

# Intergenerational Fairness Forum



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# Introduction

- Need for a definition of “fairness” from a whole population view rather than from a particular generation’s perspective
- The implicit contract between generation needs to be better articulated but we currently lack the language to debate it widely
- In some ways the focus seems to have jumped to age related policies before we’ve developed the framework
- The analysis, quantification and economics are yet to catch up

A reminder of who the generations are and how events have shaped their outlook

What should be the main dimensions of a fairness framework

Steps to creating a better, more quantified view of intergenerational fairness

# Description of the Generations

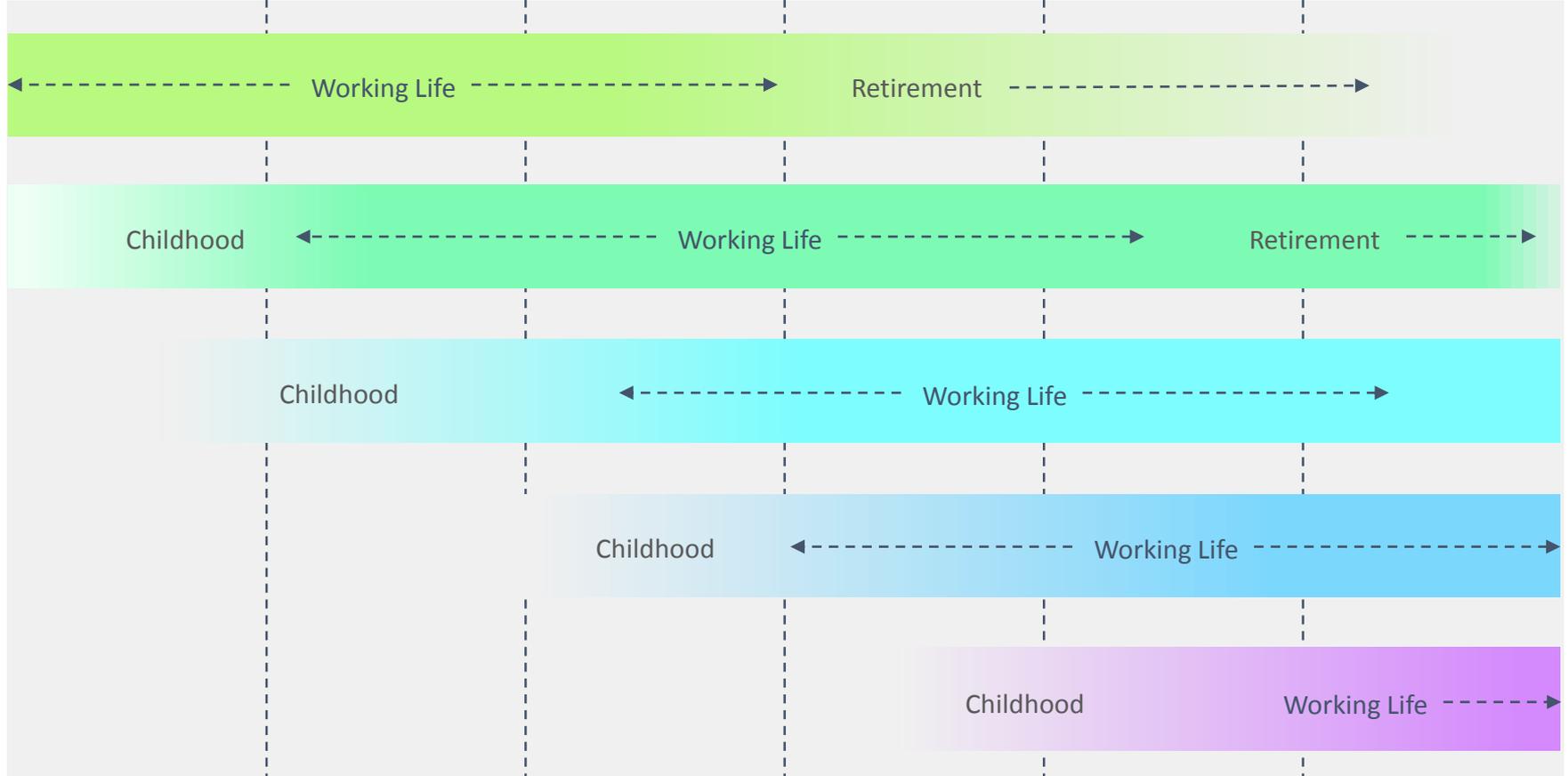
Chart 1: An overview of the working generations

| Characteristics                            | Maturists<br>(pre-1945)   | Baby Boomers<br>(1945-1960)  | Generation X<br>(1961-1980)   | Generation Y<br>(1981-1995)   | Generation Z<br>(Born after 1995)   |
|--|---|--|---|---|---|
| Formative experiences                      | Second World War<br>Rationing<br>Fixed-gender roles<br>Rock 'n' Roll<br>Nuclear families<br>Defined gender roles — particularly for women | Cold War<br>Post-War boom<br>"Swinging Sixties"<br>Apollo Moon landings<br>Youth culture<br>Woodstock<br>Family-orientated<br>Rise of the teenager | End of Cold War<br>Fall of Berlin Wall<br>Reagan / Gorbachev<br>Thatcherism<br>Live Aid<br>Introduction of first PC<br>Early mobile technology<br>Latch-key kids;<br>rising levels of divorce | 9/11 terrorist attacks<br>PlayStation<br>Social media<br>Invasion of Iraq<br>Reality TV<br>Google Earth<br>Glastonbury      | Economic downturn<br>Global warming<br>Global focus<br>Mobile devices<br>Energy crisis<br>Arab Spring<br>Produce own media<br>Cloud computing<br>Wiki-leaks |
| Percentage in U.K. workforce*              | 3%  | 33%  | 35%   | 29%   | Currently employed in either part-time jobs or new apprenticeships  |
| Aspiration                                 | Home ownership  | Job security   | Work-life balance   | Freedom and flexibility   | Security and stability  |
| Attitude toward technology                 | Largely disengaged  | Early information technology (IT) adaptors   | Digital Immigrants  | Digital Natives   | "Technoholics" — entirely dependent on IT; limited grasp of alternatives  |
| Attitude toward career                     | Jobs are for life   | Organisational — careers are defined by employers  | Early "portfolio" careers — loyal to profession, not necessarily to employer  | Digital entrepreneurs — work "with" organisations not "for"   | Career multitaskers — will move seamlessly between organisations and "pop-up" businesses  |
| Signature product                          | <br>Automobile   | <br>Television  | <br>Personal Computer  | <br>Tablet/Smart Phone                   | Google glass, graphene, nano-computing, 3-D printing, driverless cars   |
| Communication media                        | <br>Formal letter  | <br>Telephone   | <br>E-mail and text message  | <br>Text or social media                 | <br>Hand-held (or integrated into clothing) communication devices        |
| Communication preference                   | <br>Face-to-face                                       | <br>Face-to-face ideally, but telephone or e-mail if required   | <br>Text messaging or e-mail   | <br>Online and mobile (text messaging) | <br>Facetime   |
| Preference when making financial decisions | <br>Face-to-face meetings                              | <br>Face-to-face ideally, but increasingly will go online       | <br>Online — would prefer face-to-face if time permitting  | <br>Face-to-face                       | <br>Solutions will be digitally crowd-sourced                          |

\*Percentages are approximate at the time of publication.

# Key Events by Decade

| 1950s & 60s                                   | 1970s  | 1980s  | 1990s   | 2000s   | 2010s (so far)                             |
|---|--|--|---|---|--|
| Post WW2 Rebuild<br>Rationing<br>Swinging 60s | Woodstock<br>Winter of discontent<br>Stagflation | Thatcherism<br>Home ownership<br>USSR implodes | Cold war ends<br>Economic growth<br>Political consensus | Credit Crunch<br>Climate change<br>World Wide Web | Brexit<br>Post truth<br>Low interest rates |



WW2 Gen

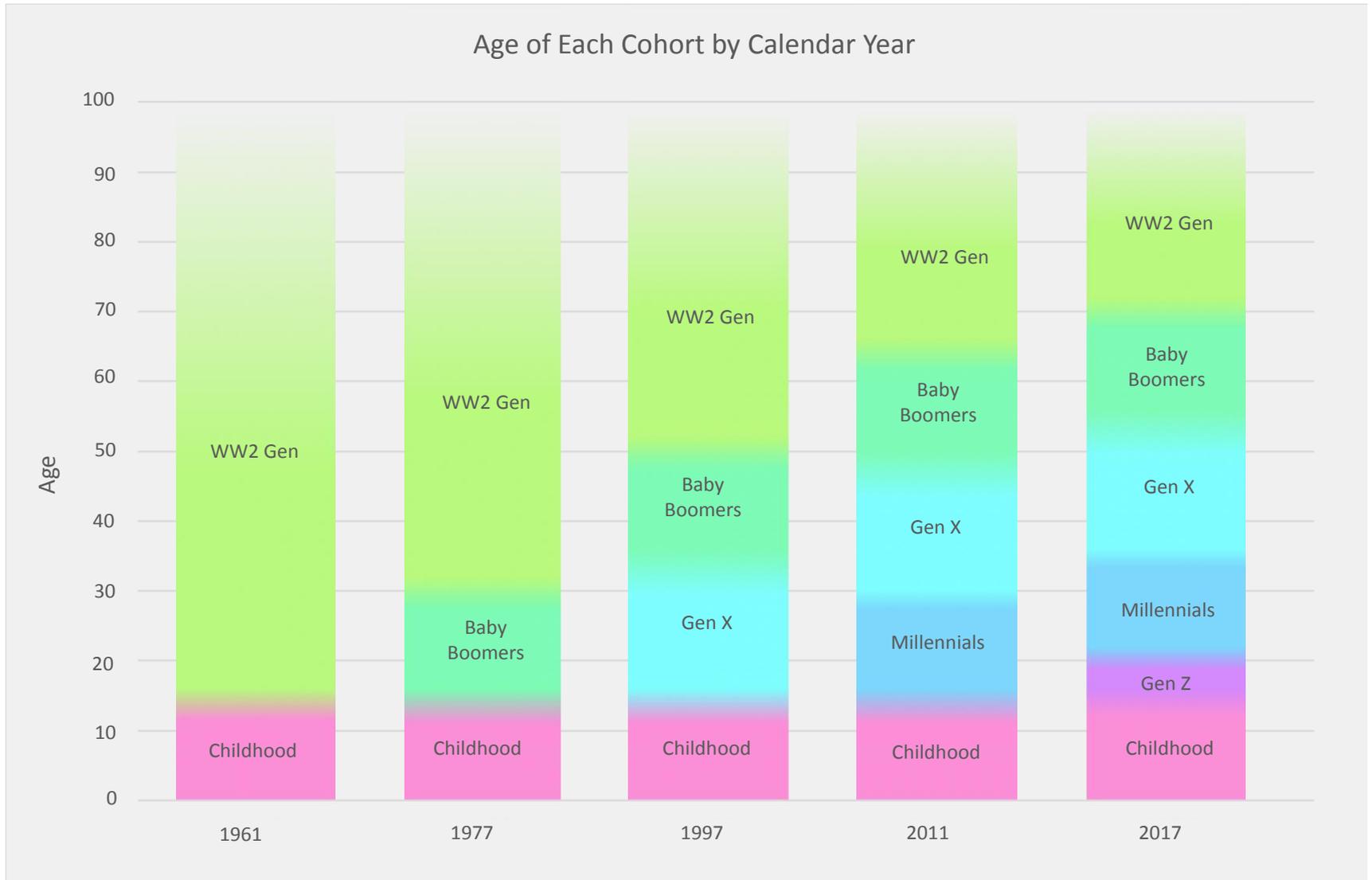
Baby Boomers

Gen X

Millennials

Gen Y

# Progression of Cohorts through the Years



WW2 Gen

Bay Boomers

Gen X

Millennials

Gen Y

# Accentuated Tribes

- For the first time each generation has a name and a distinct identity
- Each cohort is influenced by pivotal events particularly those in early adulthood
- This fragmentation occurs at a time when interdependence between the generations is increasing
- It is now more difficult for corporates (and perhaps political movements) to support one generation without being “against” the others



# Dimension of Fairness



Access to higher education and how to pay for it



Attitudes to work and drivers for the disparity in wages



Home ownership and access to the housing market



Pension funding and tax breaks

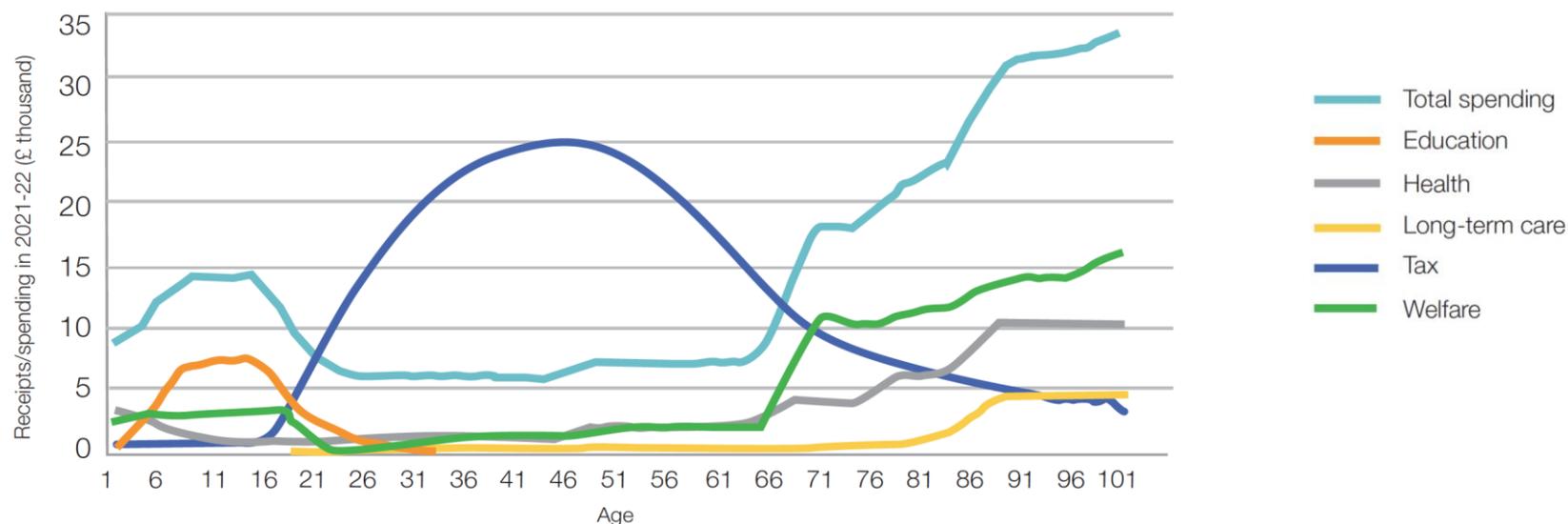


Funding of social care (especially in later life)

# Tax Revenue, Public Services & Welfare Spending by Age

- The population is ageing as birth rates drop and longevity improves
- The pressure on later life provision intensifies e.g. state pensions, health and social care
- The proportion of tax contributing generations reduces
- State welfare is often linked to inflation whereas wages may not keep up
- The implicit “contract” between generations may need to be reviewed

## Representative profiles for tax, public services and welfare spending



Source: Office of Budget Responsibility – Fiscal sustainability report 2017, taken from ILC-UK Global Savings Gap Report 2017

# Intergenerational Accounting

NIESR Discussion Paper No. 377

15.03.2011

David McCarthy, James Sefton and Martin Weale

National Institute of Economic and Social Research,  
2 Dean Trench Street, London SW1P 3HE

## GENERATIONAL ACCOUNTS FOR THE UNITED KINGDOM

*Generational accounts show the net discounted life-time contribution, positive or negative, that people, as a function of their age, are expected to make to the Exchequer. Receipts include both welfare benefits and public consumption (allocated by age as far as possible) while payments are largely comprised of taxes.*

## DOES AGEING MATTER WHEN IT COMES TO WORKFORCE PRODUCTIVITY?

Ben Franklin

MAY 2018

Partners  
Programme

International Longevity Centre - UK

ILC

# Intergenerational Accounting

## Variables

- Increasing longevity and, as a secondary effect, how this changes with wealth level
- Length of working life including full time, part time and unpaid activity
- Growth in the economy and the change in productivity per capita
- The changing pattern of employment and types of jobs

## Questions

- At, say, 2% growth in GDP per annum how much can each generation spend above their life time contribution?
- How much should each generation be insured against external event by the others (usual the younger ones)?
- What is the level of acceptable spend on healthcare including new (potentially costly) treatments?

## Challenges

- These types of calculation are very long term demographic models and therefore extremely sensitive to input variation
- Comparisons between generations will always include an element of forecasting for the younger ones
- In the 1970s, with stagflation, 3 day weeks and an IMF loan, few baby boomers would have believed they would become the “golden generation”

## Going Forward We Need.....

- A general awareness of the macro economics, the size and extent of the public sector and sources of tax revenue
- A more explicit explanation of the major benefits (including the original intention at inception), their costs and funding
- An emphasis on expressing policy costs as % of GDP and linking qualifying ages to longevity is are useful, universal measures that align expectation
- All of the above designed to facilitate a quantified conversation between generations
- An acceptance that wealth is strongly link with age making some of the universal benefits and age related tax breaks look incongruous
- More work to quantify the sustainable level of “over spend” for each generation based on a long term 2% economic growth assumption
- An agreement to the extent that the society insurers each generation against future unknown shocks
- A healthy skepticism for long range forecast that project current trends and don't allow for future ingenuity and innovation