

## INCOMES OF OLDER PEOPLE

### 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 over-65s had incomes of 88% of the total population's in 2014. The incomes of the people aged between 66 and 75 equalled 93% 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 at 88% of population incomes, on average, in 2015 or latest (Table 6.1). Older people fared best in France, Israel and Luxembourg in relative terms where incomes for the over-65s were equal or slightly higher than for the total population. Older people also had relatively high incomes in Chile, Greece, Italy, Portugal and Spain with incomes above 95% of the national average. In Estonia and Korea, by contrast, older people's incomes stood at just 67% and 69% respectively.

Average incomes tend to fall with age. People aged 66-75 and those over 75 have relative incomes equal, on average, to 93% 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, which in turn leads to higher pensions income for each generation. Indexation principles of pension benefits in payment also play a large role in protecting the income of the elderly over longer periods of time. This particularly affects older women who tend to have both lower wages while active and also longer life expectancies compared to men and are over-represented among the older age groups. Moreover, older people live alone more often which lowers their equivalised disposable income, given the equivalence scale used to compute disposable income of families.

### 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 account for two-thirds of the total (Figure 6.2). Public transfers account for 58% and occupational transfers represent 8% of older people's incomes on average. The over-65s who are most reliant on public transfers live in Hungary and Belgium: 89% and 84% respectively of their incomes come from that source. Public transfers represent only 8% of all income in Mexico. Occupational transfers are of particular importance in 13 OECD countries, with the Netherlands being highest at 38%.

Work accounts for 24% 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 57% of old-age income, but is also very important in Chile, Estonia, Israel, Japan, Korea, Latvia, New Zealand, Turkey and the United States where it accounts for more than 30%. 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 Denmark and New Zealand, capital represents over 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 equivalised 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 – Retirement-income Systems in OECD Countries*, OECD Publishing, Paris, [http://dx.doi.org/10.1787/pension\\_glance-2013-en](http://dx.doi.org/10.1787/pension_glance-2013-en).

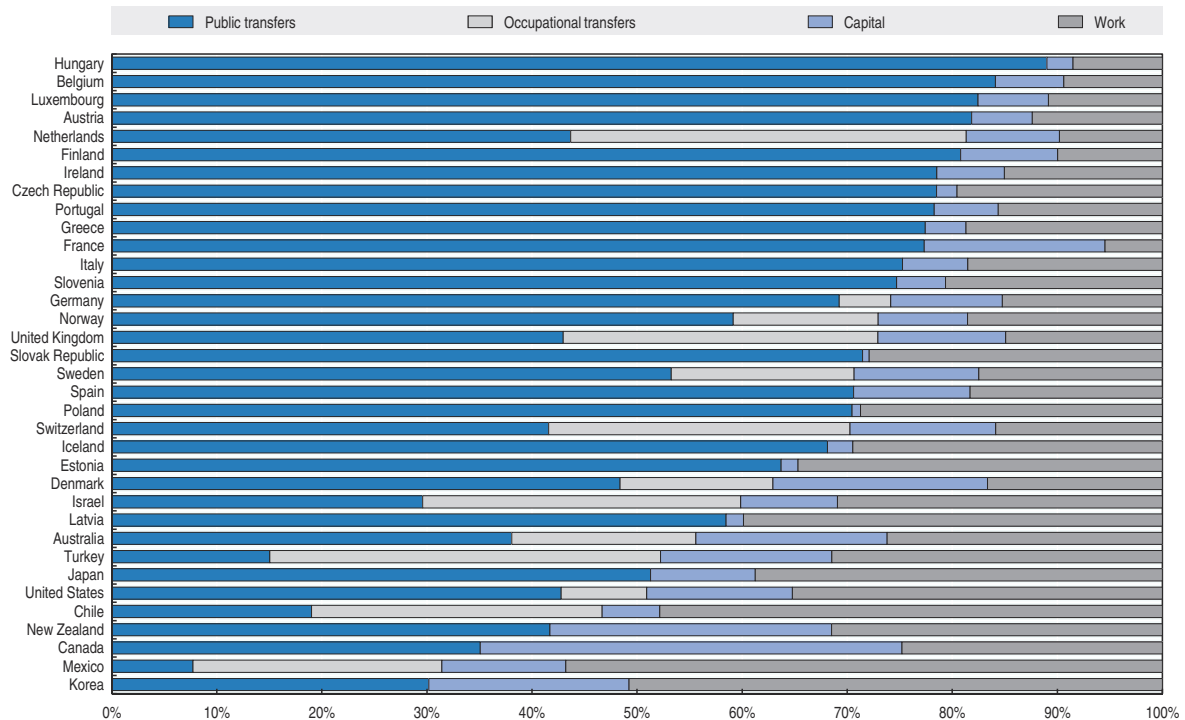
### 6.1. Incomes of older people, 2014 or latest available year

	Incomes of people aged over 65, % of total population incomes					Incomes of people aged over 65, % of total population incomes			
	All aged over 65	Age 66-75	Aged over 75			All aged over 65	Age 66-75	Aged over 75	
Australia	70.6	75.3	63.5	2014	Korea	68.8	68.8	2015	
Austria	93.4	97.9	86.7	2014	Latvia	72.0	77.6	2014	
Belgium	80.3	85.0	74.6	2014	Luxembourg	100.6	101.8	2014	
Canada	91.1	94.8	85.6	2014	Mexico	89.1	94.0	2014	
Chile	96.0	97.7	93.6	2015	Netherlands	83.4	89.4	2015	
Czech Republic	78.1	80.5	73.9	2014	New Zealand	86.2	95.5	2014	
Denmark	79.5	84.9	71.0	2014	Norway	90.4	100.3	2014	
Estonia	66.5	71.5	60.7	2014	Poland	91.5	91.1	2014	
Finland	85.7	94.1	74.0	2015	Portugal	95.0	103.4	2014	
France	103.4	110.6	95.3	2014	Slovak Republic	87.5	90.8	2014	
Germany	88.5	93.8	83.5	2014	Slovenia	90.6	94.4	2014	
Greece	97.0	103.0	90.0	2014	Spain	98.8	106.2	2014	
Hungary	85.2	88.8	78.8	2014	Sweden	85.9	97.7	2014	
Iceland	85.7	93.7	74.7	2014	Switzerland	82.4	87.7	2014	
Ireland	89.2	93.9	81.4	2014	Turkey	86.4	90.1	2014	
Israel	99.9	105.9	91.5	2015	United Kingdom	82.6	90.2	2015	
Italy	98.8	105.7	91.5	2014	United States	94.5	102.8	2015	
Japan	89.8	92.8	86.2	2012	<b>OECD</b>	<b>87.6</b>	<b>92.9</b>	<b>80.4</b>	

Source: OECD Income Distribution Database, [www.oecd.org/social/income-distribution-database.htm](http://www.oecd.org/social/income-distribution-database.htm).

StatLink  <http://dx.doi.org/10.1787/888933634439>

### 6.2. Income sources of older people, 2014 or latest available year



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. Data for Japan is 2012. Chile, Finland, Israel, Korea, the Netherlands, the United Kingdom and the United States are 2015.

Source: OECD Income Distribution Database, [www.oecd.org/social/income-distribution-database.htm](http://www.oecd.org/social/income-distribution-database.htm).

StatLink  <http://dx.doi.org/10.1787/888933634458>



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