

Inequalities across the generations: A longitudinal perspective

Resolution Foundation

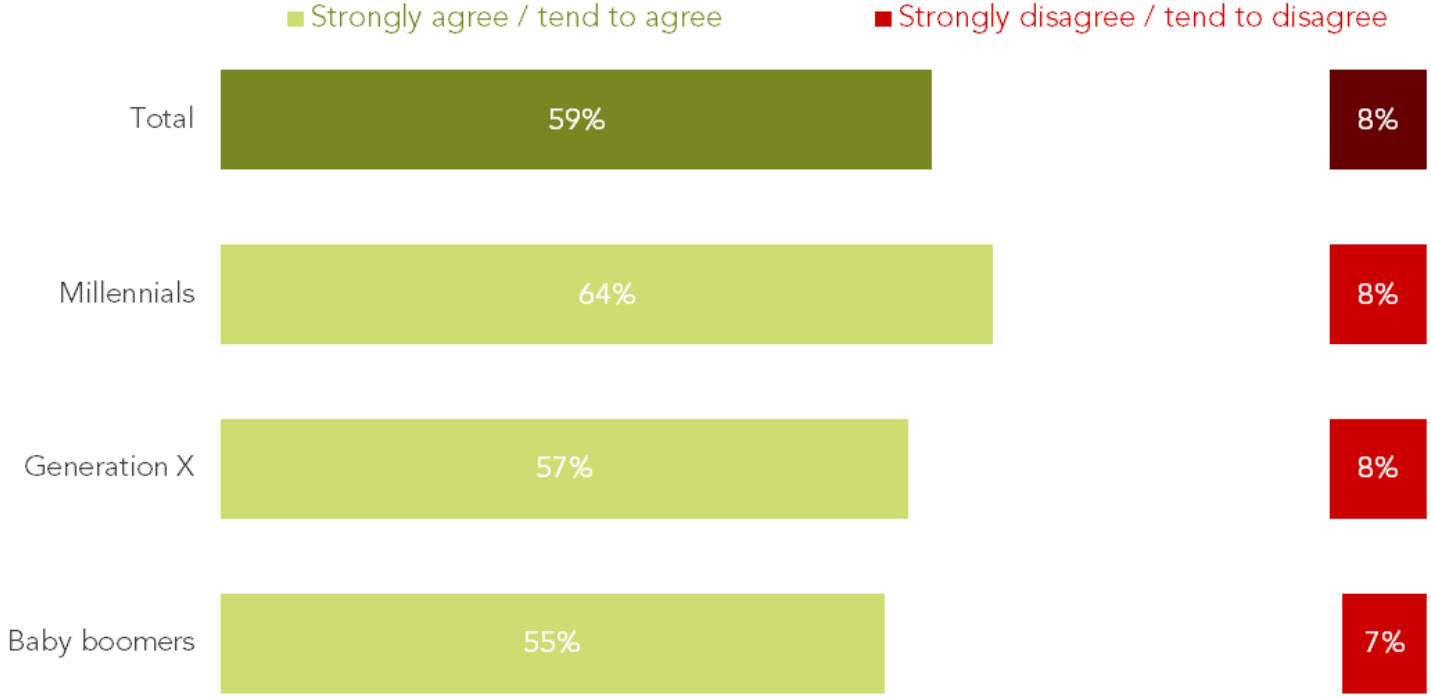
November 2017



*Intergenerational
pessimism is large, shared
and focused*

People expect generational living standards progress...

Belief in the principle of generational living standards progress, by generation: 2017, GB
Q: To what extent do you agree or disagree with the following statement?: Every generation should have a higher standard of living than the one that came before it.

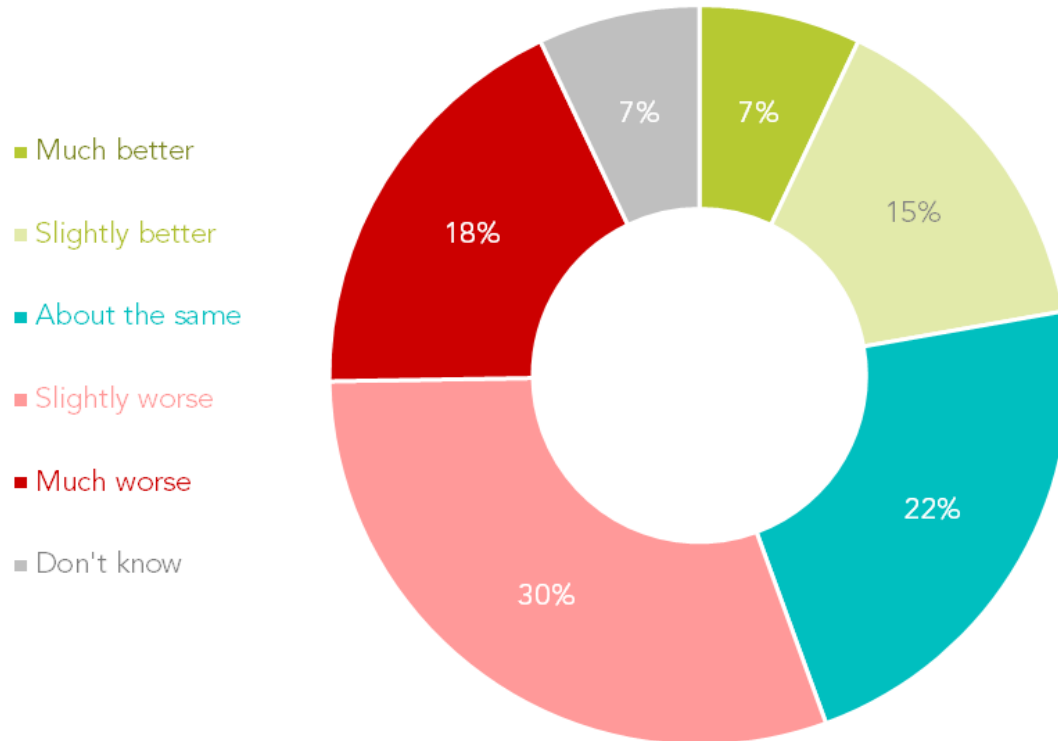


Notes: Based on 2,179 adults aged 16-75.
Source: Ipsos MORI
For more see: H Shrimpton et al., [The Millennial Bug: Public attitudes on the living standards of different generations](#), Resolution Foundation, September 2017

...but they don't think it is happening for today's young people

Whether young people will have a better or worse life than their parents: 2017, GB

Q: To what extent, if at all, do you feel that today's youth / young adults in the UK (aged 17-36) will have had a better or worse life than their parents, or will it be about the same?



Notes: Based on 2,179 adults aged 16-75.

Source: Ipsos MORI

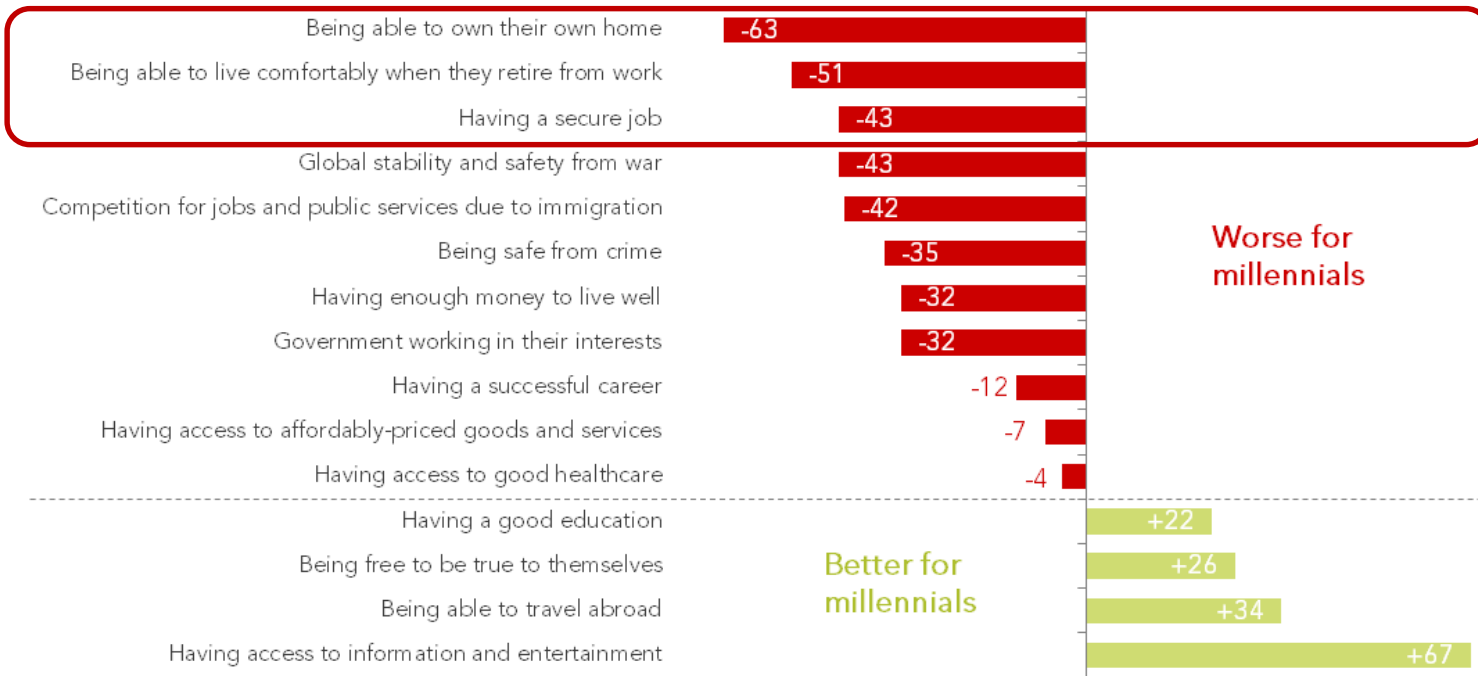
For more see: H Shrimpton et al., [The Millennial Bug: Public attitudes on the living standards of different generations](#), Resolution Foundation, September 2017

House, jobs and pensions are the focus for pessimism

Whether young people will have a better or worse life than their parents, by different areas of life:
2017, GB

Q: And which of these do you think will be better or worse for young adults in the UK (aged 17-36), sometimes called the millennial generation, than for their parents?

'Youth outlook score' (% better life minus % worse life)



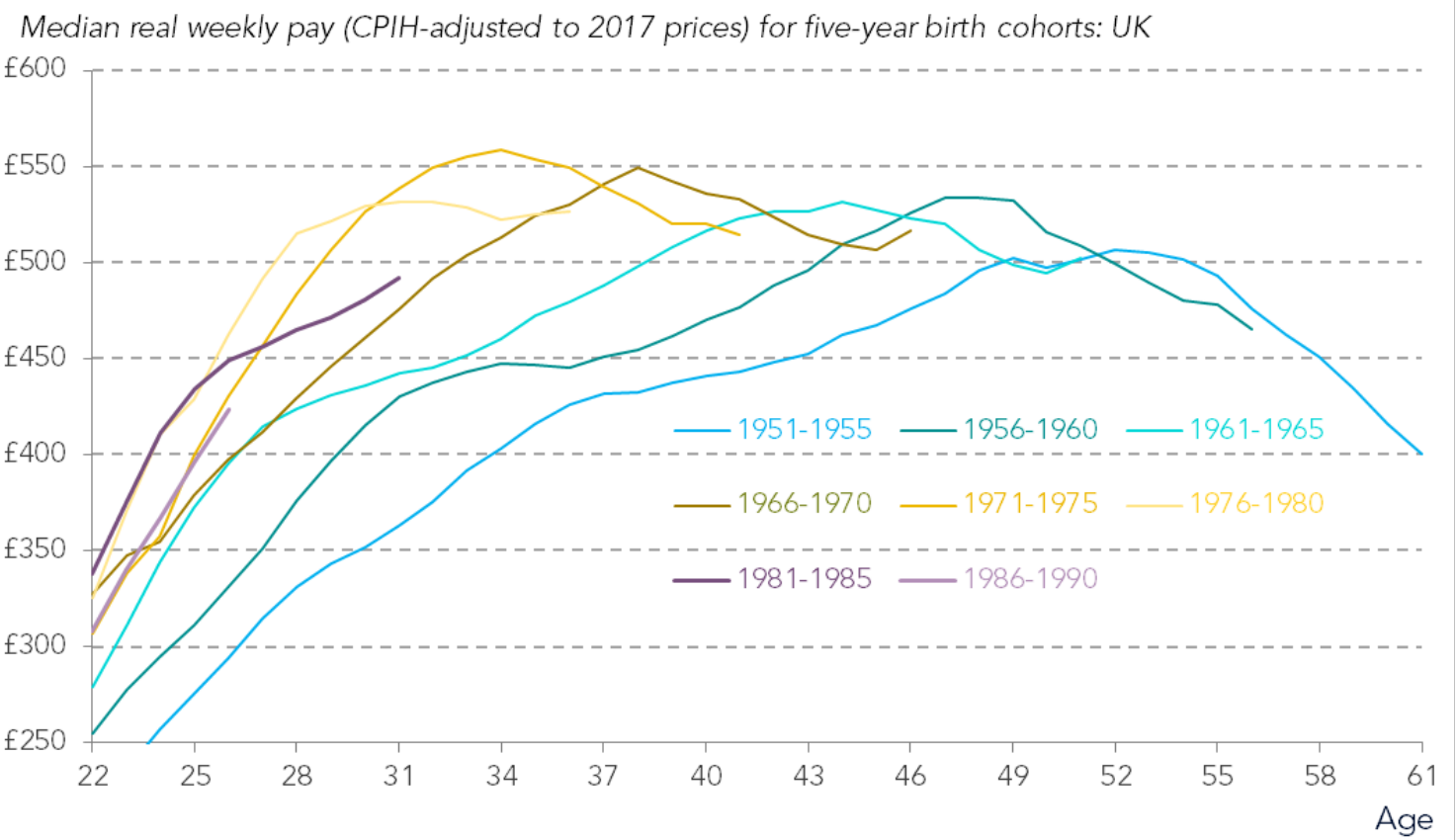
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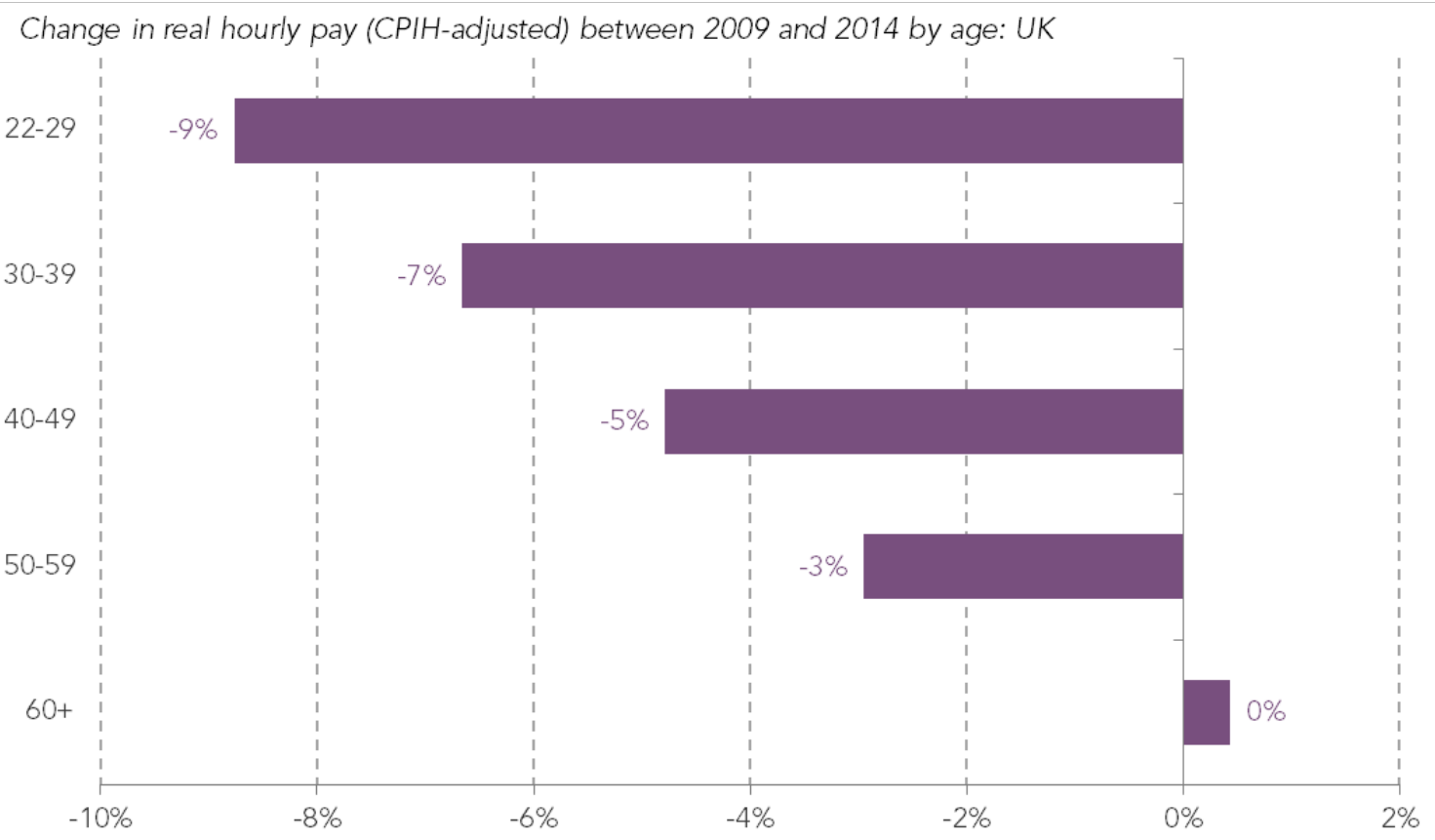
*This pessimism is supported
by trends in jobs, housing
and wealth*

Everyone has gone backwards on pay, but millennials have done worst



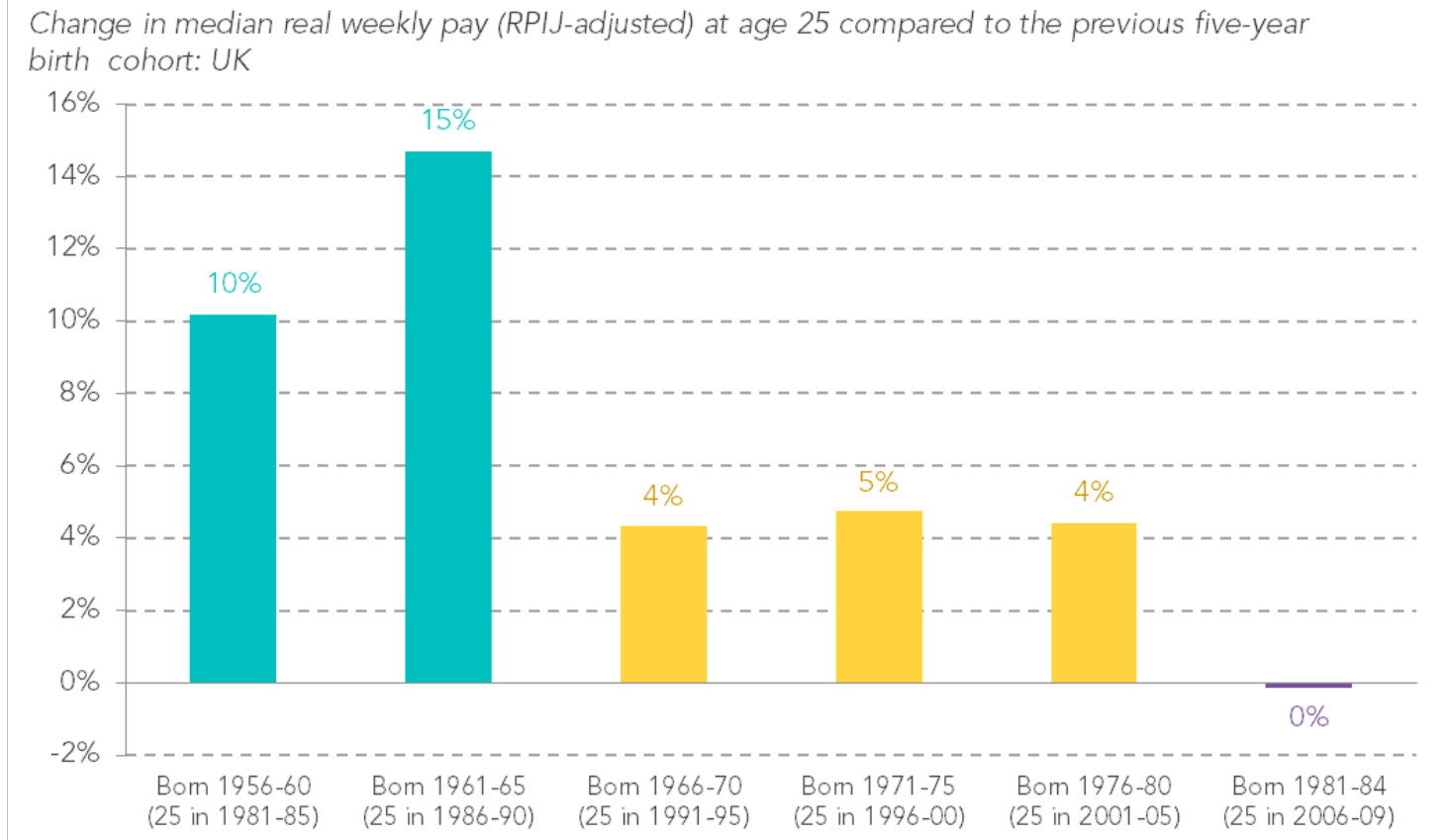
Source: RF analysis of ONS, *New Earnings Survey*; ONS, *Annual Survey of Hours and Earnings*; ONS, *Labour Force Survey*
For more see: L Gardiner & P Gregg, [Study, Work, Progress, Repeat? How and why pay and progression outcomes have differed across cohorts](#)
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The crisis pay squeeze hit young people hardest...



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

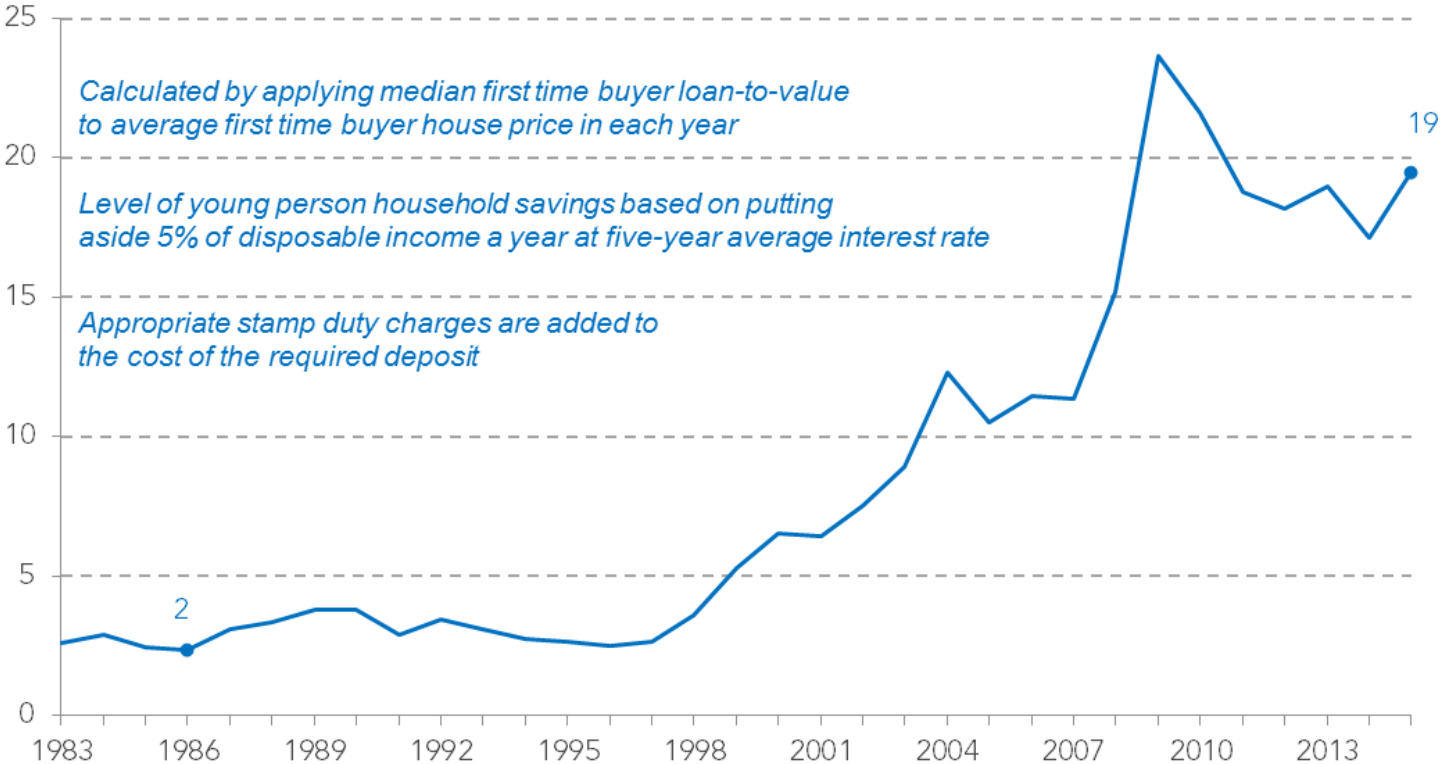
...but the generational pay slowdown started pre-financial crisis



Source: RF analysis of ONS, *New Earnings Survey*; ONS, *Annual Survey of Hours and Earnings*; ONS, *Labour Force Survey*
For more see: L Gardiner, [Stagnation generation: The case for renewing the intergenerational contract](#), Resolution Foundation, July 2016

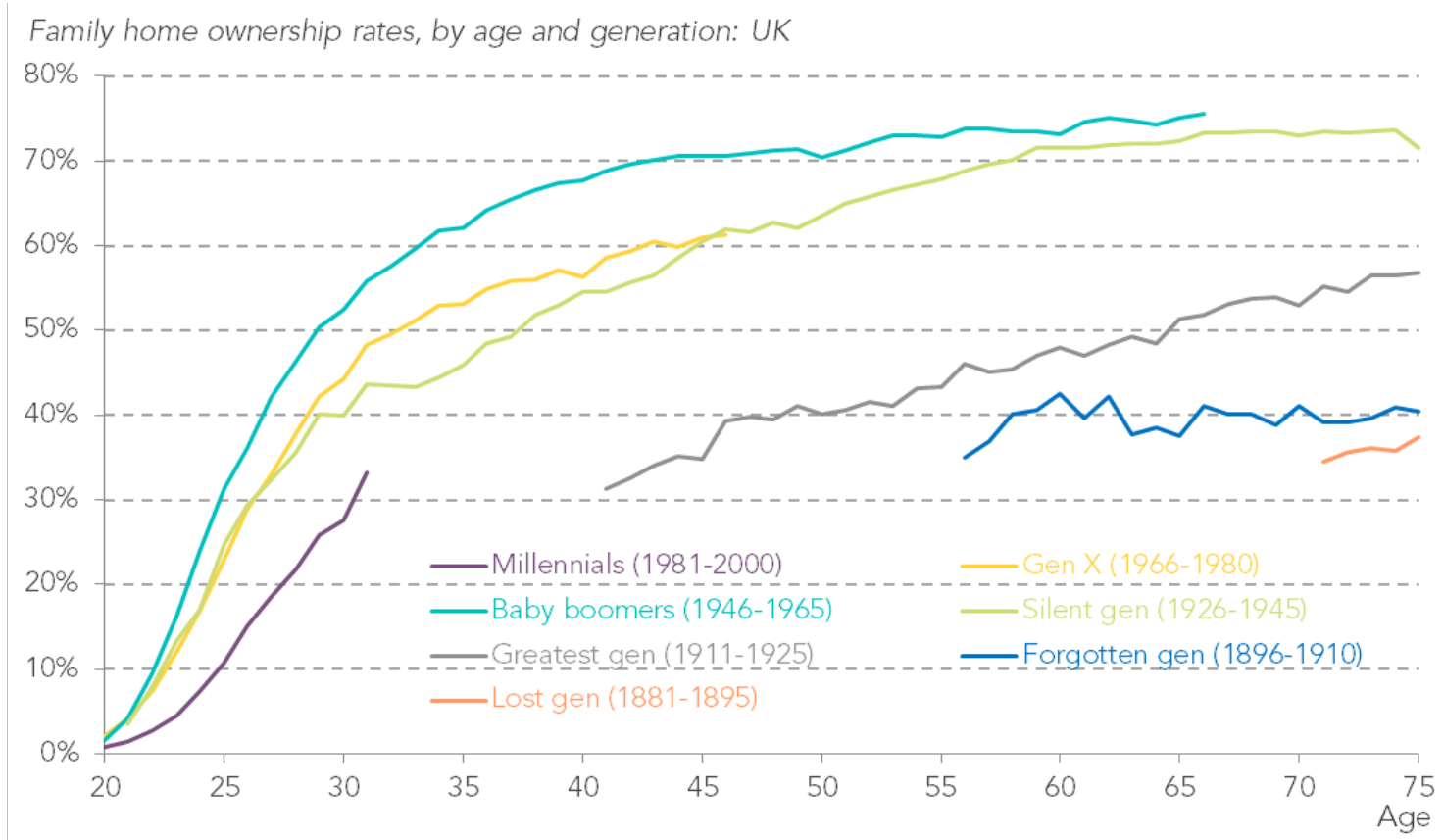
It is now taking longer to save for deposits...

Estimated number of years required to save for a first time buyer deposit among young (27-30 year old) households: UK



Source: RF analysis of DWP, *Family Resources Survey*
For more see: A Corlett & L Judge, *forthcoming*, Resolution Foundation, September 2017

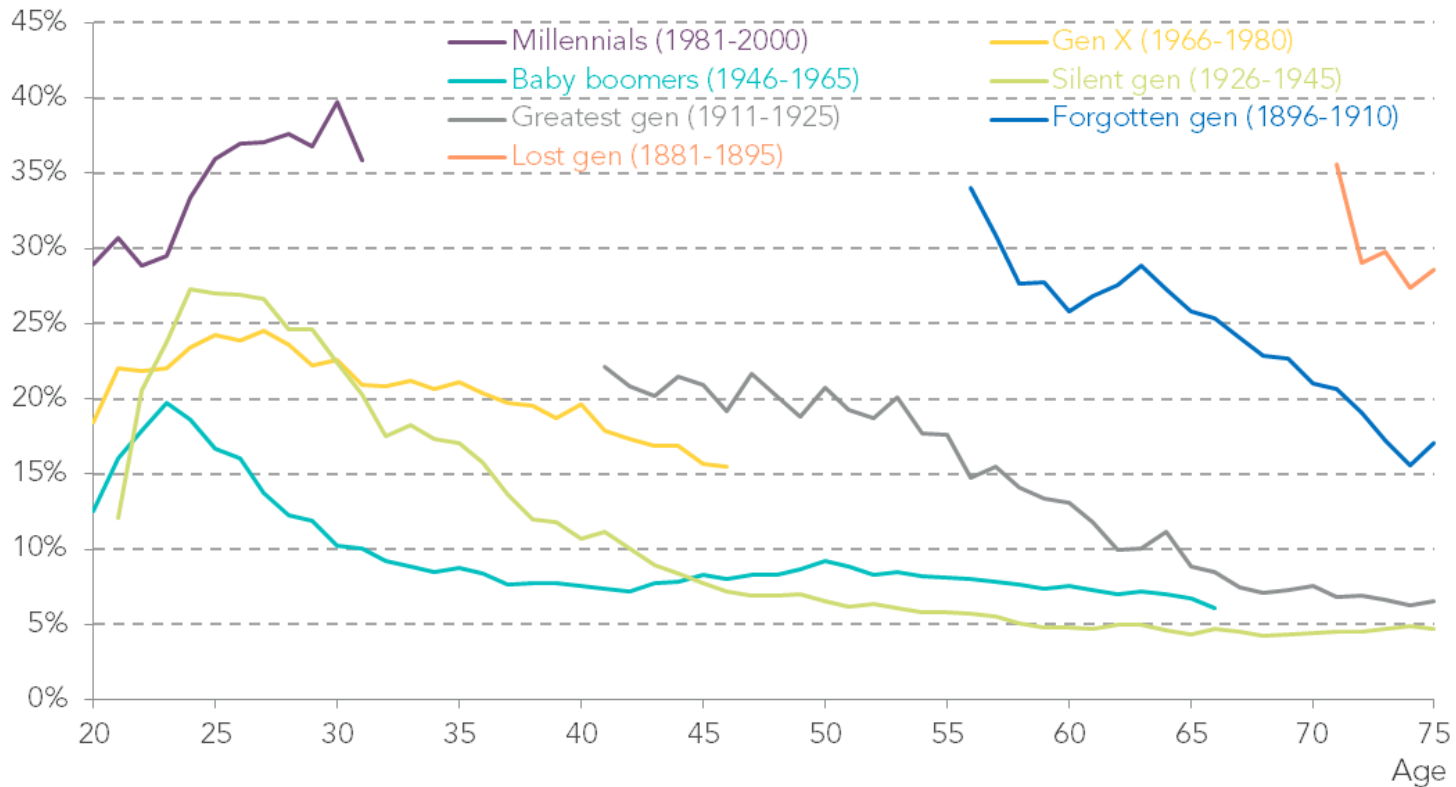
...meaning falling home ownership is big news...



Source: RF analysis of ONS, *Family Expenditure Survey*; ONS, *Labour Force Survey*
For more see: A Corlett & L Judge, *forthcoming*, Resolution Foundation, September 2017

...and generation rent is a real thing

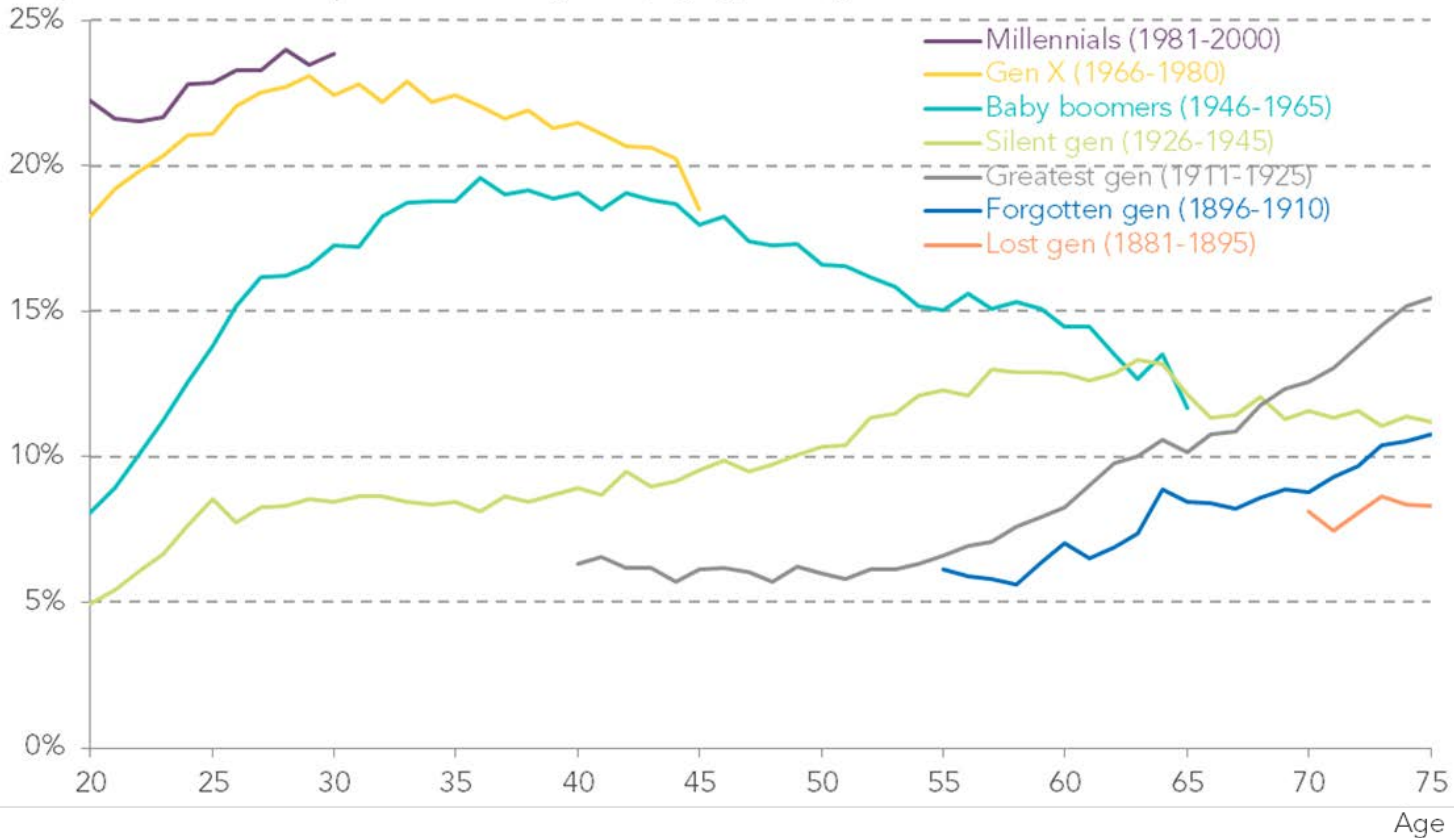
Family private renting rates, by age and generation: UK



Source: RF analysis of ONS, *Family Expenditure Survey*; ONS, *Labour Force Survey*
For more see: A Corlett & L Judge, *forthcoming*, Resolution Foundation, September 2017

But forget ownership – costs are the real disaster

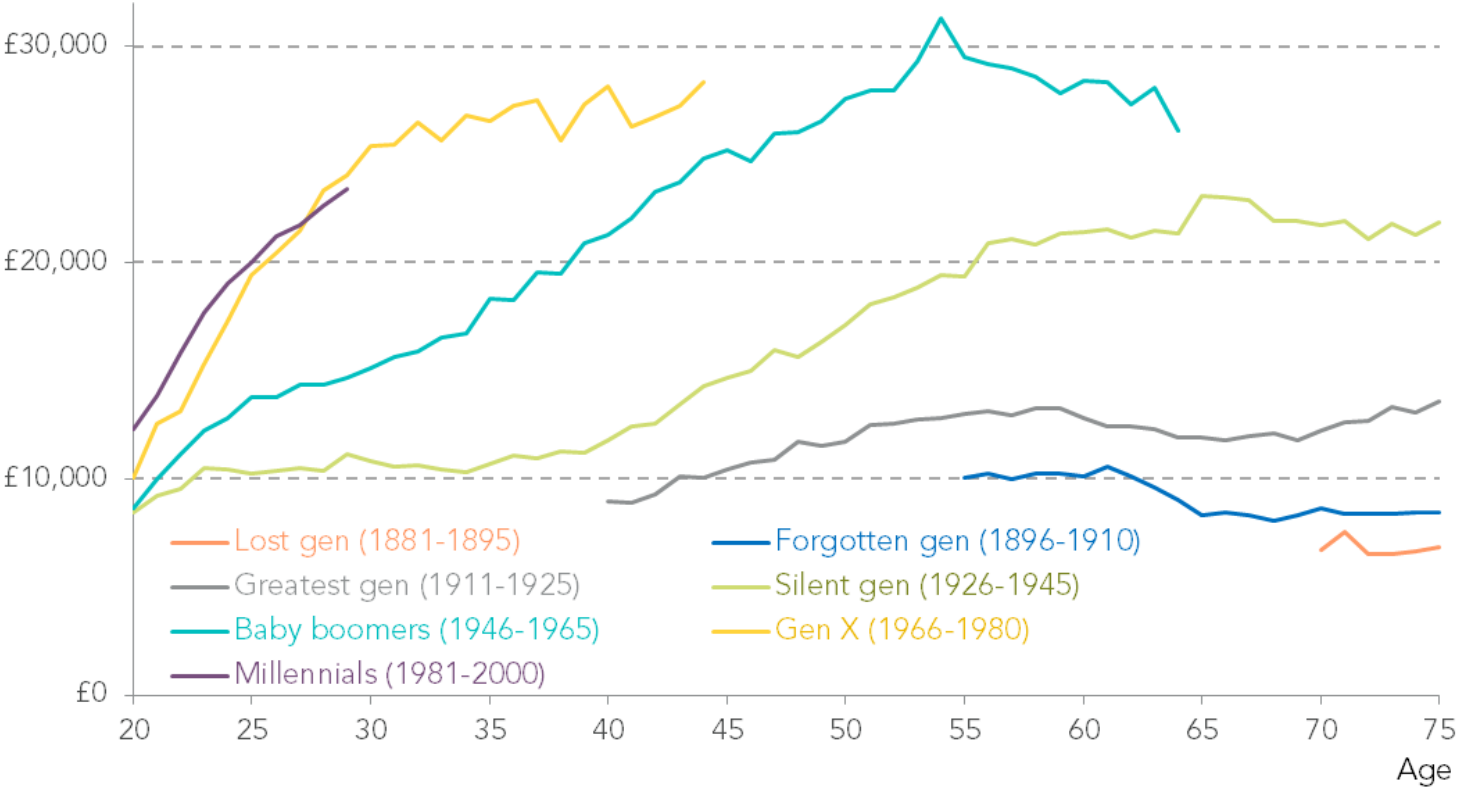
Proportion of income spent on housing costs, by age and generation: GB



Source: RF analysis of ONS, *Family Expenditure Survey*; DWP, *Family Resources Survey*
For more see: A Corlett & L Judge, *forthcoming*, Resolution Foundation, September 2017

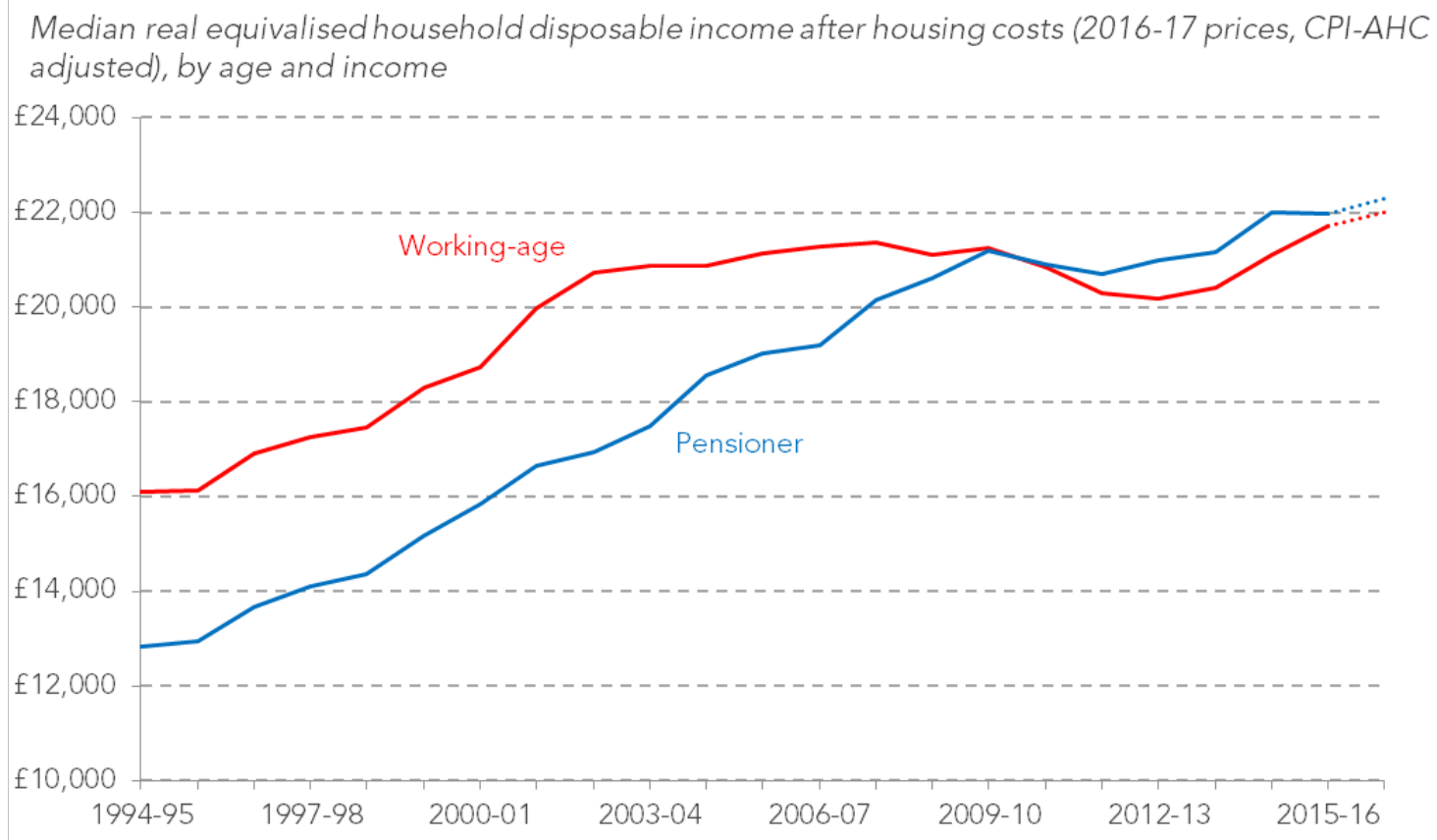
Jobs and housing trends mean living standard progress has stalled...

Average real household income (after housing costs), by age and generation: GB



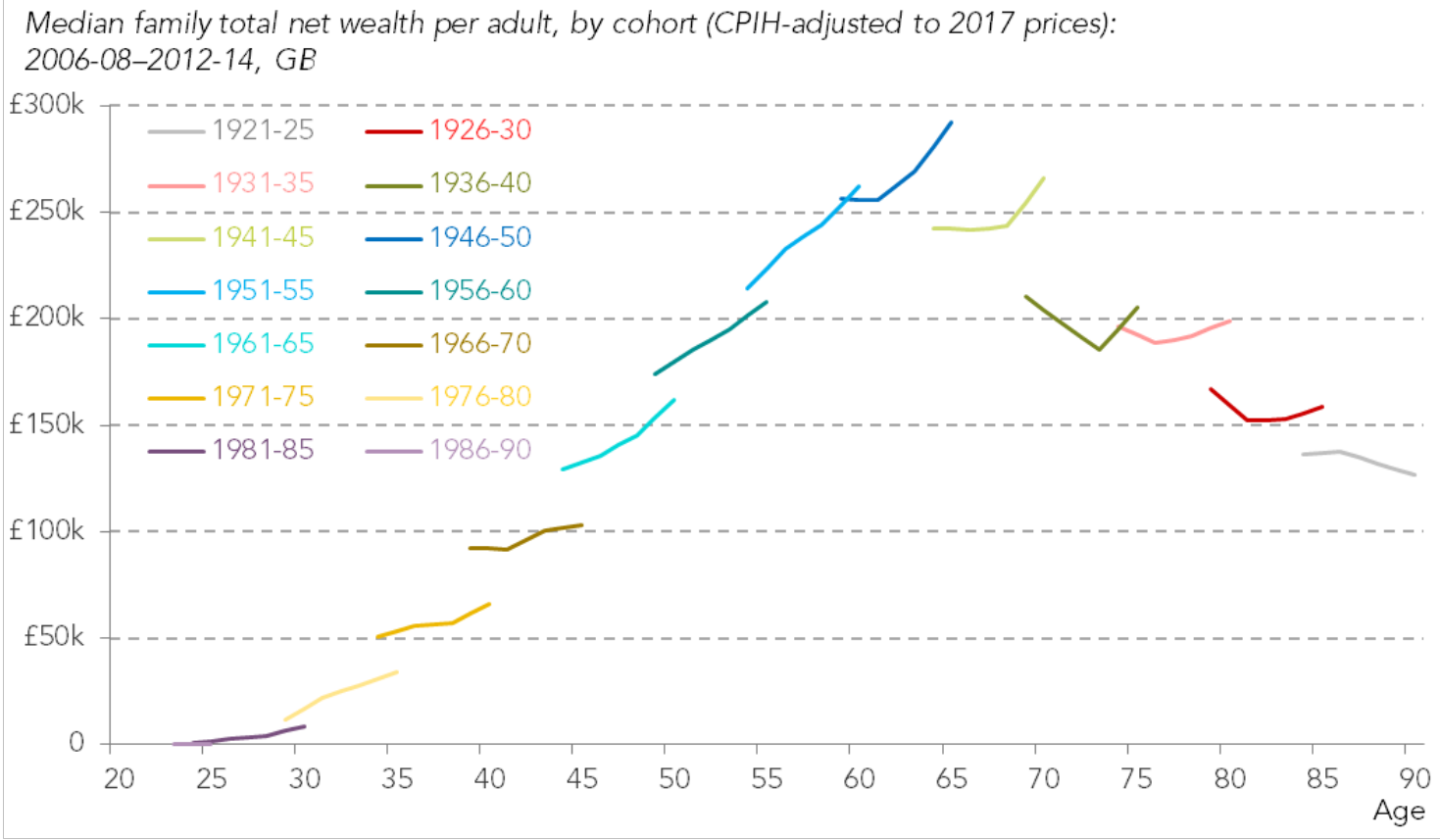
Source: RF analysis of ONS, *Family Expenditure Survey*; DWP, *Family Resources Survey*
 For more see: A Corlett, [As time goes by: Shifting incomes and inequality between and within generations](#), Resolution Foundation, February 2017

...And typical pensioner incomes are now higher than typical incomes for those of working age



Source: DWP, *Households Below Average Income*; RF nowcast
For more see: A Corlett, S Clarke & D Tomlinson, [Living Standards Audit 2017](#), Resolution Foundation, July 2017

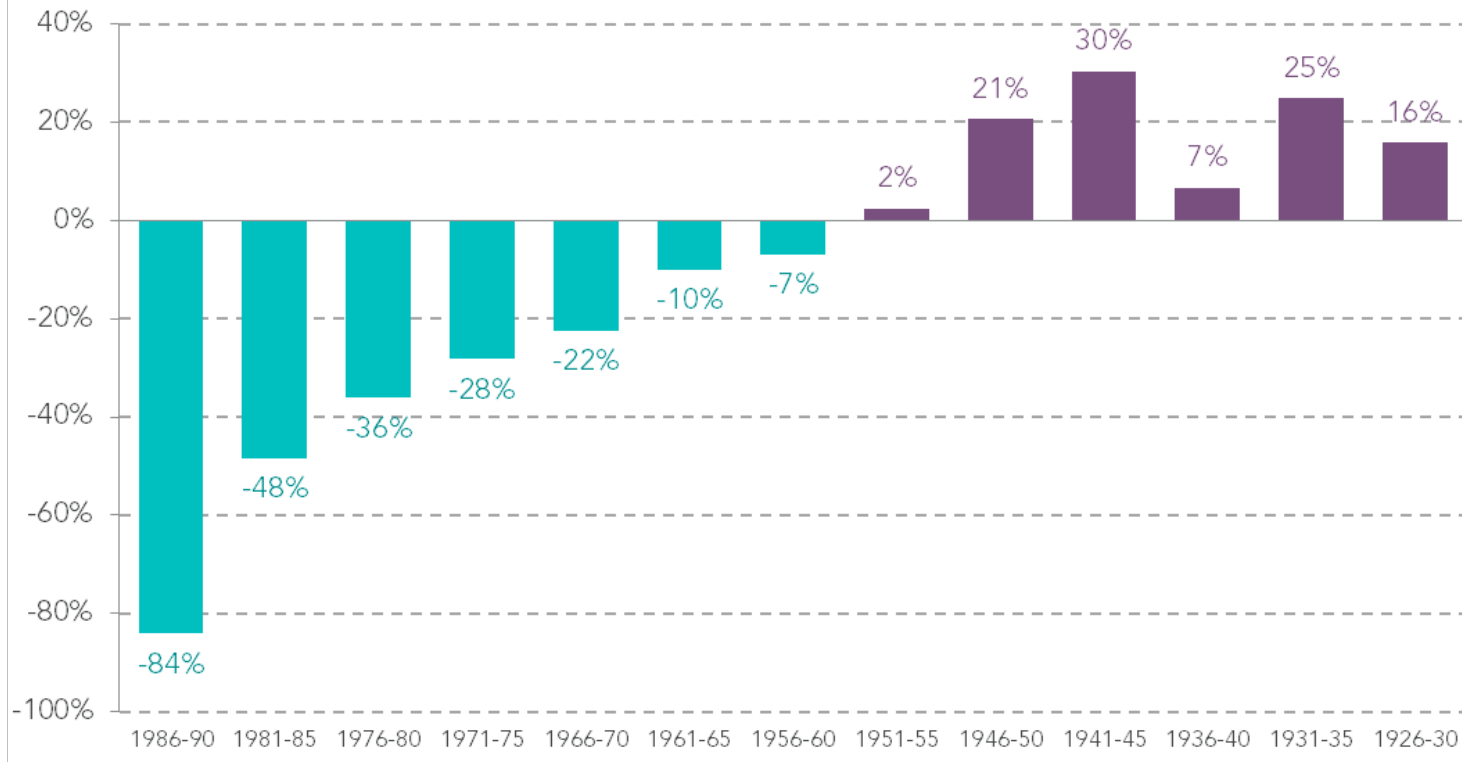
Not just about the present: wealth – crucial to lifetime living standards – is falling cohort-on-cohort



Source: RF analysis of ONS, *Wealth and Assets Survey*
For more see: C D'Arcy & L Gardiner, [The generation of wealth: Asset accumulation across and within cohorts](#) Resolution Foundation, June 2017

And not just millennials – generational wealth progress is going backwards for all cohorts born since 1955

Median family total net wealth per adult in 2012-14 as % of preceding cohort's wealth at the same age (CPIH-adjusted): 2006-08–2012-14, GB



Source: RF analysis of ONS, *Wealth and Assets Survey*

For more see: C D'Arcy & L Gardiner, [The generation of wealth: Asset accumulation across and within cohorts](#) Resolution Foundation, June 2017

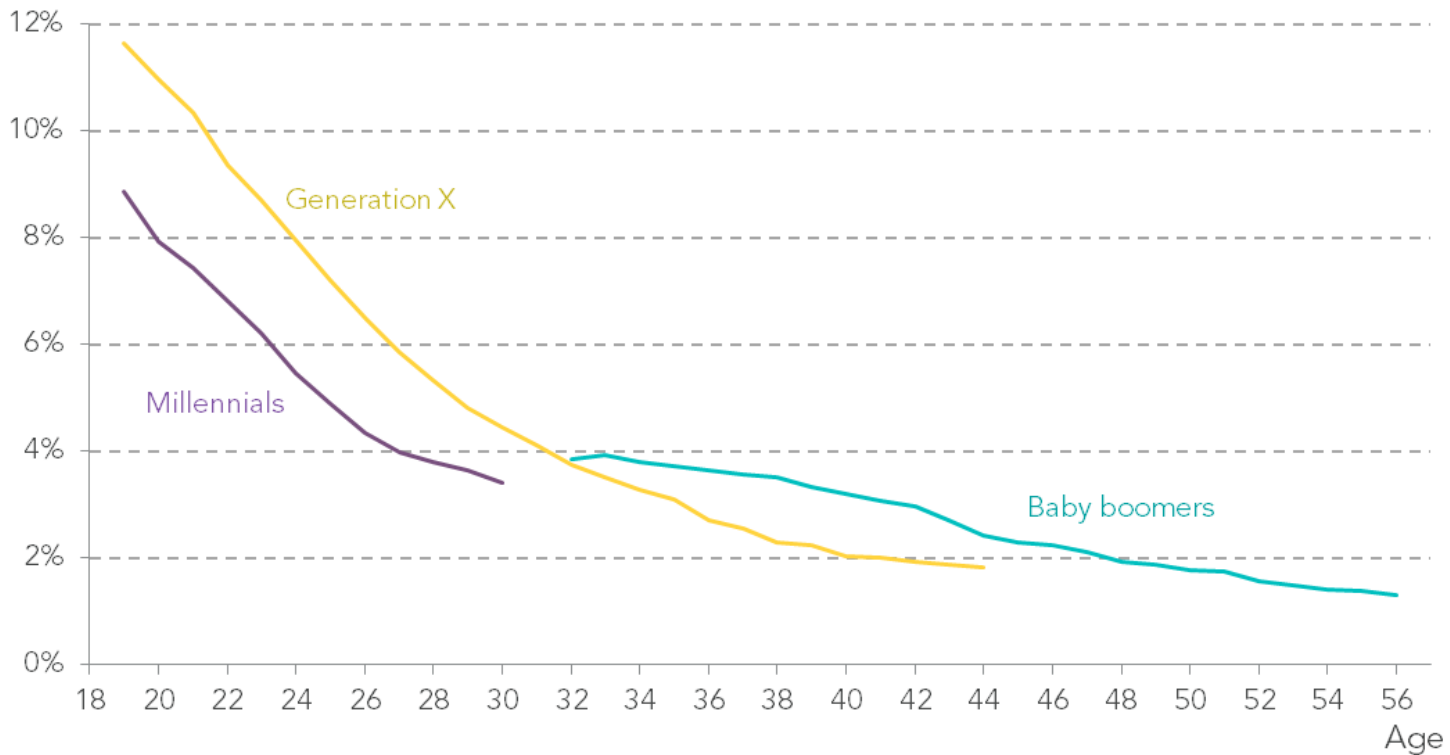
*Longitudinal analysis helps
us lift the lid on these
outcomes*

1. Why young cohorts' earnings are falling behind predecessors'

- What can changes in individuals' jobs over time (and the pay changes associated with these) tell us about why younger cohorts are earning less than predecessors?
- Using the short-panel element of the Labour Force Survey, which tracks respondents quarterly over a one-year period

1. Why young cohorts' earnings are falling behind predecessors': lower job mobility (which always results in big pay boosts)

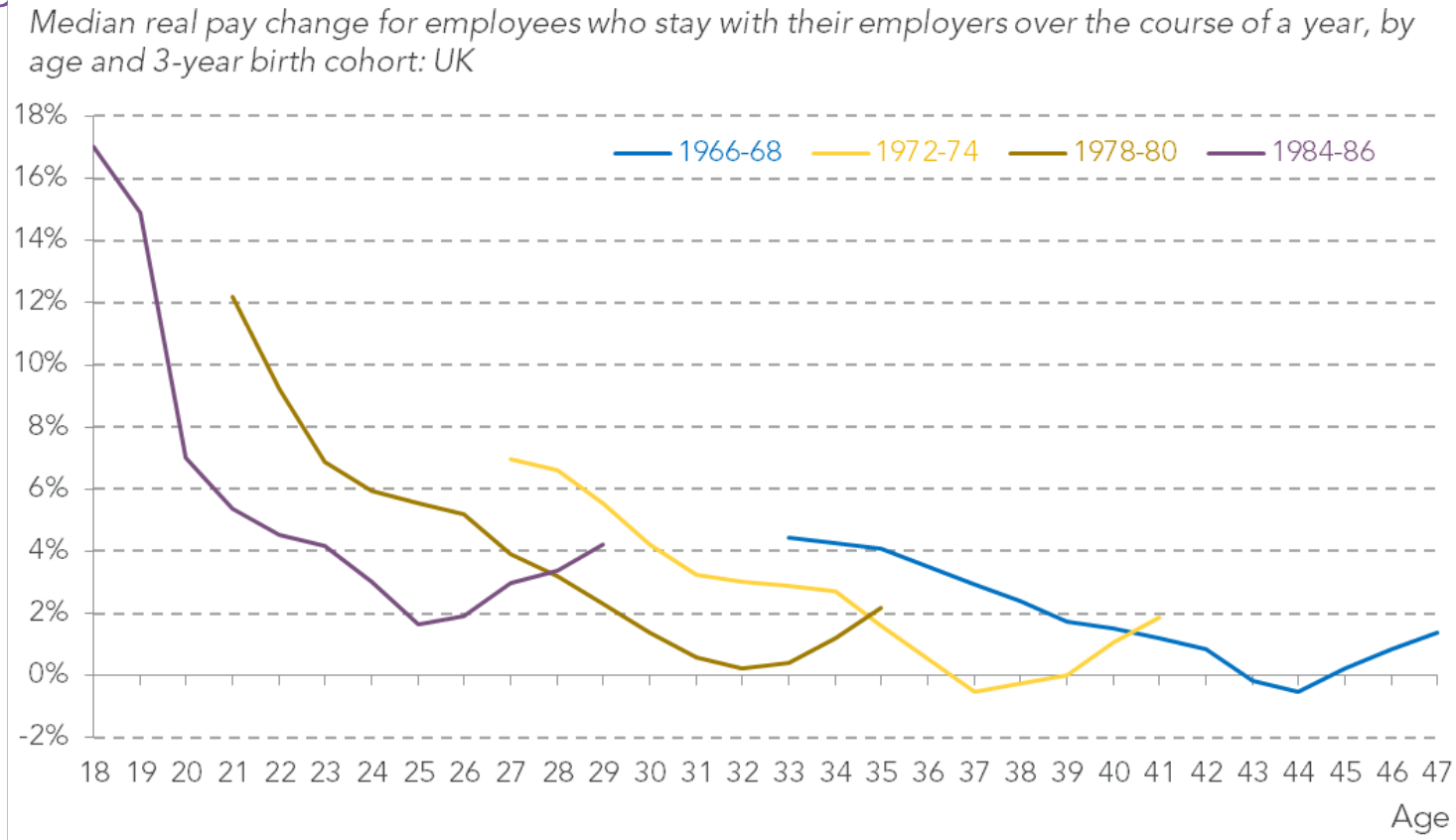
Proportion of employees voluntarily moving from one job to another each year, by age and generation:
UK



Source: RF analysis of ONS, *Labour Force Survey*

For more see: L Gardiner & P Gregg, [Study, Work, Progress, Repeat? How and why pay and progression outcomes have differed across cohorts](#)
Resolution Foundation, February 2017

1. Why young cohorts' earnings are falling behind predecessors': ...and declining annual pay increases for those who stay in it



Source: RF analysis of ONS, *Labour Force Survey*

For more see: L Gardiner & P Gregg, [Study, Work, Progress, Repeat? How and why pay and progression outcomes have differed across cohorts](#)
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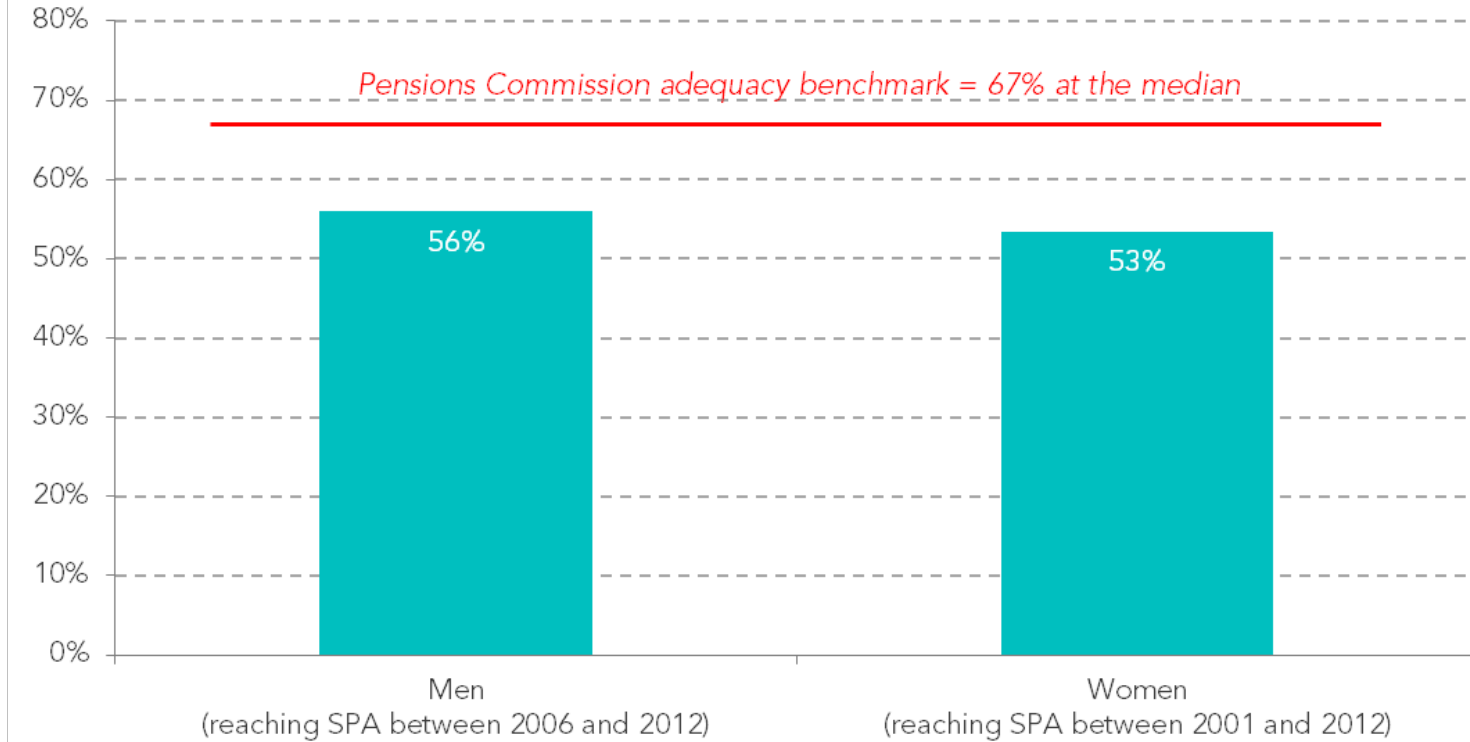
2. The adequacy of pensioner incomes

- Pensioner incomes have performed well compared to working age incomes in recent years, but how adequate are they when judged against the benchmarks set by the Pensions Commission in 2004?
- Using the long time-series now provided by the British Household Panel Survey / Understanding Society to assess individuals' pension income in relation to their earnings from age 50 to State Pension Age

2. The adequacy of pensioner incomes: despite strong income performance, adequacy not achieved

Median pensions/earnings real replacement rate, by sex: 1991-2015

Average family private pension and benefit income in the three years after SPA as a proportion of average family gross earnings between age 50 and SPA



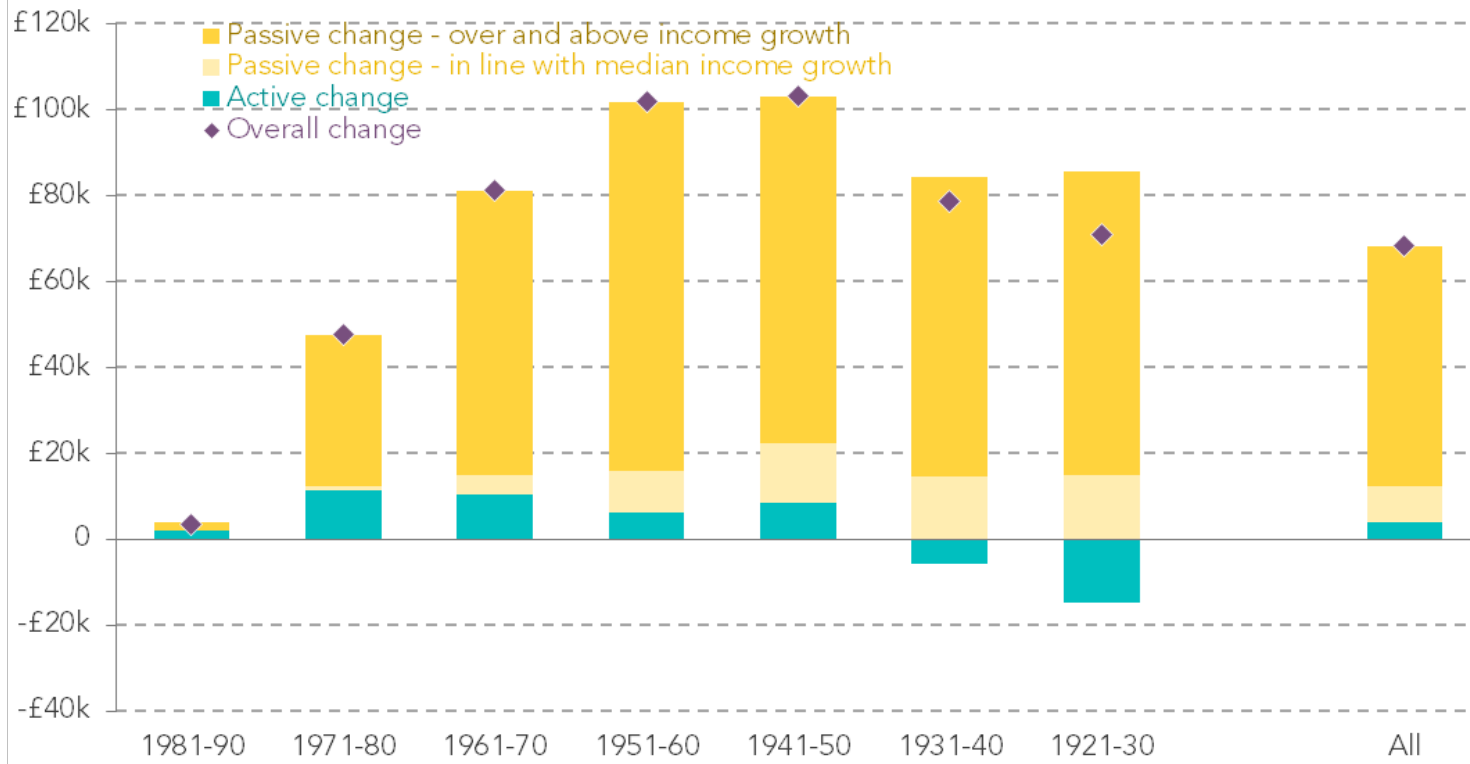
Source: RF analysis of ISER, *British Household Panel Survey / Understanding Society*
For more see: D Finch & L Gardiner, *forthcoming*, Resolution Foundation, November 2017

3. The drivers of cohort wealth growth

- Have the increasing concentrations of wealth within certain cohorts been driven by:
 - ‘Active behaviours’: e.g. buying or improving home, paying off mortgage debt, accruing pension rights?
 - ‘Passive changes’: ‘unexpected’ external forces, e.g. house price growth, longevity inflating the market value of Defined Benefit pensions?
- Using the longitudinal elements of the Wealth and Assets Survey and the British Household Panel Survey to separate families’ year-to-year wealth changes into active and passive elements

3. The drivers of cohort wealth growth: large passive house price effect, concentrated in older cohorts

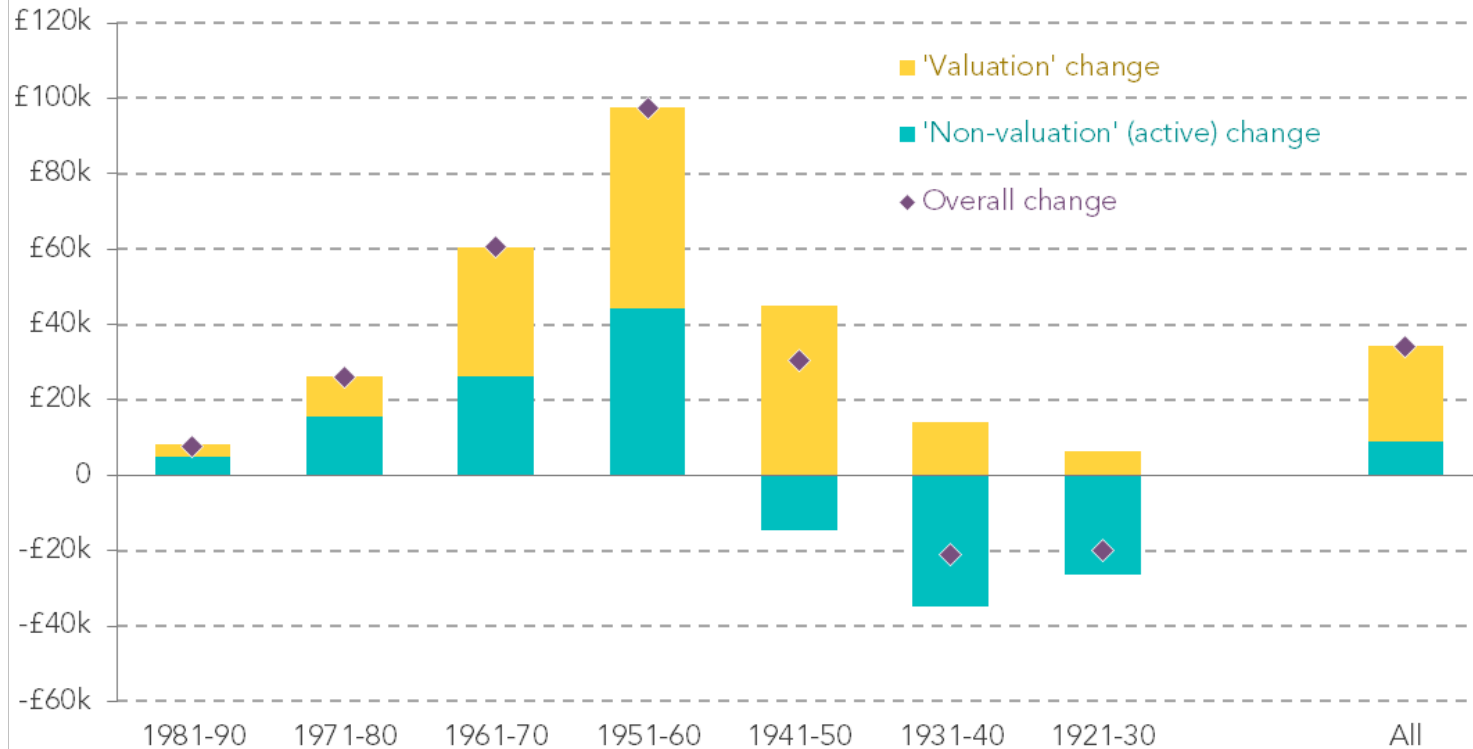
Mean active, passive and income growth-consistent changes to family net property wealth per adult, by cohort (nominal): 1993–2012-14, GB



Source: RF analysis of ONS, *Wealth and Assets Survey*; ISER, *British Household Panel Survey / Understanding Society*
For more see: C D'Arcy & L Gardiner, [The generation of wealth: Asset accumulation across and within cohorts](#), Resolution Foundation, June 2017

3. The drivers of cohort wealth growth: DB pension 'valuation' effect felt most by 1940-1960 cohorts

Mean 'valuation' and 'non-valuation' changes to family private pension wealth per adult, by cohort
(nominal): 2006-08– 2012-14, GB



Source: RF analysis of ONS, *Wealth and Assets Survey*

For more see: C D'Arcy & L Gardiner, [The generation of wealth: Asset accumulation across and within cohorts](#) Resolution Foundation, June 2017

Concluding thoughts

- The development of longitudinal data in recent years has supported ever-richer analysis of generational outcomes:
 - Much larger sample in Understanding Society, while maintaining British Household Panel Survey legacy cases
 - Wealth and Assets survey has filled analytical gap on key topic for understanding generational differences
- But there remain gaps and areas for improvement:
 - Single-year coverage of birth cohort studies and large gaps between them limit their application to our study of whole generations
 - No data exploring inter-generational family relationships over time hampers research on inheritance, the next frontier for those interested in intergenerational inequalities

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