

1. GROSS PENSION WEALTH

Gross pension wealth, indicating the magnitude of the pension promise, ranges, for men, from a high of 19.1 in China for low earners to a low of 2.6 in Indonesia for high earners. The value for women in China is actually even higher at 19.7, meaning that someone on 50% average lifetime earnings has a mandatory pension worth 19.7 times their earnings level at retirement. China has considerably higher levels than for any other Asian economy, though the values for men in Viet Nam are still over 15 across all the earnings levels.

Pension wealth shows the size of the lump sum that would be needed to buy a flow of pension payments equivalent to that promised by the mandatory pension system in each economy. Pension wealth is measured and expressed as a multiple of gross annual individual earnings. It is shown here for workers with earnings of 50%, 100% and 200% of the average, separately for men and women. For a fuller picture though consideration needs to be given to both retirement ages and life expectancy variation across economies. For example, the general retirement age within OECD countries is 65, whereas for the non-OECD economies it is generally either 55 or 60 for men. Whilst it is shown later that the life expectancy levels in non-OECD economies are lower than for OECD countries the actual duration of retirement is longer in the non-OECD economies for those who reach retirement age.

The average pension wealth for the OECD is 9.3 for average earners, 12.3 for 50% average earners and 7.4 for 200% average earners. The other OECD economies are generally below these averages apart from Italy at the 100% and 200% earnings levels. For the Asian/Pacific OECD economies they are all lower than the OECD average at all earnings levels, with the exception of Australia and New Zealand at the low earners level. For the non-OECD economies China, India and Viet Nam are higher at all earnings levels, with Sri Lanka also having a higher pension wealth at 200% average earnings.

China has the highest pension wealth of all for each of the earnings levels, with the exception of the 200% level where Viet Nam is slightly higher. The lowest pension wealth figures are found in Indonesia, which has a constant rate of 2.6 for all earnings levels. The value for China is over seven times that of Indonesia for men with lifetime earnings equivalent to 50% average within their economy.

The level of pension wealth either remains steady or declines as the level of earnings increases in all the other economies. In China for 200% average earners the level of pension wealth is approximately two-thirds that for 50% average earners. The same applies in the Philippines, Singapore, Thailand, India, Japan, Korea and the United States, though in all cases the actual lump-sum value for 200% average earners is at least double. For example the lump sum in China for 50% average earners is $19.1 * 0.5 = 9.6$ times average earnings, compared to $13.3 * 2.0 = 26.6$ times average earnings for those at the 200% earnings level. For New Zealand the pension wealth at 200% average earnings is half that for average earnings, which in turn is half that for 50% average earnings. This is expected as the mandatory pension in New Zealand is not dependent on earnings and so for all earnings levels the pension wealth is worth 8.8 times individual earnings for men and 9.9 individual earnings for women. The difference between sexes is due to the difference in life expectancies.


There is limited regional variation with South Asia being relatively consistent with all three countries having virtually identical values at average earnings levels with India higher for low and Sri Lanka for high earners.

As mentioned earlier the levels of pension wealth for women are generally higher than those for men. Only Sri Lanka has higher levels for men than women, though the levels are identical for Indonesia, Malaysia and Singapore across all earnings levels. The variation for women is also greater than that for men, ranging from 20.0 in China for 50% average earnings to 2.6 in Indonesia for all earners. The rate of decline in pension wealth as earnings increase is virtually identical between the sexes for all the economies included.

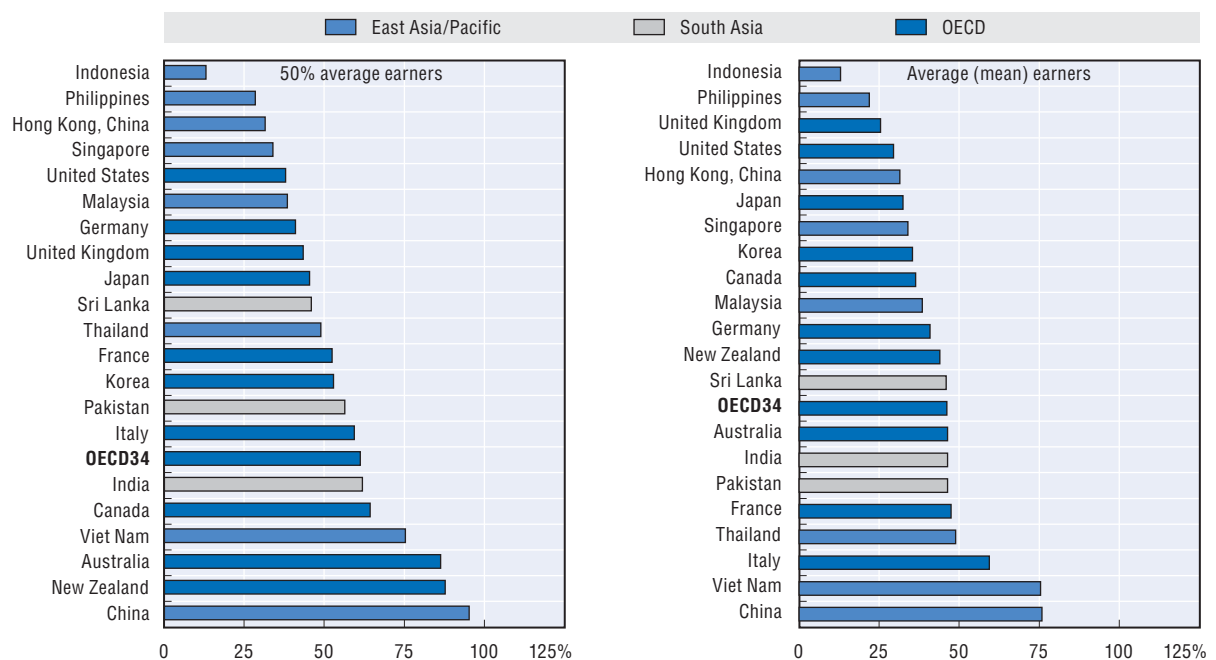
1.7. Gross pension wealth by earnings, men and women

Multiple of individual annual gross earnings


Individual earnings (% average)	Men			Women		
	50	100	200	50	100	200
East Asia/Pacific						
China	19.1	15.2	13.3	19.7	15.3	13.1
Hong kong, China	6.3	6.3	5.4	6.7	6.6	6.1
Indonesia	2.6	2.6	2.6	2.6	2.6	2.6
Malaysia	7.7	7.7	7.7	7.7	7.7	7.7
Philippines	5.7	4.4	3.3	6.8	5.3	3.9
Singapore	6.8	6.8	3.9	6.8	6.8	3.9
Thailand	9.8	9.8	6.5	10.7	10.7	7.1
Viet Nam	15.1	15.1	15.1	19.2	19.2	19.2
South Asia						
India	12.4	9.3	7.7	13.0	9.6	7.9
Pakistan	11.3	9.3	4.6	13.2	10.3	5.1
Sri Lanka	9.2	9.2	9.2	7.6	7.6	7.6
OECD Asia-Pacific						
Australia	17.3	9.3	6.5	19.0	9.7	6.5
Canada	12.9	7.3	3.7	14.6	8.3	4.1
Japan	9.1	6.5	5.1	10.5	7.5	5.9
Korea	10.6	7.1	3.9	12.4	8.3	4.6
New Zealand	17.6	8.8	4.4	19.8	9.9	4.9
United States	7.6	5.9	4.4	8.5	6.6	4.9
Other G7						
France	10.5	9.5	6.8	12.5	11.4	8.1
Germany	8.2	8.2	6.2	9.6	9.6	7.2
Italy	11.9	11.9	11.8	13.7	13.7	13.5
United Kingdom	8.7	5.1	2.6	9.5	5.6	2.9
OECD34	12.3	9.3	7.4	14.1	10.6	8.4

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1.8. Gross pension wealth by earnings, low and average earners



Source: OECD pension models.

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