

Key results

Private pension arrangements have been growing in importance in recent years as pension reforms have reduced public pension entitlements. In 18 OECD countries, private pensions are mandatory or quasi-mandatory (that is, they achieve near-universal coverage of employees through collective bargaining agreements). In a further eight OECD countries, voluntary private pensions (occupational and personal) cover more than 40% of the working age population.

Eighteen of the 34 OECD countries have some form of mandatory or quasi-mandatory private pension system in place, ensuring a high coverage of the working age population. In Finland, Iceland, Norway, and Switzerland, occupational pensions are mandatory and cover almost or more than 70% of the working age population: employers must operate a scheme and contribution rates are set by the government. Iceland is one of the countries with the highest coverage rate of any OECD country, reaching 84.8% of the working age population. Other occupational pension systems can be classified as quasi-mandatory: through industry-wide or nation-wide collective bargaining agreements, employers establish schemes that employees must join. As not all sectors may be covered by such agreements, these systems are not classified as mandatory. Examples include the occupational pension systems in Denmark, the Netherlands, and Sweden. In these countries, the coverage is close to the one in countries with mandatory systems, with 60% or more of the working-age population covered.

Mandatory personal accounts systems are prevalent in Latin America and Central and Eastern Europe where they have partly replaced social security benefits. Such plans can be found in Chile, Estonia, Mexico, Poland, and the Slovak Republic. Other OECD countries with such mandatory personal pensions include Denmark, Israel and Sweden. While coverage is nearly universal in Denmark, Estonia, Israel and Sweden, it is still not the case in the other countries, where older workers tend not to be covered by the new systems. The coverage rate of around 40-60% will therefore continue increasing over time as new workers join personal pensions. Some of these countries also have a high incidence of informal employment which limits coverage levels. Only few people are still in the mandatory private pension system in Hungary after the government decision to effectively close it down at the end of 2010.

Coverage of voluntary occupational pension plans varies across countries. These plans are called voluntary in the sense that employers, in some countries jointly with employees, are free to set up an occupational plan. Personal pension plans are voluntary when individuals can freely decide whether to join them or not. The coverage of voluntary pension plans (both occupational and personal) is above 50% in the Czech Republic and New Zealand and close to 50% in the United States. On the other hand, the coverage of voluntary pension plans is very low (below 5%) in countries such as Greece, Luxembourg, Portugal, and

Turkey. In these countries the generosity of public pensions may explain the low private pension coverage. Coverage of voluntary pensions is also low in Mexico (1.9%) and Poland (1.3%) which have a mandatory private pension system.

Three countries, Italy, New Zealand and the United Kingdom, have introduced automatic enrolment (with an opt-out clause) into private pension plans at the national level. The results have been mixed. New Zealand has achieved a coverage rate of 64% in the new “KiwiSaver” scheme (introduced in 2007). In Italy, since 2007 the severance pay provision (so called *Trattamento di Fine Rapporto* – TFR) of private sector employees is automatically paid into an occupational pension plan unless the employee makes an explicit choice to remain in the TFR regime. Despite this rule, only 14% of the working-age population is covered by a voluntary pension plan in Italy. It is still too early to assess the success of automatic enrolment in the United Kingdom, as it is gradually phased-in from October 2012.

Definition and measurement

Several measures of private pension coverage coexist. Individuals can be considered as covered by a private pension plan either if they have assets in a private pension plan, they contribute to a plan, or contributions are being made on their behalf. To be a member of a private pension plan from the perspective proposed here, an individual must have assets or have accrued benefits in a plan. Hence, an individual who does not contribute (for various reasons, including unemployment) or on behalf of whom contributions are not made during a year would still be considered as a plan member if he/she has assets or has accrued benefits in the plan. A large difference between the two measures of coverage arises in countries with large informal sectors.

Counting individuals more than once may arise when using administrative data as individuals can be members of both occupational and personal voluntary pension plans. Therefore total voluntary pension plan coverage cannot be obtained by summing occupational and personal coverage data. For example, in the case of the United States, 41.6% of the working age population is member of occupational plans and 22.0% has personal pensions, while overall voluntary pension coverage is 47.1%. This implies that 40% of people with occupational pension plans also have a personal plan.

8.1. Coverage of private pension schemes by type of plan, 2011


As a percentage of working age population (15-64 years)

	Mandatory/ quasi-mandatory	Voluntary		
		Occupational	Personal	Total
Australia	68.5	x	19.9	19.9
Austria	x	19.6	18.0	..
Belgium	x	45.2	..	..
Canada	x	33.4	32.8	..
Chile	75.6	..	..	..
Czech Republic	x	x	62.1	62.1
Denmark	ATP: 83.7 QMO: 61.9	x	23.6	23.6
Estonia	68.9	x	..	..
Finland	74.2	6.4	19.1	25.4
France	x	16.5	5.4	..
Germany	x	56.4	35.2	71.3
Greece	x	0.2	..	..
Hungary	1.5	x	20.0	20.0
Iceland	84.8	x	41.9	41.9
Ireland	x	31.0	12.0	41.3
Israel	81.8	x	x	x
Italy	x	7.5	6.9	14.0
Japan	..	..	..	..
Korea	12.2	x	23.4	23.4
Luxembourg	x	3.0	..	..
Mexico	59.5	1.9	x	1.9
Netherlands	88.0	x	28.3	28.3
New Zealand	x	7.9	63.7	..
Norway	68.1	..	23.2	..
Poland	56.5	1.3	..	..
Portugal	x	3.3	5.1	..
Slovak Republic	44.4	x	..	..
Slovenia	x	..	..	38.2
Spain	x	3.3	15.7	18.6
Sweden	PPS: ~100 QMO: ~90	x	27.1	27.1
Switzerland	70.5	x	..	..
Turkey	0.9	0.2	4.7	..
United Kingdom	x	30.0	11.1	43.3
United States	x	41.6	22.0	47.1

Note: Coverage rates are provided with respect to the total working age population (i.e. individual aged 15 to 64 years old) for all countries except Germany, Ireland and Sweden for which coverage rates are provided with respect to employees subject to social insurance contributions for Germany and to total employment for Ireland and Sweden.

PPS = Premium Pension System; QMO = Quasi-mandatory occupational; .. = Not available; x = Not applicable.

Source: OECD, Global Pension Statistics, estimates and OECD calculations using survey data.

StatLink  <http://dx.doi.org/10.1787/888932908041>



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), "Coverage of private pensions", in *Pensions at a Glance 2013: OECD and G20 Indicators*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/pension_glance-2013-35-en

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