

# Quakers in Britain submission to the Select Committee on Intergenerational Fairness and Provision

*10 September 2018*

## About this submission

* 1. This submission is made on behalf of Quakers in Britain.[[1]](#endnote-1) It is informed by the longstanding and deeply held Quaker concern for equality. Led by our experience that there is something of God in all people, we deplore the vast inequalities that currently exist in UK society, and which leave many unable to contribute fully to society or live fulfilling and dignified lives.
	2. Quakers recognise our duty to speak out for a rightly ordered economic system that works for the common good. Through local action and participation in the democratic process, we seek to move towards an economy that reflects our fundamental beliefs regarding the value of humanity and the natural world.
	3. In our response to this call for evidence, we focus on three issues: housing, which is of vital importance to everyone in society and which plays a key role in current inequalities; taxation, which has a vital part to play in promoting fairness and equality; and climate change and resource depletion, which, while not specifically referred to in the call for evidence, should have a central place in any discussion of intergenerational fairness and our responsibilities to those who will live after us.

## Intergenerational fairness: the current position

2.1 It is now widely acknowledged that wealth and living standards are no longer rising with each generation, as they did until very recently. Wage stagnation, precarious work, university fees, and above all, the vast increases in property prices over the last 25 years have left ‘millennials’ worse off on average than their parents were at the same age.[[2]](#endnote-2) Pensioners now have a higher average income than people of working age, once housing costs are taken into account.[[3]](#endnote-3)

2.2 It is important to recognise, however, that while various measures could be taken to improve intergenerational fairness, inequality must be viewed in intra-generational as well as inter-generational terms[[4]](#endnote-4) [[5]](#endnote-5). A report by Credit Suisse also found that millennials are likely to suffer worse intra-generational inequality than previous generations – due largely to increasing levels of inherited wealth, which delivers the biggest benefits to those already well off.[[6]](#endnote-6) Any policy solutions must take account of the fact that many pensioners are poor, while many young people (chiefly those who have inherited, or will inherit, wealth and property) are well off.

2.3 It is surprising that this call for evidence does not refer to climate change and resource depletion, as these, above all others, are the issues which threaten the prosperity and security of young people and future generations. Any measures to address intergenerational fairness must take into account the needs and rights of unborn future generations as well as those of today’s young people. These are perhaps harder to calculate and legislate for, but to duck them as too difficult would be an abdication of our responsibilities to those who will live after us.

2.4 Climate change is not only an issue for the long term, however. Globally, extreme weather events and climate-related migration are already increasing, while the Committee on Climate Change has forecast that in some parts of the UK, demand for water could exceed supply as early as 2030.[[7]](#endnote-7) Even an inquiry considering fairness only between those generations currently living should therefore give significant weight to the need for climate change adaptation as well as mitigation, and consider who will meet the cost of these actions and/or pay the costs of our failure to act.

## Future prospects

3.1 There have been various efforts over the last 25 years to calculate the likely costs of climate change to the global economy – notably the Stern Review in 2006. A study published in *Nature* in May 2018 predicts that limiting warming to 1.5 degrees as compared to 2 degrees would be likely to save in the region of US$20 trillion globally.[[8]](#endnote-8)

3.2 It is clear that continuing current patterns of overconsumption and fossil fuel use in the UK (and the rest of the global North) will exact a heavy price from future generations, who will suffer extreme weather events, food and water shortages, loss of low-lying settlements and increased incidence of pests and diseases as a result of man-made climate change.[[9]](#endnote-9)

3.3 As report after report warns that climate change and its effects are occurring faster than expected[[10]](#endnote-10) [[11]](#endnote-11), we cannot assume that stalling growth and productivity are temporary blips and that ‘business as usual’ will shortly be resumed. Any long-term economic forecasting needs to take account of the likely impacts of climate change and the growing body of research which suggests that the era of continuous GDP growth may be coming to an end.

## Property wealth and the housing market

4.1 As we have noted, intra-generational inequality in the UK remains at least as significant as intergenerational inequality. Property ownership is a major contributor to this wealth gap – and its significance increases with age as homeowners pay off their mortgage. Rapidly rising property prices have caused the widening wealth gap between those who own property and those who do not to widen much further.

4.2 Additionally, rises in house prices have further increased the wealth of those who own more than one property. Again, this group is increasingly concentrated towards the older end of the age distribution: in 2004, 45% of landlords were aged under 45 and only 3% were over 65. In 2016, the proportion aged under 45 had fallen to 19%, while the over-65s made up 29% of all landlords.[[12]](#endnote-12)

4.3 Younger homeowners are almost invariably those whose parents also own their own home. If their parents’ property wealth is simply handed down within the family, wealth inequality among Generations Y and Z will increase. In the interests of building a healthier and more equal society, we need to ensure the property wealth of older generations is passed on to younger generations as a whole, and wider society, not concentrated in the hands of a few. The most obvious way to achieve this is through taxation.

4.4 Currently, the threshold for inheritance tax is extremely high – almost £1m for a couple with a property. This means both that the vast majority pay no inheritance tax at all, and that the tax does not bring in enough revenue to serve the aim of wealth redistribution in any meaningful way. A 2018 report from the Resolution Foundation found that the revenue from inheritance tax represents an effective tax rate of just 3.5 per cent, and that between 2006-07 and 2022-23, Inheritance Tax receipts are forecast to grow less than a quarter as fast as inheritances.[[13]](#endnote-13)

4.5 Any additional revenue raised through more effective taxation of property and/or inherited wealth could potentially be used to provide support for innovative housing models such as housing co-operatives, community land trusts and co-housing projects, or to fund housebuilding by local authorities. Alternatively, it could be used to reverse any of the numerous current policies which disadvantage young and poor people, such as cuts to working-age benefits.

4.6 The ill-conceived Help to Buy scheme, ostensibly intended to help younger generations ‘access the property market’, has benefited only the relatively wealthy while pushing house prices up further – as acknowledged by commentators as diverse as Shelter[[14]](#endnote-14) and the Adam Smith Institute[[15]](#endnote-15). Instead of considering only home ownership, any housing policy intended to benefit young people should focus on ensuring all have access to safe, affordable housing, regardless of tenure type.

4.7 It should be remembered that home ownership is not always right for everyone, nor at every stage of our lives. Social housing, including social rented housing, is an important option for secure housing in the choices available to everyone.

4.8 The Right to Buy policy has had the effect of transferring public wealth into private hands. Those who bought their homes in the first years of Right to Buy have seen substantial increases in their personal wealth due to rising house prices, while social housing stock is in long-term decline due to the failure to fund replacements for housing that has been sold off.

4.9 The loss of social housing combined with the unaffordability of home ownership has pushed more and more people – especially young people – into the private rented sector.

4.10 The private rented sector is currently poorly regulated, with limited rights for tenants. We welcome the long-awaited government consultation on longer tenancies and hope this will lead to greater security for tenants.

4.11 A better-regulated private rented sector, combined with government-funded like-for-like replacements to social housing lost through Right to Buy, would help to make viable and secure housing options available to all, not just homeowners. By widening access to appropriate and affordable housing, such measures would help to address one of the biggest injustices facing many young people.

## Taxation for a fair intergenerational settlement

* 1. It is our view that there is significant scope to reform the tax system in ways that promote intergenerational fairness. We outline these under three headings: property taxation, resource taxation, and – since the tax and social security system should be considered as a whole – social security.

5.2 Property taxation

5.2.1 The wealth gap between the ‘baby boomer’ generation and those born after 1980 is in large part due to the enormous increases in property values over the last 25 years. According to ONS figures, the average price of a dwelling more than quadrupled from £36,000 in 1986 to £280,000 in 2017.[[16]](#endnote-16) The ONS also reports that in England and Wales in 2017, a full-time worker could expect to pay around 7.8 times their annual earnings to purchase a home.[[17]](#endnote-17)

5.2.2 Despite the vast disparities in wealth caused by these windfall gains, taxes on land and property remain one of the most ineffective areas of UK taxation in terms of both revenue and redistribution.

5.2.3 Domestic property is taxed in the form of council tax, an extremely and increasingly regressive tax which raises relatively little revenue when compared to the scale of property wealth in the UK. The small number of council tax bands, combined with the fact that no revaluation has ever been carried out, has rendered council tax unable to raise an amount of revenue anywhere near proportionate to the level of wealth held in property, while demanding a far higher proportion of income from the least well-off than from the wealthiest. Average net council tax is only 2.7 times higher for the top 10 per cent of properties than the bottom 10 per cent, whereas average income tax is 45 times higher in the top income decile than the bottom one.[[18]](#endnote-18)

5.2.4 A regressive form of property taxation like council tax falls disproportionately on young people because they are more likely to live in lower-banded properties. With council tax rising year on year as cash-starved local authorities seek to raise revenue in one of the few ways open to them, the regressiveness of the tax – and therefore its disproportionate impact on young people – will go on increasing.

5.2.5 However, targeting by age rather than wealth or income will never lead to satisfactorily redistributive outcomes, since as noted above, wealth disparities within generations are also considerable and set to increase. This is why tax cuts for young people (an idea floated within the Conservative party prior to the 2017 Autumn Budget) would be an extremely blunt instrument.

5.2.6 Instead, what is needed is tax reform which targets the forms of wealth that are currently under-taxed, most of which are primarily concentrated among older people. Property is one obvious candidate for this.

5.3 Resource taxation

5.3.1 Quaker John Woolman wrote in 1772 that “to impoverish the earth now to support outward greatness appears to be an injury to the succeeding age.” This is close to the principle of sustainable development as originally defined by the UN in 1987: “development that meets the needs of the present, without compromising the ability of future generations to meet their own needs."

5.3.2 Today, the word ‘sustainable’ has come to mean almost anything the user wants it to mean – but with resource depletion and man-made climate change accelerating, we would do well to keep in mind the UN definition and Woolman’s words. All the evidence now tells us we are compromising the safety, health and prosperity of future generations, as well as today’s poorest citizens. This is the starkest form imaginable of intergenerational injustice.

5.3.3 Quakers resolved in 2011 to become a low-carbon, sustainable community, noting that “we have long been aware that our behaviour impoverishes the earth and that it is our responsibility both to conserve the earth’s resources and to share them more equitably”.[[19]](#endnote-19) Our work on climate justice and building the new economy is rooted in this longstanding and deeply held conviction.

5.3.4 Tax is a key tool for government in influencing behaviour, as well as a way of ‘internalising’ the costs of pollution and other negative externalities. Those who pollute the air, soil and water and overconsume the earth’s resources now should pay for the damage they do, in a way that takes account of how this damage will affect future generations.

5.3.5 As a first step, subsidies to the fossil fuel industry (including in the form of tax breaks) should be phased out as rapidly as possible, as recommended by ODI.[[20]](#endnote-20)

5.5 Social security

5.5.1 When considering the redistributive impact of policies, it is important to view the tax and social security system as a whole. Numerous recent policy changes have been detrimental to the wellbeing of younger people, especially those already least well-off. The Prince’s Trust Youth Index 2017 found that young people’s happiness and wellbeing are at their lowest levels since the index began in 2009.[[21]](#endnote-21)

5.5.2 Young people, along with women and the least well-off, have borne the brunt of public spending cuts since 2010, from cuts to local youth and children’s services and mental health services to the loss of the education maintenance allowance and cuts to tax credits and housing benefit.

5.5.3 One of the simplest ways to reduce intergenerational inequality would be to reverse any or all of the above-mentioned cuts. This would be a much more effectively targeted approach than help with buying a house or tax cuts for young people.

1. Formally known as the Religious Society of Friends (Quakers) in Britain. Registered with charity number 1127633. Around 22,000 people attend Quaker meetings in Britain. [↑](#endnote-ref-1)
2. <https://www.ft.com/content/81343d9e-187b-11e8-9e9c-25c814761640> [↑](#endnote-ref-2)
3. <https://www.resolutionfoundation.org/media/press-releases/recent-retirees-drive-pensioner-incomes-above-those-of-working-families/> [↑](#endnote-ref-3)
4. <https://www.birmingham.ac.uk/news/latest/2017/06/baby-boomers-vs-young-generation-finance.aspx> [↑](#endnote-ref-4)
5. <https://www.ageing-better.org.uk/news/older-women-bearing-burden-lifetime-lower-pay-and-unequal-working-conditions> [↑](#endnote-ref-5)
6. <http://publications.credit-suisse.com/tasks/render/file/index.cfm?fileid=12DFFD63-07D1-EC63-A3D5F67356880EF3> [↑](#endnote-ref-6)
7. <https://www.theccc.org.uk/publication/climate-change-risk-assessment-ii-updated-projections-for-water-availability-for-the-uk/> [↑](#endnote-ref-7)
8. <https://www.nature.com/articles/s41586-018-0071-9> [↑](#endnote-ref-8)
9. <https://www.imperial.ac.uk/grantham/our-work/impacts-and-adaptation/ipcc-working-group-ii/uk-impacts/> [↑](#endnote-ref-9)
10. <https://www.reuters.com/article/us-climatechange-temperatures/global-warming-may-be-more-severe-than-expected-by-2100-study-idUSKBN1E02J6> [↑](#endnote-ref-10)
11. <https://climate.nasa.gov/news/2680/new-study-finds-sea-level-rise-accelerating/> [↑](#endnote-ref-11)
12. ‘The profile of UK private landlords’. Council of mortgage lenders, December 2016. [↑](#endnote-ref-12)
13. ‘Passing On: options for reforming inheritance taxation’. Resolution Foundation, May 2018. <https://www.resolutionfoundation.org/app/uploads/2018/05/IC-inheritance-tax.pdf> [↑](#endnote-ref-13)
14. <https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/policy_library_folder/research_how_much_help_is_help_to_buy> [↑](#endnote-ref-14)
15. <https://www.adamsmith.org/news/no-help-to-buy> [↑](#endnote-ref-15)
16. <https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/housepriceindexannualtables2039> [↑](#endnote-ref-16)
17. <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/housingaffordabilityinenglandandwales/2017#main-points> [↑](#endnote-ref-17)
18. ‘Home Affairs’. Resolution Foundation, March 2018. <https://www.resolutionfoundation.org/app/uploads/2018/03/Council-tax-IC.pdf> [↑](#endnote-ref-18)
19. ‘Minute 36: Our Canterbury commitment’. Yearly Meeting of the Religious Society of Friends, 2011. <https://quaker-prod.s3-eu-west-1.amazonaws.com/store/e5346af5f3f42ffd2fc9d148c6f259867f4f6860397505438fada56b455c> [↑](#endnote-ref-19)
20. <https://www.odi.org/publications/10058-empty-promises-g20-subsidies-oil-gas-and-coal-production> [↑](#endnote-ref-20)
21. <https://www.princes-trust.org.uk/about-the-trust/research-policies-reports/youth-index-2017> [↑](#endnote-ref-21)