Media Briefing Sheet

1. The Intergenerational Foundation:

- The Intergenerational Foundation (IF) is an independent non-party-political charity funded by no-strings donations.
- IF celebrated its 10-year anniversary in 2021.
- IF researches the rights of younger and future generations in British policy-making.
- Whilst increasing longevity is to be welcomed, our changing national demographic and expectations of entitlements are placing increasingly heavy burdens on younger and future generations.
- The social contract between generations is under immense strain in many areas - housing, health, employment, taxation, pensions, education, government debt, taxation, pensions and the environment.
- Young people who are worse-off appear to be giving more than their fair share to fund a system that benefits older, wealthier, sections of society.
- IF questions this status quo; calling instead for sustainable long-term policies that ensure younger and future generations are better protected by policy makers.

2. Ageing:

- Between 2009 and 2019, the over-65s increased by 2.3 million, from 16.2% to 18.5% of the population.
- Over one-sixth (18.6%, 11.1 million) of the population in 2021 were aged 65 years and over, up from 16.4% (9.2 million) in 2011. The size of the population aged 90 years and over (527,900, 0.9% of the population) has increased since 2011, when 429,017, 0.8%, were aged 90 years and over (Census 2021).
- It is projected that there will be an additional 7.5 million people aged 65 years and over in the UK in 50 years' time (ONS 2021)
- By 2038 the population aged 65 and over is projected to account for 24 per cent of the total population, while the proportion of the population aged between 16 and 64 is due to fall from 63 per cent to 59 per cent.
- Whilst increasing longevity is welcomed, our longer-living population is increasing the pressure on a smaller cohort of younger taxpayers who are themselves currently facing wage, housing, education and savings pressures, Brexit, the COVID-19 pandemic, and now a cost-of-living crisis, high inflation and higher taxation as war rages in Ukraine and increases prices further.
- Housing is used as a savings vehicle for later life due to suspicions over pensions (Equitable Life collapse). Now retired people do not want to release this equity to fund their old age.
- In 2021, more than half of people living alone (50.6%) were aged 65 years and over, which accounts for 32% of this age group.
- A re-evaluation of what we expect of the state is required by all generations irrespective of their voting practices.

3. Births:

- The number of births across the UK continued to fall in the year to mid-2020, with 701,000 births, which is the fewest births since 2003, despite the population increasing by 7.4 million.
- Fertility levels were falling well before the COVID-19 pandemic.

4. Decade before COVID-19:

- Before COVID-19 hit younger generations' prosects has stagnated or declined in 9 out of 10 policy areas researched. The only area to have improved was the environment with decreases in air pollution.
- Young people's wages had only just recovered from the global financial crisis more than a decade before. Youngest workers aged 16-17 saw a decrease in wages over the period but the National Minimum Wage helped those over 21 years of age.

- Employment trends were changing and young people were the most likely of all ages to be out of work, or facing under-employment, wanting more hours but unable to gain them.
- The average under-30 year-old was having to spend two-thirds of weekly expenditure on essential spending (housing, utilities, travel) in 2019.
- Homeownership levels have plummeted among the young as house prices doubled in value between early 2000s and Jan 2021, and rose another 10% year on year to Jan 2022.
- Student fees tripled, then increased again to £9,250 a year, with new grads who earned over the threshold of repayment facing 41% marginal tax rates for 30 years.
- While the proportion of graduates increased from 26% in 2004 to just over 40% in 2019, 45% of recent grads (less than 5 years out of higher ed) were working in non-graduate jobs, and over 35% of non-recent graduates were working on non-grad jobs in 2019. More recent figures will be skewed by COVID-19 lockdowns and unemployment.
- The percentage of young adults with some evidence indicating depression or anxiety rose from 18% in 2009/10 to 25% in 2017/18.
- Voter turnout has been consistently lower for younger people although the 2017 General Election saw a “youthquake” with a 16% increase in 18-24 year-old voters and an 8% increase in 25-34 year-olds. However, this trend did not continue in 2019 following younger generations’ dismay over the EU Referendum.

5. Government spending pre-COVID:

- Over the last decade, government spending on education per person has fallen while the triple lock has seen spending on pensioners increase significantly — creating a huge (and still growing) intergenerational spending gap.
- The gap in the amount of money the government spent on an older person compared to what it spent on a child has doubled over the past 19 years.
- The government now spends around £20,800 on each pensioner and only £14,700 on each child – a £6,000 difference.
- Since 2010/11, although overall public expenditure has grown by 60% in real terms, reaching £850 billion in 2018/19, pensioners captured 30% of this growth throughout the period, rising by around £100 billion.
- Twice as many children – 4.2 million – now living in poverty compared to older people, who have seen their generation’s poverty levels fall by around half.
- The Triple Lock on the State Pension, introduced in 2010, and which rises by the higher of earnings, inflation or 2.5%, can explain much of the divergence in spending.
- The government has spent 45% more on servicing public sector pension debt interest payments (£18 billion a year) over the previous four years than it spent on child benefit payments (£11.5 billion in 2018–19).
- Pensioners have also benefited from the highest rate of growth in outpatient mental health treatment, receiving three times as much spending in 2018/19 compared to 2011/12, whereas spending on children rose by only 5.6% over the same period.
- The government has spent close to £500 billion on COVID-19 spending on top of day-to-day government spending.

6. COVID-19

COVID-19 Jobs

- Younger workers were hit the hardest as the nation went into lockdown as their generation was more likely to be employed in industries most likely to be shut down –hospitality (bars, clubs, theatre, gigs, cinema, and events), travel, and retail. 3 in 5 job losses in the year following February 2020 were among people below 25 years of age.
- 24-35 year-olds were most likely to be Universal Credit claimants and had the highest number of people of any age group on furlough with 1 million people still on furlough in January 2021.

COVID-19 Housing

- There were “two housing nations” during the pandemic. The first is made up of older wealthier generations who bought up more space, both inside and out, while the second nation comprised poorer people, young families and younger people who lived with more people in the same household in much less space.
- Nationwide: the average value of a home went up by 12.1 per cent in April 2022.

- Net wealth of homeowners grew to £11.2 trillion in the year 2020/21, an increase of 8.4 per cent on 2019 and the highest rate of growth seen since before the 2008 financial crisis.
- Overall Stamp Taxes and Annual Tax Enveloped Dwellings (ATED) receipts for April 2021 to March 2022 were £18.6 billion, which is £6.1 billion higher than in the same period a year earlier.
- By December 2020 15% of 18-24 yr-olds were in rent arrears, 1 in 7 members of this age group.
- 30,000 people were living in a home consisting of just one room.
- As a result of the government ban on evictions, landlord repossession claims decreased by around 88% between the first and second quarter of 2020.

COVID-19 Mental health

- 16-29 year-olds had the highest levels of anxiety in 2020/2021. The over-85s had the lowest levels of anxiety during the same period.
- Younger generations also felt more lonely than older generations during the pandemic.

COVID-19 Child and Adolescent Mental Health

- There were 395,369 referrals to NHS Child and Adolescent Mental Health Services between April and October 2021, a rise of 52 per cent on 2020, according to Young Minds.
- Child mental ill-health increased from 1 in 9 children to 1 in 6 children during the pandemic.
- 100,000 "ghost" children have disappeared from school registers.
- Ofsted's Chief Inspector is increasingly concerned about the inability of pre-school children to understand facial expressions having had fewer opportunities to develop their social and emotional skills during the pandemic.
- 190,000 children were referred to mental health services between April and June 2021, 134% up on the previous period the year before and 96% up on 2019. (Royal College of Psychiatrists)

7. Wealth:

- The wealth of over-65s has doubled over the last 10 years, mainly due to pensions and house price appreciation.
- There are now 3 million pensioners in "millionaire households" if housing and pension wealth is included. The number has quadrupled between 2008/10 and 2018/20. 53% had housing and pension wealth worth between £500,000 and £1 million.
- Over-50s hold 75% of UK housing wealth, the value of which amounts to over £2.8 trillion in housing equity.
- The total property wealth amongst the over-50s is estimated to be £3.8 trillion, with three quarters (74%) of those aged 55 and over in the UK owning their own home. (ONS)
- Median total wealth amongst people in their early-60s was almost nine times as high as those aged in their early-30s.
- Under-35s households spent close to two thirds (63%) of their weekly expenditure on essentials in 2019, well before the COVID-19 pandemic and subsequent energy crisis and inflation, whereas the equivalent share for over-65s has fallen by 14%.

8. Housing:

Under-occupation:

- Older generations have achieved massive gains in the value of their properties.
- There are now 5.5 million second homes in England – a 50% increase between 2011 and 2020 – and they are owned primarily by older people.
- 52% of owners now under-occupy their homes, with housing assets and space passing from renters to owners and from younger generations to older generations
- Between 2018 and 2020 the over-55s held 65% of the UK's property wealth, compared to just 5% of under-35s.

- 8.7 million households live in under-occupied homes (i.e. two or more spare bedrooms), a figure that has increased by 2.2 million over 11 years.
- Space inequality has also increased, with owner-occupied homes enjoying a third more space ($108m^2$) on average than privately rented homes ($76m^2$) and almost double the space as a social home, and just 7% of 55–65 year-olds reporting a lack of outside space compared to 21% of 25–34 year-olds.
- An easy win would be to increase incentives for under-occupying households to rent out more than one room. This could be done by increasing the Rent-A –Room tax allowance currently set at £7,500 per month.
- Older generations who no longer live with dependants should also be encouraged to downsize where possible to replenish housing supply and help fund their social care. IF has previously called for a stamp duty holiday for downsizers. Instead, the government, in 2015, introduced a residential nil rate band (RNRB) recognises that losing the NRB might put older people off downsizing before death.

Micro-homes:

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

9. Universal Benefits:

Winter Fuel Allowance (WFA):

- Only 7% of people living alone over 60 years of age were living in fuel poverty in 2018, down from 13% in 2003, whereas 18% of lone parents with children were living in fuel poverty during 2018. While the number of over-75s living in fuel poverty has decreased from 14% in 2003 to 7% in 2018, the number of families with children living in fuel poverty had increased for all ages except for the 0-4s where it has largely plateaued.
- 11.4 million people received Winter Fuel Payment in winter 2019 to 2020.
- From September 2015, the Winter Fuel Payment ceased to be payable to individuals living in countries where the average winter temperature is warmer than the warmest region of the UK (South-West England).
- The WFA cost the government £2 billion in 2019, however this is poorly justified because:

    - Only 41% of the WFA is actually spent on fuel and it was also given to 38,000 people living elsewhere in Europe in 2019/20
    - A scheme already exists to help those suffering fuel poverty: Cold Weather Payments
    - In April 2022, as part of the Warm Homes Discount, the government announced £475 million (in 2020 prices) spending each year for Great Britain until 2026, and increasing the value of the rebates to £150.

Prescriptions:

- You can claim free prescriptions before you reach the state pension age if you are over 60 years of age, regardless of your income. The rise in the State Pension Age (SPA) to 66 has now created a disconnect between the aged-based prescription exemption and SPA.
- People of working-age can only claim under certain circumstances.
- During 2018/19, over 1 billion prescription items were dispensed, of which 89% of prescriptions are provided free of charge.
- In 2018/19, England raised £576 million through the prescription charge, equal to 0.5% of the NHS resource budget.
- Free prescriptions provided to the elderly account for 62% of all items prescribed. This cost the NHS £4.8 billion in 2017.
- Revenue from these charges would be much higher if provision of free prescriptions amongst the over-60s was means-tested.

Free Bus Passes:

- In real terms government spending on transport for pensioners per person increased by almost 12 times between 1999 and 2018.
- Recent statistics over the use of concessionary fares/free bus passes will be skewed due to the lockdowns resulting from the COVID-19 pandemic.
- A total of £1.1 billion was spent on concessionary travel in 2018/19, of which almost £800 million (72%) was spent on free travel on public transport for older people across England.
- Free travel for all individuals over the state pension age has been a statutory obligation since 2001.
- In London, free travel is given on most transport systems to all people over 60 years of age after 09:00.
- Meanwhile, children, from the age of 11, can only travel free on London buses or trams but have to pay "child fares" on the tube, DLR, London Overground, TfL Rail (excluding between West Drayton and Reading) and Emirates Air Line
- Younger generations are subsiding approximately 24% of older people eligible for concessionary travel to travel to work for free, costing younger taxpayers millions of pounds every year. This figure rises to 55% in London.
- In 2013, £60 million of the costs of fare concessions in England were spent on travel to and from work. Since then, the costs of these concessions have increased by 71%.
- In comparison, local authorities are only obligated to provide free travel for children and young people under certain circumstances.

10. Inheritance:

- One third of millennials rely on inheritance for financial security.
- Reform of inheritance tax could be used to encourage families to increase lifetime giving, and give more widely, e.g. when their children and/or grandchildren have greater financial needs.
- However, traditional cascading of assets down the generations has stopped and is in reverse due to increasing longevity.
- The current inheritance tax regime in the UK is also very inefficient at raising revenue due to the complicated patchwork of reliefs and exemptions.
- In the 2018/19 tax year just 3.7% (22,100) of UK deaths resulted in an IHT charge, a fall of 0.2 percentage points on the tax year 2017 to 2018. Less than four people in 100 are affected (ONS)
- HM Treasury took £6.1bn from estates paying inheritance tax in the financial year from April 2021 to March 2022.
- For the wealthy, stamp duty and inheritance tax are easy to avoid via Trusts or by Ltd companies who hold residential property and then sell the company (including the property) that cuts the tax payable from approx. 5% to 0.5% or less.
- This practice is positively promoted to buy-to-letters, according to the authors of Jilted Generation.

11. Employment:

- Thanks to campaigning by the Intergenerational Foundation and other organisations, those people who continue to work beyond the State Pension Age (SPA) will have to contribute 1.25% in National Insurance contributions (NICs) from 2023. The argument for such a move is that older wealthier people should contribute more towards the health and social care needs of their own generation.
- In 2020, there were 12.4 million people over-65s and 12% of over-65s were working, with 37% of these workers were self-employed.
- In 2018, approximately 1.2 million people worked beyond SPA. In 2020 there were 1.24 million people working beyond SPA.
- National Insurance generates considerable revenue for the government, which expects receipts of £158 billion for the year to March 2023. £150.2 billion was raised in 2019/20, which accounts for 17% of total government revenue that year.
- The young starting in the labour market are increasingly likely to enter low-paid occupations and, as a result, work in sectors that were hit hardest by the COVID-19 crisis.
- This is on top of a growth in short-term contracts, an increase in part-time jobs, closure of some pension schemes to new members and fall in take-home pay.

12. Higher education/graduates:

- Students face record interest rates of 12% from September 2022 unless the government introduces a cap. This is because student loan interest rates are based on the Retail Price Index (RPI) of the previous March. In March 2022 RPI was 9% with an additional 3% added on top. The government has now capped interest rates at 7.3%, which is still the highest ever student loan interest rate.
- The government also bases the interest rate on the Retail Prices Index (RPI), which has been widely recognised to systematically overstate inflation & is discredited & to be phased out by 2030.
- Whilst the older generation benefited from free education, the average debt among the cohort of borrowers who finished their courses in 2020 was £45,000.
- Outstanding student debt consequently rises on average 1 per cent above national inflation.
- Combined with Income Tax (minimum 20%) and National Insurance (increased by 10% from April 2022 and now 13.25%), young people earning over the threshold of £21,000 face a marginal tax rate of 42.25%.
- These costs cannot be justified by the "Graduate Premium"; in 2017, almost a third of new graduates were over-qualified for their jobs.
- In 2019, 45% of graduates who had left higher education within the last 5 years were working in non-graduates' roles. For non-recent graduates, the percentage is 35%.

13. Pensions:

- In 2015, the total accrued state pension liability was £4 trillion (1 trillion = thousand billion!)
- At the end of 2018, accrued-to-date gross pension liabilities of UK pension providers in respect of employment-related (workplace) pensions and state pensions are estimated to have been £8.9 trillion.
- By the end of 2018, the state pension liability had increased to £4.8 trillion (224% of 2018 gross domestic product (GDP))
- Unfunded defined benefit workplace pension entitlements for public sector employees estimated at £1.2 trillion (55% of GDP)
- Funded defined benefit workplace pension entitlements for public sector employees worth £413 billion (19F% of GDP)
- Government pension liabilities were £6.4 trillion in 2018, representing an increase of 21% compared with 2015. This was largely due to a change in the discount rate assumption from 5% (nominal) to 4% (nominal) in line with international requirements (see Section 5: Government-managed pension liabilities).
- State pensions will not be affordable nor provide enough in real terms for people to retire comfortably on. We will all need to work longer, pay more into our pensions and pay more for our care.
- Furthermore, uprating the state pension in line with the triple lock has cost us £6 billion more per year than if it was raised in line with earnings, and roughly £4 billion relative to inflation indexation.

14. Spending/Health:

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

For further media information or to discuss the work of IF:

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