

Key Results

Incomes of older people are on average lower than those of the total population. The over-65s had incomes of 87% of the total population's in 2016 on average, broken down into 93% for the 66-75 and 80% for the over-75s. In 22 out of 36 OECD countries, public transfers provide more than half of gross income after age 65.

People over 65 had incomes amounting at 87% of population incomes, on average, in 2016 or latest (Table 7.1). Older people fared best in France, Israel and Luxembourg in relative terms where incomes for the over-65s were equal or slightly higher than for the total population. Older people also had high relative incomes in Greece, Italy, Portugal and Spain in international comparison. In Estonia and Korea, 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 such as the past growth of real earnings. Over time this translates to higher earnings for each successive cohort and therefore higher pensions in retirement if pensions of past cohorts are not indexed to wage growth. Indeed, indexation principles of pension benefits in payment also play a large role: price indexation protects purchasing power, but 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 the total population's in more than two-thirds of OECD countries over the past decades. Driven by a maturing pension system, the over-65s in Israel have seen the strongest rise in their relative income of about 20 percentage points, from 81% in 1995 to 101% in 2017. Greece and Norway record a similar strong increase as well as Portugal since 2005. The sharpest decline (-8 p.p.) is reported for the over-65s in Chile since 2006, but from a high level.

Looking at other G20 countries, incomes of people aged over 65 substantially exceeded those of the total population in Brazil and India in 2013 and 2011, respectively. In China, the Russian Federation and South Africa relative income of the 66+ lies above 80%.

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 two-thirds of the total income (Figure 7.1). Public transfers account for 55% and private occupational transfers represent 10% 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 6%, 15% and 18% of all income in Mexico, Turkey and Chile, respectively. Private occupational transfers are of particular importance in 12 OECD countries, with the Netherlands being highest at 39%.

Work accounts for 25% 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, Estonia, Israel, Japan, Korea, Latvia, Lithuania, New Zealand, Poland, the Slovak Republic, Turkey 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 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) provides a more detailed analysis.

Further Reading

OECD (2019), , *Income Distribution Database*, <http://www.oecd.org/social/income-distribution-database.htm> (accessed on 15 September 2019).

OECD (2019), , *Will Future Pensioners Work for Longer and Retire on Less? Policy Brief on Pensions*, <https://www.oecd.org/pensions/public-pensions/OECD-Policy-Brief-Future-Pensioners-2019.pdf>.

OECD (2013), *Pensions at a Glance 2013: OECD and G20 Indicators*, OECD Publishing, Paris, https://dx.doi.org/10.1787/pension_glance-2013-en.

Table 7.1. **Incomes of older people, 2016 or latest available year**
Average income by age group in % of average income of total population

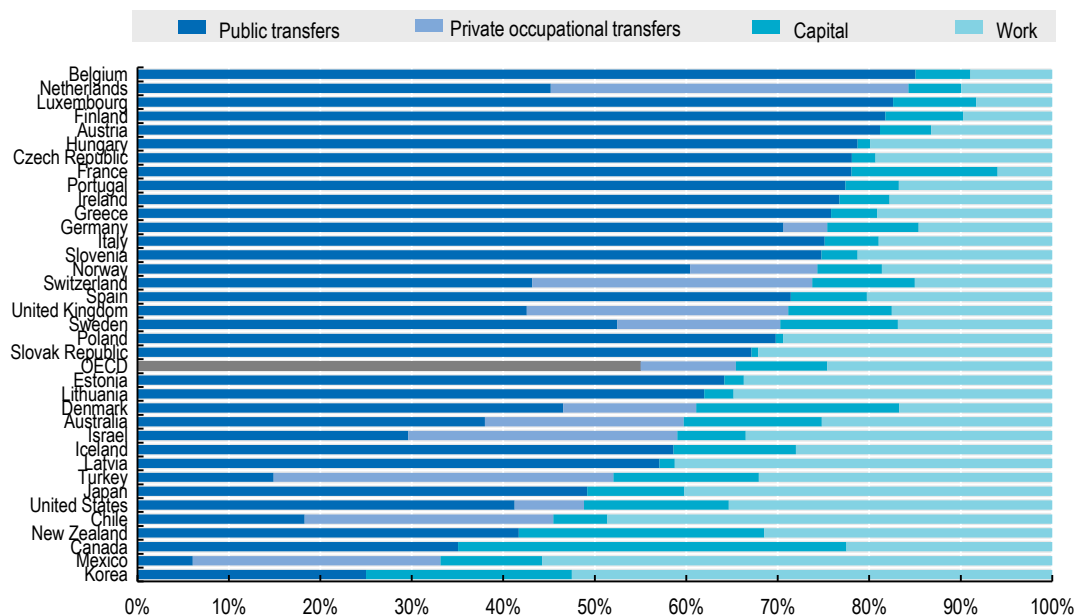
	All aged over 65	Age 66-75	Aged over 75	All aged over 65: mid-1990s (mid-2000s*)		All aged over 65	Age 66-75	Aged over 75	All aged over 65: mid-1990s (mid-2000s*)
Australia	72.3	77.9	63.9	66.4	Mexico	92.5	97.6	84.4	86.0
Austria	93.8	97.1	89.8	87.0*	Netherlands	85.6	91.2	76.9	84.1
Belgium	79.7	84.1	74.9	73.7*	New Zealand	86.2	95.4	71.1	79.0
Canada	90.5	94.1	84.9	94.3	Norway	91.6	101.1	77.0	72.4
Chile	93.5	95.8	90.0	101.5*	Poland	88.7	89.3	87.8	96.0*
Czech Republic	75.6	78.9	69.6	78.5*	Portugal	99.0	109.7	86.9	80.5*
Denmark	80.9	86.2	72.7	70.7	Slovak Republic	87.2	90.6	81.0	80.6*
Estonia	66.7	72.2	60.5	..	Slovenia	89.6	93.2	84.0	84.6*
Finland	83.2	90.5	73.1	81.6	Spain	95.3	102.9	86.9	84.8*
France	103.2	107.6	97.7	100.1	Sweden	85.5	97.0	68.1	85.8
Germany	88.6	92.5	85.1	85.8	Switzerland	80.0	84.5	73.8	81.7*
Greece	96.8	103.4	89.4	77.9	Turkey	86.0	89.1	81.1	90.0
Hungary	94.5	95.7	92.5	89.2	United Kingdom	83.6	90.6	73.9	76.1
Iceland	94.3	100.5	84.7	80.6*	United States	93.8	102.1	80.9	90.0
Ireland	84.1	89.8	75.6	70.0*	OECD	87.4	93.0	79.7	..
Israel	101.2	109.7	88.9	80.7	Other G20 countries				
Italy	99.6	107.8	91.4	87.9	Brazil	117.7	117.5	118.1	122.5*
Japan	87.8	89.7	85.5	88.7	China	83.9	85.0	81.9	..
Korea	65.1	72.2	54.6	..	India	108.5	106.8	112.2	116.9*
Latvia	71.3	78.3	63.5	72.9*	Russian Federation	81.3	82.9	79.0	..
Lithuania	74.1	81.6	65.2	73.4*	South Africa	95.8	94.3	99.2	..
Luxembourg	105.3	107.0	102.4	..					

Notes: * = Data for mid-1990s unavailable, so data for mid-2000s shown: 2005 except for Austria and Spain (2007), Brazil, Chile and Switzerland (2006), India (2004). Most recent data are for 2016 except for the following countries: Canada, Chile, Finland, Israel, Korea, Norway, Sweden, the United Kingdom and the United States (2017), Iceland, Japan, Switzerland, South Africa and Turkey (2015), New Zealand (2014), Brazil (2013), China and India (2011). Mid-1990s data – where available – are for 1995 except for the following countries: France (1996), Greece, Mexico, Turkey and the United Kingdom (1994). Due to a break in series, 2006-data for Chile as well as mid-1990s data (except for Canada and Finland) 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 Estonia, Korea and Luxembourg are not comparable due to breaks in series and those for China, the Russian Federation and South Africa are unavailable and are not shown here.

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


StatLink  <https://doi.org/10.1787/888934042105>

Figure 7.1. **Income sources of older people, 2016 or latest available year**
% 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 2016 except for some countries; see note of Table 7.1.

Source: OECD Income Distribution Database, <http://www.oecd.org/social/income-distribution-database.htm> (September 2019 version).

StatLink  <https://doi.org/10.1787/888934042124>



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