

## PENSION EXPENDITURE

Pension systems vary across countries and no single model fits all. Generally, there is a mix of public and private provision. Public pensions are statutory, most often financed on a pay-as-you-go (PAYG) basis – where current contributions pay for current benefits – and managed by public institutions. Private pensions are in some cases mandatory but more usually voluntary, funded, employment-based (occupational) pension plans or individual retirement savings plans (personal pensions).

### Definition

Old-age pension benefits are treated as public when relevant financial flows are controlled by general government (i.e. central and local governments or social security funds). Pension benefits provided by governments to their own employees and paid directly out of the government's current budget are also considered to be public. Public pensions are generally financed on a PAYG basis, but also include some funded arrangements. All pension benefits not provided by general government are within the private domain.

Private expenditures on pensions include payments made to private pension plan members (or dependants) after retirement. All types of plans are included (occupational and personal, mandatory and voluntary, funded and book reserved), covering persons working in both the public and private sectors.

### Overview

Public spending on old-age benefits averaged 7.0% of GDP in 2007, compared with private pension benefits of an average of 1.9% of GDP in the same year (in the countries for which data are available). Public spending on old-age pensions is highest – greater than 10% of GDP – in Austria, France, Germany, Greece, Italy, Poland and Portugal. By contrast, Australia, Iceland, Ireland, Korea and Mexico spend 4% of GDP or less on public old-age pensions.

Private expenditure on old-age benefits is the highest in Australia, Denmark, Iceland, the Netherlands and Switzerland, where it exceeds 3.5% of GDP. However, private benefit spending is negligible in around a third of OECD countries.

The share of private pensions in total expenditures on old-age benefits exceeds 50% only in Australia and Iceland. The average share of private pensions in the total is 21%.

Over time, public pension expenditures have grown a little faster than national income: from an average of 6.4% of GDP in 1990 to 7.0% in 2007.

Expenditure in private pensions has also grown between 2001 and 2009, from an average of 1.8% of GDP in 2001 to 2.3% in 2009.

In recent years, there has been a shift towards funding and private sector management within statutory pension systems. This trend has been especially strong in Latin America and Central and Eastern Europe. Although negligible now, private pension expenditures in the future will be much higher in Hungary, Mexico, Poland and the Slovak Republic, for example. Other OECD countries with mandatory private pensions include Australia, Iceland, Norway, Sweden and Switzerland.

Outlays on public and private pension benefits are expressed as a percentage of GDP. The data are shown for old-age and survivors cash benefits.

### Comparability

Public pension expenditures come from the OECD Social Expenditure (SOCX) Database while pension expenditures for private pension arrangements come from the OECD Global Pension Statistics (GPS) Database. The GPS database provides information on funded pension arrangements, which includes both private and public pension plans that are funded. However, only private expenditures are considered for this indicator. At the time of writing, only data up until 2007 were available in the SOCX Database.

The GPS Database does not cover all types of private pension arrangements for all countries: the private pension data for Austria, Canada, Germany, Luxembourg and the United States include only autonomous pension funds. The break in series for Mexico reflects the inclusion of occupational pension plans registered by CONSAR since 2005.

No data for private expenditure are currently collected for countries ranked separately on the left-hand side of the chart.

### Sources

- OECD (2011), OECD Pensions Statistics (database).
- OECD (2011), OECD Social Expenditure Statistics (database).

### Further information

#### Analytical publications

- OECD (2011), OECD Pensions at a Glance, OECD Publishing.
- OECD (2009), Pensions at a Glance: Asia/Pacific, OECD Publishing.
- OECD (2008), Complementary and Private Pensions throughout the World 2008, OECD Publishing.
- OECD (2008), OECD Private Pensions Outlook, OECD Publishing.

#### Methodological publications

- Adema, W. and M. Einerhand (1998), "The Growing Role of Private Social Benefits", OECD Labour Market and Social Policy Occasional Papers, No. 32.
- OECD (2005), Private Pensions: OECD Classification and Glossary, OECD Publishing.

#### Websites

- Pension Markets in Focus, [www.oecd.org/daf/pensions/pensionmarkets](http://www.oecd.org/daf/pensions/pensionmarkets).
- OECD Pensions at a Glance (supplementary material), [www.oecd.org/els/social/pensions/PAG](http://www.oecd.org/els/social/pensions/PAG).
- OECD Private Pensions Outlook (supplementary material), [www.oecd.org/daf/pensions/outlook](http://www.oecd.org/daf/pensions/outlook).
- Social Expenditure Database (SOCX), [www.oecd.org/els/social/expenditure](http://www.oecd.org/els/social/expenditure).



## Public and private expenditure on pension

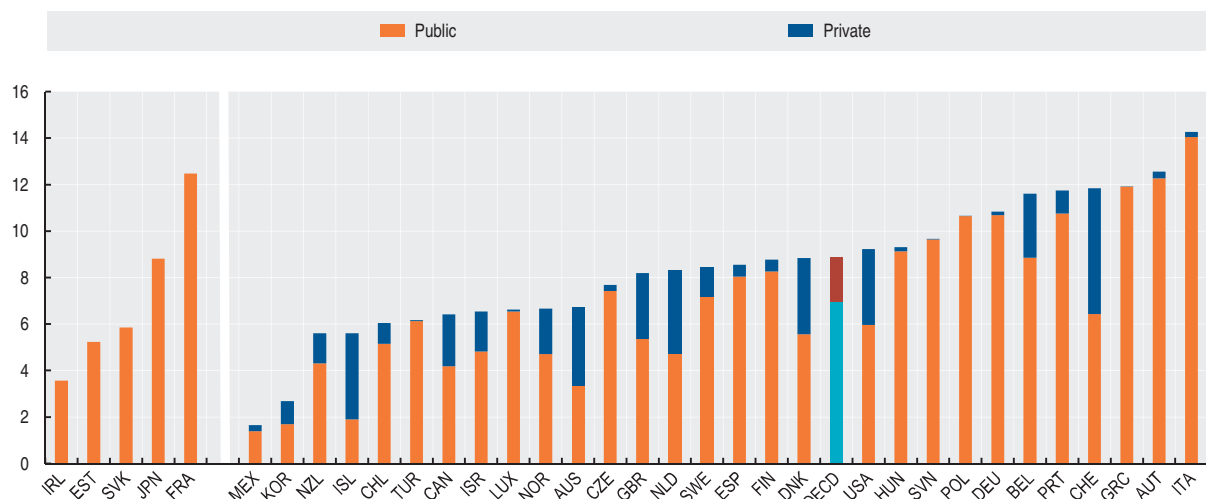
As a percentage of GDP

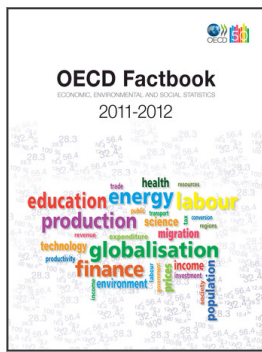
	Public expenditure							Private expenditure						
	1990	1995	2000	2004	2005	2006	2007	2003	2004	2005	2006	2007	2008	2009
Australia	3.0	3.6	3.8	3.5	3.3	3.3	3.4	4.3	3.6	3.7	3.9	3.4	5.5	4.6
Austria	11.4	12.3	12.3	12.7	12.5	12.4	12.3	0.2	0.2	0.2	0.2	0.3	0.2	0.2
Belgium	9.1	9.4	8.9	9.0	9.0	8.9	8.9	1.4	1.4	1.3	1.3	2.8	2.6	3.3
Canada	4.2	4.7	4.3	4.2	4.2	4.2	4.2	2.1	2.2	2.0	2.2	2.2	2.3	2.7
Chile	8.3	6.9	7.5	6.4	5.9	5.4	5.2	2.0	2.0	1.8	1.6	0.9	1.9	..
Czech Republic	6.1	6.3	7.5	7.1	7.3	7.2	7.4	0.2	0.2	..	..	0.3	0.3	0.4
Denmark	5.1	6.2	5.3	5.3	5.4	5.5	5.6	3.2	3.2	3.4	3.8	3.3	4.1	4.3
Estonia	..	..	6.0	5.5	5.3	5.3	5.2	..	..	..	..	..	..	0.0
Finland	7.3	8.8	7.7	8.3	8.4	8.5	8.3	..	..	..	0.5	0.5	0.5	0.7
France	10.6	12.0	11.8	12.2	12.3	12.4	12.5	..	..	..	..	..	..	..
Germany	9.7	10.7	11.2	11.6	11.5	11.1	10.7	0.1	0.1	0.1	0.1	0.1	0.1	0.3
Greece	9.9	9.6	10.7	11.1	11.7	11.8	11.9	..	..	..	..	0.0	0.0	0.0
Hungary	..	..	7.4	8.0	8.6	8.7	9.1	0.1	0.1	0.2	0.1	0.2	0.2	0.2
Iceland	2.2	2.4	2.2	2.1	2.0	1.8	1.9	3.4	3.4	3.4	3.5	3.7	3.8	6.3
Ireland	3.9	3.5	3.1	3.4	3.4	3.4	3.6	..	..	..	..	..	..	..
Israel	..	4.7	4.9	5.4	5.1	4.9	4.8	1.8	1.7	1.7	1.8	1.7	1.7	1.7
Italy	10.1	11.3	13.6	13.8	14.0	14.0	14.1	..	..	0.2	0.2	0.2	0.3	0.2
Japan	4.9	6.1	7.4	8.5	8.7	8.7	8.8	..	..	..	..	..	..	..
Korea	0.7	1.2	1.4	1.4	1.5	1.6	1.7	1.0	0.6	0.8	0.9	1.0	0.8	0.7
Luxembourg	8.2	8.8	7.5	7.3	7.2	6.8	6.5	..	..	0.1	0.1	0.1	0.1	0.1
Mexico	0.5	0.7	0.9	1.1	1.2	1.2	1.4	0.1	0.1	0.1	0.2	0.3	0.3	0.2
Netherlands	6.7	5.8	5.0	5.0	5.0	4.8	4.7	3.2	3.4	3.5	3.6	3.6	3.6	3.9
New Zealand	7.4	5.7	5.0	4.3	4.3	4.3	4.3	1.8	1.4	1.3	1.5	1.3	1.4	1.9
Norway	5.6	5.5	4.8	5.1	4.8	4.6	4.7	..	..	1.4	1.4	2.0	1.5	..
Poland	5.1	9.4	10.5	11.7	11.4	11.5	10.6	..	..	0.0	0.0	0.0	0.0	0.0
Portugal	4.9	7.2	7.9	9.9	10.3	10.6	10.8	0.9	0.9	0.9	1.0	1.0	1.4	1.0
Slovak Republic	..	6.3	6.3	6.2	6.2	6.0	5.9	..	..	..	..	..	..	..
Slovenia	..	..	10.6	10.2	9.9	10.0	9.6	..	..	..	..	0.0	0.0	0.0
Spain	7.9	9.0	8.6	8.1	8.1	8.0	8.0	0.4	0.5	0.5	0.6	0.5	0.6	0.6
Sweden	7.7	8.2	7.2	7.7	7.6	7.3	7.2	..	..	1.0	1.1	1.3	1.2	..
Switzerland	5.6	6.7	6.6	6.8	6.8	6.5	6.4	5.1	5.3	5.3	5.3	5.4	5.3	5.5
Turkey	2.4	2.7	..	..	5.9	5.8	6.1	..	0.0	0.0	0.0	0.0	0.1	0.1
United Kingdom	4.8	5.4	5.3	5.5	5.6	5.3	5.4	2.9	2.8	3.0	3.1	2.8	2.9	3.2
United States	6.1	6.3	5.9	6.0	6.0	5.9	6.0	2.8	2.9	2.9	3.1	3.3	3.0	..
OECD average	6.4	6.9	6.9	7.1	7.1	7.0	7.0	1.8	1.8	1.8	1.9	1.9	2.1	2.3

StatLink <http://dx.doi.org/10.1787/888932507141>

## Public and private pension expenditure

As a percentage of GDP, 2007

StatLink <http://dx.doi.org/10.1787/888932507160>



**From:**  
**OECD Factbook 2011-2012**  
Economic, Environmental and Social Statistics

**Access the complete publication at:**  
<https://doi.org/10.1787/factbook-2011-en>

**Please cite this chapter as:**

OECD (2011), "Pension expenditure", in *OECD Factbook 2011-2012: Economic, Environmental and Social Statistics*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/factbook-2011-97-en>

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