Pensions and Ageing

WHAT DO YOU THINK?
WHAT DO PEOPLE THINK?

EDWARD WHITEHOUSE
Agenda

• Relations between generations
• Potential conflict in the labour market
• Coverage and retirement saving
Relations between generations

ARE OLDER PEOPLE A BURDEN ON SOCIETY?
Older people are a burden on society

1. Strongly disagree
2. Somewhat disagree
3. Don’t know
4. Somewhat agree
5. Strongly agree
Older people are a burden on society: thoughts of Europeans

Responses, per cent

<table>
<thead>
<tr>
<th>Agree</th>
<th>Somewhat disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>14%</td>
<td>23%</td>
<td>62%</td>
</tr>
</tbody>
</table>

Weaker

Intergenerational conflict?

Stronger

Intergenerational solidarity
Attitudinal patterns: ‘Older people are a burden on society’

Impact on response

- Agree older people are a burden
- Disagree

Sex: Men, Women
Education: Low, Medium, High
Age: 20, 30, 40, 50, 60, 70, 80
Attitudinal patterns: ‘Older people are a burden on society’

Impact on response

Agree older people are a burden

Disagree
Age discrimination: a natural experiment
Age discrimination: a natural experiment
Age discrimination: a natural experiment
Age discrimination: a natural experiment

Weakest Link
El Rival Más Débil
الحلقة الأضعف
汰弱留强·智者为王
Слабое Звено
Le Maillon Faible
Zəif Bənd
De Zwakste Schakel
Ponto Fraco
Nejslabší! Máte padáka
Najslabija karika
Nõrgim lüli
Heikoin lenkki
შუასახლო ხევი
Der Schwächste fliegt
O Пio Aδύναμος Κρίκος
一筆OUT消

Nincs Kegyelem
Kamzor Kadii Kaun
החלשה התחלשה
Anello Debole
ウィーケストリンク☆一人勝ちの法則
Најслаба алка
Veriga Slaba
Det Svakeste Ledd
Najślabsze Ogniwo
O Elo Mais Fraco
Lanțul Slăbiciunilor
Najslabija Karika
智者生存
Najšibkejši Člen
Svagaste Länken
En Zayıf Halka
กำไรฉุดข้ม
Relations between generations: ‘Older people are a burden on society’

Czech Republic: 70% disagree

Netherlands: 95% disagree

Weaker Intergenerational conflict?

Stronger Intergenerational solidarity

Percentile of distribution of countries
Explaining the patterns

Retirement-income systems: role of the state

Labour-market conditions: older workers

Public transfers, per cent of total income of over 65s

Percentage of 60-64 year olds in employment
Explaining the patterns

Demographic prospects: population ageing

Agree older people are a burden

Disagree

Over 65s, per cent of population, projected for 2060

Luxembourg

United Kingdom

Denmark

Ireland

France

Belgium

Netherlands

Finland

Spain

Sweden

Portugal

Hungary

Germany

Austria

Czech Republic

Slovak Republic

Poland

Greece

Italy

North Carolina

Projections for 2060
Young people and older people do not easily agree on what is best

1. Strongly disagree
2. Somewhat disagree
3. Don’t know
4. Somewhat agree
5. Strongly agree
Young people and older people do not easily agree on what is best.

Responses (per cent) and percentile of distribution of countries:

- **Strongly agree**: 28% (Sweden: 88% agree)
- **Somewhat agree**: 41%
- **Somewhat disagree**: 20%
- **Strongly disagree**: 8% (Netherlands: 50% agree)

Weaker: Intergenerational conflict?

Stronger: Intergenerational solidarity
Explaining the patterns

Strong relationship between consensus and:

• low current public spending on pensions
• low projected future public pension spending
• low proportion of older people’s incomes from public transfers
• high proportion of 60-64 year olds in jobs
Conflict or consensus between generations: the labour market

DO OLDER WORKERS REDUCE JOB OPPORTUNITIES FOR THE YOUNG?

SHOULD OLDER PEOPLE WORK LONGER IF THEY WANT TO?
Intergenerational conflict or consensus: the labour market

• As older people work until a later age, fewer jobs will be available for younger people
• It should be easier for older people to continue working beyond retirement age, if they wish
Intergenerational conflict or consensus: the labour market

Older workers reduce opportunities for youth

- **1** disagree
- **2** agree
- **3** disagree
- **4** agree

It should be easier to carry on working
1. No conflict over jobs but retirement as now
2. Early retirement needed for youth opportunity
3. Longer working lives that don’t affect youth
4. Young-old conflict but working longer is needed
View from Europe

Rigid lump of labour: 23%
Lump of labour, work longer: 35%
Labour-market optimists: 33%
No lump of labour, no longer work: 9%
Agree
Disagree

Older workers reduce opportunities for youth
Should be easier to carry on working
Younger and older workers: cross-country analysis

Employment rate, 60-64 year olds

Employment rate, 20-24 year olds
Younger and older workers: two natural experiments

Employment rate, 60-64 year olds

New Zealand

France
Coverage

WHY ARE PEOPLE NOT SAVING FOR RETIREMENT?

WHY DO PEOPLE SAVE FOR RETIREMENT?
Why are people not covered?

1. People cannot afford to save
2. People do not want to save for the future
3. People do not want to provide for retirement
4. People want to provide for retirement income, but do not trust institutions, public or private
5. People want to save, but there are administrative obstacles
6. People want to save but they do not think it is worth contributing to the formal pension system
7. People want to save but not a fixed proportion of income
8. People expect to rely on their family during retirement
9. People expect to keep working
10. People have no choice: employers determine whether they are covered
Why are people not covered?  
Potential policy responses

<table>
<thead>
<tr>
<th>Reason</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can’t afford</td>
<td>Social pension</td>
</tr>
<tr>
<td></td>
<td>Cut contribution rates</td>
</tr>
<tr>
<td>Don’t want to</td>
<td>Compulsion</td>
</tr>
<tr>
<td></td>
<td>Incentives</td>
</tr>
<tr>
<td>Not for retirement</td>
<td>Bundle with short-term benefits, health-care coverage</td>
</tr>
<tr>
<td>Mistrust institutions</td>
<td>Build trust</td>
</tr>
<tr>
<td>Administrative hassle</td>
<td>IDs, simplification</td>
</tr>
<tr>
<td>Varying income</td>
<td>Accept small and variable contributions</td>
</tr>
<tr>
<td>Employers decide</td>
<td>Reduce employer contributions</td>
</tr>
<tr>
<td></td>
<td>Employment support allowance (UK)</td>
</tr>
</tbody>
</table>
Why people do not save for retirement, United Kingdom

- Don't earn enough: 34% of people without private pensions
- State should provide: 30% of people without private pensions
- Too young: 20% of people without private pensions
- Can't afford: 17% of people without private pensions
- Not interested, haven't got round to it: 15% of people without private pensions
- Don't know enough: 10% of people without private pensions
- Too many debts, bills: 7% of people without private pensions
Why people do or would save for retirement, United Kingdom

- Fear of low retirement income: 30% of all people
- Access to employer plan: 28% of all people
- Starting work: 23% of all people
- Long-term saving generally: 20% of all people
- Start family: 12% of all people
- Advice: friends, family: 11% of all people
- Advice: professional: 11% of all people

*per cent of all people*
Pensions and Ageing

WHAT DO PEOPLE THINK?

EDWARD WHITEHOUSE