

Key results

Most of the indicators of pension entitlements in this report are based on analysis of a single person. In many countries, pension systems are effectively “individualised”: the position of a couple is the same as that of two single people with the same level of total earnings. In others, however, being in a couple has an effect on pension entitlements.

There are two ways in which partnership status affects pension entitlements. First, some systems offer “derived” rights: these are benefits for the couple that derive from the working experience and contributions of one spouse. Secondly, some first-tier benefits are calculated based on family status, assessed using the couple as a “pension unit” rather than treating each individual separately. For this analysis the word “couple” refers to the benefit unit that is recognised in each country, be that through marriage, civil partnership or cohabitation.

Table 5.1 shows calculations of pension entitlements for three different family types. In the first two, total gross earnings are held constant at 100% of the economy-wide individual average. A single man with these earnings is compared with a single-earner couple (male earner). The final case shows a couple consisting of two earners, each with 100% of average earnings, compared with two singles, each with average earnings.

There is significant variation between countries in terms of the policy stance adopted for non-workers within a couple. In some countries, benefits are higher for couples than for single people because of basic schemes that pay a higher rate to a couple than to a single person (although less than the entitlement of two single people) as in the Netherlands, for example. In Ireland there are spousal benefits in the basic pension for partners in a couple who do not earn a full basic pension entitlement in their own right.

In Japan and the United States, there are spousal benefits in the public, earnings-related schemes. Again, these higher benefits are paid to couples where one partner has not earned a large entitlement in his or her own right.

On average for couples in which there is a male average earner and a non-working partner, the gross replacement rate is 57.2%, at the normal retirement age, compared to 51.8% for a single male worker at average earnings. Overall just under half of OECD countries provide a higher gross entitlement for one-earner couples at the average wage compared to a single earner. The largest differences are found in Australia, Ireland and Slovenia where single earner couples are at least 24 percentage points higher than for single earners. In Australia, for example, both individuals have entitlement to the first-tier pension (Age Pension), whilst in Ireland the non-working partner is entitled to the non-contributory pension.

Lithuania actually has a lower replacement rate as the living alone supplement is withdrawn.

Resource-tested schemes explain why Denmark has higher benefits for one-earner couples than for single people with average earnings. Even at average earnings, both would be eligible for resource-tested benefits. Similarly, in Belgium, Finland and Sweden, a single person on average earnings would not be entitled to a minimum pension. However, a couple with one partner earning the economy-wide average would receive a top-up.

Given an equivalence scale of square root of 2 for a couple (Chapter 7), the single earner couple replacement rate of 57.2% of average earnings provides an equivalent, at the individual level, of 40.4%, so 11 percentage points lower than for single men.

For couples with both earning the average wage, results are only shown for those cases that would give a different pension entitlement than for two single individuals. The only countries with couple specific rules in that case are Denmark, Ireland, Lithuania, the Netherlands and New Zealand. In New Zealand the residence-based basic component is paid at a lower level for each individual in a couple than if they were single. This is also the case in the Netherlands, but there is an additional earnings-related scheme which is calculated individually. In Denmark the rate of withdrawal of the means-tested component is higher for couples than for single individuals. In Ireland and Lithuania, living alone allowances are lost for the couple compared to two single individuals.

Definition and measurement

The old-age pension entitlement measures how effectively a pension system provides a retirement income to replace earnings, the main source of income before retirement. The gross entitlement is defined as gross pension divided by gross pre-retirement earnings.

For the couple analysis, a male and female partner of the same age are assumed to enable easier comparison with the single-earner scenario. For the two-earner couple, both are assumed to retire at the earliest age at which no penalty will apply to their benefits, with the female pensioner then having their benefits indexed until reaching the male retirement age for those countries with lower female retirement age.

Table 5.1. Gross pension entitlements by earnings: singles versus couples, percentage of average earnings

	Single, average earner – male (female where different)	Single earner couple – male at average earnings, if different from single male average earner	Couple, each with average earnings, if different from two single average earners
Australia	31.3 (28.4)	56.0	
Austria	74.1		
Belgium	43.4	54.0	
Canada	38.8	46.4	
Chile	31.2 (28.8)		
Colombia	74.8 (73.4)		
Costa Rica	71.9		
Czech Republic	49.0	60.0	
Denmark	80.0	102.0	150.2
Estonia	27.9	39.1	
Finland	56.6	69.0	
France	60.2		
Germany	41.5		
Greece	72.6		
Hungary	62.5 (58.1)		
Iceland	51.8	71.2	
Ireland	29.7	54.1	55.3
Israel	41.5 (34.1)	46.6	
Italy	74.6		
Japan	32.4	43.2	
Korea	31.2		
Latvia	43.4		
Lithuania	19.7	18.3	36.7
Luxembourg	76.6		
Mexico	61.2 (58.2)	76.1	
Netherlands	69.7	88.7	137.3
New Zealand	39.8	60.4	60.4
Norway	46.0	69.1	
Poland	30.6 (23.4)		
Portugal	74.9		
Slovak Republic	53.1		
Slovenia	42.0	75.3	
Spain	73.9		
Sweden	53.3	73.0	
Switzerland	44.1 (43.5)		
Turkey	73.3 (70.3)		
United Kingdom	49.0		
United States	39.2	48.1	
OECD	51.8 (50.9)	57.2	101.3

Note: Values are only shown for single-earner couples where the pension received differs from that of a single male earner. Values are only shown for couples with average earnings when they differ from the rates that would apply to a single man and single woman combined.

Source: OECD pension models.

StatLink  <https://stat.link/j1g6p3>



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