

## 4. SELF-SUFFICIENCY INDICATORS

### Expected years in retirement

The duration of expected years in retirement illustrates the length of the expected remaining life expectancy from the time of average labour market exit. The indicator demonstrates how pension systems interact with labour market exit as well as the financial pressures on the pension system in the context of an ageing population. **Men typically can expect to spend fewer years in retirement than women (Figure 4.10).** The most recent calculations of expected years in retirement exceeded 25 years for women in Austria, Belgium, France, Italy and Luxembourg (Figure 4.10, Panel A). The period exceeded 20 years for men in Austria, Belgium, Finland, France, Greece, Italy, Luxembourg and Spain (Figure 4.10, Panel B). The number of expected years in retirement was notably low for women – under 20 years – in Chile, Iceland, Korea, Mexico, Portugal and Turkey, and for men – less than 15 years – in Estonia, Korea, Mexico and Portugal.

**On average women can expect to spend almost 4.5 years longer in retirement than men (Figure 4.10).** In most Eastern European countries this gap was at least six years, and also in Japan the gender gap is more than six years. Longer periods in retirement exposes women to old age poverty, resulting from the link of many pension schemes to earnings and the gender pay gap observed in all OECD countries. In addition, price indexation of pension payment in many countries means that the oldest old, predominantly women, become relatively poorer during retirement.

**The duration of expected years in retirement for women in emerging countries varies from 20 years in Brazil and the Russian Federation to 15 years in South Africa (Figure 4.10, Panel A).** The variation is less for men, who can expect 12 to 13 years in retirement (Figure 4.10, Panel B). While the effective exit age in Brazil was more than six years lower for women than for men, the difference in the Russian Federation was close to three years.

**The average duration of expected years in retirement across OECD countries has increased over time.** In 1970 men in the OECD countries spent on average 11 years in retirement and by 2012 this average increased to 18 years (Figure 4.11, Panel B). The duration of the expected period in retirement was longer for women; increasing from 15 years on average in 1970 to 22.5 years in 2012 (Figure 4.11, Panel A).

**The increase in average duration of years in retirement from 1970 to 2012 is due both to a drop in the effective exit age from the labour force and to increased longevity.**

Effective age of labour force exit decreased gradually from 1970 to the late 1990s for both men and women. After some relatively stable years, the average effective exit age started to increase slowly from 2004. Life expectancy at the effective exit age from the labour force increased substantially during this period, particularly for women, and over the last two decades for men as well. Over the past few years, this increase has been fairly equal to that of the effective exit age from the labour market, and potential years in retirement have stabilised.

#### Definition and measurement

Expected years in retirement is a calculation of remaining life expectancy from the time of effective age of labour force exit for men and women.

The average effective age of labour force exit is calculated as a weighted average of (net) withdrawals from the labour market at different ages over a five-year period for workers initially aged 40 and over. In order to abstract from compositional effects in the age structure of the population, labour force withdrawals are estimated based on changes in labour force participation rates rather than labour force levels. These changes are calculated for each (synthetic) cohort divided into five-year age groups. For more discussion see OECD (2013).

Estimates of the number of years of additional life are calculated based from the UN World Population Prospects, the 2012 revision dataset.

#### Further reading

OECD (2013), *Pensions at a Glance 2013: Retirement-income Systems in OECD and G20 Countries*, OECD Publishing, Paris, [http://dx.doi.org/10.1787/pension\\_glance-2013-en](http://dx.doi.org/10.1787/pension_glance-2013-en).

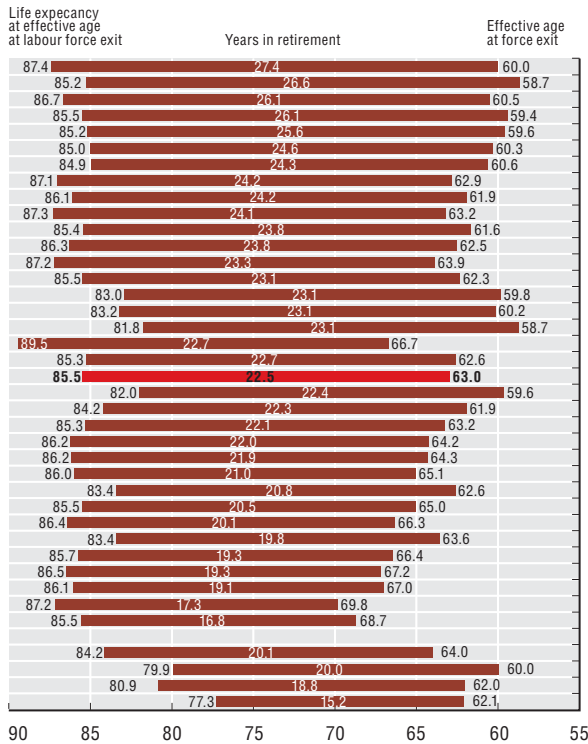
#### Figure note

Figure 4.10: 2011 for Brazil and 2010 for China, and 2008 for women in Turkey instead of 2012.

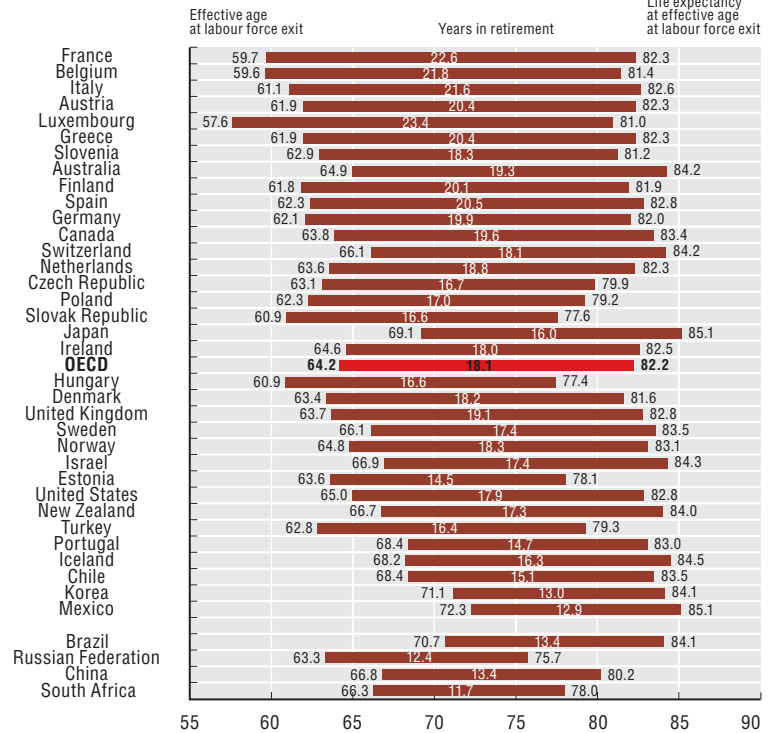
Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

4.10. Women live almost five more years in retirement than men on average

Panel A. Expected years in retirement, women (♀), 2012

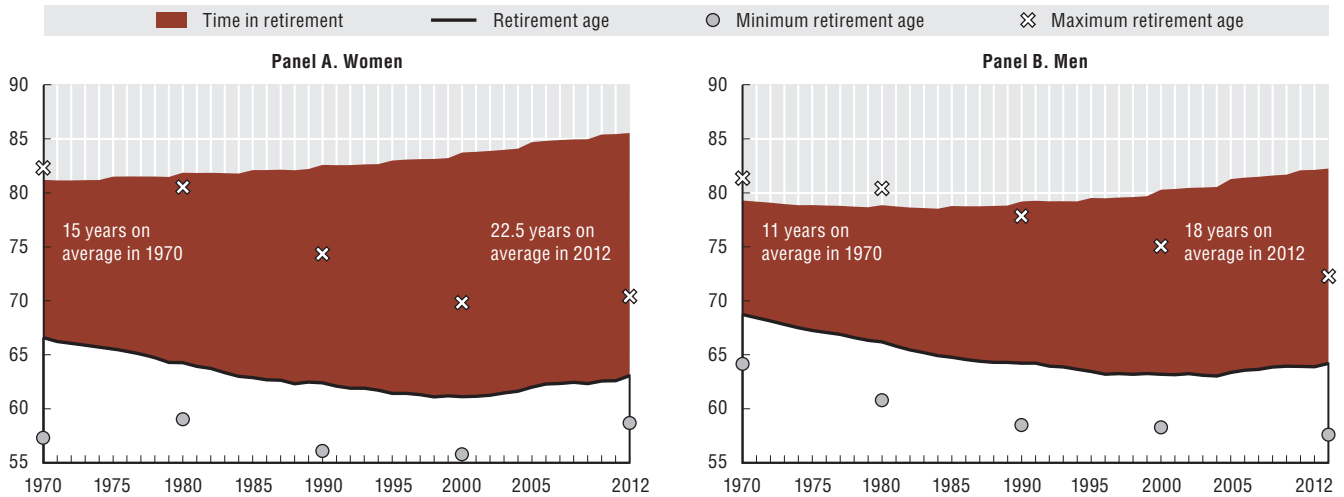


Panel B. Expected years in retirement, men (♂), 2012



4.11. Women (and men) spend 7.5 (and 8) more years in retirement than in 1970 on average across OECD countries

Trend in age at labour market exit and years in retirement, 1970 to 2012, OECD average



Source: Pensions at a Glance 2013 ([www.oecd.org/pensions/pensionsataglance.htm](http://www.oecd.org/pensions/pensionsataglance.htm)): life expectancy estimates are from UN World Population Prospects, the 2012 Revision.

StatLink <http://dx.doi.org/10.1787/888932966428>



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