

# Retirement entitlements as a parent or spouse<sup>1</sup>?

## To what extent are French households aware of these benefits?

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*Preliminary version – Please do not quote*

### Introduction and background

Individual knowledge of retirement entitlements and the implications in terms of choice of retirement age and savings behaviour are topics that emerged in the literature some twenty years ago. Early work emphasized the fact that most people know little about their expected retirement benefits. (Mitchell, 1987). Using data for the United States, Gustman and Steinmeier (2005) showed that around half of respondents (mostly aged between 51 and 61) said they did not know how much their pensions would be. Of the remainder, only one-quarter could give an estimate to within 25% of the pension calculated using administrative data. Parallel work attempted to study the influence of this low level of knowledge on the choices made by individuals regarding their retirement age or savings behaviour. Standard models generally assume that these choices are made in a framework of perfect information. When this assumption is not verified, it could be concluded wrongly that some individuals are insensitive to financial incentives, which can be calculated from a legislative point of view (Chan and Stevens, 2008). In fact, they are sensitive to incentives, but the incentives they expect can be very different from those calculated.

In France, although still limited, research on knowledge of pension entitlements shows that contributors generally have a low level of knowledge of pensions, both in terms of their own entitlements and the current legislation. For example, in 2005, according to Bridenne (2006), “five insured out of ten [aged 54 to 59] are aware of their contribution period to within four quarters; two out of ten cannot say; and three out of ten report a contribution period that differs by more than four quarters from the period recorded in their pension insurance accounts”. Women and the lowest social categories are the least well informed. Age also plays a role, with knowledge improving as contributors approach age 60.

Until now, research on individual knowledge of pension entitlements focused on people’s own entitlements. Yet people also accrue entitlements in the pension system as spouses. The survivor’s pension pays a percentage of the pension of the deceased spouse to the surviving spouse. This provision plays an important role in the architecture of the pension system and is intended to cushion against the loss of income that can occur when a spouse dies. Survivor’s pensions made up more than 20% of the pension of women aged 60 and over in 2004 and 40% of the pension of women aged 85 and over (Burrinand and Deloffre, 2006). Expenditure on survivor’s pensions accounted for 13.9% of total expenditure on retirement benefits in 2006

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<sup>1</sup> The paper is currently focused on retirement benefits accrued as a spouse. The part on benefits as a parent, brought up at the end, will be developed. The final idea is to combine both.

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(Conseil d'Orientation des Retraites, 2008). Analysing knowledge of survivor's pensions is part of the same topic as knowledge of individual entitlements. The death of a spouse can strongly impact the survivor's resources and standard of living. According to Bonnet and Hourriez (2009b), a quarter of widows experience a 10% decline in living standard after the death of their husbands (and widows overall experience a 3% decline on average). It is possible that some of the decline in living standard could result from inadequate savings behaviour, related to a misperception of how much the pension system pays in the event of the spouse's death. Besides, the survivor's pension provision is likely to be amended. Indeed, given the pension reforms under way in many countries, financial constraints and demographic and economic changes (increased female workforce participation, changing family structures), the validity of the survivor's pension, designed in a context of the traditional family model, is in question (Favreault *et al.*, 2002). It is worth investigating to what extent the survivor's pension reflects individual expectations and on the basis of which principles the provision could be amended.

This article has two aims. The first is to document individual knowledge of survivor's pensions. This includes identifying the characteristics of individuals whose knowledge of the system is poor, who could be financially vulnerable in the event of their spouse's death. These results are presented in the first part of the article. The second part is devoted to illustrating the match between current provisions and individual aspirations. People were interviewed about the percentage of the deceased spouse's pension they think should be paid to the surviving spouse. This makes it possible to assess support for the current provision and to contribute to more general research on individual opinions of various aspects of welfare systems (Boeri *et al.*, 2001; Schokkaert, 2002; Schokkaert *et al.*, 2000).

To enable this study, given the limited information currently available, both regarding both individual knowledge and opinions of survivor's pensions<sup>4</sup>, specific questions were introduced into the *Étude des relations familiales et intergénérationnelles* (ERFI-GGS1). This is the French version of the Generations and Gender Survey conducted in some 20 developed countries. It was conducted in autumn 2005 in France, by INED and INSEE on 10,079 men aged 18 to 79. Respondents were asked about their occupations, health, marital status, children, household organization and their values and attitudes. They were surveyed again in 2008.

## **1. Knowledge of the survivor's pension**

The rules governing the survivor's pension are complex and have also changed over time. Some of this complexity stems from the French pension system, which consists of multiple schemes with different rules for public-sector employees, private-sector employees and the self-employed (see annex 1 for a short explanation on French survivor's pension rules).

These rules should be borne in mind during the analysis of the results because they could explain differences in statements by cohort, sex (originally, the survivor's pension was only allocated to women) or socio-occupational category (which denotes the contributor's scheme).

### **1.1. Aims and rules of the survivor's pension**

*a. From a safety net for women who stayed at home to an extension to widowers*

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<sup>4</sup> To our knowledge, only the European Commission's Eurobarometer includes three opinion questions about survivors' pensions (see Appendix 2).

Originally, the survivor's pension was paid exclusively to widows, either by law (the public-sector scheme) or in practice (the general scheme, under which the survivor's pension originally could not be combined with work or with an individual pension, which was the situation of most men). In response to social changes, increased female employment and European regulations, the original rules have been amended to extend entitlement to a survivor's pension to widowers<sup>5</sup>. However, some schemes continue to apply more restrictive conditions to widowers (minimum age for eligibility for a survivor's pension, cap on the amount of the survivor's pension).

The survivor's pension is intended to avoid a drop in the surviving spouse's resources by paying him/her a percentage of the pension of the deceased spouse. Because women took care of domestic tasks and childrearing, they often did not accrue enough of an individual entitlement to a pension. Originally, the general scheme (the pension scheme for private-sector employees) conditioned eligibility for a survivor's pension on a lack of individual entitlement, thus reserving the provision for women who were completely "dependent" on their husbands. The aim was to avoid pushing these women into poverty after the death of their husbands. The condition of a lack of individual entitlement was relaxed subsequently in the general scheme, which nevertheless still reserves the survivor's pension for survivors with low individual entitlement or income (this point is developed below). This condition never existed in supplementary schemes or the public-sector schemes, which have a different rationale. These schemes consider the survivor's pension as an inheritance of the entitlement of the deceased. Consequently, it is paid to the surviving spouse unconditionally.

All the schemes condition the survivor's pension on marriage. Before the 2003 Act, it was a requirement in many schemes that the marriage have lasted for at least two years, although this condition was often waived when there were children from the marriage. The 2003 Act abolished this rule in the general scheme and the self-employed schemes, but it still applies in the public-sector scheme and most of the special schemes. Since 1978, the legislation has required that in all the schemes the survivor's pension be divided between the widow or widower and any divorced former spouses (unless they have remarried).

#### *b. A variety of rules in the different pension schemes*

The survivor's pension may or may not be means-tested, depending on the scheme the deceased spouse belonged to. The rules also vary as to the percentage of the pension paid and the minimum age for eligibility. This article will look only at the legislation applicable to the general scheme and the civil servant scheme<sup>6</sup>.

The pension system for private workers has the most restrictive conditions. They set a low threshold for means-testing (approximately 1.2 times the minimum wage<sup>7</sup> if the widowed person lives alone), even if it excludes resources from the deceased spouse's estate and survivor's pension entitlements in supplementary schemes<sup>8</sup>. Under the 2003 Act, the minimum age for eligibility for a survivor's pension in these schemes<sup>9</sup> as well as the rule restricting combination

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<sup>5</sup> For example, it was not until 1994 that the minimum age for a survivor's pension was made the same for men and women in Agirc (supplementary scheme for private-sector managers). Previously, a widower had to be 65 to qualify for a survivor's pension, whereas the minimum age for widows was 50.

<sup>6</sup> For a more detailed overview of the survivor's pension legislation in the different pension schemes, see the documents from the plenary session of the French Pensions Advisory Council 28 March 2007 (Conseil d'orientation des retraites, 2007).

<sup>7</sup> SMIC: minimum wage.

<sup>8</sup> Private-sector employees receive a basic pension from the general scheme and a supplementary pension from Arrco. A second supplementary pension is paid to retired managers (Agirc scheme).

<sup>9</sup> The Social Security Budget for 2009 raised the minimum age to 55 for all persons widowed after 31 December 2008.

with an individual entitlement were to be phased out (conversely, individual entitlements would be included in the means test). The effects of these rules are partly offset for private-sector employees by more flexible conditions in the supplementary schemes. The percentage of the pension paid is 54% in the basic scheme and 60% in the supplementary schemes. The supplementary schemes do not apply either means-testing or restrictions on combining resources.

In the public-sector scheme, the survivor's pension pays 50% of the deceased spouse's pension with no minimum age, no means-testing and no restriction on combining it with an individual entitlement.

## 1.2. How to assess the knowledge of the survivor's pension? Specific questions in the ERFI survey.

The questions about knowledge of the survivor's pension attempt to ascertain the level of knowledge that individuals have for themselves and for their spouses<sup>10</sup>. These questions were asked of people aged between 40 and 79 who were living with a spouse and who had never been widowed.

The first question covered the respondent's entitlement a survivor's pension and was worded as follows:

**Question 1:** "If your spouse (e) were to die before you, do you think ..."

1. You would receive the whole of his/her pension?
2. You would receive a part of his/her pension?
3. You would not receive any of his pension?
4. Not applicable (spouse has never worked).
5. Do not know.

The second question concerns the knowledge of the benefit for the respondent's spouse. It is worded as follows:

**Question 2:** "If you were to die before your spouse, do you think your spouse ..."

1. Would perceive the whole of your pension?
2. Would receive a part of your pension?
3. Would not perceive anything of your pension?
4. Not applicable (you have never worked).
5. Do not know.

For the following analysis, the answers to these questions were grouped into four categories:

- Category 1 "Says he/she does not know" include people who answered "Do not know" to the question;

- Category 2 "Says he/she knows but he/she is *a priori* wrong and overestimate his/her rights" includes people who believe they would receive a survivor's pension when they are not actually entitled to. This includes those who think that they would receive a part of the pension of their spouse dies while they are not married (they are not "eligible") or they would affect the entire pension of their spouse (or the reversion rate is never 100%);

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<sup>10</sup> The question were asked to people living in couple, married or not.

- Category 3 “Says he/she knows but he/she is *a priori* wrong and underestimate his/her rights” includes married people who wrongly believe they would get nothing. Indeed, only the basic scheme survivor's pension is means-tested. The surviving spouse may receive no survivor pension from these schemes if his own pension or other sources of income are too high. But he still would receive a widow's pension from the occupational schemes.

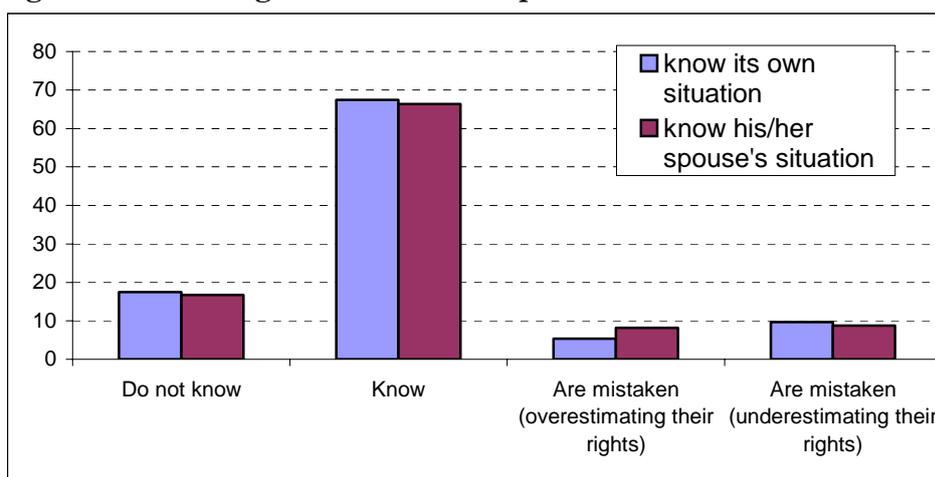
- Lastly, the category 4 “Says he/she knows *a priori* and he/she is properly informed” includes people who answer correctly they will receive a part of their spouse’s pension or nothing, depending on their marital status and those who say they were not concerned (if their spouse never worked) (about 3% of respondents).

### 1.3. One third of individuals is unaware of the survivor’s pension benefit

The level of knowledge of the survivor’s pension for oneself (question 1) and for the spouse (question 2) is similar (figure 1). In general, almost one-third of individuals aged 40 and over living in a couple do not know or are mistaken about how much they would receive as a survivor’s pension in the event of their spouse’s death: 18% answered that they did not know what they would be entitled to; 5% overestimated their entitlement (20% of these respondents are legally single or divorced but think they would receive some or all of their deceased spouse’s pension, when in fact their current marital status does not entitle them to anything<sup>11</sup>; and the remaining majority are married people who think they would receive all of their spouse’s pension); and 10% underestimated their entitlement (these respondents are mostly men (87%) who, although married, do not think they would be entitled to anything).

The responses about the percentage of their own pension that their spouse would receive in the event that they would die first break down as: 17% didn’t know, 8% overestimated their spouse’s entitlement and 9% underestimated their spouse’s entitlement.

**Figure 1 - Knowledge of the survivor’s pension benefit for oneself and his/her partner**



Source: Ined-Insee, ERFI-GGS(wave 1), 2005.

Note: Respondents aged 39 and over living with a spouse and never widowed.

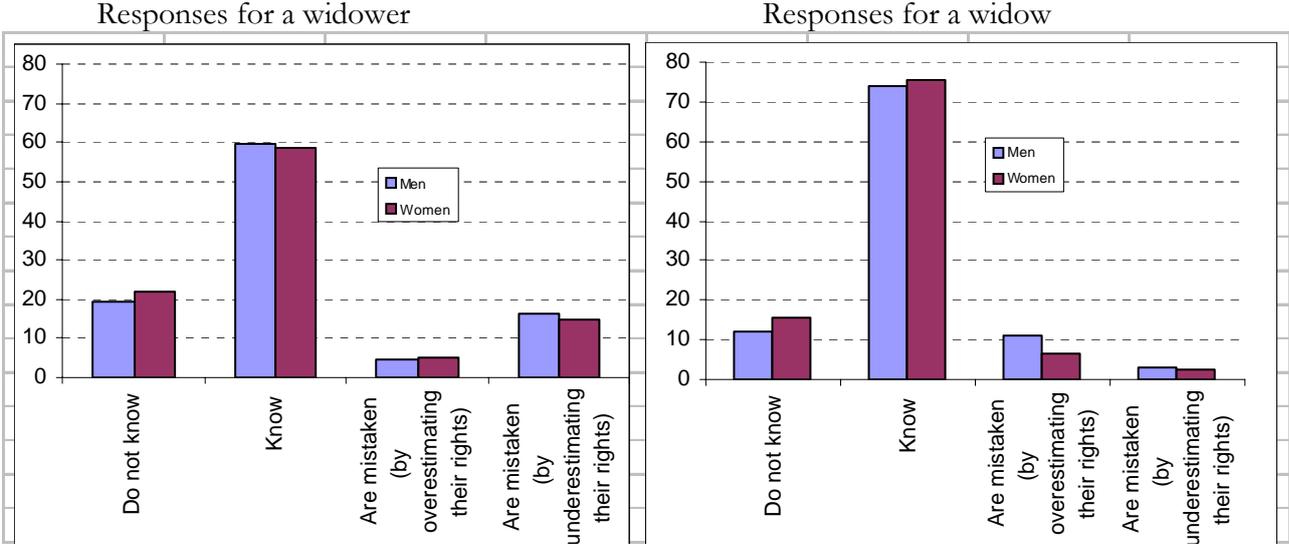
<sup>11</sup> Divorced people are potentially entitled to their former spouse’s survivor’s pension (see § I.1.a.). However, the question concerns the spouse with which the respondents are currently living.

Another way of looking at these results is to note that almost 70% of individuals answered correctly. This percentage may seem high compared with the limited knowledge of individual entitlements observed previously (Bridenne, 2006). However, it should be borne in mind that the wording of the questions is very narrow; the answers therefore cannot be interpreted as comprehensive knowledge of the survivor's pension. As mentioned above, the rules governing the survivor's pension – percentage of pension paid, income condition (especially in the general scheme) and minimum age for eligibility – are highly complex. Therefore, it can be observed that almost 70% of individuals are aware of the basic principles of the survivor's pension, i.e. that a percentage of the deceased spouse's pension is paid to the surviving married spouse.

**1.4. A better knowledge of the status of widows than that of widowers**

Few differences between men and women are observed in the responses. Regardless of the respondent's sex, roughly 60% know about the status of a widower in relation to the survivor's pension, whereas three-quarters answered correctly about the status of a widow (figure 2). One individual in five is mistaken about whether a survivor's pension is paid to a surviving husband, thinking in general that a man is not entitled to anything if his wife dies. Conversely, while the respondents are less frequently mistaken about widows, when they are mistaken they tend to overestimate the widow's entitlement, usually thinking that the widow would receive her deceased husband's full pension.

**Figure 2. Knowledge of the survivor's pension for widows and widowers, according to respondent's sex**



Source: Ined-Insee, ERFI-GGS(wave 1), 2005.  
 Note: Respondents aged 39 and over living with a spouse and never widowed.

These initial results reflect better knowledge of the status of widows than that of widowers with respect to the survivor's pension. This observation can be attributed to the fact that widowhood is mostly associated with women<sup>12</sup>, because they live longer than men. Moreover, women's individual pension entitlements are often lower than men's, so the spouse's death often has a bigger impact on the living standard of widows. Also, in the past the legal conditions governing eligibility for a survivor's pension were more restrictive for men than for women. Even if the rules have gradually converged, a number of people still seem to think that men are not eligible for the survivor's pension.

<sup>12</sup> It is not so unusual for men to be widowed. Around one-quarter of people widowed in a given year are men.

Some socio-demographic characteristics (other than sex) can also be associated with better knowledge of the survivor's pension<sup>13</sup>. In order to highlight these, the probability of being correctly informed was estimated (Table 1).

**Table 1. Probability of being correctly informed vs poorly informed about**

Logit model	... what respondent's spouse would receive in the event of respondent's death		... what respondent would receive in the event of spouse's death	
	Women	Men	Women	Men
<b>Age</b>				
40-49 years old	Réf.	Réf.	Réf.	Réf.
50-59 years old	- 0,06 (0,11)	0,48*** (0,13)	0,31** (0,13)	- 0,03 (0,13)
60-69 years old	- 0,11 (0,13)	0,67*** (0,15)	1,01*** (0,17)	- 0,28** (0,14)
70-79 years old	- 0,25* (0,16)	0,85*** (0,17)	0,97*** (0,22)	- 0,58*** (0,15)
<b>Education</b>				
None	0,01 (0,12)	- 0,16 (0,12)	- 0,09 (0,15)	0,09 (0,12)
Secondary School, Technical High School	Réf. 0,16 (0,14)	Réf. 0,28* (0,15)	Réf. - 0,18 (0,16)	Réf. 0,12 (0,14)
<b>Marital status</b>				
Single	0,98*** (0,20)	- 0,08 (0,18)	- 0,02 (0,23)	- 0,06 (0,22)
Married	Réf.	Réf.	Réf.	Réf.
Divorced	1,14*** (0,22)	0,23 (0,21)	- 0,18 (0,26)	0,92*** (0,29)
<b>Housewife</b>				
No	Réf.	-	Réf.	-
yes	- 0,80*** (0,15)	-	0,31* (0,18)	
<b>Respondent's socio-professional group</b>				
Self-employed	- 0,03 (0,17)	- 0,31 (0,22)	0,42* (0,23)	- 0,08 (0,20)
Cadre et profession intermédiaire	0,31** (0,13)	- 0,20 (0,19)	- 0,12 (0,16)	- 0,14 (0,17)
Employé	Réf.	Réf.	Réf.	Réf.
Ouvrier	0,03 (0,16)	- 0,50*** (0,19)	- 0,16 (0,19)	- 0,21 (0,17)
Sans activité professionnelle	0,28 (0,19)	- 0,30 (0,33)	- 0,23 (0,22)	- 0,22 (0,34)
<b>Partner is a housewife</b>				
No	-	Réf.	-	Réf.
yes	-	0,37** (0,18)	-	- 0,94*** (0,18)
<b>Partner's socio-professional group</b>				
Self-employed	- 0,17 (0,18)	- 0,12 (0,20)	- 0,50** (0,23)	- 0,02 (0,19)
Cadre et profession intermédiaire	- 0,18 (0,16)	- 0,10 (0,14)	0,05 (0,21)	0,27 (0,13)
Employé	Réf.	Réf.	Réf.	Réf.
Ouvrier	0,11 (0,16)	0,33* (0,18)	- 0,16 (0,21)	- 0,06 (0,15)
Sans activité professionnelle	0,52 0,40	- 0,47** (0,19)	- 0,49 (0,40)	0,99*** (0,22)
Constant	0,37** (0,18)	0,94*** (0,20)	1,00*** (0,22)	0,54*** (0,18)
Observations	2 231	2 147	1 953	1 936

\*\*\*: significant at 1%, \*\*: at 5% \*: at 10%, Réf.: Baseline.

<sup>13</sup> The descriptive statistics of the sample are shown in Appendix 1.

Knowledge of what a widow would receive in the event of her spouse's death improves with age, regardless of the respondent's sex. Being a homemaker increases a woman's likelihood of knowing what she will receive in the event of her husband's death. Similarly, when a man answers for his wife, he is more aware of her entitlement if she is a homemaker. Consequently, it seems that the status of women who would probably be the most financially vulnerable in the event of the spouse's death (since they are dependent on their husband's pension and therefore on a survivor's pension) is linked to better knowledge about the survivor's pension.

The effect of socio-occupational category for men is similar to what is observed in research on knowledge of pension entitlements (Bridenne, 2006). Being a manual worker is linked to a lower level of knowledge of what his wife would receive. Education has a similar effect, since men with the highest education have better knowledge of what their wives would receive.

It is important to note that although the probability of being correctly informed about what one would receive in the event of the spouse's death increases with age, it is already high in the youngest cohorts. Thus, almost two-thirds of people aged 40-49 have correct knowledge of the survivor's pension. That observation is important because choices (to save or work) made by individuals can be influenced by knowledge of the survivor's pension. In that case, any reform of the survivor's pension should take this into account.

## **2. What percentage do people think should be paid to married women who have never worked?**

### **2.1. Strong support for the survivor's pension**

Currently, the survivor's pension reflects two objectives. In every scheme, the survivor's pension is a percentage of the deceased spouse's pension paid to the surviving spouse. However, different conditions of allocation reflect different conceptions of the role it should play. One approach is to allocate a survivor's pension to the surviving spouse only if his/her individual resources are insufficient, which is a way of preventing widowed people from falling into poverty. That approach prevails in systems that condition eligibility for a survivor's pension on resources. The other rationale, which underpins the supplementary schemes and the public-sector scheme, is to consider the survivor's pension as an entitlement inherited from the deceased; it is therefore allocated to the surviving spouse regardless of his/her individual resources. This is similar to a patrimonial approach. Another objective is also achieved on average, namely maintaining the same living standard as prior to the spouse's death. Given current survivor's pension rates and the joint distribution of pensions within the couple, the living standard after the spouse's death is on average equal to that prior to the death (Bonnet and Hourriez, 2009a). That is another objective that can be assigned to the survivor's pension.

It is possible to investigate the logic of individuals by looking at the survivor's pension rates they think should be applied. The ERFI survey proposed the following scenario.

#### **Scenario**

“Alain is retired and his wife Nicole has never worked. Alain dies. Do you think pension schemes funded by social levies should pay Nicole ...”

1. The whole of Alain's retirement pension?
2. More than half of Alain's retirement pension?
3. Half of Alain's retirement pension?
4. Less than half of Alain's retirement pension?
5. A minimum fixed amount (the same for all widows) to cover basic needs.
6. Nothing.
7. Don't know.

Very few people answered that a non-working wife should receive nothing if her husband dies (table 2). Support for the survivor's pension therefore seems strong, at least in the case of a wife who has never worked. This restriction in the question should be considered in the interpretation of the results. More than half of respondents would like a more generous survivor's pension than the current provision, namely equivalent to the full pension of the deceased. Around one-third of people think that the survivor's pension in this specific case should be half or more than half of the deceased's pension, i.e. similar to the current survivor's pension rates. Lastly, 11% of people are in favour of a minimum subsistence benefit for widows. That percentage is similar to that observed in Eurobarometer (see Appendix 2)

**Table 2. Desired survivor's pension, depending on respondent's sex (as a %)**

	Men	Women	All
Full deceased's pension	54,1	52,4	53,3
More than half of deceased's pension	21,1	20,7	20,9
Half of deceased's pension	12,3	12,4	12,3
Less than half of deceased's pension	0,5	0,5	0,5
A minimum benefit	10,0	11,8	10,9
Nothing	0,2	0,2	0,2
Don't know	1,8	2,0	1,9
Total	100	100	100
Number of observations	4 369	5 707	10 076

Source : Ined-Insee, ERFI-GGS(wave 1), 2005.  
Respondents aged between 18 and 79

These results can be interpreted in the light of the objectives assigned to the survivor's pension mentioned above. Few people opt for a minimum benefit for widows, which could correspond to an objective of preventing the surviving spouse from falling into poverty. One-third of people prefer a percentage of the deceased's pension to be paid to the survivor, a choice that could reflect a desire to maintain the living standard of the surviving spouse. Half of the remaining respondents opt for 100% of the deceased's pension. Given that the scenario mentioned that the wife had never worked, it is impossible to know whether the latter choice is motivated by a rationale of inheritance or an objective of maintaining the level of resources, which the respondents might equate – mistakenly – with an objective of maintaining living standard<sup>14</sup>.

The same caution should be taken when interpreting these results as with all questions about opinions and values. Some respondents express a desirable ideal, while others state what they observe. The choice of a rate of half or more than half of the deceased's pension might reflect the actual rates applied by the public-sector and private-sector schemes respectively. The preference for 100% might be a "maximum" choice from among the proposed responses. Although the question stipulates that the survivor's pension is funded by social levies, respondents might not factor in financial constraints.

With the exception of the proposed response "a minimum benefit", chosen more often by women, no differences are observed in the responses according to the respondent's sex (Table 3). But other socio-demographic characteristics do have an influence on the type of survivor's pension chosen. To highlight them, the probability of choosing between the following three options was estimated: 100% of the deceased's pension, a fixed minimum pension, and a percentage of the deceased's pension. The results are shown in Table 3.

<sup>14</sup> Maintaining resources after the death of a spouse in fact implies an increase in living standard because the number of units of consumption decreases (the household's standard of living is disposable income to the number of units of consumption in the household).

**Tableau 3 - What should the survivor's pension rate be...**  
(Multinomial logit model)

		Whole pension vs a part of the pension	A fixed minimum vs a part of the pension
<b>Gender</b>	<i>Women</i>	<i>Réf.</i>	<i>Réf.</i>
	Men	- 0,03 (0,05)	- 0,14* (0,08)
<b>Age</b>	15-29 years	- 0,03 (0,09)	0,38*** (0,13)
	30-39 years	0,23*** (0,08)	0,25** (0,12)
	40-49 years	<i>Réf.</i>	<i>Réf.</i>
	50-59 years	- 0,17** (0,08)	0,04 (0,12)
	60-69 years	- 0,57*** (0,09)	- 0,40*** (0,14)
	70-79 years	- 0,84*** (0,10)	- 0,66*** (0,16)
	<b>Education</b>	None	0,03 (0,06)
Secondary School, Technical		<i>Réf.</i>	<i>Réf.</i>
High School		- 0,28*** (0,07)	- 0,27*** (0,10)
<b>Marital status</b>	<i>Single</i>	<i>Réf.</i>	<i>Réf.</i>
	Living with a partner	0,09 (0,07)	-0,15 (0,11)
	Living with a partner at home	0,14 (0,13)	-0,71*** (0,24)
<b>Activity</b>	Staying at home	0,31*** (0,11)	-0,05 (0,16)
<b>Marital Status</b>	Single	0,23*** (0,08)	-0,04 (0,12)
	<i>Married</i>	<i>Réf.</i>	<i>Réf.</i>
	Divorced	0,09 (0,10)	-0,11 (0,15)
	Widow(er)	0,14 (0,12)	0,07 (0,18)
	<b>Children in the household</b>	<i>No</i>	<i>Réf.</i>
Yes		0,24*** (0,06)	0,36*** (0,09)
<b>Catégorie socio-professionnelle</b>	Agriculteurs	- 0,07 (0,14)	0,53*** (0,18)
	Artisans, commerçants	0,11 (0,11)	- 0,09 (0,18)
	Cadres	- 0,28*** (0,09)	- 0,46*** (0,15)
	Professions intermédiaires	- 0,03 (0,07)	- 0,07 (0,11)
	<i>Employés</i>	<i>Réf.</i>	<i>Réf.</i>
	Ouvriers	0,15** (0,07)	0,21* (0,11)
	Autres personnes sans activité professionnelle	- 0,20* (0,09)	- 0,26** (0,13)
	Constante	0,52*** (0,11)	- 0,87*** (0,16)
	Observations	9 710	9 710

Source : Ined-Insee, ERFI-GGS(wave 1), 2005.

\*\*\*: significant at 1%, \*\*: at 5% \*: at 10%, Ref.: Baseline.

A socio-occupational category effect is highlighted first. Being a farmer increases the likelihood of responding “a minimum benefit” rather than the existing rates. Manual workers tend to respond “a minimum pension”, but also “full pension” (Table 3). That apparently contradictory result might reflect the fact that a fixed minimum could be higher than a percentage of the deceased’s pension. That is especially likely for farmers, whose individual entitlements are low (Burrigand and Deloffre, 2006). Managers prefer a percentage of the pension. Two interpretations of the socio-occupational effect can be advanced. The first is linked to better knowledge of the system by higher socio-occupational categories or education, which prompts people to declare in line with the current rules. The other interpretation is that individuals clearly appear influenced by their own situations. For example, those who have or will have a high pension entitlement could favour a percentage of the deceased’s pension (for example managers and those with the highest education). Conversely, those who have or will have a relatively small pension could choose a minimum or the full pension of the deceased.

Having children in the household increases the probability of choosing a survivor’s pension of 100%, and of choosing a minimum pension, reflecting the possible emergence of financial difficulties when there are dependent children. Age increases the probability of choosing a percentage of the pension as opposed to a minimum or the full pension. It is possible that the eldest respondents, who are well informed about the system (see above), respond according to the existing rules.

We could try another specification, estimating in a first part the choice of a minimum and then the share of the pension of the deceased spouse.

## **2.2. The role of values in support for the survivor’s pension<sup>15</sup>**

To be completed

The previous section highlighted the influence of various socio-demographic characteristics on the level of knowledge about the survivor’s pension. However, some differences remain unexplained. Opinions of existing provisions are also likely to stem from underlying moral values (Forsé and Parodi, 2001 and 2005) or from references to different family models. It is therefore worthwhile highlighting any links between these responses and the responses to the “Values and Attitudes” module of the ERFI questionnaire on other aspects of the welfare system. These include questions about the respective role of the state and the family in providing financial support for elderly people and about the importance of marriage. This adds an explanatory layer to individuals’ representations of the survivor’s pensions.

Methodology : principal component analysis, construction of a typology of family models and introducing them in the above regressions on people’s preferences on the survivor’s pension rate.

## **3. Crediting care or crediting marriage?<sup>16</sup>**

To be completed

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<sup>15</sup> Alesina A., Giuliano P., 2007, “The Power of the Family”, IZA Discussion Paper No. 2750.

<sup>16</sup> Herd, 2006.

The pension system has other provisions than the survivor's pension that also take individuals' family situations into account. These are family entitlements, i.e. pension entitlements accrued by individuals in their capacity as parents. An opinion question on compensation during retirement for periods that women stopped working in order to raise children<sup>17</sup> was included in the first wave of the ERFI survey (2005) and a question on knowledge of family entitlements was asked in the second wave (2008), the data from which will be available in January 2010. It will thus be possible to conduct similar work to that on the survivor's pension. It will also be possible to combine the two, in order to attempt to identify individuals who prefer a pension system that grants entitlements to spouses or parents (Herd, 2006).

## Conclusion

The survivor's pension is an important provision of the pension system. Following on from developing research on knowledge of pension entitlements, this article documents the level of knowledge of the survivor's pension, about which no data were previously available. To provide that information, specific questions were introduced into the ERFI survey. Several facts were highlighted. Thus, one-third of individuals either do not know or are mistaken about the survivor's pension. Of those, half say they do not know how much the pension system would pay them if their spouse died and 16% overestimate their entitlement. The latter group generally think they will receive a pension to which they are in fact not entitled. This sub-population could therefore become vulnerable because it might adopt inadequate savings behaviour. This paper also shows that the pension entitlement of widows is better known than that of widowers, who many people think are not eligible for a survivor's pension.

Moreover, the answers to the opinion question about the survivor's pension also emphasize strong support for the principle, at least for non-working women. Half of respondents would even like the full deceased's pension to be paid to a widow who has never worked. These data should be considered in any reform of the provision. Age, socio-occupational category, woman as homemaker and the presence of children in the household have an influence on the responses to the opinion questions.

While these results help fill in a lack of information about opinions and knowledge of family and spouse entitlements, their limitations should also be borne in mind when interpreting them. The issue of family and spouse rights is complex and individual opinions and knowledge cannot be fully assessed on the basis of four questions. In particular, the wording of the questions (proposed choices, scenario) prompts respondents to answer within a restricted framework. The results should therefore be considered in the light of the specific context to which the question refers.

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<sup>17</sup> Caring credits : aim at granting more pension rights to contributors who have had children: with a view to compensating for periods spent raising children or performing tasks outside the labour market, considered beneficial to society

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## Appendix 1 – The role of the survivor’s pension

When one of two retired spouses dies, the survivor’s household income is theoretically lower than the couple’s before the death. First, the total retirement pensions received by the household is reduced by a death, since the survivor pension paid to the survivor in the French pension system is at most 60% of the deceased spouse’s own direct pension rights. Second, the deceased spouse’s assets are generally shared between the surviving spouse and any children, according to variable rules, so that the household’s asset income is lower after the death than before. The question is therefore what loss of income may be seen as acceptable.

The survivor pension is a system that is historically bound to the model of a couple in which the employed man is the main source of income and the woman, staying at home, is concerned with domestic work and children’s upbringing. Originally, therefore, the basic general scheme<sup>18</sup> made receiving a survivor pension conditional on having no pension rights of one’s own, thus reserving the survivor pension to the woman, who was totally “dependent” on her husband. This condition in the basic general system was later relaxed, by introducing rules limiting the combination of own and survivor pension rights. Since 2003, survivor pensions are means-tested, which in practice reduces the total of the survivor’s personal and public survivor pensions. The objective pursued by the public survivor pension thus remains that of guaranteeing a pension for women who have not gone out to work at all or very little.

A means test has never existed either in the complementary pension schemes or the public sector special schemes (public employment and others). A widow or widower receives a survivor pension equal to 50% (public sector scheme) or 60% (private sector complementary schemes) of the deceased spouse’s pension, whatever their own means (personal pension, asset income, earned income, etc.). The philosophy behind these schemes is a different one. Survivor pensions are seen as a succession to the deceased spouse’s personal pension and therefore as an entitlement in return for the contributions the deceased spouse had paid. Survivor pension is considered in these schemes as a virtually inheritable entitlement.

Neither the underlying principle of the basic general scheme (guaranteeing a pension for widows who have never participated in the labour market or very little) nor the asset principle of the public and complementary schemes in the private sector corresponds to an objective of particular living standards. First, neither principle guarantees a standard of living equal to that enjoyed before the death. As we shall see in Section III, the surviving spouse sees their living standards drop if they have no personal pension rights, but sees their living standards rise if they have substantial personal pension rights. Second, neither principle seeks to prevent poverty among widows. One might suppose that the introduction of means-testing to the public system corresponds to an objective of preventing poverty among widows, but this is not the case<sup>19</sup>. Although the various survivor pension systems do not explicitly aim to guarantee each widow a standard of living equal to that before the death, it may be seen as desirable that the parameters for calculating the amount of the survivor pension, particularly the survivor pension rate, should

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<sup>18</sup> The structure of the French pension system is complex. For a large part of the population, wage earners in the private sector, pensions rely on two pillars: the basic scheme (so-called Regime Général) and complementary schemes, organized on an occupational basis. Civil servants are affiliated to the public sector scheme. Self-employed contribute to their own schemes, which could be different regarding their occupational status. For more information on the French pension system, see Walraet and Mahieu (2002).

<sup>19</sup> A widow who has never gone out to work and live alone receives in practice the whole of the survivor pension, even if the deceased husband had a large pension or the couple had substantial assets. The basic general pension scheme may well, therefore, pay survivor pension to widows with high living standards. Conversely, the minimum survivor pension (€261 per month in 2008), which is applicable when the deceased spouse had a small pension, is well below the poverty threshold.

be set so as to ensure on average roughly equal living standards to before. If widows had a lower standard of living than couples, it would appear desirable to raise survivor pensions as a matter of equality. Conversely, if their standard of living turned out to be higher than before the death, it would be appropriate to reduce the size of the survivor pension, given current difficulties in funding pensions.

In support of this desire to maintain the living standards of the surviving spouse, two major reasons may be put forward:

- The idea that the survivor pension is designed to support and promote married couples as systems of family solidarity (that benefits to the whole society), or as systems for raising children (or wishing to if there are none<sup>20</sup>). Participating in the labour market may have been chosen within the couple, and the aim is that these choices should not adversely affect the living standards of the surviving spouse. Women in older cohorts “invested” in marriage, via domestic work, rather than in having their own careers to insure for old age, and it seems fair for them to enjoy the same living standards as their husbands when they are old.
- One may consider that the pension system guarantees a proportional replacement of previous income, including when the spouse has died.

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<sup>20</sup> Although the survivor pension compensates for lower investment in paid employment because of children, it is not clear why it should be paid to surviving spouses who have never had children.

## Appendix 2 – Sample statistics

	<b>Women</b>	<b>Men</b>	<b>All</b>
<b>Age</b>			
15-29 years	1 057	686	1743
30-39 years	1 108	857	1965
40-49 years	1065	834	1899
50-59 years	1064	843	1907
60-69 years	762	645	1407
70-79 years	651	505	1156
<b>Education</b>			
< Highschool	1950	1339	3289
Highschool	1214	1368	2582
> Highschool	2543	1663	4206
<b>Socio-professional group</b>			
Farmer	52	76	128
Self-employed	119	207	326
Executive	325	410	735
Professions intermédiaires	976	739	1715
Employee	1587	369	1956
Ouvriers	337	1055	1393
Retired	1372	1175	2548
Others, out of the labour force	939	338	1277
<b>Marital status</b>			
Single	2033	1549	3582
Married	2662	2360	5022
Divorced	518	317	835
Widow (er)	494	144	638

Source : Ined-Insee, ERFI-GGS(wave 1), 2005.

Respondents aged 18 to 79