

Key results

Most of the indicators of pension entitlements in this report are based on analysis of a single person. In many countries, pension systems are effectively “individualised”: the position of a couple is the same as that of two single people with the same level of total earnings. In others, however, being in a couple has an effect on pension entitlements.

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, etc.

The table 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.

On average single male workers at average earnings will have after a full career a gross pension entitlement of 49.0% of previous earnings compared to 55.8% for a couple in which this worker had a non-working partner. Given an equivalence scale of square root of 2 for a couple (Chapter 7), this 55.8% of average earnings for a couple provides an equivalent of 39.5% for a single person, so one-fifth lower than 49.0%. Overall just under half of OECD countries provide a higher gross entitlement for one-earner couples at the average wage compared to a single earner. Those that do not are Austria, Chile, Estonia, France, Germany, Greece, Hungary, Italy, Korea, Latvia, Lithuania, Luxembourg, Mexico, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Switzerland and Turkey.

The largest difference is found in Australia where single-earner couples at average earnings have a pension entitlement that is 31.8 percentage-points higher than for a single earner as both individuals have entitlement to the first-tier pension (Age Pension). Likewise, there is some entitlement to the targeted pension for the partner irrespective of the earnings-related pension of the worker in Denmark, whilst in New Zealand the pension is entirely tax-financed with a lower rate for each member of the couple than singles.

There is significant variation between countries in terms of the policy 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 and the United Kingdom, 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. Resource-tested schemes explain why Denmark has higher benefits for one-earner couples than for single people with average earnings. Even at average earnings, both would be eligible for resource-tested benefits. Similarly, in Belgium, Finland and Sweden, a single person on average earnings would not be entitled to a minimum pension. However, a couple with one partner earning the economy-wide average would receive a top-up.

For the couple with both earning the average wage, results are only shown for those cases that would give a different pension entitlement to two single individuals. The only countries with couple specific rules are Denmark and New Zealand. In New Zealand the residence-based component is paid at a lower level for each individual in a couple than if they were single. In Denmark the rate of withdrawal of the means-tested component is higher for couples than for 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, both partners are assumed to be of the same age to ensure eligibility to all benefit entitlements and 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 5.9. **Gross pension entitlements by earnings: singles versus couples, % of average earnings**

	Single, average earner – male (female where different)	Single earner couple - male at average earnings	Couple, each with average earnings
Australia	30.9(28.1)	62.7	
Austria	76.5		
Belgium	46.8	58.2	
Canada	39.0	46.8	
Chile	31.2(28.8)		
Czech Republic	45.9	55.9	
Denmark	74.4	97.1	141.3
Estonia	47.1		
Finland	56.5	68.7	
France	60.1		
Germany	38.7		
Greece	49.9		
Hungary	56.1(52.2)		
Iceland	66.1	79.0	
Ireland	27.0	45.1	
Israel	50.1(41.8)	59.2	
Italy	79.5		
Japan	32.0	42.5	
Korea	37.3		
Latvia	44.6		
Lithuania	23.6		
Luxembourg	78.8		
Mexico	25.7(24)		
Netherlands	70.9	91.5	
New Zealand	39.7	60.1	60.1
Norway	45.4	64.1	
Poland	29.4(22.5)		
Portugal	74.4		
Slovak Republic	49.6		
Slovenia	38.8(40.7)		
Spain	72.3		
Sweden	54.1	61.4	
Switzerland	42.4(41.3)		
Turkey	67.4(64.3)		
United Kingdom	21.7	32.9	
United States	39.4	59.2	
OECD	49.0(48.2)	55.8	96.3

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.

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