

## **PRESS RELEASE**

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# **Young People's Prospects Declined More than 10% since 2010**

The 2015 Intergenerational Fairness Index (IF Index) reveals a 10% deterioration in the prospects of younger generations relative to older generations between 2010 and 2015. The annual Index reports a further one point decline year on year, taking the Index from 135 points in 2014 to 136 points in 2015.

The spike in the Index during the last government is attributed mostly to rising levels of government debt, the cost of the State Pension and unfunded public sector pensions, together with a continuing decline in the affordability of housing for the under-30s when comparing house prices to average incomes.

The number of new homes built is pitifully low, at around 140,000 in 2014; the low levels of housebuilding since the start of the recession have not been seen since 1946 and are an important factor affecting house price increases.

The situation is compounded by the stagnation of incomes for 22–29 year olds between 2010 and 2014, which means that average house prices in 2014 are now more than ten times median annual incomes. The dream of a home of one's own is ever further beyond the reach of many young people.

According to the [Office of National Statistics](#), retirees have seen their incomes increase by 5.1% between 2007/08 and 2011/12, while working households saw typical incomes fall by 6.4%.<sup>1</sup> [The Institute of Fiscal Studies](#) (IFS) echoed the upward trend in pensioner incomes versus younger generations, reporting that the incomes of people in their 20s fell by 12% between 2007/8 and 2011/12 while incomes of those in their 60s and 70s have continued to rise since the recession.<sup>2</sup>

The cost of the State Pension per working member of the population continues to rise and currently stands at around £2,800 in real terms per working person – the highest figure yet recorded for the IF Index.

The liability of public sector pensions per person in the workforce is also the highest recorded – at more than £39,000 in real terms for 2013/14.

With levels of government debt per employed person now standing at £48,000, all three liabilities combined comprise £85,000 per member of the workforce. .../2

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<sup>1</sup> <http://www.ons.gov.uk/ons/rel/household-income/middle-income-households/1977---2011-12/rpt--middle-income-households.html>

<sup>2</sup> <http://www.ifs.org.uk/pr/hbai2013.pdf>

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While increasing longevity is welcome, the Index paints a worrying picture of increasing dependency on younger generations to pay the healthcare costs of older generations. The number of in-patient treatments, operations and other procedures administered to the over-60s has risen sharply since the Millennium and now roughly equals those of all under-60s.

Unemployment among the under-25s has been falling, though the number of young people out of work has still not dropped back to early 2000 levels and in 2013 remained almost three times higher than in Germany.

Levels of spending on education as a proportion of GDP have fallen consistently since 2010, from 5.95% to 5.28%, and have not returned to 2009's level of 5.95%. The proportion of students obtaining 5 or more A\* to C grades at GCSE has also fallen to 75.8%, a return to 2010 levels. Levels of participation in Higher Education have also fallen from 50% in 2011/12 to 43% in 2012/13. This is the first decline in HE participation since 2003/4 and may be due to fee increases and fears over loan repayments.

Participation in democracy by younger people continues to be low, with just 54% of those aged 25 – 34 years choosing to vote in the 2015 General Election compared to a turnout of 66% among the general population.

Global levels of CO<sub>2</sub> in the atmosphere continue to increase inexorably in spite of small, though welcome, reductions in UK green house gas emissions.

Angus Hanton, Co-founder of IF and joint author of the Index, comments, "Younger generations have been systematically disadvantaged compared to older generations over the past five years, and unless urgent action is taken, those younger generations will become locked further out of housing, unable to access state help, and made to pay ever higher costs for higher education, while bearing the costs of a rapidly ageing population."

Laurence Kotlikoff, Professor of Economics at Boston MIT, and the father of intergenerational accounting for the World Bank in the 1990s, comments, "Intergenerational inequity continues to be the moral issue of our day and, like an adult report card, the Intergenerational Foundation's vitally important Intergenerational Index makes it clear that the UK is failing its young. The UK, like other developed economies, has engaged in fiscal, educational, health and environmental child abuse."

IF calls on the Government to embark on a programme of "intergenerational rebalancing" by assessing each policy for its impact on younger and future generations. Progress could also be made by speeding up housebuilding, reducing student tuition fees and student loan interest rates, targeting better the universal benefits for older generations, increasing public sector pension contributions, scrapping the exemption from national insurance payments for those working post-retirement, and shifting taxation towards property wealth rather than earned income.

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## Note to Editors:

The Intergenerational Fairness Index takes nine indicators that most affect young people's lives and outlook – unemployment, housing, pensions, government debt, participation in democracy, health, income, the environment and education – and puts them together to create an aggregate of how things have changed over time. With the Index set at 100 in the year 2000, it has risen in its measure of unfairness from 87 in 1990 to 136 in 2015, based on the latest available data.

1. All data series go back as far as 1990.
2. Where appropriate, GDP deflators have been used to exclude the effects of inflation.
3. The effects of population growth have been avoided by using numbers on a per head basis.
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The Intergenerational Foundation ([www.if.org.uk](http://www.if.org.uk)) is an independent, non-party-political charity that researches fairness between the generations with an aim to ensure that policy is fair to all – the old, the young and those to come. While increasing longevity is to be welcomed, our changing national demographic and expectations of entitlement are placing increasingly heavy burdens on younger and future generations. From housing, health and education to employment, taxation, pensions, voting, spending and environmental degradation, younger generations are under increasing pressure to maintain the intergenerational compact while losing out disproportionately to older, wealthier cohorts. IF questions this status quo, calling instead for sustainable long-term policies.

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