

Mandatory pension contributions

Key Results

Total mandatory effective pension contribution rates for an average earner averaged 18.2% in 2022 among OECD countries. The highest levels are found in Italy at 33.0%, Czechia (28.0%), France (27.8%) and Greece (26.0%) with the lowest in Canada, Korea, Lithuania and Mexico all under 10%, on top of New Zealand which does not have any mandatory contributory scheme.

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 2022. 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 37 OECD countries where pension contributions are mandatory, either public or private, and New Zealand where there is no mandatory contributory scheme. There are 12 countries – Austria, Canada, Czechia, Denmark, Finland, Germany, Iceland, Italy, Lithuania, Luxembourg, Slovenia and Türkiye – where contributions also finance disability or invalidity benefits. In addition, there are three countries, Ireland, Spain and the United Kingdom, where it is difficult to separate the pension contributions from the other parts of social insurance such as disability benefits, sickness, unemployment, etc.; these three countries are not included in the average. Overall, the average effective contribution rate equalled 18.2% at the average-wage level in 2022. The highest total mandatory contribution rates are found in Italy at 33.0%. Czechia, France and Greece also have high effective contribution rates, around 26-28%.

By contrast the mandatory contribution rate in Mexico amounts to only 6.275% but will increase to 15% over the next few years. In Canada, Korea and Lithuania, the contribution rate is also 9% or lower. However, in Canada, a large component of public pensions comes from tax-financed first-

tier components (Chapter 4), reducing the role of the earnings-related pension within the country's retirement system. In addition, there is a contribution ceiling which is equivalent to 79% of average earnings thereby reducing the contribution rate from an actual 11.4% on eligible earnings to an effective rate of 9.1% for an average earner.

The average effective contribution rate to the public schemes is 15.5% compared to 2.7% for private schemes, for the OECD35 at the average wage, which makes a total of 18.2%. Within the public scheme employee contributions are over two-thirds of those of employers, representing effective contribution rates of 6.3% and 9.1%, 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.

Countries with higher pension contribution rates often have above average pension benefits (as in the case of France and Italy). 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.

Further reading

OECD (2023), *Taxing Wages 2023: Indexation of Labour Taxation and Benefits in OECD Countries*, OECD Publishing, Paris, <https://doi.org/10.1787/8c99fa4d-en>.

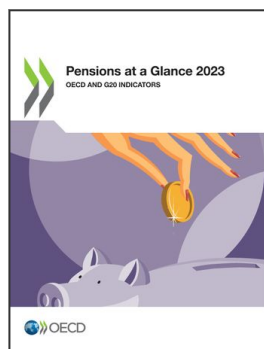
Table 8.1. Contribution rates for an average worker in 2022

Contributions to mandatory and quasi-mandatory pension schemes

	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	10.5	10.5	2.54	10.5
Austria*	10.25	12.55			22.8	1.51	22.8
Belgium	7.54	8.86			16.4	1.29	16.4
Canada*	5.7	5.7			11.4	0.79	9.1
Chile			11.15	1.54	12.7	2.99	12.7
Colombia	4.0	12.0			16.0	14.19	16.0
Costa Rica	4.0	5.25	1.0	3.25	13.5	None	13.5
Czechia*	6.5	21.5			28.0	3.04	28.0
Denmark*			4.0	8.0	12.0	None	12.7
Estonia	0.0	20.0			20.0	None	20.0
Finland*	7.47 [a]	17.4			24.85 [a]	None	24.15 [a]
France	11.3 [w]	16.5 [w]			27.8 [w]	0.99 / 7.92	27.8
Germany*	9.3	9.3			18.6	1.54	18.6
Greece	9.67	16.33			26.0	4.66	26.0
Hungary	10.0	9.31			19.3	None	19.3
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]	3.18 / 0.85	19.8
Italy*	9.19	23.81			33.0	3.10	33.0
Japan	9.15	9.15			18.3	2.39	18.3
Korea	4.5	4.5			9.0	1.33	9.0
Latvia	10.0	10.0			20.0	4.66	20.0
Lithuania*	8.72	0.0			8.72	4.84	8.72
Luxembourg*	8.0	8.0			16.0	1.94	16.0
Mexico			1.125	5.15	6.3	5.67	6.275
Netherlands	18.0	0.0	7.44 [w]	11.16 [w]	36.6 [w]	0.62 / none	23.2
New Zealand					0.0		0.0
Norway	8.0	13.0	0.0	2.0	23.0	None / 1.98	23.0
Poland	9.76	9.76			19.52	2.44	19.52
Portugal	7.2	15.5			22.7	None	22.7
Slovak Republic	4.0	18.75			22.8	6.56	22.8
Slovenia*	15.5	8.85			24.4	3.26	24.4
Sweden	7.0	10.81	0.0	4.5 [w]	22.3 [w]	1.08 / none	22.3
Switzerland	4.35	4.35	6.25 [a,w]	6.25 [a,w]	21.2 [a,w]	None / 0.85	17.3 [a]
Türkiye*	9.0	11.0			20.0	4.24	20.0
United States	5.3	5.3			10.6	2.27	10.6
OECD35, effective at average wage	6.3	9.1	1.0	1.7			18.2
Ireland**	4.0	10.05			14.1	None	14.1
Spain**	4.7	23.6			28.3	1.75	28.3
United Kingdom**	12 [w]	13.8 [w]	5.0	3.0	33.8 [w]	None / 1.13	30.2

Note: *Contribution rate also finances disability or invalidity benefits. **The indicated rates cover different social security schemes across countries. OECD35 averages are for earners at the average wage and do not represent the average of the nominal rate columns. 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. [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 29% 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 62% 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 99% of average earnings and – once the ceiling of the occupational scheme is reached (792% of average earnings for AGIRC-ARRCO) – it drops further to 1.9% without ceiling. For Israel, the public nominal rate for earnings below 44% 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 (8.65% between 53 and 62, otherwise 7.15%). 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 1.54%-rate for disability and survivor pensions and a 1.15%-rate for administrative costs. In Hungary employer contributions are levied for pensions and healthcare 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. 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 2023*.StatLink  <https://stat.link/pmbyaq>



From:

Pensions at a Glance 2023

OECD and G20 Indicators

Access the complete publication at:

<https://doi.org/10.1787/678055dd-en>

Please cite this chapter as:

OECD (2023), "Mandatory pension contributions", in *Pensions at a Glance 2023: OECD and G20 Indicators*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/da9e2bda-en>

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