

Key results

“Average earnings” are an important metric underlying the presentation of system parameters and the results of pension modelling. The distribution of earnings is used to calculate composite indicators, such as the progressivity of pension systems, the structure of the retirement-income package and weighted averages.

Table 7.5 reports average earnings levels according to the OECD’s average worker earnings (AW) measure for the year 2012. Earnings are defined as gross wages before deductions of any kind (including personal income taxes and social security contributions), but including overtime pay and other cash supplements paid to employees.

Average earnings are displayed in national currencies and in US dollars (both at market exchange rates and at purchasing power parities, PPP). The PPP exchange rate adjusts for the fact that the purchasing power of a dollar varies between countries: it allows for differences in the price of a basket of goods and services between countries. *The Economist* regularly produces a popular and easy-to-understand version of PPP – the “Big-Mac” index – which shows how currencies differ from the level that would mean the burger cost the same worldwide (see www.economist.com/content/big-mac-index).

Earnings across the OECD countries averaged USD 42 700 in 2012 at market exchange rates. At PPP, average earnings were USD 36 500. The lower figure for PPP earnings suggests that many OECD countries exchange rates with the US dollar were higher than the rate that would equalise the cost of a standard basket of goods and services.

Average earnings for the other major economy countries are not based on the AW or another consistent basis as such a series is unfortunately not available. Data have been collected from national sources and thus vary between average individual income, average covered wage and average wage for a particular group of workers as available.

Mean and median earnings

Most of the results presented in this report are based around mean earnings. However, many of the key indicators are shown also using estimates of “median” earnings, that is the level below and above which half of workers’ earnings lie. The table also shows, from the OECD earnings-distribution database, median earnings as a percentage of mean earnings. There is significant variation between countries. The broad distribution of earnings in Turkey and Mexico means that the median is only around three-fifths of mean earnings. In contrast, the median is almost

90% of the mean in Canada, Denmark, Finland, Norway and Sweden and as high as 95.5% in Iceland.

The table also looks at the top and bottom ends of the earnings distribution. For the lowest decile of earnings (10% of workers earn less than this), the average for the OECD29 is just below 50% of mean earnings, a level which is used as the case of a “low earner” in the main indicators. The top decile -10% of workers earn more than this – averages 166% for the OECD29. In the main results, a “high earner” is assumed to be an individual with 150% of mean earnings.

Definition and measurement

The “average worker” series (AW) was adopted from the second edition of *Pensions at a Glance* (OECD, 2007). This concept is broader than the previous benchmark of the “average manual production worker” (APW) because it covers more economic sectors and includes both manual and non-manual workers. The new AW measure was introduced in the OECD report *Taxing Wages* and also serves as benchmark for *Benefits and Wages*. The third edition of *Pensions at a Glance* (OECD, 2009) also included a comparison of replacement rates under the old and new measures of earnings for eight countries where the results were significantly different.

Further reading

- D’Addio, A.C. and H. Immervoll (2010), “Earnings of Men and Women Working in the Private Sector: Enriched Data for Pensions and Tax-Benefit Modelling”, *OECD Social, Employment and Migration Working Papers*, No. 108, OECD Publishing, <http://dx.doi.org/10.1787/5km7smt2r7d2-en>.
- Gandullia, L., N. Iacobone and A. Thomas (2012), “Modelling the Tax Burden on Labour Income in Brazil, China, India, Indonesia and South Africa”, *OECD Taxation Working Papers*, No. 14, OECD Publishing, <http://dx.doi.org/10.1787/5k8x9b1sw437-en>.
- OECD (2009), *Pensions at a Glance 2009: Retirement-Income Systems in OECD Countries*, OECD Publishing, http://dx.doi.org/10.1787/pension_glance-2009-en.
- OECD (2007), *Pensions at a Glance 2007: Public Policies across OECD Countries*, OECD Publishing, http://dx.doi.org/10.1787/pension_glance-2007-en.

7.5. Average worker earnings (AW) and points of the earnings distribution, 2012


National currency and USD at market price and purchasing-power-parity exchange rates

	OECD measures of average earnings			Exchange rate with USD		Points of earnings distribution (% of mean earnings)		
	National currency	USD, market exchange rate	USD, PPP	Market rate	PPP	Lowest decile	Median	Top decile
OECD members								
Australia	73 500	76 400	48 100	0.96	1.53	49.5	83.3	167.5
Austria	40 900	53 900	47 800	0.76	0.85	48.1	82.7	164.0
Belgium	46 100	60 700	51 800	0.76	0.89	60.4	84.5	153.4
Canada	46 900	47 000	38 300	1.00	1.22	44.6	89.1	166.9
Chile	6 218 600	13 000	15 400	478.90	403.24			
Czech Republic	300 400	15 800	21 400	19.03	14.02	49.3	85.2	153.1
Denmark	392 500	69 400	45 500	5.66	8.62	60.9	89.0	150.4
Estonia	11 000	14 400	19 900	0.76	0.55			
Finland	41 500	54 700	43 800	0.76	0.95	62.3	89.5	147.9
France	36 700	48 400	40 500	0.76	0.91	55.1	81.2	159.5
Germany	44 800	59 100	53 200	0.76	0.84	43.4	87.0	165.7
Greece	20 100	26 500	28 100	0.76	0.72	42.8	68.0	147.7
Hungary	2 749 600	12 500	19 000	220.84	144.57	37.8	74.3	176.0
Iceland	6 079 000	47 300	42 900	128.40	141.64		95.5	
Ireland	32 600	43 000	35 700	0.76	0.92	45.2	82.7	169.0
Israel	119 900	32 100	31 100	3.73	3.85			
Italy	28 900	38 100	32 800	0.76	0.88	56.1	85.1	156.6
Japan	4 788 300	55 300	45 300	86.58	105.66	52.4	87.6	162.7
Korea	38 500 000	36 100	47 800	1 065.31	804.96	39.9	81.7	181.7
Luxembourg	51 300	67 700	51 800	0.76	0.99	48.9	77.9	167.3
Mexico	94 100	7 300	10 600	12.96	8.91	27.4	62.2	216.7
Netherlands	46 400	61 200	54 400	0.76	0.85	51.7	84.0	158.8
New Zealand	51 300	42 400	31 600	1.21	1.62	51.2	87.2	160.6
Norway	510 700	91 800	49 900	5.56	10.23	63.2	88.9	149.0
Poland	38 900	12 600	19 500	3.09	1.99	39.2	80.3	169.3
Portugal	15 700	20 700	22 500	0.76	0.70	40.9	69.3	189.2
Slovak Republic	9 800	12 900	17 400	0.76	0.57	45.1	78.7	163.5
Slovenia	17 200	22 700	26 800	0.76	0.64			
Spain	25 600	33 700	33 900	0.76	0.76	52.3	78.2	171.2
Sweden	387 300	59 500	40 500	6.51	9.55	56.0	89.8	150.9
Switzerland	86 900	94 900	51 400	0.92	1.69	56.6	84.9	153.4
Turkey	27 500	15 400	21 700	1.79	1.27	42.0	55.2	203.7
United Kingdom	35 900	58 300	53 600	0.62	0.67	39.6	75.5	165.9
United States	47 600	47 600	47 600	1.00	1.00	36.7	77.1	177.6
OECD34		42 700	36 500			48.2	81.2	166.2
Other major economies (latest available year)								
Argentina	53 600	10 900	17 500	4.92	3.07			
Brazil	21 000	10 200	12 200	2.05	1.72			
China	46 800	7 500	12 000	6.23	3.91			
India	240 400	4 400	13 100	54.85	18.29			
Indonesia	16 100 000	1 600	2 500	9 799.95	6 533.33			
Russian Federation	321 900	10 500	14 800	30.53	21.82			
Saudi Arabia	172 500	46 000	61 900	3.75	2.79			
South Africa	135 600	16 000	23 800	8.49	5.69			
EU27		35 100	33 000					

Note: Average earnings are rounded to the nearest 100 and exchange rates rounded to decimal places.

PPP = Purchasing power parity.

Source: OECD Income Distribution Database; D'Addio and Immervoll (2010).

StatLink  <http://dx.doi.org/10.1787/888932908022>



From:
Pensions at a Glance 2013
OECD and G20 Indicators

Access the complete publication at:
https://doi.org/10.1787/pension_glance-2013-en

Please cite this chapter as:

OECD (2013), "Earnings: Averages and distribution", in *Pensions at a Glance 2013: OECD and G20 Indicators*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/pension_glance-2013-34-en

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