# Gross pension entitlements for couples

## Key results

Half of OECD countries provide some support for non-working partners in a couple. An average-wage single-earner couple receives total benefits for both people of 55.6% of the average wage compared with 50.7% for single full-career male earners after a full career. When both partners have been full-career average earners then replacement rates are lower than that for two individuals in five countries, Denmark, Ireland, Lithuania, the Netherlands and New Zealand.

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. Additionally, there are several countries with either residence-based basic pensions or means-tested targeted benefits that are provided on an individual basis and so are paid to the non-working partner in the couple.

On average for couples in which there is a male average earner and a non-working partner, the pension benefit is 55.6% of average earnings, at the normal retirement age, compared to 50.7% for a single male worker at average earnings. Overall, just under half of OECD countries provide higher total benefits for one-earner couples than for single earners, at the average wage. The largest difference is found in Australia where benefits for single-earner couples are 32 percentage points higher than for single earners, with Denmark, Ireland, New Zealand and Norway all over 20 percentage points. In Australia, Denmark, Ireland and Norway, the non-working partner has full entitlement to the means-tested targeted pensions and, in addition in Denmark, to the flat-rate residence-based basic pension, whilst in New Zealand both partners are entitled to the residence-based basic pension at the couple rate (76% of the individual rate for each partner). In Finland and Sweden, a single person on average earnings would not be eligible to the contributory minimum pension. However, a couple with one partner earning the economy-wide average would receive a top-up. Lithuania actually has a lower replacement rate as the living alone supplement is withdrawn.

Given an equivalence scale of square root of 2 for a couple in order to account for economies of scale in living costs (Chapter 7), the single-earner couple benefit level of 55.6% of average earnings provides an equivalent, at the individual level, of 39.3%, so over 11 percentage points lower than for single men, reflecting the fact that the second person has not received any labour income.

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. 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.

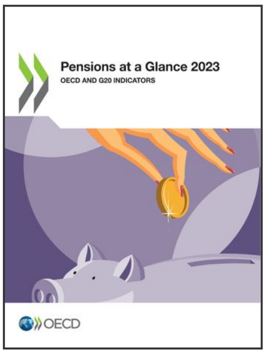
For the couple analysis, a male and female partner of the same age are assumed to enable easier comparison with the single-earner scenario. For the two-earner couple, both are assumed to retire at the earliest age at which no penalty will apply to their benefits, with the female pensioner then having 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 | 26.0 | *(23.8)* | 57.8 | |
| Austria | 74.1 | | | |
| Belgium | 43.5 | | 54.0 | |
| Canada | 36.8 | | 42.6 | |
| Chile | 37.1 | *(34.9)* | | |
| Colombia | 74.8 | | | |
| Costa Rica | 64.1 | *(61.5)* | | |
| Czechia | 47.4 | | 57.8 | |
| Denmark | 73.1 | | 96.0 | 139.1 |
| Estonia | 28.1 | | 40.1 | |
| Finland | 58.4 | | 69.9 | |
| France | 57.6 | | | |
| Germany | 43.9 | | | |
| Greece | 80.8 | | | |
| Hungary | 52.4 | *(49.0)* | | |
| Iceland | 43.1 | | 61.6 | |
| Ireland | 26.2 | | 47.1 | 48.2 |
| Israel | 38.0 | *(35.2)* | 42.8 | |
| Italy | 76.1 | | | |
| Japan | 32.4 | | 43.3 | |
| Korea | 31.2 | | 33.5 | |
| Latvia | 39.8 | | | |
| Lithuania | 18.2 | | 17.0 | 34.0 |
| Luxembourg | 74.8 | | | |
| Mexico | 55.5 | | 65.1 | |
| Netherlands | 74.7 | | 85.6 | 131.2 |
| New Zealand | 39.7 | | 60.2 | 60.2 |
| Norway | 44.5 | | 68.0 | |
| Poland | 29.3 | *(22.9)* | | |
| Portugal | 73.9 | | | |
| Slovak Republic | 54.9 | | | |
| Slovenia | 42.1 | | | |
| Spain | 80.4 | | | |
| Sweden | 62.3 | | 74.1 | |
| Switzerland | 39.9 | | | |
| Türkiye | 70.3 | *(67.6)* | | |
| United Kingdom | 41.9 | | | |
| United States | 39.1 | | 48.0 | |
| **OECD** | **50.7** | ***(50.1)*** | **55.6** | **99.5** |

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/fz7yng

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