

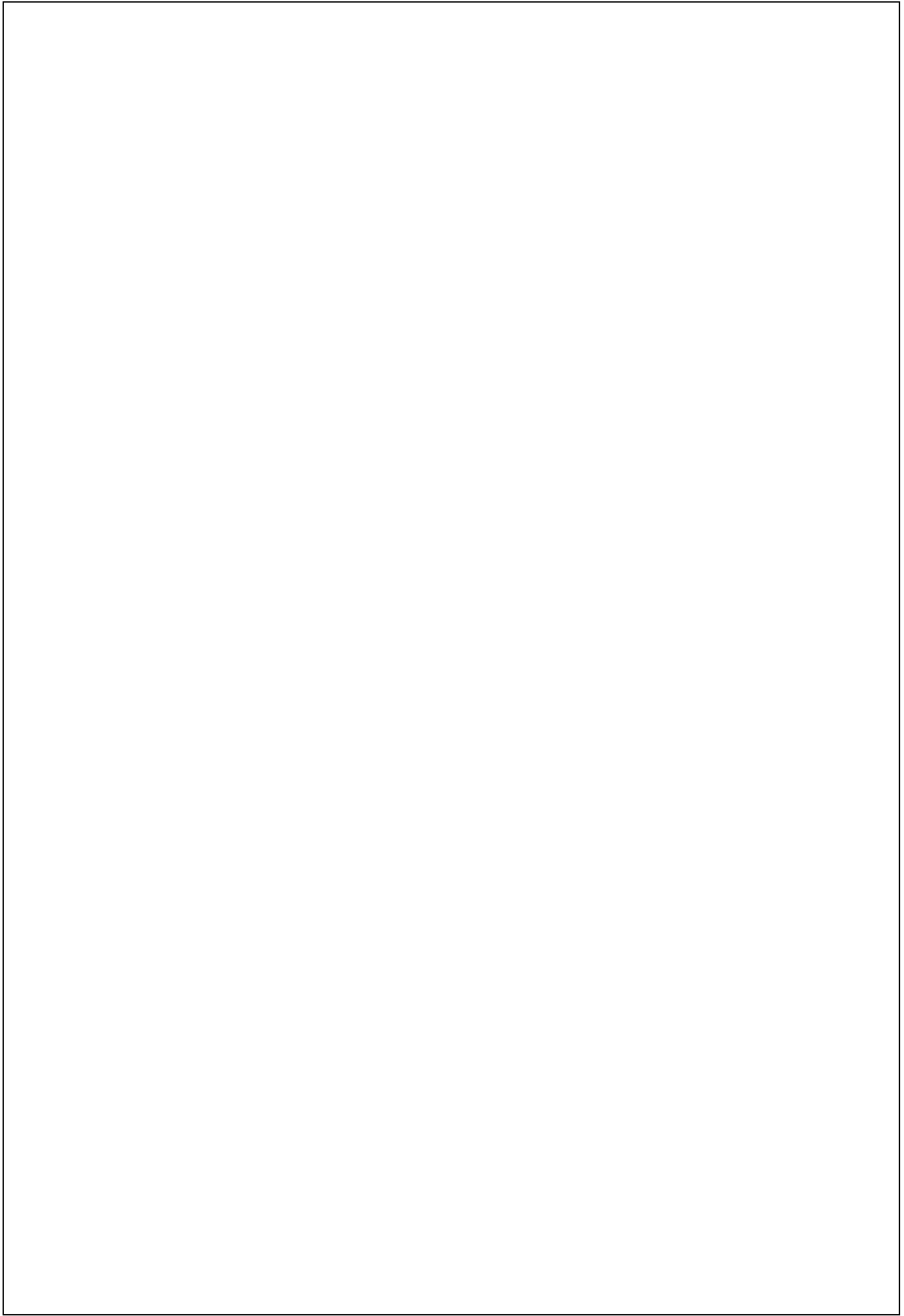
Spending Power Across the Generations

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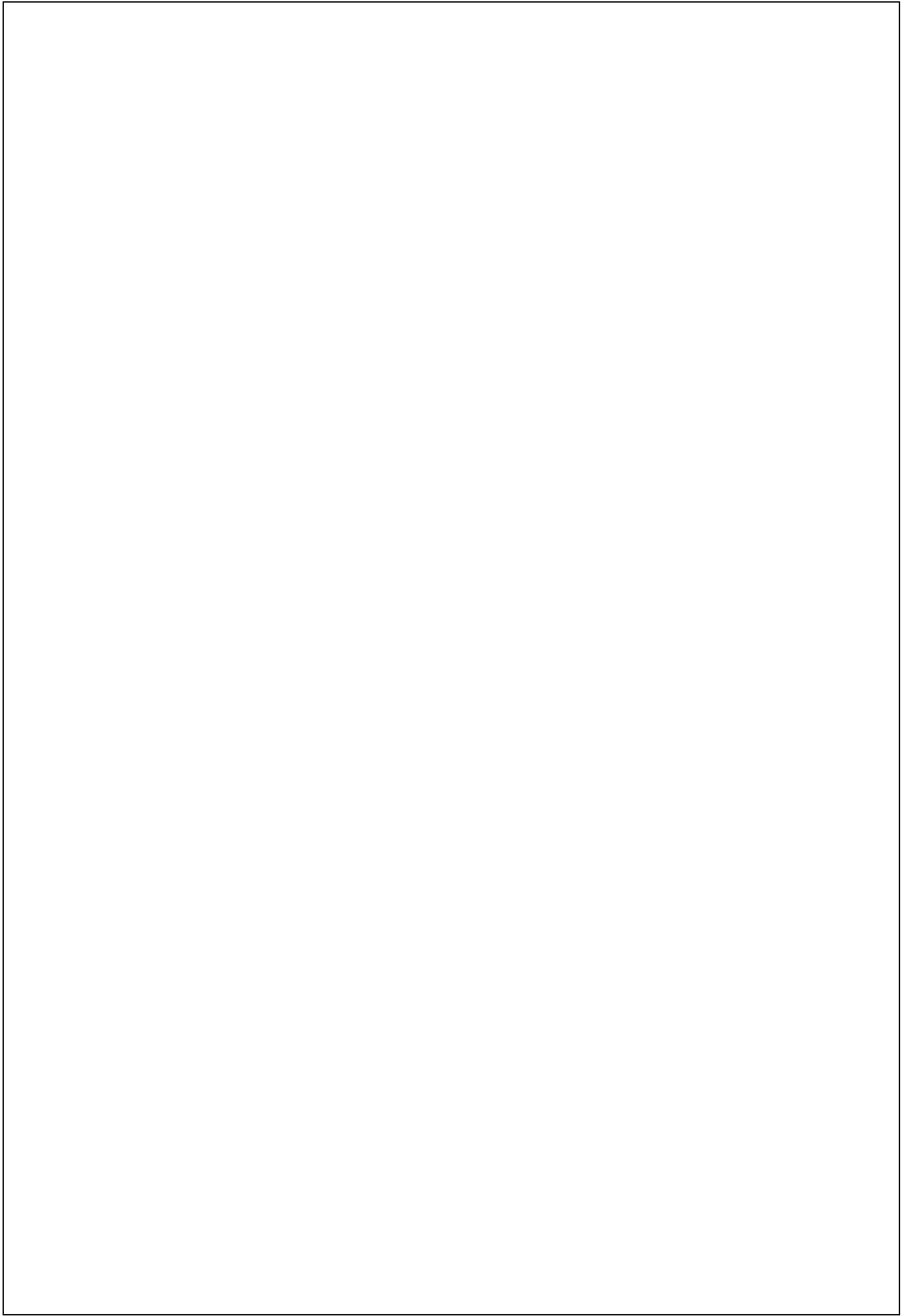






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Summary

Which generation wields the balance of spending power in Britain today? There is significant evidence that over the last several decades the spending power of the older section of the British population has grown, adding extra weight to the so-called “grey pound.”

Older people have become wealthier because of the ageing of the baby-boomer generation, who own most of Britain’s assets (especially housing), and the decline in numbers among the generation born before World War Two, who tended to be poorer, as many of them have now reached the end of their lives.

This trend towards pensioners being wealthier has particularly accelerated in recent years. According to figures from the ONS, mean gross pensioner incomes grew by an estimated 50% in real terms between 1994/95 and 2010/11.¹

These figures chafe against the popular misconception that all older people are poor. Whilst statistics from the Department for Work and Pensions show that 17% of those aged 65 and over² (2 million people) live in households which are beneath the government’s official poverty threshold, figures released by IF in October 2012³ show that there are also [two million people aged 60 or over with assets worth more than £1 million](#).

At the same time that older people have become wealthier, the spending power of the under-30s seems to have declined, a trend which can be traced back to the many problems facing that generation, including high unemployment following the recession, wage freezes for those who are in work, high housing costs, and the costs of having to pay off university tuition fees.

Paul Johnson, the director of the Institute for Fiscal Studies, argued earlier this year that the young have been hit harder than older people by the current recession:

“What our research shows is that pensioners have done relatively better than working-age people over the last 13 years. But other work done by the Institute has shown that in terms

¹ Office For National Statistics (2012) “Summary for Pension Trends Chapter 11, 2012 Edition” ONS, 24/10/12

² <http://statistics.dwp.gov.uk/asd/index.php?page=hbai>

³ <http://www.if.org.uk/press-information/2-million-pensioner-millionaires-in-receipt-of-winter-fuel-allowance>

*of employment, income and consumption it is the under-30s who have really borne the brunt of the recession."*⁴

It would seem logical for young people to be spending less and for older people to be spending more as a result of these trends. Therefore, it should be possible to examine where the balance of spending power lies by looking at official statistics on spending in a number of important categories over the last decade. The results of this analysis demonstrate conclusively that spending by the older generation rose during the first decade of the 21st century, whilst younger people endured a significant retrenchment.

The main findings in each category of expenditure were as follows. For detailed methodology, see appendix:

Theatres and Cinema Tickets

People aged 50–74 are spending twice as much per year as the under-30s on theatre and cinema tickets.⁵ Nominal spending by the under-30s fell between 2000 and 2010, while it rose substantially among other age groups. Spending by the over 75s has more than doubled in real terms, while amongst the under-30s it fell by over a third.

Overseas Travel

By 2011 people aged 65 and over were spending £1.3 billion more on foreign travel than they had been in 1999, while people aged 16–34 were spending £922 million less. Only people aged 55–64 and 65+ accounted for a higher proportion of Britain's total spending on overseas travel in 2011 than they had done in 1999. For all other age groups, the proportion of travel spending either shrank or remained flat.

Young people suffered a significant decline in spending power compared to older generations between 1999 and 2011: the whole of the overall increase in spending was accounted for by higher spending amongst people aged 45–54, 55–64 and 65+. People in all of the age groups below 45 actually spent less on travel, in real terms, in 2011 than they had done in 1999.

Food and Eating Out

People aged 65–74 enjoyed the largest per capita increase in annual spending on food that was bought to be eaten at home during the period from 2000–2010.

⁴ Wright, O. and Cooper, C. (2012) "The Old Get Richer, the Young Get Poorer" *The Independent (online)*, 26/06/12

⁵ ONS family spending surveys, 2000–2010.



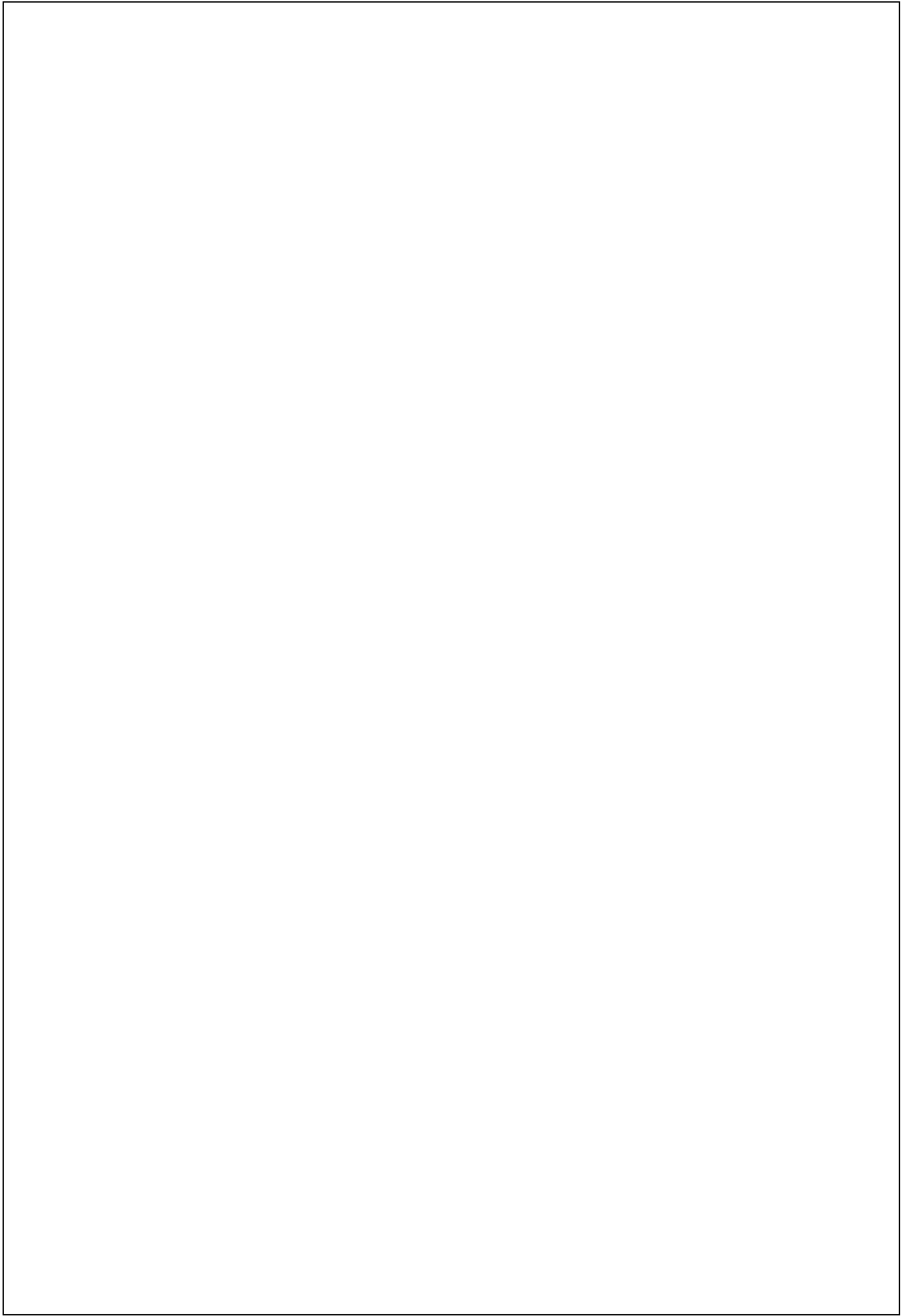
In real terms, average annual food spending increased by £69 per capita among this age group, and by £49 per year among the over-75s. Average annual spending by the under-30s only increased by £33 throughout the same period.

Restaurant bills also proved to be weighted intergenerationally with the under-30s spending an average of 18% less, per capita, on meals in restaurants in real terms by 2010 than they had been in 2000. By contrast, the 65–74s were spending 33% more, and the over-75s were spending 30% more.

Driving and Petrol

Purchases of new cars have had far less of an impact on older consumers aged between 65 and 74 years of age than younger generations, revealing an 8% fall in spending by the 65 to 74 year olds compared to an 80% fall in the under-30s.

While some blame can be laid at the prohibitive increases in young drivers' insurance premiums and their spending power being far lower overall, spending power has changed across the generations.





Section 1

Theatre and Cinema tickets

Respected members of the acting world, including Felicity Kendal⁶ and Kevin Spacey,⁷ have recently voiced complaints that young people are being driven away from the theatre by high ticket prices, and that too much of the London theatre audience is drawn from a narrow cohort of wealthy pensioners.

The journalist Lyn Gardner supported these claims in a recent article for *The Guardian*,⁸ citing evidence from the Society of London Theatre that the average West End theatre ticket had a face value of £46.60⁹ in 2011, and an investigation by *The Stage News* that showed that an average top-price ticket now costs £72.12.¹⁰ She went on to argue that:

“The West End will always charge what the market will bear, and the truth is that there are plenty of older people with good incomes for whom it really doesn't matter if a theatre seat costs £30 or £50, or even £70. But this has real implications for the rest of us, and for the future of theatre... if its audience base is narrowing – getting ever older, and not being replaced by younger theatregoers from a wide range of backgrounds – how long will [its success] continue?”

In addition to being indicative of the decline in young people's spending power, this trend could also have negative implications for the UK theatre industry itself.

Firstly, it presents the danger that the UK theatre industry has become dependent upon the spending power of an audience cohort whose members are nearing the end of their lives. In 30 or 40 years time, the young people of today will need to be replacing them if the theatre industry is to survive in its present state.

This relates to the second danger, which is that today's young people are likely to feel disenfranchised by a theatre industry which seems happy to ignore their custom in favour of the older generation. Many of today's older theatregoers grew up in an age when tickets were much more affordable they are now, meaning they were able to

⁶ Rojas, J.P.F. (2012) “Felicity Kendal: only the rich can afford the theatre” *The Daily Telegraph* (online), 08/05/12

⁷ Wardrup, M. (2012) “Kevin Spacey: ‘Rising theatre ticket prices are driving young people away from the West End’” *The Daily Telegraph* (online), 13/03/12

⁸ Gardner, L. (2012) “Theatre tickets: who can afford them?” *The Guardian* (online), 25/09/12

⁹ Smith, A. (2012) “Average West End ticket price nears £47 – report” *The Stage News* (online), 05/07/12

¹⁰ Woolman, N. (2012) “Exclusive: Top-priced London theatre seats now cost more than £70 on average” *The Stage News* (online), 12/04/12

develop an interest in the theatre from a young age. By contrast, if today's young people never get into the habit of going to theatre, are they likely to start spending large amounts of money on doing so when they reach an older age?

They are particularly likely to feel put-off if, in addition to the price of the tickets, the box office dominance of older age groups means that theatres concentrate mainly on mounting productions which are aimed at this valuable market. We are likely to witness an increase in productions that have been produced with older audiences in mind, which could have the result of making young people feel increasingly that the theatre isn't something accessible to them.

The Intergenerational Foundation decided to investigate how spending on theatre tickets varied by age group during the decade from 2000 to 2010, to see if older groups did genuinely dominate box office receipts.

a) People aged 50–74 spend just over twice as much per year on theatre and cinema tickets as the under-30s

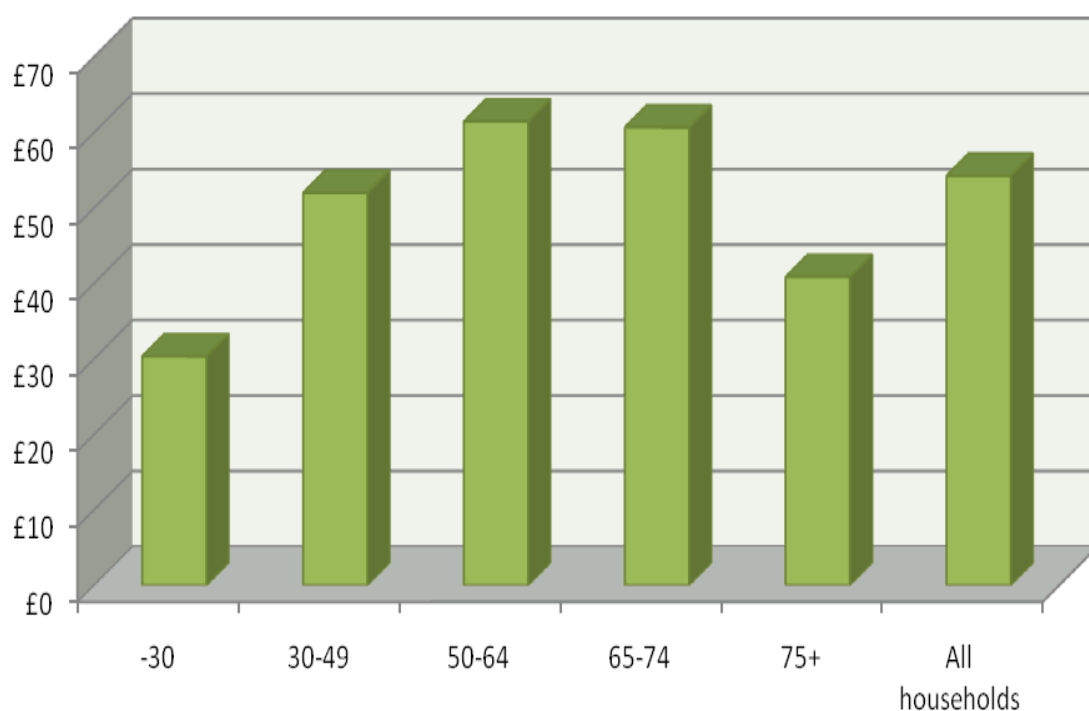


Fig. 1 Average household annual per capita spending on theatre and cinema tickets by age of household reference person, 2010



The average household where the Household Reference Person (HRP) was under the age of 30 spent £30 per person on theatre and cinema tickets in 2010.

This was less than half the average amount spent by households whose HRPs were in the 50–64 age group or the 65–74 age group, where the equivalent figure for both was £61.

Households with HRPs aged 30–49 and 75+ also spent substantially more per person on tickets than the under-30s, at £52 and £41 respectively.

Spending by households whose HRPs were under 30 was barely half the average figure for all the different ages combined, which was £54 per year.

Older theatregoers are often able to obtain tickets at concessionary prices, so the spending gap between the age groups would probably be even greater if they had to pay the full price on every visit.

b) Spending by the under-30s fell during the decade from 2000 to 2010, while it rose substantially among all the other age groups

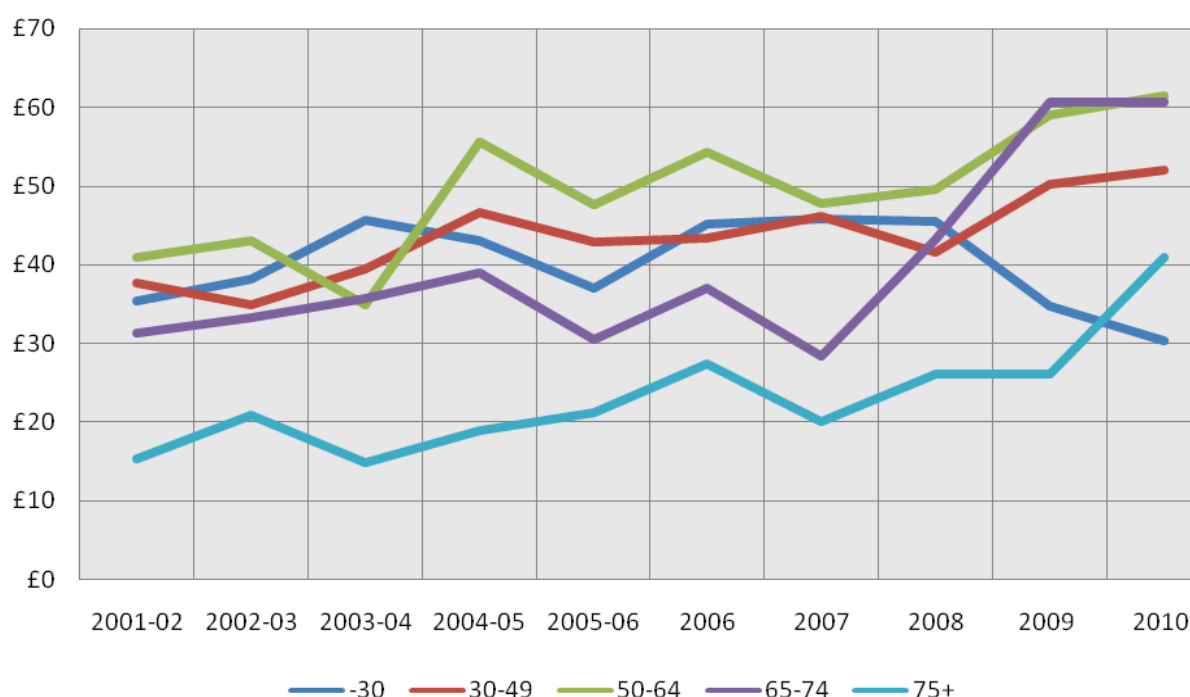


Fig. 2 Average household per capita annual spending on theatre and cinema tickets by age of HRP, 2000–2010

Fig. 2 shows how average per capita spending on theatre and cinema tickets changed each year during the period from 2000 to 2010 among the different age groups. Households with

HRPs under the age of 30 (the dark blue line) were the only group among whom expenditure fell during this period, from an average of £35 per year in 2000 to £30 in 2010.

These figures have not been adjusted for inflation, so in real terms this fall is actually much steeper. Spending worth £35 in 2000 was actually worth £45 when expressed in 2010 prices,¹¹ meaning it fell by £15 in real terms, which is equivalent to a third.

Spending rose particularly dramatically among the older age groups. The 50–64 year olds (the green line) and the 65–74 year olds (the purple line) ended the decade as the two highest spending age groups. Spending among the over-75s (the light blue line) also saw a significant increase.

c) In real terms, spending by the over-75s more than doubled, while among the under-30s it fell by over a third

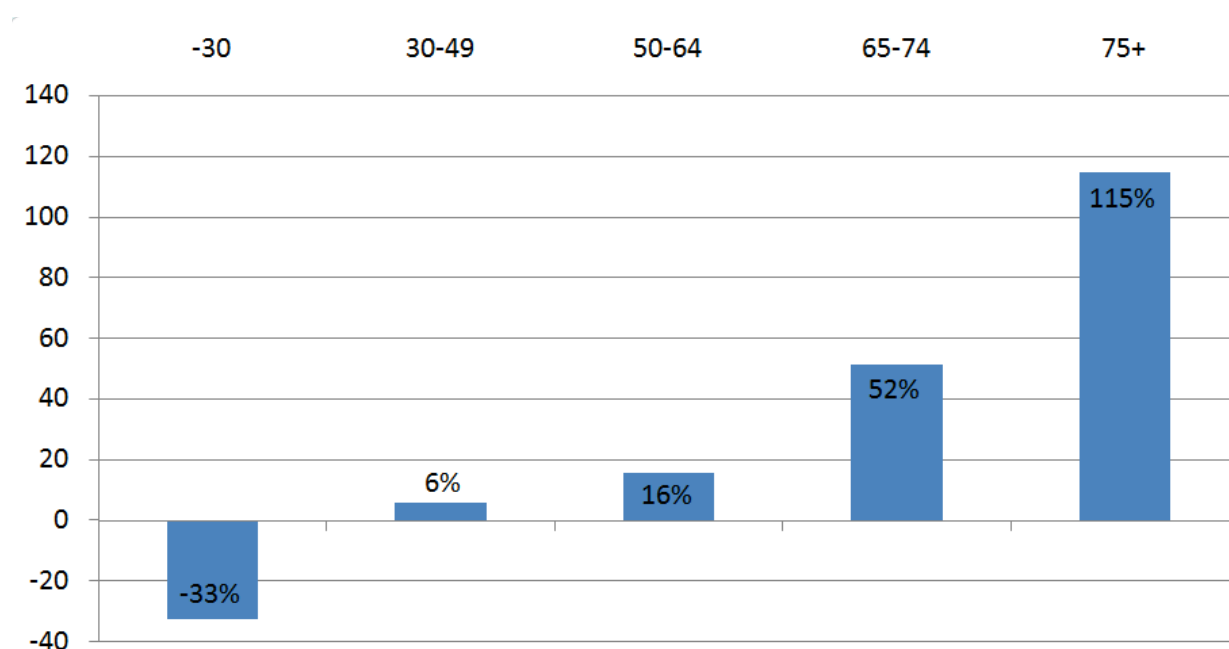


Fig. 3 Average real terms percentage increase in annual per capita spending on theatre and cinema tickets by age of HRP, 2001–2010

Fig. 3 shows the difference in annual average household expenditure on theatre and cinema tickets between 2001 and 2010 by age group, after the figures had been adjusted for inflation.

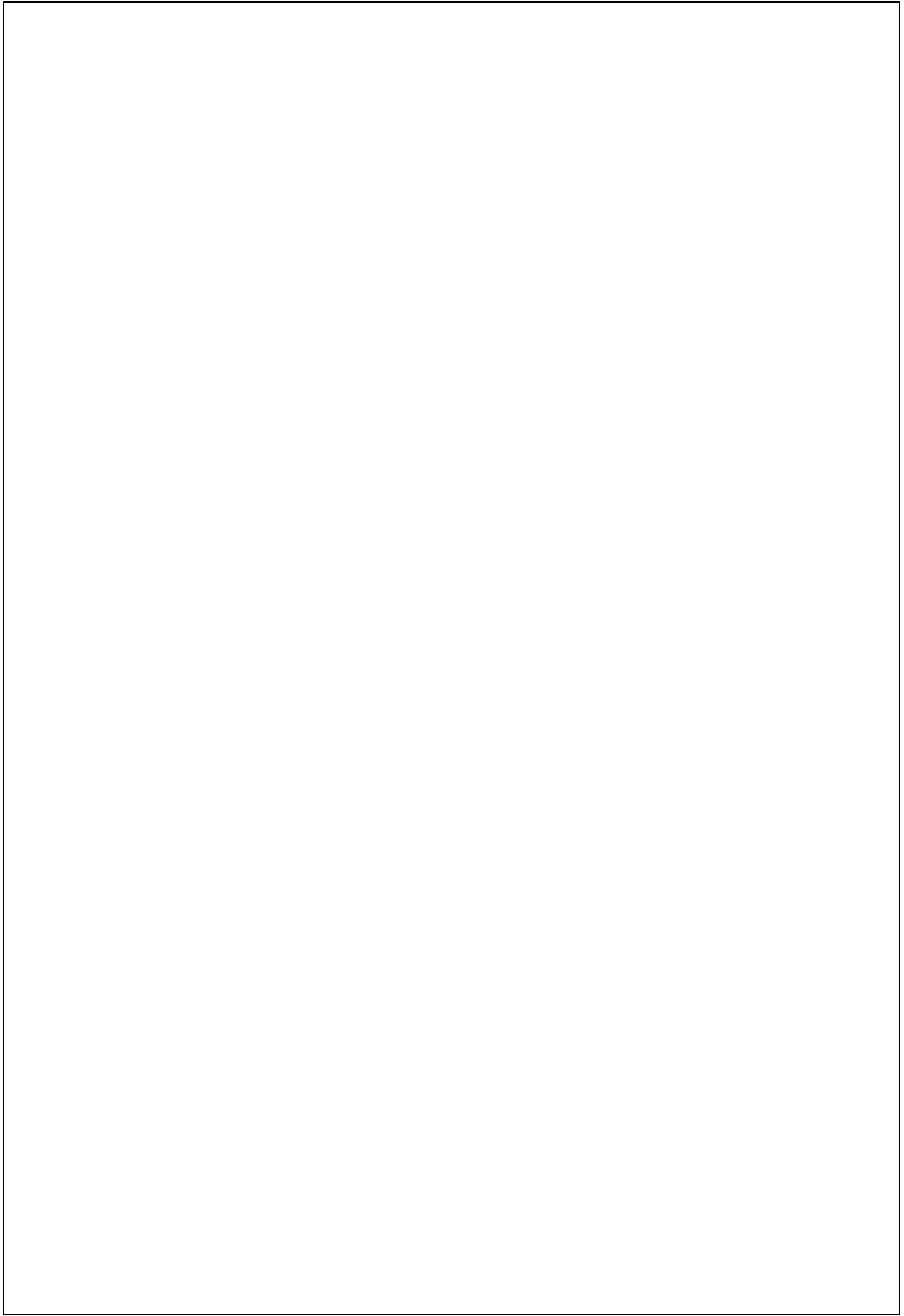
¹¹ Figures were adjusted using the Bank of England's online inflation calculator, which performed a calculation based on average inflation of 2.7% per year during this decade:

<http://www.bankofengland.co.uk/education/Pages/inflation/calculator/flash/default.aspx>



This chart suggests that age is a decisive factor when considering how much households of different ages spend on these forms of entertainment. It seems that the older a household gets, the likelier it is to spend more money on theatre and cinema tickets.

During this period, spending by the under-30s decreased by a third in real terms, compared to rising by a sixth among households aged 50–64, rising by more than half among households aged 65–74 and more than doubling for the over-75s.





Section 2

Overseas Travel

The Intergenerational Foundation examined official data on overseas travel spending by UK citizens between 1999 and 2011, broken down by age, to see if the balance of spending power has shifted between the generations. Information was taken from ONS Travel Trends, an annual publication by the Office of National Statistics that uses data from the International Passenger Survey.

Between 1999 and 2011, total UK expenditure on foreign tourism grew by £364 million, in real terms.¹²

Young people suffered a significant decline in spending power compared to older generations: the whole of this increase was accounted for by higher spending amongst people aged 45–54, 55–64 and 65+. People in all of the age groups below 45 actually spent less on travel, in real terms, in 2011 than they had done in 1999.

By 2011 people aged 65 and over were spending £1.3 billion more on foreign travel than they had been in 1999, while people aged 16–34 were spending £922 million less

Only people aged 55–64 and 65+ accounted for a higher proportion of Britain's total spending on overseas travel in 2011 than they had done in 1999. For all other age groups, the proportion either shrank or remained flat.

The decline in young peoples' spending power seems to be symptomatic of lower disposable incomes, as they face an increasing struggle to find work and pay for necessities such as accommodation, travel costs and university tuition fees, while at the same time many older people have seen their disposable incomes increase through generous final-salary pension arrangements and windfalls from property assets.

Spending on overseas travel is a good proxy measure for disposable income, as most people would consider it a luxury item, something they can only afford once all their other essentials have been paid for. Therefore, examining data on travel spending by age group should allow

¹² Nominal growth was £9.6 billion, adjusted assuming 2.9% inflation per year.
Source: Bank of England Inflation Calculator:
<http://www.bankofengland.co.uk/education/Pages/inflation/calculator/flash/default.aspx>)

us to gain an idea of which age groups have more disposable income than others, and how this picture fluctuates over time.

a) How Britain's total travel spending is distributed between different age groups

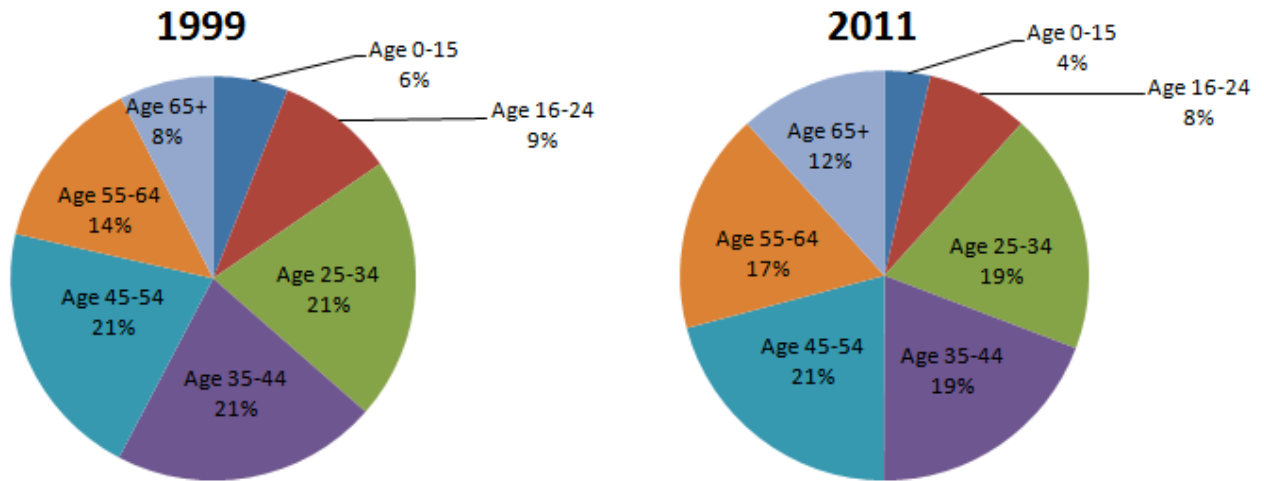


Fig.1 Travel expenditure by age group, 1999 and 2011

Britain spent a total of £31.6 billion on overseas travel in 2011, an increase of £364 million on the £31.3 billion spent in 1999 (adjusted for inflation). Fig.1 shows a breakdown of these totals by age group in each of the two years.

It should immediately be apparent that only two age groups occupy a larger share of the pie chart in 2011 than they did in 1999: 55–64 and 65+. People in the next age category down, 45–54, were responsible for the same proportion of overseas travel expenditure, although as the total amount increased during this period, this means they were actually spending more.

All of the younger age categories were responsible for a smaller proportion of the total in 2011 than they had been in 1999. People aged 35–44 suffered a 3% drop, the largest decline, while all the others decreased by 1% or 2%.

This downward trend suggests that young people did not have as much disposable income to spend on foreign travel in 2011 as they had done in 1999.



b) How the amount different age groups spent on foreign travel changed, 1999–2011

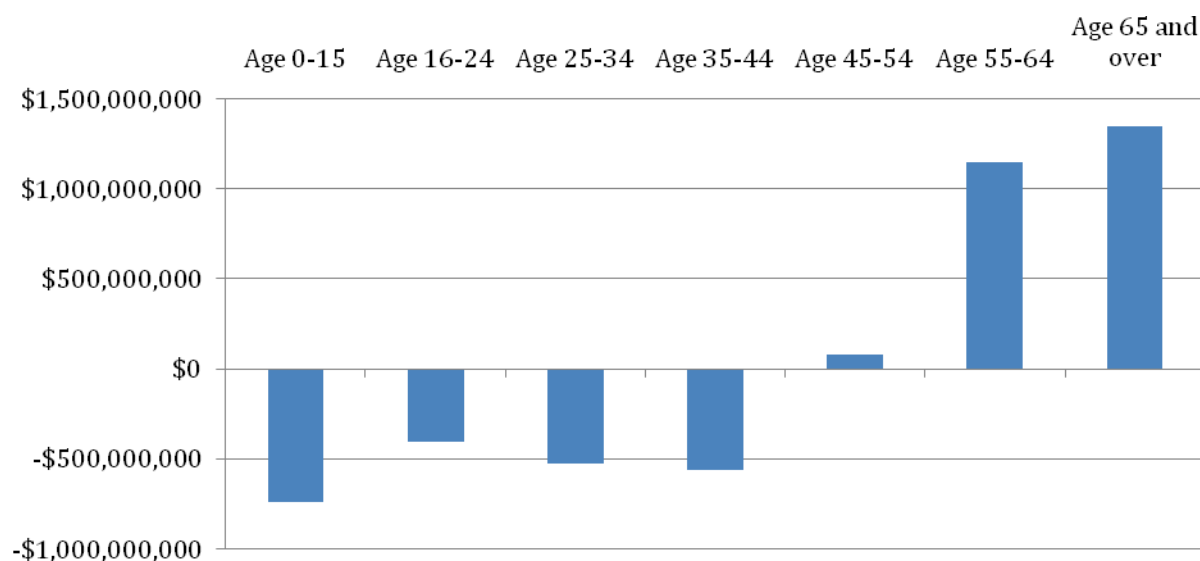


Fig. 2 Changes in the amount different age groups spent on foreign travel (real terms), 1999–2011

The net increase of £364 million in Britain's total foreign travel expenditure between 1999 and 2011 was not distributed evenly between the different age groups.

This can be seen clearly from Fig. 2, which shows how virtually all of this increase was the result of increased expenditure amongst people over the age of 55. People in the 45–54 age group only marginally increased their travel expenditure, while the four youngest age groups showed a dramatic decline.

The scale of the contrast between the different generations is remarkable. In total, people under the age of 44 were spending £2.2 billion less on foreign travel than they had been in 1999 by 2011, but this was more than offset by the over 45s spending £2.6 billion more.

Only £79 million, a relatively modest part of the total increase, belonged to people aged 45–54. The really significant increases occurred amongst people aged 55–64 (£1.2 billion) and 65+ (£1.4 billion).

This generational shift in the balance of spending power seems to be a clear indication that people belonging to a the younger age cohorts saw a dramatic decline in their disposable incomes during the first decade of the 21st century, while many members of the older generation enjoyed a significant rise.

C) How travel spending among the older generation overtook spending by young people

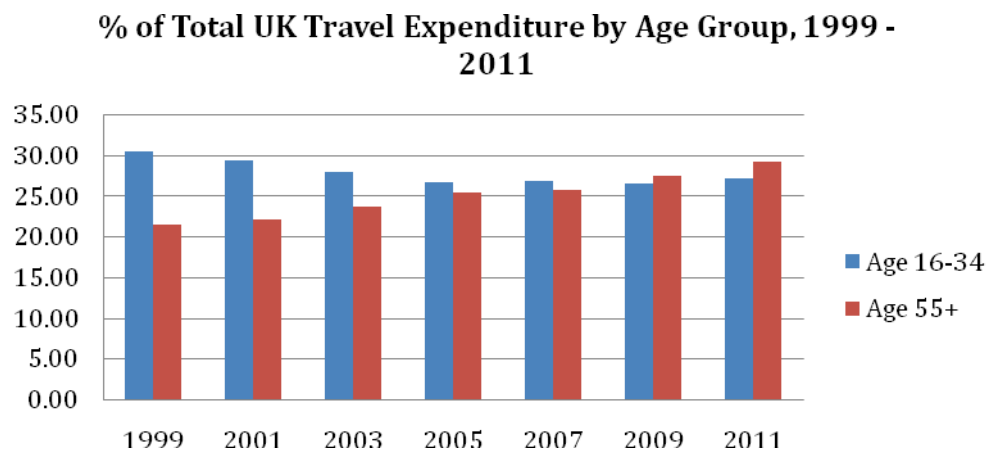


Fig.3 The proportion of travel spending accounted for by different age groups, 1999–2011

The generational shift in the balance of spending power can clearly be seen from Fig. 3, which displays the proportion of Britain's total expenditure on overseas travel which two different age groups accounted for between 1999 and 2011: people aged 16–34 (in blue) and the over-55s (in red).

In 1999, the 16–34 age group was responsible for nearly 10% more of Britain's travel expenditure than the over-55s were; however, this pattern underwent a gradual change during the last decade, so that the two age groups were responsible for roughly the same proportion of travel expenditure in about 2008, and then the over-55s overtook the 16–34 year olds from 2009–2011.



Section 3

Food and Eating Out

The Intergenerational Foundation (IF) has analysed the ONS Family Spending Surveys released in each year of the decade between 2000 and 2010 to examine how spending on food changed for people of different ages.

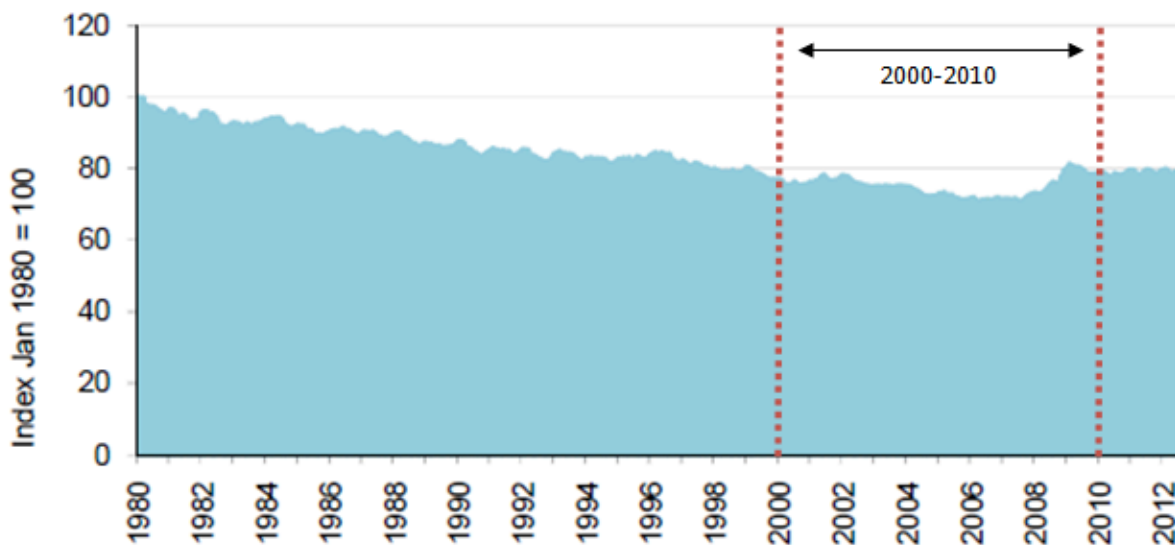


Fig. 1 UK

trend in average food prices in real terms, January 1980 – July 2012¹³

To provide some background on UK food prices, Fig. 1 shows the average long term trend from 1980 to 2012. Although there was considerable fluctuation, in general food prices went down during this period. However, this downward trend reversed during 2007 when food prices began to increase and they have now reached a level in real terms which we have not seen since 1997.

The increase in food prices since 2007 has amounted to a rise of 12% in real terms. DEFRA argues that increasing food prices can be explained by a range of factors: a series of spikes in the price of agricultural commodities, high oil prices and unusually high increases in the rate of inflation.

¹³ [DEFRA Food Statistics Pocketbook 2012](#)

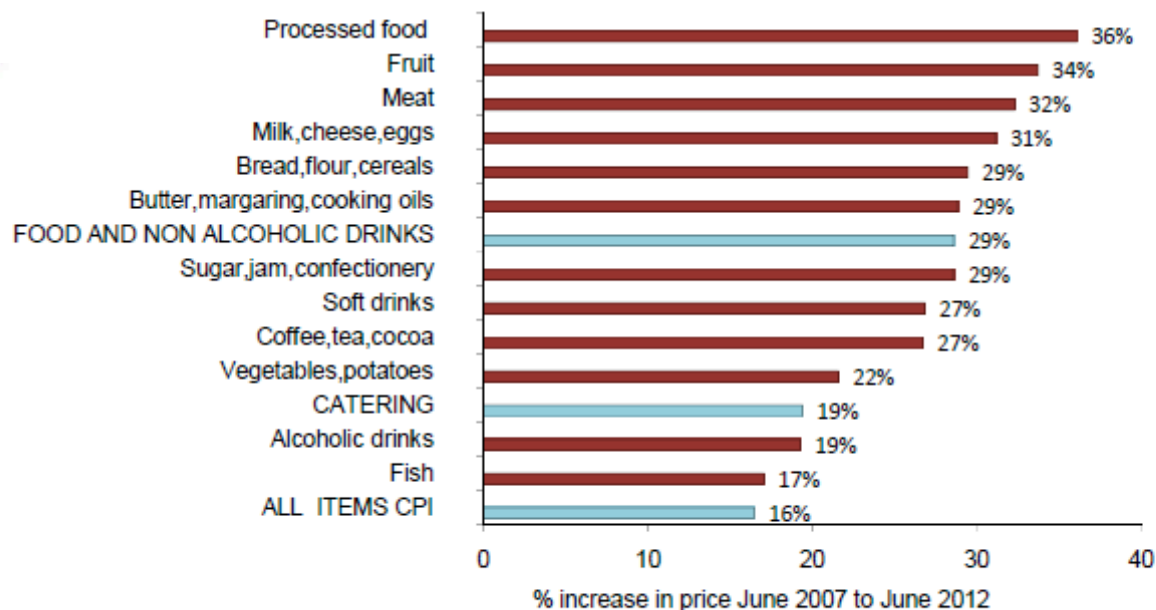


Fig. 2 UK retail price changes by food group, 2007 to 2012¹⁴

Fig. 2 shows where the increases in the price of food have fallen among the different food groups. The pattern is clearly far from uniform; fruit, meat, dairy products and cereals have risen by nearly a third, whilst fish prices have seen a comparatively low level of increase at just 17% (although this is still nearly a fifth).

Rising food prices naturally have an impact upon people's ability to pay for food. According to DEFRA¹⁵, consumers meet the challenge of more expensive food primarily by buying less food overall, although they have also been observed changing to cheaper (and often less nutritious) forms of food, and spending less money on other things (meaning a greater proportion of their expenditure goes on food).

This means that examining how much different age groups spend on food should provide a useful snapshot of how the ability to meet rising food costs varies between the generations, as well as providing a useful indicator of general spending power. Smaller studies have already demonstrated that older people tend to be able to afford more nutritious food than younger people – for example, DEFRA's *Family Food 2010* survey showed that "fruit purchases and vegetable purchases rise strongly with both income and age"¹⁶ - but this report represents the first attempt to look at spending on food by age group across all the different categories of food on a national scale.

¹⁴ Ibid.

¹⁵ [DEFRA Family Food 2010](#)

¹⁶ Ibid.



The results found that overall, people aged over 65 saw the biggest increase of any age group in the amount they spent on food – at both supermarkets and restaurants – during the decade from 2000 to 2010.

The fact that older people were able to indulge in higher spending on food suggests that they enjoyed increased disposable income during this period, while younger people saw their finances become squeezed, and were less able to cope with rising food prices as a result.

a) Eating at home

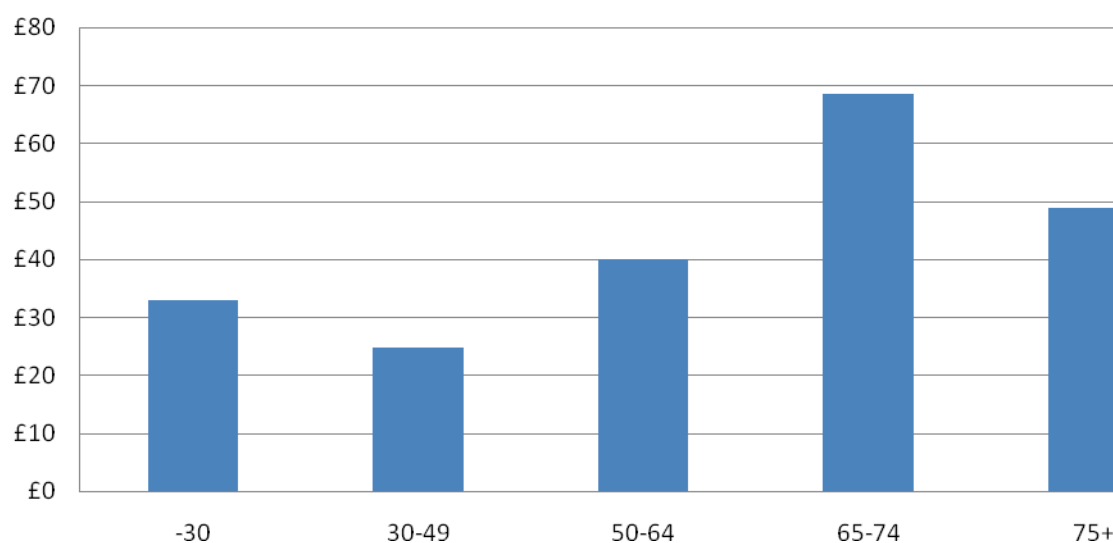


Fig. 3 Average per capita increase in annual spending on food to be eaten at home by age of household reference person, real terms, 2000–2010

People aged 65–74 enjoyed the largest per capita increase in annual spending on food that was bought to be eaten at home.

In real terms, average annual food spending increased by £69 per capita among this age group, and by £49 per year among the over-75s. Average annual spending by the under-30s only increased by £33 throughout the same period.

b) Eating out

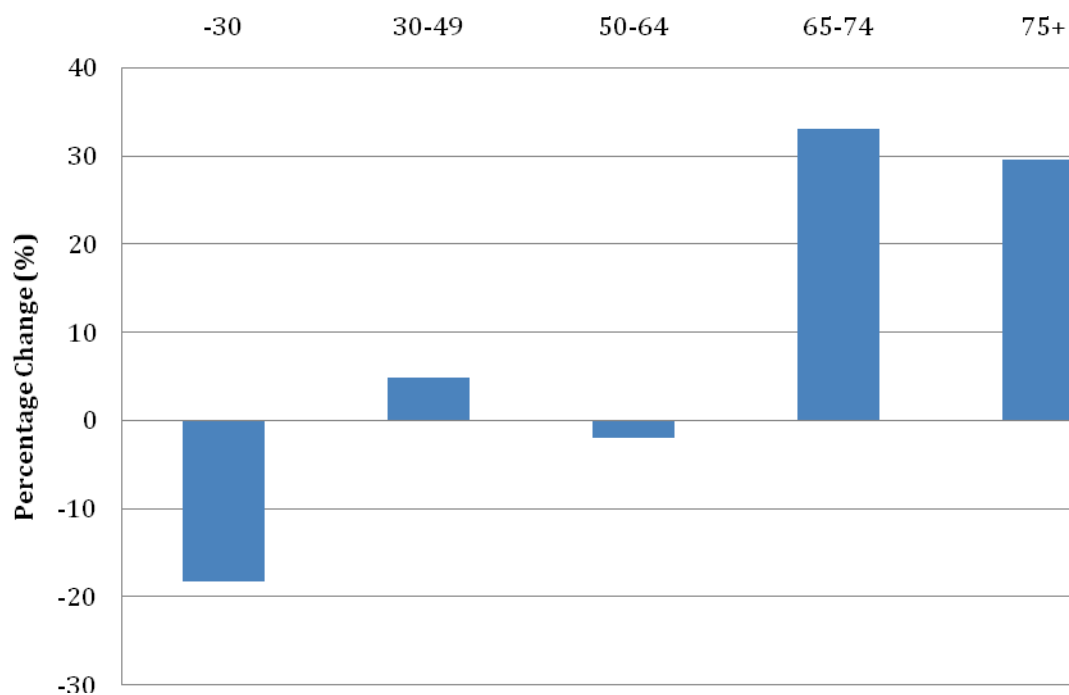


Fig. 4 Average per capita percentage increase in annual spending on food purchased in restaurants by age of household reference person, real terms, 2000-2010

In real terms, the under-30s were spending an average of 18% less, per capita, on meals in restaurants by 2010 than they had been in 2000. By contrast, the 65-74s were spending 33% more, and the over-75s were spending 30% more.

This amounted to £54 per year, in real terms, spent by the under-30s, while the 65-74s were spending £92 more.



Section 4

Driving and Petrol

The data indicates that older people have weathered the rise in transport costs during the last decade much more easily than their younger counterparts.

A comparison of the ONS Family Spending Surveys for the years between 2000 and 2010 has shown that increases in the costs of buying new cars and petrol had less of an impact on the spending habits of older consumers compared to younger ones.

Meanwhile, the proportion of consumer spending on public transport accounted for by older people shrank, suggesting a generational divide has opened up between an older generation who can afford the higher costs of private motoring and a younger one which is compelled to make greater use of public transport instead.

a) Purchases of new vehicles

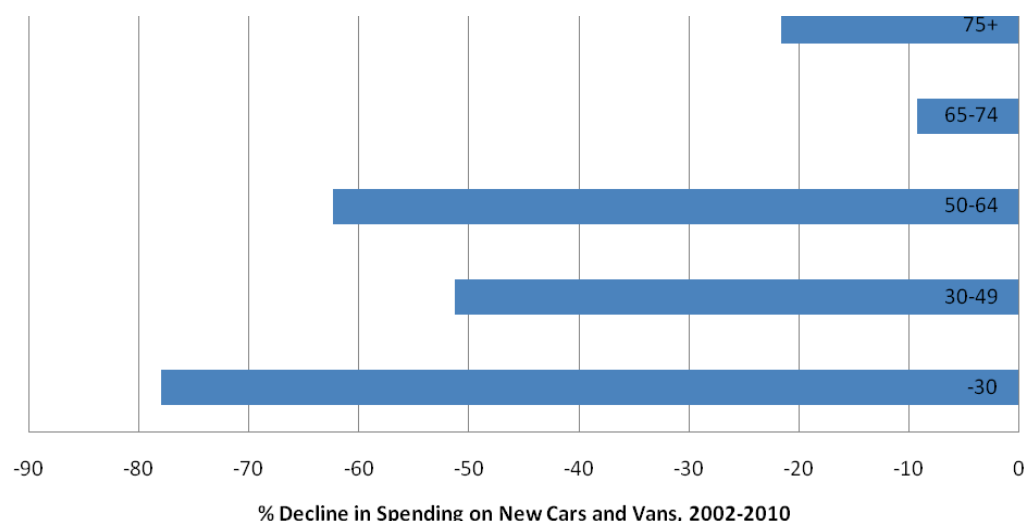


Fig. 1 Decline in annual household expenditure on new cars and vans by age of household reference person, real terms, 2002-10

In the period from 2002 to 2010, average annual spending on new car purchases declined among all age groups. However, Fig. 1 shows that this decline occurred unevenly, with people in the younger age cohorts lowering their spending much more than their older counterparts. Spending on new vehicles fell dramatically amongst the under-30s, by nearly 80%. By contrast, the figures show that people aged 65–74 were only spending around 8% less on new car purchases in 2010 than they had been in 2002.



Fig. 2 Annual household expenditure on new cars and vans by age of household reference person, 2001–2010

Fig. 2 shows more clearly how annual spending on new vehicles differed between the under-30s and those aged 65 to 74. In every year since 2002 the older of these two age groups spent significantly more on new vehicles; the divide had grown particularly wide by the middle of this decade, and, despite signs that it was narrowing again between 2007 and 2009, by 2010 it was as broad as it had ever been before.

b) Car Fuel

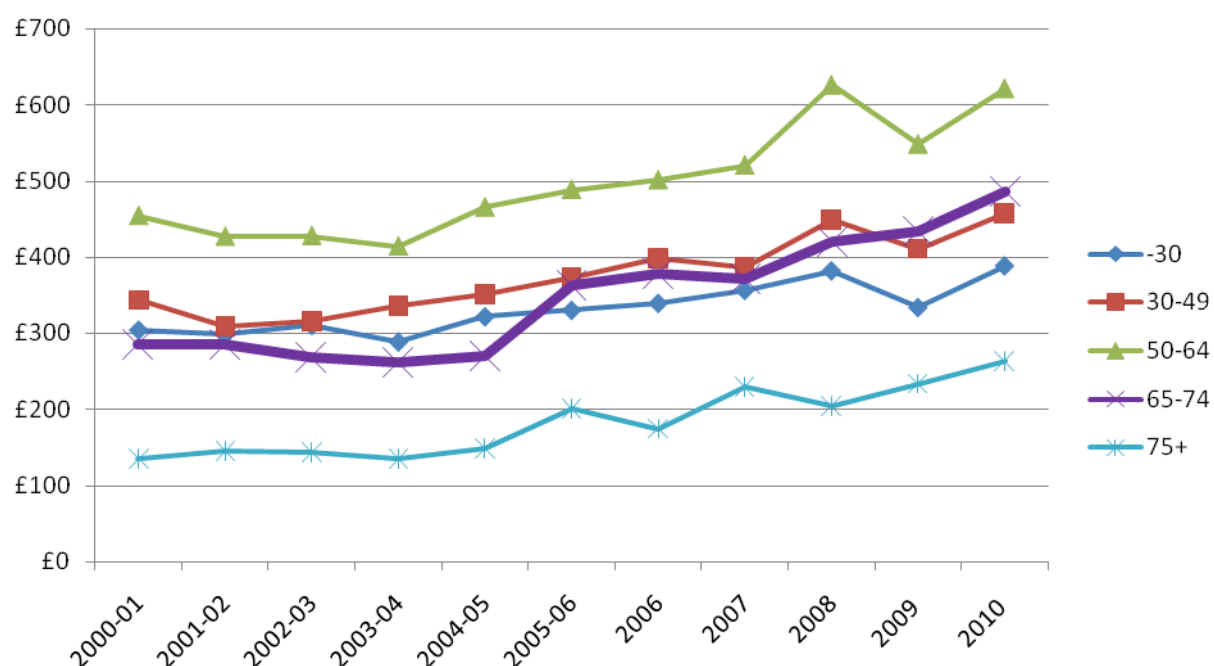


Fig. 3 Annual household spending on petrol, diesel and other motor oils by age of household reference person, 2000-2010

All vehicles need some kind of fuel to power them. The decade from 2000 to 2010 saw significant increases in the price of most fossil fuels, so it is to be expected that spending on car fuels would have increased among all age groups.

However, Fig. 3 shows that this increase did not occur evenly. The most striking trend during this decade was the growth in spending on car fuels by people aged 65–74, which overtook both the 30–49 year olds and the under-30s, two groups who they had previously lagged. As the 50–64s were already the highest spending age group, this development means that the generation of people aged 50–74 can clearly afford to spend more on car fuels than anyone else.

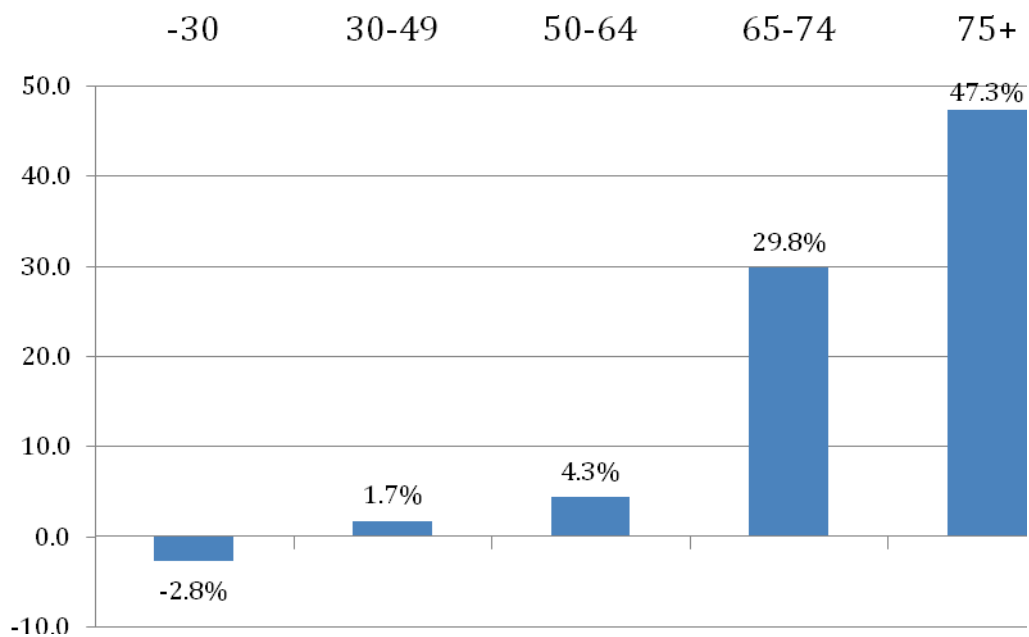


Fig. 4 Percentage change in per capita annual household spending on petrol, diesel and other motor oils by age of household reference person, real terms, 2000–2010

Fig. 4 shows the percentage by which spending on car fuels increased during the decade from 2000–2010 for people of different age groups. It is clear there was a huge disparity, as people aged under-30 were actually spending 2.8% *less* on car fuels by 2010 than they had been in 2000, implying they could no longer afford the rising prices.

By contrast, the two oldest age groups accounted for the biggest increases, with the over-75s spending nearly 50% more, and the 65–74s spending nearly 30% more. This implies that they were the two age groups which had vastly more in the way of spare resources to pay for petrol, which became a much more expensive commodity during this period.

c) Public Transport

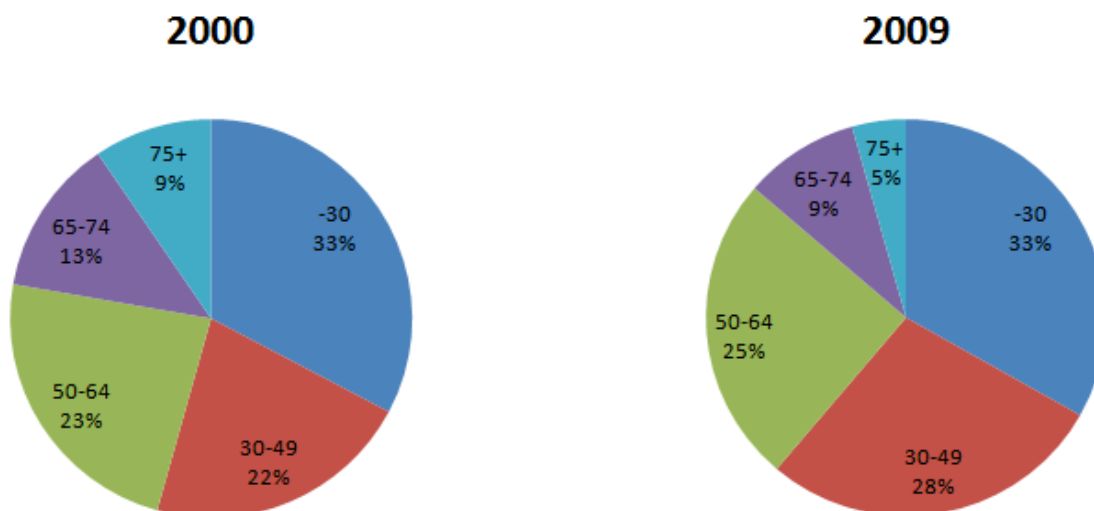
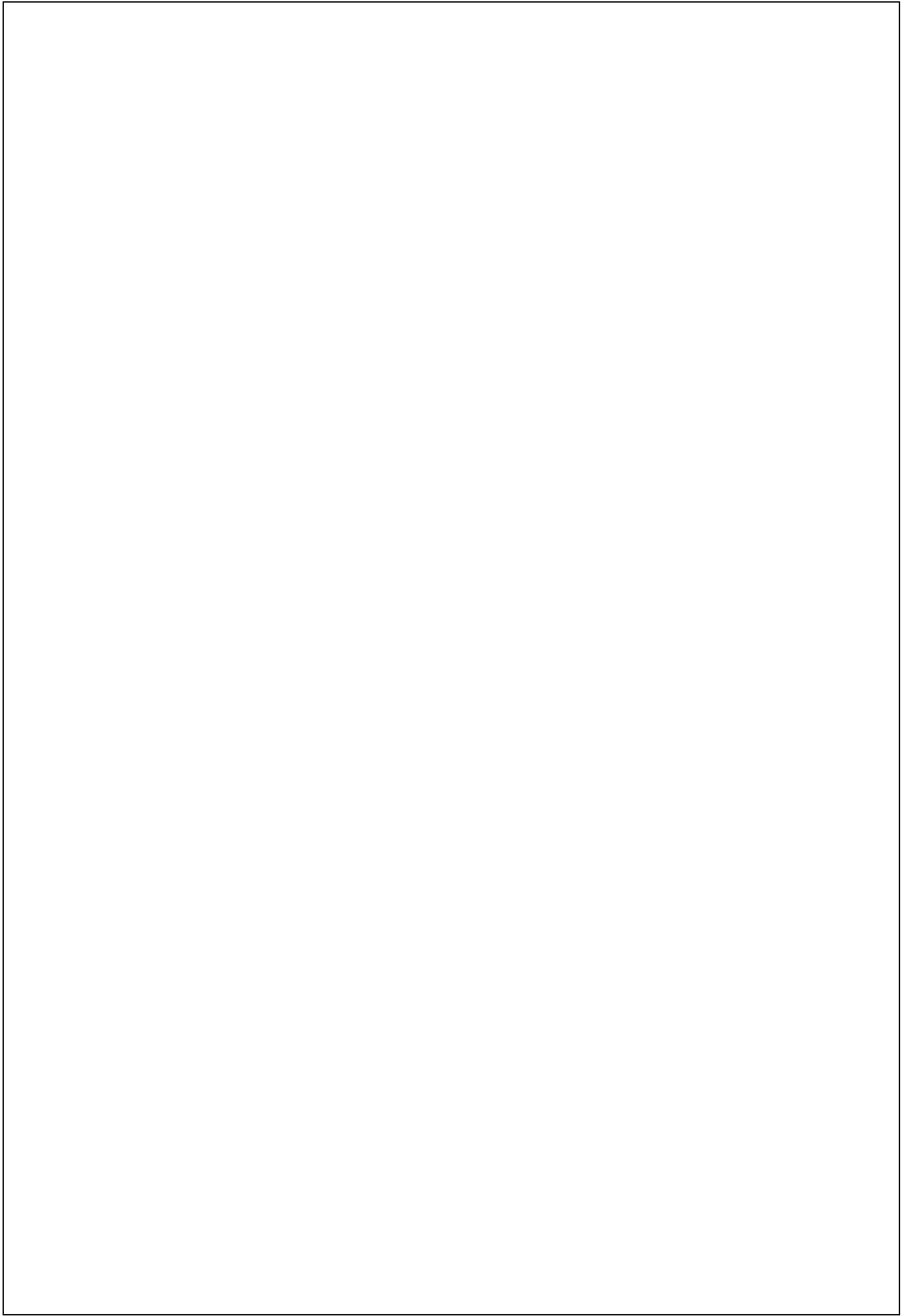


Fig. 5 The proportion of total annual consumer expenditure on public transport accounted for by members of each age group, 2000 and 2009

As Figs. 1 to 4 have implied that young people have been spending less on private motoring, it would be expected that they have spent more on public transport instead. Fig. 5 shows that this is the case, by displaying the percentage of total consumer spending on public transport which members of each age group were responsible for in both 2000 and 2009.

Fig. 5 clearly indicates that the two oldest age groups, containing everyone over the age of 65, accounted for 22% (nearly a quarter) of all consumer spending on public transport in 2000, but this had shrunk to just 14% by 2009. Most of the difference was made up by people aged 30–49, among whom spending increased by a total of 6%. The youngest age group, the under-30s, remained the age group which spent the most on public transport throughout this period, as their share of the total remained constant at 33%.



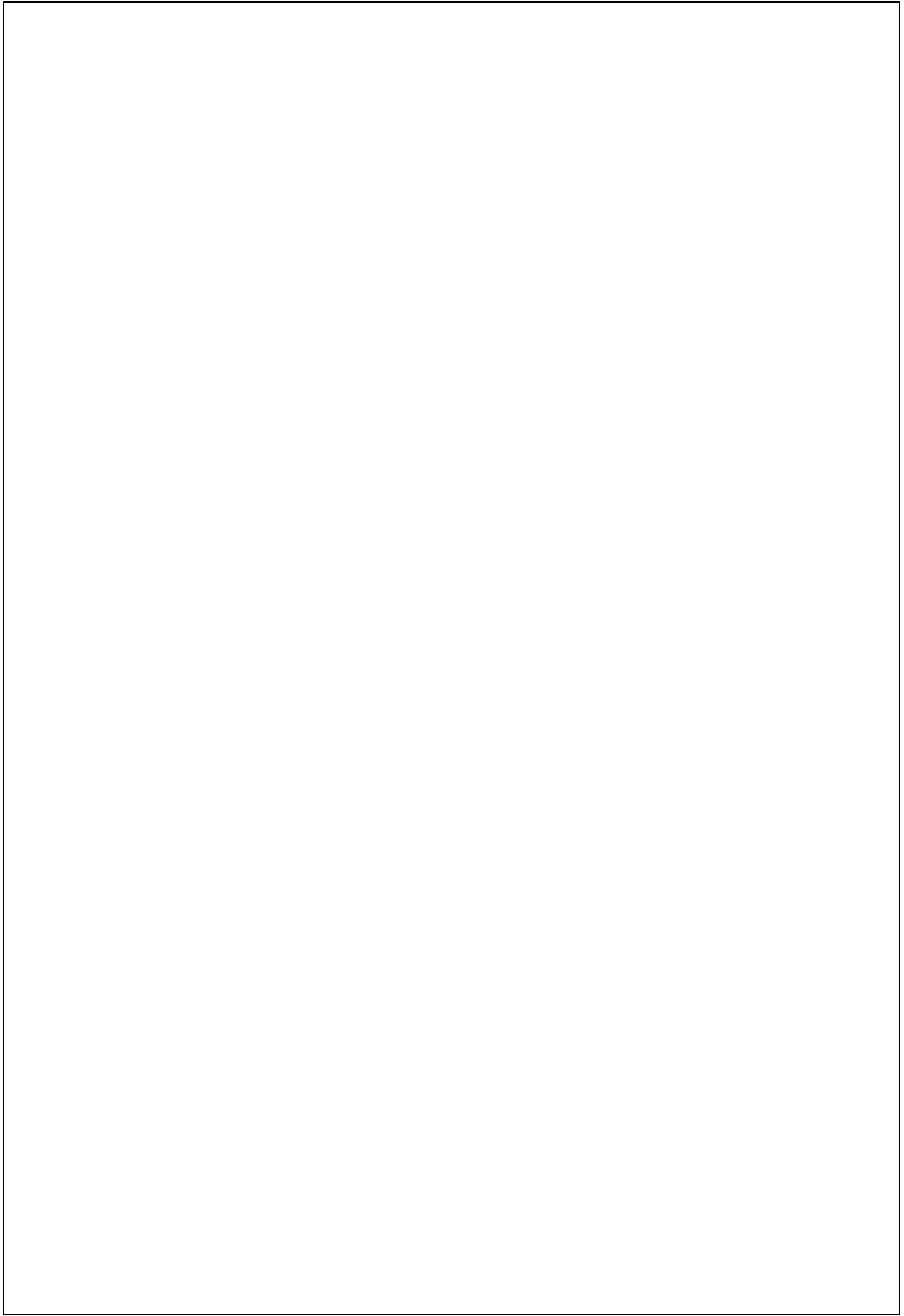


Conclusion

This report has clearly demonstrated that across a range of different categories of expenditure, young people were spending less during the decade from 2000 to 2010, while the older generation tended to gradually increase their spending.

This analysis supports the view that the older generation have enjoyed more favourable economic conditions during the first part of the 21st century, and that younger people have been struggling with lower disposable incomes which stem from a group of worrying trends: high unemployment amongst younger workers, unprecedented student debts, low and/or frozen wages for workers in general, and high housing costs, especially in the private rented sector. If we view all the challenges facing Britain's young people together, it should not come as a surprise that they have less money to spend.

This report should serve as an important contribution to the debate on austerity. Within the *Introduction*, research from the Institute for Fiscal Studies was cited which showed that the under-30s have so far been the group which has suffered the worst consequences from the recession. Hopefully, when the government is contemplating future austerity measures, they will do more to support the younger generation, whose energy and enthusiasm can provide the engine to lift Britain out of recession over the coming years.





Appendix 1

Overall Methodology

The Intergenerational Foundation used data taken from the annual ONS *Family Spending* publication for the years 2000–2010. This is a survey that measures the weekly outgoings among a weighted sample of typical UK households on a wide range of different items of expenditure for various goods and services. The data are broken down by a number of variables, including the age of the Household Reference Person for each household within the sample, which acts a proxy measure for typical spending among each age group.

“Household Reference Person” (HRP) is a term used by the ONS that refers to the individual within a household in whose name the property where they reside is owned or rented. If an address is registered jointly then the person who has the higher income is recognised as the HRP; if they both have the same income then the person who is older is recognised as the HRP.¹⁷

Theatres and Cinemas

Unfortunately, it is not possible to obtain figures for spending on theatre tickets on their own, because the ONS combines spending on theatre and cinema tickets as a single item of expenditure within the annual *Family Spending* surveys. However, this should not have too much influence on the results of this study, because cinema tickets are relatively inexpensive compared to theatre tickets. There is also some evidence that typical film audiences have aged in recent years, despite cinemas traditionally being associated with more youthful audiences than theatres: between 1997 and 2008, the proportion of regular filmgoers who were over the age of 45 more than doubled from 14% to 30%.¹⁸

Overseas Travel

The section on overseas travel was compiled using a different data set to the other sections. Data in this section was sourced from the ONS Travel Trends 2011 publication, which is compiled using data from the International Passenger Survey.

¹⁷ Office for National Statistics (2012) “Demographic Information, Household Composition and Relationships” ONS, 2012

¹⁸ Cox, D. (2012) “How older viewers are rescuing cinema” *The Guardian (online)*, 08/03/12

This is the main ONS data source on travel to and from the UK, which is produced through conducting face-to-face interviews with between 700,000 and 800,000 people at the UK's major entry and exit points (ports, airports, ferry terminals etc.) to find out about patterns of overseas travel and tourism.¹⁹

¹⁹ ONS: International Passenger Survey (IPS) methodology