

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. The United Kingdom currently requires the shortest contribution period to be eligible for a benefit at one year, while the Czech Republic requires 35 years for eligibility, which is also the same level for the full benefit. Minimum 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 both Lithuania and the United Kingdom the eligibility criteria are changing, with Lithuania increasing the period for the full benefit and the United Kingdom increasing the criteria for both eligibility and full benefit. In the Czech Republic 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 pensions

Likewise for minimum pensions there are different eligibility rules across countries. Minimum 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

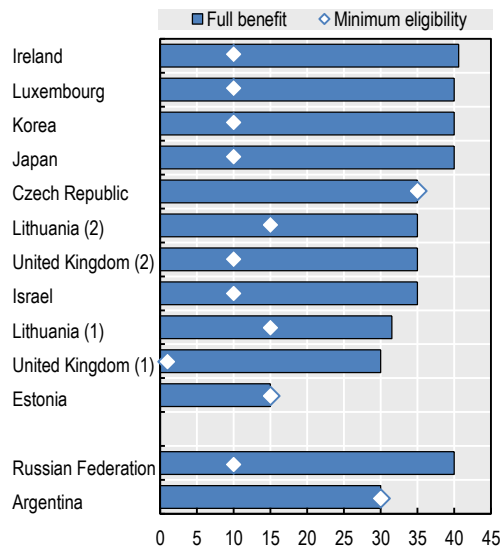
minimum pension, with 29 years required on average for a full minimum pension. In France and Switzerland, only one period of contribution is required for a minimum pension, whilst over 40 years are required for the full benefit. In the Slovak Republic, the minimum pension is achieved after 30 years, with no explicit maximum duration. Full minimum pensions are eligible with 25 years of contributions or less in Chile, Colombia, Costa Rica, Hungary, Italy, Mexico, Poland, Slovenia, Spain and Turkey.

Indexation

Once eligible for a basic, minimum or targeted pension, how it is indexed in payment is the key factor apart from discretionary adjustments to how these benefits may support future generations of retirees, and be effective to fight against old-age poverty. 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. In that case, future eligibility thresholds for targeted benefits are also decreasing relative to wages. This is likely to reduce the number of individuals or households that will be eligible in the next decades.

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



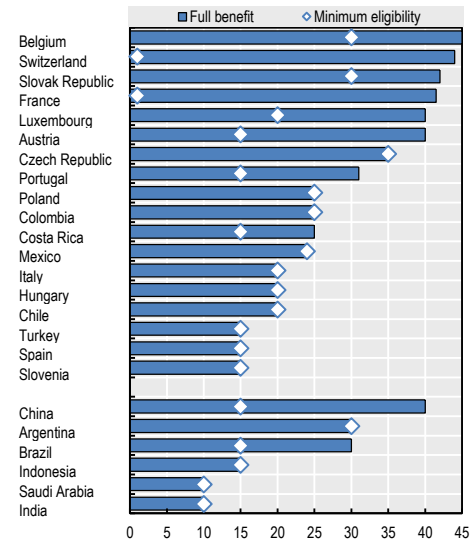
Note: Lithuania (1) and the United Kingdom (1) refer to the rules that apply for those retiring in 2020, whilst Lithuania (2) and the United Kingdom (2) are for those first entering the labour market in 2020.

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

StatLink <https://stat.link/1geuqx>

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

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



Note: In the Slovak Republic, the full benefit of 42 years recorded in the chart, reflects the full career case from age 22, as there is no explicit maximum duration.

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

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

Table 3.3. Indexation of pension benefits by component of the system

Basic Minimum Safety net			Basic Minimum Safety net		
Australia		Whatever is higher: prices or cost of living	Japan	Wages until age 67, then prices	Cost of living and wages
Austria	Prices	Discretionary	Korea	Prices	Prices
Belgium	Prices	Prices	Latvia		Wages
Canada	Prices	Prices	Lithuania	GDP	Prices
Chile	Prices	Prices	Luxembourg	Cost of living and annually consider wages	Cost of living and annually consider wages
Colombia	Wages		Mexico	Prices	Prices
Costa Rica	Wages	Wages	Netherlands	Legal minimum wage	minimum wage
Czech Republic	Wages	Prices	New Zealand	Prices and periodically net average wage	Prices and periodically net average wage
Denmark	Wages	Wages	Norway	Wages minus 0.75%	Wages minus 0.75%
Estonia	80% wages/20% prices	80% wages/20% prices	Poland		Prices
Finland		Prices	Portugal		GDP and consumer price index without housing
France	Prices	Prices	Slovak Republic		Wages
Germany		Wages	Slovenia		60% wages/40% prices
Greece	Prices	Prices	Spain		Between 0.25% and (consumer price index + 0.5%)
Hungary		Prices and net average monthly earnings	Sweden		At least equal to contributory pension increase
Iceland	Whatever is higher: wages or cost of living	Prices	Switzerland		50% wages/50% prices
Ireland	Wages	Wages	Turkey		Prices
Israel	Prices	Prices	United Kingdom	Whatever is highest: prices, wages or 2.5%	Whatever is higher: prices, wages or 2.5%
Italy	Prices	Prices	United States		Prices

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



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