Despite these reform measures, compared to our previous edition[7], the overall result shows only a slight improvement, with the average grade moving up from 3.9 to 3.6. This is owed to the fact that in our first sub-index, which reflects the countries' financial leeway and the demographic situation, as well as the overall living standards, the average scored remained at 4.0. This overshadowed the slight improvements in the overall sustainability and adequacy sub-indices, where the averages rose from 4.0 to 3.7 and from 3.7 to 3.4, respectively.

Denmark, Sweden and the Netherlands stand at the top of our index, with pension systems that adjust the retirement age to developments in life expectancy and have strong capital-funded occupational and private pension pillars. In contrast, Lebanon, Sri Lanka and the United Arab Emirates stand at the bottom of our ranking as they face the triple threat of a rapidly aging population, low retirement ages compared to the rest of the world and low coverage of pension systems. The latter is the result of the high share of informal labor, common to many emerging markets, which underlines that pension-system reforms need to be accompanied by corresponding labor-market reforms: formalizing the labor market is an indispensable precondition for increasing coverage.

In industrialized countries, the most important task is adapting labor markets to an aging workforce population including by fighting against age-old stereotypes about older workers and employees. Resistance against pension-system reforms and especially plans to increase the retirement age are often fueled by older workers' fears of being unemployed for longer before being able to receive retirement benefits, i.e. a hidden pension cut.

[7] However, the results are only comparable to a limited extent since we added new countries (Cambodia, Mauritius, Pakistan, Tunisia, Uruguay and Uzbekistan) and decided to include the sub-category Living Standards in the sub-index Basic Conditions. Furthermore, this is a relative judgement, with the bands reflecting the range between the best and the worst performer. In 2020, countries with a gross budget deficit of more than 110% of GDP were graded with 7 but in the API 2023 they would still be graded 6, for example. Against the background of the war in the Ukraine, we decided not to include the scores for Ukraine in the ranking.