Key results

Pension contribution rates have remained broadly stable since the mid-1990s. The average contribution rate in the 25 OECD countries that levy separate public contributions increased from 19.2% in 1994 to 19.6% in 2009, reaching a high of 20.0% in 2004. This probably reflects governments' concerns over the effect on employment of high labour taxes. Indeed, these concerns seem to have taken precedence over the pressure on pension-system finances from aging populations and maturing of schemes.

In the 23 countries for which data are available, revenues from these contributions were worth an average of 5.1% of national income, representing 14.2% of total government revenues raised from taxes and contributions.

Most of the measures presented in *Pensions at a Glance* look at the benefits side of the pension system. These indicators look at the contribution side.

The left-hand side of the table looks at the evolution of contribution rates. Around two-thirds of countries with separate pension contributions saw rates unchanged between 2004 and 2009: Austria, Belgium, Canada, Chile, France, Greece, Italy, Korea, Luxembourg, the Netherlands, Poland, Slovenia, Spain, Sweden, Switzerland, Turkey and the United States. In addition, there were only very small changes in Finland, Germany and Israel. There were significant increases in contribution rates in Hungary, with a smaller increase also in Japan. In contrast, there were cuts in contribution rates in Estonia and the Slovak Republic. These were often motivated by a desire to reduce labour taxes to increase employment.

The right-hand side of the table looks at the money raised from contributions to public pension schemes. The revenue figures complement those for the contribution rate, because they illustrate the effect of other parameters of the pension system. For example, most OECD countries have ceilings on pension contributions, which range from around the level of average earnings to 3.7 times in Italy and 6.2 times in Mexico. A lower ceiling will, of course, reduce revenues for a given contribution rate. In other countries, there are floors to contributions, which can mean that low earners pay little or no contributions. Finally, some countries' revenues may be affected by the size of the informal sector or under-reporting of earnings.

Public revenues from pension contributions are highest in Finland, at 9.1% of gross domestic product (GDP). Despite the contribution rate in Turkey being around the same as the OECD average, it raises just 2.2% of national income in contributions, reflecting the size of the informal sector. Contribution revenues are also low in Canada – 2.8% of GDP – because of the low contribution rate (half the OECD average) and the low ceiling (around average earnings).

On average, employee contributions raise a total of 1.8% of GDP compared with 2.9% of GDP for employers' contributions. Employees pay 35% of the total, on average, compared with 57% of the total paid by employers. (The remainder is mainly accounted for contributions from the self-employed, although it also includes contribution from other groups, such as the unemployed.) The great bulk of contributions is levied on employers in the Czech Republic, Finland, Hungary, Italy and Spain. However, it is important to bear in mind that levies on employers have been shown in numerous economic analyses to be passed, in part or in full, onto workers. This can take the form of lower wages or fewer jobs. In many countries, the contributions are evenly balanced between employer and employee levies, including Austria, Belgium, Canada, Germany, Japan, Luxembourg, Switzerland, Turkey and the United States.

The final column of the table shows pension contributions as a percentage of total government revenues from taxes and contributions. This time, Italy does not show the highest figure. In Greece and Spain, pension contributions account for 24-25% of total revenues, compared with 19.9% in Italy. In Australia, Denmark and New Zealand, pensions are financed by general revenues. For the reasons explained above, pension contributions are a relatively small part of government revenues in Canada, Korea and Turkey.

Public pension contribution rates and revenues

	Pension contribution rate (per cent of gross earnings)							Pension contribution revenues, 2008			
								(per cent of GDP)			(per cent of total taxes)
	1994	1999	2004	2007	2009	Employee 2009	Employer 2009	Employee	Employer	Total	
Australia				Private pension contributions only				0.0	0.0	0.0	0.0
Austria	22.8	22.8	22.8	22.8	22.8	10.3	12.6	3.5	3.8	8.0	18.9
Belgium	16.4	16.4	16.4	16.4	16.4	7.5	8.9	2.3	2.0	4.7	10.7
Canada	5.2	7.0	9.9	9.9	9.9	5.0	5.0	1.3	1.3	2.8	8.3
Chile			29.8	29.8	29.8	28.8	1.0				
Czech Republic	26.9	26.0	28.0	32.5	28.0	6.5	21.5	1.8	6.0	8.3	22.2
Denmark				Private pension contributions only				0.0	0.0	0.0	0.0
Estonia			35.0	22.0	22.0	2.0	20.0				
Finland	18.6	21.5	21.4	20.9	21.6	4.5	17.1	1.6	7.1	9.1	21.2
France	21.5	16.7	16.7	16.7	16.7	6.8	9.9				
Germany	19.2	19.7	19.5	19.9	19.9	10.0	10.0	2.6	3.0	6.6	18.2
Greece	20.0	20.0	20.0	20.0	20.0	6.7	13.3	3.1	3.7	7.9	24.7
Hungary	30.5	30.0	26.5	29.5	33.5	9.5	24.0	1.1	5.8	6.8	17.3
Iceland				No separate pension contribution							
Ireland				No separate pension contribution							
Israel			6.1	6.2	6.9	3.9	3.1				
Italy	28.3	32.7	32.7	32.7	32.7	9.2	23.8	2.1	6.5	8.6	19.9
Japan	16.5	17.4	13.9	14.6	15.4	7.7	7.7	2.9	2.9	5.8	20.4
Korea	6.0	9.0	9.0	9.0	9.0	4.5	4.5	1.5	1.0	2.5	9.3
Luxembourg	16.0	16.0	16.0	16.0	16.0	8.0	8.0	2.6	2.4	6.0	16.5
Mexico				Private pension contributions only				0.0	0.0	0.0	0.0
Netherlands	17.9	17.9	17.9	17.9	17.9	17.9	0.0				
New Zealand				No contributions				0.0	0.0	0.0	0.0
Norway				Private pension contributions only							
Poland		19.5	19.5	19.5	19.5	9.8	9.8	3.6	2.7	7.7	22.1
Portugal				No separate pension contribution							
Slovak Republic	28.5	27.5	26.0	24.0	18.0	4.0	14.0	0.8	2.3	4.1	13.8
Slovenia			24.4	24.4	24.4	15.5	8.9				
Spain	29.3	28.3	28.3	28.3	28.3	4.7	23.6	1.3	6.8	9.0	24.2
Sweden	19.1	15.1	18.9	18.9	18.9	7.0	11.9	2.6	3.7	6.4	13.3
Switzerland	9.8	9.8	9.8	9.8	9.8	4.9	4.9	2.7	2.7	5.9	20.3
Turkey	20.0	20.0	20.0	20.0	20.0	9.0	11.0	1.1	1.1	2.2	9.3
United Kingdom				No separate pension contribution							
United States	12.4	12.4	12.4	12.4	12.4	6.2	6.2	2.3	2.3	4.6	16.3
OECD34	**19.2**	**19.3**	**20.0**	**19.8**	**19.6**	**8.4**	**11.2**	**1.8**	**2.9**	**5.1**	**14.2**
Other major economies											
Argentina			28.0	23.7	23.7	11.0	12.7				
Brazil			31.0	31.0	31.0	11.0	20.0				
China			28.0	28.0	28.0	8.0	20.0				
India			24.0	24.0	24.0	12.0	12.0				
Indonesia			6.0	6.0	6.0	2.0	4.0				
Russian Federation			28.0	26.0	26.0	0.0	26.0				
Saudi Arabia			18.0	18.0	18.0	9.0	9.0				
South Africa				No contributions							
EU27			23.8	23.3	22.5	7.9	14.0				

Note: All figures are rounded to one decimal place. The OECD average figure for contribution rates excludes the countries for which there are no pension contributions or they are part of contributions to wider social security programmes. The OECD average figure for contribution revenues includes zero for the countries with no contributions in the calculation.

In some cases, pension contribution revenues have been calculated assuming that the revenues are split between different social security programmes in the same proportion as the contribution rates. The total contribution includes payments from people who are not employed (principally the self-employed).

Finland: contribution rates are now higher for employees aged 53 and over. There is an additional levy on employers that varies between 0.8% and 3.9% of payroll, depending on the employer's capital. France and the Netherlands: it is not possible to separate the contribution revenues into those for pensions and for other purposes. Poland: the contribution rate for pensions was cut by 3 percentage points in July 2007; the earlier, higher figure is shown.

Source: OECD (various years), *Taxing Wages*; OECD (2008), *Revenue Statistics*; Social Security Administration, United States (various years), *Social Security Programs throughout the World*; OECD pension and tax models.

StatLink http://dx.doi.org/10.1787/888932372412

From:
Pensions at a Glance 2011
Retirement-income Systems in OECD and G20 Countries

Access the complete publication at:
https://doi.org/10.1787/pension_glance-2011-en

Please cite this chapter as:

OECD (2011), “Old-Age Income Poverty”, in *Pensions at a Glance 2011: Retirement-income Systems in OECD and G20 Countries*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/pension_glance-2011-29-en

OECD