

Intergenerational Fairness: A citizens' view
Report from a Citizens' Jury to look at intergenerational
fairness in England, held in February 2016

Britain**thinks**

In association with



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1. Foreword by Kevin Nicholson, PwC

Intergenerational Fairness is one of the issues of the moment. There's a steady stream of commentary about affluent Baby Boomers, living in fast appreciating homes, enjoying holidays aplenty. Meanwhile Millennials fear 'perma adolescence', saddled with student debt, little hope of getting on the housing ladder, let alone thinking about retirement saving.

Such stereotypes are simplistic and divisive. But like any generalisation, there are more than a few grains of truth.

Pensioner incomes have eclipsed those of working age people; house prices have doubled in the last fifty years, benefitting those who've ridden the wave but putting home ownership out of reach for many; degrees are now costly and have become a prerequisite for many jobs; and once the norm final salary pension schemes have all but disappeared.

These issues present challenges for large employers such as PwC. We employ 17,000 people in the UK and the average age is 27. If intergenerational fairness is a growing concern, it's a concern for us.

Yet we're also in a good position to help tackle the problems - we have a big pensions business, we advise the housing industry, and we know how the tax system works - one of the levers people are increasingly turning to for remedial action.

Rather than second guess what people think, we asked BritainThinks to bring together a Citizens' Jury, with three generations reflected equally and a range of backgrounds. We wanted the Jury to assess whether intergenerational fairness really is a problem, and if so, what can be done about it - with a particular focus on housing and pensions.

The project is part of our broader Paying for Tomorrow campaign, which aims to extend debate on the big issues in tax, bringing together views from a cross section of people.

What's been clear throughout the programme is that when people are given the time, space and information to debate issues in depth, they can put aside self-interest to find the common ground.

People want to work together to address intergenerational challenges: problems for the young are problems for their parents and grandparents, and vice versa. No-one wants to see a particular generation punished.

Moreover, in bringing different age groups and backgrounds together to debate the issues, you get exactly the sort of fresh thinking needed to tackle the difficult problems.

I'd like to thank BritainThinks, all the expert speakers involved, and of course the citizens themselves, for what I think is a valuable contribution to the debate.

Kevin Nicholson, Executive Board Member and Head of Tax, PwC

2. Executive summary

Intergenerational inequality is a problem - but generations want to fix it together

- Citizens of all generations had a similar view of when the key milestones should take place in an ‘ideal life journey’. However, when comparing this ideal to personal experiences and expectations, it became clear that for each generation there are points where the reality has diverged, or will diverge, from this ideal.
 - Most significantly, Generation Y¹ participants said they felt it was unlikely they would be able to achieve key milestones at the same age that their parents and grandparents had been able to. The difference was especially pronounced in relation to being able to support themselves financially and leave the family home, buying their first home and being financially secure enough to retire.
 - Generation X² participants felt their experience in their twenties and thirties was very similar to the ‘ideal’ but milestones they hoped to reach in their forties and fifties - such as paying off the mortgage or seeing their children leave home - were expected to happen much later.
 - Whilst those in the Baby Boomer generation³ felt their experience to date had matched the ‘ideal’, they pointed out that the increase in the state pension age had affected their generation (and specifically female Baby Boomers) particularly acutely. They are also finding they need to support children/grandchildren, and take on caring responsibilities for their parents, in a way they had not anticipated.
- On balance, the Jury agreed that there are some clear unfairnesses between generations, and that this is a problem for the population more broadly, albeit a complicated one. Their view was that:
 - Older generations have been successful by accident rather than design.
 - While no generation is an outright ‘winner’, there are pressing problems for younger generations - particularly when it comes to housing accessibility and saving for retirement.
 - In tackling this issue, it should be remembered inequalities and differences within generations are at least as important as those between generations.

¹ ‘Generation Y’ refers to those born between 1985 and 2000.

² ‘Generation X’ refers to those born between 1965 and 1984.

³ ‘Baby Boomers’ refers to the generation born between 1946 and 1964.

- Jurors advocated addressing intergenerational fairness in ways that would work for all generations, and not penalise the successes of older generations.
 - The jury was clear that a problem for one generation is also a problem for another: younger generations are concerned about issues that would adversely affect their parents and grandparents, while older generations worry deeply about the challenges for their dependents.
 - They were clear that all generations need to take responsibility for addressing intergenerational differences.

More housing is crucial to intergenerational fairness

- Intergenerational differences in housing emerged as a priority area to address. Jurors saw a connection between the problems facing younger generations trying to buy their first home and an increasing lack of housing more generally. They developed a number of ideas and recommendations to help younger generations achieve the housing milestones that those in the Baby Boomer generation and Generation X had been able to. These recommendations included:
 - Create a government-backed investment vehicle that enables citizens (particularly those seeking to invest a pension lump sum) to support the building of more housing for sale or rent.
 - Encourage older generations to downsize by scrapping Stamp Duty for downsizing (the exemption could apply to one move in a lifetime), and offering a range of practical support to help people move more easily.
 - Support first-time buyers by reintroducing tax relief on mortgage interest payments for this group.

A step-change is needed in education and attitudes to retirement saving

- Jurors also considered intergenerational fairness with regards to pensions, and recommended:
 - Encouraging parents to start saving for their children from birth, and young people to start saving sooner, perhaps by giving young savers higher rates of tax relief on pensions contributions.
 - Educating children about pensions in schools, including how they work, how much to save, and when to start.
- Other recommendations from the Jury included:
 - Adjusting the triple lock that protects the state pension and applying a similar lock, to state benefits received by younger workers on low incomes.

- Increasing the minimum wage for workers under the age of 21 to close the gap with older workers - ideally removing the difference altogether.

Big cultural shifts are needed to truly address the intergenerational problem

- In addition, jurors identified broader societal shifts that might need to happen in order to fully address the issue of intergenerational fairness:
 - Moving away from the ideal of home ownership and developing new models of renting.
 - Adapting to new types of housing e.g. prefab homes and capsule properties.
 - Thinking differently about wealth (and the norm of both buying a house *and* saving for a pension).
 - Working until later in life, in line with rising life expectancy.
 - Paying more tax in exchange for a better retirement.

Governments need to step up and take action

- Finally, the Jury called for the government to “step up”, consider the long term and take a lead on addressing some of the problems faced by younger generations.
 - Our jurors felt that just because young people are less likely to vote does not mean that the problems facing these generations should be ignored by politicians.

3. Objectives and methodology

What is a Citizens' Jury?

A Citizens' Jury is an opportunity to understand where members of the public get to when they are given the time, space and information to consider an issue or policy debate in real depth.

Citizens' Juries tend to take place over a reasonably long period of time (often two or more days), and involve a small group of citizens, recruited to reflect society more broadly in terms of age, gender, social class, region, etc.

Through a series of presentations, panel discussions, small group exercises and plenary debates, participants receive unbiased, factual briefings on the issue from experts in the policy area, as well as being exposed to arguments and perspectives from the widest possible range of voices and viewpoints. They are then asked to develop their own recommendations for the way forward. Common outputs from Citizens' Juries include:

- Citizens' criteria for making decisions in relation to the issue;
- New ideas and recommendations for actions that relevant stakeholders can take, to enact citizens' principles.

On 16th and 17th February 2016, PwC and BritainThinks convened a Citizens' Jury with participants from three different generations, to look at the issue of intergenerational fairness. This event built on a Citizens' Jury run in April 2014, which set out to understand citizens' views on the tax system in the UK. Both Juries form part of PwC's programme of work, *Paying for Tomorrow: The Future of Tax*.

Objectives of this Citizens' Jury:

- Understand the extent to which citizens feel that intergenerational fairness is a problem and, if so, what behaviours they think need to be encouraged/ discouraged to mitigate inequality between generations.
- Develop a set of ideas and recommendations to address intergenerational issues including, but not limited to, the tax system.

Methodology:

BritainThinks recruited 22 members of the British public, broadly representative of the nation's demographics in terms of sex, social class and ethnicity. There were representatives from each of the following three generations:

- Generation Y/ Millennials (born between 1985 and 2000);
- Generation X (born between 1965 and 1984);

- Baby Boomers (born between 1946 and 1964).

All participants were of an age that meant they sit in the ‘middle’ of their generation, in age brackets of 20-27, 40-50, and 60-67.

The Jury took place in central London and lasted two days. Jurors were from a range of locations across England:

- Greater London;
- The South East of England;
- The South West of England;
- The Midlands;
- The North East of England;
- The North West of England.

The structure of the Citizens’ Jury, the ‘expert witnesses’ involved, and the issues covered, are all set out on the following pages.

4. Structure of the Citizens’ Jury

The outline agenda for the two days is summarised below.

Day One:

- **Background views:** in table discussions with groups made up of same-generation participants, jurors explored their views on when key milestones should take place in the ‘ideal life-journey’, and how similar or different this is from the experience/expectations of their generation.
- **A ‘pub quiz’ exercise designed to highlight some of the differences between generations:** the exercise drew attention to some of the benefits and disadvantages experienced by each of the generations in order to encourage participants to think about the issue of intergenerational difference and fairness in the round.
- **Briefing sessions from two experts on their assessment of intergenerational difference and fairness:** the Jury heard first from Paul Johnson, Director of the Institute of Fiscal Studies, and then from David Willetts, Executive Chair of the Resolution Foundation.
- **Assessing the intergenerational issue:** in table discussions with groups made up of participants from different generations, jurors decided the extent to which they thought intergenerational fairness is a problem, and where responsibility to address intergenerational inequality should lie.
- **Briefing session on housing and pensions:** jurors heard a presentation with input from John Hawksworth, Chief Economist at PwC, setting out the key changes that have occurred in the housing and pensions markets and the different effects this has had on successive generations.

- **Identifying behaviours that would help address intergenerational differences:** in their mixed generation groups, jurors deliberated on the ways in which housing and pensions could work more effectively for all generations.

Day Two:

- **Panel session:** four expert panelists had five minutes each to present their assessment of intergenerational fairness and pitch their ideas for how to mitigate intergenerational inequality to the Jury. The panelists were:
 - Stephen Burke, Director, United for All Ages;
 - Catherine Hand, Partner, Trowers and Hamlins, and advisory panel member of the Local Government Association’s Housing Commission;
 - Jane Vass, Head of Public Policy, Age UK;
 - David Johnston, Chief Executive, Social Mobility Foundation.
- **A presentation setting out a series of tax propositions:** jurors heard a range of ideas for how the tax system could be changed to encourage particular behaviours in relation to key intergenerational issues.
- **Assessment of ideas and developing recommendations designed to address intergenerational differences:** in their groups, jurors had a chance to discuss in depth all the ideas they had heard that morning, stretching and building these into a final set of recommendations from the Jury.
- **Final presentation to a panel of experts:** a selection of jurors presented their thoughts and recommendations to a panel:
 - Lord Strathclyde, Conservative member of the House of Lords;
 - Alan Buckle, Senior Advisor to the Labour Party;
 - Roderick McInnes, Committee specialist, Work and Pensions Select Committee
 - Lukas Audickas, Researcher, House of Commons Library
 - Kevin Nicholson, Head of Tax, PwC
 - Neil Sherlock, Political Advisor, PwC.⁴

⁴ See page 29 for selected expert panel comments on the jurors’ thoughts and recommendations.

5. Background views

What we did

In single-generation groups, jurors mapped milestone cards onto a timeline to show when these should take place in the *ideal* life journey. The milestones covered a range of events related to housing, income and expenditure, career stage and family situation. Once the ideal life timeline was mapped out, it was used to draw comparisons with jurors' experiences or expectations in their own lives.

In a plenary session each table fed back their life journey timeline, opening up a conversation about the key similarities and differences between the generations.

Overview

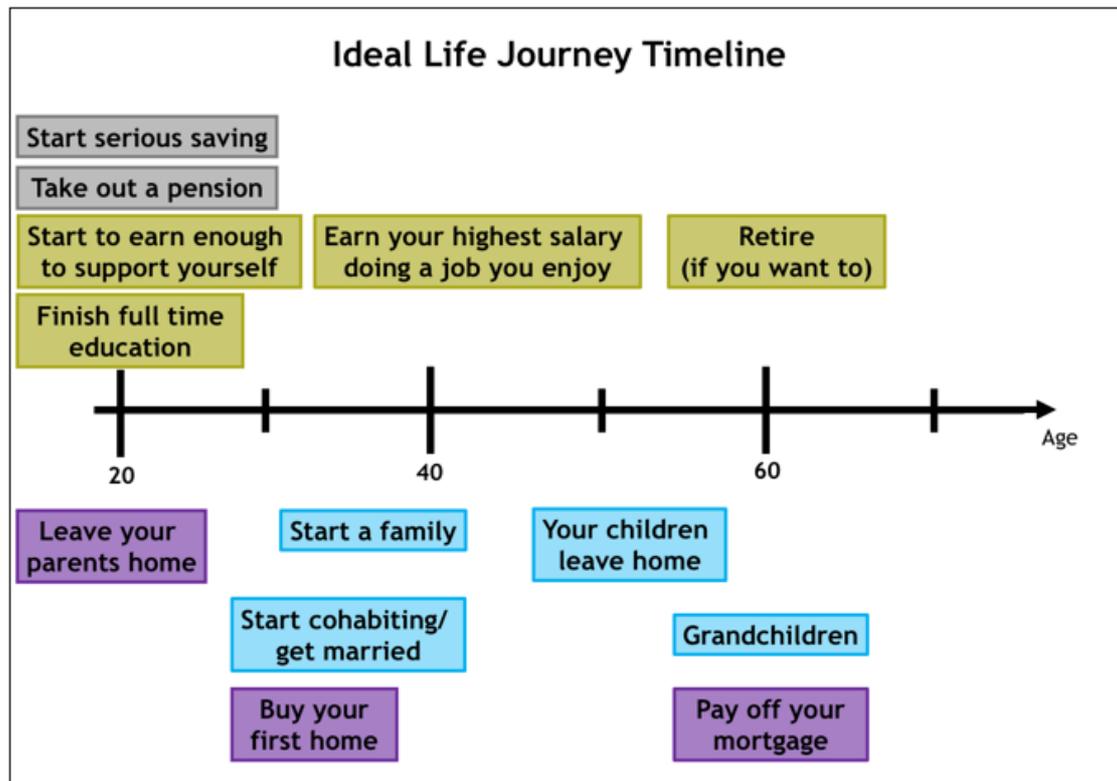
For each generation there were points where their experience had diverged or was expected to diverge, from the 'ideal'.

Jurors recognised that younger generations would be unlikely to achieve key milestones at the same age that their parents or grandparents had been able to. This was taken as a key argument that intergenerational inequality is an issue and that those in Generation Y 'have it tougher' in certain respects.

However, jurors from across the generations did not think that older generations were to blame (if anything their success needs to be recognised) and wanted any solutions to the current problems faced by Generation Y to work for the whole of society, rather than penalise or 'punish' the Baby Boomers.

Ideal timeline

Citizens from different generations were in agreement as to when key milestones should be reached in the ideal life journey:



Jurors' ideal life journey timeline⁵

As an ideal, jurors thought a relatively large number of key milestones should be achieved in one's late teens and early twenties, at the cusp of adulthood. The first milestone was considered to be the end of one's full time education, followed in one's early twenties by moving out of the parental home, starting a career and earning enough to be financially independent. Once these milestones have been reached, it was felt the ideal next steps would be to start serious saving and take out a pension.

"The earlier [you start a pension], the better. It should be as soon as you start working in my opinion."

By one's early thirties, jurors thought that someone should be established in their job and have been able to buy their own home. They also felt that this would be the time when you should be in a position to live with a partner/get married and be able to start a family.

Following on from milestones achieved in one's twenties and thirties, there were few milestones earmarked for one's 40s and 50s. It was in these decades that jurors envisaged an individual should ideally be earning their maximum salary, working in a job that they love, and, for those that had chosen to start a family, have healthy children who are themselves able to embark on the same life journey.

Jurors thought there were another set of milestones that would ideally happen in one's late fifties and sixties. This included having been able to

⁵ This diagram is a composite of the posters produced on different generations' tables

pay off one's mortgage and be financially secure. Jurors from Generation X and the Baby Boomers also highlighted a preference for having options at this stage of life. For example, having a choice between either retiring fully or slowly winding down work, and therefore not being constrained by either finances or ageism in the workplace.

“In an ideal world you would be able to retire at 50-55, then you would have plenty of time to enjoy it. But some people might not want to stop working just retire from the rat race to something less stressful.”

Experiences and expectations of life milestones

When thinking about the reality of their experiences or expectations, key differences emerged between the generations.

Baby Boomers

Baby Boomer participants noted that the experience of their twenties, thirties and forties was largely in line with the ideal. They recalled having been financially independent before the age of 20 and most had been able to buy a house in this first decade of adulthood. Many noted that far fewer of their generation had attended university compared to later generations, although many felt that their career paths had not particularly suffered, and some had continued education at a later date.

Once they reached their forties and fifties, although they had enjoyed career progression and were secure living in their own homes, they found that life had more often than not taken unexpected turns that they had not necessarily been prepared for, such as having got divorced or having suffered bereavement or illness.

The greatest area of divergence from the ideal timeline for this generation has happened in recent years. Although the majority of jurors had paid off their mortgages and felt financially secure, they have found themselves also trying to support struggling children and parents in need of care. In addition, some felt quite angry that the state pension age was moved back just as they were getting close to it, particularly women for whom some have experienced a 7 year shift to retirement age.

“There wasn't too much difference between the ideal life journey and what actually happened with us. Most of our group is retired but some are still working part-time. Most mortgages have been paid off, so we don't need to worry about that any more.”

“I think it has changed for younger generations. We're having to support our children a lot more than we had been expecting.”

Generation X

In line with the Baby Boomers, Generation X participants often felt they had experienced close to the ideal in their twenties, and again noted how relatively fortunate they have been in comparison to their children. Interestingly, jurors in this generation noted that they had experienced ‘the best of both worlds’ in terms of higher education as a greater proportion of their generation were able to go to university, but without the fees or subsequent debt that face younger generations.

In comparison to the Baby Boomers, this group have found their lives diverged from the ideal timeline earlier, especially with regards to the age at which they expect to be when their children are able to leave home. In addition, they do not expect to be able to pay off their mortgage at the ideal age nor retire until they are aged around 65-70, a full decade later than their ideal.

“It is really important that we prepare for the future and we’re not in a situation where by retirement you’re still paying off your mortgage. I mean you have these ideals but in reality it takes longer and more planning. Maybe, in hindsight, it’s something we should have been doing from the beginning.”

Generation Y/ Millennials

Jurors in this generation expected to reach the key milestones in the same order as the ideal timeline and that of the older generations, but between five and ten years later. For example, they expected to/had become financially independent at a later age than their parents.

“Ideally you’d like to be out [of the home] earlier but now we tend to be staying with our parents longer until we can save to get a house. We’d like to move out earlier but it’s purely financial.”

Some milestones stood out to this group of jurors in feeling particularly unattainable, especially buying their first house. High house prices, struggles to get a mortgage, and the increasing amount required for a deposit meant that some were starting to think about alternatives, re-shaping their expectations to adjust to the realities for their generation.

“Ideally we’d like things to happen quite early but then when we started looking at the expected, it soon became apparent that everything was happening a little bit later.”

6. Assessment of the intergenerational issue

What we did

The jurors took part in a ‘pub quiz’ exercise, using publicly available statistics and data, which highlighted a number of differences between generations. Following this, participants then heard presentations from two experts:

- **Paul Johnson, IFS:** gave a brief overview of the intergenerational picture, including the increase in life expectancy and pensioner incomes over the last 30 years, and the uncertainty facing future generations related to declining saving, home ownership rates and a less generous state pension.
- **David Willetts, Resolution Foundation:** provided his assessment of the intergenerational issue and introduced jurors to the political barriers to addressing intergenerational inequalities, highlighting the relative proportions of each generation who exercise their vote in General Elections.

Across these different inputs, participants were exposed to some basic facts about how life in the UK has changed over time, and how this has affected different generations:

- Educational experiences
- Changes in house prices
- Poverty rates among different generations
- Changes in entitlements to benefits over time
- Average salaries
- Retirement ages and life expectancy
- Gender makeup of the labour market over time
- Changes in discretionary spending and consumption over time.

Following these knowledge-building sessions, jurors discussed their initial thoughts before assessing the extent to which they felt intergenerational differences are a problem, and who we should be looking to to address them.

Overview

In thinking about the differences between generations in more detail, jurors quickly arrived at the view that intergenerational fairness is an issue, albeit a rather complicated one. These discussions saw jurors returning to the points raised in the first session about the importance of neither blaming nor penalising older generations, and recognising the role that they are already playing in supporting their families, as well as the role that they are likely to have in the future through leaving their assets to the next generation.

“I have two sons, both are grown up, although one of them is staying with us at the moment until he sorts himself out.”

It was felt that all generations have a role and responsibility to address intergenerational fairness. Younger people’s low political engagement was raised as a concern and thought to be an important reason why their views and needs are often overlooked by politicians.

“A lot of my generation don't vote so the politicians don't say they're going to build the houses because they don't need to.”

These discussions also saw jurors begin to identify changes that need to happen to address the wider issues that are related to intergenerational fairness, such as the need for increased house building in the UK.

Extent to which intergenerational differences are a problem

On balance, the Jury felt that intergenerational fairness is an issue that needs to be addressed. It was clear to many jurors that younger generations specifically appear to be worse off than others. Three key areas were identified where this was felt to be most striking:

- **Housing:** younger generations are finding it much harder to buy property than their parents did, and getting on the property ladder felt like a near-impossible task for many of the Generation Y jurors.
- **Higher education:** for some jurors, a university degree appears to have become almost compulsory for younger generations, which leaves them in a large amount of debt and puts back the age at which they are able to become financially independent and start saving for their future.
 - Many participants raised concern that the ubiquity of degrees simply meant that jobs that had previously been open to non-graduates, now required a degree, even if the requirements of the role had changed little.
- **Savings and pensions:** the decline in certain generous pension schemes (such as final salary pensions) mean that younger generations can expect to be less financially secure in their retirement than current older generations are. Combined with the general ‘delay’ in the age at which each life stage is reached by younger generations, this means that it is getting harder for younger generations to save early enough for their retirement.

“I feel older/retired generations are well looked after and have been promised a lot. There is no hope for younger generations - no easy way to get on the property ladder, no money left in the pension funds as the majority of young people are not saving.”

“I feel like we're paying all this money and we're just going to get nothing when we retire. I don't think it's the same for everybody.”

However, in thinking about intergenerational challenges, jurors quickly arrived at the conclusion that it is a complicated picture with no generation being outright ‘winners’. For example, members of the Baby Boomer generation have done well by accident rather than by design, and suffered some problems as a result. This includes the raising of the state pension age when they were nearing retirement, and various amendments to final salary pension schemes. Additionally, only a small proportion of Baby Boomers had the opportunity for higher education, with the vast majority starting work in their late teens.

In addition, the Jury felt that the role that older generations play in supporting their families is an important factor to take into consideration. As well as providing financial support, inheritance was discussed as an important means through which wealth can be passed through the generations.

Thinking about inheritance in particular led jurors to consider the importance of differences and inequality generally, which complicated the picture further and led some jurors to question the comparative importance of intergenerational issues.

“The Baby Boomers they will leave us something from their estates when they go and then we do likewise for ours.”

Responsibility for addressing intergenerational differences

Given the role that many Baby Boomers are already playing in supporting younger generations at a family level, and the complicated nature of the issue, jurors agreed that responsibility for resolving intergenerational differences should not be solely placed on older generations. Instead, they were clear that all generations need to be involved.

“Everybody [should take responsibility], I don't think it's just one group's responsibility.”

After hearing the expert presentations, jurors were particularly struck by the lack of attention given to intergenerational issues by politicians and the lack of engagement of younger people in politics. They called for politicians to take action on intergenerational fairness, rather than concentrating on what will get them elected. Jurors also decided that younger generations should take some responsibility by getting involved in politics and voting in General Elections.

“People get voted in by an older generation so if they don't do what the older generation want them to do, then they wouldn't be in power because most people my age don't vote, statistically. So young people need to engage in the problem and understand that if you don't vote, you're making a rod for your own back.”

6. Ideas and recommendations for addressing intergenerational fairness

What we did

Having identified that intergenerational fairness is a problem, jurors were presented with information about housing and pensions in the UK, which highlighted differences between generations. Jurors then assessed this information and started to come up with their own ideas to address current problems in these markets.

Jurors were then presented with a series of wide-ranging ideas to mitigate intergenerational differences by an expert panel:

- **Stephen Burke, United for All Ages:** proposed that more housing options need to be created for older people, to enable them to downsize and free up family sized homes for younger generations, and also suggested encouraging saving by children and young people through an updated version of the Child Trust Fund, perhaps called the Baby Asset Builder. Finally, Stephen put forward the idea of developing a new social contract between the generations through an annual national intergenerational convention.
- **Catherine Hand, Trowers & Hamlins:** pitched an idea to encourage downsizing through a ‘try-before-you-buy’ scheme, and also a retirement investment fund that is used to build rented accommodation, giving secure investment opportunities and reducing the number of people investing in buy-to-let property.
- **Jane Vass, Age UK:** proposed a ‘help to move’ scheme for older people looking to downsize, as well as an ambition for more housing to be built that is suitable for both older and younger generations, and also pitched a move to flat rate tax relief on pension savings to increase the benefits of pension saving for people on modest incomes.
- **David Johnston, Social Mobility Foundation:** proposed that the minimum wage should be made equal for all ages (and not lower for those aged under 21), and also pitched a ‘help to buy’ scheme for teachers to encourage them to move to schools/ areas that are performing poorly to reduce inequality in quality of education in the UK.

The Jury then heard a series of tax-related ideas drawn from a wide range of sources that could address intergenerational issues

- **Housing ideas:**
 - Abolish the single person discounts for council tax by default;
 - Re-introduce tax relief for the interest cost of borrowing for mortgages of first-time or younger buyers;

- Reduce the Capital Gains Tax Relief on homes (i.e. Principal Private Residence Relief);
- Introduce tax incentives for converting parts of your property into flats and/ or granny annexes;
- Lower the rates of Stamp Duty Land Tax for older people purchasing a smaller house to make downsizing more attractive.

- **Pensions ideas:**

- Reduce/ remove the tax free lump sum that can be taken from pensions;
- Enable families to contribute into each other's pension pots;
- Scrap the triple lock that protects the value of the state pension;
- Flat rate pension tax relief for contributions;
- Increase private pensions tax relief for younger employees.

- **Other ideas:**

- Aligning the tax system with the family unit;
- Means test eligibility for free bus passes, TV licenses and winter fuel payments;
- Social bonds.

Jurors responded to these presentations with comments and questions before considering each in detail and adding their own builds, challenges and alternatives to them. Having generated a long and wide-ranging list from these discussions, these ideas were then put to a room-wide vote to identify the most important at addressing intergenerational differences for the Jury as a whole.

Overview

In line with their earlier discussions, jurors advocated ideas that they felt work for all generations. There were also some ideas that had been presented to them that they rejected completely, often because they appeared to be attempting to narrow intergenerational differences by penalising the successes of older generations, or because they appeared to 'change the goalposts' for people who are trying to improve their own situation.

"I like that idea because it is a win-win for everyone. Its not targeting older generations [and penalising them]."

Addressing intergenerational differences in housing

Intergenerational differences in housing emerged as a priority area for jurors early on in the Jury, and as a result many of their preferred recommendations and ideas focused on addressing housing-related issues.

Jurors split housing into two key action areas:

1. Addressing the urgent need for more housing;
2. Making the housing market fit for purpose.

Addressing the urgent need for more housing

Jurors saw the connection between the problems facing younger generations trying to buy their first home and an increasing lack of housing in the UK more generally. They felt that building more housing needs to be prioritised and put in place as an urgent priority, which would then increase the likelihood of any other measures put in place working effectively.

In particular, jurors felt that the focus of the market should be on building suitable properties for first-time buyers and older people alike.

“We need more homes to be built for pensioners and starter homes for young people.”

Jurors’ priority recommendations

An investment fund that enables citizens with capital to invest in building more housing - offering an alternative to buy-to-let

- For jurors, a major cause of rising housing prices was felt to be wealthier members of older generations investing in buy-to-let properties. Jurors felt that if there were an alternative that offered a secure return many people would be happy to invest in a different way.
- Building on the Social Bonds idea, jurors envisaged an investment fund through which properties would be built and then rented out to tenants (or potentially sold at genuinely affordable prices), thus giving individual investors a secure return.
- Jurors saw this working in two ways:
 1. A private fund, with higher rates of both risk and return;
 2. A public fund used to provide councils with the capital to start building on a large scale, with a lower but guaranteed return for investors.
- In particular, jurors liked that this idea appears to work for all generations and viewed it as a ‘win-win’ option that would provide older generations with capital available (perhaps as a result of Pensions Freedoms drawdown) with an alternative to investing in buy-to-let properties and making them available for first-time buyers. It could also appeal to younger generations who might want a stake in the property market without having to buy their own property.

Other recommendations

Re-visiting greenbelt restrictions

- Jurors had heard from a number of speakers about the inflexibility of current greenbelt designations. They felt that taking a more pragmatic, flexible approach could free up more land to build homes on, and ensure that areas have been ring-fenced for justifiable reasons.

Councils to start building again

- Jurors advocated the building of both council housing and affordable rented accommodation, which could also be sold at affordable prices for first-time buyers.
- Some thought that this should be led by national government by setting councils quotas on the number of homes they need to build, with potential fines if they fail to do so.

Setting quotas on the number of new houses to be built in all communities - and involving residents in deciding where they should be

- Jurors identified NIMBYISM is a barrier to the scale of house building that they had identified is needed in the UK. They decided that setting quotas for local areas and enabling residents to have a say in where exactly developments should be would put an end to this.

Building communities that feature a wide range of housing types for all ages

- In addition to the quotas already in place for including social housing in new developments, jurors wanted to see the same put in place for starter homes, downsizer homes, family homes and sheltered accommodation.
- This was felt to be a way of increasing community cohesion and intergenerational mixing.

“I thought it was quite a valid point about the investment fund. People who do buy-to-let, like me - I'm just looking for a way to invest my money that gives me a secure return. I don't particularly want to be a landlord so if there is an investment fund like this then I'd be happy, it would be a lot less hassle so it would be a great idea that works for young people too.”

“If you tell all the councils round the country that they have to build x number of houses a year, whether it be social housing or private housing. And I suppose another way of encouraging councils to build more housing is to get the government to penalise them for not doing it.”

Making the housing market fit for purpose

In addition to increasing supply of housing, jurors recommended a series of ideas to make sure that the market works better for younger generations and first-time buyers. They felt that two mechanisms in particular would be key to making this happen:

- Firstly, encouraging older people in large properties to downsize, thus freeing up properties in the market that are suitable for families, who in turn may vacate properties suitable for first-time buyers.
- Secondly, jurors recommended ideas that would support first-time buyers themselves.

“I’m sure there are a lot of older people, maybe those whose family have migrated, who would like to downsize but it’s expensive to do so. One of the problems is Stamp Duty...and the lack of appropriate accommodation [to move into].”

Jurors’ priority recommendations

Stamp Duty incentives for downsizers and first time buyers

- Jurors felt that Stamp Duty is a particular barrier to downsizing, and that reforms could create more movement at either end of the market.
- They proposed a stamp duty exemption that a couple/individual could use on one downsize in a lifetime, and also for a first home purchase.

Reintroduce tax relief on mortgage interest payments for first time buyers

- Jurors highlighted that this idea would increase the possibility of younger generations being able to afford to take out a mortgage, as well as pay off their mortgages before they reach retirement age, particularly if interest rates rise.
- This idea also led some of the Baby Boomer members of the Jury to caution about the need to make sure that, once put in place, tax incentives aren’t changed, since many had enjoyed tax relief when taking out their first mortgages but then had it taken away.

Other recommendations

‘Help to move’ schemes for potential downsizers

- Jurors envisaged this scheme being carried out by a charity (e.g. Age UK), as well as getting younger generations involved.
- However, it was not seen as a priority idea and more of a ‘nice to have’ following the implementation of the ideas above.

Stop foreign investors buying houses and leaving them empty

- Amongst our London-based participants, this was considered a particularly important idea. Ensuring the primary purpose of residential property in the capital is to provide a home rather than investment opportunity, was a way our jurors thought would open-up the market and make more housing available for younger generations/ those that need it.

Restrictions on buy-to-let/limiting the number of properties any one person can own

- This was envisaged to work alongside the investment fund used to build housing.

100 year mortgages

- Some jurors suggested a move towards the Japanese model of mortgages, enabling younger generations to buy their own home and pass on both the house and the mortgage to their children/grandchildren when they pass away.

Encouraging/expanding new models of home ownership

- These included schemes such as shared ownership and rent-to-buy.

Make renting more attractive

- So that younger generations suffer less from not being able to buy their own home, including increased quality of accommodation and secure contracts.

Ideas jurors rejected

Abolish single person discounts for council tax

- Jurors felt this would be problematic for individuals in all generations, and in particular would penalise older generations.
- While they could understand the reasoning behind the idea in encouraging older people living alone to take in a lodger, in reality they could not see any older or younger generations wanting to do this.
- Jurors also felt that the pressure to share a home would fall unfairly on those whose finances depend on the single person discount (while wealthier pensioners may simply choose to forgo the discount).

Reduce Capital Gains Tax Reliefs on Principal Private Residences (your main home)

- Some jurors felt that this would be a good idea, especially if the money raised was reinvested into house building.
- Others felt that it would be a disincentive for older people to downsize - especially if they were selling their main homes in order to do so.
- In addition, some jurors were concerned that this would have a negative impact on those moving from their first home to a family-sized home in the same area, as they would realise a smaller proportion of the value of the home they were selling.

'Try before you buy' scheme for potential downsizers

- Jurors did not think this would be practically feasible to run and also felt that take up of the scheme would be low and its impact limited.

Tax incentives for converting property to include Granny annexes

- This was dismissed as an idea for reducing intergenerational differences since it was seen as something that families would do anyway - regardless of whether or not they are given a tax incentive.
- Some felt it would be impractical to implement, as you would need to ensure that the extension or conversion was then used for a family member, to qualify for the tax incentive.
- It also inadvertently excludes less wealthy members of society who do

not own a property that is large enough to convert.

“[Scrapping Stamp Duty for downsizers] is very good as long as it includes first-time buyers too, then it would be truly intergenerational. It helps everybody.”

“[We should restrict buy-to-let]. People who are buying properties are taking away from people who just want one to live in because they are using it.”

“[Tax incentives for converting property] would just benefit the people who have a house big enough to do it, they’d just be getting more money.”

Addressing intergenerational differences in pensions

Jurors had many questions about pensions and were uncertain how much one should aim to save, what a sufficient retirement income looks like, what happens to their pot if they die and whether it might be a better option to invest in a property.

This uncertainty was felt to be one of the problems and challenges for improving pension prospects for younger generations. The jurors felt pensions were complicated and confusing, with no clear rules of thumb.

“It’s a complicated thing, I don’t really understand it. I’m afraid to ask the questions, and I don’t know who to ask in the first place. The whole thing is like a foreign language.”

In discussion, it felt that little could be done to address some of the major intergenerational issues relating to pensions that had been identified earlier in the Jury. Jurors decided for example that re-introducing final salary pensions for those in Generation Y was not an option because they are not affordable or sustainable in the longer term.

However, jurors felt that there were two key priorities that should be the focus:

- Educating younger generations about the importance of pensions and saving;
- Finding ways to encourage young people to start saving sooner.

“The [importance of financial planning] has got to be drilled into the younger generations. So people start to do something about it sooner.”

“We kind of came up with the idea of basically rebranding pensions because whenever anyone in this room has mentioned pensions today everyone has kind of rolled their eyes. So if you basically just completely sexed-up pensions...made a big marketing campaign about it and showed a video of 60 plus year olds enjoying life after it saying ‘oh I saved my pension and I’m on holiday three times a year’.”

Jurors' priority recommendations

Baby Asset Builder

- Jurors felt that encouraging parents, or others, to begin saving for their child's future from birth would be really positive in increasing the prospects of younger generations when they reach retirement age.
- They envisaged tax relief to be given to the individual investors in the fund, only if the funds were later spent on housing, pensions, education or setting up a business.

Adjusting the triple lock

- While jurors supported protecting the value of the state pension, they felt the so-called 'triple lock' could be adjusted with a view to helping younger generations.
- Jurors suggested a lower guarantee (such as 1.75% annual increase), which would then be mirrored in a 'lock' to benefits that younger low-paid workers rely on to top up their wages.

Give young savers a higher rate of pension tax relief

- Jurors felt this should be given to all citizens aged 30 and under, and some also called for this to be paid for by reducing the amount of relief available to older, higher earners.

Education and re-branding pensions

- As part of the curriculum in schools, to ensure that young people learn about what a pension is, how much to save and when they need to start saving.
- Jurors also identified a role for parents to play in encouraging their children to save from a young age.

Other recommendations

Flat rate pension tax relief

- Although not necessarily addressing intergenerational fairness specifically, this idea was felt to be good for wider inequalities in society.

Enable families to contribute to each other's pension pots

- Jurors identified this as a sensible idea but something that they thought was already in place, so not a priority.

Ideas jurors rejected

Reduce/ remove tax free lump sum

- Jurors felt that citizens have already paid enough tax on their earnings and pensions. This felt like a penalty on older generations who have already saved a substantial amount into their pension pots, and a disincentive for younger generations to save.

“Other people should have the security and stability of a triple lock - as is currently with the state pension. So that younger people who are working on low incomes could have the same protection on their benefits.”

“I quite like [the idea of flat rate tax relief]. I think it’s crazy that people on the higher incomes should actually get some sort of relief on their pension contributions. I quite like this sort of equalisation.”

Addressing other intergenerational differences

Jurors also developed ideas to address intergenerational issues that do not relate to either housing or pensions.

<i>Jurors’ priority recommendation</i>
<p>Equal minimum wage for younger earners</p> <ul style="list-style-type: none"> • Paying those aged under 21 a lower minimum wage than others seemed unfair to jurors of all generations. • They also pointed out that if younger workers are to be encouraged to save more they will need to earn more in order to make this feasible. • As such they recommended seeking to equalize the minimum wage for young earners.
<i>Other recommendations</i>
<p>Over 65s pay National Insurance if they are still working</p> <ul style="list-style-type: none"> • Many jurors felt that this should be equal for everyone in work, although others decided that citizens have paid enough into the system by the time they are 65. • In some senses attitudes towards this idea were influenced by confusion on the extent to which participants viewed National Insurance as a tax on income like any other, or as a separate saving fund dedicated to a citizens state pension and healthcare costs. <p>Means testing older people’s benefits</p> <ul style="list-style-type: none"> • Some jurors were clear that some wealthier older people do not need some benefits, including bus passes, Winter Fuel Allowance, and TV licences. • It was suggested that this could also be extended to include free prescriptions, although this was by no means uncontroversial.

“I’m a student and I’ve been on that wage since I was 16. I will eventually get a proper job and be older but I’ve had to work for 7 years of my life on that amount already.”

“I’d be happy with means testing with people as long as there’s a high threshold and they’re very wealthy.”

7. Broader societal shifts to address intergenerational fairness

Throughout discussions jurors pointed to additional societal shifts that they felt needed to happen in order to fully address the intergenerational issue.

First and foremost, there were strong calls from the Jury for government to step up, consider the long term and take control of intergenerational issues. As previously mentioned, jurors were concerned that politicians currently focus on what will increase their appeal with the older generations who make up the largest proportion of the population who exercise their vote in elections.

“[Politicians need to] think about what is needed and will work, not what will win votes.”

Jurors also suggested a range of potential social and cultural shifts, including:

- **Moving away from the ideal of home ownership:** jurors began to question the viability of the majority of the population owning their own home, and started to think about alternative models whereby rented accommodation is both higher quality and longer term.

“Maybe we should stop being so obsessed with owning your own home. In other countries, I think in Germany, hardly anyone buys their own home and they all rent.”

- **Thinking differently about wealth:** it may not be realistic for younger and future generations to own a house and *also* save a large pension pot. Jurors questioned whether it would be more realistic for these generations to aim for one or the other. For example, in this model one’s house would be sold to fund one’s retirement, rather than viewing it as an asset to be passed down to family through inheritance.

“Instead of having a house and a pension in two separate pots, you get your house and then at the end of your working life you use that until you die.”

- **Working until later in life:** since people are living longer, the Jury felt it would be reasonable to rethink what a working life looks like and establish new norms around retirement age. Jurors also thought that retirement itself could be viewed quite differently to how it is currently - and whether it should be more of a ‘winding down’ process that includes part-time employment.

“Since people are living longer then I think it makes sense that you would retire later. And some people might want to carry on working anyway.”

- **Paying more tax in exchange for a better retirement:** some jurors suggested a move to a Scandinavian model of paying increased tax during

employment in exchange for a better state pension, thus reducing the reliance on individuals saving into private pensions.

“Raise tax. Quite a few of us are quite taken with the Scandinavian model, so you pay a lot of tax but you get a lot back so you don’t need a private pension as you’ll get a decent one from the government.”

8. Feedback from the panel who heard the Jury's recommendations

The panel of experts also shared their thoughts on the jurors' recommendations and thinking. Of note, these are their comments:

Roderick McInnes, Committee Specialist, Work and Pensions Select Committee:

"We're conducting our own inquiry at the Work and Pensions Select Committee into intergenerational fairness; it seems to be the theme du jour. I'd like to thank PwC and BritainThinks, and all of you who participated, for producing such an interesting and thought provoking set of ideas and recommendations ... I'm glad to hear that there will be a report produced informed by the findings from today's debate that we can feed into the Committee's deliberations. There's a lot going on in this front."

Lord Strathclyde, Conservative member of the House of Lords:

"I've sometimes been to focus groups before and what strikes me about this is the in-depth way you've been able to look at some quite sophisticated issues and come out with some relatively straightforward answers... I might have suspected that you would take a far more self-interested view, if you're old you want lots of tax money spent on you, if you're young you want lots of tax money spent on you, but if you're earning you don't want much tax being raised. But it wasn't like that, you had a far greater cross section which is important in dealing with this issue of intergenerational fairness so thank you very much indeed and many congratulations."

Alan Buckle, Senior Advisor to the Labour Party:

"My overwhelming thought was that doing more of this and getting more creativity into public policy, coming direct from people who feel the brunt of it, is an incredibly powerful thing and our system at the moment won't come up with these creative ideas, so I think these groups are brilliant and I'd urge you to circulate this material."