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OECD BETTER POLICIES FOR BETTER LIVES

HOW ARE PENSIONS ADAPTING TO RAPID AGEING AND INCREASING NON-STANDARD FORMS OF WORK

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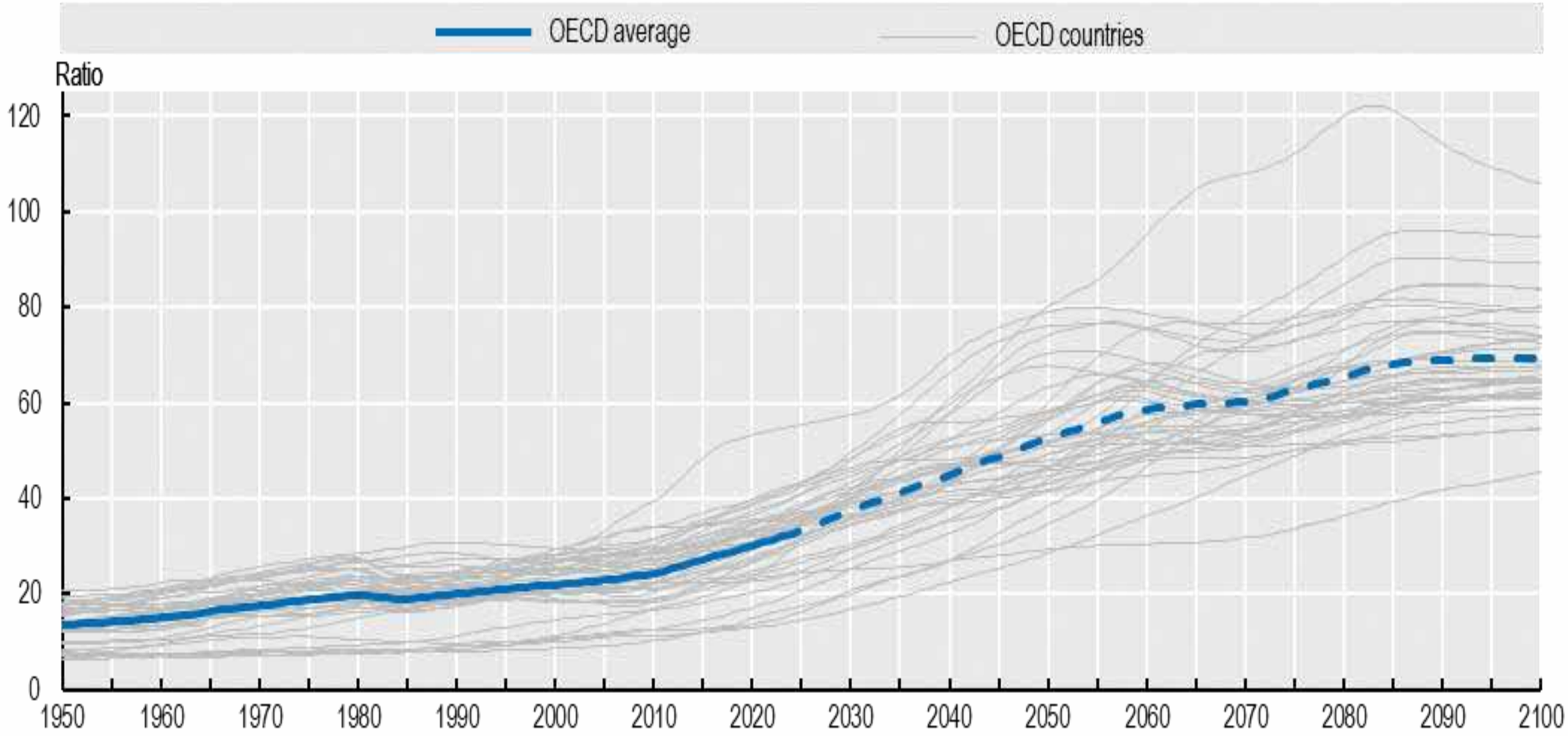
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COUNTRIES ARE AGEING FAST IN THE OECD, BUT THE PACE IS EVEN FASTER IN ASEAN COUNTRIES

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Fast population ageing over the next 25 years

Number of people older than 65 years per 100 people of working age (20-64), 1950-2100

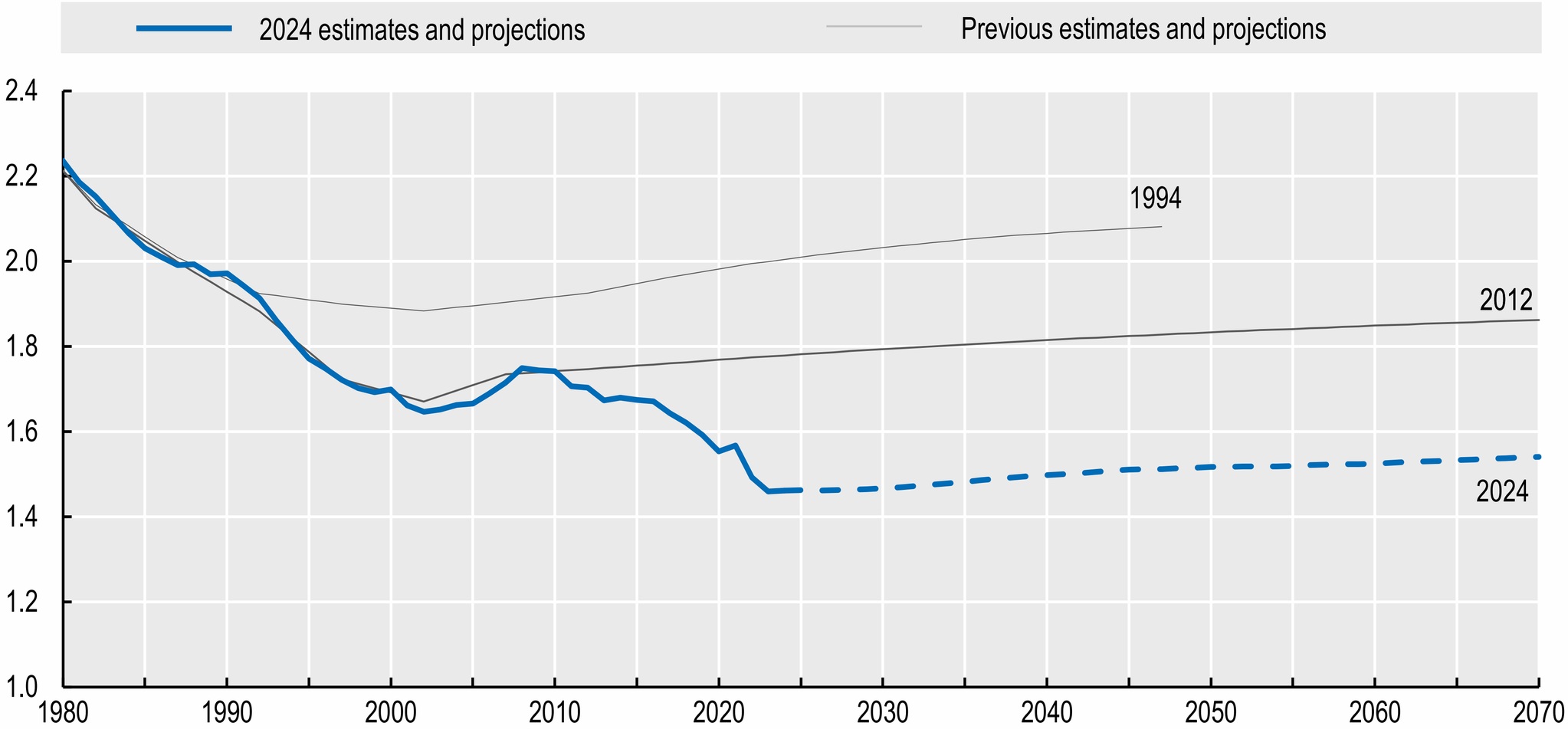


OECD (2025), Pensions at a Glance 2025: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/e40274c1-en.

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Projections systematically overestimated fertility rates

Evolution of the OECD-average total fertility rate in different projections, 1980-2070

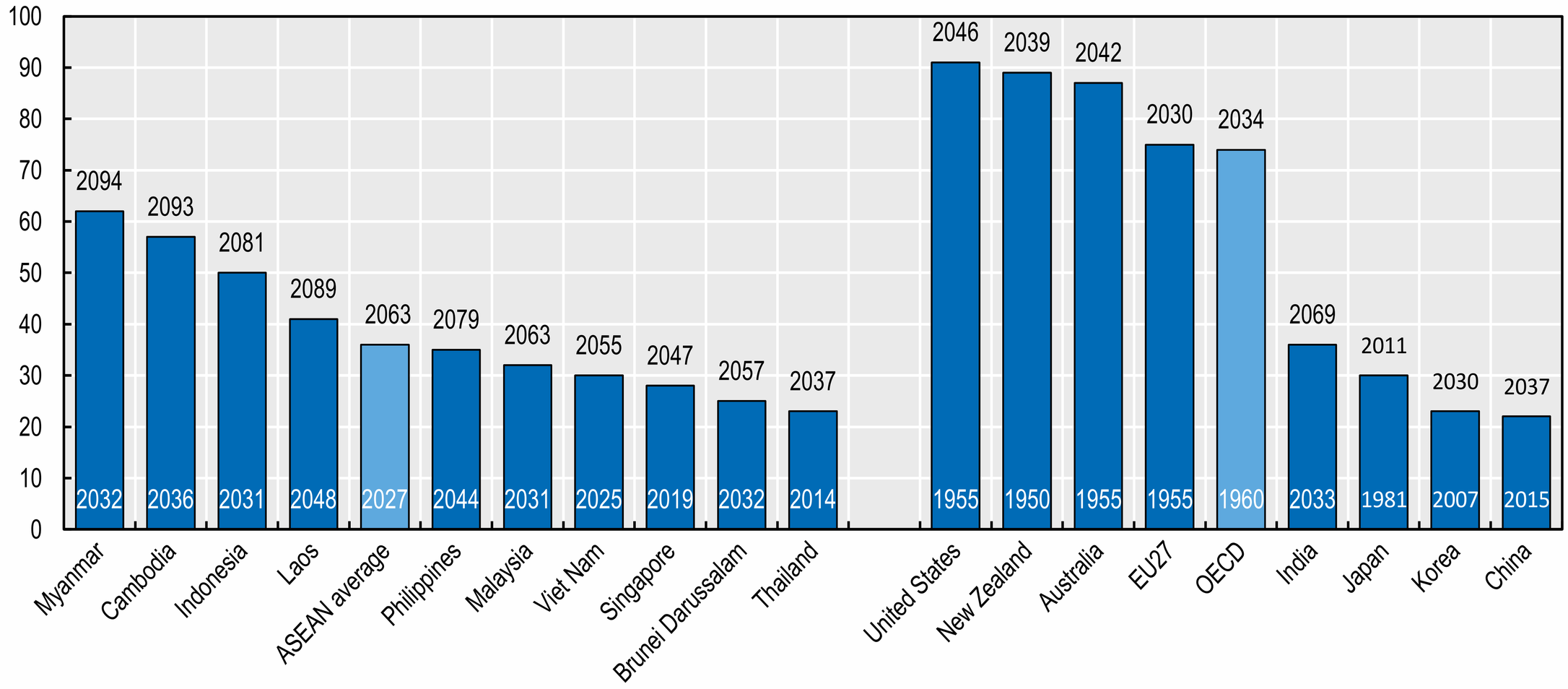


OECD (2025), Pensions at a Glance 2025: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/e40274c1-en.

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ASEAN countries will age twice as fast as OECD countries

Duration, in years, taken to move from 15 to 40 people aged 65+ per 100 aged 20 to 64

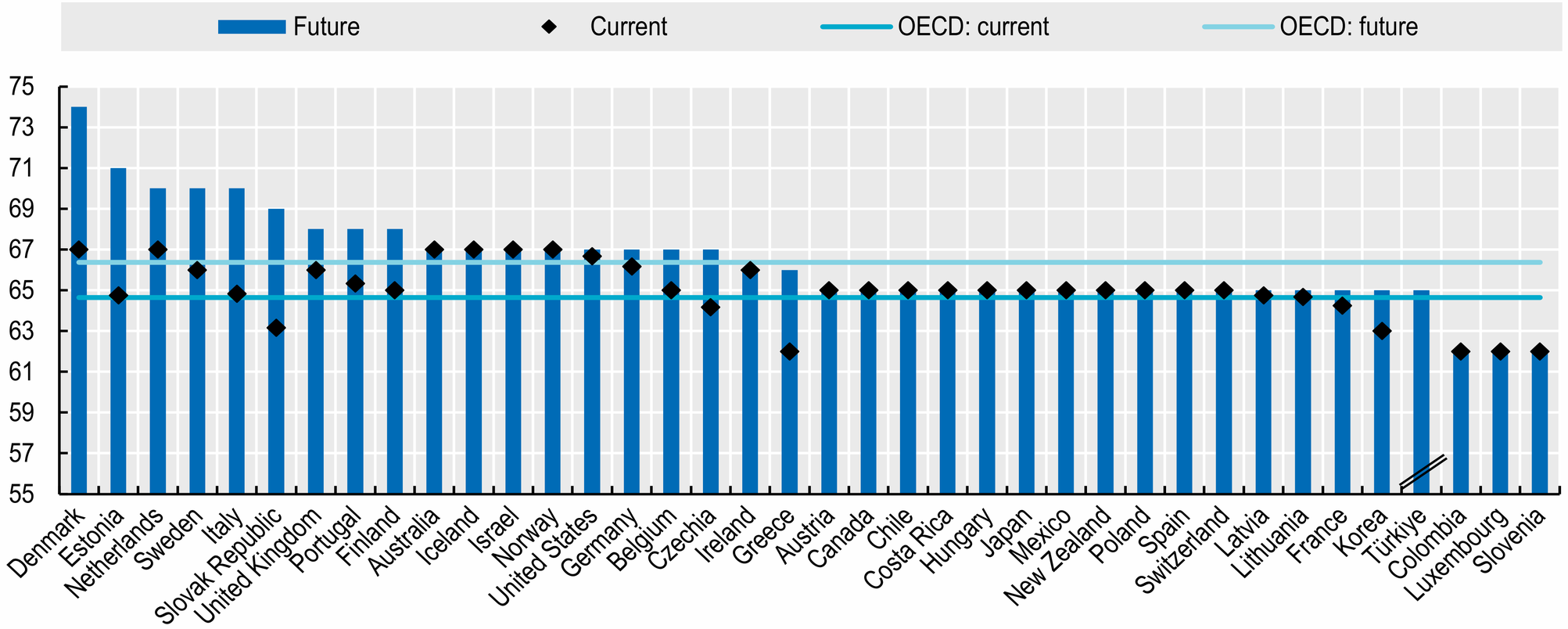


OECD/ERIA (2025), Promoting Active Ageing in Southeast Asia, OECD Publishing, Paris, https://doi.org/10.1787/22849f38-en

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The normal retirement age will increase from 64.7 to 66.4 years

Normal retirement age for men entering the labour market at age 22 with a full career



OECD (2025), Pensions at a Glance 2025: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/e40274c1-en.

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MANY MORE WORKERS ARE NOW IN NON-STANDARD EMPLOYMENT

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Scope of non-standard work



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Scope of non-standard work







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Scope of non-standard work













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Key pension issues raised by the non-standard forms of work

- Some **temporary contracts** and **part-time work are exempted from protection** in mandatory and voluntary schemes.
- **Self-employed** workers are not benefiting from the same level of pension protection as **employees.**
- **Harmonising pension protection** between self-employed workers and employees is difficult due to lack of (distinct) employer and employment contract.
- **New forms of work** magnify challenges posed by “traditional” non-standard work on pensions: misclassification of employment status and informality.

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How are the temporary contracts and part-time work disadvantged in pension protection?

One in three part-time workers in OECD countries **would have preferred to work longer hours**, while about two out of three work part-time by choice.

Minimum earnings and minimum working time requirements exist in about half of OECD countries.

Some countries, including Hungary, Korea, Lithuania and Poland set **reduced or no pension contribution rates** for temporary agency workers, young workers, seasonal workers, apprentices and/or trainees, resulting in lower entitlements

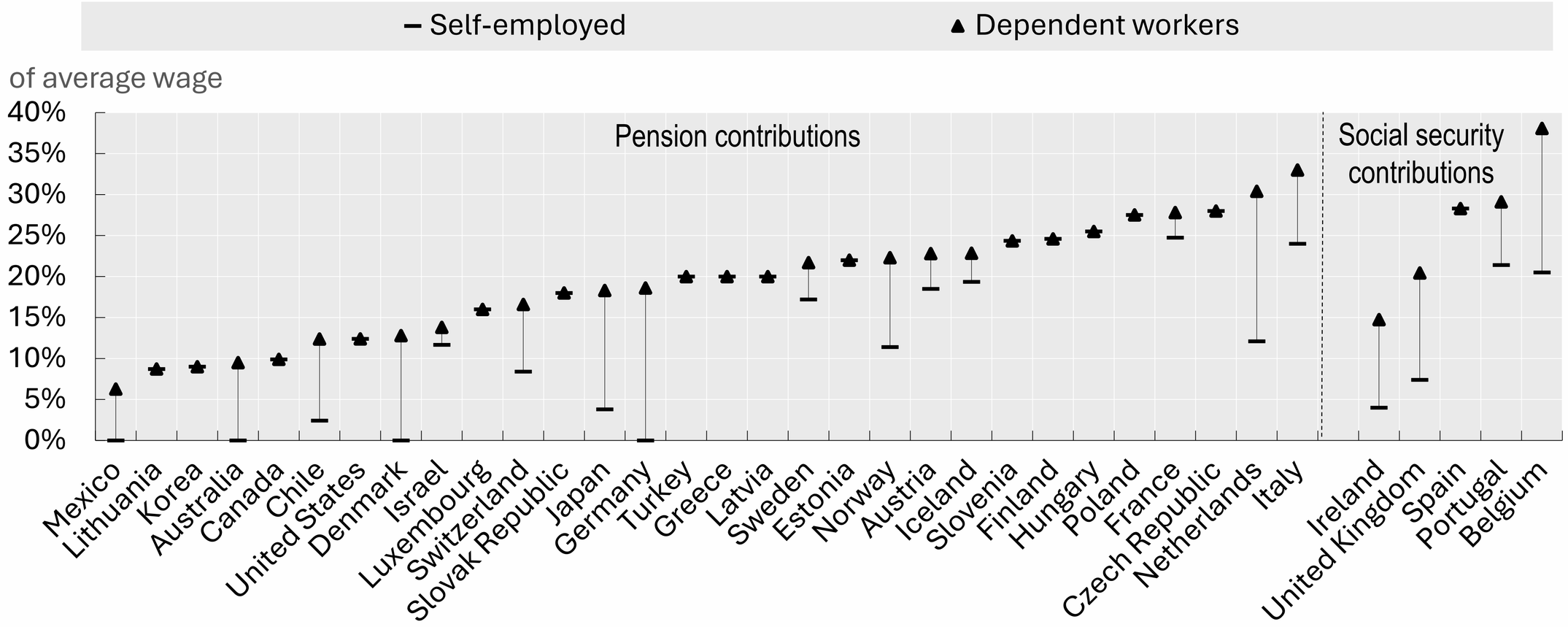
Temporary workers face lower pensions than full-time workers because **they are out of employment** more often and generally **build up less pension entitlements** while unemployed.

Long vesting periods are a problem for temporary workers due to short job tenure.

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The self-employed often pay reduced contribution rates for pensions or social security

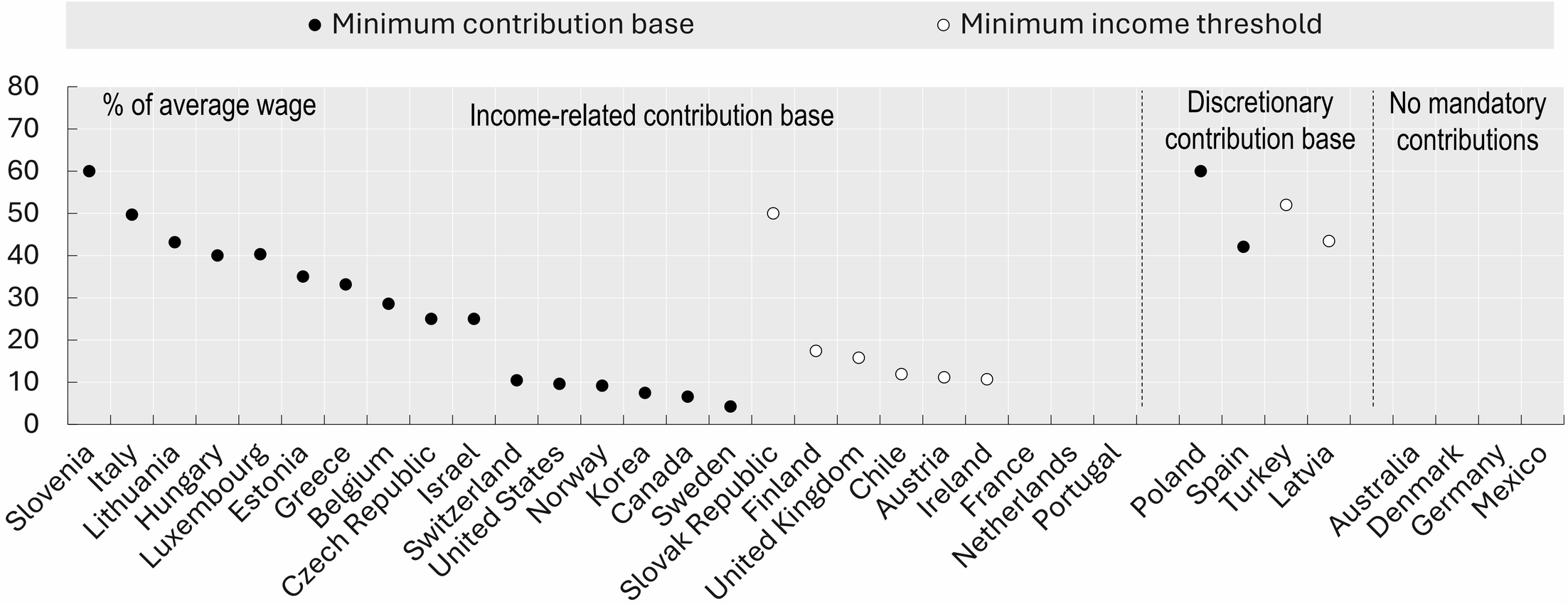
Contribution rates (mandatory / quasi-mandatory pension or social security), (generic) self-employed vs dependent workers



OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris

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Contribution base for mandatory pensions for the self-employed in OECD countries



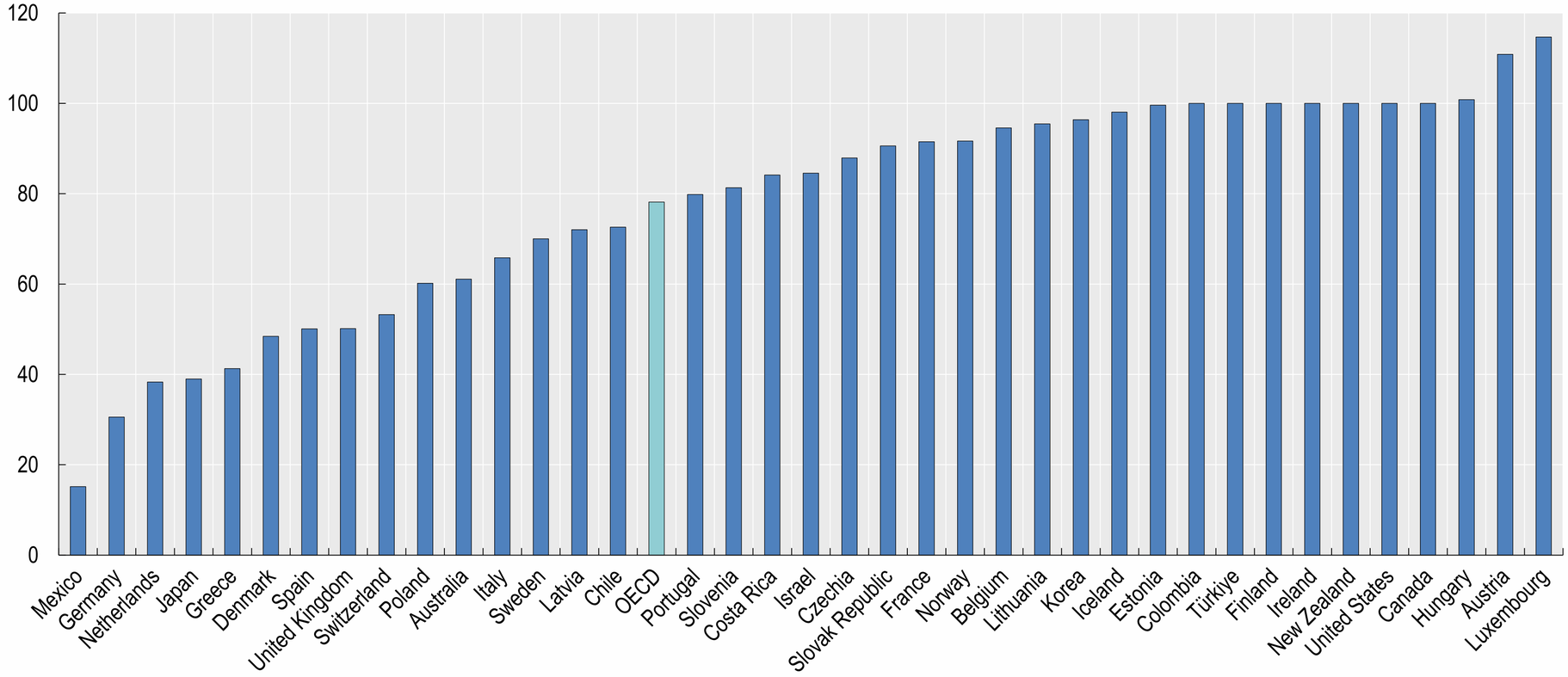
Minimum contribution bases are minimum amounts to which pension or social security contributions for the self-employed apply, even if true income is lower. Minimum thresholds are minimum levels of income below which the self-employed are exempt from mandatory pension or social security .

OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris

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Theoretical pensions of the self-employed are lower than those of employees

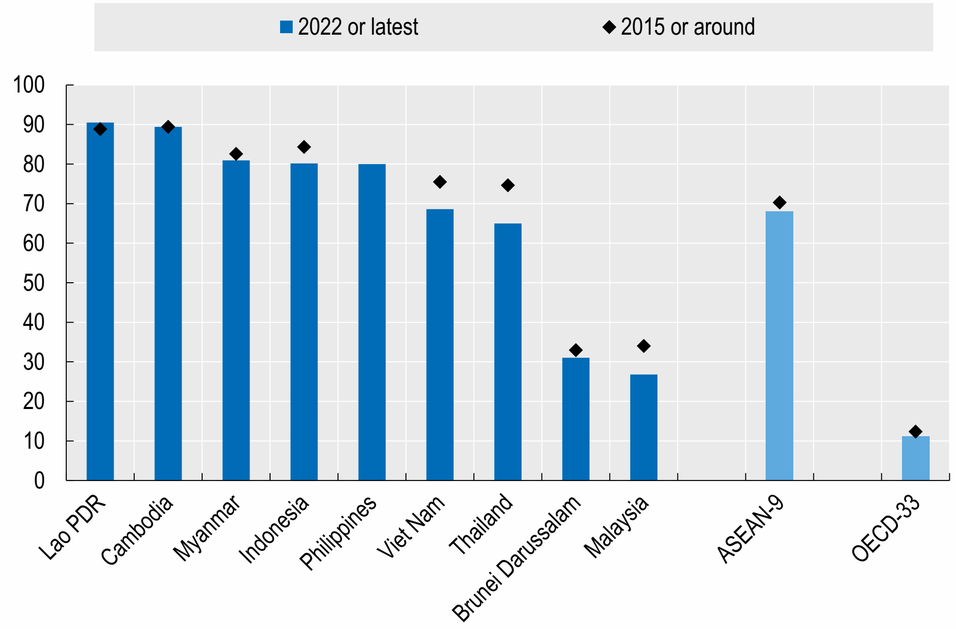
Theoretical pensions (including safety-nets) of a self-employed worker relative to an employee having both a taxable income (net income or net wage before taxes) equal to the average net wage before taxes, contributing only the amount that is (quasi) mandatory to pensions.

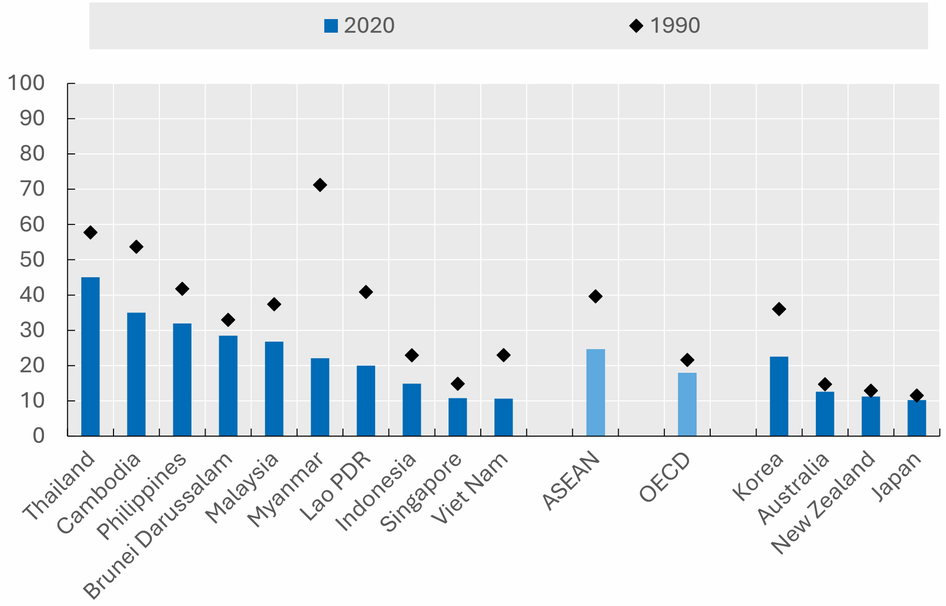


Source: Pensions at a Glance 2025, Figure 5.6.

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Informal employment is widespread but declining in some ASEAN countries





Panel A: Share of informal employment in total employment

On average, two-thirds of workers work informally in ASEAN countries compared to one in nine in OECD countries on average.

Panel B: Share of informal output in GDP

The share of the informal economy at 25% of GDP on average across ASEAN countries, is much smaller than its share in employment.

Source: OECD/ERIA (2025), Promoting Active Ageing in Southeast Asia, OECD Publishing, Paris, https://doi.org/10.1787/22849f38-en

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CONCLUSIONS AND CHALLENGES

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Key policy implications for pensions

- Improving coordination of first-tier and earnings-related pensions.
- Equal treatment of all labour income for pensions through, e.g. removing barriers and exclusions for any contract types to participate in pensions.
- Voluntary occupational schemes should be available for all contract types through default plans in countries where they are available for dependent workers.
- Towards equalisation of contribution rates and pension entitlements across all labour contracts.
- Harmonising contribution bases between employees and the self-employed, and limiting flexibility in setting contribution bases.
- If pension contribution rates of the self-employed are lowered to achieve some other social objective, the resulting lower pension entitlements of the self-employed should be avoided by topping up the implied lower contributions through subsidies, at least for low earners.

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Why to harmonise pension protection between self-employed and employees?

- The self-employed are similarly prone to myopic behaviour as dependent employees.

- To avoid opaque incentives and unfair competition through lowering labour costs when substituting employees with the self-employed.

- Providing effective protection against old-age income risks relies on having access to a broad pool of contributors.

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Challenges to integrate the self-employed into employees' schemes

- Lack of gross wage for the self-employed: full harmonisation implies lower (or higher) contribution rates on income gross (or net) of social security contributions.
- Income verification issues:
  - Easier for contractors as their revenues are confirmed by written contracts between the self-employed and other entities.
  - Harder when revenue is coming from more dispersed sources and confirmed only through oral agreements, as often is the case for sole traders or liberal professionals.
  - Even harder for platform-based (gig) work when platforms are not reporting anything to domestic authorities.
  - The self-employed have a large flexibiltiy in deducting costs when calculating contribution base.
- Many self-employed have little income.

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