

To assess if the increases are sufficient to compensate for the expected improvements in further life expectancy, we compared the ratios of the time span of an assumed model career that starts at the age of 15 and ends with the specific pre- and post-reform legal retirement ages to the average time spent in retirement (average further life expectancy at the respective retirement age today and in 2050). Given the different pension ages and further life expectancies for men and women, we did this calculation for both sexes separately. Across all countries, the average time span of working life is 2.6 times the time spent in retirement for men, ranging from 1.1 in Qatar to 3.9 in Bulgaria, and 2.1 for women, ranging from 1.0 in Qatar to 3.2 in the Philippines. In both cases, the average factor is going to decrease further to 2.4 (men), and 2.0 (women). This indicates that without further reforms, the balance between working life and time spent in retirement will further deteriorate.

Taking into account the agreed-upon reforms as of March 2023, increases of retirement ages for men will only be sufficient in 13 of the 75 countries (China, Denmark, Egypt, Estonia, Finland, France, Greece, Indonesia, Italy, South Korea, the Netherlands, Portugal and Sweden), thanks to the automatic adjustment of the retirement age to the development of life expectancy or already-adopted retirement-age reforms. In the case of women, this holds true for 21 countries, which reflects the fact that the retirement age of women and men will be harmonized in many economies. However, this underlines the finding that in most countries, gains in further life expectancy will be higher than the announced increases in retirement age.

However, we should point out that the effective retirement age in most OECD countries is still below the statutory retirement age and that the actual working life span, especially in industrialized countries, is in many cases markedly shorter than stylized by us. This is not only caused by later starts due to longer time spent in education and training, but also by increasing numbers of broken career paths. Women in particular drop out of the workforce for years and work part-time more often than their male peers since they are still the ones who take care of children or older family members. This further underlines the need to combine pension reforms with labor-market reforms.

Combining all factors, like in our previous edition, Indonesia has the most sustainable pension system of all markets, thanks to the planned increase of the retirement age to 65 in the long run and further financial leeway with respect to future contribution rate increases, since the current rate is still below 10%. With Denmark, there is also a European country at the top of this sub-indicator due to its built-in adjustment of the retirement age to developments in life expectancy, a demographic factor in the calculation of pension benefits as well as a still relatively low contribution rate compared to most EU peers. However, with an average score of 2.6, there is still room for further improvement.

At the bottom of the ranking, there was also little movement. Sri Lanka's pension system still lacks factors that could incentivize the postponement of retirement, while the country still has one of the lowest retirement ages in the private sector worldwide.

Turning to France, with a score of 3.7, it still ranks lower-midfield in terms of sustainability. However, without the (necessary) increase in the retirement age, it would have fared far worse, with a score of 4.4. The reform catapulted France from rank 61 to 40 in the sustainability rankings. Not a bad achievement for one single – even if highly controversial – reform.