Preventing Ageing Unequally

How does ITALY 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 – Ageing will be very fast and more unequal

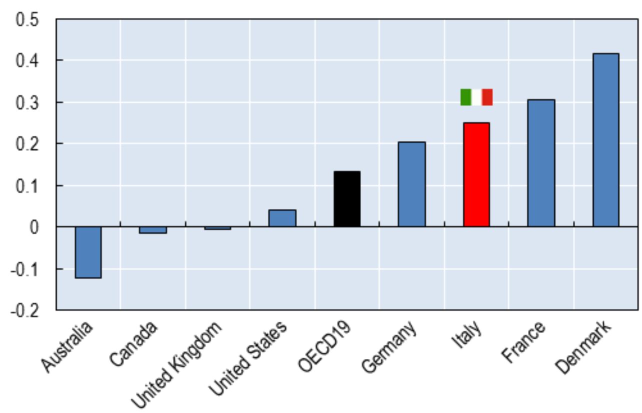
Italy is already one of the oldest OECD countries but will become even older with population ageing accelerating. In 2050, there will be 74 people above age 65 per 100 people aged 20-64 (compared to 38 per 100 today), making Italy the third oldest OECD country in the future after Japan (78 per 100) and Spain (76 per 100). Promoting older worker participation is therefore of the utmost importance.

The current generation of older workers is already participating at a higher rate than previous ones. However, it is unclear if this trend continues in the future. Economic outcomes for young Italians have been falling behind those of older generations over the last three decades; more and more young people are in non-standard work and are finding it difficult to get a strong foothold in the job market. Employment rates of the 55-to-64 year-olds increased much more strongly between 2000 and 2016 (23 percentage points) than among prime age individuals (1 p.p.) and the young, whose employment rates declined sharply (-11 p.p.). Furthermore, since the mid-1980s, the income of those aged 60-64 has grown by 25% more than that of the 30-34 age group. This income growth gap between generations was only 13% on average across OECD countries. Finally, relative poverty rates have surged for younger age groups while they fell sharply among older people.

Several pension reforms in the past have strengthened the link between lifetime earnings and pension entitlements in Italy. Increases in wage inequality over the working life are therefore passed on into inequality among pensioners. On average, across OECD countries, about two-thirds of lifetime earnings inequality is transmitted to old-age pensions; in Italy, this pass-through is close to 100%. Part of the explanation behind the high pass-through is the lack of a strong social safety-net in Italy.

Real income growth was faster for the older age groups in Italy

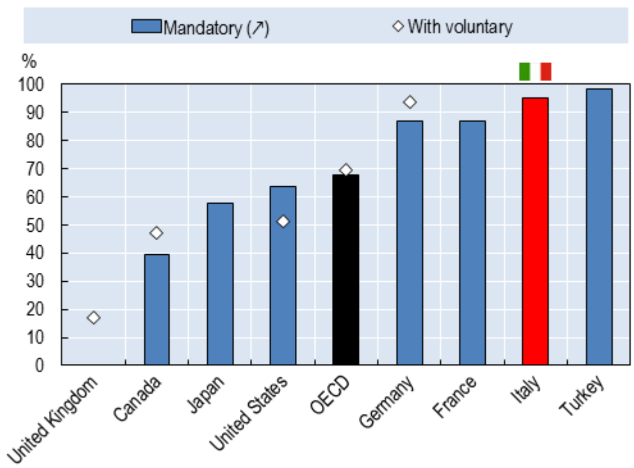
Change in relative income of 60-64 vs 30-34 year olds; mid-1980s to mid-2010s



Source: OECD computations from the Luxembourg Income Study data. See [Figure 1.8].

Large pass-through from wage to pension inequality

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



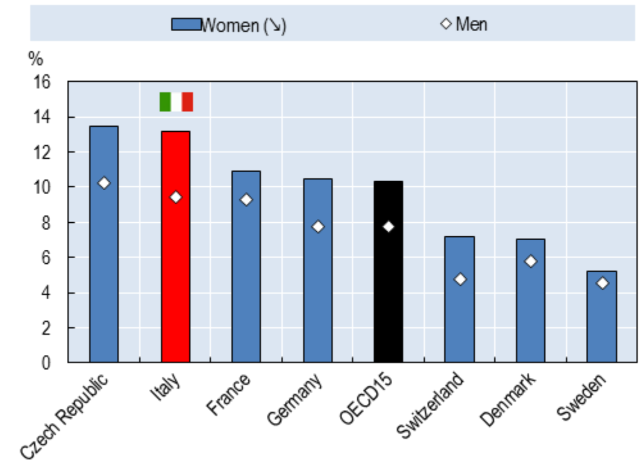
Source: Computations based on the OECD pension model. See [Figure 4.16].

Inequality among Italians born in the 1980s is already higher than that experienced by their parents and grandparents when they were the same age. Because inequality tends to increase over the working life, higher inequality among today's youth will likely lead to higher inequality among future retirees, especially given the strong link between lifetime earnings and pensions. Despite recent impressive improvement in older workers' employment rates, the employment gaps between those with low and high levels of education amount to 40 p.p. for men and more than 50 p.p. for women and are among the highest in the OECD. Ensuring a decent pension will be particularly difficult for the low educated, who are much less likely to work at older ages, and women, because many of them exit the labour market to care for their relatives. Younger women, however, tend to have longer careers and therefore higher pension entitlements, which would improve their old-age prospects. Employment rates for older women on the other hand are still significantly below those of men (more than 20 p.p. difference). The large gap can be partially explained by their greater caring responsibilities. While the proportion of people older than 50 who give daily informal care varies significantly from country to country – from 5% in Sweden to 13% in Italy and the Czech Republic, everywhere, and in Italy in particular, the majority of carers are women, contributing to the unequal ageing process between men and women.

Inequality builds up 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. Therefore, a comprehensive policy approach for Italy should start by providing affordable and good quality childcare and improving the education chances of children from disadvantaged socio-economic groups. This will have the added advantage of giving women the possibility to participate in the labour market. At the same time, policy measures need to be taken to promote a good start in working life by ensuring a smooth school-to-work transition, limit the impact of job loss and combat long-term unemployment as well as providing access to quality adult learning opportunities, all of which will help secure higher employability during the working life and ultimately higher incomes in retirement. Furthermore, the employment of older workers in particular could be improved further. Italian older workers are much healthier than in other countries and differences in health status and life expectancy by education level are relatively small. Older workers in general, and the low educated in particular, still therefore have a significant potential to extend their working lives so as to ensure adequate income during retirement. However, jobs should be available to absorb the additional labour supply. Finally, mitigation of entrenched old age inequalities is necessary for those retirees who were not able to build up sufficient pension entitlements.

Most of over-50s providing informal care are women

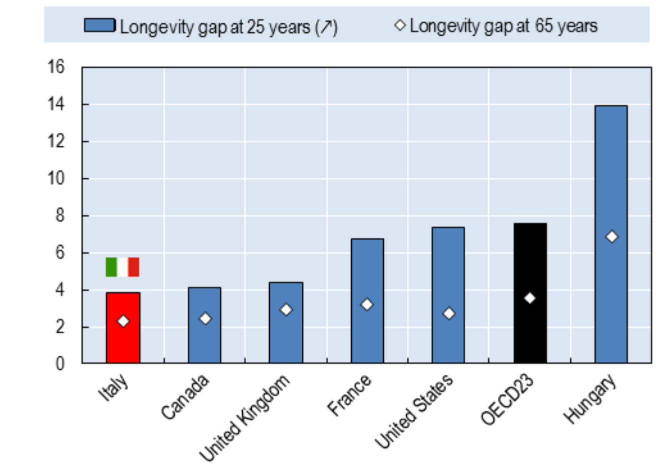
Proportion of over-50s providing informal daily care in 2013, by country and gender



Notes: OECD computations from the Survey of Health, Ageing and Retirement in Europe. See [Figure 6.21].

Life expectancy gaps between high- and low-educated groups at ages 25 and 65 are small in Italy

Men, around 2011, in years



Source: OECD data and calculations. See [Figure 1.2].

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