

Key results

Total mandatory effective pension contribution rates for an average earner averaged 18.2% in 2020 for the 35 OECD countries that have specific pension contributions. In Ireland, Spain and the United Kingdom, mandatory contributions are not earmarked for pensions and cover social insurance.

Most of the measures presented in *Pensions at a Glance* look at the benefits side of the pension system. The indicators here look at the contribution side, mapping out how much workers contributed towards their pension in 2020. Tax-financed pension benefits are not covered here. Since different pension components in a country can be financed through different income sources, mapping out the pension's contribution terrain is very important but it can also be difficult.

Table 8.1 presents the 34 OECD countries where pension contributions are mandatory, either public or private, and New Zealand where there is no mandatory contributions. Countries that belong to this group have pension systems where the contribution rate paid is more directly linked to the pension system. However, there are still 11 countries within this group, Austria, the Czech Republic, Denmark, Finland, Germany, Iceland, Italy, Lithuania, Luxembourg, Slovenia and Turkey, where contributions also finance disability or invalidity benefits. The average effective contribution rate in this group equalled 18.2% at the average-wage level in 2020. The highest total mandatory contribution rates are found in Italy at 33.0%. The Czech Republic, France and Greece also have high effective contribution rates, around 26-28%. By contrast the mandatory contribution in Mexico amounts to only 6.275%, but will increase to 15% over the next few years (Chapter 1). In Korea and Lithuania, the contribution rates are also 9% or lower, with Lithuania having recently moved all contributions to employees with no obligation for the employer. In both Australia and Canada, tax-financed components play a large role and so contribution rates to earnings-related schemes are close to 10%. The same is true for New Zealand, but as there is no

mandatory earnings-related scheme the contribution level is zero.

The average effective contribution rate to the public schemes is 15.4% compared to 2.8% for private schemes, which makes a total of 18.2%. Within the public scheme employee contributions are around two-thirds of those of employers, representing effective contribution rates of 6.2% and 9.2%, respectively. In Slovenia, the split is almost reverse, as employees pay 15.5% compared to 8.85% for employers. In Australia and Estonia, all mandatory contributions are paid by employers, while in Lithuania employees pay total contributions.

Table 8.2 looks at social insurance contribution rates that apply for a private-sector worker in Ireland, Spain and the United Kingdom. For these three countries it is difficult to separate the pension contributions from the other parts of social insurance such as survivor's benefits, disability benefits, unemployment, etc. In addition, individuals have to contribute fully to all parts. Within this group, for an average earner in 2020, the contribution rate is 15.1% in Ireland, 20.4% in the United Kingdom and 28.3% in Spain.

Countries with higher pension contribution rates often have above average pension benefits (as in the case of France, Italy and the Netherlands). The choice of the contribution level should be the result of trading off lower net wages against higher future pensions. However, in addition higher mandatory contribution rates might hurt the competitiveness of the economy, and lower total employment while potentially increasing informality.

Table 8.1. Mandatory pension contribution rates for an average worker in 2020

	Nominal rate					Ceiling (multiple of gross average earnings), public/ private	Effective rate on average earnings
	Employee, public	Employer, public	Employee, private	Employer, private	Total		
Australia			0.0	9.5	9.5	2.51	9.5
Austria*	10.25	12.55			22.8	1.55	22.8
Belgium	7.5	8.9			16.4	1.25	16.4
Canada	5.25	5.25			10.5	1.02	10.5
Chile			11.3	1.6	12.8	2.72	12.8
Colombia	3.5	10.6			14.1	16.42	14.1
Costa Rica	4.0	5.3	1.0	3.3	13.5	None	13.5
Czech Republic*	6.5	21.5			28.0	3.58	28.0
Denmark*			4.0	8.0	12.0	None	12.8
Estonia	0.0	20.0			20.0	None	20.0
Finland*	7.15 [a]	15.2			22.4 [a]	None	22.4 [a]
France	11.3 [w]	16.5 [w]			27.8 [w]	1.08 / 8.62	27.8
Germany*	9.3	9.3			18.6	1.59	18.6
Greece	6.7	19.8			26.5	4.30	26.5
Hungary	10.0	11.8			21.8	None	21.8
Iceland*	0.0	6.35	4.0	11.5	21.9	None	21.9
Israel	7.0 [w]	7.6 [w]	6.0	6.5	27.1 [w]	0.76 / 3.36	19.2
Italy*	9.19	23.81			33.0	3.41	33.0
Japan	9.15	9.15			18.3	2.37	18.3
Korea	4.5	4.5			9.0	1.31	9.0
Latvia	10.0	10.0			20.0	4.86	20.0
Lithuania*	8.72	0.0			8.7	6.35	8.7
Luxembourg*	8.0	8.0			16.0	2.21	16.0
Mexico			1.1	5.2	6.3	6.04	6.3
Netherlands	18.0	0.0	7.7 [w]	14.8 [w]	x [w]	0.63 / none	25.1
New Zealand					0.0		0.0
Norway	8.2	13.0	0.0	2.0	23.2	None / 1.93	23.2
Poland*	9.8	9.8			19.5	2.57	19.5
Portugal	7.2	15.5			22.7	None	22.7
Slovak Republic	4.0	18.8			22.8	6.56	22.8
Slovenia*	15.5	8.85			24.4	None	24.4
Sweden	7.0	10.8	0.0	4.5 [w]	22.3 [w]	1.08 / none	22.3
Switzerland	4.2	4.2	6.25 [a,w]	6.25 [a,w]	20.9 [a,w]	None / 0.98	17 [a]
Turkey	9.0	11.0			20.0	3.54	20.0
United States*	5.3	5.3			10.6	2.29	10.6
OECD35							18.2

Note: *Contribution rate also finances disability or invalidity benefits. [a] and [w]: rate varies by age and earnings level respectively. In the private occupational schemes of the Netherlands and Switzerland contributions are only paid on the part of individual earnings exceeding 39% and 27% of average earnings respectively. Therefore, the total nominal contribution rate in the Netherlands equals 18% below 39% of average earnings, 40.5% between 39% and 66% of average earnings and 22.5% above. For occupational schemes in Denmark and the Netherlands, contribution rates are fund-specific, so typical rates are shown. In France, Latvia and Sweden, the indicated public contribution rates include contributions to mandatory occupational or personal pension schemes. Flat-rate contributions to the ATP scheme in Denmark are only included in the effective contribution rate. Public pensions in Finland are partly funded and privately managed while national accounts define them as public. For France, the total nominal rate drops from 27.8% to 26.4% at 108% of average earnings and – once the ceiling of the occupational scheme is reached (862% of average earnings for AGIRC-ARRCO) – it drops further to 1.9% without ceiling. For Israel, the public nominal rate for earnings below 48% of average earnings equals 3.95% compared to 14.6% above. For the Slovak Republic the employer contribution is split 14.0% for pensions and 4.75% for a reserve fund which is used to cover the deficit in the basic social insurance funds and so is not pension specific. For Sweden, the nominal rate in the private occupational scheme rises from 4.5% to 30% at 108% of average earnings. The indicated nominal rate in the private occupational scheme in Switzerland is an average of the age-specific rates (7% at ages 25-34, 10% at 35-44, 15% at 45-54 and 18% at 55-64). Likewise for employee contributions to the public scheme in Finland (7.85% between 53 and 62, otherwise 6.35%). For Latvia, contributions are assumed to be equally split between employee and employer as legislation does not make such a split explicit. For Chile, the indicated values include a 1.57%-rate for disability and survivor pensions and a 1.25%-rate for administrative costs. In Hungary employer contributions are levied for pensions and health care together of which 71.6% go to the pension budget. For Mexico, contribution rates shown exclude contributions paid by the government to the private individual account in form of both a 0.225%-contribution and the social quota, which is an amount that varies with the wage level. Also contributions for public survivor and disability benefits of 0.625% (employee) + 1.75% (employer) + 0.125% (government) are not included. Also in Luxembourg (8%) and Israel (0.25%) the government pays contributions to mandatory pension schemes, which are excluded here.

Source: Country profiles and OECD Taxing Wages 2021.

StatLink  <https://stat.link/h4uwj7>

Table 8.2. Social insurance contribution rates for an average worker in 2020

	Nominal rate					Ceiling (multiple of gross average earnings), public/ private	Effective rate on average earnings
	Employee, public	Employer, public	Employee, private	Employer, private	Total		
Ireland	4.0	11.05			15.1	None	15.1
Spain	4.7	23.6			28.3	1.81	28.3
United Kingdom	12 [w]	13.8 [w]			25.8 [w]	None	20.4

Note: The indicated rates cover different social security schemes across countries. Ireland: All schemes excluding for sickness and maternity benefits in kind. Spain: All schemes except for unemployment. United Kingdom: Old age, survivor, disability, sickness and maternity, work injury and unemployment. In the United Kingdom, contributions are only paid on the part of individual earnings exceeding 21% of average earnings. Moreover, the employee contribution drops from 12% to 2% at 120% of average earnings.

Source: Country profiles and OECD Taxing Wages 2021.

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