

1. GROSS REPLACEMENT RATES WITH ENTRY AT AGE 30

Gross replacement rates, for those starting their career at age 30 vary greatly across Asia, from 9.3% in Indonesia to 65.0% in Viet Nam. These are the extremes for average earners but findings are also given at 50% and 200% of average earnings. Replacement rates generally decline as earnings increase and are usually higher for men than for women.

Under the baseline assumptions used in this report, workers enter the labour market at age 20 and work until the standard retirement age. For the OECD countries this generally results in a career of at least 45 years. For the non-OECD economies this can lead to a career of between 30 and 45 years depending on sex and economy.

The reality though is that the career length is shorter than this baseline assumption: some workers start paid work later than age 20, and many spend time out of the labour market for various reasons. In addition, early retirement is common, particularly in the OECD economies. As a sensitivity analysis, therefore, gross replacement rates are presented here for a shorter career. The alternative assumption is that workers enter the labour market at age 30. This results in a career length of between 20 and 35 years again depending on sex and economy, though the career length is slightly longer in a few OECD countries with retirement ages beyond 65 years.

For workers at average earnings, the average gross replacement rate for the 34 OECD countries is 46.1% for men and 45.5% for women. There is very little variation across Asia-Pacific OECD economies, with Australia at the top of the range, offering replacement rates of 49% and Japan lowest with only 29%. It is noticeable though that all the economies in that region are well below the OECD average, with the exception of Australia, which is above the average, and Canada at just below the average. For South Asia the replacement rates in Pakistan are well above those of India and Sri Lanka, with Pakistan having the third highest replacement rate in Asia at 49.4%, with only Viet Nam and China with higher rates. In contrast the replacement rate in Indonesia is only 9.3%. In fact the replacement rates in East Asia/Pacific are below 30% in four of the eight economies and above 55% in another two, with Thailand at 33% and the Philippines at 38% being the exceptions.

For low earners the replacement rates are at least equal to those for average earners. The OECD average


at this earnings level is 63.2% for men, though of the OECD countries listed, only Australia, New Zealand and Canada have higher replacement rates. Australia is the highest at 85.7% and it should be noted that the pensions in both Canada and New Zealand are based on residency and not earnings. Within South Asia, Pakistan has a replacement rate well above that in India and it is more than twice that of Sri Lanka, which has a constant replacement rate irrespective of earnings level. For East Asia/Pacific the trend is again similar to that for average earners with China having the highest, at 71.2%, followed by Viet Nam at 65.0%, and lowest in Indonesia at 9.3%. As with the average earners there is variation in the rates with four economies below 30% and two economies above 65%, with Thailand at 33% and the Philippines at 49%.

High earners have an average replacement rate of 36.1% for the 34 OECD countries, with Italy being the only country listed with a replacement rate significantly higher than this average, at 55.8%. For the Asia-Pacific OECD economies there is little variation in the replacement rates with less than 3% separating three of the economies with Australia and the United States higher at 29.3% and 28.2% respectively and Korea being lower at 17.0%. In South Asia Pakistan now has a replacement rate below that of both India and Sri Lanka, because of the ceiling to contributions. The replacement rate in Viet Nam is again higher than that in Pakistan, and is highest at this earnings level, at 65%. As before there are two economies in East Asia/Pacific with substantially higher replacement rates, namely Viet Nam and China, than the remaining six. The lowest replacement rate is in Indonesia at only 9.3% for twice average earners.

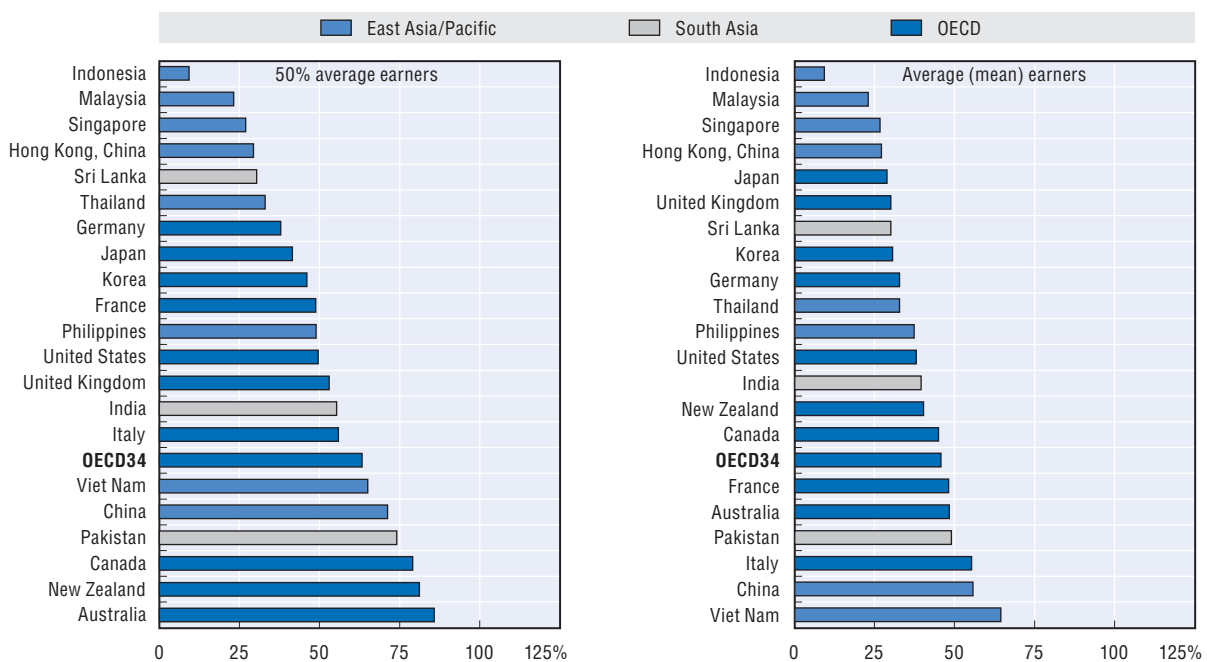
For women the replacement rates are below, or at best equal to, those for men, without exception. Whilst most OECD countries have the same replacement rates for men and women it is noticeable that all the non-OECD economies, apart from Thailand and the Philippines, have lower replacement rates for women than for men.

1.5. Gross replacement rates by earnings: entry at age 30, men and women


Individual earnings (% average)	Men			Women		
	50	100	200	50	100	200
East Asia/Pacific						
China	71.2	56.2	48.7	54.6	42.1	35.9
Hong kong, China	29.4	27.3	25.0	27.8	24.9	22.4
Indonesia	9.3	9.3	9.3	8.5	8.5	8.5
Malaysia	23.2	23.2	23.1	21.0	21.0	21.0
Philippines	48.9	37.7	28.2	48.9	37.7	28.2
Singapore	26.9	26.9	15.2	24.1	24.1	13.6
Thailand	33.0	33.0	21.8	33.0	33.0	21.8
Viet Nam	65.0	65.0	65.0	60.0	60.0	60.0
South Asia						
India	55.3	39.9	32.2	52.3	37.1	29.6
Pakistan	74.1	49.4	24.7	74.1	41.2	20.6
Sri Lanka	30.3	30.3	30.3	19.1	19.1	19.1
OECD Asia-Pacific						
Australia	85.7	48.7	29.3	82.4	45.5	26.1
Canada	79.0	45.4	22.7	79.0	45.4	22.7
Japan	41.5	29.1	22.5	41.5	29.1	22.5
Korea	46.0	30.8	17.0	46.0	30.8	17.0
New Zealand	81.1	40.6	20.3	81.1	40.6	20.3
United States	49.5	38.3	28.2	49.5	38.3	28.2
Other G7						
France	48.8	48.5	36.2	48.8	48.5	36.2
Germany	37.9	33.0	24.8	37.9	33.0	24.8
Italy	55.8	55.8	55.8	56.0	56.0	56.0
United Kingdom	53.0	30.3	15.7	53.0	30.3	15.7
OECD34	63.2	46.1	36.1	62.6	45.5	35.7

StatLink  <http://dx.doi.org/10.1787/888932904792>

1.6. Gross replacement rates by earnings: entry at age 30, low and average earners



Source: OECD pension models.

StatLink  <http://dx.doi.org/10.1787/888932904811>



From:
Pensions at a Glance Asia/Pacific 2013

Access the complete publication at:
https://doi.org/10.1787/pension_asia-2013-en

Please cite this chapter as:

OECD (2013), "Gross replacement rates with entry at age 30", in *Pensions at a Glance Asia/Pacific 2013*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/pension_asia-2013-7-en

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