

Key results

Private pension arrangements have been growing in importance in recent years as pension reforms have reduced public pension entitlements. In 17 OECD countries, private pensions are mandatory or quasi-mandatory (that is, they achieve near-universal coverage of employees through collective bargaining agreements). In a further six OECD countries, voluntary private pensions (occupational and personal) cover a significant part of the work age population: more than 40%.

Sixteen of the thirty-four OECD countries have some form of mandatory or quasi-mandatory private pension system in place, ensuring a high coverage of the working age population. In Finland, Iceland, Norway and Switzerland, occupational pensions are mandatory and cover between 70% and 80% of the working age population: employers must operate a scheme and contribution rates are set by the government. Iceland has the highest coverage rate of any OECD country at 82.5% of the working age population. Other occupational pension systems can be classified as quasi-mandatory: through industry-wide or nationwide collective bargaining agreements, employers establish schemes that employees must join. As not all sectors may be covered by such agreements, these systems are not classified as mandatory. Examples include the occupational pension systems in Denmark, the Netherlands and Sweden. In these countries, the coverage is close to the one in countries with mandatory systems, with 60% or more of the working age population covered.

Mandatory personal accounts systems have been recently introduced in Latin America and Central and Eastern Europe to replace part of social security benefits. Such plans can be found in Estonia, Hungary, Mexico, Poland and the Slovak Republic, as well as in Denmark and Sweden. While coverage is nearly universal in Denmark and Sweden, it is still not the case in the other countries, where older workers tend not to be covered by the new systems. The coverage rate of around 30-50% will therefore increase over time as new workers join personal pensions. Some of these countries also have a high incidence of informal employment which limits coverage levels.

Coverage of voluntary occupational pension plans varies across countries. These plans are called voluntary in the sense that employers, in some countries jointly with employees, are free to set up an occupational plan. Personal pension plans are voluntary when individuals can freely decide whether to join them or not. The coverage of voluntary pension plans (both occupational and personal) is above 50% in Canada, the Czech Republic and the United Kingdom and close to 50% in Slovenia. On the other hand, the coverage of voluntary pension plans is very low (below 5%) in countries such as Greece, Luxembourg, Portugal and Turkey. In these countries the generosity of public pensions may explain the low

private pension coverage. Coverage of voluntary personal pensions is also low in Mexico (1.6%) which has a mandatory private pension system.

Two countries, Italy and New Zealand, have introduced automatic enrolment (with an opt-out clause) into private pension plans at the national level. The results have been mixed. New Zealand has achieved a coverage rate of 43% in the new “KiwiSaver” scheme. In Italy, in 2007 the severance pay provision (so called *Trattamento di Fine Rapporto* – TFR) was automatically paid into an occupational pension plan if the employee did not make an explicit choice to remain in the TFR. Despite this rule, only 12.8% of the working age population is covered by a voluntary pension plan in Italy.

Coverage of voluntary private pensions has a hump-shaped relationship with age, reaching a peak at prime working ages, i.e. 35-44 or 45-54, depending on the country, and tends to increase with earnings.

Definition and measurement

Several measures of private pension coverage coexist. Individuals can be considered as covered by a private pension plan either if they have assets in a private pension plan, they contribute to a plan, or contributions are being made on their behalf. To be a member of a private pension plan from the perspective proposed here, an individual must have assets or have accrued benefits in a plan. Hence, an individual who does not contribute (for various reasons, including unemployment) or on behalf of whom contributions are not made during a year would still be considered as a plan member if he/she has assets or has accrued benefits in the plan. A large difference between the two measures of coverage arises in countries with large informal sectors.

Counting individuals more than once may arise when using administrative data as individuals can be members of both occupational and personal voluntary pension plans. Therefore total voluntary pension plan coverage cannot be obtained by summing occupational and personal coverage data. For example, in the case of Canada, 33.9% of the working age population are members of occupational plans and 35.1% have personal pensions, while overall voluntary pension coverage is 52.6%. This implies that 48% of people with occupational pension plans also have a personal plan.

Coverage of private pension schemes by type of plan, 2009

As a % of working age population (16-64 years)

	Mandatory/ quasi- mandatory	Voluntary			Mandatory/ quasi- mandatory	Voluntary		
		Occupational	Personal	Total		Occupational	Personal	Total
OECD members				OECD members (cont.)				
Australia ^{1, 2, 3}	68.5	..	..	..	Norway	..	22.0	..
Austria	n.a.	12.1	25.7	..	Poland	53.0	1.2	..
Belgium ²	n.a.	38.5	..	..	Portugal	n.a.	4.3	..
Canada ²	n.a.	33.9	35.1	52.6	Slovak Republic	36.5	n.a.	21.8
Chile	74.8	..	..	..	Slovenia ⁶	n.a.	..	48.2
Czech Republic	n.a.	n.a.	60.2	60.2	Spain	n.a.	7.0	28.1
Denmark	ATP: ~70.0 QMO: ~59.0	n.a.	..	..	Sweden ³	PPM: ~76.0 QMO: ~68.0	n.a.	..
Estonia	65.0	n.a.	..	..	Switzerland ²	70.1	n.a.	..
Finland	~100.0	7.4	21.3	28.8	Turkey	..	0.5	4.2
France ⁴	n.a.	3.5	7.0	..	United Kingdom ⁷	n.a.	49.1	18.1
Germany ⁵	n.a.	32.2	29.9	..	United States ³	n.a.	32.8	24.7
Greece	n.a.	0.2	..	..	Other major economies			
Hungary	43.6	n.a.	19.2	19.2	Argentina	..	n.a.	..
Iceland ³	82.5	n.a.	..	..	Brazil ⁸	n.a.	2.0	6.1
Ireland	n.a.	28.6	10.5	37.6	EU27	..	..	..
Israel	35.2	..	..	..	China	..	..	..
Italy	n.a.	7.5	5.5	12.8	India	..	..	..
Japan	n.a.	..	..	..	Indonesia	..	..	..
Korea	n.a.	18.8	12.2	..	Russian Federation ³	..	5.4	..
Luxembourg	n.a.	3.4	..	..	Saudi Arabia	..	..	..
Mexico	50.2	1.5	0.1	1.6	South Africa ⁸	n.a.	23.4	..
Netherlands	69.3	n.a.	..	..		
New Zealand	..	9.1	42.9	..				

..: Means not available.

n.a.: Means not applicable.

1. Data refer to the total mandatory and voluntary.

2. Data refer to 2008.

3. OECD estimate based on data provided by national authorities as a % of total employment. The data provided has been adjusted by the ratio of total employment to the working age population. This implicitly assumes that individuals outside the labour force are not covered.

4. Data refer to 2006.


5. Coverage of occupational pensions refers to 2007 and includes all second pillar pensions. Coverage of personal pensions refers to 2008 and includes Riester and Rürup pension plans.

6. Data may include multiple counting as a person may be a member of more than one type of plan at any one time, particularly if the person has a number of employments in the year.

7. Data may include multiple counting between active and deferred members of occupational pension schemes, and occupational and personal pensions. The percentages are based on a working life of 16-64 for men and 16-59 for women.

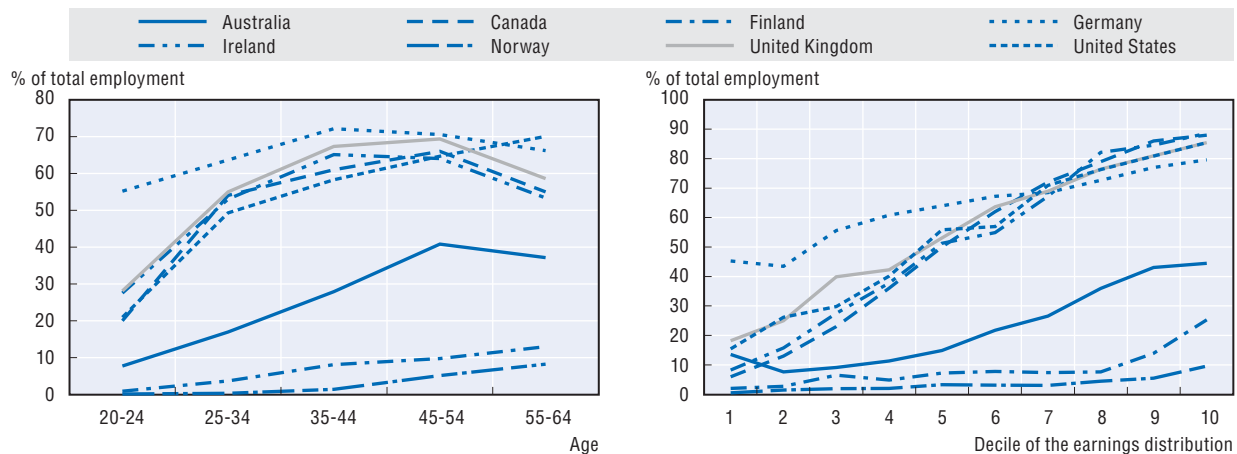
8. Data refer to 2007.

Source: OECD Global Pension Statistics and national supervisory authorities' estimates.


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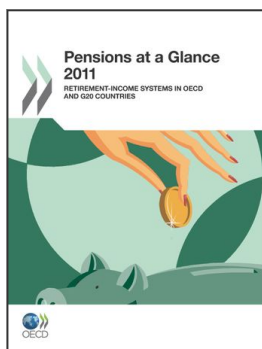
Coverage of voluntary private pension plans by age and earnings

As a % of total employment



Source: Antolín, P. and E.R. Whitehouse (2009), "Filling the Pension Gap: Coverage and Value of Voluntary Retirement Savings", Social, Employment and Migration Working Paper, No. 69, OECD Publishing, Paris; OECD analysis of national datasets (Finland and Norway); national sources.

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