



SELECT COMMITTEE ON INTERGENERATIONAL FAIRNESS AND PROVISION

COLLATED WRITTEN EVIDENCE VOLUME

Contents

Professor Dominic Abrams, Dr Libby Drury and Dr Hannah Swift – Written evidence (IFP0038)	4
Age UK – Written evidence (IFP0047)	9
Age Watch – Written evidence (IFP0012).....	17
Alive – Written evidence (IFP0036).....	26
ARCO (Associated Retirement Community Operators) – Written evidence (IFP0014)	32
Association of Accounting Technicians (AAT) – Written evidence (IFP0016).....	37
Association of Colleges – Written evidence (IFP0044).....	42
Association of Consulting Actuaries (ACA) – Written evidence (IFP0048)	51
Alison Bailey – Written evidence (IFP0034)	58
Dr Judith Burnett – Written evidence (IFP0052)	66
Care & Repair England – Written evidence (IFP0020)	70
Care England – Written evidence (IFP0013)	76
The Cares Family – Written evidence (IFP0004)	77
CBI – Supplementary written evidence (IFP0073).....	79
Centre for Ageing Better – Written evidence (IFP0049).....	82
The Challenge – Supplementary written evidence (IFP0067)	95
Colin Chambers – Written evidence (IFP0007)	101
Chartered Institute of Personnel and Development (CIPD) – Written evidence (IFP0050)	103
June Cochrane – Written evidence (IFP0022).....	110
Dr Rory Coulter – Written evidence (IFP0019)	114
Department for Work and Pensions – Supplementary written evidence (IFP0071)	120
Dr Libby Drury, Dr Hannah Swift and Professor Dominic Abrams – Written evidence (IFP0038)	122
Dr Libby Drury – Supplementary written evidence (IFP0070)	123
Equity Release Council – Written evidence (IFP0054)	124
The Rt Hon Frank Field MP – Written evidence (IFP0060)	132

The Rt Hon. the Lord Forsyth of Drumlean – Written evidence (IFP0061)	140
Foundation for Democracy and Sustainable Development (FDSD) – Written evidence (IFP0055)	148
Generations Working Together – Written evidence (IFP0065).....	151
Graduate Fog – Written evidence (IFP0027)	153
Professor Susan Halford – Written evidence (IFP0059)	158
Professor Irene Hardill – Written evidence (IFP0028)	162
Catherine Harris – Written evidence (IFP0001)	167
Healthwatch Essex – Written evidence (IFP0011)	172
HM Government – Written evidence (IFP0058)	178
HM Government – Supplementary written evidence (IFP0062)	235
HM Government – Supplementary written evidence (IFP0072)	240
Institute and Faculty of Actuaries – Written evidence (IFP0039)	241
The Intergenerational Foundation – Written evidence (IFP0042).....	247
International Longevity Centre – UK (ILC-UK) – Written evidence (IFP0051)...	262
Michael Johnson – Written evidence (IFP0074)	270
Later Life Ambitions – Written evidence (IFP0035).....	281
London Councils – Written evidence (IFP0029)	287
LV= – Written evidence (IFP0056)	291
Allan Martin – Written evidence (IFP0010)	295
Dr Jennifer McCaffrey – Written evidence (IFP0008)	297
Ministry of Housing, Communities and Local Government – Supplementary written evidence (IFP0066)	300
Ministry of Housing, Communities and Local Government – Supplementary written evidence (IFP0075)	303
Movement to Work -Written evidence (IFP0064)	305
National Pensioners Convention – Written evidence (IFP0030)	310
Newcastle University Institute of Health and Society – Written evidence (IFP0024)	321
Dr Kristian Niemietz – Written evidence (IFP0003)	326
Office for National Statistics (ONS) – Written evidence (IFP0053)	331
Older Feminist Network – Written evidence (IFP0032).....	335
Benjamin Osaka – Written evidence (IFP0006)	339
Peabody Trust – Written evidence (IFP0023)	341
Alison Peel – Written evidence (IFP0009).....	350
Pensions Policy Institute – Written evidence (IFP0040)	353
Public Service Pensioners’ Council – Written evidence (IFP0017)	359
Quakers in Britain – Written evidence (IFP0041)	363

The Retirement Home Builders Group of the Home Builders Federation – Written evidence (IFP0068)	370
Professor Karen Rowlingson – Written evidence (IFP0026)	376
The Royal Town Planning Institute – Written evidence (IFP0057).....	380
Fiona Scott – Written evidence (IFP0025)	384
Shared Lives Plus – Written evidence (IFP0015).....	389
Dr Hannah Swift, Professor Dominic Abrams and Dr Libby Drury – Written evidence (IFP0038)	394
TaxPayers’ Alliance – Supplementary written evidence (IFP0069)	395
Trades Union Congress – Written evidence (IFP0046).....	402
Understanding Society, the UK Household Longitudinal Study – Written evidence (IFP0021)	420
United for All Ages – Written evidence (IFP0018)	425
University of Birmingham, Centre for the Study of Global Ethics – Written evidence (IFP0031)	429
Professor Emeritus Christine Whitehead – Written evidence (IFP0063).....	435
Christine Williams – Written evidence (IFP0005)	440
Young Fabians – Written evidence (IFP0045).....	443
Young Women’s Trust – Written evidence (IFP0037)	450

Professor Dominic Abrams, Dr Libby Drury and Dr Hannah Swift – Written evidence (IFP0038)

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About the authors

1. Since 2004, working with Age UK, the EHRC and DWP, GO Science, the British Medical Association, the Gerontology Society of America, US and UK branches of the Society for the Psychological Study of Social Issues, and colleagues in EURAGE and the COST Action on Ageism, we have been using experimental and survey evidence to evaluate the prevalence of ageism and the consequences of age prejudice and discrimination in the UK and across Europe. We also explore the implications of contact between younger and older adults and its association to ageism and other age-related outcomes.
2. A number of key findings from our research are directly relevant to the question of intergenerational fairness in general, the workplace, housing, and in communities.

Summary of Key Findings

3. Perceived experiences of age discrimination capture perceptions of being unfairly treated, stereotyped or discriminated against by others or by society because of age. Our research has consistently shown that ageism is the most commonly experienced form of prejudice in the UK, with almost one in three people (26%) reporting being treated unfairly because of their age.¹
4. Refuting common assumptions that ageism is only experienced by older people, our research shows that both younger and older people experience age discrimination, but this experience is most prevalent amongst younger people.²
5. Older people's health and wellbeing is likely to be negatively impacted by declines in GDP and societal inequality. Separate studies show that lower GDP has a stronger link with lower well-being amongst older than amongst younger people,³ and that experiences of ageism are part of the reason why inequality impacts negatively on older people's health.⁴
6. Age-bias in hiring practices is directed against older candidates.⁵
7. The Risks of Ageism model outlines how ageism can have a negative impact within labour markets, housing and on the provision of age-friendly community initiatives.⁶
8. Policies and strategies that support intergenerational contact, within the workplace or wider community can help to promote wider understanding between generations, reducing ageism and the perceptions of each generation being treated unfairly.⁷

General (experiences of discrimination, health and wellbeing)

9. Ageism is the stereotyping of and discrimination against individuals because of their age. Monitoring experiences of ageism can provide an important indicator of people's perceptions of being treated unfairly because of their age, and therefore can capture potential discrepancies between generations in provision and perceptions of fairness. In line with our previous research for Age UK and DWP, our most recent data and report for the Equality and Human Rights Commission has shown that more people (26%) report experiencing prejudice or being treated unfairly because of their age, than any other characteristic.¹
10. Although the definition of ageism recognises that it can be experienced at any age, society has tended to assume it is only experienced by and is a problem for older people. Implying that it is older, not younger people who are treated unfairly in society. Using the European Social Survey (ESS) data from over 54,000 participants in 28 countries we established that both younger people (under 30 years) and older people (from the age of about 50) report being the target of age prejudice and discrimination (labelled 'perceived age discrimination' below) more frequently than do their middle-aged counterparts. However, it is worthy to note that levels are much higher amongst younger than older people.²
11. Despite age-related changes or declines in circumstances, health or income, many older people are able to maintain subjective well-being in later life. This is known as the paradox of well-being. Our analysis of the ESS reveals that this paradox of wellbeing is only observed in countries with higher GDP.³ As GDP declines, well-being is increasingly likely to decline with age. Therefore, economic stagnation or downturn may present important increased risks, and requirements to provide for the health and wellbeing of older people.
12. Experiences of ageism are part of the reason why inequality impacts negatively on older people's health. Health is affected by a host of individual factors (e.g. gender, education, poverty, social support) but also societal factors including wealth (GDP) and inequality (GINI). Research suggests that there is a positive association between inequality and prejudice and discrimination, which in turn impacts negatively on health and wellbeing. Our analysis of the ESS revealed that people's experience of age discrimination partially explains how inequality leads to ill-health in the case of older people (aged over 70) but not younger people⁸ and this effect is diminished amongst those who self-categorise themselves as young.⁴ This evidence shows that both objective vulnerability (age itself) and subjective vulnerability (subjective ageing) increase the harmful effects of being a target of age discrimination.

Jobs and the workplace

13. Our research has explored common positive and negative stereotypes of younger and older workers and indicates a persistent age-bias in hiring preferences. When people are offered a choice between equally qualified candidates of unknown age, they prefer candidates whose other skill sets match a younger rather than an older age stereotype. When people are asked to assign equally qualified candidates to low and high status roles, they

assign lower status roles to candidates whose possess positive older age-stereotypic traits rather than positive younger stereotypic traits.⁵

14. Our Risks of Ageism model⁶ reviewed existing research and summarises the ways in which stereotypes and discrimination can be barrier to people's ability to actively age, which includes opportunities to engage in labour markets. It outlines how stereotypes, prejudice and discrimination can disadvantage older people in the workplace. In addition to what it outlined above, ageism can mean that older workers don't get the same opportunities to engage in training or skills development as younger workers. Experiences of ageism can influence an individual's decision about when to exit an organisation or the labour market altogether, while test performance situations within the workplace have the potential to put older workers at risk of experiencing stereotype threat (i.e. the fear of confirming a negative age-stereotype), which can lead to cognitive and physical performance deficits.⁹ Therefore, manifestations of ageism in the workplace can be a significant barrier to individuals' propensity to live long and full working lives.
15. An established psychological theory of prejudice reduction, intergroup contact theory, suggests that meaningful contact or relationships between members of different social groups (in this case generations or age groups), can reduce age prejudice, stereotyping and discrimination. Our recent review of intergenerational contact for Age UK⁷ suggests that contact between co-workers improves young adults' attitudes towards, and stereotypes about, older workers (and older adults more generally), reduces their anxiety about the ageing process and increases their intentions to help co-workers and support work-based age-diversity policies. Contact in the workplace is likely to feature institutional support, working towards common goals and cooperation, and these are optimal conditions for intergenerational contact interventions to succeed.⁷
16. Some workplaces involve regular intergenerational contact that may be challenging (such as in health and social care) and where negative experiences may be more frequent. Our research which surveyed care home workers, revealed that those who have had more negative interactions with care home residents, were likely to dehumanize care home residents and older adults more generally.¹⁰ Such organisations should measure and evaluate positive and negative contact and aim to limit negative contact and increase positive contact.
17. It is also important that businesses encourage age-diverse team working and actively address age-diversity as part of their Equality and Diversity policies. Strategies to ensure intergenerational co-worker contact in age-diverse workforces can bring advantages to workers of all ages, and will also contribute to productivity, employee retention and commitment. The British Academy are currently funding research examining the nature of intergenerational co-worker relationships.¹¹

Housing

18. There are several strategies for designing age-inclusive homes, or for adapting homes to enable people to live independently in their community for longer. These are usually termed age-friendly environment initiatives. The Risks of Ageism Model outlines the importance of tackling ageist attitudes to

ensure more inclusive, age-friendly design at individual, local and national levels. One project which integrates the housing needs of older and younger generations, whilst considering the challenges of climate change and the national heritage of historic coastal properties is the 12a Dalby Square multigenerational living project in Margate, Kent.¹²

Communities

19. It is important to support the establishment of shared spaces at all levels so that generations can easily mix and share common activities and interests, these opportunities are likely to promote cross-generation friendships and enhance understanding between generations and therefore, reduce intergenerational conflict and perceptions of unfairness. We note the recent British Academy report '*if you could do one thing*' which provides powerful examples of local actions and suggest that such actions can be facilitated by local and national strategies.¹³

20. A key issue is to recognise the mutual benefits of cross-generation commitment and shared investment, and to enable people of all generations to move freely across traditionally age segregated spaces (e.g. improving older people's access to education). We also note the importance of age-friendly and dementia-friendly initiatives to improve access to green spaces are important for reducing isolation of older generations. Our dementia garden project is one example of this.¹⁴

21. Our extensive research on age-based intergenerational activity indicates that more work is needed to structure policies to increase positive rather than negative interdependencies between generations.¹ Our analyses of ESS data has revealed that policies to address inequalities older people face is associated with young people reporting higher levels of perceived age discrimination, highlighting the potential harm of focusing on one generation over others.¹⁵

Implications

22. We see a challenging pattern in this evidence. Younger people face greater material hardship, challenges in gaining sufficiently well paid employment and affordable housing. They report experiencing discrimination of all kinds, including age discrimination, more than older people.¹ On the other hand, younger people may be being cushioned, at least temporarily, from some of the more immediate effects of growing inequality, perhaps because they are being supported by older generations. It is older people whose health and well-being appears to be more strongly affected by factors such as lower GDP and being a target of age discrimination. So, the evidence suggests problems at both ends of the age spectrum, but the problems are different. Strategies and policies to address intergenerational *unfairness* will need to address not just the outcomes for different age groups but also the nature of the relationship between generations and different age cohorts to ensure that it is mutually sustaining.

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Age UK – Written evidence (IFP0047)

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About Age UK

Age UK is a national charity that works with a network of partners, including Age Scotland, Age Cymru, Age NI and local Age UKs across England. In the UK, the Charity helps more than seven million older people each year by providing advice and support. It also researches and campaigns on the issues that matter most to older people. Its work focuses on ensuring that older people: have enough money; enjoy life and feel well; receive high quality health and care; are comfortable, safe and secure at home; and feel valued and able to participate.

1. Key points

1.1 Age UK believes it is useful to look at differences between generations but this should be done alongside considering the differences within generations. Policy around housing, employment, care and other areas should meet the needs of all generations.

1.2 Age discrimination in the workplace is still rife, affecting older and younger workers. Ways to enable longer and fuller working lives include: greater access to flexible working; better guidance (for example through a 'Career MOT at 50'); and improved training opportunities.

1.3 The general lack of housing supply particularly affects younger people although there is also a need for a wider range of affordable housing options for older people. A major obstacle to downsizing (or 'rightsizing') is the lack of affordable, suitable housing options in preferred locations, with access to good transport links and key services. The private rented sector needs significant reform to meet the needs of increasing numbers of young families and the small, but growing, proportion of older people in this sector.

1.4 We would like to see the development of more integrated age friendly communities – rather than simply an expansion in segregated specialist schemes designed exclusively for older people. The lifetime homes standard should be applied to all new homes to provide flexible accessible forms of housing that work for all age groups.

1.5 The voluntary and community sector can play a key role in helping older and younger people connect and help each other, and there are plenty of examples of initiatives that increase positive intergenerational contacts.

1.6 Tax increases are never popular although may be acceptable if people feel confident that services will improve as a result and any additional contributions are seen as fair. We believe there is scope for greater public and political debate about wealth and capital taxes but we recognise any change would bring major political and administrative challenges.

2. General

2.1 Age UK believes that it is helpful to look at the differences between generations. However, there are no straightforward answers to the question 'Which generations are better off or worse off, and in which ways?' We support intergenerational solidarity and we believe it is important that the debate about the position of different generations does not pitch younger generations and older generations against each other.

2.2 Problems and desired outcomes will often be similar for people across the age range - for example, both younger and older people can face discrimination in areas such as employment, access to insurance, having a voice and stereotyping in the media. Equality legislation has helped to address some of these issues and it is important that we build on the progress that has been made.

2.3 Even where the problems facing different generations appear very different, differences of scale may be masking some similar issues. For example, difficulties finding suitable affordable rented housing are currently much more prevalent among younger people, but may also have a serious impact on the six percent of older households in the private rented sector. Lack of social care provision may appear to be an older person's issue, but around half of adult social care funding in England goes to people under the age of 65. What may appear to be an issue of 'intergenerational unfairness', is more a reflection of how housing and care policies are not currently meeting the needs of all generations.

2.4 Sometimes it is a matter of things being different rather than necessarily being better or worse. For example, in the past university students were clearly very privileged financially compared to students today who can build up large amounts of debt. However, a much smaller proportion of people now in their 50s and older had the opportunity to go to university.

2.5 And importantly we should always look at differences within generations alongside differences between age groups and cohorts in order to get a comprehensive picture. Without taking into account the (often greater) diversity within generations, policy reforms could focus too much on age or cohort without considering wider circumstances.

3. Jobs and the workplace

3.1 Different generations face different challenges in terms of the workplace and the economic climate throughout their working life, but as pointed out above, there are also differences within generations. The Resolution Foundation has highlighted the difficulties that many low income workers, particularly older workers, have in escaping low pay.¹ The organisation also looked specifically at the position of the 1.8 million 'low to middle income' households aged 50 to State Pension age (28 per cent of all households in this age group). On average they had household income no higher than eight years ago and the report concludes they 'face a struggle to maintain living standards at a time of life when many save for retirement'.²

¹ <http://www.resolutionfoundation.org/app/uploads/2017/10/Great-Escape-final-report.pdf>

² <http://www.resolutionfoundation.org/publications/a-mid-life-less-ordinary-characteristics-and-incomes-of-low-to-middle-income-households-age-50-to-state-pension-age/>

3.2 Age discrimination is still rife, and affects both older and younger workers. Studies show that among the over 55s, over a third report having experienced this.³ Recruitment practices in particular should be improved and the implementation of the Equality Act should be re-examined to ensure that employers do not discriminate. This would help all workers and jobseekers who are disadvantaged because of stereotypes, regardless of their age.

3.3 There are a range of measures that can enable a longer and fuller working life. (See Age UK's submission to the Women and Equalities Select Committee's Older workers Inquiry for more information.⁴) One of these is enabling flexible working as long as this is introduced in a way that genuinely helps employees balance work with personal responsibilities. Currently, flexibility is more likely to be available to higher skilled professional employees than to lower skilled, routine workers, which means it is less accessible to older people in low skilled jobs as well as many young people. Age UK has called for a system of 'flexible by default' to be introduced whereby all jobs can be considered flexible unless the employer can demonstrate otherwise. We are pleased to be part of the Government's 'Flexible Working Taskforce', which is examining how best to extend flexibility to workers in all occupations.

3.4 We are also calling for a 'Career MOT at 50', which would provide a combination of careers and training advice, alongside ensuring that a person's pensions and other finances are in the best possible place ahead of retirement. See our briefing 'Creating a Career MOT at 50' for further details.⁵ Other interventions at different points in the life course might also be beneficial and should be considered.

3.5 Training and re-skilling are also of great importance. Over recent years, public expenditure on training and skills has declined and while 24+ Advanced Learner Loans are available we have seen a drop in the number of older people participating. We recommend a thorough review of Further Education funding for all those aged 25 and above, which should also consider the role that employers play in delivering training to their workforce.

3.6 Finally, we would like to mention the 'lump of labour fallacy' – although it has been consistently dismissed by researchers, there remains a popular belief that more older workers means fewer jobs for younger people. When looking across the whole economy, this is completely untrue – having more older workers is good for the economy, increasing GDP and creating more opportunities for everyone, including younger workers. Please see our briefing on this for an overview of the academic research.⁶

4. Housing

4.1 The general lack of housing supply has caused problems which particularly impact on younger people. However, despite housing policies that have benefited older owner-occupiers there is an uneven distribution of housing

³ YouGov (2017), nationwide polling commissioned by Age UK

⁴ https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/consultation-responses-and-submissions/equality-and-human-rights/crs_nov17_women_and_equalities_select_committee.pdf

⁵ https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/active-communities/rb_oct17_creating_a_career_mot_at_50.pdf

⁶ Age UK (2011), Older workers and job blocking, https://www.ageuk.org.uk/documents/EN-GB/For-professionals/Policy/work-and-learning/job_blocking_briefing_June20111.pdf?dtrk=true

wealth within this population. Older people living in areas with high property values, especially in London, the South East, and larger cities have more options to either downsize or release home equity. Older people living in parts of the Midlands, North East, North West, Scotland and Northern Ireland have fewer options because of lower property values.

Private rented sector

4.2 Problems in the private rented sector have justifiably focused on the experience of younger people rather than the relatively small percentage of older tenants. According to Government figures 17 per cent of households in this sector are over 55 years of age, with nine per cent over 65.⁷ However, this focus is changing as we begin to see an increase in older tenants. Generation Rent has estimated that by 2035-36 there will be around a million households aged 65+ in the private rented sector.⁸

4.3 The private rented sector needs significant reform if it is going to cater for both the needs of younger families and older people. Older people in private rented housing are among the most disadvantaged in our society – see our report 'Ageing in squalor and distress'.⁹ Action is needed to address insecurity, high rents, benefit restrictions and quality – this being the sector with the highest percentage of non-decent housing (29 per cent). It is welcome that the Government is looking at measures to lengthen tenancies, which is a key factor in reducing the insecurity created by the possibility of a no fault eviction after 6 months.

4.4 This shift in tenure also raises longer term questions about welfare policies that rely on housing equity and how future generations of older people will save and invest.

Planning system and ensuring properties are suitable for all

4.5 At the time of writing the Government has yet to release its planning guidance on housing for older and disabled people – which is a requirement of the Neighbourhood Planning Act 2017. Age UK agrees that the planning system could do more to allow downsizing by requiring local authorities to promote the development of a range of retirement housing options based on an assessment of local need and the aspirations of older people themselves. However, the debate around whether there should be reforms to planning gain rules to incentivise retirement developments is finely balanced, and it can be argued they should make a reasonable contribution to affordable homes for lower income groups and community infrastructure costs, especially developments at the top end of the market.

4.6 Age UK's view is that the focus should be on a wider range of housing options for older people including new-build properties built to the 'lifetime' standards that cater for all age groups. Even with significant expansion, retirement housing will only cater for a relatively small proportion of older

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/721556/PRS_Longer_Tenancies_Consultation.pdf

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https://d3n8a8pro7vhmx.cloudfront.net/npto/pages/6390/attachments/original/1510344761/Adler_LifeinRS.November.pdf?1510344761

⁹ https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/safe-at-home/rb_oct16_ageing_in_squalor_and_distress_report.pdf

people. We would like to see the development of integrated age friendly homes and communities that bring younger and older generations together – rather than simply an expansion in segregated specialist schemes designed exclusively for older people. At the same time, there are good examples of extra care housing (very sheltered), to buy and rent, which although designed for older people encourage intergenerational engagement.

4.7 Given the majority of older people will continue to live in mainstream housing, support for home adaptation services is vitally important for many older and disabled people, while achieving higher accessibility standards, for existing and new homes could ensure more housing is suitable for all generations. Younger people wanting room for a double buggy will be just as grateful for level access to a property and a roomy hall as a disabled older person using a wheelchair or walking frame.

Transfer of property wealth

4.8 Many older people already offer financial help to their children to allow them to get a foot on the property ladder if they are able to. In addition, children of better off homeowners are now more likely to benefit from the inheritance of property wealth from their parents¹⁰ – although increased longevity may mean the benefit to children or grandchildren is delayed. This raises the question of whether housing wealth should be released at an earlier stage to help younger people through the promotion of equity release schemes or incentives for older people to downsize. However, this approach does not address inequalities in the housing wealth between younger people. It raises difficult questions over inheritance and property tax and how resources can be re-invested in housing for younger people in lower income groups.

Downsizing

4.9 There is debate about encouraging older people in larger homes to move to release properties for younger people. A major obstacle to downsizing (or 'rightsizing') is the lack of affordable, suitable housing options in preferred locations, with access to good transport links and key services. Although older people might need less space they may still seek a two to three bedroom house to provide separate bedrooms for couples for health reasons, or allow space for a carer, guests or family (including those who are unable to afford their own home). And unless supply issues more generally are addressed it is possible that older people downsizing may end up competing with younger people for smaller properties.

4.10 Incentives to encourage downsizing also present dilemmas over whether subsidies should be provided to older people who already have housing wealth, when younger low income groups are struggling to find a secure affordable home. There are questions over how far specific measures, such as exemptions to stamp duty, would incentivise older people to downsize. In practice, there is a range of social, emotional, financial and practical factors which will determine whether an older person moves.

4.11 Differences in individual circumstances mean that older people need better access to information, advice and practical help to make informed

¹⁰ <https://www.resolutionfoundation.org/publications/the-million-dollar-be-question-inheritances-gifts-and-their-implications-for-generational-living-standards/>

decisions about their housing options. For many downsizing will not be a realistic option and they may need help with adaptations, repairs and heating to remain independent. Home Improvement Agencies are in a good position to provide help, but many are stretched and under-funded. Improvements to information, advice and practical services were a major recommendation of the CLG select committee on older people's housing.¹¹ Yet despite this, specialist housing services such as First Stop housing advice have seen cuts to funding.

Intergenerational home sharing and lifetime homes

4.12 We support measures to make it easier to adapt existing homes and to build an annex to separately accommodate parents or other older relatives. The Government allows council tax exemption for an annex or 'granny flat' to encourage more people to take up this option. There are around 33,000 annexes in England and Wales.¹² While this may be a good option for some families it still seems unlikely this approach could make a significant contribution to the overall supply of homes given the space and resource requirements involved, nor will it appeal to all older people who want to retain separate independent lives.

4.13 Over the years there have been a number of home sharing initiatives designed to encourage older people with a spare room to offer accommodation to a younger person in exchange for basic housing support. This has included the Homeshare Partnership Programme funded by Lloyds Bank Foundation and the Big Lottery Fund and building on the work of Shared Lives Plus. A recent review of homeshare initiatives demonstrated the benefits for participants but also highlighted a number of barriers to the wider adoption of this approach.¹³ There is still little evidence that homeshare could offer a meaningful solution to the shortage of housing in the UK, nor does it remove the need for younger people or families to secure a permanent home of their own.

5 Communities

5.1 It is well-evidenced that increased positive intergenerational contact reduces age based prejudice.¹⁴ The voluntary and community sector can play a key role in helping older and younger people connect and help each other. It is important to counteract unnecessary age segregation wherever possible, and seek out the contributions that all age groups in society can make as well as identify needs that can be met by volunteers.

5.2 Initiatives to encourage contact between generations and increase contributions within communities include:

- Recruiting volunteers from all sections of the community and being creative about the ways that older people can contribute – for example mentoring and coaching services, and support with reading in primary schools.

¹¹ <https://www.parliament.uk/business/committees/committees-a-z/commons-select/communities-and-local-government-committee/inquiries/parliament-2017/housing-for-older-people-17-19/>

¹² <https://www.saga.co.uk/magazine/money/property/buying-and-selling/granny-annexe-7-things-to-think-about>

¹³ <https://homeshareuk.org/hs-resource-library/homeshare-offers-solution-to-loneliness-and-housing-crisis/>

¹⁴ [https://www.ageuk.org.uk/Documents/EN-GB/For-professionals/Research/Making_Intergenerational_Connections-Evidence_Review\(2017\).pdf?dtrk=true](https://www.ageuk.org.uk/Documents/EN-GB/For-professionals/Research/Making_Intergenerational_Connections-Evidence_Review(2017).pdf?dtrk=true)

- Being flexible about the formal requirements in recruiting volunteers to ensure that people with health conditions and mobility and sensory impairments can contribute.
- Planning spaces to bring together different generations and facilitate interactions, for example: crèches located in or near older people's residential homes with planned activities to bring people together; the Channel 4 project bringing 4 year olds into a care home; activities run by groups such as South London Cares and North London Cares who organise a wide range of activities and events in cities and bring together young professionals who have moved into the cities for work with older people who share interests.^{15 16}

5.3 Digital communications can provide valuable ways of maintaining social connections, but there is a big difference in use of technology by different generations. For example, around 93 per cent of those aged 16-24 have a social media profile, compared to just 15 per cent of people aged 75+.¹⁷ Even with improved access to technology, many older people emphasise the physical and social benefits of getting out and about and talking to people directly. As one woman told us 'With the internet you lose personal contact with people, you do even with your family because they email you or text you and you think it would be nice to hear your voice.'¹⁸

5.4 Having said that we know that many older people who use technology benefit greatly from linking with others in the community, and maintaining contact with friends and family who do not live nearby. Age UK nationally and locally works to increase digital inclusion – for example, we are part of 'One Digital', an initiative working with four other organisations using digital champions working in the community.¹⁹ Projects bringing together different generations can work well, for example, one of the 'One Digital' projects involves providing training to local schools and colleges to train students as young as 10 as Digital Champions, equipping them with the skills and confidence to support older people in their community with digital skills. Students have held group sessions in local community centres as well as providing one-to-one support to friends and relatives.

6. Taxes

6.1 Increasingly, there seems to be a recognition that we need to invest more in public services and this could involve tax increases. While few of us want to pay more tax, when we have spoken to older people about care funding, we found there was a recognition that this could involve them paying more, although they wanted to be confident that this would result in a better service and that everyone would contribute. In respect of possible tax changes, ideas most favoured included a rise in general taxation and five per cent off everyone's estates following their death.²⁰

National insurance

¹⁵ <https://southlondoncares.org.uk/home>

¹⁶ <https://southlondoncares.org.uk/home>

¹⁷ https://www.ofcom.org.uk/_data/assets/pdf_file/0011/113222/Adults-Media-Use-and-Attitudes-Report-2018.pdf

¹⁸ https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/active-communities/life_offline.pdf

¹⁹ <https://onedigitaluk.com/>

²⁰ <https://www.ageuk.org.uk/latest-press/articles/2018/march18/older-people-receiving-social-care-and-their-family-carers-set-out-the-problems-they-face-and-how-to-fund-a-better-system/>

6.2 A number of commentators have advocated extending National Insurance (NI) to the earnings of people who have reached State Pension age. We can understand why some people feel the current system is unfair but any Government considering changes would need to look at costs, benefits and impact. For example: would this discourage people from working longer; what is the income distribution of those likely to be affected; and how does this fit in with the concept of a contributory State Pension based on 35 years of contributions given that those reaching State Pension age may have already paid NI for 45 years or more? If there is a review of NI we would expect this also to look at the case for removing the upper earnings limit for NI contributions.

Wealth and wealth taxes

6.3 Median household wealth rises by age peaking around the early and mid-sixties and then falls in later life. This pattern of wealth is to be expected based on people's life stages. However, there are also cohort effects and some older homeowners have benefited from the rise in homeownership and increases in house prices. There are also big differences within generations. As referred to in the comments on housing above, because wealth can be passed on during a lifetime or on death, inequality among younger generations is likely to widen between those who come from wealthy families and those who do not. In respect of homeownership, a recent Institute of Fiscal Studies note states that 'housing inequality doesn't just exist between the young and the old. It has also led to a divide between richer and poorer young adults'.²¹

6.4 Overall levels of household wealth have increased substantially over time and the Resolution Foundation's report on wealth states that wealth inequality is almost twice the level of income inequality.²² Yet in 2016-17 only 4.3 per cent of total UK tax receipts came from capital taxes (inheritance tax, capital gains tax, stamp duty) and 4.5 per cent was raised from council tax (based partly on property value and partly on who lives there).²³ We believe there is scope for greater public and political debate about wealth and capital taxes but we recognise any change would bring major political and administrative challenges. For example, inheritance tax is unpopular although it is paid on only a small minority of estates, and attempts by political parties to suggest a greater use of capital to fund social care have been quickly branded the 'death tax' and the 'dementia tax' making debate around the pros and cons of such proposals difficult.

10 September 2018

²¹ <https://www.ifs.org.uk/publications/13268>

²² <http://www.resolutionfoundation.org/app/uploads/2017/06/Wealth.pdf>

²³ <http://obr.uk/efo/economic-fiscal-outlook-march-2018/>

Age Watch – Written evidence (IFP0012)

EXECUTIVE SUMMARY

1. Age Watch welcomes the Committee's call for evidence on Intergenerational Fairness and Provision, as there are clearly important generational differences.

GENERAL

2. Three additional elements are important for the intergenerational settlement i.e. health, pensions and debt. Future generations face the prospect of years of retirement in poor physical, mental and/or financial health. To reverse this generational unfairness we need to:

- Focus more on health (not just wait until people fall ill and then treat them).
- Revitalise occupational pensions e.g. by reintroducing tax relief on pension fund investment income; and an inquiry into employer pension contributions.
- Phase out the current student loan system, which is encouraging a debt culture.

JOBS AND THE WORKPLACE

3. Workers across the generations will continue to be affected by the combined impact of globalisation, technological development, the internet and AI. To ensure good quality jobs across the generations we need to:

- Anticipate and plan for changes likely to affect the occupations available.
- Consider how workers can represent themselves in non-union environments.
- Rebalance the education and training system, away from its front-loaded (often academic) preparation for an initial career to more lifelong learning, to help people continue to learn, update and retrain in a rapidly changing jobs market.

HOUSING

4. The rise in buy to let landlords coincided with the decline in occupational pensions and in interest rates for savers, leaving property rental the main 'safe' pension/investment option.

To tackle the current unfairness faced by Generation Rent we need to tackle the underlying cause i.e. the private sector's continuing inability to provide enough good quality affordable housing for sale and for rent, for example by:

- A more mixed economy (enabling Local Authorities and Housing Associations to contribute more).
- More factory-built homes, to avoid weather delays during construction.
- A 'property blocking' tax on long-term absentee owners.
- Reducing commuting costs to better connect affordable housing and employment.

COMMUNITIES

5. An ageing society needn't be a challenge. Improving public health (rather than waiting for people to fall ill and then treating them) will compress morbidity, reduce health and social care costs and enable older people to contribute socially and economically for longer.

TAXATION

6. The main challenge here is not intergenerational but the inequality between those who can afford to pay for expert tax avoidance advice – and those who can't and have to make up the difference. Tax implementation which is fairer,

while still keeping the UK competitive, should provide additional income to help tackle other intergenerational issues.

Written Submission

1. Age Watch welcomes the Committee's call for evidence on Intergenerational Fairness and Provision. As a public health charity we focus on what can be done to slow the process of ageing (and 'age related' illness) across the life course i.e. across the generations. As this encompasses a wide range of factors, including a number highlighted by the Committee, we hope this will enable us to provide some useful perspectives.

GENERAL

2. As widely reported, young people today (Generation Rent) face the prospect of having to work longer, in more precarious employment, with more debt and reduced prospects of home ownership compared with previous generations i.e. they are worse off.

3. However, issues are also faced by members of other generations, including those made redundant in their fifties (who often struggle to find suitable employment in competition with younger workers, while still years away from being able to draw a pension) and those retired people who depend to any significant extent on savings income (given unusually low interest rates over the past decade).

4. Three additional and inter-related elements are also important when considering if the intergenerational settlement in the UK is currently fair i.e. health, pensions and debt. Changes in lifestyles and pensions, coinciding with the rise of a debt culture, mean future generations face the prospect of years of retirement in poor physical, mental and/or financial health – consuming an ever-growing proportion of central and local government resources while finding themselves less able to contribute financially, to the detriment of tax-paying younger generations.

Health

5. Public health is worsening in the UK, on a generational basis. On current trends each generation will spend more years in poor health than their parents' generation. Improvements in medical science were keeping people alive longer but this is increasingly in (expensive) poor health, with multiple medical conditions¹ - and even that greater longevity has now begun to stall².

6. This is a predictable consequence of the UK's medical approach to health i.e. waiting until people fall ill and then treating them, instead of making it a priority to address the preventable causes of ill-health and premature ageing, due to unhealthy lifestyles and environments and socio-economic deprivation. For instance:

- 58% of over 60's already have at least one long term medical condition for which there is currently no cure – and this proportion is rising³.
- Treatment and care for people with long term conditions is estimated to consume around 70% of total expenditure on health and social care³.
- Only 59% of people living with long term conditions are in work, compared with 72% of the general population⁴.

7. Meanwhile the well-publicised rise in childhood obesity (and a 40% increase in cases of avoidable type 2 diabetes in children in the last four years⁵) are powerful indicators of what lies ahead for the health of today's younger generations, unless radical action is taken.

8. That means more pressure on the NHS and social care in the later decades of life – with the bill increasingly being paid for by younger generations who will,

unless the trend can be reversed, then themselves pass on an even greater burden of ill health for future generations to bear.

9. It is true that we will all get older but the speed at which we age, mentally and physically, varies significantly, and this in turn influences how quickly we become susceptible to 'age related' illnesses. It is entirely feasible, given healthier lifestyles, working environments and communities, to achieve a high level of compressed morbidity⁶ i.e. people leading long and healthy lives, with only a relatively short period of serious illness before dying – meaning significantly lower health and social care costs and the potential for people to contribute longer both economically and/or through voluntary work, thereby reducing the burden on younger generations. Sir David Attenborough is one of many possible examples of this kind of positive ageing.

10. However, currently around 95% of UK health spending is committed to treating people when they fall ill rather than preventing people falling ill in the first place, with funding for preventative public health continuing to be cut⁷ despite the obvious health and economic value of doing more to prevent illness⁸. We recognise that giving higher priority to preventative health is likely to take some years to begin to show results and that this poses a challenge for governments with a fixed term of office. However, unless the issue is addressed, the problem will continue to grow and weigh heavily on the intergenerational settlement.

11. We therefore make three practical and affordable initial recommendations:

a) Set a target, in the government's new Industrial Strategy, for the UK food and drinks industry to become a global market leader in the mass production of healthier food i.e. lower in sugar, salt and saturated fat and higher in dietary fibre. This should be good for business and good for the nation's health – addressing the issue of unhealthy diets at source.

b) Incentivise organisations to improve the health of employees. This should be a win-win for employers – meaning fewer sick days lost, improved morale and enhanced productivity. One simple step here would be to add a new indicator to the widely used Investors in People accreditation i.e. supporting the physical and mental health of employees.

c) Update the medical school and nurse education curriculum to include a greater focus on preventative health (including social prescribing) – to enable health professionals to begin to truly focus on encouraging health and not simply treating illness.

Pensions

12. Occupational pensions have seen one of the biggest shifts in intergenerational fairness:

- The number of private sector employees who can look forward to retirement on a final salary pension has fallen from some 8 million in 1967 to less than 2 million today⁹.
- In the public sector, final salary pensions are being replaced by career average pensions¹⁰ (further limited by pay freezes and pay caps and pension increases based on CPI rather than RPI).
- In addition, the rise of the gig economy, zero hours contracts and self-employment mean many people have no occupational pension¹¹.

13. Some commentators trace the start of the decline in final salary pensions to a 1997 government decision to abolish tax relief on pension fund investment earnings¹². In practice the causes were more varied, including some employers taking a 'holiday' from making pension fund contributions when times were good (withholding £11.5 billion in pension contributions between 1995 and 2000¹³) and actuaries underestimating the increases in life expectancy. However, it

seems reasonable to conclude that, in practice, both government and major employers took action which, whatever the intention, had the effect of significantly undermining intergenerational fairness. And recent developments such as the growth of zero hours contracts (with no pension entitlement for lower paid workers) have continued to undermine intergenerational fairness.

14. It would therefore seem only reasonable that the government and employers act to help redress the balance. For example, the government could:

- a) Reintroduce tax relief on pension fund investment earnings.
- b) Set up an inquiry into employer pension contributions, with a view to considering the level of employer contribution that is fair for both employers and employees.

Debt

15. Since credit cards first became widely available growing concern has been expressed about rising levels of debt among UK consumers, which is now among the highest in Western Europe¹⁴. As well as the impact on those in debt, their families and their creditors, there are wider, knock on effects. For example, the courts service is now overloaded with large numbers of cases concerned with consumer debt and there are regular media reports on rising levels of homelessness.

16. It is therefore particularly worrying that recent governments have actively encouraged a debt culture among young people, by first introducing and then significantly increasing, a student loan system. The problem is compounded by the fact that more than a third of graduates are currently in non-graduate jobs i.e. the student loan has often not proved the investment in a more prosperous future its proponents originally claimed. This is a clear example of intergenerational unfairness, as previous generations were not required to take out student loans and the number of graduates more closely matched graduate level job opportunities.

17. As we explain further below we consider that the current focus on education in the UK is obsolete, in that it presupposes young people are being prepared for a career for life, with no further support then required, when the need is for fewer young people to go to university, more to go into vocational education, and then more lifetime learning opportunities for people generally to help them adapt, update and retrain in a rapidly changing global economy and jobs market.

18. To begin to push back against a debt culture in the UK we recommend that the current student loan system be phased out.

JOBS AND THE WORKPLACE

19. An important long-term issue, affecting workers across the generations, is the combined impact of globalisation, technological development, the internet and AI. To give a few examples:

- Robots are now routinely used in manufacturing.
- High Street stores are finding it increasingly difficult to compete with online competitors like Amazon.
- Future trends, like driverless vehicles, could create fresh waves of redundancy

20. Indeed, the Bank of England's Chief Economist has recently warned that the UK will need a skills revolution to avoid "large swathes" of people becoming "technologically unemployed" as artificial intelligence makes many jobs obsolete¹⁵.

21. In addition, trade union membership (which allows employees' interests to be formally represented) is increasingly the exception in the private sector, where 'precarious' employment is becoming more common through

developments such as zero hours contracts, outsourcing to agency staff and the gig economy. Of people under 35 working in the private sector, less than 10% are now in a Trade Union¹⁶. Together these developments mean secure, good quality jobs are likely to become scarcer and add to intergenerational unfairness.

22. To ensure good quality jobs are available across the generations it will therefore be important to

- a) identify and encourage those occupations least vulnerable to globalisation and technological development;
- b) anticipate and plan for changes likely to impact existing occupations;
- c) support new and emerging occupations;
- d) consider how workers in non-unionised environments can represent themselves.

23. The role of education and training is also relevant here. The current state system is still essentially based on the assumption that people will have a job for life i.e. resources are frontloaded into schools and school-leaver higher education, to prepare young people for their initial career – with limited resource available thereafter. The current system also prioritises the academic over the vocational, as seen in the lack of funding for Further Education, in particular for adult students¹⁷. With the ONS reporting that more than a third of graduates are working in non-graduate jobs¹⁸ and with the number of jobs for life continuing to reduce this doesn't seem the most rational allocation of resources.

24. To encourage good quality jobs across the generations we therefore recommend rebalancing the education and training system to:

- a) Review how higher education can be adjusted to focus on providing degrees for school leavers likely to secure graduate-level jobs.
- b) Use the resources saved through this focus to provide more lifelong learning, updating and retraining opportunities for the population more generally.
- c) Give higher priority to vocational education.

HOUSING

25. Intergenerational fairness is clearly impaired by a housing market in which younger generations of adults find it difficult to afford to buy or even rent, whilst existing home owners have benefited from rising house prices and unusually low mortgage rates. However, we suspect there is also a significant socio-economic divide here, between those able to call on help from Bank of Mum and Dad¹⁹, likely to receive legacies from grandparents and ultimately inherit property – and those whose parents and grandparents have no property to be inherited and little or no spare money.

26. Addressing the questions raised by the Committee in questions 7 - 10 is likely to have a beneficial effect. If we consider what has driven the increase in the size of the private rented sector, for instance, then it is probably no coincidence that this has coincided with the decline of occupational pensions and ten years of unusually low interest earned on savings. A 2016 study for the Council of Mortgage Lenders²⁰ found that pension and investment purposes dominated the reasons for becoming a landlord. One-third of landlords saw their holdings as a form of pension; one-third looked for income and capital growth and 27% said property was better than other investments. This reinforces the need to revitalise occupational pensions, to reduce the perceived need to focus on property rental as the only safe, viable source of income post-retirement, in an era when interest on savings remains unusually low.

27. In principle initiatives to utilise the property wealth of parents and grandparents to help their children and grandchildren are worth exploring. However, there are two significant caveats here:

- The issue of care costs in later life: if utilising property wealth when older people are healthy then leaves them dependent on state-funded care

when they develop long term conditions and are no longer able to live at home or (ref downsizing, have no room for a live-in carer) this simply passes the economic burden back to taxpayers.

- Such a move is also likely to reinforce social inequality, as parents and grandparents who do not own property will not be able to help their children and grandchildren in this way.

28. This takes us back to the issues of health and pensions, which potentially impact so many potential proposals for tackling intergenerational unfairness. If people live longer in good health, then long term care costs are less of an issue. If occupational pensions provide a reasonable income in retirement then there is less need to rely on property as an investment rather than a home to live in.

29. Initiatives to encourage down-sizing are also appealing in principle. In practice they face a number of challenges, from the shortage of suitable properties to downsize to²¹ to the fact that (unless there is a significant increase in the number of properties designed specifically for older people) they will be competing for more affordable existing properties with the younger generation, thereby potentially driving up prices for young and old alike.

30. This brings us to a fundamental further point i.e. that over recent decades the UK private sector has failed to supply enough good quality affordable housing, whether for sale or rent²². This probably isn't surprising, as private sector builders are naturally looking to optimise returns for shareholders and selling executive homes to those who can afford them produces better returns than building good quality affordable housing. Similarly, private landlords are naturally looking to optimise rental income, as a form of personal pension or investment, rather than provide a public service.

31. To address this fundamental block to housing supply the government needs to urgently consider:

- How to encourage and enable local authorities, housing associations and possibly also new stakeholders to help fill the gap i.e. moving to a more mixed economy as regards housing supply in the UK.
- The potential of factory-built housing to speed up supply, by avoiding weather delay during construction.
- Greater priority for vocational education, to meet the current construction industry skills gap.
- A 'property blocking' tax on those properties left empty on a long-term basis by absentee owners.
- Reducing the cost of commuting, to better connect existing areas of affordable housing with employment hot spots.

COMMUNITIES

32. We are concerned that an ageing society is presented as providing only challenges and not opportunities. Our own charity is a good example of different generations working harmoniously together, as are many other voluntary organisations. Where there is a shared passion and commitment generational differences can prove complementary rather than problematic.

33. As indicated earlier an ageing society is mainly a problem where long term medical conditions (many of which are avoidable or can be significantly delayed by healthier lifestyles) compromise independence and incur significant health and care costs. This suggests the importance of the UK adopting a proactive approach to health, rather than relying so heavily on reactive medical treatment once people fall ill. In turn this increases the potential for non-state provided solutions, with healthier older generations better placed to help themselves and others. 31% of 65-74 year olds and 24% of those aged over 75 already participate in formal volunteering (and 38% and 36% respectively in informal

volunteering)²³. Action to delay long term medical conditions is likely to free up significant additional time and resource here.

34. We also note that socio-economic status rather than age per se is a key factor. For instance, women in Richmond upon Thames can expect to enjoy 14 more years of 'healthy life' compared with their counterparts in Tower Hamlets²⁴. Addressing the health implications of the socio-economic divide in the UK is likely to produce tangible benefits and both reduce the challenges and increase the opportunities arising from an ageing society.

35. Socio-economic status is also relevant as regards new technologies and social media. For example, our observations suggest that older middle-class generations make frequent use of social media to maintain contact with family and friends dispersed around the country and around the world, that this has already been the case for much of this century and that tech savvy grandchildren are often a catalyst here²⁵. This may be less true for those in socially deprived areas.

TAXATION

36. There have been suggestions that older people are responsible for perceived generational unfairness relative to younger people. Taxation is a useful topic for helping dispel this myth, as the main tax inequalities are not between old and young but between rich and poor. Wealthy individuals and companies are able to call on expert advice to minimise their tax payments – while ordinary people are required to pay their full tax.

37. In our 2015 report *Healthy and Wealthy?* we gave the example of fast food companies who:

- Minimise their UK corporation tax payments by, for instance, ensuring all intellectual property income is paid to subsidiaries in low tax countries like Luxembourg.
- Minimise their employer National Insurance payments by employing large numbers of people on low paid, zero hours contracts i.e. below the employer National Insurance threshold.
- Leave these employees then eligible for in-work State Benefits by virtue of their low wages i.e. paid for by ordinary UK tax payers, who don't have access to advice from highly paid tax avoidance experts²⁶.

38. It is also worth considering who introduced and then increased the UK's graduate tax (i.e. the student loan system). The key players here were respectively Tony Blair (aged 45 at the time), David Cameron (aged 46 at the time) and Nick Clegg (aged 45 at the time) i.e. middle-aged politicians, not the older generation.

39. We might also consider who is responsible for many of the changes in working practices in recent years, affecting both younger and older workers. For instance, Jeff Bezos was 30 when he started Amazon and Garret Camp and Travis Kalanick were 31 and 33 respectively when they started Uber. Again, the key players were usually not the older generation.

40. If any changes should be made to the tax system to achieve a fairer intergenerational settlement we would recommend measures to ensure that corporations and rich individuals pay their fair share of tax – and that this tax income then be deployed, where needed, to help achieve a fairer intergenerational settlement.

41. We recognise that high levels of company tax may deter investment in the UK but consider that where, for example, Amazon paid just £4.5 million of corporation tax in a year when its UK revenues were \$11.3 billion²⁷, there is scope for increased tax income without deterring successful businesses, for whom the UK is clearly an important market. Another example is Starbucks,

which managed to operate for years in the UK, paying little or no corporation tax²⁸ until it was publicly shamed in the media. In this context any differences in intergenerational tax payments are likely to be much less significant.

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28 August 2018

Alive – Written evidence (IFP0036)

1. Introduction

- 1.1. Alive Activities (known as Alive) have a 6-year track record in delivering intergenerational projects and community engagement between old and young.
- 1.2. We believe charitable organisations like ours are ideally placed to provide solutions to the challenges faced by an ageing society.
- 1.3. We have pioneered the use of technology with older people since 2010 and demonstrated how it can be used to promote more active intergenerational engagement that enhances mutual understanding and community cohesion.

2. Alive Activities

- 2.1. Alive is a Bristol-based charity, founded in 2009, which works in over 350 care settings in 10 counties across south and south-west England. Alive is the UK's leading charity enriching the lives of older people in care and training their carers.
- 2.2. We provide creative and arts-based activity sessions for older people in care homes, day centres and other settings such as hospitals, plus training and support for care staff to build their confidence and capacity to deliver meaningful care for older people.
- 2.3. Since 2009, Alive have delivered 13,000 interactive activity sessions, benefiting 10,000 older people in 450 care homes, day centres and other care settings. We have also trained more than 1,200 care staff from over 250 settings in how to engage more meaningfully with older people, including those living with dementia.



This is the moment we told Lily that we had secured funding for our intergenerational work and the children would be returning.

3. The need for meaningful activity and community engagement for older people

- 3.1. Over 400,000 older people live in care homes in the UK. 80% of residents live with dementia or another severe memory problem – and the numbers are growing. Whether living in care homes or being cared for at home, older people often receive only a few minutes of meaningful

Alive – Written evidence (IFP0036)

conversation (unrelated to their physical needs) from care staff each day. Loneliness, isolation and inactivity are common, resulting in a loss of physical function, depression and poor quality of life.

- 3.2. Sadly, many care staff struggle to run activities in the interests of their service users. Caring for people with dementia can be emotionally challenging and care staff refer to a lack of money, training and support as barriers to delivering high quality, meaningful activities.
- 3.3. Care homes, in particular, are becoming isolated entities separated from the rest of society. Reportedly, older people in care homes go outdoors to breathe fresh air for only four minutes per month. That is far less than even prisoners, who are entitled to one hour outdoors every single day.
- 3.4. Meanwhile, the need for non-pharmacological interventions to improve the wellbeing of people living with dementia is increasingly recognised. **Recent research from Exeter University shows that social interaction leads to a significant improvement in the health and wellbeing of people living with dementia in nursing homes (Ballard et al Am J Psychiatry 2016).**
- 3.5. Research from the National Institute for Health and Care Excellence (NICE) shows that “inactivity and low levels of engagement lead to loss of physical function, social isolation, behavioural symptoms and poor quality of life”. Meanwhile, “increased activity and engagement can have a positive effect on quality of life and contribute to other important outcomes including mortality rates.” This is the case for older people generally, not just those in care settings.

4. Alive’s track record

- 4.1. Alive’s work has been independently evaluated by Professor Norma Daykin of University of West of England, whose report states: “There is evidence that creative engagement has positive effects on general health, medication use, cognitive functioning, levels of anxiety and depression, mental wellbeing and some specific physical functions for older people within care homes (see, for example, Cohen, 2006 and 2007).”
- 4.2. Our ongoing evaluation uses the Arts Observational Scale (ArtsObs) tool - cited by Public Health England in their guidance for the evaluation of creative activities in healthcare settings. Results demonstrate we achieve positive outcomes for the wellbeing of older people and in the confidence and skills of care staff trained.
- 4.3. We have been recognised by NICE, appear on their Shared Learning website, have guides to meaningful engagement for care home managers and staff endorsed by them, and were finalists in two National Dementia Care Award categories in 2017, including for our intergenerational project ‘Paint Pals’.
- 4.4. Alive’s work has been endorsed by Professor Martin Green OBE, CEO of Care England. The **CQC’s Chief Inspector, Andrea Sutcliffe, has commended our community engagement work** and is coming to see us engage older people and coach care staff on 28 September.
- 4.5. **Alive have been delivering intergenerational activity in care homes continuously since 2012.** We are therefore well qualified to make a submission to the Committee, under the Communities heading, Questions 11 and 12.

5. Evidence for the benefits of intergenerational work

- 5.1. The benefits of intergenerational activities are well documented and summed up in a recent paper “Positive Ageing Through Place Based

Intergenerational Activity” (Kagan, Carolyn: 2016), which cites a **reduction in isolation, and a sense of satisfaction and pride as key benefits of intergenerational activity for older people**. In addition, **intergenerational activities have also been seen to improve community cohesion**.

- 5.2. Alive employs the ArtsObs tool in intergenerational sessions to record Demographic data, Mood scores, Relaxation, Distraction, Participant feedback and Case studies.
- 5.3. One of the most notable observations Alive made at a recent intergenerational session was just how powerful the visits were when helping individuals living with dementia remain rooted in the present moment. Interacting with the children through play and conversation, often using objects, and props to support discussion enabled both the children and the residents to focus on completing shared tasks and develop meaningful discussion and dialogue.
- 5.4. *“Today was amazing, emotional and just so lovely it could not have gone better! The six children (3-year olds) all arrived and had each painted a picture to give to a resident. They hit it off straight away; in just under an hour the children and residents played croquet in the garden, filled the bird feeders, enjoyed a drink and biscuits together in the conservatory, then each had a book and sat with a resident and read together. It was truly amazing. Thank you!”* Nursery School Practitioner.
- 5.5. Evidence provided by headteachers and teachers at primary schools which participate in Alive partnerships with care homes also indicates a **beneficial impact on children**. One headteacher told us that they specifically chose children who normally do not receive a great deal of attention in school to take part – i.e. they were neither the most able nor the most challenging. She noted a massive increase in these children’s self-confidence back in the classroom and a positive impact on their studies as a result of the interactions with their older project partners.

6. How Alive creates active intergenerational communities to address the challenges faced by an ageing society

- 6.1. It is common for older people in care to have little or no contact with younger generations. Yet Alive have seen time and again the benefits of different generations coming together – a visit from children lifts the spirits of socially isolated residents, improving their mental health and general wellbeing. We do this through a series of projects – Paint Pals, iPals, Access All Ages and Making Pals.
- 6.2. **Paint Pals** is an intergenerational art project that builds links in the local community between older people living in care homes and children in local schools. The project enables older people to build a connection with children, children to give back to their community and everyone involved to have fun creating art. It works by pairing older people with school children. The pairs first correspond by painting post cards, so they can learn a little about each other. They then meet up for Paint Pals parties where they can get to know each other better and work on art together. The enjoyment for each group has been tangible for all to see, and most importantly the project gives an opportunity for older people in care and younger people in the community to feel connected with each other.
- 6.3. ***“St John’s is so proud to be part of Paint Pals. The school is near to our Paint Pals home, so it feels really good to be involved in our local community. The children love the activity and have formed real attachments to their pals. It is a very special project.***

We have had so many positive remarks from other children, parents and teachers. I wish we could expand the project to take in more children and their pals. – Teacher

- 6.4. **Access All Ages** (ongoing work stemming from PaintPals and iPals) enables care settings and schools to meet more regularly and can incorporate any art-form – from painting, music, dance, poetry, collage and film-making using iPads, to playing dominoes.
- 6.5. The sessions are responsive to the interests of the older and younger people, and can change over time, the main focus being on encouraging meaningful communication and bonding between the generations.
- 6.6. Most importantly Access All Ages sessions give an opportunity for older people in care to feel connected with and be appreciated by children in their locality, and for children to learn about many different aspects from the past, whether it be the local area, work and leisure activities, or simply stories from life.
- 6.7. **Making Pals** is Alive's three-year community engagement project funded by The Henry Smith Charity. We are working with care homes across the Bristol, BANES, South Gloucestershire and North Somerset areas, helping them to build long-lasting and meaningful relationships with their local communities. **By encouraging the public to engage with care homes and by empowering care home residents, we hope to change the public's perceptions of care homes so that they are truly seen as part of the local community.** We have engaged 1,157 people in the project to date, including 63 care homes and almost 150 volunteers.
- 6.8. One recent trip to Bristol Zoo was organised as part of a partnership between Making Pals, Young Bristol Youth Club and Sunlife volunteers, and Bishopsmead Care Home, following a previous trip to Weston-super-Mare.
- 6.9. When Marcus (aged 12) got off the bus he immediately recognized Millie, one of the residents he'd spent time with on the previous trip. He told us *"I didn't know if Millie would know me, but when she came off the bus she put her hands up in the air and shouted Hello!! I knew her but it's nice she knew me. I've missed her"*.
- 6.10. Later on, a member of care staff at Bishopsmead told us *"When Millie got off the bus she was so happy to see Marcus. She was worried he wouldn't remember her. As she got off she told us 'Oh look, he remembers me!' Millie and Marcus spent the whole day together. They were inseparable."*
- 6.11. At the end of the trip Marcus insisted on using his own money to buy Millie a present he'd chosen her from the gift shop. Young Bristol and Bishopsmead offered to pay the cost but he insisted that it was his gift to her. **At the end of the day they hugged goodbye and Marcus was eager to ensure that he'd be able to visit Millie again.**

7. How Alive harnesses technology to promote active intergenerational communities

- 7.1. It is incorrect to assume that older people, particularly those living with dementia, have little interest in using new technologies or limited capacity to do so unless it has been specifically designed for them.
- 7.2. Alive were early adopters of touchscreen technology in our work with older people, making use of new touchscreen phones and then tablets from their launch. As a result of the expertise we developed, Alive were asked to contribute to the Social Care Institute for Excellence guide 'Using ICT in activities for people living with dementia'.

- 7.3. Academic research and sector reports regularly point to the benefits of using digital technology for older people's wellbeing (e.g. Upton, Jones, Brooker 2011, Anchor Homes 2015, Baring Foundation 2016).
- 7.4. Tablets and gaming technologies such as Nintendo Wii and Microsoft Kinect can be beneficial in terms of quality of life and social inclusion. They provide mental, physical and social stimulation, life-long learning opportunities and a platform to challenge negative public assumptions about dementia (Cutler et al 2016, Dove & Astell 2017, Hicks 2017, Joddrell & Astell 2016). Gaming could easily involve intergenerational engagement, aside from barriers such as lack of broadband, wi-fi or relevant equipment in older people's homes, whether these be private homes, residential or nursing homes.
- 7.5. **iPals is an intergenerational project bringing together younger and older people through touchscreen technology.** Alive are firm believers in using technology to support older people's engagement in society. Using it is second nature to most schoolchildren but can sometimes be daunting for older people. iPals enables children to pass on their knowledge and gives residents the opportunity to spend time with children as well as learn new skills.
- 7.6. By linking up schools and care homes, iPals brings local communities together via the creation of digital picture collages featuring hobbies and interests, and stories and research on local history. The pupils then come in to visit their iPals and get to know each other by using creative apps and producing photo collages and short films together.
- 7.7. Over time, the older people learn how to search for their favourite song or film, use Skype to connect with loved ones and much more, while continuing to meet up with the children. During the project, the children physically meet their iPals as well as holding more frequent virtual meetings via Skype (more regular physical meetings now also take place through Access All Ages).
- 7.8. iPals also enables care staff to learn new skills and use these to collate life stories with other residents in between the sessions. Being able to share their life stories is proven to have a beneficial impact on older people's wellbeing (see 'Exploring good practice in life story work with people with dementia' Gridley, Birks and Parker, York University, 2018).
- 7.9. *"The children are enjoying the iPals project very much. It is a good opportunity for them to get to know and appreciate someone in their community from an older generation. It also helps to boost their self-esteem by doing something for someone else. We hope that the links they have started to make will develop into a greater cross-generational understanding."* Deputy Head, Bourneville Primary School.
- 7.10. *"Working with Alive has been an incredible positive experience. It has given the people living at Deerpark an extraordinary opportunity to re-engage and it has had enormous positive effects on their well-being. One of the gentlemen who attends the workshops has developed a skill in writing and has even become the editor of our 'in-house' magazine, regularly interviewing – and writing about - staff and volunteers. Consequently, he claims to have had a new lease of life!"* Care Home Manager

8. Conclusion - the power of intergenerational engagement

- 8.1. The words of the manager at Bishopsmead care home perhaps best sum up the power of meaningful community engagement between the

generations:

"The biggest thing to come out of this [the Making Pals partnership] is that the old and the young are one. There is no difference between them. These kids aren't looking at them [the older generation] and thinking 'oh look they can't walk' or 'they've got no legs' they are just looking at them as human beings, and everyone's having fun.

Take that lady over there [points to a resident from Bishopsmead], that's a smile on her face – she's happy. Before coming to us she sat at home in a chair for three years with Parkinson's. Now she's here [at the zoo] content watching everything going on around her and smiling.

[Today] we've been sharing this space with the rest of the community. We've all come into a picnic area with a lot of wheelchairs but because we're all together [volunteers, residents and staff] and we're having fun nobody is staring. **I don't know who's the wider community and who are volunteers anymore because everyone's interacting with us and our residents."**



Marcus and Mille – intergenerational engagement in action

10 September 2018

ARCO (Associated Retirement Community Operators) – Written evidence (IFP0014)

1. The Associated Retirement Community Operators (ARCO) is the main body representing both the private and not-for-profit Retirement Community sector in the UK.
2. Retirement Communities deliver significant benefits for older people and wider society, by providing aspirational and enabling accommodation, facilities and on-site care and support.
3. However significant change is needed to realise the potential of our sector and ensure that all older people in the UK have the opportunity to live in a Retirement Community, if they wish, and to deliver the benefits of our sector's growth to wider society.

Background: Our Ageing Population and Retirement Communities

4. Retirement Communities combine high quality housing options for older people with tailored support services. They allow residents to rent or own a property and to maintain their privacy and independence, with the reassurance of 24-hour on-site staff and optional care and support as needed. Retirement Communities also feature a range of facilities including a restaurant or café usually alongside leisure and wellness facilities such as gyms, hairdressers, activity rooms, residents' lounges and gardens.
5. Around 74,750 older people in the UK live in approximately 57,500 Retirement Community units. Of these, 30,800 older people live within 23,710 ARCO registered units across 338 Retirement Community schemes.
6. ARCO's members use long-term business models that go beyond traditional housebuilding, creating operational businesses and schemes that provide housing, care, hospitality and wellbeing services for our ageing population. As a condition of membership, all ARCO Members sign up to a robust standards and compliance framework which includes external assessments against the ARCO Consumer Code.
7. Whilst the committee is right to be investigating intergeneration fairness, it is also worth noting there are also significant variations in wealth within generations. Of the 14 million people classified as living in relative poverty 1.9 million are pensioners²⁴.
8. The UK is world leading in our efforts to bring the benefits of Retirement Community living to our older population with moderate means - 60% of Retirement Community properties in the UK are for affordable or social rent.
9. However, we fall far short of provision for all older people across the UK with only 0.6% of people over 65 living in Retirement Communities in the UK compared to around 5% in countries such as New Zealand, Australia and the US. This is due to a lack of supply, not demand with our members often

²⁴ Joseph Rowntree Foundation, UK Poverty 2017

reporting long-waiting lists for their developments and significant interest from local authorities in additional spaces.

10. With the number of people aged over 65 expected to rise by more than 40% in the next 17 years to over 16 million, the under provision of accommodation which meets older people's housing and care needs will become more acute.

Benefits of Retirement Communities for all Generations

11. **Retirement Communities enable more effective and cost-efficient delivery of health and care, saving money for private payers and the public purse.** The cost of providing lower level social care in a Retirement Community has been found to be £1,222 (17.8%) less per person per year than providing the same level of care in the wider community. The cost of providing higher level social care has been found to be £4,556 (26%) less per person per year.²⁵ NHS costs reduce by 38% for those moving into Retirement Communities, an average saving of £1,114.94 per person per year. This relates to GP visits, nurse visits, and hospital visits. Costs for 'frail' residents can fall by 51.5% after 12 months²⁶. Residents in Retirement Communities are less likely to enter hospital, and likely to spend less time there,²⁷ reducing unplanned stays from 8-14 days to 1-2 days²⁸.
12. Retirement Communities have also been found to enhance the wellbeing of older people. For example, our member's developments have been found to significantly reduce social isolation and loneliness in older people, with only 1% of residents often feeling isolated²⁹.
13. **Retirement Communities can provide great housing for older people and help free-up larger houses for those that need them.** When an older person moves into a Retirement Community unit, they typically move from a larger, under occupied house thereby releasing bedrooms. 76% percent of residents released at least one bedroom when they moved to an ARCO Retirement Community, with an overall average of 1.25 bedrooms released. Retirement Communities are also often built at higher densities than family homes. For example, Earlsdon Park Retirement Village in

²⁵ Holland, C (2015) 'Collaborative Research between Aston Research Centre for Healthy Ageing (ARCHA) and The ExtraCare Charitable Trust'. Aston University.

<http://www.aston.ac.uk/lhs/research/centres-facilities/archa/extracare-project/> p.12

²⁶ Holland, C (2015) 'Collaborative Research between Aston Research Centre for Healthy Ageing (ARCHA) and The ExtraCare Charitable Trust'. Aston University.

<http://www.aston.ac.uk/lhs/research/centres-facilities/archa/extracare-project/> p.7

²⁷ Kneale, D. (2011) 'Establishing the extra in Extra Care: Perspectives from three Extra Care Housing Providers'. London: International Longevity Centre – UK. P. 4-5

http://www.ilcuk.org.uk/index.php/publications/publication_details/establishing_the_extra_in_extra_care_perspectives_from_three_extra_care_hou

²⁸ Holland, C (2015) 'Collaborative Research between Aston Research Centre for Healthy Ageing (ARCHA) and The ExtraCare Charitable Trust'. Aston University.

<http://www.aston.ac.uk/lhs/research/centres-facilities/archa/extracare-project/> p.8

²⁹ Beach, B (2015) 'Village Life, Independence, Loneliness, and Quality of Life in Retirement Villages with Extra Care' ILC UK, London

http://www.ilcuk.org.uk/index.php/publications/publication_details/village_life_independence_loneliness_and_quality_of_life_in_retirement_vill

Coventry features 262 apartments on 1.13 hectares. Building the same number of family houses would require around 6.4 hectares.³⁰

14. **Retirement Communities are a significant benefit to our economy, creating jobs for younger generations.** Each new Retirement Community of around 250 units creates approximately 63 permanent jobs in areas such as housing management, care, grounds maintenance, leisure and retail, domestic services, and marketing and sales. This is a ratio of 1 permanent job created for every 4 units built.³¹ For every 50,000 homes built, approximately 75,000 direct construction related jobs are supported.³²

A Home for Intergeneration Integration

15. Retirement Community operators have to be mindful of balancing resident's requirements for privacy and peace alongside the desire to open communities to the outside world. However, far from creating 'ghettos for the elderly' many Retirement Communities are innovative places which foster meaning intergenerational contact. ARCO Member's foster an active social life with regular events, trips and often fun-day and fairs available for residents, their families and the local community. In most Retirement Communities the communal facilities – which can include libraries, swimming pools, restaurants and cafes – are also open to resident's families and often to the public.

Case Study

St Monica Trust's Chocolate Quarter in Keynsham near Bristol is a prime example of how a Retirement Community can foster intergenerational integration. Alongside 136 Retirement Community units and a 93-bed care home, the development includes a Pizzeria, Cinema, swimming pool, bar and pottery studio, all of which are open to the public, and an on-site GP practice. Following the success of Channel 4's 'Old People's Home for 4 Year Olds' filmed at one of their communities, St Monica Trust are also exploring building a nursery into one of their communities and are interested in student co-housing.

Planning for Our Ageing Population

16. The Select Committee has asked how can we ensure that the planning system provides for properties appropriate for all generations.
17. Currently a lack of clarity in the planning system is often the biggest hurdle our members face as they look to expand their operations. The planning system needs to be clearer and more consistent in order to allow for the

³⁰ Providing 262 family homes would require 6.4 hectares of land, at a generous average of 41 homes per hectare (density for average residential housing in England). Source: CABE. Better Neighbourhoods: Making Higher Densities Work <http://www.mae.co.uk/assets/pdfs/better-neighbourhoods.pdf> p. 6

³¹ The ratio of units to permanent jobs submitted from ARCO members ranged from 1:1 jobs to units to 1:5 jobs to units – with economies of scale observable for larger operators.

³² Home Builders Federation (2015), *The Economic Footprint of UK House Building* http://www.hbf.co.uk/uploads/media/Economic_Fotprint_BPF_Report_March_2015_WEB.pdf p. 14; Ball, M (2005) *The Labour Needs of Extra Housing Output: Can the House Building Industry Cope*, for CITB Construction Skills and the Home Builders Federation. http://www.hbf.co.uk/?eID=dam_frontend_push&docID=20266&filename=CITB_REPORT.pdf p.7 Ball estimates that it requires 1.5 people to build one dwelling, based on housing workforce and output levels.

growth of our sector to meet the housing and care needs of older people and deliver the associated benefits for all generations.

- Clarifying C2 Status

18. There is a large body of case law and precedent confirming that genuine housing-with-care schemes often fall within the C2 use class, as they are capable of delivering high levels of care to older people. However, there is much confusion and inconsistency between different councils' approaches to specialist older people's housing-with care in terms of what Use Class such specialist accommodation falls within. Classic care home beds are classified as C2 and standard dwellings, as built by the volume house builders, are classified as C3. Housing-with-care is set up to fulfil many of the functions that care homes can provide with care delivery available as and when the resident requires it, monitored by an onsite care team, and access to communal facilities.

19. In the long term we believe the most effective means of changing this confusion would be the creation of a new planning class for retirement communities. This would create greater clarity and certainty for operators, investors, local authorities and older people. However, we understand that this would require the implementation of primary legislation. Therefore in the short term, we recommend a clarification that genuine housing with care development fall within the C2 Use Class.

- Planning and Monitoring Delivery of Retirement Communities

20. There is a widespread failure in the planning system to adequately plan and monitor the delivery of sufficient Retirement Community developments to meet the high demand from older people. Currently only 11% of Local Plans in England, Wales and have specific policies to address older people's housing needs and only 4% of plans include land allocations for housing for older people³³. This is despite the projection that 30% of the population will be over 65 by 2036.

21. The Housing, Communities and Local Government Committee's report on 'Housing for Older People' (2018) recommended that the new standard approach to assessing housing need explicitly addresses the complex and differing housing needs of older people. ARCO supports this recommendation, and argues that the National Planning Policy Framework should recognise the differing models of housing for older people and, through calculating local need and implementing targets, require local plans to adequately deliver specifically housing-with-care developments to meet the needs of our ageing population

About ARCO

ARCO was founded in 2012 and currently has 29 members, consisting of both private and not-for-profit operators of retirement communities also sometimes referred to as retirement villages or extra care housing. Together they operate around 350 retirement communities, serving over 30,000 older people in the UK.

³³ Lichfields (2018) Solutions to an age old problem: Planning for an ageing population

ARCO (Associated Retirement Community Operators) – Written evidence (IFP0014)

ARCO's members use long-term business models that go beyond traditional housebuilding, creating operational businesses and schemes that provide housing, care, hospitality and wellbeing services for our ageing population. As a condition of membership, all ARCO Members sign up to a robust standards and compliance framework which includes external assessments against the ARCO Consumer Code.

Retirement Communities combine high quality housing options for older people with tailored support services. They allow residents to rent or own a property and to maintain their privacy and independence, with the reassurance of 24-hour on-site staff, communal facilities, and optional care and support as needed.

Our Members

A2Dominion Abbeyfield Anchor Audley Group Aura Care Living BEN Berkeley Healthcare Birchgrove Brio Retirement Living Capital Care Villages Elysian Residences	Enterprise Retirement Living ExtraCare Charitable Trust Housing & Care 21 Inspired Villages Group Jewish Care LifeCare Residences MHA Middleton Hall Midland Heart	Notting Hill Genesis One Housing Group Rangeford Retirement Security Retirement Villages Richmond Villages St George's Park St Monica Trust Trafford Housing Trust
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Our Vision 2030

ARCO's members have committed to our Vision 2030, setting out the 10 priority areas the sector needs to tackle in order to achieve its ambition of 250,000 people living in retirement communities providing care and support by 2030. The priority areas are as follows:

- Development of a clear customer proposition
- Effective self-regulation
- Enhanced health and wellbeing
- Intelligent use of technology
- Flexible models of tenure
- Sustainable funding streams
- Sector-specific legislation
- Comprehensive and robust data
- Clarity in the planning system
- A highly trained workforce

29 August 2018

Association of Accounting Technicians (AAT) – Written evidence (IFP0016)

1. Introduction

- 1.1. The Association of Accounting Technicians (AAT) is pleased to have the opportunity to respond to this Call for Evidence published on 23 July 2018.
- 1.2. AAT is submitting this response on behalf of our 140,000 strong membership, especially the 30,000 students who are under the age of 25 and the 3,000 students who are over the age of 50.
- 1.3. AAT is also responding for the wider public benefit of achieving sound and effective taxation.

2. Executive summary

- 2.1. **There are a wide range of taxes and benefits that could be changed to ensure a greater distribution of wealth between young and old, to deliver greater intergenerational fairness or simply to be more effective.**
AAT has identified several areas where billions of pounds could be saved. This money could be used for deficit reduction and therefore reduce taxes for future generations. Alternatively, it could be invested in a range of different policy areas of benefit to young people from education to infrastructure.
- 2.2. **Switching Stamp Duty liability from the buyer to the seller will help first time buyers and ensure only those who are downsizing - who are often older and have little or no mortgage - will pay more.**
- 2.3. **Pensioner benefits have become a sacred cow amongst political parties, primarily due to increased voter turnout amongst the older generation.**
Many aged between 60 and retirement age are still working, earning a reasonable income and could easily afford to meet the costs of free eye tests and prescriptions rather than having this paid for by the younger generation.
- 2.4. **To try and future proof tax policy against intergenerational unfairness, policymakers should consider making this issue a compulsory part of any HM Treasury impact assessments for new taxes.**

3. AAT response to the call for evidence

What changes, if any, should be made to the tax system to achieve a fair intergenerational settlement?

- 3.1. The new Stamp Duty subsidy for first time buyers, effective since November 2017, means that first-time buyers (typically the younger generation) can claim a discount (relief) so they don't pay any tax up to £300,000 (less than the average cost of a home in London) and 5% on the portion from £300,001 to £500,000.
- 3.2. Despite the ups and downs of the property market, evidence suggests the number of first time buyers has been increasing every year for more than a decade.³⁴ This brings into question the need for a system that singles out only one group of home buyers but also makes an analysis of the Government's first time buyer subsidy difficult given the number of first time buyers have been increasing anyway.
- 3.3. AAT has long recommended that switching Stamp Duty liability from the buyer to the seller would be a simpler, fairer, more effective system which would remove every single first-time buyer across the country from Stamp Duty liability whilst crucially also helping those already on the property ladder to move up. The only sector of society that such a move may have cost implications for are those who are downsizing – typically the elderly.
- 3.4. As such, switching liability would make a tangible contribution to addressing the issue of intergenerational fairness.
- 3.5. In most cases, although not all, downsizers will have little or no mortgage to pay and will have significant equity. Downsizers are therefore likely best placed among all homeowner types to pay a little extra, certainly better placed than first-time buyers who are typically the younger generation.
- 3.6. It could also be argued that once liability has been switched and the system has been in place for a few years, downsizers are likely to have benefitted from the seller pays regime to have got to where they are on the ladder anyway.
- 3.7. HM Treasury forecasts its new first-time buyer's policy introduced last November is already costing £560m a year and will rise to £670m by 2021-2022.³⁵
- 3.8. Switching Stamp Duty liability from the buyer to the seller would therefore save the taxpayer £670m a year by 2021 whilst protecting the £9.3bn³⁶ currently generated in tax receipts. This is because although those paying will change, the amount will not.

³⁴ **Halifax First-Time Buyer Review (January 2018):**

<https://static.halifax.co.uk/assets/pdf/mortgages/pdf/2018-01-27-number-of-ftb-highest-since-2007-HPI.pdf>

³⁵ **HM Treasury, November 2017:**

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/661428/Autumn_Budget_Policy_costings_document_web.pdf

³⁶ **Office of National Statistics, June 2018:**

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/730387/Quarterly_SDLT_2018Q2_Main.pdf

- 3.9. Finally, it is worth noting that those with an interest in housing for the older generation, such as retirement developer McCarthy Stone, have called for Stamp Duty for “last movers” who downsize to be scrapped. This would cost hundreds of millions of pounds both in lost duty and in administrative costs and would be far from straightforward to implement and monitor. It would again be an additional, costly intervention that benefits only a small group, like the Government’s costly and bureaucratic first-time buyer exemption.

Pensioner benefits

- 3.10. Pensioner benefits have become a sacred cow amongst political parties, primarily due to increased voter turnout amongst the older generation. This is evidenced by voter turnout statistics from the 2017 General Election which show 64% of 25-29-year olds voted compared to 77% for those aged 60-69³⁷.
- 3.11. The effect of increased turnout, and therefore a perceived increased political value, is adequately demonstrated by the various parties’ 2017 election manifesto commitments to protect universal pensioner benefits irrespective of their cost or effectiveness. The Conservative Party did go as far as to suggest the Winter Fuel Allowance (WFA) would be means tested for higher rate taxpayers but even this commitment was scrapped because of their post-election agreement with the Democratic Unionist Party.
- 3.12. Considering the increased demand for public service spending and the deficit, as outlined in the introduction to this paper, as well as increased pensioner incomes and increased recognition of the importance intergenerational fairness, AAT believes the time has come for a more rational, facts led debate around universal pensioner benefits.
- 3.13. Raising the age of eligibility for certain pensioner benefits such as free eye tests and free prescriptions to match the state pension age (and ensuring they rise with any rise in the state pension age), as well as removing the WFA, would save a substantial sum of money for the taxpayer, continue to ensure all pensioners enjoy free eye tests and prescriptions, provide greater clarity to all as to when eligibility begins and help address the issue of intergenerational fairness. There is already a clear precedent in the form of free bus passes which are only provided upon reaching state pension age (except in London).

Prescriptions & eye tests

- 3.14. Everyone aged over 60 is entitled to free prescriptions and eye tests despite often having many more years before retiring or becoming eligible for the state pension.
- 3.15. 90% of the 1bn prescriptions issued in 2016 were provided at the tax payers’ expense rather than the individual recipient i.e. because

³⁷ **How Britain voted at the 2017 General Election, YouGov:**
<https://yougov.co.uk/news/2017/06/13/how-britain-voted-2017-general-election/>

they were young enough, old enough, qualified due to a low income or had a long-term health condition that qualifies for free prescriptions.

- 3.16. Unfortunately, the precise cost of free prescriptions to pensioners is no longer known as the data is not collected. However, it was £4.5bn over a decade ago in 2007 when the information was last collected and is therefore likely to be considerably higher still today.
- 3.17. The cost of free eye tests for the over 60's is more than £100m a year and again this is difficult to justify for the same reasons as above – many aged between 60 and retirement age are still working, earning a reasonable income and could easily afford to meet this cost. £100m may appear to be a small sum but it is five times greater than the £20m Government recently allocated for funding to help isolated people and those suffering from loneliness³⁸.
- 3.18. It is also worth noting that those on low incomes who might be affected by this change (those currently aged between 60 and the state pension age) would be protected because those on low incomes (anyone with savings of less than £16,000 and anyone in receipt of income related benefits) receive free prescriptions and eye tests anyway. Any change must be aligned to the state pension age rather than a specific figure of 65,66 or 67 to ensure it rises in line with any changes to the state pension age in the future i.e. to ensure it is future proofed.
- 3.19. These changes would likely save in the region of £1bn, money that could be used for deficit reduction and therefore reducing taxes for future generations. Alternatively, it could be invested in a range of different policy areas of benefit to young people, perhaps most importantly, education.

Winter Fuel Allowance (WFA)

- 3.20. Every November, millions of elderly people are automatically given between £200- £300 tax free by the Government in the form of WFA.
- 3.21. There have been increasing calls for WFA to be removed from wealthier pensioners (higher rate taxpayers) or that it should at least be classed as taxable income and taxed accordingly.
- 3.22. The removal of WFA from over 200,000 higher-rate taxpayers would be effective in saving the Government money (approximately £250million) but this does not consider the significant costs of administering such a change.
- 3.23. There are strong arguments for scrapping WFA completely. Firstly, the payment is very poorly focused, in that it is a cash payment, whilst intended for fuel payments, that can effectively be spent on whatever the individual likes.

³⁸ **£20m investment to help tackle loneliness, 18 June 2018:**
<https://www.gov.uk/government/news/20-million-investment-to-help-tackle-loneliness>

- 3.24. It also fails to consider the significant changes to both pensioner income and to myriad steps to address fuel poverty.
- 3.25. Pension Credit now ensures a minimum level of income for pensioners on a low income or struggling to make ends meet. This ensures a guaranteed minimum level of weekly income (£163 for single pensioners and £248.80 for a couple). In addition, energy companies are required by law to pay a combined £640m a year on energy efficiency measures, a large part of which is made available to those in fuel poor households, to help them reduce their bills, heat their homes and keep warm. Furthermore, 5m prepayment meter and vulnerable households are protected by Ofgem's "Safeguard tariff" which protects them from overpaying for their energy or from any unjustified price rises. This was not the case when WFA was introduced in 1998 and so further undermines arguments for its retention.
- 3.26. Given the reasons for introducing WFA have now largely been addressed, serious consideration should be given to ceasing payment of WFA to all households, irrespective of income.
- 3.27. This would save over £1bn that as stated in the executive summary above, could be used for deficit reduction and therefore reduce taxes for future generations. Alternatively, it could be invested in a range of different policy areas of benefit to young people from infrastructure to education.

4. About AAT

- 4.1. AAT is a professional accountancy body with approximately 50,000 full and fellow members and over 90,000 student and affiliate members worldwide. Of the full and fellow members, there are more than 4,250 licensed accountants who provide accountancy and taxation services to over 400,000 British businesses.
- 4.2. AAT is a registered charity whose objectives are to advance public education and promote the study of the practice, theory and techniques of accountancy and the prevention of crime and promotion of the sound administration of the law.

30 August 2018

Association of Colleges – Written evidence (IFP0044)

Background

1. The Association of Colleges (AoC) represents nearly 95% of the 266 colleges in England incorporated under the Further and Higher Education Act 1992.
2. Colleges are drivers of social mobility, economic growth and community development. They provide high-quality technical and professional education and training for 3 million young people and adults and thousands of employers. In doing this, they support people into careers as well as strengthen the economy. Colleges are inspirational places to learn because education and training is delivered by expert teaching staff in purpose-built facilities.
3. Colleges offer first rate academic and technical teaching, particularly at advanced level, and cover a broad range of disciplines including science, engineering, IT, construction, hospitality and the creative arts.

The education system and different generations

4. The committee has been set up to investigate intergenerational fairness and provision "at a time when there is a perception that young people in the UK have fewer opportunities and economic benefits than previous generations"³⁹. The committee's call for evidence does not specifically mention education issues but these are relevant to its overall interest.
5. The entire English education system faces financial problems. Crisis is an over-used word to describe this but there is a serious mismatch between expectations, costs and resources. The root of the problem in state-funded education is public spending restraint at a time when demand and need is rising. Some bigger policy decisions shape the DfE budget:
 - **Total education spending falling as a share of GDP.** Public spending on education as a share of GDP is expected to fall from 4.4% in 2016-17 to 3.9% by 2021-22⁴⁰. OBR predicts spending will stay below 4% of GDP throughout the 2020s. During the early years of the 2000s, spending was 5% of GDP and rose during the financial crisis to a peak at 5.8%. Some of the difference is explained by the increase in higher education (HE) tuition fees and the introduction of the student loan scheme⁴¹ but a significant explanation of the change has been the squeeze in spending at a time when the core school population is forecast to rise by 500,000 to 7 million (an 8% increase)⁴².

³⁹ House of Lords Intergenerational Fairness Committee terms of reference

⁴⁰ Office of Budget Responsibility, Long-term fiscal sustainability report, July 2018

⁴¹ Private spending (on university tuition, private schools and international students) leads OECD to report a high percentage of education spending in the UK - 6.6% of GDP compared to an OECD average of 5.2%. This comparison should be treated with caution. The data relates to 2014 and UK has a younger population than many of its competitors.

⁴² DfE's pupil number projections forecast that the number of secondary pupils aged 11 to 15 will rise from 2.7 million in 2017 to 3.3 million in 2025. DfE do not forecast 16 to 18 numbers but these figures imply increases throughout the 2020s

- **Use of student loans and the levy to fund spending:** The UK government has introduced two forms of user charging in education. In 2011-12, the government spent £5 billion on higher education teaching, £3 billion on maintenance grants and £1.5 billion on apprenticeships. From 2017-18, this spending is almost entirely covered by student loans and the apprenticeship levy. Higher education students now take out substantial student loans to cover fees and maintenance – the average debt for a full-time student will be above £50,000.
 - **The school budget ringfence and the impact on other budget lines:** Ministers have protected school budgets in various ways since 2010 with the result that the core schools budget will rise by 24% over the decade (from £35 billion in 2010-11 to £43.5 billion in 2020-21). The decisions to protect school budgets have resulted in larger cuts in non-school budgets in successive spending reviews (2010, 2013 and 2015). Education Maintenance Allowances ended in 2011-12. Funding per 16-18 student was reduced in stages between 2011 and 2015 then fixed in cash terms (at £4,000 per full-time student). The funding rate for 18-year-olds was cut by 17.5% in 2014-15. Adult education budgets were reduced each year between 2009-10 and 2015-16 and then fixed in cash terms.
6. These public spending decisions have had consequences for the perception that younger generations have fewer opportunities and economic benefits:
- **Cuts to school and college provision since 2010:** The financial squeeze for school and college sixth forms has resulted in shorter teaching hours for A-levels, fewer enrichment opportunities and fewer minority subjects (ie cuts to modern foreign languages). Even with the school budget ringfence, there is visible pressure on the budgets of some schools. Teaching staff turnover in both schools and colleges has risen. There was some evidence in the 2017 election that concerns about school funding influenced voting behaviour.
 - **Higher education fees and student loans:** The rise in tuition fees to £9,250 and the removal of HE maintenance grants means that university and other HE students need to take out student loans. A debt of £50,000 is not a problem if it is repayable. The Government's hope is that graduates will earn enough to repay student loan debts but 75% of current undergraduates won't within 30 years. Unemployment is at historically low levels in England, yet there are substantial numbers of graduates in non-graduate jobs. CIPD recently estimated that only 52% of those graduating in 2015-16 were in graduate occupations six months later⁴³.

⁴³ Chartered Institute for Personnel and Development (2017) "The graduate employment gap, expectations and reality". Earlier research commissioned by HEFCE found that 16-19% of graduates from 2009 and 2010 worked continuously in non-graduate occupations for their first 15 months. The difference between the two estimates is partly a difference of opinion about what constitutes a graduate job. CIPD's estimate excludes associate professional and technical occupations such as dancers and choreographers, fitness instructors, youth and community workers and IT user support technicians.

- **Young people leaving education with low qualifications.** Despite high and rising aspirations, the education system deems large numbers of young people to have failed. 40% of young people do not reach Level 3 by age 19 while 15% have not even achieved Level 2⁴⁴.
- **Class, gender, ethnic and other gaps in participation.** Higher education participation rates continue to rise, but the way in which young people are sorted at age 11, 16 and 18 produces wide gaps by gender, ethnic origin, disability, location, parental income and education.
- **Fewer second chances.** Only 60% of 19-year-olds reach Level 3 by age 19⁴⁵ but the education system withdraws funds and support quickly, leaving the remaining 40% with few chances to remedy mistakes and catch up. DfE cuts funding levels at age 16 by around 20%⁴⁶ and by another 17.5% at age 18. Beyond that, most subsequent learning has to be supported by income-contingent loans. The number of adult students has fallen by 1.1 million between 2006 and 2016 (from 2.7 million to 1.6 million) - at a time when the population of England has risen by 4 million from 53 to 57 million⁴⁷. Part time higher education has reduced by more than half. There are more apprentices but apprenticeships are only for people who have secure jobs with good employers and they rarely offer re-training opportunities. Community-based adult education provision has largely disappeared in recent years.

Skills for those of working age

7. Today's young people will work into their late 60s⁴⁸ but, if they go to university, they generally complete their education by their early 20s and rarely go back. In 2017, those with degrees earned £10,000 more a year than those without, but the present may not be a reliable guide to the future. It is now a decade since the UK last had a recession, but plausible that there will be another one in the 2020s. The last five recessions (1961, 1973-5, 1979, 1991, 2007) happened on irregular cycles and were hard to predict in advance, but there will inevitably be another one in the 2020s. Meanwhile Brexit, automation and international competition may undermine some of the professions and industries that currently recruit graduates.
8. This economic uncertainty could overshadow the prospects for young adults at a time when there are likely to be more in absolute terms entering higher education. The central official forecast is that there will be 23% more 18-year-olds in 2030 than 2020⁴⁹. They are likely to reach the age of 18 with higher aspirations and with better qualifications. The higher

⁴⁴ AoC calculations from Department for Education (DfE) statistics on achievement at age 16 and 19

⁴⁵ AoC calculations from DfE statistics on achievement at 16 and 19

⁴⁶ Funding at Key Stage 5 is around 20% less than funding at Key Stage 4 though there are different funding formulae so comparison is complicated. ESFA cuts the national 16 to 18 funding rate from £4,000 to £3,300 at age 18

⁴⁷ AoC estimates from DfE statistical releases and Office for National Statistics (ONS) population data for England

⁴⁸ People born after 1978 (aged 40 or below) will not reach the state pension age until they are 68

⁴⁹ Office of National Statistics figures reported in Higher Education Policy Institute (2018) "Demand for higher education to 2030" Report 105

education initial participation rate (HEIPR) for 17-to-30-year olds rose from 42% to 49% between 2006-7 and 2015-6 and could exceed 50% in the 2020s. Unless policy changes (for example as a result of the government's Post 18 education and funding review), the rising number of students will take the default option of a full-time degree course because it appears to maximise their options as adults⁵⁰. The alternatives are confusing and limited for those who cannot travel and the university lifestyle promoted as the norm does not suit everyone and can be a distraction. Student loans are now the predominant form of funding higher education and the official forecast is that total debt will double between now and 2030, reaching 10.3% of GDP⁵¹ which is likely to become an unreasonable burden on the state.

9. The oversupply in some graduate level skills co-exists with significant shortages in digital skills, construction and some areas of manufacturing⁵². Skills shortages exist not just in new industries and new job roles, but also where replacement demand exists because of retirements and changing migration patterns. Significant numbers of graduates each year would be better off financially if they had prepared themselves for a different occupation and often if they had taken lower level (4 or 5) qualifications which were more labour-market focused.
10. Outside higher education, there is a reduced and mixed picture in terms of take-up of adult learning. The annual survey of adult participation in learning has been collected for 20 years and uses a broad definition of learning. Findings from the latest survey⁵³ include the following:
 - around a fifth of adults (19%) are currently learning, with a further 17 per cent who have done so in the previous three years (see Figure 1). Over a third of adults (36%) have not learnt since leaving full-time education, with a further 26 per cent who have done so, but over three years ago
 - Individuals from higher social grades and more likely to be participating in learning than those from lower social grades. People in the AB grade are more than twice as likely to participate as people in the DE grade (51% compared with 23%). In addition, more than twice as many adults in the DE grade have not participated in learning since leaving full-time education as those in AB (53% compared with 22%).
 - Working status is a key predictor of participation; closer proximity to the labour market is associated with higher participation rates. Full and part-time workers are equally likely to be participating in learning.
 - There is a strong effect of age on participation rate. Each age group has a significantly higher participation rate than the next oldest group,

⁵⁰ Universities UK "Solving Future Skills Challenges" (2018) includes an analysis of higher education student numbers that shows that there are 11 times as many first degree students in 2016-17 as students taking foundation degrees and higher nationals

⁵¹ Office of Budget Responsibility "Fiscal Sustainability Report 2018" forecasts total student loan debt (taking account of forecast repayments) at 4.9% of GDP in 2016-17, rising to 10.3% in 2030-31. These are broad brush estimates because the OBR do not appear to have modelled changes in participation rates.

⁵² Centre for Progressive Policy (2018) "The Data Deficit. Why a lack of information undermines the UK skills system"

⁵³ Learning and Work Institute "Adult Participation in Learning Survey 2017" available from DfE

with one exception: the 25 to 34 group have slightly lower rates than the 35 to 44 group.

- Respondents from BAME backgrounds are significantly and substantially more likely to be participating in learning than respondents from White backgrounds.
 - The age at which respondents completed full-time education is strongly associated with participation in learning, with those who left full-time education at 16 or under being the least likely to have current or recent experience of learning. Remaining in education until at least the age of 21 is associated with the highest participation rate.
11. Many adults pay for their own learning or attract support from their employers but government spending is important, particularly when it comes to courses leading to qualifications⁵⁴. Spending adult education outside apprenticeships and offender learning fell from £2.8 billion at the start of the decade (2010-11) to below £1.4 billion in the middle (2015-16)⁵⁵. In the 2015 spending review, the government promised to protect the budget at £1.5 billion until 2020 but this is a cut in real-terms and there have been underspends of varying amounts in the last three years. DfE will devolve about £700 million (50% of the adult education budget) in 2019-20 to six Mayoral Combined Authorities (MCAs) and Greater London Authority (GLA). The authorities will also take on legal responsibility for statutory entitlements relating to adults taking basic skills courses, their first Level 2 qualification and first Level 3 qualification when aged under 24.

Apprenticeships

12. Apprenticeships are a key part of national policy to ensure people have the right skills for work. Ministers set out government aims for apprenticeships in its 2020 vision strategy published in December 2015⁵⁶. These include:
- Increasing the quality and quantity of apprenticeships so that there are 3 million apprentices between 2015 and 2020.
 - Making apprenticeships a high quality and prestigious route for young people into careers.
 - Ensuring high quality apprenticeship opportunities are available in all parts of the country, in all sectors and at all levels.
13. There have been major changes in the organization of apprenticeships in England in the period since 2015:

⁵⁴ In the adult participation in learning survey, individuals reported that employers paid for 29% of their learning while they paid directly (with no loan) in 22% of cases

⁵⁵ House of Commons Library, Adult further education in England since 2010, Briefing 7708, Table 3, combining figures for adult skills excluding apprenticeships and community learning

⁵⁶ HM Government "English Apprenticeships, Our 2020 vision" December 2015

- **The introduction of the apprenticeship levy:** Around 20,000 employers with payrolls above £3 million paying £2.6 billion a year to HMRC. This means that public spending on apprenticeships is now funded by a tax on employers rather than from general taxation⁵⁷.
 - **A new Digital Apprenticeship Service:** Levy paying employers can register on the Digital Apprenticeship Service (DAS) and access an account which allows them to allocate up to 110% of their levy payments and use these to commission apprenticeship training. Levy funds expire after 24 months. From April 2018, levy paying employers can transfer 10% of their levy funds to another employer under certain conditions.
 - **A new apprenticeship funding system.** The Education and Skills Funding Agency has introduced a new funding formula, new Register (listing more than 2,600 approved training providers) and a new rulebook for training including requirements for 20% off-the-job training for all apprenticeships and a minimum 10% fee for apprentices in smaller non—levy paying employers.
 - **Training content.** A new regulator, the Institute for Apprenticeships is overseeing a programme to introduce new apprenticeship standards to replace all existing frameworks. There are 562 apprenticeship standards in development, 277 of which are approved for delivery. All new apprenticeships involve end-point assessment by external organisations.
14. There are good reasons for each individual change though negative consequences from some. Implementing several big changes at the same time has a disruptive impact in a cumulative way. There are some important current trends:
- **Fewer apprentices.** Two million people took apprenticeships between 2010 and 2015. There were 494,000 apprenticeship starts in 2016-17 of whom 260,000 were at Level 2, 197,700 at Level 3 and 36,600 at Level 4⁵⁸. The number of apprenticeship starts has been around 40% lower each month since May 2017 compared with the same month a year before. It is normal for demand to rise before a reform takes effect and to fall in the first year. The rise in demand in the year before reforms start is known as “forestalling”. The number of starts in the third quarter of 2016-17 (February to April 2017) was 50% higher than the previous quarter or the same point a year earlier⁵⁹. The fall in apprentice numbers, nevertheless, seems larger than can be explained by forestalling.
 - **Shifts by sector and level:** There is some evidence that there has been a greater fall in the number of older apprentices taking Level 2 frameworks and a rise, from low levels (less than 5% of the total), in the numbers taking standards at Level 4 and above. There are now

⁵⁷ Office for Budget Responsibility “Economic and Fiscal Outlook” March 2018, DfE’s apprenticeship budget for 2017-18 added up to £2 billion though actual figures on spending are not known.

⁵⁸ DfE FE Data Library, apprenticeship statistics as reported in House of Lords Economic Affairs Committee report Treating Students Fairly

⁵⁹ House of Commons Library Apprenticeship Statistics England January 2018 (SN6113)

many universities offering degree apprenticeships and some business schools offering MBA apprenticeships.

15. There are a number of ways to judge the quality of apprenticeships:

- **Completions:** Over the last ten years, there have been sustained efforts to improve apprenticeship completion rates from 37% in 2003-4 to the still relatively low national rate of 67% in 2015-16. We may see three million apprenticeship starts between 2015 and 2020, but just two million qualified apprentices as a result.
- **Off the job training:** The new funding rules entitle apprentices to off the job training amounting to 20% of their total working time. DfE's apprenticeship evaluation suggested that 40% of those on Level 2 and 3 apprentices in 2016-17 were not receiving the lower minimum training time under the old rules⁶⁰
- **Pay levels:** The national minimum wage for apprentices is lower than for other workers but, even so, there is evidence that many apprentices are not even receiving that amount. Recent research suggested that 20% of apprentices are paid less than the relevant minimum wage with this rising to 50% in some sectors like hairdressing⁶¹.
- **Inspection of provision:** Ofsted inspections of apprenticeship provision in 2016-17 judged 40% of those visited to require improvement and 11% to be inadequate. Ofsted may struggle to deal with a rising number of apprenticeship training providers.

16. An apprenticeship is a job with substantial and sustaining training. One of the arguments for the national investment in apprenticeships is to improve the skills of the workforce to help expand the number of people in good jobs.

17. The pattern of apprenticeships is partly driven by the pattern of the labour market. The UK labour market has many good features, but low pay and unjustified inequality are both longstanding issues. Some employers use apprenticeships to provide cheap labour and ignore minimum wage laws. Meanwhile, there are too many female apprentices in the service industry where pay and career prospects are worse. There are several related issues:

- **Access by those with protected characteristics:** There are longstanding issues about segregation by gender⁶² and ethnic origin⁶³. There are sectoral issues. Although 52% of apprentices are female, fewer than 7% of engineering, manufacturing and technology apprentices are women.

⁶⁰ Field "lessons from an international comparison of off the job training for apprenticeships in England" published by Gatsby foundation, quoting DfE's apprenticeship evaluation survey

⁶¹ Learning and Work Institute "Apprentice pay; sticking to the rules" published 2017 quoting DfE's apprenticeship pay survey

⁶² Fuller and Unwin "The challenges facing young women in apprenticeships" 2015 available via www.educationandemployers.org.

⁶³ Newton and Williams "Underrepresentation by gender and race in apprenticeships: A research summary" Unionlearn 2013.

- **Variations in investment levels:** Lower level apprenticeships tend to attract lower funding bands (sometimes as low as £1,500) whereas many degree and higher-level standards are funded at £18,000 or more. This may reflect a genuine assessment of costs but the processes for setting rates for the original trailblazers relied mainly on accepted on what employer groups said. IFA is now trying to introduce a new system but it is not clear that it has a firm basis for assigning rates. The fact that lower level standards are used mainly for the most socially disadvantaged means that this difference in rates may reinforce inequality in access to training.
 - **Progression:** Progression within apprenticeships from lower to higher levels has always been low. Only 22% of Level 2 apprentices moved onto training at higher levels in 2017⁶⁴. Standards have been developed by employer groups to meet specific needs with a risk that the new degree apprenticeships may also be out of reach to apprentices wishing to progress from Level 2 or Level 3.
 - **Impact of employer spending decisions:** The delegation of spending control to 19,000 levy paying employers could easily reinforce existing patterns in the labour market both in terms of geographical access to funds and also in terms of changes in employment. The geographical issues raises because larger private sector are primarily headquartered in the South East. By one estimate, 50% of levy will be collected from London-based organisations⁶⁵. At the same time, the policy to give control to current employers may perpetuate existing employment and training patterns. Some of today's big employers (for example in retail) are shedding staff but nevertheless secure control over significant training funds.
18. The government has delegated spending control to 19,000 levy paying employers and has few levers to ensure that apprenticeships are focused on priority industrial sectors, regions or productivity. Some of the levers that it has retained related to rates and rules and to deciding which providers can access training funds. Ministers and officials have made it clear that the apprenticeship provider market "will look very different by 2020" because giving employer control of funding and programmes will require training providers to "be agile and operate more competitively in a more market-style environment to respond to the demands of employers as purchasers of apprenticeship training⁶⁶". The desire to improve and change the apprenticeship training market is right because there are too many small and thinly capitalised providers who cannot survive a single adverse event. Equally, the risks and enormous change agenda lead to a lack of confidence for colleges and providers which in turn reduces investment for long term quality. The Government aim to develop a new, vibrant, high quality market place is laudable, but more care is needed about how this can be done.

⁶⁴ Kathleen Henahan "Technical Fault" published in 2018 by Resolution Foundation quoting DfE's Apprenticeship Evaluation Survey

⁶⁵ Estimate made by Sean Nevin from Institute of Directors quoted in House of Lords Economic Affairs Report

⁶⁶ HM Government "English apprenticeships, Our 2020 vision" December 2015

Recommendations

19. The committee has a wide-ranging remit and is as an early stage in gathering evidence. We can provide more information in due course on the issues covered in this paper including some recommendations to tackle the issues we have raised. The following recommendations may nevertheless help the committee shape its views:

- The Treasury should increase education spending as a share of GDP in the forthcoming spending view and DfE should use some of these funds on 16-19 education so that institutions can recruit and retain specialist teachers; implement technical education reforms; maintain academic standards and improve English and maths achievements. Disadvantaged students should be supported through the fully-funded, extension of the pupil premium to sixth form age students.
- There should be a National Retraining Scheme with full funding to support Level 3 to 5 skills in shortage occupations.
- Government should fully fund a statutory, lifetime learning entitlement to accredited education and training, relevant to identified labour market opportunities, to at least Level 3 in England, for all adults who have not previously attained that level.

10 September 2018

Association of Consulting Actuaries (ACA) – Written evidence (IFP0048)

This document sets out the response by the Association of Consulting Actuaries to the call for evidence issued by the House of Lords Select Committee on Intergenerational Fairness and Provision on 23 July 2018. Submission was made electronically on 10 September 2018.

Members of the ACA provide advice to thousands of pension schemes and their sponsors, and we have therefore focussed our response to issues relating to pensions adequacy. However, we recognise that public policy in the range of areas included in the call for evidence must in future be interlinked and balanced from an intergenerational perspective, and so we have commented below on some areas of overlap.

General

- 1. Is the intergenerational settlement in the UK currently fair? Which generations are better off or worse off, and in which ways?**
- 2. What are the future prospects for different generations in the light of current economic forecasting?**

From a pensions perspective, we believe typical savers in younger generations risk being materially worse off than today's generation of retirees. A key reason for this is the decline in recent years of employer sponsored defined benefit pension schemes (outside of the public sector). This has led to increasingly exclusive reliance on defined contribution (DC) pension schemes - with generally lower contribution levels - for most young employees.

The impact of this trend has been a significant transfer of cost and risk to younger people as they save for their retirement. For example, ACA's 2018 Pension Trends Survey (full results of which will be published in coming months) found that median employer contributions to DC pension schemes (which younger employees are generally members of) were only 6% of salaries. This compares to combined contributions of c. 30% of salaries to open defined benefit pension schemes (which predominantly include older employees).

Whilst arguments can be formed that a combination of future investment returns, improved state pension provision and increased participation from auto enrolment will help bridge this gap, we believe that significantly higher contributions would be needed in order for younger DC savers to expect a similar overall retirement income to DB savers in the current generation of retirees. For example, assuming 40 years of contributions, and 3% p.a. real investment returns, we estimate contributions of c. 16% would be needed to reach the Pension Commission's targeted replacement income of two-thirds of pre-retirement income.

Further, whilst in DB schemes key risks such as around investment returns and longevity are borne by employers, in DC schemes these fall exclusively on employees, further increasing the risk of poor retirement outcomes for younger savers.

In seeking to meet these challenges, for example by paying high employee contributions into DC schemes, younger generations also face challenges from competing savings needs in a way many in older generations did not. For example, those joining the workforce today face significant university or further education and training fee repayments / loans, and rapidly rising rents. They may also have difficulty getting onto the property ladder due to the need to simultaneously save significant deposits.

As a result, we believe that in many cases younger people choose to make lower than optimal contributions into their pension schemes as they seek to manage these competing savings needs, thereby further damaging their retirement prospects. In particular, if choosing to pay contributions at low levels they forgo significant financial incentives in the form of (often matching) employer contributions as well as the government tax relief.

To the extent these decisions are taken “rationally”, e.g. due to greater priority consciously being given to saving for a house deposit, in spite of the financial opportunity cost, we believe this “crowding-out” of retirement savings is of concern and could warrant a policy response. We have set out several of our own suggestions below in response to question 4.

The switch towards DC schemes has to a degree come hand in hand with wider changes to the working environment, which has generally become significantly more flexible. For example, in contrast to older generations for whom a 'job for life' was often seen as typical, those entering the workforce today will likely work for a significant number of employers during their lifetime – perhaps with various career breaks along the way, and periods of self-employment, possibly culminating in a longer “partially retired” state towards the end of their career.

For savers over age 55, Freedom and Choice has provided much needed pension flexibility to recognise these changes. However, for younger employees grappling with competing savings needs at an earlier age, there have not been significant changes. While Lifetime ISAs have been a step in the right direction, there is no interaction with employer contributions, and there are relatively few providers which appears to limit competition. Significantly more flexibility could be provided for younger savers.

In addition, evolving trends towards multiple career employers mean that at some point younger employees run the risk of losing track of where their pension savings are. If they have, say, 10 or more pension pots built up over their working life, we believe the Pensions Dashboard concept is vital in supporting them to keep track of their retirement savings. Without this, how can they make informed decisions about how much they will need to retire on, and how much more they might need to save in order to retire?

We recognise that some of the intergenerational imbalance may well be restored in future through a possible inheritance windfall for the current younger generation. However, such windfalls will impact only a fortunate proportion of society. Further, with an ageing population, many Millennials in particular may not benefit from such a windfall until they themselves get close to retirement. This may come too late to help them to live a longer and fuller working life and, in any event, they may find much of that wealth has skipped a generation.

Jobs and the workplace

3. To what extent do different generations have a better or worse experience of the labour market?

The ACA's 2018 Pension Trends Survey (full results of which will be published in the coming months) indicates that:

- Median employer contributions to defined contribution pension schemes (which younger employees are generally members of) are only around 6% of salaries, compared to combined contributions of c. 30% of salaries to open defined benefit pension schemes (which predominantly include older employees);
- 86% of employers with defined benefit schemes say DB costs have a negative impact on intergenerational fairness; and
- In particular, 89% of employers say their DB costs have an impact on pay increases, while 80% say there is a negative impact on employer DC contributions.

Based on these findings there is evidence that, overall, young employees see far fewer resources directed into their pensions compared with their older counterparts. There is also evidence that the cost of managing the pension promises for the older generations (many of whom no longer work for their employers) risks directly damaging the retirement prospects of younger generations by having an impact on both pay and DC pension contributions.

4. What needs to change to enable longer and fuller working lives for all? What role should employers play in providing solutions? What role can technology play?

Flexibility

It has been well publicised (e.g. in the debate surrounding the 2017 Cridland report) that continued longevity improvements mean that traditional definitions of 'working' and 'retirement ages will continue to evolve. Gone are the days of people 'working for 40 years, retiring for 20'.

For example, today's younger employees are much more likely than current retirees to have periods of reduced economic activity during their working life – perhaps taking some 'time out' in the form of career breaks or to re-train – and have a significantly more flexible outlook to semi-retirement than generations before.

Given that younger generations will both work and retire more flexibly than in the past, we believe it is important to evolve consistent flexibility across the pensions system, instead of at present where flexibility is only available to those aged 55 and over.

For example, under Freedom and Choice, anyone over the age of 55 can use their pension pot tax efficiently for multiple legitimate purposes such as paying off their mortgage. However for savers under 55 (who might for example want to save for a deposit – i.e. the first part of the same property

transaction), access to pensions saving is currently only possible at the expense of a penal tax charge of 55%.

Given the increased flexibility anticipated in the working lives of younger generations, and to encourage, rather than crowd out pensions savings, we believe that it would be helpful to provide some limited, but consistent, tax efficient flexibility around the use of DC pension savings during the accumulation phase.

Specifically, to encourage younger employees to commence meaningful pensions savings earlier and at higher levels than at present, the ACA calls for extending pension flexibility to reflect their competing savings needs, and to reflect the evolving lines between working and retirement. We believe this can be achieved as follows:

- Allow a single, limited, one-off pension withdrawal at any time in the "accumulation" phase, to be used in certain specified circumstances. This could include funding a property deposit or other very specific lifetime events such as providing income during an extended period of parental leave; and
- Tax the withdrawal (in headline terms) in a consistent way to existing withdrawals under the pension freedoms.

While further discussion needs to take place on specifically how much can be withdrawn, and on taxation of such withdrawals, we believe extending pension flexibility to younger generations will help remove many of the barriers associated with significant pension saving, while allowing younger employees to efficiently accumulate their employer's matching contributions and access an 'investment strategy' geared towards delivering better outcomes over time than a strategy of simply holding cash.

While we do not propose a specific limit, we note that a sum of £30,000 is regarded as 'trivial' for those withdrawing their pension pots at older ages. It could be argued that access to a sum of similar quantum should be made available for younger savers, subject to adequate safeguards and incentives, given they have more time to replace any amount withdrawn.

We believe the above proposal will help augment a culture of saving. Ultimately we believe younger people would be significantly more inclined to put money away if they know a proportion of it can be accessed flexibly (consistent with their flexible working lives), rather than it being tied away for the next 40 years.

Because of these behavioural factors, we believe that the overall impact of the change due to behavioural effects would be to increase rather than reduce long term retirement savings accumulation.

Clearly, detailed consideration would need to be given to regulation surrounding this change, investment consideration (such as the appropriate default funds available to younger members intending to withdraw funds) and obtaining buy in from employer sponsors of DC schemes. However, from an employer perspective, with much current focus on employee financial wellbeing, and the risk in future of having an ageing workforce that can't

afford to retire, we believe industry would likely be supportive of developments in this area.

Technology

From a pensions perspective, technology in the form of the Pensions Dashboard has the potential to improve outcomes and effective decision making for younger generations, and we are pleased to see the Government recently reinforcing its support for this initiative, given recent press articles noting some practical difficulties in reconciling and obtaining data not held electronically for those approaching retirement.

Rather than focussing on these difficulties, we believe it is correct to prioritise the key longer term prize of enabling swift access for the current younger generation of savers who will, on average, work for several different employers and likely have several different pension pots (where data is readily available). In particular we believe that for this “tech-enabled” generation the Pensions Dashboard will be a key part of driving the behavioural changes needed to ensure adequate future pension provision.

In particular, without the ability to see all their pension and long-term saving pots in a single place, how can future retirees make informed decisions on how much they need to save, when they can retire, and how they will need to manage their money in retirement? One of the significant benefits of defined contribution systems (which younger members are generally members of) is that most of the data is already held electronically – so the industry, with Government support, should move to design a solution which captures the longer-term benefit for the younger generations.

The Dashboard may also be the first step towards pension pots following members – i.e. facilitating DC pension pots of younger generations to be efficiently consolidated as they move through their careers, potentially improving outcomes through scale. This may also lead to improvements in the governance of DC provision, including greater transparency of investment options, default funds, and charges.

Housing

6. To what extent is intergenerational fairness impaired by the UK housing market?

7. What has driven the increase in the size of the private rented sector? Which generations are most affected by this and how?

In recent years, developments in the UK property market have seemingly further skewed the intergenerational imbalance in favour of older generations. In particular, the contrast in fortunes between the generation of those who 'own' and 'buy to let' (typically older people) who have benefited from significant house price growth and those who rent (typically young people) – has been widely publicised.

In particular, it appears that the proportion of younger people renting homes has grown significantly over the past decade, with many of the homes rented by this group owned by a generation approaching, or in, retirement, and using this source of wealth to supplement their retirement income.

This represents a transfer of wealth 'up' the generations – a feature which has the potential to adversely impact intra-generational fairness as those young people turning to the private rented sector are the ones who have been unable to access a helping hand from their parents or grandparents in getting on the property ladder. Their rental outgo, which is crowding out other short-term needs including savings for their own property deposit and their retirement, is being transferred to those who may already be likely to transfer some wealth to their children and grandchildren.

Communities

12. To what extent are new technologies and social media isolating different generations from each other? How can technology be harnessed to promote active communities working to redress imbalances between generations?

With the rise in younger employees being employed in the economy or through self-employment, technology has a prominent role to play to promoting pension saving.

For example, those employed in the gig economy are typically managed by and remunerated through an agent, which we believe could act as an auto-enrolment 'employer' and divert an element of pay to an auto-enrolment pension provider.

Similarly, online tax returns could be amended such that a proportion of revenue is, by default, directed to an auto-enrolment pension provider.

Taxation

13. To what extent does the tax system take account of fairness between the generations? What changes, if any, should be made to the tax system to achieve a fair intergenerational settlement?

The government reports the cost of pensions tax relief (income tax and NI) to be around £41bn in 2018/19 with some two-thirds appearing to go to higher and additional rate tax payers.

Major pensions tax reforms have been widely considered in recent years and, based on the above, it appears there is scope to promote intergenerational fairness in the design of any such change.

We do not comment here on which of these candidate reforms could be most beneficial from an intergenerational perspective. However, we believe any such reform should be made thoughtfully (and holistically with other tax reliefs) to consider how best to fit with a positive intergenerational impact.

Chintan Gandhi

Steven Taylor

Main Committee Members

On behalf of the Association of Consulting Actuaries Limited

About the Association of Consulting Actuaries (ACA)

Members of the ACA provide advice to thousands of pension schemes, including most of the country's largest schemes. Members of the Association are all qualified actuaries and all actuarial advice given is subject to the Actuaries' Code. Advice given to clients is independent and impartial. ACA members include the scheme actuaries to schemes covering the majority of members of private sector defined benefit pension schemes.

The ACA is the representative body for UK consulting actuaries, whilst the Institute and Faculty of Actuaries is the professional body.

10 September 2018

Alison Bailey – Written evidence (IFP0034)

INDIVIDUAL SUBMISSION SUBMITTED BY ALISON BAILEY (MA OXON, PGCE)

<https://www.parliament.uk/business/committees/committees-a-z/lords-select/intergenerational-fairness/news-parliament-2017/intergenerational-call-for-evidence/>

MEMBER OF THE CHIEF MEDICAL OFFICER'S WORKING GROUP ON M.E 2001; WORKPLACE DISABILITY/CHRONIC HEALTH WORKPLACE 'CHAMPION'

SUBMISSION FROM THE PERSPECTIVE OF DISABILITY AND LONG TERM HEALTH CONDITIONS

(References: some of the historic economic analysis is sourced from "How Much is Enough? Money and the Good Life" by economists Edward and Robert Skidelsky. The concept of separately named past generations is informally used in speech by some 'Millennials'. The various generations are listed and described on Wikipedia).

1. Is the intergenerational settlement in the UK currently fair?

I have a special perspective, as a bit of a late starter within my own generation. Due to chronic illness, I was renting until I was 50. Unexpectedly I remedied my poor quality of life through marrying. I am now in my early 60s and a partially retired long term health/disability/age champion in the public sector workplace who strongly supports people being able to work on past state pension age if they want to, through enabling 'flexibility'. I have consulted on my response able bodied peers (who are parents) and they agree with my general principles: that the validity of the concept of 'intergenerational fairness' is to be challenged; that no one size fits all in any generation; that older people must save a lot for their own end of life care. Also there is no legal principle that is based on 'fairness' intergenerationally: children have no unshakeable right to an inheritance from their parents under English Law. Nor is there any 'intra-generational fairness' - as those of us who have lagged behind our own peers/generation due to long term health conditions have experienced in our lives. Fairness cannot be guaranteed 'intergenerationally' in an unpredictable world in which economic boom and bust is a repeated pattern. There are unique time-related circumstances and challenges that each generation must face including sudden austerity, energy crises, housing shortages, environmental issues, conditions like dementia (now being faced by Baby Boomers) and potentially war. There was also unexpected prosperity for millions in the 1960s, so what could seem to unfair now could later be ironed out by later developments in the economy. No previous generation has compared its 'prospects' negatively with previous generations, or made financial demands, in spite of the major sacrifices of the Lost Generation (who fought World War One) and the GI Generation (which fought World War Two). Even those who never expected their parents to live to a great age e.g. Baby Boomers (born 1945-1963) who are generally quite vocal have not raised 'intergenerational' fairness as an issue (though they have vocally expressed the sadness and loss of caring for elderly parents with dementia). It has been (unkindly) suggested that this concept is coming from young people 'coveting' what others have worked hard for, for many decades, at a time when there is a growing hard-nosed group (e.g. 30% of American Baby Boomers) who say they will not leave their children any inheritance because each generation

should, in their view, make its own wealth which is 'good for the economy'. One example of this attitude is Anita Roddick, who left £51 million to charity, disinheriting her children.

2. Nevertheless, as someone having been chronically ill during my earning years, I am very sympathetic to those feeling they are trapped and 'bumping along the bottom of society'. I myself could not even afford adequate heating for some years. A young (and disabled?) person living in a shared flat in one room in great London could be paying in the region of £800-£1000 a month in rent leaving them very little for food, and other basic living costs. This is not a good quality of life. Disability costs are < a third higher anyway (ref research for Disability Living Allowance conducted under Mrs Thatcher's government). The crux of this whole issue is property. Affording a mortgage does not improve one's weekly income, but paying a high mortgage with high interest rates is not as 'soul destroying' as spending most of one's already taxed income on high rents. Thus this issue is partly about improving morale. However, it may not be recognised by Millennials (those born roughly between 1985 and 2000) that UK house ownership only got off the ground in the 1930s, due to the sudden availability of mortgages, from insurance companies. Before that most people rented (as many still do in Germany today). Their timing rewarded The Lost Generation who fought World War One who had dearly wanted to own their own therapeutic 'garden refuge'. So I presume that this idea of 'intergenerational fairness' comes from:

- a) students paying for their university education
- b) austerity/the difficulty in saving from average incomes
- c) higher property prices
- d) the fact that public sector pensions are paid from future taxation (though this is not the responsibility of recipients) so older people are (wrongly) viewed as a 'burden' on the young.

3. In a civilised society, even if there is no embedded (or legal) concept of intergenerational fairness, there is a widely recognised reciprocal duty between generations i.e. seniors to juniors, juniors to seniors and between equals. Neglecting this can have serious consequences for society. Parents must care for their children and children must care for their parents (which includes all the elderly) and only when this is not happening, the State has a duty to intervene to encourage it.

4. Which generations are better off or worse off, and in which ways?

It is not helpful for Millennials to measure their own life expectations against the one generation in world history that has been uniquely lucky, known as the 'Silent Generation', or the 'Lucky Few' e.g. those born between 1928 and 1945. They missed action in World War Two, worked very hard in response to the deeply frightening Depression, enjoyed a free or heavily subsidised education, gained from the consumer affluence of the 1960s and from parents who (averagely) died aged around 70-75. In terms of capital assets, they gained from dramatic house price rises, from the late 1990s (there is 70% house ownership in this generation, now diminishing). They have also enjoyed secure pensions, low divorce rates (divorce and dual pensions are a critical issue for wealth in old age) and unexpected longevity, their affluence funding 'world' cruises (NB this has affected the expectations of their Baby Boomer children without complaint, possibly because a good proportion of them were homeowners by the 1990s.). However, The Lucky Few and Baby Boomers are now acutely aware that they must store wealth in their homes for a totally

unpredictable amount of end of life care, due to increased longevity. Women of this generation, in a ratio of 5: 3 men face the sharply increasing risk of dementia and those linked care costs. This is a major brake on their generosity to younger people, in advance of death. At death, most will leave any remaining wealth to their children, which is subject to high UK inheritance tax, which incidentally does not exist in countries such as Italy and Australia.

5. We must also not lose sight of the fact that 'no one size fits all' in any generation. So we must avoid all stereotyping about the perceived 'wealth' of one generation since there is a wide spectrum of wealth and good fortune in every generation ('**intra**-generationally') and probably most of those with a disability (who have uncomplainingly experienced unequal life outcomes + an extended state pension age). They think someone young, strong and fit demanding 'intergenerational fairness' is an unequal approach, in itself. Even among The Lucky Few, 30% have been or are paying rent from their pensions, or living on less than £9,000 a year owning their own home. They are in the lowest decile in terms of income (as are the disabled, in any generation). The fact that pensioners own their own home merely means that they do not have to pay rent in their old age e.g. >£450 per month to live in a modest property. Some Millennials do not fully realise that owning a property does not make someone 'rich'. Many are 'capital rich and income poor'. If they did not own a home, they would have to rent one. Often, their home is too small to 'downsize' or live in an annex to it (e.g. terraced houses in England are notoriously small and cannot be easily split up).

6. In every generation, one must remember that there are those who are disabled and those affected by chronic illnesses, who either start working late, end early. Working full time with the added demands of a disability for decades is very stressful indeed. Some can only work part-time or cannot work at all. The issue with this is that disabled pensions, if they exist, are much smaller than they would otherwise be, so this is the most likely group to have to work on and on, past their state pension age. There are also sudden divorcees and single people, for various reasons such as caring for elderly parents, who have limited income from pensions. Some low income pensioners rent sub-standard flats, or live in mobile homes, as a result. The disabled and chronically ill are more likely to be living alone and unmarried, which greatly reduces wealth, and to be in the lowest income deciles. To base a 'blanket judgment' of an older generation's 'affluence' on those living 'the good life' in London where house price have 'gone through the roof' does not do justice to statistics, to the range of outcomes, or to the wider reality. The average individual UK pension income is around £19,900 (subject to tax) and the average household income is around £29,500 (gross). See

- <https://www.thisismoney.co.uk/money/pensions/article-5262331/Retirees-2018-enjoy-average-annual-income-19-900.html>
- <https://www.telegraph.co.uk/business/2017/08/08/pensioners-incomes-catching-workers/>

7. The average household's pension income is £29,500 gross, so even if pensioners are 'asset rich' in property, they are still not 'income rich'. Two people can barely save from £29,500 (gross.) There is a strong argument for home ownership. As an example, a widow on £9,000 income (a little over the full State pension) does not own her own home, her disposable income per month (if her rent is around £500pm) is £250. After spending £120 a month for

food; £60 for energy; £100 for council tax she is already in the lowest income decile and is probably relying on a food bank.

For the record:

- I would ideally like to see students not paying through loans for their education, if funding can be found in the system
- I cannot see that austerity, since 2008, is something that can be compensated for, except by innovation and hard work in the coming years. Earlier generations have survived the severe downturns of the 1930s, the 1950s, the 1970s and the 1990s.
- On property prices, I believe we need many more 'micro homes' for the young, for the disabled (under the social not the medical model of disability) and for the elderly (on the ground floor). I would like to see a central fund established to help more young people borrow their deposit for a mortgage and pay it back gradually (e.g. 3% a year).
- On public sector pensions, I would like the Government to make it much clearer that the 'burden' of the elderly relates to its own management of future public sector pensions (paying pensions from future tax receipts) not to 'burdensome older generations' who have earned their pensions through decades of contracted hard work and are actively saving for their expensive end-of-life care, where they can. Everyone should be celebrating people living longer and more healthily not resent older people living longer. We are all heading towards old age and no one wants old age to be miserable and impoverished, after a lifetime of hard work.

8. What are the future prospects for different generations in the light of current economic forecasting?

It is now widely accepted that no economic forecasting is 'reliable', but paying high rents in old age is a key issue. Instinctively, we would equate the prospects for those currently in their 20s and early 30s who are single (who cannot access a joint mortgage) living on an average income to a level slightly above those with disabilities and chronic illnesses in previous generations i.e. they may be facing an old age with their pension decreased by paying rent. However, developments may improve their prospects over the course of the next 30 years, such as: sudden economic affluence as in the 1960s, higher pensions e.g. due to a booming economy or Artificial Intelligence (AI), marriage, promotion, more affordable micro housing etc. House prices may come down, due to death and lower population growth.

9. Property ownership is still central for an ageing society in relation to longevity and pensions. People who do not own their own homes after fully retiring need around > £6,000 a year more pension income than the current average, yet average incomes do not allow working people to save. One answer is to extend the length of time one can go on working, ideally part-time (partial retirement must take into account increasing disabilities after 60), but that way forward is often weakened by ingrained workplace age discrimination (one million people in their 50s want to work and cannot due to this) and the multiple illnesses of old age (plus rising rates of dementia and obesity).

11. To what extent do different generations have a better or worse experience of the labour market?

I speak from experience in the public sector which publishes diversity statistics: workers generally hit a 'glass ceiling' in terms of career progression (and even getting a job) as they age (probably after 50) so for late starters in life e.g. due to a disability or having children, there is limited chance to make up for lost years of earning and saving for retirement. The Government is trying to tackle age discrimination but there is no guarantee of success (see the lack of improved workplace outcomes over the years for the disabled). Ageism is alive and well. Millennials and Generation Z (born since 2000) may be able to tackle this and 'break through' doing better than earlier generations.

12. What needs to change to enable longer and fuller working lives for all? What role should employers play in providing solutions? What role can technology play?

I believe that these issues are being discussed as part of the Government's Industrial Strategy and this House of Lords Select Committee consultation could overtly link with that. The issue of longevity and supporting oneself to enjoy a healthy independent, longer life should be considered with the aim of allowing people who want to, to work for longer in a flexible fashion which suits their declining health and energy levels. However, the hard fact remains that people may be living longer (though increased longevity is now stalling, and may be reducing, in the UK) but their average expectation of a healthy life (without a disability) remains 64 years (average) of healthy life expectancy. The length of healthy years is not increasing and may decrease in future, due to obesity and the dementia timebomb. There is a strong case for putting more medical funding into early disabilities, post 64, to enable the elderly to work for longer, if they choose. They can also volunteer for longer, supporting the economy through unpaid labour. There is also new evidence that longevity is decreasing in the UK.

13. What are the barriers to greater in-work training and skills development for all generations?

Constrained budgets. It should be noted that people over 60 are not keen to retrain in the same area of work i.e. to work directly for bosses 30 years younger. They would rather retrain themselves, or start a business on their own, working for themselves.

14. To what extent is intergenerational fairness impaired by the UK housing market?

On rising house prices, the key fact is that if one does not own one's own home by one's State Pension Age, one is condemned to pay > £450 a month from a pension in rent. Also there is little room to save for luxuries in retirement from current average incomes (let alone from UK pensions which are some of the lowest in Europe). The housing shortage is partly caused by a) increased population and b) by increased longevity i.e. people not dying at 67 as in 1947, but at 81 (men) or 83 (women). We do not believe that the housing shortage can be seriously solved by mass downsizing due to the small size of average British properties. Older people are anxiously 'storing' money for their end-of life care in their houses. I am keen on building more sustainable low energy micro housing by reducing the minimum space required for residential buildings. Those younger people I know who live in them, have reported to me that micro homes are affordable and 'great to live in'.

15. What has driven the increase in the size of the private rented sector? Which generations are most affected by this and how?

30% of the 'Lucky Few' Generation (born 1928-1945) lives in (or has lived in, if deceased) rented accommodation. >30% of retired Baby Boomers rent their homes. Before the 1930s, the majority of people rented their homes. It could be said that 'home ownership' is not the historic norm. In addition, the house price rises of the late 1990s may be a one-off abnormality caused by shortage of houses being built at a time when people are living longer, population growth is high and there are suddenly higher levels of divorce (currently one in two). Divorce is a major contributing factor to impoverishment in old age (yet another brake on parental generosity).

16. How can we ensure that the planning system provides for properties appropriate for all generations, including older people?

The underlying assumption is that the majority of UK houses are large enough to break up into flats, but the average UK home is not suitable for this purpose. The housing stock in the UK is considered along the worst in Europe. The idea that parents should move into annexes in their own garden is a 'no one size fits all' notion (one thinks of King Lear's bad outcomes on that score). I feel that relevant planning restrictions for this kind of building should be eased. The latest research suggests that family intergenerational relationships are weakening e.g. people in their 20s and 30s are less likely to seek help from family members than previously. We have to ask 'Would children want to actually live with ageing parents and visa versa?'. I have informally asked some older people - and their unanimous answer is 'No'. This is because a primary goal of older people is continued independence.

17. How can the property wealth of older generations (parents and grandparents) be utilised to help younger generations (their children and grandchildren) access the property market? What would be the impact on intra-generational fairness of such schemes?

No one answer fits and the question is slightly absurd. About a third of US Baby Boomers born 1945-1964 do not believe in passing on their wealth to the next generation and this tendency will increase if young people have less and less social and caring interaction with their ageing parents. The need to store money in one's home for later care is a real brake on generosity and it would be unfair to advantage only those young people who have rich and generous parents (who may not be the majority of parents). Many younger people seem to prefer their friends to their family, recent research finds. Governments cannot force intergenerational generosity, though they could incentivise it. Parents tell me that they have other reasons not to give money to their children. They include the strong desire not to spoil them. They want to discourage self-indulgence, drug-taking, alcoholism, gambling and irresponsibility. They keenly want to remain independent from their offspring and also fear of being viewed as 'a money tree' just at the time when they must save for their own care. Charitable giving in their Wills could be taxed more heavily to offer grants to young people to get on the housing ladder. Expenditure over 65 (instead of on income) could be taxed e.g. those individuals over 65 spending over £25,000 pa in total per year could pay a small added tax which could be used for young people's deposits and housing needs. But would this be 'fair' on those who have lived on very little income all their lives, who have worked with or suffered a disability or chronic illness and have only a partial pension, who are single, or childless and finally they inherit a lump sum to just start enjoying life before they develop other health conditions.

18. To what extent are initiatives to encourage down-sizing or intergenerational home-sharing part of a viable solution to the housing shortage for younger generations?

Again the 'assumption' that 'wealthy' parents want to help their children before they die or give most of their money to their children is a 'no one size fits all' presupposition which needs challenging. Many believe they must 'store' their wealth in houses and feel they are wise not to hand over their assets to the next generation but to leave themselves with plenty of money for their own care which can cost £35,000-£100,000 a year. Giving wealth to children is taxed above £3,000 pa, which is a disincentive to some 'intergenerational' generosity, but other parents are not keen on giving their wealth away anyway for a range of reasons. Some say their children should earn their own income and property by working hard and also carry on working after state pension age if their pension is not enough (which should be made easier). There may be a case for making it easier for children and their families to live in substantial garden annexes to properties owned by their parents, but again 'no one size fits'. Many older people probably do not want to be treated as ever available 'baby sitters'. The Committee must not assume that parental generosity (and available wealth) is to be taken for granted, or 'the norm' into the future.

19. In what ways could more active communities help redress imbalances between generations? Are there opportunities for more non-state provided solutions to the challenges faced by an ageing society?

Most city dwellers today belong to online communities rather than real ones. Many pubs are closing. Probably real communities only exist in rural villages with active churches, gardening clubs and community-led post offices. Creating sustainable elderly communities could be one approach ie. building whole villages of sustainable, low energy, micro retirement homes e.g. in the favoured West Country (which has the most sunshine) but they would not solve the issue of storing wealth in one's home for one's care. 'The English' (by Jeremy Paxman) helps one to understand the 'insular' British character which is 'private' and retires into its back garden or allotment to heal from the wounds of engagement with the wider community and to reconnect with nature, which is what many people work hard for, all their lives. As one gets older, one tends to want more peace, time off from multiple demands, more leisure time, security and privacy. The (over) working disabled want this, in particular.

20. To what extent are new technologies and social media isolating different generations from each other? How can technology be harnessed to promote active communities working to redress imbalances between generations?

Younger people brought up on Facebook need to develop their social skills more to make an effort to visit and talk to parents and older people - as earlier generations have always done as a family duty (and pleasure). Texts and social postings are not sufficient to maintain real relationships and the impetus for face to face contact must come from the young as a reciprocal duty. Some older people go on Facebook, but they probably 'mix' with similar people. In my experience, some people over 70-75 are vehemently 'anti' social media. There is a case for technology being used to monitor older people living alone in their own homes, to ensure their safety, and to help them continue to live alone more cheaply - but never to replace human company, or the active face to face support of younger generations. We also know from research and experience that lack of regular human interaction greatly increases the risk of dementia and early death.

21. To what extent does the tax system take account of fairness between the generations? What changes, if any, should be made to the tax system to achieve a fair intergenerational settlement?

There is a proposal that past State Pension Age workers should continue to pay National Insurance on their salary (not on their pension income), just like those over 60 below State Pension Age. It could reflect their increased longevity and the heavier health care demands (but would the 'Grey Vote' support it?). This could help fund a national 'pot' to help with deposits for mortgages. But again, 'no one size fits all'. How would this unfairly impact those with lifelong (and also developing disabilities) and chronic health conditions who are more likely to be obliged to continue working (more fatigued) after State Pension Age having only a partial and inadequate pension? Surely they, of all people, deserve a tax and NI break (delivering a surplus in limited incomes) before they develop other limiting health conditions (NB the average age at which one develops disabilities is 64)? I can see some rationale for continuing to pay NI on any amount well above the median UK income past State Pension Age - but not for disabled and lower earners.

10 September 2018

Dr Judith Burnett – Written evidence (IFP0052)

N.B. This response is to Q7 and Q9.

About Judith Burnett:

Judith Burnett held posts as an academic and senior manager at the University of East London. Subsequently, she was Dean at the University of Wolverhampton, where she was made Professor of Sociology and Social Change, and Pro Vice Chancellor at the University of Greenwich. She was Chair and Trustee of the British Sociological Association (BSA), a panel member regarding the AQA reform of A-Level Sociology, a Committee member of the Council of University Deans of Arts, Social Sciences and Humanities (DASSH), and is a Fellow of Advance H.E.

Judith now works outside academia as Judith Burnett Consulting, offering coaching, mentoring and other learning related services to Higher Education and public services. She is Associate Consultant for Alterline Research Ltd. with regards to researching student experience.

Judith Burnett is a sociologist of generations. She is author of *Generations: the time machine in theory and practice* (London: Routledge, 2010), a seminal work in the field of the sociology of generations. It is unique in the span of generations considered, covering the emergence and development of the concept of generation and its application by different historical and contemporary generations, as well as bringing 'the generations of the future' into the analytical frame. It argues that while the generation concept has its limits and is not as well developed as other concepts in the social sciences, it offers a rich potential as a tool to inform our thinking about society and the different communities within it. Further, it is a critically important tool for practical policy making, as a means of working through models which can cope with demographic change by subjecting them to a generational lens.

Housing

Q7. What has driven the increase in the size of the private rented sector? Which generations are most affected by this and how?

7.1 Ed. Howker & Shiv Malik's (2010) book *Jilted Generation: how Britain has bankrupted its youth*, graphically illustrates both the impact of the changing housing market on youthful generations, and very importantly, their *feeling* towards this.

7.2 Using 'we' throughout the book, in Chapter 1 Howker and Malik offer a comparison of their generation within the housing market in comparison with older generations when buying a home. They form an argument that this amounts to a different position within the market, and that those positions are structured by generational location which means that the older generations had considerable advantages when it came to purchase their home.

7.3 They identify '...four clear advantages when affording a home that we simply don't have'. These are:

- (i) Tax relief on mortgages. Originally MITA, from 1983 MIRAS and abolished in 2000, the authors see this as a multibillion-pound subsidy to previous generations which they now do not access
- (ii) Public housing. Between 1980-2009, the sale of 1.85m sold to tenants in England and 450,000 in Scotland public housing at sometimes reduced prices was another source of subsidy
- (iii) House building programmes for public provision have dramatically reduced since the post-war period
- (iv) Dwelling sizes have decreased following the abandonment of the Parker Morris standard from 1980

7.4 Howker & Malik note the increase in building flats and the rise in 'Buy to Let.' Since their book was published 'Buy to Let' mortgage take-up and behaviour is changing partly due to changes in taxation arrangements. While changes in taxation and regulation were expected to cool the housing market, it seems that some landlords have absorbed the additional costs by raising rental charges.

7.5 Howker & Malik draw our attention to a key point: all the above plus the rise in house prices and rental charges has meant that young entrants to the housing market are increasingly struggling with deposits. The outturn is that younger generations are renting at higher rentals in the private market, for longer periods of time, and that their rent history is that of spending shorter periods of time in each property.

7.6 In hard economic terms they see this as a straightforward transfer of wealth from their own generation upwards to the Boomer and senior citizen home owning generation who provide these rentals, and the property transactions of whom have been partly responsible for driving up house prices and rental prices.

7.7 Howker & Malik articulate a key point about the oft cited 'solution' to this problem, better known as the bank of mum and dad. This point is not only concerned with the economic impact, whereby the parental generation will 'drain their retirement funds' (ibid:65), suppress social mobility and reinforce inequality, but will bring an *emotional* impact: 'How much resentment will be stored up, we can only imagine,' (ibid:65). I suggest that this emotional impact has not been clearly researched or understood for example in terms of social or political consequences.

7.8 On the reliance on the bank of mum and dad, please see response to Q9 following.

7.9 Bibliography for Question 7

Howker, E. & Malik, S. (2010) *Jilted Generation: how Britain has bankrupted youth*. London: Icon Books

Q9. How can the property wealth of older generations (parents and grandparents) be utilised to help younger generations (their children and grandchildren) access the property market? What would be the impact on intra-generational fairness of such schemes?

9.1 The Legal and General Report on The Bank of Mum and Dad (2017) explored the role of the bank of mum and dad, and concluded that:

'The objection to The Bank of Mum and Dad is not that parents and grandparents should help their loved ones to enjoy the same benefits of home ownership they have. It is that – despite the good intentions – it is not up to the task of really addressing the issue. The Bank is a symptom of the problems in the UK housing market, not its solution.' (Legal and General 2017:15)

9.2 The report gives a useful, brief, accessible summary of the problem (ibid: pages 3-17):

- The bank of mum and dad is the UK's 9th biggest mortgage lender
- 25%+ of all home owners have had help to buy: but 62% of the age group of under 32 have had help to buy
- Those in the south west of England are least likely to get help with home purchases at just 19%
- The contribution to the purchase price made by the bank of mum and dad is as low as 5% in the south east of England and 14% in the north east of England
- 9% of renters receive help from family and friends to pay their rent: sometimes by large amounts (for example £500-£1500 per month)

9.3 Most schemes aimed to enable wealth transfer (such as the bank of mum and dad) it is true, do enable a section of younger generations to access the housing ladder. However, the problems are threefold:

- Intra-generational inequality is exacerbated by such transfers since some sections of the youthful population do not have family who can make such transfers, as do poorer sections of the community of all ages
- Intra-generational inequality has a geographical dimension, which is specifically amplified in discussions of wealth connected to property transfers
- The model which informs Q9 tacitly assumes that the property wealth of older generations can be treated as disposable incomes. For example, one means of accessing that wealth would be through increasing the take-up of the currently unpopular equity release schemes (currently take-up is around 3%)

9.4 However, supporting adult children and grandchildren with house deposits is not the only call on the home owning generations' funds.

I note that the House of Lords Committee on Public Service and Demographic Change Report: *Ready for Ageing?* concludes:

'The Committee considers that it is right for those who have benefited from windfall gains to contribute to the costs of their longer lives through equity release, rather than for the full costs to be pushed to future generations.'

<https://www.parliament.uk/business/committees/committees-a-z/lords-select/public-services-committee/report-ready-for-ageing/a-fair-approach/>

9.6 The Report notes the possible role that equity release could play in providing for the costs of social care, supporting incomes, and paying costs towards people staying in their own homes. The Report refers specifically to adapting the home: however, to this we could add a wider package of care visitors, services provision such as meals, household and garden maintenance, transport etc.

9.7 Thus use of the money is not the same use of the money as that set out above and proposed by those see that prolonging the bank of mum and dad can 'fix' the youthful problems of homeownership and thus assuage the problem of intergenerational inequality.

9.8 With regards to the low take-up of equity release, whatever its purpose: I note that the Equity Release Council member provide assurance against negative equity in the form of not lending more than the value of the property including interest charges.

9.9 In the FAQs section of the website accessed 17th September 2018:

'If I take out an equity release scheme, do I risk losing my house?

No. The amount of money you borrow against the value of your home, plus any rolled-up interest, can never go above the value of the property - when it is sold at the end of your plan - due to the **No Negative Equity Guarantee** safeguard upheld by Equity Release Council members. You will continue benefitting from the rises in property value in the years to come.'

<https://www.equityreleasecouncil.com/faqs/implications-and-risks/>

9.10 I note that no evidence is provided to support the explicit assumption that property value will continue to rise in years to come. I note that the question of whether that property value rise will be incremental or subject to shocks including periods of rapid devaluation, and how this will affect potential scenarios which could arise, is not addressed.

9.11 This raises a question mark over policy formation which lacks an intergenerational lens, since the risks borne by current generations are in effect being passed onto the youngest generations and the generations of the future, Burnett (2010).

Dr Judith Burnett – Written evidence (IFP0052)

9.12 Bibliography Question 9

Burnett, J. (2010) *Generations: The Time Machine in Theory and Practice*. Farnham: Ashgate

Parliament. House of Lords (2013) *Ready for ageing?* House of Lords. London: The Stationery Office.

<https://www.parliament.uk/business/committees/committees-a-z/lords-select/public-services-committee/report-ready-for-ageing/a-fair-approach/>

FAQs on the website: Equity Release Council

<https://www.equityreleasecouncil.com/faqs/implications-and-risks/> accessed 17th September 2018

Legal and General (2017) *The Bank of Mum and Dad: Every Day Matters*

https://www.legalandgeneralgroup.com/media/1077/bomad_report_2017_aug.pdf

17 September 2018

Care & Repair England – Written evidence (IFP0020)

1. About Care & Repair England

1.1. Care & Repair England is an independent charitable organisation set up in 1986 which aims to improve older people's housing. Its vision is that all older people have decent living conditions in a home of their own choosing. It innovates, develops, promotes and supports practical housing initiatives and the related policy and practice which enable older people to live independently in their own homes for as long as they choose, particularly for older people living in poor or unsuitable private sector housing.

2. The focus of Care & Repair England's evidence

2.1 We have focused on the questions on housing and will limit our evidence to the situation and circumstances for older people, which is our expertise. Our main contention is that the Committee needs to consider population diversity and inequalities across generations, including acknowledgement of the wide range of people's experience of ageing, and the spectrum of types of housing and housing circumstances in which older people live.

2.2 Just like any other age group, 'older people' are highly diverse⁶⁷. They may be rich, poor or somewhere in between. They may be healthy or have health problems, physical and/or mental. There are great inequalities, particularly concerning life expectancy and healthy life expectancy. Their housing situations and the options open to them vary greatly dependent upon their tenure, geographical location (particularly in relation to north and south), income and equity. Their living situations (links with family, friends, neighbours, interests, life aspirations) - are also diverse.

2.3 Most older households (96%⁶⁸) live in mainstream housing and in all types of property - flats, small terraced, semi-detached and detached houses. Most will live out their days in this ordinary housing, either by choice or necessity, given that at least 80% of the buildings that we will inhabit in 2050 have already been built⁶⁹. Where they live, particularly with regard to tenure, is the consequence of decades of shifting economic and social policy, not simply personal choice.

2.4 In seeking solutions to the current housing issues for younger people, there needs to be a recognition that many of the problems are caused by low wage levels, job insecurity and resulting limited access to mortgages, as well as the housing and related fiscal policies of government that have driven the growth of the private rental sector and the decline of the social rented sector, rather than simply the individual housing decisions of older people.

2.5 There is limited value, in our view, of seeking housing policy solutions that 'blame' older people for living in ordinary homes. There is a real danger of pitching the generations against each other when the issue of 'fairness' should be about fairness across all in society whatever age, diversity and circumstance. There is merit in focusing on what brings people together not what divides across the generations - arguments about 'the' old and 'the' young can lead to stereotyping that creates unrealistic expectations about simplistic solutions to complex financial and social issues, particularly regarding housing.

3. To what extent is intergenerational fairness impaired by the UK housing market?

⁶⁷ ONS (2013) What Does the 2011 Census Tell Us About Older People? Office for National Statistics

⁶⁸ Garrett H, Burris S, (2015) Homes and ageing in England BRE Bracknell, IHS BRE Press

⁶⁹ Urban Design Directory (2015/7) Creating pro-social places

3.1 Intergenerational fairness in the UK's housing market is impaired by restricted access to mortgages (connected in turn to low wage economy and job insecurity that disproportionately impacts on younger people), the shrinking supply of social housing and high private rental costs (that result from inflated prices/ supply issues/ lack of regulation) as well as simply stock supply.

3.2 There is a great deal of focus on older people being home owners and the problems of the younger generation being able to become owner occupiers, with a simplistic assumption that somehow old people by their very existence are preventing younger people from getting their first step on the housing ladder. What is less commonly recognised is that this high level of home ownership is a relatively recent phenomenon that was driven by the government fiscal and social policies during the 80s and 90s⁷⁰.

3.3 Owner occupation in the 1970s was only 50%. There was a decent supply of social housing in many areas of the country, alongside regulation of the private rental sector, whilst access to mortgages was limited to those in secure professions and better paid jobs. The dramatic rise of low income owner occupation during the 1980s and 90s was the result of policies such as the opening of the mortgage market and Right to Buy, as well as stock availability. It is those policy changes that resulted in today's concentration of older people in the owner occupied sector.

3.4 Furthermore, it is subsequent government policies (e.g. favourable terms for buy to let/ buy to invest, absence of rent controls, insecurity of tenure, restricted access to mortgages etc) that have contributed to the dramatic fall in home ownership and rise of private rental amongst younger generations, rather than individual decisions by older people e.g. whether or not to move home.

3.5 Unfortunately, all too often, commentators make a simple calculation that if only older people moved home this would 'solve' the housing crisis for young people. What is not considered is the complexity of the housing market and the need for more understanding of the broader issues highlighted above, let alone the very different housing markets and factors in the high demand/ high value South East compared with areas of low value/ low demand in parts of the North.

3.6 The real level of demand, or shortage of, different types of homes that an older owner occupier may need to sell to move home, particularly in the context of a dramatic fall in owner occupation amongst younger people and the affordability of home ownership for a younger generation, is poorly researched and would be one area for the Committee to recommend action.

3.7 For example, a lack of accessible housing (currently only 7% of existing homes have the core access features; level access, flush threshold, wide doors and circulation space, WC at entrance level ⁷¹) means that building all new homes to accessible standards (both specialist homes for older people with care needs as well as mainstream) could enable a greater number of older people to move to a more suitable home. Any home move results in either a vacancy in a rented property or a home for sale in the wider housing market, and so theoretically results in market movement which might help a younger generation - assuming they can afford the resulting property.

3.8 As noted above, there is a significant regional variation in supply and demand, given the very different housing markets in the London/ South East versus the rest of the country, particularly parts of the North. This market analysis and the future impact of the fall in home ownership on housing demand, especially for family housing which the private landlord sector may be less interested in buying, needs much more detailed investigation.

⁷⁰ Examples include support for Right to Buy and access to mortgages for lower income households

⁷¹ DCLG (2016) English Housing Survey, Adaptations and Accessibility Report, 2014-15 London DCLG

3.9 In areas where resale is not an issue, a greater supply of retirement housing designed specifically for older people, specialist supported housing for people with care needs, or simply mainstream homes that are designed to be accessible and flexible to meet changing needs and enable safe, independent living in later life could potentially result in some market stimulus but this will not be the solution in all parts of the UK and for all older people many of whom will not want to move. Older people are generally very satisfied with their home. 94% of older households were satisfied in 2014/15.⁷²

4. What has driven the increase in the size of the private rented sector. Which generations are most affected by this and how?

4.1 We would draw the committee's attention to reports published recently by Age UK London⁷³ and Independent Age⁷⁴ on the growth of the private rented sector and of the issues affecting older people. Growing numbers of older people are living in private rented accommodation where some of the worst housing conditions and housing insecurity is found. Age UK London identify the issue of poor housing – of cold and unsuitable private rented homes - for older people many of whom will have long term health conditions. For Independent Age older people's circumstances in private rented housing are 'invisible' in public policy.

4.2 The growth in the private rented sector has been driven by several factors, including access to borrowing that favours the buy to let/ invest market, tougher restrictions on lending that disproportionately impact on younger people, the undersupply of social housing and wider housing supply issues (particularly in the South).

4.3 It should not be assumed that the rise in private rental is solely taking place amongst younger age groups, albeit that this is the largest rise. In terms of older private renters the Age UK London report states that there has been an increase of over 200,000 private renters over retirement age over the last four years in England.⁷⁵ The current campaign by Generation Rent on ending unfair evictions has concerned itself with all people living in rented housing, identifying the issues for young and old alike. The recommendations for reform of the sector in both of the cited reports would benefit both old and young alike.

5. How can we ensure the planning system provided properties appropriate for all generations including older people?

5.1 As the Government is currently keen to stimulate increased home building, any new stock presents an opportunity to realise longer term revenue savings through ensuring quality as well as quantity. Planning policy and Building Regulations are currently failing to systematically address population ageing through building better homes that meet people's needs across the life course.

5.2 The planning system has few levers or drivers for change that will address population ageing. It is crucial that it should be a specific requirement in the national framework to plan for the current and future housing needs of an ageing population, across all housing types & tenures; a vision to create accessible, flexible housing for all ages, not simply building age segregated housing.

5.3 The 2017 Neighbourhood Planning Act and measures in the 2017 Housing White Paper proposed to strengthen national policy so that planning authorities have a clear plan for addressing the housing requirements of groups such as

⁷² DCLG (2016) English Housing Survey, Housing for Older People Report 2014-15 London DCLG

⁷³ Living in Fear Experience of Older Private Renters in London, Age UK London, 2017

⁷⁴ Unsuitable, insecure and substandard homes: the barriers faced by older private renters, Sue Arthur, Amelia Christie, Ray Mitchell, Independent Age, 2018

⁷⁵ <https://landlords.org.uk/news-campaigns/news/number-retired-renters-soars-more-200000-in-4-years> -

older and disabled people ensuring a more consistent delivery of accessible housing.

5.4 It also promised that the Secretary of State would provide guidance to local planning authorities on how their local development documents should meet the housing needs of older and disabled people. This has yet to be published and is expected in late 2018. Clearer definitions on housing and ageing in national guidance would help to raise awareness of the importance of planning for housing suitable for older people, as would specific guidance to local authorities on how to properly assess and to plan for the range of housing requirements of ageing populations.

5.5 Optional building standards have failed to deliver improvement – e.g. Lifetime Homes Standards have only been applied in a very small number of areas, most notably London. Setting national minimum housing design, space and construction standards to make all homes healthy and accessible would result in longer term revenue cost reductions to government as well as to individuals ⁷⁶ (e.g. through improved health, independent living, informal caring, educational attainment, lower utility bills - fuel, water, etc...).

5.6 A government commitment is needed to ensure that we build healthy, sustainable, inclusive housing for the whole population and for all ages, homes and neighbourhoods which enhance intergenerational contact rather than limit it.

6. How can the property wealth of older generations (parents and grandparents) be utilised to help younger generations (their children and grandchildren) access the property market? What would be the impact on intergenerational fairness of such schemes?

6.1 It is important to note that levels of property wealth is more concentrated by geographical location and social class than simply owner occupation per se⁷⁷.

6.2 Furthermore, access to housing equity is not available to a quarter of older people even if they wished to pass this on to younger generations as 6% of older households rent privately and 18% live in social housing⁷⁸. Reliance on older home owners as the route to owner occupation for younger generations thereby potentially exacerbates housing inequalities.

6.3 Furthermore, the disparities between the north and London/SE in terms of the capital available to pass on are crucial to any calculation of intergenerational wealth transfer and housing. In some parts of the north there is very limited housing equity, yet this is often not considered when looking at the property 'wealth' of the older generation.

6.4 Another area to consider in relation to the potential to release capital from the home is the poor condition of some the housing stock that older people live in and the expectation that housing equity should be used to meet the costs of home maintenance and repair (thereby leaving less to pass on).⁷⁹ Some 1.2 million (21% or one in five) of households aged 65 years or over lived in a home that failed to meet the Decent Homes standard in 2012. The clear majority

⁷⁶ DCLG (2012) Assessing the health benefits of Lifetime Homes London DCLG

⁷⁷ Beverley A. Searle & David McCollum (2014) Property-based welfare and the search for generational equality, International Journal of Housing Policy, 14:4, 325-343, DOI:10.1080/14616718.2014.955334

⁷⁸ <http://careandrepair-england.org.uk/wp-content/uploads/2014/12/Infographic-final.pdf>

⁷⁹ Off the Radar Housing disrepair and health impact in later life, Care & Repair England, 2016

(79%) of households aged 65 years or over living in a non-decent home were owner occupiers (934,000).

6.5 There is also the need to consider future care needs for an increasingly ageing population and the anticipated government decision concerning use of housing equity to meet those needs. For older people with dementia for example – and the numbers will rise in the years ahead⁸⁰ – the cost of their care will in some cases be more than £100,000 leaving little equity to pass on.

6.6 We would urge a much greater consideration of diversity in relation to housing tenure and access to property wealth amongst the older generation in plans to 'solve' wider housing challenges for the younger generations. It is the case that older people have chosen to support their younger family with the capital released from their housing, but only in areas where that housing equity enables them to do so. What the committee might wish to consider is a scheme to help older people utilise their capital to support younger people as their chosen priority over use for care needs, and how the forthcoming government's social care policy might support/ endorse such action?

7. To what extent are initiatives to encourage downsizing or intergenerational home sharing a viable solution to the housing shortage for younger generations?

7.1 For the many reasons set out above, we question the 'housing mathematics' of solving younger people's housing challenges through older people 'downsizing'. In our current society individuals make decisions about where and how they live based on many factors. To put pressure on older people, making them think that they 'ought' to move and are somehow 'causing' the housing problems of younger people by their wish to live in a much loved home is unacceptable.

7.2 We would urge the Committee to create the environment where people don't talk about older people as 'house-blockers' or 'housing-hoarders' - a term we have seen used - and which can create fear for some older people who want or have to stay at home. Noting our comment on diversity in Section 2, many different factors impact on housing needs, particularly regarding space e.g. room to enable older people to care for a partner, friend, other family member, have carers to stay overnight, look after grandchildren, have friends and younger people to stay, work etc....

7.3 There is a strong aspiration for most older people to live independently at home for as long as possible, often in the current home, which might hold memories, is in the neighbourhood they have known for years, is near shops and good transport and with friends and family nearby. There is a very high level of satisfaction with homes and neighbourhoods amongst older people (94% compared with 86% for other age groups⁸¹). A number of studies⁸² have clearly shown that around 80% of older people say they wish to continue to live in their current home.

7.4 Moving is not something to take on lightly for many older people and it is not always easy to assume that the theoretical future housing intentions amongst younger older people translate into an actual move. What you might need in your 50s and 60s might be very different from what you might need in your 70s and 80s – a reminder of the diversity in later life.

7.5 Currently cash incentives for moving have been promoted but what is more necessary than cash is access to both positive housing options alongside independent, impartial information and advice about housing, care and related

⁸⁰ <https://www.alzheimers.org.uk/about-us/policy-and-influencing/what-we-think/demography>

⁸¹ DCLG (2016) English Housing Survey Housing for Older People Report, 2014-15

⁸² Lloyd., J (2015) Older Owners Research on the lives, aspirations and housing outcomes of older homeowners in the UK. London: Strategic Society Centre

finance in later life decision making so that older people can make fully informed choices about their living arrangements during potentially 30 or more years of retirement.

7.6 The cost benefits⁸³ of integrated advice provision for older people have been well documented as part of the successful government backed initiative, FirstStop Housing Care Advice⁸⁴ delivered by the charity Elderly Accommodation Council. Older people's access to such integrated advice is shrinking and there is a pressing need to reverse this trend to enable disadvantaged older people to make best use of limited resources as well as to protect the most vulnerable in later life. This would be a better solution to support older people to move where they want to and could help to release properties onto the market.

7.7 Alongside all these proviso's, we accept that there is a need for greater housing choices for older people who wish to move as a positive step. This requires both mainstream and specialist/ supported housing which meets a diverse range of housing situations and should include alternative housing options for social housing tenants, private tenants and low income and/ or low equity home owners, as well as for those with higher incomes and significant housing assets.

7.8 Even if the supply of specialist stock was doubled, increasing supply from around half a million⁸⁵ to one million homes (which would be a level of new build exceeding anything in the past), most older people will continue to live in the stock that is already out there, as part of mixed, intergenerational communities for the foreseeable future, and what really needs to be addressed with regard to younger people's housing problems are the wider national policies that determine citizens' access to affordable, secure, decent homes of all tenure types across the life course.

7 September 2018

⁸³ Cambridge Centre for Housing & Planning Research - Series of reports from 2009-2015 <http://www.cchpr.landecon.cam.ac.uk/Projects/Start-Year/2010/FirstStop2010>

⁸⁴ Adams S & Green G (2015) Making the Case - for integrated, impartial information and advice about housing and care for older people EAC et al

⁸⁵ Pannell, J, Aldridge, H, & Kenway, P (2012) Market Assessment of Housing Options for Older People London, New Policy Institute

Care England – Written evidence (IFP0013)

One of the biggest challenges of this era is to move to a system that is age neutral and where ageism is seen to be as unacceptable as racism, homophobia or any of the other equality categories. At present health and social care are not integrated, but one thing that they do have in common is ageism. Unfortunately, older people are often treated in a totally different way from other client groups. Not only do we see vastly disproportionate funding, but there is also a paucity of ambition in some of the care plans for older people, as opposed to those for younger adults.

There are many examples of excellent practice and as the largest representative body for independent providers of adult social care, Care England awaits the DHSC's social care recruitment campaign. This is an opportunity to demonstrate that a career in care is far from boring and that you need as much dedication and professionalism as you do working with other age groups. The rewards are substantial, but the challenge for the system is to stand against ageism at a time when it is endemic in society. Furthermore, there is also the negative stereotyping by the press and media who take great delight in coining phrases about older people as 'bed blockers'. Such a term would never be employed for younger people when in fact the unit cost of their care could be significantly higher than the cost of delivering care to a person living with dementia or other comorbidities.

It appears that the bodies set up to safeguard the public and ensure that the delivery of a more fair and equal society, such as the Equality and Human Rights Commission, are not countering ageism sufficiently. In this context Care England echoes the calls from others for an Older People's Commissioner. I would recommend that when the Committee hears an ageist remark they flip the categories of the Act and consider what the response would be if the same comment was made about black people, gay people, disabled people or women.

Professor Martin Green OBE

Chief Executive: Care England

30 July 2018

The Cares Family – Written evidence (IFP0004)

EVIDENCE ON THE VALUE OF INTERGENERATIONAL CONNECTION FROM EVALUATIONS OF THE CARES FAMILY

Evidence shows that, as a result of participating in The Cares Family (community networks of young professionals and older neighbours hanging out and helping one another in rapidly changing cities) activities with people from a different generation:

- 73% of older people say they feel less isolated;
- 81% of older people say they feel better connected to other people;
- 77% of older people say their relations with young people have improved (rising to 84% amongst older people whose relations with young people were previous negative);
- 86% of older people say they are more able to appreciate the world;
- 51% of older people say they feel more in touch with their community;
- 52% of older people say they feel more self-confident or secure in their area;
- **While 32% of older people join The Cares Family activities not available through other organisations, 41% return explicitly for their interactions with young people.**
- 98% of younger people say they have a greater connection to the community as a result of being part of the network;
- 98% of younger people say they've been able to contribute in a way they otherwise would not;
- 97% of younger people say that they are more able to appreciate older people as a result of their interactions.

Source: Evaluation of Impact of North London Cares (2014) – 130

pages: <https://northlondoncares.org.uk/blog/the-difference-you-make-nlcs-impact-evaluation-2011-2014>

Evidence also shows that as a result of participating in The Cares Family activities, older people report feeling happier; that they have more people to rely on; that they miss other people less; and that they feel closer to the community.

Source: Evaluation of Impact of The Cares Family (2016) – 41 pages:

<https://northlondoncares.org.uk/blog/our-impact-on-wellbeing-happiness-and-having-more-people-around>

ARTICLE WITH ADDITIONAL EVIDENCE

'The generation gap is deep: here's how we bridge it'

Alex Smith

The Guardian – September 4th, 2017

<https://www.theguardian.com/commentisfree/2017/sep/04/generation-gap-social-divisions-young-old-age-segregation>

ARTICLE WITH ADDITIONAL EVIDENCE

'A plan to connect the generations'

Alex Smith

All Party Parliamentary Group on Social Integration – December 4th 2017

<https://medium.com/@alexsmith1982/a-plan-to-connect-the-generations-e4b76a431384>

The Cares Family – Written evidence (IFP0004)

24 July 2018

CBI – Supplementary written evidence (IFP0073)

Q183

Baroness Blackstone: I want to know whether the CBI is addressing the fact that, apparently, lower skilled workers are getting a lot less training than higher-skilled workers. It obviously relates to the question about productivity and to issues about young people who have left school without terribly high academic achievement and who have not gone into some formal post-school education and training. It seems to me that there is an important role for employers here in helping younger people, in particular, but it also applies to older people, to acquire greater skills, because only with those skills are they going to be able to fulfil their potential.

Matthew Percival: I will start by saying I will follow up on this question with the Committee afterwards, because skills is not an aspect that I lead on for the CBI. You will probably get a more specialist response from our head of education and skills afterwards.

The CBI's recent report, *Educating for the Modern World*, found that over three quarters (79%) of businesses expect to increase the number of high-skilled roles over the coming years. For many employers this will mean training and upskilling their existing workforces to meet these skill levels. Positively, businesses are aware of this and *Educating for the Modern World* found that more than four in five businesses (85%) will be maintaining or increasing their investment in the year ahead. Even more businesses expect to upskill employees in their current posts, with nearly nine in ten (87%) anticipating upskilling employees in their current roles during next 12 months.

In terms of providing skills on the job, one example is apprenticeship programmes which are on the whole growing in popularity and becoming more employer-led. They offer excellent opportunities for young people to enter the workforce, gain further qualifications, and build important workplace skills at the same time, such as teamwork, critical thinking, and social skills. Firms also use apprenticeship programmes to upskill as well as acting as a ladder to progression within a business. For example, one car manufacturer we have spoken to has apprenticeship programme at the level three entry point (roughly equivalent to A-level) and have recently created a level 4 programme to allow those interested to progress even further.

However, apprenticeships are not the only one way to train and have some limits, such as the requirement that an apprenticeship must be at least 12 months long. In many cases, new skills can also be met through shorter in-house training, which has the potential to be more flexible and or more tailored to the needs of both the employer and the employee. This type of training has existed for years in various guises, more recently using online platforms, but traditionally undertaken 'on the job'.

Q189

The question that I want to ask is around mid-career MOTs and mid-career training. To give that some context, going back to your point about productivity, productivity normally is driven by three buckets: infrastructure, the Government's ability to give us road, rail, telecommunications or whatever that eases flows of communication and people; the work that you are doing on

engagement and driving the highest levels of engagement, which have been proven to drive productivity; and, of course, as you have discussed, technology. We know that at the moment there is 50% more automation in France than in the UK and 300% more in Germany than in the UK. We have heard lots of evidence at this Committee about the new technology in AI and the impact it will have on jobs with people losing their jobs mid-career. Rather worryingly as well, we have heard that the number of people in mid-career and mature people going into education is falling, so retraining is falling. What I would like to understand from you, and get a view from the CBI on, is how you size this issue and what you think is going to happen to people mid-career being out of work because of technology over the next five years. How should that be addressed? What should the Government be doing with the MOT? Do they have the scale and capacity to do that? To what extent should it be an employer responsibility?

Follow on from question 189

Lord Price: Have you sized the potential requirement? We have heard from the British Retail Consortium that up to 900,000 jobs could go in retailing over the next seven years and hundreds of thousands of jobs in the Civil Service because of AI, et cetera. Does the CBI have a view on the impact of this on the workforce over the next five or 10 years?

Matthew Percival: I will get back to you on that one. Because skills is led by my colleague, I will check whether he would prefer to cite a different number. I am aware of the work that has gone into developing the National Retraining Scheme in making estimates and forecasts of the proportion of people who are likely to be affected and whether they will be able to navigate to existing provision, and whether there is a smaller core of people for whom additional and extra provision is required—there probably is. I would not want to give you the incorrect numbers on the quantum of that, so I am happy to clarify afterwards.

AI, automation, robotics, and rapid global communications are just a few ways that technology is revolutionising the workplace. This is changing the way people work, use their skills, create ideas, and interact with one another. While some estimates show that 15% of existing global jobs have the potential to be displaced by technology by the mid-2030s⁸⁶ – less optimistic indicate around 30% jobs⁸⁷ could be. In terms of jobs being automated, 50% of current work activities are estimated to be technically automatable by adapting currently demonstrated technologies, however, less than 5 percent consist entirely of activities that can be fully automated⁸⁸. Some sectors, such as retail, are likely to be hit harder and sooner than others. However, it is worth noting that the BRC report also found that there are 100,000 more roles in retail in 2016 that did not exist in 2011, and that these would “better” and “higher-paid” jobs⁸⁹.

So, whilst there are possible threats to jobs, new technologies could also contribute up to 14% to global GDP by 2030 (including around 10% to UK

⁸⁶ Jobs Lost, Jobs Gained: Workforce Transitions In A Time of Automation, McKinsey Global Institute, 2018.

⁸⁷ Will robots really steal our jobs? An International Analysis of the Potential Long-Term Impact of Automation, PwC, 2018.

⁸⁸ Jobs Lost, Jobs Gained: Workforce Transitions In A Time of Automation, McKinsey Global Institute, 2018.

⁸⁹ Retail 2020, Fewer but better jobs, British Retail Consortium, 2016.

GDP),⁹⁰ creating the potential for job losses to be offset by new jobs created in more productive or innovative businesses.

It is important to recognise that these are only estimations and the outcomes, as has been the case with previous technological revolutions, will depend on how well government, politicians, employers, and the public, work together to maximise the gains from technology. One important consideration will be whether workers have the skills to operate in these jobs. If the UK's response is slow, disjointed, or mismanaged, there is a real potential for skills gaps to wide.

A cultural shift towards lifelong learning through retraining and upskilling is therefore needed. It will be the responsibility of employers to continue to identify where changes within their own businesses might occur and to put in place training to adapt. Crucially, all employers will need to find innovative and flexible ways to deliver training to ensure it is accessible to those at all skills levels. The Government, of course, also has its own role play in this. The launch of the National Retraining Partnership in 2017 with the CBI and the TUC is a welcome commitment. This partnership will guide the Department of Education and it designs a new 'National Retraining Scheme' to support people who are vulnerable to displacement from technology and automation to retrain.

The CBI's view is that the Scheme must improve the information available for anyone looking to retrain, encourage them to do so, and then signpost them to adult retraining opportunities. For those for whom this does work, there needs to be more intense support, especially for people directly affected by AI & automation. For employers, the Scheme needs to complement current recruitment and training practices, for example by opening employers to new talent pools. The scheme will play an important role in increasing the recognition of the need and benefits of retraining. The CBI's Chief Policy Director, Matthew Fell, gave evidence to the Education Select Committee in January 2019 that goes in to further detail.

31 January 2019

⁹⁰ Will robots really steal our jobs? An International Analysis of the Potential Long-Term Impact of Automation, PwC, 2018.

Centre for Ageing Better – Written evidence (IFP0049)

1. About the Centre for Ageing Better

- 1.1 The Centre for Ageing Better is a charity, funded by an endowment from the Big Lottery Fund, working to create a society where everyone enjoys a good later life. We want more people to be in fulfilling work, in good health, living in safe, accessible homes and connected communities.
- 1.2 By focusing on those approaching later life and at risk of missing out, we will create lasting change in society. We are bold and innovative in our approach to improving later lives. We work in partnership with a diverse range of organisations. As a part of the [What Works network](#), we are grounded in evidence.

2. The intergenerational debate

- 2.1 It is widely accepted that demographic change is adding to long-term pressures on public finances. Like many developed nations, the proportion of the UK's population that is over 65 and over 85 is a result of increased life expectancy, relatively low fertility rates and the ageing of the post-war 'baby boom' cohorts. Every person is both a net contributor to the public finances and a net beneficiary as their capacity and needs change at different stages in their life. More people living longer drives increases in both the volume and pattern of public spending, most directly in terms of the State Pension, as well as health and adult social care (OBR, 2016).
- 2.2 The fact that we are living longer should be celebrated as one of the great achievements of our time, but society so far has not responded positively, and we are not making the most of our longer lives. Part of society's response to the opportunity of our longer lives has been hampered by framing the ongoing intergenerational debate as a battle of old versus young, which has been the overriding discourse in the media.
- 2.3 Framing the debate as one of 'fairness' has been unproductive in terms of being able to take a life course approach and isn't necessarily representative of public opinion on the subject. Recent research by Ipsos MORI shows that older generations are also concerned about the challenges facing young people. Both older and younger adults are more likely to cite broader economic and global trends than individual generations for why they believe young adults will be worse off than their parents' generation (Shrimpton et al, 2017).
- 2.4 Direct comparisons between generations often also mask the significant inequalities within generations themselves (Centre for Ageing Better, 2017). Adults over the age of 50 are commonly stereotyped as asset-rich home owners, but the housing crisis has also affected this cohort, with the number of older private renters increasing by 61% over the course of a decade (MHCLG, 2018). The view that all older adults have generous defined benefit schemes to fall back on during retirement is also wrong as an estimated 1.8 million older low and middle-income households struggle to save for retirement (Finch & Rose, 2017). Older workers also face specific challenges when it comes to employment: an estimated 1 million people over 50 want to be in work but have often been

involuntarily pushed out of the labour market well before State Pension age and are less likely to be able to re-enter it compared to other age groups (Franklin et al, 2014).

- 2.5 Thus, stereotyping age groups and fuelling a debate that pits generations against each other is divisive and will undermine the Prime Minister's goal to strengthen cohesion within communities. At a time of significant social and demographic change, it is important to encourage greater intergenerational understanding. The intergenerational debate needs to take a life course approach and needs to recognise that any policy changes implemented now will also impact younger generations when they are old.

Recommendation: The term 'intergenerational fairness' can be contentious and does not frame the issue in a comprehensive way. Furthermore, it conceals significant inequalities within generations. The Select Committee should focus on taking a life course approach and on tackling inequalities within generations rather than treating cohorts as homogeneous groups.

3. Jobs and the workplace

3.1 Experiences of the labour market

- 3.1.1 Older workers are already an integral and essential part of the UK economy and will become more so as the population ages. Between 2018 and 2025, there are forecast to be 300,000 fewer workers under the age of 30 and 1 million more workers over 50 in the UK (Howes & Simmons, 2018). This change in our workforce's age structure, coupled with potential workforce changes resulting from Brexit, underlines the urgent need to retain older workers. Despite widespread views to the contrary, the evidence clearly demonstrates that increasing the number of older workers does not have a negative impact on employment rates of younger workers nor on productivity (Banks et al 2008, DWP 2017, NIESR 2017).
- 3.1.2 Older workers face a specific set of challenges that result in an overall lower employment rate compared to younger age groups – 72% of people aged 50-64 are in work, compared to 84% of people aged 25-49 (ONS, 2018). Older workers also face higher levels of long-term unemployment, long-term low pay, gender pay differentials and health-related inactivity (Thomson, 2018). This has implications for their own incomes and ability to save for retirement. Policy solutions that focus on improving the labour market for younger workers to the exclusion of older workers will fail to address these key structural inequalities which will continue to persist and may lead to further disparities for Generation X and younger workers as they reach middle age.
- 3.1.3 Low pay and job insecurity are often highlighted as particular problems facing the younger generation, but younger and older workers are both impacted by these issues. Resolution Foundation analysis shows that over half of low paid older workers in 2006 were still in low pay ten years later, by far the worst improvement rate for any age group (D'Arcy & Finch, 2017). Being in low pay puts an individual at significant risk of financial problems in later life, with a lower pension pot and a lack of savings to act as a buffer to poverty. In terms of job

insecurity, the British Social Attitudes Survey shows that older workers have experienced the biggest decline in perceived job security over the last decade, with only about half (53%) of 55-64 year olds agreeing they have job security compared to more than two thirds (77%) of 18-34 year olds (Natcen, 2016).

- 3.1.4 Policy solutions to improve pay, progression and job security must tackle issues faced by workers of all ages, as well as address age-specific factors.

3.2 Enabling longer and fuller working lives for all generations

3.2.1 Policies to make work better as we age will most immediately benefit those in the later years of their working life, but the greatest benefits will extend to and accrue for future generations who will likely need to work longer than current generations. Unless work changes to accommodate the reality of longer lives, individuals across all generations will face both a stressful mid-life and a precarious old age.

3.2.2 A recent inquiry by the Women and Equalities Committee on older workers and employment found that the skills of over a million people aged 50 and over who want to work but are not are being wasted because of discrimination, bias and outdated employment practices. The Committee stated that the business case for an age-diverse workforce is clear but despite this, employers continue to organise workplaces around an outdated, inflexible model that no longer works. Centre for Ageing Better research found that just one in five (20%) employers has had strategic workplace discussions about their ageing workforce and only a third (33%) of employers say they provide support, training or guidance for managers on managing age diversity (Centre for Ageing Better, 2018).

3.2.3 Based on evidence of what works, the Centre for Ageing Better recently published a report on 'Becoming an age-friendly employer' (Centre for Ageing Better, 2018), which includes five practical actions employers can take to improve the way they recruit, support and retain older workers:

- **Be flexible about flexible working** – Offer more forms of flexible working (hours, schedule, location), be responsive to changing needs and support people to know their options.
- **Hire age positively** – Actively target candidates of all ages and minimise age bias in the recruitment process.
- **Ensure everyone has the health and support they need** – Early and open conversations and early and sustained access to support for workers with health conditions.
- **Encourage career development at all ages** – Provide opportunities for people to develop their careers and plan for the future at mid-life and beyond.
- **Create an age-positive culture** – Equip HR professionals and managers to promote an age-positive culture and support interaction across ages.

Recommendations: There are also a number of national policy changes that the Government should make that would promote more age-friendly practices and get employers to ensure age inclusivity. These include:

3.2.4 **Flexibility:** For older workers, adjustments to working patterns or hours are key to accommodate health needs or caring responsibilities, but employees aged 50 and over are currently much less likely to work flexibly (Marvell & Cox, 2017). The Government could play a significant role in moving business towards a norm of flexibility by default by:

- Tightening the business reasons that can be used to refuse a request for flexible working.
- Allowing all employees to request flexible working from their date of hire by removing the requirement for 26 weeks of continuous service to qualify for the Right to Request.

3.2.5 **Carers policies:** Caring responsibilities are one of the top factors that lead older workers to involuntarily leave the workplace before they reach State Pension age. The Government could:

- Consider legislating for flexible options for short periods of paid carers leave as well as longer periods of unpaid leave.
- Give carers a Right to Return to the same job on the same terms and conditions, similar to Maternity Leave.

3.2.6 **Age discrimination:** Although explicit discrimination is becoming less common (or at least less visible) following the Equality Act and the removal of the Default Retirement Age, there is still widespread implicit bias. DWP's own recruitment statistics show that just 13% of job applications from under 50s are successful compared to 10% of 55-59-year olds and 8% of 60-64-year olds (DWP, 2016). The Government could:

- Work with relevant departments to introduce age bands into gender pay gap reporting. This would drive employers to support more women to stay in or return to the labour market and continue to work into later life.
- Work with relevant departments to require all organisations with 250 employees or more to report annually the number of people who applied, were interviewed and appointed for all roles advertised by age band.

3.2.7 **Employment support:** There are 3.2 million people in the UK aged 50-64 who are not in work. This represents an unemployment rate of 3% and an economic inactivity rate of 26%, which is double the economic inactivity rate of those aged 35-49 (13%) (ONS, 2018). Losing a job after the age of 50 is more likely to lead to long-term unemployment or inactivity compared with job loss at younger ages (ONS, 2018b). The Government could:

- Provide a specialised employment offer to claimants aged 50 and over, with personalised support tailored to claimants' work history, skills, personal circumstances and – above all – their health.
- Align incentives for Further Education Colleges, Jobcentre Plus and NHS England so they all have the same incentives to get people back into work.
- Trial workplace-based training, brokerage services, intermediate labour markets and other employer facing interventions to incentivise employers to take on older workers with health conditions or who are facing other barriers to returning to work.

3.3 In-work training and skills development

- 3.3.1 Work-based training and development is important for workers to remain competitive and to keep up with a changing labour market. Yet older workers are much less likely to have opportunities for training, development and progression compared to younger workers (Eurofund, 2015). Across the OECD, only Turkey and Slovenia have lower levels of training for older workers than the UK (GO Science, 2017). New investments in skills and retraining could redress this imbalance, allowing older workers to reskill and progress in the workplace.
- 3.3.2 The Government's commitment to a new National Retraining Scheme that supports people to reskill is a welcome first step which should be extended to other sector deals. Adult apprenticeships should also be promoted and delivered in ways that attract all ages.
- 3.3.3 Older workers already play a key role in transferring skills and knowledge to younger colleagues. Government and employers should consider how older employees can transfer their knowledge and experiences to people taking up the projected 3 million new apprenticeships arising from the Apprenticeship Levy.

Recommendations:

- 3.3.4 Employees should be supported to consider their career progression and set goals for the future. This could be offered in the form of a mid-life MOT alongside other support to plan ahead from mid-life, including relationships and caring responsibilities, wellbeing, health and finance.
- 3.3.5 The Government should ensure open access and promotion of skills and progression opportunities for all ages. The National Retraining Scheme and Lifelong Learning Partnerships should incorporate the learning and training needs of older workers, and the Government should align National Retraining Scheme funding streams with Work and Health to support those facing health-related challenges to working longer to retrain into new, more suitable roles.
- 3.3.6 The Government should pool funds collected through the Apprenticeship Levy, connect it to the National Retraining Scheme and channel it to industries and places where older workers are at risk of redundancy and need apprenticeship opportunities to move into new sectors.

4. Housing

4.1 The UK housing market

- 4.1.1 Much of the debate around the housing crisis has focused on the difficulty younger adults face in getting on the housing ladder. But the biggest increase in demand for housing over the coming decades will be among older adults. Over the next 25 years, the proportion of households where the oldest person is 85 or over will grow faster than any other age group – by 2025 there are projected to be 8.2 million households headed by someone who is 65 years and over – an increase of 23% from 2015 (DCLG, 2016).

- 4.1.2 As the proportion of older households increases, so too will the proportion of the population with disability, accessibility and mobility requirements. But much of our existing housing stock does not meet the needs of people as they get frailer. For example, only 7% of homes have the four key features of accessibility (level access, flush threshold, sufficiently wide doors and circulation space for a wheelchair, WC at entrance level) (DHCLG, 2016).
- 4.1.3 If the Government wants to have the biggest impact in the short to medium-term on increasing levels of housing supply suitable for an ageing population, it must focus on improving the condition of our existing housing stock. When done in combination with any necessary repairs, adapting the home can increase the usability of the home environment and enable people to maintain their independence for longer.

Recommendation:

- 4.1.4 The Government should commit renewed investment to tackling the 20% of homes that failed the Decent Homes Standard, are hazardous to health and in disrepair, and are much more likely to be occupied by someone aged 85 and over than any other age group (DCLG, 2014).
- 4.1.5 The Government should explore reinstating private sector housing renewal grants or utilising the Better Care Fund.

4.2 The private rented sector and the older population

- 4.2.1 Affordability and instability within the private sector are not limited to young adults struggling to get on the housing ladder but spans across age groups. Although a majority of older adults are owner occupiers, the overall proportion of older private renters is growing, with 414,000 (6.3%) of over-65s renting privately compared to 257,000 (4.7%) a decade ago (MHCLG, 2018). Already, nearly a quarter (24%) of people aged 35-44 rent privately, meaning in the future, private renting will be the norm for many in mid and later life. By 2040, an estimated third of those aged over 60 could be living in the private rented sector (Perry et al, 2015).
- 4.2.2 Private tenants often live in houses in disrepair and not adapted for their needs. Privately rented property has the highest proportion of non-decent homes and homes in disrepair of any tenure type (MHCLG, 2018). Poor quality housing significantly impacts the wellbeing of older renters, increases their risk of falls and exacerbates health conditions such as respiratory problems and arthritis (Williamson, 2011).
- 4.2.3 The current means tested Disabled Facilities Grant (DFG), provides financial assistance to cover the cost of home adaptations for lower income disabled people, but DFG is only given to private rented tenants who intend to stay in a property for five or more years, which prevents many people who need adaptations from getting them. As a result, despite making up 19% of eligible households, just 7% of DFGs go to private rented tenants (Mackintosh & Leather, 2016).

Recommendation:

- 4.2.4 The Government should change Disabled Facilities Grant eligibility requirements to be based on need rather than length of tenure to allow private renters better access to funding.

4.3 New builds and planning to meet the needs of all generations

- 4.3.1 Planning policy and Building Regulations are currently failing to systematically address changing demographics by building better homes that will meet people's needs across the life course. New builds in particular should be future-proofed and built to be accessible and adaptable. The cost of adapting homes not built to Lifetime Homes standards can be substantial (DHLG, 2007), whereas increased costs to developers of building more accessible homes are remarkably modest. The Government's own impact assessment estimated that a three-bed property built to Category 2 standards costs just £521 more in build costs than its less accessible equivalent (DHCLG, 2014).

Recommendation:

- 4.3.2 The Government should set a mandatory minimum requirement to ensure that 90% of new builds meet Part M(4) Category 2 standard of the Government's national technical housing standards and 10% are built to the higher wheelchair accessible standard Part M(4) Category 3.

4.4 Downsizing

- 4.4.1 The intergenerational housing debate is frequently characterised by the idea that an older generation of home owners are house blocking use of larger family homes by not 'downsizing'. Finding incentives to encourage older home owners to move is often promoted as one possible measure to help to tackle housing shortages. However, despite its appeal, the approach of downsizing is still poorly understood, and policy solutions remain under-developed.
- 4.4.2 It is important to recognise that while moving to different accommodation may be the right option for some, many people in later life have no desire to move and wish to stay where they are. Some of the reasons people in later life cite for not wishing to move is a lack of appropriate, affordable and desirable housing stock in their neighbourhood. Suitable options include not just specialist housing, but also mainstream housing options that are near to where they currently live and are affordable and suitable to their diverse mobility and health needs. In cases where older people do move, analysis funded by the Centre for Ageing Better (due to be published in October 2018) in Greater Manchester suggested that many older people move to maintain or improve their social status, meaning they relocate to homes of similar size and value.

Recommendation:

- 4.4.3 The concept of encouraging more people in later life to 'rightsize' – or rather move to alternative housing that is more suitable for their needs – is one that deserves further analysis. The Government should commission further research to better understand housing supply and demand in local and regional housing markets and the extent to which moving would help to address a lack of suitable

housing options for younger people and families before implementing policies on downsizing.

5. Communities

5.1 Active communities

- 5.1.1 Centre for Ageing Better research shows that making a voluntary contribution to your community and the people around you can be an important source of meaning and purpose, self-esteem and wellbeing in later life (Jones et al, 2016). People over 50 who volunteer or otherwise actively participate in their community tend to be happier as a result and tend to report both more and deeper relationships with others. Good quality volunteering in later life also has a measurable positive impact on mental health.
- 5.1.2 However, there are sharp socioeconomic and health gradients in terms of who volunteers or contributes. Older people in the bottom wealth quintile are three times less likely to report taking part in voluntary activities than those in the richest quintile, and the health differential is even steeper. At the same time, the evidence suggests that older people who are poorer or in fair rather than good health, may benefit more from making a contribution than richer, healthier people, who are more likely to already have a wider range of social connections and sources of purpose and self-esteem in their lives.
- 5.1.3 We need more age-friendly and inclusive forms of contribution if we are to support certain groups of people who are currently excluded. The Centre for Ageing Better is currently undertaking a review of community contribution in later life in partnership with the DCMS which will generate recommendations for national and local government, the voluntary sector and businesses to more older people contribute to their communities. We are due to publish our findings later in 2018 but would be happy to share initial findings with the Select Committee.

5.2 Technology

- 5.2.1 When it comes technology being harnessed to promote more active communities, it needs to be recognised that many there is still a significant cohort of older people (4.2 million people over the age of 55) who have never been online (ONS, 2018). At the same time, current approaches to boosting digital inclusion don't reach or support many of those who would benefit most from being online.
- 5.2.2 A recent report by the Centre for Ageing Better identified an urgent need for new approaches to supporting people in later life to get online and urges government, companies and organisations to ensure that the most vulnerable people don't get locked out of essential services and benefits (Centre for Ageing Better, 2018). There is a need for a fundamental re-think of digital inclusion policy and practice for people in later life, including:
- Reframing the concept of 'digital exclusion', shifting focus to target those who have the greatest need for the internet and are missing out by not being online

- Shifting away from approaches that simply aim to achieve ‘basic digital skills’ and towards approaches that enable people to do the things they need and want to do online
- Developing a wider range of outreach strategies that embed digital inclusion support within different local services and provide support that can respond in more timely and personalised ways
- Offering more intensive, person-centred and open-ended support and investing in responsive, personalised and ongoing community-based support.

Recommendation:

5.2.3 Any approach to using technology to promote active communities must go hand in hand with supporting people in later life to get online, otherwise the current digital divide will become even more pronounced across the life course.

6. Taxation

- 6.1 How we finance increased public spending on areas such as health and social care and ensure everyone has the opportunity for a good later life must not focus on penalising one generation for the benefit of another, but should be a debate about the type of society we want to live in. It is not so much a question about affordability but rather how we match our expectations for receiving a certain level of public services to our willingness to pay for them.
- 6.2 The Centre for Ageing Better has convened a number of discussions to explore possible options to pay for increased public spending linked to our population’s changing age structure. In terms of taxation, preliminary ideas explored included:
- Removing the National Insurance exemption for those working beyond State Pension age. It should be recognised that while doing so would help to redress an inherent imbalance in income tax based on age, the revenue raised from this option would be limited.
 - Tax capital, for example by increasing capital gains tax and inheritance tax, recognising that these tax options would be difficult to implement.
 - Tax housing wealth to pay for social care, noting that although this may be one of the fairest ways of redistributing assets from the wealthy to those less able to pay, it is consistently opposed by the public. It also does not tackle associated questions regarding how we pool risk or whether we should have universal social care.
 - Introduce a hypothecated tax for the NHS or social care. This tax option regularly receives strong public support but would increase the tax burden on those of working age rather than spreading the tax burden across the widest possible tax base.
- 6.3 The Centre for Ageing Better does not endorse any of the above options but has instead included them as a starting point for discussion about taxation and to demonstrate the need for continued debate and analysis on this topic.

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The Challenge – Supplementary written evidence (IFP0067)

Introduction

On Tuesday 13th November 2018, Rebecca Carter, director of strategy, planning and communications at The Challenge, was invited to give oral evidence to the House of Lords Select Committee on Intergenerational Fairness and Provision. Alongside Iona Lawrence from The Cares Family and Dr. Libby Drury of Birkbeck, University of London, she spoke about the work of the The Challenge and All-Party Parliamentary Group (APPG) on Social Integration in building stronger connections between different generations at the community level.

This written evidence is being submitted as supplementary material to this oral evidence, not as a correction to anything said by Rebecca in that evidence session. We are submitting written evidence at this stage because we have previously agreed with the Clerk of the Committee, Tim Stacey, that our submission would be more informed once our own APPG's inquiry into intergenerational connection had progressed, and evidence had been gathered by it.

About The Challenge and All-Party Parliamentary Group (APPG) on Social Integration

1. The Challenge is the UK's leading charity for building a more socially integrated society. Through designing, delivering and rapidly growing a number of social mixing programmes, we have brought together over 175,000 young people from different backgrounds to develop their confidence and skills in understanding and connecting with others. In 2017 alone, over 45,000 young people participated in our programmes – this includes National Citizen Service (NCS), of which we are a major provider. We have developed a rigorous impact framework to measure the outcomes of our programmes, to ensure they foster meaningful social connections as effectively as possible.
2. Alongside our role as a programme delivery organisation, we also develop ideas to forge a more integrated Britain, including between different generations. During 2014 and 2015, The Challenge convened the Social Integration Commission⁹¹. Following the Commission's conclusion, we set up the All-Party Parliamentary Group (APPG) on Social Integration, which is chaired by Chuka Umunna MP. The APPG has already conducted a full inquiry into the integration of immigrants into the UK, culminating in a final report published in August 2017. In December 2017, the APPG launched a new inquiry into intergenerational connection.
3. The responses set out in this submission are informed by our expertise of designing and delivering programmes which promote meaningful and positive social mixing between people from different backgrounds, including different generations, and growing them to scale; of discussing issues of segregation and integration with young people, employers, practitioners and parliamentarians; and of conducting research on themes of connection and cohesion, in particular through the APPG's inquiry into intergenerational connection.
4. We think community action and intergenerational fairness are intrinsically linked and mutually supportive. Intergenerational community action creates the bonds of understanding between age groups that reduces the mistrust and tension between generations that we saw exposed and enhanced by the

⁹¹ Social Integration Commission (2014), *Social Integration: a wake-up call*, London: Social Integration Commission. Available at: <http://socialintegrationcommission.org.uk/a-wake-up-call-social-integration-commission.pdf>

2016 EU referendum. If the social infrastructure is in place through which generations can have regular dialogue with one another, and develop a better understanding of each other's needs, interests and priorities, then we will have in place a social framework through which reasoned and rational debates about intergenerational fairness can more easily proceed. For example, through intergenerational community action younger people get the chance to speak to older people and learn about their housing and social care needs, while older people might learn about younger people's challenges in getting on to the housing ladder. Community action and intergenerational connection provides the bedrock for intergenerational understanding and thus more fruitful debates on intergenerational fairness.

The generational divide and its implications

5. Initially, the APPG on Social Integration was drawn to the topic of intergenerational connection due to the political divides between age groups exposed by, and arguably enhanced by, the 2016 EU referendum. Three quarters of young people voted to stay in the EU, while two-thirds of older people voted to leave. These political differences were shown again in the 2017 General Election – 27% of the youngest age group voted Tory against 61% of the oldest age group, while 25% of the oldest age group voted Labour against 62% of the youngest age group.
6. When zooming in to particular political issues, it becomes apparent that this divide occurs primarily along the libertarian-authoritarian axis rather than on economic issues of left and right. In the APPG's '*Ages Apart?*' essay collection⁹², which launched our inquiry, we included a piece showing that topics such as censorship, the death penalty and respect for authority were among those generating the biggest differences. By contrast, there is much agreement on economic issues, including the need for building more local homes and state support for people struggling to pay rent, while pensions and disability benefits are consistently the top two welfare priorities for young and old.
7. However, by focusing in on the generational divide, we have discovered it extends far beyond political differences, and includes stark geographical and social divisions, too. Geographically, there has been a growing separation between young people living in urban centres and older people in rural areas. The increasing age segregation is borne out by the fact that only 5% of people who live in the same neighbourhood as someone under 18 are 65, down from 15% in 1991⁹³. Possible explanations for this include the draw of urban centres for young people in search of jobs and opportunities, and rising house prices which lead younger people to stay renting in central urban locations, rather than buying their own places further out in the suburbs as their parents' generation tended to.
8. Socially, generational divisions have been driven by the decline of industries in certain towns and cities which had traditionally been workplaces in which all generations within a family would work. Many of the intergenerational projects we have spoken to and received evidence from tell us that families have become more scattered and fragmented, providing fewer opportunities for intergenerational interaction in day-to-day life.

⁹² APPG on Social Integration (2017), *Ages Apart? Ties and Divides Across the Generations*. Available at:

http://d3n8a8pro7vhmx.cloudfront.net/themes/570513f1b504f500db000001/attachments/original/1512058404/TC0017_AAPG_Ages_Apart_report_SCREEN_v3.pdf?1512058404

⁹³ Intergenerational Foundation (2016), *Generations Apart? The Growth of Age Segregation in England and Wales*. Available at: http://www.if.org.uk/wp-content/uploads/2016/09/Generations-Apart_Report_Final_Web-Version-1.pdf

9. Many of the respondents to our call for evidence also spoke about the decline of shared spaces, such as libraries and community centres, as a cause of increasing disconnection and lack of opportunities for intergenerational mixing.
10. We believe that these generational divides are bad for our country and bad for our democracy. The increased age segregation we are seeing means that different generations do not have the opportunity to spend meaningful time with each other on a regular basis, to develop the bonds of trust and understanding that would improve the nature of political debate, and allow different generations to better empathise with one another's priorities and interests.
11. In addition, the generational divide contributes to greater age stereotypes and feelings of loneliness across the age spectrum. The lack of regular, meaningful interactions between younger and older people mean there are fewer opportunities for different age groups to learn about one another. It is much harder, for example, for younger people to see older people expressing their variety of interests and talents. This makes it more likely that they will hold negative stereotypes about older people as being inactive. With younger people increasingly residing in urban areas and older people in rural areas, loneliness across generations becomes more likely. Older people do not have younger family members to come and see them as often. Younger people find themselves in big cities, in order to find work, miles from their family and without knowing anybody there. And all age groups are less able to take part in intergenerational activities together if they live such segregated lives, increasing loneliness and ageist stereotypes across the age spectrum.

The role of communities in strengthening intergenerational connection

12. Communities have a vital role to play in forging stronger connections between generations through a range of activities. We know this at The Challenge, because many of the social action projects undertaken by young people on the National Citizen Service (NCS) programme involve intergenerational interaction, and we have seen how powerful the benefits of this can be across the age spectrum. This can be shown by a range of recent evidence of the intergenerational impact of NCS:
 - Throughout the 2018 programme, 847 of our teams have been engaged in social action projects working with intergenerational partners, including 603 with care centres for older people, and 244 with younger children. This means that this year alone over 10,000 young people were involved across these projects. .
 - Dr Sarah Mills, Reader in Human Geography at Loughborough University, and Dr Catherine Waite, Lecturer in Human Geography at Northampton University, have done extensive research on the impact of NCS, including by conducting an online survey of 407 NCS graduates between 2011-15⁹⁴. Their research found that social action projects relating to older people and care homes were the third most common type of project after general fundraising and awareness, while other projects in children's centres foster different intergenerational encounters. The NCS programme therefore does very well at building intergenerational connections across the age spectrum.
13. As the NCS programme demonstrates, fostering connections between generations within communities is not just about getting older and younger people together in the same room. It requires careful thinking and a

⁹⁴ APPG on Social Integration (2018), *Submissions to Call for Evidence: Dr. Sarah and Mills and Dr. Catherine Waite*.

structured approach to the kinds of interactions and activities that they undertake together. At The Challenge, we've developed a series of methodological principles we have titled Design Principles for Meaningful Mixing. These principles, launched in our *'All Together Now'* report earlier this year, set out a series of steps to enable organisations to a) establish a socially mixed space; b) create active and intense mixing experiences, and c) foster sustainable bonds. We think this would be a good source of guidance for organisations bringing together different generations in their communities, in order to enhance trust and understanding in a way that reduces loneliness and negative attitudes. These principles are drawn from our own work running social integration programmes, such as NCS and HeadStart. The latter of these provides young people with a guaranteed job interview in return for at least 16 hours of volunteering in their local community.

14. The effectiveness of these programmes in building stronger connections between people from different backgrounds was evidenced by The Challenge's first ever impact report⁹⁵, launched in October 2018. Having worked with Oxford University's Centre for the Study of Intergroup Conflict to create a measurement framework for social mixing, we found that 75% of surveyed NCS participants said the programme encourages people to respect the experiences and viewpoints of people from different backgrounds, and 79% said NCS helped them make friends from different backgrounds. Furthermore, 87% of HeadStart participants said they felt connected to their local community after the programme, compared to 33% saying this beforehand. Our impact report demonstrates the great results that effective, carefully-designed social integration programmes can have in strengthening connections and trust across social fault lines, whether these relate to ethnic background, religion, age or social class. We believe our impact report shows the success of our Design Principles for Meaningful Mixing, and should encourage other organisations to draw on them when bridging divides between generations.
15. Through the APPG inquiry, we have learnt about a wide variety of intergenerational community initiatives, from art and music clubs to coffee mornings and exercise classes. The APPG has visited a variety of such projects on its visits to Manchester, the West Midlands and South London over the summer of 2018, including:
 - The Cares Family, which connects young professionals with their older neighbours through a range of creative activities in London, Manchester and Liverpool.
 - Good Gym, through which younger people can combine getting fit with doing good, by running to an older person's home to help with physical tasks or have a chat with them, thereby helping to prevent loneliness.
 - Age Exchange, which brings generations closer together through a range of artistic projects that allow age groups to put themselves in one another's shoes by acting out past experience.
 - Meet Me at the Albany, which unites young children and older people through common interests in music, art and storytelling.
 - Projects run by the Ageing Better programme, which is funded by the Big Lottery Fund in 14 areas of the country, and includes a strong intergenerational element in its initiatives to help older people live better-quality lives.

⁹⁵ The Challenge (2018), *Impact Report 2017-18*. Available at: <https://the-challenge.org/cms/uploads/the-challenge-impact-report-2017-18.pdf>

16. There are certain factors that make an intergenerational interaction more likely to yield a positive outcome, including shared goals and interests, cooperation and having the interaction take place in an optimal environment, e.g. homes, neighbourhoods or places of work. There is significant common ground between our Design Principles for Meaningful Social Mixing at The Challenge and these facets of effective intergenerational connection, identified by Dr Libby Drury from Birkbeck, University of London in her written submission to the APPG's inquiry⁹⁶. If intergenerational connection is to reduce ageist stereotypes, we need projects in which young people don't just do things to older people, but join them in a mutual enterprise. The Cares Family is a great example, bringing younger professionals and older neighbours together through a variety of clubs in their local communities. We also met with an organisation called Magic Me, who are based in east London, and who use art as a medium through which to unite the generations around shared passions. Creating strong and long-lasting bonds is the key to greater levels of trust and understanding across the age spectrum, and with it a reduction in loneliness and age stereotypes.
17. The APPG's interim report will examine the role of communities in building intergenerational integration as part of a wider push to view all policy areas through an intergenerational lens. Additional areas of our inquiry's focus are:
- Intergenerational public services: exploring how to bring intergenerational connection in to existing public services such as schools and care homes. For example, we visited Apples and Honey Nightingale in south London, the first nursery to be based at a care home in the UK, and heard in our October parliamentary session from Lorraine George, who has done extensive research in the US on projects through which children receive education within a care facility. We are also exploring the role of public transport in connecting urban and rural areas.
 - Intergenerational housing and planning: looking at a number of ways that existing housing stock could be used for intergenerational connection, for example through schemes in which students and young professionals get free or discounted rent in a care facility or through homesharing, in exchange for supporting their older neighbours for a certain number of hours per month. For example, Justin Shee from co-living company The Kohab spoke at our parliamentary session in October on this very issue. There are also ways we could create purpose-built intergenerational living, for example by combining care units with community facilities and a hub of services and facilities that attracts all age groups.
 - Technology and intergenerational connection: exploring the way technology acts as a double-edged sword in both disconnecting and connecting different generations. Its negative aspect is the way it can reduce face-to-face interactions, and make people feel lonely when they see others having a great time on social media. On the plus side, technology can facilitate face-to-face interactions through a range of recently-established apps that link people to those in their area, or with similar interests.

What can local and national government do?

18. With community activity taking place at the local level, there is certainly an important role for local government in supporting projects and initiatives to reduce loneliness and stereotypes about other age groups, not least as local authorities are able to tailor programmes to the distinct needs and priorities

⁹⁶ APPG on Social Integration (2018), *Submissions to Call for Evidence: Dr Libby Drury*.

The Challenge – Supplementary written evidence (IFP0067)

of their area. The APPG will be producing interim and final reports which will set out a full set of recommendations on both central and local government's role, and we will share these with you. However, we think there is a lot more local authorities could make a good start by viewing more challenges through an 'intergenerational lens'. We know that additional funding is not always realistic, but existing money could often be used more effectively to foster intergenerational bonds, for instance by not dividing pots of money between projects for younger people and projects for older people. In addition, a particular cabinet member within each local council could have the promotion of intergenerational connection as part of their portfolio.

19. This is not to say that additional funding for intergenerational projects would not be welcome. Additional funding could provide a range of community organisations which are effective in bringing different generations together with greater security and capacity, as well as expanding the pool of organisations able to perform this function. In addition to funding intergenerational projects themselves, future funding should better enable organisations to measure the impact of their intergenerational work. This will help them to continue receiving funding in the longer term. Some of the projects the APPG has visited say that evidence of impact is often needed to secure funding, but it is hard to demonstrate this impact when projects are so irregular due to a lack of funding in the first instance.
20. Central government has already taken welcome steps to tackle loneliness through its loneliness strategy, including by proposing that a loneliness test is introduced across all departments to ensure a joined-up, whole-society approach. That is the manner in which central government needs to continue, as reducing loneliness and improving intergenerational mixing requires a focus on everything from community projects, to housing and planning, to technology. It would also be helpful if, for example in its loneliness strategy, the government could be more explicit in recognising just how intergenerational the issue of loneliness is, and the role that explicitly intergenerational activities have in preventing loneliness across age groups.

11 December 2018

Colin Chambers – Written evidence (IFP0007)

In response to these questions it is important to know that I am a Teacher of Computing at a comprehensive academy in the South East of England. I am fully aware that my experience and perceptions may differ to that of someone from a different background.

- Do different generations have a better or worse experience of the labour market?

From my perspective younger people can find it easier getting a job in teaching because with limited budgets a younger person is generally cheaper. Conversely an older person may find that they are less likely to get a job (especially that doesn't have leadership responsibilities) because they are more expensive.

In the private sector the reverse may happen. Individuals with more experience are in more demand and can expect a salary to reflect their expertise. Young people are in a notoriously difficult situation, in that to get a job they want they need experience, but they can't get that experience without having the job.

- Do you think there is intergenerational fairness when it comes to the housing market?

I do think there is intergenerational fairness in terms of the housing market. The main reason for this is historically it has been much easier to get a mortgage. These days (for the most part correctly) there is a greater scrutiny in terms of who can get a mortgage and for how much. While I accept this is needed to give the nation greater financial stability during an economic crisis it has made it difficult for frugal but low earning individuals to get a mortgage they deserve.

One Option

Individuals need to be able to prove to the banks that they can be relied upon to keep up with their mortgage repayments. If they can demonstrate that they can save at least £800 a month without withdrawing any of it for 36 months they should be able to be given a mortgage for the same value.

- How can the property wealth of older generations (parents and grandparents) be used to help younger generations (their children and grandchildren) access the property market?

I dislike the idea of taking money from the older generations and giving it to the younger generations because they have worked hard for that money. Equally, grandparents that have worked hard to have savings should not have an even greater amount taken out of their estate as they would have intentionally not spent money, so their children could afford a house. It may create a nation that is reliant on the state, as opposed to having the initiative to save in the first place. Only for the next couple of decades will that work, as the spending ideologies has changed for children of 70s and 80s. Children of these families will expect even more from the state.

Colin Chambers – Written evidence (IFP0007)

- Is the rise in new technologies and social media isolating different generations from each other? If so, how can it be used to promote a sense of community between the two?

It does isolate generations, but I think in the West for the last hundred years there has always been something that separates the generations. There is an argument that social media can actually bring these two groups together. I don't think that an older generation will ever keep up with the latest social media app or website. However, I think that there are certain websites that have become almost utilities (e.g. Facebook) that without it you are less connected. My students at school only use Facebook for their family. The apps they use to communicate with their peers change yearly in line with the current fashion.

In all of this we cannot forget the importance celebrities have in the Social Media realm today. Children know everything about a celebrity not because of magazine, websites or even the news, but because of their latest Snap Chat story. Social media can be a very powerful tool, especially when yielded with the influence of a powerful celebrity.

I realise I have written a lot in response to these questions, but I thought it was important to convey exactly my thoughts as I think it is the most reflective of my personal views.

26 July 2018

Chartered Institute of Personnel and Development (CIPD) – Written evidence (IFP0050)

Background

The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has over 145,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

Our membership base is wide, with 60% of our members working in private sector services and manufacturing, 33% working in the public sector and 7% in the not-for-profit sector. In addition, 76% of the FTSE 100 companies have CIPD members at director level.

Public policy at the CIPD draws on our extensive research and thought leadership, practical advice and guidance, along with the experience and expertise of our diverse membership, to inform and shape debate, government policy and legislation for the benefit of employees and employers, to improve best practice in the workplace, to promote high standards of work and to represent the interests of our members at the highest level.

Our response

General

<i>1. Is the intergenerational settlement in the UK currently fair? Which generations are better off or worse off, and in which ways?</i>

1. This is a difficult judgement to make as it requires comparing the material and non-material aspects of well-being. In addition, it requires forming a view of future prospects for different generations. "Fairness" is also a slippery concept to apply practically.
2. Nevertheless, "intergenerational fairness" ought to be a factor in future public policy decisions, if it is understood as a requirement that the expected costs and benefits of different policy options to current and future generations are identified clearly and discussed openly.

<i>2. What are the future prospects for different generations in the light of current economic forecasting?</i>

3. Governments should seek to outline the range of possibilities that exist, and their residual uncertainty, when considering future policies.
4. There are three particular uncertainties that need to be considered:
 - The impact of technological change on the demand for labour. In the long run, the impact of technological change on unemployment has always

been neutral, with any jobs displaced by technology being offset by job creation elsewhere in the economy. Some commentators have however questioned whether this assumption can be maintained in the future.

- The productivity slowdown. Since the last recession, the growth rate of labour productivity has been much slower than its pre-recession growth rate for reasons not entirely understood (the “productivity puzzle”). To an extent, this has been an issue in many advanced economies, not just the UK. It is unclear if this reduction in productivity growth is temporary or if it will be sustained. This is important because a lower rate of productivity growth means a lower rate of growth in incomes. The implicit assumption that future generations will be richer than current generations – which underpins a lot of policy thinking, for example, on pensions – may need to be reconsidered.
- Brexit. The effect of the UK’s decision to leave the European Union could affect both the short-run and the long-run growth rate and the effects, it is asserted, could be positive or negative.

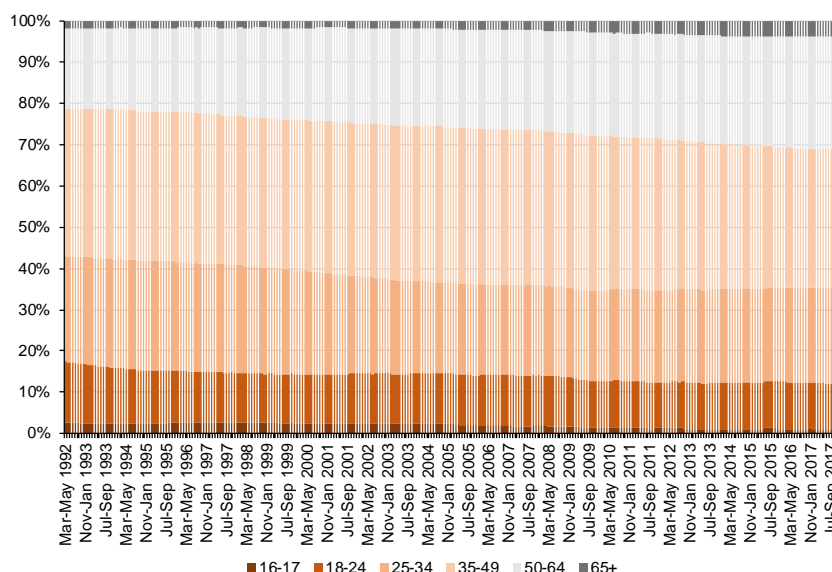
Jobs and the workplace

3. To what extent do different generations have a better or worse experience of the labour market?

5. It may not be possible to judge whether the labour market experience of different age cohorts is better or worse than that faced by other age cohorts. What can be described is the labour market experiences of different age groups.
6. Over the last quarter century, the age profile of those in employment has changed as the average age of the population has increased. In 1992, 18% of those employed were aged under 25; in 2018, the figure was just 12%. Over the same period, the proportion of those in employment who were aged over 50 has increased from 21% to 32% (Figure 1).

Figure 1: Employment by age group, 1992-2018

UK, seasonally adjusted

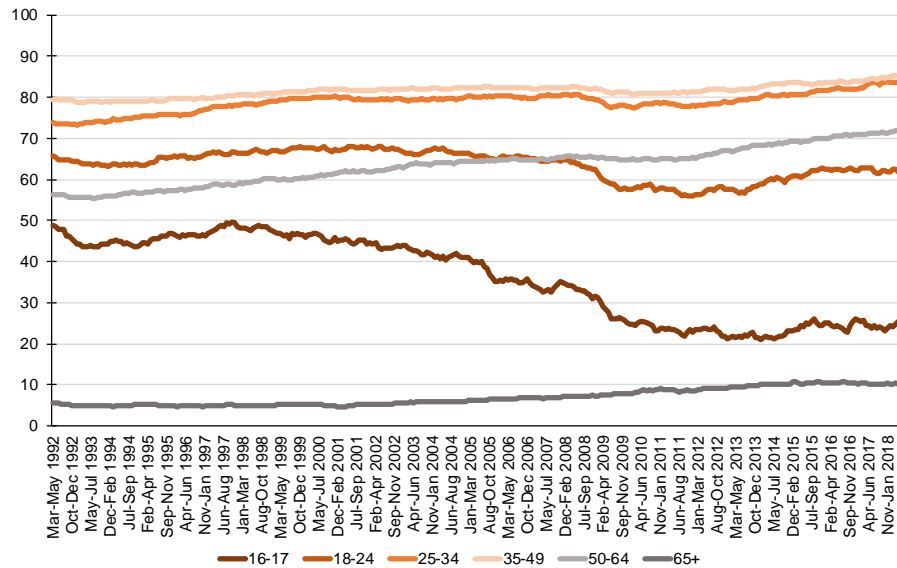


Source: Labour Force Survey.

- The same underpinning data shows that the employment rates of different age groups has changed over time (Figure 2). The employment rates of younger age groups have fallen, which can be attributed to them being more likely to participate in full-time education. In contrast, employment rates for the over 50s have increased. While the employment rate for the over 65s is still low – at a little over 10% - it has doubled in the last quarter century.

Figure 2: Employment rates by age group, 1992-2018

UK, seasonally adjusted



Source: Labour Force Survey.

- Those in the youngest and oldest age groups are more likely than those aged 25-49 to be working part-time, in a temporary job, or to be employed on a zero-hours contract; but less likely to be full-time employees, possibly because they are more likely to be in education or training or in a job that fits with other commitments or interests (Table 1). Self-employment is more common among the over 50s than it is for younger age groups. The issue here is that many older self-employed appear unable or unwilling to stop working for themselves.

Table 1: Type of employment by age group, 2018

	16-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70+
% part-time	63%	27%	17%	19%	23%	24%	22%	23%	28%	39%	62%	76%
% self-employed	2%	5%	8%	11%	14%	16%	16%	17%	18%	18%	21%	28%
% temporary (employees only)	20%	13%	5%	5%	4%	4%	3%	3%	3%	5%	10%	9%
% zero-hours contracts (Oct-Dec 2017, employees only)	14%	7%	2%	2%	1%	1%	1%	2%	2%	3%	5%	4%

Source: Labour Force Survey, January-March 2018.

- We can use the results of the CIPD UK Working Lives Survey to compare the quality of jobs held by people of different ages. The CIPD UK Working

Lives Survey is a survey of over 6,000 people in employment that was conducted at the beginning of 2018⁹⁷. Results were used to compile a Job Quality Index for employees of different age groups (Table 2)⁹⁸.

Table 2: CIPD Job Quality Index by age group, 2018

	25-39	40-54	55+
Pay and reward	0.42	0.41	0.34
Terms of employment	0.75	0.74	0.72
Nature of work	0.60	0.61	0.61
Social support	0.69	0.69	0.72
Health and well-being	0.58	0.58	0.63
Work-life balance	0.54	0.53	0.61
Voice	0.33	0.34	0.29

Source: CIPD UK Working Lives Survey⁹⁹.

10. Compared to younger employees, the jobs held by those aged 55 and over were less attractive in terms of pay and rewards, but more attractive in terms of health, well-being and work-life balance. Employees aged 55 and over were much less likely to think their jobs put them under regular excessive pressure and more likely to think their work aids their mental and physical health. This may be a result of older age groups being more likely to work part-time or to be self-employed, both types of work being associated with enhanced well-being¹⁰⁰.
11. When asked more direct questions about various aspects of their job, employees aged over 55 were more likely to be satisfied with their jobs, although they were not likely to be more satisfied with the pay and benefits offered (Table 3). Again, this may be due to older workers being more likely to be part-time or self-employed; full-time employees aged 55 and over were no more likely to be satisfied with their job than younger full-time employees.

Table 3: Job perceptions by age group, 2018

	25-39	40-54	55+
Satisfaction with job (% very satisfied/satisfied)	62%	62%	69%

⁹⁷ CIPD (2018) *UK Working Lives*; see <https://www.cipd.co.uk/knowledge/work/trends/uk-working-lives>

⁹⁸ The survey covered those in employment aged 16 and over. However, results for the 16-24 age group are not presented. This is because the sample size is relatively small (n=206) and because many of those in work aged 16-24 are also in full-time education and training, so, for this age group, perceptions of their current job may be a less reliable indicator of their long-term situation.

⁹⁹ CIPD (2018) *UK Working Lives*; see <https://www.cipd.co.uk/knowledge/work/trends/uk-working-lives>

¹⁰⁰ CIPD (2018) *Megatrends: more selfies?* <https://www.cipd.co.uk/knowledge/work/trends/megatrends/self-employment> and CIPD's *Megatrends on flexible working* (forthcoming).

Satisfaction with pay (<i>% very satisfied/satisfied</i>)	44%	45%	44%
Satisfaction with benefits excluding pay/pension (<i>% very satisfied/satisfied</i>)	45%	38%	35%
Good prospects to develop skills (<i>% agree/strongly agree</i>)	56%	45%	41%
Good prospects for career advancement (<i>% agree/strongly agree</i>)	41%	26%	16%
Easy to find job as good as current one (<i>% easy/very easy</i>)	34%	24%	20%
Likely to lose job in next 12 months (<i>% likely/very likely</i>)	15%	13%	11%

Source: CIPD UK Working Lives Survey.

12. However, older people were less likely than those in work aged 25-39 to think their jobs were likely to develop their skills or offer a career. While older employees were slightly less likely than younger employees to expect they would lose their job in the near future, they were much less likely to think it would be easy to find another job as good as their current one.

13. The official labour market statistics suggest such apprehension might be justified. Although the overall unemployment rate for those aged 50-64 is relatively low, long-term unemployment – unemployment for a year or more – is highest as a percentage of the overall unemployment rate. For those aged 50 and over who lose their jobs, getting back into any work – never mind a job comparable in benefits or status to their previous one – is a risky endeavour.

4. What needs to change to enable longer and fuller working lives for all? What role should employers play in providing solutions? What role can technology play?

14. CIPD research suggests some of the underlying conditions are favourable. Both employers and employees recognise the potential benefits from age-diverse teams, especially when it comes to sharing knowledge and different ways of thinking, even if there are also potential barriers to overcome, such as ensuring different age groups have enough in common¹⁰¹. However, most employers were failing to anticipate the implications of population ageing or plan for it in any strategic manner, with most preferring to deal with problems as they arose (if they did so at all). This reflects the inability, or unwillingness, of most UK employers to engage in strategic workforce planning.

15. CIPD provides information and resources for HR professionals and managers, most recently in the context of workforce planning for the possible implications of Brexit¹⁰². There is, however, a limit to what can be achieved through providing information and guidance. Measures may also be needed to strengthen the demand for workforce planning within

¹⁰¹ CIPD (2014) *Managing an age-diverse workforce* https://www.cipd.co.uk/Images/managing-an-age-diverse-workforce_2014_tcm18-10838.PDF

¹⁰² CIPD (2018) *Preparing for Brexit through workforce planning* https://www.cipd.co.uk/Images/brexit-workforce-planning-guide_tcm18-38797.pdf

organisations, including the demands placed on organisations by stakeholders such as investors and regulators.

16. A means of encouraging more employers to adopt workforce planning and to think and invest more strategically about their people would be through enhanced workforce or Human Capital Management (HCM) reporting. CIPD research¹⁰³ finds that the quality of workforce reporting, while improving, remains inadequate, suggesting action is needed to improve this, for example by Government supporting the creation of voluntary human capital reporting standards. These standards would provide a suggested framework on HCM reporting and could be used to set a target for improved practice. The alternative to a voluntary approach would be to require more prescriptive, mandatory workforce reporting via changes to Section 172 of the Companies Act (2006).
17. Improvements to workforce reporting and strategic workforce planning are unlikely to provide a catalyst for more progressive people management practices among small firms however. Workforce planning or even making best use of the skills, knowledge and experience of workers of different ages, may be daunting tasks for many firms, especially SMEs, which often lack access to specialist advice. CIPD, with funding from the JP Morgan Foundation, worked with SMEs in three localities – Hackney, Stoke-upon-Trent and Glasgow – to raise their HR capability¹⁰⁴ by providing up to two days of free HR support to small firms employing between 1 and 50 employees over the course of 12 months,
18. The evaluation of these HR support pilots found that the demand for people management support for small firms was at a very basic level, for example help with providing written terms and conditions, job descriptions and the basics of good recruitment practice. However, even though the support provided was at a low ‘transactional’ level, its impact was evaluated as extremely valuable and was associated with improvements to workplace relations, labour productivity and financial performance at a firm level.
19. As a result, CIPD is calling for the provision of high-quality HR support to small firms at a local level embedded through key partnerships such as Local Enterprise Partnerships, chambers of commerce and local authorities which have the potential to reach large numbers of employers and make a material difference to owner manager confidence and capability and support productivity growth over time. The CIPD recommends that People Skills support hubs, which would provide a finite amount of free, high-quality HR support to small firms in order to boost their basic management capability and enhance job quality, are established across all Local Enterprise Partnerships (LEPs) in England at a total cost of £13 million a year, funded via the National Productivity Investment Fund.
20. Flexible working can help people in older age groups stay in the labour market, especially past state pension age (see Table 1). However, the types of flexible working most attractive to older workers may not be

¹⁰³ CIPD (2018) *Hidden figures: the missing data from corporate reports*

<https://www.cipd.co.uk/knowledge/strategy/governance/hidden-figures-workforce-data>

¹⁰⁴ CIPD (2017) *Building HR capability in small UK firms*

<https://www.cipd.co.uk/knowledge/strategy/hr/hr-capability-small-firms>

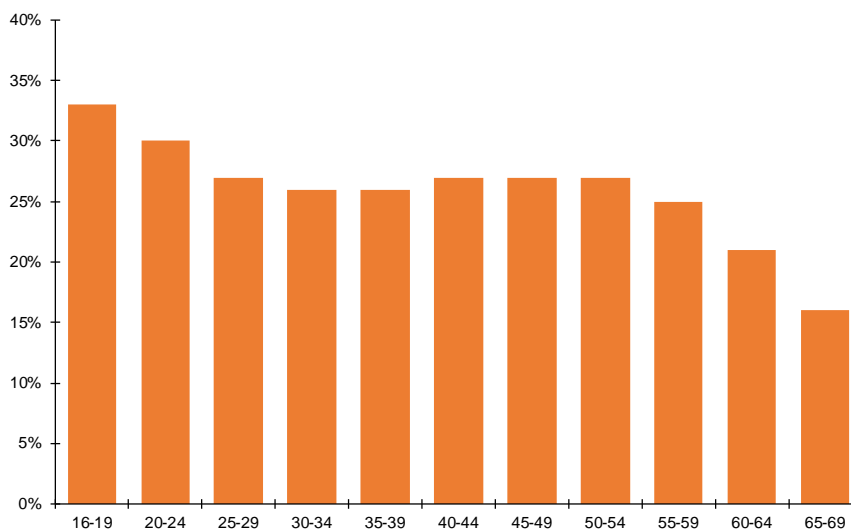
those most attractive to other groups traditionally regarded as the target group for such initiatives, such as working parents. Employers may need to rethink what they provide and how they promote it to different age groups within the workplace. CIPD is pleased to co-chair the government’s new Flexible Working Task Force established by the Department for Business, Energy and Industrial Strategy to promote wider understanding and implementation of inclusive flexible work and working practices. The task force will draw together action plans and recommendations with the intention of increasing flexible working opportunities, and will also feed directly into the evaluation of the effectiveness of the Right to Request Flexible Working Regulations in 2019.

5. What are the barriers to greater in-work training and skills development for all generations?

- 21. Probably the greatest barrier facing employees of any age is a lack of demand for the skills they already possess. If existing skills are not used or valued, what motivation do individuals - or their employers - have to invest time or money in more training and development? According to the CIPD UK Working Lives Survey, 38% of employees think they have the skills to cope with more demanding duties.
- 22. The proportion of employees who said they had undergone some job-related education or training within the last three months drops off among employees aged 60 and over (Figure 3). It is not clear how much this is due to employers not offering employees training and development opportunities versus employees deciding not to take advantage of opportunities.

Figure 3: Participation in job-related education and training in last three months by age group, 2018

UK, employees, not seasonally adjusted



Source: Labour Force Survey, January-March 2018.

June Cochrane – Written evidence (IFP0022)

Have your say on **inter**-generational fairness: Further on in this submission I will address some of the committee's topic points, however **intra**-generational 'fairness' is completely omitted this is a major failing of the agenda thank you. Please see directly below, thank you again.

It is necessary and imperative first for the government and committee to address the following:

A.

[300,000 more pensioners living in poverty | Latest news | Age UK](#)

<https://www.ageuk.org.uk/latest.../2017/.../300000-more-pensioners-living-in-poverty..>

4 Dec 2017 - UK **Poverty 2017** examines how UK **poverty** has changed over the last 20 ... the **state pension** remains a vital tool in the fight against **pensioner**

B. & C.

[Reality Check: How many pensioners are living in poverty? - BBC News](#)

<https://www.bbc.co.uk/news/election-2017-39975357>

19 May **2017** ... The claim: 1.7 **million pensioners** are living in **poverty** and a **million** in fuel **poverty**. ... as living in **poverty** in the UK is a bit higher than that at **1.9 million**. ...

[Pensioners in poverty - Full Fact](#)

<https://fullfact.org/economy/pensioners-poverty>

28 Apr 2017 - **Clive Lewis MP**, 27 April 2017 ... An estimated **1.9 million pensioners** were in **poverty** on this measure in 2015/16, out of a total 12 **million** ...

The response above was to Damian Green MP the Conservative (the Minister who had to resign for other matters): who had said;

D.

"[There has been] a tremendous reduction in pensioner poverty in this country. In the 70s and 80s, 40% of pensioners in this country lived in poverty, that was disgraceful. We've got that figure now right down to 14%."

Damian Green, [27 April 2017](#)

The Response and fact is:

That 14% figure represents and is virtually 2 000 000 Million older people state pensioners with no other income: with respect these people need to be treated with dignity and security and they are not

E.

Paul Lewis in May 2018

And yet millions of poor folk do not claim the benefits they can get. 4 out of 9 do not claim MT benefits

Paul Lewis also 2018

June Cochrane – Written evidence (IFP0022)

"Why has been studied and there is no answer. Which is why means testing doesn't work. It keeps money from the poor rather than gives it to them."

And:

[PDF] [Take-up of benefits and poverty - Learning and Work Institute](#)

<https://www.learningandwork.org/.../Benefit-Take-Up-Final-Report-Inclusion-proo..>

by D Finn - [Cited by 23](#) - [Related articles](#)

coverage of welfare dependency, **which has increased the stigma attached to those ... means-tested Pension Credit**

And

PDF] [what should be the role of means-testing - Pensions Policy Institute](#)

https://www.pensionspolicyinstitute.org/.../PPI_Nuffield_seminar_5_main_paper

by R Hancock - 2005 - [Cited by 3](#) - [Related articles](#)

The **Pension Credit has** increased the scope of **means-testing**, with up to 50% of ... they suffer from non take-up due to social **stigma** and other costs associated.

F.

Now recent new Inequality to the poorest older women

From 2016 the State Pension Pension Act 2014 has improved to provide a State Pension Amount set above PCredit noting that for numbers of older people it is the only source of income However it has via the PA 2014 created a new and further inequality to specific women

2018 State Pension amount as follows:

Male Poor born April 1951 to 1953 and without any SP age change gets **£164 SP** Now Foundation

Female Poor born April 1951 to 1953 with SP age change and wait gets **£139 av sole SP** amount

Both Male Female are fully contracted in and with 35 minimum National Insurance record, this in **both unjust and wrong, for poor the poorest women the weekly amount of State Pension they receive is imperative.**

G. additionally:

[Britain's pension shame: Millions struggling to live on just £7,000 a ...](#)

<https://www.express.co.uk> > News > UK

10 Jan 2018 - MILLIONS of **Britain's** elderly are reliant on a basic state **pension** of just £7000 a year to pay the bills and live in **retirement**. The above needs addressing firstly along with the position of millions of children also in poverty: the Committee asks:

House of Lords Inquiry inter-generational

Which generations are better off or worse off, and in which ways?

a. As above the poorest are the worst/worse off comparably to that can and does apply to some of both younger and older persons as shown re older above.

Re work For some younger persons there is a greater chance to go to university the downside is that there are fees for this and there are not grants.

Some jobs are less secure for the young. From recently numbers of younger workers have auto-enrollment which is not viable to the now retired being it started AE in 2012 with completion for enrollment to applicable companies in 2017 and 2018

As shown above some older persons have poverty around 2 million without any other pension income and then a lower state pension due to the government making the divide as above re Foundation £164 for numbers whilst others on £125 State Pension and less than £164 "Foundation" post work.

Re longer working lives plus: Given that the proposed state pension age for persons now age 40 will be 68: it is unrealistic for low paid manual, carers and poorly workers to even need or be legislated to go higher. For the well and comfortably off persons they have the money to stop work at their chosen date. The poorest need to have some time for rest and not have to work until they drop. The poorest have more chronic and health conditions and this often affect their quality of life and as number have struggled have had to they deserve to not work till they drop.

Intra-generational:

[Life expectancy gap between rich and poor widens | The Independent](#)

February 2018: hence the necessity for addressing effective the difference in income between the poorest and riches in at retirement.: which has not been done in relation to the State Pension

Re technology it appears it is here to stay for at least now however it is not a sole panacea as is being found out,

Re the housing market and the generations not older people have or do have it better re housing:

[English Housing survey figures confirm rise of older people renting ...](#)

<https://www.ageing-better>

this type of accommodation needs to be of good quality for both young and old: it often is not,

Prices for houses to buy are in the main very high proportionally: more really affordable housing needs to built: some of which is in the governments gift and legislation policy's.

How many very comfortably and well off people have numbers of properties: why is this allowed to happen/ People in the main only need one property: multiple/multiples of property ownership are not needed nor desirable: why does anyone need numerous houses this type of owner ship pushes up the cost of houses.

Active communities redressing the balance: numbers are without a choice:

[Older carers left to fill the gap as our social care system ... - Age UK](#)

Numbers of students of the younger generations volunteer at crisis type centres support charities this again is due to government some of which are appalling welfare policies adversely affection the poorest Re the committees saying "non-state solutions ".The government see above has a deficient and detrimental policy on this: what type of society overall does this country want to be? The evidence is that the answer for numbers is an uncaring one, particularly for poorer and the poorest people of all ages.

As is patently obvious some of the "issues and problems " are due to government policies and welfare cuts.

Re the tax system: If older people work beyond state pension age if they are able to choose to do this they could pay national insurance which currently is not the case: however one would need to know what specific "service/services " this NI would be used for, what would happen to ensure the money was not wasted. Given that care for the elderly is currently very poor or lacking for the poorest the NI receipts would be able to be used for that purpose. Tax could be higher

June Cochrane – Written evidence (IFP0022)

for higher rate earners both old and young. Money however needs to be used wisely which from the outside (of government) it does not always give that appearance.

H.

<https://www.express.co.uk/news/uk/1009932/britain-social-care-system-crisis-behind-rival-countries-germany-japan-uk>

29.8.2018

I.

<https://www.independent.co.uk/news/health/elderly-care-double-retirement-pension-age-full-time-care-24-hour-lancet-newcastle-a8514881.html>

31 August 2018

Dr Rory Coulter – Written evidence (IFP0019)

Author: Dr Rory Coulter, Department of Geography, University College London

1. Summary

- 1.1 This submission focuses on intergenerational fairness in **housing** and in particular on questions 6, 7 and 9 posed by the Committee. The evidence presented below was gathered during a recent Economic and Social Research Council [funded project](#) on young adults' housing experiences in the UK. Briefing papers summarising all project findings are available [here](#).
- 1.2 The Committee's attention is drawn to three key points:
- 1.3 1) The UK housing system *impairs intergenerational fairness* in both economic prosperity and quality of life. Compared to previous cohorts, young people today are much less likely to own their home by their mid-thirties. This trend - together with the long-term reduction in socially rented accommodation - has helped channel young people into the private rented sector (PRS), which is on average the least affordable, least secure and lowest quality tenure. Young adults are also bearing the brunt of post-2010 cuts to housing welfare expenditure.
- 1.4 2) The deteriorating housing fortunes of recent generations has gone hand-in-hand with *deepening housing inequalities* between different groups of young people. This growing intragenerational inequality should be as significant a policy concern as intergenerational fairness. Young people are more likely to become homeowners if their parents were owner-occupiers than if their parents were renters, and this effect is strengthening over time. The growth of private renting amongst young families with children has been particularly pronounced for those less advantaged in the labour force. These trends transmit disadvantage between generations and undermine the government's commitment to social mobility.
- 1.5 3) In the short-term, there is an urgent need to *increase the affordability, security and quality* of the privately rented accommodation that many younger people rely on. The devolved governments in Scotland and Wales are actively taking steps to do this and MHCLG's current consultation on three year tenancies is a good starting point for greater action at Westminster. In the longer-term, *properly taxing accumulated housing wealth* and reforming the council tax system need to be policy priorities. Earmarking tax receipts for housing expenditure designed explicitly to benefit the next generation (e.g. a new generation of council homes, private housing reserved for first-time buyers etc) could be a good way to secure public consent for such actions.

2. To what extent is intergenerational fairness impaired by the housing market? (Q6)

- 2.1 There is little doubt that the UK's housing system disadvantages younger generations. These housing disadvantages compound the adverse intergenerational effects of increased higher education costs, reduced job security and occupational progression prospects, enhanced pension contributions (no bad thing in the long-term), and stubbornly low productivity and wage growth.
- 2.2 The most extensively discussed intergenerational challenge is recent birth cohorts' *reduced homeownership rates and lower prospects of accumulating housing wealth*. The Baby Boom generation entered the housing system at a fortuitous moment and should probably be seen as an anomalously 'lucky generation'¹⁰⁵ rather than a historical benchmark. [Modelling work](#) shows that older existing owners are able to use their housing equity to maintain their advantaged position in the housing market, as well as withdrawing it for consumption, transmission to relatives, or investment (often in private renting). By contrast, [analysis tracking individuals over time](#) shows that rates of owner-occupation among 30-34 year-olds fell steeply from roughly 66% in 1991 to around 50% in 2011¹⁰⁶. Recent first-time buyers have also required larger deposits and mortgages and so are highly exposed to market volatility and interest rate rises. It seems unlikely that future house price inflation will match the rate seen in recent decades and it is therefore improbable that younger homeowners will accumulate as much housing wealth during their lifetime as their parents' generation.
- 2.3 *Greater exposure to less favourable forms of renting* is a second way in which the UK housing system undermines intergenerational fairness in prosperity and quality of life. [Research](#) shows that the proportion of young people renting socially at ages 30-34 fell considerably between 1991 and 2011, while the proportion renting privately trebled. Many studies indicate that the PRS provides inferior long-term accommodation to both owner-occupation and social renting for several reasons:
- 2.4 1) Private rents typically consume a greater proportion of post-transfer household income ([MHCLG figures](#) indicate an average of 34.3% in 2016-17) than social rents (28.0% of household income) or mortgage payments (18.2%). The short length of most Assured Shorthold Tenancies makes rents volatile and unpredictable as landlords can increase the rent every time a lease is renewed.
- 2.5 2) PRS tenants have little security and very few use rights over the dwelling – far less than in much of continental Europe. Blanket bans on pets,

¹⁰⁵ It is important to note that these gains have not accrued evenly to all members of the Baby Boom cohort. As is discussed in Section 3, there are large and growing housing inequalities *within* both older and younger generations. These disparities are worthy of much greater policy attention.

¹⁰⁶ Government household surveys like the English Housing Survey are an [imperfect source of information](#) about trends in young people's housing position. This is because these surveys sample *households*, while many young people adapt to housing pressures by not forming separate household units (e.g. by living with parents or by sharing a dwelling). Identifying and characterising young people's housing circumstances therefore requires collecting data about individuals.

children, decoration, welfare receipt and switching utility suppliers are common and make it hard to [create a stable 'home'](#) in the PRS. Eviction and the end of PRS tenancies are now a leading [cause of homelessness](#).

- 2.5 3) A greater proportion of privately rented ([26.8% in 2016-17](#)) than socially rented (12.6%) and owned dwellings (19.7%) do not meet the Decent Homes Standard. There is relatively little incentive for private landlords to invest in energy efficiency if they do not pay household bills.
- 2.6 These difficulties are compounded by the *reduced generosity and availability of housing welfare support*. Post-2010 welfare cuts such as reductions in Local Housing Allowance and the extension of the Shared Accommodation Rate to ages 25-34 disproportionately affect younger generations, particularly given the expansion of private renting. There is [mounting evidence](#) that English private landlords are becoming reluctant to let to young people receiving benefits.

3. Which generations are most affected by the growth of private renting? (Q7)

- 3.1 The expansion of private renting can be seen as an 'engine of inequality' that affects everyone in Britain in one way or another. The reasons underlying this expansion [are complex](#) and include demographic changes (such as later partnership formation and fertility) reducing early entry into homeownership; prolonged higher education delaying labour market entry; higher education costs; housing affordability pressures; the reduction of social renting in the wake of Right to Buy ([30-40% of RTB dwellings](#) are estimated to be now rented out privately, often to tenants supported by housing benefit [at great cost to the public purse](#)); and on the supply side Buy to Let mortgages and the unmatched investment potential of letting out property in recent years.
- 3.2 Although most private landlords are older individuals, they also tend to be among the most affluent members of their generation. [Estimates suggest](#) that around 66% of private landlords are in the top 20% of the national wealth distribution and most also have high non-rental incomes. Private landlordism may therefore exacerbate inequality *within* older cohorts.
- 3.3 Debates about 'Generation Rent' present an oversimplified picture of the expansion of renting among younger adults that ignores deepening disparities *between* younger people. The recent growth of private renting has been especially dramatic among poorer groups of young adults. [Research](#) shows that 17% of young families headed by someone employed in a managerial/professional job rented privately in 2011, as compared with roughly 33% of young families headed by someone doing routine/manual work. In 2001 the figures were under 10% for both groups.

- 3.4 Qualitative research indicates that renting privately often causes a host of problems for parents. More generally, [studies](#) report that younger generations (and their parents) feel thwarted and exploited by their growing dependence on private rented housing. In the long-term this could have detrimental consequences for the already fragile public trust in politics and government.

4. How can the property wealth of older generations be utilised to help younger generations access the property market? What would be the impact on intra-generational fairness of such schemes? (Q9)

- 4.1 There is [accumulating evidence](#) that having parents who own their home is becoming increasingly important for making the transition into homeownership, although much of our knowledge about intergenerational housing support processes comes from private datasets from mortgage providers or [market research](#). Parental socio-economic background seems to be an especially relevant predictor of homeownership transitions in [more costly parts of England and Wales](#) where young people probably need greater levels of support. [Research](#) shows that parents also increasingly help their children just to live independently.
- 4.2 The current *laissez faire* situation where informal wealth transfers within families are used to overcome mortgage deposit barriers has a number of problems:
- 4.3 1) It is *socially unfair* as this option is not open to children from less affluent backgrounds [whose parents do not own their home or have amassed savings](#). Improved longevity means that inheritances come late in the life course and they also disproportionately flow to more [affluent social groups](#). These trends threaten to undermine the UK government's aim of fostering a more socially mobile society.
- 4.4 2) Access to familial wealth is *geographically uneven*. On average, children with parents who own property in London and the South East enjoy access to much higher volumes of wealth than their peers in the less buoyant regions of Britain.
- 4.5 3) Solutions that seek to incentivize or ease 'downward' intergenerational flows of family property wealth to help young people buy housing *will prop up elevated house prices*. This is inefficient and inequitable in the long-term.

5. Solutions

- 5.1 This section presents ideas to tackle the aforementioned inter- and intra-generational unfairness in housing over both the short-term (next few

years) and longer term (next decade and beyond). We have reached the point where radical ideas that go beyond setting ambitious construction targets are now needed to solve the UK's housing crisis.

- 5.2 In the short-term, *significantly reforming the private rental sector* to improve tenant rights is essential to improve intergenerational equity. Housing systems change slowly as even a net addition of 200K dwellings/annum equates to an increase of less than 1% of the total English housing stock – not enough to significantly alter tenure or affordability trends for some time. Many of the forces exerting downward pressure on homeownership rates in young adulthood also appear to be with us for the long-term (e.g. prolonged education, delayed family formation, the concentration of jobs in high cost cities, housing affordability pressures, less secure and stable employment) and we need to provide housing options that reflect this inherited situation.
- 5.2 Reforms to consider include (a) increasing the minimum length of tenancies to no less than three years and (b) stabilising rents by pegging maximum rent change between tenancies to a CPI referenced benchmark (e.g. no more than CPI plus 2%). There is no reason that the former action should adversely affect landlords' income stream if they also have robust powers to evict problem tenants. Mandatory (c) six-monthly tenant-initiated break clauses would enable renters to be spatially flexible, while (d) improving tenants' use rights regarding pets, decoration etc would significantly ease the difficulty of making a rental dwelling the 'home' that it is in many other European countries. Testing (e) introducing a government sponsored interest free loan scheme to top up rental deposits (repayable in full including any deductions after ending a tenancy) would do much to ease moving difficulties. Finally, knowledge of private renting in England is remarkably poor and a (f) national landlord register would generate valuable data and allow better enforcement of issues such as HMOs and tax receipts. This need not involve significant upfront costs for landlords.
- 5.3 While some of these changes could reduce the profitability of private renting, there is little reason to think they would hit housing production given that many 'build to rent' schemes are attractive to institutional investors seeking reliable long-term yields. In contrast, many small-scale private landlords let out dwellings converted from owner-occupation or social renting. Moreover, evidence from the post-war period indicates that actions that reduce rental yields lead to many landlords selling up, potentially increasing the supply of cheaper owner-occupied housing and lowering house prices. In this case, it would also be worth considering making funds available for social landlords and councils to buy back dwellings transferred out of the PRS.
- 5.3 In the long-term there is *a pressing need to build more housing for low-cost and secure social renting tenancies*. This will help relieve the difficulty that younger cohorts are facing in the labour market more efficiently and

equitably than using housing benefit to support PRS tenancies. There is a strong case to be made that high private rents are unproductively sucking money out of the British economy and probably stoking the high levels of household indebtedness we currently see.

- 5.4 *Collective action taken through the tax system* is the fairest way to tackle housing wealth inequality and the intergenerational transmission of (dis)advantage through family transfers. Such actions could include (a) proper taxation of property/land values and/or capital gains. As noted in the introduction to the government's 2017 [Housing White Paper](#), it is very unfair that some people's homes unproductively earn more per year than they gain from paid employment. Asking younger generations to shoulder the burden of paying higher income taxes and pension contributions to fund longer retirements and increased health and social care spending will only deepen intergenerational inequalities. Furthermore, the UK's (b) council tax system is in dire need of reform to revalue properties and increase the number of bands to make the taxation more progressive. If data on dwelling sizes were collected then it would be possible to test using this information - together with already openly available data on local rents and sales prices - to create continuously updatable property valuation models for councils to use. Such changes could (c) remove the need for stamp duty, which we know lowers transactions and mobility.
- 5.5 Securing public consent for such measures will be tricky. Public acceptance could potentially be improved by initially (d) ring-fencing a significant proportion of revenues (e.g. 75%) to fund housing-related investments such as dwelling construction and massive energy efficiency improvements to existing stock in all tenures. Explicitly (e) positioning these initiatives as an investment in the next generation could also improve public consent as there is now widespread recognition and concern that housing is a major problem for younger people in Britain.

5 September 2018

Department for Work and Pensions – Supplementary written evidence (IFP0071)

At the Lords Select Committee oral evidence session on Intergenerational Fairness on Tuesday 18 December 2018, I agreed to provide further written evidence on two points raised by Committee members.

The first point I agreed to come back to was raised by Baroness Crawley. She asked about the source of the oral evidence provided to the committee regarding the vast majority of workplaces offering flexible working. This is available in the BIS Research paper No.184; *Fourth work-life balance employer survey*, published in December 2014, which can be accessed online via the following link:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/398557/bis-14-1027-fourth-work-life-balance-employer-survey-2013.pdf

This research paper showed that almost all employers (97%) had at least one form of flexibility available to their employees, which included part-time working, and 88% of employers had at least one form available that excluded part-time working. It is also worth noting that a new *Fourth work-life balance survey* is due to be published by the Department for Business, Energy and Industrial Strategy later this year.

The second point was raised by Baroness Greengross. She asked if the Government published rates of employment, including self-employment, broken down by age group for the over 50s and 60s. Annex A to this letter sets out a table with the employment rates, broken down by age group for the 50 plus.

This table shows that over the last three years the proportions of the population who are employed or self-employed has remained largely consistent and that participation in the labour market decreases with age for both employees and the self-employed groups.

I hope this answers the Committee members' queries. However, should you require any further information, please feel free to contact me and I will be happy to assist.

Alok Sharma MP
Minister of State for Employment

Annex A: Rates of employment for the over 50s

Proportion of the population who are employees, by age

Date	50 - 54	55 - 59	60 - 64	65 - 69	70 - 74	75 - 79	80+
Jul 2015- Jun 2016	68%	58%	38%	13%	5%	2%	0%
Jul 2016- Jun 2017	67%	59%	39%	13%	5%	2%	0%
Jul 2017- Jun 2018	68%	59%	41%	13%	5%	2%	1%

Proportion of the population who are self-employed, by age:

Date	50 - 54	55 - 59	60 - 64	65 - 69	70 - 74	75 - 79	80+
Jul 2015- Jun 2016	14%	14%	11%	7%	5%	2%	1%
Jul 2016- Jun 2017	14%	14%	12%	7%	5%	2%	1%
Jul 2017- Jun 2018	15%	14%	12%	8%	5%	2%	1%

- Over the last three years proportions of the population who are employees or self-employed has remained largely consistent.
- Participation in the labour market decreases with age for both employees and the self-employed groups.
- As age increases the self-employed make up a larger proportion of the “working population” (due to employee participation decreasing at a faster rate than the self-employed).

Notes:

Source: NOMIS (<https://www.nomisweb.co.uk>) Annual Population Survey (Jul 2015- Jun 2016 to Jul 2017-Jun 2018) UK.

Employee and self-employed do not sum to “Employed” status (due to “other” category).

All figures are rounded.

16 January 2019

Dr Libby Drury, Dr Hannah Swift and Professor Dominic Abrams – Written evidence (IFP0038)

Dr Libby Drury, Dr Hannah Swift and Professor Dominic Abrams – Written evidence (IFP0038)

[Submission to be found under Professor Dominic Abrams](#)

Dr Libby Drury – Supplementary written evidence (IFP0070)

Dr Libby Drury – Supplementary written evidence (IFP0070)

Lecturer in Organizational Psychology, Birkbeck, University of London.

Select Committee on Intergenerational Fairness and Provision held on 13th November 2018.

Response to Q148 about intergenerational communication via electronic means

The *Making Intergenerational Connections* review (Drury et al., 2016, published by Age UK) reports one email exchange intergenerational contact intervention conducted in the USA. This study, titled an Intergenerational E-mail Pen Pal Study, recruited 28 students (aged 19 to 28 years old) who were randomly paired with older adults (aged 65 to 85 years old), previously unknown to themselves. The pairs were instructed to exchange at least one email per week for 6 weeks, and discuss assigned topics chosen to progressively increase sharing of similarities and differences between the pair. A control group of students that did not take part in the intervention were also recruited. After the intervention, students who took part reported more positive attitudes towards older adults compared to students that did not take part.

This study provides the first evidence that positive effects can be produced via electronic intergenerational communication (in this case email). It is worth noting, however, that whilst this study demonstrates how email intergenerational contact can improve young adults' attitudes towards older adults it does not examine effects on older adults themselves (e.g. reduction of loneliness) or provide understanding about other types of electronic intergenerational communication (e.g. texting, social media). Similarly, it does not provide evidence of the effects of intergenerational electronic communication within families.

16 January 2019

Equity Release Council – Written evidence (IFP0054)

About the Equity Release Council

The Equity Release Council (the Council) is the representative trade body for the UK equity release sector with over 220 member firms and 710 individuals registered including providers, regulated financial advisers, solicitors, surveyors and other professionals.

The Council leads a consumer-focused UK-based equity release market by setting authoritative standards and safeguards for the trusted provision of advice and products. Since 1991, nearly 440,000 homeowners aged 55+ have accessed over £24 billion of housing wealth via Council members to support their finances in later life. This is a growing market, with almost £1 billion in equity release unlocked in the second quarter of 2018 alone.

Every member is committed to The Council's Statement of Principles and Rules and Guidance, which aim to ensure consumer protections and safeguards. In addition, the Council works to boost consumer knowledge and increase awareness of equity release as a solution to financial challenges facing people over the age of 55 across the UK.

The Council welcomes the opportunity to respond to this call for evidence on intergenerational fairness and provision. We have restricted our response to the areas in which we can provide most input.

The Council would be delighted to provide oral evidence to the Committee.

About equity release

Equity release enables homeowners aged 55 and over to release money from the property they live in, as a lump sum or in regular smaller sums, without having to make any monthly repayments. Customers retain the right to live in the property rent free until the end of their life or upon moving into long-term care. There are two types of equity release products – lifetime mortgages and home reversion plans – which are both regulated by the Financial Conduct Authority (FCA). The range and flexibility of product options is growing, with 126 product options on offer in August 2018 – twice as many as two years ago.

A lifetime mortgage is a mortgage secured against the home, allowing homeowners to extract funds in a single lump sum or in smaller amounts over time up to the maximum limit agreed with the plan provider. Interest on the loan can be fixed or rolled up. With some plans the consumer can choose to make monthly interest repayments in part or in full.

With a home reversion plan, the homeowner sells all or part of their home to a provider, in return for a tax-free cash lump sum or regular income and a lifetime lease. The percentage the homeowner retains in the property will always remain the same regardless of changing property values, unless the homeowner decides to take further cash releases. At the end of the plan, the property is sold and sale proceeds are shared according to the remaining proportions of ownership.

Call for evidence - response

Overview

Tackling intergenerational fairness is a key socio-economic challenge. Rising house prices and wage stagnation in recent years have made it increasingly difficult for younger people to get on to the property ladder. At the same time, it has been estimated that homeowners over the age of 50 have over 75% of the housing wealth in the UK, a total of £2.8 trillion.¹⁰⁷

Annual lending for equity release surpassed £3 billion in 2017 – a 50% rise on the previous year. This has been reflected in growing numbers of customers who have chosen to use equity release plans and a greater number of product choices and flexibilities – helping to meet homeowners’ increasingly complex needs in later life. As of August 2018, 126 product options were available to consumers, more than double the number (58) available two years ago. The range of product options has grown by over 60% in the last year alone from 78 in August 2017.

Equity release meets a significant consumer need for those age over 55 and enables homeowners to use their housing assets to meet a range of personal needs including supplementing their retirement income, care costs and supporting lifestyle choices, such as making adaptations to their homes. In addition, many consumers take out equity release to help family, including supporting grandchildren through university or supporting a family member raise the deposit to buy a home. Research by Legal & General found that 15% of equity release customers did so for these reasons.¹⁰⁸

General

1. Is the intergenerational settlement in the UK currently fair? Which generations are better off or worse off, and in which ways?

The Resolution Foundation’s report, *International Comparison of Intergenerational trends*¹⁰⁹, found that the UK is one of a small number of countries in which large income gains made by today’s older generations when they were younger have been replaced by a lack of progress for today’s younger generations.

There appears to be a significant imbalance between the wealth of older generations, e.g. those aged 50 or more, and those under the age of 35 years.

Research by Savills (2018)¹¹⁰ highlights that for every £100 of housing equity owned by owner occupiers, people aged over 50 have £75, while those under 35 years have £6. In addition, the total amount of debt on that property is larger for those aged under 35 years.

¹⁰⁷ [https://www.savills.co.uk/insight-and-opinion/savills-news/239639-0/over-50s-hold-75--of-housing-wealth--a-total-of-£2.8-trillion-\(£2-800-000-000\)](https://www.savills.co.uk/insight-and-opinion/savills-news/239639-0/over-50s-hold-75--of-housing-wealth--a-total-of-£2.8-trillion-(£2-800-000-000))

¹⁰⁸ <https://www.legalandgeneral.com/adviser/files/retirement/literature-and-forms/articles-and-reports/silver-spenders.pdf>

¹⁰⁹ The Resolution Foundation, *International Comparison of Integrational Trends*, available at: <https://www.resolutionfoundation.org/app/uploads/2018/02/IC-international.pdf>

¹¹⁰ [https://www.savills.co.uk/insight-and-opinion/savills-news/239639-0/over-50s-hold-75--of-housing-wealth--a-total-of-£2.8-trillion-\(£2-800-000-000\)](https://www.savills.co.uk/insight-and-opinion/savills-news/239639-0/over-50s-hold-75--of-housing-wealth--a-total-of-£2.8-trillion-(£2-800-000-000))

Younger generations are unlikely to have access to the same benefits enjoyed by elderly generations in terms of free education for themselves and their families, access to generous final salary pensions schemes or similar levels of house price inflation. Those under 35 years are arguably among the most indebted generations while pensioners median income has increased by nearly 15% in the last decade.¹¹¹

The projected significant demographic growth among the elderly, (particularly those aged 85 years and over - the fastest growing cohort and those most likely to need care,) means that the burden on younger generations is set to grow as the old age dependency ratio increases from 310 people aged 65 and over for every 1,000 people of traditional working age (16-64 years old) in 2014 to 370 in 2039.¹¹²

If state pension and elderly care costs are all funded by those of traditional working age through direct taxation and those cohorts fail to receive similar contributions from successor generations, then this will result in a significant transfer of wealth from younger to older generations.

Clearly this does not mean that all elderly people are wealthy or have access to assets. Research shows significant poverty among the elderly and that debt held by people aged over 65 years has increased by 53% in the last 5 years (£56bn to £86bn between 2013 and 2018).¹¹³ However, housing wealth can play a role in addressing imbalances of wealth between generations and intergenerational unfairness.

For example, by releasing housing wealth through equity release, elderly homeowners can access the wealth in their property to pay off debt or meet retirement income shortfalls reducing dependence on the state (funded through direct taxation).

In addition, releasing housing equity can be used as a source of wealth to fund younger and disadvantage generations. A recent joint report by Legal & General and the Centre for Economics and Business Research found that the '*Bank of Mum and Dad*'¹¹⁴ ended up spending around £18,000 on supporting grown up children in the year up to May 2018.

Housing

6. To what extent is intergenerational fairness impaired by the UK housing market?

The housing market in its current form creates an environment where home ownership is increasingly concentrated into older generations with 75% of the

¹¹¹ <https://www.ifs.org.uk/publications/9192>

¹¹²

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/nationalpopulationprojections/2015-10-29>

¹¹³ <https://advisers.more2life.co.uk/MediaLibrary/More2Life/Research%20docs/Later-Life-Lending-Review-2018.pdf>

¹¹⁴ Legal & General, Bank of Mum and Dad, available at:

<https://www.legalandgeneral.com/retirement/resources/documents/more-money-in-retirement/reports/bank-of-mum-and-dad-report-2018.pdf>

housing wealth in Britain owned by over 50s, compared to 6% belonging to under 35s. Over 65s hold 43% of housing wealth.¹¹⁵

There are several reasons why this is the case:

- There is a limited supply of affordable housing for younger generations. This is in large part due to the lack of housing built by successive governments. By 2008 the number of new homes started had fallen to its lowest level since 1924.¹¹⁶ Resulting in fewer houses for more people.
- This is compounded by the unwillingness of older people in larger homes (which could be more suitable for young families) wanting to move as the process may be emotionally and physically distressing or there is not an appropriate home immediately available.
- Rising house prices mean that it is harder than ever for young people to get onto the housing ladder. An Institute for Fiscal Studies report¹¹⁷ highlighted that in 2015-16 almost 90% of those aged 25-34 faced average regional house prices of at least four times their income, compared with less than half twenty years ago. UK house prices have grown by 152% over the past 20 years, but the average family income has only grown by 22%.

As a result of these factors, older people are left as the majority owners of property in the UK limiting access of suitable family housing for younger people.¹¹⁸ The National Housing Federation¹¹⁹ (NHF) estimates that up to 2030 the biggest population increase in the UK will be among people aged 70 and above, whilst almost two thirds of population growth will be among people of pension age - 65 and above.

Research from Yorkshire Building Society¹²⁰ highlights that, in most places in the country, first time buyers are also struggling to save the amount required for a housing deposit. Londoners, for example, need to save an average deposit of £118, 531 to get on to the housing ladder, but most only expect to save £48,947, leaving a gap of £69,584. If prices are driven up further this gap will only increase.

Council members often cite case studies which demonstrate how equity release has helped assist younger people get onto the housing ladder. In one example, a parent was able to use equity release to release funds to enable her to gift her son £75,000 which was used to help her son buy a house. In another example, a couple were able to gift their son £50,000 to purchase a plot of land on which he was able to build a house.

¹¹⁵ [https://www.savills.co.uk/insight-and-opinion/savills-news/239639-0/over-50s-hold-75--of-housing-wealth--a-total-of-£2.8-trillion-\(£2-800-000-000\)](https://www.savills.co.uk/insight-and-opinion/savills-news/239639-0/over-50s-hold-75--of-housing-wealth--a-total-of-£2.8-trillion-(£2-800-000-000))

¹¹⁶ https://england.shelter.org.uk/campaigns/why_we_campaign/the_housing_crisis

¹¹⁷ <https://www.ifs.org.uk/uploads/publications/bns/BN224.pdf>

¹¹⁸ National Housing Federation, Demographic change and housing wealth, available at: http://s3-eu-west-1.amazonaws.com/pub.housing.org.uk/Demographic_change_and_housing_wealth_report.pdf

¹¹⁹ Ibid.

¹²⁰ Yorkshire Building Society, First Time Buyers Report 2018, available at: <https://www.ybs.co.uk/media-centre/first-time-buyer-report-2018.html>

7. What has driven the increase in the size of the private rented sector? Which generations are most affected by this and how?

According to the NHF the proportion of people aged 16 to 34 renting privately has increased sharply from 29% in 2005/6 to 49% in 2015/16. Owner occupation has dropped among all other age groups except those of pension age, where it has reached a record high of 78%.

We believe the increase in the size of the private rented sector is partly driven by the inability for many, particularly those below 34 years old, to get on to the housing ladder. Money spent on private rent, may in the long term prove to be more expensive than home ownership - and without the security that a mortgage free property can provide. Santander Mortgages¹²¹ found that on average in every part of the country consumers are better off buying property with a mortgage than renting. The starkest difference is in London where on average consumers are better off by £3,468 a year by buying rather than renting.

The added cost of long-term renting is one of the major incentives on parents and grandparents to use their own finances to help their children or grandchildren get onto the housing ladder. Equity release products help make this easier, mitigating the need to sell their home or withdraw funds from their pension pot to do so.

8. How can we ensure that the planning system provides for properties appropriate for all generations, including older people?

In the absence of a planning system which encourages the building of suitably designed homes for elderly people within vibrant local communities which are familiar to them equity release is likely to continue to play a valuable role in enabling the elderly to modify their homes and live longer in them.

Meeting the housing needs of all generations is one of the UK's greatest challenges. Legal & General's report on *Last Time Buyers*, states there are 3.1 million households aged 55 and over who are looking to downsize in the future. 29% of homeowners wanted to downsize due to the property being unsuitable (e.g. the design and layout of their house is no longer suitable, with stairs, accessible bathrooms, parking and gardens all posing issues for some older people). 22% of people across did not want to downsize as their home was already too small.¹²² Legal & General contend, however, that "the fundamental barrier to Last Time Buyers making the decision to move... is the lack of good quality later living housing."¹²³

¹²¹

https://www.santander.co.uk/uk/info/detail?p_p_id=W000_hidden_WAR_W000_hiddenportlet&p_p_lifecycle=1&p_p_state=normal&p_p_mode=view&p_p_col_id=column-2&p_p_col_pos=1&p_p_col_count=3&_W000_hidden_WAR_W000_hiddenportlet_javax.portlet.action=hiddenAction&_W000_hidden_WAR_W000_hiddenportlet_base.portlet.view=ILBDInitialView&_W000_hidden_WAR_W000_hiddenportlet_cid=1324584136378&_W000_hidden_WAR_W000_hiddenportlet_tipo=SANContent

¹²² <https://www.legalandgeneralgroup.com/media/2437/30042018-lg-ltbs-draft-v9.pdf>

¹²³ See introduction, *ibid*.

This indicates that the problem of properties not being suited to older homeowners is more nuanced than simply an issue of space and suggests more over 55s would be more open to the concept of downsizing and moving, if there were suitable houses available for them. Considering the age of many of this demographic this means the home they would seek to move to would need to be properly designed to meet their needs in later life. An absence of these homes, in suitable numbers in appealing locations, for example, within familiar local communities, means that many instead will look to equity release or other forms of extra retirement income to make home improvements so they do not need to move.

Analysis by LV= on the use of equity release products during 2016 found that 31% of policies taken out were used to fund the home improvements needed to enable older people to continue living independently in their own homes, including the installation of mobility aids.¹²⁴

Equity release can play a valuable role in enabling older people to remain in their own homes, providing an alternative to downsizing or moving during retirement. In the absence of the creation of appropriately designed homes in local communities, this role is likely to continue to grow as our population ages further. The recent growth of the equity release market – which surpassed £3 billion in annual lending in 2017 – highlights the potential for equity release products to assist older homeowners, and the sector's ability to help meet these challenges should be clearly recognised.

In the Legal & General survey, 22% of '*Last Time Buyers*' felt that the optimal time for them to downsize was aged 65 to 69.¹²⁵ Given that equity release products are available from the age of 55, equity release could be an option for homeowners whose needs have changed slightly (they need to modify their home, for example) but they are not at the point at which they would consider the option of downsizing.

The wider emotional and social wellbeing of older people should also be considered. Moving house is stressful, and homes have sentimental value – the owner's children may have grown up or even been born there. Spare rooms may be frequently occupied by visiting family and friends. Should these spare rooms no longer be available because a homeowner has downsized, visitors may be required to stay elsewhere, and this in turn may discourage friends and family from visiting at all, leading to social isolation.

Any planning system should consider not only the size of the property, but also location, infrastructure and accessibility, as well as the health and welfare of the intended occupants.

9. How can the property wealth of older generations (parents and grandparents) be utilised to help younger generations (their children and grandchildren) access the property market?

¹²⁴<https://www.lv.com/adviser/news/majority-lv-equity-release-customers-use-money-for-home-improvements>

¹²⁵ <https://www.legalandgeneralgroup.com/media/2437/30042018-lg-ltbs-draft-v9.pdf>

Almost 80% of people aged 65-74 own their own homes, with estimates that people over 50 own equity estimated at £2.8 trillion, presenting a huge opportunity for people to use later life products to help younger generations access the property market.

Retirement Advantage research found that between April and June 2018, 10.3% of equity release customers used products to make a further property investment.¹²⁶ The English Housing survey has also noted an increase in gifts to fund housing deposits,¹²⁷ with around 8% or 1.1 million of owner occupied households having been purchased via a gifted or loaned deposit in 2016-17, compared with 5% or 749,000 in 2008-09.¹²⁸ Therefore, equity release to fund property investment is an example of how older generations can help younger generations get on to the housing ladder.

What would be the impact on intra-generational fairness of such schemes?

The provision of capital to a younger person by an older relative who has used equity release will provide a deposit to enable them to purchase a house. Equity release helps enable wealth held by older generations to be reinvested, facilitating growth of the housing market and the building of new homes. Once older generations pass away or decide to downsize, these homes can also then be recycled and sold to first-time buyers, resulting in more housing stock, and importantly, more appropriate housing stock available for young families is made available.

10. To what extent are initiatives to encourage down-sizing or intergenerational homesharing part of a viable solution to the housing shortage for younger generations?

To meet a policy challenge such as housing, it is important to consider all options. Focusing on downsizing, as noted above, Legal and General's *Last Time Buyers* survey found that 29% of homeowners wanted to downsize due to the property being unsuitable (e.g. it had stairs or a large garden), compared with 31% deeming their home too large for their needs.¹²⁹ 22% of people across did not want to downsize as their home was already too small.¹³⁰

Suitability of properties for older homeowners is not only about the amount of space, but also factors such as amenities, facilities and interactions with other people. A spare room would encourage family and friends to visit, for example.

Therefore, it is not simply a matter of encouraging older people to downsize. Alternative homes need to be affordable, well-located and appropriately designed to meet the needs of older people. Moreover, the emotional and financial pressure of moving should not be underestimated. For many, equity release may provide a better solution, enabling the homeowner to adapt their home to meet changing needs, while remaining part of their existing community.

¹²⁶ <https://www.mortgagestrategy.co.uk/increasing-use-of-equity-release-to-fund-property-retirement-advantage/>

¹²⁷

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/626887/First_Time_Buyers_report.pdf

¹²⁸ English Housing Survey data 2008-09 to 2016-17

¹²⁹ <https://www.legalandgeneralgroup.com/media/2437/30042018-lg-ltbs-draft-v9.pdf>

¹³⁰ Ibid

Equity Release Council – Written evidence (IFP0054)

14 September 2018

The Rt Hon Frank Field MP – Written evidence (IFP0060)

Cuts to working-age social security spending

In advance of my appearance to give oral evidence on 30 October, I am writing to share with the Committee analysis prepared for me by the House of Commons Library, which is relevant to the issues you are examining.

You will see from the Library's work that, by 2021, £37bn less will be spent on working-age social security compared with 2010. Beneath that headline figure are significant cuts to child benefit (£3.4 billion), disability benefits (£2.8 billion) and to housing benefit (£2.3 billion), to name but a few.

By contrast, the figures show that spending on the state pension will rise by £1.7 billion by 2021. This is of course offset to some extent by savings achieved by increases to the state pension age; but those increases will themselves affect those who are of working age today.

We know from the Committee's inquiries, as well as my own experiences in Birkenhead, that the human cost of these cuts is devastating. Families are left struggling to feed and clothe their children. Many struggle to pay their rent, and face eviction and homelessness. The urgent demand for food banks increases ever further, stretching their resources to breaking point.

I very much hope that these figures can be of use to the Committee in your inquiry.



Social security & tax credits savings and expenditure, 2010-11 to 2020-21

You asked for us to calculate how much has been saved from working-age social security & tax credits spending by policy measures announced by the Government since 2010.

Summary

The briefing below and Excel document attached provide our estimates in answer to your question. Note that the savings figures quoted below are very much estimates based, for the most part, on what the Government and OBR forecast a measure might save at the time it was announced. In reality, we have no way of knowing what the vast majority of policy measures ever actually save, nor any means of modelling what social security and tax credits expenditure might have been had none of the measures announced since 2010 ever been implemented.

The below analysis concludes that in 2020-21 policy measures, relating to all social security and tax credit spending except the state pension and pension credit and announced since 2010, might save around **£37 billion per annum (real terms, 2018-19 prices)**. This is roughly equivalent to **around 23% of what total expenditure might have been** had these measures not been implemented.

Methodology

This analysis is heavily sensitive to the methodology used and the caveats that relate to the data used. Please excuse, therefore, the extensive methodological notes that follow.

In broad terms, this analysis is based on a methodology I developed in 2016, informed by conversations with DWP and the OBR, and published in the Library's [Welfare expenditure and savings 2010-11 to 2020-21](#) research briefing.

Actual and forecast expenditure data is from DWP's [Benefit expenditure and caseload tables](#), last updated following Spring Statement 2018.

Policy costings/savings are based on two sources.

All policy measures announced at Budgets and Statements are costed by the Government and OBR and included in 'red book' scorecards, usually upon announcement. In many cases these original costings are never subsequently revised. Where this is the case, my analysis uses the latest version of the policy costing as published in the OBR's [Policy Measures database](#). The OBR's database includes all policy costings as originally announced, updated to account for changes in inflation.

HM Treasury, however, itself publishes revised policy costings for some measures at later fiscal events (but before the measure has actually begun to take effect). This is usually the case when the

Government has had reason to change the assumptions the estimate is based upon. Where this is the case, I have used HM Treasury's latest published costing instead of that contained in the OBR's policy measures database – because HMT's costing accounts for any methodological revisions whereas the OBR's does not.

Also, HMT policy costings have a five year forecast horizon only. This means many, particularly those published under the Coalition, do not reach 2020-21. Where this is the case, I have continued these costings forward by taking the costing for the last year for which data is available and continued it forward while adjusting for inflation.

Caveats

Definition of 'working-age' social security and tax credits spending

This analysis captures total UK social security and tax credits expenditure. It has not, however, been possible to identify specifically 'working-age' expenditure. Instead, below I present the impact of policy measures on all social security and tax credits spending *except* the state pension and pension credit. While this is a good approximation for total working-age expenditure it is not perfect because some benefits, such as Housing Benefit, are available to both working-age individuals and pensioners.

General savings

The 'general savings' line in the table below captures the estimated impact of policy measures that affect multiple benefits, most notably the four year freeze in most working-age benefits and the benefit cap. In the below analysis, the impact of 'general savings' has been captured in charts

/ line items relating to total social security & tax credit expenditure (or those for total expenditure excluding the state pension or pension credit) only. It has not been possible to represent the impact of the four year freeze, for example, in the tax credits or child benefit charts specifically.

Also note that the saving estimate announced by HM Treasury for the four year freeze in most working-age benefits is likely to be an underestimate, because it does not account for the rise in CPI inflation that occurred only after the costing had been published.

State pension

Policy measures for the state pension do include an estimate for the cost to the Exchequer of introducing the triple lock, last updated by HM Treasury at the Budget 2011. This costing is subject to considerable uncertainty, however, and might well be an underestimate.

Also note that this analysis does not include any costing for savings made from changes to the state pension age for women (and, later, men) legislated for since 2010. This is because changes to the state pension age have never been announced as policy costings or line items at fiscal events. If these changes were included in the analysis they would have the effect of reducing state pension spending. The analysis

also does not include any cost/saving for introduction of the new state pension.

Disability benefits

This analysis suggests expenditure on disability benefits has been reduced by policy measures announced by the Government. This reduction is in large part due to the introduction of Personal Independence Payment, a costing for which was included on the scorecard at Budget 2013. This has not been revised since, however, to account for the Government's actual experience of replacing Disability Living Allowance for working-age claimants with Personal Independence Payment. Therefore, these estimates are subject to error.

Universal Credit (UC)

DWP's benefit expenditure and caseload tables include a 'marginal cost' for the net impact introduction of UC might have on total expenditure in coming years. This is an estimate for the net impact of UC applied to total 'legacy' expenditure to find what actual expenditure might be in any given year, accounting for UC. The DWP cannot, however, publish estimates for what future spending on UC in its own right might be in any given year.

I have included the marginal cost/saving of introducing UC within calculations for what total social security & tax credit expenditure might be in future years. This is marked in the table below as 'UC additional spend'. The 'savings' estimates in this analysis do not, however, contain any estimate for the total cost/saving introduction of UC might involve.

The 'savings' estimates below do include a line for 'UC (policy measures)'. This line captures the estimated impact of specific policy measures announced by the Chancellor and relating to UC since 2010, such as cuts to UC work allowances.

Findings

The tables and charts below and the Excel file accompanying this briefing present my findings.

The table below shows estimates for 2020-21. In this year, total savings from policy measures announced by the Government might reduce social security and tax credits expenditure, excluding that on the state pension and pension credit, by around £37 billion. This is equivalent to around 23% of what expenditure might otherwise have been. Just under half of savings come from 'general' measures, in particular the decision to uprate benefits by CPI not RPI, the 1% uprating cap for three years from 2013-14 and the four year freeze in most working-age benefits from 2015-16.

The Rt Hon Frank Field MP – Written evidence (IFP0060)

SOCIAL SECURITY & TAX CREDITS SAVINGS AND EXPENDITURE, 2020-21

£ billions, real terms 2018-19 prices

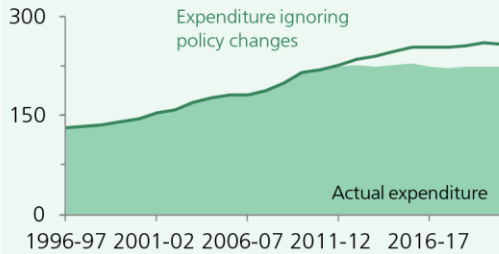
	Expenditure	Savings	% reduction in spending
General savings ^a	.	15,958	.
Child Benefit	11,382	3,422	23%
Disability Benefits	26,624	2,814	10%
ESA and incapacity	15,752	1,985	11%
HMRC Tax Credits	24,569	4,649	16%
Housing Benefit	22,289	2,344	10%
JSA, Income Support ^b	4,819	347	7%
Other ^c	16,587	1,855	10%
Pension Credit	4,491	-29	-1%
State Pension ^d	97,618	-1,712	-2%
UC additional spend ^e	-504	.	.
UC policy measures ^f	.	3,618	.
Total	223,628	35,250	14%
<i>Exc. state pension & pension credit</i>	121,519	36,991	23%

Note: (a) 'General savings' include savings not assigned to any specific benefit, such as the four year freeze in most working-age benefits and the benefit cap
 (b) 'JSA, Income Support' includes working age, non-incapacity income support only
 (c) 'Other' includes bereavement benefits, Cold Weather Payments, Winter Fuel Payments, adoption, parental, maternity & sick pay
 (d) 'State Pension' savings include a Budget 2010 costing for introducing the triple lock; however, this is very likely to be an underestimate
 (e) 'UC (additional spend)' covers the net impact on welfare spending of introducing Universal Credit. It is not an estimate for what total spending on Universal Credit might be
 (f) 'UC (policy measures)' includes costs/savings relating to all announced policy measures announced at Budgets and Statements relating to UC (such as cuts to work allowances). This does not, however, include any estimate for the overall impact on welfare spending on introducing Universal Credit

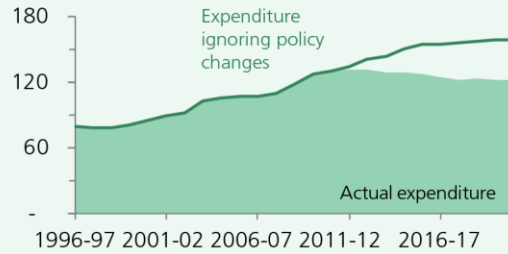
Sources: HM Treasury policy costing tables; OBR Policy Measures database; OBR Economic and Fiscal Outlook March 2018; DWP Benefit Expenditure and Caseload tables March 2018; HM Treasury Deflators; HC Library calculations

SOCIAL SECURITY & TAX CREDITS EXPENDITURE AND SAVINGS, 2010-11 TO 2019-20
 £ billions, real terms 2018-19 prices

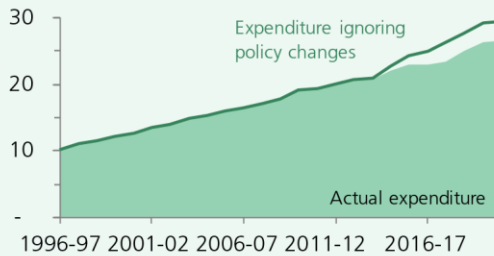
TOTAL: SOCIAL SECURITY & TAX CREDITS



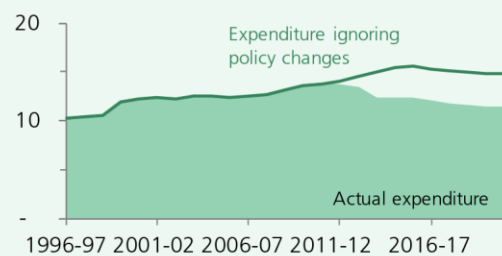
EXCL. STATE PENSION & PENSION CREDIT



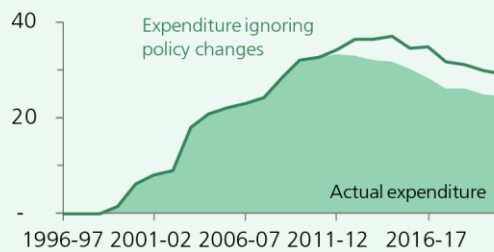
DISABILITY BENEFITS (GB)



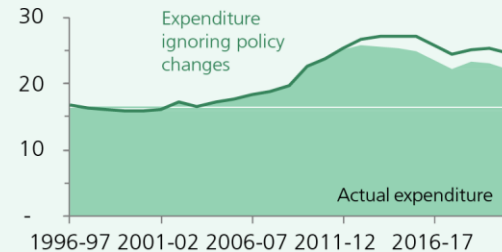
CHILD BENEFIT (UK)



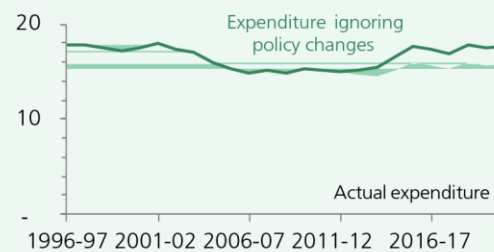
TAX CREDITS (UK)



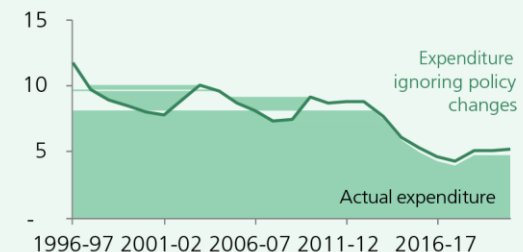
HOUSING BENEFIT (GB)



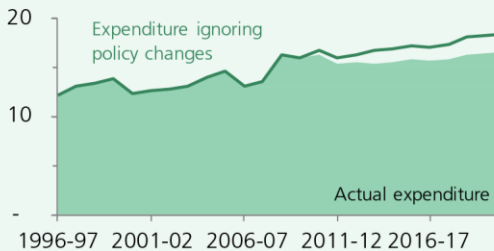
INCAPACITY BENEFIT (GB)



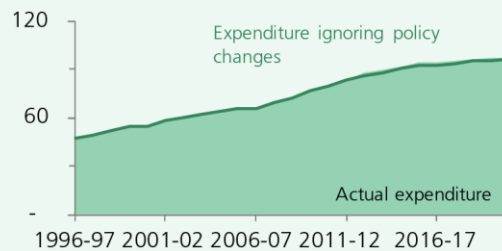
UNEMPLOYMENT BENEFIT (GB)



'OTHER' (GB)



STATE PENSION (GB)



Notes: 'Other' includes Winter Fuel Payments, Cold Weather Payments, bereavement benefits and maternity, paternity & sick pay
 Sources: HM Treasury policy costing tables; OBR Policy Measures database; OBR Economic and Fiscal Outlook March 2018; DWP Benefit Expenditure and Caseload tables March 2018; HMT GDP deflators; HC Library calculations

Estimated expenditure and savings on social security and tax credits, UK											
£ billions, real terms 2018/19 prices											
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Expenditure											
Child Benefit	13,792	13,633	13,353	12,326	12,323	12,330	12,018	11,757	11,546	11,381	11,382
Disability Benefits	19,401	20,046	20,748	20,786	22,121	22,947	22,883	23,388	24,877	26,355	26,624
ESA and incapacity	15,098	15,016	14,741	14,522	15,180	15,976	15,660	15,270	15,986	15,663	15,752
HMRC Tax Credits	32,757	33,396	32,800	32,018	31,635	30,125	28,320	26,231	26,018	24,891	24,569
Housing Benefit	23,851	25,063	25,738	25,540	25,273	24,928	23,638	22,248	23,373	23,089	22,289
JSA, Income Support ^a	8,728	8,832	8,768	7,467	5,851	4,982	4,323	3,933	4,710	4,764	4,819
Other ^b	16,278	15,358	15,612	15,383	15,518	15,845	15,669	15,813	16,265	16,488	16,587
Pension Credit	9,349	9,015	8,243	7,588	6,997	6,382	5,901	5,510	5,042	4,763	4,491
State Pension	79,209	83,020	87,588	89,569	92,055	94,329	94,560	95,228	96,624	97,405	97,618
UC (additional spend) ^e	-	-	-	6	60	515	1,619	3,245	-222	-484	-504
Total	218,463	223,378	227,591	225,206	227,013	228,359	224,591	222,623	224,218	224,315	223,628
<i>Exc. state pension & pension credit</i>	129,905	131,343	131,760	128,048	127,961	127,648	124,131	121,885	122,553	122,147	121,519
Savings											
General ^c	-	1,189	2,516	4,728	8,374	11,742	11,937	12,739	14,116	15,840	15,958
Child Benefit	-	409	1,174	2,721	3,139	3,316	3,341	3,384	3,398	3,409	3,422
Disability Benefits	-	-	-82	151	702	1,256	2,038	2,871	2,843	2,808	2,814
ESA and incapacity	-	-	373	911	1,330	1,647	1,658	1,657	1,795	1,884	1,985
HMRC Tax Credits	-	649	3,440	4,241	5,219	4,393	6,401	5,605	5,038	4,811	4,649
Housing Benefit	-	291	872	1,687	1,947	2,229	2,233	2,252	1,830	2,381	2,344
JSA, Income Support ^a	-	-6	60	205	282	322	344	343	345	345	347
Other ^b	437	605	724	1,358	1,394	1,423	1,398	1,540	1,874	1,855	1,855
Pension Credit	-	-420	-384	-323	-261	-269	-101	-86	-55	-44	-29

The Rt Hon Frank Field MP – Written evidence (IFP0060)

State Pension ^d	-	-	-1,240	-1,563	-1,623	-1,699	-1,676	-1,690	-1,702	-1,707	-1,712
UC (policy measures) ^f	-	-	-	-	-	121	1,296	3,431	3,220	3,513	3,618
Total	437	2,717	7,455	14,115	20,504	24,480	28,870	32,047	32,703	35,096	35,250
<i>Exc. state pension & pension credit</i>	437	3,137	9,079	16,001	22,387	26,449	30,646	33,823	34,460	36,847	36,991
Savings as a percentage of what expenditure might have been											
<i>Child Benefit</i>	0%	3%	8%	18%	20%	21%	22%	22%	23%	23%	23%
<i>Disability Benefits</i>	0%	0%	0%	1%	3%	5%	8%	11%	10%	10%	10%
<i>ESA and incapacity</i>	0%	0%	2%	6%	8%	9%	10%	10%	10%	11%	11%
<i>HMRC Tax Credits</i>	0%	2%	9%	12%	14%	13%	18%	18%	16%	16%	16%
<i>Housing Benefit</i>	0%	1%	3%	6%	7%	8%	9%	9%	7%	9%	10%
<i>JSA, Income Support</i>	0%	0%	1%	3%	5%	6%	7%	8%	7%	7%	7%
<i>Other</i>	3%	4%	4%	8%	8%	8%	8%	9%	10%	10%	10%
<i>Pension Credit</i>	0%	-5%	-5%	-4%	-4%	-4%	-2%	-2%	-1%	-1%	-1%
<i>State Pension</i>	0%	0%	-1%	-2%	-2%	-2%	-2%	-2%	-2%	-2%	-2%
Total	0%	1%	3%	6%	8%	10%	11%	13%	13%	14%	14%
<i>Exc. state pension & pension credit</i>	0%	2%	6%	11%	15%	17%	20%	22%	22%	23%	23%

Notes: a) 'JSA, Income Support' includes working age, non-incapacity income support only

b) 'Other' includes bereavement benefits, Cold Weather Payments, Winter Fuel Payments, adoption, parental, maternity & sick pay

c) 'General' savings include savings not assigned to any specific benefit, such as the four year freeze in most working-age benefits and the benefit cap

d) 'State Pension' savings include a Budget 2010 costing for introducing the triple lock; however, this is very likely to be an underestimate

e) 'UC (additional spend)' covers the net impact on welfare spending of introducing Universal Credit. It is not an estimate for what total spending on Universal Credit might be

f) 'UC (policy measures)' includes costs/savings relating to all announced policy measures announced at Budgets and Statements relating to UC (such as cuts to work allowances). This does not, however, including any estimate for the overall impact on welfare spending on introducing Universal Credit

Sources: HM Treasury policy costing tables; OBR Policy Measures database; OBR Economic and Fiscal Outlook March 2018; DWP Benefit Expenditure and Caseload tables March 2018; HMT GDP deflators; HC Library calculations

The Rt Hon. the Lord Forsyth of Drumlean – Written evidence (IFP0061)

1. I write in an individual capacity, but based on my experience as Chairman of the Economic Affairs Committee. There are two reports of the Committee to which the Select Committee on Intergenerational Fairness and Provision may wish to consider. The key recommendations of both are attached as annexes to this note, and the following sets out what has happened as a result of our recommendations and their impact on 'intergenerational fairness'.

Housing

2. The Committee's report, *Building more homes*, was published on 15 July 2016, and was critical of the Government's housing policy.¹³¹ The Government responded to the report in December 2016.¹³² The Government's response to the Committee's report accepted much of the Committee's analysis of the reasons for the crisis in the housing market but did not make any solid commitments to changing policy, and relied on the forthcoming White Paper.
3. This White Paper was published in February 2017.¹³³ The Government accepted that our report had influenced the White Paper, and as such, it responded more fully to a number of our recommendations. This included acknowledging that more houses were needed to be built than the Government's previous target had been set. The White Paper announced measures to support building more homes on public sector land, including the launching of a £45 million Land Release Fund. The White Paper also announced a consultation to see what additional powers or capacity local authorities needed to play a more active role in assembling land for development.
4. The White Paper announced steps to secure the financial sustainability of planning departments, and to ensure that the planning system has the skilled professionals it needs to assess and make the decisions required; and provide targeted support to address areas of specialist weakness. It also announced an increase in nationally set planning fees. From July 2017, local authorities were able to increase fees by 20 per cent if they committed to invest the additional fee income in their planning department.
5. More recently, the Prime Minister announced in her speech at the 2018 Conservative Party Conference that the cap on how much councils can borrow against their Housing Revenue Account assets to fund new housing was being scrapped by the Government. We had recommended that local authorities should be able to borrow to build social housing, in the same

¹³¹ [Building more homes](#) (1st Report, Session 2016–17, HL Paper 20)

¹³² HM Government, [Government Response to House of Lords Economic Affairs Committee Report: Building More Homes](#), Cm 9384 (December 2016)

¹³³ HM Government, [Fixing our broken housing market](#), Cm 9352 (February 2017)

way that they can borrow for other purposes. The removal of the cap is a significant step in enabling local authorities to address the lack of housing supply in the UK.

Intergenerational fairness and housing

6. Despite home ownership being a flagship policy objective of all governments, it has decreased over the last ten years, particularly amongst younger people. In England, 72 per cent of first time buyers now have an income that places them in the top 40 per cent of incomes in the country, compared to 65 per cent a decade ago. For younger people this worsening affordability means that their chance of owning a home is increasingly dependent on whether they have family resources to draw on—the so called ‘bank of mum and dad’.
7. There is a debate to be had over whether house ownership should be the aspiration for everyone, or whether ensuring that a thriving, affordable rental market is a route to explore. Either way, we must build enough homes to make housing more affordable for everyone— to rent or to buy. Aspirant home owners who are unable to afford a deposit pay substantial proportions of their income on rent; families on waiting lists for social housing contend with insecure tenancies and rogue landlords while spending on housing benefit has almost doubled in real terms over the last two decades.
8. We also concluded that increases in Stamp Duty appear to have been a factor behind reduced turnover in the housing market. This has made the market for existing homes less efficient, making it less attractive for people who wish to move home (perhaps to downsize), to do so. Further, Stamp Duty is an additional cost for young, first-time buyers to consider when housing prices are already potentially unaffordable.

Education

9. The Committee’s most recent report, *Treating Students Fairly: The Economics of Post-School Education*,¹³⁴ was published on 11 June 2018. We concluded that the system of post-school education in England is unbalanced in favour of full time university degrees. The 2012 reforms to university financing have failed to create an effective market allowing undergraduate degrees to dominate when this might not be in the student’s or the country’s best interest. The low quality and inconsistent availability of options, caused in part by a lack of funding, have made the problem worse.
10. The Government responded on 10 August 2018.¹³⁵ The response was disappointing but given the ongoing work of the Review of Post-18

¹³⁴ [Treating Students More Fairly: The Economics of Post-School Education](#) (2nd Report, Session 2017–19, HL Paper 139)

¹³⁵ HM Government, [Government Response to the House of Lords Economic Affairs Committee Report: Treating Students Fairly: The Economics of Post-School Education](#), Cm 9689 (August 2018)

Education and Funding, it was to be expected.¹³⁶ The first stage of this review, a report from Philip Augar and his panel, will be concluding later in the autumn. The Department for Education will then consider this report and report in spring 2019. The Committee will be monitoring the results of this review, and has used the conclusions and recommendations of the report to input into the process.

11. One promising outcome was the response from the Office for National Statistics (ONS). This response was broadly welcoming of the Committee's conclusions and recommendations.
12. A central conclusion of the report was that the decision to switch almost all higher education funding to tuition fees hid the true cost of public spending on higher education. When the change was made in 2012, the upfront spend by the Government on higher education increased by £3 billion but as the vast majority of funding was provided through loans rather than grants, the deficit figure was improved by £3.8 billion.
13. Write-offs on student loans will be included in the deficit only when the loans expire in 30 years; if the loans are sold before that point, the write-offs never hit the deficit. The high rate of interest on student loans creates the illusion that Government borrowing is lower than it actually is. It was presented as a progressive measure but in reality, the motivation appears to have been the flattering effect that accrued interest on those loans will have on the deficit. The Office for Budget Responsibility estimated recently that when the write-offs begin to be recorded in the deficit in the 2040s, they will be more than offset by the interest capitalising on the larger loans taken out by later cohorts. It described this system as "a pyramid of fiscal illusions" which will always flatter the deficit.¹³⁷
14. Most student loans will not be repaid in full: some will be paid in full, some not at all, and a lot only partially repaid. The expected write-offs should be shown in the deficit when the loan is issued. The true cost of funding higher education would then be immediately apparent. This would allow for a better discussion as to where funding in the higher education system should be allocated.

¹³⁶ The Prime Minister launched a "major and wide-ranging review" into post-18 education in February 2018. She said the review would consider how the Government can ensure that the education system in England for those aged 18 years and over is accessible to all; supported by a funding system that provides value for money and works for students and taxpayers; incentivises choice and competition across the sector; and encourages the development of the skills that we need as a country. The review is being led by the Department for Education and will report to the Secretary of State for Education, the Chancellor of the Exchequer and the Prime Minister.

The review is being supported by an independent panel led by Philip Augar. The panel launched a call for evidence which invited views on the four areas listed above. It ran from 21 March to 2 May. It is currently considering the submissions. The panel "will publish their report at an interim stage and the review will conclude in early 2019."

¹³⁷ Office for Budget Responsibility, [*Student Loans and fiscal illusions*](#), Working paper No.12, July 2018

15. The ONS wrote to us on 10 August and said “we recognise that there is a need to establish whether student loans should be treated within national accounts as loan assets for government, or whether they should in part, or in total, be viewed as contingent assets.”¹³⁸ Their work is ongoing, but they are seeking an international agreement as how best to record student loans within national accounts and the public sector finances. They hope to conclude before the end of the year.

Intergenerational fairness and education

16. The current post-school education system favours the three-year undergraduate degree. The 2012 reforms have also led to a collapse in flexible and part-time learning, with student numbers decreasing over the last six years by 60 per cent. Careers for life are disappearing, and the ability to retrain will become increasingly necessary to succeed in the modern economy. Compared to other countries, England is producing far less people with Level 3 (A-Level equivalent) qualifications, and not providing the skills employers in the UK need.
17. The way we expect students to access higher and further education is deeply unfair. We must create a single system, including apprenticeships, that offers more choice and better value for money. Maintenance support should be available for all students studying at Level 4 and above. The means-tested system of loans and grants that existed before 2016 should be re-instated, and total support increased to reflect the true cost of living.

¹³⁸ [*Jonathan Athow, Deputy National Statistician and Director General, Economic Statistics Office for National Statistics to Lord Forsyth of Drumlean*](#), (10 August 2018)

Annexe 1: Building more homes, main conclusions and recommendations

The Government's housing target

The Government's target of one million new homes by 2020 is not based on a robust analysis. To address the housing crisis at least 300,000 new homes are needed annually for the foreseeable future. One million homes by 2020 will not be enough.

To achieve its target the Government must recognise the inability of the private sector, as currently incentivised, to build the number of homes needed.

The Government's focus on home ownership neglects other tenures; those on the cusp of ownership are helped and those who need secure, low cost rental accommodation are not.

Local authorities and housing associations must be incentivised and enabled to make a much greater contribution to the overall supply of new housing. Without this contribution it will not be possible to build the number of new homes required. The likely reduction in the housing benefit bill over the long-term is a further reason to increase the supply of social housing.

Local authority building

The Government must ensure local authorities who wish to build social housing have access to the funds to do so. The current restrictions on the ability of local authorities to borrow to build social housing are arbitrary and anomalous. Local authorities should be able to borrow to build social housing as they can for other purposes.

We endorse the efforts of local authorities to innovate, cooperate and enter into partnership with others in the housing sector. We encourage local authorities to share their experience and expertise to ensure the proliferation of successful schemes.

Building on public land

A senior Cabinet minister must be given overall responsibility for identifying and coordinating the release of public land for housing, with a particular focus on providing low cost homes.

The number of new homes the Government expects to be built on public land by 2020 amounts to nearly one third of their housebuilding target. The Government should ask the National Infrastructure Commission to oversee the number of homes that are actually built on public land.

The release of public land provides a good opportunity to support the building of low cost homes and help smaller builders return to the market. The requirement to achieve best market value when releasing public land should be relaxed.

Planning reform

To incentivise local authorities and provide more resources for stretched planning departments, the Government should allow local authorities to set and vary planning fees in accordance with the needs of their local area.

Building more homes

There is a large gap between the number of planning permissions granted and the number of houses actually built. We recommend that local authorities are given the power to levy council tax on developments that are not completed within a set time period.

Overall, planning should be simpler, more transparent and more helpful to small builders.

Use of the existing housing stock

Council tax is regressive. The bands should be amended so that owners of more expensive properties contribute proportionally more than owners of less expensive properties. This should be done in a revenue neutral way.

Annexe 2: Treating Students Fairly: The Economics of Post-School Education, key recommendations

Other post-school options need more funding

Funding for post-school education is too heavily skewed towards degrees. At present, each undergraduate attracts £9,250 a year for the university, underpinned by the availability of student loans. Funding for other options is less generous and confusing. There should be a better distribution of public funding across all forms and institutions in higher and further education. To assist with this, there should be a single regulator for all higher education (Level 4 and above) and a single regulator for other post-school education (Level 3 and below). This new regulator for Level 3 and below should have equivalent status to the Office for Students, and have sufficient resources and credibility to champion further education (see Chapter 4).

Reversing the decline of part-time and flexible learning

The decline in part-time learning in higher education is a result of restrictions around accessing loans, for students who already have a degree, the raising of tuition fees in 2012 and the lack of maintenance support for part-time students (which will be available from 2018/19). Similar funding restrictions have also led to a decline in part-time study in further education. To halt the decline of part-time and flexible learning, we recommend the introduction of a credit-based system whereby people can learn in a more modular way and at their own pace (see Chapter 5).

Apprenticeships

The Government's target of three million apprenticeships has prioritised quantity over quality, and should be scrapped. The lack of clear accountability for the delivery and quality of apprenticeships is unacceptable. Despite the introduction of the apprenticeship levy, the UK is still a long way away from the effective apprenticeship system needed. The levy has encouraged the rebranding of training activity, most notably MBAs, that should not be funded or described as an apprenticeship. It is also concerning that over half of training providers for apprenticeships were recently rated inadequate or required improvement in a recent Ofsted inspection. The Government must renew its vision for apprenticeships, concentrating on the skills and choices that employers and individuals really need. An apprenticeship should be a method by which a young person, or new entrant to an industry, develops skills whilst working.

The Institute for Apprenticeships should be abolished. The quality and outcomes of Level 2 and 3 apprenticeships should be the responsibility of the new further education regulator; the quality and outcomes of Level 4 and above apprenticeships should be the responsibility of the Office for Students (see Chapter 6).

The national accounts mask the true cost of higher education

Debate over post-school education funding is hampered by the treatment of student loans in the public accounts. The accounting masks the public subsidy

going into higher education by delaying its appearance in the deficit: the Government expects that around half of the value of student loans being issued currently will never be paid back, but these write-offs will not appear in the deficit for over thirty years. A recognition of the write-offs in public spending at the time the loans are made would allow for a better discussion of where public money in post-school education should be directed.

The Office for Budget Responsibility estimated in January 2017 that the student loan book would be worth 11 per cent of GDP in the late-2030s, an increase from around 5 per cent of GDP in 2017/18. They predicted this would fall back to around 9 per cent of GDP by 2066/67. The Department for Education have forecast that the total student loan book will be worth £1.2 trillion in nominal terms (£473 billion in 2018/19 values) by 2049/50 (see Chapter 10).

Reforms to student loans and a widening of maintenance support

The national accounting appears to be responsible for the high level of interest charged on student loans: the accrued interest on student loans is counted as income, despite the fact the vast majority of this interest is expected to be written-off (the income from accrued interest on student loans will be worth £7.5 billion by 2021/22). The Government claims the high interest rate makes the system progressive but it is middle-earning graduates who end up paying the most back in real terms. We call for the interest rate to be reduced to the level of the 10 year gilt rate (currently around 1.5 per cent) from the current rate of RPI plus 3 per cent.

Maintenance support for students is also inconsistent across the different forms of higher education. The switch to maintenance loans from maintenance grants in 2016 will mean poorer students graduate with the largest debt. The same maintenance support should be available for all higher education students. The means-tested system of loans and grants that existed before 2016 must be reinstated, and total support increased to reflect the true cost of living. The change would lead to £1.7 billion more public spending today. However, in the long-run grants increase public spending only by £400 million. This is because under the current system, the vast majority of students do not pay off their student loans fully over the 30 year term, so much of the outlay in loans will be written off (see Chapters 8 and 9).

29 October 2018

Foundation for Democracy and Sustainable Development (FDSD) – Written evidence (IFP0055)

1. The [Foundation for Democracy and Sustainable Development](http://www.fdsd.org/) (FDSD) is a charity that explores the links between democracy and sustainable development, using evidence, advocacy and dialogue so that society can thrive today and in the future. We have a particular interest in how political systems can better incorporate long-term thinking and take into account the interests of future generations.
2. FDSD welcomes this Inquiry and the focus of the Committee on intergenerational fairness and provision. We hope that the Committee's leadership will spark debate and action in Parliament and beyond. This is particularly timely given that Brexit process offers an opportunity for governance and policy innovation.
3. The Committee asks whether the intergenerational settlement is fair and highlights four particular policy areas: jobs and the workplace; housing; communities; taxation. **Our contention is that the intergenerational settlement is far from fair and that this inequality is a structural problem across all areas of policy. Inequalities across (and within) generations are driven by a short-termism that is "baked" into the incentives and structures of our political system, across the executive, legislature, bureaucracy and beyond.**
4. To realise a more just intergenerational settlement will require a restructuring of incentives and structures. **In this submission, we highlight three broad approaches to ameliorating short-termism and recasting the intergenerational settlement: (1) the creation of institutions that promote the interests of future generations; (2) methods of public participation that bring people from different generations together to forge collective solutions; (3) the need to develop new indicators of progress to replace (or at least supplement) national income accounting.** Further potential solutions to short-termism can be found on our website <http://www.fdsd.org/>.
5. Our basic assumption is that each generation's footprint (whether environmental, social, economic) needs to be sustainable and that current generations should live in a way that ensures that the well-being of future generations is at minimum maintained at the same level, if not enhanced. We recognise that this is the ambition of the internationally agreed Sustainable Development Goals, which the UK Government would do well to embed across all areas of policy.
6. There is a need to create **new institutions which are dedicated to promoting the interests of future generations**, otherwise these interests will not be considered systematically in decision making processes. There are a range of approaches that can be taken. The [Future Generations Commissioner for Wales](#) is one example. The Wellbeing of Future Generations (Wales) Act established a legal duty for all public bodies to take into account

future generations in their decision making, The Future Generations Commissioner is charged with ensuring this duty is realised. A different approach has been taken in Hungary, where an ombudsman was established – the [Parliamentary Commissioner for Future Generations](#) (now a Deputy Ombudsman). The international [Network of Future Generations Organisations](#) provides further examples from around the world. FSD has argued the case for a [House of Lords Committee for Future Generation](#)s, since Peers are not subject to the short-term electoral cycle. This proposal was submitted to the recent Liaison Committee review of investigative and scrutiny committees. We hope that the Select Committee on Intergenerational Fairness and Provision will offer its support for this proposal.

7. Policy making needs to reflect intergenerational conversations. The age profile and social background of parliamentarians and the interests that are best organised in our society mean that young people and other politically marginalised groups are not well-represented in political decision making. **Policy that is responsive to the interests of different generations and social groups requires participatory processes that bring these generations and groups together.** This requires careful design to ensure that all voices are heard – and not just the best organised. The '[Wales We Want](#)' national conversation that informed the Wellbeing of Future Generations (Wales) Act is one example where a public agency attempted to listen to voices from across different generations and social groups. The increasing use of randomly-selected citizens' assemblies is another interesting development: stratification ensures that participants reflect the diversity of the broader population – including age. The recent [Citizens' Assembly on Social Care](#) that provided recommendations for the Health and Social Care and Housing, Communities and Local Government House of Commons Select Committees is an excellent example of how intergenerational conversations can inform policy making.
8. **If we are to take intergenerational equity seriously, then we also need indicators that are sensitive to such considerations.** Our obsession with national income accounting – in particular measures of GNP and GDP as indicators of progress – can (and does) hide significant differences in well-being across generations. These indicators measure throughput in the economy, meaning that the use of natural resources or expenditure on poor health are viewed as positive developments. It is absurd that conservation of resources and prevention of illness have little economic value. We urge the committee to explore alternative measures of progress that are more sensitive to differential impacts across generations.
9. In conclusion, we welcome the inquiry of the House of Lords Select Committee on Intergenerational Fairness and Provision. We recognise the significance of the policy areas on which the Committee has decided to focus its attention. However, we believe that there is a fundamental and systemic short-termism that is driving many of the unjust outcomes that are of concern. As such we hope that the Committee will consider this systematic challenge and the potential governance responses that might ameliorate its effects. FSD would be delighted to engage further with the Committee on any of the issues raised in this evidence.

19 September 2018

Generations Working Together – Written evidence (IFP0065)

We are submitting evidence on behalf of Generations Working Together, a national charity in Scotland, to show that intergenerational practice can improve the feelings of respect and understanding between generations, which we feel is a positive way of looking at intergenerational fairness. There are many articles in the media which pitted generations against each other and we feel that this increases discrimination, segregation, and disrespect for both generations.

We feel that intergenerational projects are vital to ending age discrimination and in fighting age segregation. As a charity we provide information, deliver support and encourage involvement to benefit all of Scotland's generations, by working, learning, volunteering and living together. Our vision is that all generations in Scotland will work together to create a better and fairer country for all. At the core of our organisation is fighting ageism and bringing people together through intergenerational projects, we lead our own projects as well as supporting over 2,700 members all over Scotland, from Dumfries and Galloway to Shetland.

You may have seen the recent show *Old People's Homes for 4 Year Olds* on channel 4 that brought together nursery children and care home residents and tracked their interactions and progress? If not, this is a show that measures wellbeing, physical activity, communication skills and happiness of younger and older groups when these come together and this is an example of an intergenerational project. The show is available to watch online now <https://www.channel4.com/programmes/old-peoples-home-for-4-year-olds>.



[Old People's Home for 4 Year Olds - All 4](https://www.channel4.com/programmes/old-peoples-home-for-4-year-olds)

www.channel4.com

A fierce rivalry breaks out between 102-year-old Sylvia and 87-year-old Ken as they face-off on opposing teams during sports day

Intergenerational projects are not new, having begun in the 1970s in Japan, spreading to USA, Europe and beyond. Their core idea is that by connecting the people together who would not otherwise met, we will be creating stronger communities. Their popularity of these has grown to meet societal changes such as parents moving far away from families and due to an ageing population.

We think that the growth of these projects should be encouraged and promoted, as well as the benefits they provide. Some of the benefits include; increased health and wellbeing, increased communication skills, increased friendships, new skills, increased feeling of safety and respect for history and heritage. We know

that these projects have benefits for both younger and older people and that they are an effective way to tackle loneliness which is increasing in our society for both younger and older people.

Some of the research and practice that highlights the benefits includes:

- Making Intergenerational Connections - University of Kent <https://www.kent.ac.uk/news/society/14508/report-shows-significant-benefit-of-intergenerational-contact>
- The Centre for Ageing Better <https://www.ageing-better.org.uk/publications/silver-lining-uk-economy>
- St Monica's Trust <https://generationsworkingtogether.org/resources/intergenerational-activity-a-guide-for-older-people>

Intergenerational approaches and perspectives work well in many projects, including in community gardens, craft projects, IT classes, reading groups. However, not enough practitioners in education, arts, policy and health have full training or understanding of them. We at Generations Working Together think that encouraging the growth of these projects and training in intergenerational practice can have significant positive benefits and this includes fostering respect for other generations and improving intergenerational fairness.

By promoting intergenerational programmes you can tackle barriers in the workplace, bring people together through co-housing and can challenge negative attitudes between generations.

Please contact us if you have any questions or would like to see a project in practice. Although we are based in Scotland we also work closely with organisations in England and worldwide and promote intergenerational practice.

14 November 2018

Graduate Fog – Written evidence (IFP0027)

EVIDENCE BY TANYA DE GRUNWALD, FOUNDER OF CAREERS BLOG GRADUATE FOG, AND CAMPAIGNER FOR FAIR INTERNSHIPS, AND FAIR ACCESS TO GRADUATE JOBS

I am the founder of careers website Graduate Fog (graduatefog.co.uk), and a campaigner for fair internships and fair access to graduate jobs. I have been working in this area for eight years and am one of the UK's best-known independent voices on these issues. I am not sure whether you consider me to be acting on an 'individual' or a 'corporate' basis – I'll leave that to you to decide.

Most recently, Graduate Fog has launched the Graduate Fog Employers Club, a new coalition of 'good' employers of young people. To date, our members include Virgin Money, Royal Mail, J. Walter Thompson, BAE Systems, Cancer Research UK, ITN and the Civil Service Graduate Fast Stream. The idea is that these employers will continue to lead the march for fair access, diversity etc., showing what best practice looks like. Over time, this will encourage all employers of young people to raise their standards. Stella Creasy MP came to speak at our Summer event, which was covered in the London Evening Standard.

This evidence submission concerns my area of expertise, namely fair access to professional careers for graduates, to young people from all backgrounds. As much of this work (including writing this submission) is done during unpaid hours, I will keep it brief and stick to three areas: Unpaid internships, the staggering of the national minimum wage / national living wage, and graduate scheme 'exit fees'.

1) Unpaid internships

Much has been written about this subject, and it is now widely accepted that unpaid internships exploit those who do them, exclude those who can't afford to do them, and are bad for society in general as entire professions have become populated exclusively by those who can afford to work for months (sometimes years) for free before finding their first paid job in their chosen field. For evidence, please see reports and recommendations by the Social Mobility Commission, the Sutton Trust, the IPPR, Intern Aware and the Social Mobility Foundation. It is not my job to collect this.

My role has been as a front line campaigner on this issue. In fact, Graduate Fog is best known for naming and shaming big brands and famous people for having unpaid interns (scalps include Tony Blair, X Factor, Vivienne Westwood and Arcadia), working principally with fellow campaigners Intern Aware, and the Guardian.

Between 2010 and 2015, we achieved a great deal. We changed public opinion on this issue – with the majority now agreeing unpaid internships are unfair and wrong. We have also changed corporate opinion – with very few big firms still running unpaid internships (in fact, it is a requirement that employers joining the Graduate Fog Employers Club must state that they pay all their staff at least the minimum wage, including interns). To a lesser extent we also raised awareness

that the law doesn't need to be changed – most unpaid internships are already illegal, as they fit the criteria of a 'Worker' under the minimum wage law (although there has been some confusion created around the need for a 4-week limit, implying unpaid internship lasting less than 4 weeks are legal, which they aren't).

Since 2016, progress has stalled. The problem is that some industries have been slow to change their ways, and where unpaid internships still exist, the law simply isn't being enforced.

Unpaid internships still remain in large pockets of the working world – namely politics, the media (including journalism), fashion, the start-up scene and the charity world (although for the latter unpaid internship are allowed by law – but even they are waking up to the fact that this is wrong and bad for their own organisations – with Cancer Research UK becoming the first big charity to make all their internships paid, earlier this year).

There are several reasons why progress has stalled. The big one is that the government has demonstrated no coherent strategy on solving this problem once and for all.

We campaigners know exactly where the problems are, and what can be done to solve them, but we are unable to get an audience with anyone who will listen. Given the length of time we have been working on this, this has now gone from being frustrating to a national scandal. As this issue affects only young people, it is a clear example of inter-generational unfairness.

(In Episode 3 of the BBC1 show Bodyguard, Keeley Hawes' fictional Home Secretary told an audience that unpaid internships were partly to blame for terrorism, as young people feel locked out of mainstream society. I have seen no evidence for a direct link between the two, but such a bold statement on prime time TV is surely as sign that public consciousness is way ahead of the government in terms of understanding the urgency of this issue.)

I won't go into the detail here, but one of the main sticking points with fixing the problem of unpaid internships is with the reporting system, which is simply not fit for purpose.

Firstly, it relies on former interns coming forward to complain about their employer, something few are prepared to do, for obvious reasons. Secondly, most interns don't know that unpaid work is illegal. Thirdly, even if they felt brave enough, and knew it was illegal, they don't know who/ where to complain. (Did you know about the Pay and Work Rights Helpline? Or that they are entitled to back pay at minimum wage rates, up to six years after their internship ends? Do your children? I doubt it!).

On all three points, we – that's me and the other fair internships campaigners – have concrete solutions to fixing this system, yet nobody from the Department for Education will meet with us. I was last refused a meeting last week. We have come to the end of the road with the Department for Business, and have lost faith in their commitment to solving this issue. We believe it must now be led by a department with a true stake in opening access to the professions to all young

people – and that is the Department for Education. Yet they seem to disagree, and continue to stonewall us, referring us back to Business for yet more years of getting nowhere.

There is also much more that universities and colleges can do to educate young people about their rights to pay – but again we need the Department for Education to take a lead here, and they refuse even to discuss it. Many universities have been uncooperative in helping to spread this message (one theory: because they want their graduates to do unpaid internships, as they will be counted as 'employed' six months after graduation, making the university look successful to prospective students.) The NUS has been a disappointingly unresponsive ally too, tangled up with all sorts of issues far less relevant to most students and graduates than this one.

We would also like to see a public awareness campaign on the law on internships – for employers, young people and their parents. The frustration of those who cannot afford to intern unpaid should be harnessed by asking them to submit links to adverts for unpaid internships which look to be illegal, for HMRC to investigate. Currently, this is impossible.

There is also no transparency on the number of cases reported to the HMRC helpline, so we cannot measure what is going on. It is said that this is confidential between the employer and HMRC but this makes it impossible for campaigners to know what is happening. Unpaid interns are an invisible army which we cannot see or count.

We need a reporting system that works for those it claims to be trying to protect.

This is an inter-generational issue because it almost exclusively affects those under 25 years of age. This is a vulnerable group with little bargaining power and they are being failed by a system that should be protecting them.

2) The staggered National Minimum Wage / National Living Wage

Quite simply the most blatant example of age discrimination in the country right now. When the National Living Wage (essentially just a new, higher level of minimum wage) was introduced, it was shocking to see that it was only for those aged 25 and above. No proper explanation was given for this – indeed, members of the government's own accounts differed on why they thought this was. It seems to be based on nothing more than lazy stereotypes about feckless and unreliable youngsters. If people over 60 were paid less for their work simply because they were thought to be 'getting on a bit', this would be a scandal (rightly!).

Previously, the top level of minimum wage was for those aged 21 and above. Already, fair pay campaigners had problems with this. A 21-year-old's work is not inherently more valuable than a 20-year-old's. In fact, a 20-year-old (who has not been to university) may well have more experience than a 21 year old (who has) – so where is the logic in basing their pay purely on the number of years they have been alive?

Raising the top level to age 25 (when the national living wage was introduced) was even more shocking. Are we really saying that people are not considered eligible for full, 'grown-up' wages until their 25th birthday? Is nobody concerned about what message that sends, when we are simultaneously asking young people to engage with society (eg. by registering to vote)? When they can sign up to join the Armed Forces at 16 and take out huge graduate loans aged 17, it seems unbelievable that they are not entitled to proper pay until their 25th birthday.

3) Graduate scheme 'exit fees'

The most troubling new trend I've seen in a long time. A growing number of firms are slapping graduates with huge fines if they wish to leave their employment within a minimum period – typically two years. Employers say this is to cover training fees, but this claim is disputed and it seems more likely it is a scare tactic to lock young people into jobs they hate, or a way to claw back some money if they do leave.

The result of this is essentially indentured labour. Young people are 'locked in' to jobs they hate, because they are unable to afford the fees their employer says are payable. This is mentioned in their contract, but we argue that the premise of that is unfair as there is such a huge power imbalance between an employer and a graduate keen to find employment.

We also argue that the scale of the charge is unreasonable, and so large that it effectively traps that person in employment against their will. This is extremely distressing for those who stay – in one case a young man was unable to leave his role because his employer could not provide a placement anywhere near to his pregnant girlfriend, so the pair were kept apart until he had been there for the full two months, because he could not afford to pay the bill being demanded by his employer if he were to leave before that date. Others report that the distress has had a damaging impact on their physical and mental health, having been signed off sick, etc. Others are hoping to get sick as some firms reduce the fees payable in the case of ill health. This barbaric practice cannot be allowed to continue.

In the case of Capita, the fee they said was payable was up to £21,000 – shocking when the graduates were only earning £18,000 per year during the scheme itself! Graduates also raised questions about the quality and value of the training they were given, and it was difficult to see where the £21,000 figure came from. Thanks to our (again, unpaid) campaign work, Capita say they have changed their policy and no longer charge exit fees.

However, I am concerned that other firms are still doing this – and that it could become the norm if not nipped in the bud. I am currently working with Jolyon Maugham QC and the Good Law Project on a legal challenge of two other employers – FDM Group and Sparta Global, who have also been sending large invoices (for around £16,000) departing graduates. Needless to say, this has been terrifying for those who have called their employers' bluff and left. They should not have to suffer like this.

Graduate Fog – Written evidence (IFP0027)

I have not heard of this practice being used with job seekers of any other age group (for professional jobs, anyway), so I believe this is another example of inter-generational inequality. The only other example of anything comparable – where employees are locked in to labour they feel they cannot leave without making a huge payment to their 'master' – is modern slavery. In fact, I understand the matter has been referred to the Modern Slavery Commissioner.

I welcome the opportunity to submit this evidence, and would be happy to clarify anything I have written if necessary.

Tanya de Grunwald
Founder and Director, Graduate Fog

7 September 2018

Professor Susan Halford – Written evidence (IFP0059)

Professor of Sociology, University of Southampton.

1: The future of older workers in the West has been of increasing concern for individuals, employers and governments alike over recent years.

2: Specifically, the pensions' crisis means that many people must work longer to support ourselves into old age whilst birth rate decline demands extended working lives to meet long-term labour market needs (Parliamentary Office of Science and Technology 2011; Chartered Institute of Personnel Development 2012).

3: It is clear that there are significant challenges to achieving this and that these take specifically gendered forms.

3.1 The digital age poses specific difficulties for maintaining employment into older age as a range of new skills are required, from basic level computer literacy to more specialist occupational and organizational skills, and some older skills become redundant. Previous studies have shown that - in general - older workers are more likely to take early retirement where there is rapid technological change (Bartel and Sicherman 1993; Robertson 2000; Friedberg 2003; Aubert et al 2006).

3.2 Women's labour market participation in later life continues to be shaped by caring responsibilities for both elderly relatives and children (Loretto et al 2005; Phillipson and Smith 2005; Evandrou and Glaser 2007; Brooke 2009). Age-based stereotyping and discrimination are gendered and often especially severe for women (Duncan and Loretto 2004; Moore 2009; Irni 2009). The invisibility of menopause and its consequences for women workers is one instance of this.

4: Our research project *Ageing healthcare workers and ICT: Making healthcare workplaces healthy for 50+* was funded by the Research Council of Norway (Project Number 193606), as part of the Sykefravær (sickness absence) Programme 2008-12. We focussed on healthcare as a sector facing particularly acute staffing shortages in the context of an ageing population and unusually high rates of early retirement, both in Norway and many Western countries (Barmby et al 2012; Stapelfeldt et al 2013; Joseph Rowntree Foundation 2003; National Nursing Research Unit 2007; Victoria Department of Health 2010). *Our project explored how gendered ageing is experienced at work and what steps might be taken to support older workers staying in work for longer.*

5: We found examples where technical change, management practice and organizational design produced low motivation, made staying in work difficult and resulted in exit from the workplace. We also found examples where workers had challenged the difficulties faced and remained in work with renewed enthusiasm and commitment. The differences between these cases are instructive regarding how the future of work for older people might be improved.

5.1 Where change to the nature and organization of work had been introduced without consultation, without consideration of deskilling and/or adequate retraining motivation plummeted. As older skills became less valued and staff felt marginalised from new practices, often 'stupid' for not having basic skills now taught in compulsory education, they preferred to exit the workplace, either into retirement or into lower skilled work. This was far more severe for

nurses, who had less autonomy and status in their profession than the doctors. Occupational segregation meant that this division was strongly gendered.

5.2 Physical changes made some forms of work difficult. Well known examples in nursing relate to musculo-skeletal wear and tear (Hornjeij et al 2004) . The physical demands of 12 hour shifts, and particularly night work were reported as more challenging for older workers. There were also very particular examples, for example reports that working in neonatal intensive care where lighting must be kept low was harder to manage without naturally strong eyesight.

5.3 Where older workers were given additional training opportunities, permitted to take longer breaks, alter the usual shift-working patterns (for example, not working nights) and where their knowledge and experience was valued they were far more likely to stay working up to and beyond retirement age.

5.4 We found that older doctors, all of whom were men in this generational cohort effect, were given greater leeway in not using new technologies and had greater autonomy in organizing their working time. This allowed them to carry on working into older age.

6: Our findings show that it is not old age per se that causes difficulties for older workers, but rather than the structure of work and organizational change can cause workers to 'feel old' and as a consequence to exit the workplace.

7: There is no reason to believe that our findings are specific to Norway, or to the healthcare sector. Based on long-term and broad experience of organizational research, in a variety of sectors and mainly in the UK, as well as secondary evidence (cited in the references given above) I am certain that the same conditions and processes are present elsewhere. On this basis, the following comments are intended as generic.

8: Although the experience of ageing can become problematic in particular organizational contexts, there are few strategic policies to address the issues involved, either in the hospitals we studied, or more broadly.

9: To a large extent, work organizations and organizational policies are designed around the assumption of an 'ageless' worker. Closer examination reveals this to be based on certain 'youthful' assumptions e.g. regarding basic educational training (such as computer literacy) and physical capacity.

10: If older people are to stay in paid work longer, we should learn from the positive examples above and give wider consideration to how organizational and government policy can support this. Unless and until this is actively pursued, any hope for managing the challenges facing healthcare services in the future may be in serious doubt.

11: At present, the burden is largely individualised, with staff choosing to 'get out' through early retirement or by finding job different jobs, where the conditions mean that ageing is not a problem. Others undertake individual coping strategies to maintain their place, for example by doing extra work at home to keep up with change or exercising more.

12: To offer a more institutionalised response and greater social support for older workers, there needs to be a good understanding of the organizations conditions that make ageing a problem in particular organizational and occupational settings. This is an organizational, professional body and trade union responsibility.

13: Developing government policy to require good practice in the workplace and support creative interventions would be one fruitful way forward, with

precedents in relation to organizational change in relation to other protected characteristics e.g. gender and race.

For further detail on this research see:

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3 October 2018

Professor Irene Hardill – Written evidence (IFP0028)

The submission is from:
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1. The submission addresses '**Communities**': to what extent are new technologies and social media isolating different generations from each other? How can technology be harnessed to promote active communities working to redress imbalances between generations? I address three themes (1) how digital engagement promotes intergenerational linkages and connections, and strengthens ties of kin; (2) how the community provision of ICT learning and support can address disengagement and (3) egovernment and social citizenship.
2. To this end I draw on research funded as part of the UK New Dynamics of Ageing programme, *Sustaining IT use by older people to promote autonomy and independence* (Sus-IT) (RES-353-25-0008) and a second study funded by the Centre for Ageing Research and Development in Ireland (CARDI) which looked at *egovernment and older people in Ireland*. In addition, recent research exploring use of social networking sites (as a sub-set of social media) provides insights into some of the ways older people, in comparison to their younger counterparts, are using ICTs.
3. Intergenerational support from family members and non-kin in the community play an important role in supporting older people building and maintaining ICT *savoir faire*, technologies increasingly used by older people to stay in touch with children and grandchildren (Hardill 2015). Older people did not learn about ICTs when at school, nor did all use ICTs when in paid employment, ICT skills have been acquired in later life, some as part of paid work, or through accessing support in the community. As a result the nature and quality of ICT training and support is critical in supporting older people's development of 'Internet self-efficacy' (Hardill and Olphert 2012; Hardill and O'Sullivan 2018).
4. In our work we have focused on the ways in which digital technologies – computers, the Internet, mobile phones – have become embedded and embodied into the practices of everyday life, and the challenges people encounter in staying engaged (Hardill and Olphert 2012; Hardill and Mills 2013). Significant growth has been recorded, for example, in the use of social networking sites. While this growth is often associated with younger demographics, recent research using Understanding Society has shown notable increases in popularity amongst middle-aged and older generations (Buglass and Wheatley, 2018). We have been concerned with the context of digital technologies, and how the spatial and temporal patterns of everyday life are changed by the use of ICTs, as digital technologies become spatially and temporally embedded in everyday relational practices. Folding together places and people separated by time and space via a 'connected presence',

digital technologies, for example, can help reduce social isolation by linking people together, offering potential benefits to wellbeing.

5. In engaging with older adults as part of the Sus-IT project our 'gatekeepers' (older people's groups) offered advice as to the most suitable methods of engaging with their members, and some involved intergenerational working. A key theme to emerge from these discussions was the importance older people attached to a relational approach for sustaining digital engagement, this centred on accessing one-to-one support, either formally through IT clinics, or less formally by calling upon support from kin and friends, or at IT drop in centres.
6. Our study revealed that within what seemed to be digitally engaged households, there was a spectrum of onlineness with one partner, often the male partner in heterosexual households, being the most intensive Internet user. We noticed, therefore, the importance of coupledness in supporting ICT use within households, and the consequential impact of its cessation through bereavement. The widowed partner in such households often struggled to sustain ICT use (Hardill and Olphert 2012).
7. We also found that the degree to which digital technologies were integrated into everyday life did not correlate smoothly with chronological age. A recurring theme was the importance of kin (children and grandchildren) in supporting and encouraging older adults to engage with digital technologies. Finally, ICT support also came from non kin in the community, with young and older volunteers offering one-to-one ICT support via classes and ICT drop-in clinics provided by community groups (Hardill and O'Sullivan, 2018). Use of ICTs enables engagement in a range of social media. While younger people on average report narrow peer-based networks, older people report more diverse networks as they use social networking sites to maintain relationships with family (including siblings, children and wider familial networks) and friends (Pfeil et al, 2009).
8. A number of the Older People's Assemblies we worked with had previously undertaken projects whereby members of young people's groups (local schools or youth assemblies) provided one-to-one help and support with computers and mobile phones. Such intergenerational work was highly valued by the groups, and older people reciprocated by visiting local schools and giving talks about the local community.
9. With a subset of participants life history interviews were conducted to explore ICT use, and we analysed these data using a framework based on competency of use, which looked at the ways in which computers, the Internet and mobile phones are spatially and temporarily embedded in everyday relational practices. Shove and Pantzar (2005) argue that artefacts and forms of competence only have meaning and effect when integrated into practice, and thus that it is through the integrative work of 'doing' that elements are made animate, sustained and reproduced. When that stops

fossilization sets in. In their study of ICT use (mobile phone and the internet) in two contrasting communities in Newcastle upon Tyne, Crang and Graham (2005) found that for some people mobile phone use was episodic while for others use was pervasive, ICTs had become an integral part of everyday life.

10. We have built on the work of Shove and Pantzar (2005) and Crang and Graham (2005) to develop our framework, which captures a spectrum of onlineness and includes: *Pervasive use*: confident ICT users; ICTs used daily forming an integral part of the architecture of everyday life; networked PCs/lap tops used with confidence to undertake a wide range of everyday tasks; such as for communicating with other people, including children and grandchildren [via Skype/email etc.]; as a source of information; for organizing everyday life, including searching for information and services; in some cases mobile phones are used to access the Internet. Upgrading ICTs does not pose a challenge indeed it is enjoyed, choosing new ICTs is almost a hobby; *Episodic use* : sporadic use of ICTs, while some said they 'coped' using them, others were 'scared' of using them; ICTs not 'always on'; limited range of applications used, and not confidently ; *Fossilization*: episodic ICT usage declines to complete cessation. *Fossilization* captures the process by which ICT usage, for a variety of reasons - social, health-related, economic - declines, to the point of complete cessation. In the following section the focus shifts to ICTs and intergenerational linkages.
11. We illustrate four dimensions of ICTs and intergenerationality, a recurring theme is new linkages occurred through the use of Skype, email, and mobile phones with children and grandchildren (Hardill, 2015). A second dimension of ICTs and intergenerationality is through the provision of ICT equipment. A number of our research participants indicated that they had acquired ICT equipment (mobile phones and computers) from their children, in some cases it was their old equipment, in other cases new equipment was bought with the parent's needs in mind, but the older user may not necessarily have been included in the decision making (ibid) A third intergenerational linkage is through the ICT support provided by grandchildren, which was highly valued (ibid). A fourth intergenerational linkage involves non-kin within neighbourhoods and communities ((Hardill and Olphert 2012; Hardill and Mills 2013), such as drop in centres in local libraries that were once part of the GO ON UK network.
12. I finally end by commenting upon the impact of e-government on social citizenship and social exclusion. While e-government involves the transformation in the way in which public services are delivered it needs to be accompanied by a commitment to digital inclusion, that all people should be able to participate in the growing knowledge society, which is delivered through digital inclusion, i.e, ensuring no-one is left behind in using ICTs. E-government is dependent on citizens changing the way we access services, of changing our behaviours, with important implications for social citizenship, through maintaining access to those entitled to access public services (Hardill and O'Sullivan, 2018).

13. For e-government to succeed citizens need to be confident Internet users, being able to establish and maintain an Internet connection, know how to navigate websites. While national policy imperatives are driving e-government, success is dependent on the behaviour change of individuals that e-inclusion seeks to address, but this happens at the micro scale, in the home, with individuals supported by kin networks and the wider community (ibid).
14. Finally, there are important implications for social rights (rights to basic welfare and full participation in society) (Marshall 2009) as citizens have to access public services online, rather than relying on paper-based access. The ability to fully participate in a society is a key aspect of social citizenship; including accessing public services as and when they are needed (Dwyer, 2004). Burrows and Ellison (2004) identify social citizenship as 'engagement' to point to new categories of social inclusion and exclusion that are likely to emerge as a result of differentiated access to digital technologies.

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Professor Irene Hardill – Written evidence (IFP0028)

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7 September 2018

Catherine Harris – Written evidence (IFP0001)

Question 1 Response – We talk constantly about how the younger generation are worse off in the current economic climate and how the older generation had it so easy. Let's go back and see if we can see how this changed to bring about our current situation. I am a 50's lady who has been robbed of her pension, because of this I need to work thereby denying a younger person a job. In the 50's when I was born women only worked until they married and then it was the husband who provided for them. Things began to change in the 70's where there were higher numbers of women who decided to go back to work after marriage and childbirth to supplement the household income. We have to bear in mind that few women took jobs that paid well or provided a pension, it was just not the done thing in those days for women to be independent or be in positions of responsibility. The women were the citizens who were worse off then and today those same women are in a situation much worse than the younger generation, why because they are too old to get a job, they are less likely to have savings or a works pension as they were in low paid employment and they are not able to take their state pension, thus being forced to work in low paid or zero hours situations.

The young today, have access to more education and for a lot longer than the older generation, most of whom had to leave school at 15 or 16 to help with the whole family income. More families have 2 parents working and saving. Therefore once again the jobs for the younger generation are not just being taken by the elderly but also by their own parents, who often are in a position of being well off on one wage alone. Never forgetting that for some time in the 80's and 90's access to higher education these parents had available to them provided them with one of the highest levels of education this country has ever seen and at very low cost.

The middle generation here are obviously the ones that will have least worries about how they spend their retirement as both male and females had access to pensions in the workplace and private pension should they so wish. The older generation in particular the females had no access to work pension or private pensions until much later in life. The youngsters if they are lucky may get a job that is neither zero hours or minimum wage and in that respect, may be able to save the thousands of pounds they need for a mortgage deposit because the generation before them spent so much and got into so much debt you now need a massive deposit to get a mortgage unlike the deposits required in the 80's and 90's. The younger generation are currently paying into workplace pensions and National Insurance for state pension, let us hope by the time they reach retirement that another government has not robbed them of this income as they have the 50's generation.

Question 2 Response - So given the current situation neither the older or younger generation gain only the middle generation. So this government and the opposition should stop making out the elderly have so much, they need to come and see how hard it is for my generation and then they may understand, and the same applies to our youngsters my granddaughter has no chance of getting anywhere given how much she earns, needs to save to buy a house, and

provide for her retirement. Will our youngsters ever be able to afford to have children?

Question 3 Response – Many many people will tell you how hard it is to get a job once your over 50, employers just don't want people who know their rights and expect reasonable treatment while at work. Employers want youngsters who are too frightened to stand up for themselves, who don't know their rights and are accepting of any treatment just so they have a job. I know of a very well-known sports company that has Lords on its board and the youngsters that work for them are treated no better that a dog in North Korea, no training, zero hours, low pay. No Future and that is what we hear every day about our youngsters – NO FUTURE! The same applies to the elderly but not to the middle group!

Question 4 Response – What needs to change, firstly get rid of Zero Hours it is an insult to the population and is no better than slave labour. The only people benefitting from minimum wage is the employer who is supported by the taxpayer in the form of top up benefits, a living wage is what is needed of no less than £10 per hour. Why should I, a taxpayer provide income to a company that I do not work for and who is unable to pay a living wage because their company is really insolvent without taxpayer support. Companies should be able technologically to provide employees with home working if they are desk based in particular the disabled or an employee who has to recover from an operation that takes a long time. I see people who have knee replacements and hip replacements expected back at work in weeks yet the consultants will tell you the recovery period is up to a year. Who can afford to stay off work for a year when SSP is only for 28 weeks, then your employer can get rid of you.

Question 5 Response – Training, if you have an employer who does not want to pay out for training thats it, no training except on the job. That is across the board no matter what age you are. Then we have the over 50's whose working life is considered to be nearing its end they are last on the list for training as they firstly would be considered to be too old and secondly be thought to not need the training because of their experience. We can all learn new things at any age. All training seems to be geared to youngsters and employers fail to recognise that the older staff would gain from it as well, also the training situations often brings out personalities that are not usually seen in the workplace and can improve relationships between the older and younger staff.

Question 6 Response – The deposit amount now needed to get a mortgage is having a significant impact on the younger generation as the wages are not in line with the needs of the society it is serving, minimum wage has a lot to answer for in this area. We often hear the older generation being blamed for this situation when the truth is we do not agree with the way the employment sector used the minimum wage to profit vastly from the younger generation and again I feel that a living wage is the answer to help our youngsters get a decent future. My generation were in a similar situation to today's youngsters especially women who were classed a second class citizens and we see across the board that our youngsters are often derided as being too young to know, or not worth paying a decent wage, so the new 2nd class generation is the younger generation, there is no fairness and has never been any fairness.

Question 7 Response – We are all aware that the population explosion since open borders was brought in has had a great deal to do with the increase in the rented sector, but by no means all of it. The ownership of 2nd homes has had an impact and also the cost of homes in areas of high employment. Until greed stops and we stop making different generations poorer because of the current trend in who to blame we are never going to understand that always at some point in the history of this country we have had a class based system, and although we have moved forward with technology etc we have not moved forward as a population that sees all things in a fair manner, the House of Lords is carrying out this consultation, that in itself tells you that we have a class system.

Question 8 Response – Appropriate housing needs, including the older generation. I can give a personal insight to how our elderly are treated. My father went into sheltered housing with care. He rented the property and paid for care separately, yet when he became ill he was thrown out of his home and we were forced to find other accommodation for him. The reason for this was because the management team could not provide for his care needs, so why do they take on old people knowing that at some point their needs will become greater, why unsettle someone who is dying by moving them from their home, when the care can be provided but the management do not want to provide it. The government give the councils the authority to take and sell our homes so we can pay for care and then we have the situation my father was in, all take and give nothing back, once again a greed system, get as much profit from this person and as soon as the costs go up get shot of them, just the same way it impacts on over 50's employment. When you sort out the care system in favour of the person needing the care rather than profit you may well have a system that works not only for the user but for the younger generation as well. This area as an industry needs a complete overhaul to make it work for the user and the employee not just the management who are making millions and not ploughing it back into the system with training, wages and future promotions.

Question 9 Response – Basically you are asking if we are prepared to provide deposits by raising the money from our property, if we do this and then suddenly become ill and need care and it is less than 7 years our children would have to give that money back, as we cannot foresee the future you are asking us to do something that could have a massive impact on our children and grandchildren's lives. The risk is also if they have a partner, marry or live with someone who has children who are not theirs and they split they could lose the home or have to share any financial profit with the other party, or in another circumstance have to allow the mother and children whom are not theirs live in the property until they reach 18 years of age. How do you protect your family from these events when the law makes sure it happens.

Question 10 Response – I do not want to live in a box where the walls are paper thin and there are no gardens or tiny squares that are patios not gardens. Why would I pay to own 25% or 50% of one of these boxes which I know are available only to find that 10 years down the line the company that built them have gone bust and the new company want a massive increase in service/rent fees. I would happily share my home with my grandchildren but I know someone who did this and got put into a home 2 years later as the wife did not care to look after her. Once married or living together they need to either move out or understand that the owners who let them live there may need care and

they may need to provide it. At the end of the day it is the home of the owner not the children / grandchildren but there are no laws in place that protect the elderly from being thrown out of their homes in these circumstances.

Question 11 Response – The community I live in have recently lost their sheltered housing as stated in a previous answer my father being thrown out because the management now do not want people with care needs. All communities should have somewhere that can house and provide care until death, this should not be a case of a family having to go out and search for care it should be in the neighbourhood, is anyone surprised that the elderly do not want to go to these places when they could be miles away from family. Family who are busy because they all have to work all the hours they can to make ends meet, meaning very little time to visit. You keep mentioning an aging society it has now been proven that the length of time a person can expect to live is not getting longer. The only reason we have a bigger aging society is because of the population explosion this and previous governments allowed to happen.

Question 12 Response – The kids have no idea about life without social media, not really a bad thing because they have access to a vast amount of information that was not available to my generation. However the education system relies totally on technology which is a bad thing. Now few schools go out on field trips to see nature and I know in my town there are children that have never seen a cow in real life. I wouldn't say social media is isolating anyone I have Facebook and Instagram and I am in my 60's, I have a number of friends who follow the same interests as me across the age range from teenager to 70's, my 6 year old granddaughter has snapchat and encouraged me to join it so we could chat. I think this actual question probably relates more to the over 75's than to any other generation. The computer age started in the 80's those of us up to 70 / 75 age group are probably the earliest to have used it at work or home so most of us are able to use it to a degree that would be at least intermediate. The problem arises when someone cannot afford the charges for internet and the cost of a computer, which then would limit them to access to GP's, banks, hospital services and a range of other services that provide internet access rather than post, fax or face to face. This could easily apply across all age ranges dependent on financial or educational circumstances. Our community offered free access to training on computers for those without the knowledge of using them. Libraries now offer access to internet but it is very limited.

Question 13 Response – I have paid my National Insurance as per our contract since 1971, the government decided to change that contract without my knowledge and has robbed me of my pension. The one thing that needs to change about taxation is when you agree to pay in by being on PAYE and you contribute to a pension which you expect on a certain date because that's what was in the contract the government should not be allowed to change that contract for any reason.

Question 14 Response – The cashflow system robbed millions from the NI scheme and people like me are now paying the price by not being able to retire. There was enough money and there still is enough money to give us our pensions. We are the 5th richest nation in the world yet we cannot give our elderly their pensions at the agreed age.

Catherine Harris – Written evidence (IFP0001)

Read this for information on the NI scheme:

<https://davidhencke.com/2018/07/19/revealed-the-271-billion-rape-of-the-national-insurance-fund-that-deprived-50s-women-of-their-state-pension/>

23 July 2018

Healthwatch Essex – Written evidence (IFP0011)

Introduction

1. Healthwatch Essex, created under the Health & Social Care Act (2012), has gathered face-to-face lived experience from almost 2,500 young people in Essex, published in a series of reports. Through two specific projects, SWEET! and SWEET! 2, we worked with young people living in areas of recognised deprivation (such as Jaywick). While the purpose of our study was not to specifically discuss housing and employment, these topics did come up in our discussions with young people, and so we have extracted this information in the hope that these seldom-heard voices may be of use to the Committee.

Executive summary

2. Jobs and the workplace
 - Young people from deprived, rural areas told us they experienced a scarcity of nearby jobs and difficulty travelling to jobs in neighbouring towns
 - These young people felt that mainstream education emphasised academic skills, and felt it did not equip them for the workforce if they were not academically talented
 - Many of the disadvantages these young people face also acted as barriers to employment
 - Some schemes such as apprenticeships were not accessible to young people because of the negative impact this would have on their individual or family benefit entitlement
 - Attracting employers to rural or deprived areas could create jobs for young residents, providing they had been prepared with the skills needed for such roles
 - The Mental Health Taskforce recommends that employment is considered a health outcome
 - Other public sector agencies such as the criminal justice system, social care and social housing are well placed to assist service users in finding employment
3. Housing
 - Young people often described poor experiences of social housing and privately rented accommodation, and wanted to see more social housing built
 - Young people from these backgrounds did not come from property-owning families
 - Intergenerational home-sharing would be inappropriate for many of these young people, who had lived experience of abuse or neglect in the home environment
4. Communities

- Young people felt apathetic and disempowered when they felt their voices had not been heard or considered in community decisions
- They spoke of the value of having goals to work towards, and wanted voluntary organisations with young people to work with them to plan meaningful activities
- These young people are potentially the next generation of caring staff. Many had taken on caring responsibilities from an early age, and felt passionate about high quality care. However, these young people rarely understand the diversity of roles in their communities, and are unaware of their value and the role they could play in solving this national issue.

Oral evidence

5. If oral evidence would be of use to the Committee, please contact Hannah Fletcher by emailing Hannah.fletcher@healthwatchessex.org.uk, or calling 07794 148886.

Jobs and the workplace

"To what extent do different generations have a better or worse experience of the labour market?"

Centralisation

6. Today's generation of young people experience a workforce that has moved away from industry toward knowledge work, and away from small business to larger corporations whose offices and headquarters are often based in large towns or cities.
7. For those living in rural areas, this means that fewer jobs are available in their locality. For areas like Jaywick, the most consistently named area of recognised deprivation in England, this can compound the affects of deprivation; those with the skills and means to accept jobs out of the area are likely to relocate to larger towns or cities, taking valuable skills and economic benefits with them.
8. Residents from places like Jaywick, therefore, can often be long-term unemployed, or no longer of working age. (Appendix B, p.25)

Travel

9. Young people from Jaywick told us they needed to travel to neighbouring towns, such as Clacton or Colchester, to participate in employment or further education. Many of the young people did not have the financial means to travel, and it was acknowledged by school staff and young people alike that public transport provision in the area was poor.
10. The young people we spoke to were mostly affected by additional needs such as learning disabilities, mental health conditions or caring responsibilities, which could further impede their ability to access work outside of Jaywick. (Appendix B, p.43)

Emphasis on academic learning

11. Many of the young people we spoke to were not predicted to achieve A-C grade GCSE results, but were learning vocational skills such as catering, mechanics and social care. Their school, the since-closed Tendring Enterprise Studio School (TESS), was unique in this regard;

many of its pupils had been transferred or excluded from mainstream education where they struggled with the value placed on 'academic' subjects. Students of TESS acknowledged that many young people who were not academically gifted were not given the same opportunity to learn vocational skills, and therefore left secondary education with little to prepare them for non-academic careers. (Appendix B, p.42)

"What needs to change to enable longer and fuller working lives for all? What roles should employers play in providing solutions?"

Thinking holistically

12. An examination of existing pathways into work should be considered through a holistic lens, bearing in mind young people and adults who are disadvantaged financially, geographically, or otherwise. For example, is a variety of work available locally? Are people currently given the necessary skills to meet the current job market during their education?
13. Do the benefits of employment, financial and otherwise, outweigh the benefits of unemployment? For instance, is the cost of being employed but paying to travel to work greater than the cost of unemployment to the individual? Is the cost of potential loss of benefits through apprenticeship work greater than the cost of unemployment?
14. For example, the Carers Trust has found that young carers miss, or cut short, multiple days of school, college, university or work each year because of their caring role.¹³⁹

Attracting employers

15. Anecdotally, staff at TESS hoped that talk of investment or regeneration of the area could attract businesses to operate in Jaywick. They hoped that cheaper business rates and less competition could be attractive to some businesses, and bring work to the area. However, they felt this would only benefit the young people if they were given the skills to meet the requirements of these jobs, or to carry out any regeneration works. (Appendix B, p.25)

Remote working

16. As more employers utilise technology for remote working, we could hope that location will have such a large bearing on those living in rural areas, though we have yet to see how much this is implemented across the country, and if it is feasible for sectors outside of knowledge work.

The public sector

17. The Mental Health Taskforce has said "Employment is vital to health and should be recognised as a health outcome. The NHS must play a greater role in supporting people to find or keep a job."¹⁴⁰
18. This is also true of other public sector roles such as social work, youth work and the justice system. Young people from areas of deprivation experience multiple barriers to finding work including

¹³⁹ Alexander, C. (2014). 'Time to be Heard: A Call for Recognition and Support for Young Adult Carers.' London: Carers Trust: p.2

¹⁴⁰ Mental Health Taskforce. (2016). 'The Five Year Forward View for Mental Health.' London: NHS England: p.17

involvement with youth justice services, living in care, chaotic home lives, caring responsibilities, and poorer mental and physical health. Therefore, helping young people find meaningful employment should be considered the responsibility of all sectors. (Appendix B, p.42)

19. Case study:

One participant told us that he had a chaotic childhood in the care system, which led to anger issues and getting into trouble. When he turned 16, he left home and was assigned a social worker who saw him weekly and involved him in activities. He felt this social worker genuinely cared, and even helped him find a nice place to live. He had begun to see friends and his girlfriend regularly, and said his life was better. He was still involved in soft drug use, but was beginning to think about finding work. (Appendix A, p.16)

"What are the barriers to greater in-work training and skills development for all generations?"

Financial

20. The young people we spoke to often told us that accepting an apprenticeship was not a viable option, as it negatively impacted their entitlement to carer's allowance, or the benefits their family received.

Housing

"What has driven the increase in the size of the private rented sector? Which generations are most affected by this and how?"

21. Some of the young people we spoke to felt that there was a need to build more social housing and described difficulties in being housed, meeting the criteria for housing, and complications applying through the computerised system. Many participants therefore lived in privately rented accommodation with social landlords, but described conditions as poor and sometimes overcrowded.

(Appendix A, p.26-30)

"How can the property wealth of older generations (parents and grandparents) be utilised to help younger generations (their children and grandchildren) access the property market? What would be the impact on intra-generational fairness of such schemes?"

22. The young people we worked with rarely came from families who owned property, and lived in privately rented accommodation or social housing. (Appendix A, p.26) Such schemes may therefore inadvertently further disadvantage younger generations from these backgrounds.

"To what extent are initiatives to encourage down-sizing or intergenerational home-sharing part of a viable solution to the housing shortage for the younger generations?"

23. Intergenerational home-sharing would not be beneficial to many young people from these backgrounds. These young people had often experienced sexual abuse, emotional abuse, violence, drug misuse, criminal activity, or other circumstances that placed them at risk in the family home. As a result, these young people often lived in care, or other

temporary alternatives (such as 'sofa-surfing').
(Appendix B, p.20; Appendix A, p.28-29)

Communities

"In what ways could more active communities help redress imbalances between generations? Are there opportunities for more non-state provided solutions to the challenges faced by an ageing society?"

Giving voice

24. Young people from these backgrounds often felt their experiences were unheard, and that they were given little say in decisions made affecting their lives and the communities they lived in. More could be done to provide an accessible platform for young people to partake in community decision making in a meaningful way, with a particular focus on seldom-heard groups of young people who may be limited in terms of free time, means to travel and so on.
(Appendix A, p.10 & 12p; Appendix B, p.8)

Having a goal

25. These young people often lacked a sense of self-worth, or a goal in life. Such feelings could lead to a sense of apathy. (Appendix A, p.11)
Communities could engage young people who face multiple barriers to work or secure housing to find out what clubs or activities would appeal to them, and where these would best be located. Here the young people would have opportunities to gain confidence, set goals and be surrounded by positive adult role models. (Appendix A, p.11 & 24)

Young people's role in caring for an ageing population

26. Two of the largest problems affecting the population of Jaywick were the ageing population and high unemployment rates amongst people of working age. We explored the potential to connect young people in the area, who struggled to find work locally, to the gap in care for the ageing. We provided a panel of local health and care professionals to speak to the young people attending TESS about health and social care jobs. A film of this event is available for streaming at:

<https://youtu.be/8ET1Hso1IE8>

27. These young people knew the area, had often experienced providing care in their personal lives, and often felt passionately about quality care based on their own lived experience.

Feeling connected

28. Young people also spoke positively about social activities that voluntary organisations ran on their housing estates, where they could mix with older generations of residents and feel more connected to their community.
(Appendix A, p.26)

Appendices

Healthwatch Essex – Written evidence (IFP0011)

- A) Fletcher, Hannah. 'SWEET!' Healthwatch Essex: Essex, 2016.
<https://www.healthwatchessex.org.uk/wp-content/uploads/2016/01/SWEET-Report.pdf>
- B) Fletcher, Hannah. 'SWEET! 2' Healthwatch Essex: Essex, 2017.
https://www.healthwatchessex.org.uk/wp-content/uploads/2016/02/HEA8340-Sweet-2-report-2017-AW2_RGB-Small.pdf

23 August 2018

HM Government – Written evidence (IFP0058)

The Lords Committee on Intergenerational Fairness and Provision published a call for evidence on 23 July 2018. The Government agreed to respond and the Ministry of Housing, Communities and Local Government has coordinated evidence gathering across Government.

A number of Departments contributed to this evidence, including the Department for Business, Energy and Industrial Strategy (BEIS); the Department for Digital, Culture, Media and Sport (DCMS); the Department for Education (DfE); the Department for Work and Pensions (DWP); HM Treasury (HMT); and the Ministry of Housing, Communities and Local Government (MHCLG).

Contents

<i>Is the intergenerational settlement in the UK currently fair? Which generations are better off or worse off, and in which ways?</i>	180
<i>What are the future prospects for different generations in the light of current economic forecasting?</i>	183
<i>To what extent do different generations have a better or worse experience of the labour market?</i>	184
<i>What needs to change to enable longer and fuller working lives for all? What role should employers play in providing solutions? What role can technology play?</i>	196
<i>What are the barriers to greater in-work training and skills development for all generations?</i>	210
<i>To what extent is intergenerational fairness impaired by the UK housing market?</i>	215
<i>What has driven the increase in the size of the private rented sector? Which generations are most affected by this and how?</i>	220
<i>How can we ensure that the planning system provides for properties appropriate for all generations, including older people?</i>	222
<i>How can the property wealth of older generations (parents and grandparents) be utilised to help younger generations (their children and grandchildren) access the property market? What would be the impact on intra-generational fairness of such schemes?</i>	223
<i>To what extent are initiatives to encourage down-sizing or intergenerational home-sharing part of a viable solution to the housing shortage for younger generations?</i>	224
<i>In what ways could more active communities help redress imbalances between generations? Are there opportunities for more non-state provided solutions to the challenges faced by an ageing society?</i>	225
<i>To what extent are new technologies and social media isolating different generations from each other? How can technology be harnessed to promote active communities working to redress imbalances between generations?</i>	230
<i>To what extent does the tax system take account of fairness between the generations? What changes, if any, should be made to the tax system to achieve a fair intergenerational settlement?</i>	233
<i>How does the Government's practice of running public finances on a cash flow basis rather than on a balance sheet basis affect the intergenerational settlement?</i>	234

1. Is the intergenerational settlement in the UK currently fair? Which generations are better off or worse off, and in which ways?

The Government is committed to building a country that works for everyone, and the Prime Minister has been clear this means that the next generation should enjoy a better life than the one before it.

The impact of Government policy on different generations is an important consideration throughout the policy making process, and fundamental to the Government's fiscal and economic objectives.

A key part of this is the Government's commitment to managing the public finances, and ensuring an unsustainable level of debt interest to future generations is not passed on. Government has already reduced its borrowing by over three-quarters, and this year the debt is forecast to begin its first sustained fall in a generation.

The Government is also committed to building a strong economy and boosting productivity, which is the best way to raise living standards for all. Employment levels are near record highs, while the unemployment rate is at its lowest level since 1975. Furthermore, real disposable income (RHDI) per person is higher than it was in 2010.

The Government's 'Managing fiscal risks' report, published in July 2018, sets out more detail on our strategy for tackling the long-term risks to the public finances, including an ageing population.

Throughout the policy making process, the Government also carefully considers the impacts of its policies on different age groups in line with both its legal obligations on equalities and with its strong commitment to equality issues.

Housing

For decades, successive Governments have not built enough homes, and the Government acknowledges that for many people today, the housing market does not work. Young people are finding it increasingly difficult to get onto the housing ladder, and the ratio of average house prices to incomes has more than doubled since 1998. We also have a rapidly ageing population, with needs different from previous generations, and with dramatically different aspirations around housing and lifestyles. Offering older people a better choice of accommodation can help them to live independently for longer, improve their quality of life and free up more family homes for other buyers.

The Government is determined to tackle the issues across our housing market. This means building more of the right homes, in the right places, and ensuring that the housing market works for everybody. Government has set out an ambitious package of long-term reform to deliver on the commitments in our Housing White Paper of February 2017, and has since built on this further to work to create, fund, and drive a housing market which will deliver 300,000 homes a year on average by the mid 2020s. These reforms include boosting delivery through at least £44 billion of financial support to 2022/23 and the planning reforms taken forward in the recently revised National

Planning Policy Framework (NPPF). Progress is being made, and in 2016/17 added 217,350 homes to the housing stock in England, the highest level in all but one of the last 30 years.

However, Government recognises that many of these reforms will take time, which is why it is also taking action to help people now. To help people into home ownership, Government has given full relief from stamp duty land tax (SDLT) for all residential property transactions by first time buyers of a transaction value at or below £300,000, and introduced the Help to Buy: ISA and Lifetime ISA to provide a Government bonus towards a deposit for eligible first-time buyers. Furthermore, the Government has also committed £22 billion of funding to the Help to Buy: Equity Loan scheme to 2021, which will help around 360,000 households buy a home. So far the scheme has helped over 169,000 households, and 81 per cent of these have been first time buyers. We have also increased the Government's 2016-21 Affordable Homes Programme in England to more than £9 billion, which will support delivery of home ownership products like Shared Ownership and Rent to Buy.

In the private rented sector, Government is committed to rebalancing the relationship between tenants and landlords to deliver a fairer, good quality and more affordable sector. Our reforms include banning unfair letting fees to tenants and capping tenancy deposits to ensure more money in tenants' pockets, and requiring that private landlords are members of a redress scheme so that tenants have quick and easy resolution to disputes. From April 2018, Government introduced banning orders and a database of rogue landlords and agents, making it easier for local authorities to act against them to protect tenants. In July 2018 Government consulted on overcoming the barriers to longer tenancies, proposing a new three year tenancy model with a six month break clause and asking for views on its viability and how it can be implemented.

The Government is committed to supporting our ageing population, and the recently revised NPPF—reinforced by planning guidance—sends a clear message that local planning authorities should be planning to meet the needs of all the different groups in their community, including but not limited to families with children, students, and people with disabilities and older people.

Welfare, pensions and the labour market

With regard to welfare, pensions and the labour market, the Government carefully considers the impact of current public spending decisions on future generations while ensuring as a nation the settlement is fair between the generations. We are committed to bring down the deficit to safeguard our long-term economic security and ensure that future generations are not burdened by debt.

We want to increase opportunities for young people from all backgrounds. Government has supported young people through the largest increase in the National Minimum Wage youth rates in ten years in April this year; and has improved standards in our schools and colleges so young people have the skills they need to get on in life.

On welfare Government has taken difficult decisions to put the system on a sustainable footing; ensuring that it helps the most vulnerable in every generation: supporting people into work, which is the best way out of poverty; and through Universal Credit helping people fulfil their potential. The overall employment rate is at a near record high of 75.5 per cent. For 25-34 year olds too, the employment rate is 83.2 per cent (up 5.7 percentage points since 2010) and youth unemployment is at a joint record low of 11.3 per cent.

The Government is committed to helping people to achieve financial security in later life and is reforming the pension system as part of its efforts to encourage a culture of saving for all generations. Automatic enrolment has already reversed the decline in workplace pension saving seen in the decade prior to its introduction. By the end of July 2018, over 9.8 million people had been automatically enrolled, and more than 1.3 million employers had met their duties.

By introducing regular reviews of the State Pension age each Parliament, based on the latest life expectancy data Government is also ensuring the system is responsive to changing demographics. The Government's proposed timetable for State Pension age increases, set out in the Government's first review of State Pension age published in 2017, will save £74 billion by 2045/46, when compared with the existing timetable. Big rises have been seen in the living standards of pensioners it must be borne in mind that over a million current pensioners rely solely on the State for their income. To ensure their incomes are protected, this Government has introduced the triple lock in 2011 and have committed to continuing it over the course of this Parliament. There has been huge progress in protecting and supporting pensioners over the last few decades. In the 1970s 40 per cent were in poverty. In 2017 that figure was 16 per cent.

Taxation

The Government is committed to supporting people at all stages of life through a tax system which is fair, sustainable, and which minimises burdens for the taxpayer and Government.

For example, the tax system supports home ownership and first-time buyers through Stamp Duty tax relief, which over the next five years will help over a million first time buyers getting onto the housing ladder. The Government is also committed to supporting people to save for the future through the Lifetime ISA and tax-free pension contributions, to ensure that people have an income, or funds on which they can draw, throughout retirement.

Furthermore, the tax system encourages early transfers of wealth between generations through inheritance tax relief; for example the additional residence threshold was introduced in April 2017 to make it easier to pass on the family home to the next generation, allowing over 96 per cent of estates to pass on all their assets to the next generation without paying any inheritance tax.

2. What are the future prospects for different generations in the light of current economic forecasting?

The Office for Budget Responsibility produces forecasts for future economic prospects for use by Government. It also produces analysis of the long term fiscal risks to Government, which includes demographic risks, in its Fiscal Sustainability Report.

The Government is clear on the importance of reducing the level of debt, and carefully considers the OBR's forecasts as it develops policy. As a result of the Government's approach to managing the public finances, debt is forecast to this year begin its first sustained fall in a generation, reducing the burden of debt interest that is placed on the next generation.

Furthermore, there is a significant body of external research on intergenerational fairness which may be of interest to the Committee. For example, 'A New Generational Contract', published in May 2018 by the Intergenerational Commission, made a number of wide-ranging policy recommendations to solve the issues identified in its report, covering pay, pensions, housing and social care. A number of other publications from the Commission are available online.¹⁴¹

The Government engages with a range of different stakeholders as a matter of routine during the policy development process, both in considering policy options and in ensuring that it is keeping in touch with latest developments in modelling and analysis in this space.

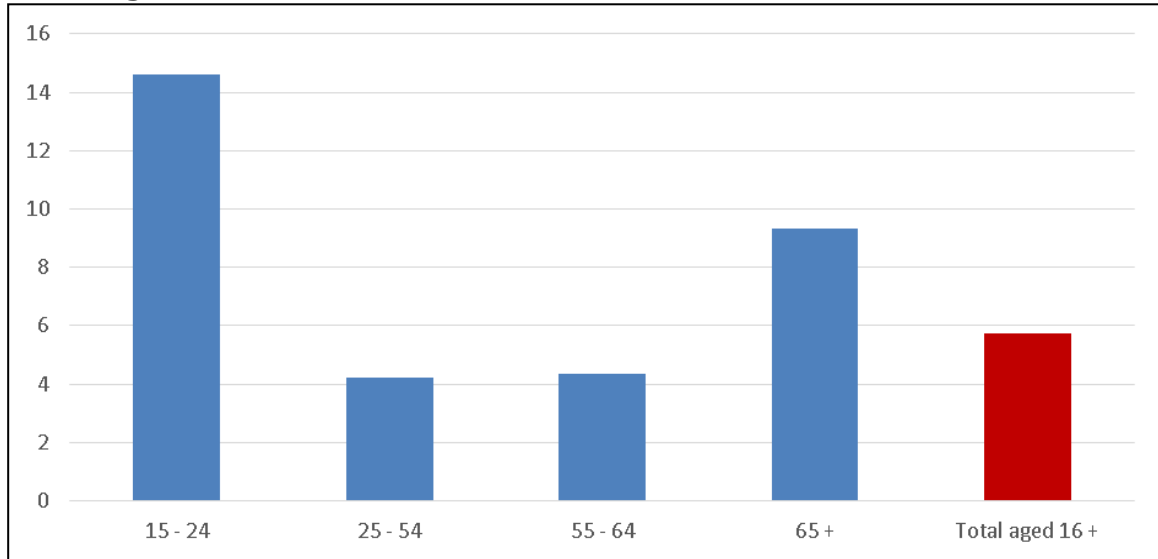
¹⁴¹ <https://www.intergencommission.org/publications/>

3. To what extent do different generations have a better or worse experience of the labour market?

Temporary work

A much higher proportion of young employees are in temporary work. Older workers aged 65+ are also more likely to be in temporary work.

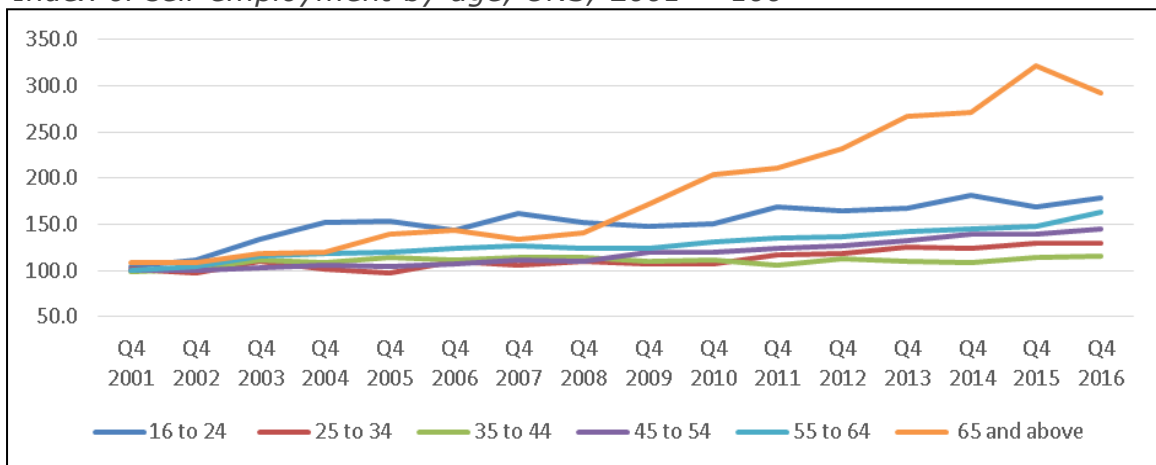
Proportion of total employees in age range in temporary work (%), compared to average, OECD 2017



Self-employment

Self-employment has been increasing since 2000, although growth has accelerated post the most recent recession. Those aged 16-24 and 65+ have seen the highest growth rates. For those aged 65+, the number in self-employment has almost trebled since 2001.

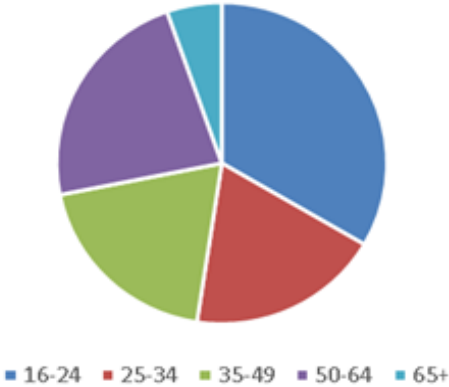
Index of self-employment by age, ONS, 2001 = 100



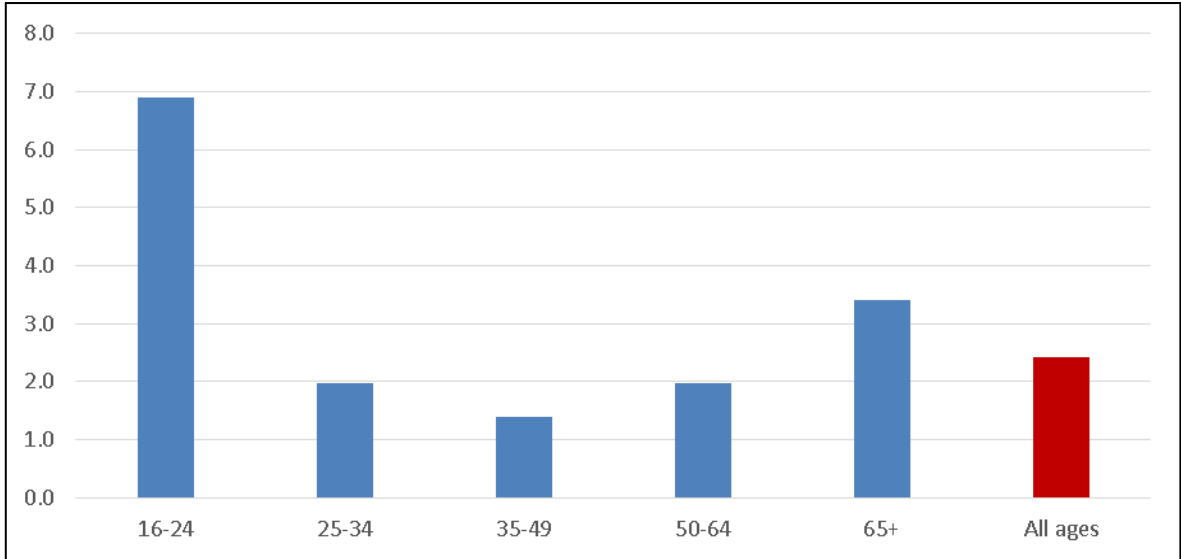
Zero-hour contracts

Young people aged 16-24 make up a third of people on zero-hour contracts and are much more likely to be employed on a zero-hour contract than any other age group.

Total number of zero-hour contracts by age group, %, Q2 2018, ONS



Proportion of total employees in age range in a zero-hour contract (%), compared to average, ONS, Q1 2018

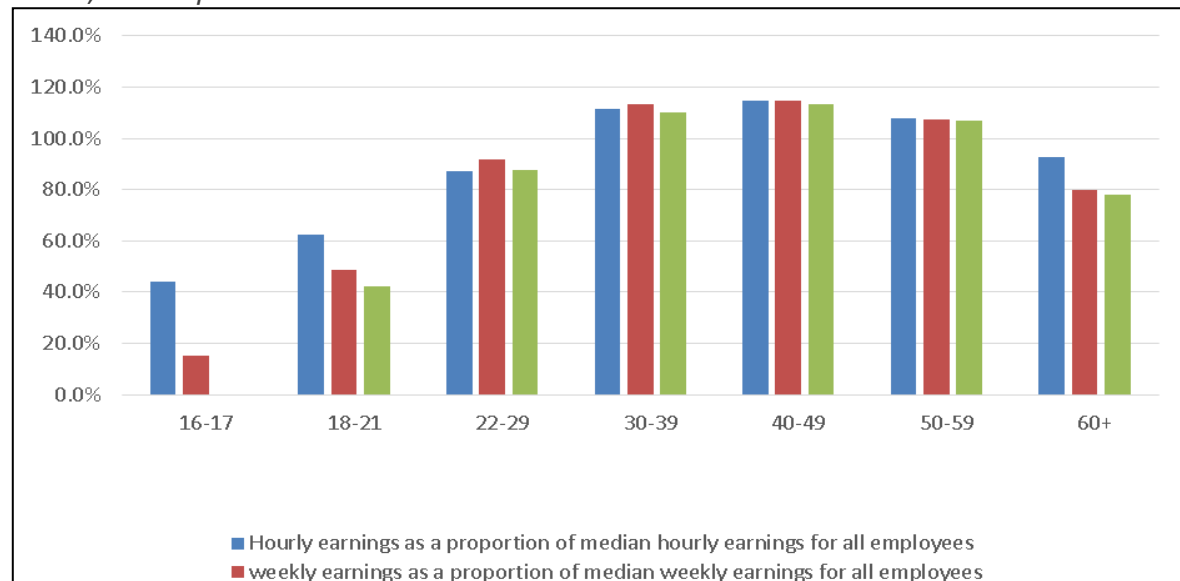


Median pay

Hourly, weekly and annual median pay data all show that people between the ages of 30 and 59 are the only people earning more than the median level.

Age group	Median hourly earnings	Median weekly earnings	Median annual earnings
All employees	£12.49	£448.60	£23,474.00
16-17	£5.50	£69.10	n/a
18-21	£7.82	£217.70	£9,912.00
22-29	£10.90	£411.70	£20,563.00
30-39	£13.94	£508.50	£25,902.00
40-49	£14.33	£514.00	£26,626.00
50-59	£13.49	£482.10	£25,092.00
60+	£11.57	£358.40	£18,355.00

Median earnings by age group relative to median earnings of all employees, ASHE, 2017 provisional data



Gig economy

Approximately, 4.4 per cent of the population in Great Britain had worked in the gig economy in the 12 months to July/August 2017. This is roughly 2.8 million people.

While there is no such thing as a typical gig economy worker, research shows gig-economy workers tend to be younger (age 18-34), in full time work, London-based, and tenants rather than home-owners, compared with the general population.

The labour market is performing strongly

The independent Office for National Statistics¹⁴² produce estimates of employment rates for different age groups within the UK’s labour force. Because this time series data, based upon the Labour Force Survey, began in 1992, it is not possible to draw robust conclusions about how different generations have fared in the labour market over time. This data does however allow us to make some comparisons about how labour market

¹⁴² All data in this section is taken from the UK Labour Market Statistics - [link](#)

outcomes for people of different generations have fared comparatively, over the last few decades.

Estimates of the headline rate of employment; unemployment and economic inactivity go back further—to 1971—and show that currently the labour market is performing strongly by historic standards and all age groups (see below table) are included in this. These figures show that the labour market has recovered from the recession and employment has continued to grow.

- In May to July 2018 the UK's employment rate was at a near-record high (75.5 per cent), slightly lower on the quarter (75.6 per cent) but higher than for a year earlier (75.3 per cent). Employment rose to 32.40 million. It has changed little on the quarter but has increased by 261,000 on the year and by over 3.3 million since the 2010 election.
- The unemployment rate fell on the quarter to 4.0 per cent—the joint-lowest rate since 1975; and the economic inactivity rate is a 21.2 per cent—a near record low.
- Open vacancies reached a record-high of 833,000 in the three months to August 2018.

Different age groups' employment rates have improved over time

- All generations: those aged 16-24 (not in full-time education); 25-34; 35-49; 50-64 and 65+, are performing better in terms of employment rates in 2018 than they were in 1992; with employment rates having recovered from the effects of the 2008 recession and continued to grow.
- The current employment rate for 25-34 year olds (born between 1984 and 1993) is at a near record high of 83.2 per cent. This is a rise of 4.7 percentage points since the 2010 election. The current groups of 25-34 year olds have a higher employment rate than the same age group did in 2008; 2000 and 1992.
- The current employment rate for 35-49 year olds (born between 1969 and 1983) is at a near record high of 85.1 per cent. This is a rise of 0.5 percentage points on the year and of 4.5 percentage points since 2010. The unemployment rate for 35-49 year olds—as of that for 16-24 year olds—is at a joint record low of 2.6 per cent.
- The employment rate of those aged 50-64 (those born between 1954 and 1968) stands at a near record high of 71.8 per cent. This is up 0.7 percentage points on the year and by 6.9 percentage points since 2010. Moreover, this is a rise of over 10 percentage points since 2000 (for people born between 1936 and 1950) and a rise of over 15 percentage points since 1992 (for people born between 1928 and 1942).
- The employment rate for those aged 65+ (born 1953 or earlier) has reached 10.7 per cent. This is up 0.7 percentage points on the year and 2.4 percentage points since 2010. This group's employment rate is 5.2 percentage points higher than the employment rate for this age group in 1992 (when people of this age were born in 1927 or earlier); and 3.4 percentage points higher than in 2008 (when this group was born in 1943 or earlier).

Age	Employment rate (%)			
	May-July 1992 (when data collection began)	May-July 2000 (turn of the century)	May-July 2008 (start of the 2008 recession)	May-July 2018 (comparable data for latest year)
16+ (total employment)	56.8	59.6	60.2	61.0
16-64	69.0	72.6	72.8	75.5
16-24	61.7	62.7	57.0	54.9
16-24 (not in FTE)	70.8	75.8	72.1	75.1
25-34	73.5	80.1	80.6	83.2
35-49	79.5	81.9	82.5	85.1
50-64	56.4	61.0	65.6	71.8
65+	5.4	5.1	7.3	10.7

Youth unemployment is at a joint-record low

The youth (ages 16-24) unemployment rate is currently at a joint-record low of 11.3 per cent and the proportion of 16-24 year olds that are unemployed and not in full-time education (FTE) is now at a record low of 4.7 per cent.

The headline employment rate for young people is a less good metric to look at, because this measure is affected by the fact that more young people are entering and staying in full-time education¹⁴³ rather than entering employment. To get a sense of labour market outcomes for those young people who have entered the labour market, rather than combining it with study, it is necessary to look the employment rate of people aged 16-24 years old not in full-time education (table below). This group’s employment rate has increased over time; despite some falls in the 2000s and after the recession.

Employment rate (%) of 16-24 year olds not in full-time education in 1992, 2000, 2008 and 2018

Employment rate (%) of 16-24 year olds not in full-time education			
May-July 1992 (Young people born between 1968 and 1976)	May-July 2000 (Young people born between 1976 and 1984)	May-July 2008 (Young people born between 1984 and 1992)	May-July 2018 (Young people born between 1994 and 2002)
70.8	75.8	72.1	75.1

The employment outcomes for both men and women have improved over time across the age distribution

A similar pattern is shown for women as for the population as a whole. Women of all generations—those aged 16-24 (not in full-time

¹⁴³ For example, through the raising of the education participation age to 18 and more young people staying on in higher education for example than they did historically

education); 25-34; 35-49; 50-64 and 65+ —all have higher employment rates than they did in 1992. This pattern also holds for men.

Male employment rate (%) by age group in 1992, 2000, 2008 and 2018

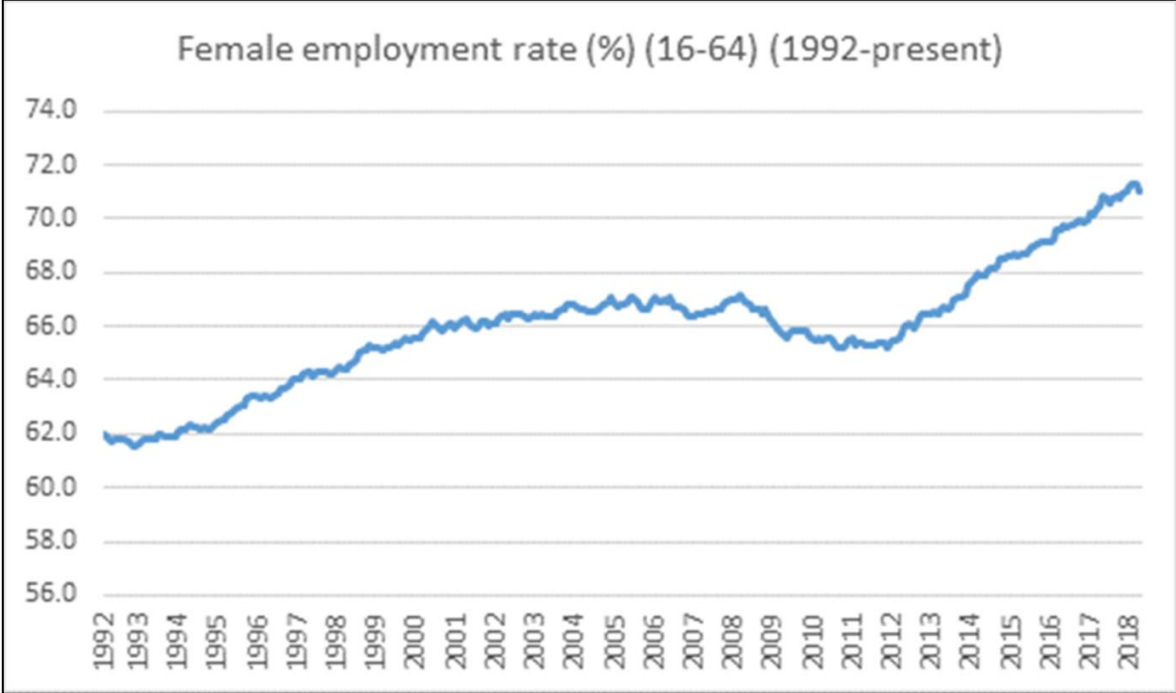
Age	Male employment rate (%)			
	May-July 1992	May-July 2000	May-July 2008	May-July 2018
16+ (total employment)	65.1	67.1	66.8	66.1
16-64	76.3	79.3	78.7	80.1
16-24	63.5	64.9	58.1	55.9
16-24 (not in FTE)	74.5	80.6	75.5	76.9
25-34	83.2	88.6	88.4	89.3
35-49	86.6	88.7	77.7	90.8
50-64	66.0	69.1	73.1	76.4
65+	8.4	7.4	10.6	13.7

Female employment rate (%) by age group in 1992, 2000, 2008 and 2018

Age	Female employment rate (%)			
	May-July 1992	May-July 2000	May-July 2008	May-July 2018
16+ (total employment)	49.0	52.7	53.9	56.2
16-64	61.7	66.0	66.9	71.0
16-24	59.8	55.9	51.1	53.8
16-24 (not in FTE)	67.1	68.5	64.5	73.1
25-34	64.0	71.8	73.0	77.0
35-49	72.5	75.2	76.3	79.6
50-64	47.1	53.2	58.2	67.4
65+	3.4	3.5	4.6	8.1

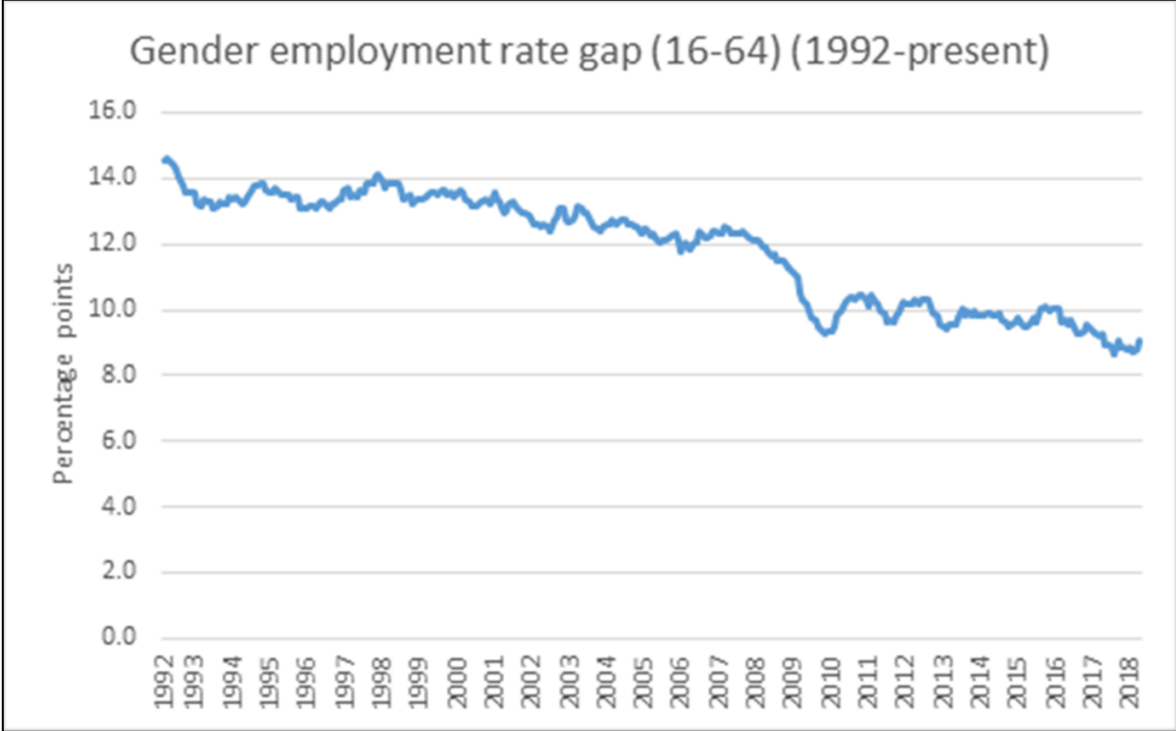
Other ONS data show that women are currently performing very strongly in the labour market. The female employment rate is at a near record high of 71.0 per cent (the record was 71.3 per cent set for the quarter ending April 2018). Currently, the female unemployment rate stands at a near record low of 4.1 per cent. This compares to 7.7 per cent in the quarter ending July 1992. Moreover, female inactivity rate currently stands at a near record low of 25.9 per cent (the record low is 25.6 per cent which was set in the quarter ending April 2018). This compares to 33.1 per cent in the quarter ending July 1992.

Female employment rate (%) between 1992 and present



The gender employment rate gap (the difference between the employment rates of men and women) currently stands at 9.1 percentage points. This is a large fall since 1992, in which it stood at 14.6 percentage points for the quarter ending July 1992.

Gender employment rate gap (%) between 1992 and present



Earnings of different age groups over time in the UK labour market

Earnings growth and progression

Boosting earnings growth and supporting progression remain key priorities for this Government.

ONS data collection on average weekly earnings goes back to 2000. The published data do not include breakdowns of earnings growth by age group. The Annual Survey of Hours and Earnings (ASHE) goes back to 1997, although it does break down earnings by age group. The 2017 ASHE provisional data shows the following earnings by age. Wages typically grow as people age and gain more skills.

	Median full-time gross weekly earnings by sex and age group, UK, April 2017	
	Male (£)	Female (£)
16 to 17	188.5	164.0
18 to 21	337.0	309.6
22 to 29	477.9	440.8
30 to 39	613.3	557.5
40 to 49	679.8	544.4
50 to 59	663.6	508.1
60 and over	571.3	448.0

Since the recession, productivity and real earnings growth have been subdued below pre-crisis trends. However, recent data published in 2018 indicates some signs of recovery—with Labour Market Statistics showing average weekly total and regular pay both growing in real terms (after inflation) for the sixth month in a row. (February to July 2018).

While building on the UK’s strengths: a flexible labour market, an open economy and near-record employment rates, the challenge remains to make sure living standards grow as they have done pre-crisis and everyone is able to progress in work. DWP is taking a ‘test and learn’ approach to build the evidence base on what interventions to help people progress in work—through a large randomised control trial on how to support those in low-paid work (due to publish in the autumn), and a further £8 million over four years allocated in the Budget to further build the evidence of what works. The Government is also aiming to boost earnings through a number of measures: introducing and increasing the National Living Wage; raising the income tax Personal Allowance; and providing support to people for important expenses such as childcare.

Through the National Minimum Wage (NMW), the Government is ensuring the lowest paid young workers are fairly rewarded for their contribution to the economy, whilst considering the impact of raising the minimum wage on their employment prospects. For younger workers, the priority in those first years is to secure work and gain experience—something that has always been reflected in the NMW rate structure.

There are five age-specific National Minimum Wage (NMW) and National Living Wage (NLW rates), all of which were increased from 1 April 2018. This

was the largest increases in the NMW in more than 10 years, with the NMW rate for 21-24 year olds and apprentices at record highs in real terms.

Changes in National Minimum Wage (NMW) and National Living Wage (NLW) rates

	Previous rate	Current rate (1 April 2018)	Annual increase	Workers benefitting
National Living Wage (25+)	£7.50	£7.83	4.4%	1.6 million
21-24 year old NMW rate	£7.05	£7.38	4.7%	186,000
18-20 year old NMW rate	£5.60	£5.90	5.4%	140,000
16-17 year old NMW rate	£4.05	£4.20	3.7%	32,000
			Total	2.01 million

The youth labour market is much more sensitive to economic shocks and young people can be exposed to longer-term scarring effects from prolonged spells of worklessness. It is right to be more cautious about this group because periods of worklessness can be much more damaging for young people.

The Government implements the independent recommendations of the Low Pay Commission when setting the NMW youth rates. Following the latest increases in April 2018, almost 400,000 young workers are expected to have benefited from the largest increases in the NMW in more than 10 years, with the NMW rate for 21-24 year olds and apprentices at record highs in real terms. Since 2015 the NMW has increased faster than average wages and inflation without any conclusive evidence of an adverse effect on employment.

How have earnings changed for different age groups?

In 2014, the ONS made a more detailed study of how earnings had changed over the last four decades.

The data show that over the forty years prior to the study being conducted (i.e. 1973 to 2013) each generation typically earns more compared to their predecessors. For example, employees aged 21 in 1994 earned 40 per cent more by age 39 than those aged 21 in 1975 did up to the age of 39.

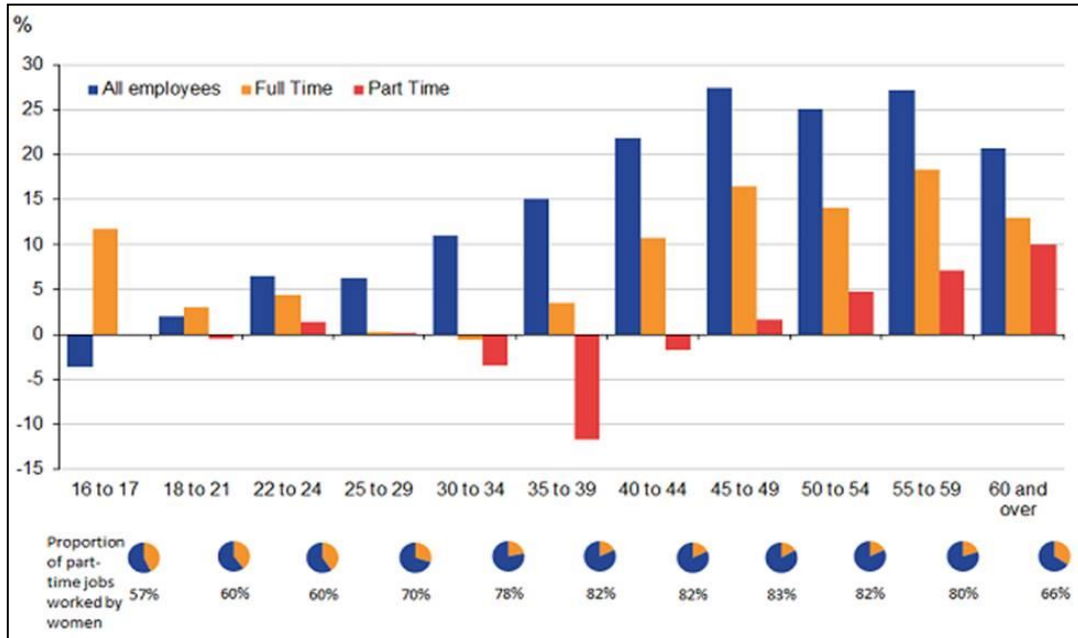
However, there is evidence to suggest that this trend is not being followed for recent younger generations:

- Whilst all generational cohorts have seen earnings fall since 2009, younger cohorts appear to have been particularly affected by the weak levels of earnings growth prevalent in the wider economy. The average earnings of those in their twenties in 2013 were on average 12 per cent lower than those in their twenties in 2009. In comparison, the earnings of those who were over-50 in 2013 were 5 per cent lower than those who were over-50 in 2009.
- Whilst younger generations do not seem to earning more than their predecessors, the wage differentials between men and women appear to be much smaller. In 2013 the difference in average hourly pay between

males and females stayed close to zero up along all age groups up to the age of 30, whereas in 1975 a pay gap opens up after the age of 18.

Gender pay gap

Among full-time employees, the gender pay gap is relatively small, up to and including those aged 35 to 39. From the 40 to 44 age group and upwards, the gap is much wider, with men being paid substantially more on average than women. This is likely to be connected with patterns of return to work after having children.



4. What needs to change to enable longer and fuller working lives for all? What role should employers play in providing solutions? What role can technology play?

The issue of how to enable longer and fuller working lives for all is complex and is not an issue that the Government can address in isolation.

The Government’s policies are forward-looking and focus not just on the current generation, but on the positive impact they will have on future generations.

The following evidence sets out the policies and legislation Government has implemented, or is in the process of implementing, to ensure that all generations have the same opportunities to enjoy a fuller working life.

Introduction

The labour market remains strong and resilient. Headline employment and participation rates are at or near record levels with real progress for some historical under-represented groups.

Employment rate (%) by age group and gender, May-Jul 2018

Age	Total		Men		Women	
	Level (m)	Rate (%)	Level (m)	Rate (%)	Level (m)	Rate (%)
16+ (total employment)	32.4	61.0	17.2	66.1	15.2	56.2
16-64	31.1	75.5	16.4	80.1	14.7	71.0
16-17	0.4	25.3	0.2	24.9	0.2	25.7
18-24	3.5	62.1	1.8	63.5	1.7	60.7
25-34	7.5	83.2	4.0	89.3	3.4	77.0
35-49	10.8	85.1	5.7	90.8	5.1	79.6
50-64	9.0	71.8	4.7	76.4	4.3	67.4
65+	1.3	10.7	0.7	13.7	0.5	8.1

Source: Labour Force Survey, September 2018, ONS

The barriers to a fuller working life are generally common to most age groups. Access to flexible working, help to balance caring with work, the creation of workplaces that support the individual’s health and wellbeing and having access to appropriate training are key labour market determinants and can impact people of all ages. Government has in place a programme of policy development and engagement that seeks to support those labour market objectives.

Government Reform

To support people to remain in and return to the labour market, Government has introduced a number of initiatives and reforms, examples of which include:

- **for younger people:** in April 2017, the Youth Obligation Support Programme for 18-21 year olds making a new claim to Universal Credit. It will be available nationally in all sites by December 2018 in line with the roll-out schedule for Universal Credit full service. The support starts

with the Intensive Activity Programme that encourages young people to think more broadly about their skills and job goals, helps them identify any training they need, and supports them to improve their job search, job application and interview skills;

- **for adults:** the Government announced a National Retraining Scheme at Autumn Budget 2017 to up-skill and re-skill people throughout their working lives. Although T Levels are currently focused on younger people, Government recognises that some adult students would also benefit from the outcomes offered by a T Level and are therefore considering any flexibilities that could be introduced which will support adult students to access and complete a full T Level programme.
- **for those approaching retirement:** the Government has removed the Default Retirement Age, meaning it is now unlawful to sack someone just because they reach age 65—most people can now choose when to retire. Our concept of ageing in the workforce and retirement must move with the times as the population demographics change; and
- **for all ages:** the Government has also extended the right to request flexible working beyond those with caring needs, meaning people can discuss with their employers options for allowing choice about how and when they retire.
- As part of wider plans to transform technical and vocational qualifications, Government is continuing to reform apprenticeships, learning from the best international systems to give apprentices of all ages and backgrounds world class training opportunities and support for their long-term careers.

Flexible working

Flexible working is a priority for Government. The Government would like it to be an option for employees, whatever their personal circumstances.

Since June 2014, all employees with 26 weeks continuous service with their employer have the right to request flexible working. BEIS estimated that the 2014 regulations would lead to a further 80,000+ requests for flexible working—leading to 60,000+ new working arrangements a year. The Government has committed to evaluate the impact of the Flexible Working Regulations, including how effective it has been in achieving this estimate. The evaluation will be based on robust survey data and will be undertaken in 2019.

Flexible working fits well with the changing demographic of the workforce and the expectation of longer working lives brought about by increases to the State Pension age, and longer life expectancy. That is why the Government has set up the Flexible Working Taskforce.

The members of the Taskforce have been drawn from across government, business and representative organisations. It is co-chaired by Business Energy and Industrial Strategy and by the Chartered Institute of Personnel Development. The members all have active agendas on flexible working, and bring with them a commitment to do more to promote it. The intention is to draw efforts together and develop a consolidated and co-ordinated action plan to promote more flexible work places.

The Government considers that the key challenge is designing work so that it can be flexible. That question needs to tackle organisationally to achieve real change. Businesses need to explore how flexible working can work across the board—rather than just in relation to specific roles. That is a broader and more challenging question which is why the Government is seeking to work with business and other organisations through the taskforce.

Flexible working requests

In 2011, 22 per cent of employees in Britain had made a request to change their working arrangements in the two years preceding the survey. Female employees (28 per cent) were more likely to have made a request, compared with male employees (17 per cent). The likelihood of making a request was also higher among those with caring responsibilities for an adult in their household (30 per cent), compared with non-carers (21 per cent)¹⁴⁴. In 2006, 17 per cent of employees had made such a request. Female employees (22 per cent) were more likely than male employees (14 per cent) to have requested to work flexibly over the last two years¹⁴⁵.

In 2011, employees aged 25-39 were more likely to have made a request to change their working arrangements (26 per cent) than employees overall (22 per cent). Survey findings indicate increases in the proportion of employees making requests across all age groups between 2006 and 2011.

Proportion of those who made a request to change regular working arrangements in 2 years preceding the survey by age (2011)¹⁴⁶

Age	Proportion
16-24	21%
25-39	26%
40-49	21%
50-59	18%
60 and over	21%
All employees	22%

Figures presented pre-date the 2014 extension in eligibility of the right to request flexible working to all employees with 26 weeks continuous service. The Government is seeking to undertake representative research into flexible working among employees using similar methodology to that carried out in 2011.

With regards to the gender breakdown, the most recent statistics available show:

- In 2011, 22 per cent of employees in Britain had made a request to change their working arrangements in the two years preceding the survey. Female employees (28 per cent) were more likely to have made a request, compared with male employees (17 per cent) (Fourth work-life balance survey 2011, p. 68).
- In 2006, 17 per cent of employees had made such a request. Female employees (22 per cent) were more likely than male employees (14 per

¹⁴⁴ Fourth work-life balance survey 2011, p. 68

¹⁴⁵ Third work-life balance survey 2006, pp. 173

¹⁴⁶ Base: All employees, Great Britain; Source: Tipping, S. et. al (2012) Fourth work-life balance employee survey, Department for Business, Innovation and Skills, pp. 301.

cent) to have requested to work flexibly over the last two years (Third work-life balance survey 2006, p. 173).

Support for people with health conditions

The Government wants to build a country that works for everyone—ensuring disabled people and people with health conditions can go as far as their talents take them. For our nation to reach its full potential, every one of our citizens must reach theirs. Harnessing the skills and talents of every person should be at the heart of a successful economic plan, but good employment delivers much more than just a strong economy. Good work is good for health. And it enables people to become more financially robust and gives them more opportunities to fulfil their ambitions in life. The Government has a vision for a society in which disabled people and those with health conditions are able to—wherever possible—fulfil their potential and work. That is why the DWP has committed to seeing one million more disabled people in work over the next ten years.

Childcare

Evidence shows that high-quality childcare supports children’s development, and prepares younger children for school. It also gives parents the ability to balance work and family life, allowing them to enjoy the benefits of a job, safe in the knowledge that their children are in good hands.

By 2019-20 Government will be spending around £6 billion on childcare support. This is more than any other Government and this support will make childcare more affordable and more accessible.

This Government has extended children’s childcare entitlement in five major ways:

- Increased the free childcare available from 12.5 to 15 hours for all three and four-year-olds.
- Introduced 15 hours free childcare for disadvantaged two year olds.
- Introduced 30 hours of free childcare for working parents of three and four year olds.
- Increased the help given to parents for childcare costs under universal credit from 70 per cent to 85 per cent.
- Introduced Tax-Free childcare, which can cut childcare costs by up to £2,000 a year for each child under 12 years old.

More than 340,000 children have benefited since the national rollout of 30 hours of free childcare, and Government is already starting to see how this is making a real difference to the lives of families across the country.

This is backed up by the independent evaluation of our early implementation areas which showed that:

- 78 per cent of parents reported greater flexibility in their working life as a result of 30 hours;
- Nearly a quarter of mothers and one in 10 fathers reported they had been able to increase their working hours.

Government commissioned an independent evaluation of the first year of delivery which was published on 11 September 2018¹⁴⁷.

And, in addition, this Government has introduced Shared Parental Leave, giving parents the chance to share up to 50 weeks of leave and up to 37 weeks of parental pay in the first year following their child's birth or adoption.

Improving Lives command paper

On 30 November 2017, the Government published 'Improving Lives: The Future of Work, Health and Disability', which sets out actions we're taking across the three key settings:

- **in the welfare system:** a sustainable welfare system and employment support that operates in tandem with the health system and as part of strong wider local partnerships to move people into work when they are ready;
- **in the workplace:** supporting and encouraging employers to create healthy and inclusive workplace; and
- **in health services:** with health professionals ready to talk about health barriers to work, timely access to appropriate treatments, and effective occupational health services.

¹⁴⁷ <https://www.gov.uk/government/publications/30-hours-free-childcare-final-evaluation-of-the-national-rollout>

The Government is investing up to £115 million of programme funding to support the work and health agenda to enable investment in new models and to build the evidence of what works. This includes:

- more than doubling the number of Employment Advisers in improving access to psychological therapies services, mental health trials; and
- The Work and Health Innovation Fund, which is funded by contributions from DWP, Department of Health and Social Care (DHSC), and NHS England.

Work as a health outcome programme

The Government has partnered with Public Health England (PHE) to run a detailed health professionals' survey and stakeholder events to get insights on the barriers and solutions. This will help Government to understand their attitudes, knowledge and views on embedding work as a health outcome, so that Government can develop useful tools to support health professionals based on their views as to what is needed

As well as working with PHE on the work as a health outcome programme, Government is also co-operating on:

- integrating occupational health within primary and secondary care provision; and
- development of guidelines with National Institute for Health and Care Excellence (NICE) to support improved employment outcomes among people out of work due to ill-health, and incorporating employment outcomes into other guidance as appropriate when reviewed.

Support for carers

The Government recognises the valuable contribution made by carers who spend a significant proportion of their life providing unpaid support to friends and family members, including those who are ill or have disabilities.

As part of the Industrial Strategy's Ageing Society Grand Challenge, Government is working to galvanise further action to support carers in the workforce. This includes working with businesses to encourage more flexible practices to support carers—for example, putting in place caring plans, agreements and return to work policies and selecting 'caring champions'. There are good examples of companies already seeking to support carers within their workforces and Government wants to work with employers to scale this up.

The Carers' Action Plan was published on 5 June 2018. It set out the cross-Government programme of work to support carers over the next two years.

In the Action Plan, the Government made a commitment to consider dedicated employment rights for carers, alongside existing employment rights (such as the right to request flexible working and the right to time off for family and dependants).

Training and skills

Career education supports people to take control of their lives in a world of rapid economic and technological change. It gives people opportunities for progression and maintaining employment by up-skilling. It also gives those who have underachieved academically earlier in life the opportunity to update

their skills and increase their earnings, and enables those who have been out of work to re-skill and enter employment.

To up-skill and re-skill people throughout their working lives, the Government has announced a National Retraining Scheme at Autumn Budget 2017—an ambitious, far-reaching programme to drive adult education and retraining. Automation and technological change will have a significant impact on the jobs market over the next 10-20 years, creating challenges and opportunities. By supporting those individuals whose jobs are most likely to be impacted by technological change, the National Retraining Scheme will give individuals the skills they need to progress in work, redirect their careers and secure the high-paid, high-skilled jobs of the future, focusing on those individuals who need it most.

Secure literacy and numeracy skills are fundamental to work and life. As well as enabling education in other areas, securing good standards of maths and English increases individual productivity, improves earnings and employment opportunities, supports economic growth and breaks cycles of intergenerational economic and social disadvantage.

16-65 year olds in England currently perform significantly above the OECD average for literacy, and around the OECD average for numeracy, ranking 14th and 20th out of the 34 countries surveyed respectively.¹⁴⁸

To support adults without secure literacy and numeracy skills Government provides full funding for students to undertake a range of courses in GCSEs, Functional Skills and stepping stone qualifications from entry level to Level 2. In 2016/17, the Government provided full funding for 531,600 adults to participate in English courses up to Level 2, and for 524,100 to participate in maths courses up to Level 2.¹⁴⁹

From 2020 Government will also introduce an entitlement to full funding for basic digital courses. Adults will have the opportunity to undertake improved digital courses based on new national standards. A public consultation on the new draft standards and arrangements for the new entitlement will take place in the autumn. In the interim, Government will continue to support the provision of basic digital skills training for adults in colleges and community education centres across England through the Adult Education Budget and other programmes.

Apprenticeships

The Government set an ambitious target of 3 million apprenticeship starts by 2020. This target remains, but Government is unwilling to sacrifice quality for quantity in order to achieve it. There have been 1.4 million apprenticeship starts since May 2015. The Institute for Apprenticeships has approved more than 330 Standards, helping to ensure that high quality apprenticeship opportunities are available to both employers and individuals. 119,500 apprenticeship starts were reported on the new apprenticeship standards in the first three quarters of the 2017/18 academic year, compared to 11,000 reported at the same point in 2016/17. Just over 40 per cent of all starts reported in the first three quarters of 2017/18 have been on the

¹⁴⁸ OECD 2016 (b): [Skills Matter - Further Results from the Survey of Adult Skills](#), OECD, 2016, p.45

¹⁴⁹ <https://www.gov.uk/government/statistics/further-education-and-skills-november-2017>

apprenticeship standards, compared to just 2.5 per cent for the same period in 2016/17. Apprenticeships at higher levels (Levels 4+) are continuing to grow—an increase of nearly 13 per cent in the first three quarters of 2017/18.

The Government is reforming apprenticeships to make them longer and higher quality, with more off-the-job training and proper assessment at the end. This will make sure all apprentices can get the training they need to support long term jobs and careers, and ensure that employers can access the skills they need to make the country economically strong and globally competitive. New apprenticeship standards across all levels are being designed and driven by industry and employers to make sure they are getting the skills they need.

T Levels

T Levels represent the most significant reform to technical education in a decade, and will give access to high-quality, technical qualifications to rival traditional academic options, and provide businesses with the skilled workforce they need to grow.

T Levels will be a broader education offer than apprenticeships, and will provide progression opportunities into skilled work or higher level technical education. The substantial Industry Placement, a mandatory component of the T Level programme, will enable students to further develop the competencies and skills they have learnt in the classroom in a real life workplace setting, bringing them closer to full occupational competence.

Our ambition is for a coherent technical education system with shared standards between T Levels and apprenticeships, and a smooth transition between T Levels, apprenticeships and skilled work. Together, T levels and apprenticeships will provide a reformed, comprehensive and high quality technical option. This aligns with the approach taken by other high performing technical education systems across the world.

The Jobcentre Plus Offer

The Jobcentre Plus Offer is the core regime that provides the personalised mandatory interventions linked to Universal Credit and claimant circumstances. Work Coaches under Universal Credit have flexibility and autonomy to build individual support packages to help the individual into work and help those with low incomes.

Fuller Working Lives 50+ Project: National Careers Service involvement

In the oral evidence session with senior officials, the Committee asked for further information on the National Careers Service involvement in DWP's Fuller Working Lives Strategy. DWP launched the Fuller Working Lives Strategy in February 2017, which identified actions Government is taking to support older workers. DWP in conjunction with Local Enterprise Partnerships (LEPs), employers, and the National Careers Service have been testing approaches to support individuals aged 50 years and over to remain in and/or return to the labour market, and to tackle the barriers that inhibit their ability to achieve this. The National Careers Service Mid Life Career Review pilot, which is what the National Careers Service is delivering as part of the DWP Fuller Working Lives policy, is due to finish at the end of September 2018. The evaluation of the National Careers Service element should be concluded by November 2018.

The National Careers Service also plays a major role in supporting individuals aged 50 and over. This is illustrated by over 127,000 customers aged 50+ using the National Careers Service for the year ending 31 March 2018. However, the Fuller Working Life project has given them the opportunity for the service to sharpen its focus and do even more during the project.

At present DWP are only at the stage of considering the policy and possible delivery implications of the Mid-life MOT recommendation, as set out in John Cridland's review of State Pension age. Cridland's recommendation goes much wider than the more commonly referenced mid-life career review and therefore providing the MOT as an all-inclusive package which includes health, caring and finances requires work with a range of other departments, employers and stakeholders. We are currently working with employers,

including the Civil Service, and other providers to research the level of user demand and scope of the MOT.

What role should employers play in providing solutions?

Employers play an essential role, driving positive peer to peer behaviour, sharing and developing great examples of what works, particularly in support of an intergenerational workforce.

Employers, such as Asda, British Gas, J D Wetherspoon, Marks & Spencer and Allevard Springs, report the business benefits of employing older workers and actively employ workers of all ages and recognise the benefits of multi-generational working. McDonalds found 20 per cent higher customer satisfaction in those outlets that employed workers aged 60+ as part of a mixed age workforce. This type of approach needs to be more widespread if employers are to take full advantage of a multi-generational workforce.

There are already a number of employers who provide tailored support to their ageing workforce—sometimes in partnership with Government—that enable employees to continue to work for as long as they are able and wish to. Examples of employers offering these are:

- **Barclays'** Bolder programme offers a seven-week training and work placement programme to older apprentices and is part of wider activity by the company to foster an intergenerational workforce. In championing an ageing workforce, it offers staff mentoring, unconscious bias training and a return to work programme.
- **St Leger Homes** in Doncaster recognises the value of keeping older workers to pass on skills and knowledge to younger employees. They offer flexible working, retirement and **retraining** opportunities, alongside in-depth career conversations and mentoring. They also set up a World of Work Programme to help older tenants go back to work.
- **Jaguar Land Rover** launched the Retirement Transition Initiative in collaboration with the Shaftesbury Partnership to equip people aged 50 with the information, networks, and resilience to enter later life. Workshops included help with financial planning, lifelong learning, wellbeing, health and fitness. The workshops are often the first opportunity people have to focus on their future and the prospect of retirement.
- **Aviva** introduced a carers policy for its UK-based employees in October 2017. This will enable full time employees with caring responsibilities to take up to 35 hours paid leave per holiday year. The new carers policy extends to parental leave arrangements for carers, meaning that employees who have caring commitments can request up to four weeks of unpaid leave per year, subject to a maximum 18-week cap.

To challenge outdated perceptions about workers, Government appointed the Business in the Community (BITC) Age at Work leadership team led by Andy Briggs, Chief Executive Officer, UK Insurance and Global Life and Health (Aviva), as Business Champion for Older Workers.

Mr Briggs and the BITC team spearhead Government's work to support employers to retain, retrain and recruit older workers. They actively promote

the benefits of older workers to employers across England, influencing them both strategically and in terms of practical advice.

To help employers understand the benefits of engaging with their older workforce, the Business Champion and the DWP are already working in partnership with employer and HR organisations, such as the British Chambers of Commerce, the Confederation of British Industry, the Chartered Institute of Personnel and Development and ACAS.

The DWP has also partnered with ACAS and Business in the Community to produce a video and supporting toolkit called Look, Listen, Act. The package provides simple advice for employers to help them respond effectively to the needs of older workers **and to leverage the benefits of intergenerational working**.

The National Careers Service provides free, up to date and impartial information, advice and guidance in England. The results of the National Careers Service independent surveys show that 41 per cent of face to face and telephone customers progressed into new employment, and 55 per cent of face-to-face and telephone customers achieved employment progression with either a new or existing employer.¹⁵⁰

Government established The Careers & Enterprise Company in 2014 to strengthen the links between schools, colleges and employers. By connecting schools and colleges with employers, young people have an opportunity to learn first-hand about the options open to them and prepare them for the world of work.

Following the publication of the careers strategy, their role has been expanded to cover a number of different areas, including Careers Leaders, Careers Hubs and to fund a new round of projects from its Investment Fund for disadvantaged young people.

Employers are integral to great careers advice. We need them to provide encounters that inspire people and give young people the opportunity to learn about what work is like, and what it takes to be successful in the workforce. National Careers Service area based contractors also have a role in brokering relationships between schools and employers so that young people are inspired by employers and are able to get first-hand experiences of the world of work.

Employers are also integral to the development of T Level programmes. T Level Panels, comprising employers, professionals and practitioners have been brought together to advise on the qualification content, drawing on their own experience of the common knowledge, skills and behaviours required for occupations within their industries. This means that T Levels are being developed to give employers the exact skills that they want—so employers and students can be confident in the value of the T Level brand.

The apprenticeship reforms put employers at the heart of the system; recognising that they are best placed to identify their future skills needs. The

¹⁵⁰ [Skills Funding Agency \(2016\), National Careers Service Customer Satisfaction and Progression Annual Report \(April 2014 - April 2015 fieldwork\)](#)

Government has established the Institute for Apprenticeships, supporting employers to develop new high quality apprenticeship standards which are more relevant to their industries. The apprenticeship levy and new funding system is designed to encourage employers to invest in the long term skills needs of their businesses, and put them in control of the funding.

In the oral evidence session with senior officials, the Committee asked for further information on how employers use the apprenticeship levy. Data on apprenticeships, including how employers have used the levy, is published in our quarterly Apprenticeships and Traineeships statistical first release which can be found at: <https://www.gov.uk/government/statistics/apprenticeships-and-traineeships-july-2018>.

The Apprenticeship Levy was introduced in April 2017. Since May 2017 to the end of April 2018, when the latest quarterly data was published, there have been 338,500 apprenticeship starts of which 158,300 were levy-supported starts. Only around 2 per cent of employers pay the levy, but almost 50 per cent of starts were supported by the levy in the first three quarters of 2017/18, showing that employers are using the levy to invest in their staff. 14,800 accounts have now been registered on the apprenticeship service.

Government is hearing from employers about the impact of our reforms and how they are responding. Lloyds Banking Group said that 'We've absolutely embraced the levy. It's enabled us to open doors to talk to our senior managers about the benefits that apprenticeships bring. We now offer over 35 different programmes across the group. So there is something for everyone, at all the different levels, across all disciplines. Whilst Royal Mail Group said that 'Apprenticeships have given us the opportunity to design a talent programme that really benefits us, bringing fresh thinking in, fresh eyes, fresh energy and helps us move forward and give the best service to our customers in a changing world.'

The Department for Education continues to work closely with employers to help them take advantage of the apprenticeship reforms and enable them to provide high quality training opportunities for people of all ages and backgrounds. This includes direct account management of the c.1,000 largest levy-paying employers, a national contact centre to provide advice and guidance on apprenticeships, and regular engagement with businesses and their representatives on all aspects of the future of the programme.

Businesses have long argued that more needs to be done to ensure young people are equipped with the skills they need to enter skilled employment. 16-19 study programmes have brought a greater emphasis on preparing young people for employment during their education through work-related activities and/or work experience through more contact points with employers during their education. The Government is going further in its approach to technical education—however, employers need to play their part too, by working with us to design qualifications and deliver high quality industry placements.

The Role of Technology

The world of work is changing. Technology is transforming the jobs market and the way we as a society work. This combined with an ageing population and our exit from the EU, means that Government must invest in our

workforce. The Government needs to embed a culture of career-long education and training, so as to give people the opportunity to adapt, learn new skills and grow their earning power throughout their working lives, something the National Retraining Scheme will aim to support. Research predicts around 1.8 million new jobs will be created between 2014 and 2024.

To develop and maintain the UK's position as a leading global digital economy, it will also be necessary to develop a range of specialist digital skills to fill specific digital jobs. An estimated 1.2 million new technical and digitally skilled people are needed by 2022 to satisfy future skills needs. At Autumn Budget, Government signalled its commitment to supporting this agenda. As part of an initial focus of the National Retraining Scheme, Government will target immediate skills shortages in key sectors. To this effect, the Chancellor announced that the Government would invest £30 million to test the use of artificial intelligence and innovative education technology in online digital skills courses, so that students can benefit from this emerging technology.

We will introduce an entitlement to full funding for specified basic digital courses from 2020, mirroring our approach to maths and English. Adults will have the opportunity to undertake improved digital courses based on new national standards. These standards will set out the skills and capabilities people need to get on in life and work. We will consult on details of the entitlement, including the new national standards, in the autumn.

Higher level (Level 4-5) technical education is a feature of the education system of many successful economies, providing advanced technical skills and an important additional set of progression options for students. However, uptake of provision at this level is lower in the UK than in international competitors.¹⁵¹

That is why Government is reviewing Level 4-5 technical education to ensure that it aligns with the skills needs of individuals and employers (and where relevant, supports students' progression to further study beyond Level 5). This includes the information available to support students' and employers' decisions.

Technology is also important in careers advice. Careers advice must be accessible to the digital generation, using technology and online tools and activities to engage people of all ages to learn about different skills and career paths. A new National Careers Service website will be launched in October 2018. Information will be up-to-date, and will include details of jobs with shortages in the local area.

The Ageing Society Grand Challenge and the role of technology

The UK and world population is ageing, creating new demands for technologies, products and services. Ageing also comes with challenges, including greater caring demands on those working and increased health and social care costs.

The Government's Grand Challenge aims to bring an innovation, productivity, and growth lens to the challenges and opportunities of our ageing population. As part of this, Government is announcing a Healthy Ageing Industrial

¹⁵¹ [OECD \(2014\) Skills Beyond Schools](#)

Challenge Fund programme to develop new products and services which help older people stay independent for longer, and help to deliver better care to those who need it.

The Government will leverage health data to improve health outcomes and UK leadership in life sciences, for example, through the Industrial Strategy Challenge Fund (ISCF) 'Data to early diagnostics' and 'precision medicine' programmes. Government will continue to explore the application of data for better, more innovative health and care.

The Industrial Strategy Council

The Government is committed to creating an independent Industrial Strategy Council to develop measures to assess and evaluate the success of the Industrial Strategy. The terms of reference and membership of the Council are being finalised and further details will be set out in more detail shortly.

The Government has committed to policies which will impact productivity in the long-term. The Council's role will not be to critique the strategy as it beds in, but to recommend the criteria to measure and monitor the long-term success of the Industrial Strategy. It is important that the membership reflects the long-term aims of the Industrial Strategy.

How we measure progress on Fuller Working Lives

In the Fuller Working Lives Strategy, the Government has committed to publishing three headline measures to monitor the progress of the Strategy every year as official statistics. These measures are:

1. Employment rate of 50 year olds and over by five-year age bands and gender.
2. Average age of exit from the labour market
3. Employment rate gap between 50-64 year olds and 35-49 year olds, broken down by five-year age band and gender.

Following the publication of the Strategy, the first official statistics were published last September, which can be found on the Gov.uk site¹⁵². These include an assessment of the employment rate of older women which showed the largest percentage point increase in employment from 1997 to 2017 occurred for females aged 55-59 (by 19.7 percentage points from 50.7 per cent to 70.4 per cent) and 60-64 years olds (by 18.8 percentage points, from 26.4 per cent to 45.2 per cent).

The next official statistics have been preannounced on gov.uk and are due to be published by DWP on October 11.

¹⁵² <https://www.gov.uk/government/statistics/economic-labour-market-status-of-individuals-aged-50-and-over-trends-over-time-september-2017>

5. What are the barriers to greater in-work training and skills development for all generations?

Research has identified a number of barriers to greater in-work training and skills development for all generations, such as cost and lack of time. The Government is undertaking a range of actions which should help to address some of these barriers, including:

- through the National Retraining Scheme, announced at Autumn Budget 2017, an ambitious, far-reaching programme to up-skill and re-skill people throughout their working lives;
- reviewing Level 4-5 technical education to ensure it aligns with the skills needs of individuals and employers and ensure that provision helps support progression to students of all backgrounds;
- protecting the base rate of funding for 16 to 19 year olds until 2020 to make sure every young person has access to the education or training they deserve;
- reforming apprenticeships to ensure there are more longer, high quality in-work based training opportunities, as apprenticeships benefit people of all ages and backgrounds;
- through a broader education offer through T Levels, which will provide progression opportunities into skilled work or higher level technical education;
- conducting a major review across post-18 education and funding, to ensure that the system is giving everyone a genuine choice between high quality technical, vocational and academic routes; and
- through the National Careers Service, providing free, up to date and impartial information, advice and guidance in England. This allows everyone to get support tailored to their circumstances at any time.

These are outlined in further detail below.

The National Adult Learner Survey 2010 identified four main potential barriers to education for adults: cost; lack of time and a perception that current provisions are insufficiently flexible; lack of awareness of education opportunities; and lack of confidence and support.¹⁵³ We also know that the likelihood of training can differ across the generations, as older people may be less likely to participate in training.¹⁵⁴

Evidence also shows that the majority of hard-to-fill vacancies (67 per cent) are caused, at least in part, by a lack of skills, qualifications and experience among applicants.¹⁵⁵

In order to respond to changes in the labour market, it is also becoming increasingly important that people both up-skill and reskill throughout their

¹⁵³ BIS, 2010: 'National Adult Learner Survey 2010'

¹⁵⁴ NIACE, 2015: 'Adult Participation in Learning Survey: Headline Findings'

¹⁵⁵ Department for Education (2017): 'Employer Skills Survey 2017'

career. For example, according to some studies, in the next 20 years up to 35 per cent of jobs are at risk of automation.¹⁵⁶

We want to build an education system that works for everyone, regardless of their background. To drive adult education and retraining, the Government announced a National Retraining Scheme at the 2017 Autumn Budget—an ambitious, far-reaching programme which will be introduced by the end of this Parliament.

The Scheme will include a phased series of interventions starting this year, which will help to test the evidence base on what works in adult training.

- The Career Learning pilots will test new approaches to tackling the barriers to career education over the next two years. The pilots were launched in Autumn 2017 and are now moving into their delivery phase. The first pilot, the Flexible Learning Fund, will design and test flexible and accessible ways of delivering education and training to working adults with low or intermediate skills. The second set of pilots will test the best ways of reaching working adults and incentivising them to train. These pilots will provide crucial evidence that will feed directly into the development of the National Retraining Scheme.
- At Autumn Budget, the Chancellor announced that the Government would invest £30 million to test the use of artificial intelligence and innovative education technology in online digital skills courses, so that students can benefit from this emerging technology. The Department is working across Government and with industry to ensure that funding is spent effectively and will drive real world improvements in both education and adult retraining.
- The Construction Skills Fund, which launched in June 2018, will support and incentivise innovative and employer-led approaches to construction training over the next two years. Evidence suggests that there is a skills shortage in Construction: the Employer Skills Survey 2017 found that the density of skills shortage vacancies was highest in Construction, where over a third of vacancies (36 per cent) were considered skill-shortage vacancies.¹⁵⁷

As announced by the Prime Minister on 19 February, the Government is conducting a major review across post-18 education and funding. The review will ensure that the system is giving everyone a genuine choice between high quality technical, vocational and academic routes, students and taxpayers are getting value for money, and employers can access the skilled workforce they need.

The review is looking at the needs of all post-18 students, to ensure a joined-up system that works for everyone. The review is considering to encourage education that is more flexible—for example, part-time, distance learning and commuter study options. It complements on-going Government work to support people to study at different times in their lives.

¹⁵⁶ GO-Science Foresight Future of Skills and lifelong learning report; C. Frey & M. Osborne, *Agiletown: The Relentless March of Technology and London's Response* (2014).

¹⁵⁷ Department for Education (2017): 'Employer Skills Survey 2017'

We are taking a number of steps to support mature students and allow them to access and succeed within higher education. In our first guidance to the Office for Students (OfS) (published 28 February 2018), which sets out our priorities for access and participation plans for 2019/20, OfS have been asked to encourage universities to consider the recruitment and support of mature students.

In the oral evidence session with senior officials, the Committee asked what Government is doing to support part time students. Over half of part-time undergraduate entrants at English universities in 2016/17 were older than 30, while the same is true for only seven per cent of full-time students. This academic year, all part-time students will—for the first time ever—be able to access full-time equivalent maintenance loans.

Evidence also shows that accelerated courses appeal particularly to mature students who want to retrain and enter the workplace more quickly than a traditional course would permit. We have completed a public consultation on accelerated degrees, and the Government response on this will be published later in the year.

Some providers suggest that young people can more easily progress onto degree courses from Level 3 now that student number controls have been lifted, so they may no longer choose to progress onto a Level 4-5 course. They also suggest that it can be difficult to attract young school leavers into studying at Level 4-5 because information and guidance is more targeted towards undergraduate degrees, and they may be more attracted to the perceived lifestyle and prestige that comes with degree study.¹⁵⁸ Findings showed that some potential students may be encouraged to study at Level 4-5 if the benefits are more clearly communicated.¹⁵⁹

Students of Level 4-5 technical education include people studying mid-career, as well as 18/19 year olds progressing from Level 3 studies. People studying mid-career may have different needs and expectations. According to the RCU, 60 per cent of Level 4-5 students are over 25, approximately half are studying part time and many come from diverse educational backgrounds.¹⁶⁰ That is why the review of Level 4 and 5 technical education will ensure that provision helps support progression to students and trainees of all backgrounds, including those in the workforce looking to upskill or retrain.

We are reforming apprenticeships to ensure there are more high quality in-work based training opportunities for people of all ages and backgrounds. In the first three quarters of 2017/18, there were 290,500 apprenticeship starts reported-to-date 62 per cent of these have been by those aged under 24, and 38 per cent by those aged 25 or over.¹⁶¹ This shows how apprenticeships are supporting training across a broad range of ages.

¹⁵⁸ York Consulting (2018): '[Level 4 and 5 Provision in England: Provider perspectives](#)' (commissioned by the Gatsby Foundation in partnership with the DfE)

¹⁵⁹ DfE (2018): 'Good Practice in Level 4 and 4 Qualifications'

¹⁶⁰ RCU (2018): 'Mapping the Higher Technical Landscape'

¹⁶¹ <https://www.gov.uk/government/statistics/apprenticeships-and-traineeships-july-2018>

Apprenticeships now enable people to acquire different skills throughout their lives: Government has given employers the flexibility to use apprenticeships to retrain and upskill their current workforce, as well as to recruit new employees. Apprentices benefit from being able to earn whilst they learn—latest available data show the average apprenticeship hourly pay is currently £6.70 per hour for Level 2 and 3 apprentices¹⁶²—with training paid for by the Government and their employer, and can be undertaken on a part-time or full-time basis. To ensure people can undertake apprenticeships part-time, Government has updated its funding rules to allow employers to structure apprenticeships for people working fewer than 30 hours a week over a longer duration; providing employers with greater options when it comes to recruiting and attracting new talent.

Training makes people more productive and they earn more. On average, a Level 2 apprenticeship boosts lifetime earnings by 11 per cent, and a Level 3 apprenticeship boosts earnings by 16 per cent.¹⁶³ To support the creation of even more high quality apprenticeship opportunities Government will be investing £2.45 billion in apprenticeships annually by 2019/20, double what was spent in 2010.

Government wants to ensure that people have access to high quality vocational training opportunities which are genuine alternatives to traditional academic routes, and employer involvement is central to our reforms. New apprenticeship standards are being designed and driven by employers themselves; creating higher quality training that will lead to a more skilled and productive economy. These new standards¹⁶⁴ are in a diverse range of occupations and industries, from intermediate (Level 2) to master's degree level (Level 7). Over 300 standards are already approved, in all sectors of the economy, with more on the way. 119,500 apprenticeship starts were reported on the new apprenticeship standards in the first three quarters of the 2017/18 academic year, compared to 11,000 reported at the same point in 2016/17. There have been 148,900 starts reported-to-date on apprenticeship standards since their introduction¹⁶⁵. We are also making sure that every apprenticeship lasts at least a year, with 20 per cent of the time spent in off-the-job training, ensuring that apprentices have the skills, knowledge and behaviours to be job ready in their chosen occupation. The 20 per cent off-the job training rule, the shift to higher quality standards with a longer average duration, and the drop off in frameworks, are all likely to mean that, on average apprentices will get more training throughout their apprenticeship.

Government acknowledges that employers are concerned about the supervisory costs, lost productivity and bureaucracy they anticipate will occur through offering substantial T Level industry placements, and has invested close to £60 million in Capacity and Delivery Funds for education providers to put in place the infrastructure in 2018/19 and work with businesses to deliver industry placements from this September. This funding should enable colleges

¹⁶² <https://www.gov.uk/government/publications/apprenticeship-pay-survey-2016>

¹⁶³ <https://www.gov.uk/government/publications/key-facts-about-apprenticeships/key-facts-about-apprenticeships>

¹⁶⁴ <https://www.instituteforapprenticeships.org/apprenticeship-standards/>

¹⁶⁵ <https://www.gov.uk/government/statistics/apprenticeships-and-traineeships-july-2018>

to significantly reduce the burden on employers. Institutions can also use their funding to meet employer costs.

We have protected the base rate of funding for 16 to 19 year olds until 2020 to make sure every young person has access to the education or training they deserve.

At post-16 level there is enough funding for providers to deliver established study programmes including, for example, 3 A levels or substantial technical qualifications, plus additional hours on other things such as maths or English. There is over £500 million of funding a year to provide extra support to disadvantaged students and additional funding was announced in the 2017 autumn budget for the Advanced Maths Premium (an extra £600 for every additional student), and the GCSE maths re-sit pilot.

Our commitment to the 16 to 19 sector has contributed to the current record high proportion of 16 to 17-year olds who are participating in education or apprenticeships, the highest since consistent records began.

The Department was allocated £1.5 billion in the 2015 Spending Review for the Adult Education Budget (AEB). The AEB is used to engage adults and provide the skills and training they need to equip them for work, an apprenticeship or further education. From 2018/19 academic year, those in work on low incomes to access the AEB will be supported by enabling providers to fully fund their provision, through the introduction of a new one-year trial. This will directly support social mobility by enabling those that have been motivated to move out of unemployment and are low paid/skilled, to further progress. In addition, DfE is supporting the devolution agenda by devolving approximately 50 per cent of the AEB from the 2019/20 academic year to 6 Mayoral Combined Authorities and delegated to the Greater London Authority. This will allow local areas to control adult skills provision for their residents, whilst retaining control of funding arrangements for students in non-devolved areas.

6. To what extent is intergenerational fairness impaired by the UK housing market?

Government is committed to ensuring that everyone—whether they rent or own their home—has access to safe, affordable and good quality accommodation. In order to address these challenges across our housing market and ensure it works for everybody, the Government is taking a series of actions.

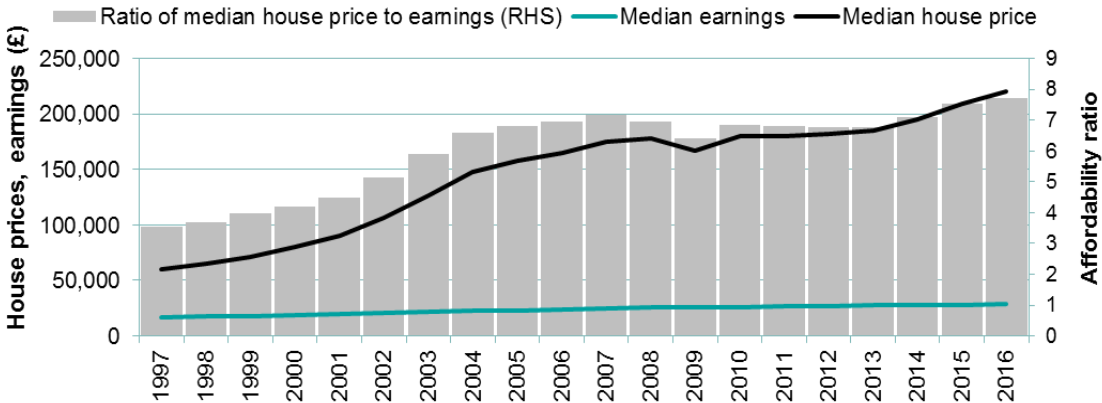
Fundamentally, this means building many more homes in the right places and taking action to help people now. Government is working to:

1. Increase housing supply
2. Support people into homeownership
3. Rebalance the relationship between tenants and landlords to improve the experience of people within the private rented and social rented sector

We recognise that too often it is difficult for young people to move in to home ownership. We are concerned about the fall in home-ownership among younger individuals. 37 per cent of 25-34 year olds are currently owner occupiers compared to around 59 per cent in 2003/4. Similarly, by the age of 30 those born in 1990 are half as likely to be homeowners as those born in the 1960s and 1970s, demonstrating the difference between generations and the challenge faced.

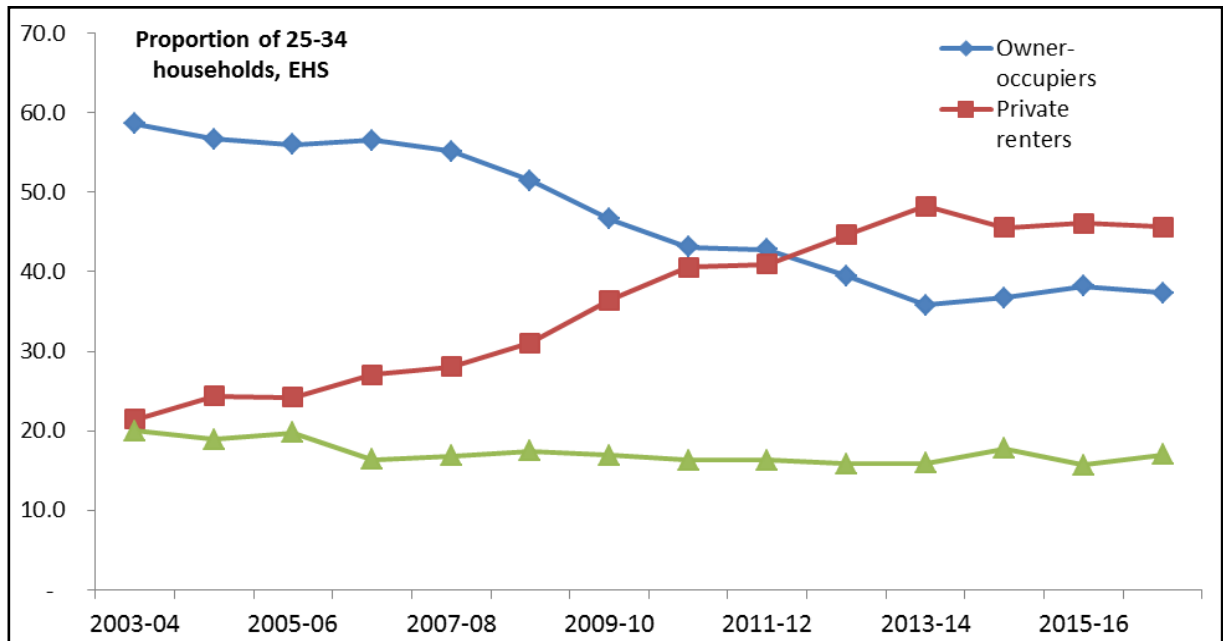
Under successive Governments there have been have seen substantial rises in both house prices and rental costs. In particular the ratio of average house prices to incomes has more than doubled since 1998. There is however significant regional variation across England, with the highest affordability pressure in London and south east England.

*The ratio of median house prices to earnings in has increased and affordability declined.*¹⁶⁶

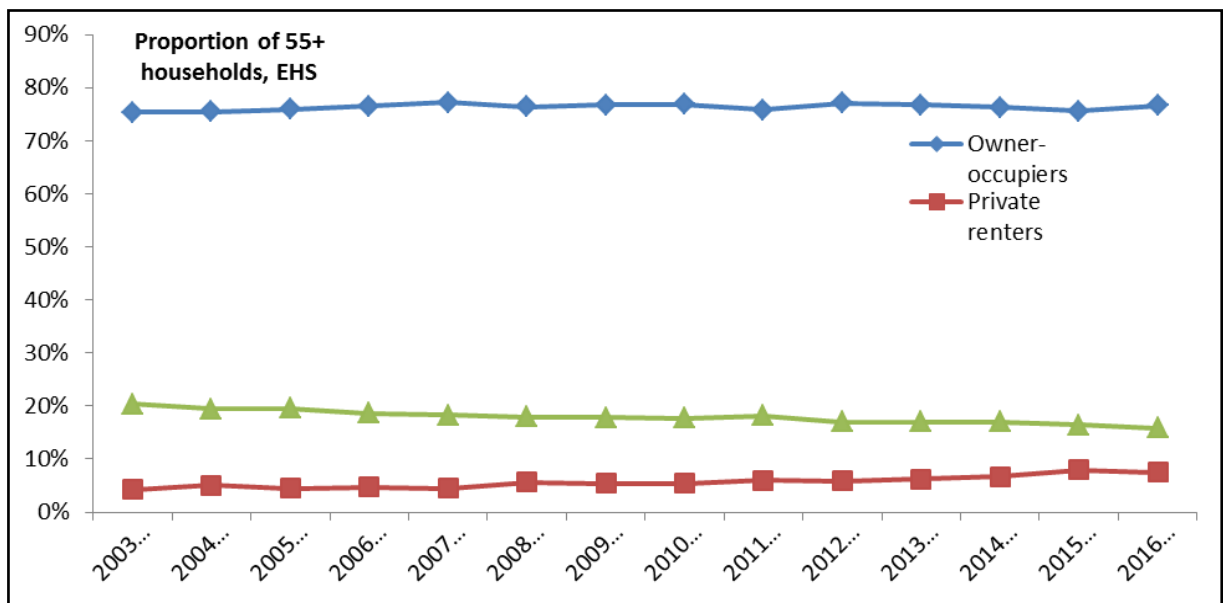


¹⁶⁶ [ONS Housing Affordability in England and Wales datasets](#)

The proportion of homeowners aged 25-34 has decreased from around 59 per cent in 2003/04 to 37 per cent in 2016/17, while the proportion of private rented sector tenants in the same age cohort has increased from around 21 per cent to 46 per cent over the same period¹⁶⁷.



Over the same time period (2003/04 to 2016/17), the proportions of people aged 55+ in each tenure remained stable compared to people aged 25-34.¹⁶⁷



¹⁶⁷ English Housing Survey 2016/17

Increasing housing supply

On a national level housing supply has fallen short of projected household growth. The Government has set out a package of long term reform to make the housing market work for everybody. The Housing White Paper in February 2017 set out our strategy to make the housing market work, with plans to take end-to-action action across the housing market. Since publication, Government has increased the scale and pace of our ambition and announced an ambition to deliver 300,000 homes a year on average by the middle of the next decade. 1.1 million new homes have already been delivered in England since 2010, with over 217,000 delivered in 2016/17 alone. This is the highest level in all but one of the last thirty years. Delivering more homes will help ensure housing supply for people of all ages now, as well as provide for future generations. However, Government recognises there is more work to be done to meet our supply ambitions.

A key component to our supply ambitions are well-designed and locally-led Garden Communities. They play a vital role in helping meet the country's housing need well into the future, providing a stable pipeline of homes for people of all ages and needs. These places have the potential to become vibrant, thriving communities where people can live and work for generations to come. We are already supporting 23 existing locally-led garden communities across the country, from Cumbria to Cornwall. We launched our new Garden Communities prospectus on 15 August, inviting ambitious proposals from local authorities (and local authority-supported private sector partners) for new garden communities at scale.

Furthermore, increasing the supply of social housing is an important part of making the housing market work and ensuring it is available for all generations. We are creating the conditions to allow local authorities and Housing Associations to deliver more housing. We have, among other things, provided a stable investment environment by giving certainty over future rental income for social landlords for 5 years from 2020. Furthermore, local authorities in areas of high affordability pressure have been invited to bid for additional Housing Revenue Account (HRA) borrowing to support council housebuilding. We have also reintroduced social rent to the Affordable Homes Programme and announced an additional £2 billion funding, increasing the total funding available through the programme to £9 billion.

Most recently, Government has introduced Strategic Partnerships—a new way of working between Homes England and housing associations that will accelerate the delivery of new affordable homes and deliver an additional 14,280 affordable housing starts by March 2022.

To build on this further, on 19 September the Prime Minister announced £2 billion of new funding for housing associations for a long-term pilot which, from 2022, will deliver tens of thousands more additional affordable homes and stimulate the sector's wider building ambitions through Strategic Partnerships.

Government is also driving increased supply and professionalisation in the private rented sector by supporting the expansion of the Build to Rent market through housing guarantees and planning reform. Build to Rent boosts housing supply, diversifies the private rented sector, and increases quality and choice for renters in cities and towns across England.

The £3.5 billion Private Rented Sector Guarantee scheme finances new build rented properties, and as of July 2018, £1.7 billion in total has been approved for homes. Autumn Budget 2017 saw a further £8 billion in guarantees for purpose build rented homes and SME housebuilding. We have also revised the National Planning Policy Framework and are publishing a new chapter of planning guidance to support the delivery of more BtR homes, including affordable rental homes. We also encourage longer, family-friendly tenancies (of 3+ years) to be offered in Build to Rent schemes.

From virtually nothing pre-2010, the BtR sector is now completing about 5,000 units a year, with the potential to grow substantially and spread beyond the core cities.

Supporting people in to home ownership

However, improving affordability through increasing housing supply is a long term challenge. That is why Government is also acting now to support people in to home ownership. At Autumn Budget 2017 the Government announced an immediate Stamp Duty Land Tax (SDLT) exemption for first time buyers purchasing a property under £300,000. First time buyers purchasing a property worth under £500,000 will also see a reduction in the SDLT payable. This has already helped 121,500 first time buyers with the costs of moving into their first home.

The Government also provides a range of other programmes to support people into home ownership. The Help to Buy: Equity Loan aims to support people into home ownership and also stimulate housing supply and is available on new-build homes and up to a value of £600,000. Furthermore Government introduced the Help to Buy: ISA in 2015, which offers a 25 per cent Government bonus on a final savings balance to contribute to a first home, up to a maximum £3,000 bonus. It can be applied to homes up to £450,000 in London and £250,000 outside London. The Lifetime ISA, launched in April 2017, enables young people to save flexibly towards a first home or for later in life. It offers a 25 per cent savings bonus on savings of up to £4,000 each year. This can either be put towards the purchase of a first home worth up to £450,000, or withdrawn from age 60 or if you become terminally ill. Accounts can be opened by adults aged 18 to 39 and once open can be paid into until the age of 50.

The Government has also committed to delivering a wide range of affordable home ownership tenures. The affordable housing programme provides over £9 billion to deliver a range of affordable homes, including rent to buy, shared ownership, affordable rent and social rent by March 2022. For example, Shared Ownership enables people to part-buy, part-rent homes for a share of between 25 and 75 per cent initially, with the option of 'staircasing' up to 100

per cent ownership. Another example is Rent to Buy, which offers aspiring tenants on low to middle income a route to home ownership by the tenancy paying sub-market rent for a limited period, to help them save for a deposit to buy their first home.

Rebalancing the relationship between tenants and landlords

In relation to the private rented sector (PRS), the Government is aware that the PRS needs to work for everyone and has set out its commitment to rebalance the relationship between tenants and landlords to create a higher quality, fairer and more affordable sector.

The demographics of the sector has changed significantly in the past 20 years (further detail in the response to question seven). The sector remains important for large numbers of young people, 44 per cent of households in the sector have a head of household under 35, but the PRS is also becoming increasingly important for older people. 17 per cent of PRS households have a head of household over 55 years of age, with 9 per cent over 65.¹⁶⁸ The Government's drive to reform the PRS will benefit all tenants regardless of age. However, given that the PRS remains the housing tenure with the youngest average age, the reforms will disproportionately benefit younger people, particularly those under 35, and future generations.

In order to meet its ambitions for the sector, the Government has embarked on a programme of work that will improve affordability in the private rented sector, including through introducing the Tenant Fees Bill, which will ban letting fees and cap tenancy deposits, and establishing a working group to explore more affordable alternatives to traditional deposits. Government is taking action to boost the standard of PRS properties by supporting Karen Buck MP's (Fitness for Human Habitation) Bill and introducing mandatory electrical safety checks.

In addition, the Government is working to improve access to redress. We are committed to requiring private landlords to join a redress scheme and will also be requiring all letting agents to meet minimum standards and comply with a mandatory code of practice. Letting agents will also be required, from April 2019, to belong to a client money protection scheme ensuring that tenant and landlords' money is safe when it is being handled by an agent. Further, Government recently consulted on the barriers to longer tenancies to ensure tenants have the security they need. This could offer particular benefits to older tenants who are more likely to seek greater security.

At the same time, the Government is working with landlords to ensure the PRS can continue to provide the properties the country needs and is supporting local authorities to tackle bad practice through the introduction of banning orders, a database of rogue landlords and agents and civil penalties of up to £30,000. This package of measures demonstrates the Government's commitment to ensuring the PRS works more effectively for everyone.

¹⁶⁸ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/676433/2016-17_Section_1_Households_Annex_Tables.xlsx

7. What has driven the increase in the size of the private rented sector? Which generations are most affected by this and how?

The private rented sector (PRS) is currently the second largest housing tenure in England, accounting for 20 per cent of households. However, this has not always been the case and the sector has historically experienced periods of contraction and expansion. Between the 1960s and the late 1990s, the PRS fell from a high of 30 per cent to just under 9 per cent of dwellings. Throughout the 1980s and 1990s, the proportion of private rented households was steady at around 10 per cent. However, the sector has more than doubled in size since 2002 and now accounts for 4.7 million households in England.¹⁶⁹ Although the PRS has fluctuated in size, it plays an important role in the housing market. The flexibility it offers is incredibly attractive to many people who wish to move for work or who do not wish to commit to the responsibilities of owning a property.

As a market-driven tenure, the PRS is susceptible to shifts in economic conditions and wider housing policy. The increase in the size of the PRS can be broadly explained by the deregulation of the sector through the Housing Act 1988 and the introduction of 'Buy to Let' mortgages, as well as changes in the levels of occupation in both the owner occupied and social sectors.

The deregulation of rent control and the introduction of the Assured Shorthold Tenancy regime through the Housing Act 1988 are associated with growth in the PRS. Evidence from Britain and around the world shows rent controls lead to fewer properties on the market and higher rent as a result. A move away from regulated rents in the 1980s helped to encourage investment in private rented sector. However, change was fairly slow after the deregulation brought about by the Housing Act 1988. The large growth of the sector, from the early 2000s onwards, came following the introduction of 'Buy to Let' mortgages in the late 1990s, which enabled more individuals to invest in private rented housing.¹⁷⁰

Secondly, the growth in the PRS is also related to changes in the proportion of households in the owner occupied and social sectors. In 2016/17, 63 per cent of households in England were owner occupiers. The proportion of households in owner occupation increased steadily from the 1980s to 2003 when it reached its peak of 71 per cent. Since then, owner occupation has gradually declined to its current level. The proportion of housing in the social sector has decreased from a high of 32 per cent in 1981 to its current level of 17 per cent.¹⁷¹ This suggests that the PRS is now home to people that in previous years may have either been in the owner occupied or social sectors.

The demographics of the private rented sector have changed in the last 20 years. The increasing size of the PRS means that, across most age groups (with the exception of aged 75+), the number of private renters has

¹⁶⁹ English Housing Survey 2016/17 Headline Report

¹⁷⁰ University of Cambridge, 'The Private Rented Sector in the New Century' (September 2012) - [link](#)

¹⁷¹ English Housing Survey 2016/17 Headline Report

increased in the past 20 years even where the proportion of private renters in that age group has not. For example, the number of private renters aged 16-24 has increased from 365,000 to 513,000 even though the proportion has decreased (from 18 per cent to 11 per cent). The evidence highlights that the age profile of the PRS is increasing, with people living in the PRS for longer. However, the difference is most pronounced in when considering households aged 25-44.

While under 35s have always been overrepresented in the PRS, over the last decade or so the increase in the proportion of such households in the PRS has been particularly pronounced. The number of individuals aged 25-34 renting in the PRS increased from 27 per cent in 2006/07 to 46 per cent in 2016/17. Over the same period, the proportion of 25-34 year olds in owner occupation decreased from 57 per cent to 37 per cent. Individuals aged 25-34 are now more likely to rent now than buy their own home. The proportion of 25-34 year olds in the social rented sector did not change.¹⁷²

In 2006/07, about three quarters (72 per cent) of those aged 35-44 were owner occupiers. By 2016/17, this had fallen to half (52 per cent). While owner occupation remains the most prevalent tenure for this age group, there has been a considerable increase in the proportion of 35-44 year olds in the private rented sector (11 per cent to 29 per cent). Again the proportion of this age group in the social rented sector did not change.¹⁷³ These statistics demonstrate that people are now buying their own home later in life than 20 years ago and this has led to an increase in the proportion of people in the PRS. This is particularly marked for individuals between 25 and 44.

While many value the flexibility of the private rented sector, Government is committed to supporting people who want to own their own home through schemes such as Help to Buy: Equity Loan and our Lifetime ISA; and through tenures like Shared Ownership and Rent to Buy.

¹⁷² English Housing Survey 2016/17 Headline Report

¹⁷³ English Housing Survey 2016/17 Headline Report

8. How can we ensure that the planning system provides for properties appropriate for all generations, including older people?

Under English law, planning is the responsibility of the relevant local authorities. National Planning Policy provides a framework within which local authorities should plan, but it is the responsibility of local authorities to produce plans appropriate to their circumstances.

The Government agrees that it is important to provide properties for all generations when developing policy. This includes ensuring the availability of accessible housing to enable older people to live safely, independently and comfortably in their homes.

The revised National Planning Policy Framework, published on 24 July 2018, sets out a high-level framework for plan-making and decision-making. This includes an expectation that planning policies and decisions should ensure that developments create places that are safe, inclusive and accessible. The Framework, reinforced by planning guidance, sends a clear message that local planning authorities should be planning to meet the needs of all the different groups in their community, including but not limited to, families with children students, people with disabilities and older people. The Framework also strengthened the policy approach to accessible housing by setting out an expectation that planning policies for housing should make use of the Government's optional technical standards for accessible and adaptable housing.

Furthermore, as part of our commitment in the Neighbourhood Planning Act 2017, Government is working to produce guidance for local planning authorities on how their plans should meet the housing needs of older and disabled people. We have undertaken positive stakeholder engagement with local authorities, charities and house builder representatives to identify key issues and discuss areas of focus for the guidance, including the local plan evidence base, location of development and terminology used to describe the different types of older people's housing. We intend to publish the guidance in the autumn.

9. How can the property wealth of older generations (parents and grandparents) be utilised to help younger generations (their children and grandchildren) access the property market? What would be the impact on intra-generational fairness of such schemes?

The Government recognises that younger people are increasingly reliant on support from family and friends to fund the purchase of their first home. The latest English Housing Survey (EHS) found that over one million (7.6 per cent) owner occupiers who purchased their home in 2016/17 used a gift or loan from family to support their purchase, compared to 5.3 per cent of households who used a gift or loan from family or friends in 2008/09. The financial services sector is already developing products which can help parents and grandparents support their children into homeownership. The main products being developed focus on two areas. The first involves parents releasing equity from their home to fund a deposit for the home of their adult children. The second involves parents acting as guarantors of regular mortgage payments. These are offered in various forms by lenders including One Family, Nationwide, Metro, Bath BS, Barclays and Aldermore.

Sharing wealth across generations in this way increases house purchase opportunities for younger relatives and therefore can be beneficial for improving intergenerational fairness. However, Government recognises the importance of making the housing market work for everybody. This means that home ownership cannot be limited to those able to rely on support from parents and grandparents. That is why Government policies more widely are focused both on increasing the supply of housing and helping to support people in to homeownership, as outlined in the response to question six.

10. To what extent are initiatives to encourage down-sizing or intergenerational home-sharing part of a viable solution to the housing shortage for younger generations?

An expansion of downsizing could have two positive effects for younger generations: those with property wealth could release significant equity to pass on to their children or grandchildren; and freeing up family-sized homes could stimulate the secondary market, with chains potentially reaching down to first-time buyers.

The HCLG Select Committee report into Housing for Older People published in February 2018 recommended more research into the potential benefits of this activity in the secondary market.¹⁷⁴ However, there is some uncertainty about the extent to which older people want to downsize. Research commissioned by Cambridge University suggests that relatively few older people want to move, and those that do often do not seek to 'downsize'. Indeed, many older people purchase a more expensive property than the one they sell. The vast majority of older people move within the mainstream market, and less than 1 per cent of older people in the UK live in specialist accommodation with care.

The retirement homes industry claim there is a significant lack of supply, with currently about 3,000-4,000 specialist retirement homes built each year, whereas the industry claims a need for 30,000 homes a year within 10 years. The market is dominated by three companies who hold a 90 per cent share of the market. The Government is keen to support existing suppliers to deliver more homes and encourage new entrants to the industry. We are particularly concerned about the apparent gap in the market for those on lower-middle incomes with moderate housing equity.

¹⁷⁴ <https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/370/370.pdf>

11. In what ways could more active communities help redress imbalances between generations? Are there opportunities for more non-state provided solutions to the challenges faced by an ageing society?

The role of active communities in redressing intergenerational imbalances

The Government sees the potential for active communities to help redress imbalances between generations across a wide range of issues.

Community-led housing

The mainstream housing market is not necessarily always able to provide housing of an appropriate kind and price to meet the full range of needs, leading to local imbalances between generations. Through the Community Housing Fund in particular, the Government is supporting the community-led approach to housebuilding, which enables local community groups to ensure that housing is tailored to meet specific local needs and will remain locally affordable in perpetuity. Community-led housing—in all its forms—helps sustain local communities and local economies and helps raise the bar in design and construction standards.

In addition to this, the Government is also interested in how active communities can strengthen intergenerational connection, for example through community assets.

Community assets: creation and retention

Community hubs can promote social cohesion by bringing together different social or generational groups. They can also increase social capital and build trust and interaction between community members; and increase individual's knowledge or skills.¹⁷⁵

Interventions that provide a focal point or targeted group activity may help to promote social cohesion between different groups and overcome barriers that may prevent some people (in marginalised groups) from taking part.¹⁷⁶

The Localism Act 2011 provides communities (defined as a group of 21 or more people within one locality) and parish councils with the right to register a building or piece of land as an 'Asset of Community Value' if the asset's principal use furthers their community's social wellbeing or social interests and is likely to do so in future. Local authorities may also transfer a particular asset or service to a community group via a separate process outside the legislation.

Community management and ownership of assets provides a vehicle for communities to retain vital services and opportunities for the creation of innovative ideas and activities:

¹⁷⁵ What Works Wellbeing. Briefing: Places, Spaces People and Wellbeing. May 2018. (This briefing is based on a systematic review of the evidence of projects, programmes and other interventions that aim to boost social relations or community wellbeing by making changes to community places and spaces

¹⁷⁶ Ibid.

- Acquiring/retaining the asset increases community provision and optimism;
- Community buildings provide a focal point for local residents—from this social capital can be developed both within and between communities;
- Community owned assets are a vehicle for community run services—extending the range of support on offer—which might not otherwise be available (because of poor transport links or because of lack of capacity/resources locally).

The process of taking over and running community assets has the consequential impact of integrating young and old, where often volunteers across the generations will come together to develop and run the project. Communities often develop activities that will help sustain the asset which may involve running a community café, a community garden and the letting of spaces for arts and crafts sessions. Enabling more community ownership of assets has the potential for initiating more intergenerational connections and mixing.

Example: Community Pubs

According to the Campaign for Real Ale, there are over 100 community-owned pubs presently in England, a number that is steadily increasing. Such pubs (and also some that are not community-owned but are still responsive to the needs of the community) allow their local communities to expand and shape the range of services they provide, such as post offices or cafes, which leads to increased footfall from members of the community who would not normally go for a drink in the pub but who are attracted by the new services and facilities. In this way new links are made and friendships forged across the generations.

'More than a Pub' is a programme to help support community ownership of pubs in England. Its value is £3.62 million and is jointly funded by the Ministry of Housing, Communities and Local Government (£1.85 million) and Power to Change (£1.77 million). The Programme was launched in March 2016 and will close March 2019.

'Pub is a Hub' is a not for profit organisation set up in 2001 to encourage communities to work with licensees, pub owners, breweries and the private sector to match community priority needs with additional services which can be provided by the local pub. MHCLG has provided financial support to 'Pub is a Hub' since 2013 to support over 100 community pub diversification projects.

Local Services: community participation and co-design

Community participation and involvement in shaping how services are designed and run should see better targeted and integrated services that work to address the needs of the community, including achieving more intergenerational integration. MHCLG's £3.3 million Communities Fund supports partnerships of Voluntary Community Sector (VCS) and local authorities to work together to shape services that seek to address a number

of social issues, including issues affecting the elderly and young people. A number of partnerships are developing multi-service hubs that will bring together a range of services under one roof to support all members and ages of the local community. In Kent, the local authority is working with the VCS to develop a local community hub that will reduce isolation, improve the local environment (through volunteering to help people struggling with their gardening) and reduce self-referrals to primary services. This will work to bring both health services and VCS services together

Parks

Last September, the Government created the 'Parks Action Group' with experts from across the parks, leisure and heritage sectors and cross-Whitehall departments. The Government aims to deliver an ambitious response to the Select Committee Inquiry into the future of Public Parks and to foster joint working between parks groups, volunteers and key Government Departments. The 'PAG' is working collaboratively to identify how valuable shared community spaces can be protected and improved to provide important areas for diverse communities.

Natural green space interventions that provide the opportunity to participate in activities or meetings can increase social networks, social interactions and bonding, and bridging social capital.¹⁷⁷

In 2015, MHCLG launched the 'Pocket Parks' programme inviting bids from outside London for a share of a £1.5 million fund to transform waste land and unloved spaces into parks and green patches close to local communities. Pocket Parks encourage social mixing in communities, bringing together older people with young people, who conventionally would not come together in a safe and inclusive community green space.

Non-state solutions to the challenges faced by an ageing society

For too many people, longevity of life is not matched by improved quality of life. This is why the Government has chosen ageing as one of the four Grand Challenges announced in our Industrial Strategy.

In May 2018, the Prime Minister announced an ambitious mission calling on us all to work together to ensure that people enjoy an extra five years of healthy and independent living by 2035, whilst narrowing the gap between the richest and the poorest.

To achieve this mission, a coordinated range of action across all aspects of society is necessary.

Since the Prime Minister announced the mission in, our engagement with partners in academia, industry, the third sector and civil society reinforces our view that there is no 'silver bullet' to the challenges faced by an ageing society. However, the voluntary and social sectors have an important role to play. We need to look broadly and holistically across society at a range of

¹⁷⁷ What Works Wellbeing. Briefing: Places, Spaces People and Wellbeing. May 2018.

issues including health and care, housing and communities, and work and purpose.

Volunteering and social action

The Government launched the Civil Society Strategy on 8 August 2018. In this strategy, Government set out a belief that people should be supported to find their own solutions to challenges in their communities, encouraging a sense of confidence and control.

As set out in the Civil Society Strategy, Government is committed to helping to mobilise the time and talents of people of all ages, including those in later life, and of all faiths, communities, and backgrounds. A precondition of community action is the confidence of individuals in their own capacity to make change in their lives and the world around them. This inner confidence, called 'self-efficacy', is the hidden resource of our society.¹⁷⁸ There is also evidence that high levels of self-efficacy are linked to a "better health, higher achievement, and better social integration".¹⁷⁹

There are health and wellbeing benefits associated with making community contributions. The Government is working in partnership with Nesta to back innovations which support these volunteering opportunities, especially for older adults. For example, our recently launched Connected Communities Innovation Fund is supporting projects that mobilise people across their lifetime to help them and their communities to thrive. The projects are focusing on areas where volunteering can have an impact alongside public services, around themes such as community connections and thriving places, community resilience in emergencies, digital innovation or improving our environment.¹⁸⁰

To support these opportunities further, our forthcoming review with the Centre for Ageing Better will set out principles for how to most effectively support people in later life to contribute their time, skills, and experience to their communities. Evidence has shown that those in later life who make voluntary contributions report an increase in wellbeing, self-esteem and social connections.¹⁸¹

One of the projects resulting from the Connected Communities Innovation Fund is Oomph! Wellness Training Ltd.'s 'Connecting Communities Walks' which aims to prototype a new service to support older people to get active, spend time outdoors, meet new people, and connect with their local area through volunteer-led walking groups that are facilitated by digitally enabled walking-routes.

¹⁷⁸ 'Self-efficacy mechanism in human agency', *American Psychologist*, 37 (2), Bandura, Albert, 1982

¹⁷⁹ 'Self-efficacy: Thought control of action', Schwarzer, Ralf, 1992

¹⁸⁰ 'Government invests £2.7 million to bring communities together through volunteering' [press release], Department for Digital, Culture, Media and Sport, 2018

¹⁸¹ Centre for Ageing Better. Webpage: The benefits of contributing to your community in later life. Dec 2016. <https://www.ageing-better.org.uk/publications/benefits-contributing-your-community-later-life>

Tackling loneliness

The Government values the role of civil society in supporting people and communities through friendship, neighbourliness, groups, and clubs. Strong relationships, support networks, and a sense of belonging are associated with higher wellbeing,¹⁸² and social capital is linked to a range of benefits for society and individuals.¹⁸³

Through the '#iwill' Fund, the Government and Big Lottery Fund have been supporting young people make a positive difference to their communities whilst developing their skills. For example the '#iwill' Fund has partnered with the Coop Foundation to fund projects that help young people tackle loneliness in their communities.

In June 2018, the Government announced £20.5 million of grant-funding for charities and community groups working to bring communities together and to help isolated people and those suffering from loneliness¹⁸⁴. This will be followed by a strategy on tackling loneliness in England, due to be published later this year.

¹⁸² For example, see 'Sainsburys Living Well Index', Oxford Economics and National Centre for Social Research, 2017; 'You're not alone: the quality of the UK's social relationships', Relate, 2017

¹⁸³ 'The well-being of nations: the role of human and social capital', OECD, 2001

¹⁸⁴ Consisting of the £11.5 million Building Connections Fund, a partnership between the Government, Big Lottery Fund, and Co-op Foundation, plus £9 million through separate funds run by the People's Postcode Lottery and the Health Lotteries.

12. To what extent are new technologies and social media isolating different generations from each other? How can technology be harnessed to promote active communities working to redress imbalances between generations?

The Government recognises that, although we live in an increasingly online world, a significant part of the population remains digitally excluded, and Government is actively committed to tackling digital exclusion. There are 11.5 million people in the UK (21 per cent) that lack 1 of the 5 basic digital skills. 8.4 per cent of adults have never used the internet, and many more are missing out on the opportunities the digital world offers, whether through lack of connectivity, digital skills or motivation.

In the Digital Strategy, the Government committed to enabling people in every part of society—irrespective of age, gender, physical ability, ethnicity, health conditions, or socio-economic status—to access the opportunities of the internet. In 2018, the UK Government will be exploring whether there are new ways to galvanise the sector to tackle digital exclusion and also how to best identify, pilot and scale innovative solutions.

The UK Digital Strategy, published in March 2017, sets out the steps being taken across Government and working with industry and the charity sector.

For example, Government has now established the Digital Skills Partnership (DSP) which the Minister for Digital and Creative Industries co-chairs. The DSP brings together stakeholders from the private, public and charity sectors to join efforts to help people increase their digital skills at all levels. It will also build upon the 4 million pledges of free digital skills training opportunities that corporate partners pledged as part of the Digital Strategy of which more than 2 million have already been delivered.

The Government has also spent over £10 million on funding the 'Future Digital Inclusion' project run by the Good Things Foundation. The project supports 5,000 community centres to deliver basic digital skills to adults in England and aims to enable at least one million people to develop basic online skills by March 2019. In 2016/17, the Future Digital Inclusion programme supported 231,773 of these people to develop basic digital skills.

We are introducing a fully-funded basic digital skills training for adults lacking these vital skills from 2020. Adults will have the opportunity to take improved basic digital courses based on new national standards setting out the basic digital skills needed to participate effectively in the labour market and day-to-day life. We will consult on these new standards in the autumn.

In addition, 3000 libraries across England to provide a trusted network of accessible locations with trained staff and volunteers, free Wi-Fi, computers, and other technology as well as Assisted Digital access to a wide range of digital public services where individuals are unable for whatever reason to access these services independently.

The Government believes that active communities are key to supporting people and places to thrive. We also recognise the opportunities of digital technologies to help mobilise the time and talents of people in new ways.

This is why the Government has backed social action initiatives that make the most of technology to connect with and engage volunteers across generations through programmes like the Connected Communities Innovation Fund where Government partnered with Nesta, the innovation foundation, and invested £2.7 million to bring communities together through volunteering. One of the priority themes of the Connected Communities Innovation Fund is digital social action. One of the project's resulting from this fund is Oomph! Wellness Training Ltd.'s 'Connecting Communities Walks' which aims to prototype a new service to support older people to get active, spend time outdoors, meet new people, and connect with their local area through volunteer-led walking groups that are facilitated by digitally enabled walking-routes.

Role of technology to address social challenges

Government's Digital and Industrial Strategies set out how it will build on our success to develop a world-leading digital economy that works for everyone; digital technology offers unprecedented opportunities to rethink the way in which social challenges are approached, such as promoting active communities.

Technology can make our services better and our products faster. It can create wider benefits for communities across the country. That is why the Government is committed to promoting the role of technology in helping to create social good, emphasising its ability to drive growth, enrich lives, promote Britain and address policy challenges across Government and society.

The Government has already played an active and pioneering role in supporting the emerging Tech for Good field. Social tech venture accelerators supported by Government funding, such as Bethnal Green Ventures, were the first of their kind in the world.

Programmes like these have now supported hundreds of social tech start-ups across the UK, many of them focused on social integration. For example, GoodGym is a great example of how an online tool can facilitate meaningful interactions between generations. This online community of runners combines exercise with doing good; they run to make social visits with, or do one-off tasks for, older people.

Growing the 'tech for good' environment

The UK has a thriving Tech for Good ecosystem and as a result is viewed as a world leader in this area; Government is committed to maintaining this position. That is why we are exploring what more can be done to increase access to markets and capital for social tech ventures, for example by researching how to segment and categorise these organisations so that they are better able to articulate their business models. We are also committed to reviewing how Government is procuring social tech solutions to deliver services.

However the Tech for Good field is not limited to the private sector; the use of social media, big data, and artificial intelligence are beginning to reach the social sector and there is increasing awareness that adoption of digital techniques can make charities more resilient and sustainable. However, the rate of adoption is slow by comparison with other sectors.

While some charities are already capable of pushing the boundaries of technological innovation, the Government recognises that digital needs in the social sector are diverse. Digital maturity varies greatly between organisations, and the 2017 Lloyds Business Digital Index demonstrated that the digital skills gap between large and small organisations is only widening.

To ensure that civil society is up to the challenge, the Government will invest in digital skills in a number of ways. We will work with CAST and other partners to explore how best to build a responsive, resilient, and agile social sector that is digitally confident.

The Government will continue to work through the Digital Skills Partnership to help civil society organisations to build their skills, boosting collaboration between the Government, civil society, and business to tackle the digital skills gap. OCS will work through the Digital Skills Partnership's Digital Enterprise Delivery Group, specifically chairing the taskforce focused on building digital confidence in charities.

13. To what extent does the tax system take account of fairness between the generations? What changes, if any, should be made to the tax system to achieve a fair intergenerational settlement?

The Government is committed to supporting people at all stages of life through a tax system which is fair, sustainable, and which minimises burdens for the taxpayer and Government.

The tax system supports home ownership for first-time buyers through Stamp Duty Land Tax relief. At the Autumn Budget 2017, the Government permanently abolished Stamp Duty Land Tax for first-time buyers who purchased a house for £300,000 or less, and extended the relief to purchases worth up to £500,000. Over the next five years this relief will help over a million first time buyers getting onto the housing ladder.

The Government is committed to supporting people to save for the future through the Lifetime ISA and tax-free pension contributions. The Lifetime ISA encourages the next generation to get into the habit of saving and helps them to simultaneously save for a first house and for later in life, without having to choose one over the other. Since the scheme was launched, over 160,000 under 40-year olds have opened a Lifetime ISA account, investing over £500 million. The Government wishes to encourage pension saving, to ensure that people have an income, or funds on which they can draw, throughout retirement. Therefore, for the majority of savers, pension contributions are tax-free.

The Government encourages early transfers of wealth between generations through inheritance tax relief. The additional residence threshold was introduced in April 2017 to make it easier to pass on the family home to the next generation. This allows over 96 per cent of estates to pass on all their assets to the next generation without paying any Inheritance tax, whilst ensuring that the largest estates make an appropriate contribution to public finances through Inheritance tax. If the individual gives away their home to their children or grandchildren the threshold increases up to £450,000. The current rules also incentivise the early transfer of wealth between generations, as most lifetime gifts of any value will be completely exempt from Inheritance tax, provided the donor survives 7 years after making the gift.

Since April 2016, individuals of all ages have been entitled to the same generous income tax personal allowance, which increased from £11,500 in 2017/18 to £11,850 this April. This means that, in 2018/19, a typical basic rate taxpayer will pay £1,075 less income tax than in 2010/11. The Government has also committed to raising the income tax personal allowance further, to £12,500. Therefore, regardless of their age, all taxpayers will see an increase in their personal allowances in this Parliament.

14. How does the Government’s practice of running public finances on a cash flow basis rather than on a balance sheet basis affect the intergenerational settlement?

The Government manages the public finances on both a flow and a balance sheet basis. The Government has fiscal rules for both Public Sector Net Borrowing (a flow metric) and Public Sector Net Debt (a balance sheet metric) and has done so continuously since 2010. The Chancellor has repeatedly emphasised the importance he places on reducing our level of debt to ensure a rising burden onto future generations is not passed on.

The Government is also taking on-going action to improve the management of its balance sheet. At Autumn Statement 2016 the Treasury asked the Office for Budget Responsibility to start forecasting two new balance sheet metrics, Public Sector Net Debt excluding the Bank of England and Public Sector Net Financial Liabilities. The Office for National Statistics also now publishes outturn data for both these metrics. The Treasury launched the Balance Sheet Review at Autumn Budget 2017 to improve the management of the public sector balance sheet. Finally, the Managing Fiscal Risks document, which was published in July 2018, included a chapter regarding how the Government plans to manage and mitigate balance sheet risks.

28 September 2018

HM Government – Supplementary written evidence (IFP0062)

What role can communities play in tackling age discrimination and loneliness? How is the Government supporting this work?

Loneliness

As the government set out recently in 'A connected society: a strategy for tackling loneliness', to tackle loneliness and support people's social connections, we all need to take action. This includes government, local authorities, businesses and the voluntary sector, where there is an opportunity to embed loneliness as a consideration across their work. Alongside this, it is also the responsibility of communities, families and the individual. By working together, we can help to create a more socially connected society.

The strategy itself was developed through collaboration across nine government departments, and with important partners from other sectors. It carries forward the partnership and cross-party approach established by the Jo Cox Commission on Loneliness and the All Party Parliamentary Group on Loneliness, and the pioneering work of Jo Cox herself.

The strategy recognises that there are leading bodies in each sector already acting to fight loneliness and bring people together, and it celebrates some examples of their work. Throughout the strategy, government calls on them to continue their efforts, and for others to follow their lead. As part of this, collaborating with one another will be essential to achieving truly personal and localised approaches to tackling loneliness.

Government's role in tackling loneliness

Central government will provide national leadership on this agenda, for example through the introduction of a measure to be used consistently for loneliness. Government will develop easy-to-understand messages and information through a campaign about the importance of maintaining good social wellbeing. It will also ensure the effective implementation of the strategy, working closely with the Loneliness Action Group and its members to implement the policies it contains, and to capture and act on relevant learning and insights. Its work will continue to put the framework in place to enable everyone in society to play their part in tackling loneliness, through policy-making, convening groups and sharing learning to accelerate change.

As the strategy sets out loneliness and social connections are deeply personal. Government recognises that everyone feels lonely from time to time. But when people are always lonely they are likely to suffer significant ill health and other negative consequences. So government's work on loneliness focuses on preventing people from feeling lonely all or most of the time.

Three overarching goals guide government's work on loneliness. The first is a commitment to play our part in improving the evidence base so we better

understand what causes loneliness, its impacts and what works to tackle it. This includes introducing a consistent measure for loneliness. The second goal is to embed loneliness as a consideration across government policy, recognising the wide range of factors that can exacerbate feelings of loneliness and support people's social wellbeing and resilience. The third goal is to build a national conversation on loneliness, to raise awareness of its impacts and to help tackle stigma.

The strategy is a first step; a foundation for a generation of policy work. Tackling loneliness is a multi-generational challenge and touches on a wide range of policy areas that government is responsible for. To ensure ongoing consideration of this issue:

- The Minister for Sport and Civil Society will continue to lead cross-government work on tackling loneliness.
- The cross-government ministerial group will take forward government's work on loneliness and oversee the delivery of the commitments in the strategy.
- The group will publish an annual progress report on the loneliness agenda.
- Ministers at key government departments (the Ministry of Housing, Communities and Local Government, the Department for Business, Energy and Industrial Strategy, and the Department for Transport) will have their portfolios extended to include loneliness, to demonstrate the importance of this agenda across a wide range of policy areas. The Minister for Sport and Civil Society and the Minister of State for Care's portfolios already include loneliness.
- Government will explore ways to embed loneliness as a factor when making new policies. From 2019/20 individual government departments will highlight the progress they are making on addressing loneliness through their annual Single Departmental Plans. Government's intention is to embed consideration of loneliness and relationships throughout the policy-making process. Government will explore various mechanisms for doing this and will, for example, include it in guidance for the Family Test.

The role of communities in tackling loneliness

The social sector already plays a vital role in tackling loneliness and bringing people together. It can create strong, integrated communities and challenge obstacles that isolate people or groups. In its delivery of services and projects, it can equip people and communities with the knowledge and skills to recognise loneliness and tackle it.

The most effective answer to the challenge of loneliness is the simple decision of families, friends, faith groups and communities to include each other and to be open to new social connections. Individuals can get more involved with their community, for example by volunteering. They can look out for and keep in touch with friends, family and neighbours. Communities can play an active role in connecting people and building resilience by creating opportunities to bring people together, taking active steps to include the most isolated and vulnerable members of the community, as well as those from different backgrounds.

Government's support for civil society in relation to tackling loneliness

The recently published Civil Society Strategy sets out how government will work with and for civil society in the long-term to create a country that works for everyone. It consists of five chapters that each address the 'five foundations of social value' in turn:

1. People - enabling a lifetime of contribution focuses on the role of citizens in civil society, with particular reference to the role of young people.
2. Places - empowerment and investment for local communities presents a vision of 'place', and the role of government in supporting local communities.
3. The social sector - supporting charities and social enterprises explains the government's approach to the core of civil society i.e. the social sector of charities, voluntary organisations and social enterprises including mutuals.
4. The private sector - promoting business, finance and tech for good outlines the role of business, finance and tech in civil society.
5. The public sector - ensuring collaborative commissioning explains how the government sees the future role of civil society organisations in the delivery of public services.

Government's work on loneliness has built on this by recognising the huge contribution that civil society and communities make to bringing communities together and preventing loneliness. In summer 2018, government announced that it had secured an additional £20 million of funding for community projects in this area. This includes the £11.5 million Building Connections Fund (a partnership between government, the Big Lottery Fund and Co-op Foundation) as well as £9 million of additional grant-funding provided by the People's Postcode Lottery and the Health Lottery.

Many of the commitments announced in the loneliness strategy are about government enabling people in communities to help each other. For example:

- By 2023, government will support all local health and care systems to implement social prescribing connector schemes across the whole country, supporting government's aim to have a universal national offer available in GP practices. This means that more people will be connected with the care and support they need when they are experiencing loneliness, no matter where they live. Social prescribing connects people to community groups and services through connector schemes where 'link workers' introduce people to support based on their individual needs.
- The Department for Digital, Culture, Media and Sport will launch up to five pilots by March 2019 to support and enable people to volunteer throughout their lives. These pilots will test and develop new models of flexible and inclusive volunteering opportunities, supporting people who might otherwise miss out due to their life circumstances. They will focus on creating lifelong contribution pathways, and offer flexibility around key life events and changes. The work will be match-funded by the Centre for Ageing Better, and each pilot will be designed and coordinated with the voluntary sector and others.

- Further to the announcement in the Civil Society Strategy that government will enable the creation of more sustainable community hubs and spaces, the Department for Digital, Culture, Media and Sport will devote up to £1.8 million in funding to help local people maximise the potential of underutilised community spaces in innovative and creative ways. Government will devote this money to building social connections by working with the social sector and community groups to develop and pilot innovative approaches to better use community spaces. This could include bringing existing space that is not currently available into use and piloting extended opening hours.
- The Department for Digital, Culture, Media and Sport is expanding uniformed youth programmes (such as the Scouts, Guides or Sea Cadets) to create more places for disadvantaged young people, with a new £5 million Uniformed Youth Fund. Government will use £100,000 of this funding for research to improve understanding of how to address youth loneliness through uniformed youth.
- Sport England will make new grant awards totalling £1 million from its Active Ageing Fund to two programmes which specifically tackle loneliness through sport and physical activity for people over 55. Sport England is already supporting 20 local projects through its Active Ageing Fund, which aims to help older adults get more physically active. Four of these projects are focussing on using sport and physical activity to reduce loneliness over the next four years. These are being led by the Devon Local Nature Partnership, the English Football League Trust, Age UK Milton Keynes and the Cotman Housing Association.
- The Department for Environment, Food and Rural Affairs will support community infrastructure and community action to tackle loneliness in local areas. The ACRE network of Rural Community Councils has already begun prioritising work with local partners on tackling loneliness in rural areas, using the department's contribution to its funding.
- By the end of 2018, the Department for Education will publish guidance for schools on maximising the use of their premises, as well as other forms of income generation that can be beneficial to the community. This guidance will cover barriers such as insurance and safeguarding issues. Government believes schools should support maximum use of their premises and facilities by the local community for meetings and events in the evenings, at weekends and during the school holidays. The Department for Education will also collect data on which schools already allow use of their premises, in order to understand how best to support other schools to do so. The great majority of schools can allow use of their premises outside school hours, and will be expected to do this where it is not already happening.
- Public Health England's forthcoming mental health campaign will highlight loneliness as a potential risk factor for mental health problems, and emphasise the importance of strong social connections for mental wellbeing. Aiming to reach one million members of the public, the

campaign will highlight social isolation and loneliness as key risk factors for poor mental health, and equip members of the public to take action through personalised suggestions.

- Through a campaign, the Department for Digital, Culture, Media and Sport will explore how best to drive awareness of the importance of social wellbeing and how we can encourage people to take action through easy-to-understand messages and information. Government is keen to work with partners to develop the focus of this work and understand how best to take it forward to build a national conversation on loneliness.

1 November 2018

HM Government – Supplementary written evidence (IFP0072)

Further to the Department for Work and Pensions, Department for Business, Energy and Industrial Strategy, Department for Education and HM Treasury evidence session on 11 September 2018, below we provide further supplementary evidence:

Q 43 (Sinead O’Sullivan)

As part of the National Retraining Scheme Construction Fund, part of the construction sector deal, the Department for Education will spend £34m to support the development of construction skills across the country (which includes £24m for construction training hubs), construction pilots within the West Midlands and potential outreach activities that would attract adults over the age of 24 into the construction sector.

Q44 (Mark Holmes)

Fieldwork for gathering employer data is underway and the Department for Business, Energy and Industrial Strategy is scoping the survey of employees for likely completion in late 2019. The full set of data on flexible working as part of the Post-Implementation Review on the extension of the right to request flexible working (to all eligible employees) is likely to become available late 2019/early 2020.

Q52 (Lindsey Whyte)

The correct statistic is “A one percent increase in the number of people in work aged 50-64 could increase income tax and NICs liabilities by around £800 million per year” (Managing Fiscal Risks, July 2018, para 5.40)

25 January 2019

Institute and Faculty of Actuaries – Written evidence (IFP0039)

1. The Institute and Faculty of Actuaries (IFoA) welcomes the creation of this House of Lords Committee tasked with exploring intergenerational issues. Actuaries are experts in understanding financial and demographic risk, and the long-term consequences of decisions made today, and this theme is central to the question of intergenerational fairness. It is important that policymaking considers its impact on different parts of society and understands how consequences manifest over time. This includes how policy changes might affect different age cohorts, and its implications for future generations.
2. In our response we have focussed on answering questions where our members have direct expertise, in particular in relation to pensions, retirement and the cost of social care, all areas of particular current contention when it comes to intergenerational fairness.

Is the intergenerational settlement in the UK currently fair? Which generations are better off or worse off, and in which ways?

3. Over the past decade the issue of an intergenerational settlement, and whether or not it is fair, has steadily risen up the political agenda, across a range of public policy areas. The debate has focussed on the difference in outcomes between those entering adulthood in the wake of the financial crisis, who have generally weak pension provision and who also face the issue of being unable to afford to buy property (the 'Millennial' generation), and their parents, who have benefited from generous pension provision and low housing costs and are now either retired or will retire in the next 10 years (the 'Baby Boomers'). This juxtaposition is particularly stark and has provided the basis for much of the 'fairness' discussion, with the prevailing argument focussing on the Baby Boomers becoming better off at the expense of the Millennials.
4. This is partly because of the UK's changing demographics, in particular the ageing population. The population is growing, individuals are living longer, and in the coming decades there will be a growing proportion of older people in the population. The number of those over the age of 75 is projected to double over the next 30 years.¹⁸⁵ All the while, improvements in healthy life expectancy are not keeping pace with this increasing longevity. Males can now expect to spend 16.1 years in poor health in later life, and females 19 years.¹⁸⁶ Research also suggests that the prevalence of multi-morbidity (the presence of 2 or more conditions) is

¹⁸⁵ ONS (2016) National Population Projections, <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections>

¹⁸⁶ Public Health England, Health profile for England, Chapter 1: life expectancy and healthy life expectancy, July 2017 <https://www.gov.uk/government/publications/health-profile-for-england/chapter-1-life-expectancy-and-healthy-life-expectancy>

forecast to rise, not just in the retired population, but in younger age groups too.¹⁸⁷

5. All these trends point towards increased pressure on public services, in particular health and social care, as the number of people using public services outnumbers the number of those paying into the system through general taxation (i.e. the working age population). Taking social care as an example, already 1.2 million people do not have access to the social care they need – a 48% increase from 2010.¹⁸⁸ This should not be seen as older people creating a 'burden' on health and care services, but a demonstration that the system is inadequate.
6. Discussion of intergenerational financial transfers have been a key theme for exploration in the growing discourse in this area. As actuaries we are also concerned about the transfer of *risk* between generations, from within the family, from someone's employer, and from the Government to certain individuals.
7. Through recent changes in many areas of policy, the responsibility for shouldering risk has changed dramatically. Changes to the pensions system have forced individuals to take what could be seen as an unfair responsibility for risks associated with longevity and investment. A similar story is true for social care, with individuals generally living much longer in poor health and increasingly having to take responsibility for funding their social care needs. These changes have not been supplemented with adequate levels of financial education, and people are often ill-equipped to make these important decisions. The Government should take a lead role in delivering improvements in financial education through the new Single Financial Guidance Body, so that all generations understand the how best to make the decisions they will be expected to make.
8. As is often the caveat in discussions on intergenerational fairness, actions aimed at removing perceived unfairness *between* generations should not lead to greater unfairness *within* some generations. No one generation or cohort will be completely homogenous and there needs to be some transfer of risk and value within generations as well as between them.

What are the future prospects for different generations in the light of current economic forecasting?

9. The Baby Boomer generation is the wealthiest the UK has seen as they approach retirement, but there are serious concerns about how younger generations will fare when they reach older ages. This is particularly the case where the provision of occupational pensions continues to shift from generous defined benefit (DB) provision to riskier defined contribution (DC) provision. The issues here are two-fold: partly that the size of DC provision is typically much smaller and partly, as mentioned above, that

¹⁸⁷ A Kingston, L Robinson, H Booth, M Knapp, C Jagger, Projections of multi-morbidity in the older population in England to 2035: estimates from the Population Ageing and Care Simulation, Age and Ageing, 2018

¹⁸⁸ Age UK, Care in Crisis, 13 October 2017 <https://www.ageuk.org.uk/our-impact/campaigning/care-in-crisis/>

the risks for members of DC pension arrangements are much bigger. We explore this issue further in our answer to question 3.

10. In contrast to this, Automatic Enrolment (AE) has been successful in helping to ensure that employers are making some pension provision for their employees. The Millennials and generations that follow are likely to see the most benefit from this, as they begin to save earlier and their savings have more time to accrue interest and grow in value before they retire. It is widely considered that the so called 'Generation X', born between the early-to-mid 1960s and the early 1980s, will be the biggest 'losers' from these policy changes, suffering from the closure of DB schemes (considered too expensive as longevity began to increase significantly), but not benefitting from the introduction of AE early enough to accrue meaningful DC pots.
11. The number of people with care needs in later life is rising and, worryingly, so is the number of people with unmet care needs. It is important that we meet these needs, but that in doing so we do not place an unfair burden on younger and future generations. This could be achieved by introducing policies that mean those who are able to meet some of their care costs do so within a framework that is sustainable in the long term. It may be that we need both immediate solutions designed for current older generations to use their assets without having to sell their home, such as innovation in the pensions and equity release markets, alongside longer-term solutions for the current working age population that have an element of prefunded solutions for social care.

To what extent do different generations have a better or worse experience of the labour market?

12. Occupational pensions, one of the key areas of reward associated with employment, pose clear problems for intergenerational fairness. These issues are perhaps most stark when considering DB provision. These schemes were set up in an era when life expectancy post-retirement was less than it is today, and in general they were based on an intention but not a commitment to provide inflation-linked revaluation before payment and increases in payment. Promises made in the past therefore underestimated the cost of providing the level of provision now mandatory and many providers and employers are now paying the price.
13. Current market conditions are placing an increasing strain on the balance sheets of many employers, leading to a reduction in the generosity of pay and pension promises. Whilst the introduction of AE has undoubtedly been a success in increasing pension coverage, particularly amongst the Millennials, the quality of the provision on offer is much less generous, with many employers opting to offer the minimum required contribution rate. Not only are current workers being affected today, but the move away from DB towards less generous and riskier DC schemes means that this imbalance will only be exacerbated further down the line, with younger generations experiencing a reduction in living standards and ongoing uncertainty whilst working, and expecting this to continue into

their retirement.

14. The majority of the Millennial generation will have little or no DB pension benefits when they retire, and as such it will be extremely important that those contributing to DC schemes are building adequate pension pots to see them through their retirement. Automatic enrolment has been partially successful in addressing this problem by getting almost 7 million workers enrolled in a workplace pension scheme since its implementation.¹⁸⁹ However, current contribution levels are unlikely to be sufficient for many individuals and there is a risk that people are unknowingly heading towards inadequate retirement provision.

To what extent does the tax system take account of fairness between the generations? What changes, if any, should be made to the tax system to achieve a fair intergenerational settlement?

15. The design of the UK's pension tax system provides opportunities to help or hinder intergenerational fairness. The recent introduction of the Lifetime ISA (LISA) was an attempt by the then Chancellor to offer an alternative way for individuals, particularly those in younger generations, to save for their retirement. The LISA also offers an alternative way for the government to tax these savings, with tax being levied on earned income before it is placed into the LISA. Traditional pensions are taxed at the point of withdrawal and the contribution from earnings is made before tax.
16. In tax terms, the traditional approach to pensions can in theory be better adjusted for inter-generational risk than the ISA model. The traditional pension taxation system, where tax is deferred from the point of earning to the point of spending, in theory allows the government to adjust the final tax rate where it is clear that the outcomes have unexpectedly favoured one generation or the other. This contrasts with the ISA, where the tax is taken up front and it is difficult to make later adjustments.
17. For example, there is no reason why the tax rates on pension income have to be the same as those on working-age earned income; those of working age are already taxed at a higher rate when National Insurance (NI) contributions are taken into account. The tax system has the potential to be changed by the government to the benefit of younger generations, with those drawing their pension paying more tax than those of working age. NI is also currently not paid by those above State Pension age, which raises additional questions of intergenerational fairness.
18. Lower overall levels of saving into occupational pensions amongst younger generations, means that many will be unable to benefit from tax deferral to the same degree as previous generations.

¹⁸⁹ Department of Work and Pensions, Automatic Enrolment evaluation report 2016, December 2016, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/576227/automatic-enrolment-evaluation-report2016.pdf

How does the Government’s practice of running public finances on a cash flow rather than on a balance sheet basis affect the intergenerational settlement?

19. As actuaries, our members have particular expertise in managing cash flows and balance sheets in the private sector, and some of the lessons from this practice could be usefully applied to the Government’s handling of its own pension liabilities. The State Pension is an important policy that has gone from being a non-contributory system to a pay-as-you-go (PAYG), contributory system, with NI contributions levied on the working population of the day to pay for the pensions of those currently in receipt of the State Pension. The National Insurance Fund which supplies the State Pension is managed on a cash flow basis.
20. The Government Actuary’s department regularly provides analysis to the Government on the state of the fund, and its 2018 analysis suggests that the fund may be exhausted by 2032 if current funding arrangements persist.¹⁹⁰ Because of the way the account is funded, it is likely that a rise in NI, paid for only by those of working age, would be required to top up the fund to a sufficient and sustainable level. This would pose obvious problems for intergenerational fairness, especially with those over State Pension age exempt from NI. Running this fund on a balance sheet basis, i.e. showing the full extent of the pension liability alongside the NI take at any given time, could add more transparency to the intergenerational debate. It could also be used to help to set future tax levels to meet this liability for each generation so that younger generations are not unfairly burdened as larger populations reach State Pension age.
21. The importance of the State Pension in providing a minimum income standard for older people also means that its sustainability and affordability will be key to ensuring that future generations benefit from the same level of security that current generations experience. We are already seeing a level of pessimism amongst younger generations in their expectations of the State Pension. A recent survey from the IFoA suggested that many UK respondents (compared with those from the USA and Australia) expect to rely on the State Pension for their retirement, and were least likely to have other savings set aside to fund their retirement. By contrast, only half (53%) of the youngest cohorts of respondents expected to receive some form of State Pension in the future, compared with 81% of the oldest respondent group.¹⁹¹
22. Clearly the collapse of any PAYG system such as the State Pension would be justifiably lamented by anyone who has paid in but not seen any benefit, and would be a prime example of intergenerational unfairness. As

¹⁹⁰ Government Actuary’s Quinquennial Review of the National Insurance Fund as at April 2015, October 2017, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/653374/OR_2017_report_Oct_2017.pdf

¹⁹¹ IFoA Policy Briefing: Retirement Readiness Survey Report from Australia, the United Kingdom & the United States, October 2017 - <https://www.actuaries.org.uk/documents/policy-briefing-retirement-readiness-survey-report-australia-united-kingdomunited-states>

such, anything that undermines the affordability and sustainability of the State Pension should be discouraged. The 'triple lock' is an example of this and the IFoA has consistently argued that the policy is unnecessary if the amount of the new State Pension (which is aimed at creating an affordable and sustainable system over the long term) has been properly set.¹⁹²

23. The 'triple lock' policy has been one factor which has helped pensioner incomes to increase at a quicker rate than incomes of the working age population. Whilst the policy was clearly well-intentioned, and its success in helping to reduce the rate of pensioner poverty should be celebrated, the increase in benefits of at least 2.5% pa far exceeds the pay increases recently seen by those in work. We suggest that 2.5% is an arbitrary figure and not in keeping with the rate of earnings increase amongst the rest of the population. It is important that pensioners are not left behind with a stagnant State Pension whilst the cost of living rises, but linking the uprating more closely to the actual experience of the rest of the population would be a more inter-generationally fair way to do this. Evidence from both John Cridland's review of State Pension age¹⁹³ and the Work and Pensions Select Committee's review of intergenerational fairness¹⁹⁴ suggest that the triple lock is increasing State Pension expenditure as a share of national income and is unsustainable over the long term.

Marjorie Ngwenya

President, Institute and Faculty of Actuaries

10 September 2018

¹⁹² IFoA response to Department for Work and Pensions - Independent Review of the State Pension Age Interim Report, February 2017 - <https://www.actuaries.org.uk/documents/ifo-response-department-work-and-pensions-independent-review-state-pension-age-interim-report>

¹⁹³ Department of Work and Pensions, State Pension age review: final report, July 2017

¹⁹⁴ Work and Pensions Committee, Intergenerational fairness inquiry Committee Report, November 2016

The Intergenerational Foundation – Written evidence (IFP0042)

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

Executive Summary

- IF believes the intergenerational contract which underpins the welfare state is under increasing strain from rising longevity and the growing wealth imbalance between the Baby Boomers and the younger generation.
- In the labour market, younger workers have been the biggest losers from over a decade of no real pay growth, while the incomes of pensioner households have risen substantially in real terms.
- With regard to housing, young adults have become significantly more likely to rent than to buy over the past couple of decades because of rising house prices, which have made them increasingly reliant on parental wealth in order to access the housing ladder – a trend which is likely to have a significant negative impact on social equality, as it is strengthening the relationship between coming from a wealthy background and being able to acquire significant wealth yourself.
- With regard to communities, social changes have re-enforced patterns of age segregation which make it significantly less likely that younger and older people will live in the same neighborhood.
- With regard to taxation, IF believes that people who work beyond State Pension Age should have to start paying National Insurance on the same basis as people of working-age, in order to provide additional resources to help meet the costs of our ageing population.

Introduction:

The Intergenerational Foundation (IF) is pleased to have the opportunity to respond to the House of Lords inquiry into intergenerational fairness. Since it was formed in 2011, IF can claim to have played an important role in leading the debate about intergenerational fairness in the UK by publishing a large number of pieces of research into these issues, and we are regularly consulted by the media and policy-makers.

Our responses to the questions which were posed by the select committee in its terms of reference are set out in the following sections of this document. We have not attempted to answer every single question, but instead we have focused on the ones where we feel that IF's expertise in those particular subject areas can make the most useful contribution to the debate.

General

1. Is the intergenerational settlement in the UK currently fair? Which generations are better off or worse off, and in which ways?

IF strongly believes that the current intergenerational settlement in the UK is unfair on today's young people, who are doing significantly worse across a range of measures compared to both today's older generation and how previous cohorts of young adults were doing when they were at the same stage in life. We will provide further evidence to support these assertions throughout the rest of this document, but we are extremely concerned that young adults are struggling specifically in relation to jobs, housing costs, the cost of attending higher education, being unable to save for the future, and being under-represented politically. Although there are very significant inequalities within all generations, it can be demonstrated that young adults have suffered disproportionately from a number of structural changes in the economy that have occurred since the 1990s, and which in a number of cases have been compounded by government policy decisions; by contrast, older generations have generally been treated much more favourably by the same processes over the course of this period.

2. What are the future prospects for different generations in the light of current economic forecasting?

While the future is inherently difficult to predict, IF would argue that intergenerational unfairness is likely to continue being exacerbated in the short- to medium-term by the impact of two powerful forces: continued government austerity measures, which so far have generally had a larger impact on younger people than older ones, and the impact of Brexit, which most forecasters expect will have a detrimental impact on the living standards of Britain's workers.

Firstly, with regard to austerity it has been demonstrated that younger people and working-age households have been affected disproportionately by the impact of public expenditure cutbacks since 2010, while retired households have generally had their living standards protected. During the first period of austerity, between 2010 and 2015, pensioner households enjoyed significant increases in the value of both cash benefits and the benefits-in-kind which they received, whereas the poorest 60% of working-age households all endured seeing the value of their cash benefits decrease in real terms.¹⁹⁵ It is easy to see why this would have been the case, given that so many of the government's welfare reform measures were targeted specifically at working-age households, such as the 1% cap in indexation on working-age benefits; the £3.9 billion worth of cuts to tax credits; the £1.9 billion worth of cuts to Child Benefit; and the £1.8 billion worth of cuts to private sector Housing Benefit.¹⁹⁶ By contrast, the full array of universal benefits was protected for all pensioners, and the introduction of "triple lock" indexation means that the value of the basic state pension rose significantly during the same period. Looking to the future, at the time of the 2017 Autumn Budget statement, a further £12 billion of welfare retrenchment had already been budgeted for between 2017/18 and 2021/22, the vast majority

¹⁹⁵ Based on IF's analysis of data taken from: ONS (2015) *Effects of Taxes and Benefits on Household Income, 1977 to Financial Year Ending 2014* Newport: ONS

¹⁹⁶ All figures are quoted from: Hood, A. and Phillips, D. (2015) *Observations: Substantial cuts made, but biggest changes to the benefit system yet to come* London: Institute for Fiscal Studies

of which will come out of spending on working-age benefits.¹⁹⁷

Secondly, although the impacts of Brexit are highly uncertain (and IF has no ideological position in the Brexit debate as an organisation), the vast majority of economic forecasts predict that the most likely future scenario facing Britain is one in which growth and trade with the EU are reduced, resulting in lower living standards for British workers; this is what any economist would intuitively expect to happen when a country introduces new sources of trade friction into its relationship with its largest trading partner. A major review of the various economic forecasts which different organisations have produced that attempt to model the impacts of Brexit concluded that virtually all plausible future Brexit scenarios will result in a material reduction in economic prosperity between the present and 2030 (with the only major exception being a study produced by the pro-Brexit campaign group “Economists for Brexit”).¹⁹⁸ Overall, you would expect this to harm the future prosperity of young adults more than any other age group because will have to live with the impacts of Brexit for longest, so this augurs poorly for their economic wellbeing.

¹⁹⁷ IFS (2017) *Autumn 2017 Budget: options for easing the squeeze* London: IFS

¹⁹⁸ Begg and Mushövel (2016) *The economic impact of Brexit: jobs, growth and the public finances* London: LSE

Jobs and the workplace

3. To what extent do different generations have a better or worse experience of the labour market?

The labour market has become one of the most important arenas of intergenerational inequality during the period since the global financial crisis began in 2007. It has been clearly demonstrated that the British labour force, as a whole, has suffered an unprecedented decline in real wage levels throughout this period:

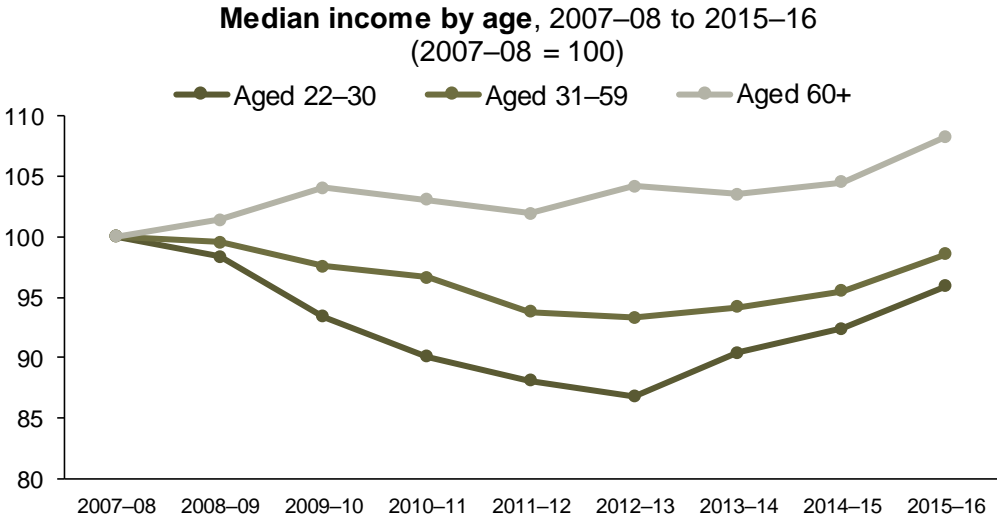


Fig.1 Median income for different age groups, 2007/08 to 2015/16¹⁹⁹

A decade on from the global financial crisis, real wage levels for the average working-age person are still below where they were at the time when it struck, owing to a combination of poor economic growth, stagnant productivity and public-sector wage restraint. It has also been shown that even the relatively small improvement in real wages which has occurred since 2012/13 has been driven partly by higher employment, rather than people who already had jobs receiving real terms wage increases.²⁰⁰ However, workers who are currently in their 20s – many of whom were entering the labour market for the first time when the crisis struck and in its immediate aftermath – have fared even worse than their older colleagues; not only do they earn less, on average, than any other age group in absolute terms, but they have also seen the largest real terms decline in how much people of their age were earning compared to ten years ago. Other analysis has shown that there has been a long-term decline since the early 1990s in the average wages of men who are in their twenties which has been driven by the gradual shift of young men away from higher-paid, full-time jobs (particularly in manual and technical occupations, where their wage bargaining power was greater because of unionisation) towards lower-skilled, part-time work in the services sector such as retailing and bartending, while

¹⁹⁹ Browne, J. and Hood, A. (2017) *Living standards, poverty and inequality in the UK: 2015-16 to 2020-21* London: Institute for Fiscal Studies

²⁰⁰ Johnson, P. (2018) *Income inequality is not rising, but seen from the middle it looks worse* London: Institute for Fiscal Studies

average wages for young female workers have broadly been stagnant across the same period.²⁰¹ This is reflective of the fact that younger workers who have recently entered the labour market have been more affected by the ways in which technology and casualisation have disrupted the world of work; for example, 36% of workers who are employed using zero-hours contracts are aged 16 to 24, even though this age group only accounts for 11% of the employed workforce.²⁰²

The overall point to be made about younger workers' incomes is that, while all workers have done badly out of the labour market over the past ten years, the youngest workers have done especially badly, a trend which has also been compounded by the retrenchments to working-age welfare that were mentioned above. By contrast, the only age group whose average incomes have risen over the past decade has been pensioners, because of the retirement of the oldest people from the Baby Boomer generation (more of whom had access to good-quality pensions than was the case in previous generations) and the government's decision to protect pensioner benefits from its austerity measures. The government's "triple lock" policy has been particularly significant in this regard, because it has ensured that the spending power of the state pension rises in line with whichever is highest out of inflation, earnings growth or a floor rate of 2.5% a year, at the same time that the inflation uprating of working-age benefits has been capped at 1%.

²⁰¹ Resolution Foundation (2017) *Millennial men earned £12,500 less than the generation before them by the time they hit 30* London: Resolution Foundation

²⁰² Office for National Statistics (2018) *Contracts that do not guarantee a minimum number of hours: April 2018* Newport: ONS

Housing

6. To what extent is intergenerational fairness impaired by the UK housing market?

Housing is one of the other key areas of intergenerational inequality in the UK today. Most parts of the UK, but especially London and the South East, have seen dramatic rises in house prices over the past 25 years which has inevitably benefited property-owners at the expense of people who do not own their own homes. This has huge implications for intergenerational equity because property owners are disproportionately likely to be older people who got on the housing ladder when it was still relatively affordable in the 1970s and 1980s, whereas because today’s young adults did not have that opportunity, they must either buy or rent their housing in an over-inflated housing market or live with their parents for much longer than was considered usual by previous generations.

The result of the UK’s housing crisis is that young adults have seen a huge increase in their housing costs in comparison to older generations over recent years:

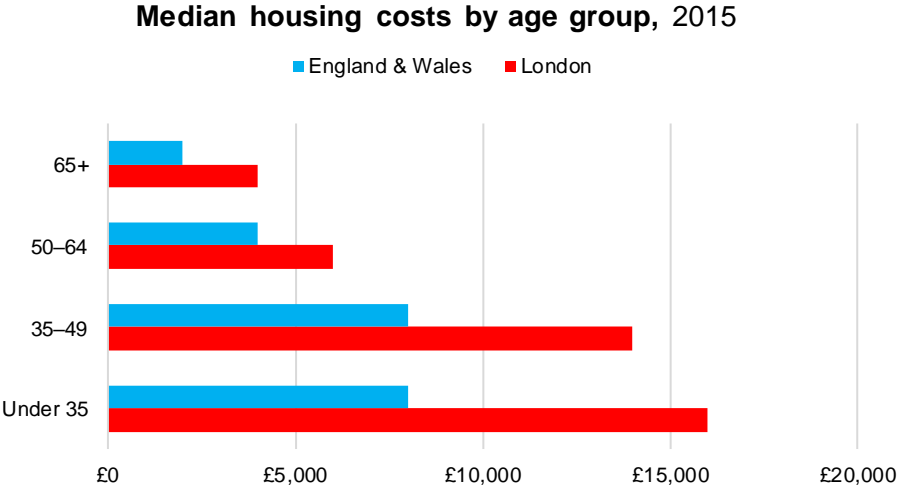


Fig.2 Housing costs by age group²⁰³

The data in Fig.2 also emphasize how much higher housing costs are in London than they are in the rest of the rest of England and Wales, which is significant for intergenerational inequality because so many of them migrate to London in search of job opportunities during this phase of their lives, whereas people become more likely to move out of London as they get older. Survey evidence suggests that the majority of young adults still aspire to become homeowners, but many of them are very unlikely to ever achieve this aim: 40% of Millennials who are over 30 are now renting their homes privately, twice as many as for Generation X and four times as many as among the Baby Boomers when those two generations were at the same stage in life, and a recent estimate suggested that a third of Millennials could still be renting privately at age 65.²⁰⁴ It is very

²⁰³ Cook, L. (2015) *Market Examination*, Presentation delivered during the 2015 RESI conference at Celtic Manor, Newport, 8 September 2015

²⁰⁴ Corlett, A. and Judge, L. (2017) *Home Affront: housing across the generations* London: Resolution Foundation

unlikely that today's young adults will ever achieve the same levels of home ownership that were enjoyed by their parents' and grandparents' generations, which has serious knock-on effects for social equality as it will make inherited housing wealth more valuable to those fortunate members of the Millennial generation who are lucky enough to inherit property wealth from their families.

7. What has driven the increase in the size of the private rented sector? Which generations are most affected by this and how?

As IF argued in our 2013 research report *Why BTL equals "Big Tax Let-off": How the UK tax systems hands landlords an unfair advantage*,²⁰⁵ the growth of the private rented sector has been highly beneficial to wealthier members of today's older generation (particularly Baby Boomers born between 1946 and 1964) largely at the expense of Millennials (born 1980 to 2000). As the committee must be well aware, the private rented sector has expanded hugely since the mid-1990s: in 1996/97 about 2.1 million households were renting privately (one in ten of all households), whereas by 2016/17 this had grown to 4.7 million households (about one in five).²⁰⁶ We argued in our report that this growth has occurred for a number of reasons: the failure to build enough new housing, which has pushed owner-occupation out of the reach of first-time buyers; the liberalisation of the private rental sector following the 1988 Housing Act, which removed rent controls; innovation within the financial services sector, which sought to create a market for buy-to-let mortgages; low interest rates, which made buy-to-let mortgages especially attractive while reducing the returns to other types of asset; the shrinkage of the social rented housing sector, which created a new market for private landlords letting to low-income tenants receiving Housing Benefit; the higher risk-adjusted returns of property investment in comparison to stock markets during the 1990s and 2000s; and favourable tax treatment with respect to tax relief on mortgage interest, depreciation and Capital Gains Tax, which our report argued should be reformed (reforms which the government has subsequently adopted).

As it was predominantly wealthy middle-aged and older people who had the necessary capital to take advantage of the favourable environment for the private rented sector during the 1990s and 2000s, the age profiles of landlords and tenants are very different. According to a survey undertaken by the Association of Residential Letting Agents (ARLA) in 2012, nearly two-thirds of landlords in the UK are aged 46 to 65 and the average of one is 53.²⁰⁷ By contrast, the average of a private renter in 2016/17 was 40, and about 65% of them are aged between 16 and 44.²⁰⁸

The fact that so many more young adults now live in the private rented sector raises a number of important issues for policy-makers. Firstly, the majority of them do not want to live in the private rented sector for the long-term: according to a 2013 survey of non-homeowners conducted by Halifax, there is a

²⁰⁵ Kingman, D. (2013) *Why BTL equals "Big Tax Let-Off": How the UK tax system hands landlords an unfair advantage* London: The Intergenerational Foundation

²⁰⁶ Ministry of Housing, Communities and Local Government (2018) *English Housing Survey 2016/17* London: Ministry of Housing, Communities and Local Government

²⁰⁷ Association of Residential Letting Agents (ARLA) (2012) *ARLA Survey of Residential Investment Landlords* Warwick: ARLA

²⁰⁸ Id. At Footnote 12.

fundamental mismatch among people who rent privately between their aspirations of homeownership and the affordability crisis they face in today's housing market. This survey found that 79% of non-homeowners aged 20–45 would like to become owner-occupiers one day, but just 44% of people in this age group are actually owner-occupiers at the moment. Within this group, 39% of them said they would like to own a home but didn't think they would ever be able to afford it. The results of this survey also hinted at the broader negative impacts for society if many of these people never manage to become homeowners: 47% did not believe it was right to have children until they owned their own home, while 57% said they didn't think they would ever be able to retire if they were still renting.²⁰⁹ As well as undermining the notion that Britain is a "property-owning democracy" if millions of people who would like to own their homes cannot do so, this is likely to have increasing political repercussions if it feeds through into a broader sense of dissatisfaction with the economic *status quo*.

Secondly, the cost of renting is far more economically burdensome for tenants than other housing tenures, with the result that they have lower disposable incomes and find it much harder to save up enough money to get on the property ladder eventually. On average, privately renting households spend 46% of their total income on rent (net of Housing Benefit), whereas the average household which has a mortgage spends only 19% of its total income on repayments and interest.²¹⁰ The shift in tenure among younger adults away from owner-occupation towards private renting is one of the main causes of the pattern shown in Fig.1; although you would naturally expect older adults to have higher housing costs than younger ones because they are more likely to have purchased homes and paid off their mortgages, the size of the generational gap in housing costs (particularly in London) is very striking. The cost of private renting is also a key reason why, according to the government's official measure of relative poverty, there are 14 million people who live in poverty on an after housing costs (AHC) basis compared with the smaller figure of 10.4 million people before housing costs (BHC).²¹¹

Thirdly, private renting is also far less stable than other housing tenures. In 2013/14, one in four private renters moved house, compared to only 5% of social renters and 3% of owner-occupiers; 29% had moved three or more times in the previous five years (which rose to 37% in London). In the immediate-term, this exposes tenants to having to pay moving costs and contributes to rental inflation because landlords can re-let existing properties at higher prices more quickly; over the longer-term, moving this frequently creates a high degree of instability for tenants, particularly on the quarter of families with children who are private renters, as it disrupts children's schooling and gives families less of a stake in their local communities.²¹² The reason why renting privately in England is so unstable is because tenants enjoy virtually zero legal protection from being evicted if they are renting under the Assured Shorthold Tenancy (AST)

²⁰⁹ Halifax Bank (2013) *Generation Rent: A Society Divided* Halifax: Halifax Bank

²¹⁰ Ibid. at Footnote 12.

²¹¹ Department for Work and Pensions (2018) *Households below average income: 1994/95 to 2016/17* London: Department for Work and Pensions

²¹² Bibby, J. (2016) *Renting families move so often they are nearly nomadic - new research* London: Shelter

agreements which predominate within the private rented sector, which usually last for either 6 or 12 months. Landlords are free to increase the rent each time an AST gets renewed, and can seek a court order to have a tenant evicted for no legal reason (even if the tenant isn't in rent arrears) as long as they have lived in the property for a total of more than six months.²¹³ This is completely different to the situation in Ireland and most other European countries which have large private rented sectors, where tenants enjoy greater protection from eviction.

Median non-pension household wealth by age of household reference person, 2010–12

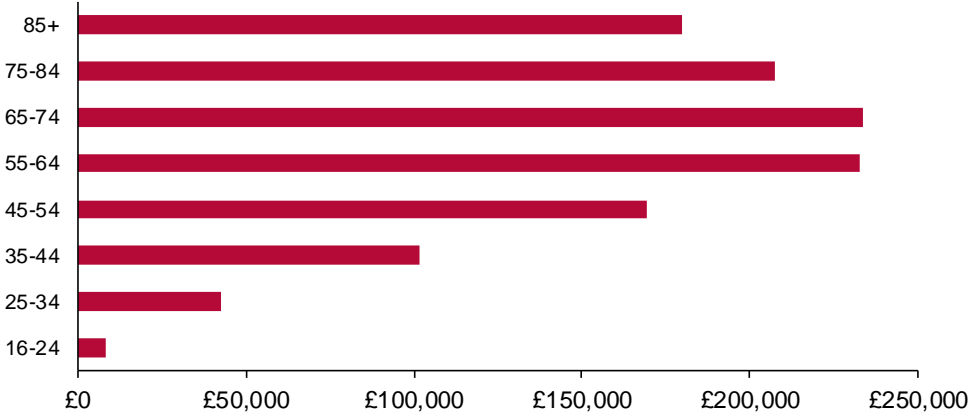


Fig.3 Median non-pension household wealth by age of household reference person²¹⁴

Fourthly, the growth of private renting among today’s younger adults is likely to have significant implications for patterns of wealth accumulation within this cohort. In addition to providing a place to live, housing is also one of the two main vehicles (alongside pension schemes) through which the vast majority of people accumulate wealth which they can either borrow against, drawdown in later years or leave to their offspring if they desire to. The substantial decline in home-ownership is one of the main reasons why today’s young adults have accumulated significantly less overall wealth on average than previous generations had done by the same stage in life. Research has shown that the average person who was born between 1981 and 1985 (i.e. the oldest Millennials) had only accumulated *half* of the total net wealth by age 30 of someone who was born during the previous five-year birth cohort (i.e. the youngest members of the Generation X). As shown in Fig.3, the generational wealth gap had become extremely large by 2012 (and these figures didn’t include wealth built-up in pension funds, which would have made the gaps look even starker if it had been included. Professor Sir John Hills of the London School of Economics has estimated that for households aged 25 to 34 to catch-up with the levels of wealth enjoyed by older generations they would effectively need to save 50% of their incomes each year, which seems implausible when their incomes have been so stagnant over recent years and housing costs are so

²¹³ Shelter (2017) *Unsettled and insecure: The toll insecure private renting is taking on English families* London: Shelter

²¹⁴ Hills et al. (2015) *Falling Behind, Getting Ahead: The Changing Structure of Inequality in the UK, 2007-2013* London: Centre for the Analysis of Social Exclusion, LSE

highly for the members of this generation who rent privately.²¹⁵

8. How can we ensure that the planning system provides for properties appropriate for all generations, including older people?

10. To what extent are initiatives to encourage down-sizing or intergenerational homesharing part of a viable solution to the housing shortage for younger generations?

We have chosen to combine these two questions because we think they are intrinsically linked: in IF's view, downsizing is one of the keys to achieving a more efficient allocation of the housing stock between people of different ages, but one of the reasons why there isn't more downsizing in the UK currently is because planning policy doesn't do enough to ensure that suitable homes exist in the right places to facilitate it.

IF has previously proposed a solution to this problem. In our 2016 research report, *Unlocking England's Hidden Homes*, we argued that it would be feasible to "unlock" millions of additional new homes from within our existing housing stock by making it easier for older property owners to "downsize-in-situ" through a new wave of subdividing big houses into smaller dwellings. We argued that the government should create a new householder permitted development right, subject to prior approval, which would enable a homeowner to subdivide without needing to submit a full planning application. Our report shows that there are 4.4 million owner-occupied households in England that have two or more spare bedrooms – potentially enough space to be divided into at least two flats that would comply with the new National Space Standards – and even if only 2.5% of these 4.4 million households subdivided their properties into two flats, it would produce more new housing than the entire private sector currently builds each year.

At present, homeowners have to submit a full planning application and get it approved in order to subdivide their properties, and the fact that fewer than 4,500 homes are being subdivided each year despite record house prices suggests that many people who could have an economic incentive to subdivide their homes are not doing so. Making it more straightforward for homeowners to subdivide would be beneficial for the following reasons:

- The government needs new approaches to reach its target of building a million new homes by 2020;
- The evidence shows that these homes would be in the "right" places: predominantly areas with the highest future demand for new housing, and surrounded by existing communities, jobs and infrastructure (including commuter hubs);
- Creating new homes in this way would reduce the development pressures on areas where the government is keen to prevent new housing from being built, such as the green belts on the edges of towns and cities;
- Homeowners would benefit from unlocking a proportion of their housing wealth, reduced household bills and lower Council Tax without having to leave their current addresses;
- We need to adapt our existing housing stock to match the trend towards a

²¹⁵ Quoted in: "Young people 'unlikely to attain wealth of parents' generation' – study" *The Guardian*, 12 March 2015

rapidly growing population where more people live in small households.

One particular area where this policy could create a “win-win” for the government would be its potential impact on the supply of housing for older people. There are now 4.26 million people over the age of 65 who live in homes with at least 3 bedrooms, and evidence suggests that 1 in 5 older homeowners would like to downsize (not to mention that there are 1.8 million homeowners aged over 65 living with health problems that could make larger homes unsuitable for them), but the vast majority either don’t want to leave their existing communities or can’t find suitable properties to downsize into. Therefore, making it easier for people to convert large homes could help older homeowners to “downsize-in-situ”, enabling adaptations such as converting the downstairs area of a large property into a smaller dwelling while creating a new flat upstairs for the owner to rent or sell. This could provide the benefits of helping them remain independent for longer and make them financially self-sufficient. Importantly, it is likely that these subdivisions would be undertaken by existing homeowners who would have the incentive of being able to unlock some of their existing housing equity, so the disincentives which prevent large homebuilders from developing more housing (i.e. the threat to their profits from bringing too many units onto the market at once) won’t apply to them.

The full report demonstrates that applications to subdivide larger properties are frequently rejected by local planning authorities under the current system because the resulting properties would be of a higher density than those in the surrounding area. However, recent planning reforms have supported the principle of building at higher densities to increase supply, so this proposal would be in keeping with wider planning objectives. The report also argues that the quality of the subdivided housing units which would result from the implementation of this policy could be assured using the prior approval process, in order to prevent the creation of excessively small homes, mitigate traffic and parking impacts, and so on.

IF does not suggest that this proposal could solve Britain’s housing crisis on its own, but we do believe it could be used to address some of the immediate need for new housing by creating new units more quickly than most alternative methods would be likely to achieve.

9. How can the property wealth of older generations (parents and grandparents) be utilised to help younger generations (their children and grandchildren) access the property market? What would be the impact on intra-generational fairness of such schemes?

One of the knock-on effects of the UK’s rising house prices over the past couple of decades has been that parental wealth has become an increasingly significant factor in enabling young adults to get on the property ladder, particularly in London and the South East where prices have risen the most. Research has shown that around 280,000 property purchases each year currently involve financial assistance from either parents or grandparents, which demonstrates that the so-called “Bank of Mum and Dad” is already playing a very large role in Britain’s property market.²¹⁶

²¹⁶Legal and General (2016) *The Bank of Mum and Dad* London: Legal and General

Some commentators are fairly sanguine about this process, arguing that without the “Bank of Mum and Dad”, even fewer young adults would be able to own their own homes than is the case at present. It could be argued that giving financial gifts to your children and grandchildren during your lifetime represents an efficient use of your accumulated resources, especially since rising longevity means that people are often middle-aged or older when their parents die, and the tax system treats lifetime giving more advantageously than it does bequests upon death (because the former are tax free as long as you survive at least seven years, whereas the latter could in theory be subject to inheritance tax, although in practice very few estates are liable for it as the thresholds are so high). Although they are yet to become a major feature of the UK mortgage market, some banks and building societies have started to launch innovative products which are designed to enable first-time buyers to get on the property ladder by leveraging some of their wealth which their older relatives have tied-up in their properties, which may well become more popular in the future.

However, at IF we are highly concerned that the increasing importance of parental wealth in enabling young adults to accumulate wealth of their own is likely to lead to a further widening of economic inequalities among today’s young adults. Given that it is already well-known that children from wealthier families are more likely than those from poorer ones to do well at school and go on to high-paid careers themselves, and they are more likely to receive large inheritances, then if parental inheritances are playing a more significant role in lifetime wealth accumulation for Millennials than was the case for previous cohorts then it is likely to have a strong negative impact on social mobility.²¹⁷

²¹⁷Birmingham Policy Commission on the Distribution of Wealth (2013) *Sharing our good fortune: understanding and responding to wealth inequality* Birmingham: University of Birmingham

Communities

11. In what ways could more active communities help redress imbalances between generations? Are there opportunities for more non-state provided solutions to the challenges faced by an ageing society?

IF's work on the impact of our ageing population on communities has focused upon the increasing extent of age segregation; that is, the growing tendency for people of different ages to live in different places, which we believe is a significant phenomenon that hasn't received enough attention so far.

Our 2016 research report *Generations Apart? The growth of age segregation in England and Wales* demonstrated that age segregation has become increasingly pronounced since the early 1990s. Comparing rural areas and urban ones, we found that the average age of someone living in a rural area had risen twice as rapidly between 1991 and 2014 as the average age of someone living in an urban area (using the ONS's classification system for categorising places as either rural or urban); 60% of the neighbourhoods in England and Wales where over half the population is above 50 are now in rural areas, whereas virtually all the neighbourhoods in which half the population is under 30 are in urban ones. We also looked at how patterns of where people live have shifted within the 25 largest urban areas in England and Wales, which showed that age segregation has also become more entrenched within these large cities. Most strikingly, the average child (someone under the age of 16) who lives in one of these large cities lives in a neighbourhood where just 5% of their neighbours will be over 65; in other words, children and their parents are now quite unlikely to share their neighbourhoods with very many older people.

When we analysed how the median age (the age of the middle person in the age distribution) differed between the different neighbourhoods of these cities, what we tended to find was that during the period between 1991 and 2014 the cores of these cities had become much more youthful, whereas the suburbs and surrounding areas had got significantly older. There are a number of possible reasons why this picture could have emerged: the expansion of universities and university accommodation based in inner-cities during this period; the dramatic increase in the number of younger people who rent privately, mainly in inner-city areas; the gentrification of inner-cities, which in many places has been driven by the redevelopment of formerly run-down areas to build private rented accommodation; and the ageing-in-place of suburban areas because young families can no longer afford to move to them.

We also argued that the growth of age segregation has negative impacts for wider society, as it is likely to undermine social capital by inhibiting mixing between people of different generations, it is likely to contribute towards political polarisation because different generations have different cultural attitudes and beliefs, and these differences are likely to have a big impact on what kind of politicians get elected in a political system which revolves around geographically-based constituencies.

Taxation

13. To what extent does the tax system take account of fairness between the generations? What changes, if any, should be made to the tax system to achieve a fair intergenerational settlement?

IF believes that tax is a key intergenerational issue because the tax system and the welfare state play an important role in redistributing resources across time, from one point in an individual’s life course to another. This is demonstrated by modelling from the Office for Budget Responsibility (OBR):

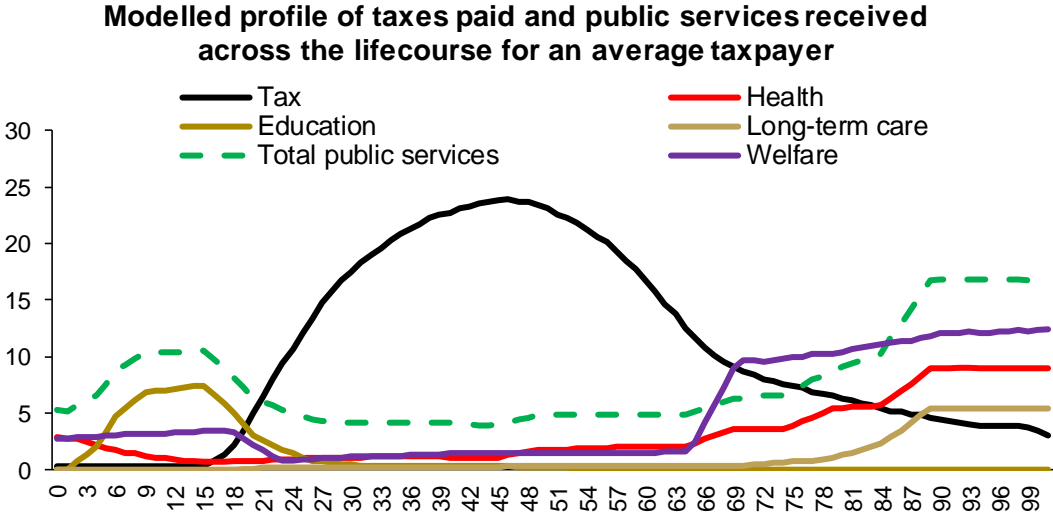


Fig.4 Modelled profiles of taxes and public service consumption over the life-course²¹⁸

As the analysis undertaken by Sir John Hills of the LSE has demonstrated, the main function of the welfare state is to redistribute resources between different stages of the same individual’s life, rather than between different individuals.²¹⁹ The average citizen is a net consumer of public resources during childhood, then becomes a net contributor throughout their working life until retirement, at which point they become a net recipient again, mainly because of the state pension and healthcare. However, because it is a pay-as-you-go system, this system of lifetime redistribution only works if the social contract of the welfare state is underpinned by an “intergenerational contract”, which relies upon each successive generation of workers being willing to support public services for the current generation of pensioners, in return for the next generation of workers doing the same for them when their time comes.

IF strongly believes that the ageing of the large post-war Baby Boomer generation is placing the intergenerational contract under increasing strain. The number of Baby Boomers and the unprecedented longevity which they are set to enjoy means they will require a bigger financial contribution from the next generation to support them in their old age than they provided for the generation

²¹⁸ Office for Budgetary Responsibility (2015) *June 2015 Fiscal Sustainability Report* London: OBR
²¹⁹ Hills, J. (2014) *Good times, bad times: the welfare myth of them and us* Bristol: Policy Press

which came before them, yet at the same time there is abundant evidence to suggest that today's young workers are enduring a lower standard of living than today's pensioners did when they were the same age. Numerous forecasts of public expenditure have indicated that taxes will have to rise for pay for the cost of the UK's ageing population over the coming decades, so unless the tax system undergoes a significant restructuring – for example, by raising taxes on wealth instead of income – it will predominantly be people of working-age who pay for it.

A reform which IF has consistently advocated to help address this problem is charging people who work beyond State Pension Age National Insurance on the same basis as workers who are below State Pension Age. The current exemption from paying NICs which people who continue working beyond state pension age receive is discriminatory (as it means two people with the same income are taxed at different rates just because of their ages), regressive and inefficient. It seems increasingly hard to justify now that almost 1.2 million pensioners continue working, and the revenue which is not collected could be used to help fund social care or other public services that benefit poorer older people. Our arguments for pursuing this reform are discussed in more detail in our 2018 research report on the subject.²²⁰

Conclusion

We have attempted to assist the select committee by providing robust answers to the questions which it posed about intergenerational fairness. We would also very much value the opportunity to give evidence in person to the select committee.

10 September 2018

²²⁰ Intergenerational Foundation (2018) *An extraordinary anomaly: why workers over State Pension Age should pay National Insurance* London: IF

International Longevity Centre – UK (ILC-UK) – Written evidence (IFP0051)

About the International Longevity Centre - UK

1. The International Longevity Centre – UK (ILC-UK) is a futures organisation focussed on some of the biggest challenges facing Government and society in the context of demographic change. The ILC-UK is part of the International Longevity Centre Global Alliance, comprised of 17 partners across the globe. We ask difficult questions and present new solutions to the challenges and opportunities of ageing. We undertake research and policy analysis and create a forum for debate and action. Our policy remit is broad, and covers everything from pensions and financial planning, to health and social care, housing design, and age discrimination. We work primarily with local government, the private sector and relevant professional and academic associations.
2. **The ILC-UK would welcome the opportunity to provide oral evidence to the Committee.**

Introduction

3. The ILC-UK would like to see the Committee propose recommendations that would ensure a sustainable future which accommodates the needs of an ageing population, taking into account both the younger and older generations. Our response focuses on three key areas, namely labour markets and pensions, housing and the role of communities, setting out key evidence from ILC-UK research which has articulated that an intergenerational approach is essential in overcoming challenges faced by older and younger generations in these domains.

Summary of Recommendations

4. **Labour market and pensions:** Low growth and stagnant wages, as well as changes to the labour market and pensions have set substantial barriers to old age security for the current workforce as compared to their parents' and grandparents' generations. As such, we suggest a multi-layered approach, engaging policy-makers and employers to provide higher pension provisions, to facilitate longer, yet more flexible working lives and to grant older employees the support they need.
5. **Housing:** There is a lack of specialist retirement housing to meet the needs of the older generation, while the younger generation is struggling to get on the property ladder with house prices consistently rising compared to wages. We recommend the establishment of more specialist retirement housing to allow older people to downsize and receive the support they need, while freeing up housing for younger people.
6. **Communities:** Both the older and younger generations have been reported to increasingly suffer from loneliness and isolation, posing a

greater health risk than smoking 15 cigarettes a day²²¹. As such, we recommend taking an intergenerational community-based approach to confer benefits to both younger and older community members.

Labour Market and Pensions

- 7. The past decades have seen persistently slow economic growth paired with longer lives, which have resulted in greater pressure on publicly provided pension spending across the developed world. With the affordability of government spending on old age security being put into question, many high-income countries are reducing state provision towards pensions, creating greater pressure on individuals to save for their own retirement.
- 8. In our recent report, “The Global Savings Gap”²²², we measured the amount individuals in different countries will need to save in order to attain an adequate income in retirement. Based on analysis of OECD data and bespoke surveys, we estimate that those entering the workforce in the UK today will have to save an average of just over 18% of their earnings every year in order to secure an adequate income in retirement (see Fig. 1). Moreover, in order to match retirement savings of current retirees and to ensure parity across the generations, they would need to save in excess of 20% of their earnings each year.
- 9. However, responses from survey participants suggested that only 12.4% of people in the UK are saving more than 15% of their earnings and only 9% have a savings target at all. As such, the majority of people entering the workforce today are unlikely to reach adequate retirement funds if trends continue, resulting in a growing intergenerational savings gap is emerging.

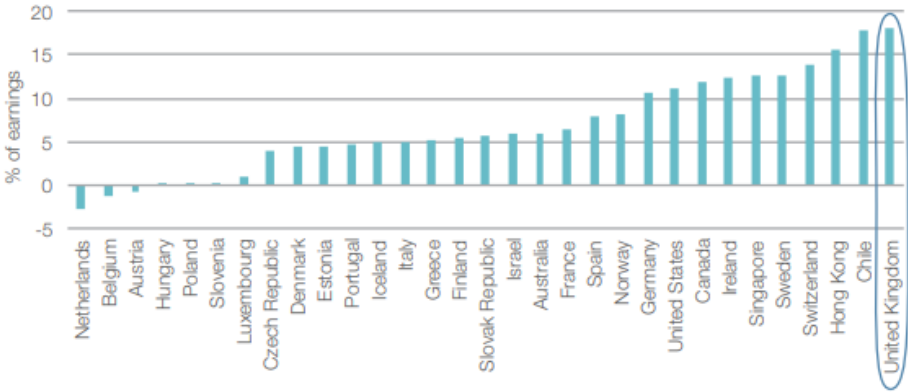


Fig. 1: Adequacy gap excluding voluntary savings, Source: ILC-UK (2017)²²³

²²¹ Holt-Lunstad (2015) “Loneliness and Social Isolation as Risk Factors for Mortality: A Meta-Analytic Review”, Perspectives on Psychological Science: 10 (2), pp. 227–237

^{222 3} ILC-UK (2017) [“The Global Savings Gap”](#)

10. This is exacerbated through changes in the state of pensions over the past decades. As a result of longer life expectancy and the constraints this sets on financial feasibility, the number of defined benefit (DB) schemes is dropping dramatically, with funds transferred from DB to defined contribution (DC) schemes almost tripling to a record £34.2bn in 2017²²⁴. With widespread concerns about the affordability of DB pensions, many schemes have closed to new members. In 2016, only 13% of DB schemes were open to new members, with 50% being closed to new members and 35% being closed to future accrual²²⁵. With DB schemes in decline, it is a lot harder to ensure financial security post-retirement due to a lack of guaranteed income and reliance on returns on investment, leaving a greater number of those currently in the workforce in precarious situations in later life.
11. Moreover, employer contribution rates have significantly declined over time, putting the responsibility of retirement saving increasingly on the individual.
12. While automatic enrolment (AE) may be successful in providing increased pension coverage, saving more as a proportion of earnings will be key to securing an adequate retirement income given the persistence of low investment returns and slow wage growth, that has become the “new normal” following the recession²²⁶.
13. Moreover, AE fails to address the problem of low-income workers and the increasing number of non-standard workers (i.e. those working part-time or zero-hour contracts, or the self-employed) who are not reached by AE schemes. The self-employed now account for over 4.5 million people and 15% of all those in employment. Moreover, the number of zero-hour contracts has more than tripled between 2000 and 2014 to 700,000²²⁷ with trends likely to continue. More flexible forms of work result in a lack of access to occupational pensions and employer contributions, further decreasing potential savings and old age security.
14. We predict that the increased role of private savings and reduced employer contributions is not only increasing the intergenerational savings gap, but will moreover exacerbate existing inequalities within the generations. This is due to the fact that employer contribution and auto-enrolment contribution rates are lower for flexible or low-income workers, thus disproportionately disadvantaging these members of society as they reach retirement age.

Extending working lives

15. 3.3 million of the 11.6 million people in the UK aged 50-64 are economically inactive, and the predominant reasons identified for this in a

²²⁴ Office for National Statistics (ONS) (2017)

²²⁵ ILC-UK (2017) [“The end of the beginning? Private defined benefit pensions and the new normal”](#)

²²⁶ ILC-UK (2017) [“The end of the beginning? Private defined benefit pensions and the new normal”](#)

²²⁷ Office for National Statistics (ONS) (2014)

recent ILC-UK report were long-term sickness, looking after family members and early retirement²²⁸.

16. A recent ILC-UK report showed that people who had experienced mental or physical health issues during childhood or early adulthood were especially likely to exit the workforce early²²⁹. Moreover, many manual workers have to retire prematurely as they can no longer sustain similar levels of physical activity. These early exits from the workforce, which disproportionately affect those with early trauma, health issues or caring responsibilities, as well as in manual professions, will leave some groups at a particular disadvantage, reducing their chances to adequately save for retirement.

17. On the other side, there are currently 1.1 million older people who work beyond state pension age (SPA) in order to top up their pension savings²³⁰. This is a growing trend, as life expectancy is consistently rising as compared to SPA. Between 1980 and 2016 life expectancy for men at 65 rose from 13 years to 18.5 years, while life expectancy for women rose from 16.9 years to 21 years.

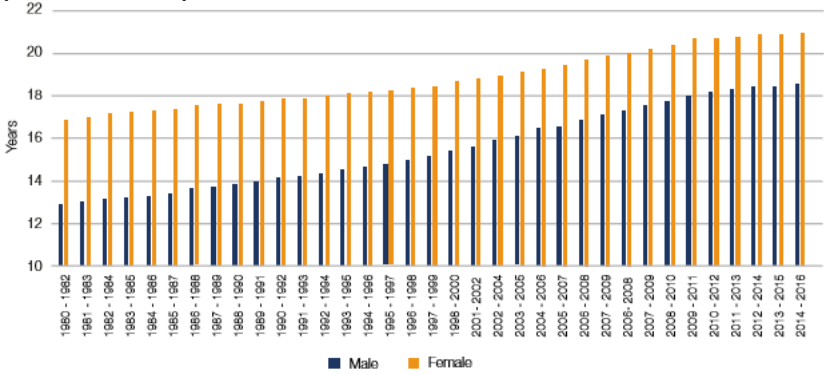


Figure 3: Life expectancy after 65, Source: ILC-UK (2017), ONS data

18. Due to the growing time in retirement and the increasing strain put on people entering the workforce today to save for later life, it will be necessary to increase private pension contributions, as well as facilitate longer working lives, with particular attention paid to those most disadvantaged, to allow people to save for an adequate retirement. Between 2012 and 2022, an estimated 12.5 million jobs will be opened up through people leaving the workforce and an additional 2 million new jobs

²²⁸ ILC-UK (2014) ["The Missing Million"](#)
²²⁹ ILC-UK (2017) ["Exploring Retirement Transitions"](#)

will be created, yet only 7 million new younger people will enter the workforce to fill these jobs²³¹, providing opportunities for extended working lives.

Recommendations:

- **Raising private pension coverage and contributions:**
 - **Government** should build on the success of auto-enrolment and encourage not only more people to save but also people to save more by raising their contributions through auto-escalation
 - **Government** should introduce contribution schemes for people with low incomes who are below auto-enrolment contribution thresholds to make up for missing personal and employer contributions
 - **Government** should create incentives for employers to increase contributions through tax cuts to employers who raise their pension contributions to employees
- **Facilitating longer working lives:**
 - **Government** should put in place legislation to ensure that jobs are available on flexible terms from the start of employment. Such an approach is central to enabling carers and older workers to participate in the labour market and to preventing premature exits from the workforce, as suggested by the ILC-UK in 2017 and adopted by the Women and Equalities Committee in 2018.
 - **Government** should deliver pledge to support carers in Conservative Party Manifesto and to take this further by moving towards a Statutory Carers Leave as was set out by the Cridland Review. In the short term, this means providing at least 5 days paid leave to deal with care emergencies – this measure should be brought in immediately
 - **Government** should set up a cross-government national skills strategy for older workers, including apprenticeships, IT skills training and adult learning support, as well as the expansion of the Mid-Life Career Review
 - **Employers** should discuss retirement plans with their employees well in advance of State Pension Age (SPA), followed by a “pre-retirement checkup” closer to SPA
 - **Employers** should offer new models of flexible working that allow for a phased or tapered transition to retirement, coupled with an active process of engagement between employers and employees around retirement planning as a personalised approach to retirement is more effective than one of “one-size-fits-all”
 - **Employers** should offer more training to older employees to make full use of their potential as working lives are being extended, while also providing greater incentives for employee retainment
 - **Employers** should do more to monitor their employees’ physical health, as well as offer mental health support throughout their working lives in order to prevent a chronic disease burden in the future which can lead to early exits from the work force

²³¹ ILC-UK (2014) [“The Missing Million”](#)

Housing

Specialist Retirement Housing

19. Resulting from ageing population trends, there is a growing need for specialist retirement housing to provide for older people’s care needs and provide relevant household adaptations that enable them to maintain independence. However, as was shown in a recent ILC-UK report, there are only 7,000 units of specialist retirement housing built every year in spite of a need of 30,000. We predict that there will be a shortage of 160,000 units by 2030²³².

20. Meanwhile, the younger generation is experiencing a severe housing crisis, as house prices are consistently rising compared to wages. While this trend can be observed across the country, it is especially prevalent in London. The house price/earnings ratio in London has more than doubled since 1990, making it harder than ever for younger people to get on the property ladder (see Fig. 2)²³³, leading to increased financial instability for the younger generation in comparison to their parents’ and grandparents’ generations.

21. As such, we recommend an intergenerational approach to help alleviate housing problems for both the older and younger generations.

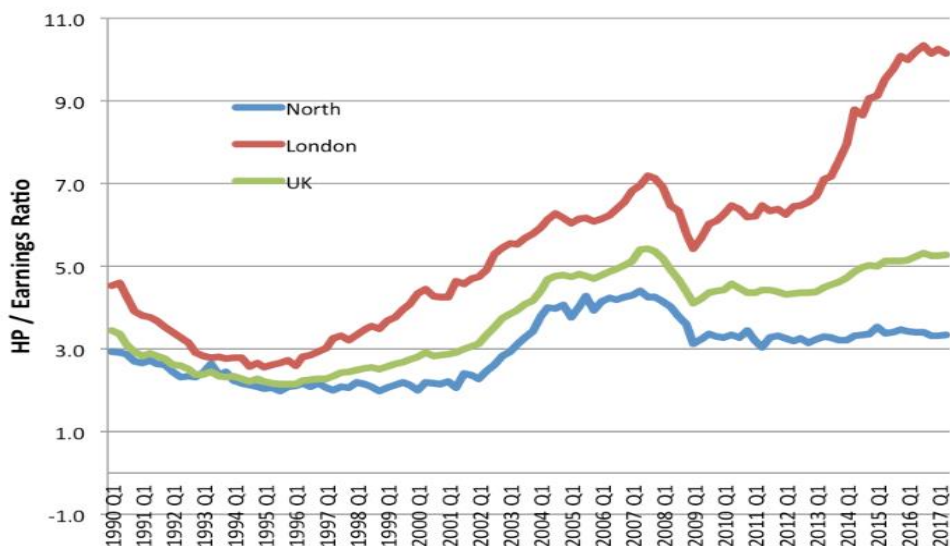


Fig. 3: FTB House Price to Earnings 1990,2017, Source: Nationwide (Q2 2017)

The Growing Role of Private Renters

22. Moreover, while the majority of older people are homeowners, a non-negligible and growing number of older people live in rented accommodation, putting a greater strain on financial security in old age with the continuously rising pressure of rent expenditure and lack of

²³² ILC-UK (2016) [“The state of the nation’s housing: An ILC-UK Factpack”](#)

²³³ Nationwide (Q2 2017)

housing wealth. Following a recent Independent Age report, created in conjunction with the ILC-UK, 500,000 older people currently live in rented accommodation, and 1 in 3 of these people are living in poverty once they have paid rent²³⁴ This trend is more than likely to continue, as younger people are failing to climb the property ladder, and is thus an important concern to address when looking at intergenerational fairness.

Role	<p style="text-align: center;">Recommendations:</p> <ul style="list-style-type: none"> • Government should introduce standardised regulation for specialist retirement housing. The industry is calling for this, as a lack of regulation is stifling expansion and access of funders. By growing the market for retirement housing, it could not only grow but become more accessible and affordable for older people, catering for their caring needs and giving them the choice and support to downsize if they wish, which would help free up housing for the younger generation • Government should support the establishment of income-assessed affordable social housing for older people to prevent a housing crisis as a growing proportion of older people will not be homeowners by the time of retirement, putting them at risk of poverty 	of
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Communities

- 23. One of the main problems facing older people is loneliness and isolation, as loved ones die or move away. This is further aggravated by issues such as digital illiteracy and frailty that may inhibit older people from engaging in their communities. More than 1 million older people say they always or often feel lonely²³⁵ Chronic loneliness poses a great health risk, with higher associated mortality rates than smoking 15 cigarettes a day or being obese²³⁶.
- 24. Although the majority of the younger generation are technologically connected and are less likely to have any physical disabilities that hinder them from reaching out, an increasing number of younger people are finding it hard to engage in their communities. Loneliness and related mental health issues are very prevalent in the younger population, with suicide being the biggest killer for men under 45.
- 25. Intergenerational approaches can be highly effective for the younger and older generations to re-engage with each other and their communities to tackle and overcome loneliness.

²³⁴ Independent Age (2018) ["Unsuitable, insecure and substandard homes: The barriers faced by older renters"](#)
²³⁵ Age UK (2009) "One Voice: Shaping our ageing society, Age Concern and Help the Aged"
²³⁶ Holt-Lunstad (2015) "Loneliness and Social Isolation as Risk Factors for Mortality: A Meta-Analytic Review", Perspectives on Psychological Science: 10 (2), pp. 227–237

Recommendations:

- **Community organisations** to design intergenerational initiatives that are designed to bring the older and younger generations together and are engaging and enjoyable for both
- **Government and large organisations** to support local and national campaigns to take action in their own communities to develop organisations that bring different groups together
- **Government** should give the Minister of Loneliness more power to effect change through budgets and influence – otherwise, the post risks reverting to being only another good advocate

14 September 2018

Michael Johnson – Written evidence (IFP0074)

Associate Fellow at Bright Blue think tank

Intergenerational Impact Assessments

Please find outlined below, for your consideration, some preliminary thoughts concerning Intergenerational Impact Assessments (IIAs), to help address intergenerational inequality.

Summary

Generation Y (aka “millennials”) could be the first generation to experience a lesser quality of life than that of their (baby boomer) parents.²³⁷ The latter have become masters at making vast unfunded promises to themselves, notably in respect of pensions. This submission considers the Treasury’s Whole of Government Accounts (WGA) because, unlike the National Accounts, they include many of the unfunded promises; they are more useful for assessing the long-term sustainability of our public finances.

The WGA show that the nation’s net liability more than doubled in the six years to end-March 2017, to £2,421 billion, a rate of growth which is, of course, unsustainable. This is equivalent to 120% of GDP and £89,000 per household, and some £694 billion more than the National Accounts’ nearest equivalent, the public sector net debt. However, the WGA excludes the State Pension. Include it, and UK’s net liability leaps to over £6,600 billion, some £243,000 per household. If the UK were accounted for as a public company, it would be bankrupt.

Common sense suggests that the on-going perpetration of intergenerational injustice, conducted largely by stealth and over long timeframes, cannot continue unchecked.

Outlined below are five specific proposals, including the introduction of Intergenerational Impact Assessments (IIA). These would act as a simple intervention mechanism, operating right at the heart of the legislative process, to arrest *Parliament’s* accumulation of unfunded spending commitments and provisions. Collectively, the proposals are intended to improve transparency and to put a brake on deferring costs that Generation Y, and subsequent generations, would otherwise have to meet.

The proposals

Proposal 1: The UK’s Whole of Government Accounts (WGA) balance sheet should include a liability to represent future State Pension payments, based upon a realistic expectation of the future cash outflow, discounted using gilt yields.

²³⁷ Those born between c. 1980 and 2000, i.e. aged between 19 and 39 today. They are preceded by Generation X (early 1960’s to 1979 births) and the (post-war) baby boomers, born between 1946 and the early 1960’s.

Proposal 2: Draft legislation should be accompanied by Intergenerational Impact Assessments, to quantify its impact on future taxpayers.

Proposal 3: An Office for Fiscal Responsibility should be established to co-ordinate the production of Intergenerational Impact Assessments and to scrutinise the effectiveness and value for money of all tax reliefs and exemptions.

Proposal 4: All tax reliefs and exemptions should be subject to a five year sunset clause, after which they would cease. Lobbyists should be required to present their cases directly to the proposed Office for Fiscal Responsibility, to ensure blue water between vested interest groups and ministers.

Proposal 5: Departmental budgets should be set both gross *and* net of expenditure on tax reliefs and exemptions, to ensure transparency as to the true level of financial support to each area of public policy.

Introduction

In 2015 I floated the idea of Intergenerational Impact Assessments, which subsequently became lost in the fog and turmoil of Brexit.²³⁸ But the underlying issue of intergeneration unfairness endures, not least because the elderly are more inclined to vote than the young, supported by relentless lobbying. Notwithstanding the significant decline in pensioner poverty²³⁹ (indicating past policy success), the elderly still enjoy a long litany of ancillary benefits, such as the winter fuel payment, the Christmas bonus, free prescriptions from 60 (England), free TV licences and subsidised (or free) travel. I have long advocated the introduction of means testing (including the State Pension), but to no avail.²⁴⁰ Inevitably, universally available pensioner benefits come at the expense of the young and subsequent generations: the silent majority.

1. Generation Y: on the rack

A Niagara of statistics indicate that Generation Y could be the first generation to experience a lesser quality of life than that of their parents'. This generation is faced with unaffordable housing (28% of those aged 25 to 34 now own their own home, down from over 50% in 1990²⁴¹), earnings and productivity stagnation, zero hours contracts, relatively thin defined contribution (DC) pension provision (plus a defined benefit (DB) desert in the private sector), and a rapidly-retreating State Pension age. And many are also loaded with a mountain of student debt, of which the previous generation has no conception.

In addition, Generation Y is having to support an ageing population. In 2010, there were 3.2 people of working age for each person of State Pension age (SPA)

²³⁸ *Who will care for Generation Y? The baby boomers' legacy*; Michael Johnson, Centre for Policy Studies, 2015.

²³⁹ Over the last 20 years, the proportion of single pensioners living in poverty (defined as anyone with income below 60% of the median income) has dropped from 36% to 20% (for couples: from 22% to 12%). Source: *Households Below Average Income, 1994/95-2016/17*; DWP (2018).

²⁴⁰ *The State Pension: no longer fit for purpose*; Michael Johnson, Centre for Policy Studies, 2016.

²⁴¹ Data is for families (singles or couples), for Q3 of 2018; *Labour Force Survey (LFS)*; ONS.

and over in the UK. With recent rises in the SPA, this “old age support ratio” is projected to fall to 2.9 by 2051 (without them, to 2.0 by 2051).²⁴² But simply relabelling people as “workforce” rather than “pensioners” does nothing for their physical capacity to work, nor does it facilitate the necessary re-skilling. And while a minority of Generation Y will be substantial beneficiaries of inheritance, they will most likely be living in a world of growing wealth inequality.

Meanwhile, politicians, irrespective of hue, continue to fawn to today’s pensioners. No one, for example, has dared confront the State Pension’s unaffordable triple lock guarantee,²⁴³ nor the panoply of ancillary pensioner benefits such as the winter fuel payment, the Christmas bonus, free prescriptions from 60 (England), free TV licences and subsidised (or free) travel.

Further evidence of the threat to future generations’ economic wellbeing is provided by a cursory examination of the nation’s financial health.

2. UK plc: not sustainable

2.1 The budget deficit must be cut

The Office for Budget Responsibility’s (OBR) most recent Fiscal Sustainability Report (FSR, July 2018) makes for sobering reading, particularly if you are a member of Generation Y, or younger. Its Foreword is unambiguous:

the baseline projection in each of our reports – since the first was published in 2011 – has pointed to an unsustainable fiscal position over the long term.

The OBR defines an “unsustainable fiscal position” as *one in which the public sector is on course to absorb an ever-growing share of national income simply to pay the interest on its accumulated debt. Public sector net debt²⁴⁴ (£1,809 billion at end-2018, 84% of GDP) has been rising faster than the size of the economy every year since 2007-08, so the debt mountain has been growing continuously in GDP terms. Given the prospect of anaemic economic growth for at least the medium term, the only way to reverse this trend is to cut the (fiscal) budget deficit (£41.9 billion for 2017-18) through one, or a combination of, spending cuts and higher taxes. Meanwhile, given the scale of the national and personal (consumer) debt mountains, the Bank of England has very limited scope to raise interest rates.*²⁴⁵

2.2 Whole of Government Accounts (WGA)

Further evidence of economic unsustainability is provided by the Treasury’s Whole of Government Accounts (WGA). Closer to company accounting than the

²⁴² ONS Pension Trends; *Chapter 2: Population change (2012 edition)*.

²⁴³ The triple lock guarantees that the State Pension will increase each year by the higher of CPI inflation, average earnings or a minimum of 2.5%.

²⁴⁴ *Public sector finances, UK: December 2018*; ONS.

²⁴⁵ Borrowing in the current financial year was £35.9 billion at end-December 2018, £13.1 billion less than in the same period in 2017; the lowest year-to-date figure since 2002. Consequently we should expect 2018-19 to produce a fall in the debt / GDP ratio.

National Accounts, they provide a more realistic picture of the UK's financial condition by including many of the vast *unfunded* promises that the baby boomers, in particular, have been making to themselves. These include £1,697 billion of public service pensions, £138 billion of under-funding of supposedly funded schemes (essentially the Local Government Pension Scheme), provisions (including £185 billion for nuclear decommissioning and £67 billion for clinical negligence), and obligations such as PFI contracts (£79 billion).²⁴⁶

Table 1: The UK's balance sheet: Whole of Government Accounts²⁴⁷, £ billion

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Property, plant and equipment	£714	£745	£747	£763	£1,076	£1,120	£1,168
Gold, cash, other financial assets	£255	£282	£311	£297	£328	£354	£445
Trade receivables	£145	£142	£139	£149	£146	£155	£173
Equity in public sector banks	£60	£41	£40	£70	£73	£53	£53
Intangible assets	£35	£35	£35	£32	£32	£33	£34
Other physical assets	£26	£26	£26	£27	£28	£27	£30
Total assets	£1,234	£1,270	£1,298	£1,338	£1,683	£1,742	£1,903
Public service pensions (net)	£961	£1,006	£1,172	£1,302	£1,493	£1,425	£1,835
Government borrowing	£908	£966	£996	£1,096	£1,174	£1,261	£1,289
Financial liabilities	£295	£374	£473	£491	£543	£556	£692
Trade payables	£148	£159	£154	£159	£173	£180	£186
Provisions	£107	£113	£131	£142	£175	£306	£322
Total liabilities	£2,419	£2,618	£2,926	£3,190	£3,558	£3,728	£4,324
Net liability	£1,185	£1,348	£1,628	£1,852	£1,875	£1,986	£2,421
% GDP	67%	76%	90%	100%	99%	102%	120%

Table 1 shows that the nation's net liability **more than doubled** in the six years to end-March 2017, to £2,421 billion. This is some £89,000 per household, and £694 billion more than the National Accounts' nearest equivalent, the public sector net debt.²⁴⁸ This rate of growth is, of course, unsustainable, although some of the increase is down to exceptional circumstances, i.e. the financial crisis and the unusually low interest rates that followed. The latter, for example, are partly responsible (through low discount rates) for the huge increase in the unfunded public sector pension liabilities.

But even the WGA does not provide the whole picture.

2.3 What of the State Pension?

Bizarrely, the State Pension, the largest of all unfunded liabilities (roughly £4,200 billion) is excluded from the WGA because it is deemed to be a benefit (i.e. "welfare") rather than an obligation.²⁴⁹ It would appear that National Insurance contributions (NICs) do not create *any* entitlement (hence no liability). The Treasury's explanation is that:

²⁴⁶ See Notes 24, 22 and 27, *Whole of Government Accounts: year ended 31 March 2017*; HM Treasury, June 2018.

²⁴⁷ *Whole of Government Accounts*; HM Treasury. Data for 2017-18 is not expected until late 2019.

²⁴⁸ £1,727 billion at end-March 2017; *Autumn Budget 2017, Table C2*; HM Treasury.

²⁴⁹ According to the Treasury, all liabilities recognised in the WGA must follow the private sector's International Financial Reporting Standards: the State Pension does not meet the recognition criteria.

*the estimate of the public sector pension liability is based on decisions that have already been made in the past regarding entitlement, and therefore a commitment to pay has been made that must be disclosed on the government balance sheet. However, the State Pension is different as the liability to make these payments arises according to the circumstances and legislation prevailing at the time of the claim. Any estimate of overall future payments would be subject to huge uncertainty as the payments will be paid at some point in the future without knowing the exact terms and conditions.*²⁵⁰

The State Pension liability would appear to escape the WGA on a technicality, but, that aside, it still has to be met, through taxation. Consequently, in the interests of transparency (to be clear, the WGA is a *transparency and accountability project of HM Treasury*²⁵¹), it should be included in the WGA.

Proposal 1: The UK’s Whole of Government Accounts (WGA) balance sheet should include a liability to represent future State Pension payments, based upon a realistic expectation of the future cash outflow, discounted using gilt

Include the State Pension in the WGA, and the UK’s net liability leaps to over £6,600 billion, some £243,000 per household. Such a move would resonate with Sir Steve Webb, the former pensions minister, who suggested that the State Pension should be seen as a right, not a benefit, because *“it is yours by right, you have paid your national insurance contributions”*.²⁵²

2.4 Total net expenditure

The National Accounts recognise cash payments and receipts, but cash items alone do not represent the full cost of public services. Non-cash items often include technical adjustments that hint at future cash consequences, with future implications for taxation. Once they are taken into account (Table 2), the National Accounts’ current deficit rockets, to become what the WGA terms “net expenditure”.

Table 2: WGA net expenditure, £ billion²⁵³

	2013-14	2014-15	2015-16	2016-17
Public sector current budget deficit (National Accounts)	£73	£58	£39	£7
<i>Plus: Public service pension net financing costs</i>	£49	£65	£187	£68
<i>Plus: Asset accounting differences (depreciation etc.)</i>	£17	£11	£18	£16
<i>Plus: Provisions increase</i>	£10	£18	£0	£7
WGAs "Total net expenditure"	£149	£152	£244	£98

The net expenditure provides a more realistic indication of the extent to which we are living beyond our means; essentially we are increasingly mortgaging the future, on behalf of subsequent generations.

²⁵⁰ With regards to the last sentence, the same could be said of public service pensions: witness the changes resulting from Lord Hutton’s review which, by linking payment to the State Pension age, significantly changes (long-term) future payments.

²⁵¹ See <https://www.gov.uk/government/collections/whole-of-government-accounts>

²⁵² Daily Telegraph; 28 October 2014.

²⁵³ *Whole of Government Accounts; p37 (2013-14), Table A3 (other years); HM Treasury.*

2.5 Fortunately, countries and companies are different

Reported or not, the UK's unfunded liabilities will still have to be met by subsequent generations, primarily through taxation, further fuelled by rising costs associated with an ageing population. This is the baby boomers' legacy, a generation that *has become masters at perpetrating intergenerational injustice. Indeed, such is the scale of the unfunded promises, if the UK were accounted for as a public company, it would be bankrupt.*

But unlike company shareholders, who can ignore a call for additional equity capital, taxpayers are obliged to pay up. Future taxation receipts is the invisible asset that plugs the balance sheet hole, equivalent to the overall net liability, albeit unspecified as such in the WGA. It represents a call on future generations, and assumes their ongoing compliance.....an assumption that may be flawed. Indeed, the fact that the net liability is rapidly climbing evidences that the Government does not feel it can raise taxes *today*. So why would that be so very different in the future?

2.6 Student loans: a small step towards full transparency

In 2017 I described the transition from grant funding to fees and income-contingent loans as an accounting arbitrage at the expense of future taxpayers.²⁵⁴ Loans are treated as assets, whereas grants were expensed in the year they were made: the outcome was an immediate cut in government expenditure. But given that many (most?) of the loans (and accumulated interest) will have to be written off (30 years after graduation), the overall effect is to largely defer the bill for a generation.

In December 2018 the Government, nudged by the Office for National Statistics (ONS), finally acknowledged that this scandalous arrangement is indeed unacceptable. In future, the Treasury will expense some of loans as they are made, which is expected to increase next year's public sector net borrowing by £12 billion (0.6% of GDP). But this forthcoming change in the accounting status of student loans represents only a small step towards full cost transparency.

2.7 Assertive action required

Common sense suggests that the on-going perpetration of intergenerational injustice, conducted largely by stealth and over long timeframes, cannot continue unchecked. We need to tackle it at source, through a simple intervention mechanism operating right at the heart of the legislative process, one that will arrest *Parliament's output of unfunded spending commitments and provisions.*

3. Intergenerational Impact Assessments

Today, prospective legislation is accompanied by a regulatory Impact Assessment (IA), an evidence-based document designed to improve the quality of regulation by quantifying its costs and benefits. In the UK, IAs place a particular focus on reducing unnecessary burdens on business, although they can

²⁵⁴ *Tuition fees: a fairer formula*; Michael Johnson, Centre for Policy Studies, October 2017.

also be used to assess the economic, social, and environmental effects of [public policy](#). IAs do not, however, explicitly quantify the extent to which costs are being deferred, i.e. the impact on the young, as future taxpayers.

We should introduce Intergenerational Impact Assessments (IIA) to accompany draft legislation as it proceeds through Parliament. Their expressed purpose would be to highlight prospective legislation’s cost consequences for future generations.

Proposal 2: Draft legislation should be accompanied by Intergenerational Impact Assessments, to quantify its impact on future taxpayers.

A key objective for IIAs would be to improve transparency, a pre-requisite for any meaningful debate about how longer-term unfunded commitments are to be met....and by whom. The process of producing an IIA would hopefully include a long-term cashflow forecast of the unfunded liabilities, to encourage parliamentarians to better appreciate the consequences of their proposals.

If IIAs were to materialise, one indication that they were having an impact would be a marked slowdown in the rate of accumulation of unfunded promises and provisions. But one unfortunate corollary would be, most likely, rising taxation (or further spending cuts). And herein lies a multitude of challenges, including ensuring that the Treasury’s “back door” is firmly under control: tax reliefs.

4. Beware of tax reliefs

4.1 Overview

There are over 1,100 tax reliefs, but finding a current full list of them is difficult. The most recent, summarised in Table 3, dates back to 2015, but it will not have changed substantially.

Table 3: Lots of tax reliefs and exemptions²⁵⁵

Structural reliefs - define the scope of a tax, avoid double taxation	563
Special cases - exemptions or reliefs for special interest groups	380
Targeted reliefs - to influence behaviour, e.g. encourage investment in R&D	131
Thresholds: e.g. to exempt transactions under a certain amount	62
International agreements	20
Total	1,156

HMRC expects tax reliefs to cost a total of over £425 billion²⁵⁶ in 2018-19, the equivalent of 52% of expected tax revenues of £810 billion for 2019-20.²⁵⁷ They are divided into three broad categories:

- (i) structural parts of the tax system (such as the Personal Allowance and the NICs thresholds), expected to cost £196 billion;

²⁵⁵ Office of Tax Simplification, 2015.
²⁵⁶ HMRC; *Estimated costs of the principal tax expenditure and structural reliefs*, January 2019.
²⁵⁷ Comprising (£ billion): Income Tax £193, VAT £156, NICs £142, Corporation Tax £60, Excise duties £50, Council tax £36, Business rates £31, other taxes £89, and non-taxes of £54. Source: *Budget 2018, Chart 2: Public Sector Current Receipts*; HM Treasury

- (ii) “tax expenditure” reliefs, designed to relieve tax for particular special interest groups, or activities to achieve social or economic objectives, (£147 billion); and
- (iii) reliefs that combine elements of both structural and expenditure reliefs (£82 billion).

The ten largest reliefs account for over 90% of the total cost, mostly in the form of Income Tax and NIC thresholds (40%) and reduced VAT reliefs. The Appendix provides further detail.

4.2 Democracy is being hacked

“Expenditure reliefs”, in particular, often represent the ideal outcome for lobbyists (primarily corporate, but also trade bodies) pursuing narrow, self-interested, agendas, typically at the expense of the silent majority and the public interest. Consider Income Tax relief on pensions contributions: since the turn of the century, roughly £429 billion has flowed into the fund management industry, producing £ billions in annual fee income, making the Treasury by far its largest client. This is galling given that this particular relief is widely considered to be ineffective in catalysing a savings culture, partly because some 70% of it goes to the top 15% of the income distribution.....who are in least need of an incentive to save.²⁵⁸

4.3 Tax reliefs: oversight currently inadequate

Taxpayers deserve regular, thorough, systematic scrutiny of the effectiveness and value for money of *all* tax reliefs. In 2015 the Public Accounts Committee (PAC) declared that HMRC rarely, if ever, assesses whether tax reliefs are an economic, efficient and effective way of meeting the intended policy objectives.²⁵⁹ Some of the PAC’s observations, drawing on an earlier report from the National Audit Office (NAO),²⁶⁰ are breath-taking:

- HMRC does not maintain or publish a complete and accurate list of tax reliefs setting out what each is intended to achieve. It publishes a list of 398 tax reliefs: contrast this with the OTS’s 1,156 reliefs (and even the latter does not include some major items, such as relief provided for capital gains realised by pension funds);
- of the 398 reliefs on HMRC’s list, only 50% (i.e. 196) have discernible social or economic objectives. Of these, the cost of 53 of them (27%) is unknown, HMRC does not publish cost data for 82 of them (42%), and the cost data for many of the others is inaccurate;

²⁵⁸ For detail, see *Five proposals to simplify saving*; Michael Johnson, Centre for Policy Studies, 2018.

²⁵⁹ House of Commons Committee of Public Accounts; *The effective management of tax reliefs*; forty-ninth Report of Session 2014–15, 26 March 2015.

²⁶⁰ National Audit Office; *HMRC - The effective management of tax reliefs*, 21 November 2014.

- published costs can significantly exceed forecasts. The PAC cited the example of Entrepreneurs' relief, the cost of which exceeded HMRC's forecast by £2 billion; and
- the PAC report also highlighted systematic use of some reliefs for tax avoidance²⁶¹, and other substantial abuses, facilitated by HMRC's and HM Treasury's lack of curiosity about tax relief costs, as well as the complexity of the system.

All of this is quite extraordinary and, consequently, Parliament has little insight as to whether reliefs are working as intended, what they cost and whether they represent good value for money. The sooner that such financial largesse is reined in, the less pressure there will be on the Treasury, and taxpayers.

5. An Office for Fiscal Responsibility is required

The PAC made some recommendations aimed at improving the process by which HMRC executes its oversight of tax reliefs, but the question remains as to whether HMRC is best placed to do this. The role would probably be more appropriately conducted from within an enhanced OTS, perhaps rebranded as the Office for Fiscal Responsibility (OFR). It could continue to pursue a tax simplification agenda, and also co-ordinate the production of Intergenerational Impact Assessments.

Proposal 3: An Office for Fiscal Responsibility should be established to co-ordinate the production of Intergenerational Impact Assessments and to scrutinise the effectiveness and value for money of all tax reliefs and

To be clear, decisions on tax policy and legislation should remain a matter for the Chancellor: the OFR's role would be to provide him with supporting material (including IIAs) and recommendations. In respect of reviewing the effectiveness of tax reliefs, a relatively small investment in technical and behavioural change analytical capabilities (£10 million?) has the potential to generate a 10-fold, or a 100-fold return.

An ORF should exude an ethos of fiduciary duty towards current *and future* taxpayers, and aspire to a reputation for independence akin to that of the OBR. If it were to achieve this, it would help close what is currently a significant accountability gap between Parliament and the people (particularly future taxpayers).

6. Five year sunset clauses

A revolving programme of tax relief reviews could be set in train by attaching a five year sunset clause to all tax reliefs and exemptions, distributed throughout a five year parliamentary term to even out the OFR's workload. After five years, each tax relief and exemption would automatically drop dead, and it would be for ministers and lobbyists to periodically remake the case for them. For some of the structural reliefs, this should be a purely perfunctory exercise.

²⁶¹ Notably Share Loss relief, Business Premises Renovation Allowance, and Film Tax Relief.

Lobbyists should be required to present their cases directly to the OFR, which would provide blue water between vested interest groups and ministers. Such separation is also, surely, a pre-requisite for an honestly functioning, transparent democracy?

Proposal 4: All tax reliefs and exemptions should be subject to a five year sunset clause, after which they would cease. Lobbyists should be required to present their cases directly to the proposed Office for Fiscal Responsibility, to ensure blue water between vested interest groups and ministers.

7. Departmental budgets

One of the most striking revelations contained within the PAC's report on the effectiveness of tax reliefs is that departmental annual budgets are set *without* taking into account the cost of relevant tax reliefs. This disconnection is extraordinary, and surely leads to resource misallocation, as well as rendering meaningless any value for money exercises.

Proposal 5: Departmental budgets should be set both gross *and* net of expenditure on tax reliefs and exemptions, to ensure transparency as to the true level of financial support to each area of public policy.

8. Conclusion

There is no evidence to suggest that the torrent of unfunded promises (and provisions) being made by Parliament will abate anytime soon, not least because most politicians rarely think beyond the horizon of the next general election. An intervention mechanism is required within Parliament, perhaps in the form of Intergenerational Impact Assessments, operating under the dictum of "what gets measured gets managed". Meanwhile, the perpetration of intergenerational injustice continues unabated.

APPENDIX

Principal tax expenditures and structural reliefs, 2018-19, £ billion²⁶²

Structural reliefs

Income tax personal allowance	£108.2	
NICs thresholds and contracting out rebates	£60.3	
VAT refunds	£17.4	
Hydrocarbon oil duties	£4.0	
Corporation tax	£3.6	
Double taxation relief and foreign dividends exemption	£1.9	
8 other categories	£1.1	
		£196.3
Tax expenditures		
Capital gains exemption on disposal of main residence	£27.2	
Registered pension schemes' Income Tax relief	£25.6	
Zero-rating of VAT on food	£18.6	
Pension schemes' employer NICs rebates	£18.1	
52 other categories	£57.0	
		£146.5
Reliefs or exemptions that combine expenditure and structural		
Capital allowances	£18.1	
Inheritance tax exemptions	£20.2	
VAT exemptions	£29.1	
18 other categories	£14.8	
		£82.2
Total		£425.0

11 February 2019

²⁶² KAI Indirect Taxes, Customs & Coordination: Estimated Costs of Tax Reliefs, annual estimates; HMRC, 31 January 2019.

Later Life Ambitions – Written evidence (IFP0035)

1. Executive Summary

- 1.1 Later Life Ambitions brings together the voices of over 250,000 pensioners through three organisations – the National Federation of Occupational Pensioners, the Civil Service Pensioners' Alliance, and the National Association of Retired Police Officers. We campaign nationally, regionally and locally on a wide range of issues to improve the lives of our members, and older people more generally.

We welcome the Intergenerational Fairness and Provision Committee's inquiry into intergenerational fairness. As part of our response to the inquiry we surveyed over 800 of our members to better understand their views on intergenerational fairness and the issues posed by this inquiry. We have used these responses to inform our written submission and have quoted our members throughout.

- 1.2 Later Life Ambitions recognises that society and the welfare state are underpinned by an implicit social contract between the generations. We welcome a renewed focus on this contract over recent months and the surrounding discussion it has generated.
- 1.3 However, our members are concerned that a failure to consider the wider context of intergenerational inequality may result in a picture that is both "*overly simplistic*" and "*unnecessarily divisive*". In order for the debate to be adequately nuanced it must also focus on the inequality *within* generations. It is not accurate to class all older people as being better off than younger generations, nor is it accurate to claim that all younger people are struggling to get by. While there are certain trends that can be identified, this understanding is crucial to the intergenerational debate and should be considered by the Committee.
- 1.4 The differences in income and wealth within generations are significantly greater than the differences between the generations themselves. This is a clear and consistent finding from official statistics that is usually omitted from these debates. Research by Age UK has found that there is considerable variation in how people experience later life, with one in six pensioners or 1.9 million people, currently living in poverty in the UK, an increase of approximately 300,000 pensioners since 2012/13²⁶³.
- 1.5 Workers today are 'pensioners in waiting' and we are concerned about the reduction in quality of retirement provisions. Younger generations are denied access to defined benefit (DB) pension schemes and lose out on the ability to secure a sustainable and adequate income in older age. This myopic approach creates problems for later life. Instead, the government and employers must ensure that future pensioners are given adequate opportunity to prepare for their retirement, with fair remuneration

²⁶³ <https://www.ageuk.org.uk/latest-news/articles/2017/december/300000-more-pensioners-living-in-poverty/>

packages and a sustainable and fair way of developing retirement income.

- 1.6 Our members have also highlighted their concern that a continued focus on intergenerational fairness is divisive. Instead, as one of our members said, society should look to foster "*harmony, over discord*", through working to alleviate the real causes of unfairness such as insecure and low paid work and a lack of affordable, quality housing.

2. General

Is the intergenerational settlement in the UK currently fair? Which generations are better off or worse off, and in which ways?

- 2.1 In our survey, 54% of our members agreed that older people have accrued more housing, financial wealth, and pension entitlements than younger generations can expect to receive. This is a clear indication that older people are aware of some imbalances in the intergenerational contract.
- 2.2 Specifically, housing is one area where older people have benefitted more than younger generations. Property prices have skewed the UK economy. Rapid and sustained rises in house prices have concentrated wealth with homeowners. In turn, far too many young people cannot afford to buy their own home and are instead paying costly rent.
- 2.3 As well as facing a challenging housing market, younger people will not benefit in the future from the relatively generous final-salary DB pension schemes which were commonplace for baby boomers. Instead younger workers are on defined contribution (DC) schemes, which attract much lower levels of employer contribution.
- 2.4 Notwithstanding this, we believe that government should look at the age groups over the whole course of a lifetime. As the former pensions minister Steve Webb puts it, a pensioner who today looks relatively comfortable, "*was probably 20 when we had hyperinflation in the mid-1970s and 30 when there was mass unemployment in the 1980s. If she is a woman, she may well have started work at a time when there was not even legislation to stop discrimination against women in the labour market*".

3. Jobs and the workplace

To what extent do different generations have a better or worse experience of the labour market?

- 3.1 Evidence indicates that since the beginning of the century the UK labour market has become less secure, with slow wage growth and job security increasingly being of concern to workers²⁶⁴. A rise in zero-hours contracts

²⁶⁴ <https://gtr.ukri.org/projects?ref=ES%2F005292%2F1>

and self-employment over the last 20 years is well documented, and evidence suggests that this disproportionately affects younger workers with less experience²⁶⁵. The majority of our members (52.93%) recognise that these changes to the labour market present unique challenges to the younger workforce and Later Life Ambitions supports initiatives to improve the security of employment.

- 3.2 However, we must also recognise, that older people face considerable challenges in, or when returning to the workplace. Later Life Ambitions supports the findings of the recent Women and Equalities Committee report on older people and employment, which highlighted that the talents of more than a million-people aged over 50 who want to work are being "*wasted because of discrimination, bias and outdated employment practices*", Later Life Ambitions submitted a response to this inquiry, in which we highlighted that 15% of our members had experienced age discrimination at work.
- 3.3 Overall, the UK labour market presents challenges that transcend the generational experience. There is a lack of security for younger generations and unfair barriers to accessing employment for older workers. Consequently, attempts to improve the labour market should not focus solely on the experiences of one generation, as this will fail to resolve other systemic problems, and may also serve to exacerbate divisions between generations. Improving access to positions, ensuring decent pay, and strengthening the security of employment are all necessary for all generations to prosper in the workplace.

4. Housing

To what extent is intergenerational fairness impaired by the UK housing market?

- 4.1 Our survey clearly indicates that older people view the UK housing market as the most significant issue in relation to intergenerational fairness. Many of our members highlighted the "*incredible difficulty*" that young people face when trying to purchase a property, due to "*ludicrously high house prices*". In light of this, intergenerational gifting is becoming increasingly common. 40% of our members have given or loaned money to a younger family member to help them purchase a property. This is a considerable number that is not often considered when discussing intergenerational issues.
- 4.2 While members recognise that older people have benefitted from historically low house prices, older people face other challenges when it comes to finding a suitable home. For example, the International Longevity Centre UK (ILC-UK) found that there is only enough specialist housing to accommodate 5% of the UK's over 65 population (around 515,000 units). The ILC-UK also estimates that the shortage of specialist housing for older people is projected to grow to 160,000 by 2030, and to

²⁶⁵<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/contractsthatdonotguaranteeaminimumnumberofhours/april2018>

376,000 by 2050, with the UK's ageing population²⁶⁶. Additionally, interest on mortgage repayments were significantly higher in the past. In 1979 it was 17.9% and it remained in double figures for much of the 1980s.

- 4.3 A shortage of housing for people in later life means that older people are in properties that are no longer suitable, or which do not adequately meet their needs. This is detrimental to their mental and physical health and impacts on their quality of life, and also has a knock-on effect on their children and grandchildren who are unable to access the family homes they need. Nearly 90% of the UK's population aged 65-79 live in under-occupied housing²⁶⁷ and according to Shelter, if just 20% of older homeowners moved into retirement housing, 840,000 family-sized homes would be released on to the wider market²⁶⁸.

How can we ensure that the planning system provides for properties appropriate for all generations, including older people?

- 5.1 Addressing the housing crisis is central to resolving imbalances in the intergenerational contract.
- 5.2 We welcome government proposals in the Housing White Paper which commit the Secretary of State for Housing, Communities and Local Government to produce guidance for local planning authorities on how their local development documents should meet the housing needs of older and disabled people. This is a step in the right direction, but more needs to be done. Our members have consistently expressed that without appropriate reform to the housing market, it will remain *"far too difficult for young people to get onto the housing ladder."*
- 5.3 Faced with the increasing need for housing suitable for older people, the government should make it easier for local authorities to sign off planning applications that support private later life housing.
- 5.4 Currently, the Community Infrastructure Levy (CIL), a levy on all new development based on square footage, does not account for the fact that up to 40% of a development for later life housing is shared space, and is therefore 'unsellable'. This drives up costs and prevents new schemes from being developed. Housing for later living should not be treated the same as traditional developments. Instead we need a formal planning policy presumption in favour of retirement housing schemes and/or homes which are more accessible. Additionally, the CIL only affects flats and apartments provided for later life living. Housing for older people must also include bungalows and houses built to life time home standards.

²⁶⁶

http://www.ilcuk.org.uk/index.php/publications/publication_details/the_state_of_the_nations_housing_an_ilc_uk_factpack

²⁶⁷

http://www.ilcuk.org.uk/index.php/publications/publication_details/the_state_of_the_nations_housing_an_ilc_uk_factpack

²⁶⁸ <http://www.housingcare.org/downloads/kbase/3369.pdf>

5.5 To this end Later Life Ambitions supports the development of a national strategy encouraging specialised later life housing throughout the whole of the UK. It is clear that specific housing for those in later life has suffered from a lack of direction from central government. For example, there are currently no national targets for homes for older people. This is why we welcome the government's proposal to strengthen national policy so that local planning authorities are expected to have clear policies for addressing the housing requirements of groups with particular needs, including older and disabled people. However, we are calling on the government to go further and establish a national housing strategy for older people, working across departments, to lead a strategic approach to improving the supply of homes for older people.

To what extent are initiatives to encourage down-sizing or intergenerational homesharing part of a viable solution to the housing shortage for younger generations?

- 6.1 Alongside increasing the overall housing supply, Later Life Ambitions encourages the government to commit to removing the barriers preventing older people 'resizing' or downsizing, as this will free up more homes for young families. There are estimated to be over four million older people living in 'under-occupied' households. At a time when young people are struggling to get on the housing ladder, this is fuelling a sense of intergenerational unfairness.
- 6.2 In a survey of over 1,500 Later Life Ambitions members in November 2016, Stamp Duty was cited by 3 in 10 as the biggest barrier to downsizing. This was selected over the cost of moving home (26%), a lack of smaller homes on the market (25%) and a lack of suitable housing for their health needs (11%). We think a first step towards a solution to these financial challenges would be the exemption from Stamp Duty Land Tax (SDLT) for pensioners looking to resize or downsize. This would help stimulate the market and free up valuable family-sized homes. Saga has estimated that this would bring 111,000 family homes back into the housing market and raise an additional £500 million for the government in Stamp Duty revenue from consequential house moves²⁶⁹.

5. Taxation

Q13. To what extent does the tax system take account of fairness between the generations? What changes, if any, should be made to the tax system to achieve a fair intergenerational settlement?

- 7.1 Later Life Ambitions believes changes to the tax system to rebalance aspects of the intergenerational contract could cause significant unintended consequences and fail to target the relevant sources of accumulated wealth. Over 60% of our members believe that the tax system currently takes adequate account of fairness between

²⁶⁹ <https://www.saga.co.uk/newsroom/press-releases/2017/jan/downsizing-incentive-is-a-true-inter-generational-solution-to-the-housing-crisis>

generations, and many of our members said that policies aimed at increasing taxation "by age would be a *dangerous step*."

- 7.2 Income tax currently targets those with higher levels of income in retirement. The removal of the age-related allowances – which was introduced in recognition of the extra expenses faced by the older generations – removed an important cushion for the elderly.

Further Information

Later Life Ambitions would be delighted to provide further information to the Committee if required and we would welcome the opportunity to give oral evidence.

10 September 2018

London Councils – Written evidence (IFP0029)

Introduction

London Councils represents London's 32 borough councils and the City of London. It is a cross-party organisation that works on behalf of all its member authorities regardless of political persuasion.

As the collective voice for local government in the capital, London Councils seeks to influence policy in a number of areas relevant to the select committee. This evidence submission shares London Councils' research and concerns on the crucial issues of jobs and housing.

Jobs and the workplace

5. What are the barriers to greater in-work training and skills development for all generations?

- i. London suffers from significant skills gaps, with almost a quarter (23%) of all vacancies in London being due to a lack of applicants with the right skills for the job.²⁷⁰ The capital has an employment rate that lags behind the rest of the UK, particularly in youth unemployment – which is three times the national average.²⁷¹ Low-pay and insecure employment is persistent, with one in five Londoners stuck in in-work poverty.²⁷²
- ii. At present, London does not hold the powers and resources it needs to create a flexible and responsive system that addresses local and city-wide challenges of in-work training and skills development. This presents the greatest barrier to a responsive skills system and the development of more widespread and effective in-work training for Londoners.
- iii. London government needs access to the tools to upskill its own population to fill vacancies, skills gaps and addresses any skills gaps caused by a reduction in EU migration. If this is not addressed, there is a risk to the rest of the UK that London may end up sucking in talent from around the country to compensate – undermining the Industrial Strategy and development on stronger skills bases in local economies across the UK.
- iv. Careers information, advice and guidance remain patchy and inconsistent, limiting the ability of learners to make informed choices. There is also significant overlap, with some schools receiving access to multiple support streams and some to none at all.
- v. London lags behind the rest of the UK on apprenticeships, consistently generating fewer starts than every other English region bar the North East. The Apprenticeship Levy presents an opportunity to change this, but the lack of flexibility in the system and lack of levers available to London hampers efforts to address this challenge.
- vi. There are also many systemic problems with skills provision in the UK, including information failures (lack of data on provider performance and learner progression), misaligned incentives (provider funding is driven by qualification delivery not outcomes) and coordination and engagement

²⁷⁰ CBI (2016), 'London Business Survey 2016'

²⁷¹ <https://www.trustforlondon.org.uk/data/unemployment-age/>

²⁷² NPI and Trust for London (2015), 'London Poverty Profile'

failures (providers and employers lack incentives to collaborate and there is little coordination on capital investment).

To overcome these barriers, London Councils wants to see:

- **Improved data sharing between HMRC, DfE and London government** on learners' job outcomes.
- **Devolution of all 16-18 provision to London and giving the capital greater control over policy and commissioning** as part of a whole systems approach that can reflect London's economic priorities.
- **London government control over all vocational capital investments**, including 14-19 capital provision and Institutes for Technology, alongside existing FE Capital responsibilities.
- **A review of the Apprenticeship Levy** to assess how it is operating in London. There are immediate practical concerns with the Levy and longer term strategic concerns about apprenticeship policy.
- **Devolution of unspent Apprenticeship Levy funds generated in the capital to London government.** This should be the first step towards London government taking full responsibility over apprenticeships policy like the devolved administrations in Scotland and Wales.
- **Devolution of existing careers funding streams to London** to build this single integrated careers service. London government needs to have a formal, strategic coordination role with London providers of careers services.
- **Development of an all-age London Careers Service**, accessed through a single portal, offering face-to-face guidance, easily accessible outcomes data and an offer of 100 hours experience in the world of work for all Londoners.
- **Devolution of European Social Fund replacement funding to London government** when Britain leaves the EU.

Housing

6. To what extent is intergenerational fairness impaired by the UK housing market?

- i. Between 1999 and 2017 the ratio of median house prices to median gross annual income in London has increased from 4 to 12.6.²⁷³ This huge rise in house prices in the capital is locking younger generations out of home ownership. The proportion of homeowners in London aged 25-34 fell from 47% to 20% between 1995/6 and 2015/16.²⁷⁴
- ii. There are multiple causes for this housing crisis in London. A well-documented chronic undersupply of social housing is a key factor. The last time the country was building a significant amount of social housing was in the late 1960s, when social housing made up almost half of the total supply. With central government's erosion of local authority budgets, and the borrowing cap on housing revenue accounts (HRA), councils have little scope to invest in social housing on the scale required.

²⁷³

<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian>

²⁷⁴ <https://www.bbc.co.uk/news/business-45084530>

- iii. These factors combine to keep house prices high and social housing stocks low, which forces many young people into expensive private rented sector accommodation (PRS). This makes saving for a deposit much harder, and many find it impossible to get on the housing ladder. Meanwhile, older generations have seen their housing assets grow in value year on year.
- iv. London boroughs want to deliver the affordable homes their communities need, but are being denied the substantial, long-term funding base required for housebuilding. The government needs to scrap the HRA borrowing cap and end restrictions on the use of right to buy receipts. These changes would free local authorities to borrow prudently and invest in new homes.

7. What has driven the increase in the size of the private rented sector? Which generations are most affected by this and how?

- i. The growth of London's PRS has been driven by the massive inflation in house prices across the capital, caused by the chronic undersupply of new housing and the loss of social housing stock.
- ii. The continuation of the right to buy scheme continues to erode the existing stock of social housing. We calculate that since 2015/16, only 29 per cent of London council housing sold through right to buy has been replaced – leaving a significant shortfall in social housing provision. Lack of social housing leaves young people little choice but to opt for the expensive PRS, driving up demand in the sector. This rising demand, when combined with the existing power imbalance between landlord and tenants, has pushed up rents much faster than wages. In fact, rental prices in the capital have increased up to 40 per cent more than wages from 2011-2017²⁷⁵.
- iii. Rising house prices have led to a steep decline in home ownership between the generations. The divide between young homeowners and renters is growing over time, with homeowners benefiting from historically low mortgage interest rates that keep the proportion of their monthly income spent on housing each month low. Homeowners born in the early 1980s spent 15% of their income on mortgage interest payments in their late 20s, compared with the 28% spent by renters of the same age²⁷⁶. This is creating an unfair advantage for those who are able to buy, in a way that was not true for previous generations.

8. How can we ensure that the planning system provides for properties appropriate for all generations, including older people?

- i. Suitable homes for all generations should be provided through an evidence based plan-led approach. Local authorities should conduct a Strategic Housing Market Assessment (SHMA) to establish the housing need for all demographic groups within their area, including affordable housing. The SHMA should outline the size of housing required to meet the needs of different households, including families and single people. It should also

²⁷⁵ <http://blog.shelter.org.uk/2018/07/rentquake-coming-to-a-marginal-near-you/>

²⁷⁶ <https://www.bbc.co.uk/news/business-45084530>

set out the specialist housing required by certain groups such as older people or students.

- ii. The SHMA is part of the evidence base that should inform the authority's local plan. The plan should allocate sufficient land to meet the housing needs for all generations and contain relevant policies to ensure this is delivered. The Mayor or London's draft London Plan outlines the housing required for all generations, including the requirement for specialist older peoples' housing in each of the boroughs, and that a certain number are designated wheelchair user dwellings.'

10. To what extent are initiatives to encourage down-sizing or intergenerational home-sharing part of a viable solution to the housing shortage for younger generations?

London Councils has no objection to the principle of down-sizing and intergenerational home-sharing schemes. Such schemes would however, need to be founded on good evidence which shows them to be effective. Further, a rigorous management process of such schemes would need to be in place to avoid abuse of the scheme or negative outcomes for vulnerable individuals.

7 September 2018

LV= – Written evidence (IFP0056)

LV= – Written evidence (IFP0056)

About LV=:

LV= is a leading financial mutual. We serve over 5.8 million customers with a wide range of financial services including general insurance, individual protection, investment and retirement products. We offer our services directly to consumers, through IFAs and insurance brokers.

When we started in 1843 our goal was to give financial security to more than just a privileged few and for many decades we were most commonly associated with providing a method of saving to people of modest means. Today we follow a similar purpose, helping people to protect and provide for the things they love, although on a much larger scale and through a wide range of financial services. We are YouGov's 'most recommended' insurer.

Introduction:

LV= welcomes the opportunity to respond to the Select Committee on Intergenerational Fairness and Provision's inquiry. This submission sets out LV='s assessment of the current situation, along with challenges that the UK could face in the future if solutions are not found. We believe that intergenerational fairness is a major issue facing society, and one that needs to be addressed by all stakeholders, including the government, policy makers and businesses.

It is easy to view intergenerational fairness as the gulf between young and old, but we believe that the issue affects other key generations. In particular the 'sandwich generation' (those who are looking after children and parents) should not be neglected, and help and support should be provided to this cohort. We also believe that housing will continue to be a significant focus in the intergenerational fairness debate, and we would therefore urge the government to look at exempting those who choose to downsize from Stamp Duty in order to help free up housing for younger families.

General:

LV= believes that intergenerational fairness is one of the biggest issues facing society and one which needs to be addressed by all stakeholders, including the government, policy makers and businesses. There is little doubt that there are elements of unfairness between generations, yet to date little has been done to help rectify some of the key problems that we currently face, and will continue to face in the future without intervention.

While some of the issues may be relatively easy to tackle, others may require ongoing action to ensure that the consequences are minimised. LV= has already begun implementing solutions to help tackle intergenerational unfairness, and we will continue to do so. For example, many older people can struggle to get car and travel insurance, however, LV= does not have an upper age limit which means we can insure more older drivers. We also support intergenerational living by ensuring that as part of our home insurance policy, contents cover is provided for students at university as well as residents in

nursing homes. Alongside this, our insurance products are sold through a number of different channels to ensure that they are accessible to all ages.

A common ground for all generations is financial pressures, and worries about younger children and ageing relatives can often prevent people from saving. Indeed data suggests that 38% of people are concerned that they will be a financial burden on their children in the future as they don't have enough of a pension fund, while 23% wish their parents had planned better for their future as they are concerned they will have to, or already do, support them in retirement. However, the data also suggests that 33% would sacrifice their own financial stability to support the generation above and/or below, implying that there is not a clear territorial divide between the generations.

The 'sandwich generation', those who care for their aging parents while supporting their children, is a generation which is sometimes forgotten about and yet is feeling the strain when it comes to financial stability. While the traditional ideal of retirement is a time to focus on 'oneself', spend time with a partner and family, pursue hobbies, take holidays and to travel, yet for many their time and money is needed to help with day care for grandchildren or the declining health of ageing parents. This will have a huge impact on how people save and plan for their future.

Alongside current ideas of intergenerational fairness, policy makers should consider what the future landscape will look like. In the 2018 Pensions Policy Institute (PPI) report 'Living the Future Life' they highlight that there is expected to be a major shift away from a traditional three stage life (study, work, retirement) to multi-stage life. In terms of how this shift could impact personal savings, the PPI believes that people are likely to have near total flexibility in accessing their savings, facing even more complex decisions about how to access their retirement savings.

Jobs and the workplace:

As previously mentioned, a recent report from the PPI highlights that there is an expectation that society will move away from a traditional 3 stage life (study, work, retire) and instead move towards a multi-stage life, where the boundaries between these stages and study, work and leisure are more 'blurred'. Fundamentally this means that as more and more people work into their 70s and 80s, in a rapidly changing job market, more emphasis must be placed on retraining and reskilling. Indeed, already the idea of working in retirement is becoming normal, and it has been estimated that there are almost 1 million 'grandtrepreneurs' – people starting their own business in their 60s.

While we expect more people to work into their 70s and 80s, the current 'sandwich generation' are already feeling the strain, particularly when it comes to financial stability. This generation shoulders significant responsibility between caring for children and caring for older relatives, which means that they are more likely to worry about the impact of a financial shock on their dependents. Research from LV= has found that two in five (38%) are worried about the consequences of not being able to work due to sickness (this is compared to the national average of 27%). They are also nearly twice as likely to worry about the prospect of themselves or their partner dying and leaving the family without an

LV= – Written evidence (IFP0056)

income (30% compared to the national average of 17%). The financial fragility of this demographic is deeply concerning. Pressures of an ageing population, coupled with a trend of young adults returning to their parents' homes and a rising cost of living, means that people who are caring for an older family member have a significant level of financial responsibility, which leaves little room to save for their future. It has also been estimated that nearly three in five (57%) of people in the sandwich generation fall short of the MAS recommended amount of savings to be financially resilient, and more than a third (34%) don't feel that they could handle a personal financial crisis, such as finding themselves out of work due to sickness or an illness.

We believe that policy makers and stakeholders should look at ways to help this growing generation to feel more financially confident. We believe that one way of increasing confidence would be for the new Single Financial Guidance Body (SFGB) to prioritise promoting and building financial resilience as part of its remit, alongside having a strategic focus on targeting specific events in order to deliver 'event driven guidance'.

Housing:

The evolving housing market will have a number of knock-on impacts on future years. Currently 1 in 5 dwellings in the UK are privately rented, and this trend is set to increase. It has been estimated that 25% of families with children now privately rent compared to 1 in 10, just 10 years ago. The rising number of people renting, unable to get onto the housing ladder may mean that many future retirees will not be able to rely on housing assets as part of their retirement portfolio. The generation which is currently hardest hit is of course the younger generations, with research suggesting that more than 50% of 20-39 year olds are renting, and of this cohort only 16% of those currently renting do not want to purchase a property. Multi-generational living, higher divorce rates and university fees are also having an impact, and pushing back the age at which people may be able to finally say that they own their own home.

For those who have been fortunate enough to purchase a house, over a third expect to be well into their 60s before paying off their mortgage in full; this is compared to a generation ago when the average was 51. Housing can be a valuable asset in retirement, and with the use of products such as equity release it can be used to supplement pension savings.

The most common way of raising capital is downsizing, however, it can often come at a significant cost. As part of the solution to help address intergenerational fairness, LV= strongly believes that retirees should be exempt from Stamp Duty if they choose to downsize. Our own research suggests that a third (34%) of people approaching retirement are set to be 'property prisoners', relying on the money that is tied up in their home to live off of in retirement. Downsizing is the most popular way to raise money from a property, but with the average house price triggering a £4,600 Stamp Duty bill it can put some people off. We believe that exempting downsizers from Stamp Duty could also help millions of younger homebuyers find a family home by allowing 'empty nesters' to move, thus increasing the supply of larger homes. Currently 77% of pensioners live alone or as a couple, and 64% live in properties with at least three bedrooms.

LV= - Written evidence (IFP0056)

21 September 2018

Allan Martin – Written evidence (IFP0010)

I write as an experienced pensions actuary and independent pension scheme trustee. I'm also a tax payer, father and grandfather and I'm very concerned at the future burden of unfunded public sector pension promises. Your enquiry is focused on jobs, the workplace, housing, the role of communities and taxation. I believe defined benefit pension promises generally, and unfunded public sector pension promises in particular, will affect all these aspects but most importantly taxation. May I elaborate as follows?

1. We have an unfunded public sector pension commitment (debt) of £1,697,000,000,000. I call this our "other National Debt". H M Treasury recently published our Whole of Government Accounts ([WoGA](#)) for 2016-17, detailing this £1,697bn pension liability. For completeness, the £1.7tn, which excludes local government pensions, is equivalent to a mortgage of just over £60,000 for every UK household.
2. The WoGA makes only one passing reference to the key discount rate (SCAPE) used to calculate these benefits and contributions. In paragraph 1.69 on page 30, in the potentially tell-tale (defensive?) section entitled "Affordability of public sector pensions", it reveals this "more stable financial assumption", which is "reviewed at least every five years" but ignores the underlying sustainability assumption of gross domestic product (GDP) growth of 2.8% per annum.
3. I've written several articles on the basic pensions aspects and the public sector discount rate (SCAPE) in particular. The May 2017 Institute & Faculty of Actuaries Intergenerational Fairness Bulletin II article is an example, available via www.actuaries.org.uk
4. Financially, I feel the current unfunded public sector pension promises are unsustainable and generation Z will be left picking up the tab. Assumed GDP growth of 2.8% per annum is just not realistic. A current year dip in GDP of 1.5% suggests an intergenerational transfer of £25bn. Something comparable is happening every year. The negative growth around the financial crisis produces even bigger transfers or burdens; "guaranteed future austerity" is my challenge to all parliamentarians.
5. I have correspondence with H M Treasury which suggests they are happy to ignore the problem until 2021. The Pensions Regulator that "protects occupational pensions" doesn't have a regulatory remit beyond administration and communications. The Bank of England isn't interested. The Commons DWP Select Committee apparently has more important issues to consider. I'm currently awaiting a response from the Commons Treasury Select Committee. Only the National Audit Office has acknowledged the issue. I would be happy to share my correspondence and earlier Freedom of Information requests.
6. I am also in correspondence with the actuarial profession on an important aspect of the Government Actuary's Department (GAD) reporting on this

key pension assumption.

7. Separately the revaluation of career average revalued earnings (CARE) scheme benefits at CPI (e.g. local government and civil service) hugely penalises younger members, guaranteeing intergenerational unfairness. The impact of fixed rate additions to CPI (NHS, teachers, police) will take years to come through and may be greater or lesser than average earnings and hence potentially more expensive than previous final salary promises.

I'm firmly in favour of promising our frequently undervalued public servants a defined benefit pension in retirement. I however have an issue with the scale of the promise and the lack of transparency and appreciation of the underlying basis of the promise. I merely speculate on the prospect of Commons Select Committees interviewing themselves!

I would welcome the opportunity to brief the Intergenerational Fairness Committee on this matter. In fiscal terms we are issuing index linked gilts yielding 2.8% per annum over CPI - intergenerational theft.

8 August 2018

Dr Jennifer McCaffrey – Written evidence (IFP0008)

1 - General (Pensions)

The promise of defined benefit plans was and is completely unsustainable²⁷⁷. The change to the defined contribution plans was right and proper. However, this has not been achieved across all pension plans and should be made mandatory by law.

2 – General (Assistive Technologies)

Increased provision and investment in the implementation and distribution of assistive and communication technologies for individuals who have had strokes or neurodegenerative diseases. Research and development is happening but too often the resulting technology/aids are too expensive for the pockets of disabled people. ²⁷⁸Technology that helps people mobilise particularly would reduce the health & safety and work load burden on NHS workers and caregivers (who are generally younger than those being cared for).

3 – General (Reintroduce NHS Bursaries)

Reintroduce NHS bursaries for people undertaking training for health careers. This would increase quality of life for older people (more staff employed in the NHS) and younger people (reduced burden of education costs and access to better paid work). ²⁷⁹

4 – Jobs & the Workplace (Terms of Employment)

The increased number of zero hour contracts and fixed term / temporary contracts of employment have increased income instability for younger generations. ²⁸⁰ ²⁸¹This has reduced the ability of younger people to predict income to even pay rent, save and apply for mortgages. The employees are now disproportionately shouldering company risk. Zero hour contracts should be banned and permanent contracts incentivised.

5 – Housing (Interest Rates)

Members of the millennial generation have been pushed into a position where they cannot afford to save enough for a deposit to buy a home. The average price of a house in the UK has gone up by nearly £70,000 in the last 12 years and over the same period wages stagnated and interest rates went down²⁸². Many millennials are now funding the property portfolios of people who bought their first home cheap as chips through Thatcher's right to buy. A correction is

²⁷⁷ Edwards, J. British millennials are £2.7 trillion poorer because of deliberate decisions taken by their parents' generation. Business Insider, 11 Feb 2017. Accessed 1 August 2018.

<http://uk.businessinsider.com/british-millennials-poorer-interest-rates-pension-plans-2017-2>
²⁷⁸ House of Commons Work and Pensions Committee. Assistive Technology. Tenth Report of Session 2017 – 2019.19 April 2018.

²⁷⁹ House of Commons Health Committee. The nursing workforce. Second Report of Session 2017 – 2019. 26 January 2018.

²⁸⁰ Pyper, D. & Powell, A. Zero-hours contracts. Briefing Paper. Number 06553. Accessed 22 May 2018.

²⁸¹ Eurofound. Young people and temporary employment in Europe. 2013. European Foundation for the Improvement of Living and Working Conditions.

²⁸² Edwards, J. British millennials are £2.7 trillion poorer because of deliberate decisions taken by their parents' generation. Business Insider, 11 Feb 2017. Accessed 1 August 2018.

<http://uk.businessinsider.com/british-millennials-poorer-interest-rates-pension-plans-2017-2>

desperately needed. Increasing interest rates to 3% (where they should be about now²⁸³) would be the most efficient and equitable way to assist Millennials. The younger generation would be able to save for a home of their own and the housing price bubble would burst, reducing property values and the incentive for landlords to hoard property that should be people's homes.

6 – Communities

The current council tax exemptions are damaging to communities. Allowing property owners to have discounted council tax rates on second homes or empty properties encourages property owners to keep homes empty which is both immoral and deeply damaging to communities. Housing is in desperately short supply, empty properties encourage anti-social behaviour and failure to pay reduces funds to over stretched councils.^{284 285 286} The lack of engagement with communities and increased burden on council services can also be found in student housing where students are not required to pay council tax but multi-occupancy properties place great demands on council services. These costs should be met by student landlords and student accommodation providers who should pay business rates to cover the costs.²⁸⁷ Individuals with severe mental impairment (in particularly dementia) should not be disregarded in terms of their council tax liability. Ability to pay should be the only measure used to identify individuals for whom paying council tax would be a significant hardship. Individuals with dementia are potentially some of the highest users of council services but may also be, due to their age, individuals with the highest level of wealth. As the number of individuals with dementia is also set to rise councils cannot afford to underwrite this cost.²⁸⁸ To encourage older people to downsize council tax should be calculated on the number of rooms in a property rather than the number of people (with exceptions made for rooms for carers or medical equipment).

7 – Taxation

The National Insurance exemption for people over 65 is inequitable. 51% of households where the reference person was 65 or older are in the top four deciles of wealth²⁸⁹. Individuals over 65 make up 18% of the population and this is set to rise.²⁹⁰ They also make up two fifths of national health spending in the

²⁸³ Stepek, J. Believe it or not, UK interest rates "should" be around 3% right now. Money Week, 22 June 2018. Accessed 1 August 2018. <https://moneyweek.com/uk-interest-rates-should-be-3-percent/>

²⁸⁴ Wilson, W., Barton, C. & Smith, L. Tackling the undersupply of housing in England. Briefing Paper. Number 07671. 31 May 2018.

²⁸⁵ Wilson, W., Cromarty, H. & Barton, C. Empty Housing (England). Briefing Paper. Number 3012. 13 June 2018.

²⁸⁶ Hetherington, P. How will councils survive the funding abyss? 5 September 2017. Accessed 1 August 2018. <https://www.theguardian.com/society/2017/sep/05/how-will-councils-survive-funding-abyss>

²⁸⁷ Daly, P. Call for student flat landlords who contribute almost nothing to pay their way. 30 October 2017. Accessed 1 August 2018. <https://www.bristolpost.co.uk/news/bristol-news/call-student-flat-landlords-who-703965>

²⁸⁸ Department of Health. Dementia. A state of the nation report on dementia care and support in England November 2013. Accessed 1 August 2018. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/262139/Dementia.pdf

²⁸⁹ Office for National Statistics. Wealth in Great Britain Wave 5: 2014 – 2016. 1 February 2018.

²⁹⁰ Office for National Statistics. Overview of the UK Population. July 2017. Accessed 1 August 2018.

UK. ²⁹¹ Those individuals who make greatest use of a service and hold the highest level of wealth should, at the very least, make equal contributions to that service. National Insurance contributions should be based on means to pay not age.

1 August 2018

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/articles/overviewoftheukpopulation/july2017>

²⁹¹ Delphine, R. Ageing Britain: two-fifths of NHS budget is spent on over-65s. 1 Feb 2016.

Accessed 1 August 2018. <https://www.theguardian.com/society/2016/feb/01/ageing-britain-two-fifths-nhs-budget-spent-over-65s>

Ministry of Housing, Communities and Local Government – Supplementary written evidence (IFP0066)

1. This supplementary memorandum is provided in response to questions by the Committee in the oral evidence session of Tuesday 23 October 2018. The Committee asked for further information on:

- a. **Public sector land sales and local planning;**

It is Government policy that land should be sold for the best consideration that can be reasonably obtained. However, it is recognised that, in some instances, it may be appropriate to dispose of land at less than best consideration (undervalue) where this is justified in the wider public interest such as for affordable housing.

Where a planning application is required, public sector land sites will be subject to the requirements of affordable housing policies set out in the development plan of each local planning authority. Planning law requires that applications for planning permission be determined in accordance with the development plan, unless material considerations indicate otherwise.

- b. **Timescales for public sector land disposal;**

Increasing the supply of land for new homes is central to this Government's vision of a housing market that works for everyone. Making the best use of surplus public sector land makes a critical contribution towards this vision. The aim of the Public Land for Housing Programme is to release surplus land from the central Government estate.

The Programme forms an important part of the Government's ambition to deliver 300,000 homes a year by the mid 2020s, as well as to ensure its estate is used efficiently. Alongside this, the Programme contributes to the Government's aim to achieve £5 billion in land and property receipts by 2020.

The Public Land for Housing annual report published in February 2017 shows that by September 2016, public sector land with capacity for 13,817 homes had been sold, and departments had identified potential additional land disposal opportunities for a further 131,675 homes.

Since then, the Department has been working closely with other Government departments to develop plans for the delivery of this land. Homes England sits on the Public Land for Housing Programme board alongside other Government departments and the GLA. Homes England is the Government's national housing accelerator that has a remit to acquire, prepare, manage and develop land to deliver the homes that communities need. In addition to selling its own land for homes, Homes England shares its expertise with Government departments to help them dispose of their surplus land for housing and receives transfers of developable, viable land to prepare for release to the market.

Publishing details of sites prior to being declared surplus would be commercially sensitive. However, details of Government-owned land and property, including that which may be redundant or is surplus is available

on the government property finder website. Officials hope to publish a progress report containing further information early next year.

- c. **Disposal of public sector land at less than best consideration;** Government departments and local authorities can already sell their land for less than market value where there are wider public benefits, consistent with the principles of best value. These wider value considerations include economic, environmental and social value factors.

Further information is set out in the Cabinet Office's '*Guide for Disposal of Surplus Land*' published in March 2017, published at the following address: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/599778/Guide_for_the_Disposal_of_Surplus_Land.pdf

More information is also set out in '*Managing Public Money*', published in July 2013, with annexes revised as at March 2018: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/742188/Managing_Public_Money_MPM_2018.pdf

We are also currently consulting on proposals to give local authorities greater flexibility to dispose of their land at less than best consideration. The consultation, '*Planning Reform: Supporting the high street and increasing the delivery of new homes*', seeks views on setting a new, consistent undervalue threshold of between £5 million and £10 million, below which local authorities can dispose of surplus land held for planning purposes and land held for purposes other than housing or planning without seeking specific consent from the Secretary of State. It also seeks views on whether the GLA's current threshold remains appropriate.

Further details on the consultation on can be found at the following address: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/752222/Planning_reform_-_supporting_the_high_street_and_increasing_the_delivery_of_new_homes.pdf

- d. **The number of assets of community value;** The last asset count which inspected the number of assets of community value (ACV) successfully nominated by community groups to their local authority in England was completed by Locality in February 2017. Locality reported that 4,307 assets of community value had been listed, the most popular of which is pubs accounting for 50% of the ACVs listed in England. This figure continues to rise, year on year.

The Department is currently working with *Power to Change* and the not for profit charity *mySociety* on the development of an online platform which will capture in one place all assets of community value in England. This platform will improve how the scheme operates for community groups, asset owners and local authorities. The platform, called *Keep It In The*

Community, went live in September 2018 and is currently being populated with ACV data.

e. **Our current programme of research to evaluate this policy;**

In the summer of 2018, the Department, working in partnership with *Power to Change*, co-funded a £140,000 programme of research to address a number of shared research aims. The research will address an evidence gap around the outcomes of community asset ownership, and the role played by government policy in supporting communities to take ownership of assets.

After a competitive procurement exercise, the Centre for Regional Economic and Social Research at Sheffield Hallam University have been appointed to undertake this programme of research which is currently underway. It will report back in summer 2019.

f. **Tangible effects that the assets of community value scheme has had on communities and its impact on different generations.**

The Government has not undertaken any formal evaluation of the scheme or its impact on different generations. However, our programme of research will look to gather evidence on the impact of the assets of community value scheme as part of a wider programme of research on the community ownership of assets.

20 December 2018

Ministry of Housing, Communities and Local Government – Supplementary written evidence (IFP0075)

Thank you for inviting me to appear before the Intergenerational Fairness and Provision Committee on 11 December 2018. At the discussion I committed to write on work my department is doing on housing supply forecasting and scenario modelling, construction skills training, as well as on loneliness and negative age stereotypes. Please accept my sincere apologies for the delay in this response.

In support of the Government's ambitions to increase housing supply, my department undertakes detailed analysis to both monitor progress and to assess the key drivers of future delivery. This draws on forecasts from the Office for Budgetary Responsibility on macro-economic and housing market variables - such as house prices and housing transactions - to examine potential future scenarios for housing supply. In developing these scenarios, the department also makes use of future macro-economic scenario models, such as those used by the Bank of England, to carry out sensitivity analysis. Alongside this, the department closely monitors the delivery of Government programmes that directly or indirectly support future housing supply.

Regarding the effect of interest rate changes on mortgage affordability, I must be clear that mortgage policy is a responsibility of HM Treasury. The Bank of England base rate is currently 0.75% and has been below 1% since 2009. Although the base rate is a matter for the independent Bank of England, the Office of Budget Responsibility currently forecasts the base rate will rise to 1.5% by Q1 2023.

Since 2014, mortgage regulations have required that new mortgage applications are subject to affordability assessments, assessing whether the borrower can afford to maintain mortgage payments. This includes a stress test to ensure the borrower can afford increased payments in line with interest rate rises up to 3%. This gives reassurance that most buyers who have taken out mortgages since 2014 should be able to afford a 3% base rate rise.

On the Committee's questions regarding the skills training needed to meet the 300,000 homes target, I committed to write to the Committee to set out more detail on the Government's apprenticeship programme and the apprenticeship levy.

Government's £24 million Construction Skills Fund, managed by the Department for Education, is supporting 26 on-site hubs, 21 focussed on housing. The fund aims to train 13,000 site-ready workers by 2020. The £420m Construction Sector Deal is a partnership between Government and the construction industry, which will deliver 25,000 construction apprenticeship starts and 1,000 Construction T Level placements by 2020, to help give young people the skills that industry needs. Current progress suggests that this target is deliverable. The Deal will also transform construction through innovative technologies to increase productivity and build new homes quicker with less disruption.

Finally, I said I would write with details of what MHCLG is doing to bring people of all generations together and tackle loneliness and negative age stereotypes. I am pleased to say that Rishi Sunak MP, in his capacity as Minister for Local

Government, represents the department in the Ministerial Group on Loneliness which was established to provide direction and scrutiny for the cross-Government work programme on loneliness.

In '*A connected society: a strategy for tackling loneliness - laying the foundations for change*', published on 15 October 2018, Government announced that ministers at the Department for Transport, Department for Business, Energy and Industrial Strategy and Ministry for Housing, Community and Local Government would have their portfolios extended to include loneliness. The Department for Health and Social Care and Department for Digital, Culture, Media and Sport (DCMS) portfolios already include loneliness. This demonstrates this Government's commitment to addressing this cross-cutting policy issue.

Alongside delivering the commitments in the Strategy and working together as we build the evidence base, MHCLG has recently announced a new 'Open Doors' initiative which aims to facilitate landlords offering vacant high street properties for 'meanwhile'/temporary community use. The project aims to alleviate loneliness among young and older people, as well as regenerating the high street. It will focus on community groups that need premises for several hours a day but are unable to afford a lease or pay commercial rents.

MHCLG is also working closely with DCMS on the announcement in the Loneliness Strategy of up to £1.8 million funding to help local people maximise the potential of underutilised community spaces in innovative and creative ways. This is further to the announcement in the Civil Society Strategy that Government will create more sustainable community hubs and spaces. Both departments have also contributed to the £11.5 million Building Connections Fund which is a partnership between Government, the Big Lottery Fund and the Co-op Foundation. The fund aims to:

- help people form strong and meaningful relationships and creating a sense of community and belonging, to make people feel more connected;
- support organisations to build on their existing work, for example, by reaching more people, or working in a new area or with a different method or group of people;
- encourage organisations to join up with others locally;
- improve the evidence base and use learning to inform longer term policy and funding decisions.

KIT MALTHOUSE MP

13 February 2018

Movement to Work -Written evidence (IFP0064)

Movement to Work seeks to break the vicious 'no job – no experience' cycle that is preventing around 800,000 young people, not currently in education, employment or training, from stepping onto the career ladder. Supporting organisations of all shapes and sizes to unlock the potential of these young people by offering quality work placement opportunities, Movement to Work helps both to drive business performance and bring about lasting social change.

Movement to Work is a registered charity and a voluntary coalition of Britain's leading employers, backed by the TUC, CBI and UK Government. We are committed to providing high-quality work placements and other workplace opportunities for young people aged 16-24 who are not in education, employment or training (NEET). We particularly seek to help those from disadvantaged backgrounds.

Over 100 UK employers have signed up to the Movement, including the Civil Service and the NHS; FTSE 100 companies such as BT, Centrica, Diageo, HSBC, M&S, Accenture and numerous SMEs. Together, our members have delivered over 75,000 work placements over the last four years. Of those completing placements, over 50% have achieved a 'positive outcome' by going directly into employment, further education or training.

We work with employers to find the best solution for their organisation; either in-house, with delivery through their own resource, or through a training provider, to support them in delivering their programme.

Through our network of youth outreach organisations, we link unemployed young people and life-changing opportunities with our employers. By equipping organisations with the tools to successfully deliver a work-experience programme, we ensure that the next generation of talent is being provided with the skills to succeed, positively impacting business performance and driving social good.

1. Is the intergenerational settlement in the UK currently fair? Which generations are better off or worse off, and in which ways?

While the UK's overall unemployment rate is at its lowest level in decades, the number of young people (16-24) who are not in education, employment or training (NEET) remains stubbornly high, particularly in deprived areas of the UK. This is a significant economic and social issue for the UK.

Hundreds of thousands of young people are unemployed. Many are trapped in a 'no-experience, no job' cycle. Around 800,000 are not in employment, education or training. And amongst these are thousands without the networks that enable them to take part in work placements to see what work is like and develop ambition.

We believe that well-resourced work-placement programmes, apprenticeships and other training opportunities have an important role to play in tackling youth unemployment. Training young people and helping them into work is an imperative for all organisations, commercial or otherwise.

2. What are the future prospects for different generations in the light of current economic forecasting?

If the disparity between younger people, particularly those with difficult backgrounds, is not addressed then the unemployment gap between young and older workers will get bigger. Not only this, as older people leave the workplace their skills might not be replaced as fewer younger people have entered the pipeline, leaving the UK with damaging shortages in skills.

3. To what extent do different generations have a better or worse experience of the labour market?

Compared with older generations, younger people who are NEET often face considerable barriers when attempting to access work-placements, apprenticeships and other training opportunities, including poor basic skills, low self-esteem, behavioural and health problems and lack of family support, including those with families who have never worked.

Because of their age, many young people have little or no work or 'life' experience. This will compound the barriers listed previously, coupled with difficulties with pre-employment checks for those with little basic family support. For example, younger applicants might not have access to a passport, driving licence, utility bills or money for travel. There is also often employer discrimination, conscious or otherwise. Some may also have criminal records, which raises the issue of how to disclose a criminal record to employers as constructively as possible.

Many find themselves trapped in a vicious cycle of 'no experience, no job; no job, no experience'. Disadvantaged Young people (those from difficult backgrounds and/or with mental and physical health and disability issues) are also less likely than their peers to have the opportunity to participate in unpaid work experience such as internships. With high levels of competition for places on high-quality apprenticeship schemes, those without any prior work experience may find it difficult or even impossible to secure a place.

Disadvantaged young people are also more likely to have fewer formal academic qualifications to support their application. The academic qualifications required by employers for apprenticeships often have little relevance for the job itself, meaning that in some cases the requirement for qualifications can act as an arbitrary barrier to employment for otherwise capable and determined young people.

Though it is hard to say whether these issues are on the increase or otherwise, lack of family support remains a serious barrier for many young people who want to achieve social mobility and make a positive contribution to society through work. As a result, we continually seek to increase our capacity for providing work placements by signing up more employers who will pledge to provide placements.

Another barrier is transport: in rural areas a young person might live several miles from a placement. If there is no bus service, the young person may not be able to access a work opportunity, as few have access to a car or motorbike.

Cycling is a viable alternative for some, but for others safety, distance, access to a roadworthy bike are all issues.

4. What needs to change to enable longer and fuller working lives for all? What role should employers play in providing solutions? What role can technology play?

Movement to Work knows that work experience and other job opportunities aimed at those who are NEET are key to providing fuller working lives; we are asking employers to look deeper into the labour market. The principal issue facing many of these young people is that they simply do not have the networks that other families have to access work experience opportunities. Work experience is one of the biggest driving forces behind developing ambition to take on certain roles a young person may never have been aware of prior to that experience. It also enables organisations to see what a person is like when they are actually in the workplace, where determination, intelligence and common sense often outweigh qualifications.

We have seen many young people go through a Movement to Work placement or other job opportunity schemes who had these issues but are now working happily in meaningful careers. These include those with severe family difficulties like absent parents (through death or leaving the family), alcoholic parents, parents who have never worked or where the young people are their parents' carers, amongst many other issues. Many of these young people have developed experience that was largely absent in their families, including 'soft' skills such as networking, which has led to them being 'poached' to different parts of companies because of their positive reputation. They have also become great ambassadors for others in a similar position to that which they were in prior to entering work.

5. What are the barriers to greater in-work training and skills development for all generations?

With regard to young people, cuts to funding of youth outreach is already making it difficult to reach young people who are 'falling off the radar'. The Apprenticeship Levy is also an issue here; whilst anything that is done to help increase availability and take-up of quality of apprenticeship places is to be applauded, we want to ensure flexibility of the levy so that it can enable career and skills-training opportunities for all, particularly helping those who want to enter an apprenticeship but have not gained the relevant qualifications. Other barriers include failing to consider *all* young people who can learn the skills that the UK needs. They also include cutting costs so that either no training or ineffective training is provided, which can affect all generations.

6. To what extent is intergenerational fairness impaired by the UK housing market?

N/A

7. What has driven the increase in the size of the private rented sector? Which generations are most affected by this and how?

N/A

8. How can we ensure that the planning system provides for properties appropriate for all generations, including older people?

N/A

9. How can the property wealth of older generations (parents and grandparents) be utilised to help younger generations (their children and grandchildren) access the property market? What would be the impact on intra-generational fairness of such schemes?

N/A

10. To what extent are initiatives to encourage down-sizing or intergenerational homesharing part of a viable solution to the housing shortage for younger generations?

N/A

11. In what ways could more active communities help redress imbalances between generations? Are there opportunities for more non-state provided solutions to the challenges faced by an ageing society?

There are already examples of community groups helping younger people, for example, Rotary with interview skills, and charities that tackle specific issues around young people and employment such as the Prince's Trust, alongside many others.

However, much more could be done to ensure that young people can gain workplace skills through 'advice' sessions and other schemes. But, above all, communities of any sort should attempt to be a conduit for providing work experience and other job opportunities for *all* their young people, not just those who already have support from families, schools and other institutions.

12. To what extent are new technologies and social media isolating different generations from each other? How can technology be harnessed to promote active communities working to redress imbalances between generations?

Clearly social media is more commonly used by younger people, and when it is it is usually amongst their own peer groups. Indeed, social media sites become divided up between age groups, with Facebook seen as being for older people and Instagram for younger people, for example. All age groups should be encouraged to come together on social media to get advice from more experienced people and answers to specific questions. This already happens on LinkedIn to an extent but arguably for those young people already clued up on the workplace.

Specific initiatives too, like Accenture's UK Skills to Succeed Academy, are incredibly useful digital facilities. This free, digital, interactive programme helps disadvantaged young people build the skills and confidence to make career choices and develop employability skills. The UK Skills to Succeed Academy opened its virtual doors in 2013 and is now available in every Jobcentre in the UK with over 60,000 people now 'skilled'.

13. To what extent does the tax system take account of fairness between the generations? What changes, if any, should be made to the tax system to achieve a fair intergenerational settlement?

N/A

Movement to Work -Written evidence (IFP0064)

14. How does the Government's practice of running public finances on a cash flow rather than on a balance sheet basis affect the intergenerational settlement?

N/A

13 November 2018

National Pensioners Convention – Written evidence (IFP0030)

Summary

- More than at any other period in our history, our society is divided and categorised in terms of the generation into which you were born. Such a divisive and simplistic approach incorrectly assumes that all those born into the same generation have the same life experience and outcomes. Like all age groups, health, property wealth and income are not evenly or equally distributed.
- There is considerable evidence that the inequality inside generations is greater than that between generations, yet there has been a strong focus on the need to redistribute both public spending and personal wealth from one generation to another.
- Members of all generations, and particularly some younger people have suffered over the last decade as a result of the financial crisis. Equally, those in today's older generations have also experienced a number of such crises throughout their lifetime.
- There are specific policy issues that would assist younger generations to secure better economic prospects, but they do not involve reducing the pensions or benefits of the older generation.
- The media, think-tanks and some politicians have tried to create a phoney war between the generations, often as a way of advancing arguments that are really intent on reducing the role and scope of the welfare state. This often distracts us from looking at the real unfairness and inequality in society between the wealthy and the rest of the population.
- All generations need a decent state pension in retirement. Currently the UK state pension is the least adequate in the developed world, and even when occupational pensions are taken into account, British workers still have a replacement rate which is less than the European average. Suggestions that the state pension and its indexation through the 'triple lock' are therefore too generous are simply unfounded. In fact, today's younger generations will increasingly come to rely on the state pension as one of their main sources of income in their future retirement.
- The housing market in Britain is broken and there is an urgent need for a large house building programme of good quality, suitable and affordable accommodation for all the generations. Over the last few years, older people have often been portrayed as having unfairly amassed huge housing wealth and deliberately holding onto under-occupied properties to the detriment of younger generations that are struggling to buy their first home. In reality though, it is not older people, but central government who have failed to deliver for those just starting out.
- Everyone involved in the care sector now agrees that there is a crisis of funding which needs urgent attention. The long awaited Green Paper expected this Autumn is however unlikely to offer the solution that's needed. Like health, care should be delivered free at the point of need by a new public National Care Service, funded through a range of general taxation options.
- Since 2008, households across the UK have experienced unprecedented falls in their living standards. However, contrary to much of the public debate, it is actually those of working age, rather than pensioners, who are currently most likely to be wealthy, with a very large proportion of our national wealth held

by a very few households, regardless of age. Solutions to young people's problems will not therefore be found by reducing entitlements for pensioners. Instead, improving the new generation's chances requires profound changes in how we structure our economy and distribute wealth.

Introduction

1.1 This submission is made on behalf of the National Pensioners Convention (NPC); Britain's largest pensioner organisation representing around 1m older people, active in hundreds of affiliated groups across the UK. The NPC is run by and for pensioners and campaigns for improvements to the income, health and welfare of both today's and tomorrow's pensioners.

1.2 Much of the debate around intergenerational fairness focuses on issues of housing, incomes and the funding of services which are predominantly used by one generation, more than another. It is also often suggested that one generation has done well at the expense of those who are younger, or that the plight of today's twenty somethings is the fault of their grandparents. However, this approach tends to come from those who want to see a reduction in the welfare state and the role played by government in the provision of pensions, benefits and other public services. In effect, they wish to reduce support not just for today's retirees, but for future generations as well and are using arguments around generational fairness to achieve something completely different.

1.3 Now, more than at any other time in our modern history we categorise and label people depending on the era in which they were born. Terms such as 'baby boomers' (1945-1965) and 'millennials' (1980-2000) provide an easy shorthand that attempts to assign various attributes to a generation in a single phrase, but such approaches are woefully inadequate when it comes to making serious policy decisions. For example, there is an argument put forward that today's younger workers are worse off financially than their counterparts were in the 1980s. Some have massive student debt, the vast majority have very little chance of buying their own property and the prospect of a secure retirement stretches long into the distance.

1.4 However, the 1980s' generation also faced financial challenges. Annual inflation stood at 18% in 1980, the unemployment rate in 1984 was 11.9% and interest rates on mortgages and loans were an eye-watering 17%. Likewise, that same generation then faced another recession a decade later, with annual inflation in 1990 rising to 9.5%, unemployment in 1993 standing at 10.7% and interest rates that reached 14.8%.²⁹² To suggest therefore that this was somehow a privileged generation is clearly misjudged.

1.5 Similarly, it would also be wrong to assume that everyone in a single generation experienced these occurrences in the same way. Not every young person in the 1980s was unemployed, just as not every young person today has student debt. The circumstances of your birth, your social class, who your parents are, your education, gender and ability still matter far more than when you were born. Nevertheless, some people, both young and old, have been protected from these periodic recessions and financial collapses.

²⁹² Office for National Statistics, 20 December 2013 Quarterly National Accounts – National accounts aggregates (ABMI Gross Domestic Product: chained volume measures: Seasonally adjusted £m, constant prices)

1.6 While austerity measures in Britain continue to hit the poorest families hardest; a wealthy elite has seen their incomes spiral upwards. This is not a question of age, but of social class and wealth. For example, the five richest families in the UK are wealthier than the bottom 20% of the entire population.²⁹³ That's just five households with more money than 12.6 million people – almost the same as the number of people living below the poverty line in the UK. As the Equality Trust and others have pointed out, in richer countries differences in health outcomes are closely related to differences in income inequality. The corollary of this is that reducing poverty and inequality would improve health outcomes and reduce demand for social care, as greater numbers enjoy more years of better health. It is therefore a cost effective policy for government to invest to reduce poverty and inequality now to reduce some of the demands on the health and social care system in the future, rather than seeking to penalise older people and those who follow.

1.7 Contrary to the popular perception, there is clear evidence to show that inequality is greater inside generations, than between the different age groups. Among the wealthiest 10% of households, only a quarter are pensioners, whereas 65% of households with the top 10% of wealth are aged between 45-65. The majority of wealthy households are not therefore pensioners.²⁹⁴ Similarly, wealth inequality within generations shows that those aged 75-84 comprise 6% of the wealthiest pensioners as well as 6% of the very poorest. Interestingly, 3% of 25-34 year olds are also among the wealthiest in society.²⁹⁵

1.8 Therefore suggesting that an entire generation has the same income or dependencies is completely inaccurate and needs to be vigorously challenged as the basis for making long-term economic and social policy decisions.

The impact of austerity on young and old

2.1 Austerity has affected many younger and older people in different ways. For millions the reality of day-to-day life is a constant struggle, and a quick snapshot of modern living in the UK shows:

For younger people

- There have been unprecedented levels of graduate debt recently following the increase in the cap on undergraduate tuition fees in England to £9,000 per year and the abolition of the Education Maintenance Allowance
- House price inflation and ensuing difficulties for younger households means it is increasingly difficult for them to become owner-occupiers. As a result, record numbers of under 25s now live with their parents
- High levels of youth unemployment and fewer good quality job opportunities have had a long-term effect on young people's earnings and their pension prospects. The under 25s are now four times as likely to be unemployed as older workers
- The £1bn Future Jobs Fund was abolished in 2010 and replaced with a workfare-style programme getting young people to work for nothing
- Unemployment, job insecurity and debt can lead to depression and mental illness that damages the individual and ultimately costs society as a whole

²⁹³ Tale of Two Britains: Inequality in the UK, Oxfam, March 2014

²⁹⁴ Finney A. What makes the wealthy wealthy? 2013

²⁹⁵ https://www.tuc.org.uk/sites/default/files/YoungagainstOld_0.pdf

- The bedroom tax, benefit cap and the abolition of housing benefit for the under 25s have all added to the housing crisis among younger people

For older people

- Current poverty levels for the over 75s stand at 18.5%, compared to just 11% for the rest of the population as a whole ²⁹⁶
- Almost 40% of those aged 65 and over in the UK experienced poverty at least once between 2010 and 2013, compared with around 30% of those under 65 ²⁹⁷
- 42% of older people (5.8m) in the UK said they have struggled to afford essential items such as food, gas, electricity ²⁹⁸
- There has been a cut of over £5bn to adult social care budgets since 2011 and as a result 1.5m older people in England have care and support needs that the state does not meet and either have to fund themselves or go without ²⁹⁹
- Meals on wheels services have been reduced over the last five years from 300,000 to just 109,000, and malnutrition affects an estimated 1 million pensioners ³⁰⁰
- There is a strong relationship between poor insulation and heating of houses, low indoor temperature and excess winter deaths of older people. In the last 5 years 151,060 older people have died from cold related illnesses. There are approximately 3.5m older households in fuel poverty in the UK ³⁰¹

2.2 Despite the evidence, those who want to scale back the welfare state have been trying to pitch one generation against another, by suggesting that we need to determine who has suffered most from austerity. However, there is little to be gained from having such a race to the bottom. This is a divisive tactic that is often used to distract us from challenging those who are actually responsible for the austerity measures and their consequences.

2.3 Equally the notion of an unfair division between the amount of public spending that goes on different generations is fundamentally flawed. What is the case is that an underlying principle to the provision of public services – health and social care, education, local government services, state pensions, social housing and childcare – is that people make different calls on the system at different points over their lifetime. Some individuals will make much more use of these services compared to others – some may never make use of particular services at all. Nevertheless, the collective provision of such services is a way of pooling risk as a society that individuals both contribute to and benefit from when appropriate. It seems obvious that in the majority of cases two of the key periods in your life when you will make greater call on public services such as education, health and social security is when you are under 18 and in retirement. To compare this usage to that of younger, working age adults and argue that somehow it is unfair is therefore completely erroneous.

The myth of a generational conflict

²⁹⁶ Pensions at a Glance Report, OECD, 5 Dec 2017

²⁹⁷ Persistent Poverty in the UK and EU, Office for National Statistics, 2015

²⁹⁸ Cut Backs Survey, ICM, 2009

²⁹⁹ www.communitycare.co.uk, 5 June 2015

³⁰⁰ NACC Report, 2014

³⁰¹ Trends in Fuel Poverty England, DECC, 2012

3.1 Research from the University of Birmingham has found that social, economic and demographic factors are generally pushing UK families together, rather than driving them apart. Instead of falling victim to inter-generational tensions, families are determined to support their own members financially, but some are much better placed than others to provide help – reinforcing the gap between rich and poor. Interestingly, the study also found that most families still think the state has a fundamental role to play in offering support.³⁰²

3.2 Whilst the findings showed that financial gifts were far more common, and much larger within middle-class families, where members could usually find the necessary funds from their existing income or savings, older members of working-class families were more likely to support younger generations by selling possessions or taking out loans themselves. What is important is that we view financial inequality in intra-generational rather than inter-generational terms. As such, suggestions that the way to support younger people is to penalise pensioners is simply counter-productive.

3.3 For example, scrapping Winter Fuel Payments for older people would raise £2.16bn of government spending – less the cost associated with changes in behaviour by older people using less heating and the ensuing cold-related healthcare costs. However, if this money were distributed to those aged 16-30, this would give each individual approximately £181. By any standard this amount of money is unlikely to have any noticeable impact on the long-term prospects of this younger generation.³⁰³

3.4 In the same way that a lifetime of low pay will inevitably lead to a poor retirement, inherited wealth perpetuates inequality. For example, well over two-thirds of property wealth belongs to the wealthiest third of the population. Crucially, rising property prices do not directly raise the spending power of older people unless they realise the value of their properties via equity release or downsizing. However, if they simply translate into larger inheritances, then younger people will ultimately be the beneficiaries. So whilst a twenty year old from a wealthy family might not be well off today, by their 40s they can be significantly better off than someone their age who came from a poorer background. Evidence suggests that within each generation of people who were born at the same time, inheritances have flowed unevenly towards those with the highest lifetime incomes, with those at the top income scale often inheriting four times as much as those at the bottom.³⁰⁴

Addressing inequity in pensions, housing and care funding

4.1 There are three areas of policy that regularly feature in the debate about generational fairness: that of income in retirement through pensions, housing wealth and the funding of care services. In the case of pensions and housing it is claimed that older people have secured more favourable outcomes for themselves than younger generations, whilst the current debate surrounding the future funding of care services often argues that poorer younger people are in danger of having to fund the care of richer pensioners. However, young people's

³⁰² <https://www.birmingham.ac.uk/news/latest/2017/06/baby-boomers-vs-young-generation-finance.aspx>

³⁰³ [Young against old? Touchstone Pamphlet 14, TUC, 2015](#)

³⁰⁴ <http://www.if.org.uk/2017/01/13/new-research-shows-how-family-inheritances-deepen-intergenerational-inequality/>

falling long-term economic prospects are not down to older people in society hoarding all the wealth. Increased university tuition fees, insecure employment, poorer job opportunities, lower pay, rapid house price inflation and the lack of affordable homes are the real causes of hardship amongst the young.

Pensions

4.2 A recent study by the Centre for Ageing Better found stark contrasts in people's experiences of later life, with severe inequalities among older people largely a product of poverty and disadvantage throughout life. Older women are more likely to be poor, socially isolated, badly housed, unhealthy and die sooner because of a lifetime of lower pay and unequal working conditions than older men. In particular, women aged 65-69 suffered the worst discrimination of all, with only 36% of this age group receiving the full state pension in 2014.³⁰⁵

4.3 While women suffer these inequalities more than men, people from black and minority ethnic (BME) backgrounds and some from LGBT backgrounds are also disproportionately disadvantaged. It's clear that cumulative years of poverty and disadvantage throughout life mean that many people will suffer poor health, financial insecurity, weak social connections and ultimately a shorter life in retirement.

4.4 Contrary to the suggestion that older people have done well in recent years, the OECD now ranks the UK state pension for the first time ever, as the least adequate in the developed world. Elsewhere the average worker can expect 63% of their salary as a state-funded pension, but in the UK that figure is just 29%. The OECD also acknowledges that current poverty levels among those aged 75 and over are 18.5%, compared to 11% among the population as a whole.³⁰⁶

4.5 The Joseph Rowntree Foundation also recently reported that pensioner poverty is now on the rise for the first time in twenty years, with an additional 300,000 more pensioners now living in relative poverty than four years ago. The latest House of Commons research gives the current number of older people living below the poverty line (before housing costs) as 2.1 million.³⁰⁷

Suggestions that somehow the vast majority of the country's older generation is doing well at the expense of the young is therefore both inaccurate and misleading.

4.6 As well as claiming that pensions are high, there is also a suggestion that the annual indexing of the state pension through the 'triple lock' guarantee of the best of inflation (CPI), earnings or 2.5% is too generous. However, this ignores the very real reduction in value that the state pension suffered when the link with earnings was broken by the Conservative government in 1980. In 2010, when the triple lock was introduced, the pension would have stood at £161.30 a week had the earnings' link still been in place, compared to the actual figure of £97.65. This loss, including when the triple lock has been in place, has never been recouped.

4.7 The actual growth that has taken place in the pension and average earnings over the last 15 years also reveals that the gap between the two has widened. As a result, average wages now stand at £26,260 compared with a basic state pension of just £6359.60 a year. Using percentage increases often paint an inaccurate picture of how much money people actually receive. For example, a 10% increase on £6000 is less than a 5% increase on £20,000, and yet this is

³⁰⁵ <https://www.ageing-better.org.uk/publications/inequalities-later-life>

³⁰⁶ OECD Pensions at a Glance 2017 <http://www.oecd.org/unitedkingdom/PAG2017-GBR.pdf>

³⁰⁷ researchbriefings.files.parliament.uk/documents/SN07096/SN07096.pdf

being used as an argument to say the triple lock has been too generous. Any suggestion that state pensions have therefore risen by more than average earnings in real terms is simply incorrect. If anything, the state pension is falling behind.

4.8 It should also be recognised that suggestions about the unacceptable cost of providing universal pensioner entitlements such as concessionary bus passes and the winter fuel allowance are massively outweighed by both the amount that older people contribute back to the economy (either directly or indirectly) and the money such benefits save by reducing need for other state support. For example, through paying taxes, volunteering and unpaid caring, the net contribution made by older people to the economy has been calculated at almost £40bn a year – and estimated to rise to almost £75bn by 2030.³⁰⁸

Housing

5.1 The housing market in Britain is broken and there is an urgent need for a large house building programme of good quality, suitable and affordable accommodation for all the generations. Over the last few years, older people have often been portrayed as having unfairly amassed huge housing wealth and deliberately holding onto under-occupied properties to the detriment of younger generations that are struggling to buy their first home. In reality though, it is not older people, but central government who have failed to deliver for those just starting out.

5.2 In fact, current government policy is focused on expanding home ownership, in particular amongst young people – at the expense of the housing needs of other age groups. However, this approach has failed and has led to severe funding cuts in the social housing sector, with the lowest number of new social rented homes since records began. We now have an urgent need to invest in a public sector-led new house building programme to increase the supply of all types of housing – with a specific focus on the housing needs of older people, the vulnerable and those on low and modest incomes.

5.3 The current housing crisis dates back to the late 1970s, the repeal of the Fair Rent Act in 1980 and the imposition of constraints on local authorities which prevented them from building and retaining an adequate housing stock. In addition, the lack of protection for tenants, combined with the failure to regulate property speculation has made the situation worse. The inability of local and national government to deliver the housing needs of the country is linked to the emphasis that has been placed on privatising social housing, and failing to replace it.

5.4 The price of housing has since been driven up by the inadequate supply of truly affordable homes from the private sector, while at the same time local authorities have been prevented from providing new social housing or properly maintaining existing stock. It is this lack of supply of affordable social housing to rent which has therefore affected the cost of housing in the rest of the sector.

³⁰⁸ Gold Age Pensioners, WRVS, March 2011

5.5 It is also important to remember that home ownership does not always equate to wealth. Figures from the Ready for Ageing Alliance show that 2.6 million older people who have assets greater than £100,000, survive on an income of less than £15,000 a year. Two in ten households aged 60-64 have outstanding mortgage debts of £50,000 and fewer than 48% of 55-64 year olds own their property outright.³⁰⁹ So even in a generation that apparently has had the best of everything from free education to final salary pensions – less than half own their homes outright.

5.6 Furthermore, Britain's older generation face a contradictory approach from government towards their housing wealth. For example, the government's existing approach relies on older people having housing wealth which they can use in order to fund their long-term care, whilst at the same time, politicians accuse older people of having accumulated housing wealth, and portray it as a deceitful act for which they should, in some way be punished. The myth of older people having vast housing wealth which they can use to fund a lavish lifestyle therefore has to be challenged.

5.7 The government therefore needs to facilitate more affordable housing to meet the needs of an ageing population. Research conducted by Heriot-Watt University recently showed that England alone needed to build 340,000 properties a year until 2031, and at least a quarter of these should be for older people. This is achievable within a context of a sustainable economy with healthy growth, accomplished through investment in our country's infrastructure. Such projects have large economic multiplier effects that grow the economy and provide a return on investment and can be used to create decent work.

5.8 For every £1 spent on housing construction, an extra £2.09 is generated in the economy that creates a direct saving in future tax and benefit payments for the government. For each home built 1.5 direct jobs are created and between an additional two to four jobs in the wider supply chain. If public funds were invested in building homes for social rent on a large scale not only would the public purse receive the return on this investment – and therefore have a surplus that could be used to lower the deficit – but it would decrease the demand for Housing Benefit/Local Housing Allowance in the future as well as providing good homes.

Care funding

6.1 In the last few months, the crisis in care has risen to the very top of the political agenda. Local authorities, health professionals, carers and families are highlighting how the system in many parts of the country has begun to collapse – and at the heart of the debate is the question of how care services should be funded in the future, and whether younger people should be asked to meet some of those costs.

6.2 In 2016, in England, there were 199,305 people in nursing and residential home places and 452,990 people accessing long-term care in the community for whom the local council had some role in funding or providing care or assessing the needs of the person receiving it. In addition, it has been estimated that there are now nearly 1.4 million people who are not now getting the care they need.

³⁰⁹ D. Sinclair, *The Myth of the Baby Boomer* (Ready for Ageing Alliance, 2015)

6.3 When it comes to residential care, the latest figures from 2014 suggest local authorities across the UK paid for 37% of people, while the NHS funded 10% of care home places. The rest was made up of people who either paid for all of their care (41%), or topped it up with a contribution from their local council (12%).³¹⁰

6.4 The answer to how care should be funded in the future lies in adopting some key principles:

- Parity of illness: Someone needing treatment for cancer should be treated in the same financial way as someone with dementia.
- Equality of funding: Everyone should pay towards care costs, rather than just those who are affected.
- Delivery of care: Calls for a National Care Service are easy to make, but less easy to deliver. Local government still thinks it is best placed to deliver social care, but in reality most of these services are now in the hands of the private sector. This means that if we simply increase public funding for care but leave the private sector in charge, we are unlikely to see any great progress. Taking services – particularly home care services – back into public ownership has to therefore be on the political agenda.
- Generational fairness: Young people already pay for the care of the older population in three obvious ways: council tax, income tax funding of Attendance Allowance and the loss of inheritance if their parent/grandparent spend their savings/property on care. If we are concerned at putting too big a financial burden on younger (poorer) generations, then the system of funding has to be rightly based on the ability to pay.

6.5 In seeking to promote a tax-funded National Care Service, it is important to understand how much money is currently circulating in the adult social care system. In broad terms, expenditure is broken down as follows:

- £16.4bn spent by local authorities (2015/16)³¹¹
- £23bn was paid through tax-funded disability benefits (Attendance Allowance, Personal Independent Payments and Disability Living Allowance)³¹²
- £12.5bn was spent by the NHS on the long-term care of older people³¹³
- £8bn was spent privately by self-funders in residential/nursing homes and on domiciliary care (estimated to be half of local authority spending)³¹⁴

This gives an existing total public spend on social care of £28.9bn (largely raised through taxation) including the NHS contribution, but excluding disability related benefits.

6.6 However, an expanded National Care Service would seek to go further than simply the existing model of provision. As well as providing free domiciliary and residential care to all existing users who are currently self-funding (estimated to be 250,000 in residential care and up to 200,000 at home), it would have to also take account of the following unmet needs:

³¹⁰ www.laingbuisson.com

³¹¹ <https://www.ifs.org.uk/uploads/publications/budgets/gb2017/gb2017ch5.pdf>

³¹² www.fullfacts.org

³¹³ <https://www.ifs.org.uk/uploads/publications/budgets/gb2017/gb2017ch5.pdf>

³¹⁴ <https://www.ifs.org.uk/uploads/publications/budgets/gb2017/gb2017ch5.pdf>

- Provision of services for up to 1.4m older people who have needs that are currently excluded from the system
- Modernisation programme of residential homes
- Improved terms and conditions for care staff
- Improved regulation and monitoring

6.7 The total cost of such a care system could therefore be estimated to be nearer an additional £12bn ³¹⁵ (based on the following assumptions):

- £8bn is already being paid by self-funders that would need to be met by the public purse
- Extending provision to 1.4m older people with relatively low level needs, would largely involve home care services rather than residential or nursing care. The cost of this could be around £2bn ³¹⁶
- A modernisation programme of care homes of £540m ³¹⁷
- Improving the pay of all care workers to the living wage (higher than the legal minimum) is estimated to cost £1bn ³¹⁸

6.8 The choice we face as a society is to therefore find the additional funding by diverting existing spending from one area to another, accepting the need to pay additional tax – or a combination of the two. The options include:

- Increasing Income Tax by 1% would raise £5.4bn in 2020/21 at the basic rate and £1.7bn at the higher rate. To raise this amount of money would be equivalent of adding 0.9p in income tax. For someone earning £25,000, a 1p rise in income tax would cost them £184 extra a year or around £15 extra a month
- In general terms, increasing National Insurance by 1% would raise an extra £5.6bn from employers and £4.3bn from employees. For someone earning £25,000, a 1% rise in National Insurance would cost them an additional £168 a year or £14 extra a month
- Extending National Insurance to pensioners so that those in work above state pension age would pay 6% employees' National Insurance Contributions (rather than 12%) would raise around £0.9bn a year ³¹⁹
- Abolishing the Upper Earnings Limit on National Insurance contributions would raise an estimated £10bn a year ³²⁰

³¹⁵ An estimated additional cost now of £12bn would increase with growing needs as the population ages. Whilst it could be assumed that the elasticity of taxes with respect to GDP would to some degree lead to growth in taxes over time [as GDP grows so also will revenues even with unchanged tax rates], there would remain a question as to whether revenues would grow fast enough? This depends on the relative rate of growth of costs [with rising numbers of old people and costs of care rising fast given the low rate of productivity growth in the care sector] compared with the 'automatic' increase in revenues as GDP grows. Further calculations on future funding costs will therefore be needed

³¹⁶ Based on original estimates contained in Securing Good Care for Older People, Wanless Social Care Review, Kings Fund 2006

³¹⁷ £540m according to Calculating the cost of efficient care homes, Joseph Rowntree Foundation, September 2008

³¹⁸ <https://www.theguardian.com/social-care-network/2015/jan/20/care-workers-better-pay-conditions>

³¹⁹

https://www.kingsfund.org.uk/sites/default/files/field/field_publication_file/Commission%20Final%20%20interactive.pdf

³²⁰ A Decent State Pension for All Generations, NPC, June 2013

- Over the next three years, Corporation Tax is due to be reduced from 20% to 17%. The cost of this phased reduction is £7.5bn
- Introducing a 5% levy on estates after the death of individuals could raise around £10bn a year (based on 500,000 deaths and average house prices of £400,000)

6.9 Of course there now needs to be a debate about exactly which method of fundraising is best or whether there should be a combination of revenue sources. Equally there should be an understanding of how each option affects the generations. For example, raising the Upper Earnings Limit on National Insurance for those earning over £42,000 a year will have virtually no immediate impact on poor, younger generations, whereas introducing a levy on estates could reduce their inheritance.

Conclusion

7.1 Since 2008, households across the UK have experienced unprecedented falls in their living standards, with young people hit particularly hard. High unemployment, declining job quality, rapidly rising rents and house prices and rocketing student debt have left many young people locked out of the slow economic recovery. Milestones like finding a steady job, setting up home, starting a family and saving for a pension are now beyond their reach.

7.2 At the same time, public spending cuts have also hit many of the poorest pensioners too, particularly as services including social care have been pared back. It is also those of working age, rather than pensioners, who are currently most likely to be wealthy, with a very large proportion of our national wealth held by a very few households, regardless of age. Solutions to young people's problems will not therefore be found by reducing entitlements for pensioners. Instead, improving the new generation's chances requires profound changes in how we structure our economy and distribute wealth.

7.3 Rather than fixating on taking away the entitlements of today's and future pensioners the focus should be on how to deliver continuing improving living standards and entitlements for all, now and into the future. It is not the case that there is a fixed size cake available for 'welfare spending' – by growing the economy overall we can increase the size of the cake. There are then different choices that can be made that are more efficient and deliver better social justice outcomes. Government policy going forward must therefore seek to address these inequalities in health, housing, work and pensions for all generations.

7 September 2018

Newcastle University Institute of Health and Society – Written evidence (IFP0024)

Written evidence submitted to the Lord's Select Committee on Intergenerational Fairness and Provision by Dr Josephine Wildman, Dr Suzanne Moffatt, Dr Anna Goulding and Professor Thomas Scharf from the Institute of Health and Society, Newcastle University and Professor Alison Stenning from the School of Geography, Politics and Sociology, Newcastle University, UK.

Executive Summary:

We present findings from an interview study carried out in Tyneside and Edinburgh in 2018, exploring what 'ordinary' people aged between 19 and 85 years think about intergenerational fairness.

- A wide range of challenges facing younger people were identified covering devalued qualifications, employment, housing, welfare provision and pensions. Difficulty accessing the resources necessary to 'get on' in life was creating a period of prolonged dependency among the young, which was distressing for both them, their parents and grandparents.
- Pessimism around the future prospects and mental wellbeing of younger people was widespread.
- Participants identified increased opportunities for intergenerational interaction as important for increasing empathy and understanding between generations.
- Although intergenerational financial transfers were common, a system based on family wealth and inherited privilege was strongly rejected in favour of increased state support targeted according to need rather than distributed along age lines.

Introduction:

It has been suggested that much of the debate around intergenerational fairness is taking place "in the realm of think-tanks and the media" with the debate a conversation about, but not with, 'ordinary' people³²¹. Further, there is little academic work examining intergenerational fairness in the UK. In response to these knowledge gaps, academics from Newcastle University have recently completed a qualitative interview study exploring views of 40 participants aged between 19 and 85 years, from different socio-economic groups in Tyneside and Edinburgh to consider the state of intergenerational relations in contrasting policy contexts brought about by devolution, austerity and the 'Brexit' vote. The study was funded by Newcastle University's Institute for Ageing and Institute for Social Renewal.

A number of our findings address areas identified by the Select Committee.

General

³²¹ Alexander Shaw, K. (2018) *Baby Boomers versus Millennials: rhetorical conflicts and interest construction in the new politics of intergenerational fairness*. Sheffield.

1. Is the intergenerational settlement in the UK currently fair? Which generations are better or worse off, and in which ways?

1.1 While many older people felt well-served by the state (particularly in terms of health care), our study finds a belief among people of all ages that people of working-age were far less “catered for” (in the words of one woman, aged 36) through state spending than older people.

1.2 The state was widely judged to be failing younger people in a range of areas: affordable housing; welfare provision on the basis of age rather than need; devalued educational qualifications; and lack access to well-paid, secure and meaningful work that matched their qualifications.

1.3 The absence of the structures required to achieve independence was identified, by young adults and their parents as creating a “prolonged adolescence”. Parents of adult children were still providing significant financial, emotional and practical support. This was preventing some from pursuing their own mid and later-life aspirations (for example, retirement or down-sizing).

2. What are the future prospects for different generations in the light of current economic forecasting?

2.1 There was a deep sense of pessimism for the future of younger people. Future provision of current entitlements to health care services and the state pension was felt to be in doubt.

2.2 The high levels of upward social mobility experienced by older people were felt to be unobtainable for younger generations. Instead, many parents stated that their ambitions for their children were to be at least no worse off than they were themselves. In the words of a young mother about her primary-school aged son: “I just want for him not to be poor”.

2.3 There was widely-shared concern for young people’s mental health in the face of the challenges they faced.

2.4 Many younger people were deeply concerned about the availability of good-quality social care for their ageing parents.

Jobs and the workplace

3. To what extent do different generations have a better or worse experience of the labour market?

3.1. The lack of graduate jobs – and the resulting lack of work for less well-qualified young people – was a concern among for people of all ages. One 85-year-old noted that her city’s cafes were staffed by “graduates who can’t get jobs ... that’s a sin when they’ve done all that studying”. Young graduates described a stark mismatch between the jobs they were socialised to aspire to and the reality of the low-skilled, low-paid employment available to them.

3.2 Older people felt that the quality of work had declined. A number singled out a lack of good-quality apprenticeships as especially problematic. Particularly in contrast to the lengthy apprenticeships they had undertaken as young adults.

3.3 Parents, grandparents and young people themselves all identified instances of exploitation and poor treatment of younger people in the work place.

4. What needs to change to enable longer and fuller working lives for all? What role should employers play in providing solutions? What role can technology play?

No evidence submitted

5. What are the barriers to greater in-work training and skills development for all generations?

No evidence submitted

Housing

6. To what extent is intergenerational fairness impaired by the UK housing market?

6.1 Access to housing was identified as a central challenge for younger people. Intergenerational issues presented by the UK housing market – and an economic system heavily reliant on house prices - were powerfully highlighted by this 58-year-old woman:

“At my age, I feel for my son not being able to afford to get on to the housing ladder. I think it’s a perspective in [this] country that house-buying is the Holy Grail. That said, because I’m now relying on selling my home, I’ve got to sell my home to live in retirement, what would I have had if I had rented? I would have been in very dire straits. We’ve got no savings and no assets because we’re basically working class, almost poverty-like people. My property is what’s going to save me from the work house. My son’s not going to have that, but he’s also not going to inherit, like I’ve never inherited property, he’s not going to inherit, because I have to live on it. But he can’t get on the housing ladder, so I feel, looking at him, my heart breaks for him at my age, because there’s no money in our family and prospects of work, prospects of regular work, long term work, is not a luxury he can have, it’s not a security he can have.”

7. What has driven the increase in the size of the private rented sector? Which generations are most affected by this and how?

No evidence submitted

8. How can we ensure that the planning system provides for properties appropriate for all generations, including older people?

No evidence submitted

9. How can the property wealth of older generations (parents and grandparents) be utilised to help younger generations (their children and grandchildren) access the property market? What would be the impact on intra-generational fairness of such schemes?

9.1 Financial support from older to younger generations within families was widespread. However, there was an almost universal rejection of a system based on family wealth and inherited privilege that was viewed as entrenching existing socio-economic inequalities. Younger participants described feelings of guilt and frustration about the necessity of relying on inherited property wealth to get on the 'housing ladder'.

10. To what extent are initiatives to encourage down-sizing or intergenerational home-sharing part of a viable solution to the housing shortage for younger generations?

No evidence submitted

Communities

11. In what ways could more active communities help redress imbalances between generations? Are there opportunities for more non-state provided solutions to the challenges faced by an ageing society?

11.1 Our study identifies a desire for greater intergenerational mixing to increase understanding and empathy between generations, especially in the light of increasingly geographically-dispersed family units. Four participants were involved in a 'Men's Shed'³²² group in an area of socio-economic deprivation, which was used by men of all ages. The opportunity for intergenerational interaction was viewed as particularly valuable. A number of participants referenced the recent Channel 4 programme 'Old People's Home for 4-year olds'³²³ as a positive example of intergeneration mixing. A 29-year-old woman observed:

"There was a thing recently that there was a new project that involved, it was nursery children, it was a nursery that was in an old people's home ... it is such a good idea to do that. It made the kids really happy and it made the old people really happy as well and it's almost like we separate people out in generations, there's not as much mingling, we're all people. [My daughter] adores all people, she makes friends, they're just people, it's not like they have to be her age or anything and I think I would like her to live in a world where that's not seen as weird, that's seen as the norm."

12. To what extent are new technologies and social media isolating different generations from each other? How can technology be harnessed to promote active communities working to redress imbalances between generations?

³²² Men's Sheds (<https://menssheds.org.uk/>) are community spaces where men can socialise and take part in activities.

³²³ <https://www.channel4.com/programmes/old-peoples-home-for-4-year-olds>. First shown July 2017.

No evidence submitted

Taxation

13. To what extent does the tax system take account of fairness between the generations? What changes, if any, should be made to the tax system to achieve a fair intergenerational settlement?

Interviewees had little appetite for redistribution of state spending. Instead, there was a widely-shared view that the level of state spending was too low overall. When asked to identify age-groups on whom spending should be targeted, the very young and the very old were almost universally mentioned. Most striking was participants' observation that the (in the words of one participant) 'social ignorance' of government meant that the realities of people's lives were not reflected in state spending. Support should be targeted by need rather than along age lines. This 26-year-old man observed that:

"...the people who are responsible for putting these kinds of support services in place need to look at the real picture rather than just seeing that the older generation are older, so they need this. Realising what zero-hour contracts and temporary contracts and apprenticeship wages actually means in real-life terms and what it means to an individual on a day-to-day basis, like completing an apprenticeship and how much they earn and how much they're going to need to support for varying different things."

14. How does the Government's practice of running public finances on a cash flow rather than on a balance sheet basis affect the intergenerational settlement?

No evidence submitted

Recommendations:

The concept of intergenerational fairness resonates across age groups and across the social spectrum. Policy makers should focus on improving access to housing and good-quality employment for the benefit of all generations. Current policy attempts to address intergenerational fairness (for example, the 'Help to Buy' scheme) risk handing resources to the already advantaged. The reduced value of earnings and much increased value of assets will always advantage older generations and we would join calls for fairer taxation of all sources of income³²⁴. The widespread belief that young people are facing a crisis may indicate that this will be politically acceptable across the generations.

We would welcome the opportunity to provide further evidence to the Lord's Select Committee.

7 September 2018

³²⁴ Institute of Public Policy Research (2018) *Prosperity and Justice: A Plan for the New Economy – final report of the IPPR Commission on Social Justice*, London.

Dr Kristian Niemietz – Written evidence (IFP0003)

Written evidence, presented in lieu of oral evidence

Dr Kristian Niemietz
Head of Health and Welfare
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General note:

The underlying cause of many of the UK's social and economic problems is the housing crisis, which, in turn, is caused by a lack of supply.³²⁵ An increase in intergenerational inequality is one particular manifestation of this, but it cannot be addressed in isolation. If the underlying cause is addressed, everything else will fall into place almost automatically, or at least become a lot easier to solve. If the underlying cause is not addressed, attempts to address specific manifestations or symptoms of the housing crisis are the policy equivalent of pushing water uphill.

Since 1980, house prices in the UK have increased by a factor of 3.5 in real terms. This makes the UK an extreme outlier in international comparisons. Over the same period, inflation-adjusted house prices have 'only' increased by a factor of 1.6 in the US, and a factor of 1.5 in (what is now) the eurozone.³²⁶

The reason is that the UK has been building fewer new homes than comparable countries for at least as long as we have internationally comparable data, i.e. about four decades.³²⁷ As a result of this, we now have the lowest level of housing supply in Western Europe, if we measure 'housing supply' as the total residential floorspace divided by the number of households.³²⁸

At least for the UK, the latter is a more appropriate measure of housing supply than, say, the number of dwellings. One consequence of the housing cost escalation has been that existing houses and flats have increasingly been subdivided into smaller units, e.g. basements being converted into self-contained basement flats, or larger flats being split into self-contained studio flats. This can give the illusory impression of an increasing supply of housing, when it really just means that more people are squeezed into the existing stock.

The causes of housing cost inflation are well-researched and well understood. There are several dozen peer-reviewed, high-quality studies, which show a strong causal link between the restrictiveness of the land use planning system, and housing costs.³²⁹ A particularly relevant example is the paper 'The impact of supply constraints on house prices in England' by C. Hilber and W. Vermeulen, published in *The Economic Journal*. They estimate that 35% of the average

³²⁵ Niemietz, K (2016): 'The key to affordable housing', Current Controversies Paper No. 53, London: Institute of Economic Affairs. Available at <https://iea.org.uk/publications/the-key-to-affordable-housing/>

³²⁶ OECD (2018): 'Analytical house price indicators', available at https://stats.oecd.org/Index.aspx?DataSetCode=HOUSE_PRICES

³²⁷ Eurostat (2010), 'Housing statistics in the European Union 2010', available at <http://abonneren.rijksoverheid.nl/>

³²⁸ Entranze/Enerdata (2014) 'Average floor area per capita', dataset. Available at: www.entranze.enerdata.eu/

³²⁹ For a summary, see Niemietz, K. (2015) Reducing poverty through policies to cut the cost of living, pp. 14 - 16. London/York: Joseph Rowntree Foundation. Available at <https://www.jrf.org.uk/report/reducing-poverty-through-policies-cut-cost-living>

house price in England can be attributed to planning constraints.³³⁰ This is a highly conservative estimate, which errs on the side of caution in a number of ways.

On the specific questions:

1. How does wealth (excluding pensions) differ between different age groups? What proportion of this is property wealth? How has this changed over time?

Disaggregated figures are hard to come by, but we can extrapolate a bit from what we do know.

Firstly, wealth is strongly correlated with age. Almost half of all people under the age of 35 are in the bottom quintile of the wealth distribution. Four out of five are in the bottom two quintiles, and almost none are in the top quintile.³³¹

The importance of property wealth has increased over time. From the 18th century to about the 1960s, the UK's housing wealth was about equivalent to the GDP of one year. It has since increased to three years' worth of GDP.³³²

Developments in the housing market must have exacerbated intergenerational inequality. The average age of first-time buyers has been rising steadily. In 2006, 72% of those aged 35-44, and 57% of those aged 25-30, were owner-occupiers. These proportions have since fallen to 52% and 37%, respectively.³³³

At the same time, among homeowners, the proportion of people who own outright rather than paying off a mortgage has risen.

Nonetheless, the problem here is not so much the inequality, intergenerational or otherwise, as such. If every person over the age of 65 discovered a pot of gold under their bed tomorrow, measures of intergenerational inequality would also soar. But this would not be a problem, because the additional wealth would not have been taken away from anyone.

The problem is that in Britain's supply-constrained housing market, property wealth very much *is* a zero-sum game. There are beneficiaries, namely, people who have seen an explosion in the value of their house. In some parts of the country, houses routinely 'earn' (i.e. appreciate in value) more than the people who live in them. This comes at the expense of other people, especially those who pay far higher mortgages than they would have under a more liberal, permissive housing policy.

2. Is the current system of taxation for housing equitable between generations and efficient? Should housing be taxed as a consumption good, an investment good or somewhere in between?

The current system is neither equitable nor efficient.

³³⁰ Hilber, C. and Vermeulen, W. (2014): 'The impact of supply constraints on house prices in England',

The Economic Journal, Vol. 126, Issue 591, pp. 358-405

³³¹ ONS: 'Wealth in Great Britain Wave 5: 2014 to 2016', Statistical bulletin. Available at <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/wealthingreatbritainwave5/2014to2016>

³³² Piketty, T. (2014): 'Capital in the 21st century'. LSE presentation. Available at http://www.lse.ac.uk/assets/richmedia/channels/publiclecturesAndEvents/slides/20140616_1830_capitalInTheTwenty-FirstCentury_sl.pdf

³³³ Ministry of Housing, Communities & Local Government (2018): https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/705821/2016-17_EHS_Headline_Report.pdf

Out of all the property-related taxes – stamp duty, council tax, business rates, and insofar as applied to housing, capital gains tax and inheritance tax – stamp duty is the most problematic one. Although the magnitude of the effect is hard to quantify, it is theoretically clear that it must have the effect of ‘bunging up’ the housing market, lowering mobility and preventing downsizing. In this sense, it adds insult to injury: our housing stock is insufficient in total, but we are not even using what little housing we have as efficiently as we could.

A lot of economists from across the spectrum would agree that the most efficient form of taxing property (or in fact, one of the most efficient forms of taxation in general) is a Land Value Tax (LVT), a tax on the unimproved value of land. Variants of LVTs have been successfully tried in a number of places, including Hong Kong and Taiwan. They have a number of advantages. LVT does not deter investment, or any kind of improvement to a property, because only the value of the land underneath it is taxed, not the value of the property itself. LVT also enables self-funding infrastructure projects, because such improvements lead to an uplift in the value of the surrounding land, which can then be recouped via LVT.

It would be perfectly feasible to replace all of Britain’s property-related taxes with one single LVT, in a revenue-neutral way. This should be a local tax, with all revenue remaining in the local area. A local LVT would provide much stronger incentives for a permissive planning policy than the current system of taxation. Once planning permission is granted, the value of a plot of explodes; it can easily increase more than 400-fold.³³⁴ Under an LVT system, local authorities would automatically capture a share of that extra value. Thus, the opportunity cost of ‘NIMBYism’ (blocking development) rises.

In addition, local authorities would, to some extent, compete for residents and businesses, so that they can keep the resulting tax revenue.

3. To what extent are government interventions in the mortgage market and financial support for first time buyers affecting different generations? Do they improve or worsen intergenerational fairness?

Research from Shelter shows that the Help To Buy programme has increased house prices by more than £8,000.³³⁵ This figure is now three years old, and has probably increased in the meantime.

It should always have been clear that Help To Buy would have that effect. Help To Buy is essentially a demand-side subsidy. In a market in which supply is largely fixed, subsidising demand can only increase prices.

4. Would generally increasing supply improve intergenerational equity? Over what timescale would a change in supply impact intergenerational fairness? What could be done to improve the intergenerational balance in a way that affects the current generation of young people?

³³⁴ Leunig, T. (2007): ‘In my back yard: unlocking the planning system’, Policy Paper, London: Centre Forum.

³³⁵ Shelter (2015): ‘How much help is Help to Buy? Help to Buy and the impact on house prices’, Shelter policy library, available at https://england.shelter.org.uk/data/assets/pdf_file/0010/1188073/2015_09_how_much_help_is_Help_to_Buy.pdf

Definitely yes. And it would not have to take very long, because a credible commitment to a large and lasting expansion of the housing supply could quickly change expectations here and now. Current house prices are predicated on the (implicit) assumption that the government will *not* address the causes of the housing crisis, and that house prices and rents will continue to rise.

Once that assumption disappears, and is replaced with an expectation of flatlining or falling house prices, prospective sellers who were planning to sell their house at some point in the future might rush to the market now.

5. How have different generations been affected by the increase in size of the private rented sector?

Although 'Generation Rent' has become a popular catchphrase, it is wrong to see the rise of private rental as something that only affects young people. There are already nearly 400,000 pensioner households living in private rental accommodation. This figure is forecast to treble until the early 2030s.³³⁶ Like renters in any other age group, this group would benefit from falling rents, which can only be achieved through a substantial increase in the supply of rented accommodation. This, in turn, requires an increase in the overall supply of housing.

6. Could downsizing or intergenerational sharing form part of the solution to improving the housing market for different generations? Are older generations holding on to property wealth to insure themselves against future social care costs?

In a sense, "intergenerational sharing" already occurs, if almost certainly involuntary. Over the past twenty years, the share of young people (aged 20-34 years) still living with their parents has increased from 19% to 26%.³³⁷ This is remarkable insofar as this period has also seen a large expansion of higher education, which should have led to an increase, not a decrease, in the proportion of people leaving their parents' home at an early age.

But intergenerational sharing is not a 'solution'. It is an emergency response to the housing crisis. (And it also shows why it can be misleading to compare changes in the number of households to changes in the number of dwellings: high housing costs are themselves suppressing the formation of independent households.)

We do not have comparable data on 'intra-generational sharing' (e.g. people in their 30s who still live with flatmates, when they would rather live on their own), but at least anecdotally, this has also become an increasingly common arrangement. Again, this should not be seen as a 'solution', except in the sense of a makeshift solution.

Downsizing, in contrast, could be part of the solution. According to one survey, 58% of older people would, in principle, like to downsize, and about a quarter of

³³⁶ Scottish Widows (2017): 'Generation Rent-irement.' Press release. Available at <https://reference.scottishwidows.co.uk/docs/2017-11-renters-in-retirement.pdf>

³³⁷ ONS (2018): 'Young adults living with their parents', dataset, available at <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/datasets/youngadultslivingwiththeirparents>

them express an interest in living in a purpose-build retirement home.³³⁸ But there are only about 100,000 of those homes.

As The Economist magazine reports:

"Expensive land makes it almost impossible to build bungalows or other low-density housing and hard to build even retirement flats, which require lots of communal space. [...]"

Britain's planning controls [...] distort the land market and make it extremely difficult for developers to build the sort of housing that older people would like to move to. [...]"

Fully 65% of planning applications to build retirement homes are initially rejected."

Downsizing means using the existing housing stock more efficiently, so it is tempting to see it as an alternative to expanding the housing supply. But the above shows that this is not true. The same planning constraints, which prevent an expansion of the housing supply, also prevent a more efficient use of it.

7. If you could do one thing to the housing market to improve intergenerational fairness what would it be?

Abolish the green belt, and replace it with a much more selective, targeted system of land conservation.

23 July 2018

³³⁸ The Economist (2014): 'Don't move, old people! Planning laws make it harder for retirees to downsize', available at <https://www.economist.com/britain/2014/01/04/dont-move-old-people>

Office for National Statistics (ONS) – Written evidence (IFP0053)

The Office for National Statistics (ONS) is the UK's National Statistical Institute, and largest producer of official statistics. We aim to provide a firm evidence base for sound decisions, and develop the role of official statistics in democratic debate.

In response to the Committee's call for evidence, we have reviewed the data we currently hold relating to the issue of intergenerational fairness. The following short note provides a summary of the existing evidence we have on the broad issue of which generations are better or worse off in specific areas of life and highlights some planned and possible future work relating to intergenerational fairness.

It also describes the aims of two centres we have recently established in response to policy demand for data on these relevant issues: Centre for Inequalities and Centre for Ageing and Demography. Given the scope of the Intergenerational Fairness review, staff from the Centres would welcome exploring with the Committee the potential to collaborate and contribute to this evidence base. ONS are also keen to take into account the Committee's priorities when developing our future workplans in these areas.

I hope this is helpful to the Committee.

Iain Bell

Deputy National Statistician and Director General, Population and Public Policy
Office for National Statistics

Official Statistics on Intergenerational Fairness and Provision

The first section of the following note considers the question posed by the Committee 'Which generations are better or worse off, and in which ways?' summarising existing data we hold. The second section outlines our planned future work relating to this area. Finally, the third section sets out the work of our recently established centres for inequality and ageing and demography.

1. Summary of Existing Evidence

ONS publishes a range of statistics and analyses which includes comparisons between different age groups; this allows us to explore differences in life experiences for different generations.

Some key findings that emerge from existing evidence include:

- Overall, the well-being of people of different ages in the UK³³⁹ highlights that those aged 65 and over are currently faring better on many measures of personal, social and financial well-being than their younger counterparts. However, those over 75 particularly note less satisfaction with health. Personal well-being declines as people move into their 80s.
- While those aged between 16 and 24 are more likely to be physically active and are more satisfied with their general health than older people, they are also more likely to report symptoms of mental ill health, and less likely to feel they have someone to rely on or a sense of belonging in their neighbourhood. They also have higher rates of unemployment and more frequently report loneliness.
- Although retired households have on average lower incomes than non-retired households, older people are more satisfied with their income and report finding it easier to get by financially than younger people³⁴⁰. In addition, the taxes and benefits system affects different age groups in different ways. Households where the head is aged between 25 and 64 years on average pay more in taxes than they receive in benefits, while the reverse is true for those aged 65 and over³⁴¹. There is also lower income inequality among retired households than non-retired households³⁴².
- Comparing the experience of breadwinners in different age groups in recent times with those in previous generations³⁴³, has shown that households with breadwinners in their 20s have seen the slowest growth in income since the mid 1980s of all age groups, and they were worst

³³⁹ These findings are taken from the [Measuring National Wellbeing report \(ONS, 2018\)](#).

³⁴⁰ See Section 7 of [Living longer - how our population is changing and why it matters. \(ONS, 2018\)](#)

³⁴¹ See [The effects of taxes and benefits on UK household income: financial year ending 2017 \(ONS 2018\)](#)

³⁴² See [Household disposable income and inequality in the UK: financial year ending 2017 \(ONS, 2018\)](#)

³⁴³ See [Breadwinners in their 20s - how are they doing compared with previous generations? \(ONS, 2016\)](#)

affected by the economic downturn. In contrast, while households with breadwinners aged 60 and over had the lowest disposable income on average in 1986, in 2014/15 they had the highest.

- As might be expected, average wealth increases with age, however the experience of younger generations has changed over time, with younger generations having less wealth at the same age than previous generations³⁴⁴.

2. Planned and possible future work on intergenerational fairness

In response to policy interest, ONS is planning new pieces of relevant analysis to increase the evidence base.

Wealth inequality in Great Britain

We are currently working on an article on intergenerational inequalities specifically exploring inheritances and gifts/loans from friends and family, the number of people with negative net wealth, and how this is broken down across age, income and wealth distributions. It will detail the percentage of each age group and wealth/income quintile that has received an inheritance or gift/loan, or has financial debts or negative net wealth. It will also detail the amounts received or held and how this is distributed across the aforementioned categories. The analysis uses data from the Wealth and Assets Survey and is expected to be published in October. We would be happy to send a copy of this publication to the Committee.

Intergenerational mobility

We are examining the feasibility of new analysis on intergenerational mobility to inform policy relating to social mobility. The aim would be to examine how the relationship of parents' earnings to their children's earnings has changed over time, and whether it has become stronger or weaker. The research would look at both occupational and educational mobility using data from the ONS Longitudinal Study and the Annual Survey of Hours and Earnings.

3. Centre for Inequalities and Centre for Ageing and Demography

Centre for Inequalities

The Centre for Inequalities at ONS has recently been established to ensure that the right data are available to address the main social and policy questions about fairness and equity in society, with relevant analysis taken forward using the most appropriate methods. The Centre acts as a convening centre, bringing together a range of experts from across UK government, academia and other organisations to achieve these aims.

For example, we are currently working collaboratively on an Inequalities Data Audit to identify the extent and quality of data available on the nine protected

³⁴⁴ See Section 8 of [Living longer - how our population is changing and why it matters. \(ONS, 2018\)](#)

characteristics of the Equality Act (2010). These include age as well as disability, gender reassignment, race, religion or beliefs, sex, sexual orientation, marriage and civil partnership, and pregnancy/maternity. We are reviewing the data available for each protected characteristic group across several important areas of life including: education, work, living standards, health, justice and personal security, and civic participation. A report of the audit's findings will be published at the end of October. Through its consideration of data sources relating to age, the audit will provide an opportunity to consider where data currently exist that could answer questions related to intergenerational fairness and where there are gaps that need to be addressed before we are able to do this.

We are producing an article on young people's earnings progression and geographic mobility, which explores young people's earning progression and the effects on earnings growth of moving to London and other major city regions in England and Wales. The article focuses specifically on young people, but also includes comparisons with older age groups to understand intergenerational differences. It also examines any disparities in earnings growth in terms of sex and ethnicity to shed further light on the extent and nature of gender and ethnicity pay gaps. The analysis uses data from the Census 2011 linked to Department for Work and Pensions (DWP) data and Her Majesty's Revenue and Customs (HMRC) PAYE data. We intend to publish this by the end of October and would be happy to send a copy to the Committee when published.

Centre for Ageing and Demography

ONS has established a new Centre of Ageing and Demography which will ensure that statistics, analysis and expertise provide the necessary evidence to inform public debate and policy decisions. The Centre will work in partnerships across central and local government, academia and other organisations to identify the highest priority topics and where evidence is needed most and aims to bring coherence and accessibility to the multiplicity of evidence that is produced across (and outside of) government to assist decision makers.

The Centre recently published a report on *Living longer - how our population is changing and why it matters*³⁴⁵. This provides an overview of population ageing in the UK and some of the implications for the economy, public services, society and the individual and includes further analysis to that already referenced above. An evidence slide pack³⁴⁶ and blog³⁴⁷ were also published alongside this.

14 September 2018

³⁴⁵ See [Living Longer publication](#) (ONS, 2018)

³⁴⁶ See [Living Longer evidence slide pack](#) (ONS, 2018)

³⁴⁷ See [Living Longer blog](#) (ONS, 2018)

Older Feminist Network – Written evidence (IFP0032)

1. Introduction

- 1.1 We welcome the opportunity to make our contribution to the House of Lords' Commission on Intergenerational Fairness and Provision. This Commission aims to explore whether the younger generation are being treated fairly regarding work, housing, taxation and society generally.
- 1.2 As feminists we are well aware of the position of women in society and how sexism serves to undermine and devalue our status in the workplace. We also know that the housing crisis has hit women harder than men because they earn less money and funding cuts have hit homeless and domestic abuse services.
- 1.3 For years we have argued that women and men should have equal opportunities in economic, political and all spheres of life. That aspiration has not been fulfilled as yet. We have contributed to some degree in changing public thinking and society about the roles and capacities of women but much gender inequality remains.
- 1.4 Sections 2 and 3 we share our views about women in the workplace and the housing crisis.

2. Workplace

- 2.1 When look at the workplace we still find that women are not paid the same rate as men and the Equal Pay Act has not given women the pay equality that women justly need. Equal pay is our right and has consequently led to further inequalities with the deterioration of women's incomes and our living standards. Women's economic situation is made more precarious by:
 - Neo-liberal politics driving the government's economic policies, e.g. globalisation, privatisation of public services, such as the NHS.
 - Austerity measures, which disadvantage the many for the few, e.g. cuts in public services, including the roll back of the welfare state, caps on benefits and public sector pay. The Equality and Human Rights Commission reports that women and disabled people were the hardest hit by years of austerity.
 - De-regulated, flexible labour market, e.g. loss of employment rights for workers, zero hour contracts, low waged gig economy, re-classifying workers as self employed contractors.
 - The weakening of trade unions has reduced their capacity for collective bargaining of workers' rights and decent terms and conditions.
 - The lack of the living wage for the majority of women. Most women are low waged. Many of them have to take on 2 or 3 jobs, often without contracts.
- 2.2 When we look specifically at jobs and income for young people there is no doubt that fairness has been eroded in the workplace. The nature of work

has changed as highlighted by the external forces we describe in paragraph 2.2 and is re-shaping the labour market so there are fewer 9 to 5 jobs as we know it, increased job insecurity and fewer employment rights and severely diminished remuneration packages e.g. sick leave, holiday pay, employer's pension contributions.

- 2.3 This re-configuration of the labour market has been sold as flexible working that will make UK plc. more competitive globally and create more jobs. Initially the introduction of flexible working hours aimed to benefit working mothers but has now been hijacked to erode the status of the 9 to 5 job. While there may be more jobs created the total number of working hours has been reduced. Future employment opportunities for women are diminished. Thus, women suffer the most in the workplace, particularly in jobs with shorter hours. This has a negative impact on their pensions for the rest of their lives.
- 2.4 What kinds of jobs are being created? Flexible work. Zero hour contracts. More low waged jobs as we see in the gig economy. The gig economy is sold to young people as a lifestyle choice while masking the increasing casualization of work and denigration of workers' rights and abandonment of young workers. For the contractor or freelancer, the employer assumes no responsibility for the worker and the worker's rights become the sole responsibility of the contractor. Thus, we have increasing numbers of young people holding down precarious employment where they are most likely to be exploited in the workplace, e.g. unpaid internships, not being paid the living wage.
- 2.5 What is this costing us as a society? The state tops up the wages of low paid employees with its tax credit system. Why are we as a society subsidising the employers who are paying their workers low wages? Who pays for all this flexibility in the labour market? The workers? The taxpayers? Not the employers.
- 2.6 Both young people and older people have lost out with regards to pay, benefits and job security. We would argue that the exploitation of young people in the work place is not caused by the presence of older people in the workforce but by structural inequalities supported by the neoliberal politics. Clearly successive government policies allied with economic factors have affected fairness across the generations. Profit makers are the winners and people – young and old – are the losers.
- 2.7 Another well-documented example of unfairness is the government's Pension Act which increased women's state pension age to 65 – the same as men – but the changes were implemented faster than was promised in the 2011 Pension Act and left 3.8 million women born in the 1950s with no time to make alternative plans, leading to devastating consequences. The Women Against State Pension Inequality (Waspi) campaign is fighting for some transitional arrangements to be put in place for the women affected by this ruling. The campaign firmly supports the equalisation of the state pension age and is not calling for these changes to be reversed. It is the way in which the change was implemented that many people find objectionable.

3. Housing

- 3.1 We have all read the news headlines about first time buyers, i.e. younger people being priced out of the housing market. As working adults, most young people cannot move into a place of their own – a significant milestone missed. But this trend has been developing since the early 2000s. It did not start with the global financial crisis in 2008. The lack of affordable housing is linked to the economic and political factors we highlight paragraph 2.1. There is less affordable housing but demand for housing continues to grow. This issue is affected by the reduction in housing stock and the expectation of home ownership.
- 3.2 With regards to housing stock one significant contributory factor is the selling off of social housing under the then government's Right to Buy policy. This took about 1.5 million council homes out of the social housing market. Moreover, the government prevented local authorities from using the proceeds to replace council housing stock. So the effect was to reduce the council housing stock. Now the consensus is we do not have enough homes.
- 3.3 We also have the increased expectation of home ownership and for low income householders and young people there is disappointment because of the high cost of buying a home. Consequently, more young people now have to live with family members. They cannot afford to move out.
- 3.4 But not all young people have a family they can live with or enjoy good relationships with their family that they will allow them to remain home. Thus, these young people are at risk of or vulnerable to homelessness. The homeless charity, Shelter, has produced a report on the escalating housing crisis showing how a combination of low wages, freezes to benefits and rising costs of rent could cause more than 1 million households to become homeless by 2020.
- 3.5 The government launched its 'Help to Buy' scheme as a potential solution to this problem of young, first-time buyers not being able to buy their own home. However, there is some scepticism about the 'Help to Buy' scheme. Housing is seen as a problem of lack of supply. Contested issues are land supply, the planning process, financing and affordability. In addition, the so-called 'Nimbyism' is not the only barrier in the planning process. Many developers do not see the building of social homes as financially viable.
- 3.6 According to the charity Refuge one in four women will experience domestic violence in their lifetime. There is concern that housing benefit changes are making it harder for women's emergency shelters and refuges to operate and support women who feel domestic violence. Some women's refuges have seen their provision cut by 50% and there are some local authorities that now offer no refuge provision. Yet many local authorities are struggling to house residents presenting as homeless because of the housing crisis meaning women seeking refuge are turned away and those women living in refuges cannot move on as quickly as they would hope.

- 3.6 Furthermore, homeless women are not getting the service they need. Many women who become homeless have multiple, complex needs. Homeless Link found higher rates of drug use among women and a higher incidence of mental health problems. These needs are not fully addressed because only a smaller number of women are recorded as homeless so it means many homelessness services cater for the needs of homeless men. Women make up part of the 'hidden homeless', e.g. sleeping on friends' sofas.
- 3.7 The government's decision to reduce housing benefit for every room deemed "unoccupied" – commonly known as the bedroom tax – particularly affects women.
- 3.8 When consider increasing housing supply through Victorian conversions, we find this is not a sustainable option as it might seem. In towns and cities, where there are Victorian houses these houses have established infrastructure, such as water and drainage, roads, parking, energy, rubbish collection which date back to Victorian times. But the Victorian infrastructure cannot sustain the doubling of numbers that is undertaken with these Victorian house conversions. In other words, doubling the number of residents in an area places considerable strain on Victorian built infrastructure.
- 3.9 With a limited social housing supply private renting is the only option available to low income householders and younger people. As the social housing sector contracts the private housing sector is being looked to as the main source of accommodation for people in housing need.
- 3.10 The government needs to expand its role in preventing homelessness and housing people on low incomes.

4. Conclusion

- 4.1 To conclude, the 'us and them' narrative is being constructed like winners and losers. That phrase 'intergenerational fairness' implies there is a conflict of interest between the younger generation and older generation and this not need be the case. It is a false dichotomy.

9 September 2018

Benjamin Osaka – Written evidence (IFP0006)

Firstly I would like to appeal to you not to take the views and statistics of the various think tanks and lobby groups without proper scrutiny with two important factors:

1. Who is funding them.
2. Raw data to be provided for any conclusions they make.

My parents were born 1948/1947 and when they left education they perceived a world that if you had a job you had a career. Over time you would progress in your career and your earnings would rise above inflation to give you a more comfortable life.

You would be able to get all your health needs looked after and at the age of 60/65 you would get a state pension.

If you needed help you could get that from family, friends and if needs be from the government.

I was born in 1971 and when I left education my world was one of unemployment. If I got a job it might not last long enough to make a career of it and over time I would not be progressing or earning more to give me a comfortable life.

My teeth and my eyes were no longer considered important for my health and I would not be getting any sort of pension from the government because the funds were running out.

If I needed help only my parents would be there. Friends did not have funds or time to spare and the government would be reluctant to do anything.

These are of course perceptions and realities are very different but these perceptions did make life choices very different between the two generations.

1. Housing.

My parents had a policy that they would help either provide money for a university degree or help with a deposit on a house. My sister went to university and my brother and myself had a deposit. This was a massive help to me.

2. Jobs.

I was told at secondary school by my lovely pessimistic teachers that I would never get a job and my chances of a good life were zero.

In reality I managed to find many different jobs and always within 3 months of unemployment I would be able to find something. I never ever received unemployment benefit because I never qualified for it. I did on occasion get a reduced income support but only after months of fighting for it.

3. Tax.

I paid all the taxes I was expected to except the poll tax which I refused to pay whilst unemployed. When I moved to Japan in 2008 I contacted the tax offices in both countries regarding national insurance payments and no one gave me any

clear answers. As a consequence I have been paying NI payments in both countries since.

For me I do not think in reality that my life was any easier or harder than my parents with one exception. That being the national pension.

My parents never had the worry that pension payments would be changed or removed. I have never considered it safe to rely on a state pension and therefore made other arrangements. The retirement age has been changed and still can be changed before I reach an age to collect. My reckoning is I will be 70 before I receive anything. Therefore with my NI payments so far it won't be until I am 73 that I will have broken even.

One of the problems is that it is considered that people are going to continue to grow older. I fully expect within the next 20 years the upward trend will not only stop but will fall. Predictions over two years in advance are rarely accurate.

25 July 2018

Peabody Trust – Written evidence (IFP0023)

About Peabody

Peabody is one of the oldest and largest housing associations in London and the Southeast, established in 1862 by the philanthropist, George Peabody. In 2017 Peabody merged with Family Mosaic and now own and manage around 55,000 properties, providing quality homes and support services to 111,000 people. Our care and support arm is one of the largest providers in the Southeast, helping 8,000 people to live a more independent life.

Our mission is to help people make the most of their lives by providing good quality affordable homes, working with communities, and promoting wellbeing. We distinguish ourselves by putting the most vulnerable first, creating great places where people want to live at scale, and building resilience in people and communities. We plan to build 2,500 homes a year by 2021, directly addressing the housing crisis by maximising the number of low-cost rent and shared ownership homes we build.

As well as bricks and mortar, Peabody provides community programmes for the benefit of its residents and for people living in the surrounding neighbourhoods, including employment and training support; health and wellbeing projects; family support programmes; welfare benefits advice; and activities for younger and older people. This work aims to tackle poverty at its roots, supporting people to transform their lives and communities for the better.

Summary of our response

1.1 We welcome the opportunity to participate in this call for evidence from the House of Lords, Peabody believes that current policies and practices can be detrimental to both older and younger people, but that also there is a clearer disparity around economic differences and the opportunities to those on low incomes. We therefore recommend that economic status should be considered alongside any discussions regarding different generations.

1.2 Younger generations are currently experiencing difficulties accessing well paid, secure employment. The government continues to champion its 'record highs' of employment but does not consider that the total numbers of workers in poverty has gone up over the last 20 years from 2.3 million in 1996/97 to 3.7 million in 2015/16³⁴⁸. With 6.9% of under 25 year olds on zero-hours contracts which lack security and could have detrimental effects to their health³⁴⁹. Younger generations are also faced with the current housing crisis; with the Private Rented Sector continuing to be unaffordable for so many and a lack of social housing, more young people are faced with living at home a lot longer or becoming homeless.

1.3 In an ageing population there has been a continued rise in the number of older people who are not getting the care and support they need; recent reports put this figure at 1.4 million older people which is an increase of 20% in two years. The lack of social care and delayed hospital discharges which result from this

³⁴⁸ [Workers in Poverty - JRF, 2017](#)

³⁴⁹ [Being On A Zero Hours Contracts Is Bad For Your Health - UCL, 2017](#)

cost the NHS £500 per minute. Although there is a focus on a need for housing for the younger generation. There is still a need for the provision of purpose-built housing for older people. The number of homeless people aged over 60 in the UK has hit a record high of over 2,500 people, an increase of 40% in the last five years and the highest figure for over a decade.

General

1. Is the intergenerational settlement in the UK currently fair? Which generations are better off or worse off, and in which ways?

Peabody recognises there are specific issues facing younger generations. We have a number of streams of work which seek to address some of these issues: An increase in insecure work such as zero hours contracts (6.9% of under 25 year olds are on a zero hours contract in the UK, this is more than double that of any other age group³⁵⁰), this can put added pressure on young people to try and allocate what little money they have towards a private pension as this isn't provided through this kind of work. The lack of affordable housing meaning that young people are unable to leave their parental home. It was reported last year that a study carried out by Aviva Insurance³⁵¹ based on ONS data in 2017 discovered that almost 100,000 millennials who live with their parents think that they will never move out.

Young people in England today face numerous challenges, this has the potential to impact their transition to independence and adulthood, with reductions in welfare benefit entitlements, and a lack of suitable housing as well as discrimination in the labour markets³⁵². Some groups are at more risk than others making them more vulnerable to homelessness (e.g. care leavers, young people from black and minority ethnic (BME) backgrounds³⁵³, and those unable to remain with their family and/or primary caregiver.)

For older generations Peabody has identified the following concerns:

There is a disparity between the support available for those older people living in social housing and those living in private rented or home ownership. The majority of Housing Associations have some form of either support services or navigators to help get vulnerable residents into appropriate services. They also tend to have a number of community activities to enable people to be a part of their community and reduce isolation. At Peabody there is a dedicated Older People Team who help older residents to live independently for as long as possible in their own homes, promote older people's involvement in the community and increase their engagement with family and friends, promote wellbeing and healthy living.

A recent report from Age UK³⁵⁴ states that 1.4 million older people are not having their care and support needs met, an increase of 20% in 2 years. Delayed hospital discharges due to a lack of social care available to allow older people to receive appropriate care at home or move into supported accommodation is costing the NHS £500 per minute as well as impacting the older person recovery.

³⁵⁰ [ONS data on employment and labour market](#)

³⁵¹ [100000 'boomerang kids' will never leave home - The Telegraph, 2017](#)

³⁵² [Locked Out - Housing solutions for vulnerable young people transitioning to independence, FEANTSA](#)

³⁵³ [Barriers Young BME Workers Face In The Labour Market - TUC, 2018](#)

³⁵⁴ [1.4 million older people aren't getting the care they need - Age UK, 2018](#)

2. What are the future prospects for different generations in the light of current economic forecasting?

When looking at the data produced by the Resolution Foundation as part of their 'A New Generational Contract'³⁵⁵ which combines a variety of publicly available data it shows that Millennials (those born between 1981 – 2000) are earning less than the previous generation at the same age. Even though there are now more young people with higher levels of education than ever before this isn't reflected in income levels.

There is concern around the socio-economic divide between young people who come from families with higher incomes and those from low income families. Children whose parents work in high income job roles are more likely to have access to connections providing work experience or employment opportunities. They are also more likely to be able to pay for driving lessons, subsidise travel, provide extra tuition and fund gap years to gain life experience. Peabody are working in partnership with Carney's Community, and Urban MBA to design a project that provides funding of up to £3000 alongside mentoring and supporting worth a further £1000 to try and level the playing field for those young people aged 18-30 who don't have such advantages. The money can be used in a variety of ways across five categories:

1. Education & Training
2. Sport
3. Culture including music
4. Enterprise
5. Community Engagement

This pilot is due to launch shortly and the initial results will be available in 12 months.

Peabody is also currently undertaking research into the current living situations of the adult children of our tenants and what their housing aspirations are. This research will not be ready until 2019.

³⁵⁵ [A New Generational Contract - Resolution Foundation, 2018](#)

Jobs and the workplace

3. To what extent do different generations have a better or worse experience of the labour market?

There has been an increase in insecure work such as zero hours contracts (6.9% of under 25 years old is on a zero hours contract in the UK, this is more than double that of any other age group³⁵⁶), this puts added pressure on young people to try and allocate what little money they have towards a private pension as this isn't provided through this kind of work.

Peabody will be publishing data on the impact of issues such as employment for older people when it launches the next quarterly Peabody Index³⁵⁷.

4. What needs to change to enable longer and fuller working lives for all? What role should employers play in providing solutions? What role can technology play?

Peabody supports the TUC's proposals for the government to develop a separate and consistent race equality strategy and action plan which addresses racial discrimination experienced by BME workers in employment.

Employers should look at alternative models of employment contracts that offer more security than Zero Hours contracts – such as annualised hours³⁵⁸. This is something that Peabody currently provides for some of its staff and we are now examining the possibility of offering this to a wider number of staff.

Peabody supports the Resolution Foundation's recommendation for the government to provide a right to guaranteed hours for anyone who has in practice been doing regular hours on a zero hours contract for at least 3 months. Employers should be identifying ways to make work more flexible to cater for those with childcare or other caring needs. Camden Council created a new initiative in 2014 for adult apprenticeships to help mums into work. The pilot was aimed at women over 25 years old with children which helped them gain flexible, part-time apprenticeships paying the London Living Wage.

Peabody currently employs 19 apprentices across the organisation and is planning to recruit a further 20 this year. A number of Heads of Service have highlighted that a number of these apprentices, as well as the young people we work with through our Youth Services team, have no prior experience of using basic computer tools such as Microsoft Office packages which are extremely valuable to starting work within almost all office environments. Peabody's Youth Services Team have also identified a notable lack of problem solving skills in young people.

In relation to technology there could be flexibility to applying for jobs, such as using video interviews. Potential employers could provide more in-depth guidance for applicants at each stage of interviews (Amazon is a good example of this³⁵⁹).

³⁵⁶ [ONS data employment and labour data - Zero Hours contract](#)

³⁵⁷ <https://www.peabody.org.uk/news-views/2018/jun/peabody-index>

³⁵⁸ [Annualised hours - ACAS](#)

³⁵⁹ [Interviewing at Amazon](#)

Housing

5. To what extent is intergenerational fairness impaired by the UK housing market?

The number of home owners in the UK who are aged under 35 has halved from 18% in 1996-97 to 9% in 2016-17³⁶⁰. This figure can be mainly explained by the continued unrealistically high house prices as well as financial institutions' more cautious approach to mortgage lending. The government is trying to encourage increased home ownership through Right to Buy and the recently launched pilot into Voluntary Right to Buy, but this only helps those people who are social rented tenants (approximately 8% of all families living in social rented properties are below 35 years old³⁶¹). Around 1.5 million more young people aged 18-30 will be forced into the Private Rented Sector in 2020 due to limited access to home ownership and social rented³⁶².

The Private Rented Sector not only is more likely to provide homes that don't meet the government's Decent Homes Standard with the risk of 'revenge evictions'³⁶³ if tenants report it, but also the lack of security of tenure within the Private Rented Sector is significantly higher. With Private Landlord's more likely to increase rents to unaffordable levels. This could be particularly detrimental for older people who may only rely solely on a state pension and housing benefit. Young people claiming benefits are also less likely to be able to access private rented properties as there has been a notable increase in the number of private landlords refusing those on benefits.³⁶⁴ Some of which may be due to money lenders refusing buy-to-let mortgages if the owner intends to rent the property out to benefits claimants. Shelter's research shows that by 2019/2020 four fifths (83%) of England will become unaffordable to those claiming Local Housing Allowance (LHA).

Peabody recommends:

Have social housing as a Land Class in planning, thus being able to identify land that is exclusively for social housing

All S106 Agreements in London should include provision of affordable housing.

This could be achieved through a review of the current section 106 legislation to more clearly oblige developers to deliver affordable homes.

The developer contribution system must be designed to maximise the provision of genuinely affordable, sub-market rented housing, while also limiting unnecessary cost and delay to developers who are meeting affordable housing targets.

Local authorities should prioritise low-cost rented tenures and make tenure expectations clear well in advance, in order to prevent developers from over-bidding for land and negotiating down the affordable element.

Planning concessions for providing more social housing.

In relation to older people within social rented properties there is difficulty in finding suitably adapted properties within the communities where the older person already lives when their current property is no longer suitable. Peabody is developing a pilot later this year that will look to allocate older residents within their own communities into ground floor properties as they become available.

³⁶⁰ [English Housing Survey 2016/17](#)

³⁶¹ [Social Housing For The Younger Generation - Resolution Foundation](#)

³⁶² [Housing Options and Solutions For Young People In 2020 - Joseph Rowntree Foundation, 2012](#)

³⁶³ ['Complain and You're Out' - Citizens Advice, 2018](#)

³⁶⁴ [Shut Out - The Barriers Low Income Households Face In Private Renting - Shelter 2017](#)

6. What has driven the increase in the size of the private rented sector? Which generations are most affected by this and how?

A continued lack of availability of social rented housing and unaffordability of Home ownership has driven the increase in private rented properties. Social housing lettings by private registered providers continues to fall each year. In 2016/17 they decreased by 11% to 231,000 in England³⁶⁵. Since 2010 construction rate on social housing has dropped by 97% with projections estimating a loss of 370,000 social homes over the next three years³⁶⁶. Social rented stock is being sold off into the private rented sector and not being replaced like for like. Sales of housing association social homes to private sector have more than tripled since 2001, with more than 150,000 homes for social rent being sold since 2012 – mainly through the government’s policy of converting social rents into affordable rents and Right To Buy purchases³⁶⁷. One big concern is the lack of understanding by young people about the different housing options available to them. From the discussions we have had with the young people we work with we have established that many of them are confused by the number of different tenure types and would benefit from learning more about this. We would recommend more housing education and awareness of welfare benefits and budgeting should be delivered within schools. This could be designed by Housing Providers and delivered by the school themselves.

CASE STUDY**

Jason is 24 years old and lives in Hackney. He left his family home in another borough due to domestic abuse from his immediate family. The council were not able to help Jason as they said he was not vulnerable enough. Jason has moved in to his friends place and his staying on the sofa and paying his friend rent. He has found a job in hospitality however he is struggling to save up for a month’s rent and deposit to move into Private rent. Jason is in urgent need of mental health support due to the nature of the abuse he experienced, however he has to work over full time to be able to find a room and does not have time to access help.

7. How can we ensure that the planning system provides for properties appropriate for all generations, including older people?

Ensure that developers stick to the original Section 106 agreements rather than negotiating down the number of affordable properties they develop.

Consider new approaches to house building such as modular homes (e.g. Legal and General Modular Homes) with improved space standards that can be built much quicker than traditional houses.

Encouraging the development of granny flats when building family homes with granny flats included. Inside Housing have produced an article based on RIBA’s latest publication which looks at new approaches to the intergenerational housing needs.³⁶⁸

Reviewing the planning system to make it possible to classify whole areas for development as a single community, instead of on a scheme by scheme basis, will allow for place-making on a more meaningful scale.

³⁶⁵ [ONS - Social Housing statistics April 2016 - March 2017](#)

³⁶⁶ [Social housing stock to fall by 370,000 by 2020 - BBC News](#)

³⁶⁷ [London tenants to protest at auction of social flats worth £2.7m](#)

³⁶⁸ [How Do We Integrate Age Friendly Housing With The Wider Community - Inside Housing](#)

A review of planning law, and a serious discussion about what constitutes Green Belt. Since the classification, there have been a range of changes to roads, rail etc. in Green Belt areas that means it's appropriate to review where we can build.

Estate intensification-There is a need for a long-term plan and vision as to what this should look and feel like. Not just for current tenants but for future generations.

Review the criteria for disposal of public sector land so that they balance financial and social return.

Have social housing as a Land Class in planning, thus being able to identify land that is exclusively for social housing

All S106 Agreements in London should include provision of affordable housing.

This could be achieved through a review of the current section 106 legislation to more clearly oblige developers to deliver affordable homes.

The developer contribution system must be designed to maximise the provision of genuinely affordable, sub-market rented housing, while also limiting unnecessary cost and delay to developers who are meeting affordable housing targets.

Local authorities should prioritise low-cost rented tenures and make tenure expectations clear well in advance, in order to prevent developers from over-bidding for land and negotiating down the affordable element.

Where CIL is charged, it is important this goes into infrastructure rather than remaining unspent.

Planning concessions for providing more social housing.

8. To what extent are initiatives to encourage down-sizing or intergenerational home-sharing part of a viable solution to the housing shortage for younger generations?

Peabody has recently discovered a number of older people who have sold their properties to move in with their children and then the children change their mind and leave the older person homeless. Polly Neate from Shelter discussed this issue recently in an article which highlighted that the number of homeless people aged over 60 in the UK has hit a record high of over 2,500 people, an increase of 40% in the last five years and the highest figure for over a decade. During an interview with the Independent Polly stated "Something as simple as a family breakdown can push older people from a shared family home into private renting, yet huge rents and unforgiving welfare cuts mean they lose their homes". Peabody believes more needs to be done to support older people when making a decision to sell their homes to move in with family and ensure that they are aware of the risks and where to go for advice before becoming homeless.

At Peabody we are looking into a number of projects for intergenerational home sharing but this will only be suitable for a small proportion of the population. There is an expectation for many young people to move into shared accommodation when moving into their first home. This is not always viable. Peabody staff recently visited Hackney College to speak to a group of young people with moderate learning disabilities. Each had experienced unstable housing scenarios when trying to live in shared accommodation. These young people are not classed as needing supported housing and should not be required to move into this tenure type to be guaranteed a safe living environment. We need to find smarter ways to give people their own homes where they are safe.

CASE STUDY**

Jane is 24 years old and lives in Hammersmith and Fulham. Jane finished college and went straight into a full-time job. Jane has been living on the family sofa in the living room since she was eleven years old. She has severe anxiety and depression, her brother is autistic and takes control of the family home, she says that sometimes he lashes out at her. Jane has tried to rent in shared accommodation, she stayed in her room for three days without eating as she was too scared to go into the kitchen and face other people. Jane is unable to use public transport and gets very little sleep due to her mental health issues, CBT have refused to support her until she finds secure housing as any help would not have an effect whilst she is still living in her chaotic living conditions. Jane has applied for additional benefits such as Personal Independence Payment, to be able to afford a studio, however she was declined help. Jane worries that she will never be able to leave the house she feels trapped in, her Mother is also schizophrenic and has to give her money to buy some groceries as benefits are not enough to support the family home. Jane wants nothing more than the space to thrive.

Communities

9. In what ways could more active communities help redress imbalances between generations? Are there opportunities for more non-state provided solutions to the challenges faced by an ageing society?

All communities should be encouraged to positively integrate.

It is important that the focus is on economically and socially disadvantaged areas. The recognition of the importance and ability of community hubs is great as this is something the Peabody/Peabody Community Foundation promotes to bring people together. With the loss of many community spaces to development it is also a good time to look at how libraries can reinvent themselves as community hubs. Likewise, school buildings are generally underused outside core hours and there is potential for these to be opened outside of teaching time to the wider community.

The volunteering programme at Peabody has also been a great way of bringing together dynamic groups from many different ages, backgrounds and levels of experience, opening the opportunity to integrate.

In an ageing society housing and health and social care should be working much closer together to provide a more holistic level of service within communities. In 2016 Family Mosaic (now merged with Peabody) published a 3 year health study, Health Begins at Home³⁶⁹. One of the main tools used in this study was a Patient Activation Measure that helps assess the knowledge, skills and confidence of an individual in managing their health, with their assessment scores determining the levels of intervention needed to help the tenant manage their own health issues more independently. This report was subsequently peer reviewed and published by the British Medical Journal. The study found that the wellbeing interventions for older people resulted in reduced demand on the NHS and improved health outcomes, especially for the most vulnerable.

Further to this in July 2018 Peabody published a review of this report³⁷⁰ demonstrating key findings from the study. Part of the report highlights that one in five patients visit their doctor because of an intense feeling of loneliness, rather than because they have a specific ailment. GPs have stated that they can see up to 10 lonely people per day but do not have the necessary tools to help them. Through using techniques such as those demonstrated in the Peabody report, these people could be referred to more appropriate services directly rather than attending GP surgeries.

One of the activities Family Mosaic referred residents into during this study and now Peabody still does is Goodgym³⁷¹ who combine people getting healthy with volunteering and community integration. GoodGym is now available in 46 areas across the UK.

** All individuals referred to in case studies within this document have had their names changed and personal identifiers removed.

7 September 2018

³⁶⁹ [Health Begins at Home - Family Mosaic, 2016](#)

³⁷⁰ [Health At Home - Peabody, 2018](#)

³⁷¹ <https://www.goodgym.org/>

Alison Peel – Written evidence (IFP0009)

1. Jobs and the workplace

I can say that from a personal point of view, as a woman of 57 who has worked after leaving college at 18, that jobs today are hard to come by once you are over 50. My husband is 61 and has done very well to get another job as he is certain he has lost jobs once the interviewer saw how old he was. This is due to discrimination on the grounds of age but that is hard to prove as it is illegal.

There are fewer jobs around in the middle sector than there used to be and therefore quite hard to get promoted. There are more poorly paid jobs partly because of mechanisation, fewer unions and more immigration from countries in East Europe where wages are lower than here.

I have discovered that unbeknown to me, my state pension has had 7 years added to it by the Government. I was born in 1961 and all my life thought the state retirement age was 60. Women of my age or older are therefore still in the overcrowded jobs market. Or even worse, unemployed and told to start an apprenticeship at the age of 60 after working for 45 years! Of course, they have paid NI all this time. I wonder what the Government is doing with their money. I doubt if they have been topping up the pension pot which they should have done as their side of the bargain. * Please see a separate note below about the funding of state pensions.

At the other end of the spectrum, so many 18 year olds go to so called universities these days that they are stopped from earning money at 16 or 18 which is good for the unemployment figures but not good for their bank balances.

If the retirement age was put back to the one we were promised ie 60 for women and 65 for men or (make it 63 for all), this would free up jobs for the youngsters and if the women of the 1950s who should have already retired were compensated, be a boost for the economy. This is because when people are given lump sums they spend some and save some. The youngsters would start to pay tax as they entered employment.

The British education system has let down a generation of children. Those who struggle with their behaviour or are unlikely to pass exams for other reasons are often excluded so that the league tables don't look too bad. If they sat exams they would fail so the school would rather wash their hands of them than give them help.

Not many graduates have basic skills that an employer looks for partly because they have been kept in education so long they have little experience of working life. A generation ago, many of these youngsters would have been doing the low paid jobs summer time that immigrants are now doing such as in a factory or fruit picking.

We must shake off the illusion that one in two school leavers are better off going to University. Many of them end up in jobs such as Call Centres anyway. The

courses they attend are often poor and over crowded, especially as Universities take so many fee paying foreign students who can barely speak basic English.

Those few graduates there are of science too often go in to non-scientific jobs. Particularly women who are welcomed in the marketing or banking sectors rather than staying as scientist's. This may be due to the requirement for scientists to move around the world a lot to prove they are progressing. In this day and age, that should be relegated to the past as the internet has improved communication so much.

2. Housing

We don't need more houses to be built, especially on green fields. There are plenty of brown field sites ripe for development. The problem is affordability, not the number of properties.

It is hard to save up a deposit if paying high rents and on a low wage. The Banks are reluctant to lend to people who may have with difficulty in paying back their loans due to their low wages.

House prices are too high and wages are too low.

HOUSES ARE BEING BUT THEY ARE THE WRONG SORT. THEY ARE LARGE DETACHED HOUSES, NOT STARTER HOMES. They are built by large, private builders who can offer incentives such as Help to Buy or Part Exchange schemes which are tax payer funded.

Social Housing needs to be helped so renting is a cheap option for those who do not want to or cannot immediately buy their own house.

*HOW OUR NATIONAL INSURANCE FUND HAS BEEN PLUNDERED

Research conducted some years ago shows how the NI Fund has been systematically plundered by successive Governments for nearly 40 years. The research, by the late social security expert, Tony Lynes, explodes the myth that improved state pensions cannot be afforded, that the WASPI women cannot be compensated, and that the state pension age must continue to rise. Contrary to popular belief, the National Insurance Fund is a separate fund and does not form part of general taxation receipts. From the earliest days of NI before World War 1, a substantial supplement was made by the Treasury to the Fund, in addition to contributions. In 1973 this was fixed at 18% of the combined contributions of employers and employees. This supplement is necessary as the Fund has to finance entitlements not acquired by paying contributions, such as the system of pension credits.

However, the Thatcher Government decided to reduce and eventually abolish the Treasury supplement. By 1988 this had fallen to 5% of contributions and the following year it ceased. At first the supplement was replaced by a variable Government grant but from 1998 (including all the years of the Blair Government) it has stopped. Reintroducing a Treasury supplement of 18% today would increase the Fund by about £20 billion a year.

On top of this, the NI income from employer contributions has been deliberately reduced to 'compensate' for the introduction of green taxes. With the introduction of each of the landfill tax, the climate change levy and the

aggregates levy there was a reduction in the level of employer contributions. This was calculated by Tony Lynes ten years ago to cost the Fund over £2 billion a year (so this would be at least £3 billion today).

Since 1948, a proportion of the NI Fund has been allocated to the NHS. However, since 2002, a proportion of increased contribution income has also been directly allocated to the NHS, depriving the Fund of about £2 billion a year for pensions and other benefits, at today's rates.

So, by conservative estimates, the National Insurance Fund is receiving about £25 billion less per year for allocation to pensions and benefits than it would have if the original framework for the Fund had been respected by successive Governments. Aggregated over 40 years this would total ONE TRILLION pounds. And we wonder why the UK has the worst state pension in the developed world!

5 August 2018

Pensions Policy Institute – Written evidence (IFP0040)

Summary

- The nature of occupational pension schemes has been changing over time. The decrease in the provision of Defined Benefit (DB) pensions is due to a complex web of policy, economic, social and regulatory changes that have changed the pensions landscape over the past thirty years. The DB coverage that remains is projected to become increasingly dominated by the public sector rather than the highest earners in certain private sectors.
- Future retirees are likely to have near total flexibility in accessing their savings; facing more complex decisions about how to access their retirement savings. Individuals with moderate to high levels of Defined Contribution (DC) savings and no or low DB entitlement are most at risk of making sub-optimal decisions that can have a significant negative impact on their retirement outcomes.
- Over the next 25 years, men's total pension incomes for new retirees are projected to decrease by around £25 per week (from £310 per week) before recovering to around £300 per week for those retiring towards the end of the 2050s.
- Women's pension incomes are not projected to dip over the next 25 years. The low amounts of private pension wealth of current retirees is set to improve as more women in the workforce join workplace pension schemes resulting in women's average pension income consistently increasing between each cohort of future retirees.
- The future cost of supporting the State Pension is projected to rise primarily as a result of the rising number of pensioners. This additional cost would have to be borne by a relatively smaller number of working age individuals at the time the costs are incurred.
- Simply reducing the level of indexation of the State Pension does not necessarily improve the relative position of today's younger workers. Lower taxation now might need to be replaced by higher private pension contributions, to make up for a lower future State Pension.

Response

1. This is the Pensions Policy Institute's response to Lords Select Committee's call for evidence on Intergenerational Fairness and Provision.
2. The Pensions Policy Institute (PPI) promotes the study of pensions and other provision for retirement and old age. The PPI is unique as it is independent (no political bias or vested interest), focused and expert in the field, and takes a long-term perspective across all elements of the pension system. The PPI exists to contribute facts, analysis and commentary to help all commentators and decision-makers to take informed policy decisions on pensions and retirement provision.
3. This submission does not address all of the areas of focus of the Committee. Rather, the response provides an overview of the findings of recent PPI research which considers how the changing pensions landscape has impacted across different generations (addressing questions 1 and 2). Primarily this stems from changes that impact in the key areas jobs and the workplace (particularly question 3), there is also the implications of the 'pay as you go' approach to the State Pension which concerns taxation (particularly question 14).

The changing nature of occupational pensions offered by employers

4. Membership in private sector DB schemes peaked in 1967 with around 8 million active members, currently there are 1.7 million active members of DB schemes. At December 2016, 47% of private sector DB schemes were closed to all future accruals and a further 39% were closed to new members. Modelling undertaken by the PPI suggests that, by 2030 if recent trends continue, the number of DB schemes could have fallen from the current 5,792 to around 3,500 schemes, most of which will be closed to future accruals.
5. The decline in the provision of DB pensions is due to a complex web of policy, economic, social and regulatory changes that have changed the pensions landscape over the past thirty years. Accounting, tax and regulatory changes have contributed significantly to the rising cost of DB schemes.
6. The introduction of automatic enrolment has resulted in the significant increase in DC pension coverage. Overall, workplace pension scheme participation has increased, from 50% in 2013 to 59% in 2014, and then 64% in 2015. In 2014, DB schemes, including those in the public sector, represented less than half of total workplace pension membership (49%) for the first time. In 2015, this fell further to 45% coverage.
7. A potential concern for employers is the impact that calls for funding of pre-existing DB schemes can have on younger generations of workers, most of whom will never accumulate defined benefits but must rely on the retirement income they can generate from DC schemes. This position is particularly difficult where there are no longer any members of the DB scheme employed by the sponsor, and pay, bonuses and pension contributions of current employees are constrained by DB funding payments. This has been described as a clear redistribution from younger to older generations.
8. Fewer than 5% of workers remain with the same employer throughout their whole career. Department for Work and Pensions found that workers now have, on average, eleven jobs and one complete career change over the course of their working life. Portability is a growing concern in pension

decisions for many, which may make DC pensions a more convenient option, as well as appearing significantly cheaper for sponsors as increased job changes can result in a greater number of deferred members within DB schemes.³⁷²³⁷³

The impact of automatic enrolment upon millennial workers

9. The changes to the occupational pensions landscape mean that millennials have very different opportunities and potential outcomes to those who came before. The decline in DB pension schemes in the private sector means that few millennials and younger workers in the private sector will have any substantial DB entitlement at retirement.
10. Saving data for eligible employees suggests that by 2015/16, participation in workplace pensions stood at 72% of eligible 22-29 year olds. In 2011/12, before the introduction of automatic enrolment, participation for the then 22-29 year olds was at 36%.
11. Automatic enrolment has increased participation of millennials in pension saving, likely giving a better pension outcome to more people than the existing system by bringing many millennials into saving at a younger age. This acts as mitigation to the generally less generous nature of current occupational pension schemes.³⁷⁴

Intergenerational comparison of pension outcomes

12. The PPI worked in conjunction with the Resolution Foundation to produce projections of future pension outcomes for the Resolution Foundation's Intergenerational Commission. The projections were undertaken to be able to make comparisons between the generations currently comprising the workforce. The results are considered in the Resolution Foundation's report *As good as it gets? The adequacy of retirement income for current and future generations of pensioners*³⁷⁵ and the PPI's report *Intergenerational comparison of pension outcomes*.
13. Employee membership of pension schemes has increased since the staging of automatic enrolment. This has presented as a significant increase in the membership of DC schemes, particularly amongst Millennials and Generation X. However DB scheme membership has decreased in successive generations from over 50% of employees in their thirties from the Baby Boomer generation, to around 40% for Generation X and is currently around 30% for Millennials. DB pension coverage is projected to become increasingly dominated by the public sector rather than the highest earners in certain private sectors.
14. These factors have combined with projected developments in earnings such that men's total pension incomes for new retirees are projected to decrease by around £25 per week (from £310 per week) over the next 25

³⁷² Pensions Policy Institute (2016) *Briefing Note 86: Defined Benefits: today and tomorrow*

³⁷³ Pensions Policy Institute (2017) *Briefing Note 93: Defined Benefits: valuing and managing liabilities*

³⁷⁴ Pensions Policy Institute (2018) *Briefing Note 105: The impact of the introduction of automatic enrolment on future generations*

³⁷⁵ Available at: <https://www.resolutionfoundation.org/publications/as-good-as-it-gets-the-adequacy-of-retirement-income-for-current-and-future-generations-of-pensioners/>

years before recovering to around £300 per week for those retiring towards the end of the 2050s.³⁷⁶

15. Women's pension incomes are not projected to dip. The low amounts of private pension wealth of current retirees is set to improve as more women in the workforce join occupational pension schemes resulting in women's average pension income consistently increasing between each cohort of future retirees.
16. Across the income distribution replacement rates are projected to be better for millennials than Generation X. The biggest increases between these generations are in the middle of the earnings distribution.³⁷⁷

Challenges to private pensions at retirement for future generations

17. Future retirees are likely to have a greater reliance on DC savings, alongside low, if any, DB entitlement, and have near total flexibility in accessing their savings. As a result of this, people in the future will face more complex decisions about how to access their retirement savings.
18. More individuals are projected to reach retirement with moderate to high levels of DC savings and no or low DB entitlement due to the changes to occupational pension schemes. This combination of pension entitlement leaves them most at risk of making sub-optimal decisions that can have a significant negative impact on their retirement outcomes.
19. The experience of the three years since the introduction of pension freedoms is not necessarily representative of the decisions that people will make in the future, and we will not be able to evaluate the outcomes of these decisions for some time.³⁷⁸

The intergenerational considerations of the State Pension and triple lock

20. The aim of the State Pension has migrated from providing a basic level of income to maintaining living standards and then back again with the introduction of the new State Pension (nSP). In order for the implications of any further potential changes to State Pension level through indexation or other means to be properly assessed, there needs to be greater clarity about the role of the State Pension.
21. The total cost of State Pensions as a proportion of GDP is projected to increase over time by almost a third between 2022 and 2050 from 4.5% to 5.9% of GDP. The majority of the increase is due to the rising number of pensioners rather than a significant increase in the cost per pensioner. The number of pensioners will increase by 37.6%, mainly due to increases in life expectancy. This cost would, therefore, have to be borne by a relatively smaller number of working age individuals, who contribute the greatest proportion of tax receipts at the time the costs are incurred.
22. On average, people over age 60 have seen their income grow more quickly than younger people. However, much of the increase in average incomes derives from earnings for people at and just above age 60 as a result of

³⁷⁶ These figures are shown in 2017 earnings terms.

³⁷⁷ Pensions Policy Institute (2018) *Intergenerational comparison of pension outcomes*

³⁷⁸ Pensions Policy Institute (2018) *The evolving retirement landscape*

changes to the labour market and the higher pensions of the newly retired compared to those of older pensioners.

23. Triple lock indexation provides the most generous basic level of income, when compared to other indexation scenarios, both in the short-term for those who receive State Pension income under the basic State Pension (bSP) system and in the long-term for those under the nSP system.
24. A new entrant to the labour force may need to contribute an extra 0.3% - 0.9% of their income on average per year throughout their working life to make up the difference if the nSP was indexed by earnings, or a 'double lock' (increases bSP by inflation or average earnings, whichever is larger) rather than the triple lock.
25. Simply reducing the level of indexation of the State Pension does not necessarily improve the relative position of today's younger workers. Lower taxation now might need to be replaced by higher private pension contributions, to make up for a lower future State Pension.³⁷⁹

³⁷⁹ Pensions Policy Institute (2018) *How would removal of the State Pension triple lock affect adequacy?*

PPI research supporting this response

26. The 2016 PPI Briefing Note 86, Defined Benefits: today and tomorrow. This Briefing Note explores the history of private sector DB pensions in the UK, the volatility of funding positions, the challenges facing different stakeholders and the options available to help schemes face these challenges.
 - www.pensionspolicyinstitute.org.uk/briefing-notes/briefing-note-86---defined-benefits-today-and-tomorrow
27. The 2017 PPI Briefing Note 93, Defined Benefits: valuing and managing liabilities. This Briefing Note explores dealt with issues associated with valuing and managing liabilities.
 - www.pensionspolicyinstitute.org.uk/briefing-notes/briefing-note-93-defined-benefits-valuing-and-managing-liabilities
28. The 2018 PPI Briefing Note 105, The impact of the introduction of automatic enrolment on future generations. This Briefing Note considers the impact of the introduction of automatic enrolment on younger people and future generations particularly the young cohort of workers entering the workforce who may be automatically enrolled in to pension schemes for their entire working life.
 - www.pensionspolicyinstitute.org.uk/briefing-notes/briefing-note-105-the-impact-of-the-introduction-of-automatic-enrolment-on-future-generations
29. The 2018 PPI report, Intergenerational comparison of pension outcomes. This report details projections undertaken in conjunction with the Resolution Foundation to be able to make intergenerational pension comparisons.
 - <http://www.pensionspolicyinstitute.org.uk/publications/reports/international-comparison-of-pension-outcomes>
30. The 2018 PPI report, The evolving retirement landscape. This report focuses on the changes which have and are currently occurring in the retirement landscape, the way that pension savings and assets are evolving, and what this means for the decisions people are making about how to access their retirement savings.
 - www.pensionspolicyinstitute.org.uk/publications/reports/evolving-retirement-outcomes
31. The 2018 PPI report, How would removal of the State Pension triple lock affect adequacy?. This report explores the potential effect of changing State Pension indexation on poverty, adequacy and state spending, and examines the future outlook for State Pension policy as a whole.
 - www.pensionspolicyinstitute.org.uk/publications/reports/how-would-removal-of-the-state-pension-triple-lock-affect-adequacy

10 September 2018

Public Service Pensioners' Council – Written evidence (IFP0017)

General

1. Founded over 50 years ago, the Public Service Pensioners Council (PSPC) brings together the various organisations for retired public servants and retired members' sections of public sector unions. We campaign alongside other pensioners' organisations, to protect the interests of current and future pensioners, and the value of state and public service pensions.
2. We are aware that society and the welfare state is underpinned by an implicit social contract between the generations. However, we believe that changes in the distribution of wealth, demographic trends, short-term planning and the policies of governments has placed this contract under pressure.
3. PSPC is chiefly concerned with Public Service and State Pensions as well as Universal Pensioner Benefits. We have therefore composed our response around these specific areas.
4. The Council is glad to have the opportunity to submit our policy views to the Committee on these issues.
5. PSPC members are not just concerned about protecting existing pensioners. From the vantage point of retirement, we recognise the importance of pensions for current and future public sector workers alike. We resent the media and some politicians blaming the older generation for problems with pension schemes, especially the myth of "unaffordable Gold Plated" Public Sector Pensions, (the median civil service pension is around £8,000 for men and £4,000 for women per annum) https://civilservant.org.uk/library/2011_hutton_pensions_report.pdf
6. Today's pensioners have contributed to our occupational and state pensions over time – either through National Insurance contributions and/ or employee contributions and it is only right that they receive their proper entitlement.
7. The media would do younger generations a better service by replacing this unfair and inaccurate story with a serious focus and push back against the "race to the bottom" that is occurring in occupational pensions e.g.: closure of Defined Benefit Schemes.
8. Today's workers are also "pensioners in waiting". We are seriously concerned about the drop in quality of retirement provision. Younger people entering the workplace now are being denied access to defined benefit pension schemes and losing out on the means to secure themselves a sustainable and adequate income in older age, this short-sighted approach merely stores up problems for later on. Employers need to be encouraged to ensure that they care for their workers throughout their career and that any remuneration package includes a sustainable and fair way of building up retirement income.
9. We see automatic enrolment as a good step to encourage saving. However, we are concerned that the current percentages being saved in to workplace pensions are unlikely to be enough. We would encourage an increase in the minimum employer contributions for schemes under automatic enrolment, which will help to encourage a retirement savings culture in the UK, with greater involvement of NEST and more consolidation of schemes

State Pension

10. The Council believes that the level of the basic state pension should be increased for all pensioners to a level where pensioners with no other income can enjoy a retirement with security, dignity, and freedom from poverty. Not all pensioners live the wealthy life often depicted by the media- approximately 1.6 million pensioners live in poverty, with a further 1.1 million just above the poverty line. https://www.ageuk.org.uk/Documents/EN-GB/Campaigns/end-pensioner-poverty/how_we_can_end_pensioner_poverty_campaign_report.pdf?dtrk=true

11. It is unacceptable that retired people face not just a drop in their standard of living but real hardship in their retirement. Long term growth in standards of living and the nation's economy owe as much to the efforts of those now retired or about to retire as to the efforts of those working. It is right that retired workers should enjoy a fair share of those improvements.

12. The Single Tier Pension was introduced in April 2016. The decision taken in the 2014 Pensions Act, meant that those who are already retired or reach state pension age before its introduction would remain on the current system rather than receive the single-tier pension. This means that there are now two state pensions in operation and PSPC is campaigning for the transfer of all existing pensioners onto the single tier pension scheme on a no detriment basis.

13. The new single tier pension requires each individual to contribute to it for 35 years to qualify for maximum level and women are no longer able to rely on the contributions of their husband. This requirement means that the level of the single-tier pension needs to be considerably higher than the means-tested guarantee credit level. Furthermore, a consequence of the Coalition Government's decision to means-test child benefit has meant that some people (mainly women) have not registered for the benefit, meaning that they are not receiving National Insurance credits towards their future State Pension.

14. One of the disadvantages of the legacy state pension is that only the basic state pension element is triple locked, whereas the whole of the Single Tier State Pension is uprated by at least 2.5%. This means that those on the old state pension system are worse off by around £60 a year and this divergence increases year on year. The PSPC is therefore also campaigning for all state pensions (including S2P/SERPS) to increase in line with the triple lock of prices, earnings or 2.5 per cent.

15. PSPC are also concerned that any attempt to decrease the value of the state pension by abandoning the triple lock and limiting future pension increases will not only have a detrimental effect on those already in receipt of their pension, but on those younger generations whose pensions will by cumulative effect be totally inadequate when they reach pension age.

State Pension Age

16. In July 2017, the Government announced that it would accept the recommendations of the Cridland Review of State Pension age (SPa), which recommended that SPa should rise to 68 years between 2037 and 2039, seven years earlier than is contained in current legislation.

17. Improving life expectancy and the increasing costs of the State Pension are cited as the principal reasons for bringing forward the SPa of 68. However, data from the Office of National Statistics in 2016 showed that increases in life expectancy are slowing markedly and that further more recent information confirms that trend. PSPC is against proposals to bring forward the date on which the SPa is currently legislated to rise to 68.

State Pension Age equalisation

18. The PSPC supports the need for a measure to ensure fair treatment for all those women and men affected by the Pensions Act 2011 which increased their state pension age rapidly, with little notice or time to make alternative financial arrangements. This chiefly affects those women born between April 1951 and April 1953. This age group has seen their state pension age increase by 6 years in some cases with little opportunity to make alternative arrangements for income in retirement.

Public service pensions

19. Although the Council's main purpose is to represent the interests of those who have retired, we recognise the importance of good pension provision for current and future public service pensioners. Any debate around public service pensions should be based on evidence, rather than deliberate misconceptions.

20. Public service pensions have been subject to gross attacks from the media, both before and after the Government's planned changes to pensions stemming from the Hutton Commission.

21. The Hutton Commission and NAO report evaluating the government balance sheet

<https://www.nao.org.uk/wp-content/uploads/2016/06/Evaluating-the-government-balance-sheet-pensions-Summary.pdf>

showed that the cost of public service pensions is expected to fall in the long term. Indeed, evidence from the National Audit Office shows that the cost expressed as a percentage of GDP was not rising even before the latest set of reforms. We therefore expect politicians to show leadership and be prepared to explain to the public that, contrary to the information they are fed, public service pensions are sustainable for both current and future pensioners.

Universal Pensioner Benefits (UPB)

22. The PSPC is concerned by the regular call for UPBs to be means tested or abolished. The whole reason that UPBs exist is because the level of the state pension is so low. Recent figures show that the UK state pension is one of the lowest, with average British worker only receiving 29% in pension and state benefits of what they previously earned (only Mexico is lower) – the average is 63% (according to OECD)

<http://www.oecd.org/unitedkingdom/PAG2017-GBR.pdf>

23. Means testing benefits means that costs of administering each claim is increased and it also means that many of the most impoverished in society miss out, as evidenced by the number of people who are entitled to, but do not claim Pension Credit.

24. The Public Service Pensioners' Council believes that pensioners have borne the pain of austerity along with current workers. Far from the rich retirees reported by the media to stoke up jealousy and tension between generations, we are truly "all in it together" with many retired people supporting their younger family financially, to help them with rent and mortgage or day to day living costs, and through providing free care, saving the State £ billions. Pensioners have spent their lives working and paying taxes, often to find that hardship awaits them in retirement. It is of paramount importance that this is not allowed to continue, both for the sake of those who have already retired and for the current working population who themselves will one day retire.

25. Punishing today's pensioners by taking away their current pension protections and Universal Pensioner Benefits would not result in improved intergenerational fairness. It would have a negative impact on other services like the NHS and mean much work undertaken voluntarily by retirees would fall to the state. Rather, we would like to see a concerted effort in Government to ensure that future pensioners are supported in every possible way to plan their retirement. Employers both in the private and public sector have a major role to play and a duty to ensure that past and future employees can enjoy a satisfying later life through decent pensions.

26. The PSPC would be happy to assist the Committee further

4 September 2018

Quakers in Britain – Written evidence (IFP0041)

1. About this submission

- 1.1 This submission is made on behalf of Quakers in Britain.³⁸⁰ It is informed by the longstanding and deeply held Quaker concern for equality. Led by our experience that there is something of God in all people, we deplore the vast inequalities that currently exist in UK society, and which leave many unable to contribute fully to society or live fulfilling and dignified lives.
- 1.2 Quakers recognise our duty to speak out for a rightly ordered economic system that works for the common good. Through local action and participation in the democratic process, we seek to move towards an economy that reflects our fundamental beliefs regarding the value of humanity and the natural world.
- 1.3 In our response to this call for evidence, we focus on three issues: housing, which is of vital importance to everyone in society and which plays a key role in current inequalities; taxation, which has a vital part to play in promoting fairness and equality; and climate change and resource depletion, which, while not specifically referred to in the call for evidence, should have a central place in any discussion of intergenerational fairness and our responsibilities to those who will live after us.

2. Intergenerational fairness: the current position

- 2.1 It is now widely acknowledged that wealth and living standards are no longer rising with each generation, as they did until very recently. Wage stagnation, precarious work, university fees, and above all, the vast increases in property prices over the last 25 years have left 'millennials' worse off on average than their parents were at the same age.³⁸¹ Pensioners now have a higher average income than people of working age, once housing costs are taken into account.³⁸²
- 2.2 It is important to recognise, however, that while various measures could be taken to improve intergenerational fairness, inequality must be viewed in intra-generational as well as inter-generational terms³⁸³ ³⁸⁴. A report by Credit Suisse also found that millennials are likely to suffer worse intra-generational inequality than previous generations – due

³⁸⁰ Formally known as the Religious Society of Friends (Quakers) in Britain. Registered with charity number 1127633. Around 22,000 people attend Quaker meetings in Britain.

³⁸¹ <https://www.ft.com/content/81343d9e-187b-11e8-9e9c-25c814761640>

³⁸² <https://www.resolutionfoundation.org/media/press-releases/recent-retirees-drive-pensioner-incomes-above-those-of-working-families/>

³⁸³ <https://www.birmingham.ac.uk/news/latest/2017/06/baby-boomers-vs-young-generation-finance.aspx>

³⁸⁴ <https://www.ageing-better.org.uk/news/older-women-bearing-burden-lifetime-lower-pay-and-unequal-working-conditions>

largely to increasing levels of inherited wealth, which delivers the biggest benefits to those already well off.³⁸⁵ Any policy solutions must take account of the fact that many pensioners are poor, while many young people (chiefly those who have inherited, or will inherit, wealth and property) are well off.

2.3 It is surprising that this call for evidence does not refer to climate change and resource depletion, as these, above all others, are the issues which threaten the prosperity and security of young people and future generations. Any measures to address intergenerational fairness must take into account the needs and rights of unborn future generations as well as those of today's young people. These are perhaps harder to calculate and legislate for, but to duck them as too difficult would be an abdication of our responsibilities to those who will live after us.

2.4 Climate change is not only an issue for the long term, however. Globally, extreme weather events and climate-related migration are already increasing, while the Committee on Climate Change has forecast that in some parts of the UK, demand for water could exceed supply as early as 2030.³⁸⁶ Even an inquiry considering fairness only between those generations currently living should therefore give significant weight to the need for climate change adaptation as well as mitigation, and consider who will meet the cost of these actions and/or pay the costs of our failure to act.

3. Future prospects

3.1 There have been various efforts over the last 25 years to calculate the likely costs of climate change to the global economy – notably the Stern Review in 2006. A study published in *Nature* in May 2018 predicts that limiting warming to 1.5 degrees as compared to 2 degrees would be likely to save in the region of US\$20 trillion globally.³⁸⁷

3.2 It is clear that continuing current patterns of overconsumption and fossil fuel use in the UK (and the rest of the global North) will exact a heavy price from future generations, who will suffer extreme weather events, food and water shortages, loss of low-lying settlements and increased incidence of pests and diseases as a result of man-made climate change.³⁸⁸

3.3 As report after report warns that climate change and its effects are occurring faster than expected³⁸⁹ ³⁹⁰, we cannot assume that stalling growth

³⁸⁵ <http://publications.credit-suisse.com/tasks/render/file/index.cfm?fileid=12DFFD63-07D1-EC63-A3D5F67356880EF3>

³⁸⁶ <https://www.theccc.org.uk/publication/climate-change-risk-assessment-ii-updated-projections-for-water-availability-for-the-uk/>

³⁸⁷ <https://www.nature.com/articles/s41586-018-0071-9>

³⁸⁸ <https://www.imperial.ac.uk/grantham/our-work/impacts-and-adaptation/ipcc-working-group-ii/uk-impacts/>

³⁸⁹ <https://www.reuters.com/article/us-climatechange-temperatures/global-warming-may-be-more-severe-than-expected-by-2100-study-idUSKBN1E02J6>

³⁹⁰ <https://climate.nasa.gov/news/2680/new-study-finds-sea-level-rise-accelerating/>

and productivity are temporary blips and that 'business as usual' will shortly be resumed. Any long-term economic forecasting needs to take account of the likely impacts of climate change and the growing body of research which suggests that the era of continuous GDP growth may be coming to an end.

4. Property wealth and the housing market

4.1 As we have noted, intra-generational inequality in the UK remains at least as significant as intergenerational inequality. Property ownership is a major contributor to this wealth gap – and its significance increases with age as homeowners pay off their mortgage. Rapidly rising property prices have caused the widening wealth gap between those who own property and those who do not to widen much further.

4.2 Additionally, rises in house prices have further increased the wealth of those who own more than one property. Again, this group is increasingly concentrated towards the older end of the age distribution: in 2004, 45% of landlords were aged under 45 and only 3% were over 65. In 2016, the proportion aged under 45 had fallen to 19%, while the over-65s made up 29% of all landlords.³⁹¹

4.3 Younger homeowners are almost invariably those whose parents also own their own home. If their parents' property wealth is simply handed down within the family, wealth inequality among Generations Y and Z will increase. In the interests of building a healthier and more equal society, we need to ensure the property wealth of older generations is passed on to younger generations as a whole, and wider society, not concentrated in the hands of a few. The most obvious way to achieve this is through taxation.

4.4 Currently, the threshold for inheritance tax is extremely high – almost £1m for a couple with a property. This means both that the vast majority pay no inheritance tax at all, and that the tax does not bring in enough revenue to serve the aim of wealth redistribution in any meaningful way. A 2018 report from the Resolution Foundation found that the revenue from inheritance tax represents an effective tax rate of just 3.5 per cent, and that between 2006-07 and 2022-23, Inheritance Tax receipts are forecast to grow less than a quarter as fast as inheritances.³⁹²

4.5 Any additional revenue raised through more effective taxation of property and/or inherited wealth could potentially be used to provide support for innovative housing models such as housing co-operatives, community land trusts and co-housing projects, or to fund housebuilding by local authorities. Alternatively, it could be used to reverse any of the numerous current policies which disadvantage young and poor people, such as cuts to working-age benefits.

³⁹¹ 'The profile of UK private landlords'. Council of mortgage lenders, December 2016.

³⁹² 'Passing On: options for reforming inheritance taxation'. Resolution Foundation, May 2018.
<https://www.resolutionfoundation.org/app/uploads/2018/05/IC-inheritance-tax.pdf>

4.6 The ill-conceived Help to Buy scheme, ostensibly intended to help younger generations ‘access the property market’, has benefited only the relatively wealthy while pushing house prices up further – as acknowledged by commentators as diverse as Shelter³⁹³ and the Adam Smith Institute³⁹⁴. Instead of considering only home ownership, any housing policy intended to benefit young people should focus on ensuring all have access to safe, affordable housing, regardless of tenure type.

4.7 It should be remembered that home ownership is not always right for everyone, nor at every stage of our lives. Social housing, including social rented housing, is an important option for secure housing in the choices available to everyone.

4.8 The Right to Buy policy has had the effect of transferring public wealth into private hands. Those who bought their homes in the first years of Right to Buy have seen substantial increases in their personal wealth due to rising house prices, while social housing stock is in long-term decline due to the failure to fund replacements for housing that has been sold off.

4.9 The loss of social housing combined with the unaffordability of home ownership has pushed more and more people – especially young people – into the private rented sector.

4.10 The private rented sector is currently poorly regulated, with limited rights for tenants. We welcome the long-awaited government consultation on longer tenancies and hope this will lead to greater security for tenants.

4.11 A better-regulated private rented sector, combined with government-funded like-for-like replacements to social housing lost through Right to Buy, would help to make viable and secure housing options available to all, not just homeowners. By widening access to appropriate and affordable housing, such measures would help to address one of the biggest injustices facing many young people.

5. Taxation for a fair intergenerational settlement

5.1 It is our view that there is significant scope to reform the tax system in ways that promote intergenerational fairness. We outline these under three headings: property taxation, resource taxation, and – since the tax and social security system should be considered as a whole – social security.

5.2 Property taxation

5.2.1 The wealth gap between the ‘baby boomer’ generation and those born after 1980 is in large part due to the enormous increases in property

³⁹³

https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/policy_library_folder/research_how_much_help_is_help_to_buy

³⁹⁴ <https://www.adamsmith.org/news/no-help-to-buy>

values over the last 25 years. According to ONS figures, the average price of a dwelling more than quadrupled from £36,000 in 1986 to £280,000 in 2017.³⁹⁵ The ONS also reports that in England and Wales in 2017, a full-time worker could expect to pay around 7.8 times their annual earnings to purchase a home.³⁹⁶

5.2.2 Despite the vast disparities in wealth caused by these windfall gains, taxes on land and property remain one of the most ineffective areas of UK taxation in terms of both revenue and redistribution.

5.2.3 Domestic property is taxed in the form of council tax, an extremely and increasingly regressive tax which raises relatively little revenue when compared to the scale of property wealth in the UK. The small number of council tax bands, combined with the fact that no revaluation has ever been carried out, has rendered council tax unable to raise an amount of revenue anywhere near proportionate to the level of wealth held in property, while demanding a far higher proportion of income from the least well-off than from the wealthiest. Average net council tax is only 2.7 times higher for the top 10 per cent of properties than the bottom 10 per cent, whereas average income tax is 45 times higher in the top income decile than the bottom one.³⁹⁷

5.2.4 A regressive form of property taxation like council tax falls disproportionately on young people because they are more likely to live in lower-banded properties. With council tax rising year on year as cash-starved local authorities seek to raise revenue in one of the few ways open to them, the regressiveness of the tax – and therefore its disproportionate impact on young people – will go on increasing.

5.2.5 However, targeting by age rather than wealth or income will never lead to satisfactorily redistributive outcomes, since as noted above, wealth disparities within generations are also considerable and set to increase. This is why tax cuts for young people (an idea floated within the Conservative party prior to the 2017 Autumn Budget) would be an extremely blunt instrument.

5.2.6 Instead, what is needed is tax reform which targets the forms of wealth that are currently under-taxed, most of which are primarily concentrated among older people. Property is one obvious candidate for this.

5.3 Resource taxation

5.3.1 Quaker John Woolman wrote in 1772 that “to impoverish the earth now to support outward greatness appears to be an injury to the

³⁹⁵<https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/housepriceindexannualtables2039>

³⁹⁶<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/housingaffordabilityinenglandandwales/2017#main-points>

³⁹⁷ ‘Home Affairs’. Resolution Foundation, March 2018.

<https://www.resolutionfoundation.org/app/uploads/2018/03/Council-tax-IC.pdf>

succeeding age.” This is close to the principle of sustainable development as originally defined by the UN in 1987: “development that meets the needs of the present, without compromising the ability of future generations to meet their own needs.”

5.3.2 Today, the word ‘sustainable’ has come to mean almost anything the user wants it to mean – but with resource depletion and man-made climate change accelerating, we would do well to keep in mind the UN definition and Woolman’s words. All the evidence now tells us we are compromising the safety, health and prosperity of future generations, as well as today’s poorest citizens. This is the starkest form imaginable of intergenerational injustice.

5.3.3 Quakers resolved in 2011 to become a low-carbon, sustainable community, noting that “we have long been aware that our behaviour impoverishes the earth and that it is our responsibility both to conserve the earth’s resources and to share them more equitably”.³⁹⁸ Our work on climate justice and building the new economy is rooted in this longstanding and deeply held conviction.

5.3.4 Tax is a key tool for government in influencing behaviour, as well as a way of ‘internalising’ the costs of pollution and other negative externalities. Those who pollute the air, soil and water and overconsume the earth’s resources now should pay for the damage they do, in a way that takes account of how this damage will affect future generations.

5.3.5 As a first step, subsidies to the fossil fuel industry (including in the form of tax breaks) should be phased out as rapidly as possible, as recommended by ODI.³⁹⁹

5.5 Social security

5.5.1 When considering the redistributive impact of policies, it is important to view the tax and social security system as a whole. Numerous recent policy changes have been detrimental to the wellbeing of younger people, especially those already least well-off. The Prince’s Trust Youth Index 2017 found that young people’s happiness and wellbeing are at their lowest levels since the index began in 2009.⁴⁰⁰

5.5.2 Young people, along with women and the least well-off, have borne the brunt of public spending cuts since 2010, from cuts to local youth and children’s services and mental health services to the loss of the education maintenance allowance and cuts to tax credits and housing benefit.

³⁹⁸ ‘Minute 36: Our Canterbury commitment’. Yearly Meeting of the Religious Society of Friends, 2011. <https://quaker-prod.s3-eu-west-1.amazonaws.com/store/e5346af5f3f42ffd2fc9d148c6f259867f4f6860397505438fada56b455c>

³⁹⁹ <https://www.odi.org/publications/10058-empty-promises-g20-subsidies-oil-gas-and-coal-production>

⁴⁰⁰ <https://www.princes-trust.org.uk/about-the-trust/research-policies-reports/youth-index-2017>

5.5.3 One of the simplest ways to reduce intergenerational inequality would be to reverse any or all of the above-mentioned cuts. This would be a much more effectively targeted approach than help with buying a house or tax cuts for young people.

10 September 2018

The Retirement Home Builders Group of the Home Builders Federation – Written evidence (IFP0068)

Introduction

1. The Retirement Home Builders Group (RHBG) of the Home Builders Federation (HBF) is a policy and representative forum for the specialist retirement housing developers within the HBF's membership. The HBF is the principal trade association representing private sector home builders in England and Wales.
2. Members of the RHBG build c.90% of England's specialist owner-occupied retirement housing each year.⁴⁰¹
3. The RHBG has been following the Committee's work with interest and wishes to make a contribution to its deliberations as set out in this note.

The role of specialist retirement housing supply in promoting intergenerational fairness

4. There are a number of different categories of specialist retirement housing which we set out in the Annex to this note. Collectively, the provision of such housing provides significant social, health and wellbeing benefits as well as often freeing up much needed family housing for younger generations.
5. In sum, the benefits of providing specialist retirement housing are as follows.
 - a. Retirement housing frees up under-occupied housing. Research by Savills² identified that for every retirement property sold, three further moves in the housing chain are made possible. Our own research shows that the chains we create typically result in a young person or family leaving the rental market and joining the housing ladder.
 - b. A study by the Homes and Communities Agency found for a typical person aged 60 and above, moving to a suitable retirement development generates health and social care savings of £3,500 a year due directly to the benefits of this form of housing.
 - c. Addressing loneliness: It is widely accepted that retirement housing combats loneliness, which is a bigger problem than simply an emotional experience. Research shows that loneliness and social isolation are harmful to our health: lacking social connections is a comparable risk factor for early death as smoking 15 cigarettes a day and is worse, especially for older people, than well-known risk factors such as obesity and physical inactivity. One study concludes lonely people have a 64% increased chance of developing clinical dementia and further research is clear that preventing and alleviating loneliness is vital to enabling older people to remain as independent as possible. Lonely individuals are also more likely to

⁴⁰¹ NHBC (2017). From a total of 4,023 retirement registrations in 2017, 3,548 units were built by RHBG members. A full definition of specialist retirement housing is provided in the appendices.

² Savills, World Research, UK Residential, 2015, Housing and Ageing Population

visit their GP, have higher use of medication, higher incidence of falls and increased risk factors for long term care.

6. The supply of specialist retirement housing is therefore both a means of providing better housing outcomes for older people, reducing their calls on public health and social care resources, and a means of enabling more people from younger generations to attain their aspirations for suitable housing for them and their families. It is our clear view that policy measures to encourage the supply of specialist retirement housing will have wide social benefits and contribute materially to intergenerational fairness.

The current position on the supply of specialist retirement housing

7. There is currently a significant under supply of specialist retirement housing. This shortfall in supply has previously been noted by parliamentary inquiries. In 2013, the House of Lords Select Committee on Public Service and Demographic Change considered the topic 'Ready for Ageing' and found that the country is "woefully underprepared" for the demographic time bomb. It stated that:

"The housing market is delivering much less specialist housing for older people than is needed. Central and local government, housing associations and housebuilders need urgently to plan how to ensure that the housing needs of the older population are better addressed and to give as much priority to promoting an adequate market and social housing for older people as is given to housing for younger people."

8. More recently, in February 2018, the HCLG Select Committee in its report on Housing for Older People noted its support for this form of housing and that there has been a historic undersupply in this sector. It stated:

"We believe that, in the face of demand, there is a shortfall in supply of specialist [retirement] homes in general and particularly for private ownership and rent and for the 'middle market'. This limits the housing options available to older people and the opportunity to derive the health and wellbeing benefits linked to specialist homes...The current shortfall in specialist homes is estimated at around 15,000 to 25,000 units a year... There is a significant body of evidence on the health and wellbeing benefits to older people of living in specialist housing and the resultant savings to the NHS and social care."

9. This supply shortfall means that the realisable potential benefits of an adequate supply of such housing are being foregone. Using the metrics cited in paragraph 5 of this note:
 - a. Up to 75,000 moves for younger generations in the property chain are being frustrated annually (25,000 x 3 moves), and;
 - b. Up to £105 million in health and social care savings are being lost annually (£3,500 times 25,000 specialist retirement housing units and assuming a weighted average of 1.2 people resident per unit).

10. Given these lost benefits, it is imperative that the Government takes steps to create a policy framework that supports and encourages a significant increase in the supply of specialist retirement housing.

Policy measures that could support an increase in the supply of specialist retirement housing

11. The RHBG considers that a range of supply and demand side measures are needed to promote and support a significant increase in the supply of specialist retirement housing. In summary, we believe that the following measures should be pursued by the Government:
 - a. A requirement for positive planning by local planning authorities to provide for the full range of housing needed to meet the requirements of older people. In particular, it is essential that in undertaking housing needs assessments for their development plans, local authorities should undertake proper assessment of the need for the full range of housing for older people and then allow for that in providing a developable 5 year land supply. The Neighbourhood Planning Act introduced a new statutory duty on the Secretary of State to produce guidance for local planning authorities on how their local development documents should meet the housing needs of older and disabled people. The early publication of this guidance is sought by the RHBG.
 - b. Consideration also needs to be given to the particular viability challenges that are involved in delivering much private specialist retirement housing – given in particular the additional costs involved in providing the often extensive “non-sellable” community facilities which are integral to such housing. The economics of developing specialist retirement housing are as a result substantially different from and more difficult than that of ‘general needs housing’, by which we mean conventional/mainstream market housing not aimed at a particular demographic, something recognised by the HCLG Committee in its report on Housing for Older People published earlier this year. In its report the Committee accordingly concluded and recommended that:

“We believe that the level of planning contributions on specialist housing, which are increased as a result of the non-saleable communal areas which are a feature of this type of housing, is impeding the delivery of homes. *We recommend either the creation of a sub-category of the C2 planning classification (which currently applies to residential care and nursing homes) for specialist housing, which would reduce the contributions required from developers, or the creation of a new use class for specialist housing which would have the same effect.*”

Such a designation would be a means of recognising the social, health and wellbeing benefits provided by specialist retirement housing and reducing the financial contributions currently sought from it under the Section 106 and CIL requirements for mainstream

housing under local plans - which are material to the viability challenges the providers of specialist retirement housing face. Reducing the financial contributions sought from specialist retirement development in this way would both enable existing developers active in this sector to increase their output significantly by making more sites viable, but would also help encourage new players to enter this area of the housing market so further adding to supply.

- c. We think there is a strong case for considering financial incentives which would help and encourage people interested in moving to various forms of specialist retirement housing to make this move. While a significant proportion of older people say they are willing to consider such a move, there are in practice inertia factors which hold them back. Ideas for incentives that have been advanced for consideration include a possible Stamp Duty exemption for older people down-sizing or a scheme similar to Help to Buy in its design which could assist older people in purchasing private specialist retirement housing or other retirement properties. A number of other bodies and reports have also argued for a Stamp Duty exemption incentive for older people to down-size, including the All Party Parliamentary Group on Housing and Care for Older people in both its 2014 report on "The affordability of retirement housing" and its 2016 HAPPI 3 report.

Annex

Categories of private specialist retirement housing

Specialist retirement housing is an umbrella term to cover all types of specialist housing for older people from 'age-restricted' housing to 'Extra Care accommodation'. The common features of all types are the age restriction (which is controlled via a planning condition), their specific design to meet the needs of older people, and a range of on-site support services and shared spaces. We define "specialist retirement housing" as comprising:

- **Retirement Living** – age restricted housing, typically for those aged 60 and above. Formerly referred to as "Category 2 housing" or sheltered housing and consisting of independent flats and / or bungalows with enclosed access, a communal lounge and other communal facilities such as a shared laundry and a guest room. Importantly, on-site support is provided by a warden or house manager who is dedicated to the running of the development. Developments are typically between 30 to 60 units in size.
- **Extra Care Housing** - Age restricted accommodation, typically for those aged 70 and above. The term used for a complex of specialised accommodation, including individual apartments for older people and a range of on-site services including care in a style that can respond flexibly to increasing need whilst fostering independence as far as is possible in older age. In most Extra Care accommodation, people enter the unit of accommodation and the care services they receive are delivered into that unit as their needs increase with age or short term will illness, post recuperative care etc. Significant shared services will be provided, such as a residents' lounge, restaurant with on-site kitchen, function room, laundry, guest suite, well-being centres, hairdressers, and staff rooms. Developments are typically between 40 to 70 units in size. This form of specialist retirement housing was historically known as "Category 2½ housing"
- **Care Villages / Continuing Care Retirement Community**. Age restricted accommodation typically for those aged 70 and above. Similar to Extra Care but often much larger with some developments being up to 200 units. Schemes typically have higher levels of care are generally delivered by transfer within the scheme from an independent living unit, in which low to moderate care is delivered, to a specialist unit or care home as resident's needs progress.

Traditional forms of residential institutions such as Care or Nursing homes are not included in this definition.

There is a further category of **Downsizer (Age-restricted housing)**, typically for those aged 55 or above and the more active elderly - often

flats or bungalows, though some developers providing such housing build a good proportion of houses, which are purpose built for older people with shared amenities such as communal gardens or coffee lounges. On-site staffing is limited, and typically includes just the maintenance of the development and its grounds. Developments are usually up to 30 units in size. Some shared areas may be provided. Historically referred to as “Category 1 housing”.

20 December 2018

Professor Karen Rowlingson – Written evidence (IFP0026)

Karen Rowlingson, Professor of Social Policy, University of Birmingham General

- 1.1 This submission draws heavily on arguments and evidence presented in the book: Rowlingson, K, Joseph, R and Overton, L (2017) *Inter-generational Financial Giving and Inequality: Give and Take in 21st Century Families*, published by Palgrave Macmillan. Further references to points made in this submission can therefore be found in the book or on request from the author (though some other references to more recent sources are given in the submission). This submission has been written by Karen Rowlingson who is acting on an individual rather than an institutional basis
- 1.2 The question of fairness in relation to intergenerational 'settlements' is extremely complex. The very notion of a 'settlement' can be questioned but this is probably seen particularly in terms of how the welfare state has functioned, that is, which generations have 'got more out' than they have 'put in' particularly in relation to social security benefits including pensions. This calculation can be widened to include health care, (higher) education, housing support and so on. We might also look at the labour market in terms of which generations have received higher wages and better terms and conditions than others. While the labour market might not always be seen as part of some 'settlement', it is affected by national policy choices (living wage, employment rights and so on) so perhaps does deserve to be considered in the same way as social security. The housing market is also relevant here in terms of which generations have benefitted from house price rises, fuelled by 'right to buy' policies and liberalisation of the mortgage market. All of these need to be considered in relation to different generations in order to accurately assess the fairness of the intergenerational 'settlement'.
- 1.3 Some generations are definitely better off than others if we take a simple snapshot of the population at this particular point in time. In general, the 'baby boomers' have higher incomes and higher levels of wealth than other generations. Some of this can be explained by their lifecycle stage but there is widespread agreement that younger generations today are highly unlikely to be as fortunate (in terms of income and wealth) as the baby boomers when they reach the same age, if current circumstances/policies remain in place (e.g. social security policy, labour market conditions, higher education funding, housing market etc).
- 1.4 In public debate about inter-generational fairness, reference is often made to the apparently privileged position of pensioners compared with working age generations. This point is particularly made in relation to cuts to social security benefits which have focused very largely on working-age benefits, while protecting pensions. And it is also true that the general level of means-tested benefits for pensioners is far higher than the level of means-tested benefits for working-age people. However, many pensioners also have care needs and the growth in demand for care has not been matched by an increase in such support, leading to higher costs of care and greater

difficulty accessing care. Furthermore, there is strong evidence that the apparent generosity of means tested benefits for pensioners is reducing and barely covers the minimum income level that the general public think is needed, according to research by the University of Loughborough. It is therefore important to reject the notion that benefits for pensioners are generous or should be reduced to the very low level of means-tested benefits for working-age people (which fall far short of the minimum income standard). Another consequence of reducing benefits for pensioners would be to further disadvantage younger people who will become pensioners in the future (unless benefits are subsequently increased once they reach pension age).

- 1.5 If we look at the position in relation to occupational pensions, a recent article (September 2018) in Times Higher Education by Mervyn King and John Kay entitled, "USS crisis: can the pension system be reformed?", argues that the 2004 Pensions Act "*has led to the demise of the defined benefit schemes that it was designed to protect*" by being over-prescriptive in providing cast-iron security for older generations and so placing huge burdens on employers/pension funds. King and Kay argue that ways can be found to share risk more equitably with younger generations rather than abandoning defined benefit pensions.
- 1.6 On the question of which generations have benefitted most from the welfare state John Hills (LSE) has carried out important work with the finding that there is not a huge difference between generations here but the generation which has gained most has been the one prior to the baby boomers who did not pay taxes towards the welfare state while they were working but then benefitted from the expansion of welfare services after the second world war. Hills also, helpfully, discusses the complexities surrounding make such calculations.
- 1.7 While there are significant differences between generations, on average, (both in terms of snapshots and over time) it is important to recognise considerable inequalities within generations
- 1.8 When we surveyed the public, in our study, for their views about which generations had had the better deal, financially, we found that younger generations tended to cite their parents but some nevertheless thought they had the better deal. There was a considerable difference between the views of 'younger' baby boomers and 'older' baby boomers. Older baby boomers (aged 60-69 in 2014) were much more likely to say that they had had the better deal, financially, than the younger baby boomers (see table below from Rowlingson et al 2017). This finding, along with many others in our study warns against placing all baby boomers into a single category as is often done. A group of people born over a 20 year period are often very different from each other in terms of age and experience as well as many other factors.

Table 7.1 Public views in 2014 about which generation has had the better deal, financially, in terms of education, jobs, housing, pensions and so on

	Gen Y	Gen X		Baby-boomers		War Gen	All
	16-29	30-39	40-49	50-59	60-69	70+	
My grandparents	16	12	8	4	3	2	8
My parents	33	36	34	28	9	5	25
My generation	24	18	27	39	61	60	36
The generation after me	10	11	9	17	12	23	13
All the same	11	17	14	9	11	4	11
Don't know	7	7	8	4	4	8	6
Unweighted base = all	431	318	362	283	273	326	1,991

Jobs and the workplace

2.1 The labour market has evolved considerably since the 1980s with much greater flexibility/insecurity and wage inequality. Young people with limited education and skills will face a more challenging time than previous generations with limited education and skills. And these challenges are likely to increase further with the development of artificial intelligence and digitalisation in the workplace. Greater support for vocational education and training is essential – and workplace training for all generations as skill needs change over time. The role of apprenticeships (and the apprenticeship levy) are similarly crucial and deserve further support.

Housing

3.1 The increase in the size of the private rented sector has been driven by reductions in the availability of social housing at the same time as people have faced increasing difficulties accessing home ownership due to incomes stagnating relative to house prices and access to mortgage lending being made more difficult for first-time buyers since the credit crunch. It is important to remember that there has *not* been a decline in owner occupation overall but a *concentration* of owner occupation in the hands of a particular group of relatively wealthy older generations (largely though by no means exclusively baby boomers). According to the Resolution Foundation⁴⁰², the proportion of adults in families with multiple property wealth (which they may or may not rent out) increased from 7.9 per cent in 2000-02 to 10.3 per cent in 2012-14, an increase of 30 per cent. These figures also fail to reflect the number of people in older generations who live in homes far larger than they need. Thus ways to redistribute housing wealth could significantly help younger generations.

3.2 The increase in private rented housing has affected younger generations more than others – and not just those without children. Compared with the recent past, many more families with children are living in privately rented accommodation and this has particular consequences for children’s lives given the relative lack of security afforded by private renting. Families can be asked to leave their homes with two months’ notice and have to move away from schools and friends to find alternative accommodation at relatively short notice.

3.3 Families are already supporting each other inter-generationally by: giving significant financial gifts or loans; by providing accommodation directly; and/or helping with rent/mortgage payments and so on. Products also exist on the

⁴⁰² <https://www.resolutionfoundation.org/media/press-releases/21st-century-britain-has-seen-a-30-per-cent-increase-in-second-home-ownership/> accessed 30/7/18

market to allow family members to guarantee mortgage payments of their younger generations. Equity release products also exist which some older generations use to provide resources to younger generations to buy a home or spend in other ways. These mechanisms are part of what most families see as 'what family is all about' but the need to support members has increased and not all families are equally able to provide such support, further entrenching existing inequalities. Some older generations may also be impoverishing themselves to support family members. Some may feel under pressure to do so and this can also lead to the breakdown of family relationships.

Taxation

4.1 Inheritance tax is highly unpopular with the public despite the fact that the taxation of wealth (including the taxation of wealth transfers) in the UK is extremely light in comparison to the taxation of income and expenditure. Inheritance tax could be reformed into a lifetime capital receipts tax to capture all wealth transfers, and tax the recipient rather than the donor. There have been various proposals around such a policy not least from the Mirrlees/IFS Review of taxation and the Resolution Foundation's Intergenerational Commission. Much greater consideration of this kind of wealth taxation should be given. Similarly, better ways to tax housing wealth (including taxation on house price rises) might help to rebalance the housing market in way that benefits younger generations.

7 September 2018

The Royal Town Planning Institute – Written evidence (IFP0057)

The Royal Town Planning Institute are the chartered professional body and learned society for town planning.

We have over 25,000 members in the private, public, academic and voluntary sectors. As a learned society, we use our research and independent expertise to inform best practice and teaching in town planning, and provide the evidence and thought leadership that shapes policy and thinking.

This submission responds to questions eight and fourteen

We would be more than happy to expand on this short submission, or to otherwise assist the committee in their work, if this would be of value to your work.

Questions fourteen: How does the Government's practice of running public finances on a cash flow rather than on a balance sheet basis affect the intergenerational settlement?

The consequences of the cash flow approach

The UK Government's cash flow rather than balance sheet approach to public spending is deeply damaging. For example, the sale of the public's stake in housing (which started in earnest in 1980) means that the public receives a diminished income from housing assets. Yet the housing benefit bill is around £24 billion a year. A large part of this ends up in the pockets of landlords and acts as a powerful means of increasing property values. As a consequence the supply of good rented homes has been limited. A balance sheet approach would avoid this.

The cash flow approach also means that environmental assets which can deliver for future generations are compromised in favour of lowering public cash flow in the present. And the "asset" of public health is compromised by poor choices around active travel and air quality which are cheap in cash flow terms but which mean higher costs for society in future health care, and again could be helped by treating public health as an asset to be cherished.

Our paper *Settlement Patterns, Urban Form and Sustainability* shows how investment looks in detail at the damage done by poor policies on location of development⁴⁰³. Again it is future generations which will pay the price.

Alternative models are possible

In a paper we drafted for the *UK Government's Foresight Future of Cities* project⁴⁰⁴, we outline how people recognise that cities are in need of investment in infrastructure of all kinds - housing, social, physical and green infrastructure. Having this infrastructure would bring about benefits to the city, its economy and its population down the line, even monetisable benefits, but to achieve this, investment has to take place now.

⁴⁰³ <https://www.rtpi.org.uk/media/2822766/settlementpatternsurbanformsustainability.pdf>

⁴⁰⁴ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/429134/cities-invest-to-save.pdf

How can this be done in cash-strapped circumstances? Investments made by one organisation or part of an organisation at one time may well yield advantages to a different department at a different time. Returns to budget number 2 accrue a long time in the future but costs in budget number 1 are faced now. At a time of constraints on public spending this is a particular challenge.

One model which might address the time delay is the use of bonds. The UK Government has not baulked at a private finance initiative which took in private capital in return for long standing public commitments to payments back to, say, health providers over many years in the future. But, arguably, this was a less pressing need for such a financial instrument because at least costs and benefits are all in one sector in this case. A financial instrument which could handle “diagonal” trade-offs would be a much more imaginative use. For example, it might be possible to have a system in which investments in sustainable transport are financed by the private financial markets, in return for payments from future public health budgets.

Questions eight: ‘How can we ensure that the planning system provides properties appropriate for all generations, including older people?’

In our campaign *16 Ways to Solve the Housing Crisis*⁴⁰⁵, we outline what can be done to address the housing crisis from a number of different angles, but specifically with regards to the planning system. These include:

- Offer permitted sites to pump-primed sites to SMEs
- Let local planning authorities charge the fees they need
- Require a city region wanting a ‘devolution deal’ to have a plan for housing
- Ensuring that national policy provides stronger direction on suitable land for housing
- Encourage innovation in climate change mitigation
- Invest in the next generation of people who will make housing happen
- Allow Local Authorities to be more proactive in land assembly
- Get more Local Plans in place by allowing Inspectors to find plans partially sound
- Align transport and housing more effectively
- Intervene in land market to capture benefits from public transport investment.

Taking the above as a starting point, there five particularly important ways in which the how the planning system currently meets different needs, and how it could be done better.

‘Need’ should be embedded in housing targets

Local Authority Housing targets are derived from an Objectively Assessed Need (OAN) methodology. This uses ONS housing projections of future household formulation as a starting point, then allows the authority to make adjustments based on affordability and any other constraints (e.g. Green Belt).

The criticism of this method is that it focuses on meeting housing *demand* rather than *need* (which is admittedly much more difficult to quantify). Furthermore it

⁴⁰⁵ <https://www.rtpi.org.uk/briefing-room/news-releases/2016/november/rtpi%E2%80%99s-16-ways-to-address-the-housing-crisis-rtpi16ways/>

ossifies future housing provision to existing growth areas. This can limit opportunities for young people in poor regions.

Viability, an issue that has been hotly debated - particularly since the adoption of the NPPF in 2012, and more recently because of revised changes - plays a significant part in these discussions, as it is often cited as a reason why a developer cannot comply with a local plan policy, whether it be policy relating to affordable housing, or more bespoke requirements for specialist housing.

This situation could be improved by addressing need (including for younger and older persons) at a much earlier stage in the plan making process⁴⁰⁶. More specifically, housing need could be better reflected in ONS housing projections as a baseline upon which local authorities can base their Objectively Assessed Need. This would then allow local authorities to have more prescriptive policies within their local plans, which would be less likely negotiated away. The principle of addressing issues (such as viability) much earlier on in the planning process is one which the Government has recently introduced in its revised National Planning Policy Framework and associated planning guidance.⁴⁰⁷

Multi-generational housing design should be encouraged

From the strategic to the local scale, notwithstanding the flexibility of policies, there are some very good examples of planning innovation in the country that have encouraged housing to meet multigenerational needs by design. This is achieved in a number of ways, with local authority planning leadership, imaginative architecture and community consultation all being important.

An increasingly common mantra in the design and planning world is that if you design a house to be adaptable from the outset, you will benefit from huge costs savings later on, as a result of not having to retrofit. To this end, some local authorities adopt what are known as *supplementary planning documents* which can guide developers to designing homes that might better meet multigenerational design. For those areas that are subject to large strategic developments, there are opportunities for local authorities to draw up more prescriptive local master plans which go into more detail than local plans about design requirements. These developments can also encourage continuity of thought from inception, through the planning system to completion.

A frequently cited example of this approach was that adopted by the Olympic Development Agency (ODA) for the London 2012 legacy development. As well as adopting inclusive design guidance⁴⁰⁸, part of the development at Cobham Manor included the concept of a multi-generational homes which would allow for members of a family to live quasi independently⁴⁰⁹.

Planning can do more than provide properties – it is also central to creating equitable places

It is important to note that to address the needs of older and younger people, as much attention needs to be paid to the spaces between properties as the

⁴⁰⁶ This discussion recently played out when the Government consulted on revising the (now adopted) OAN methodology - see RTPi response;

<https://www.rtpi.org.uk/media/2584831/Right%20homes%20right%20places%20response.pdf>

⁴⁰⁷ <https://www.gov.uk/guidance/viability>

⁴⁰⁸ <http://learninglegacy.independent.gov.uk/publications/inclusive-design-standards.php>

⁴⁰⁹ <https://www.ageofnoretirement.org/stories/themultigenhouse>

properties themselves. We have outlined this case in our publication *Place, Poverty and Inequality*⁴¹⁰. The mechanisms for how to achieve equity of place are very similar to those outlined above, regarding the design of housing. At a wider scale, the planning system can help to de-concentrate agglomeration in areas of high demand to make other, more affordable, areas more attractive places to live in terms of employment opportunities and amenities. Our work on the value of planning addresses this in more detail⁴¹¹, as does our Great North Plan project, which lays out a strategic vision for the North of England which goes beyond the Transport and infrastructure strategies currently laid out by the UK Government and the sub-national bodies it has a recently created, and is based on a rigorous and diverse evidence base⁴¹².

Decentralisation of decision making and engagement with local communities are important, but so too is communities' awareness of their own responsibility to meet the needs of future generations

Finally, great efforts have been made to make the voice of local communities louder in the planning system, not least through neighbourhood planning. The principle is highly worthy and deserves credit, though some argue it creates a disjointedness and gives greater barriers to housing delivery. As more weight has been given to this new tier of the planning system, it should be incumbent on those local communities to recognise that with these new powers come responsibility to play their part in meeting housing needs, this includes housing for young and old people.

Planning and the planning system can be powerful tools for ensuring intergenerational fairness, but must be properly resourced for this to be the case

There is a huge role for the planning system to play in promoting intergenerational fairness. However, as we have found in our research *Investing in Delivery*⁴¹³, its ability to do so is being severely curtailed owing to the unprecedented budget cuts facing local authority planning departments. The opportunities for strategic thinking, collaboration, and engagement with communities and developers on an application-by-application basis cannot happen effectively without properly skilled planners and departments to do so.

3 October 2018

⁴¹⁰ https://www.rtpi.org.uk/media/1811222/poverty_place_and_inequality.pdf

⁴¹¹ <https://www.rtpi.org.uk/valueofplanning>

⁴¹² <https://www.rtpi.org.uk/knowledge/research/projects/blueprint-for-a-great-north-plan/>

⁴¹³ <https://www.rtpi.org.uk/investingindelivery>

Fiona Scott – Written evidence (IFP0025)

As an individual replying to the Select Committee I have only answered Questions 1, 3, 6, 7,8,11.

1. Is the intergenerational settlement in the UK currently fair?

I feel this question is designed to draw on feelings of frustration developed in recent years by some sections of the population based on a perception that current older members of the UK population today have somehow prospered at the expense of younger UK generations. The Select Committee have already concluded that the “intergenerational contract” is somehow broken.

It surely should be recognised that many things have changed over the last 50 years and these changes have not come about because of the behaviour, decisions and the working lives of today’s retirees and pensioners. They are separate issues that have occurred at this time and are not caused by, or to do with generational issues. People do not necessarily fit neatly into generational groupings “Baby Boomers”, “Generation X” and “Millennials” – generations are a continuum, assumptions made about each group do not fit everyone in that group and are unhelpful.

- working patterns are different – a higher proportion of people start work later as many more people have the opportunity to go to university than in the past,
- aspirations are different and much higher – most young people today aspire to go to University – this was not an aspiration of, or an opportunity for previous generations
- aspirations in some cases are unrealistic – a survey by “Into the Blue” reported in February 2010 found that over half 1,000 16+ year olds did not want a career but wanted to be famous –
<https://www.independent.co.uk/news/education/education-news/fame-the-career-choice-for-half-of-16-year-olds-1902338.html>
- people are having to work longer because of the effect of lower savings returns for older people which is a result of exceptionally low borrowing rates which, in the main benefit younger generations of borrowers
<https://www.canadalife.co.uk/news/employees-to-work-beyond-65-press-release>

Which generations are better off or worse off, and in which ways?

- standard of living is generally higher for all of today’s generations (admittedly not for everyone) – modern living conditions, central heating, double glazing, inside bathrooms, showers, microwaves, fridges etc. – these were not enjoyed by the majority of older people in society today when they were young
- cheap food/ choice/ availability of food (all year round soft fruits, fresh salads – a wider range of fruit and vegetables than ever before) – % of household income spent on food has gone down
<https://www.npr.org/sections/thesalt/2015/03/02/389578089/your->

[grandparents-spent-more-of-their-money-on-food-than-you-do?t=1536326441166](https://www.bbc.com/news/health-41661166)

- **however, this has come at a VERY HIGH PRICE**
 - for the environment globally and in future this looks to be unsustainable with the world's population still growing – this is without going into the closely related issue of worldwide plastic pollution that has been created at the same time
 - people's health, particularly younger generations are not necessarily benefitting as the nature of unhealthy food and the wide availability of it has is leading us into an obesity crisis which for the most part affects younger generations, not today's older people
 - <https://www.nhs.uk/news/obesity/being-overweight-not-just-obese-still-carries-serious-health-risks/>
 - <https://www.express.co.uk/life-style/health/888936/obesity-crisis-teenagers-health-overweight>
 - <https://www.telegraph.co.uk/news/2018/05/29/health-time-bomb-22000-children-severely-obese-11/>
- <https://www.gov.uk/government/publications/food-statistics-pocketbook-2017/food-statistics-in-your-pocket-2017-prices-and-expenditure>
- recreation, entertainment and culture including eating out and foreign travel are available in a multitude of forms and enjoyed by a high proportion of the population (admittedly not for everyone) – these choices were not available for previous generations,
- cheap clothing and shoes/ shopping are now available in a vast array of choices
- car ownership is much greater than ever before which confers a great many personal benefits/ lifestyle/ job opportunities etc.
 - <https://www.tandfonline.com/doi/pdf/10.1080/17445647.2014.960484?nedAccess=true&>
- credit is easily available and very cheap due to ongoing low interest rates of the last 10-25 years which benefits today's borrowers and disadvantaged savers

Jobs and the workplace

3.To what extent do different generations have a better or worse experience of the labour market?

- the workplace has changed dramatically as has the type of work available – manufacturing and manual work has decreased, other types of work have been created
- working patterns are different, people start work later in life, people need more training and qualifications to enter the workplace
- there is admittedly less security in employment but this also gives greater flexibility so there are pros and cons to all changes in the workplace and working patterns
- employment rights have improved working lives and working experiences dramatically e.g.
 - today's employees have a right to 5 ½ weeks statutory minimum paid leave, previous generations had a statutory right to 1 week (or none)
 - more Bank Holidays (although admittedly not necessarily paid)

- maternity leave/ paternity leave/ parental leave/ flexible working e.g. term time working
- the right not to be discriminated against in the workplace by reason of sex, race, disability and other reasons (since the 1970s/ 1990s)
- Equal Pay on between women and men for work of equal value (by law since 1970) but note there is still a significant gender pay gap
- **NO 100% QUOTA OCCUPATIONS FOR MEN!** This is something that older generations of women entering the workplace had to accept until the early 1970s, young women making their way in the workplace today do not have to face this barrier in career and professional choices – e.g. law, medicine, engineering
- National Insurance contributions – the current requirement is for 35 years of Class 1 contributions to qualify for the new single tier pension – previously it was 44 years for men and 40 years for women – many older people today have paid many more years than the minimum – I myself have paid 42 years (and only get basic state pension)
- “Even when 35 years have been paid, most people work another 10 years and still pay NICs right up to state pension age”
<https://www.moneymarketing.co.uk/issues/29-june-2017/paul-lewis-scrap-national-insurance-contributions/>
- WASPI women – obviously all these women are in the older age group, there is a continuing unfairness for the WASPI women whose state pension ages have gone up with little notice - many have worked many more than the minimum years to qualify for a state pension as they are more likely to have started working at a younger age – this campaign is well documented

Housing

6.To what extent is intergenerational fairness impaired by the UK housing market?

- Is it impaired by any intergenerational issue in the first place? Baroness Altman said
 - **“First, like my noble friend Lord Willetts, I understand the concerns that young people express, particularly when it comes to housing, student debt and irresponsible credit card and loan practices. But those are issues related specifically to the housing market, the financial system and higher education. *They are not really generational fairness factors.*”**
[my italics]
- inflation is very low – previous generations have lived with high rates of inflation particularly in the mid 70s which seriously damaged the overall savings of a generation of older people/ state pensioners at that time
<http://inflation.iamkate.com/>
- interest rates are at historic low rates which has enabled large amounts of secured and unsecured borrowing
<https://www.propertyinvestmentproject.co.uk/property-statistics/uk-interest-rate-history-graph/>
- previous generations struggled to raise the deposits to borrow which were strictly based on wages and salaries and ability to pay – women were not able to borrow in their own names/ or had to have a male guarantor – this is not a barrier faced by women today

7. What has driven the increase in the size of the private rented sector? Which generations are most affected by this and how?

- The increase in house prices has been driven by, amongst other things, a willingness of lenders to indulge in “risky” but profitable lending encouraging people to borrow beyond their means, circa late 1980s, the Northern Rock 125% mortgages
- The boom in house lending and house prices in the late 1980s is when the link between average earnings and average house prices was broken creating a large gap in the housing ladder - fine for those already on it. The gap is unbridgeable for many hence the need to rely on (and the lucky ones!) get support from the bank of Mom and Dad – this benefits the better off/ the middle classes as they are able to help children/ grandchildren get onto this difficult housing ladder and may profit indirectly by doing this by avoiding inheritance tax – many poorer young people have no such luck!
- Baroness Altman from the House of Lords Debate on 26/10/2017
 - **“The enormous rise in house prices across the UK has also driven up rents, which means that tenants of all ages have less disposable income for other expenditure. But that relates to the shortage of new homes and, to some extent at least, the Bank of England’s policy of quantitative easing, which was deliberately designed to inflate asset prices as an indirect means of stimulating the economy. Problems of housing affordability for younger people will not be most effectively solved just by giving young people more money to buy a home. In fact, such policies may further increase upward pressure on house prices. Increasing supply would be more beneficial. We are probably at the top of the housing price cycle. The ratio of house prices to earnings is clearly unsustainable, but it may not last. We have seen house price cycles before. *Indeed, just because house prices have risen and many older people own their own homes does not actually improve living standards for older generations. They live in their homes and their income is not normally improved when house prices rise.*” [my italics]**
- many pensioners are still living in poverty and £3.5 billion in benefit goes unclaimed <https://www.ageuk.org.uk/latest-news/articles/2017/december/300000-more-pensioners-living-in-poverty/>

8. How can we ensure that the planning system provides for properties appropriate for all generations, including older people?

Include provisions for property developers that they must provide accessible/ adaptable homes in all developments – these homes will not necessarily just be needed for older people but will also be needed for younger people in poorer health caused by the ongoing obesity crisis.

Communities

11. In what ways could more active communities help redress imbalances between generations? Are there opportunities for more non-state provided solutions to the challenges faced by an ageing society?

Portrayal of older people in the media seems biased and almost always shows, frail elderly people who genuinely need social and medical care. Older people are rarely portrayed as fit, active and doing many positive things that contribute to society and the economy. More emphasis should be made of the positive side of living a productive life and contributing to wider society as an older person.

- There are over 2 million older people in the UK today who are providing unpaid care, more than half of these older carers have a health condition or disability themselves.
- Of the two million older carers, more than 400,000 are over 80 years old, a third of whom are spending more than 35 hours a week providing care.
https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/late_life_uk_factsheet.pdf

Volunteering – social and economic value

- https://www.royalvoluntaryservice.org.uk/Uploads/Documents/gold_age_economic_2011.pdf
- "Our research finds that older people made a positive net contribution of £40 billion to the UK economy in 2010. Furthermore, as the overall number of people over 65 increases and people remain healthier for longer, opportunities to make a positive contribution through work or volunteering will grow. As a result, by 2030, the positive net contribution of over 65s will rise to an estimated £77 billion."
- Older people can and do make a huge contribution to society through learning activities or involvement with Citizen Science project
- <https://www.u3a.org.uk/about/news-archive/408-u3a-publishes-impact-report-learningnotlonely>
- https://www.tcv.org.uk/sites/default/files/172/files/CSR_olderpeople.pdf

7 September 2018

Shared Lives Plus – Written evidence (IFP0015)

This submission is particularly relevant to questions 9-11.

Overview

1. Our key message is that it is possible to use existing housing stock for new forms of intergenerational living which bring the generations together, tackle isolation and support shortages amongst older people, and isolation and housing shortages amongst younger people. Homeshare is a decades-old model and international movement which achieves this and has great potential to grow in the UK to reach levels already achieved by other countries. Government policy changes and support for awareness-raising would aid this.

What is Homeshare

2. Homeshare is where someone who needs some help or companionship to continue to live independently in their own home is matched with someone who has a housing need and can provide a little support. "Householders" are often older people who have a few support needs or have become isolated or anxious about living alone. "Homesharers" are often younger people, students, or key public service workers who cannot afford housing where they work, but work but are happy to provide an agreed level of low level help or companionship. They help out but pay no or reduced rent and contribute to household bills. Both parties pay £30-50 a week to the local Homeshare programme to cover its costs. In some areas, the young person pays more and the Householder less. There are now more than 20 Homeshare programmes supporting around 400 matches supporting 800 participants.
3. The Homeshare model is increasingly being recognised as a preventive approach that meets the needs of people with low level support needs. Schemes are expanding and/or developing their services in direct response to need amongst specific target groups including; people living with HIV, older males, refugees, people with disabilities. Seven schemes now report to be financially sustainable. We know from evidence gathered as part of our annual surveys and from the evaluation of Homeshare programmes that Homeshare: supports people with lower level needs who may not be eligible for social care support, provides an affordable alternative to social housing, aligns with preventative agendas and fosters resilience through self-care, is a flexible model which can be tailored to local need and Increases good quality affordable local housing options for young people and other key groups

There has been a 42% increase in the past 12 months in the number of people Homesharing. Year on year we are seeing a steady rise in the number of Homeshare matches. Homeshare schemes are becoming financially sustainable with seven schemes now reporting that they are no longer reliant on subsidy from grants or private finance. Only Three schemes are currently wholly dependent on grant funding.

4. Florence who is 95, says “I was very lonely and we all need companionship. It’s quite frightening because you don’t know if you’ll fall or if something is going to happen to you. Also you are bored to tears – you are used to leading an active life and suddenly after my husband died there was nothing, so it’s very important to have somebody coming into the house instead of sitting looking at four walls. Just hearing somebody in the house - and to me now, I hear the key in the lock around about six o’clock at night is wonderful.”
5. Alexandra 27, says she didn’t know anyone in London when she moved there to study. “On a completely practical level it’s a way that I can come to London and do my studies but I wasn’t expecting: I have a new friend, somewhere I can feel safe and not isolated in a big city.”
Media coverage
6. When Luke Smith came to London as a student at the University of Westminster he was horrified by the rents. “By the second year of my studies I was really worrying about debt,” Mr Smith says. “I was paying £215 to sleep on a sofa in a boxroom.” Now he lives in central London with Patsy Bradbury, who is in her sixties, has multiple sclerosis, uses a wheelchair and was looking for company. Luke helps around the house, cooks and gardens when Mrs Bradbury’s husband is away. Luke says that now he can spend money going out. “My friends were unsure, now they all want to do it.” Mrs Bradbury says, “It’s very much a case of give and take. We teach each other different things. I know more than him but he can help with the computers and we’re both interested in politics.”
7. The Guardian featured Homeshare in [an article about shared living](https://www.theguardian.com/money/2018/mar/10/part-family-strangers-sharing-home) (<https://www.theguardian.com/money/2018/mar/10/part-family-strangers-sharing-home>) as did [The Times](https://www.thetimes.co.uk/article/housing-crisis-a-better-future-built-on-many-small-ideas-and-one-big-vision-rfb7lbtcv) (<https://www.thetimes.co.uk/article/housing-crisis-a-better-future-built-on-many-small-ideas-and-one-big-vision-rfb7lbtcv>). Florence and Alexandra’s Homeshare story has been watched 25 million times [here](https://www.facebook.com/bbcnews/videos/2067491269934387/): <https://www.facebook.com/bbcnews/videos/2067491269934387/>. Poppy and John’s story featured in [The Daily Mail](http://www.dailymail.co.uk/femail/article-5332445/Britains-unlikely-flatmates-Poppy-24-John-89.html): <http://www.dailymail.co.uk/femail/article-5332445/Britains-unlikely-flatmates-Poppy-24-John-89.html>.

Shared Lives Plus

8. Shared Lives Plus is a charity and the membership body for the UK’s small network of Homeshare schemes which support around 400 households. We provide good practice guidance, technical advice on rules and regulations, a national website which acts as the ‘front door’ for the all the local programmes, and we bring the UK’s 20+ Homeshare programmes together into a community of practice where they share what works and help each other to improve their service and reach more people. We have developed a

quality scheme and are building tools to help schemes self-evaluate and measure their impact.

9. We are supported by the Big Lottery Fund, Nesta, DH, Cabinet Office, the Welsh Assembly Government, Monument Trust, Ellerman Foundation, NHS England, Pears Foundation and Lloyds Bank Foundation who, with the Big Lottery Fund have invested £2m in growing Homeshare

The challenges to Homeshare in the UK and their solutions

10. The biggest challenge to Homeshare growing in the UK remains low awareness. This is starting to shift, but most people don't realise they could take part in Homeshare and it is only used by around 400 older people in the UK, in contrast to many thousands in a variety of other countries including France, Germany, Belgium, Spain, Australia and the US. The low understanding of Homeshare translates into some barriers and grey areas around benefits, including some where local councils have discretion which they don't currently use, so we are calling for government to back a national campaign and to work with us to clarify, remove or guide councils to create Homeshare-friendly areas.
11. We want to bring Homeshare to 'no coverage areas' including; Northern Ireland, Scotland, Wales and in designated rural settings and our immediate goal is to see Homeshare established in every key city in the UK. We think that this can only be achieved through local areas radically reframing how they go about building inclusive, active and sustainable local communities, taking an 'asset-based' approach which involves looking for, valuing and building all the strengths, capabilities and potential which individuals, households and communities can bring, rather than looking only for people's needs and problems and attempting to 'fix' them. Our work on scaling innovation with SCIE, Nesta and PPL identified approaches which can be taken to identifying successful social innovations and scaling them:
<https://www.scie.org.uk/future-of-care/adults/new-approaches>
and <https://www.scie.org.uk/future-of-care/adults/new-approaches> We worked with Think Local, Act Personal on ten simple ways for areas to become 'asset-based' in everything they do:
<https://www.thinklocalactpersonal.org.uk/Latest/The-Asset-Based-Area-/>.
Our CEO's book examines the lessons to be learned from Homeshare and Shared Lives for the wider public service system: *A new health and care system: escaping the invisible asylum* is published by [Policy Press](https://policypress.co.uk/a-new-health-and-care-system):
<https://policypress.co.uk/a-new-health-and-care-system>.
12. People can be sceptical when they first hear about Homeshare. It has an excellent track record of safety stretching back several decades and the schemes manage the risks inherent in bringing people together through police checking, careful recruitment, matching people and being there in case the match breaks down. Homeshare is for people who may be classed as

vulnerable but who can take responsibility, with support, for their own sharing arrangement. It can be frustrating that councils and some older people’s organisations can become so fixated on the theoretical risks and on their organisational liability if they recommend Homeshare, that they ignore the very real and prevalent risks of loneliness and loss of independence which are facing millions of older people, and the housing crisis facing the young. We need councils, the NHS and the charity sector to start looking at risk through the eyes of the people they purport to serve and we need models of support which recognise and build upon people’s capacity and assets, rather than only being able to see their needs and challenges.

13. We have identified some areas of welfare benefits policy which are currently being reported as barriers to the practicality or affordability of Homeshare for some groups. Several of these appear to be affected by local interpretations of whether a Homesharer should be classed as a lodger (or boarder) for benefits purposes. Homesharers pay no rent, but they do have a licence to occupy and they do usually contribute household bills. These could be addressed by either:

- 13.1. clarification of current rules and regulations
- 13.2. clearer national guidance on the use of existing local discretionary powers
- 13.3. possible changes to regulations which were not framed with Homeshare in mind.

Policy area	Issue and barrier for participation in Homeshare	Solution currently being implemented	Possible policy change
Housing benefit and related benefits	Homesharers currently classed as non-dependents which means housing benefit and related benefits can be reduced (as non-dependents are seen as being able to contribute to household costs). Benefits affected include HB, Mortgage Interest Relief. The amount which a Householder would lose appears to vary considerably.	Matching householders with students who are not classed as non-dependents but this limits the pool of potential sharers. This can be mitigated for the Householder by increasing the fees or household bills contribution made by the Homesharer.	Homesharers could be added to the list of people not classed as Non-Dependents. We understand that this could happen at national or local level. Councils currently lack awareness/ willingness to use any local discretion they have.
Pension tax credits (such as	Homesharers currently classed as non – dependent who can	As above.	Homesharer not classed as Non-

Shared Lives Plus – Written evidence (IFP0015)

guarantee entitlement)	contribute to household bills and support general living costs. This cuts older person's Pension tax credit.		Dependents, as above.
Single person's council tax discount	Local authority council tax is reduced for individuals living on their own. Homesharing implies two people living within one household, which will currently cause the loss of this discount.	Some schemes ask the Homesharer to contribute direct to Householder to cover loss of single person's council tax. Some schemes only take Homesharers from excluded list.	Homesharers to be included on exclusion list for retaining single person council tax entitlement (alongside students, armed forces etc).
Severe disability premium on pension	Loss of severe disability premium on Householder's pension due to living with another person excludes disabled Householders from taking part. While Homeshare cannot meet their personal care needs, a Homesharer alongside a package of traditional support can be key to creating a sustainable care package at home rather than in an institution.	No current solution to meet this barrier other than increasing level of contribution to household bills made by Homesharer.	Change in rules for severe disability premium.

13 August 2018

Dr Hannah Swift, Professor Dominic Abrams and Dr Libby Drury – Written evidence (IFP0038)

Dr Hannah Swift, Professor Dominic Abrams and Dr Libby Drury – Written evidence (IFP0038)

[Submission to be found under Professor Dominic Abrams](#)

TaxPayers' Alliance – Supplementary written evidence (IFP0069)

Supplementary briefing on matters raised by the TaxPayers' Alliance at the House of Lords Select Committee on Intergenerational Fairness and Provision oral evidence session on 27 November 2018.

This briefing consists of four sections:

1. Why the housing crisis is the single most important policy challenge affecting intergenerational fairness.
2. Why freezing the state pension would be the single best tax or benefit measure to address intergenerational unfairness.
3. Why a shortage of housing rather than too little tax on property is the root cause of the housing crisis, irrespective of record high national average floor space per person.
4. Further TaxPayers' Alliance research relating to issues raised at the committee session.

Housing crisis

The housing crisis adversely affects all categories of people except landlords, who benefit from inflated rental incomes and asset wealth, and owner-occupiers who do not wish to increase their housing consumption, who do not suffer from the high cost of housing yet may benefit from the inflated asset wealth should they wish to trade down at some point in future.

Tenures

By contrast, owner-occupiers who would increase their quality of housing if it were cheaper (such as those living in cramped conditions or too far from their place of employment), and those who intend to increase their housing consumption in future (such as people hoping to move to a larger home to accommodate a larger family) suffer. This group has a bigger hurdle to jump, which must be funded through income. In Great Britain, 63 per cent of people lived in owner-occupied housing in 2016.⁴¹⁴

Social housing tenants, 17 per cent of the population in Great Britain in 2016, are largely insulated from the crisis as far as their existing tenancies are concerned, but inflated housing costs make it harder for them to leave the public sector⁴¹⁵ while the shortage reduces their ability to increase their housing consumption when their needs grow.

Worst affected of all, however, are private sector tenants, who represent 20 per cent of the population in Great Britain in 2016. Market rents are set by normal market mechanisms so they bear the full brunt of the shortage of supply relative to demand. Moreover, if and when the relative shortage intensifies, their rents will inflate further to reflect deteriorating imbalance between supply and demand.

The intergenerational consequences are clear when we consider the differences in tenure by age. In 2016-17, 9 per cent of 16-24 year olds were owner occupiers, against 37 per cent of those aged 25-34, 52 per cent of those aged

⁴¹⁴ Ministry of Housing, Communities and Local Government, Live tables on dwelling stocks, Table 102, 20 November 2018, www.gov.uk/government/statistical-data-sets/live-tables-on-dwelling-stock-including-vacants, (accessed 17 December 2018).

⁴¹⁵ Meakin, R., Flexible right to buy, Adam Smith Institute, 2018, www.adamsmith.org/research/flexible-right-to-buy, (accessed 21 December 2018).

35-44 and 78 per cent of those aged 65-74.⁴¹⁶ In other words, older people are much more likely (and younger people much less likely) to enjoy the housing tenure which most insulates people from the effects of the housing crisis. These numbers are reflected in the statistics for private rental tenure.

Among those aged 22-29 in 2011, 39 per cent lived in private rented accommodation, compared to 19 per cent of those in their 30s, 11 per cent of 40-somethings, 7 per cent of 50-somethings and 5 per cent of people over 60. Younger people are much more likely to be in the housing tenure which is most exposed to the effects of the housing crisis.

Housing costs

Housing costs an average of 36 per cent of the income of private renters.⁴¹⁷ That contrasts with 30 per cent for local authority tenants, 12 per cent for owner occupiers with mortgages and 5 per cent for owner occupiers without mortgages. This pattern of higher expenditure on housing and lower owner-occupancy rates might simply be a function of younger people being at an earlier stage in their careers, earning less and having had less time to amass housing assets. But instead the data shows that the problem is as much specific to today's younger people as a generic characteristic of age itself.

Owner occupancy rates at the age of 30 were 41 per cent for those born in the 1980s, compared to 56 per cent for those born in the 1970s, 60 per cent among those born in the 1960s and 62 per cent among those born in the 1950s.

Productivity and incomes

As if the differing impact on housing costs and the consequent ability to save weren't already enough, the housing crisis also affects younger generations disproportionately in terms of income. One of the most powerful mechanisms through which the shortage of housing in high-demand areas affects income levels and productivity is the impact on access to the most dynamic labour markets. Why move to take up a better-paid job if (artificially) inflated housing costs consume much or all of the differential?

The most obvious aspect of this is the way young people are dissuaded (by high housing costs) from moving to or remaining in London. But the phenomenon affects most areas where employment prospects are strong but housing supply growth is constrained, such as Bath, Bromsgrove, York, Oxford and Cambridge. Median net household equivalised income at the age of 28, adjusted for inflation at 2014-15 prices, was £14,900 for those born in the 1950s, £20,700 for those born in the 1960s and £28,100 for those born in the 1970s. That strong growth enjoyed by older generations has reversed, however. Despite their worsening housing costs, the figure for those born in the early 1980s fell to £27,300.⁴¹⁸

Wealth

This combination of higher housing costs and lower incomes for younger generations compared to what older generations enjoyed at the same age has had predictably catastrophic effects on wealth levels for the young. At the age of

⁴¹⁶ Ministry of Housing, Communities and Local Government, English Housing Survey 2016-17, 2018, www.gov.uk/government/statistics/english-housing-survey-2016-to-2017-home-ownership (accessed 21 December 2018).

⁴¹⁷ Corlett, A. & Judge, L., Home Affront: housing across the generations, Resolution Foundation, 2017, p. 30, www.resolutionfoundation.org/app/uploads/2017/09/Home-Affront.pdf, (accessed 21 December 2018).

⁴¹⁸ Hood, A., Seven reasons it helps to have rich parents, BBC, 23 April 2017, www.bbc.co.uk/news/uk-39519844, (accessed 21 December 2018).

31, net household wealth including property and pensions was £53,500 for people born in the 1970s, compared to £27,500 for those born in the 1980s.⁴¹⁹

Conclusion

The scale of the housing crisis's impact on the whole economy is enormous. Economists have estimated that the restrictiveness of the planning restrictions which cause it could be responsible for preventing GDP from growing by as much as half its current size.⁴²⁰ This alone makes reform one of the most pressing imperatives for any government serious about improving living standards and productivity. But the way its impact is felt most by younger generations due to its spatial and tenure characteristics makes it all the more pressing, and why it should be seen as easily the most important area for improvement in intergenerational fairness.

State pension

As governments since the financial crisis have sought to rehabilitate the public finances from their sorry state, spending across the public sector has come under particular pressure in all but four areas: international aid, the NHS, schools and old age benefits. Given that marginal spending is deficit-financed, all spending will be funded by future taxpayers so the intergenerational dimension should be self-evident.

Beyond this, there is little cross-generational impact from international aid spending (£10.9 billion last year⁴²¹), and schools spending (£71.7 billion last year) is clearly enjoyed by the young if you allocate it to the children themselves and in many cases also if you allocated it to their parents. Health spending (£145.8 billion last year) is primarily incurred for the benefit of older generations, meanwhile, because healthcare needs are strongly correlated with age. Nonetheless people of all ages can make use of it.

That cannot be said for age-related benefits such as free travel, free television licences, winter fuel payments and, of course, the state pension (£113.6 billion last year). While many departmental budgets were cut and as real incomes from employment fell, not only did the government fail to keep the state pension down, it offered an unsustainable, irresponsible pledge to keep increasing it under a "triple lock" of the highest of either prices, wages or 2.5 per cent.

Conclusion

It was egregiously unfair to offer to be so generous with future taxpayers' money for the benefit of current pensioners at a time of "austerity" when, nonetheless rightly, tuition fees were being tripled, housing benefit was being restricted to younger claimants and, unfortunately, the housing crisis continued to worsen at particular expense to younger people.

While there is a strong case to accelerate the raising of the state pension age instead, freezing the state pension may provide better symbolic value to demonstrate that payments to older voters' incomes will no longer rise disproportionately rapidly.

Property tax and affordability

⁴¹⁹ Ibid.

⁴²⁰ TaxPayers' Alliance, Planning restrictions and the housing crisis, 2018, www.taxpayersalliance.com/1_planning_restrictions, (accessed 21 December 2018)

⁴²¹ Tables 1.2 and 5.2 in HM Treasury, Public Expenditure Statistical Analyses 2018, 2018, assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/726871/PESA_2018_Accessible.pdf, (accessed 21 December 2018).

Finally, we would like to add further information to supplement the discussion with Professor Sir John Hill responding to question 180. He said we have:

“more residential floor space per person than we have ever had, and yet we have a housing crisis. One of our problems is that we are not making optimal use of the space we have.

Regardless of whether the overall level of the property tax is right, there is an equity issue in the relativity between what people in less valuable and more valuable property pay. I looked last year at a flat in Kensington for sale for £300,000 and a house for sale a mile away for £30 million. The council tax in Kensington and Chelsea payable by the £30 million house was £24 a week higher than that for the £300,000 flat.”

As I said in response to his remark at the time, the narrow differential in council tax compared to the property sale prices is not the reason why we have a housing affordability problem. Were we to raise council tax on expensive properties to make them more closely reflect values then that would be reflected in the properties' market valuations. Buyers would adjust their budgets to reflect the adjusted financial penalty of tax on ownership. The purchase price would fall but the total cost of ownership should remain unchanged.

The same logic holds in reverse for ownership of cheaper properties: cutting council tax on them would result in higher market valuations, but they would not become less affordable because the total cost of ownership should remain unchanged. What matters to affordability is the supply relative to the demand, and this is where a more careful consideration of Professor Sir John Hill's comments regarding residential floor space is required.

It is true that we have more residential floor space per person than ever before. But two further aspects must be considered: expectations and distribution.

Expectations

According to IFS research, mean floor space per person in England rose from 35.0 square metres in 1996 to 36.4 square metres in 2012. However, one factor driving the increase in floor space per person has been the fall in average family sizes. During the 1980s, the average size fell by 7.9 per cent. But in the 2000s, it fell by just 0.7 per cent.⁴²² And since 2012, the decline in average household sizes has reversed slightly, increasing from 2.36 to 2.39 in 2017.⁴²³

The important thing about the relationship between household and family sizes to floor space per person is that they are negatively correlated to requirements for space per person. Twice as many people in a single home do not require twice as much space for kitchens, bathrooms and living rooms as one person. Compare two couples sharing a property against them each living in accommodation with half the floor space. The floor space per person is the same, but the standard of accommodation, disregarding the value of more exclusive use, is likely to be higher for the sharers. Of course, people trade off exclusivity with access to otherwise better accommodation, typically accepting smaller rooms in exchange for being able to live without having to share (except for partners and children).

⁴²² Belfield, C., Chandler, D. & Joyce, R., Housing: Trends in Prices, Costs and Tenure, Institute for Fiscal Studies, 2015, election2015.ifs.org.uk/article/ifs-election-publications, (accessed 21 December 2018).

⁴²³ Table 1.3 in Mayor of London, Housing in London 2018 tables, 2018, data.london.gov.uk/dataset/housing-london, (accessed 21 December 2018).

The implication is that the slowdown and slight reversal the average size of households may have been a result of a shortage of floor space. Some types of people may be sharing more than they used to because, for them, floor space is less available and they are responding to that by sacrificing privacy for larger (but shared) rooms. One indicator of this is the share of those aged between 20 and 34 living with their parents, which has steadily climbed since 1999, from 20 per cent to 26 per cent in 2017.⁴²⁴

Across the whole housing market the total floor space per person may be rising but if that increase is concentrated among only some groups then other groups might still find their floor space per person unchanged or reducing. If the improvement is enjoyed by groups who are largely already living only with partners then their improvement may have little impact on the average number of people per dwelling. But if the deterioration is experienced by groups who were already at the margin of a trade-off between exclusivity and other factors, they may respond to the deterioration by sharing more, including by living with parents for longer.

In a successful economy where incomes are growing, we would expect space per person to rise as people spend their increased incomes on more private accommodation, being more selective about who they share with. But the trend of falling average household sizes has slowed down, stopped and then reversed as the proportion of younger adults living with their parents has steadily crept up.

Distribution

The national picture relating to floor space per person, household sizes and living with parents has been more pronounced in London. Instead of rising as in the rest of England, the average floor space in London has shrunk from 31.7 square metres in 1996 to 30.3 square metres in 2012. Similarly, the proportion of younger adults living with their parents has risen more rapidly, growing by 41 per cent compared to 32 per cent nationwide.

In the 1980s and 1990s, the average number of people per dwelling was lower in London than England as a whole while both were falling. But in 1995 it stopped falling in London. By 1999 they had equalised as London's rate rose to match the still-falling rate in England. It took until 2011 for the rate to start rising across England, although the East and South East regions had already begun to grow a few years earlier.

Nonetheless, numbers for the South West, the North West, the North East and Yorkshire and the Humber are at record lows. This reflects the spatial nature of the housing crisis, which is concentrated on places with good access to well-paid employment. The fact that floor space per person is at a record high is not much use when it's increasingly scarce near where the jobs are. Access to employment opportunities matters a lot to younger generations but less so to retirees.

Tenure matters, too. Space per person may have risen overall but this improvement has only been enjoyed by owner-occupiers, a tenure increasingly represented among older age groups. Even in London, people who own their own home have enjoyed an increase in average floor space from 34.3 square metres per person in 1996 to 37.1 square metres in 2012, while in the rest of England it rose from 37.5 to 41.1 square metres. Average floor space for people in the private rented sector however has collapsed, from 36.0 square metres per

⁴²⁴ Figures are an average of the three years up to the stated year, from table 2.4, Mayor of London, Housing in London 2018 tables, 2018, data.london.gov.uk/dataset/housing-london, (accessed 21 December 2018).

person in 1996 to 30.4 square metres per person in 2012 outside London. Within London, the numbers fell by 25 per cent, from 31.0 to 23.1 square metres per person.

Conclusion

The latest data, from 2012, indicates that national floor space per person was at an all-time high but the national picture masks rapidly falling floor space per person in the locations near highly paid jobs where people want to live. Additionally, floor space per person in the tenure most dominated by younger generations, private rented tenancy, has fallen sharply. The situation has almost certainly deteriorated further since 2012. But raising property taxes won't help affordability for new buyers, it will just shift some of the expected cost of ownership from the purchase price to tax liabilities. Affordability is determined by relative scarcity of supply.

Further research

Stamp duty

Tax briefing note: stamp duty land tax.

www.taxpayersalliance.com/stamp_duty_land_tax_briefing

The 25 prominent voices who support abolishing stamp duty.

www.taxpayersalliance.com/the_25_prominent_voices_who_support_abolishing_stamp_duty

Tobacco duty

Smoking prevalence in the UK is 18 per cent among 18-24 year olds and 20 per cent among those aged 25 to 34. This contrasts with 15 per cent among 55-64 year olds and 8 per cent among the over 65s. Among those aged 35-54, the rate is 17 per cent.

ONS, Smoking habits in the UK and its constituent countries.

www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandlifeexpectancies/datasets/smokinghabitsintheukanditsconstituentcountries

Tax briefing note: tobacco duty.

www.taxpayersalliance.com/tobacco_duty_briefing

Tax burden

Briefing: five more years of historic high tax burden.

www.taxpayersalliance.com/briefing_five_more_years_of_historic_high_tax_burden

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Tax briefing note: national insurance.

www.taxpayersalliance.com/national_insurance_briefing

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www.taxpayersalliance.com/young_people_and_national_insurance

Property taxes

Property taxes in the UK and the regions.

www.taxpayersalliance.com/property_taxes_in_the_uk_and_the_regions

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Tax briefing note: inheritance tax.

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Housing crisis and planning reform

Productivity dirty dozen: 12 policy failures.

https://www.taxpayersalliance.com/productivity_policy_papers

Kristian Niemietz, 'government should reduce the demand for welfare', in The Spending Plan, pp. 28-50.

www.taxpayersalliance.com/the_spending_plan_report

The Spending Plan policy 12: reform planning rules to reduce housing benefit bills

www.taxpayersalliance.com/the_spending_plan_policy_12_reform_planning_rules_to_reduce_housing_benefit_bills

State pension

The Spending Plan policy 1: freeze the basic state pension and minimum income guarantee in 2016–17, then uprate with CPI.

www.taxpayersalliance.com/the_spending_plan_policy_1_freeze_the_basic_state_pension_and_minimum_income_guarantee_in_2016_17_then_uprate_with_cpi

Universality and fiscal churn

'Fiscal churn should be minimised', in The Spending Plan, pp. 17-25.

www.taxpayersalliance.com/the_spending_plan_report

28 December 2018

Trades Union Congress – Written evidence (IFP0046)

Introduction

The Trades Union Congress (TUC) is the voice of Britain at work. We represent over 5.5 million working people in 50 unions across the country. We campaign for more and better jobs and an improved working life for everyone, and we support trade unions to grow and thrive.

The TUC welcomes the opportunity to give evidence to the House of Lords Intergenerational Fairness and Provision Committee. As the voice of trade unions, our submission focuses on workplaces, the labour market and the wider world of work.

There has been significant public policy debate about the prospects of today's young workers. The TUC welcomes this examination. However, the core issue is not that the relative wealth of some older people drives young workers' poorer prospects. Rather, we must address the structural issues which are affecting an increasing number of workers of all ages. Our recent report from June this year, "Stuck at the start" examines the structural issues in the labour market which particularly impact upon the jobs and lives of young workers.⁴²⁵

Framing the debate as "young vs old" fails to recognise inequalities within generations. The significant disadvantage suffered by many young people should not blind us to the fact that many older people also face it. The poverty rate for pensioners – defined as 60 per cent of median income after housing costs – has halved since 1994/95 but still stands at 14 per cent. This means that 1.5m pensioners live in poverty. Worryingly, progress on pensioner poverty has stalled in the last five years.⁴²⁶

In summary, the TUC does not think a debate that pits young against old is particularly useful when assessing how to ensure greater fairness between generations. Instead, the Select Committee should consider how to tackle the structural issues that affect workers across the labour market. This would not only benefit those at the sharp end of the labour market but would foster greater fairness amongst workers of all ages.

⁴²⁵ TUC (2018). "Stuck at the start: young peoples' experiences of pay and progression"

⁴²⁶ Joseph Rowntree Foundation (2016). "Monitoring Poverty and Social Exclusion 2016".

Recommendations for action

1. Pay

- The government should increase the National Living Wage to £10 per hour as quickly as possible, and include 21- to 24-year-olds in the adult rate;
- The government should increase the minimum wage rates for under 21s and apprentices, and prioritise the enforcement of the national minimum wage;
- The government should support unions to bargain for better pay and conditions, including allowing unions to access workplaces to tell workers about the benefits of joining a union.

2. Security

- The government should introduce a package of rights to significantly reduce insecure work, including closing the loophole that means agency staff can be paid less than employees doing the same job, and ban the regular use of zero-hours contracts;
- The government should introduce the right to a premium for working any non-contracted hours and compensation when shifts are cancelled at short notice, for all workers;
- All workers should have access to the same rights from day one in their jobs, including family friendly rights;
- Employers should create genuinely flexible, well-paid, part-time work at all levels of an organisation, particularly for supervisory and managerial roles.

3. Skills and training

- The government should give all workers the right to time off for training and introduce a national personal learner account scheme, ensuring low income adults, the unemployed and those facing redundancy can access fully funded retraining courses of their choice;
- The government should develop an entitlement to face-to-face careers guidance for all workers, and introduce the right to a mid-life career review for workers aged 50;
- The government should reverse cuts to Further Education and increase investment in both workforce and out of work training in line with the EU average in the next five years;
- Employers should invest in high quality in-work training and skills development for existing as well as new staff. Training and promotion opportunities should be designed so that they are transferable to other employers and are a real option for part-time workers;
- Employers should ensure all apprenticeships include high quality learning components, adequate time off the job to learn and train, and be paid a decent wage. Employers should concentrate on increasing the participation of underrepresented groups in those apprenticeships that lead to secure, decently-paid careers, for eg. women and BME workers.

4. Health, safety and dignity at work

- The government should reinstate Section 40 of the Equality Act, ensuring a specific duty on employers to protect workers from third party harassment;
- Employers should recognise their duty of care to workers and take proactive steps to tackle harassment at work, including third party harassment, such as the introduction and enforcement of zero-tolerance policies, workforce training and include violence and harassment in health and safety risk assessments;
- Employers should include future health and safety risks when undertaking workforce planning exercises, and the steps they need to take to prevent the workplace health and safety issues of the future;
- Health and safety reps and equality reps ensure workplaces are healthier, safer and more equal. The government should ensure they have the right to adequate facility time, and employers should recognise the benefits they bring and allow them to access facility time.

5. Pensions

- The government should proceed quickly with implementing the conclusions of its review of automatic enrolment, including reducing the starting age to 18, and calculating contributions based on the whole of a worker's salary rather than the current "qualifying earnings";
- The government should further increase minimum employer contributions – the proposed 8 per cent minimum total contribution is still inadequate to ensure a decent retirement;
- The government should abolish the earnings trigger so those earning under £10,000 are automatically enrolled into a pension from day one of the job;
- Young workers with small workplace pensions will rely on the state pension in their old age. The triple lock must be retained as a minimum to raise the value of the state pension to ensure all workers can expect a decent retirement.

6. Voice at work

- The government should give unions a right to access workplaces to tell individuals about the benefits of joining a union;
- The Industrial Strategy Commission, which the government intends to set up, should be a tri-partite body involving unions, employers and independent experts and should focus on how best to manage the introduction of new technology in the workplace;
- Government should make it mandatory for elected worker directors to comprise one third of the board at companies with 250 or more staff;
- Employers should agree new technology agreements with recognised trade unions where any new technology can only be introduced with worker consent.

Is the intergenerational settlement in the UK currently fair? Which generations are better off or worse off, and in which ways?

It is true that young people are currently on the sharp end of many of the worrying trends we see in today's world of work:

- Young people have been the hardest hit by the fall in real wages. The TUC found that while the average 21 to 30-year-old employee has seen a real term improvement of £1.07 an hour in 2017 compared with 1998, the average 31 to 64-year-old employee is £2.37 an hour better off. This has meant that the average pay gap between younger and older workers has doubled in the last twenty years, from 14.5 per cent in 1998 to 21.9 per cent in 2017;⁴²⁷
- Young people make up the largest group of workers in many forms of insecure work: those aged 16-24 are the group most likely to be working on a zero hours contract or in agency or casual work. In fact, 40 per cent of workers on a zero-hour contract are under 25;⁴²⁸
- While employee jobs growth has been slower for 21 to 30-year-olds than 31 to 64-year-olds in the last 20 years, the jobs growth that has taken place has been concentrated in low-paying sectors – the private education sector, for example, has seen a 250 per cent increase in 21 to-30-year-old workers since 1998, and yet the average real term hourly pay increase for this age group working in this sector was only 11 pence;⁴²⁹

These poor prospects for today's young people are sometimes seen as the result of a distributional conflict between generations – with older workers, and in particular the retired, using up resources that would otherwise be able to be spent on addressing the issues these young people face.⁴³⁰

However, the TUC believes that there is little evidence to support this account. While older people are on average wealthier than younger people, some degree of inequality is to be expected due to the cycle of accumulation during one's working life. We believe that viewing society primarily through the prism of intergenerational inequality risks overlooking other important elements, including how structural issues in the labour market impact on workers of all ages.

What are the future prospects for different generations in the light of current economic forecasting?

The current generation of young people have entered the labour market at a time when productivity and GDP growth are exceptionally weak. UK productivity grew by just 0.2 per cent a year between 2007 to 2017 - the lowest productivity

⁴²⁷ TUC (2018). "Stuck at the Start: young workers' experiences of pay and progression"

⁴²⁸ TUC (2016) "Living on the Edge: The rise of job insecurity in modern Britain"

⁴²⁹ TUC (2018). "Stuck at the Start: young workers' experiences of pay and progression"

⁴³⁰ www.theguardian.com/society/2018/apr/29/millennials-struggling-is-it-fault-of-baby-boomers-intergenerational-fairness (accessed September 2018)

growth figure since the decade to 1817.⁴³¹ TUC analysis shows that workers who entered the workforce in the post-war years, or who retired in the 1990s and early 2000s, experienced GDP growth per capita 50 per cent higher than younger workers who started work from 1996. The same group experienced GDP per capita growth around six times greater than those who started out around the time of the financial crisis.⁴³²

For those entering the labour market during this period, exceptionally low wage and productivity growth is all they have known. Workers born between 1981 and 2000 are the first generation to experience lower income gains than previous generations when entering the labour market.⁴³³

If the current economic trends continue without intervention, there will be significant negative impacts upon all generations, not just the current cohort of younger workers.

Focusing on the impacts of the current economic outlook on workers of different ages, we are concerned about the overrepresentation of young workers in low paid sectors, on insecure contracts with limited opportunities to gain the skills and training they need to progress, especially when the scarring impacts of low pay, insecure work and time out of the labour market is linked to low income in retirement.⁴³⁴

We are equally concerned about the lack of opportunities for older workers to access careers guidance and ways to help them retrain to help them progress, move careers, or when returning to work after a period out of the labour market. We also highlight findings around the persistence of pensioner poverty, and how the current system disproportionately impacts on low paid workers without their own recourse to savings.

The TUC has set out a number of recommendations in this report that government and employers can act upon to ensure all workers – and particularly those at the sharp end of the labour market – have a more equal and stable share in economic prosperity.

To what extent do different generations have a better or worse experience of the labour market?

The TUC believes that young workers are getting a raw deal at work, characterised by low pay, insecurity and a feeling that nothing can change. This is not through a lack of trying, as many of the barriers facing young workers are structural and outside of their individual control.

⁴³¹ Tily, G (2018) "Don't get too excited about the latest productivity figures, we're in the worst decade of growth for two centuries". TUC website.

⁴³² TUC (2017). "I feel like I can't change anything": Britain's young core workers speak out about work."

⁴³³ Resolution Foundation and Intergenerational Commission (2018). A new generational contract: the final report of the intergenerational Commission.

⁴³⁴ Keen, R (2016). Pensions and Pensioner Incomes 2016

These realities are rarely due to direct age discrimination (with notable exceptions, such as 24-year olds being excluded from the adult National Living Wage rate) but are the result of several issues as we outline below. The junior position young workers tend to hold in the labour market means they are likely to have less knowledge, experience and power in the workplace than their older colleagues. This has led to young workers, as a group, being more likely to experience the sharp end of the labour market, such as insecure work, lower pay and harassment.

Young workers are not a homogenous group, and some of the barriers facing young workers are exacerbated through other labour market discrimination. For example, a young BME woman is more likely to be working on a zero-hour contract than a young white man, given that BME workers and women workers are most likely to be on zero-hour contracts along with young workers.⁴³⁵

The TUC has identified the areas where, overall, young workers (defined for this purpose 21 to 30-year olds, unless otherwise stated) have disproportionately negative experiences of the labour market compared with older age groups.

7. Wage stagnation

Despite some improvement in employment outcomes - 79 per cent of today's 21 to 30-year olds are in work, compared with 76 per cent of the 21 to 30-year olds of two decades ago - today's young workers have entered the labour market at a time of wage stagnation and low economic growth. Young people do not enjoy the same progression in work as previous generations. The UK is experiencing the longest squeeze on earnings since Victorian times, and the UK's recovery from the 2008 crash remains weak, with average earnings still £1000 below their pre-crisis levels.⁴³⁶

In most industries, older workers have pulled away from younger workers, with larger real pay increases. While the average 21 to 30-year-old employee saw a real term improvement of £1.07 an hour in 2017 compared with 1998 (equating to £42.80 a week or £2,226 a year), the average 31 to 64-year-old employee today is £2.37 an hour better off in terms of real spending power (£95 a week, or £4,930 a year).

8. Concentration in low-paying jobs

Analysis of the sectors young workers are employed in can help to explain their low pay growth over the past twenty years.

Employee jobs growth has been slower for workers aged 21 to 30 than for 31 to 64-year-olds since 1998 (15 per cent compared with 18.9 per cent).⁴³⁷ The growth that has occurred for younger employees has been heavily concentrated in five major sectors - wholesale and retail, real estate and business services, hotels and restaurants, health and social care, and education - bringing in one and a quarter of a million young employees since 1998, equating to a 46.2 per

⁴³⁵ TUC (2017). "The gig is up: trade unions tackling insecure work"

⁴³⁶ TUC (2018). "*Living on the Edge: Experiencing workplace insecurity in the UK*".

⁴³⁷ TUC (2018). "Stuck at the start: young workers experience of pay and progression"

cent increase. This far outstrips the overall 15 per cent growth in employee jobs for all employees aged 21 to 30.

The past two decades witnessed an increase of more than half a million more 21 to 30-year-old employees working in education, health and social services. However, around half of this increase was in the private sector (+298,000). Private sector social care has greatly expanded during the past 20 years and is generally low paid. Support services have tended to be privatised, whereas professional occupations are generally kept in-house, so the growth of young people's employment in these sectors is more likely to be in lower paying occupations.⁴³⁸

The hotel and restaurant industry has seen an increase of 80.6 per cent in the number of young employees in the last twenty years. This is the lowest paying sector for all workers in 2017 when assessing average hourly earnings.⁴³⁹

Although growth was slightly lower than average in the wholesale and retail sector, it employs over one in six 21 to 30-year-old employees (16.8 per cent), compared with one in eight jobs for all workers, and is therefore the largest industry employer of this age group. Retail accounts for over 10 per cent of the country's economic output, but is an industry suffering from high staff turnover, low pay and traditionally limited investment in staff progression routes. A report commissioned by the TUC looking at workers' experiences in the retail sector found that it is the worst performing industry for workers' pay and progression, and has developed a reputation as a place where people get stuck rather than get on.⁴⁴⁰ More than a quarter (27 per cent) of retail employees aged under 30 who were in low-paid work in 2001-2004 were in the same situation in 2014-2016, compared to only 1 in 10 across the economy as a whole.⁴⁴¹

9. Lack of access to training and skills

Today's young workers are the most qualified generation in the labour market, continuing the trend of increased educational attainment through the generations – the proportion of young workers with a degree has increased from 27 per cent in 1998 to 44 per cent in 2017.⁴⁴² However, young graduates today do not receive as significant an uplift in their earnings as those in 1998, with a real terms loss in median hourly wages for 21 to 30-year-olds with a degree or higher education qualification today compared with this cohort two decades ago.⁴⁴³ Previous TUC analysis has shown that young people are significantly more likely to be underemployed than older workers, and this is especially true for young people aged 18 to 24.⁴⁴⁴

⁴³⁸ *Ibid.*

⁴³⁹ *Ibid.*

⁴⁴⁰ Harrop, A and Tait, C (2018). *"Pathways to progression: improving progression rates for young retail workers"*, Fabian society

⁴⁴¹ *Ibid.*

⁴⁴² Labour Force Survey, autumn quarters 1998 - 2017

⁴⁴³ TUC (2018). "Stuck at the Start: young workers' experiences of pay and progression"

⁴⁴⁴ www.theguardian.com/business/2012/sep/04/young-low-skilled-underemployment-tuc (accessed August 2018)

With higher qualifications not necessarily paying off for today's young workers as much as for previous cohorts, more and more rely on training in work to help them progress into secure, well-paid work. However, one third (33 per cent) of employers admitted to not providing any sort of training for their staff in 2015.⁴⁴⁵ This rises to 37 per cent for employers in the hotels and restaurant industry, and 40 per cent in the wholesale and retail industry. Additionally, the type of contract or hours that are available to workers often dictates the training and career opportunities they are offered. Workers on lower level jobs and on part-time and temporary contracts are less likely to be offered training or opportunities to progress.⁴⁴⁶

The overall picture on adult skills investment remains very weak. Employer investment in continuing vocational training in the UK per employee is half the EU average and fell by 13.6 per cent in real terms between 2007-2015.⁴⁴⁷ The government cut its adult skills budget by 41 per cent between 2010-2011 and 2015-2016,⁴⁴⁸ further reducing learning and skills opportunities for young workers and adult learners. Apprenticeships do not guarantee good quality training, with one in seven (14 per cent) of apprentices not receiving any formal training in 2017, despite regulations stipulating all apprentices are entitled to one fifth of their working time for off-the-job training.⁴⁴⁹

Older and longer-serving employees are often overlooked for upskilling, training and promotional opportunities at work. This is often because they have demonstrated they are competent at their work and assumed to be settled in their jobs.⁴⁵⁰

An additional barrier to participation in further skills and training has been the introduction and expansion of Further Education student tuition loans since 2010, which are now mandatory for an increasing number of college courses aimed at adults. The TUC has long argued that this was a short-sighted approach to adult skills. This is even more the case in light of the projected growth in skills gaps and potential shortages of skilled migrant labour that is likely to be triggered by Brexit.⁴⁵¹ While the government's 2017 Budget clarified that it will spend up to £40 million by 2018-19 "to test different approaches to help people retraining and upskill throughout their working lives", this is a relatively insignificant amount compared to the scale of the challenge.

⁴⁴⁵ UK Commission for Employment and Skills (UKCES) (2015) "*Employers skills survey*" (91,000 employers)

⁴⁴⁶ TUC (2018). "*Living on the Edge: Experiencing workplace insecurity in the UK*"

⁴⁴⁷ IPPR (2017). "Another Lost Decade: building a skills system for the economy of the 2030s"

⁴⁴⁸ Foster, D (2018). "*Adult Further Education Funding in England Since 2010*". *House of Commons Library briefing*

⁴⁴⁹ Department for Education (2017). "*Apprenticeships evaluation 2017: learners survey*"

⁴⁵⁰ Flynn, M. (2014). "Representing an ageing workforce: challenges and opportunities for trade unions". *TUC*.

⁴⁵¹ www.tuc.org.uk/blogs/why-investment-public-services-skills-and-working-conditions-can-restore-public-trust (accessed August 2018).

10. Insecurity at work

Insecurity at work is an increasing problem for all age groups. Some argue that self-employment, short-hour or even zero-hour contracts offer flexibility for people to work around family commitments, supplement income and gain new skills. However, TUC findings disprove this narrative.

One in nine workers in the UK are in insecure jobs, approximately 3.8 million people who work in either agency, casual and seasonal work, on zero-hours contracts or in low paid self-employment.⁴⁵² However it is younger workers who disproportionately bear the brunt of this insecurity, not the employers. The TUC has found that 40 per cent of workers on agency contracts or in casual work are aged 16-24,⁴⁵³ and 36 per cent of workers on zero-hours contracts are under 25.⁴⁵⁴ Median pay for a zero-hours contract worker is a third (£3.50) less an hour than for an average employee. Over two thirds of the zero-hour contract workers that the TUC has spoken to told us they would prefer jobs with guaranteed hours.⁴⁵⁵

Our research suggests that insecure workers are spread across a range of industries:

- Those on a zero-hours contract are most likely to be working in accommodation and food (25 per cent), health and social work (22 per cent), and transport, arts and other services (14 per cent);
- Those working on a temporary basis are most likely to be working in education (21 per cent), health and social work (14 per cent), and accommodation and food (11 per cent).⁴⁵⁶

These findings support our earlier analysis about the growth of young workers in low-paying jobs in the last twenty years. Two thirds (36.1 per cent) of 21 to 30-year-olds are in caring, sales or elementary roles compared to 25.8 per cent of 31 to 64-year-olds.⁴⁵⁷ While it is to be expected that older workers are in higher occupational groups due to the time they have spent in the labour market, workers in caring, sales or elementary roles have higher levels of insecurity in their contract type and employment rights,⁴⁵⁸ and experience lower pay and progression rates⁴⁵⁹ – both of which affect younger workers disproportionately.

11. Health, safety and dignity at work

⁴⁵² Klair, A (2018). "1 in 9 workers are in insecure work", TUC website.

⁴⁵³ TUC (2018). "Living on the Edge: Experiencing workplace insecurity in the UK"

⁴⁵⁴ Inam, P (2016). "More than 900,000 UK workers now on zero-hour contracts", The Guardian.

⁴⁵⁵ <https://www.tuc.org.uk/news/two-thirds-zero-hours-workers-want-jobs-guaranteed-hours-tuc-polling-reveals>

⁴⁵⁶ TUC (2018). "Living on the Edge: Experiencing workplace insecurity in the UK"

⁴⁵⁷ TUC (2018). "Stuck at the Start: young workers' experiences of pay and progression"

⁴⁵⁸ TUC (2018). "Living on the Edge: Experiencing workplace insecurity in the UK"

⁴⁵⁹ Devins, D et al (2014). "Improving progression in low-paid, low-skilled retail, catering and care jobs", Joseph Rowntree Foundation.

The TUC has undertaken significant research into bullying, harassment and discrimination at work. Many of these findings, as well as our research into young workers' experiences of work, show that young workers disproportionately experience bullying and harassment at work compared to other age groups. Shockingly, our 2016 report into sexual harassment showed that while over half of all women polled and surveyed had experienced sexual harassment at work, this increased to 68 per cent of women aged 18 to 24.⁴⁶⁰ A significant issue for young workers is third party harassment, such as harassment from customers, clients, patients and business contacts. Rude and abusive customers is the number one workplace issue for median to low paid 21 to 30-year olds, who overwhelmingly work in retail, hospitality, health and social care.⁴⁶¹

Health, safety and prevention remains an important consideration for older people in work too. Differences in occupation, working pattern, working environment, sex and the general health of older workers will determine what support and adjustments should be available to them to help them continue to work. Ill-health remains the main reason for labour market inactivity for people in their fifties (44 per cent of those aged 50 to 59 who are inactive are long-term sick or disabled according to the Labour Force Survey), and 30 per cent of those who are inactive for health reasons would like to return to work.⁴⁶²

It is important for employers to remember that the current cohort of younger workers will not necessarily have the same risks when they become older workers. The workplace health and safety risks that are common today such as stress, musculoskeletal problems and some occupational cancers may reduce or increase in risk depending on the changes to the type of work, the technology used to carry it out, and changes to the workplace itself. For example, given that workplace harassment is more likely to impact upon workers who are on insecure contracts and without trade union representation, the stress, mental health problems and poorer performance experienced as a result of harassment⁴⁶³ may increase if the trend of insecurity at work and a limited voice at work continue. To prevent these health and safety issues from being exacerbated, employers must consider the future risks - and the mechanisms to prevent these risks - when undertaking workforce planning exercises.

12. Pensions

Inequalities in pension provision between the generations are often explained by a simplistic narrative. This states that older people benefit from generous defined benefit (DB) pensions (that pay an income based on salary and service) and a state pension that rises ahead of earnings. Meanwhile, the cost of this provision means employers are bearing down on the wages and pension provision for

⁴⁶⁰ TUC (2016). "Still Just a Bit of Banter? Sexual harassment in the workplace in 2016"

⁴⁶¹ TUC (2017). "*I feel like I can't change anything*": Britain's young core workers speak out about work"

⁴⁶² Flynn, M. (2014). "Representing an ageing workforce: challenges and opportunities for trade unions". TUC.

⁴⁶³ See: TUC (2016). "Still Just a Bit of Banter?", TUC (2017) "Is Racism Real?", TUC (2017) "The Cost of Being Out at Work"

young people who, as taxpayers, are funding a state pension that is more generous than they are likely to receive.

This story overplays the generosity of current provision. A typical payment from a DB pension is around £7,000 a year.⁴⁶⁴ It is not a straightforward generational split. One in four young workers (aged under 35) has some form of DB entitlement. Meanwhile, half of all baby boomers (aged 55 to 64) who have not yet retired have poor pension savings. It is in fact those currently aged between 35 to 54 (commonly referred to as "Generation X"), rather than younger workers, who are most at risk of a poor standard of living in retirement ages because they have insufficient time left in work to benefit from automatic enrolment.⁴⁶⁵

Undoubtedly pension provision has been cut in recent decades, though efforts to bring more people into pension saving via automatic enrolment is proving particularly beneficial for younger workers whose opt-out rates are lower than older colleagues.

However, there is little evidence that this is down to provision for older workers. For instance what impact on wage growth there has been from DB provision appears to have primarily impacted members of the scheme. There is no statistically significant hit on (typically younger) non-members.⁴⁶⁶

What is clear is that employers have used the switch from DB pensions to defined contribution (DC), where pay-outs rely on investment returns, to cut contributions. The average total contribution rate (employee plus employer contributions) for private sector DB occupational pension schemes is 22.7 per cent, while for DC schemes it is just 4.2 per cent.⁴⁶⁷ The introduction of auto-enrolment has helped to ensure more workers can access an occupational pension, but DB schemes represented less than half (45 per cent) of the total workforce pensions membership in 2015.⁴⁶⁸

These contributions to DC pensions (which young people are likely to be enrolled in) are very unlikely to provide members with a good standard of living in retirement. If DC pensions are to play a role in ensuring workers have an adequate income in retirement, it is clear that contributions to such schemes will have to rise significantly. This will make the difference in contribution levels with DB pensions far less stark.

State pensions paint a similarly muddled picture. Under the triple lock, the basic State Pension or the new State Pension (for those who retired after April 2016) is increased each April by either the growth in average earnings, the Consumer Prices Index (CPI), or 2.5 per cent, whichever is highest. But with slow wage

⁴⁶⁴ Pensions and Lifetime Savings Association (2016). "DB Taskforce Interim Report"

⁴⁶⁵ Pensions and Lifetime Savings Association (2016). "Retirement income adequacy: generation by generation."

⁴⁶⁶ Brian Bell and Matt Whittaker (2017). "The Pay Deficit", *Resolution Foundation*

⁴⁶⁷ Office of National Statistics (2017). "Occupational Pension Schemes Survey (OPSS) 2016"

⁴⁶⁸ Office of National Statistics (2016) "ONS Annual Survey of Hours and Earnings Pension Tables: 2015 Provisional and 2014 Revised Results"

growth and rock bottom inflation, the 2.5 per cent increase has been invoked more often than many expected. This has prompted claims that older people are doing excessively well at a time when disposable incomes for many low and middle-income workers are being squeezed. However, this attitude underplays the role the triple lock and the State Pension more generally play in both reducing poverty among the current cohort of pensioners and for future pensioners. A recent report noted that the triple lock had done the bulk of work in improving pensioner incomes in recent years.⁴⁶⁹

The reality is that today's young workers will be particularly reliant on the state pension for a decent retirement, due to smaller private savings. Research by the independent Pensions Policy Institute found that if the triple lock was replaced, and instead the state pension rose in line with average earnings, there could be an additional 700,000 pensioners living in poverty by 2050 (a 4 per cent increase). That would mean, in total, 3.5 million older people living a lifestyle significantly below those of others in society.⁴⁷⁰

Rather than focusing on distributing a declining pension pot between different generations, we believe that the key question asked about pension policy should be how we can ensure the increase in pension contributions necessary to secure an adequate retirement across the board and sustained improvement in the level of state pension.

13. Voice at work

Feeling that you have a voice on how you are treated at work is a fundamental workplace right, and a key way to raise productivity and morale.⁴⁷¹ Strong trade unions that can protect and enhance pay, security and conditions could mitigate the impact of the worsening labour market position for many, and especially for young workers.

The TUC is particularly worried about poor collective bargaining coverage and the situation of young workers. While 25.9 per cent of total employees are covered by a collective bargaining agreement, this figure is 21 per cent for 18 to 35-year olds.⁴⁷² However this age difference is even more pronounced when broken down into the public and the private sectors. 57.6 per cent of all employees are covered by a collective bargaining agreement, whereas this falls to 12.2 per cent for all private sector employees. The 18 to 35-year-old figures are 51.8 per cent and 12.2 per cent respectively. But with 82.4 per cent of 18 to 35-year olds reported to work in the private sector in 2017⁴⁷³, it is clear that the vast majority of workers in this age group are not experiencing the benefits that collective bargaining coverage can provide for workers.

⁴⁶⁹ Wells, J et al (2016). "The Pensions Landscape"

⁴⁷⁰ Pensions Policy Institute (2018), "How would removal of the State Pension triple lock affect adequacy?"

⁴⁷¹ Bryson, A and Forth, J (2017). "The added value of trade unions: New analyses for the TUC of the Workplace Employment Relations Surveys 2004 – 2011", TUC

⁴⁷² Quarterly Labour Force Survey, October - December, 2017

⁴⁷³ *Ibid.*

Analysis of the Workplace Employment Relation Survey 2004 – 2011 highlights the benefits of inclusive collective bargaining systems for young workers. The authors found higher shares of school leavers in quality apprenticeships and vocational training and much lower labour market inequality between generations. In these cases, social partners have a greater role in participating and cooperating in skills policy and programmes. In contrast, it is more likely that young – especially the lower qualified – workers in the UK and US experience greater wage differentials and less training – holding progress back further.⁴⁷⁴

The TUC believes that policy solutions aimed at improving the prospects of young workers in a more equal way must include measures to amplify workers' voices in the workplace. A greater trade union presence – especially in the low paid, low productivity sectors - not only substantially improves the pay, security and access to skills for young people, but ensures a fairer, more equal workplace for workers of all ages.⁴⁷⁵ Specifically, the potential for improved outcomes for marginalised groups is greater through collective bargaining – including sector-wide agreements – and collective consultation.⁴⁷⁶

A wide range of factors lie behind the decline in trade union membership and workplace coverage. Attacks on trade union rights by the Conservative governments in the 1980s and the Trade Union Act of 2016 played a significant part. De-industrialisation and sectoral changes, including the shift to a more service-based economy, privatisation and the fragmentation of employment relationships through activities such as outsourcing services have made it more difficult for unions to organise.

Claims are sometimes made that by pushing up wages, collective bargaining can harm employment levels. But this is not supported by the evidence. As a recent study concluded, there is no robust evidence to suggest that institutionally shaped wages raise unemployment.⁴⁷⁷

The TUC believes that the Select Committee should consider the changes to the labour market which have placed young people at the sharp end of falling pay and rising insecurity. We believe that the decline in union density can help explain these changes, and that strengthening the role and membership of unions must therefore play a key part in reversing these trends.

What needs to change to enable longer and fuller working lives for all? What role should employers play in providing solutions? What role can technology play?

⁴⁷⁴ Bryson, A and Forth, J (2017). "The added value of trade unions: New analyses for the TUC of the Workplace Employment Relations Surveys 2004 – 2011", TUC

⁴⁷⁵ International Labour Organisation (2017). "Global Wage Report 2016/17"

⁴⁷⁶ Further justifications for these policies relate to boosting skills, productivity and creating good jobs for everyone. See [A TUC submission to the Autumn 2017 Budget: investing in the future, TUC 2017](#).

⁴⁷⁷ Berg, J (2015) "Labour markets, institutions and inequality: building just societies in the 21st century"

The TUC is calling for a number of government and employer interventions that will help workers of all ages to access opportunities to gain skills, progress at work, and secure better jobs, decent pay and a voice in the workplace.

14. Pay

- The government should increase the National Living Wage to £10 per hour as quickly as possible, and include 21- to 24-year-olds in the adult rate;
- The government should increase the minimum wage rates for under 21s and apprentices, and prioritise the enforcement of the national minimum wage;
- The government should support unions to bargain for better pay and conditions, including allowing unions to access workplaces to tell workers about the benefits of joining a union.

15. Security

- The government should introduce a package of rights to significantly reduce insecure work, including closing the loophole that means agency staff can be paid less than employees doing the same job, and ban the regular use of zero-hours contracts;
- The government should introduce the right to a premium for working any non-contracted hours and compensation when shifts are cancelled at short notice, for all workers;
- All workers should have access to the same rights from day one in their jobs, including family friendly rights;
- Employers should create genuinely flexible, well-paid, part-time work at all levels of an organisation, particularly for supervisory and managerial roles.

16. Skills and training

- The government should give all workers the right to time off for training and introduce a national personal learner account scheme, ensuring low income adults, the unemployed and those facing redundancy can access fully funded retraining courses of their choice;
- The government should develop an entitlement to face-to-face careers guidance for all workers, and introduce the right to a mid-life career review for workers aged 50;
- The government should reverse cuts to Further Education and increase investment in both workforce and out of work training in line with the EU average in the next five years;
- Employers should invest in high quality in-work training and skills development for existing as well as new staff. Training and promotion opportunities should be designed so that they are transferable to other employers and are a real option for part-time workers;
- Employers should ensure all apprenticeships include high quality learning components, adequate time off the job to learn and train, and be paid a decent wage. Employers should concentrate on increasing the participation of underrepresented groups in those apprenticeships that lead to secure, decently-paid careers, for eg. women and BME workers.

17. Health, safety and dignity at work

- The government should reinstate Section 40 of the Equality Act, ensuring a specific duty on employers to protect workers from third party harassment;
- Employers should recognise their duty of care to workers and take proactive steps to tackle harassment at work, including third party harassment, such as the introduction and enforcement of zero-tolerance policies, workforce training and include violence and harassment in health and safety risk assessments;
- Employers should include future health and safety risks when undertaking workforce planning exercises, and the steps they need to take to prevent the workplace health and safety issues of the future;
- Health and safety reps and equality reps ensure workplaces are healthier, safer and more equal. The government should ensure they have the right to adequate facility time, and employers should recognise the benefits they bring and allow them to access facility time.

18. Pensions

- The government should proceed quickly with implementing the conclusions of its review of automatic enrolment, including reducing the starting age to 18, and calculating contributions based on the whole of a worker's salary rather than the current "qualifying earnings";
- The government should further increase minimum employer contributions – the proposed 8 per cent minimum total contribution is still inadequate to ensure a decent retirement;
- The government should abolish the earnings trigger so those earning under £10,000 are automatically enrolled into a pension from day one of the job;
- Young workers with small workplace pensions will rely on the state pension in their old age. The triple lock must be retained as a minimum to raise the value of the state pension to ensure all workers can expect a decent retirement.

19. Voice at work

- The government should give unions a right to access workplaces to tell individuals about the benefits of joining a union;
- The Industrial Strategy Commission, which the government intends to set up, should be a tri-partite body involving unions, employers and independent experts and should focus on how best to manage the introduction of new technology in the workplace;
- Government should make it mandatory for elected worker directors to comprise one third of the board at companies with 250 or more staff;
- Employers should agree new technology agreements with recognised trade unions where any new technology can only be introduced with worker consent.

The role of technology

The TUC recognises that demographic changes mean that we will need the economy to be more productive in order to help support an ageing population: in 2017, for every 100 working people there are 30 people over state pension age, and by 2037 the number of people over state pension age is expected to increase to 35.⁴⁷⁸ We recognise the role that technology can play in supporting this changing demographic in and out of work, and that, managed well, can help us meet the challenges outlined in this submission. But at present, there are signs that technological progress is taking us further away from the world of work we want: pay is flatlining, work feels more intense for many, and workers' have little opportunity to make their voices heard.

For example, a shorter working week, and more control over our time, has long been the promised pay off from technological progress. We recently surveyed workers that told us if they could choose, a four-day working week would be most people's preference.⁴⁷⁹ But instead, new technology is threatening to intensify working lives. Over 1.5 million people are now working on 7 days of the week, 3.3 million people work more than 45 hours a week and stress and long hours are workers biggest concerns after pay. In fact, concerns that robots will take jobs was secondary to pay falling behind living costs (48 per cent of workers surveyed) on a list of workers' concerns about the next five to ten years.⁴⁸⁰ Given workers in the UK are experiencing the longest pay squeeze since the Victorian times, it is understandable that today's workers focus on their present concerns about making ends meet. Ensuring that the benefits of greater productivity deliver more time as well as more money for workers should be front and centre of any strategy to harness technology to improve working lives for all.

It is true that technological change has the potential to make the UK significantly better off. The UK government estimate that robotics and autonomous systems could deliver a 15 per cent boost in output (GVA).⁴⁸¹ PWC has estimated that UK GDP will be up to 10 per cent higher in 2030 as a result of artificial intelligence, the equivalent of an additional £232 billion, and equivalent to extra spending power of up to £2,300 a year per household.⁴⁸² At a time when UK productivity has been flatlining for a decade, we badly need these sources of growth.

However, the risk of automation is greater for certain sectors, and by extension certain demographics, than others. In March 2018 the OECD estimated that around 14 per cent of jobs in OECD countries were highly automatable, and just over 30 per cent subject to substantial change in how they were carried out.⁴⁸³ It

⁴⁷⁸ <http://obr.uk/choose-long-term-projections/> (accessed August 2018)

⁴⁷⁹ TUC (2018) "The Future of Work"

⁴⁸⁰ *Ibid.*

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<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/science-and-technology%20-committee/robotics-and-artificial-intelligence/written/37004.pdf> (accessed August 2018)

⁴⁸² PWC (2017) "The economic impact of artificial intelligence on the UK economy"

⁴⁸³ OECD (2018) "Putting faces to the jobs at risk of automation"

argued that those in more routine jobs, young people and those with lower level educational qualifications were likely to be most at risk. Estimates from Deloitte for the UK suggest that the sectors particularly at risk include wholesale and retail - where they estimate around 2.2 million jobs are at high risk of automation; transportation and storage (1.5 million jobs at risk); and accommodation and food services (1.1 million jobs).⁴⁸⁴ Given the figures showing that young workers tend to be overrepresented in many of these sectors, it is essential that moves towards automation are used to improve the productivity, pay and progression prospects for workers. As a recent paper⁴⁸⁵ indicates, there are a number of ways in which new technology could potentially impact the number and nature of jobs, including workers undertaking more productive tasks. The *Made Smarter* review of industrial digitalisation has estimated that over 10 years, industrial digitalisation could create a net gain of 175,000 jobs.⁴⁸⁶ It is also important to think about how this work is rewarded. The last thirty years of industrial change have seen working people lose out in general, with those working in industries hit by technological change often hit the hardest. Research has found that developments over recent decades that tipped the scales against workers are strongly linked to the fall in the labour share. A decline in union density – and particularly in collective bargaining at the sector level – has weakened workers’ bargaining power and cuts to social spending have reduced their fall-back options.⁴⁸⁷

There is increasing international evidence that shows better trade union representations delivers better equality across the board, and across the world. The OECD have found that when trade unions are able to co-ordinate their bargaining across sectors they can deliver the best results, showing that ‘co-ordinated systems [of collective bargaining] are shown to be associated with higher employment, lower unemployment, a better integration of vulnerable groups and less wage inequality than fully decentralised systems’.⁴⁸⁸

Boosting collective bargaining to ensure that workers receive the fair rewards from new wealth should therefore be a top priority to enable more fulfilling working lives for all.

The TUC believes that technology brings opportunity as well as posing challenges for governments, employers and workers. It is essential that workers and their representatives are consulted and brought into discussions about the impact of technological change, automation and other aspects of the future of work, such as a transition to a green economy. Trade unions have a track record of ensuring the gains of technological change are shared more equally. We want to ensure that the benefits of productivity increases are translated into better pay, a better work-life balance and more of a say over how technological changes in the workplace will affect them.

⁴⁸⁴ Union 21 (2018). “The Changing World of Work”.

⁴⁸⁵ Furman, J and Seamans, S (2018) “AI and the economy”

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/655570/20171027_MadeSmarter_FINAL_DIGITAL.pdf
(accessed August 2018)

⁴⁸⁷ Guschanski, A and Ozlem, O (2017). “The political economy of income distribution: the industry evidence from 14 OECD countries”, *University of Greenwich*

⁴⁸⁸ OECD (2018) “*Employment Outlook 2018*”

What are the barriers to greater in-work training and skills development for all generations?

We believe the main barriers to greater in-work training and skills development are a fall in employer investment in continued vocational training; the proliferation of insecure work which is less likely to provide continued opportunities to progress; sustained cuts to the adult education sector and the expansion of the tuition fees system for Further and Higher Education courses; an inadequate training, learning and pay offer for some apprenticeships; a lack of facility time for union learning reps to allow them to improve the skills and training offer for a workforce.

We have provided more detail and evidence of these barriers in question three.

10 September 2018

Understanding Society, the UK Household Longitudinal Study – Written evidence (IFP0021)

Key points

- Young adults face a precarious labour market and increased economic uncertainty, with part-time work more problematic than temporary contract work
- Young adults are less likely to own their own homes than older generations
- Employer practices, in relation to autonomy and flexibility, can have positive impacts on the wellbeing of employees
- Current patterns of people returning to work after retirement are likely to exacerbate inequalities in later life
- Parental background and resources are increasingly important in young adults housing trajectories, with young people whose parents are not homeowners facing additional disadvantages
- Taxations on wealth (particularly Council Tax and Inheritance Tax) are not achieving fairness between generations.

1. Introduction

1.1. *Understanding Society*, the UK Household Longitudinal Study is a world leading longitudinal survey of continuity and change in UK life. From an initial sample of around 40,000 households, the same people are invited to participate in annual surveys. Alongside its predecessor, the British Household Panel Survey (BHPS) the data now span 25 years. As *Understanding Society* follows all household members, and all ages, it is a powerful source of data to examine the intergenerational transfer of advantages and disadvantages.

1.2. *Understanding Society* is primarily funded by the Economic and Social Research Council (ESRC), part of UK Research and Innovation, and has received funding from a number of Government departments, devolved administrations and agencies. Anonymised data from the surveys are made available to registered researchers to use in their own research projects.

1.3. Several research papers have used *Understanding Society* data to address the questions of this inquiry, with the key findings presented here. The research covers issues faced by the current younger generation, in some cases the older generation and issues which are linked between generations. The research included here was not conducted by members of the Understanding Society team, but is summarised for the benefit of the Committee. As such, any errors of interpretation remain our own.

2. To what extent do different generations have a better or worse experience of the labour market?

2.1. Research by Berrington et al. (2014) highlights the precarious labour market faced by young people, through 'increased economic uncertainty as a result of unemployment, the continued growth of low-paid, insecure and often part-time employment, accelerated by the recent economic downturn' (p. 1). The study identifies young people as being particularly affected by increased casualization of work, as they are overrepresented in these types of jobs and sectors (such as hospitality).

2.2. In relation to employment insecurity, Berrington et al. (2014) find evidence that part-time work is more problematic than temporary contracts for young people. Whilst temporary contracts are relatively uncommon (16 per cent among 18-21 year-olds declining to 7 per cent among those 25-34), part-time working is relatively common. The authors found that, of employed 18-21 year-olds, roughly one-third of women and one-fifth of men worked part-time.

3. What needs to change to enable longer and fuller working lives for all? What role should employers play in providing solutions? What role can technology play?

Employer policies and practice

3.1. Two research papers by Wheatley (2017a; 2017b) examine the impact of employer policies and practices on employee satisfaction. In relation to autonomy, different forms have different impacts on dimensions of wellbeing, in ways that are gendered:

'Job control, including over tasks and pace of work, increases job and leisure satisfaction. Autonomy over work manner increases leisure and life satisfaction, but only among women. Informal schedule control has positive impacts on job (men and women) and life (men only) satisfaction' (Wheatley, 2017a: p. 296)

The research also found that control over the way employees worked mattered most for women's wellbeing, whilst control over type of worked mattered most for men's wellbeing.

3.2. In relation to flexible working, Wheatley (2017b) highlighted the gendered use, and impact, of different arrangements. The author found that women who had flexible working were less satisfied with their working life, compared to men. In particular, flexible arrangements that involved working fewer hours (such as part-time) for extended period was associated with negative effects on job satisfaction. These are flexible arrangements used predominantly by women and may represent constraint, other commitments and/or low-quality work options. Where these options were chosen by men, they were associated with greater satisfaction; this, however, could represent greater choice for men. In contrast, working from home had positive impacts for both men and women on job and leisure satisfaction.

Unretirement

3.3. Platts et al. (forthcoming) found that unretirement was relatively common – around one-quarter of retired people recommencing paid employment, or returning to work full-time after semi-retirement. Decisions to unretire were not strongly associated with financial difficulty, which may mean there is a group of retired people who are willing to return to work, but may not have done so because of a lack of suitable opportunities. As such, the research found that unretirement had the potential to exacerbate inequalities in later life through giving those in already advantaged positions the means to supplement their incomes, but not those in financial difficulty.

4. To what extent is intergenerational fairness impaired by the UK housing market?

4.1. Green (2017) attests that, in terms of housing, 'we are witnessing a genuine divergence in intergenerational fortunes, which will almost certainly affect the majority of the young generation throughout their lifetimes' (p. 72). Across the period 1991-2013 there have been major tenure changes for young people aged 18-34:

- Homeownership has approximately halved, from 46 to 25 per cent
- Private renting has roughly doubled, from 10 to 21 per cent
- Social renting has decreased, from 15 to 12 per cent
- Co-residence with parents has increased, from 29 to 42 per cent (Green, 2017).

5. How can the property wealth of older generations (parents and grandparents) be utilised to help younger generations (their children and grandchildren) access the property market? What would be the impact on intra-generational fairness of such schemes?

Co-residence with parents

5.1. Bayrakdar and Coulter (2018) examined the roles of the parental home environment and local house prices on young people's decision to leave home. They find that living with both biological parents in homeownership reduced the likelihood of leaving home to live alone or in shared accommodation (as opposed to moving out to study or live with a partner). Whilst higher house prices in the local area was associated with a reduced likelihood of moving out of the parental home, the impact of this was lower than would be assumed in public discussion. Combined, the authors found that the decision to leave home was constrained and enabled in ways that were linked to circumstances in the parental home and local environment. Further, Berrington et al. (2014) found that economic precariousness was associated with young people living with parents.

Parental background and inheritances

5.2. Green (2017) found that across the period 1991-2013 parental background became increasingly important on young people's own chances of homeownership. Compared to young people whose parents were in semi or unskilled jobs when they were aged 14:

- Those with professional or associate professional jobs were 1.44 (in 1991) and 2.39 (in 2013) times more likely to own their own home
- Those with skilled manual and non-manual jobs were 1.34 (in 1991) and 1.55 (in 2013) more likely to own their own home (Green, 2017).

The effect of the above changes means that 'the possibility to own a home is increasingly limited to the third or so of young people from better-off families who inherit or get substantial help with their mortgage deposits. For the rest the chances of homeownership are very low' (Green, 2017: p. 76)

5.3. Research by Gardiner (2017) concluded that relying on inheritances to address low homeownership amongst young adults is not likely to be sufficient. Almost half (46 per cent) of 20-35 year-olds who are not homeowners also have parents who are not homeowners. For those young adults whose parents do own their homes, any inheritance is likely to be received later in life (and not at a life stage most useful for buying a first home). Further, future inheritances are likely to exacerbate wealth gaps among the current generation of young adults.

6. To what extent does the tax system take account of fairness between the generations? What changes, if any, should be made to the tax system to achieve a fair intergenerational settlement?

Council Tax and Stamp Duty

6.1. Corlett and Gardiner's (2018) study focused on Council Tax and Stamp Duty as these are taxes on wealth, which is increasingly concentrated among older generations. They surmised that whilst Stamp Duty discourages residential mobility of any kind, it is progressive and linked to contemporary house prices; as such, they warn that any reform should be part of a package of reforms on property taxation.

6.2. By contrast, Corlett and Gardiner (2018) concluded that Council Tax was a regressive system that particularly disadvantaged young people, as they were more likely to live in properties in the bottom tax bands. They suggest a need for reform with 'great potential to raise revenue while also making the tax system easier and fairer and making the housing system more efficient' (p. 63). The study models five alternatives to the current Council Tax, all of which set Council Tax as a proportion of contemporary property values, with options for reduce or defer payments if required (Corlett and Gardiner, 2018).

Inheritance tax

6.3. Gardiner's (2017) research into the role of inheritances on generational living standards concludes that inheritance tax 'will do increasingly little to reduce the large absolute differences between future parental wealth transfers across the millennial wealth distribution' (39).

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Understanding Society, the UK Household Longitudinal Study – Written evidence (IFP0021)

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7 September 2018

United for All Ages – Written evidence (IFP0018)

1. About United for All Ages

United for All Ages is a 'think and do' tank and social enterprise that brings older and younger people together to create stronger communities and a stronger Britain. We focus on issues which affect different generations in different ways and which require solutions involving all generations. We have particularly focused on care, housing, work, technology and 'fairness for all ages'. Our approach is very much about creating solutions to big social and economic issues that bring generations together, rather than pit generations against each other. We think this is particularly important in tackling intergenerational fairness.

We have published a series of policy papers addressing these issues, which should be read as part of our submission. These include: ['A country for all ages: ending age apartheid in Brexit Britain'](#); ['Fairness for all ages: twenty radical ways to promote intergenerational equity'](#), which includes contributions from some twenty organisations; ['Building a Britain for all ages'](#) which looks at creating a cradle to grave social contract between the generations; ['A future for all ages'](#) which focuses on homes, care and employment as the basis for creating growth and a Britain for all ages.

Our policy work is supported by a range of practical initiatives that support cross-generational action on these issues. In 2012 we launched the Good Care Guide, a pioneering TripAdvisor style website that enables families to find, review and rate childcare and eldercare that they use. In 2014 we launched www.downsizingdirect.com, encouraging older people to think about downsizing home and providing practical support to enable them to do so, thereby releasing family-sized homes for younger generations.

We work with a range of partners at national and local levels to promote and support multi-generational workplaces, multi-generational homes and centres for all ages. In 2018 our paper ['Mixing Matters'](#) has demonstrated how shared sites or 'centres for all ages' where older and younger people can mix and share activities and experiences could strengthen links between generations. We are campaigning to create 500 centres for all ages across the UK by 2023 and we are working with partners to make it happen.

2. Intergenerational fairness

We welcome the House of Lords Select Committee's inquiry into intergenerational fairness and provision. There is growing awareness that different generations have not fared as well as each other and that public policy has exacerbated this unfairness. In essence the current generation of young people is the first to be worse off than their parents, while retired people's average income now exceeds that of working people. This has been well documented by the Office for National Statistics and other organisations.

Generalisations about intergenerational fairness also disguise issues within generations. Not all young people are doing badly; not all older people are

wealthy; accumulation of wealth across the life course has always been a fact of life; and expectations have changed across generations while poverty within generations should not be ignored. A lot of people aged over 70 have experienced tough times throughout their lives. One of the major advances in the last twenty years has been the substantial reduction in pensioner poverty and it would be a backward step if the number of pensioners living in poverty were to increase. Another major advance in the last twenty years has been the substantial increase in the number of young people attending university and our society has not kept pace with the fact that their expectations of work, housing and lifestyle have increased as a result.

Intergenerational fairness is a multi-faceted concept – from housing and tax to climate change. Our work has focused on the following key elements:

- Housing: many older people have benefited from the boom in house prices while many young people can't get on the housing ladder, particularly in London; investment in more affordable housing is key, but we could make better use of the housing stock that is currently under-occupied.
- Care, health and welfare: we need help most when we are very young or old and a cradle to grave approach to family support is critical; investment in childcare continues to increase while the care system for older people is in crisis; younger people today question why they are paying taxes for deteriorating health and care services that may not be there for them when they are old.
- Work: youth unemployment remains relatively high despite the general fall in unemployment and pay for younger workers has been squeezed, yet older people want to and are expected to work longer; flexible working is key to supporting lifelong working, but older people, particularly grandparents and carers, have not benefited from flexible working to the same extent as parents who work.
- Tax: older people pay less tax for every pound of income they receive and there are some major anomalies, for example, re liability to national insurance for older people working beyond pension age; the tax system generally is too focused on income and not on wealth which is concentrated amongst those aged over 55.
- Social integration and political engagement: young and older people are the age groups least likely to mix; participation in democracy by voting is lowest among young people and politicians focus on winning older people's votes; this lack of interaction and mixing fuels mutual suspicions between generations.

Britain is still one of the richest countries in the world. Yet we live in a society where inequality is growing and the gap between rich and poor is wider than ever. Social mobility is in reverse. There is a danger that looking at inequality from an intergenerational perspective and relying on wealth cascading down the generations through inheritance or the bank of gran and grandad will reinforce inequality by concentrating wealth in the hands of fewer and fewer families. In driving public policy, it must be decided which is most critical: intergenerational inequity or wider inequality across society.

3. What can be done to promote and achieve intergenerational fairness?

Our work has focused on solutions that are sustainable by being mutually beneficial for different generations such as:

- a) a new social contract between the generations that includes guarantees on pensions, health, care and wealth support for the taxpayers of today; this should be underpinned by transparency and a better understanding about the financial pressures facing each generation from pension entitlements to debt;
- b) a new culture of saving and asset accumulation needs to be encouraged among all families with children and young people; improving the asset wealth of young people from an early age is key to promoting intergenerational fairness; this could be done through a rejuvenated version of the Child Trust Fund, perhaps 'Baby Asset Builder' accounts that could be paid into by parents and relatives over a child's lifetime, with top-ups by Government if the monies accrued are invested in asset acquisition such as a home, pension or business start-up;
- c) a massive housebuilding drive, with some 300,000 new affordable homes a year, needs to be complemented by a drive to boost the supply of retirement housing to give older people more options to move and downsize, thereby freeing up more family-sized homes; this could be boosted by tax incentives to downsize, such as exemptions on stamp duty, and get the whole housing market moving; at the same time Homeshare schemes should be scaled up to enable older people with spare rooms to let them to younger people in exchange for some practical support and companionship; and more intergenerational housing schemes developed where for example some sheltered housing flats are let to students in return for reduced rent and practical support and companionship
- d) 'work for people of all ages' will only succeed if flexible and part-time opportunities are available to older people, in particular those with caring responsibilities as grandparents or carers; employers need to recognise the benefits of older employees, from customer relations and understanding ageing markets to two-way mentoring and skills exchanges with younger staff in genuinely intergenerational workplaces;
- e) creating shared spaces for all ages that make better use of community facilities and bring people of different ages together; children's centres, care homes, retirement villages and other centres such as libraries could become community hubs, meeting places and service delivery points, that also increase contact and understanding between the generations; shared spaces and interests can enable people of different ages to mix and spend meaningful time together, sharing activities and experiences; there are increasing links between care homes and nurseries across the country and there are many other ways that 'centres for all ages' can be developed
- f) political engagement is crucial for voters of all ages to be heard and compulsory voting should be considered; it would encourage action on long-term issues like climate change; we also need innovative ways, such as a national intergenerational convention where young and older people can together discuss and agree priorities on big issues like welfare reform, housing and climate change;
- g) intergenerational fairness has to be underpinned by a fairer system of taxation that redistributes from the wealthiest pensioners to the poorest

youngsters; fairer taxation will shift the tax burden from income towards wealth, end anomalies that favour older people, review inheritance tax and include tough action on tax evasion; in addition the creation of social wealth funds using the revenue generated in this way would be an intergenerationally fair way to deliver social care for all.

4. Further information

We would welcome the opportunity to submit further evidence to the inquiry.

4 September 2018

University of Birmingham, Centre for the Study of Global Ethics – Written evidence (IFP0031)

Dr. Merten Reglitz and Dr. Wouter Peeters

This is a response on behalf of the **Centre for the Study of Global Ethics** (University of Birmingham)⁴⁸⁹ to the public consultation regarding *Intergenerational Fairness* launched by the House of Lords Select Committee on Intergenerational Fairness and Provision. We would like to contribute to this discussion by raising four points: first, we will clarify why intergenerational fairness is important for democratic legitimacy; second, we will discuss some principles regarding fair taxation, redistribution and citizen's overall financial situation; third, we will emphasise the importance of equal access to education; and fourth, we will discuss environmental sustainability and climate change abatement.

A. Intergenerational fairness and democratic legitimacy

1. Democracies are justified forms of governance insofar as government is given power for the purpose of representing and promoting roughly equally the interests of all citizens, not simply because everyone gets one vote in important elections. It would be incompatible with this egalitarian notion of legitimacy if the interests of one particular group take precedence over the interests of the rest of the citizenry. This is because features of citizens – including their social background, gender, race, religious beliefs, or sexual orientation – are arbitrary and therefore irrelevant for the weight their interests are to be given in the governance of the state. These features are arbitrary/irrelevant because they are not matters of choice but luck. They should not determine citizens' opportunities in life. Justice and fairness thus require that democratic governments make decisions on the basis of equal concern for the interest and life opportunities of all citizens. More specifically related to the topic of this consultation, the generation into which one is born is also a morally arbitrary feature. Citizens are deserving of equal consideration irrespective of the generation into which they are born, and therefore intergenerational fairness is a precondition for the legitimacy of democracies.
2. The effects of laws and policies are to a large extent not precisely predictable. It is therefore important that the government continuously adjust its policies in line with the idea of egalitarian fairness within as well as between generations so that no particular group's interests are promoted disproportionately, and to ensure that democratic legitimacy extends into the future. In light of this egalitarian conception of democratic justice and fairness it has to be stated that many of the UK's current laws and policies stand in need of improvement in terms of fairness because they do not correct, but rather exacerbate, socio-economic inequalities that exist among generations.
3. In addition, robust democracies distinguish themselves by their concern for minorities, the powerless and the members of societies that are in the weakest positions. Considerations of intergenerational fairness are pivotal in this context. Future people, who are not yet born, currently have no

⁴⁸⁹ <https://www.birmingham.ac.uk/research/activity/globalethics/index.aspx>

power whatsoever to influence social and political decisions. In addition, the political power of already born, but young people (i.e. children, adolescents, but also young adults) is also limited, because they do not yet have a right to vote and/or do not own a lot of wealth. Most political influence in society is thus concentrated in the cohorts of people in their forties, fifties and sixties. From the perspective of democratic legitimacy, government has to display equal concern for the interests of younger generations and poorer or disabled members of society – even if the better-off citizens often have greater influence and financial power. Moreover, the effects of policies and laws decided upon in the past and present will extend into the future, while young people and future generations have less or no power to influence these decisions. Current power holders should thus pay special attention to the effects that current policy decisions are likely to have on younger and future generations.

B. Taxation, redistribution, and individuals' overall financial situation

4. In a democracy in which the interests of all are roughly evenly taken into account, robust public institutions and publicly funded programmes (including pensions, health care, social security, child care, public education) are vital for ensuring that citizens have equal opportunities in life. Every member of a society has a duty to pay their fair share to fund these public institutions and programmes. A fair share is determined according to citizens' financial situation: those who earn more income and possess more wealth are thought to have a duty to pay more taxes as well. In the UK, this basic principle of egalitarian tax fairness is only imperfectly realized: in comparison to other countries in Western Europe, progressivity in income tax is lower and overall corporate taxes are much lower. This not only implies that tax fairness is compromised, but also that redistribution is limited: public institutions and programmes are increasingly insufficiently funded while wealth becomes ever more concentrated. This negatively affects socio-economic mobility across generations. According to the World Bank, mobility tends to improve as economies get richer, but there is nothing inevitable about this process: as economies develop, mobility is likely to increase if opportunities become more equal, which typically requires higher public investments and better social policies.⁴⁹⁰ We would therefore recommend Government to revise the tax system, in order to secure public investments and social policies, which in turn protects opportunities for socio-economic mobility.
5. Wealth is increasingly unevenly distributed. The projected trend toward an increase of the wealth gap is partly due to increasing property prices, increased indebtedness of individuals and private households (e.g. due to student loans), and stagnating and/or low wages that prevent more people from having a chance to build up their own wealth. With respect to the distribution of overall wealth, the Office for National Statistics states that "the wealthiest 10% of households owned 44% of aggregate total wealth in Great Britain in July 2014 to June 2016. The wealthiest 10% also had

⁴⁹⁰ Narayan, A., et al. (2018). *Fair Progress? Economic Mobility across Generations Around the World*. Washington: International Bank for Reconstruction and Development / The World Bank. Available at <https://openknowledge.worldbank.org/bitstream/handle/10986/28428/9781464812101.pdf>.

more total wealth than the aggregate wealth of the first eight deciles put together, as well as more than double the total wealth of the ninth decile in July 2014 to June 2016.”⁴⁹¹ This *wealth gap* increasingly undermines the promise and perceived legitimacy of democracy: that people’s life chances and crucial interests should not depend on arbitrary factors such as their social background and the wealth of their relatives. There is also no clearly demonstrated offsetting trends that would balance the negative effects of wealth concentration: economic studies like those of Thomas Piketty and the IMF show that there is no ‘trickle down’ effect so that the increasing wealth of the richest also raises the prospects of the less well-off majority of the population.⁴⁹²

6. Thus, policies need to be designed to counteract in particular this increasing concentration of wealth in society. One under-used instrument is a properly instituted wealth tax. In contrast to an inheritance tax that is levied on gifts and bequests, a wealth tax would be imposed on people’s personal assets throughout their lives, and take into account their bank deposits, financial assets, pension and insurance plan assets, real estates, and personal trusts.⁴⁹³ Council tax presents an insufficient instrument for taxing wealth as it does not tax financial assets. Inheritance tax is also insufficient on its own as it does not tax wealth during a lifetime. However, the UK inheritance tax also requires reform to capture more of the existing and future wealth. Few estates are currently paying inheritance tax, which normally amounts to 40 per cent of estates above £325,000. According to the Office for Budget Responsibility, in 2017-18, only 22,600 estates – or around 3.8 per cent of all estates – were liable to inheritance tax. The £5.4 billion raise in this way merely account for 0.7 per cent of the national tax income.⁴⁹⁴
7. The increasing concentration of wealth in the UK is a major threat to the stability and legitimacy of the country’s democracy across generations. It betrays the central promise of democratic government that people’s life chances do not depend on arbitrary factors such as their social background and family’s fortune. Government thus needs to find ways to tax more justly the largest estates if it wants to avoid privileging the interests of some (those wanting to preserve their wealth) other those of the majority (that wants and is entitled to roughly equal opportunities in life).
8. According to the final report of the Resolution Foundation’s Intergenerational Commission, the intergenerational contract is under threat: despite strong post-crisis employment, young adults have experienced ‘incredibly poor pay outcomes,’ but the roots of this generational pay stagnation run deeper than the most recent economic

⁴⁹¹ Office for National Statistics (2018). *Wealth in Great Britain Wave 5: 2014-2016*. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/wealthingreatbritainwave5/2014to2016#total-wealth>.

⁴⁹² See Piketty, T. (2014). *Capital in the 21st Century*. London: Harvard University Press; Dabla-Norris, E., et al. (2015). *Causes and Consequences of Income Inequality. A Global Perspective*. Washington: IMF. Available at <https://www.imf.org/external/pubs/ft/sdn/2015/sdn1513.pdf>.

⁴⁹³ See Atkinson, A. (2015). *Inequality. What can be done?* London: Harvard University Press, pp. 199-201. A similar idea has recently been proposed by the Institute for Public Policy Research. IPPR (2018). *Prosperity and Justice. A plan for the New Economy*. Cambridge: Polity. Available at https://www.ippr.org/files/2018-08/1535639099_prosperity-and-justice-ippr-2018.pdf.

⁴⁹⁴ Office for Budget Responsibility (2018). *Inheritance Tax*. Available at <http://obr.uk/forecasts-in-depth/tax-by-tax-spend-by-spend/inheritance-tax/>.

crisis.⁴⁹⁵ In addition, millennials face lower home ownership and higher housing costs than their predecessors. However, many policies (such as public investment, and funding of pensions) are predicated on the assumption that every generation will accumulate more wealth than their predecessors. We therefore subscribe to the recommendations of the Intergenerational Commission to renew the intergenerational contract, and increase its fairness through policies that specifically target and aim to reduce the wealth gap. Such policy instruments could include replacing the inheritance tax with a lifetime receipts tax with lower rates and fewer exemptions, the introduction of a publicly funded citizen's asset endowment for all citizens entering the labour market (as the Intergenerational Commission suggests), a domestic wealth tax on all assets that treats income from capital the same as income from work (as suggested by the IPPR Commission), and a global tax on capital based on individual's net worth or all financial assets. For example, Thomas Piketty has suggested to impose a 1 percent tax on wealth between £1-5 million, and 2 percent tax on wealth above £5 million, and the IMF has suggested to introduce a basic income partly funded by a higher top income tax.⁴⁹⁶

9. There is no shortage on policy suggestions for capturing domestic and internationally mobile wealth and capital. We would therefore urge Government to advocate robust measures on the international level as well. In each case, primary importance lies with the recognition of the intergenerational unfairness of the wealth gap and its detrimental effects on democratic legitimacy, as well as on mustering the political will to take action to reduce this intergenerational unfairness stemming from income and wealth inequality.

C. University education

10. One crucial way of improving people's life chances is via education. In light of this, the increase in tertiary education fees since 2010 has to be seen as intergenerationally unfair in itself, and as a development that renders citizens' chances in life objectionably more unequal. The introduction of high tuition fees can be deemed intergenerationally unfair in itself because previous generations did not have to pay for their university education while receiving the benefits of university studies that helped them to build up wealth. There are also important arguments in favour of tuition fees: the latter might be justifiable to alleviate the concern that free tertiary education reinforces existing social inequality as most university students come from the more affluent part of society. However, even if it is fair to ask students to pay for part of their own education, the current system of £9,000 per year with an interest rate of 6.1% is delegating an unfairly disproportionate part of the costs on students. Considering that most graduates do not start with salaries of above £30,000-£40,000 per year, student loan recipients are projected to rarely be able to pay off their

⁴⁹⁵ Intergenerational Commission (2018). *A New Generational Contract. The Final Report of the Intergenerational Commission*. Available at: <https://www.intergencommission.org/wp-content/uploads/2018/05/A-New-Generational-Contract-Full-PDF.pdf>

⁴⁹⁶ See Piketty, T. (2015). *Capital in the 21st Century*. London: Harvard University Press, chapter 15; International Monetary Fund (2017). *Fiscal Monitor October 2017: Tackling Inequality*. Washington: IMF. Available at <https://www.imf.org/en/Publications/FM/Issues/2017/10/05/fiscal-monitor-october-2017>.

tuition fee debt before it expires after 30 years. At the same time, tuition fee repayment diminishes their opportunities to for example afford a house and to build up even a most amount of wealth. In particular, compared to previous generations that are free of tuition fee debt, current students are at a significant disadvantage. We would therefore recommend Government to substantially revise the current tuition fee system, to lower overall tuition fees, and to build in progressivity related to parents' income.

11. University degrees do not only benefit their holder. They also benefit the business that employ them as well as society overall. As current tensions fuelled by misinformation in Western democracies indicate, an educated populace is a necessary element of a functioning democracy. Society also benefits from university education via higher economic productivity and increased income tax revenue from graduate students. While the public pays indirectly for the university system (in part by paying for those student loans that will not be repaid), the current system of initially placing the entire bill on graduate students who then have diminished opportunities while paying off their student loans appears deeply unfair intergenerationally. Students burdened by student debt who do not stand to inherit wealth will find it much harder to build up wealth than those who studied for free or who are fortunate enough to receive an inheritance. We therefore recommend Government to revisit its funding of universities so as to require fair contributions from all sectors of society that benefit from it: the general population, the private sector, and university graduates.

D. Environmental sustainability and climate change abatement

12. From an intergenerational perspective, one of the most pressing issues is the degradation of the global environment. Future people are projected to suffer most from the effects of unabated climate change (including sea level rise, an increasing frequency and intensity of extreme weather events such as droughts, floods and heat waves, increasing food and water insecurity, and the spread and exacerbation of diseases). In order for these future people to inherit a planet that is still hospitable to human life, and to avoid *dangerous climate change*, the 2015 Paris Agreement reaffirms the essential goal of holding the the increase in global temperature to well below 2°C above pre-industrial temperature, while pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels.⁴⁹⁷ However, current policies, presently in place around the world, are still projected to result in about 3.4°C warming by the end of the century, and the combined pledges (expressed in the *Intended Nationally Determined Contributions*) under the Paris Agreement would still lead to a median warming of 2.6-3.1°C.⁴⁹⁸ We welcome and commend the UK Government's ambition to implement a target to reduce emissions to net-zero by 2050. However, we would like to draw attention to two issues. First, we would urge Government to enshrine this target into law as soon as possible, because reaching this target will be enormously

⁴⁹⁷ UN (2015). *Adoption of the Paris Agreement*. Available at <http://unfccc.int/resource/docs/2015/cop21/eng/l09r01.pdf>, article 2.

⁴⁹⁸ Climate Action Tracker (2018) *Countries*. Available at <https://climateactiontracker.org/countries/>; Rogelj J., et al. (2016). Paris Agreement climate proposals need a boost to keep warming well below 2°C. *Nature* 534: 631-639.

challenging and has important implications for industries, societal organisations, individual citizens and other Government branches alike. Moreover, if it were to be implemented, it would form the guiding principle for the allocation of public and private investment in infrastructure and research and development for the next three decades. A firm enshrinement of the target into law is essential to guide and protect these efforts. Second, we would like to issue a warning with respect to reliance on carbon capture and storage: this technology is still in its infancy, the costs involved are high, and scientific research regarding its long-term effects is lacking. Therefore, we would recommend Government to build pathways towards the net-zero emissions target primordially on the basis of the reduction of emissions, much of which can be achieved with already existing technologies which ought to be scaled up as soon as possible.

13. Climate change is clearly not the only environmental concern. The current high rate of biodiversity loss will leave future people worse off because it erodes the resilience of ecosystems which provide services (including food, air and water purification, and medicines) that are vital to human life. Disturbance of the biogeochemical cycles and unsustainable freshwater use pose major threats to human life as well. These issues are all matters of intergenerational unfairness: past and current generations have exploited future people by depleting natural resources and the environment's capacities to process waste. We therefore welcome the UK Government's goal to "be the first generation to leave the environment in a better state than that in which we inherited it," as pledged in the consultation document *Environmental Principles and Governance after the United Kingdom leaves the European Union* issues by the Department for Environment, Food & Rural Affairs.⁴⁹⁹ However, it cannot be emphasised enough that achieving this goal and the transition towards a truly sustainable society is highly demanding. If Government is to take its own goals regarding net-zero emissions by 2050 and environmental sustainability seriously, it should be borne in mind that this will have profound implications for all policy areas and for all parts of society.
14. Climate change and other environmental issues obviously do not stop at the UK's borders. Therefore, in addition to the recommendations in the preceding paragraphs, we would recommend Government to take its ambitions to the international level, and to become an active advocate of urgent, robust, global action to preserve the environment for the generations to come.

Please do not hesitate to contact us (most conveniently via email) if we can provide further information regarding the above. We would also like to emphasise that we are eager to participate at further discussion regarding intergenerational fairness.

9 September 2018

⁴⁹⁹ Department for Environment, Food & Rural Affairs (2018). *Environmental Principles and Governance after the United Kingdom leaves the European Union. Consultation on Environmental Principles and Accountability for the Environment*. Available at https://consult.defra.gov.uk/eu/environmental-principles-and-governance/supporting_documents/Environmental%20Principles%20and%20Governance%20after%20EU%20Exit%20%20Consultation%20Document.pdf, p. 1.

Professor Emeritus Christine Whitehead – Written evidence (IFP0063)

**Professor Christine Whitehead
Emeritus Professor of Housing Economics
London School of Economics**

Household response to taxation

Different elements of taxation policy not only impact on household behaviour individually but also interact with other taxes to reinforce behaviour (or sometimes generate tensions between them). It is therefore extremely difficult to discuss one element without another – as well as other factors such as financial instruments. All I can do here is to give an overview and indicate some relevant references.

Housing related taxes that affect household behaviour relating to property include:

Council tax – because the tax is based on banded values which suppress relativities and have not been revalued for years and because government has introduced caps on totals there is very little relationship between actual payments and either capital values or incomes. A result of this those who have been owner-occupiers over many years will have benefitted from significant capital gains but also reductions on the tax burden. As an example: Someone moving into a quite expensive housing in Islington 30 years ago would have paid around £1,800 in council tax. They would now be paying maybe £300 a year more, even though the price of the house would have increased at least 5 times over the period. So the cost has declined massively in real terms against a greatly enhanced value (as an aside if instead that person now lived in New York he/she would pay about \$35,000 per annum in property tax).

The most important impact on household behaviour is that low and declining council tax reduces the incentive to reduce the amount of housing consumed as their needs/incomes decline (so older households have less incentive to downsize). It also increases house prices which negatively impact on those trying to move into owner-occupation. It is difficult to estimate the scale of the impact – however it is clear that existing owner-occupiers are moving far less than in earlier decades and that 'under-occupation' is increasing. In part this is because transactions costs have risen – see below – but also it is far easier to take out equity for other purposes than it has been in the past. Overall this is likely to be the most important taxation factor taken together with living longer with respect to the 'over-consumption' of housing.

A useful reference is the IPPR report *A poor tax: council tax in London* gives more detail of how this operates in the capital: <https://www.ippr.org/files/2018-03/a-poor-tax-council-tax-in-london.pdf>

Stamp duty and more general transactions costs - stamp duty has increased massively for higher valued properties over the last few years. At the time of the 2015 reform the tax on properties transacted at below around £950,000 declined but in the South of England house price rises have offset

those declines. Nearly 40% of stamp duty is raised in London with a further 20% plus coming from the South East. It clearly impacts on people's wish to move directly if they intend to buy another home that will be subject to SDLT and indirectly in that SDLT affects house prices. Importantly it requires a 'cheque' to HMRC so is very transparent. It incentivises staying in the family home and reduces the numbers of homes on the market available to purchase. Surveys suggest that it is the second most significant reason given for choosing not to move.

In terms of intergenerational impact the evidence is straightforward – that while it is only one factor of many why people do not move (as discussed in the House of Commons HCLG Committee (2018 Second Report, Housing for Older People, HC370) – it does have both a direct negative cash flow effect for those who do move to more expensive properties and decreases the price that the owner will receive. It therefore provides an incentive not to move –which increases the higher the price of the property sold/purchased, so impacting more in the South and particularly London. On the other hand last year the government introduced an exemption for first time buyers paying £300,000 or less for their home and a 5% rate on the amount above £300,000 for those paying up to £500,000. However the effect of this is quite limited. The benefit to an average buyer in London is only £4,300 compared to an average deposit of over £90,000. Even so the numbers of first time buyers buying with a mortgage has undoubtedly grown over the last few years and is now higher than the number of existing owners.

A more general issue is the overall cost of moving. The UK used to have one of the lowest costs of moving in the advanced world which was seen as one reason that people were prepared to move very regularly to increase their investment in housing. Costs have risen for both buying and selling in part because of stamp duty but also mortgage arrangements and legal fees while the costs of holding have remained low because of house price increases.

Overall, stamp duty has certainly become more important over the last few years – especially for those with higher priced dwellings notably in London. But it has much less effect further down the price scale and as a result the first time buyer exemption provides little respite in terms of cash flow.

Scanlon K, Whitehead C and Blanc F (2017) *A taxing question?*

<http://londonhousing.org/wp-content/uploads/2017/11/SDLT-report-for-web-15.11.pdf>

Whitehead C , Scanlon, K and Blanc F *A tax too far?*

https://familybuildingsociety.co.uk/About-us-home/MediaCentre/Stamp_Duty_-_Rich_v2.aspx

Inheritance tax – the government has attempted to address the disincentive to downsize by enabling direct descendants to benefit from the extension of the nil rate band both with respect to the principal home or an equivalent value if the person has downsized or moved out of owner-occupation. This is unlikely to have any significant effect on household behaviour. More generally transfers to children to reduce inheritance tax help those particular children.

Buy to Let/ Second homes

One of the most important trends over the last twenty years has been the growth in the number of landlords – evidence suggests well over a million and probably nearly twice that number (see <http://londonhousing.org/wp-content/uploads/2016/05/GRP12392-LSE-report-design-WEB.pdf>) The vast majority of these landlords are individual households investing in one or two Buy to Let units. In a direct sense this demand is competing in the housing market against owner-occupiers/first time buyers - a concern which has been one reason for the government modifying the taxation regime. Changes include an extra 3% stamp duty for those purchasing rental property or second homes pay 3% extra stamp duty, reduced mortgage relief and restrictions on costs set against income. The result of these changes has undoubtedly been to reduce the demand for Buy to Let housing, making more available for owner-occupier purchasers. The same may be the case for second homes although data here are poor.

On the other hand if we are simply looking at the use made of the housing stock rented housing is usually more densely occupied than owner-occupied dwellings and there is a strong incentive not to keep rental property empty. Also the majority of private tenants are younger households so they have benefitted from a wider range of housing being made available (although in many instances they have also suffered from high rents and poor quality – and the lack of opportunity to become owner-occupiers).

Housing for older people and its impact on housing market/ opportunities for younger households

Many issues relating housing for older people were discussed in the HCG Select Committee report

<https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/370/37002.htm>

The vast majority of older people remain in a mainstream home rather than housing built specifically for older people. Much of the evidence also suggests that people generally do not like moving as they get older. When they do it may be to 'right size' rather than 'down size'. Many of the reasons given for not moving are around taxation/transactions cost reasons given above - but many are also to do with familiarity, friends, memories etc.

In terms of housing specifically for older people there is a poverty of innovation in this area. Much of the housing that is built is costly to live and often not very well located. Local authorities are often not particularly willing to enable housing for older people because of the potential impact on adult social care budgets. Specialist accommodation has many problematic issues, notably that it is more expensive to build and to run but often does not keep its value – which of itself suggests that what is available is not particularly attractive.

The lack of activity in the existing housing market has broader implications. Fewer homes on the market puts pressure on house prices. Lower levels of housing transactions have knock-on effects on the wider economy in that house moves are associated with significant levels of expenditure that contributes to GDP and indirectly to government tax revenue. It adversely affects labour mobility and thus productivity, particularly because it reduces the incentive to take a new job that require moving house. Inability to move home to be closer to

a new job also clogs up the transport system as commuters travel longer and further, putting more pressure on networks already struggling to cope. All of these impacts affect younger households more than the older generation.

Financial products for younger households

There are growing numbers of financial products available to those who either cannot raise the deposit or the income requirement. However, they all have complexities and are not cheap. Among mortgage products the most usual approach is a parental guarantee – where the parents pay if the borrower does not.

Many mortgage providers have some form of family mortgage product – e.g. the Post Office has two: Family Link where the mortgage is secured on the family home; First Start where can apply with a close relative who will be co-borrower and may be on the deeds; Barclays has a Family Springboard mortgage where the purchaser can borrow 100% of the value as long as parents put up 10% of the value into a savings account; Family Building Society has a Family mortgage where there is a 5% deposit but up to 12 others must put 20% of the value into a saving account or as a charge on their property. All of these products have complications – e.g. taxation of second homes – and are generally relatively expensive.

Increasing numbers of people want to buy with friends rather than family. Mortgages are available in joint names – but each is jointly and severally liable so completely responsible if the other party (ies) cannot or will not pay. Changing names means starting again with all the relevant costs.

Government support is currently available through Help to Buy on new property where government provides an equity mortgage of up to 20% of the value (40% in London) interest free for the first 5 years. Repayment is in the form of the relevant proportion of any capital gain plus interest charges after 5 years. Some 80% of those using Help to Buy are first time buyers. The current scheme runs to 2021; it will be restricted to first time buyers for two years from 2021 and then will not be reviewed.

Shared ownership is another model which overcomes some entry problems: – the purchaser buys a proportion of the property and rents the rest from a social landlord. The purchaser may 'staircase' up to 100%.

There are a range of Rent to Buy products but these are relatively small scale.

While there are a growing number of products with different attributes the vast majority of younger households will purchase with a traditional mortgage often with the help in many different forms from the Bank of Mum and Dad (the English Housing Survey shows that almost 30% of first time purchasers had some assistance from parents in 2015/16). This of course helps those with reasonably well off usually owner-occupier parents but leaves out those with poorer parents and most of those who rent. It also is more difficult in blended families and those with a number of potential purchaser children.

More generally there is an issue (which is reflected across many other countries) that younger households are finding it more difficult to purchase. Three main reasons have been suggested for this problem: the difficulties of saving for a deposit especially given the high cost of privately rented housing while they save; increased mortgage regulation since the financial crisis – which has increased the deposit required and introduced stress testing as to whether the purchaser can pay if the interest rate rises (by more than any likely interest rate rise); and the very high incidence of job /salary insecurity among younger people. A report for OECD by Whitehead and Williams <https://doi.org/10.1787/e16ab00e-en>. suggested that at the present time job related reasons together with increased risk averse were probably more important than regulatory change – but this might change over the medium to longer term.

2 November 2018

Christine Williams – Written evidence (IFP0005)

Admin GREY SWANS, but submission is as an individual as well as a Facebook page admin. Christine Williams.

The Committee is seeking input on the following questions:

General

1. Is the intergenerational settlement in the UK currently fair? Which generations are better off or worse off, and in which ways?

1a) None. Increasingly greater pensioner poverty by 20 per cent a year, has destroyed tens of thousands of youth high street jobs, and entire companies have gone bust, as mature people shop in town centres.

2. What are the future prospects for different generations in the light of current economic forecasting?

2a) Young and old both have the same high death rates the same these last 10 years, as the decade of the 1890s.

Jobs and the workplace

3. To what extent do different generations have a better or worse experience of the labour market?

3a) Ageism in job recruitment begins at 50, as it always has.

4. What needs to change to enable longer and fuller working lives for all? What role should employers play in providing solutions? What role can technology play?

4a) 8m pensioners cannot afford to retire and have remained in work.

5. What are the barriers to greater in-work training and skills development for all generations?

5a) Commercial will. Ageism from age 50.

Housing

6. To what extent is intergenerational fairness impaired by the UK housing market?

6a) Government social housing and affordable rents are a problem for all age groups, because these exist less and less. Rent capping would assist, to the wages locally.

7. What has driven the increase in the size of the private rented sector? Which

generations are most affected by this and how?

7a) Lack of social housing with properly affordable rent, for all ages.

8. How can we ensure that the planning system provides for properties appropriate for all generations, including older people?

8a) New Houses are already disabled / infirm elderly friendly.

9. How can the property wealth of older generations (parents and grandparents) be utilised to help younger generations (their children and grandchildren) access the property market? What would be the impact on intra-generational fairness of such schemes?

9a) Equity release is to help the ever poorer pensioner and there is no facility for help to the young, with house values more than 50 per cent above average wage. Affordable social housing and rent capping are what the young and old need the same.

10. To what extent are initiatives to encourage down-sizing or intergenerational homesharing part of a viable solution to the housing shortage for younger generations?

10a) This is happening in any case, and homelessness above 60 is increasing.

Communities

11. In what ways could more active communities help redress imbalances between generations? Are there opportunities for more non-state provided solutions to the challenges faced by an ageing society?

11a) We are not an ageing society, we live our allotted years the same as we always did. The old are not increasing any more than they ever did. There was no Baby Boom in the 1950s and 1960s, we just had the 2.2 babe replacement level.

12. To what extent are new technologies and social media isolating different generations from each other? How can technology be harnessed to promote active communities working to redress imbalances between generations?

12a) The computer age only began in the 1980s. Those born from that decade will utilise technology. The older generation will not.

Taxation

13. To what extent does the tax system take account of fairness between the generations?

What changes, if any, should be made to the tax system to achieve a fair intergenerational settlement?

13a) £20,000 tax allowance from age 60 for men and women would bring pensioner cash onto the high street and create more youth jobs in town centres. A proper living wage even under age 25 would also help the UK economy. There is, of course, the full equality of abolishing income tax altogether, being as 75 per cent of all tax is already stealth taxes on money we spend, even on basic bills, which have risen hugely since this government began.

14. How does the Government's practice of running public finances on a cash flow rather than on a balance sheet basis affect the intergenerational settlement?

14a) None.

14b) This government does not want to spend on public services at all.

14c) Defunding the NHS and councils into extinction.

14d) Extra admin on welfare, just to leave people to starve and thus end up in NHS hospitals with health consequences of starvation and children and babies with Rickets and scurvy, resulting in care by GPs under the NHS.

14e) Denying state pension from 60 to 66 to 1950s ladies, also denying to men and women Pension Credit from 60 to 66 by Welfare Reform Act 2012, took money directly out of the high street businesses, losing jobs, entire companies gone bust. Most recent Poundworld. The retail industry knew long ago that it is mature persons who shop in town centres. Proven just by looking at the kind of shops. Card shops, elderly last sending physical cards in the local post office branch. Bank and building society branches to talk to a person. The local market. Discount shops for household goods focused on how the elderly do housework. Even Marks and Spencers have lost half their profitability by the increasing 20 per cent a year pensioner poverty since 2010.

14f) The flat rate took away the value of the state pension to most women and half of men, to even below the low value the elderly retired before April 2016 were left behind on. The state pension is between 50 to 100 per cent of money in old age, for millions and always will be.

14g) The majority of public sector works pensions are between £2,600 and £4,000 a year, most of whom were low waged ladies, and large numbers were early retired from age 50, then 55 (soon to rise to 57 by law of early works pension retirement) in lieu of the huge austerity public sector job cuts. This is another reason that losing state pension and pension credit to the 1950s ladies caused poverty and lost jobs on the high street to young people.

25 July 2018

Young Fabians – Written evidence (IFP0045)

This submission comprises research undertaken as part of our broader policy pamphlet, 'A Nation Divided: Building a United Kingdom', exploring the extent of social integration and the consequences for community cohesion within modern Britain.

Intergenerational inequality in the housing market

1. Homeownership reflects and causes intergenerational division. For the young, the housing market can often seem systematically biased against their interests. Soaring prices, exploitative landlords and unreasonable mortgage rates contribute to an overwhelming pessimism about ever owning their own home. The property-owning class, who seem to be reaping the rewards without lifting a finger, become figures of resentment as young professional's wages are swallowed up by rent.

2. Meanwhile, older homeowners fear an overcrowded Britain. They fear the loss of green spaces and see new housing as a strain on local infrastructure. Across the country, communities are being warped by developments that turn villages into towns and towns into cities, and for many, new houses are seen as the thin end of a wedge that will change their local communities beyond recognition. An instinctive 'Not In My Back Yard' attitude sets in, and intergenerational division hardens.

3. Sitting in the middle of this mutual resentment is an obvious inequality. A recent report by the Resolution Foundation paints a stark picture of a housing market that is becoming increasingly stratified. The report claims that Millennials, classed as those born between 1981 and 2000, are half as likely to own a home at the age of 30 as baby boomers were at the same age. It also argues that it took a typical 1980s household in their late 20s around three years to save for an average-sized deposit. Today it would take 19 years. It is no coincidence that three quarters of housing wealth is held by the over-50s (£2.8 trillion), whilst over-65s own 43 per cent (£1.6 trillion).

4. Something has gone very wrong. There is a gaping division between the housing interests of the young and the old, but both agree that the current system is failing. A 2017 survey by Halifax Bank found that confidence in the UK housing market has fallen to a 5 year low. This cynicism is reflected, and caused, by a fear of rising interest rates, unfeasible deposits and a fall in real wages. Everyone seems to agree that there is a housing crisis; no-one is hopeful for the future.

What we can and can't do

5. Successive governments have sat back and watched house prices soar, treating housing reform as a zero-sum game whereby helping non-homeowners is destined to damage homeowners. But it doesn't have to be this way. Leaving aside political calculations, a simple fact underpinning the housing crisis is that more people want houses than there are houses. To solve the problem, it is usually assumed we must match supply with demand.

6. But building homes is a tricky business. Mass housing projects not only require substantial and sustained investment, but also an intricate balancing act between stakeholders, including developers, the market, the local community and the local council. This web of private and public, local and national, ideological and practical interests tends to produce stasis rather than action.

7. It is therefore strange that we do not talk about decreasing demand. The principle is simple: the reason why house prices are so high is because there is too much money in the housing market. Take some of that money out and houses prices will drop. But why is demand for housing so high? The answer is complicated, but an obvious culprit is speculative investment. Second homes, buy-to-rent properties and “golden bricks” have distorted the housing market by turning property into a financial commodity. This has led to house prices reflecting the resources of the financial elite, rather than the needs of local communities, as homes are pushed out of the reach of local wages.

8. Part of the solution to the housing market, therefore, must be to suck some of the speculative investment out of the market. To do so, the government must understand why older generations invest in housing in the first place. Broadly speaking, there are three reasons: the steady income from rent, the security of bricks and mortar, and the prospect of selling the house for a profit. Our proposal is that the government could offer a housing-linked bond that provides all three, and more.

Policy Recommendation: Housing-linked government bonds

9. The process starts with the government tendering long-term, low-risk bonds with a promised yield and redemption. This bond can be offered for bigger or smaller amounts of money, for longer and shorter periods of time, such that it caters for all types of investor. These investors, who may have previously bought a house with their money, instead purchase one of these bonds and receive a certificate in return that promises a certain monthly yield alongside a redemption rate. These promises should be set at a level that matches the current housing market, such that the yield reflects corresponding rent levels, and the redemption rate is linked to the most recent housing index. This way, the investor should have the exact same experience as investing in a property (monthly rent and a large remuneration), without actually buying a house.

10. With the money generated from these bonds, the government will build social housing to meet the needs of local communities, not the housing market. Some of this social housing will be let out at an affordable monthly rate and some of it will be put on the housing market to sell off, such that the government will start to collect a substantial pot of money generated from the new properties. Only the government can build housing on such a grand scale, meaning they can build housing more cheaply and efficiently than the private sector. For this reason, the government can hope that the pot of money generated from rent and sales builds up just as quickly as it is spent. This new pot of money is then used to pay the yield and redemption rate of the initial government bonds.

11. But how does this government bond mitigate intergenerational inequality? First, the bond sucks speculative investment out of the market to reduce house prices. Whereas the tax acts like a stick for international investors, the bond acts like a carrot for smaller-time investors who are just looking for a safe place to

put their money. This way, speculative money is funnelled into building new housing, rather than buying up current housing stock. The bond scheme therefore does not only decrease demand for housing, but also increases supply, and more specifically, the supply of socially useful housing. The policy therefore takes a double action to make housing more accessible for the young.

12. The older, asset rich generations also benefit from the bond since it offers a favourable alternative to speculating in the housing market themselves. Individual investors are attracted to the housing market because it offers security and a steady income from rent. The government bond ticks both boxes by offering more security, given that it is underwritten by the government and not the market, as well as the same prospect of regular payment. What's more, the government bond would not be affected by the 3% extra stamp duty or the increased Capital Gains Tax, making the whole investment a more frictionless prospect for investors.

13. The housing linked government bond therefore gives older generations an investment opportunity safer than buying a house, whilst still providing the financial benefits. Furthermore, their investment actively improves the housing situation for the young by increasing the supply of housing and not exhausting current housing stock. The bond is a win-win for all stakeholders.

Jobs and the workplace

To what extent do different generations have a better or worse experience of the labour market?

14. Recent surveys have revealed that young people are more pessimistic about their prospects than older generations, with the Resolution Foundation's Intergenerational Commission identifying a lack of stable employment opportunities as a key reason for this pessimism. The Prince's Trust found that 44 per cent of working young people would struggle to remain positive if they lost their jobs, while 28 per cent feel 'trapped in a cycle of jobs they don't want'.

15. Perhaps young people have a reason to be pessimistic. Millennials found themselves entering the labour market at the time the 2008/2009 Recession hit. Although the unemployment rate for Millennials in Q3 2016 was not much lower than the UK average, at 4.8 and 4.5 per cent respectively, the unemployment rate for 16-24 year olds was as high as 13.1 per cent. The median real hourly pay for 22 to 29 year olds was 9 per cent lower in 2014 than in 2008, while for employees aged 60 and older, it was back to its 2008 level. Moreover, the National Minimum Wage is staggered for under 25 year olds, while this cohort is not at all entitled to the National Living Wage. Young people are also more likely to be in precarious employment, with 8 per cent of people between the ages of 16 and 25 on 'zero-hours contracts'. Moreover, about 40 per cent of young people who do an internship do not get paid for their work.

16. The Resolution Foundation has suggested that one reason why Millennials are seeing stalling remuneration progress is due to the decline in young people moving jobs. Only one in 25 people born in the mid-1980s changed jobs from year-to-year in their mid-20s, which is half the rate of those born 10 years before them. The Foundation highlights this as a problem as an average pay rise for moving jobs for someone at that age is about 15 per cent. However, the answer is not as simple as encouraging young people to switch jobs more often. The Prince's Trust found that although 67 per cent of working young people

believe they could do more with their career, 54 per cent of young people are held back by a lack of self-confidence, while 59 per cent feel they need to further develop their skills before they can move on.

17. One way to improve labour outcomes could be through encouraging further trade union membership. As we have seen recently with Uber and Sports Direct, trade unions can be successful in improving conditions for people in the gig economy. Moreover, it has been argued that a decline in the size and power of trade unions has led to a 'falling wage share'. The Intergenerational Commission found in a 2017 poll that 24 per cent of 17 to 36 year-olds would be encouraged to join a union if they could recruit members in their workplace, while 23 per cent would be encouraged 'if it was cheaper to join one'. Yet, only 9 per cent of private sector workers aged 35 and under are unionised. Bearing in mind these factors, the Resolution Foundation is right to recommend that unions should be given access to workplace in exchange for cheaper rates for younger workers or lower introductory fees for new members. Campaigns by trade unions and politicians to remove age restrictions on wages should also be embraced.

In-work training and skills development

18. Of course, one cannot look at intergenerational inequality in the workplace and not discuss ageism. The Women and Equalities Committee recently concluded that both the Government and the Equality and Human Rights Commission need to do more to enforce against age discrimination in the recruitment sector. Meanwhile, the Centre for Ageing Better has argued that young people have been the main targets of skills, training and employment support. As such, they have called for better promotion of adult apprenticeships and for the National Retraining Scheme to explicitly consider the needs of older workers. Business in the Community goes further and calls for the training needs of older female workers to be addressed. Perhaps the ongoing Post-18 Education and Funding Review should also be used as momentum to truly make available lifelong learning, where workers can dip in and out of skills training when needed. Employers, further education colleges and universities could collaborate more closely to improve the skills development of all workers, with particular attention paid to older ones.

What role should employers play in providing solutions?

19. While this inquiry is mostly focussed on jobs and skills development, it would be remiss to discuss the labour market and intergenerational inequality without looking at pensions. It could be strongly argued that younger workers are at a huge disadvantage when it comes to their retirement outcomes. The shift from the more generous Defined Benefit (DB) occupational pension schemes to the Defined Contribution (DC) schemes has transferred the burden of risk from employers to employees. Where DB employees receive an average of £7,389 from their company, DC workers only receive £1,071. Although auto-enrolment has been deemed a success, an estimated 38 per cent of the working age population will still be 'undersaving' by the time the April 2019 contribution rates are applied. In fact, 16 to 24 year olds are the most likely to report not contributing to a pension due to low income, not working or still being in education. Although the Department for Work and Pensions (DWP) has rightly pledged to lower the automatic threshold age from 22 to 18, bringing another 910,000 people under the cover of auto-enrolment, this will only take effect from the mid-2020s, which is not timely enough. Moreover, auto-enrolment does not

apply to the self-employed, and this is particularly important in the context of intergenerational inequality, as 16 to 24 year-olds are one of the fastest growing self-employed groups. Of course, the caveat to this is that Generation X, born between 1965 and 1980, is widely predicted to have the lowest private pension outcomes, as they are too young to have benefited to the same extent from DB pension schemes, but conversely do not have as many working years left to benefit from auto-enrolment.

20. It is essential to thoroughly assess auto-enrolment after the 2019 auto-enrolment rates have had time to embed. A balance must be struck between being affordable for workers today and ensuring enough is being saved. While it would be difficult to pass legislation to equalise the minimum contribution rates of employers and employees, employers must be encouraged to do more - especially since the pensions contributions of UK employers are less generous at 37.5 per cent than employers in Italy (84.7 per cent) and Japan (80 per cent). Employers, for example, could be incentivised to design a financial wellbeing strategy for their employees, especially given that roughly a third of auto-enrolled employees are not aware about their pensions schemes.

21. Employers could also be encouraged to work more closely with trade unions to the benefit of their employees, as Royal Mail is doing with the Communications Workers Union (CWU) in their trial of the Collective Defined Contribution (CDC) scheme. This alternative occupational pensions scheme, which would pool the risk for employees and thus improve returns, should be seriously considered as a way of improving retirement outcomes and thus going some way towards alleviating intergenerational inequalities.

Is the intergenerational settlement currently fair?

22. The intergenerational contract, or intergenerational settlement, is a tacit understanding between generations. Some form of this settlement has existed for a long time; if one considers a time before the state, it would always be younger members of society who would build shelters and gather food to support children and the elderly. Now, those of working age pay into the state, and the state redistributes their contributions to support children in education, the healthcare system, and the elderly; all key parts of the welfare state.

23. Working adults have largely accepted this model, knowing they were supported when young and they will be supported in retirement. However, in recent years, the intergenerational settlement has become unbalanced. Younger generations, who were, and continue to be, disproportionately affected by austerity, who are bearing the brunt of the financial crisis, and who face housing and income challenges begin to lose faith in the intergenerational settlement. This is only likely to worsen with the economic consequences of leaving the European Union.

24. Over the past eight years, young people in education have had Educational Maintenance Allowance scrapped alongside ring-fenced protection for youth service funding. Youth organisations warn that hundreds of thousands of young people will find it difficult to stay in education, live independently, and access vital support services.

25. Moreover, those who have gone to university after 2012 have been faced with tuition fees up to and over £9000 a year, and more recently the maintenance grant was scrapped and replaced with a loan.

26. If we follow a young Millennial from their education, where they had these crucial services cut, into their working life, things do not improve. Adults out of work for over a year have housing benefit cut by 10% and the introduction of Universal Credit is not likely to be an improvement on its predecessor; research from the Trussell Trust revealed that in areas where Universal Credit has been fully rolled out, foodbank use is 30% higher than elsewhere. Those with children find areas of support reduced compared with those before them, with Sure Start maternity grants restricted to the first child only and the health in pregnancy grant abolished.

27. Conversely, pensioners have secure income because of the triple lock, which places them in the top 40% of family incomes across the UK. Additionally, those over 60 have free bus travel, eye tests, prescriptions, those over 65 receive a winter fuel allowance and over 75 a free TV license.

28. Finally, the mammoth task of funding our NHS grows greater with increasing demand as more and more people in society reach an age where they are relying on the healthcare system regularly. Rather than find innovative ways to fund the NHS, governments have chosen to do so at the expense of other areas of the welfare state that are primarily associated with those of younger age; in total, spending by the state on healthcare and services for the elderly is predicted to increase by a total of 8 percentage points whereas spending on education and the economy, which younger generations benefit from, will increase by only 3 percentage points over this same period.

29. Overall, welfare cuts and tax policies have been a net takeaway from those in their 30s and a net giveaway to those over 45. This has led to discontent among Millennials and Generation Z that the Intergenerational Contract is not and will not deliver for them, and despite these policies not being the fault of Baby Boomers, has led to divides between generations.

Future prospects: Brexit

30. Current economic forecasting does not suggest a change in these circumstances anytime soon. The biggest event on the horizon at the moment is Brexit. There has already been a slowdown in economic growth and this is only predicted to get worse once we leave the European Union.

31. As companies move out of the UK to other EU countries in order to access the European Market, there will undoubtedly be job loss. This will likely be accompanied by a reduction of benefits as the government copes with the hit to the economy with more austerity. Even without this, the fall in the pound, combined with a further hit to the economy, will contribute to a real value fall of between £1 billion and £3.2 billion of benefit payments. Combined with the four-year working age benefit freeze already in place, this could equate to around £6.5 billion. The triple lock on their income protects pensioners from this.

32. The intergenerational settlement relies on different generations taking into account the needs of one another when they go to national polls. The vote to leave the European Union showed that this is not always the case, and the fact that older voters did not consider the impact it will have on young people, combined with the actual impact it is having, is putting further strains on the settlement.

Redressing the imbalances between generations in communities

33. Strengthening communities and community activities could of course redress the imbalances. More intergenerational dialogues will lead to better understanding of one another's needs.

34. In recent years, adults have become less inclined to volunteer for youth schemes. Last year there was a waiting list of around 51,000 children for the scouts because of a lack of volunteers. Encouraging adult participation in such organisations, as well as bringing back ring-fenced protection for youth schemes, will work to redress imbalances between generations.

35. Moreover, despite the introduction of various vocational training and apprenticeship support programmes, the government has not managed to maintain schemes that previously allowed for knowledge-based transfers between young and old. These initiatives are crucial in fostering integration between different generations, and particularly between people who do not attend university.

36. Parliament should consider ways in which shared spaces and schemes can be introduced in order to encourage social integration between different age groups. One initiative of particular interest is shared facilities for child- and elderly- care, which was recently introduced in Australia. This allows for automatic integration between the young and old, which paves the way for it to continue throughout their lives.

10 September 2018

Young Women's Trust – Written evidence (IFP0037)

About Young Women's Trust

Young Women's Trust supports and represents women aged 16-30 struggling to live on low or no pay in England and Wales and who are at risk of being trapped in poverty. The charity offers free coaching and personalised advice on job applications, conducts research, runs campaigns and works with young women to advocate for fair financial futures.

Intergenerational or intra-generational inequality?

Our work highlights the precarious situation of young women who are often the worst affected by financial difficulties, mental health issues and discrimination. There is growing body of evidence that shows that despite the many supposed advances in women's rights compared with previous generations, young women continue to struggle and, in many ways, face greater challenges than previous generations.

In focussing on then intergenerational divide however, we should not overlook the growing divisions *within* generations. Young women from lower socio-economic groups are the most likely to be struggling financially and emotionally compared to both men and other women of their own age as well as older generations.

The importance of this cannot be overstated; the growing inequality within generations is linked to the widening intergenerational divide. Whilst some younger people are able to make the most opportunities not available to older generations, there is a growing number who are destined to fall behind both their parents and peers. Facing ever more precarious financial situations, insecure employment pressures on their mental health, the poorest young people are being left behind, with young women particularly affected. Any attempt to improve the intergenerational settlement must take account of this trend.

Young Women's Trust annual survey

The main arguments in this response are based on results from our latest annual survey- to be published on 14th September 2018 in our new report, '*Its (still) a rich man's world*'.

The survey was carried out for Young Women's Trust by Populus Data Solutions. A representative sample of 4,010 millennials (aged 18-30) and 1,105 baby boomers (aged 54-72) were surveyed between 29 June and 16 July 2018. This response uses the terms young people/ young women/young men to refer to the survey of 18-30-year olds and older people to refer to the survey of baby boomers.

Is the intergenerational settlement in the UK currently fair? Which generations are better off or worse off, and in which ways?

Challenges are greatest for young people

Our survey showed broad agreement between young people and older generations that life is easier for older generations:

- 59% of young people agree baby boomers have life easier. Just 11% disagree (net agree= 48%)
- Just 28% of baby boomers feel that their generation is better off than the younger group

Financial challenges

The greatest point of difference is the financial challenges facing young people:

- 56% of older people describe themselves as comfortable financially compared to just 39% of young people.
- 40% of young women and 29% of young men said it was a "real struggle" to make their cash last until the end of the month. Young women from the lowest socio-economic group were the most likely to have said this, with 46% in the DE group struggling.

Indeed, the extent to which young people are struggling could be even greater with a growing number reliant on family support:

- 68% of young people age borrowed from parents or carers
- 22% of young women and 15% of young men are reliant on their parents to ensure they have enough money to last the month

It is also striking that the situation for young people is getting worse:

- 30% of baby boomers think opportunities for young have got worse over the last 12 months
- 28% young women and 21% of young men said that their financial situation had got worse in the last 12 months.

However, this is not merely a reflection of the different life stages the generations at which they currently find themselves. Young people have serious concerns that their inability to overcome financial challenges now will mean they have to work longer and continue facing such challenges in the future. 1 in 3 young people fear they will never be able to retire, a sentiment shared by just 1 in 10 older people.

Wellbeing

Young people are also more likely to report symptoms of poor mental health and low confidence than older people, though women fared worse in both age groups.

Young Women’s Trust – Written evidence (IFP0037)

- Just 18% of young women feel confident compared to 32% of young men (22% of older women felt confident, compared to 35% of older men)
- 44% of young women and 34% of young men are worried about their mental health

Remarkable similarities between generations

Despite the differences in the challenges facing the generations there were remarkable similarities in their view of the problem and, to some extent the possible solutions.

Both young and old people agreed that younger generations will continue to face greater challenges:

- 2 in 5 young people (43%) expect to have a less comfortable life than their parents.
- 4 in 10 baby boomers (42%) think young people will have a less comfortable life with just 1 in 7 thinking their own generation will be less comfortable
- This seems to be confirmation of research carried out by Resolution Foundation which showed that a large number of indicators, younger generations are expected to be worse off (see chart 1, taken from Resolution Foundation,2018, *A New Generational Contract*).

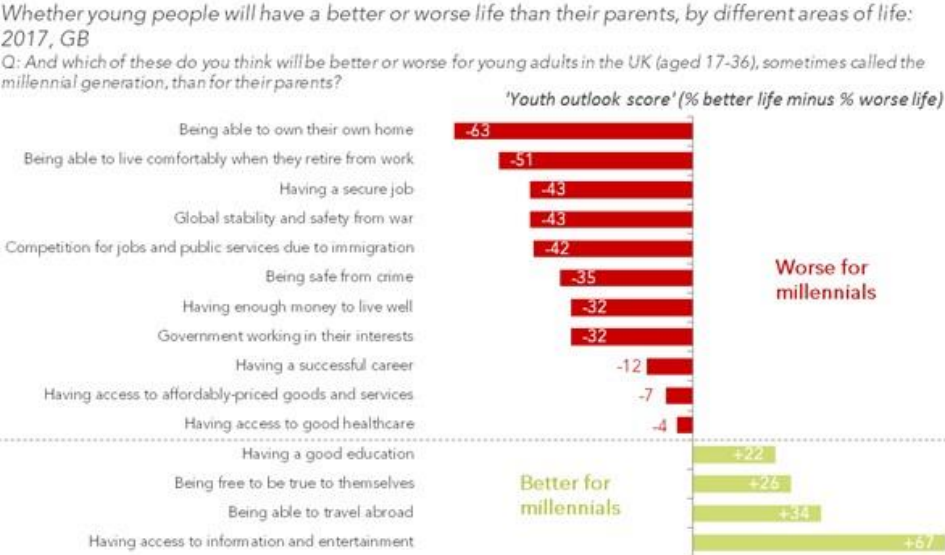


Chart 1: from Resolution Foundation, *A New Generational Contract*

- 50% of young people and 66% of older people said their faith in politicians got worse over the last 12 months. This suggest politicians an urgency for politicians to be more responsive and demonstrate they understand the challenges faced by their constituents.

Agreement on solutions

We also asked millennials and baby boomers about their approach to policies that have the potential to transform the financial situation of young people. Perhaps surprisingly there was a significant amount of overlap between the groups around which solutions they preferred.

When asked about their views on a range of policies, the most popular policies amongst young people were raising the apprenticeship minimum wage which is currently £3.70 an hour (83%) and introducing equal pay by extending the National Living Wage to under 25s (80%).

There was also strong support among young people for free trade with Europe (77%), reintroducing university maintenance grants (75%) and providing loans for those undertaking vocational training and not just for those going to university (73%). Just over half of young people thought that zero hours contracts should be banned (52%).

Interestingly, 89% of the baby boomer generation supported raising the apprenticeship minimum wage, followed by free trade with Europe (76%) and increasing rights for self-employed workers (72%).

To what extent do generations have a better or worse experience of the labour market?

Low paid and insecure work a particular problem for young women

One of the key drivers of financial insecurity, especially for young women is the current labour market and the struggles of low pay and insecure work. Of those in work:

- Half of young people are worried about the amount their job pays (53% of young women, 46% of young men).
- One in five young women (20%) and one in six young men (16%) said that they had been offered less than the minimum wage they were entitled to. 19% of young women said they had been paid less than male colleagues who did similar work.
- 38% of young people said they are worried about their job security (40% of young women, 36% of young men).
- 31% of young women and 27% of young men are worried about not having enough paid hours.
- 39% of young women and 32% of young men have been offered a zero hours contract (up from 32% of young women and 28% of young men in 2016).
- Half of young people are in jobs they don't enjoy and 31% believe that they will never be able to retire.

Link between work and mental health for young people

There are clear links between young people's experience of the labour market and their worsening mental health. The poorest young women were most affected, suggesting that inequality *within* generations is an underlying factor in inequality *between* generations.

- Three in ten young women (31%) and one in four young men (25%) said that their mental health has affected their ability to seek work (28% of young people in total).
- This rose to 39% for young women from socio-economic group DE, the worst affected group.
- 52% of young women and 42% of young men said that work has had a negative impact on their mental health.
- More than one in five young women said that their mental health had affected their ability to stay in work (22% of young women, compared with 15% of young men). The group most likely to say this was young women from socio-economic group DE (26%).

To what extent is intergenerational fairness impaired by the UK housing market?

Data from Resolution Foundation⁵⁰⁰ shows that millennials are spending at least 25% of their income on housing, four times the rate of the pre-war generation. They are also half as likely to own a home at an equivalent age as their parents.

Our survey showed that, in contrast to previous generations, almost half of 18-30 year olds (48%) live with their parents, including one in four 25-30 year olds (26%). 21% of young people said that they had to move back in with their parents after a period away because they couldn't afford to live independently

Conclusions

Young Women's Trust's annual survey shows two worrying and connected trends. Firstly, there are clear difference between the generations in terms of their financial security that goes beyond life-stages. Indeed, young people are being held back from achieving milestones their parents achieved at a much younger age.

Secondly, these integrational differences are being driven, at least in part by the widening inequalities within the younger generation. Those from poorer backgrounds, particularly women, are faring worse than ever. High levels of financial insecurity, instability and poor mental health must be addressed in order to give younger generations the chance to thrive.

10 September 2018

⁵⁰⁰ <https://www.resolutionfoundation.org/media/blog/why-intergenerational-fairness-is-rising-up-the-agenda-in-10-charts/>