

### Key findings

- Current poverty levels of those aged 75 and over are 18.5%, compared to 11% among the whole population and just over 10% for the age group 66-75. Women are most affected by old-age poverty.
- Net replacement rates for future retirees from mandatory parts of the pension system will be the lowest of any OECD country; full-career average earners can expect 29%, compared to an OECD average of 63%. Low earners (50% average) will have a replacement rate of 52%, but this is still very low in OECD comparison, only Mexico and Poland have lower rates for low earners.
- Private pensions could help fill the gap, adding around 30 percentage points to the net replacement rate with a full career of coverage.
- Obesity, one of the main risk factors causing health problems, is very common among older people in the United Kingdom. In England, for instance, more than 20% of the over-80s are obese, compared to about 15% in the United States and less than 10% in countries such as Austria, Denmark and Italy.

### Overview – Old-age poverty is high and must be prevented from rising

Like other industrialised and emerging economies, the United Kingdom is ageing quickly. The number of people aged 65 and over for every 100 people of working age will rise from about 30 today to 48 in 2050, posing economic and social challenges. Already today, poverty among older people is high in the United Kingdom: among those aged 75 and over 18.5% have incomes below the poverty line, most of them women. The main reason is the low level of the state pension.

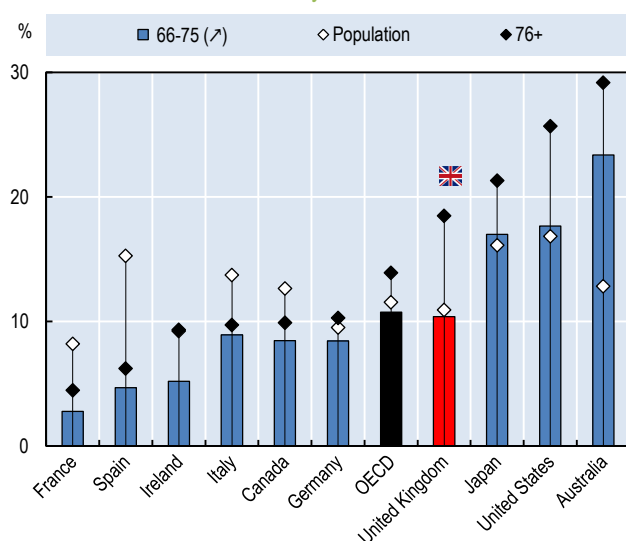
With the introduction of the new single-tier pension – 30% higher than the old state pension – the situation should improve but

there is a long transition period and current retirees will not see a difference. People who have had sufficient income during their working lives to save, buy their own home and contribute to private pensions have relatively good incomes compared to younger generations. However, retirees without such additional sources of revenue are left with few resources; this is reflected in the poverty rate and high income inequality in the United Kingdom for the over 65s.

Following the sharp rise of income disparities during the 1980s in the United Kingdom, inequalities in later life will rise further as generation X approaches retirement.

#### Old-age poverty is high especially after age 75

Relative poverty rates by age group, 2014 or latest year available

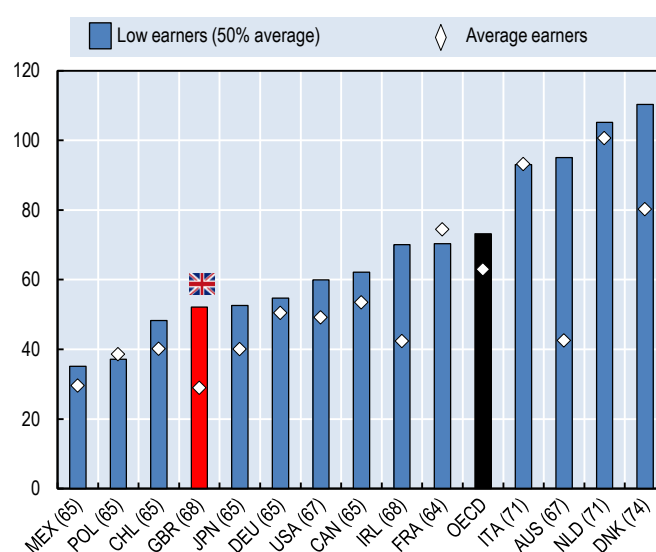


Note: Percentage of persons living with less than 50% of median equivalised disposable income.

Source: [Table 6.3](#).

#### Low pension levels in the United Kingdom

Net pension replacement rates for low and average earners, % of previous net earnings



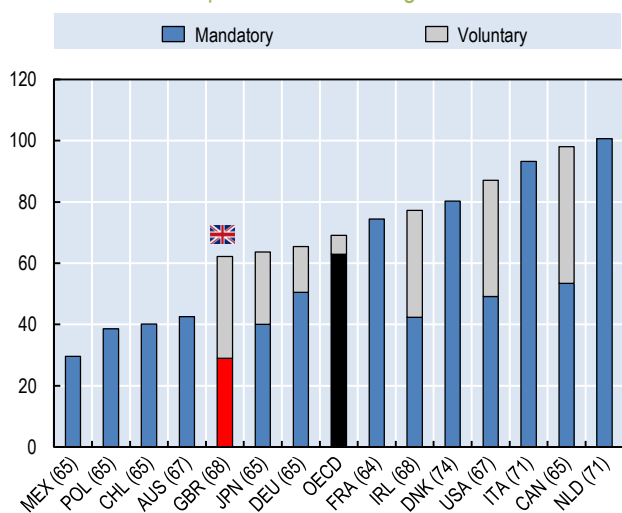
Source: [Table 4.8](#).

Labour market outcomes will be decisive. Employment rates of older adults with high and medium education are relatively high in the United Kingdom. About 75% of highly-educated and 72% of medium-educated men in the age group 55-64 work, compared to only 56% of their lower-educated peers. Lower-educated workers are also less likely to contribute towards personal or private pensions putting retirement income adequacy at risk. For women, the employment differences by education level are even larger.

A large share of older people in the United Kingdom are in bad health; disability is more widespread than in many other countries, especially among people from low socio-economic backgrounds. Currently 20% of the over-80s are classified as obese in England, and there is a risk that this proportion could increase. Between 1990 and 2015 the level of obesity in adults in the United Kingdom almost doubled from 14% to 27%. With bad health being a major contributor to labour market exit, contributions towards pensions may decline in the future.

Following the introduction of auto-enrolment in 2012, there has been a reversal in the downward trend of workplace pension participation for private-sector eligible employees, going from 42% in 2012 and 70% in 2015 having fallen from 51% in 2005.

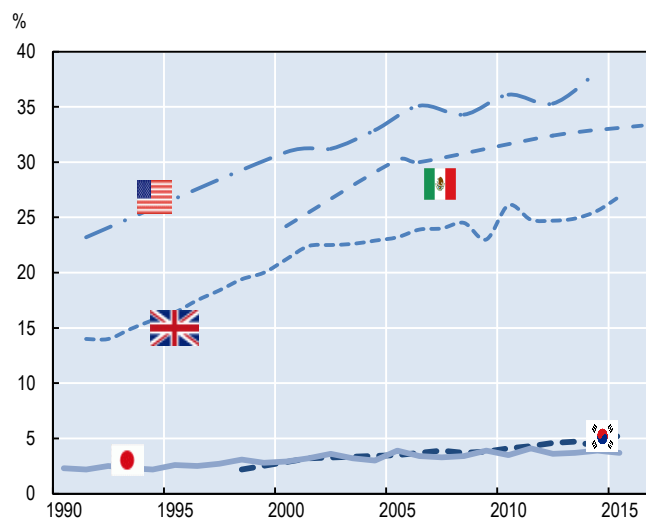
**Private pensions could help fill the gap if people can pay**  
 Net pension replacement rates for average earners, % of previous net earnings



Source: [Table 4.11].

However, recent changes to enable partial lump-sum withdrawals of pensions could increase further inequality as not all will be able to finance retiring earlier. This is exacerbated by the rigidity of the state pension, and the lack of flexibility around retiring earlier as it is not possible to access this component before the retirement age. Planned increases in the minimum contribution levels in private pensions – which are needed to increase future pension promises to adequate levels – may encourage more lower earners to opt out which would in turn further increase future inequality and poverty risks. Furthermore permitting lump-sum withdrawals has reduced the number of annuities being taken. Whilst annuities, especially if overly expensive, may not be the best option, removing the guaranteed annual income that it provides could increase future reliance on the old-age safety net. Indeed, individuals may be inclined to spend the lump sum early or underestimate their life expectancy through the drawdown period, leaving them with limited resources at very old age. The well-publicised NEST scheme should help to increase levels of financial literacy and awareness of the need to save for retirement, thereby reducing the risks.

**Obesity rates have nearly doubled over the last 25 years**  
 Evolution of adult obesity in selected countries, 1990 to 2015



Source: OECD Health at a Glance [Figure 4.6].