

Key results

Retirement-income programmes designed to ensure adequacy of old-age incomes 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 schemes.

Safety-net retirement benefits are worth 21.6% of economy-wide mean earnings on average. Eleven countries provide a minimum pension above this safety-net level. For full-career workers, the average retirement income – including these contributory minimum pensions – is 24.4% of economy-wide average earnings.

About a third of older people receive some support from basic, targeted or minimum pensions on average.

There are three main ways in which OECD countries provide retirement incomes that are sufficient 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. Values are presented in *absolute* terms – national currency units – to allow a direct link with the detailed information in the country profiles in Part III 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 “Earnings: averages and distribution” in Part II.5.)

Benefit values shown are 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 under targeted schemes – the couple is treated as the unit of assessment and couple receives less than twice the entitlement of a single person. (See the indicator of “Pension replacement rates: couples” in Part II.2.)

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. Benefit values are therefore summarised in the left-hand chart for two cases. The dark bars show the overall value of non-contributory benefits. This can be seen as the absolute minimum, safety-net income. 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.

In 20 countries, only non-contributory benefits are relevant. This group includes cases where basic pensions are residency-tested, such as the Netherlands and New Zealand. In Canada, Denmark and Iceland,

entitlements are a mix of basic and resource-tested benefits. Finally, in countries including Austria, Finland, Germany, Italy and the United States, this refers only to resource-tested schemes, including social assistance.

In 11 countries, the picture is more complex: there is a safety-net income at a lower level and a contributory minimum at a higher level. In Ireland and Korea, for example, contributory basic pensions are worth more than resource-tested schemes. In Greece, Portugal, Spain, Sweden and Turkey, contributory minimum pensions are set at a significantly higher level than the safety-net income.

Overall, the average non-contributory benefit is worth 21.6% of economy-wide average earnings, while contributory benefits average 24.5%.

Coverage

The percentage of over 65s receiving first-tier benefits is shown in the final two columns of the table and the right-hand chart. Data are presented just for non-contributory safety-net benefits and contributory minimum pensions. The importance of these benefits varies enormously. In Greece, for example, some 60% of older people are on the contributory minimum pension and a further 19% on safety-net benefits, with slightly lower proportions for both kinds of scheme in Portugal. Nearly 80% of Australians receive at least some payment from the resource-tested scheme and nearly 70% in Denmark. In Finland, France and Sweden, it is minimum contributory benefits that are the most significant, covering 35-55% of retirees.

At the other end of the spectrum, 2% or fewer of pensioners receive safety-net benefits in Germany and Japan. The same is true of the Czech and Slovak Republics, but many of today's pensioners receive contributory minimum pensions for which data are not available on coverage.

Basic, targeted and minimum pensions

	Relative benefit value (% of average earnings)			Absolute value (units of national currency per year)			Coverage (% of over 65s receiving)			Relative benefit value (% of average earnings)			Absolute value (units of national currency per year)			Coverage (% of over 65s receiving)	
	Basic	Targeted	Minimum	Basic	Targeted	Minimum	Targeted	Minimum		Basic	Targeted	Minimum	Basic	Targeted	Minimum	Targeted	Minimum
Australia		23.7			14 313		78		Japan	15.8	19.4		792 100	969 810		2	
Austria		26.9			10 458		11		Korea	7.1	3.0		2 363 760	1 008 000		60	
Belgium		26.5	28.5		10 533	11 331	5	11	Luxembourg	9.3	28.5	35.6	4 500	13 764	17 232	1	29
Canada	14.2	17.9		6 082	7 677		34		Mexico			28.7			21 836		n.a.
Chile		15.4	14.4		900 000	840 000	-	40	Netherlands	29.2			12 718				
Czech Republic	8.3	13.7	11.7	22 750	37 512	31 990	1	n.a.	New Zealand	38.7			18 084				
Denmark	17.0	17.1		61 152	61 560		68		Norway		31.4				138 216		29
Estonia	12.4	14.2		19 150	21 938		6		Poland	17.0	22.6			5 724	7 635	12	n.a.
Finland		18.0			6 702		2	53	Portugal	13.6	27.1			2 183	4 366	17	59
France		23.1	23.3		7 537	7 624	5	36	Slovak Republic		24.7			65 293			1
Germany		20.3			8 424		2		Slovenia	32.1	13.8			5 066	2 173	22	3
Greece		11.5	28.6		2 760	6 843	19	60	Spain	17.0	27.4			3 941	6 368	7	28
Hungary			14.6			342 000	< 1	2	Sweden		16.3	24.8		57 432	87 330	1	55
Iceland	7.6	23.9		308 400	973 200		n.a.		Switzerland		24.4	17.8		18 140	13 260	12	n.a.
Ireland	29.0	27.5		11 835	11 236		28		Turkey		5.9	38.2		1 113	7 194	-	22
Israel	13.0	22.6		14 557	25 409		n.a.		United Kingdom	14.0	19.2	10.5	4 716	6 451	3 528	23	n.a.
Italy		20.2	19.9		5 311	5 234	5	32	United States		19.0			7 644			7

Note: Coverage data are for the most recent year available.

n.a.: Data are not available.

Blank cells indicate not applicable.

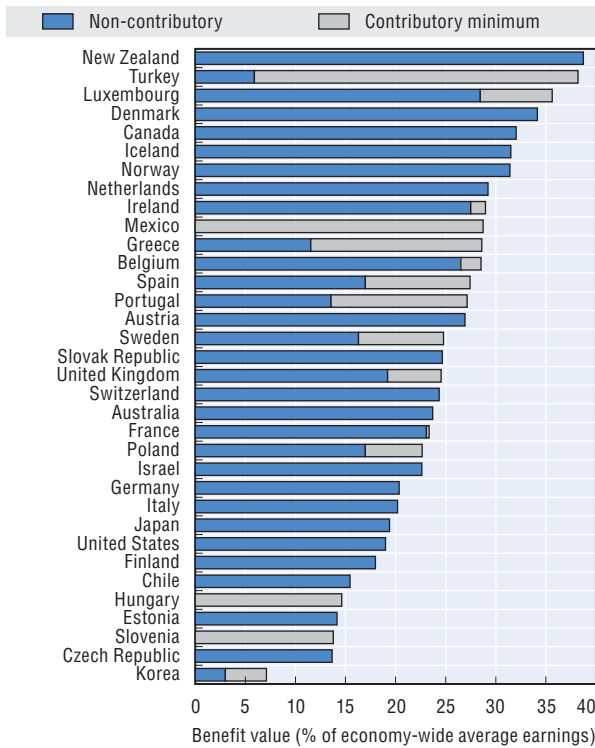
The coverage data for Chile and Turkey comprise different programmes.

Source: Value of benefits from country profiles in Part III. Data on coverage of benefits from national officials; European Union, Social Policy Committee (2006), "Minimum Income Provision for Older People and their Contribution to Adequacy in Retirement", *Special Pensions Study*, Brussels; Pearson and Whitehouse (2009), "Social Pensions in High-Income Countries", in R. Holzmann and N. Takayama (eds.), *Closing the Coverage Gap: The Role of Social Pensions*, World Bank, Washington DC.

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Value of basic, targeted and minimum pensions

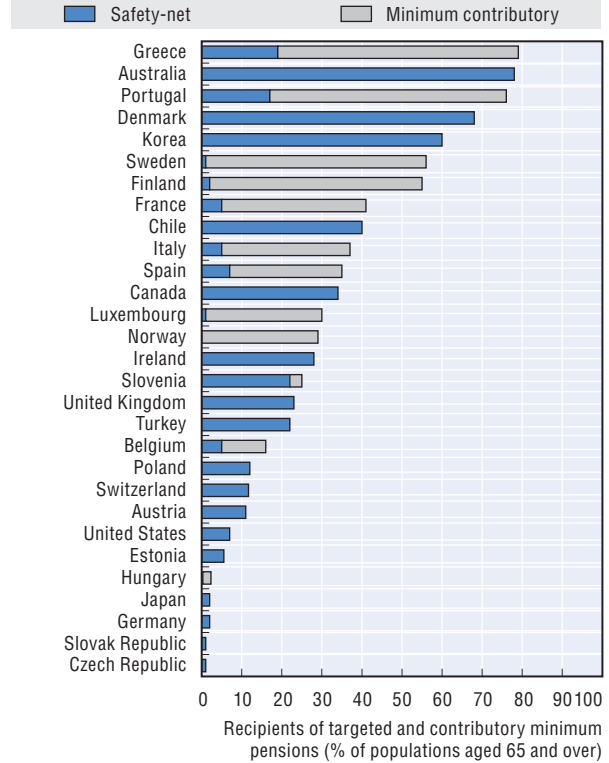
% of economy-wide average earnings



StatLink <http://dx.doi.org/10.1787/888932370797>

Coverage of targeted and minimum pensions

% of over 65s



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