

An illustration showing a hand with red-painted nails dropping a gold coin into a red piggy bank. The background is a mix of purple, blue, and green shapes.

Pressure on pension systems in the aftermath of the crisis – OECD launch of **Pensions at a Glance 2015**

Stefano Scarpetta

Director, Directorate of Employment,
Labour and Social Affairs, OECD

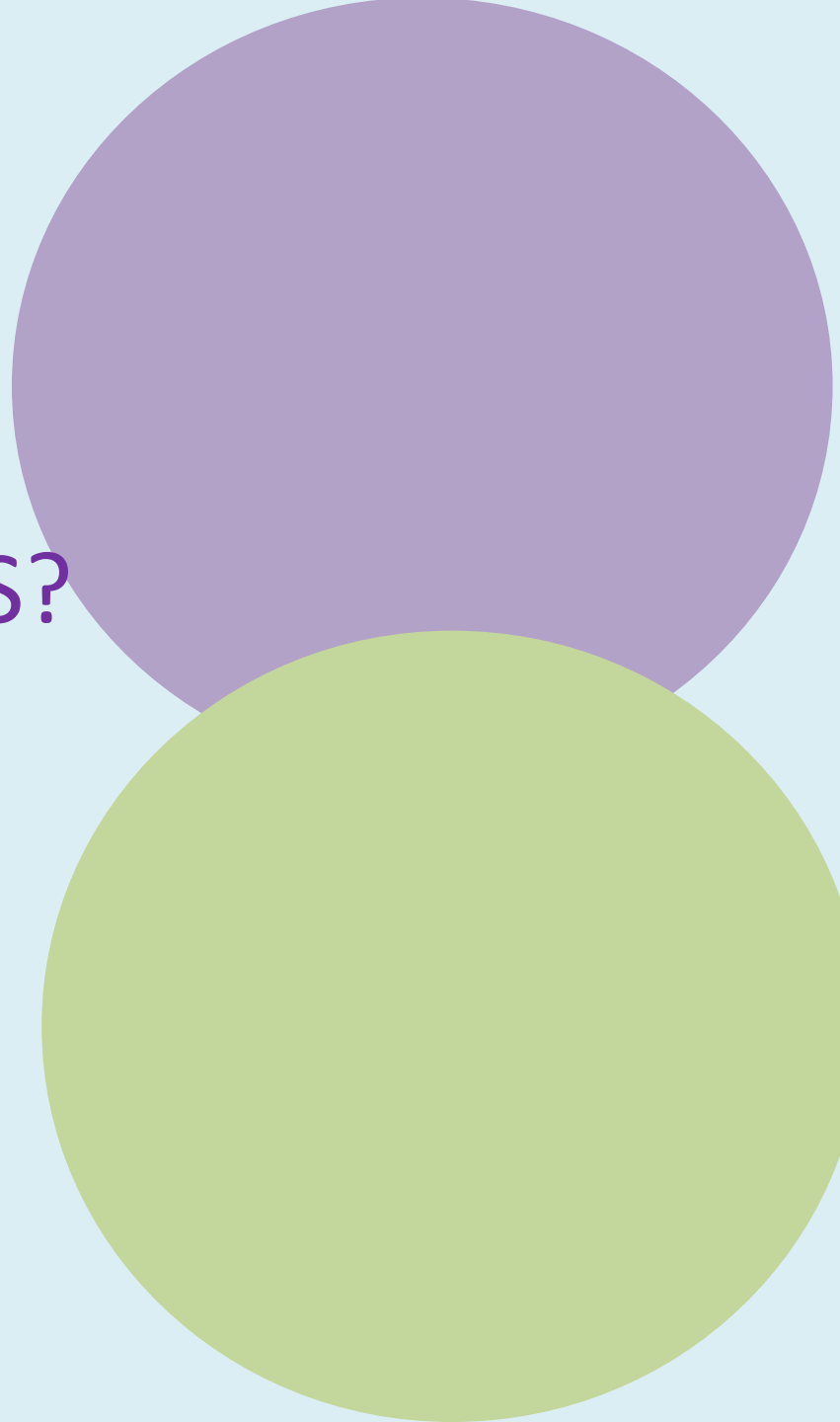
What's new?

- Updated rules and parameters to 2014
- 33 Indicators for OECD and G20 countries
- 4 Special chapters
 - Pension reforms over the last two years
 - Role of first-tier pensions
 - Impact of short and interrupted careers on pension entitlements
 - Sensitivity analysis of the replacement rates to changes in the parameters of the OECD model

Recent reforms

- Three out of four OECD countries implemented pension measures over the last 2 years, half of which undertook broad reforms.
- Improving financial sustainability of pensions was the priority, given widespread fiscal consolidation needs, and the increasing impact of population ageing.
- Main focus was on increasing working lives: higher statutory retirement ages, tighter early retirement rules, financial incentives and greater possibility to combine work and pensions.

What about the US?



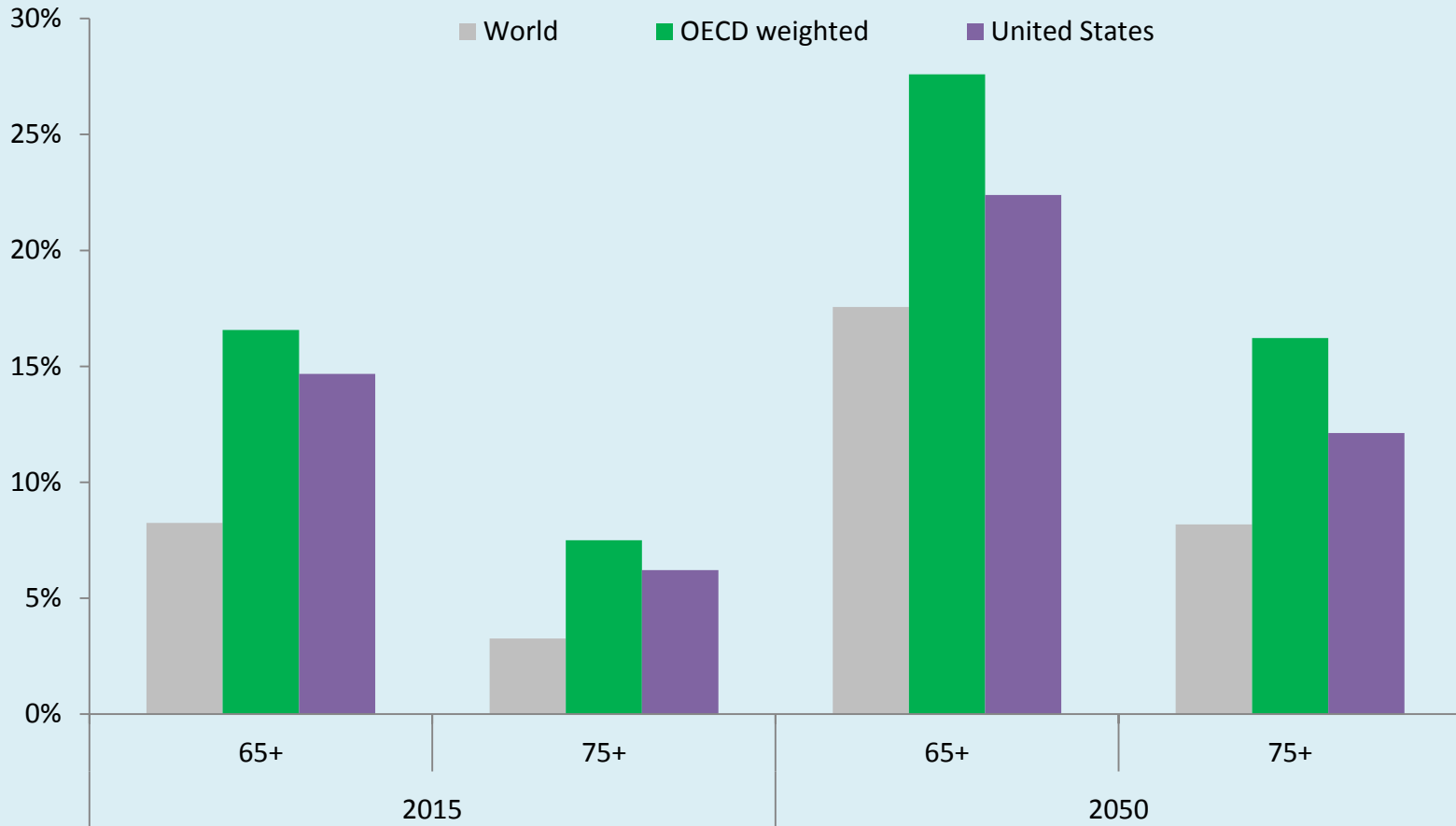
Financial pressure will persist

Pre- and post-crisis government gross financial liabilities, 2007 and 2014 (or latest year available) - % GDP



And populations will continue to age

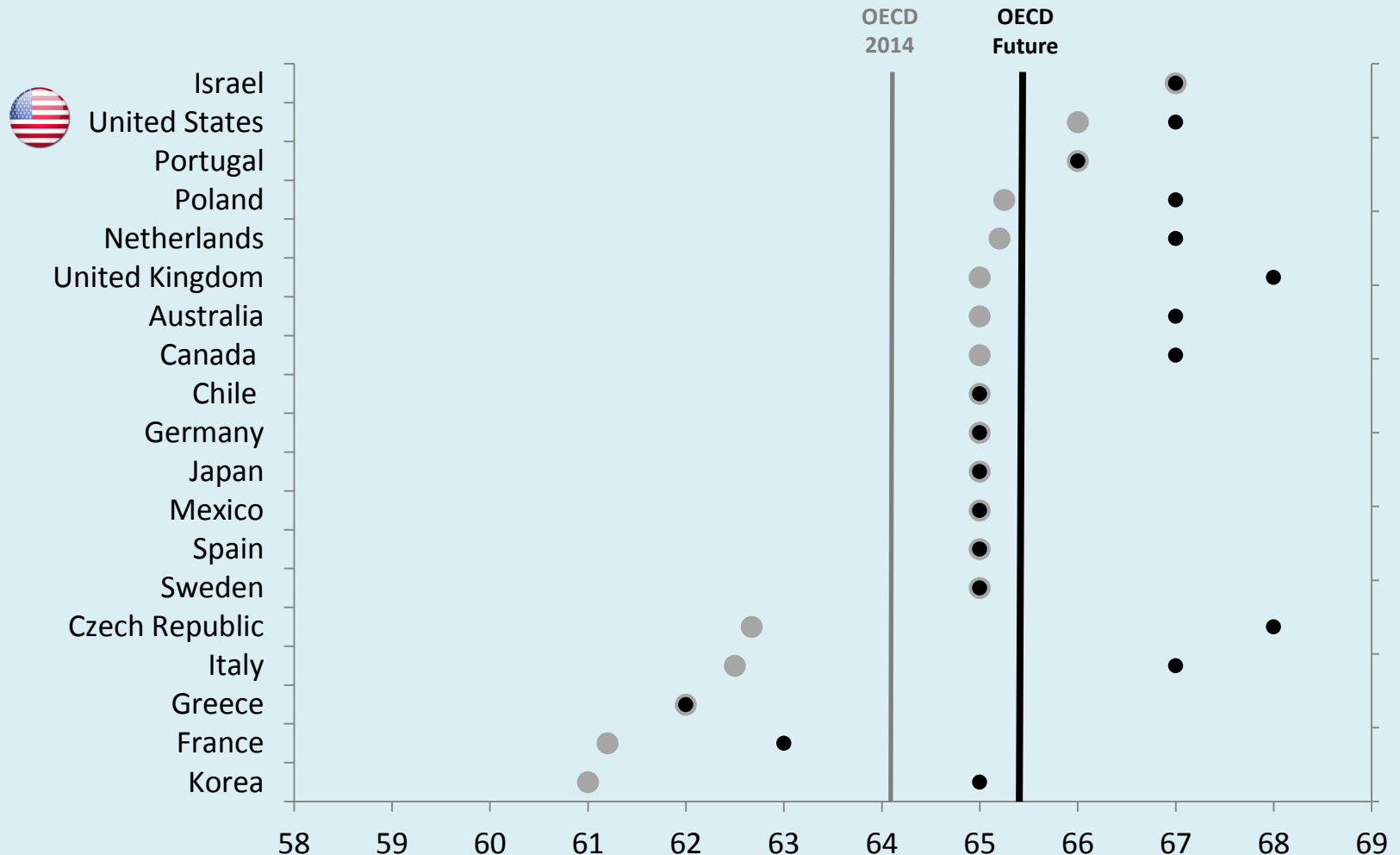
although more slowly in the US than in the OECD on average



Source: United Nations Population Prospects, 2012

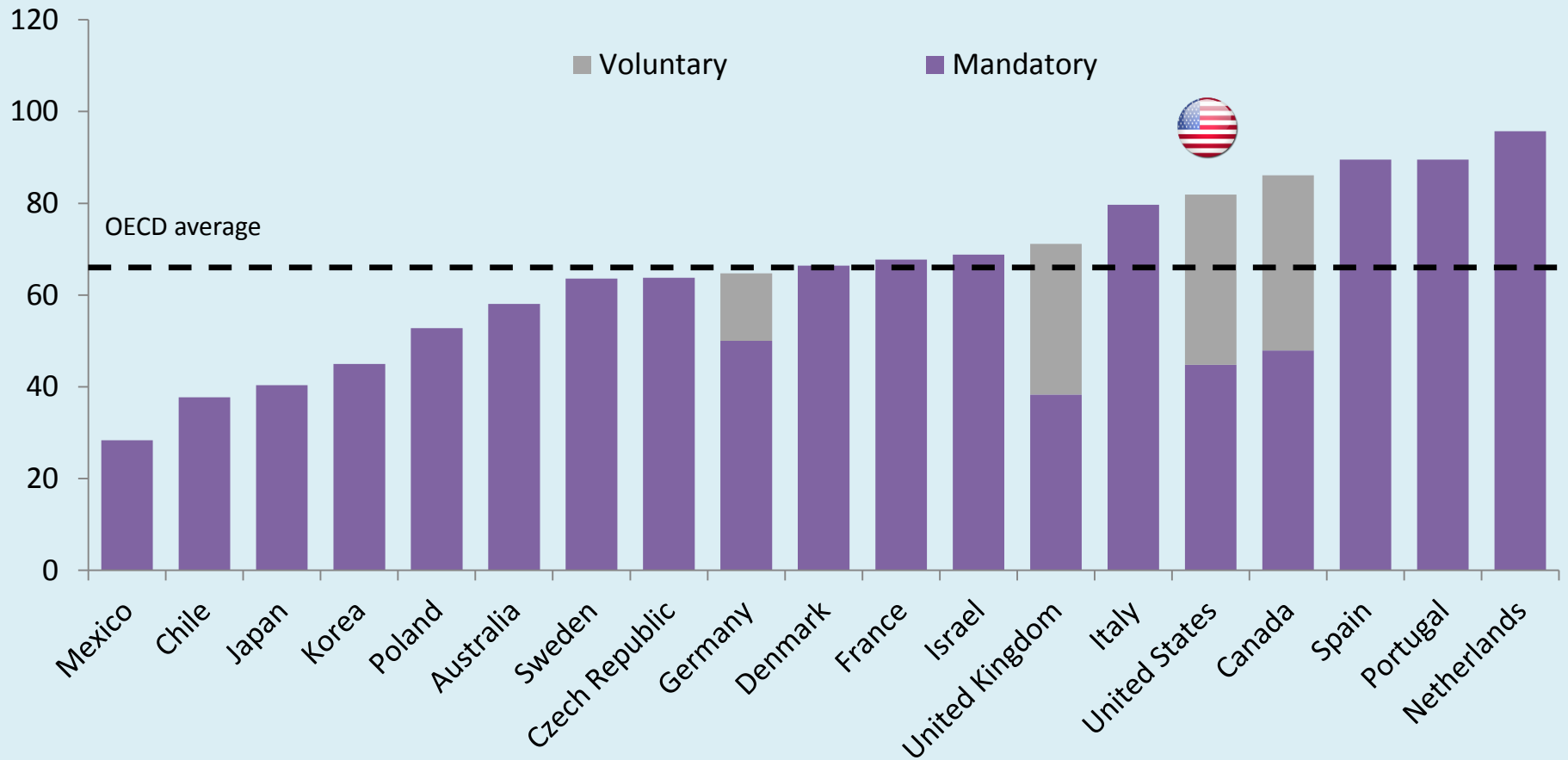
67 is becoming the new 65

(retirement age in OECD countries, today and in the future)



full career workers will have above average replacement rates...

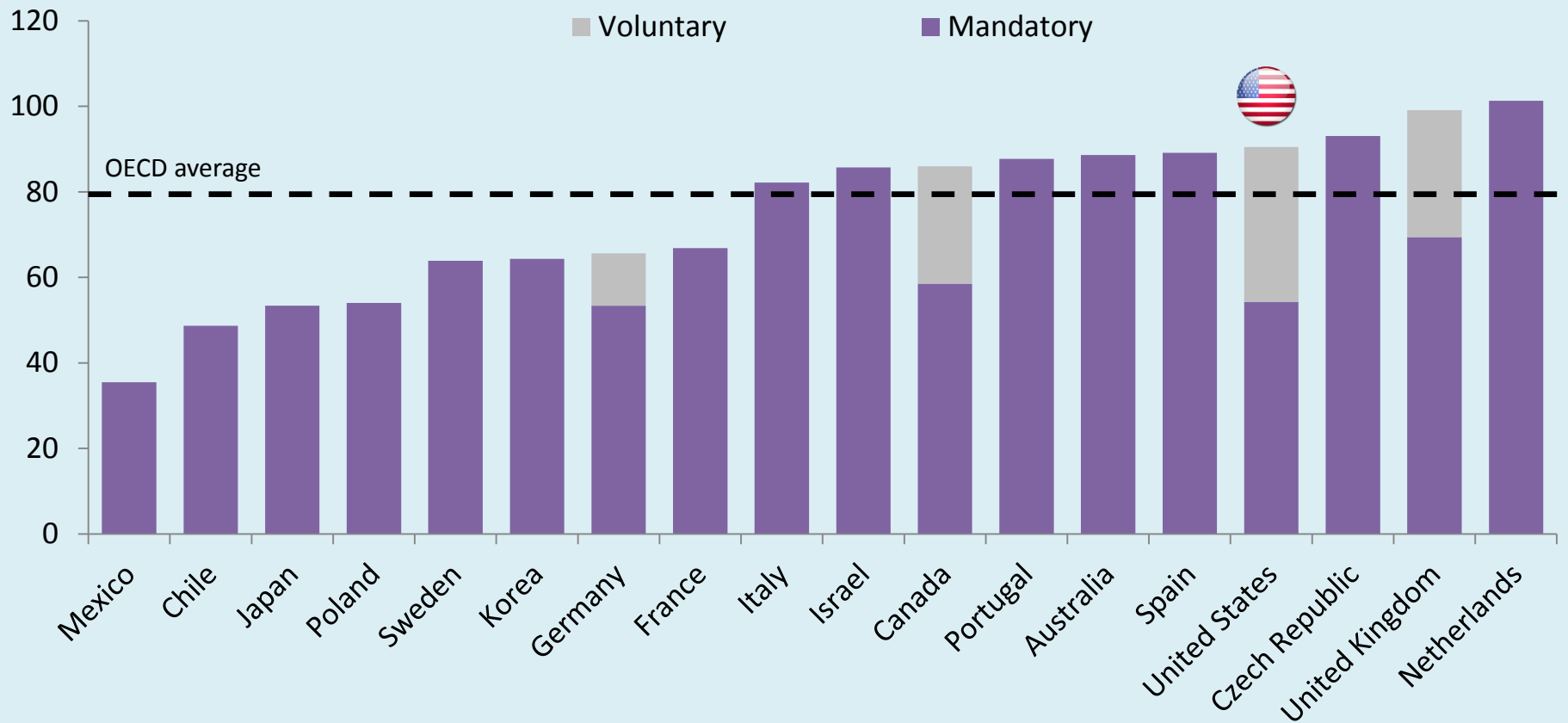
Net pension replacement rates for average earners, as % of individual earnings



Source: OECD pension models

...and it will look similar for low earners

Net pension replacement rates for average earners, as % of individual earnings

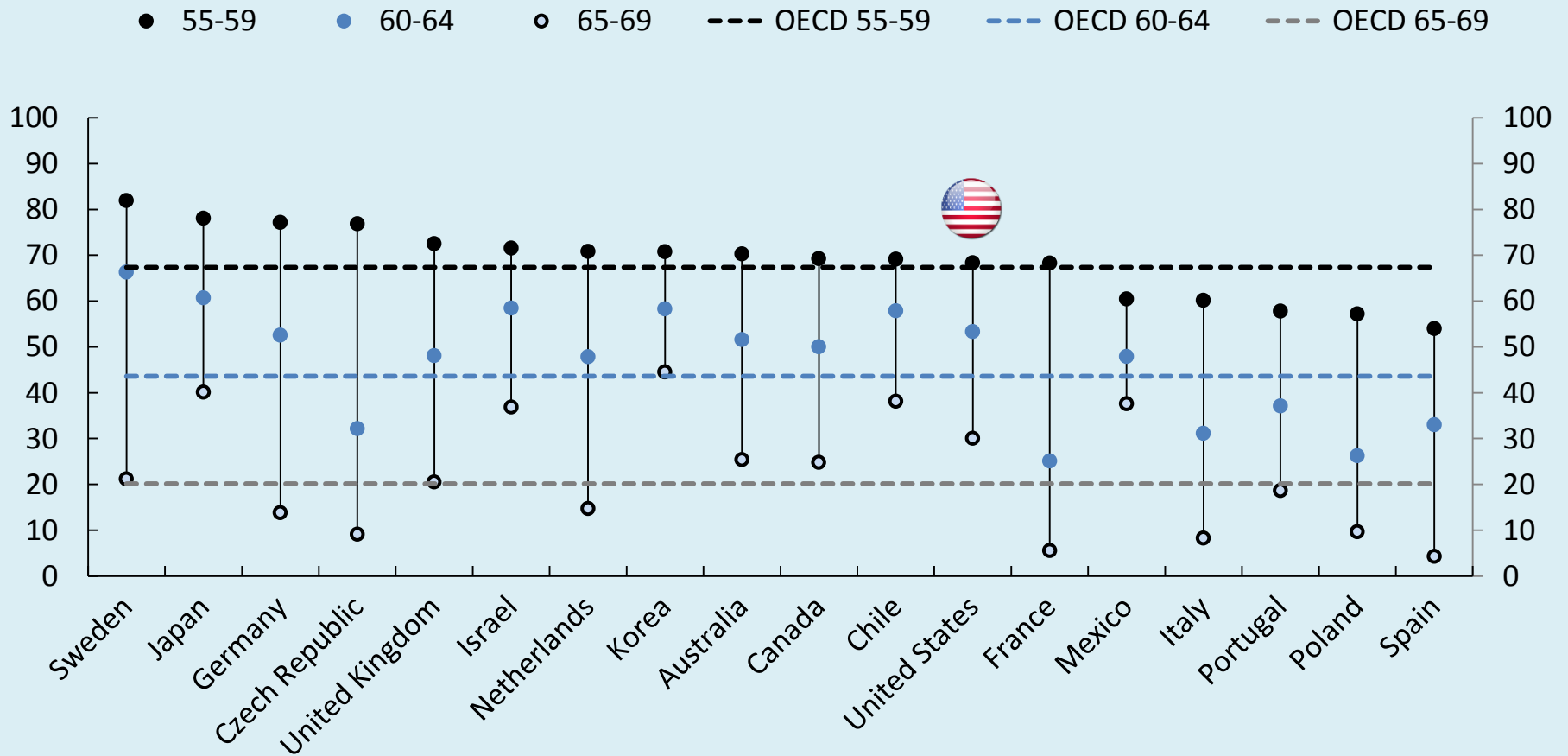




But what if everything
doesn't go according to plan?

Many workers are not employed, particularly at older ages

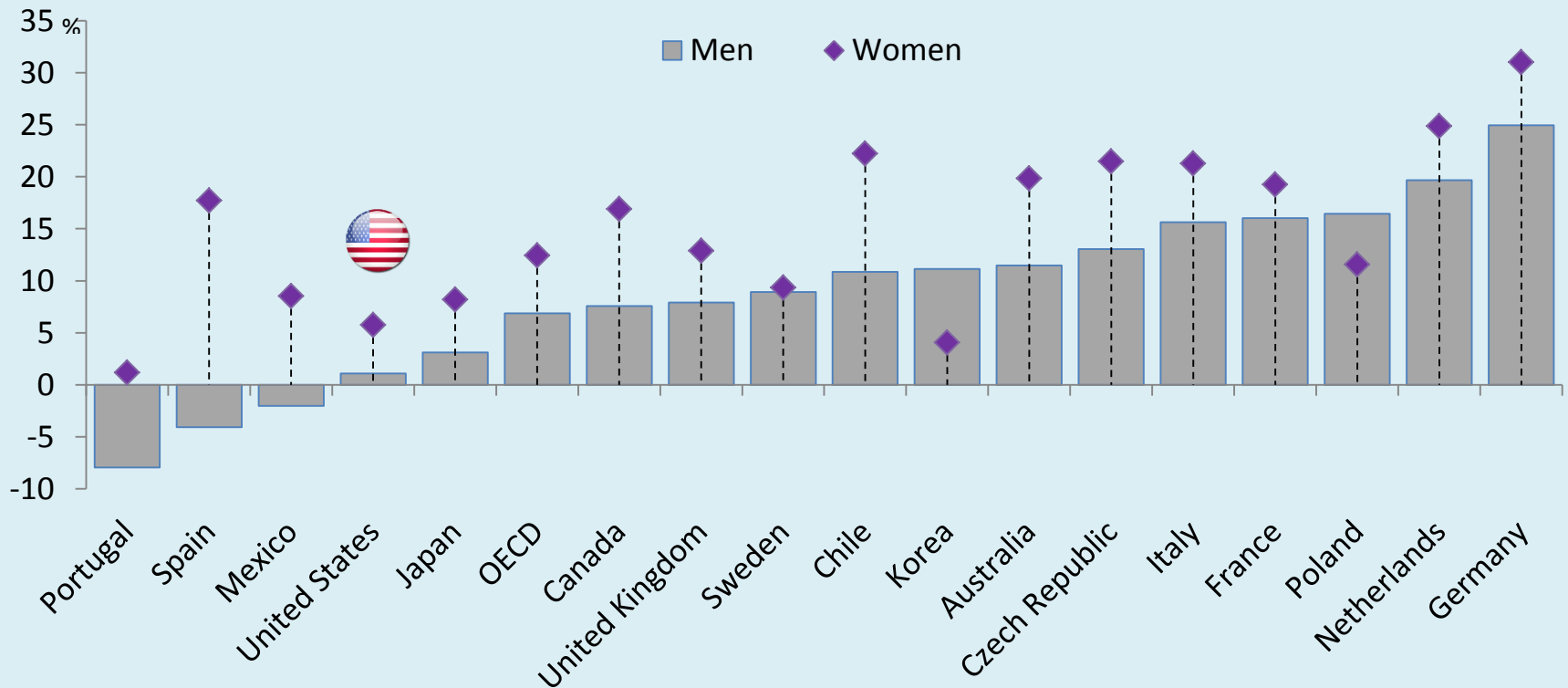
Employment rates of workers aged 55-69, 2014



Employment rates for the 55-64 have increased in the OECD...

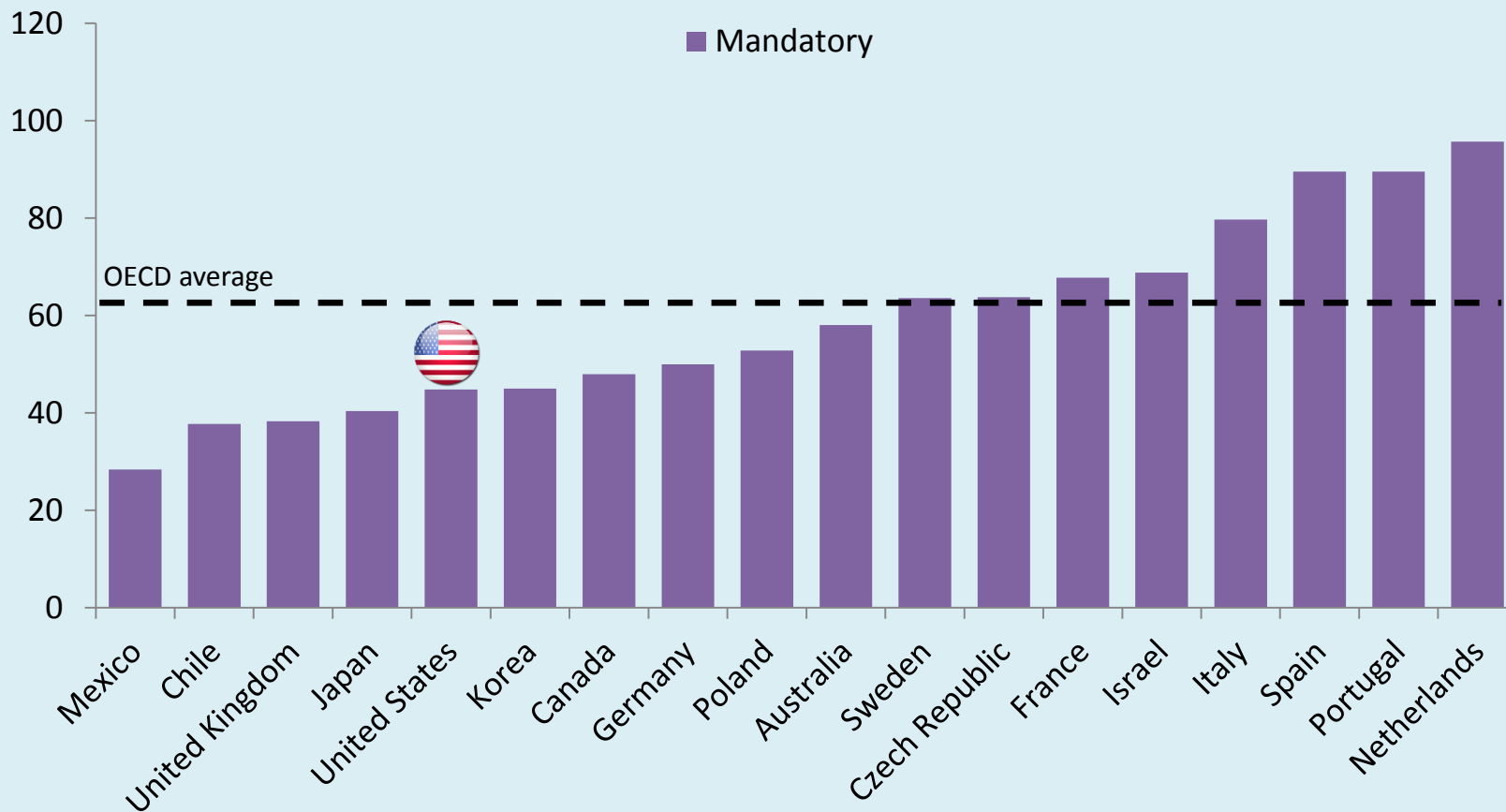
...especially for women, but not really in the USA

Change over 2004-2014, percentage points



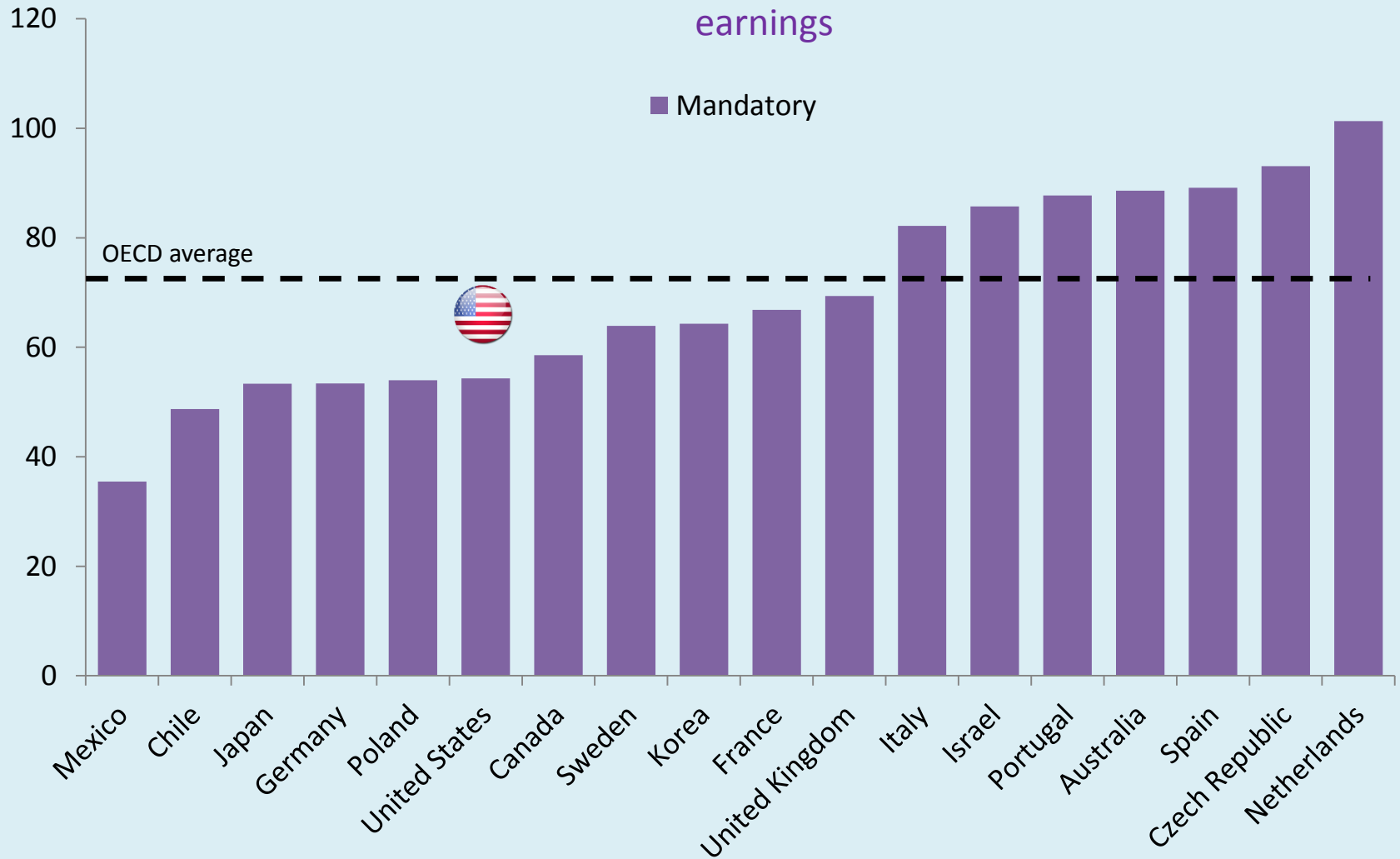
And with no voluntary pension it doesn't look so good, both for average earners...

Net pension replacement rate for average earners, as % of individual earnings



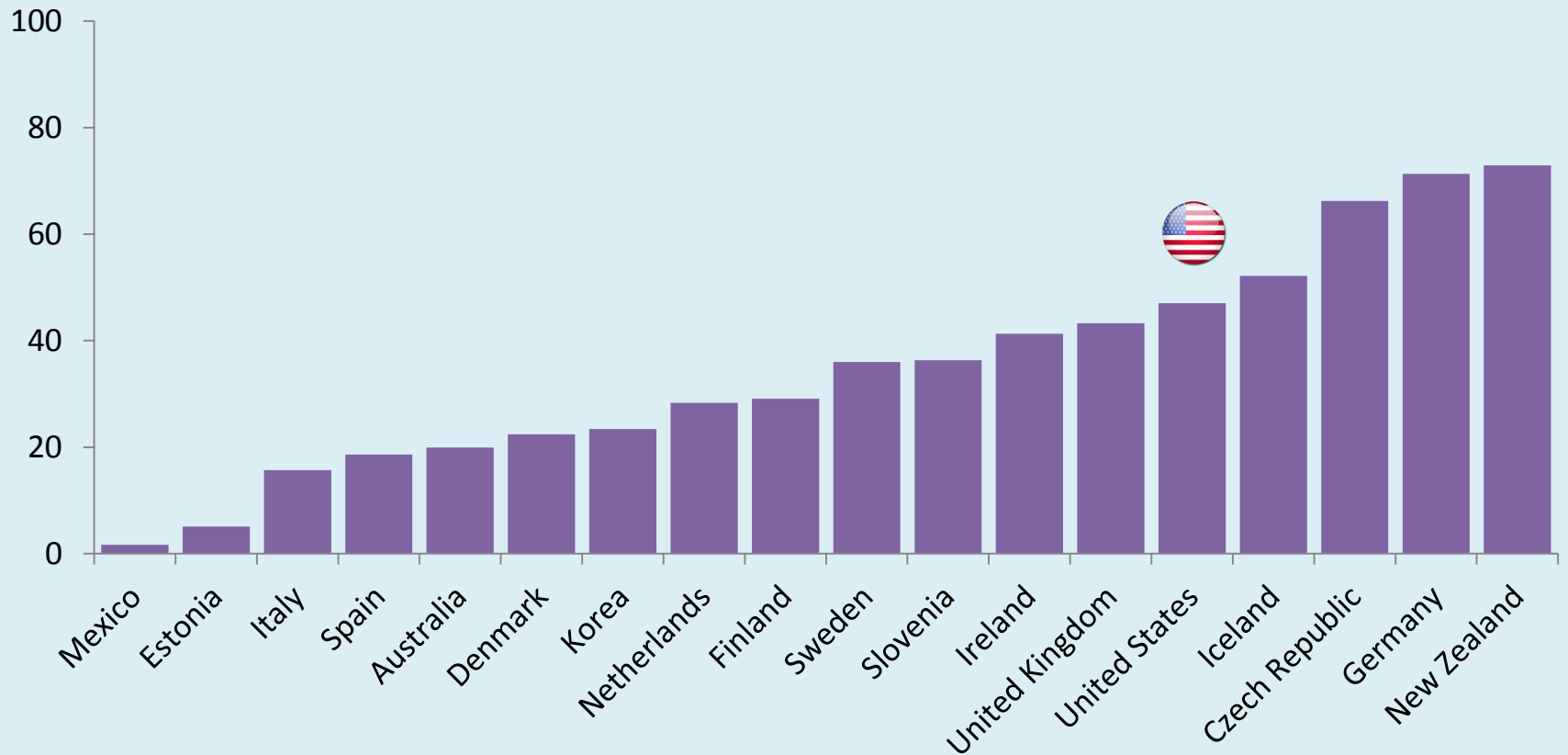
...and for low earners

Net pension replacement rate for 50% average earners, as % of individual earnings



With voluntary pension at 47% low income at old age may become a reality

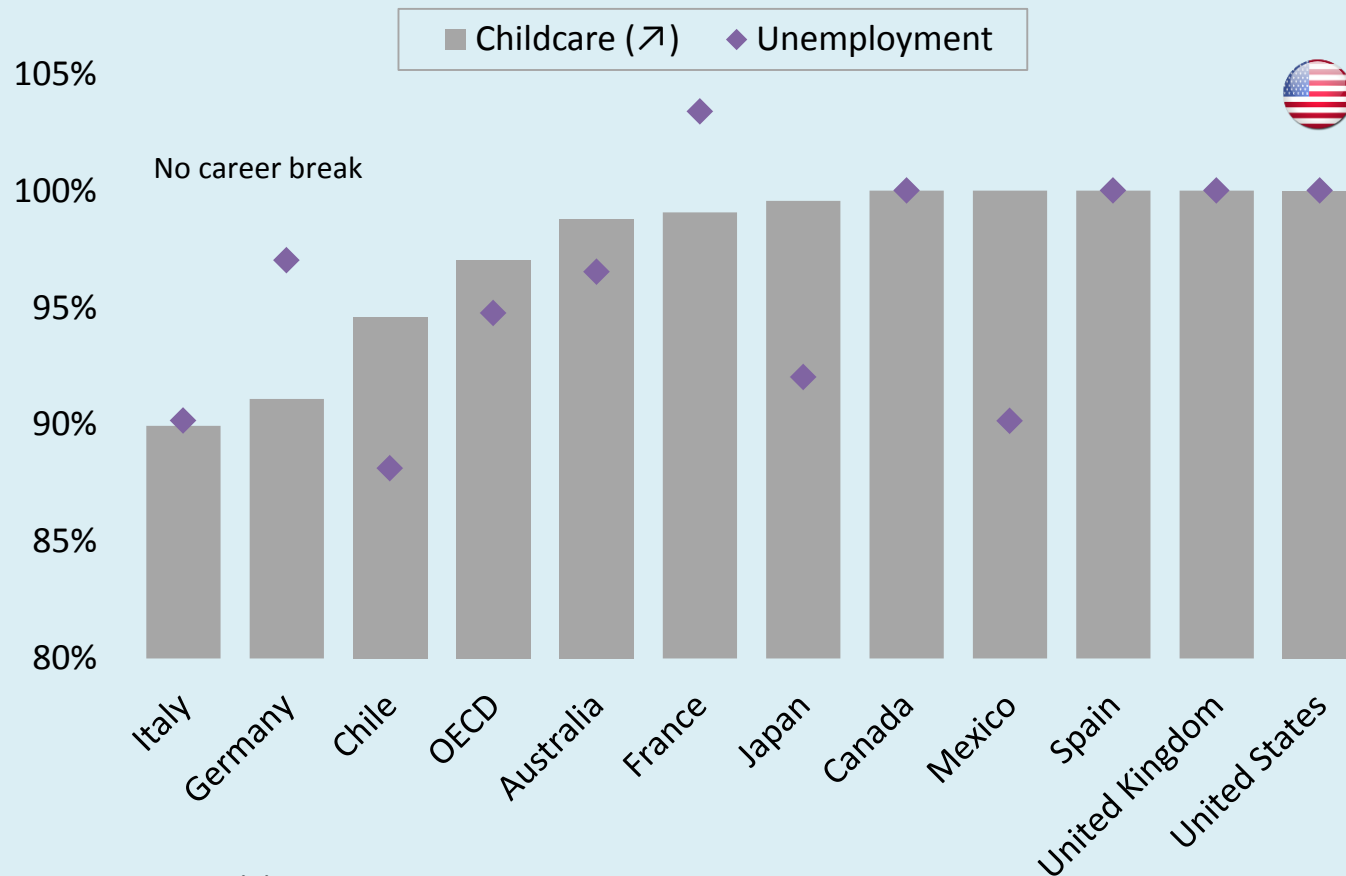
Coverage of private pension schemes as a percentage of those aged 15-64, 2013



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

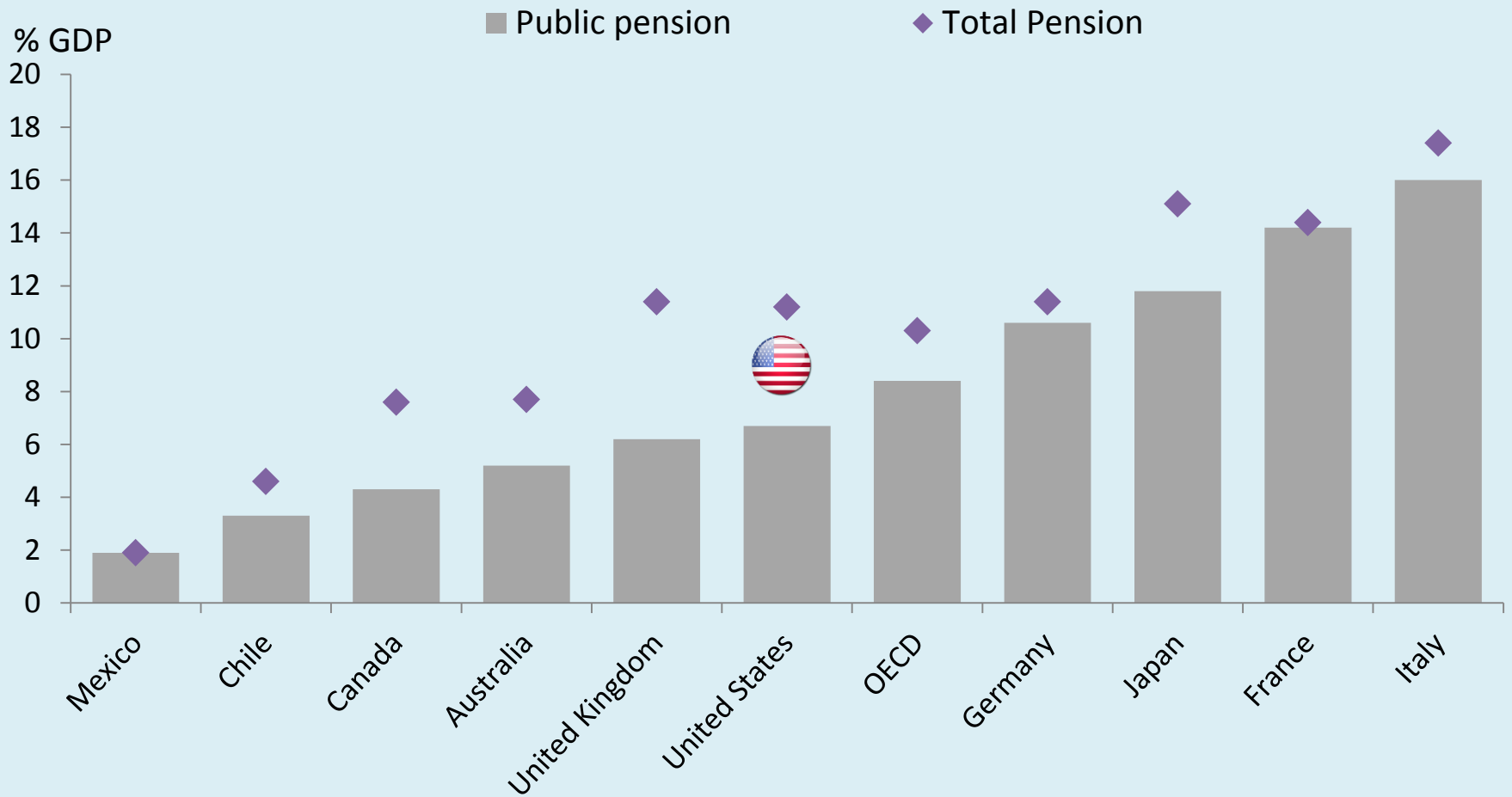
In the US, (not overly long) career breaks have no impact on public pensions, but the private component is hit fully

Gross entitlements from mandatory pensions of average-wage workers with five-year career breaks versus workers with unbroken careers



Source: OECD pension models

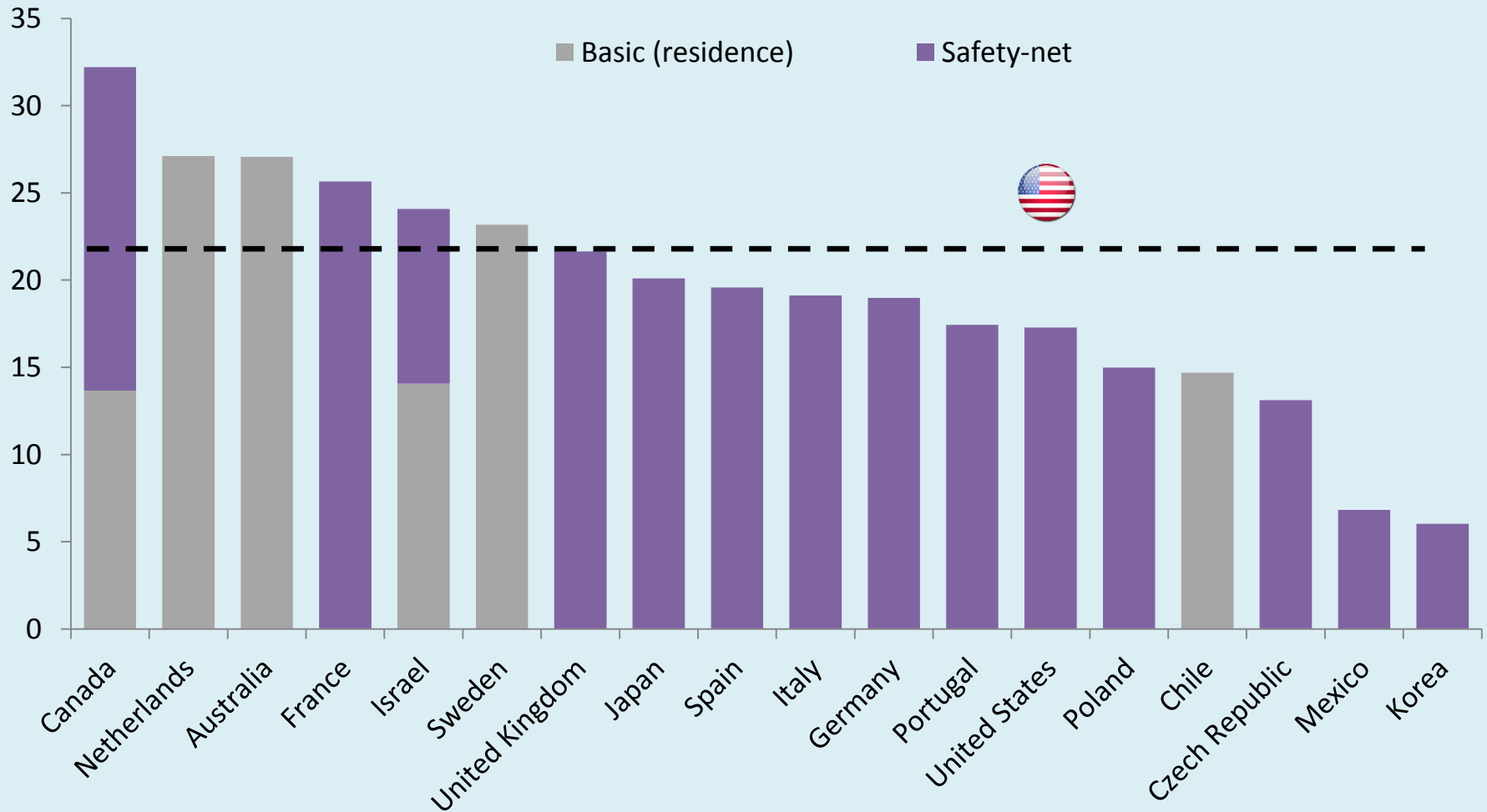
Pension spending, % of GDP



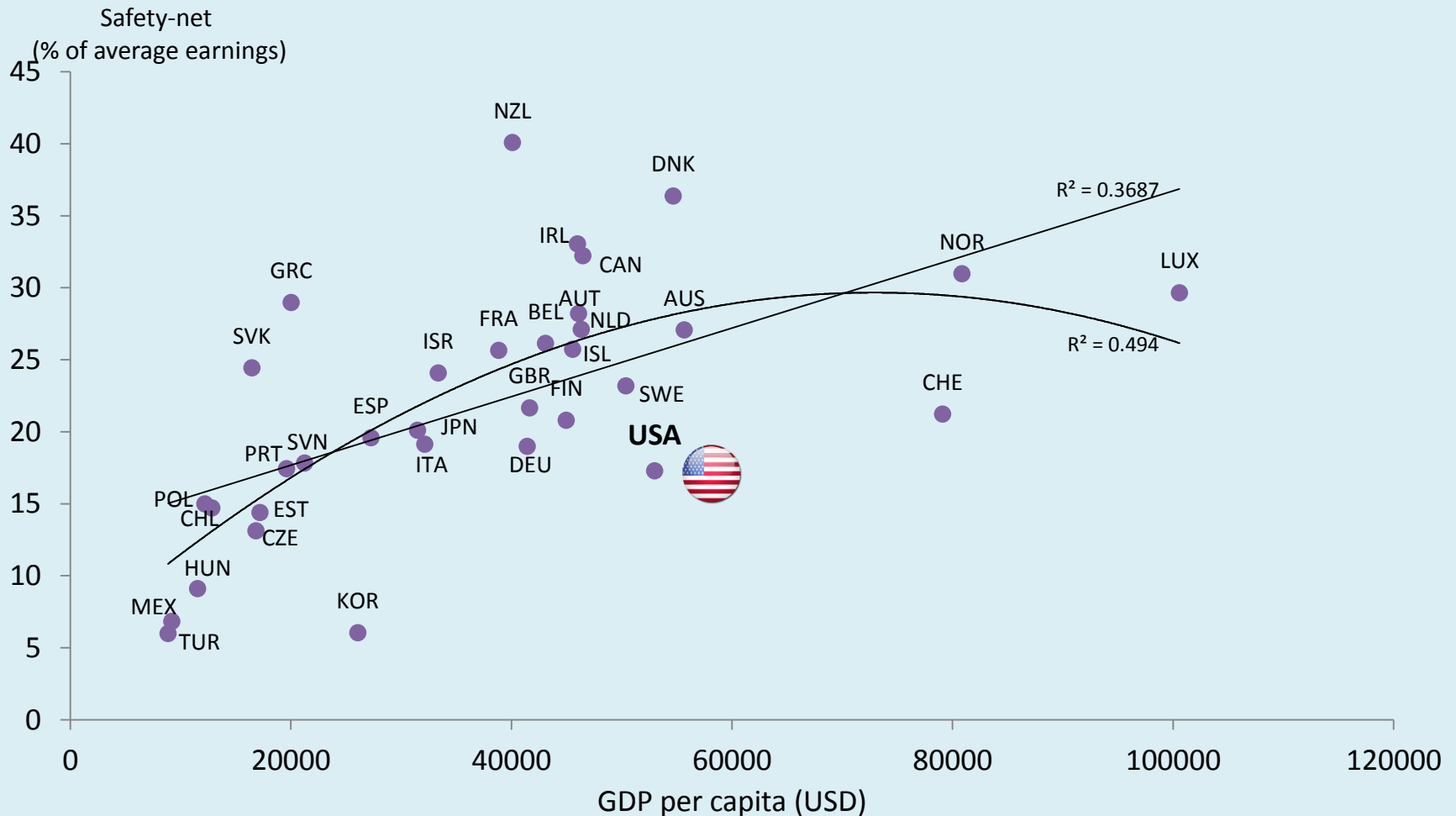
Source: OECD Social expenditure database

Safety nets may not be able to help much

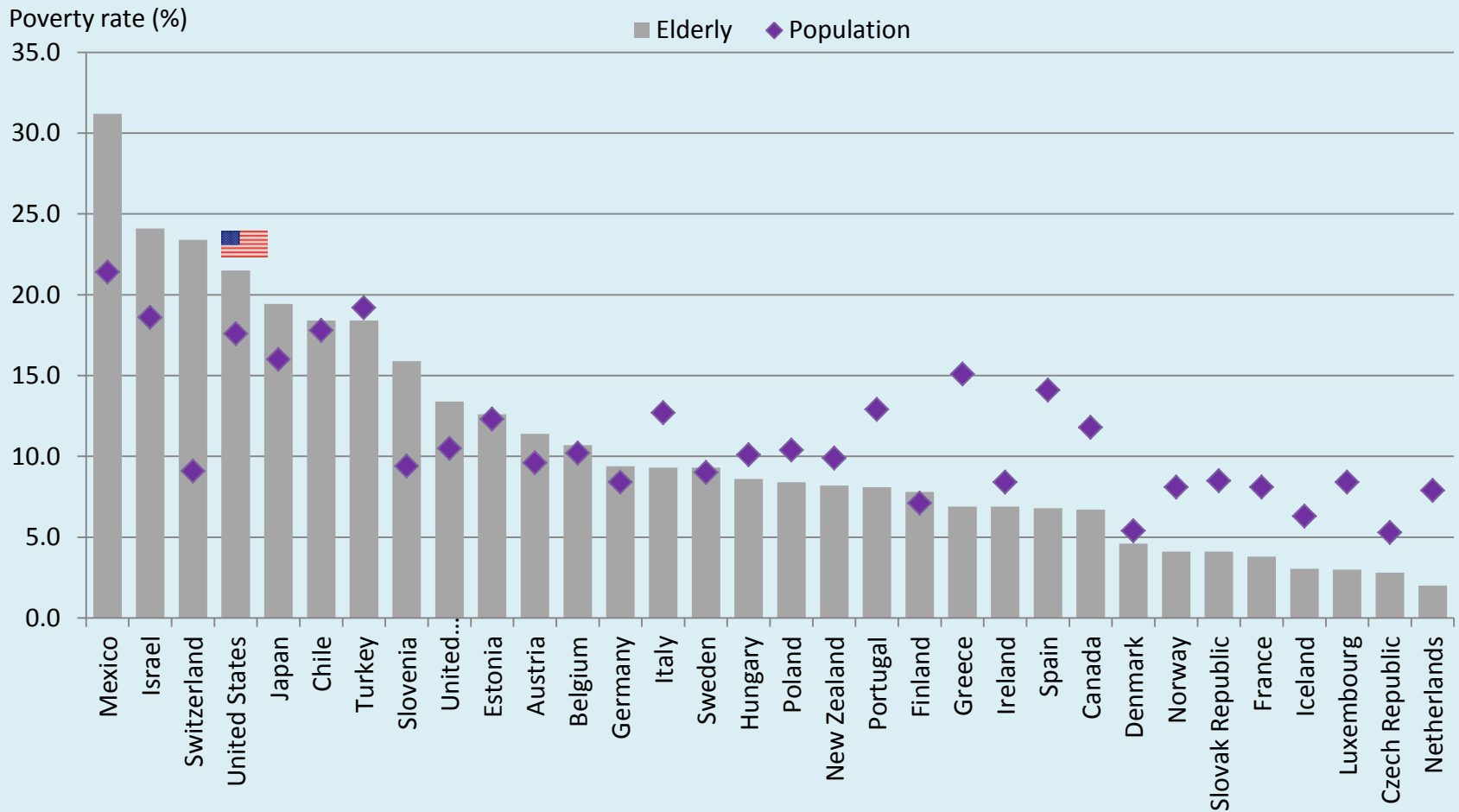
% of average earnings



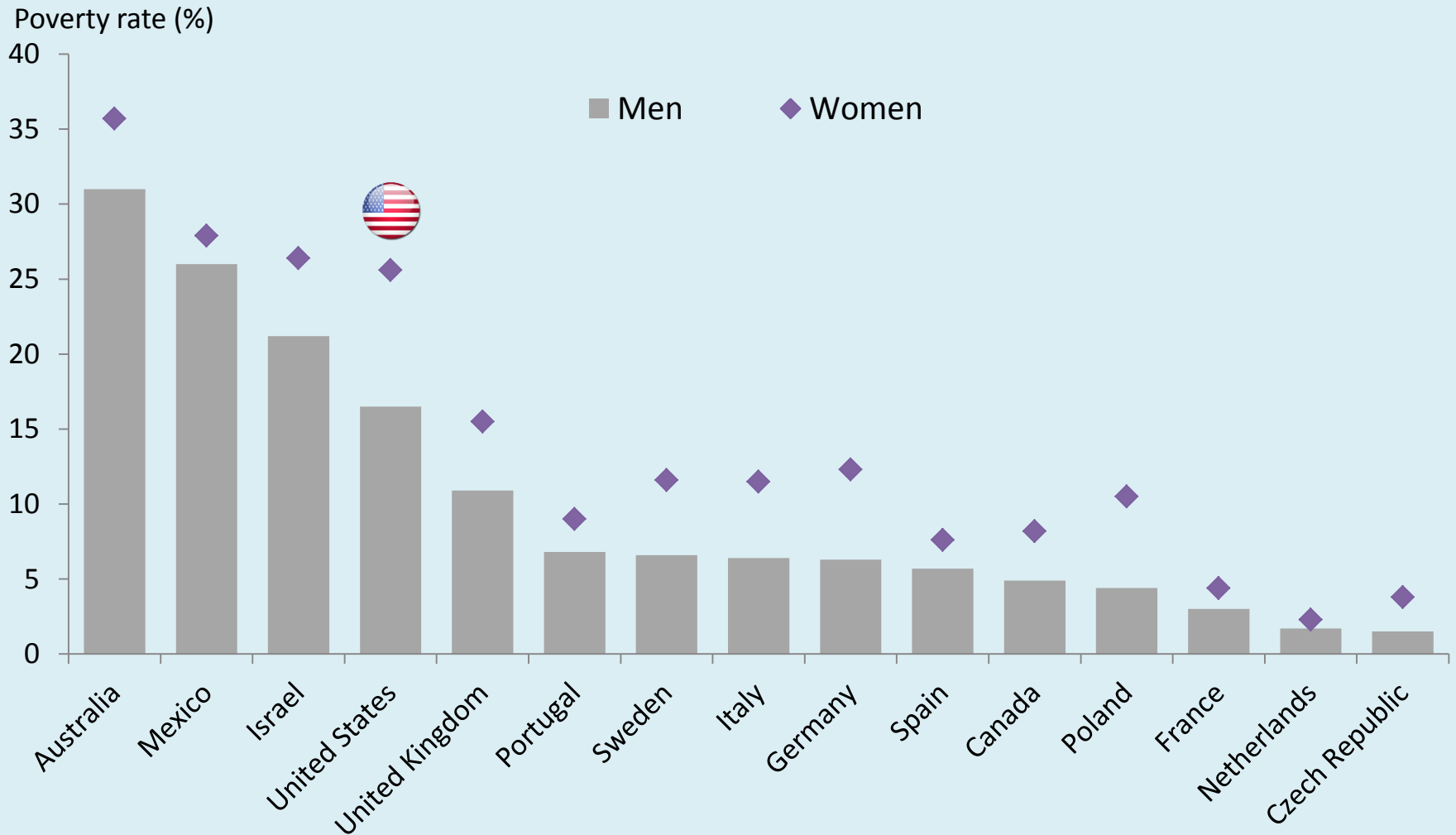
Safety-net benefits vs GDP per capita



Elderly poverty issues are prominent

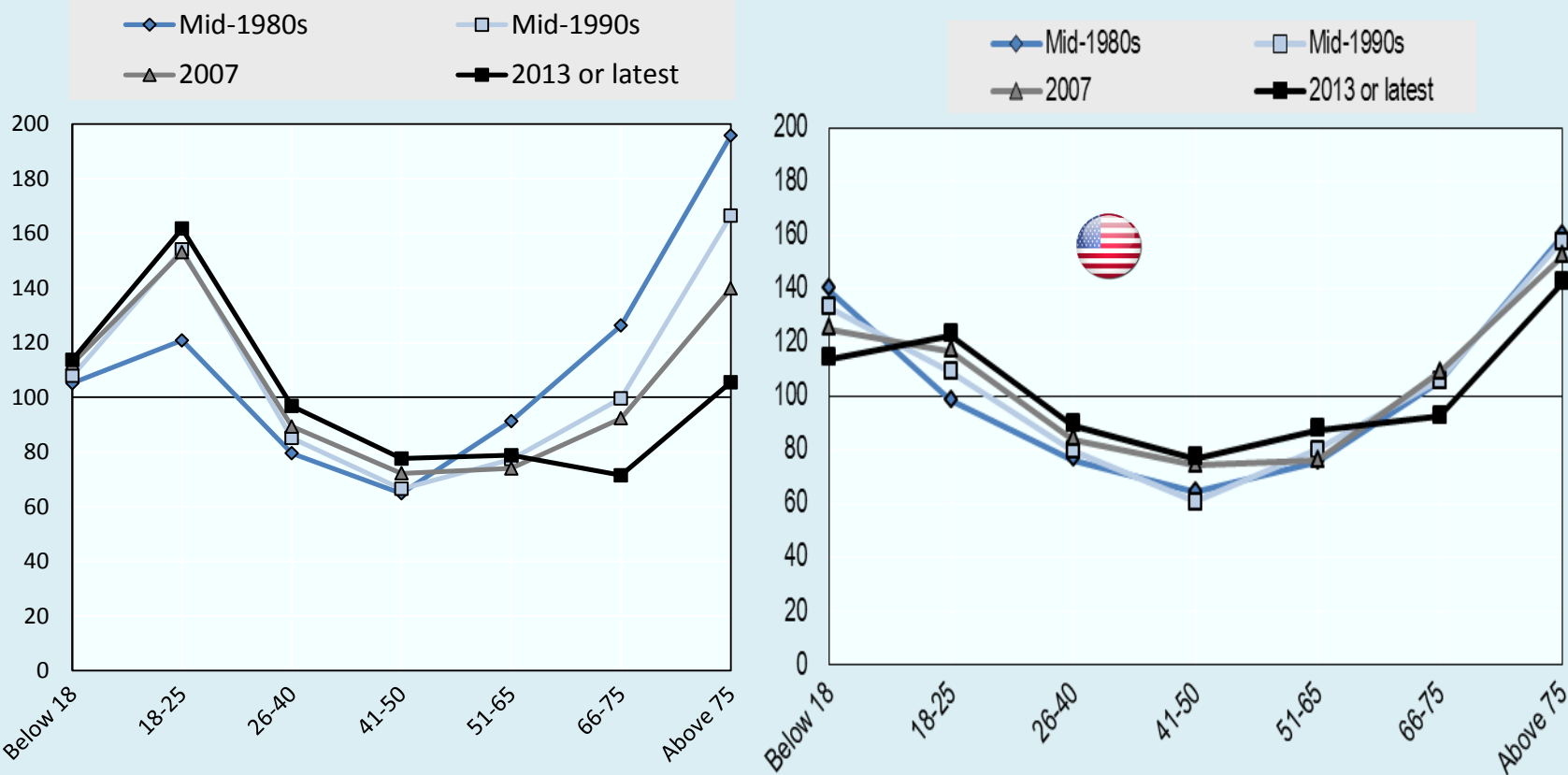


Elderly poverty issues are prominent



Poverty rates fell for the elderly, but remain high (in both relative and absolute terms) for the 75+ in the USA

Poverty rates for each age group relative to the whole population
 OECD average (left panel) versus USA (right panel)



Relative poverty rate of the population in each year = 100

Conclusions

1 December 2015

- Potentially high replacement rates
 - If voluntary pension coverage is increased
 - Private pension plays an important role but coverage is far below the best standard
- Without additional savings, entitlement to only social security might leave individuals in poverty
- Higher benefits should be made financially sustainable through higher contribution rates
- Safety-net benefit levels are low and associated public spending very low. The price uprating of these benefits substantially increases poverty risks

Contact

1 December 2015

Pensions at a Glance

Pensions at a Glance
2009

Pensions at a Glance
2011

RETIREMENT-INCOME SYSTEMS IN OECD
AND G20 COUNTRIES

Pensions at a Glance
2013

OECD AND G20 INDICATORS

Pensions at a Glance 2015

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stefano.scarpetta@oecd.org

Webpage: <http://oe.cd/pag>

Twitter: [@OECD_Social](https://twitter.com/OECD_Social)