



Intergenerational Fairness and Provision Committee
Intergenerational Fairness Inquiry

Written Evidence from Later Life Ambitions

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 2012/13¹.

¹ <https://www.ageuk.org.uk/latest-news/articles/2017/december/300000-more-pensioners-living-in-poverty/>

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 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 workers². A rise in zero-hours contracts and self-employment over the last 20 years is well documented, and evidence suggests that this disproportionately affects younger workers with less experience³. 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.

² <https://gtr.ukri.org/projects?ref=ES%2FP005292%2F1>

³ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/contractsthatdonotguaranteeaminimumnumberofhours/april2018>

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 376,000 by 2050, with the UK's ageing population⁴. 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 housing⁵ 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 market⁶.

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'.

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

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

⁶ <http://www.housingcare.org/downloads/kbase/3369.pdf>

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.

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 moves⁷.

⁷ <https://www.saga.co.uk/newsroom/press-releases/2017/jan/downsizing-incentive-is-a-true-inter-generational-solution-to-the-housing-crisis>

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 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. Please contact Tristan Westgate at Connect on 0207 592 9592 or T.westgate@connectpa.co.uk.