

PRESS RELEASE

Embargoed: 00:01 15 August 2016

Young Held Back By Burden of Pensions in Annual IF Index

Spending on the State Pension and public sector pensions is overwhelming young people's prospects, according to the latest annual Index on intergenerational fairness, published by the Intergenerational Foundation.

Public sector pension liabilities rose by 12% to nearly £44,000 per worker in the past year with total liabilities now close to £1.4 trillion. The cost of paying for today's State Pension per UK worker also rose by 1.4% to £2,846 in the past year, with the total State Pension liability now standing at well over £4 trillion.

Angus Hanton, IF Co-Founder, comments, "Public sector pensions represent one of the largest unfunded burdens for younger taxpayers who will not retire at the same age, or on the same terms, while having to contribute more to their own pensions. Increasing retirement ages and moving to career average pensions will not be enough to stall the pension burden avalanche that is bearing down on the young. Auto-enrollment is an apparent success except that it leaves young people paying twice - saving for their own pensions while also paying for the pensions of older generations through taxation."

The report's authors warn that unless the new Prime Minister, Theresa May, takes serious steps to address intergenerational unfairness by, for example, breaking the Triple Lock on pensions, today's young people face further stagnation in their living standards.

Since 2000, government debt per UK worker has more than doubled to £50,000, and now stands at £1.6 trillion in total - in 2002 it was around £20,000 per worker. Government debt is important in intergenerational terms as it represents an economic cost which future generations will need to pay off. In countries where government debt has been exceptionally high - such as Japan and Greece - prosperity has slowed and living standards have declined, which has disproportionately affected young people.

The health indicator also saw a 50% increase since 2000. This is a proxy measure for the level of old-age dependency in healthcare, which provides a snapshot of how spending on health may be changing due to an ageing population by looking at the ratio of NHS hospital services used by the over-60s compared to the working population. We would expect usage of health services to increase as people age, but as a larger baby boomer cohort goes through the system there are fears that, during periods of austerity and financial constraint, services could be reduced for other generations.

The education and environmental indicators also saw a decline in 2016. Real-terms spending on primary and secondary education has fallen by 10% since 2010. Educational attainment of 5 GCSEs fell over the past 12 months, reversing a long-term trend. The picture for higher education is more varied because of the widely varying value of the student loan book on the government's balance sheet over the past 5 years. Higher education enrolment has increased dramatically over the long-term but has fallen back from the 2014 high of 49.5% participation.

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Although youth unemployment is still three times higher than general unemployment, and still higher than before the Great Recession of 2008, the ratio between them decreased slightly over the past 12 months from 2.77 to 2.75.

The housing indicator improved slightly because of a 12% increase in new housebuilding in the past 12 months from 140,000 to 170,000 in 2015. However, such low levels of housebuilding have not been seen since 1946. The situation is compounded by the stagnation of incomes for 22–29 year olds between 2010 and 2015, which means that average house prices in 2016 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.

Angus Hanton continues, "Unless urgent action is taken, 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 pension costs of a rapidly ageing population."

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 asset 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 128 in 2016, based on the latest available data.

1. All data series go back as far as 2000.
2. Where appropriate, GDP deflators have been used to exclude the effects of inflation.
3. Using numbers on a per head basis has avoided the effects of population growth.
4. 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%.¹ [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.²
5. All graphs copyright of the Intergenerational Foundation. Permission to reproduce permitted in exchange for a credit.

For interview enquiries please contact:

liz@if.org.uk mob: 07971 228823

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

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