



Book Review

David Willetts

**“The Pinch: How the Baby Boomers Took
Their Children's Future - And Why They
Should Give it Back”**

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Book Review: *The Pinch*

David Willetts' *The Pinch: How the Baby Boomers Took Their Children's Future - And Why They Should Give it Back* is based on the concept that we are not attaching sufficient value to the claims of future generations. It explores the history of British society, following how families and the state have played a role in the intergenerational contract. The book mainly focuses on how the Baby Boomer generation - those born between 1945 and 1965 - have benefited from various unique circumstances seemingly at the expense of the younger generations. It is also a good tool for dispelling myths that we learn from today's media; such as the myth that our teenagers are single handedly creating another baby boom, when in fact, the birth rate for women aged 35 to 39 has overtaken that of teenage birth rates in recent years!

Willetts starts by describing how families in this country for centuries have been small nuclear families, much to the surprise of many people who think we once had large extended families. In well-off families the estates they owned were inherited by their eldest sons, unlike other cultures where land was divided up equally amongst children. Willetts cites this unique social structure as the reason why we have had a long history of reaching out to markets and opportunities outside the family. Our population has had peaks and troughs but we have always been a market orientated society.

There were two distinct peaks in the population after World War II, with Willetts noting the unintentional pro-natalist Churchill policies as the main reason for the first peak in 1947: soldiers pay increased after having children, and there were many government funded local authority nurseries. Also, high wartime employment for both men and women meant more financial security. There was a modest decline in birth rates in the 1950s before the second peak of 1964/65 after many couples moved into affordable post-war housing.

The book explains that many sociologists thought being part of a large generational cohort would have a negative impact on individuals, who would fight for jobs and housing. Yet the Baby Boomers do not seem to have been confronted by these issues. The high birth rates in the 1960s meant an influx in the amount of young flexible workers in the job market at the start of globalisation, according to Willetts. These young workers also benefited from only a modest increase in the numbers of pensioners, fewer children burdening the welfare state, and enjoyed greater power to shape politics and culture through their sheer numbers. Public spending was low, housing was still affordable, and these Boomers put off marriage and having children. Many young women at this time had learned the lessons from their parents' generation: marrying young meant missing out on a good education and career, especially when the need to have the safety of being married was not so strong anymore.

This cohort benefited from good occupational pension schemes, free higher education and the soaring of house prices. Not only did their houses go up in value, but many of their mortgages shrunk due to low inflation. David Willetts comments that this wealth in assets gave the Boomers a false sense of security, and therefore

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many of them stopped saving. It is also important to note that this money was probably directed from savings and put towards their children instead, investing in them from a young age.

It certainly feels that the Baby Boomers were born in the right place at the right time, but not necessarily that the subsequent effects these circumstances have had are somehow their fault. However it is hard to ignore that the young are not only getting pinched but are getting squeezed too. They are faced with the Baby Boomers now retiring, bringing with them massive health and social care costs as well as a more recent increase in birth rates, both of which will dramatically increase the burden on public spending. To put it in perspective, this country is already struggling to pay for the modest number of older people born in the 1930s, let alone the large Baby Boomer cohort of retirees, while depending on the smaller younger cohorts for support. All those benefits that the previous generations enjoyed are now harder for younger cohorts to obtain: free higher education and training, good permanent jobs, decent pensions and housing, and so on. As Willetts recognises, many do still have the same aspirations as their parents, but are finding the route to obtaining these longer, harder and messier. He describes them as twenty-somethings being in semi-adulthood. The pinch is in the harder to achieve wealth; the squeeze is the added burden of increased taxes to pay for Boomers.

Quality education has been, and unfortunately still is, very varied across Britain. Willetts agrees that social mobility should be one benefit of a good education system but we still see that children from poor households are attending underachieving schools. The book cites work carried out by the Sutton Trust, who highlight that on average only 3% of pupils who are entitled to free school meals attend academically successful schools. Willetts also cites work from Professor Leon Feinstein who found that there is a shocking destruction of talent as the cognitive skills of bright children from modest backgrounds steadily decline during their years at school compared with more affluent children who start off with lower cognitive skills. This shows social immobility is being inherited from generation to generation.

As the young go through the education system the majority are encouraged to think that higher education is the next step. For those that do not want to, or simply cannot afford university or other costly training there is little advice, mentoring, and apprenticeship opportunities that were available to their parents. In the UK we have just started to see a fresh emergence in apprenticeship opportunities which allow intergenerational sharing of skills; it will be interesting to see the benefits of these in the coming years. For those that do go to university, they too are more likely to go into temporary employment, whereas their parents may have enjoyed lifetime jobs. There is also a misconception that the young will not stick around in one position, but for the little career advice they do get, they are taught to change organisations and roles to gain experience and to command better pay, rather than being uncommitted to working life. Unlike generations before them, they have to pay for going to university, leaving many students in both loan and overdraft debt, as well as needing to obtain additional funding from credit cards. This debt delays the time they can start contributing to a pension or building up savings, or qualify for a mortgage. Banks and building societies are still quick to lend to students who they

expect will find jobs after graduating. The reality is that whether they try to enter the workforce straight from school or go onto study further, they are entering an economic climate where youth unemployment is high (and has been since before the recession). David Willetts notes that this youth unemployment is further heightened by older workers remaining in the workplace. In the financial crisis of the 1970s employers used to make older workers redundant as they could use their large pension schemes to, in effect, swallow the costs of early retirement. Nowadays there are no surpluses in these pension schemes and it becomes very expensive to make older workers redundant. Of course, this obviously is not the only reason companies keep older workers in employment: often they have skills and knowledge which can be invaluable to organisations. The book highlights that unemployment at a young age can have a negative impact on the lifecycle; reducing overall wealth and increasing the likelihood of being out of work for longer.

As the book looks closer into pensions the final salary pension schemes so popular amongst the Baby Boomers are now being closed by companies who are already plugging deficits (by profits earned by all ages) to cover the Boomers as they retire and live longer into that retirement. Companies are now enrolling new recruits into less generous and riskier defined contribution pension schemes.

The final major pinch, and probably the most important in terms of asset wealth, is in getting on the housing ladder. The perception is that the young must get on the housing ladder as soon as possible; this was encouraged by mortgage providers offering 100% mortgages. Since the housing crash many of these first time buyers find themselves in negative equity or have even had their homes repossessed, which has the same effect as unemployment- it causes massive strains on families and often causes break-ups. Willetts comments that the Baby Boomers were concerned about their assets during the housing crash too, but were optimistic that this would be beneficial to their offspring to getting them on the first rung of the property ladder as prices came down. Mortgage lenders stopped being so generous with their loans though; 100% mortgages have been replaced with less risky products which demand high deposits. Willetts notes that the average deposit is now £56,000, over double the average wage. Also there is a lack of new houses being built: existing housing remains in high demand, and any the majority of developers now build very small apartments that are targeted towards young professionals who will soon grow out of their studios or one bed when they wish to start a family. As the book states, over 80% of young buyers in 2009 turned to their parents for support in buying a property. Unfortunately this is the most common route to becoming a homeowner and is obtainable only to those whose family are lucky enough to be able to afford to help in this way. Many young adults are part of the boomerang generation, that is, they go back to live with their parents as they cannot afford even to rent their own property, or they use this base as a platform to save for a deposit, which of course, is another form of the intergenerational contract that is often ignored; parents using their resources to support their adult children longer.

As the young progress through life and have constant difficulties in climbing the property ladder, at what point do they give up? This is a broader question the book does not address. Often, when people want to marry or have children, their life goes on in rented accommodation and their values and needs change, the pot of money

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saved for a deposit depletes as other things become more important. Mass homeownership was a largely a product of affordable housing built after Churchill won the election in 1951 and Thatcher's right to buy schemes, a relatively recent aspiration. Historically most people in Britain rented their homes. It will be interesting to see if the property market declines again if Generation X and Y stop striving to own a home. There may be less incentive to pass property onto your children if you did not inherit property yourself.

This book provides a general overview of each generation, but many Baby Boomers would argue that their generation should not be looked at with rose tinted glasses and that many struggled and still struggle financially. David Willetts emphasises that many poorer families do not benefit from a good education, but does not really focus on the large numbers of Baby Boomers who are not owner occupiers and their intergenerational contract.

The imbalance between the Baby Boomers and Generation X and Y is strong. The book predicts that the real pinch will come in 2030 when the Baby Boomers age in the West and the population surge in Africa reaches their adulthood. At this time Generation X and Y will be society's key decision-makers in the public and private sectors; invariably they will design policies that benefit their generation and increase individual wealth. Yet the Baby Boomers will, of course, still make up a large proportion of the electorate, as tomorrow's grey vote. Many will be curious to see if, as Willetts notes, good politics is put into practice and the values of the present generation are not put before the needs of future generations.



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