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Investing in the future

Wealth, work and welfare in a multi-generational society



Starting points

Britain is not a poor country. Indeed we are a wealthy nation. But that wealth is increasingly concentrated in the hands of the few as inequality grows within and between generations. This is having profound effects on relationships in our country, increasing tensions between people of different ages. It's widely recognised that younger people, children and families have fared worst in austerity Britain.

This paper looks at how work and welfare could be transformed for all ages and suggests how the nation's wealth could be better used to create a fairer and better country. This is perhaps the biggest challenge for Britain but one which many politicians shy from, as we have seen in the recent debate on debt in the USA. It's a lot easier for politicians to focus on the next election than the next generation.

Using wealth is the key to unlocking our country's potential and ensuring that all generations can contribute to and benefit from future success. Older people have much more they could contribute if they were encouraged; young people could do much more if they were given the chance; multi-generational families would do much more if they had the time, support and resources.

To give a flavour of what this paper proposes, here are some of the recommendations to stimulate thinking for all ages:

- Many of us want to and will be expected to work longer; that will produce huge dividends for employers and for society, including increased tax revenue. Workers over state pension age should continue to pay national insurance and the revenue raised should be earmarked for a 'next generation' fund to support the employment of people under the age of 25.
- Living longer means changing families and changing patterns of work and care: people will work full-time, part-time, flexibly and for longer; people will have responsibilities for childcare and eldercare at different times in life and sometimes

at the same time. We should take a life course view of care through family policy that is multi-generational and supports caring responsibilities across extended families.

- A new national ActionAge programme led by central and local government with the third sector could harness the energy, skills and knowledge of older people in our society, working with people of all ages.
- The vast majority of wealth and assets is held by people aged over 45 as property, investments and pensions. A review of inheritance tax, capital gains tax, corporate taxes and tax avoidance could release the resources required to implement the work and welfare recommendations fairly across all ages, redressing the intergenerational wealth imbalance.

There are many other recommendations in this paper. It aims to open up a public dialogue about wealth, work and welfare and intergenerational fairness. As many people feel the pinch in Britain, it is only fair and right that our wealth and resources are shared collectively and fairly for all ages. The economic returns of intervening early will be long-term but we cannot afford not to take action now. All policies and fiscal measures should be assessed for their 'fairness' impact on different generations, and evaluated to ensure that they do make a difference.

We are all interdependent and mutually responsible. As United for All Ages' first policy paper published earlier this year said, 'we are much stronger as a society and in our local communities if we are united, not divided'. Intergenerational fairness should underpin smarter taxes and smarter spending. We must be ambitious and invest in the future: through prevention and early intervention, supporting the next generation, and ensuring our legacy for a Britain for all ages.

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Directors, United for All Ages*

Intergenerational fairness in a multi-generational society

Common problems

Britain faces long-standing social and economic issues that impact on people of all ages:

- Falling social mobility and growing inequality between generations
- Caring for our ageing population and the rising costs of care
- Children not fulfilling their potential
- Families squeezed by financial and time pressures
- Rising unemployment and an increasing number of workless households
- Fear and lack of respect
- Growing isolation of older people
- Alienation and disengagement of young people
- Lack of opportunities and low aspirations
- Drugs and alcohol misuse and domestic violence
- Rising crime and anti-social behaviour
- Tightening public resources and cuts in services

Alongside these problems, relations between generations are being tested by:

- Growing inequality - not just between the rich and the rest in every generation, but also between generations with those aged 45 plus owning more than 90% of the country's wealth and young people facing a future poorer than their parents
- Baby boomers are seen as 'having it all' but many older people's standard of living is falling as their retirement income is squeezed by high inflation and low interest rates.
- Squeezed mid-life families are facing pressures from all directions, as they struggle to work and care for children and older relatives. Many rely on grandparents and great-grandparents for extra help to get by
- The next generation, under 25, often can't get work, let alone aspire to home ownership, with a million now not in education, employment or training. Many others in their 20s and 30s are barely keeping their heads above water.

Common solutions

These problems affect all ages and generations, and the wellbeing of our society. But there are also common solutions which this paper explores: from work and welfare to wealth. For example, the fact that we are all living longer means that older people can contribute more if encouraged to do so. As a society we need to re-think how all ages work together to tackle our common problems. Bringing generations together makes social and economic sense, building respect, understanding and responsibility in our communities.

Work and welfare in a multi-generational society

Work and welfare are closely interconnected. Welfare policy must focus on helping people into work where possible. Work must support families to meet their caring responsibilities. Families must be supported to break out of the cycle of intergenerational worklessness and growing poverty. Children and parents must be supported to fulfil their potential. Older people must be encouraged to play their full part in society.

Whereas recent public spending cuts have disproportionately affected women and their families, a new strategy for all ages would support women from welfare to work. For example, international evidence shows that women supported to return to work after maternity leave through subsidised childcare will continue working into later life, thereby repaying the childcare costs through taxed income over their lifetime.

Work and welfare policy must aim to achieve the following:

Common aims

- Everyone has the opportunity to train and work - from age 16 to 106
- Families are supported to earn a living and care for children and older relatives
- Our society values care and caring
- Older people are encouraged to contribute more in later life
- Young people are given the chance to develop their skills and potential
- Families are supported at the right time
- Finding a job or volunteering in the community
- A decent home and a decent pension available to all
- Bringing generations together

Work and welfare - some facts

- In April 1992 56.5% of people aged between 50 and 64 were in employment - in December 2010 64.9% were in employment. 65.8% of 18 to 24 year olds were working in April 1992, in December 2010 58% were working.
- Nearly one million (one in five) 18-24 year olds are currently unemployed; 16-24 year olds represent 74% of those becoming unemployed during the current economic crisis. With cuts in university funding and educational maintenance allowance, the number of so-called NEETS is likely to continue to grow.
- Unemployment amongst women is at its highest for 23 years, with over one million women out of work.
- The 50-59 age group is getting squeezed. The long-term unemployment for those in their 50s is much worse than any other section of the population. Last year it rose 3.1% among 50-64 year-olds and 9.5% among women in the age group. 37% of unemployed men and 50% of unemployed women, aged 50+, say that they need flexitime or other flexible hours arrangements to enable their transition back into work.
- The cost of childcare in the UK remains high compared to the rest of the Europe, rising by almost 5% in the last year while help with costs through the childcare tax credit was reduced.
- Over 800,000 older people have unmet care needs.

Everyone has the opportunity to train and work - from age 16 to 106

Currently many young people under 25 are struggling to find work while many older people are working beyond 65 because they want and have to to make ends meet. But these are not mutually exclusive.

More could be done to give everyone the opportunity to work whatever their age:

- Investing in schools, housing, care and transport - much needed infrastructure - would create hundreds of thousands of extra jobs in labour intensive sectors
- Establishing a 'next generation' jobs fund which would focus on getting under 25s into work with a particular focus on younger men
- Developing this fund would also help people in multi-generational workless households to improve their employability, become 'job-ready' and get into work
- Advising employers on the benefits of a multi-generational workforce and how to ensure all ages are productive together, avoiding intergenerational conflict
- Encouraging older people to work longer will improve the dependency ratio between those working and those dependent on support.

Families are supported to earn a living and care for children and older relatives

For too many people working is not worth it. Pay is low; childcare, care, housing and travel costs are high; and the interaction between tax and benefits reduces the incentives to work.

Work could be made to pay and families supported by:

- Ensuring that the minimum wage truly meets the cost of living as advocated through the Living Wage and other campaigns

- Increasing the threshold at which earners start paying tax to a minimum of £10k pa with immediate effect
- All jobs enable flexible working so families can undertake their care responsibilities and older people can continue working into later life; it is important that flexibility is available to all workers to ensure fairness across the workforce
- Childcare costs are met in full for parents entering work and earning below £20k; adult care costs for people with substantial or critical needs to be met in full.

Our society values care and caring

Our ageing population and the new baby boom mean that more families than ever need help with eldercare and childcare, sometimes both for those in the 'sandwich generation'. Care is still a low status, low pay, poorly recognised sector, often resulting in poor quality care.

Valuing care means:

- A lifelong approach to care, where caring responsibilities are recognised and supported whatever the age
- Making quality care and support available wherever older and disabled people live through a national care service, interlinked with the NHS, free at the point of need
- Building on the universal network of Sure Start children's centres, making quality childcare affordable and accessible to all
- Investing in training and employment in care, to create jobs and raise the status of caring
- Encouraging more home-based carers to provide family settings for vulnerable adults and children
- Supporting carers and families to care for their relatives, with enhanced carer's credits, flexible working and tax exemptions on care vouchers

Older people are encouraged to contribute more in later life

Our ageing population is a huge resource in our society and must be mobilised to tackle some of our major social and economic problems as well as enabling older people to have fulfilling lives beyond 65.

Older people could contribute more through a new national ActionAge programme promoted by government centrally and locally with the third sector by:

- Working longer in later life, to continue using their skills and experience, boosting their income, and contributing to the broader economy
- Volunteering in local organisations that support and nurture local communities, from schools and youth clubs to libraries and care homes
- Caring for other older people - parents, relatives, partners and neighbours - and providing social support to combat loneliness
- Mentoring young people, providing role models to support young people on the route from school to training, higher education and work as 'work mentors'
- Being active grandparents and great grandparents, helping their children, grandchildren and great-grandchildren, with appropriate recognition, rewards and support
- Preparing for an active later life while in their 40s and 50s

Young people are given the chance to develop their skills and potential

Young people are increasingly seen as belonging to a 'lost generation', poorer than their parents and paying the price for previous generations' excesses.

Given the chance, young people could do much more with their skills, confidence and energy by:

- Schools nurturing all pupils, engaging them in learning and vocational activities, and preparing for career development and employability
- Volunteering opportunities that enable young people to participate with older generations, as mentors in IT and other workplace skills and meeting community needs such as reducing loneliness and isolation amongst older people
- Youth centres and outreach services building relationships with young people and their communities
- Employers nourishing young talent
- Further and higher education opportunities being accessible to all
- Citizenship education with parenting and personal responsibility being a core part of the school curriculum
- Access to mentors and other community support to help make the transition into work

Families are supported at the right time

Too often we let problems develop until it's too late to do anything about them and we have to pick up the pieces.

Socially and economically it makes sense to intervene much earlier and prevent problems by:

- Supporting families and young parents during pregnancy and early years
- Advising and supporting parents through universal Sure Start children's centres
- Providing practical parenting help as child grow up, particularly to support troubled children and teenagers as 'family mentors'
- Helping older people to stay independent in their own homes and within the extended family

Finding a job or volunteering in the community

While the economy recovers and until investment is released to create jobs for all ages, millions of citizens will continue to rely on state benefits.

To help them prepare for work and to meet the many needs in local communities, these beneficiaries should be offered volunteering opportunity with local projects bringing people of different ages together.

A decent home and pension for all

Where we live and having a decent basic income is crucial to all of us, particularly the oldest members of our society.

Alongside the implementation of the reform of pensions, we need to improve housing for all ages by:

- Modernising homes, adapting them to meet the needs of disabled people, and making them energy efficient and properly heated
- Building new family homes and improving current housing stock to meet waiting list demands and thereby creating construction jobs
- Supporting older people who wish to downsize
- Supporting extended families to care for children and older relatives through grants to expand homes and relaxed planning regulations to support the growing number of multi-generational households
- Encouraging the growth of Homeshare, whereby older people accommodate younger people in their home in return for help and support
- Planning for later life becoming a key part of employer support for staff

Bringing generations together

Contact with and meaningful activity with other people of different ages can promote mutual respect, engender responsibility, reduce fears, develop new skills and create communities for all ages. There are numerous one-off examples across the country but a coordinated national programme for all ages could mainstream these projects.

This could involve:

- **Centres for all ages** being established in every community, building on existing facilities like children's centres, schools, libraries, older people's housing and care homes, and integrating other local services like local shops, cafes and one stop information/advice points
- **Common interests** - from sport and arts to food, gardening and IT - bring people of different ages together and can be the focus for integrated activities at these centres for all ages.

Taking the recommendations forward

Implementing these recommendations will require resources, as set out in the next section, and a different way of working. Agencies need to work much better together and local authorities need to integrate their services for families across all ages. Agencies as well as families and communities are interdependent too!

All policies and fiscal measures should be assessed for their impact across the generations, not just their immediate impact on reducing the deficit.

Wealth for all ages

Britain is not a poor country. Britain's richest people and companies have continued to prosper, getting richer during the recession and banking crisis, with wealth becoming more concentrated. This wealth must be used for the common good, to benefit people of all ages. Taxing wealth would improve the fairness of the tax system, raise government revenue, further economic growth, and reduce economic inequality.

Families on low and middle incomes are being squeezed tighter than ever. They cannot afford to pay higher taxes on their income while they desperately need better support and services if we are to transform Britain from welfare to work.

This paper therefore recommends exploring six areas for taxing wealth:

1 Incomes - with lower and middle income families struggling to make ends meet, government should review the threshold at which income tax starts, raising it to at least £10k with immediate effect. The 50p income tax rate should be maintained and should be

supplemented by a higher rate tax on those earning more than £1m a year. A millionaire's tax rate would also capture large bonuses paid to bankers. Older people who continue working beyond state pension age should continue to pay National Insurance which could be used to help reduce youth unemployment, while other universal benefits for older people should become taxable.

2 Properties or capital gains - there have been many calls for a 'mansion tax' on properties worth more than £1m. An alternative would be to increase the level of stamp duty on high value home sales eg above £500k and to ensure capital gains are properly taxed on all property sales above £1m. A tax on household wealth, for example over £1m, is an alternative to pick up untaxed investment income.

3 Inheritance - very few estates (around 6%) pay inheritance tax; this is one of the main reasons for social immobility as wealth is passed almost intact from one generation to the next. Many families have received an inheritance

Wealth - some facts

- The combined wealth of the 1,000 richest people in Britain rose £60bn in the last year to nearly £400bn. There are 619,000 millionaires in UK, up from 528,000 in 2008. The millionaire population is set to grow by a third by 2020. Almost a third of children live in poverty in the UK.
- The top 50 global corporates are currently sitting on \$1.1tn reserves.
- Private household net wealth in Great Britain totalled £9 trillion in 2006-08, according to the *Wealth in Great Britain* report published by the Office for National Statistics. Median household net wealth was £204,500 in 2006-08. The least wealthy half of households accounted for only 9% of wealth, while the wealthiest 20% of households had 62 per cent of total wealth. The least wealthy 10% of households had negative total net wealth. The wealthiest 10% of households were 2.4 times wealthier than the second wealthiest 10%, and 4.8 times wealthier than the bottom 50%. The age group with the highest average total wealth in 2006-08 was 55 to 64 year olds. This group had a mean of £634,900 and a median of £416,100 for total wealth including private pension wealth. In general, wealth increases from the younger age groups until the 55 to 64 age group, and then declines. This reflects the accumulation of wealth over people's working lives, followed by decumulation in retirement. The second wealthiest age group was 65 to 74 year olds. This group had a mean of £457,600 and a median of £306,000 for total wealth including private pension wealth. The 16 to 24 age group was the least wealthy group, with a mean of £37,600 including private pension wealth. Half of all households in this age group had total wealth of £12,900 or less and a quarter had total wealth of £3,500 or less.

windfall because of the property boom in recent decades. A care duty on all estates above £25k could pay for the better care needed by Britain's ageing population.

4 Corporates - Britain's wealthiest businesses have continued to make big profits during the recession, with the profits share of GDP now at a very high rate, and have high levels of cash reserves. We recommend a one-off corporate tax to boost economic regeneration and reduce unemployment. Financial institutions and energy companies would be primary contributors. A financial transactions tax may also be introduced as part of wider European or worldwide measures.

5 Avoidance - at the moment many of Britain's wealthiest companies and individuals are the most adept at dodging taxes. HMRC should implement a rigorous campaign to reduce tax avoidance as part of a 'patriotic tax' drive. In addition the drive to reduce tax evasion would build on the recent agreement with the Swiss government and banks, moving towards a European-wide framework.

6 Finally , a one-off 'austerity tax' on wealth worth more than £10m held by individuals and trusts could be used to pay off the national debt and to secure the early support needed by families.

Investing in the future

Britain is at a crucial turning point. We face huge economic and social challenges which threaten the very fabric of our country. Resentment between and within generations will continue to increase if inequality and intergenerational unfairness are allowed to grow.

As this paper argues, Britain has the resources to meet these challenges. We should use the country's wealth to make Britain work for people of all ages.

We must take action while we can afford to; if we don't, then imagine Britain in 2030 - a country divided as older people prosper with inherited wealth, decent pensions and housing, while younger generations face higher taxes, failing services and lower living standards.

Britain and our communities are much stronger when they are united, not divided. We must invest in the future - as our legacy for the next generations.

**We do not inherit the earth
from our ancestors, we borrow
it from our children**

Imagine a country...

- where we invest in the future
- where children get a good start in life
- where older people and young people are valued and respect each other
- where extended families are supported to care for each other
- where communities are designed for everyone to live, work and play together

Imagine a Britain for all ages...

United for All Ages is working with councils, charities, universities and companies to make it a reality.



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