Preventing Ageing Unequally

How does CANADA compare?

*How will future retirees fare? The OECD report Preventing Ageing Unequally examines how the two global mega-trends of population ageing and rising inequalities have been developing and interacting, both within and across generations. Taking a life-course perspective the report shows how inequalities in education, health, employment and income interact, resulting in large lifetime differences across different groups. Drawing on good practices in OECD countries, it suggests a policy agenda to **prevent** inequality before it cumulates; **mitigate** entrenched inequalities; and **cope** with inequality at older ages. The report points to strong policy complementarities and synergies and thus a whole-of-government approach is likely to be much more effective than a series of separate inequality reducing policies. In particular, to ensure a better retirement for all, policies have to be coordinated across family, education, employment, social ministries and agencies.*

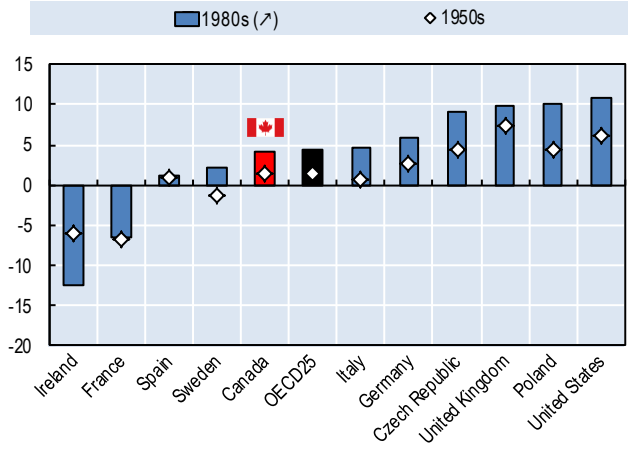
Overview – Fast ageing will magnify the impact of increasing inequality in old age

This report focuses on the interaction between two mega-trends, population ageing and increasing income inequality. Canada is expected to be ageing fast. There are currently 26 people older than 65 years for every 100 persons between 20 and 64. By 2050, this ratio will almost double, as in the OECD on average, with large disparities between provinces in the pace of ageing. Also, similar to the average across countries, income inequality has increased from one generation to the next in Canada. It increased by 10% between generations born in the 1950s and 1980s (three percentage points in terms of the Gini coefficient).

Even though the relative old-age poverty rate is currently well below both the OECD average and the poverty rate for the total population in Canada, higher income inequality during the working age will be passed into larger inequality for future retirees. Indeed, the pension system relies more than in other OECD countries on voluntary private pension arrangements, in which low- and middle-income people participate much less than higher-income workers. . In addition, coverage of private pensions has been declining over time.

Pension replacement rates decline steeply with wages and there are growing concerns that some middle-income earners might find themselves with relatively low pensions. The recent reform of the Canada Pension Plan, which will be phased in between 2019-2025, will improve long-term retirement income prospects, but projected replacement rates are still below the OECD average. Canada might need to raise further mandatory contributions for earnings in the middle quintiles of the earnings distribution or at least introduce effective auto-enrolment of this population group into private schemes. Moreover, as it was decided not to increase the eligibility age of first-tier pensions to 67, linking the retirement age for all public schemes to life expectancy gains would help to reduce political pressure and avoid that people retire too early with low pensions.

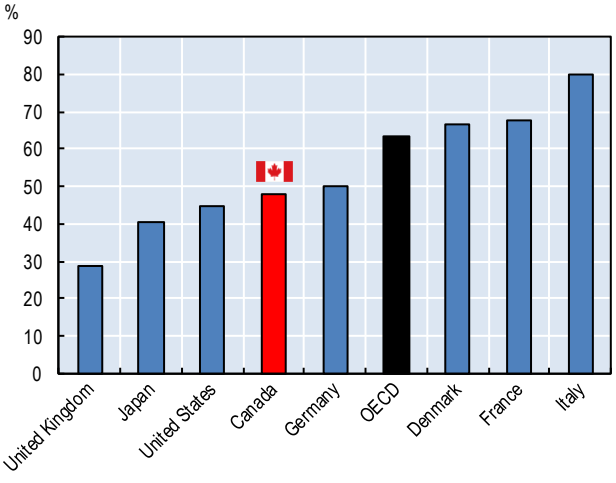
Income inequality has increased across generations
Estimated change in income Gini across birth cohorts



Notes: Changes in income Gini at the same age across birth cohorts in p.p., average across age groups, cohort reference = 1920s.

Source: OECD calculations from LIS data. See [Figure 1.5].

Net future pension replacement rates from mandatory schemes for full-career average earners are well below the OECD average
In percentage of previous net earnings



Note: calculations for a male worker who starts career in 2014 at age 20, earns average wage throughout the career and retires at official retirement age.

Source: OECD Pension models http://oe.cd/pag.

In that context, the recent improvement in older workers' employment is important. Since 2000, the employment rate of workers aged 55-59 gained almost 12 percentage points, and was strongest for the age group 60-64 with an increase of 17 percentage points, and has benefited all education groups; it has risen much less among the 25-54 (1.5 points). As a result, the average age of labour market exit increased by about 3.5 years since the trough reached in the late 1990s. At about 66 years it has now recovered its 1970 level.

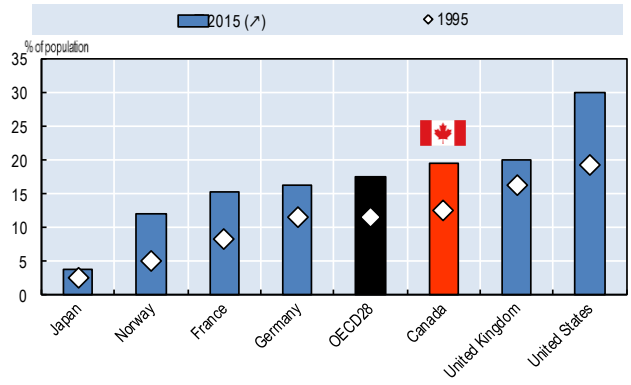
Disadvantages in health, education and income start early in life, reinforce each other and compound over the life course. Substantial savings of public expenditure could be made if income, wealth, education and health inequalities were picked up earlier and addressed at younger ages. Canada's Indigenous Peoples are a group of particular concern for policy makers: they are often poor and are more likely than other Canadians to live in sub-standard housing, to drop out of school, to take up smoking and heavy drinking, to suffer from health problems and to have their children grow up in lone-parent or foster homes, all of which translates into high poverty risks in old age, on top of higher mortality rates at early ages. In order to make economic growth more inclusive, more resources should be provided to Canada's Indigenous Peoples for their education, training, health care, housing, entrepreneurship and environmental infrastructure servicing their communities, consistent with the federal government's priorities (2016 OECD Economic Survey of Canada).

Health problems are another reason for increasing inequality, limiting both the opportunities to mobilise people's potential to work and people's well-being at old age. While life expectancy continues to rise, new health risks have emerged such as the larger prevalence of Alzheimer's disease and the threat posed by rising obesity, thereby modifying the way populations age. Canada is among the OECD countries with the highest rates of cerebrovascular disease and incidence of diabetes, which increases sharply with age. Unless this problem is tackled at younger ages, it will further increase risks of long-term care needs and put pressure on the long-term care insurance scheme.

Health-care systems need to be adapted to better manage the growing number of people living with one or more chronic conditions, who are often over 65 and come from lower socio-economic groups. In particular, health care should be better integrated across various disciplines towards a patient-centred approach; physician and nurse specialisation in geriatric care should also be further developed. There is a growing recognition that managing the care of an ageing population will require interdisciplinary teams who can provide seamless health and social care. This in turn will require changes in education and training and ensure that health care professionals can work effectively as a team across different disciplines (social care, mental health, long-term care, medical care).

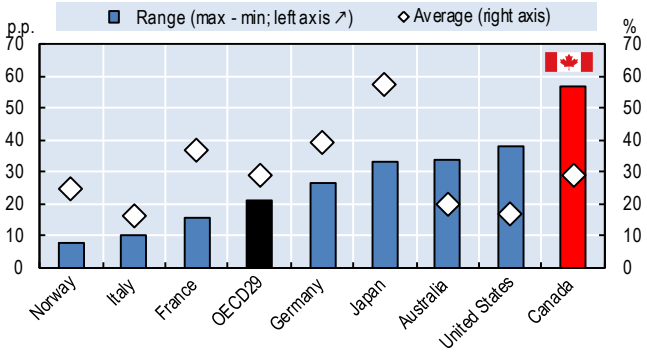
Health inequality is also amplified in Canada by the large regional variation in access to health services, which is in part related to the size of the country of course. Preventive health care or the use of nurse practitioners can help alleviate strained health care services in difficult to service regions. However, they cannot fully replace doctors and hospitals and a more comprehensive approach is needed to improve access to health care service.

The share of obese population is high and has been growing fast, 2015 or most recent



Source: OECD Health Statistics www.oecd.org/els/health-systems/health-data.htm.
See also [Figure 6.11].

Large regional disparities in the ratio of hospital beds to older people



Source: See [Figure 6.6].

Well-designed prevention policies are generally effective to improve health and can reduce health inequalities as people in lower socio-economic groups are more likely to smoke, to be heavy alcohol drinkers (particularly men) and to be obese. The share of health spending allocated to prevention is only around 3% on average in OECD countries, but Canada has a record-high share at slightly more than 6%.

However, health literacy is often lower among poorer and less educated groups and broad health promotion campaigns often fail to reach the most disadvantaged socio-economic groups. Reducing health inequalities therefore requires a multipronged strategy that addresses the wide range of social determinants, including those falling outside the responsibilities of health ministries and those ensuring equitable access to care for poor people and other disadvantaged groups. By contrast, fiscal measures, such as taxes on certain products or substances which are identified as being unhealthy, have been found to be the only intervention producing consistently larger health gains among poorer groups. Finally, to improve access and equity, the OECD recommends to include essential pharmaceuticals, and eventually, home care, selected therapy and nursing services in a revised public core package (OECD Economic Surveys of Canada).

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