Briefing Sheet

The Intergenerational Foundation:

- The Intergenerational Foundation (IF) is an independent non-party-political charity.
- IF researches 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 entitlements are placing increasingly heavy burdens on younger and future generations.
- The social contract between generations is under immense strain in many areas - housing, health, employment, taxation, pensions, education and the environment.
- Young people who are worse-off appear to be giving more than their fair share to fund a system that benefits the older, wealthier, section of society.
- IF questions this status quo; calling instead for sustainable long-term policies that ensure younger and future generations are better protected by policy makers.

Ageing:

- Between 2009 and 2019, the population aged 65 years and over increased by 2.3 million, from 16.2% to 18.5% of the population.
- By 2038 the population aged 65 and over is projected to account for 24 per cent of the total population, while the proportion of the population aged between 16 and 64 is due to fall from 63 per cent to 59 per cent.
- Whilst increasing longevity is welcomed, our longer-living population is increasing the pressure on a smaller cohort of younger taxpayers who are themselves currently facing wage, housing, education and savings pressure.
- Housing is used as a savings vehicle for later life due to suspicions over pensions (Equitable Life collapse). Now retired people do not want to release this equity to fund their old age.
- In 2019, nearly half of people living alone (49%) were aged 65 years and over, which accounts for 32% of this age group.
- A re-evaluation of what we expect of the State is required by all generations irrespective of their voting practices.

Wealth:

- The wealth of over 65s has doubled over the last 10 years, mainly due to pensions and house price appreciation, making 1 in 5 pensioners millionaires.
- Over 50s hold 75% of UK housing wealth, the value of which amounts to over £2.8 trillion in housing equity.
- Under-35s households spend close to two thirds (63%) of their weekly expenditure on essentials, whereas the equivalent share for over-65s has fallen by 14%.

Housing:

Under-occupation:

- Older generations have achieved massive gains in the value of their properties.
- The over-45s hold 84% of the UK's property wealth, compared to just 4% of under-35s.
- 8.7 million households live in under-occupied homes (i.e. two or more spare bedrooms), a figure that has increased by 2.2 million over 11 years.
- This has contributed to rising house prices and housing costs, with under-35s spending 40% of all their weekly spending on just housing, domestic utilities and transports.
- An easy win would be to increase incentives for under-occupying households to rent out more than one room. This could be done by increasing the Rent-A –Room tax allowance currently set at £7,500 per month.
- Older generations who no longer live with dependants should also be encouraged to downsize where possible to replenish housing supply and help fund their social care.

Micro-homes:

- IF found that the number of micro-homes being built in the UK has also increased by almost fivefold in just five years, from 2,139 in 2013 to 9,605 in 2018.
- The UK has the smallest rooms in Europe, with some micro-developments found to be as small as 8.3 square metres.
- In October 2020, the UK government announced new planning rules to require minimum space standards (37 square metres) for all permitted developments – a win for younger generations.

Universal Benefits:

Winter Fuel Allowance (WFA):

- You have to live in the UK just for one day to qualify for the WFA (between 21st and 27th September in 2019).
- However, only 12% of recipients are in fuel poverty, and the likelihood of being fuel-poor has decreased for households with occupants who are 60 and over between 2013 and 2018.
- Households where the oldest occupant is aged between 16 to 24, on the other hand, were most likely to be fuel-poor in 2018.
- The WFA cost the government £2 billion in 2019, however this is poorly justified.
- Only 41% of the WFA is actually spent on fuel and it was also given to 38,000 people living elsewhere in Europe in 2019/20.
- Also, a scheme already exists to help those suffering fuel poverty: Cold Weather Payments.

Prescriptions:

- You can claim free prescriptions before you reach the state pension age if you are over 60 years of age, regardless of your income.
- People of working-age, on the other hand, can only claim under certain circumstances.
- During 2018/19, over £1 billion prescription items were dispensed, of which 89% of prescriptions are provided free of charge.
- Free prescriptions provided to the elderly account for 62% of all items prescribed. This cost the NHS £4.8 billion in 2017.
- Revenue from these charges would be much higher if provision of free prescriptions amongst the over-60s was means-tested. Prescription charges raised over £592 million in 2018/19.

Free Bus Passes:

- A total of £1.1 billion was spent on concessionary travel in 2018/19, of which almost £800 million (72%) was spent on free travel on public transport for older people across England.
- Free travel for all individuals over the state pension age has been a statutory obligation since 2001.
- We pay for approximately 24% of older people eligible for concessionary travel to travel to work for free, costing taxpayers millions of pounds every year. This figure rises to 55% in London.
- In 2013, £60 million of the costs of fare concessions in England were spent on travel to and from work. Since then, the costs of these concessions have increased by 71%.
- In comparison, local authorities are only obligated to provide free travel for children and young people under certain circumstances.

Inheritance:

- One third of millennials rely on inheritance for financial security.
- Inheritance tax can be used to encourage families to spread inheritances more widely whilst they are still alive and when their children and grandchildren have greater financial needs.
- However, traditional cascading of assets down the generations has stopped and is in reverse due to increasing longevity.
- The current inheritance tax regime in the UK is also very inefficient at raising revenue due to the complicated patchwork of reliefs and exemptions.
- Only about 4% of all deaths in the UK currently result in any inheritance tax actually being levied on the deceased's estate.
- For the wealthy, stamp duty and inheritance tax are easy to avoid via Trusts or by Ltd companies who hold residential property and then sell the company (including the property) that cuts the tax payable from approx. 5% to 0.5% or less.
- This practice is positively promoted to buy-to-letters, according to the authors of Jilted Generation.

Employment:

- On reaching the State Pension Age you no longer pay National Insurance. There are approximately 1.2 million people working over state pension age.
- National Insurance generates considerable revenue for the government, raising £150.2 billion in 2019/20, which accounts for 17% of total government revenue that year.
- At least £1.5 billion extra National Insurance revenue could be raised annually by removing National Insurance exemptions for pensioners.
- The young starting in the labour market are increasingly likely to enter low-paid occupations and, as a result, work in sectors that were hit hardest by the COVID-19 crisis.
- This is on top of a growth in short-term contracts, an increase in part-time jobs, closure of some pension schemes to new members and fall in take-home pay.

Education:

- A debt has been turned into an investment by the government with interest rates on student loans as high as 5.6%, which are applied whilst the student is still attending university.
- Whilst the older generation benefited from free education, younger generations have been left with on average £40,000 of debt upon leaving university.
- The government also bases the interest rate on the Retail Prices Index (RPI), which has been widely recognised to systematically overstate inflation.

- Outstanding student debt consequently rises on average 1 per cent above national inflation.
- Combined with Income Tax (minimum 20%) and National Insurance (12%), young people earning over the threshold of £21,000 face a marginal tax rate of 41%.
- These costs cannot be justified by the "Graduate Premium"; in 2017, almost a third of new graduates were over-qualified for their jobs.

Pensions:

- By the end of 2015, the total accrued state Pension liability was £4 trillion (1 trillion = thousand billion!)
- The total accrued public sector pension liability was £1.25 trillion.
- State pensions will not be affordable nor provide enough in real terms for people to retire comfortably on. We will all need to work longer, pay more into our pensions and pay more for our care.
- Furthermore, uprating the state pension in line with the triple lock has cost us £6 billion more per year than if it was raised in line with earnings, and roughly £4 billion relative to inflation indexation.
- Government pensions are another ball game completely as there are things called 'unfunded' schemes where even the government does not know what the true pension liability will be.

Spending/Health:

- IF research has shown that over the past two decades, the government has consistently spent more on each pensioner than they have on each child, and the gap has increased two-fold since 1999.
- Over 55% of social security spending (£121 billion) and two-thirds of NHS spending goes to pensioners.
- More is being spent solely on paying interest on public sector pension debt (£18 billion) than on funding the entire child benefits scheme (£11.5 billion).
- We typically spend 3 times as much on winter fuel payments, which are season-specific benefits, than we do on sure start centres, which provide year-round services for children.
- Young peoples' mental health is an area requiring more spending, and the government has a vested interest in doing so.
- Due to the impact that mental health has on productivity, benefit receipt and usage of healthcare services, lack of investment can lead to a fiscal loss of almost £3 billion from a single cohort.
- The government could fund 35 ten-session courses of cognitive behavioural therapy (CBT) for each depressed person using the amount of money it is losing in net tax contributions.

Further information about the work of IF:

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