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Youth Squeezed by Widening Pay Gap and Rising Living Costs

The pay gap between the over-50s and under-21s has ballooned by 50% in the past decade and a half, while people in their 20s have seen rents rise by more than a third, according to a new report from the Intergenerational Foundation (www.if.org.uk).

Wages have fallen by 19% in real terms since 1997 for 18-21 year olds whilst the over-50s have enjoyed a 25% increase in their earnings, IF's analysis of government data shows. Wages for workers aged 22-29 have remained virtually stagnant over the same period, rising only 2% and thus lagging significantly behind the rate of inflation.

The report: *"Squeezed Youth: The Intergenerational Pay Gap and The Cost of Living Crisis"*, reveals that whilst all generations have been affected by falling wages because of the recession, the youngest workers are being hardest hit as the pay gap widens.

The study also found that consumption on essentials, such as housing, fuel, power, food and transport, now accounts for 45% of a 20-something's annual household expenditure, an increase of 7% since 2001/2, more than for households in any other age group. Much of this increase is down to housing costs with "Generation Rent" having to cope with average rent increases of 35% between 2001/2 and 2012.

Angus Hanton, IF Co-founder comments, "This double squeeze on wages and living costs provides yet further evidence that younger generations are lagging behind older generations both in terms of relative pay and the cost of living. The young are the new poor and policy-makers must do more to protect them."

The squeeze on incomes means younger generations are spending nearly 20% less on clothing and footwear than they were in 2007, 15% less on travel, 18% less on alcohol and smoking, 12% less on recreation and culture and 10% less on eating out or staying at hotels.

The over-65s, by contrast, are spending nearly 20% more on eating out and hotel stays, 5% more on alcohol and cigarettes, 5% more on recreation and culture, 7% more on food and non-alcoholic drinks, and 5% more on clothing and footwear.

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Note to Editors:

- Data from Annual ONS *Family Spending* survey (2000/1–12) and Annual Survey of Hours and Earnings (ASHE) for the years 1997–2013.
- Number of over-60s living in households with assets worth more than £1 million: 2 million people.
- Number of over-65s living in households with assets worth more than £1 million: 1 million people.
- Universal Benefits Annual Cost: £5 billion.
- “Other” expenditure includes home ownerships costs such as mortgage interest payments and council tax, licence fees, holiday spending and financial donations, (ONS, 2012).

Other intergenerational stats:

- In real terms, spending by the over-75s more than doubled on cinema and theatre tickets between 2001 and 2011, while among the under-30s it fell by a third (*Spending Power Across The Generations*, IF, 2012).
- According to travel stats taken from the ONS Travel Trends 2011 publication, compiled using data from the International Passenger Survey, the over-65s spent £1.3 billion more on overseas travel in 2011 than in 1999, (ibid).
- Average age of a first-time buyer is now 33 years of age.
- Time it would take to save average deposit requirement of £24k @ £250 a month: 8 years.
- Average monthly rent demand in London: £1,126, (September 2013).
- Number of public sector retirees collecting in excess of £50k annual pension: 12,082.
- Number of public sector retirees collecting in excess of £100k annual pension: 148.
- Of those collecting a pension of over £50k per annum, doctors dominate with 8,714 (72%), irrespective of private practice work undertaken.
- Public Sector Pensions liability (i.e. what the nation needs to find but has already spent): – £3.8 trillion.

Angus Hanton, Co-founder is available for interview.

Please contact Liz Emerson on liz@if.org.uk Mob: 07971 228823 to arrange.