

Key results

Disposable incomes of older people are on average lower than those of the total population. The over-65s had incomes of 88% of the total population's in 2018 on average, broken down into 94% for the 66-75 and 80% for the over-75s. Among the over-65s, the range goes from about 75% or less in Australia, the Czech Republic, Estonia, Korea, Latvia and Lithuania to about 100% or more in Costa Rica, France, Israel, Italy, Luxembourg and Portugal. In 23 out of 37 OECD countries, public transfers provide more than half of gross income after age 65.

People over 65 had incomes amounting at 88% of population incomes on average in 2018 or latest (Table 7.1). Older people fared best in Costa Rica, France, Israel, Italy, Luxembourg and Portugal in relative terms where incomes for the over-65s were about or slightly higher than for the total population. Older people also had high relative incomes on average in Greece, Iceland, Spain and Turkey in international comparison. In Estonia, Korea and Latvia, by contrast, the income of older people was about one-third lower.

Average incomes tend to fall with age after retirement. Lower incomes for older retirees are partly explained by cohort effects given growth trends in real earnings across cohorts due to productivity gains. Over time this translates into higher earnings for each successive cohort and therefore higher pensions in retirement if past wages are not uprated in line with average wage growth and if pensions in payment are not indexed to wage growth. As for the latter, while price indexation protects purchasing power, it tends to lower relative income over time. This particularly affects older women who live longer, which adds to their lower own entitlements due to lower past employment and wages compared to men. Moreover, older people live alone more often, which lowers their equivalised disposable income given household economies of scale.

The income of people aged over 65 has increased relative to that of the total population in more than two-thirds of OECD countries over the past decades, and on average by 6.0 percentage points across all countries. Driven by a maturing pension system, the over-65s in Israel have seen the strongest rise in their relative income, about 22 percentage points, from 81% in 2000 to 103% in 2018. Norway records a similarly strong increase as well as Portugal since 2005. The sharpest decline (-10 percentage points) is reported for the over-65s in Poland since 2005, from 95.7 to 85.7, with Chile is next at -8 percentage points since 2006.

Sources of income

Of the four main sources of income on which older people draw, public transfers (earnings-related pensions, resource-tested

benefits, etc.) and private occupational transfers (pensions, severance payments, death grants, etc.) account for around two-thirds of the total income (Figure 7.1). Public transfers account for 57% and private occupational transfers represent 7% of older people's incomes on average. The countries where over-65s are most reliant on public transfers are Austria, Belgium, Finland and Luxembourg: more than 80% of their incomes come from that source. Public transfers represent only 5% and 18% of all income in Mexico and Chile, respectively. Private occupational transfers are of particular importance in 13 OECD countries, with the Netherlands being highest at 39%.

Work accounts for 26% and capital for about 10% of older people's incomes on average. Work is especially important in Korea and Mexico, where it accounts for more than half of old-age income; it also represents a large share of income in Chile, Costa Rica, Estonia, Iceland, Israel, Japan, Latvia, Lithuania, New Zealand, Poland, the Slovak Republic and the United States. Also, as incomes are measured at the household level, work is likely to be a more important income source for older people where many of them live in multi-generational households.

Capital, mostly private pensions, represents 40% of all income sources of older people in Canada. In Denmark, Korea and New Zealand, capital represents over 20% of all income.

Definition and measurement

Incomes of older people groups all incomes from employment, self-employment, capital and public transfers. The data shown are for disposable incomes (i.e. net of personal income tax and social security contributions). Incomes are measured on a household basis and equivalised with the square-root equivalence scale to adjust for differences in household size. See OECD Income Distribution Database for more details on definitions and data sources. The special chapter on "Incomes and poverty of older people" in OECD (2013[1]) provides a more detailed analysis.

Table 7.1. Incomes of older people, latest available year
Average income by age group in percentage of average income of total population

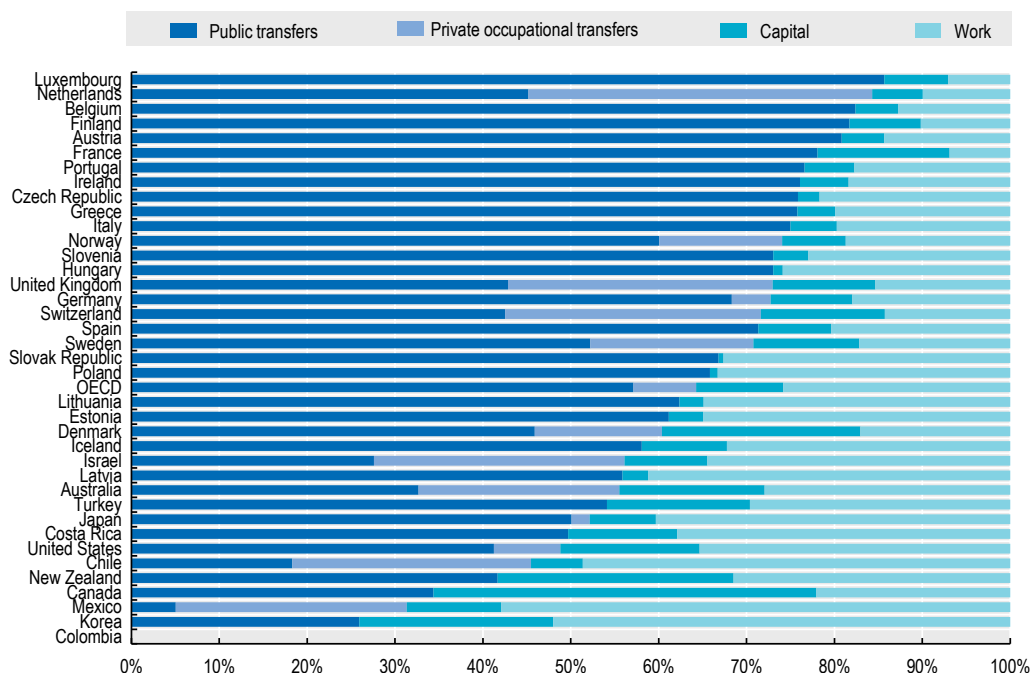
	All aged over 65	Age 66-75	Aged over 75	All aged over 65: 2000 or earliest thereafter		All aged over 65	Age 66-75	Aged over 75	All aged over 65: 2000 or earliest thereafter
Australia	75.2	82.7	63.5	5.9	Latvia	67.1	75.1	58.8	-5.4
Austria	94.0	95.4	92.1	6.9	Lithuania	70.5	75.1	65.7	-2.7
Belgium	80.0	85.0	73.2		Luxembourg	107.8	111.4	101.9	
Canada	90.8	95.1	83.8	2.3	Mexico	92.2	97.9	83.1	6.0
Chile	93.5	95.8	90.0	-8.0	Netherlands	85.6	91.2	76.9	1.0
Colombia					New Zealand	86.2	95.4	71.1	5.5
Costa Rica	107.8	112.6	100.5		Norway	91.4	100.6	77.4	20.2
Czech Republic	73.3	76.2	68.2	-5.1	Poland	85.7	85.6	85.8	-10.0
Denmark	81.3	86.6	73.1	9.9	Portugal	99.1	106.9	90.2	18.7
Estonia	67.4	74.5	59.5		Slovak Republic	87.0	89.2	82.5	7.2
Finland	82.6	89.9	72.2	4.3	Slovenia	85.3	88.7	80.2	1.0
France	99.8	103.9	94.5	1.9	Spain	95.8	102.4	88.1	14.8
Germany	88.8	92.5	85.5	0.8	Sweden	86.3	97.5	70.8	8.2
Greece	95.0	101.2	87.8	13.4	Switzerland	82.8	87.9	76.5	1.1
Hungary	93.2	94.3	91.3	6.2	Turkey	97.6	101.5	91.3	7.4
Iceland	95.0	103.8	77.5	14.6	United Kingdom	81.3	86.4	74.3	8.3
Ireland	83.9	91.1	74.4	13.9	United States	93.8	102.1	80.9	10.7
Israel	103.4	110.9	91.6	21.9	OECD	87.9	93.5	80.0	6.0
Italy	100.0	109.3	90.6	14.5					
Japan	85.2	91.8	78.0	-4.5	Russian Federation	84.3	86.4	81.3	
Korea	65.8	73.1	56.0		South Africa	95.8	94.3	99.2	

Notes: Data for 2000 except for Greece and Turkey (2004), Chile and Switzerland (2006), the Czech Republic, Iceland, Ireland, Latvia, Lithuania, Poland, Portugal, the Slovak Republic and Slovenia (2005), Austria and Spain (2007). Most recent data are for 2018 except for the following countries: Costa Rica (2020), Canada, France, Sweden and the United Kingdom (2019), Chile, Denmark, Hungary, Iceland, Russian Federation, Switzerland and the United States (2017), the Netherlands (2016), South Africa (2015) and New Zealand (2014). Due to a break in series, 2006-data for Chile are scaled with a factor measuring the age-specific effect of the series break on income levels using data from 2011 or closest available. = Historical data for Belgium, Estonia, Korea and Luxembourg are not comparable due to breaks in series and those for Costa Rica, the Russian Federation and South Africa are unavailable and are not shown here. Data for Colombia is unavailable.

Source: OECD Income Distribution Database, <http://www.oecd.org/social/income-distribution-database.htm>.

StatLink  <https://stat.link/32iwc9>

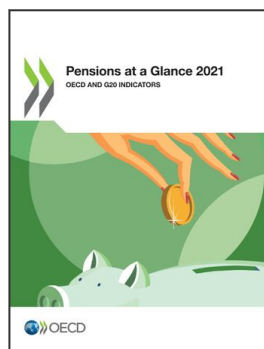
Figure 7.1. Income sources of older people, latest available year
Percentage of total equivalised gross household income and transfers



Note: Income from work includes both earnings (employment income) and income from self-employment. Private occupational transfers include pensions, severance payments, death grants and other. Capital income includes private personal pensions and income from the returns on non-pension savings. Data are for 2018 except for some countries; see note of Table 7.1.

Source: OECD Income Distribution Database, <http://www.oecd.org/social/income-distribution-database.htm> (July 2021 version).

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



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