

Key results

Private pension arrangements have been growing in importance in recent years as pension reforms have reduced public pension entitlements. In 17 OECD countries, private pensions were mandatory or quasi-mandatory in 2013 (that is, they achieve near-universal coverage of employees through collective bargaining agreements). In eight OECD countries, voluntary private pensions (occupational and personal) cover more than 40% of the working-age population.

In 2013, seventeen of the thirty four OECD countries had 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 87.9% 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, the Slovak Republic, and until recently in Poland, where contributions to personal accounts in open pension funds became voluntary in 2014. 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.

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 (occupational or personal) is above 50% in Belgium, the Czech Republic, Germany, Iceland 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 and Portugal. In these countries the generosity of public pensions may explain the low private pension coverage. Coverage of

voluntary pensions is also low in Mexico (1.7%) which has 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 73% in the “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 16% of the working-age population is covered by a voluntary pension plan in Italy. For the United Kingdom, the data shown still reflect the situation before the reform, but preliminary 2013 data on employees’ coverage by workplace pension schemes exhibit the first increase since 2006. Automatic enrolment is also encouraged by regulation in Canada and the United States.

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.


10.1. Coverage of private pension schemes by type of plan, 2013

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	15.1	18.0	..
Belgium	x	57.3	..	..
Canada	x	25.7	24.7	..
Chile	78.9	..	..	..
Czech Republic	x	x	66.2	66.2
Denmark	ATP: 83.3 QMO: 62.3	x	22.4	22.4
Estonia	74.3	x	5.1	5.1
Finland	84.1	9.2	20.9	29.1
France	x	20.2	5.3	..
Germany	x	56.4	35.2	71.3
Greece	x	0.2	..	..
Hungary	x	..	18.5	..
Iceland	87.9	x	52.2	52.2
Ireland	x	31.0	12.0	41.3
Israel	94.2	x	x	x
Italy	x	7.4	8.9	15.7
Japan	..	..	..	..
Korea	13.9	x	23.4	23.4
Luxembourg	x	5.2	..	..
Mexico	57.8	1.7	x	1.7
Netherlands	88.0	x	28.3	28.3
New Zealand	x	7.2	72.9	..
Norway	68.6	..	22.3	..
Poland	60.3	1.4	..	..
Portugal	x	3.2	4.0	..
Slovak Republic	55.3	x	..	..
Slovenia	x	..	..	36.3
Spain	x	3.3	15.7	18.6
Sweden	PPS: ~100 QMO: ~90	x	36.0	36.0
Switzerland	72.6	x	..	..
Turkey	1.4	0.5	6.9	..
United Kingdom	x	30.0	11.1	43.3
United States	x	41.6	22.0	47.1

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

Source: Estimates from OECD Global Pension Statistics and OECD calculations using survey data.

StatLink  <http://dx.doi.org/10.1787/888933301275>



From:
Pensions at a Glance 2015
OECD and G20 indicators

Access the complete publication at:
https://doi.org/10.1787/pension_glance-2015-en

Please cite this chapter as:

OECD (2015), "Coverage of private pensions", in *Pensions at a Glance 2015: OECD and G20 indicators*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/pension_glance-2015-34-en

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.