

The Pattern and Consequence of Survivorship Provisions in Public Retirement Plans: Comparison of Britain, U.S., and Germany

Table 1

Poverty rates of married and widowed females 60+:
Weighted

<u>Country & year</u>	<u>60+</u>		<u>Ratio of widowed to married poverty</u>
	<u>Widowed</u>	<u>Married</u>	
<u>Germany</u>			
1989	3.6	9.8	2.7
1994	0.8	3.2	4.2
<u>United Kingdom</u>			
1991	12.1	14.9	1.2
1995	6.7	6.5	1.0
<u>United States</u>			
1991	10.7	22.1	2.1
1994	9.5	20.4	2.1
1997	11.6	23.3	2.0

Source: Authors' calculations using Luxembourg Income Study data.

TABLE 2

Comparison of Retirement and Survivor Benefits
Germany, U.K., U.S.

<u>Germany</u>	<u>U.K.</u>	<u>U.S.</u>
<p><u>Retirement Benefits</u> Strictly earnings related [credits = sum(wages/ave)] Payable 65 (62 for women)</p>	<p><u>Retirement Benefits</u> Basic Benefit Payable 65 (60 women) Plus SERPS</p>	<p><u>Retirement Benefits</u> Progressive earning related benefit formula Payable women and men at age 62 Reduced if first received age 62-64</p>
<p><u>Widow Benefit</u> 3 months at 100% Age 45+ at 60% <45 25%</p>	<p><u>Widow Benefit</u> Highest of own or husband=s Basic Benefit (Payable age 55) 100% of husband=s SERPS (Full amount paid if husband 65+, Age reduction for younger ages)</p>	<p><u>Widow Benefit</u> Age 65+ at 100% of husband=s retired-worker benefit Reduced if first received age 60-64</p>
<p><u>Offsets</u> Set income over limit: Benefit reduced by 40%</p>	<p><u>Offsets</u> No income test</p>	<p><u>Offsets</u> Full offset against own benefits Earnings test offset against earnings During data period for earnings: below 70 (earliest years 72); now below age 65</p>

Table 3
Timing of Widowhood in the CNEF

<u>year first widowed</u>	<u>Germany</u>	<u>Britain USA</u>	
1984-1985	22		31
1985-1986	22		25
1986-1987	22		33
1987-1988	22		33
1988-1989	24		21
1989-1990	18		22
1990-1991	26		28
1991-1992	20	23	29
1992-1993	21	33	28
1993-1994	22	28	31
1994-1995	23	29	22
1995-1996	12	21	28
1996-1997	12	22	20
1997-1998			
Total	266	156	351

Note: all women were married and in the sample in 1984 for the GSOEP and PSID and 1991 for the BHPS

Table 4
Example of Conversion to Widowhood years
(Using BHPS Survey years)

Interview year	<u>Calendar year status</u>		<u>Widowhood period</u>	
	Person	Person	Person	Person
	1	2	1	2
1991	married	married	b1	b5
1992	widowed	married	p0	b4
1993	widowed	married	p1	b3
1994	widowed	married	p2	b2
1995	widowed	married	p3	b1
1996	widowed	widowed	p4	p0
1997	widowed	widowed	p5	p1

Table 5
Adjusted Widowhood Period
 (Number of Widows by Period)

<u>year first widowed</u>	GSOEP	BHPS	<u>PSID</u>
b10	67		101
b9	90		126
b8	109		154
b7	136		182
b6	154		202
b5	178	43	223
b4	199	71	256
b3	221	98	289
b2	240	131	316
b1	266	156	351
p	266	156	351
p1	240	126	316
p2	221	98	276
p3	190	72	246
p4	161	45	210
p5	132	16	183
p6	114		154
p7	92		129

Table 6. Comparison of Equivalency Scale Effects:
Income changes upon Widowhood

I. Hypothetical Income Change

	<u>Prewidow</u> <u>Income</u>	<u>Widow%</u> <u>Income</u>	<u>change</u>
Total	30000	20000	-33.3%
Per capita	15000	20000	33.3%

II. Equivalence Scale Adjusted Hypothetical Income Change

<u>Size</u> <u>Change</u>	<u>Using U.S. Scale</u>			<u>Using OECD Scale</u>			<u>Using International Scale</u>		
	<u>Prewidow</u> <u>Income</u>	<u>Widow%</u> <u>Income</u>	<u>change</u>	<u>Prewidow</u> <u>Income</u>	<u>Widow%</u> <u>Income</u>	<u>change</u>	<u>Prewidow</u> <u>Income</u>	<u>Widow%</u> <u>Income</u>	<u>change</u>
2 to 1	23438	20000	-14.7%	17647	20000	13.3%	21213	20000	-5.7
3 to 2	19108	15625	-18.2%	12500	11765	-5.9%	17321	14142	-18.4
4 to 3	14925	12739	-14.6%	9677	8333	-13.9%	15000	11547	-23.0
5 to 4	12605	9950	-21.1%	7895	6452	-18.3%	13416	10000	-25.5
6 to 3	11194	8403	-24.9%	6667	5263	-21.1%	12247	8944	-27.0
3 to 1	19108	20000	4.7%	12500	20000	60.0%	17321	20000	15.5
4 to 2	14925	15625	4.7%	9677	11765	21.6%	15000	14142	-5.7

Note: With U.S. scale: persons are BETTER off; become MORE worse off; differences between size changes are SMALLER. With OECD scale: persons are WORSE off; become LESS worse off; differences between size changes are LARGER

Table 7.

Changes in Post-government Income
using Three Equivalency Scales

	<u>BHPS</u>		<u>PSID</u>		<u>GSOEP</u>	
	Mean	Median	Mean	Median	Mean	Median
Widowhood						
Period	<u>Total income</u>					
b1	15989	13175	42017	27405	41291	35916
p1	11431	9066	28843	17445	31278	25322
% Change	-28.5%	-31.2%	-31.4%	-36.3%	-24.2%	-29.5%
	<u>Household size adjusted income</u>					
	<u>Using OECD Equivalence Weights</u>					
b1	8543	7228	27939	18815	26949	24282
p1	9730	7920	25936	14004	26582	22678
% Change	13.9%	9.6%	-7.2%	-25.6%	-1.4%	-6.6%
	<u>Using General Official U.S. Equivalence Weight</u>					
b1	11532	9946	28817	20544	28984	26044
p1	10396	8714	26352	15205	27296	23246
% Change	-9.8%	-12.4%	-8.6%	-26.0%	-5.8%	-10.7%
	<u>International Equivalence Scale</u>					
b1	10583	9002	26384	18759	26652	24253
p1	10170	8612	25921	14883	26555	22610
% Change	-3.9%	-4.3%	-1.8%	-20.7%	-0.4%	-6.8%

Note: BHPS data are in price adjusted British pounds, PSID data in price adjusted U.S. dollars, GSOEP data in price adjusted Marks.

Table 8Contribution to Postgovernment Income and Change in Income by Each Source

	<u>Income Sources</u>				
	Labor Income	Private Asset Tranfers	Social Income	Public Security	Public Transfers
<u>DISTRIBUTION</u>					
<u>Of Income</u>					
<u>BHPS</u>					
b1	30.5%	0.3%	10.9%	27.8%	35.7%
p1	21.3	0.4	7.6	30.3	35.1
<u>PSID</u>					
b1	38.3	11.7	17.0	17.4	0.8
p1	22.2	5.8	18.2	21.6	1.2
<u>GSOEP</u>					
b1	43.9	0.1	4.1	54.2	1.6
p1	31.6	0.6	6.2	58.0	2.4
<u>Of Income Change</u>					
BHPS	-25.8%	0.0%	-10.2%	-12.9%	-21.3%
PSID	-34.7	-11.5	-6.8	-3.9	0.1
GSOEP	-24.3	0.7	1.3	-17.1	0.1

Note: Percentages are the percentage by which postgovernment OECD adjusted income would have changed due to a change in the individual source alone. Percentages do not add up to 100 because contributions of taxes and imputed value of housing are not presented

Table 9: AGE DISTRIBUTION OF WIDOWS
(Age in Year B1)

<u>b1age</u>	<u>Country</u>		
	PSID	BHPS	GSOEP
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
<45	10.0%	6.7%	7.5%
45-54	14.5%	14.2%	11.8%
55-59	11.2%	4.5%	11.4%
60-64	15.2%	10.4%	16.5%
65-74	31.8%	39.6%	35.4%
75+	17.3%	24.6%	17.3%
<60	35.8%	25.4%	30.7%
median 63-64		68-69	64-65
mean	62.9	65.9	63.9

Note: numbers are unweighted sample size