



Around 10 years ago, the housing market was undoubtedly Northern Ireland's big economic story. Today, it is much further from the headlines but beneath the surface there has been a very significant economic tale unfolding.

Percentage of 25-34s in home ownership plummets

The percentage of 25-34-year-olds who own a home has plummeted from 63 percent in 2006 to 35 percent today. Those aged 35-44 haven't fared much better; the proportion of that cohort in homeownership is now 20 percentage points lower than it was, and many of those

that do own property are very possibly in negative equity.

With average house prices still well below their peak and interest rates at record lows, the fact that such a relatively small proportion of 25-44-year-olds are in the housing market tells a stark tale of the situation the younger generation finds itself in, relative to other groups.

Younger people have fared much worse than older counterparts

To paraphrase David Cameron, it seems that we haven't all been in this together. Austerity, the cost of living crisis, and public policy over the past 10 years have had a vastly different impact on people depending on their age. The younger generation have fared much worse than their older counterparts, and the housing market is just one part of the story. This inter-generational disparity has been rising rapidly up the political agenda - if perhaps belatedly. Jeremy Corbyn's promise to deal with student debt and Theresa May's attempt to introduce a so-called dementia tax are evidence of this.

As the famous TV show, the Generation Game gets set to make a comeback on our TV screens, we are also likely to see a kind-of generation game unfolding in the political and economic sphere as policy-makers seek to address the inter-generational imbalance.

Millenials to be worse off than parents

Previously, it had been taken as a given that each generation would be better off than the last, but this rule seems to be coming unstuck with the Millennials (those born between 1981 and 2000), who look like they will be the first generation to be worse off than their parents.

Much as the BBC family favourite - which sees pairs of family members across generations

take part in various task-based games – is going through a reformatting for the new series, the rules of the economic and political generation game need to be rewritten.

Earnings over past 10 years lowest since 1862

At an economy level, the last decade has been the worst for UK productivity growth, which drives economic prosperity, in a century. It gets worse; earnings growth over the past 10 years is the lowest since 1862. This is when the Ulster Hall opened and when Harland & Wolff was established.

Whilst these headline economic statistics are startling, they conceal contrasting fortunes within the different age-groups – most notably between pensioners and non-pensioners and within the latter between those below and above 44 years-of-age. A recent report by the [Resolution Foundation – the Living Standards Audit 2017](#) – shines a spotlight on the extent of these issues.

Lost decade of income growth for working-age

They analysed household disposable income trends, after taking housing costs (e.g. mortgage payments or rent) into account, over time by age-group. This reveals a number of startling facts. For instance, before the recession, the typical disposable household income (after housing costs) for those aged 65-plus was below that of the 25-34 and 35-44 age-groups, but today it is above both.

People of working-age and their children endured a lost decade of income growth between 2002/3 and 2012/13, whilst pensioner incomes rose almost a quarter in the same period. There has been some rebalancing in the four years since, but not a whole lot.

25-34 disposable incomes no higher than 2002/3

The Resolution Foundation also estimates that for 2016/17, typical disposable incomes after housing costs for those in the 25-34 age group and for single non-pensioners are no higher than they were in 2002/03. All other incomes for other age groups are either above or very close to their pre-recession peaks.

Despite all of the technological advances there have been, today the average 27-year-old earns the same amount as the equivalent did 25-years ago. This goes very much against the grain of economic history.

Fiscal austerity focused on non-pensioners

Why the marked difference? For one, fiscal austerity has been focused on non-pensioners – some might say the fact pensioners vote in greater numbers than other groups has served them well. A range of working-age benefits have been cut, capped or means-tested.

Meanwhile, younger generations saw the biggest falls in earned income after the credit crunch, and the weakest recovery in wages in more recent years.

Rising costs hit younger people

This squeeze in incomes has been compounded by rising costs – not just things like food and fuel, but also housing costs, with rising house prices and rising rents. More younger people rent, so aren't benefiting from historical low interest rates. And those aged above 45 are more likely to have a mortgage and to have benefited from the interest rate cuts. They are also more likely to have paid their mortgage off, therefore eliminating one of their largest outgoings – this is a scenario those renting indefinitely can never look forward to. And then there are things like student debt, rising childcare costs, and the increasing cost of pension

provision.

Revamping of generation game in train

This status quo is clearly unsustainable. To use an analogy from the BBC's Generation Game, the conveyor belt of public policy over the past 10 years has produced more goodies for older generations than for younger people, with things like the winter fuel allowance, triple lock pensions, and giveaways for over 60s such as free public transport. Significantly, none of these are means-tested. The reformatting of the public policy generation game will see this change.

Indeed, we have already seen the beginnings of this, with hikes in stamp duty for buy-to-let and second homes (a policy that raises revenue from older people and is intended to cool house prices for the benefit of younger people), and the introduction of the life-time ISA for under-40s. There have also been measures to reduce benefits for older generations in terms of tax-free allowances (including pensions and share dividends).

This is just the tip of the ice-berg, and the attempts to introduce the so-called dementia tax, will have been a wake-up call for the asset-rich. Startlingly, in the UK today those aged 65-74 hold more wealth than the entire population aged under-45 (a group almost twice the size). There may be a few cuddly toys to sweeten the bitter pill. But the reality is that the government is coming after this wealth.

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