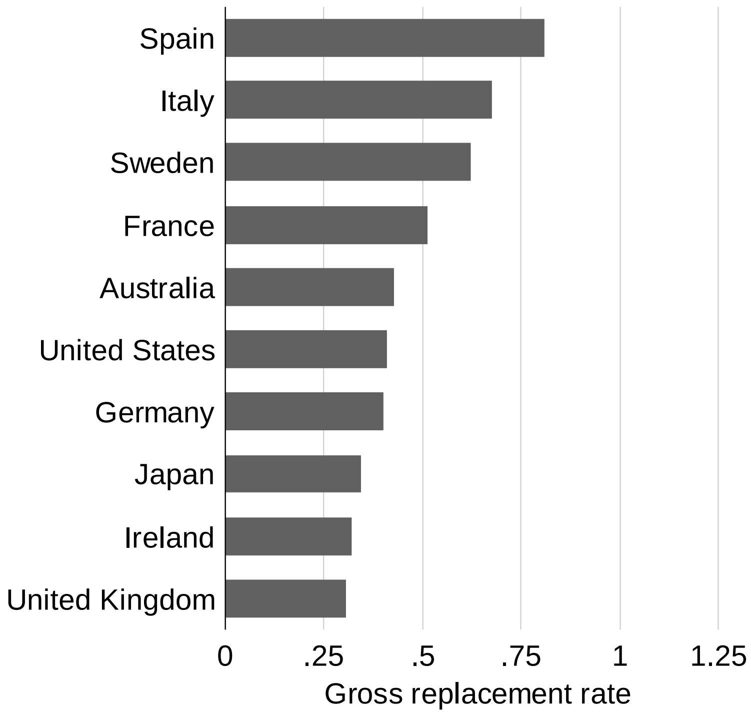
- The UK has the lowest public pensions in the 30 OECD countries.
- The limited role of the state in old-age support means that individuals need to save for their own retirement. The evidence suggests that people who do save make adequate provision, but there are gaps in coverage.
- Changes to the pension system since 1997 have increased future benefits, while nearly all other countries cut benefits in response to demographic and fiscal pressures.

The UK has the lowest public pensions in the 30 OECD countries (Figure 1 and Table 1). For an individual on average earnings working a full career, the net pension in retirement is just 41% of pre-retirement net earnings, compared with nearly 70% on average in OECD countries. This is around half the net replacement rate in Italy and Spain, for example.

Figure 1. **Net replacement rate in 10 OECD countries, average earner**



Source: OECD *Pensions at a Glance*

Table 1. **Net replacement rate in 10 OECD countries at 50%, 100% and 150% of average earnings**

	50%	100%	150%
Australia	83.5	56.4	46.1
France	78.4	63.1	58.0
Germany	54.4	58.0	59.2
Ireland	65.8	38.5	29.3
Italy	81.8	77.9	78.1
Japan	52.5	39.2	34.3
Spain	82.0	84.5	85.2
Sweden	81.4	64.0	71.9
United Kingdom	66.1	41.1	30.6
United States	67.4	52.4	47.9
OECD 30	83.2	69.7	65.5

Source: OECD *Pensions at a Glance*

The limited role of the state in old-age support means that individuals need to save for their own retirement. The OECD has estimated how much individuals would need to save to close the retirement-savings gap between the public pension in the UK and the average mandatory pension in the 30 OECD countries. If an individual on average earnings were to contribute to a private pension for a full career (from age 20 to age 65), then he or she would need to save around 7% of earnings each year to achieve the same pension as the OECD average.

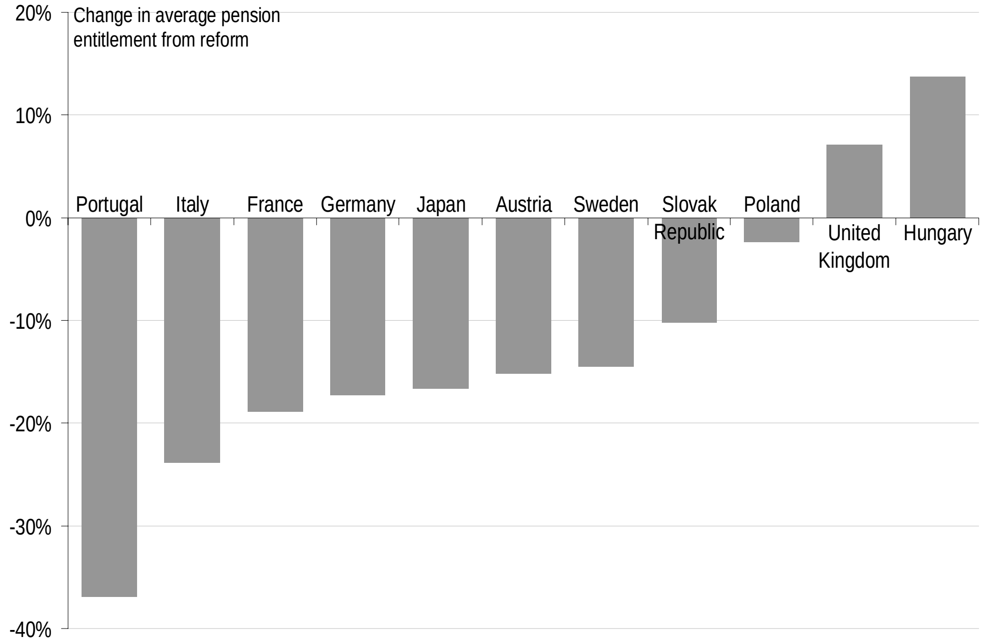
However, if the individual starts contributing later then the necessary contributions are a higher proportion of earnings. Starting at age 30 – and so having ten missing years – would increase the required rate of saving to nearly 10% of earnings.

National data show that people who are covered by private pensions save around 9% of their pay, on average. However, only around 43% of the workforce is covered by an occupational pension scheme at any one time, suggesting that many people either never contribute or only contribute for a short period.

Changes to the public pension system since 1997 have increased future benefits for low earners. For average earners, they have remained unchanged. The overall effect is to increase average pensions by around 7%.

In contrast, recent reforms in France, Germany and Japan have cut benefits by around 15-20%.

Figure 2. **Change in average pension entitlements from reforms in the last decade**



Note: pension entitlements shown are for men. They are measured by pension wealth for workers on different levels of earnings weighted by the distribution of earnings.
Source: OECD *Pensions at a Glance*