

Key Results

Total mandatory effective pension contribution rates for an average earner averaged 18.4% in 2018 for the 33 OECD countries that have specific pension contributions. In Ireland, Spain and the United Kingdom, mandatory contributions are not earmarked for pensions and cover social insurance.

Most of the measures presented in *Pensions at a Glance* look at the benefits side of the pension system. The indicators here look at the contribution side, mapping out how much workers contributed towards their pension in 2018. Tax-financed pension benefits are not covered here.

Since different pension components in a country can be financed through different income sources mapping out the pension's contribution terrain is very important but it can also be difficult. This presentation aims to give a broad picture of the pension schemes modelled herein and where data are available.

Table 8.1 presents the 32 OECD countries where pension contributions are mandatory, either public or private, and New Zealand where there is no mandatory contributions. Countries that belong to this group have pension systems where the contribution rate paid is more directly linked to the pension system. However, there are still 12 countries within this group, Austria, the Czech Republic, Denmark, Finland, Germany, Iceland, Italy, Lithuania, Luxembourg, Poland, Slovenia and the United States, where contributions also finance disability or invalidity benefits. The average effective contribution rate in this group equalled 18.4% at the average wage in 2018. The highest total mandatory contribution rates are found in Italy at 33.0%. The Czech Republic, France and Poland also have high effective contribution rates, between 26% and 28%. By contrast the mandatory contribution in Mexico amounts to only 6.275%. In both Australia and Canada, tax-financed components play a large role and so contribution rates to contributory schemes are below 10%. The same is true for New Zealand, but as there is no mandatory earnings-related scheme the contribution level is zero.

The effective contribution rate to the public schemes is 18.1% compared to 9.1% for private schemes. Within the

public scheme employee contributions are around two-thirds of those of employers, representing effective contribution rates of 7.5% and 10.6%, respectively. In Slovenia, the split is almost reverse, as employees pay 15.5% compared to 8.85% for employers. In Australia, Estonia and Iceland, all mandatory contributions are paid by employers, while in Lithuania employees pay total contributions.

Table 8.2 looks at social insurance contribution rates that apply for a private-sector worker in Ireland, Spain and the United Kingdom. For these three countries it is difficult to separate the pension contributions from the other parts of social insurance such as survivor's benefits, disability benefits, unemployment, etc. In addition individuals cannot choose which systems to belong to and they therefore have to contribute fully to all parts.

The average contribution rate in this group is 21.2% for an average earner in 2018. The highest mandatory social insurance contributions are found in Spain at 28.3% and the lowest in Ireland at 14.75%.

Countries with higher pension contribution rates will often have above average pension benefits (as in the case of France, Iceland, Italy and the Netherlands). The choice of the contribution level should be the result of trading off lower net wages against higher future pensions. However, in addition higher mandatory contribution rates might hurt the competitiveness of the economy, and lower total employment while potentially increasing informality.

Further Reading

OECD (2019), *Taxing Wages 2019*, OECD Publishing, Paris, https://dx.doi.org/10.1787/tax_wages-2019-en.

Table 8.1. Mandatory pension contribution rates for an average worker in 2018

	Nominal rate					Ceiling (in % of gross average earnings), public / private	Effective rate on average earnings
	Employee, public	Employer, public	Employee, private	Employer, private	Total		
Australia			0.0	9.5	9.5	252	9.5
Austria*	10.3	12.6			22.8	152	22.8
Belgium	7.5	8.9			16.4	115	16.4
Canada	5.0	5.0			9.9	104	9.9
Chile			11.2	1.2	12.4	268	12.4
Czech Republic*	6.5	21.5			28.0	375	28.0
Denmark*			4.0	8.0	12.0	None	12.8
Estonia	0.0	16.0	2.0	4.0	22.0	None	22.0
Finland*	6.7 [a]	17.7			24.4 [a]	None	24.4 [a]
France	11.2 [w]	16.3 [w]			27.5 [w]	None (806)	27.5
Germany*	9.3	9.3			18.6	154	18.6
Greece	6.7	13.3			20.0	342	20.0
Hungary	10.0	15.5			25.5	None	25.5
Iceland*	0.0	7.4	4.0	11.5	22.9	None	22.9
Israel	3.9 [w]	2 [w]	6.0	6.5	18.4 [w]	340/78	13.8
Italy*	9.2	23.8			33.0	324	33.0
Japan	9.15	9.15			18.3	230	18.3
Korea	4.5	4.5			9.0	117	9.0
Latvia	10.0	10.0			20.0	463	20.0
Lithuania*	8.7	0.0			8.7	921	8.7
Luxembourg*	8.0	8.0			16.0	202	16.0
Mexico			1.1	5.2	6.3	601	6.3
Netherlands	18.0	0.0	7.7 [w]	14.8 [w]	x [w]	66/none	25.6
New Zealand					0.0		0.0
Norway	7.6	10.5	0.0	2.0	20.1	None/193	20.1
Poland*	11.3	16.3			27.5	264	27.5
Portugal	7.2	15.5			22.7	None	22.7
Slovak Republic	4.0	14.0			18.0	633	18.0
Slovenia*	15.5	8.9			24.4	None	24.4
Sweden	7.0	10.2	0.0	4.5 [w]	21.7 [w]	111/none	21.7
Switzerland	4.2	4.2	6.25 [a,w]	6.25 [a,w]	20.9 [a,w]	None/93	16.6 [a]
Turkey	9.0	11.0			20.0	389	20.0
United States*	6.2	6.2			12.4	234	12.4
OECD33							18.4

Note: *Contribution rate also finances disability or invalidity benefits. [a] and [w]: rate varies by age and earnings level respectively. In the private occupational schemes of the Netherlands and Switzerland contributions are only paid on the part of individual earnings exceeding 39% and 27% of average earnings respectively. Therefore, the total nominal contribution rate in the Netherlands equals 18% below 39% of average earnings, 40.5% between 39% and 66% of average earnings and 22.5% above. For occupational schemes in Denmark and the Netherlands, contribution rates are fund-specific, so typical rates are shown. In France, Latvia and Sweden, the indicated public contribution rates include contributions to mandatory occupational or personal pension schemes. Flat-rate contributions to the ATP scheme in Denmark are only included in the effective contribution rate. Public pensions in Finland are partly funded and privately managed while national accounts define them as public. For France, the total nominal rate drops from 27.5% to 24.8% at 101% of average earnings and - once the ceiling of the occupational scheme is reached (806% of average earnings for AGIRC in 2018 and AGIRC-ARRCO from 2019 while 302% in ARRCO in 2018) - it drops further to 2.3% without ceiling. For Israel, the public nominal rate for earnings below 47% of average earnings equals 1.52% compared to 5.9% above. For Sweden, the nominal rate in the private occupational scheme rises from 4.5% to 30% at 103% of average earnings. The indicated nominal rate in the private occupational scheme in Switzerland is an average of the age-specific rates (7% at ages 25-34, 10% at 35-44, 15% at 45-54 and 18% at 55-64). Likewise for employee contributions to the public scheme in Finland (7.85% between 53 and 62, otherwise 6.35%). For Latvia, contributions are assumed to be equally split between employee and employer as legislation does not make such a split explicit. For Chile, the indicated values include a 1.15%-rate for survivor pensions and a 1.23%-rate for administrative costs. In Hungary employer contributions are levied for pensions and health care together of which 79.5% go to the pension budget. For Mexico, contribution rates shown exclude contributions paid by the government to the private individual account in form of both a 0.225%-contribution and the social quota, which is an amount that varies with the wage level. Also contributions for public survivor and disability benefits of 0.625% (employee) + 1.75% (employer) + 0.125% (government) are not included. Also in Luxembourg (8%) and Israel (0.25%) the government pays contributions to mandatory pension schemes, which are excluded here. Data for Lithuania show the situation after the reform of social security contributions in June 2018.

Source: Country profiles and American Social Security Administration (various years), Social Security Programs Throughout the World.

StatLink  <https://doi.org/10.1787/888934042276>

Table 8.2. Social insurance contribution rates for an average worker in 2016

	Nominal rate					Ceiling (in % of gross average earnings), public / private	Effective rate on average earnings
	Employee, public	Employer, public	Employee, private	Employer, private	Total		
Ireland	4.0	10.8			14.8	None	14.8
Spain	4.7	23.6			28.3	170	28.3
United Kingdom	12 [w]	13.8 [w]			25.8 [w]	None	20.4

Note: The indicated rates cover different social security schemes across countries. Ireland: All schemes excluding for sickness and maternity benefits in kind. Spain: All schemes except for unemployment. United Kingdom: Old age, survivor, disability, sickness and maternity, work injury and unemployment. In the United Kingdom contributions are only paid on the part of individual earnings exceeding 21% of average earnings. Moreover, the employee contribution drops from 12% to 2% at 115% of average earnings.

Source: Country profiles and American Social Security Administration (various years), Social Security Programs Throughout the World.

StatLink  <https://doi.org/10.1787/888934042295>



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