

Inequality and actuarial work

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Project by IAA

Project of Population Issues Working Group: “Actuarial Perspective of Inequality”

Outline

- *General overview of inequality issues*
- *Trends in inequality*
- *Reflecting inequality in actuarial assumptions*
- *Actuarial solutions in the face of inequality*

Report due out in 2019

Inequality

Poverty: in every OECD country

- Women experience a higher rate of elderly poverty
- People over 75 (disproportionately women) are at higher risk of poverty than people aged 65-75

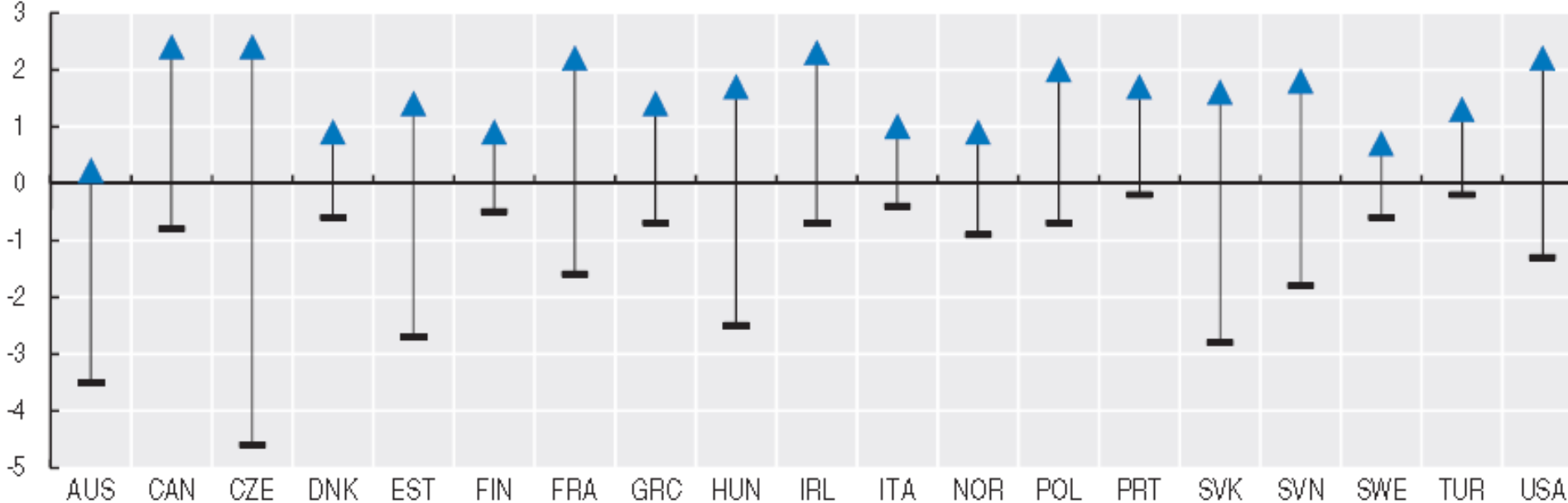
The EU gender pensions gap is twice as large as the gender pay gap

Over a career bad health reduces lifetime earnings by 17% for highly educated males but by 33% for low educated men

Increasing recognition that inequality within countries is increasing and this is bad for economic growth (and social cohesion)

Life expectancy at age 65 by education level

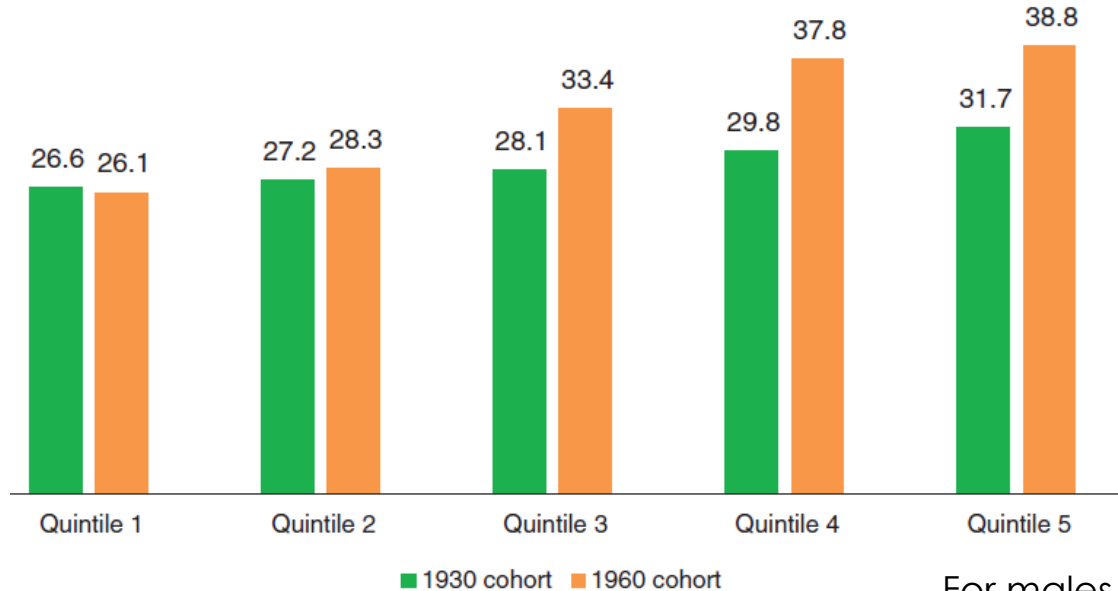
Number of years



And it's getting worse...

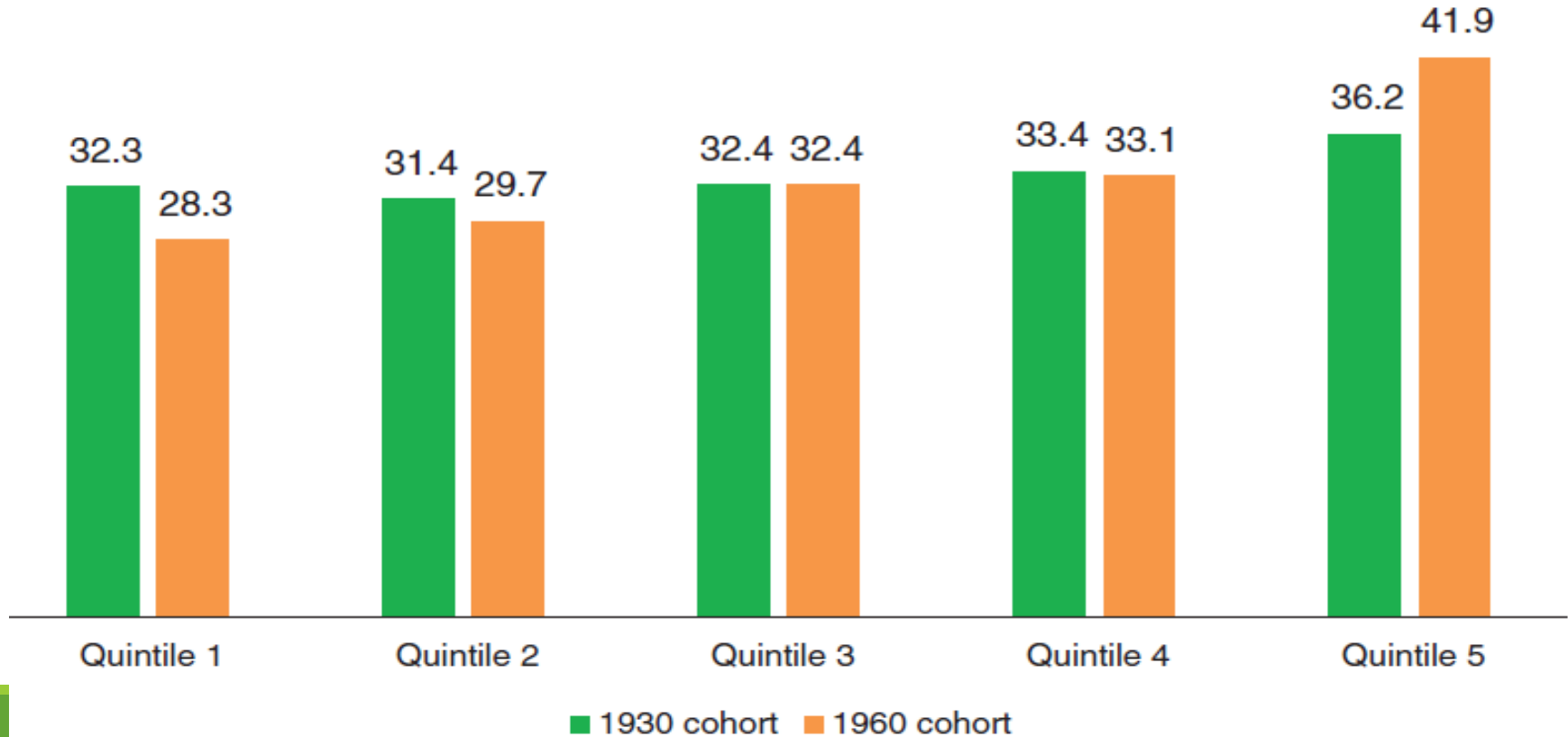
USA life expectancy at age 50 for individuals born in 1930 and 1960, by income quintile.

MALES



For males, the gap have grown from 5 years to almost 13 years.

For females, the gap have grown from 4 years to almost 13.6 years.



Why ? Health, education & lifestyle

Cystic fibrosis: US and Canada

- Overall: Canadians have **34%** lower mortality rates than American
- With US private insurance: **same rates**
- With US Medicaid: Canadians have a **44%** lower death rate than Americans
- US Uninsured: Canadians have a **77%** lower death rate.

Other key factors

- Employment status
- Family status
- Lifestyle
- Income and wealth (of course)

Challenges / impacts for social security

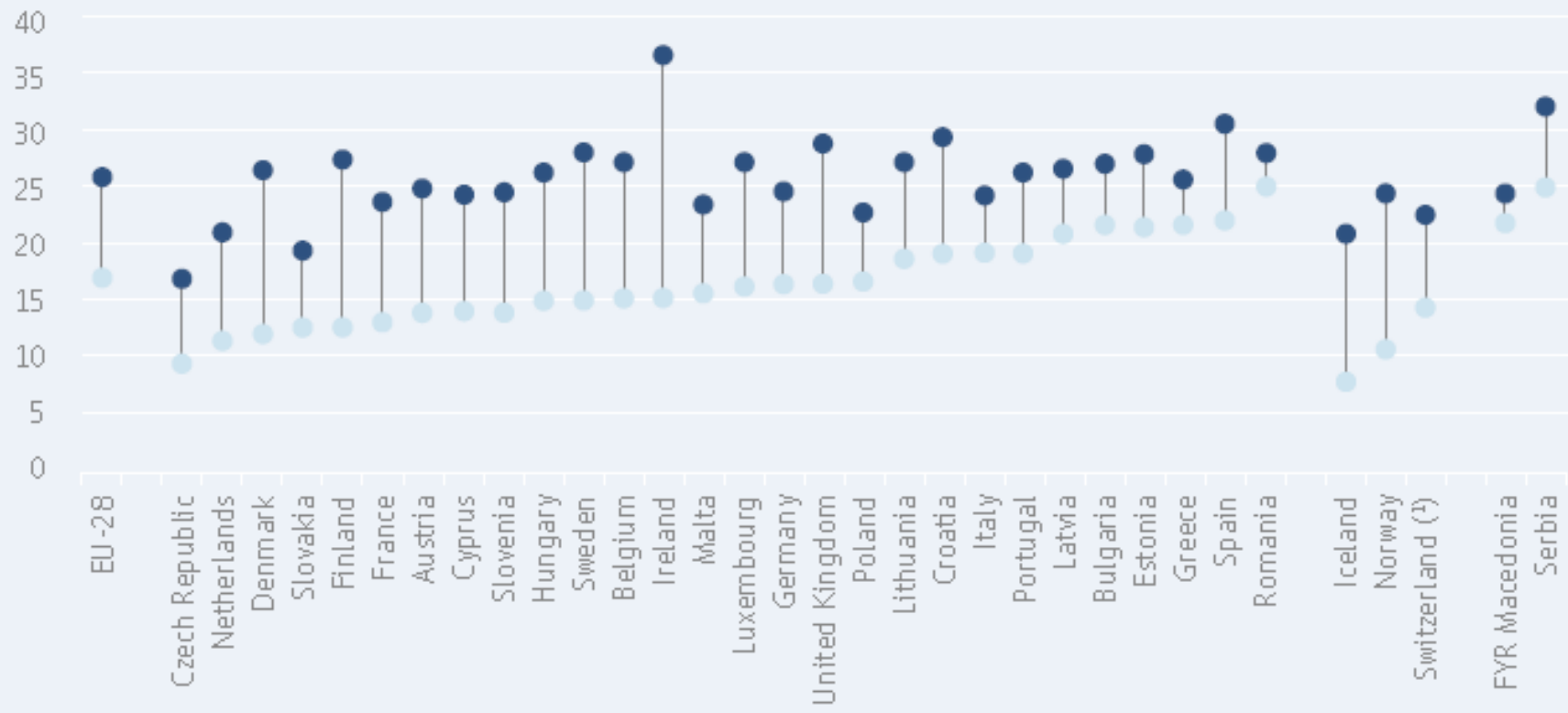
- ❑ Median changes are not that useful for assessing the key impacts : it is the distribution that is important ... but policymakers tend to think in averages
- ❑ Biggest impacts on those with poorer social security coverage
- ❑ The 80:20 rule for health
- ❑ Inequality recognised as being bad .. but social security may exacerbate this
- ❑ Political pressures – demographics of voting, populism
- ❑ Increasing constraints on financing as contribution base under pressure
- ❑ Long Term Care – formal vs informal

Implication / options for social security

- Reassessment of the redistributive impact of social security
- Uniform but tailored benefits
- Preventive measures
- Focus on health (NCDs, multi-morbidity), long term care, minimum pensions etc
- Improving access to difficult to cover groups
- Working with other stakeholders
- Looking at distribution of inputs and outcomes

SOCIAL TRANSFERS REDUCE THE RISK OF INEQUALITY AND POVERTY

At risk of poverty rates, before and after social transfers (EU countries, 2014)



● Before social transfers ● After social transfers

(1) 2013 data instead of 2014

Selected responses

Retirement systems

- Service related retirement ages in France
- Partial retirement in Finland

Health systems

- Prevention measures and palliative care (eg lifestyle not medication)

Long Term Care

- Focus on formalising and improving the context for informal care

Disability

- More mental health awareness and measures