

A new generational contract: Findings and recommendations from the Intergenerational Commission

Laura Gardiner, Resolution Foundation

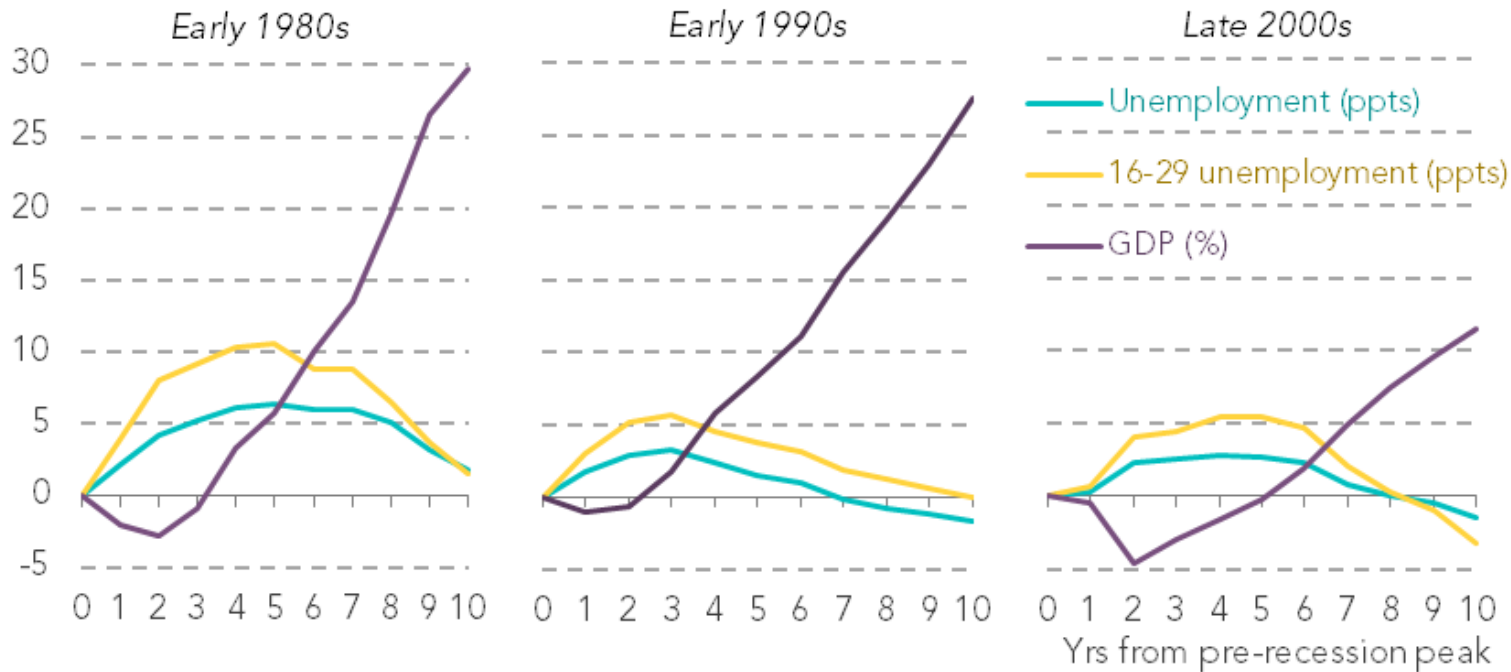
November 2018



Jobs

Unemployment is at a 40 year low, despite the recession...

Change in output (%) and unemployment rate (percentage points) from pre-recession peak: UK, 1979-2017

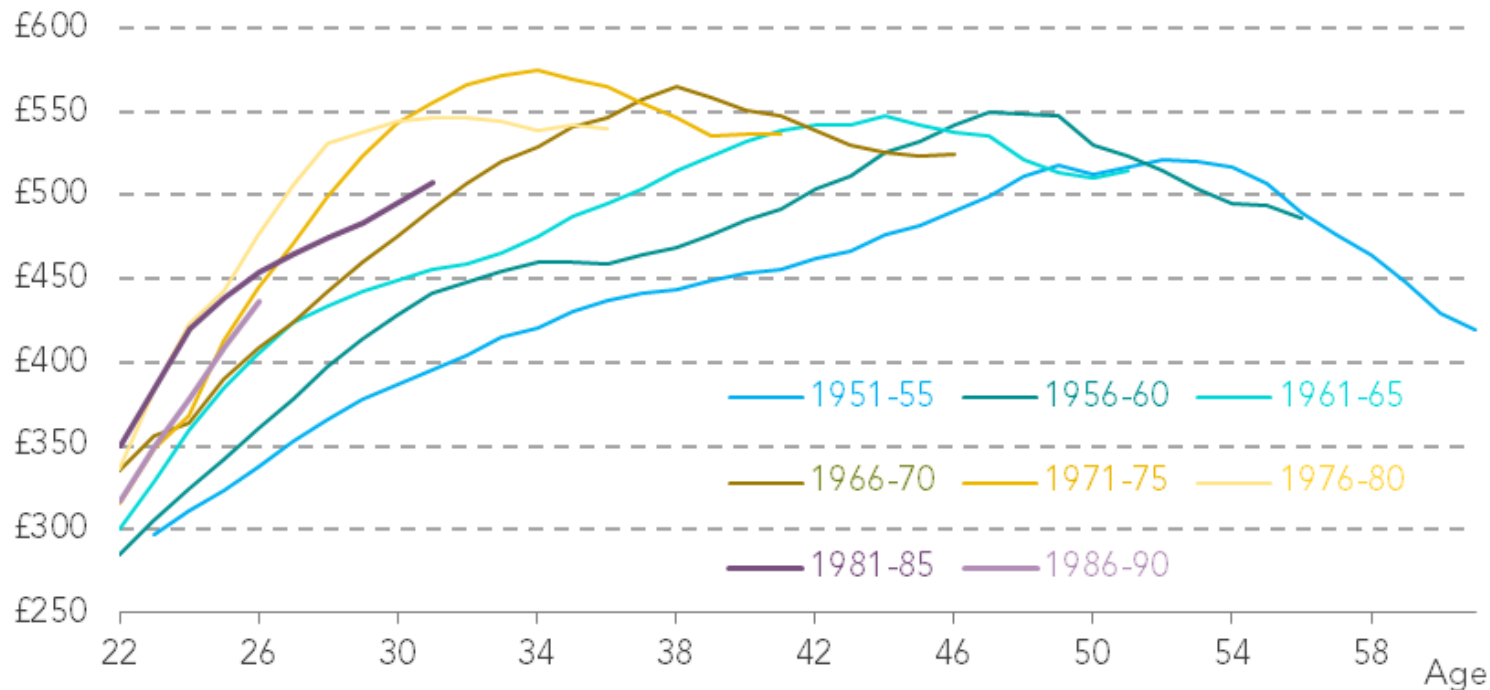


Notes: Periods over which change is measured are 1979-89, 1989-99 and 2007-17. Figures for 16-29 year olds are derived from a weighted average of estimates by single year of age, with published unemployment rates used as control totals in order to create a consistent series over time.

Source: RF analysis of ONS, Labour Force Survey; ONS, Labour Market Statistics; ONS, GDP estimates

..but pay has fallen back, with millennials hit the hardest...

Median real weekly employee pay (CPIH-adjusted to 2017 prices), by age and cohort: UK, 1975-2017

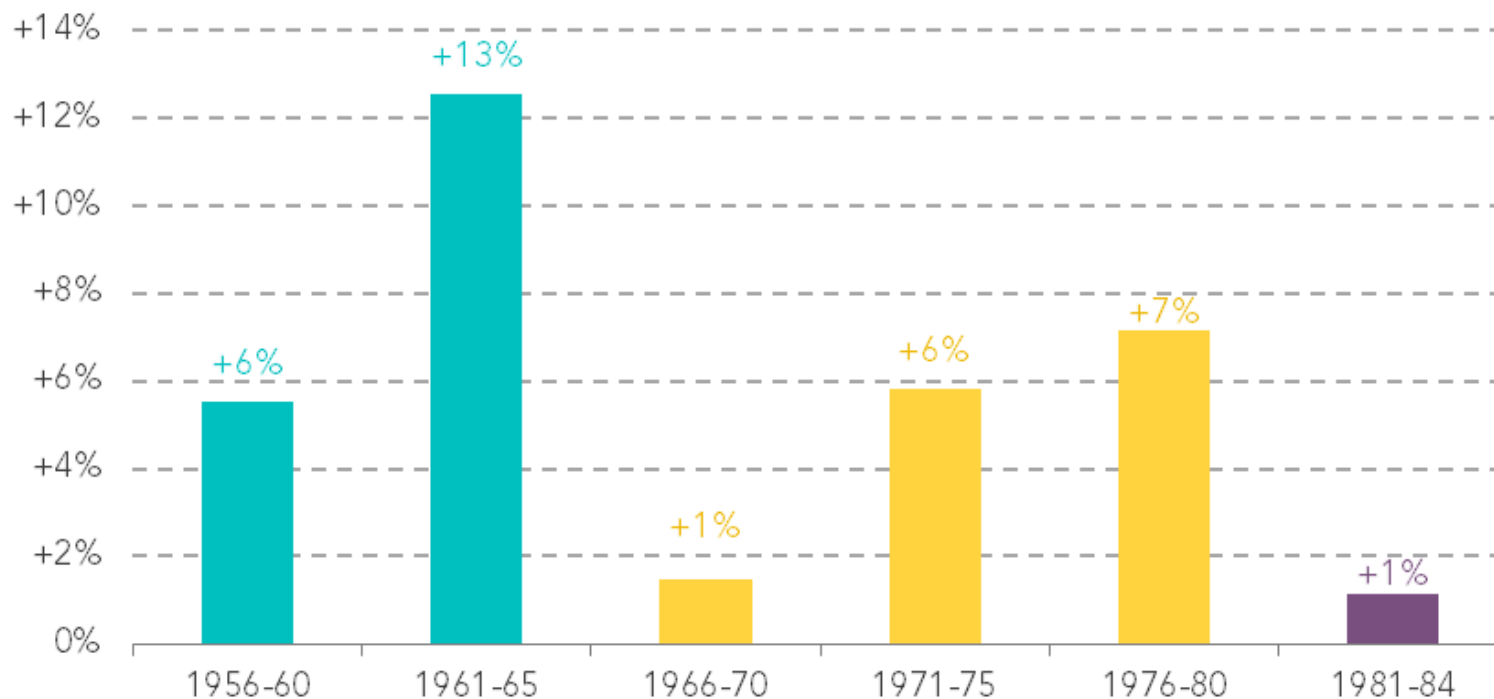


Notes: See notes to Figure 2 in: L Gardiner & P Gregg, Study, Work, Progress, Repeat? How and why pay and progression outcomes have differed across cohorts, Resolution Foundation, February 2017

Source: RF analysis of ONS, Labour Force Survey; ONS, Annual Survey of Hours and Earnings; ONS, New Earnings Survey Panel Dataset

...and it's not all down to the financial crisis

Change in median real weekly employee pay (CPIH-adjusted to 2017 prices) compared to the preceding cohort at age 25, by cohort: UK, 1981-2009

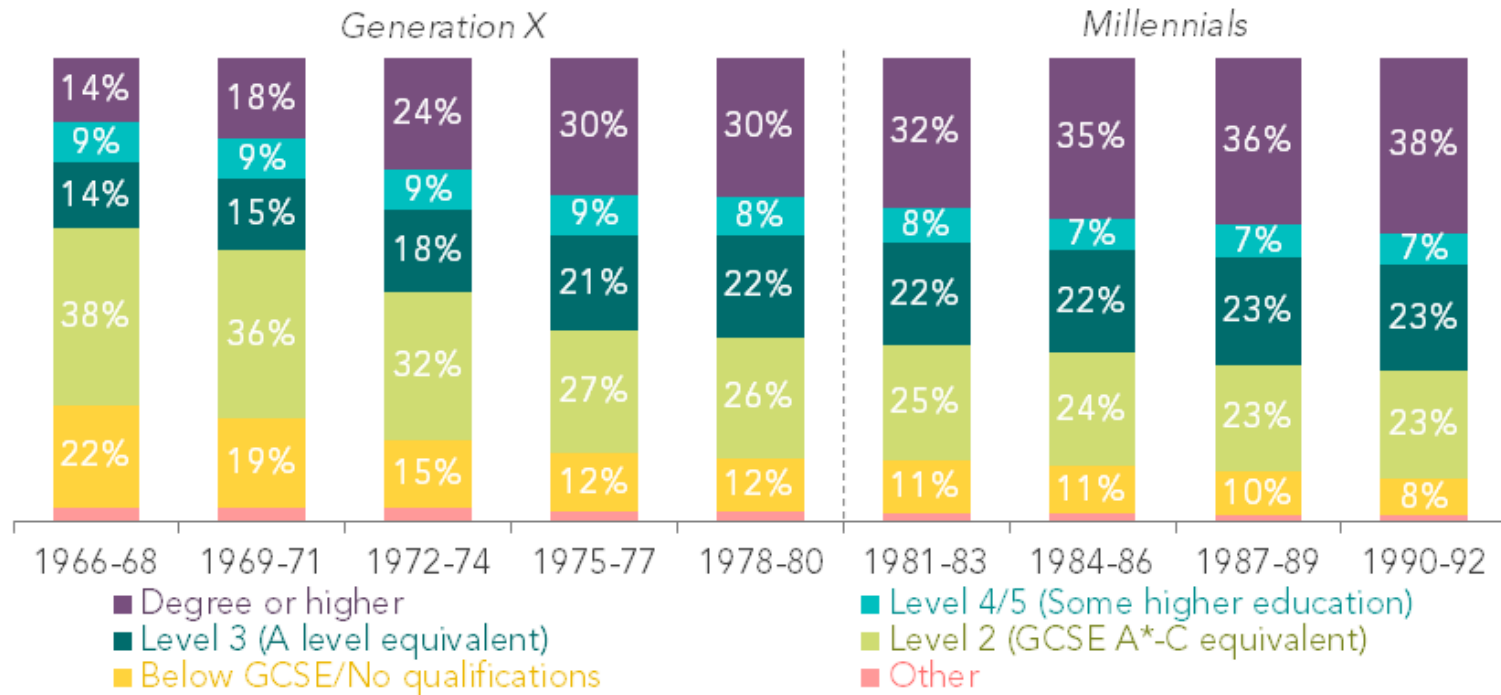


Notes: See notes to Figure 2 in: L Gardiner & P Gregg, Study, Work, Progress, Repeat? How and why pay and progression outcomes have differed across cohorts, Resolution Foundation, February 2017

Source: RF analysis of ONS, Annual Survey of Hours and Earnings; ONS, New Earnings Survey Panel Dataset

Human capital accumulation has slowed...

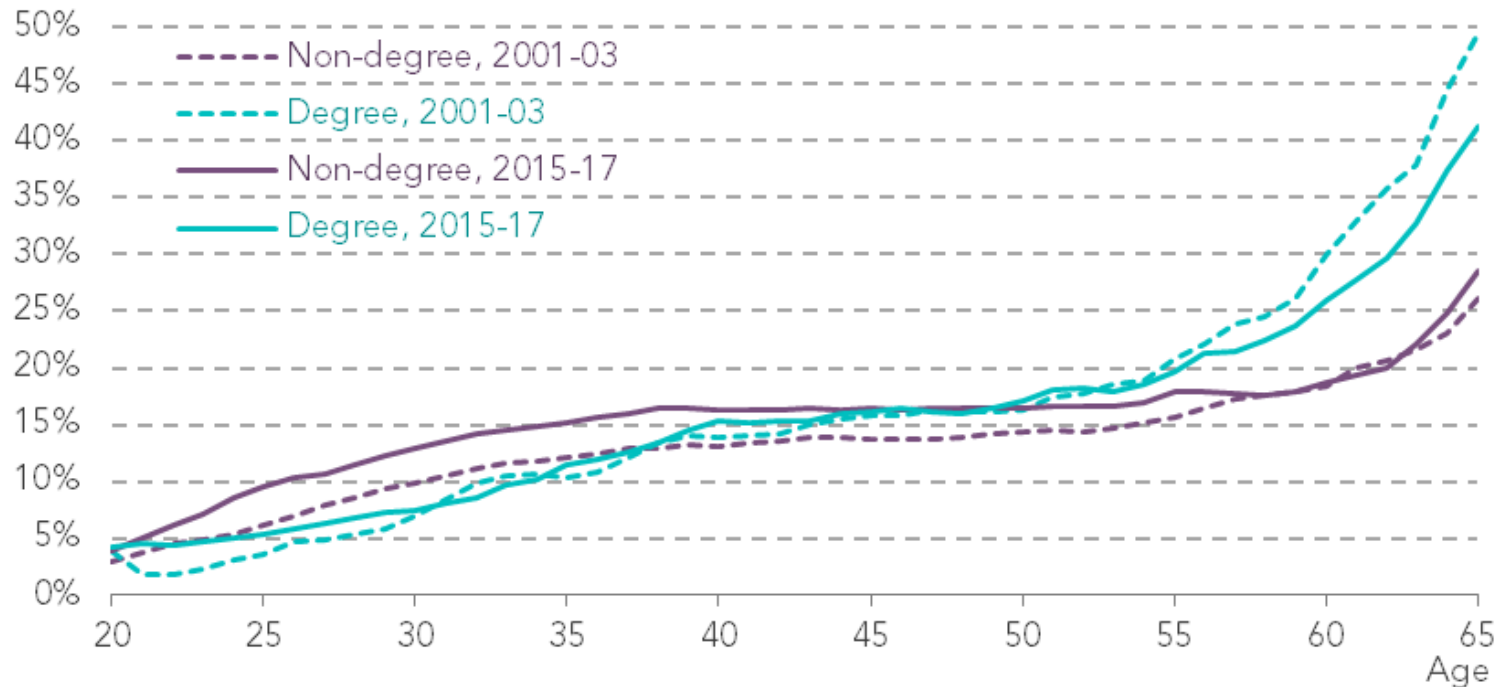
Highest qualification held at age 25-28, by cohort: UK, 1992-2017



Source: RF analysis of ONS, Labour Force Survey

...self-employment has grown for young people without degrees...

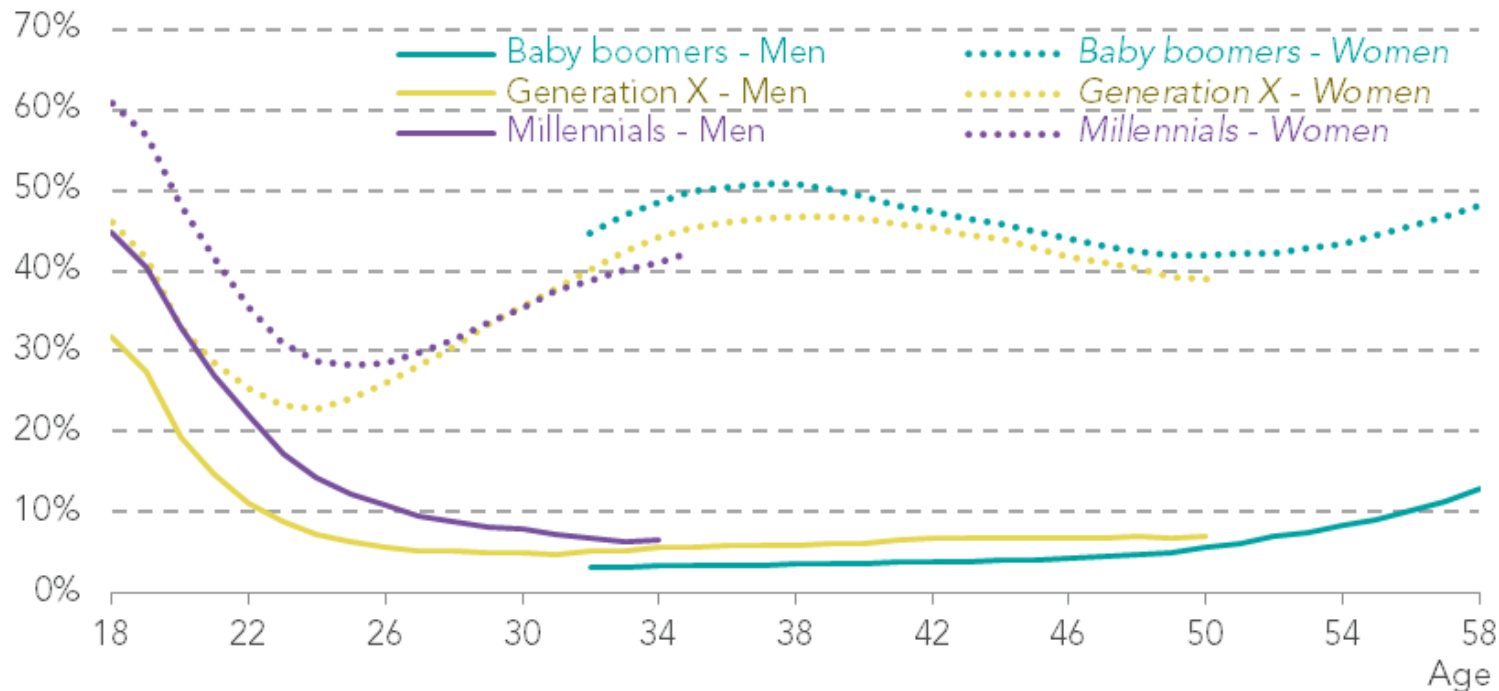
Self-employment as a share of all employment, by age and educational attainment: UK



Notes: Data are smoothed using a three-year rolling average over the age range.
Source: RF analysis of ONS, Labour Force Survey

...millennials are more likely to work part time and in low-paid sectors...

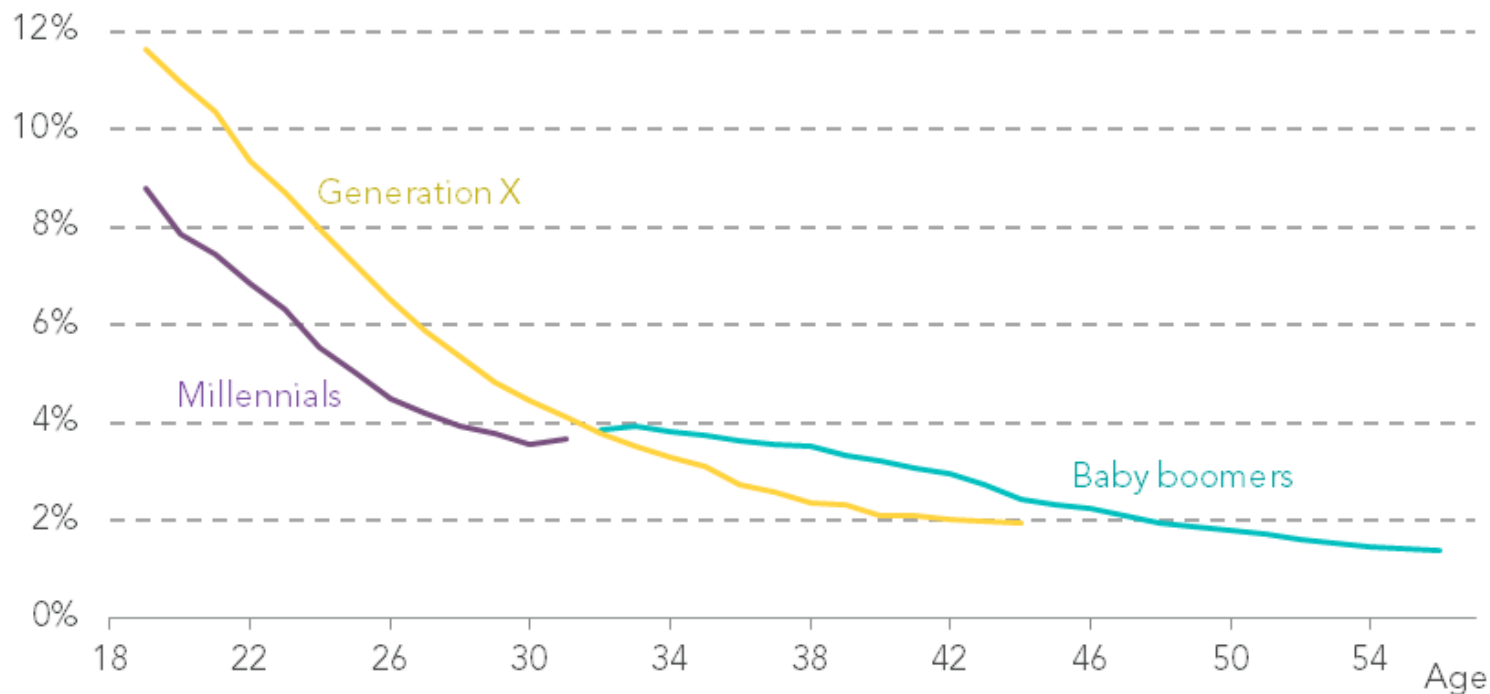
Proportion of those in employment working part time, by age, sex and generation: UK, 1992-2017



Notes: Data are smoothed using a three-year rolling average over the age range.
Source: RF analysis of ONS, Labour Force Survey

...and they are moving jobs less frequently

Proportion voluntarily moving from one job to another each year, by age and generation: UK, 1992-2017



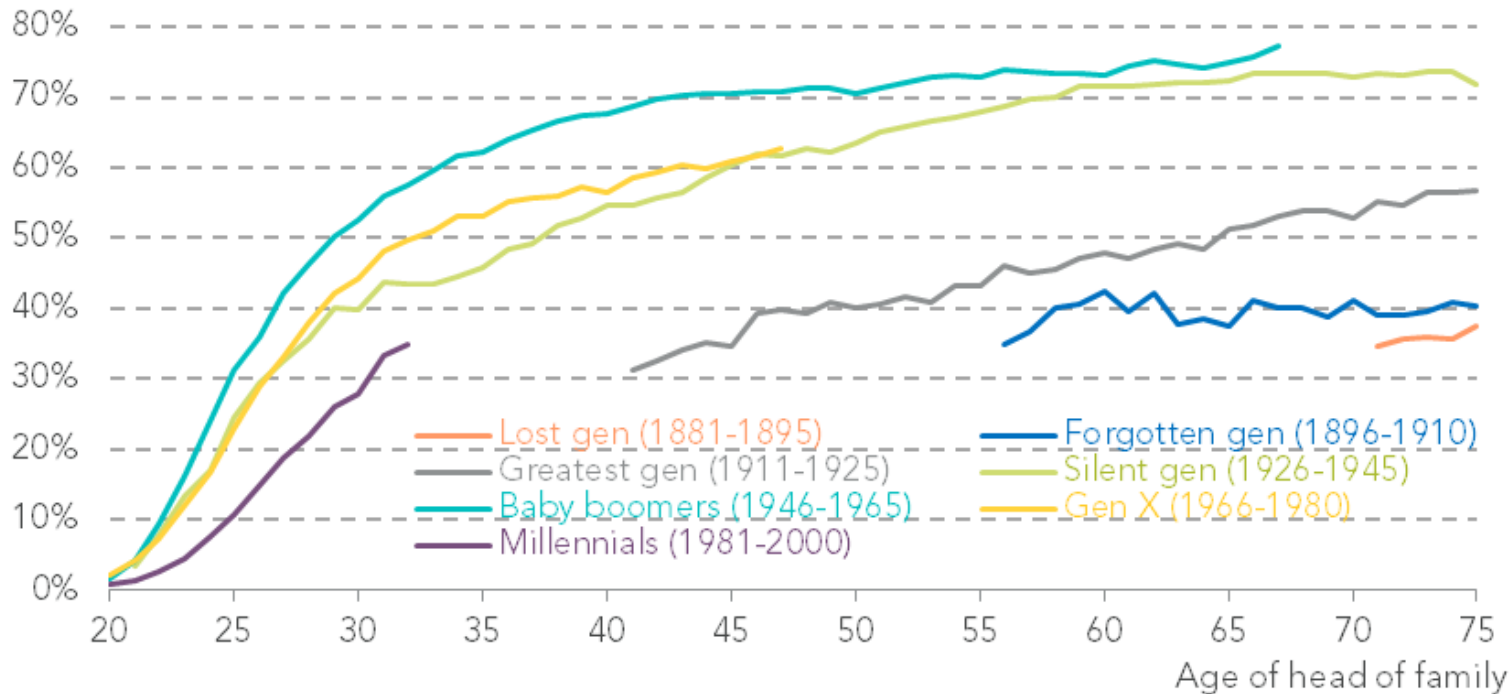
Notes: Data are smoothed using a three-year rolling average over the age range.

Source: RF analysis of ONS, Labour Force Survey

Housing and pensions

There have been huge generational declines in home ownership...

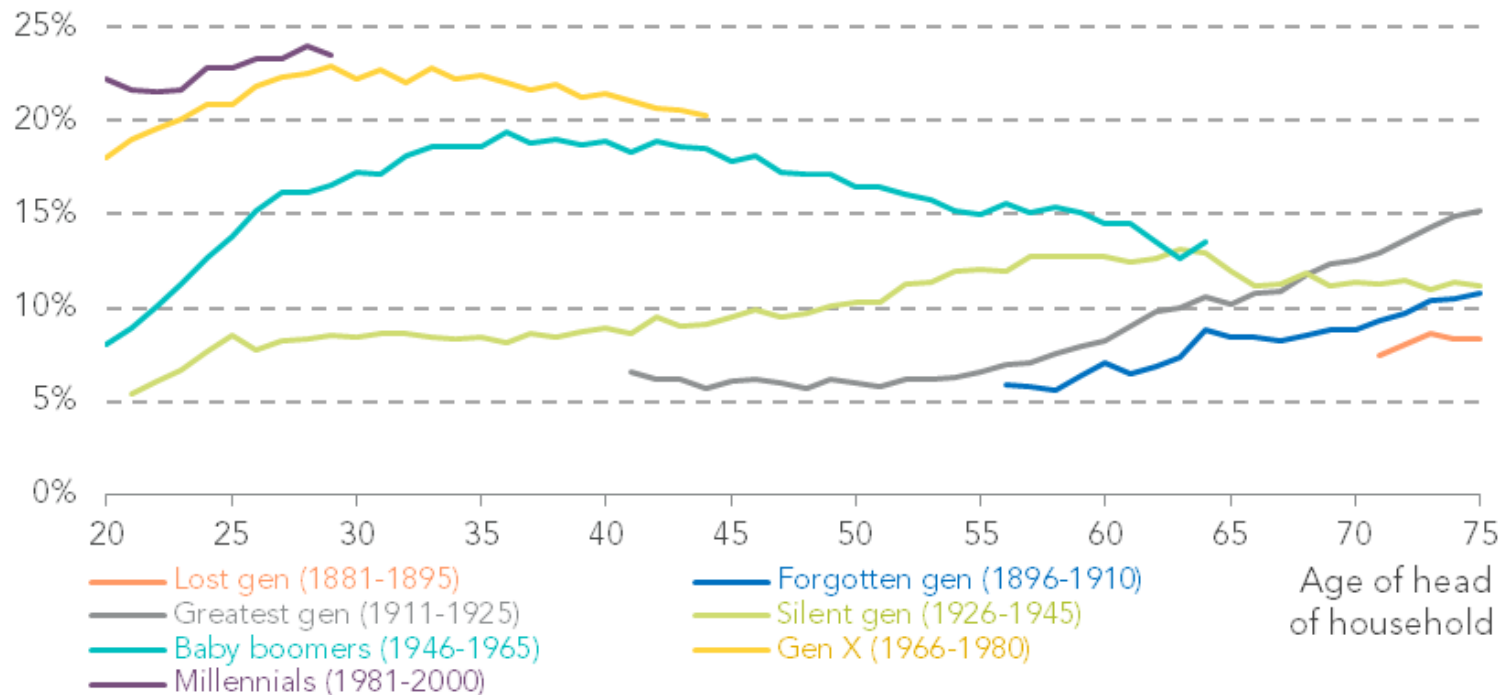
Home ownership rates, by age and generation: UK: 1961-2017



Notes: See notes to Figure 3 in: A Corlett & L Judge, Home Affront: Housing across the generations, Resolution Foundation, September 2017
Source: RF analysis of ONS, Family Expenditure Survey; ONS, Labour Force Survey

...and the young are paying more for the 'privilege', but getting less for their money

Proportion of net income spent on housing costs, by generation: GB, 1961-2016

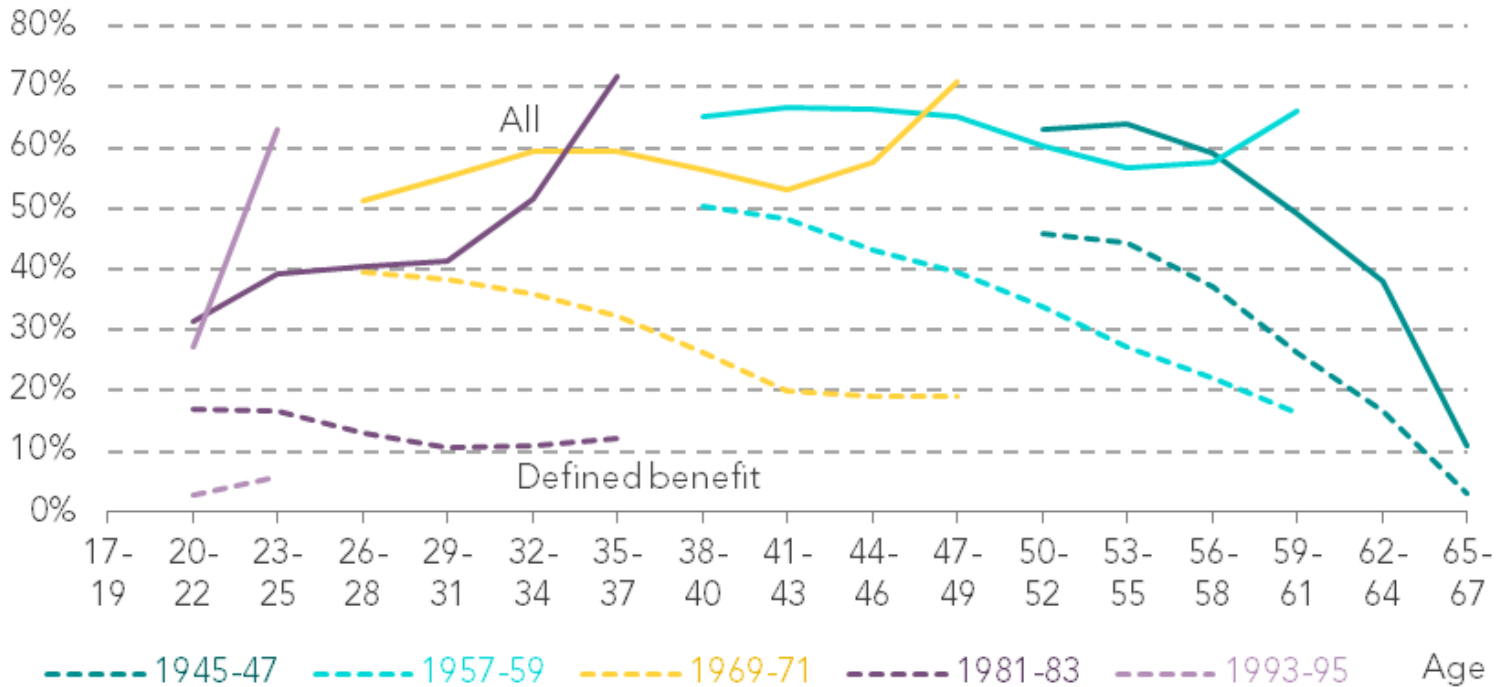


Note: This analysis refers to households, not families as in our analysis of tenure. See notes to Figure 20 in: A Corlett & L Judge, Home Affront: Housing across the generations, Resolution Foundation, September 2017

Source: RF analysis of IFS, Households Below Average Income; DWP, Family Resources Survey

'Auto-enrolment' is cause for optimism, but today's pensions are far riskier than yesterday's

Occupational pension scheme membership among male private sector employees, by age and cohort: GB, 1997-2016

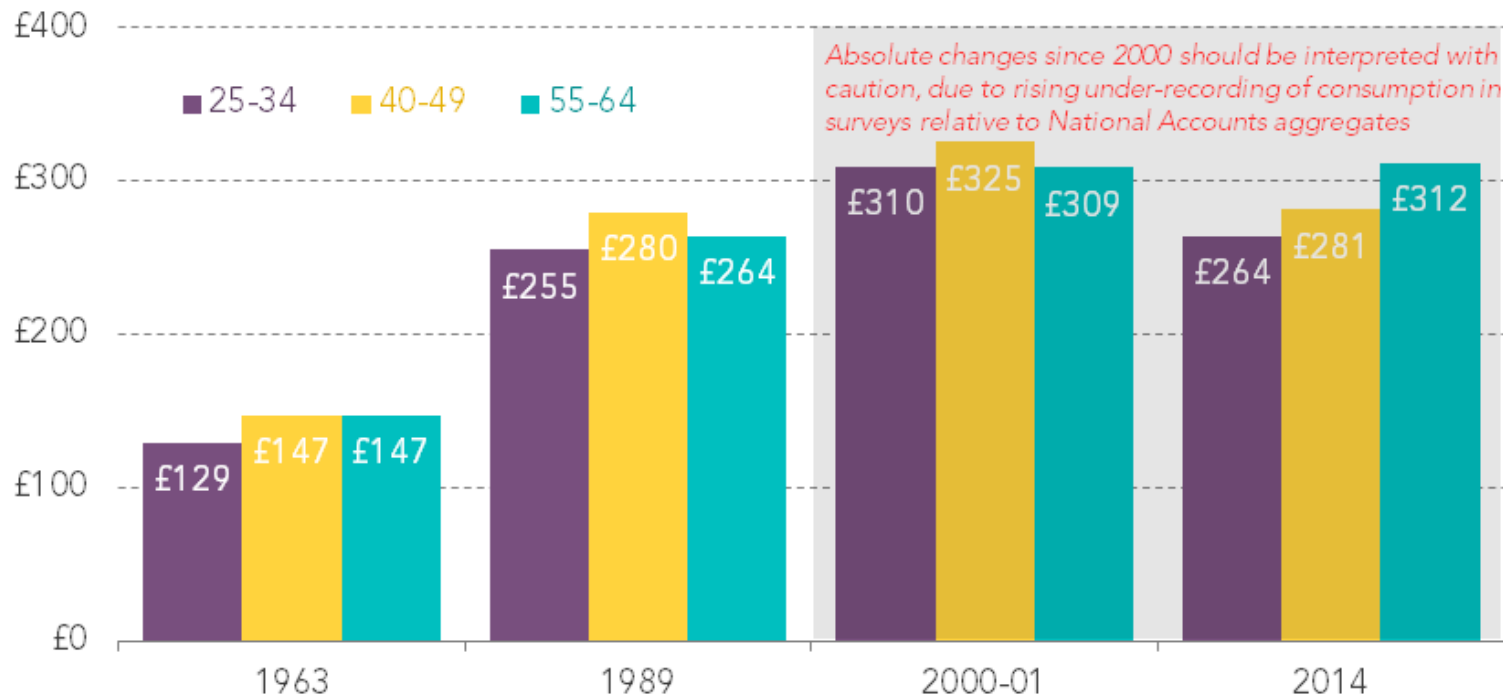


Source: RF analysis of ONS, Annual Survey of Hours and Earnings

The big picture

Don't believe the avocado rumours – earnings and income findings are backed up by consumption data

Mean real weekly household non-housing consumption expenditure (CPIH-adjusted to 2017 prices), by age:
UK

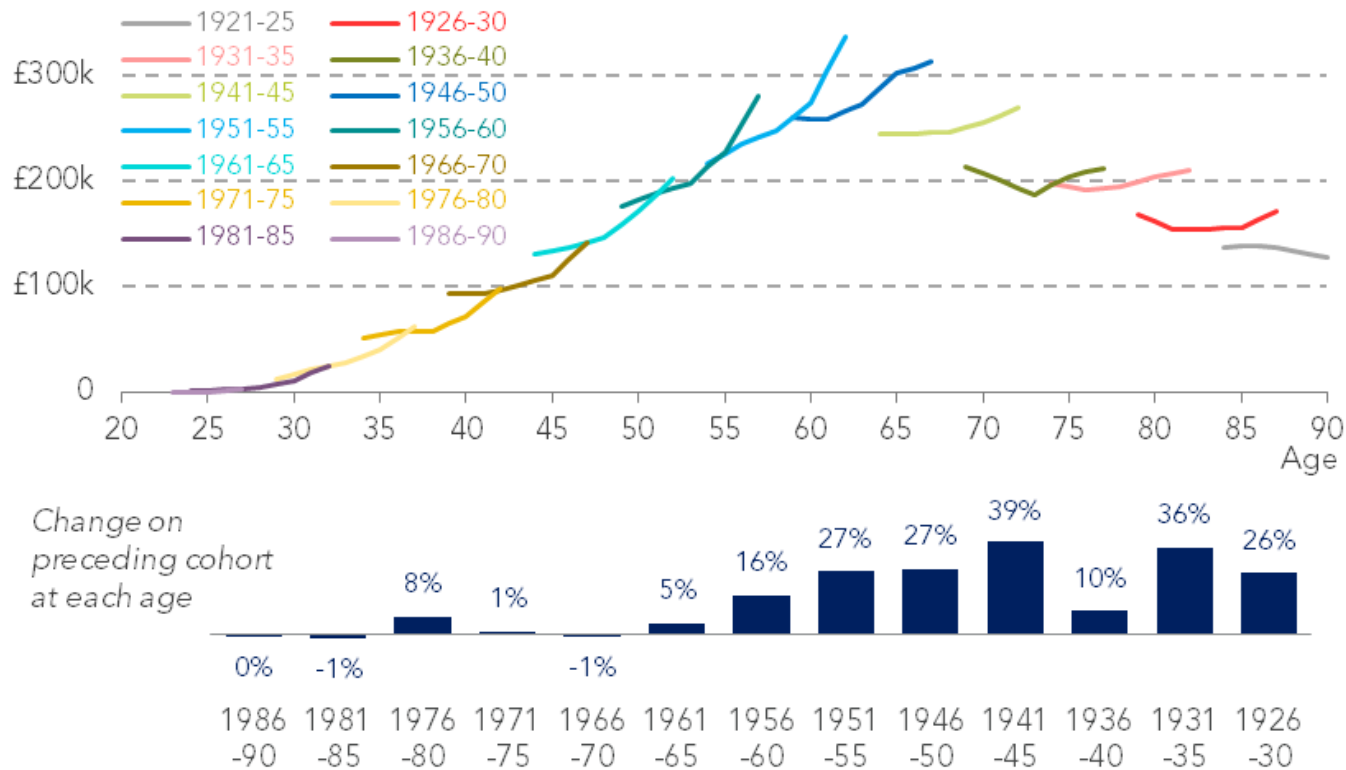


Notes: Household consumption expenditure is equivalised to account for differences in household size. All expenditures deflated using all-items CPIH (which has been indexed back to 1963 using historic trends in RPI), to give an indication of 'real' consumption expenditure changes over time.

Source: Loughborough University/RF analysis of ONS, Family Expenditure Survey; ONS, Living Costs and Food Survey

Britain's wealth boom is only benefiting those born before the 1960s

Median real family total net wealth per adult (CPIH-adjusted to 2017 prices), by cohort: GB, 2006-2016

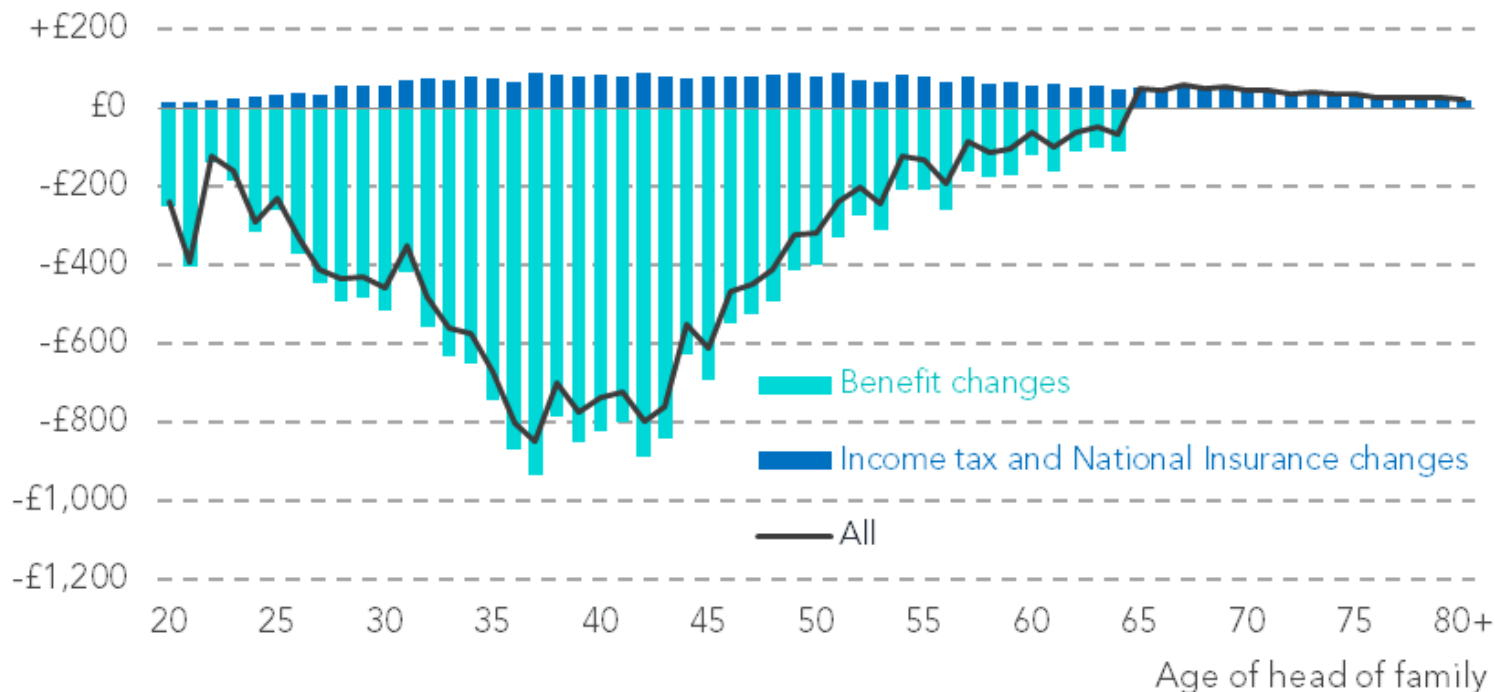


Notes: Excludes physical wealth.

Source: RF analysis of ONS, Wealth and Assets Survey

Changes to the benefit system have added to problems

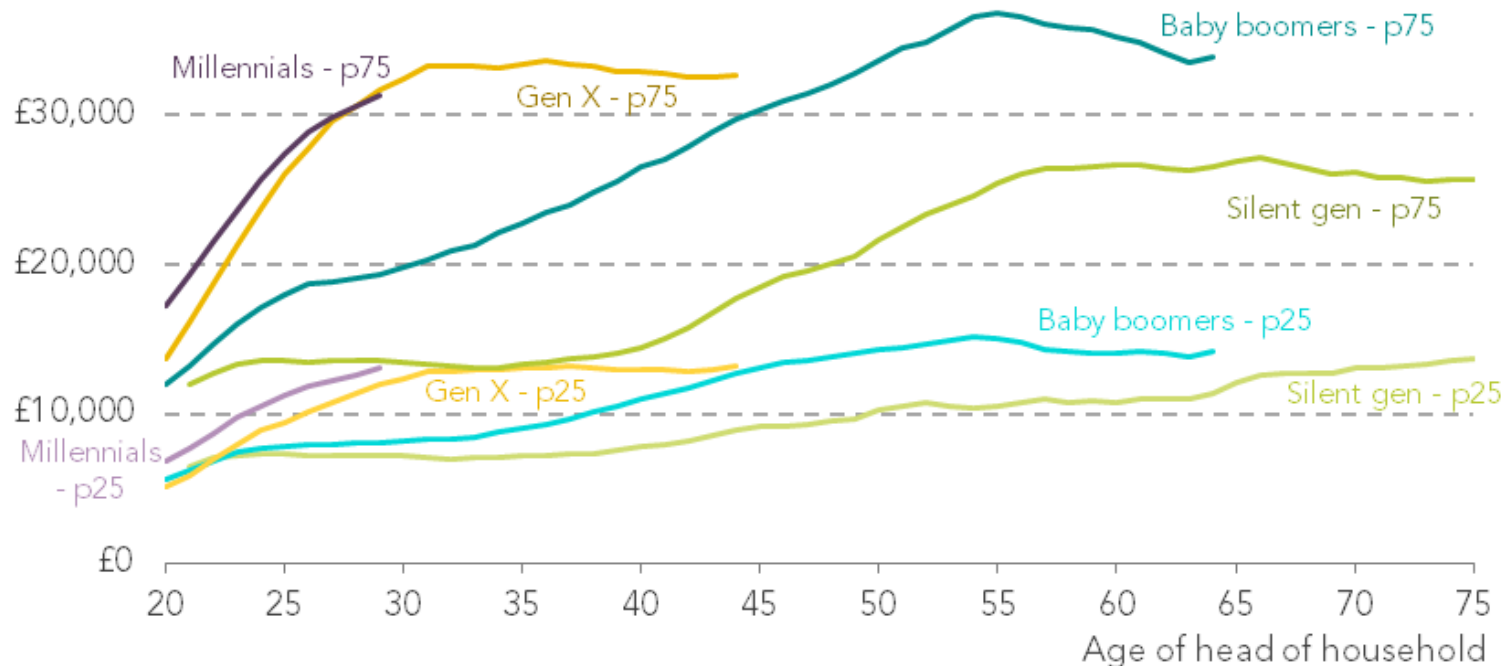
Mean change in annual net family income from tax and benefit policy changes implemented during the current parliament, by age: 2022-23



Notes: Income is measured before housing costs, and expressed in cash terms. See notes to Figure 1 in: G Bangham, D Finch & T Phillips, A welfare generation: Lifetime welfare transfers between generations, Resolution Foundation, February 2018
Source: RF analysis using the IPPR tax-benefit model

Intra-generational income inequality remains an issue and wealth gaps within cohorts are rising...

Percentiles of real net household annual income after housing costs (CPI-AHC-adjusted to 2017 prices), by generation: GB, 1961-2016

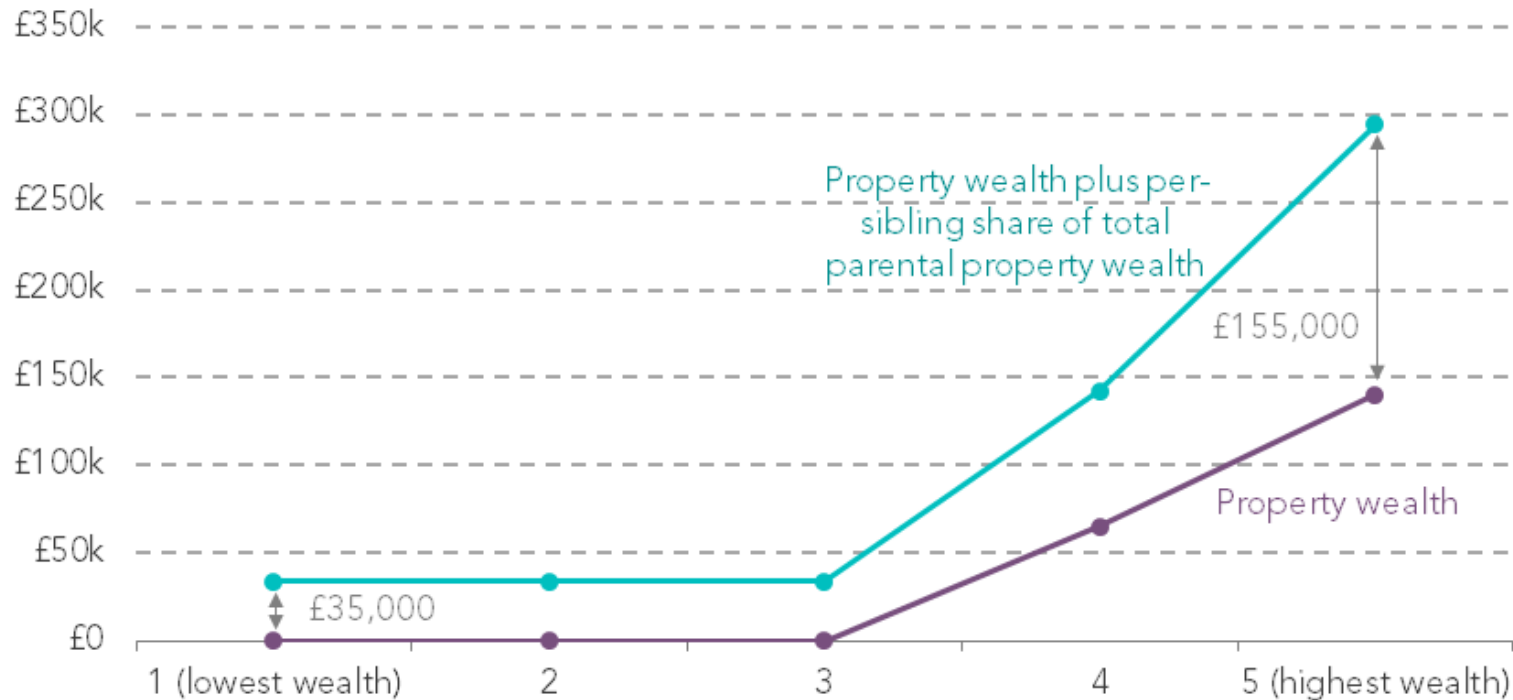


Notes: 'p25' refers to incomes at the 25th percentile within each age group; 'p75' refers to incomes at the 75th percentile within each age group. Incomes are equivalised to account for differences in household size. See notes to Figure 4 in: A Corlett, As time goes by: Shifting incomes and inequality between and within generations, Resolution Foundation, February 2017

Source: RF analysis of IFS, Households Below Average Income; DWP, Family Resources Survey

...something Britain's coming inheritance boom is likely to exacerbate

Median gross property wealth per adult of 20-35-year-olds not living with their parents excluding and including parental property wealth, by gross property wealth quintile: UK, 2015-16

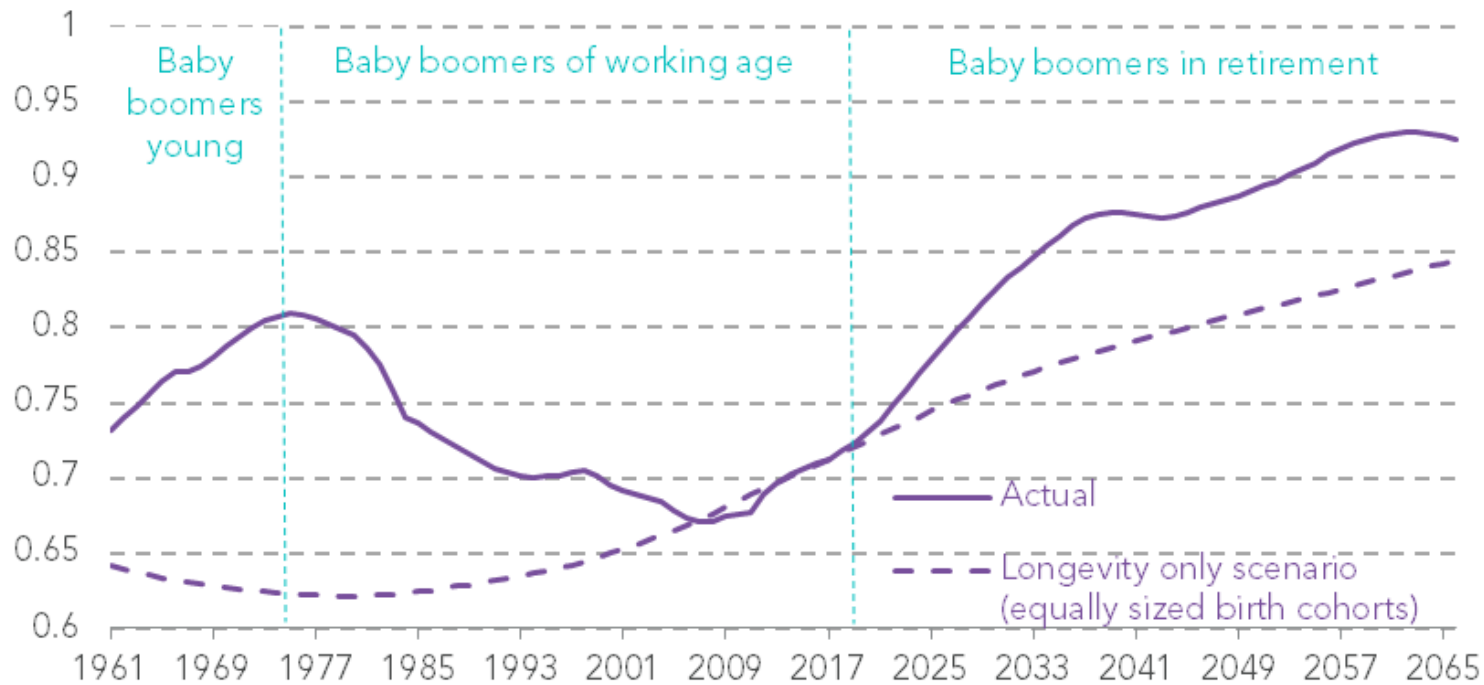


Notes: Data captures wealth in main residence only. For methodological details, see: The million dollar be-question (Intergenerational Commission report 13)
Source: RF analysis using ISER, British Household Panel Survey; ISER, Understanding Society

Not just about the young...

The transition of the large baby boomer generation into old age is accelerating population ageing...

Dependency ratio ((under-20 and 65+ population)/20-64 population) in different scenarios: UK

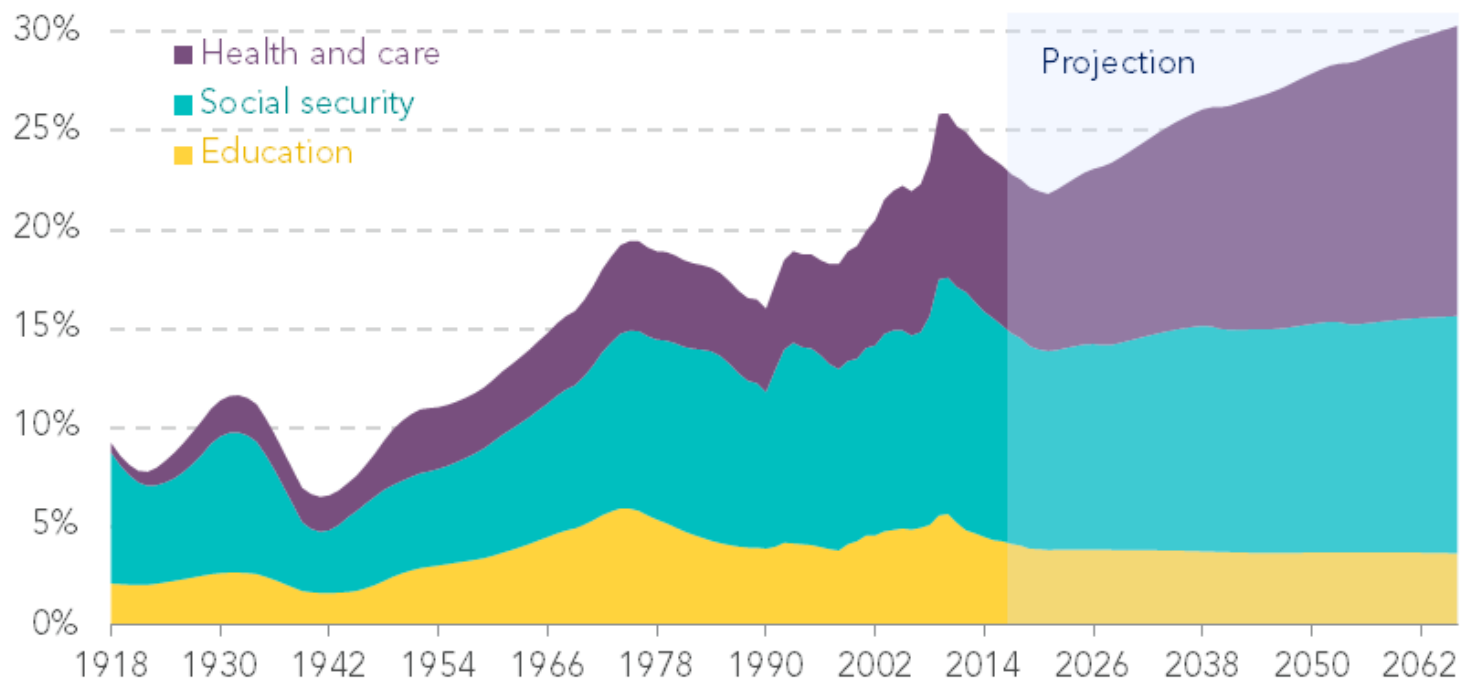


Notes: 'Longevity only' scenario provides a dependency ratio assuming an equal number of births each year, as well as an even gender balance. The life stages of the baby boomer cohort are taken from the mid-point of birth cohort at age 20 and age 65.

Source: RF analysis of ONS, 2016-based mid-year population estimates; ONS, 2016-based population projections

...putting pressure on public spending

Historic and projected welfare spend as a proportion of GDP: UK



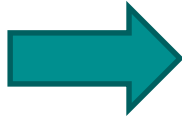
Notes: Data for years prior to 1966 are presented as five-year rolling averages. Total spend is based on the categories used in Hills (2004), so does not map precisely to HM Treasury and Office for Budget Responsibility totals.

Source: RF analysis of OBR, Fiscal Sustainability Report – January 2017, January 2017; HMT, Public Expenditure Statistical Analyses; J Hills, Inequality and the State, Oxford University Press, October 2004

So what do we propose?

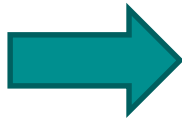
Funding health and care services in a generationally fair way

Sustaining the NHS



A £2.3 billion 'NHS levy'

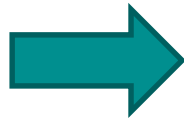
Breaking the deadlock
on social care



Increased public funding and capped property-based contributions for social care

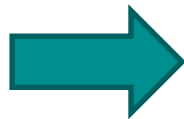
Reducing jobs market risks and restarting progression

Avoiding lasting damage
from the crisis



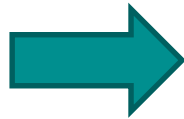
A £1 billion 'Better Jobs Deal'

Making work more
secure



A right to regular hours for those on zero-hours contracts; minimum notice periods for shifts

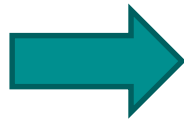
Restarting skills
progress



£1.5 billion for technical education, funded by cancelling 1p of 2020 corporation tax cut

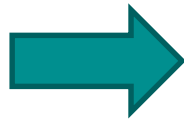
Providing immediate security while addressing our housing crisis

Reducing insecurity



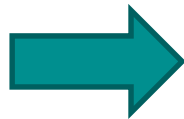
Indeterminate tenancies and stable rents

Rebalancing demand



*A progressive property tax to replace council tax;
halve stamp duty; and a time-limited capital
gains tax cut for sales to first-time buyers*

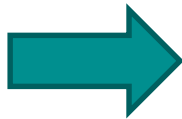
Increasing supply



*Community land auctions; and a £1.7 billion
building precept*

Reducing risks around younger generations' pensions

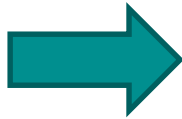
Increasing saving



Auto-enrolment for low earners and the self-employed

Flatter pensions tax reliefs

Sharing risk

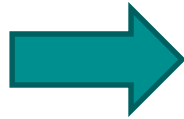


A legislative framework for new 'collective defined contribution' pensions to better share risk

A default track to a guaranteed later life income

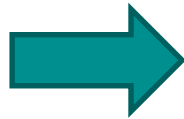
Boosting security today and preparing for tomorrow's challenges

A tax system fit for the
21st century



*Abolish inheritance tax and replacing it with a
lifetime receipts tax*

Restoring the idea of
asset accumulation



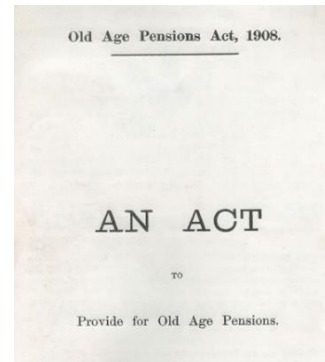
A £10,000 'citizen's inheritance'

Renewing the generational contract is not easy, but can be done

Families are already responding



We have done it before



The prize for success is a better and more united Britain

A new generational contract: Findings and recommendations from the Intergenerational Commission

Laura Gardiner, Resolution Foundation

November 2018

