

Key results

On average, 13.5% of over 65s in OECD countries live in income poverty, defined as an income below half the national median. There is large variation between countries, from two with practically no old-age poverty to four with poverty rates double the OECD average. Poverty rates are higher for older people than for the population as whole, which averages 10.6%. A greater proportion of older women live in poverty than older men and old-age poverty rates increase with age.

In the mid-2000s, poverty rates of people aged over 65 were very high in Korea (45%) and high in Australia, Ireland and Mexico (above 25%). The Czech Republic, the Netherlands and New Zealand have the fewest poor elderly: around 2%. Poverty rates are close to the OECD average of 13.5% in Belgium, Finland and Italy.

One important factor that explains the varying incidence of old-age poverty is the level at which safety-net retirement benefits are set. In Australia and Ireland, for example, these benefits were below the poverty thresholds in the mid-2000s. By contrast, the basic pension in New Zealand was much higher than the country's poverty threshold (see the indicator on "Basic, targeted and minimum pensions" in Part II.1). Korea's very high old-age poverty rate is primarily due to the fact that the public pension scheme was introduced in 1988, so retirees in the mid-2000s had little or no entitlements.

In 19 out of 30 countries, the population poverty rate is below the old-age poverty rate. The largest differences between the two are found in Australia, Greece, Ireland, Korea, Mexico and Switzerland. Older people are relatively less likely to be poor in 11 countries. Most notably among these is Poland, where the old-age poverty rate is almost 10 percentage points lower than the overall rate.

Poverty and age

Poverty among the "younger old" (aged 66-75) is generally rarer than among the "older old" (aged 75 and over); the average poverty rates are 11.7% and 16.1%, respectively. The difference between the two is in double digits in Finland, Ireland and Norway. There are many explanations for this pattern. Most significantly, as real earnings have tended to grow over time, each successive cohort of retirees has a higher starting benefit. Also, women predominate among the old: they make up 53% of 66-75 year-olds and 60% of those aged over 75 on average. Nevertheless, in four countries – Luxembourg, the Netherlands, New Zealand and Poland – the over 75s fare slightly better than their

younger counterparts. And in Iceland, there is no difference in the poverty rates of the two groups.

Poverty and gender

Older women are at greater risk of poverty than older men in 27 out of 30 countries. Average poverty rates are 15% for women and 11% for men. There are three exceptions to this pattern – Iceland, Luxembourg and New Zealand – all of which have low overall poverty rates for older people. However, in five more countries – Belgium, Mexico, the Netherlands, Portugal and Turkey – older women fared relatively well, with poverty rates only a little higher than for men.

The largest gender poverty gaps are in Ireland, Finland and Norway where women's poverty rates exceed men's by more than 10 percentage points. But there are also significant differences in Austria, Italy, Japan, the Slovak Republic and the United States.

Poverty in different types of household

The starkest differences in poverty risk are by household type. Among households headed by someone aged over 65, around one in four single people live in poverty on average. This compares with less than one in ten among people in couples. The great majority of single older people are especially likely to live in poverty in Ireland and Korea. Income poverty rates of 40-50% for single older people are also found in Australia, Japan, Mexico 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 a particular country at a particular point in time. Here, the poverty threshold is set at 50% of median, equivalised household disposable income. See OECD (2008), *Growing Unequal?* for more details on definitions and data sources. The special chapter on "Incomes and poverty of older people" in OECD (2009), *Pensions at a Glance* provides a more detailed analysis.

Income poverty rates

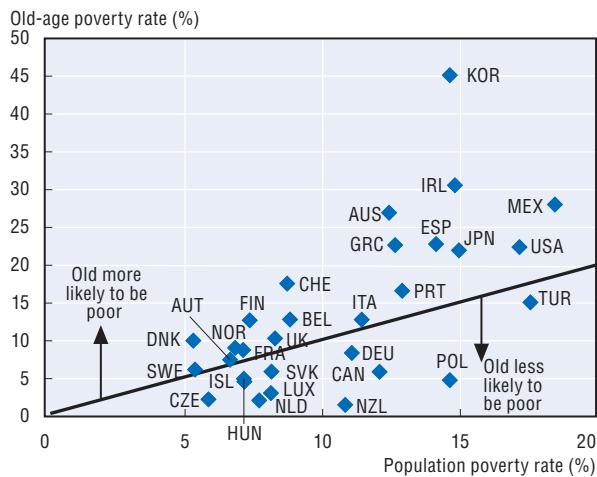
Percentage with incomes less than 50% of median household disposable income

	Older people (aged over 65)						Whole population (all ages)	
	All 65+	By age		By sex		By household type		
		66-75	75+	Men	Women	Single		Couple
Australia	26.9	26.1	28.3	24.6	28.9	49.9	17.7	12.4
Austria	7.5	5.3	10.2	3.6	10.1	16.4	3.9	6.6
Belgium	12.8	10.5	16.0	12.7	12.9	16.7	10.0	8.8
Canada	5.9	5.2	6.8	3.1	8.1	16.2	3.9	12.0
Czech Republic	2.3	2.0	2.6	1.4	2.9	5.6	2.0	5.8
Denmark	10.0	6.9	13.7	8.0	11.5	17.5	3.8	5.3
Finland	12.7	8.2	19.5	6.5	16.9	28.0	3.9	7.3
France	8.8	7.2	10.6	6.6	10.4	16.2	4.1	7.1
Germany	8.4	6.5	11.1	5.1	10.8	15.0	4.7	11.0
Greece	22.7	19.2	27.8	20.4	24.5	34.2	17.6	12.6
Hungary	4.6	4.2	5.5	1.8	6.6	11.1	0.8	7.1
Iceland	5.0	5.0	5.0	5.8	4.3	9.8	2.3	7.1
Ireland	30.6	25.8	37.1	24.6	35.3	65.4	9.4	14.8
Italy	12.8	11.2	15.2	8.1	16.1	25.0	9.4	11.4
Japan	22.0	19.4	25.4	18.4	24.7	47.7	16.6	14.9
Korea	45.1	43.3	49.8	41.8	47.2	76.6	40.8	14.6
Luxembourg	3.1	3.4	2.6	4.0	2.4	3.6	2.9	8.1
Mexico	28.0	26.3	31.2	27.6	28.5	44.9	20.9	18.4
Netherlands	2.1	2.2	2.0	1.7	2.4	2.6	2.3	7.7
New Zealand	1.5	1.6	1.4	2.1	0.9	3.2	1.1	10.8
Norway	9.1	3.8	14.6	3.5	13.1	20.0	1.2	6.8
Poland	4.8	5.4	3.8	2.6	6.1	6.0	5.9	14.6
Portugal	16.6	14.4	19.9	16.0	17.0	35.0	15.7	12.9
Slovak Republic	5.9	3.2	10.6	2.0	8.4	10.4	2.9	8.1
Spain	22.8	20.0	26.4	20.1	24.7	38.6	24.2	14.1
Sweden	6.2	3.4	9.8	4.2	7.7	13.0	1.1	5.3
Switzerland	17.6	16.6	19.3	15.2	19.3	24.3	14.6	8.7
Turkey	15.1	14.9	15.6	14.6	15.6	37.8	17.3	17.5
United Kingdom	10.3	8.5	12.6	7.4	12.6	17.5	6.7	8.3
United States	22.4	20.0	27.4	18.5	26.8	41.3	17.3	17.1
OECD30	13.5	11.7	16.1	11.1	15.2	25.0	9.5	10.6

Source: OECD Income-Distribution Database; see OECD (2008), *Growing Unequal?*, Table 5.3.

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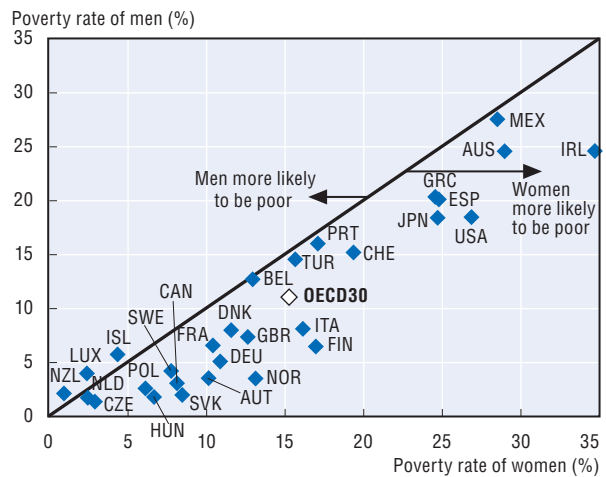
Income poverty rates by age



Source: OECD Income-Distribution Database; see OECD (2008), *Growing Unequal?*, Tables 5.1 and 5.3.

StatLink <http://dx.doi.org/10.1787/888932371044>

Income poverty rates of older people by sex



Source: OECD Income-Distribution Database; see OECD (2008), *Growing Unequal?*, Figure 5.6.

StatLink <http://dx.doi.org/10.1787/888932371044>

PART II
Chapter 4

Finances of Retirement-income Systems

These indicators look at the retirement-income system as a whole rather than the focus on individuals' pension entitlements and retirement incomes as in the previous two sections.

They begin with an examination of how pensions are financed. The first indicator shows contribution rates for public and mandatory private pensions for countries where these can separately be identified. It also provides data on public revenues from pension contributions.

The first of the three indicators of pension expenditures looks at public spending between 1990 and 2007. It shows how much of national income is needed to pay for public pension benefits. It also shows the importance of public pensions in the overall government budget. Data are also provided, where available, on the cost of "non-cash" benefits (for housing, for example). The second spending indicator focuses on private pension, looking at the benefit spending of mandatory, quasi-mandatory and voluntary private schemes. It also shows, where available, information on the cost of public support for private pensions through tax incentives.

The final indicator looks at long-term financial projections of pension spending, showing how public expenditures on pensions are likely to evolve in the period from 2007 to 2060. This draws on the European Union's second report on ageing for the EU27 countries plus Norway and on national sources for some further OECD countries and other major economies.



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