

Key Results

Public spending on cash old-age pensions and survivors' benefits in the OECD increased from an average of 6.6% of gross domestic product (GDP) to 8.0% between 2000 and 2015. Public pensions are often the largest single item of social expenditure, accounting for 18.4% of total government spending on average in 2015.

Greece spent the largest proportion of national income on public pensions among OECD countries in 2015: 16.9% of GDP. Other countries with high gross public pension spending are in continental Europe, with Italy at 16.2% and Austria, France and Portugal at between 13% and 14% of GDP. Public pensions generally account for between one-fourth and one-third of total public expenditure in these countries.

Iceland and Mexico spent 2.1% and 2.2% of GDP on public pensions, respectively. Korea is also a low spender at 2.9% of GDP. Mexico has a relative young population, which is also the case but to a lesser extent in Iceland, where much of retirement income is provided by compulsory occupational schemes (see the next indicator of "Pension-benefit expenditures: Public and private"), leaving a lesser role for public pensions; in addition the retirement age is high at age 67. Korea's pension system is not mature yet: the public, earnings-related scheme was only established in 1988 and the new targeted basic pension was introduced only in 2014. In Mexico, low spending also reflects relatively narrow coverage of pensions (only around 35% of employees).

Spending also tends to be low in countries with favourable demographics, such as Australia, Canada, Ireland and New Zealand. However, this is not always the case: Turkey spends 7.1% of GDP on public pensions despite being the second youngest OECD country in demographic terms. This is more than the Netherlands, Switzerland and the United Kingdom, despite the fact that these countries have a higher share of people aged over 65 as a share of the total population than in Turkey.

Trends

Public pension spending was fairly stable as a proportion of GDP over the period 1990-2015 in ten countries: Australia, Germany, Iceland, Israel, Lithuania, New Zealand, Poland, Slovenia, Sweden and Switzerland.

Public pension expenditure increased by more than 4 points of GDP between 2000 and 2015 in Finland, Greece, Portugal and Turkey, and between 2 and 3 percentage points in France, Italy, Japan and Spain.

Gross and net spending

The penultimate column of the table shows public spending in *net* terms: after taxes and contributions paid on benefits. Net spending is significantly below gross spending in Austria, Belgium, France, Italy, Poland, Switzerland and the Nordic countries, due to taxes on pension benefits. Gross and net spending are similar where pensions are not taxable such as in the Slovak Republic or where public benefits are generally below basic tax reliefs (Australia, the Czech Republic, Ireland and Slovenia).

Non-cash benefits


The final column of the table shows total gross public spending on older people, including non-cash benefits. In Denmark, Norway and Sweden, non-cash benefits exceed 2% of GDP. The most important are housing benefits. These are defined as "non-cash benefits" because they are contingent on particular expenditure by individuals. Australia, Finland, Japan and the Netherlands also record high figures for non-cash benefits.

Table 8.3. Public expenditure on old-age and survivors benefits

	Level (% of total government spending)		Level (% of GDP)					Change of level	Level in net terms (% of GDP)	Total including non-cash (% of GDP)
	2000	2015	1990	2000	2005	2010	2015	2000-2015	2015	2015
Australia	11.4	11.4	3.1	4.7	3.7	3.8	4.3	-0.4	4.3	5.3
Austria	23.3	26.1	11.3	11.9	11.9	13.0	13.3	1.4	10.9	13.9
Belgium	17.8	19.9	8.9	8.8	8.9	9.8	10.7	2.0	9.3	11.0
Canada	10.1	11.5	4.2	4.2	4.0	4.3	4.7	0.5	4.4	4.7
Chile			8.0	5.0	3.7	3.4	2.9	-2.1	2.9	2.9
Czech Republic	16.8	19.4	5.6	6.9	6.7	8.1	8.1	1.2	8.1	8.3
Denmark	12.0	14.8	6.1	6.3	6.5	7.2	8.1	1.8	5.9	10.2
Estonia	16.5	17.4		6.0	5.3	7.6	7.0	1.0	6.9	7.1
Finland	15.5	20.0	7.2	7.4	8.1	9.8	11.4	4.0	9.2	13.0
France	22.2	24.4	10.4	11.4	12.0	13.2	13.9	2.5	12.5	14.3
Germany	24.2	23.1	9.5	10.8	11.1	10.6	10.1	-0.7	9.7	10.1
Greece	21.9	31.3	9.5	10.2	11.4	14.2	16.9	6.7	15.7	16.9
Hungary	15.8	18.4		7.4	8.3	9.6	9.2	1.8	9.2	9.7
Iceland	5.1	4.9	2.2	2.1	1.9	1.6	2.1	0.0	1.8	2.5
Ireland	9.5	12.4	4.8	2.9	3.2	4.9	3.6	0.7	3.5	3.9
Israel	9.4	12.0		4.5	4.7	4.8	4.8	0.3	4.8	5.4
Italy	28.9	32.2	11.4	13.5	13.7	15.4	16.2	2.7	13.2	16.2
Japan		23.9	4.7	7.0	8.1	9.6	9.4	2.4	8.9	11.1
Korea	5.4	9.0	0.7	1.3	1.5	2.1	2.9	1.6	2.9	3.0
Latvia	23.2	18.4		8.7	5.5	9.3	7.0	-1.6	6.7	7.4
Lithuania	17.9	19.2		7.1	5.7	7.7	6.7	-0.4		6.9
Luxembourg	18.8	20.1	7.8	7.1	7.8	8.0	8.4	1.2	7.1	8.4
Mexico		7.9	0.4	0.8	1.0	1.6	2.2	1.5	2.2	2.2
Netherlands	11.2	12.0	6.3	4.7	4.7	5.0	5.4	0.7	4.9	6.2
New Zealand	13.0	12.7	7.2	4.8	4.2	4.6	4.9	0.1	4.2	4.9
Norway	11.2	13.5	5.5	4.7	4.8	5.2	6.6	1.9	5.3	8.8
Poland	24.9	26.4	5.0	10.5	11.3	11.1	11.1	0.7	9.6	11.2
Portugal	18.3	27.7	4.8	7.8	10.0	12.0	13.3	5.5	13.3	13.4
Slovak Republic	12.0	16.2		6.3	6.0	6.8	7.3	1.1	7.3	7.6
Slovenia	22.4	23.3		10.3	9.7	11.0	11.1	0.8	11.1	11.3
Spain	21.5	25.2	7.7	8.4	7.9	9.1	11.0	2.6	10.5	11.6
Sweden	12.9	14.4	7.3	6.9	7.2	7.3	7.2	0.3	5.5	9.4
Switzerland	17.8	19.1	5.1	6.0	6.2	6.1	6.5	0.5	5.1	6.8
Turkey		21.4	0.7	1.8	6.0	7.4	7.1	5.3	7.1	7.1
United Kingdom	13.4	14.8	4.5	4.8	5.0	6.3	6.2	1.4	5.9	6.6
United States	16.7	18.7	5.8	5.6	5.7	6.6	7.1	1.4	6.5	7.1
OECD	16.3	18.4	6.3	6.6	6.8	7.7	8.0	1.4	7.3	8.5

Note: See Adema, W. and M. Ladaique (2009), "How Expensive is the Welfare State? Gross and Net Indicators in the OECD Social Expenditure Database (SOCX)", *OECD Social, Employment and Migration Working Paper*, No. 92, OECD, Paris, <http://dx.doi.org/10.1787/220615515052> for more details on the data, sources and methodology.

Source: OECD Social Expenditures Database (SOCX); OECD Main Economic Indicators Database.

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