

#### Key results

Programmes designed to ensure adequacy of old-age incomes make up the first tier of the OECD's taxonomy of pension systems.

Safety-net retirement benefits are worth 22.9% of average worker earnings. Eleven countries provide a minimum pension above this safety-net level. For full-career workers, the average retirement income – including these contributory minimum pensions – is 28.2% of average worker earnings.

About a third of older people receive some support from basic, targeted or minimum pensions on average.

There are three main ways in which OECD countries provide retirement incomes which aim to meet a minimum standard of living in old age. 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” in Chapter 9 of this report. They are also given in *relative* terms – as a percentage of average worker earnings – to facilitate comparisons between countries. (See the indicator of “Earnings: Averages and distribution” in Chapter 7.)

Benefit values shown are 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 under targeted schemes – the couple is treated as the unit of assessment and couple 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. Benefit values are therefore summarised in the left-hand figure for two cases. The dark bars show the overall value of non-contributory benefits. This can be seen as the absolute minimum, safety-net income. The lighter bars show minimum contributory benefits. The entitlements shown are the maximum for a worker contributing for each year from age 20 until the standard national pension age. These can be seen as the minimum income of a low-earning, full-career worker.

In 21 countries, only non-contributory benefits are relevant. This group includes cases where basic pensions are residency-tested, such as the Netherlands and New Zealand. In Canada, Denmark and Iceland, entitlements are a mix of basic and resource-tested benefits. Finally, in countries including Austria, Germany, Italy and the United States, this refers only to resource-tested schemes, including social assistance.

In 13 countries, the picture is more complex: there is a safety-net income at a lower level and a contributory minimum at a higher level. In Ireland, for example, the contributory basic pension is worth only slightly more than the resource-tested scheme. In Greece, Portugal, Spain, Sweden and Turkey, contributory minimum pensions are set at a significantly higher level than the safety-net income.

Overall, the average non-contributory benefit is worth 22.9% of economy-wide average earnings, while contributory benefits average 28.2%.

#### Coverage

The percentage of over 65s receiving first-tier benefits is shown in the final two columns of the table and the right-hand figure. Data are presented just for non-contributory safety-net benefits and contributory minimum pensions. The importance of these benefits varies enormously. In Greece, for example, some 60% of older people are on the contributory minimum pension and a further 19% on safety-net benefits, with slightly lower proportions for both kinds of scheme in Portugal. Nearly 80% of Australians receive at least some payment from the resource-tested scheme and nearly 90% in Denmark. In Finland, France and Sweden, minimum contributory benefits are the most significant, covering 37-47% of retirees.

At the other end of the spectrum, 2% or fewer of pensioners receive safety-net benefits in Germany and Japan.

#### Further reading

European Union, Social Policy Committee (2006), “Minimum Income Provision for Older People and their Contribution to Adequacy in Retirement”, *Special Pensions Study*, Brussels.

Pearson, M. and E. Whitehouse (2009), “Social Pensions in High-Income Countries”, in R. Holzmann and N. Takayama (eds.), *Closing the Coverage Gap: The Role of Social Pensions*, World Bank, Washington, DC.

3.3. Value and coverage of basic, targeted and minimum pensions

	Relative benefit value (% of AW earnings)			Absolute value (units of national currency per year)			Coverage (% of over 65s receiving)			Relative benefit value (% of AW earnings)			Absolute value (units of national currency per year)			Coverage (% of over 65s receiving)	
	Basic	Targeted	Minimum	Basic	Targeted	Minimum	Targeted	Minimum		Basic	Targeted	Minimum	Basic	Targeted	Minimum	Targeted	Minimum
Australia	x	28.6	x	x	21 018	x	78	x	Japan	16.4	20.3	x	786 500	969 840	x	2	x
Austria	x	27.9	x	x	11 407	x	11	x	Korea	x	2.9	x	x	1 135 200	x	67	x
Belgium	x	25.3	28.3	x	11 669	13 052	5	11	Luxembourg	10.2	30.8	38.9	5 232	15 780	19 944	1	29
Canada	13.9	18.8	x	6 511	8 828	x	34	x	Mexico	x	x	27.7	x	x	26 112	x	..
Chile	15.5	50.5	x	966 336	3 141 096	x	60	x	Netherlands	29.5	x	x	13 714	x	x	x	x
Czech Republic	9.1	x	12.1	27 240	x	36 480	x	..	New Zealand	40.6	x	x	20 804	x	x	x	x
Denmark	17.5	18.1	x	68 556	71 196	x	88	x	Norway	x	x	31.5	x	x	160 956	x	22
Estonia	13.2	14.7	x	1 442	1 609	x	6	x	Poland	x	14.7	24.6	x	5 724	9 590	12	..
Finland	x	x	20.6	x	x	8 565	x	47	Portugal	x	17.4	33.8	x	2 736	5 307	17	59
France	x	25.4	22.5	x	9 326	8 248	4	37	Slovak Republic	x	22.2	x	x	2 177	x	3	x
Germany	x	18.9	x	x	8 484	x	2	x	Slovenia	x	31.1	13.2	x	5 397	2 315	17	2
Greece	x	13.7	36.4	x	2 760	7 303	19	60	Spain	x	19.6	33.9	x	5 008	8 665	6	28
Hungary	x	x	12.4	x	x	342 000	x	< 1	Sweden	x	14.8	24.2	x	61 644	93 720	1	42
Iceland	6.5	20.4	x	393 300	1 240 000	x	..	x	Switzerland	x	21.9	16.0	x	19 050	13 920	12	..
Ireland	36.7	34.9	x	11 976	11 388	x	17	x	Turkey	x	5.2	36.8	x	1 433	10 124	- 22 -	..
Israel	14.8	28.1	x	17 772	33 712	x	25	x	United Kingdom	15.6	19.9	10.2	5 587	7 142	3 654	27	..
Italy	x	21.6	19.3	x	6 253	5 582	5	32	United States	x	17.6	x	x	8 376	x	7	x

Note: Data are for the most recent year available.

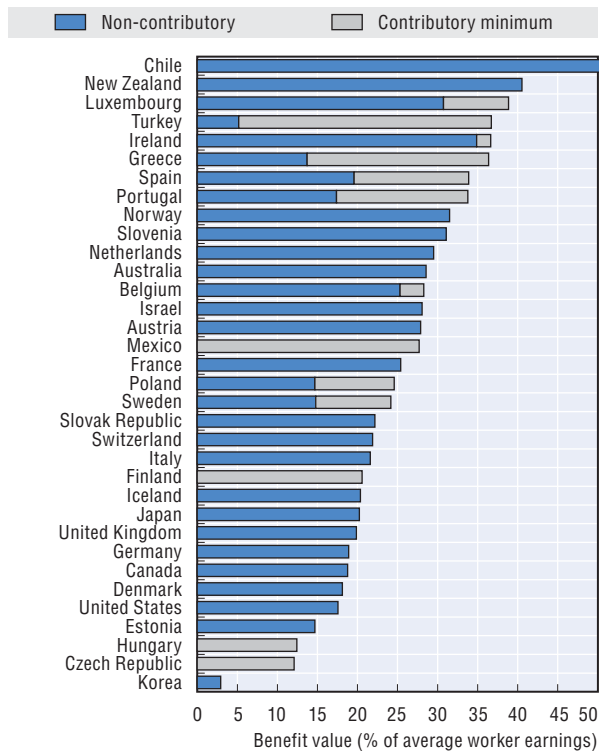
.. = Data are not available.

x = Not applicable.

StatLink <http://dx.doi.org/10.1787/888932907072>

3.4. Value of basic, targeted and minimum pensions

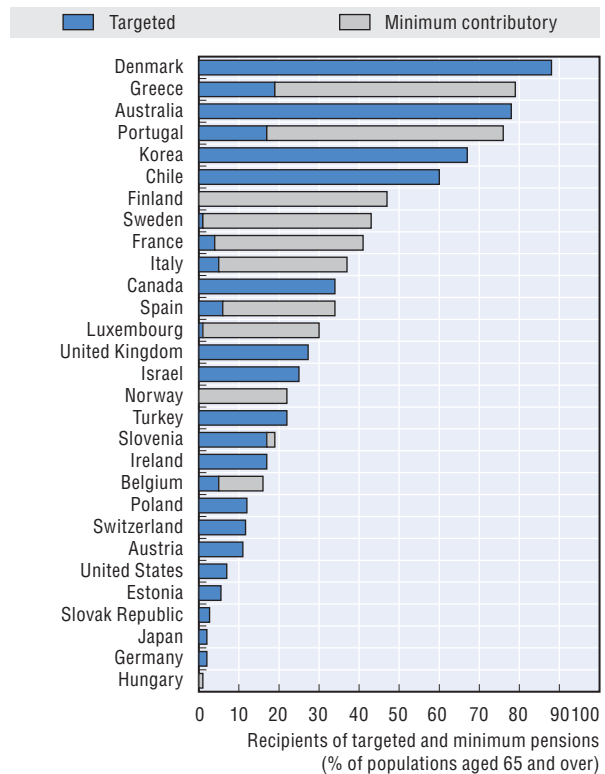
Percentage of average worker earnings



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3.5. Coverage of targeted and minimum pensions

Percentage of over 65s



StatLink <http://dx.doi.org/10.1787/888932907110>



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