

Survivor Benefits and the Gender-Related Tax Differential in Public Pension Schemes: Observations from Germany

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Summary

As a result of fundamental changes in marriage behaviour and the typical division of labour between married spouses, the traditional form of providing survivor benefits within public pension schemes could now be seen as inequitable. Since these non-contributory benefits usually substitute for individual pension entitlements based on the surviving spouse's own contributions, they can also lead to incentive effects that appear to be far from optimal. In particular, they may weaken work incentives for married women with some degree of labour-force attachment. The present paper highlights this problem referring to institutional details and empirical results related to Germany and shows how it could be resolved by jointly annuitizing a given couple's pension entitlements. Problems of transition, with the potential for a Pareto-improvement, are neglected.