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Allianz Pension Index Pillar II: Sustainability

The pivotal point remains the retirement age

When we talk about the financial sustainability of pay-as-you-go financed pension systems, the financial burden on contribution payers also needs to be considered. Increasing contribution rates implies not only increasing labor costs, which might diminish international competitiveness, but also could trigger a flight to the informal labor market to avoid contributions, especially if the expected future pension payouts are considered incommensurate with contributions made. In more than half of the economies that we cover, contribution rates are already above 20% today, with the highest reported in Singapore[14] (37%), followed by Latvia and Italy (above 30%). In 30 of the countries, half of them emerging markets, contribution rates have increased (see Figure 8).

[14] Including contributions to the country's health fund.