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The Role of Derived Rights
for Old-age Income Security
of Women

Jongkyun Choi

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SUMMARY

1. This paper analyses the income situation of older women living alone and examines the role of pension entitlements from derived rights for their income security. The data shows that the share of elderly women living alone is expected to increase substantially due to population ageing and women's longer life expectancy. Many of them are at greater risk of poverty than aged couples. Taking into account that poverty among older women living alone has been on the rise in many OECD countries, old age income security of widows and divorcees will remain a challenge for policy makers.

2. The analysis of income sources shows that survivors' pensions and divorcees' benefits form the largest share of the incomes of elderly women living alone. It also finds a relatively strong negative relationship between the size of the pension benefit and the poverty level of older women living alone. Thus, the structure and level of public pension schemes play an important role for income adequacy and poverty risks of this group. Most OECD pension systems offer protection for widows and divorcees through contributory or non-contributory benefits. Entitlements derived from the rights of an income-earning spouse are usually calculated as a percentage of the insured worker's rights. Preliminary calculations show that in the OECD countries examined here, non-working widows and working widows receive an average pension level of 36 and 50%, respectively, compared to an average level for couples of nearly 60% of average earnings.

3. The high poverty rate of older women living alone suggests that survivors' pension schemes or pension benefits for divorcees are not entirely successful in providing old-age income security for this target group. As an increasing number of women work and earn their own pension entitlements, derived pension rights may become less important. However, adequate pensions will require full-time work over the whole career. In countries where women work more part-time and experience longer career interruptions due to caring for children or elderly relatives, pensions based on own contributions may be quite low. Whether poverty prevention for this group is best addressed by benefits from derived rights or by the general old-age safety net will depend on the degree of full-time female labour force participation and the evolution of poverty of older women living alone relative that of the overall older population.

RESUME

4. Ce document analyse la situation des revenus des femmes âgées vivant seules et examine le rôle des droits à pension provenant de droits dérivés pour leur garantie de revenu. Les données montrent que la part des femmes âgées vivant seules devrait beaucoup augmenter dans les années à venir à cause d'une population vieillissante et de la longévité plus importante des femmes. Beaucoup d'entre elles risquent plus d'être pauvres que les couples âgés. Si on tient compte du fait que la pauvreté chez les femmes âgées vivant seules ne cesse d'augmenter dans plusieurs pays membres de l'OCDE, faire en sorte que les personnes âgées veuves ou divorcées puissent jouir d'une protection de revenus restera un défi pour les pouvoirs publics.

5. L'analyse des sources de revenus montre que les pensions de réversion et les prestations des divorcées forment la plus grande partie des revenus des femmes âgées vivant seules. Elle montre aussi une relation relativement forte et négative entre l'ampleur des prestations de pension et le niveau de pauvreté des femmes âgées vivant seules. Aussi, la structure et le niveau des régimes de retraite publics jouent un rôle important pour faire en sorte que ce groupe de personnes ait suffisamment de revenus et qu'elles ne tombent pas dans la pauvreté. La plupart des systèmes de pension des pays de l'OCDE offrent une protection pour les veuves et les divorcées par le biais de prestations contributives ou non contributives. Les revenus perçus des droits d'un époux qui gagne un salaire sont normalement calculés comme un pourcentage des droits d'un travailleur assuré. Les calculs préliminaires montrent que dans les pays de l'OCDE examinés ici, les veuves qui ne travaillent pas et les veuves qui travaillent reçoivent un niveau moyen de pension de 36 et 50%, respectivement, comparé à un niveau moyen pour les couples de presque 60% des revenus moyens.

6. Le fort taux de pauvreté des femmes âgées vivant seules suggère que les régimes de retraite de réversion ou les prestations de pension pour les divorcées ne sont pas totalement une réussite pour assurer à ce groupe cible une garantie de revenus. Comme de plus en plus de femmes travaillent et gagnent leurs propres droits à pension, les droits à pension dérivés peuvent devenir moins importants. Toutefois, pour obtenir des pensions suffisantes il faudra travailler à plein temps pendant toute une carrière. Dans les pays où les femmes travaillent plus à temps partiel et où elles ont des interruptions de carrière plus longues pour s'occuper des enfants ou de parents âgés, les pensions basées sur les propres contributions peuvent s'avérer assez basses. Que les prestations provenant des droits dérivés ou des filets de sécurité des personnes âgées puissent prévenir au mieux la pauvreté dépendra du degré de participation des femmes travaillant à plein temps et de l'évolution de la pauvreté des femmes âgées vivant seules en comparaison avec la population âgée en générale.

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1. Introduction: derived pension rights as a pension policy issue

7. Derived pension rights are defined as pension entitlements which are not earned as a result of a worker's own contributions and earnings history. Entitlement is commonly based on a family relationship or registered partnership between the insured worker and the beneficiary, such as the relationship of husband-wife, parents-children, etc. Benefits resulting from derived rights encompass spousal benefits as a supplement to a worker's pension, benefits for divorced spouses, and survivor benefits for widow(er)s and orphans; some countries also offer benefits to the surviving parents of an insured worker. Entitlements from derived rights are usually calculated as a percentage of the insured worker's rights; only rarely is a widow, for example, entitled to the full benefit of her deceased husband.

8. In the past, when female labour force participation was low, most women depended on benefits from derived rights as their main source of income after their husband's death or divorce. In societies dominated by male-breadwinner households women worked less in the formal labour market and were thus not covered by employment-related insurance schemes. This also explains why there are much fewer men among today's pensioners depending on benefits from derived rights. Until recently, several countries, *e.g.* Australia, Sweden and the United Kingdom, even offered specific pension benefits only for widows but no such benefits for widowers.

9. The importance of benefits from derived rights for female pensioners is confirmed by the data on income and poverty among older people. Older women living alone are at greater risk of poverty than other elderly people. In most OECD countries, older persons, on average, have incomes of between 70 and 80% of those of working age people with a large share of resources coming from pension schemes.¹ Considering revenues from other assets and the fact that living expenses are generally lower during retirement than during work periods, the majority of older people will not experience a serious decline of their living standards during retirement. But this is not true for all groups among the elderly. As will be shown in this paper, poverty among elderly widows and older single women living alone has been and remains much higher than the average.

10. In the future, the situation is bound to change. Today, more and more women work full-time or at least part-time, thereby earning their own pension entitlements. Future female pensioners will thus rely much more on their own earned pension rights. But in most countries this does not necessarily mean that benefits from derived rights will become obsolete. In countries where women work more part-time and experience longer career interruptions due to caring for children or elderly relatives, pensions based on own contributions may be quite low. The impact on pension entitlements will be compounded by recent pension reforms in many OECD countries that aim to link contributions and benefits more closely. Some form of supplement, be it from derived rights or based on a general resource-related entitlement, will likely remain important for old age income security of surviving widows and divorced older spouses but also for low-income pensioners and workers with broken careers more generally.

11. This paper analyses the income situation of older women and examines the importance of pension entitlements from derived rights for old age income security. Section 2 discusses population trends of older women living alone and presents evidence on the income and poverty situation of this group. The importance of benefits from derived rights for income security of older women is examined in section 3. Section 4 presents the rules regarding derived rights for widows and divorced spouses in twelve OECD countries (Australia, Austria, Belgium, Canada, Finland, France, Germany, Italy, Sweden, Switzerland, the United Kingdom and the United States). Section 5 discusses the policy implications for pension system design and concludes.

1. On average across OECD countries, a worker on average earnings can expect a gross replacement rate of around 60% (OECD, 2005).

Box 1. Literature review on derived pension rights

Derived pension rights are not a well-researched area of pension system analysis. There are only a few studies and most of them are about derived rights in the US pension system authored by law scholars. The focus is mostly on gender inequality and on spouses as dependents or survivors, while the rights of dependent children are largely excluded. Male dependents are also excluded from most analyses, reflecting their minimal share in total beneficiaries of derived pension rights. Most studies examine the situation of elderly women living alone.

A few articles compare derived pension rights across countries. Thomson and Carasso (2002) analyse pension benefits of 16 countries from the perspective of women, including survivors' benefits and pension rights in case of divorce. The authors find that survivors' benefits mainly depend on the type of main pension schemes for workers, in particular whether they are flat rate or earnings-related. As for divorce, countries address this issue in various ways: no benefit provision, pension splitting and creation of special benefits.

Apart from these studies with a specific focus on countries and target groups, two other results from this area of research are worth highlighting:

- Low incomes are dramatically more prevalent among old women living alone than among the elderly population as a whole. For women in the age range 65-74, becoming widowed leads to a fall in income of between a fifth and one third (Casey and Yamada, 2002).
- Pension benefits – especially those provided by public systems - can play an important role in reducing old-age poverty. Many analyses find a link between the economic status and relative income position of widows with women's pensions. Hurd and Wise (1997) show that a restructuring of pension benefits could have an important effect of poverty alleviation for elderly women living alone. Poverty rates of widows could be strongly reduced by an increase in survivor benefits which would be funded by a reduction in the benefits of couples, even though this reduction could result in a small increase in the poverty rate of couples. Similar results were found by Sandell and Iams (1997).

2. The current status of main beneficiaries of derived rights: elderly women living alone

12. As a result of low female labour force participation in the past and longer female life expectancy, women have been main beneficiaries of derived pension rights. This section looks at the current status of older women, in particular at their income situation and the impact that demographic change will have on this group.

2.1. Population trends of elderly women living alone

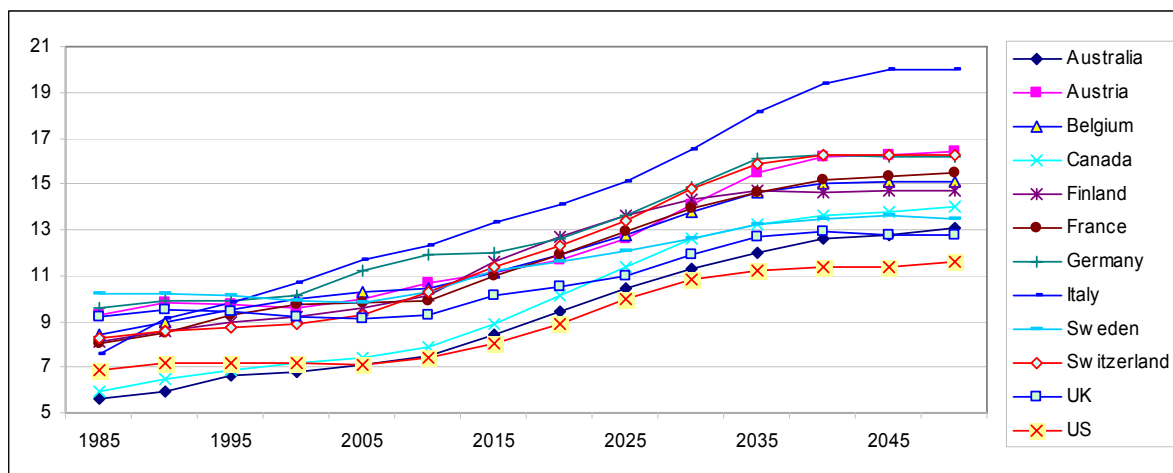
2.1.1 Ratio in total population and other elderly population

13. In most OECD countries, the number of elderly people is dramatically increasing and this trend is confirmed for the group of elderly women. Due to the gender gap in life expectancy and general population ageing, the share of elderly women in the total population is predicted to increase. Figure 1 shows that in many countries this ratio will rise from 10% in 2005 to nearly 15% of total population by 2050. In Italy, it will exceed 20%, and even in the United States which now shows the lowest level, the number will increase to over 10%.

14. There is also a secondary ageing process underway: the ageing of the aged. This will result in a significant increase in the numbers of people aged 75 and over. Figure A.1 and A.2 in the Annex show that, in 2050, the share of elderly women in the age group between 65 and 74 years will stabilise at the level of around 5-6 percentage of total population. The portion of elderly women aged 75 and over is expected to reach 10% of total population, on average, in 2050 in twelve OECD countries, nearly double that of elderly women aged 65-74.

Figure 1. Trends in number of elderly women in total population

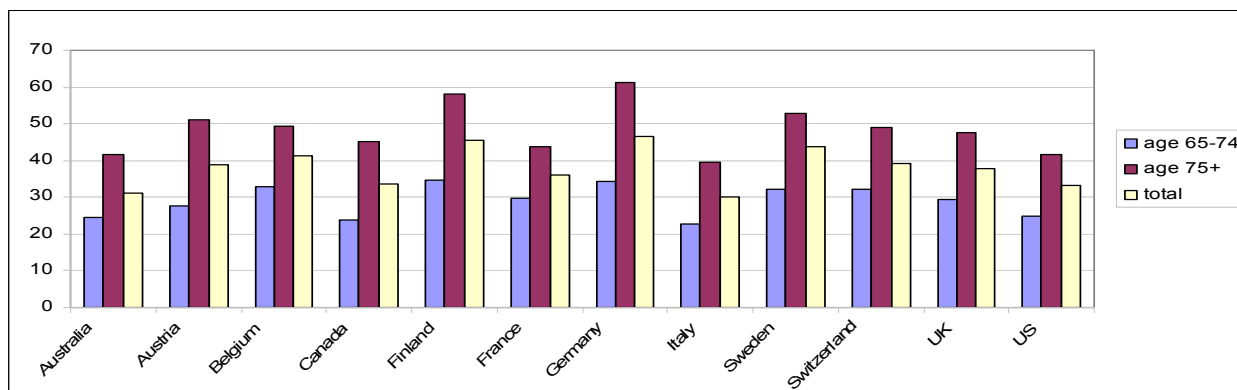
Percentage of women aged 65 and over in total population



Source: Calculations based on UN World Population Prospects, http://unstats.un.org/unsd/cdb/cdb_source_xrxx.asp?source_code=15.

Figure 2. The share of households with women living alone in elderly households (2000)

Percentage of households with elderly women living alone in each age bracket of households



Notes:

1. The ratio is to the same age group. For example, the ratio of households with single elderly women aged 65-74 is to total households with elderly people aged 65-74.
2. The data for Australia and France are for 1994, and that for the United Kingdom is for 1999.

Source: Calculations based on data from Luxembourg Income Study (LIS).

15. A calculation based on the database of the Luxembourg Income Study (LIS) shows that, in most countries, the share of households with elderly women living alone was over 30% of total households with elderly people in 2000. (Figure 2). A household with an elderly woman living alone is defined as a household whose head is a woman aged 65 and over and in which no other people live. Because it would be possible for a single elderly woman to live in a household with other people, but to be financially independent, the real number could be underestimated. Nevertheless, in Finland and Germany, more than

40% of all elderly households and more than 60% of those with people aged over 75 are made up by elderly women living alone.

16. On average, in the twelve countries shown, households with elderly women living alone aged 65-74 make up 29% of households with elderly people. This number increases to 48% for households with women aged 75 and over. In total, the share of households with elderly women living alone in total households with elderly population reaches 38%.²

2.1.2 Composition of the group of elderly women living alone

17. To analyse the impact of derived rights on the income situation of elderly women, it is important to know whether the women are widowed, divorced or were never married. Table 1 shows the composition of the group of elderly women living alone. In most of the countries reviewed here, nearly four fifths of elderly women living alone are widows, but the share is declining. The average ratio of widows in the 6 countries for which the LIS database provides information, was 83.5% in mid 80s, but fell to 78.3% in 2000. Never-married women take a second place with a share of nearly 11% on average in 2000, up from 9% in the mid 1980s. The third group is divorced women accounting for over 9% on average in 2000. This number varies from under 3% in Italy to over 10% in Germany and the United States. The most striking trend is the rising population of divorced elderly women living alone in every country. It increased from just 5% in most countries in the mid-1980s to 12% in Germany and nearly 13% in the United States. It is expected that in the United States, divorced and never-married women, who accounted for 10% of all older women in the 1990s, will make up over 25% of all elderly people in the 2020s (Smeeding and Sandstrom, 2005).

Table 1. Composition of the group of elderly women living alone

Country	Year	Never-married	Divorced	Widowed	Others
Belgium	1985	9.0	4.0	85.3	1.7
	1992	7.6	5.4	85.9	1.1
	1997	7.6	4.3	85.6	2.4
	2000	13.0	8.4	76.0	2.6
France	1984	10.6	5.7	83.2	0.5
	1989	10.1	7.0	82.6	0.2
	1994	12.1	8.8	78.3	0.8
Germany	1984	8.6	5.3	81.9	4.2
	1989	12.3	8.1	78.2	1.3
	1994	9.4	10.9	79.5	0.2
	2000	12.0	12.2	74.8	1.1
Italy	1991	14.3	1.1	84.7	-
	1995	13.8	1.5	84.5	0.2
	2000	13.0	2.9	83.8	0.2
UK	1991	12.8	4.8	80.7	1.7
	1995	9.6	6.8	82.1	1.5
	1999	10.7	9.2	78.2	1.8
US	1986	6.7	7.2	83.5	2.6
	1991	6.7	9.6	81.7	2.1
	1997	6.6	11.7	78.7	3.4
	2000	5.6	12.7	78.6	3.0

Notes: "Others" indicate elderly women living in separated or married households but living alone.

Source: Calculations based on data from Luxembourg Income Study.

2. More detailed numbers are provided in Table A.1 in Annex.

2.2. *Trends in the economic status of elderly women living alone: relative poverty*

18. The increase in the number of elderly women living alone would not be cause for concern if their living standards were maintained in retirement. However, while their standard of living has improved in absolute terms compared with the past, the relative poverty rate among elderly women living alone is not only higher than that of other elderly people, but also appears to be on the rise in most OECD countries. This phenomenon has important implications for future pension policy decisions, in particular those related to derived pensions.

2.2.1 *Comparison of relative poverty rate between elderly women living alone and aged couples*

19. This section discusses the incidence of poverty among elderly women living alone, along with that of other groups, such as aged couples, total elderly and total population. The poverty threshold used here is one-half of the median equivalent disposable income³ of all families in the respective countries, including the non-aged. This threshold is widely used in cross-national income studies. The calculations are based on a method which counts the number of aged households below this poverty threshold. Table 2 shows the incidence of relative poverty in the year of 2000 among various groups. Figure 3 shows the poverty trends from the mid-1980s to 2000 in twelve OECD countries.⁴ Elderly people are divided into five sub-categories: women living alone aged 65-74, couples aged 65-74, all elderly aged 65 and over, women living alone aged 75 and over, and couples aged 75 and over.

20. Table 2 shows that despite major progress over the last few decades, a significant number of the elderly still remain in poverty. Australia, the United Kingdom and the United States show the highest poverty rates for all categories among the twelve countries. Poverty rates of all elderly people average 14.1% across all countries shown in Table 2.

21. The most significant factor that affects poverty among elderly people is living arrangements. This can be seen when comparing poverty rates of elderly females living alone and those of aged couples (columns 1 and 2 in Table 2). Average poverty rates for couples aged 65-74 and couples aged 75+ in the twelve OECD countries are 8.1% and 11.8%, respectively. But for older women living alone the numbers increase to 25.4% and 28.9%. In almost all countries, the contrast of poverty rates between these two groups is striking. On average, elderly women living alone aged 65-74 are six times more likely to be in poverty than those living in a couple. The ratio increases to seven times for people aged 75 and over. Even after excluding the most extreme case of Finland, the ratio still remains around four times. Belgium and Sweden show the lowest difference of the poverty rate between couples and singles. The disparity of the poverty rate between the two groups is less than 2 times in Belgium.

22. In most countries, couples aged 75 and over are in a relatively good position. Their living standards are not only higher than those of the whole elderly population but also of the entire population. The exceptions are again Australia, the United Kingdom and the United States. In these 3 countries, the poverty rate of couples aged 75 and over is higher than that of the entire population but lower than that of the average elderly population and of older women living alone.

3. The square root of the number of persons in the household is used as an equivalence scale here. This equivalence scale is used for adjusting the differing needs of families of different size and composition.

4. These estimates are comparable to those found in other research based on LIS data, such as Shaver (1996), and Smeeding and Sandstrom (2005).

Table 2. Poverty rate among elderly women living alone and aged couples (2000)

	SF(65-74)	C(65-74)	All population	All elderly	SF(75+)	C(75+)
Australia	55.1	15.2	14.3	29.4	68.4	27.1
Austria	24.2	7.9	7.7	13.7	27.2	17.7
Belgium	21.6	16.2	8	16.4	19.0	17.2
Canada	15.1	2.9	11.4	5.9	13.6	1.4
Finland	13.7	0.4	5.4	8.5	26.4	0.7
France	12.9	5.5	8	9.8	20.9	8.6
Germany	22.4	4.7	8.3	10.1	17.7	4.5
Italy	29.3	10.6	12.7	13.7	28.3	7.1
Sweden	10.1	1.5	6.5	7.7	19.6	1.5
Switzerland	19.1	8.9	7.7	13.1	17	16.6
UK	39.9	9.7	12.4	20.5	40.9	18.4
US	41	13.7	17	24.7	48.3	21.2
average	25.4	8.1	10.0	14.1	28.9	11.8

Notes:

1. Income units with heads aged 65 or more and living in households without other persons. SF = single females (females living alone), C = couples, All elderly = elderly population aged 65 and older.
2. The data of Australia and France are for 1994 and that of the United Kingdom is for 1999.

Source: Calculations based on data from Luxembourg Income Study.

2.2.2 Trends in relative poverty rate

23. The trends in poverty rates among elderly people⁵ from the mid 1980s to 2000 are shown in Figure 3. The difference in the poverty rate between elderly females living alone and couples has been stable during the period under review in all countries. The most successful country in dealing with elderly poverty is Canada, where the poverty rate for females living alone aged 65-74 fell from 20.17% in 1987 to 15.1% in 2000. For women living alone aged 75+, the decline was even more spectacular: the poverty rate in 2000 was less than half of that in 1987. The Canadian performance can be explained through the basic and targeted public pension systems which establish an income floor for all, and a relatively simple application process which contributes to a high participation rate (Osberg, 2001; Smeeding and Sandstrom, 2005). Finland also shows considerable success in reducing the poverty of older women living alone: the rate for women aged 65-74 dropped from 21.6% in 1987 to 13.7% in 2000. The generous Finnish earnings-related pension scheme and women's high participation rate in paid work have resulted in a significant reduction in the poverty rate of older women living alone.

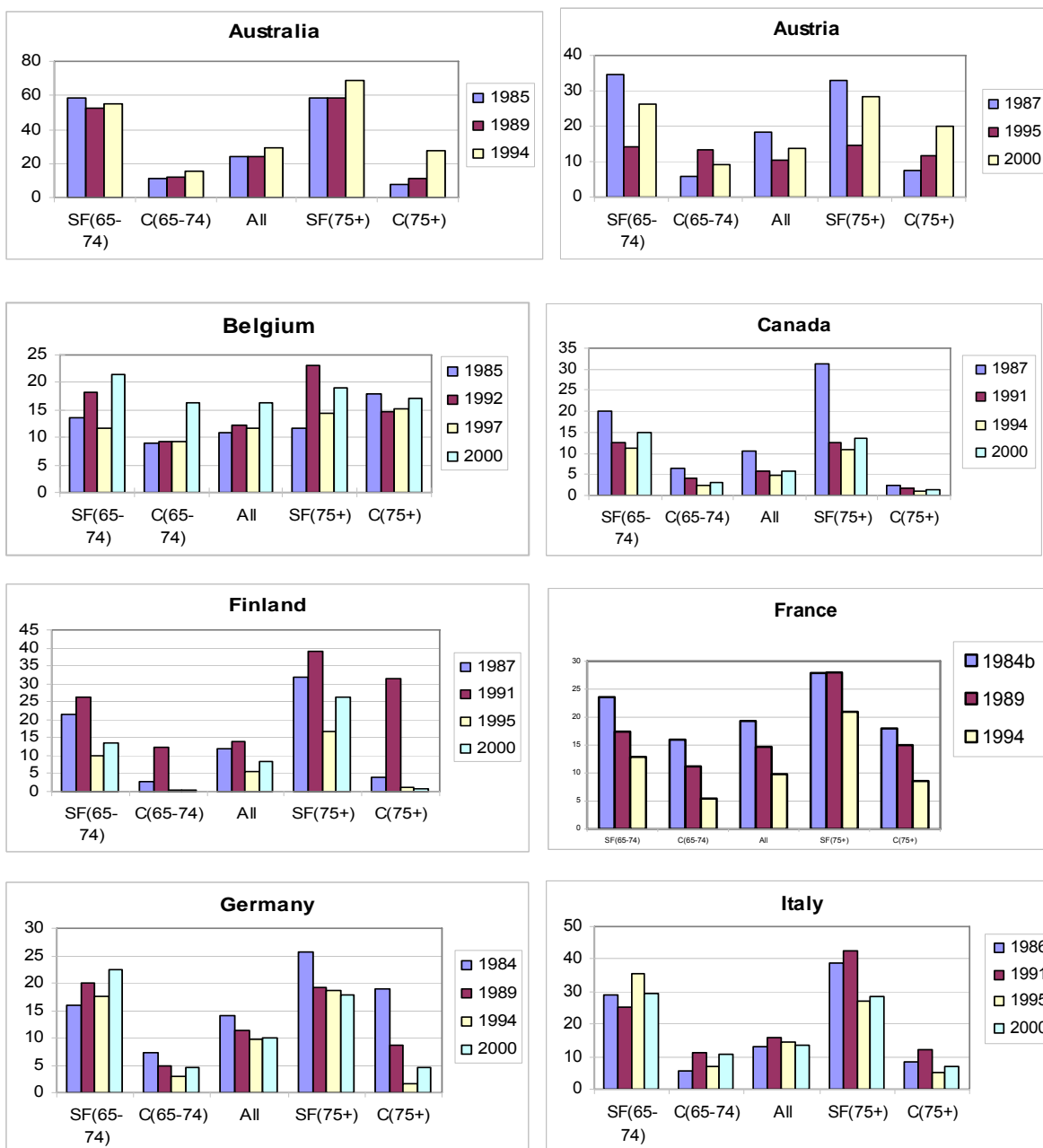
24. No such progress was recorded in Australia, where elderly poverty rates record the highest level among twelve OECD countries. The percentage of women living alone aged 65-74 that lived under the poverty line hardly changed during the decade starting in the mid-1980s. During the same period, the poverty rate of aged 75+ increased by 10 percentage points. In the case of the United States, the rate of 40.4% for females living alone aged 65-74 in 1986 increased slightly to 41% in 2000. In addition, the high

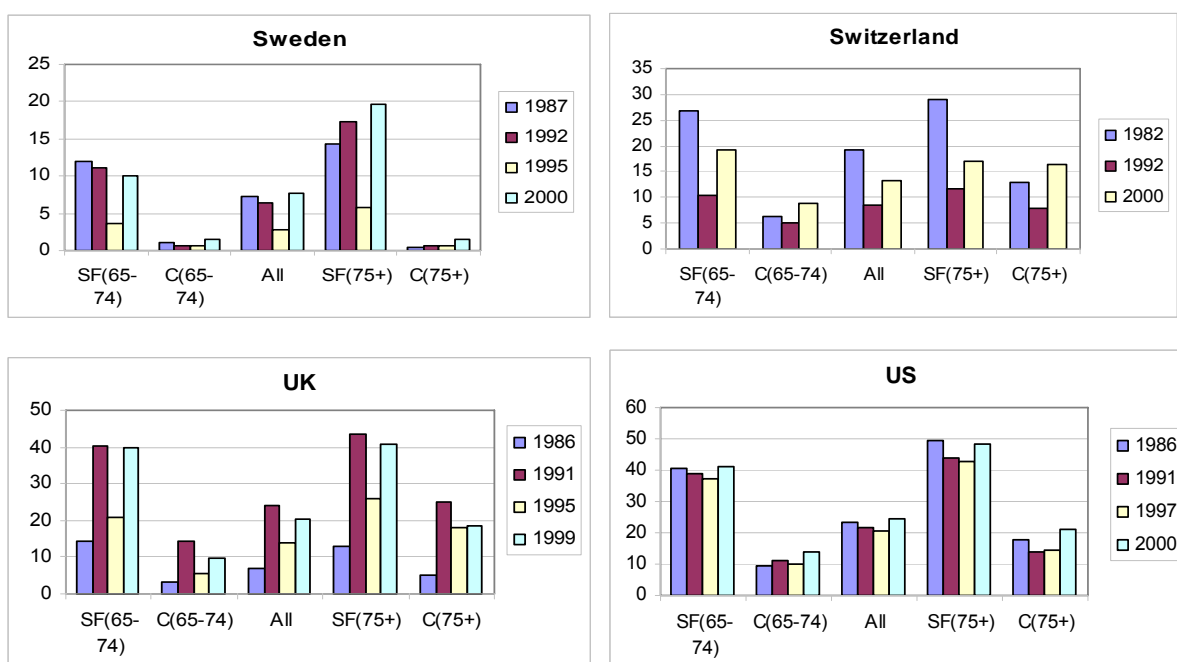
5. Table A.2 in Annex shows these trends in more detailed numbers.

poverty rate of nearly 50% of American women living alone over 75 did not fall over the same period. The situation is similar in the United Kingdom where the poverty rates came down during the 1990s but hit an overall high at the end of that decade.

25. In most countries, the poverty rate of the elderly decreased from the mid 80s to mid 90s. By the mid-1990s, poverty among the elderly was seen as a largely solved problem. Poverty of elderly women, particularly of those aged 75+, was considered as a legacy of the past that could be addressed by targeted interventions (see *e.g.* OECD, 2001). But since this time, the trend has reversed. In some countries, poverty went to the original or even higher levels.

Figure 3. Trends in poverty rates among elderly people (mid 1980s to 2000)





Notes: Income units with heads aged 65 or more and living in households without other persons. SF = single females (females living alone), C = couples, All = elderly population aged 65 and older.

Source: Calculations based on data from Luxembourg Income Study.

26. In conclusion, living standards of elderly women living alone are below those of other elderly people. Among elderly women living alone, the older old women are generally more likely to live in poverty than younger old women. The data also shows that the situation of older women living alone has not improved significantly since the mid 1980s, and has even deteriorated towards the end of the last decade. Considering this trend in the context of population ageing and an increasing number of elderly women living alone, this groups' old age income security will likely be a major pension policy challenge.

3. The importance of pension benefits in income security for elderly women living alone

27. Poverty prevention for elderly women living alone is addressed through pension safety-nets or by the general social assistance programme. Before examining detailed pension rules for widows and divorcees, the weight of pension incomes after retirement age and the anti-poverty effect of such pension schemes are examined in order to assess the relative importance of pensions in income security for this group.

28. Incomes of widows or divorcees come from a variety of sources, ranging from own wages and salaries, private occupational pensions, and income from property and financial assets, to public transfers including old age pensions, social allowances and means-tested benefits. The most important source of income for the overall group of elderly people are public income-transfers with a large weight for old-age pensions and survivors' benefits.

29. The composition of gross income of elderly couples and women living alone is shown in Table 3. In all countries except Finland,⁶ social insurance transfers account for more than half of gross income. For older women living alone, social insurance transfers are particularly important. On average, in the 9 OECD countries shown, social insurance transfers make up two thirds of the income of elderly women living alone, while for elderly couples the share is 60%. Elderly females living alone receive another 6% from means-tested social transfers, adding up to 73% of income from social transfers. The share is just 62% for elderly couples, who receive 38% on average from market income. Widowed or divorced elderly women are more dependent on income redistribution schemes than older couples.

30. Public pensions are particularly important for older women living alone in Belgium, Germany, Italy and Sweden, where they account for over 70% of gross income. The difference between the pension income of widows and divorcees on the one hand and couples on the other hand, can be separated into two components. First, widows and divorcees lose the spouse's own pension and/or any earned income due to loss of the income-earning spouse. Second, the benefit for widows or divorcees based on derived rights is lower than the pension of the main beneficiary. Derived rights are thus crucial for women without an employment history covered by social insurance. But even for those older women living alone who have some own-earned pension rights, the benefits from derived rights are still important for old-age income security.

Table 3. Income composition of elderly women living alone and couples (2000)¹

Average share of each income composition in gross income

	Belgium ²		Canada		Finland		Germany		Italy		Sweden		Switzerland		UK		US	
	SF	C	SF	C	SF	C	SF	C	SF	C	SF	C	SF	C	SF	C	SF	C
Market ³ income	10	12	29	44	69	81	17	25	16	20	14	26	30	45	25	42	31	46
Social insurance transfers	89	88	69	54	27	19	81	75	76	72	74	72	65	52	59	54	66	53
Means-tested transfers	1	-	1	1	4	-	1	1	8	5	12	1	5	3	16	4	3	1
Other income	-	-	1	1	-	-	1	-	-	-	-	-	-	-	-	-	-	-
Gross income	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Taxes	6	11	7	19	14	19	7	7	-	-	17	24	11	23	4	6	3	7
Disposable income	94	89	93	81	86	81	93	93	100	100	83	76	89	77	96	94	97	93

Notes:

- Income units with heads aged 65 or more and living in households without other persons. SF = single females (women living alone), C = couples.
- The data of Belgium is for 1997 and that of the United Kingdom is for 1995.
- Market income includes wages, cash property income and employment related pensions.

Sources: Calculations based on data from Luxembourg Income Study.

6. In Finland, mandatory/statutory occupational schemes cover all workers but happen to be organised by sector and run by the corresponding employer groups. These are included in market income (employment related pensions) not in social insurance transfers. As a result, the LIS data underestimates the value of social insurance transfers in this country.

31. Many studies (Shaver, 1996; Hurd and Wise, 1997; Smeeding and Sandstrom, 2005) acknowledge the effects of social transfers, and in particular public pensions, in alleviating old age poverty. According to an analysis carried out by Smeeding and Sandstrom for selected OECD countries, the larger and more inclusive the social insurance system (and the higher the redistributive, first-tier benefit for lower wage earners), the larger the anti-poverty effect. For all elderly households, public pension schemes, on average, contribute to reduce the poverty rate by 46.4%. Social insurance benefits are also important for female headed households. Their average relative poverty rate before any social transfers in 7 OECD countries is 89%, but social insurance transfers reduce the rate by 42.6 percentage points. Because this group is more likely to have less market income such as occupational pensions, wages and assets, they are more likely to be dependent on public transfers. Hurd and Wise (1997) suggest a restructuring of pension benefits in order to reduce the poverty rate of widows. An increase in survivors' pension benefits would be funded by a reduction in the benefits for couples in a cost-neutral way. The authors conclude that a 10 or 20% increase in survivors' benefits would result in a sizable reduction in the poverty rate of widows and only a small increase in the poverty rates of couples.

4. Derived rights rules in OECD pension systems

32. The analysis of income sources above showed that survivors' pensions and divorcees' benefits make up the largest share of the income of elderly women who are living alone. But it also showed that the poverty rate of this group is higher than that of elderly couples. This implies that survivors' pension schemes or pension benefits for divorcees are not entirely successful in preventing poverty for the target group. In order to assess the impact of derived rights, it is thus important to examine the rules for derived rights in more detail.

33. In most OECD countries, elderly women are entitled to some form of old-age safety net, either a benefit from derived rights, i.e. a survivor's or divorcee's pension, or a basic or targeted pension which is granted to all older persons who did not earn enough pension entitlements. Benefits from derived rights can be divided into three categories: benefits for non-working widows, benefits for working widows, and finally benefits for divorcees. A spousal benefit is a form of dependents' allowance and is usually provided as a supplement to the main pension benefit. Spousal benefits are not analysed in detail in this paper, but information on such benefits is provided for countries where these exist in the Annex. The discussion in this paper focuses on the benefit level for survivors and divorcees. Other eligibility conditions, such as minimum contribution requirements or beneficiaries' age are also important⁷ but for ease of comparison, benefits levels will be examined here under the assumption that other eligibility conditions are met.

4.1. The rules for widows

34. All OECD pension systems offer benefit protection for widows. Tables 4 and 5 show the pension rules for surviving spouses in selected OECD countries. There are two kinds of survivor pensions for widows: contributory and non-contributory benefits. While contributory benefits are based on derived rights, non-contributory benefits are basic or targeted pensions available to every older resident or to those below a certain income level.

35. In some OECD countries, survivors' benefits are paid only if the deceased spouse made contributions to the pension system. In contribution-related systems with flat benefits or flat components, the surviving spouse is usually entitled to a benefit comparable to the insured's basic pension amount. For example, in the United Kingdom, a flat-rate basic pension is given to surviving spouses, equivalent to 20%

7. These are shown briefly in the Annex.

of average earnings. In earnings-related pension schemes, a surviving spouse usually receives a benefit that amounts to a set fraction of the benefit that the deceased spouse had been receiving or would have received if he or she had lived. In many countries, widows without contributions or earnings histories are entitled to basic or targeted pensions⁸ which are usually based on residence requirements. In countries where no such provisions exist, survivors are entitled to general social assistance benefits.

36. Most countries provide only temporary pension entitlement for relatively young widows, as this group is expected to work after a transitory period.

4.1.1 *Rules for widows without work histories*

37. As Table 4 shows, many countries provide survivors' benefits in targeted (or basic) and earnings-related schemes. Three countries grant only earnings-related survivors' benefits: Germany, Italy, and the United States. In these countries, basic or targeted schemes are not available but poor older people may be entitled to social assistance benefits. While basic pensions in Canada and the United Kingdom are paid to widows regardless of any other income, some countries, such as Austria, Belgium and Switzerland grant these benefits only to persons whose income from the earnings-related pension is below a certain level. In other countries, the pension amount is withdrawn against all other incomes.

38. In earnings-related schemes, benefits for survivors are common in most OECD countries. In Australia and Sweden, however, there are no such provisions. The Australian "superannuation guarantee" is a privately managed defined-contribution system that does not have mandatory survivors' benefits. But survivors, like all other elderly persons, are entitled to the means-tested age pension when they reach age 65. Sweden has gradually phased out its earnings-related benefit for surviving widows. The benefit, which is equivalent to 40% of the deceased's pension, is now only granted to persons born before 1944. Instead, a gender neutral "adjustment pension" is paid during a certain adjustment period to both surviving men and women until they reach 65. At age 65, non-working spouses who have had no working income may be entitled to a targeted "guarantee pension", which is equal to 33% of average earnings at the age of 65. To qualify for a full pension, the survivor must have lived in Sweden for 40 years. This system which offers only a safety-net benefit for survivors reflects the high full-time labour force participation of women which will ensure that most women will have their own earnings-related pension entitlements in the future.⁹

39. The benefit level of earnings-related survivor benefits ranges between 50 and 80% of the deceased's benefits. The United States is the only country that pays widows 100% of the insured's benefit which he would have had if he had stayed single.

8. It could be disputed whether this type of pensions is a survivors' pension or an old-age pension. Given that the basic or targeted pension carries out a function of pension security for non-working widows, it is included here as survivors' pension.

9. Swedish national authorities' explanation is that "the frequency of gainful employment amongst women had reached the men's level and there was therefore no reason for a survivor's pension for women only. Widow's pension risked cementing old gender roles." (Sweden, 2005).

Box 2. Assumptions for calculating the relative pension level

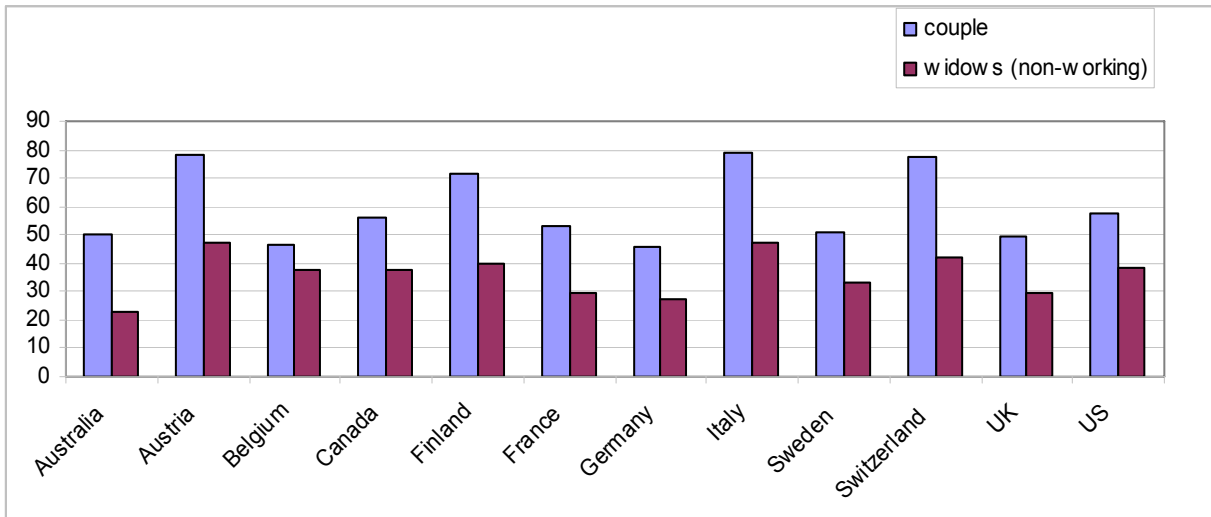
1. The main insured worker has a full-career, entering the labour-market at age 20 and working until the standard retirement age in the respective country (OECD, 2005)
2. The main insured is assumed to be an average wage earner. For the survivor, two assumptions are made: the widow either has no working history or earns 85%¹⁰ of the average wage (working widow). Couple's benefits are calculated by adding spousal supplements to the main insured's pension amount (one spouse is a non-worker).
3. The beneficiary of derived pension rights – widow – meets the conditions (age and residence requirements, etc.) which are necessary to access a full basic or targeted pension.
4. The widow was married to a person who was the same age, and became widowed at the normal retirement age.
5. In cases where survivors' benefits can be paid at different rates, the widow is assumed to receive the maximum.
6. The relative pension level of widows is calculated by applying the pension rules described in Tables 4 and 5 to the pension level of aged couples described above (for example, 60% of the insured's pension).
7. The relative pension level indicates the gross pension level before taxes and social contributions; it is expressed as a percentage of national average earnings.
8. One-off and transitional payments are excluded from the calculation.
9. The numbers and rules are those of 2002, unless stated otherwise.

40. An approximation of pension entitlements from derived rights is shown in Figure 4. Assumptions underlying these calculations are described in Box 2. The graph compares the relative pension level of old-age pensions for aged couples and survivor pensions for women living alone in twelve OECD countries. Benefit levels are shown in relation to average earnings in the respective country and are expressed in gross terms. While Belgium guarantees 80% of an old-age couple's pension to surviving widows, in Australia, non-working widows receive just under half of the old-age pension. On average, in the twelve OECD countries shown, a widow who never worked would typically receive less than two thirds of the old-age pension that the deceased insured would have received or had been receiving. Measured in terms of economy-wide average earnings, widows receive an average pension level of 36%, compared to an average level for couples of nearly 60% of average earnings. But it has to be taken into account that two persons need to live on the couple's benefit. For example, in the United States, a one-earner couple is granted half of a full old-age pension as a spouse supplement to cover expenses for a two-person household.

10. This figure is based on gender wage gap in 1998 (OECD, 2002).

Figure 4. Relative pension level of non-working widows and couples

Percentage of average earnings



Sources: Calculations based on Table 4, Box 2, and OECD (2005).

Table 4. Survivors' benefits for non-working widows in selected OECD countries (2002)

Countries	Basic or Targeted	Earnings-related
Australia	Targeted: Around 23% of average earnings.	Defined contribution (superannuation guarantee): No provision.
Austria	Targeted: EUR 631 a month.	Earnings-related: 60% of the deceased's pension (47% of average earnings).
Belgium	Targeted: EUR 7,163 a year.	Earnings-related: 80% of the deceased's pension (37.3% of average earnings).
Canada	Basic: 14% of average earnings. Targeted (income-tested): 8.5% of average earnings.	Earnings-related (Canada Pension Plan/Québec Pension Plan): 60% of the insured's pension (15% of average earnings).
Finland	Targeted: 4.3% of average earnings.	Earnings-related: Up to 50% of the deceased's pension (35.7% of average earnings).
France	Targeted: Around 30% of average earnings.	Earnings-related: 54% of the deceased's pension (21% of average earnings). Mandatory occupational: 60% of the deceased's pension (8.4% of average earnings).
Germany	-	Earnings-related: 60% of the deceased's pension (27.5% of average earnings).
Italy	-	Earnings-related: 60% of the deceased's pension (47.3% of average earnings).
Sweden	Targeted: SEK 80,727 a year (33% of average earnings).	Earnings-related: No provision.
Switzerland	Targeted: 26% of average earnings.	Earnings-related: The larger of 80% of the deceased's pension (28.8% of average earnings) or her own pension benefit (19.3% of average earnings). Mandatory occupational: 60% of the deceased's pension (13.3% of average earnings).
United Kingdom	Basic: the maximum basic pension (20% of average earnings).	Earnings-related (State Second Pension, SERPS): Up to 50% of the deceased's pension (8.5% of average earnings).
United States	-	Earnings-related: 100% of the deceased's pension (38.6% of average earnings).

Notes:

1. No information on voluntary occupational schemes in Sweden, so these are excluded from this review.
2. Non-working widows in Switzerland are assumed to have a minimum pension entitlement in earnings-related scheme (19.3% of average earnings).

Source: Thompson and Carasso (2002), US SSA (2003, 2004), OECD (2005), EU (2004) and various sources.

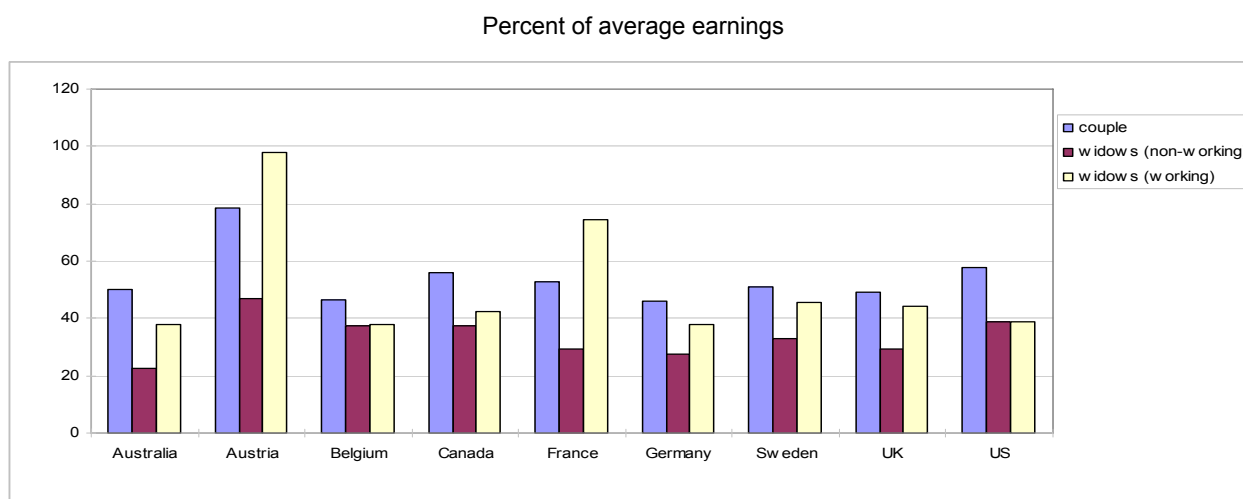
4.1.2 Rules for widows with work histories

41. Table 5 presents the survivors' benefits for widows who spent time in gainful employment. As in the case of benefits for non-working spouses, any flat-rate component of the pension system, which the insured would have received if he had remained alive, is commonly paid as survivors' benefit. When a widow has own earned pension entitlements and is also entitled to a survivors' benefit, the resulting amount depends on the rules in each country. Often, there is a cap on the total amount payable.

42. There are essentially three different approaches (Thompson and Carasso, 2002). The first approach allows a survivor to choose the larger of the two pension entitlements. This is the case, for example, in Switzerland's earnings-related pension scheme and in the United States. The second type lets the widow combine a full survivors' benefit with her own old-age pension without any reduction; this is the case in Canada, France and in the United Kingdom. The third approach, applied in Austria, Belgium and Germany, allows the survivor to draw both benefits, but puts a limit on the overall amount.

43. The total pension entitlements of working widows are shown in Figure 5. In most countries, except the United States, the pension level increases relative to the benefit for non-working survivors: by 2% in Belgium and more than twice in Austria and France. In the United States, a widow who earns less than her deceased spouse did does not receive a higher benefit than a non-working widow. In eight OECD countries shown here, working widows, on average, are entitled to pensions which are equivalent to about one and half times those of non-working widows. Widows with own entitlements can, on average, draw benefits corresponding to more than 50% of average earnings.

Figure 5. Relative pension level of working or non-working widows and couples



Note: Finland, Italy and Switzerland are excluded from the calculation due to lack of information.

Sources: Calculations based on the Tables 4, 5, Box 2, and OECD (2005).

44. Many countries, *e.g.* Germany, Austria, Belgium, Japan and Norway place limits on the total benefit that a working survivor may draw (Thompson and Carasso, 2002). However, this is not the case in Austria and France. In France, there is a considerable benefit increase for working widows since pensioners are allowed to combine a full survivor pension with their own old-age pension. As a result, a working survivor's benefit can equal or exceed the pension of a retired couple. The United Kingdom has a similar policy concerning combination of benefits, but the relatively low level of the earnings-related public pension leads to an overall lower pension level than in France. In Austria, working widows' pension benefits are higher than those of couples, due to the relatively high level of earnings-related pension benefits.

Table 5. Survivors' benefits for working widows in selected OECD countries (2002)

Countries	Basic or Targeted	Earnings-related
Australia	Targeted: About 16.6% of average earnings.	Defined contribution (superannuation guarantee): own pension (21.2% of average earnings).
Austria	Targeted: EUR 631 a month.	Earnings-related: 60% of the deceased's pension ¹¹ (31.3% of average earnings) plus own pension (66.2% of average earnings).
Belgium	Targeted: EUR 7,163 a year.	Earnings-related: 80% of the deceased's pension plus own pension. But, this combined amount cannot exceed more than 110% of own pension entitlement (38.1% of average earnings).
Canada	Basic: 14% of average earnings. Targeted (income-tested): Around 3-4% of average earnings.	Earnings-related (Canada Pension Plan/Québec Pension Plan): own pension plus 60% of the deceased's pension. The most that can be paid to a person who is eligible for both the CPP retirement pension and the CPP survivor's pension is the maximum retirement pension (24.7% of average earnings)
Finland	Targeted: No information.-	Earnings-related: No information.
France	Targeted: Around 30% of average earnings.	Earnings-related: own pension plus 54% of the deceased's pension (54% of average earnings). Mandatory occupational: own pension plus 60% of the deceased's pension (20.4% of average earnings).
Germany	-	Earnings-related: In theory, own pension plus 60% of the deceased's pension. In reality, there is a complex rule for calculating reduction (around 38% of average earnings).
Italy	-	Earnings-related: No information.
Sweden	Targeted: 5.3% of average earnings.	Earnings-related: own pension (40.2% of average earnings).
Switzerland	Targeted: 26% of average earnings.	Earnings-related: The larger of the survivor benefit (80% of the deceased's pension) or own benefit. Mandatory occupational: No information.
United Kingdom	Basic: the maximum basic pension (20% of average earnings).	Earnings-related (State Second Pension, SERPS): Her own pension plus 50% of the deceased's pension (24.3% of average earnings).
United States	-	Earnings-related: The larger of the survivor pension (38.6% of average earnings) or her own pension (35.4% of average earnings).

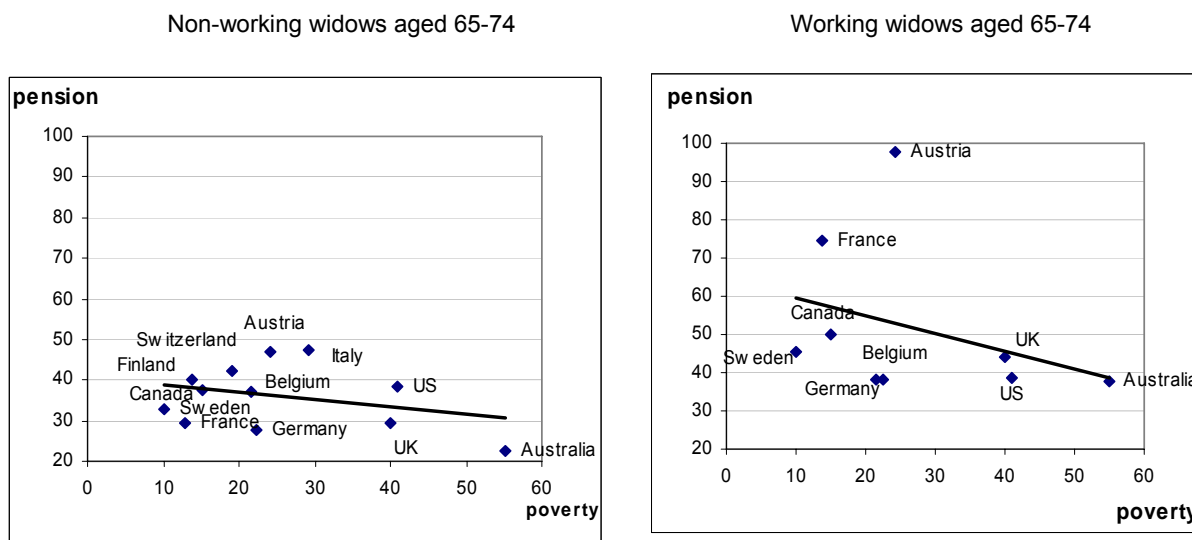
Notes:

1. No information on voluntary occupational schemes in Sweden, so these are excluded from this review.
 2. Non-working widows in Switzerland are assumed to have a minimum pension entitlement in earnings-related scheme (19.3% of average earnings).
 3. Finland, Italy and Switzerland are excluded due to lack of information.
 4. The number for Germany is an approximate one based on Thompson and Carasso (2002).
- Source: Thompson and Carasso (2002), SSA (2003, 2004), OECD (2005), EU (2004) and various sources.

11. The calculation method of survivor's pensions in Austria is rather complicated. For details, see Thompson and Carasso (2002).

45. Figure 6 shows the relationship between the level of survivor pensions for non-working and working widows, and the poverty level among elderly women aged 65-74 living alone. There is a negative relationship between the pension level for widows and the poverty level of older women living alone. The extent of relationship among working widows is stronger than that of non-working widows. Even though further research should be done, this tendency may imply that individually earned rights are more important for widows' economic welfare than derived rights. The pension entitlements for working widows are the combination of derived rights and their own earned pension rights.

Figure 6. Relationship between pension level and poverty

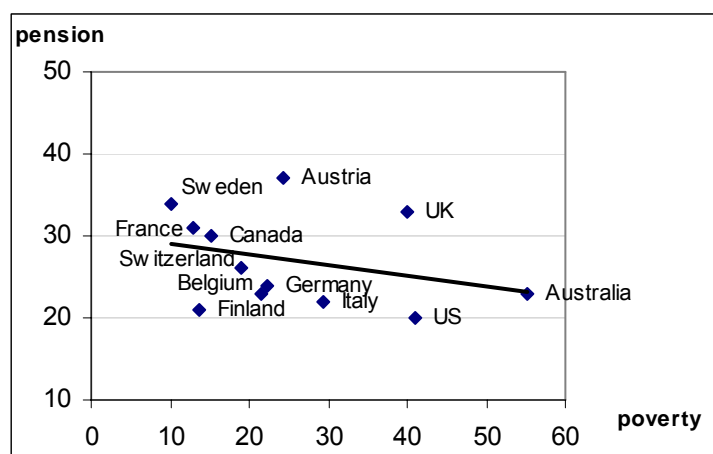


Sources: Table 2 and Figures 4, 5.

46. Figure 7 shows the relationship between poverty and the level of basic or targeted pension amounts. The relationship between the two variables is still negative, but not as strong as for working widows in Figure 6. Basic or targeted pensions which guarantee a minimum level of income to elderly women living alone play an important role in women's economic welfare after retirement age, especially when considering women's still shorter working careers (Laitinen-Kuikka and Tuominen, 2006). Various other factors, however, such as the extent of restrictions of means-tests and take-up rates also affect the incidence of poverty of elderly women living alone.

Figure 7. Relationship between level of basic or targeted pension and poverty

Non-working widows aged 65-74



Sources: Table 2 and OECD (2005).

4.2. *The rules for divorcees*

47. The share of divorced women in the group of older women living alone is increasing in most countries, as was shown in Table 1. In addition, according to a study based on 1997 data for the United States (Smeeding, 1999), the poverty rate of divorced older women was higher than that of widowed elderly women. While the rate was 18% for widows, it was over 22% for divorced women. Given the upward trend in divorces, poverty of older divorced women is likely to present a significant challenge for social policy.

48. Table 6 shows the rules of pension schemes in the case of divorce. Countries can be divided into three basic categories (Thompson and Carasso, 2002). The first group has no specific pension rules for divorcees. The second group of countries requires some form of sharing or splitting of pension entitlements at the time of divorce. The third group awards specific benefits to the divorced spouse.

49. The first group of countries, which includes Finland and Sweden, has no provisions for divorce despite the fact the lower-earning spouse might experience a substantial decline in living standards due to the end of marriage. The absence of divorcee benefits again follows the logic of the Scandinavian approach which bases pension entitlements on the individual rights rather than derived rights and joint entitlements.¹²

12. In Finland and Sweden, the gender employment gap has narrowed to below 5% (OECD, 2002).

Table 6. Divorce benefits provision in selected OECD countries

Countries	Basic or targeted	Earnings-related
Australia	Targeted: Around 15% of average earnings.	Defined contribution (superannuation guarantee): No information.
Austria	Targeted: EUR 631 a month.	Earnings-related: No information.
Belgium	Targeted: EUR 7,163.	Earnings-related: Divorcee receives 37.5% of a former spouse's average earnings over the duration of marriage, less own pension rights accrued during the same period.
Canada	Basic: None.	Earnings-related (Canada Pension Plan/Québec Pension Plan): When a marriage ends, the pension credits which a couple built up during the time they lived together can be divided equally between them ("credit splitting"). Credits can be split even if one partner did not pay into the pension scheme.
Finland	Pension entitlements are not shared between spouses in divorce cases.	
France	If income is under certain level and the person is not remarried, that person can receive 54% of the deceased's pension, proportionately divided among all eligible former spouses.	
Germany	-	At the time of divorce all pension rights (including occupational and civil servants' pension rights) acquired by both partners during the married period are valued and split equally between both partners. Exceptions only if legally binding agreement of both partners on a different repartition.
Italy	-	No information.
Sweden	Earned pension rights are not divided in connection with divorce (however, splitting is possible for part of the social security premium pension).	
Switzerland	All earnings accrued during a couple's marriage are split evenly between both spouses for pension calculation purposes.	
United Kingdom	Basic: Higher-earning spouse's record is substituted for either all the tax years up to the end of the marriage, or all the tax years during the marriage, whichever is more favourable.	Earnings-related (State Second Pension, SERPS): Most pensions a couple is entitled to can be shared between partners (effective 1 December 2000). This "pension sharing" between spouses can be negotiated by agreement or court order (this concerns both statutory earnings-related and private pensions).
United States	-	Earnings-related: Half of former spouse's benefit will be given, if marriage lasted 10 years or more.

Source: Thompson and Carasso (2002), SSA (2003, 2004), OECD (2005) and various sources.

50. Canada, Germany, Switzerland and, more recently, the United Kingdom and Japan, have adopted a system of "credit splitting" or "pension sharing" in the event of divorce. In general, under the earnings-related pension plan – e.g. Canadian CPP/QPP and British State Second Pension and SERPS – the pension entitlement of both spouses which were accumulated during the marriage, are added up and then split at the time of divorce. This method results in redistribution from the higher to the lower earner. In some cases, the splitting ratio is 50% and in other cases, the ratio can be decided by agreement or court rule. This splitting system, however, has its weaknesses (Thompson and Carasso, 2002). When a couple has only one earner and shares the pension credits evenly, divorce can produce two individual inadequate pension

entitlements. In a wholly earnings-related system, where no basic or flat-rate pension scheme is available, splitting could jeopardise old age income security. For example, in Germany and Switzerland, even division of an average earner's pension entitlement would leave each spouse of a one-earner couple with pension payments equal to 22.9% (in Germany) and 38.7% (in Switzerland) of the economy-wide average earnings. In both cases, the consequent pension level is lower than those of non-working widows (27.5% and 42.1%, respectively). Unless divorcees have their own private savings or keep working after divorce long enough to increase their pension entitlements, the reduced pension amount would bring inadequate pension promises to both spouses.

Box 3. Pension splitting within marriage

In some countries, pension splitting or credit splitting is also possible when the couple is not divorced or separated.

1. Pension splitting and survivors' pension: In Germany, the survivors' pension scheme was changed with the pension reform in 2001. Since then, the provision of the so-called small survivor's pension, which is awarded to widows or widowers aged less than 45, who are not disabled or have no children under 18, has been limited to two years. In addition, old-age pension splitting was introduced as an alternative to a widow's or widower's pension. When one or both of the spouses retire, the pension is split. Unlike the mandatory pension splitting in the first pillar of the Swiss pension system, splitting is optional in the German system. Part of the pension rights earned during the marriage by the spouse with a higher income is transferred to the insurance record of the other. Once a couple has opted for pension splitting, it has to give up entitlements for survivor's benefits. In practice, it is rare that pension splitting produces higher pension benefits than survivors' benefits; therefore very few couples opt for pension splitting.

2. Pension splitting and pension sharing: In Canada, even married (including common-law partners) couples are allowed to split their pension entitlements. This is done mainly for tax-savings. The pension amounts earned during marriage are added up together and split equally. Each spouse is entitled to the equally divided pension payments which may be added by additional pension earned before the marriage. This pension sharing ends with a divorce or a death of one spouse. The 1997 Swiss pension reform introduced mandatory pension splitting for married couples. Since 1997, contributions of both partners that are paid into the public pension insurance during their marriage are split in half and credited to the pension account of each spouse. Pension credits, which are, for example, granted for childcare periods, are also split in half. Splitting comes in effect if both spouses reach the statutory retirement age (or if the couple gets divorced).

Source: Rasner (2006), and Laitinen-Kuikka and Tuominen (2006).

51. The third group of countries addresses divorce through the creation of special benefit provisions: Belgium, France and the United States. The United Kingdom's basic state pension also belongs to this group. In the United States, a person who is divorced after at least 10 years of marriage can keep certain benefits rights of the former spouse's earnings record. The maximum benefit is 50% of the benefit that the insured would receive at standard retirement age. The United Kingdom allows a divorced spouse to use the former spouse's record of qualifying years to reaching the full rate of the basic pension. The French system divides the existing benefit for surviving spouses among all eligible survivors according to the length of each respective marriage. The adequacy problem can occur again here, as the total benefit may be split into small and inadequate shares.

52. The public pension is not the only source of income for divorced women. But, in many cases, the public pension benefit constitutes the largest part of divorced women's income in retirement. One way to avoid inadequacy of benefits in case of divorce is to add special divorce benefits to the existing system, like in Belgium, where divorced elderly women are entitled to pension amount of 37.5% of a former husband's average earnings. However, this measure may raise concerns of equity because it grants higher

benefits to a divorced person in relation to their own contributions compared to a person who stays married or single.

5. Conclusions and policy implications

53. Many elderly women living alone are at risk of poverty. The reasons for high poverty among this group range from low labour market participation rates, lower earnings compared to male workers and frequently interrupted work histories, to a lack of appropriate old-age safety nets in some countries.

54. This paper has shown that there are two opposite trends that will affect the importance of benefits from derived rights. The first trend relates to the number of single elderly women. The share of older women living alone will increase substantially due to population ageing and the fact that life expectancy is higher for women than it is for men. In many OECD countries, this trend is reinforced by rising divorce rates. Thus, more and more women will be living alone in old age and may need the support from derived rights to avoid old age poverty.

55. A second trend relates to the rising labour force participation of women. As increasing number of women work full careers and earn their own pension entitlements benefits from derived rights may become less important for their living standards in retirement. The data shows that the role of pensions in the income of elderly women has been slowly decreasing. In 1985, elderly women living alone received on average 69% of their income from social insurance, in the twelve countries examined here, and this ratio declined to 66% in 2000.

56. Female labour force participation alone, however, will not be sufficient to earn pension entitlements that prevent older women from falling into poverty. Adequate pensions will require full-time work over the whole career. Relatively longer career interruptions, due to spells of unemployment or periods of caring for children or elderly relatives, are covered by pension systems in most countries (OECD, 2003). But, part-time work over a long periods or long absences from paid work will result in very low pension entitlements. As many OECD countries have been reforming their pension systems to include a closer link between contributions and benefits, short or interrupted contribution periods will lead to low benefits with a risk of old age poverty.

57. Taking into account that, after years of decline, poverty among older women living alone has been on the rise again in many OECD countries, old age income security of surviving and divorced spouses should be of concern to pension policy makers. Whether poverty prevention for this group is best addressed by benefits from derived rights or by the general old-age safety net will depend on the degree of full-time female labour force participation and the evolution of poverty of older women living alone relative to that of the overall older population.

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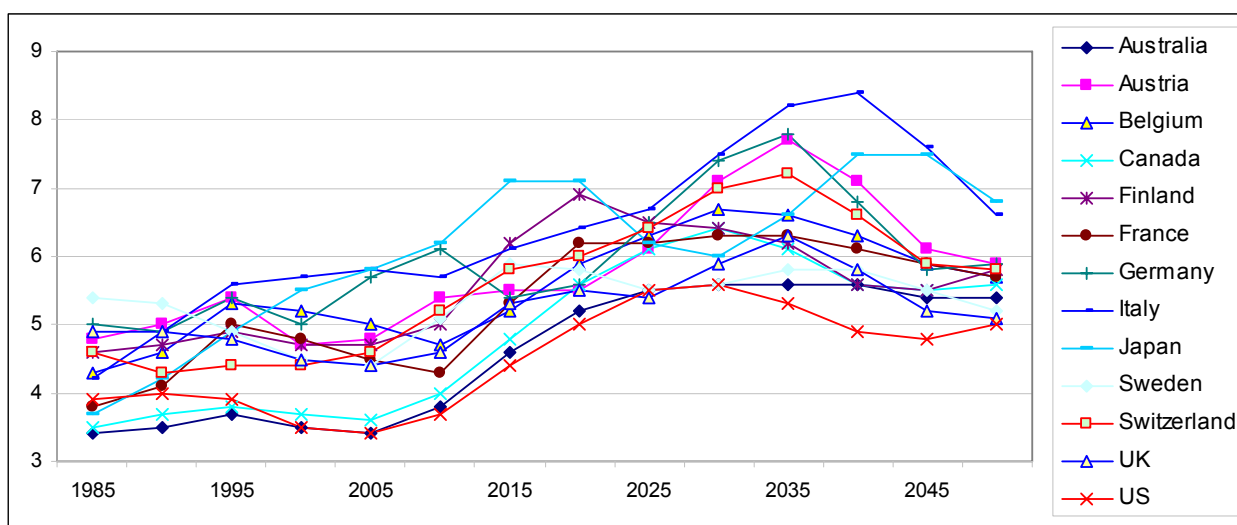
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ANNEX

Figure A.1. Trends in number of women aged 65-74 in total population

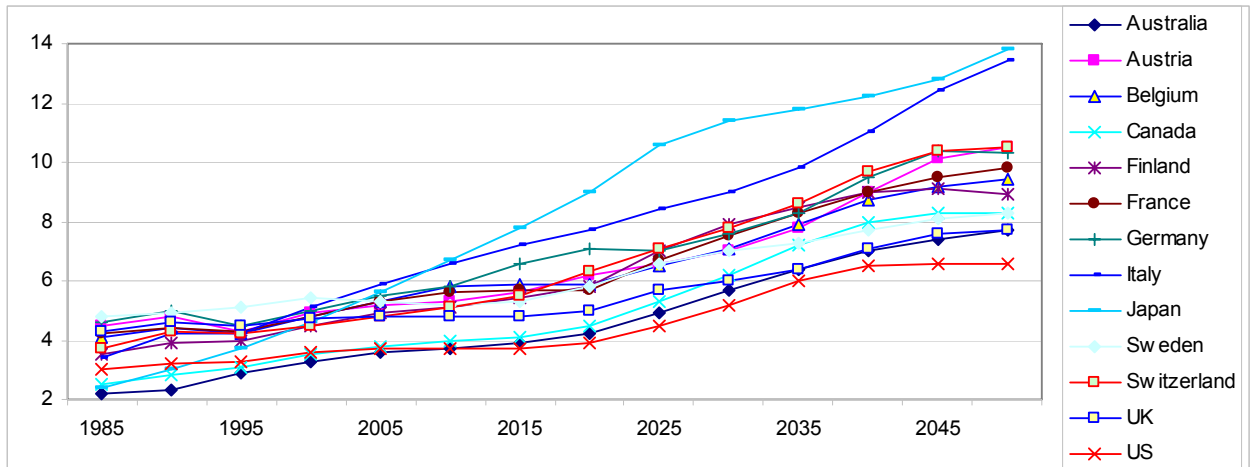
Percentage of women aged 65-74 among total population



Source: Calculations based on UN World Population Prospects, http://unstats.un.org/unsd/cdb/cdb_source_xrxx.asp?source_code=15.

Figure A.2. Trends in number of women aged 75+ in total population

Percentage of women aged 75 and over among total population



Source: Calculations based on UN World Population Prospects, http://unstats.un.org/unsd/cdb/cdb_source_xrxx.asp?source_code=15.

Table A.1. The share of households with elderly women living alone in elderly households (2000)

Percentage of each households with elderly women living alone in each aged bracket of households

	age 65-74	age 75+	total
Australia	24	42	31
Austria	28	51	39
Belgium	33	49	41
Canada	24	45	34
Finland	35	58	45
France	30	44	36
Germany	34	61	47
Italy	23	40	30
Sweden	32	53	44
Switzerland	32	49	39
UK	29	48	38
US	25	42	33
average	29	48	38

Notes:

1. The ratio is to the same age group. For example, the ratio of single elderly women aged 65-74 is to total elderly people aged 65-74.
2. The data of Australia and France are for 1994, and that of the United Kingdom is for 1999.

Source: Calculations based on data from Luxembourg Income Study.

Table A.2. Poverty rate trends in selected OECD countries

		SF(65-74)	C(65-74)	All	SF(75+)	C(75+)
Australia	1985	58.2	11.0	24.3	58.8	7.7
	1989	52.8	12.0	23.8	58.8	10.9
Austria	1994	55.1	15.2	29.4	68.4	27.1
	1987	34.6	6.0	18.5	33.0	7.4
	1995	14.2	9.8	10.3	14.6	11.0
Belgium	2000	24.2	7.9	13.7	27.2	17.7
	1985	13.6	9.1	10.9	11.6	18.0
	1992	18.2	9.4	12.1	23.0	14.8
Canada	1997	11.7	9.3	11.7	14.4	15.1
	2000	21.6	16.2	16.4	19.0	17.2
	1987	20.2	6.6	10.6	31.1	2.3
France	1991	12.6	4.0	5.8	12.5	1.6
	1994	11.3	2.3	4.9	10.7	1.0
	2000	15.1	2.9	5.9	13.6	1.4
Finland	1984	23.6	16.0	19.3	27.9	18.0
	1989	17.4	11.2	14.7	28.0	15.0
	1994	12.9	5.5	9.8	20.9	8.6
Germany	1987	21.6	3.0	11.9	31.7	4.2
	1991	26.2	12.3	13.9	39.0	31.3
	1995	9.9	0.3	5.6	16.8	1.2
Italy	2000	13.7	0.4	8.5	26.4	0.7
	1984	16.0	7.4	14.0	25.7	19.0
	1989	20.0	5.0	11.3	19.1	8.7
Sweden	1994	17.6	3.0	9.7	18.7	1.7
	2000	22.4	4.7	10.1	17.7	4.5
	1986	28.9	5.5	13.1	38.7	8.5
Switzerland	1991	25.1	11.0	15.7	42.7	11.9
	1995	35.4	7.0	14.3	27.3	5.1
	2000	29.3	10.6	13.7	28.3	7.1
UK	1987	12.1	1.0	7.2	14.4	0.4
	1992	11.1	0.6	6.4	17.4	0.6
	1995	3.7	0.7	2.7	5.8	0.6
US	2000	10.1	1.5	7.7	19.6	1.5
	1982	26.8	6.5	19.3	29.1	13.1
	1992	10.4	5.0	8.4	11.7	7.8
Average	2000	19.1	8.9	13.1	17.0	16.6
	1986	14.2	3.2	7.0	13.1	5.3
	1991	40.3	14.2	23.9	43.7	25.2
	1995	21.0	5.4	13.7	25.7	18.1
Average	1999	39.9	9.7	20.5	40.9	18.4
	1986	40.3	9.3	23.5	49.6	17.6
	1991	39.1	11.4	21.6	44.0	13.8
	1997	37.4	9.9	20.7	42.8	14.6
Average	2000	41.0	13.7	24.7	48.3	21.2
	Mid 80s	25.7	7.1	14.6	30.5	9.8
	1990s	25.2	9.2	14.5	31.2	13.2
	Mid 90s	22.0	6.2	12.4	25.4	10.3
	2000	24.1	7.5	13.4	26.7	9.0

Notes: Income units with heads aged 65 or more and living in households without other persons. SF = single females (females living alone), C = couples, All = all elderly population aged 65 and older.

Sources: Calculations based on data from Luxembourg Income Study.

Table A.3. Spousal benefits in selected OECD countries (2002)

Countries	Structure of main pension	Spousal benefit
Australia	Means-tested.	None.
Austria	Targeted and earnings-related.	None. But, a targeted pension which is based on income-test may be provided to raise the pension amount to EUR 900.13 a month for a married couple.
Belgium	Targeted and earnings-related.	Earnings-related: Additional 15% of the insured's average lifetime earnings (single: 60% →couple: 75%).
Canada	Basic and earnings-related.	None.
Finland	Targeted and earnings-related.	Targeted: Different amounts are applied according to marital status.
France	Targeted, earnings-related and mandatory occupational.	Earnings-related: Maximum EUR 610 a year at age 65 (ages 60 to 64 if disabled) if the insured had 150 quarters of coverage (means of spouse tested).
Germany	Earnings-related.	None.
Italy	Earnings-related.	None.
Sweden	Targeted and earnings-related.	None.
Switzerland	Targeted, earnings-related and mandatory occupational.	None.
United Kingdom	Basic and earnings-related.	Basic: £43.40 a week.
United States	Earnings-related.	50% of spouse's benefit level.

Source: Thompson and Carasso (2002), US SSA (2002, 2003), OECD (2005), EU (2004) and various sources.

Table A.4. Eligibility conditions for survivors' pension in selected OECD countries (2002)

Countries	Surviving spouse (women)	Deceased insured	Limitation of period	Means (income)-tested
Australia	Targeted: 65 (from July 2013).	None.	None.	Means-tested.
Austria	None. But age is related to the period of provision.	The deceased <u>should have met</u> the conditions for old-age pension. Or, 60 insurance months within the last 120 calendar months.	Paid only for 30 months if 1) the survivor is younger than 35 years of old (exception: if the marriage had lasted for at least 10 years), 2) the marriage had been done after the pension payment or after the legal retirement age (exception: certain minimum period of marriage).	Payment rates under 60% may be increased to 60%, depending on the beneficiary's total income.
Belgium	Aged 45 (any age if disabled or if caring for a child). These conditions are waived if a child was born from the marriage.	To be insured.	A survivor who is eligible for another pension receives the survivors' pension for 12 months.	For a survivor under 65 receiving only a survivors' pension, the ceilings for earned income are higher than those for old-age recipients.
Canada	Basic: Income-tested benefit for aged 60 to 64. She must be a resident of Canada and has resided in Canada for 10 years after age 18. Earnings-related: Different rates for different age groups. No pension if not a survivor under age 35 is disabled or raising a dependent child.	Basic: None. Earnings-related: Contributions of 10 years or 1/3 of years in which contributions could have been made (minimum 3 years).	Basic: None. Earnings-related: None.	Basic: Income-tested. Earnings-related: None.

Finland	<p>Targeted: Under 65. Married to the deceased before age 65 and caring for a child or at least age 50 at the time of the spouse's death. The marriage lasted at least 5 years.</p> <p>Earnings-related: The marriage should occur before the deceased turns 65. If childless, the marriage should last for at least 5 years and the survivor was under age 50 at the time of marriage.</p>	<p>Targeted: 3 years of residence after age 16, resident in Finland at the time of death.</p> <p>Earnings-related: To be insured.</p>	<p>After 6 months, pension entitlement depends on income-test.</p>	<p>The initial pension is not income-tested for the first 6 months. A continuing pension is income-tested unless the survivor is caring for a child under age 18.</p>
France	<p>Targeted: At least 55 years old and married for 2 years.</p> <p>Earnings-related: Aged at least 55, if disabled or with two dependent children, without age condition.</p>	<p>Targeted: Pensioners or with other justifiable conditions.</p> <p>Earnings-related: To be insured.</p>	-	-
Germany	<p>At least of one year's marriage.</p>	<p>Pensioner or 5 years of contributions.</p>	-	None.
Italy	-	<p>Pensioner or 5 years of contributions of which 3 years were in the previous 5 years.</p>	None.	<p>For survivor pensions awarded after September 1 1995, the pension is reduced by between 25% and 50% if the eligible survivor has income above certain limits.</p>
Sweden	<p>Under 65.</p>	<p>Targeted: Resident for 3 years.</p> <p>Earnings-related: Pensioners or 3 years with pensionable income.</p>	<p>Targeted: Payable for 6 months if at least 5 years' marriage or cohabitation.</p> <p>Earnings-related: Payable for 6 months.</p>	-

Switzerland	Earnings-related and mandatory occupational: Aged 45 and married at least 5 years. Waived if there is a child.	Earnings-related: One year of contributions. Mandatory occupational: pensioner or to be insured.	-	-
United Kingdom	Pension payment depends on not only whether a survivor reaches state pension age but also other conditions.	Pensioner or to be insured.	-	-
United States	Full pension at the retirement age and reduced from age 60 up to the full retirement age.	Pensioner or 1 quarter of coverage for each year since age 21 up to the year before the death.	None.	None.

Source: Thompson and Carasso (2002), US SSA (2002, 2003), OECD (2005), EU (2004) and various sources.

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