

Key results

Incomes of older people are on average lower than those of the population, even when differences in household size are taken into account. The incomes of the over 65s had incomes of 87% of the total population's in 2012-13. The incomes of the people aged between 66 and 75 equalled 92% of the total population's while the over 75s had income equal to 80% of the total population's. In most OECD countries, public transfers provide the bulk of income in old age.

People over 65 had incomes amounting to 87% of population incomes, on average, in 2012 and where data are available (Table 8.1). Older people fared best in France and Luxembourg where incomes for the over-65s were equal or higher than for the total population at 100% and 106% respectively. Older people also had relatively high incomes in Greece, Israel, Italy, Mexico, Portugal and Spain with incomes above 95% of the national average. In Australia and Korea, by contrast, older people's incomes stood at just 67% and 60% respectively.

People aged 66-75 have higher relative incomes, on average, than those aged over 75: 92% and 80% of population incomes, respectively. Lower incomes for older retirees are partly explained by cohort effects such as the growth of real earnings. Over time this translates to higher earnings for each successive cohort of retirees. This in turn leads to higher pensions income for each generation. Indexation principles of pension benefits in payment therefore play a large role in protecting the income of the elderly over longer periods of time. This has a particular effect on older women who tend to have both lower wages while active and also have longer life expectancies compared to men and are over-represented among the oldest-old.

Income sources

Of the four main sources of income on which older people draw, public transfers (earnings-related pensions, resource-tested benefits, etc.) and occupational transfers are the most important (Figure 8.2). They account for 56% and 13% of older people's incomes on average respectively. The over-65s who are most reliant on public transfers live in Hungary and Belgium: 89% and 85% respectively of their incomes come from that source. Public transfers represent a small share in Mexico being 6% of all income. Occupational transfers are of particular importance in 13 OECD countries. France and Finland have the highest levels at 70% and 72%.

Work accounts for 21% and income from capital for about 10% of older people's incomes on average in the OECD. Work is especially important in Mexico where it

accounts for more than 60% of old-age income. Work is also very important in New Zealand, Turkey, the United States and Israel where it accounts for more than 30% of older people's income. Several factors are behind these values. In some countries, such as Israel and the United States, the normal pension age is higher than age 65. And in others, people keep on working to fill gaps in contribution histories or to obtain better incomes over retirement. Also, as incomes are measured for households, older people are assumed to draw on the earnings of younger family member with whom they may live. 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 Australia, Denmark, France and the United States, capital represents around 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 equalised with the square root equivalence scale to adjust for differences in household size. See *In It Together: Why Less Inequality Benefits All* (OECD, 2015) for more details on definitions and data sources. The special chapter on "Incomes and poverty of older people" in *Pensions at a Glance 2013* provides a more detailed analysis.

Further reading

OECD (2015), *In It Together: Why Less Inequality Benefits All*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264235120-en>.

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

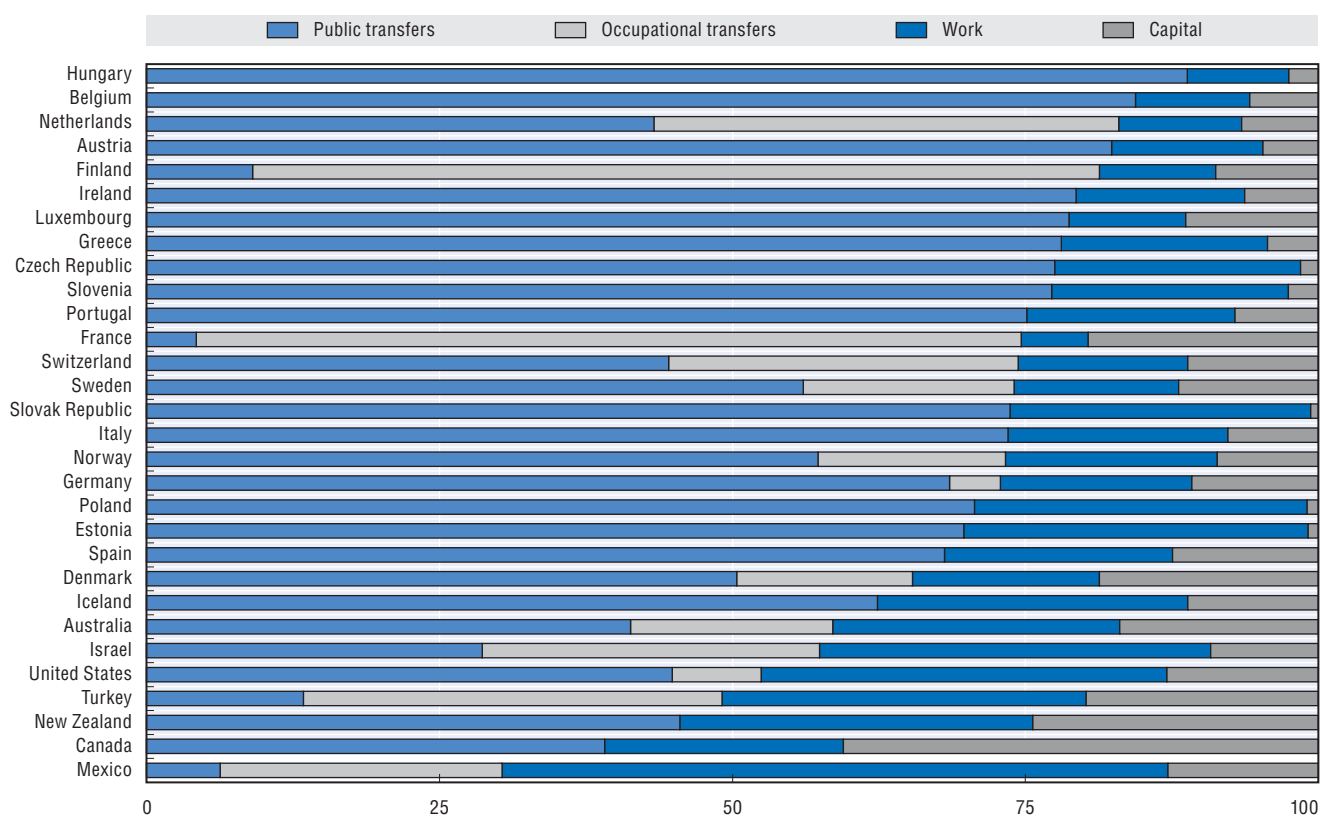
8.1. Incomes of older people, 2012 (or latest available)

	Incomes of people aged over 65, % of population incomes				Incomes of people aged over 65, % of population incomes				
	All aged over 65	Age 66-75	Aged over 75		All aged over 65	Age 66-75	Aged over 75		
Australia	67.1	70.8	61.9	2012	Korea	60.1	62.0	56.4	2013
Austria	89.8	93.2	84.6	2012	Luxembourg	106.0	103.2	110.8	2012
Belgium	77.2	80.5	73.4	2012	Mexico	96.2	102.6	85.5	2012
Canada	91.6	94.0	88.4	2011	Netherlands	87.3	99.2	78.3	2013
Czech Republic	81.1	84.0	76.5	2012	New Zealand	83.3	93.5	68.2	2012
Denmark	77.1	82.4	69.1	2012	Norway	89.4	99.6	75.2	2012
Estonia	68.9	72.9	63.6	2012	Poland	90.3	89.7	91.0	2012
Finland	83.6	93.2	70.6	2012	Portugal	96.3	102.2	89.8	2012
France	100.4	107.3	93.3	2013	Slovak Republic	83.9	84.9	81.9	2012
Germany	86.9	90.5	80.0	2012	Slovenia	86.3	90.5	80.6	2012
Greece	97.5	103.5	90.2	2012	Spain	95.9	100.8	90.9	2012
Hungary	84.1	92.9	82.3	2012	Sweden	85.7	97.6	67.9	2012
Iceland	92.7	96.9	86.8	2012	Switzerland	75.6	80.8	67.7	2012
Ireland	87.9	96.6	74.8	2012	Turkey	89.5	94.4	81.6	2012
Israel	96.5	106.4	83.0	2012	United Kingdom	82.3	88.7	74.3	2012
Italy	95.6	101.2	89.6	2013	United States	92.1	102.9	76.8	2013
					OECD32	86.8	92.5	79.5	

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


StatLink  <http://dx.doi.org/10.1787/888933301190>

8.2. Income sources of old people, 2012 or latest available



Note: Income from work includes both earnings (employment income) and income from self-employment. Capital income includes private pensions as well as income from the returns on non-pension savings. Chile, Japan, Korea and the United Kingdom missing.

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

StatLink  <http://dx.doi.org/10.1787/888933300853>



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