

BASIC, TARGETED AND MINIMUM PENSIONS

Key results

Basic and minimum pensions along with social assistance are defined as the first layer of protection for the elderly within the pension system. They make up the first tier of the OECD's taxonomy of pension systems, which was set out in the previous indicator of the architecture of national pension schemes.

Basic pensions exist in 18 OECD countries and are worth 19.9% of average worker earnings on average. 27 OECD countries provide a social assistance benefit equivalent to 18.1% of average worker earnings. Furthermore, 14 OECD countries provide a minimum pension benefit, most often above the basic or social assistance level. For a full-career worker, the average minimum pension is 25.6% of average worker earnings.

About three out of ten older people receive some support from basic, minimum pensions or social assistance on average.

There are three main ways in which OECD countries might provide retirement incomes to meet a minimum standard of living in old age (Table 3.3). The left-hand part of the table shows the value of benefits provided under these different types of scheme. Values are presented in *absolute* terms – national currency units – to allow a direct link with the detailed information in the country profiles available at <http://oe.cd/pag>. They are also given in *relative* terms – as a percentage of economy-wide average earnings – to facilitate comparisons between countries. (See the indicator of “Average wage” in Chapter 6).

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

The analysis of benefit values is complicated by the existence of multiple programmes in many countries. In some cases, benefits under these schemes are additive. In others, there is a degree of substitution between them. Basic and minimum pension values are therefore summarised in Figure 3.4. The dark bars show the overall value of the basic benefit. This can be seen as the absolute minimum, safety-net income based on either residence or contributions. The lighter bars show minimum contributory benefits. The total of both bars are the minimum for a worker contributing for each year from age 20 until the standard national pension age.

There are only five countries in the OECD that do not have either a basic or minimum pension within their system (Austria, Germany, Korea, the Slovak Republic and

the United States). In the other 30 countries, basic benefits are present in 18 including cases where basic pensions are residency-tested, such as the Netherlands and New Zealand. In Canada, Denmark and Iceland amongst others, entitlements are a mix of basic and resource-tested benefits.

In 13 countries, there is a minimum pension, with only the Czech Republic and Luxembourg having both a basic and minimum. The value of these benefits varies between a low of 10% of average earnings in Hungary to 41% in Turkey, with an average of 25% across the 13 countries.

Coverage

The percentage of over-65s receiving first-tier benefits is shown in the final two columns of the table and the right-hand chart below (Figure 3.4). Data are presented just for non-contributory safety-net benefits (not including the pure residency based basic pensions with no income-test e.g. New Zealand) and contributory minimum pensions. The importance of these benefits varies enormously. In Denmark 81% receive at least a partial payment from the safety-net. In Australia, 76% receive an element of the basic pension. At the other end of the spectrum, 3% or fewer of pensioners receive safety-net benefits in Hungary, Japan, Luxembourg, Portugal and the Slovak Republic.

Minimum pensions are received by nearly 50% of the over-65s in France and around 40% in Portugal. Levels are around 30% in Belgium, Italy, Luxembourg and Spain, but account for fewer than 1% of the over-65s in Hungary and only 2% in Slovenia.

3.3. Basic, targeted and minimum pensions, 2016

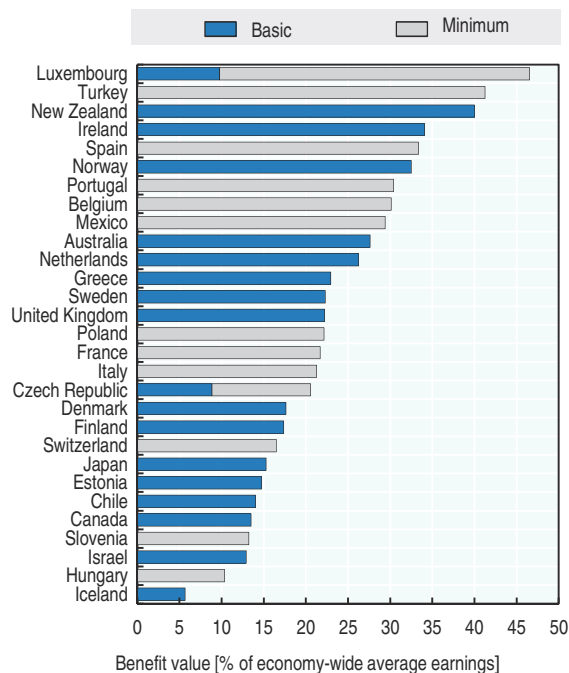
	Relative benefit value (% of AW earnings)			Absolute value (units of national currency per year)			Recipients, 2016 (% of over 65s receiving)			Relative benefit value (% of AW earnings)			Absolute value (units of national currency per year)			Recipients, 2016 (% of over 65s receiving)	
	Basic	Minimum	Social assistance	Basic	Minimum	Social assistance	Safety-net	Minimum		Basic	Minimum	Social assistance	Basic	Minimum	Social assistance	Safety-net	Minimum
Australia	27.6	x	x	22 677	x	x	76	x	Korea	x	x	5.5	x	x	2 400 000	67	x
Austria	x	x	27.8	x	x	12 359	10	x	Latvia	x	x	7.6			768		
Belgium	x	30.1	27.1	x	14 025	12 631	7	31	Luxembourg	9.8	36.7	28.8	5 496	20 652	16 176	1	29
Canada	13.5	x	19.2	6 879	x	9 803	33	x	Mexico	x	29.4	6.2	x	33 180	6 960	60	..
Chile	14.0	x	x	1 122 516	x	x	60	x	Netherlands	26.3	x	x	13 352	x	x	x	x
Czech Republic	8.9	11.7	12.4	29 280	38 520	40 920	New Zealand	40.0	x	x	23 058	x	x	x	x
Denmark	17.6	x	18.6	72 756	x	76 788	81	x	Norway	32.5	x	x	183 480	x	x	18	x
Estonia	14.7	x	14.7	2 009	x	2 009	6	x	Poland	x	22.2	15.2	x	10 591	7 248	12	..
Finland	17.4	x	21.0	7 612	x	9 202	40.6	x	Portugal	x	30.4	17.6	x	5 328	3 079	2	38
France	x	21.7	25.3	x	8 256	9 610	4	49	Slovak Republic	x	40.7	19.8	x	4 446	2 166	1	7
Germany	x	x	20.1	x	x	9 588	3.1	x	Slovenia	x	13.2	17.4	x	2 418	3 183	17	2
Greece	23.0	x	x	4 608	x	x	19	x	Spain	x	33.3	19.3	x	8 905	5 151	6	25
Hungary	x	10.3	8.3	x	342 000	273 600	0.39	0.61	Sweden	22.3	x	x	94 359	x	x	35	x
Iceland	5.7	x	17.9	478 344	x	1 509 516	..	x	Switzerland	x	16.5	22.6	x	14 100	19 290	12	..
Ireland	34.1	x	32.4	12 132	x	11 544	17	x	Turkey	x	41.2	7.1	x	15 181	2 607	22	
Israel	12.9	x	23.5	18 368	x	33 426	25	x	United Kingdom	22.2	x	x	8 122	x	x	14	x
Italy	x	21.3	19.0	x	6 525	5 825	5	32	United States	x	x	16.7	x	x	8 796	4	x
Japan	15.3	x	19.0	780 100	x	970 380	3	x									


Note: .. = Data are not available. x = Not applicable. Recipients' data is 2012 for Estonia, France (Safety-net), Greece, Ireland, Israel, Italy, Korea, Luxembourg, Poland, Slovenia and Turkey.

StatLink  <http://dx.doi.org/10.1787/888933633698>

3.4. Value of basic and minimum pensions

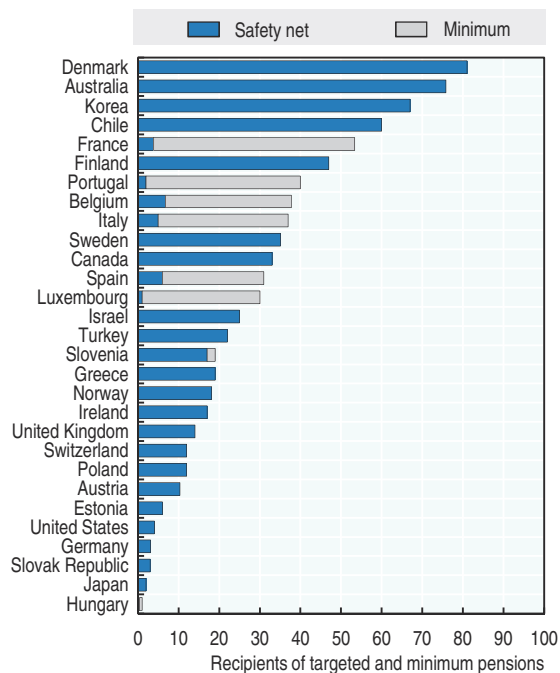
Percentage of economy-wide average earnings




StatLink  <http://dx.doi.org/10.1787/888933633717>

3.5. Recipients of safety-nets and minimum pensions

Percentage of individuals 65 and over



StatLink  <http://dx.doi.org/10.1787/888933633736>



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