

Eligibility and indexation for first-tier benefits

Key results

On average 34 years of contributions are needed for a full contribution-based basic pension, with 13 years contributions to be entitled to any benefit. Six countries currently require 10 years to be eligible for such a benefit, while Czechia requires 35 years for eligibility, which is also the same level for the full benefit. Minimum contributory pensions on average require 29 years for a full benefit. Partial benefits are available in France and Switzerland when any payment has been made to the pension system, with at least 15 years required in other OECD countries.

Contribution-based basic pensions

The full rates of first-tier pensions are described in the previous indicator, but these levels are only applicable after full eligibility. In most countries with such systems, partial eligibility is achieved after much shorter careers. For example, whilst full entitlement to the contribution-based basic pension is achieved after 40 years in Canada, Japan and Luxembourg, only 10 years of contribution are required for eligibility for a reduced benefit (Figure 3.4). On average across the OECD countries that have contribution-based basic pensions 34 years are required for a full pension and 13 years for initial eligibility. In Czechia 35 years are required for eligibility, with Argentina at 30 years and no other OECD or G20 country requiring more than 15 years. Residence-based basic pensions also have proportionally reduced benefits in many countries but the default assumption for the analysis in this report is full residence irrespective of career breaks.

Minimum contributory pensions

Likewise for minimum contributory pensions there are different eligibility rules across countries. Minimum contributory pensions are much more widespread than contribution-based basic pensions and more commonly have only one monetary value irrespective of the eligible contribution period, with fewer than half of countries applying higher rates for longer careers of contribution. On average 19 years of contribution are required for eligibility to a minimum contributory pension, with 29 years required on average for the full pension. In France and Switzerland, only one period of contribution is required for a minimum

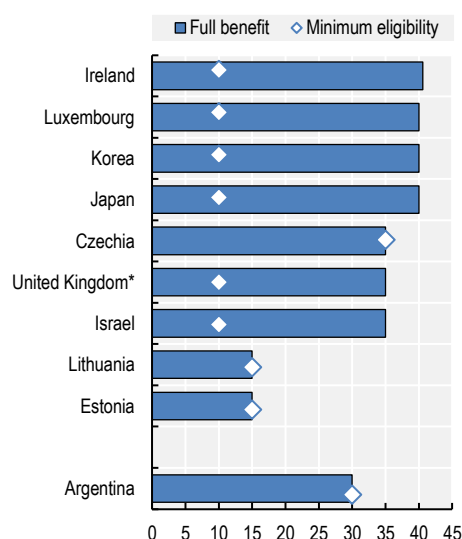
contributory pension, whilst over 40 years are required for the full benefit. In the Slovak Republic, the minimum contributory pension is achieved after 30 years, with no explicit maximum duration. Full minimum pensions are achieved with 25 years of contributions or fewer in Chile, Colombia, Costa Rica, Hungary, Italy, Mexico, Poland, Slovenia, Spain and Türkiye.

Indexation

Once eligible for a basic, targeted or minimum contributory pension, how they are indexed in payment is one key factor to be effective in the fight against old-age poverty. With current high inflation levels in many countries how and when these benefits are indexed has become more important with many countries having additional discretionary adjustments in the last couple of years (see Chapter 1). If benefits are indexed to wages, as is the case for the basic and safety-net benefits in Denmark, for example, then they will hold their value relative to average wages throughout the retirement period, decreasing future poverty risks and maintaining the relative standard of living of the retiree. However, indexing first-tier benefits to wage growth is rare across OECD countries (Table 3.3). Price indexation is a much more common approach, which means that during normal times of positive real-wage growth, fuelled by productivity gains, the relative value of the benefit tends to decline over time. Beyond benefits already in payment, price indexation also reduces future eligibility thresholds for targeted benefits relative to wages, which is likely to reduce the number of individuals or households that will be initially eligible.

Figure 3.4. Number of years required for partial and full contribution-based basic pensions

Number of years required for initial eligibility and for full contribution-based basic pensions



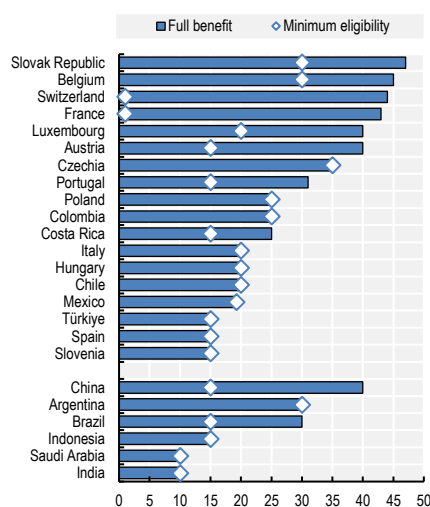
Note: *Subject to transitional rules for current retirees, based on a person's National Insurance record.

Source: See "Country Profiles" available at <http://oe.cd/pag>.

StatLink <https://stat.link/w604kq>

Figure 3.5. Number of years required for partial and full minimum contributory pensions

Number of years required for initial eligibility and for full minimum contributory pensions



Note: In the Slovak Republic, the full benefit of 47 years recorded in the chart, reflects the full career case from age 22, as there is no explicit maximum duration. Those retiring in 2022 in France only need 41.75 years of contributions for the full benefit.

Source: See "Country Profiles" available at <http://oe.cd/pag>.

StatLink <https://stat.link/0mftzp>

Table 3.3. Indexation of first-tier benefits

	Basic	Minimum contributory	Safety net		Basic	Minimum contributory	Safety net
Australia			Highest of two price indexes, benchmarked to wages	Japan	Wages until age 67, then prices		Cost of living and wages
Austria		Prices	Discretionary	Korea	Prices		Prices
Belgium		Prices	Prices	Latvia		50%-80% wages/ 50% prices	50%-80% wages/ 50% prices
Canada	Prices (R)		Prices	Lithuania	Wb (C)		Prices
Chile		Prices	Prices	Luxembourg	Cost of living and annually consider wages (C)	Cost of living and annually consider wages	Cost of living and annually consider wages
Colombia		Wages		Mexico	Prices (R)	Prices	
Costa Rica		Wages	Wages	Netherlands	Legal net minimum wage (R)		Legal net minimum wage
Czechia	Wages (C)	Wages/none	Discretionary	New Zealand	Prices and periodically net average wage (R)		Prices and periodically net average wage
Denmark	Wages (R)		Wages	Norway	50% wages/ 50% prices (R)		50% wages/ 50% prices
Estonia	80% wages/20% prices (C)		80% wages/20% prices	Poland		Prices + 20% wages	Prices
Finland			Prices	Portugal		GDP and consumer price index without housing	Prices
France		Prices	Prices	Slovak Republic		Prices	Prices
Germany			70% prices/ 30% wages	Slovenia		60% wages/40% prices	Prices
Greece	Prices (R)		Prices	Spain		Prices	Prices
Hungary		Prices	Prices	Sweden			Prices
Iceland	Whatever is higher: wages or cost of living (R)		Whatever is higher: wages or cost of living	Switzerland		50% wages/50% prices	50% wages/50% prices
Ireland	Discretionary (C)		Discretionary	Türkiye		Prices	Prices
Israel	Prices (R/C)		Prices	United Kingdom	Whatever is highest: prices, wages or 2.5% (C)		Whatever is higher: prices, wages or 2.5%
Italy		Prices	Prices	United States			Prices

Note: (C) refers to contribution-based basic and (R) refers to residence-based basic.

Source: See "Country Profiles" available at <http://oe.cd/pag>.



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