Gross replacement rates, showing pension benefit as a share of individual lifetime average earnings, vary greatly across Asia, from 14.1% in Indonesia to 77.9% in China. These are the extremes for average earners but estimates 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.

Often, the replacement rate is expressed as the ratio of the pension over the final earnings before retirement. However, the indicator used here shows the pension benefit as a share of individual lifetime average earnings (re-valued in line with economy-wide earnings growth). Under the baseline assumptions, workers earn the same percentage of economy-wide average earnings throughout their career. In this case, lifetime average re-valued earnings and individual final earnings are identical.

For workers at average earnings, the average for the OECD countries of the gross replacement rate from mandatory pensions is 54.4% for men and 53.7% for women. There is little variation across Asia-Pacific OECD economies, with Australia at the top of the range, offering replacement rates of 52.3% and Japan at the bottom with only 35.6%. The rates for the non-OECD economies do have a wide range, going from 78% for China to 14% for Indonesia, though the next lowest are Hong Kong and Malaysia at 35%, meaning Indonesia is a clear outlier. Regional variation also exists with Pakistan having a replacement rate approximately one-half higher than Sri Lanka, whilst the majority of the remaining Asia-Pacific economies have replacement rates between 35% and 55%. The non-Asian OECD economies normally have lower replacement rates with Italy and, to a lesser degree, France being slight exceptions with replacement rates of 71% and 59% respectively.

Low earners – workers earning only half the mean – have higher replacement rates than mean earners: on average, 71% for the OECD. This reflects the fact that most economies attempt to protect low income workers from old-age poverty. The cross-economy variation of replacement rates at this earnings level is much higher than it is for pensions of those who earn twice the average. The highest gross replacement rates for low earners are found in China at 98%, which means that full-career workers with permanently low earnings have approximately the same income, upon retirement, as when they were working. The lowest rate is again observed in Indonesia, which has a replacement rate of 14% for low earners. Australia has the highest replacement rate amongst Asian OECD economies at 91%, more than twice that of Germany.

For high earners – working earning twice the mean – China again offers the highest pensions, with a replacement rate of 68%, closely followed by Viet Nam which has a steady replacement rate of 67% across all the earnings levels. The variation across economies in replacement rates for high earners is much smaller than it is for people on low or average pay. Indonesia is again at the bottom of the rankings though it is followed by the United Kingdom, New Zealand, Singapore and Korea all with replacement rates less than 22%. Again the majority of the non-OECD economies have higher replacement rates than their OECD counterparts, with the exception of Italy. Five of the eleven non-OECD economies have a higher replacement rate than the OECD average of 43.6%, compared to only one of the ten OECD countries listed. The replacement rates in Australia and Korea are approximately half the level for low earners for Australia and well below half in Korea. For Canada and the United Kingdom the replacement rates are at one-third of the level for low earners, while for New Zealand they are only at one-quarter of the level.

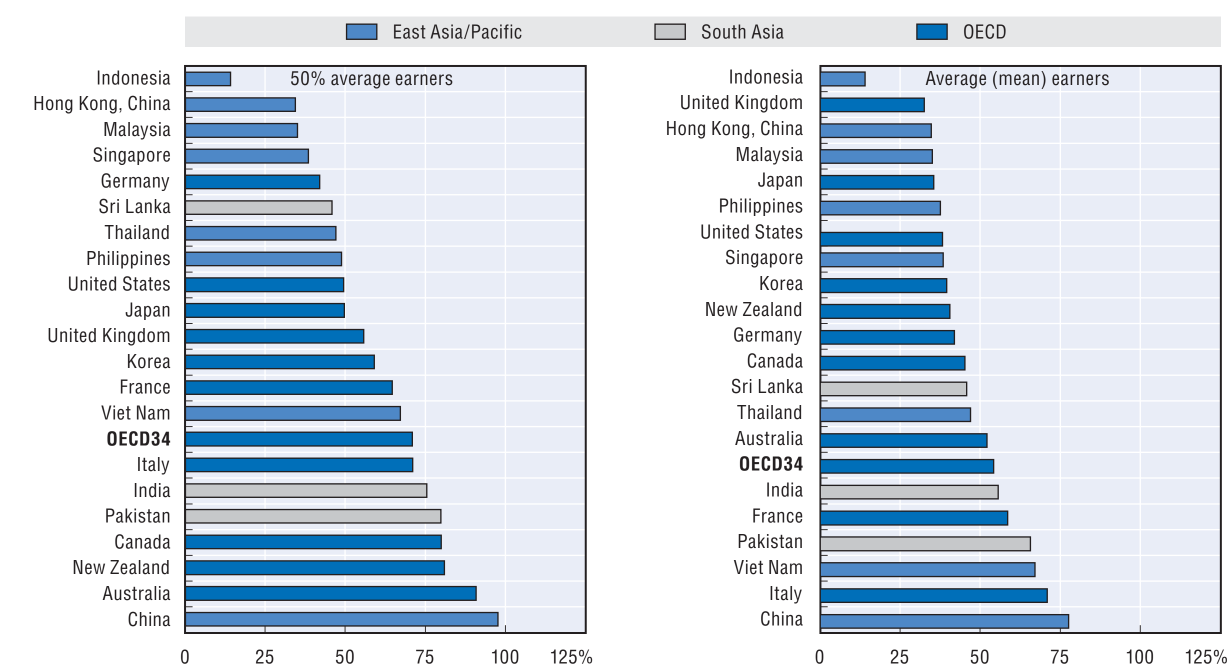
For women the replacement rates are below, or at best equal to, those for men, without exception. Whilst most OECD countries have the same replacement rates for men and women it is noticeable that all the non-OECD economies, apart from Thailand and the Philippines, have lower replacement rates for women than for men. The majority of non-OECD economies are now actually below the OECD average across all the earnings levels, which is the opposite of the findings for men. This is particularly the case for low earners where nine of the eleven non-OECD economies listed are below the OECD average, with the exceptions being China and India.

1.1. Gross replacement rates by earnings, men and women

	Men			Women		
Individual earnings (% average)	*50*	*100*	*200*	*50*	*100*	*200*
East Asia/Pacific						
China	97.9	77.9	67.9	78.5	61.0	52.2
Hong kong, China	34.4	34.8	29.5	32.2	31.5	29.5
Indonesia	14.1	14.1	14.1	13.0	13.0	13.0
Malaysia	35.1	35.1	35.1	31.9	31.9	31.9
Philippines	48.9	37.7	28.2	48.9	37.7	28.2
Singapore	38.5	38.5	21.7	34.4	34.4	19.4
Thailand	47.1	47.1	31.1	47.1	47.1	31.1
Viet Nam	67.3	67.3	67.3	61.8	61.8	61.8
South Asia						
India	75.6	55.8	45.9	71.2	51.8	42.1
Pakistan	80.0	65.9	32.9	74.1	57.6	28.8
Sri Lanka	45.9	45.9	45.9	31.0	31.0	31.0
OECD Asia-Pacific						
Australia	91.1	52.3	38.7	86.6	47.8	34.3
Canada	80.1	45.4	22.7	80.1	45.4	22.7
Japan	49.8	35.6	28.0	49.8	35.6	28.0
Korea	59.2	39.6	21.9	59.2	39.6	21.9
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	64.8	58.8	41.8	64.8	58.8	41.8
Germany	42.0	42.0	31.5	42.0	42.0	31.5
Italy	71.2	71.2	71.2	71.2	71.2	71.2
United Kingdom	55.8	32.6	16.9	55.8	32.6	16.9
OECD34	**71.0**	**54.4**	**43.6**	**70.3**	**53.7**	**43.0**

StatLink http://dx.doi.org/10.1787/888932904716

1.2. Gross replacement rates by earnings, low and average earners



Source: OECD pension models.

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