WHAT ARE THE MAIN CHALLENGES IN DEALING WITH OLD-AGE INEQUALITY IN RUSSIA?

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Outline of the talk

• This short presentation is based on two recent OECD reports:
  - *Preventing Ageing Unequally* which assesses how ageing and inequality trends are interacting
  - flagship publication: *Pensions at a Glance*

1. Old-age income inequality: Russia vs OECD countries

2. Old-age inequality is the result of a lifelong cumulative process

3. A lot can still be done to cope with entrenched inequalities in old age
Income inequality among older people is average in Russia

**Gini coefficient, 65+, 2016 for Russia**

Source: OECD (2017) – Preventing Ageing Unequally, Figure 1.18

Study data.
Relative old-age poverty is on the high side for the 66-75 in Russia, especially among women.

Source: OECD (2017) – Pensions at a Glance Indicator 6.3
Poverty line is defined at 50% of the median equivalised disposable income Study data.
Mechanics of working-age disadvantage: links between education, health and the labour market

Share of people reporting bad health by age, gender, and education

Panel A. Entire population, by gender

Panel B. Employed population, by gender

Panel C. Entire population, by education level

Panel D. Employed population, by education level

Note: OECD calculations from microdata on 24 OECD countries.
People in bad health work less and earn less at all ages

Panel A. Employment rate by gender, age and self-reported health

Panel B. Normalised hourly earnings by gender, age and self-reported health

Note: OECD calculations from microdata on 24 OECD countries.
Ageing is not an equal process. Different types of inequalities exist and compound over the life course.

Life expectancy gaps between high and low educated groups at ages of 25 and 65 are large, Males, around 2011, in years.

Source: OECD (2017) - Preventing Ageing Unequally based on OECD estimates.
Given poor health performance over the last decades …

- Remaining life expectancy is increasing from the trough reached at the beginning of the century
- But Russia is likely to continue to lose grounds relative to OECD countries, especially for men

**Remaining life expectancy at 65, in years**

<table>
<thead>
<tr>
<th></th>
<th>OECD average</th>
<th>Russia</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td>1970-1975</td>
<td>12.8</td>
<td>15.9</td>
</tr>
<tr>
<td>2010-2015</td>
<td>17.4</td>
<td>20.8</td>
</tr>
<tr>
<td>2050-2055</td>
<td>21.8</td>
<td>24.5</td>
</tr>
</tbody>
</table>
... ageing was delayed, but will accelerate although from lower levels

Number of people aged 65+ per 100 people of working-age (20-64)
Normal retirement age
full career from age 20 for men in the private sector

2016 Future

Israel
Italy
United States
Poland
Netherlands
Denmark
United Kingdom
Canada
Germany
Japan
Sweden
Czech Republic
Estonia
Hungary
Latvia
Slovak Republic
France
Russia
Slovenia

60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75

Normal retirement age

Full career from age 20 for men in the private sector
Few remaining countries where retirement age differs between men and women

Retirement gender age gap currently and in the future, years
Pension prospects for private-sector workers are unfavourable in Russia

Future net replacement rate

% last earnings, full career from age 20 in 2016

- Average earners (↗)
- Low earners (50% of average earnings)
- High earners (150% of average earnings)
Limited pass-through from wage to pension inequality

Change in the Gini index of pensions for a 1 percentage point increase in the Gini index of wages
### A fragmented pension system

**Institutional arrangements for civil service pensions vs private sector workers**

<table>
<thead>
<tr>
<th>Fully integrated</th>
<th>Separate but similar benefits</th>
<th>Fully integrated with top-up</th>
<th>Entirely separate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hungary</td>
<td>Sweden</td>
<td>Iceland</td>
<td>Russia (1999)</td>
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<td>Israel (2002)</td>
<td></td>
<td>Iceland</td>
<td></td>
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<tr>
<td>Latvia</td>
<td></td>
<td>Norway</td>
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<td>New Zealand (2007)</td>
<td></td>
<td>United Kingdom</td>
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<td>Poland</td>
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<td>United States (1984)</td>
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<td>Portugal (2006)</td>
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<tr>
<td>Slovak Republic</td>
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<td>Slovenia</td>
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<td>Spain (2011)</td>
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<tr>
<td>Switzerland</td>
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<td>Turkey (2006)</td>
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</table>
Conclusion

• Much more efficient to fight inequality at early stages (health, education, employment, etc.) rather than trying to remedy their consequences during retirement

• Health remains a priority in Russia: health policies to prevent, mitigate and cope with inequalities should be combined

• Significant socio-economic differences in life expectancy strengthen the case for income redistribution within the pension system

• Russian pension system: progressivity limits the impact of wage inequality on pension inequality

• Gender gaps are huge

• Pension system is very fragmented, generating substantial inequality