



Financial Implications of  
Population Ageing conference  
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# POPULATION AGEING AND PENSION EXPENDITURES: HOW THE CZECH REPUBLIC COMPARES TO THE OECD


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# PROJECTIONS SHOW STRONGLY RISING PENSION EXPENDITURES



# Public pension expenditures projected to rise in EU and OECD, also in the Czech Republic

% of GDP	2016 or latest	2030	2050
EU	11.2	11.6	11.7
OECD	8.9		9.5
Austria	13.8	14.4	14.6
Canada	5.5		6.9
 Czech Republic	8.2	8.2	10.8
Germany	10.1	11.5	12.2
Hungary	9.7	8.4	10.6
Netherlands	7.3	7.5	8.2
Slovak Republic	8.6	7.6	8.8
Sweden	8.2	7.2	6.6



# PENSION REFORMS HELP IMPROVING FINANCIAL SUSTAINABILITY



# What OECD countries do

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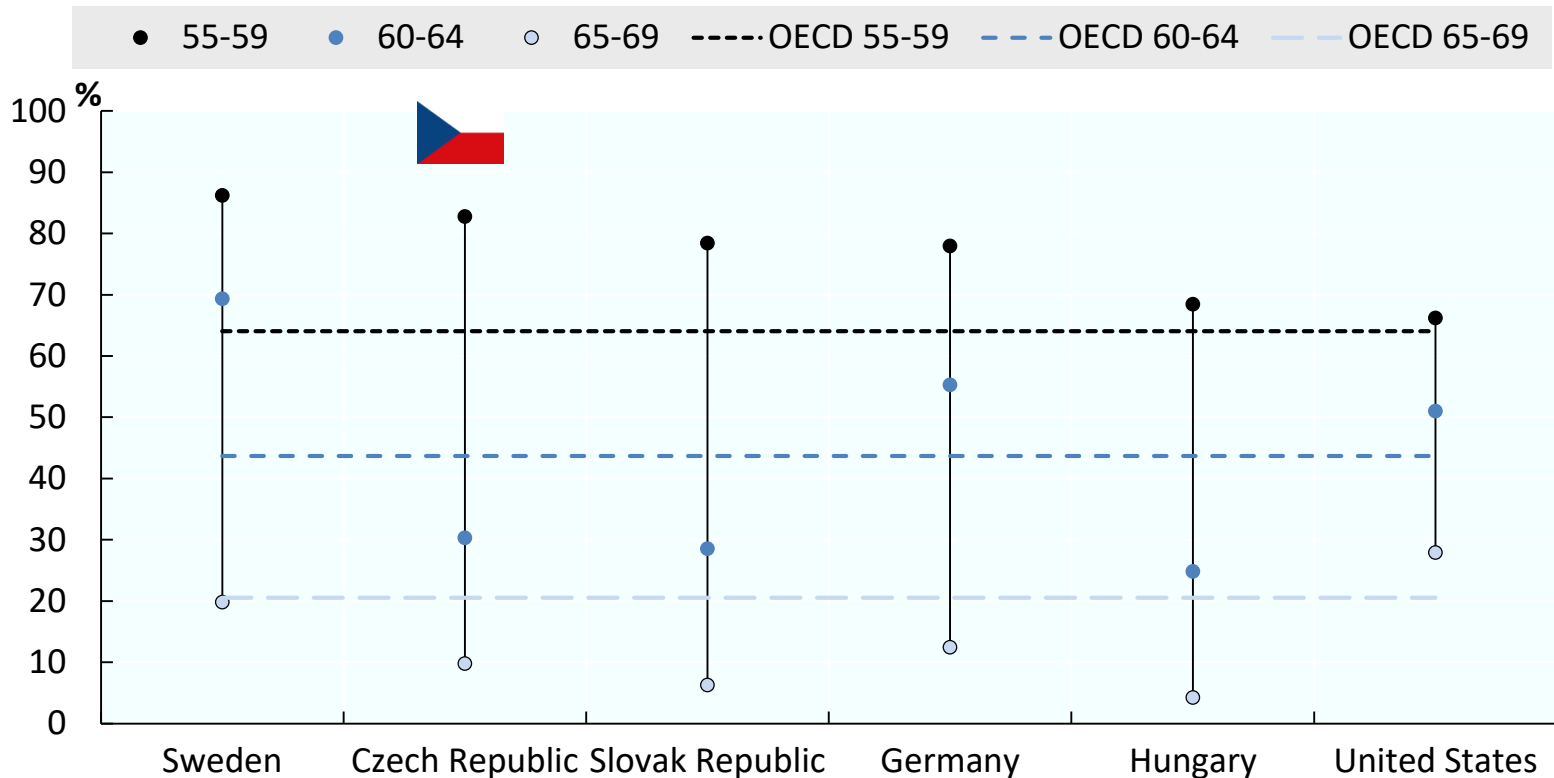
- Financial sustainability in a pay-as-you-go pension scheme in times of ageing affords, either
  - a cut in benefits,
  - a higher contribution rate, or
  - a rise in the ratio of contributors to pensioners, for example through longer careers.
  
- OECD countries introduced automatic adjustment mechanisms and discrete changes (non-exhaustive list):
  - Notional defined contribution systems (ITA, LAT, NOR, POL, SWE)
  - Sustainability factors in defined benefit or points systems (DEU, ESP, FIN, JPN, PRT)
  - Link of retirement age to life expectancy (DNK, FIN, ITA, NLD, PRT, SVK) or discretionary increase of retirement ages (DEU, CZE,...)
    - CAN und CZE and POL took back reforms that planned to further increase the retirement age
  - More tax financing in contribution-based schemes
  - Change of the pension mix with a higher share of funded pensions (AUS, CHL, SVK,...)



# The age gradient in employment rates shows high potential for employment at older ages

Employment rates of women aged 55-59, 60-64 and 65-69

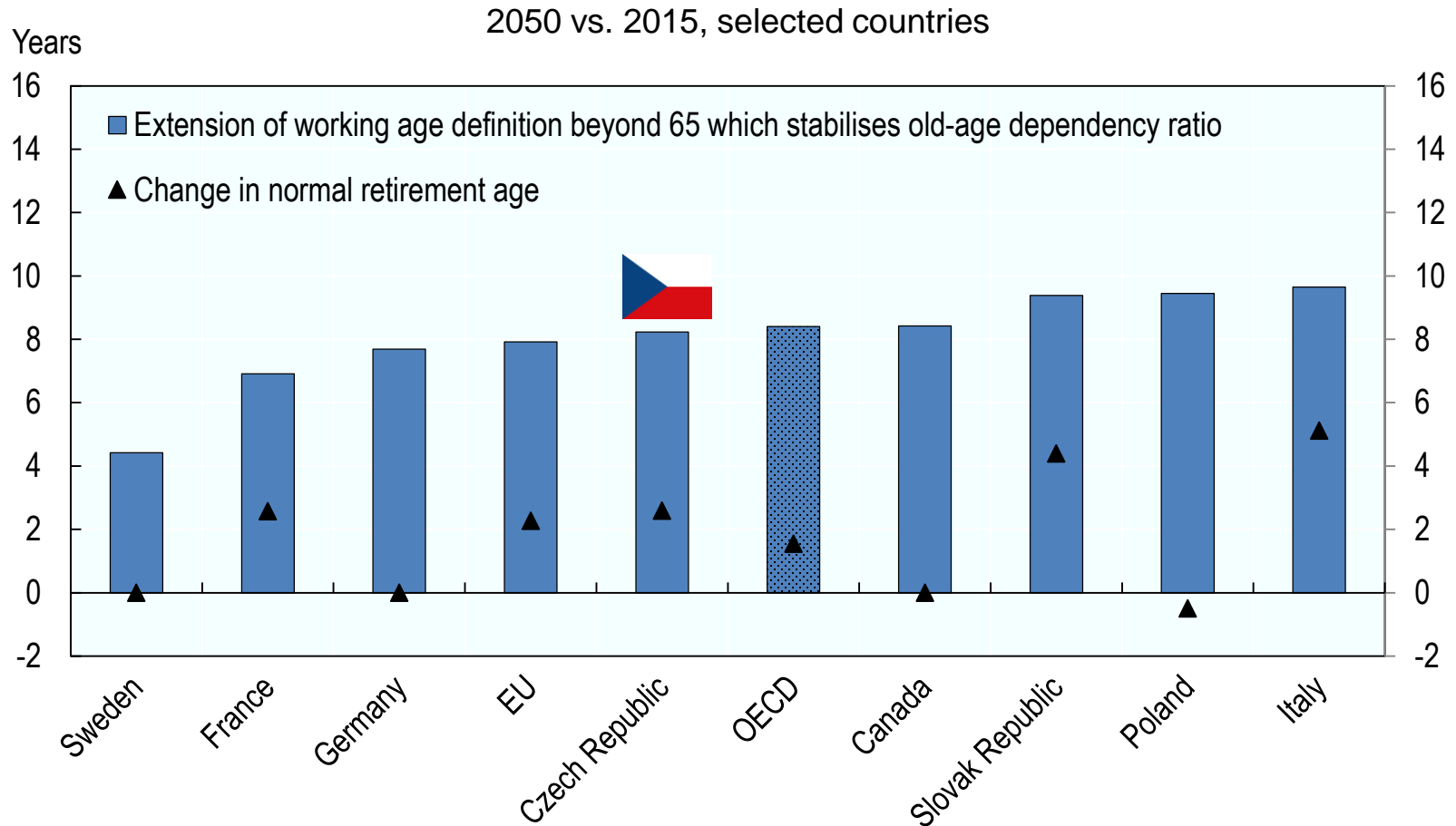
Selected countries in 2017



Source: OECD (2018) – OECD Employment Outlook 2018.



# Increasing the retirement age alone will not assure financial sustainability



Source: Boulhol and Geppert (2018), <https://voxeu.org/article/effect-population-ageing-pensions>.



# INSURING FINANCIAL SUSTAINABILITY GOES BEYOND PENSION REFORMS





## Measures beyond pension policies to assure financial sustainability include...

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- Higher female labour force participation
- Better education
- Better health
- Better quality jobs
- Social protection for non-standard forms of work



# Thank you for your attention!

## Latest publications

Pensions at a Glance 2017 - OECD and G20 Indicators

Preventing Ageing Unequally

Review of Pension Systems: Latvia

## Forthcoming

Pensions Outlook featuring a chapter on survivor pensions, 4 December 2018

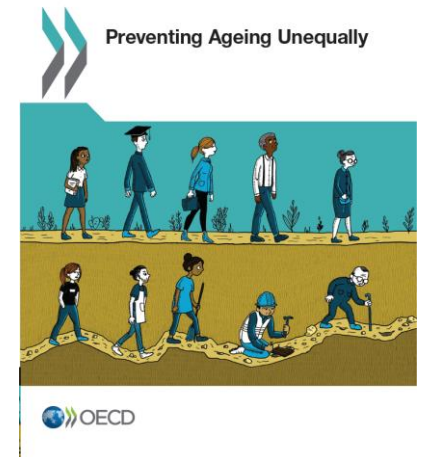
Review of Pension Systems: Peru

Review of Pension Systems: Portugal

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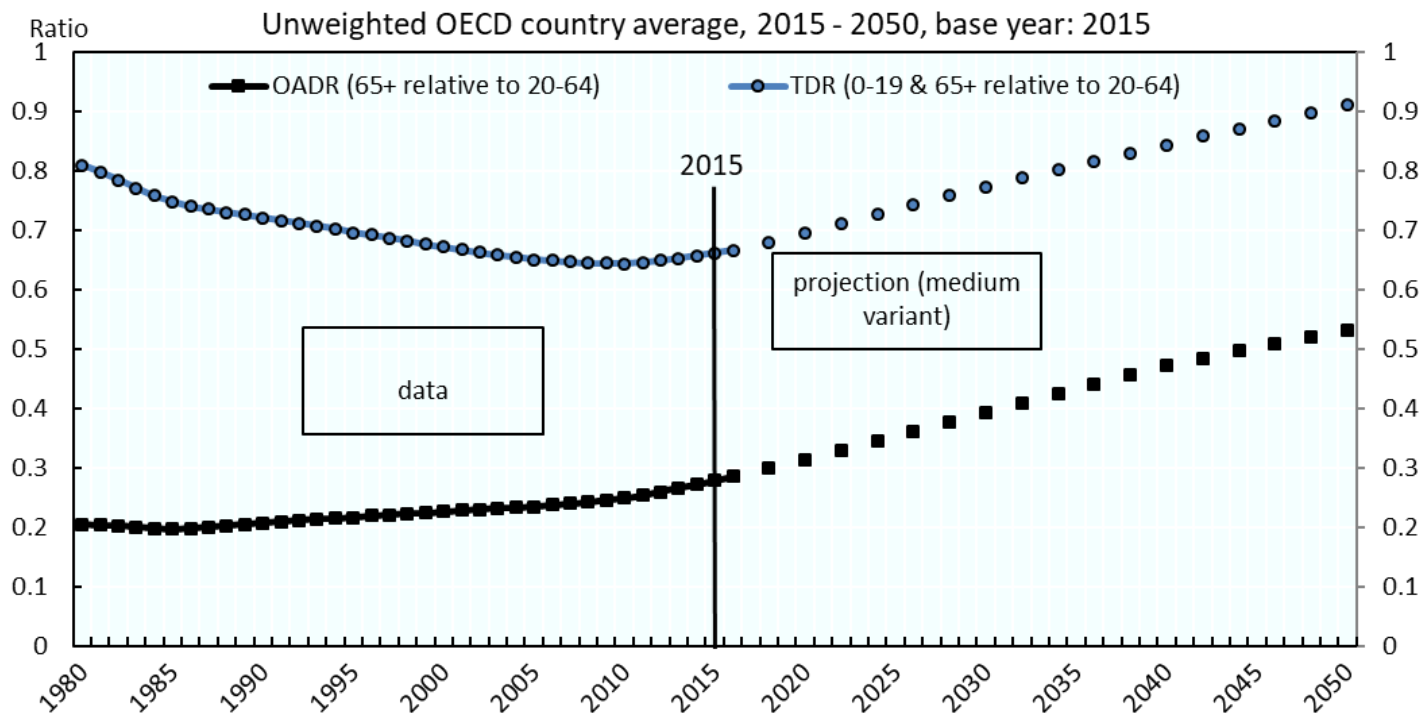
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# Ageing in the OECD puts pressure on pension systems and public finances

- OADR: Old-age dependency ratio (populations aged 65+ relative to 20-64)
- TDR: Total dependency ratio (populations aged 0-19 & 65+ relative to 20-64)



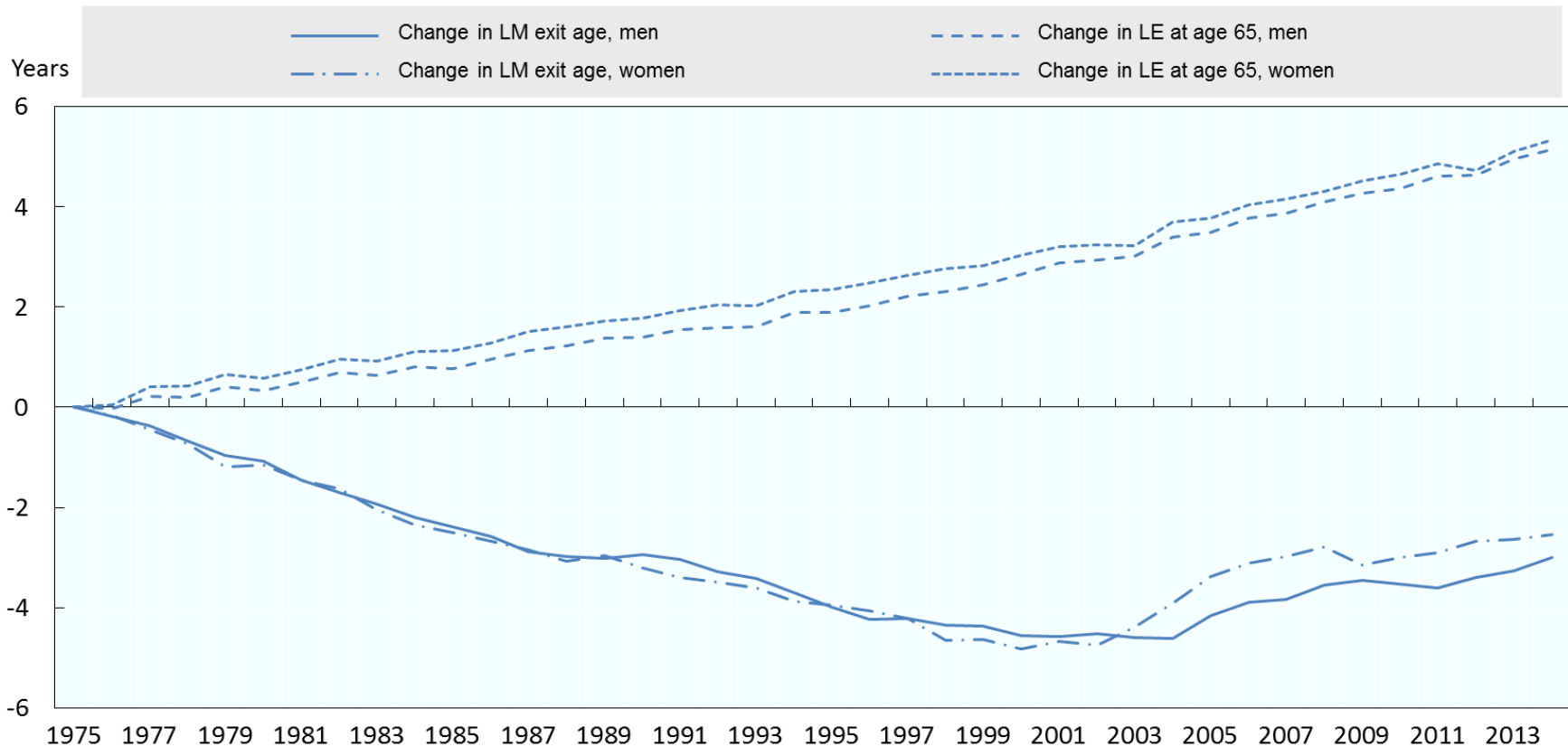
Source: Boulhol and Geppert (2018), <https://voxeu.org/article/effect-population-ageing-pensions>, Note: Based on data from United Nations World Population Prospects – The 2017 Revision.

- Rise in OADR is accelerating → Pressure on pension systems
- TDR has been declining until recently because of fewer children → Easier to finance education
- Turnaround in TDR → May weigh on GDP and general public finances



# How old-age labour markets react

Life expectancy at age 65 and average age of labour market exit, change since 1975

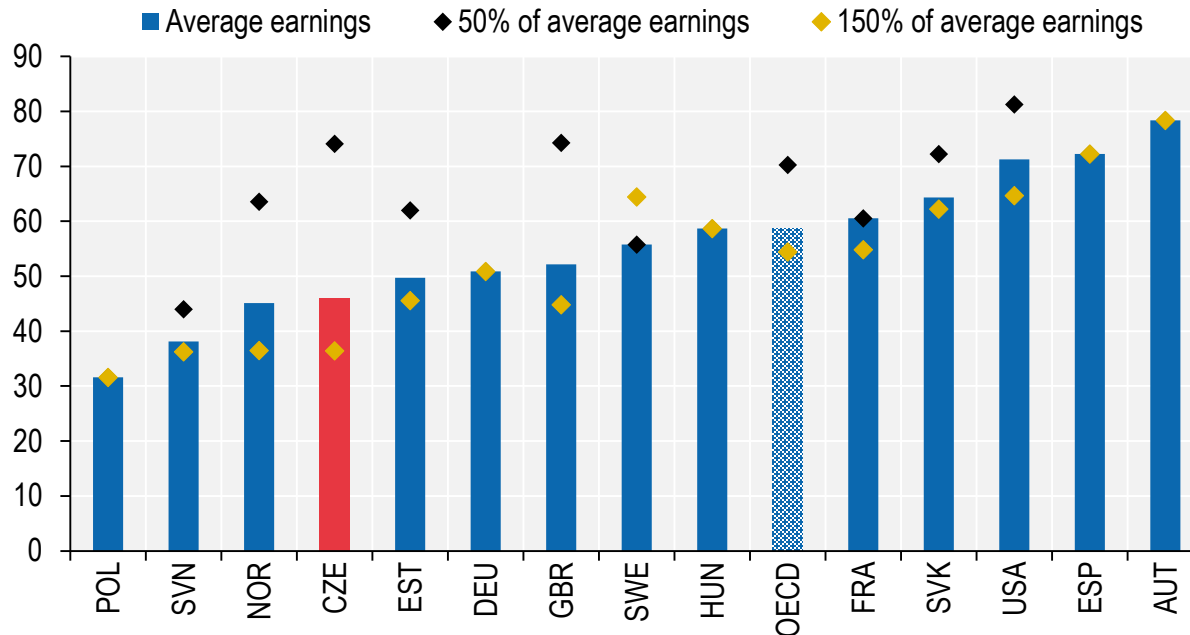


Source: OECD calculations. Labour market exit age data are based on the results of national labour force surveys, the European Union Labour Force Survey and, for earlier years in some countries, national censuses. Life expectancy data stem from OECD Health Statistics and are based on Eurostat data and national sources.



# Future pensions for low-income earners will be low in many countries but not in CZE

Gross projected pension replacement rates from mandatory schemes



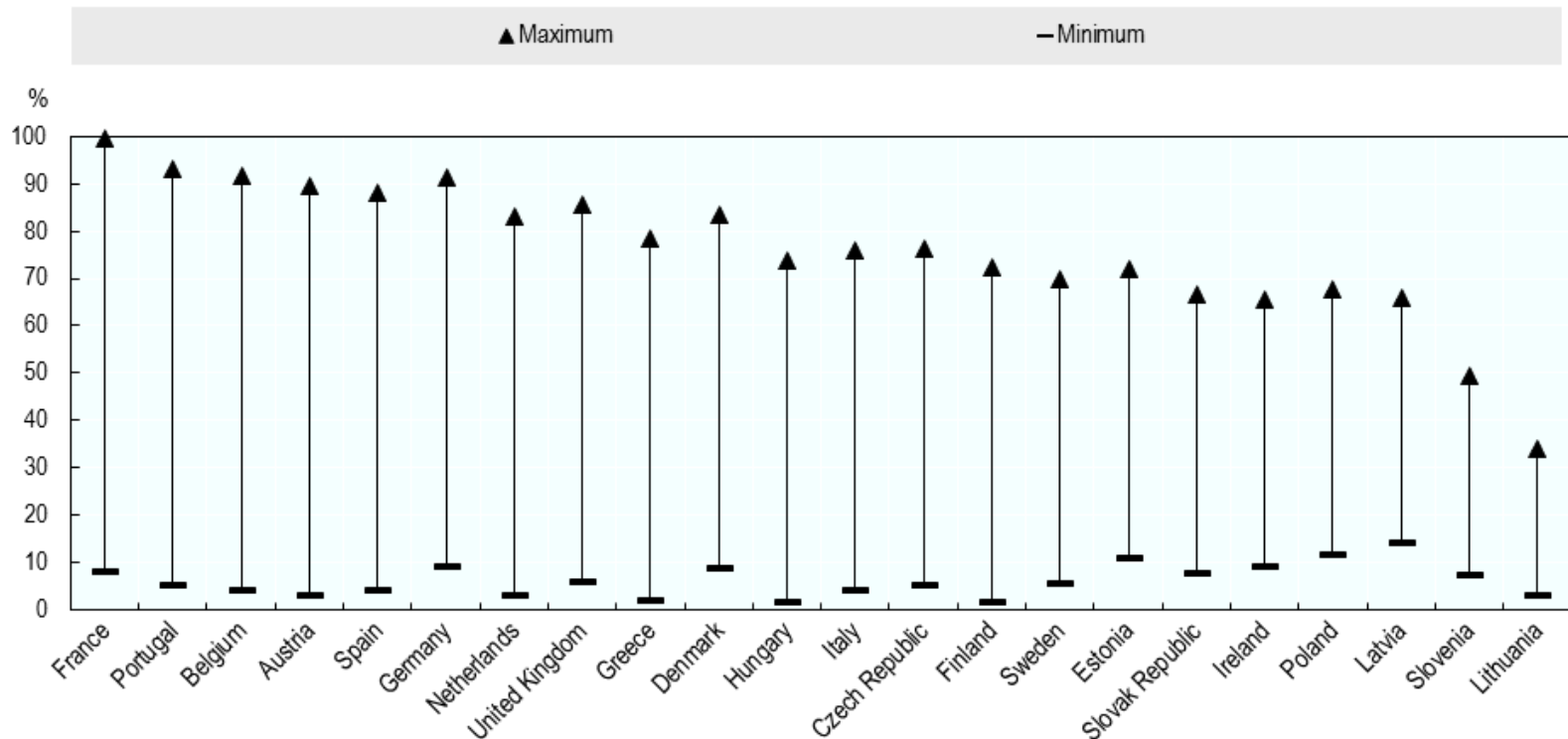
Source: OECD (2017) – Pensions at a Glance Figure

- Increasing inequalities among younger generations may increase the risk of higher social spending at old age in the future → OECD (2017): Preventing Ageing Unequally



# Large regional disparities in the access of older people to public transport

Shares of 65+ living within walking distance of public transit stops,  
Territorial Level 3, 2014  
Selected countries



Note: Countries are ranked according to the difference between the regions with maximum and minimum access.

Source: OECD (2017) - Preventing Ageing Unequally based on Open Street Map Contributors (2016); OECD Regional Database (2016).