

### Key results

Public spending on pensions has been on the rise in most OECD countries for the past decades, as shown in Table 8.3. Long-term projections show that public pension spending is projected to go on growing in 18 OECD countries, for which information is available, and fall in 11. On average public pension expenditure would increase from 9.0% of GDP in 2018-20 to 10.4% of GDP in 2050 onwards among 29 OECD countries.

The main driver of growing pension expenditures is demographic change. The projections shown in Table 8.5 are derived either from the European Commission's *2021 Ageing Report* – which covers the EU27 members plus Norway – or from countries' own estimates. In the main table, data are presented forwards to 2060 for those countries where the figures are available. However, data are only available for 2040 for Japan and 2030 for Switzerland and not available at all in seven OECD countries.

Long-term projections are a crucial tool in planning pension policy: there is often a long time lag between when a pension reform occurs and when it begins to affect expenditure. There are some differences in the range of different programmes covered in the forecasts, reflecting the complexity and diversity of national retirement-income provision. For example, data for a number of countries do not include special schemes for public-sector workers while in others they are included. Similarly, projections can either include or exclude spending on resource-tested benefits for retirees. The coverage of the data also differs from the *OECD Social Expenditures Database* (SOCX), from which the data on past spending trends in the previous two indicators were drawn. The numbers for 2018-20 may differ between the SOCX database and the sources used here because of the different range of benefits covered and the definitions used.

Pension spending is projected to grow from 9.0% of GDP to 10.4% of GDP by 2040 on average across all OECD-29 countries. The OECD-29 average only refers to the

countries for which data is available across the entire timeframe, so both Japan and Switzerland are not included. In the EU27 it is projected to increase from 9.9% of GDP in 2020 to 11.3% of GDP in 2050, after which it is effectively flat. This would be a significant achievement given the demographic change throughout the time period. The indicator of the "Demographic Old-Age to Working-Age Ratio" in Chapter 7 shows a 95% increase in the number of people above age 65 per 100 people aged between 20 and 64 from today until 2050. Cuts in benefits for future retirees at least relative to wages, through lowered indexation and valorisation of benefit formulae, together with increases in the age at which individuals can first claim pension benefits, will reduce growth in public pension expenditure.


Public pension expenditure is expected to increase in 18 OECD countries by 2050. In Korea, the rapid increase reflects both the ageing process and the still maturing pension system. In Slovenia, public spending is projected to keep rising from above the OECD average at 10.0% of GDP in 2018-20, to 15.7% of GDP by 2050, with the Slovak Republic also showing an increase of over 5 percentage points. According to these projections, five other countries would record an increase of about 3 percentage points or more of GDP: Belgium, the Czech Republic, Hungary, Ireland and Luxembourg. Conversely, Denmark, Estonia and Portugal would have a fall of around 2 percentage points of GDP, and Greece of more than 3 percentage points.

Table 8.5. Projections of public expenditure on pensions, 2018-60, percentage of GDP

	2018-20	2025	2030	2035	2040	2045	2050	2055	2060
Australia	2.6	2.6	2.5	2.5	2.4	2.3	2.3	2.2	2.1
Austria	13.3	14.6	15.1	15.4	15.1	14.9	14.7	14.7	14.6
Belgium	12.2	13.2	14.0	14.6	14.9	15.1	15.2	15.2	15.2
Canada	5.3	6.0	6.4	6.5	6.4	6.3	6.2	6.3	6.3
Chile									
Colombia									
Costa Rica									
Czech Republic	8.0	8.8	8.8	9.1	9.8	10.7	11.4	11.8	11.8
Denmark	9.3	8.9	8.5	8.3	8.1	7.8	7.6	7.4	7.2
Estonia	7.8	7.1	6.9	6.6	6.5	6.3	6.1	6.0	5.8
Finland	13.0	13.6	13.7	13.4	12.8	12.6	12.7	13.0	13.5
France	14.8	15.4	15.6	15.5	15.2	14.6	14.3	13.8	13.4
Germany	10.3	10.9	11.5	12.0	12.0	12.1	12.2	12.4	12.5
Greece	15.7	14.2	13.8	13.7	14.0	13.7	13.6	12.7	12.0
Hungary	8.3	8.6	8.3	8.8	9.7	10.8	11.2	11.5	11.9
Iceland									
Ireland	4.6	5.3	5.9	6.4	6.9	7.2	7.5	7.5	7.5
Israel									
Italy	15.4	16.2	17.3	17.9	17.8	17.3	16.2	15.0	14.1
Japan	10.1	9.3			9.3				
Korea	1.3	2.0	2.5	3.2	4.2	5.1	5.9	6.5	7.5
Latvia	7.1	7.1	6.9	6.8	6.6	6.3	6.3	6.4	6.2
Lithuania	7.1	7.5	7.9	8.2	8.4	8.3	8.2	8.2	8.1
Luxembourg	9.2	10.3	11.4	12.3	13.0	13.9	14.8	15.8	16.7
Mexico									
Netherlands	6.8	7.3	8.1	8.8	9.1	9.0	8.9	8.8	8.9
New Zealand	4.7	5.1	5.6	6.0	6.3	6.4	6.6	6.9	7.5
Norway	11.0	11.7	12.3	12.6	12.6	12.6	12.7	13.0	13.2
Poland	10.6	11.4	11.0	10.6	10.5	10.6	10.7	10.8	10.8
Portugal	12.7	13.3	14.2	14.6	14.4	13.7	12.6	11.4	10.5
Slovak Republic	8.3	9.7	10.2	10.7	11.6	12.5	13.4	14.2	14.5
Slovenia	10.0	10.1	10.8	12.1	13.6	14.8	15.7	16.1	16.1
Spain	12.3	12.7	12.3	12.5	12.8	13.2	13.0	12.5	11.7
Sweden	7.6	7.7	7.4	7.2	7.0	7.0	7.0	7.3	7.4
Switzerland	6.5	6.4	6.8						
Turkey									
United Kingdom	7.7	8.0	8.0	8.4	8.6	8.3	8.3	8.6	8.9
United States	5.0	5.3	5.7	5.9	5.9	5.8	5.8	5.8	5.8
<b>OECD-29</b>	<b>9.0</b>	<b>9.5</b>	<b>9.7</b>	<b>10.0</b>	<b>10.2</b>	<b>10.3</b>	<b>10.4</b>	<b>10.4</b>	<b>10.4</b>
Brazil	8.5	8.5	8.8	9.4	10.2	11.3	12.3	13.2	13.9
EU27	9.9	10.5	10.7	10.9	11.1	11.2	11.3	11.3	11.3

Note: EU27 figure is a simple average of member states (not the weighted average published by the European Commission). Pension schemes for civil servants and other public-sector workers are generally included in the calculations for EU member states: see European Commission (2021), *2021 Ageing Report*.

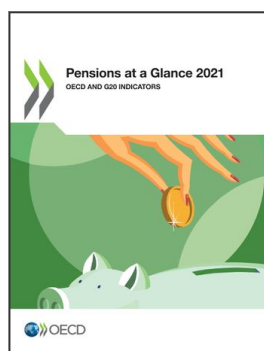
Source: European Commission (2021), *2021 Ageing Report* for all EU countries and Norway; Australia: Chapter 4, Retirement Income Review – Final Report, November 2020; Canada: 16 Actuarial Report on the Old Age Security Program, 30 Actuarial Report of Canada Pension Plan, Actuarial Valuation of the Québec Pension Plan as at 31 December 2018 (QPP data for 2018, 2023 etc. has been used for 2020, 2025 etc.); Japan: About future social security reform – Looking ahead to 2040; Korea: 2018 National Pension Actuarial Valuation Long-Term Actuarial Projection for the National Pension Scheme; New Zealand: Review of retirement income policies 2019 – Facing the future; Switzerland: BSV – Financial perspectives of the AHV; the United Kingdom: European Commission (2018), *2018 Ageing Report*; the United States: The 2020 OASDI Trustees Report.

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## 8. FURTHER READING

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- [1] 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 Papers*, No. 92, OECD Publishing, Paris, <https://dx.doi.org/10.1787/220615515052>.
- [5] European Commission (2021), *2021 Ageing Report: Economic and budgetary projections for the 27 EU Member States (2019-2070)*, [https://ec.europa.eu/info/publications/2021-ageing-report-economic-and-budgetary-projections-eu-member-states-2019-2070\\_en](https://ec.europa.eu/info/publications/2021-ageing-report-economic-and-budgetary-projections-eu-member-states-2019-2070_en).
- [3] OECD (2021), *Taxing Wages 2021*, OECD Publishing, Paris, <https://dx.doi.org/10.1787/83a87978-en>.
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