

Old-age income poverty

Key Results

On average in the OECD, 14.2% of individuals aged over 65 live in relative income poverty, defined as having an income below half the national median equivalised household disposable income. Their income gap to the relative poverty line is 23.1% on average. Poverty rates for older people are higher than for the total population in around two-thirds of countries. The average for the total population is 11.4%, some 2.8 percentage points below the old-age level, but this difference is driven by only a handful of countries. The old-age income poverty rate tends to rise with age during retirement and is higher for women than for men among all age groups. In recent decades, relative poverty has tended to shift from people aged over 65 to people aged 18 to 25.

According to the latest available figures, relative poverty rates of people aged over 65 exceeded 40% in Korea, were above 30% in Estonia and Latvia, and 20% or more in Australia, Costa Rica, Japan, Lithuania and the United States. By contrast, Czechia, Denmark, France, Iceland, Luxembourg and Norway have the lowest relative poverty rates, close to 5% or below. First-tier pension levels are important factors influencing old-age poverty rates (see the indicator on “Basic, targeted and minimum pensions” in Chapter 3). These numbers are based on income data and the considerable country differences in wealth (housing or otherwise) held by older people may not be reflected in income poverty rates.

In 23 OECD countries, older people are more likely to be income poor than the total population (Figure 7.2). The largest difference between old-age and total-population poverty rates is found in Korea where older people have 25 percentage point higher poverty rates than the total population, followed by Estonia and Latvia. Older people are less likely to be poor than the total population in several countries, especially France, Greece, Luxembourg, Norway and Spain where the old-age poverty rate is at least 4 percentage points lower.

Poverty among older age groups

Poverty among the “younger old” (aged 66-75) is less frequent than among the “older old” (aged 76 and over); the OECD average poverty rates are 12.5% and 16.6%, respectively. The difference between the two is particularly high in Korea (+20.6 percentage points), Latvia (+17.5 percentage points) and Estonia (+15.4 percentage points). There are many explanations for this pattern. In Korea, the pension system is still maturing, and current generations of very old people still have very low pensions. Moreover, in all three countries, individual pensions are indexed to less than earnings growth (Table 3.3 in Chapter 3). This tends to lower the relative value of pensions compared to earnings when retirees grow older. Nevertheless, in five OECD countries – Chile, Germany, Hungary, Iceland and Poland – the over 75s fare slightly better than their younger counterparts do. Pension reforms that have reduced the generosity of pension systems typically lower the relative income of new generations of retirees.

Poverty and gender

The average old-age poverty rates for women and men in the OECD equal 16.6% and 11.1%, respectively. Lower earnings-related pension income and longer life expectancy are among the main drivers of higher poverty incidence among women than among men. Older women are at greater risk of poverty than older men in all countries except Chile, Costa Rica and Iceland. In addition to these three countries, gender differences in the poverty rate are relatively small (less than 2 percentage points) in France, Luxembourg, Mexico and the Netherlands.

The largest gender differences, 20 percentage points or more, are in the Baltic countries and in Korea at about 11 percentage points. There are also significant differences of more than 5 percentage points in Australia, Austria, Canada, Ireland, Israel, Japan, New Zealand, Poland, Portugal, Slovenia, Sweden and the United States.

Definition and measurement

For international comparisons, the OECD treats poverty as a “relative” concept. The yardstick for poverty depends on the median household income in the total population in a particular country at a particular point in time. Here, the poverty threshold is set at 50% of median, equivalised household disposable income. Poverty depth measures how much the average income of the poor is below the relative poverty threshold, in percent of this threshold. See OECD Income Distribution Database for more details on definitions and data sources.

Further reading

OECD (2023), *Income Distribution Database*, <http://www.oecd.org/social/income-distribution-database.htm>.

OECD (2017), *Preventing Ageing Unequally*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264279087-en>.

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

Table 7.2. Income poverty rates by age and gender, 2020 or latest available year
 Percentage with income lower than 50% of median equivalised household disposable income

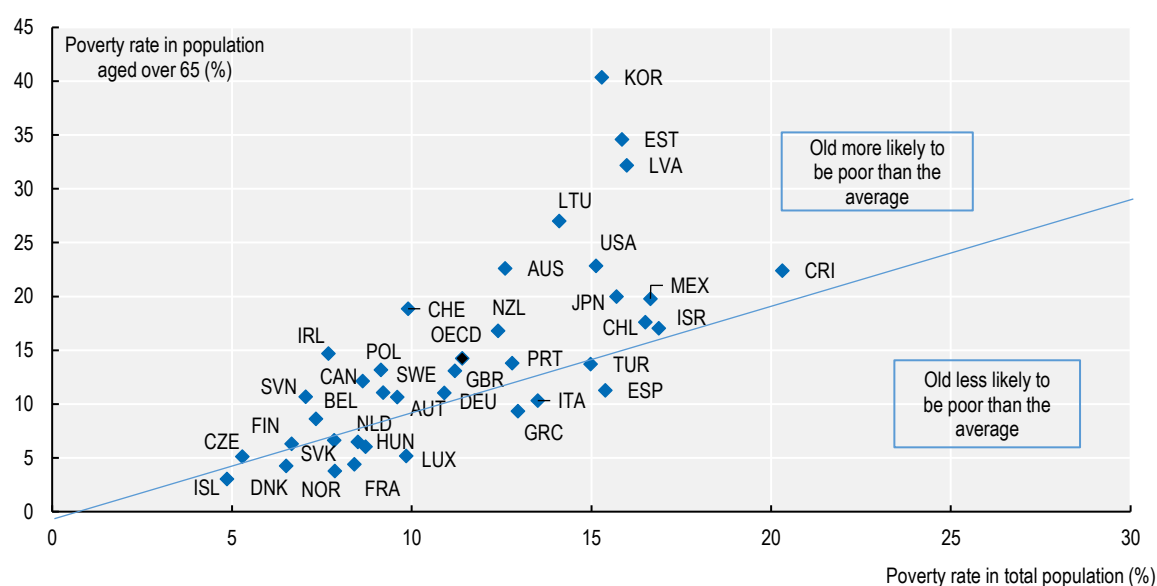
	Older people (aged over 65)					Total population		Older people (aged over 65)					Total population
	All	By age		By gender				All	By age		By gender		
		Age 66-75	Aged over 75	Men	Women				Age 66-75	Aged over 75	Men	Women	
Australia	22.6	19.7	27.0	18.2	26.6	12.6	Korea	40.4	31.4	52.0	34.0	45.3	15.3
Austria	10.6	9.6	12.0	7.3	13.2	9.6	Latvia	32.2	24.7	42.3	19.0	38.6	16.0
Belgium	8.6	5.9	12.2	7.3	9.8	7.3	Lithuania	27.0	25.7	28.4	13.9	33.8	14.1
Canada	12.1	11.0	13.9	9.2	14.6	8.6	Luxembourg	5.2	4.9	5.7	4.9	5.4	9.8
Chile	17.6	17.7	17.4	17.6	17.5	16.5	Mexico	19.8	18.2	22.3	18.9	20.4	16.6
Colombia							Netherlands	6.5	4.4	9.7	6.1	6.9	8.5
Costa Rica	22.4	21.4	24.0	22.8	22.1	20.3	New Zealand	16.8	14.3	20.9	13.2	20.1	12.4
Czechia	5.1	4.9	5.5	2.3	7.2	5.3	Norway	3.8	2.7	5.4	2.3	5.1	7.9
Denmark	4.3	2.8	6.3	3.2	5.2	6.5	Poland	13.2	13.7	12.3	7.6	16.8	9.1
Estonia	34.6	27.6	43.0	20.8	41.8	15.8	Portugal	13.8	12.5	15.2	10.4	16.2	12.8
Finland	6.3	4.9	8.3	4.5	7.7	6.7	Slovak Republic	6.6	6.2	7.6	4.4	8.2	7.8
France	4.4	4.0	4.9	3.3	5.2	8.4	Slovenia	10.7	10.2	11.6	7.1	13.4	7.0
Germany	11.0	12.1	9.8	8.6	12.7	10.9	Spain	11.3	9.9	12.8	10.1	12.2	15.4
Greece	9.3	8.8	10.0	7.0	11.2	13.0	Sweden	11.1	8.3	14.5	7.2	14.5	9.2
Hungary	6.1	6.9	4.6	4.4	7.1	8.7	Switzerland	18.8	16.1	22.1	16.9	20.6	9.9
Iceland	3.1	4.0	1.1	4.5	1.7	4.9	Türkiye	13.7	11.9	17.0	12.1	15.0	15.0
Ireland	14.7	12.4	18.1	11.2	17.8	7.7	United Kingdom	13.1	11.0	16.0	11.1	14.9	11.2
Israel	17.0	15.2	20.1	14.3	19.3	16.9	United States	22.8	20.1	27.2	19.8	25.3	15.1
Italy	10.3	10.3	10.4	7.7	12.4	13.5							
Japan	20.0	16.4	23.9	16.4	22.8	15.7	OECD	14.2	12.5	16.6	11.1	16.5	11.4

Notes: Data are for 2020 except for some countries; see note of Table 7.1 for details. Data for Colombia is unavailable.

Source: OECD Income Distribution Database, www.oecd.org/social/income-distribution-database.htm (June 2023 version).


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Figure 7.2. Income poverty rates by age: older vs. total population, 2020 or latest available year



Note: Data are for 2020 except for some countries; see note of Table 7.1 for details.

Source: OECD Income Distribution Database, www.oecd.org/social/income-distribution-database.htm (June 2023 version).

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Poverty depth

Substantial country differences exist in the so-called poverty depth measured by the gap between the average income of the poor and the relative poverty line, here defined as 50% of median income (Figure 7.3). Among the elderly, the largest poverty depth – more than 35% of the income at the poverty threshold – is in Iceland, Türkiye and the United States. This means that in these countries the average income of those aged 66+ who are relatively poor is less than about one-third (65%*50%) of the median income for the total population. In Austria, Japan, Korea, Mexico and Spain, the poverty depth of the 66+ also exceeds 30%. The lowest average gaps, of less than 15%, are reported in Canada, Czechia, Denmark, Estonia, Finland, Ireland and Sweden. The average poverty depth is smaller for the elderly (23%) than for all poor (29%).

Change in poverty in recent decades

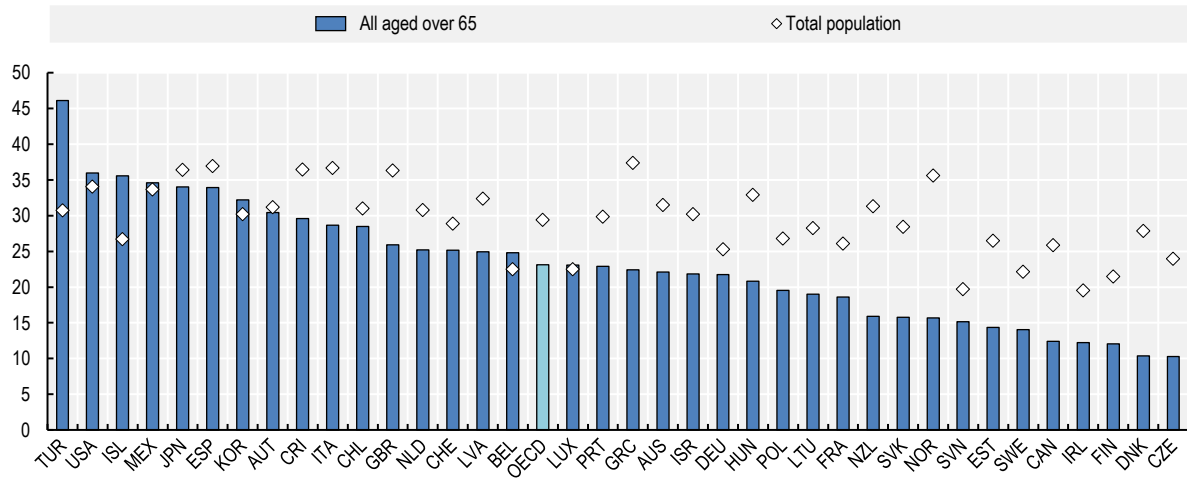
The incidence of poverty has substantially changed over time in some countries (Table 7.3). However, the average relative old-age poverty rate across countries has been broadly stable, falling by -0.8 percentage points across the 32 OECD countries for which data are available, with considerable country variation. The largest declines were observed in Greece (-10.4 percentage points), Israel (-8.5 percentage points), Norway (-8.7 percentage points), Spain (-8.6 percentage points) and the United Kingdom (-9.6 percentage points) while old-age poverty rates increased substantially in Latvia (+8.4 percentage points), Lithuania (+11.5 percentage points), New Zealand (+13.7 percentage points) and Poland (+8.8 percentage points).

Poverty rates increased, on average, over the last 20 years for the working-age groups – and in particular for young adults. The poverty rate of the 18-25 year-olds increased in 19 out of 32 countries between 2000 and 2020 and by 1.1 percentage points on average. It increased strongly in Denmark (+5.0 percentage points), Finland (+12.8 percentage points), Germany (+5.7 percentage points), Israel (+6.2 percentage points) and Norway (+7.0 percentage points), while declining most in Canada (-5.6 percentage points), Iceland (-5.1 percentage points), Ireland (-4.4 percentage points), Latvia (-3.0 percentage points), New Zealand (-3.7 percentage points) and Poland (-4.2 percentage points).

As a result, on average, there was a shift in poverty rates from the old, who used to have the highest poverty incidence, to the young adults of about 2 percentage points between the over-65s and the 18-25s. for the OECD-32 between 2000 and the latest available data. The most extreme shift in poverty from the old to the young happened in Denmark (-11.0 percentage points), Finland (-14.8 percentage points), Greece (-14.9 percentage points), Israel (-14.7 percentage points), Norway (-15.8 percentage points) and Spain (-11.2 percentage points) since 2000. The strongest poverty shifts in the opposite direction, hence from young to old, were in Canada (+12.5 percentage points), Latvia (+11.4 percentage points), Lithuania (+10.4 percentage points), New Zealand (+17.4 percentage points) and Poland (+12.9 percentage points).

Figure 7.3. Income poverty depth by age: older vs. total population, 2020 or latest available year

Poverty depth is measured as mean income gap of poor population to income at poverty line (in percentage)



Note: Data are for 2020 except for some countries; see note of Figure 7.1 for details. In Greece, for example, the average income of the poor aged over 65 is 22.4% below the income threshold that determines whether a person counts as poor, which equals 50% of the median income in the total population here. That is, their average income is equal to 38.9% of median income. The average income of all poor in Greece is 37.4% below that poverty line.

Source: OECD Income Distribution Database, www.oecd.org/social/income-distribution-database.htm (June 2023 version).

StatLink <https://stat.link/g8d72q>

Table 7.3. Change in relative income poverty rates between 2000 and 2020 by age

Percentage-point change in share with income lower than 50% of median equivalised household disposable income

Country (change since 2000 or latest thereafter)	Aged over 65	Age 0-17	Age 18-25	Age 26-65	Total	Poverty shift: aged over 65 vs. 18-25	Country (change since 2000 or latest thereafter)	Aged over 65	Age 0-17	Age 18-25	Age 26-65	Total	Poverty shift: aged over 65 vs. 18-25
Australia	0.9	-1.2	1.8	-0.2	0.2	-0.9	Korea						
Austria	-2.7	2.3	-0.6	0.0	-0.1	-2.0	Latvia	8.4	-9.3	-3.0	-3.1	-1.6	11.4
Belgium							Lithuania	11.5	-8.2	1.1	-2.1	-0.4	10.4
Canada	6.9	-7.6	-5.6	-3.8	-3.4	12.5	Luxembourg						
Chile	0.5	-4.7	0.3	-3.7	-3.6	0.2	Mexico	-7.1	-3.5	0.3	-0.9	-2.4	-7.3
Colombia							Netherlands	2.6	0.8	2.7	2.1	1.6	-0.1
Costa Rica							New Zealand	13.7	-2.6	-3.7	-2.3	-0.9	17.4
Czechia	2.7	-1.8	-0.2	-0.3	-0.2	2.9	Norway	-8.7	3.6	7.0	2.5	1.6	-15.8
Denmark	-6.0	2.6	5.0	2.6	1.6	-11.0	Poland	8.8	-10.7	-4.2	-3.4	-3.3	12.9
Estonia							Portugal	-4.2	0.7	4.4	0.5	0.2	-8.6
Finland	-2.0	-0.1	12.8	0.9	1.4	-14.8	Slovak Republic	-0.7	2.8	0.5	0.3	0.6	-1.2
France	-0.5	2.5	3.2	1.6	1.4	-3.8	Slovenia	-3.9	-0.1	0.0	0.7	0.0	-3.9
Germany	1.6	3.0	5.7	3.7	3.4	-4.1	Spain	-8.6	2.0	2.5	3.1	1.0	-11.2
Greece	-10.4	2.8	4.5	3.1	0.6	-14.9	Sweden	2.1	5.1	1.7	4.8	4.2	0.5
Hungary	4.3	0.4	3.3	1.9	2.2	1.0	Switzerland	1.0	0.3	-0.5	-0.5	0.2	1.5
Iceland	-1.4	-2.3	-5.1	0.0	-1.4	3.7	Türkiye	-1.2	-1.4	-0.9	-1.4	-2.0	-0.4
Ireland	-3.8	-6.5	-4.4	-3.1	-3.9	0.6	United Kingdom	-9.6	-4.3	-0.4	0.3	-1.8	-9.1
Israel	-8.5	5.7	6.2	3.8	3.8	-14.7	United States	-3.4	-7.8	-1.0	0.7	-1.6	-2.5
Italy	-6.6	4.3	2.0	3.1	1.2	-8.6	OECD32	-0.8	-1.1	1.1	0.3	0.0	-1.9
Japan	-1.2	-0.5	0.7	-0.5	0.4	-1.8							

Notes: Data are for 2020 except for some countries; see note of Figure 7.1 for details. Historical data for Belgium, Estonia, Korea and Luxembourg are not comparable due to breaks in series and are not shown here. Data for Colombia and Costa Rica are unavailable.

Source: OECD calculations based on OECD Income Distribution Database, www.oecd.org/social/income-distribution-database.htm (June 2023 version).

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