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# Summary

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## Pension contribution levels and cost-sharing in statutory and occupational pensions

**A cross-national study of eight European countries**

Population ageing across Europe is forcing governments to spend a significant and increasing share of national income to finance current and future pension benefits. Although pension costs in general are on a rising trend, it is not always clear just how much is being paid in pension contributions and by whom. The task of comparison is complicated by country differences in pension provision, the role of public and private pensions, and the financing of pensions.

This report aims to provide a comprehensive view on how much is being contributed and by whom into pension systems in eight European countries: Denmark, Finland, France, Germany, Italy, Netherlands, Norway and Sweden.

In cross-national studies, it is important to take account of the different structures of pension provision and differences in total pension provision. Both significantly affect the results. A straightforward comparison of statutory pensions will not suffice since there are comprehensive supplementary pension schemes that are of growing importance in many countries and, in some countries, even broadly equivalent to earnings-related statutory pension schemes.

Therefore, to obtain comparable results, the pension systems addressed in this report include basic and earnings-related pensions organised in statutory (first-pillar) and occupational (second-pillar) pension schemes. Individual retirement savings, i.e. third-pillar pension provision, is not covered. The base year for our analysis is 2020, and our main interest is in total contribution income from employees, employers and the self-employed as well as from tax revenues. The data are obtained from national statistics, accounts and budget data, and from EU and OECD official reports, publications and databases.

Contribution income is compared to GDP and wage statistics to obtain aggregate pension contribution levels for each country. We also look at how the share of contributions is divided between employers and employees and the share of general tax revenues in pension financing.

In addition, we provide theoretical calculations on pension contributions in relation to average employees' wages and twice the average wage. Details about scheme-specific differences in pension financing together with time series on contribution incomes and expenditures can be found in the country fiches.

One of the key results of the report is that contribution levels have converged significantly in Europe, especially with respect to GDP, when all relevant pension schemes are considered. The average pension contribution level was 11 per cent of GDP when considering only statutory pension provision. The level was clearly highest in Italy (16 %), followed by Germany (12.5 %) and Finland (12.4 %). It was lowest in Sweden (7.5 %), the Netherlands (8.1 %) and Denmark (9.3 %).

When occupational pensions are also included, the average level rises to 14.6 per cent of GDP and country differences are reduced. This catch-up effect is most evident in Denmark and the Netherlands, both of which have flat-rate statutory pensions and well-developed occupational schemes. The contribution level remains highest in Italy at 16.8 per cent, but Denmark is at almost the same level (16.7 %). Total contribution income is lowest in Sweden (12.1 %) and Finland (12.5 %).

A breakdown of contributions reveals significant country variation. Employers' contributions generally account for the greatest share, around 50 per cent of total contribution income. The employers' share is largest in Sweden, over two-thirds, and least in Denmark, just over one-fourth. Tax revenue accounts for around 30 per cent of total contribution income. The figure is highest in Denmark at 60 per cent, but tax revenues also account for a significant share in Germany and Italy. Employees generally have the lowest share of pension financing, around 20 per cent on average. The contribution of employees is highest in the Netherlands (30 %) and lowest in Denmark (10 %).

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