

### Key results

Public spending on cash old-age pensions and survivors' benefits in the OECD increased from an average of 6.6% of gross domestic product (GDP) to 7.7% between 2000 and 2017. Public pensions are often the largest single item of social expenditure, accounting for 18.4% of total government spending on average in 2017.

Greece and Italy spent the largest proportion of national income on public pensions among OECD countries in 2017, at around 15.5% of GDP. Other countries with high gross public pension spending are in continental Europe, with Austria, France and Portugal around 13%-14% of GDP. Public pensions generally account for between one-quarter and one-third of total public expenditure in these countries.

At the other end of the spectrum, Chile, Iceland, Korea and Mexico spent less than 3% of GDP on public pensions. Chile and Mexico have relatively young populations. Moreover, in Mexico, low spending also reflects the relatively narrow coverage of pensions (only around 35% of employees). In Iceland, much of retirement income is provided by compulsory occupational schemes (see the next indicator of "Pension-benefit expenditures: Public and private"), leaving a lesser role for public pensions; in addition the retirement age is high at age 67. Korea's pension system is not mature yet: the public, earnings-related scheme was only established in 1988 and the new targeted basic pension was only introduced in 2014.

Spending also tends to be low in countries with favourable demographics, such as Australia, Canada, Ireland and New Zealand. However, this is not always the case: Turkey spends 7.4% of GDP on public pensions despite being the second youngest OECD country in demographic terms. This is more than the Netherlands, Switzerland and the United Kingdom, but these three countries have extensive private pension schemes. For Turkey, the expenditure can be explained by the historically low retirement ages, resulting in longer periods in retirement than in many other countries.

### Trends

Public pension spending increased from an OECD average of 6.6% of gross domestic product (GDP) to 7.7% between 2000

and 2017. It is estimated that population ageing captured by the shift in demographic structures alone would have triggered an increase in pension expenditure of 2.5% of GDP on average, with higher employment lowering total pension expenditure by 1.1% of GDP on average (Chapter 1). Public pension spending was relatively stable as a proportion of GDP over the period 2000-17 in 16 countries: Australia, Canada, the Czech Republic, Estonia, Germany, Iceland, Ireland, Israel, Lithuania, the Netherlands, New Zealand, Poland, Slovenia, Sweden, Switzerland and the United Kingdom. It increased by more than 4 percentage points of GDP between 2000 and 2017 in Finland, Greece and Portugal, and by 2 or 4 percentage points in France, Italy, Japan, Norway, Spain and Turkey.

### Gross and net spending

The penultimate column of the table shows public spending in *net* terms: after taxes and contributions paid on benefits. Net spending is significantly below gross spending in Austria, Denmark, Finland, Italy, Luxembourg and Sweden, due to taxes on pension benefits. Gross and net spending are similar where pensions are not taxable such as in the Slovak Republic and Turkey or where public benefits are generally below basic tax reliefs (Australia, the Czech Republic, Iceland, Ireland and Slovenia).

### Non-cash benefits

The final column of the table shows total gross public spending on older people, including non-cash benefits. In Denmark, Finland, Japan, Norway and Sweden, non-cash benefits exceed 1.5% of GDP. The most important are housing benefits. These are defined as "non-cash benefits" because they are contingent on particular expenditure by individuals. Australia and Belgium also record high figures for non-cash benefits.

Table 8.3. Public expenditure on old-age and survivors benefits

	Level (% of total government spending)		Level (% of GDP)						Change of level	Level in net terms (% of GDP)	Total including non-cash (% of GDP)
	2000	2017	1990	2000	2005	2010	2015	2017			
Australia	12.8	10.9	3.1	4.7	3.7	3.8	4.3	4.0	-0.7	4.0	5.0
Austria	23.3	26.4	11.3	11.9	11.9	13.0	13.3	13.0	1.1	10.8	13.6
Belgium	17.8	20.2	9.0	8.8	8.9	9.9	10.5	10.5	1.7	9.3	11.5
Canada	10.1	11.6	4.2	4.2	4.0	4.3	4.7	4.8	0.6	4.5	4.8
Chile			8.0	5.0	3.7	3.4	2.9	2.8	-2.2	2.8	2.8
Colombia		13.1				5.5	5.9	5.9		5.9	5.9
Costa Rica		14.4						4.9		4.9	4.9
Czech Republic	16.8	19.8	5.5	6.8	6.6	8.0	8.0	7.7	0.9	7.7	7.9
Denmark	12.0	15.7	6.1	6.3	6.5	7.1	8.1	8.0	1.7	5.9	9.6
Estonia	16.5	16.5		6.0	5.3	7.5	6.9	6.5	0.5	6.4	6.6
Finland	15.4	22.0	7.2	7.4	8.0	9.8	11.5	11.8	4.5	9.8	13.4
France	22.2	24.2	10.4	11.5	12.0	13.2	13.8	13.6	2.2	12.3	14.1
Germany	22.8	23.0	9.5	10.9	11.2	10.7	10.1	10.2	-0.7	9.8	10.2
Greece	21.9	32.6	9.5	10.2	11.4	14.2	16.8	15.5	5.3	14.4	15.5
Hungary	15.7	18.2		7.4	8.3	9.6	9.1	8.5	1.1	8.5	9.0
Iceland	5.1	6.2	2.2	2.1	1.9	1.5	2.0	2.6	0.6	2.6	3.0
Ireland	9.3	14.2	4.8	2.9	3.1	4.8	3.6	3.7	0.8	3.6	3.8
Israel	9.9	11.9		4.5	4.7	4.8	4.7	4.7	0.2	4.7	5.3
Italy	28.9	32.1	11.3	13.5	13.7	15.4	16.2	15.6	2.2	12.8	15.7
Japan		24.2	4.7	7.0	8.1	9.6	9.4	9.4	2.4	8.9	11.3
Korea		9.4	0.7	1.3	1.4	2.0	2.8	2.8	1.5	2.8	3.0
Latvia	23.3	17.5		8.7	5.5	9.3	7.0	6.8	-1.9	6.5	7.2
Lithuania	17.9	18.7		7.1	5.7	7.7	6.7	6.2	-0.9	6.2	6.4
Luxembourg	18.8	20.2	7.8	7.1	7.8	8.0	8.4	8.5	1.4	7.0	8.5
Mexico		10.2	0.4	0.8	1.0	1.6	2.2	2.7	1.9	2.6	2.7
Netherlands	11.0	12.2	6.2	4.6	4.6	4.9	5.3	5.2	0.6	4.7	6.0
New Zealand	13.1	12.8	7.2	4.9	4.2	4.6	5.0	4.9	0.0	4.2	4.9
Norway	11.1	13.6	5.5	4.7	4.8	5.2	6.6	6.9	2.2	5.8	9.2
Poland	24.9	25.6	5.0	10.5	11.3	11.1	11.1	10.6	0.1	9.8	10.6
Portugal	18.3	28.1	4.8	7.8	10.0	12.0	13.3	12.7	4.9	12.7	12.8
Slovak Republic	11.8	17.6		6.2	6.0	6.7	7.2	7.3	1.1	7.3	7.6
Slovenia	21.8	23.6		10.4	9.8	10.9	11.1	10.4	0.1	10.4	10.5
Spain	21.5	26.5	7.7	8.4	8.0	9.2	11.0	10.9	2.5	10.4	11.4
Sweden	12.8	14.6	7.2	6.8	7.2	7.2	7.1	7.2	0.4	5.7	9.4
Switzerland	18.0	19.5	5.2	6.1	6.2	6.2	6.6	6.7	0.6	5.3	6.9
Turkey		21.5	0.7	3.9	6.0	7.4	7.1	7.4	3.5	7.4	7.4
United Kingdom	13.4	13.7	4.5	4.8	5.0	6.2	6.1	5.6	0.9	5.4	6.0
United States	16.4	18.6	5.8	5.7	5.7	6.6	7.0	7.1	1.4	6.6	7.1
<b>OECD</b>	<b>16.6</b>	<b>18.4</b>	<b>6.3</b>	<b>6.7</b>	<b>6.8</b>	<b>7.6</b>	<b>7.9</b>	<b>7.7</b>	<b>1.0</b>	<b>7.1</b>	<b>8.2</b>

Note: See Adema, W. and M. Ladaïque (2009), "How Expensive is the Welfare State? Gross and Net Indicators in the OECD Social Expenditure Database (SOCX)", *OECD Social, Employment and Migration Working Paper*, No. 92, OECD, Paris, <http://dx.doi.org/10.1787/220615515052> for more details on the data, sources and methodology.

Source: OECD Social Expenditures Database (SOCX); OECD Main Economic Indicators Database.

StatLink  <https://stat.link/92exj3>



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