Italy

Highlights from OECD *Pensions at a Glance 2009*

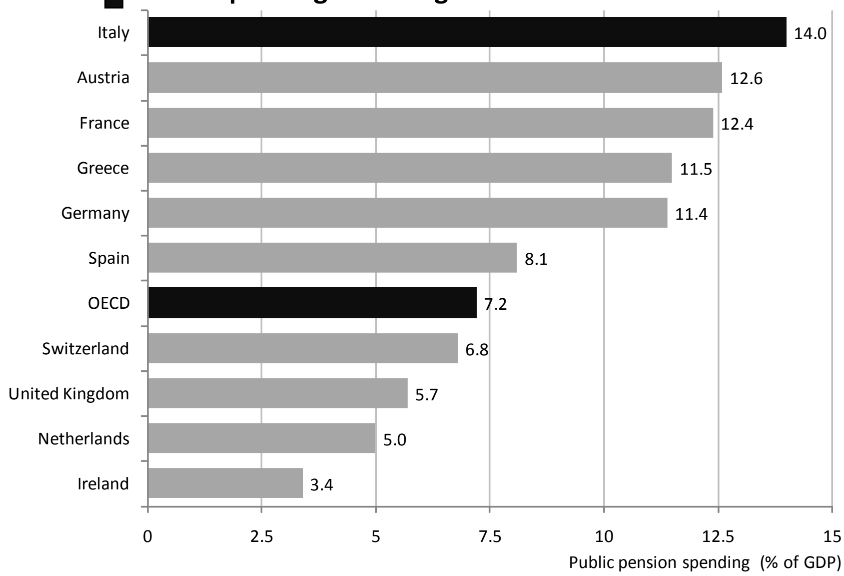
- Italy had the highest public pension spending of OECD countries in 2005: 14% of national income. Over the ten-year period 1995-2005, public pension spending increased by 23%. Only Japan, Korea, Portugal and Turkey display similar (or higher) increases
- Legislated changes in Italy that would have increased the pension age and reduced benefits to reflect increased life expectancy have been postponed.

Public pension spending

Public spending on old-age and survivors' benefits has been the highest of OECD countries for some time. Pensions also account for the largest share of total public spending in OECD countries, with pensions taking nearly 30% of the budget, compared with an OECD average of 16%. The risk of such a system is that public pension spending crowds out other desirable expenditure, both in social policy (on benefits for children and parents) and elsewhere (on education, for example).

The cost of paying these pensions is clear in that revenues from pension contributions are the highest of OECD countries in Italy, at 9.4% of national income. Contribution rates are nearly 33% of earnings, compared with an OECD average of 21%.

1 Public spending on old-age and survivors' benefits



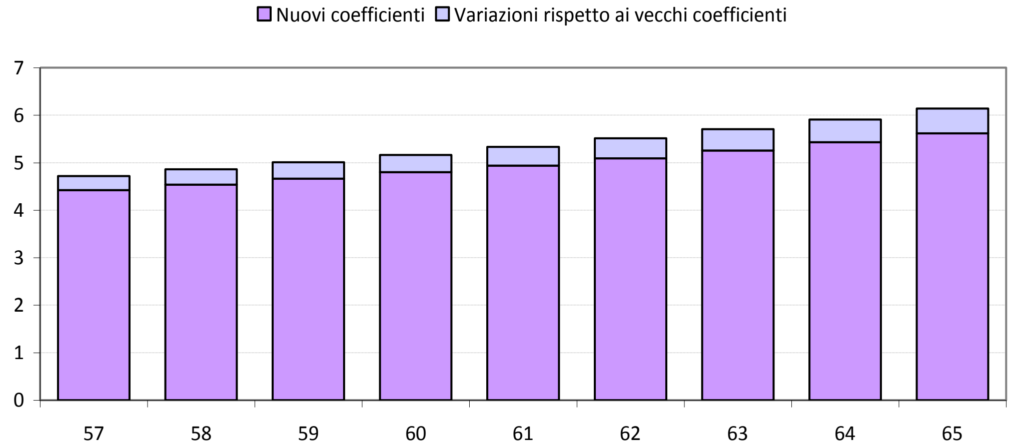
Source: OECD (2009), *Pensions at a Glance: Retirement-Income Systems in OECD Countries*

Pension reforms

Italy faces one of the greatest challenges from population ageing of OECD countries, a result of increasing life expectancy and low birth rates. The main aim of the series of pension reforms has been to improve the long-term financial position of the pension system. However, the original plans saw reforms phase din very slowly compared with other countries that have also undertaken radical changes in their pension systems. Moreover, many of the changes that are vital for financial sustainability have been repeatedly postponed.

Of particular concern is the postponement in the adoption of the new 'transformation coefficients', which are an important determinant of pension entitlements. The aim of the transformation coefficients was to insulate the pension system from increasing life expectancy, by reducing benefits *automatically* as life expectancy increased. But this supposed automatic process has been slowed. The coefficients should have been reviewed after the first ten years of the operation of the new system (1995-2005). Life expectancy in Italy, as in other countries, continued to grow in this period and the postponement of the introduction of new coefficients has had a negative impact on the finances of the system. Similarly, there have recently been yet more delays in introducing increases in the minimum retirement age.

2 Transformation coefficients: new and old



Vecchi coefficienti	4.72	4.86	5.01	5.16	5.33	5.51	5.71	5.91	6.14
Nuovi coefficienti	4.42	4.54	4.66	4.80	4.94	5.09	5.26	5.43	5.62
Variazione %	-6.38%	-6.63%	-6.83%	-7.07%	-7.39%	-7.64%	-7.87%	-8.10%	-8.41%

3 Key facts

		Italy	OECD
Pension replacement rate	Average earner (%)	67.9	59.0
	Low earner (%)	67.9	71.9
Public pension spending	% of GDP	14.0	7.2
Life expectancy	at birth	80.9	78.9
	at age 65	84.5	83.4
Population over age 65	% of working age population	28.0	23.8
Average earnings	EUR	24 600	28 600

Note: replacement rate is pension entitlement from all mandatory sources of retirement income relative to individual earnings. Calculations for a full-career worker entering the labour market in 2006. Low earner is assumed to earn 50% of the average.

Source: OECD (2009), *Pensions at a Glance: Retirement-Income Systems in OECD Countries*

Notes to editors

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Retirement Income Systems in OECD Countries

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