Pressure on pension systems in the aftermath of the crisis

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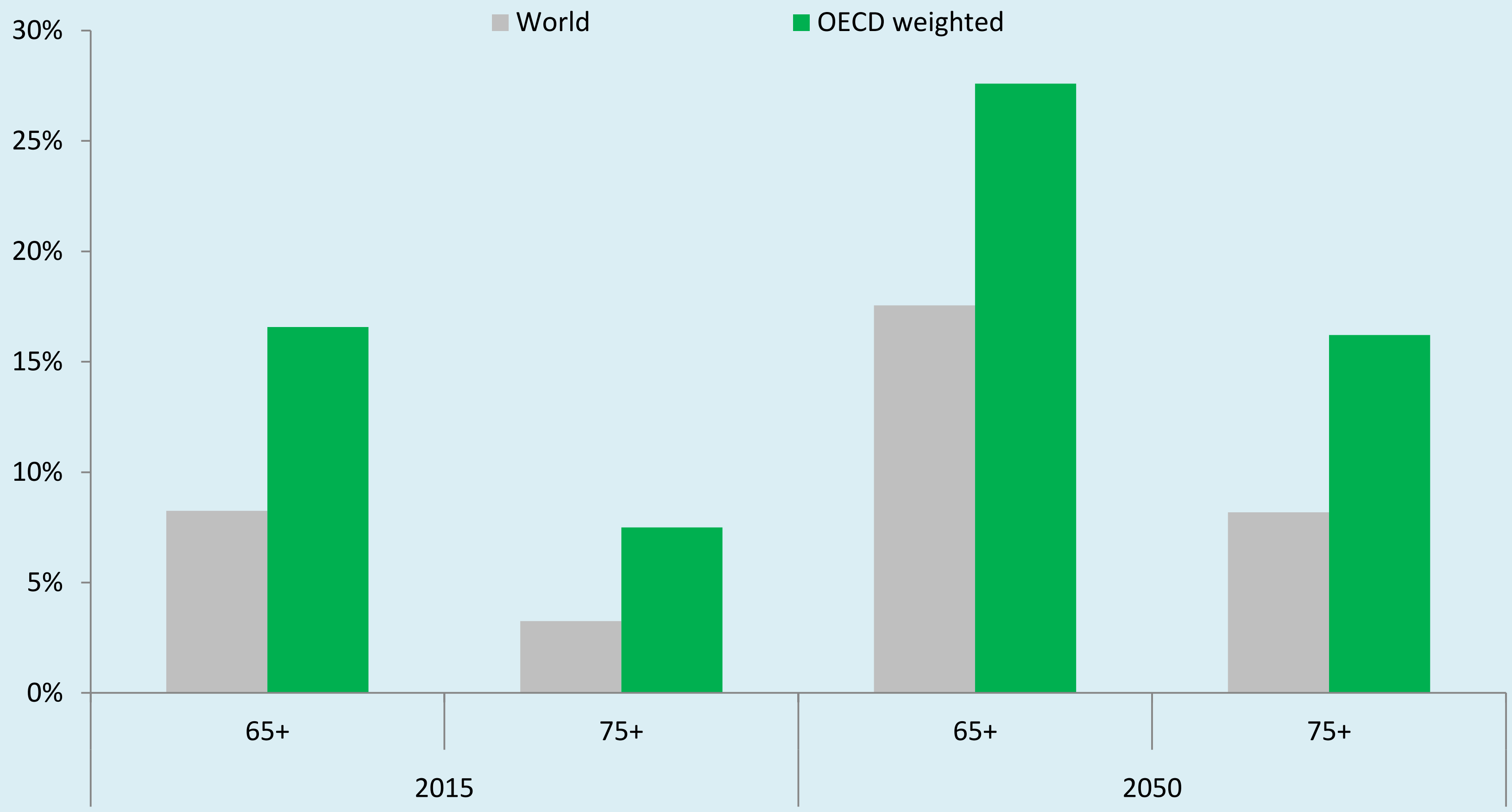
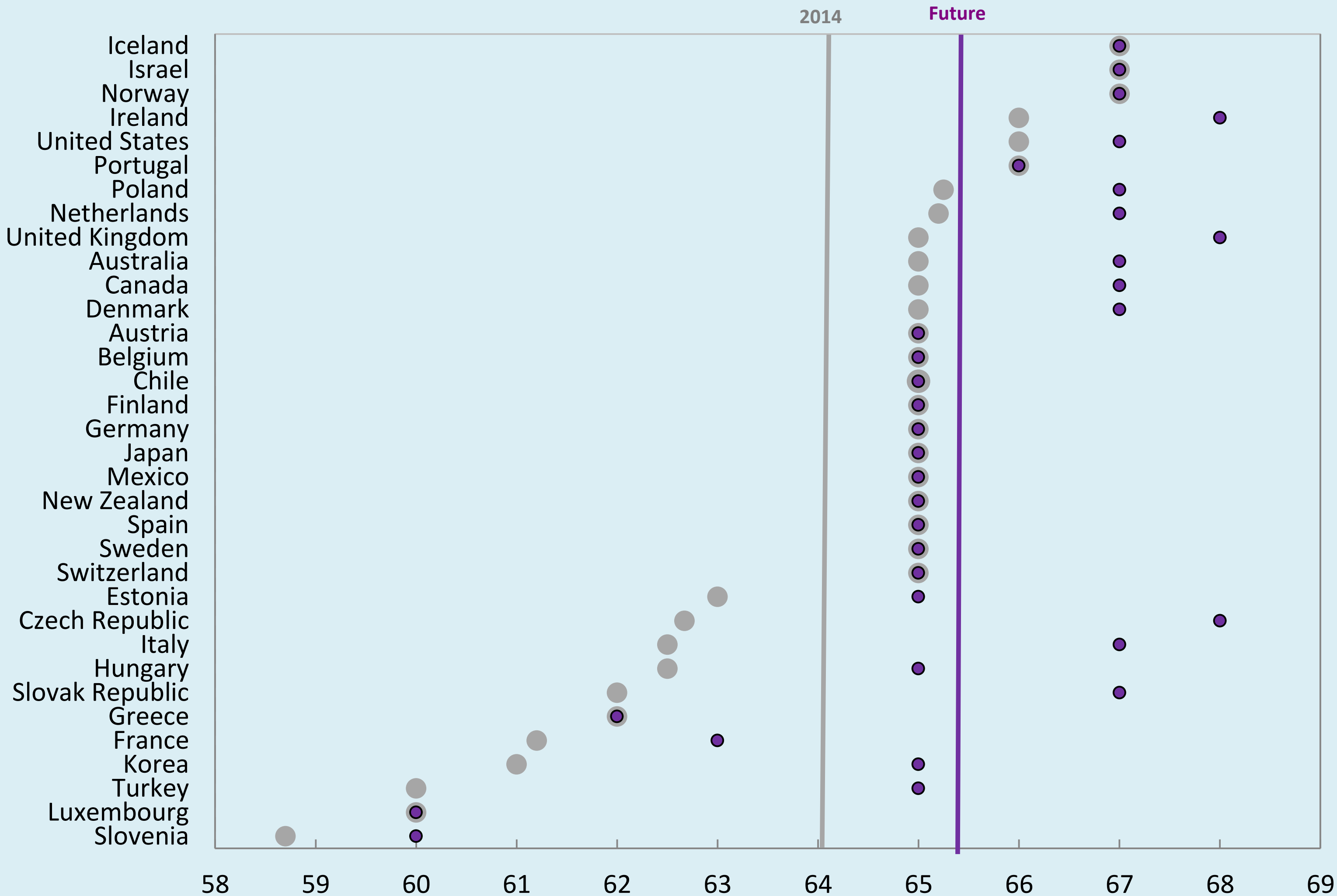
What is happening?

Population are continuing to age



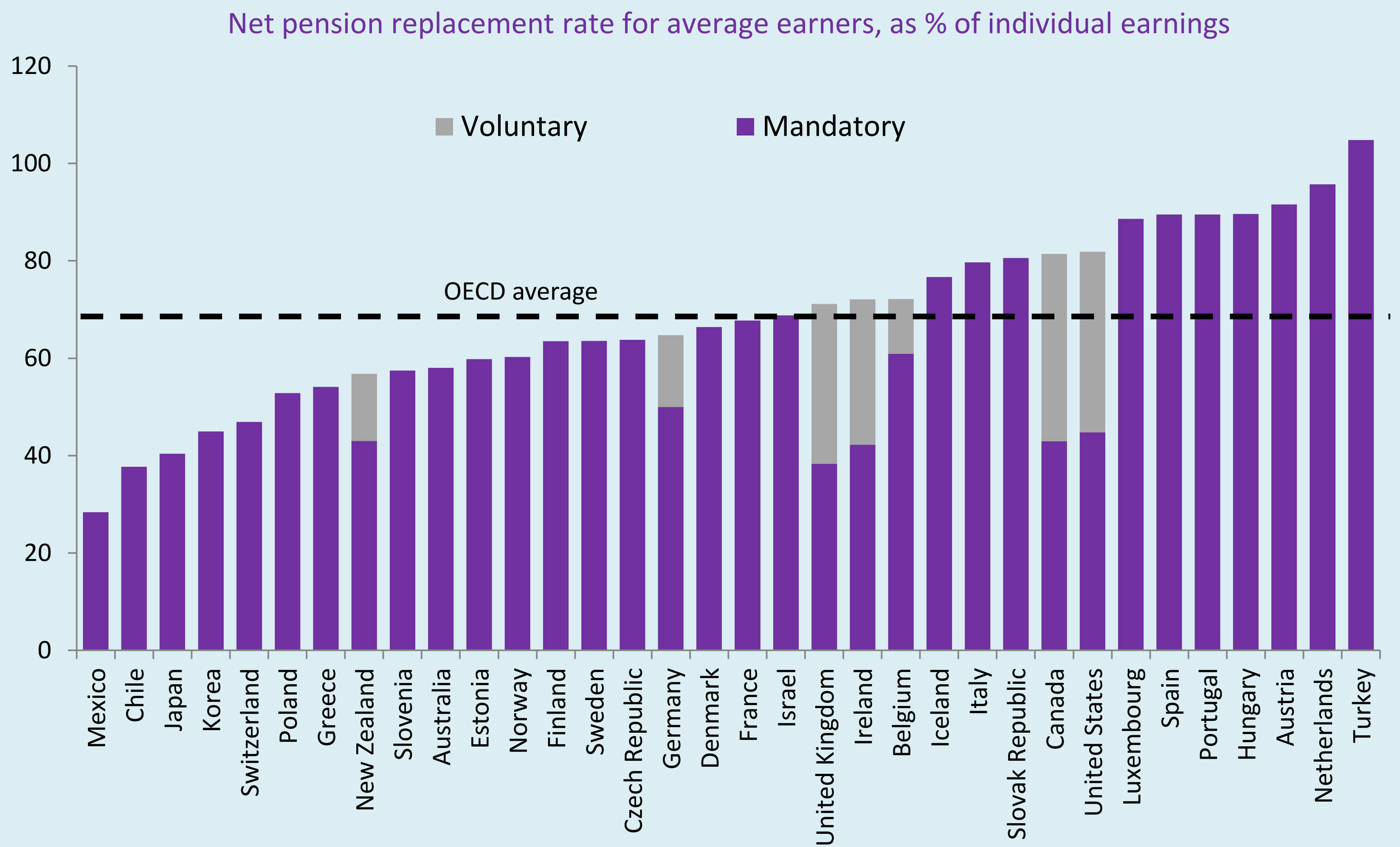
Source: United Nations Population Prospects, 2012

So retirement ages will increase



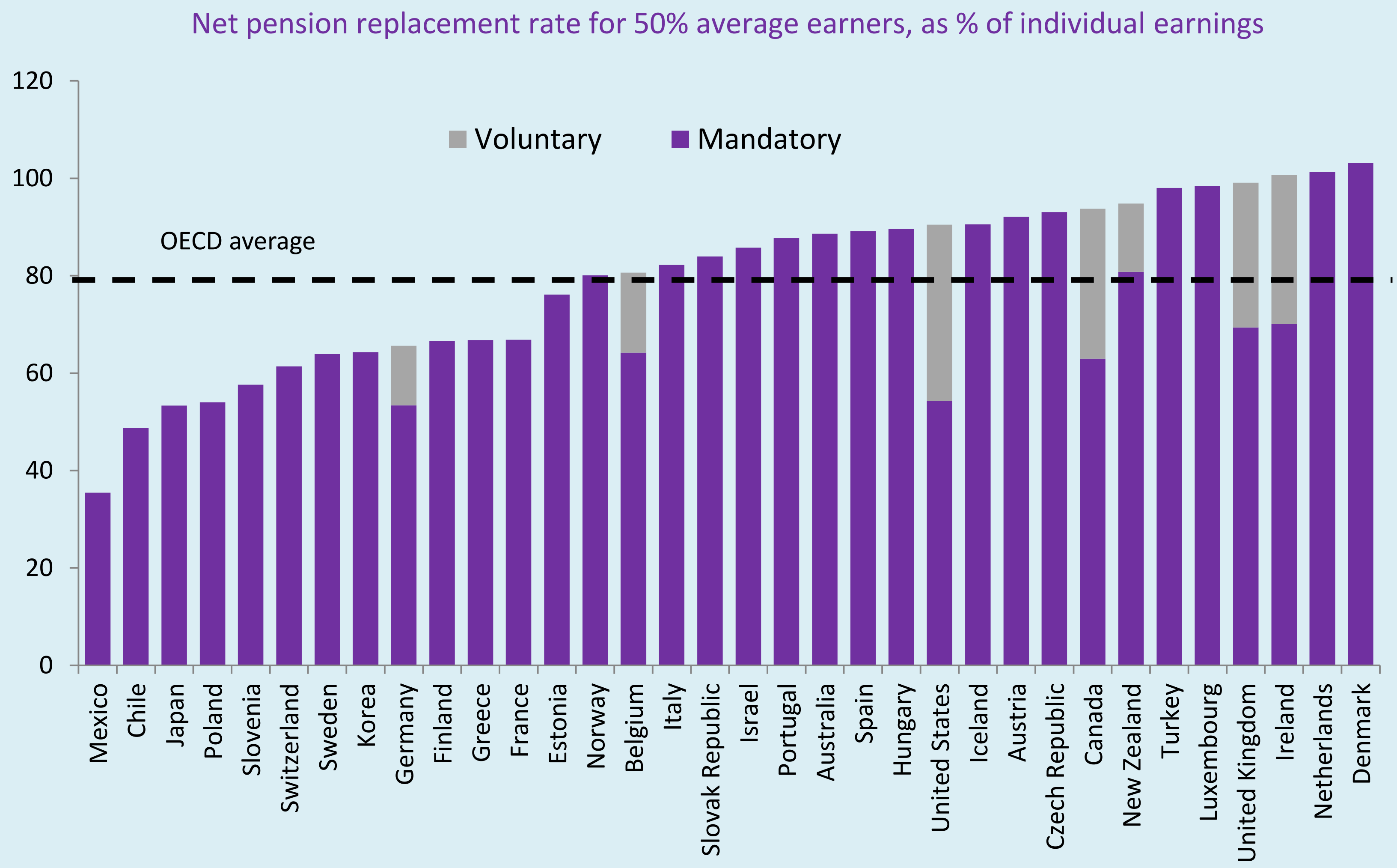
Source: Chapter 11, OECD Pensions at a Glance 2015

But full career workers will have above average replacement rates



Source: OECD pension models

And it will look even better for low earners

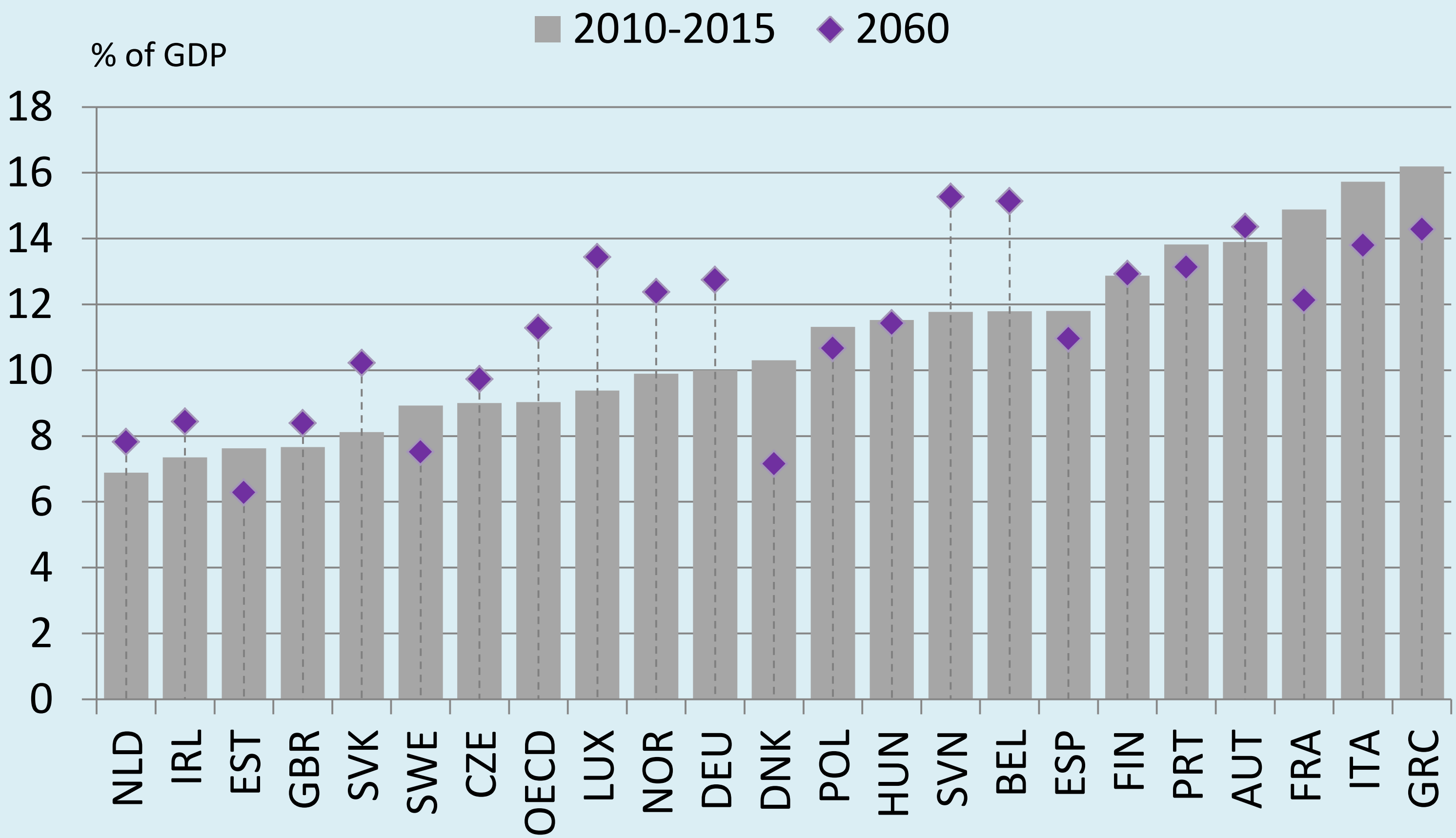


Source: OECD pension models

Financial pressures have recently increased

Source: OECD (2015), *OECD Economic Outlook 97 Database, http://dx.doi.org/10.1787/eo-data-en*.

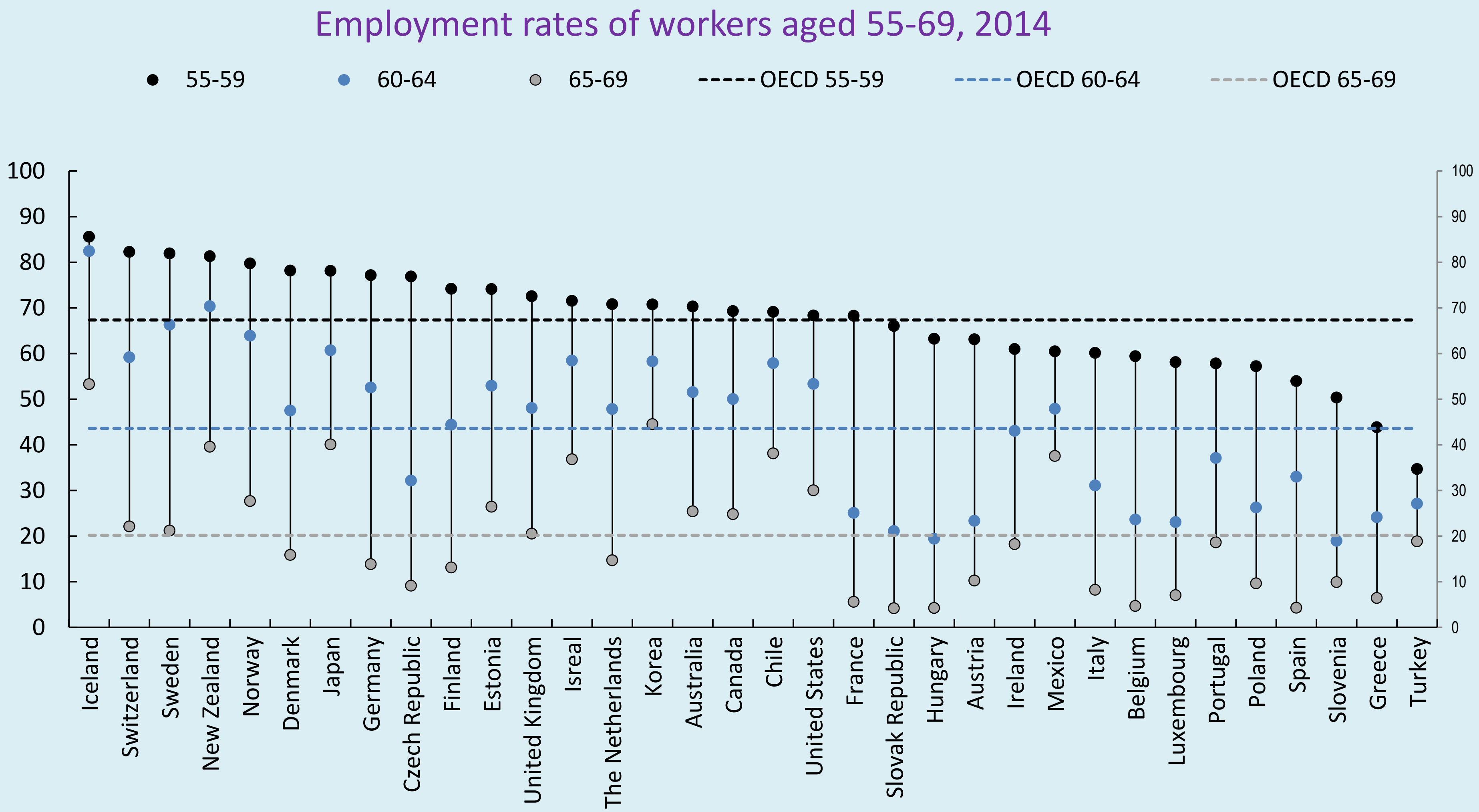
But expenditure is predicted to stabilise in many countries



Source: European Commission, *The 2015 Ageing Report*

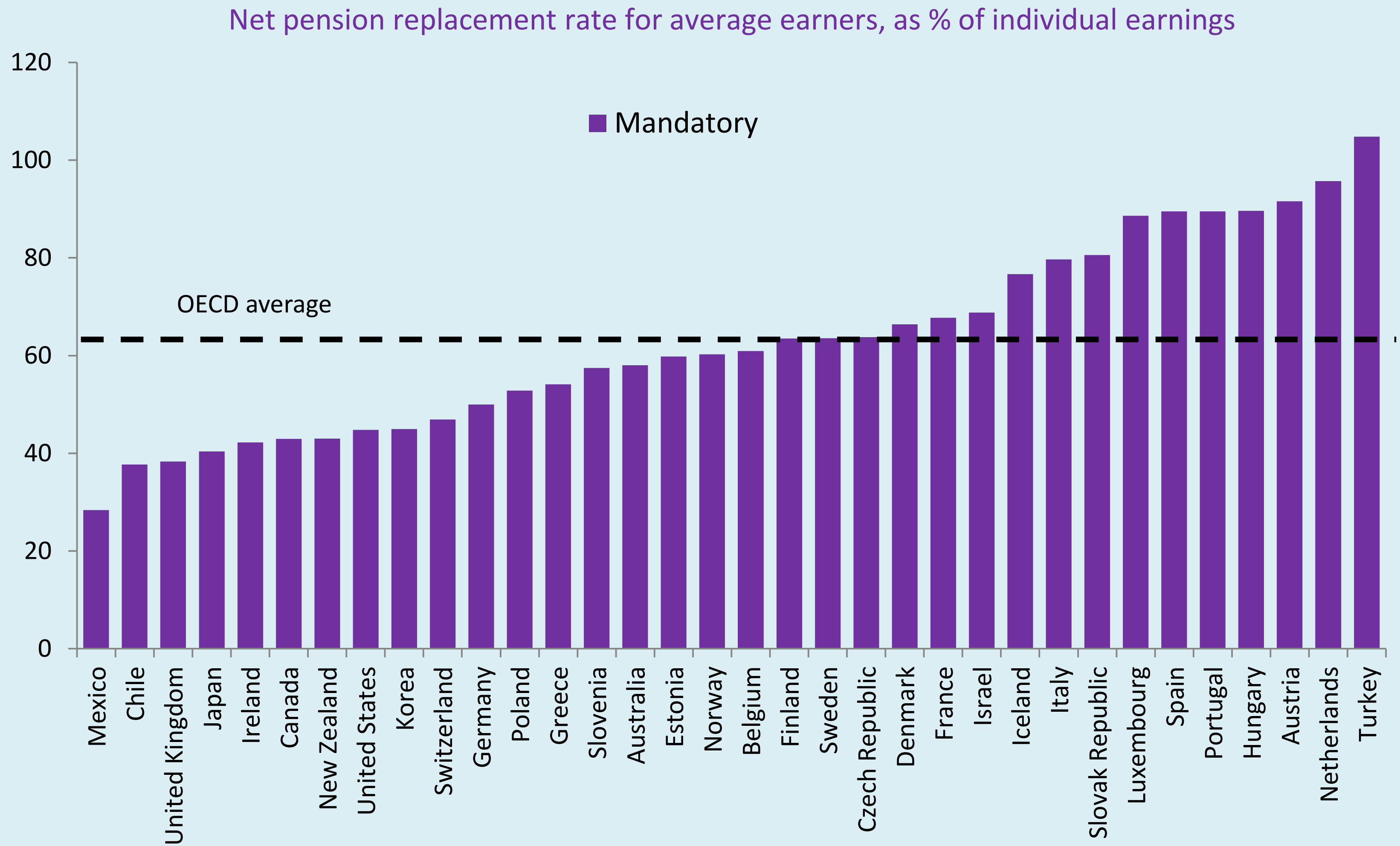
But what if everything doesn’t go according to plan?

Many workers are not employed, particularly in the older groups



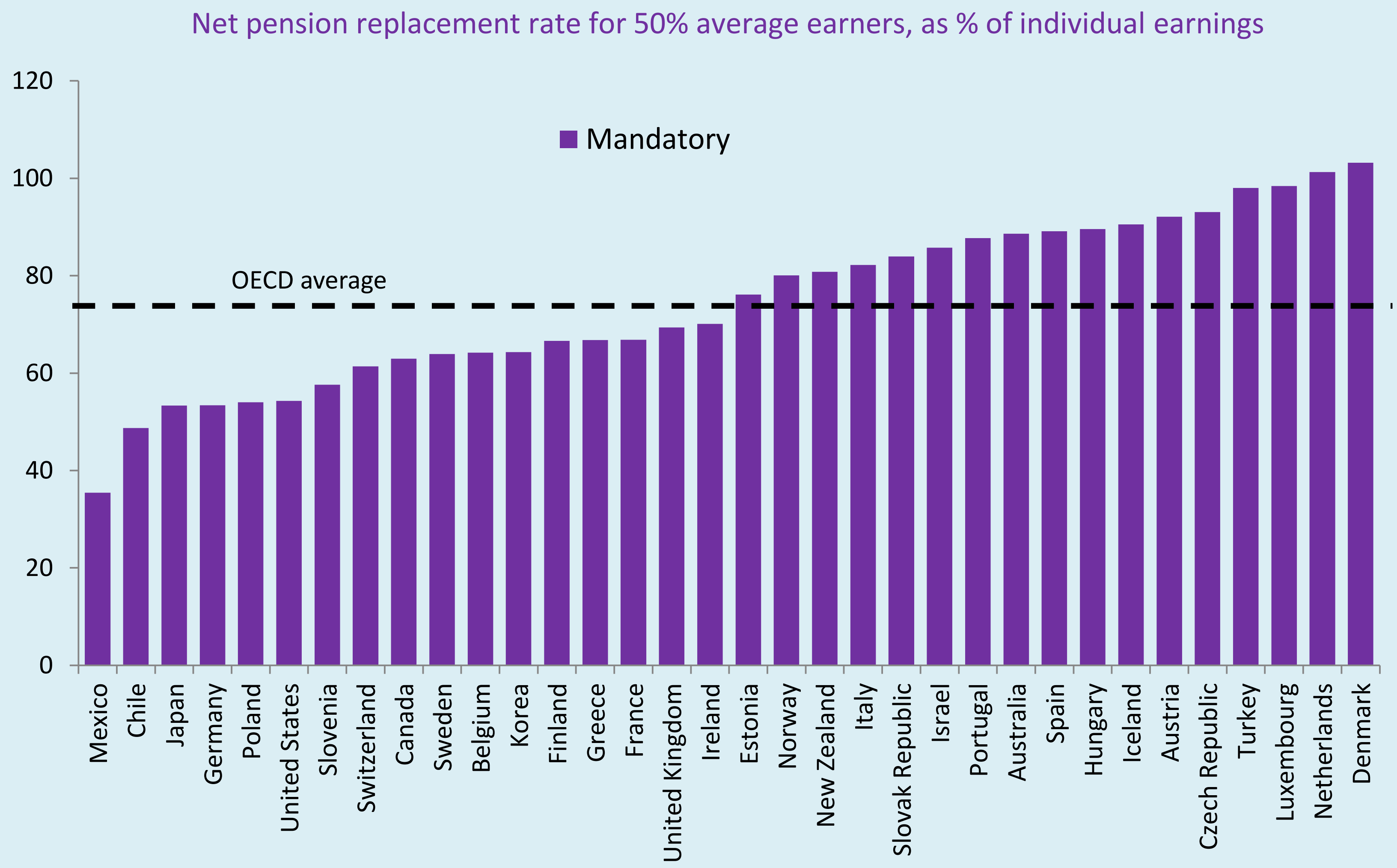
Source: OECD Employment Outlook 2015.

And with no voluntary pension it doesn't look so good, particularly for average earners



Source: OECD pension models

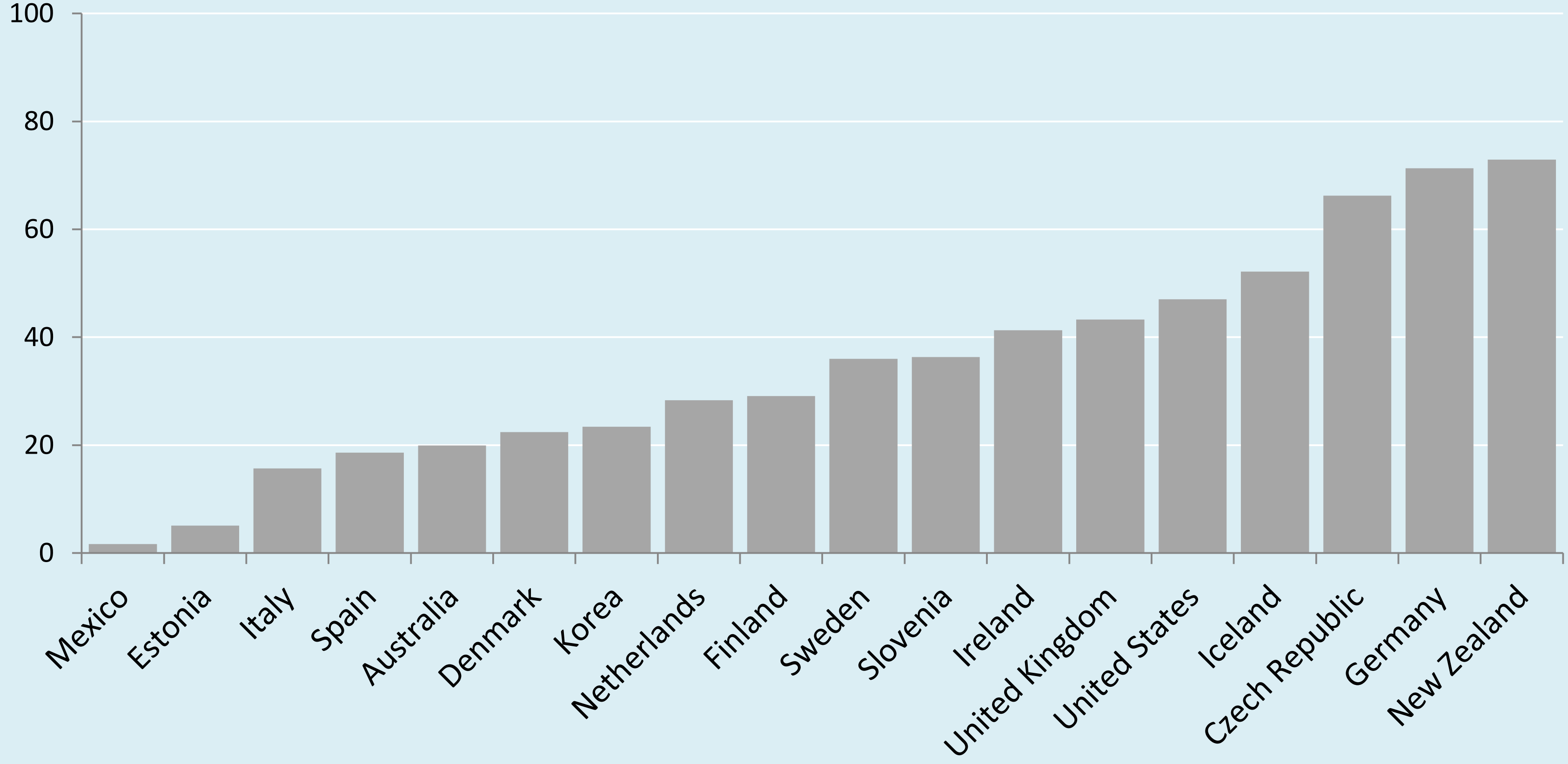
But also for low earners



Source: OECD pension models

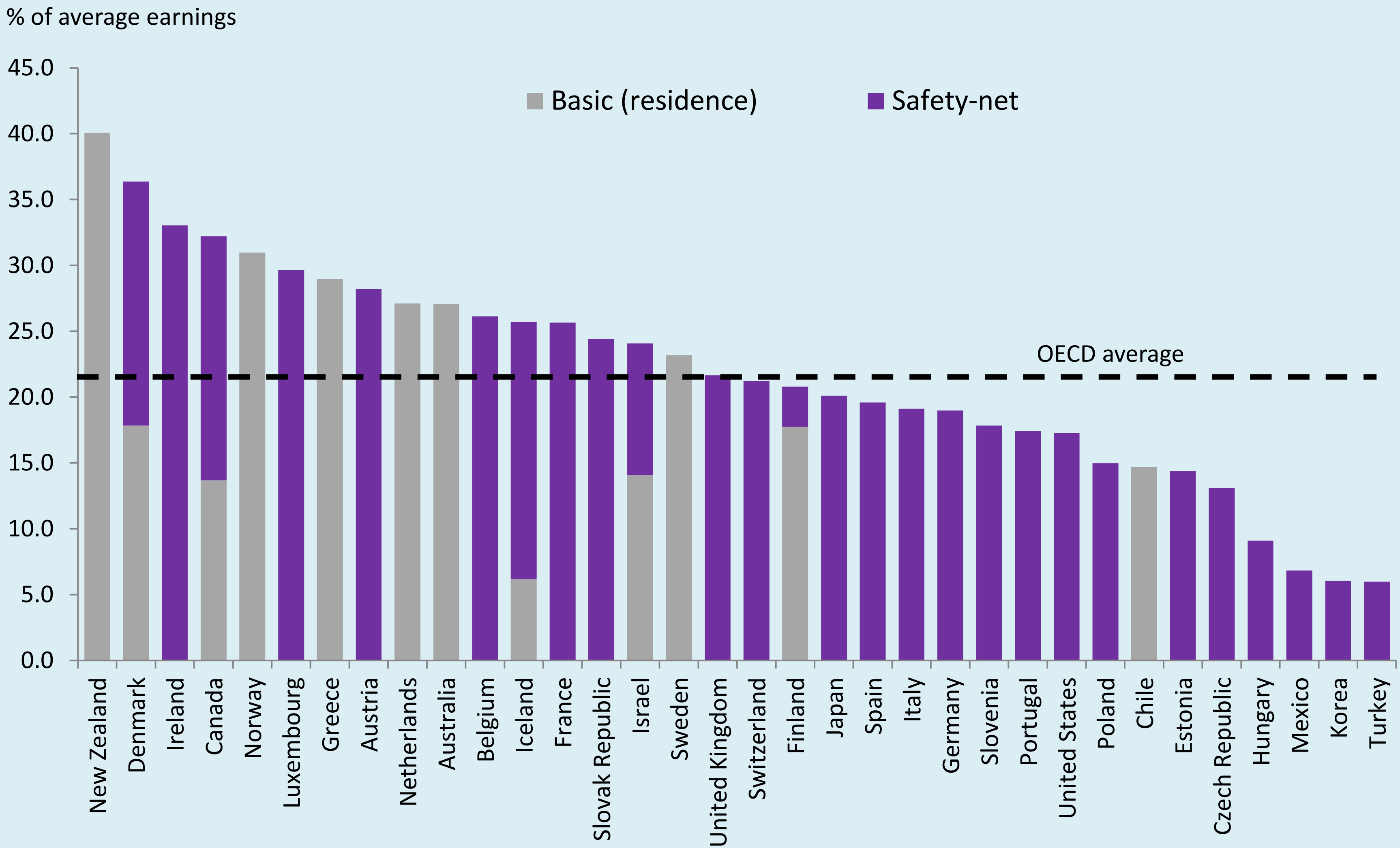
And with low coverage rates this may become a reality

Coverage of private pension schemes as a percentage of those aged 15-64, 2013



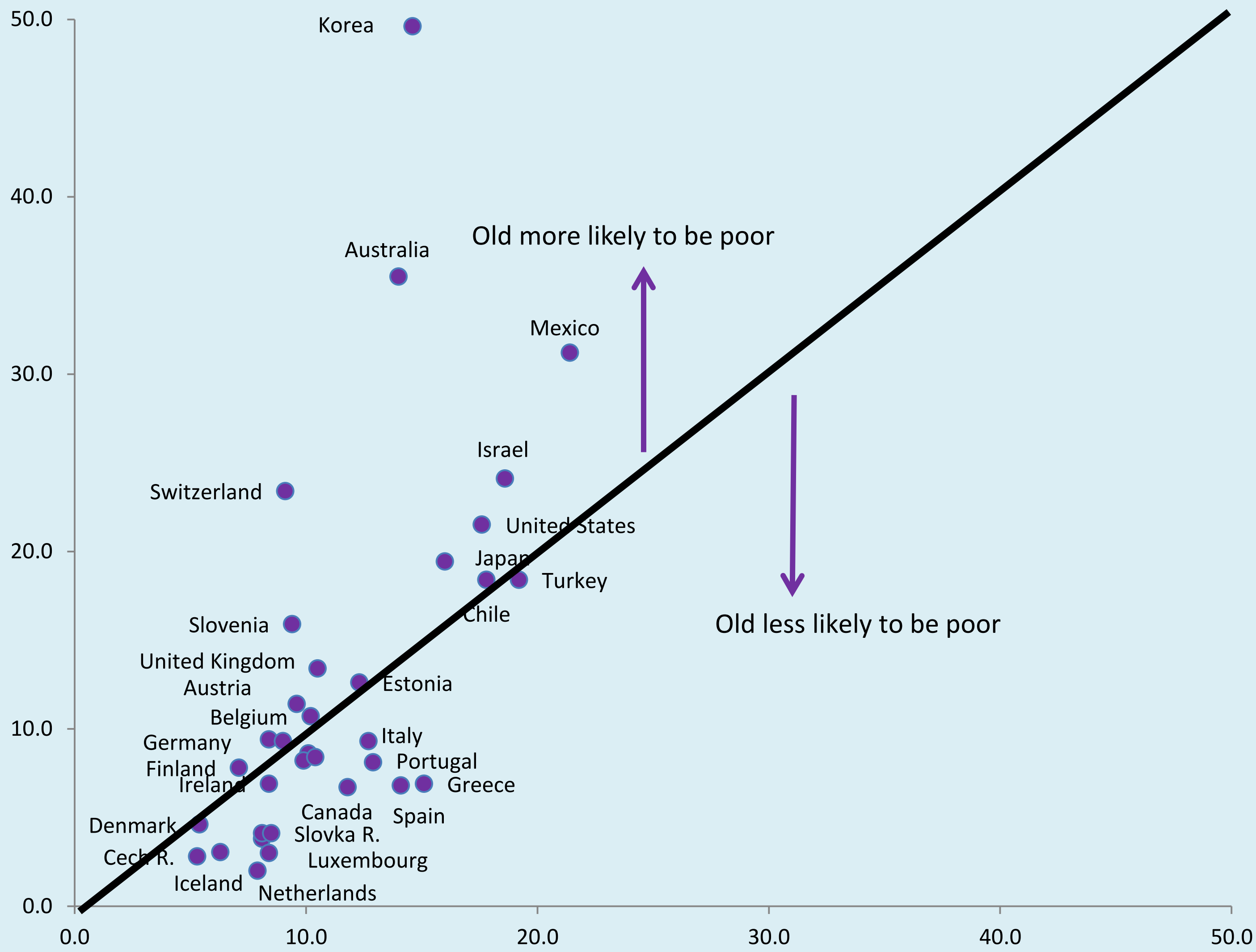
Source: Estimates from OECD Global Pension Statistics and OECD calculations using survey data

And safety-nets may not be able to help



Source: Chapter 11, OECD Pensions at a Glance 2015

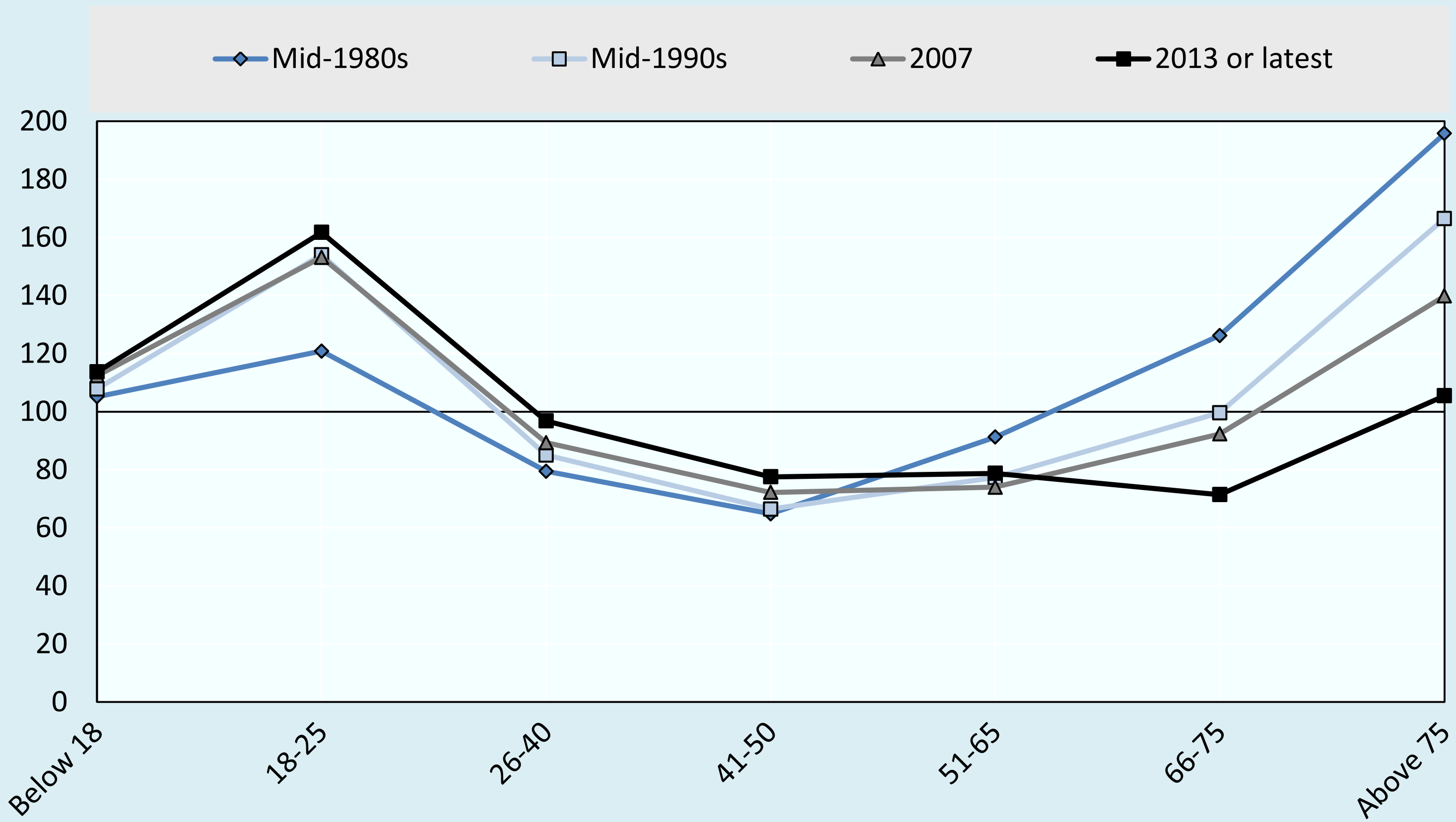
So elderly poverty issues could remain



Source: OECD Income Distribution Database, www.oecd.org/social/income-distribution-database.htm.

But risks have been shifting to the young

Poverty rates for each age group relative to population's



Relative poverty rate of the population in each year = 100

Conclusion

- Potentially high replacement rates in many countries, particularly for low earners
- But without additional savings, entitlement to only the mandatory pension will leave many individuals in poverty

Pensions at a Glance 2015
OECD and G20 Indicators

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