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## Women and Social Security in Retirement: A Comparative Analysis

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# Luxembourg Income Study Working Paper Series

Working Paper No. 82

Women and Social Security in Retirement:  
A Comparative Analysis

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**WOMEN AND SOCIAL SECURITY IN RETIREMENT:  
A COMPARATIVE ANALYSIS**

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**WOMEN AND SOCIAL SECURITY IN RETIREMENT:  
A COMPARATIVE ANALYSIS**

**1. INTRODUCTION**

Concern with the circumstances of women in retirement arises from a number of sources. In recent years, the principle of equal treatment of men and women in social security has been given increasing attention, in part as a consequence of directives from the Commission of the European Community. For example, a European Community Directive adopted in December 1978 established the principle of the progressive implementation of equal treatment of men and women in social security matters. This directive came into force in the 1980s; its underlying objective was further extended by the European Community Directive on Occupational Social Security Schemes adopted in July 1986, which outlawed direct and indirect discrimination on the basis of sex, marital status or family status in all occupational schemes whether optional or compulsory that provide employees or self-employed people with benefits intended to replace statutory provided schemes (Ditch, 1992). A further directive was prepared by the Commission in 1987, but has not yet been adopted. This covers matters not dealt with in the previous directives, including the retirement age, family allowances and survivors' benefits.

Further pressure for changes in British social security arrangements as they affect women has also come from the Equal Opportunities Commission. A major factor underlying this concern with the equal treatment of men and women in social security is the recognition of the unfavourable economic circumstances of women and the greater extent of poverty among women generally, but particularly among women in retirement (Glendinning and Millar, 1987). Using data from the 1982 Family Expenditure Survey, Walker and Hutton (1988) show, for example, that single women had the lowest equivalent household incomes and expenditures of any group in retirement, and that women – either single or widows – were significantly more likely to be dependant on supplementary benefit in retirement than either single men or couples. This is still the case – in 1989 the number of men over pension age

and receiving Income Support was equivalent to around 8 per cent of the total number of men receiving retirement pensions, while the corresponding proportion for women was 18 per cent (Department of Social Security, 1990). According to Walker and Hutton:

Most of the oldest pensioners and of those living alone are women. Most of those who reach pensionable age with few if any occupational pension rights are also women. The twin social phenomena of retirement and pension rights developed in response to the needs and life experiences of men. Women were left in the cold, sometimes quite literally. (1988,pp.46-47)

Similarly, Lister (1992) points out that the contributory principle is based on standard notions of employment, a male standard which increasingly differs from existing employment patterns, particularly for women. These types of conclusions have also been supported by other writers, including Walker (1987) and Groves (1987), and has also been found to be true in other European countries (Amann, 1981; Buhmann et al., 1988).

Given the factors discussed above, it is likely that the degree of equality of treatment of men and women in retirement income systems will come to be increasingly prominent in evaluations of social security policy.<sup>1</sup> Social security systems have a range of objectives, however, including income replacement and poverty alleviation, as well as equal treatment. Systems in different countries tend to place differing degrees of emphasis on these and other objectives, and will therefore differ in their impact on particular vulnerable or lifecycle groups. In addition, countries may differ in their choice between public and private instruments for providing income security for retirement.

As a preliminary hypothesis, it seems likely that social security systems that give greater weight to income replacement through earnings-related benefits or alternatively seek to encourage private provision for retirement will tend to result in greater inequality between men and women than systems that provide flat rate benefits or emphasise poverty alleviation. The reasons for this are fairly obvious. Pension systems that rely on private provision will tend to favour those who have been able to save for retirement, and men have traditionally

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<sup>1</sup> As discussed by Lister (1992), there are important differences between equality of treatment and equality of outcome, an issue which is touched on later in this paper.

been much more likely than women to be in full-time employment. Earnings-related benefits will also tend to reproduce in retirement the inequalities that have existed in employment.

The objective of this paper is to explore these issues through a comparative study of the position of women in the retirement income systems of the United Kingdom, France, the Netherlands and Australia. The paper uses data from the Luxembourg Income Study (LIS) for the mid 1980s.

The paper is structured as follows. Section 2 reviews some of the relevant literature – both the theoretical literature dealing with types of welfare states and their outcomes, and the empirical literature based on the LIS data that provides a comparative analysis of the circumstances of the elderly. The paper argues that the position of women in retirement has been neglected in both these fields. Section 3 provides background information on the countries included in the studies. Section 4 presents the results of the analysis of the LIS data, and the paper concludes with a discussion of the implications of these findings.

## **2. TYPES OF WELFARE STATES AND TYPES OF PENSION REGIMES**

In making a comparative analysis of the position of women under different pension regimes, it is clearly important to include countries that take different approaches to the provision of income security in retirement. This was one factor leading to the choice of the United Kingdom, the Netherlands, France and Australia as the countries to be compared. According to the OECD report *Reforming Public Pensions* (1988a, p.17):

In many countries the historical roots of public pension schemes go back to the turn of the century, though in most OECD countries the current systems – in particular their structure and virtually universal eligibility – are the result of developments after the Second World War. The structure of the schemes can be traced back to the two polar models of public retirement provision:

- the insurance model, which relates benefits to former earnings and contribution periods, and is mandatory for a specific occupational group (Bismarck);
- the universal model, which provides old age income maintenance at a basic level for the whole population, financed by general taxes (Beveridge).

The OECD report goes on to argue that these distinctions have been eroded over time by moves to top-up flat-rate systems with earnings related supplements, while the earnings-related systems have often introduced minimum standards. As a consequence, three types of pension systems are suggested – the basic flat-rate system, mixed systems of basic pensions plus supplements, and the insurance systems of an earnings-related pension above some minimum standard. The OECD classifies countries with basic systems as including Australia, New Zealand, and Iceland; mixed systems include Canada, Denmark, Finland, Ireland, Norway, Sweden and the United Kingdom; while insurance systems include Austria, Belgium, France, Germany, Greece, Italy, Luxembourg, Japan, the Netherlands, Portugal, Spain, Switzerland, Turkey, and the United States. On the basis of this typology, our choice of countries gives us Australia in the first group, the United Kingdom in the second, and France and the Netherlands in the third.

There are of course other ways of categorising pension systems. Most notably, Esping-Andersen (1990) has recently proposed that welfare systems can be described as belonging to three different "worlds", divided in terms of the extent to which the nexus between attachment to the labour market and survival has been broken (the level of 'de-commodification' of labour). The first such group comprises systems based on the principle of need, developed in the poor-law and social assistance tradition, and is characterised by means-testing. According to Esping-Andersen:

One type of system, historically most pronounced in the Anglo-Saxon nations, builds entitlements around demonstrable and abject need. With its mainspring in the poor-law tradition... these systems do not properly extend citizen rights. The main examples of this tradition are the early pension schemes in Scandinavia, the British scheme of supplementary benefits, the American SSI, and virtually the entire Australian welfare system.

The European social insurance systems comprise the second group where benefits are based on the insurance principle conditional on labour-market attachment and level of contributions. The final group is founded in the principle of universal rights of citizenship, irrespective of labour market performance or level of need. As Esping-Andersen recognises these three

groups also correspond to the three systems outlined by Titmuss, the residual, the industrial-achievement and the institutional (Titmuss, 1958).

No country's welfare system is a pure example of any one of these categories, all combine differing weights of each element. Of the countries we are studying, Australia and, to a lesser extent, the United Kingdom are usually regarded as belonging in the first of these groups, France is an example of the social insurance group and the Netherlands fits with the more universal system. Thus, our four countries fall into three somewhat differing groups, depending upon the typological approach adopted.

There is a saying to the effect that the world is divided into two sorts of people – those who divide the world into two sorts of people, and those who don't. Typologies of the sort described above will dissatisfy those who fall into the second of these groups, but for a number of different reasons. For example, Esping-Andersen's characterisations have been criticised by Mitchell (1991) and Castles and Mitchell (1991), who argue that there are in fact four worlds of welfare capitalism, with the United Kingdom and Australia differing from the other Anglo-Saxon countries. More fundamentally, Ringen (1991) questions whether welfare states can be said to come in types at all.

As will be seen below, this paper also considers that aspects of Esping-Andersen's characterisation of the Australian social security system (and also of the UK Income Support system) are quite inaccurate. But the paper addresses this issue in a fundamentally different way from that of Castles and Mitchell or Ringen. According to Esping-Andersen (1990, p.3):

The extension of social rights has always been regarded as the essence of social policy. ... we choose to view social rights in terms of their capacity for "de-commodification". The outstanding criterion for social rights must be the degree to which they permit people to make their living standards independent of pure market forces. It is in this sense that social rights diminish citizens' status as "commodities".



This definition of social rights can be regarded as limited, in that it only defines rights in terms of independence from the labour market, and thus ignores the issue of women's independent incomes, which would seem to be equally important as an issue of rights. That is, we propose that any measures of de-commodification that ignore the relative circumstances of women in the social welfare systems of different countries are fundamentally flawed. This is not to argue that equal treatment of men and women has been important historically in the development of welfare state arrangements. In assessing and evaluating current systems, however, there is a clear parallel between the dependency of workers on the market and the dependency of women on men. The extent to which a particular system breaks both of these links should be evaluated if the analysis and measure is not to be gender-blind.<sup>2</sup>

### **Previous studies using LIS data**

Just as the status of women has been absent from this theoretical literature on comparative welfare outcomes, it has also been generally absent from the previous empirical literature using the LIS data. Consideration of the incomes of the elderly has been a major interest of users of the LIS data sets from the first (Achdut and Tamir, 1985; Hedstrom and Ringen, 1985; Smeeding and Torrey, 1986; Smeeding, Torrey and Rein, 1987; Hauser, 1988; Smeeding, 1989; Coder, Smeeding and Torrey, 1990; Rein and Rainwater, 1990; Smeeding, 1990).

The first set of LIS studies generally covered a range of countries with data from around 1980. Hedstrom and Ringen (1985) considered whether young and old families have lower standards of living than other family types in seven countries. They concluded that this is generally the case, and particularly in the UK, the only country in common with our study. They also found that public transfers played a key role in the distribution of incomes among the elderly. The greater the contribution from public transfers, the more equal incomes tend to be. The elderly were considered in similar age bands to our study but no distinction was made between men and women.

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<sup>2</sup> It can also be argued in the same way that any assessment of the outcomes of different welfare systems in these terms should also take account of the position of different ethnic groups in the welfare systems of different countries.

The incomes of elderly families, equality and the incidence of poverty was the focus of the study by Achdut and Tamir (1985). The proportion of elderly families who are retired is relatively high in the UK, and they found that the steepest fall in income occurs between the 55–59 and 60–64 age groups. The wide dispersion of income in the UK compared with other countries was also confirmed. The UK was also the country with the highest percent of elderly families in the lowest quintile of the income distribution but approximately half of elderly families in the bottom quintile have income above half the median income.

Smeeding and Torrey (1986) did not analyse the LIS data separately for men and women, but did point out that the very elderly are the most likely to be economically disadvantaged, and that many of these families are women living on their own. The UK was again shown to have the lowest income among elderly families relative to the average. In a comparison of the economic circumstances of elderly families and families with children in six countries including the UK and Australia Smeeding, Torrey and Rein (1987) make the point that the social welfare programs of each country reflect their social philosophy and favour some groups at the expense of others.

Hauser (1988) reviews the work on the elderly using the LIS and discusses a subsequent paper by Smeeding and Torrey (1989) which focuses on the elderly. In Hauser's view this 1989 study is the most complete study of the aged and once again highlights the 'fragile economic status' of very elderly women. Buhmann, Rainwater, Schmaus and Smeeding (1988) also presented results for elderly households, identifying the effects of different equivalence scales on poverty among elderly couple households and single elderly women and single elderly men.

Smeeding (1989) compares the incomes of elderly families with heads aged over 65 and contrasts them with younger families with and without children in Australia, the Netherlands, the UK and five other countries. An important conclusion was that elderly people are much less likely to be poor or near-poor in the Netherlands and the Scandinavian countries than in Australia, where the likelihood was near average, or in the UK, where the likelihood was greatest.

Smeeding's (1990) paper uses the second round of the LIS data for the mid-1980s, and is mainly concerned with how retirement is defined in different countries. The first paper to present results for female one person households separately is that of Coder, Smeeding and Torrey (1990) which compares the progress of elderly families between the first two rounds of the LIS in Canada, United States and Australia. It concludes that elderly women living on their own have remained the group with lowest standards of living. A further paper by Rein (1990) separates studies men approaching retirement ages but does not make any comparison with women.

Thus, although there has been substantial use of the LIS data to study the financial circumstances of elderly people, only two have specifically analysed the circumstances of women compared with men.

### **3. COUNTRIES IN THE STUDY**

Table 1 provides some relevant background information on Australia, France, the Netherlands and the United Kingdom. It can be seen that in 1986 the proportion of the population aged 65 years or over was highest in the United Kingdom and lowest in Australia. The same ranking applied to the percentage of the population aged 75 years or over, although France was closer to the UK. The aged dependency ratio (the aged as a proportion of those of working age) showed a related pattern.

The retirement age for pensions was the same in Australia and in the UK, being 65 for men and 60 for women. In contrast, the pension retirement ages were equalised at 60 years in France and 65 years in the Netherlands. The table also shows the "absolute" average level of transfers per person aged 65 and over. These have been adjusted by purchasing power parities (PPPs) and for inflation, with the UK figure for 1984 set as the base. On this measure, the level of transfers per elderly person was lowest in the UK in 1983 and highest in France. This also shows that the levels in each country in 1960 had been more similar, but that the increases since then had been far greater in France and the Netherlands (although they had apparently fallen in the Netherlands between 1980 and 1984).

The table shows that GDP per head, adjusted by PPPs was highest in Australia and lowest in the UK, although the range was not great. It can also be seen that total tax levels are highest in the Netherlands, followed by France, and then the UK, with Australia having the lowest total levels. Correspondingly, total government outlays are lowest in Australia and highest in the Netherlands. In contrast, social expenditures were highest in France, and the Australian level was nearly as high as in the UK, reflecting relatively high expenditure on education. In contrast, pensions took a much higher share of social spending in France and the Netherlands, and to a lesser extent in the United Kingdom.

### **United Kingdom**

The United Kingdom national retirement pension scheme is part of the system of contributory benefits based on an insurance principle. It is a two tier system consisting of an employment-related flat-rate pension and an earnings-related supplement. It covers all employees, self employed and those making voluntary contributions, but those with occupational pensions and personal pensions (post 1988) can opt out of the earnings-related element. A non-contributory pension and various allowances are paid to residents over 80. It is funded from graduated contributions from both employees and employers, depending upon earnings, employment status and whether contracted out or not. There are two main categories of retirement pension: that paid on your own contribution record; and that paid on your spouse's. Different conditions apply depending on whether you are a married women, a widow or a widower. <sup>3</sup>

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<sup>3</sup> For a clear description of the UK pension scheme, see Child Poverty Action Group, Rights Guide to Non-means-tested Benefits, 1992/3.

**Table 1: Comparative statistics of countries in study**

|   | Australia | France | Netherlands | United Kingdom | OECD average |
|---|-----------|--------|-------------|----------------|--------------|
| Population (million)<br>1990p                       | 17,100    | 56,160 | 14,849      | 57,236         | -            |
| Per cent 65 years +<br>1960                         | 8.5       | 11.6   | 8.6         | 11.7           | 9.7          |
| 1986  | 10.5      | 13.2   | 12.3        | 15.3           | 12.7         |
| Per cent 75 years +<br>1960                         | 2.7       | 4.3    | 2.8         | 4.2            | 3.3          |
| 1986  | 4.0       | 6.4    | 5.1         | 6.5            | 5.4          |
| Aged dependency ratio in<br>1980 *                  | 14.8      | 21.9   | 17.4        | 23.2           | 18.9         |
| Pension retirement age<br>Men                       | 65        | 60     | 65          | 65             | -            |
| Women   | 60        | 60     | 65          | 60             | -            |
| Life expectancy at age 60<br>in 1980 (years)<br>Men | 17.2      | 17.3   | 17.5        | 16.2           | -            |
| Women   | 22.1      | 22.4   | 22.8        | 22.8           | -            |
|   |           |        |             |                | Continued    |

|  | Australia | France | Netherlands | United Kingdom | OECD average |
|--|-----------|--------|-------------|----------------|--------------|
| Old age, survivors and disability transfers * per person 65 and over |           |        |             |                |              |
| 1960   | 53        | 58     | 54          | 43             | 48           |
| 1970   | 71        | 116    | 129         | 62             | 86           |
| 1980   | 123       | 197    | 235         | 87             | 140          |
| 1984   | 123       | 238    | 219         | 100            | 155          |
| GDP per head adjusted by PPPs  |           |        |             |                |              |
| 1985   | £6,670    | £6,490 | £6,390      | £6,200         | -            |
| Total outlays of government as % of GDP                              |           |        |             |                |              |
| 1985   | 38.7      | 52.2   | 59.7        | 46.1           |              |
| 1989   | 34.8      | 49.7   | 56.0        | 40.9           |              |
| Social expenditure as % of GDP (1985)                                | 18.4      | 34.2   | 30.7        | 20.9           | 24.6         |
| of which (%):  |           |        |             |                |              |
| Education  | 31.0      | 17.8   | 18.2        | 23.9           | 21.5         |
| Health   | 26.6      | 19.9   | 21.2        | 24.9           | 22.8         |
| Pensions   | 26.6      | 37.1   | 34.2        | 32.1           | 36.2         |
| Unemployment   | 7.1       | 8.2    | 10.7        | 8.6            | 7.3          |
| Total taxation as % of GDP (1988)                                    | 30.8      | 44.4   | 48.2        | 37.3           | 38.4         |

Apart from this discrepancy and that between widows and widowers, the pension scheme treats men and women equally. The contributions and levels of pensions are the same, but the outcomes are far from equal. Fewer than a quarter of women qualify for a full pension in their own right and although more women are entering the labour market, with the rise in divorce it is not clear that this proportion will increase (Groves, 1987; Joshi and Davies, 1991). More women may be left with insufficient contributions to earn a reasonable pension.

Current levels of pension are £54.15 for a claimant and £32.55 for an adult dependent, that is £86.70 for a couple. The earnings related pension has a maximum of 25 per cent of assessed earnings. This is to be reduced to 20 per cent between 2000 and 2010 in response to concerns about the burden that increasing proportions of pensioners pose to the contributions required from the working population. The UK state retirement pension scheme might appear to fit within the social insurance model, and insofar as contributions are based on labour market participation, it does. However, the fact that the means-tested social assistance benefit is set at a higher level than the flat-rate retirement pension introduces a divergence from that model.

Under the means-tested 'safety net', called income support, a single pensioner householder would receive £57.15 and a couple £88.95 plus their housing costs would be paid, apart from 20 per cent of their community charge.<sup>4</sup> Thus even those who have enough contributions for a full state pension scheme but no other income are better-off claiming the means-tested benefit. Receipt of other income from occupational pensions or investment is necessary to bring pensioners above this residual level of support. Women are considerably less likely to contribute to and hence receive occupational pensions, and around 18 per cent of elderly women receive means-tested benefit.

The help offered under the means-tested system in the UK is mainly financial, although it does cover the cost of prescriptions, dental treatment, eye-tests and spectacles, and the costs of care for those in residential and nursing homes. The national health service offers free treatment.

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<sup>4</sup> The Child Poverty Action Group's National Welfare Rights Handbook, 1992/3 describes the social assistance scheme in the UK.

## **Australia**

Age pensions in Australia are payable to men aged 65 years and over and women aged 60 years and over. In addition, a large proportion of the elderly population receive pensions paid by the Department of Veterans' Affairs, as a consequence of war service or related injury. Some of these pensions are more generous than the basic age pension, and are paid free of any means test to those with disabilities or their widows, where it is accepted that the disability or death was associated with war service. There is also a service pension payable to those with eligible war service, essentially on the same basis as the standard age pension, although payable to both men and women five years earlier.

There are no contributions towards any of these social security cash benefits, which are flat rate and paid from general government revenue. In general, pensioners must have been resident in Australia for at least ten years, however. Those who do not satisfy these residence requirements may receive a special benefit, which is subject to more restrictive conditions.

The Australian system is means-tested (with the exception of the war widows and war disability pensions). The means test is applied to the combined income of husbands and wives (not including children or other persons living in the same household, unless they are regarded as living together as a man and wife). Entitlements and payments, however, are made individually, so that each partner in a couple receive half the assessed rate of pension in their own right. Single pensioners receive 60 per cent of the combined married rate. The single age pension in Australia is currently \$A 153.05 per week and the combined married rate is \$A 255.30 per week. Adjusted by purchasing power parities, these figures are equivalent to £68.90 and £115.00 per week, respectively. These figures are substantially higher than either income support or the retirement pension in Britain, but there is much less assistance with housing costs. For example, public sector tenants will generally pay 20 per cent of their income in rent, while private sector tenants receive assistance with less than half of their rental costs. Roughly three-quarters of the elderly in Australia own their own home outright, however.

Because nearly all benefits are means-tested, the Australian system of social security has often been characterised as epitomising a residual approach to social welfare. This description



is very misleading. While the Australian system of support for the aged was broadly similar in structure to Supplementary Benefit/Income Support for many years, this is no longer the case. Up until 1969, pensions for the aged were reduced through a 100 per cent reduction rate, as is the case with IS currently, although the income disregards in the Australian system were extremely generous. Probably the most important change in the Australian social security system was the introduction of a 50 per cent taper for pensions in 1969. This was at a time when political parties were promising to abolish the means test on age pensions. A major step – since reversed – was taken in this direction with the abolition of the means test for pensioners over 75 years of age in 1974 and for those 70 to 74 years in 1975.

Because of the 50 per cent taper applying to pensions for the elderly (and those for veterans, those with disabilities, and lone parents), most persons in the eligible age groups receive some pension payment. In 1989, nearly 80 per cent of those in the eligible age group were receiving an age or service pension. The cut-out point for the married rate of pension exceeds average weekly earnings, and the assets test applied to pensions is structured so as to exclude those with substantial wealth, not to restrict payments to those in abject and demonstrable need. In addition, the government provides special tax rebates to those receiving pensions, so that by 1995 it is intended that no age pensioner will be paying any income tax.

Given these factors – the 50 per cent taper, the integration between the income test and the income tax system, and the high level of pension coverage – it is probably more accurate to see the Australian system as effectively providing a form of negative income tax for the elderly and some other groups. The unemployed and the sick, however, receive payments under conditions similar to those applying under Income Support. It is the special benefit that fulfils the last resort, residual function, although persons receiving this payment account for just under 1 per cent of all recipients.

A report for the Social Security Review argued that "in terms of equity between the sexes Australia's age pension system is perhaps one of the fairest, as its independence from lifetime earnings means that it does not perpetuate the economic disadvantages faced by those who cannot participate in fully paid employment because of family responsibilities" (Perry, 1988.

p.44). This judgement is supported by Rosenman and Leeds, who note that "the age pension basically treats elderly women fairly equitably. It provides a needs tested benefit to a woman as an individual rather than as a wife" (1984, p.72.)

## France

As at January 1987, the French pension scheme consisted of a main system applicable to all employees in the private sector, and a special system for public-sector employees. The main system consisted of two tiers: the 'regime general' and 'regimes complementaires'. The general regime is funded by the joint contributions of employees and employers but at a higher rate than the complementary scheme. The latter, however, receives some government contribution. The government covers the main part of the cost of the 'minimum viellesse' system. For a full pension 37.5 years contributions are required. There are options to defer pension and for a reduced pension below the age of 65. (Organisation for Economic Co-operation and Development, 1988a).

The value of the full pension in the general system is 50 per cent of average earnings in the ten highest paid years after 1947, with a minimum of 30,258 ff and maximum of 57,780 ff per year. The complementary system pays 20 per cent of highest ten years average earnings. This works out as a total pension of around 70 per cent of average non-executive wages.<sup>5</sup> For low income workers, because of the minimum pension provided in the general system, the pension is 100 per cent of wages whereas for executives it is only around 50 to 60 per cent of earnings. There is a means-tested spouse supplement and a child supplement for those who have reared three or more children. The 'minimum-viellesse' means-tested pension is 31,590 for a single person and 56,760 for a married couple. Depending on their earnings, some of those with full contribution records (but not all, as is the case in the UK) will qualify for 'full' pensions lower than that offered by the means-tested system.

Also, since 1988, insured persons can work part-time and draw a partial pension, provided their working hours are less than 4/5 normal working hours. A minimum contribution record

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<sup>5</sup> It should be noted that the average level of earnings in France, when adjusted by purchasing power parities, is only around 75 per cent of the level of average earnings in the UK, probably as a consequence of the high level of employer social security contributions in France. See Whiteford, 1991.

is required and the insured person must be 60 years of age. The proportion of the old-age pension payable under the general scheme varies with the hours worked. Similar arrangements are applicable in the complementary pension schemes.

The French state pension scheme is clearly insurance based and earnings-related. It is likely that the qualification period of 37.5 years for a full pension will put women, with their greater likelihood of a broken employment record at a disadvantage.

For pensioners with resources below a given level, the Fonds National de Solidarite (FNS) provide an assistance-type payment, which is a supplementary or national 'social minimum' pension. Those over 65 qualify, but it is payable at 60 for those unable to work because of invalidity. The French social assistance scheme provides a range of other benefits including medical care and domiciliary aid (Laczko, 1990).

### **The Netherlands**

In the mid 1980s, the Netherlands had a contribution-based flat-rate scheme with almost universal coverage. There was a general scheme for all residents with a special scheme for public employees, and a supplementary occupational scheme for private-sector employees.

Employees contributed 11.5 per cent of gross earnings for the old age pension, but the employer made no contribution. The government paid a pension to exempted people on low incomes. The pension was paid to those over 65, and for a full pension 50 years of contributions are required, but there is no retirement condition. The pension is reduced by 2 per cent for a single person and 2 per cent for a couple for each insurance year below 50. The full pension is 14,102 Fl for a single person and 20,305 Fl for a couple per year (Organisation for Economic Co-operation and Development, 1988a).

Equality of treatment between married and unmarried couples was introduced in 1987 under the general pensions scheme (AOW), and this applies to de facto couples, both homosexual and heterosexual, if there is economic dependency between the partners. These provisions should help to alleviate the problems of divorce and repartnering highlighted in Joshi and Davies (1991) work. It is not clear, however, from a woman's point of view what rights a divorcee would have to a pension based on her ex-partner's contributions. From 1988 a

person who has reached age 64 and is living with a partner under that age is entitled to a pension not exceeding 70 percent of the net minimum wage. A supplement of 30 per cent of the minimum wage may be awarded to the partner, subject to income testing. When the partner reaches 65, each of the pensioners receives a single pension not exceeding 50 per cent of the minimum wage.

Social assistance is administered locally in the Netherlands, but like the UK scheme mostly provides financial help.

#### **4. COMPARISONS OF THE INCOMES OF ELDERLY PEOPLE IN THE UNITED KINGDOM, AUSTRALIA, FRANCE AND THE NETHERLANDS USING DATA FROM THE LUXEMBOURG INCOME STUDY**

The choice of countries for this comparison was mainly determined by considerations of the difference between pension arrangements in different countries, that is it was desirable to include examples from each type of pension system. A further factor was the way the information on each country is available in the LIS data. A crucial determinant was the unit of analysis. Ideally, we would like measures of both individual and household income. In choosing countries apart from the United Kingdom and Australia we initially considered Sweden, but the Swedish data are gathered at the tax unit not household level, and it seemed important to know in the case of elderly people whether they were living in multi-tax-unit households or not. The United Kingdom, Australia, the Netherlands and France all have data for households, but individual level income data are not available for France.<sup>6</sup>

The data set for the United Kingdom is for 1986, Australia is for 1985-6, France, 1984, and the Netherlands for 1987. All income data have been adjusted to 1985 values by the

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<sup>6</sup> The variable giving details of the unit of analysis in the LIS data set was not immediately transparent. For example the UK unit of analysis is coded "1" and described as a single family household, but in fact consists of all households in the Family Expenditure Survey for 1986. These households contain one or more families and one or more tax units. The French data uses combined tax units to create household data.

appropriate price deflators for each country, and subsequently converted to 1985 pounds sterling by 1985 purchasing power parities.

In this analysis we compare all sources of individual data available, the levels of state retirement pensions paid to individuals and the level of occupational pensions. Comparisons are made between countries and between men and women of different ages. It was decided to make comparisons including those below the formal retirement age (55 to 59 years and 60 to 64 years), but some care should be taken in interpreting these figures, as different proportions of these groups will be retired in each country. At the household level we compare household net income, pre-transfer income, social transfers – whether insurance-based or means-tested – and the contribution they make to gross household income, and the position of these elderly households in the distribution of equivalent net household income.

Comparisons are made both in relative and absolute terms. Income components are adjusted by OECD purchasing power parities to their sterling equivalents. Given the closeness between the real level of GDP per head in the four countries, this seemed to be an appropriate way of comparing income levels. It should be noted, however, that these income measures cannot incorporate differences between countries in the provision of non-cash services. Nor do they take account of differences in the housing tenure of the elderly.

It must be emphasised that the analysis and results in the paper should be regarded as preliminary and tentative.<sup>7</sup> All we are seeking is to identify whether the LIS data support the broad hypotheses that we have put forward.

#### Individual level income

Total individual level income was not available in the data set. We investigated the use of the sum of the elements which were available but a comparison of this with household income for single person households suggested that the elements did not include all sources of income. In particular, income from investments and from disability benefits did not seem to be available at an individual level. Income from state retirement pensions and from

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<sup>7</sup> The number of cases in each sub-group are set out in the Appendix. It should be noted that in a number of cases for the Netherlands cell sizes are very small. These are indicated in the tables.

occupational pensions (from employment in both the private and public sectors) are both available at an individual level.

Table 2 shows the average levels of occupational pensions paid to individuals in different age groups in the United Kingdom, Australia and the Netherlands, expressed in 1985 pounds sterling. It should be noted that the distribution of occupational pensions is highly skewed in all three countries, with the medians being much lower than the means, and in many cases being zero. Fewer than half of Australians in any age group or household type except the recently retired (aged 65 to 70) in couple households received income from occupational pensions. There seems to be a broadly similar pattern of receipt of income from this source in the UK and the Netherlands. As may be expected, fewer than 50 per cent of those aged 55 to 59 in the UK and of those aged under 65 in the Netherlands receive occupational pensions. There is some evidence of the recent growth in numbers of women contributing to occupational pension schemes in the UK in that more than half recently retired (aged 60 to 70) women living on their own are in receipt compared with less than half of women over 70. More than half of all men over 65 in all household types are in receipt of an occupational pension in the UK and the Netherlands.

It is apparent that occupational pensions are very unequally distributed between men and women in each country. Women past retirement age in couples or complex households receive the lowest average level of occupational pensions,<sup>8</sup> and single women generally receive lower average occupational pensions than single men of the same age. For example, for younger (aged 65 to 70) pensioners living alone, the ratio of men's to women's pension income is 1.6, 3.7, 3.0 in the UK, Australia and the Netherlands, respectively, but for those over 75 the gap closes in Australia (2.4) and the Netherlands (1.3) but widens in the UK (2.4). The differences are even more striking for men and women living in couple households. For 55 to 69 year olds in the UK and Australia the ratios are 5.8 and 3.55, respectively, and these increase to 19.2 and 10.9 for those aged 75 and over. In the Netherlands the ratio for the younger pensioners is higher (7.0) but it reduces for older

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<sup>8</sup> The partial exception to this is the low level of occupational pensions received by single men in the 55 to 59 year age group in the UK and Australia, and the 60 to 64 age group in the UK. This will mainly reflect lower levels of retirement of men in these age groups.

pensioners to 4.4. The difference arises because few married women qualify for occupational pensions in their own right and the pension is paid to the man. Many occupational pensions pay a reduced pension to widows and it is probably this which narrows the gap in levels of occupational pension for single person households.

Table 2 demonstrates the different emphasis in the countries studied on the use of occupational pensions to support people in retirement. Overall, the level of occupational pensions was lowest in Australia and highest in the Netherlands. However, the lack of individual level information on investment income will have a major impact on the apparent picture for Australia. This is because a large proportion of superannuation schemes in Australia pay lump sums on retirement, rather than occupational pensions. These lump sums may sometimes be used to pay off mortgages or invested, and will yield investment income (or capital gains) rather than pensions. As will be seen later, in fact the elderly in Australia have the highest proportion of income coming from private sources of any of the four countries.

**Table 2: Occupational pensions for individuals in different age groups: mean, purchasing power parity in £ at 1985 values.**

|   | United Kingdom | Australia  | Netherlands |
|---|----------------|------------|-------------|
| <b>One woman</b>                              |                |            |             |
| 55 to 59                                      | 824            | 325        | 922         |
| 60 to 64                                      | 852            | 214        | 1302        |
| 65 to 69                                      | 771            | 155        | 1116        |
| 70 to 74                                      | 359            | 289        | 937         |
| 75 and over                                   | 429            | 271        | 1074        |
| <b>One man</b>                                |                |            |             |
| 55 to 59                                      | 467            | 22         | 0           |
| 60 to 64                                      | 747            | 737        | 2862        |
| 65 to 69                                      | 1231           | 573        | 3375        |
| 70 to 74                                      | 1121           | 893        | 2556        |
| 75 and over                                   | 1016           | 641        | 1411        |
| <b>Woman in couple household</b>              |                |            |             |
| 55 to 59                                      | 67             | 265        | 0           |
| 60 to 64                                      | 186            | 401        | 70          |
| 65 to 69                                      | 186            | 382        | 435         |
| 70 to 74                                      | 196            | 166        | 278         |
| 75 and over                                   | 71             | 59         | 546         |
| <b>Man in couple household</b>                |                |            |             |
| 55 to 59                                      | 769            | 510        | 651         |
| 60 to 64                                      | 1606           | 949        | 3174        |
| 65 to 69                                      | 1803           | 1359       | 3038        |
| 70 to 74                                      | 1676           | 897        | 2855        |
| 75 and over                                   | 1362           | 643        | 2392        |
| <b>Woman in complex<sup>1</sup> household</b> |                |            |             |
| 55 to 59                                      | 90             | 162        | 196         |
| 60 to 64                                      | 167            | 272        | 315         |
| 65 to 69                                      | 285            | 111        | 469         |
| 70 to 74                                      | 152            | 220        | *93         |
| 75 and over                                   | 509            | 59         | *340        |
| <b>Man in complex household</b>               |                |            |             |
| 55 to 59                                      | 626            | 143        | 172         |
| 60 to 64                                      | 1345           | 662        | 917         |
| 65 to 69                                      | 1323           | 1029       | 2461        |
| 70 to 74                                      | 942            | 623        | *1253       |
| 75 and over                                   | 610            | 663        | *2111       |
| <b>Total 55 and over</b>                      | <b>743</b>     | <b>494</b> | <b>1215</b> |



<sup>1</sup>. A complex household in this and subsequent tables is defined as one with three or more adults.

\* Cell sizes less than 10, in this and subsequent tables.

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Table 3 compares the levels of "social retirement pensions" paid to individuals. The social retirement pension is lowest in Australia, with the UK and the Netherlands set at more similar and higher levels. However, Australia is unusual in that women have higher social retirement income than men in general. This will reflect the operation of the means tests, which will pay higher age pensions to women because they have lower private incomes. Men and women in the UK, as expected, have rather similar state retirement pensions although, probably because of the greater likelihood of men being in the state earnings related pension scheme than women, men's state retirement pension income is slightly greater than women's.

#### Household level income

To compare the effects of the different social security arrangements in retirement for the four countries, as an outcome measure we first compare net household incomes in each country. To clarify the impact of social security transfers on outcomes, we consider the contribution made by original income, and social security transfers, both means-tested and other. Finally, the distributional outcome for men and women in different age groups is examined.

Table 4 shows that mean household net income for all persons over 55 is greatest in France (£10,928 per annum), followed by Australia (£7,124), UK (£6,970) and the Netherlands (£6,414). However, the distributions differ, in that the median values for the UK and the Netherlands are very similar at £5494 and £5446 respectively, France remains in highest position with £7739 but Australia falls to the lowest at £4944. This implies that Australia will have some elderly people with considerably higher incomes than most of their contemporaries. One of the groups of people to do less well in Australia are elderly women living alone. For this group mean income is lower at all ages in Australia than any of the other three countries, and it is particularly low for women under 70 (approximately £1000 less than the next nearest country, the UK).

**Table 3: Social retirement income for individuals in different age groups: mean, median, purchasing power parity in £ at 1985 values.**

|                                   | United Kingdom | Australia  | Netherlands |
|-----------------------------------|----------------|------------|-------------|
| <b>One woman</b>                  |                |            |             |
| 55 to 59                          | 1062           | 776        | 0           |
| 60 to 64                          | 1821           | 1474       | 0           |
| 65 to 69                          | 2004           | 1688       | 3085        |
| 70 to 74                          | 1924           | 1811       | 3113        |
| 75 and over                       | 1949           | 1836       | 3126        |
| <b>One man</b>                    |                |            |             |
| 55 to 59                          | 52             | 0          | 0           |
| 60 to 64                          | 42             | 0          | 0           |
| 65 to 69                          | 1991           | 1228       | 2906        |
| 70 to 74                          | 2065           | 1410       | 1v          |
| 75 and over                       | 2046           | 1695       | 3104        |
| <b>Woman in couple household</b>  |                |            |             |
| 55 to 59                          | 0.25           | 165        | 0           |
| 60 to 64                          | 755            | 623        | 0           |
| 65 to 69                          | 1133           | 947        | 2144        |
| 70 to 74                          | 1229           | 1342       | 1712        |
| 75 and over                       | 1273           | 1413       | 1923        |
| <b>Man in couple household</b>    |                |            |             |
| 55 to 59                          | 0.93           | 9          | 0           |
| 60 to 64                          | 1              | 0          | 0           |
| 65 to 69                          | 1982           | 558        | 3175        |
| 70 to 74                          | 2132           | 1082       | 2446        |
| 75 and over                       | 2034           | 1267       | 2324        |
| <b>Woman in complex household</b> |                |            |             |
| 55 to 59                          | 98             | 206        | 0           |
| 60 to 64                          | 878            | 718        | 0           |
| 65 to 69                          | 1299           | 1240       | 2627        |
| 70 to 74                          | 1555           | 1248       | *1426       |
| 75 and over                       | 1852           | 1717       | *2354       |
| <b>Man in complex household</b>   |                |            |             |
| 55 to 59                          | 0.84           | 10         | 0           |
| 60 to 64                          | 2              | 0          | 0           |
| 65 to 69                          | 2065           | 687        | 3414        |
| 70 to 74                          | 2151           | 1320       | *2277       |
| 75 and over                       | 2079           | 1213       | *3176       |
| <b>Total 55 and over</b>          | <b>1205</b>    | <b>812</b> | <b>1430</b> |

**Table 4: Household net income:mean, purchasing power parity in £ at 1985 values.**

|                          | United Kingdom | Australia   | France       | Netherlands |
|--------------------------|----------------|-------------|--------------|-------------|
| <b>One woman</b>         |                |             |              |             |
| 55 to 59                 | 5117           | 3922        | 5799         | 4538        |
| 60 to 64                 | 4397           | 3088        | 5791         | 4302        |
| 65 to 69                 | 3754           | 2772        | 4456         | 3848        |
| 70 to 74                 | 3134           | 3002        | 4744         | 3715        |
| 75 and over              | 3379           | 2707        | 5125         | 3761        |
| <b>One man</b>           |                |             |              |             |
| 55 to 59                 | 5203           | 4963        | 5442         | 5200        |
| 60 to 64                 | 4543           | 4272        | 5771         | 5803        |
| 65 to 69                 | 4670           | 3169        | 6604         | 5630        |
| 70 to 74                 | 3794           | 3149        | 5093         | 4771        |
| 75 and over              | 3630           | 2801        | 9806         | 4159        |
| <b>Couple household</b>  |                |             |              |             |
| 55 to 59                 | 8615           | 9239        | 12013        | 7391        |
| 60 to 64                 | 7663           | 8073        | 11951        | 6962        |
| 65 to 69                 | 6674           | 5674        | 10171        | 6746        |
| 70 to 74                 | 6155           | 5522        | 9763         | 6404        |
| 75 and over              | 5659           | 5370        | 8781         | 5763        |
| <b>Complex household</b> |                |             |              |             |
| 55 to 59                 | 12527          | 14017       | 16070        | 9703        |
| 60 to 64                 | 11501          | 12335       | 13797        | 8684        |
| 65 to 69                 | 10051          | 10674       | 15572        | 8706        |
| 70 to 74                 | 10442          | 11535       | 14773        | *6455       |
| 75 and over              | 11536          | 10189       | 14290        | *9613       |
| <b>Total 55 and over</b> | <b>6970</b>    | <b>7124</b> | <b>10928</b> | <b>6414</b> |

All countries show a decline in household income with age for this group, with elderly women over 75 having only 66 per cent of the income of those aged 55 to 59 in the UK, 69 per cent in Australia, 88 per cent in France and 83 per cent in the Netherlands.

Table 5 shows the proportions of households of different types and age groups at low middle and high levels of equivalent net household income. Income has been adjusted by equivalence scales to enable comparisons to be made between households of different sizes and compositions. The equivalence scales used approximate closely to those used in the estimation of households below average income statistics calculated for the Department of Social Security in the UK (Department of Social Security, 1991). A couple counts as 1, an additional adult as 0.46 and a child under 18 as 0.23, and a single person household as 0.61.

Table 5 highlights some interesting differences between the countries. Despite having higher average net household income among elderly households than in either the UK or the Netherlands, Australia has much higher proportions of its elderly population in the lowest quintile band of the overall distribution of equivalent income for that country. Elderly Australians appear considerably worse off than younger Australians. The proportions increase with age, up to 66 percent of women aged 70 to 75 and living on their own being in the lowest quintile. Women are somewhat more likely to be in this position than men. The same trend with age and between men and women is also true of the United Kingdom, but the proportions of elderly women in the lowest quintile band of the UK income distribution only reach a maximum of 30 per cent. Elderly couples in the UK are more likely to be at this low level of income than women living on their own. In Holland and France there is little difference in the likelihood of low income for men and women and the change with age is the reverse of the other two countries. Fewer very elderly women and men are in the lowest quintile than those who are near retirement age. The Netherlands is striking in the very few single elderly households with low levels of income. This type of household fares better than couple and complex households. Relatively high proportions of single male households have incomes in the highest quintile band – over 45 per cent of single men aged under 70 are in the highest quintile band.

**Table 5: Percentage in low (L), median (M) and high (H) quintile bands of the equivalent net income distribution.**

|                          | United Kingdom |           |           | Australia |           |           | France    |           |           | Netherlands |           |           |
|--------------------------|----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------|-----------|-----------|
|                          | L              | M         | H         | L         | M         | H         | L         | M         | H         | L           | M         | H         |
| <b>One woman</b>         |                |           |           |           |           |           |           |           |           |             |           |           |
| 55 to 59                 | 8              | 17        | 27        | 46        | 13        | 19        | 21        | 21        | 26        | 8           | 24        | 29        |
| 60 to 64                 | 14             | 23        | 11        | 59        | 7         | 9         | 21        | 23        | 18        | 9           | 33        | 25        |
| 65 to 69                 | 19             | 18        | 14        | 58        | 6         | 3         | 17        | 29        | 7         | 0           | 20        | 16        |
| 70 to 74                 | 31             | 14        | 0         | 66        | 8         | 4         | 15        | 28        | 9         | 0           | 24        | 12        |
| 75 and over              | 30             | 17        | 3         | 60        | 12        | 3         | 17        | 22        | 11        | 0           | 21        | 10        |
| <b>One man</b>           |                |           |           |           |           |           |           |           |           |             |           |           |
| 55 to 59                 | 23             | 19        | 30        | 29        | 11        | 30        | 26        | 34        | 17        | 6           | 6         | 50        |
| 60 to 64                 | 23             | 19        | 23        | 48        | 8         | 14        | 21        | 24        | 23        | 0           | 6         | 47        |
| 65 to 69                 | 11             | 19        | 16        | 55        | 2         | 7         | 13        | 19        | 29        | 0           | 20        | 45        |
| 70 to 74                 | 23             | 15        | 9         | 53        | 5         | 5         | 17        | 27        | 12        | 0           | 18        | 18        |
| 75 and over              | 25             | 15        | 8         | 59        | 10        | 2         | 18        | 32        | 13        | 0           | 16        | 18        |
| <b>Couple household</b>  |                |           |           |           |           |           |           |           |           |             |           |           |
| 55 to 59                 | 16             | 19        | 26        | 19        | 20        | 24        | 17        | 20        | 32        | 13          | 21        | 31        |
| 60 to 64                 | 20             | 30        | 18        | 22        | 17        | 18        | 22        | 15        | 30        | 11          | 24        | 25        |
| 65 to 69                 | 23             | 16        | 11        | 34        | 10        | 8         | 17        | 16        | 23        | 11          | 22        | 19        |
| 70 to 74                 | 33             | 14        | 8         | 41        | 11        | 7         | 16        | 18        | 22        | 7           | 17        | 15        |
| 75 and over              | 37             | 18        | 5         | 35        | 11        | 3         | 15        | 21        | 16        | 12          | 15        | 12        |
| <b>Complex household</b> |                |           |           |           |           |           |           |           |           |             |           |           |
| 55 to 59                 | 16             | 22        | 19        | 13        | 22        | 22        | 28        | 14        | 23        | 25          | 24        | 14        |
| 60 to 64                 | 12             | 29        | 13        | 15        | 25        | 15        | 33        | 15        | 18        | 41          | 9         | 19        |
| 65 to 69                 | 23             | 28        | 7         | 20        | 29        | 7         | 26        | 17        | 24        | 27          | 32        | 14        |
| 70 to 74                 | 26             | 23        | 12        | 21        | 27        | 9         | 23        | 22        | 14        | 40          | 60        | 0         |
| 75 and over              | 15             | 32        | 15        | 29        | 32        | 3         | 25        | 15        | 12        | 29          | 14        | 14        |
| <b>Total 55 and over</b> | <b>23</b>      | <b>20</b> | <b>13</b> | <b>32</b> | <b>15</b> | <b>12</b> | <b>21</b> | <b>19</b> | <b>21</b> | <b>13</b>   | <b>21</b> | <b>19</b> |

It should also be noted that results of this sort can be very sensitive to the choice of equivalence scales, as shown by Buhmann et al. (1988) and Bradbury and Saunders (1990). In particular, in Australia many pensioners are clustered around the basic pension levels, so that choice of an equivalence scale that differs from the implicit statutory scale may partly explain the much higher proportion of single person households with low incomes in Australia.

Table 6 shows that the average level of household social transfer income for those over 55 is least in Australia (£1764 per annum), followed at a £1000 more in the UK (£2824) and a £1000 more again by the Netherlands (£4064) and finally France (£4301). The median value for the Netherlands is higher than that for France, so more people in the Netherlands receive transfer income at a higher level than France but some in France receive very large amounts.

For single person households, the amount of social transfer income is similar for men and women of all age groups in the UK and the Netherlands, but in Australia, women receive higher levels at all age groups. In France, after the age of 65 men receive higher transfer income but until then the reverse is the case. It is only for those aged over 65 in the UK, 70 in Australia that household transfer income for couples is greater than that for women living on their own. In France and Holland, however, it is greater at all ages. As expected transfer income is greater for complex households than two person couple households, although comparisons are limited for the Netherlands because of lack of numbers.

Table 7 shows the contribution that income from social transfers makes to total gross household income for different household types and ages and Table 8 breaks this down between social insurance and means-tested benefits. For all four countries, social transfers make a higher contribution to the gross household income of women living on their own compared with men in the same circumstances. This is true of all age groups except in France for men and women aged 70 and over, where transfers are slightly more important for men. In Australia, France and the Netherlands the difference in the social transfer income between men and women declines with age but not in the UK, where the ratio of the average contribution for women compared with men remains around 1.1 to 1.2 for all ages. The

**Table 6: Household social transfer income: mean, purchasing power parity in £ at 1985 values.**

|                          | UK   | Australia | France | Netherlands |
|--------------------------|------|-----------|--------|-------------|
| <b>One woman</b>         |      |           |        |             |
| 55 to 59                 | 1694 | 1242      | 1511   | 2899        |
| 60 to 64                 | 2721 | 1679      | 3536   | 4443        |
| 65 to 69                 | 2579 | 1924      | 3808   | 3173        |
| 70 to 74                 | 2600 | 2024      | 4089   | 3150        |
| 75 and over              | 2723 | 2073      | 3982   | 3150        |
| <b>One man</b>           |      |           |        |             |
| 55 to 59                 | 1191 | 528       | 827    | 2211        |
| 60 to 64                 | 1731 | 696       | 3317   | 3422        |
| 65 to 69                 | 2647 | 1405      | 4824   | 2906        |
| 70 to 74                 | 2601 | 1606      | 4487   | 3150        |
| 75 and over              | 2415 | 1719      | 4954   | 3175        |
| <b>Couple household</b>  |      |           |        |             |
| 55 to 59                 | 1129 | 603       | 1615   | 3705        |
| 60 to 64                 | 1501 | 930       | 3706   | 4488        |
| 65 to 69                 | 3731 | 1611      | 6794   | 4747        |
| 70 to 74                 | 3748 | 2512      | 7782   | 4447        |
| 75 and over              | 3679 | 2776      | 7205   | 4040        |
| <b>Complex household</b> |      |           |        |             |
| 55 to 59                 | 1909 | 1328      | 1788   | 2627        |
| 60 to 64                 | 2529 | 1490      | 3876   | 5736        |
| 65 to 69                 | 4193 | 2486      | 6905   | 4251        |
| 70 to 74                 | 4463 | 3182      | 6529   | *5948       |
| 75 and over              | 4129 | 2813      | 5897   | *4784       |
| Total 55 and over        | 2824 | 1764      | 4301   | 4064        |

**Table 7: Percentage contribution of pre-transfer (PT) and social transfer (ST) income to total gross household income.**

|                          | UK |    | Australia |    | France |    | Netherlands |     |
|--------------------------|----|----|-----------|----|--------|----|-------------|-----|
|                          | PT | ST | PT        | ST | PT     | ST | PT          | ST  |
| <b>One woman</b>         |    |    |           |    |        |    |             |     |
| 55 to 59                 | 60 | 40 | 52        | 48 | 69     | 31 | 43          | 57  |
| 60 to 64                 | 31 | 69 | 31        | 68 | 36     | 64 | 21          | 79  |
| 65 to 69                 | 25 | 74 | 25        | 74 | 16     | 84 | 18          | 82  |
| 70 to 74                 | 16 | 84 | 22        | 76 | 13     | 87 | 17          | 83  |
| 75 and over              | 16 | 84 | 21        | 79 | 13     | 87 | 18          | 83  |
| <b>One man</b>           |    |    |           |    |        |    |             |     |
| 55 to 59                 | 67 | 33 | 78        | 22 | 82     | 18 | 63          | 38  |
| 60 to 64                 | 44 | 56 | 70        | 30 | 45     | 55 | 54          | 46  |
| 65 to 69                 | 32 | 68 | 38        | 56 | 23     | 77 | 44          | 56  |
| 70 to 74                 | 25 | 73 | 38        | 60 | 12     | 88 | 24          | 76  |
| 75 and over              | 26 | 74 | 32        | 68 | 11     | 89 | 23          | 77  |
| <b>Couple household</b>  |    |    |           |    |        |    |             |     |
| 55 to 59                 | 81 | 19 | 85        | 14 | 82     | 18 | 64          | 36  |
| 60 to 64                 | 74 | 26 | 79        | 20 | 58     | 42 | 54          | 46  |
| 65 to 69                 | 38 | 62 | 63        | 35 | 27     | 73 | 32          | 68  |
| 70 to 74                 | 32 | 68 | 41        | 57 | 19     | 81 | 35          | 65  |
| 75 and over              | 29 | 71 | 37        | 61 | 15     | 85 | 34          | 66  |
| <b>Complex household</b> |    |    |           |    |        |    |             |     |
| 55 to 59                 | 81 | 18 | 84        | 15 | 84     | 16 | 77          | 23  |
| 60 to 64                 | 74 | 26 | 83        | 17 | 69     | 31 | 55          | 45  |
| 65 to 69                 | 54 | 46 | 68        | 31 | 49     | 52 | 51          | 49  |
| 70 to 74                 | 53 | 47 | 65        | 34 | 48     | 52 | *18         | *82 |
| 75 and over              | 62 | 38 | 66        | 34 | 50     | 50 | *51         | *49 |
| <b>Total 55 and over</b> | 47 | 53 | 58        | 40 | 49     | 51 | 41          | 59  |



**Table 8: Percentage contribution of social insurance and means-tested income to total gross household income.**

|                          | UK        |            | Australia |            | France    |            | Netherlands |            |
|--------------------------|-----------|------------|-----------|------------|-----------|------------|-------------|------------|
|                          | Soc. Ins. | Means Test | Soc. Ins. | Means Test | Soc. Ins. | Means Test | Soc. Ins.   | Means Test |
| <b>One woman</b>         |           |            |           |            |           |            |             |            |
| 55 to 59                 | 29        | 11         | 0         | 48         | 31        | 0          | 38          | 18         |
| 60 to 64                 | 54        | 15         | 0         | 68         | 64        | 1          | 73          | 7          |
| 65 to 69                 | 59        | 15         | 0         | 74         | 78        | 6          | 82          | 0          |
| 70 to 74                 | 66        | 19         | 0         | 76         | 80        | 7          | 82          | 1          |
| 75 and over              | 64        | 20         | 0         | 79         | 77        | 10         | 83          | 0          |
| <b>One man</b>           |           |            |           |            |           |            |             |            |
| 55 to 59                 | 14        | 19         | 0         | 22         | 18        | 0          | 31          | 6          |
| 60 to 64                 | 18        | 38         | 0         | 30         | 54        | 0          | 43          | 3          |
| 65 to 69                 | 56        | 12         | 0         | 56         | 74        | 3          | 56          | 0          |
| 70 to 74                 | 60        | 14         | 0         | 60         | 81        | 6          | 76          | 0          |
| 75 and over              | 64        | 10         | 0         | 68         | 82        | 7          | 77          | 0          |
| <b>Couple household</b>  |           |            |           |            |           |            |             |            |
| 55 to 59                 | 12        | 7          | 0         | 14         | 18        | 0          | 33          | 3          |
| 60 to 64                 | 17        | 9          | 0         | 20         | 41        | 1          | 45          | 1          |
| 65 to 69                 | 58        | 4          | 0         | 35         | 69        | 5          | 68          | 0          |
| 70 to 74                 | 63        | 5          | 0         | 57         | 75        | 6          | 65          | 0          |
| 75 and over              | 65        | 6          | 0         | 61         | 77        | 9          | 66          | 1          |
| <b>Complex household</b> |           |            |           |            |           |            |             |            |
| 55 to 59                 | 13        | 6          | 0         | 15         | 14        | 2          | 22          | 2          |
| 60 to 64                 | 18        | 8          | 0         | 17         | 30        | 2          | 41          | 4          |
| 65 to 69                 | 55        | 5          | 0         | 31         | 71        | 4          | 47          | 1          |
| 70 to 74                 | 42        | 5          | 0         | 34         | 45        | 6          | *82         | *0         |
| 75 and over              | 34        | 4          | 0         | 34         | 36        | 14         | *43         | *6         |
| <b>Total 55 and over</b> | 44        | 9          | 0         | 40         | 47        | 5          | 57          | 2          |

change is greatest in Australia: for those aged 55 to 60, social transfers make twice as great a contribution for women as for men but for those age over 65 it is only a third higher. Social transfers also contribute more to the incomes of men and women living on their own than they do to the household income of couples.

Table 8 shows that after Australia (where all transfers are classified as means-tested), income-related benefits are most important in the UK. For those over 65 years, the means-tested benefits are more important for women than for men in Britain; this is also true for France, but to a much smaller extent.

Finally, Table 9 presents an overview of the position of single female households relative to both single males and couples. The table shows the ratios of men's to women's incomes at various "stages" of distribution and couple's to women's net incomes. A ratio greater than one means that men are more favoured in terms of average incomes received, while a ratio of less than one implies that women benefit more. Looking first at private income, the pattern is very mixed. For those under 65 years of age, these results are probably the consequence of differences in the proportion of the populations who are retired or unemployed. Among 65 to 69 year olds, men have the lowest advantage in the UK and the greatest in the Netherlands. Among 70 to 74 year olds, British men have the highest private incomes relative to women of the same age. The average private incomes of French single men are very similar to those of single women over 70 years of age.

The distribution of transfers tends to be pro-women. The exceptions are for single men in the UK 65 years to 69 years of age, and for all French men 65 years and over. British men aged 70 to 74 and Dutch men aged 70 and over receive about the same level of transfers on average as women of the same age. The distribution of transfers in Australia is uniformly pro-women, and is more so for each age group than in any other country, although the extent to which this occurs declines with increasing age. In contrast, in the United Kingdom transfers for those over retirement age become more pro-women as age increases.

The ratios of net income can be taken as the final measure of the extent to which the transfer and tax systems are pro-women in outcomes. For the United Kingdom, Australia and the

Netherlands, the transfer systems increase the level of women's incomes compared to men, but in France they operate in the opposite direction for those aged 70 years and over. That is, French women over 70 years of age have the same average private incomes as men, but they receive lower transfers and therefore their net incomes are lower.

In all countries, the average net income of single men over 65 years is greater than that of single women of the same age. The differences are uniformly lowest in Australia, and the male advantage tends to decline with increasing age, except for the oldest group in France. After Australia, the differences are lowest in the United Kingdom.

The final part of the table gives a slightly different perspective, by comparing the net incomes of couples to those of single female households in the same age groups. To interpret this table implicitly requires a preferred equivalence scale. If one considers that a single person household needs about 60 per cent of the income of a couple to be equally well off, then the ratio of a couples' income to that of a single person would be about 167 per cent. If the single equivalence scale was around 0.5, then the couple's ratio would be around 200 per cent, while if economies of scale are assumed to be low so that a single person requires about 80 per cent of the income of a couple, then the preferred couple's ratio would be around 125 per cent. It is of course possible that the preferred equivalence scale may vary between countries, and this paper does not adopt a particular level.

It can be noted, however, that single women are least favoured relative to couples in France and in Australia, and most favoured in the Netherlands; the UK is closer to the Dutch position than to that in the other countries. For most age groups in Australia and France, the ratio of couple's net incomes to that of single women's exceeds 2, which implies that any feasible equivalence scale would show that single female households in these countries are relatively disadvantaged on this measure.

**Table 9: Household Income Ratios, Single Males to Single Females and Couples to Single Females**

|   | United Kingdom | Australia | France | Netherlands |
|---|----------------|-----------|--------|-------------|
| <b>Private income – single males to single females</b>  |                |           |        |             |
| 55–59   | 0.95           | 1.38      | 1.12   | 1.64        |
| 60–64   | 1.11           | 2.04      | 1.37   | 3.45        |
| 65–69   | 1.37           | 1.64      | 2.00   | 3.23        |
| 70–74   | 1.96           | 1.67      | 1.00   | 1.54        |
| 75+   | 1.64           | 1.47      | 1.03   | 1.47        |
| <b>Transfer income – single males to single females</b> |                |           |        |             |
| 55–59   | 0.70           | 0.42      | 0.55   | 0.76        |
| 60–64   | 0.64           | 0.41      | 0.93   | 0.76        |
| 65–69   | 1.03           | 0.73      | 1.27   | 0.92        |
| 70–74   | 1.00           | 0.79      | 1.10   | 1.00        |
| 75+   | 0.88           | 0.83      | 1.25   | 0.99        |
| <b>Net income – single males to single females</b>      |                |           |        |             |
| 55–59   | 1.02           | 1.27      | 0.93   | 1.15        |
| 60–64   | 1.03           | 1.39      | 1.00   | 1.35        |
| 65–69   | 1.25           | 1.15      | 1.49   | 1.47        |
| 70–74   | 1.20           | 1.05      | 1.08   | 1.28        |
| 75+   | 1.08           | 1.03      | 1.92   | 1.11        |
| <b>Net income – couples to females</b>                  |                |           |        |             |
| 55–59   | 1.69           | 2.38      | 2.08   | 1.64        |
| 60–64   | 1.75           | 2.63      | 2.04   | 1.61        |
| 65–69   | 1.79           | 2.05      | 2.27   | 1.75        |
| 70–74   | 1.96           | 1.85      | 2.04   | 1.72        |
| 75+   | 1.67           | 2.00      | 1.72   | 1.5         |

## **Conclusion**

This analysis of the outcomes of different pension systems for women should be regarded as preliminary. Nevertheless, there are a number of interesting if mixed conclusions that appear to flow from it. There appears to be some evidence that the French earnings-related system provides the highest levels of net income for single women, but provides even higher levels for single men. This means that in absolute terms French single women are better-off in retirement than similar women in other countries, but relative to men of the same age the position of French women is least advantageous.

The Dutch system produces the lowest overall level of relative low income (in the bottom quintile of the equivalent income distribution) for single women, but again the results tend to favour men more than in either the UK or Australia. The Australian system provides the lowest absolute levels of income of any system, and the highest incidence of relative low income, but does most to equalise the circumstances of single men and women. The British system fall between all of these extremes, providing lower average incomes for single women than in France or the Netherlands, and with the highest levels of relative low income after Australia. Again, however, the system tends to be more equalising on the basis of gender.

Consideration of these issues will depend on the weight placed on different objectives for income support in retirement. It would clearly be interesting, however, to attempt to widen this preliminary analysis through an extension to other countries and the development of further appropriate measures.

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## Appendix 1: Numbers in different age groups in samples

|                            | UK  | Australia | France | Netherlands |
|----------------------------|-----|-----------|--------|-------------|
| <b>One woman</b>           |     |           |        |             |
| 55 to 59                   | 66  | 72        | 139    | 38          |
| 60 to 64                   | 117 | 123       | 182    | 64          |
| 65 to 69                   | 154 | 129       | 132    | 74          |
| 70 to 74                   | 177 | 157       | 199    | 83          |
| 75 and over                | 344 | 239       | 438    | 127         |
| <b>One man</b>             |     |           |        |             |
| 55 to 59                   | 43  | 63        | 85     | 16          |
| 60 to 64                   | 48  | 77        | 70     | 17          |
| 65 to 69                   | 62  | 44        | 31     | 20          |
| 70 to 74                   | 53  | 59        | 41     | 17          |
| 75 and over                | 108 | 59        | 120    | 45          |
| <b>Woman in couple h/h</b> |     |           |        |             |
| 55 to 59                   | 235 | 261       | 540    | 111         |
| 60 to 64                   | 297 | 315       | 516    | 143         |
| 65 to 69                   | 259 | 230       | 196    | 124         |
| 70 to 74                   | 173 | 153       | 221    | 75          |
| 75 and over                | 124 | 112       | 184    | 49          |
| <b>Man in couple h/h</b>   |     |           |        |             |
| 55 to 59                   | 177 | 226       | 486    | 87          |
| 60 to 64                   | 291 | 313       | 562    | 130         |
| 65 to 69                   | 281 | 264       | 247    | 152         |
| 70 to 74                   | 216 | 210       | 282    | 86          |
| 75 and over                | 206 | 182       | 298    | 85          |

**Woman in complex  
h/h**

|             |     |     |     |    |
|-------------|-----|-----|-----|----|
| 55 to 59    | 151 | 154 | 428 | 77 |
| 60 to 64    | 79  | 96  | 216 | 41 |
| 65 to 69    | 30  | 46  | 79  | 14 |
| 70 to 74    | 28  | 28  | 98  | 7  |
| 75 and over | 34  | 52  | 246 | 9  |

**Man in complex h/h**

|             |     |     |     |     |
|-------------|-----|-----|-----|-----|
| 55 to 59    | 171 | 196 | 543 | 100 |
| 60 to 64    | 106 | 130 | 302 | 64  |
| 65 to 69    | 57  | 70  | 98  | 22  |
| 70 to 74    | 43  | 34  | 92  | 5   |
| 75 and over | 34  | 34  | 114 | 7   |

|                   |      |      |      |      |
|-------------------|------|------|------|------|
| Total 55 and over | 4504 | 4367 | 7605 | 1942 |
|-------------------|------|------|------|------|

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**Appendix 2: Summary of provisions affecting women's old-age pensions in 1985.**

|  | <b>United Kingdom</b> | <b>Australia</b> | <b>France</b> | <b>Netherlands</b> |
|--|-----------------------|------------------|---------------|--------------------|
| Dependent benefit                      | Y                     | Y                | N             | N                  |
| Income-tested dependent's supplement   | N                     | U                | Y             | N                  |
| Flat-rate benefit                      | Y                     | Y                | N             | Y                  |
| Minimum pension                        | Y                     | NA               | Y             | Y                  |
| Voluntary contribution for entitlement | N                     | NA               | Y             | N                  |
| Child-care credit                      | Y                     | NA               | Y             | N                  |

Source: Table 2 in Tracy, 1988.