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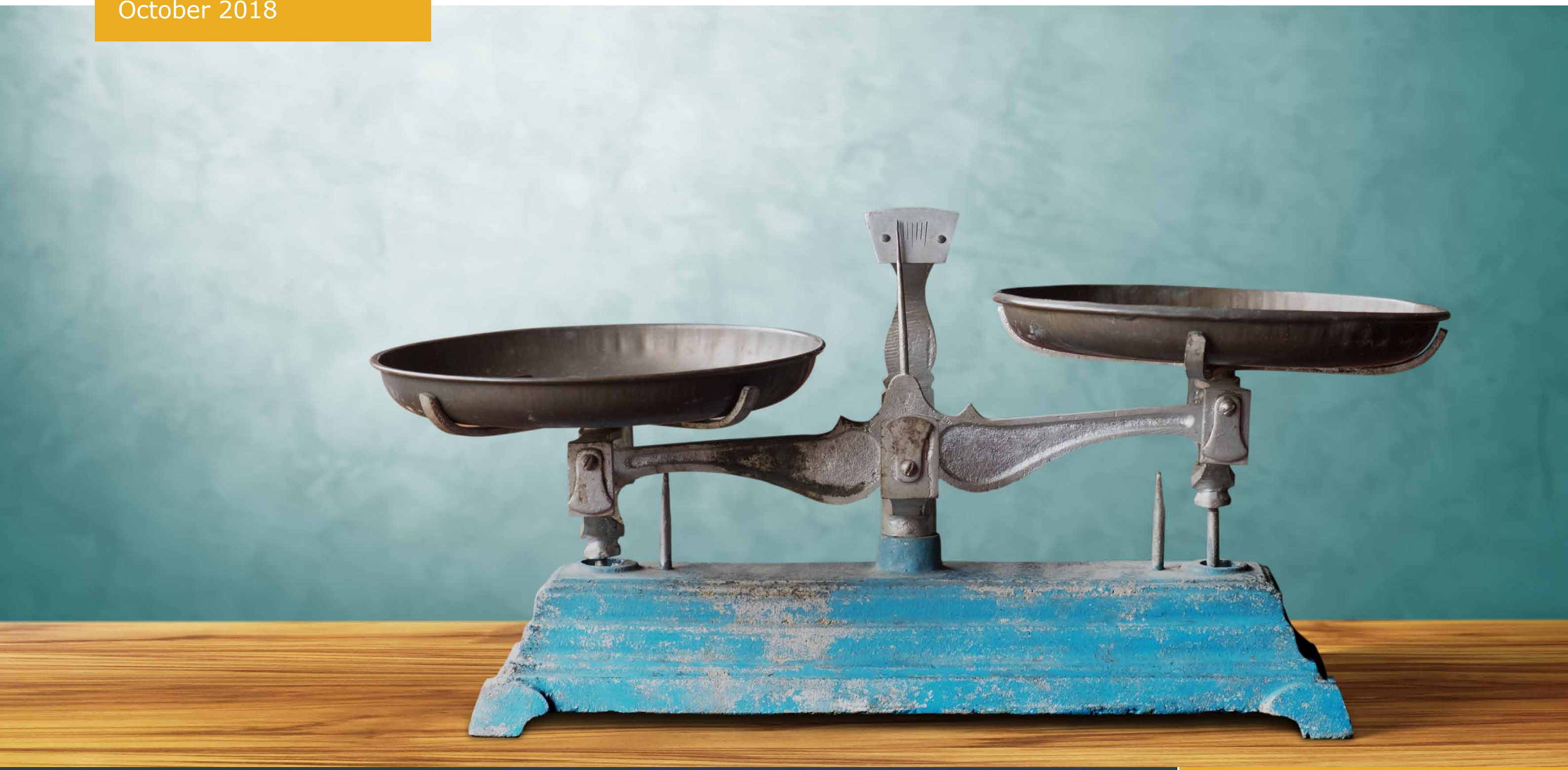

Preventing Inequalities in Ageing Societies

Key messages:

- Inequality in old age is a reflection of individuals' paths over their entire life course.
- Younger generations in Europe today are likely to face higher inequality in old age due to less stable labour market conditions and widening inequalities in the distribution of earnings and household income.
- The reduction of inequalities inside societies must be tackled by measures addressing both intra-generational and intergenerational inequalities.
- In order to equalise life chances, state transfers for high quality education and care for children (especially from disadvantaged backgrounds) should increase substantially.
- A well-designed policy package to combat inequalities should be based on three pillars: Prevent inequality at early ages, mitigate inequality among youth and adults, and tackle inequality at older ages.

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› Introduction: Is there a rising risk of more unequal ageing?

Intra-generational social inequalities are present among all generations. Different social classes coexist among children, adults and older people, and the promotion of more equal societies for all age groups is often mentioned in public discourses as a priority for modern societies. A more nuanced issue is intergenerational inequalities, understood here as inequalities between age-groups: How they develop throughout the life course, its consequences for societies and how to prevent / mitigate them. In 2017, the Organisation for Economic Co-operation and Development (OECD) published a report entitled 'Preventing Ageing Unequally', referring to inequalities that are developed throughout the life course and materialised in old age. The report looks at both intra- and intergenerational inequalities. The concern about the topic was derived from the fact that despite the current generation of older people having on average higher income and lower poverty risks than previous ones in most OECD countries, this trend is expected to change. Younger generations are likely to face higher inequality in old age due to less stable labour market conditions and widening inequalities in the distribution of earnings and household income (OECD, 2017).

In March 2018, Population Europe organised a High-Level Expert Meeting chaired by Hervé Boulhol (Senior Economist in the Directorate for Employment, Labour and Social Affairs at the OECD) and Pieter Vanhuysse (Professor of Comparative Welfare State Research at the Department of Political Science and Public Management and the Danish Centre for Welfare Studies of the University of Southern Denmark, Odense). The experts discussed how governments can better tackle inequalities in older ages as a current challenge, but also how to prevent unequal ageing among the future generations of retirees. Participants included Marco Albertini (Associate Professor, Department of Political and Social Sciences, University of Bologna), Mikkel Barslund (Research Fellow and Head of Ageing Societies Programme, Centre for European Policy Studies), David Eatock (Policy Analyst, European Parliamentary Research Service, speaking in a private capacity and not on behalf of the European Parliament), Andreas Edel (Executive Secretary of Population Europe / Max Planck Institute for Demographic Research), Vitalija Gaucaite Wittich (Chief of the Population Unit, United Nations Economic Commission for Europe), Axel Gosseries (Head of the Hoover Chair in Economic and Social Ethics, UC Louvain), Jana Hainsworth (Secretary General, Eurochild), Mike Mansfield (Program Director, Aegon Center for Longevity and Retirement), Rainer Münz (Adviser on Migration and Demography to the European Political Strategy Centre, European Commission), Julius Op de Beke (Socio-Economic Policy Analyst, DG Employment, European Commission), Wim Van Lancker (Assistant Professor in Social Work and Social Policy, KU Leuven) and Daniela Vono de Vilhena (Scientific Coordinator and Research Scientist, Population Europe Secretariat / Max Planck Institute for Demographic Research).

› Intra-generational unfairness in older ages

Ageing is not a homogeneous process among the population. It largely depends on the places where individuals live, their lifestyle, educational level, occupation and health status. Consequently, when we look at a specific cohort, inequality in old age will, to a large extent, reflect individuals' paths over their entire life course. Inequality at older ages is a major challenge for societies and there is no one-size-fits-all solution. The OECD report 'Preventing Ageing Unequally' (2017) presents multiple forms of evidence on current inequality patterns at older ages. It shows, for example, enormous differences among 50-64-year-olds in employment rates depending on educational attainment and gender. In 2015, the average among the OECD countries for older people with no upper-secondary schooling was 51% for men and 36% for women, and 75% and 65% for those with a tertiary education, respectively. The report also highlights the significant impact of poor health status on the age of retirement, the unequal access to health infrastructures and public transport services depending on where individuals live, which is particularly problematic in rural areas, and gender inequalities in daily informal care.

› How can we better cope with inequalities at older ages?

The OECD (2017) suggests focusing on promoting health of the elderly, including through preventive programmes, better access to information, integration and support of home and community care, enhancing job quality and combating unemployment, particularly by removing barriers to retain and hire older workers, promoting lifelong learning opportunities, reducing inequalities in old-age pensions and improving the quality and coverage of long-term care.

At our Experts Meeting, Mike Mansfield stressed the importance of improving the health status of the population at all ages. He indicated that in a survey conducted at the Aegon Center for Longevity and Retirement, 39% of the retirees interviewed affirmed they had to retire before they had planned and the largest single reason for this was the retirees' own poor health. Mikkel Barslund pointed towards the potential in considering taxation, which is context (and age) specific, in order to prevent inequalities derived from poor health status or unfortunate circumstances early in the life course. Vitalija Gaucaite intervened by indicating that over the last 10 years, the focus of discussions on ageing in international organisations moved from only addressing social security and pension systems to the contributions of the elderly to societies, how to age healthier, how to adjust work environments, how to realise the silver economy potential, the role played by volunteering and caregiving, and the specific needs of the most vulnerable groups. For Julius Op de Beke, societies must ensure that childless individuals are not penalised at older ages for not having family support networks.

› The best way to prevent inequalities at older ages is to redesign policies to have a life course perspective

Experts agree that inequalities inside societies must be tackled from a life course perspective: Policies towards the youngest individuals should not be seen as competing with those targeted at the elderly, as well-designed social policies for the elderly are no substitute for effective early policies for the young. Instead, as Pieter Vanhuysse pointed out, well-designed investment in the young can boost the fiscal foundations for elderly policies. Hervé Boulhol indicated that over the last 30 years, real income has grown faster for older age groups, and poverty risks have shifted from the old to the young. This implies that young generations may not enjoy the same retirement situation like older cohorts. Consequently, there is a need for a life course policy package based on three pillars: Prevent inequality before it builds up and compounds, mitigate inequality at young and adult ages, and tackle inequality at older ages (OECD, 2017).

For Wim Van Lancker, a life course perspective is key as it shows how things change over time depending on the context of the welfare state. Processes should be monitored by longitudinal data so states are able to invest in what is really needed. Marco Albertini indicated that we need to look at historical generations or birth cohorts, otherwise there is a risk of implementing policy changes that penalise the same people two times in their life course (as young adults and pensioners). Axel Gosseries suggested that we need more indicators that incorporate retrospective and prospective information at the same time for all generations when studying intergenerational relations. Finally, David Eatock noted the importance of intra-generational inequalities and how these could be transmitted down the generations, e.g. via bequests, entrenching and exacerbating inequalities in the future.

› Investing in children today may prevent inequalities at older ages in the future

Pieter Vanhuysse presented brand new evidence on the unequal distribution of resources among cohorts (Gál, Vanhuysse and Vargha, 2018). Data on public transfers in general – public policies financed by taxes and social security contributions – shows an elderly bias in social spending throughout the European Union (EU). States tend to devote significantly more resources per capita to the old than to the young. However, public transfer data largely ignores intra-family transfers of cash and time (the household economy, which involves care). Once more complete data on the value of all forms of resources transferred across generations is analysed, a radically different picture emerges on what generations give to each other. By also considering the transfers that *families* give, Vanhuysse and colleagues concluded that European societies transfer more than twice as many per capita resources to children as to the elderly. However, most of these resources come from parents, not states.

As Vanhuysse put it, Europe is a continent of pro-elderly welfare states embedded within societies composed of strongly child-oriented families. So the key question is why do states not take a greater role in helping families raise children? After all, children are also public goods. Their future taxes, innovations and other contributions will benefit all of society later, including people who do not become parents. Since the start of the 21st century, politicians across the EU have increasingly proclaimed state investment in human capital as the new social policy paradigm. Yet despite much political rhetoric, actual state investment in children is still comparatively small, except for Scandinavian countries. In the first decade of the 21st century, state spending on early childhood education and care averaged only 0.6% of GDP in the western EU Member States, and 0.4% in eastern Member States (Vanhuysse, 2015).

As Vanhuysse noted, since children are also ever *scarcer* public goods in ageing societies, the case is even stronger for much more state investment in their human capital. However, solutions are far from straightforward. Experts highlight different barriers. For Albertini, it is not likely that the distribution of public investments in children and elderly will change in the short and medium term, and the key challenge is to find a way in the actual system to keep the transfers to the elderly while changing the way the resources they receive are collected, for instance by promoting employment among young adult workers.

Van Lancker added that we need to think in both directions: If children are currently receiving less resources from the states, the elderly are also receiving less intra-familiar transfers. Jana Hainsworth stressed the complexity around investments in children, as it goes beyond education: Ending child poverty implies reforming protection systems. Breaking inequalities in early childhood involves more than public investments. It also involves families and private actors supporting families. Eatock concurred with Vanhuysse in noting that the typically greater propensity of older people to vote tends to give them increasing political power in ageing societies. Any action to rebalance expenditure towards the young would require careful framing to convince older electorates of its merits. Hainsworth mentioned different interests of families depending on their socio-economic background: Middle and upper classes often associate poor outcomes for children with lower socio-economic groups with bad parenting, which is linked to individual responsibility. This results in less political support for efforts to address structural causes of poverty and disadvantage.

› There are still lots of open questions

There is no doubt that more investments in early interventions are needed, however it is not easy to answer the questions 'how much should we invest', and 'on which issues'. Van Lancker questioned whether investing in high quality childcare will guarantee high returns for children when they become adults. In his opinion, the key challenge is to overcome structural barriers for accessing childcare: In the majority of countries, disadvantaged children are using much less childcare compared to more advantaged children. This risks exacerbating rather than mitigating early inequalities. Barslund added that Europe-wide solutions are difficult to find. Incremental changes are successfully done in contexts where policymakers know what is possible and where they know how institutions operate, their historical trends and narratives. Vitalija Gaucaite highlighted the importance of thinking forward: We still do not know how the labour market will look in 30 years, and this may change the way we think about preventing inequalities inside societies.

› Policy Recommendations:

- The reduction of inequalities inside societies must be tackled by measures addressing both intra-generational and intergenerational inequalities.
- In order to equalise life chances, state transfers for high quality education and care for children (especially from disadvantaged backgrounds) should increase substantially.
- A well-designed policy package to combat inequalities should be based on three pillars: Prevent inequality at early ages, mitigate inequality among youth and adults, and tackle inequality at older ages.

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