

Ten Minute Briefing



February 2017

These new, ten minute briefings from the NPC aim to give you a quick analysis of the current debates surrounding older people in the UK.

Intergenerational Fairness

Introduction

The latest attack on the triple lock and universal pensioner benefits has come in a new report from the right-wing think tank, the Resolution Foundation (RF), entitled *As Time Goes By*. It is chaired by Lord David Willetts, former Conservative minister who in 2010 wrote a book entitled *The Pinch: How the baby boomers took their children's future*. What is interesting is that the media coverage, particularly by the BBC, failed to accurately report the Foundation's research findings. Similarly, Lord Willetts used the opportunity to call for an end to the triple lock on state pensions, simply on the basis that older households supposedly had £20 a week more than working households. The aim of this briefing is to dig a little deeper into the Resolution Foundation's research – and to show how those who wish to roll back the welfare state and universalism are selectively using the data to make their case.

Have pensioner incomes grown?

The simple answer is it depends on the pensioner. The possible reasons for some pensioners having higher incomes include the following:

- Many (younger) older people are in a household where at least one person is still working. For example, 20% of 70-year-olds are still in employment. It seems that the main argument being used by the RF rests on the claim that pensioners who have paid off their mortgage and are still working, having higher incomes after housing costs than younger people who are still paying off their mortgage. Rather than a revelation, this feels like an obvious and understandable situation.
- A particular generation of older people are more likely to have benefitted from final

salary, defined benefit occupational pension schemes, which were not available to older generations and are unlikely to be available to younger generations.

- Increases in pensioner benefits *prior* to the triple lock being introduced were higher than inflation, not as a result of the triple lock (as Lord Willetts suggested).
- Comparing typical pensioner incomes in 2014 with typical incomes in 2001, to a large extent means comparing two different populations of pensioners, as one poorer group dies and is replaced by younger and generally better off generations. However, if you measure the income of the same individual over that period, the figures show that the growth in their income is considerably lower than that for the group as a whole. For example, those born in 1935 (now aged 81-years-old) have not seen their incomes grow as much as younger pensioners.

Is it a case of young against old?

The RF's research actually shows that those in their 20s have an income more in line with their grandparents in their 80s, than with their parents who may be in their late 40s upwards.

Another interesting finding is that income level differences *within* each generation are often larger than differences between generations. The idea that the inequality is therefore greatest between the generations is simply not borne out by the research. Suggesting that the problem is due to richer pensioners taking from poorer twenty somethings is factually incorrect.

Even the RF accept that there are still 2 million pensioners below the before housing costs relative poverty line in 2014-15 (16%) and 1.6 million below (14%) once housing costs are taken into account.

Conclusion

There seems little real evidence from the report to back up the claim from Lord Willetts and others that the triple lock must be scrapped alongside universal pensioner benefits, such as the bus pass and winter fuel allowance, in order to improve the life chances and incomes of younger generations. In fact, nowhere does the report call for any kind of redistribution of wealth between the generations; merely an argument is being used to make cuts to the welfare state that future generations of pensioners are going to need even more than their parents and grandparents.

For those wishing to find out more about the key issues raised in this briefing, follow the

links below:

The facts about the triple lock are available here:

<http://npcuk.org/.../uploa.../2016/12/Triple-Lock-Fact-Sheet.pdf>

The facts about universal benefits are available here: <http://npcuk.org/.../Sir-Alan-Sugar-and-the-missing-bus-pass...>

The case for intergenerational solidarity is available here: <http://npcuk.org/wp-content/uploads/2016/02/Intergenerational-Fairness-Submission.doc>

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