intergenerational foundation
Fairness for Future Generations

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Young People's Prospects Deteriorate to 10-Year Low Across EU

Ageing populations and the fallout from the 2008 financial crisis have led to the prospects of young people across the EU deteriorating to a 10-year low. These are the findings revealed in the first Europe-wide **Index of Intergenerational Fairness**, launched by UK-based think tank the Intergenerational Foundation (www.if.org.uk).

Three broad themes lie behind the worsening position of young people: the impact of the 2008 recession, particularly increasing government debt and youth unemployment, the rapid ageing of Europe's population, which places a larger economic burden on younger workers, and the failure of too many EU members to secure their future competitiveness by transitioning to high-skill, low-carbon "knowledge economies". The overall performance of the EU in terms of intergenerational fairness has therefore worsened since 2005.

Angus Hanton, IF Co-Founder, says, "A key concern for EU countries should be the emerging intergenerational crisis that IF has identified. Very high levels of government debt, high old-age dependency ratios, and spending on health and pensions cannot be paid for if younger workers are economically inactive. The EU's failure to invest more in future competitiveness (education, training and R&D) means that many young people are at high risk of living in poverty or social exclusion themselves and therefore unable to fund the health and pension costs of the old."

The main driver of the worsening situation seen in IF's EU Index has been the rapid rise in government debt since 2007. The scale of the increase is much greater than for any other measure and is almost three times higher than for the second worst indicator – youth unemployment. Average gross government debt as a percentage of Gross Domestic Product (GDP) reached 87% across 28 countries of the EU (the EU28) in 2014, a more than 50% increase since 2007. Under the Stability and Growth Pact, EU states should not have government debts greater than 60% of GDP, but 16 of 28 member states currently breach this target.

Average youth unemployment has hovered at around twice the level of adult unemployment, rising from 16% in 2008 to a high of 24% in 2013, dropping back slightly to 22% in 2014. Such high levels raise concerns of a "lost generation". In the worst affected countries – Spain (53%), Greece (52%), Croatia (45%) and Italy (43%) – more than two-fifths of under-25s were out of work in 2014.

Since 1990 the number of over-65s has risen and increased the old age dependency ratio – the need to provide for an increasing number of elderly using the resources of a shrinking number of workers. Between 1990 and 2014 Europe's dependency ratio increased by 36% – from 20.6 to 28.2 people aged 65 and over per 100 people of working age. Italy, Greece, Germany, Sweden, Portugal and Finland only had three people of working age for every person aged 65 and over in 2014, reflecting their high life expectancies and relatively low fertility.

Across the whole EU, the average cost of pensions as a share of GDP rose from 8.7% in 2000 to 9.8% in 2012, placing a further burden on younger generations. Five countries currently spend more than 10% of GDP on pensions – France, Germany, Denmark, Italy, and the UK.

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With the proportion of over-65s projected to increase from just under one fifth (18%), or around 100 million people in 2014, to well over a quarter (28%) or 150 million by 2080, this indicator is set to keep rising unless countries do more to reform their pension systems.

Surprisingly, young people in wealthy northern countries such as Sweden, Denmark and the Netherlands are at higher risk of poverty – facing both high housing costs and decreasing income levels – than young people in many other EU countries.

Angus Hanton continues, "These findings should act as a wake-up call to policy-makers. Younger generations are being systematically disadvantaged. We cannot expect the young to carry the burden of an ageing population if we do not give them the tools required to become economically active citizens. It is therefore in all generations' interests to prioritise spending on the young."

Intergenerational justice improved dramatically in two areas – environmental emissions and investment in tertiary education. Green House Gas (GHG) emissions across the EU fell from 5,632 million tonnes in 1990 to 4,548 tonnes in 2012, with Eastern European countries and Germany managing to reduce their emissions by more than 40% over the Index period. Malta, Portugal, Cyprus and Spain were identified as the worst offenders for increasing their emissions.

IF calls on both governments and the European Commission to embark on a programme of "intergenerational rebalancing" by assessing all their policies for their impact on younger and future generations. Particular policies which aim to achieve intergenerational rebalancing could include stricter adherence to debt-to-GDP limits, investing more in education, raising retirement ages further, copying Germany's successful apprenticeship model, encouraging greater democratic participation, introducing renewable energy sources more quickly and investing more in research and development.

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For interview enquiries please contact: **liz@if.org.uk** **mob: 07971 228823**

<u>Note to Editors:</u>

You can explore the data with IF's online visual tool available at http://index2016.if.org.uk

An exploration of key news lines for each indicator is set out below.

The IF EU Index is a quantitative measurement of how the position of young people has changed across the EU. Each of the 13 indicators used in the IF EU Index was chosen for its ability to reflect how countries treat younger and future generations. They include housing costs, government debt, spending on pensions, spending on education, youth unemployment, income levels, participation in democracy, access to tertiary education, poverty and social exclusion, investment in the future (R&D), environmental impact, usage of health services, and dependency.

1. Long-running open-source data series from Eurostat were used to compile the Index.
2. A rise in the Index score represents an increase in intergenerational **un**fairness…
3. …except for spending on education, tertiary education and R&D where a rise in the Index score represents a fall in intergenerational unfairness.
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The Intergenerational Foundation (www.if.org.uk) is an independent, non-party-political charitable think tank based in London that researches fairness between the generations. IF calls for policy to be fair to all: the old, the young and those to come.

News lines for a Further Seven Indicators (beyond those discussed above):

Poverty

The ratio of young people (18–24 year olds) living in poverty compared to the societal average also rose during the Index period, from 1.16 (i.e. 1.16 young people to every 1 person of the general population) in 2005 to 1.30 in 2014. Spain, Cyprus, Greece, Ireland, Estonia and the UK have experienced the biggest increase in relative share of young people living in poverty since the financial crisis, although, surprisingly, the worst ratios are seen in wealthy northern countries such as Denmark (2.52), Sweden (2.04), Finland (1.76) and the Netherlands (1.65), where young people do not seem to be sharing in the prosperity enjoyed by the rest of society.

Housing Costs

The Index reports that high housing costs – defined as costing over 40% of a household's disposable income – have affected a large proportion of 18–29 year olds in Greece (45%), Denmark (35%), and the Netherlands (24%). A disproportionately high ratio of young people has been affected compared to the population average in Denmark (2.24) Finland (2.18), Sweden (2.09), and France (2.00), where high housing costs have outpaced younger workers' wages.

Income Levels

Income levels for the young have also fallen disproportionately over time, with the gap between the median earnings of 18–24 year olds and the population as a whole widening from 4% in 2005 to 10% in 2014 across the EU28. Surprisingly, the three wealthy Nordic countries – Denmark, Sweden and Finland – appear among the five worst-performing countries on this measure.

Spend on Education

Spending on education as a share of GDP across the EU has remained relatively constant during the Index period. However, there are big differences, with the Nordic nations all spending more than double that of Romania, the lowest-spending country.

Democratic Participation

Despite a slight improvement in 2014, there remains a significant gap in democratic participation between young and old across the EU. It is worst in Lithuania, Ireland, France, Estonia and the UK. This suggests that there is a danger that young people are becoming disengaged from politics and will struggle to make their voices heard by those who are deciding policy.

Health Spending

The average share of health spending consumed by the over-60s across the EU rose from 42% in 2000 to more than 54% in 2013. This meant that the over-60s consumed over half of all healthcare resources in the EU, despite representing less than a quarter of all EU citizens. With Europe's unfavourable demography this situation may be unsustainable in the future.

Research and Development

Investing in research and development (R&D) is crucial to future-proofing the prospects of the young. However, only the Nordic countries (Finland 3.31%), Sweden (3.30%) and Denmark (3.06%) have met the EU2020 target of investing 3% of GDP in R&D, while many Southern and Eastern European countries spent less than 1%.