



# OECD Pensions Outlook 2022



Chapter 2  
How best to involve employers in the provision of  
asset-backed pension arrangements



## Objective

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- The role of employers in the provision of asset-backed pension arrangements can take different forms
- Provide policy guidance on how best to involve employers in the provision of asset-backed pension arrangements
  - Analyses current employer involvement in OECD countries
  - Presents the motivations for employers to be involved
  - Discusses advantages and challenges associated with employer involvement
  - Provides policy guidance to optimise employer involvement



## Current employer involvement in OECD countries

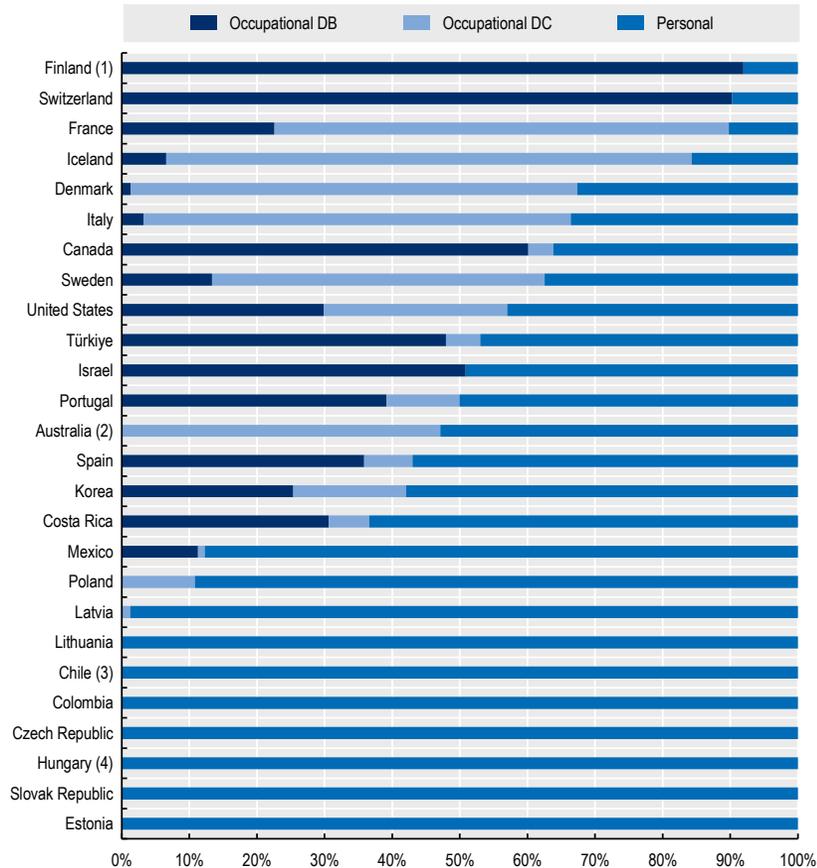
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- Wide range of roles for employers
    - Establish a plan, design, select provider, enrol employees, contribute, administer, communicate
  - Different degrees of involvement according to the type of plan
    - Statutory personal plans
    - Workplace personal plans
    - Occupational plans
    - Mandatory vs. voluntary
- Higher degree of involvement
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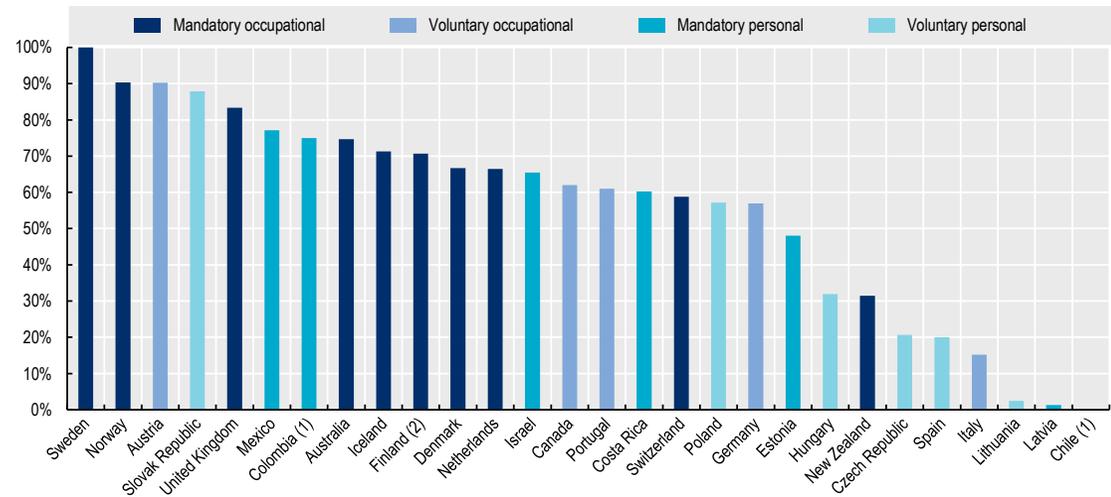


# Many OECD countries rely on employers to establish occupational pension plans and to contribute

## Assets by type of plan



## Employer contributions as a % of total contributions





## Motivations for employers

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- Attract and retain good employees
- Employees value pensions as part of the remuneration package
- Pensions may reduce employee turnover, thereby reducing hiring and training costs
- Pensions can be used to attract employees with specific characteristics that match the needs of the company



# Advantages and challenges associated with employer involvement in the provision of asset-backed pensions



Employers can:

- Tailor plan design to the preferences of employees
- Simplify decision making for employees
- Deduct and channel employee contributions
- Contribute on behalf of employees
- Bear or share investment and longevity risks
- Ensure good governance
- Keep costs and fees under control
- Implement behavioural strategies
- Provide financial education

- Participation rates sometimes low in voluntary occupational systems
- Employers unwilling to establish a plan: concerns over business profitability, costs, administrative burden
- Lack of interest from employees and behavioural biases
- Misalignment of interests between employees and employers
- Employers may become insolvent
- Issue with small funds
- Workers in non-standard forms of work may have more limited access to employer-sponsored plans



## How to optimise employer involvement

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- Select the most appropriate degree of employer involvement
  - Account for the structure and mobility of the labour force
- Ensure good conditions for employer provision
  - Stable legal, regulatory and tax framework
  - Well-functioning capital markets and financial institutions
- Reduce barriers that prevent employers from establishing pension plans
  - Reduce costs and administrative burden (esp. for small employers), develop multi-employer plans, and provide flexibility
- Allow employers to tailor plan design to their needs and those of employees
  - But ensure non-discriminatory treatment across different categories of employees
- Improve financial literacy
  - Encourage employers to use behavioural strategies to foster participation and savings
  - Facilitate the provision of financial education in the workplace
- Ensure good governance
  - Provide the necessary framework for good governance



THANK YOU!

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