

1. NET PENSION WEALTH

Net pension wealth, the present value of the flow of pension benefits, again varies by economy, ranging from 19.1 for men in China (19.7 for women) to 2.6 in Indonesia, for both men and women. As with gross pension wealth the values in China are well above every other economy and are now approximately double the OECD average at every earnings level. However Viet Nam is higher than China at the 200% earnings level, followed by Sri Lanka.

Net pension wealth shows the size of the lump sum that would be needed to buy the flow of pension payments, net of personal income taxes and social security contributions, promised by the mandatory pension system in each economy. It is measured and expressed as a multiple of gross annual individual earnings in the respective economy. Gross earnings are used as the comparator to isolate the effects of taxes and contributions paid in retirement from those paid when working. This means that gross and net pension wealth are the same where people are not liable for contributions and income taxes on their pensions. The charts compare gross and net pension wealth for men and women respectively. In economies that lie on the 45-degree line, gross and net pension wealth are the same because there are no taxes due on pension income.

For average earners net pension wealth is identical to that of gross pension wealth in only two OECD countries, namely Australia and Canada, which have identical values of pension wealth, net and gross, for each of the earnings levels. The same is not the case for the non-OECD economies as the majority here have identical pension wealth, net and gross. For average earners there are no economies with different values. In fact no matter which level of earnings is chosen, there is only one non-OECD economy that has a different value for net and gross pension wealth, namely China for high earners.

The average for the OECD countries is 11.4 for low earners, 8.7 for average earners and 6.6 for high earners. Australia and Italy have a higher value for average earners, with only Italy having a higher value at the 200% earnings level, and Australia, Canada and

New Zealand have higher values at 50% average earnings. As with the gross pension wealth the values for New Zealand half on each doubling of earnings as the mandatory pension is not affected by earnings but rather residency rules.

For high earners the non-OECD Asian economies dominate with China, Malaysia, Viet Nam, India and Sri Lanka having values above the OECD average, with none of the Asian OECD countries having a higher value than the OECD average. The values in both China and Viet Nam are approximately twice that of the OECD average. Even the variation within the other OECD countries is apparent with Italy having a net pension wealth over three times that of the United Kingdom for high earners.


For low earners China, Viet Nam and India all have a net pension wealth higher than the OECD average. The value in China at 19.1 is over seven times the value in Indonesia. For the OECD it is only three of the six Asia-Pacific economies, namely Australia, Canada and New Zealand that have a net pension wealth above the OECD average. The remaining OECD countries all have similar values between 7.4 and 10.9, but all are below the 11.4 OECD average.

For women the same pattern is repeated as for the gross pension wealth, in that only Sri Lanka has higher net pension wealth figures for men than women, with Indonesia, Malaysia and Singapore again being identical for both sexes. The remaining economies, both OECD and non-OECD all have net pension wealth estimates that are higher for women than for men.

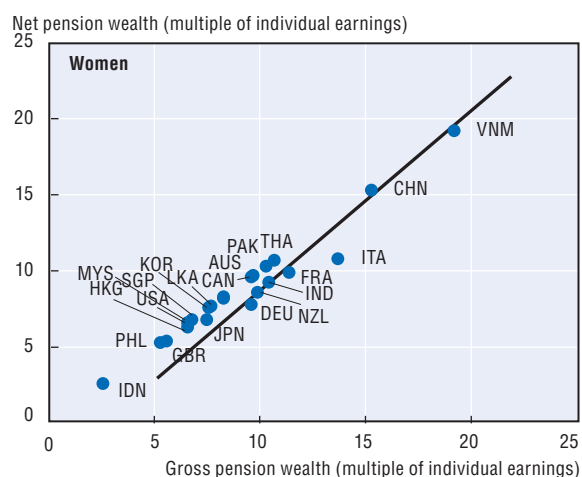
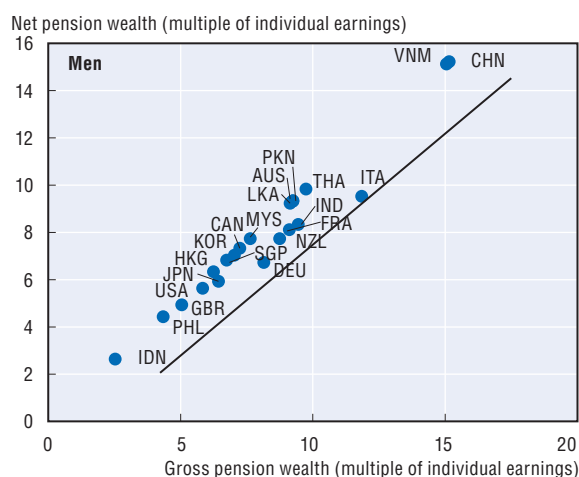
1.9. Net pension wealth by earnings, men and women

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	13.1	19.7	15.3	13.0
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	15.0	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	8.0	5.9	4.4	9.3	6.8	5.1
Korea	10.6	7.0	3.9	12.3	8.2	4.5
New Zealand	15.4	7.7	3.8	17.3	8.6	4.3
United States	7.5	5.6	4.0	8.4	6.3	4.5
Other G7						
France	9.7	8.3	5.8	11.6	9.9	6.9
Germany	7.4	6.7	4.6	8.6	7.8	5.4
Italy	10.9	9.5	8.2	12.5	10.8	9.4
United Kingdom	8.6	4.9	2.5	9.4	5.4	2.8
OECD34	11.4	8.6	6.4	12.8	9.7	7.1


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1.10. Gross versus net pension wealth for average earner, men and women



Note: The scales of both charts have been capped at gross pension wealth of 15 times individual earnings, which excludes Luxembourg and the Netherlands from both charts and Greece, Hungary and Iceland from the chart for women.

Source: OECD pension models.

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