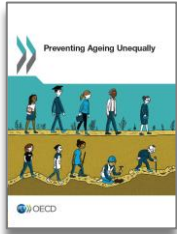


Preventing Ageing Unequally

How does the UNITED KINGDOM 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.

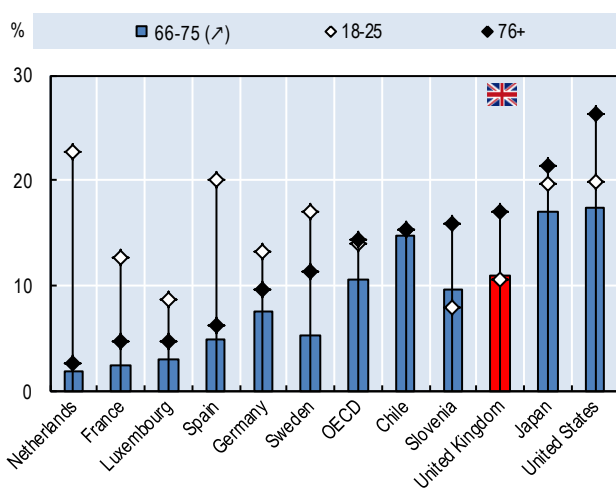
Overview – Old-age poverty is high and must be prevented from rising

Like other industrialised and emerging economies, the United Kingdom is ageing quickly. The number of people aged 65 and over for every 100 people of working age will rise from about 30 today to 46 in 2050. Coping with this change will be challenging, both economically and socially.

Already today, poverty among older people is high in the United Kingdom, especially for the over-75s, 17% of whom, predominantly women, have incomes below the poverty line. One of the main reasons is that the state pension is set at a low level and does not result in adequate pensions for everyone. People who have had sufficient income during their working lives to save, buy their own home and contribute to private pensions have relatively good incomes compared to younger generations. However, retirees without such additional sources of revenue are left with few resources.

Old-age poverty is high

Relative poverty rates by age group, 2014 or latest year available

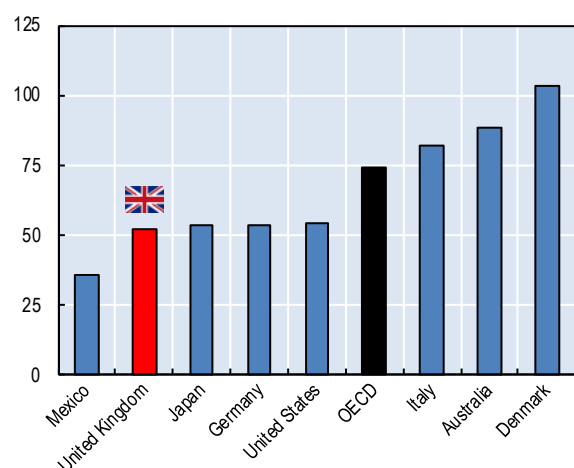


Note: Percentage of persons living with less than 50% of median equivalised disposable income.

Source: See [Figure 1.9](#).

Low pension levels for low earners in the United Kingdom

Net pension replacement rates for low earners (50% of average wage), % of previous net earnings



Source: OECD pension models in OECD Pensions at a Glance. See [Figure 5.19](#).

Because income disparities rose sharply in the 1980s in the United Kingdom, inequalities in later life will rise still further as generation X approaches retirement. Three factors, in particular, will shape old-age poverty and inequality patterns among future generations of retirees.

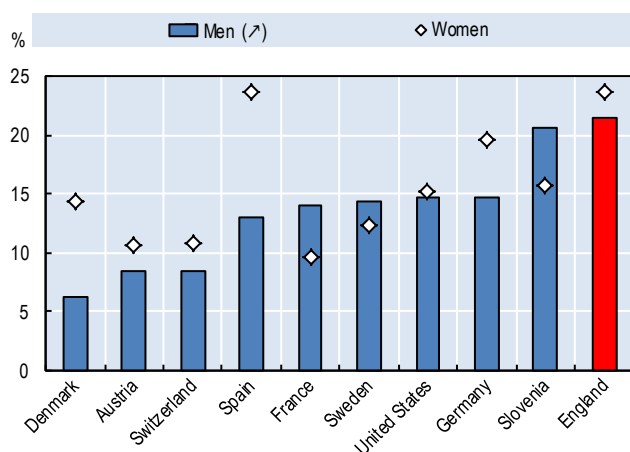
First, labour market outcomes will be decisive. Employment rates of older adults with high and medium education are relatively high in the United Kingdom. About 75% of highly-educated and 72% of medium-educated 55-64 year-old men work. However, their lower-educated peers – who are those who most need to work longer to prevent poverty - work a lot less, and have an employment rate of only 56%. For women, the employment differences by education level are even larger. Lower-educated older people must be fully integrated in the labour market in order to combat inequality and poverty in later life.

Second, a large share of older people in the United Kingdom is in bad health; disability is more widespread than in many other countries, especially among people from low socio-economic backgrounds. Bad health is a major cause of why many low-educated workers leave the labour market early. Ensuring access to high-quality health care and reducing risky behaviours are important measures to prevent health problems. In particular, obesity, one of the main risk factors causing health problems, is very common among older people in the United Kingdom. In England, for instance, more than 20% of the over-80s are obese, compared to about 15% in the United States and around 10% in Austria.

Third, many older people with long-term care needs have to pay high costs because they are not sufficiently insured. The financial consequences of needing long-term care are much larger in the United Kingdom than in countries with more comprehensive long-term care insurance, such as the Netherlands. In the United Kingdom, people with relatively high incomes may be left with disposable incomes close to the poverty line after paying for their long-term care costs.

Obesity rates are high among the 80+ in England

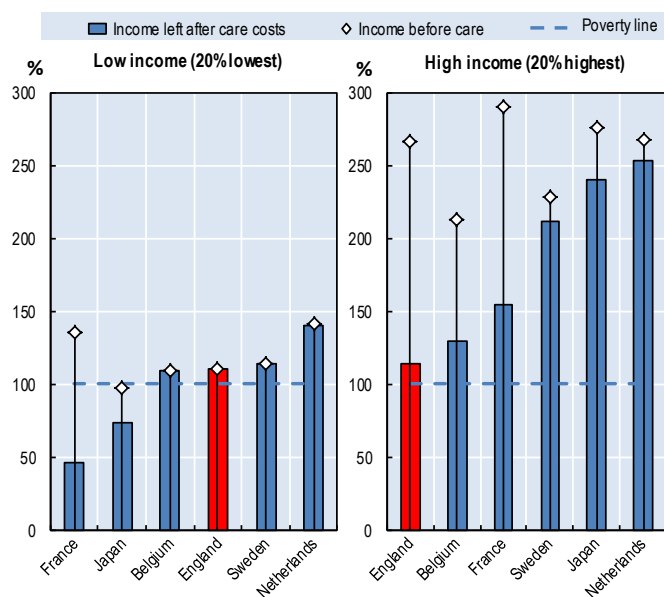
Prevalence of obesity among the 80+



Source: Börsch-Supan (2016); 2006 English Longitudinal Study of Aging; United States Health and Retirement Study 2006 as cited in Sole-Auro (2016); Solé-Auro and Crimmins (2013). See [Figure 6.11](#).

People with long-term care needs pay high costs

Disposable income before and after care costs compared to the poverty line, people receiving home care for moderate needs



See [Figure 1.24](#).

The best way to limit old-age poverty in the future is to break the links between socio-economic disadvantages, health and employment outcomes. Policy action should seek to ensure that people from all socio-economic backgrounds are in sufficiently good health to extend their working lives and possess the skills to do so.