



CEPS Conference on life course and well-being  
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# COMPOUNDING INEQUALITIES OVER THE LIFE COURSE

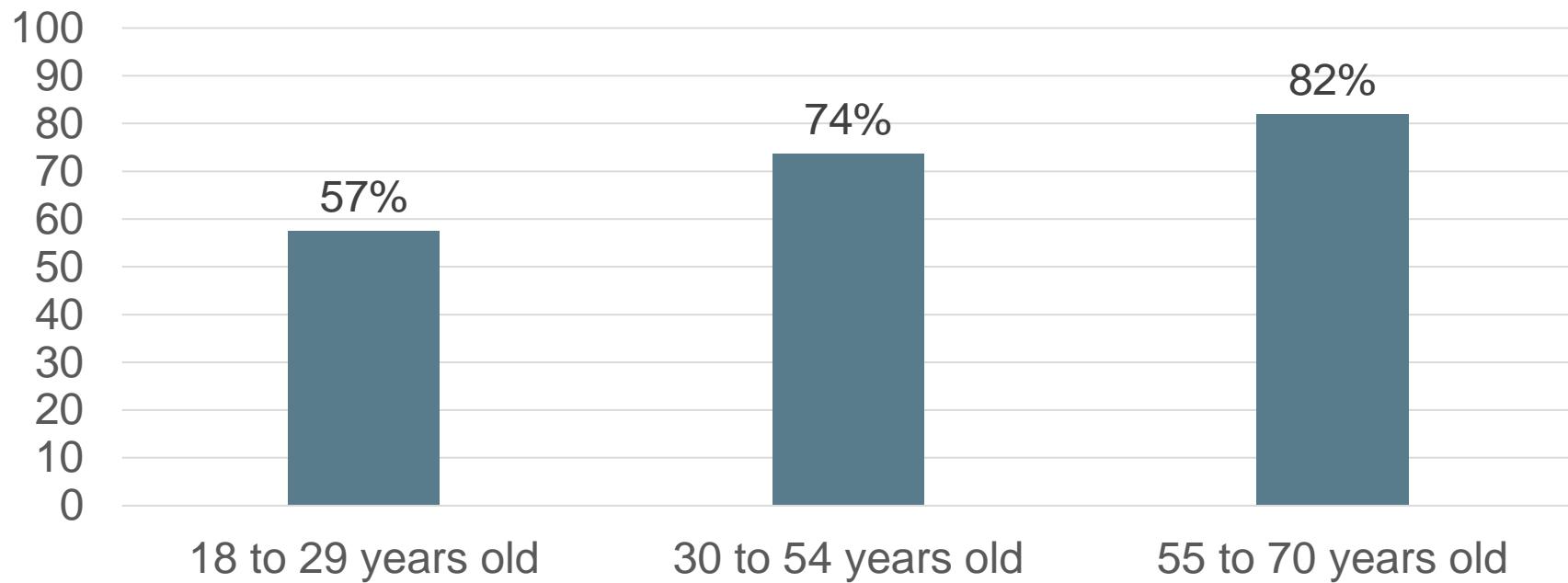
EVIDENCE FROM OECD'S PREVENTING AGEING  
UNEQUALLY REPORT

Christian Geppert  
Economist, Pensions and Population Ageing  
Directorate for Employment, Labour and Social Affairs  
OECD



## All age groups are worried about the adequacy of their pensions

Percent of respondents listing “Financial security in old age” as one of the top three greatest long-term (beyond the next decade) risks to themselves or their immediate family, 2018



Source: OECD estimates based on the *OECD Risks That Matter* survey (2018).

Note: Respondents were asked to identify the three greatest risks to themselves or their immediate family from a list of five risks. Respondents had the option of selecting zero, one, two, or three risks. Respondents grouped here by age.



## *OECD report Preventing Ageing Unequally*

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- Assesses how ageing and inequality trends are interacting
- Shows that inequalities compound over the life course
- Puts forward a policy agenda to prevent, mitigate and cope with unequal ageing

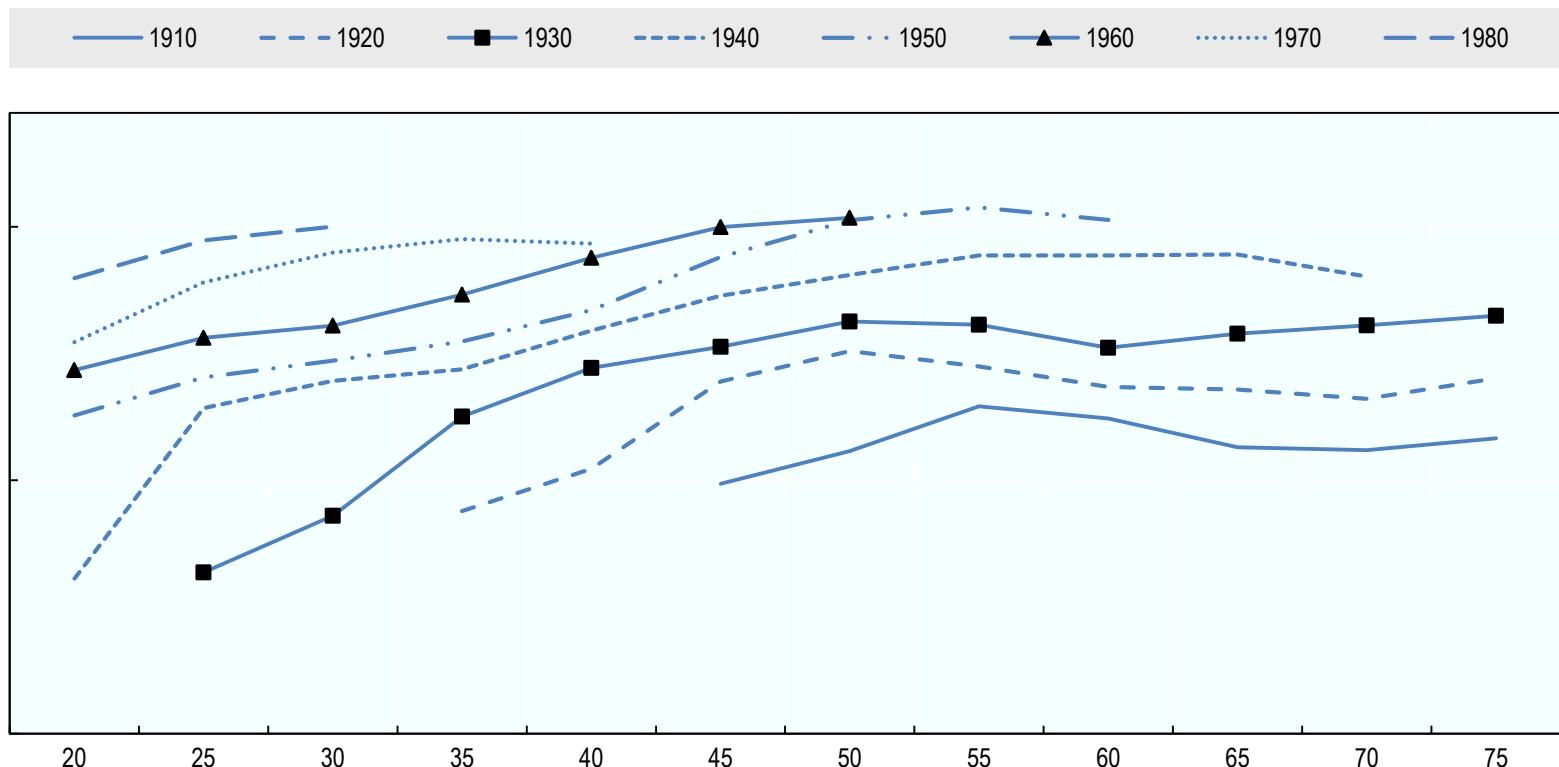


ON AVERAGE, INCOME AND  
HEALTH HAVE IMPROVED FROM  
ONE GENERATION TO THE NEXT



# Substantial real income gains from one cohort to the next, at least until recently

Age-cohort pattern of real disposable income, OECD average, 2010 USD PPP



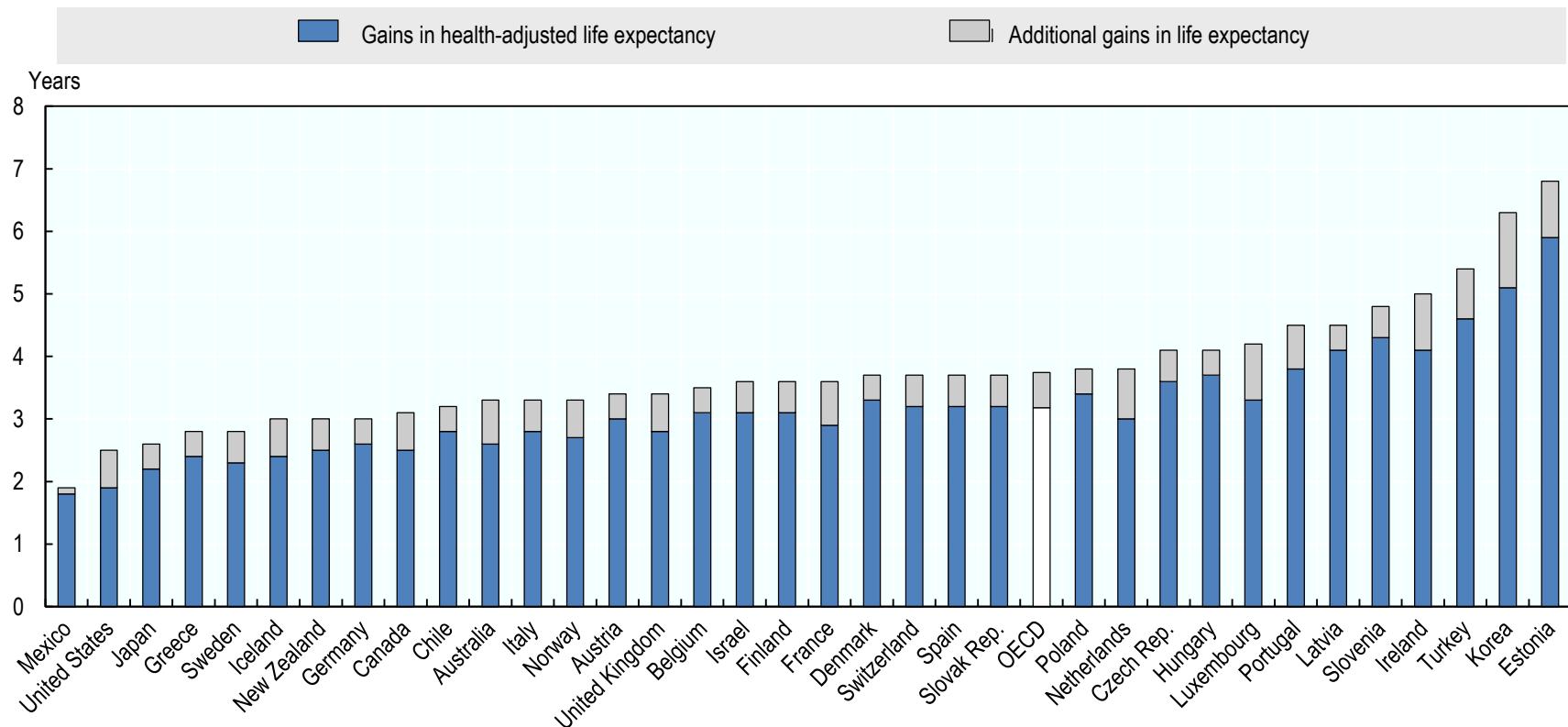
Source: OECD (2017) - Preventing Ageing Unequally, Fig. 3.5.

Note: The chart is based on Luxembourg Income Study data of 20 OECD countries. To limit the biases from the unbalanced nature of the panel data then obtained, the series shown in the chart are derived for each cohort from specification with country and age fixed effects.



# *Extra years of life expectancy largely in good health*

## Total gains in life expectancy at birth in 2000-2015



Source: OECD (2017) - Preventing Ageing Unequally, Fig. 2.6.

Note: The chart is based on data from WHO (2016) – Global Health Observatory. Health-adjusted life expectancy is defined as the number of years that people can expect to live in “full health” by taking into account years lived in less than full health due to disease and/or injury.

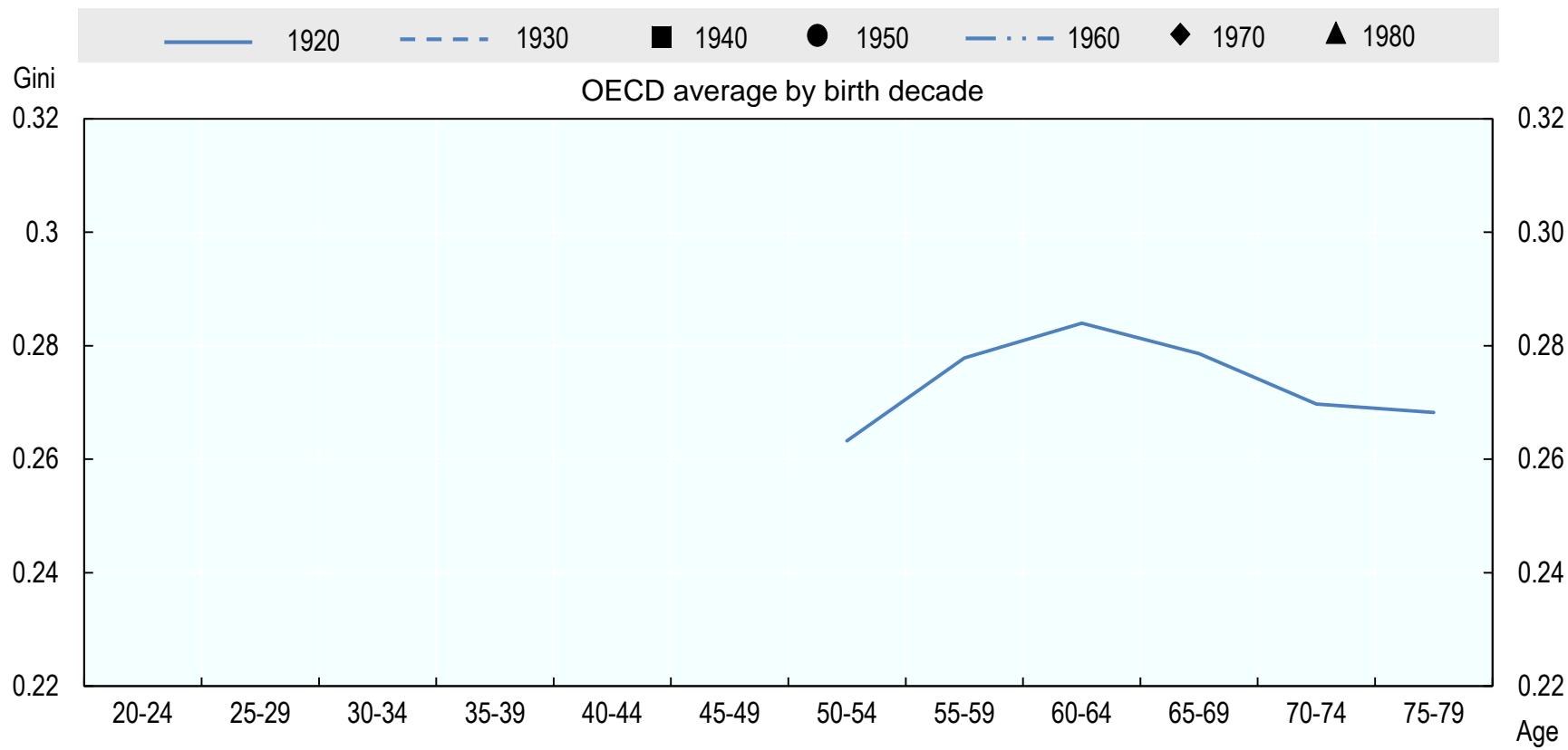


YET, ALSO INCOME INEQUALITY  
HAS RISEN



# *Inequality at a given age is higher today than in the past in most OECD countries*

Income Gini index by cohort and age group

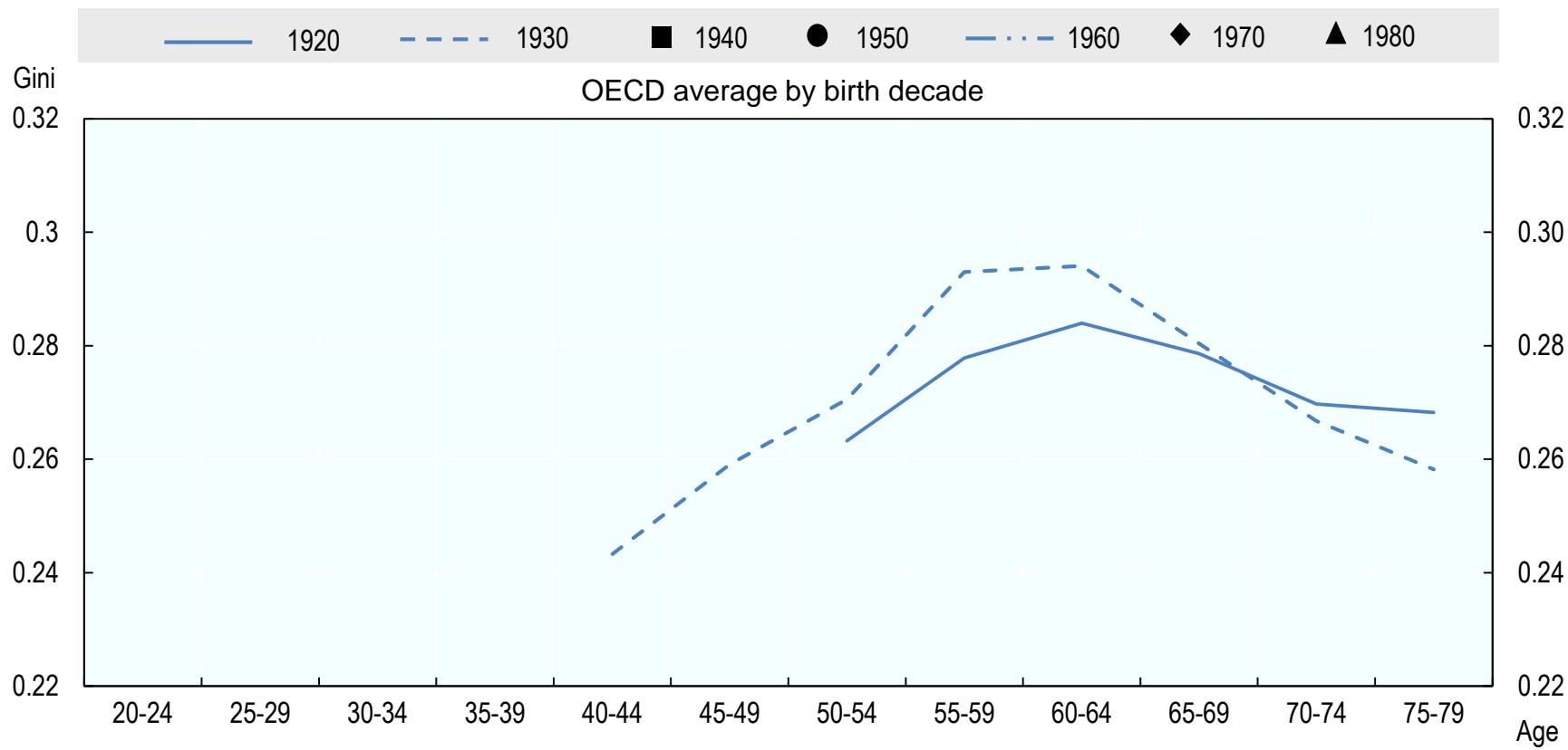


Source: OECD (2017) - Preventing Ageing Unequally [Fig. 3.18] based on Luxembourg Income Study data.



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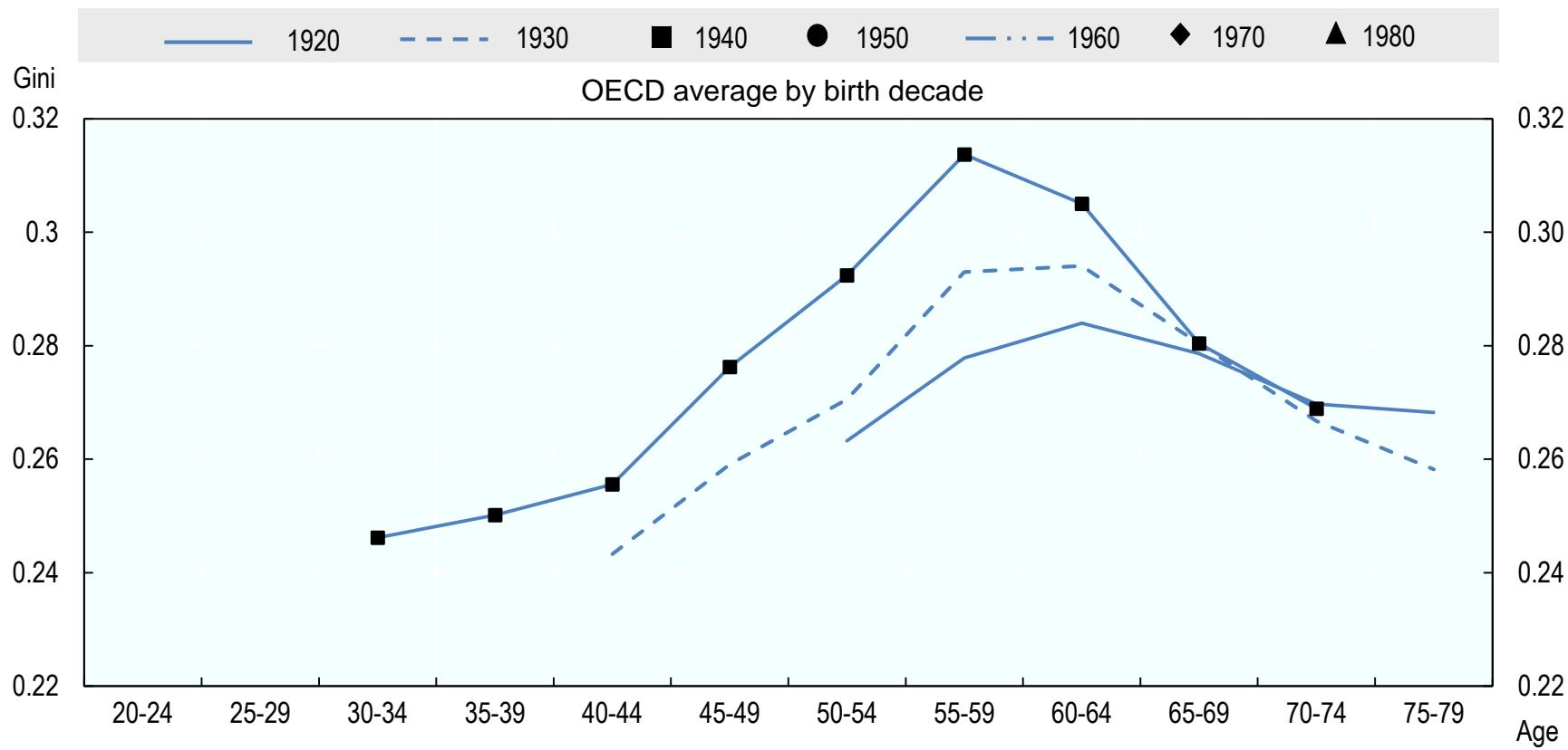


Source: OECD (2017) - Preventing Ageing Unequally [Fig. 3.18] based on Luxembourg Income Study data.



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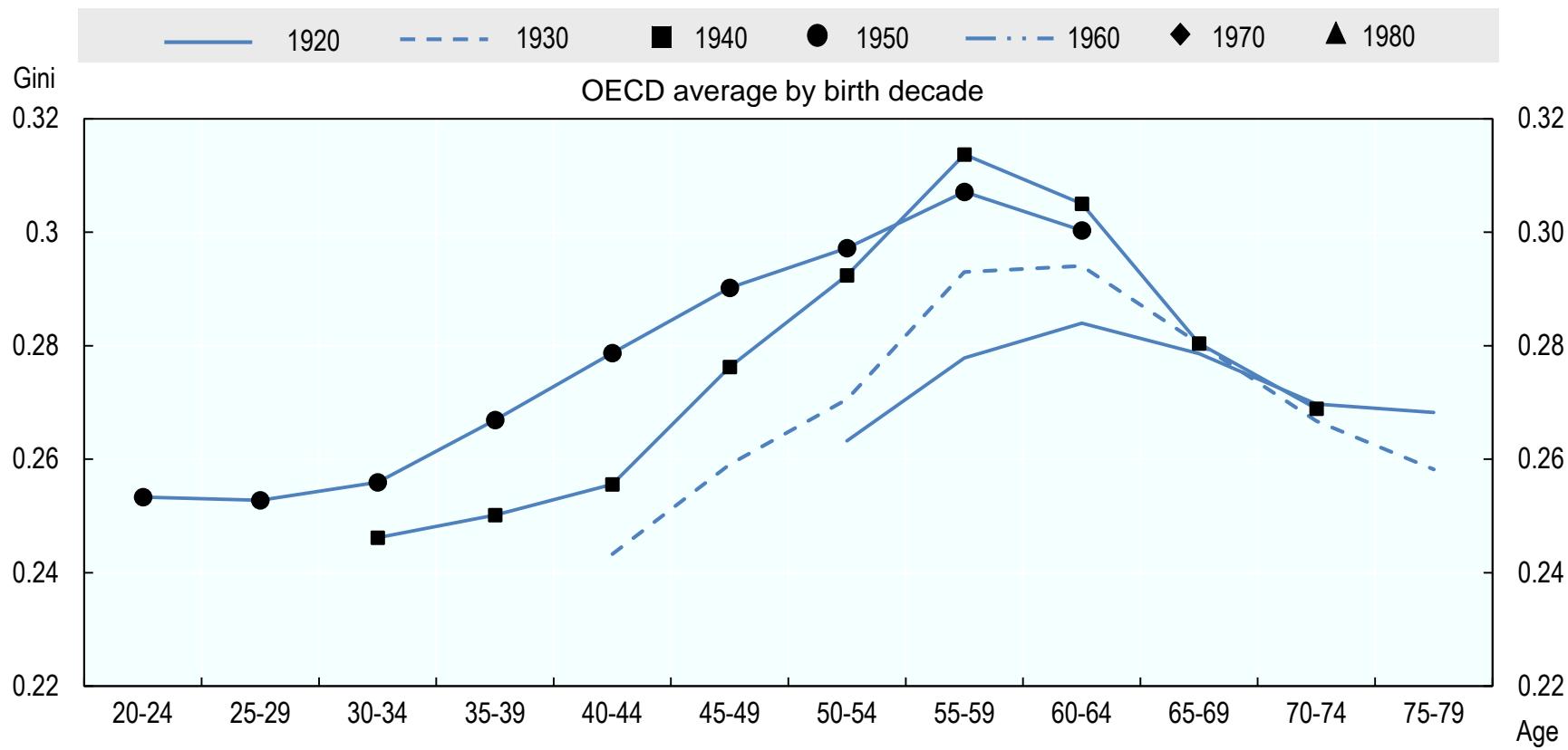


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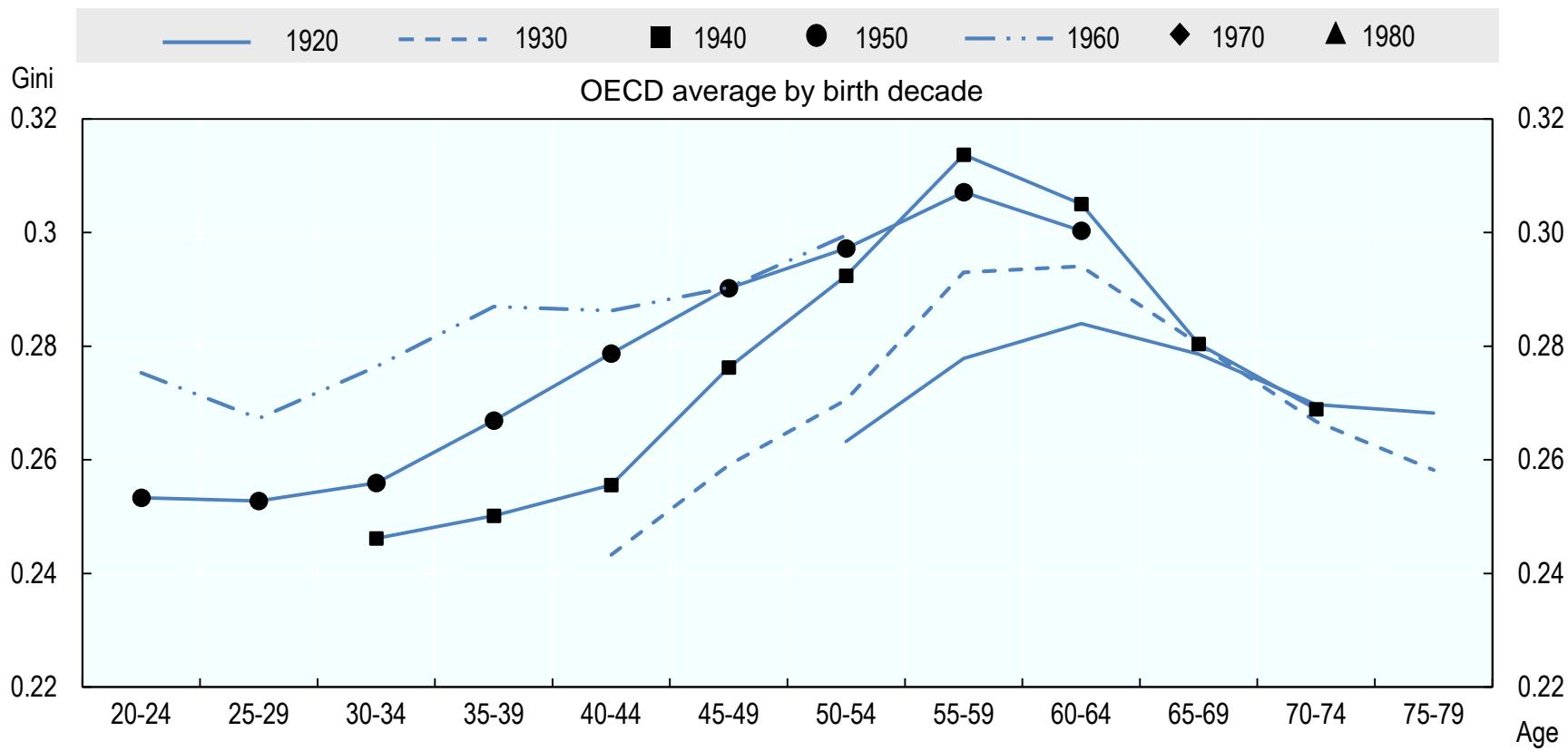


Source: OECD (2017) - Preventing Ageing Unequally [Fig. 3.18] based on Luxembourg Income Study data.



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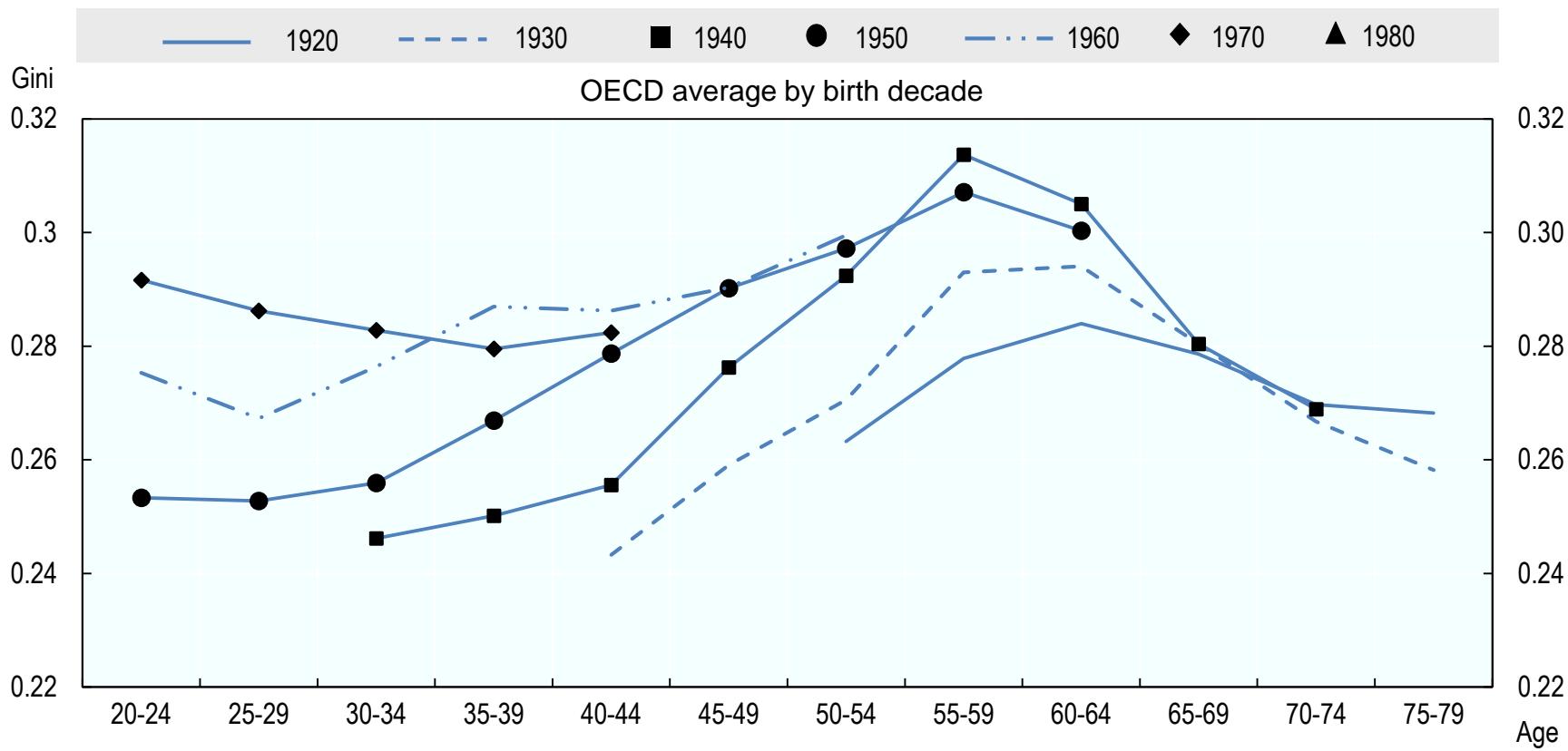


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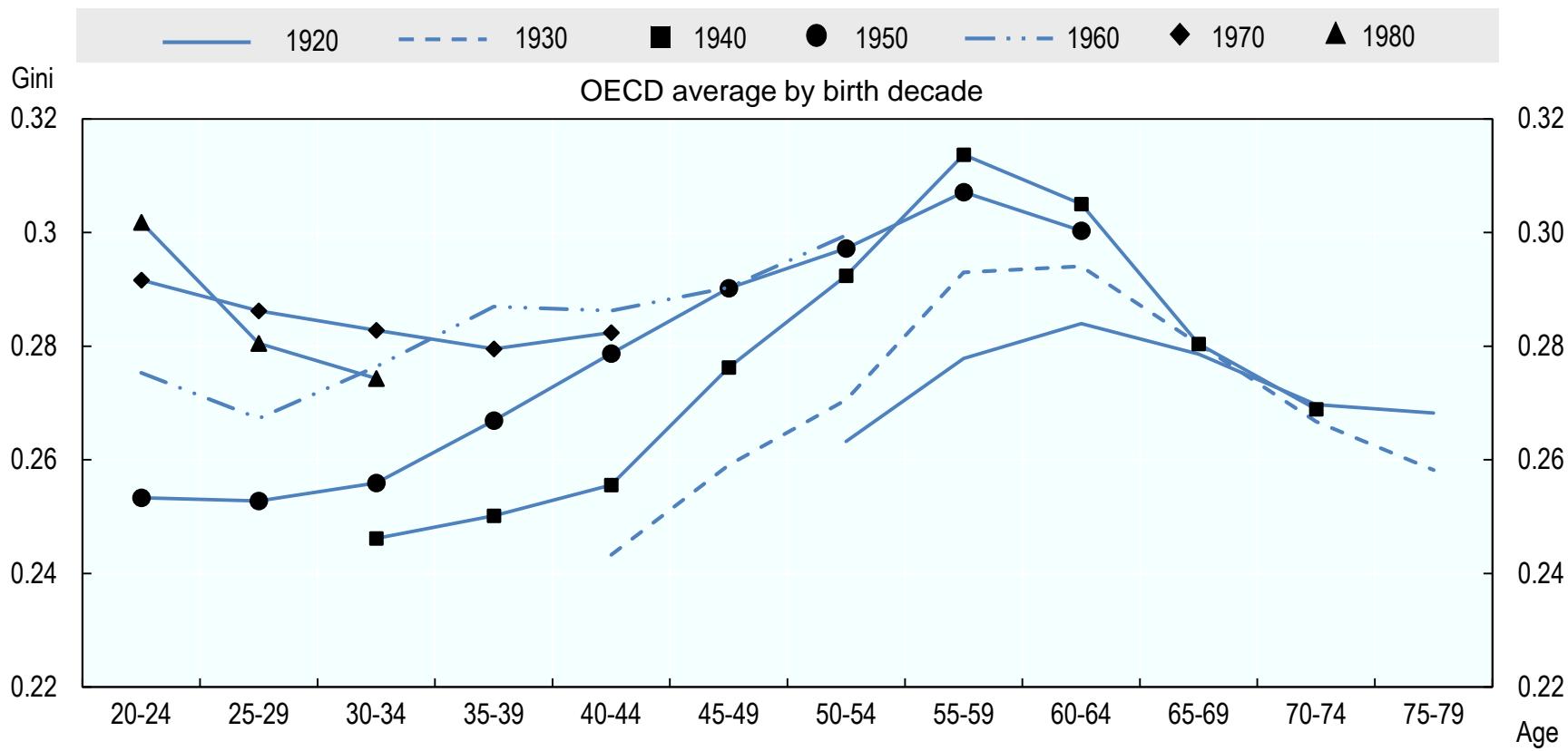


Source: OECD (2017) - Preventing Ageing Unequally [Fig. 3.18] based on Luxembourg Income Study data.



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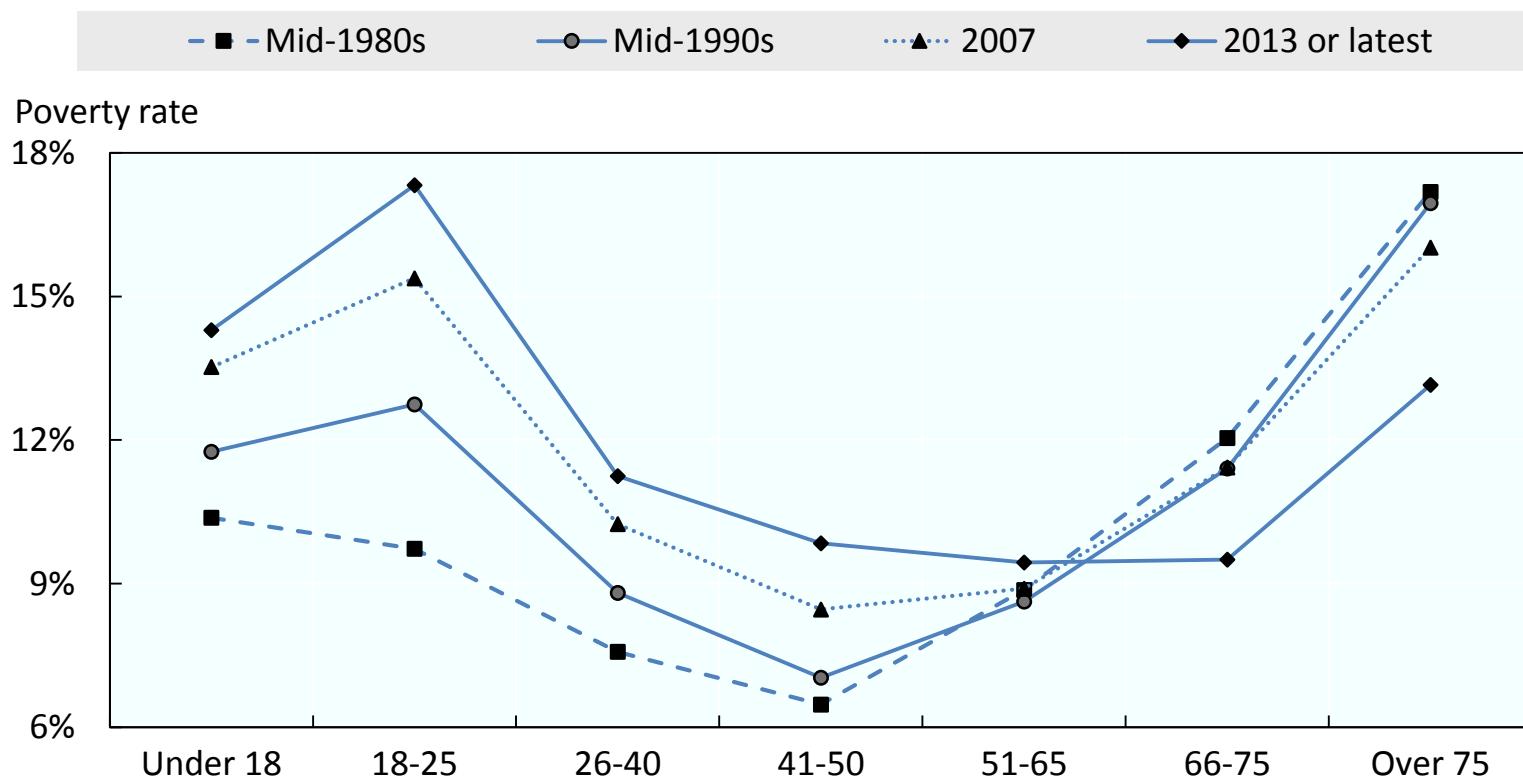
Source: OECD (2017) - Preventing Ageing Unequally [Fig. 3.18] based on Luxembourg Income Study data.



# As a result: Poverty risks have shifted from the old to the young on average

Relative poverty rates by age group since the mid-1980s in 18 OECD countries

OECD-18 average



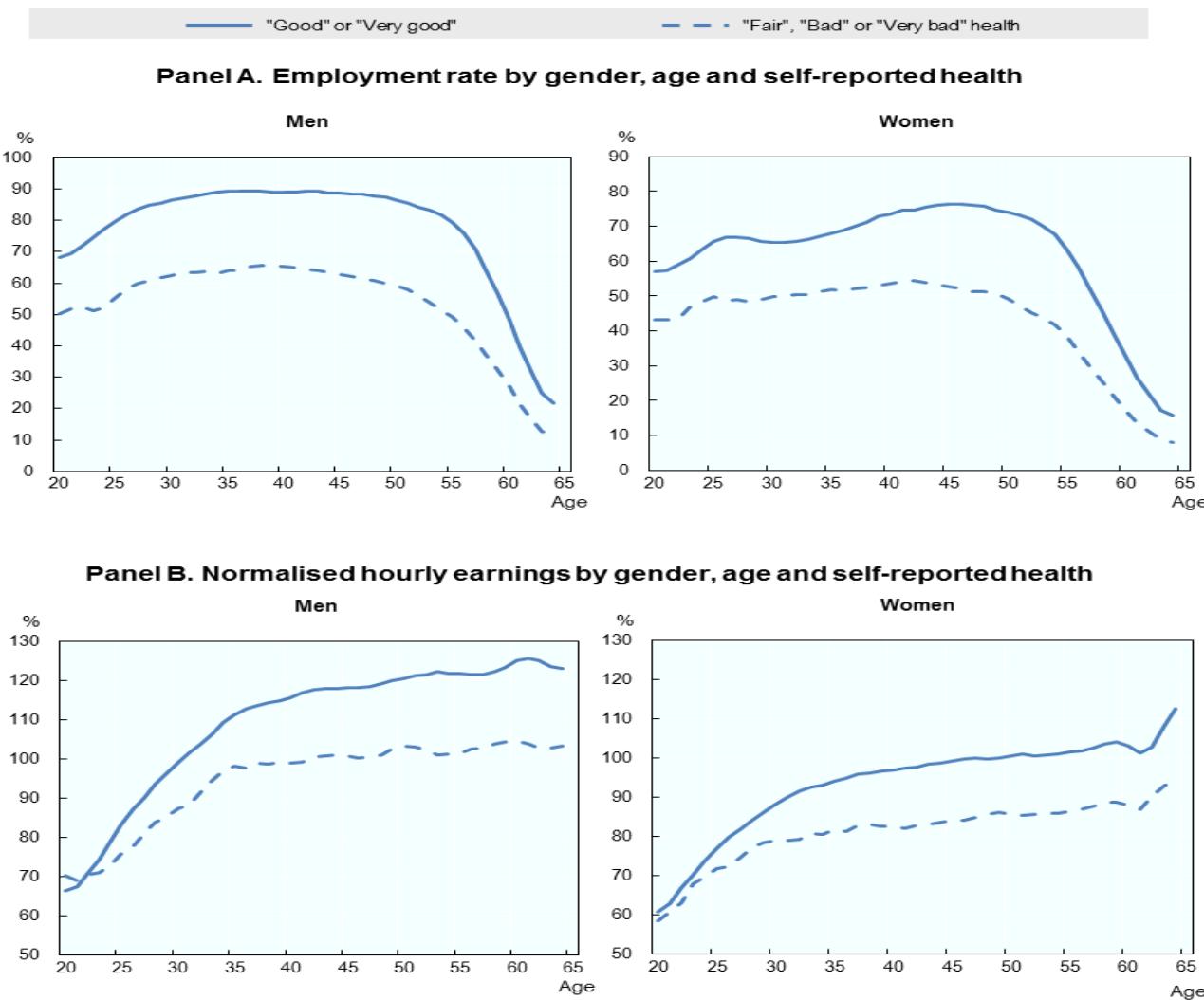
Source: OECD (2017) - Preventing Ageing Unequally [Figure 3.9] based on OECD Income Distribution Database.



# HEALTH AND EARNINGS INEQUALITIES COMPOUND



# People in bad health work less and earn less at all ages



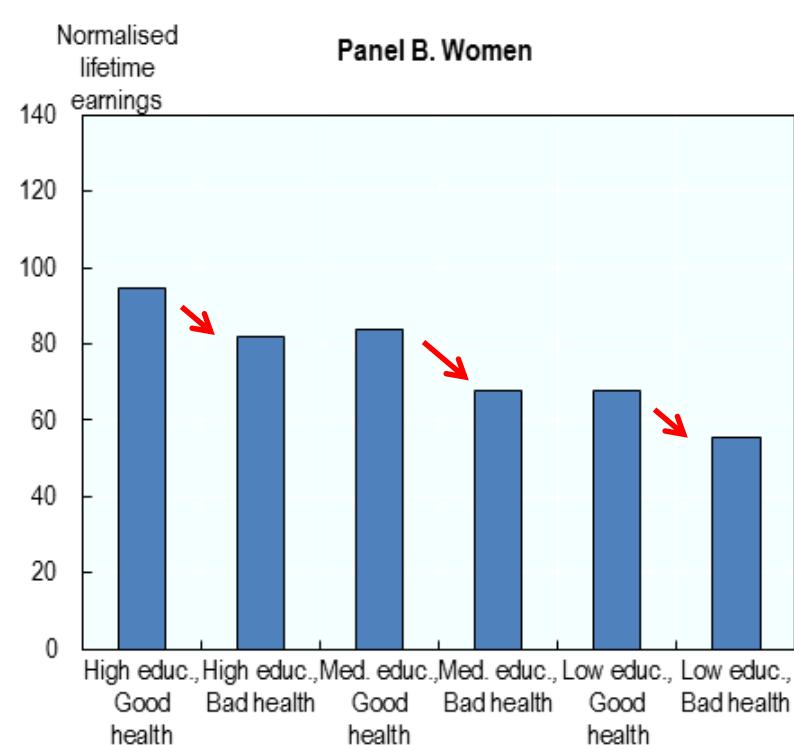
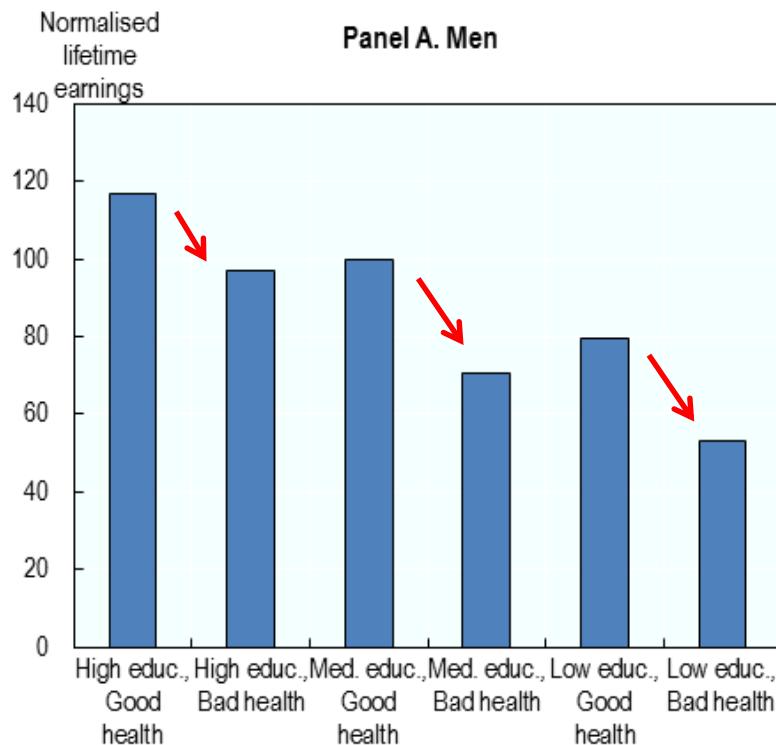
Note: OECD calculations from microdata on 24 OECD countries.



# Bad health reduces men's lifetime earnings substantially (and less so for women)

## Impact of health on lifetime labour earnings by education levels

Average across countries, 100 = Lifetime earnings for a man in good health with a medium education level



Note: OECD calculations from microdata on 24 OECD countries.

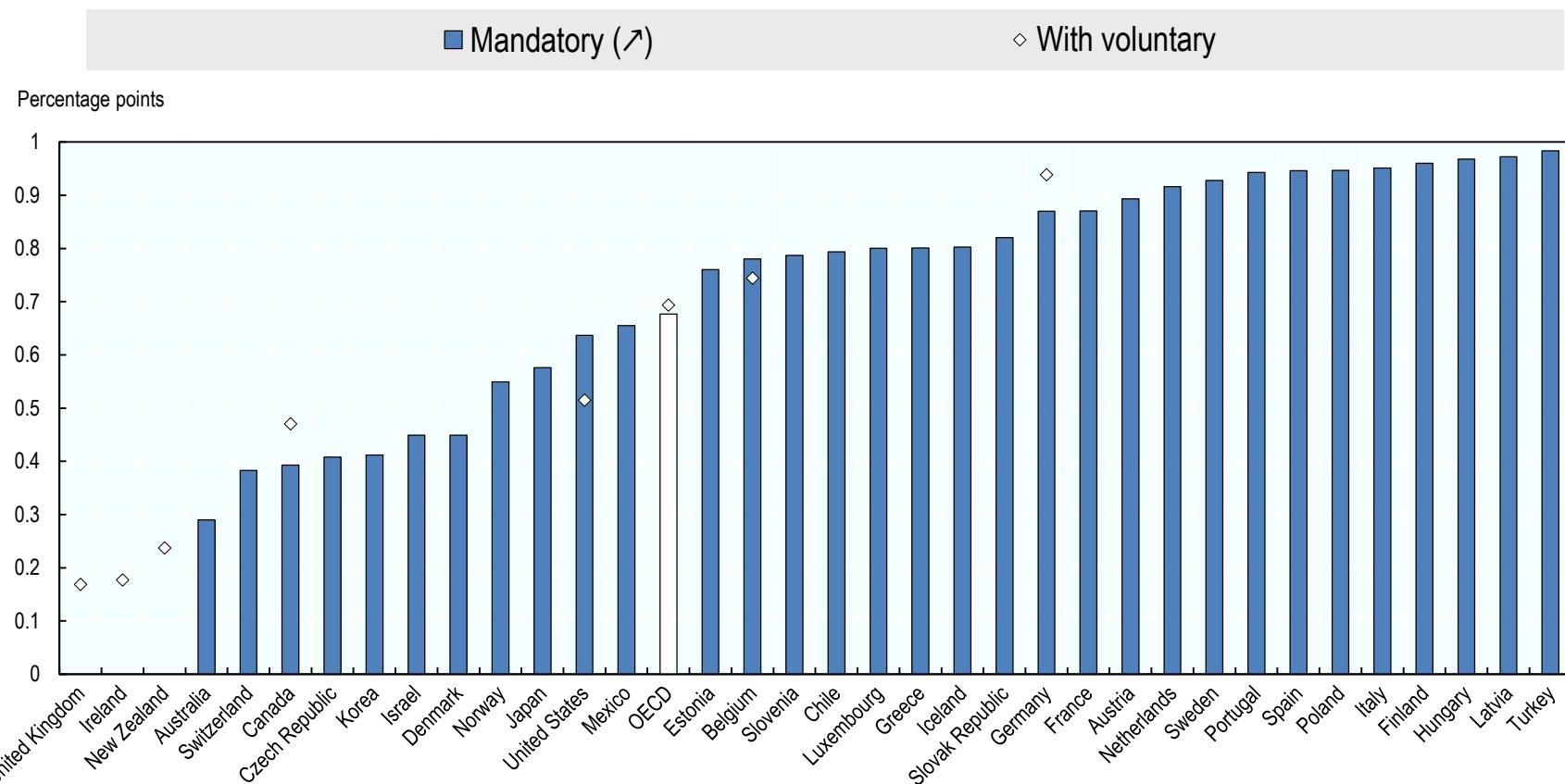


# RISKS OF RISING INEQUALITY AT OLDER AGES



# *Large pass-through from wage to pension inequality*

Change in the Gini index of pensions for a 1 percentage point increase in the Gini index of wages



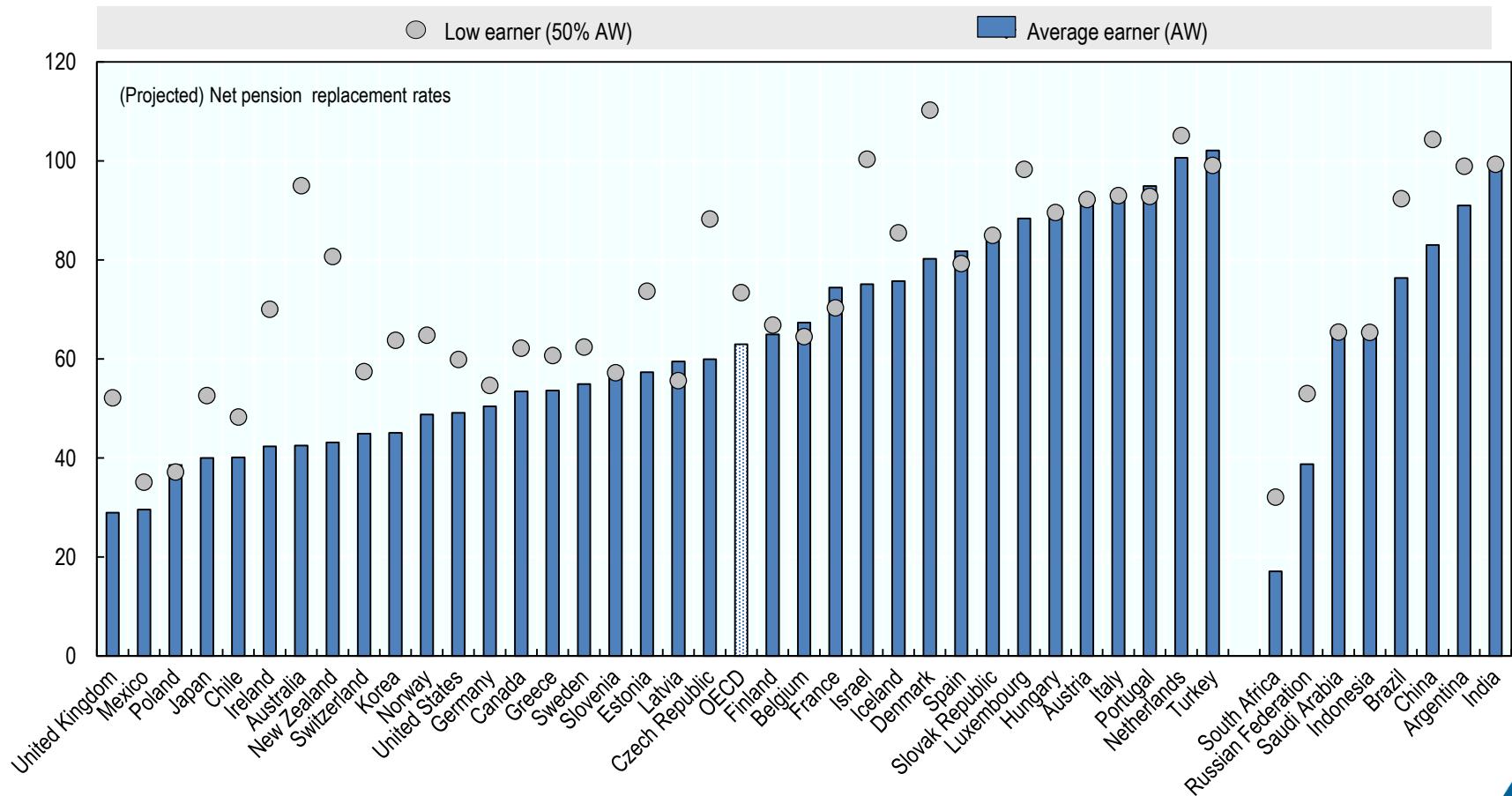
Note. Simulations based on common earnings distribution across countries and a shift from a wage Gini of 0.35 to 0.38.

Source: Preventing Ageing Unequally (Fig. 1.20) based on the OECD pension model.



# Future pensions for low-income earners will be low in many countries

Net projected pension replacement rate from mandatory schemes for a full-career worker, in % of last earnings

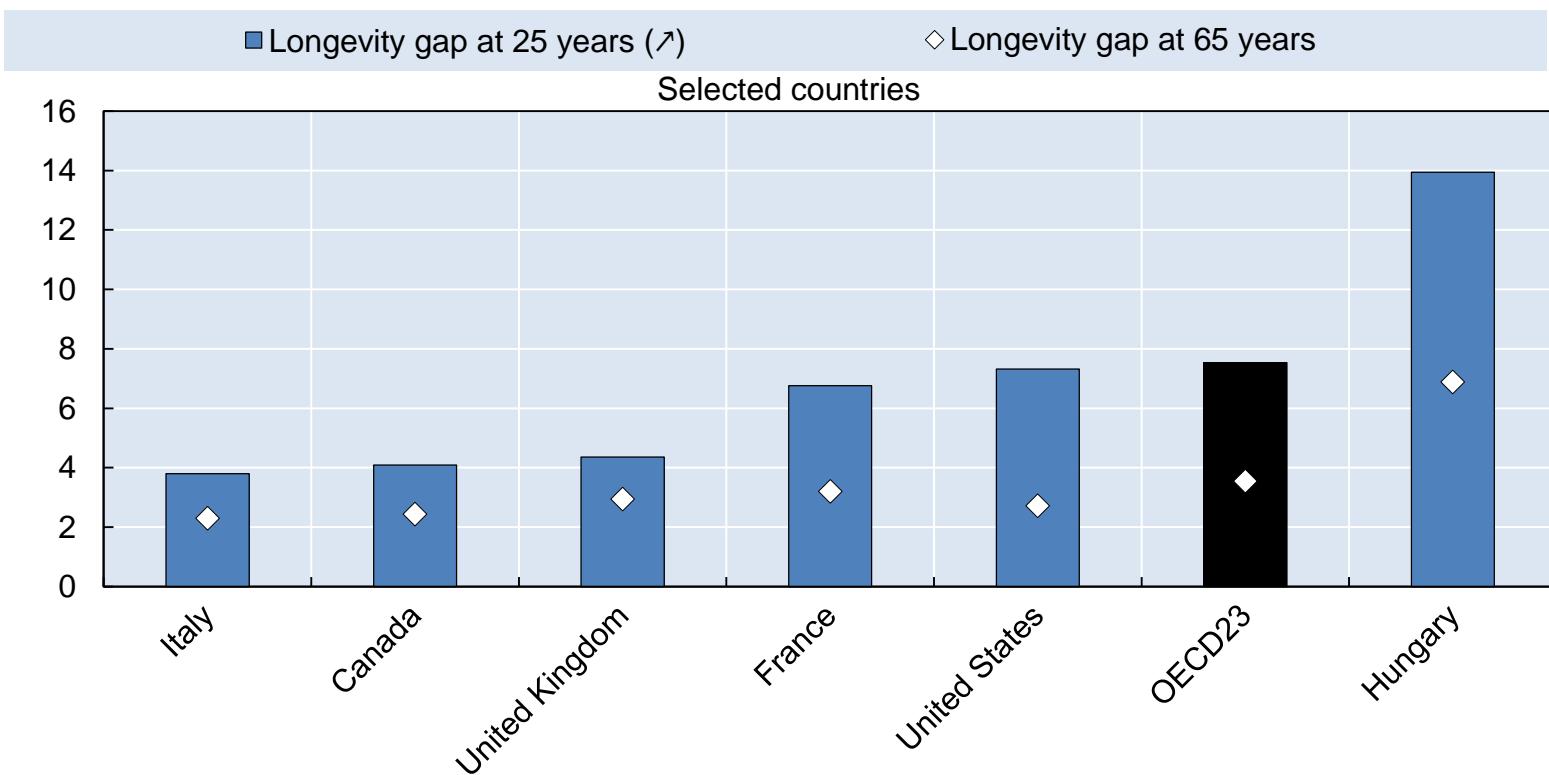


Source: OECD (2017) – Pensions at a Glance [Figure 1.8].



# *Marked life expectancy gaps between the low-educated and the high-educated*

Difference in life expectancy between high and low educated groups at ages of 25 and 65  
Males, around 2011, in years



Source: OECD (2017) - Preventing Ageing Unequally [Fig. 1.2] based on OECD estimates.

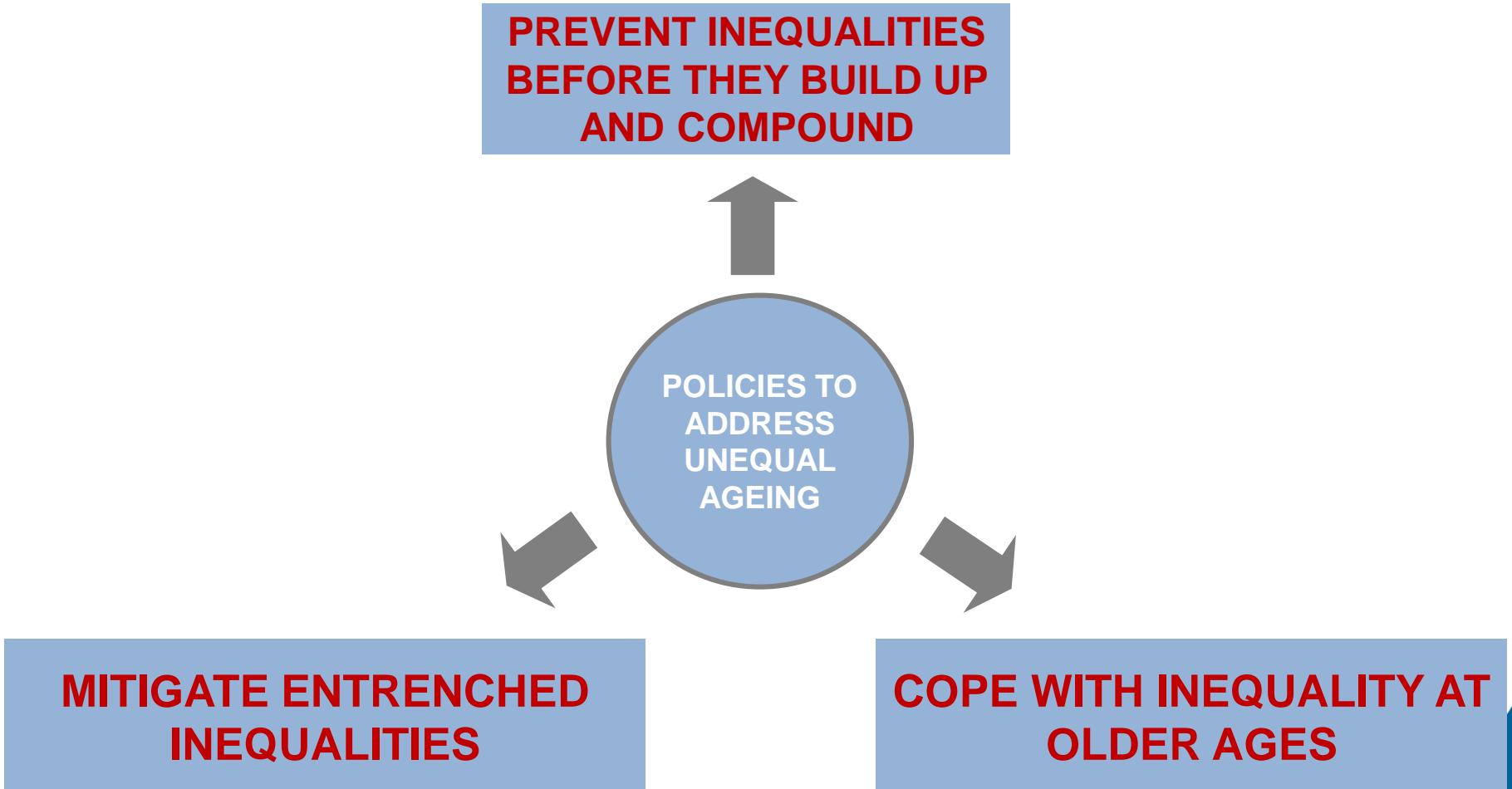


# POLICIES TO ADDRESS UNEQUAL AGEING



# OECD Recommendations on Policies to Address Unequal Ageing

Need for life-course policy packages based on 3 pillars





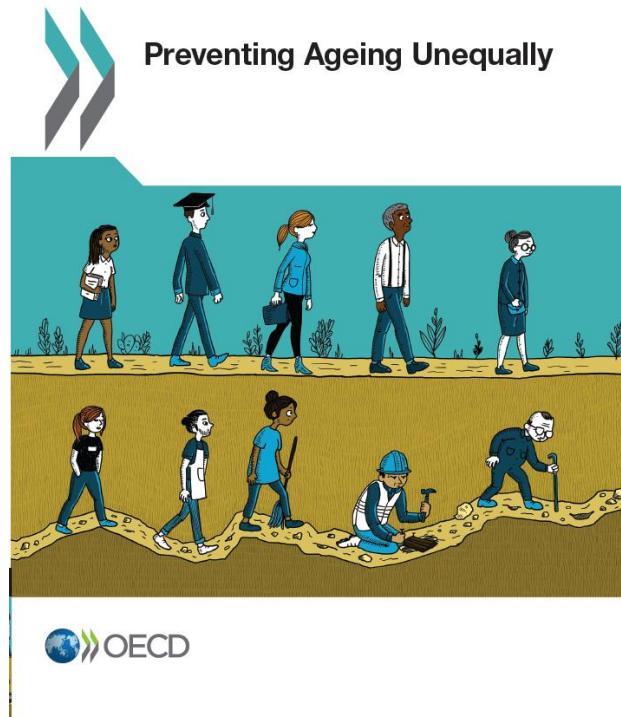
## Conclusion

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- Insufficient income and larger old-age inequality among future retirees are major challenges
- Population ageing will magnify these challenges
- Inequalities start early in life and compound over the life course
- Policies must *prevent* inequalities before they build up, *mitigate* existing inequalities and *cope* with inequalities at older ages
- Higher statutory retirement ages are important but will not keep the relative size of the labour force from falling



# Thank you for your attention!



[christian.geppert@oecd.org](mailto:christian.geppert@oecd.org)

[www.oecd.org/els](http://www.oecd.org/els)

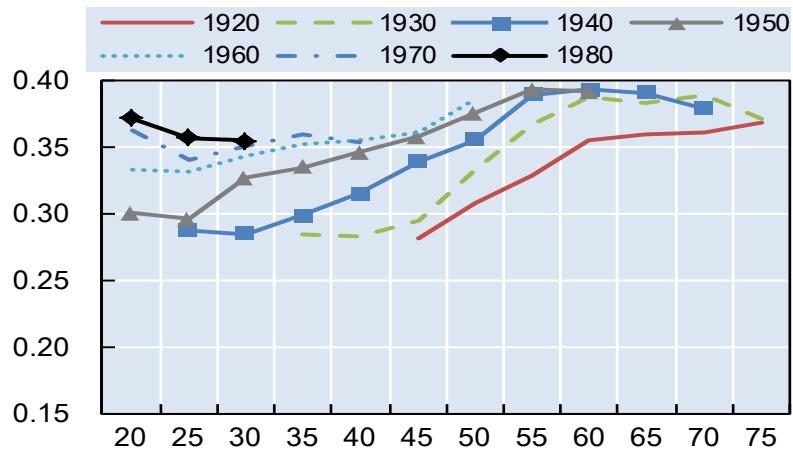
Twitter: @OECD\_Social



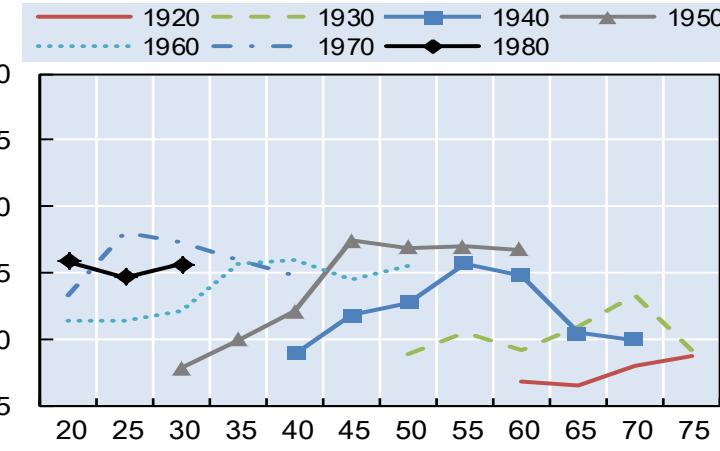
# Addendum: Inequality at a given age is higher today than in the past in most but not in all OECD countries

Income Gini by cohort and age groups, selected OECD countries

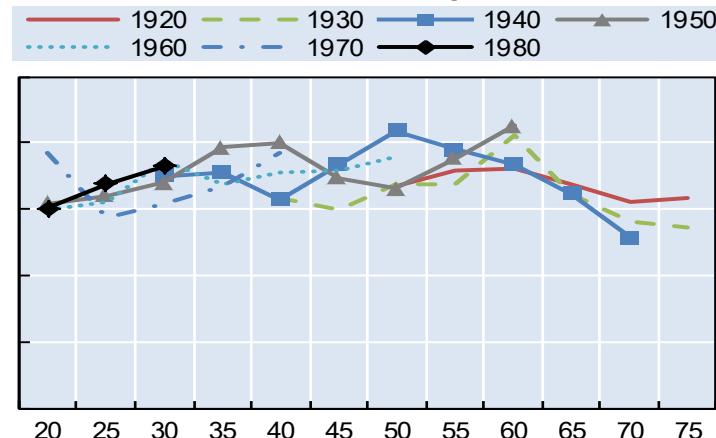
**Panel A. United States**



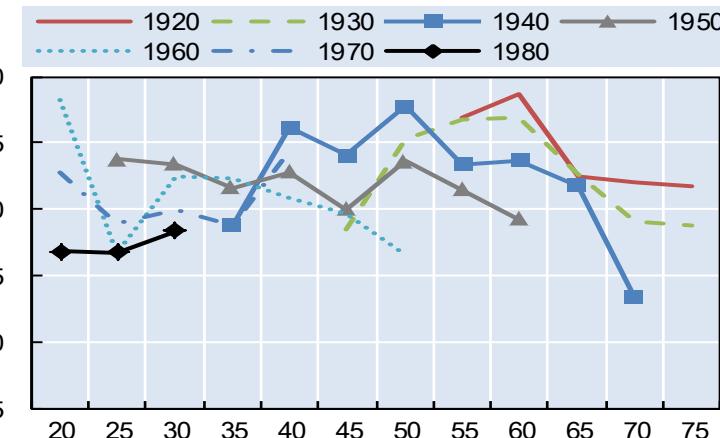
**Panel B. Slovak Republic**



**Panel C. Spain**



**Panel D. Ireland**



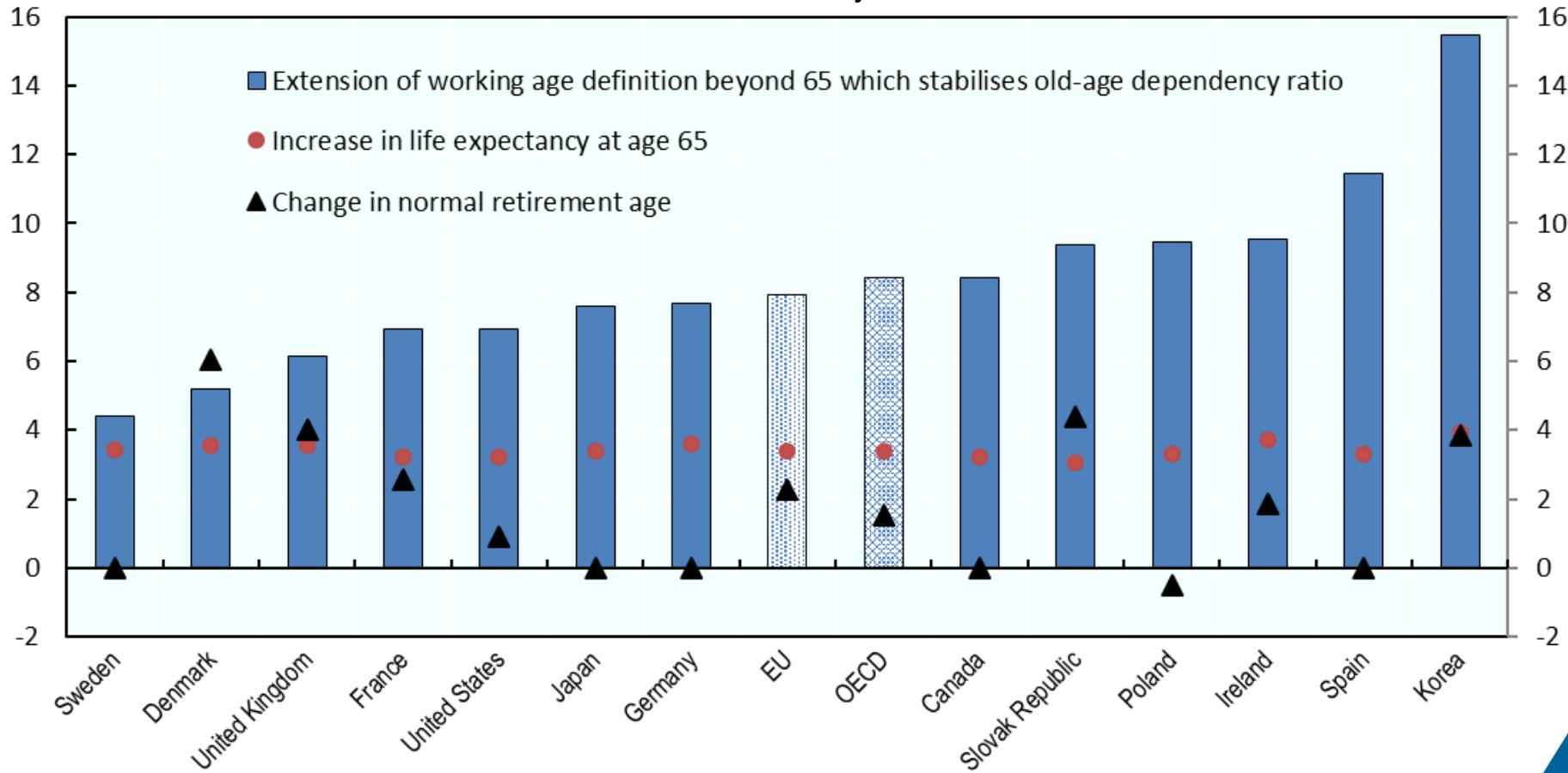
Source: OECD (2017) - Preventing Ageing Unequally based on Luxembourg Income Study data.



# *Higher statutory retirement ages are important but will not keep the relative size of the labour force from falling*

Years

2015-2050, base year 2015



Note: Unweighted OECD country averages. The normal retirement age is defined as the age at which a full-career worker entering the labour market at age 20 can receive a full pension, averaged across genders.

Source: Boulhol and Geppert (2018) - The effect of population ageing on pensions, [www.voxeu.org](http://www.voxeu.org).