

Key results

The indicators so far have shown replacement rates, relative pension levels and pension wealth for people at different levels of earnings. By taking a weighted average of these indicators over the earnings range, the measures presented here show the average for the pension level at the time of retirement and pension wealth, the lifetime value of pension payments.

The first of these is designed to show the level of the average retirement income, taking account of the different treatment of workers with different incomes. The average pension level is 55.9% of average worker earnings for men and 55.2% for women across the OECD34 countries. The second aims to summarise the total cost of providing old-age incomes. Weighted average pension wealth is an average of 9.5 times annual average worker earnings for men and 10.9 for women.

The weighted average relative pension level combines data on the distribution of earnings with calculations of pension entitlements. This aggregate measure is then expressed as a percentage of average worker (mean) earnings. Replacement rates are generally higher for low earners and vice versa. But there are many more low earners than there are high earners.

The results are shown in the first and second columns of the table for men and women respectively. At the top of the range, the weighted average pension level is just below 95% in the Netherlands for both men and women. In another three countries – Denmark, Hungary, and Turkey – the weighted average pension level is above 80% of the average earnings. At the other end of the scale, in eight OECD countries (Belgium, Ireland, Japan, Korea, Mexico, Slovenia, the United Kingdom and the United States) the weighted average pension level is less than 40% of average earnings for both men and women.

The same type of weighting procedure can also be applied to the pension wealth measure. Pension wealth is the most comprehensive measure of the scale of the pension promise made to today's workers, as it allows for differences between countries in pension ages, life expectancy and indexation policies. Weighted average pension wealth is expressed as a multiple of average worker earnings.

The results are shown in the third and fourth columns of the table. Values well above the average for weighted average pension wealth, between 11.9 and 17.7 for men and 13.3 and 20.4 of average earnings for women, are found in Denmark, Iceland, Israel, Italy, Luxembourg, the Netherlands and Spain. When converted to United States dollars (at market exchange rates) the average pension promise amount to USD 423 000 for men and USD 483 000 for women (fifth and sixth column of the table). These numbers represent the present value of the transfers that

societies are promising on average to future retirees under the current pension system rules.

In Denmark, Luxembourg, the Netherlands, Norway, and Switzerland the average pension wealth is more than double the average in USD terms. Pension wealth is relatively low in countries with shorter life expectancy such as Mexico and Poland.

For the non-OECD countries the pension promise in all the countries is well below the OECD34 average, with the exception of Saudi Arabia recording the highest figure on a non-OECD country of USD 846 000 for men and USD 888 000 for women.

Definition and measurement

The indicators build on the calculations of pension entitlements (pension levels and pension wealth) for people earning between 0.3 and 3 times the economy-wide average.

Each level of individual earnings is given a weight based on its importance in the distribution of earnings. The calculations use national data: see in Chapter 7 the indicator of "Earnings: Averages and distribution"). The earnings distribution is skewed in all countries. The mode (or peak) of the distribution and the median (the earnings level both below and above which half of employees are situated) are significantly less than the mean. Thus, there are many people with low earnings, and fewer with high earnings, so low earners are given a larger weight in the calculation of the indicator than high earners.

Further reading

D'Addio, A.C. and H. Immervoll (2010), "Earnings of Men and Women Working in the Private Sector: Enriched Data for Pensions and Tax-Benefit Modelling", *OECD Social, Employment and Migration Working Papers*, No. 108, OECD Publishing, <http://dx.doi.org/10.1787/5km7smt2r7d2-en>.

4.22. Weighted averages: Pension levels and pension wealth

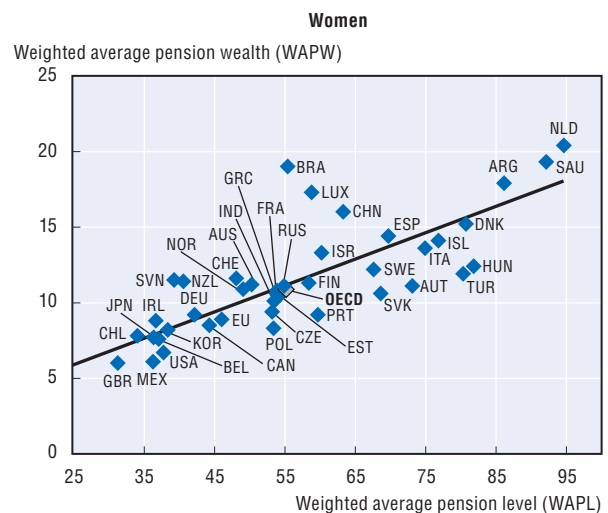
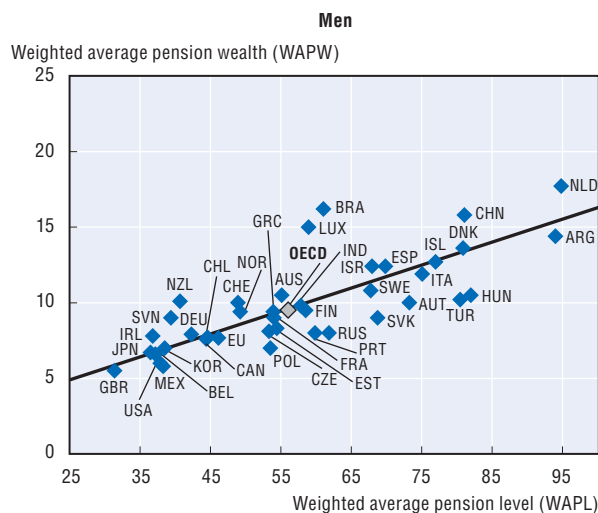
Percentage of average worker earnings

	Weighted average pension level		Weighted average pension wealth		Average pension wealth (USD)			Weighted average pension level		Weighted average pension wealth		Average pension wealth (USD)	
	Men	Women	Men	Women	Men	Women		Men	Women	Men	Women	Men	Women
OECD members							OECD members (cont.)						
Australia	55.0	50.3	10.5	11.2	802 000	856 000	Norway	49.1	49.1	9.4	10.9	863 000	1 000 000
Austria	73.1	73.1	10.0	11.1	539 000	598 000	Poland	53.4	53.4	7.0	8.3	88 000	104 000
Belgium	37.1	37.1	6.6	7.6	401 000	462 000	Portugal	59.7	59.7	8.0	9.2	166 000	191 000
Canada	44.3	44.3	7.6	8.5	357 000	400 000	Slovak Republic	68.6	68.6	9.0	10.6	117 000	137 000
Chile	44.5	34.1	7.7	7.8	100 000	101 000	Slovenia	39.3	39.3	9.0	11.5	204 000	261 000
Czech Republic	53.2	53.2	8.1	9.4	128 000	148 000	Spain	69.7	69.7	12.4	14.4	418 000	485 000
Denmark	80.7	80.7	13.6	15.2	943 000	1 054 000	Sweden	67.6	67.6	10.8	12.2	642 000	726 000
Estonia	54.3	54.3	8.3	10.5	120 000	152 000	Switzerland	48.8	48.1	10.0	11.6	949 000	1 101 000
Finland	58.4	58.4	9.5	11.3	520 000	618 000	Turkey	80.3	80.3	10.2	11.9	157 000	184 000
France	53.9	53.9	9.0	10.8	435 000	522 000	United Kingdom	31.3	31.3	5.5	6.0	321 000	350 000
Germany	42.2	42.2	7.9	9.2	467 000	544 000	United States	37.8	37.8	6.0	6.7	286 000	319 000
Greece	53.8	53.8	9.4	10.6	249 000	281 000	OECD34	55.9	55.2	9.5	10.9	423 000	483 000
Hungary	81.8	81.8	10.5	12.4	131 000	154 000	Other major economies						
Iceland	76.8	76.8	12.7	14.1	601 000	668 000	Argentina	93.8	86.1	14.4	17.9	157 000	195 000
Ireland	36.7	36.7	7.8	8.8	336 000	379 000	Brazil	60.9	55.4	16.2	19.0	166 000	195 000
Israel	67.8	60.2	12.4	13.3	398 000	427 000	China	80.9	63.3	15.8	16.0	119 000	120 000
Italy	74.9	74.9	11.9	13.6	454 000	518 000	India	57.7	53.5	9.8	10.1	43 000	44 000
Japan	36.4	36.4	6.7	7.7	371 000	426 000	Indonesia	14.8	13.7	2.6	2.6	4 000	4 000
Korea	38.4	38.4	7.0	8.2	253 000	296 000	Russian Federation	61.7	54.9	8.0	11.1	84 000	117 000
Luxembourg	58.8	58.8	15.0	17.3	1 015 000	1 170 000	Saudi Arabia	105.3	92.1	18.4	19.3	846 000	888 000
Mexico	38.2	36.3	5.8	6.1	42 000	44 000	South Africa	9.6	9.6	1.5	1.9	24 000	30 000
Netherlands	94.6	94.6	17.7	20.4	1 083 000	1 248 000	EU27	46.0	46.0	7.7	8.9	269 000	313 000
New Zealand	40.6	40.6	10.1	11.4	428 000	483 000							

Source: OECD pension models.

StatLink <http://dx.doi.org/10.1787/888932907623>

4.23. Weighted averages compared: Pension levels versus pension wealth by sex



Source: OECD pension models.

StatLink <http://dx.doi.org/10.1787/888932907642>



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