

Key results

Pension contribution rates have remained broadly stable since the mid-1990s. The average contribution rate in the 25 OECD countries that levy separate public contributions increased from 19.2% in 1994 to 19.6% in 2012, reaching a high of 20.0% in 2004. This probably reflects governments' concerns over the effect on employment of high labour taxes. Indeed, these concerns seem to have taken precedence over the pressure on pension-system finances from ageing populations and maturing of schemes.

In the 23 countries for which data are available, revenues from these contributions were worth an average of 5.2% of national income, representing 15.8% of total government revenues raised from taxes and contributions.

Most of the measures presented in *Pensions at a Glance* look at the benefits side of the pension system. These indicators look at the contribution side.

The left-hand side of the table looks at the evolution of contribution rates. Around two-thirds of countries with separate pension contributions saw rates unchanged between 2009 and 2012: Austria, Belgium, Canada, Chile, the Czech Republic, Estonia, France, Greece, Israel, Korea, Luxembourg, the Netherlands, Poland, the Slovak Republic, Slovenia, Spain, Switzerland and Turkey. In addition, there were only very small changes in Germany, Hungary, Italy and Sweden. There were significant increases in contribution rates in the Czech Republic, with a smaller increase also in Finland and Japan. In contrast, there were cuts in contribution rates in the United States.

The right-hand side of the table looks at the money raised from contributions to public pension schemes. The revenue figures complement those for the contribution rate, because they illustrate the effect of other parameters of the pension system. For example, most OECD countries have ceilings on pension contributions, which range from around the level of average earnings to 3.3 times in Italy and 6.0 times in Mexico. A lower ceiling will, of course, reduce revenues for a given contribution rate. In other countries, there are floors to contributions, which can mean that low earners pay little or no contributions. Finally, some countries' revenues may be affected by the size of the informal sector or under-reporting of earnings.

Public revenues from pension contributions are highest in Greece and Spain, at 9.2% of gross domestic product (GDP), followed by Finland and Italy at 9.0%.

Despite the contribution rate in Turkey being around the same as the OECD average, it raises just 2.4% of national income in contributions, reflecting the size of the informal sector. Contribution revenues are also low in Canada – 2.6% of GDP – because of the low contribution rate (half the OECD average) and the low ceiling (around average earnings).

On average, employee contributions raise a total of 1.8% of GDP compared with 3.0% of GDP for employers' contributions. Employees pay 35% of the total, on average, compared with 57% of the total paid by employers. (The remainder is mainly accounted for contributions from the self-employed, although it also includes contribution from other groups, such as the unemployed.) The great bulk of contributions is levied on employers in the Czech Republic, Finland, Hungary, Italy and Spain. However, it is important to bear in mind that levies on employers have been shown in numerous economic analyses to be passed, in part or in full, onto workers. This can take the form of lower wages or fewer jobs. In many countries, the contributions are evenly balanced between employer and employee levies, including Canada, Germany, Japan, Korea, Luxembourg, Poland and Switzerland.

The final column of the table shows pension contributions as a percentage of total government revenues from taxes and contributions. This time, Spain is again highest with pension contributions accounting for 28% of total revenues, with Greece next at 25.5%. In Australia, Denmark and New Zealand, pensions are financed by general revenues. For the reasons explained above, pension contributions are a relatively small part of government revenues in Canada, Korea and Turkey.

6.1. Public pension contribution rates and revenues

	Pension contribution rate (% of gross earnings)							Pension contribution revenues, 2011				
	1994	1999	2004	2009	2012	Employee 2012	Employer 2012	(% of GDP)			(% of total taxes)	
								Employee	Employer	Total		
OECD members												
Australia			Private pension contributions only					0.0	0.0	0.0	0.0	
Austria	22.8	22.8	22.8	22.8	22.8	10.3	12.6	3.5	3.7	7.8	20.1	
Belgium	16.4	16.4	16.4	16.4	16.4	7.5	8.9	2.3	2.0	4.7	11.5	
Canada	5.2	7.0	9.9	9.9	9.9	5.0	5.0	1.2	1.2	2.6	9.1	
Chile			29.8	29.8	29.8	28.8	1.0					
Czech Republic	26.9	26.0	28.0	28.0	28.0	6.5	21.5	1.8	6.0	8.3	24.7	
Denmark			Private pension contributions only					0.0	0.0	0.0	0.0	
Estonia			35.0	22.0	22.0	2.0	20.0					
Finland	18.6	21.5	21.4	21.6	22.8	5.2	17.7	1.8	6.8	9.0	22.9	
France	21.5	16.7	16.7	16.7	16.7	6.8	9.9					
Germany	19.2	19.7	19.5	19.9	19.6	9.8	9.8	2.8	3.2	6.9	20.2	
Greece	20.0	20.0	20.0	20.0	20.0	6.7	13.3	3.4	4.3	9.2	25.5	
Hungary	30.5	30.0	26.5	33.5	34.0	10.0	24.0	1.4	6.4	8.3	23.0	
Iceland			No separate pension contribution									
Ireland			No separate pension contribution									
Israel			6.1	6.9	6.9	3.9	3.1					
Italy	28.3	32.7	32.7	32.7	33.0	9.2	23.8	2.2	6.8	9.0	21.1	
Japan	16.5	17.4	13.9	15.7	16.8	8.4	8.4	3.2	3.1	6.3	22.8	
Korea	6.0	9.0	9.0	9.0	9.0	4.5	4.5	1.2	0.9	2.1	9.0	
Luxembourg	16.0	16.0	16.0	16.0	16.0	8.0	8.0	2.8	2.4	5.9	17.4	
Mexico			Private pension contributions only					0.0	0.0	0.0	0.0	
Netherlands	17.9	17.9	17.9	17.9	17.9	17.9	0.0					
New Zealand			No contributions					0.0	0.0	0.0	0.0	
Norway			No separate pension contribution									
Poland		19.5	19.5	19.5	19.5	9.8	9.8	3.0	2.6	6.8	24.1	
Portugal			No separate pension contribution									
Slovak Republic	28.5	27.5	26.0	18.0	18.0	4.0	14.0	0.9	2.5	4.3	16.4	
Slovenia			24.4	24.4	24.4	15.5	8.9					
Spain	29.3	28.3	28.3	28.3	28.3	4.7	23.6	1.4	6.8	9.2	28.0	
Sweden	19.1	15.1	18.9	18.9	18.4	7.0	11.4	2.5	3.6	6.2	14.6	
Switzerland	9.8	9.8	9.8	9.8	9.8	4.9	4.9	2.7	2.7	5.9	21.5	
Turkey	20.0	20.0	20.0	20.0	20.0	9.0	11.0	1.1	1.3	2.4	12.0	
United Kingdom			No separate pension contribution									
United States	12.4	12.4	12.4	12.4	10.4	4.2	6.2	2.1	2.1	4.2	18.5	
OECD34	19.2	19.3	20.0	19.6	19.6	8.4	11.2	1.8	3.0	5.2	15.8	
Other major economies												
Argentina			28.0	23.7	23.7	11.0	12.7					
Brazil			31.0	31.0	31.0	11.0	20.0					
China			28.0	28.0	28.0	8.0	20.0					
India			24.0	24.0	24.0	12.0	12.0					
Indonesia			6.0	6.0	6.0	2.0	4.0					
Russian Federation			28.0	26.0	22.0	0.0	22.0					
Saudi Arabia			18.0	18.0	18.0	9.0	9.0					
South Africa			No contributions									
EU27			23.8	22.5	22.6	8.0	14.6					

Note: In some cases, pension contribution revenues have been calculated assuming that the revenues are split between different social security programmes in the same proportion as the contribution rates. The total contribution includes payments from people who are not employed (principally the self-employed).

Source: OECD (various years), *Taxing Wages*; OECD (2013), *Revenue Statistics*; Social Security Administration, United States (various years), *Social Security Programs throughout the World*; OECD pension and tax models.

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