

# Tackling Intergenerational Fairness

## Briefing Paper April 2019



### Introduction

The House of Lords' Select Committee report entitled *Tackling Intergenerational Fairness*, published on 25 April 2019 is just the latest in a long line to argue for the scrapping or means-testing of universal pensioner benefits, on the premise that older people are no longer living in poverty. The report also argues that concessions such as the bus pass or winter fuel allowance are “outdated” and unfair to young people, and that government should rightly do more to support younger generations in the housing and employment market. This briefing paper therefore summarises the report and offers an analysis of its main arguments.

### Recommendations

The 114 page report covers areas such as housing, lifelong learning, extending the working life, the role of communities and intergenerational taxation and produces a number of recommendations directly affecting older people, including:

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- Removing the triple lock for the State Pension and instead uprating it in line with average earnings.
- Phasing out free TV licences based on age. The government should then decide if it wants to subsidise TV licences based on a means-test of household income.
- From 2026-28, when the state pension age (SPA) becomes 67, free bus passes and Winter Fuel Payments should only be available five years after a person becomes eligible for their State Pension. The age of entitlement to benefits should be harmonised with the SPA, but there should be transitional protection for those currently in receipt of the benefits so that they continue to receive them.
- Alongside changing the age at which individuals become eligible for these benefits, the government should also consider treating them as part of taxable income.
- Better off workers over the SPA, who earn over £12,500 a year should pay National Insurance while they continue to work.

The report also includes some wider recommendations:

- Action needs to be taken to substantially increase the supply of social housing by allowing local authorities to borrow to fund building programmes. Increasing the amount of housing which is accessible and adaptable for older generations should also be part of this increase in supply.
- There should be an increase in funding for Further Education and vocational training to tackle unfairness between those to go onto Higher Education and those who do not.
- There should be an assumption of the employment status of ‘worker’ by default to protect young people from exploitation or insecurity in the gig economy, while allowing those who wish to stay as self-employed to do so.

- The Treasury should publish a breakdown of the effects of each budget by generation and government should create Intergenerational Impact Assessments for all draft legislation.
- Council Tax should be reformed to take into account actual property values more than the current out of date system, allow those who have high assets but low incomes to delay payment until the property is sold and ensure second homes have to pay the full rate.
- The government should consider how Stamp Duty could be reformed to improve the housing choices and availability for young families.
- Inheritance tax is not fit for purpose and further consideration needs to be given as to whether and how assets should be taxed on death or transfer in a way that ensures fairness between the generations

### **Analysis**

Like many of these reports, there are specific issues or recommendations with which almost everyone would agree. In this respect, the acknowledgement of the insecure nature of the world of work for many younger people, the need for greater employment rights and protection and the lack of affordable or suitable housing are all worth noting. However, many of the arguments affecting pensioners repeat those originally set out in the Resolution Foundation report, entitled *A New Generational Contract*, which was published last May.

One of the key drivers of the report is the idea that the amount a generation contributes in taxation over a lifetime should be broadly in line with what it receives. This is linked to a criticism that recent social security spending has been focussed more on older people, than those of working age. In particular, this argument rests on the triple lock – and the way in which the basic state pension has a guaranteed 2.5% annual increase compared to wage rises that have recently been lower. However, the Select Committee fails to acknowledge that despite the triple lock being in existence for eight years, the UK state pension remains the least adequate in the developed world, and pensioner poverty has risen in the last year to 1.9 million.

What's also interesting is the report's acceptance that the main inequality in society is inside generations, rather than between them, but says that as this was not part of the remit of their inquiry they have not considered it. Such an approach therefore severely undermines the credibility of some of their findings.

In addition, there are specific issues that need to be countered:

- The BBC has yet to decide the future of the over 75s' TV licence, but it is widely accepted that the broadcaster should not be responsible for funding or administering part of the government's wider social or welfare policy. Suggestions of means-testing the concession will be fraught with costly bureaucracy and legal problems, and like all means-tests, is likely to end up hurting those who need the most support.
- In a similar way, the bold suggestion that the Winter Fuel Allowance and the bus pass should be scrapped for future generations bears absolutely no relation to the scale of fuel poverty in the UK, the rising number of winter deaths, the increase in loneliness among older people, the benefit of keeping active, mobile

and independent in older age, the economic and environmental benefits of bus travel and the massive contribution that older people continue make to society in general. For example, the latest evidence shows that informal, unpaid carers save the exchequer £57bn a year in care costs alone.

- There is a false assumption made about the benefit to young people, if older people have their benefits reduced or removed altogether. 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. Moreover, rather than benefiting younger people now – it effectively removes their right to receive such benefits when they eventually retire.

### **Conclusion**

More than at any other period in our history, our society is being 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. Of course, 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.

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.

A copy of the House of Lords' Select Committee report can be found at:

<https://publications.parliament.uk/pa/ld201719/ldselect/ldintfair/329/32902.htm>

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