

## Executive summary

“Ageing unequally” refers to inequality that develops throughout the life course and materialises in old age. It is often the result of specific episodes during people’s lives that tend to cumulate their detrimental effects on health and income at old age. Ageing unequally is not a new phenomenon, but while the current generation of older people is experiencing higher incomes and lower poverty risks than previous ones in most countries, the younger generations are likely to face again higher inequality in old age. They are expected to live longer, but have been experiencing more unstable labour market conditions and widening inequalities in the distribution of earnings and household income. This contributes to widening inequality in old age, while socio-economic disparities in health status remain large.

Ageing unequally is detrimental to future economic growth, particularly where inequality of opportunity locks in privilege or exclusion, undermining intergenerational social mobility and jeopardising social cohesion. This report examines how population ageing and rising inequalities have been developing and interacting, both within and across generations. It suggests a policy agenda to prevent, mitigate and cope with such inequalities, drawing on good practices in OECD countries and emerging economies.

### Key findings

#### ***Population ageing will accelerate while health disparities across socio-economic groups are large***

- New mortality data at older ages show higher impact of socio-economic conditions on inequality in longevity than previously reported.
- Old-age inequality issues are more acute in emerging economies and a number of them are facing rapid ageing at a relatively early stage of development, have wider health inequalities than OECD countries and a less effective social protection.

#### ***Increasing income inequality from one generation to the next***

- In most countries, people’s average real incomes are still higher than those of previous generations at the same age. But this is not the case any more for those born from the 1960s compared to the generations born one decade earlier.
- Income inequality has been rising from one generation to the next at the same age in two-thirds of the countries, in particular among younger groups for which inequality is nowadays much higher than for the elderly.

***Compounding inequality across various dimensions***

- Health and socio-economic inequalities start early. Disadvantages in health, education, employment and earnings reinforce each other and compound over the life course.
- At all ages, men and women in bad health work less and earn less when they work. Over the whole career, bad health reduces lifetime earnings by 33% and 17% for men with low and high levels of education, respectively, with smaller effects for women.
- Low-educated people are more likely to retire when they reach the retirement age, whereas individuals with higher education tend to work longer.
- Poor health is an important factor pushing older workers into early retirement. However, health explains the sharp decline of employment rates from age 55 to a limited extent, which points to the importance of other factors such as the way professional training operates, the functioning of labour markets and the design of pension systems.

***Old-age income inequality and transmission of inequalities to pensions vary a lot across countries***

- On average, about two-thirds of lifetime earnings inequality passes on to pension inequality – from less than 25% for many Anglo-Saxon countries to more than 85% in about one-third of OECD countries.
- Low earners tend to have a lower life expectancy than high earners and this reduces further their total pensions by about 13%. Raising the retirement age tends to widen inequality in total pensions between low and high earners, but the impact is small.

***Dependency in old age is felt more acutely by low socio-economic groups***

- People with lower socio-economic status are more likely to need long-term care, but formal home care services – even for moderate needs – remain unaffordable for many of them in some countries, who have an incentive to go into institutional care.
- In countries with higher levels of social protection for long-term care services, rates of informal care are lower, and gender inequality in caring is smaller.

***Large inequalities across genders remain***

- The gender employment gap has fallen, through both a sharp increase in female employment rates across generations and a more recent decline in male employment in a number of countries.
- Annual pension payments to the over-65s are about 27% lower for women on average, and old-age poverty is much higher among women than among men.

## Key recommendations

### *Prevent inequality before it cumulates over time*

- ***Place early-life interventions at the top of the policy agenda:*** start social protection measures at early ages, especially for children from disadvantaged background; ensure a good quality of childcare services and early childhood education; reduce school failure; improve low performing disadvantaged schools; fight early school leaving; and combat gender stereotyping early at school.
- ***Promote a good start in working life:*** ensure a smooth school-to-work transition by providing sufficient orientation, especially to youth who cannot draw on social support networks and strengthening vocational education; and, design effective labour market policies to connect youths not in employment, education or training with jobs.
- ***Break the links between socio-economic disadvantages and health status:*** develop a strategy that addresses the wide range of social determinants of health inequalities; and, expand health spending allocated to prevention targeted at key risk factors and population groups.

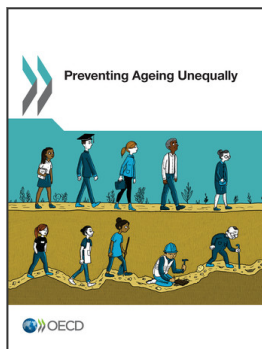
### *Mitigate entrenched inequalities*

- ***Promote healthy ageing by developing a multisectoral active ageing strategy and through equal access to health care:*** remove financial obstacles; better co-ordinate health care across various disciplines towards a patient-centred approach; further develop physician specialisation in geriatric care; and improve health literacy.
- ***Limit the impact of job loss and combat long-term unemployment:*** strengthen policies to assist displaced workers; make counselling, skills audits, job-search assistance and retraining ready early on after job losses or even during notice periods.
- ***Provide equal opportunities for workers to upgrade their skills:*** improve access to lifelong learning, especially for low-skilled and older workers; and better recognise skills acquired throughout working lives.
- ***Enhance job quality for older workers:*** improve regulations on working-time and safety at work; promote healthy working conditions; implement well-designed sickness schemes; and improve the role of labour inspection bodies and occupational health care services.
- ***Remove barriers to retain and hire older workers:*** ensure a better match between the labour cost and the productivity of older workers; and, eliminate special employment protection and unemployment benefit rules for older workers.

### *Cope with inequality at older ages*

- ***Limit the impact of socio-economic differences in life expectancy on pension benefits.*** These differences are often ignored but can have a large unintended impact on how pension systems redistribute income between different groups; such inequalities can be addressed through first-tier pensions and redistributive components embedded in benefit and/or contribution rules.

- ***Target adequate levels of retirement income through a combination of old-age safety nets, mandatory pensions, annuities in private schemes and pension credits.***
- ***Increase pension coverage***, especially for the self-employed and those with non-standard jobs, and more generally in emerging economies, including through improved financial literacy.
- ***Design survivors pensions carefully*** to protect widow(er)s effectively while limiting inefficient forms of redistribution and work disincentives.
- ***Move towards a unified pension framework for all workers.***
- ***Reduce inequalities in long-term care by making home care affordable for all.***
- ***Reduce inequalities in caring through better support to informal carers.***



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