Left behind:

A decade of intergenerational unfairness

By Lizzie Simpson and Melissa Bui
The Intergenerational Foundation

November 2021

The Intergenerational Foundation (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. While 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 while losing out disproportionately to older, wealthier cohorts. IF questions this status quo, calling instead for sustainable long-term policies that are fair to all – the old, the young, and those to come.

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We are grateful to Curtis Banks for supporting the research undertaken in this report.

CURTIS BANKS

About the authors

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Foreword

Curtis Banks are proud to partner with the Intergenerational Foundation as the two organisations are perfectly aligned in wanting to ensure the efficient passing of wealth between generations and to protect the interests of younger and future generations.

As a society we have to ensure fairness between generations and ensure the younger generations have the opportunity to thrive in the future. As this study shows, the median individual wealth gap between the oldest and youngest age groups has increased by around 43% in just six years,[1] highlighting the ambition of both IF and Curtis Banks to ensure that wealth is passed on fairly. This would result in positive outcomes for all – retirees, young and the economy.

Pension death benefits can be a very flexible and tax efficient way to pass on wealth, and they won't normally be subject to Inheritance Tax (IHT). However, savers must plan ahead to take advantage of this: things such as last minute transfers or failing to leave an expression of wishes can affect the IHT position or the options available to the beneficiaries.

Our younger generations are over-burdened with the challenges of an ageing population, increases in housing costs, university fees, as well as bearing the brunt of paying for the COVID-19 pandemic and long-term impacts of current behaviour on the environment. COVID-19 has hit younger people hardest and has widened the inequality between old and young. We believe that policymakers have to understand the drivers of these inequalities and tackle them quickly in order to help rebalance intergenerational fairness.

Regarding the transfer of wealth, there are a number of barriers to passing wealth down, which include not knowing how long an individual will live, the cost of care should it be needed and the IHT rules on gifts outside exemptions that have failed to keep pace with inflation for decades.

At Curtis Banks we ask: why shouldn't wealth in pensions or housing be used to pay for student debt, or to put down a deposit on a first house without the worry of a potential IHT bill on any gift – exemptions are available (weddings, normal expenditure, gift allowances etc), and these exemptions could easily be added to or changed by policymakers for the benefit of younger generations. IF and Curtis Banks aim to raise the profile of these rising inequalities and work with policymakers to ensure fairness between generations.

Andy Stuart-William

Head of Product and Communications, Curtis Banks

[1] Office for National Statistics (2019). Total wealth in Great Britain: April 2016 to March 2018: https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/totalwealthingreatbritain/april2016tomarch2018#total-household-wealth-by-age-of-household-reference-person-hrp

Contents

1. Introduction and executive summary

- The Intergenerational Foundation (IF) was founded in 2011 to protect the interests of younger and future generations. Over the past 10 years, IF has campaigned to bring attention to the many intergenerational inequalities and pressures that younger people face in order to secure a fairer generational contract for young people today and future generations tomorrow.

- This report investigates how the situation facing young people in the UK has changed over the last decade. In order to give a comprehensive overview of the challenges facing younger people, the report covers a wide range of subjects: the labour market, housing, higher education, public services, wealth, health, politics, and the environment.

- We have also included a section dedicated to COVID-19 and the impact that this unprecedented event has had on younger people's lives. Over the past year, the political, social, and economic landscape has been changed irrevocably by the pandemic. Despite this being a disease which physically affects younger people the least, it has had a disproportionately negative effect on young people's lives in many other ways – their job prospects, their living situations, and their mental well-being.

- As the UK recovers from the COVID-19 pandemic, there is a risk that over the coming years the pandemic will be cited as the key reason for many of the problems facing younger people today, with younger people already being referred to as "Generation Covid". However, as this report makes clear, inequalities between older and younger generations had already been worsening for many years prior to the pandemic and COVID-19 has only exacerbated existing inequalities and brought them to the forefront of public attention.

- To successfully help younger people recover from the pandemic, it is vital that policymakers also have a thorough understanding of the issues that were affecting younger people before the pandemic, as well as the causes of these issues. This report answers this need, as well as suggesting policy recommendations which we believe can help rebalance intergenerational inequalities.

Main findings

Out of the 10 policy areas we investigated for this report, over the past decade young people have fallen behind on 9 of them, with the environment being the only area where progress has been mainly positive.

A total of 31 indicators were used across these 10 policy areas and in 26 of these, we found that the situation had worsened or stagnated for young people.

The only indicators which showed positive trends for younger people were educational attainment, carbon emissions and air pollution, and mortgage and landlord possession claims.

Labour market

- Over the period studied, younger age groups were considerably more likely to be unemployed or be in involuntary part-time employment. Following the 2008 recession, it took 8 years for the unemployment rate for 16–17- and 18–24-year-olds to return to pre-recession levels, indicating that the COVID-19 recession is likely to follow a similar trend.
- The youngest age group (16–17 years) has seen the biggest decrease in hourly wages in real terms, from £5.60 in 2004 to £5.12 in 2020. However, the introduction of the National Living Wage in 2016 coincided with a rise in younger people's wages, indicating that it may have had a positive effect.

Housing

- Homeownership is becoming increasingly unattainable for younger generations. Between 2003/2004 and 2019/2020, homeownership rates declined for all age groups except those over the age of 65, which increased from 71% to 80%. The age groups with the biggest decrease in homeownership rates were 35–44 (from 74% to 56%), 25–34 (from 59% to 41%) and 16–24 (from 24% to 14%).
- Contributing to this decline in homeownership is the increase in the unaffordability of house prices. Average house prices in the UK doubled between January 2003 and January 2021 – from £125,000 to £250,000.
- Younger people have also consistently had a smaller amount of living space than older age groups over the last decade, with all age groups except the over-65s experiencing a decline in living space.

Higher education

- The proportion of the population with a university degree has risen from 26% in 2004 to just above 40% in 2019. However, the number of graduate jobs is not keeping up with the number of graduates: in 2019, approximately 45% of recent graduates and 35% of non-recent graduates were working in non-graduate roles.

- The total outstanding student debt in the UK has tripled since the fee cap was raised to £9,000 and then to £9,250 – from £46,700 million in 2011/2012 to £140,000 million in 2019/2020.

- Graduates with a post-2012 student loan have a 41% marginal tax rate on earnings above £27,295, rising to 51% if they earn above £50,270. Only 25% of current graduates are forecasted to repay their loan in full.

Public services

- The government has been spending consistently more on each pensioner than it has on each child and the gap has been increasing over the past decade.

- In 2018/2019, the government was spending approximately £20,800 on each pensioner in comparison to £14,700 on each child – a £6,000 difference.

- Government spending per child increased by 62% between 1999/2000 and 2010/2011 but has then been in decline over the last decade.

- In real terms, government spending on transport for pensioners per person increased by almost 12 times between 1999 and 2018.

- Government spending on social protection has increased considerably for pensioners, but has stagnated for children and working-age adults.

- The higher levels of government spending are likely to have helped to lower pensioner poverty rates; however, we cannot say the same for children. In 2019/2020, the percentage of children in relative low-income households rose to 30.7% – the highest rate since 2007/2008.

Wealth and expenditure

- The median individual wealth gap between the oldest and youngest age groups has increased by around 43% in just 6 years – from approximately £208,000 in 2010–2012 to £298,000 in 2016–2018.

- Under-35s now spend the highest percentage of their income on essential goods and services of all age groups: around 62% or nearly two-thirds of their income.

Health

- Spending on health per person has increased at a similar rate over time for pensioners and working-age adults; however, for children spending has stagnated since 2010/2011.
- The percentage of young adults with some evidence indicating depression or anxiety has risen over the last decade: from 18% in 2009/2010 to 25% in 2017/2018.

Politics

- Young people are greatly under-represented in both Houses of Parliament: adults aged 18–29 account for around 15% of the UK population, but only 3% of the House of Commons and 0% of the House of Lords.
- Voter turnout has been consistently lower for younger people. The 2017 election saw a “youthquake” with a 16% increase in 18–24-year-old voters and an 8% increase in 25–34-year-old voters. However, this trend did not continue in 2019, as the percentage of 25–34-year-old eligible voter turnout stayed the same at 55%, while the 18-24-year-old group dropped by 7%.

Environment

- Over the last few decades, the UK has made good progress on reducing its carbon emissions from its own territory, and emissions of major air pollutants.
- In 2015, the UK’s average emissions per person also fell below the EU average per person for the first time.
- However, the UK has one of the highest imports of carbon dioxide per person and this has stayed steady at approximately 4 tonnes per person since 2009.

COVID-19

- The socio-economic outcomes of younger generations have been disproportionately impacted by the crisis. Three in 5 job losses in the year following February 2020 were from people under the age of 25.

- The 25–34 age group has consistently had the highest number of Universal Credit claimants throughout the COVID-19 pandemic. This age group also had the highest number of people on furlough, with over a million people still on furlough in January 2021.

- One in 7 renters aged 18–24 had gone into rent arrears at the end of 2020.

- As a result of the government ban on evictions, landlord possession claims decreased by around 86% between the first and second quarter of 2020.

- Adults aged 16–29 were the age group most likely to report higher levels of anxiety, as well as lower levels of happiness, life satisfaction and feeling that the things they do in life are worthwhile. The younger a person is, the more likely they were to report that they felt lonely often/always or some of the time.

Recommendations

- IF is calling for the government to consider intergenerational fairness with respect to policies already put in place, as well as when making future decisions on taxation and public expenditure in all areas of policy.

- IF is calling for a duty on the government to undertake future generations impact assessments, in order to mitigate any adverse impacts of policy decisions for future generations.

- The government should remove policies such as Help to Buy and the stamp duty holiday, both of which have contributed to house price inflation. Instead, funds should be diverted towards programmes providing affordable housebuilding and social housing.

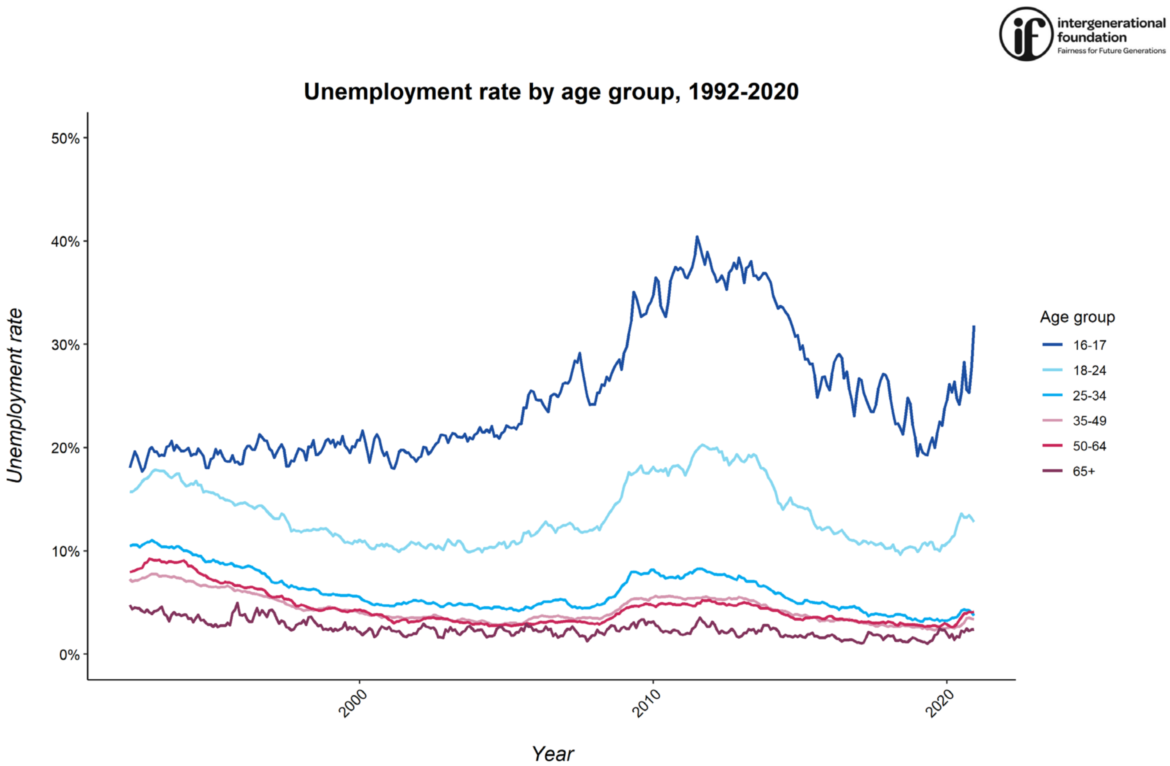
- The government should commit to intergenerationally fairer methods of taxation which focus more on taxing unearned wealth rather than incomes. This includes reforming the state pension triple lock, reforming the student loans system, and removing the National Insurance Contributions exemption for over-65s.

- Young people should be at the heart of the COVID-19 recovery, with targeted support given towards helping young people's employment and mental health, as well as contributing towards a green recovery. In addition, we must ensure that the debt accrued during the pandemic does not become the burden of younger and future generations.

2. Labour market

Unemployment

Figure 1



Source: ONS, Labour Force Survey.
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As shown in Figure 1, unemployment has been consistently higher for younger age groups since 1992. It also shows how unemployment rates have been impacted by the three most recent major recessions: the early 1990s recession, the 2008 recession and the 2020 COVID-19 recession.

Our results demonstrate that, throughout recent history, recessions have disproportionately impacted the employment outcomes of young people. Between 1992 and 2005, unemployment rates gradually declined for all age groups, except for the youngest 16–17 age group which stayed at around 20%. Young people particularly struggled to recover from the 1991 crisis, unlike older age groups who experienced improvements in unemployment rates.

After the 2008 economic crisis, all age groups saw increased unemployment rates, but this was much more pronounced for younger age groups. Between 2005 and 2012, the 18–24 age group saw an increase of 10%, peaking at an unemployment rate of approximately 20% in 2012.

For the youngest 16–17 age group, this rise was even more extreme, rising from just over 20% in 2005 to 40% in 2012. From 2012 onwards, unemployment rates began to drop, and by 2019 unemployment had fallen to below pre-2008 levels for all age groups.

In 2020, the COVID-19 pandemic sparked another economic crisis which caused unemployment to rise again, with a particularly rapid rise for younger age groups – 3 out of 5 job losses in the UK in the year following the start of the pandemic involved people under the age of 25.[1] By December 2020, the unemployment rate for 16–17-year-olds rose to 31.8%. This is discussed in more detail in the COVID-19 section of this paper.

Recessions have a particularly long-lasting impact on young people's unemployment rates. For example, after the 2008 recession, the unemployment rate for 16–17-year-olds and 18–24-year-olds did not return to pre-recession levels until 2016 – 8 years later. The COVID-19 recession has been much more extreme than previous downturns, as GDP declined by 9.8% in 2020 – the steepest drop since consistent records began in 1948 and, by some estimates, the most in over 300 years.[2] There is a high risk, therefore, that the impact of this recession on young people's employment may end up being even more catastrophic and long-lasting than other recent recessions.

Insecure employment

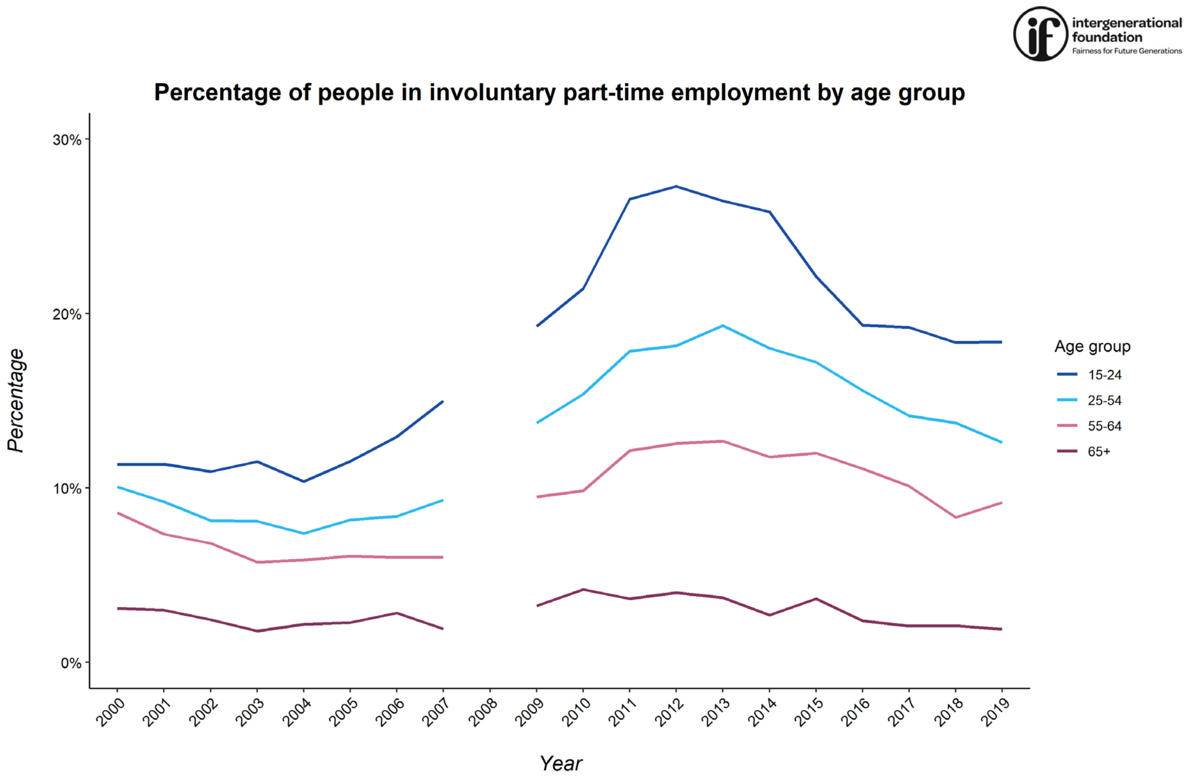
Figure 2 shows the percentage of people working part-time involuntarily. These are people who would prefer to be working full-time but are unable to find a full-time job. In the early 2000s, younger people were more likely to be working part-time involuntarily, but the percentage gap between age groups was fairly small. In the years leading up to the 2008 recession, the percentage of people working involuntarily declined or remained steady for all age groups except for the youngest, which started to rise.

Following the 2008 recession, the gap between age groups widened considerably, as the percentage rose much more rapidly for younger age groups. The 65+ age group was least affected, as it peaked at 4.2% in 2010, then slowly recovered and by 2019 was back to pre-recession levels of 1.9%. The 25–54 and 55–64 age groups peaked in 2013 at 19.3% and 12.7% respectively. The youngest age group experienced the fastest rise, peaking at 27.3% in 2012. Even by 2019, all age groups except for the oldest still had higher percentages of people working part-time involuntarily than before the recession.

[1] Office for National Statistics (2021). Earnings and employment from Pay As You Earn Real Time Information, UK: March 2021: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/earningsandemployment-frompayasyouearnrealtimeinformationuk/march2021

[2] Harari, D., Keep, M. and Brien, P. (House of Commons Library, 2021). Coronavirus: Economic impact: https://commonslibrary.parliament.uk/research-briefings/cbp-8866

Figure 2



Source: OECD: Spring estimates from the European Labour Force Survey supplied by Eurostat. The part-time/full-time delineation is based on the respondent's own classification.
People in involuntary part-time employment are defined as persons who declared to work part-time because they could not find a full-time job. Figures for 2008 are not available.

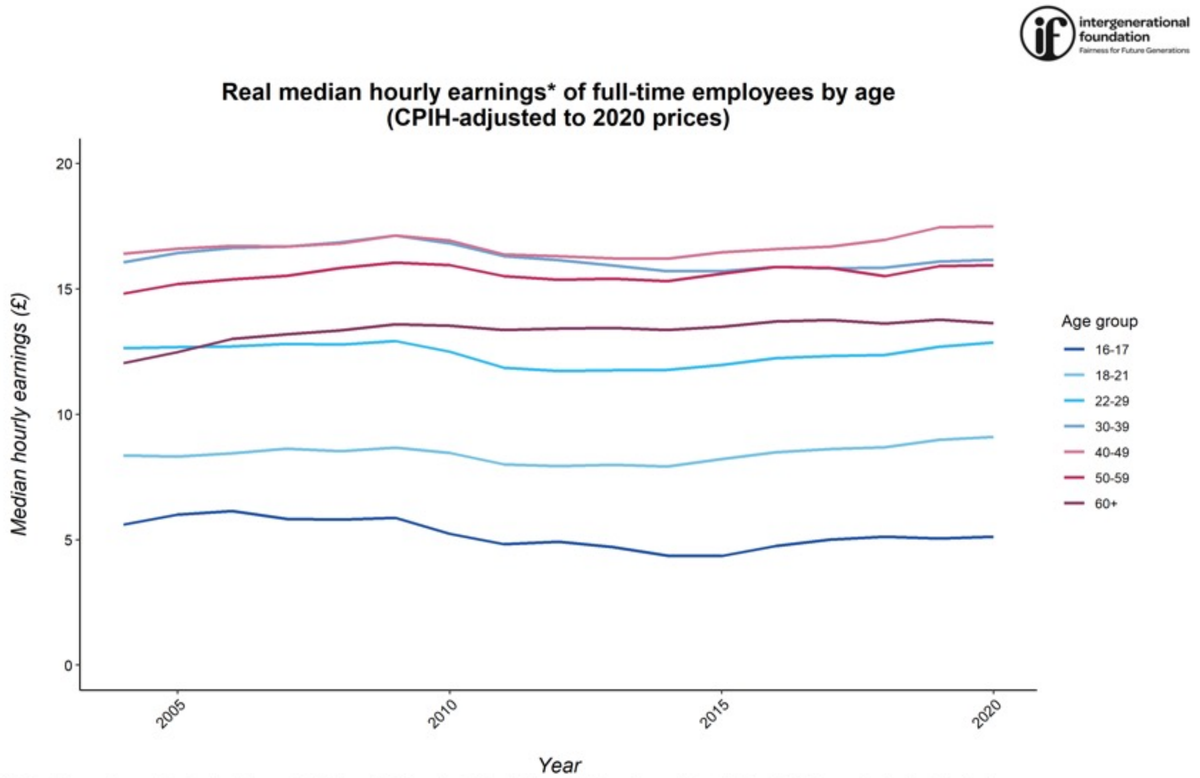
This graph therefore demonstrates one of the key issues of intergenerational inequality: that the steady, full-time employment opportunities which older generations enjoyed in the past are not as readily available for younger generations today. In recent years, there has been a sharp rise in the number of people working on zero hours contracts and working in the gig economy, with young people making up a large proportion within this sector.[3] Employment of this kind is often less secure and comes without the benefits of a full-time job, such as paid holiday, sick pay, and pension contributions.

The precarity of these types of employment has also been sharply highlighted by the COVID-19 pandemic, as many people working in the gig economy were not eligible for furlough and thus lost their income during the pandemic.[4] Meanwhile, as older people were more likely to be in secure, full-time jobs, they were more sheltered from the economic fallout of the pandemic. This is discussed further in the COVID-19 section of this report.

[3] Department for Business, Energy & Industrial Strategy (2018). The characteristics of those in the gig economy: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/687553/The_characteristics_of_those_in_the_gig_economy.pdf (page 14)
[4] Francis-Devine, B. and Ferguson, D. (House of Commons Library, 2021). The furlough scheme: One year on: https://commonslibrary.parliament.uk/the-furlough-scheme-one-year-on

Earnings

Figure 3



Source: ONS, Annual Survey of Hours and Earnings. *(excluding overtime). Graph uses 2006 figures from 2007 methodology and 2011 figures from revised results. Figures for 2020 are provisional and inclusive of employees who have been furloughed under the Coronavirus Job Retention Scheme (CJRS). CPIH stands for Consumer Prices Index including owner occupiers housing costs.

Figure 3 shows that the youngest age group (16–17) has seen the biggest decrease in hourly wage in real terms, from £5.60 in 2004 to £5.12 in 2020, with this falling as low as £4.36 in 2015. The oldest age group (60+) has seen the biggest real increase in wages since 2004, rising by 13% over this period – from £12.04 to £13.63.

Younger people's wages were particularly negatively impacted by the 2008 recession, and recovery on this front has been slow. Consequently, younger generations are not earning any more than older generations did at the same age, despite being significantly higher-qualified in terms of educational attainment, with Millennials currently set to be the first generation to earn less than their parents.[5]

One factor contributing to low hourly wages for younger people is the minimum rate of pay for apprentices, which is currently £4.30.[6] IF believes that the current apprenticeship rate is too low to enable a decent standard of living.

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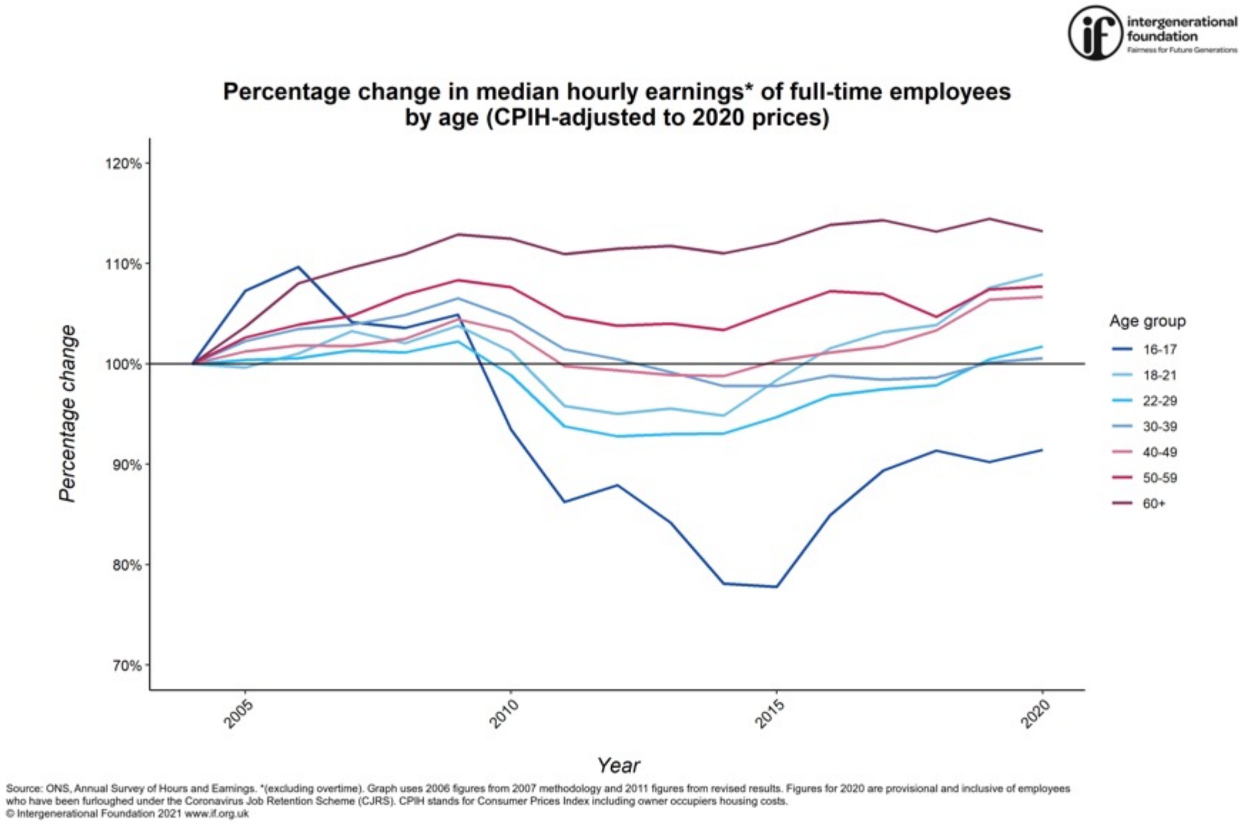
[5] Cribb, J. (2019). Intergenerational Differences in Income and Wealth: Evidence from Britain. Fiscal Studies, Volume 40. Issue 3
[6] GOV.UK (2021). National Minimum Wage and National Living Wage rates: https://www.gov.uk/national-minimum-wage-rates

There is also evidence suggesting that this pay rate is too low to cover even the basic costs of doing an apprenticeship, such as travel costs.[7] Younger people's wages are also affected by the UK's age-specific national minimum wage (NMW) system, under which it is possible for younger people to be paid less per hour than older colleagues for doing the same job. However, in 2020, 2.1 million young people between the ages of 16 and 25 were not living with their parents,[8] meaning that they have similar or even higher costs of living than their older counterparts. This raises the question whether the age-specific NMW system can be considered a form of age discrimination.

Figure 4



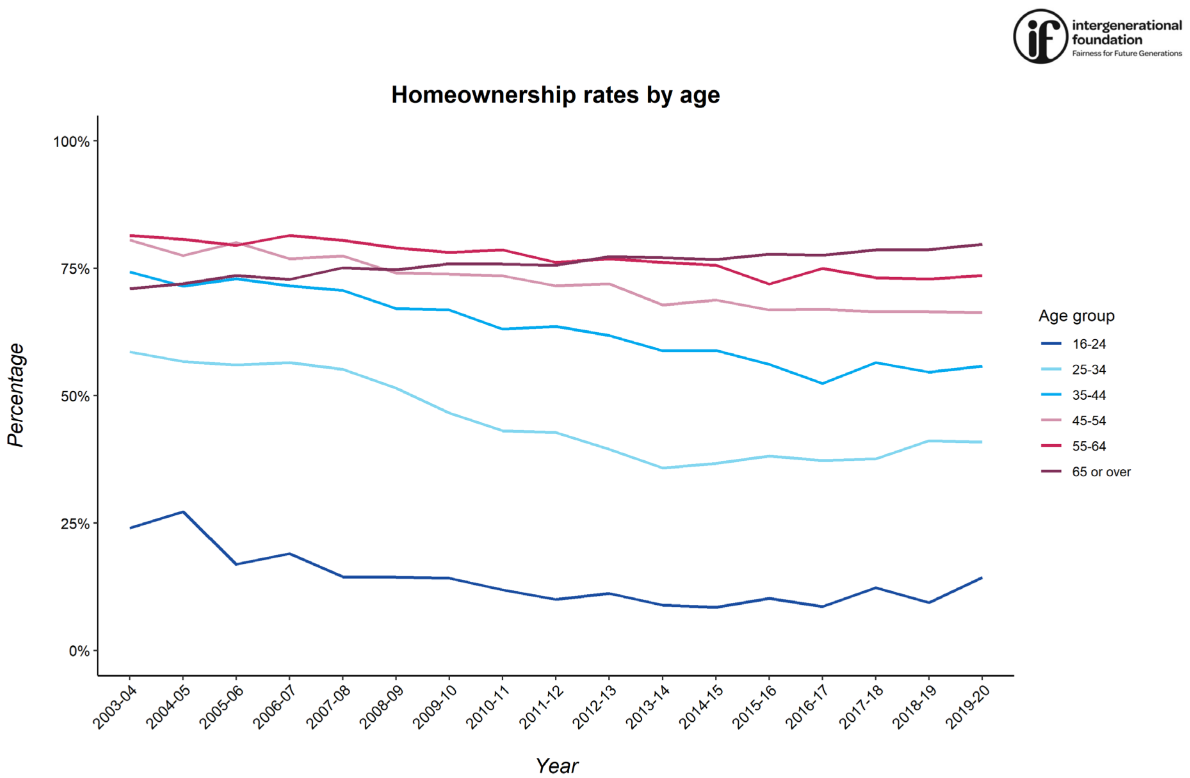
Interestingly, Figure 4 also gives insight into the impact of the national living wage (NLW), which was introduced in April 2016.[9] This was originally a 50p increase on the NMW and was mandatory for workers aged 25 and above, but this has since been lowered to 23 and above.[10] Since this policy was introduced, there has been a noticeable uptick in real hourly wages for younger age groups. This suggests that the NLW has benefited workers – even those who are below the age threshold to qualify for the NLW – as it has potentially had a ripple effect on raising wages for all workers.

[7] National Union of Students (2015). Forget Me Not. London: NUS
[8] ONS (2021). Young adults living with their parents. Newport: ONS
[9] Department for Business, Energy & Industrial Strategy (2016). National Living Wage (NLW): https://www.gov.uk/government/publications/national-living-wage-nlw/national-living-wage-nlw
[10] GOV.UK (2021): National Minimum Wage and National Living Wage rates: https://www.gov.uk/national-minimum-wage-rates

3. Housing

Homeownership

Figure 5



Source: English Housing Survey

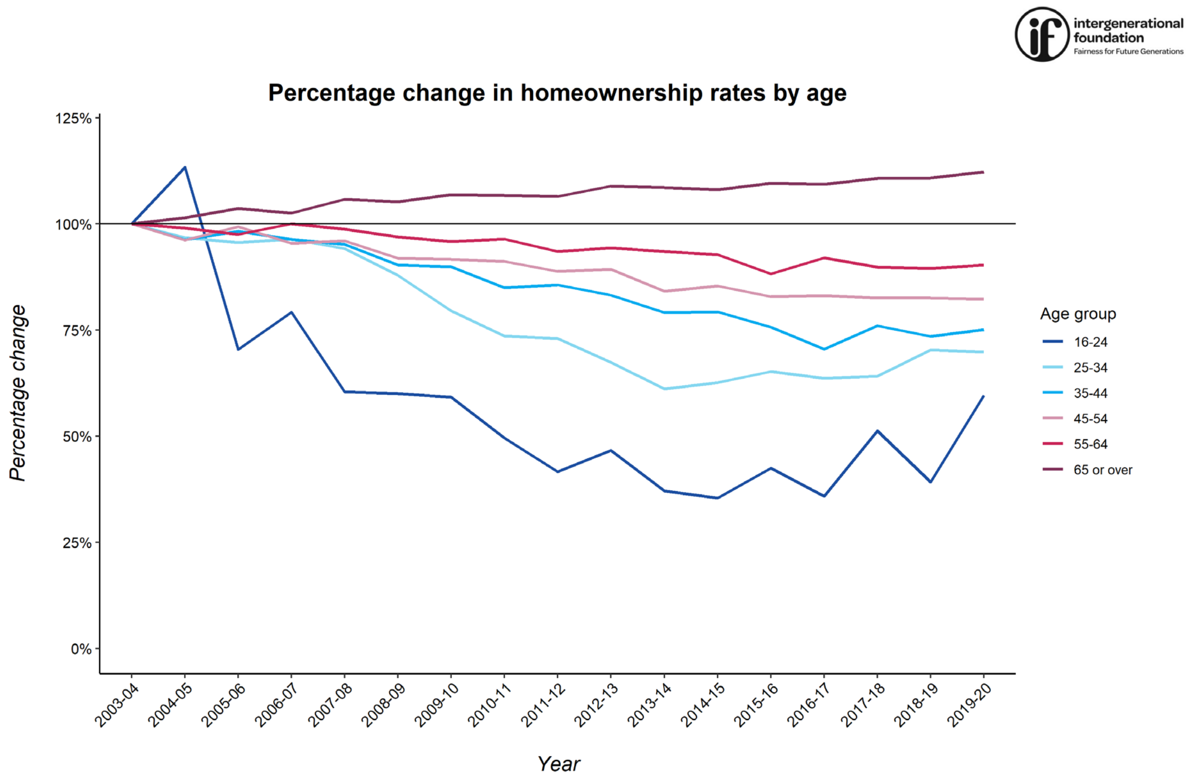
The percentage of the population who are homeowners has declined for all age groups since 2003/2004, except for the 65 and over age group which has seen a steady increase in homeownership rates – from 71% to 80%. As Figure 5 explains, the age groups with the biggest decrease have been 35–44 (decreased from 74% to 56%), 25–34 (decreased from 59% to 41%) and 16–24 (decreased from 24% to 14%).

The youngest age group has seen the most drastic decline, as the rate of homeownership in 2013/2014 was 37% of the rate of homeownership a decade earlier in 2003/2004. Since 2013/2014 this has fluctuated but has remained at a much lower proportion both to the other age groups and to the levels seen in 2003/2004.

The main reason for this is the huge increase in average house prices. In January 2003, the average house price in the UK was approximately £125,000. In January 2021, the average house price in the UK hit a record high of approximately £250,000.

This means that house prices have doubled over this 18-year period.[11] Combined with younger people's wages stagnating since the 2008 crisis, as shown in Figures 3 and 4, this has made homeownership an unachievable goal for most younger people. In 1997, the average full-time worker could expect to pay about 3.5 times their annual earnings to buy a home.[12] In 2020, this median house price to affordability ratio has increased to 7.7 for England and Wales, 7.8 for England and a staggering 11.8 for London.[13]

Figure 6



Source: English Housing Survey
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On the other hand, those older generations who own their homes have seen a huge increase in their wealth as house prices have risen. In addition, there has been a rise in people buying additional homes, as 1 in 10 people now own a second property, and these are mainly older owners.[14]

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[11] UK House Price Index (2021). House Price Statistics for the United Kingdom, January 2003 to January 2021: https://landregistry.data.gov.uk/app/ukhpi/browse?from=2003-01-01&location=http%3A%2F%2Flandregistry.data.gov.uk%2Fid%2Fregion%2Funited-kingdom&to=2021-01-01&lang=en

[12] Wiles, C. (Intergenerational Foundation, 2021): Stockpiling Space: How the pandemic has increased housing inequalities between older and younger generations: https://www.if.org.uk/wp-content/uploads/2021/04/Stockpiling-Space_How-the-pandemic-has-increased-housing-inequalities_FINAL.pdf (page 6)

[13] Office for National Statistics (2021). House price to workplace-based earnings ratio: https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian

[14] Op. cit.

This has led to an increasing transfer of wealth across generations, as younger generations are unable to buy their own home and are instead having to pay rent to older landlords, making it even more difficult to save for a deposit.[15]

Living space

Figure 7

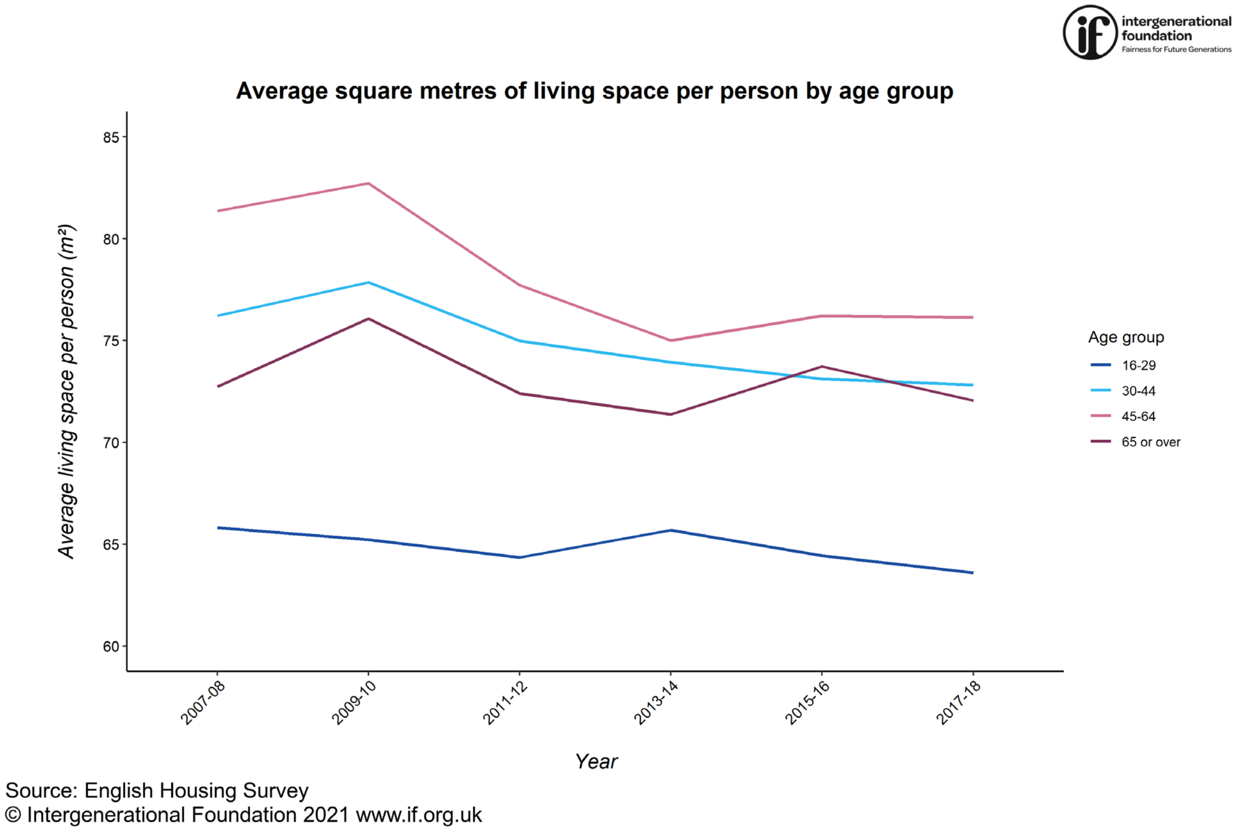


Figure 7 reveals that younger people have consistently had a considerably smaller amount of living space than older age groups over the last decade. The 45–64 age group has experienced the biggest drop in average living space per person: from around 82 square metres in 2007–2008 to around 76 in 2017–2018. The 30–44 age group has also experienced a slow decline in average living space per person over the decade. The over-65s group has fluctuated over time but is the only age group not to experience a notable decrease in space over this 10-year period.

[15] Ibid.

The UK has the smallest rooms and the second smallest houses in Europe.[16] This issue has been compounded by the relaxation of permitted development rights, as the homes that are being converted from office and retail spaces are exempt from national space standards, resulting in some being smaller than $9m^2$.[17] It is therefore concerning that the government plans to relax permitted development restrictions further,[18] as this is likely to increase the number of poor-quality housing developments which do not conform to national space standards.

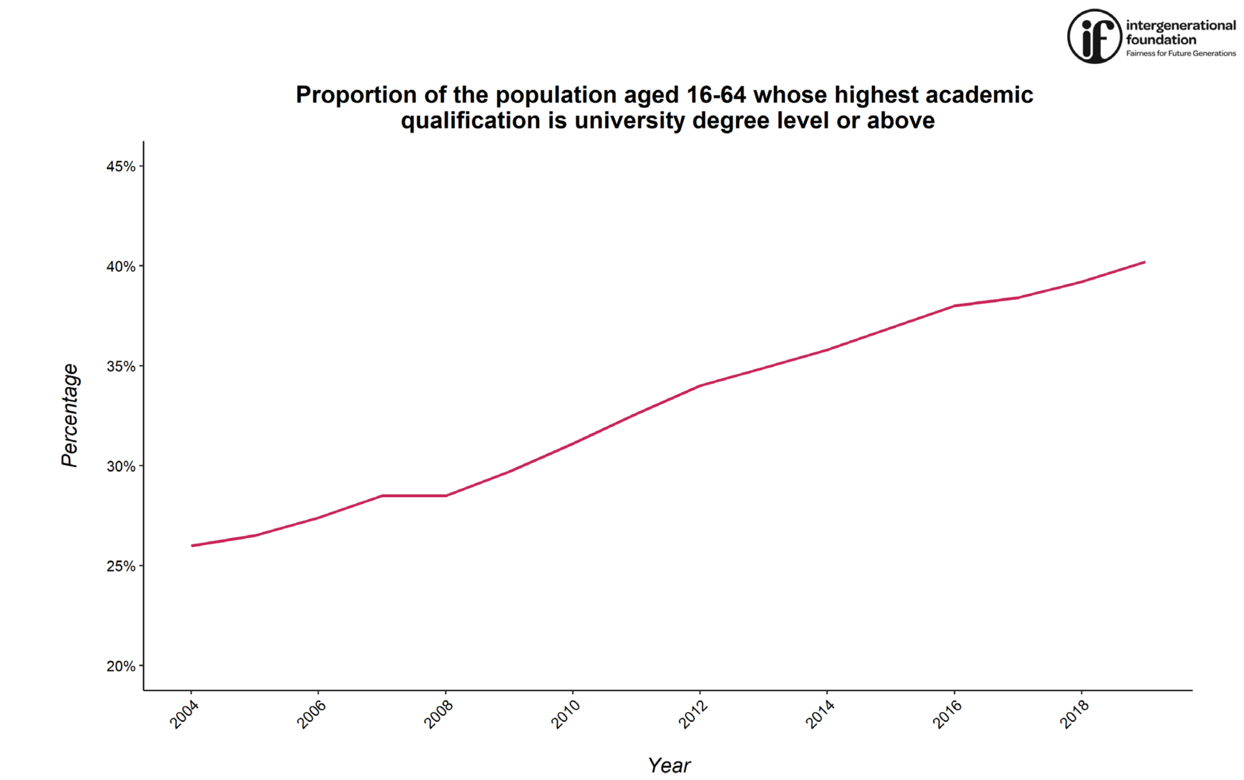
Alongside the issue of small living spaces, the UK also has a problem of under-occupation. A previous report by IF focused on this issue and drew attention to the statistic that in 2019, 52% of owner-occupiers were under-occupying their homes.[19] While our homes are getting smaller, the allocation of space is not being shared equitably across the generations. We need to increase the supply of new housing for younger generations, but we also need to use our existing housing stock better, and under-occupation by older generations is a key driver of this living space inequality.

[16] Wiles, C. (Intergenerational Foundation, 2020): Rabbit Hutch Homes: The growth of micro-homes: https://www.if.org.uk/research-posts/rabbit-hutch-homes-the-growth-of-micro-homes
[17] Ibid (page 18)
[18] Ministry of Housing, Communities & Local Government (2020). Planning for the Future: https://www.gov.uk/government/consultations/planning-for-the-future
[19] Op. cit.

4. Higher education

Educational attainment

Figure 8



Source: ONS, Annual Population Survey. University degree level or above is defined as NVQ4 level or above.
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The proportion of the population with a university degree has risen from 26% in 2004 to just above 40% in 2019, as shown in Figure 8. This has largely been driven by the rapid increase of younger people in higher education – from 2019 onwards, for the first time in history, over 50% of young people in the UK are attending university.[20]

In many ways, these statistics can be viewed as a success story. While it is difficult to quantify the public benefit of a higher-educated workforce, research by IF suggests that the tax premium on graduates – including the extra tax paid compared with non-graduates – was around £291,000 for each graduate in 2017.[21]

[20] Coughlan, S. (BBC News, 2019). The symbolic target of 50% at university reached: https://www.bbc.co.uk/news/education-49841620

[21] Albertson, K. (Intergenerational Foundation, 2017). The Economic Inefficiency of Student Fees in England: https://www.if.org.uk/wp-content/uploads/2017/04/The-Economic-Inefficiency-of-Student-Fees_Final.pdf (page 8)

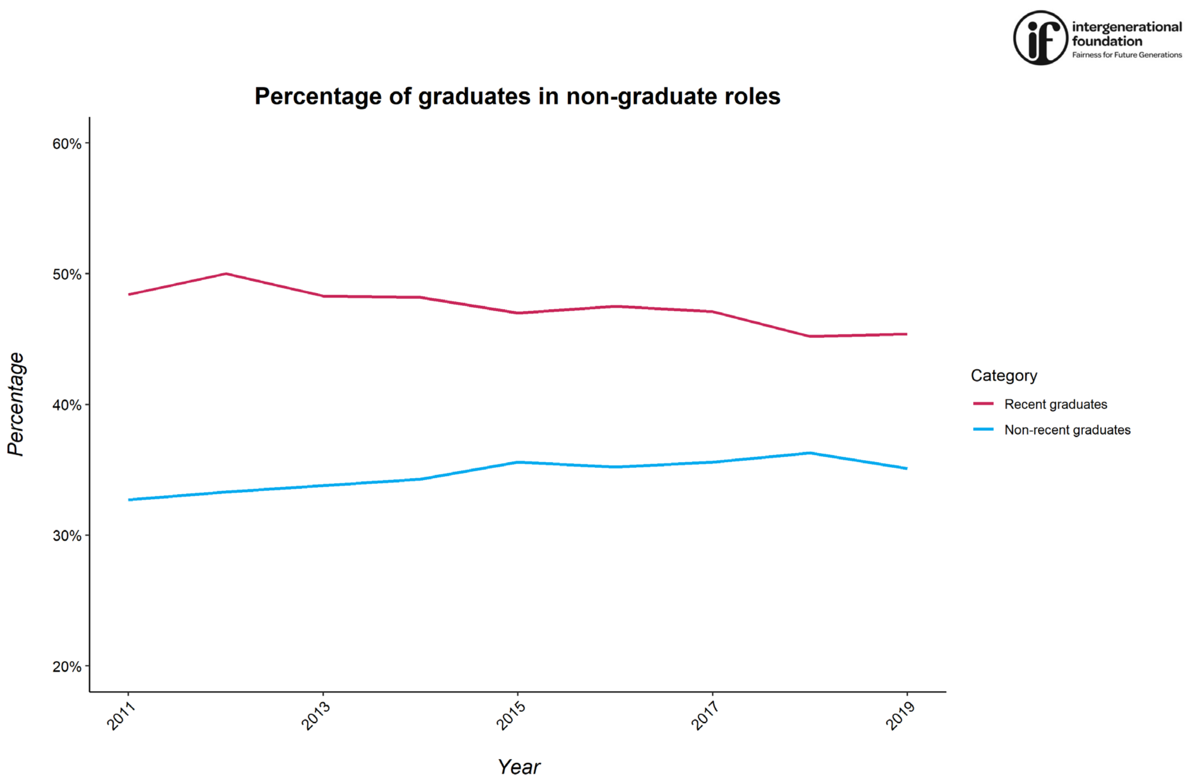
There are also many positive social externalities associated with undertaking a higher education. These include: high graduate engagement in valuable voluntary work; graduates tend to be more law-abiding than non-graduates; and graduates are less likely to engage in riskier lifestyles and therefore present less of a burden to both the NHS and criminal justice costs.[22]

However, the increase in the number of people with a university degree has impacted the graduate job market.

Graduates in non-graduate jobs

Since 2011, the percentage of graduates working in non-graduate roles has remained high. The percentage of recent graduates in non-graduate roles peaked at 50% in 2012, decreasing slowly to around 45% in 2019 (Figure 9). Meanwhile, the percentage of non-recent graduates in non-graduate roles has gradually increased: from just under 33% to just over 35%. The number of graduate roles available is not keeping pace with the increasing number of graduates in the jobs market.

Figure 9



Source: ONS, Annual Population Survey. A recent graduate is defined as a graduate who left full-time education within five years of the survey date, while a non-recent graduate is a graduate who left full-time education more than five years from the survey date. A non-graduate role has been defined as one which is associated with tasks that do not normally require knowledge and skills developed through higher education to enable them to perform these tasks in a competent manner.

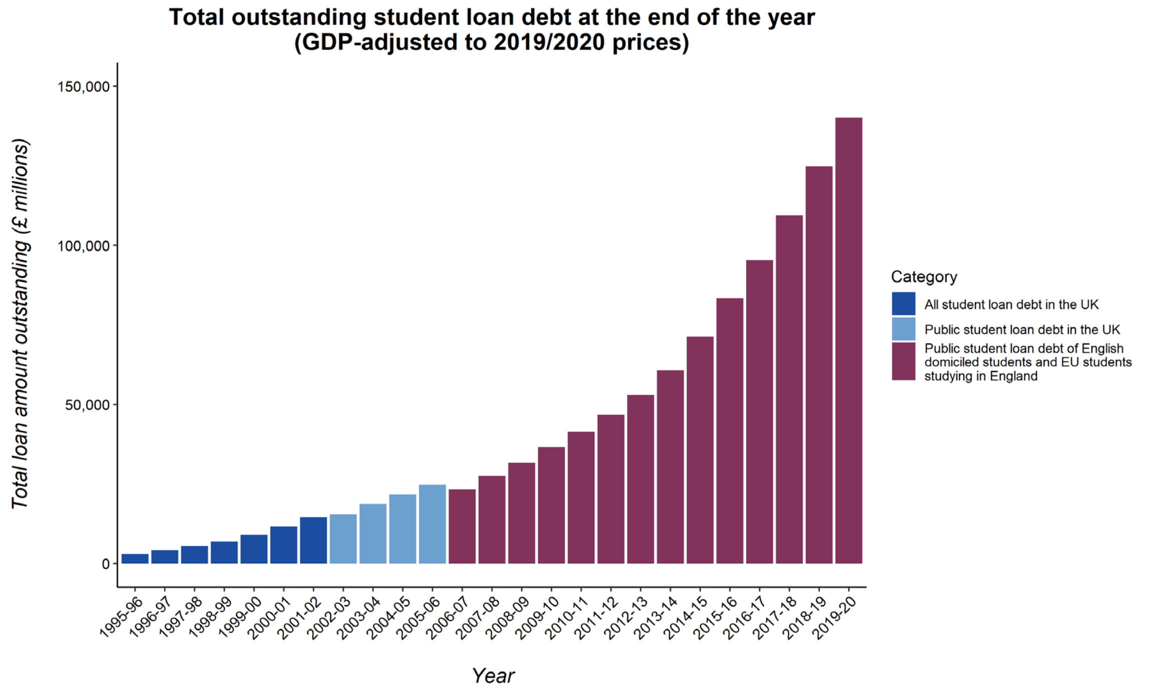
[22] Ibid.

This calls into question the value of obtaining a university degree and suggests that the UK may actually have a problem of over-education with a mismatch between the number of graduates available and the number of graduate job opportunities available.[23]

There are signs that the COVID-19 pandemic has further negatively impacted the graduate job market, with a reduction in posts advertised by organisations. For the class of 2020, the number of graduates recruited was "12.3% lower than in 2019, the largest annual fall in graduate recruitment at the UK's top employers for eleven years."[24] Meanwhile, the job market is even more difficult for the 50% of young people who do not go on to higher education, who increasingly have to compete with graduates for non-graduate positions. This means that, often, school-leavers are being overlooked for positions which in the past did not require a degree.[25]

Student debt

Figure 10



Source: Student Loans Company

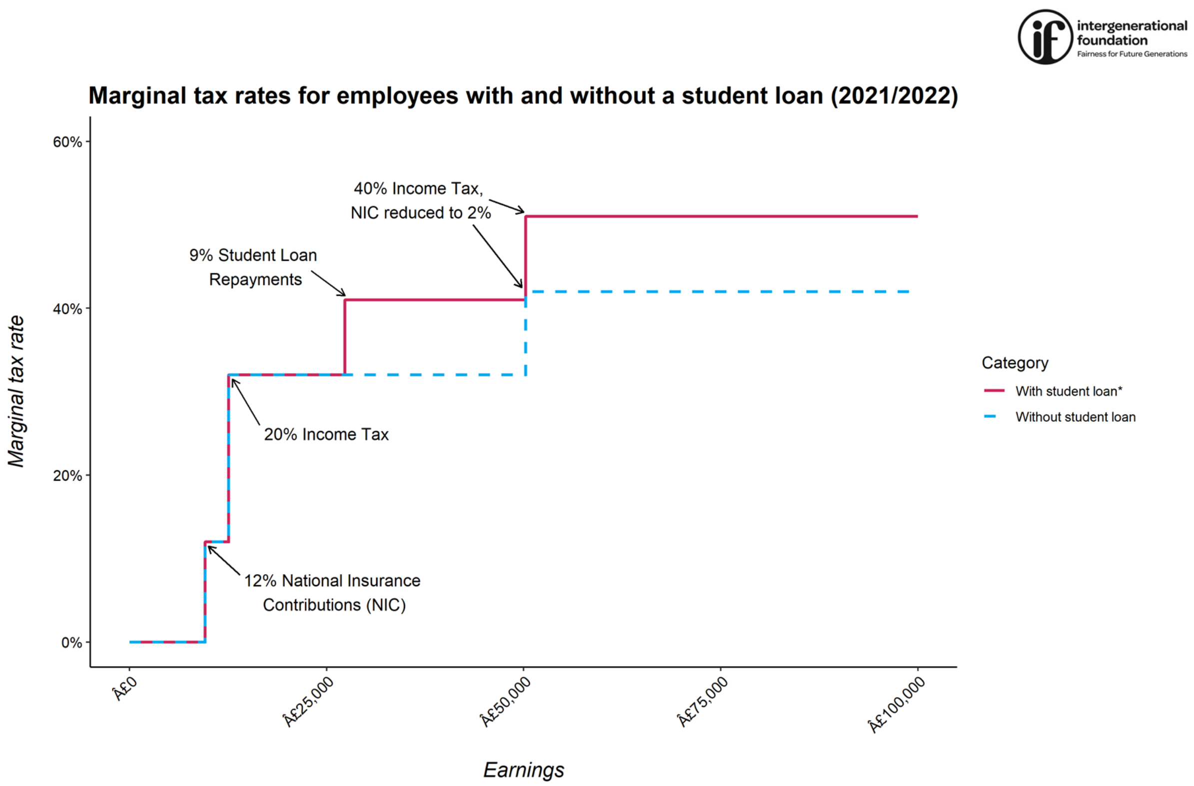
[23] Burney-O'Dowd, R. (Intergenerational Foundation, 2017). Tall Tales: Graduate prospects in the UK labour market: https://www.if.org.uk/wp-content/uploads/2017/10/Tall-Tales_grad_prospcts_in_UK_Labour_market_format_1-1.pdf
[24] High Fliers Research (2021). The Graduate Market in 2021: https://www.highfliers.co.uk/download/2021/graduate_market/GM21-Report.pdf
[25] Elliot, L. (The Guardian, 2016). Huge increase in number of graduates "bad for UK economy": https://www.theguardian.com/money/2016/oct/11/huge-increase-in-number-of-graduates-bad-for-uk-economy

This issue requires a government policy response as outlined in the Augar Review, which calls for greater government and business investment in improving the quality, value and societal perception of alternative routes into employment with apprenticeships.[26]

Figure 10 illustrates how total student loan debt has increased exponentially over the last 25 years. As expected, total student debt increased rapidly after tuition fees were introduced in 2006/2007, then much more rapidly after 2012/2013 when the tuition fee cap was raised to £9,000. In 2011/2012 – the year before the fee increase – the total outstanding student debt was around £46,700 million. In 2019/2020, this had risen to approximately £140,000 million. Therefore, in the short 8-year period since the fee cap was raised, the total outstanding student debt in the UK has tripled.

Student loan repayments

Figure 11



Source: Student Loans Company. *Student loan refers to Plan 2 (post-2012) student loan.
© Intergenerational Foundation 2021 www.if.org.uk

[26] Department of Education (2019). Post-18 review of education and funding: independent panel report: https://www.gov.uk/government/publications/post-18-review-of-education-and-funding-independent-panel-report

This trend shows no sign of slowing down, as "the Government forecasts the value of outstanding loans to reach around £560 billion (2019–2020 prices) by the middle of this century", with the debt of the average student who graduated in 2019 totalling around £40,000.[27] In addition, the Government anticipates that only 25% of current full-time undergraduates who take out a student loan will end up repaying it in full.[28]

Figure 11 shows the difference in marginal tax rates for employees with and without a post-2012 student loan. For graduates with a loan, once their annual earnings exceed £27,295, they begin paying 9% tax on all earnings above this amount in student loan repayments. In combination with income tax and National Insurance Contributions (NICS), graduates effectively pay a 41% marginal tax rate, rising to 51% if they earn above £50,270. In comparison, employees without a student loan pay a 32% marginal tax rate on earnings between £12,571 and £50,270 and a 42% marginal tax rate on earnings above £50,270. Figure 11 does not include the additional 1.25% increase in NICS that working-age people will have to pay from April 2022.

Successive governments have often justified higher student loans by referring to the notion of the "graduate premium": that graduates will have higher lifetime earnings as a result of their further education qualifications and thus it is fair that they should pay more. However, this argument is flawed for several reasons.

Firstly, this additional tax is intergenerationally unfair as the over-50s largely did not have to take out student loans in order to be able to go to university. Secondly, there is increasing evidence that the "graduate premium" is diminishing and, for many graduates, may not manifest at all. As evidenced by Figure 9, a high number of graduates do not attain graduate jobs, even five years after graduating. A previous report by IF also discerns that the average graduate premium today works out at around £100,000 over a person's lifetime, which over a 45-year career is around £2,222 per year – not even enough to cover the interest which will accrue with the average student loan.[29]

Additionally, previous research by IF found that approximately 1 in 10 UK-domiciled undergraduates do not take out student loans and instead pay their fees upfront.[30] This has huge implications for intra-generational fairness, as students from wealthier backgrounds will avoid the additional 9% tax rate for 30 years of their working lives, further increasing inequalities between graduates from different socio-economic backgrounds. This inequality is exacerbated by the replacement of grants with maintenance loans, as more economically disadvantaged students have higher loans and are even less likely to pay these off in full.[31]

[27] Bolton, P. (House of Commons Library, 2020). Student Loan Statistics: https://commonslibrary.parliament.uk/research-briefings/sn01079
[28] Ibid.
[29] Kemp-King, S. (Intergenerational Foundation, 2016). The Graduate Premium: Manna, myth or plain mis-selling?: https://www.if.org.uk/wp-content/uploads/2016/09/Graduate_Premium_final.compressed.pdf
[30] Rakib Ehsan, M. and Kingman, D. (Intergenerational Foundation, 2019). Escape of the wealthy: The unfairness of the English student finance system: https://www.if.org.uk/wp-content/uploads/2019/01/Escape-of-the-Wealthy_Jan_2019_final-1.pdf (page 4)
[31] Ibid (page 8)

Therefore, rather than acting as a tax on workers earning a "graduate premium", the 9% student loan repayment tax just makes it incredibly difficult for young adults with student debts to save, especially for big milestone purchases such as a house deposit or having a family. It is no wonder then that many graduates return home to live with their parents soon after graduating, with recent research from Loughborough University finding that, in 2020, nearly two-thirds of childless single adults aged 20–34 still live with their parents – some 3.5 million people.[32]

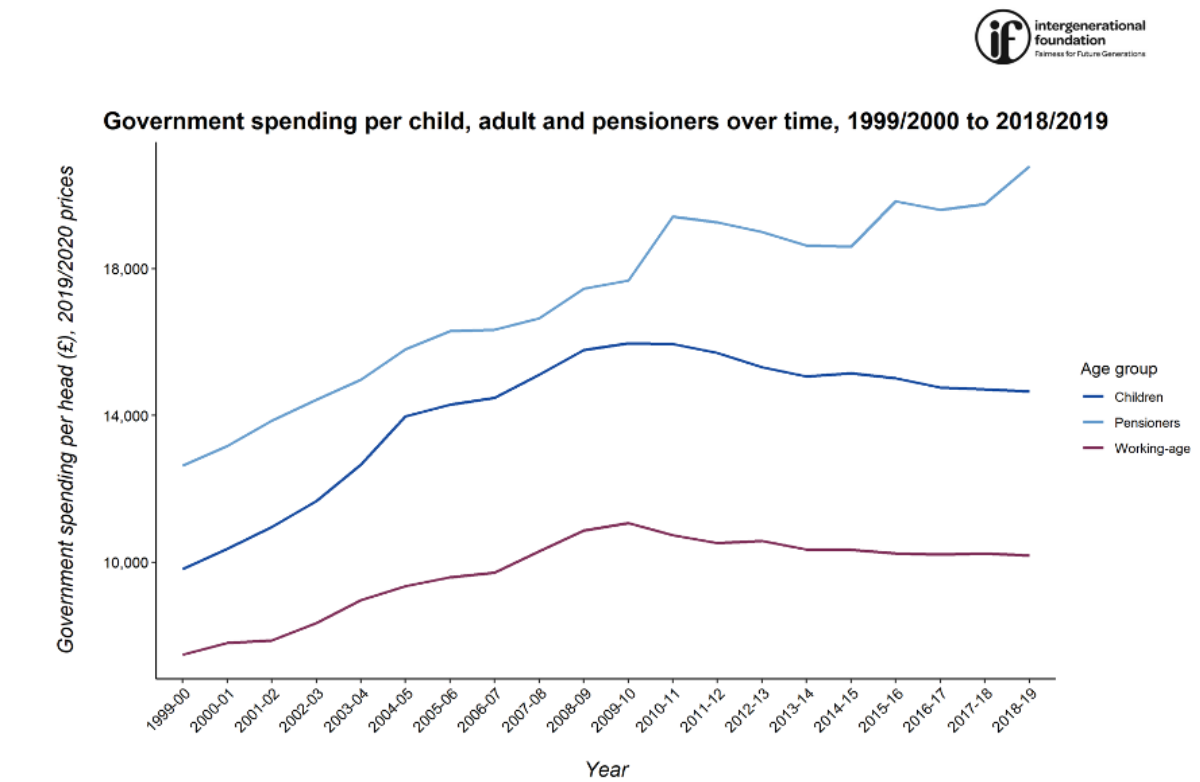
Crucially, the government also has the power to retrospectively change the terms and conditions of student loan repayments. Under the current terms, students will be repaying their loans on earnings above the repayment threshold, which rises with inflation. After 30 years, any unpaid student debt will be written off. However, the 2019 Augar Review of Post-18 Education and Funding proposed lowering the repayment threshold and extending the length of the repayment period to 40 years.[33] The review emphasises that "it would be unfair to adjust loan terms retrospectively for existing borrowers"; however, under current terms, there is no legislation to prevent this from happening.

[32] Hill, K. and Hirsch, D. (Centre for Research in Social Policy, Loughborough University, and Joseph Rowntree Foundation, 2019). Family sharing – a minimum income standard for people in their 20s living with parents.
[33] Department of Education (2019). Post-18 review of education and funding: independent panel report: https://www.gov.uk/government/publications/post-18-review-of-education-and-funding-independent-panel-report

5. Public services

Government expenditure

Figure 12



Sources and Notes: IF's calculations using HM Treasury Public Expenditure and Statistical Analyses tables, Department for Work and Pensions Benefit Expenditure and Caseload Tables, the National Travel Survey, NHS Hospital Episode Statistics, National schedule of NHS costs and statistics on concessionary bus, light rail and tram travel from the Department for Transport website. Population figures have been taken from the Office for National Statistics population projections by single year of age. Figures have been deflated using the HM Treasury GDP deflator.

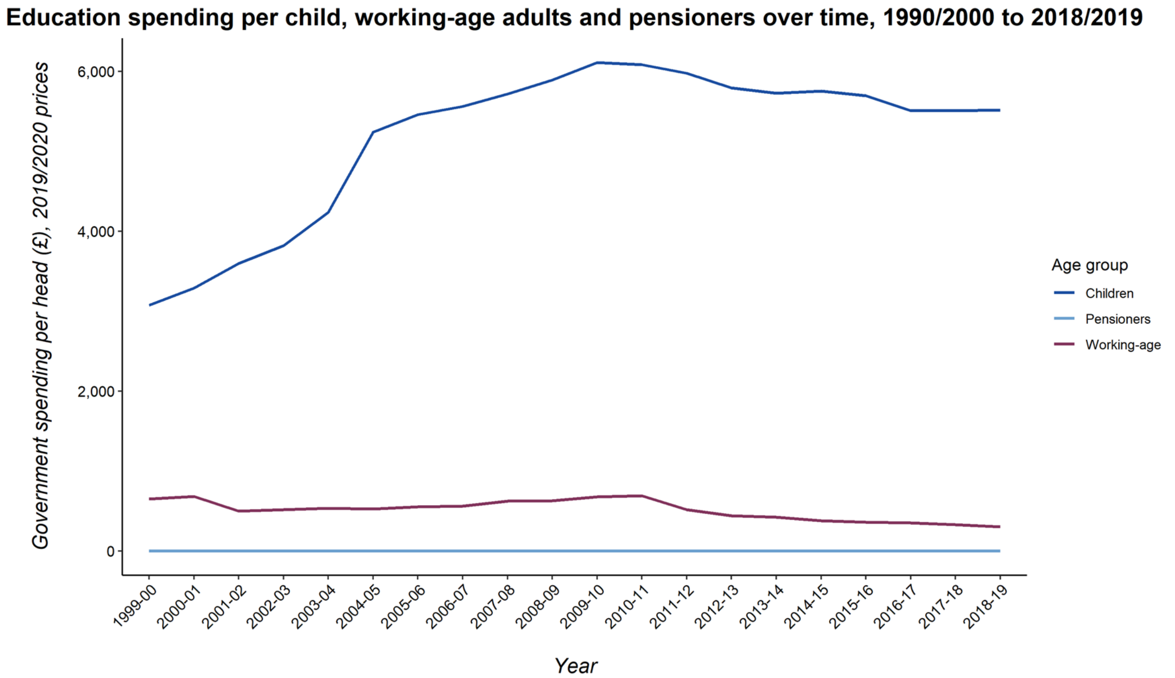
Figure 12 shows the distribution in government spending per person by age group. In 2018/2019, the government was spending approximately £20,800 on each pensioner in comparison to £14,700 on each child – a £6,000 difference. Government spending per child increased by 62% between 1999/2000 and 2010/2011 but has then been in decline over the last decade.

A number of factors driving the gap will be outlined in further detail below, but government policy has played a key role, including the tendency to award services and benefits to pensioners on a universal basis where the equivalent service to children is awarded on a means-tested basis, such as free travel for pensioners or winter fuel payments.

Expenditure on education

As to be expected, government education spending per person is disproportionately allocated to children under the age of 18 (see Figure 13). Government spending per child increased rapidly between 1999/2000 and 2010/2011 from approximately £3,000 to £6,000 per child – an increase of around 98%. From 2010/2011 onwards this government spending started to stagnate and gradually decline, so by 2018/2019 the government was spending around £5,500 on education for each child.

Figure 13



Sources and Notes: IF's calculations using HM Treasury Public Expenditure and Statistical Analyses tables and the Office for National Statistics population projections by single year of age. Figures have been deflated using the HM Treasury GDP deflator.
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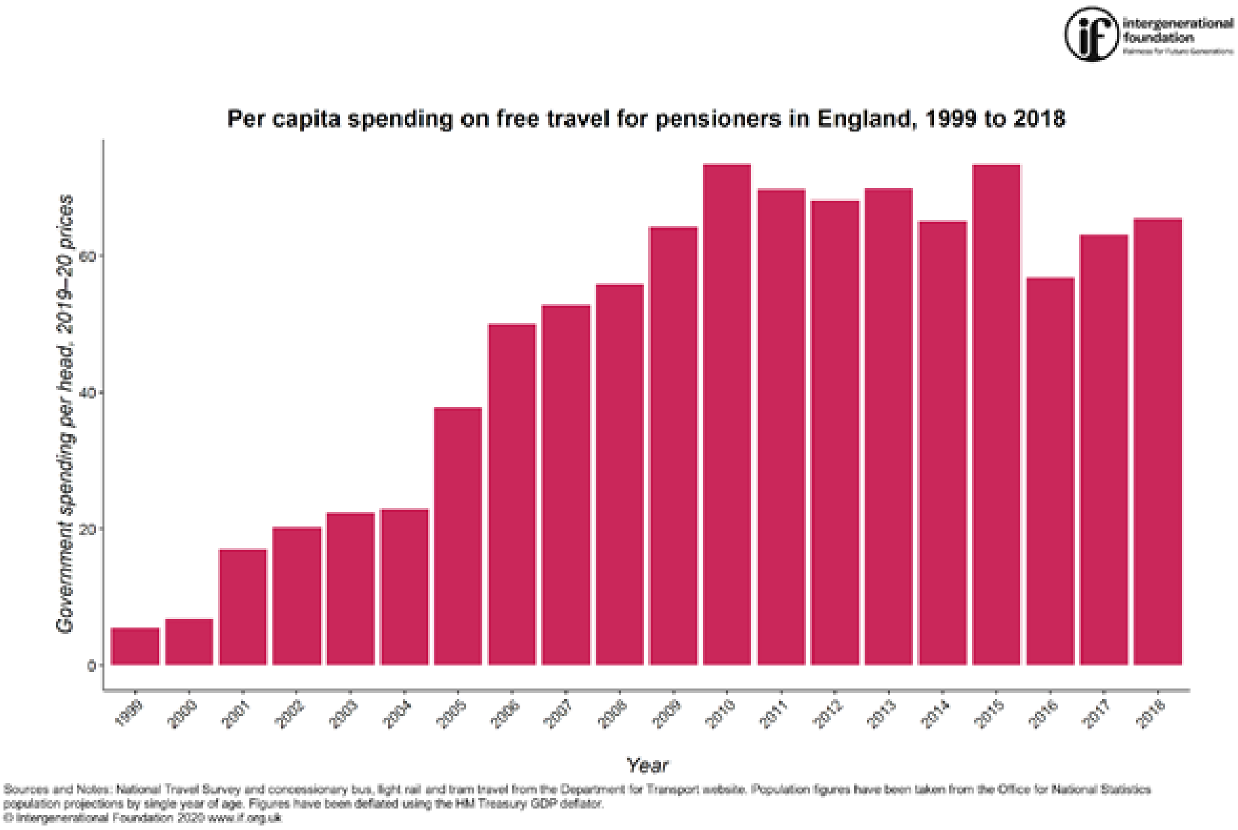
IF's previous research has shown that this has occurred because of lower government expenditure on primary school and secondary school education, as well as significant cuts to funding for Sure Start Centres over this period.[34]

[34] Bui, M. (Intergenerational Foundation, 2021). Age Bias: How government spending is skewed against the young: https://www.if.org.uk/wp-content/uploads/2021/03/Government_Spending_By_Age_FINAL.pdf (page 18)

Expenditure on concessionary travel

Government spending per person on free travel for pensioners in England increased rapidly between 1999 and 2010 and has remained high ever since. In real terms, this government spending per person increased by almost 12 times between 1999 and 2018.[35] This rise has been driven by extensions to free travel for the elderly population, most notably the English National Concessionary Travel Scheme (NCTS) which was introduced in 2001 and offers free travel on buses across all areas of England.[36]

Figure 14



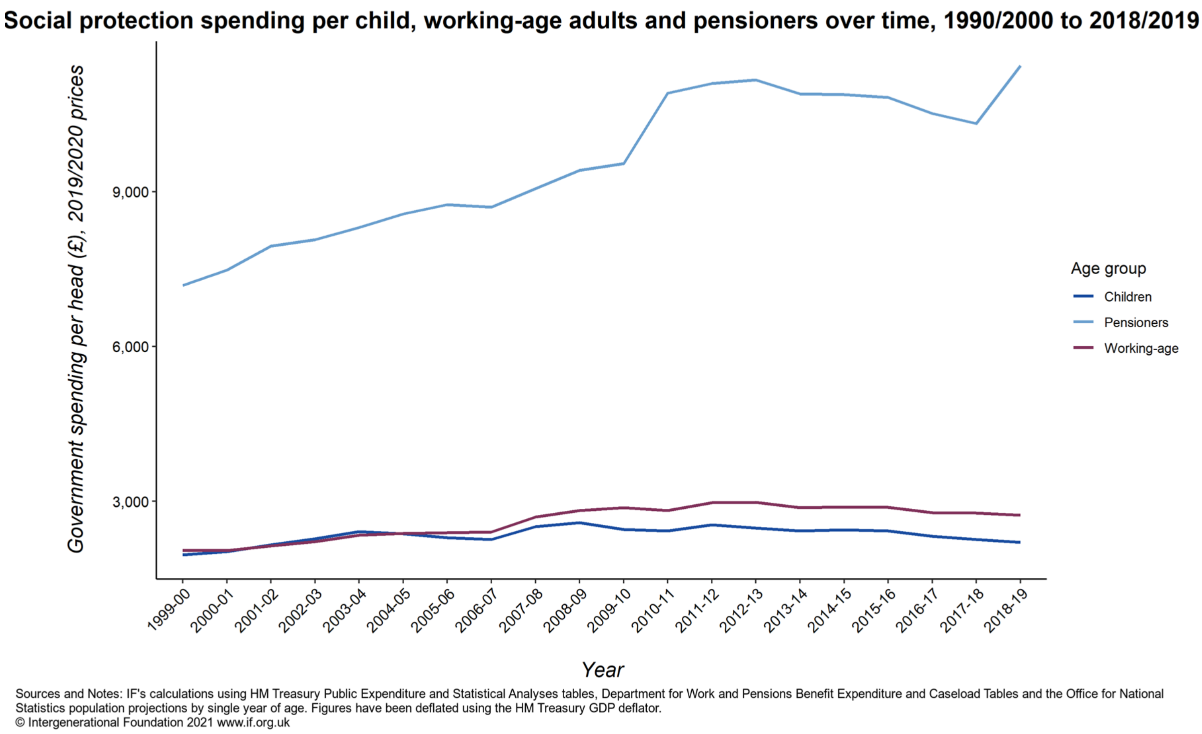
Concessionary travel for pensioners is protected under statutory law, but concessionary travel for children and young people is not and is instead awarded on a discretionary basis at the local authority level. Currently, only 76 out of 89 travel concession authorities offer concessions to children and younger people, and these are often means-tested and therefore not universally available.[37]

[35] Op. cit.
[36] Ibid. (page 22)
[37] Ibid. (page 23)

The lack of universal concessionary travel for children in comparison with pensioners is an issue of intergenerational unfairness. This is especially so when considering the change in law in 2013 which means that children up until the age of 18 are required to remain in education or training, so cannot work full-time and still require free travel to attend school or training.[38] For children between the ages of 16 and 18 who are doing an apprenticeship, the minimum wage is only £4.30 per hour,[39] meaning that they are being hit hardest hit.

Expenditure on social protection

Figure 15



Since 1999/2000, government spending on social protection has consistently been higher for pensioners than for other age groups. Over the period shown on Figure 15, spending on children and working-age adults has remained low, while spending on pensioners is much higher and has increased steadily over this time.

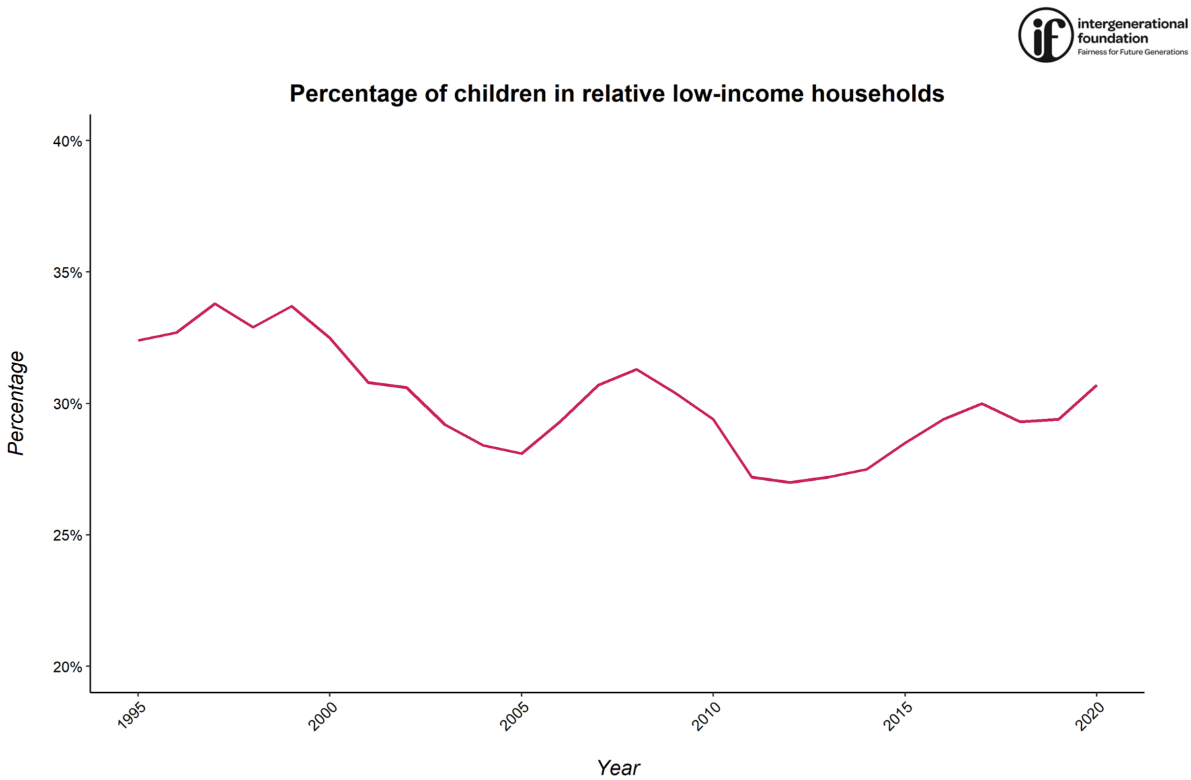
[38] GOV.UK (2021). School leaving age: https://www.gov.uk/know-when-you-can-leave-school
[39] GOV.UK (2021). National Minimum Wage and National Living Wage rates: https://www.gov.uk/national-minimum-wage-rates

There was a sharp uptick in spending per pensioner between 2009/2010 and 2010/2011, which coincided with the introduction of the triple lock in 2010: a government commitment to increase the state pension by either earnings, inflation or 2.5% – whichever is highest.[40]

The intergenerational fairness of this triple lock on pensions has been called into question by the COVID-19 pandemic. Low inflation rates throughout the pandemic have meant that pensions have increased in value relative to other types of savings. In addition, average earnings are predicted to rise by up to 8% in 2021, and under the triple lock system the state pension should rise to the same degree. However, this is an anomaly which has been caused by two factors relating to the COVID-19 pandemic: firstly that earnings were reduced to 80% under the furlough scheme and have been restored to 100% in 2021, and secondly that many of the jobs which were lost during the pandemic were low-paying jobs, therefore their removal has resulted in higher average wages.[41] Despite this, the triple lock on pensions still remains in force.[42]

Children in low-income households

Figure 16



Source: ONS, Households below average income. Relative low-income is defined as below 60% of contemporary median income.
Figures are given for the financial year, e.g. the figure for 2020 is for the period April 2019 to March 2020.

[40] Thurley, D. and McInnes, R. (House of Commons Library, 2021). State Pension triple lock: https://commonslibrary.parliament.uk/research-briefings/cbp-7812

[41] Merrick, R. (The Independent, 2021). Rishi Sunak ready to hand £4bn to pensioners despite rejecting Covid catch-up plan for schools: https://www.independent.co.uk/news/uk/politics/rishi-sunak-triple-lock-kevan-collins-b1867390.html

[42] Ibid.

Figure 16 shows how the percentage of children living in relative low-income households has fluctuated over the last 25 years. This decreased between 1999 and 2005, but then began to rise again up to 31.3% in 2007/2008. The percentage declined for a few years after 2008, but then began to rise gradually from 2011 onwards.

In the 2019/2020 financial year, the percentage of children in relative low-income households rose to 30.7% – the highest rate since 2007/2008. The number of children in relative low-income households has risen to 4.28 million in 2020.[43] This is the highest number since 1999.

The previous graph showing the distribution of government spending on social protection, as well as IF's research on government spending by age, provide an explanation for this rise in child poverty since 2011. Government spending on children per person has been stagnating since 2006/2007 and slowly declining since 2010/2011.[44] The gap in spending between children and pensioners has more than doubled over the last 19 years: in 1999/2000, the government spent £2,800 more on each pensioner than it did on each child, compared to over £6,100 in 2018/2019.[45] This has had the positive impact that poverty rates for pensioners fell from 18% to 11% between 2000/2001 and 2018/2019;[46] however, it has also meant that child poverty percentages have barely changed since the beginning of this period.

It is also important to note that these data are only available until the 2019/2020 financial year, which ended in March 2020. Therefore, the number of children in relative low-income households had already risen to the highest number in 20 years, even before the pandemic hit. It is expected that the COVID-19 pandemic will cause this to rise even further; the Legatum Institute has estimated "that between 30,000 and 120,000 more children were in households in poverty in Winter 2020 than would have been the case if Covid-19 had not occurred".[47]

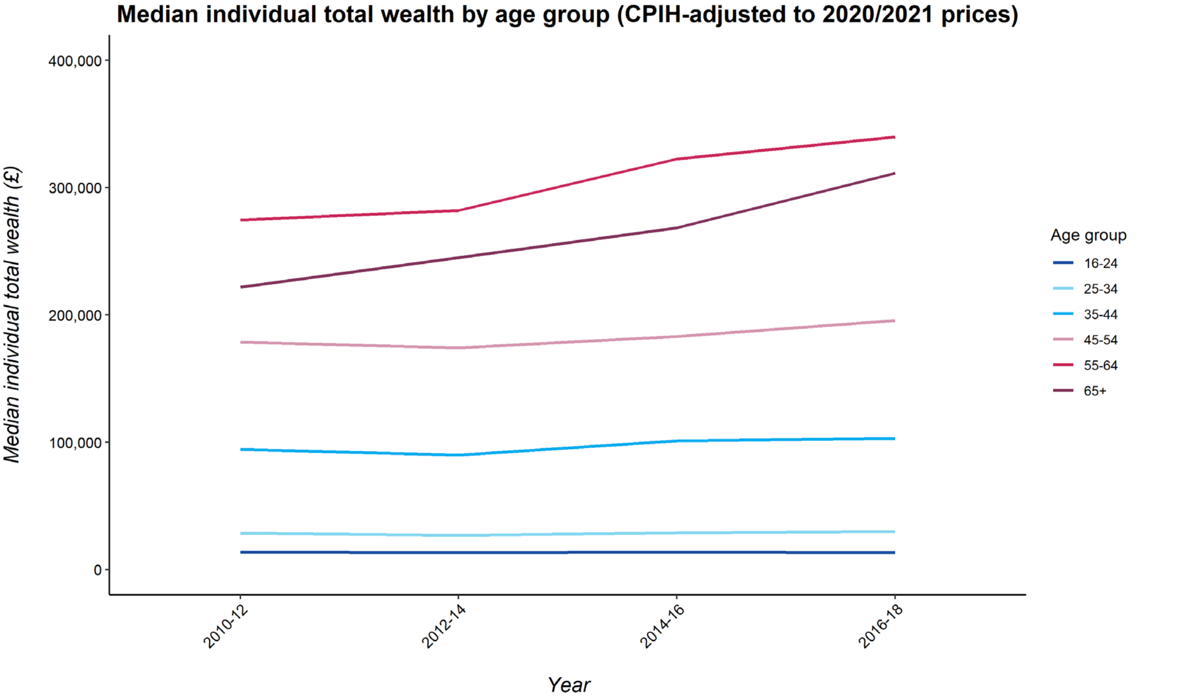
[43] Department for Work and Pensions (2021). Households below average income: for financial years ending 1995 to 2020: https://www.gov.uk/government/statistics/households-below-average-income-for-financial-years-ending-1995-to-2020
[44] Op. cit.
[45] Ibid.
[46] Ibid.
[47] Legatum Institute (2021). Children in poverty: How to tackle the underlying or systemic causes of child poverty, in-cluding ad-dressing potential long-term impacts of the pandemic: https://li.com/wp-content/uploads/2021/04/Legatum-Institute-response-on-Child-Poverty-March-2021.pdf

6. Wealth and expenditure

Individual wealth

It is to be expected that individual total wealth will rise with age, as over their lifetime people are likely to accumulate wealth by paying into pensions and savings or buying property.[48] However, what is striking about Figure 17 is just how much the wealth gap between younger and older age groups has widened over this short 6-year period.

Figure 17



Source: IF analysis of ONS, Wealth and Assets Survey data. CPIH stands for Consumer Prices Index including owner occupiers housing costs.

The median individual wealth gap between the oldest and youngest age groups has increased by around 43% in just 6 years – from approximately £208,000 in 2010–2012 to £298,000 in 2016–2018.

In real terms, the median individual wealth of the two youngest age groups has barely changed over this period.

[48] Office for National Statistics (2019). Total wealth in Great Britain: April 2016 to March 2018: https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/totalwealthingreatbritain/april2016tomarch2018#total-household-wealth-by-age-of-household-reference-person-hrp

The 16–24 age group saw a slight decrease from around £13,800 in 2010–2012, to £13,400 in 2016–2018, while the 25–34 age group saw a slight increase from £28,700 to £30,100. The 35–44 age group increased from £94,400 to £103,000, while the 45–54 age group had a slightly bigger increase of £178,800 to £195,500.

The two oldest age groups have seen the biggest gains in real median individual wealth. The 55–64 age group saw an increase from £274,500 to £339,800 – a rise of around £65,000. For the oldest age group of 65+, the median individual wealth has increased even more rapidly, from £221,800 to £311,500 – a rise of around £90,000.

These changes can be attributed to the huge increase in average house prices over this time period, as well as the triple lock on the state pension which was introduced in 2010 and has ensured that pensions continue to increase in value despite any periods of low inflation.[49] Both of these trends benefit older generations, while stagnating wages and low inflation have meant that younger generations – who are less likely to own property and more likely to have their wealth stored in savings accounts – have not experienced any real increase in individual wealth.

This intergenerational wealth inequality will have also increased since 2016–2018, as the COVID-19 pandemic resulted in house prices reaching record highs, while low inflation rates have further increased the relative value of pensions.

Spending on essentials

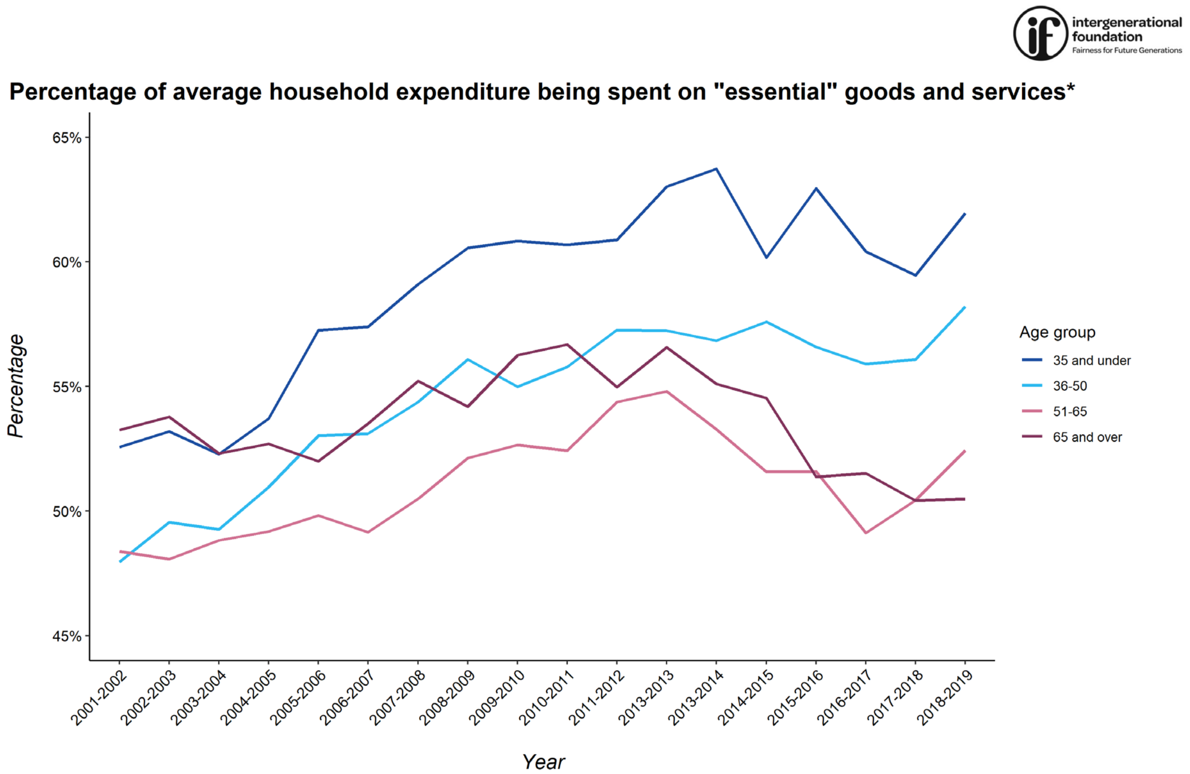
In 2001/2002, the oldest and youngest age groups were spending a similar percentage of their household expenditure on "essential" goods and services: around 53% for both the under-35s and over-65s groups. The 36–50 and 51–65 age groups were spending a similar – lower – percentage, of around 48%.

Moving forward to 2018/2019, the only age group spending a lower percentage of their household income on "essential goods" compared to 2001/2002 is the over-65s, while for all other age groups, the percentage has increased. Over this period, the over-65s went from being the age group spending the highest percentage on "essential" goods and services, to the age group spending the lowest. Under-35s now spend the highest percentage of their income on essential goods and services: around 62% or nearly two thirds of their income.

This proportion of household expenditure spent on "essentials" rose by 18% between 2001/2002 and 2017/2018 for households aged 35 and under, indicating that the cost of living is a higher burden for Millennials and Generation Z than it was for Generation X at the same stage in life.

[49] Thurley, D. and McInnes, R. (House of Commons Library, 2021). State Pension triple lock: https://commonslibrary.parliament.uk/research-briefings/cbp-7812

Figure 18



Source: ONS, Living Costs and Food Survey. *Using IF's definition of essential expenditure by age of Household Reference Person.
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This inequality is likely to get worse over the next few years, as it is predicted that inflation will rise as the UK recovers from the COVID-19 pandemic.[50] As inflation rises, this will drive up the prices of "essentials" for all age groups, but the under-35 age group will be hit the hardest by the increased cost of living and the erosion of cash savings. Meanwhile, as older generations are more likely to have their wealth invested in housing and pensions instead of savings, they will be better protected from the effects of this inflation.

[50] Chapman, B. (The Independent, 2021). UK inflation up more than expected amid Covid fluctuations: https://www.independent.co.uk/news/uk-inflation-up-more-than-expected-amid-covid-fluctuations-covid-london-office-for-national-statistics-monetary-policy-committee-bank-of-england-b1866928.html

7. Health

Expenditure on health services

Figure 19

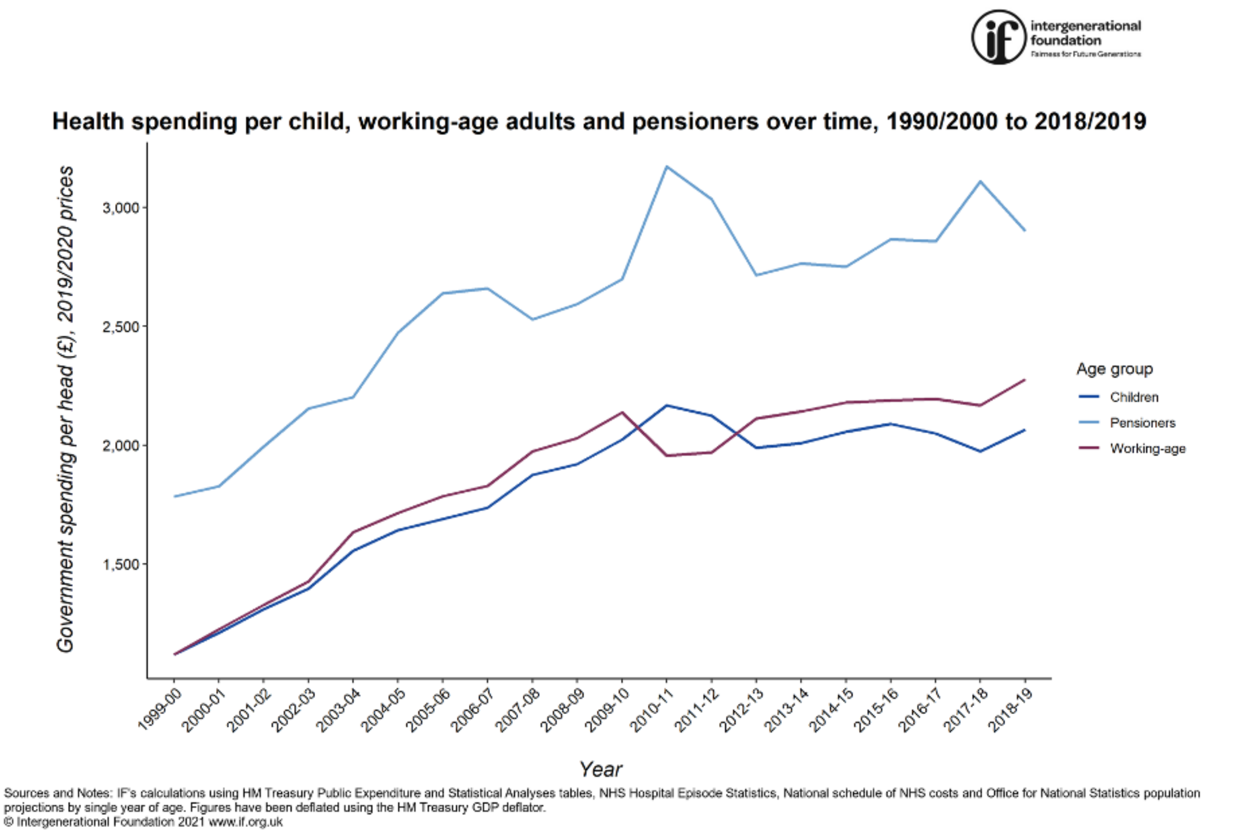


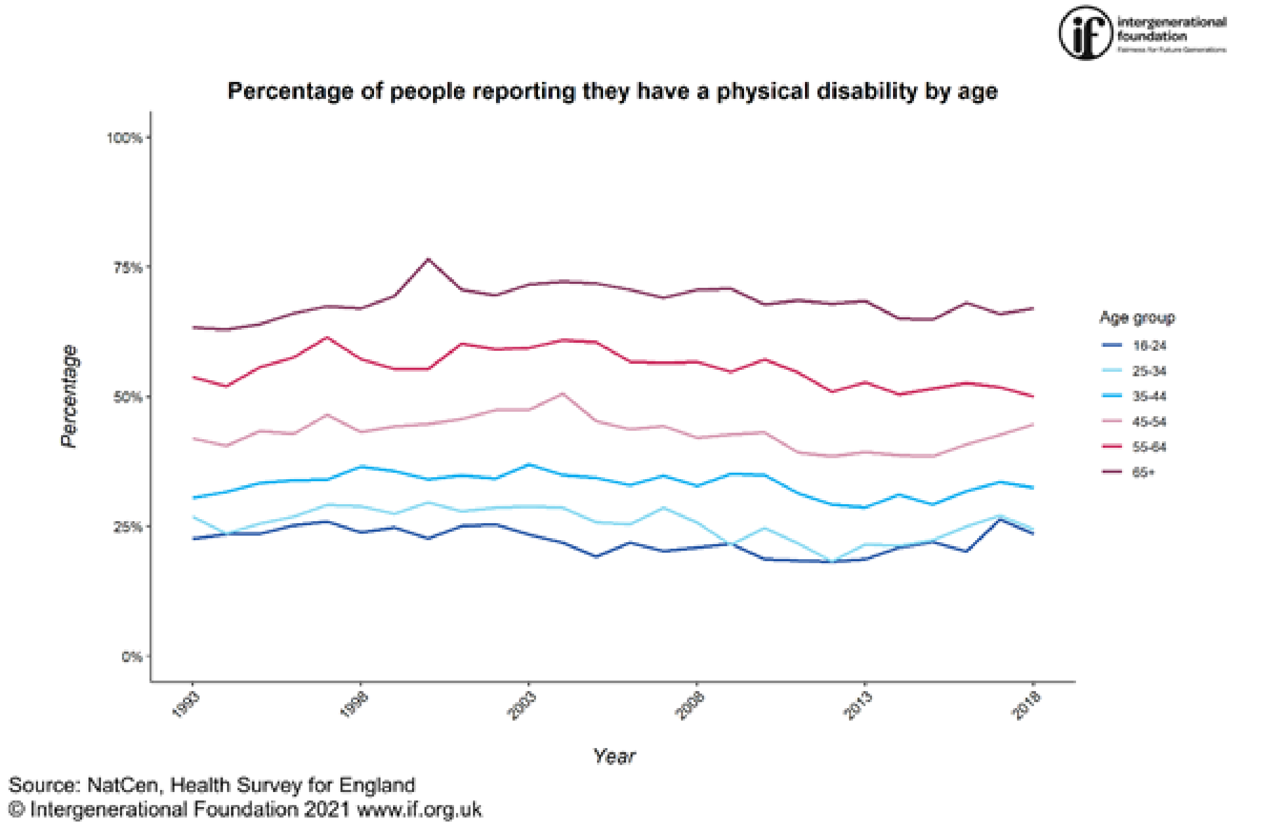
Figure 19 shows that government health spending on pensioners has been consistently higher than for other age groups, which is to be expected as older age groups are more likely to encounter health issues. Spending on health per person has increased at a similar rate over time for pensioners and working-age adults; however, for children, spending has stagnated since 2010/2011.

Physical health

The percentage of the population with a physical disability has remained fairly steady over the last 25 years. The general trend shown here is that the older a person is, the more likely they are to have a long-term health condition. This is to be expected as generally health deteriorates with age.

There has also been a slight uptick in the percentage of younger age groups with a physical disability from 2014 onwards, which suggests that children may be benefiting less from public health spending in recent years (Figure 20).[51]

Figure 20



One or more long-term conditions, which, combined with welcome increases in longevity – living longer but living longer unwell – puts greater pressure on government spending. The question is how best to ensure that spending is spread fairly across the generations, and one of the arguments is that older generations should contribute more towards the cost of their social care in order to maintain the social contract across the generations.

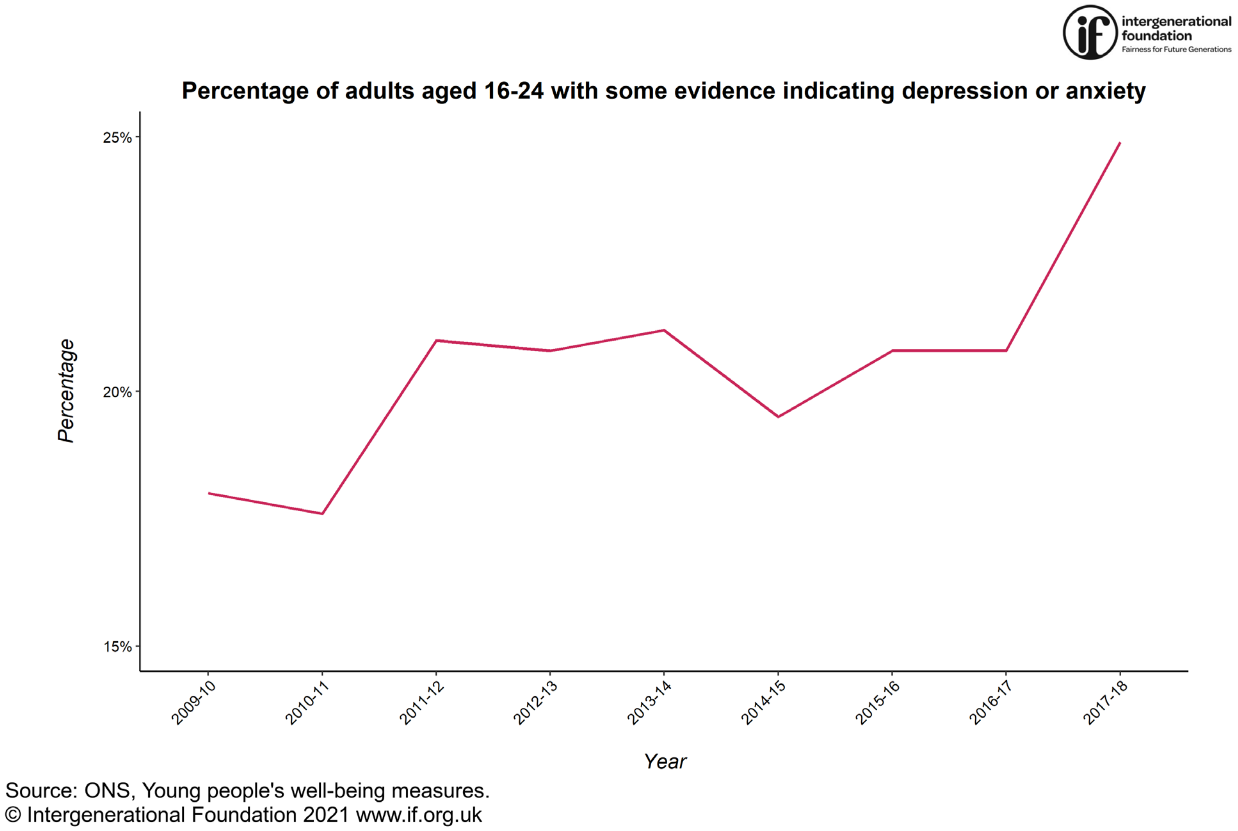
Mental health

The percentage of young adults with some evidence indicating depression or anxiety has risen considerably over the last decade, from 18% in 2009/2010 to 25% in 2017/2018. There is also strong evidence that this will have increased as a result of the COVID-19 pandemic.

[51] Op. cit.

As the ONS found in early 2021, rates of depressive symptoms for adults aged 16–39 had more than doubled in comparison to before the pandemic.[52] This is a problem which deserves fiscal priority, as poor mental health as a young adult not only has negative consequences for an individual while they are young, but this disruption during such a transitional period of an individual's life can also lead to issues later throughout their life, such as "prolonged spells of unemployment, disruption of education, reduced life expectancy and decline in physical health."[53]

Figure 21



Previous research by IF also indicates that spending on early intervention to treat depression is economically beneficial for the government, as the fiscal cost of intervention is lower than the lost tax revenue per individual. This is largely because depression can impact on employment status, resulting in a loss of revenue from income tax as well as the cost of individuals requiring government income support.[54]

[52] Office for National Statistics (2021). Coronavirus and depression in adults, Great Britain: January to March 2021: https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/articles/coronavirusanddepressioninadultsgreatbritain/januarytomarch2021
[53] Bui, M. (Intergenerational Foundation, 2020). Costing Young Minds: The fiscal consequences of the lack of spending on young adult mental health: https://www.if.org.uk/wp-content/uploads/2020/07/Mental_Health_paper_format_FINAL.pdf (page 5).
[54] Ibid.

In addition to physical predisposition to certain health conditions, people's health is also heavily influenced by "social determinants of health". These are the social, cultural, political, economic, commercial and environmental factors that impact the conditions in which people live, such as their education, employment, housing and relationships with family and community.[55]

As shown by this report thus far, young people are lagging behind older generations regarding many of these social determinants of health. Research by the Health Foundation found that young people's struggles with insecure work and housing, as well as general financial instability, have made it impossible for many young people to plan for the future, as they report high levels of anxiety and feelings of "failure".[56] It is clear that these social and economic issues also need to be addressed as part of any policy approaches aiming to improve young people's mental health.

[55] Kane, M. and Bibby, J. (The Health Foundation, 2018). Listening to our future: Early findings from the young people's future health inquiry: https://www.health.org.uk/sites/default/files/Listening%20to%20our%20future.pdf (pages 13–14)
[56] Ibid.

8. Political representation

Age breakdown of politicians

Figure 22

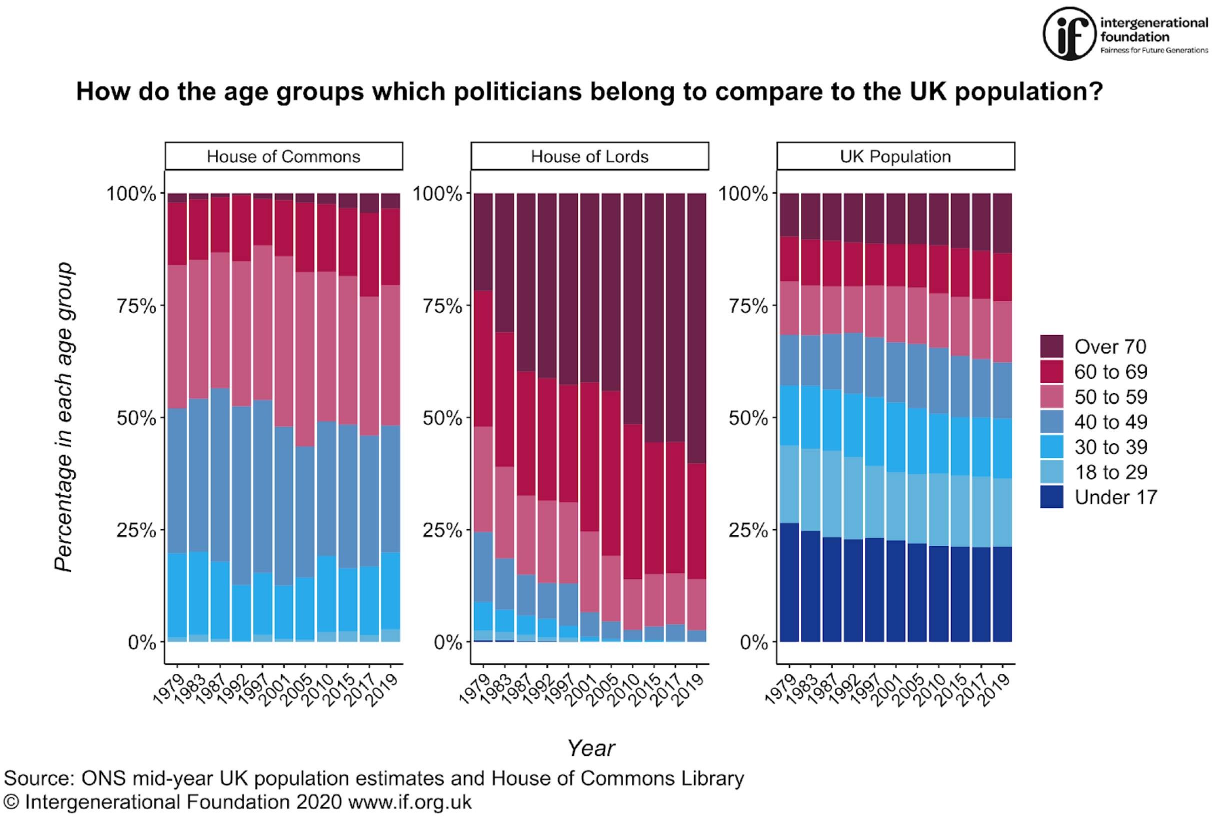
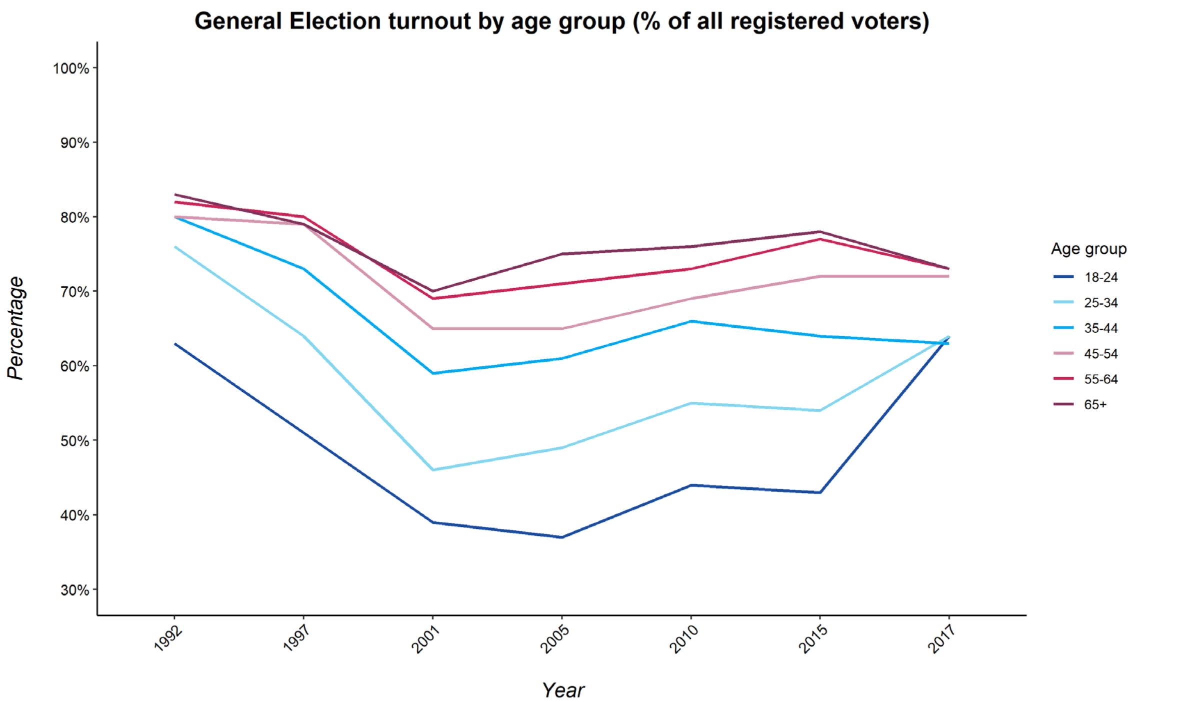


Figure 22 compares the age demographic of the UK population with the Houses of Parliament. The House of Commons has always been dominated by middle-aged people, and almost 70% of current MPs are aged between 40 and 59 – despite this age group making up only around 26% of the UK population. In addition, the House of Lords has become increasingly dominated by older age groups over time: the percentage of Peers who were aged 60 and above has increased from about 50% in 1979 to 86% in 2019, whereas this age group accounts for about 24% of the UK population.

Overall, these trends show that young adults aged 18–29 have consistently been under-represented in both Houses of Parliament: this age group makes up around 15% of the UK population, but only 3% of the House of Commons. In the House of Lords, there are currently no members within this age group.

Turnout gap by age

Figure 23



Source: Ipsos MORI, How Britain voted

Figures 23 and 24 show the turnout in all general elections since 1992. Figure 23 shows the turnout percentage of all registered voters, while Figure 24 shows the turnout percentage of all eligible voters – this data is only available from 2015 onwards. The latter is deemed to be a more representative method of measuring turnout as a percentage of the total population, as this also includes voters who are eligible but have not registered to vote.

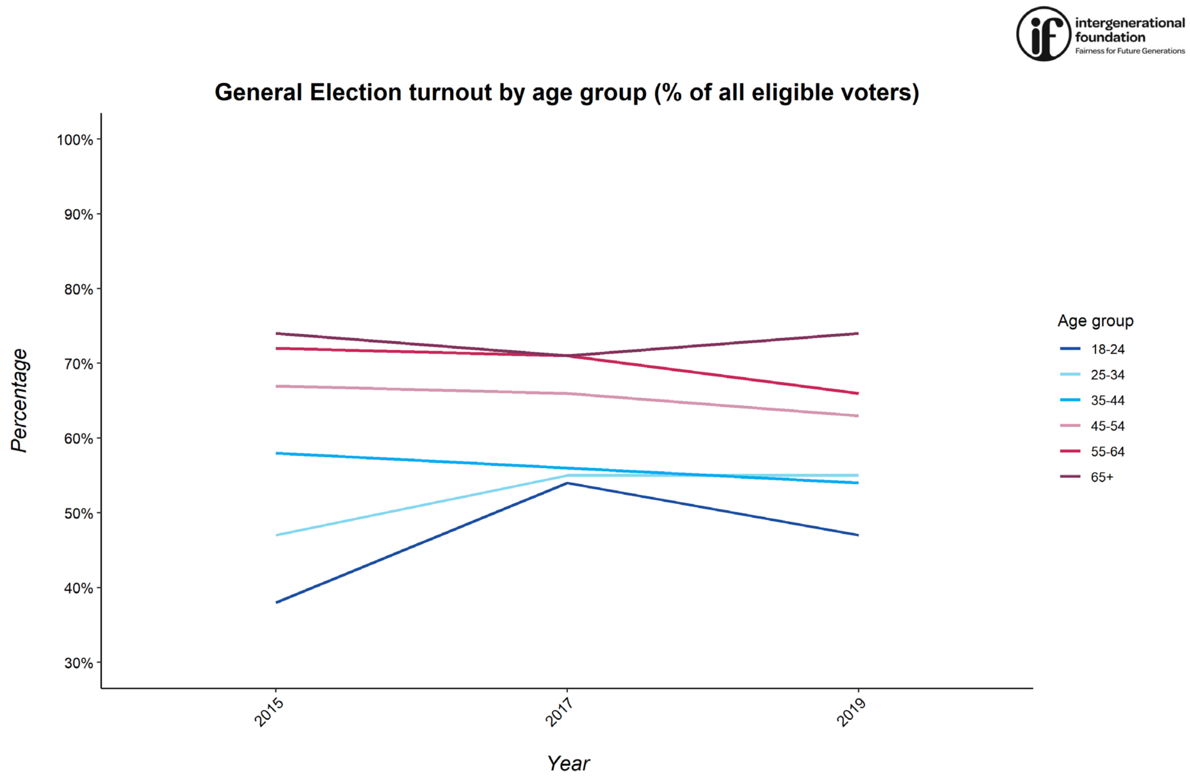
The overall trend is that the likelihood of turning out to vote increases with age. The gap between ages increased from 1992 onwards but started to close again in 2015 and 2017 as turnout stalled or slowed among older voters, while rising in younger voters.

IF has previously researched the 2017 "youthquake": the huge increase in the turnout of younger voters in comparison with the previous general election in 2015.[57] For the 18–24 age group, there was a 21% increase in registered voters who turned out to vote between 2015 and 2017, with a 16% increase in all eligible voters who turned out.

[57] Sloam, J. and Rakib Ehsan, M (Intergenerational Foundation, 2017). Youth Quake: Young people and the 2017 General Election: http://www.if.org.uk/wp-content/uploads/2017/11/Youth-Quake_Final.pdf

For the 25–34 age group, there was an increase of 10% of registered voters, and 8% of all eligible voters. However, this trend did not continue in 2019, as the percentage of 25–34 eligible voter turnout stayed the same at 55%, while the 18–24-year-old group dropped by 7%.

Figure 24



Source: Ipsos MORI, How Britain voted
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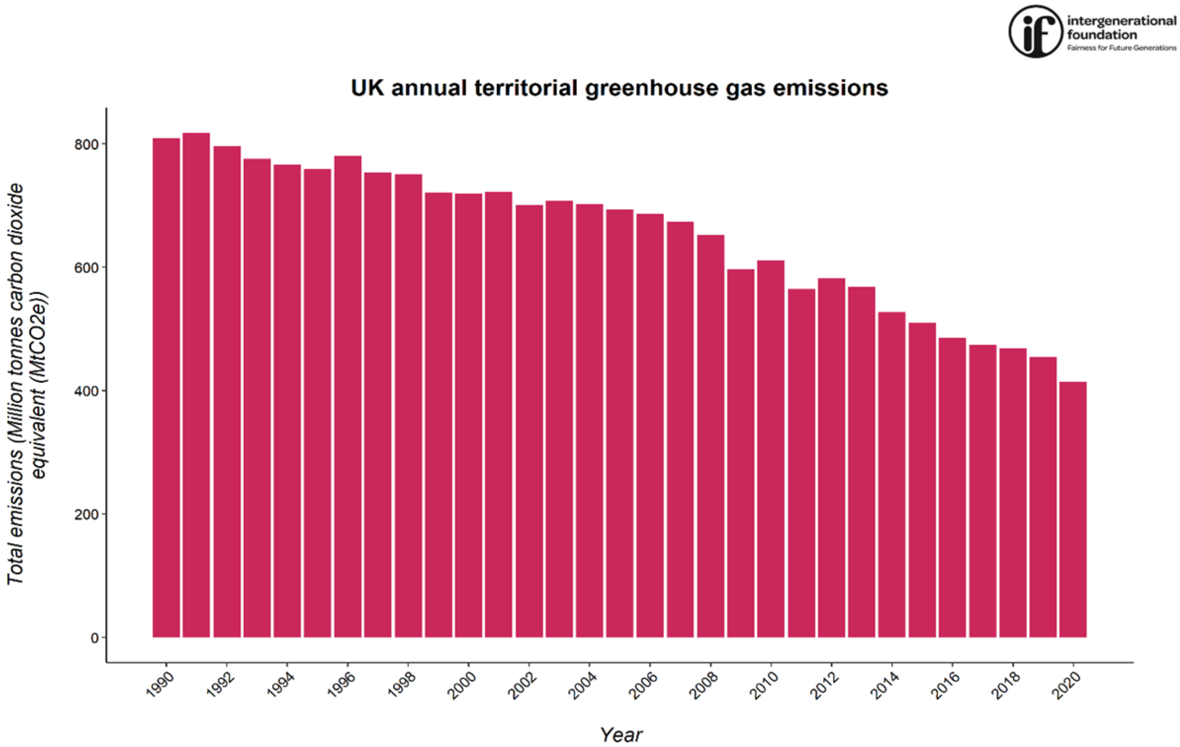
As Figure 22 demonstrates, younger people are greatly under-represented in the Houses of Parliament, which could be contributing to the lower turnout rates in younger age groups, as they feel that issues affecting their age group are not being properly represented in Parliament.

9. Environment

Greenhouse gas emissions

Figure 25



Source: ONS, Provisional UK greenhouse gas emissions national statistics 2020. The estimate for 2020 is provisional.

In June 2019, parliament passed legislation requiring the government to reduce the UK's net emissions of greenhouse gases by 100% relative to 1990 levels by 2050.[58] This target is also referred to as reaching "net zero" emissions, where the amount of greenhouse gases produced is cancelled out by the amount removed from the atmosphere. More recently, this target has been tightened by further legislation to reduce greenhouse gases to 78% relative to 1990 levels by 2035.[59]

[58] Institute for Government (2020). UK net zero target: https://www.instituteforgovernment.org.uk/explainers/net-zero-target

[59] Department for Business, Energy & Industrial Strategy. (2021). UK enshrines new target in law to slash emissions by 78% by 2035: https://www.gov.uk/government/news/uk-enshrines-new-target-in-law-to-slash-emissions-by-78-by-2035

Figure 25 shows that greenhouse gas emissions in the UK have been gradually decreasing over the last three decades, with this decrease getting slightly more rapid from 2013 onwards. Provisional estimates show that the UK's total greenhouse gas emissions were 48.8% lower in 2020 than in 1990.[60]

This decrease in emissions has been driven by a wide range of factors. One key factor has been the rise in the use of renewable energy sources in the UK. In 2020, renewable electricity generation overtook fossil fuels for the first year ever.[61] There has also been a shift towards electric vehicles, with the government announcing in 2020 that there will be a ban on selling new vehicles powered solely by petrol and diesel from 2030 onwards.[62]

Campaigns and protest action from groups such as Extinction Rebellion and the youth movement led by Greta Thunberg have helped to bring climate change to political and media attention. There has also been a rise in investing in ESG (environmental, social and governance) – also known as "green investment" – over the last few years, as climate awareness and a desire to support greener industries have grown.

Figure 25 also shows that there was a noticeable drop in emissions in 2020 – a decrease of around 8.9% from the previous year.[63] This was mainly due to a large reduction in the use of road transport during the COVID-19 lockdowns, as well as a reduction in business activity.[64] While COVID-19 has had a positive impact on reducing emissions temporarily, it is likely that emissions will rise again as restrictions are lifted. The COVID-19 crisis therefore presents a key opportunity for the UK to work towards a "green recovery" from the pandemic, by rebuilding the economy and creating jobs through investment in sustainable industries.

Air quality

The longer time series in Figure 26 shows trends in the UK's emissions of major air pollutants since 1970. This also shows a positive outcome, as emissions of all of these have decreased considerably over the last 50 years, with an especially rapid decline being observed from the 1990s onwards.

[60] Department for Business, Energy & Industrial Strategy (2021). 2020 UK greenhouse gas emissions, provisional figures: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/972583/2020_Provisional_emissions_statistics_report.pdf

[61] Norris, R. (RenewableUK, 2021). Renewable energy generation outstrips fossil fuels for first year ever: https://www.renewableuk.com/news/557927/Renewable-energy-generation-outstrips-fossil-fuels-for-first-year-ever-.htm

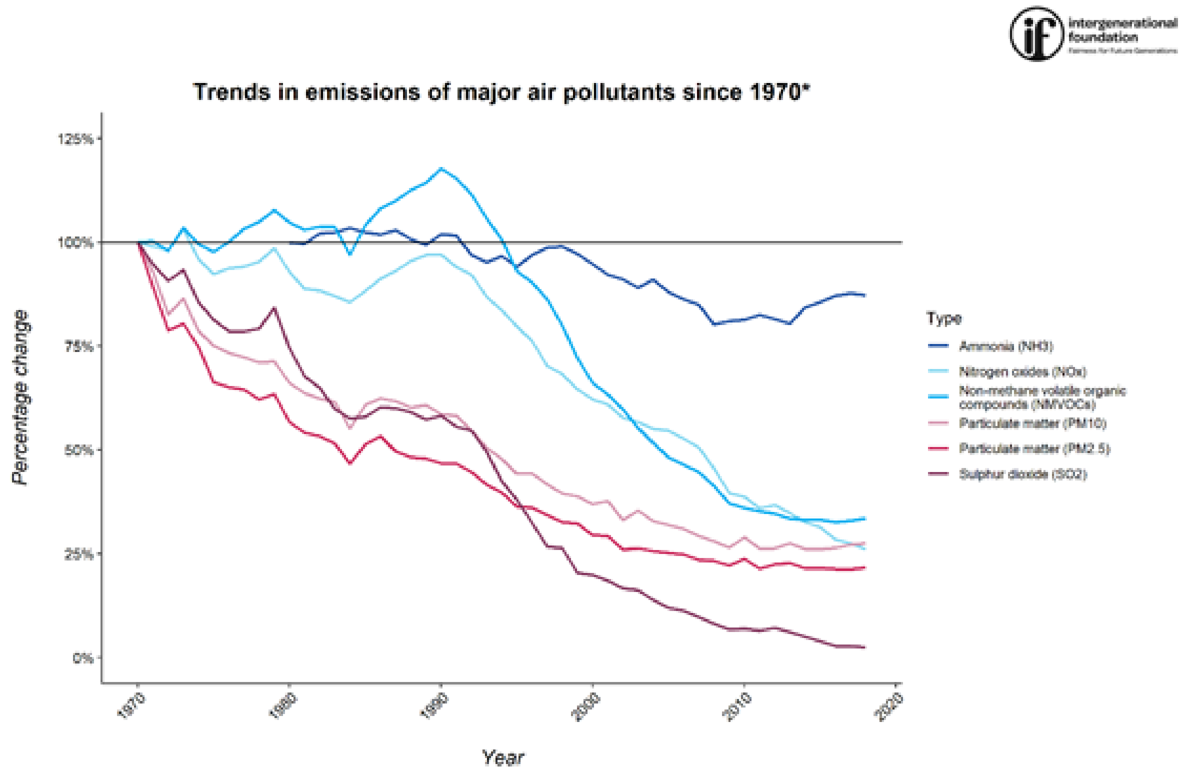
[62] Harrabin, R. (BBC News, 2020). Ban on new petrol and diesel cars in UK from 2030 under PM's green plan: https://www.bbc.co.uk/news/science-environment-54981425

[63] Department for Business, Energy & Industrial Strategy (2021). 2020 UK greenhouse gas emissions, provisional figures: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/972583/2020_Provisional_emissions_statistics_report.pdf

[64] Ibid.

Despite this progress, air pollution levels in many parts of the UK still fall short of what is considered healthy by international standards, with a recent study finding that over a quarter of schools in the UK are located in areas which exceed the World Health Organization air pollution limits, putting millions of children's health at risk.[65] In addition to respiratory problems, air pollution can contribute to other health issues such as higher risk of heart disease, stroke and cognitive disorders.[66]

Figure 26



Source: ONS, Emissions of air pollutants in the UK. *1980 for Ammonia.
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Exposure to pollution can also impact on health outcomes later in life: one study found that, on average, children with a lower prenatal exposure to particulate matter had higher levels of health and income later in life, leading to an increased likelihood of their future children attending college.[67] This demonstrates how this current issue can affect generations even 40 to 50 years into the future.

[65] Global Action Plan (2021). Clean Air Day 2021: Over a quarter of UK schools are above WHO air pollution limits: https://www.cleanairday.org.uk/news-stories/clean-air-day-2021over-a-quarter-of-uk-schools-are-above-who-air-pollution-limits

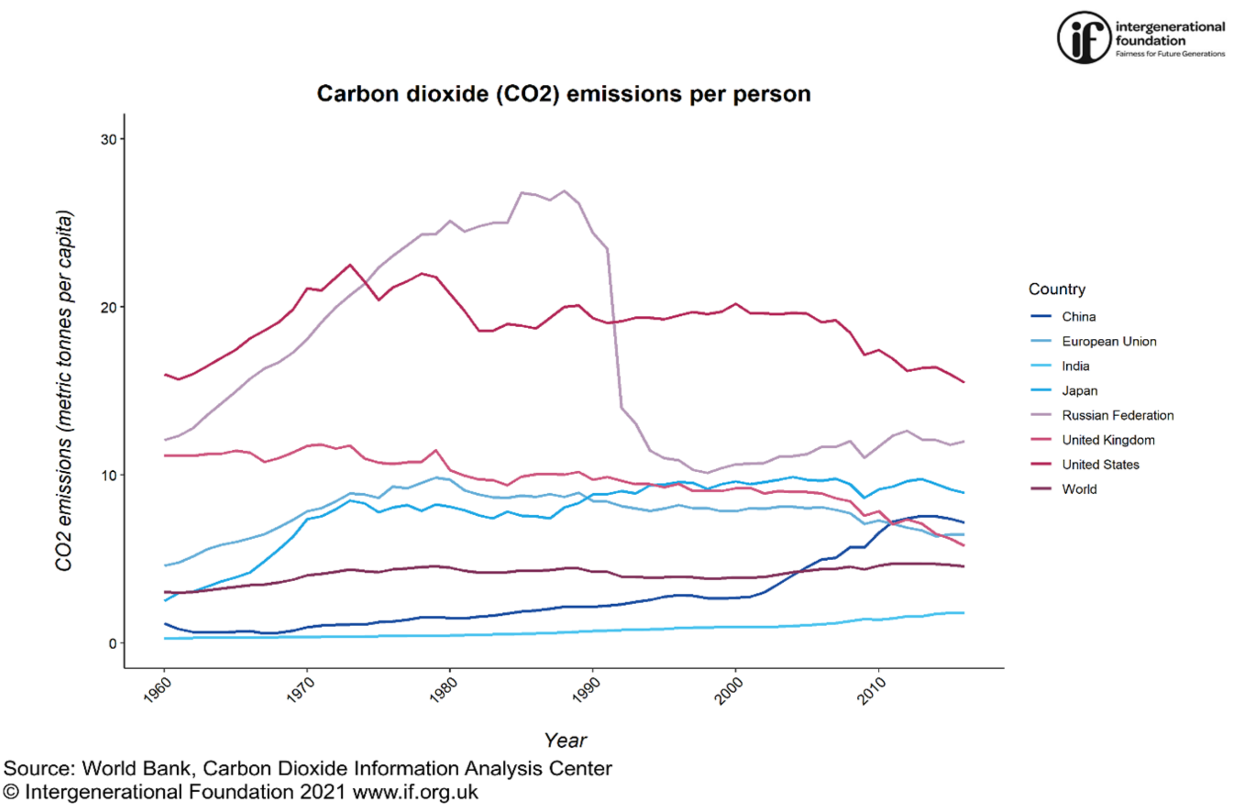
[66] Policy at Manchester University (2021). On Air Quality: Analysis and ideas on tackling air pollution: https://policyatmanchester.shorthandstories.com/on-air-quality/index.html

[67] Colmer, J. and Voorheis, J. (Centre for Economic Performance, 2020). The grandkids aren't alright: The intergenerational effects of prenatal pollution exposure: https://cep.lse.ac.uk/pubs/download/dp1733.pdf

International comparison of CO_2 emissions

As climate change is a global issue, it is also important to consider how the UK's emissions compare with other countries. Figure 27 compares the UK's average emissions per person with the average world emissions, as well as average emissions from several other countries and members of the European Union. This shows that the UK has been gradually decreasing its greenhouse gas emissions over the last three decades and has done so at a faster rate than many other countries. In 2015, the UK's average emissions per person also fell below the EU average per person for the first time.

Figure 27



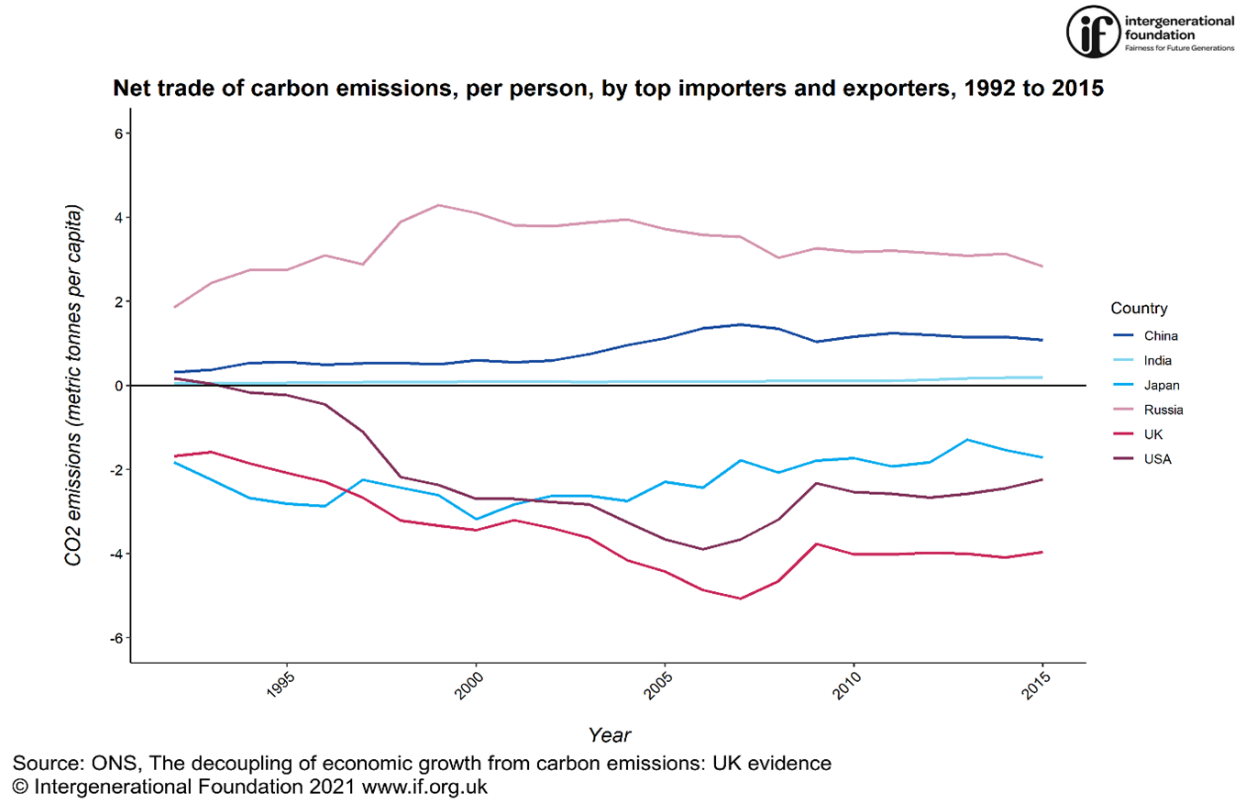
Carbon imports and exports

Figures 25 to 27 paint a positive picture: the UK has been steadily decreasing its emissions over the last few decades, and it has been doing this at a faster rate than many other countries. However, this does not tell the whole story, as those graphs only measure territorial-based emissions – emissions which are produced in the UK. They do not include consumption-based emissions, which are from goods produced in other countries and imported to the UK. Figure 28 takes both of these into consideration, as it shows the metric tonnes of carbon emissions per person for some of the highest importers and exporters.

Figure 28 also reveals that the UK has one of the highest imports of carbon dioxide emissions per person. The UK increased its net imports of CO2 emissions per head from 1.7 tonnes in 1992 to 5.1 tonnes per head in 2007. Since 2007 this declined and then has remained steady at around 4 tonnes per head.

China and the US are often some of the first countries to come to mind when talking about high carbon emissions, due to a combination of large population size and high emissions per person. However, when imported emissions are considered, the UK has higher imported emissions per person than either of these countries, while China has higher exported emissions as they are mainly from goods which are exported to other countries. Most of the UK's imported emissions come from China and the EU.[68]

Figure 28



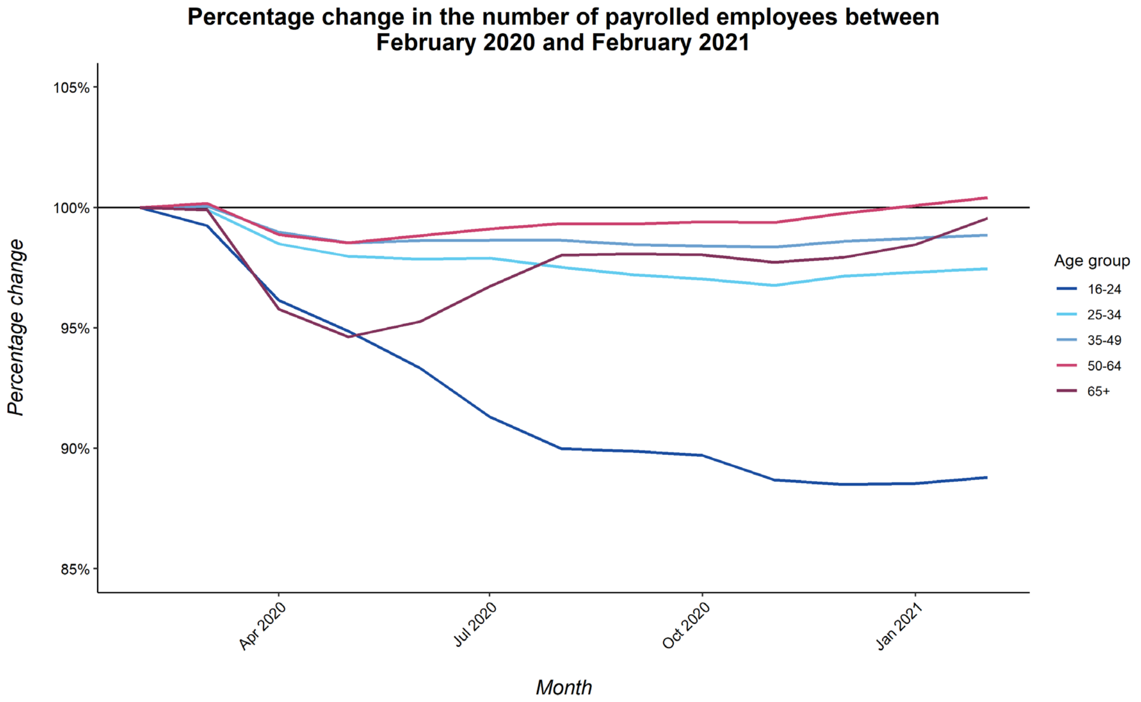
Climate change is arguably the biggest and most obvious example of intergenerational injustice. The majority of emissions and environmental degradation thus far have been caused by the actions of older generations, while the negative consequences of this will largely be the burden of younger and future generations.

[68] Office for National Statistics (2019). The decoupling of economic growth from carbon emissions: UK evidence: https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/compendium/economicreview/october2019/thedecouplingofeconomicgrowthfromcarbonemissionsukevidence#international-trade-of-carbon-emissions

10. COVID-19

Job losses

Figure 29



Source: ONS, Pay As You Earn (PAYE) Real Time Information (RTI) (Experimental Statistics), seasonally adjusted.

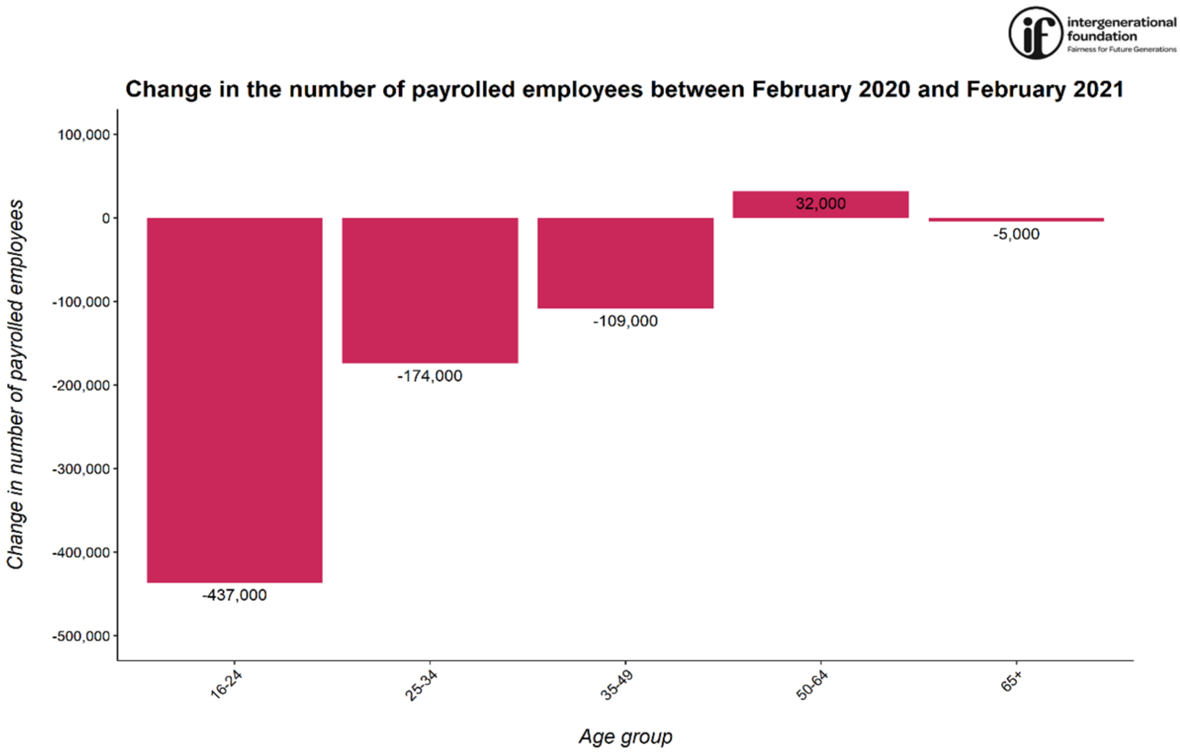
Figure 29 shows the percentage change in the number of payrolled employees by age group between January 2020 and February. In the initial stages of the pandemic, most of the job losses were in the oldest and youngest age groups, which both saw a 6% decrease between March and May 2020. The other age groups also saw a decrease, but this was smaller, ranging from 1 to 2%.

After May 2020, the two age groups who had suffered the most job losses during the initial months of the pandemic had very different trends. The 65+ age group started to recover and saw a rapid increase in payrolled employees – by August 2020, they had reached levels only 2.5 percentage points lower than pre-pandemic. Meanwhile, the 16–24 age group continued to see a rapid decline, and by August 2020, this had dropped to 10% percentage points lower than pre-pandemic levels.

By February 2021, the number of payrolled employees in the 65+ age group was less than 1% below pre-pandemic levels, while 50–64s had actually increased their pre-pandemic share.

The number of payrolled employees in the 35–44 and 25–34 age groups stayed steady during this period, at approximately 1% and 2.5% below pre-pandemic levels respectively. For the youngest age group of 16–24, there was no such recovery and the number of payrolled employees continued to decline, so that by February 2021, employment had dropped by around 11% percentage points lower than pre-pandemic employment.

Figure 30



Source: ONS, Pay As You Earn (PAYE) Real Time Information (RTI) (Experimental Statistics), seasonally adjusted. Figures have been rounded to the nearest thousand.
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Figure 30 shows the total change in the number of employees in the year following the beginning of the COVID-19 pandemic. Between February 2020 and February 2021, the number of employees on the payroll decreased by approximately 693,000. Over 3 in 5 of these job losses were from under- 25s – approximately 437,000 people. A further 174,000 (25.2%) were aged 25–34 and 109,000 (15.7%) were aged 35–49. Only 5,000 (0.7%) were aged 65 years and over. These percentages also include an increase of 32,000 jobs in the 50–64 age group – the only age group to see an increase in the number of employees over this period.

As noted in the discussion of Figure 1, recessions typically tend to affect younger people's employment prospects more, so it is not surprising that the economic impacts of COVID-19 have affected young people the most. However, the COVID-19 recession has been particularly bad for young people, as they have been triply hit: by the recession itself; by the lockdowns mainly affecting sectors of the economy which predominantly employ young people; and by Brexit further reducing employment opportunities.

To tackle this issue, the government launched the "Kickstart" scheme in September 2020, which provides funding for employers to create placements for young people at risk of long-term unemployment.[69] However, despite 200,000 jobs being approved by the scheme so far, as of May 2021 only 20,000 young people had started work,[70] meaning much more needs to be done to prevent young people from suffering the economic scarring that comes from long-term unemployment.

Universal Credit

Figure 31

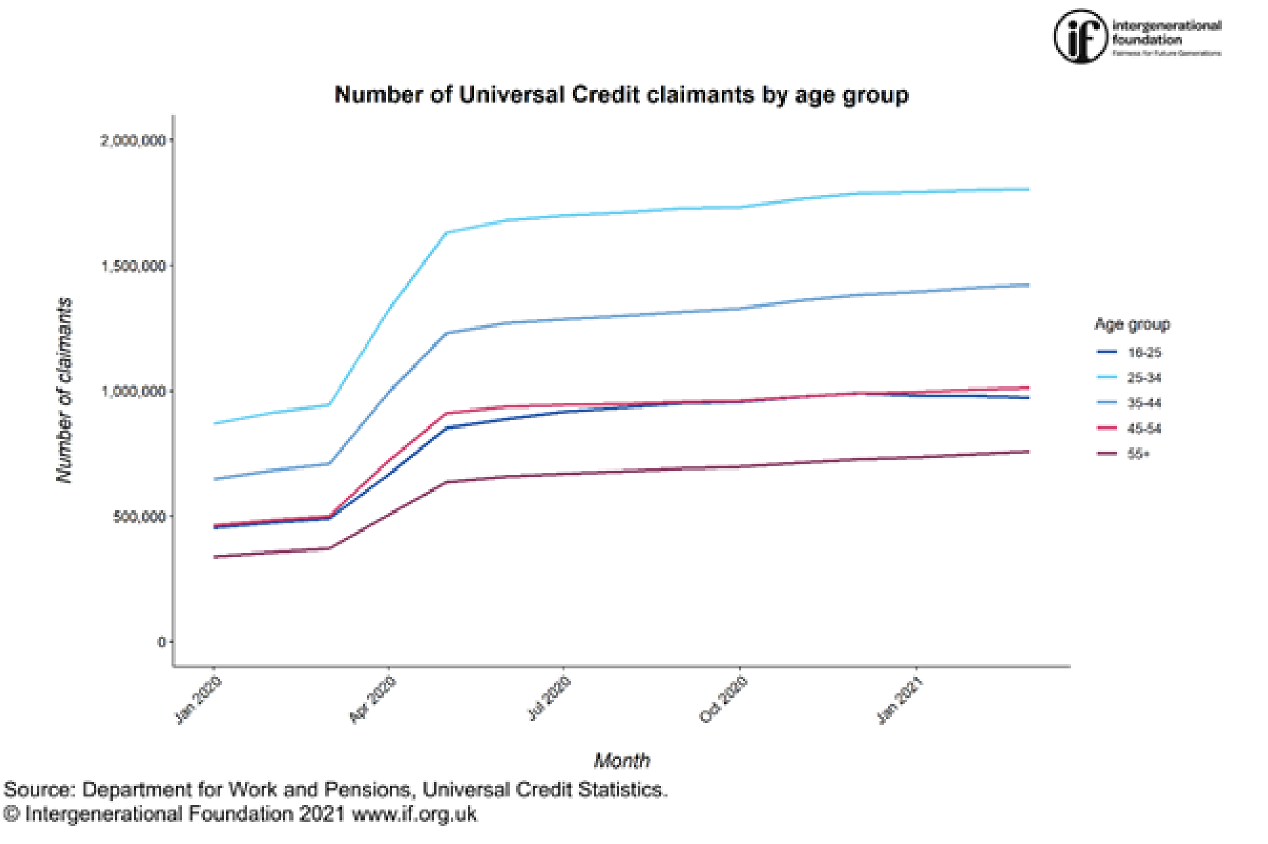


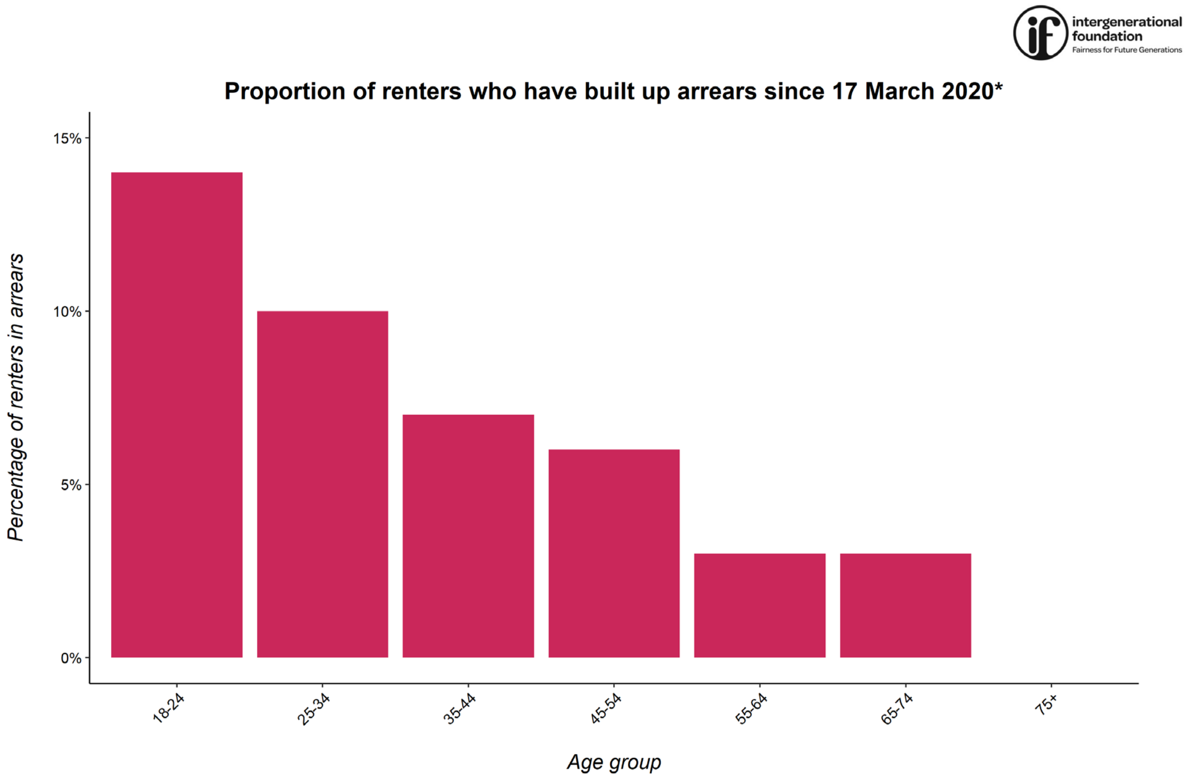
Figure 31 shows how the number of Universal Credit claimants has been impacted by the COVID-19 pandemic. At the start of 2020, the number of UC claimants was fairly steady for all age groups. The 25–34 age group had the highest number of claimants, followed by 35–44s, 45–54s, 16–24s and finally the 55 and overs – the oldest age group.

[69] Department for Work and Pensions (2021). Kickstart Scheme: https://www.gov.uk/government/collections/kickstart-scheme
[70] Rigby, N. and Sinclair, A. (BBC News, 2021). Kickstart: Concerns over delays in young unemployed job scheme: https://www.bbc.co.uk/news/uk-england-norfolk-57191289

Between March 2020 and May 2020, the number of UC claimants rose rapidly for all age groups, due to the COVID-19 pandemic and national lockdown. The 25–34 age group saw the highest increase, from 942,700 in March 2020 to 1,631,300 in May 2020 – a rise of 688,600 people. Since May 2020, the number of UC claimants has continued to rise at a gradual pace for all age groups. The 25–34-year-old age group continues to have the highest number, with approximately 1,804,600 claimants in March 2021. Younger people in their mid-20s to mid-30s who are just starting in their careers have been hit the hardest in terms of employment during the pandemic. In addition, the 25–34 age group had the highest number of people put on furlough and was the only age group to have over a million people still on furlough in January 2021.[71]

Rent arrears

Figure 32



Source: NRLA and Dyanta. *Survey carried out between 17 November and 9 December 2020.

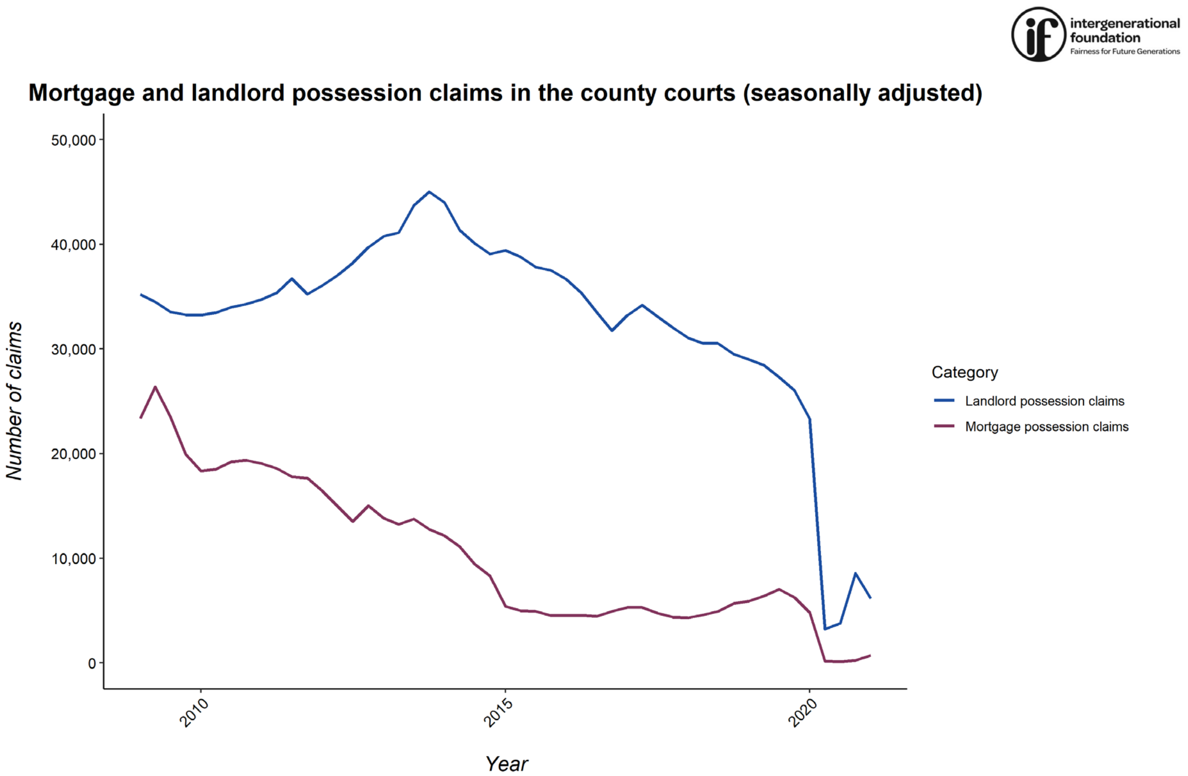
Figure 32 shows the percentage of people who have built up rent arrears since the beginning of the pandemic by age group.

[71] HM Revenue and Customs (2021). Coronavirus Job Retention Scheme statistics: 3 June 2021: https://www.gov.uk/government/statistics/coronavirus-job-retention-scheme-statistics-3-june-2021/coronavirus-job-retention-scheme-statistics-3-june-2021#employments-on-furlough-over-time-by-age

The overall trend is that younger age groups are more likely to have had difficulty paying rent, with 14% of 18–24-year-olds having gone into rent arrears – approximately 1 in 7 renters within this age group. Some 10% of 25–34-year-olds have also gone into rent arrears – approximately 1 in 10. This reflects the fact that younger people are less likely to have savings to fall back on to deal with unexpected crises such as the COVID-19 pandemic, while older people are more likely to be financially insulated. In addition, it also demonstrates the consequences of younger people being more likely to lose their job or to be put on to furlough, with this change in income making it difficult to pay rent.

Evictions

Figure 33



Source: ONS, Mortgage and landlord possession statistics
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As Figure 33 demonstrates, landlord possessions have remained higher since 2009, while mortgage possession claims have declined considerably.

As part of the Coronavirus Act 2020, the government passed legislation dictating that "between 29 August 2020 and 31 May 2021, with the exception of the most serious cases, landlords needed to give their tenants 6 months' notice before starting possession proceedings."[72] From the 1 June 2021 onwards, this notice period will reduce to 4 months, while on the 1 August this will reduce further to 2 months.[73] As a result of this policy, the graph shows that landlord possession claims decreased by around 86% between the first and second quarter of 2020. This demonstrates the positive impact that government policy intervention can have, as this policy directly led to a huge drop in the number of evictions of renters who would otherwise have been at risk of homelessness due to the unforeseen circumstances of the COVID-19 pandemic.

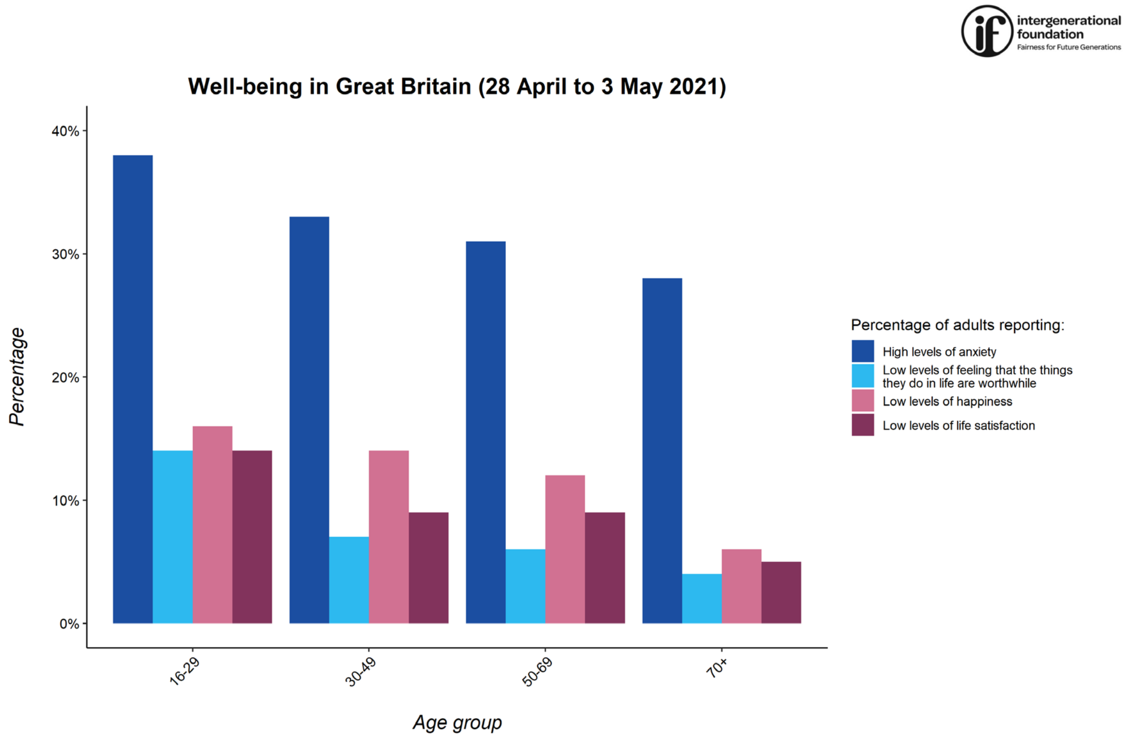
However, there is concern about what will happen following the ending of this 6 month notice stipulation. Recent survey data revealed that around 400,000 renting households have either been served an eviction notice or been told they may be evicted – around 5% of all renters.[74] Around a million renting households – 11% of all renters – are worried about being evicted in the next three months, with around half of these renters being families with children.[75] The government has shown support to homeowners throughout the pandemic with the Stamp Duty Holiday and mortgage holidays, and it is imperative that they also continue to support renters as the UK recovers from the impacts of the COVID-19 pandemic.

Well-being

Figures 34 and 35 give a snapshot of the mental well-being of different age groups in the UK in the week beginning 28 April 2021. Figure 34 shows that younger people are more likely to report higher levels of anxiety, as well as lower levels of happiness, life satisfaction and feeling that the things they do in life are worthwhile. We also see that the younger a person is, the more likely they are to report that they feel lonely often/always or some of the time. These figures add to mounting evidence that the COVID-19 pandemic has had a more adverse impact on mental well-being for younger people than for older generations. Research by the NHS found that, in 2017, 1 in 9 children aged 5–16 were identified as having a probable mental disorder. By July 2020, this had risen to 1 in 6 – equating to 5 children in a classroom of 30.[76] Recent evidence from the ONS also found that adults aged 16–29 were the age group most likely to report experiencing depressive symptoms in early 2021.[77]

[72] Ministry of Housing, Communities and Local Government (2021). Guidance for landlords and tenants: https://www.gov.uk/government/publications/covid-19-and-renting-guidance-for-landlords-tenants-and-local-authorities/coronavirus-covid-19-guidance-for-landlords-and-tenants
[73] Ibid.
[74] Hetherington, G. (Joseph Rowntree Foundation, 2021). As 400,000 renters face eviction, JRF warns the UK risks a "two-tier recovery": https://www.jrf.org.uk/press/400000-renters-face-eviction-jrf-warns-uk-risks-%E2%80%98two-tier-recovery%E2%80%99
[75] Ibid.
[76] National Health Service (2020). Mental Health of Children and Young People in England, 2020: Wave 1 follow up to the 2017 survey: https://digital.nhs.uk/data-and-information/publications/statistical/mental-health-of-children-and-young-people-in-england/2020-wave-1-follow-up
[77] Office for National Statistics (2021). Coronavirus and depression in adults, Great Britain: January to March 2021: https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/articles/coronavirusanddepressioninadultsgreatbritain/januarytomarch2021

Figure 34



Source: ONS, Opinions and Lifestyle Survey (COVID-19 module)
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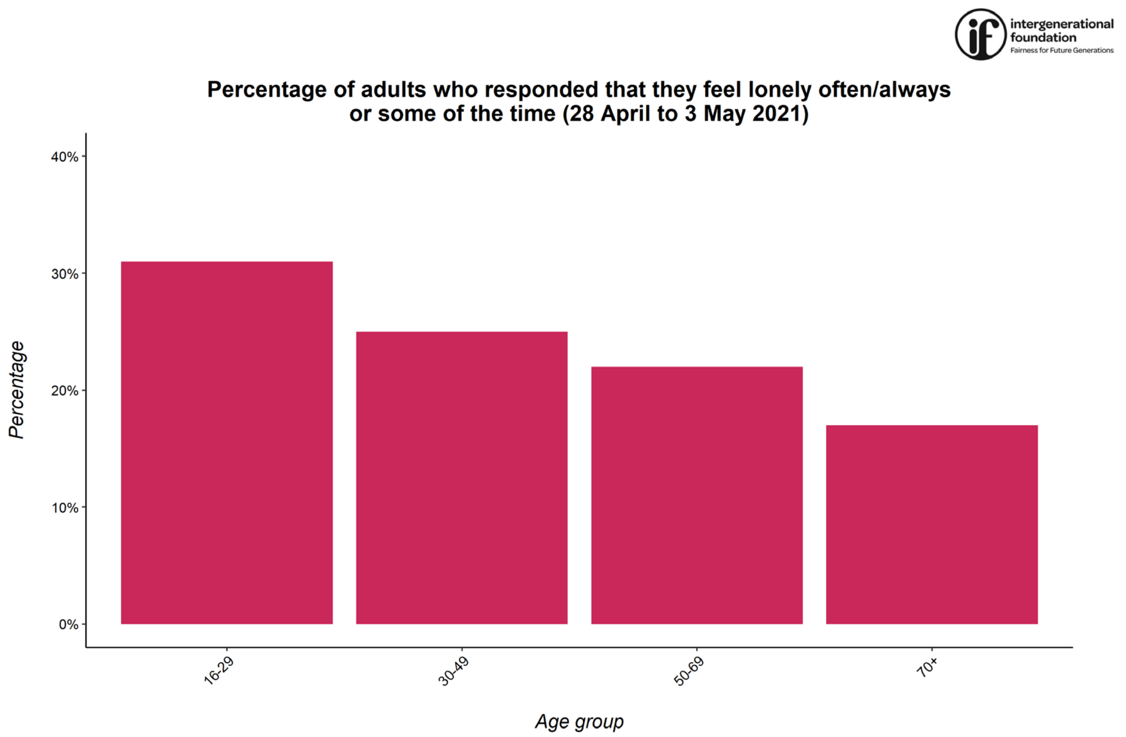
Figure 35



Source: ONS, Opinions and Lifestyle Survey (COVID-19 module)

11. Policy recommendations

Our report has revealed that over the last 10 years and beyond, younger people have been falling behind older age groups in many aspects of their lives. It is clear also that current policy approaches are contributing towards widening the gap between older and younger generations, as many policies act in a way that advantages older people. COVID-19 has further exacerbated these inequalities and, without significant action, there is a risk that it could have a scarring impact on younger generations lives for many years to come. In light of these findings, IF therefore recommends the following policy approaches:

1. A duty on government departments to measure the impact of their policies by age

This report has shown that government spending is increasing for older people in many areas, while staying the same or declining for adults and children. There is also a disparity between how government departments treat different generations. For example, universal protections and concessions for older generations, and the ages at which they are set, have not kept pace with the state pension age (SPA). It means that a person over the age of 60 years but younger than the SPA (currently 66), and who may well still be earning, can claim free medical prescriptions, while their younger working colleagues cannot.[78]

Meanwhile, universal benefits which existed for younger generations, such as child benefit or housing benefit, have either become means-tested or taxed, or are simply not available.

The Intergenerational Foundation believes that all generations should be treated equitably by government spending and taxation decisions

This report also demonstrates how government policies have impacted on younger people's lives, with rising child poverty levels, increasing proportions of younger people with mental health issues, and the youngest age groups having to spend the highest proportion of their income, compared to older generations, on essentials.

IF therefore recommends that there should be a duty for the government to consider intergenerational fairness with respect to policies already put in place, as well as when making decisions on taxation and public expenditure in all areas of policy in the future.

[78] NHS (2021) Who can get free prescriptions: https://www.nhs.uk/nhs-services/prescriptions-and-pharmacies/who-can-get-free-prescriptions

2. A duty on government departments to undertake intergenerational fairness impact assessments

In addition to measuring the impact of policies on different age groups now, it is also important to consider the longer-reaching impacts that policy decisions will have on future generations.

Politicians are increasingly focusing on policies which produce short-term gains that attract more voters. Housing policy interventions would be a prime example of how government policy has overseen an intergenerational wealth transfer from younger renters to older homeowners during the pandemic. Such decisions have negative consequences for younger generations in the longer term. This short-term thinking is especially detrimental for progress on bigger issues such as climate change. A better course of action would be to move towards an intergenerational and future-focused approach.

IF supports the "Wellbeing of Future Generations (2) Bill". It includes recommendations such as establishing a Commissioner for Future Generations for the United Kingdom and establishing a Joint Parliamentary Committee on Future Generations.[79] It also recommends the introduction of future generations impact assessments, whereby policies should be examined to consider the "likely impact of proposals on all future generations, including at least 25 years from the date on which the assessment is published" and outline how the policy will mitigate any adverse impacts for future generations.[80] IF stresses the importance of conducting these impact assessments and recommends that these remain a key part of the Bill.

IF would also like to see these go even further. Under the Equality Act 2010, it is against the law to discriminate against someone because of age, disability, gender reassignment, marriage or civil partnership, pregnancy and maternity, race, religion or belief, sex, or sexual orientation.[81] We recommend that this should be updated to also include protection for the well-being of future generations.

3. Remove policy interventions that have overheated the housing market

Government housing policies such as Help to Buy and the 2020 stamp duty holiday (extended to 30 June 2021), while intended to keep the housing market afloat and avoid a housing sector recession during the pandemic, have instead created a house price bubble.

[79] UK Parliament (2021) Wellbeing of Future Generations (No. 2) Bill: https://bills.parliament.uk/bills/2736
[80] Ibid.
[81] Equalities Act 2010: https://www.legislation.gov.uk/ukpga/2010/15/contents

These policies have also pushed prices further beyond the reach of younger generations. Furthermore, these policies have not been accompanied by a significant increase in housing supply, as the government has consistently failed to meet their own target of building 300,000 homes a year.[82] This imbalance of supply and demand has resulted in huge house price inflation, which has further widened the wealth gap between owners and renters, and consequently, older and younger generations.

We therefore recommend the immediate removal of Help to Buy and a pledge not to extend further the stamp duty holiday, or to introduce any other interventions which have the impact of overheating the housing market. Instead, we recommend that the funds from these policies are diverted to programmes of affordable housebuilding and social housing.

4. A commitment to intergenerationally fairer taxation

As our research shows, unearned wealth is becoming an increasingly important factor contributing to the rising wealth gap between older and younger generations, as wealth from housing assets and pensions has risen dramatically, while incomes for younger workers are stagnating and even declining. Our current taxation systems have not been altered in line with these trends; therefore, we recommend changes to the following areas:

Wealth taxation

In addition to rising house prices, the growth of unearned wealth can also be attributed to government policies such as not having to pay National Insurance Contributions on rental income, and Capital Gains Tax exemptions and allowances.

IF has previously estimated that the government could raise up to £50 billion a year by raising taxes on unearned income and wealth, a figure which is large enough to provide free university education to all on an annual basis and is equivalent to 33% of spending on the NHS.[83] Charging National Insurance Contributions on rental income for landlords and shareholder dividends could generate approximately £24 billion in extra tax revenue, while removing Capital Gains Tax exemptions and allowances could raise up to £28 billion. These changes could generate billions in additional revenue which could contribute towards funding the UK's COVID-19 recovery.

[82] Ministry of Housing, Communities & Local Government (2021). Housing supply: indicators of new supply statistics: https://www.gov.uk/government/collections/house-building-statistics
[83] Intergenerational Foundation (2020). London Travelwatch Consultation: Intergenerational Foundation response: https://www.if.org.uk/research-posts/london-travelwatch-consultation-intergenerational-foundation-response

Pension triple lock

We also recommend reforming the triple lock on the state pension. As previously mentioned, average earnings are predicted to rise by up to 8% in 2021, due to a combination of people leaving the furlough scheme and returning to full pay, and the bulk of job losses being from low-paying sectors. Under the current triple lock policy, this is predicted to cost the government an additional £4 billion a year. It is worth remembering that the UK state pension has a shockingly large deficit: £4.8 trillion of state pension entitlements already amounted to 224% of 2018 gross domestic product (GDP), according to the Office of National Statistics (ONS).[84] This is on top of the £400 billion the government has borrowed in response to the pandemic.[85] Even a double lock, which IF recommends in the short term in order to reduce the liability by £4 billion a year, will not deal with the much larger and more politically toxic structural deficit being passed on to younger and future generations.

Student loans

The government is under increasing pressure to reduce the burden of student loans now that they appear as a debt on the government's balance sheet. However, with graduates currently facing 41% marginal tax rates (9% repayment over the threshold of repayment, in addition to 20% income tax and 12% National Insurance), any reduction in the threshold of repayment, increasing fees, and/or increasing interest rates, will put another intergenerationally unfair burden on younger and future generations. IF has long argued against the marketisation of higher education and continues to believe that education should be a public good, paid for via our already existing progressive tax system, with much greater government investment made in alternative avenues to employment, such as apprenticeships and T-Levels.

National Insurance Contributions

Another taxation issue which IF believes to be intergenerationally unfair is that workers over the State Pension Age are exempt from paying National Insurance Contributions at a time when the state pension liability is close to £5 trillion. The proportion of workers in this age category is increasing: in 2018 we found that 1.2 million people in this age group were still in employment or self-employed, therefore benefiting from this unearned tax exemption – which equates to a 12% wage increase – at the expense of younger workers.

[84] ONS (2021). Pensions in the national accounts, a fuller picture of the UK's funded and unfunded pension obligations: 2018: https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/articles/pensionsinthenationalaccountsafullerpictureoftheuks-fundedandunfundedpensionobligations/2018

[85] Merrick, R. (The Independent, 2021). Rishi Sunak ready to hand £4bn to pensioners despite rejecting Covid catch-up plan for schools: https://www.independent.co.uk/news/uk/politics/rishi-sunak-triple-lock-kevan-collins-b1867390.html

IF therefore recommends removing this exemption and estimates that this could raise at least £1.5 billion a year.[86] This policy change would help directly contribute towards funding social care for older generations and reduce the current financial burden of this for younger workers. This could also be a way for older generations to show intergenerational solidarity with younger generations, by contributing towards their country and to the NHS as an expression of thanks for protecting their generation during the pandemic.

5. Young people should be at the heart of the recovery from COVID–19

As the data in this report makes explicit, recessions affect employment opportunities for younger age groups far longer and more severely than for older age groups. Therefore, it is imperative that employment support is targeted towards younger age groups in order to avoid a repeat of the scarring effect that previous recessions have had on young people's employment. The government's Kickstart scheme is a good starting point, but as the scheme has had limited success so far this indicates that more support in this area is required.

This report has shown that young people had already been struggling with unemployment, insecure contracts, lower wages and a mismatch of jobs and skill levels for years before the pandemic occurred. In addition to targeted support to combat the employment impacts of COVID-19, wider reforms of the job market in the UK are needed to secure better employment opportunities for younger people. The government should consider removing the age-specific National Minimum Wage system, as this is disadvantaging younger people and can be considered as a form of age discrimination.

As we have established that the economic effects of the pandemic are likely to continue to impact on young people for much longer than the pandemic itself, we also recommend that the government continues to support people in the private rented sector who are struggling with rent payments due to circumstances related to COVID-19.

We also recommend that targeted mental health support is made available for younger people, as their mental health has been most adversely impacted by the pandemic. Previous research by IF also found that, in addition to positive social benefits, there is also a strong economic case for spending on early intervention to treat depression as, without treatment, this increases the likelihood of being unemployed and thus not contributing tax revenue.[87]

[86] Intergenerational Foundation (2018). An Extraordinary Anomaly: Why workers over state pension age should pay National Insurance: https://www.if.org.uk/research-posts/an-extraordinary-anomaly-why-workers-over-state-pension-age-should-pay-national-insurance

[87] Bui, M. (Intergenerational Foundation, 2020). Costing Young Minds: The fiscal consequences of the lack of spending on young adult mental health: https://www.if.org.uk/wpcontent/uploads/2020/07/Mental_Health_paper_format_FINAL.pdf

Despite the overwhelmingly negative impact that COVID-19 has had for people and the economy in the UK, the recovery from the pandemic also presents an opportunity to rebuild in a more environmentally sustainable way. IF is therefore supports the government's idea of a "green recovery" and advocates for investment in policies and sectors which are environmentally sustainable and work to combat climate change.

Finally, there is the issue of how the UK will repay the huge debts incurred during the pandemic. It would be a huge intergenerational injustice for younger and future generations to have to disproportionately shoulder the burden of the debt accumulated by COVID-19, especially as younger people have sacrificed so much to protect the health of older generations. We therefore recommend that this debt should not solely be paid off through taxing the incomes of younger working people, but through more intergenerationally fair methods of taxation as outlined in this report.

12. Conclusion

This report aimed to investigate how intergenerational trends have changed since IF was established in 2011, with the mission of promoting intergenerational fairness and protecting the interests of younger and future generations across all areas of policy.

Overwhelmingly, we have found that the situation for young people has worsened across a wide range of policy areas over the last 10 years. Out of the 10 policy areas we investigated, over the past decade young people have fallen behind on 9 of these, with the environment being the only area where progress has been mainly positive. A total of 31 indicators were used across these 10 policy areas and in 26 of these the movement was in the wrong direction or stagnating for young people. The only indicators which showed positive trends for younger people were educational attainment, carbon emissions and air pollution, and mortgage and landlord possession claims.

The intergenerational wealth gap continues to increase rapidly, as younger people suffer from stagnating wages and poorer job prospects despite higher educational qualifications, while older people benefit from huge increases in housing wealth and the relative value of pensions. This has led to younger people being priced out of homeownership, spending higher proportions of their income on essentials, and incurring high levels of student loan debt and thus higher taxation rates than previous generations have had to bear.

The consequences of these trends go far beyond just economic concerns however, as we also observe higher proportions of younger people reporting symptoms of depression and anxiety, as well as the highest percentage of children in relative low-income households since 2007/2008.

Furthermore, younger generations are losing out at the ballot box, unable to gain political traction for their plight, in large part due to the lack of political representation within our political institutions.

Meanwhile, progress on the climate crisis – one of the biggest issues of intergenerational inequality – has been dampened by high levels of carbon imports to the UK. Such issues will impact younger and future generations unless statutory interventions such as the Wellbeing of Future Generations (2) Bill are implemented.

Over the last year, the COVID-19 pandemic has exacerbated these intergenerational inequalities, as it has disproportionally negatively affected many aspects of younger people's lives, such as employment, housing and mental health. Without significant policy intervention to mitigate this, there is a high risk that the pandemic may have a scarring effect on younger generations for many years to come.

This report also shows how many of the issues contributing to intergenerational inequality have been directly influenced by government decisions. For example, tuition fees and policies which inflated house prices have negatively impacted younger people, while policies such as higher government spending on social protection and universal concessions for pensioners have positively impacted older people.

However, this report has also shown that government policymaking can have a positive impact on tackling intergenerational inequality – when the government chooses to intervene. Policies such as the 2020 evictions ban and the furlough scheme have helped to protect millions of young people, providing a lifeline in a time where this age group was economically the most adversely affected. These examples demonstrate the power that governments can have in improving the lives of younger generations, but much more ambitious interventions are required in order to rebalance policy over the past decade of rising intergenerational inequality.

We therefore urge policymakers to take these findings into account and to strongly consider implementing the recommendations set out in this report. It is imperative that we assess how government spending decisions impact on different age groups in the present day, as well as undertaking impact assessments to analyse how decisions will affect younger generations in the future. As the value of assets continues to grow relative to incomes, we also need to intervene to remove policies which cause house price inflation, and we need to commit to intergenerationally fairer methods of taxation which address the huge gains in unearned wealth among older generations. Finally, we need to ensure that our COVID-19 recovery response is focused on younger generations who have been most adversely impacted by the pandemic and who will be the engines for future economic growth, and to ensure that the debt accumulated during the pandemic does not become the burden of younger and future generations.

Notes

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