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FEPS and SPERI Policy Brief: Turning 'intergenerational fairness' into progressive policy

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About the Author



Kate Alexander Shaw is a consultant researcher leading a new project on the Political Economy of Young People in Europe, on behalf of FEPS and SPERI.

This research, which has been developed by SPERI in collaboration with the Foundation for European Progressive Studies, investigates the challenges facing young people in Europe's post-crisis economies, and the emergent politics of intergenerational fairness.

Kate is also a PhD Candidate in the Department of Government at the London School of Economics and Political Science, where her research has focused on the role of ideas and narrative in economic policymaking, particularly in respect of the New Labour government of the UK. In 2013 she was a visiting Research Fellow at the Watson Institute for International and Public Affairs at Brown University. She has previously worked as a policy analyst for HM Treasury and the Greater London Authority.

The Foundation for European Progressive Studies (FEPS) is the European progressive political foundation. The only progressive think tank at European level. FEPS establishes an intellectual crossroad between social democracy and the European project, putting fresh thinking at the core of its action. As a platform for ideas and dialogue, FEPS works in close collaboration with social democratic organisations, and in particular national foundations and think tanks across Europe, to tackle the challenges that Europe faces today. Close to the Party of European Socialists (PES), the S&D Group in the European Parliament, the PES Group in the Committee of the Regions, Young European Socialists and PES women, but nevertheless independent. FEPS embodies a new way of thinking on the social democratic, socialist and labour scene in Europe.

The Sheffield Political Economy Research Institute (SPERI) at the University of Sheffield brings together leading international researchers, policy-makers, journalists and opinion formers to develop new ways of thinking about the economic and political challenges by the current combination of financial crisis, shifting economic power and environmental threat. SPERI's goal is to shape and lead the debate on how to build a sustainable recovery and a sustainable political economy for the long-term.

Background

Intergenerational fairness has rapidly risen up the political and media agenda in the post-crisis period. This is partly because tougher economic times have imposed particular burdens on the young, and partly because there has been a raft of new work by thinktanks and campaigners drawing attention to intergenerational effects in Europe's post-crisis economies. In many European nations, there is more and more political focus on of the challenging circumstances faced by a generation of young adults who may no longer have a realistic expectation of being as prosperous as their parents. The European Commission, for example, recently described intergenerational fairness as "certainly one of the biggest challenges policy-makers face today, and one that should guide our action".¹

The opening up of this new political conversation presents an important opportunity to policymakers. There is now a well-developed evidence base on the relative economic position of different generations, and a growing public perception that policy must address the challenging circumstances facing today's young adults, from immediate concerns around housing affordability, job insecurity and wage stagnation, to longer-running problems such as climate change and environmental degradation. Addressing social problems in the interests of younger generations has historically been made more difficult by the relative disengagement of younger people with electoral politics. However there are some signs this may be changing: for example in the UK, youth turnout has been sharply rising in the last two years, mostly in support of left parties. While this may prove to be a temporary phenomenon, it nonetheless represents an opportunity to ensure the interests of young people are better represented in the policymaking process going forward – and indeed to create a virtuous circle of democratic engagement by developing a new politics that actively responds to their concerns.

Despite this potential, it is by no means certain that increased interest in intergenerational fairness will lead to progressive policy outcomes. Intergenerational fairness is an umbrella term that sometimes obscures as much as it enlightens. Different contributors to the growing IF debate prioritise very different policy questions, and take a different view of exactly what 'fairness' would look like. For some, fairness to younger and future generations means lower taxes and reducing the burden of public debt. For others, it means an overhaul of entitlements under the welfare state, such as pensions. In yet other framings, IF means delivering specific benefits to young people, such as reducing the cost of university tuition. It is quickly apparent that the emerging conversation about intergenerational fairness could take policy in any number of different directions.

This FEPS and SPERI policy brief makes a set of recommendations to what might loosely be termed "progressive" political movements. That is, it considers the options available to groups and organisations that wish to renew the social contract for younger and future generations, without that attempt being diverted into the zero-sum politics of austerity.

1 European Commission, 2017, *Employment and Social Developments in Europe 2017*, Foreword by Marianne Thyssen, p.3

The brief's central argument is that progressives need to develop an analysis that connects a structural understanding of the problem with a set of policies that target the underlying causes of generational inequality, not just its most recent symptoms. This means getting to grips with the possibilities for redistribution between age groups, and the ways in which intergenerational inequalities relate to other kinds of inequality. It is not enough to jump on the bandwagon of intergenerational fairness without confronting its more difficult implications. As such, this brief makes three recommendations about how progressives should approach the politics of intergenerational fairness, before highlighting four policy areas in which they might look for progressive solutions.

The political economy of young people in comparative context

Much of the evidence base on intergenerational fairness is UK-centric, reflecting the rapid expansion of this debate in the UK since the financial crisis. However, a broader perspective may also be valuable. New research for SPERI and FEPS compares the emerging politics of intergenerational fairness in five European nations: the United Kingdom, France, Spain, Denmark and Romania. Early evidence from these case studies suggests that the extent to which young people's economic position is seen as politically problematic varies between nations, and this variance is shaped by the structure of the national political economy.

- In the UK, there has been a rapid growth of interest in intergenerational fairness in response to the serious challenges facing young people in the United Kingdom's post-crisis economy. Much of this debate focuses on a rhetorical contrast between apparently prosperous baby boomers and struggling millennials. Compared with other countries, the intergenerational debate is particularly focused on the residential housing market, which is a favourite preoccupation of UK politics, but it also takes in issues around labour market precariousness and underemployment, pensions and social care, and the growth of public and private debt. The politics of intergenerational fairness in the UK is politically ambiguous, being taken up in often surprising ways by organisations on both the left and right of the political spectrum.
- In France, high rates of youth unemployment mean that the politics of intergenerational fairness is particularly focused on jobs and job security. However this is not necessarily a post-crisis phenomenon; youth unemployment has been a long-running policy problem in France, though it has been worse since 2008. There is a growing focus on 'millennials' in French discourse, but there is so far little sign that the main political parties are ready to embrace a youth-centric agenda, and to the extent this is being adopted it is by smaller parties on the political fringes. Youth engagement tends to be channeled into direct action and issue-protest rather than electoral politics. The historic importance of solidarity as a political concept in France also ensures that intergenerational questions are not generally framed in such conflictual terms as in the UK.
- In Spain, very high youth unemployment is also the central question for the politics of young people. In contrast to France however, there is a strong impression that the post-crisis economy has broken faith with the younger generation, and that the crisis was the turning point at which their expectations of future prosperity were dramatically reduced. There is a growing political focus on millennials, and this has been bound up with wider debates around the 2012 reforms of the labour market, which introduced a set of liberalising measures in the belief that a more flexible

economic model would ultimately increase employment and growth. The success of those reforms and their impact on young people remains hotly debated. In that context, the political economy of young people in Spain is less about perceived conflict between generations, and more centred on the competing interests of young people versus businesses and employers. The resulting politics therefore breaks down fairly predictably between left and right, with the interests of youth mostly being advocated on the left of the spectrum.

- In Denmark, there is some political interest in intergenerational fairness, which has particularly been invoked as a justification for fiscal austerity. These arguments draw on longer-standing rhetorics of 'generation theft' which have often focused on the perceived unsustainability of some welfare entitlements. There is also a leftwing strand of the debate that highlights falling incomes for young people and asset inequalities around housing, but this is not universally accepted. There has been some political resistance in Denmark to the idea that the younger generation is uniquely disadvantaged, with some suggesting that post-crisis challenges should still even out over the life cycle. It may be that Denmark's relatively strong economy through the crisis years has softened the economic challenges facing young people and so dampened the politics of intergenerational fairness, except to the extent it can be used to support the broad policy consensus on budget consolidation.
- In Romania, age-cohorts are important dividing lines but not in the same way as the other case studies. The fortunes of Romania's over-60s were shaped under communism, and those of the millennial generation almost entirely under capitalism. The archetype of the prosperous baby boomer is not relevant in a post-communist context, nor is there the same sense of generational disadvantage for the young, who are generally more highly educated and economically mobile than the older generation. Age is an important predictor of political affiliation, with older voters still more likely to support the social democratic party (with its historic links to the communist party) and younger people to look to liberals and others for alternatives. But the different economic and political context means that age plays into Romanian politics in fundamentally different ways than in the other case study countries, and the concept of "intergenerational fairness" is not really present in public discourse.

This cross-country variance is significant. It shows that political discourses of intergenerational fairness are most strongly associated with post-crisis conditions in the liberalised economies of Western Europe, and are sharpest in the countries most affected by the aftermath of the 2008 crisis. In many cases, the problems now being identified as relevant to intergenerational fairness (youth unemployment, housing affordability, the pensions 'timebomb') were around long before the financial crisis, but they have been amplified by it. In that context, the new politics of intergenerational fairness is a focal point for a whole set of economic questions that perhaps were not previously perceived to be as urgent, or as interrelated, as they are today. The case studies also show that this is not always, or everywhere, a progressive agenda, but that it may be most persuasive where a link can be drawn between tough times for young people, and the scope for policies that mitigate the impact of unfettered capitalism.

Towards a progressive politics of intergenerational fairness

The headline idea of intergenerational fairness is politically ambiguous. For it to be turned to progressive purposes, this ambiguity would have to be replaced with a more distinct political vision of what a fairer settlement between generations would involve. To this end, the brief offers three suggestions to progressives.

1. **Lead the conversation.** The political discourse of intergenerational fairness is less coherent than it seems, and for now its political direction is still up for grabs. Progressives must seek to influence where the debate goes next, before it turns into just another way of cutting pensions and pitting different age groups against each other in a race to the bottom. Progressives need to articulate a vision of intergenerational fairness that can shape the conversation in the coming years.
2. **Confront the tough choices.** Moderate progressives are understandably reluctant to entertain the rhetoric of generational conflict. However, intergenerational fairness need not be talked about in blandly solidaristic terms either; there are valid questions to be asked about whether certain kinds of redistribution between age groups might be justifiable. You can reject the idea of a generation war but still ask whether some of the benefits – and the assets – that have accrued to parts of the older generation might now be pooled in the interests of social and intergenerational justice. Don't imply young people can have something for nothing, and don't be too quick to attach pejorative labels to reforms that affect the entitlements of older people. Have the honest conversation with citizens about what a fair balance of interests would look like. Any resulting policy settlement will be stronger for it in the long run.
3. **Join the dots: intergenerational inequality is connected to other kinds of inequality.** The cross-country evidence is that a sense of generational disadvantage is strongest when young people are most exposed to liberalised economic systems and especially to highly flexible labour markets. It may be that young people are struggling because they are simply the new entrants to economic systems that tend to reward those who already have the most. The fact that even middle class graduates are becoming relatively worse off shows how challenging Europe's post-crisis economic model has become. There is therefore a big conversation to be had about whether it should be this hard to make a living, for everyone, not just the young. However, for intergenerationally-redistributive policy to be defensible, it needs to target those older people who can afford to pay a little more, and not assume that all seniors are equally well off. Not all older people are wealthy; progressive politics must look at how inequality *within* age-cohorts gets reproduced down the generations. Treating age groups as single-interest groups might actually make for regressive policy if it penalises poorer seniors to the benefit of better off young people.

Finding progressive policy solutions

What kinds of policies would flow from a progressive politics of intergenerational fairness? Answering this question means defining the problem more precisely. The trends that are affecting today's young people have been sharpened by the aftermath of the financial crisis, but they often have deep roots in structural economic changes that do not only affect the young. The policy mix will also naturally vary from country to country, reflecting differences in the structure of their national political economy and institutions.

Common challenges include the scarcity of secure, well-paid employment opportunities; the casualization of work and the individualization of risk and training costs; underemployment and wage-stagnation, and the overvaluation of assets, including housing, in certain countries. There is good reason to suppose that the new political salience of intergenerational fairness is being driven by the fact that these trends, many of which have affected poorer citizens of all ages for years, are also now impacting on the children of the middle classes. If, for example, a university degree no longer guarantees the kind of job opportunities it did in the past, this is both an intergenerational issue and a symptom of an economic context in which under-employment (in terms of both hours and skills) is increasingly widespread. Policy can either seek to roll back the most recent manifestations of these economic changes – for example through measures to help those on the edges of home ownership – or it can seek to address the underlying economic structures that are driving them. In practice a combination of the two may be politically sensible, but progressives should at least seek solutions that situate pro-youth policies in the context of the wider political economy.

The following policy areas are particularly relevant to young people's economic position, and could be a source of progressive policy solutions.

1. **Employment rights and labour market protections.** Policymakers should consider measures to address both high rates of youth unemployment and the growing precariousness of labour markets, including the proliferation of unpaid internships, zero-hours contracts and underemployment. Progressives should also build on their links to union movements, with a particular focus on making unionisation relevant and accessible to younger generations.
2. **Taxation of asset wealth, including residential property.** Some of the largest intergenerational disparities are visible in the unequal ability of age cohorts to accumulate asset wealth over a lifetime. This is also critical to the transmission of intra-generational inequalities down the generations. In UK, for example, this is particularly driven by housing wealth, making capital gains and inheritance taxes highly relevant, as well as reopening questions about equity-release for social care.
3. **Improving private rented housing.** In the UK, the light-touch regulation of the private rented market reflects an outdated perception that renting is a short-term solution for those who value flexibility over security. Now that renting is a long-term tenure for many households, including families with children, this is no longer appropriate. Measures to improve and enforce standards in the private rented sector, and to promote security of tenure for those that want it, would benefit young people as well as many older renters.

4. **Electoral reform.** The recent increase in turnout by young voters in the UK is an encouraging sign that young people are more willing to engage with democratic politics when they feel it is responsive to their interests. Extending the franchise to 16 and 17 year olds would be one way to deepen this engagement and instill a voting habit earlier in life. There is no need to resign ourselves to a 'gerontocracy' in which the interests of the old are predominant; removing barriers to participation, for example by moving towards electronic voting, would also be a step in the right direction.
5. **Pension reform.** Many European nations face concerns about the long-term affordability of pension entitlements, given ageing populations. Intergenerational fairness is one framework for approaching this problem, but risks becoming a new frontier in an austerity politics that appears to redistribute from pensioners to younger workers, but ultimately erodes the value of welfare states for future generations. Progressives should be pushing back against pension reforms that do more to undermine, than to renew, the social contract.
6. **Environmental policy.** Much of the debate on intergenerational fairness has so far focused on economic questions, to the exclusion of longer term environmental considerations. This is a missed opportunity; there is scope to better join up the economic dimension of intergenerational fairness with the notions of generational justice that have been part of the environmental policy debate for many years.

Conclusion

The arrival of intergenerational fairness on the political agenda brings welcome attention to the economic challenges facing Europe's young people. However, in many cases these challenges are not exclusive to the young. They are also deeply entwined with wider questions about the sustainability of economic growth models that are finding productive uses for an ever-decreasing share of the population, channelling what rewards are available to those who already have some social or economic capital. These trends have been affecting poorer citizens of all ages for some time; they are perhaps attracting new political attention because, since the economic crisis, they have also begun to affect the children of middle class families for whom there had otherwise been an expectation of rising living standards over a lifetime.

Europe's progressive movements therefore have a choice to make. Policy can either seek to mitigate the most recent effects of these unbalanced growth models, by rolling back their impact on the middle-class youth who have been most recently excluded from prosperity, or it can attempt a more ambitious reform of the political economy. A truly progressive politics of intergenerational fairness would be one that joins up the new challenges facing young people with the long-running erosion of middle- and working-class prosperity in liberalised economies.

Intergenerational redistribution is difficult for the same reasons that any redistributive policy is difficult: because it implies a contribution by those who have more on behalf of those who have less. Such redistribution can be attempted covertly, but such policies are likely to be vulnerable to reversal because they are not underpinned by any public consensus and may not attract a constituency prepared to defend them. Redistributive policies will be more durable if the argument for them has been made, and won, in the open. The concept of intergenerational fairness offers progressives a powerful tool in making that argument, should they choose to do so.

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