

# Preventing Ageing Unequally

How does the UNITED STATES 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 – Inequality is on the rise

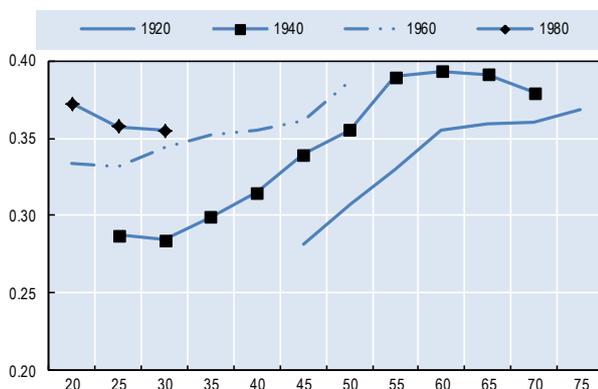
Inequality has been growing from one generation to the next in the United States. Income disparities among today's young and prime-age adults are by far higher than they were among the baby boomers at the same age. The income of the richest 20% of the working-age population is 8 times higher than that of the poorest 20% today.

Incomes in retirement depend on people's earnings throughout their lives, influencing the amount they can save and contribute to social security. Rising income inequality in the working-age population will thus lead to higher inequality among future retirees. This is particularly alarming in the United States as old-age inequality among current retirees is already higher than in all other OECD countries, except Chile and Mexico.

One major reason why inequality is growing is that many prime-age men and women are not participating in the labour market. The United States is one of few countries where employment among the prime working-age population is lower today than it was in 2000. 79% of 35-44 year-old men and women worked in 2016, down from 82% in 2000. While more than four-fifths of the highly educated working-age population have a job, only about half of those with low education levels are in employment. Over the last few years employment levels have started to rise again and one of the most important policy challenges is to make sure this upward trend continues in the future. Ensuring that more people work for more years will also result in higher retirement incomes in the future.

### Income inequality is rising from one generation to the next in the United States

Gini coefficient by birth year and age  
(0=perfect equality, 1=maximal inequality)

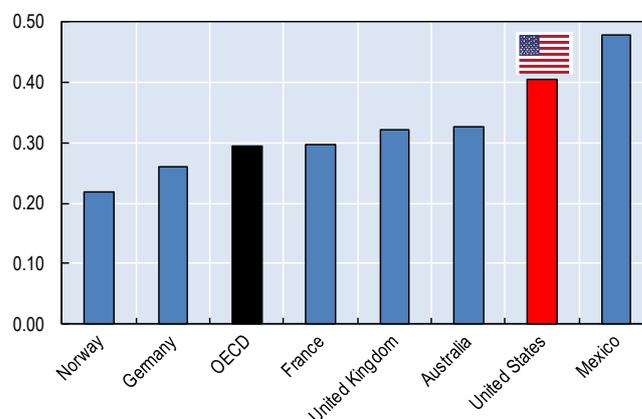


Note: The Gini coefficient is a measure of income inequality taking values between 0 and 1. The higher the value of the Gini coefficient, the higher the inequality in the country. Among 45 year olds, for instance, the Gini coefficients grew from 0.28 for the generation born in 1920 to 0.36 for the generation born in 1960, that is, inequality increased by almost 30%.

Source: OECD computations from the Luxembourg Income Study data. See [Figure 1.6](#).

### Old-age inequality in the United States is among the highest in the OECD

Gini coefficient among people over 65, 2014 or latest year  
(0=perfect equality, 1=maximal inequality)

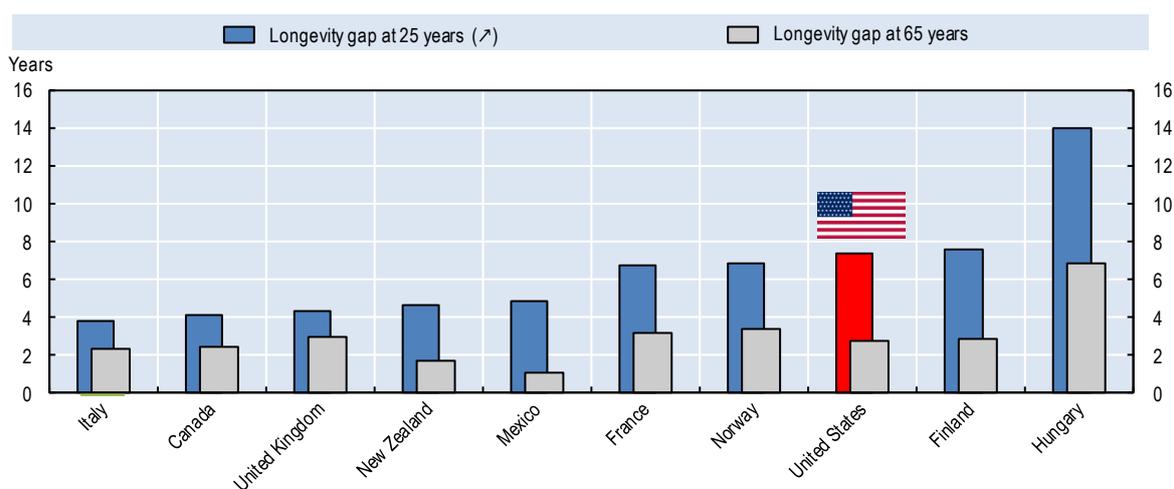


Source: OECD Income Distribution Database. See [Figure 1.18](#).

Health problems are another reason for increasing inequality. Americans are far more unhealthy than their peers in a number of other countries and people from low socio-economic backgrounds are particularly affected by bad health, as can be seen by the large life expectancy gaps between high- and low-educated groups. Disabilities, depression and obesity are widespread.

More than one out of three American adults are obese, more than in any other OECD country. Health problems and employment disadvantages reinforce each other, thus leading to a large number of unhealthy poor people. Policies need to target vulnerable groups as early in life as possible in order to prevent health, labour market and other socio-economic disadvantages from cumulating over time.

**Life expectancy gaps between high- and low-educated groups at ages 25 and 65**  
Men, around 2011, in years



Note: New collected data – although from 2011 – improve on currently available data by better accounting for mortality differences across educational groups at older ages. Source: OECD data and calculations. See [Figure 1.2](#)

As elsewhere, the population in the United States is ageing. There are only 25 people over the age of 65 per 100 people of working age at the moment, but this will rise to 41 by 2050. [Figure 1.1](#) The pace of ageing, however, is slower than in the OECD area as a whole, which gives the United States more time to adapt its labour market and pension system and to take measures to prevent or mitigate unequal ageing.

Most importantly, policy action must aim at keeping people healthy and in employment as long as possible; this will boost retirement incomes and reduce poverty risks. In addition, the Social Security and Supplemental Security Income schemes need to protect vulnerable groups from old-age poverty. Higher pension coverage and an appropriate combination of safety-nets, mandatory pensions, annuities in private schemes and survivor pensions can help to ensure adequate retirement incomes, also among low-educated groups.