

PRESS RELEASE – 5 August 2014

## **The Packhorse Generation's Plight:**

### **2014 IF Index Reveals Sharp Deterioration in Young People's Prospects**

The latest Intergenerational Fairness Index (IF Index) reports a sudden deterioration in the prospects of younger generations relative to older generations, taking the Index from 130 points in 2013 to 133 points in 2014.

The spike in the index is attributed to increasing levels of government debt, a decline in the affordability of housing for the under-30s, and an increase in housing spend. Under-25 year olds are also suffering from stagnant employment levels and low levels of house building. There has also been a rise in the cost to the workforce of the State Pension, a fall in GCSE pass rates, decreasing democratic participation by young people and increases in green house gas emissions.

The Index reveals that while median incomes for those aged 22—29 years of age have risen by 1%, median house prices have outstripped pay by increasing by 2.8% putting the dream of a home of one's own further beyond the reach of young people.

This year's Index undermines government assurances that improvements in the economy have improved the prospects of all generations evenly. 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>

In spite of repeated government assurances that the burden of government debt is decreasing, the 2014 IF Index reveals a record total of £1,254 billion of public debt, equivalent to £42,000 for each person in the workforce.

Furthermore, public sector pension expenditure rose from £910 billion in 2011/12 to almost £919 billion in 2012/13, meaning that the cost per person in the workforce, currently stands at £31,000 in real terms.

When government debt and public sector pension liabilities are combined the resulting debt per member of the workforce is now over £70,000, equivalent to more than three times median household incomes.<sup>2</sup>

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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.ons.gov.uk/ons/rel/household-income/middle-income-households/1977---2011-12/sty-middle-income-households.html>

Participation in democracy by younger people continues to decline, with just 32% of those aged 25—34 years of age choosing to vote in the 2013 local elections compared to the average level of voting of 51% among all adults who were eligible to vote.

Some improvements have been made in terms of increasing participation in Higher Education in spite of the rising cost of tuition fees. Latest figures for 2011/12 indicate that almost half (49.3%) of young people now participate in HE courses. This represents a near 3% increase from 46.4% in 2010/11.

Angus Hanton, Co-founder of IF and joint author of the Index, comments, “Like over-loaded packhorses, our young people are becoming increasingly burdened by other generations’ debts while loaded down with debts other generations have never had to pay, such as £9,000 a year student tuition fees and record housing costs. When will government realise there’s nothing left to take from the young.”

Jeremy Leach, joint creator of the Index adds, “The significant factors influencing the Index are clearly signposted: public sector pension liability increases between 1990 and 1995; government debt, public sector pensions and house prices rising sharply between 2000 and 2005; tuition fees, government debt and state and public sector pensions from 2005 to 2011.”

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.”

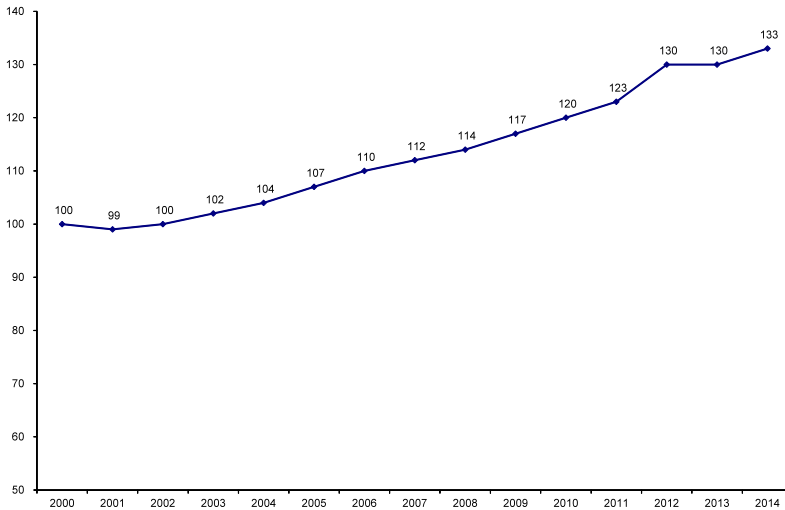
IF calls on the Government to embark on a programme of “intergenerational re-balancing”. This could be achieved by encouraging a nationwide house building programme to reduce house prices, reducing student tuition fees and student loan interest rates, better targeting of universal benefits for older 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 overleaf.**

## 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 the past 20 years. With the Index set at 100 in the year 2000, it has risen in its measure of unfairness from 82 in 1990 to 133 in 2014, based on the latest available data. The sharp decrease in younger generations' prospects after 2008 can be seen in the graph. IF intends the Index to be extended internationally, in order to chart UK intergenerational fairness over time and against other countries.



### IF Index – 1990 to 2013 (with a base level of 100 in the year 2000)

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.
4. In 2013/14, public sector net borrowing excluding temporary effects of financial interventions (PSNB ex) was £95.2 billion. This was £14.5 billion higher than in 2012/13, when it was £80.7 billion, ONS: <http://www.ons.gov.uk/ons/rel/psa/public-sector-finances/april-2014/stb---april-2014.html>
5. In total, the UK is committed to paying **£7.1 trillion** in pensions to people who are currently either already retired or still in the workforce. <http://www.ons.gov.uk/ons/rel/psa/wider-measures-of-public-sector-debt/a-broader-picture-of-the-public-sector-balance-sheet--state-pension-and-other-pension-obligations---update-april-2012/an-update-at-april-2012.html>
6. Public sector pension obligation has been estimated at over £1.254 trillion for 2013/14: <http://www.ons.gov.uk/ons/rel/psa/wider-measures-of-public-sector-debt/a-broader-picture-of-the-public-sector-balance-sheet--state-pension-and-other-pension-obligations---update-april-2012/an-update-at-april-2012.html>
7. All graphs copyright of The Intergenerational Foundation. Permission to reproduce permitted in exchange for a credit.

The Intergenerational Foundation ([www.if.org.uk](http://www.if.org.uk)) is an independent, non-party-political charity that exists to protect the rights of younger and future generations in British policy-making.

Whilst 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 whilst losing out disproportionately to older, wealthier cohorts.

IF questions this status quo, calling instead for sustainable long-term policies that ensure younger and future generations are better protected by policy-makers.

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