

Call for Evidence: APPG on Future Generations: Inquiry into Long-Termism

To: APPG on Future Generations

By: The Intergenerational Foundation

Date: 24 February 2021

The Intergenerational Foundation (www.if.org.uk) is an independent non-party-political think tank researching fairness between generations. IF believes policy should be fair to all – the old, the young and those to come.

Introduction

As the UK's leading think tank promoting the rights of younger and future generations, improving long-term thinking in policy-making is at the heart of IF's mission. The prioritisation of short-term over long-term policy outcomes is a major source of intergenerational unfairness: when policy-makers fail to consider the long-term consequences of their decisions, it is all too often younger and future generations who pay the price. IF therefore welcomes this inquiry into how a greater role for longer-term and intergenerational perspectives in policy-making can be encouraged.

This response is split into three parts. The first part outlines some of IF's central concerns regarding how policy-making today is marked by a number of intergenerational injustices that are caused or exacerbated by short-termism. The second part concerns explanations of short-termism's pervasiveness in policy-making. The final part turns to proposals for how long-term thinking in policy-making can be improved.

1. How Short-Term Thinking Harms Younger and Future Generations

The problem of short-termism in policy-making is closely related to that of intergenerational unfairness: focusing on the short-term consequences of policy decisions neglects the implications of policy-making for younger and future generations. One of IF's central concerns has been to shed light on the pressures and problems facing young people today, including those that will be inherited by future generations. Addressing the lack of long-term thinking in policy-making is one key means by which intergenerational injustices can be more effectively tackled.

This section outlines areas in which long-term thinking has been notably absent from policy-making, often to the detriment of intergenerational fairness.

Housing

The supply and affordability of housing for young people have been a major focus of IF's research. Our findings include evidence of the growing number of "micro-homes" being built as a quick fix to the housing crisis,¹ as well as increases in under-occupation and stagnating downsizing among those aged over 65.² Recent years have seen substantial increases in the cost of housing for young people compared to older age groups, and the increasing difficulty of home ownership for young people is well-documented. For example, from 1997 to 2017 the proportion of people in their mid-30s to mid-40s with a mortgage fell from two-thirds to a half.³

Short-term thinking in housing policy has constrained the supply of housing available for younger and future generations. IF is sceptical that current restrictions on building on the Green Belt are compatible with solving the housing crisis in the long term: the Green Belt may serve its purpose of protecting the UK's natural environment, but it also prevents building on currently underused areas with limited environmental value. The attitudes of policy-makers towards the Green Belt – which is politically popular, especially among older home owners – do not reflect the huge variation in the environmental quality of Green Belt land.

Furthermore, there is strong evidence that constraints on housing supply – such as land use restrictions – raise house prices.⁴ This is particularly concerning because of the increasing financial pressures of housing on young people: IF's 2019 report, *All Consuming Pressures*, published in collaboration with Yorkshire Building Society, found that almost two-thirds (63%) of all the money which is spent by households in which the Household Reference Person is under 35 goes on "essential" goods and services, of which housing is the largest component.⁵ Short-termism in housing policy is therefore exacerbating a broader issue concerning the stagnating living standards of younger people.

Pensions

Motivated by the electoral significance of the "grey vote", politicians of all parties have pursued short-term political gains over long-term responsibility when it comes to pensions policy. Of particular concern from the perspective of intergenerational fairness is the triple lock, which has boosted pensioner incomes – irrespective of need – during a time in which the living standards of younger people have stagnated. IF believes that a fairer pensions system would reflect the immense variations in the needs of pensioners. In 2012 we estimated that there were around 988,000 over-65s living in households with over £1 million of assets, rising to almost 2 million if the 60–65 age group is included.⁶ Treating age as a proxy for need, when there is clear evidence to the contrary, is a major source of intergenerational unfairness caused by

¹ Wiles, C. (2020): *Rabbit Hutch Homes: The growth of micro-homes*. London: Intergenerational Foundation

² Griffith, M. (2011): *Hoarding of Housing: The intergenerational crisis in the housing market*. London: Intergenerational Foundation

³ Office for National Statistics (2020): *Living longer: changes in housing tenure over time*. Newport: Office for National Statistics

⁴ For example, Hilber, C. A. L. and W. Vermeulen (2014): "The Impact of Supply Constraints on House Prices in England". *The Economic Journal* 126: 591, pp. 358-405

⁵ Kingman, D. (2019): *All Consuming Pressure: The cost-of-living crisis facing younger generations*. London: Intergenerational Foundation

⁶ Leach, J. (2012): *Pensioner Millionaires in the UK: Identifying the numbers*. London: Intergenerational Foundation

the prioritisation of short-term electoral considerations.

A recent IF report drew particular attention to the costs of public sector pensions.⁷ We found that the number of NHS, civil service, and teaching retirees receiving pensions of over £100,000 per year more than tripled between 2010/11 and 2017/18, while the number receiving pensions of more than £50,000 more than doubled over the same period. As life expectancy continues to rise, the high cost of government pensions will become increasingly unsustainable, and if policy-makers prove unwilling to find a long-term solution, it is younger and future generations who will be required to pay for these expensive schemes.

Public Borrowing and Debt

The COVID-19 pandemic has brought about record levels of government peacetime borrowing. In October borrowing was forecast to reach £394 billion for the current financial year. This is equivalent to over £19,000 for each person under the age of 30. While such high levels of borrowing are often justified on the grounds of currently low interest rates, a long-term approach to government borrowing needs to recognise that there is no guarantee that interest rates will remain low. Despite the fact that government spending during the pandemic has overwhelmingly been to protect older people (or has become necessary on account of this protection), there has been little recognition that such huge sums of borrowing in the short term impose a large burden on younger and future generations.

The Environment

Failing to tackle climate change is perhaps the clearest example of short-termism in policy-making: despite the immense dangers that climate change poses, the record of successive governments – in the UK and elsewhere – to take meaningful action has been poor. Regarding the trade-off between economics and the environment, policy-makers have invariably prioritised the former. For example, in 2012 IF published a report on the large airline tax subsidies that keep the price of flying artificially low and boost the amount of flying, thereby worsening the environmental impact of air travel.⁸ We found that policies such as exemption from fuel tax and VAT cost taxpayers £11 billion a year, the removal of which could reduce the amount of leisure flying by a third.

Social Care

Despite the spiralling cost of social care – caused in large part by the UK's ageing population and the increasing likelihood of older generations to live with one or more chronic health issues requiring greater levels of social care⁹ – successive governments have proved unwillingly to bear the short-term political cost of reforming the current system, limiting their action to commissioning reviews and inquiries. If a long-term *and* intergenerationally fair solution to the UK's social care crisis is to be found, then it must be acknowledged that many older adults have adequate wealth to contribute to the costs of their care. IF has argued that an intergenerationally fair compromise would be to rescind the national insurance exemption for those people working over the age of

⁷ Intergenerational Foundation (2019): *The soaring costs of government pensions*. London: Intergenerational Foundation

⁸ Lockley, P. and S. Dresner (2012): *Flying the Face of Fairness: Intergenerational Inequities in the Taxation of Air Travel*. London: Intergenerational Foundation

⁹ Parker, L., G. M. Moran, L. M. Roberts, M. Calvert, and D. McCahon (2014): "The burden of common chronic disease on health-related quality of life in an elderly community-dwelling population in the UK". *Family Practice* 31: 5, pp. 557-563

65, since older workers tend to be better paid professionals who remain in the same pre-retirement age role.¹⁰

2. Causes of Short-Termism in Policy-Making

The central cause of short-termism in policy-making is often said to be the incentives generated by a five-year electoral cycle: politicians, it is said, pursue policies that have immediate benefits and therefore deliver electoral returns in the subsequent election. This is certainly part of the problem, but it is exacerbated by a further intergenerational divide in our political system: “The Rising Tide of Gerontocracy”, as IF has termed it.¹¹ Due to both demographic changes and turnout variation between age groups, there is a growing divide in the electoral power of different generations, with the median voting age predicted to rise to 54 by 2030. This problem encompasses both the *potential* electorate – by 2030 there will be more potential voters in their 60s than in their 20s – and the *actual* electorate, with the median age of actual voters four years older than the median age of potential voters in the 2015 General Election, for example.

IF’s latest research on the UK’s ageing political class has shed further light on why the interests of younger and future generations play an insufficient part in policy-making. Our paper, *Grey Power*, uncovered the striking extent to which politicians are on average far older relative to the overall population.¹² For example, in comparison to a population median age of 40, the median age of MPs elected in the 2019 general election was 51. Similarly, the median age of members of the House of Lords is now 72. Given this *descriptive* unrepresentativeness of policy-makers (that is, their demographic composition), the extent of *substantive* unrepresentativeness (that is, the content of policy-making) when it comes to younger and future generations is perhaps unsurprising.

Finally, high rates of turnover among both ministers and civil servants fundamentally undermine the long-term accountability of policy-makers. A 2018 report by the House of Commons Public Administration and Constitutional Affairs Committee reported that “The average time in post for the Senior Civil Service is less than two years”.¹³ This means that policy-makers are rarely held accountable beyond short-term consequences of their actions that are apparent during their time in the same role. By the time the long-term consequences become clear, many policy-makers have moved roles, organisations, or even left public service altogether, thereby escaping formal scrutiny.

3. Proposals for Improving Long-Term Thinking in Policy-Making

IF believes that our current policy-making institutions do not sufficiently incentivise long-term thinking. One measure for addressing this problem would be the introduction

¹⁰ Intergenerational Foundation (2018): *An Extraordinary Anomaly: Why workers over state pension age should pay National Insurance*. London: Intergenerational Foundation

¹¹ Berry, C. and T. Hunt (2016): *The Rising Tide of Gerontocracy: How young people will be increasingly outvoted*. London: Intergenerational Foundation

¹² Kingman, D. and C. Leitch (2020): *Grey Power: Young people missing from politics*. London: Intergenerational Foundation

¹³ House of Commons Public Administration and Constitutional Affairs Committee (2018): *The Minister and the Official: The Fulcrum of Whitehall Effectiveness* (HC 497). London: House of Commons, p. 24

of Intergenerational Impact Assessments. These would require policy-makers to set out how legislation would affect different generations. The Impact Assessment process is already a recognised process in British policy-making in ensuring that groups with “protected characteristics” are not disadvantaged by policy. IF argues that the plight of younger and future generations is now so great that they too should be protected. Furthermore, the creation of Intergenerational Impact Assessments for all draft legislation was one of the recommendations of the House of Lords Select Committee on Intergenerational Fairness and Provision in its 2019 report, *Tackling intergenerational unfairness*.¹⁴ The measure is also included in the Wellbeing of Future Generations Bill, a private members’ bill sponsored by Crossbench Peer Lord Bird and Green MP Caroline Lucas. Given that there is significant evidence that short-term considerations are prioritised over long-term ones, mandating policy-makers to adopt a longer-term perspective as to the impact of their decisions would be beneficial.

The Wellbeing of Future Generations Bill also proposes the establishment of a Commissioner for Future Generations for the United Kingdom. This would emulate Wales’s Future Generations Commissioner at the national level. Wales provides one of the best examples of legislation which grants legal protections to future generations, though a number of countries have passed similar laws in recent years. Given the institutional and cultural obstacles to long-term thinking in UK policy-making, enshrining the rights and interests of future generations into the law itself would help address the prevailing tendency for policy-makers to downplay their intergenerational responsibilities.

Finally, mechanisms for holding policy-makers to account for the long-term consequences of their actions should be extended. As noted above, high rates of turnover among both ministers and civil servants fundamentally erode the long-term accountability of policy-makers. Accountability frameworks need reformulating to facilitate the ease with which policy-makers can be held accountable for actions taken in previous roles. Expanding such mechanisms would disincentivise policy-makers from prioritising actions whose impacts cover only the short-term period in their current role.

If you would like to learn more about the work of the Intergenerational Foundation please contact:

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¹⁴ House of Lords Select Committee on Intergenerational Fairness and Provision (2019): *Tackling intergenerational unfairness* (HL Paper 329). London: House of Lords