

## COVERAGE OF PRIVATE PENSION PLANS

### Key results

In 2016, private pensions in 17 OECD countries achieved near-universal coverage through mandatory or quasi-mandatory (that is, covering employees in many sectors through collective bargaining agreements) plans. In ten OECD countries, voluntary private pensions (occupational and personal) covered more than 40% of the working-age population.

In 2016, 17 of the 35 OECD countries had some form of mandatory or quasi-mandatory private pension system in place, ensuring a high coverage of the working-age population. In Finland, Iceland and Switzerland, occupational pensions are mandatory and cover more than 70% of the working-age population: employers must operate a scheme and contribution rates are set by the government. Other occupational pension systems can be classified as quasi-mandatory: through industry-wide or nation-wide collective bargaining agreements, employers establish schemes that employees must join. As not all sectors may be covered by such agreements, these systems are not classified as mandatory (e.g. Denmark, the Netherlands and Sweden). In these countries, the coverage is close to the one in countries with mandatory systems.

Mandatory personal accounts systems are prevalent in Latin America and Central and Eastern Europe where they have partly replaced social security benefits. Such plans can be found in Chile, Estonia, Mexico and the Slovak Republic. Other OECD countries with such mandatory personal pensions include Denmark, Israel and Sweden (premium pension system). While coverage is nearly universal in Chile, Denmark, Estonia, Israel and Sweden, it is still not the case in the other countries, where older workers tend not to be covered by the new systems. The coverage rate of around 40-60% will therefore continue increasing over time as new workers join personal pensions. Some of these countries also have a high incidence of informal employment which limits coverage levels.

Coverage of voluntary occupational pension plans varies across countries. These plans are called voluntary in the sense that employers, in some countries jointly with employees, are free to set up an occupational plan. Personal pension plans are voluntary when individuals can freely decide whether to join them or not. The coverage of voluntary pension plans (occupational or personal) is above 40% in Belgium, the Czech Republic, Germany, Iceland, Ireland, Japan, New Zealand, Poland, the United Kingdom and the United States. On the other hand, the coverage of voluntary pension plans is very low (below 5%) in countries such as Greece. In Greece, the relatively high level of unemployment may partly explain the low private pension coverage.

Italy, New Zealand, Turkey and the United Kingdom have introduced automatic enrolment (with an opt-out clause) into private pension plans at the national level. The results have been mixed. New Zealand has achieved a coverage rate of 75% in the “KiwiSaver” scheme (introduced in 2007). 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. Despite this rule, only 20% of the working-age population is covered by a voluntary pension plan in Italy. The United Kingdom has experienced a substantial increase in the coverage of the working-age population, from 34% in 2012/13 to 43% in 2015/16. The proportion of self-employed covered by a plan in the United Kingdom is however declining as they are not eligible for automatic enrolment. Turkey has also just introduced automatic enrolment in 2017, compelling employers with at least five employees to enrol all employees under 45 in a plan. Automatic enrolment is also encouraged by regulation in Canada and the United States.

### Definition and measurement

The term “private pensions” actually refers to private pension arrangements (funded and book reserves) and funded public arrangements (e.g. ATP in Denmark).

Several measures of coverage coexist (see OECD, 2012, for a discussion of the different measures and their limitations). To be a member of a pension plan from the perspective proposed here, an individual must have assets or have accrued benefits in a 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 total voluntary pension plan coverage cannot be obtained by summing occupational and personal coverage data.

### Further reading

OECD (2012), *OECD Pensions Outlook 2012*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264169401-en>.


### 8.1. Coverage of private pension plans by type of plan, 2016

As a percentage of working-age population (15-64 years)

|                 | Mandatory/Quasi-mandatory | Voluntary    |          |       |
|-----------------|---------------------------|--------------|----------|-------|
|                 |                           | Occupational | Personal | Total |
| Australia       | 75.7                      | x            | ..       | ..    |
| Austria         | x                         | 13.9         | 18.0     | ..    |
| Belgium         | x                         | 59.6         | ..       | ..    |
| Canada          | x                         | 26.3         | 25.2     | ..    |
| Chile           | 84.3                      | ..           | ..       | ..    |
| Czech Republic  | x                         | x            | 52.6     | 52.6  |
| Denmark         | ATP: 84.0 QMO: 63.4       | x            | 18.0     | 18.0  |
| Estonia         | 81.4                      | x            | 12.3     | 12.3  |
| Finland         | 89.8                      | 6.6          | 19.0     | 25.6  |
| France          | x                         | 24.5         | 5.7      | ..    |
| Germany         | x                         | 57.0         | 33.8     | 70.4  |
| Greece          | x                         | 1.3          | ..       | ..    |
| Hungary         | x                         | ..           | 18.4     | ..    |
| Iceland         | 85.1                      | x            | 45.2     | 45.2  |
| Ireland         | x                         | 38.3         | 12.6     | 46.7  |
| Israel          | 91.1                      | ..           | ..       | ..    |
| Italy           | x                         | 9.2          | 11.5     | 20.0  |
| Japan           | ..                        | 45.4         | 13.4     | 50.8  |
| Korea           | 17.1                      | x            | 24.0     | 24.0  |
| Latvia          | ~100                      | 0.3          | 11.4     | ..    |
| Luxembourg      | x                         | 5.1          | ..       | ..    |
| Mexico          | 61.4                      | 1.7          | ..       | ..    |
| Netherlands     | 88.0                      | x            | 28.3     | 28.3  |
| New Zealand     | x                         | 6.8          | 74.8     | ..    |
| Norway          | 56.3                      | ..           | 26.7     | ..    |
| Poland          | x                         | 1.6          | 66.6     | ..    |
| Portugal        | x                         | 3.7          | 4.5      | ..    |
| Slovak Republic | 36.1                      | x            | 19.0     | 19.0  |
| Slovenia        | x                         | ..           | ..       | 37.8  |
| Spain           | x                         | 3.3          | 15.7     | 18.6  |
| Sweden          | PPS: ~100 QMO: ~90        | x            | 24.2     | 24.2  |
| Switzerland     | 73.7                      | x            | ..       | ..    |
| Turkey          | 1.5                       | 1.0          | 13.9     | ..    |
| United Kingdom  | x                         | ..           | ..       | 43.0  |
| United States   | x                         | 40.8         | 19.3     | ..    |

Note: QMO = Quasi-mandatory occupational; PPS = Premium Pension System; “..” = Not available; “x” = Not applicable; “~” = Approximately. Coverage rates are provided with respect to the total working-age population (i.e. individuals aged 15 to 64 years old), unless specified otherwise in the detailed notes of this table.

Source: OECD Global Pension Statistics.

StatLink  <http://dx.doi.org/10.1787/888933634629>



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