustments of benefits that can be received every month to the length of the retirement period. In FDC, the adjustments are actuarially fair by construction whether through lump sums or annuities. In NDC, the annuity conversion factor used to turn the notional capital into an annuity takes into account remaining life expectancy at the time of claiming the pension.

Early retirement is generally not possible in residence-based basic and targeted pension schemes, but some countries do apply a deferral bonus in these schemes (Panel B). While deferral of non-contributory benefits is possible in most countries, only some provide a deferral bonus. Canada and Denmark have a deferral bonus in their residence-based basic schemes, respectively, at about 2 and 1 p.p. above the actuarially neutral rate. Targeted benefits are only increased for deferral in Denmark, Finland, Iceland and Norway. Unique in allowing the early take-up of a targeted benefit, following a recent reform, Iceland now calculates actuarially neutral bonus and penalty rates for each combination of cohort and age (see Recent pension reforms).

Figure 1.9. Bonuses and penalties compared to the actuarially neutral rate

Actuarially neutral rate versus bonus/penalty rates applying when retiring one year after/before the normal retirement age, by type of scheme



Note: Bonuses and penalties applying to a person entering the labour market at age 22 in 2024, and retiring one year after and before the normal retirement age, respectively. No mark for bonus/penalty means that early/deferred retirement is generally not possible in the scheme. The actuarially neutral rate presented is the average of the rates for a bonus and penalty for retiring one year after/before the normal retirement age, for men and women combined. The actuarially neutral rates are on average about 0.2 p.p. higher/lower if calculated specifically for a one-year deferral/anticipation. For France and Switzerland, the mandatory occupational scheme (O) is included separately from the public DB scheme (P for Switzerland, RG, Régime Général, for France). 1. Belgium does have a flat-rate incentive to work beyond becoming eligible to retirement, although the government has concrete plans to replace this with a bonus-penalty scheme starting initially at 2% and increasing to 5%. 2. The data for Czechia are the combined result for the contributory basic pension (0% bonus/penalty) and the earnings-related pension (6% bonus/penalty) for an average earner. 3. In Hungary, early retirement without penalty is only possible for women as men cannot claim a pension early.
Source: Table 3.6 and OECD calculations.

StatLink https://stat.link/hnfou8

One attractive alternative to the traditional bonus, which increases the monthly pension until death, is a lump-sum benefit for deferring pension uptake. Spain introduced the option to have its 4% deferral bonus paid out as a lump sum to further incentivise delaying retirement in 2021. The lump-sum option might be

a good tool to nudge some people into delaying retirement as survey research indicates that some people prefer receiving the lump sum over the 4% bonus (Ministerio de Inclusión, Seguridad Social y Migraciones, 2021[13]). However, it has been estimated (BBVA, 2022[14]) that the choice between both options is far from an actuarially neutral one as the lump sum would be well below what most people could expect to receive actuarially from the 4% increase in their monthly pensions. Following the pension wealth calculation (Chapter 4), a full-career average-wage earner retiring in 2024 can expect to receive in actuarial terms around half the deferral benefit if taken out as a lump sum compared to the monthly bonus.[4]

In 2024, Belgium introduced a flat-rate deferral benefit that increases with the deferral period up to a maximum reached after three years of deferral. Flat-rate benefits mean that the incentive is relatively more meaningful for lower pensions. Moreover, the deferral benefit level depends on career length and can be taken up as a lump sum or monthly. The career-length conditions as well as a pro-rata reduction of the bonus in case of part-time employment during the period of deferral may undermine incentives to delay retirement: the bonus and penalty should adjust pension benefits for the expected duration of pension receipt, so a person's labour market status should not matter. For a person working full-time during the deferral period, the lump sum is financially more attractive than the monthly benefit.[5] The new government plans to replace the flat-rate deferral benefit with a bonus-penalty scheme of 5% per year from 2040.[6]

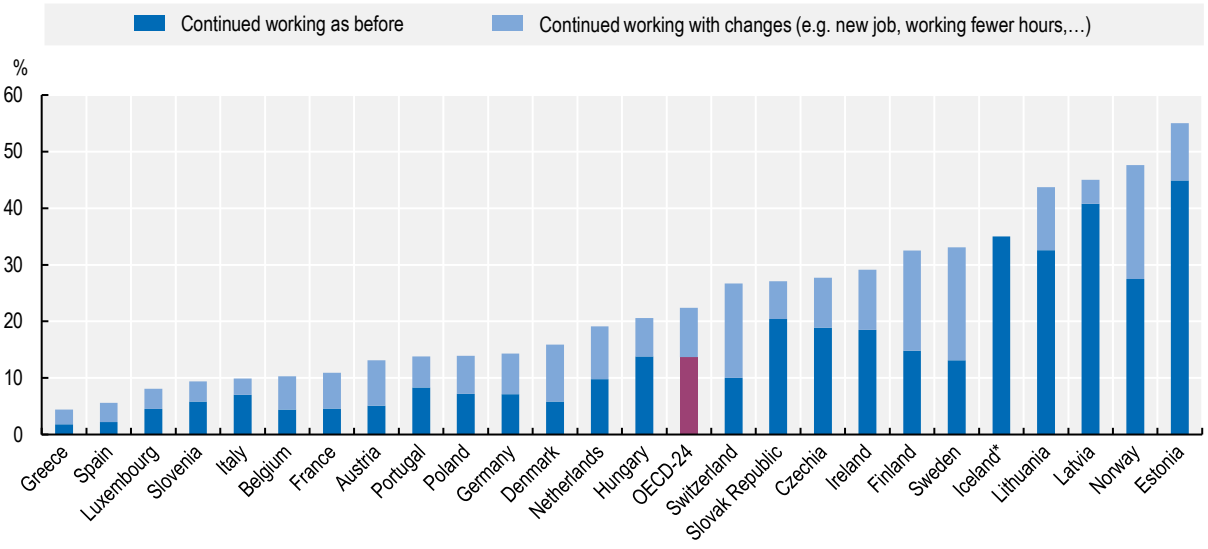
Another parametric alternative to a bonus, is an increased accrual rate for each year worked after fulfilling the career-length or age requirement to claim a pension. For instance in Hungary (OECD, 2024[15]) and Slovenia (OECD, 2022[4]), accrual rates are higher after 40 years worked. Accrual rates can be set in a way to mimic an actuarially neutral bonus for specific career profiles, although they may generate different incentives for people with different career profiles. Moreover, a bonus may be more visible than an increased accrual rate, and thus more effective to delay retirement.

Combining work and pensions

On average among European countries, about one-fifth of pensioners who are younger than 70 years continue working during the first six months after first receiving a pension. Over 40% of recent pensioners in the Baltic States and Norway and around one-third in Finland, Iceland and Sweden do so (Figure 1.10). Among European countries without restrictions on combining work and pensions before or after the normal retirement age in the OECD (see below), Denmark is the only one having a below-average rate of people continuing to work after retirement. Motivations are very different, however (Eurostat, 2023[16]): the majority of those working beyond retirement in the Baltic States indicate financial reasons, whereas in Norway the majority indicates to continue working out of joy for the work itself. In Finland and Sweden, motivations are more mixed, especially in Sweden where one-quarter of those who continue to work say they primarily do so to remain socially integrated – a much higher rate than any other European country. On the other extreme, about one-tenth of recent pensioners or less combine work and pensions in Belgium, France, Greece, Italy, Luxembourg, Slovenia and Spain.[7]

Figure 1.10. Working beyond pension receipt is very common in the Baltic and Nordic countries

Share of recent pensioners (aged 50-69) who continued working during the six months following the receipt of their first old-age pension in Europe, 2023



Source: Eurostat, table lfso_23pens06.

StatLink https://stat.link/v1597m

Restrictions on combining work and pensions may be harmful to efforts aiming at extending working lives beyond the normal retirement age. OECD countries vary strongly in how they regulate combining work and contributory pensions for private-sector employees, and often apply stricter rules before compared to after the normal retirement age (Table 1.1).

Table 1.1. Fewer obstacles to combining work and pensions after the normal retirement age

Employment restrictions to combine work and pensions in contributory pension schemes, private sector

	After the normal retirement age					Before the normal retirement age				
	Cannot combine work and pension	End contract to claim pension	Reduced pension (above limit in earnings (e))	Limited pension build-up given contribu-tions paid	No restric-tions on combi-ning work and pensions	Cannot combine work and pension	End contract to claim pension	Reduced pension (above limit in earnings (e))	Limited pension build-up given contribu-tions paid	No restric-tions on combi-ning work and pensions
Australia [a]					●		●			
Austria					●		●	e		
Belgium				●				e	●	
Canada [b]					●					●
Chile					●					●
Colombia					●					●
Costa Rica		●					●			
Czechia					●	●				
Denmark					●					●
Estonia					●					●
Finland [c]		●					●			
France		●	e	●			●	e	●	
Germany				●						●
Greece				●					●	
Hungary *					●					●
Italy		●					●	e		
Japan			e					e		
Latvia					●	●				
Lithuania					●	●				
Luxembourg				●			●	e		
Mexico		●		●			●		●	
Norway					●					●
Poland		●					●	e		
Portugal		●					●			
Slovak Republic				●			●	e		
Slovenia			●	●		●				
Spain [d]				●			●			
Sweden					●					●
Switzerland					●					●
Türkiye		●		●			●		●	
United Kingdom					●					●
United States					●			e		
Total	0	8	3	10	16	4	13	9	5	11

Note: No information for Iceland, Israel and Korea. Ireland and New Zealand do not have early-retirement options in their (quasi-)mandatory residence-based basic pension schemes, and have no restrictions on combining work with that basic pension after the normal retirement age; in the Netherlands, conditions for early retirement in the quasi-mandatory occupational pension schemes are sector-specific. * In Hungary, early retirement is only possible for women. a. The data for Australia refer to the earnings-related Superannuation; the Work Bonus, which reduces the amount of earnings from work taken into account in the income test of the targeted Age Pension, was permanently set at AUD 300 per fortnight, currently 11% of average earnings. b. In Canada, the residence-based basic pension is withdrawn at 15% against income (including earnings) exceeding 106% of economy-wide average earnings. The benefit cannot be taken up before the normal retirement age. c. In Finland, the employment contract does not have to be terminated to claim a pension when the upper age limit for taking up the pension, currently 68, is reached. d. In Spain, there is a requirement to defer pension uptake by at least one year before a pensioner can work after the normal retirement age.
Source: Information provided by the countries, and OECD, (2022[4]), *OECD Reviews of Pension Systems: Slovenia*.

There are no restrictions on combining work and pensions after the normal retirement age in half of OECD countries, and one-third of countries do not restrict combining work and pensions before the normal retirement age either. There are no OECD countries that do not allow people to combine work and pension receipt at any time. In between those extremes, countries do allow pension recipients to receive earnings from work, but various conditions or limits apply. These include a requirement to terminate the employment contract to claim a pension, limits on hours worked or earnings above which pensions are reduced, or lower build-up of new pension entitlements given contributions paid.

Eight countries require that the employment contract is terminated to access pension benefit after the normal retirement age. Costa Rica, Finland, France, Italy, Mexico, Poland, Portugal and Türkiye only grant a pension after the employment contract has been terminated. The mandatory termination of the employment contract means that older workers are likely to be offered poorer working conditions when combining work and pensions compared to before claiming a pension. Finland only allows pension recipients to continue working for the same employer immediately after claiming a pension if the nature of the job is different, and France and Portugal have waiting periods for people to return to their old employer. The intention of these limitations mostly appears to be to avoid that people claim an old-age pension while planning to continue working.

Three countries reduce pensions when combining work and pensions after the normal retirement age, two of which only do so under some conditions, effectively serving as a labour tax on pensioners. Slovenia only pays out 40% (and even 20% after three years) of the pension if the person performs any kind of paid work.[8] In France, the sum of pension income and earnings cannot exceed individual's earnings before claiming a pension for people with an incomplete insurance record who retired before the normal retirement age (i.e. without a full pension). In Japan, if the sum of the earnings-related pension and earnings exceeds 111% of economy-wide average earnings, the earnings-related pension is reduced by half of the excess amount.

In ten countries, pension contributions are generally paid when pension recipients work beyond the normal retirement age while no or reduced pension entitlements are built up. This practice is de facto a tax on employment of pension recipients. This is the case in Belgium, France, Greece, Luxembourg, Mexico, the Slovak Republic, Slovenia and Spain, as well as in Germany and Türkiye where it only concerns employer contributions.[9] In Belgium, Germany, Luxembourg and Türkiye, as well as in France for those without a full pension, pension contributions are paid on earnings beyond the retirement age, but no more pension entitlements are built up.[10] Belgium and Germany do have special employment statutes with earnings limits (flexi-jobs and mini-jobs, respectively) accessible to pensioners through which workers can be exempted from paying pension contributions. In the Slovak Republic, contributions paid by working pension recipients only deliver half the normal amount of pension points. Greece and Spain levy a supplementary contribution of 10% and 9% of earnings, respectively, that does not result in a higher pension. Spain, moreover, is the only country that requires that pension uptake is deferred with at least one year before a person can combine work and pension receipt after the normal retirement age.[11]

Countries tend to apply stricter rules for combining work and pensions before the normal retirement age. Czechia, Latvia, Lithuania and Slovenia do not allow people to work while receiving early-retirement benefits. Another 13 countries require that employment contracts are terminated to claim a pension before the normal retirement age. In addition to the eight countries that require this to claim a pension after the normal retirement age (see above), it concerns Australia, Austria, Luxembourg, the Slovak Republic and Spain. Several countries provide exceptions to this rule in the case of partial retirement, so as to allow people to gradually reduce working hours in their current job and topping up their earnings with pension benefits.

Nine countries apply earnings limits to the amount of work a person can do while receiving an early-retirement benefit. France and Japan apply the same limits before as after the normal retirement age. Earnings limits tend to be much stricter before than after the normal retirement age: Austria, Belgium,[12] Luxembourg and the Slovak Republic suspend early-retirement benefits above a very low earnings limit, below 20% of economy-wide average earnings, only allowing for small part-time or occasional employment. Thresholds are higher in Poland and the United States, at 70% and 33% of economy-wide average earnings, respectively. Italy has different limits depending on the early retirement scheme: there is no income limit under regular early retirement rules, but limits do apply to people retiring under special early-retirement schemes such as the Quota system.

Finally, in five countries, pension contributions have to be paid for working pension recipients before the normal retirement age while there is no or reduced build-up of pension entitlements. Belgium, France, Greece, Mexico and Türkiye apply the same rules on no or lower pension build-up given the contributions paid before the normal retirement age as after.

Obstacles to combine work and pensions after the normal retirement age should be removed. Such restrictions unduly constrain choices and therefore limit the well-being of workers. They are at odds with the emphasis on working longer given population ageing. Moreover, removing these obstacles is important as working longer raises individuals' retirement income and generates positive aggregate effects beyond the pension system, e.g. through higher output and tax revenues. Rules to draw pensions should as much as possible not be linked to work status. Contributors have acquired pension entitlements which they should be able to draw once they meet eligibility conditions, irrespective of whether they work or not; and if they work, irrespective of their earnings, hours worked and employment contract. Likewise, older workers should be able to work irrespective of whether they receive their pension benefits. In addition, in order to efficiently promote more gradual forms of retirement, conditions to withdraw partial pensions should not depend on the amount of work and labour income after the normal retirement age (OECD, 2017[12]).

Mandatory retirement ages

Mandatory retirement rules end the employment of older workers, or allow employers to unilaterally change or terminate employment contracts from a certain age. In its strictest sense, mandatory retirement refers to the law prescribing that the employment relationship ceases when the employee reaches a certain age. The law can also allow employers to end the employment of workers from a certain age, but not oblige them, by including age limits in employment protection legislation or by easing restrictions on layoffs from a certain age. In its "softest" form, mandatory retirement practices can also include regulations that allow employers to unilaterally change employment conditions from a certain age. While such regulations do not necessarily result in the termination of the employment relationship, the lower earnings or job quality it implies, make it much less interesting for older people to remain in employment.

In order to promote longer working lives and give older people more choices, the OECD recommends tackling barriers to employment of older workers. Strictly speaking, mandatory retirement is a matter of labour market regulation and employment protection, although its impacts depend on the eligibility to pensions and the size of the benefits. One of the recommendations to achieve this goal, adopted by the Council of the OECD on Ageing and Employment Policies, is that countries seek to discourage mandatory

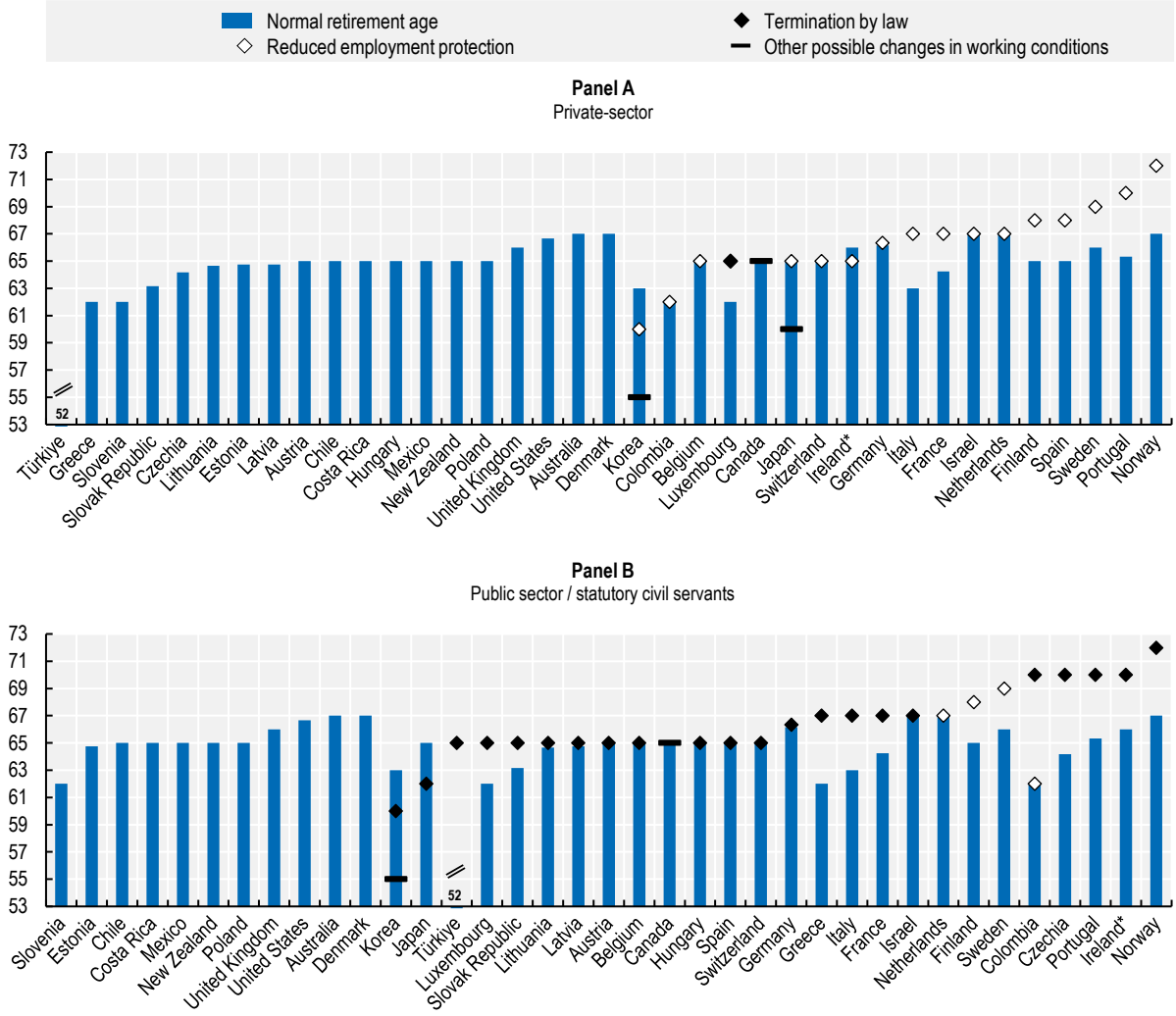
retirement in close consultation and collaboration with employers' and workers' representatives. The OECD does acknowledge that "in a limited number of instances" mandatory retirement practices may be necessary (OECD, 2018[17]). Employers, in the public sector in particular, may struggle more without compulsory retirement in countries where employment protection rules are very rigid (OECD, 2017[18]).

Eleven OECD countries do not apply any form of mandatory retirement to either public or private-sector workers (Figure 1.11). Half of OECD countries, by contrast, have mandatory retirement practices for both public- and private-sector workers. In the remaining eight countries, mandatory retirement exists solely for public-sector workers or statutory civil servants. Hence, mandatory retirement is more common in the public than in the private sector in OECD countries.

Japan and Korea are the only OECD countries allowing for mandatory retirement before the normal retirement age in both the private and the public sector, and Ireland does so only in the private sector. Japan allows for private-sector employers to terminate employment contracts from age 60, five years before the normal retirement age. The law does require companies to guarantee employment until age 65, although this typically includes less generous working conditions (Panel A). In the public sector, employment relationships currently end at 62 (Panel B), although Japan is in the process of increasing it to reach the normal retirement age of 65 in 2031. In Korea, the mandatory retirement age is 60 both in the private and the public sector, despite a current normal retirement age of 63. The age from which private-sector employment can be terminated was increased from 55 to 60 as of 2017, but from age 55, employees' wages can be reduced. To limit the impact of seniority wages, the "wage peak system" entails a wage cut for workers aged 55+ – partially compensated by government subsidies – in exchange for employment security until age 60 (OECD, 2018[19]; 2022[20]). Ireland currently still allows for private-sector employers and employees to agree on a retirement age in employment contracts, most often at 65, although it is in the process of drafting a law that would prohibit mandatory retirement before the statutory retirement age of 66.

Figure 1.11. Mandatory retirement ages remain common in OECD countries

Ages from which different mandatory-retirement practices are allowed, and current normal retirement ages (men)



Note: No data are available for Iceland. * For employees, Ireland has no specific age from which it is allowed to end employment contracts, but it is commonplace for employment contracts to include a termination clause at age 65. For civil servants, Ireland has no mandatory retirement age for those who entered service between 2004 and 2012, but the mandatory retirement age of 70 applies to those who entered both before and after this period.
Source: Mandatory retirement ages based on information provided by the countries; normal retirement ages from Table 3.5.

StatLink https://stat.link/of7ja9

Among OECD countries, mandatory retirement takes different forms as indicated above, with varying levels of strictness. First, mandatory retirement can apply in the strict sense: the legal obligation to terminate the employment relationship at a certain age. This is the type of mandatory retirement most commonly applied in the public sector.[13] For private-sector workers, a legal obligation to end the employment relationship at a certain age only exists in Luxembourg, where the employment agreement is automatically terminated at 65. Workers can be rehired again afterwards.

Second, as a common form of mandatory retirement, employers are allowed to terminate the employment relationship when employees reach a certain age, but they are not required to do so. This is by far the

most common type of mandatory retirement for private-sector workers in OECD countries. It can either be done through allowing clauses in employment contracts or collective agreements to terminate employment at a certain age, or though reducing employment protection at a certain age. Mandatory retirement clauses can for instance be included in contracts and collective agreements in Germany, the Netherlands, Spain and Switzerland. Reduced labour protection typically takes the form of shorter notice periods, limited severance pay and/or a relaxation of the rules on legal reasons for dismissals. This is among others the case in Austria, Belgium, France and Italy. Norway currently has both types of mandatory retirement in the private sector: employers are allowed to terminate the employment relationship when employees reach 72 years, and contracts and social agreements can include a clause automatically terminating employment from age 70 under some conditions. However, from 2026, the option to write a mandatory retirement at age 70 into contracts and collective agreements will be abolished, alongside an increase of the mandatory retirement age in the public sector from 70 to 72. Sweden similarly has both types of mandatory retirement practices, both available when "the right to remain in employment" expires, which is currently at age 69.

Finally, regulations can allow employers to change employment conditions from a certain age, which may result in lower earnings or job quality. This is for instance the case in the wage peak system in Korea, and with the possibility to terminate the employment contract and offer another contract at age 60 in Japan (see above). The conditions in the newly offered employment contract are typically less generous than those in the contract that expired when turning 60 (OECD, 2022[20]; 2024[21]). In Canada, moreover, collective agreements can specify that workers both from the public and the private sector are exempt from certain workplace benefits such as health insurance from the normal retirement age onward.[14]

Several countries have abolished mandatory retirement practices or increased mandatory retirement ages over the last decades (OECD, 2022[4]). The United States for instance abolished the mandatory retirement age in 1986, and in Denmark, it was abolished in the public sector in 2008 and in the private sector in 2016. In both countries, some exceptions remain for very specific occupations, often where there could be valid health and safety concerns such as air traffic controllers, but also in some other jobs such as judges, police and military personnel. Courts have been playing an important role in reducing mandatory retirement practices or preventing their introduction. In Estonia, the Supreme Court ruled in 2007 that mandatory retirement was unconstitutional. When Slovenia introduced mandatory retirement in 2020, the Constitutional Court initially suspended and subsequently annulled the regulation. Similarly, the Slovak Republic introduced an option for employers to give notice to employees when they turn 65 in 2022, which was suspended by the Constitutional Court, with a final decision yet to be taken. The Court of Justice of the European Union's rulings offer a framework setting the boundaries within which the practice of mandatory retirement could be considered non-discriminatory and thus lawful (Oliveira, 2016[22]; Dewhurst, 2016[23]). First, the justification should be based on concrete evidence of age having a certain impact on job performance, not mere generalisations or assumptions. Second, any justification for a mandatory retirement age should be occupation- or sector-specific. Safety concerns could be a valid argument for mandatory retirement if there is international agreement that practicing a specific occupation above a certain age could endanger health and safety. And third, the availability of a pension is an important condition for mandatory retirement.

Mandatory retirement ages have been argued for on economic grounds in specific circumstances. A first argument concerns workers' wages outgrowing their productivity when seniority is a substantial component in wage setting (Lazear, 1979[24]). When older workers cost more than they produce, mandatory retirement is a tool for firms to reduce wage costs without affecting their output (OECD, 2019[25]). There is some evidence that the low mandatory retirement age in France before 2003 was especially used against high-wage earners (Rabaté, 2019[26]). Increasing or abolishing the mandatory retirement age in such a context might reduce efficiency. A second argument is that mandatory retirement makes it possible to terminate employment contracts of less productive workers without facing (the risk of) high costs in countries or sectors where it is difficult or expensive for employers to dismiss such workers (OECD, 2019[25]; OECD, 2017[27]). Finally, some have argued that mandatory retirement leads to the redistribution of employment

opportunities between generations, as older workers would free jobs for younger generations (OECD, 2022[4]). Even though there might be a trade-off between the employment of older and younger workers in some very specific, well-protected sectors, in the economy as a whole job opportunities for younger people are not reduced when keeping older workers in employment longer (OECD, 2013[28]) – the idea that there is a trade-off is the so-called lump of labour fallacy. To the extent that mandatory retirement in a given country is the consequence of employment and wage regulations, mandatory retirement is only a second-best instrument to deal with difficulties triggered by policies in other areas. The first-best solution would consist in addressing the employment and wage regulations mandatory retirement is meant to circumvent. This could be more difficult to implement in the public sector, however, as civil servants tend to have more stringent employment protection and as productivity generally is more difficult to assess, making a transition from seniority- to performance-based wage setting more challenging.

Recent pension reforms

This section summarises pension reforms introduced in OECD countries between September 2023 and September 2025. Annex 1.A provides more information about reforms passed during this period.

Changes in retirement ages and incentives to work longer

Normal retirement ages

The average normal retirement age is 64.7 years for men in OECD countries in 2024. The normal retirement age is defined as the age at which individuals permanently working full-time from age 22 are eligible for retirement benefits from all pension components without penalties. It ranges from 62 years in Colombia, Greece, Luxembourg and Slovenia – Türkiye is an absolute outlier with a current normal retirement age of 52 years – to 67 years in Australia, Denmark, Iceland, Israel, the Netherlands and Norway (Figure 1.12).[15]

Czechia and Slovenia legislated an increase in their statutory retirement ages by two years. In Czechia, the statutory retirement age was already increasing by two months per year until reaching 65 in 2030. Based on the 2024 legislation, the retirement age is set to increase further, but at a slower pace after 2030: it will go up by one month per year until it reaches 67 in 2056. At the same time, eligibility conditions have been relaxed for some people. Those with at least 20 but less than 35 years of coverage could previously only take up their pension five years after the statutory retirement age. This has been reduced to two years. Furthermore, an early retirement scheme for arduous and hazardous occupations has been introduced at the same time (see below).

As part of its substantial pension reform discussed below, Slovenia decided in September 2025 to increase its age thresholds in the pension system by two years between 2028 and 2035 while maintaining relatively short career-length conditions. The statutory retirement age will increase from 65 to 67 conditional on 15 years of contributions, and with 40 years of contributions retirement will be possible without penalty from age 62 instead of 60 previously. Retirement conditions for early starters increase accordingly: currently a person who started working before turning 18 can retire at age 58 provided they made 40 years of contributions, while in the future retirement will be possible from 60 for people who started working before 20. The reform does not change the normal retirement age for Slovenia, however, as a person with a full career from age of 22 can still retire without a penalty upon turning 62 years old.

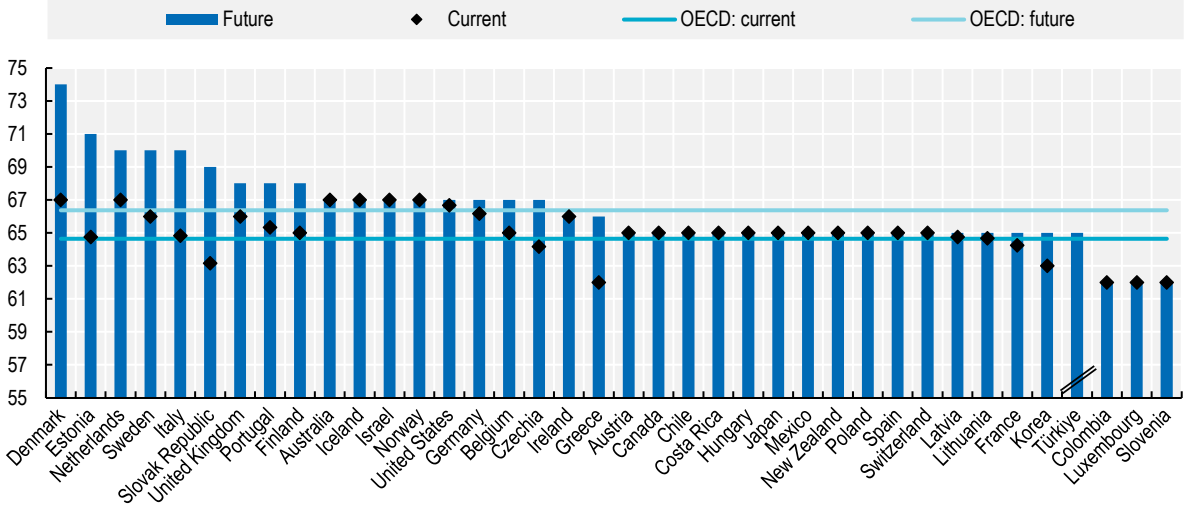
Overall, based on already legislated measures, the average normal retirement age for men in the OECD will increase by almost two years to 66.4 years for men entering the labour market in 2024. Half of OECD countries will increase the normal retirement age based on current legislation for men. At the same time, cross-country differences are set to become starker: the normal retirement age will remain at 62 in

Colombia (for men), Luxembourg and Slovenia, whereas it is expected to reach 70 years in Italy, the Netherlands and Sweden, 71 years in Estonia, and even 74 years in Denmark based on established links between the retirement age and life expectancy (Figure 1.12).[16] However, after the Danish Parliament confirmed the increase in the statutory retirement age to age 70 from 2040[17] in May 2025, Denmark may soften the current one-to-one link between retirement age and life expectancy, in which case the projected future normal retirement age would be lower than 74. The eight countries with the highest future normal retirement age are all countries linking retirement age to life expectancy, including also Finland, Portugal and the Slovak Republic. The other OECD country with a retirement-age link to life expectancy is Greece, but the Greek normal retirement age is projected to be just below the OECD average in the future: this is because early retirement is accessible without penalty after a 40-year career, hence it is the minimum age, which is set to increase from 62 to 66, that determines the future normal retirement age in Greece. Norway is expected to introduce a link and increase its retirement age by two-thirds of life-expectancy gains in the near future.

Nine OECD countries still allow single women to retire with a full pension at a lower age than men. Among them, Austria, Lithuania and Switzerland decided to close the gender gap in normal retirement ages by 2033, 2026 and 2028, respectively, while the gap will be reduced in Israel and Türkiye (Chapter 3). Costa Rica and Hungary will maintain a gender gap of two and three years, respectively, while it will remain five years in Colombia and Poland. In Chile, FDC pensions can be accessed by women at age 60 compared to 65 for men, but the targeted scheme (PGU) is only accessible as of 65 for both men and women, which determines the normal retirement ages for both men and women. Mexico has normal retirement age of 65 for both men and women, but is implementing a low, flat-rate benefit paid to women aged 60-65 (see below). Among G20 countries, gender gaps in the normal retirement age exist in Argentina, Brazil and China and will be maintained in the future.

Figure 1.12. The normal retirement age will be rising in half of OECD countries for men

Normal retirement age for men entering the labour market at age 22 with a full career



Note: The normal retirement age is calculated for an individual with a full career from age 22. "Current" refers to people retiring in 2024. "Future" refers to the age from which someone is eligible to full retirement benefits from all mandatory components (without any reduction), assuming a full career from age 22 in 2024. Educational credits are not included. For better visibility, the scale of this chart excludes the lowest observed value of 52 for current normal retirement age in Türkiye.
Source: See Chapter 3, Figure 3.8, https://stat.link/pgr5v9.

Early retirement and incentives to work longer

The Slovak Republic has tightened eligibility conditions to early retirement, while Italy has extended further multiple early-retirement schemes although conditions have been tightened for several of these. The Slovak Republic has linked the career-length condition for early retirement to life expectancy. While previously, early retirement was possible with penalty after a 40-year career, the career-length requirement now increases at the same pace as the statutory retirement age, which is linked to life expectancy.[18] According to life expectancy projections by the UN, this means that for people entering the labour market now, the career-length condition that will apply when they retire will be 46 years. In addition, the penalty for early retirement based on career length has been increased from 0.3% to 0.5% per month, equalising it with the penalty for retirement two years prior to the statutory retirement age irrespective of career length.

In Italy, the so-called women's option allowing women to retire early with a 35-year career, has been extended for the period 2024-2026, although it can now only be accessed from age 61 instead of 60 previously.[19] The pensions of women retiring through this scheme are fully calculated based on notional defined contribution (NDC) rules, generally resulting in lower benefits than when calculated based on defined benefit (DB) rules in Italy. Also, the Quota 103 scheme has been extended for the period 2024-2025, allowing for early retirement at age 62 with 41 years of contributions, whereas Quota 102 (retirement at 64 with 38 years of contributions) has been abolished. For people retiring through the Quota 103 scheme as of 2024, NDC rules are applied to their full pension. The early-retirement scheme for the unemployed, disabled people, caregivers or people in arduous occupations (Social APE) has also been extended for the period 2024-2025, but the eligibility age has been increased from age 63 to 63 and five months. The scheme allowing for early retirement in case of restructuring of firms in crisis has been extended without changes, and remains accessible from age 58 with at least 35 years of contributions. Moreover, conditions for early retirement at 64 for people who are only covered by NDC pensions (i.e. people without contributions before 1996) have been tightened. Instead of 20 years of contributions previously, 25 years are needed to retire early (i.e. before age 67) from 2025, and 30 years from 2030.

Several other countries have made adjustments to penalties for early retirement or to bonuses for deferral. Austria has increased the deferral bonus for old-age pensions from 4.2% to 5.1% per full year of deferral, with a maximum of 15.3%. Czechia has halved its penalty for workers who acquired at least 45 years of contributions, from 1.5% per 90 days of early take-up to 0.75%. Iceland now allows people to defer the uptake of the targeted pension and of the targeted supplement for single pensioners until age 80 against 72 previously. It has also replaced the fixed 6.0% bonus and 6.6% penalty per year with a bonus and penalty specific to each combination of age and birth cohort so as to be actuarially neutral. Ireland has introduced the option to defer claiming the contributory basic pension by up to four years, from age 66 to 70. The annual deferral bonus will regularly be reassessed according to actuarial principles and is bigger for longer deferral: in 2025, the bonus ranges from 4.7% for the first year of deferral to 5.3% for the fourth. Spain has provided some more flexibility in retirement timing in its deferral bonus. Previously, the bonus of 4% per year only accumulated per full year of deferral. Since 2025, the bonus instead accumulates at 2% per six months in case of a deferral of at least 18 months. Finally, while Belgium has introduced a flat-rate deferral benefit in July 2024, increasing with each day of deferral up to a maximum of three years, the new government announced at the beginning of 2025 that it plans to replace the flat-rate deferral incentive with a 5% bonus and penalty conditional on career length.

Denmark and Finland have also made adjustments to incentives to stimulate working beyond the normal retirement age. Denmark has increased its untaxed flat-rate benefit paid annually to people working in the first two years after reaching the statutory retirement age. The benefit is paid as a lump sum to people who on average work at least 30 hours per week over the year, irrespective of whether the public pension's uptake is deferred. The benefit, which is currently 9.2% of economy-wide gross average earnings for the first year and 5.5% for the second, is set to increase by 30% on top of regular indexation between 2026

and 2029. Finland has increased the age threshold above which earned income is taxed preferentially from 60 to 65 years.

In addition, Czechia and Spain changed rules around early retirement for arduous or hazardous work. Czechia has introduced the option for workers to retire without penalty 15 months before the statutory retirement age if they have worked at least about 10 years (more precisely, 2 200 shifts) in jobs deemed arduous or hazardous, or 30 months before with at least about 20 years (4 400 shifts). Czechia plans on expanding the early-retirement scheme for arduous and hazardous jobs further. Currently, there is a supplementary 2% employer contribution for miners, paramedics and firefighters, giving them access to retirement five years before the statutory retirement age. This contribution could be increased to 5% and the list of occupations expanded to include among others specialised nurses, foresters, blacksmiths and foundry workers, and bricklayers and pavers. The Spanish Government, together with social partners, developed a standardised procedure to determine arduousness or hazardousness of occupations and, connected to that, early-retirement entitlements. Occupation-specific arduousness or hazardousness coefficients are based on the rate of occupational accidents by gender and age, the seriousness of these accidents, and the number and duration of sickness leaves in these occupations. The coefficients are supposed to be reviewed every 10 years.

Combining work and pensions

Several countries have recently made it easier or more interesting for pension recipients to work. Countries have moved in different directions to make it easier for people to combine work and pensions, with some countries introducing rules that others are moving away from. Japan's earnings limit for combining work and pensions above which the pension is suspended, around the level of gross average earnings, will increase by 24% in 2026. In 2024, Lithuania removed earnings limits for people receiving social-assistance old-age pensions, which are paid to people without the 15-year career required for the contributory pension. Spain has made the rules for combining work and pension receipt more flexible in 2025. Previously, combining work and pension was only possible for people with a full career (36.5 years in 2024) who deferred uptake by at least one year beyond the statutory retirement age. Only half of the pension benefit and no deferral bonus were paid out during the period of employment, irrespective of working time or earnings. After the reform, combining work and pension is open to anyone who is entitled to a pension, irrespective of having a complete career. It is still required that pension uptake is first deferred for at least one year, although a deferral bonus is now paid out. The pension amount that can then be taken up while working depends on the duration of the deferral: after one year of deferral, 45% of the pension can be taken up; combining work with a full pension requires a five-year deferral (see above). Greece has replaced the 30% reduction in pension for working pension recipients by a supplementary social contribution of 10% of earnings, for which no supplementary entitlements are built up. Czechia took a different approach by exempting working pension recipients from having to pay the 6.5% employee pension contribution rate, while the employer contribution rate has remained unchanged. For the self-employed combining work and pensions, the contribution rate has also been reduced by 6.5 p.p., from 28% to 21.5%. This 6.5 p.p. reduction replaces the 0.4% pension increase for each year of combining work and pensions. Austria retains relatively strict earnings limits for pension recipients but has added some flexibility for 2024-2025 that allows people to slightly exceed the limit during some months in the year.[20]

Spain and Switzerland have increased flexibility in transitioning from working life to retirement through partial retirement, and France has dissociated the age to access partial retirement from the minimum retirement age, which is increasing. In Spain, partial retirement is now allowed while reducing working time between 25% and 75% against only 50% before 2025.[21] Switzerland has created the possibility to reduce working time between 20% and 80% and complement it with an inversely proportionate part of the public pension. Partial pension is accessible from two years before the statutory retirement age until age 70, and people can gradually expand pension uptake in up to three phases during this period (i.e. an initial working-time reduction, a bigger working-time reduction and a complete termination of employment). The usual

penalty applies to the part of the pension taken up early, or the bonus to the part of the pension that is deferred. France has fixed the minimum age for partial retirement at age 60 in 2025. Previously accessible two years before the minimum retirement age, the accessibility age for partial retirement would have increased from 60 to 62 due to the increase in the minimum retirement age from 62 to 64 that was decided on in 2023.

Adjustments to benefits and contributions

The average income of people over 65 was equal to 87% of that of the total population on average across OECD countries in the latest year available. Older people fare best in Israel, Italy, Luxembourg and Mexico in relative terms, as incomes for the over-65s were about the same or slightly higher than for the total population (Chapter 7). Older people also had high relative incomes on average in Canada, Costa Rica, France, Iceland, Portugal, the Slovak Republic, Spain and the United States in international comparison. In Estonia, Korea Latvia and Lithuania, by contrast, the income of older people was about one-third lower.

Systemic reforms strengthening old-age income protection

Chile and Mexico undertook systemic reforms in their pension systems, as did Colombia although the reform has been suspended by the Constitutional Court. Chile has boosted its FDC earnings-related pensions through a sharp increase in the mandatory contribution rate and has added several redistributive components, including a contribution-based basic pension and a pension supplement for women. Colombia passed a reform removing the choice between contributing to the public DB or a private FDC scheme and increasing targeted benefits, although its implementation is uncertain after the Constitutional Court suspended it awaiting substantive review. Mexico has introduced a large earnings-related top-up to the mandatory FDC scheme, which changes the nature of its earnings-related pensions by severing the link between contributions and benefits for a large part of the population. Previously, Mexico had introduced a residence-based basic pension in 2019 and Chile made its targeted benefit quasi-universal in 2022. These new reforms add to the trend of Latin American countries increasingly seeking to tackle high old-age poverty, among others resulting from a large informal sector in combination with weak protection for the most vulnerable older people. Furthermore, in Costa Rica, the parliament is currently discussing a law proposal that would introduce a residence-based basic pension by March 2027.

More specifically, Chile has strengthened its FDC pensions and has introduced three new benefits as part of the early 2025 pension reform. The employer contribution rate will be increased from 1.5% to 8.5% by 2034. Of the 8.5% contribution rate, 4.5 p.p. will flow into individuals' FDC accounts, raising future pensions, which will generate a sharp increase in FDC entitlements. An additional 1.5 p.p. initially finances a new contribution-based basic pension and guaranteed bonds. Between 2044 and 2056, however, it will gradually be reallocated to FDC accounts and the contribution-based basic pension is supposed to cease to exist and guaranteed bonds will no longer be issued. The remaining part of the new employer contribution rate, 2.5 p.p., flows to existing disability and survivor's insurance (currently 1.5 p.p.) and to a compensation for women for the part of their lower FDC annuities that is due to their longer life expectancy given the use of sex-specific mortality tables. More precisely, the women's life expectancy compensation, paid from September 2025, tops up a woman's annuity so that she would receive the same pension as a man of the same age and with the same amount of FDC savings, provided she retires at 65.[22]

The new contribution-based basic pension and guaranteed bonds will be financed by state subsidies in addition to the contributions of 1.5 p.p. The contribution-based basic pension will start to be paid to both current and future pensioners from 2026. The eligibility age is 65 for both men and women, although men will need at least 20 years of contributions to qualify whereas women will initially only need 10 years of contributions, increasing to 15 years for new pensioners from 2036, based on the same annual entitlement as for men. The maximum benefit is reached after 25 years of contributions and equals 2.5 UF[23] or 8% of the gross average wage. The guaranteed bonds are given to people for contributions paid from March 2025

until 2055, and hence mostly benefit future retirees. They receive an interest rate on their contributions that is tied to that of government bonds. Upon reaching the statutory retirement age in the FDC scheme (65 for men, 60 for women), people can choose whether to use these bonds to increase the life annuity or programmed withdrawal from the FDC scheme, or whether to simply turn them into 240 monthly payments. Guaranteed bonds can be paid out earliest in September 2026.

In addition, Chile has increased the targeted Universal Pension Guarantee (PGU) by 11.6% on top of regular price indexation. The increase is first applied to people aged 82+ receiving up to CLP 250 000 – equivalent to about 21% of gross average earnings or 95% of the average FDC old-age pension – from September 2025. The increase will be applied to those 75+ one-year later, and to all other old-age pensioners the year after that. The benefit is withdrawn at 56% against the pension received from the FDC scheme instead of 50% previously.[24] Based on the OECD pension model, the increase of the targeted benefit will result in the total pension being 3.2% higher for an average earner and 5.2% higher for a low earner with a full career from age 22 in 2024 (Chapter 4).

Chile has furthermore changed some rules in the governance of the FDC pension funds to reduce fees and increase investment choice options. Every two years from 2027, 10% of individual accounts will be auctioned to the administrator that offers the lowest fee. People will have the option to opt out from the procedure, and can switch to another administrator at any time. While currently only five investment options are available, each with a different risk level, in 2027 Chile will move to a system of at least ten target-date funds with cohort-specific investment policies, gradually shifting funds from higher- to lower-risk investments as members approach retirement.

Colombia passed a reform removing the choice between building up earnings-related pensions in a public DB or a private FDC scheme, but its implementation is uncertain after the Constitutional Court suspended the reform in June 2025, awaiting substantive review. Following the reform, pension contributions for earnings up to the threshold of 2.3 times the legal monthly minimum wage (COP 2 990 000 in 2024) would be used to finance the public DB component; contributions paid from earnings above that threshold would flow into the individual FDC accounts up to a ceiling of 25 times the minimum wage.[25] The elimination of competition between the public and private pension schemes is welcome as it resolves the issue of inequality in pension benefits for workers with the same career history, while reducing the related administrative complexity. Moreover, while the DB pension currently is only accessible after 25 years of contributions (1 300 weeks), this would be reduced to about 19 years (1 000 weeks); 25 years would still be required for a full pension.

In addition, Colombia would significantly increase the level of its targeted benefit, although it will remain low compared to other OECD countries. The reform would almost triple the targeted benefit to the level of the extreme poverty line, currently COP 223 000, although at 9% of gross average earnings it would remain one of the lowest targeted benefits for older people in the OECD (Chapter 3). Furthermore, while currently people lose the contributions they made if they did not qualify for the earnings-related pension, this would no longer be the case after the reform. For example, individuals who paid fewer than 300 weeks of contributions, would receive the contributions made with a 3% annual interest rate as a lump sum upon retirement. Those with more than 300 weeks but less than the 1 000 weeks required to qualify for the public DB pension would receive an annuity calculated on their contributions paid plus a tax-financed top-up.[26] To finance the higher targeted pension, an additional contribution into the Pension Solidarity Fund would be paid on higher earnings as well as on higher pensions.[27]

The Colombian reform introduces several gender-related changes. The tax-financed top-up to the annuity paid to people not qualifying for a full pension would be higher for women than for men: women's annuities would be topped up by 30% compared to 20% for men. The contribution requirement for women to qualify for a full contributory pension would gradually be reduced from 1 300 weeks in 2025 to 1 000 weeks. This reduction was included in the reform in response to a ruling by the Constitutional Court in 2023 that having the same contribution requirement for a full pension in combination with a statutory retirement age for

women five years earlier than for men is an unconstitutional discrimination based on sex as women would have to attain the same amount of contributions over a shorter period.

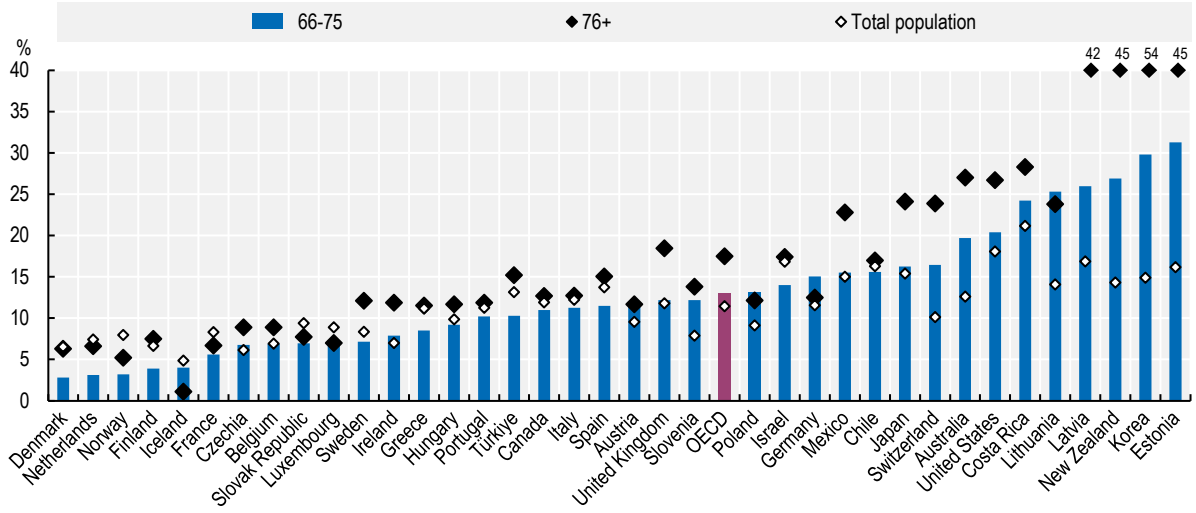
Mexico has introduced a large earnings-related top-up to the mandatory FDC scheme, which changes the nature of its earnings-related pensions. The top-up guarantees that old-age pensioners receive 100% of their last monthly salaries, up to the average monthly salary of social security participants at the time of the top-up's introduction. That ceiling is adjusted to price inflation, so over time the top-up will erode in relative terms, first for average and high earners, and subsequently also for people making below-average earnings. The new benefit was created because pensions are currently low as the pension system is still maturing – the FDC scheme was only set up in 1997, leaving generations in or close to retirement with only partial contribution records – and as the contribution rate is low on top of large informality. This new guarantee applies since July 2024 to everyone aged 65 or over receiving an FDC pension, which requires a contribution period of 825 weeks in 2024, increasing to 1 000 weeks in 2031. This means that this will generate very high pension even for workers with short contribution periods. The scheme is financed from a variety of resources, several of which are one-time transfers. Hence, it is unclear how the financing measures foreseen for this top-up can cover the promises made in the longer term. The scheme would partially be financed from sleeper accounts – i.e. unclaimed accounts of which the owner cannot be contacted –, which can temporarily raise money but is unlikely to provide a sustainable source of funding.[28] Moreover, the primary way to deal with sleeper accounts should be for the government and the pension regulator to make efforts to identify the owners of those accounts and move their funds to their main accounts. As the residence-based basic pension is paid on top of that, replacement rates for low earners are well over 100% (see below). Effectively, the scheme overrules the proper functioning of the FDC scheme and creates a partially pre-funded DB entitlement at 100% of last earnings.

Improving pension protection of low earners

Older people are more likely to fall below the relative income poverty threshold than the total population. Across all OECD countries, 13.0% of people aged 66-75 and 17.5% of those aged 76+ are in relative income poverty, meaning that they have an equivalised disposable income below 50% of the median, compared to 11.4% of the total population (Figure 1.13). The income poverty rate is below 5% for the 66-75 age group in Denmark, Finland, Iceland, the Netherlands and Norway, and only in Iceland among people aged 76+. By contrast, the Baltic states, Korea and New Zealand have poverty rates above 25% in the age group 66-74 and even above 40% (except Lithuania) in the age group 76+. Australia, Costa Rica and the United States also face elevated relative-poverty levels among older people. The poverty rate among people aged 65+ in New Zealand has doubled since the 2023 edition of *Pensions at a Glance*. This is due to the benefit level of the residence-based basic pension, the only mandatory pension scheme in the country, falling just below the relative poverty line.

Figure 1.13. Older people are more likely to be in relative income poverty

Percentage with income lower than 50% of median equivalised household disposable income



Note: Most recent data are for 2022 except for the following countries: Canada, Costa Rica, Finland, Latvia, the Netherlands, Sweden, the United Kingdom and the United States (2023), Germany and Japan (2021), Australia (2020) and Iceland (2017). Data for Colombia are unavailable.
Source: See Chapter 7, Table 7.2, https://stat.link/2sqwtk.

Australia, Chile, Iceland and Norway have increased targeted benefits. Moreover, Mexico has implemented a new residence-based basic pension specifically eligible to women before the statutory retirement age. First-tier pensions play a key role in protecting older people against poverty. In particular, non-contributory first-tier pensions (targeted benefits and residence-based basic pensions) are a primary tool to tackle old-age poverty. Contributory first-tier pensions (contribution-based basic pensions and minimum pensions) are redistributive as well, as eligibility depends on paying contributions but not on the amounts of contributions paid. Chile has introduced a contributory basic pension, and the Slovak Republic has increased the levels of minimum contributory pensions. By contrast, Belgium and Finland have restricted access to some first-tier benefits out of budgetary concerns.

More precisely, the structural reform passed in Chile and described above includes an increase in the level of targeted benefits by 11.6% on top of regular price indexation. In Australia, the housing benefit for renting in the private market which can be accessed by Age Pension recipients has increased by 15% in September 2023 and by 10% in September 2024. Iceland has raised the threshold above which the targeted pension and the targeted supplement for single pensioners are withdrawn against earnings-related pension income from 2.5% to 3.7% of gross average earnings. In Norway, targeted benefits for singles born before 1954, who receive benefits from the old pension scheme, have been increased in 2025 by 2.3% on top of indexation.[29] Finland, by contrast, has frozen its housing allowance for pensioners at the 2023 level for the period 2024-2027 and has tightened its means test.[30] The asset threshold above which the benefit is withdrawn, has been lowered and the withdrawal rate increased from 8% to 15%.[31]

Mexico has introduced a new residence-based basic pension specifically for women and eligible before the statutory retirement age of 65 years. The benefit is MXN 3 000 paid every two months, i.e. equivalent on a yearly basis to 9% of gross average annual earnings or about half the residence-based basic pension paid to all people 65+. It is initially paid to women aged 63-64, and coverage is expanded to younger age groups during 2025 to include all women aged 60-64. For women living in indigenous or Afro-Mexican communities, the benefit covers the age group 60-64 from the moment of introduction. The benefit

terminates when turning 65, when women receive the same basic pension as men. The benefit is supposed to recognise women's unpaid work as well as improve their economic autonomy.

The Slovak Republic has increased the minimum pension benefit, linked to the minimum subsistence level: the benefit after 30 years of contributions has increased from 136% to 145% of the minimum subsistence level, and for each extra year of contributions, the rate further increases by 2.5 instead of 2.0 p.p. of the minimum subsistence level up to 39 years of contributions.[32] For a person retiring at the current normal retirement age, the benefit increases from 28% to 30% of gross average earnings. Belgium has added a supplementary eligibility condition to access the minimum pension: in addition to the requirement of 30 years worked or credited, 5 000 days (about 16 years) of effective employment[33] is now also required. The supplementary eligibility condition is likely to particularly affect women as, among 65-year-olds in 2019, credited periods on average made up 39% of women's careers and 30% of men's careers, and the average total period of effective employment in full-time equivalents was 14.6 years for women and 19.4 years for men (Schols et al., 2022[29]).[34]

Improving financial sustainability

Countries have mainly relied on increases in contribution rates to improve the financial sustainability of their public pension schemes. For countries with relatively low public pension benefits, increases in contribution rates can help avoid that pension benefits be reduced further in the future to cope with financial pressure. With gross replacement rates closer to the OECD average prior to the reform (OECD, 2023[30]), Czechia has improved pension finances by reducing future pension benefits. Japan has increased the contribution ceiling, which will reduce financial pressure in the short term but be offset by a corresponding increase in pensionable earnings in the long term. Finally, Slovenia legislated a comprehensive pension reform adjusting multiple parameters including retirement ages (as explained above) in September 2025, which is expected to improve both the financial sustainability and the equity of the system.

In greater detail, Ireland decided to increase the contribution rate for the contributory basic pension: the rate paid by employees and the self-employed will increase from 4.1% to 4.7% between 2025 and 2028, and that paid by employers will increase from 11.15% to 11.75% over this period. The increase in the contribution rate is meant to allow Ireland to retain the statutory retirement age at its current level of 66 years in the near future as a previous government proposal to raise it to 68 by 2039 was cancelled. Korea decided to increase the total contribution rate of 9%, split evenly between employers and employees, to 13% in 2033, in 0.5 p.p. annual increments. This reform is envisaged as a first step in aiming to make the pension system more financially sustainable, with further reforms expected to follow.

Czechia decided to reduce the reference wage and the accrual rate over the period 2026-2035. Currently, earnings are fully taken into account in pension calculation up to a threshold at 42% of gross average earnings, after which only part of earnings are included. From 2026 onward, in steps of 1 p.p. per year, only 90% of earnings below that threshold will eventually (from 2036) be included. Over the same period, the accrual rate will be reduced from 1.5% to 1.45% per year, in 0.005 p.p. increments.

Japan will gradually increase the contribution ceiling on earnings between 2027 and 2029. The contribution ceiling on earnings is gradually increased from JPY 650 000 in 2027 (144% of gross average earnings in 2024) to JPY 750 000 in 2029. This raises both paid contributions and earnings-related pension entitlements (i.e. pensionable earnings). In the short term, the measure thus brings in more resources for the pension system, while the corresponding increase in expenditures due to higher pension entitlements will only grow gradually over time. At a time of fast-increasing pension expenditures, such a measure can help reduce financial pressure due to population ageing in the short term, but it does not reduce this pressure in the long term.

Slovenia's comprehensive reform will result in higher baseline replacement rates upon retirement but in lower indexation of pensions in payment. Initial pensions are adjusted by increasing accrual rates, on the

one hand, and by reducing the reference wage taken into account in the pension calculation, on the other. From 2028 to 2035, accrual rates are increased from 29.5% for the first 15 years of the career and 1.36% for each supplementary year, to 30% and 1.6%, respectively. As a result, total accrual over a 40-year career increases from 63.5% to 70.0%. At the same time, the period considered to determine the reference wage is extended from the best 24 to the best 35 years, thereby moving towards lifetime earnings.[35] This extension increases fairness in the pension system as pensions calculated on earnings made during only part of the career benefit people with steep earnings profiles throughout their career compared to those with stable earnings. Low-earners with patchy careers are unlikely to be substantially affected by this change because out-of-employment periods are excluded from the calculation of the reference wage, and there is a floor to the reference wage at 76.5% of the average wage. Colombia, Costa Rica, France and Spain are now the only OECD countries using less than 35 years to calculate the reference wage for their DB pensions. Furthermore, indexation of pensions in payment has been adjusted, which would lead to slower increases in pensions over time. Pensions in payment are currently adjusted to 60% of wage growth and 40% of price inflation. From 2026 onwards, these percentages are gradually adjusted each year until pensions are indexed to 20% of wage growth and 80% of price inflation by 2045. The combined impact of these reforms is expected to reduce total pension entitlements.[36]

In the United States, the depletion date of the Old-Age and Survivors Insurance (OASI) Trust Fund has moved forward by three-quarters to the first quarter of 2033 (Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, 2025[31]). Three factors have contributed to the depletion date moving forward. First, a reform in 2025 repealed two provisions which had reduced benefits for some people who receive pensions from jobs that are not covered by Social Security. This increases benefits for some people receiving pensions from certain state and local or federal government retirement systems and some people receiving pensions from work outside the United States. Second, the current spell of low fertility is now assumed to last 10 years longer than in previous projections. And third, the labour share as a percentage of GDP is now assumed to stabilise at a lower level, reducing pension contributions as a share of GDP. In Spain, the gap between pension spending and social security contributions will widen in the coming decades without further reforms, despite high contributions. AIReF (2025[32]) projects that, under current rules, pension spending will raise by 3.2 p.p. of GDP between 2023-2050, reaching 16.1% of GDP in 2050. This will create a persistent funding gap and a growing stock of implicit liabilities that are not provisioned for today (OECD, 2025[33]). Given the widening gap between pension expenditures and social security contributions in AIReF's projections, the IMF presses for further pension reform (International Monetary Fund. European Dept., 2025[34]).

Other changes in earnings-related benefits and taxation

Pensioners' incomes can be adjusted through adjusting replacement rates, changing indexation of pensions in payment, changing contribution rates in DC schemes, or modifying tax rates. In addition to the changes in pension benefits in Czechia (see above), Korea, New Zealand, the Slovak Republic, Slovenia and Switzerland have increased benefits from earnings-related pensions to some extent. Latvia has furthermore doubled the amount of income that is tax-exempt for pensioners, resulting in the large majority of pension recipients being exempt from paying taxes.

Korea, New Zealand, the Slovak Republic and Switzerland have increased benefits from earnings-related pensions. Korea has reversed the scheduled decline in the target replacement rate of an average earner with a 40-year career: it is now fixed at 43% from 2026 onward compared with 41.5% in 2025 while it was set to gradually decline to 40% in 2028. This is financed by part of the increase in the contribution rate (see above). New Zealand decided to increase the employee's as well as the employer's matched contribution rate to the auto-enrolment FDC scheme from 3.0% to 3.5% in 2026 and to 4.0% in 2028. The government contribution is halved, from 50% to 25% of contributions, and removed for high earners.[37] The Slovak Republic and Switzerland have both introduced a 13th-month pension payment. In the Slovak Republic, it consists of a flat-rate benefit equal to the average monthly pension benefit in the

preceding year with a floor of EUR 300.[38] To receive the full 13th-month payment, old-age pensioners need to have paid at least 10 years of contributions; a pro-rata adjustment is applied for people with a shorter insurance period. The Slovak Republic has increased the contribution rate to the public pension-point scheme by 1.5 p.p. while reducing the contributions to the automatic-enrolment FDC scheme from 5.5% to 4.0%.[39] The scheduled increase in the contribution rate to the auto-enrolment scheme to 6% by 2027 has been cancelled. Switzerland has introduced a 13th-month pension payment in the public earnings-related scheme following a referendum, which may be financed from an increase in VAT. In addition, Portugal decided to index pensions in payment from the first year after retirement, instead of the second year previously.[40]

Latvia has changed a number of parameters in its pension system as well, most notably it has reduced the taxation of pension benefits. From 2025, Latvia has doubled the amount of income that is tax-exempt for recipients of various pensions including old-age, disability and survivors' pensions, from EUR 500 to EUR 1 000 per month. As a result, pensions are exempt from taxation up to the level equal to 58% of gross average earnings. In 2024, about 40% of old-age pensions were below EUR 500 and about 90% below EUR 1 000 (Central Statistical Bureau of Latvia, 2025[35]). Latvia has reinstated the pension supplement for years worked before 1996 that was abolished for new pensioners in 2012. The supplement is a flat-rate monthly benefit, equal to EUR 1.62 per year worked before 1996 in 2025, or 1% of gross average earnings for 10 years worked.[41] Furthermore, contributions have temporarily been rebalanced between its NDC and FDC schemes. Since 2016, a contribution of 14% financed the NDC scheme and 6% went to the FDC scheme (OECD, 2018[36]); between 2025 and 2028, this will be 15% and 5%, respectively.

Future replacement rates

On average across the OECD based on already legislated measures, an average-wage worker is projected to receive a net pension from mandatory schemes at 63% of net wages after a full career from age 22 in 2024. Future net replacement rates are below 40% in Estonia, Ireland, Korea and Lithuania (Figure 1.14). At the other extreme, they are above 85% in Austria, Greece, Luxembourg, Portugal and Spain, and over 95% in the Netherlands and Türkiye.

The future net replacement rate of full-career workers with low earnings (50% of the average wage) is 76% on average among OECD countries, or 12 p.p. above that for average earners. Replacement rates are generally higher for low earners due to redistributive features within pension systems. In Lithuania and Poland, the net replacement rate for low earners is very low, around 40%. On the other side of the spectrum, in Denmark, Mexico and Slovenia, it is more than 100%, meaning that net income is higher when moving from work to retirement, with Greece, Luxembourg and the Netherlands being close to 100%.

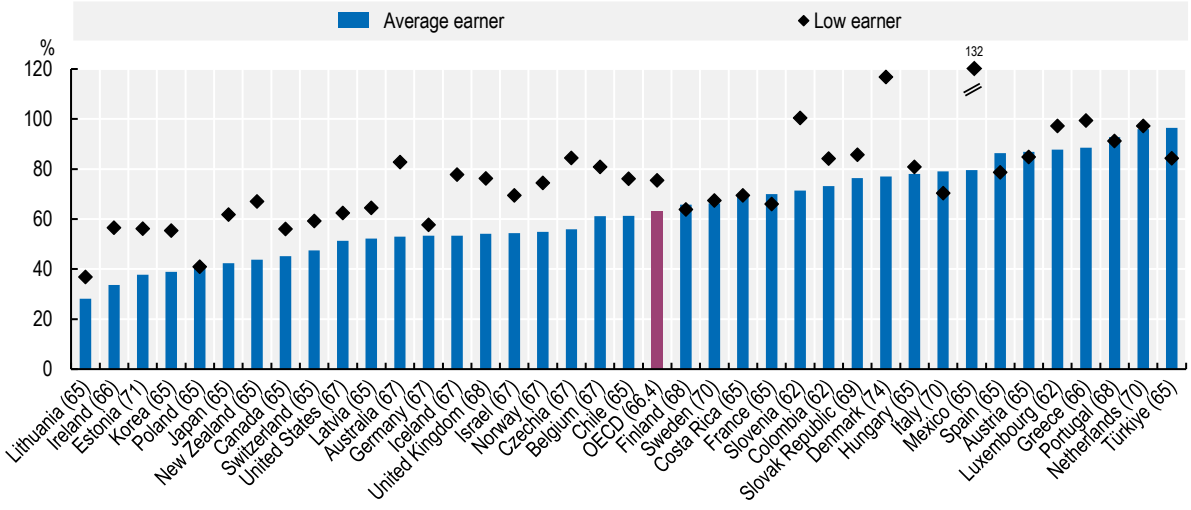
Measures legislated over the last two years and described above have the largest positive impact on future net replacement rates in Mexico, as well as in Chile and the Slovak Republic. While Mexico's future replacement rates for average and low earners were close to the OECD average before, they have now increased by 18 and 47 p.p., respectively. This is the consequence of the introduction of the public top-up to the mandatory private FDC scheme described above. In Chile, the increased employer contributions flowing into individual FDC accounts as well as guarantee bonds increase the future net replacement rate for average-earning men by 17 p.p. to 61%. The replacement rate for women with the same earnings increases by 19 p.p. due to the introduction of the benefit compensating the negative impact of women's higher life expectancy on FDC annuities, bringing their pension up to the same level as that of men in that case. The introduction of the 13th-month pension in the Slovak Republic increases net replacement rates by 6 p.p. for an average earner and 7 p.p. for the low earner, to 79% and 86%, respectively. The reform in Slovenia increases the replacement rate of an average earner by 6 p.p. to 71%, and for a low earner by 8 points to 100%. This is based on cases where workers receive the same relative wage throughout their entire careers, however, whereas many people see an increasing earnings profile over their careers.

Hence, for many people the increase in pension entitlements will be lower as the higher accrual rate will to some extent be offset by the extension of the reference period, on top of lower indexation for everyone.

Reforms have generated more moderate changes in replacement rates in Korea, Latvia and Switzerland. In Korea, the increase in the pension scheme's target replacement rate results in an increase in the net replacement rate of 3 p.p. for an average earner and 4.5 p.p. for a low earner. In Latvia, the impacts of the temporary reallocation of contributions from the FDC to the NDC scheme and of the change in taxation of pensions largely cancel each other out for the average earner. The introduction of a 13th month pension in the public earnings-related scheme in Switzerland has increased replacement rates by 2 and 3 p.p. for average- and low-earner cases, respectively. Given the career-length and scheme-membership assumptions underpinning the baseline case, Colombia's structural pension reform does not affect replacement rates here: both before and after the reform, an average and a low earner with a full career receive a pension fully in the DB scheme, the rules of which have not been changed.

Figure 1.14. Net pension replacement rates for average and low earners

Future net replacement rate from mandatory schemes after a full career from age 22 in 2024



Note: Normal retirement age between brackets. Low earners earn 50% of the average earner. Low earners in Colombia, New Zealand and Slovenia are at 64%, 63% and 56% of average earnings, respectively, to account for the minimum wage level.
Source: See Chapter 4, Table 4.4, https://stat.link/ic8ung.

Changes in withdrawal options of funded pensions

Lithuania and Türkiye have introduced the possibility to make lump-sum withdrawals from funded pensions. Lithuania has decided to allow people to take out 25% of the account balance of the FDC pension at any time once in their life. The total account balance can now also be taken up in the five years prior to reaching the statutory retirement age if the amount remains below a certain threshold.[42] In case of a serious health condition impeding making further contributions in the future, the full account can be withdrawn without tax or deduction at any time. In Türkiye, withdrawals can now be made in case of marriage, purchasing a home, natural disasters or university education. Each reason for withdrawal can only be used once, and each time up to half of the account balance can be withdrawn.[43] These options are not aligned with the OECD Recommendation that early access to retirement savings should be a measure of last resort and based on individual circumstances of hardship (OECD, 2022[37]). In 2021, the Netherlands legislated the option to withdraw up to 10% of the pension as a lump sum upon retirement. While initially foreseen to

take effect in 2022, the law was revised and its implementation postponed. A ministerial communication now set its earliest data of implementation in July 2026.

Other small changes in contributions

Poland and Türkiye took small measures modifying contribution subsidies to business owners. Poland has de facto introduced an 8.5% reduction in social contributions (which include pension contributions) provided to small-business owners: social contributions of small-business owners are fully paid by the state for one month per year in order to reduce the cost of running a business. During the "contribution holiday", owners of businesses employing fewer than 10 people do not pay social contributions for themselves, with no impact on their social-security entitlements. Türkiye has reduced the subsidy for social contributions paid by employers from 5 to 4 p.p., except in manufacturing where it remains at 5 p.p.

Coverage reforms

Changes in coverage

Ireland will be introducing automatic enrolment in its occupational pension scheme, whereas Lithuania has decided to abolish its automatic enrolment policy. After several delays, Ireland legislated automatic enrolment in 2024 and is now expected to start automatically enrolling new and current employees aged between 23 and 60 into FDC occupational pensions from January 2026. Employees will be enrolled if gross earnings exceed EUR 20 000 on an annual basis or 30% of average earnings unless they are already enrolled in an occupational pension scheme. Contributions are paid on the part of earnings below EUR 80 000 per year. Those who are auto-enrolled can opt out or suspend their contributions after six months of mandatory participation. Enrolment is totally voluntary for employees not meeting the auto-enrolment conditions. The total contribution rate is set to increase from 3.5% in 2026 to 14% in 2036. Employer contributions match employee contributions, and the state contributes one-third of that amount: by 2036, employer and employee will each contribute 6%, and the state 2%. It is not possible to pay in more than the set rate. Lithuania, by contrast, has decided to abolish auto-enrolment in its FDC pension scheme and move back to fully voluntary coverage. People will be able to withdraw the contributions they made and the returns on those contributions, exempt from personal income tax, in 2026-2027. The part of the individual account financed from subsidies would flow to the social insurance fund and be converted into supplementary pension points in the points-based pension scheme.

Japan, Korea, Mexico and Switzerland have taken steps to expand coverage of existing pension schemes to new categories of workers. Japan has increased coverage of part-time workers, as well as of workers in specific sectors. Previously, part-time workers only qualified for pension build-up if: they worked at least 20 hours per week; their earnings exceeded a threshold corresponding to around 20% of gross average earnings; and, they worked in a business with more than 50 employees. While the condition of 20 hours worked remains in place, the earnings limit is abolished by 2028, and between 2027 and 2035 the company-size threshold is gradually phased out. Furthermore, while coverage is mandatory for businesses with at least five full-time employees, there were exceptions for businesses in agriculture, forestry, fishing, bars, restaurants and hotels. These exemptions are eliminated from 2029, although only for new businesses entering those sectors. Korea extended contribution subsidies in its voluntary pension scheme for low-income people who are not mandatorily covered by pension insurance (e.g. self-employed or people working in small businesses).[44] Mexico, which expanded mandatory coverage to domestic workers in 2022, has extended it again to digital platform workers from June 2025. In Switzerland, contributions paid after the statutory retirement age now result in supplementary pension build-up until reaching age 70. When combining work and pensions, the pension can be recalculated once to include the extra years worked.

Coverage for periods of care, marriage and survivor's benefits

Several OECD countries have improved pension provision for parents over the last two years. Australia has introduced childcare-related credits, and Czechia and Korea have expanded these credits. In Colombia, the suspended pension reform includes the introduction of childcare credits. Australia introduced childcare credits in the FDC scheme for government-funded parental leave for children born or adopted as of July 2025. For the period of parental leave (up to 120 and 130 working days for children born as of July 2025 and July 2026, respectively), the government has now started paying superannuation contributions. Contributions are made at the level of the Superannuation Guarantee, at 12% of the parental-leave benefit. The impact on total pension entitlements is limited, however, as the higher FDC pension is to a large extent offset by a reduction in the targeted benefit. Colombia's pension reform pending review by the Constitutional Court would make the DB component of its newly reformed pension system more accessible to mothers by crediting 50 weeks of contributions per child towards the career-length condition to qualify for the DB pension, for up to three children. This would effectively lower the eligibility threshold to qualify for the DB pension from 1 000 to 850 weeks for a mother of three children.

In Czechia, pension entitlements for parents will change for the first two children from 2027. One parent now receives a three-year credit per child, irrespective of whether he or she is working, while the flat-rate childcare supplement per child remains in place for subsequent children. As the same period cannot be credited twice for having two children below age 3, an average-earning parent builds up the same pension in case of a five-year career break to care for two children born two years apart, as someone without children.[45] In Korea, childcare credits for a period of up to 12 months per child were previously only available from the second child onward. From 2026, credits will be available from the first child.[46]

Czechia has introduced the option for spouses or registered partners to split pension entitlements from 2027. For periods during which both partners are in employment, couples in Czechia will be able to ask for the pension entitlements of each partner to be calculated on the average earnings of both partners. Given strongly redistributive elements in the Czech earnings-related pension, such as relatively low earnings thresholds above which earnings are only partially or not at all included in pension calculation, pension splitting through sharing earnings in pension calculation could allow couples with large income differences to increase the total pension they receive as a couple. Belgium might introduce voluntary pension splitting as well. Indeed, the Belgian Government agreement of January 2025 includes a commitment to introducing the option to voluntarily split pensions, and, if legislated, the higher replacement rate for individuals with a dependent spouse with little or no pension entitlements would be limited to some specific instances.

Canada, Japan, Poland and Slovenia have made changes to their survivor's pensions. Canada no longer pays survivor's pensions to the surviving spouse of a separated couple if they had requested a pension split of their Canada Pension Plan entitlements. Japan has reformed the survivor's pension to make it gender neutral from 2028 onwards. Previously, women received a permanent survivor's pension after widowing or a five-year transitional benefit if they became widowed before turning 30 years old, while men could only access a transitional benefit if they became widowed from age 55 or a permanent survivor's pension from age 60. Under the new rules, both men and women are entitled to the five-year transitional benefit after losing their spouse before age 60, and to the permanent survivor's pension thereafter. The reform will not reduce entitlements for people who are already receiving survivor's benefits, for those who are over age 60, for women who are over 40 in 2028, and for people with children younger than 18 years old. In addition, Japan introduced a new component to its survivor's pension: if the deceased spouse's earnings were higher than those of the surviving spouse, part of the deceased spouse's earnings-related pension record is added to that of the surviving spouse. At the same time, the income test for survivor's benefits is abolished.[47] While Poland previously did not allow combining a survivor's pension with an old-age pension, it is now possible to some extent. Widow(er)s can now choose whether to receive their full personal pension plus 15% of the survivor's pension, or whether to receive the full survivor's pension plus 15% of their personal pension. From 2027, the amount of the second pension benefit will increase from

15% to 25%. In Slovenia, the eligibility age for survivor's pensions will increase by two years in line with other age thresholds in the pension system (see above). Between 2028 and 2035, the eligibility age will increase from 58 to 60, in increments of three months per year. At the same time, survivor's benefits are increased from 70% to 75% of the deceased spouse's pension in 2026 and to 80% in 2027. Switzerland is also expected to reform its survivor's pension.[48]

Pension reforms in progress

Austria and Norway are planning to change retirement ages and early retirement options. Austria would restrict access to the early-retirement scheme known as the "Korridorpension", which is one of four early-retirement schemes alongside three schemes covering long-term insured and people performing physically demanding work. For "Korridorpension", while the statutory retirement age is 65 (for men, and from 2033 also for women), the minimum retirement age would gradually be increased from 62 to 63 years and the insurance years required to take up the pension from 40 to 42 years. Following a 2024 parliamentary agreement, Norway is in the process of legislating a two-thirds link between the retirement age and life expectancy, and is planning to simultaneously reduce the effective penalty in case of early retirement. The retirement age would automatically be adjusted annually in monthly adjustments. As part of the political agreement, the impact of the penalty in case of early retirement would be reduced by the introduction of a flat-rate supplement. The measure would provide a top-up to persons retiring between the age of 62 and 65, with these age limits increasing along with the normal retirement age. The full supplement, around 4% of gross economy-wide average earnings, would be paid to persons retiring at 62, and the amount will gradually be reduced as people retire closer to the normal retirement age. The benefit, called a "hardship scheme", is not targeted at jobs or occupations considered arduous or hazardous, but instead it is based on an underlying assumption that if people do not work longer in response to increasing retirement ages, they probably are unable to. People choosing to be in the scheme will only be able to combine work and pensions to a very limited extent. The benefit is designed to mitigate the negative impact of the early-retirement penalty to some extent, in particular for people with low earnings, and is considered too modest to have a substantial effect on early-retirement incentives.

In Belgium, the new government's agreement contains a wide range of pension-related measures expected to be passed in 2025. They are primarily aimed at containing the increase in pension expenditure due to population ageing. These among others includes: a cap on the amount of credited periods that can make up an individual's insurance career; the introduction of a bonus-penalty scheme as well as a new early-retirement option from age 60 with at least 42 years worked; a further harmonisation of the pension scheme for civil servants with that of private-sector employees; the closing of early-retirement options for certain occupations, including for military and train staff, who can currently retire at age 56 and 55, respectively; and, tighter residence requirements to receive social assistance for older people.

Since the 2023 edition of *Pensions at a Glance*, the replacement rates for the Netherlands are based on FDC occupational pensions. The rules that entered into force in 2023, obliging pension funds to transition from FDB to FDC schemes by 2028, still apply today. Yet, transitional measures remain a topic of political debate, which generates uncertainty. Funds are encouraged to transfer DB entitlements to the new pension system and whether to force pension funds to consult their members on transitioning already built-up entitlements remains a topic of intense debate. A proposed amendment to force such consultations was rejected by Parliament in May 2025 with a margin of one single vote.

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Annex 1.A. Recent pension reform overview

Annex Table 1.A.1. Pension reforms decided between September 2023 and September 2025

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
Australia		October 2024 The Paid Parental Leave Amendment introduced government-funded superannuation contributions on parental leave benefits for children born or adopted from July 2025 onwards. Contributions are made at the level of the Superannuation Guarantee, 12% of the parental leave benefit. Payments will be made to eligible individuals' super funds from 1 July 2026.	September 2023, 2024 The maximum rates of the Commonwealth Rent Assistance (CRA), assisting Age Pension recipients with renting in the private market, were increased by 15% in September 2023 and again by 10% in September 2024.		January 2024 The temporary adjustments to the Work Bonus, which reduced the amount of eligible income included in the Age Pension income test in 2022 and 2023, were made permanent. New Age Pension recipients receive Work Bonus starting balance of AUD 4 000 and the maximum balance increases to AUD 11 800.		December 2024 The Superannuation (Objective) Act states that the objective of superannuation is 'to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way' and requires that proposals to change the superannuation system are accompanied by a statement of compatibility with that objective.
Austria	January 2024 The bonus for deferring uptake of the old-age pension is increased from 4.2% to 5.1% per full year of deferral, with a maximum of 15.3%		January 2024 The suspension of the pro-rata indexation of first-year pensioners depending on their month of retirement ('Aliquotierung') is				

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
	after 3 years. Rules for combining work with early retirement pension schemes have become more flexible for the years 2024 and 2025. Normally, the pension is suspended if earnings exceeded the income threshold for minimally employed workers ('Geringfügigkeits-grenze', EUR 551 per month in 2025). In 2024 and 2025, a person can earn up to 40% in excess of that threshold in a year (i.e. up to EUR 220 for the full year in 2025) before the pension is suspended.		extended, so that all people retiring in 2024 receive the full indexation in January 2025. The exceptional uprating of past earnings in the year of retirement ('Schutzklausel') is also applied, with past earnings uprated by 6.2% for people who retired in 2024 and by 4.5% for those who retired in 2025. June 2025 Pensions are indexed by 50% of the normal indexation rate in the first year. This will first be applied in January 2026 to the cohort having retired in 2025.				
Belgium	July 2024 From July 2024 onwards, people build up a deferral benefit (called 'pension bonus') if they continue working after qualifying for an old-age pension. It is a non-taxed flat-rate benefit increasing with each day of deferral, with the maximum entitlement reached after 3 years of deferral. For those with a career of at least 43 years		April 2024 Civil servants' pensions are adjusted on top of price indexation based on wage growth in the public sector. From January 2025, increases in civil servants' pensions on top of price indexation are capped at 0.6% per two years.		April 2024 A supplementary eligibility condition applies to access the minimum pension from January 2025. To access the minimum pension, a person will still need a career of 30 years worked or credited, but in addition will also need 5 000 days of effective employment for the full minimum pension, or 3 120 days for the pro-rated minimum pension	April 2024 For occupational pensions paid out as a lump sum, the lump sum is fictitiously annuitised to calculate the contribution for sickness and invalidity (3.55%) that is withheld from their pensions. While previously, the contribution was calculated based on the full fictitious	

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
	when they qualify for an old-age pension, the benefit equals EUR 12 018 per year of deferral in 2025 if paid out as a lump-sum, or EUR 50 per month for a monthly payout. For those with fewer than 43 years, the benefit is one-third of these amounts for the first year of deferral, two-thirds for the second year, and the full amount for the third year of deferral. In case of part-time work, the benefit is adjusted to the size of employment. The total pension, including deferral benefit, cannot surpass a ceiling (EUR 8 292 per month in 2025).				for part-time employment (some non-worked periods, in particular related to caregiving, will also count towards the new employment requirement). The number of days required depends on minimum-pension scheme and type of employment.	annuity, from January 2024, only 53.22% of the fictitious annuity is taken into account in the calculation of the contribution. The social security contribution on the build-up of very high occupational pensions that would result in a total pension exceeding the maximum civil servants' pension ('Wijninckx' contribution), increases from 3% to 6% in January 2028.	
Canada		June 2024 From January 2025, survivor's pensions are no longer paid out to the surviving spouse of a separated couple if they requested a pension split of CPP pension entitlements. Eligibility to Child's Benefit in case of disabled or deceased CPP contributors was					

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
		expanded.					
Chile	January 2025 The newly created contribution-based benefit and the full Women's life expectancy compensation (see Pension benefits) are accessible from age 65. The Guarantee bond is accessible from the statutory retirement age in the FDC scheme (65 for men, 60 for women).		January 2025 Three new pension benefits are introduced: - Contribution-based benefit. From 2026 until 2055, both current and future pensioners can receive the benefit provided they are at least 65 years old and have at least 20 years of contributions for men or 10 years for women (increasing to 15 years for new pensioners from 2036). The benefit equals 0.1 UF per year of contributions, with a maximum of 2.5 UF reached after 25 years of contributions. - Guaranteed bond. For contributions paid from August 2025 until 2055, bonds are issued with a locked-in interest rate related to the interest rate of government bonds. Upon reaching the statutory retirement age in the FDC scheme (65 for men, 60 for women), people can use this bond to increase their life annuity or programmed withdrawal pension, or	January 2025 Employers' contributions are gradually increased from 1.5% to 8.5% by 2034. This includes a contribution of 4.5% to employees' FDC accounts; a 1.5% contribution to the Guaranteed bond until 2054 and turned into a contribution to the employees' FDC accounts from 2056; and, a 2.5% contribution to finance disability and survivor insurance and the Women's life expectancy compensation.	January 2025 The targeted Universal Pension Guarantee (PGU) is increased by 11.6% to CLP 250 000. The increase is applied to people aged 82+ from September 2025, to those 75+ from September 2026, and to those 65+ (i.e. all others) from September 2027. Coverage of the PGU is extended to beneficiaries of survivor pensions of the armed and police forces' PAYG pension systems, as well as to beneficiaries of state pensions for victims of human rights violations and for deserving individuals.		January 2025 To reduce administrator fees, members may switch to another Administrator at any time and an auction mechanism is introduced. Every two years from December 2027, 10% of the stock of members will be auctioned to the administrator that offers the lowest fee. Only Administrators with a market share below 25% may participate. Members will have the option to opt out. Target Date Funds (TDF) will replace the multifunds scheme from April 2027. Members will remain in the same fund throughout their working life, with an investment horizon linked to their retirement age. The five current funds will be replaced by at least 10 funds, including a special fund for retirees. From April 2029, administrators will be rewarded by the TDF if

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
			withdraw it in 240 monthly payments (earliest in September 2026). - Women's life expectancy compensation. Due to their higher life expectancy, a woman receives a lower annuity than a man retiring at the same age and with the same amount of FDC savings. From January 2026, a compensation tops up a woman's annuity to that of a man's with the same age and FDC savings, provided she retires at 65; the compensation is lower if she retires before 65.				the fund's performance over the past 36 months exceeds the relative performance of a benchmark, or will have to pay a penalty if performance is below the benchmark. In August 2025, the Autonomous Pension Protection Fund (FAPP) is established to manage the contributions for the contribution-based benefit and Guaranteed bond, the disability and survivor insurance, and the Women's life expectancy compensation. The FAPP will be an independent body, and funds will be invested by external firms.
Colombia	The implementation of the reform from July 2024 described below is uncertain after the Constitutional Court suspended it in June 2025, awaiting substantive review. The newly created solidarity and semi-contributory pensions (see Pension benefits)	The implementation of the reform from July 2024 described below is uncertain after the Constitutional Court suspended it in June 2025, awaiting substantive review. For women, the contribution requirement to qualify	The implementation of the reform from July 2024 described below is uncertain after the Constitutional Court suspended it in June 2025, awaiting substantive review The pension system consisting of a targeted scheme and the possibility to choose between a	The implementation of the reform from July 2024 described below is uncertain after the Constitutional Court suspended it in June 2025, awaiting substantive review. Contributions would be paid to the public pension scheme for the part of earnings up to	The implementation of the reform from July 2024 described below is uncertain after the Constitutional Court suspended it in June 2025, awaiting substantive review. People without other pension benefits (i.e. <300 weeks of contributions) with an	The implementation of the reform from July 2024 described below is uncertain after the Constitutional Court suspended it in June 2025, awaiting substantive review. On the part of total pensions between 10 and 20 times the	

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
	would be accessible from age 65 for men and 60 for women, aligned with the eligibility ages of targeted benefits.	for a full contributory pension would gradually be reduced from 1 300 to 1 000 weeks. Childcare credits towards eligibility to the DB part of the full contributory old-age pension would be introduced, crediting mothers 50 weeks of contributions per child, for up to three children (max. 150 weeks). People in rural communities contributing to the ad-hoc subsidised retirement-savings scheme BEPS would be covered by the new semi-contributory benefit.	public or private earnings-related pension would be replaced by a layered system with multiple components. Men and women with fewer than 900 and 750 weeks, respectively, at the time of introduction would build up new entitlements under the new rules. Which component a person is entitled to, would depend on the total number of weeks of contributions made: - < 300 weeks: lump sum of the total adjusted contributions paid with a 3% annual interest; people may qualify for a targeted solidarity benefit. - 300-999 weeks: semi-contributory benefit, which is a lifetime annuity calculated on total contributions paid, with a government top-up of 20% for men and 30% for women. The benefit is capped at 80% of the minimum wage. - >= 1 000 weeks: DB pension scheme, with the full benefit received in case of at least 1 300 weeks of contributions	2.3 times the minimum wage, and into an individual pension savings account administered by a private pension fund for the part of earnings between 2.3 and 25 times the minimum wage. An additional contribution to the Pension Solidarity Fund would be raised on the part of earnings exceeding 4 times the minimum wage: - 4-7 times the minimum wage: 1.5% - 7-11 times the minimum wage: 1.8% - 11-19 times the minimum wage: 2.5% - 19-20 times the minimum wage: 2.8% - > 20 times the minimum wage: 3.0%	income below the extreme poverty line (COP 223 000 in 2024) would be entitled to the new targeted solidarity benefit which tops up their income to the extreme poverty line. The benefit would be significantly higher than the previous targeted old-age benefit of COP 80 000.	minimum wage, a contribution of 1% would be paid to the Pension Solidarity Fund; on the part of total pensions exceeding 20 times the minimum wage this is 2%.	

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
			(gradually reduced to 1 000 weeks for women, see Coverage).				
Costa Rica							December 2023 Life cycle investment strategies will be established for the FDC scheme (Régimen Obligatorio de Pensiones Complementarias, ROP). Initially, members would be split into four groups based on birth cohort: people born before 1970, 1970-1979, 1980-1989, 1990 or later. In the future, new groups will be created for new cohorts, and groups of older generations will be merged. Implementation was initially foreseen for April 2025,but is postponed to March 2026.
Czechia	December 2024 The statutory retirement age, previously set to increase by 2 months per year until reaching 65 in 2030 (1965 birth cohort), will subsequently increase by 1 month per year until reaching 67 in 2056 (1989 birth	December 2024 From 2027, pension entitlements for the first two children change. The CZK 500 childcare supplement per child remains in place for subsequent children, but for the first two children, instead, one parent	December 2024 Between 2026 and 2035, the reference wage taken into account in pension calculations will gradually be reduced. From 2035, 90% instead of 100% of earnings below a threshold (CZK 20 486 in 2025) will be taken into account in the pension	December 2024 From 2025, working pensioners no longer have to pay the 6.5% pension contribution rate for employees, and in case of self-employment the contribution rate is reduced by 6.5 p.p. from 28% to 21.5%.	December 2024 From 2026, the minimum pension (total of basic and earnings-related pension) is set at 20% of the average wage, almost doubling the minimum pension amount. As before, people need to have worked for 35 years to		

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
	cohort). From 2025, people with at least 20 but less than 35 years of coverage can take up their pension 2 years after the statutory retirement age instead of 5 years previously. From 2025, people in arduous or hazardous jobs can retire earlier. People can retire without penalty 15 months before their statutory retirement age if they have worked at least 2 200 shifts (about 10 years) in jobs deemed arduous or hazardous (category 4 risks under the Public Health Protection Act), or 30 months before with at least 4 400 shifts (about 20 years). From 2026, the penalty is halved (0.75% instead of 1.5% per 90 days of early take-up) for workers retiring early after 45 years of contributions.	now receives credits for 3 years per child, even if the parent returns to work before the end of the 3-year period (the same period cannot be credited twice in case of two children born fewer than 3 years apart). These periods are credited based on average earnings for people making below-average earnings, and based on the individual's previous earnings for people earning more. From 2026, periods of doctoral studies are credited.	calculation, decreasing in steps of 1 percentage point (p.p.) per year. Over the same period, the accrual rate is reduced from 1.5% to 1.45% per year, in 0.005 p.p. increments. From 2027, couples will have the option to split pension entitlements. For periods during which both partners are in employment, couples will be able to ask for the pension entitlements of each partner to be calculated on the average earnings of both partners.	Employer contributions remain at the same level. This replaces the 0.4% increase in pensions for each year of combining work and pensions.	access the minimum pension.		
Denmark	May 2025 Parliament confirmed the increase of the statutory retirement age to 70 in 2040, following						

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
	the currently legislated retirement-age link to life expectancy. December 2023 The “seniorpræmie”, a flat-rate benefit paid annually to people working on average at least 30 hours per week in the first two years after the statutory retirement age (irrespective of pension take-up) is increased. The benefits, currently at of 9.2% of economy-wide average earnings (DKK 48 555 in 2025) for the first year and 5.5% for the second (DKK 28 902 in 2025), are set to increase by 30% on top of regular indexation between 2026 and 2029.						
Estonia							
Finland				January 2024 For large companies, the contribution rate to disability benefits is based on disability pension incidence in the company over the last 2 years. Some changes were made in how the disability pension incidence is	January 2024 The housing allowance for pensioners is frozen at the 2023 level for the period 2024-2027. Indexation will resume earlier if the index exceeds the 2023 level by 10.2%. January 2025	January 2024 The higher tax deduction for earned income applies to wage earners aged 65+ instead of 60+ previously.	

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
				determined, including that fixed-term disability pensions lasting for more than 2 years are now also included, and disability incidence of workers who were 55 or older at the time of hiring will no longer be included.	The withdrawal rate of housing allowance for pensioners is increased from 41.3% to 43.5%. Also, withdrawal against assets is tightened, with the withdrawal rate increasing from 8% to 15% and the asset limit above which the allowance is withdrawn against assets being lowered from EUR 18 306 to EUR 15 000 for singles and from EUR 29 290 to EUR 24 000 for couples. The qualifying age limit for the National and Guarantee Pension increases from 16 to 18 years. February 2025 The National Pension is no longer paid out to people residing in another EU or EEA country, Switzerland or the United Kingdom.		
France	July 2025 France has fixed the minimum age for partial retirement at age 60 in 2025. Previously accessible two years before the minimum						

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
	retirement age, the accessibility age for partial retirement would have increased from 60 to 62 due to the increase in the minimum retirement age from 62 to 64 that was decided on in 2023.						
Germany						December 2024 Pensioners' contribution rate to statutory long-term care insurance increases from 3.4% to 3.6% from January 2025, with the adjustment applied retroactively in July 2025.	January 2024 To promote people on disability benefits to try to return to work, recipients of pensions due to reduced earnings capacity can take up employment exceeding their assessed residual work capacity for up to 6 months without losing their entitlement.
Greece	December 2023 Access conditions for the auxiliary pensions in the NDC scheme (e-EFKA) have been harmonised with those in the FDC scheme (TEKA). The benefit is now accessible to people with at least 15 years of auxiliary insurance who were previously granted the main old-age pension. Previously, access to the benefit was linked to access to the main old-						May 2024 The debt ceilings for people are indebted to e-EFKA receiving pension benefits are increased. Generally, people with an insurance record of at least 20 years can maximally be EUR 30 000 instead of EUR 20 000. For these people, the pension is reduced by 60% until the total amount indebted reaches EUR 20 000, after which the debt is reimbursed in at most 60

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
	age pension. January 2024 The 30% pension reduction for people combining work and pension is repealed. Instead, old-age pension recipients pay a supplementary 10% social contribution on earnings in addition to normal social contributions. The supplementary contribution is not paid by disability pension recipients combining work and pension receipt.						equal payments. December 2023 From January 2025, the Bank of Greece is the sole authority responsible for supervising occupational insurance funds. New, simplified procedures are in place to establish occupational insurance funds. Funds can provide multiple pension schemes across occupations or sectors, which should make it easier for smaller businesses to provide occupational pensions to their employees. Regulation for different types of occupational pensions are unified, including a single maximum contribution limit and identical tax treatment.
Hungary							
Iceland	November 2024 From January 2025, uptake of the basic pension and the pension supplement can now be deferred until age 80 instead of 72 previously.				December 2024 From January 2025, the threshold above which the national pension and the household supplement are withdrawn against earnings-related pension		

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
	Instead of a fixed bonus of 6.0% per year of deferral and penalty of 6.6% per year of early take-up, the bonus and penalty are now calculated to be actuarially neutral for each combination of age and birth cohort. In order to receive the bonus, the FDC pension also needs to be deferred.				income, increased by 46% from ISK 300 000 to ISK 438 000.		
Ireland	September 2023 From January 2024, the contributory basic pension can be deferred by up to 4 years, from age 66 to 70. The deferral bonus is regularly reassessed according to actuarial principles and is bigger for longer deferral: in 2025, it is 4.7% for the first year of deferral, 4.9% for the second, 5.1% for the third and 5.3% for the fourth.	July 2024 From January 2026, current and new employees aged between 23 and 60 are automatically enrolled into the new retirement savings system if they earn at least EUR 20 000 per year and are not yet enrolled in a supplementary pension scheme. Those who are auto-enrolled can opt out or suspend their contributions after six-months of mandatory participation. Other employees will be able to join the new retirement savings system voluntarily by		July 2024 For the automatic enrolment scheme (see Coverage), employers and employees each pay a contribution of 1.5% from January 2026, increasing by 1.5% every three years until reaching 6% by 2036. The Government initially contributes 0.5%, increasing by 0.5 percentage points every 3 years until reaching 2% from 2036 onwards. Total contributions hence increase from 3.5% in 2026 to 14% in 2036. Contributions are paid on the part of earnings below EUR 80 000 per year.			

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
		opting in.		For the contributory state pension, the contribution rate for employees and self-employed as well as that of employers will gradually increase from respectively 4.1% and 8.9% or 11.15%, to 4.7% and 9.5% or 11.75%, between October 2025 and 2028.			
Israel		September 2023 For new savers, contributions to long-term savings insurance policies can only be paid from the part of earnings exceeding two times average earnings. Contributions up to that threshold must now be paid into a pension fund.					August 2024 From November 2024, the procedure for allocating employees who have not chosen a pension fund to a specific fund has changed, including a selection of default pension funds every 4 instead of 3 years.
Italy	Some temporary early retirement programmes were extended: - Early retirement for women (Opzione Donna): eligibility age increases from age 60 to 61 (60 with 1 child or age 59 with 2+ children) for the period 2024-2026. - Quota system: Quota				January 2025: Minimum pension is temporarily increased by 2.2% on top of regular indexation for 2025, and by another 1.3% in 2026.		

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
	103 (early retirement at age 62 with 41 years of contributions) is extended for the period 2024-2025. From 2024, benefits are calculated under NDC rules for those retiring through Quota 103. Quota 102 is abolished. - Early retirement for unemployed or disabled people, caregivers or people in arduous occupations (Social APE): eligibility age increases from age 63 to 63 and 5 months for the period 2024-2025 - Early retirement for restructuring: with 35 years of contributions, employees in firms in crisis can retire at 58. Conditions for early retirement at 64 for people entirely in the NDC system (i.e. no contributions before 1996) have tightened. Instead of 20 years of contributions, 25 years are needed to retire early from 2025, and 30 years from 2030. The income condition is changed: from 2025, not						

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
	only the NDC but also the occupational pension is taken into account in determining whether post-retirement income is at least 3 times the social allowance, the limit increasing to 3.2 times the allowance in 2030.						
Japan		June 2025 Coverage of part-time workers working at least 20 hours per week will be extended by abolishing the minimum earnings requirement (previously JPY 1 060 000 annually) and by phasing out company size requirements (currently only businesses with more than 50 employees) from October 2027 to October 2035. While certain sectors (agriculture, forestry, fishing, bars, restaurants and hotels) were previously exempt from mandatory coverage in firms with at least 5 full-time employees, these	June 2025 From April 2026, the monthly income threshold for people combining work and pensions above which the pension is reduced, is raised from JPY 500 000 to JPY 620 000. From April 2028, the flat-rate supplement for pensioners living with children younger than 18 is increased. Currently JPY 234 800 for up to two children and JPY 78 300 for subsequent children, the benefit increases to JPY 281 700 per child. The flat-rate supplement for pensioners with a dependent spouse younger than 65 decreases from JPY 408 100 to JPY 367 200.	June 2025 The contribution ceiling on the base salary (i.e. the contractual salary without bonuses, overtime pay etc.), is gradually increased from JPY 650 000 in 2027 to JPY 750 000 in 2029. This raises both paid contributions and earnings-related pension entitlements (i.e. pensionable earnings).			

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
		exemptions are eliminated for new businesses from October 2029. From April 2028, the survivor's pension will be made gender neutral. Previously, women received a permanent survivor's pension after widowing or a five-year transitional benefit if they became widowed before turning 30 years old, while men could only access a transitional benefit if they became widowed from age 55 or a permanent survivor's pension from age 60. Under the new rules, both men and women are entitled to the five-year transitional benefit after losing their spouse before age 60, and to the permanent survivor's pension thereafter. The reform will not reduce entitlements for people who are already receiving survivor's benefits, for those who are over					

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
		age 60, for women who are over 40 in 2028, and for people with children younger than 18 years old. In addition, Japan introduced a new component to its survivor's pension, transferring part of the deceased spouse's earnings-related pension to the surviving spouse. At the same time, the income test for survivor's benefits is abolished. From 2028, the age eligibility for the voluntary defined-contribution private pension scheme (iDeCo) is increased from 65 to 70.					
Korea		April 2025 From 2026, childcare credits for a period of up to 12 months are also available for the 1st child, and the cap on childcare credits of 50 months is removed. Credits for military service are extended from 6 to 12 months.	April 2025 The replacement rate of the national pension, which is at 41.5% in 2025 and was set to gradually decline to 40% in 2028, will instead be set at 43% from 2026 onward.	April 2025 From 2026, the contribution rate to the national pension of 9% (split evenly between employers and employees) will be increased by 0.5 p.p. per year until it reaches 13% in 2033.			

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
		From January 2026, contribution subsidies are introduced for low-income individuals subscribing individually (mostly, self-employed workers). The subsidies are to cover half of the pension contributions up to 12 months. The maximum contribution subsidy is not yet determined. This complements already-existing contribution subsidies meant to incentivise low-income individuals subscribed individually who stopped paying contributions to resume these payments.					
Latvia			December 2023 Pension supplements for years worked before 1996 will gradually be reintroduced between 2024 and 2029. These supplements were previously abolished for people retiring since 2012, which resulted in lower pension entitlements for	December 2024 Contribution rates to earnings-related pension schemes are temporarily changed between January 2025 until December 2028. Instead of a 6% contribution rate to the FDC scheme and 14% to the NDC scheme,	January 2025 The calculation of the minimum pension is adjusted to the increased minimum career requirement to qualify for an old-age pension from 15 to 20 years. Previously, the minimum pension was 1.1 times the minimum pension	January 2025 The amount of income that is tax-exempt for recipients of old-age, disability, service, survivors and special state pensions, doubled from EUR 500 to EUR 1000 per month from 2025.	

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
			years worked before 1996 among new retirees. The supplements are gradually reintroduced in retirement cohorts per 3 years (e.g. in 2024, people who retired in 2012-2014 started receiving the supplement; in 2029, those who will retire between 2027 and 2029 will start receiving it). In 2025, the supplement is EUR 1.62 per year worked before 1996.	these rates are temporarily 5% and 15%, respectively.	base after 15 years worked, plus 2% per extra year worked. Now, it is 1.2 times the minimum pension base after 20 years worked, plus 2% per extra year worked.		
Lithuania	June 2024 From September 2024, social-assistance old-age pensions, which are available to people without the 15-year career required for the contributory old-age pension, can be combined with income from work.	June 2025 Auto-enrolment will be abolished from 2026 onward, and the FDC pension scheme returns to being a voluntary scheme. People will be able to withdraw the contributions they made and the returns on those contributions, exempt from personal income tax, in 2026-2027. The part of the individual account financed from subsidies will flow to the social insurance fund and be converted into supplementary					June 2025 From 2026 onward, it will be possible to take out 25% of the account balance of the FDC pension at any time and to take out the total account balance in the five years prior to reaching the statutory retirement age, provided the amount is below a certain threshold. A 3% deduction applies to withdrawals before the normal retirement age, but these withdrawals are exempt of personal income tax. In case of a serious health condition impeding making further contributions in the future, the full account

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
		pension points in the points-based pension scheme.					can be withdrawn without tax or deduction at any time.
Luxembourg							
Mexico		December 2024: Social security coverage, including the mandatory FDC scheme, is extended to digital platform workers from June 2025.			May 2024 Through the newly established Welfare Pension Fund (Fondo de Pensiones para el Bienestar), old-age pensioners are guaranteed to receive 100% of their last monthly salaries, up to the average monthly salary of social security participants in 2023, indexed to prices (MXN 17 365 in 2025). This new guarantee applies from July 2024 to everyone aged 65 or over receiving a pension from the mandatory FDC scheme. January 2025 A basic pension is introduced for women aged 60-64 (Women's Welfare Pension, Pensión Mujeres Bienestar). It is initially paid to women aged 63-64, and coverage will be expanded to younger age groups during 2025 to		October 2024 The eligibility age for the national basic pension of 65 is enshrined in the Constitution. Also, a guaranteed financing provision was added to the Constitution, prohibiting reducing the budget for the national basic pension.

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
					include all women aged 60-64. For women living in indigenous or Afro-Mexican communities, the benefit covers the age group 60-64 from the moment of introduction. The benefit is MXN 3 000 paid every two months, or about half the national basic pension to which people 65+ are eligible.		
Netherlands							
New Zealand		June 2025 From July 2025, people aged 16 and 17 can voluntarily opt in to pay contributions to KiwiSaver and receive the government contribution. Employers have to match contributions for people aged 16-17 from April 2026 onward.		June 2025 From July 2025, the government contribution is reduced from NZD 0.50 to NZD 0.25 per NZD 1 a person contributes to KiwiSaver. People with an annual income above NZD 180 000 no longer receive a government contribution. The default contribution rate increases from 3.0% to 3.5% in April 2026 and to 4.0% in April 2028 for both employee and employer.			
Norway	May 2025 In both the public and the private sector, the mandatory retirement age is raised from 70 to				May 2025 The minimum pension for singles in the old system, NOK 264 134 per year at the start of 2025, is		

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
	72 years from January 2026.				increased by NOK 6 000 per year on top of the ordinary indexation.		
Poland				November 2024 The state now subsidises social contributions of small-business owners for 1 month per year. During the ”contribution holiday”, owners of businesses employing fewer than 10 people, do not pay social contributions for themselves, even if business activities are not reduced or suspended during this month. This has no impact on social-security entitlements.			January 2025 It is now possible to combine a survivor's pension with an old-age pension. Widow(er)s can now choose whether to receive their full personal pension plus 15% of the survivor's pension, or whether to receive the full survivor's pension plus 15% of their personal pension. From 2027, the amount of the second pension benefit will increase from 15% to 25%.
Portugal			January 2025 Pensions are now indexed for the first time in the year after retirement, instead of in the second year after retirement previously.			October 2024 A one-off payment was made: - EUR 200 to pensioners with a pension below the Social Support Index (IAS, EUR 509.26 in 2024) - EUR 150 to pensioners with a pension below two times the IAS - EUR 100 to pensioners with a pension below three	

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
						times the IAS	
Slovak Republic	May 2024 The career-length condition to retire early after a 40-year career now increases with the same amount as increases in the statutory retirement age. For each cohort, the career-length condition for early retirement is equal to at the statutory retirement age for the cohort minus 23, i.e. the difference between the statutory retirement age (63) and the career-length condition (40) applying to the 1960 cohort who reached the statutory retirement age in 2023. The penalty for early retirement based on career length is increased from 0.3% to 0.5% per month, equalising it with the penalty for retirement 2 years prior to the statutory retirement age.		December 2024 A 13th month payment is introduced. It is a flat-rate benefit equal to the average monthly payment of the specific type of pension benefit in the preceding year (i.e. the 2024 13th month is the average pension in 2023). The payment cannot be below EUR 300, and in case a person receives multiple types of pensions, only the highest 13th month payment the person is entitled to, is being paid out. In December 2024, an old-age pensioner received EUR 606, a widow EUR 339, a widower EUR 300, an orphan EUR 300, a person with more than 70% disability EUR 494, and a person with up to 70% disability EUR 300. For old-age pension recipients, receipt of the full 13th month payment is conditional on having paid at least 10 years of contributions in the Slovak Republic – the payment is adjusted pro rata for people with shorter	January 2024 People no longer have to pay social contributions during periods of maternity or parental leave. The state now pays pension contributions during these periods. The mandatory contribution rate under the automatic-enrolment scheme is reduced from 5.5% to 4.0%, and the previously scheduled increase to 6% by 2027 is cancelled. The reduced contributions to the scheme are compensated by higher contributions to the public pension scheme, so that the total contribution rate remains at 18%. January 2025 The ceiling on earnings for which contributions have to be paid, both for employees and the self-employed, is increased from 7 times to 11 times average earnings 2 years ago.	October 2023 The minimum pension, linked to the minimum subsistence level since July 2023, was increased: - The minimum pension after 30 years of contributions increased from 136% to 145% of the minimum subsistence level. - For each extra year of contributions, the rate further increases by 2.5 p.p., instead of 2.0 p.p. previously, up to 39 years of contributions. The increase for between 40 and 49 years of contributions (3.0 p.p.) and between 50 and 59 years of contributions (5.0 p.p.) remain the same, but the increase as of the 60th year of contributions increases from 7.0 p.p. to 7.5 p.p. January 2025: The minimum pension is now indexed every year in January, based on the level of the minimum subsistence level in place at that time (the minimum		

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
			insurance periods. October 2024 The parental pension, introduced in 2023, is terminated from 2025 and replaced by a new benefit from 2026. Instead of awarding each parent a pension supplement of 1.5% of the child's annual assessment base for pension contributions two years ago, children can now allocate 2% of the income tax they paid in the previous year to each parent. The new parental pension will first be paid in 2026, based on personal income tax for 2025.		subsistence level is adjusted in July each year).		
Slovenia	September 2025 The statutory retirement age, giving eligibility for an old-age pension based on at least 15 years of contributions, will increase gradually from 65 to 67 years between 2028 and 2035. The retirement age for individuals with at least 40 years of contributions will rise from age 60 to 62 over	September 2025 The eligibility age to survivor pensions will increase from 58 to 60 years between 2028 and 2035 (3 months per year).	September 2025 Starting 2026, the indexation of pensions in payment will gradually change from currently 60% of wage growth and 40% of CPI inflation to 20% of wage growth and 80% of inflation by 2045. In terms of pensionable reference wages, the period used to calculate the pension base will increase from the best 24 consecutive years to the				

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
	the same period. The pension eligibility age for early starters who started contributing before the age of 18 and have at least 40 years of contributions will increase from 58 to 60 years.		best 40 consecutive years. Starting in 2028, the reference period will increase by two years each year, reaching 40 years by 2035. For a person with a full career, the 5 years with the lowest earnings over the 40-year period are excluded, so the pension will be calculated on 35 years. From 2028, the accrual rate will increase to 30.0% for the first 15 years of pension assessment. For each subsequent year it will increase incrementally to an additional 1.6% by 2035. Before the reform, these rates were at 29.5% and 1.36%, respectively. Hence, the total accrual after a 40-year career will increase from 63.5% to 70.0%. The survivor pension replacement rate will be increased from 70% in 2025 to 75% in 2026 and further to 80% in 2028.				
Spain	December 2024 Previously, the bonus of						

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
	4% per year only accumulated per full year of deferral. Since 2025, for a person deferring pension uptake with at least 18 months, the bonus instead accumulates at 2% per six months. From 2025, conditions are relaxed for combining work and pension receipt ('active retirement'). A full career is no longer required, it is now combinable with a deferral bonus (the requirement of a 1-year deferral remains in place), and the 50% reduction in pension is replaced by a reduction depending on the duration of deferral: after one year of deferral, 45% of the pension can be combined with work; 55% after 2 years of deferral; 65% after 3; 80% after 4; and 100% after 5 years of deferral. Per year of combining work and pension, an extra 5% of pension can be taken up, up to a maximum of 100%.						

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
	From 2025, partial retirement is possible from the normal retirement age with a working-time reduction of between 25% and 75% instead of 50% previously. In case of a “relief contract”, it is now possible from 3 instead of 2 years before the normal retirement age, although in that case only a reduction of between 20% and 33% of working time is possible in the first year; from 2 years before the normal retirement age, working time can be reduced by between 25% and 75%, as before. A standardised procedure was introduced to determine reduction rates in early retirement for arduous or hazardous jobs in case the job cannot be adapted. Occupation-specific arduousness or hazardousness coefficients are reviewed every 10 years and calculated based on: - the rate of						

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
	occupational accidents by gender and age - the rate of serious accidents - the number of sickness or accident leaves - the duration of leaves.						
Sweden						Taxation of income for people aged 66+ was reduced in 2024 and again in 2025. By increasing the basic allowance, a smaller share of older people's income is taxed. As the basic allowance depends on income level, the impact on taxation differs across income levels. The reform does not change taxation of people earning less than SEK 200 000; the decrease in taxation is largest for people with annual incomes around SEK 400 000-500 000, for whom taxation reduced by about 5% over the course of two years.	
Switzerland	January 2024 Partial retirement (take-up of 20%-80% of the	January 2024 Contributions paid after the statutory	September 2024 The reduction of the conversion rate used to convert pension assets				

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
	pension) is now possible in the public scheme from 2 years before the statutory retirement age until age 70. People can gradually expand pension uptake in up to 3 phases. The usual penalty applies to the part of the pension taken up early, or the bonus to the part of the pension that is deferred.	retirement age now result in supplementary pension build-up until reaching age 70. When combining work and pensions, the pension can be recalculated once to include the extra years worked.	from the mandatory part of the occupational pension scheme into annual pensions from 6.8% to 6%, which was passed in Parliament in March 2023, was rejected in a referendum. March 2024 Following a referendum, a 13th month pension payment will be introduced in the public earnings-related scheme, which will be paid each year together with the December pension payment from 2026. The increase may be financed from a VAT increase of 0.7 p.p.				
Türkiye				January 2025 For the private-sector employers, subsidies for social contributions to disability, old-age, and survivors' insurance have been decreased from 5 p.p. to 4 p.p. Employers in manufacturing are exempt from this decrease in subsidy and maintain the 5 p.p. subsidy at least until the end of 2026.	The minimum pension, previously TRY 7 500, was increased several times: - January 2024: TRY 10 000 - July 2024: TRY 12 500 Indexations in 2025 have followed the general rule of price indexation.		July 2024 The possibility to make withdrawals from individual pension accounts before reaching the minimum retirement age was introduced. Withdrawals can be made in case of marriage, purchasing a home, natural disasters or university education. Each reason for withdrawal can only be used once and withdrawals must be at

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes and fees	Other
							least 5 years apart, except for withdrawals due to natural disasters. Up to 50% of the account balance can be withdrawn at a time. Withdrawals for education are paid as a 4-year annuity; all others as a lump sum.
United Kingdom							
United States			January 2025 Certain rules reducing Social Security benefits for those who receive both a Social Security benefit and a pension from work not covered by Social Security were repealed. This increases benefits for some people receiving pensions from certain state and local or federal government retirement systems and some people receiving pensions from work outside the United States. The changes are applied retroactively on benefits paid from February 2024.				

Notes

[1] Due to COVID-19, net migration rates were much lower in 2020 and 2021 than in the previous years. Hence, 2019 is a better reference to assess the increase in the net migration rate in 2022.

[2] The impact of migration on the evolution of the old-age to working-age ratio can be small, even if net migration has increased in recent years. The decomposition does not just take into account the evolution of migration over the last 10 years, but rather over the full lives of the cohorts concerned since birth. Higher net migration rates would have to be sustained for some time before they really start weighing on the composition of the full population on active age relative to the population in old age.

[3] For people born in 2002 without 40 years of contributions, early retirement will be possible from the age of 66 (which is also the normal retirement age for full-career workers). In that case, a permanent penalty of 6% per year of anticipation applies.

[4] The bonus is calculated differently depending on whether the career is shorter or longer than 44 years and six months. Estimates are computed based on the OECD pension model.

[5] Estimates are computed based on the OECD pension model.

[6] After 2% per year of early uptake or deferral from 2026, 4% from 2030. Both the bonus and the penalty will depend on career length: the penalty would only apply to people with fewer than 35 years effectively worked whereas the bonus would only apply to people with at least 35 years effectively worked. Maternity and care periods would be credited in the 35-year career to determine whether a bonus or penalty applies. Such career-length conditions undermine the effectiveness of the bonus and penalty to remove disincentives for working longer as they conflict with the principle of actuarial neutrality and exclude large groups of people.

[7] Combining work and pensions is the dominant form of working beyond the retirement age as pension deferral is not very common. In the chapter dedicated to flexible retirement in the 2017 edition of *Pensions at a Glance*, it was noted that only 2% of individuals aged 65-69 in the EU continued in employment without claiming a pension (22% among the 60-64) (OECD, 2017[12]).

[8] There is no bonus for the deferral of the remaining 60% or 80%, although Slovenia has a very high accrual rate for years worked after the statutory retirement age. Combining the lack of bonus on the 60% deferred pension benefit with the very high accrual rate results in a pension build-up that is close to actuarially neutral, being it in a complex way (OECD, 2022[4]).

[9] In Germany, the employee is exempt from paying pension contributions when combining work and pension receipt after the normal retirement age, although employers still have to pay contributions while no further pension entitlements are built up. The employee can waive the exemption and pay contributions as well, in which case additional pension entitlements are accrued. Similarly, in Türkiye, a working pensioner pays reduced social contributions and build no pension entitlements, but the employer pays regular contributions. Pension entitlements can be built up further if the employee suspends pension receipt and pays regular contributions.

[10] In Luxembourg, while employees can request to have their employee contributions reimbursed, employer contributions cannot be recuperated. As reimbursement has to be requested, this practice is effectively a tax on ignorance.

[11] After one year of deferral, work can be combined with up to 45% of an individual's full pension; combining a full pension with work requires that uptake is deferred by at least five years. For every year of combining work and pension, the share of the pension received further increases by an additional 5 p.p. up to a maximum of 100%. Hence, a person who defers uptake by one year and then combines work and pension, receives 45% of the pension in the first year of combining work and pension, 50% in the second year, and 55% in the third year.

[12] The earnings limit does not apply to people with 45 years of contributions.

[13] All countries with mandatory retirement for civil servants except Colombia, Ireland, Italy and Türkiye do foresee an option to extend civil service employment beyond the mandatory retirement age under certain conditions, such as performance requirements or if retirement would result in the loss of capabilities in the civil service. Either by extending their appointment or by rehiring them, civil service employment can be extended, typically for a period of three to five years and often in the form of renewable one-year extensions or contracts.

[14] Chile applies a lower minimum wage to people who are hired after the statutory retirement age of 65 to make it more attractive for employers to hire retirees. However, this is not a case of mandatory retirement as it does not apply to people who reach the statutory retirement age under contract, but only to people who are recruited after the statutory retirement age.

[15] After the elimination of the retirement age in March 2023 for people who entered the labour market before 8 September 1999, the normal retirement age in Türkiye even dropped to 47 for men and 46 for women.

[16] While Türkiye is an absolute outlier for people retiring now, its normal retirement age is set to increase fast as it will be 65 for men entering the labour market in 2024.

[17] Increases in the statutory retirement age require parliamentary approval in Denmark. Under current rules, the retirement age revisions take place every five years and take effect 15 years after approval (OECD, 2021[3]).

[18] For each cohort, the career-length condition for early retirement is equal to the statutory retirement age for the cohort minus 23, i.e. the difference between the statutory retirement age (63) and the career-length condition (40) applying to the 1960 cohort who reached the statutory retirement age in 2023.

[19] Deductions of one year in case of a single child or two years for multiple children remain in place.

[20] Normally, the pension is suspended if earnings exceeded the income threshold for minimally employed workers (known as the "Geringfügigkeitsgrenze", EUR 551 per month in 2025). In 2024 and 2025, a person can earn up to 40% of that monthly threshold in excess of that limit over the full year (i.e. up to EUR 220 for the full year in 2025) before the pension is suspended.

[21] A working-time reduction of between 25% and 75% was already possible two years prior to the normal retirement age in case of a "relief contract", through which the retiree is gradually replaced by an

unemployed person or someone previously employed on a temporary contract. Since 2025, partial retirement under this type of contract is possible from three years before the normal retirement age, although in that case, only a working-time reduction of between 20% and 33% is possible in the first year.

[22] The compensation is lower in case of retirement before 65.

[23] The contribution-based basic pension increases by 0.1 UF per year of contributions. UF, or Unidad de Fomento, is a unit of account used in finance in Chile. The average FDC old-age pension paid out in March 2025 was 6.73 U.F., or around CLP 264 000 (Superintendencia de Pensiones, 2025[38]).

[24] In Chile, the targeted benefit is increased, but the minimum and maximum thresholds between which the benefit is gradually withdrawn remain unchanged, respectively at 64% and 102% of gross average earnings. As a higher benefit has to be fully withdrawn between the same two limits, the withdrawal rate is higher.

[25] The FDC component would furthermore be strengthened by gradually eliminating the 0.8 p.p. administrative fee, so that contributions to the individual account would increase from 13.2% to 14.0%.

[26] Individuals with between 300 and 999 weeks of contributions would instead receive their contributions as an annuity with a tax-financed top-up, capped at 80% of the minimum wage. The targeted benefit, the lump sum and the annuity would be accessible three years after the normal retirement age, from age 65 for men and 60 for women, aligned with the eligibility ages of the previous targeted benefit.

[27] On the part of earnings exceeding 4 times the minimum wage, a contribution of between 1.5% and 3.0% (on the part of earnings exceeding 20 times the minimum wage) would be paid. Contributions from pensions would be somewhat lower, with a 1% contribution rate on the part of total pensions between 10 and 20 times the minimum wage, and a 2% contribution rate on the part of total pensions above that threshold.

[28] A fund was created to pay the top-up. In addition to sleeper accounts of people over 70 (it remains possible for people to reclaim their pension from the fund), the fund is financed from a variety of sources including among others assets seized by the state, and profits of state-owned enterprises.

[29] The increase applies partially to singles born between 1954 and 1963 as well.

[30] Indexation will resume earlier if the index exceeds the 2023 level by 10.2%.

[31] The threshold is reduced from EUR 18 306 to EUR 15 000 for singles and from EUR 29 290 to EUR 24 000 for couples. The withdrawal rate applied to income increased somewhat as well, from 41.3% to 43.5%.

[32] The increase for between 40 and 49 years of contributions (3.0 p.p.) and between 50 and 59 years of contributions (5.0 p.p.) remain the same, but the increase as of the 60th year of contributions was raised from 7.0 to 7.5 p.p.

[33] Only 3 120 days of effective employment are required to access the minimum pension for part-time employment, in which case the minimum pension benefit is prorated to the number of days effectively worked relative to the number of days worked by someone with a full 45-year career of full-time work.

Some non-worked periods in particular in relation to caregiving are nonetheless included to determine whether a person has attained the required number of days of effective employment.

[34] This only refers to periods during which pension entitlements are built up as an employee in Belgium. People may have built up entitlements as self-employed or abroad as well.

[35] Under Slovenia's new rules, the best consecutive 40 years are taken into account in the pension calculation, but the five years with the lowest earnings are excluded; for people with at least 28 years of contributions, one year can be excluded from the pension calculation, increasing to five years in case of a career of at least 40 years of contributions. The period will be extended by two years each year from 2028 to 2035.

[36] For a worker with earnings increasing from 60% to 123% of average earnings over the career, the reform reduced the effective real annual rate of return – i.e. the implicit rate of return on an individual's contributions paid to finance the individual's pension benefits – from 2.7% to 2.3%. This does remain substantially above the real internal rate of return of 1.6%, which is the level that would sustainably finance pension promises from contributions in that case.

[37] The age of automatic enrolment remains at 18 years, but it is now also possible for people to opt in from age 16 and receive government contributions – matched employer contributions are only mandatory from 2028 onward.

[38] The 13th month pension is specific to the type of pension received, e.g. an old-age pensioner receives the average old-age pension, whereas survivor's or disability pension recipients receive the average of their respective types of benefits.

[39] The Slovak Republic also increased the earnings ceiling below which contributions are due from 7 to 11 times gross average earnings, both for employees and the self-employed.

[40] In addition, Portugal made a one-off payment to people with a pension below three times IAS in 2024 of between EUR 100 and EUR 200 depending on pension level.

[41] The supplement is gradually rolled out again, starting with those who retired after its abolishment in 2012 and 2013, so that by 2029, all pensioners who have worked before 1996 will receive a supplement.

[42] A 3% deduction applies to withdrawals before the normal retirement age, but these withdrawals are exempt of personal income tax. Upon retirement, part of the pension should be taken out as an annuity if the account balance exceeds a certain threshold.

[43] Withdrawals for education are paid as a four-year annuity; all others as a lump sum.

[44] Subsidies previously covered people who are subscribed to the scheme but ceased to pay contributions, whereas the new subsidies cover people who subscribe to the scheme in general. The subsidies are to cover half of the pension contributions for up to 12 months; the maximum contribution subsidy is yet to be determined. the contribution subsidy that incentivises these workers to enrol voluntarily has been increased for the first 12 months of paying contributions.

[45] The new credited periods are based on average earnings for people having below average earnings, and based on the individual's previous earnings for people earning more.

[46] In addition, Korea previously capped total childcare credits at 50 months over the full career. This cap is abolished from 2026 as well.

[47] Japan furthermore increased the flat-rate supplement for pension recipients living with children younger than 18.

[48] This is in the context of the 2022 ruling by the European Court of Human Rights that the current legislation in Switzerland treats men and women unequally. Widows currently receive a lifelong annuity irrespective of age in case of children or, in case there are no children, from age 45 provided they have been married for at least five years. Widowers, by contrast, can only receive a survivor's pension in case they have children. The proposal is to instead introduce an annuity until the youngest child turns 25, irrespective of the recipient's sex or whether or not the couple was married. For people without children under 25 at the moment their partner passes away, a two-year transitional benefit would be paid, except in case the surviving partner is 58 or older at the time of death and the loss of their partner would result in precarity. Of people who are already receiving a survivor's pension, those below age 55 without dependent children would be moved to the two-year transitional benefit.

2 Gender pension gap

This chapter starts by showing recent and projected trends in the pensions of women relative to those of men in OECD countries, and breaks down gender differences across pension components. The second section zooms into the key drivers of the gender pension gap, which results mainly from differences in lifetime earnings between men and women due to different labour market trajectories in terms of employment, hours worked and hourly wages. The chapter then raises normative questions about the role of pension policy in dealing with the gender pension gap. The next section details the pension rules that directly or indirectly affect gender disparities in pensions based on the OECD pension model. The following section focusses on gender disparities arising in asset-backed pensions. The chapter ends by discussing policy implications.

Introduction

The much lower pensions of women relative to men's raise important social and policy concerns. Pension differences between men and women largely reflect and add up to gender disparities in the labour market and the disproportionate burden of unpaid care responsibilities faced by women. The higher longevity of women and the gender pension gaps (GPG) combine into higher women's old-age poverty risks.

The instruments included in pension systems that limit the transmission of labour market disparities into retirement income also help reduce GPGs. In particular, first-tier pensions are higher for those less attached to the labour market and partially compensate for resulting low pensions due to low earnings during the whole working life. Reducing income inequality and alleviating poverty are often part of the objectives of pension systems along with limiting the fall in living standards at retirement and insuring against the uncertainty related to the length of individual lives, the so-called longevity risks.

Pension policy is influenced by normative choices regarding broader family policies, particularly reflected in the design of the following instruments. Childcare-related pension credits specifically aim at compensating for the impact of childcare breaks on pension benefits. Pension bonuses for having children irrespective of experiencing an employment break can partially offset the indirect impact of parenthood on career development. Survivor pensions mainly benefit women due to their higher life expectancy and lower pension entitlements. Despite having been available for a few decades in some countries, pension splitting has not gained much popularity.

This chapter starts by showing recent and projected trends in the pensions of women relative to those of men in OECD countries, and breaks down gender differences across pension components. The second section zooms into the key drivers of the gender pension gap, which results mainly from differences in lifetime earnings between men and women due to different labour market trajectories in terms of employment, hours worked and hourly wages. The chapter then raises normative questions about the role of pension policy in dealing with the gender pension gap. The next section details the pension rules that directly or indirectly affect gender disparities in pensions based on the OECD pension model. The following section focusses on gender disparities arising in asset-backed pensions. The chapter ends by discussing policy implications.

Key findings and policy implications

Pension outcomes

- Women receive monthly pensions that are about one-quarter lower than men's on average across OECD countries, ranging from less than 10% lower in Czechia, Estonia, Iceland, the Slovak Republic and Slovenia to more than 35% lower in Austria, Mexico, the Netherlands and the United Kingdom, and even 47% lower in Japan.
- The large average gender pension gap (GPG) across OECD countries has declined from 28% in 2007 to 23% in 2024. It is projected to further decline in all countries for which such projections exist.
- The GPG is the key indicator of average differences in pension levels between men and women. However, it does not measure differences in standards of living between older men and older women because living standards account for other sources of income, household compositions and income sharing within households. Also, older people without a pension are not accounted for in measuring the GPG. There is actually no correlation across OECD countries between the GPG and the gender gap in average disposable income among people 66 or older. On average in the OECD, gender disparities in household disposable income are substantially lower than the gender pension gaps, 10% among people aged 66+ in 2023, which is less than half the average GPG.

- In 2024, on average across OECD countries, women are expected to live 22.8 years after having effectively left the labour market compared to 18.6 years for men, hence 4.1 years more or about one-quarter longer. Men and women start receiving earnings-related old-age pensions at similar ages in many OECD countries, but the gender difference is large in countries that provide eligibility to pensions to women at lower ages: 4.3 years in Poland, 3.0 years in Chile, 2.8 years in Hungary and 2.0 years in Austria.
- Among OECD countries, more than three-fifths of beneficiaries of first-tier pensions are women, against half of beneficiaries of mandatory earnings-related pensions. There is a substantial underrepresentation of women in own earnings-related pensions (excluding survivor pensions) in Belgium, Costa Rica, Greece, Italy, Japan, Korea, Luxembourg, the Slovak Republic and Spain.
- Gender differences in lifetime earnings are the main driver of the gender pension gap as a large part of pension benefits is earnings-related. Gender differences in the expected career duration, hours worked and hourly wages between men and women make a similar contribution to the large gender gaps in expected lifetime earnings averaging 35% across OECD countries in 2023.
- At 34 years, the expected career duration for women was almost 6 years (or 15%) shorter than for men on average in the OECD in 2023. The gender gap in the expected career duration strongly declined from 18 years in 1980 to 6 years in 2023 on average across countries, mostly due to longer careers of women. After having declined by 1.5 hours since 2008, the difference in weekly working hours between employed men and women is still relatively large at 5.1 hours on average across OECD countries, or about 13%. The gender gap in hourly wages is also large at about 11% on average across OECD countries. It has declined by around 4 percentage points (p.p.) since 2008.

Pension rules

- Despite a converging trend over the last 30 years, women can still retire without penalty at lower age than men in nine OECD countries. Based on current legislation, this gender difference in the normal retirement age will be eliminated in Austria, Lithuania and Switzerland, while it will persist in Colombia, Costa Rica, Hungary, Israel, Poland and Türkiye, negatively affecting women's pension levels.
- Mothers can retire between four months and four years earlier than childless women, depending on the country and the number of children, in Czechia, France, Italy, the Slovak Republic and Slovenia. On the other hand, avoiding pension penalties requires delaying retirement in the case of a five-year childcare break in Greece and Portugal, as well as in France and Spain for a ten-year break.
- Mandatory pension systems cushion about half of the effects of a five-year childcare-related employment break on pensions for mothers with two children on average across OECD countries. Nine OECD countries give credits just for having had children or provide pension bonuses to parents, irrespective of whether a career break occurred.
- Austria, Belgium, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Lithuania, Norway, Spain and the United Kingdom also credit periods spent providing informal family care for adults, which is mainly done by women.
- Korea and the United States provide spousal supplements, Japan credits periods towards the contribution-based basic pension when spouses are not employed and Belgium applies higher accrual rates for couples in contributory pensions. These instruments provide specific benefits for couples in which spouses do not have their own pension or only a very low pension.
- Longevity differences between men and women are ignored in the calculation of pension benefits in mandatory public pensions in all OECD countries. This is consistent with the pooling of longevity risks across the whole population. Given women's lower pension entitlements, ignoring longevity

differences between men and women avoids lowering further women's monthly pensions. In the European Union, private pension schemes cannot, by law, take into account longevity differences between men and women to calculate pension benefits, even when they are funded defined contribution.

- In defined contribution schemes in countries outside the EU where benefits depend on gender-specific life expectancy, women's pensions are negatively affected: funded defined contribution (FDC) schemes pay less every month to women than to men for the same amount of accumulated assets due to women's longer expected duration of benefit receipt. A recent pension reform in Chile will eliminate the negative impact of higher women's longevity on pensions from the FDC scheme by providing a compensating bonus to women as if they had men's mortality tables.
- Despite having been available for a few decades in some countries, pension splitting, i.e. the sharing of earned pension entitlements within a couple, has not gained much popularity.

Policy implications

- The most efficient measures to reduce the GPG over the long term need to focus on tackling gender differences in employment, hours worked and wages. In particular, the unequal share of unpaid care between men and women as well as persistent disparities in education and labour market pathways have large implications.
- While pensions cannot fully compensate for inequalities building up from education to labour market pathways, reducing income inequality in old age is often part of the objectives of pension systems. Policy instruments that reduce the impact of labour market inequalities on retirement-income differences tend also to reduce the GPG. They include progressive pension formulae, minimum contributory and basic pensions and pension credits for employment breaks.
- Countries wanting to promote gender equality in the labour market and reduce the GPG should eliminate earlier access to pensions for women.
- High levels of first-tier benefits, particularly when means-tested, strongly reduce pension inequalities and thereby the GPG.
- Care-related pension credits are an effective instrument to cushion the impact of relatively short employment breaks, especially at low-income levels. They mainly benefit women given the strongly unequal division of childcare tasks between men and women.
- Protecting survivors' standards of living following the partner's death remains an important policy objective. Survivor pensions reduce the gender pension gap in mandatory earnings-related schemes by about one-third on average. Women benefit from survivor pensions much more than men in all OECD countries where such a scheme exists, and they account for 88% of recipients on average across OECD countries. To support women's longer careers, recipients should not be eligible to a permanent survivor pension before the retirement age.
- Communication efforts should increase women's awareness of the possibility and importance of splitting retirement entitlements upon divorce. Still, while splitting pension rights is fairly easy to implement in defined contribution and point systems or in defined benefit systems that are based on straightforward accrual rates, it is more complicated to do so in complex and fragmented pension systems as well as in schemes with loose links between contributions and pension entitlements
- Reducing minimum earnings or hours worked requirements to be covered by pensions and lowering eligibility conditions related to the minimum contribution records to access pensions would also help decrease gender disparities in old-age income.

Gender disparities in pensions

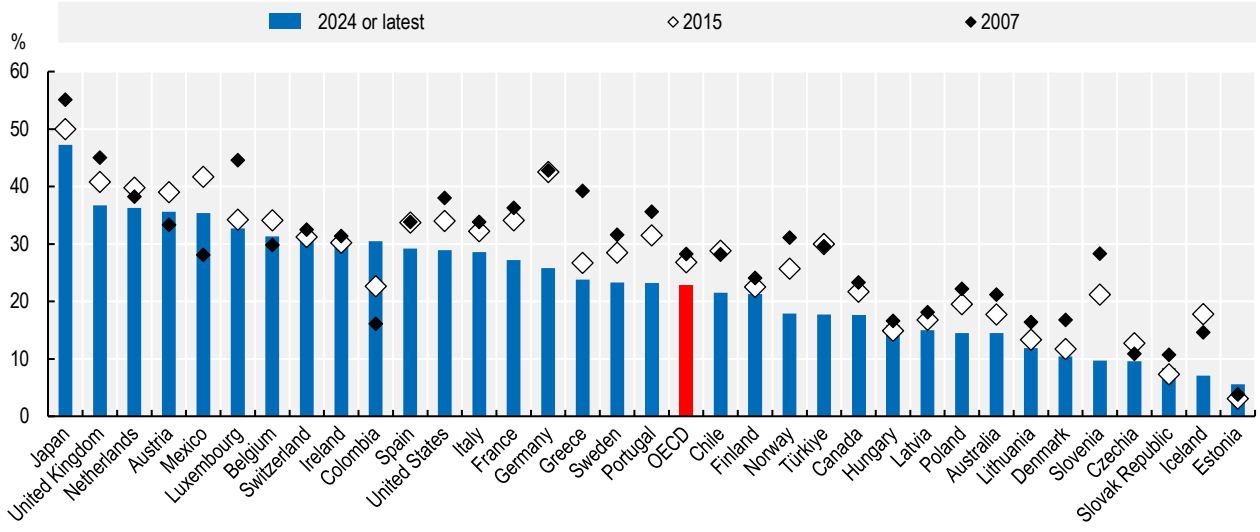
Gender pension gaps are large but steadily declining

Women receive pensions that are about one-quarter lower than men's on average across OECD countries. In 2024, the gender pension gap (GPG), which measures, among pension recipients aged 65 and over, the difference in the average pension level between men and women relative to that of men, was 10% or less in Czechia, Estonia, Iceland, the Slovak Republic and Slovenia while it was more than 35% in Austria, Mexico, the Netherlands and the United Kingdom, and even 47% in Japan (Figure 2.1). These large GPGs result principally from diverging employment and wage trajectories between men and women, as analysed in the next section. Low pensions currently received by old-age women contribute to the lower confidence of working-age women about whether they will be able to access adequate old-age benefits (Frey, Alajääskö and Thomas, 2024[1]).

The average gender pension gap across OECD countries has declined from 28% in 2007 to 23% in 2024. The most significant decreases took place in Germany, Greece and Slovenia where the gap narrowed by more than 15 p.p. between 2007 and 2024, as well as in Luxembourg, Norway, Portugal, Türkiye by more than 10 p.p. In many OECD countries, strongly declining labour market differences between men and women (next section) are driving this reduction in the GPG, but it takes time for these changes to be fully reflected in lower pension inequalities.[1]

Figure 2.1. The gender pension gap has declined steadily across countries

Difference between the average pension of men and women relative to the average pension of men



Note: The gender pension gap is calculated as the difference between the mean pension income of men and women (aged 65+) over the mean pension income of men (aged 65+), among pension beneficiaries. People who do not receive any pension income are excluded from the calculation because some of them delay receiving pension beyond age 65 for different reasons. Data are for 2024, 2015 and 2007 for all EU member countries, Norway and Türkiye; 2023, 2015 and 2007 for Canada, Colombia, Switzerland and the United States; 2022, 2015 and 2007 for Mexico; 2021, 2015 and 2007 for the United Kingdom; 2020, 2015 and 2008 for Australia and Japan; 2020, 2015 and 2007 for Iceland; 2022, 2015 and 2006 for Chile. Data are unavailable for Costa Rica, Israel, Korea and New Zealand. For Denmark, the 2024 value of 15.6% is surprisingly high compared to the last decade and implies in particular a large jump from the 2023 value of 5.2%; the shown figure of 10.4% is the average over 2023-2024.
Source: Eurostat (2025[2]); Statistics Canada (2024[3]); CASEN (2022[4]); OECD (2023[5]) ; LIS (2025[6]).

StatLink https://stat.link/pf4une

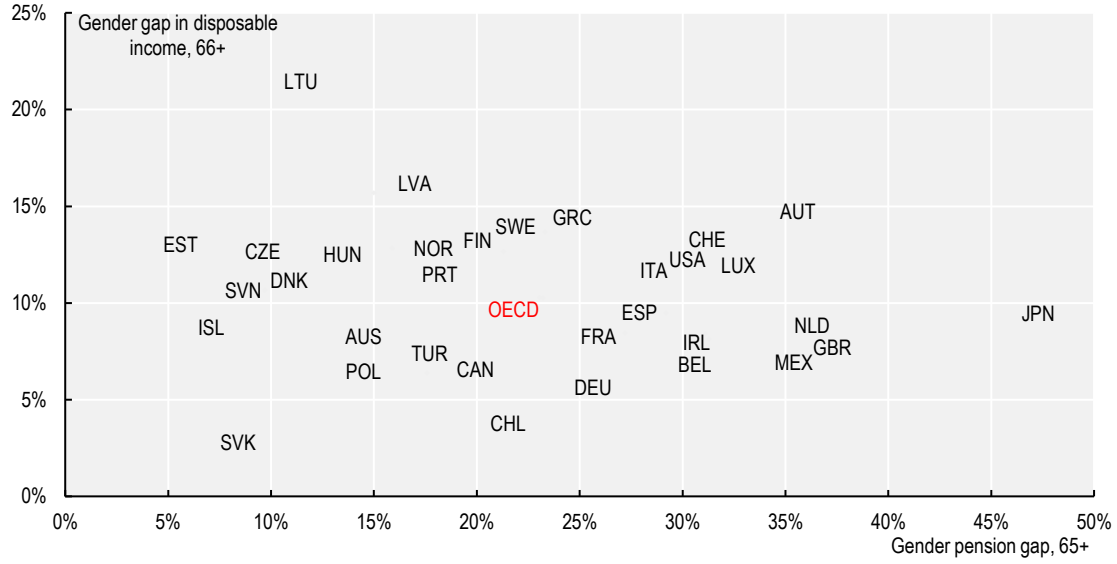
In addition, some pension reforms have contributed to reducing the GPG. For example, Slovenia increased the retirement age for women more than for men since 1999, thereby reducing gender differences; it also introduced additional pension credits for combining part-time work and childcare in 2012 (OECD, 2022[7]). Austerity measures taken during the Global Financial Crisis in Greece were targeted at reducing the highest pensions, generally held by men, leading to a reduction in the GPG (Danchev et al., 2024[8]). In the United Kingdom, the role of the earnings-related component within public pensions has gradually decreased since 2002 and the statutory retirement age of women increased from 60 to 65 between 2010 and 2018, converging with that of men. These measures resulted in a decline of the GPG in the public scheme from 25% for those born in the 1940s to 5% for those born in the 1950s (Cribb, Karjalainen and O'Brien, 2023[9]); nevertheless the total GPG remains large in the United Kingdom at 36% because private pensions, which play a large role, amplify pension inequalities. In France, the pension credits for childcare that were introduced in the 1970s slightly contributed to the large decline in the gender gap in old-age pensions between those born in 1930 and in 1955 (DREES, 2024[10]).

According to projections for several countries, the gender pension gap will decline substantially over time. Using microsimulation models for five European countries, Barslund et al. (2021[11]) estimate that the downward trends in employment and wage differences between men and women will nearly eliminate the GPG by 2050 in Portugal and Slovenia, and lead to a strong reduction to 10% or less in Belgium and Luxembourg. This is despite significant gender gaps remaining in part-time work in all four countries. In Switzerland, the GPG is projected to decline to a lesser extent from 29% to 22% between 2018 and 2070. In the Nordic countries, the GPG is also projected to decline (Andersson, 2023[12]): in Denmark the gender gap in occupational and private pension wealth would disappear for cohorts retiring after 2050 compared to a gap of 22% in 2021; in Finland, the gender gap in public pension would decline from 26% in 2017 to 19% in 2045, and to 15% in 2085; in Norway, the GPG would diminish to 10% in 2033; and, in Sweden, the GPG would shrink to 19% in public pensions and 35% in occupational schemes around 2050. In France, the gender pension gap is projected to steadily decline to 7% by 2060 and stabilise at this level thereafter (COR, 2024[13]).

The gender pension gap does not measure gender differences in standards of living. By contrast, disposable income better captures standards of living and is calculated at the household level. It is the same for each partner within a couple by definition, while pensions that enter the GPG are specific to each individual. Moreover, while disposable income takes into account all sources of income, the GPG does not account for earnings, which make up one-quarter of disposable income on average among people aged 65 or more (Chapter 7). Also, older people with no individual pensions are not accounted for in measuring the GPG.

Gender differences in household disposable income among older people are substantially lower than gender pension gaps. On average across OECD countries, the gender gap in disposable income among people older than 65 was 10% in 2023. It exceeds 15% in Latvia and Lithuania while it is less than 5% in Chile and the Slovak Republic (Figure 2.2). Moreover, there is no correlation across countries between the gender pension gap and the gender gap in disposable income. For example, Chile and Sweden have a similar GPG, around 20%, but the gender gap in disposable income is more than three times higher in Sweden than in Chile, maybe related to fewer older women living alone in Chile as grandparents, particularly widows, tend to live in the household of their children (Scroope, 2017[14]).

Figure 2.2. Gender gaps in disposable income and in pensions are not correlated across OECD countries



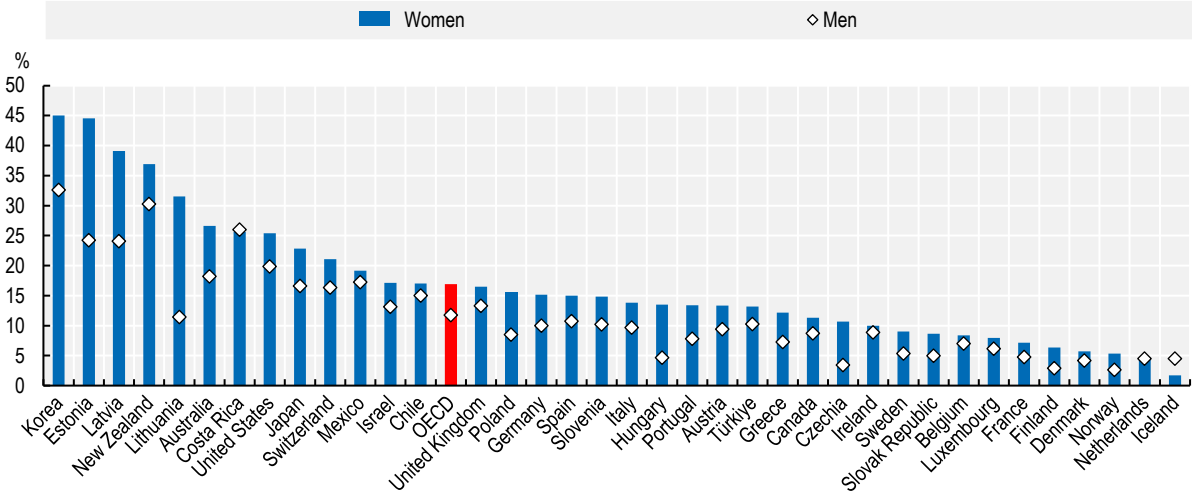
Note: The linear correlation coefficient between the two series is -0.1.
Source: OECD (2025[15]), Income Distribution Database, https://www.oecd.org/en/data/datasets/income-and-wealth-distribution-database.html.

StatLink https://stat.link/4nr21d

Beyond lower *average* incomes, older women also face higher poverty risks than older men. Women aged older than 65 face higher rates of income poverty compared to men in all OECD countries (Figure 2.3), with the exception of Costa Rica and Iceland. The old-age income poverty rate – defined as the percentage of people living in households with equivalised disposable income less than 50% of the median in the total population – is 17% among women and 12% among men on average in OECD countries.

Figure 2.3. Older women are more likely to be in income poverty than older men

Share of 66+ with income less than 50% of the median equivalised household disposable income, 2022 or latest



Source: See Chapter 7.

StatLink https://stat.link/gx4rbo

Gender imbalances in pension coverage are substantial

Women's pensions are lower than men's partially due to the gender composition of beneficiaries across different pension schemes. This is because first-tier and survivor schemes, in which women are overrepresented, provide lower benefits than earnings-related schemes, in which women are underrepresented.

Women rely more often on first-tier pensions than men. Among OECD countries, more than three-fifths of beneficiaries of first-tier pensions – minimum contributory pensions, residence-based or contribution-based basic pensions and old-age safety-net benefits (Chapter 3) – are women, against half of beneficiaries of mandatory earnings-related (second-tier) pensions. By comparison, women make 56% of people aged 65 or more in OECD countries on average (Figure 2.4). The share of women receiving first-tier pensions is close to 70% or more in Austria, Finland, Latvia, Lithuania, Norway, Portugal and Sweden. In Austria, Finland, Norway and Sweden, this can be attributed to first-tier benefits topping up earnings-related entitlements, while for Latvia and Lithuania it is mainly due to the large proportion of women among older people resulting from very high mortality rates among men.

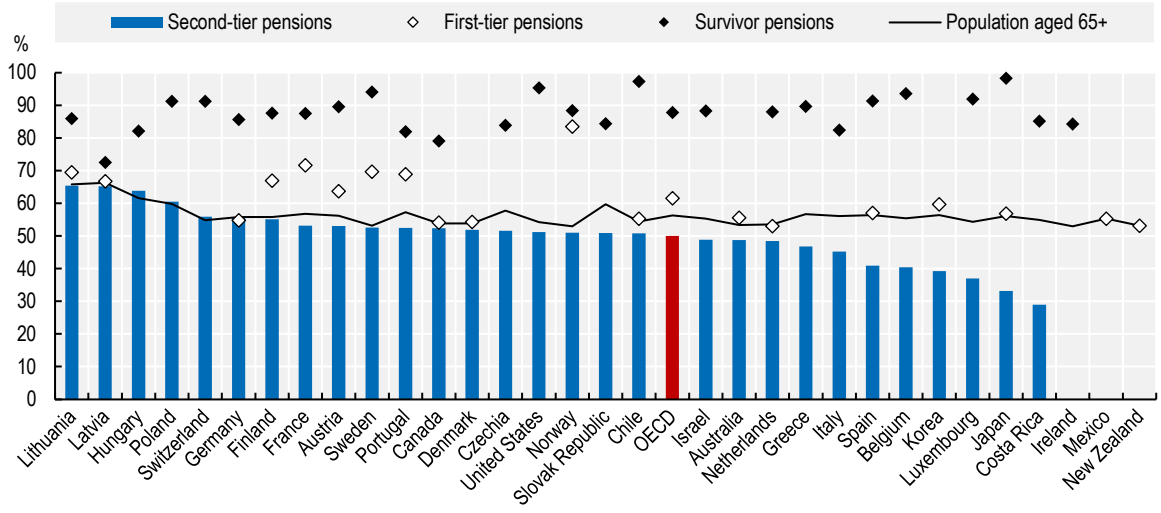
There are significantly fewer women than men among earnings-related pension recipients (excluding survivor pensions) than among older people, by about 6 p.p. on average among the 29 OECD countries for which data are available. Exceptions are Canada, Denmark, Finland, Germany, Hungary, Latvia, Lithuania, Norway, Poland, Sweden and Switzerland, where the gender balance of recipients of mandatory earnings-related pensions, almost fully mirrors the gender composition of the population aged 65 or more. The difference between the share of women among recipients of earnings-related pensions and among older people is large at around 10 p.p. in Greece, Italy and the Slovak Republic, around 15 p.p. in Belgium, Luxembourg and Spain, and 20 p.p. in Korea; it is even larger at around 25 p.p. in Costa Rica and Japan. Beyond low employment rates of women, substantial differences in some countries result from specific pensions features. For example, in Japan, workers working less than 20 hours a week (mainly women, as in other countries) do not contribute to and build entitlements from earnings-related pensions. In Belgium some women with very small pension entitlements give up their own pensions so that their partners can receive them at a higher rate (75% instead of 60% of the reference wage), thereby increasing total household income. Czechia requires 35 years of contributions to access old-age pensions, Italy 20, and Costa Rica and Spain 15 years, conditions that are less likely to be met by women.

Women are also underrepresented among voluntary (third-tier) pension recipients. In six out of seven countries for which data are available, women make up a smaller share of third-tier pension recipients than their share in the population aged 65 and over: only 40% of third-tier pension recipients are women in Norway, 41% in Belgium, 43% in Switzerland, 45% in Ireland, 46% in Costa Rica and 48% in Germany. However, in New Zealand, the share of women among third-tier pension recipients is not different from their share in the population aged 65 and over, at slightly more than 50%.[2] Among the working-age population, the proportion of women participating in voluntary schemes is usually lower than that of men (OECD, 2021[16]). Women tend to work in sectors, such as education, health and social work, that are less likely to provide occupational plans than men-dominated sectors, such as manufacturing. In addition, eligibility criteria based on a minimum number of working hours or on a minimum income threshold tend to restrict women's ability to join asset-backed pension plans more than men's, as women are overrepresented among part-time workers and earn less than men. These criteria exist for occupational pension plans in Canada, Japan, Switzerland and the United Kingdom (minimum income thresholds), as well as in Japan and Korea (minimum number of working hours) (OECD, 2021[16]).

Women benefit from survivor pensions much more than men in all OECD countries where such a scheme exists. In all 27 OECD countries shown in Figure 2.4, women account for more than 70% of survivor pension recipients, with an average across countries of 88%. In Chile and Japan, nearly all recipients (97% and 98%) are women. By contrast, Latvia has the lowest share at 73%, which can be attributed to survivor benefits being limited to only one year and not subject to any means-testing.

Figure 2.4. Women receive first-tier and survivor pensions more often than men but are less covered by earnings-related pensions

Share of women among pension beneficiaries by scheme type (%) and among the population aged 65+ (%), 2024 or latest



Note: First tier refers to basic pensions, old-age safety nets, and minimum contributory pensions, and second tier includes mandatory earnings-related pensions, such as PAYGO schemes for employees and the self-employed. The data are from 2024 for Chile, Czechia, Korea, the Slovak Republic and Sweden; 2024 for first-tier pensions and 2021-2022 for second-tier pensions in Australia; 2023 for most EU member states (including Austria, Belgium, Finland, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Luxembourg, Poland, Portugal and Spain), as well as Canada, Costa Rica, Norway and the United States; 2022-2023 for Switzerland; 2020-2022 for France; and 2022 for Denmark, Japan and the Netherlands. In Denmark, second-tier pensions include also voluntary private pension schemes. Germany's first-tier pension data covers basic income support in old age. For Israel, data refer to DB schemes only, closed for new entrants in 1995. In the Netherlands, second-tier pensions include both occupational pensions and voluntary private pensions.

Source: Countries' responses to the questionnaire sent for Pensions at a Glance 2025, UN (2024[17]), SSA (2024[18]), Statistics Canada (2024[3]), ZUS (2024[19]).

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First-tier and survivor pensions mitigate gender differences in pension income

Differences in average pension benefits between men and women vary substantially across pension components. First, first-tier pensions generally compensate for low earnings-related pensions or provide flat-rate benefits, which are in percentage terms more beneficial to low earners. When topping up low pensions, first-tier benefits are higher for those less attached to labour markets.[3] Second, mandatory earnings-related (second-tier) pensions have closer links with earnings histories, although the extent of the link varies with the design of specific schemes. Third, voluntary (third-tier) pensions are closely linked to voluntary contributions and tend to provide higher entitlements for workers with higher income, often men.

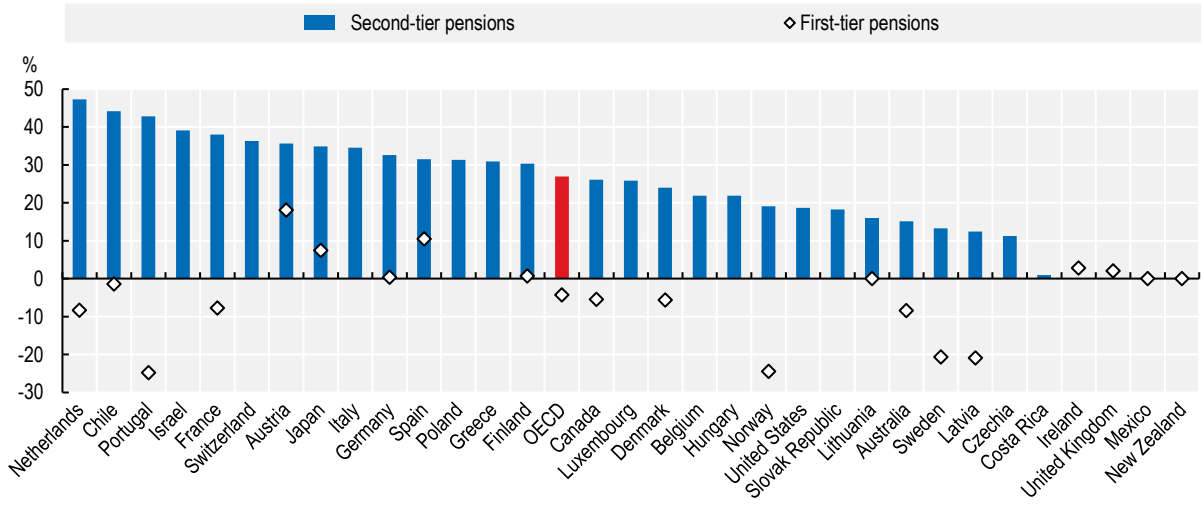
The gender gap in mandatory earnings-related pensions excluding survivor pensions was 27% on average among 28 OECD countries in 2023. It was around 12% in Czechia and Latvia and almost zero in Costa Rica where the defined benefit earnings-related scheme is highly redistributive (Figure 2.5). By contrast, the gender pension gap in earnings-related pensions exceeded 40% in Chile, the Netherlands and Portugal.

As first-tier pensions are the most redistributive among all schemes, sometimes topping up values from second-tier pensions, women often receive higher first-tier pensions than men. This is the case in Latvia,

Norway, Portugal and Sweden where the gender gap among recipients of first-tier pensions was very negative, around -20%, in 2023 (Figure 2.5). In Austria, the gap was positive and high (18%), but still much lower than the gap in earnings-related pensions (38%). This positive gap is likely related to the fact that the old-age allowance is granted at a higher rate to couples, but the couple rate is transferred to only one person in the household, often men. Japan and Spain also have positive gaps, although much lower than for earnings-related schemes.

Figure 2.5. First-tier pensions lower the total gender pension gap

Gender pension gap by scheme across selected OECD countries, excluding survivor pensions, 2024 or latest



Source: Countries' responses to the questionnaire sent for Pensions at a Glance 2025, SSA (2024[18]). Statistics Canada (2024[3]), DREES (2024[10]).

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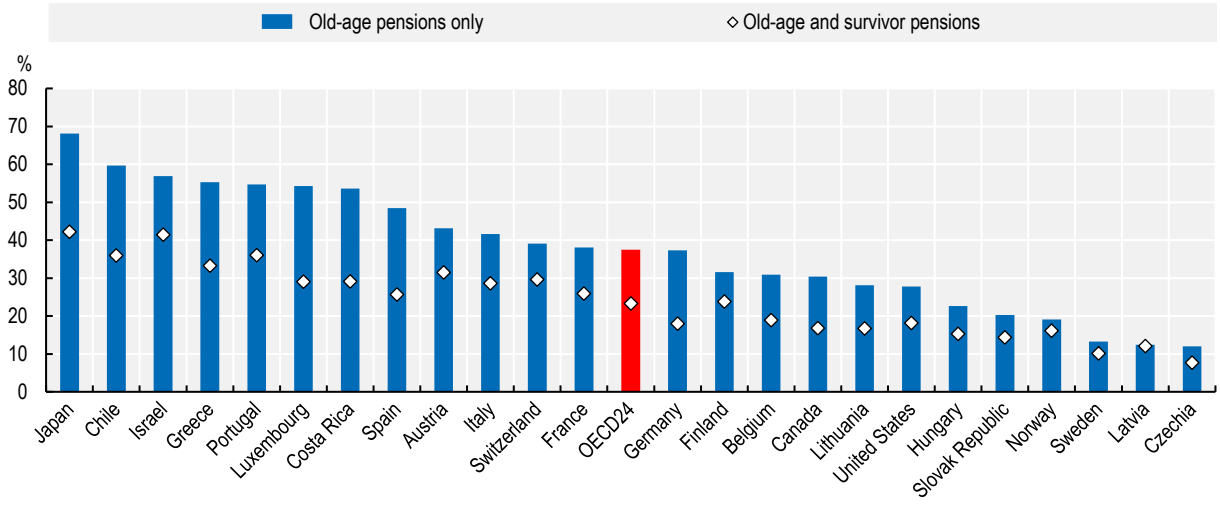
Gender pension gaps in voluntary pensions, whether occupational or personal, are larger than in mandatory earnings-related pensions. Indeed, voluntary pensions rarely include redistributive components and usually have higher contributions among people with high income – who are more likely to be men. The gender gap among recipients of voluntary pensions exceeds 40% in Belgium, Costa Rica, Germany and Switzerland, while it was 24% in Ireland and 15% in New Zealand.[4] In Ireland, the gender pension gap is almost entirely due to voluntary pensions because the only mandatory contributory pension scheme does not depend on earnings and treats up to 20 years of care as working periods.[5] In Canada, the gender gap in private pensions at 25% in 2021 was much higher than in mandatory earnings related pensions (CPP/QPP) at 16% (Pay Equity Office, 2024[20]).[6] Generally, in OECD countries, among the working-age population, women tend to contribute less than men to their asset-backed pension plans, therefore accruing less (OECD, 2021[16]). Moreover, in many funded defined contribution (FDC) pension plans, women have to rely on their accumulated assets for longer given their longer average life expectancy.

Survivor pensions reduce the gender pension gap in mandatory schemes by about one-third on average. On average across 24 OECD countries for which data are available, the gender gap in mandatory earnings-related schemes would be 37% if survivor pensions were excluded while the GPG was actually equal to 23% in 2023 when including survivor pensions (Figure 2.6). Survivor pensions reduced the GPG by about 20 p.p. or more in Chile, Costa Rica, Germany, Greece, Israel, Japan, Luxembourg, Portugal and Spain. The impact of survivor pensions on the GPG is only marginal in Czechia, Norway, Latvia, the

Slovak Republic and Sweden, due to their low amount (Czechia, Latvia, Norway and the Slovak Republic), or low coverage (Sweden).

Figure 2.6. Survivor pensions lower the gender pension gap substantially in many countries

Gender pension gap in second-tier (mandatory earnings-related) pensions with and without survivor pensions, 2023 or latest.



Note: The benefit levels for both series shown in this chart are calculated for recipients of either old-age or survivor pensions. The "Old-age pensions" series excludes the values of survivor pensions. By contrast, the "Second-tier pensions" series in Figure 2.5 does not include those who only receive survivor pensions (but it also ignores the value of survivor pensions). As a result, the average values of both series shown in the charts can differ. Data are for second-tier pensions except for Chile, Greece, Norway and Sweden where they are for first- and second-tier pensions. For Greece, figures are calculated based on numbers of pensions as opposed to numbers of pension recipients for other countries, which however, is not expected to lead to substantially different results. Data correspond to 2024 for Chile, Czechia and the Slovak Republic; 2022 for France and Japan; and 2023 for all other countries.
Source: Countries' responses to the questionnaire sent for *Pensions at a Glance 2025*, DREES (2024[10]), Les retraités et les retraites, https://drees.solidarites-sante.gouv.fr/sites/default/files/2024-10/RR24.pdf.

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Women live longer in retirement than men

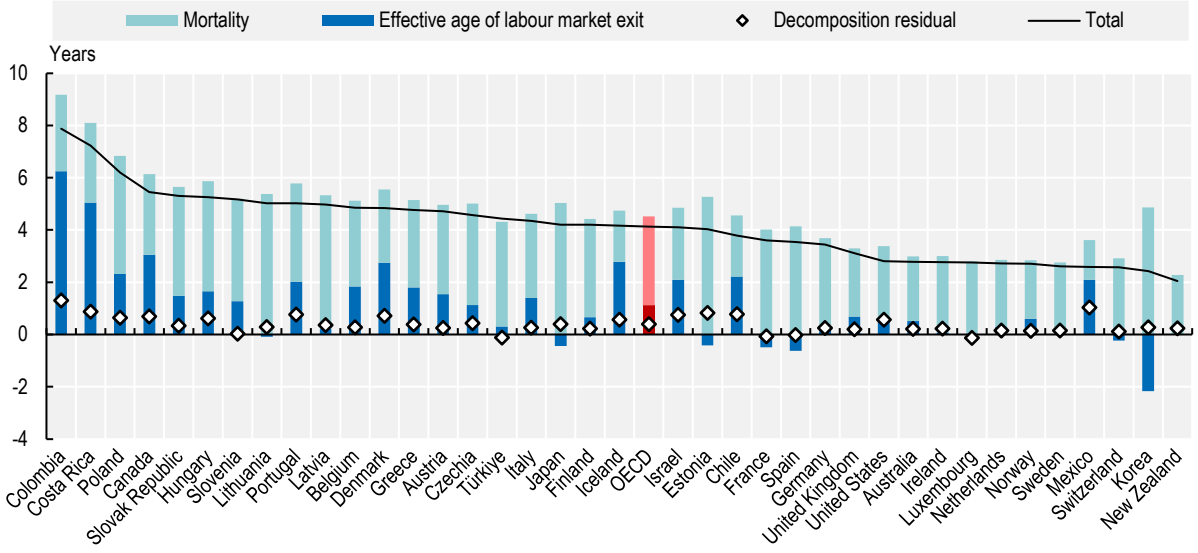
Women generally live longer after leaving the labour market. On average across OECD countries, women would live 22.8 years after having left the labour market compared to 18.6 for men, hence 4.1 years more or 22% longer, based on 2024 mortality rates (Chapter 6). Expected years of life after labour market exit are higher for women in all OECD countries, with differences exceeding 6 years in Colombia, Costa Rica and Poland (Figure 2.7). New Zealand records the lowest difference of 2.0 years. Coincidentally, this 22% gap in the expected years of life after labour market exit in favour of women is almost the same numerical amount as the average gender gap in monthly pensions of 23% discussed earlier. This implies that the total amount of pensions paid to men and women over the retirement period may end up being similar on average across OECD countries.

On average, life expectancy differences between men and women explain three-quarters of the difference in life expectancy at the average labour-market exit age. Indeed, at age 65 in 2024, women have a remaining life expectancy of 21.6 years compared to 18.5 years for men.[7] The other quarter is due to women leaving the labour market earlier than men, by 1.1 years on average across OECD countries (see

below).[8] However, not all additional years lived by women are spent in good health, an issue discussed later in the Chapter.

Figure 2.7. Gender gaps in remaining life expectancy at the average labour market exit age

Contribution of differences in mortality and in labour market exit age between men and women in OECD countries, in years, 2024 or latest



Reading note: On average across OECD countries, women would live 4.1 years more than men after having left the labour market. Out of this 4.1 years, 3.4 years are due to lower mortality rates among women and 1.1 years results from women leaving the labour market earlier than men.

Note: All measures in the figure are calculated as the difference between the values for women and men. The mortality component is calculated as the difference in period life expectancy between men and women at the age of 62. *Total* refers to the expected years after labour market exit. The residual is the difference between the sum of mortality component and the effective age of labour market exit, and *total*. The data are for life expectancy at age 62.

Source: OECD calculations based on countries' responses to the questionnaire sent for *Pensions at a Glance 2025*, Chapter 6 and UN (2024[17]), World Population Prospects 2024: Dataset, https://population.un.org/wpp/

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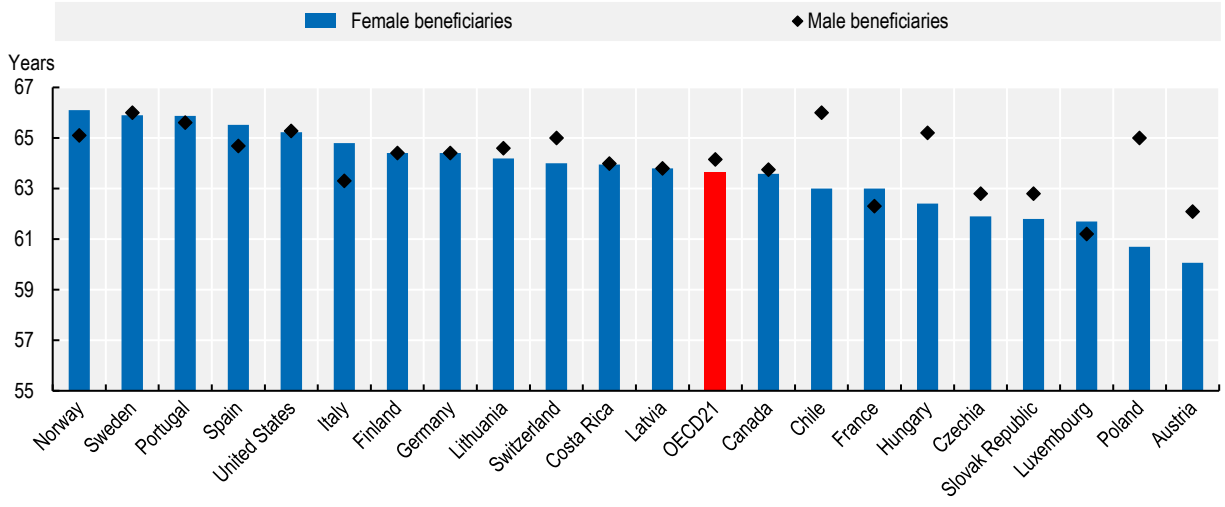
Men and women start receiving earnings-related old-age pensions at similar ages in many OECD countries, 64.2 and 63.6 years, respectively, on average.[9] The age difference is much larger in countries that provide pension eligibility at lower ages to women than to men: 4.3 years in Poland, 3.0 years in Chile, 2.8 years in Hungary and 2.0 years in Austria (Figure 2.8). By contrast, women start claiming pensions around one year later than men in France, Italy, Norway and Spain. France, Italy and Spain provide earlier access to full pensions to people with long careers and to those covered by special schemes for hazardous or arduous jobs, who are more often men (OECD, 2023[5]). In Norway, women more often than men receive disability pensions, which are transformed into old-age pensions only at age 67, women less often qualify for early retirement due to shorter insurance record and women less frequently combine work with pensions.

Figure 2.8. In a few OECD countries, women start receiving old-age earnings-related pensions at substantially younger ages than men

Average age of new beneficiaries of old-age earnings-related pensions (excluding survivor pensions) by gender in OECD countries, 2023 or latest



Note: The data is from 2023, except for France (2022) and Chile (2024).
Source: OECD calculations based on countries' responses to the questionnaire sent for Pensions at a Glance 2025, SSA (2024[18]), ZUS (2024[19]), DREES (2024[10]).

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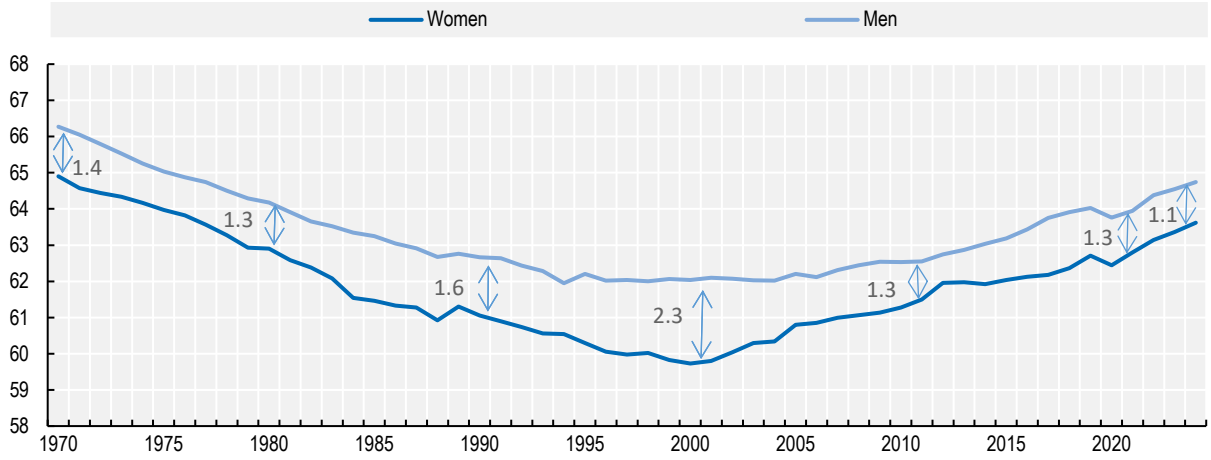
The gender gap in the average age of labour market exit widened between 1970 and 2000 but has almost halved since then to 1.1 years in 2024 (Figure 2.9). These trends seem to be related to slightly different timing of pension reforms affecting men and women. Labour market exit ages declined for both men and women between the 1970s and the 1990s, which was concomitant with measures encouraging early retirement in the context of rising unemployment. Since the mid-1990s, these measures have been reversed, and pension reforms have tightened early-retirement schemes (Boulhol, Lis and Queisser, 2023[21]). The labour market exit age stopped declining on average across OECD countries, initially for men around the mid-1990s and then for women at the turn of the century. Recent reform trends toward the unification of pension eligibility conditions for men and women in many countries are likely to result in further narrowing the gender gap in retirement patterns between men and women.

Figure 2.9. The gender gap in the average age of labour market exit widened between 1970 and 2000 but has almost halved since

OECD average of labour market exit ages for men and women, 1970-2024, years



Source: Calculation based on OECD employment database.

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Long-term trends in gender labour market inequalities

Pension benefits are largely based on contributions made throughout working lives, although the extent of the link between pension and contribution levels depends on the design of the pension system. Employment, hours worked and hourly wages over the career determine lifetime contributions, with lifetime earnings being the product of three components:

Lifetime earnings = career duration in years * average hours worked per year * hourly wage

This section discusses in turn the long-term trends in each component of this breakdown, namely career duration, average hours worked and hourly wages, and then combines them together to show the full picture of gender disparities in lifetime earnings among OECD countries.

Women have shorter careers than men

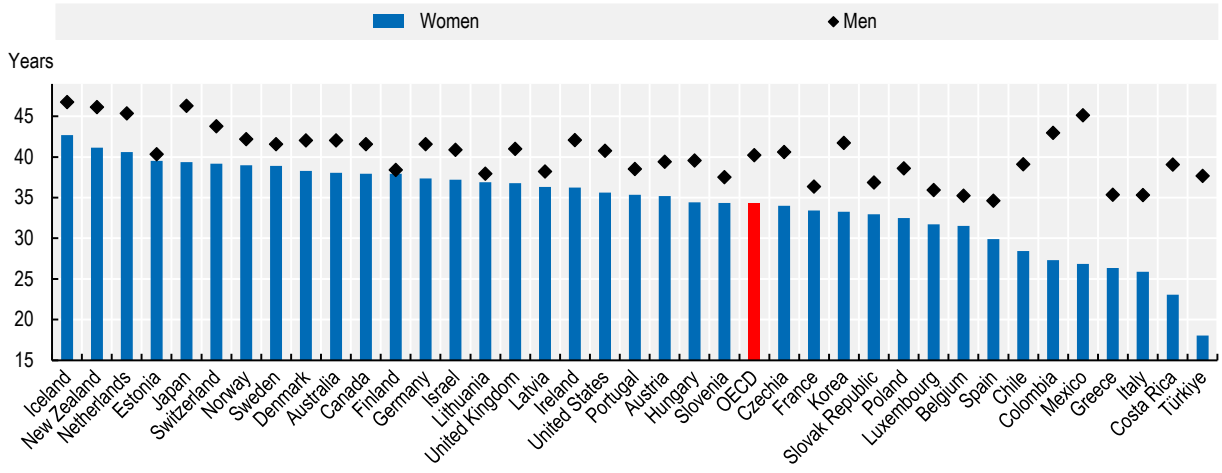
Employment rates are lower among women than among men for all age groups in most OECD countries, translating into much shorter career durations. The employment rate among women aged 20-64 was 67% against 82% for men on average across OECD countries in 2023. Based on the age structure of employment rates, the expected career duration was, at 34.3 years, almost 6 years lower for women than for men in the OECD on average in 2023 (Box 2.1). The expected career duration of women varies from less than 25 years in Costa Rica and Türkiye to more than 40 years in Iceland, the Netherlands and New Zealand, and, for men, they vary from around 35 years in France, Greece, Italy, Luxembourg and Spain to more than 45 years in Iceland, Japan, Mexico, New Zealand and the Netherlands (Figure 2.10). In the Netherlands, long careers of both men and women coexist with the large use of part-time employment. By construction, as with the standard measure of life expectancy, expected career duration is only based on current employment rates by age and gender and does not take into account any past data or projections (Box 2.1).

Box 2.1. Measuring expected career duration

The expected career duration is equal to the average employment rate across 5-year age groups between 15 and 74 years multiplied by 60 years. It shows what would be the average expected duration of employment in a given year if the employment rates observed that year were applied to the whole career. This is akin to the standard measure of life expectancy that measures what life expectancy would be in a given year for a given cohort if that cohort had the same age-specific mortality rates in the future as those observed for that year (for the whole population of different cohorts and therefore at different ages) – this means that this measure of life expectancy does not make any projection of changes in future health conditions, which translate into changes in mortality rates. Likewise, the expected career duration measure does not project changes in employment rates. Eurostat provides a similar measure of expected duration of working life (Eurostat, 2024[22]) with two important differences. First, the Eurostat measure is based on labour force participation rates, while the OECD expected career duration herein uses employment rates, because the latter are more consistent with the calculation of lifetime earnings using average hours worked and hourly wages. Second, the Eurostat measure also accounts for mortality rates until retirement while the OECD expected career duration does not, because mortality in periods before the age of claiming pensions has no direct impact on own pension entitlements.

Figure 2.10. Expected career duration differs substantially between men and women

Expected career duration in OECD countries in 2023



Source: OECD calculations based on OECD (2025[23]), *Employment and unemployment by five-year age group and sex – levels* (indicator), http://data-explorer.oecd.org/s/1a3. See Box 2.1 for the methodology.

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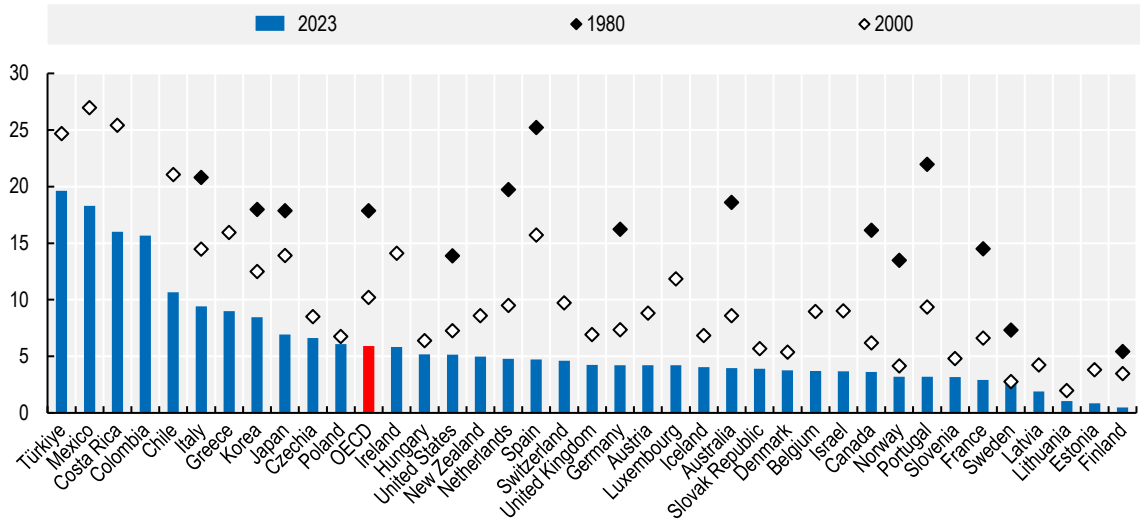
The gender gap in expected career length is less than 2 years in Estonia, Finland, Latvia and Lithuania, but it exceeds 15 years in Colombia, Cost Rica, Mexico and Türkiye (Figure 2.11). Very large gender gaps in Colombia and Mexico are driven by both exceptionally long careers of men and strikingly short careers of women. The expected career duration is more than 5 years lower among women than men in ten other countries, from the United States (5.1 years) to Korea (8.4), Greece (9.0), Italy (9.4) and Chile (10.6).

The gender gap in expected career duration has declined by about 40% every 20 years since 1980 on average across countries. More precisely, it declined substantially from 17.9 years in 1980 to 10.2 years in 2000, 6.4 years in 2020 and 5.9 years in 2023 on average across OECD countries (Figure 2.11). This resulted mainly from the large increase in career duration for women from 27.9 to 33.3 years between 2000 and 2023, which was more than twice larger than the increase for men from 37.8 to 40.2 years. Beyond economic reforms, structural changes such as improvements in health and education, and shifts toward more flexible work arrangements have contributed to higher employment of both men and women (OECD, 2025[24]). Over the whole period, the gap narrowed across the board in countries with both the highest and lowest initial gaps. However, since 2000, the largest declines, of more than 8 years, were observed in countries with very large initial gaps: Chile, Costa Rica, Ireland, Mexico and Spain.

Figure 2.11. Large reduction of gender gaps in average career duration across all OECD countries

Difference in the expected career duration between men and women in years



Source: OECD calculations based on OECD (2025[23]), *Employment and unemployment by five-year age group and sex – levels* (indicator), http://data-explorer.oecd.org/s/1a3.

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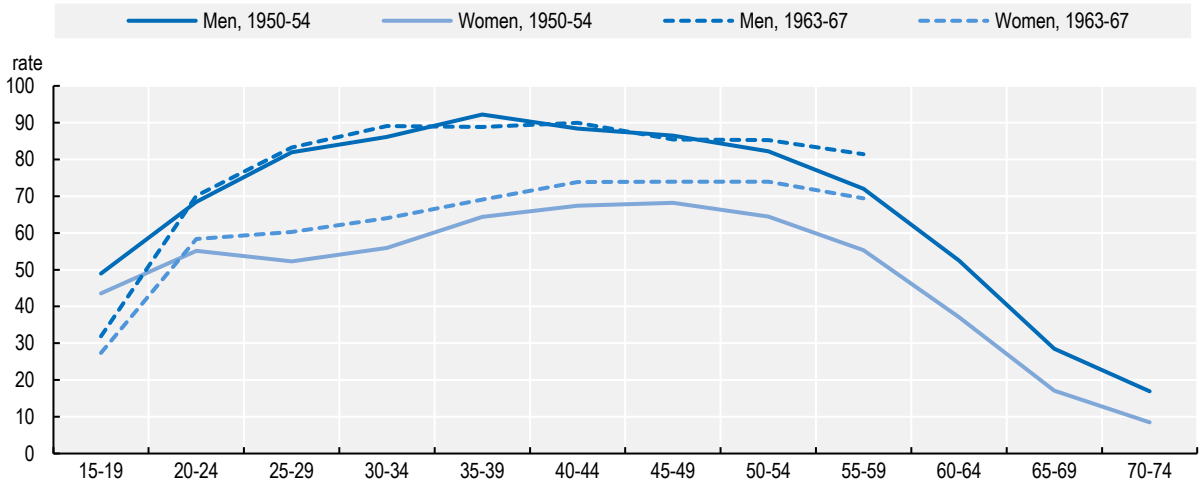
If recent trends continue, the gender gap in career duration will be much lower for cohorts entering the labour market now. For those born in 1950-1954, hence having reached 70-74 in 2020-2024, the observed gender gap is equal to almost 11 years on average across OECD countries, much larger than the gap in the expected career duration measure of 5.9 years in 2023 based on employment rates observed in 2023 across different age groups (therefore belonging to different birth cohorts). Employment rates of women born in 1950-1954 have a characteristic M-shape, with a decline around the age of having the first child and an increase thereafter until about age 50 (Figure 2.12). This M-pattern has disappeared among younger cohorts in many OECD countries and is no longer visible for the cohort born in 1963-1967. Between these two cohorts, employment rates of women increased substantially from age 25-29, while for men the increase is large for the 55-59 age group only. If past trends are extrapolated, the cohort entering the labour market now will have a gender gap in career duration of about 3 years, or about half the 2023 measure.

Figure 2.12. Employment rates of women are lower than men's in all age groups

Employment rates for men and women born in 1950-1954 and 1963-1967, OECD average



Source: OECD calculations based on OECD (2025[23]), *Employment and unemployment by five-year age group and sex – levels* (indicator), http://data-explorer.oecd.org/s/1a3.

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Overall, shorter working careers of women are due to lower employment across all age groups, with large gaps (15 p.p. or more) between age 25 and 44 years on average across OECD countries. Women enter the labour market half a year later than men on average[10] and they leave the labour market more than one year before men.

Although on a continued decreasing trend, gender gaps in expected career length will likely persist. Shorter working lives among women are mainly due to deeply entrenched traditional gender roles in many countries, the burden of dual work-family responsibilities for women and the lack of affordable childcare options (OECD, 2023[25]). In particular, the low employment of mothers with dependent children endures (OECD, 2024[26]). Moreover, three factors contribute to women exiting the labour market earlier than men. First, they tend to be younger than their partner in heterosexual couples and retirement decisions are interrelated within couples – although less now than in the past (Moghadam, Puhani and Tyrowicz, 2024[27]). Second, women still provide care more often than men, including for older family members, which often discourages them from having paid work at older ages. Third, ageism may affect older women more strongly than men, and, for example in Australia older women are more likely than older men to be perceived by their peers as having outdated skills, being slow to learn new things or having unsatisfactory results at work (CGEPS, 2023[28]).

Working women spend less hours in paid work than working men

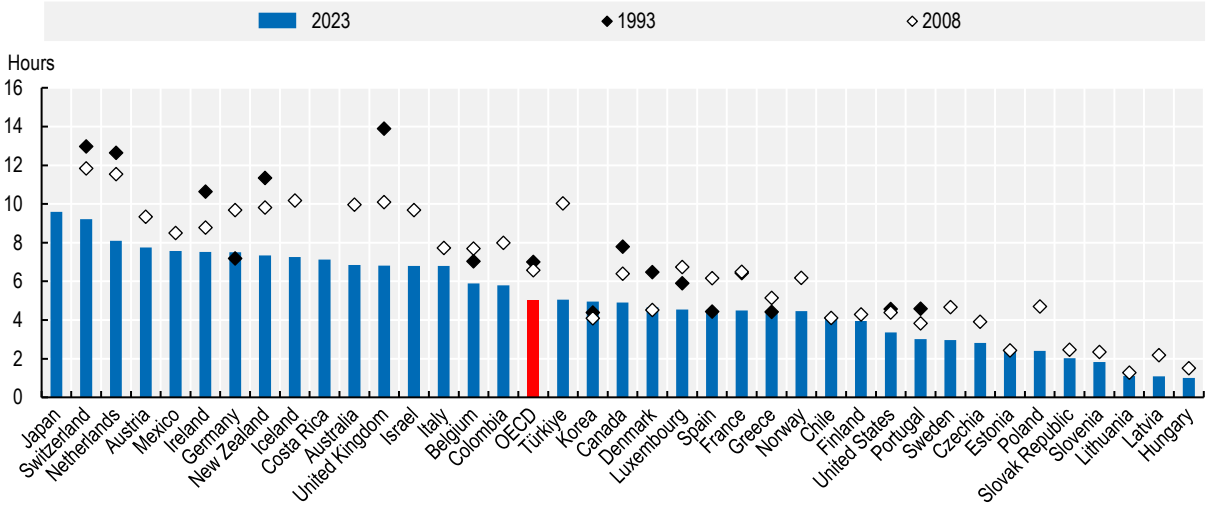
The difference in weekly working hours between male and female workers is still relatively large at 5.1 hours on average across OECD countries, or about 13% in relative terms. In 2023, the gender gap in working hours ranged from around 1 hour in Hungary, Latvia and Lithuania, where part-time employment is rare, to more than 7 hours in Austria, Costa Rica, Germany, Iceland, Ireland, Japan, Mexico, New Zealand, the Netherlands and Switzerland, where part-time employment is more common especially among women (Figure 2.13). The difference in working time between men and women has its counterpart in the unequal share of unpaid work, especially care resposiblities, being borne by women. In some countries, for example Korea and Mexico, long working hours of full-time employees are sometimes

incompatible with women's disproportionate responsibility for unpaid work (OECD, 2023[25]). When mothers engage in paid work, they work fewer hours in many countries than both women without dependent children and fathers (OECD, 2019[29]).

The gender gap in working hours has significantly decreased, from 6.6 to 5.1 hours between 2008 and 2023 on average. This decline has been driven by reduced working hours among men, from 42.4 in 2005 to 40.0 in 2023 on average across OECD countries. By contrast, women's working hours remained roughly stable over this period. The reduction in the gender gap in working hours was much lower in the previous 15 years, as it decreased by only 0.4 hours between 1993 and 2008 on average across OECD countries.[11]

Figure 2.13. Gender gaps in average working hours have declined

Difference in the average weekly working hours between men and women, 1993-2023, in hours



Source: Calculation based on OECD employment database.

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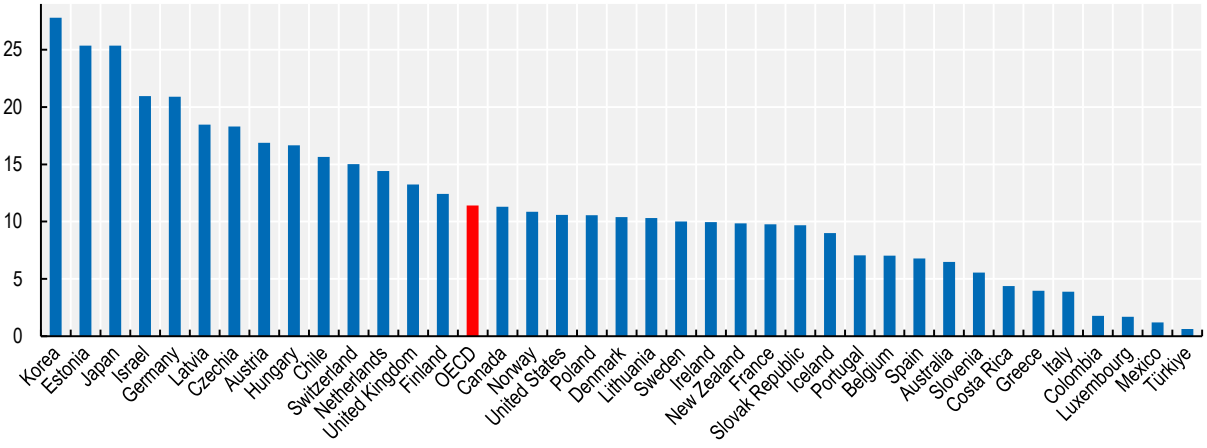
Women still earn substantially less than men per hour of work

The gender gap in hourly wages is large at 11.4% on average across OECD countries. The gender gap in hourly wages measures the difference in the average hourly wage between men and women among all employees as a percentage of men's.[12] The average gap in hourly wages tends to be lower in countries with low women's employment, likely due to few women working in low-paying jobs. The gap varies from less than 5% in Colombia, Costa Rica, Greece, Italy, Luxembourg, Mexico and Türkiye to more than 20% in Estonia, Germany, Israel, Japan and Korea (Figure 2.14).

Figure 2.14. The gender gap in hourly wages is very large in some countries

Gender gap in average hourly wages among all employees, 2023 or latest, hours



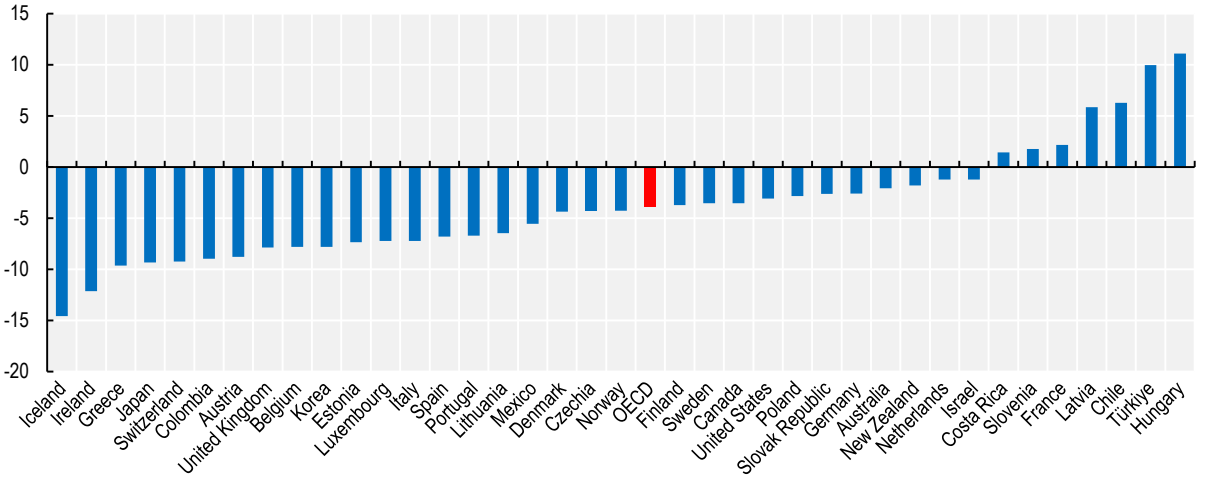
Note: The gender gap in average hourly wages among all employees is different from the gender wage gap usually published, which covers earnings of full-time employees only.
Source: Unpublished OECD data.

StatLink https://stat.link/vst5fw

Over the past 15 years, the gender wage gap among full-time workers declined substantially in many OECD countries, by 3.9 p.p. on average. Declines were 10 p.p. or larger in Iceland and Ireland while the gap increased by more than 5 p.p. in Chile, Hungary, Latvia and Türkiye (Figure 2.17).[13]

Figure 2.15. The gender wage gap has decreased in most OECD countries since 2008

Change in the gender wage gap among full-time workers between 2008 and 2022, in p.p.



Note: The gender wage gap is measured as the relative difference in median monthly wages between men and women in full-time employment in the private sector. However, wage measurement methods vary across countries and over time, particularly regarding the inclusion of specific economic sectors.
Source: OECD (2025[30]), *Gender wage gap* (dataset), https://data-explorer.oecd.org/s/31i.

StatLink https://stat.link/ed3hib

The much larger role of women as primary caregivers explains a significant part of the gender gap in hourly wages. Hourly wages are lower for mothers than for childless women once other similar characteristics are accounted for (OECD, 2024[26]). Many empirical papers find a negative impact of giving birth on earnings trajectories, while no fatherhood penalty is observed (Bertrand, Goldin and Katz, 2010[31]; Ciminelli, Schwellnus and Stadler, 2021[32]). In their broad meta-analysis, Cukrowska-Torzewska and Matysiak (2020[33]) find that mothers' lower wages are mostly explained by the negative impact of childcare-related employment breaks on human capital deterioration and by women's choices of jobs and occupations that pay less to accommodate family responsibilities.[14] Moreover, in the United States, Wilde, Batchelder and Ellwood (2010[34]) find that wage trajectories diverge sharply among high skilled women between non-mothers and mothers after (but not before) they had children, while there is little difference among low skilled women. In France, however, having children lower more labour income of mothers at lower end of the wage distribution (Pora and Wilner, 2019[35]). Actually, in many countries, gendered educational choices and occupational pathways often diverge substantially even before childbirth, including in the United Kingdom (Strauss and Borrett, 2025[36]). Although they have higher levels of education on average, women less often choose STEM (science, technology, engineering and mathematics) education, which is typically associated with higher wages, and more often public services, education and care-related occupations, which often pay less but improve work/life balance, through e.g. family-friendly working hours (OECD, 2023[37]).[15] More equal educational choices contributed to the decline of the gender wage gap over time in the United States (Altonji et al., 2025[38]). The gender hourly wage gap results partially from women working more often part-time and less frequently long hours compared to men. A number of studies find that the total number of hours worked seems to be positively correlated to the hourly wage level.[16]

It is very difficult to precisely separate and quantify the impact of preferences versus that of discrimination, on wages. The "choice" to prioritise part-time and flexible work arrangements over working long hours, to request pay increases and promotion less frequently[17] and to pursue lower-paying occupations, e.g. those related to care, may actually reflect deep-seated social norms or stereotypes rather than innate preferences (Ciminelli, Schwellnus and Stadler, 2021[32]).[18] Moreover, part of the gender wage gap is likely to reflect negative attitudes towards women in the workplace. The substantial impact of preferences, social norms, stereotypes, wage bargaining strategies and negative attitudes towards women on the gender wage gap may explain why a significant proportion of the gender wage gap is left unexplained by individuals' and jobs' characteristics, both within and between firms. For example, differences in job characteristics and in observable characteristics between men and women workers (age, education, etc.) explain only around one-fifth of the gender wage gap in EU countries (Leythienne and Pérez-Julián, 2022[39]). Discrimination and bargaining practices are estimated to account for 10% of the gender wage gap in France and Sweden, 15% in Denmark and Portugal and 20% in Hungary (Palladino et al., 2024[40]). Finally, in the United States, Maloney and Neumar (2025[41]) find, based on a novel index of misogyny constructed from Google Trends data, that a significant part of the gender wage gap results from negative attitudes towards women.

Despite strong improvements, the gender gap in lifetime earnings is very large

Differences in the expected career duration, hours worked and hourly wages between men and women combine into large gender gaps in expected lifetime earnings averaging 35% across OECD countries (Box 2.2). This total gap varies from 14% in Lithuania, 17% in Slovenia and less than 25% in Finland, Latvia, Luxembourg, Portugal, the Slovak Republic and Sweden to about 50% or more in Costa Rica, Japan, Korea, Mexico and Türkiye (Figure 2.16). On average across OECD countries, each of the three components has a similar contribution of a about one-third with career duration contributing slightly more (14 p.p.) to the expected lifetime earnings gap while hours worked and wages contribute 11 p.p. and 10 p.p., respectively.

Box 2.2. Gender gap of expected lifetime earnings

The gender gap of expected lifetime earnings is close to the sum of the gaps in the three dimensions, with the exact formula being:

$$r_{gap} = \frac{r_m - r_w}{r_m} = 1 - \frac{r_w}{r_m} = 1 - \frac{l_w}{l_m}\frac{h_w}{h_m}\frac{w_w}{w_m} = 1 - (1 - l_{gap})(1 - h_{gap})(1 - w_{gap}) \sim l_{gap} + h_{gap} + w_{gap}$$

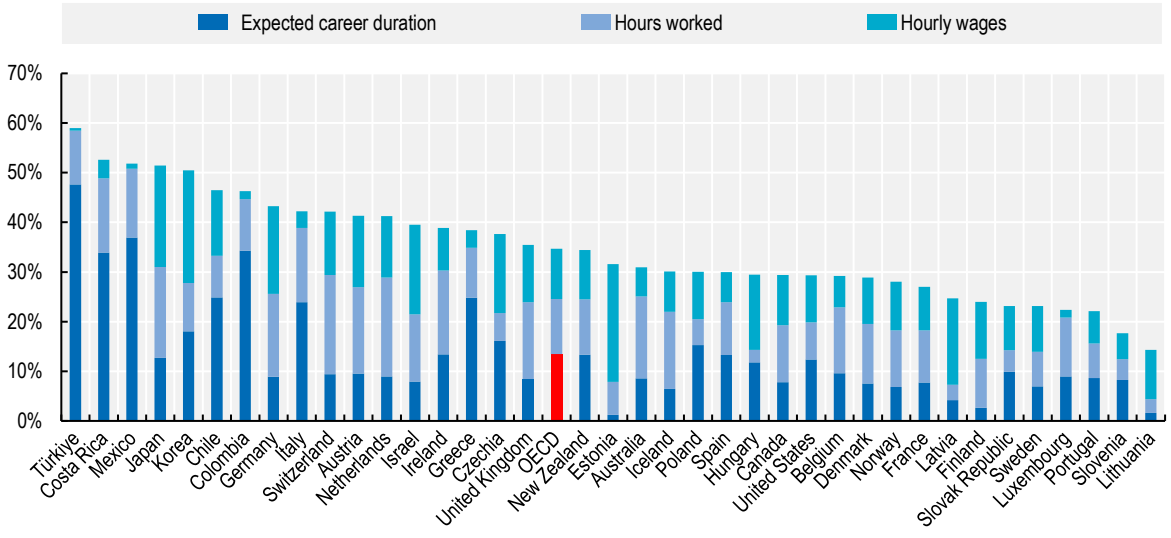
Equation 2.1.

with *r*, *l*, *h* and *w* denoting the gender gap in lifetime earnings, career length, hours worked and hourly wages, respectively.

Beyond averages, the main contributing factors differ across countries. In Latin America countries, Czechia, Greece, Italy, Poland and Türkiye, the high gap in expected career duration is the main factor. In these countries except for Chile, Czechia and Poland, this coincides with very low hourly wage gaps, which likely results from large obstacles for women to enter the labour market. Conversely, in Korea, the career-length gap is also large, but the main factor is the high difference in hourly wages between men and women. The above-average hourly wage gap is the main contributing factor to the gender gap in expected lifetime earnings in Estonia, Finland, Hungary, and Latvia, while in Austria, Germany, Israel and Japan gaps in both hours worked and hourly wages make a significant contribution. The hours-worked gap boosts the gender lifetime earnings gap in Australia, Iceland, Ireland, the Netherlands, New Zealand, Switzerland and the United Kingdom.

Figure 2.16. Women earn one-third less than men over the lifetime on average across OECD countries

Contribution of expected career duration, working hours and hourly wages to the gender gap in expected lifetime earnings, in p.p., 2022



Note: Contributing factors are rescaled to match the total.
Source: OECD calculations.

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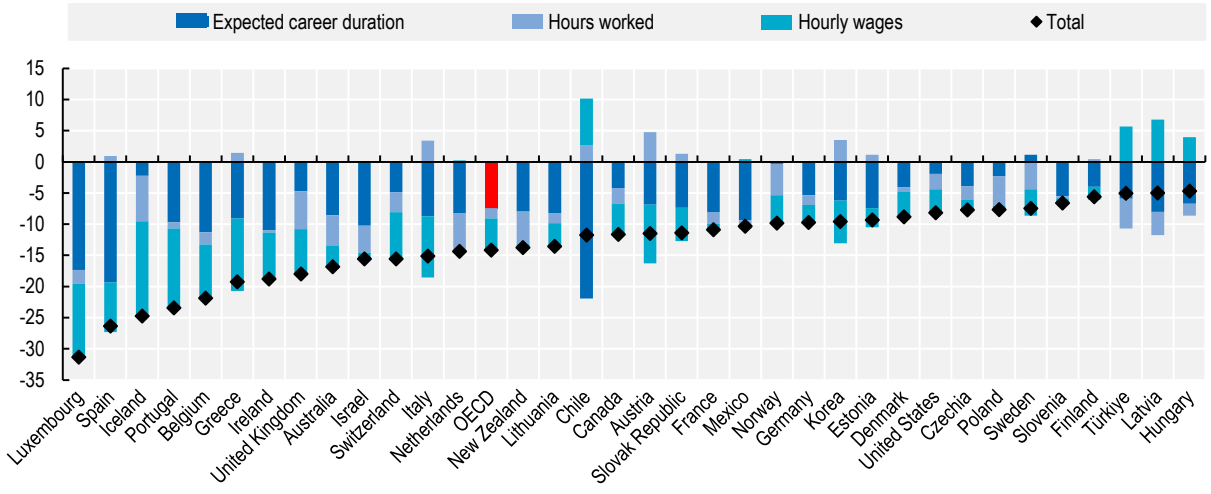
Over the last 20 years, the gender gap in lifetime earnings decreased in all OECD countries, and very strongly on average by 14 p.p. between 2002 and 2022 (from 49% to 35%). The largest reductions were recorded in countries with large initial gaps: by more than 20 p.p. in Belgium, Greece, Iceland, Luxembourg, Portugal and Spain, although countries with the largest initial gaps, Korea, Mexico and Türkiye, saw only average or low declines (Figure 2.17). All OECD countries have managed to improve women's employment and reduce the gender gap in expected career duration over the last two decades. Overall, employment trends account for more than half of the 14-p.p. reduction in the gender gap in expected lifetime earnings, followed by hourly wages (about one-third) and hours worked (slightly more than one-tenth). In most OECD countries, gaps were reduced in all three dimensions. However, there is substantial scope for further reductions; keeping the current pace requires strong policy efforts, in particular to overcome women's underrepresentation in occupations that provide higher wages and to reduce labour income losses among mothers after childbirth (Bertrand, 2020[42]).

Figure 2.17. Changes in career length and hourly wages strongly reduced gender gaps

Change in the expected gender gap in lifetime earnings in p.p., 2002-2022



Note: Colombia, Costa Rica and Japan are missing due to data availability. Changes in monthly wages of full-time workers were used to calculate contributions of wages to changes in lifetime earnings.
Source: OECD calculations.

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Four normative questions about the role of pension policy in addressing the gender pension gap

Pension policies are shaped by broad normative dilemmas. Some of these dilemmas influence decisions regarding the extent to which pensions should compensate for labour market outcomes. They also affect the selection of instruments for addressing these outcomes, such as targeting parents, carers, women or couples. Another area of debate is about how to deal with gender longevity differences. This section discusses such normative dilemmas.

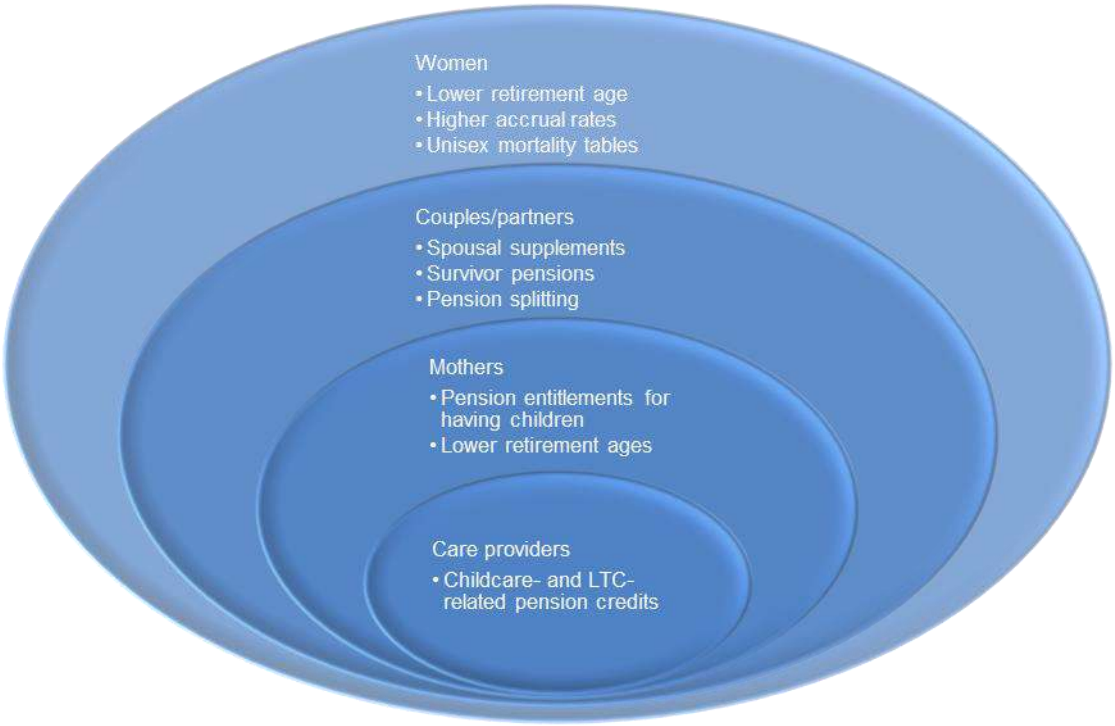
Should pension systems mitigate the effects of gender labour market inequalities?

Reducing income inequality and alleviating poverty are often part of the objectives of pension systems on top of consumption smoothing and insurance against longevity risks. Pension systems therefore often aim

at reducing the impact of labour market inequalities on retirement-income differences, which contributes to reducing the GPG. This, however, can be achieved to a limited extent only, especially given other objectives of pension systems. For example, close links between earnings and pension entitlements increase the transmission of inequality from working age into old age but are consistent with consumption smoothing, i.e. limiting income losses faced by individuals when moving into retirement. The weight countries give to the redistribution and the consumption-smoothing objectives is a political choice, which depends on societal preferences. In OECD countries, pension systems transmit on average about two-thirds of overall lifetime earnings inequality on to pension inequality (OECD, 2017[43]).[19]

Policy instruments that limit pension inequality tend to reduce the gender pension gap. These instruments reduce the impact of lower wages, shorter working hours and shorter careers on pension benefits. They include progressive pension formulae, minimum contributory and basic pensions and pension credits for employment breaks, including childcare credits that mainly benefit women given the strongly unequal division of childcare tasks between men and women. Figure 2.18 provides a snapshot of pension instruments more or less directly targeting women, mothers, couples and care providers. One straightforward way to limit the transmission of income inequality into old age is to have a high level of first-tier benefits (minimum contributory pensions, contribution-based or residence-based basic pensions or targeted benefits), which are unrelated to previous earnings.

Figure 2.18. Measures affecting women's pensions



Note: In most countries, survivor pensions, pension splitting and childcare credit for having children apply similarly to men and women, but women benefit from them substantially more often.

Should there be *additional* pension measures that specifically deal with gender differences in wages and employment? The answer is not straightforward given the difficulty to disentangle the sources of gender inequalities arising in the labour market. For example, the larger use of part-time work among women may result from individual preferences, choices within couples or gendered social norms. While these explanations all lead to the unequal division of household tasks and unpaid work within couples and to

different occupational choices (see above), they may have different policy implications. Whether pension policy instruments should correct inequalities that result from how heterosexual couples divide tasks between themselves is not obvious. Moreover, such additional instruments perpetuate gendered social norms, as related debates in Nordic countries have emphasised for several decades (Andersson, 2023[12]; Schmauk and Kridahl, 2024[44]).

Offsetting the impact of gender discrimination seems to provide a clearer justification for additional pension measures, but this also raises complex questions. On the one hand, addressing discrimination can be more clearly justified than part-time employment because people do not choose to suffer from discrimination while part-time work may result from genuine choices. On the other hand, as discussed in the previous section, it is not easy to disentangle the effects of discrimination on labour market outcomes from that of other factors, which can be addressed by general redistribution instruments. An additional difficulty arises from the horizontal equity perspective: compensating women for discriminatory practices through pension measures would require similar compensation mechanisms for some other discriminatory practices affecting other population groups, such as race-based, migration-related or disability-related discrimination.

A general normative principle is that first-best policies should tackle inequalities when they arise, rather than putting a large burden on pension systems to try to correct them. These inequalities are steadily building up during working age or even before, during the education period, even though they are declining along various dimensions, as discussed above. These first-best policies include combating gender stereotypes, fighting against discrimination and promoting an equal division of household and care tasks within couples. Yet, if these policies have not been in place in time or have not produced effective results, should, for example, women be granted a pension bonus? This would be the most direct way to reduce the GPG.

Should specific pension policy instruments target women and couples?

Earlier retirement ages for women than for men, spousal pension supplements, survivor pensions and pension splitting are, to some extent, based on the notion of the single-breadwinner model. In its extreme form, women do not participate in the labour market, do unpaid work at home and are financially dependent on men. In that case, initial choices related to sharing care responsibilities become permanent as switching roles becomes more costly over time, which perpetuates the gendered division of tasks. This model looks as something of the past as women's employment has increased substantially over the recent decades. Yet, pension instruments that are still based on the single breadwinner model can incentivise behaviour that perpetuates women's financial dependence on their partner.

In some countries, women are allowed to retire earlier than men but then with a lower pension. This drives old-age inequalities and raises the gender pension gap because retiring earlier results in lower pension entitlements. Since the late 1970s countries have been making pension systems more gender neutral (Boulhol, Lis and Queisser, 2023[21]). Making pensions accessible to women at lower ages than men perpetuates gendered social norms and is difficult to justify given women's longer expected lives. Earlier access given to women is consistent with the views that women's primary role is to provide care, including for grandchildren and older family members, that women should not work at older ages, more generally, and that wives should be able to retire together with their husbands who are older on average.

Spousal supplements or higher accrual rates of contributory benefits for couples result in higher pensions being granted to one-earner couples than to single earners, as in Belgium, Japan, Korea and the United States. Some European countries abolished – at least for new comers – benefits for financially dependent spouses over the past decades in response to the rise of the two-earner household model, for example the United Kingdom in 2010, France in 2011 and the Netherlands in 2015 (Brown and Fraikin, 2022[45]).

Almost all OECD countries cover survivor risks for at least some parts of the population, with eligibility criteria for and coverage of survivor pensions differing substantially across countries (OECD, 2018[46]). Following the death of a partner, survivor pensions have pursued two main objectives. First, they protect widows or widowers from poverty risks by cushioning sharp drops in disposable income to low absolute levels. This is less relevant now than in the past, as nowadays all OECD countries have instruments directly targeted at poverty alleviation. Second, more relevant today, they contribute to insuring against the decrease in disposable income and standards of living upon the death of the partner, in the same way as old-age pensions help avoid a sharp drop in income when moving out of paid work upon retirement. As women live longer, are often the younger spouse and earn less, they tend to benefit substantially more from survivor pensions even if the rules are gender neutral.

Some pension systems introduced the option to split pension entitlements within households, but its use remains marginal. While survivor pensions provide protection to individuals less attached to the labour market in the event of the partner's death, pension splitting provides income protection to the partner less attached to the labour market also in the event of divorce/separation. It is fairly easy to implement splitting in defined contribution and point systems or in defined benefit systems that are based on straightforward accrual rates, but it is more complicated to introduce splitting in complex and fragmented pension systems as well as in schemes with loose links between contributions and pension entitlements. Splitting some pension rights tends to provide more financial security to women, especially in the case of divorce. Due to the higher life expectancy of women, shifting pension entitlements from men to women through pension splitting boosts total pension spending, negatively affecting pension finances. Conversely, pension splitting would often lower survivor pensions expenditure and first-tier pension expenditure if means-tested. While pension splitting can efficiently reduce pension inequalities within couples, it cannot replace survivor pensions in smoothing income after the partner's death.

Should pensions reflect longevity differences between men and women?

Longevity differences between men and women are ignored in the calculation of pension benefits in mandatory public pensions in all OECD countries. Benefits do not account for women's longer lives in public pension schemes, be they defined benefit, points, notional or funded defined contribution. This is consistent with the pooling of longevity risks across the whole population. Moreover, given women's lower pension entitlements, ignoring longevity differences between men and women avoids lowering further women's monthly pensions. However, ignoring longevity differences more broadly is sometimes challenged as, within genders, it reduces the progressivity of pension systems given that high-income people tend to live longer than low-income individuals.

In the European Union, private pension schemes cannot take into account longevity differences between men and women to calculate pension benefits, even when they are funded defined contribution. The law forbids to use the information about gender-specific mortality tables for setting both annuity premiums and benefits, as it would be perceived as discriminatory against women (Council of the European Union, 2004[47]). However, the higher share of women among beneficiaries of a specific pension plan tends to put pressure on annuity providers to increase premia. Higher premia in turn discourage men from taking annuities if they are not mandated, boosting premia further. This well-known mechanism of so-called adverse selection in insurance markets leads to the underuse of annuities, among other factors. Outside the EU, women's higher life expectancy lowers their monthly retirement income from defined contribution schemes, such as in Australia, Costa Rica and Israel, because accumulated assets need to finance pensions over a longer period. In these countries, however, annuitisation is not mandatory, and effectively large amounts of payments are made through lump sums or programmed withdrawals, which leave women to spread these payments over longer periods, de facto reducing their monthly benefits, or risking outliving the assets.

Gender differences in healthy life expectancy at older ages are smaller than differences in remaining life expectancy, or even non-existent according to some measures. Based on some subjective survey data, men and women can expect to live similar numbers of years without any health limitations or in good health at the age of 65 on average across EU countries (Di Lego, Di Giulio and Luy, 2020[48]). Some other subjective measures calculated by Di Lego, Di Giulio and Luy (2020[48]) show higher numbers of healthy life years for women than men but with smaller gender differences than in total life expectancy; indeed, in all EU countries, women can expect to spend more years without any severe health conditions than men at age 65. Gender differences in healthy life expectancy are also smaller than in life expectancy according to model-based estimates, using current rates of ill-health and mortality: women can expect to live 2.1 more healthy years at age 60 than men on average across OECD countries, compared to the life expectancy difference of 3.4 (WHO, 2025[49]).

It is not the purpose of pension systems to deal with differences across population groups in health status during retirement and therefore in healthy life expectancy. One exception may be when these health differences result from hazardous or arduous jobs, as discussed in the 2023 edition of *Pensions at a Glance*. Indeed, pension systems pursue different objectives that relate in different ways to providing income from the retirement age until death; whether, and if so how, they should account for health status during retirement is not straightforward. Other policies outside the pension area are better suited to deal with health-related issues. Healthcare systems aim to prevent, postpone and eventually deal with health deterioration with age directly, while disability benefits and long-term care systems compensate for poor health outcomes.

Should pensions compensate or reward mothers and carers?

Pension systems commonly compensate for at least part of pension entitlements lost while providing childcare, including through pension credits. These childcare-related credits can be linked to previous earnings, to maternity/paternity and parental-leave benefits (pension credits for parental leave can generally be shared between parents) or be flat-rate; they are limited in time, either for a given number of years or granted up to some child's age; moreover, they may compensate for reduced working hours. They are generally less generous for longer breaks and for older children (Chapter 5). The parent who actually provides childcare receives pension credits, hence, while fathers can benefit from them, they actually do so much less often than mothers. Similarly, pension credits can apply to employment breaks taken to provide care to older individuals or adults with disabilities, which women predominantly do.

Pension credits reward caring for children and limit gender inequalities in retirement income. Pension credits are particularly valuable tools in countries where mothers face big obstacles to resume paid employment, whether due to the scarcity of childcare services, discriminatory labour market practices or other factors. By helping carers to qualify for old-age pension, pension credits contribute to reducing old-age poverty and enhancing retirement-income adequacy. Pension credits should partly compensate carers for pension entitlements lost during the provision of childcare without unnecessarily prolonging employment breaks and without excessively inflating fiscal costs. For example, in Estonia and Sweden, credits are given based on 100% and 75% of the nationwide average income, respectively, resulting in higher replacement rates for low earners. Likewise, pension contributions during parental leave are proportional to past earnings capped at 60% of the average wage in Poland.

Beyond compensating for breaks in employment, some pension systems provide higher benefits to mothers, and benefits typically increase with the number of children. Such instruments target mothers without generating disincentives to work or incentivising reduced working hours, and they also compensate the GPG beyond employment breaks, e.g. for the motherhood penalty in wages.

Beyond reducing old-age income inequalities, providing benefits for mothers and pension credits for childcare can serve other policy objectives. They are sometimes seen as part of a package of broader family policies aimed to compensate for the direct and indirect costs of raising children (Letablier et al.,

2009[50]). Such policy packages often include public provision of childcare, child benefits and preferential tax treatment of families with children. As pension credits do not compensate for the direct and immediate costs of having children, they cannot effectively substitute these other family-policy instruments. Compared to spousal supplements or gender-specific pension rules, child-related pension credits are more aligned with modern family policies. Alternatively, providing bonuses for mothers and pension credits for childcare are sometimes justified as part of pro-natalist policies. Decreasing fertility accelerates the ageing of the population structure and undermines the finances of PAYG pension systems. However, the argument that increasing pension entitlements for having children raises fertility through financial incentives is dubious and the empirical evidence supporting this is lacking.

What countries do: pension rules and gender inequalities

Gender differences in retirement ages

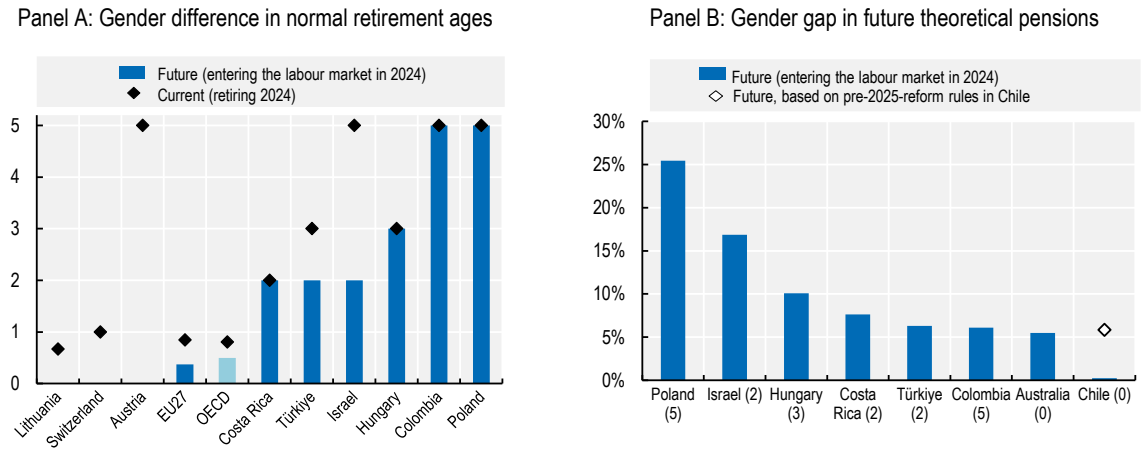
Women still have a lower normal retirement age than men in nine OECD countries. The normal retirement age is the age at which one can retire after a full career without penalty. However, based on current legislation, this gender difference will be eliminated in Austria, Lithuania and Switzerland, while it will persist for the generation entering the labour market in 2024 in Colombia, Costa Rica, Hungary, Israel, Poland and Türkiye (Figure 2.19, Panel A).[20] Moreover, in Israel, the gender gap in the statutory or normal retirement age will have narrowed from five to two years between 2022 and 2032, while there has been no gender difference in the minimum age to access occupational pensions since 2014. In Chile, men and women have the same eligibility conditions to the residence-based basic pension, but women can retire five years earlier in mandatory defined contribution pensions. In Italy, the statutory retirement-age gap closed in 2019, but there are still some gender differences in eligibility conditions.[21]

Over the last 30 years, pension eligibility conditions have converged between men and women in some countries, including Belgium, Czechia, Germany, the Netherlands and the Slovak Republic.[22] Moreover, Belgium gradually eliminated the higher accrual rates benefiting women between 1998 and 2009. In 2019, Slovenia decided to eliminate from 2025 women's earlier access to pensions and their related higher accrual rate, which was in place to limit the impact of the lower retirement age on pension entitlements; Slovenia was, the last OECD country to provide a higher accrual rate to women. By contrast, in 2025, Mexico introduced an earlier access to residency-based basic pensions for women at age 63, to be expanded at age 60 in 2026, while men remain eligible from age 65 (Chapter 1). Moreover, in 2024, Colombia started to gradually reduce the period required to qualify for a full contributory defined benefit pension from 1 300 to 1 000 weeks by 2036, while maintaining the 1 300-week requirement for men.

In countries where women can retire earlier or where benefits depend on gender-specific life expectancy, women's pensions are negatively affected. Due to lower normal retirement ages, women will have lower pensions in Costa Rica, Colombia, Hungary, Israel, Poland and Türkiye (Figure 2.19, Panel B). A 5-year difference in the retirement age lowers pensions of full-career women by 25% compared with those of men having the same wages in Poland, but by only 6% in Colombia. This is because, beyond lower related entitlements, pensions are automatically adjusted to the age of claiming pensions in Poland's NDC scheme, while this is not the case in Colombia, where additionally the 80% cap to the replacement rate means that additional years of work do not accrue additional pension entitlements.[23] Higher women's life expectancy also lowers their future pensions from defined contribution schemes in Australia, Costa Rica and Israel because defined contribution schemes in these countries pay less every month to women than to men for the same amount of accumulated assets, for example as annuities are calculated with gender-specific mortality tables. A recent pension reform in Chile (Chapter 1) will eliminate the negative impact of higher women's longevity on pensions from the FDC scheme by providing a compensating bonus to women as if they had men's mortality tables, financed by additional pension contributions paid by everyone (Chapter 1). Before this reform, the gender gap in future theoretical pension was about 6% (for the same

career and the same wages). In 2024, Colombia eliminated the option to switch contributions between the FDC scheme and pay-as-you-go DB scheme and from 2025 pension contributions for earnings up to 2.3 times the minimum wage will finance the DB scheme only (Chapter 1). The implementation of this reform is uncertain after the Constitutional Court suspended the reform in June 2025. Thereby, for earnings up to the threshold, higher women's longevity is no longer affecting their benefits. The 2004 European Union directive mandates the use of unisex mortality tables (Chen and Vigna, 2017[51]).[24]

Figure 2.19. Women have lower retirement ages in some countries, reducing their future pensions



Note: The normal retirement age (NRA) is the eligibility age to pensions without penalty in all schemes combined after a full career from age 22. In Panel B, gross pensions are compared at men's normal retirement ages, at the economy-wide average-wage level for both men and women, and by applying pension indexation for women's pensions from women's normal retirement ages. The numbers in the brackets correspond to the difference in the future normal retirement ages between men and women.
Source: See Chapters 3 and 4.

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Mothers can retire earlier than childless women in some countries. In Czechia, France, Italy, the Slovak Republic and Slovenia, mothers can retire between four months and four years earlier than childless women, depending on the county and the number of children. For example, in France, each child adds two years to the contributory record of a mother; therefore, mothers can reach the full retirement-age condition at younger ages than childless women.[25] In Czechia, the possibility for mothers to retire earlier will disappear in 2037 based on current legislation. In the Slovak Republic and Slovenia, fathers can alternatively benefit from this measure.[26] This earlier access to pensions for mothers reduce the future normal retirement age – the age when a full-career worker entering labour market at age 22 can retire without penalty – only in France and the Slovak Republic, and by one year for mothers of two children (Table 2.1).[27] In Slovenia, in case of full careers, the normal retirement age for mothers is the same as for childless women. In this case, mothers receive a bonus equal to a one-year accrual for each of the first three children. However, for example when having two children, mothers can retire 16 months earlier if they reach the contribution-length requirement of 40 years before age 60 and they forgo the pension bonus for having children. In Italy, the normal retirement age for mothers and childless women is the statutory retirement age, but pensions of mothers are increased by applying a more favourable transformation coefficient in the notional defined contribution pension formula.[28] Retiring three years before the statutory retirement age will be possible for women with a long contribution record of 41.8 years or high enough pensions (2.8 times the old-age social allowance, which was 55% of the average wage in 2024). Mothers with two children who do not qualify for these early retirement options can retire 8 months before the

statutory retirement age, but, in that case, they have to forego the more favourable transformation coefficient.

Avoiding pension penalties requires delaying retirement in the case of a five-year childcare break in Greece and Portugal, as well as in France and Spain for a ten-year break. Moreover, in Slovenia, mothers with a five-year break can only access pensions later than full-career mothers, as in Luxembourg in the case of a ten-year break. This is because childcare-related credits offset only part of long breaks (Table 2.1). For example, in Slovenia, a 40-year contribution record is required to retire before the statutory retirement age of 67 in the future and pension credits cover one year of contributions per child. Hence, a mother of two children taking a five-year break will have to retire three years later than a full-career woman.

Table 2.1. Motherhood or childcare-related employment breaks affect normal retirement ages in seven OECD countries

Future normal retirement ages for women with two children starting their career at age 22 with a full career or with a 5- or 10-year employment break for childcare compared with childless women

Country	Future normal retirement age, full career childless women (A)	Retirement age adjustment for a mother of two children, compared to (A)		
		Full career	Having a 5-year-career break and working until retiring without penalty	Having a 10-year-career break and working until retiring without penalty
France	65	-1	-1	2
Greece	66		1	5
Luxembourg	62			2
Portugal	68		1	2
Slovak Republic	69	-1	-1	-1
Slovenia	62		3	3
Spain	65			0.5

Source: OECD pension model.

Small impact of pension indexation rules on the gender pension gap

A more generous indexation of pensions in payment benefits relatively more individuals with higher life expectancy, and thus tends to reduce the GPG. The effect of indexation on the GPG comes from gender differences in life expectancy, which imply that indexation affects women for longer periods on average. Therefore, moving from e.g. price to wage indexation reduces the GPG.

However, there are trade-offs. Through the same mechanism, related to differences in life expectancy across population groups, a more generous indexation benefits more, within genders, the socio-economic groups with longer expected lives, thereby increasing income inequality as the most disadvantaged groups tend to have shorter lives. Moreover, while a more generous indexation benefits everyone, it raises pension expenditure. It is therefore more insightful to compare the impact of indexation alternatives for a given level of pension expenditure. While price indexation is needed to sustain the purchasing power of pensions, more than price indexation for a given level of total spending reduces pensions at retirement for everyone: in that sense a more generous indexation is likely to come at the cost of lower benefits during the first part of the retirement period, negatively affecting the socio-economic groups with lower life expectancy.

Quantitatively, pension indexation has a limited impact on the gender pension gap. To measure the impact of indexation through gender differences in life expectancy, it is assumed that the other key components, initial pensions and normal retirement ages are the same between men and women in each country. With these assumptions, the theoretical gender pension gap would be 1.3% larger on average across countries if pensions were indexed to prices in every country than if they were indexed to wages.[29]

Pensions mitigate the transmission of earnings inequalities into old age

By boosting old-age income at the lower end of the income distribution, first-tier benefits lower the gender pension gap. On average across OECD countries, based on current legislation, a person born in 2002 who will not have worked at all during the entire life and therefore not contributed towards pensions will receive old-age benefits equivalent to 16% of the gross average wage (Annex 2.A). Workers with a full career from age 22 in 2024 and earning 25% of the average wage (as an order of magnitude close to working half-time at the minimum wage in many countries) can expect old-age benefits totalling 24% of the average wage on average across OECD countries. This typically implies large replacement rates.

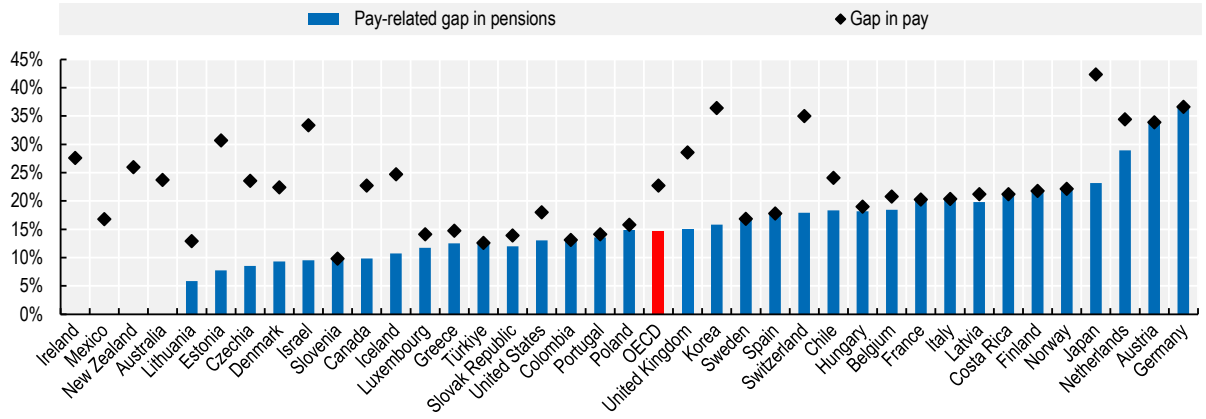
The following cases compare the future theoretical pension entitlements of women who have had a full career and earned the average wage with those who have experienced either lower pay, as implied by the current gaps in hours and hourly wages, or a shorter expected career duration, as described above. These cases do not take into account survivor pensions. The results are produced with the OECD pension model.

Even around the average wage, many mandatory pension schemes mitigate the transmission of gender wage gaps into the gender pension gap. The gender gap in pay (or total wages, made of hours worked and hourly wages) averages 23% across OECD countries and the resulting gender pension gap averages 15% among workers without career breaks, representing a reduction of almost one-third. This reduction exceeds 20 p.p. in Australia, Estonia, Ireland, Israel, New Zealand and Korea, and is around 15 p.p. in Canada, Czechia, Denmark, Iceland, Mexico, the United Kingdom, Switzerland and Japan (Figure 2.20, Panel A). All of these countries have strong redistributive components in earnings-related schemes or substantial basic pensions. In other OECD countries, mandatory pensions transmit almost all gender wage differences around the average wage.

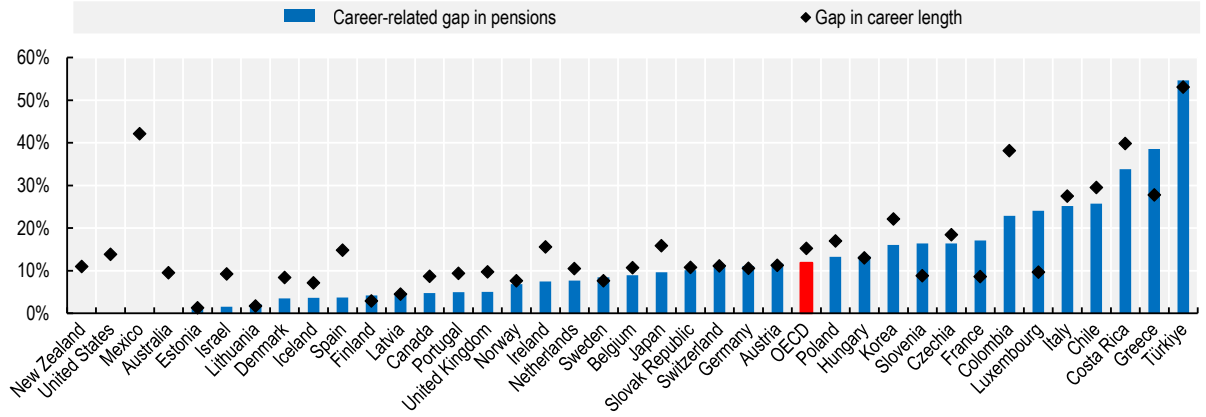
The average 15% gender gap in career length across countries would translate into a future average gender gap in pension entitlements of 12%. However, this exercise underestimates the extent to which pensions mitigate career gaps, as it does not include pension credits for employment breaks due to childcare or unemployment. Compared to reducing the pay gap, pensions have a substantially less pronounced mitigating impact on employment gaps in countries with substantial contributory-based basic pensions, for example in Czechia, Ireland and Korea (Figure 2.20, Panel B). Shorter careers have no impact on the future mandatory pensions in Mexico and the United States as long as the contribution periods are at least 20 and 35 years, respectively. In the United States, the full pension accrual is reached after 35 years of contribution, and in Mexico a recently introduced pension top-up guarantees a 100% replacement rate up to the 2024 average wage for those with at least 20 years of contributions. Other mechanisms, such as higher or lower accrual rates at older ages, and uprating past earnings or contributions to more or less than wages, play minor roles.[30] Neither low earnings (up to the average wage) nor short careers reduce pensions in Australia for the assumed case, as the residence-based basic pension (Age pension) fully compensates for reduced occupational pensions (Superannuation).

Figure 2.20. Pensions mitigate the transmission of gender earnings gaps into pension gaps

Panel A: Gender gaps in pay (hourly wages and hours worked) and resulting gender gaps in future pensions



Panel B: Gender gaps in expected career duration and resulting gender gaps in future total pension entitlements



Reading note: In the Netherlands, the pay gap, which combines gender gaps in hours worked and hourly wages discussed in a previous section, is equal to 34%. This translates for full-career workers into a gender pension gap of 29%. Also in the Netherlands, the career-length gap is 10%, which translates, assuming the same average-wage earnings between men and women, into a gender pension gap of 8%.
Note: In France, Greece, Luxembourg and Slovenia, shorter careers result in higher retirement ages in order to avoid penalties, which lowers total pension entitlements further (see Figure 5.3 for more methodological details). The expected gender gaps in pay and in career duration are based on current labour market data, while future theoretical pensions apply to a cohort born in 2002.
Source: OECD pension model.

StatLink https://stat.link/2hvqlb

Care-related pension credits accrue pensions for care periods

Most OECD countries better protect the impact of childcare-related employment breaks on pensions than of unemployment. Pension credits are designed to compensate for a break in "working time" so that there are no significant gaps in pension entitlements (Natali et al., 2024[52]). Credits for childcare typically cover career breaks until children reach a certain age. They are generally less generous for longer breaks and for older children.[31] Some countries (Czechia, Greece, Hungary and Luxembourg) factor childcare into assessments of eligibility but disregard them when computing the earnings base, thereby limiting the negative impact. Childcare credits were introduced between the mid-1980s and the mid-1990s in Austria, Belgium, Germany, Ireland, Japan, Norway and Switzerland, and in the 2000s in Denmark, Finland, Korea and Portugal. In 2024, Australia decided to finance contributions for the mandatory DC scheme (Superannuation) from the public purse for the period of parental leave (up to 6 months), with payments from July 2026 (Chapter 1). Also in 2024, Colombia introduced a reduction in the career-length

requirement to access pensions by up to 50 weeks of childcare for each of the first three children. The implementation of this reform is uncertain after the Constitutional Court suspended the reform in June 2025.

The design of childcare credits is largely gender neutral, and the pension credits beyond the maternity leave can be granted to either parent who actually gives up work to provide care. Still, in practice, most of the breaks are used by mothers, for example, more than nine in ten in Czechia, Germany, Hungary, Ireland and the Slovak Republic, three-quarters in Lithuania and Italy, and two-thirds in Finland.

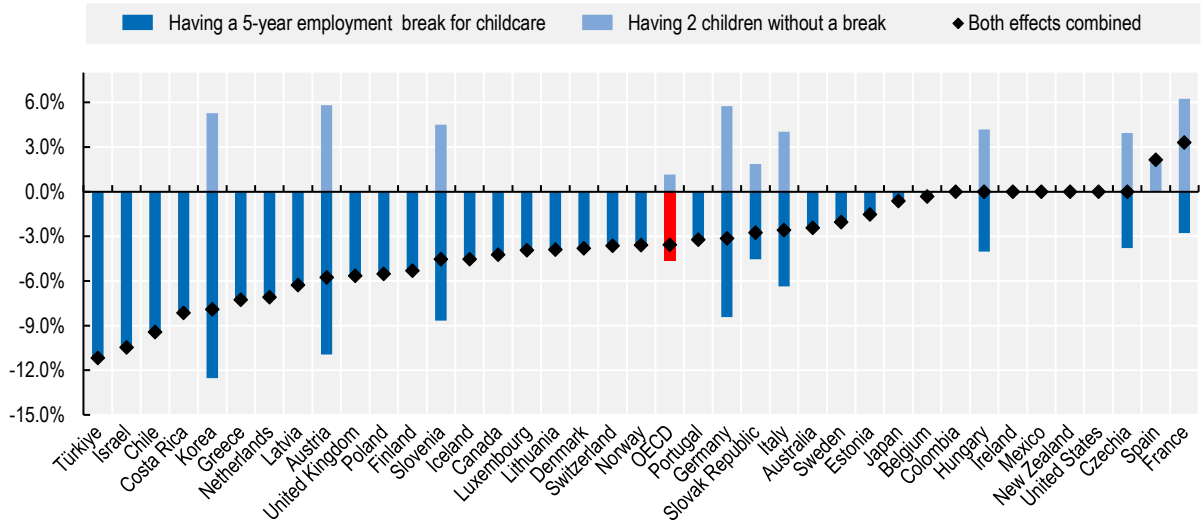
Nine OECD countries give credits just for having had children or provide pension bonuses to parents, irrespective of whether a career break occurred. Extra years of credit are given in Austria, France, Germany, Korea and Slovenia, a more favourable conversion factor is applied in Italy, and a pension bonus is given in Czechia, Hungary and Spain. In Austria, Czechia, Germany and Slovenia, parents decide who receives the extra years, and they can be split between them. In France, since 2023, six extra quarters are credited to mothers only, two quarters can be split between parents, and a 10% increase of pensions for having at least three children goes to both parents. In Italy, the pension bonus for having children applies to mothers only and, in Spain, the pension bonus is granted to the parent having the lower pension. As a result, in these nine countries, mothers of two children can expect their total pension entitlements to be higher than those of childless women with the same career, from about 2.1% in Spain to 6.2% in France (Figure 2.21).

Mandatory pension systems cushion about half of the effects of a five-year employment break on pensions for mothers with two children on average across OECD countries. On average across OECD countries, a five-year employment break for childcare reduces pensions of mothers with two children by 5% at the average-wage level, while this five-year break represents a shorter career of about 11% on average.[32] In countries without or with very weak compensatory mechanisms, such as Israel and Türkiye, a five-year employment break for childcare indeed reduces pensions by 11% for people earning the average wage (Figure 2.21). In eight OECD countries the impact of such an employment break is less than 1%: Belgium, Ireland and Japan grant substantial pension credits for childcare; in Colombia, Spain and the United States maximum accruals are reached after 30, 37 and 35 years, respectively; in Mexico a top-up guarantees 100% replacement rate up to the 2024 average wage (indexed with prices – Chapter 1); and, in New Zealand, only the residency-based basic pension is mandatory. In France and Spain, taking also into account pension credits for mothers, the pension entitlements of mothers of two children with a five-year employment break are 2-3% higher than those of full-career childless women, while they are 4% lower on average across OECD countries. In Czechia and Hungary, the credits granted to mothers for two children exactly offset the impact of the five-year employment break. Going beyond these typical cases, in France, childcare-related pension credits and bonuses for mothers compensate women almost fully for the impact of having children, including through reduced wages and hours worked, on their pension entitlements (Bonnet and Rapoport, 2019[53]). Taken together, credits for having children and for childcare-related employment breaks result in pensions of mothers of two children experiencing a five-year employment break being only 4% lower than those of a childless full-career woman on average across OECD countries.

Low-earners are better protected against the impact of childcare-related breaks in some OECD countries (Chapter 5). In Germany having a child gives one parent a credit of one pension point annually for three years, thereby making it equivalent for pension purposes to earning the average wage throughout the credit period. In Estonia and Sweden, credits are given based on the nationwide average income and 75% thereof, respectively, resulting in higher benefits for low earners. Austria and the Slovak Republic provide flat-rate credits during childcare breaks which are worth more to lower earners. In Australia, Colombia, Iceland and Poland safety-nets and minimum pensions compensate particularly low-earning mothers for entitlements lost during childcare.

Figure 2.21. Pensions cushion significantly the impact of a five-year break for childcare in many OECD countries

Effects of having two children and having a 5-year employment break for childcare on gross total pension entitlements at the average-wage level



Reading note: In Austria, assuming the same average-wage earnings over a full career, a mother of two children will have 6%-higher pension entitlements than a childless woman (light blue bar); such a mother with a 5-year employment break will have 11%-lower pension entitlements than a mother with a full career (dark blue bar); as a result, a mother with a 5-year employment break will have 6%-lower pension entitlements than a childless full-career woman (black diamond).
Note: Women enter the labour market at age 22 in 2024 and retire at the normal retirement age that gives them access to pensions without penalties. Mothers have two children born in 2032 and 2034 and the five-year employment break starts in 2032. Light blue bars compare pension entitlements of a mother with a full career to a full-career childless woman. Dark blue bars show the relative difference between pension entitlements of two mothers: one has a five-year employment break for childcare and the other has a full career. Black diamonds compare pension entitlements of a mother having a five-year employment break to those of a childless woman with a full career. For Colombia, the results are based on 2025 reform that passed through the parliament, but its implementation is uncertain after the Constitutional Court suspended the reform in June 2025 (Chapter 1).
Source: See Chapter 5.

StatLink https://stat.link/x237ab

In asset-based pensions, pension right accruals may continue during periods of maternity and parental leave. However, this is not the case in some countries, such as Austria, New Zealand and the United States, where employers generally stop contributing on behalf of mothers on maternity leave (OECD, 2021[16]). In Australia, 81% of employers who offer parental leave pay contributions to defined contribution pensions on that leave (WGEA, 2025[54]). In Estonia, Iceland, Latvia, Poland, the Slovak Republic and Sweden, the government or the social security institute pays contributions to the mandatory pension account of mothers on maternity or parental leave, while in Chile, Germany and Lithuania mothers receive public subsidies into their pension plan based on the number of children. Even when contributions continue during leave, the earnings base used to calculate these contributions is lower than past earnings in some countries (e.g. Estonia, Iceland and Poland), thereby reducing the level of contributions compared to a period of full activity.

Some countries also credit periods spent providing informal family care for adults. For example, Germany, Norway and the United Kingdom grant pension credits to both employed and not employed informal carers who provide at least 10, 22 and 20 hours of care per week, respectively. In Finland, provided that they register at the municipality, family caregivers are entitled to a care allowance that accrues pension rights, which amount is higher for more intensive care needs (Euro carers, 2025[55]). Similarly in Denmark, Estonia

and Hungary, the care allowance accrues pension entitlements for carers. In Austria, the government has been paying pension contributions for informal carers since 2009. Furthermore, employment leave for caring accrues pension rights in Belgium, France and Spain. In Ireland, up to 20 years of providing family care counts towards the contribution-based basic pension. In Lithuania, the parent or a stepparent taking care of an adult child with disabilities is covered by pension insurance.

Survivor pensions, pension splitting and spousal benefits

Almost all OECD countries provide some protection against the death of a spouse or a partner through survivor pensions. Consumption smoothing, i.e. limiting the risk of a fall in standards of living, is currently the key objective pursued by survivor pensions, which de facto help reduce the pension gap between men and women. In the 2018 edition of the *Pensions Outlook*, the OECD undertook an in-depth analysis of survivor pensions in OECD countries (OECD, 2018[46]). Coverage by permanent survivor pensions is included in mandatory contributory pensions in all countries except Australia, Latvia, the Netherlands, New Zealand, Norway, Sweden and the United Kingdom. While marriage used to be required to access survivor pensions, an increasing number of countries have expanded survivor benefits to civil unions and even cohabitations. Most countries require that the partnership had lasted for some minimum period.[33] Moreover, over the last decades, gender differences in eligibility for survivor pensions have been eliminated in many countries, but a few exceptions remain. In Israel and Japan, the access for men is more restricted than for women, but this gender disparity will be eliminated in Japan in 2028. Until 2022, men in Switzerland were only eligible for survivor pensions if they had a dependent child, whereas this condition has never applied to women. Except for eight OECD countries, survivor pensions are granted after divorce, treating this entitlement as a right acquired during the marriage, even though the consumption-smoothing objective is not relevant in that case when the ex-partner dies. In Finland, the survivor pension after divorce is linked to the alimony payment. In 2024, Canada eliminated survivor pensions for separated couples who had split their pension entitlements.

The impact of survivor pensions on the gender pension gap is expected to decrease as women's labour market outcomes are improving and survivor pensions are means-tested in most OECD countries. Between 2011 and 2021, expenditures on survivor pension decreased from 1.0% to 0.8% of GDP on average across OECD countries, while old-age pension expenditures increased from 7.6% to 8.5% of GDP (OECD, 2025[56]). Survivor pensions pay around half of the deceased's mandatory contributory pension to never-working survivors on average across OECD countries, and more than four-fifths in Mexico, Poland and the United States (OECD, 2018[46]). Most countries reduce the survivor benefits for spouses based on their own pension entitlements. In the case of both partners with the same full career at the average wage, the survivor pensions replace about one-quarter of the deceased's mandatory pension on average across OECD countries. Targeting survivor pensions towards low earners is particularly strong in Austria, Canada, Estonia, Ireland, Japan, Slovenia and the United States.

Survivor pensions available from early ages discourage women's employment and thereby might increase the gender pension gap. No minimum age requirements apply for receiving a permanent survivor pension in Austria, Canada, Chile, Costa Rica, Colombia, Ireland, Italy, Korea, Luxembourg, Mexico, Spain and Türkiye while only widowed persons (who are neither disabled nor have dependent children) above a certain age are eligible in 17 OECD countries. The lowest minimum age is 35 years in Portugal and 40 years in Israel. Hence, while recipients should not be eligible to a permanent survivor pension before the retirement age, survivor pensions are helpful to insure against the decrease in disposable income relative to the situation prevailing before the death of the partner, in the same way as old-age pensions help avoid a sharp drop in income upon retirement.

Splitting of pension entitlements means transferring old-age pension entitlements from one partner to the other. Splitting can take place while contributing, upon separation or upon retirement. For ongoing relationships, splitting provides the partner who is less attached to the labour market with more financial

independence and security. This independence becomes even more important when the couple separates or after the death of the partner.

Despite having been available for a few decades in some countries, pension splitting has not gained much popularity. In Canada, Germany, Japan and the Netherlands, pension splitting is the default option when a marriage ends. Canada introduced pension splitting in the event of divorce in 1978, and survivor pensions are no longer paid if pensions entitlements are split in the CPP scheme in 2025 or later. Germany introduced the possibility to split pensions in 1977 (West Germany back then) and, in 2002, introduced the option of trading the entitlement to a survivor pension for a 50-50 pension splitting when the younger spouse retires (Schmauk and Kridahl, 2024[44]). For the couple as a whole, survivor pensions are generally more beneficial than the 50-50 splitting and the take-up rates of splitting have been very low. In Japan, pensions can be shared upon mutual agreement during divorce proceedings. Alternatively, the financially dependent spouse can submit a request for splitting. In effect, pension splitting upon divorce is relatively common, with almost 38 000 splitting arrangements in 2023, or about one-fifth of the number of divorces. In occupational pensions in the Netherlands, pension splitting during divorce has been possible (and encouraged as the default option) since 1995, and during marriage since 2007. Without being the default option, Chile introduced pension splitting for divorced couples in 2009, and courts can split pension entitlements, at the default 50-50 rate, even without mutual agreement. Since then, only 7 530 men and 170 women transferred their pension entitlements to their partners' accounts. Occupational and private pensions can be divided by court order following divorce in Canada, Denmark, Germany, Ireland and Sweden.[34] Occupational pensions are not automatically split in a divorce in the United Kingdom but are considered part of the marital assets. Additionally, in Austria, Denmark, Germany, Ireland, the Netherlands and Sweden, registered partnerships or other legally recognised unions may be eligible for pension splitting upon separation.

Beyond the Netherlands, pension splitting can occur for ongoing partnerships in Australia, Austria, Canada, Sweden and Switzerland. Switzerland is the only country to have made pension splitting mandatory. Since 1997, half of the joint couple's earnings during the marriage is used to calculate individual benefits in the public scheme. In Australia, spouses can split up to 85% of contributions to the DC superannuation scheme upon request without divorcing. Austria allows the transfer of up to half of the employed parent's public pension entitlements to the caregiving parent's pension account within the first 14 years after childbirth. In Sweden, it is possible to transfer entitlements in the funded part of public pensions (premium pensions) between spouses (OECD, 2021[16]). Transferring pension entitlements to partners with higher life expectancy, e.g. from men to women, inflates total expenditure, and to offset this, a charge of 6% of the transferred assets is levied by the Swedish pension system.

Korea and the United States provide spousal supplements, Japan credits periods towards the contribution-based basic pension when spouses are not employed, and Belgium applies higher accrual rates for couples in contributory pensions. Spousal supplements provide specific benefits for spouses who do not have their own pension or who have a very low one. Spousal supplements benefit spouses who have relied on their partners financially for whatever reason, and married couples are treated more favourably than informal couples or single persons. In Belgium, after a full career, the replacement rate increases from 60% to 75% of the higher-earning partner if this is more beneficial for the couple than applying the 60% rate to both spouses separately. In the United States, the spousal supplement is equal to 50% of the higher individual pension within the couple, and the lower pension is deducted from the spousal benefit. In Korea, a small flat-rate supplement is paid to the partner whose spouse does not receive their own pension. In Japan, some out-of-work spells of spouses of workers are credited towards the contribution-based basic pension, even though no contributions are paid. Finland abolished spousal benefits in 2001. Many OECD countries apply different rates to singles and couples for residence-based basic pensions and targeted benefits to account for household economies of scale related e.g. to housing costs (Chapter 5).

Specific issues affecting the gender pension gap in asset-backed pensions

Beyond labour market factors, behavioural and cultural factors may affect individual decisions linked to retirement and retirement saving. Women frequently demonstrate higher risk aversion than men, which can translate into a preference for lower-risk investments and therefore lower returns on average for their retirement savings. This seems to be related to differences in attitudes towards risk taking and willingness to compete, as well as in financial education levels (OECD, 2021[16]; Buser, Ranehill and van Veldhuizen, 2021[57]; Charness and Gneezy, 2012[58]). Given that women already tend to hold conservative investments, they are less likely to switch to a riskier alternative investment option if the default already matches their risk aversion level. For example, in Italy and Latvia, the default investment option in asset-backed pension plans is a conservative investment strategy. While this curbs the risks, it also reduces the expected return that women could get on their savings over the entire accumulation phase. Furthermore, financial advisors may be subject to gender stereotypes and assume a greater risk aversion for women, reinforcing the already higher risk aversion of women compared to men (OECD, 2021[16]). Attitudes towards saving also differ between men and women as women may delay or avoid saving for retirement because they feel more vulnerable to short-term financial hardship, or they are more likely to prioritise current family members needs over their own old-age security (OECD, 2021[16]).

Lower levels of financial literacy may also lead women to engage less in retirement planning. On average, men have slightly higher levels of financial literacy than women (OECD, 2023[25]). Gender differences in financial knowledge tend to be significant in Estonia, Finland, Greece, Luxembourg and Sweden (OECD, 2023[59]). Lower levels of financial knowledge imply that women have lower knowledge than men of concepts like time value of money, simple and compound interest, and risk diversification that are crucial for making informed decisions about long-term savings and pensions.

Policy discussion

Gender pension gaps are large and represent an important topic for pension policy. Women receive pensions that are about one-quarter lower than men's on average across OECD countries. Moreover, older women face much higher poverty risks than older men in almost all OECD countries. While pensions cannot fully compensate for inequalities that build up during the working life, limiting the impact of these inequalities on pension differences between men and women is among the priorities facing policymakers in the pension area. Mitigating the transmission of labour market disparities into the gender pension gap is also consistent with supporting families with children as part of broader family policies objectives. Redistributive pension policies differ substantially across countries as they depend on individual tastes and social preferences towards, among others, old-age inequality, the relative value of paid work and care, the role of marriage in society and the importance of having children (Barr, 2019[60]).

Gender differences in lifetime earnings are the main driver of the gender pension gap as a large part of pension benefits is earnings-related. Still, not all lifetime earnings inequalities are transmitted into pensions and, in particular, the gender gap in lifetime earnings is significantly larger than the GPG. Gender differences in employment, hours worked and hourly wages make a similar contribution to the gender gap in lifetime earnings (about one-third each) on average across OECD countries. Gender gaps in lifetime earnings have been declining across cohorts, mostly driven by higher female employment. Yet, disparities in labour market outcomes between men and women remain large and are unlikely to disappear in the foreseeable future. As a result, the most efficient measures to reduce the GPG over the long term need to focus on tackling persistent gender differences in employment, hours worked and wages. In particular, the unequal share of unpaid care between men and women as well as gender disparities in education pathways and the labour market have large implications. Policy priorities in these areas go beyond this report and are discussed in other OECD publications (OECD, 2023[25]; OECD, 2024[26]; OECD, 2025[61]).

Countries wanting to promote gender equality in the labour market and reduce the gender pension gap should eliminate earlier access to pensions for women. Earlier access to pensions by women is a legacy of the past inherited from the single-breadwinner model. Having the same pension eligibility conditions for men and women help reduce gender gaps in career duration. By contrast, earlier eligibility ages to pensions for women in a few OECD countries results in lower pension entitlements, raising the GPG. Based on current legislation, Colombia, Costa Rica, Hungary, Israel, Poland and Türkiye will maintain differences in the normal retirement age between men and women. In Chile, men and women have access to public pensions from age 65, but only women can claim pensions from the mandatory funded scheme five years earlier. Furthermore, providing mothers with the possibility to retire at a lower age, as is the case in Czechia, Italy, the Slovak Republic and Slovenia, is difficult to justify.

Reducing minimum eligibility conditions to access pensions as much as possible would help lower the gender income disparities in old age. Such conditions include long contribution records, minimum earnings or minimum hours worked to access pensions. For example, Czechia requires 30 years of contributions to access pensions, Japan and Korea require 20 and 15 hours of work per week, respectively, to be covered by earnings-related pensions. Some countries only cover mandatorily those earnings above a certain threshold, which amounts to around 10% of the gross average wage in Austria, Germany, and the United Kingdom, and around 20% in Italy, Japan and Switzerland. Japan will eliminate this threshold in 2028. In Canada, Japan, Switzerland and the United Kingdom, minimum income thresholds constrain access to asset-backed occupational pension plans (OECD, 2021[16]). More generally, these conditions tend to penalise workers with short careers, low earnings and frequent part-time employment; as a result, they disproportionately affect women.

High levels of first-tier benefits strongly reduce pension inequalities and thereby the gender pension gap. First-tier pensions comprise programmes offering the first layer of social protection in old age, and for which past earnings are irrelevant in the calculation of retirement income. While these benefits are generally gender neutral, they benefit women more. When first-tier benefits play a large role relative to earnings-related pensions, this limits the transmission of earnings inequalities into pensions. However, it also provides less protection against the income drop upon retirement for many workers, thereby lowering the incentives to contribute. Similar trade-offs apply to other choices when designing first-tier pensions: residency-based basic pensions are more effective than contribution-based instruments in reducing gender inequalities, as the latter are linked to individual labour-market histories. In Denmark, Iceland, Israel and New Zealand, non-contributory first-tier benefits pay more than 30% of the average wage, which is also the case for full contribution-based basic pensions in Belgium, Colombia, Luxembourg, Slovenia, Spain and Türkiye. The normative discussion about these trade-offs in the design and levels of first-tier benefits should take into account their gender implications.

Care-related pension credits are an effective instrument to cushion the shock of relatively short employment breaks, especially at low-income levels. Childcare-related credits compensate for about one-half of pension entitlements lost during a 5-year childcare-related break on average across OECD countries. Such credits can be also expanded to cover reduced hours needed to reconcile care and work, as for example in Germany, Portugal and Slovenia. However, they should limit the risk of permanently trapping those who have interrupted their careers in part-time jobs. The credited entitlement can be linked to the amount of the care-related benefits, be it maternity, paternity or parental leave. Alternatively, it can be directly linked to pre-break earnings up to some ceiling, economy-wide average earnings, the minimum wage or any other flat-rate amount. Among these choices, pre-break earnings provide the strongest link between earnings and benefits while earnings ceiling or flat-rate amounts provide higher entitlements to low-income workers for a given total fiscal cost. The duration of the credited periods for childcare should not be excessively long to support a faster return to employment and limit the negative impact of the break on career progression, provided that childcare services are accessible. Subsidised credits for childcare may also apply to private pensions, but these subsidies should be capped or based on flat-rate amounts to mitigate old-age inequalities.

Pension entitlements granted to mothers irrespective of interrupting their career for childcare can compensate for reduced hours worked and lower wages, the so-called motherhood penalty. They can also complement measures that support families with children more broadly. These instruments benefit mothers without disincentivising work. For example, France and Germany grant some pension credits to mothers irrespective of whether they interrupted their careers. The direct link between pension entitlements and having children, rather than taking childcare-related employment breaks, simplifies benefit calculation and may compensate for the motherhood penalty – related, for example, to reduced working hours and slower career progression. If such entitlements are linked to past individual earnings, they better compensate for individuals' loss of earnings while flat-rate entitlements provide better protection to low earners.

Ignoring women's higher longevity for pension benefit calculation avoids substantially increasing the gender pension gap further. It is also consistent with evenly pooling longevity risks across the whole population. While women live longer than men, by around three years after age 65 on average across OECD countries, mandatory public-pension benefits of women are not affected by this difference in any OECD country. The principle of ignoring gender longevity differences applies also to private pensions in the European Union, as opposed to other parts of the world. Even though it decreases the GPG, using unisex mortality tables for annuity calculations in defined contribution schemes discourages men from taking annuities if annuitisation is voluntary. This contributes to longevity risks remaining largely uninsured in voluntary pensions. Outside the EU, defined contribution schemes pay less every month to women than to men for the same amount of accumulated assets due to their longer expected retirement period. Furthermore, as for all groups with higher life expectancy at older ages, women tend to benefit more from generous pension indexation.[35] The trade-off about how much to frontload pensions and how much to index them over time for a given expenditure level should obviously take into account broader implications than those related to the GPG.

Survivor pensions substantially lower the gender pension gap and decrease old-age poverty of women in most OECD countries. Women benefit more than men from survivor pensions due to both their lower own entitlements and the fact that they often outlive their partners. However, apart from reducing the GPG, survivor pensions have pursued two main objectives. First, they have protected widows or widowers from poverty risks to offset sharp drops in disposable income to low absolute levels. This is less relevant now than in the past, as nowadays all OECD countries have instruments directly targeted at poverty alleviation. Second, more relevant today, they have contributed to insuring against the decrease in disposable income relative to the situation prevailing before the partner's death, in the same way as old-age pensions help avoid a sharp drop in income when moving out of paid work upon retirement. This second objective remains valid despite the substantial reduction in employment differences between men and women. To support women's longer careers, recipients should not be eligible for a permanent survivor pension before the retirement age (OECD, 2018[46]). Instead, at these younger ages a temporary benefit should be accessible following the partner's death to help adapt to the new situation.[36]

Communication efforts should increase women's awareness of the possibility and importance of splitting retirement entitlements upon divorce. Still, while splitting pension rights is fairly easy to implement in defined contribution and point systems or in defined benefit systems that are based on straightforward accrual rates, it is more complicated to do so in complex and fragmented pension systems as well as in schemes with loose links between contributions and pension entitlements. Splitting pension rights, including in public schemes, should replace survivor pensions for separated couples and it may be mandated in divorce settlements, in line with how other assets are split. For separated couples, the death of the former partner does not generally affect the survivor's income – unless alimony was granted – so survivor pensions are not needed to smooth income. For ongoing partnerships, pension splitting cannot replace survivor pensions to smooth income upon the partner's death. Splitting pension rights within couples enhances gender equality and is consistent with sharing resources broadly within partnerships, although some countries favour the individual treatment of partners (OECD, 2018[46]).

Policymakers can take actions to reduce the gender gap in asset-backed pension arrangements. While asset-backed pension arrangements should aim to be gender neutral, reducing the gap in assets and benefits between men and women requires adjusting pension plan rules as well as additional communication effort (OECD, 2021[16]). Increasing the availability of pension plans in industries predominantly employing women and relaxing eligibility requirements to join a plan would improve women's access to these arrangements. To increase the availability of retirement savings arrangements in industries predominantly employing women, several options exist: mandating occupational pension plans, providing incentives for employers to establish occupational arrangements for their employees, or increasing the availability of personal arrangements. Once women have access to a plan, both men and women could be encouraged to join one and contribute to it by using nudges (e.g. automatic enrolment), providing financial incentives to participate, as well as using tailored educational workshops and communication that convey the importance of having their own savings for retirement and the importance of regular contributions.

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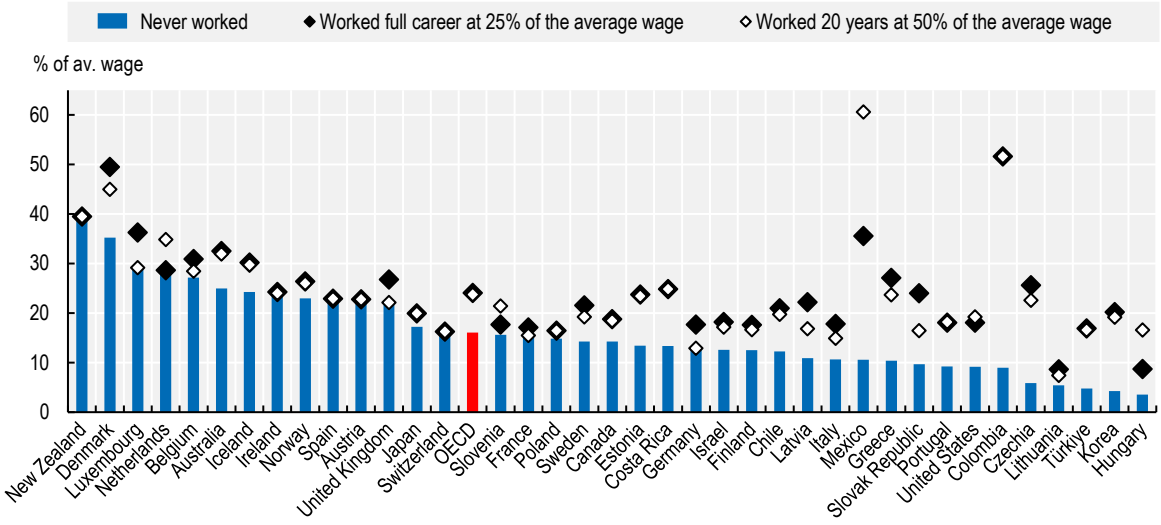
Annex 2.A. Benefits of older people with no or little contributory pension entitlements

A person born in 2002 who will not have worked at all for his or her entire life will receive old-age benefits equivalent to 16% of the gross average wage on average across OECD countries, ranging from around 5% in Czechia, Hungary, Korea, Lithuania and Türkiye to over 30% in Denmark and New Zealand (Annex Figure 2.A.1). Workers with a full career from age 22 in 2024 and earning 25% of the average wage (as an order of magnitude this would be close to working part-time at the minimum wage in many countries) can expect old-age benefits totalling 24% of the average wage on average across OECD countries. This is half more than the 16% of the average wage provided to individuals who have never worked. Full-career workers with such very low earnings can expect benefits that are 10 p.p. higher than those of individuals who have never worked in several countries including Chile, Czechia, Costa Rica, Estonia, Hungary, Greece, Latvia, Korea, the Slovak Republic and Türkiye. In Colombia and Mexico, full minimum pensions are projected to equal 52% and 35% of the average wage, respectively, while safety-net benefits would remain low. No mandatory contributory pensions exist in New Zealand, while in Austria, France, Germany, Ireland, the Netherlands, Poland, Slovenia, Spain, and Switzerland mandatory contributory pensions for full-career workers earning 25% of the average wage will be no more than three points higher than non-contributory benefits.

Working for 20 years at 50% of the average wage provides benefits that are similar to those of working a full career at 25% of the average wage, although there are some exceptions (Annex Figure 2.A.1). In Denmark, Germany, Latvia, Luxembourg, the Slovak Republic and the United Kingdom some components of pensions are prorated for career length and thereby longer careers result in higher pensions than shorter careers with similar earnings. Conversely, in Mexico, given the recent reform, the low earner with only 20 years of contributions will receive a benefit equivalent to 100% of their last earnings, twice that of the full career at 25% of average earnings. In the Netherlands, only earnings above a certain threshold accrue occupational pension rights, while low earnings accrue no additional pension entitlements beyond the basic pension. In Hungary, workers earning less than the full-time monthly minimum wage have their accrual rates prorated relative to the minimum wage. This results in a double penalty as the pension is reduced by both the lower reference wage and the lower accrual rate. Additionally, the accrual rate is at a substantially higher rate for the first 15 years of career than for following years, benefiting more workers with shorter careers.

Annex Figure 2.A.1. Pensions mitigate old-age inequalities for low earners

Future pensions as percentage of the average wage for: 1) an individual who never works, 2) a part-time worker earning 25% of the full-time average wage throughout the whole career, and 3) a worker earning 50% of the average wage and working 20 years before retiring



Note: The short career cases for Czechia, France, Greece, Luxembourg, Portugal and Slovenia result in retirement 3, 2, 5, 3, 2 and 5 years later than the NRA. The "never worked" benefits are calculated at this later date and the full career at 25% of average earnings case are indexed from the NRA to this later age for comparison. All other cases are at the NRA for the full career case from age 22. For Colombia, the results are based on 2025 reform that passed through the parliament, but its implementation is uncertain after the Constitutional Court suspended the reform in June 2025 (see Chapter 1).
Source: OECD calculations.

StatLink https://stat.link/iy7dcu

Notes

[1] In Colombia and Mexico, however, the GPG increased by 14 and 7 percentage points along with a strong increase of pension coverage among women.

[2] Based on data provided by countries for Belgium, Costa Rica, Germany, New Zealand, Norway and Switzerland, and on data included OECD (2021[16]) for Ireland.

[3] Benefits from contribution-based basic pensions are non-earnings-related but with some link to past employment as they are contributory.

[4] Based on data provided by countries for Belgium, Costa Rica, Germany, New Zealand and Switzerland, and on data included OECD (2021[16]) for Ireland. The data on gender gaps in voluntary pensions come from administrative sources and might not be fully consistent with the gender pension gaps reported from surveys.

[5] From 2026, Ireland aims to expand the coverage of voluntary pensions through auto-enrolment, which would improve pension prospects of many men and women, with an undetermined impact on the gender pension gap.

[6] The share of private pensions in total pensions receipt increased from 48% to 58% between 1976 and 2021. During this period, the gender pension gap increased in the CPP/QPP from 8% to 16% and the total gender pension gap increased slightly, from 15% to 17%. However, this surge in the CPP/QPP happened before 1990s, and since mid-1990s, the gender pension gap in both voluntary and mandatory earnings-related schemes has been steadily declining, by one-third in total. The expansion of private pensions by itself has increased the GGP by 3 p.p., but it was offset by a decline in the gender pension gap in private pensions from 30% to 25%.

[7] The gender difference in life expectancy at 65 varies from around 2 years in Iceland and the United Kingdom to about 5 years in Japan, Korea, and Lithuania.

[8] This gender difference in the average labour market exit age is very high, at 6 years in Colombia and 5 years in Costa Rica, while in Estonia, France, Japan and Spain women leave the labour market at an older age than men on average, by around half a year, as well as in Korea by 2 years. The residual factor results from measuring life expectancy at different ages for men and for women.

[9] Across countries, the average labour market exit age is closely related to but differs from the average age at which pensions start to be received. Starting to receive old-age pensions is only one way of exiting the labour market, as, on the one hand, workers may stop working and live on their savings, partner's income, safety-net benefits or disability pensions, while, on the other hand, workers may combine receiving old-age pensions and working.

[10] Men enter the labour market at 21.1 years, about half a year earlier than women on average across OECD countries. Average labour market entry ages are calculated using a similar methodology as the one used to calculate average labour market exit ages, which are reported in Chapter 7. Men enter the labour market by more than 1.5 years earlier than women in Czechia, Estonia, Hungary, Mexico, Poland and the Slovak Republic, while they enter around half a year later than women in Ireland, Israel, and Switzerland, and even 1.7 years later in Korea. In Israel, Korea and Switzerland, military conscription delays labour market entry particularly for men, while in Czechia, Estonia, Poland and the Slovak Republic, the enrolment rates of women in tertiary education relative to men are exceptionally high (OECD, 2024[68]): the mandatory military conscription for men lasts 20 months in Korea, 6 months in Switzerland and 32 months in Israel. In Israel, military conscription is also mandatory for women and lasts 24 months, i.e. 8 months less than for men.

[11] The gender gap in working hours in 2023 is not smaller than 30 years ago in Germany, Greece, Korea and Spain. In Germany, between 1993 and 2023, the gender gap in working hours first increased and then decreased, reflecting broader changes in the labour market. Between 1993 and 2008, average hours worked declined more for women than for men, as the increase in women's employment was primarily driven by part-time work and mini-jobs (Weinkopf, 2014[73]). During this period, in 2003, the government introduced so-called mini-job contracts, which have been exempted from mandatory social security contributions for monthly earnings up to a ceiling, which is equal to EUR 556 in 2025. Between 2008 and 2023, the men's working hours decreased more strongly than women's. The introduction of the statutory hourly minimum wage in 2015 might have contributed to the reduction of hours worked by men (Konle-Seidl, 2021[71]).

[12] The gender gap in hourly wages is one component of the gender gap in lifetime earning needed for the method used in this chapter (see next sub-section for the exact formula for the break-down). It differs from the gender wage gap measured on a monthly basis for full-time workers at median wage, which is often reported, e.g. in OECD (2023[25]).

[13] Although general trends across countries are clear, country-specific trends should be interpreted with caution as the sectors covered for the measurement of wages can vary over time.

[14] They estimate the motherhood penalty, defined as the difference between wages of mothers compared to childless women with similar characteristics, to be around 3.7% on average across all available studies. This is also consistent with the gender wage gap widening with age and reducing the financial incentive for women to stay in employment (OECD, 2023[25]; OECD, 2025[77]).

[15] The strong gender segregation of women into lower-paying jobs is also observed within occupations, e.g. within medical professions (Pelley and Carnes, 2020[66]). In addition, the sorting of women into slow-growth firms is found to account for one-fifth of the gender wage growth gap in Italy, and women who have a child within 5 years of entering work experience particularly slow wage growth (Card et al., 2025[72]).

[16] First, part-time work and other flexible work arrangements may slow human capital accumulation, contributing to the gender gap in hourly wages (Wiswall and Zafar, 2017[65]). Part-time employment also limits promotion opportunities (OECD, 2023[25]). Afonso and Blanco Aran (2024[62]) estimate that higher part-time employment by women significantly increases the gender gap in hourly wages based on a quantitative analysis covering a number of European countries. Second, firms tend to provide higher hourly wages to individuals who work long hours and work during unusual time schedules, who are more often men (Goldin, 2014[63]; Cubas, Juhn and Silos, 2019[64]).

[17] A significant part of the gender wage gap in New Zealand is related to women being less willing to bargain or less successful at bargaining to capture firm-specific rents (Sin, Stillman and Fabling, 2022[70]). Furthermore, substantial gender gaps in wage expectations exist even before entering the labour market indicating the significant influence of differences in perceptions about own abilities and in bargaining approaches between men and women (Kiessling et al., 2024[67]).

[18] Ciminelli, Schwellnus and Stadler (2021[32]) find that, on average, “sticky floors” – i.e. persistent disadvantages over women’s working lives from labour market entry to retirement – related to individual preferences for some occupations, social norms, gender stereotyping and discrimination account for 40% of the gender wage gap, while the “glass ceiling” – i.e. limited career progression – related to e.g. the motherhood penalty and preferences for working less hours in more flexible environment accounts for around 60%. The importance of the “glass ceiling” is especially large in most Northern and Western European countries, while “sticky floors” explain the major part of the gap in most Central and Eastern European countries.

[19] Recent OECD estimates confirm this order of magnitude.

[20] Hungary offers women only an option to retire at any age after a 40-year career, while other conditions have been equalised between men and women following measures taken in 1997. In Türkiye, it will be eliminated for those starting their careers in 2028. In Austria, the initial five-year gender gap in retirement ages is being eliminated between 2024 and 2033, following legislation introduced in the 1990s. In

Lithuania, retirement ages are converging for men and women between 1995 and 2026. In Switzerland, the three-year gender gap in statutory retirement ages was reduced in 2001 and will be eliminated in 2028.

[21] In Italy, women can access early retirement after a one-year shorter career than in the case of men: women with disabilities, providing care or being dismissed can retire from age 61 with 35 years of contributions as of 2025, subject to an age-specific benefit reduction. Before 2024, all women could use this pathway.

[22] The pension eligibility conditions were equalised between men and women in Belgium between 1997 and 2009, in Czechia between 1995 and 2011, in Portugal, between 1994 and 2000 and in the Slovak Republic between 2004 and 2014 (Finsider, 2025[75]). In Germany, women's retirement age was lower than men's between 1957 and 2009. In the Netherlands, the equal treatment of men and women both in terms or retirement ages and benefit calculation were set in 1990.

[23] Hence the 6% gender difference in pensions in Colombia is only due to pensions in payment being projected to increase less than wages as the initial replacement rate for men and women is the same at the point of retirement. For higher earners, the gender different is larger as part of the pension in Colombia will come from the mandatory FDC scheme, which adjusts benefits for both the lower retirement age of women and their higher longevity.

[24] In 2011, the European Court of Justice also ruled that pension contributions and fees must not differ between men and women.

[25] In France, motherhood adds additional years to the contributory record but does not reduce the minimum retirement age of 64. As the full pension will require 43 years of contribution record, with labour market entry at age 22, a mother with a full career will be able to retire at 64 without penalty, while a childless woman will not access a full pension before age 65.

[26] In Czechia, a woman can retire one year earlier when having one child, two years earlier with two children, three years earlier with three or four children, and four years earlier with five or more children. In the Slovak Republic, the retirement age for women who raised children is lowered by 6 months for the first three children. If the mother cannot benefit from this early-retirement possibility, the right is transferred to the father. In Hungary, only women are eligible to retire without any age condition after 40 years of contributions. In Italy, the early retirement for women can be reduced by one year for each of their first two children, and they can also reduce the statutory retirement age by four months for each child, up to 12 months. In Slovenia, the retirement age can be reduced by up to four years for mothers, depending on the number of children. Alternatively, mothers can choose to increase their benefits. Fathers can also benefit, with the retirement age being reduced by up to two years.

[27] Given the assumed entry age of 22 years, Table 2.1 does not includes neither Hungary and Italy nor the early-retirement option for mothers in Slovenia, which conditions are given in the text.

[28] The transformation coefficient for mothers is more favourable because it is based on the actual retirement age plus one year for a mother of one or two children, or plus two years for a mother of three of more children.

[29] These figures are based on rough simulations based on the OECD pension model assumptions and OECD-average mortality rates for men and women. For a stronger real-wage growth of 3% instead of

1.25% as assumed in the OECD pension model, the gender pension gap would be 2.8% higher with price indexation compared with wage indexation.

[30] Furthermore, higher accrual rates in the early years of a career reduce the impact of shorter careers in Hungary, Slovenia and Spain. The opposite is true in Greece and Luxembourg, where the accrual rate increases with tenure. Additionally, career breaks at the beginning of a career have lower impact on pension benefits than those occurring at older ages when past earnings are uprated with less than the average wage growth. This occurs in Belgium, France, Portugal and Spain in defined benefit schemes as well as in Italy and Poland in NDC schemes. The opposite is true for funded DC schemes that are assumed to provide higher rates of return than wage-growth rates. In Spain, multiple mechanisms affect the transmission of employment breaks: i) working beyond 37 years does not lead to higher accruals; ii) the accrual rate is higher for the first years of work; iii) the reference wage will be based on only the best 27 out of last 29 years; iv) and, conversely, missing periods are imputed using the minimum pension base when calculating the reference wage.

[31] Many OECD countries credit time spent caring for very young children (usually up to 3 or 4 years-old) as insured periods and consider it as paid employment. However, once children are aged 6 years or older any credit given for this extended period is usually only to determine eligibility for early retirement and the minimum pension, and not to raise benefits.

[32] Assuming labour market entry at age 22, given the average future normal retirement ages of 66 years across countries, the average length of a full career will be 44 years. A five-year break thus shortens it by 11%.

[33] In Spain for example, five years of cohabitation are required. Around half of OECD countries provide survivor benefits to civil unions, and Canada, Hungary, Japan, Korea, Mexico, Portugal, Slovenia and Spain grant survivor pensions to cohabitating couples that meet additional conditions. Some OECD countries require a minimum marriage length to grant survivor benefits, ranging from 6 months to 10 years. In Estonia, the divorced spouse can receive the benefit upon reaching the statutory retirement age within three years of the divorce, provided that the marriage lasted for at least 25 years.

[34] In Denmark, pension splitting of occupational pensions following divorce is only possible if specified in a prenuptial agreement.

[35] In a budget-neutral way, generous pension indexation is offset by lower initial pensions when retiring, which penalises people with low life expectancy.

[36] Consistent with the view that survivor pensions perpetuate stereotypical secondary role of women in the labour market, Norway and Sweden have eliminated survivor pensions and thereby they do not provide benefits to address the drop of income following partners' death.

3 Design of pension systems

The five indicators in this section look in detail at the design of retirement income systems in OECD countries and other major economies. The first indicator sets out the taxonomy of the different kinds of retirement-income programmes found around the world. It uses this framework to describe the architecture of the pension systems of OECD and G20 countries.
The next four indicators set out the parameters and rules of the pension systems. The second indicator covers first-tier schemes and shows the values and coverage of basic, targeted and minimum contributory pensions. The third indicator looks at the mandatory earnings-related pension systems showing how benefits are determined in these schemes and the range of earnings that are covered. The fourth and fifth indicators present, respectively, the current and the future retirement ages by pension scheme for an individual entering the labour market at age 22 and working a full, uninterrupted career.

Architecture of national pension systems

Key results

Retirement-income regimes are diverse and often involve a number of different programmes. The taxonomy of pensions used here consists of two mandatory "tiers"; the first generates retirement income independent of past earnings level. The second covers earnings-related components. Voluntary provision, be it personal or employer-provided, comprises the third tier.

Figure 3.1 is based on the role of each part of the system. The first tier comprises programmes offering the first layer of social protection in old age, and for which past earnings are irrelevant in the calculation of retirement income. Such schemes often target some minimum standards of living in retirement. Mandatory earnings-related components (second tier) contribute to smoothing consumption, and therefore standards of living, between working life and retirement. *Pensions at a Glance* focuses mainly on these mandatory components, although information is also provided on some widespread voluntary private schemes (third tier, see Chapter 4).

Table 3.1 shows the architecture of pension systems in OECD countries based on the rules that determine eligibility and benefit levels while categorising mandatory earnings-related pensions as public or private in accordance with national accounts. Panel A describes the latest legislation applying to future retirees while Panel B shows where those rules have changed compared to current retirees.

Basic pensions can take two different forms: a residence-based benefit or a benefit that is only available to those who contributed during their career (i.e. contribution-based). The level of the benefit may vary with the number of residence or contribution years but is independent of earnings levels during the career. Eight OECD countries have a residence-based basic pension for future retirees while Norway is replacing it with a targeted scheme that involves a means test. Ten OECD countries feature a contribution-based basic pension.

Eligibility for ***targeted*** plans requires meeting some residence criteria. In these plans, the value of the benefit depends on income from other sources and possibly also assets. Hence, poorer pensioners receive higher benefits than better-off retirees. All countries have general safety nets of this type. However, countries are only marked in Table 3.1 if the benefit is payable to those having had a full career at 30% of average earnings. This holds for ten OECD countries, both currently and in the future.

Minimum contributory pensions can refer to either the minimum of a specific contributory scheme, or to all schemes combined and are currently found in 19 OECD countries. Chile and Italy are phasing them out for future retirees. In most countries, the value of entitlements only takes account of pensions rather than testing for other income.

There are three kinds of ***second-tier pension*** schemes, defined benefit, points or defined contribution. For future retirees, public pay-as-you-go schemes follow a ***defined benefit*** (DB) format in 19 OECD countries with pension's dependent on the number of years of contributions and individual pensionable earnings. These countries use **accrual rates** within the DB formula. Five countries use **points** schemes, where each year gives entitlement to points based on the level of contribution: French occupational plans managed by social partners under public supervision and the Estonian, German, Lithuanian and Slovak public schemes. At retirement, the sum of pension points is multiplied by the point value to convert them into a pension payment. France has both a mandatory DB and points scheme.

In another seven countries, DB schemes apply to current retirees but have been or will be closed to new workers (Table 3.1 Panel B). Private occupational DB schemes are currently mandatory or quasi-mandatory (see Chapter 4 for definition) in two OECD countries, Switzerland and the Netherlands, respectively. However, in the Netherlands, all new pension rights/entitlements must be built up in defined contribution (DC) pensions from 2028 onwards. Moreover, most pension funds (but not all) will also convert the already existing rights/entitlements into defined contribution (DC) pensions by 2028 at the latest.

Defined contribution schemes can follow one of two paths, either being funded or notional (pay-as-you-go). In these schemes, contributions flow into an individual account. ***Funded defined contribution*** (FDC) plans are compulsory for future retirees in 11 OECD countries. The contributions are invested in financial assets and the OECD modelling converts the resulting pension pot into a monthly pension at retirement. Five of these countries, Denmark, Iceland, the Netherlands, Sweden and the United Kingdom, also have quasi-mandatory, occupational FDC schemes in addition to either compulsory earnings-related public plans or basic pensions.

The ***notional defined contribution*** (NDC) schemes are at the core of the pension system in five OECD countries (Italy, Latvia, Norway, Poland and Sweden). In addition, the supplementary component of the pension system in Greece is also NDC for current retirees but will be FDC for future retirees. NDC schemes are pay-as-you-go public. Individual notional accounts apply a notional rate of return to contributions made, mimicking FDC plans. The accounts are "notional" in that the balances exist only on the books of the managing institution. At retirement, the accumulated notional capital is converted into a monthly pension using a formula based on life expectancy or mortality rates, indexation rules and discount rates.

Only Ireland and New Zealand in the OECD do not have mandatory second-tier pensions.

Further reading

OECD (2019), "Will future pensioners work for longer and retire on less?", *Policy brief on pensions*, OECD, Paris, https://www.oecd.org/en/publications/will-future-pensioners-work-for-longer-and-retire-on-less_0fa49b9b-en.html.

Figure 3.1. Taxonomy: Different types of retirement-income provision

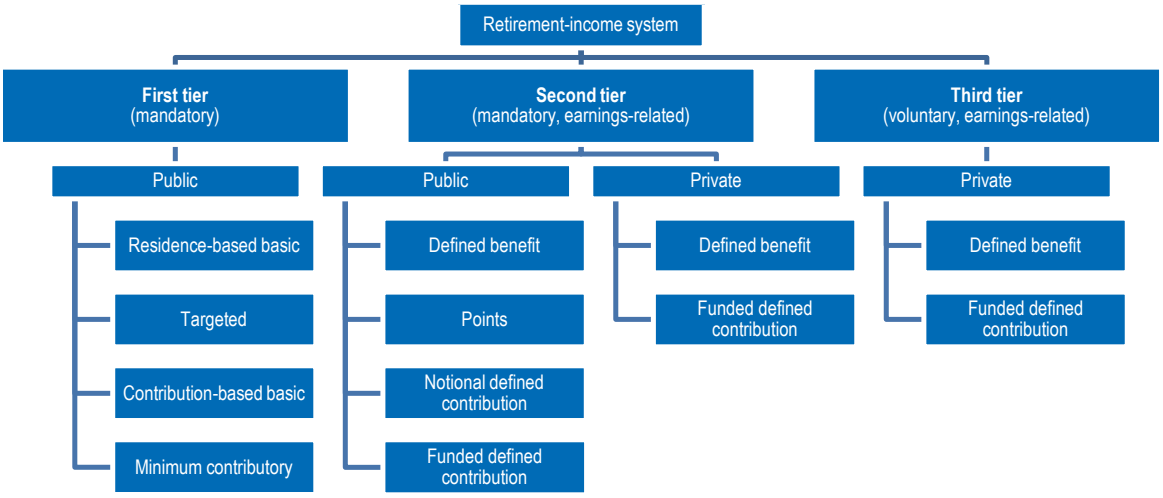


Table 3.1. Structure of retirement-income provision through mandatory schemes

	First tier				Second tier			First tier				Second tier	
	Residence-based		Contribution-based					Residence-based		Contribution-based			
	Basic	Targeted	Basic	Minimum contributory	Public	Private		Basic	Targeted	Basic	Minimum contributory	Public	Private
Panel A. Latest legislation (applying to future retirees entering the labour market in 2024 at age 22)													
Australia		✓				FDC	Luxembourg			✓	✓	DB	
Austria				✓	DB		Mexico	✓			✓		FDC
Belgium				✓	DB		Netherlands	✓					FDC [q]
Canada	✓	✓			DB		New Zealand	✓					
Chile		✓	✓			FDC	Norway		✓			NDC	FDC
Colombia				✓	DB	FDC	Poland				✓	NDC	
Costa Rica				✓	DB	FDC	Portugal				✓	DB	
Czechia			✓	✓	DB		Slovak Republic				✓	Points	
Denmark	✓	✓			FDC	FDC [q]	Slovenia				✓	DB	
Estonia			✓		Points		Spain				✓	DB	
Finland		✓			DB		Sweden		✓			NDC + FDC	FDC [q]
France				✓	DB + Points		Switzerland				✓	DB	DB
Germany					Points		Türkiye				✓	DB	
Greece	✓				DB + FDC		United Kingdom			✓			FDC [q]
Hungary				✓	DB		United States					DB	
Iceland	✓	✓				FDC [q]							
Ireland			✓				Argentina			✓	✓	DB	
Israel	✓		✓			FDC	Brazil				✓	DB	
Italy					NDC		China				✓	NDC + FDC	
Japan			✓		DB		India				✓	DB + FDC	
Korea		✓	✓		DB		Indonesia				✓	DB + FDC	
Latvia				✓	NDC + FDC		Saudi Arabia				✓	DB	
Lithuania			✓		Points		South Africa		✓				
Panel B. Current legislation where different from Panel A (applying to new retirees in 2024)*													
Chile		✓		✓	DB	FDC	Mexico				✓	DB	
Colombia				✓	DB	FDC	Netherlands	✓					DB
Estonia			✓		DB / Points	FDC	Norway	✓	✓			DB	FDC
Greece	✓				DB + NDC		United Kingdom			✓		DB	
Italy				✓	DB + NDC								

Note: A tick for the column "Targeted" is only shown if a full-career worker at 30% of the average wage is eligible. [q] = Quasi-mandatory scheme based on collective agreements with very high coverage rate, see Chapter 8. DB = defined benefit, FDC = funded defined contribution, NDC = notional defined contribution. In Canada, the basic pension (OAS) is income-tested but only through the tax system ("claw back"). The contribution-based basic pension in Israel is a 2% top-up (total maximum 50%) on the residence-based basic pension for each contribution year beyond 10 years. In the Netherlands workers entering in 2024 would normally be in a quasi-mandatory private DB scheme, but these will be largely converted to FDC by 2028. In Mexico, the government pays a transfer to the individual private FDC account of a contributing employee every month. In Switzerland, the government sets the contribution rate, the minimum rate of return or/and the annuity rate at which the accumulation is converted into a pension for mandatory occupational plans. These schemes are therefore implicitly defined benefit.

Source: See "Country Profiles" available at http://oe.cd/pag.

StatLink https://stat.link/mh9ruy

Basic, targeted and minimum contributory pensions

Key results

Residence-based basic pensions exist in nine OECD countries and are, on average among these countries, worth 21% of the gross average wage. All OECD countries provide targeted benefits for their residents to ensure at least some income. On average in the OECD, people without a contributory record could receive 16% of gross average earnings from targeted schemes, i.e. subject to a means test, and 21% when including residence-based basic pensions. For the ten OECD countries with contribution-based basic pensions the full benefit equals 14% of the gross average wage on average. Half of OECD countries provide a minimum pension benefit within their contributory scheme, with the full minimum contributory benefit level averaging 24% of average earnings for these countries.

There are four main ways in which OECD countries provide retirement incomes to meet a minimum standard of living in old age (Table 3.2). The left-hand columns of the table for each country show the value of benefits provided under these different types of schemes. Values are presented in relative terms – as a percentage of countries' gross average wages – to facilitate comparisons between countries (see the "Average wage" indicator in Chapter 7). The right-hand columns show the number of total recipients as a share of the population aged 65 and over.

Benefit level

Benefit values are shown for a single person. In some cases – in particular for minimum contributory pensions – each partner in a couple can receive an individual entitlement. In other cases – especially for targeted schemes – the household is treated as the unit of assessment and generally receives less than twice the entitlement of a single person.

Most countries have multiple programmes within the first tier, which complicates the analysis of effective benefit levels. In some cases, benefits under these schemes are additive. In others, there is a degree of substitution between them. All OECD countries provide targeted benefits that are subject to means tests; in Australia, Finland, Germany and the United States these are the only first-tier schemes in place.

Figure 3.2 summarises the level of non-contributory residence-based benefits. Residence-based basic pensions are present in nine countries with an average benefit of 20% of the gross average wage and a maximum of 39% in New Zealand. Norway is phasing it out, with a full elimination in 2030. Those eligible to the residence-based basic pensions in Greece, the Netherlands and New Zealand cannot receive targeted benefits on top. In Canada, Denmark and Iceland, residence-based basic pensions do not reduce the targeted benefit. On average amongst all OECD countries, 17% of gross average earnings can be received from targeted schemes subject to means tests, but this increases to 21%, on average, if the residence-based basic pensions, of the nine countries, are also included.

As for the contributory components of first-tier pensions, one-third of OECD countries has neither contribution-based basic nor minimum contributory pensions (Figure 3.3). Nine OECD countries provide contribution-based basic pensions, which lie on average at 14% of average earnings for the full benefit for these nine countries. They range from 5% of average earnings in Israel to 24% in Ireland. In half of OECD countries, low contributory pensions are topped up to a minimum pension level, up to 26% of average earnings, on average, among countries with minimum contributory pensions (13% across all 38 countries). These minimum pensions vary between a low of about 4% of the average wage in Hungary, though the benefit amount is net, and 11% in Czechia to a high of about 35% in Belgium, Luxembourg and Spain and even 52% in Colombia where the minimum contributory pension is set at the minimum wage.

Coverage

The importance of first-tier benefits varies enormously across OECD countries. The percentage of over-65s receiving such benefits is shown in the final four columns for each country in Table 3.2. Different approaches of reporting the number of recipients, for example in case of benefits paid to couples or even households, may blur the data comparability across countries to some extent.

Residence-based basic pensions have on average the highest coverage. However, contribution-based basic pensions also have very high recipient numbers in most countries that have such a scheme. Sometimes recipient numbers exceed 100% of the population aged 65 and older hinting to recipients being younger than 65 or living abroad.

The incidence of receiving a minimum contributory pension is very diverse across countries, being received by around 40% of the over-65s in Belgium and Türkiye but by 2% or under in Hungary, Poland, the Slovak Republic, Slovenia and Switzerland.

The range in targeted schemes is similarly big. In particular Australia, Chile, Denmark, Korea and Sweden have high recipient numbers of more than 50% for those aged 65 or older. However, in 13 countries the recipiency rate is at 5% or under.

Table 3.2. Current level and recipients of first-tier benefits

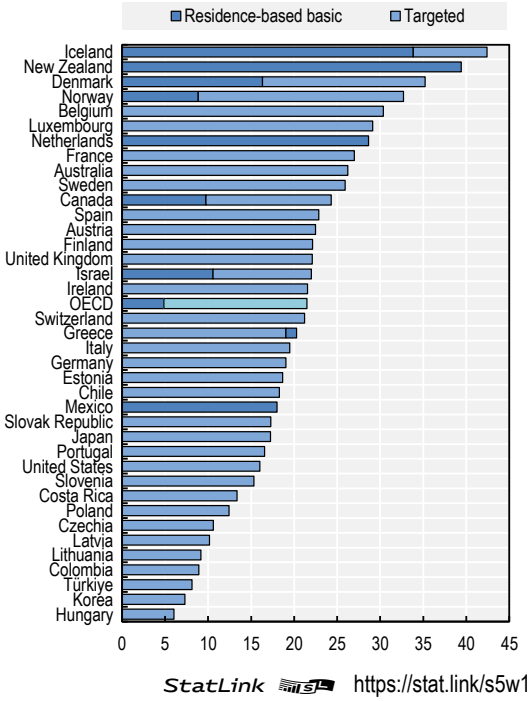
	Benefit value in 2024 (% of gross AW earnings)				Recipients in 2024 (% of population aged 65 and over)					Benefit value in 2024 (% of gross AW earnings)				Recipients in 2024 (% of population aged 65 and over)			
	Residence-based basic	Targeted	Contribution-based basic	Minimum contributory	Residence-based basic	Targeted	Contribution-based basic	Minimum contributory		Residence-based basic	Targeted	Contribution-based basic	Minimum contributory	Residence-based basic	Targeted	Contribution-based basic	Minimum contributory
Australia		26.2				55			Luxembourg		29.1	10.0	36.3			107	
Austria		22.5		35.9		1		7	Mexico	18.0			24.7	113			
Belgium		30.4		34.7		5		41	Netherlands	28.6				97			
Canada	9.8	14.6			91	31			New Zealand	39.4				104			
Chile		18.3		16.3		92		10	Norway	8.9	32.7			101	21		
Colombia		8.9		51.6		33		23	Poland		12.4		22.2		3		2
Costa Rica		13.4		22.8		24		31	Portugal		16.6		28.7		8		30
Czechia		10.6	9.6	11.3		3	106		Slovak Republic		17.3		30.2		0		8
Denmark	16.3	18.9			87	76			Slovenia		15.3		32.2		5		0
Estonia		18.7	17.8			1	112		Spain		22.9		36.4		4		12
Finland		22.2				32			Sweden		25.9				56		
France		27.0		23.8		4		31	Switzerland		21.2		14.8		13		1
Germany		19.0				4			Türkiye		8.1		25.9				41
Greece	20.3	19.0			76				United Kingdom		22.1	22.4			10	96	
Hungary		6.0		4.5		0.3		0	United States		16.0				12		
Iceland	33.9	8.6			71												
Ireland		21.6	24.3			12	61		Argentina		18.4	14.7	23.4		5	102	47
Israel	10.6	22.0	5.3		96				Brazil		41.4		44.9				
Italy		19.5		21.8		6		14	China								
Japan		17.2	15.8			3	93		India				4.7				
Korea		7.3	13.0			70	59		Indonesia				11.2				
Latvia		10.2		16.9				17	Saudi Arabia				39.1				
Lithuania		9.2	12.6			3	108		South Africa		7.8						

Note:. = Data are not available. The benefit level shown is for new pensioners in 2024. The contribution-based basic amounts refer to the benefit level for a full career. The basic pension in Greece requires a minimum period of contribution as well as residence. People in Greece, the Netherlands and New Zealand cannot receive a targeted benefit on top of a full residence-based basic pension.
Source: Information provided by countries and OECD calculations.

StatLink https://stat.link/i28xu0

Figure 3.2. Non-contributory first-tier benefits

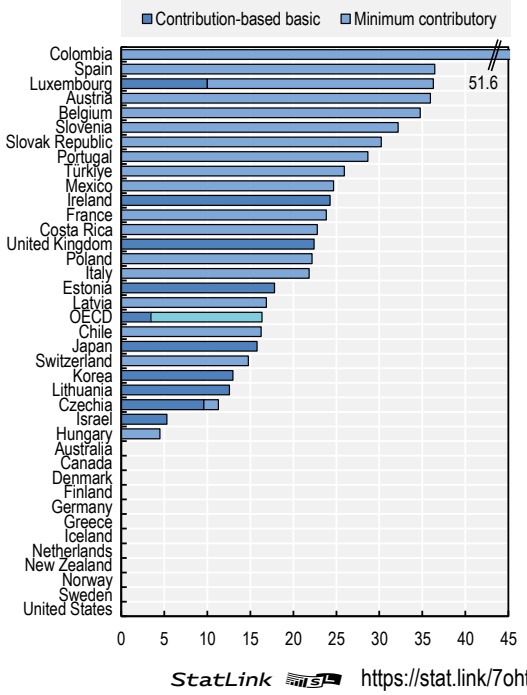
Percentage of gross average earnings, 2024



StatLink https://stat.link/s5w1y7

Figure 3.3. Contributory first-tier benefits

Percentage of gross average earnings, 2024



StatLink https://stat.link/7ohtnu

Eligibility and indexation for first-tier benefits

Key results

Full residence-based basic pensions require at least 40 years of residence in the country in six of the nine countries. Most countries with contribution-based basic pensions require at least ten years of contribution to be eligible to any benefit. Minimum contributory pensions on average require 31 years for a full benefit. Partial benefits are available in France and Switzerland when any payment has been made to the pension system. At least 15 years are required in other OECD countries. Price indexation is the most common approach for first-tier benefits.

Residence-based basic pensions

The underlying assumption for the modelling is that individuals are residents of the country throughout their working lives. However, in the nine countries with residence-based basic pensions the future benefit level is often pro-rated when residency periods are shorter. For example, in the Netherlands, the basic benefit accrues at 2% of the full value for each year a worker lives or works in the Netherlands. In Canada, Denmark, Greece, Iceland and Norway, 40 years of residence gives entitlement to the full benefit. Reduced benefits are possible with at least one year of residency in Denmark, three years in Iceland, five years in Norway, ten years in Canada and 15 years in Greece. In both Israel and Mexico nationals are fully covered with minimum residency periods of 5 and 25 years required for non-nationals.

Contribution-based basic pensions

The full rates of contribution-based pensions described in the previous indicator are only applicable after full eligibility. In most countries with such systems, partial eligibility is achieved after much shorter careers. For example, while full entitlement to the contribution-based basic pension is achieved after 40 years in Canada, Japan and Luxembourg, only 10 years of contribution are required for eligibility for a reduced benefit (Figure 3.4). On average across the ten OECD countries that have contribution-based basic pensions 34 years are required for a full pension and 13 years for initial eligibility. In Chile the newly introduced basic benefit requires 25 years of contribution for the full benefit but a partial benefit is paid with one year of contributions. In Lithuania, the period for the full benefit is increasing. In Argentina and Czechia 30 and 35 years respectively are required for eligibility. No other OECD or G20 country requires more than 15 years. Residence-based basic pensions also have proportionally reduced benefits in many countries.

Minimum contributory pensions

Minimum contributory pensions are much more widespread than contribution-based basic pensions. In 8 of the 19 countries that have minimum contributory pensions there is one single value of benefit payable after reaching the minimum eligibility criteria. In the other nine countries higher rates of minimum pension are paid for longer contribution periods. On average 18 years of contribution are required for eligibility to a minimum contributory pension. On average 31 years are required for the full pension. In France and Switzerland, any period of contribution gives entitlement to a minimum contributory pension, while over 40 years are required for the full benefit. In Latvia and the Slovak Republic, the minimum contributory pension is achieved after 15 and 30 years, respectively, but, in both countries, there is no explicit maximum duration as every year of contribution increases the benefit. Full pensions are achieved with 25 years of contributions or fewer in Chile, Colombia, Costa Rica, Hungary, Italy, Mexico, Poland, Slovenia and Türkiye. For the G20 countries full benefits are paid after only 10 years of contributions in India and 15 years in Indonesia, but the other countries require at least 30 years.

Indexation

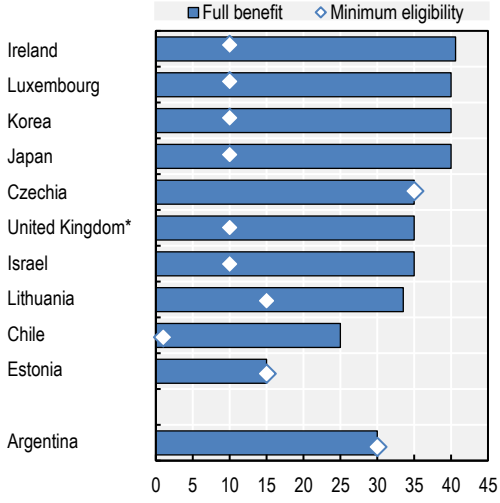
On top of eligibility for a basic, targeted or minimum contributory pension and the benefit levels, the way first-tier pensions are indexed during retirement plays a key role for their effectiveness in the fight against old-age poverty. If benefits are indexed to wages, as is the case for the basic and safety-net benefits in Denmark, for example, then they will hold their value relative to average wages throughout the retirement period, decreasing future poverty risks and maintaining the relative standard of living of the retiree. However, indexing first-tier benefits to wage growth is rare across OECD countries (Table 3.3). Price indexation is a much more common approach, which means that during normal times of positive real-wage growth, fuelled by productivity gains, the relative value of the benefit tends to decline over time. Beyond benefits already in payment, price indexation also reduces future eligibility thresholds for targeted benefits relative to wages, which is likely to reduce the number of individuals or households that will be initially eligible.

Further reading

OECD (2023), Pensions at a Glance 2023: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/678055dd-en.

Figure 3.4. Number of years required for partial and full contribution-based basic pensions

Number of years required for initial eligibility and for full contribution-based basic pensions

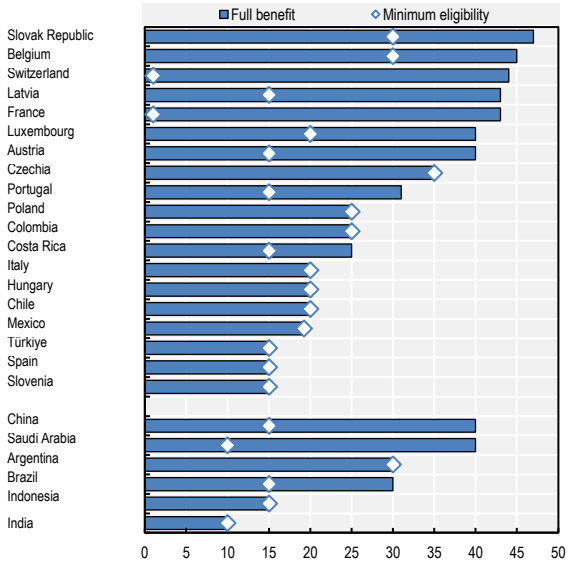


Note: *Subject to transitional rules for current retirees, based on a person's National Insurance record.
Source: See "Country Profiles" available at http://oe.cd/pag.

StatLink https://stat.link/g0x3rl

Figure 3.5. Number of years required for partial and full minimum contributory pensions

Number of years required for initial eligibility and for full minimum contributory pensions



Note: In Latvia and the Slovak Republic there is no explicit maximum duration so the full career length to normal retirement age is shown. Those retiring in 2024 in France only need 41.75 years of contributions for the full benefit.
Source: See "Country Profiles" available at http://oe.cd/pag.

StatLink https://stat.link/im3g28

Table 3.3. Indexation of first-tier benefits

	Basic	Minimum contributory	Safety net		Basic	Minimum contributory	Safety net
Australia			Highest of prices or cost of living	Luxembourg	Cost of living and annually consider wages (C)	Cost of living and annually consider wages	Cost of living and annually consider wages
Austria		Prices	Discretionary	Mexico	Prices (R)	Prices	Prices
Belgium		Prices	Prices	Netherlands	Net minimum wage (R)		Net minimum wage
Canada	Prices (R)		Prices	New Zealand	CPI and periodically net average wage (R)		CPI and periodically net average wage
Chile	Prices (C)	Prices	Prices	Norway	Average of nominal wages and prices (R)		Average of nominal wages and prices
Colombia		Wages		Poland		Prices + 20% wages	Prices
Costa Rica		Wages	Wages	Portugal		GDP and CPI without housing	GDP and CPI without housing
Czechia	Wages (C)	Wages	Discretionary	Slovak Republic		Wages	Prices
Denmark	Wages (R)		Wages	Slovenia		20% wages/80% prices	Prices
Estonia	80% wages/20% prices (C)		80% wages/20% prices	Spain		Prices	At least equal to contributory pension increase
Finland			Prices	Sweden			Prices
France		50% wages/50% prices	Prices	Switzerland		50% wages/50% prices	50% wages/50% prices
Germany			70% prices/30% wages	Türkiye		Prices	Prices
Greece	Prices (R/C)		Prices	United Kingdom	Highest of prices, wages or 2.5% (C)		Highest of prices, wages or 2.5%
Hungary		Prices	Prices	United States			Prices
Iceland	Highest of wages or cost of living (R)		Prices				
Ireland	Discretionary (C)		Discretionary	Argentina	Average of wages and wage bill	Average of wages and wage bill	Average of wages and wage bill
Israel	Prices (R/C)		Prices	Brazil		Wages	Wages
Italy		Prices	Prices	China			
Japan	Wages until 67, then prices (C)		Cost of living and wages	India		Discretionary	
Korea	Prices (C)		Prices	Indonesia		Prices	
Latvia		Wages	Wages	Saudi Arabia		Discretionary	
Lithuania	Wage bill (C)		Prices	South Africa			Prices

Note: (C) refers to contribution-based basic and (R) refers to residence-based basic.
Source: See "Country Profiles" available at http://oe.cd/pag.

Mandatory earnings-related pensions

Key results

The second tier of the OECD's taxonomy of retirement-income provision comprises mandatory or quasi-mandatory earnings-related pensions, covering defined benefit, points and defined contribution schemes. Key parameters and rules of these schemes determine the future value of entitlements.

Generic earnings-related schemes are of three different types governed by different rules of benefit calculation. **Defined benefit** (DB) schemes typically specify an accrual rate, expressed as a percentage of individual pensionable earnings, at which benefit entitlements build up throughout the career. The higher the contribution rate the higher the accrual rate that can be sustained. Defined benefit schemes can be funded or pay-as-you-go or a combination of both. In **points** schemes, the pension benefit is equal to the number of points accumulated during the career multiplied by the point value. Points schemes that currently exist in OECD countries are all pay-as-you-go. **Defined contribution** (DC) schemes are individual account-based schemes that accumulate contributions during the working career to finance retirement. When the accounts accumulate capital in the form of financial assets, these schemes are classified as **funded defined contribution (FDC).** If schemes are based on notional accounts, then they are referred to as **notional defined contribution (NDC)** schemes. In both cases, for the modelling of replacement rates in Chapter 4, an annuity divisor is applied to transform financial assets (real or notional) into monthly pensions. Table 3.4 presents future parameters and rules for benefit calculation that will apply to people who enter the labour market in 2024, according to the latest legislation.

Within PAYG DB schemes, ***accrual rates*** of at least 2% apply in Colombia, Portugal, Spain and Türkiye. Japan and Korea credit the lowest rates of about 0.5%. In half of DB schemes, the accrual rate is the same irrespective of career length or earnings level. However, in Czechia, Portugal, the United States and for the public scheme in Switzerland, entitlements vary with earnings levels, granting higher accrual rates to lower earners. Accrual rates increase with the length of the contribution history in Greece and Luxembourg. In Hungary, Slovenia and Spain accruals are higher for the first years of coverage. Moreover, in the Swiss occupational plan accrual rates increase with age as do contribution rates.

In Spain and Türkiye, the total accumulated accrual rate is capped at 100% and 90% respectively. In Portugal, at most 40 years of contributions are required, effectively capping the accrual at 92%.

Pensionable earnings measures used to calculate benefits use the entire career earnings in the majority of countries. Portugal, Slovenia and the United States also come close by using the best 40, 35 and 35 years, respectively. Only public pensions in Costa Rica, Spain and France for its main scheme will still be based on a comparatively small fraction of career earnings; final 25, final 25 (increasing to best 27 of the final 29 years of earnings from 2044) and best 25 respectively. In Colombia the most favourable of lifetime or final 10 years is used.

All schemes apply a ***valorisation rate*** to past earnings to take account of at least changes in real terms between the time pension rights accrued and the time they are claimed. The most used rate is the growth of average earnings. However, Belgium, Colombia, Costa Rica, Spain and the main scheme in France only revalue past earnings with price inflation, thereby leading to a negative impact of real-wage growth on replacement rates and making the finances of the system more sensitive to real-wage growth (OECD, 2019). Also, Finland, Portugal and the United States revalue earlier years' earnings with a mix of price and wage inflation, and in Estonia and Türkiye it is a mix of prices and, respectively, wage bill and GDP growth.

For DC plans the cumulative growth of individual accounts is determined by the rates of return on top of new contributions made. These rates of return are financial market returns in FDC schemes and notional interest rates in NDC schemes. The latter are equal to the rate of GDP growth in Italy, wage bill growth in Latvia and a mix of the two in Poland. Norway and Sweden apply earnings growth. One key parameter for DC plans is the ***contribution rate*** paid into individual accounts.

Pension schemes in nine countries do not have a ceiling. The highest ceilings apply in Colombia, France and the Slovak Republic, at over 8 times average earnings. The lowest at 0.68 to 0.86 times are in Canada, Israel and Switzerland.

Indexation refers to the growth of pensions in payment, i.e. during retirement. Price indexation is most common. However, eight countries uprate benefits with a mix of price inflation and wage growth, and four countries combine price inflation and GDP or wage bill growth. Sweden indexes pensions based on wage growth minus 1.6%.

The ***effective accrual rate*** measures the rate at which benefit entitlements are effectively built for each year of coverage. It thus depends on modelling assumptions and is closely connected to the replacement rates shown in Chapter 4. For DB schemes, it equals the nominal accrual rate after adjusting for all the elements that apply to pensionable earnings i.e. thresholds, valorisation of past earnings, sustainability factors. In FDC and NDC schemes the effective accrual rate is the replacement rate, divided by the number of years of contribution. The replacement rate in this case depends on contribution rates, rates of return and annuity factors.

Based on current legislation, at the average-wage level, the highest future effective annual accrual rates of 1.9% are in Colombia and Spain. Austria, Italy, Luxembourg, Portugal and Türkiye are also above 1.5%. The lowest rates, below 0.2%, are in the points scheme in Lithuania and the FDC schemes of Norway and Sweden, reflecting low contribution rates.

Further reading

OECD (2019), *OECD Reviews of Pension Systems: Portugal,* OECD Reviews of Pension Systems, OECD Publishing, Paris, https://doi.org/10.1787/9789264313736-en.

Table 3.4. Future parameters and rules of mandatory earnings-related pensions, latest legislation

At the normal retirement age for a full-career worker who entered the labour market at age 22 in 2024

	Type of scheme	DB schemes	DB, points or NDC schemes			FDC or NDC schemes	Ceiling for pensionable earnings (multiple of average earnings)	Effective accrual rate of a male full-career average earner (% of earnings)
		Nominal accrual rate (% of individual pensionable earnings)	Earnings measure	Valorisation rate	Indexation rate	Total contribution rate (%)		
Australia	FDC					12.0	2.51	0.59
Austria	DB	1.78	L	w	p		1.42	1.72
Belgium	DB	1.33	L	p	p		1.20	0.94
Canada	DB	0.83	L	w	p [c]		0.78	0.70
Chile	FDC					16.0	2.76	0.87
Colombia	DB / FDC	2.00 [w]	F10 or L	p	p	14.0	12.90	1.87 / 0.00
Costa Rica	DB / FDC	1.29 [w]	F25	p	p	4.3	None	1.29 / 0.23
Czechia	DB	0.77 [w]	L	w	33%w + 100%p		3.84	0.77
Denmark	FDC (Occ.)					12.0	None	0.84
Estonia	Points		L	w	80%wb + 20%p		None	0.30
Finland	DB	1.50	L	80%w + 20%p	20%w + 80%p		None	1.22
France	DB / points	1.16	B25 / L	p / w	p / p		1.01 / 8.11	0.99 / 0.32
Germany	Points		L	w	w – x		1.43	0.94
Greece	DB / FDC	1.14 [y]	L	p, w	50%p+50%g / p	6.0	4.07 / 4.07	1.14 / 0.4
Hungary	DB	1.21 [y]	L	w	p		None	1.21
Iceland	FDC (Occ.)					15.5	None	0.96
Ireland	None							
Israel	FDC					12.5	0.76	0.75
Italy	NDC		L	g	p	33.0	1.83	1.42
Japan	DB	0.55	L	w	p or w [a]		2.27	0.50
Korea	DB	0.47	L	w	p		1.35	0.47
Latvia	NDC / FDC		L	wb	p + 50%wb	14.0 / 6.0	4.74 / none	0.52 / 0.38
Lithuania	Points		L	w	wb		4.43	0.18
Luxembourg	DB	1.57 [y]	L	w	p, w [c]		2.08	1.57
Mexico	FDC					15.0	2.90	0.96
Netherlands	FDC (Occ.)					18.6	None	0.96
New Zealand	None							
Norway	NDC / FDC		L	w	average (p,w)	18.1 / 2.0	1.14 / 1.92	0.83 / 0.11
Poland	NDC		L	p, wb, g	p, w [c]	19.5	2.43	0.67
Portugal	DB	2.30 [w]	B40	min(25%w+75%p,p+0.5%)	p, d		None	1.57
Slovak Republic	Points		L	95%w	p		10.31	1.23
Slovenia	DB	1.13 [y]	B35	w, d	20%w + 80%p		2.08	1.13
Spain	DB	2.70 [y]	B27 of F29	p	p		1.42	1.87
Sweden	NDC / FDC / FDC (occ.)		L	w	w – 1.6% [c]	14.9 / 2.3 / 4.5 [w]	1.14 / 1.14 / none	0.88 / 0.16 / 0.28
Switzerland	DB / DB (occ.)	0.63 [w] / 0.68 [a]	L / L	f / r	50%w+50%p / 0%		0.68 / 0.68	0.54 / 0.44
Türkiye	DB	2.00	L	p + 30%g	p		3.17	1.61
United Kingdom	FDC					8.0	0.98	0.48
United States	DB	1.21 [w]	B35	w or p	p		2.39	0.88
Argentina	DB	1.22	F10	none	50%w/50%wb		None	1.11
Brazil	DB	2.47 [y]	L	p	p		1.38	2.06
China	DB / FDC	1.00	L	w	50%w+50%p	8.0	none / 3.00	1.00 / 0.97
India	DB / FDC	1.43	F5	none	p	15.7 [w]	1.42 / 1.42	0.65 / 0.44
Indonesia	DB / FDC	1.00	L	p	p	5.7	1.68 / none	0.77 / 0.47
Saudi Arabia	DB	2.25	F15	none	p		1.21	1.76
South Africa	None							

Note: Empty cells indicate that the parameter is not relevant. [a] = varies with age, [c] = valorisation/indexation conditional on financial sustainability, [f/m] = varies by gender, [w] = varies with earnings, [y] = varies with years of service, B = number of best years, F = number of final years, L = lifetime average, d = discretionary valorisation/indexation, f = fixed-rate, g = growth of gross domestic product; p = price inflation, w = growth of average earnings, wb = wage bill growth. Colombia: An average earner does not make contributions to the FDC scheme, hence giving zero as the effective accrual rate for this component. Denmark: typical contribution rate for quasi-mandatory occupational plans. ATP pension only enters the last column. Germany: x depends on changes in both sustainability and contribution factors. Italy: indexation is to price inflation for low pensions and 75% of price inflation for high pensions. Japan: indexation is to earnings growth until age 67 and to price inflation after age 68. Latvia: 50% for careers shorter than 30 years, 60% for careers between 30 and 39 years, 70% for careers between 40 and 44 years, and 80% for careers of at least 45 years. Luxembourg: indexation is to price inflation plus a share of real earnings growth, depending on the financial situation of the pension scheme, assumed to be full wage growth until 2027 and 25% thereafter. Poland: indexation is to price inflation + at least 20% of real average-earnings growth in the previous year. Portugal: indexation is higher relative to prices for low pensions and vice versa. Indexation rises with higher GDP growth. Spain: The earnings measure is the best 27 years of the 29 years immediately prior to retirement. Switzerland: in the public scheme, ceiling applies to average earnings measure at retirement rather than annual earnings in the contribution years. United States: valorisation with earnings growth to age 60, no adjustment from 60 to 62, valorisation with price inflation from 62 to 67. Accrual rates applied to average earnings measure at retirement rather than annual earnings in the years of contribution. In some countries accrual stops after a certain number of contribution years or when a certain total accrual rate is reached. This is the case in Belgium (45 years), Canada (40 years), Portugal (40 years), Spain (100%), Türkiye (90%) and the United States (35 years). In other countries a maximum pension or a late retirement age may stop accrual too.

Source: See "Country Profiles" available at http://oe.cd/pag.

StatLink https://stat.link/rw6lhv

Current retirement ages

Key results

The eligibility rules to retire and withdraw a pension benefit are complex and often reflect conflicting objectives. This is all reflected in the different criteria for each scheme. The 2024 average normal retirement age across OECD countries for an individual with a full career and who entered the labour market at age 22 was equal to 63.9 years for women and 64.7 years for men. Türkiye is an outlier with a normal retirement age of 49 and 52 for women and men, respectively. Except for Türkiye, the lowest ages are 57 for women in Colombia and 62 for men in Colombia, Luxembourg and Slovenia. Denmark, Iceland, Norway and, for men only, Israel have the highest normal age of 67. Nine OECD countries have a lower normal retirement age for women than for men. The largest gender difference of five years in Colombia, Israel and Poland.

In many OECD countries, rules differ across pension components. As defined by the OECD, the normal retirement age (NRA) is the eligibility age to pensions without penalty in all schemes combined after a full career from age 22. Where retirement ages differ across schemes the maximum thus defines the NRA of the country.

Table 3.5 shows the rules for both normal and early retirement for mandatory pension schemes. In some schemes, a pension can be claimed earlier than the normal retirement age, from the "early" retirement age onwards, implying benefit penalties.

Early age

The early retirement age is the first age at which a pension can be claimed (Table 3.5). It is generally not possible to retire before the standard statutory age within residence-based basic pensions or for safety-net benefits.

Most DB and points schemes specify an early retirement age, commonly between two and five years below the normal statutory retirement age. Only in Austria (for women), Colombia, Costa Rica, Hungary (men), Türkiye and the United Kingdom do DB schemes currently not include an early-retirement option. Elsewhere, the future benefit is in general not only lower because of the reduced contribution period, but it also has a further reduction for each year that the pension is taken early. Belgium and Luxembourg, however, do not apply a penalty.

In a few countries early retirement ages depend on the length of past contributions. The early retirement age is based on having made a given number of years of contributions in Austria (40 years) and Germany (35). In Belgium, Estonia and Italy there are different early retirement ages based on the variable numbers of years of contribution. For example, in Estonia, early retirement is possible one year early with 20 years of contribution, increasing to a maximum of five years with 40 years of contribution. In Greece and Luxembourg, the early and normal ages are the same. As the modelling assumes the career starts at age 22, the normal and early ages are both at age 62. Age 62 is the earliest age of retirement in Greece for anyone, with a minimum of 15 years of contributions, whereas in Luxembourg retirement is possible from age 57 with 40 years of contributions.

It is possible to retire at a very early age in a few countries for individuals who started their full career at an early age, as shown in the "early start" column in Table 3.5. For example, retirement is possible without penalty at age 60 with 44 years of contributions in Belgium or at age 57 with 40 years of contributions in Luxembourg. Although there are penalties within the earnings-related schemes in the other countries listed in the "early start" column they do not apply for these early start cases, meaning for example that there is no sustainability factor in Portugal if there are 46 years of contribution by age 60.

For the earnings-related schemes, different rules influence the age at which certain components of the pension system can be claimed. For example, in the FDC schemes of Chile, Colombia and Mexico and the DB scheme in the Slovak Republic, early retirement requires that pension entitlements exceed a floor. In the Slovak Republic, this is only possible within two years of the statutory retirement age.

Normal retirement age

The OECD defines the NRA in a given country as the age of eligibility of all schemes combined without penalty, based on a full career from age 22. Women in Chile, for example, are eligible for the FDC component at age 60 but they are not eligible to the targeted pension before age 65. The latter is therefore recorded as their NRA in 2024.

In 2024, the OECD average NRA was equal to 64.7 years for men and 63.9 years for women. It ranges from 49 for women and 52 for men in Türkiye to 67 in Denmark, Iceland, Norway and, for men only, Israel. The statutory retirement age in Italy is 67 but if the sum of the career length and the retirement age is at least 104 years then retirement is possible without penalty, from age 63. Pension schemes in nine countries still have a lower NRA for women (Figure 3.6). The largest gender difference of five years are in Colombia, Israel and Poland – the gap is also five years for the DC scheme in Chile but because women, and for that matter men, are only eligible to the targeted scheme at age 65 it is assumed that this difference does not translate in any gender gap for the NRA (Figure 3.6).

In most countries the age at the beginning of the career has a limited impact on the normal retirement age. If career entry had been at age 20 rather than 22, only six countries would have a different NRA for people retiring in 2024 (Figure 3.6). In Luxembourg and Slovenia as well as in Hungary for women, 40 years are needed for a full pension, hence, for a full career from age 20, the NRA is 60 in these three countries. In France 42.25 years of contributions are needed for retirement without penalty with a minimum age of 62.5 years. In Germany retirement is possible without penalty at just over 64 years after 45 years of contributions - therefore at age 65 with entry at age 20. In Portugal the retirement age is reduced by four months for every year of contribution beyond 40 years at age 60.

Table 3.5. Current early and normal retirement ages by type of pension scheme

For an individual retiring in 2024 after an uninterrupted career from age 22 except for early starters

		Scheme	Early	Normal	Early start			Scheme	Early	Normal	Early start
Australia		T	n.a.	67.0		Italy	M	NDC + DB	63.0	64.8	<59***
		FDC	55.0	..			W	NDC + DB	63.0	63.8	<59***
Austria	M	DB, Min	62.0	65.0		Japan		Basic, DB	60.0	65.0	
	W	DB, Min	n.a.	60.5		Korea		Basic, DB	59.0	63.0	
Belgium		DB, Min	64.0*	65.0	60	Latvia		NDC, Min, FDC	62.8	64.8	
Canada		Basic, T	n.a.	65.0		Lithuania	M	Basic, points	59.7	64.7	
		DB	60.0	65.0			W	Basic, points	59.3	64.3	
Chile		Min, T	n.a.	65.0		Luxembourg		Basic, DB, Min	62,0	62.0	57
	M	FDC	any age & SL	65.0		Mexico		Min	60.0	65.0	
	W	FDC	any age & SL	60.0				Basic	n.a.	65.0	
Colombia	M	DB, Min	n.a.	62.0				DB	60.0	..	
	M	FDC	any age & SL	62.0				FDC	60.0 or SL	..	
	W	DB, Min	n.a.	57.0		Netherlands		Basic	n.a.	67.0	
	W	FDC	any age & SL	57.0				DB (Occ)	sector-specific	..	
Costa Rica	M	DB, FDC	n.a.	65.0		New Zealand		Basic	n.a.	65.0	
	W	DB, FDC	63.0	63.0		Norway		Basic, T, DB	62.0	67.0	
Czechia		Basic, DB, Min	62.0	64.2				FDC	62.0		
Denmark		Basic, T	n.a.	67.0	64	Poland	M	NDC, Min	n.a.	65.0	
		FDC (ATP)	67.0	..			W	NDC, Min	n.a.	60.0	
		FDC (Occ)	64.0	..		Portugal		DB	62.0	65.3	60
Estonia		Basic, points	60.8	64.8				Min	n.a.	65.3	
Finland		T	64.0	65.0		Slovak Republic		Points, Min	61.2 & SL	63.2****	
		DB	64.5	65.0		Slovenia	M	DB, Min	60.0	62.0	58
France		DB, Min	62.5	64.3	58		W	DB, Min	60.0	62.0	57
		Points	57.0	64.3		Spain		DB, Min	64.5	65.0	
Germany		Points	63.0	66.2	**	Sweden		Basic, T	n.a.	66.0	
		T	n.a.	66.2				DB / NDC, FDC	63.0	..	
Greece		Basic, DB, NDC	62.0	62.0				FDC (Occ)	55.0	66.0	
Hungary	M	DB, Min	n.a.	65.0		Switzerland	M	DB, Min	63.0	65.0	
	W	DB, Min	62.0	62.0			W	DB, Min	62.0	64.0	
Iceland		Basic, T	n.a.	67.0			M	DB (Occ)	58.0	65.0	
		FDC (Occ)	65.0	67.0			W	DB (Occ)	58.0	64.0	
Ireland		Basic	n.a.	66.0		Türkiye	M	DB, Min	n.a.	52.0	
Israel	M	Basic	n.a.	67.0			W	DB, Min	n.a.	49.0	
	W	Basic	n.a.	62.0		United Kingdom		Basic, DB	n.a.	66.0	
	M	FDC	67.0			United States		DB	62.0	66.7	
	W	FDC	62.0								

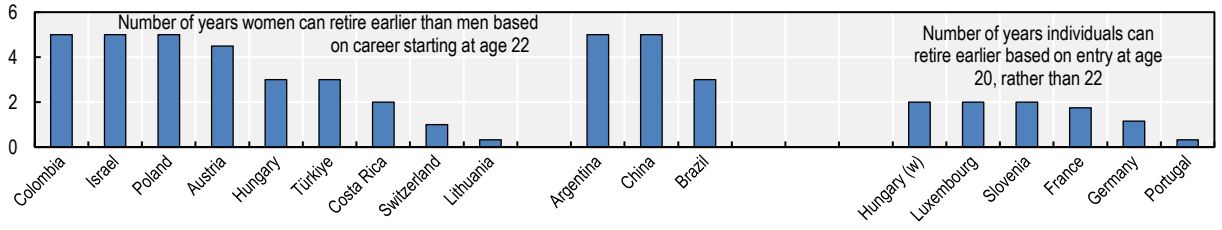
Note: n.a. = early retirement or deferral of pension is not available; Occ = occupational, Min = minimum pension, SL = subsistence level reached, T = targeted,. = no normal retirement age indicated as benefits automatically adjusted to the age of retirement in an actuarially neutral way. * Early retirement is possible at age 63 with 42 years, 61 with 43 years and 60 with 44 years. ** An early starter can retire at just over 64 years without penalty with 45 years of contribution. *** It is possible to retire in Italy at any age with 41 years of contribution provided 12 months of contribution were made before age 19. **** For women with children the retirement age is reduced dependent on the number of children. Normal and early retirement ages for a scheme describe the ages at which the receipt of a pension, respectively, with and without penalties is first possible, assuming labour market entry at age 22 and an uninterrupted career. Credits for educational periods are not included.

Source: OECD based on information provided by countries; see "Country Profiles" available at http://oe.cd/pag.

StatLink https://stat.link/g0fhzx

Figure 3.6. Difference in the normal retirement age by gender and by age of career start

For an individual retiring in 2024 with a full pension after an uninterrupted career



Note: The retirement age difference for women is based on labour market entry at age 22. There is a five-year gender gap for the DC scheme in Chile but because women are only eligible to the targeted scheme at age 65, whilst the age for all components is 65 for men, it is assumed that this difference does not translate in any gender gap for the normal retirement age. Only countries with a difference for either gender or entry age are shown. For all others see Table 3.5.

Source: OECD based on information provided by countries; see "Country Profiles" available at http://oe.cd/pag.

StatLink https://stat.link/q4ui9j

Future retirement ages

Key results

Future normal and early retirement ages will continue to rise. Assuming labour market entry at age 22 in 2024 the normal retirement age will increase by about two years to 66.4 years for men and 65.9 years for women on average across all OECD countries against 64.7 and 63.9 years, respectively, for retirement in 2024.

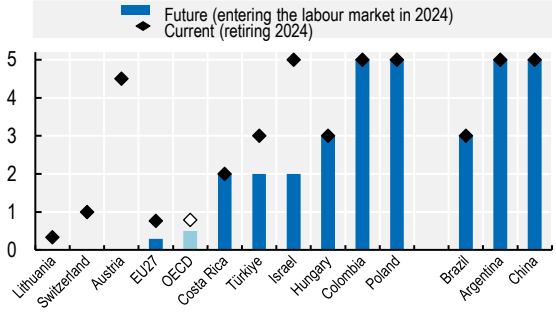
Normal retirement age

Across countries, the average normal retirement age for men with a full career from age 22 in 2024 will be 66.4 years (hence around 2068) based on current legislation against 64.7 years for those retiring in 2024 (Figure 3.8). Meanwhile, the remaining life expectancy of men at age 65 is projected to increase on average from 18.5 to 22.7 years (Chapter 6). So, the average legislated increase in men's normal retirement ages accounts for slightly more than 40% of the average projected increase in old-age life expectancy.

The normal retirement age of men will increase in half of OECD countries. The highest increase is projected for Türkiye, from 52 currently to 65 years for men. Assuming that legislated life-expectancy links are applied, the retirement age will increase substantially also in Denmark, from 67 to 74 years, and Estonia, from 64.8 to 71 years. This is also the case for Italy where the retirement age will increase from 63 in 2024 (as mentioned earlier, the retirement age in 2024 is lowered from 67 years) to 70 years. Likewise in Finland, Greece, the Netherlands, Portugal, the Slovak Republic and Sweden future pension ages are also linked to increases in life expectancy with increases in life expectancy of between 2.5 and 6 years expected over the next 50 years. The lowest future retirement age for men equals 62 in Colombia, Luxembourg and Slovenia.

Figure 3.7. Gender gap in current and future normal retirement ages

Based on a full career from labour market entry at age 22



Note: See the StatLink.

Source: OECD based on information provided by countries.

StatLink https://stat.link/7phqfi

Among the nine OECD countries with gender differences in the normal retirement age in 2024, gender gaps will be phased out in Austria, Lithuania and Switzerland for the generation entering the labour market in 2024. In Türkiye, it will be phased out for those entering in 2028. Gender gaps will still remain in Colombia, Costa Rica, Hungary, Israel and Poland, though the gap will narrow in Israel (Figure 3.7). Table 3.6 shows the rules for early, normal and late retirement by pension scheme for a person entering the labour force at age 22 in 2024.

Early retirement

Ignoring schemes with careers starting at a very early age, the early retirement age currently averages 62.5 years across the OECD, just over two years below the normal retirement age of 64.7 years (Figure 3.9). It will increase to 63.9 years, widening the gap with the average the normal retirement age of 66.4 years. Over half of OECD countries will not see any change in the early retirement age for those entering the labour market in 2024 compared to those retiring in 2024. The average effective penalty for retiring one year earlier than the normal retirement age in contributory basic, DB and points-based pension systems is 4.4%, ranging from 2.9% in Switzerland to 7.2% in Canada (Chapter 1). Belgium and Luxembourg as well as Hungary for women are the only countries that do not apply penalties within their earnings-related schemes.

Figure 3.9 also shows the earlier retirement ages that are possible for those that have a full career from an early age. These long-career schemes are not a common practice, but they exist in Belgium, Denmark, France, Italy, Luxembourg, Portugal and Slovenia. It is possible to retire at age 57 in Luxembourg and at age 58 in France and Slovenia though in France contributions would have had to start before age 16. In Italy one can retire at age 59 with 41 years of contributions. In Portugal it is possible at age 60 with contributions from age 14. For Denmark retirement is possible at age 64 if at least 44 years of labour market attachment has been achieved before age 61.

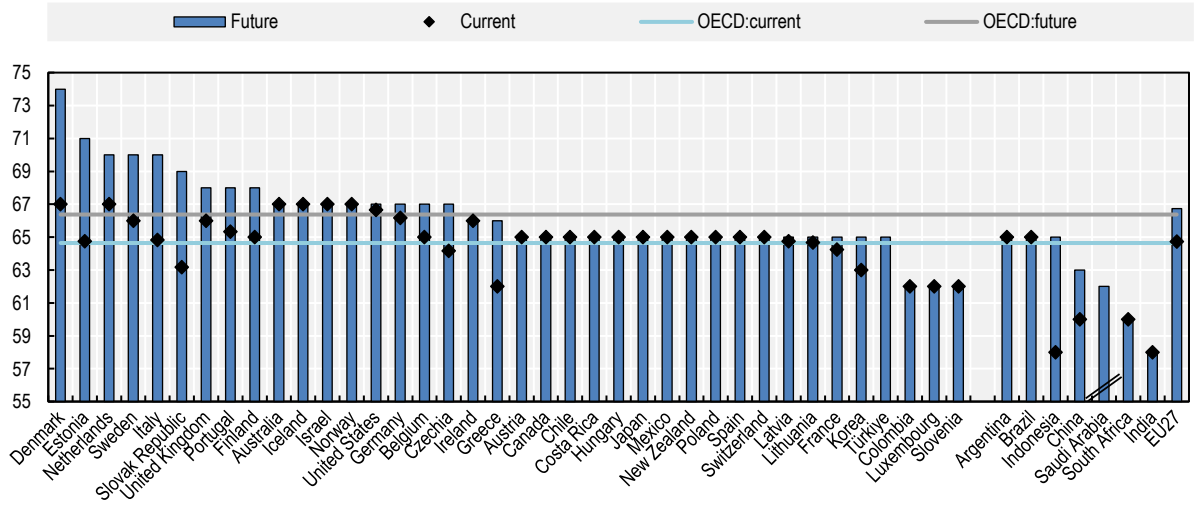
Late retirement

Late retirement can be encouraged through bonuses after the normal retirement age. Such bonuses are typically part of contributory public pension schemes, while residence-based basic or targeted benefits are generally only available at the normal retirement age. The higher the bonuses, the higher the incentives to work longer. Belgium, Colombia, France (occupational), Greece, Luxembourg and Türkiye currently do not provide a bonus for deferring pension benefits. On average the bonus rate for retiring one year after the normal retirement age is 4.8% across OECD countries, ranging from 1.6% in Costa Rica to 12.0% in Portugal for those with over 40 years of contributions (Table 3.4).

NDC and FDC pensions do not have explicit bonus and penalty rates, but they have built-in adjustments of benefits that can be received every month to the length of the retirement period.

Figure 3.8. Current and future normal retirement ages for a man with a full career from age 22

Current and future refer to retiring 2024 and entering the labour market in 2024, respectively

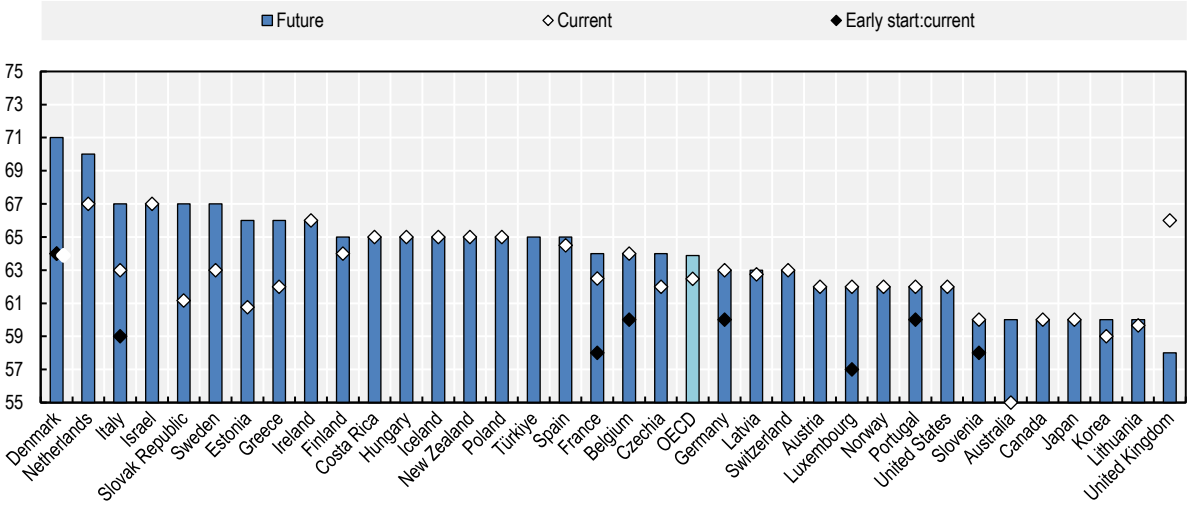


Note: NRA: current and NRA: future refer to retiring in 2024 and entering the labour market in 2024, respectively. For better visibility, the scale of this chart excludes the lowest observed values of 47 for current in Saudi Arabia. Credits for educational periods are not included.
Source: OECD based on information provided by countries; see "Country Profiles" available at http://oe.cd/pag.

StatLink https://stat.link/pgr5v9

Figure 3.9. Current and future early retirement ages for a man with an uninterrupted career from age 22

Current and future refer to retiring in 2024 and entering the labour market in 2024, respectively



Note: See Table 3.5 and Table 3.6. Chile, Colombia and Mexico are not included as early retirement is possible at any age subject to reaching a minimum benefit level. Early start case involves the career starting well before age 22. Early retirement is not possible in the basic pension in the United Kingdom for both current and future retirees. However, full-career workers starting today will be able to take early retirement within the quasi-mandatory FDC scheme.
Source: OECD based on information provided by countries; see "Country Profiles" available at http://oe.cd/pag.

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Table 3.6. Future ages, penalties and bonuses for early, normal and late retirement by type of pension scheme

For an individual with an uninterrupted career after entering the labour market at age 22 in 2024

		Scheme	Early age	Penalty (p.a.)	Normal age	Bonus (p.a.)			Scheme	Early age	Penalty (p.a.)	Normal age	Bonus (p.a.)
Australia		T	n.a.		67	0.0%	Israel (cont)	(W)	Basic	n.a.		65	5.0%
		FDC	60	..		..		(M)	FDC	67			
Austria		DB, Min	62	5.1%	65	5.1%		(W)	FDC	65			
Belgium		DB, Min	64	0.0%	67	0.0%	Italy		NDC	68	..	70	..
Canada		Basic	n.a.		65	7.2%	Japan		Basic, DB	60	4.8%	65	8.4%
		T	n.a.		65	0.0%	Korea		Basic, DB	60	6.0%	65	7.2%
		DB	60	7.2%	65	8.4%	Latvia		NDC, Min, FDC	63	..	65	..
Chile		Min, T	n.a.		65	0.0%	Lithuania		Basic, Points	60	3.84%	65	8.0%
	(W)	Life exp.	60	25%-95%	65		Luxembourg		Basic, DB, Min	62	0.0%	62	0.0%
	(M)	FDC	any age & SL	..	65	..	Mexico		Basic	n.a.		65	
	(W)	FDC	any age & SL	..	60	..			Min	60		65	0.0%
Colombia	(M)	DB, Min	n.a.		62				FDC	60 or SL	..		..
	(M)	FDC	any age & SL		62		Netherlands		Basic	n.a.		70	0.0%
	(W)	DB, Min	n.a.		57				FDC (Occ)	sector-specific	..		..
	(W)	FDC	any age & SL		57		New Zealand		Basic	n.a.		65	0.0%
Costa Rica	(M)	DB, FDC	n.a.		65	1.6%	Norway		T	n.a.		67	0.0%
	(W)	DB, FDC	n.a.		63	1.6%			NDC	62	..		..
Czechia		DB	64	6.0%	67	6.0%			FDC (Occ)	62	..		..
		Basic, Min	64	0.0%	67	0.0%	Poland	(M)	NDC, Min	n.a.		65	..
Denmark		Basic, T	n.a.		74	6.9 11.9% [l]		(W)	NDC, Min	n.a.		60	..
		FDC (ATP)	74	..		5.0-8.2% [l]	Portugal		DB	62	6.0%	68	0.0-12.0% [l,w,y]
		FDC (Occ)	71	..		..			Min	n.a.		68	0.0%
Estonia		Basic, points	66	5.97-8.23% [l]	71	5.49-9.01% [l]	Slovak Republic		Points, Min	67 & SL	6.0%	69	6.0%
Finland		DB	66	4.8%	68	4.8%	Slovenia		DB, Min	62	3.6%	62	3.0%
		T	n.a.		68	4.8%	Spain		DB, Min	63	5.0-9.5% [y]	65	4.0% [y]
France		DB, Min	64	5.0%	65	5.0%	Sweden		T	n.a.		70	0.0%
		Points	57	4.0-5.7% [l,y]	65	0.0%			NDC, FDC	67	..		..
Germany		Points	63	3.6%	67	6.0%			FDC (Occ)	55	..	70	..
Greece		Basic, DB,FDC	66	6.0%	66	0.0%	Switzerland		DB, Min	63	6.8%	65	5.2-6.3% [l]
Hungary	(M)	DB, Min	n.a.		65	6.0%			DB (Occ)	58	2.9% [l]	65	3.65-3.87% [l]
	(W)	DB, Min	n.a.		62	6.0%	Türkiye	(M)	DB, Min	n.a.		65	0.0%
Iceland		Basic, T	n.a.		67	6.0%		(W)	DB, Min	n.a.		63	0.0%
		FDC (Occ)	65	6.6%	67	6.0%	United Kingdom		Basic	n.a.		68	5.8%
Ireland		Basic	n.a.		66	4.5-5.3%[l]			FDC (Occ)	58		68	
Israel	(M)	Basic	n.a.		67	5.0%	United States		DB	62	6.7-5.0% [l]	67	8.0%

Note: (M) = men, (W) = women, [a] = depending on age, [l] = depending on length of anticipation or deferral, [y] = depending on number of contribution years, n.a. = early retirement is not available, Min = minimum pension, Occ = occupational, SL = subsistence level reached, T = targeted,. = no data indicated as benefits in DC schemes automatically adjusted to the age of retirement in an actuarially neutral way. Normal and early retirement ages for a scheme describe the ages at which the receipt of a pension, respectively, with and without penalties is first possible, assuming labour market entry at age 22 and an uninterrupted career. Where retirement ages for men and women differ they are shown separately. The reference retirement age used in the modelling has been bolded. Denmark: The bonus rate in the basic/targeted scheme is based on life expectancy at the age of first pension receipt and therefore depends on the length of deferral. Finland: Only partial early retirement on 25% or 50% of accrued pension rights is possible from age 66. Greece: The early retirement penalty applies to those with fewer than 40 years of contributions who retire before the statutory age of 71. Latvia: There is a temporary penalty until the normal retirement age of 50% of the pension. Luxembourg: There is no bonus for postponing retirement, but the accrual rate is higher for each year that the sum of the individual's age and number of contribution years will exceed 100. Slovak Republic: For women with children the pension age is reduced dependent on the number of children. Credits for educational periods are not included.

Source: OECD based on information provided by countries; see "Country Profiles" available at http://oe.cd/pag.

StatLink https://stat.link/hi4ns7

4 Pension entitlements for the base case

Pension entitlements are calculated using the OECD pension models. The theoretical calculations relate to workers entering the labour market at age 22 in 2024 and include the full impact of legislated pension measures. A note on the methodology used and assumptions made precedes the pension indicators.

The indicators begin with the gross pension replacement rate in mandatory pension schemes: the ratio of pensions to individual earnings. The second shows the replacement rates for mandatory and voluntary pension schemes where these schemes have broad coverage. Thereafter follows an analysis of the tax treatment of pensions and pensioners. The fourth and fifth indicators show the net replacement rates, taking account of taxes and contributions. After this follows two indicators of pension wealth: the lifetime discounted value of the flow of retirement benefits. This indicator accounts for the retirement age, indexation rules and life expectancy, and is presented in gross and net terms.

Methodology and assumptions

Introduction

The indicators of pension entitlements that follow here in Chapter 4 use the OECD cohort-based pension models. The methodology and assumptions are common to the analysis of all countries, allowing the design of pension systems to be compared directly. This enables the comparison of future entitlements under today's parameters and rules.

The pension entitlements that are presented are those that are currently legislated in OECD countries. Reforms that have been legislated before publication are included where sufficient information is available. Changes that have already been legislated and are being phased in gradually are modelled from the year that they are implemented and onwards.

The values of all pension system parameters reflect the situation in 2024 onwards. The calculations in this chapter show the pension benefits of a single worker who enters the system that year at age 22 – that worker is thus born in 2002 – and retires after a full career at the same relative wage. Chapter 5 deals with pensions for couples, career break cases due to childcare or unemployment, examines the sensitivity of results to changing economic assumptions or different wage profiles, and compares futures pensions of self-employed workers to the full-career employee. The baseline results are shown for single individuals. All indexation and valorisation rules follow what is legislated.

Career length

A full career is defined here as entering the labour market at age of 22 and working until the normal pension age (see indicator on "Future retirement ages"). The implication is that the modelled length of the career is country-specific and varies with the normal retirement age: 40 years for retirement at 62, 45 for retirement at 67, etc.

Coverage

The pension models presented here include all mandatory pension schemes for private-sector workers, regardless of whether the schemes are public (i.e. they involve payments from government or from social security institutions, as defined in the System of National Accounts) or private. For each country, the main national scheme for private-sector employees is modelled. Special schemes for civil servants, public-sector workers and special professional groups are excluded.

Schemes with near-universal coverage are also included, if they cover at least 85% of employees. Such plans are called "quasi-mandatory" in this report and are included for Denmark, Iceland, the Netherlands, Sweden and the United Kingdom.

Some OECD countries have broad coverage of voluntary, occupational pensions. These schemes can thus play an important role in providing retirement incomes. For these countries, a second set of results for replacement rates is shown with entitlements from these voluntary pension plans.

Resource-tested benefits for which retired people may be eligible are also modelled. These can be means-tested, where both assets and income are considered, purely income-tested or withdrawn only against pension income. The only asset or income included in the model is from the earnings-related pension whether that be mandatory or, where applicable, voluntary.

Pension entitlements are compared for workers with a range of different earnings levels from 0.5 times the average worker earnings (AW).

Economic variables

The comparisons are based on a single set of economic assumptions for all the OECD countries and other major economies analysed. In practice, the level of pensions will be affected by economic growth, rates of return on financial assets, price inflation, real-wage growth and discount rates, and these will vary across countries. However, by using common economic assumptions across all countries, the results indicate the differences in pension design rather than the economic performance of a particular country. In this way, differences across countries in pension levels reflect differences in pension systems and policies alone. The baseline assumptions are set out below.

Price inflation is assumed to be 2% per year. ***Real earnings*** are assumed to grow by 1.25% per year on average (given the assumption for price inflation, this implies nominal wage growth of 3.275%). ***Individual earnings*** are assumed to grow in line with the economy-wide average. This means that the individual is assumed to remain at the same point in the earnings distribution, earning the same percentage of average earnings in every year of the working life. The ***real discount rate*** (for actuarial calculations) is assumed to be 1.5% per year. The net ***real rate of return*** on funded, defined contribution pensions over the long term is assumed to be 2.5% per year. Administrative charges, fee structures and the cost of buying an annuity are assumed to result in a ***defined contribution conversion factor*** of 90% applied to the accumulated defined contribution wealth when calculating the annuity.

The baseline modelling uses country-specific projections of ***mortality rates*** from the United Nations population database for every year from 2024 to 2100. The mortality tables used include projected changes in mortality rates after the retirement age (cohort-based mortality projections).

The calculations assume that benefits from defined contribution plans are paid in the form of a price-indexed life annuity, which is calculated by applying the conversion factor to the actuarially fair price assuming perfect foresight. This is calculated from the mortality projections. For notional account schemes the annuity factor is based on country own mortality estimates rather than the UN projections. The pension wealth for all pension components is based on UN data.

Average earnings

The "average worker" earnings series (AW), defined as the average full-time adult gross wage earnings is presented in the OECD report Taxing Wages. The full definition and

industries covered for each country can be found within that publication. In summary, the standard assumption for calculating average wage earnings is based on Sectors B-N of the International Standard Industrial Classification of All Economic Activities (ISIC Revision 4, United Nations). The calculations are based on the earnings of a full-time adult worker (including both manual and non-manual). They relate to the average earnings of all workers in the industry sectors covered. No account is taken of variation between males and females or due to age or region. The earnings calculation includes all cash remuneration paid to workers in the industries covered taking into account average amounts of overtime, cash supplements (e.g. Christmas bonuses, thirteenth month) and vacation payments typically paid to workers in the covered industry sectors.

However, not all countries are able to include overtime pay, vacation payments and cash bonuses according to the definition. It is not possible for all countries to exclude part time workers. As a result, average wage estimates used here can differ from national estimates, sometimes quite substantially.

The earnings figures used within the modelling can be found in the indicator “Average Wage” in Chapter 7.

Taxes and social security contributions

Information on personal income tax and social security contributions paid by pensioners, which were used to calculate pension entitlements, are in the “Country Profiles” available at http://oe.cd/pag.

The modelling assumes that tax systems and social-security contributions remain unchanged in the future. This constant policy assumption implicitly means that “value” parameters, such as tax allowances or contribution ceilings, are adjusted annually in line with average worker earnings, while “rate” parameters, such as the personal income tax schedule and social security contribution rates, remain unchanged.

General provisions and the tax treatment of workers for 2024 can be found in the OECD’s *Taxing Wages* report. The conventions used in that report, such as which payments are considered taxes, are followed here.

Gross pension replacement rates

Key results

The future gross replacement rate represents the level of pension benefits in retirement from mandatory public and private pension schemes relative to earnings when working. For workers with average earnings and a full career from age 22, the future gross replacement rate at the normal retirement age averages 52.0% for men and 51.4% for women in OECD countries, with substantial cross-country variation. Future gross replacement rates from mandatory schemes are below 30% at the average wage in Australia, Estonia, Ireland, Lithuania and Poland. Conversely, they are at 70% or more in Austria, Colombia, Denmark, Greece, Italy, Luxembourg, Mexico, the Netherlands, Portugal, Spain and Türkiye.

For this indicator, the replacement rates are calculated for full-career workers from the age of 22, which means that career lengths differ between countries due to differences in normal retirement ages (Indicator Chapter 3). The replacement rates are expressed as percentage of earnings, which are at the whole national level and not gender specific.

Full-career male workers will have a replacement rate of 52.0% on average across OECD countries, with a high of 80% in Greece and Spain and a low of under 30% in Australia, Estonia, Ireland, Lithuania and Poland.

The average for women is slightly lower, at 51.4%. Gross pension replacement rates differ for women in seven countries, due to a lower future pension eligibility age than for men (Colombia, Costa Rica, Hungary, Israel, Poland and Türkiye), calculation of means-tested benefit entitlement at an earlier age (Chile) and higher life expectancy when sex-specific mortality rates are used to compute annuities (Mexico). Following the recent reform in Mexico only higher earning women are affected by the sex-specific mortality tables as the low and average earners are compensated by the new welfare pension that guarantees a 100% replacement rate from the FDC up to a limit, currently around average earnings. In Chile, although sex-specific annuities are used, the new gender component eliminates the difference for women, for this component, so effectively male annuity tables are being used for all. Women in Costa Rica and Hungary will receive benefits around 5-7% lower than for men with the biggest gap being found in Poland, with replacement rates for women being 22% lower than for men (i.e. 6.4 percentage points (p.p.)).

Most OECD countries aim to better protect low-income workers (here defined as workers earning half of average earnings), in particular to limit old-age poverty risks. This results in higher replacement rates for them than for average earners (Figure 4.1). Low-income workers would have gross replacement rates averaging 65.5%. Some countries, such as Australia and New Zealand, pay relatively small benefits to average earners, but are closer to the OECD average for low-income workers. Australia, Czechia, Denmark and Mexico record the largest difference between gross replacement rates applying to low-wage and average-wage workers, of between 30 and 50 (p.p.). However, projected replacement rates in six countries are basically the same for a full career at average and half-average pay: Austria, Costa Rica, Finland, France, Italy and Türkiye.

At the top of the range, based on current legislation, low earners in Denmark and Mexico will receive a future gross replacement rate of 115% and 121% respectively after a full career; retirement benefits are thus higher than the earnings when working. At the other end of the scale, Lithuania and Poland have gross replacement rates of around 30% or lower to low-income earners, thus implying a gross retirement income around 15% of average earnings after a full career.

On average, the gross replacement rate at twice average earnings (here called “high earnings”) is 42.0%. Replacement rates for these high earners equal 70% or more in Greece, Italy, Portugal and Sweden. At the other end of the spectrum, Canada, Estonia, Ireland, Korea, Lithuania and New Zealand offer a replacement rate of 20% or below.

Gross pension replacement rates fall with age from 52% of the average wage at the time of retirement on average across countries to 45% of the projected average wage at age 80, a fall of 13% (Figure 4.2). Given projected real-wage growth, this difference is due to the indexation of pension benefits in payment as they do not follow wages in many countries. With price indexation from a normal retirement age of 65, the fall is equal to 17% based on the OECD model assumptions – as found in Austria, Chile, Costa Rica, Hungary, Korea, Mexico, Poland, Spain and Türkiye. The earlier the normal retirement age the larger the fall with price indexation. Australia actually shows a slight increase in the replacement rate at age 80 compared to at normal retirement age, because the means-tested component increases as the capital remaining in the FDC pension decreases during retirement. Ireland also shows an increase as in addition to the benefit being indexed to wages, thereby maintaining a constant replacement rate, there is also an extra payment for those aged 80 and above.

Definition and measurement

The old-age pension replacement rate measures how effectively a pension system provides a retirement income to replace earnings, the main source of income before retirement. The gross replacement rate is the value of the pension entitlement relative to individual earnings. Under the baseline assumptions, workers earn the same percentage of average-worker earnings throughout their career. Therefore, final earnings are equal to lifetime average earnings revalued in line with economy-wide earnings growth. Replacement rates expressed as a percentage of final earnings are thus identical to those expressed as a percentage of lifetime earnings.

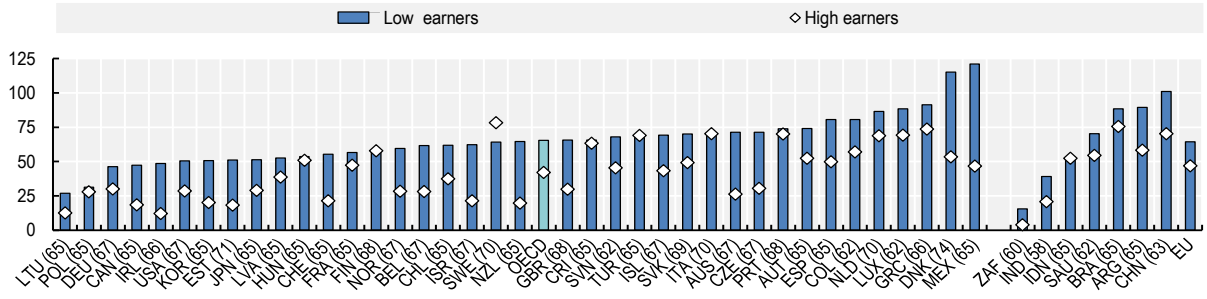
Table 4.1. Gross pension replacement rates by earnings, in percentage, mandatory schemes

	Individual earnings, multiple of mean for men (women where different)															
	Pension age		0.5		1		2			Pension age		0.5		1		2	
Australia	67		71.3	(69.7)	40.8	(38.5)	26.4	(24.2)	Mexico	65		121.1		69.6		46.7	(44.1)
Austria	65		74.1		74.1		52.5		Netherlands	70		86.6		74.7		68.8	
Belgium	67		61.7		43.5		28.2		New Zealand	65		64.7		39.5		19.7	
Canada	65		47.3		37.1		18.5		Norway	67		59.5		46.1		28.4	
Chile	65		61.8	(61.7)	49.7	(49.6)	37.5	(39.7)	Poland	65	(60)	31.3	(32.9)	28.6	(22.4)	28.0	(21.8)
Colombia	62	(57)	80.6		74.8		57.1	(52.2)	Portugal	68		73.8		72.4		70.1	
Costa Rica	65	(63)	65.7	(62.2)	65.7	(62.2)	63.2	(59.8)	Slovak Republic	69		70.1		58.0		49.2	
Czechia	67		71.4		44.2		30.6		Slovenia	62		67.9		45.9		45.4	
Denmark	74		115.2		72.7		53.6		Spain	65		80.6		80.4		49.9	
Estonia	71		51.2		29.3		18.4		Sweden	70		64.2		63.7		78.3	
Finland	68		57.8		57.8		57.8		Switzerland	65		55.4		42.4		21.5	
France	65		56.6		56.6		47.4		Türkiye	65	(63)	69.1	(66.4)	69.1	(66.4)		(66.4)
Germany	67		46.3		42.1		30.2		United Kingdom	68		65.6		44.7		29.9	
Greece	66		91.4		79.6		73.7		United States	67		50.5		39.7		28.5	
Hungary	65	(62)	53.7	(50.3)	51.9	(48.4)	50.9	(47.5)	***OECD***	**66.4**	**(65.9)**	**65.5**	**(65.0)**	**52.0**	**(51.4)**	**42.0**	**(41.3)**
Iceland	67		69.3		43.9		43.4										
Ireland	66		48.5		24.3		12.1		Argentina	65	(60)	89.5	(84.7)	68.7	(66.3)	58.3	(57.1)
Israel	67	(65)	62.3	(54.2)	42.8	(36.5)	21.4	(18.3)	Brazil	65	(62)	88.4	(93.3)	88.4	(93.3)	75.5	(81.2)
Italy	70		70.6		70.6		70.3		China	63	(58)	101.1	(79.9)	80.6	(61.9)	70.3	(52.9)
Japan	65		51.4		36.5		29.0		India	58		39.2	(38.1)	39.2	(38.1)	20.8	(19.3)
Korea	65		50.6		33.4		20.2		Indonesia	65		53.4	(50.7)	53.4	(50.7)	52.4	(49.7)
Latvia	65		52.6		38.7		38.7		Saudi Arabia	62		70.2		70.2		54.5	
Lithuania	65		26.9		17.4		12.7		South Africa	60		15.5		7.8		3.9	
Luxembourg	62		88.4		75.6		69.2		EU27	66.7	(66.4)	64.3	(64.3)	54.5	(54.2)	46.9	(46.6)

Note: *Low earners in Colombia, New Zealand and Slovenia are at 64%, 61% and 55% of average earnings, respectively, to account for the minimum wage level.
Source: OECD pension models.

StatLink https://stat.link/oeavq4

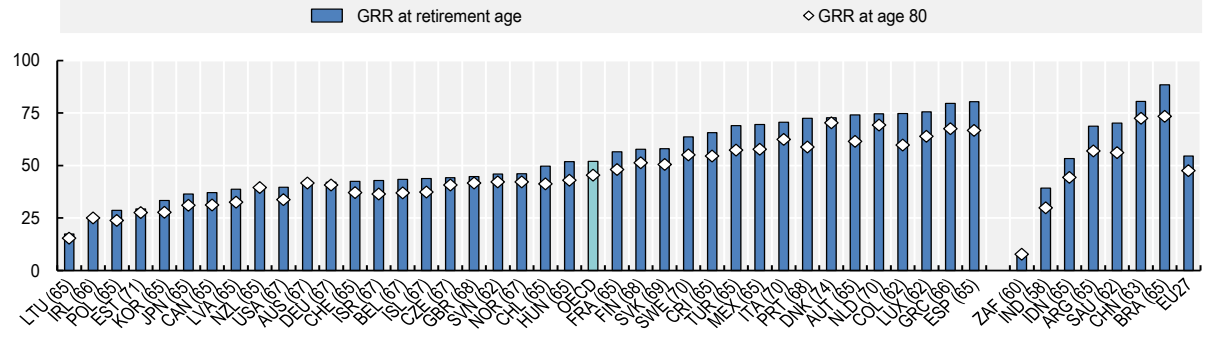
Figure 4.1. Gross pension replacement rates in percentage: Low and high earners



Source: OECD pension models.

StatLink https://stat.link/x63fsg

Figure 4.2. Gross pension replacement rates: Average earners at retirement age and age 80



Source: OECD pension models.

StatLink https://stat.link/t5c4if

Gross replacement rates: Public vs. Private, Mandatory vs. Voluntary schemes

Key results

Private pensions play a significant role in over one-third of OECD countries. For mandatory schemes, the OECD average for future gross replacement rates of a full-career average earner from public schemes alone is 43.0%, compared with 52.0% with private pensions included and 56.6% when including voluntary schemes and assuming contributions for the full career. For the eight OECD countries where voluntary private pensions are widespread the average replacement rate is 54.1% for an average earner contributing for the whole career, while it is 55.8% when Israel and Mexico are also included compared with 38.5% when only mandatory schemes are considered. If the full-career average-wage earner only starts contributing to a voluntary scheme from age 45, the replacement rate is 42.8% on average among these eight countries.

Table 4.2 shows the interplay between mandatory public, mandatory private and voluntary pension schemes. All OECD countries have mandatory public schemes, which generate a replacement rate of 43% at the average-wage level. As shown in the previous indicator, the average replacement rate from mandatory schemes – combining public and private schemes – for a full-career average earner is equal to 52%: for the 18 OECD countries where the calculations of entitlements only cover mandatory public pensions, the average replacement rate for an average worker earner is 58%; for the 10 OECD countries with both public and mandatory private provision but no voluntary, the average replacement rate is 54%; and for the last 10 countries with significant voluntary pensions, the replacement rate from the mandatory component alone is 39%.

Mandatory private pensions

Mandatory private pensions are funded schemes that exist in 8 countries while they have near universal coverage ("quasi-mandatory") in Denmark, the Netherlands, Sweden and the United Kingdom.

In all countries except the Netherlands and Switzerland (defined benefit) the private pensions are mainly defined contribution. However, in the Netherlands occupational schemes are gradually moving to defined contribution by 2028. Replacement rates from mandatory private schemes range from 5% in Norway and 10% in Costa Rica to 43% in both Denmark and Iceland and 46% in the Netherlands. In Sweden the contribution rate for the private pension increases from 4.5% below to 30% above the ceiling for the public scheme, hence the total replacement rate is higher for high earners than average earners.

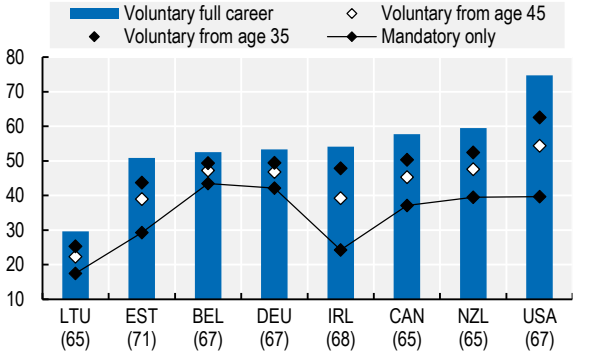
Voluntary private pensions

Voluntary private pensions are shown for eight countries where voluntary private pensions have broad coverage (either assets are above 25% of GDP or coverage is above 75%): Belgium, Canada, Estonia, Germany, Ireland, Lithuania, New Zealand and the United States. Voluntary private pensions include both voluntary occupational and voluntary personal plans. In Estonia the FDC scheme was previously mandatory, but since January 2021 it has become voluntary, with the possibility of re-joining 10 years after opting out. The rules that have been modelled are described in the "Country Profiles" available at http://oe.cd/pag. In all eight countries a funded defined contribution plan is modelled. Data on actual contribution rates by earnings are not available for most countries, and so in these cases an average or typical rate is assumed across the earnings range. In addition, the severance account in Israel and the housing account in Mexico have been added as, if they are not utilised during the working career, they are then transferred to the pension accounts at retirement.

When voluntary private pensions are taken into account for the whole career in these ten countries (the eight listed above plus Israel and Mexico), the average total replacement rate is 56% for an average earner compared with 39% when only mandatory schemes are considered. The voluntary component has the largest impact on the replacement rate, around 30 and 35 (p.p.), in Ireland and the United States, respectively. Although the unused housing account would theoretically add 14.5 (p.p.) to the replacement rate in Mexico it is absorbed within the top-up from the welfare pension and only increases the replacement rate for the high earners.

The length of the contribution period clearly has an impact on the total replacement rate. The chart below compares the full-career full-contribution case with the full-career case but with contributions in the voluntary scheme from age 35 and 45 only, perhaps a more appropriate scenario. The schemes in Israel and Mexico are not considered as contributions are mandatory at all ages to severance and housing accounts, respectively.

Gross replacement rate including voluntary contributions from different ages, in percentage



Among these eight countries, only contributing from age 35 (45) reduces the gross replacement rate to 48% (43%) on average compared with the full-contribution case at 54%. Contributing to the voluntary scheme from age 35 in these countries generates the highest replacement rate in the United States, at 63%, which is above the OECD average for a full-career worker, at 56%, once these voluntary schemes are included.

Table 4.2. Gross pension replacement rates from mandatory public, mandatory private and voluntary private pension schemes, full career workers, in percentage

Percentage of individual earnings (men)

	Mandatory Public			Mandatory private (DB & DC)			Total mandatory			Voluntary (DB & DC)			Total with voluntary		
	0.5	1	2	0.5	1	2	0.5	1	2	0.5	1	2	0.5	1	2
Australia	44.9	14.4	0.0	26.4	26.4	26.4	71.3	40.8	26.4						
Austria	74.1	74.1	52.5				74.1	74.1	52.5						
Belgium	61.7	43.5	28.2				61.7	43.5	28.2	3.6	9.1	23.7	65.3	52.5	51.9
Canada	47.3	37.1	18.5				47.3	37.1	18.5	20.6	20.6	20.6	67.9	57.7	39.2
Chile	24.5	12.2	0.0	37.3	37.4	37.5	61.8	49.7	37.5						
Colombia	80.6	74.8	44.4			12.8	80.6	74.8	57.1						
Costa Rica	55.6	55.6	53.2	10.1	10.1	10.1	65.7	65.7	63.2						
Czechia	71.4	44.2	30.6				71.4	44.2	30.6						
Denmark	71.4	29.0	9.8	43.8	43.8	43.8	115.2	72.7	53.6						
Estonia	51.2	29.3	18.4				51.2	29.3	18.4	24.5	24.5	24.5	71.3	50.9	40.7
Finland	57.8	57.8	57.8				57.8	57.8	57.8						
France	56.6	56.6	47.4				56.6	56.6	47.4						
Germany	46.3	42.1	30.2				46.3	42.1	30.2	11.2	11.2	11.2	56.8	53.4	41.4
Greece	91.4	79.6	73.7				91.4	79.6	73.7						
Hungary	53.7	51.9	50.9				53.7	51.9	50.9						
Iceland	25.9	0.5	0.0	43.4	43.4	43.4	69.3	43.9	43.4						
Ireland	48.5	24.3	12.1				48.5	24.3	12.1	29.9	29.9	29.9	78.4	54.1	42.0
Israel	18.2	9.1	4.5	44.2	33.8	16.9	62.3	42.8	21.4	17.4	13.3	6.6	79.7	56.1	28.1
Italy	70.6	70.6	70.3				70.6	70.6	70.3						
Japan	51.4	36.5	29.0				51.4	36.5	29.0						
Korea	50.6	33.4	20.2				50.6	33.4	20.2						
Latvia	52.6	38.7	38.7				52.6	38.7	38.7						
Lithuania	26.9	17.4	12.7				26.9	17.4	12.7	16.0	12.2	10.3	43.9	29.6	23.9
Luxembourg	88.4	75.6	69.2				88.4	75.6	69.2						
Mexico	85.5	28.1	5.3	35.6	41.4	41.4	121.1	69.6	46.7	14.5	14.5	14.5	121.1	69.6	61.2
Netherlands	57.3	28.6	14.3	29.3	46.1	54.5	86.6	74.7	68.8						
New Zealand	64.7	39.5	19.7				64.7	39.5	19.7	20.3	20.0	19.8	85.0	59.5	39.5
Norway	54.0	40.6	23.1	5.5	5.5	5.3	59.5	46.1	28.4						
Poland	31.3	28.6	28.0				31.3	28.6	28.0						
Portugal	73.8	72.4	70.1				73.8	72.4	70.1						
Slovak Republic	70.1	58.0	49.2				70.1	58.0	49.2						
Slovenia	67.9	45.9	45.4				67.9	45.9	45.4						
Spain	80.6	80.4	49.9				80.6	80.4	49.9						
Sweden	50.6	50.1	28.6	13.6	13.6	49.7	64.2	63.7	78.3						
Switzerland	35.6	23.4	12.0	19.8	19.0	9.5	55.4	42.4	21.5						
Türkiye	69.1	69.1	69.1				69.1	69.1	69.1						
United Kingdom	44.8	22.4	11.2	20.8	22.3	18.7	65.6	44.7	29.9						
United States	50.5	39.7	28.5				50.5	39.7	28.5	35.1	35.1	35.1	85.6	74.8	63.6
OECD-38	**56.8**	**43.0**	**32.3**				**65.5**	**52.0**	**42.0**				**70.0**	**56.6**	**47.1**
Argentina	89.5	68.7	58.3				89.5	68.7	58.3						
Brazil	88.4	88.4	75.5				88.4	88.4	75.5						
China	101.1	80.6	70.3				101.1	80.6	70.3						
India	23.4	23.4	0.0	15.9	15.9	20.8	39.2	39.2	20.8						
Indonesia	33.1	33.1	32.1	20.3	20.3	20.3	53.4	53.4	52.4						
Saudi Arabia	70.2	70.2	54.5				70.2	70.2	54.5						
South Africa	15.5	7.8	3.9				15.5	7.8	3.9	25.9	25.9	25.9	25.9	25.9	25.9
EU27	59.6	49.2	40.0				64.3	54.5	46.9				67.3	57.6	50.5

Note: DB=defined benefit; DC = defined contribution. *Low earners in Colombia, New Zealand and Slovenia are at 64%, 61% and 55% of average earnings, respectively, to account for the minimum wage level. Contribution rates for voluntary pensions in Belgium vary by earnings level, see country profile for more details. The new welfare top-up in Mexico increasing the replacement rate from the FDC to 100% for lower earners has been included in the public component. The OECD average refers to the average of all 38 OECD countries.
Source: OECD pension models.

StatLink https://stat.link/pru4oj

Tax treatment of pensions and pensioners

Key results

Payments through either social security or through taxes play an important role in old-age support as pensioners commonly do not pay the former and the latter is often reduced. Personal income taxes are progressive, and pension entitlements are usually lower than earnings before retirement. Hence, overall, the average total tax rate on pension income is typically less than on labour income. In addition, one-third of OECD countries give additional tax concessions to pensioners through either increased personal allowances or extra tax credits.

One-third of OECD countries provide either higher personal allowances or extra tax credits to older people than to working-age individuals (Table 4.3). In many cases – Canada, for example – this additional relief is phased out for older people with higher incomes.

In addition, 21 OECD countries have specific tax rules for pension income, from either public or private schemes. For example, between 15% and 50% of income from public pensions in the United States (social security) is not taxed, depending on the total income of the pensioner. In Australia, pension contributions and investment returns are not taxed, and, in addition, pension benefits are not taxable in payment for individuals aged over 60 years. This applies to both mandatory and voluntary contributions.

By contrast some countries such as Denmark, Iceland, the Netherlands and Sweden tax earned income from work less than pensions, thereby helping to limit tax disincentives to work.

Overall, 28 OECD countries have some concession for older people or pension income under their personal income taxes. In only ten countries are the income tax rates or allowances applied to pensions and pensioners at least equal to those for people of working age.

Virtually all OECD countries levy employee social security contributions on workers: Australia and New Zealand are the only exceptions, where payments are either covered by the employer or the State. By comparison, 21 OECD countries do not levy social security contributions on pensioners. For the 17 countries that do levy social security contributions the rate for retirees is always lower than the rate charged for workers. Typically, old-age retirement income is not subject to contributions for pensions or unemployment (for obvious reasons). However, pensioners can be subject to levies to pay for health or long-term care. These are often higher than the level applied to workers, and, in some cases, pensioners are liable for "solidarity" contributions to finance a broad range of benefits.

Empirical results

Figure 4.4 shows the percentage of income paid in personal taxes and social security contributions by workers and pensioners. Starting with workers, countries have been ranked by the proportion of income paid in total taxes (including social contributions paid by employees) at the average-wage level. This is then compared to the total tax rate paid by a pensioner after a full-career at the average wage, hence receiving the gross replacement rate in the base case (Table 4.1, as set out in the indicator "Gross pension replacement rates" above).

In 10 OECD countries and three other major economies, such a pensioner would not pay any tax in retirement. In some cases, such as the Slovak Republic and Türkiye, this is because pensions are not taxable. In Czechia and Estonia, it is because the pension income would be less than the income-tax personal allowance offered to older people. On average across the OECD, pensioners with the gross replacement rate of a full-career average earner would pay 10% of their income in taxes and contributions, and under 1% in the other G20 countries. By comparison, taxes and contributions paid by an average earner – so not including any contributions from the employer – average 27% of the gross wage in OECD countries and 13% in other G20 countries. The last series in the chart shows how much a pensioner would pay if her income before tax is equal to the gross average wage. The total tax rate is 15% on average in OECD countries, some 12 (p.p.) lower than what workers' pay with the same level of income.

The difference between this 15% rate for pensioners with an income equal to average earnings and the 10% paid in taxes and contributions paid on the income equal to the gross replacement rate for an average earner illustrates the impact of progressivity in income-tax systems for pensioners.

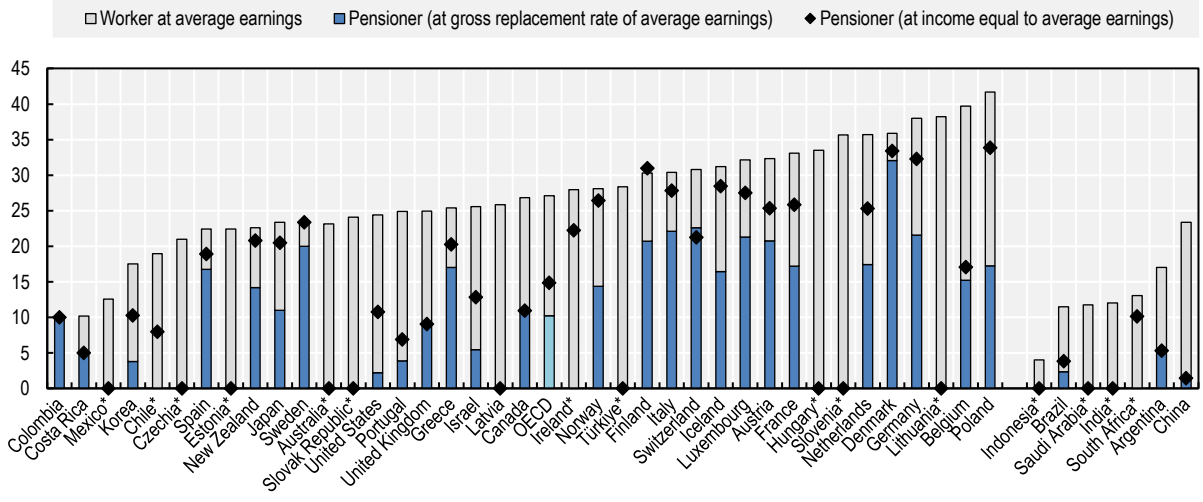
Table 4.3. Treatment of pensions and pensioners under personal income tax and mandatory public and private contributions

	Extra tax Allowance/credit	Full or partial relief for pension income		Mandatory contributions on pension income		Extra tax Allowance/credit	Full or partial relief for pension income		Mandatory contributions on pension income
		Public scheme	Private scheme				Public scheme	Private scheme	
Australia	✓	✓	✓	*None*	Luxembourg	✓			Low
Austria				*Low*	Mexico			✓	*None*
Belgium		✓	✓	*Low*	Netherlands	✓			*Low*
Canada	✓		✓	*None*	New Zealand				*None*
Chile	✓			*Low*	Norway		✓	✓	*Low*
Colombia				*Low*	Poland				*Low*
Costa Rica				*Low*	Portugal		✓		*None*
Czechia		✓		*None*	Slovak Republic		✓		*None*
Denmark				*None*	Slovenia	✓	✓		*Low*
Estonia	✓			*None*	Spain		✓		*None*
Finland		✓		*Low*	Sweden	✓			*None*
France	✓			*Low*	Switzerland				*Low*
Germany		✓	✓	*Low*	Türkiye		✓		*None*
Greece				*Low*	United Kingdom			✓	*None*
Hungary		✓		*None*	United States	✓	✓		*None*
Iceland				*None*					
Ireland	✓			*Low*	Argentina	✓	✓		*Low*
Israel				*Low*	Brazil				*None*
Italy		✓	✓	*None*	China				*None*
Japan		✓	✓	*Low*	India	✓	✓		*None*
Korea	✓	✓		*None*	Indonesia		✓		*None*
Latvia		✓		*None*	Saudi Arabia				*None*
Lithuania		✓	✓	*None*	South Africa	✓		✓	*None*

Source: See online "Country Profiles available at http://oe.cd/pag.

StatLink https://stat.link/rbtvyw

Figure 4.3. Personal income taxes and social security contributions paid by pensioners and workers



Note: *Pensioners at the gross replacement rate of average earnings have zero income tax and social security. Workers in Colombia at the average earnings pay 8% in taxes and social security contributions, lower than that of pensioners at the gross replacement rate of average earnings.

Source: OECD pension models; OECD Taxing Wages 2025.

StatLink https://stat.link/7uagzk

Net pension replacement rates

Key results

Although the gross replacement rate is a key indicator of the design of the pension system, the net replacement rate matters more to individuals, as it reflects their disposable income in retirement in comparison to when working. For average earners with a full career, the net replacement rate from mandatory pension schemes at the normal retirement age averages 63.2% across the OECD, 11.2 (p.p.) higher than the average gross replacement rate. This reflects the higher effective tax and social contribution rates that people pay on their earnings than on their pensions in retirement, mostly due to the lower social contributions on pension benefits, the progressivity of tax systems and some tax advantages to pensions. Net replacement rates vary from under 35% in Australia, Ireland and Lithuania to 85% or more in Austria, Greece, Luxembourg, the Netherlands, Portugal, Spain and Türkiye for average-wage workers. For low earners (with half of average worker earnings), the average net replacement rate across OECD countries is 75.2% while it is 52.9% for high earners (200% of average worker earnings).

The previous indicator of the "Tax treatment of pensions and pensioners" showed the important role that the personal tax and social security contribution systems play in old-age income support. Pensioners often only pay health contributions and receive preferential treatment under the income tax. Tax expenditures and the progressivity of income taxes coupled with gross replacement rates of less than 100% also mean that pensioners have a lower income tax rate than workers. As a result, net replacement rates are generally higher than gross replacement rates.

For average earners, the net replacement rate across the OECD averages 63% for mandatory schemes, from a low of under 35% in Ireland and Lithuania to a high of 96% in the Netherlands and over 90% in the Portugal and Türkiye (Table 4.4).

On average, for average earners, the net replacement rate is 11 (p.p.) higher than the gross replacement rate (Figure 4.5). The difference is over 25 (p.p.) in Hungary, Slovenia and Türkiye. Belgium, the Netherlands, Portugal and the Slovak Republic are also around 15-20 (p.p.) higher. In Hungary, the Slovak Republic and Türkiye, pension income is liable for neither taxes nor social security contributions. In Belgium and Portugal, they are much lower due to either higher tax allowances or much lower contribution levels.

For low earners, the effect of taxes and contributions on net replacement rates is slightly more muted than for workers higher up the earnings scale. This is because low-income workers typically pay less in taxes and contributions relative to average earners. In many cases, their retirement incomes are below the level of the standard reliefs in the personal income tax (allowances, credits, etc.). Thus, they are often unable to benefit fully from any additional concessions granted to pensions or pensioners under their personal income tax. The difference between gross and net replacement rates for low earners is 10 (p.p.) on average. Belgium, Portugal, the Slovak Republic and particularly Hungary and Slovenia have much higher replacement rates for low earners on a net basis than in gross terms.

The net replacement rate for workers earning 200% of the average is highest in Türkiye at 105%. The lowest replacement rates for high earners are found in Canada, Estonia, Ireland, Korea, Lithuania, New Zealand and Switzerland where workers earning 200% of the average will receive net pensions that amount to 25% or less of their net earnings when working. In addition to the higher contribution levels in the occupational system for higher earners in Sweden, the net replacement rates are furthermore affected by the fact that pension income and work income are taxed differently and at different rates.

Definition and measurement

The net replacement rate is the net value of the pension entitlement relative to individual net earnings, taking account of personal income taxes and social security contributions paid by workers and pensioners. Otherwise, the definition and measurement of the net replacement rates are the same as for the gross replacement rate. Details of the rules that national tax systems apply to pensioners can be found in the online Country Profiles available at http://oe.cd/pag.

Table 4.4. Net pension replacement rates by earnings, in percentage

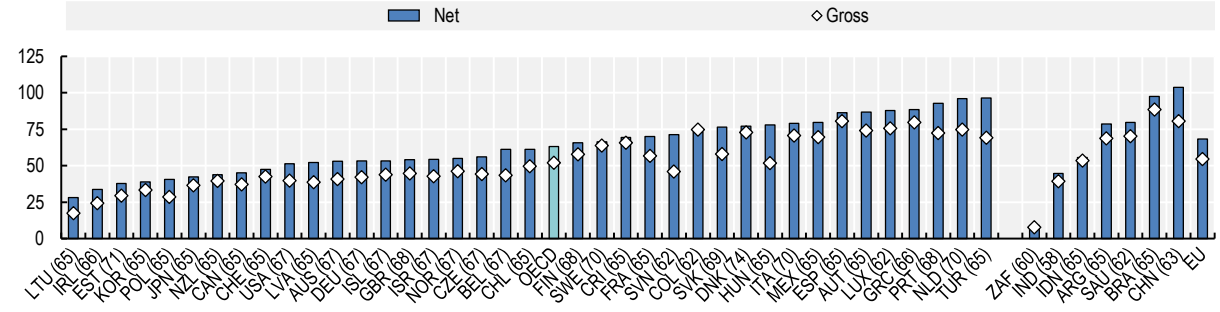
Individual earnings, multiple of mean for men (women where different)

	Pension age		0.5		1		2			Pension age		0.5		1		2	
Australia	67		82.7	(80.9)	53.0	(50.1)	38.1	(34.9)	Mexico	65		131.9		79.6		56.9	(53.8)
Austria	65		84.8		86.8		62.4		Netherlands	70		97.2		96.0		89.7	
Belgium	67		80.9		61.1		42.5		New Zealand	65		67.0		43.8		23.7	
Canada	65		56.0		45.1		25.0		Norway	67		74.4		54.9		36.6	
Chile	65		76.1	(75.9)	61.3	(61.1)	43.8	(49.8)	Poland	65	(60)	40.9	(41.7)	40.6	(31.8)	37.2	(31.3)
Colombia	62	(57)	84.1		73.1		55.3	(49.9)	Portugal	68		91.1		92.7		94.0	
Costa Rica	65	(63)	69.5	(65.8)	69.5	(65.8)	69.3	(65.5)	Slovak Republic	69		85.7		76.3		68.2	
Czechia	67		91.384.4		55.9		40.1		Slovenia	62		100.5		71.3		73.4	
Denmark	74		116.7		77.1		63.6		Spain	65		78.6		86.3		57.9	
Estonia	71		56.2		37.8		23.9		Sweden	70		67.4		66.3		84.4	
Finland	68		63.8		65.7		63.9		Switzerland	65		59.2		47.5		25.0	
France	65		66.1		70.0		58.9		Türkiye	65	(63)	84.3	(81.0)	94.4	(92.7)	105.0	(101.0)
Germany	67		57.7		53.3		38.8		United Kingdom	68		76.2		54.2		39.5	
Greece	66		99.3		88.5		79.8		United States	67		62.5		51.3		40.0	
Hungary	65	(62)	80.8	(75.7)	78.0	(72.8)	76.6	(71.4)	**OECD**	**66.4**	**(65.9)**	**75.4**	**(74.8)**	**63.2**	**(62.4)**	**52.9**	**(52.1)**
Iceland	67		77.7		53.3		51.5										
Ireland	66		56.5		33.7		20.1		Argentina	65	(60)	103.1	(97.6)	78.6	(75.9)	66.4	(65.0)
Israel	67	(65)	69.4	(60.0)	54.4	(46.8)	32.5	(27.9)	Brazil	65	(62)	95.9	(101.2)	97.5	(102.3)	87.7	(93.1)
Italy	70		70.4		79.0		81.9		China	63	(58)	130.3	(103.1)	103.6	(80.2)	91.2	(69.7)
Japan	65		61.8		42.4		34.0		India	58		44.6	(43.3)	44.6	(43.3)	24.2	(22.5)
Korea	65		55.4		38.9		24.7		Indonesia	65		55.6	(51.8)	55.6	(51.8)	55.3	(51.4)
Latvia	65		64.5		52.2		51.4		Saudi Arabia	62		79.6		79.6		58.7	
Lithuania	65		36.9		28.2		21.0		South Africa	60		16.8		8.9		4.9	
Luxembourg	62		97.2		87.7		79.4		EU27	66.7	(66.4)	76.5	(76.4)	68.3	(67.9)	59.7	(59.4)

Note: *Low earners in Colombia, New Zealand and Slovenia are at 64%, 61% and 55% of average earnings, respectively, to account for the minimum wage level.
Source: OECD pension models.

StatLink https://stat.link/ic8ung

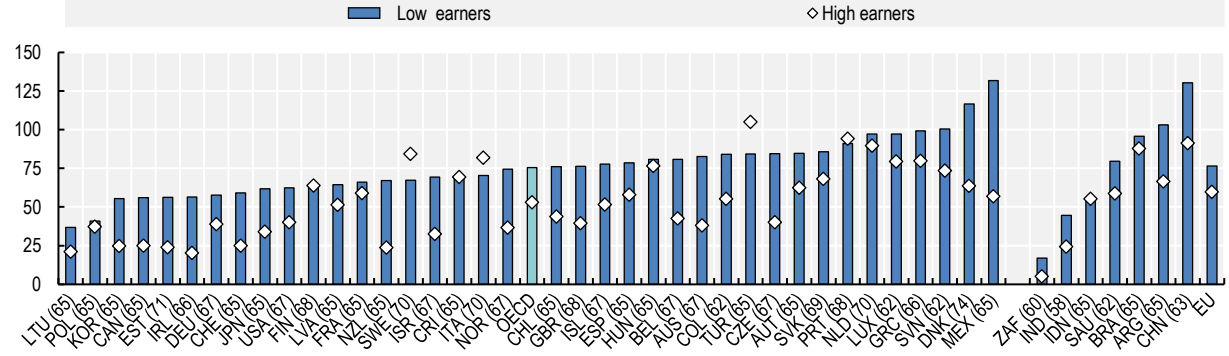
Figure 4.4. Net and gross pension replacement rates: Average earners, in percentage



Source: OECD pension models.

StatLink https://stat.link/y2ue6z

Figure 4.5. Net pension replacement rates: Low and high earners, in percentage



Source: OECD pension models.

StatLink https://stat.link/t9v2oz

Net pension replacement rates: Mandatory and voluntary schemes

Key results

The OECD average for net replacement rates of an average earner from mandatory (public and private) schemes is 63.2%, increasing to 69.2% when the voluntary schemes are included for the full career. The average across the 28 countries where voluntary pensions play a limited role, and which are therefore not taken into account in the projections, is 68.4%. Among the 8 OECD countries where voluntary private pensions are widespread plus Israel and Mexico, when voluntary private pensions are taken into account, the average net replacement rate is 71.6% assuming contributions for the whole career compared with 48.8% based on mandatory schemes only.

For the 18 OECD countries where the calculations cover only public pensions, the net replacement rate for a full-career average earner is 71% on average (Table 4.5). For the 10 OECD countries with public and mandatory private provision, but no voluntary schemes the average net replacement rate is 63%. In the 10 remaining countries where voluntary pensions are modelled the average net replacement rate is 49% from mandatory schemes and reaches 72% for a worker contributing for the whole career.

For the other major economies, although there is a wide variation between country and across earnings level, there is a smaller difference between gross and net replacement rates as both earnings and pensions are not normally liable for any taxation with only social security contributions being deducted.

Mandatory private pensions

Twelve countries have mandatory private pensions, including a subset of four countries – Denmark, the Netherlands, Sweden and the United Kingdom – having private pensions that ensure near-universal coverage and so are described as "quasi-mandatory". In Switzerland, private pensions are defined benefit while in the other countries they are defined contribution.

Voluntary private pensions

Replacement rates are shown for ten countries where voluntary private pensions have broad coverage. For the other large economies, South Africa also has a significant voluntary scheme. The rules that have been modelled are in the "Country Profiles" available at http://oe.cd/pag. In all countries a defined contribution plan is modelled.

In general, the defined contribution schemes pay a constant gross replacement rate with earnings. Data on actual contribution rates by earnings are not available for some countries, and so in these cases an average or typical rate is assumed across the earnings range. Progressive tax rules mean that the net replacement rate differs across the earnings range even if gross replacement rates are similar. The difference between the gross and net replacement rates often increases as earnings levels rise as the previous work earnings are taxed at much higher rates as individuals move up the earnings distribution.

Definition and measurement

The net replacement rate is the net value of the pension entitlement relative to individual net earnings, taking account of personal income taxes and social security contributions paid by workers and pensioners. Otherwise, the definition and measurement of the net replacement rates are the same as for the gross replacement rate. Details of the rules that national tax systems apply to pensioners can be found in the online Country Profiles available at http://oe.cd/pag.

Table 4.5. Gross and net pension replacement rates from mandatory (public and private) and voluntary pension schemes, in percentage

Percentage of individual earnings (men)

	Gross mandatory public and private			Net mandatory public and private			Total gross with voluntary			Total net with voluntary		
	0.5	1	2	0.5	1	2	0.5	1	2	0.5	1	2
Australia	71.3	40.8	26.4	82.7	53.0	38.1						
Austria	74.1	74.1	52.5	84.8	86.8	62.4						
Belgium	61.7	43.5	28.2	80.9	61.1	42.5	65.3	52.5	51.9	85.5	74.1	81.5
Canada	47.3	37.1	18.5	56.0	45.1	25.0	67.9	57.7	39.2	79.4	70.6	50.4
Chile	61.8	49.7	37.5	76.1	61.3	43.8						
Colombia*	80.6	74.8	57.1	84.1	73.1	55.3						
Costa Rica	65.7	65.7	63.2	69.5	69.5	69.3						
Czechia	71.4	44.2	30.6	84.4	55.9	40.1						
Denmark	115.2	72.7	53.6	116.7	77.1	63.6						
Estonia	51.2	29.3	18.4	56.2	37.8	23.9	71.3	50.9	40.7	79.4	62.6	47.4
Finland	57.8	57.8	57.8	63.8	65.7	63.9						
France	56.6	56.6	47.4	66.1	70.0	58.9						
Germany	46.3	42.1	30.2	57.7	53.3	38.8	56.8	53.4	41.4	71.6	68.0	52.7
Greece	91.4	79.6	73.7	99.3	88.5	79.8						
Hungary	53.7	51.9	50.9	80.8	78.0	76.6						
Iceland	69.3	43.9	43.4	77.7	53.3	51.5						
Ireland	48.5	24.3	12.1	56.5	33.7	20.1	78.4	54.1	42.0	93.3	72.3	61.1
Israel	62.3	42.8	21.4	69.4	54.4	32.5	79.7	56.1	28.1	88.1	69.8	41.7
Italy	70.6	70.6	70.3	70.4	79.0	81.9						
Japan	51.4	36.5	29.0	61.8	42.4	34.0						
Korea	50.6	33.4	20.2	55.4	38.9	24.7						
Latvia	52.6	38.7	38.7	64.5	52.2	51.4						
Lithuania	26.9	17.4	12.7	36.9	28.2	21.0	43.0	29.6	23.0	60.8	49.9	39.6
Luxembourg	88.4	75.6	69.2	97.2	87.7	79.4						
Mexico	121.1	69.6	46.7	131.9	79.6	56.9	121.1	69.6	61.2	131.9	79.6	74.5
Netherlands	86.6	74.7	68.8	97.2	96.0	89.7						
New Zealand*	64.7	39.5	19.7	67.0	43.8	23.7	85.0	59.5	39.5	91.7	68.6	47.9
Norway	59.5	46.1	28.4	74.4	54.9	36.6						
Poland	31.3	28.6	28.0	40.9	40.6	37.2						
Portugal	73.8	72.4	70.1	91.1	92.7	94.0						
Slovak Republic	70.1	58.0	49.2	85.7	76.3	68.2						
Slovenia*	67.9	45.9	45.4	100.5	71.3	73.4						
Spain	80.6	80.4	49.9	78.6	86.3	57.9						
Sweden	64.2	63.7	78.3	67.4	66.3	84.4						
Switzerland	55.4	42.4	21.5	59.2	47.5	25.0						
Türkiye	69.1	69.1	69.1	84.3	96.4	105.0						
United Kingdom	65.6	44.7	29.9	76.2	54.2	39.5						
United States	50.5	39.7	28.5	62.5	51.3	40.0	85.6	74.8	63.6	111.4	100.7	92.2
OECD38	**65.5**	**52.0**	**42.0**	**75.4**	**63.2**	**52.9**	**70.0**	**56.6**	**47.1**	**81.2**	**69.2**	**59.9**
Argentina	89.5	68.7	58.3	103.1	78.6	66.4						
Brazil	88.4	88.4	75.5	95.9	97.5	87.7						
China	101.1	80.6	70.3	130.3	103.6	91.2						
India	39.2	39.2	20.8	44.6	44.6	24.2						
Indonesia	53.4	53.4	52.4	55.6	55.6	55.3						
Saudi Arabia	70.2	70.2	54.5	79.6	79.6	58.7						
South Africa	15.5	7.8	3.9	16.8	8.9	4.9	25.9	25.9	25.9	30.3	32.0	34.6
EU27	64.3	54.5	46.9	76.5	68.3	59.7				80.3	72.5	64.7

Note: *Low earners in Colombia, New Zealand and Slovenia are at 64%, 61% and 55% of average earnings, respectively, to account for the minimum wage level. The OECD average refers to the average of all 38 OECD countries.
Source: OECD pension models.

StatLink https://stat.link/f2v8nc

Gross pension wealth

Key results

Pension wealth measures the total discounted value of the lifetime flow of all retirement incomes in mandatory pension schemes at retirement age as a ratio of annual earnings before retirement. For average earners, pension wealth for men is 10.1 times and for women 11.2 times annual individual earnings on average in OECD countries. Gross pension wealth relative to annual individual earnings is higher for women because of their longer life expectancy. The main determinants of differences across countries are differences in the gross replacement rate, in the length of the retirement period measured by remaining life expectancy at the normal retirement age, and in indexation rules.

Replacement rates give an indication of the pension promise relative to individual earnings, but they are not comprehensive measures of cumulated pension payments; they look only at the benefit level relative to individual earnings at the point of retirement, or more generally at a given, later age. For a full picture, life expectancy, normal retirement age and indexation of pension benefits must also be taken into account. Together, these determine for how long the pension benefit is paid, and how its value evolves over time. Pension wealth – a measure of the stock of future discounted flows of pension benefits – takes account of these factors. It can be thought of as the lump sum needed at the retirement age to purchase, without paying any fee, an annuity giving the same flow of pension payments as that promised by mandatory retirement-income schemes.

In defined benefit systems there is often no or a weak systematic link between the replacement rate and the expected duration of benefit withdrawal. However, in the long run, ensuring financial sustainability imposes a trade-off between the replacement rate and the duration of retirement. When retirement ages and pension benefits are held constant, pension wealth increases with longevity gains. In defined contribution systems there is a more direct link between the size of the benefit and the expected duration of benefit withdrawals. In these systems the pension wealth measure is equal to the accumulated assets and therefore independent of longevity increases as these automatically reduce the monthly benefits.

Gross pension wealth at individual earnings equal to the average wage is highest in Luxembourg at 19.5 times annual individual earnings for men and 21.0 times for women (Table 4.6). It is also larger than 15 times for men and 17 times for women in Colombia, Greece and Spain. The lowest pension wealth for both men and women is found in Lithuania at 3.0 and 3.5 years of annual earnings, respectively, due to low replacement rates. Estonia, Ireland, Korea and Poland also have pension wealth levels below seven years for men and eight years for women, with Israel and the United States also just below eight years for women.

While this indicator takes into account gender-specific mortality rates it assumes away differences in life expectancy across income levels. Given that individuals with low (high) income generally have a lower (higher) life expectancy, this implies that the computed numbers overestimate pension wealth for low earners and underestimate it for high earners (OECD, 2017). With this caveat in mind, higher individual replacement rates for low earners than for average earners mechanically translate into higher pension wealth relative to individual earnings low earners. For men with individual earnings equal to half average-earnings, pension wealth is 12.7 times their annual earnings on average and it is 14.1 times for women. Luxembourg and Mexico have the highest values for low earners at 23 and 21 times individual earnings for men, respectively, and 25 and 23 times individual earnings for women, with Colombia also being high for women at 24 times.

Impact of life expectancy

In countries where the duration in retirement is shorter, such as Estonia and Latvia, pension wealth is smaller. The effect is the opposite in Luxembourg and Slovenia, where life expectancy is higher and retirement ages are much lower. Similarly, since women's life expectancy is longer than men's, pension wealth for women is higher in all countries that use unisex mortality tables to compute annuities from defined contribution schemes or that have defined benefit systems. In addition, some countries still have lower retirement ages for women; this extends the payment period even further.

Impact of indexation

Pension wealth is affected by indexation rules at a given initial replacement rate level. Although most OECD countries now index pensions in payment to prices, there are exceptions: Ireland, for example, links the basic systems to average earnings. Since earnings tend to grow faster than prices pension wealth is higher with wage than price indexation, for a given level of replacement rate. If Ireland, for example, indexed to prices, the pension wealth for an average male earner would decrease from 5.5 to 4.7 with unchanged initial benefit based on the OECD pension model.

Definition and measurement

The calculation of pension wealth uses a uniform real discount rate of 1.5%, decreased from the 2.0% used in previous editions, thereby increasing the pension wealth by around 6%, all other things equal. However, to the extent that lower long-term interest rates reflect lower (explicit or implicit) returns to pension contributions, the overall impact on pension wealth is muted. Since the comparisons refer to prospective pension entitlements, the calculations use country-specific mortality rates by age and sex at the year of retirement. Pension wealth is expressed as a multiple of annual individual earnings.

Further reading

OECD (2017), *Preventing Ageing Unequally*, OECD Publishing, Paris, https://doi.org/10.1787/9789264279087-en.

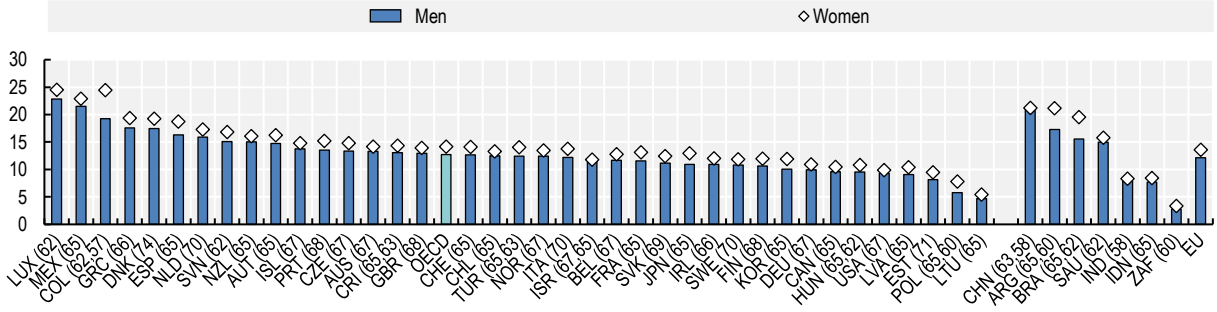
Table 4.6. Gross pension wealth by earnings, multiple of annual earnings

	Individual earnings, multiple of average wage							Individual earnings, multiple of average wage					
	0.5	1	2	0.5	1	2		0.5	1	2	0.5	1	2
	Men			Women				Men			Women		
Australia	13.3	8.0	4.9	14.2	8.4	5.0	Mexico	21.5	12.3	8.3	22.9	13.2	8.3
Austria	14.7	14.7	10.4	16.2	16.2	11.5	Netherlands	15.9	13.3	11.9	17.3	14.4	12.9
Belgium	11.7	8.2	5.3	12.8	9.0	5.8	New Zealand	15.0	9.2	4.6	16.1	9.8	4.9
Canada	9.6	7.5	3.8	10.5	8.2	4.1	Norway	12.4	9.6	5.9	13.5	10.4	6.4
Chile	12.5	10.0	7.6	13.3	10.7	8.5	Poland	5.8	5.3	5.2	7.8	5.3	5.2
Colombia	19.2	17.8	13.2	24.4	22.7	15.4	Portugal	13.5	12.6	11.8	15.2	14.1	13.2
Costa Rica	13.1	13.1	12.6	14.3	14.3	13.8	Slovak Republic	11.2	9.2	7.8	12.4	10.3	8.7
Czechia	13.3	8.2	5.7	14.8	9.1	6.3	Slovenia	15.1	10.2	10.1	16.8	11.4	11.3
Denmark	17.4	10.8	7.8	19.2	11.9	8.5	Spain	16.3	16.3	10.1	18.8	18.7	11.6
Estonia	8.1	4.7	2.9	9.5	5.4	3.4	Sweden	10.8	10.7	13.4	11.9	11.8	14.7
Finland	10.6	10.6	10.6	12.0	12.0	12.0	Switzerland	12.6	9.7	4.9	14.1	10.8	5.5
France	11.5	11.5	9.7	13.1	13.1	11.0	Türkiye	12.5	12.5	12.5	14.0	14.0	14.0
Germany	9.9	9.0	6.5	10.9	9.9	7.1	United Kingdom	13.0	8.6	5.7	13.9	9.3	6.1
Greece	17.6	15.3	14.2	19.4	16.9	15.6	United States	9.3	7.3	5.3	9.9	7.8	5.6
Hungary	9.6	9.2	9.1	10.8	10.4	10.2	**OECD**	**12.7**	**10.1**	**8.0**	**14.1**	**11.2**	**8.9**
Iceland	13.7	8.3	8.2	14.8	8.9	8.7							
Ireland	10.9	5.5	2.7	12.0	6.0	3.0	Argentina	17.3	13.3	11.2	21.1	16.5	14.2
Israel	11.7	8.0	4.0	11.8	7.9	4.0	Brazil	15.5	15.5	13.3	19.5	19.5	17.0
Italy	12.2	12.2	12.1	13.8	13.8	13.7	China	21.2	16.8	14.6	21.2	16.3	13.8
Japan	10.9	7.8	6.2	13.0	9.2	7.3	India	7.9	7.9	4.2	8.3	8.3	4.2
Korea	10.0	6.6	4.0	11.9	7.8	4.7	Indonesia	7.7	7.7	7.6	8.4	8.4	8.2
Latvia	9.1	6.7	6.7	10.4	7.6	7.6	Saudi Arabia	15.0	15.0	11.6	15.8	15.8	12.2
Lithuania	4.7	3.0	2.2	5.4	3.5	2.6	South Africa	2.8	1.4	0.7	3.4	1.7	0.8
Luxembourg	22.8	19.5	17.9	24.5	21.0	19.2	EU27	12.1	10.2	8.7	13.6	11.4	9.7

Note: *Low earners in Colombia, New Zealand and Slovenia are at 64%, 61% and 55% of average earnings, respectively, to account for the minimum wage level.
Source: OECD pension models.

StatLink https://stat.link/p6u8ml

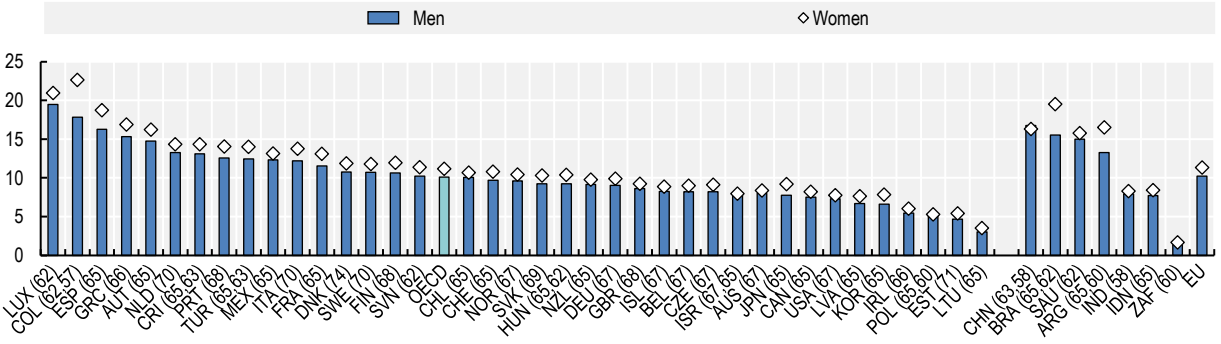
Figure 4.6. Gross pension wealth for lower earners by gender, multiple of annual earnings



Source: OECD pension models.

StatLink https://stat.link/zitfu2

Figure 4.7. Gross pension wealth for average earners by gender, multiple of annual earnings



Source: OECD pension models.

StatLink https://stat.link/hwnxsc

Net pension wealth

Key results

As with gross pension wealth, net pension wealth relative to individual net earnings measures the total discounted value of the lifetime flow of all retirement incomes in mandatory pension schemes at retirement age. For average earners, net pension wealth for men is 12.2 times and for women 13.6 times annual individual net earnings on average in OECD countries. Net pension wealth relative to annual individual earnings is higher for women because of their longer life expectancy, and even more so in the six countries maintaining lower future retirement ages for women. The main determinants of differences across countries are differences in the net replacement rate, in the length of the retirement period measured by remaining life expectancy at the normal retirement age, and in indexation rules.

Replacement rates give an indication of the pension promise relative to individual earnings, but they are not comprehensive measures of cumulated pension payments; they look only at the benefit level relative to individual earnings at the point of retirement, or more generally at a given, later age. For a full picture, remaining life expectancy, normal retirement age and indexation of pension benefits must also be taken into account. Together, these determine for how long the pension benefit is paid, and how its value evolves over time. Net pension wealth – a measure of the stock of future discounted flows of pension benefits after taxes and social contributions – takes account of these factors. It can be thought of as the total net benefits that will be received on average from the mandatory retirement-income schemes.

In defined benefit systems there is often no or a weak direct link between the replacement rate and the expected duration of benefit withdrawal. Of course, in the long run, ensuring financial sustainability imposes a trade-off between the replacement rate and the duration of retirement. When retirement ages and pension benefits are held constant, pension wealth increases with longevity gains. In defined contribution systems there is a more direct link between the size of the benefit and the expected duration of benefit withdrawals. In these systems the pension wealth measure is equal to the accumulated assets and therefore independent of longevity increases as these automatically reduce the benefits.

Net pension wealth at individual earnings equal to average worker earnings is highest in Luxembourg at 22.6 times annual individual net earnings for men and 24.3 times for women (Table 4.7). The lowest pension wealth is found in Lithuania at 4.9 and 5.7 times for men and women respectively, due to low replacement rates.

Higher individual replacement rates and the increased tax allowance for many pensioners mean that net pension wealth relative to individual net earnings tends to be higher for low earners than for average earners as well, at least as the estimations here abstract from differences in life expectancy across income levels. For men with individual earnings equal to half-average earnings, net pension wealth is 14.7 times their net earnings on average, compared with 12.2 times for average wage workers. Similarly, for women with low earnings, net pension wealth of 16.4 compares with 13.6 times individual earnings for average earners.

For higher earners net pension wealth is on average 10.1 for men and 11.2 for women, only slightly lower than that for average earners, with Luxembourg and Türkiye highest and Estonia and Lithuania lowest.

Impact of life expectancy

In countries where the duration in retirement is shorter and where pension benefits are defined benefit, such as Estonia and Latvia, the individual pension wealth is smaller. The effect is the opposite in Switzerland and some of the Nordic countries (in DB systems), where life expectancies are high. Similarly, since women's life expectancy is longer than men's, pension wealth for women is higher in all countries that use unisex mortality tables or that have defined benefit systems. This is simply because in that case the same level of pension benefits can be expected to be paid over a longer retirement period. In addition, some countries still have lower retirement ages for women; this extends the payment period even further. Pension wealth is also affected by pension ages. A low retirement age in a defined benefit system such as in Luxembourg increases the pension wealth at a given level of benefit.

For the non-OECD countries there is great variation with South Africa at only 1.6 times individual earnings for average earners for men and 1.9 for women compared to 21.6 for men in China and 21.1 times individual earnings for women.

Definition and measurement

Net pension wealth is the present value of the flow of pension benefits, taking account of the taxes and social security contributions that retirees have to pay on their pensions. It is measured and expressed as a multiple of net annual individual earnings in the respective country.

Taxes and contributions paid by pensioners are calculated conditional on the mandatory pension benefit to which individuals are entitled to at different levels of earnings. The calculations take account of all standard tax allowances and tax reliefs as well as concessions granted either to pension income or to people of pension age.

Details of the rules that national tax systems apply to pensioners can be found in the online "Country Profiles" available at http://oe.cd/pag.

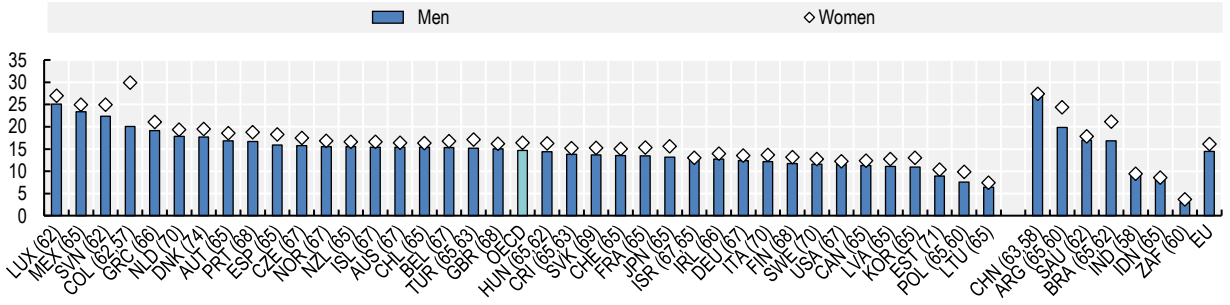
Table 4.7. Net pension wealth by earnings

	Individual earnings, multiple of average wage							Individual earnings, multiple of average wage					
	0.5	1	2	0.5	1	2		0.5	1	2	0.5	1	2
	Men			Women				Men			Women		
Australia	15.4	10.4	7.1	16.4	10.9	7.3	Mexico	23.4	14.1	10.1	24.9	15.1	10.2
Austria	16.9	17.3	12.4	18.5	19.0	13.6	Netherlands	17.9	17.0	15.6	19.4	18.4	16.8
Belgium	15.3	11.6	8.0	16.8	12.7	8.8	New Zealand	15.6	10.2	5.5	16.6	10.9	5.9
Canada	11.3	9.1	5.1	12.4	10.0	5.5	Norway	15.6	11.5	7.6	16.9	12.4	8.2
Chile	15.4	12.4	8.9	16.3	13.2	10.7	Poland	7.6	7.5	6.9	9.9	7.5	7.4
Colombia	20.1	17.4	12.8	29.9	26.0	17.3	Portugal	16.7	16.1	15.9	18.8	18.0	17.7
Costa Rica	13.8	13.8	13.8	15.2	15.2	15.1	Slovak Republic	13.7	12.2	10.9	15.2	13.6	12.1
Czechia	15.8	10.4	7.4	17.5	11.5	8.2	Slovenia	22.4	15.9	16.3	24.9	17.7	18.2
Denmark	17.7	11.4	9.2	19.5	12.6	10.1	Spain	15.9	17.5	11.7	18.3	20.1	13.5
Estonia	8.9	6.0	3.8	10.4	7.0	4.4	Sweden	11.6	11.4	14.5	12.8	12.5	16.0
Finland	11.7	12.1	11.7	13.2	13.6	13.2	Switzerland	13.5	10.8	5.7	15.1	12.1	6.4
France	13.5	14.3	12.0	15.3	16.2	13.6	Türkiye	15.2	17.4	18.9	17.1	19.6	21.3
Germany	12.4	11.4	8.3	13.6	12.5	9.1	United Kingdom	15.1	10.4	7.5	16.2	11.2	8.0
Greece	19.1	17.0	15.4	21.1	18.8	16.9	United States	11.5	9.4	7.4	12.2	10.0	7.8
Hungary	14.4	13.9	13.6	16.3	15.6	15.3	**OECD**	**14.7**	**12.2**	**10.1**	**16.4**	**13.6**	**11.2**
Iceland	15.4	10.0	9.7	16.6	10.8	10.4							
Ireland	12.7	7.6	4.5	14.0	8.3	5.0	Argentina	19.9	15.2	12.8	24.4	18.9	16.2
Israel	13.0	10.2	6.1	13.0	10.2	6.1	Brazil	16.8	17.1	15.4	21.2	21.4	19.5
Italy	12.2	13.7	14.2	13.7	15.4	16.0	China	27.3	21.6	18.9	27.4	21.1	18.2
Japan	13.2	9.0	7.2	15.6	10.7	8.6	India	9.0	9.0	4.9	9.4	9.4	4.9
Korea	11.0	7.7	4.9	13.0	9.1	5.8	Indonesia	8.0	8.0	8.0	8.6	8.6	8.5
Latvia	11.1	9.0	8.9	12.7	10.3	10.1	Saudi Arabia	17.0	17.0	12.5	17.9	17.9	13.2
Lithuania	6.4	4.9	3.7	7.4	5.7	4.2	South Africa	3.0	1.6	0.9	3.7	1.9	1.1
Luxembourg	25.1	22.6	20.5	27.0	24.3	22.0	EU27	14.4	12.8	11.1	16.1	14.3	12.4

Note: *Low earners in Colombia, New Zealand and Slovenia are at 64%, 61% and 55% of average earnings, respectively, to account for the minimum wage level.
Source: OECD pension models.

StatLink https://stat.link/67lksu

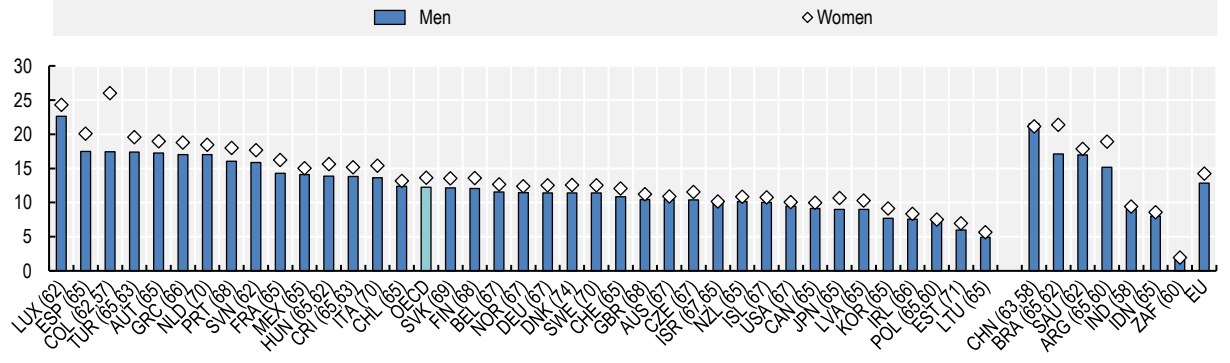
Figure 4.8. Net pension wealth for lower earners by gender, multiple of annual earnings



Source: OECD pension models.

StatLink https://stat.link/18ibhf

Figure 4.9. Net pension wealth for average earners by gender, multiple of annual earnings



Source: OECD pension models.

StatLink https://stat.link/jebgr6

5 Pension entitlements for alternative scenarios

Full-career single individuals being covered in Chapter 4, the analysis turns to those with different career paths or for couples. The indicators start by showing pension entitlements for couples compared to single workers. As people often spend periods out of paid work in unemployment or caring for children the following indicators show the relative pension entitlements from mandatory pension schemes for unemployment breaks and for childcare breaks, with breaks of five and ten years, and with a later entry also for the longer unemployment period. Next a comparison of gross replacement rates is given for alternative economic assumptions compared with the base case. Finally, there is a comparison of the replacement rates for the self-employed with that of dependent employees.

Gross pension entitlements for couples

Key results

Half of OECD countries provide some support for non-working partners in a couple. An average-wage full-career single-earner couple receives total benefits for both people of 58.7% of the average wage compared with 52.0% for single male earners. However, this is significantly lower than what these two people (man with full career, woman having never worked) will get in total if they were single, or 68.1% of gross average wage as the non-worker has full entitlement to all residence-based basic pensions and safety nets. When both partners are full-career average earners, total mandatory pensions are lower than those for two single individuals in six countries, Australia, Denmark, Ireland, Lithuania, the Netherlands and New Zealand.

There are two ways in which partnership status affects pension entitlements. First, some systems offer "derived" rights: these are benefits for the couple that derive from the working experience and contributions of one spouse. Secondly, some first-tier benefits are calculated based on family status, assessed using the couple as a "pension unit" rather than treating everyone separately.

Table 5.1 shows calculations of pension entitlements for four different family types. In the first three, total gross earnings are held constant at 100% of the economy-wide individual average. A single man with these earnings is compared with a single-earner couple (male earner). These are then further compared to the pension entitlements of a single man combined with a single woman who never worked. The final case shows a couple consisting of two earners, each with 100% of average earnings, only showing values if the pension differs from that of two singles, each with average earnings.

There is significant variation between countries in terms of the policy stance adopted for non-workers within a couple. In some countries, benefits are higher for couples than for single people because of basic schemes that pay a higher rate to a couple than to a single person (although less than the entitlement of two single people) as in the Netherlands, for example. In Ireland there are spousal benefits in the basic pension for partners in a couple who do not earn a full basic pension entitlement in their own right.

In Korea and the United States, there are spousal benefits in the public, earnings-related schemes. Japan covers periods of being a non-working spouse for the contribution-based basic pensions and Belgium applies higher accrual rates for couples in contributory pensions. Again, these higher benefits are paid to couples where one partner has not earned a large entitlement in his or her own right. Additionally, there are several countries with either residence-based basic pensions or means-tested targeted benefits that are provided on an individual basis and so are paid to the non-working partner in the couple.

On average for couples in which there is a male average earner and a non-working partner, the pension benefit is 58.7% of average earnings, at the normal retirement age, compared to 52.0% for a single male worker at average earnings. Overall, just under half of OECD countries provide higher total benefits for one-earner couples than for single earners, at the average wage. The largest difference is found in Norway where benefits for single-earner couples are 23 percentage points (p.p.) higher than for single earners. Denmark, Iceland, Ireland and New Zealand are all at 20 p.p. or above. In Denmark, Iceland, Ireland and Norway, the non-working partner has full entitlement to the means-tested targeted pensions, as is also the case in Finland and Sweden, and, in addition in Denmark, to the flat-rate residence-based basic pension. In New Zealand both partners are entitled to the residence-based basic pension at the couple rate (76% of the individual rate for each partner). Lithuania has a lower replacement rate as the living alone supplement is withdrawn. Ireland also has a living alone allowance that is withdrawn but it is more than covered by the means-tested pension.

Given an equivalence scale of square root of 2 for a couple in order to account for economies of scale in living costs (Chapter 7), the single-earner couple benefit level of 58.7% of average earnings provides an equivalent, at the individual level, of 41.5%, so 10 p.p. lower than for single men, reflecting the fact that the second person has not received any labour income. By comparison two single individuals following the same career paths, i.e. a man with a full career at average earnings and a woman who has never worked, would have a combined benefit of 68.1% of average wage, 16 p.p. higher than what is received by a single male full career earner. This is due to the single female having full entitlement to residence-based basic pensions and safety nets in her own right.

For couples with both earning the average wage, results are only shown for those cases that would give a different pension entitlement than for two single individuals. The only countries with couple specific rules in that case are Australia, Denmark, Ireland, Lithuania, the Netherlands and New Zealand. In New Zealand, total pension amounts are based on people's living situation, rather than their earnings history. However, the residence-based basic component is paid at a lower level for each individual in a couple than if they were single. This is also the case in Australia for the safety-net benefit (Age Pension) and in the Netherlands. In Denmark the rate of withdrawal of the means-tested component is higher for couples than for single individuals. In Ireland and Lithuania, the aforementioned living alone allowances are lost for the couple compared to two single individuals.

Definition and measurement

The old-age pension entitlement measures how effectively a pension system provides a retirement income to replace earnings, the main source of income before retirement. The gross entitlement is defined as gross pension divided by gross pre-retirement earnings.

For the couple analysis, a male and female partner of the same age are assumed to enable easier comparison with the single-earner scenario. For the two-earner couple, both are assumed to retire at the earliest age at which no penalty will apply to their benefits, with the female pensioner then having their benefits indexed until reaching the male retirement age for those countries with lower female retirement age.

Table 5.1. Gross pension entitlements by household composition: singles versus couples, percentage of average earnings

	Male full-career average earner				Two-earner couple, each with full-career average earnings, if different from two single average earners
	Single (female where different)		Plus female non-working partner, if different from single male case	Plus single female who has never worked	
Australia	40.8	(38.5)	53.8	64.4	60.7
Austria	74.1			96.9	
Belgium	43.5		54.0	70.6	
Canada	37.1		42.8	51.3	
Chile	49.7	(49.6)	61.9	61.9	
Colombia	74.8			83.7	
Costa Rica	65.7	(62.2)		79.1	
Czechia	44.2		63.4	50.3	
Denmark	72.7		94.3	107.9	136.7
Estonia	29.3		42.7	42.7	
Finland	57.8		70.3	70.3	
France	56.6			72.5	
Germany	42.1			55.0	
Greece	79.6			90.6	
Hungary	51.9	(48.4)		55.4	
Iceland	43.9		63.8	68.1	
Ireland	24.3		44.0	45.8	45.0
Israel	42.8	(36.5)	47.4	55.4	
Italy	70.6			81.4	
Japan	36.5		50.7	53.7	
Korea	33.4		35.6	37.6	
Latvia	38.7			49.6	
Lithuania	17.4		16.4	22.8	32.9
Luxembourg	75.6			104.8	
Mexico	69.6		80.1	80.1	
Netherlands	74.7		85.0	103.3	131.1
New Zealand	39.5		60.0	78.9	60.0
Norway	46.1		69.1	69.1	
Poland	28.6	(22.4)		43.4	
Portugal	72.4			81.8	
Slovak Republic	58.0			67.6	
Slovenia	45.9			61.5	
Spain	80.4			103.3	
Sweden	63.7		76.6	78.0	
Switzerland	42.4			58.7	
Türkiye	69.1	(66.4)		73.8	
United Kingdom	44.7			66.8	
United States	39.7		59.5	48.8	
OECD	**52.0**	**(51.4)**	**58.7**	**68.1**	**101.6**

Note: Values are only shown for single-earner couples where the pension received differs from that of a single male earner. Values are only shown for couples with average earnings when they differ from the rates that would apply to a single man and single woman combined.
Reading note: A male average earner in Belgium has a gross replacement rate of 43.5% after a full career (first two columns). If in a couple with a non-working partner, total pensions increase to 54.0% of the gross average wage (third column) as the annual accrual rate used for the calculation of the DB component increases from 1.33% to 1.67%. For the two single individuals (fourth column), the non-worker is entitled to the safety-net benefit (equal to 27.2% of average earnings) in her own right giving a total pension of 70.6% of the gross average wage (43.5% + 27.2%). There is no value recorded for Belgium in the two-earner couple case (last column) as being part of a couple gives exactly the same total pensions as for two single earners (in total 87.0% of the average wage).
Source: OECD pension models.

StatLink https://stat.link/u6y9im

Impact of unemployment breaks on pension entitlements

Key results

Pension entitlements due to periods of unemployment are normally at least partially protected, for example through credited years of contribution. In addition, residence-based and contributory minimum pensions help cushion the impact of unemployment breaks. This indicator shows how these career breaks affect future pension entitlements. Workers at average- and low-earnings level with five years out of the labour market due to unemployment will have total pensions 7% and 5% lower, respectively, than those of a full-career workers on average across the 38 OECD countries. Total benefits at average earnings are more than 10% lower than those of full-career workers in Chile, Hungary, Korea, Latvia, Luxembourg, Portugal, the Slovak Republic and Türkiye as there is limited credit provided to cushion the impact of the break.

Most OECD countries provide some degree of unemployment credit for at least an initial period. On average five years of unemployment will result in total pensions being 7% lower than for full-career workers for the average-wage case (Figure 5.1). When starting the career 5 years later and then having a period of 10 years of unemployment, this increases to 22% lower (Figure 5.2). For low earners, the impact of career breaks on total pensions is slightly lower – 5% and 18% lower compared with the full-career baseline for the five- and ten-year break case, respectively. Compared with a full-career worker in a country with a normal retirement age of 66 for example, these 5- and 15-year missing years represent about 11½%and 34% of the career length, respectively. This helps assess how pension systems cushion the impact of unemployment on total benefits: without any protection, these shares provide an order of magnitude of the expected negative impacts of these breaks on pensions.

With these career breaks, the resulting retirement age increases in a few countries. In France, Greece, Luxembourg and Slovenia, additional years of contributions are needed to meet the eligibility thresholds for retirement without penalty. The same is also true for Spain, but only for the longer ten-year case. In Portugal the normal retirement age (for the full-career case) is two years before the statutory retirement age as the retirement age without penalty can be reduced by four months for each year of contribution exceeding 40 years made after age 60. The missing contributions during unemployment years mean that in the career-break cases, workers have to retire later to avoid penalties.

For the average-wage worker, pension shortfalls relative to someone with a full career varies widely across countries. They are larger for longer duration of career absence and for high earners. In Latvia, Luxembourg and Portugal the total pension loss after a five-year unemployment break is 11% or more. Only the first year is partially covered in Latvia. In Luxembourg and Portugal, the retirement age increases as a result of the unemployment break by three years and one year, respectively.

In other countries, pension rules can fully offset the fallout from spells of unemployment. This applies for example in Ireland, and for the five-year case in the United States. In the United States, this is because total accrual rates and the reference wage used to compute benefits are not affected – for example, pension entitlements stop accruing in the United States after 35 years. In Ireland, this is because such a break does not affect the contribution-based basic pension level. In New Zealand, as well, periods of unemployment do not affect the basic pension as it is entirely residence based. In Colombia the relatively high level of the minimum pension means that all the career-break cases are fully protected, and total pensions also remain unchanged. In Mexico the new welfare component, which provides a top-up to the FDC, ensures that workers have the same pension entitlements even for the longer unemployment period as long as the minimum contribution period of 1 000 weeks is met.

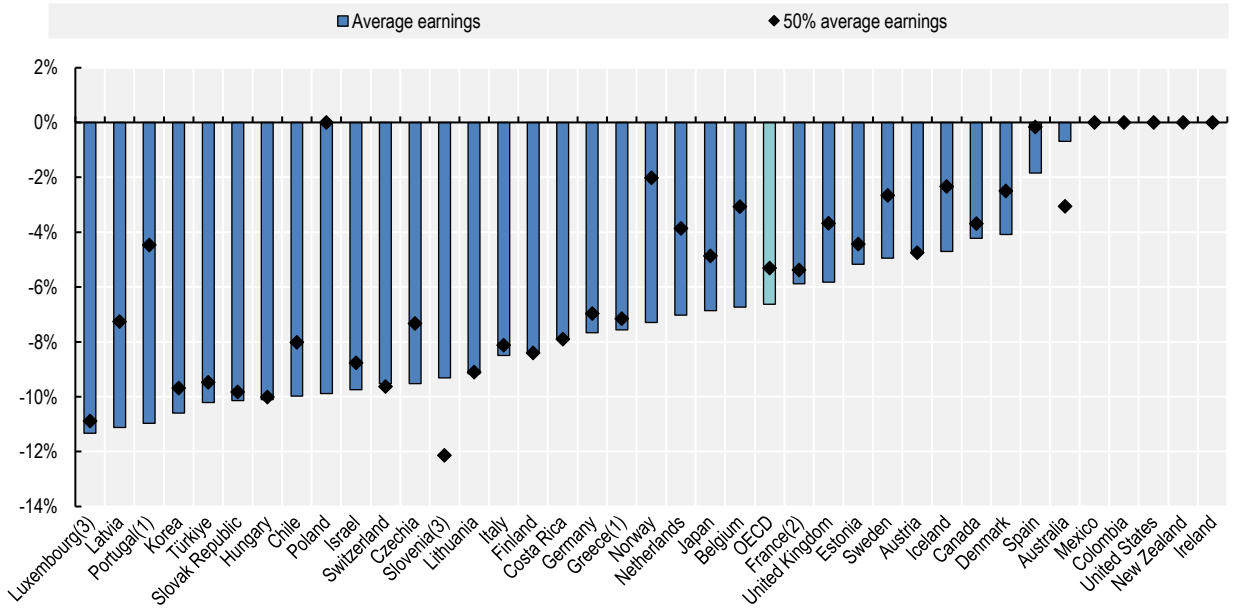
In Canada, Denmark and Iceland, although there is no protection in the earnings-related pension schemes, these countries have basic or supplementary pensions that are gradually withdrawn against other income. Although this provides limited protection for the five-year case it does cushion the impact of the longer unemployment break scenario, particularly for low earners.

There are countries which afford low-paid workers better protection against long-term unemployment than average earners, because contributory minimum pensions and resource-tested schemes play a crucial role – Belgium, Canada, Chile, Colombia, Iceland, Mexico, the Netherlands, Norway and Poland. By contrast, lower earners in Germany are more affected by the longer unemployment break case than average earners, as low earners then lose their entitlement to the individual basic pension supplement due to their shorter contribution period.

Definition and measurement

For the unemployment career case, men are assumed to embark on their careers as full-time employees at 22 or 27 for the late entry case, and to stop working during a break of up to ten years from age 35 due to unemployment; they are then assumed to resume full-time work until normal retirement age, which may increase because of the career break. Any increase in retirement age is shown in brackets after the country name on the charts. For these countries, the corresponding pension wealth is calculated for the unemployment break cases and discounted back to the normal retirement age for the full-career worker. The simulations are based on parameters and rules set out in the online "Country Profiles" available at http://oe.cd/pag.

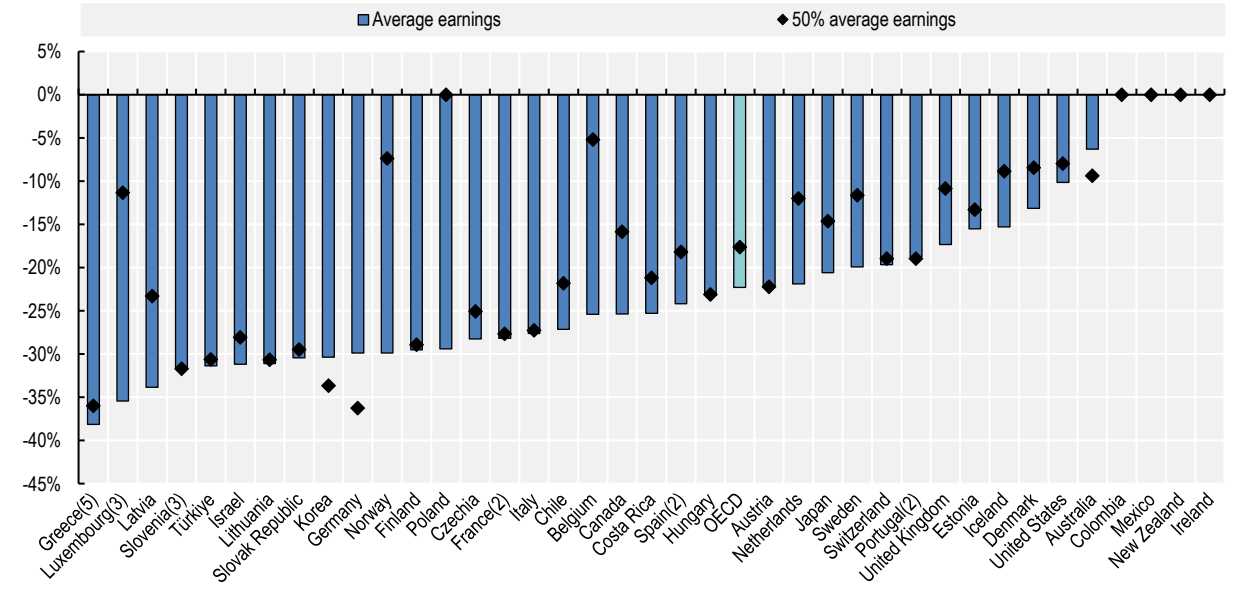
Figure 5.1. Gross total pension entitlements of low and average earners with a 5-year unemployment break versus workers with full careers



Note: Figure in brackets refers to increase in retirement age due to the career break. Individuals enter the labour market at age 22 in 2024. The unemployment break starts in 2037. Low earners in Colombia, New Zealand and Slovenia are at 64%, 61% and 55% of average earnings, respectively, to account for the minimum wage level. For those countries with delayed retirement ages the corresponding pension wealth is discounted back to enable comparison with the full career no break case.
Source: OECD pension models.

StatLink https://stat.link/vljwx9

Figure 5.2. Gross total pension entitlements of low and average earners with a 10-year unemployment break after entering the labour market 5 years later



Note: Figure in brackets refers to increase in retirement age due to the career break. Individuals enter the labour market at age 27 in 2029. The unemployment break starts in 2037. Low earners in Colombia, New Zealand and Slovenia are at 64%, 61% and 55% of average earnings, respectively, to account for the minimum wage level.
Source: OECD pension models.

StatLink https://stat.link/103yjk

Impact of childcare breaks on pension entitlements

Key results

Many individuals have interrupted careers because of having children and this indicator shows how this affects future pension entitlements. Average-wage women with two children and taking five years out of the labour market to care for the children will have total pension payments 5% lower than those of a full-career female worker with two children but not taking a break on average across the 38 OECD countries. Colombia, Ireland, Mexico, New Zealand, Spain and the United States offer benefits at the same level as the interrupted career case. In Austria, Israel, Korea and Türkiye the impact is large as future benefits are more than 10% lower than those of full-career average-wage mothers. For low earners, the negative impact of such breaks on future pensions is more limited in most countries.

Nine countries give credits just for having had children, irrespective of whether a career break occurred to take care of children. Extra years of credit are given in Austria, Czechia, France, Germany, Korea and Slovenia, a more favourable conversion factor is applied in Italy, and a pension bonus is given in Hungary and Spain. In Germany having a child gives one parent a credit of one pension point annually for three years, thereby making it equivalent for pension purposes to earning the average wage throughout the credit period, resulting in a much higher benefit entitlement for low earners in relative terms. In addition, in both France and the Slovak Republic, it is possible to retire without penalty one year earlier for mothers in the no-break with children case in comparison to the full-career worker without children.

The results shown are a comparison between those women taking a career break having had two children compared to those who continued to work.

Most OECD countries aim to protect some periods of absence from the labour market to care for children. Credits for childcare typically cover career breaks until children reach a certain age. They are generally less generous for longer breaks and for older children. Many OECD countries credit time spent caring for very young children (usually up to three or four years-old) as insured periods and consider it as paid employment. However, once children are aged six years or older any credit given for this extended period is usually only to determine eligibility for early retirement and the minimum pension, and not to raise benefits. Some countries (Czechia, Greece, Hungary and Luxembourg) factor childcare into the assessment of eligibility but disregard them when computing the earnings base, thereby limiting the negative impact. In Greece and Slovenia for both 5- and 10-year breaks and in Costa Rica, France, Hungary, Luxembourg and Portugal for the 10-year break, workers retire later to be entitled to a pension without penalty due to the rules governing required contribution periods. In Slovenia, for example, a worker who enters paid employment at 22 but takes ten years out of work will have contributed fewer than the 40 years required to be able to retire from 62 without penalty. Rather she will have to continue in employment until the statutory retirement age of 67 as she is unable to reach 40 years of contribution to get a non-penalised pension.

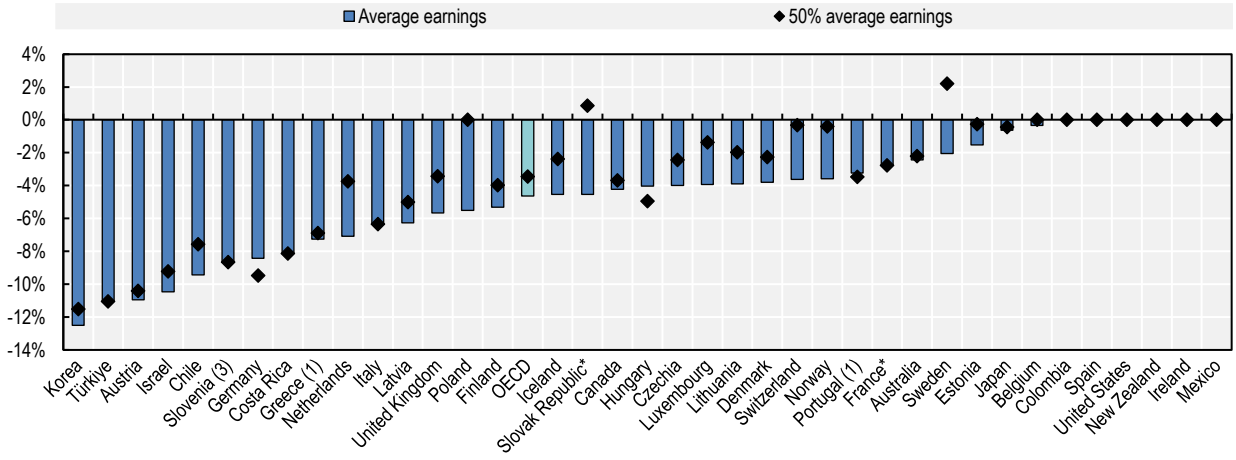
On average, a 5-year break lowers future benefit entitlements at the average wage by 4.6%, and by 3.5% for low earners (Figure 5.3). This is under half of the career length loss of 11½%for someone retiring at age 66, for example. In Austria, Israel, Korea and Türkiye, gross total pensions are over 10% lower than that of the full-career mother at the average earnings level as there is limited credit given for periods not working. Conversely, in Colombia, Ireland, Mexico, New Zealand, Spain and the United States, for women with two children the benefit is exactly the same as for the full-career case. In Japan, the credited earnings are flat-rate past earnings, resulting in only a limited reduction in total pension payments. In Belgium, on top of the protection offered by credited earnings, the uprating of earnings with prices rather than wages limits further the impact of the income loss. Additionally low earners in Poland are also protected by the minimum pension, ensuring that the total pension is unchanged as a result of the break. In the Slovak Republic and Sweden, credits are given based on 60% and 75% of nationwide average income, respectively, resulting in higher benefits for low earners.

For the 10-year break case, the average loss in total benefits increases to over 13% for average earners and 10% for low earners (Figure 5.4). Average earners in Austria, Greece, Hungary, Israel, Slovenia and Türkiye have future total pensions at least 20% lower than those of the full-career mothers, in particular as mothers have to work longer in Greece, Hungary and Slovenia. Korea also joins the list for low earners, but Slovenia is removed as low earners are better protected by the minimum pension.

Definition and measurement

The OECD baseline full-career simulation model assumes labour market entry at the age of 22. For the childcare career case, women are assumed to embark on their careers as full-time employees at 22, and to stop working during a break of up to ten years from age 30 to care for their two children born when the mother was aged 30 and 32; they are then assumed to resume full-time work until their normal retirement age. Any increase in retirement age is shown in brackets after the country name on the charts. The corresponding pension wealth is calculated for the career break case and this is compared to the pension wealth of the full career mother with no break. The simulations are based on parameters and rules set out in the online “Country Profiles” available at http://oe.cd/pag.

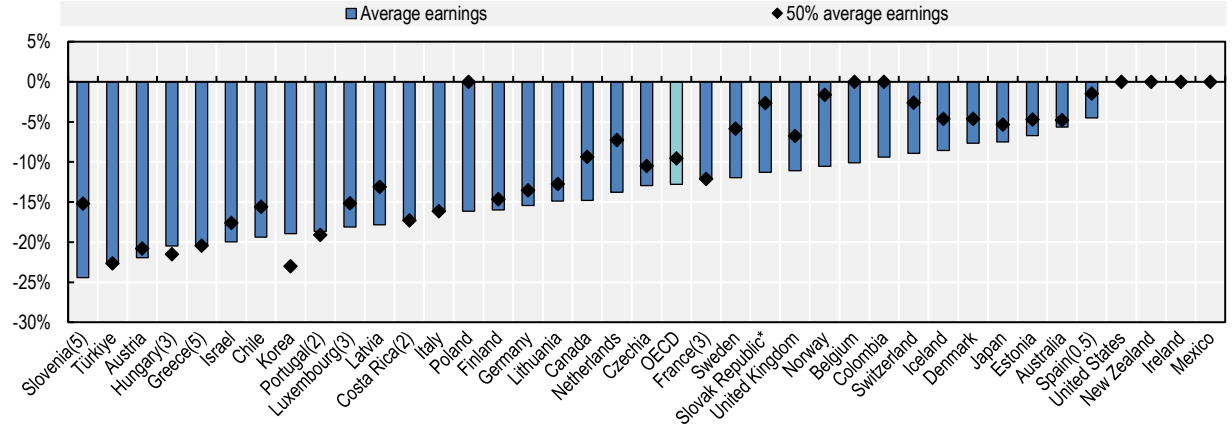
Figure 5.3. Gross total pension entitlements of low and average earners with a 5-year childcare break versus women with two children with an uninterrupted career



Note: Individuals enter the labour market at age 22 in 2024. The series shows the impact of the childcare break on total pension benefits. For Greece, Portugal and Slovenia, where taking a break implies that mothers have to retire later to avoid penalties, the figure is the change in pension wealth discounted back to the retirement age of the mother with two children without a career break. Numbers in brackets refer to the related increase in the retirement age. Two children are born in 2032 and 2034 with the career break starting in 2032. Low earners in Colombia, New Zealand and Slovenia are at 64%, 61% and 55% of average earnings, respectively, to account for the minimum wage level. * In France and the Slovak Republic, both mothers with two children with or without the break can retire one year prior to the normal retirement age, i.e. at 64 and 68, respectively.
Reading note: In Chile, an average-wage mother with two children taking a five-year break has future pension benefits that are 9.5% lower than those of the full-career mother.
Source: OECD pension models.

StatLink https://stat.link/0lgy97

Figure 5.4. Gross pension entitlements of low and average earners with a 10-year childcare break versus women with two children with an uninterrupted career



Note: Individuals enter the labour market at age 22 in 2024. The series shows the impact of the childcare break on pension benefits. For Costa Rica, France, Greece, Hungary, Luxembourg, Portugal, Slovenia and Spain, where taking a break implies that mothers retire later to avoid penalties, the figure is the change in pension wealth discounted back to the retirement age of the mother with two children without a career break. Numbers in brackets refer to the related increase in retirement age. Two children are born in 2032 and 2034 with the career break starting in 2032. Low earners in Colombia, New Zealand and Slovenia are at 64%, 61% and 55% of average earnings, respectively, to account for the minimum wage level. * In the Slovak Republic, both mothers with two children with or without the break can retire at age 68, one year prior to the normal retirement age.
Source: OECD pension models.

StatLink https://stat.link/79pgq6

Impact of different earnings profile on pension entitlements

Key results

The base case in Chapter 4 concentrates on full-career replacement rates when individuals are at a constant level of earnings relative to the average during their whole career. In the alternative earnings profile shown here individuals start at a lower salary before steadily progressing until age 55 from which the wage remains at a constant share of the average wage. For comparison purposes, this scenario is calibrated such that over the career the average wage is equal to 100% of the average wage for the whole economy, which allows comparisons for the same lifetime earnings. Under this scenario the benefit level for male workers is 53.3% of the average wage, slightly higher than for the base case at 52.0%. For women, it is 52.5%, compared to the base case of 51.4%.

Full-career male workers at the average wage throughout their career have, on average across OECD countries, a future gross replacement rate of 52.0%, when they start working at age 22. For the earnings profile shown here the benefit level as a percentage of the average wage is slightly higher at 53.3%. That is, under this scenario for which the relative wage increases throughout the career – from 60% of the average wage at age 22 to 123.33% at retirement age, ensuring the same lifetime earnings (see below) – the pension amount is similar to that of the base case scenario. Figure 5.5 shows the earnings profile for the retirement at age 66 case. In the base case final earnings and lifetime average earnings are the same. However, this is not the case for the alternative profile case as the final earnings are higher, implying a benefit level of 43.2% of final earnings on average. The equivalent figures for female workers are 51.4% for the base case and 52.5% for the earnings profile, equivalent to 42.6% of final earnings.

In some countries, the pension benefit level is identical in the earnings profile and the base cases, as pension systems that have flat-rate benefits, or points systems or constant accrual rates with wage valorisation of past earnings are not affected, as career average earnings are the same and any ceilings to contributions do not come into play. These countries are Austria, Canada, Czechia, Germany, Hungary, Ireland, Japan, Lithuania, Luxembourg, Mexico, New Zealand and the Slovak Republic.

By contrast, countries that do not use the entire career earnings and price uprate past wages when calculating pensions have higher benefit values using the earnings profile scenario compared to the base case. The countries in question are Colombia, Costa Rica, France, Portugal, Slovenia, Spain and the United States as only 10, 25, 25, 40, 35, 27 and 35 years of earnings, respectively, are used. For example, in Costa Rica the final 25 years are now used to calculate the reference wage for pension calculations. Under the base case this gives a reference wage equivalent to 79% of the average wage at retirement, as past earnings are only adjusted for inflation, whereas for the earning profile it is 92%, with Spain showing a similar increase. The impact is not as large in Portugal because 40 of the 46 years of career are used, nor in France as there is a ceiling to contributions to the general DB scheme so the higher earnings at the end of the career are less relevant as the pensionable salary is around the average wage.

For countries that have large defined contribution pension schemes, the lower earnings at the start of the career – while having the same average over the career – has a greater effect on reducing the future benefit level, assuming the level of returns are higher than wage growth, than is countered by the higher earnings at the end of the career as there is less time for these increased contributions to accumulate. The largest falls are found in Australia, Chile, Denmark, Greece, Iceland, Israel, the Netherlands, Norway and the United Kingdom, but even in the highest case in the Netherlands the effective future replacement rate only falls by 2.3 p.p. with all the others around 1 p.p. or lower. In Sweden the replacement rate actually increases as the contribution rate to the occupational pension increases from 4.5% to 30% for earnings above 108% of the average.

Definition and measurement

Under the baseline assumptions, workers earn the same percentage of average worker earnings throughout their career. However, although the average wage over the career is maintained at 100% (past wages are uprated based on average-wage growth), the individual starts at 60% of average earnings, increasing to average earnings between 12 and 25 years later – the exact year depends on the retirement age so as to ensure that the career average is equal to 100% of average wage -, then increasing to 123.33% of average earnings at age 55 and remaining at this level until retirement age. Therefore, final earnings are no longer equal to lifetime average earnings revalued in line with economy-wide earnings growth. The benefit levels shown are expressed as a percentage of career average earnings.

Figure 5.5. Earnings profile compared to base case for a retirement age of 66 years

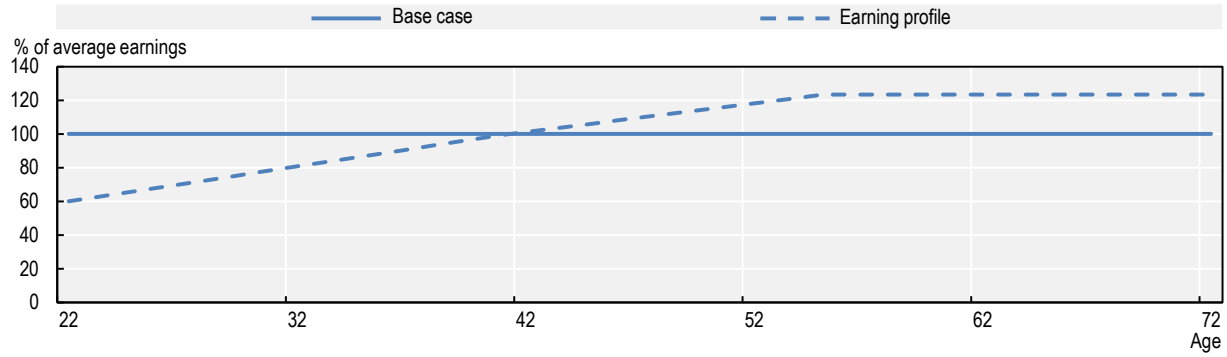


Table 5.2. Gross and net pension benefit level by earnings profile

Percentage of average wage at retirement

	Pension age		GRR				NRR			
			Base case		Earning profile		Base case		Earning profile	
Australia	67		40.8	(38.5)	40.7	(38.5)	53.0	(50.1)	52.9	(51.2)
Austria*	65		74.1		74.1		86.8		86.8	
Belgium	67		43.5		46.3		61.1		54.9	
Canada*	65		37.1		37.1		45.1		44.8	
Chile	65		49.7	(49.6)	49.4	(49.3)	61.3	(61.1)	60.9	(60.8)
Colombia	62	(57)	74.8		89.0	(87.4)	73.1		87.0	(85.5)
Costa Rica	65	(63)	65.7	(62.2)	73.1	(68.2)	69.5	(65.8)	77.3	(72.1)
Czechia*	67		44.2		44.2		55.9		55.9	
Denmark	74		72.7		72.2		77.1		76.5	
Estonia*	71		29.3		29.3		37.8		37.8	
Finland	68		57.8		58.2		65.7		66.6	
France	65		56.6		59.2		70.0		72.5	
Germany*	67		42.1		42.1		53.3		53.3	
Greece	66		79.6		79.0		88.5		88.0	
Hungary*	65	(62)	51.9	(48.4)	51.9	(48.4)	78.0	(72.8)	78.0	(72.8)
Iceland	67		43.9		43.2		53.3		52.6	
Ireland*	66		24.3		24.3		33.7		33.7	
Israel	67	(65)	42.8	(36.5)	41.8	(35.7)	54.4	(46.8)	53.1	(48.1)
Italy	70		70.6		72.0		79.0		82.6	
Japan*	65		36.5		36.5		42.4		42.4	
Korea	65		33.4		32.7		38.9		38.2	
Latvia	65		38.7		38.9		52.2		53.4	
Lithuania*	65		17.4		17.4		28.2		28.2	
Luxembourg*	62		75.6		75.6		87.7		86.7	
Mexico*	65		69.6		69.6		79.6		79.6	
Netherlands	70		74.7		72.4		96.0		94.4	
New Zealand*	65		39.5		39.5		43.8		43.8	
Norway	67		46.1		44.7		54.9		53.1	
Poland	65	(60)	28.6	(22.4)	29.5	(23.0)	40.6	(31.8)	41.8	(32.6)
Portugal	68		72.4		77.3		92.7		98.3	
Slovak Republic*	69		58.0		58.0		76.3		76.3	
Slovenia	62		45.9		48.2		71.3		76.4	
Spain	65		80.4		92.5		86.3		97.5	
Sweden	70		63.7		66.3		66.3		68.7	
Switzerland	65		42.4		42.5		47.5		47.6	
Türkiye	65	(63)	69.1	(66.4)	70.7	(67.1)	96.4	(92.7)	98.6	(93.7)
United Kingdom	68		44.7		43.0		54.2		53.1	
United States	67		39.7		42.3		51.3		54.6	
OECD	**66.4**	**(65.9)**	**52.0**	**(514)**	**53.3**	**(52.5)**	**63.2**	**(62.4)**	**64.4**	**(63.6)**
Argentina	65	(60)	68.7	(66.3)	79.8	(76.9)	78.6	(75.9)	91.3	87.9)
Brazil	65	(62)	88.4	(93.3)	91.1	(95.4)	97.5	(102.3)	100.2	(104.3)
China	63	(58)	80.6	(61.9)	90.3	(70.3)	103.6	(80.2)	115.0	(91.4)
India	58		39.2	(38.1)	43.9	(42.8)	44.6	(43.3)	49.9	(48.7)
Indonesia	65		53.4	(50.7)	53.8	(51.2)	55.6	(51.8)	56.0	(52.2)
Saudi Arabia	62		70.2		68.6		79.6		77.5	
South Africa*	60		7.8		7.8		8.9		9.2	
EU27	66.7	(66.4)	54.5	(54.2)	53.9	(53.5)	68.3	(67.9)	67.1	(66.4)

Note: * Individuals have the same gross benefit under both the base case and earnings profile scenarios.
Source: OECD pension models.

StatLink https://stat.link/u40gry

Sensitivity of replacement rates to changes in the economic assumptions

Key results

The base case in Chapter 4 concentrates on showing full-career replacement rates under the standard economic parameters that apply within the report, with some changes from those used in previous editions. This indicator focusses on a different set of economic assumptions – one that may better reflect the possibility of an extended period of low growth and low interest rates (alternative scenario). For workers with average earnings and a full career from age 22, the future gross replacement rate at the normal retirement age averages 54.3 for men and 53.6% for women in the 38 OECD countries under the alternative scenario, which is around 2 p.p. higher than the base case figures.

Full career male workers at the average wage throughout their career will have on average, a gross replacement rate of 52.0%, when they start working at age 22. These estimates are based on the standard economic parameters described in Chapter 4. As an alternative these standard parameters have been lowered to account for the possibility of a low economic growth and low interest rates scenario over the long term, which might be partly related to population ageing (Table 5.3).

Table 5.3. Annual economic assumptions

Economic assumptions that apply every year from 2024

	Base case assumptions	Alternative scenario
Real discount rate	1.5%	1.0%
Price inflation	2.0%	1.0%
Real wage growth	1.25%	0.75%
Real rate of return	2.5%	2.0%
GDP growth	Country specific based on projections of working-age population	Adjusted downward by 0.50%

The gross replacement rate for male workers at average earnings increases slightly from 52.0% to 54.3 under the alternative scenario. Similarly, the level for women increases from 51.4% to 53.6%.

There are four OECD countries, Germany, Ireland, Japan and New Zealand that have the same replacement rate under both the alternative scenario and the base case. In all these countries there is either just a basic pension linked to earnings growth, or the relevant parameters of the pension system are unaffected by discount rate or the rate of return, resulting in a steady state replacement rate if the earnings are at a constant proportion of the average. Although the replacement rates are the same in both cases for Japan, this will not hold for all economic conditions.

The largest increase in replacement rate is found in Mexico at 16.5 p.p. Belgium, Portugal, Spain, Türkiye and the United Kingdom are next with increases of between 5.8 p.p. and 7.6 p.p. In these countries past earnings are valorised to prices (Belgium, Portugal and Spain) or partially to GDP (Türkiye), or the basic pension and the new 100% replacement rate threshold are indexed to prices (Mexico), generating higher pension value relative to future wages as a result of lower real-earnings growth. In the United Kingdom the triple lock commitment of a minimum of 2.5% increase in the basic pension comes into effect, significantly increasing the value of the pension relative to average earnings and counteracting a drop of 2.3 p.p. in the FDC.

Conversely, the replacement rate falls by 2 p.p. in the Netherlands and by 1 p.p. in Latvia. In FDC schemes, the lower real rates of return by 50 basis points in the alternative scenario is offset by lower real-wage growth in the accumulation phase, but the lower real discount rate raises the price of price-indexed annuities, lowering replacement rates.

For the G20 countries only South Africa, due to having a flat rate basic pension, has the same replacement rate under the base case and the alternative scenario. Brazil has the largest increase at 9.4 p.p. All the other countries have an increase except for India where there is a small decrease of 0.3 p.p.

Definition and measurement

The old-age pension replacement rate measures how effectively a pension system provides a retirement income to replace earnings, the main source of income before retirement. The gross replacement rate is defined as gross pension entitlement divided by gross pre-retirement earnings.

Often, the replacement rate is expressed as the ratio of the pension to final earnings (just before retirement). Under the baseline assumptions, workers earn the same percentage of average worker earnings throughout their career. Therefore, final earnings are equal to lifetime average earnings revalued in line with economy-wide earnings growth. Replacement rates expressed as a percentage of final earnings are thus identical to those expressed as a percentage of lifetime earnings.

Further reading

OECD (2021), *Pensions at a Glance 2021: OECD and G20 Indicators*, OECD Publishing, Paris, https://doi.org/10.1787/ca401ebd-en.

Table 5.4. Gross pension replacement rates by different economic assumptions

Percentage of average earnings

	Full career male workers at average earnings (women where different)							
	Pension age		Base case		Alternative scenario		Difference (p.p.)	
Australia	67		40.8	(38.5)	44.7	(42.4)	3.9	3.9
Austria	65		74.1		75.2		1.1	
Belgium	67		43.5		49.3		5.8	
Canada	65		37.1		38.1		1.0	
Chile	65		49.7	(49.6)	48.5	(48.4)	-1.2	
Colombia	62	(57)	74.8		76.8		2.0	
Costa Rica	65	(63)	65.7	(62.2)	67.4	(63.9)	1.7	1.7
Czechia	67		44.2		45.4		1.2	
Denmark	74		72.7		73.3		0.5	
Estonia	71		29.3		30.8		1.5	
Finland	68		57.8		58.6		0.8	
France	65		56.6		60.8		4.2	
Germany*	67		42.1		42.1		0.0	
Greece	66		79.6		82.2		2.6	
Hungary	65	(62)	51.9	(48.4)	54.3	(50.6)	2.4	2.2
Iceland	67		43.9		49.1		5.2	
Ireland*	66		24.3		24.3		0.0	
Israel	67	(65)	42.8	(36.5)	44.6	(38.1)	1.8	1.6
Italy	70		70.6		70.6		-0.1	
Japan*	65		36.5		36.5		0.0	
Korea	65		33.4		36.1		2.8	
Latvia	65		38.7		38.1		-0.7	
Lithuania	65		17.4		14.9		-2.8	
Luxembourg	62		75.6		77.1		1.5	
Mexico	65		69.6		86.1		16.5	
Netherlands	70		74.7		73.0		-1.7	
New Zealand*	65		39.5		39.5		0.0	
Norway	67		46.1		45.8		-0.3	
Poland	65	(60)	28.6	(22.4)	28.7	(22.5)	0.1	0.1
Portugal	68		72.4		79.1		6.7	
Slovak Republic	69		58.0		59.3		1.3	
Slovenia	62		45.9		46.1		0.2	
Spain	65		80.4		88.0		7.6	
Sweden	70		63.7		64.0		0.3	
Switzerland	65		42.4		46.6		4.2	
Türkiye	65	(63)	69.1	(66.4)	75.1	(72.0)	6.1	5.6
United Kingdom	68		44.7		51.3		6.6	
United States	67		39.7		41.2		1.6	
OECD	**66.4**	**(65.9)**	**52.0**	**(51.4)**	**54.3**	**(53.6)**	**2.2**	**2.2**
Argentina	65	(60)	68.7	(66.3)	75.4	(73.0)	6.8	6.7
Brazil	65	(62)	88.4	(93.3)	97.8	(102.6)	9.4	9.3
China	63	(58)	80.6	(61.9)	82.2	(63.2)	1.6	1.3
India	58		39.2	(38.1)	39.3	(37.8)	0.1	-0.3
Indonesia	65		53.4	(50.7)	56.2	(53.4)	2.8	2.7
Saudi Arabia	62		70.2		78.5		8.3	
South Africa*	60		7.8		7.8		0.0	

Note: * Individuals have the same gross benefit under both the base case and alternative economic assumption scenarios.
Source: OECD pension models.

StatLink https://stat.link/f470ob

Theoretical relative pensions of the self-employed

Key results

Self-employed workers with a taxable income (i.e. net of social security contributions) equal to the net average wage before tax (gross wage net of employee's contributions) can, on average in the OECD, expect to receive an old-age pension equal to 78% of the pension of the average-wage dependent worker in the private sector.

While the self-employed are required to participate in earnings-related pension schemes in most countries, they contribute the combined employee and employer contributions only in Canada, Costa Rica, Czechia, Estonia, Finland, Hungary, Korea, Lithuania, Luxembourg, Portugal, Slovenia, Türkiye and the United States (Table 5.5). Even in these countries, insufficient compliance with rules may undermine pension coverage.

In 13 countries, while self-employed workers are mandatorily covered by earnings-related schemes, pension coverage is limited because they are allowed to contribute less than employees, through reduced contribution rates (France, Iceland, Israel, Italy, Latvia, Norway, the Slovak Republic, Sweden and Switzerland), or flat-rate contribution (Colombia, Greece, Poland and Spain). Chile is currently in the former category but, after reform, will be employee-like from 2027. In Austria, the state contributes 4.3% for the self-employed to fully offset the lower contribution rate they pay (18.5%) compared with that of employees and employers (22.8%) for dependent employees. In Belgium, contribution rates are lower for the self-employed than for employees, but the accrual rate is the same for both. In Australia, Denmark, Germany, Japan, Mexico and the Netherlands, the self-employed are, in contrast to employees, not required to join earnings-related schemes. In Ireland, the self-employed participate in contribution-based basic schemes on similar terms as employees while the earnings-related schemes are voluntary for all. In New Zealand there are no mandatory pension contributions for either employees or the self-employed.

In countries where the self-employed are not required to contribute to earnings-related pension schemes the relative pension level is among the lowest as the pension of the self-employed is limited to first-tier benefits. In the full-career case, the relative pension of the self-employed is about 40% of employees in Greece, Japan and the Netherlands and much lower in Mexico (15%) and Germany (31%) (Figure 5.6).

Low relative pensions for the self-employed – between 50% and 60% of employees' pensions – are also projected in Poland and Spain where only flat-rate contributions to earnings-related schemes are mandatory for the self-employed, and at 71% in Latvia, where mandatory contributions above the minimum wage are reduced substantially.

Lower contribution rates and a reduced contribution base result in lower pensions from mandatory earnings-related schemes for the self-employed relative to employees with the same taxable earnings in many countries. For example, in France (points scheme) and Italy, reduced contribution rates directly affect entitlements within the public system while in Norway, Sweden and Switzerland pensions are lower because the self-employed are not obliged to pay any contributions towards the occupational schemes. As a result, pensions of the self-employed relative to employees reach 53% in Switzerland; 66-70% in Italy and Sweden; between 73% and 89% in Chile, Costa Rica, Czechia, Israel, Portugal and Slovenia; and above 90% in Colombia, Estonia, France, Iceland, Korea, Lithuania and Norway.

Lower contributions of the self-employed do not always result in proportionally lower pensions. For example, in Czechia, progressive replacement rates result in the relative theoretical pensions of the self-employed reaching 89% even though the contribution base is set at only 50% of taxable income. In Belgium and Norway, the reduced contribution rates to public schemes do not reduce the benefits implicitly while in Austria and Costa Rica the reduced contributions of the self-employed are explicitly topped up with taxes.

Some countries calculate pensions of the self-employed based on gross income, i.e. income before deducting contributions. This leads to higher pensionable earnings "all else equal" in the case studied here (taxable income of the self-employed equal to the net wage before tax) when the contribution rate paid by the self-employed is higher than the employee part for dependent workers. Hence, the theoretical pension of the self-employed is slightly higher than that of employees in Austria and Luxembourg. The United States allows the self-employed to deduct half of social security contributions before calculating the contribution base. Given that employees and employers pay equal shares of contributions, this deduction equalises theoretical pensions between the self-employed and employees.

Definition and measurement

Theoretical pensions of a self-employed worker relative to an employee assumes that both have a taxable income (net income or net wage before taxes) equal to the average net wage before taxes, their career starts at age 22 in 2024, they do not face any interruptions and they retire at the normal retirement age. They contribute the amount that is (quasi) mandatory to pensions.

Table 5.5. Contribution requirements to mandatory and quasi-mandatory pensions for the self-employed

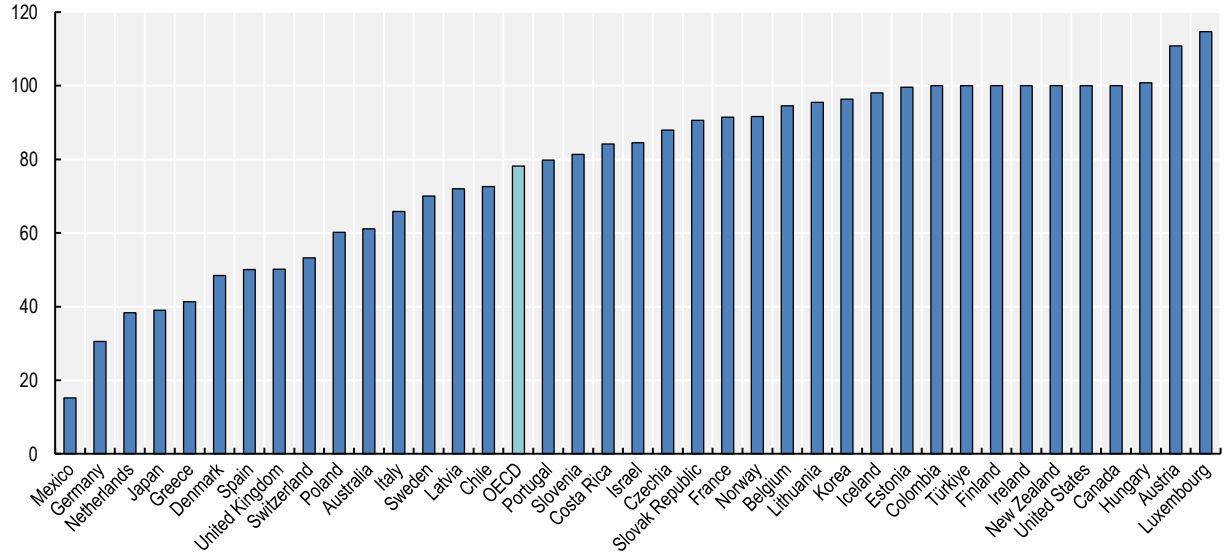
Mandatory or quasi-mandatory contributions to earnings-related schemes			Mandatory contributions to basic pensions only	No mandatory pension contributions
Employee-like (employee and employer rates are both payable)	Reduced contribution rate	Flat-rate or lower contributions		
Canada	Austria*	Colombia	Ireland***	Australia
Costa Rica	Belgium	Greece	Japan	Denmark
Czechia	Chile**	Poland	Netherlands	Germany
Estonia	France	Spain	United Kingdom	Mexico
Finland	Iceland			New Zealand***
Hungary	Israel			
Korea	Italy			
Lithuania	Latvia			
Luxembourg	Norway			
Portugal	Slovak Republic			
Slovenia	Sweden			
Türkiye	Switzerland			
United States				

Note: * The self-employed contribute 18.5% compared to a total contribution rate of 22.8% for the employee and employer combined, but the remaining 4.3% for the self-employed is financed by the state. ** Following the completion of the phase-in reform (2018-2027) Chile will move to the employee-like column. Employee-like means that self-employed are covered by the same or equivalent schemes as employees, have the same contribution rates and thresholds, and that their contributions are income based. *** In Ireland and New Zealand neither self-employed nor dependent workers are covered by mandatory or quasi-mandatory earnings-related schemes, and in Ireland basic pensions are financed with contributions.
Source: Country Profiles available at http://oe.cd/pag.

StatLink https://stat.link/q5m730

Figure 5.6. Theoretical relative pensions of the self-employed as a percentage of those of employees

Theoretical pensions of a self-employed worker relative to an employee having both a taxable income (net income or net wage before taxes) equal to the average net wage before taxes, for individuals with a full career from age 22 in 2024 and contributing only the amount that is (quasi) mandatory to pensions



Source: OECD pension models.

StatLink https://stat.link/zikg8y

6 Demographic and economic context

Population ageing has been the main driving force behind changes in pension policies. Ageing is the result of demographic trends in fertility and life expectancy. The first indicator looks into the number of births per woman and its development over the last 50 years. Changes in life expectancy – at birth and at age 65 – are shown as the second indicator. The third looks into the degree of ageing measured as the level of and change in the number of people aged 65 and above relative to the number of people of working age (20-64). The fourth indicator looks at the employment rates of older workers. The fifth indicator presents calculations for the average age at which people leave the labour market – the "Effective age of labour market exit". The last indicator measures the expected life years from this age by combining life expectancy with the previous indicator.

Fertility

Key Results

The total fertility rate is below the estimated replacement level – the number of children per woman needed to keep the total population constant in the long term – of about 2.1 in developed countries in 2024, in all OECD countries except Israel. Fertility rates fell sharply in the second half of the 20th century and after a small bounce in the 2000s they have resumed with their downward trend. Over the last 20 years, fertility rates decreased in all except 10 OECD countries, often in Central and Eastern Europe, where they had reached very low levels. Fertility rates have a profound implication for pension systems because they, along with life expectancy, are the drivers of substantial shifts in demographic structures. Since 1960, differences in fertility rates across countries have been reduced.

OECD countries have been experiencing a long-term decline in the Total Fertility Rate (TFR) since the 1960s. The decline stopped temporarily during the 2000s but resumed after the great financial crisis of 2007-08. Fertility rates currently average 1.46 across OECD countries, well below the level that ensures population replacement (Table 6.1). Among OECD countries, the TFR is highest in Israel with 2.8 children per woman followed by Mexico at 1.9 and New Zealand at 1.7. It is by far the lowest in Korea at only 0.7 children per woman. Chile (1.1) and Italy, Japan, Lithuania and Spain (all 1.2 children per woman) also have very low rates.

The fall in fertility rates reflect changes in lifestyle preferences, in family formation, and in constraints of everyday living, such as those driven by labour market insecurity, difficulties in finding suitable housing and affordable childcare. Recent years have also been marked by a change in attitudes towards parenthood. Both young men and women increasingly find meaning in life outside of parenthood, and there is a broad movement towards an increased acceptance of not having children.

At the same time, the normative demands on what it means to be a “good” parent have grown in importance, and the changing balance in costs and benefits of having a child – both financial and non-financial – drives choices to have fewer, if any, children today than in the past. The childbearing patterns of unmarried men and women have also changed. For example, half or more of births now occur outside of marriage in France, Iceland, Norway and Sweden. The average proportion of births outside marriage in OECD countries is now one-third of the total.

Over the last 50 years, there has been a steady convergence in fertility rates across OECD countries. In the early 1960s, Colombia, Costa Rica, Korea, Mexico and Türkiye had rates around twice the OECD average, with Hungary and Latvia not much over half. The standard deviation across countries declined from 1.31 in 1964 to 0.29 in 2024.

Since 2004, the fertility rates have slightly increased in 10 out of 38 countries while the average has decreased by 0.2. The increases from a very low level have been the strongest in a few countries, including Czechia (+0.23), Hungary (+0.20), the Slovak Republic (+0.31) and Slovenia (+0.33). The largest declines, from relatively high levels, have been observed in Colombia (-0.74), Costa Rica (-0.70), Mexico (-0.65) and Türkiye (-0.58).

While the average fertility rate will be 1.53 across OECD countries by 2064 according to the median forecast of the United Nations Population Prospects, forecast uncertainty is considerable, with the 20th percentile of probabilistic projections for the OECD average at only 1.17 and the 80th percentile close to reproduction at 1.88 (Figure 6.1). Past projections have systematically overestimated TFRs. Past estimates of 2025 TFRs have been corrected downward in almost every new edition: while the 1994 edition still foresaw an average TFR of 2.01 in 2025 across OECD countries, by the 2024 edition the estimate had decreased to 1.46 (Chapter 1).

As a result, the old-age to working-age ratio will increase sharply placing additional burdens on the working-age population to finance pay-as-you-go pensions and healthcare for older people.

Among the other major economies, Indonesia, Saudi Arabia and South Africa all currently have fertility rates above the replacement level of 2.1, with India just below. However, the downward trend is expected to continue in these countries, with fertility rates going below the natural replacement rate by 2030. By contrast, the trough has now been reached in China with levels projected to increase over the next 40 years.

Definition and measurement

The total fertility rate is the number of children that would be born to each woman if she were to live to the end of her child-bearing years and if the likelihood of her giving birth to children at each age was the currently prevailing age-specific fertility rate. It is generally computed by summing up the age-specific fertility rates defined over a five-year interval. A total fertility rate of 2.1 children per women – the replacement level – broadly ensures a stable population size, on the assumptions of no migration flows and unchanged mortality rates.

Further reading

OECD (2024), *Society at a Glance 2024: OECD Social Indicators*, OECD Publishing, Paris, https://doi.org/10.1787/918d8db3-en.

Table 6.1. Total fertility rates, 1964-2064

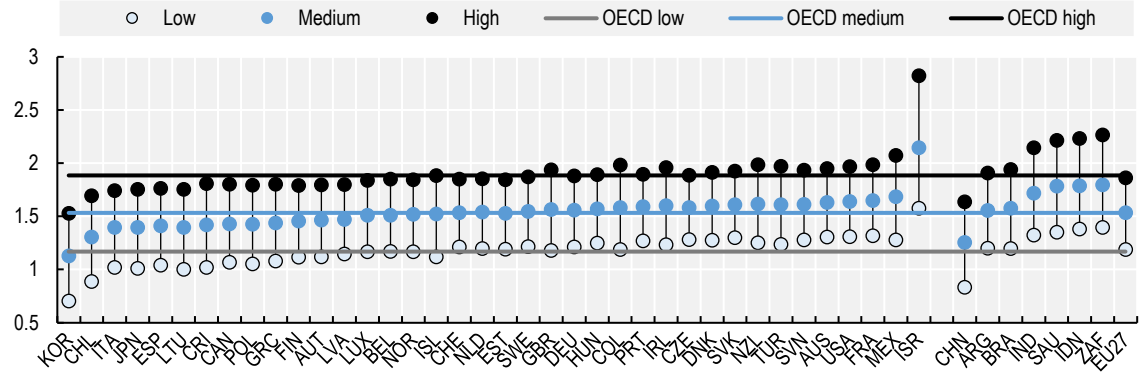
	1964	1984	2004	2024	2044	2064		1964	1984	2004	2024	2044	2064
Australia	3.10	1.87	1.77	1.64	1.64	1.63	Mexico	6.81	4.18	2.54	1.89	1.72	1.68
Austria	2.77	1.53	1.40	1.33	1.42	1.46	Netherlands	3.14	1.49	1.72	1.43	1.50	1.54
Belgium	2.68	1.54	1.71	1.38	1.48	1.51	New Zealand	3.74	1.92	1.96	1.66	1.62	1.62
Canada	3.39	1.62	1.53	1.34	1.37	1.43	Norway	2.95	1.66	1.82	1.41	1.49	1.52
Chile	4.46	2.61	1.84	1.14	1.21	1.31	Poland	2.58	2.39	1.23	1.31	1.39	1.43
Colombia	6.47	3.35	2.36	1.62	1.56	1.58	Portugal	3.24	1.90	1.41	1.51	1.57	1.59
Costa Rica	6.16	3.52	2.01	1.32	1.37	1.42	Slovak Republic	2.88	2.27	1.25	1.56	1.60	1.61
Czechia	2.33	1.97	1.24	1.47	1.57	1.58	Slovenia	2.31	1.75	1.25	1.57	1.61	1.61
Denmark	2.60	1.40	1.78	1.52	1.57	1.60	Spain	2.99	1.72	1.30	1.22	1.35	1.41
Estonia	1.94	2.17	1.46	1.37	1.50	1.53	Sweden	2.43	1.65	1.75	1.44	1.52	1.54
Finland	2.59	1.69	1.79	1.29	1.40	1.46	Switzerland	2.64	1.52	1.40	1.44	1.51	1.53
France	2.84	1.81	1.89	1.63	1.65	1.65	Türkiye	6.25	3.90	2.21	1.63	1.62	1.61
Germany	2.52	1.39	1.35	1.45	1.53	1.56	United Kingdom	2.91	1.76	1.74	1.54	1.54	1.56
Greece	2.32	1.86	1.34	1.35	1.41	1.44	United States	3.21	1.83	2.01	1.62	1.64	1.64
Hungary	1.80	1.74	1.29	1.49	1.55	1.57	**OECD**	**3.27**	**2.07**	**1.66**	**1.46**	**1.51**	**1.53**
Iceland	3.85	2.10	2.04	1.52	1.50	1.52							
Ireland	4.06	2.60	1.91	1.58	1.61	1.60	Argentina	3.06	3.10	2.42	1.50	1.53	1.55
Israel	4.08	3.08	2.85	2.78	2.40	2.15	Brazil	5.80	3.60	1.96	1.61	1.57	1.57
Italy	2.66	1.46	1.33	1.21	1.33	1.40	China	6.66	2.56	1.59	1.01	1.16	1.24
Japan	2.00	1.77	1.29	1.21	1.33	1.40	India	5.92	4.47	3.03	1.96	1.78	1.73
Korea	5.10	1.85	1.17	0.73	0.98	1.13	Indonesia	5.49	3.92	2.41	2.11	1.88	1.80
Latvia	1.81	2.11	1.30	1.34	1.44	1.47	Saudi Arabia	7.56	6.60	3.24	2.30	1.93	1.79
Lithuania	2.31	2.10	1.28	1.21	1.34	1.39	South Africa	5.89	4.51	2.44	2.20	1.94	1.81
Luxembourg	2.34	1.43	1.64	1.40	1.47	1.51	EU27	2.57	1.87	1.47	1.42	1.49	1.52

Note: The data refers to 5-year periods whose endpoint is indicated in the first row of the table.
Source: United Nations, Department of Economic and Social Affairs, (2024). World Population Prospects 2024, Online Edition (for future periods: medium-variant forecast).

StatLink https://stat.link/fts1pu

Figure 6.1. Uncertainty about total fertility-rate projections

Low, medium and high variant projections for 2064



Note: Low, medium and high variant projections correspond to the 20%, 50% and 80% percentiles of probabilistic projections, respectively.
Source: United Nations, Department of Economic and Social Affairs (2024). Probabilistic Population Projections based on the World Population Prospects 2024: http://population.un.org/wpp/.

StatLink https://stat.link/5gyil8

Life expectancy

Key Results

The remarkable increase in life expectancy is one of the greatest achievements of the last century. Lives continue to get longer, and this trend is predicted to continue although the pace of improvement in old age has slowed recently. In 2024, remaining life expectancy at age 65 averaged 18.5 years for men and 21.6 years for women. The figure was highest for women in Japan (24.9 years) and for men in Australia (20.9 years) and lowest for women in Mexico and Türkiye (below 19.0 years) and men in Latvia and Lithuania (both 15.0 years). On average across OECD countries, remaining life expectancy at age 65 is projected to increase by 3.7 years among women and 4.2 years among men by 2065.

Remaining life expectancy at 65 significantly contributes to well-being at older ages. It also influences the finances of retirement-income systems. In 2024, on average in OECD countries, women aged 65 could expect to live until age 86.6 and men until 83.5 (Figure 6.2). The highest levels are found in Japan for women, at 24.9 years. Australia, France, Korea and Spain also above 23.0 years. For men Australia, France, Japan and Switzerland are all at 20.0 years or above. The lowest levels for women are in Hungary (19.0 years), Mexico (18.3 years) and Türkiye (18.8 years). Hungary (15.3 years), Latvia (15.0), Lithuania (15.0 years) and Türkiye (15.2 years) have the lowest levels for men.

Life expectancy is projected to continue to increase. Women in Japan are projected to live another 29.2 years on reaching age 65 in 2065, followed by Korea (27.8 years). By contrast, remaining life expectancy at 65 in 2065 for women in Mexico would equal 21.9 years and 22.8 years in both Hungary and Latvia (Figure 6.3). For men there is less variation between countries than there is for women. Australia will have the longest life expectancy at age 65 in 2065 (24.4 years), followed by Japan (24.2 years) and Switzerland (24.0 years). By contrast, Latvia and Lithuania (both 19.5 years) are ranked at the bottom.

The gender gap in life expectancy at age 65 is predicted to be between almost two and four years in favour of women in nearly all OECD countries in 2065. Larger gender gaps of five years are observed in both Japan and Korea. The smallest forecasted gender gap of 1.5 years is in Chile, Mexico and New Zealand.

The above numbers refer to period life expectancy, which measures life expectancy (current or projected) based on mortality rates for people of different ages at a given time (2024 or 2065 here), who hence belong to different birth cohorts. By contrast, cohort life expectancy is based on the projected mortality rates that would apply to given birth cohorts. It thus takes account of projected improvements (after 2024 or 2065) that would benefit these cohorts. On average, these cohort estimates add 1.0 years for women aged 65 in 2065 and 0.7 years for men compared with period life expectancy in these years (Figure 6.3).

Improvements in remaining life expectancy at age 65 has recently slowed from a period of fast longevity gains. The trend in the pace of old-age life-expectancy peaked in the mid-2000s (Figure 6.4) for both men and women. This slowdown leads to an estimated structural break in the series after 2012 in the OECD on average. Between the mid-1990s and 2012 the increasing trend in life expectancy at age 65 was fast at around 1.6 years for men per decade and 1.4 years for women, an acceleration from 0.9 and 1.1 years per decade before, respectively. Since about 2012, this pace has almost halved at 0.9 and 0.8 years per decade for men and women, respectively.

Definition and measurement

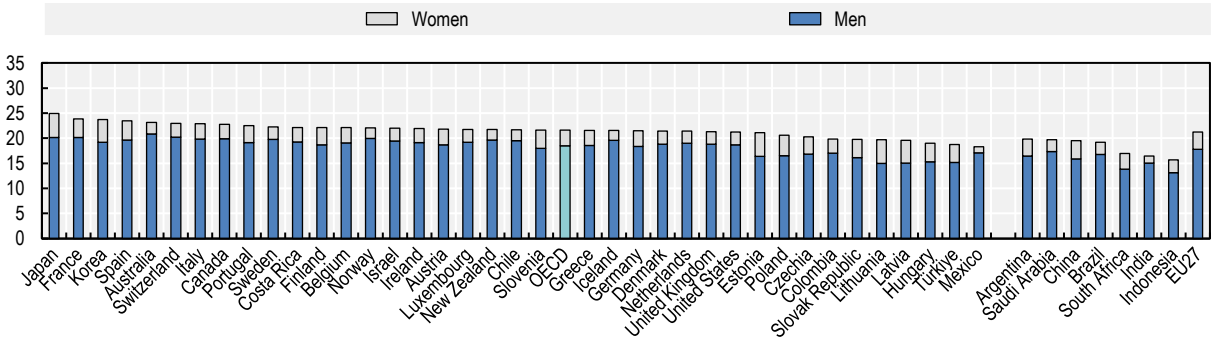
Period life expectancy is defined as the average number of years that people of a particular age could expect to live if they experienced the age- and sex-specific mortality rates prevalent in a given country in a particular year: in this case, 2024 and 2065. Since the determinants of longevity change slowly, life expectancy is best analysed over a long-time horizon. Cohort life expectancy takes account of the projected changes in mortality estimates for a given cohort.

Further reading

OECD (2021), *Pensions at a Glance 2021: OECD and G20 Indicators*, OECD Publishing, Paris, https://doi.org/10.1787/ca401ebd-en.

Whitehouse, E. (2007), "Life-Expectancy Risk and Pensions: Who Bears the Burden?", *OECD Social, Employment and Migration Working Papers*, No. 60, OECD Publishing, Paris, https://doi.org/10.1787/060025254440.

Figure 6.2. Current life expectancy at age 65 for men and women, in years, 2024



Source: United Nations, Department of Economic and Social Affairs, (2024). World Population Prospects 2024, Online Edition.

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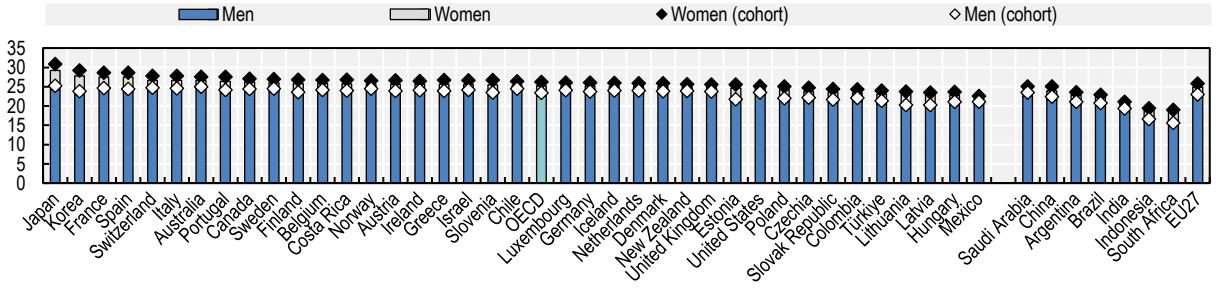
Figure 6.3. Projected remaining life expectancy at age 65, 2065, in years



Note: Period life expectancy computed from mortality rates that apply in a specific point in time, here 2024, rather than to a specific birth cohort.
Source: United Nations, Department of Economic and Social Affairs, (2024). World Population Prospects 2024, Online Edition.

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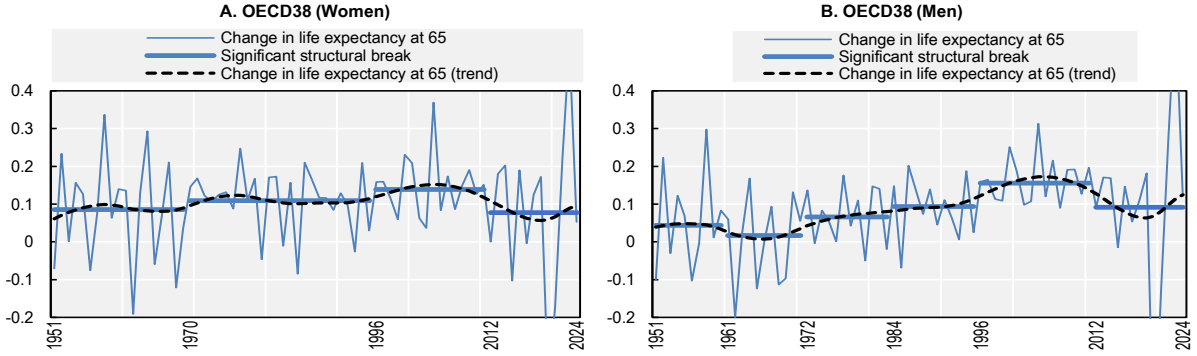
Figure 6.4. Structural breaks in life-expectancy gains

Annual change in remaining life expectancy at age 65, in years



Note: The breaks are significant at the 99% confidence level. To limit interferences from short-term fluctuations in change in period life expectancy, the breaks are estimated on the Hodrick-Prescott filtered trend series (lambda=100).
Source: United Nations, Department of Economic and Social Affairs, (2024). World Population Prospects 2024, Online Edition.

StatLink https://stat.link/gkc90x

Demographic old-age to working-age ratio

Key Results

There are 33 individuals aged 65 and over for every 100 persons of working age (ages 20 to 64) on average across all OECD countries while there were only 21 30 years ago. Population ageing has been accelerating as this average old-age to working-age demographic ratio – computed by keeping age thresholds constant – is projected to reach 55 over the next 30 years. The working-age population (20-64) is projected to decrease by over 30% in the next four decades in Estonia, Greece, Japan, the Slovak Republic and Spain and even over 35% in Italy, Korea, Latvia, Lithuania and Poland

The evolution of old-age to working-age ratios depends on mortality rates, fertility rates and migration. OECD countries have seen prolonged increases in life expectancy that most analysts project to continue, implying an increasing number of older people and of pensioners.

There have also been substantial declines in fertility, which has led to a decrease in the number of workers entering the labour market in many countries. For example, fertility rates fell below the replacement level on average in OECD countries around the mid-1980s, implying shrinking populations in the long term. In the future, however, there is a great deal of uncertainty over how fertility rates will evolve (Figure 6.1 above).

With an old-age to working age ratio of 54.9 individuals aged 65 and over for 100 persons of working age defined as 20 to 64, Japan ranks highest. Finland, France, Germany, Greece, Italy and Portugal also have high old-age ratios, at or over 40. By 2054, the old-age to working-age ratio is expected to reach more than 70 in Greece (70.7), Italy (76.6), Japan (80.0), Korea (84.5) and Spain (76.2) (Table 6.2).

By contrast, Colombia, Costa Rica, Mexico and Türkiye are the youngest countries based on this indicator, with old-age to working-age ratios below 20. In the second half of this century, however, these countries are expected to age considerably. By 2084, the old-age ratio in Colombia, Costa Rica and Türkiye is projected to be above the OECD average of 68.

For the OECD as a whole, the old-age to working-age ratio is projected to increase from 32.6 in 2024 to 55.2 in 2054 and 67.7 in 2084. By far, Korea is facing the most rapid population ageing among OECD countries. The old-age ratio would increase from (7.3 in 1964) 29.3 in 2024 to 122.0 in 2084 and Korea would move from being the tenth youngest country in the OECD in 2024 to the oldest in 2084.

The working-age population (20-64) is projected to decrease by 13% in the OECD on average by 2064, i.e. by 0.33% per year. It will fall by over 30% in Estonia, Greece, Japan, the Slovak Republic and Spain and even over 35% in Italy, Korea, Latvia, Lithuania and Poland. However, it is projected to increase by about 10% in Canada and Mexico, 20% in Australia and 70% in Israel, a clear outlier (Figure 6.5). EU countries are heavily represented among the list of countries with large declines, resulting in an average fall of 23% by 2064, nearly double that of the OECD. This will have a significant impact on the financing of pay-as-you-go (PAYG) systems as ageing will reduce the internal rates of return these schemes generate. Even funded pension systems might be negatively affected by rapidly declining working-age populations by lowering output growth, interest rates and financial returns.

Projections of the old-age to working-age ratio vary by source, as shown when comparing those obtained from UN and Eurostat data (Figure 6.6. On average for the EU22 countries in the OECD, projections based on UN data lead to an old-age to working-age ratio which is 3 percentage points higher in 2050 than based on Eurostat data. For Italy and Spain, the projected ratio is 10 percentage points lower and for Austria and Germany it is 8 percentage points lower based on Eurostat compared with UN data. Only four countries – Greece, Latvia, Lithuania and Portugal – show a higher future ratio based on Eurostat versus UN data:

Definition and measurement

The old-age to working-age demographic ratio is defined as the number of individuals aged 65 and over per 100 people of working age defined as those at ages 20 to 64.

Further reading

Boulhol, H., M. Lis and M. Queisser (2022), “Trends in Pension Reforms in OECD Countries”, in Bloom, D., A. Sousa-Poza and U. Sunde (eds.), *Handbook on the Economics of Ageing*, Routledge, Abingdon.

Boulhol, H. and C. Geppert (2018), *Population ageing: Pension policies alone will not prevent the decline in the relative size of the labour force*, https://cepr.org/voxeu/columns/population-ageing-pension-policies-alone-will-not-prevent-decline-relative-size.

Table 6.2. Demographic old-age to working-age ratio: Historical and projected values, 1954-2084

	1954	1964	1994	2024	2054	2084		1954	1964	1994	2024	2054	2084
Australia	14.7	16.1	19.7	30.4	45.2	51.8	Mexico	7.0	6.7	9.2	14.0	31.4	56.0
Austria	18.9	22.7	24.5	34.1	61.1	64.9	Netherlands	15.2	18.0	20.9	34.8	48.9	62.2
Belgium	18.9	22.2	26.0	35.7	53.3	63.6	New Zealand	17.1	16.7	19.8	29.5	45.4	58.1
Canada	14.6	15.3	19.4	33.2	47.3	57.6	Norway	17.2	21.5	27.5	31.9	51.9	65.6
Chile	6.4	7.7	12.7	22.5	52.3	95.0	Poland	9.7	12.4	18.9	33.7	67.8	82.6
Colombia	7.2	7.1	8.1	15.7	38.5	68.2	Portugal	13.5	15.3	24.9	42.5	66.6	60.1
Costa Rica	7.5	7.6	9.6	19.7	49.9	89.5	Slovak Republic	12.1	14.4	18.7	30.6	62.8	67.1
Czechia	14.4	18.2	22.0	35.7	59.7	58.7	Slovenia	13.5	14.2	19.2	37.2	65.7	62.5
Denmark	16.9	20.1	25.2	36.2	47.4	59.4	Spain	13.3	15.4	24.6	34.9	76.2	76.8
Estonia	18.0	18.6	22.3	37.1	62.7	72.1	Sweden	18.1	21.5	30.3	36.8	49.4	63.0
Finland	12.5	14.5	23.2	42.8	54.0	68.7	Switzerland	16.4	18.2	23.6	33.3	60.9	60.9
France	19.8	22.0	25.3	40.2	53.4	59.9	Türkiye	8.6	10.1	9.8	16.8	42.5	75.4
Germany	17.0	20.8	24.1	39.8	59.7	58.8	United Kingdom	18.9	21.2	27.3	34.0	46.1	59.5
Greece	12.2	13.5	25.5	41.6	70.7	73.8	United States	14.9	17.8	21.0	30.8	42.9	52.7
Hungary	13.9	17.2	23.7	35.3	52.0	53.6	**OECD**	**14.0**	**15.9**	**20.8**	**32.6**	**55.2**	**67.7**
Iceland	14.6	17.5	19.6	26.0	45.4	68.1							
Ireland	20.8	22.8	20.9	27.0	51.1	65.2	Argentina	8.1	10.7	17.5	21.3	37.0	69.7
Israel	7.9	11.2	18.7	24.1	30.0	38.8	Brazil	5.4	6.2	8.7	17.7	43.1	63.2
Italy	15.0	17.4	27.0	42.0	76.6	80.2	China	9.3	8.0	10.1	23.1	64.2	115.9
Japan	10.1	10.8	22.6	54.9	80.0	81.6	India	6.8	7.7	8.6	12.0	27.1	51.4
Korea	6.4	7.3	9.0	29.3	84.5	122.0	Indonesia	4.3	5.7	8.6	12.2	27.3	41.8
Latvia	18.0	18.1	22.5	37.9	58.7	73.8	Saudi Arabia	7.5	7.2	4.3	4.5	14.5	23.1
Lithuania	12.7	15.3	20.3	33.5	55.7	82.6	South Africa	8.1	7.7	8.2	11.3	20.8	27.4
Luxembourg	16.3	18.6	22.0	24.4	50.3	60.6	EU27	14.9	17.1	22.8	36.0	59.6	67.4

Note: The demographic old-age to working-age ratio is defined as the number of individuals aged 65 and over per 100 people aged between 20 and 64.
Source: United Nations, Department of Economic and Social Affairs (2024), World Population Prospects 2024, Online Edition (for future periods: medium-variant forecast).

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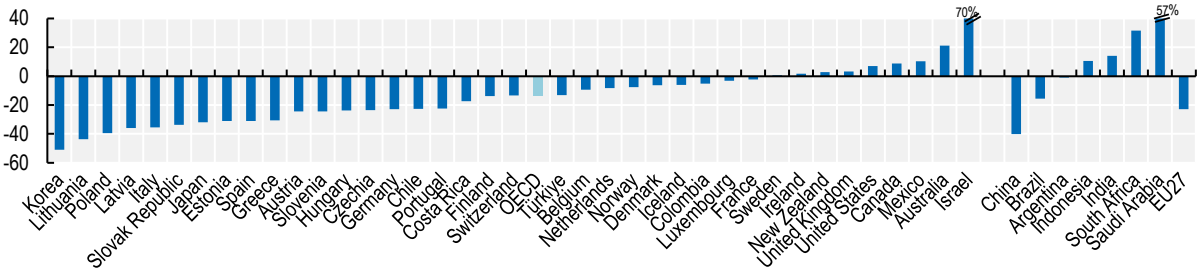
Figure 6.5. The working-age population will decline in a large number of OECD countries

Change in the working age population (20-64), 2024-64, percentage



Source: United Nations World Population Prospects: The 2024 Revision.

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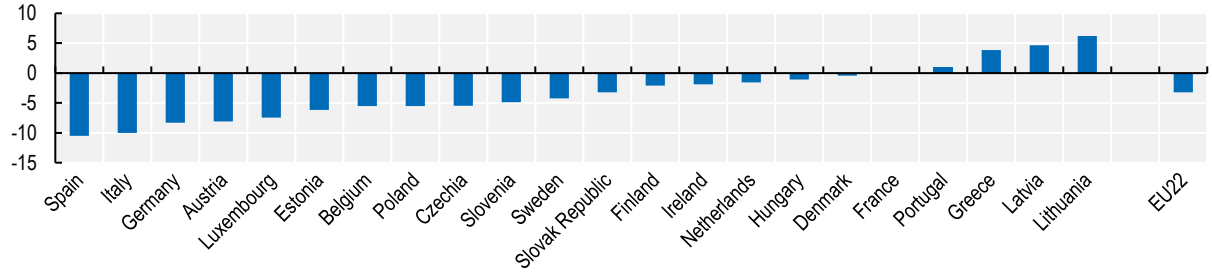
Figure 6.6. Future demographic old-age to working-age ratio projections differ based on data sources

Difference in projections for 2050 (EU – UN data source), in percentage points



Note: The demographic old-age to working-age ratio is defined as the number of individuals aged 65 and over per 100 people aged between 20 and 64.
Source: United Nations, Department of Economic and Social Affairs (2024), World Population Prospects 2024, Online Edition (for future periods: medium-variant forecast). Eurostat population projections, EUROPOP 2023.

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Employment rates of older workers and gender gaps

Key Results

Employment rates fall with age in all OECD countries, often sharply. For individuals aged 55 to 59, the average employment rate across all OECD countries was 75.7% in 2024, 56.5% for the 60-64 age group and 26.4% for those aged 65-69. Employment rates for men are higher than for women among older workers in all but four OECD countries, Estonia, Finland, Latvia and Lithuania: the gender difference averages 13 percentage points across all countries. This contributes to gender gaps in pensions ranging from 6% in Estonia to 47% in Japan, with an OECD average of 23%, with men receiving higher levels in all countries.

With people living longer than ever, many will want or need to work longer as retirement ages increase. In the OECD over the past two decades, population ageing, increasing statutory retirement ages and rising education levels have led to higher employment rates among workers aged 55 and above. However, progress across countries remains uneven and employment rates still decline from age of 50, and even more rapidly after age 60.

Across the OECD, the employment rate averages 75.7% for those aged 55 to 59, 56.5% for those aged 60 to 64, but only 26.4% for those aged 65 to 69. Amongst those aged 60 to 64 the employment rate is over 70% in Iceland, Japan and New Zealand. However, it is 36% or below in Austria, Luxembourg, Slovenia and Türkiye, all countries with low normal retirement ages. The employment rate is also lower than 45% in Belgium, Costa Rica, France and Poland.

The employment rates fall sharply, by over 40 percentage points, i.e. twice the OECD average, in Austria, Luxembourg and Slovenia when comparing those aged 55 to 59 and those aged 60 to 64. By contrast the fall is by fewer than 10 percentage points in Iceland, Japan, Latvia, New Zealand and Norway.

All OECD countries in the Americas, with the slight exception of Costa Rica, have higher than average employment rates for the 65 to 69 age group but they are all, including Costa Rica, below the OECD average for the two younger age groups apart from those aged 60-64 in Chile and the United States. In Australia, Israel, Japan, Korea and New Zealand the employment rates are above the OECD for each age group, apart from the 55-59 age group in Australia being slightly below the average. By contrast, the employment rates are below the OECD average for all age groups considered in Belgium, Greece, Italy, Luxembourg, Spain and Türkiye.

Employment rates for women are lower than that for men in all countries for the 25 to 54 age group. Only the three Baltic countries and Finland reverse this pattern for the older 55 to 64 age group (Figure 6.8). For older workers (55-64) the OECD average gender gap is 13 percentage points, slightly higher than for the prime age group at 10 percentage points. The largest gender gaps among older workers are found in the four Latin American countries in the OECD and Türkiye, where the gaps are above 30 percentage points.

High employment differences between men and women over time lead to large differences in pension entitlements, especially as employment gender gaps have historically been even wider. Gender differences in hourly wages and hours worked are also significant (Chapter 2). Across the 34 OECD countries where data are available pension payments for women are 23% lower than those for men (Figure 6.9). The level is about 35% or larger in Austria, Mexico, the Netherlands and the United Kingdom, and is highest in Japan at 47%. By contrast the gap is below 10% in Czechia, Estonia, Iceland, the Slovak Republic and Slovenia.

Definition and measurement

Employment rates are calculated as the ratio of the employed to the total population in the respective age group. Employed people are those (aged 15 or over) who report that they have worked in gainful employment for at least one hour in the previous week or who had a job but were absent from work during the reference week. The gender pension gap is the difference between the average pension income of men and women expressed as a percentage of men's average pension. It is calculated for pension beneficiaries aged 65+ to enable comparability across countries.

Further reading

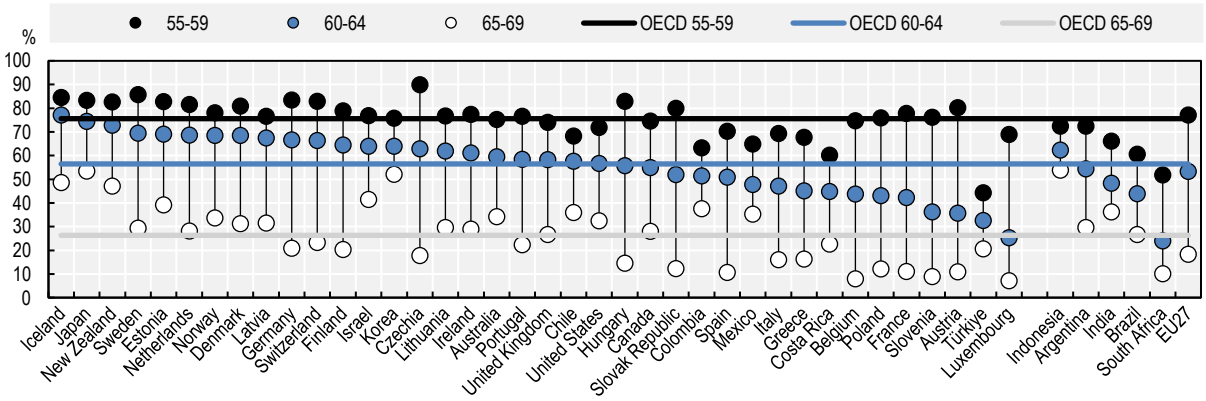
OECD (2025), Pensions at a Glance, OECD Publishing, Paris.

OECD (2025), OECD Employment Outlook 2025: Can We Get Through the Demographic Crunch?, OECD Publishing, Paris, https://doi.org/10.1787/194a947b-en.

OECD (2023), *Joining Forces for Gender Equality: What is Holding us Back?*, OECD Publishing, Paris, https://doi.org/10.1787/67d48024-en.

OECD (2021), *Towards Improved Retirement Savings Outcomes for Women*, OECD Publishing, Paris, https://doi.org/10.1787/f7b48808-en.

Figure 6.7. Employment rates of workers aged 55-59, 60-64 and 65-69 in 2024

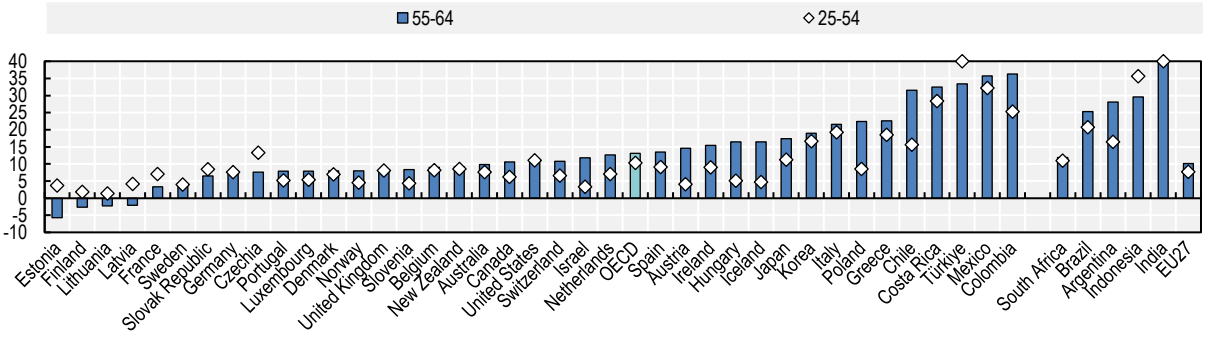


Note: Data for Argentina and Indonesia refer to year 2023 and 2019 respectively.
Source: OECD database Labour Market Statistics by sex and age: employment-population ratio.

StatLink https://stat.link/jbelup

Figure 6.8. Gender gap in employment rates by age group, 2024

Percentage-point difference (male – female)

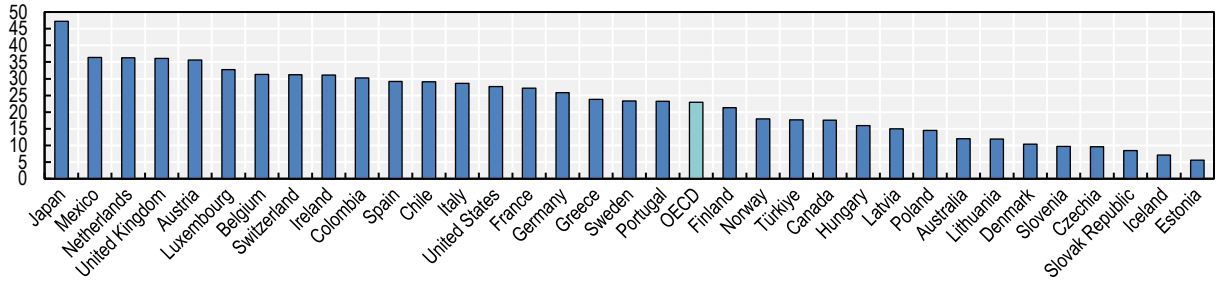


Note: Data for Argentina and Indonesia refer to 2023 and 2019 respectively. Value for Türkiye is 40.6 for 25-54. For India it is 44.8 and 50.7 for 55-64 and 25-54.
Source: OECD database Labour Market Statistics by sex and age: employment-population ratio.

StatLink https://stat.link/eqol53

Figure 6.9. Gender gap in pensions in selected OECD countries, latest year available

Difference between the average pension of men and women relative to the average pension of men in percent



Note: See Figure 2.1.
Source: See Figure 2.1.

StatLink https://stat.link/ykda80

Changes in employment rates of older workers

Key Results

Countries with higher normal retirement ages tend to have higher employer rates for older workers. As partly the result of changes in pension policies, employment rates of people aged 55-64 have improved sharply over the last 20 years in most OECD countries, increasing from 47.7% in 2004 to 66.4% in 2024 on average. By comparison, the employment rate among those aged 25 to 54 only increased by 5.7 percentage points since 2004, albeit from higher initial levels. On average, 55-64 year-olds at all levels of educational attainment have experienced a marked increase in employment, with those with a medium level of education doing slightly better than those with low or high levels of education.

Countries with higher normal retirement ages tend to have higher employer rates for older workers (Figure 6.10). Denmark, Iceland, the Netherlands and Norway have retirement ages of 67 years for both men and women and also have among the highest employment rates for those age 60 to 64. However, the relation is not straightforward, in particular because the normal retirement age is only a synthetic indicator of age parameters within pension system. For example, among countries having a normal retirement age of 65 years, the employment rate among the 60-64 varies from 44% in Belgium to 73% in New Zealand.

Except for Colombia and Korea where informality in the labour market is high or the pension system has not yet matured, countries with low normal retirement ages tend to have low employment rates among people aged between 60 and 64 years. This is the case in particular in Austria, Luxembourg, Slovenia and Türkiye where the current normal retirement age (averaged across genders) is at 62.8 years, 60 years, 60 years and 59 years respectively.

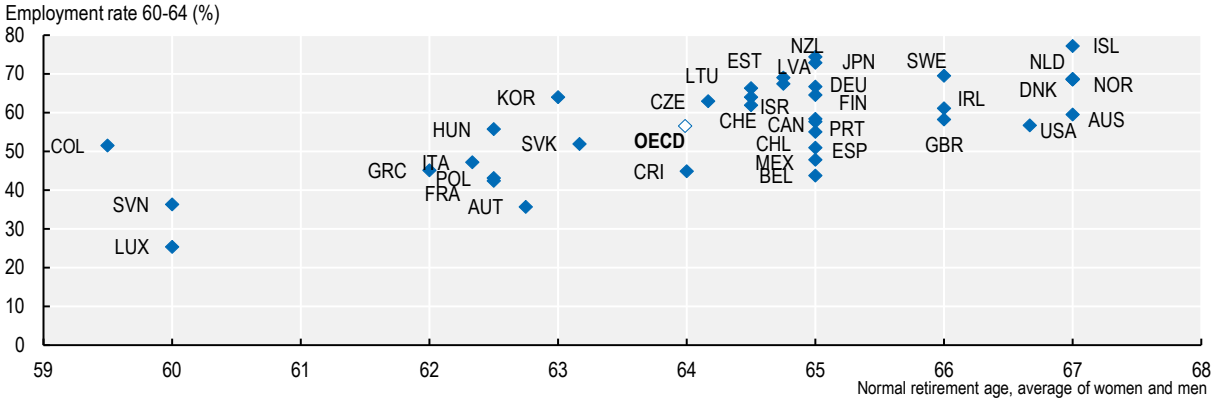
Employment rates of people aged between 55 and 64 have improved in almost all OECD countries since 2004, both among the 55-59 and 60-64 age groups (Figure 6.11). On average, they have increased by 17.1 percentage points for those aged 55 to 59 and by 21.8 percentage points for those aged 60 to 64, reaching 75.7% and 56.5% in 2024, respectively. By comparison, the employment rate in the 25-to-54 age group only increased, on average, from 76.9% in 2004 to 82.6% in 2024. The greatest increase for the 55-to-59 age group occurred in Austria, Hungary, Poland, the Slovak Republic and Slovenia, all of which increased by more than 35 percentage points between 2004 and 2024, while the increase was also very large in Belgium, Czechia and Italy. For the 60-to-64 age group Germany, Hungary, the Netherlands and the Slovak Republic also increased by over 40 percentage points.

On average, 55-64 year-olds at all levels of educational attainment have experienced a marked increase in employment between 2004-23, averaging 13 percentage points for low and high levels of education and by 16 percentage points for those with a medium level of education (Figure 6.12). In terms of changes in employment rates, low-educated older workers have lagged significantly behind their high-educated peers in Austria, Belgium, Portugal and Slovenia, while it is the opposite in Australia, Czechia, Denmark, Germany, Hungary and the Netherlands.

Definition and measurement

Employment rates are calculated as the ratio of the employed to the total population in the respective age group. Employed people are those (aged 15 or over) who report that they have worked in gainful employment for at least one hour in the previous week or who had a job but were absent from work during the reference week.

Figure 6.10. Employment rate at ages 60-64 vs. normal retirement age in 2024



Note: Normal retirement age is based on entry at age 20. Denmark, the Netherlands and Norway have employment rates of 68.5, 68.7 and 68.5 respectively and so cannot be separated on the graph.
Source: OECD database Labour Market Statistics by sex and age: employment-population ratio. Normal retirement age data: See Chapter 3.

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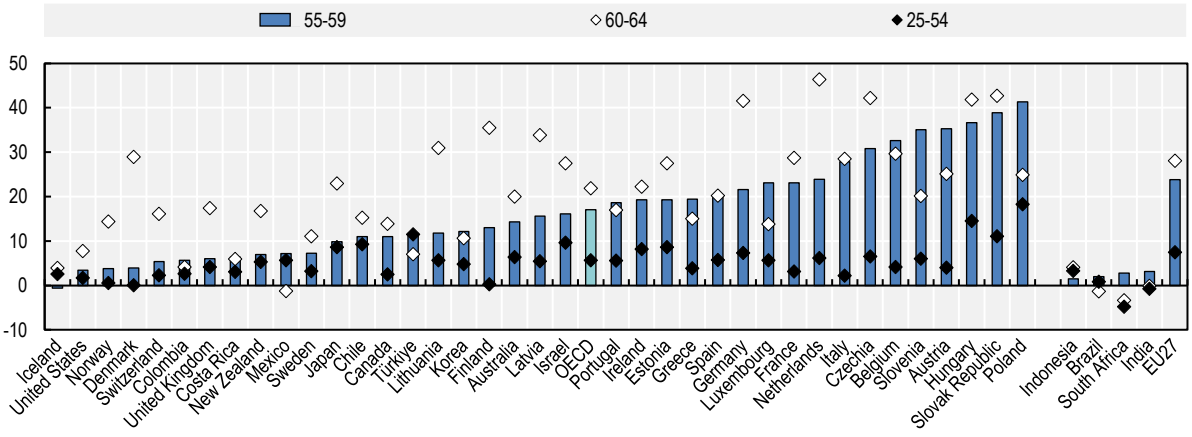
Figure 6.11. Change in employment rates of older workers and prime-age workers, 2004-24

Percentage-point difference

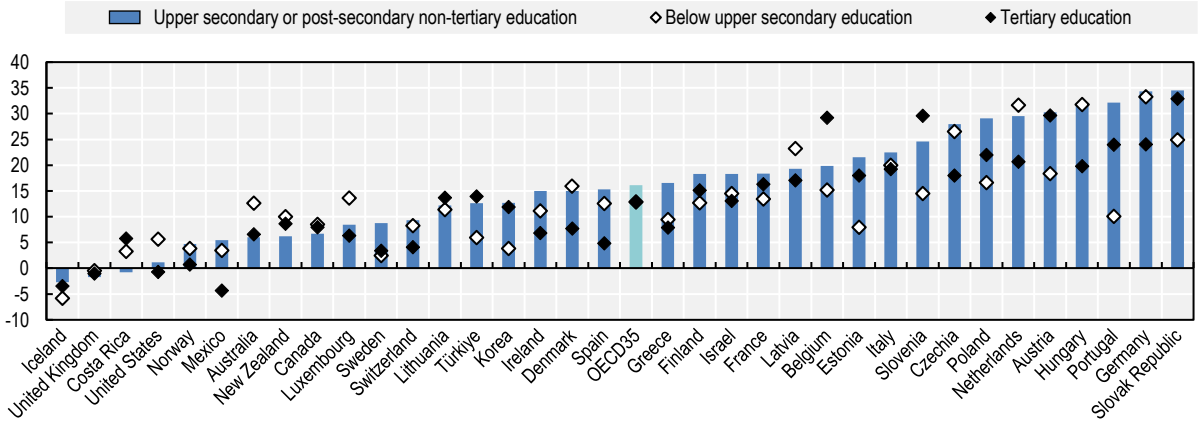


Note: Data for India and Indonesia refer to period 2005-24 and 2005-19 respectively.
Source: OECD database Labour Market Statistics by sex and age: employment-population ratio.

StatLink https://stat.link/7nd9f0

Figure 6.12. Growth of employment rates of older workers by education level

Change in employment rates, 2004-23, percentage points



Note: Data for Israel, Lithuania, Luxembourg and Norway are 2005-23.
Source: OECD.Stats database, Labour Force Survey.

StatLink https://stat.link/x8z6b0

Effective age of labour market exit

Key Results

The average effective age of labour market exit was 64.7 years for men and 63.6 years for women across OECD countries in 2024. There has been a steady increase in the average effective age of labour market exit from the trough reached in the early-2000s, by 2.7 years for men on average across OECD countries and 3.9 years for women.

The average age of labour market exit is equal to 63.6 years for women and 64.7 years for men in 2024. It is below 64 in fewer than half of OECD countries for men and in three-fifths of them for women (Figure 6.13). Average exit ages are at 61 years or below for men in Luxembourg, Slovenia and Türkiye and at about 60.5 years or below for women in Belgium, Costa Rica, Luxembourg, Slovenia and Türkiye. By contrast, men in Chile, Colombia, Iceland, Israel, Korea, Mexico and the United States withdrew from the labour market after age 67 on average. Women withdrew after age 65 in Chile, Estonia, Iceland, Ireland, Israel, Japan, Korea, Mexico, New Zealand, Sweden and the United States. In all but eight OECD countries, men exit the labour market after women, with the largest differences observed in Colombia (6.3 years) and Costa Rica (5.0 years). By contrast women in Korea leave the labour market 2.2 years later than men with the gap in the other countries being half a year or below.

The average effective age of labour market exit is correlated with the normal retirement age, with a linear correlation coefficient of about 0.46 for both men and women. Countries such as Luxembourg, the Slovak Republic and Slovenia have both low labour market exit age and normal retirement age, while Iceland has high levels for both. However, the correlation is distorted due to countries such as Colombia, Costa Rica and Korea that have low normal retirement ages but high exit ages as low pensions therein imply that workers continue to work at very old ages to supplement their income. In most countries where women can retire earlier than men (Austria, Colombia, Costa Rica, Hungary, Israel, Italy, Lithuania, Poland, Switzerland and Türkiye), women's average age of labour market exit is also low.

After several decades of a sharp downward trend, the average effective exit age reached its lowest level around the year 2000 for both men and women on average across countries (Figure 6.14). In 2000, the average effective exit age was 62.0 years for men and 59.7 years for women, against 66.3 and 64.9 years, respectively, in 1970. Since 2000, the effective age increased by four years or more for men in Australia, Canada, Finland, Hungary, Ireland, Italy, the Netherlands, New Zealand, Poland, Portugal, Slovenia and Türkiye and by over five years for women in Australia, Belgium, Czechia, Denmark, Estonia, Hungary, Latvia, Lithuania, the Netherlands, New Zealand, Portugal, the Slovak Republic and Slovenia. Over the same time period there was actually some significant decline in the effective exit age for men in Colombia (-2.2 years) and Mexico (-2.3 years) and for women in Costa Rica (-4.2 years), Iceland (-1.7 years), Norway (-2.0 years) and Türkiye (-6.1 years) as well as to a lower extent in Greece (-0.7 years) and Spain (-0.5 years).

Definition and measurement

The average effective age of labour market exit is defined as the average age of exit from the labour force for workers aged 40 and over. In order to abstract from compositional effects in the age structure of the population, labour force withdrawals are estimated using changes in labour force participation rates rather than labour force levels. These changes are calculated for each (synthetic) cohort divided into five-year age groups. Each age group is weighted by its average population share among OECD countries. Based on this methodology, absolute numbers for a given country should be interpreted cautiously. However, comparisons across countries or through time within countries are robust (www.oecd.org/els/soc/Labour-Market-Exit-Age-Methodology.pdf).

The normal retirement age is defined as the age of eligibility to all mandatory components of the pension system in 2024, assuming labour market entry at age 22 and an uninterrupted career. This age corresponds to Table 3.5 in Chapter 3.

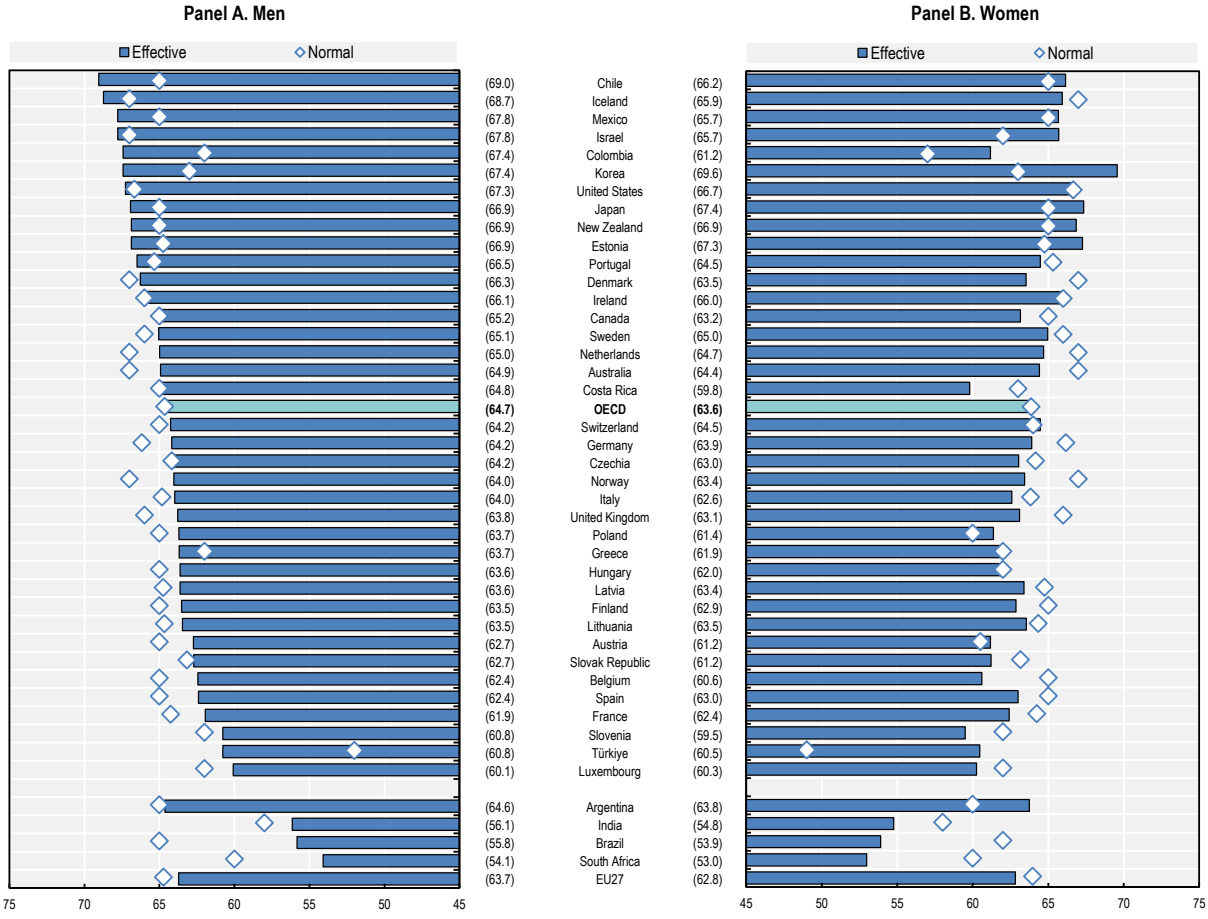
Further reading

Boulhol, H. and M. Keese (2021), *A method for calculating the average age of labour market exit*, OECD, www.oecd.org/els/soc/Labour-Market-Exit-Age-Methodology.pdf.

OECD (2017), *OECD Employment Outlook 2017*, OECD Publishing, Paris, https://doi.org/10.1787/empl_outlook-2017-en.

OECD (n.d.), "Ageing and Employment Policies", Working Better with Age reports on Denmark, France, Japan, Korea, the Netherlands, Norway, Poland, Switzerland and the United States, https://doi.org/10.1787/19901011.

Figure 6.13. Average effective age of labour market exit and normal retirement age in 2024



Note: Effective labour market exit age is shown for 2024. Normal retirement age is shown for individuals retiring in 2024 after a full career from labour market entry at age 22.
Source: OECD estimates based on the results of national labour force surveys and the European Union Labour Force Survey. Normal retirement age: See Chapter 3.

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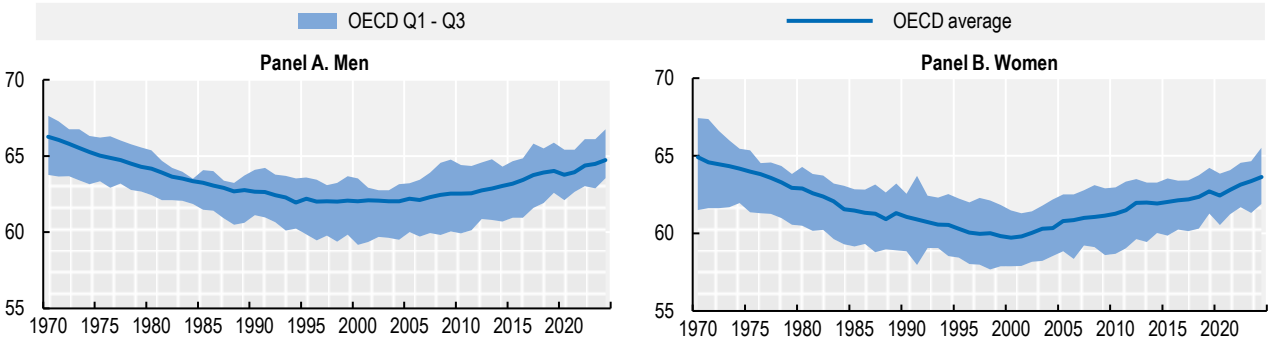
Figure 6.14. Average effective age of labour market exit in OECD countries, 1970-2024



Source: OECD estimates based on the results of national labour force surveys, the European Union Labour Force Survey and, for earlier years in some countries, national censuses, www.oecd.org/els/emp/average-effective-age-of-retirement.htm

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Expected life years after labour market exit

Key Results

The expected life years after labour market exit indicator measures the remaining period life expectancy at the average age of labour market exit by gender. In 2024, the OECD average was 22.8 years for women and 18.7 years for men. After a sharp increase since 1970, the OECD average number of expected life years after labour market exit has been fairly steady since around 2010 for men and around 2000 for women, for whom it has even fallen slightly.

This indicator measures the remaining life expectancy at the average age of labour market exit. Women can expect to live about 26 years or more after exiting the labour market in Belgium, Costa Rica, France, Luxembourg and Slovenia (Figure 6.15, Panel B). Similarly, men can expect to live more than 22 years after labour market exit in France and Luxembourg (Figure 6.15, Panel A). Women's remaining life expectancy at the average age of labour market exit was below 20 years in Estonia, Korea, Mexico and the United States, and men's was at about 16 years or below in Colombia, Estonia, Hungary, Latvia, Lithuania and Mexico.

Men typically can thus expect to live 4.1 years less than women after labour market exit on average in the OECD (Figure 6.15). In Costa Rica and Colombia, the gender gap was over seven years. This gap between men and women is due to both higher life expectancy and lower labour market exit age among women. The gender gap in life expectancy at 65 years is equal to 3.1 years on average (see above in this chapter) while the gender gap in average labour market exit age is equal to 1.1 years (Figure 6.13). Longer periods after labour market exit expose women to old-age income poverty (Chapter 7), as older women more often live alone than men due to widowhood and often have lower pensions.

The average length of life after labour market exit increased significantly in the latter of the last century but has been relatively stable steady since. In 1970, men in the OECD countries spent on average 11.9 years after their exit from the labour market while by 2011 this increased to 19.0 years (Figure 6.16, Panel B). However, since then it has been between 18 and 19 years, equalling 18.7 years in 2024. Women saw a similarly high increase from 15.8 years in 1970 to a peak reached earlier at 23.6 years in 2001, remaining steady around that level until 2017 (Figure 6.16, Panel A). In recent years there has been a steady decline to 22.8 years in 2024.

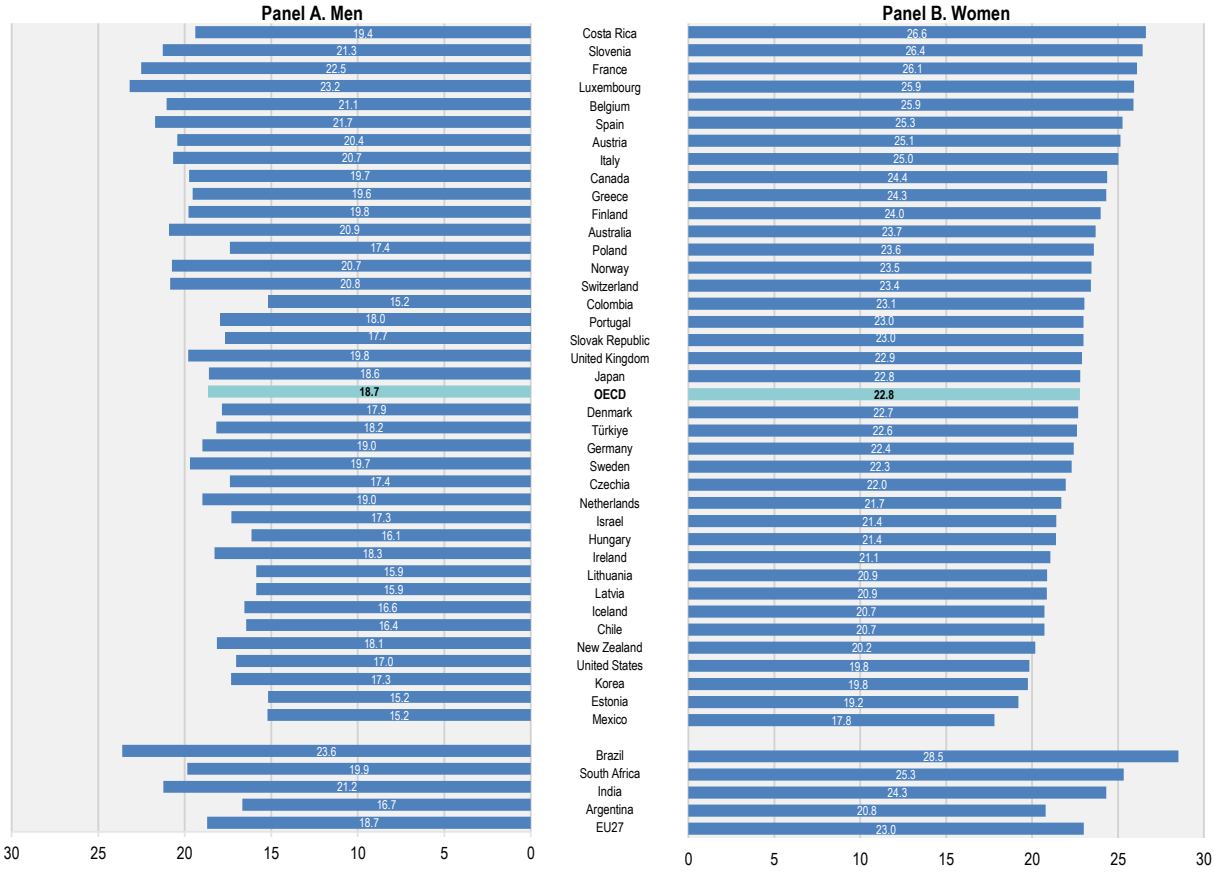
The increase in the expected lifetime after labour market exit from 1970 to around 2000 was due to both a drop in the effective exit age from the labour force and increased longevity. Since then, the continuing life expectancy gains in old age have been offset by increases in labour market exit ages, resulting in the steadiness of the expected life years.

Definition and measurement

Expected life years after labour market exit for women and men is measured as the respective remaining life expectancy at the average age of effective labour market exit. Estimates of remaining life expectancy are calculated based on the UN World Population Prospects – The 2024 Revision dataset.

The average effective age of labour market exit is defined as the average age of exit from the labour force for workers aged 40 and over. In order to abstract from compositional effects in the age structure of the population, labour force withdrawals are estimated using changes in labour force participation rates rather than labour force levels. These changes are calculated for each (synthetic) cohort divided into five-year age groups. Each age group is weighted by its average population share among OECD countries. Based on this methodology, absolute numbers for a given country should be interpreted cautiously. However, comparisons across countries or through time within countries are robust.

Figure 6.15. Remaining life expectancy at average labour market exit age, by gender in 2024



Note: Numbers in parenthesis indicate the average effective age of labour market exit in 2024 by gender. Life expectancy at labour market exit is based on period-specific mortality rates.
Source: OECD calculations based on United Nations Population Prospects: 2024 Revision, exit ages: see previous section.

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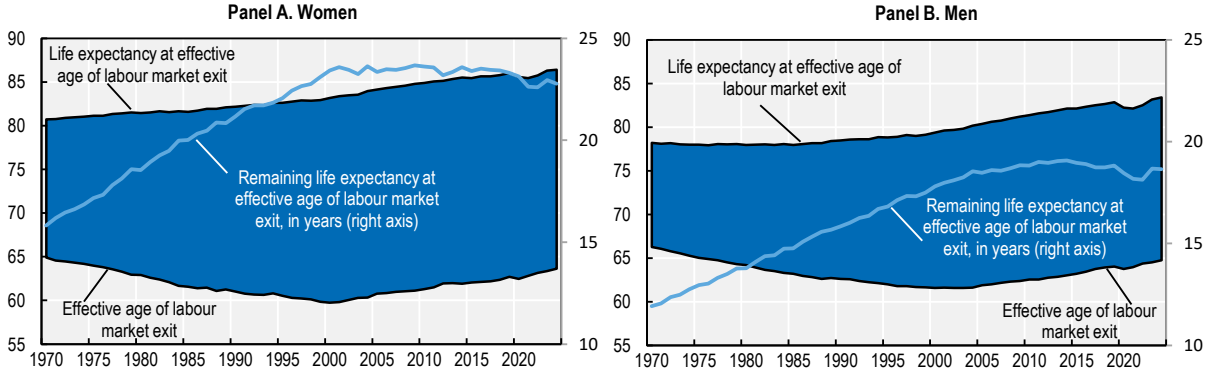
Figure 6.16. Expected life years after labour market exit, OECD average 1970-2024

Life expectancy at labour market exit age (both left axis), in years



Note: Life expectancy at labour market exit is based on period-specific mortality rates.
Source: OECD calculations based on United Nations Population Prospects: 2024 Revision, exit ages: see previous section.

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7 Incomes and poverty of older people

These four indicators look at the economic situation of older people. The first examines the income of older people, comparing them with the population as a whole. It also shows whether the income comes from publicly provided benefits, private occupational transfers, work, or private personal pensions and other savings.

The second looks at relative income poverty of older people. It shows the proportion of older people living on incomes of less than half the national median disposable income and their average income gap to the poverty line.

The third looks at income inequality among older people, showing Gini and percentile ratios for people aged 66+, also comparing them to the total population and across time.

The final indicator presents the “Average worker earnings” that underpin pension modelling. They are used throughout the report and many parameters and all modelling results are reported as percentages of national average worker earnings.

Incomes of older people

Key Results

Disposable incomes of older people are on average lower than those of the total population. The over-65s had incomes of 87% of the total population's in 2022 on average, broken down into 92% for the 66-75 and 80% for the over-75s. Among the over-65s, the range goes from 70% or less in Estonia, Korea, Latvia and Lithuania to around 100% or more in Israel, Italy, Luxembourg and Mexico. In two-thirds of OECD countries, public transfers provide more than half of gross income after age 65. Older men on average had an income of 92% of that of the total population, 9 percentage points (p.p.) above that for older women.

The average income of people over 65 was equal to 87% of that of the total population on average across OECD countries in the latest year available (Table 7.1). Older people fare best in Israel, Italy, Luxembourg and Mexico in relative terms where incomes for the over-65s were about or slightly higher than for the total population. Older people also had high relative incomes on average in Canada, Costa Rica, France, Iceland, Portugal, the Slovak Republic, Spain and the United States in international comparison. In Estonia, Korea Latvia and Lithuania, by contrast, the income of older people was about one-third lower.

Average relative incomes tend to fall with age after retirement. Lower relative incomes for older retirees are partly explained by cohort effects given growth trends in real earnings across cohorts driven by productivity gains. Where pensions are indexed to average-wage growth, pensions during retirement improve similarly; however, many countries index at a lower level than wage growth. While price indexation protects purchasing power, it tends to lower relative income over time; this particularly affects women who tend to live long with low income, following lower past employment and wages compared to men. Moreover, older people live alone more often, which lowers their equivalised disposable income given household economies of scale.

The income of people aged over 65 has increased relative to that of the total population in more than two-thirds of OECD countries since 2000, and on average by 5.3 p.p. across all countries for which data is available. Driven by a maturing pension system, the over-65s in Israel have seen the strongest rise in their relative income, about 25 p.p., from 82% in 2000 to 107% in 2022. Iceland, Ireland, Mexico, Norway, the Slovak Republic and Spain have also recorded increases of at least 15 p.p. The sharpest declines are reported in Chile (-17 p.p. since 2006) and Poland (-9 p.p. since 2005).

Older men on average have an income equal to 91.9% of that of the total population, some 9 p.p. above that of older women. Austria and Lithuania have the largest gender gap at 15 and 17 percentage points respectively.

Sources of income

Of the four main sources of income on which older people draw, public transfers (earnings-related pensions, resource-tested benefits, etc.) and private occupational transfers (mandatory pensions, severance payments, death grants, etc.) account for 56% and 7% of older people's incomes on average (Figure 7.1). The countries where over-65s are most reliant on public transfers are Austria, Belgium, Finland, France and Luxembourg: around 80% of their incomes come from that source. Public transfers represent only 13% and 24% of all income in Mexico and Chile, respectively. Private occupational transfer expenditures are reported in 14 OECD countries, with the Netherlands being highest at 39%.

Work accounts for 27% and capital for about 10% of older people's incomes on average. Work is especially important in Korea and Mexico, where it accounts for around half of old-age income; it also represents a large share of income in Chile, Costa Rica, Estonia, Iceland, Japan, Latvia, Lithuania, New Zealand, Poland, the Slovak Republic and the United States. However, as incomes are measured at the household level, the income recorded from work could be coming from younger generations living in multi-generational households rather than specifically from the older household members.

Capital, mostly voluntary private pensions, represents over 40% of all income sources of older people in Canada. In Denmark, Korea and the United States, capital represents over 20% of all income.

Definition and measurement

Incomes of older people groups all incomes from employment, self-employment, capital and public transfers. The data shown are for disposable incomes (i.e. net of personal income tax and social security contributions). Incomes are measured on a household basis and equivalised with the square-root equivalence scale to adjust for differences in household size. See OECD Income Distribution Database for more details on definitions and data sources. The special chapter on "Incomes and poverty of older people" in OECD (2013) provides a more detailed analysis.

Further reading

OECD (2025), *Income Distribution Database*, https://data-explorer.oecd.org/s/3et (accessed on 03 July 2025).

OECD (2019), *Will future pensioners work for longer and retire on less?*, OECD, Paris, https://www.oecd.org/en/publications/will-future-pensioners-work-for-longer-and-retire-on-less_0fa49b9b-en.html

OECD (2013), *Pensions at a Glance 2013: OECD and G20 Indicators*, OECD Publishing, Paris, https://doi.org/10.1787/pension_glance-2013-en.

Table 7.1. Incomes of older people, 2022 or latest available year

Average income by age group and gender in percentage of average income of total population

	Older people (aged over 65)							Older people (aged over 65)					
	All	Change since 2000 or earliest thereafter	By gender		By age			All	Change since 2000 or earliest thereafter	By gender		By age	
			Men	Women	Age 66-75	Aged over 75				Men	Women	Age 66-75	Aged over 75
Australia	73.8	4.5	77.1	70.7	78.3	66.8	Korea	68.2		75.5	62.7	76.2	56.6
Austria	91.5	4.4	99.7	85.0	96.2	84.8	Latvia	70.0	-2.5	78.4	66.1	75.6	63.4
Belgium	76.2		79.7	73.2	81.2	69.3	Lithuania	66.5	-6.7	77.4	60.8	69.7	62.9
Canada	93.7	5.2	97.1	90.9	96.7	89.2	Luxembourg	107.0		113.5	100.0	108.2	104.4
Chile	84.9	-16.6	86.7	83.5	86.1	83.1	Mexico	101.6	15.4	105.6	98.3	106.4	93.9
Colombia							Netherlands	81.2	-3.4	85.3	77.8	87.1	72.7
Costa Rica	96.1		95.9	96.2	97.1	94.4	New Zealand	75.2	4.0	80.5	70.4	83.5	61.9
Czechia	76.7	-1.7	82.7	72.2	80.4	70.8	Norway	89.6	18.4	96.1	83.8	97.9	78.7
Denmark	79.7	8.3	85.1	75.2	86.0	72.4	Poland	86.6	-9.1	90.1	84.2	86.0	87.6
Estonia	66.2		72.4	63.0	72.2	58.5	Portugal	97.1	16.7	103.1	92.5	104.0	89.3
Finland	86.9	8.6	93.6	81.7	91.0	82.1	Slovak Republic	95.9	16.1	97.6	94.8	96.1	95.6
France	94.3	-3.6	99.0	90.6	97.7	89.9	Slovenia	84.5	0.2	89.9	80.3	85.9	82.2
Germany	86.6	-1.4	89.6	84.2	86.5	86.7	Spain	96.7	15.7	102.1	92.4	105.3	86.5
Greece	91.6	10.0	99.5	85.4	99.7	82.9	Sweden	88.9	10.8	95.9	82.8	100.4	75.8
Hungary	81.8	-5.2	88.8	77.4	84.2	77.7	Switzerland	78.0	-3.7	83.9	72.7	83.2	71.6
Iceland	95.0	14.6	99.5	90.8	103.8	77.5	Türkiye	84.5	-5.7	88.2	81.6	86.9	79.6
Ireland	90.4	20.4	94.7	86.7	95.7	82.4	United Kingdom	84.0	11.0	87.9	80.7	90.8	75.6
Israel	106.5	25.0	113.9	100.4	110.2	100.6	United States	94.5	11.4	100.9	89.1	100.7	84.9
Italy	98.8	13.3	105.8	93.4	108.3	89.2							
Japan	83.9	-5.8	88.5	80.2	91.5	75.9	**OECD**	**86.6**	**5.3**	**91.9**	**82.5**	**91.5**	**79.9**

Notes: Most recent data are for 2022 except for the following countries: Canada, Costa Rica, Finland, Latvia, the Netherlands, Sweden, the United Kingdom and the United States (2023), Germany and Japan (2021), Australia (2020) and Iceland (2017).: Data for 2000 except for Greece and Türkiye (2004), Czechia, Iceland, Ireland, Latvia, Lithuania, Poland, Portugal, the Slovak Republic and Slovenia (2005), Chile and Switzerland (2006), Austria and Spain (2007). Due to a break in series, 2006-data for Chile are scaled with a factor measuring the age-specific effect of the series break on income levels using data from 2011 or closest available. Historical data for Belgium, Estonia, Korea and Luxembourg are not comparable due to breaks in series and those for Costa Rica are unavailable and are not shown here. Data for Colombia is unavailable.
Source: OECD Income Distribution Database, www.oecd.org/social/income-distribution-database.htm (June 2025 version).

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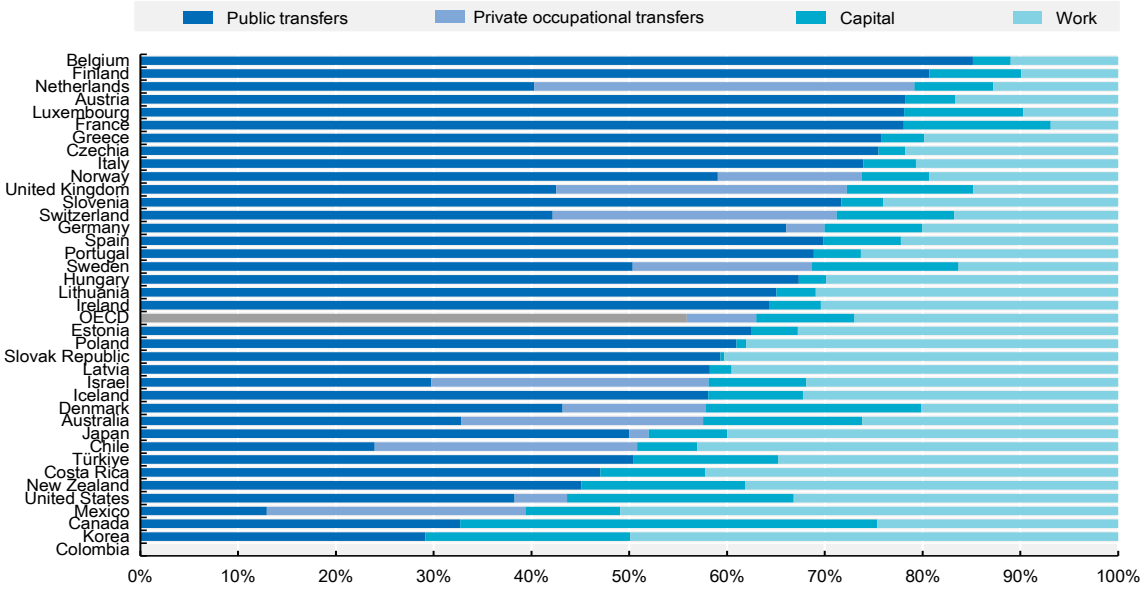
Figure 7.1. Income sources of older people, 2022 or latest available year

Percentage of total equivalised gross household income and transfers



Note: Income from work includes both earnings (employment income) and income from self-employment. Private occupational transfers include pensions, severance payments, death grants and other. Capital income includes private personal pensions and income from the returns on non-pension savings. Data are for 2022 except for some countries; see note of Table 7.1.
Source: OECD Income Distribution Database, www.oecd.org/social/income-distribution-database.htm (June 2025 version).

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Old-age income poverty

Key Results

On average in the OECD, 14.8% of individuals aged over 65 live in relative income poverty, defined as having an income below half the national median equivalised household disposable income. On average, their income is 23.6% below the relative poverty line. The average for the total population is 11.5%, some 3.3 p.p. below the old-age level. The old-age income poverty rate tends to rise with age during retirement and is higher for women than for men among all age groups.

According to the latest available figures, the relative poverty rate of people aged over 65 was 40% in Korea, above 30% in Estonia, Latvia and New Zealand, and 20% or more in Australia, Costa Rica, Japan, Lithuania and the United States. By contrast, Denmark, Finland, Iceland, the Netherlands and Norway have the lowest relative old-age poverty rates, at 5% or below. First-tier pension levels are important factors influencing old-age poverty rates (see the indicator on "Basic, targeted and minimum pensions" in Chapter 3). These numbers are based on income data and the considerable country differences in wealth (housing or otherwise) held by older people may not be reflected in income poverty rates.

Poverty amongst older people is similar to that for the total population in most countries but there are clear outliers (Figure 7.2). These outliers mean that the old-age poverty is on average 3 p.p. higher than that of the total population – 14.8% versus 11.5%. The largest difference between old-age and total-population poverty rates is found in Korea where older people have 25 p.p. higher poverty rates than the total population, followed by Estonia, New Zealand and Latvia. Older people are less likely to be poor than the total population in several countries, especially Canada, France, Luxembourg, the Netherlands, Norway and the Slovak Republic where the old-age poverty rate is at least 2 p.p. lower.

Poverty among older age groups

Poverty among the "younger old" (aged 66-75) is less frequent than among the "older old" (aged 75 and over); the OECD average poverty rates are 13.1% and 17.2%, respectively. The difference between the two is particularly high in Korea (+24.2 p.p.), New Zealand (+17.8 p.p.), Estonia (+14.1 p.p.) and Latvia (+13.6 p.p.). There are many explanations for this pattern. In Korea, the pension system is still maturing, and current generations of older people still have very low pensions. Moreover, in all four countries, individual pensions are indexed to less than earnings growth (Table 3.3 in Chapter 3). When retirees grow older, this tends to lower the relative value of pensions compared to earnings. Nevertheless, in five OECD countries – Canada, Germany, Iceland, Lithuania and Poland – the over 75s fare slightly better than their younger counterparts do. Recent pension reforms in OECD countries that have reduced the generosity of pension systems have typically lowered the relative income of new generations of retirees and may therefore increase the number of countries for which this is the case.

Poverty and gender

The average old-age poverty rates for women and men in the OECD equal 16.9% and 11.7%, respectively. Lower earnings-related pension income and longer life expectancy are among the main drivers of higher poverty incidence among women than among men. Older women are at greater risk of poverty than older men in all countries except Costa Rica and Iceland. In addition to these three countries, gender differences in the poverty rate are relatively small (less than 2 p.p.) in Belgium, Chile, Denmark, Ireland, Luxembourg, Mexico and the Netherlands.

The largest gender differences, 15 p.p. or more, are in the Baltic countries followed by Korea at 12 p.p.. There are also significant differences of more than 5 p.p. in Australia, Czechia, Germany, Hungary, Japan, New Zealand, Poland, Portugal and the United States.

Definition and measurement

For international comparisons, the OECD treats poverty as a "relative" concept. The yardstick for poverty depends on the median household income in the total population in a particular country at a particular point in time. Here, the poverty threshold is set at 50% of median, equivalised household disposable income. Poverty depth measures how much the average income of the poor is below the relative poverty threshold, in percent of this threshold. See OECD Income Distribution Database for more details on definitions and data sources.

Further reading

OECD (2025), *Income Distribution Database*, https://data-explorer.oecd.org/s/3et (accessed on 03 July 2025).

OECD (2017), *Preventing Ageing Unequally*, OECD Publishing, Paris, https://doi.org/10.1787/9789264279087-en.

Table 7.2. Income poverty rates by age and gender, 2022 or latest available year

Percentage with income lower than 50% of median equivalised household disposable income

	Older people (aged over 65)					Total population		Older people (aged over 65)					Total population
	All	By age		By gender				All	By age		By gender		
		Age 66-75	Aged over 75	Men	Women				Age 66-75	Aged over 75	Men	Women	
Australia	22.6	19.7	27.0	18.2	26.6	12.6	Korea	39.7	29.8	54.0	32.6	45.0	14.9
Austria	11.6	11.6	11.7	9.4	13.4	9.6	Latvia	34.3	28.1	41.7	24.1	39.1	16.2
Belgium	7.7	6.9	8.9	7.0	8.4	6.9	Lithuania	24.6	25.3	23.8	11.4	31.5	14.1
Canada	10.1	10.4	9.6	8.7	11.3	12.2	Luxembourg	7.0	7.0	7.0	6.2	8.0	8.9
Chile	16.2	15.6	17.0	15.0	17.0	16.3	Mexico	18.3	15.5	22.8	17.3	19.1	15.0
Colombia							Netherlands	4.6	3.3	6.5	4.5	4.7	7.0
Costa Rica	25.8	24.2	28.3	26.0	25.6	21.2	New Zealand	33.7	26.9	44.7	30.2	36.9	14.3
Czechia	7.6	6.8	8.9	3.4	10.7	6.2	Norway	4.1	3.2	5.2	2.6	5.3	8.0
Denmark	5.0	3.8	6.4	4.2	5.7	6.3	Poland	12.8	13.1	12.1	8.5	15.6	9.1
Estonia	37.4	31.3	45.4	24.2	44.5	16.2	Portugal	11.0	10.2	11.9	7.8	13.4	11.2
Finland	4.8	4.0	5.7	2.9	6.3	6.8	Slovak Republic	7.2	6.9	7.7	5.0	8.6	9.4
France	6.1	5.6	6.7	4.8	7.2	8.3	Slovenia	12.8	12.2	13.8	10.2	14.8	7.9
Germany	12.6	14.9	11.0	10.0	15.2	11.8	Spain	13.1	11.5	15.1	10.7	15.0	13.7
Greece	10.0	8.5	11.5	7.2	12.1	11.2	Sweden	7.3	6.2	8.6	5.4	9.0	8.0
Hungary	10.1	9.2	11.7	4.7	13.5	9.9	Switzerland	18.8	15.9	22.4	16.3	21.1	10.7
Iceland	3.1	4.0	1.1	4.5	1.7	4.9	Türkiye	11.9	10.3	15.2	10.3	13.2	13.2
Ireland	9.5	7.9	11.9	8.9	10.0	7.0	United Kingdom	15.0	12.0	18.8	13.3	16.5	12.6
Israel	15.3	14.0	17.4	13.1	17.2	16.8	United States	22.9	20.4	26.7	19.9	25.4	18.1
Italy	12.0	11.3	12.7	9.7	13.8	12.2							
Japan	20.0	16.2	24.1	16.6	22.8	15.4	**OECD**	**14.8**	**13.1**	**17.2**	**11.7**	**16.9**	**11.5**

Notes: Data are for 2022 except for some countries; see note of Table 7.1 for details. Data for Colombia is unavailable.
Source: *OECD Income Distribution Database*, www.oec d.org/social/income-distribution-database.htm (June 2025 version).

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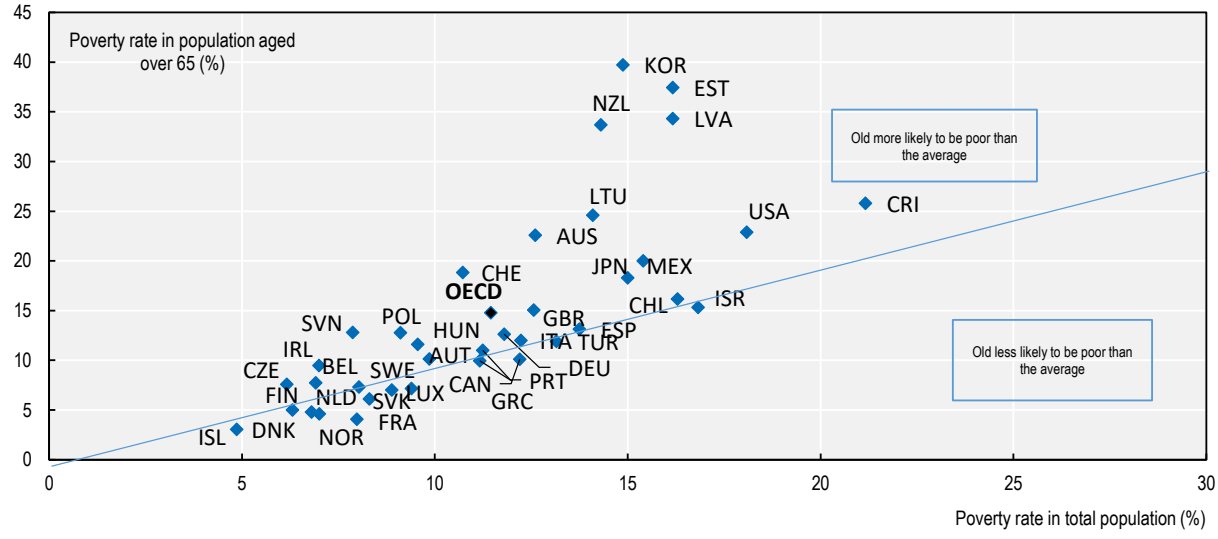
Figure 7.2. Income poverty rates by age: older vs. total population, 2022 or latest available year



Note: Data are for 2022 except for some countries; see note of Table 7.1 for details.
Source: *OECD Income Distribution Database*, www.oecd.org/social/income-distribution-database.htm (June 2025 version).

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Poverty depth

Substantial country differences exist in the so-called poverty depth, which is measured by the gap between the average income of the poor and the relative poverty line at 50% of median income (Figure 7.3). Among older people, the largest poverty depth – more than 35% of the income at the poverty threshold – is in Iceland, Korea and the United States. This means that in these countries the average income of those aged 66+ who are relatively poor is less than about one-third (65%*50%) of the median income for the total population. In Austria, Costa Rica, Japan, Mexico, the Netherlands and Spain, the poverty depth of the 66+ also exceeds 30%. The lowest average gaps, of less than 15%, are reported in Canada, Czechia, Denmark, Finland and the Slovak Republic. The average poverty depth is smaller for older people (24%) than for all poor (30%).

Change in poverty in recent decades

The incidence of poverty has substantially changed over time in some countries (Table 7.3). The average relative old-age poverty rate across countries has increased by 1.8 p.p., since 2011, across the 36 OECD countries for which data are available, though there is considerable country variation. Old-age poverty rates increased substantially in Estonia (+30 p.p.), Hungary (+8 p.p.), Latvia (+27 p.p.), Lithuania (+13 p.p.) and New Zealand (+17 p.p.). Conversely, old-age poverty rates fell substantially in Australia (-11 p.p.), Israel (-8 p.p.), Korea (-8 p.p. and Türkiye (-6 p.p.).

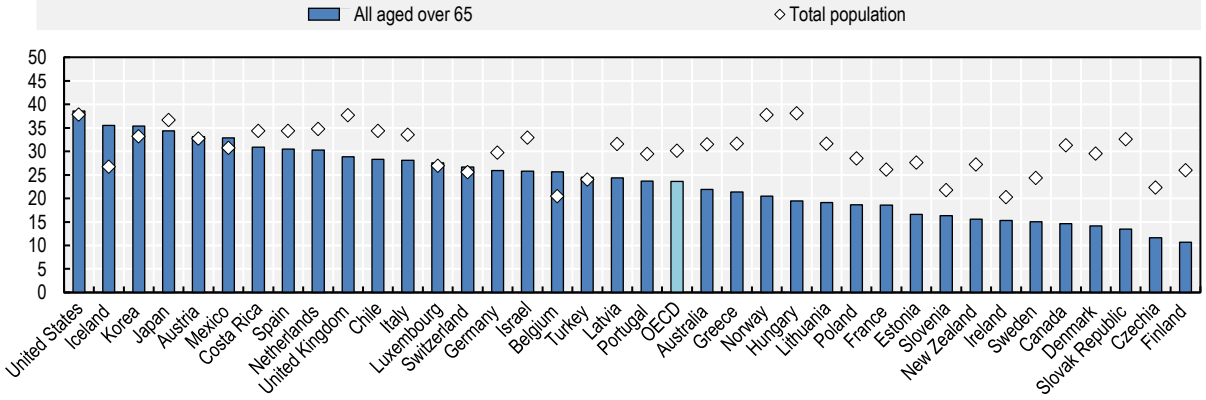
The recent increase in old-age poverty rates goes against the decline, on average, in the previous decades. Old-age poverty fell by around 2 p.p. on average between 2000 and 2011 meaning that the average rate today is now at a similar level to that in 2000.

Poverty rates decreased, on average, among the young adults since 2011. The poverty rate of the 18-25 year-olds decreased in 23 out of 36 countries between 2011 and 2022 and by 1.2 p.p. on average. It decreased strongly in Greece and Ireland (both -8 p.p.) as well as by at least 5 p.p. in New Zealand, Sweden and Türkiye. Conversely, the poverty rate for the 18-25 age group increased by 9 p.p. in Germany and by 6 p.p. in Finland. Despite the recent decline, on average there has been an overall slight increase (0.7 p.p.) since 2000.

Hence, on average, there was a shift in poverty rates from the young adults to those in old age of 3.0 p.p. over the last decade. That shift has occurred albeit to a different extent in 20 of the 36 countries for which data are available. The most extreme shift in poverty from the young to the old happened in Estonia (+27.4 p.p.), Latvia (+30.9 p.p.) and New Zealand (+22.3 p.p.). In all three countries it is the increase in the old-age poverty rate that has been the key factor rather than the fall for young adults. In Estonia the poverty rate for young adults even increased as well. For the countries that showed a shift in poverty from the old to the young the greatest movement was found in Australia (-11.3 p.p.), Finland (-11.9 p.p.) and Israel (-9.6 p.p.). This relative shift partially reversed the previous change in the opposing direction between the mid-1990s and 2011.

Figure 7.3. Income poverty depth by age: older vs. total population, 2022 or latest available year

Poverty depth is measured as mean income gap of poor population to income at poverty line, percentage of the poverty-line income



Note: Data are for 2022 except for some countries; see note of Table 7.1 for details. In Greece, for example, the average income of the poor aged over 65 is 21.4% below the income threshold that determines whether a person counts as poor, which equals 50% of the median income in the total population here. That is, their average income is equal to 39.3% of median income. The average income of all poor in Greece is 31.6% below that poverty line.

Source: OECD Income Distribution Database, www.oecd.org/social/income-distribution-database.htm (June 2025 version).

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Table 7.3. Change in relative income poverty rates between 2011 and 2022 by age

Percentage-point change in share with income lower than 50% of median equivalised household disposable income

	Aged over 65	Age 0-17	Age 18-25	Age 26-65	Total	Poverty shift: aged over 65 vs. 18-25		Aged over 65	Age 0-17	Age 18-25	Age 26-65	Total	Poverty shift: aged over 65 vs. 18-25
Australia	-11.0	0.4	0.3	-0.8	-1.4	-11.3	Korea	-8.1	-6.9	-4.3	-4.1	-3.7	-3.8
Austria	0.3	1.7	0.8	0.6	0.7	-0.6	Latvia	27.4	-6.0	-3.6	-1.3	3.2	30.9
Belgium	-3.3	-3.4	-3.3	-2.4	-2.8	-0.1	Lithuania	13.3	-3.3	-0.8	-0.6	1.5	14.1
Canada	0.0	-1.7	2.2	-1.1	-0.9	-2.2	Luxembourg	4.5	-1.8	4.2	0.3	0.6	0.3
Chile	0.8	-4.8	0.7	-1.5	-2.1	0.1	Mexico	-8.8	-3.6	-2.8	-3.4	-3.9	-5.9
Colombia						0.0	Netherlands	3.2	-0.8	-3.4	0.0	-0.2	6.6
Costa Rica						0.0	New Zealand	16.9	-2.8	-5.4	-1.4	0.6	22.3
Czechia	5.1	-1.1	0.4	-0.9	0.2	4.7	Norway	-5.1	3.0	-0.6	2.3	1.1	-4.5
Denmark	-0.7	0.7	-2.6	1.3	0.5	1.9	Poland	2.5	-4.4	-2.4	-1.7	-1.5	4.9
Estonia	29.9	-1.4	2.5	-1.4	4.5	27.4	Portugal	2.7	-1.4	-1.1	-0.5	-0.2	3.8
Finland	-6.1	0.6	5.8	-0.3	-0.7	-11.9	Slovak Republic	0.8	1.9	3.4	0.6	1.2	-2.6
France	0.0	0.4	0.0	0.7	0.4	0.0	Slovenia	-1.7	-3.0	-1.0	-0.3	-0.8	-0.7
Germany	4.1	3.1	8.5	2.1	3.1	-4.4	Spain	4.0	-0.6	-3.6	-1.9	-0.9	7.6
Greece	2.7	-7.2	-7.9	-4.2	-3.9	10.6	Sweden	-2.7	-1.0	-5.5	-0.6	-1.7	2.8
Hungary	8.4	2.9	-3.3	-0.4	1.3	11.7	Switzerland	-5.0	0.8	0.0	1.2	0.3	-5.0
Iceland	-0.2	-2.2	-2.0	-0.2	-1.0	1.8	Türkiye	-6.4	-6.9	-5.0	-3.8	-5.5	-1.4
Ireland	0.0	-2.8	-7.9	-2.9	-3.0	7.9	United Kingdom	0.5	5.3	-1.7	0.9	1.6	2.2
Israel	-8.4	-1.8	1.2	-0.2	-1.3	-9.6	United States	1.9	0.1	-1.8	0.0	0.2	3.7
Italy	1.7	-3.8	-3.2	0.0	-0.6	4.9							
Japan	0.6	-4.1	-1.8	-1.6	-0.6	2.4	**OECD36**	**1.8**	**-1.6**	**-1.2**	**-0.8**	**-0.4**	**3.0**

Notes: Data are for 2022 except for some countries; see note of Figure 7.1 for details. Data for Colombia and Costa Rica are unavailable.
Source: OECD calculations based on OECD Income Distribution Database, www.oecd.org/social/income-distribution-database.htm (June 2025 version).

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Old-age income inequality

Key Results

On average in the OECD, the Gini of disposable income equals 0.308 among people aged over 65. Based on this indicator, income inequality among older people is very high in Costa Rica, Mexico and the United States, and low in Belgium, Czechia, Norway and the Slovak Republic. Two other measures of income inequality, the P90/P10 and the P50/P10 ratios, paint a similar picture across countries as the coefficient of linear correlation between the Gini and both percentile ratios are very high at 0.93 and 0.84, respectively. Income inequality tends to be lower among older people than in the total population. For the Gini this holds for three-fifths of OECD countries and by 0.009 on average.

According to the latest available figures, the Gini of disposable income for people aged over 65 was very high in Costa Rica (0.486), Mexico (0.433) and the United States (0.419). By contrast, the Slovak Republic (0.205), Czechia (0.207), Belgium (0.219), and Norway (0.225) have the lowest Gini values (Table 7.4). Such a range means that there are huge differences in the level of old-age income inequality across OECD countries.

The Gini indices of income inequality in 2022 (or latest available) at older ages display a similar pattern across countries as those at working ages. Among OECD countries, the linear cross-country correlation between these two age groups is very high at 91%. In 22 OECD countries, income inequality (measured by the Gini index) is lower among older people than for the total population. The largest difference equalling 0.058 between the two Ginis is found in Chile, followed by Lithuania and Türkiye.

Important factors that limit income inequality in old-age relative to income inequality during the working age are first-tier pension benefits, other redistributive features of earnings-related pension schemes and ceilings on pensionable earnings (Chapter 3). Yet, older people are more unequal than the total population in 13 countries, most notably Korea, Mexico and the United States.

P90/P10 and P50/P10 ratios

The Gini and both the 90/10 and the 50/10 percentile ratios are highly correlated across countries, as the linear coefficient of correlation is 0.93 and 0.84, respectively. Also, the age pattern follows mostly the one observed for the Gini.

On average in the OECD, a person at the 90th percentile of the disposable income distribution among the over-65-year-olds has an income equal to 3.9 times the one at the 10th percentile. At the 50th percentile, the income is 1.9 times the P10 level. Among OECD countries, highest P90/P10 ratios for older people are in Costa Rica (9.9) and the United States (6.4). For the P50/P10 ratio the United States ranks highest followed by Costa Rica and Mexico.

Belgium, Czechia, Denmark and the Netherlands (all 2.4) are the only countries reporting a P90/P10 ratio below 2.5. Belgium, Denmark and the Netherlands (all 1.4) report the lowest P50/P10 ratios with Australia, Czechia, Estonia, Finland, Iceland and New Zealand at 1.5.

Change of inequality over time

Income inequality among people older than 65 has barely changed on average in the OECD since 2000 based on the Gini index. The same is true for income inequality for the total population (Figure 7.4). However, there are substantial country differences. Inequality among older people decreased markedly since 2000 in Chile, Greece, Israel, Mexico and the Slovak Republic (by around 0.05 or more in the Gini index). At the other end of the country range, New Zealand and (albeit from a very low level) Sweden report large increases in inequality since 2000 (0.07 and 0.08 respectively).

Definition and measurement

Gini and percentile ratios are core measures of inequality, here based on the distribution of equivalised household disposable income. The Gini index is defined between 0 (complete equality between all) and 1 (complete inequality, i.e. one person receives all income). Percentile ratios indicate the ratio of incomes of two persons who are at different positions in the disposable income distribution. The P90/P10 ratio compares the income at the 90th percentile to the one at the tenth percentile while the P50/P10 uses accordingly the 50th percentile in the numerator. See OECD Income Distribution Database for more details on definitions and data sources.

Further reading

OECD (2021), *Income Distribution Database*, https://data-explorer.oecd.org/s/3et (accessed on 15 July 2021).

OECD (2017), *Preventing Ageing Unequally*, OECD Publishing, Paris, https://doi.org/10.1787/9789264279087-en.

Table 7.4. Income inequality by age: older vs. total population, 2022 or latest available year

Gini coefficient, P90/P10 and P50/P10 ratios of the distribution of equivalised disposable household income

	Gini		P90/P10 ratio		P50/P10 ratio			Gini		P90/P10 ratio		P50/P10 ratio	
	Aged over 65	Total population	Aged over 65	Total population	Aged over 65	Total population		Aged over 65	Total population	Aged over 65	Total population	Aged over 65	Total population
Australia	0.320	0.319	3.4	4.3	1.5	2.2	Korea	0.383	0.324	5.7	4.9	2.4	2.5
Austria	0.301	0.285	3.3	3.4	1.9	2.0	Latvia	0.340	0.340	4.3	5.0	1.8	2.5
Belgium	0.219	0.250	2.4	2.9	1.4	1.8	Lithuania	0.303	0.360	3.4	5.0	1.6	2.3
Canada	0.294	0.306	3.4	4.0	1.8	2.2	Luxembourg	0.296	0.296	3.6	3.7	1.9	1.9
Chile	0.390	0.448	5.5	7.3	2.4	2.5	Mexico	0.433	0.400	7.1	5.8	2.7	2.4
Colombia							Netherlands	0.251	0.291	2.4	3.2	1.4	1.8
Costa Rica	0.486	0.470	9.9	9.7	2.8	3.0	New Zealand	0.339	0.326	3.6	4.3	1.5	2.2
Czechia	0.207	0.249	2.4	3.1	1.5	1.8	Norway	0.225	0.262	2.5	3.1	1.6	1.9
Denmark	0.252	0.276	2.4	3.0	1.4	1.8	Poland	0.264	0.270	3.2	3.5	1.8	1.9
Estonia	0.300	0.321	3.3	4.8	1.5	2.4	Portugal	0.344	0.332	4.3	4.3	1.9	2.1
Finland	0.246	0.269	2.7	3.2	1.5	1.8	Slovak Republic	0.205	0.226	2.6	3.1	1.6	2.0
France	0.275	0.292	3.0	3.4	1.7	1.9	Slovenia	0.256	0.244	3.1	3.1	1.7	1.8
Germany	0.293	0.313	3.5	4.0	1.9	2.1	Spain	0.302	0.316	3.9	4.5	2.1	2.3
Greece	0.284	0.316	3.5	3.9	1.8	2.1	Sweden	0.294	0.289	3.1	3.3	1.6	1.9
Hungary	0.261	0.294	2.8	3.6	1.6	2.0	Switzerland	0.309	0.317	3.9	3.8	2.0	2.0
Iceland	0.275	0.250	2.6	2.8	1.5	1.7	Türkiye	0.379	0.427	4.2	5.4	1.9	2.2
Ireland	0.301	0.285	3.4	3.4	1.7	1.9	United Kingdom	0.336	0.367	4.0	4.5	2.0	2.2
Israel	0.344	0.345	5.1	5.5	2.3	2.7	United States	0.419	0.394	7.2	6.4	2.9	2.7
Italy	0.327	0.319	4.2	4.2	2.0	2.2							
Japan	0.337	0.338	4.9	5.2	2.4	2.6	**OECD**	**0.308**	**0.317**	**3.9**	**4.3**	**1.9**	**2.1**

Notes: Data are for 2022 except for some countries; see note of Table 7.1 for details.
Source: *OECD Income Distribution Database*, www.oecd.org/social/income-distribution-database.htm (June 2025 version).

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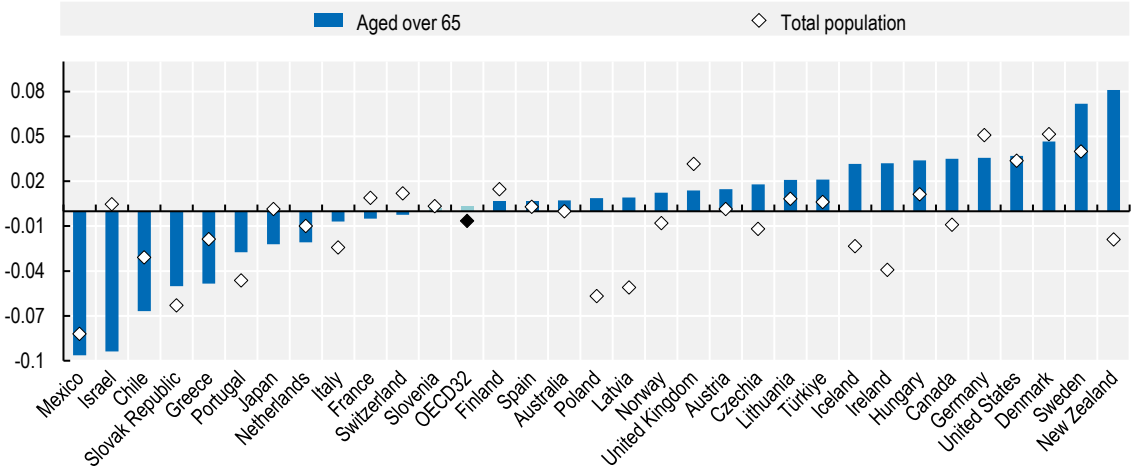
Figure 7.4. Change in income inequality over time among the older and the total population

Change in Gini of disposable income between 2000 and 2022 or latest available year



Note: Disposable income here refers to equivalised disposable household income. Data are for 2022 except for some countries; see note of Table 7.1 for details. Historical data for Belgium, Estonia, Korea and Luxembourg are not comparable due to breaks in series and are not shown here. Data for Colombia and Costa Rica are unavailable.
Source: *OECD Income Distribution Database*, www.oecd.org/social/income-distribution-database.htm (June 2025 version).

StatLink https://stat.link/0evbik

Average wage

Key Results

"Average wage (AW)" is an important metric as all pension modelling results are presented as multiples of this measure. The average for all OECD countries was USD 44 439 in 2020 and USD 60 737 in PPP terms.

Table 7.5 reports the OECD's full-time average wage (AW) levels for the year 2024. The wage earnings are defined as gross wages before deductions of any kind (including personal income taxes and social security contributions), but including overtime pay and other cash supplements paid to employees.

Average wages are displayed in national currencies and in US dollars at market exchange rates and in US dollars at purchasing power parities, PPP. The PPP exchange rate adjusts for the fact that the purchasing power of one dollar varies between countries: it allows for adjusting to account for differences in the price of a basket of goods and services between countries.

Wage earnings across the OECD countries averaged USD 44 439 in 2024 at market exchange rates. Switzerland has the highest level at USD 103 465. This is over 15 times the level recorded in Colombia, and nearly 11 times that of Mexico.

At PPP, wages averaged USD 60 737. Switzerland's levels remain the highest amongst OECD countries, followed by Luxembourg, Denmark and Germany. Mexico is the lowest, followed by Colombia at USD 20 293.

Average wages for the other major economies have been sourced from the latest ILO Global Wage Report (ILO, 2024). The wages range from a low of USD 2 514 in Indonesia to a high of USD 32 762 in Saudi Arabia, at market exchange rates.

Between 2023 and 2024 nominal wages increased in every country, and by an average of 7.4% in the OECD on average (Figure 7.5). Average inflation for the same period was 7.6% though, with very large cross-country variations, from a low of 0.5% in Costa Rica to a high of 54% in Türkiye. On average, this means that wages fell slightly in real terms on average, although they increased in 15 OECD countries. Wages in Costa Rica increased by over 7 p.p. above inflation. Increases of over 3 p.p. were also found in Belgium, Luxembourg, Portugal and Türkiye. Conversely, wages in Finland fell in real terms by 6 p.p. Czechia, Iceland and the Slovak Republic also recorded decreases of at least 3 p.p. below inflation.

Definition and measurement

The "average worker" earnings series (AW), defined as the average full-time adult gross wage earnings is presented in the OECD report *Taxing Wages*. The full definition and industries covered for each country can be found within that publication. In summary the standard assumption for calculating average wage earnings is based on Sectors B-N of the International Standard Industrial Classification of All Economic Activities (ISIC Revision 4, United Nations). The calculations are based on the earnings of a full-time adult worker (including both manual and non-manual). They relate to the average earnings of all workers in the industry sectors covered. No account is taken of variation between males and females or due to age or region. The earnings calculation includes all cash remuneration paid to workers in the industries covered taking into account average amounts of overtime, cash supplements (e.g. Christmas bonuses, thirteenth month) and vacation payments typically paid to workers in the covered industry sectors.

However, not all countries are able to include overtime pay, vacation payments and cash bonuses according to the definition. It is not possible for all countries to exclude part time workers. As a result, average wage estimates used here can differ from national estimates, sometimes quite substantially.

Further reading

ILO (2024), *Global wage report 2024-25 Is wage inequality decreasing globally?*, International Labour Organization,: https://doi.org/10.54394/CJQU6666.

OECD (2023), *Purchasing Power Parities – Frequently Asked Questions (FAQs)*, OECD, Paris, www.oecd.org/sdd/prices-ppp/purchasingpowerparities-frequentlyaskedquestionsfaqs.htm.

OECD (2025), *Taxing Wages 2025: Decomposition of Personal Income Taxes and the Role of Tax Reliefs*, OECD Publishing, Paris, https://doi.org/10.1787/b3a95829-en.

OECD (2009), *Pensions at a Glance 2009: Retirement-Income Systems in OECD Countries*, OECD Publishing, Paris, https://doi.org/10.1787/pension_glance-2009-en.

Table 7.5. Gross average wage (AW), 2024

	OECD measures of average wages			Exchange rate, national currency per USD	
	National currency	USD, market exchange rate	USD, PPP	Market rate	PPP
Australia	103 794	64 388	72 330	1.61	1.44
Austria	61 699	64 203	83 716	0.96	0.74
Belgium	60 841	63 310	86 545	0.96	0.70
Canada	88 360	61 446	75 586	1.44	1.169
Chile	14 074 320	14 179	31 076	992.60	452.91
Colombia	30 236 442	6 868	20 293	4 402.49	1 489.98
Costa Rica	9 109 145	18 002	29 386	506.00	309.98
Czechia	549 741	23 355	43 114	23.54	12.75
Denmark	509 093	71 003	88 971	7.17	5.72
Estonia	23 930	24 902	39 686	0.96	0.60
Finland	52 893	55 039	68 073	0.96	0.78
France	44 968	46 793	67 318	0.96	0.67
Germany	63 288	65 856	88 144	0.96	0.72
Greece	25 198	26 220	47 454	0.96	0.53
Hungary	8 252 579	20 876	46 169	395.32	178.75
Iceland	11 811 028	85 469	78 723	138.19	150.03
Ireland	64 158	66 762	86 235	0.96	0.74
Israel	196 756	53 950	54 308	3.65	3.62
Italy	35 616	37 061	58 772	0.96	0.61
Japan	5 426 969	34 600	58 439	156.85	92.87
Korea	55 002 302	37 333	70 766	1 473.27	777.24
Latvia	20 176	20 994	39 483	0.96	0.51
Lithuania	25 757	26 803	52 459	0.96	0.49
Luxembourg	74 296	77 311	90 384	0.96	0.82
Mexico	199 946	9 657	19 311	20.70	10.35
Netherlands	65 782	68 451	85 877	0.96	0.77
New Zealand	80 019	44 929	54 733	1.78	1.46
Norway	763 733	67 456	82 016	11.32	9.31
Poland	96 421	23 471	50 089	4.11	1.93
Portugal	22 588	23 505	41 294	0.96	0.55
Slovak Republic	18 529	19 280	35 026	0.96	0.53
Slovenia	27 756	28 882	48 780	0.96	0.57
Spain	31 698	32 985	53 185	0.96	0.60
Sweden	537 302	48 819	63 934	11.01	8.40
Switzerland	99 430	103 465	102 611	0.96	0.97
Türkiye	568 151	16 065	44 881	35.37	12.66
United Kingdom	51 310	64 379	78 216	0.80	0.66
United States	70 627	70 627	70 627	1.00	1.00
OECD		**44 439**	**60 737**		
Argentina	18 330 000	17 416	40 134	1 052.50	456.72
Brazil	40 920	6 617	16 567	6.18	2.47
China	123 756	16 955	34 890	7.30	3.55
India	253 200	2 959	12 478	85.58	20.29
Indonesia	42 000 000	2 614	8 706	16 067.13	4 824.26
Saudi Arabia	122 856	32 762	62 874	3.75	1.95
South Africa	338 640	17 965	45 333	18.85	7.47

Note: USD = the United States of America Dollar, PPP = purchasing power parity.
Source: OECD (2025), *Taxing Wages 2025*, https://doi.org/10.1787/8c99fa4d-en, ILO (2022), *Global wage report 2024-25*, https://doi.org/10.54394/CJQU6666, and OECD's National Accounts Database.

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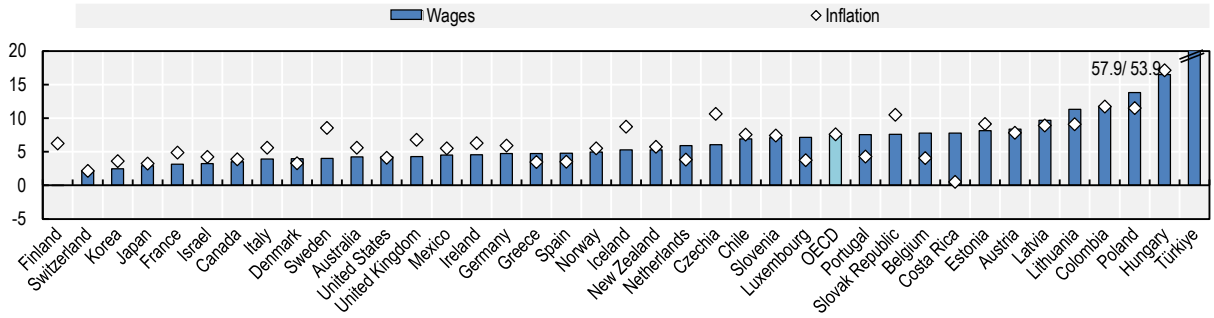
Figure 7.5. Change in average wage, national currency

Percentage change in average wage between 2023 and 2024, with annual inflation for reference



Source: OECD (2025), *Taxing Wages 2025*, https://doi.org/10.1787/8c99fa4d-en. Consumer prices annual inflation sourced from OECD.Stat.

StatLink https://stat.link/9lrh8w

8 Finances of retirement-income systems

The indicators in this chapter look at the finances of pension systems. The first indicator presents an overview of the pension contributions paid by employees and employers for the mandatory or quasi-mandatory schemes. The second indicator looks at the “Public expenditure on pensions”. It shows how much of gross domestic product is allocated towards national public pensions and the overall share of public pensions in the government budget. The third indicator focuses on private pension spending and looks at the total benefit spending on mandatory, quasi-mandatory and voluntary private schemes.
The final indicator presents long-term projections of public pension spending.

Mandatory pension contributions

Key Results

Total mandatory effective pension contribution rates for an average earner averaged 18.8% in 2024 among OECD countries. The highest levels are found in Italy (33.0%), Czechia (31.3%), France (27.8%) and Greece (26.0%). The lowest levels are in Canada, Korea, Lithuania and Mexico all under 10%, on top of New Zealand that does not have any mandatory contributory scheme.

This indicator looks at the contribution side, mapping out how much workers contributed towards their pension in 2024. The contribution rates presented are where possible only referring to pension systems, but this information is not always available. In some countries it is not possible to disaggregate the contributions made towards pension and disability or invalidity benefits. In a few other countries, only the overall total contribution towards social security can be used.

Table 8 1 presents pension contributions for mandatory schemes, either public or private. There are 13 countries – Austria, Canada, Czechia, Denmark, Finland, Germany, Greece, Iceland, Italy, Lithuania, Luxembourg, Slovenia and Türkiye – where contributions also finance disability or invalidity benefits. In addition, in Belgium, Ireland, Norway, Spain and the United Kingdom, it is difficult to separate the pension contributions from the other parts of social insurance such as disability benefits, sickness, unemployment, etc. Overall, the average effective contribution rate equalled 18.8% at the average-wage level in 2024. The highest total mandatory contribution rate is found in Italy at 33.0%. Czechia, France, and Greece also have high effective contribution rates, around 26-31%. New Zealand is marked as zero as there is no mandatory pension contributory pension scheme.

By contrast the mandatory contribution rate is only 8.456% in Mexico, 8.72% in Lithuania and 9.0% in Korea. After recent reforms the contribution rates in Korea and Mexico are being gradually increased to 15.0% by 2033 and 13.0% by 2030, respectively.

Several countries have contribution rates that vary depending on the age of the person contributing. Other countries have different contribution rates above and below earnings thresholds. Switzerland has both. For example, in Finland employee contribution rates to the public scheme are 8.65% between age 53 and 62 and 7.15% otherwise. In France, the contribution rates for the points-based occupational scheme are different above and below the ceiling that applies to the defined benefit component. In other countries there is a ceiling to the contribution rate below the average earnings level thereby leading to a lower effective rate. For example, in Canada contributions are only made on earnings up to 78% of the average wage thereby reducing the contribution rate from 11.9% on eligible earnings to an effective rate of 9.2% for an average earner.

The average effective contribution rate to the public schemes is 16.0% compared to 2.8% for private schemes, for the OECD at the average wage, which makes a total of 18.8%. Within the public scheme, employees' contributions are over two-thirds of those of employers. In Slovenia, the split is almost reverse, as employees pay 15.5% compared to 8.85% for employers. In Australia and Estonia, all mandatory contributions are paid by employers, while in Lithuania employees pay total contributions.

Countries with higher pension contribution rates often have above average pension benefits (as in the case of France, Italy and Spain). The choice of the contribution level should be the result of trading off lower net wages against higher future pensions. However, in addition higher mandatory contribution rates might hurt the competitiveness of the economy, and lower total employment while potentially increasing informality.

The contribution rates for the non-OECD G20 countries are above 20% in all but Indonesia and South Africa, though the latter does not actually have a mandatory earnings-related pension system. In Indonesia the contribution rate is only 8.7% split between the DB and FDC schemes.

Further reading

OECD (2021), *Taxing Wages 2021*, OECD Publishing, Paris, https://doi.org/10.1787/83a87978-en.

Table 8.1. Mandatory contribution rates in 2024

Contributions to mandatory and quasi-mandatory pension schemes for private-sector workers

	Nominal rate					Ceiling (multiple of gross average earnings), public / private	Effective rate on average earnings
	Employee, public	Employer, public	Employee, private	Employer, private	Total		
Australia			0.0	11.5	11.5	2.51	11.5
Austria*	10.25	12.55			22.8	1.38	22.8
Belgium**	7.50	8.86			16.4	1.28	16.4
Canada*	5.95	5.95			11.9	0.78	9.2
Chile			11.1	1.5	12.6	2.76	12.6
Colombia	4.0	12.0			16.0	12.90	16.0
Costa Rica	4.17	5.42	1.0	3.25	13.84	None	13.84
Czechia*	6.5	24.8			31.3	3.84	31.3
Denmark*			4.0	8.0	12.0	None	12.7
Estonia	0.0	20.0			20.0	None	20.0
Finland*	7.47 [a]	17.34			24.81 [a]	None	24.81 [a]
France	11.3 [w]	16.5 [w]			27.8 [w]	1.03 / 8.25	27.8
Germany*	9.3	9.3			18.6	1.43	18.6
Greece*	9.67	16.33			26.0	4.10	26.0
Hungary	10.0	11.6			21.6	None	21.6
Iceland*	0.0	6.25	4.0	11.5	21.8	None	21.8
Ireland**	4.0	10.05			14.1	None	14.1
Israel	7.0 [w]	7.6 [w]	6.0	6.5	27.1 [w]	2.99 / 0.76	19.3
Italy*	9.19	23.81			33.0	3.36	33.0
Japan	9.15	9.15			18.3	2.27	18.3
Korea	4.5	4.5			9.0	1.35	9.0
Latvia	10.0	10.0			20.0	3.87	20.0
Lithuania*	8.72	0.0			8.72	4.43	8.72
Luxembourg*	8.0	8.0			16.0	2.08	16.0
Mexico			1.125	7.331 [w]	8.456 [w]	4.95	8.456
Netherlands	18.0	0.0	6.2	12.4	36.6	0.58 / 2.09	22.0
New Zealand					0.0		0.0
Norway**	7.8	13.0	0.0	2.0	22.8	None / 1.92	22.8
Poland	9.76	9.76			19.52	2.43	19.52
Portugal	7.2	15.5			22.7	None	22.7
Slovak Republic	4.0	18.75			22.8	10.31	22.8
Slovenia*	15.5	8.85			24.35	2.08	24.35
Spain**	4.7	23.6			28.3	1.79	28.3
Sweden	7.0	10.81	0.0	4.5 [w]	22.31 [w]	1.06 / none	22.3
Switzerland	4.35	4.35	6.25 [a,w]	6.25 [a,w]	21.2 [a,w]	None / 0.89	16.6 [a]
Türkiye*	9.0	11.0			20.0	3.17	20.0
United Kingdom**	8.0 [w]	13.8 [w]	5.0	3.0	29.8 [w]	None / 0.98	26.6
United States	5.3	5.3			10.6	2.39	10.6
OECD at average wage	**6.2**	**9.8**	**1.0**	**1.8**			**18.8**
Argentina	11.0	16.0			27.0	2.02	27.0
Brazil**	7.5 [w]	20.0			27.5 [w]	2.28	28.9
China	8.0	16.0			24.0	3.00	24.0
India*	12.0	12.0			24.0	1.42	24.0
Indonesia	1.0	2.0	2.0	3.7	8.7	2.87 / none	8.7
Saudi Arabia	11.0	11.0			22.0	4.40	22.0
South Africa					0.0		0.0

Note: *Contribution rate also finances disability or invalidity benefits. **The indicated rates cover different social security schemes across countries. OECD averages are for earners at the average wage and do not represent the average of the nominal rate columns. [a] and [w]: rate varies by age and earnings level respectively. See Statlink for more country specific details.
Source: Country profiles and *OECD Taxing Wages 2025*.

StatLink https://stat.link/orhufb

Public expenditure on pensions

Key Results

Public spending on cash old-age pensions and survivors' benefits in the OECD increased from an average of 6.7% to 8.1% of GDP between 2000 the latest available year. Public spending is highest in Greece and Italy at over 16% of GDP and lowest in Iceland and Ireland at under 3%. Public pensions are often the largest single item of social expenditure, accounting for 18% of total government spending on average.

Greece and Italy spent the largest proportion of national income on public pensions among OECD countries, at around 16% of GDP for the latest available year (Table 8.2). Other countries with high gross public pension spending are in continental Europe, with Austria, France and Portugal around 13%-14% of GDP. Public pensions generally account for between one-quarter and one-third of total public expenditure in these countries.

At the other end of the spectrum, Australia, Chile, Iceland, Ireland and Korea spent less than 4% of GDP on public pensions. Chile and Ireland have relatively young populations. In Australia and Iceland, much of retirement income is provided by compulsory occupational schemes (see the next indicator of "Pension-benefit expenditures: Public and private"), leaving a lesser and declining role for public pensions; in addition, the retirement age is high at age 67. Korea's pension system is not mature yet: the public, earnings-related scheme was only established in 1988, and the targeted basic pension is at a relatively low level.

Spending also tends to be low in countries with favourable demographics, such as Israel, Mexico and New Zealand. However, this is not always the case: Türkiye spends 6.1% of GDP on public pensions despite having the third lowest old-age to working-age ratio among OECD countries (Table 6.2). For Türkiye, expenditure levels can be explained by historically low retirement ages, resulting in longer periods in retirement than in many other countries.

Trends

Public pension spending increased from an OECD average of 6.7% to 8.1% of GDP between 2000 and the latest available year. It was estimated that population ageing captured by the shift in demographic structures alone would have triggered an increase in pension expenditure of 2.5% of GDP on average, between 2000 and 2017. Higher employment lowered total pension expenditure by 1.1% of GDP on average (Chapter 1, (OECD, 2021)). Spending increased by more than four percentage points of GDP from 2000 in Finland, Greece, Mexico, Portugal and Spain, and by between two and four percentage points in Italy, Japan, Korea and Türkiye. Conversely, public spending fell by over one percentage point in Australia, Chile and Latvia. Germany, Ireland, Lithuania and the United Kingdom also recorded slight declines. Despite ageing pressure, public pension spending was relatively stable as a proportion of GDP from 2000 in 15 countries: Canada, Estonia, Germany, Hungary, Iceland, Ireland, Israel, Lithuania, the Netherlands, New Zealand, Poland, Slovenia, Sweden, Switzerland and the United Kingdom.

Gross and net spending

The penultimate column of the table shows public spending in *net* terms: after taxes and contributions paid on benefits. Net spending is significantly below gross spending in Austria, Belgium, Denmark, Finland, France, Greece, Italy, Luxembourg, Norway, Poland, Sweden and Switzerland, due to taxes on pension benefits. Gross and net spending are similar where pensions are not taxable such as in Hungary, the Slovak Republic and Türkiye or where public benefits are generally below basic tax reliefs (Australia, Czechia, Iceland, Ireland and Slovenia).

Non-cash benefits

The final column of the table shows total gross public spending on older people, including non-cash benefits. In Denmark, Finland, Norway and Sweden, non-cash benefits exceed 1.5% of GDP. The most important are housing benefits. These are defined as "non-cash benefits" because they are contingent on particular expenditure by individuals. Australia, Belgium and the Netherlands also record high figures for non-cash benefits.

Further reading

Adema, W. and M. Ladaique (2009), "How Expensive is the Welfare State?: Gross and Net Indicators in the OECD Social Expenditure Database (SOCX)", *OECD Social, Employment and Migration Working Papers*, No. 92, OECD Publishing, Paris, https://doi.org/10.1787/220615515052.

OECD (2021), *Pensions at a Glance 2021: OECD and G20 Indicators*, OECD Publishing, Paris, https://doi.org/10.1787/ca401ebd-en.

Table 8.2 Public expenditure on cash old-age and survivor benefits

	Level (% of total government spending)		Level (% of GDP)					Change of level (p.p.)	Level in net terms (% of GDP)	Total including non-cash (% of GDP)
	2000	Latest	1990	2000	2010	2020	Latest	2000 - Latest	Latest	Latest
Australia*	12.8	9.1	3.1	4.7	3.8	4.2	3.4	-1.3	3.4	4.5
Austria	23.8	25.0	11.8	12.3	13.1	14.3	14.0	1.8	11.9	14.8
Belgium	18.4	19.5	9.4	9.1	9.9	11.5	10.7	1.6	9.3	11.7
Canada*	12.0	13.9	4.5	5.0	5.1	6.4	5.9	0.9	5.5	5.9
Chile**		10.8	7.9	5.0	3.4	3.1	3.7	-1.3	4.3	3.1
Colombia**		11.8			5.5	6.3	5.7		7.5	5.6
Costa Rica**		16.2				5.9	5.1		5.9	5.3
Czechia	16.8	18.2	5.5	6.8	8.0	8.6	8.2	1.4	8.2	8.5
Denmark	11.9	15.2	6.1	6.3	7.1	8.2	7.5	1.2	5.4	9.3
Estonia	16.5	16.1		6.0	7.6	7.2	6.8	0.8	6.5	6.9
Finland	15.5	22.1	7.2	7.4	9.8	12.6	12.2	4.8	9.6	13.7
France*	21.9	22.9	10.5	11.5	13.2	14.4	13.4	1.9	12.0	13.8
Germany	22.8	21.3	9.5	10.9	10.7	11.2	10.8	-0.1	10.2	11.6
Greece	21.9	28.5	9.6	10.5	14.4	17.9	16.2	5.7	14.2	16.2
Hungary	15.7	15.9		7.4	9.5	7.7	7.6	0.2	7.6	8.1
Iceland	4.6	5.9	2.2	2.1	1.5	3.0	2.9	0.8	2.9	3.3
Ireland	10.3	12.5	4.8	3.1	5.2	3.3	2.9	-0.2	2.8	3.0
Israel**	10.0	11.0		4.4	4.8	5.0	4.5	0.0	4.8	5.5
Italy	29.0	28.7	11.3	13.5	15.3	17.4	16.1	2.6	13.0	16.2
Japan*		28.6	4.6	6.9	9.5	9.6	9.2	2.3	8.7	9.4
Korea*	5.6	10.3	0.7	1.3	1.9	3.5	3.8	2.5	3.8	4.0
Latvia	23.3	16.2		8.9	9.4	7.7	7.5	-1.3	7.2	8.1
Lithuania	17.9	17.4		7.1	7.8	7.1	6.5	-0.6	6.5	6.8
Luxembourg	18.8	20.1	8.1	7.1	7.5	9.0	8.6	1.5	7.1	8.6
Mexico**		13.4	0.4	0.7	1.6	4.6	5.3	4.6	5.2	5.3
Netherlands	13.1	14.0	7.5	5.7	5.9	6.8	6.4	0.8	5.9	7.5
New Zealand*	12.1	12.0	7.1	4.6	4.5	5.1	5.1	0.6	4.3	5.2
Norway	11.1	13.7	5.5	4.7	5.3	7.6	6.5	1.8	5.4	8.6
Poland	24.3	25.7	5.0	10.4	11.1	11.4	11.2	0.8	9.4	11.2
Portugal	18.3	27.3	4.8	7.8	12.0	13.6	12.9	5.1	12.9	13.0
Slovak Republic	11.7	16.6		6.3	6.7	7.7	7.4	1.2	7.4	7.9
Slovenia	21.8	21.3		10.4	11.0	11.2	10.6	0.2	10.5	10.7
Spain	20.8	24.8	7.7	8.1	9.1	12.8	12.3	4.2	11.7	12.7
Sweden	13.9	16.0	7.2	7.4	8.0	8.5	8.0	0.6	6.3	10.3
Switzerland	18.0	18.4	5.1	6.0	6.1	6.9	6.6	0.6	5.0	6.8
Türkiye			0.7	3.9	7.3	7.4	6.1	2.2	6.1	6.1
United Kingdom*	20.6	15.2	6.8	7.3	8.3	7.8	7.1	-0.2	6.8	7.5
United States**	16.4	18.1	5.8	5.7	6.6	7.4	7.3	1.7	6.8	7.4
OECD	**16.6**	**17.7**	**5.9**	**6.7**	**7.7**	**8.5**	**8.1**	**1.4**	**7.4**	**8.5**

Note: Latest data is for 2021, except for * = latest data is for 2022 and ** = latest data is for 2023.
Source: *OECD Social Expenditures Database (SOCX)*; *OECD Main Economic Indicators Database*.

StatLink https://stat.link/92ur17

Private expenditure on pensions

Key Results

Payments from private pension schemes were worth 1.3% of GDP on average for the latest available year, representing about one-seventh of total – public and private – spending, and having increased from 0.5% of GDP in 1990 and 1.2% in 2010.

Private pensions are mandatory or achieve near-universal coverage through industrial relations agreements ("quasi-mandatory") in less than one-third of the 38 OECD countries. In others, voluntary private pensions – either individual ("personal") or employer-provided ("occupational") – have broad coverage (Table 4.2), implying that in total around half of OECD countries have significant private pensions.

Biggest flows of private-pension payments are in Iceland, Switzerland and the United States, between 5.2% and 5.7% of GDP (Table 8.3). The next four countries – Australia, Canada, the Netherlands and the United Kingdom – record private-pension payments of between 3.0% and 4.5% of GDP. Japan (where private pensions are voluntary) also has high levels of expenditure on private pensions, at 2.7% of GDP.

Many countries introduced compulsory private pensions in the 1990s: Australia, Estonia, Mexico, Poland, the Slovak Republic and Sweden. In some cases – particularly in Central and Eastern Europe – these new schemes were mainly taken up by younger workers. Many of the schemes have yet to begin paying benefits and some countries have since removed the scheme entirely (for example Poland) or made them voluntary (for example Estonia).

Total expenditure from both public and private pensions is highest in Italy at 16.6% of GDP, followed by Greece at 16.3%, Austria at 14.6% and France at 13.7% for the latest years available. The average across countries is 9.4% of GDP with the lowest levels found in Ireland at 3.8% of GDP and Korea at 4.7%.

The importance of private pensions as a proportion of total pension spending varies considerably by country (Figure 8.1). The private-pension share is highest in Iceland at 64% followed by Australia, Switzerland and the United States at around 50%. Overall, the average is 18% of total spending, for the 30 countries with recorded spending for private pensions, with 11 having a share below 5% and a further three under 10%.

Trends

The countries that have recorded an increase in private pension spending larger than one percentage point of GDP from 2000 are Australia, Iceland, Switzerland and the United States (Table 8.3). In Australia and Switzerland, the occupational pensions became compulsory in 1992 and 1985, respectively, which extended coverage significantly. This is now being reflected in the rapid growth in private pension entitlements as each successive generation of retirees contributed for longer, on average, to the private pension scheme.

The average proportion of private spending in total pension spending has increased slightly over the last two decades, from 16.6% for 2000 to 18.3% for the most recent year available, for the 30 countries that have both public and private spending in both years. However, there has been significant change in some countries. In Chile, for example the proportion virtually doubled from 18% to 32%. Increases of 19 and 12 percentage points are found in Australia and Iceland, respectively. Conversely, the proportion halved from 47% to 22% in Ireland and fell by 9-10 percentage points in Japan and Korea. In Ireland, private pension coverage has been in decline in recent decades. In Korea, private spending was low and the introduction of the public pension has increased expenditure from this component.

Tax breaks

Many OECD countries offer favourable tax treatment to retirement savings made through private pension plans. Often, individual contributions are fully or partially deductible from income and investment returns are fully or partially relieved from tax. Some countries offer tax relief on pension payments (see "Tax treatment of pensions and pensioners" in Chapter 4).

The cost of these fiscal incentives is measured in many OECD countries using the concept of "tax expenditures". This attempts to quantify the value of the preferential tax treatment relative to a benchmark tax treatment. The idea is that this is the amount of revenue forgone as a result of the tax incentives.

Data on tax expenditures for retirement savings are available for 2021 in 26 OECD countries. Half of these figures are 0.2% of GDP or less. Conversely in nine countries – Australia, Canada, Germany, Iceland, Israel, the Netherlands, Switzerland, the United Kingdom and the United States – reported tax expenditures are worth 1% of GDP or more.

Tax expenditure figures come with important caveats: they are not comparable between countries because of differences in the benchmark tax system chosen. Despite their name, they are not equivalent to direct expenditures and so should not be added to numbers for public pension spending.

Further reading

OECD (2018), *Financial Incentives and Retirement Savings*, OECD Publishing, Paris, https://doi.org/10.1787/9789264306929-en.

OECD (2010), *Tax Expenditures in OECD Countries*, OECD Publishing, Paris, https://doi.org/10.1787/9789264076907-en.

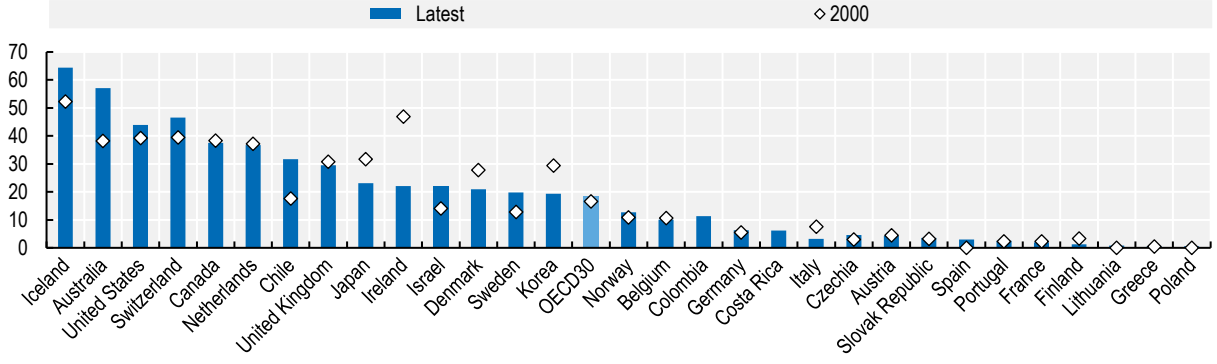
Table 8.3. Private pension-benefit expenditures

	Scheme type	Level (% of GDP)					Change of level	Public and private benefit spending (% of GDP)	Tax breaks (% of GDP)
		1990	2000	2010	2020	Latest	2000 - latest	Latest	2021
Australia*	m		2.9	3.4	4.5	4.5	1.7	7.9	2.1
Austria	v	0.4	0.6	0.6	0.7	0.6	0.1	14.6	0.0
Belgium	v	0.7	1.1	1.1	1.2	1.2	0.1	11.9	0.1
Canada*	v	2.2	3.1	2.9	4.7	3.5	0.4	9.4	1.9
Chile**	m	0.3	1.1	1.3	1.8	1.7	0.7	5.4	0.1
Colombia**	m			0.4	0.7	0.7		6.4	
Costa Rica**	m				0.3	0.3		5.4	0.0
Czechia	m		0.2	0.4	0.4	0.4	0.2	8.6	0.0
Denmark	q/m			1.7	2.0	1.6	1.6	9.5	
	v	1.6	2.4	1.2	0.4	0.4	-2.1		
Estonia								6.8	
Finland	v	0.1	0.3	0.2	0.2	0.2	-0.1	12.3	0.0
France*	v	0.3	0.3	0.3	0.3	0.3	0.0	13.7	
Germany	v	0.7	0.6	0.7	0.8	0.7	0.1	11.5	1.0
Greece	v	0.3	0.0	0.1	0.1	0.1	0.1	16.3	
Hungary								7.6	0.1
Iceland	m	1.4	2.3	3.2	5.7	5.2	3.0	8.1	1.1
Ireland	v	0.9	2.8	1.8	1.0	0.8	-2.0	3.8	0.4
Israel**	v		0.7	1.3	1.3	1.2	0.5	5.7	1.2
Italy	v	1.1	1.1	0.7	0.7	0.5	-0.6	16.6	0.1
Japan*	m	0.2	0.4	0.6	0.3	0.3	-0.1	11.9	
	v		2.8	2.6	2.4	2.4	-0.3		
Korea*	m	0.2	0.5	0.4	0.9	0.9	0.4	4.7	
Latvia								7.5	0.1
Lithuania				0.0	0.1	0.1		6.6	0.0
Luxembourg								8.6	
Mexico*								5.3	0.3
Netherlands	q	2.3	3.3	4.2	3.9	3.7	0.4	10.2	1.9
New Zealand*								5.1	
Norway	v/m	0.6	0.6	0.6	1.1	0.9	0.4	7.4	0.3
Poland					0.1	0.1		11.3	
Portugal	v	0.3	0.2	0.2	0.3	0.3	0.1	13.3	0.0
Slovak Republic	v		0.2	0.3	0.3	0.3	0.1	7.7	0.0
Slovenia								10.6	0.6
Spain	v			0.5	0.5	0.4		12.7	
Sweden	q/m	1.1	1.1	1.7	2.0	2.0	0.9	10.0	
Switzerland	m	2.2	3.9	4.6	5.8	5.7	1.8	12.3	1.3
Türkiye								6.1	0.0
United Kingdom*	m	0.1	0.4	0.6	0.6	0.5	0.1	10.0	1.1
	v	1.6	2.9	2.0	2.6	2.5	-0.4		
United States**	v	2.6	3.7	4.4	5.8	5.7	2.1	13.0	1.0
OECD		**0.5**	**1.0**	**1.2**	**1.4**	**1.3**	**0.3**	**9.4**	**0.6**

Note: Latest data is for 2021, except for * = latest data is for 2022 and ** = latest data is for 2023, m = mandatory private scheme, q = quasi mandatory; and v = voluntary. Blank cells indicate missing values.
Source: *OECD Social Expenditures Database* (SOCX); *OECD Main Economic Indicators Database*.

StatLink https://stat.link/madn2r

Figure 8.1. Private pension expenditure as a percentage of total public and private expenditure



Note: Data for 2000 is not available for Colombia and Costa Rica.
Source: *OECD Social Expenditures Database* (SOCX); *OECD Main Economic Indicators Database*.

StatLink https://stat.link/q49ngb

Long-term projections of public pension expenditure

Key Results

Long-term projections show that public pension spending is projected to increase in 24 OECD countries, for which information is available, and fall in 6 by the middle of the century. On average across 32 OECD countries, public pension expenditure would increase from 8.8% of GDP in 2023-24 to 10.0% of GDP in 2050.

The main driver of growing pension expenditures is demographic change. The projections shown in Table 8.4 are derived either from the European Commission's *2024 Ageing Report* – which covers the EU27 members plus Norway – or from countries' own estimates. In the main table, data are presented forwards to 2060 for those countries where the figures are available. However, data are only available for 2030 for Switzerland and not available at all in five OECD countries.

Long-term projections are a crucial tool in planning pension policy: there is often a long time-lag between when a pension reform occurs and when it begins to affect expenditure. There are some differences in the range of different programmes covered in the forecasts, reflecting the complexity and diversity of national retirement-income provision. For example, data for a number of countries include special schemes for public-sector workers. Similarly, projections can either include or exclude spending on resource-tested benefits for retirees. The coverage of the data also differs from the *OECD Social Expenditures Database* (SOCX), from which the data on past spending trends in the previous two indicators were drawn. The numbers for 2023-24 may differ between the SOCX database and the sources used here because of the different range of benefits covered and the definitions used.

Public pension spending is projected to grow from 8.8% of GDP to 10.0% of GDP by 2050 on average across all OECD-32 countries, for which data are available across the entire timeframe. In the EU27, it is projected to increase from 9.9% of GDP in 2023 to 10.9% of GDP in 2050, after which it is projected to stabilise. This would be a significant achievement given the demographic change throughout the period. The indicator of the "Demographic Old-Age to Working-Age Ratio" in Chapter 6 shows a 69% increase in the number of people above age 65 per 100 people aged between 20 and 64 from 2024 until 2054. Legislated cuts in benefits for future retirees at least relative to wages, through lowered indexation and valorisation of benefit formulae, together with increases in the age at which individuals can first claim pension benefits, help limit the future growth in public pension expenditure.

Public pension expenditure is expected to increase in 24 OECD countries by 2050 (Figure 8.2). In Korea, the rapid increase reflects both the ageing process and the still maturing pension system. According to these projections, five countries would record an increase of about 3 percentage points or more of GDP: Hungary, Lithuania, Luxembourg, Slovenia and Spain. Conversely, Denmark, Latvia and Sweden would have a fall of around one percentage point of GDP.

Between 2050 and 2060 the OECD average only increases from 10.0% to 10.3%. However, in Costa Rica, expenditure is projected to increase by nearly 5 percentage points in just 10 years from 8.3% to 13.0%. This compares to an increase of 1.7 percentage points between 2023 and 2050. Luxembourg ranks next with an increase of 2.4 percentage points between 2050 and 2060. Conversely, Portugal (-2.8 percentage points) and Italy (-1.7 percentage points) are projected to see the biggest declines in expenditure.

Further reading

European Commission (2021), *2021 Ageing Report; Economic and budgetary projections for the 27 EU Member States (2019-70)*, https://economy-finance.ec.europa.eu/publications/2021-ageing-report-economic-and-budgetary-projections-eu-member-states-2019-2070_en.

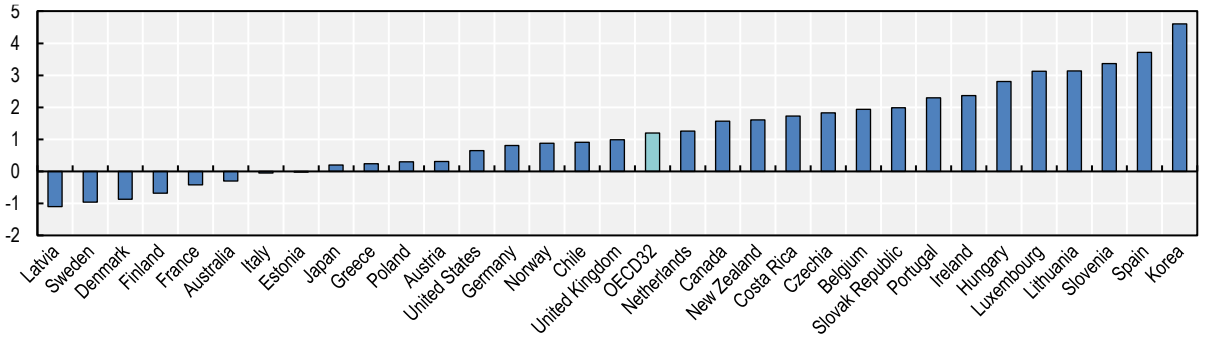
Table 8.4. Projections of public expenditure on pensions, 2023-60, percentage of GDP

	2023-24	2025	2030	2035	2040	2045	2050	2055	2060
Australia	2.4	2.5	2.4	2.3	2.2	2.1	2.1	2.0	2.0
Austria	13.7	14.5	15.0	15.0	14.6	14.2	14.0	14.0	14.0
Belgium	12.8	13.1	13.6	14.1	14.4	14.6	14.8	15.1	15.4
Canada	6.5	7.2	7.8	8.0	8.1	8.1	8.1	8.1	8.3
Chile	3.4	3.9	4.2	4.2	4.2	4.3	4.4	4.5	4.5
Colombia									
Costa Rica	6.5	6.4	6.4	6.6	6.8	7.4	8.3	10.6	13.0
Czechia	8.8	7.9	8.0	8.4	9.1	10.0	10.6	11.0	11.0
Denmark	8.7	8.9	9.3	9.2	8.8	8.3	7.8	7.2	6.9
Estonia	7.5	7.8	7.8	7.6	7.6	7.5	7.5	7.5	7.5
Finland	13.1	13.2	13.3	13.2	12.6	12.3	12.4	12.8	13.3
France	14.1	14.2	14.3	14.3	14.1	13.9	13.7	13.6	13.5
Germany	10.2	10.5	10.8	11.2	11.1	11.0	11.0	11.1	11.2
Greece	13.8	13.2	12.7	13.4	13.7	14.0	14.0	13.3	12.7
Hungary	7.9	7.8	7.7	8.1	9.0	10.2	10.7	11.0	11.5
Iceland									
Ireland	3.6	3.7	4.2	4.7	5.0	5.5	6.0	6.2	6.5
Israel									
Italy	15.5	16.1	16.6	17.2	17.1	16.5	15.5	14.4	13.7
Japan	9.1	9.1	8.8	8.7	8.8	9.1	9.3	9.5	9.7
Korea	1.7	2.0	2.7	3.4	4.4	5.4	6.3	7.0	7.7
Latvia	7.4	7.0	6.9	6.7	6.5	6.3	6.3	6.4	6.1
Lithuania	6.7	7.3	8.1	8.8	9.3	9.6	9.8	10.1	10.2
Luxembourg	9.4	9.3	9.7	10.6	11.2	11.8	12.5	13.6	15.0
Mexico									
Netherlands	6.6	6.8	7.3	7.7	8.0	7.9	7.9	7.9	8.0
New Zealand	4.9	5.3	5.6	5.9	6.2	6.3	6.5	6.8	7.2
Norway	11.1	11.5	12.1	12.2	12.1	12.0	12.0	12.1	12.2
Poland	10.4	11.1	11.3	10.9	10.6	10.6	10.7	10.8	10.6
Portugal	12.3	12.8	13.5	14.3	14.7	15.1	14.6	13.1	11.8
Slovak Republic*	9.6	9.6	10.2	10.5	10.8	11.2	11.5	12.0	12.1
Slovenia	10.1	10.2	10.8	11.4	12.1	12.8	13.5	13.8	13.8
Spain*	13.6	13.7	14.3	15.4	16.2	16.9	17.3	17.2	16.9
Sweden*	8.0	7.9	7.6	7.5	7.2	7.0	7.0	7.0	7.3
Switzerland	6.5	6.4	6.8						
Türkiye									
United Kingdom	7.6	8.2	7.9	8.2	8.3	8.3	8.5	8.9	9.5
United States	5.2	5.3	5.6	5.8	5.9	5.9	5.9	6.0	6.1
OECD32	**8.8**	**9.0**	**9.3**	**9.5**	**9.7**	**9.9**	**10.0**	**10.1**	**10.3**
Brazil	8.5	8.5	8.8	9.4	10.2	11.3	12.3	13.2	13.9
EU27	9.9	10.1	10.3	10.6	10.7	10.9	10.9	11.0	11.0

Note: EU27 figure is a simple average of member states. Pension schemes for civil servants and other public-sector workers are generally included in the calculations for EU member states: see European Commission (2024), 2024 Ageing Report.
Source: European Commission (2024), 2024 Ageing Report for all EU countries and Norway; Australia: 2023 Intergenerational Report (published August 2023), Chart 7.21; Canada: 16th Actuarial Report on the Old Age Security Program, 30th Actuarial Report of Canada Pension Plan, Actuarial Valuation of the Québec Pension Plan as at 31 December 2018 (QPP data for 2023, 2028 etc. has been used for 2025, 2030 etc.); Chile: Ministry of Finance; Costa Rica: SUPEN; Japan: 2024 Actuarial Valuation and the Financial Implications of the Reform Options; Korea: 2023 National Pension Actuarial Valuation Long-Term Actuarial Projection for the National Pension Scheme; New Zealand: New Zealand Superannuation Fund (NZSF) Contribution Rate Model – Budget Economic and Fiscal Update (BEFU) 2025; Switzerland: BSV – Financial perspectives of the AHV; United Kingdom: Office for Budget Responsibility; United States: The 2025 OASDI Trustees Report.

StatLink https://stat.link/zimst8

Figure 8.2. Percentage point change in pension expenditure between 2023-24 and 2050



Note: See Table 8.4.
Source: See Table 8.4.

StatLink https://stat.link/er3th7

9 Asset-backed pensions

This chapter provides eight indicators on asset-backed pension systems in 2024. They cover the proportion of the working-age population participating in pension plans, the legislated contribution rates and the average effective contributions paid per member (or per account) relative to average wages, the value of assets earmarked for retirement, the way these assets are invested, the investment performance in 2024 and over longer periods, the splits of assets by type of pension plans, the fees charged to members in selected defined contribution plans and the defined benefit funding ratios, presented over the period 2014-2024.

Participation in pension plans

Key results

In the OECD area, 19 countries had mandatory or quasi-mandatory pension plans in 2024, covering over 75% of the working-age population in 12 of them. In 8 OECD countries, voluntary pension plans (occupational and personal) covered more than 40% of the working-age population. Automatic-enrolment programmes applied to 7 OECD countries at the country level.

In 2024, 19 of the 38 OECD countries had some form of mandatory or quasi-mandatory pension plans in place (Table 9.1). These plans cover over 75% of the working-age population in 12 of these countries, such as in Finland and Switzerland where employers must operate an occupational pension scheme and contribution rates are set by law. In some countries, the obligation is not set out at the national level, but the decision is rather left at the industry or branch level. Through industry-wide or collective bargaining agreements, employers establish pension plans that employees must join. As not all sectors may be covered by such agreements, these arrangements are classified as quasi-mandatory (e.g. Denmark, the Netherlands and Sweden). In these countries, the participation rate is close to the one in countries with mandatory occupational arrangements. Mandatory personal accounts are prevalent in Latin America (e.g. Chile, Colombia, Costa Rica and Mexico) and some other OECD countries (e.g. Denmark (ATP) and Sweden (premium pension system)). While participation is over 75% in Chile, Costa Rica, Denmark, Mexico and Sweden, it is not the case in Colombia where people could choose to participate either in the public pay-as-you-go or in the private asset-backed pension systems, although this will change if the proposed reform of the Colombian pension system is implemented. The relative low participation level in Colombia (52%) may be compounded by a relatively high incidence of informal employment.

Participation in voluntary occupational pension plans varies across countries. These plans are voluntary because employers, in some countries jointly with employees, are free to set up a plan. Personal pension plans are voluntary when individuals can freely decide whether to join them or not. The participation rate in voluntary pension plans (occupational or personal) is above 40% in Belgium, Czechia, Germany, Iceland, Ireland, Japan, Poland and Slovenia. By contrast, participation in voluntary pension plans is lower in other countries such as Portugal.

Seven OECD countries had auto-enrolment programmes operating at the national level by the end of 2024: Italy (since 2007), Lithuania (since 2019 – but discontinued from 2026), New Zealand (since 2007), Poland (since 2019), the Slovak Republic (since 2023), Türkiye (since 2017) and the United Kingdom (since 2012). Ireland passed a bill in 2024 introducing automatic enrolment, planned to begin in 2026. However, the proportion of people actually participating in a plan varies widely across these countries. New Zealand has achieved a participation rate in the "KiwiSaver" scheme (86%) as high as many countries with mandatory systems. In the United Kingdom, 52% of the working-age population was participating in an employer-sponsored pension plan in 2024. In Italy, since 2007, the severance pay provision (so-called *Trattamento di Fine Rapporto* – TFR) of private-sector employees is automatically paid into an occupational pension plan unless the employee makes an explicit choice to remain in the TFR regime. However, a vast majority of workers has chosen to do so, and only 14% of the working-age population is now participating in an occupational pension plan. Poland and Türkiye also have a relatively low participation rate in plans with automatic enrolment (19% and 13%, respectively).

Three other countries also encourage automatic enrolment in occupational pension plans. Automatic enrolment is encouraged by regulation in Canada but at the firm level. The United States now requires employers to automatically enrol their workforce when they open an occupational pension plan (SECURE 2.0 Act). In Germany, automatic enrolment can be implemented in occupational defined contribution pension plans for private-sector employees in the case of deferred compensation, and it needs to be specified in collective agreements.

Definition and measurement

The term "pension plans" refers to plans that individuals access via their employer or a financial institution, and in which they accumulate rights or assets. Assets belong to plan members and finance their own future retirement. These assets may accumulate in pension funds, through pension insurance contracts or in other savings vehicles offered and managed by banks or investment funds. Employers may set up provisions or reserves in their books to finance the retirement benefits of occupational pension plans.

Several measures of participation in a pension plan exist. To be a member of a pension plan from the perspective proposed here, an individual must have assets or have accrued rights in a plan. The proportion of individuals having a plan may be higher than the proportion of individuals actively saving for retirement and paying contributions to the plan.

Counting individuals more than once may arise when using administrative data as individuals can be members of both occupational and personal voluntary pension plans. Therefore, the overall participation rate in voluntary pension plans cannot be obtained by summing the participation rates of occupational and personal plans.

Further reading

OECD (2019), *Financial Markets Insurance and Pensions: Inclusiveness and Finance, OECD, Paris,* https://doi.org/10.1787/6e9e00ea-en.

Table 9.1. Participation rate in pension plans in the OECD and selected other jurisdictions, latest year available

As a percentage of the working-age population (15-64 years)

	Mandatory / Quasi-mandatory	Auto-enrolment	Voluntary		
			Occupational	Personal	Total
Australia	78.6	x	x	..	..
Austria	x	x	16.0	13.2	..
Belgium	x	x	59.4	..	..
Canada	x	..	28.4	25.0	..
Chile	87.6	x	..	..	..
Colombia	51.9	x	..	..	..
Costa Rica	91.2	x	x	5.8	5.8
Czechia	x	x	x	52.2	52.2
Denmark	ATP: over 90 QMO: 67.7	x	..	11.5	11.5
Estonia	66.7	x	x	26.6	26.6
Finland	93.0	x	7.0	18.0	25.0
France	x	x	27.7	14.6	..
Germany	x	..	51.0	30.0	66.0
Greece	2.4	x	0.6	..	..
Hungary	x	x	..	18.4	..
Iceland	81.2	x	x	50.2	50.2
Ireland	x	x	60.3	21.4	67.0
Israel	83.6	x	..	..	..
Italy	x	..	13.9	16.0	26.7
Japan	..	x	54.2	18.1	58.8
Korea	17.0	x	x	..	..
Latvia	~ 100	x	1.0	29.7	..
Lithuania	x	76.0	x	8.8	8.8
Luxembourg	x	x	4.1	..	..
Mexico	77.8	x	2.1	..	..
Netherlands	97.4	x	..	..	..
New Zealand	x	86.0	..	..	..
Norway	73.8	x	..	23.9	..
Poland	x	18.8	..	61.7	..
Portugal	x	x	5.6	..	18.7
Slovak Republic	x	55.3	x	29.2	29.2
Slovenia	x	x	..	..	45.3
Spain	x	x	..	..	29.5
Sweden	PPS: 99.4	x	x	..	..
Switzerland	81.5	x	x	..	..
Türkiye	..	13.3	..	15.0	..
United Kingdom	x	52.0	..	6.0	6.0
United States	x	..	38.4	22.9	..
Argentina	..	..	..	..	..
Brazil	x	x	2.1	12.2	..
China (People's Republic of)	x	x	3.3	2.0	..
India	..	..	..	..	..
Indonesia	..	x	0.3	1.5	..
Saudi Arabia	..	..	..	..	..
South Africa	..	..	..	..	..

Note: "PPS"= Premium pension system. ""QMO"" = Quasi-mandatory. "".."" = Not available; ""x"" = Not applicable; ""~"" = Approximately. Participation rates are provided with respect to the total working-age population (i.e. individuals aged 15 to 64 years old), except for Czechia (individuals aged 20-59), Germany (employees aged 25 to 64 subject to social insurance contributions), Iceland (Icelandic citizens and foreign workers in Iceland aged between 16 and 64) and Ireland (workers aged between 20 and 69).

Data refer to 2024 or to the latest year available. Data refer to 2023 for Belgium, Canada, Denmark, France, Germany (occupational plans), Mexico (occupational plans), the Netherlands, Switzerland and the United States (occupational plans) among OECD countries and Indonesia among other economies. Data refer to 2022 for Spain and China (People's Republic of) (personal plans). Data refer to 2021 for Estonia (3rd pillar), Greece, Israel. Data refer to 2020 for Australia, Portugal (total voluntary), the United States (IRAs) among OECD countries and Brazil (occupational plans) among other economies. Data refer to 2019 for Germany (personal plans and total), Korea. Data refer to 2018 for Finland.

Data for Austria refer to Pensionskassen for occupational plans and PZV contracts for personal plans. Data on personal plans mainly refer to PER individuel, PERP and Madelin schemes while data on occupational plans refer to all the other schemes for France. Data for Israel refer to new and general pension funds. For Italy, the coverage rate that is shown under voluntary occupational plans also covers individuals automatically enrolled in a plan. Data on occupational plans for Luxembourg refer to pension funds only. Data on occupational plans for Norway refer to private and municipal group pensions.

Source: OECD Global Pension Statistics; ABS Household Income and Wealth 2019-20 (Australia); PensionStat.be (Belgium); Statistics Canada; Ministry of Finance (Czechia), Danish Insurance and Pension Association (Denmark); DREES (France); Survey on Pension Provision of the Federal Ministry of Labour and Social Affairs (Germany); Central Statistical Office (Ireland); Ministry of Health, Labour and Welfare (Japan); Statistics Netherlands; Finance Norway; Survey "Inquérito à Situação Financeira das Famílias (ISFF)" (Portugal); Spanish Survey of Household Finances (EFF) of the Bank of Spain; Swedish Pension Agency; DWP's Family Resources Survey (United Kingdom); Current Population Survey (United States); Ministry of Human Resources and Social Security (China (People's Republic of)).

StatLink https://stat.link/f31vde

Contributions paid into pension plans

Key results

Regulation usually defines a contribution rate for mandatory and auto-enrolment plans, varying across countries. They are fixed at more than 10% of the salary in Australia, Colombia, Denmark, Iceland, Israel and Switzerland. The actual effective amount of contributions per member was sometimes higher than mandatory rates in 2024, due to additional voluntary contributions, or lower when members having a plan do not contribute to it.

Regulation usually defines a (minimum) contribution rate for mandatory and auto-enrolment plans. The responsibility to pay the contributions may fall mainly on the employees (e.g. in Chile), mainly on the employers (e.g. in Australia, Korea, Norway) or on both (in most cases). This obligation may only apply to certain employees or under certain conditions (e.g. employees aged between 22 and the state pension age and earning at least GBP 10 000 a year in the United Kingdom). Contributions may be complemented by state matching contributions (e.g. New Zealand, Türkiye) or subsidies (e.g. welcome fixed contribution for employees automatically enrolled for the first time in a plan in Poland).

Mandatory contribution rates vary across countries (Figure 9.1). Iceland sets the highest mandatory contribution rate at 15.5% of salary, split between employers (11.5%) and employees (4%). Mandatory contribution rates also represent over 10% of the salary in Australia, Colombia, Denmark (defined in collective agreements), Israel and Switzerland. By contrast, Norway has the lowest mandatory contribution rate (2% paid by the employer). Employers and employees can however agree on whether employees have to contribute on top of employers. Mandatory contribution rates sometimes vary by income (e.g. ITP1 and SAF-LO plans in Sweden) or by type of work (e.g. different contribution rates to some mandatory occupational insurance funds, and to the new first pillar pension fund for people in arduous and unhealthy professions in Greece).

On top of mandatory contributions, individuals or their employers may have the option of making additional voluntary contributions. In New Zealand, the minimum contribution rate for KiwiSaver plans is 3% for employees. Members can however select a higher personal contribution rate of 4%, 6%, 8% or 10% of salary. In Poland, the minimum contribution rate for employee capital plans (PPK) is 2% for employees and 1.5% for employers. Employers and employees have the option of making additional contributions of up to 2.5% (for employers) and 2% (for employees). In Australia, employees have no obligation to contribute to a plan but can make voluntary contributions on top of their employer's contributions.

In voluntary plans, there may be no required nor minimum amount of contributions defined at the national level. Personal plans may however include a ceiling to benefit from tax advantages. Occupational plans may define specific contribution rates for employees and employers in the plan rules. The contribution rates may vary according to the funding of the plan in the case of defined benefit plans.

The average effective annual contributions per member (relative to average annual wages) vary a lot across countries (Figure 9.2). Some of the largest amounts of contributions per member in 2024 were paid in Australia, Iceland and Switzerland where the participation rate in a pension plan and the mandatory contribution rates are relatively high. Additional voluntary contributions from employees into superannuation schemes may also account for the high ratio in Australia, above the mandatory 11.5% contribution rate. Contributions per member (relative to the average wage) are lower in some other countries, and sometimes lower than the mandatory contribution rates such as in Chile and Mexico, which may be due to some people not making contributions in a plan (even if they have one) when they move from the formal to informal sectors or become unemployed.

Definition and measurement

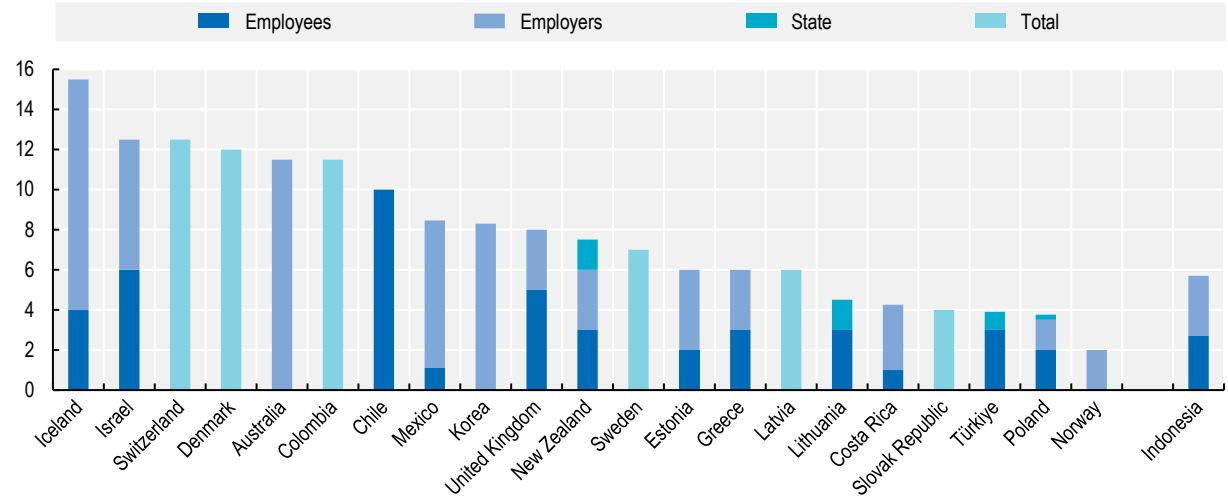
The term "pension plans" refers to plans that individuals access via their employer or a financial institution, and in which they accumulate rights or assets. Assets belong to plan members and finance their own future retirement. These assets may accumulate in pension funds, through pension insurance contracts or in other savings vehicles offered and managed by banks or investment funds. Employers may set up provisions or reserves in their books to finance the retirement benefits of occupational pension plans.

Average effective annual contributions may be expressed per account instead of member, as the exact number of members holding one (or several) pension plans is sometimes unknown. This is the case for instance in France where individuals can have an occupational (e.g. *PER Collectif*) and a personal plan (e.g. *PER Individuel*).

The population holding a pension plan may not be representative of the population on which the average annual wages were calculated and used for the assessment of the average effective annual contributions per member (or account).

Figure 9.1. Minimum or mandatory contribution rates (for an average earner) in mandatory and auto-enrolment plans, 2024 (or latest year available)

As a percentage of earnings

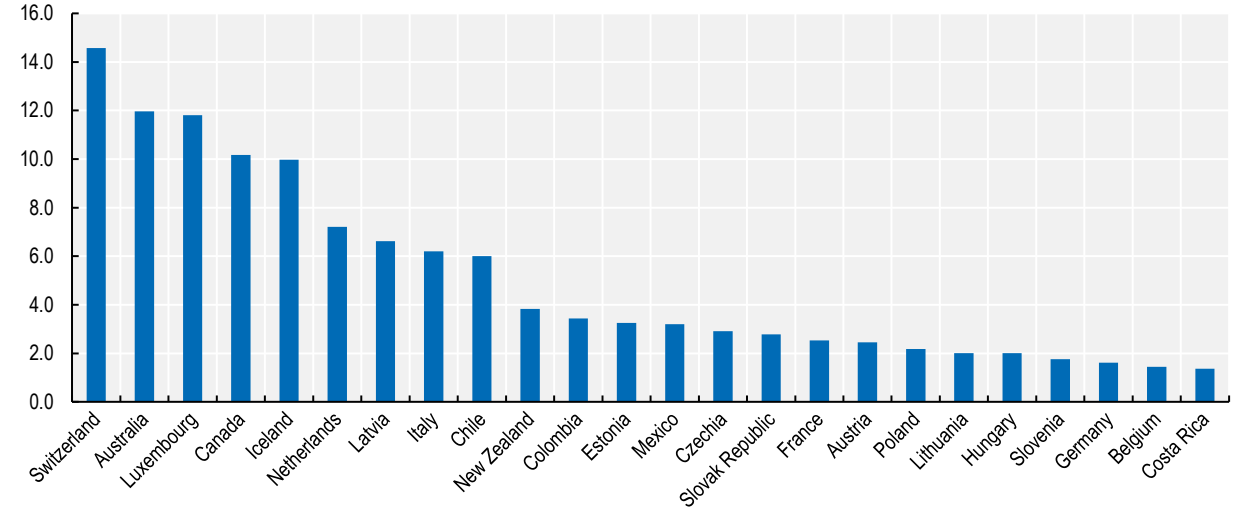


Note: The category "Total" shows the cases where the contribution rates cannot be split precisely between employer, employee (and state). Additional country specific details are provided in the statlink.
Source: Country profiles and other sources.

StatLink https://stat.link/vwcalj

Figure 9.2. Average annual contribution per active account or member in selected OECD countries, latest year available

As a percentage of average annual wages



Note: Data only refer to contributions to pension funds for Austria, Belgium, Canada, Germany, Hungary, Luxembourg, the Netherlands and Switzerland. Data refer to the mandatory supplementary pension scheme (ROP) for Costa Rica, the second pension pillar for Estonia, mandatory occupational plans for Iceland, the state funded pension scheme for Latvia, the second pension pillar for Lithuania, personal plans for Mexico, employee capital plans for Poland, the second pension pillar for the Slovak Republic,
Data refer to 2024 except for Australia (2020), Canada (2023), Chile (2023), Colombia (2021), Costa Rica (2023), France (2023), the Netherlands (2023), Switzerland (2023).
Source: OECD Global Pension Statistics and other sources.

StatLink https://stat.link/lmph3r

Assets earmarked for retirement

Key results

Substantial assets earmarked for retirement have been provisioned around the world. Assets in pension plans managed by pension providers amounted to 95% of the sum of the GDPs of all OECD countries at end-2024, which is more than two years before (87%). More than two-thirds of OECD countries have also built up public pension reserves to support the operation of their public pay-as-you-go pension arrangements. For these countries, assets in public pension reserve funds (PPRFs) represented 11% of the sum of their GDPs at end-2024 compared with 12% two years before.

Assets in pension plans managed by pension providers amounted to USD 63.1 trillion at end-2024 in the OECD area (Table 9.2). The United States had the largest pension market within the OECD area with assets worth USD 44.8 trillion, representing 71% of the OECD total. Other OECD countries with large pension systems include Canada, with assets worth USD 3.4 trillion and a 5.4% share of the OECD pension market in 2024; the United Kingdom, USD 2.8 trillion and 4.4%; Australia, USD 2.4 trillion and 3.8%; the Netherlands, USD 1.8 trillion and 2.8%; Switzerland, USD 1.5 trillion and 2.4%; and Japan, USD 1.1 trillion and 1.8%.

Assets under management in pension plans amounted to 95% of the sum of the GDPs of all OECD countries at end-2024, more than two years before (87%), but their prominence domestically still varies across countries. In eight OECD countries, assets exceeded the size of the GDP (and in a couple of cases even close to or more than twice the GDP): Denmark (206.4%), Iceland (191.3%), Switzerland (166.9%), Canada (157.9%), the United States (153.3%), the Netherlands (150.9%), Australia (135.1%) and Sweden (115.8%). These countries have pension plans from long ago, and with the exception of Canada and the United States, have mandatory or quasi-mandatory private pension systems. By contrast, the asset-to-GDP ratios were below 20% in 17 OECD countries, including some with relatively recent mandatory or auto-enrolment programmes (such as Greece and Türkiye) or with relatively low participation of the working-age population (such as France, Italy). Greece recorded the lowest amount of assets relative to its GDP among OECD countries at end-2024.

In non-OECD G20 economies, the size of assets under management in pension plans also varied widely, from 83.2% of GDP in South Africa to 2.7% in the People's Republic of China (for enterprise annuities).

Many countries also decided to accumulate assets to support the operation of public pension arrangements, usually financed on a pay-as-you-go basis. More than two-thirds of OECD countries hold reserves that are separated and ring-fenced in public pension reserve funds (PPRFs). By the end of 2024, the total amounts of assets in PPRFs were equivalent to USD 6.9 trillion in the OECD area (Table 9.2). The largest reserve was held by the US social security trust fund at USD 2.5 trillion, accounting for 36.8% of total OECD assets in PPRFs, although the assets consist of non-tradable debt instruments issued by the US Treasury to the social security trust. Japan's Government Pension Investment Fund was second at USD 1.7 trillion – 24.1% of the OECD total. Of the remaining countries, Korea, Canada, France and Sweden had also accumulated large reserves, respectively accounting for 12%, 8.5%, 3.2% and 2.8% of the total.

In terms of total assets relative to the national economy, PPRF assets accounted for 11.4% of the sum of the GDPs of all OECD countries with reserves at end-2024 (compared to 11.7% two years before). The highest ratio was observed for Korea's reserves in its National Pension Fund, at 47.6% of GDP. Other countries where the ratio was of a significant size include Japan with 42.7%, Finland with 35.3%, Luxembourg with 34.1% and Sweden with 33.3%. Assets in PPRFs grew in all OECD countries in 2024 except the United Kingdom and the United States where reserves are being used and withdrawals exceed revenues.

Definition and measurement

Asset-backed pensions include all pension arrangements where savings for retirement are invested, earn a return and the assets accumulated finance retirement. They can be either public or private, and occupational or personal. It also includes public reserves built up to support public pensions.

The term "pension plans" refers to plans that individuals access via their employer or a financial institution, and in which they accumulate rights or assets. Assets belong to plan members and finance their own future retirement. These assets may accumulate in pension funds, through pension insurance contracts or in other savings vehicles offered and managed by banks or investment funds. Employers may set up provisions or reserves in their books to finance the retirement benefits of occupational pension plans.

PPRFs are reserves established with the primary goal to support unfunded / pay-as-you-go public pension arrangements. These public reserves do not belong to any specific group of individuals. They could act as a short-term liquidity buffer, a temporary buffer against shocks (such as a demographic change) or as a permanent smoothing vehicle between the inflows and outflows of public pension arrangements.

Further reading

OECD (2021), *Pension Markets in Focus 2021*, OECD, Paris, www.oecd.org/daf/fin/private-pensions/Pension-Markets-in-Focus-2021.pdf.

Table 9.2. Assets earmarked for retirement in OECD countries and selected other major economies, at end-2024 or latest year available

	Pension providers		Public pension reserve funds	
	as a percentage of GDP	USD million	as a percentage of GDP	USD million
Australia	135.1	2 392 128	8.6	147 873
Austria	7.2	36 178	x	x
Belgium	30.3	193 073	x	x
Canada	157.9	3 375 687	27.4	585 359
Chile	59.3	186 582	3.0	9 378
Colombia	27.1	104 761	..	..
Costa Rica	42.2	40 637	7.9	7 592
Czechia	7.8	25 800	x	x
Denmark	206.4	845 814	x	x
Estonia	18.0	7 389	x	x
Finland	65.2	186 979	35.3	101 311
France	12.9	390 092	7.3	220 662
Germany	6.4	286 076	1.1	49 754
Greece	1.1	2 790	..	..
Hungary	4.8	9 874	x	x
Iceland	191.3	63 654	x	x
Ireland	26.2	153 163	x	x
Israel	69.4	380 141	15.3	83 743
Italy	11.7	267 307	5.4	126 031
Japan	29.2	1 136 656	42.7	1 662 479
Korea	31.8	552 154	47.6	825 102
Latvia	24.3	10 160	x	x
Lithuania	12.2	9 903	1.6	959
Luxembourg	1.6	1 421	34.1	30 523
Mexico	22.1	370 166	0.5	8 169
Netherlands	150.9	1 759 646	x	x
New Zealand	37.2	90 235	18.6	45 027
Norway	10.1	46 191	7.3	33 568
Poland	8.4	74 720	1.9	17 154
Portugal	12.9	38 175	12.6	37 274
Slovak Republic	16.2	22 009	x	x
Slovenia	7.1	4 932	..	..
Spain	10.8	177 907	0.6	9 742
Sweden	115.8	670 994	33.3	193 130
Switzerland	166.9	1 523 026	6.7	61 346
Türkiye	2.8	34 667	x	x
United Kingdom	78.4	2 805 843	2.7	101 526
United States	153.3	44 778 414	8.7	2 538 285
Total OECD	**95.2**	63 055 340	11.4	6 895 987
Argentina	..	..	13.3	74 629
Brazil	24.3	461 119	x	x
China (People's Republic of)	2.7	498 685	2.0	366 326
India	13.5	520 155	..	..
Indonesia	6.5	88 860	1.8	24 611
Saudi Arabia	..	..	..	..
South Africa	83.2	315 430	x	x

Note: ".." means not available. "x" means not applicable. The line "OECD" shows the total assets in millions of USD and the total assets over the total of the GDPs of all reporting OECD countries. The total amount of investments of pension providers is taken as a proxy of the total amount of assets. Additional country specific details are provided in the StatLink.
Source: OECD Global Pension Statistics, websites and annual reports of reserve funds or other national authorities.

StatLink https://stat.link/9ku103

Allocation of assets

Key results

Assets managed by pension providers and in public pension reserve funds are invested primarily in bonds and equities. The proportions of equities and bonds in the portfolios vary considerably across countries. There is generally a greater preference for bonds.

In most countries, bonds and equities where the two main asset classes in which pension providers invested the assets of pension plans at the end of 2024. Bonds and equities accounted for more than half of investments in 34 out of 38 OECD countries, and in three reporting non-OECD G20 jurisdictions. The combined proportion of bonds and equities was the highest (relatively to the size of the portfolio) in Poland (96.1%), Estonia (95.1%), Norway (94.3%) and Latvia (94.3%) among OECD countries (Figure 9.3). Pension plan assets may have been invested in these instruments either directly or indirectly through collective investment schemes (CIS). For some countries, the look-though of CIS investments was not available, such as for Slovenia (where 30.4% of assets were invested in CIS), Sweden (58.8% of investments) and the United States (29.5% of investments). Only the direct investments in bonds and equities are available for these countries (e.g. 65.6% for Slovenia, 34.1% for Sweden, 51% for the United States). The actual overall exposure of pension plan assets to bonds and equities is probably higher in these countries.

The respective proportion of equities and bonds varied considerably across countries at end-2024. Although there was in general a greater preference for bonds, the reverse was true in 14 OECD countries and in South Africa where equities outweighed bonds (e.g. by 48.9% to 15.6% in Australia, by 70.5% to 22.8% in Lithuania).

Within bond investments, public sector bonds, as opposed to corporate bonds, represented a larger share of the combined direct bond holdings (i.e. excluding CIS investment) in a number of countries at end-2024. For example, public sector bonds accounted for 92.1% of total direct bond holdings in Czechia, 91% in Israel, but only 21.9% in New Zealand and 21% in Norway.

Cash and deposits also accounted for a significant share of pension plan assets in some OECD countries and in Indonesia at end-2024. For example, the proportion of cash and deposits was 44.8% of pension plan assets in Korea, 16.3% in Indonesia, 15.2% in Czechia and 11.5% in Greece.

In most reporting countries, loans, real estate (land and buildings), unallocated insurance contracts and private investment funds (shown as “other” in the chart) only accounted for relatively small shares of the investments of pension plan assets at end-2024 despite some exceptions. Real estate was a significant component of the portfolios of pension providers (directly or indirectly through CIS) in some countries such as Canada (10.6% of total assets) and Switzerland (21.9%).

Bonds and equities were also the predominant asset classes within the portfolios of public pension reserve funds (PPRFs). The reporting PPRFs invested 42.5% of their assets in bonds and 40.5% in equities on average (Figure 9.4). There was a stronger appetite for equities in some reserve funds. Australia’s Future Fund, the Canada Pension Plan Reserve Fund, New Zealand Superannuation Fund and Sweden’s AP Funds invested more than half of their portfolio in equities, while their bond holdings varied between 0.3% of their portfolio (for Sweden’s AP6) to 27.6% (for Sweden’s AP2). By contrast, reserve funds in Chile, Portugal and Poland for instance invested much more in bonds than equities. The extreme case is the one of the US PPRF, which is by law fully invested in government bonds.

Some PPRFs also invested in real estate and non-traditional asset classes like hedge funds or other instruments. For example, New Zealand Superannuation Fund held 4% of its assets in land and buildings, 3% in hedge funds and 11% in private equity funds.

Definition and measurement

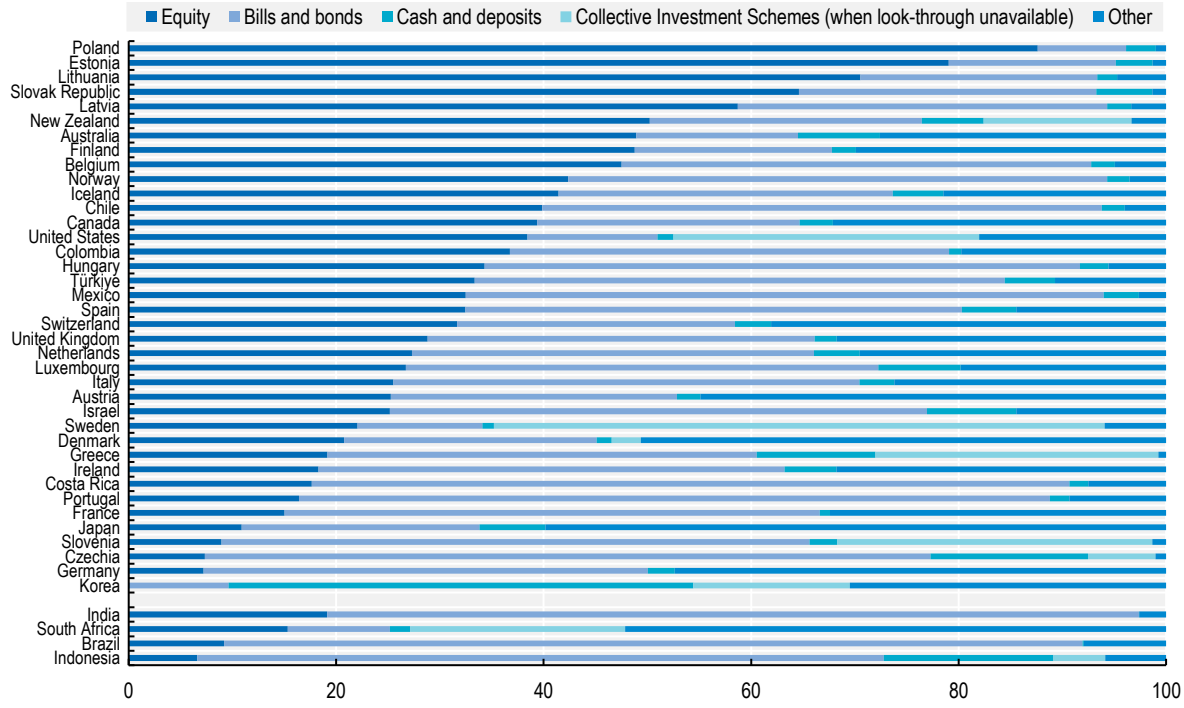
The term “pension plans” refers to plans that individuals access via their employer or a financial institution, and in which they accumulate rights or assets. Assets belong to plan members and finance their own future retirement. These assets may accumulate in pension funds, through pension insurance contracts or in other savings vehicles offered and managed by banks or investment funds. Employers may set up provisions or reserves in their books to finance the retirement benefits of occupational pension plans.

PPRFs are reserves established with the primary goal to support unfunded / pay-as-you-go public pension arrangements.

Data on asset allocation include both direct investment in equities, bills and bonds and cash and deposits, and indirect investment through Collective Investment Schemes (CIS) when possible. The OECD Global Pension Statistics exercise collects data on the investments in CIS, as well as the look-through of these investments in equities, bills and bonds, cash and deposits, and other. When the look-through was not provided by reporting countries, only the direct investments in equities, bills and bonds and cash and deposits are known and shown; investments in CIS are shown separately in that case.

Figure 9.3. Asset allocation of pension providers at the end of 2024 or latest year available

As a percentage of total investment

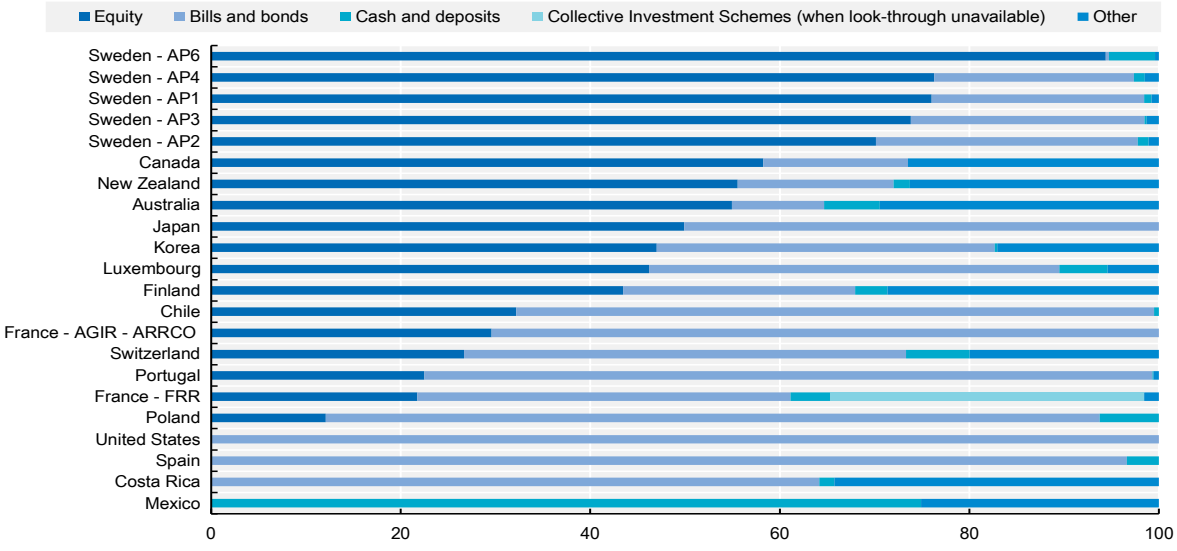


Note: See Statlink
Source: OECD Global Pension Statistics.

StatLink https://stat.link/p645ud

Figure 9.4. Asset allocation of public pension reserve funds, at end-2024

As a percentage of total investment



Note: See Statlink.
Source: OECD Global Pension Statistics and websites of public pension reserve funds.

StatLink https://stat.link/ieywvj

Investment performance

Key results

The rising valuations in equity markets led to widespread nominal investment gains in 2024, exceeding inflation rates in most countries. Pension providers recorded double-digit investment rates of return in real terms in four OECD countries in 2024, and returns were generally above the long-term average. Gains in 2024 contributed to mitigate the losses incurred in 2022. Real returns were positive in most countries over the long term (the last 10, 15 and 20 years), despite several years with poor or negative investment performance. Most public pension reserve funds also achieved positive investment performance in real terms in 2024 and over the long term.

Pension providers achieved widespread investment gains in 2024, for a second year in a row. They exhibited positive nominal investment rates of return everywhere, exceeding inflation rates in most countries (Table 9.3). Pension providers recorded real investment rates of return above 10% in four OECD countries: Estonia (11.3%), Israel (10%), Lithuania (10.8%) and the Slovak Republic (10.1%). This overall positive investment performance reflects the positive developments in global equity markets, driven by economic growth exceeding expectations and further boosted by the performance of the major listed technology companies in the United States. Pension providers may have achieved more mixed results on their bond holdings as government bond yields of different maturities evolved differently around the world in 2024. Short-term yields generally fell, whereas long-term yields declined less or, in some cases, increased amid heightened macro-financial uncertainty, resilient output growth and increased budget deficits. Yet, the overall investment rates of return of pension providers in 2024 were generally above the long-term average.

The relatively large investment gains in 2024 contributed to mitigate the losses incurred in 2022. Real returns were positive in most jurisdictions over the long term (the last 10, 15 and 20 years), despite several years with poor or negative investment performance, such as in 2008, 2011, 2018 and 2022. The highest long-term investment performance was recorded in some Latin American countries (Costa Rica, Colombia), Canada and Australia with an average real rate of return close to or above 4% over a 20-year period. Yet, a few jurisdictions recorded long-term returns negative in real terms but close to 0 (i.e. Czechia, Estonia, Latvia), despite achieving some of the top performance in 2024 for some of them (Estonia, Latvia).

Most public pension reserve funds (PPRFs) also recorded a positive investment rate of return in real terms in 2024 and over the long term. New Zealand Superannuation Fund and Sweden's AP6 recorded the strongest average investment performance in real terms, with an average rate of return at 7.2% and 6.8% per year respectively over a 20-year period, among all reporting PPRFs.

Definition and measurement

The term "pension plans" refers to plans that individuals access via their employer or a financial institution, and in which they accumulate rights or assets. Assets belong to plan members and finance their own future retirement. These assets may accumulate in pension funds, through pension insurance contracts or in other savings vehicles offered and managed by banks or investment funds. Employers may set up provisions or reserves in their books to finance the retirement benefits of occupational pension plans.

PPRFs are reserves established with the primary goal to support unfunded / pay-as-you-go public pension arrangements.

Returns are calculated in local currency before tax but after investment management expenses.

The average nominal net investment returns of pension plans are the results of a calculation using a common formula for all the countries except a few ones (e.g. Ireland, Israel) for which values have been provided by the jurisdictions using their own formula or are from national official publications. The common formula corresponds to the ratio between the net investment income at the end of the year and the average level of assets during the year.

For PPRFs, nominal returns come from annual reports or have been provided by national authorities, using their own formula and methodology.

Further reading

OECD (2025), *Global Debt Report 2025: Financing Growth in a Challenging Debt Market Environment*, OECD Publishing, Paris, https://doi.org/10.1787/8ee42b13-en.

Table 9.3. Nominal and real geometric average annual investment rates of return of pension providers in 2024 and over the last 5, 10, 15 and 20 years, in percent

	Nominal					Real				
	2024	5-yr annual average	10-yr annual average	15-yr annual average	20-yr annual average	2024	5-yr annual average	10-yr annual average	15-yr annual average	20-yr annual average
Australia	8.9	5.9	7.0	7.6	6.8	4.9	2.0	4.1	4.8	3.9
Austria	7.5	2.5	3.0	3.5	3.2	5.4	-2.0	-0.1	0.7	0.6
Belgium	8.2	2.7	3.7	4.8	4.9	4.9	-1.3	0.8	2.1	2.3
Canada	10.1	5.8	6.2	6.8	6.5	8.1	2.3	3.4	4.4	4.3
Chile	8.1	5.6	6.2	6.5	6.6	3.4	-0.6	1.6	2.3	2.5
Colombia	12.0	7.7	8.0	8.2	9.5	6.5	0.8	2.0	3.2	4.5
Costa Rica	10.1	7.5	8.1	8.5	9.3	9.2	5.2	6.3	5.6	4.6
Czechia	3.4	2.1	1.5	1.7	2.0	0.4	-4.4	-2.7	-1.6	-1.3
Denmark	6.6	2.6	3.7	5.1	5.0	4.6	-0.3	1.8	3.3	3.1
Estonia	15.6	6.2	4.6	4.5	3.5	11.3	-0.9	0.0	0.5	-0.6
Finland	8.7	5.5	5.5	..	..	7.9	2.1	3.4	..	..
Germany	3.6	2.6	3.1	3.5	3.6	0.9	-1.0	0.6	1.4	1.6
Greece	7.0	2.8	3.9	..	..	4.3	-0.4	2.1	..	..
Hungary	12.6	5.8	5.5	..	..	7.6	-2.6	0.0	..	..
Iceland	11.3	8.6	8.1	8.0	7.8	6.2	2.3	3.7	3.9	2.7
Israel	13.5	7.6	6.4	6.4	..	10.0	4.7	4.9	4.9	..
Italy	5.2	2.0	2.1	2.8	2.9	3.9	-1.3	0.2	0.9	1.0
Korea	4.5	3.2	..	..	..	2.5	0.3	..	..	..
Latvia	12.6	3.2	2.8	3.3	3.1	9.0	-2.7	-1.1	0.1	-1.0
Lithuania	13.1	6.3	5.0	..	..	10.8	-0.5	0.5	..	..
Luxembourg	4.3	0.7	1.6	2.6	..	3.2	-2.1	-0.6	0.6	..
Mexico	8.8	6.4	5.7	6.5	6.4	4.4	0.9	1.0	2.0	1.9
Netherlands	8.1	0.6	3.3	5.4	5.0	3.8	-3.5	0.4	2.8	2.6
Norway	9.3	5.3	5.3	5.8	5.8	7.0	1.3	2.1	3.0	3.1
Poland	4.9	7.0	4.3	..	..	0.2	-0.6	-0.2	..	..
Portugal	4.4	1.8	2.4	2.6	3.2	1.4	-1.4	0.4	0.7	1.3
Slovak Republic	13.2	3.8	3.0	2.7	..	10.1	-2.3	-0.7	-0.3	..
Slovenia	6.9	2.8	3.5	4.1	..	5.0	-1.1	1.0	2.0	..
Spain	8.7	3.3	3.0	3.4	..	5.7	-0.2	0.7	1.5	..
Sweden	6.6	..	..	..	..	5.7	..	..	..	..
Switzerland	7.1	2.7	3.2	3.7	3.4	6.5	1.5	2.6	3.3	2.9
Türkiye	30.9	33.3	21.8	16.7	17.6	-9.3	-7.2	-4.0	-2.9	0.4
United Kingdom	3.5	-0.2	..	..	..	-0.1	-4.5	..	..	..
United States	8.9	4.5	4.3	4.8	3.4	5.8	0.3	1.2	2.1	0.8
India	10.1	8.3	..	..	..	4.6	2.8	..	..	..
Indonesia	5.7	6.5	7.3	..	..	4.1	3.8	4.3	..	..

Note: ".." means not available. The 2024 and the last 5, 10, 15 and 20-year annual averages are calculated over the periods Dec 2023-Dec 2024, Dec 2019-Dec 2024, Dec 2014-Dec 2024, Dec 2009-Dec 2024 and Dec 2004-Dec 2024 respectively, except for Australia (from June to June instead). Additional country specific details are provided in the StatLink.
Source: OECD Global Pension Statistics.

StatLink https://stat.link/u8bw21

Table 9.4. Nominal and real geometric average annual investment rates of return of selected public pension reserve funds in 2024 and over the last 5, 10, 15 and 20 years, in percent

		Nominal					Real				
		2024	5-yr annual average	10-yr annual average	15-yr annual average	20-yr annual average	2024	5-yr annual average	10-yr annual average	15-yr annual average	20-yr annual average
Australia	Future Fund	12.2	7.2	8.0	8.9	..	9.5	3.3	5.1	6.1	..
Canada	Canada Pension Plan (CPP) Reserve Fund	9.3	9.0	8.3	9.7	8.2	6.8	5.1	5.6	7.2	5.9
Canada	Reserve of the Quebec Pension Plan	9.4	6.8	7.7	8.8	7.2	7.4	3.3	5.0	6.3	5.0
Chile	Pension Reserve Fund	17.7	7.9	8.0	7.4	..	12.6	1.5	3.2	3.1	..
Costa Rica	Costa Rican Social Security Fund	2.5	..	..	..	..	1.6	..	..	..	..
Finland	Keva's pension liability fund	10.4	5.9	5.8	6.5	..	9.6	2.4	3.7	4.4	..
Finland	State Pension Fund (VER)	9.0	5.5	5.5	5.9	5.5	8.2	2.0	3.4	3.8	3.5
France	Fonds de Réserves pour les Retraites (FRR)	6.5	2.6	3.2	4.0	3.6	5.1	-0.1	1.3	2.3	2.0
Japan	Government Pension Investment Fund (GPIF)	0.7	10.6	5.7	5.9	4.9	-2.8	8.4	4.3	4.9	4.0
Korea	National Pension Fund	15.0	7.8	6.6	6.3	6.1	12.8	4.8	4.4	4.2	3.7
Luxembourg	Fonds de Compensation (FDC)	11.2	4.8	4.8	5.2	4.6	10.1	1.8	2.6	3.1	2.5
Mexico	Labour Fund	14.7	..	..	..	..	10.0	..	..	..	..
New Zealand	New Zealand Superannuation Fund	11.8	11.6	10.1	12.3	9.9	8.2	7.1	7.2	9.6	7.2
Norway	Government Pension Fund – Norway (GPFN)	7.6	7.3	7.5	8.2	7.6	5.3	3.3	4.2	5.4	4.9
Poland	Demographic Reserve Fund	5.1	3.0	2.7	3.5	4.3	0.4	-4.3	-1.7	-0.1	1.0
Portugal	Social Security Financial Stabilisation Fund (FEFSS)	5.9	..	..	..	..	2.8	..	..	..	..
Spain	Social Security Reserve Fund	4.5	-0.2	0.0	2.0	2.4	1.6	-3.5	-2.1	0.0	0.3
Sweden	AP1	9.8	7.7	7.5	8.0	7.2	8.9	3.3	4.5	5.7	5.1
Sweden	AP2	8.2	5.2	6.3	7.3	6.8	7.3	0.8	3.3	5.0	4.7
Sweden	AP3	10.3	8.2	8.4	8.5	7.6	9.4	3.7	5.3	6.2	5.4
Sweden	AP4	10.1	6.8	8.0	8.8	7.9	9.2	2.4	5.0	6.5	5.7
Sweden	AP6	9.0	15.5	12.6	10.1	8.9	8.1	10.7	9.4	7.7	6.8
Switzerland	AHV Central Compensation Fund	7.3	1.1	2.5	3.1	..	6.7	0.0	1.8	2.7	..
United States	Old-Age and Survivors Insurance (OASI) Trust Fund	2.5	2.5	2.8	3.2	3.7	-0.4	-1.6	-0.2	0.6	1.1

Note: ".." means not available. The 2024 and the last 5, 10, 15 and 20-year annual averages are calculated over the periods Dec 2023-Dec 2024, Dec 2019-Dec 2024, Dec 2014-Dec 2024, Dec 2009-Dec 2024 and Dec 2004-Dec 2024 respectively, except for Canada Pension Plan Reserve Fund and Japan's Government Pension Investment Fund (March 2023-March 2025, March 2020-March 2025, March 2015-March 2025, March 2010-March 2025 and March 2005-March 2025) and New Zealand Superannuation Fund (June 2023-June 2024, June 2019-June 2024, June 2014-June 2024, June 2009-June 2024 and June 2004-June 2024).
Source: OECD Global Pension Statistics, websites and annual reports of public pension reserve funds.

StatLink https://stat.link/2eposm

Landscape of pension plans

Key results

Various types of pension plans constitute the pension landscape. Occupational and personal plans coexist in most OECD countries and in other jurisdictions. The size of occupational plans in terms of assets and the split between defined benefit and defined contribution plans varied across countries at end-2024. However, personal plans and occupational defined contribution plans have been gaining importance at the expense of occupational defined benefit plans.

The pension landscape includes various types of pension plans worldwide. For example, individuals may access pension plans through employment or directly without any involvement of their employers. When plans are accessed through employment and were established by employers or social partners, these plans are considered as occupational. Plans are classified as personal when access to these plans does not have to be linked to an employment relationship and these plans are established and administered directly by a pension fund or a financial institution acting as pension provider without any intervention of employers.

Occupational and personal plans coexist in most reporting countries: 33 out of the 38 OECD countries, as well as Brazil, India, Indonesia and South Africa, have both occupational and personal plans (Table 9.5). Individuals may be members of several occupational pension plans through different jobs during their career, and several personal pension plans that they have opened directly with a pension provider. The prominence of occupational plans in terms of assets varied greatly across countries at end-2024. Assets in occupational plans represented over 90% of all pension plan assets in Finland, but only 1% in Latvia where the asset-backed pension system is mostly based on personal plans.

Depending on how pension benefits are calculated and who bears the risks, occupational pension plans can be either defined benefit (DB) or defined contribution (DC). In DC plans, participants bear the brunt of risk, while in traditional DB plans sponsoring employers assume all the risks. Employers in some countries have introduced hybrid and mixed DB plans, which come in different forms, but effectively involve some degree of risk sharing between employers and employees. Cash balance plans (one type of hybrid DB plans) provide benefits based on a fixed contribution rate and a guaranteed rate of return (the guarantee is provided by the sponsoring employer, hence these plans are classified as DB). Such plans are part of the pension landscape in Belgium (where employers must provide a minimum return guarantee) and the United States. Mixed plans are those where the plan has two separate DB and DC components that are treated as part of the same plan. There are also DC plans such as those in Denmark that offer guaranteed benefits or returns. They are classified as DC as the guarantee is assumed by the provider rather than the employer.

The proportion of assets in occupational DC plans and in personal plans is higher than in occupational DB plans in most of the reporting countries. More than 50% of assets were held in DC plans or personal plans in 21 out of 25 reporting OECD economies, and in Brazil (Figure 9.5).

DC plans and personal plans have been gaining prominence at the expense of DB plans even in countries with a historically significant proportion of assets in DB plans such as the United States. The drop in the proportion of pension assets in DB plans was especially steep in Israel (68% of pension assets in DB plans at end-2014, 33% at end-2024) and Iceland (23% at end-2014, 4% at end-2024). In Israel, DB plans have been closed to new members since 1995. More recently, Iceland reformed a pension plan for state and municipal employees, converting it from DB to DC. The transition from DB to DC plans is also going on in the Netherlands, one of the major pension markets in Europe, with a law passed in 2023 requiring the conversion of DB plans into DC plans by 2028. New DC plans are also being opened. The first occupational DC plans were introduced recently in Germany. In the United Kingdom, the first collective defined contribution (CDC) scheme opened in 2024.

Definition and measurement

The OECD has established a set of guidelines for classifying pension plans (see OECD, 2005) on which this analysis is based.

In most OECD countries, pension funds are the main vehicle to fund occupational pensions. In some countries, pension insurance contracts (e.g. Belgium, Denmark, Korea, Norway and Sweden) or book reserves that are provisions on sponsoring employers' balance sheets (e.g. Austria and Germany) are also used to finance occupational pension plans. Personal pension plans are often funded through pension insurance contracts or financial products provided by banks and asset managers.

Further reading

OECD (2005), *Private Pensions: OECD Classification and Glossary,* OECD, Paris. The OECD classification is available at www.oecd.org/content/dam/oecd/en/publications/reports/2005/03/private-pensions_g1gh562b/9789264017009-en-fr.pdf.

Table 9.5. Types of pension plans available in the OECD area and selected other major economies according to the OECD taxonomy, 2024

Personal plans	Occupational plans			
	DB only	Both DB and DC	DC only	None
All countries	Finland, Israel, Switzerland	Australia, Austria, Belgium, Canada, Costa Rica, Denmark, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Türkiye, the United Kingdom, the United States, Brazil, India, Indonesia, South Africa	Chile, Hungary, Latvia, Poland, Slovenia	Colombia, Czechia, Estonia, Lithuania, the Slovak Republic

Figure 9.5. Split of pension assets by type of plan, at the end of 2024 or latest year available

As a percentage of total assets

Note: Data refer to the end of 2024 for all countries except Canada (2022), France (2023), Ireland (2023), Mexico (2023), Switzerland (2023). Data for Chile about Collective Voluntary Pension Savings that are managed by the AFPs are classified together with personal plans, although these plans are occupational. Data for Ireland do not include retirement annuity contracts.
Source: OECD Global Pension Statistics.

StatLink https://stat.link/x6hpb0

Fees charged to members of defined contribution plans

Key results

Pension providers charge fees to members to cover their operating expenses for running defined contribution pension plans. Most countries cap fees, generally fees on assets, which can be charged to members. In some countries, the actual amount of fees levied on assets is close to this cap (such as Costa Rica, Czechia, Mexico) while in some others, the cap does not seem too binding as pension providers charge less (such as in Hungary). Other initiatives to reduce the fees charged by the industry include auction mechanisms based on fees such as in Chile and in New Zealand (along with other criteria), for example.

Pension providers charge fees to their members to cover their operating expenses in defined contribution pension plans. Operating expenses include marketing the plan to potential participants, collecting contributions, sending contributions to investment fund managers, keeping records of accounts, sending reports to participants and supervisors, investing the assets, converting account balances to benefit payments, and making these payments.

Pension providers charge fees to members in different ways depending on the country (Table 9.6). Fees can be charged on contributions or on salaries (e.g. Colombia), on assets (e.g. Estonia), on performance, or a combination (e.g. Czechia where pension funds can charge fees on assets and profits). On top of regular fees, members in some countries can be charged fees when they join, switch or leave a pension provider (e.g. Czechia, Hungary).

Most countries – 19 out of 26 reporting OECD countries – capped some of the fees that pension providers could charge to members in 2024. Most of these 19 countries capped fees on assets, which is the most widespread way for pension providers to charge members.

The actual level of fees charged to members, aggregated at the national level and expressed as a percentage of total pension plan assets, can be compared to the cap when fees are precisely levied on assets. For instance, pension providers charged fees on assets near or as high as the cap in Costa Rica (cap at 0.35% for the mandatory supplementary pension scheme (ROP)), Czechia (cap at 0.8% for transformed funds that are the main type of funds in the country), Mexico (cap at 0.57%, set as an average of the fees charged in Chile, Colombia and the United States). The choice of the level of the cap is therefore important but challenging. If the cap is too high, charges may rise to the level of this cap. If the cap is too low, pension providers may try to lower costs and could lower the quality of the services they provide. In some countries, pension providers charge less on assets than the cap (which may not be binding), such as 0.4% in Hungary (Table 9.7) (with a cap at 0.8%).

Some countries have also put in place other initiatives to reduce the fees charged by the industry or improve value for money. These initiatives include auction mechanisms based on fees such as in Chile and New Zealand (along with other criteria). Pension providers in Chile bid on fees charged to members. The winning pension provider receives all new eligible entrants. The reform of the Chilean pension system in 2025 introduced an auction mechanism for members already in the system, based on fees, which will randomly allocate 10% of the members to the pension provider charging the lowest fees every two years. In New Zealand, default KiwiSaver providers are selected based on a range of criteria that include fees. In Australia, the pension supervisor has developed a "Comprehensive Product Performance Package" (CPPP), bringing together its superannuation performance test and its heatmaps looking at fees and performance, to increase transparency and to urge trustees to improve members outcomes.

Definition and measurement

The term "pension plans" refers to plans that individuals access via their employer or a financial institution, and in which they accumulate rights or assets. Assets belong to plan members and finance their own future retirement. These assets may accumulate in pension funds, through pension insurance contracts or in other savings vehicles offered and managed by banks or investment funds. Employers may set up provisions or reserves in their books to finance the retirement benefits of occupational pension plans.

The actual level of fees charged to members, aggregated at the national level, is difficult to compare across countries for multiple reasons. First, the aggregated amounts of fees could be the result of many factors, including the fee structure and the maturity of the system. These aggregated amounts, shown at a given point in time, do not reflect the amount of fees that individuals bear over their lifetime nor how expensive DC plans are from the perspective of members whatsoever. Second, fees may pay for different levels of services across countries and should be examined in light of these services and of the value they generate for plan members. Third, some indirect charges that reduce the pension pot of plan members may also still need to be uncovered and disclosed for some countries and would therefore not be accounted for in the currently available data on fees for these countries.

Further reading

IOPS (2018*), "2018 Update on IOPS work on fees and charges", IOPS Working Papers on Effective Pensions Supervision, No. 32,* www.oecd.org/content/dam/iops/en/working-papers/WP-32-2018-Update-on-IOPS-work-on-fees-and-charges.pdf.

OECD (2018), *OECD Pensions Outlook 2018*, OECD Publishing, Paris, https://doi.org/10.1787/pens_outlook-2018-en.

Table 9.6. Fee structure and fee cap in selected OECD and other major economies

	Fees on salaries	Fees on contributions	Fees on assets	Fees on returns / performance	Other fees (e.g. exit fees, entry fees, switching fees)
Australia (except MySuper)	No cap	No cap	No cap except for low balances	No cap	x
Belgium	x	No cap	No cap	No cap	Capped
Chile	No cap	x	Capped	x	x
Colombia	3% (including insurance)	x	x	x	Capped
Costa Rica – ROP	x	x	0.35%	x	x
Czechia – transformed funds	x	x	0.8% of mean annual fund value	10% of profit	Capped
Czechia – participation funds	x	x	Capped	Capped	Capped
Denmark	No cap	No cap	No cap	No cap	No cap
Estonia – 2nd pension pillar	x	x	Capped	Capped	Capped
Estonia – 3rd pension pillar	x	x	No cap	x	Capped
Germany – DC schemes managed by pension funds	No cap	No cap	No cap	No cap	No cap
Hungary – voluntary personal pension funds	x	6%	0.8%	Included in the 0.8% fee cap on assets	Capped
Ireland	No cap	No cap	No cap	No cap	No cap
Israel – comprehensive pension funds	x	6%	0.5%	x	x
Israel – general pension funds	x	4%	1.05%	x	x
Italy	x	No cap	No cap	Possible but rare	Capped
Korea – occupational DC	x	x	No cap	x	x
Latvia – state funded scheme	x	x	Capped	Capped	x
Latvia – private pension funds	x	No cap	No cap	x	x
Lithuania – 2nd pillar	x	x	Capped	x	Capped
Lithuania – 3rd pillar	x	No cap	No cap	No cap	Capped
Mexico – personal plans	x	x	Capped	x	x
New Zealand	x	x	No cap	Fund-specific	No cap
Poland – open pension funds	x	1.75%	Capped	Capped	x
Poland – PPK	x	x	Capped	Capped	No cap
Portugal	No cap	No cap	No cap	No cap	Capped
Slovak Republic – 2nd pillar	x	Capped	0.425% of mean annual fund value	x	x
Slovak Republic – 3rd pillar	x	x	Capped	Capped	Capped
Slovenia	x	3%	1% of mean assets	x	Capped
Spain	x	x	Capped	Capped	x
Türkiye – personal plans	x	No cap	No cap	x	No cap
United Kingdom – default funds	x	x	0.75%	x	x
United States	No cap	No cap	No cap	No cap	No cap
Brazil – open pension entities	x	5%	No cap	No cap	Capped
India	x	Capped	Capped	x	Capped

Note: "x" means that the type of fee does not exist or is not allowed in the country. "No cap" means that this type of fees exists and there is no limit in the amount that can be charged to members. In Israel, comprehensive pension funds provide members with full insurance coverage (including old-age pension, survivors', and disability benefits) while general pension funds only provide old-age pension benefits.
Source: OECD Global Pension Statistics.

StatLink https://stat.link/bf4i2j

Table 9.7. Annual fees charged to members of defined contribution plans by type of fees, 2024

As a percentage of total assets

	Fees on salaries	Fees on contributions	Fees on assets	Fees on returns / performance	Other fees
Australia			0.4		
Chile	0.6	x	0.3	x	x
Colombia	0.3	x	x	x	0.1
Costa Rica	x	x	0.3	x	x
Czechia	x	x	0.8	0.6	0.0
Estonia	x	x	0.5	..	..
Hungary	x	0.3	0.4	..	..
Israel	x	0.1	0.1	x	x
Lithuania	x	..	0.4	..	0.0
Mexico	x	x	0.5	x	x
Poland	x	0.0	0.4	0.0	x
Slovak Republic	x	..	0.6	0.1	0.0
Slovenia	x	..	0.7	x	..
Spain	x	x	1.1	..	x
Türkiye	x	0.0	1.5	x	0.1
United Kingdom			0.3%		

Note: "x" means that the type of fee does not exist or is not allowed in the country. All the fees are expressed in this Table as a percentage of total assets, even when fees are levied on salaries, contributions or investment income. These percentages are therefore not comparable with the maximum set by law when this maximum is expressed as a percentage of salaries, contributions or investment income. Additional country specific details are provided in the StatLink.
Source: OECD Global Pension Statistics.

StatLink https://stat.link/dqeo46

Funding ratios of defined benefit plans

Key results

Funding ratios, which measure the amount of liabilities that available assets cover in defined benefit (DB) pension plans, have evolved differently over the years across countries but tended to improve over the last decade in most cases. The growth of assets in DB plans, visible in most reporting countries, supported the improvement in funding ratios, as well as the recent rise in interest rates when liabilities are valued using market-based discount rates. Funding levels of DB plans were above 100% at the end of 2024 (or latest available date) in all reporting countries but four: Iceland, Mexico, the United States among OECD countries, and Indonesia. Funding levels are calculated using national (regulatory) valuation methodologies of liabilities that differ across countries and affect the comparability across countries.

Funding ratios of DB plans, which measure the amount of liabilities that available assets cover, have evolved differently over the years across countries, but tended to improve in most of them. Among the 12 reporting countries, 7 recorded a stronger funding ratio at the end of 2024 than a decade or so before, with the largest improvement occurring in Ireland (33 percentage points more between end-2015 and end-2023), the United Kingdom (26 percentage points more between end-2014 and end-2024) and the United States (17 percentage points more between end-2014 and end-2024) (Figure 9.6). The funding ratio of DB plans also improved but to a lesser extent in Finland, the Netherlands, Norway and Switzerland. In Germany, the funding ratio is slightly lower at end-2024 (119.5%) than at end-2014 (119.7%). The funding ratio dropped the most in Iceland, but this drop reflects the conversion of a DB scheme for civil servants (more funded than others) into a DC scheme and therefore not included in the calculation of the funding ratio aggregated at the national level any longer.

The growth of assets in DB plans, visible in most reporting countries, supported the improvement in funding ratios. DB plans may have also benefitted from the recent rise of interest rates, when liabilities are valued using market-based discount rates.

Funding levels are calculated using national (regulatory) valuation methodologies of liabilities. Some countries use fixed discount rates like Finland (at 3%) and Iceland (3.5% real), while others like the Netherlands and the United Kingdom use market rates as a discount rate. In the Netherlands, pension funds can use an Ultimate Forward Rate (UFR) for the valuation of liabilities. The UFR is an extrapolation of the observable term structure to take into account the very long duration of pension liabilities. The Pension Protection Fund in the United Kingdom uses conventional and index-linked gilt yields to calculate the liabilities of the DB plans in the scope of its index (PPF 7 800). The choice of the discount rate that is used to express in today's terms the stream of future benefit payments can have a major impact on funding levels. Changes in interest rates affect the value of the liabilities in countries using a market-based discount rate while the impact is minimal on those using a fixed discount rate.

Funding levels of DB plans were above 100% at the end of 2024 (or latest available year) in all reporting countries but four: Iceland (26%), Mexico (65%) and the United States (74%) among OECD countries, and Indonesia (96%). The funding levels vary across DB plans, such as in the United States where corporate pension plans have higher funding ratios than public pension plans.

Definition and measurement

The funding position of DB plans is assessed in this publication as the ratio between investments and technical provisions (net of reinsurance) of all DB plans aggregated at the national level. Investments of DB plans may be a low estimate of assets of DB plans as they would not include receivables and claims against the plan sponsor to cover the funding shortfall. Technical provisions represent the amount that needs to be held to pay the actuarial valuation of benefits that members are entitled to. This is the minimum obligation (liability) for all DB pension plans.

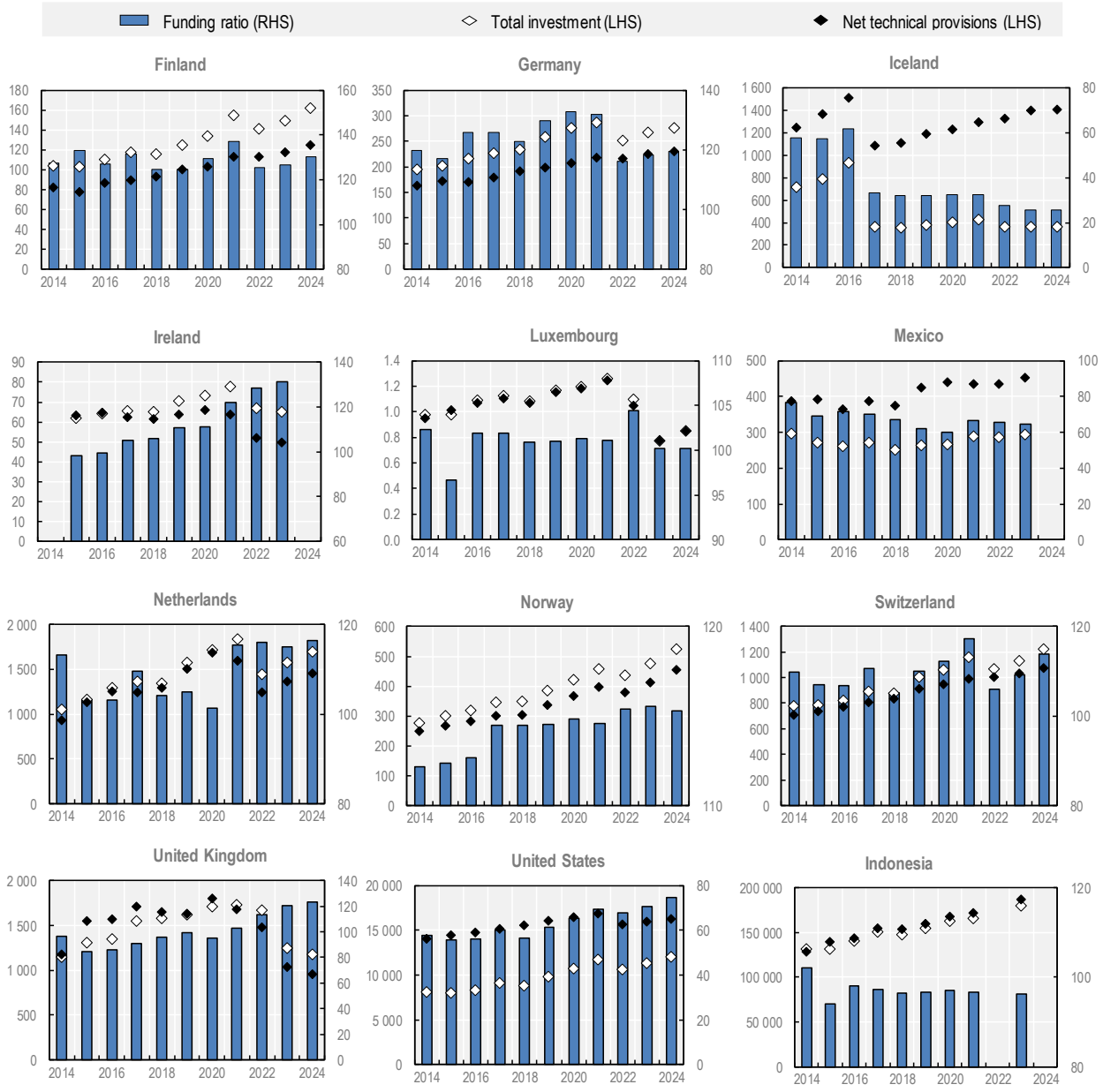
Liabilities are estimated using country-specific methodologies. Methodologies differ across countries with respect to the formula used, the discount rate (e.g. a market discount rate, or a fixed discount rate), or the way future salaries are accounted for (e.g. liabilities can be based on current salaries or on salaries projected to the future date that participants are expected to retire) for example. As a result, funding ratios cannot be compared across countries.

The evolution of the number of DB plans for which the aggregated funding ratio is calculated may influence the trends. In Iceland, the funding ratio dropped between 2016 and 2017 as a public-sector scheme for state and municipal employees (one of the most highly funded) was converted into a DC plan and therefore not included anymore in the aggregated funding ratio from 2017 onwards.

Further reading

OECD (2020), *OECD Pensions Outlook 2020*, OECD Publishing, Paris, https://doi.org/10.1787/67ede41b-en.

Figure 9.6. Assets and liabilities of defined benefit plans (in billions of national currency) and their ratio (in percent) in selected jurisdictions, 2014-24



Note: LHS: left-hand side axis. RHS: right-hand side axis. The funding ratio has been calculated as the ratio of total investment and net technical provisions for occupational DB plans managed by pension funds using values reported by national authorities in an OECD questionnaire. Data for Finland refer to DB plans in pension funds only. All liabilities of DB plans (instead of technical provisions only) are considered for Ireland, Mexico (occupational DB plans in pension funds only) and the United States. Data for Luxembourg refer to DB traditional plans under the supervision of the CSSF. Data for the Netherlands and Switzerland include all types of pension funds. Data for the United Kingdom come from the Purple Book published by the Pension Protection Fund and show assets, liabilities valued on an s179 basis (instead of net technical provisions) and the ratio of the two. Data for Indonesia refer to EPF DB funds and come from OJK Pension Fund Statistics reports before 2016.
Source: *OECD Global Pension Statistics*.

StatLink https://stat.link/fv7pjm

Pensions at a Glance 2025

OECD and G20 Indicators

The 2025 edition of *Pensions at a Glance* highlights the pension reforms undertaken by OECD countries over the last two years. It includes a special chapter focusing on pension differences between men and women. It shows recent and projected trends in the pensions of women relative to those of men in OECD countries, analyses the key drivers of the gender pension gap, and reviews the pension rules that directly or indirectly affect gender disparities in pensions as well as gender disparities arising in asset-backed pensions. Policy implications are then discussed.

This edition also provides updated information on the key features of pension provision in OECD and other G20 countries and presents projections of retirement income for today's workers. It offers indicators covering the design of pension systems, pension entitlements, the demographic and economic context in which pension systems operate, incomes and poverty risk of older people, the finances of retirement income systems and private pensions.

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