

Housing and Intergenerational Fairness

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Part I – High Housing Costs on Top of Costs of an Ageing Society



There is concern that the next generation's living standards will fall



There is a concern that the younger generation will have a lower standard of living than their parents. There is sometimes an argument that the blame for this is partly with the older generation and that this is an issue of inter-generational fairness. To investigate some of the issues in this area, and in particular housing, Policy Exchange embarked upon a think piece on this issue. This think piece was informed by a roundtable held in October 2012 on housing and inter-generational fairness introduced by David Willetts, author of *The Pinch: How the Baby Boomers Took Their Children's Future – And Why They Should Give it Back*. The issue of intergenerational fairness has risen up the political agenda in Westminster but also resonates more widely. The success of books like Willetts' *Pinch* or Shiv Malik and Ed Howker's *Jilted Generation*, or the fact that the bestselling 2012 edition of the national weekly *The Spectator* led on the 'clash of generations', shows a wider social concern.¹ The general thesis is that the younger generation face a rising cost of living (particularly housing), higher taxes and reductions in state expenditure, and stagnant wages and low paid work or internships. The crisis results from multiple causes and so affects different groups to varying degrees. For example, it is more acute for low paid worker renting a family home in the South of England than the North. But even this group are better off than those who are unable to find work.

Policy Exchange's 2012 *Northern Lights* report focused on how most people see the current political landscape. It noted a key worry identified in polling and focus groups was that the next generation would see standards of living stagnate or fall. This would reverse a generally continuous trend for people's living standards to rise over time since World War II. Focus group participants made statements like:

"Our children won't have the same lifestyle we had, no way."

Some of these concerns were explicitly related to housing. One participant noted:

*"We'd probably need what you paid for your house as a deposit now."*²

This concern has been picked up by politicians. Ed Miliband made a speech in early 2011 about the 'British Promise'. He said: *"My concern, like millions of others, is that for the first time for more than a century, the next generation will struggle to do better than the last."*³ This idea of a 'squeezed middle' losing out in modern Britain has since been key to Miliband's approach. Sometimes politicians have explicitly focused on the issue of housing to highlight their desire to support the struggling younger generation. At the 2012 Conservative Party Conference the Prime Minister declared: *"There are young people who work hard year after year but are still living at home ... I want us to say to them – you are our people, we are on your side, we will help you reach your dreams."*⁴

The younger generation face an acute housing crisis



It is not surprising that housing plays a key role in the intergenerational fairness debate. Rents and high house prices are an increasing burden on the younger generation, while the elderly own increasingly expensive properties. As David Willetts' *The Pinch* pointed out, the under-fifties own only 18% of the UK's property wealth.⁵ In a neat symmetry levels of home ownership amongst the old are rising whilst the younger generation's home ownership rate falls. In 1991 the proportion of owners among 16-24 year olds was 36% and among 25-34 year olds it was 67%. By 2011 this had dropped to 12% and 47% respectively. Meanwhile over the same twenty year period amongst the 65-74 group it had risen from 62% to 76% and for the 75+ group it had risen from 53% to 75%.⁶

For some young people rising prices are ameliorated by family wealth. If your parents and grandparents own property you can rely on inheritances, or obtain help with a housing deposit. In 2010/11 the proportion of first time buyers under 30 without family support fluctuated at 19-21%.⁷ For those whose families own spacious and attractive properties in economically vibrant areas living at home while a deposit is saved is inconvenient but bearable. But many in poorer families cannot

live at home and face higher rents while saving a deposit. The last Labour government's 2010 inequality report noted "*inequality in housing wealth represents one of the starkest inequalities in Britain.*"⁸ Such inequality is dangerous both politically and economically above a certain level.

Even more concerning to those on the right of politics is that this is no longer just about inequality. If those who work hard and 'do the right thing' cannot aspire to a good family home it destroys the aspiration and opportunity that provide the moral backbone of Tory thought. The numbers who increasingly look to the state because housing is so expensive they cannot house themselves (often through no fault of their own) grows exponentially. This puts pressure on government expenditure on housing benefit, which was running at an annualised £23 billion in 2012,⁹ and the social housing waiting list, which now stands at 1.84 million.¹⁰

Despite these concerns, there was disagreement at the roundtable about whether housing is an issue outside of London and parts of the South. It is true that housing is least affordable in London and the South. As the table below shows, even renting an average 3 bedroom house in London takes up nearly two-thirds of an average salary. This makes renting a family home impossible for an average earning family where one partner stays at home, a single-parent family, or even a couple where one parent works part-time impossible. Even with two earners a very large proportion of income will be taken up just paying for housing in the South or London.

The charity Shelter defines housing 'affordability' as housing costs at less than 35% of a household's take-home pay. Above this households will find it almost impossible to make ends meet after other necessary expenditure is taken into account. On this measure, taking median rents and median wages in each region, the only regions with 'affordable' rents for a family with one median earner are Yorkshire and the Humber and the North East. Of course, this wage can be supplemented by dual earning. But for those with very young children this may not be possible, and for many with children or a child younger than primary school age it may be difficult to manage. It also presupposes in the current economic climate that a household could find two jobs suitable for a family. For many families even renting a family sized property is difficult.

Table 1: Median rents and salary by region¹¹

Region	3-Bedroom Median Monthly Rent (£)	3-Bedroom Median Annual Rent (£)	Median Annual Pay (£)	Median Take Home Pay (£) (*)	Proportion of Take Home Pay to Rent Median 3 Bed
London	1420	17040	34894	26533	64%
South East	850	10200	28181	21901	47%
South West	720	8640	24582	19418	44%
East	675	8100	26140	20493	40%
West Midlands	595	7140	24600	19430	37%
East Midlands	575	6900	24646	19462	35%
North West	575	6900	24610	19437	35%
Yorks & Humber	542	6504	24288	19215	34%
North East	500	6000	23779	18864	32%

(*) This is after National Insurance and Basic Income Tax is paid and takes account of thresholds.

The situation is worse for younger households as the table below makes clear. For example, the average full time salary for someone aged 22-29 in the UK was just £20,901.¹² Once income tax and national insurance are taken into account this drops to £16,878 for the financial year 2012/13. In London this would be more than swallowed up by rents. In the South East, South West and East 48-60 per cent of take-home pay would go toward housing. No regions in England are affordable using Shelter’s definition. This highlights the difficulty that young people face just trying to obtain a decent home, let alone trying to move into home ownership. Those renting would be trying to build up a deposit while paying a majority (or close to) in their housing costs in four out of the nine regions of England. This is clearly impossible.

Median rents compared to 20-29 year old pay		
Region	3-Bedroom Median Annual Rent (£)	Proportion of Take Home Median 20-29 Year old Salary
London	17040	101%
South East	10200	60%
South West	8640	51%
East	8100	48%
West Midlands	7140	42%
East Midlands	6900	41%
North West	6900	41%
Yorks & Humber	6504	39%
North East	6000	36%

The danger of a widening social and economic polarisation caused by ever higher housing costs has been emphasised by the current Planning Minister Nick Boles, who warned: *“In the 1990s, the average person setting aside 5% of their income each week could save up for a deposit on a house after 8 years. Today, it would take the same person 47 years.”* The result of continuing failure would mean *“home ownership reverts to what it was in the 19th Century: a privilege, the exclusive preserve of people with large incomes or wealthy parents”*¹³ The pressures that exist are not just shown by declining home ownership amongst the young. Nowadays one in three young men between the ages of 18 and 34 live at home with their parents and the total number of young people living at home has risen 28% since the mid-1990s, a trend that is accelerating.¹⁴ Symbolising how important housing has become it reached the top ten issues for voters in 2012 alongside pensions and welfare benefits, well ahead of issues that gain far more publicity such as Europe, and miles ahead of issues like the environment which fall outside the top ten.¹⁵ More and more voters worry about how they or their children will afford a decent home. Those who seek to downplay housing ignore it is rising up the political agenda. This is not a regional issue, but a national crisis most acute in certain regions.

Why our growing ageing population requires more homes



The populist knee-jerk response is that our housing crisis is down to immigration. But this is not true. As the Cambridge Centre of Housing and Planning Research notes, we need at least 270,000 homes a year.¹⁶ Between 2001 and 2011 the UK’s population grew by 2.1 million due to net migration.¹⁷ Using the 2011 census data if these households in the long term settle at 2.4 people per household, in line with the wider population, this would mean an additional 87,500 homes a year, or less than a third of the housing need. In addition, this is the *minimum* we need. If we want to try to make housing more affordable and reduce rents over time we need to build more than this. There is a major backlog of under provision of housing. In the peak of the last credit bubble we built an annual total of just 176,000 homes.¹⁸ Worse, many were small flats, (e.g. in 2006/7 47% of new homes were one or two person flats).¹⁹ Smaller homes mean that, all other things being equal, we need more of them. The raw data in this area is misleading. Imagine a street with 10 homes and 20 residents – two people per dwelling. Double the number of residents to 40, and split the 10 homes into 20 maisonettes. We still have two people per dwelling. But the space per person has halved. That’s not just a thought experiment but reality. According to the Royal Institute of British Architects, Britain’s new-build homes are the smallest in Western Europe and many are too small for family life.²⁰

There is an increasing generational divide. As noted, the proportion of young people stuck at home is growing. Meanwhile, amongst the older population we have twenty-five million ‘spare’

bedrooms.²¹ Often they are reluctant to move. Much of this is a mismatch between council planners who often emphasise the growth of smaller households and the reality that smaller households often live in larger family homes, or when older smaller households downsize they still want spare rooms because they want relatives or carers to be able to visit or stay.

Housing costs are rising on top of the increasing costs of an ageing population



In addition to housing, there is a broader issue. Younger generations are increasingly going to be asked to shoulder the cost of an ageing (and politically powerful) group of individuals. The rise of grey voters has been steady. By 2011 around 16% of those in the UK were over 65.²² And in the 2010 76% of the over-65s voted, contrasted with just 44% of the 18-24s.²³ This is a formidable voting block. In addition the expenditure and support for these groups is of strong interest to those in their fifties onwards as they are approaching pensionable age.

Government spending on areas related to older people has been less impacted by current deficit reduction plans than spending focused on the younger generation. The NHS has been ring-fenced. The state pension increase is now subject to a triple lock that guarantees that it rises with prices,

Rising numbers of older UK residents		
Number of UK residents aged over 60 ²⁴		
1951	2010	2030 (predicted)
7.9 million	19 million	28 million

wages, or at 2.5% a year. Age-related benefits such as the winter fuel allowance or bus passes continue to go to all pensioners regardless of income. In areas like tax credits, child benefits, tuition fees and so on where there have been much deeper reductions in spending or new charges imposed on users.

This issue will only intensify. As the table alongside shows between 1951 and 2010 the number of UK residents over 60 more than doubled. Between 1951 and 2030 it is predicted numbers of people over the age of 60 will nearly quadruple. While the period during which adults are healthy may rise over time, an increasingly older population will require higher spending on pensions, healthcare and social care, as well as placing informal support requirements through family networks as people care for ageing parents.

The very oldest group will grow fastest. From 2010 to 2030 the absolute number of those over 74 is projected to rise 73% from 7.4 million to 12.8 million.²⁵ The numbers of those over 84 will more than double from 2.9 million to over 5.8 million. These groups can rarely work and require the highest levels of expenditure on health and social care, particularly the over 85s – incidence of dementia for

example has been shown to increase with age. Indeed the eventual spending may be higher as these projections, just like past projections, continue to assume increases in life expectancy tail off. This is despite life expectancy growing more steadily and not tailing off as forecast in the past. As one study noted, *“life expectancy has been consistently under-projected”*.²⁶ So it is quite likely these numbers will be even higher.

The Office for Budgetary Responsibility has produced working assumptions about the costs this will impose on taxpayers. They estimated an ageing population’s cost by 2040 would be £80 billion in today’s money.²⁷ Assuming economic growth of at 2.2% a year over the coming decades this will require expenditure worth around 5% of GDP.²⁸ If our economy slips into a Japanese style period of prolonged stagnation this cost will be even greater as a share of national wealth. Even with healthy growth projections the long term cost of an ageing society is very substantial. And if our longevity estimates are too conservative, the costs could be even higher.

The young will largely pick up the bill to support the elderly one way or another



Most of the cost of paying for our ageing society will have to come from the younger generation. It is true as some argue the numbers of over-65 workers has risen.²⁹ But even if this trend continues, it will only have a small part to play. The numbers of over 65s might have risen, but still stands at a very small 9%.³⁰ In addition, the biggest rise in numbers will be the over 75s and over 85s, both groups which are unlikely to see anything more than marginal employment rises and require the greatest expenditure in health, pensions and social care.

Another argument that makes superficial sense but falls apart on closer inspection is the argument if we transfer the cost from the state to the private sector this abolishes the burden on the younger generation. In the very longer term, greater self-provision may create lower costs as people are more cost-conscious with their own money. But in many areas this may impose a temporary higher cost. For example compulsory pensions are being introduced to help reduce current shortfalls. But this actually means that younger workers are paying more now in order to build up a nest egg of savings while still paying now for existing claimants.

Policy Exchange’s roundtable agreed that there is a backdrop of difficult economic circumstances in both the long and the short term being felt particularly acutely by younger generations. It was also agreed that there were costs associated with the ageing society. However, there was resistance at our roundtable among groups representing older people against, for example, scrapping age-related benefits such as the winter fuel allowance. Even the idea of taxing them did not gain their support.

Arguments were raised that older people had paid into the system and should be able to rely on it if they needed support for health and pensions care.

Part II – High Housing Costs May Cripple our Economy and Society



High housing costs will drive out business and young skilled workers



Major companies already complain that the high cost of housing is deterring staff from coming to London. A recent CBI survey found *“cost and availability of housing has consistently been ranked by London firms over recent years as one of the key weaknesses to doing business in the capital”* and major firms such as Vodafone note that *“it does feel sometimes that the city is on the edge of a housing crisis where the rental market is grossly under-supplied, over-priced and it is a very very big barrier for us to move talent into the city”*.³¹

Those who support high house prices argue that falling house prices represent destruction of wealth. This is of course nonsense. Higher house prices and rents are merely a transfer of wealth from the younger generation who tend to rent to the older generation who tend to own their home. This is not a moral judgement but an economic one. The argument advanced that house prices have risen and that therefore *as a society we are better off* is absurd. Most people will continue to live in the same house, and if they want more housing space they will have to pay more than they did before.

Fundamentally, housing costs rising is no different to any other cost rising. It is a negative. The situation with high house prices is analogous to Trade Unionists who argued in the 1970s paying higher wages would lead to more spending and boost the economy. Higher wage claims simply redistributed wealth and increasingly distorted the economy, just as our refusal to build more homes and consequent high house prices does. This has been extensively discussed in other Policy Exchange work, but the majority of lending being swallowed up by mortgages, limited worker mobility, higher office space costs and other issues are all damaging the British economy.

The younger generation cannot cope with an ever-rising cost of housing on top of the rising cost of an ageing society. Already the UK is suffering from a ‘brain drain’ of more talented young people. In 2008 the OECD noted that 1.1 million UK born people educated to degree level were living overseas, more than any other country and substantially more than other countries such as France (370,000),

and the USA (410,000).³² Whereas just 20% of the UK population is educated to degree level, over 50% of those moving abroad were educated to degree level.³³

In most countries this group of skilled professionals would be able to afford a comfortable family sized home and attractive lifestyle. But in the UK, many will be trapped at home with their parents or living in cramped accommodation. Highly skilled workers without property gain most by emigrating. They will earn high wages and can afford to own a family home: an appealing mix. It is no surprise that issues like a 'mansion tax' are growing in support. When aspiration is stifled then envy and resentment are, perhaps understandably, the end result.

The evidence supports this viewpoint. YouGov polling in 2007 found Londoners aged 25-34, who earn high wages but struggled most to afford a family home, were the group most likely to consider leaving, with a third of all people polled considering emigration.³⁴ Polling for Policy Exchange in 2010 revealed that 86% of finance professionals cited the high cost of living in England as a major reason for leaving the UK. This was far higher than issues such as a bad education system (33%) or the 50% rate of tax (18%). Conversely, reasons to stay in the UK saw the low cost of living poll just 10%, with family and friends scoring far higher.³⁵ When even such high earning professionals are complaining this must be a wake-up call.

Unless we fix housing the flow will only accelerate - even if the UK and global economy starts to grow. Not only will the UK find it difficult to retain its own talent but it will become increasingly difficult to obtain skilled overseas workers. There is a legitimate question about the level of immigration that can be sustained, but clearly high skilled, high taxpaying immigrants are preferable, all other things equal. The problem is skilled immigrants have greater choice of where to go.

There is a real and serious possibility of a dangerous spiral. Continuing housing undersupply pushes up rents and eventually house prices. Highly skilled workers leave the UK while overseas talent refuses to move to London or the wider South East. This means that the tax base shrinks, pushing up taxes for those who remain and pay the bulk of the taxation collected in this country. This in turn encourages yet more emigration. This would be a social and economic disaster for the country.

Part III – A Grand Bargain on Housing?



The issue of housing is the easiest of the inter-generational issues to fix, in relative terms



There are a series of issues around inter-generational fairness. All are difficult issues to solve.

- Stagnant incomes for most people.
- Rising costs of an ageing population such as health and pensions and pressure to reduce other expenditures.
- Steadily rising housing costs.

But housing is perhaps the least difficult. This is only a relative argument. Housing is a complex issue. But compared to managing the cost of an ageing population, or reversing a prolonged period of sluggish real wages, solving the housing issue is relatively simple. We simply need to build enough houses so that the cost of buying or renting a house falls, or at least stabilises in nominal terms. Policy Exchange work since 2010 has discussed how dysfunctional all the systems of housing delivery are; planning, the development industry, and the politics around new homes. A moral argument must be made for more homes. But moralising alone will fail. Policy has to deliver and be politically acceptable. More housing has been a government priority since at least 2003 when Kate Barker was appointed to investigate housing supply. Yet the housing crisis has actually worsened.

This means more understanding that we need more homes and 'constructive NIMBYism'



Many commentators simplistically demand government intervention whenever a problem arises. This is the case even where government intervention has created the problem in the first place. In the case of housing the fact just 100,000 homes were started in 2012³⁶ was the result of a dysfunctional system of housing delivery that has built up over the decades on the foundations of the 1947 Town and Country Planning Act.

There needs to be an understanding that we need more homes built. This is not however primarily a national argument. Politicians are often tempted to make arguments on the national stage. But the way to build more homes is through reducing local opposition. This means that we need to deal with the local issues that make reasonable people into NIMBYs. Infrastructure provision is

inadequate. The quality of new homes is too low. There are only very limited amenity benefits for local people. This has been explored in a series of Policy Exchange reports. It is beyond the scope of this short essay to go back over this. Essentially a liberalised planning system that retains some mechanisms to protect amenities and environmental issues is necessary.

Sometimes a more liberal approach is condemned as being unable to cope with specific issues, such as housing for older people. In fact it would resolve the issues around housing far better than the current top-down and micro-managing approach. Issues around an ageing population and downsizing are best handled by a more flexible and liberal system that empowers those close to proposed new development, rather than attempting to rely on the wisdom of central planning.³⁷

The current approach is the usual failed top-down approach in planning



The government has already tried centrally idea of focusing on the needs of older people. The National Planning Policy Framework required that local authorities should *“identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which... addresses the need for all types of housing, including affordable housing and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities...”*³⁸(the author’s underlining). This requirement that councils consider the needs of older people was already mentioned in guidance from DCLG and its predecessor the ODPM. Planning Policy Statement 3 for example required that when preparing their plans and strategic housing market assessments *“councils identify the accommodation requirements of specific groups such as ... older people”*.³⁹

As usual, this sounds simple. What reasonable person could oppose making sure older people have appropriate housing available? In reality though, despite a current deadline looming by which most councils are supposed to have prepared local plans, *“the majority of local authorities have plans which are at least outdated in respect of the NPPF, and, in many cases, even the 2004 Act”*.⁴⁰ Councils are not even able to put in place up to date broad plans, let alone plan specifically for ageing populations in their areas. Councils not having plans in place does not mean that developers are free to do as they wish. Instead the councils rely on outdated ‘saved’ policies from previous plans and national guidance. But even where they have such plans in place they do not address the housing needs of an ageing population. In fact they often make it worse.



The result of the attempt to centrally plan housing in this country has been a failure both in terms of the quantity and quality of housing in this country, as our past reports have explored. This failure has not just been on a macro-level but in terms of adapting to specific challenges such as our ageing society. For example, parts of the planning community obsess about raising density. This is not to argue for lower density *per se*, but to argue council planners should not impose higher density.

This pro-density approach led to cheers from planners when the government introduced its density targets. These required that housing was built at a density of at least 30 homes per hectare. This requirement was a national one. This clearly ruled out the most popular form of housing in a 2002 MORI poll – the humble bungalow.⁴¹ Thirty per cent of people said that they would like to live in a bungalow. This preference is even stronger for older people. As even CABE, the Commission for Architecture and the Built Environment, who were very keen on higher densities noted, “*the majority of house buyers are unlikely to initially choose to live in higher density developments... Older people say they would prefer a bungalow*”.⁴² In a series of surveys since 2000 by Halifax bungalows were noted as people’s favourite type of home, scoring well on “*facilities such as security, cleaning and ease of use*”.⁴³ These facilities are major pull-factors for older people thinking of moving home.

Yet despite this, the number of bungalows built in 2009 was just 300, and just two per cent of our existing housing stock consists of bungalows.⁴⁴ Given the ongoing process of demolishing existing homes and rebuilding (usually at higher densities) then we were probably losing bungalows.

If thirty per cent of people’s ideal home is a bungalow, and this preference is even stronger for older people, it make no sense to prevent construction of bungalows if we are interested in increasing the housing supply and a more efficient use of the existing housing stock. Older people currently living in large family homes might want to downsize to a bungalow, which is smaller and easier to maintain, as well as being on one floor and offering outside space.

There is already a huge financial gain for those downsizing. The idea pure cash gain will make most people move from a large family sized home, one that often contains precious memories, to a smaller one, is disproved by the evidence. As noted earlier, there are huge numbers of spare rooms in homes older people are currently living in. What are needed are the homes that older people like and so would like to move into. But planning policy prevents these homes from being built – and this is before we even begin to discuss the fact that higher land prices caused by our planning system

would in any case mitigate against building bungalows. (For example, they make it more profitable to build extra floors rather than expand the land taken by building).

Current policy harms downsizing and building more homes in areas with older home-owners



Not only does preventing building homes likely to be popular with older individuals have a direct effect, there is also the indirect impact. In a low density village or town with a predominantly older population, new housing out of character with existing homes and which is not in a popular style will attract a much higher level of planning objection.

An increase in attractive housing, near to existing affluent and older home owners, and that looks attractive is far more likely to promote downsizing than fiddling with taxes. Given the fact that there is a capital gains exemption for primary residences there is already a huge incentive in cash terms. An older couple moving from an average detached property in London to a semi-detached property in London would move from a £751,184 property to a £459,182 property, gaining nearly £300,000. In the South East, downsizing from a detached to semi-detached property would mean moving from a property worth £438,891 to a property worth £259,922, gaining around £180,000.⁴⁵

Since this is already very large, and unlike almost all capital gains it would be tax free, it is hard to see how without either very generous incentives, which would be unaffordable, or very harsh penalties, which would be immoral, we can do much more on the financial side. If a tax free lump sum worth hundreds of thousands of pounds doesn't work, then presumably hundreds of thousands more would be needed. This is simply unaffordable given the ongoing deficit and problems already discussed around the issue of an ageing society. What would be better and more importantly free to implement are more homes that older people want to downsize to.

Self-build housing and housing associations building for older downsizers



The flexibility in the system needs to expand if we want to build more homes and do so in ways that tie in support amongst older home owners. There is also an issue around down-sizing and self-build housing. Those approaching retirement might appreciate being able to build a home tailored to their own needs. The UK builds only around 10% of its homes through the self-build route as opposed to a majority or close to a majority in most countries.⁴⁶ There is also some interesting work going on around co-housing, where groups of older people control the design of the homes that they will then live in. This is largely on the continent but there are groups developing this issue here in the UK.⁴⁷

There is also an issue around housing associations being able to increase build more homes for an ageing population. With their long term ability to borrow and fund themselves from rents they are a more patient developer than the majority of UK development, which takes the form of large scale speculative house building. They are also used to maintaining and up keeping property. For older people this is not always an immediate worry, but if they may want this to be an option in future.

In need then for older people there is a sliding continuum. Some people will not want or need support, others will require marginal help, and others need close to full time care. Often people move through these stages, and housing should reflect that. By making the system more flexible and building more of the homes needed, we can both help older generation with their needs and expand housing supply for the younger generation. It is a potential win-win situation.

The issue of downsizing could be encouraged by neighbourhood plans with supported homes



The government's planning reforms have not so far yielded the response that they hoped for. One of their main reforms has been the creation of neighbourhood plans. These could be an excellent way to encourage downsizing. Many older people find that they have to move quite far from their existing community if they move to sheltered or supported housing schemes.

This may require greater flexibility from policymakers to help this process but it should be seen as an opportunity. For example in a proposed housing development which has sheltered or supported housing within the development perhaps the housing association could put the community infrastructure levy and any other planning obligations towards a fund that subsidises care within that development for those living in the neighbourhood plan area.

This is infinitely preferable to attempts to 'plan for' our ageing population through ever more complicated and top down micro-management. Given that our current planning system fails on its core objectives of allowing enough attractive homes in the right places and in sufficient numbers, government attempts to plan and cater for exact need is likely to fail.

This could both encourage downsizing and could help persuade older residents in many areas, particularly rural and semi-rural areas, to accept more housing on greenfield sites. Such sites are more controversial politically. But if the local older population felt that it means subsidised care in a local attractive setting they may be more likely to approve new housing.



This think piece has briefly discussed the major issues facing the younger generation. It has noted housing is perhaps the least difficult to solve, and outlined some steps to help this. What is needed is a grand bargain between the generations. More homes delivered in styles and formats acceptable to older homeowners will mean that the younger generation do not face insurmountable obstacles in paying for an ageing population as it stops ever rising housing costs on top of other burdens.

There is ultimately no fight between the generations. Our society is built on loving families and networks that we value and want to sustain. What there needs to be is an understanding between the generations about what is fair and what is not fair. It is not fair for the younger generation to have to pay spiralling housing costs and support the older generation. For the older generation, accepting we need to solve the housing crisis should go with expecting that the younger generation should help support the costs of an ageing population.

We therefore call for a grand bargain – more homes for all in order to ease other burdens. Housing is the key to unlocking fairness between the generations – and must be seen as such.



- ¹ *Why it's time to stop the generational jihad*, Fraser Nelson, 15 March 2013
- ² Policy Exchange, Northern Lights 2012
- ³ *The Promise of Britain*, Speech by Ed Miliband, 23rd May 2011
- ⁴ David Cameron Speech to Conservative Conference 2012
- ⁵ *The Pinch: How the Baby Boomers Took Their Children's Future - And Why They Should Give it Back*, David Willetts, (2011),
- ⁶ *FC2101 (S370): Percentage of each age group that are owner occupiers, 2010-11*, English Housing Survey, DCLG, November 2012
- ⁷ *CML News and Views; Issue 24 December 2011; First Time Buyers and Affordability*, Council for Mortgage Lenders, 2011
- ⁸ *An Anatomy of Economic Inequality in the UK*, Government Equalities Office, 2010
- ⁹ *Department for Work and Pensions, Stat-Explore*, 2013
- ¹⁰ *Table 600 Rents, lettings and tenancies: numbers of households on local authorities' housing waiting lists, by district: England 1997-2012*, available at www.gov.uk
- ¹¹ Table 2.5 in *Private Rental Market Statistics; England only*, 23 August 2012, available at VOA website and Table 11, 'Median full-time gross weekly earnings by region; UK, April 2012', in Annual Survey of Hours and Earnings, 2012 Provisional Results
- ¹² *Table 6.7a, Annual Pay, Gross, for all employee jobs; United Kingdom*, Annual Survey of Hours and Earnings, 2012 Provisional Results
- ¹³ *Housing the Next Generation*, Nick Boles MP, Speech to Policy Exchange 10th January 2013
- ¹⁴ *The Boomerang Generation*, the Economist, October 13th 2012
- ¹⁵ Ipsos Mori / Economist data, *2012 Issues Index Aggregate data*
- ¹⁶ *2011 Census - Population and Household Estimates for England and Wales, March 2011*, ONS statistical bulletin
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- ³⁵ *Not with a Bang but a Whimper*, Policy Exchange, 2010

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- ³⁷ 'Central Planning' does not mean central government. It means the attempt to make private enterprise conform to an idealised pattern not a free system with a few minimal regulations. The idea housing should be built in location X and look like Y is central planning. While in reality economic activity is on a continuum our planning system is essentially centrally planned, albeit much by local councils, not national government.
- ³⁸ *National Planning Policy Framework*, DCLG, 2012
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Acknowledgements



Policy Exchange would like to thank Hanover, a not for profit national provider of housing and related services for older people, for their financial support for this research.

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The Housing & Planning Unit at Policy Exchange focuses on building the homes and spaces our economy and society needs while raising our quality of life. They believe that we can create a more beautiful country. They believe the current system denies our society the homes its people need and our economy the flexibility necessary to generate rising living standards. They campaign for a more liberal and decentralised planning system, higher quality development through tackling issues such as poor regulation and high land prices, and a better grasp of these issues among the public, politicians and policymakers.

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