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Ageing, life-course trajectories and old-age social protection

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Outline of the presentation

1. COMMON DEMOGRAPHIC TRENDS

- All countries are ageing, but starting points and pace differ widely

2. INCREASINGLY USED TOOL TO DEAL WITH AGEING

- Automatic adjustment mechanisms

3. IMPORTANCE OF THE LIFE COURSE

- Lifetime trajectories heavily influence old-age income
- Transmission from earnings to pensions depend on the structure of pension systems
- Labour market informality raises intricate issues for pensions



COMMON DEMOGRAPHIC TRENDS

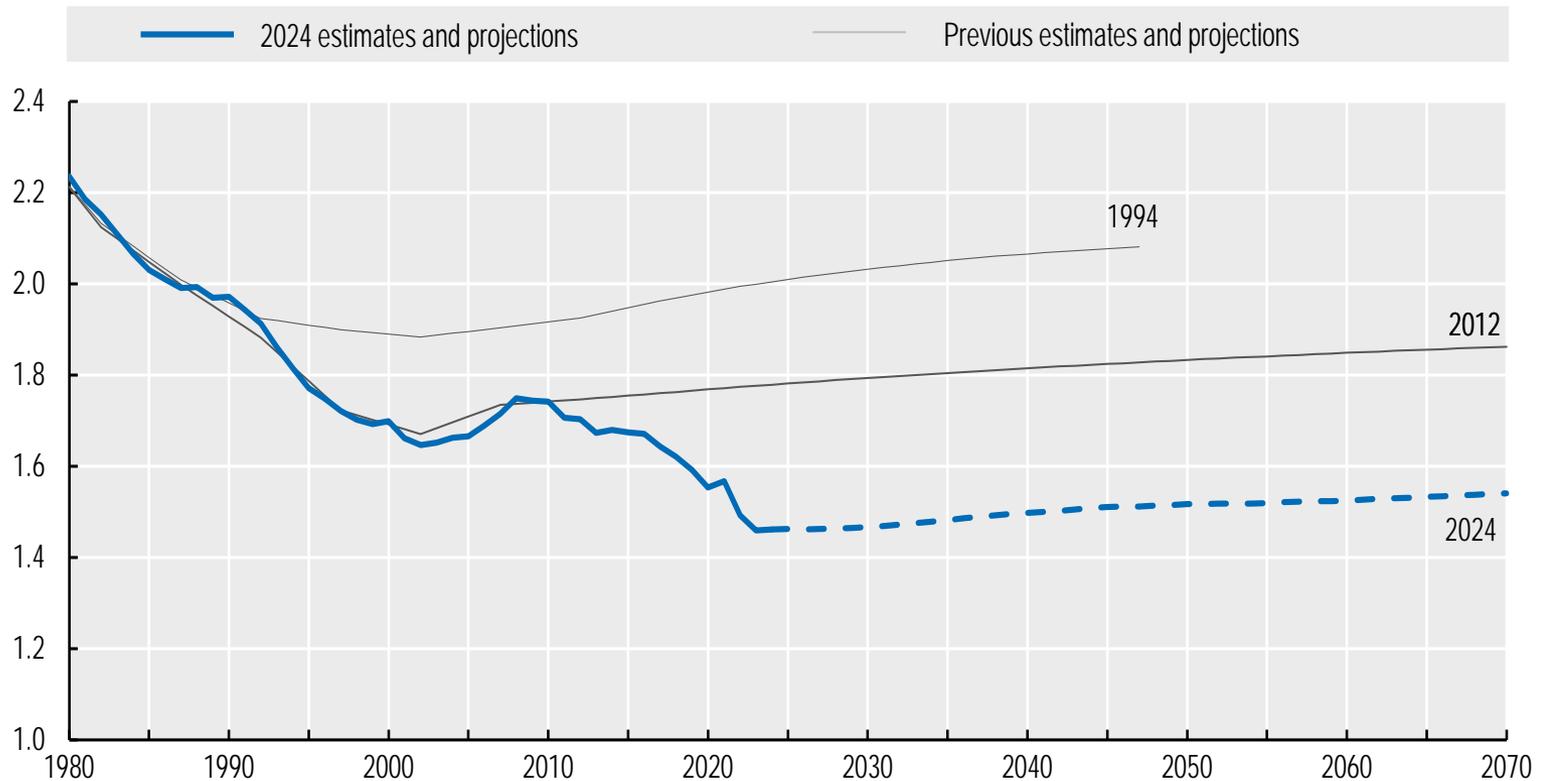
I – DECREASING AND LOWER-THAN-EXPECTED FERTILITY

II – PACE OF AGEING DIFFERS WIDELY ACROSS COUNTRIES



Projections systematically overestimated fertility rates

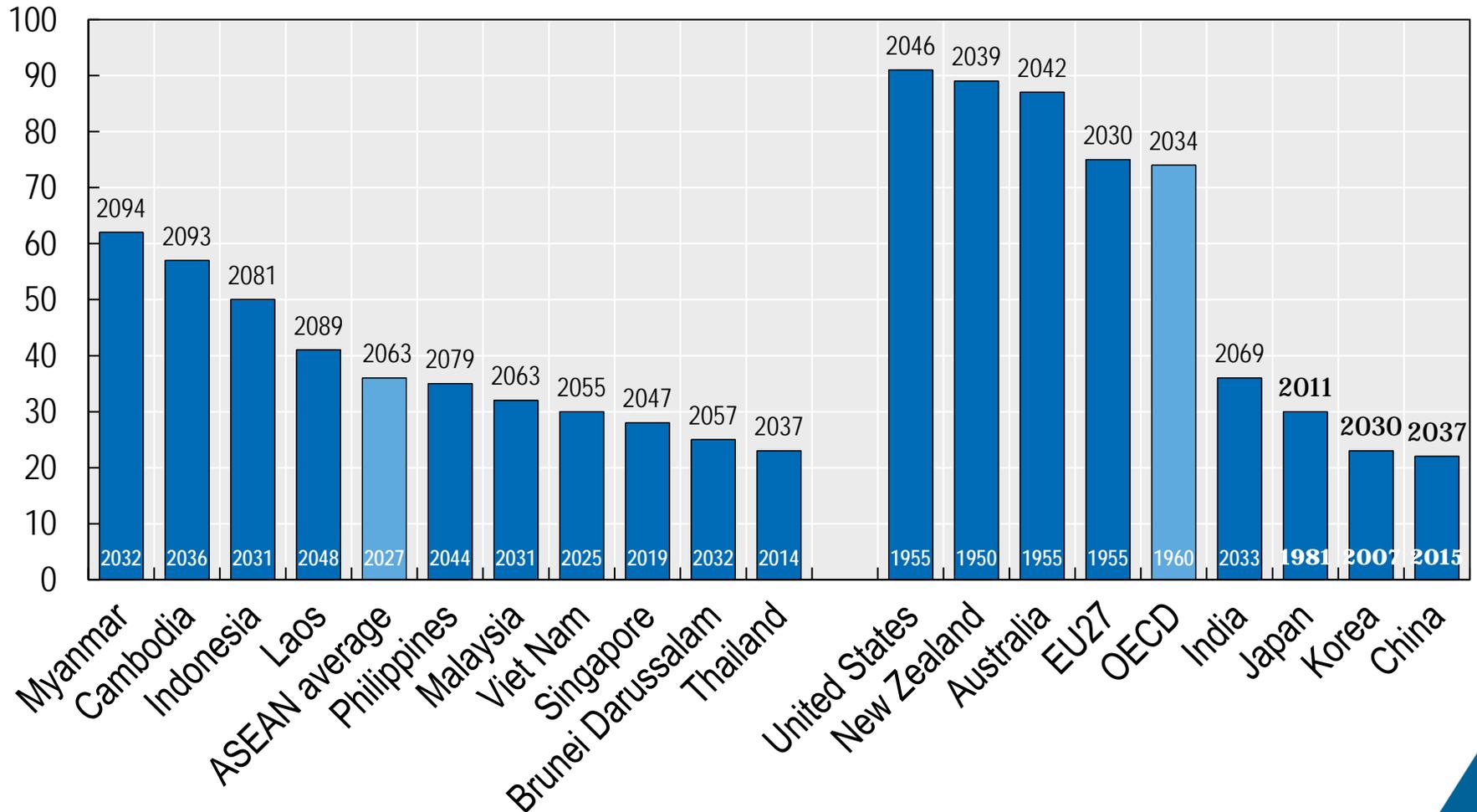
Evolution of the OECD-average total fertility rate in different projections, 1980-2070





Very fast ageing in ASEAN countries

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





INCREASINGLY USED PENSION POLICY INSTRUMENTS TO DEAL WITH POPULATION AGEING

*THE DEVELOPMENT OF AUTOMATIC ADJUSTMENT MECHANISMS:
FROM PENSION INDEXATION TO IMPROVING FINANCIAL SUSTAINABILITY*



Automatic adjustment mechanisms (AAMs) exist in about two-thirds of OECD countries

Multiple mechanisms –

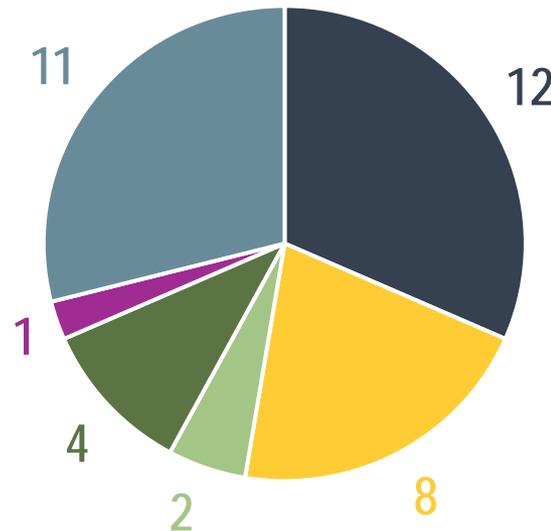
LVA, NOR, POL

8 of which link the retirement age to life expectancy - DNK, EST, FIN, GRC, ITA, NLD, PRT, SWE

Only retirement age link – svk

Only balancing mechanism –
CAN, DEU, LUX, USA

Only benefit adjustment –
JPN, LTU



No AAMs – AUT, BEL, CZE, FRA, HUN, IRL, KOR, NZL, SVN, ESP, CHE, TUR

Only funded defined contribution – AUS, CHL, COL, CRI, ISL, ISR, MEX, GBR



One-quarter of OECD countries link the retirement age to life expectancy

Pace of the link and political sustainability

- two-thirds link

Finland, Netherlands, Portugal, Sweden - Norway to join

- 100% link

Denmark, Estonia, Greece, Italy, Slovak Republic



IMPORTANCE OF THE LIFE COURSE

I – FROM WAGE INEQUALITY TO PENSION INEQUALITY

II – HOW TO LIMIT THIS TRANSMISSION IF POLITICALLY DESIRABLE:

A. RAISING OLD-AGE SAFETY NETS AND MINIMUM CONTRIBUTORY PENSIONS

B. MAKING THE PENSION FORMULA PROGRESSIVE

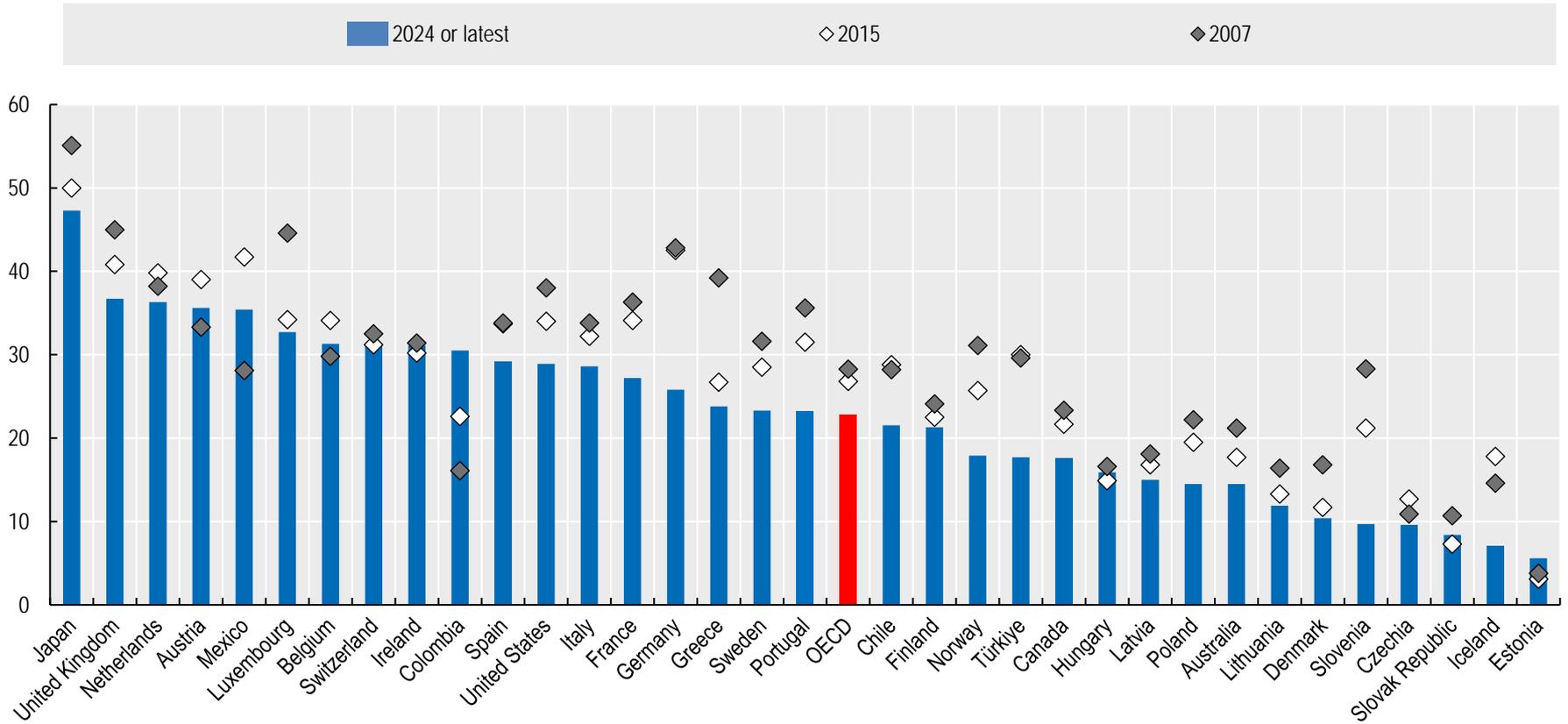
C. CUSHIONING CAREER BREAKS

D. USING NOT TO HIGH CEILING ON PENSIONABLE EARNINGS

E. COMBATING LABOUR MARKET INFORMALITY



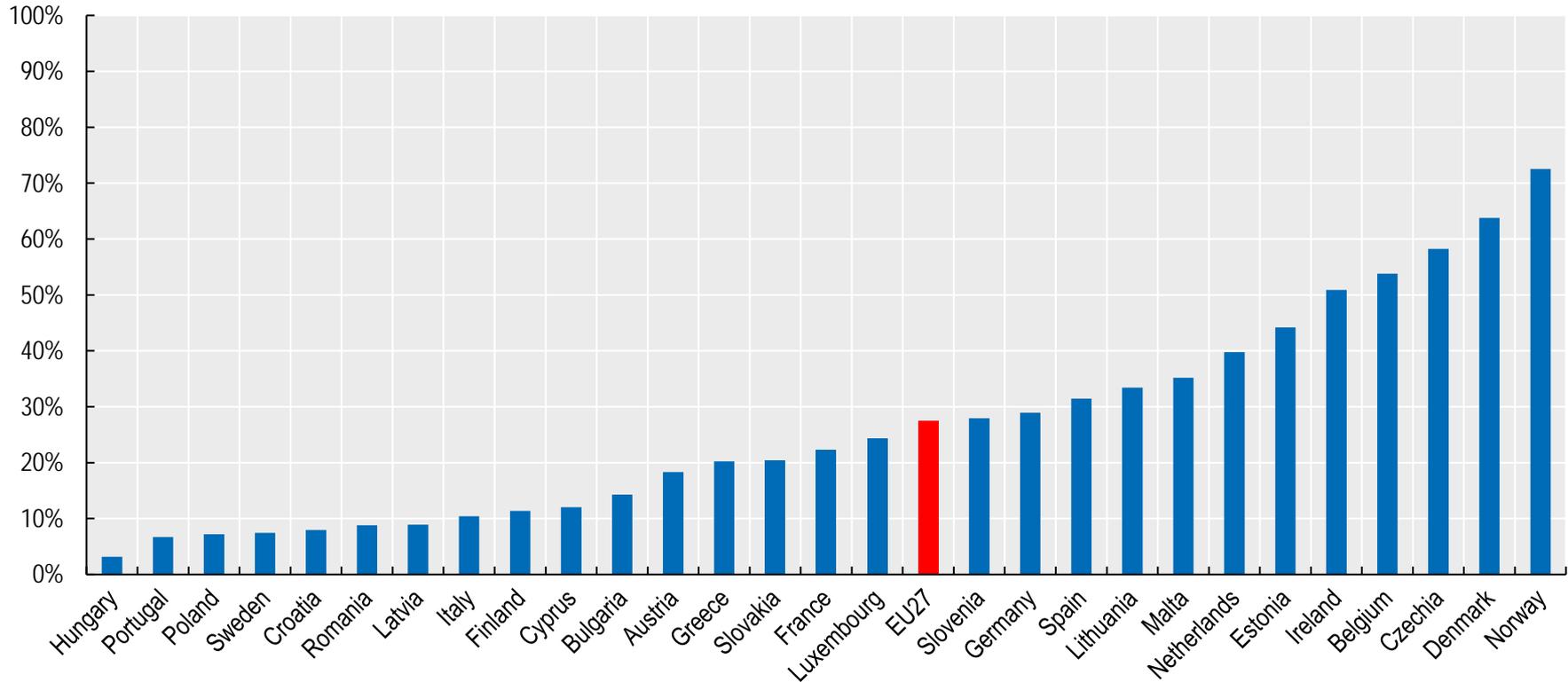
The gender gap in pensions has declined steadily but is still large





Transmission from wage to pension inequality

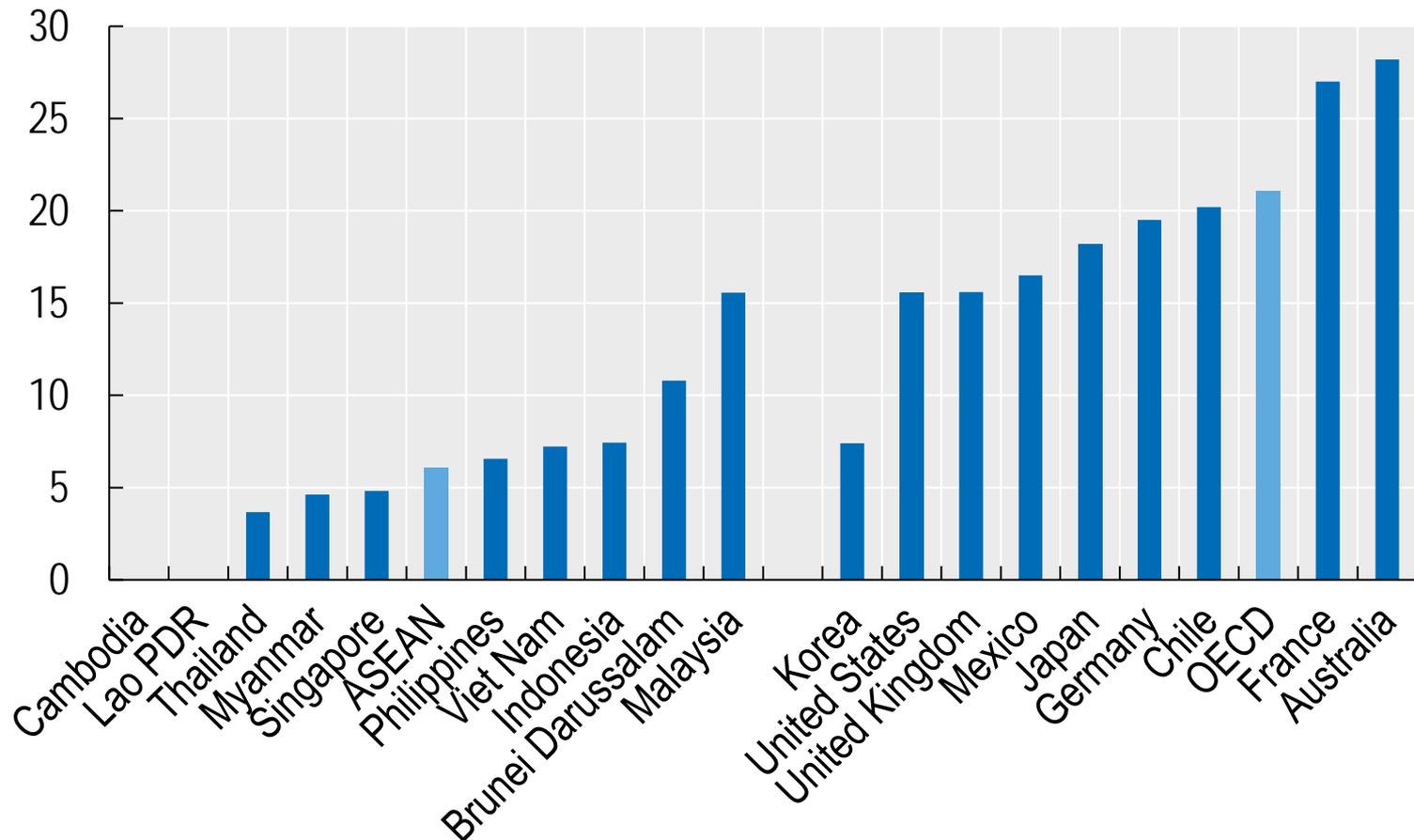
Pension progressivity index for full-career workers, from 0% (pensions tend to fully mimic earnings) to 100% (everyone gets the same flat-rate pension), EU countries, 2000 birth cohort





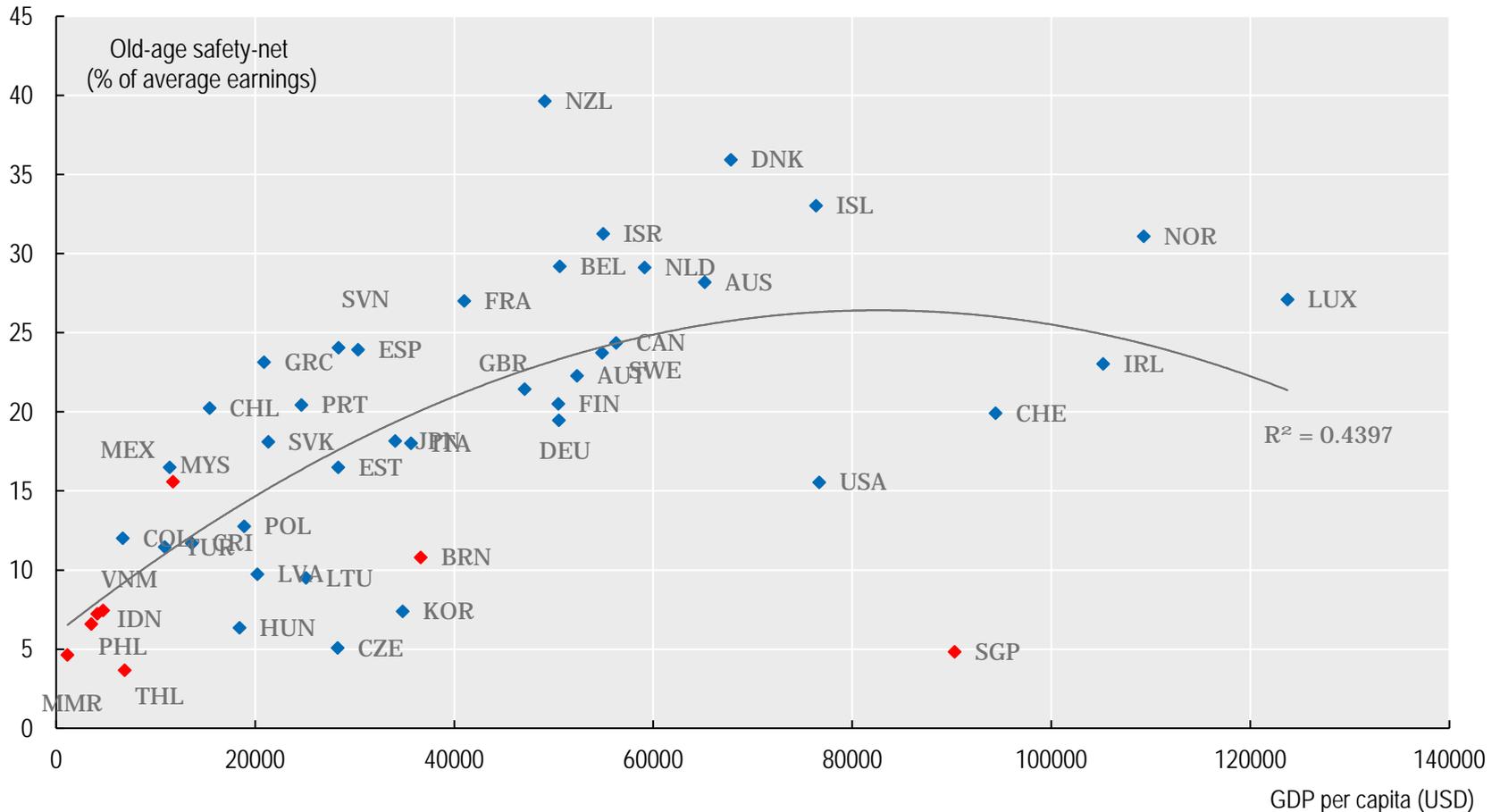
Old-age safety-net benefits are at very low levels in most ASEAN countries

Old-age safety-net benefits as % of gross average earnings, 2022





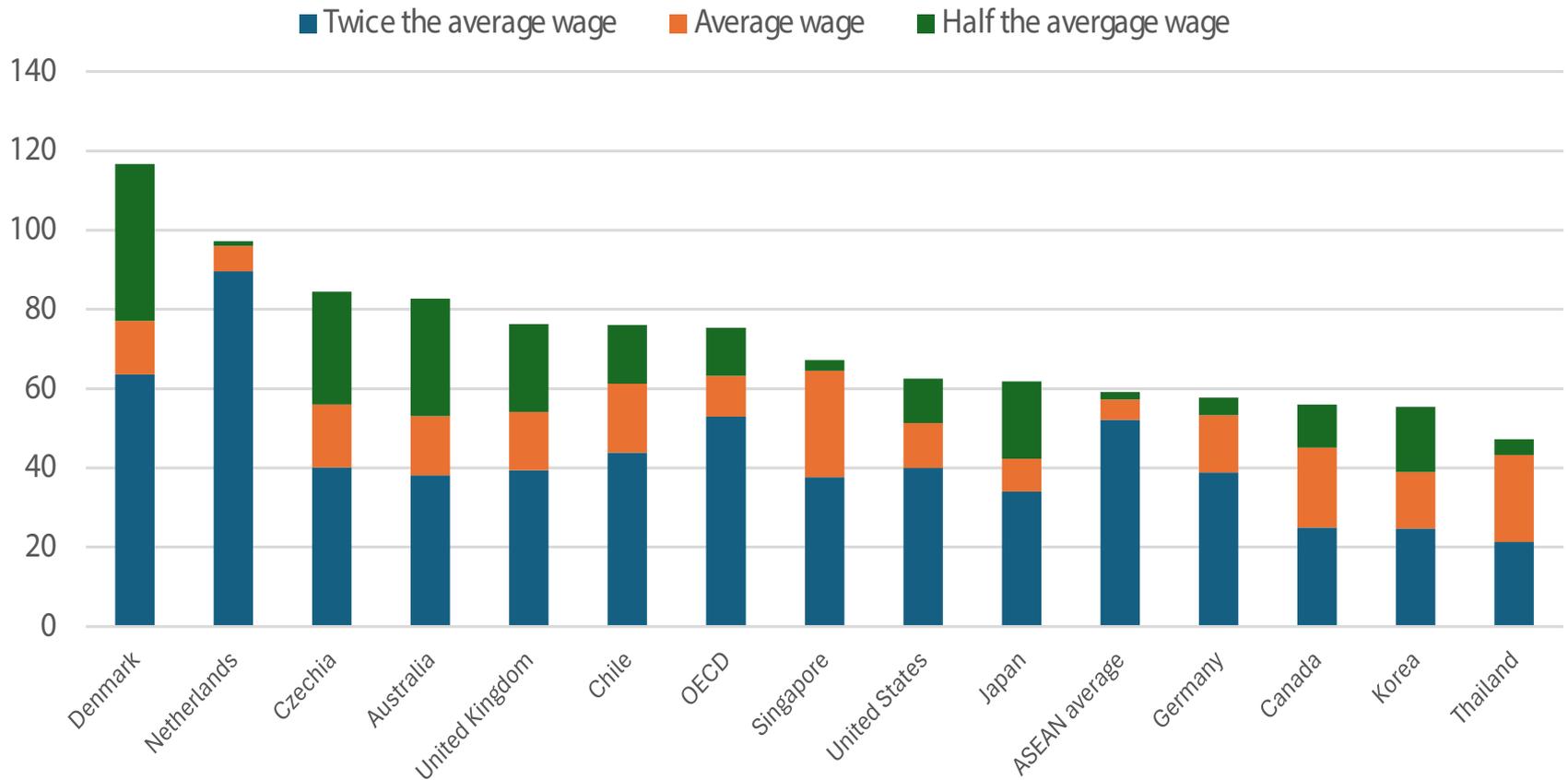
Levels of old-age safety-net benefits and GDP per capita, 2022





Replacement rates tend to be higher for low earners

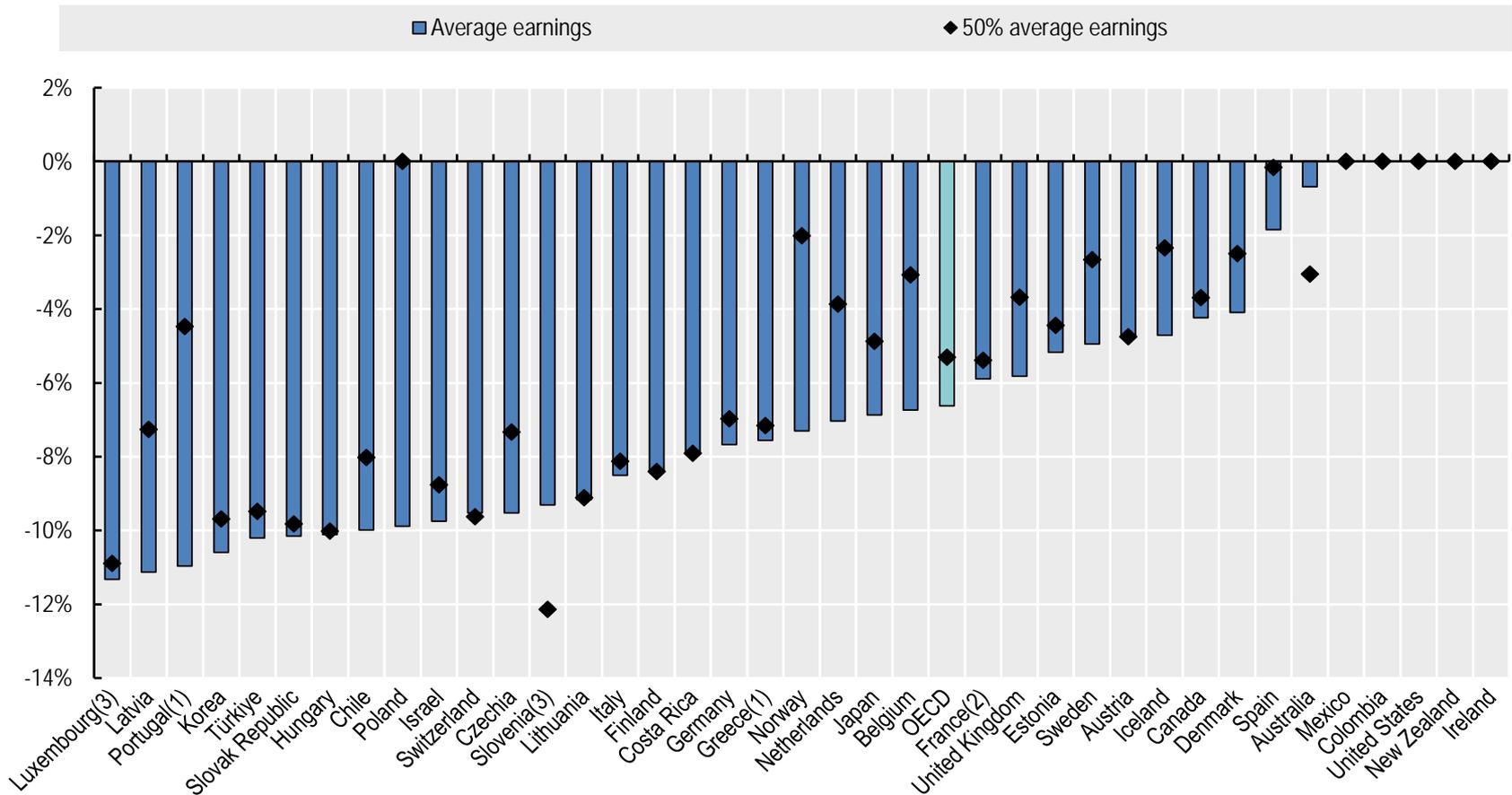
Net replacement rates after a full-career for different earnings levels





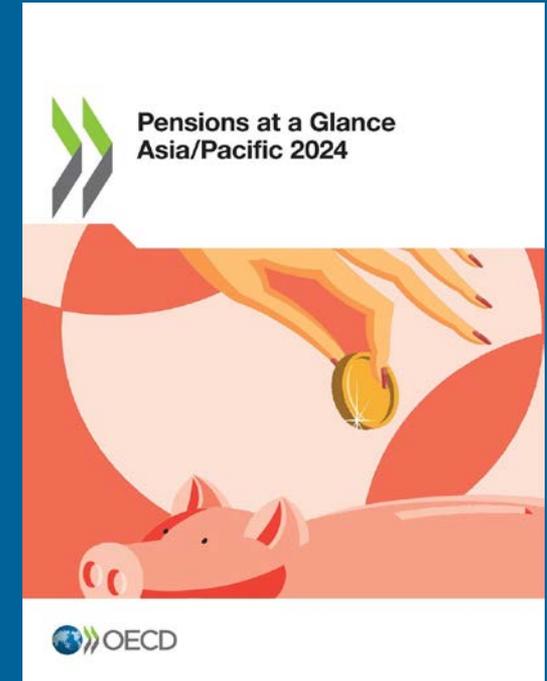
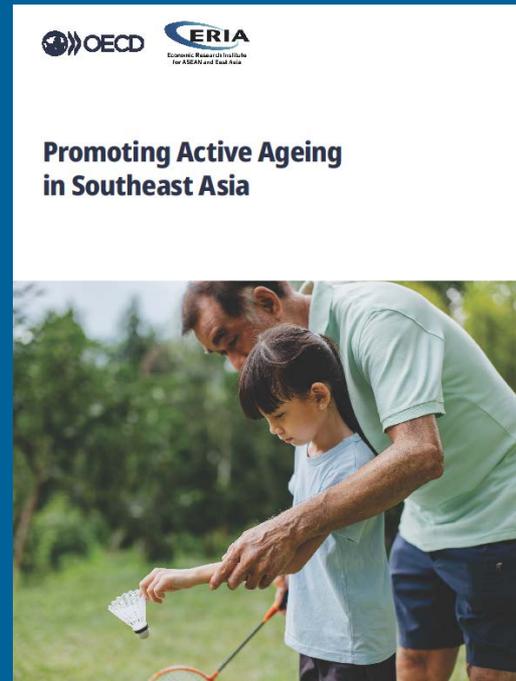
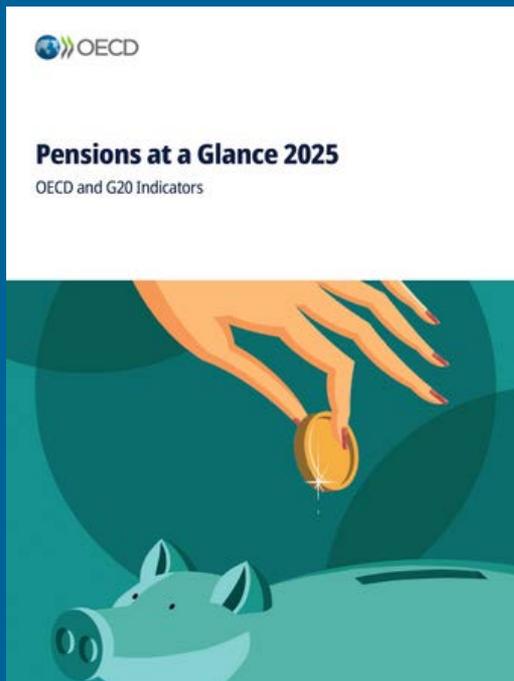
Impact of unemployment breaks on pension entitlements

Gross total pension entitlements of low and average earners with a five-year unemployment break versus workers with full careers





THANK YOU



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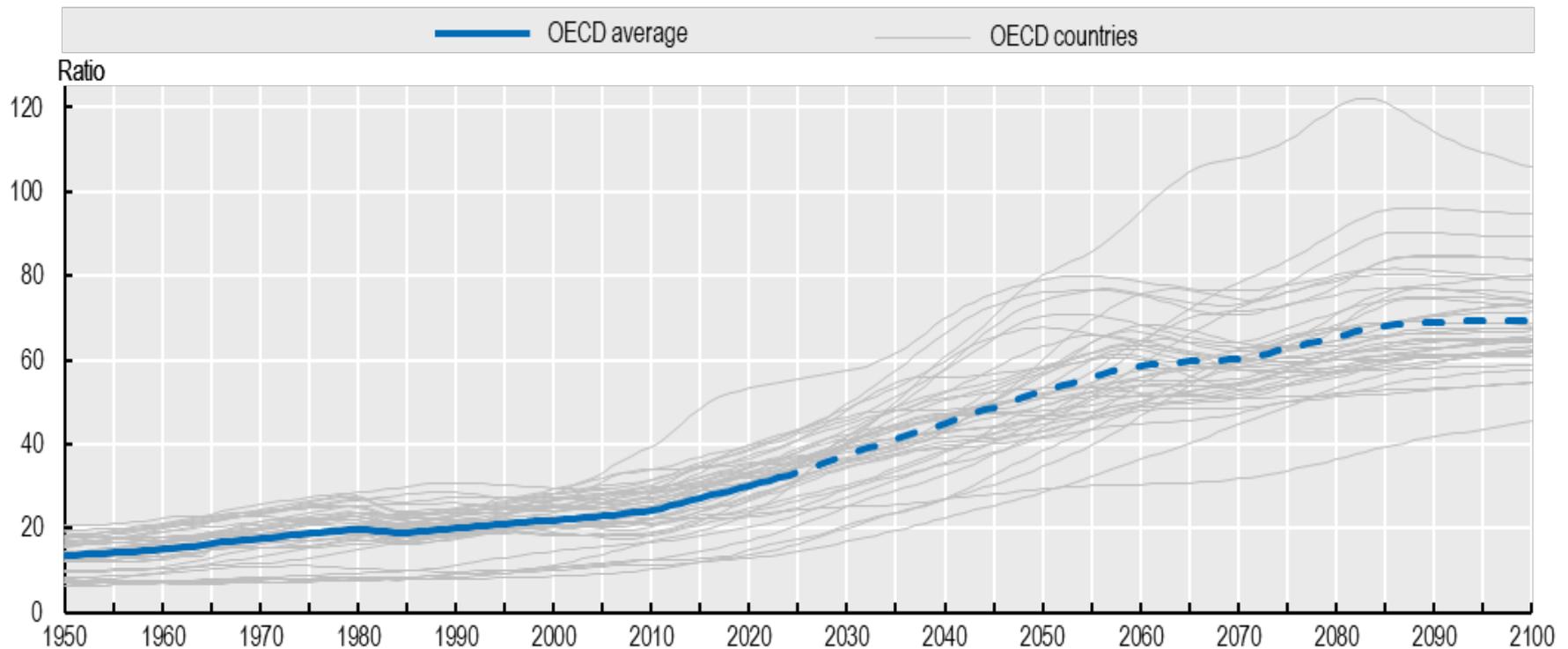


ADDITIONAL SLIDES



Fast population ageing over the next 25 years

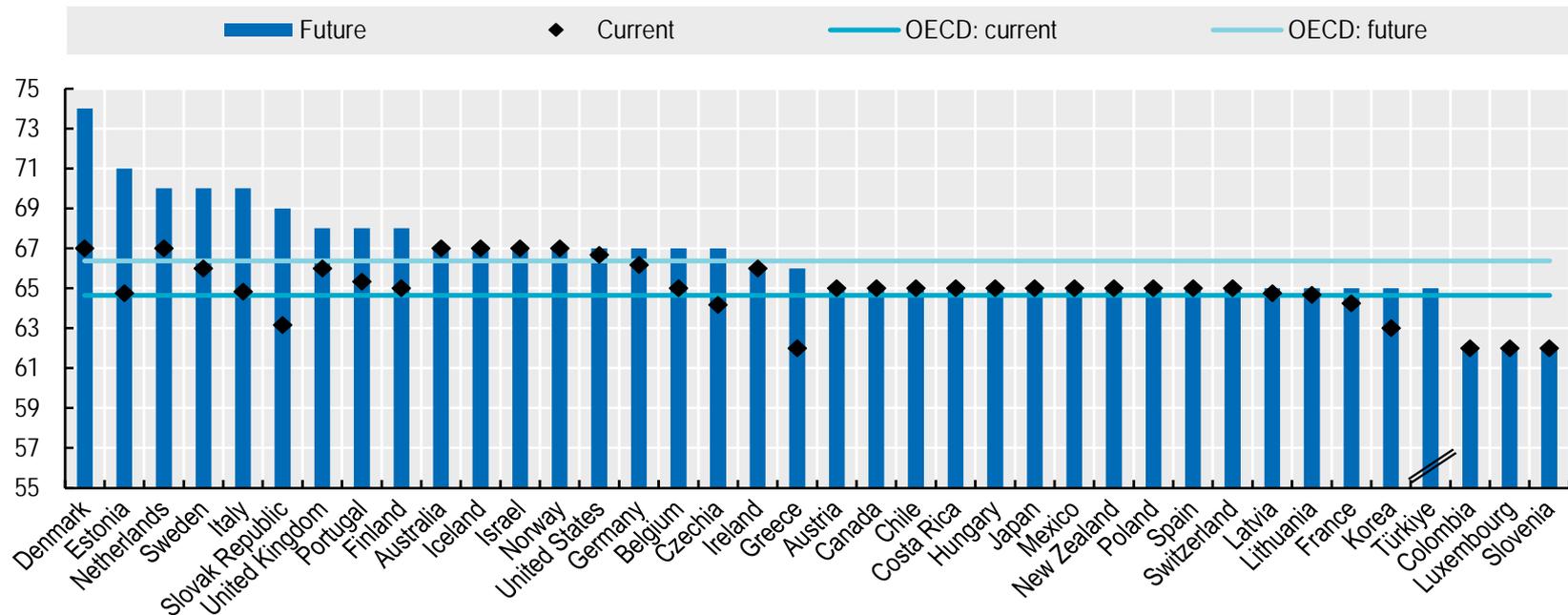
Number of people older than 65 years per 100 people of working age (20-64), 1950-2100





The normal retirement age will increase from 64.7 to 66.4 years

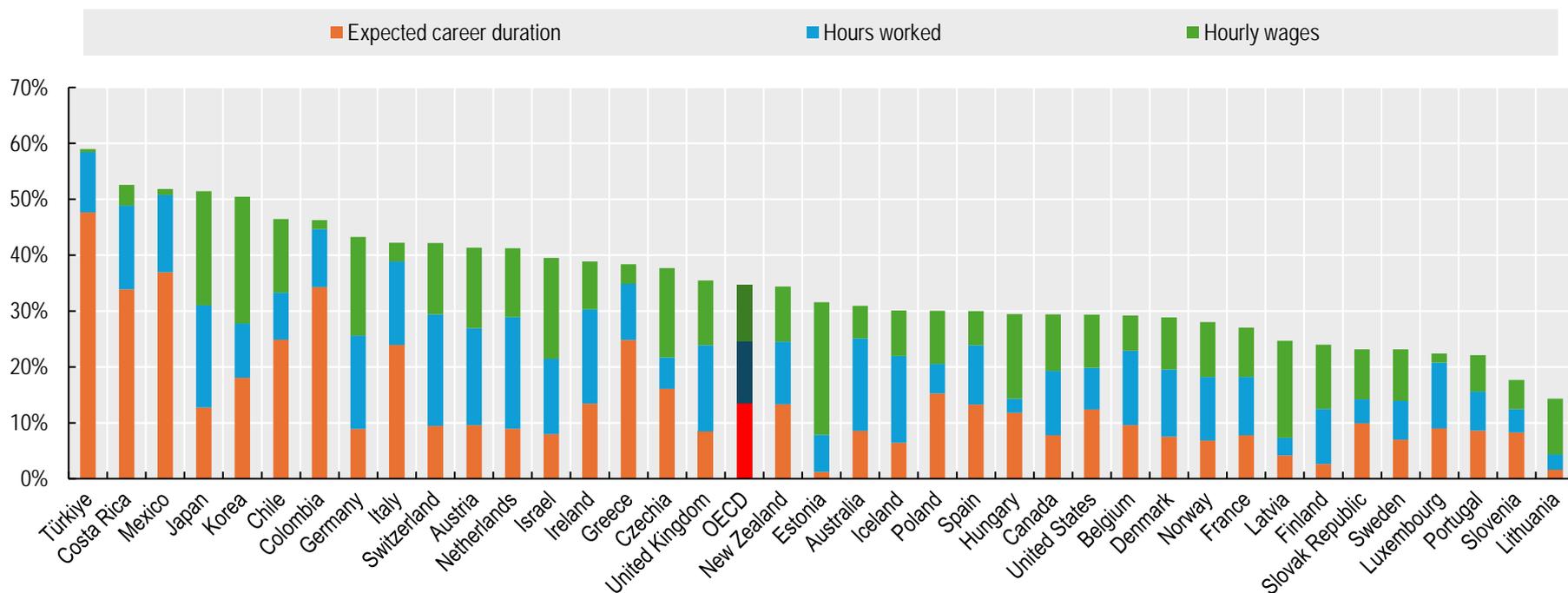
Normal retirement age for men entering the labour market at age 22 with a full career





A substantial gender gap in lifetime earnings

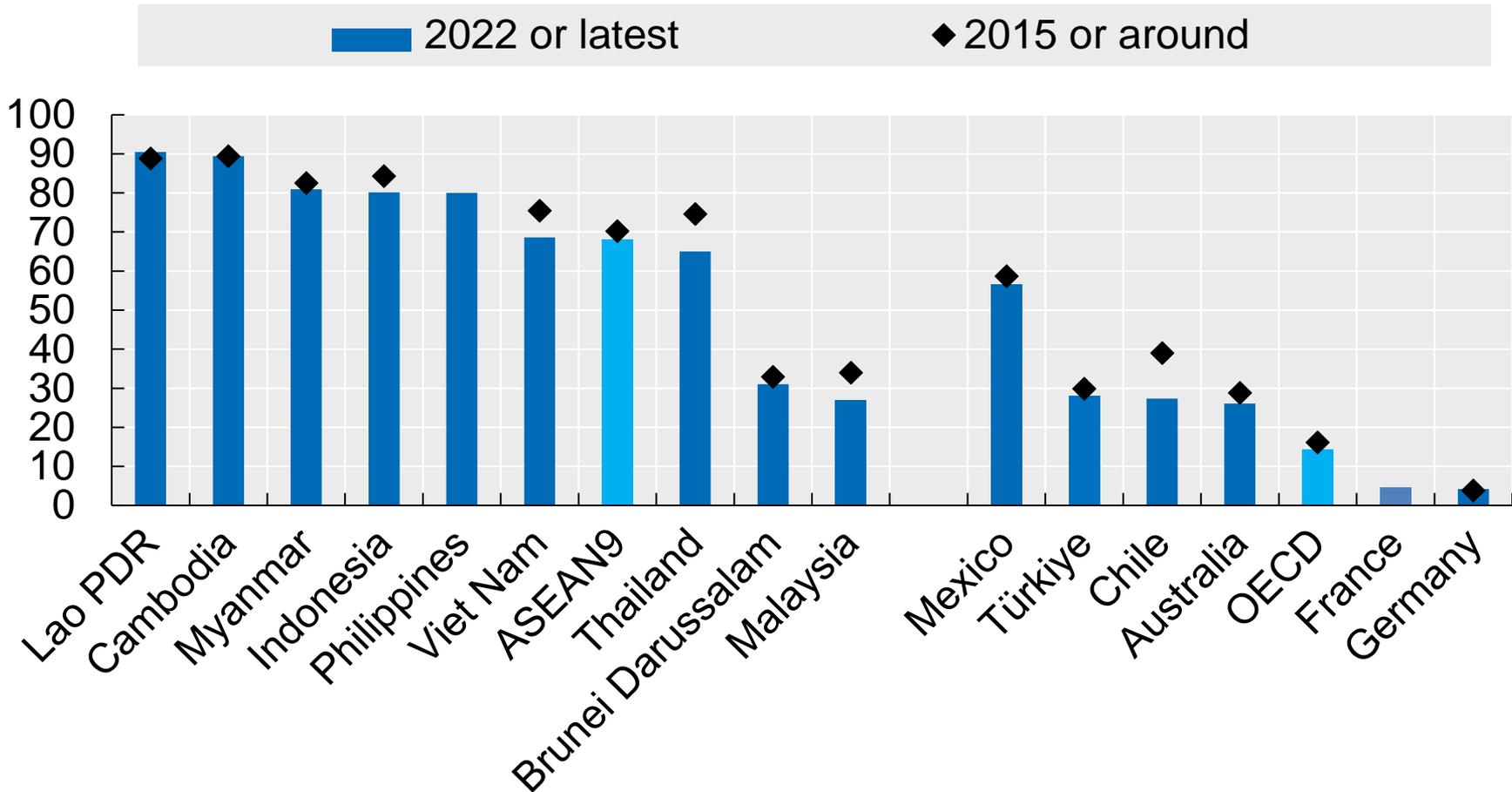
Contribution of expected career duration, working hours and hourly wages to gender gap in expected lifetime earnings, percentage points, 2022





Large informality generates huge social challenges

Share of informal employment in total employment, %



Source: Figure 1.20, Panel B in OECD (2025): Promoting Active Ageing in Southeast Asia

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