

Key results

Basic and minimum pensions along with social assistance are designed to ensure adequacy of old-age incomes and make up the first tier of the OECD's taxonomy of pension systems, which was set out in the previous indicator of the "Architecture of national pension systems".

Basic pensions exist in 18 OECD countries and are worth 20.1% of average worker earnings. 26 OECD countries provide a social assistance benefit equivalent to 18.9% of average worker earnings. Furthermore, 13 OECD countries provide a minimum pension benefit, most often above the basic or social assistance level. For a full-career worker, the average minimum pension is 24.8% of average worker earnings.

About three out of ten older people receive some support from basic, minimum pensions or social assistance on average.

There are three main ways in which OECD countries might provide retirement incomes to meet a minimum standard of living in old age. The left-hand part of the table shows the value of benefits provided under these different types of scheme and Chapter 2 provides additional details. Values are presented in *absolute* terms – national currency units – to allow a direct link with the detailed information in the "Country profiles" in Chapter 11 of this report. They are also given in *relative* terms – as a percentage of economy-wide average earnings – to facilitate comparisons between countries. (See the indicator of "Average worker earnings" in Chapter 8.)

Benefit values are shown for a single person. In some cases – usually with minimum contributory pensions – each partner in a couple receives an individual entitlement. In other cases – especially for targeted schemes – the couple is treated as the unit of assessment and generally receives less than twice the entitlement of a single person.

The analysis of benefit values is complicated by the existence of multiple programmes in many countries. In some cases, benefits under these schemes are additive. In others, there is a degree of substitution between them. Basic and minimum pension values are therefore summarised in Figure 5.4. The dark bars show the overall value of the basic benefit. This can be seen as the absolute minimum, safety-net income based on either residence or contributions. The lighter bars show minimum contributory benefits. The entitlements shown are the maximum for a worker contributing for each year from age 20 until the standard national pension age. These can be seen as the minimum income of a low-earning, full-career worker.

There are only five countries in the OECD that do not have either a basic or minimum pension within their system

(Austria, Germany, Korea, the Slovak Republic and the United States). In the other 29 countries, basic benefits are present in 18 including cases where basic pensions are residency-tested, such as the Netherlands and New Zealand. In Canada, Denmark and Iceland amongst others, entitlements are a mix of basic and resource-tested benefits (see Chapter 2 for more details).

In 13 countries, there is a minimum pension, with only the Czech Republic and Luxembourg having both a basic and minimum. The value of these benefits varies between a low of 11% of average earnings in Hungary to 41% in Turkey, with an average of 25% across the 13 countries.

Coverage


The percentage of over 65s receiving first-tier benefits is shown in the final two columns of the table and in Figure 5.5. Data are presented just for non-contributory safety-net benefits (not including the pure residency based basic pensions with no income test, e.g. New Zealand) and contributory minimum pensions. The importance of these benefits varies enormously. In Denmark 88% receive at least a partial payment from the safety-net, with a further 78% receiving an element of the basic pension in Australia. At the other end of the spectrum, 3% or fewer of pensioners receive safety-net benefits in Germany, Japan and the Slovak Republic.

Minimum pensions are received by nearly 60% of the over 65s in Portugal and 47% in Finland. Levels are around 30% in France, Italy, Luxembourg and Spain, but account for fewer than 1% of the over 65s in Hungary.

5.3. Basic, targeted and minimum pensions, 2014

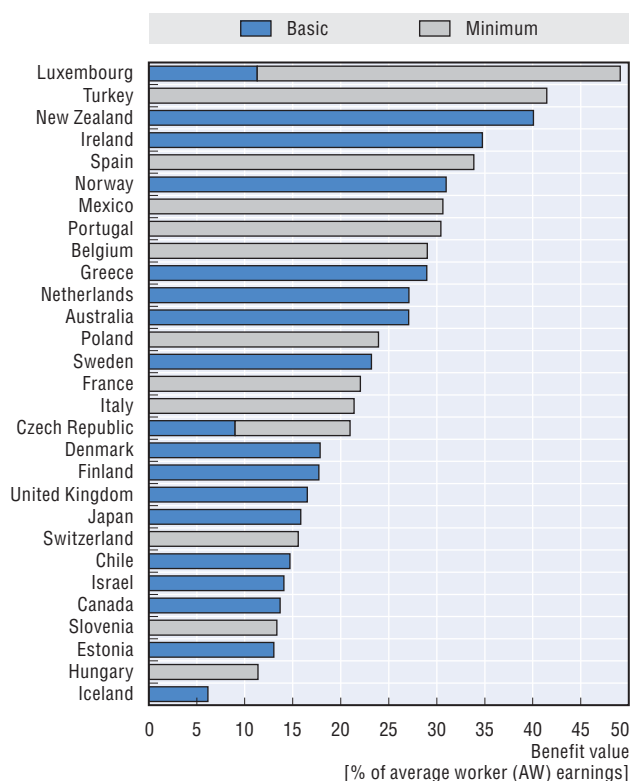
	Relative benefit value (% of AW earnings)			Absolute value (units of national currency per year)			Recipients, 2012 (% of over 65s receiving)			Relative benefit value (% of AW earnings)			Absolute value (units of national currency per year)			Recipients, 2012 (% of over 65s receiving)	
	Basic	Minimum	Social assistance	Basic	Minimum	Social assistance	Safety-net	Minimum		Basic	Minimum	Social assistance	Basic	Minimum	Social assistance	Safety-net	Minimum
Australia	27.1	x	x	21 569	x	x	78	x	Japan	15.8	x	20.1	772 800	x	981 160	2	x
Austria	x	x	28.2	x	x	12 008	11	x	Korea	x	x	6.0	x	x	2 400 000	67	x
Belgium	x	29.0	26.1	x	13 480	12 140	5	11	Luxembourg	11.3	37.8	29.6	6 168	20 628	16 176	1	29
Canada	13.7	x	18.5	6 765	x	9 173	34	x	Mexico	x	30.6	6.8	x	31 212	6 960
Chile	14.7	x	x	1 031 568	x	x	60	x	Netherlands	27.1	x	x	13 243	x	x	x	x
Czech Republic	9.0	12.0	13.1	28 080	37 320	40 920	New Zealand	40.1	x	x	21 932	x	x	x	x
Denmark	17.8	x	18.5	70 896	x	73 644	88	x	Norway	31.0	x	x	167 963	x	x	22	x
Estonia	13.0	x	14.4	1 619	x	1 788	6	x	Poland	x	23.9	15.0	x	10 133	6 348	12	..
Finland	17.7	x	20.8	7 607	x	8 921	47	x	Portugal	x	30.4	17.4	x	5 307	3 039	17	59
France	x	22.0	25.6	x	8 248	9 600	4	37	Slovak Republic	x	x	24.4	x	x	2 527	3	x
Germany	x	x	19.0	x	x	8 724	2	x	Slovenia	x	13.3	17.8	x	2 380	3 183	17	2
Greece	29.0	x	x	5 842	x	x	19	x	Spain	x	33.9	19.6	x	8 861	5 123	6	28
Hungary	x	11.4	9.1	x	342 000	273 600	..	1	Sweden	23.2	x	x	94 572	x	x	42	x
Iceland	6.2	x	19.5	423 348	x	1 340 000	..	x	Switzerland	x	15.6	21.2	x	14 100	19 210	12	..
Ireland	34.7	x	33.0	11 976	x	11 388	17	x	Turkey	x	41.4	6.0	x	11 758	1 699	- 22 -	..
Israel	14.1	x	24.1	18 368	x	31 444	25	x	United Kingdom	16.5	x	x	5 881	x	x	27	x
Italy	x	21.4	19.1	x	6 511	5 825	5	32	United States	x	x	17.3	x	x	8 652	7	x

Note: .. = Data are not available; x = Not applicable.

StatLink  <http://dx.doi.org/10.1787/888933301062>

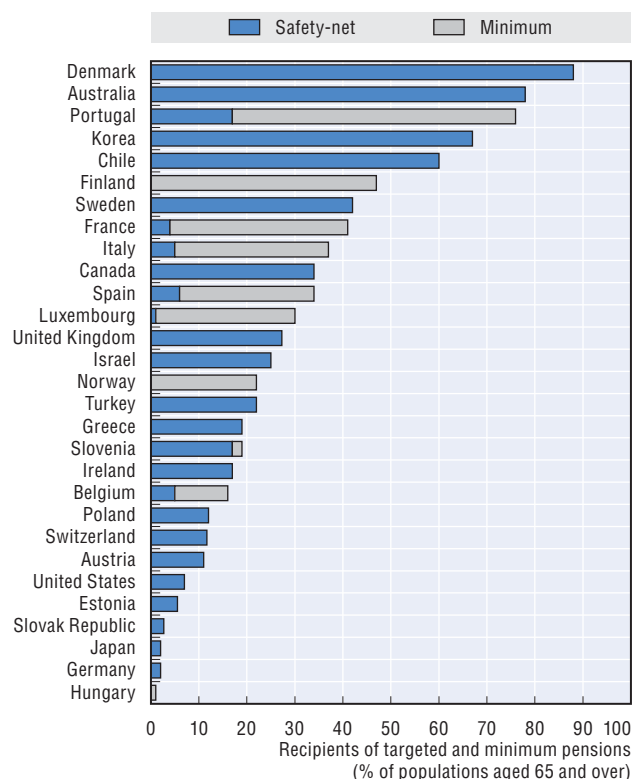
5.4. Value of basic and minimum pensions

Percentage of economy-wide average earnings

StatLink  <http://dx.doi.org/10.1787/888933300621>

5.5. Recipients of safety-nets and minimum pensions

Percentage of individuals 65 and over

StatLink  <http://dx.doi.org/10.1787/888933300630>



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