

# Challenging (intergenerational) inequalities

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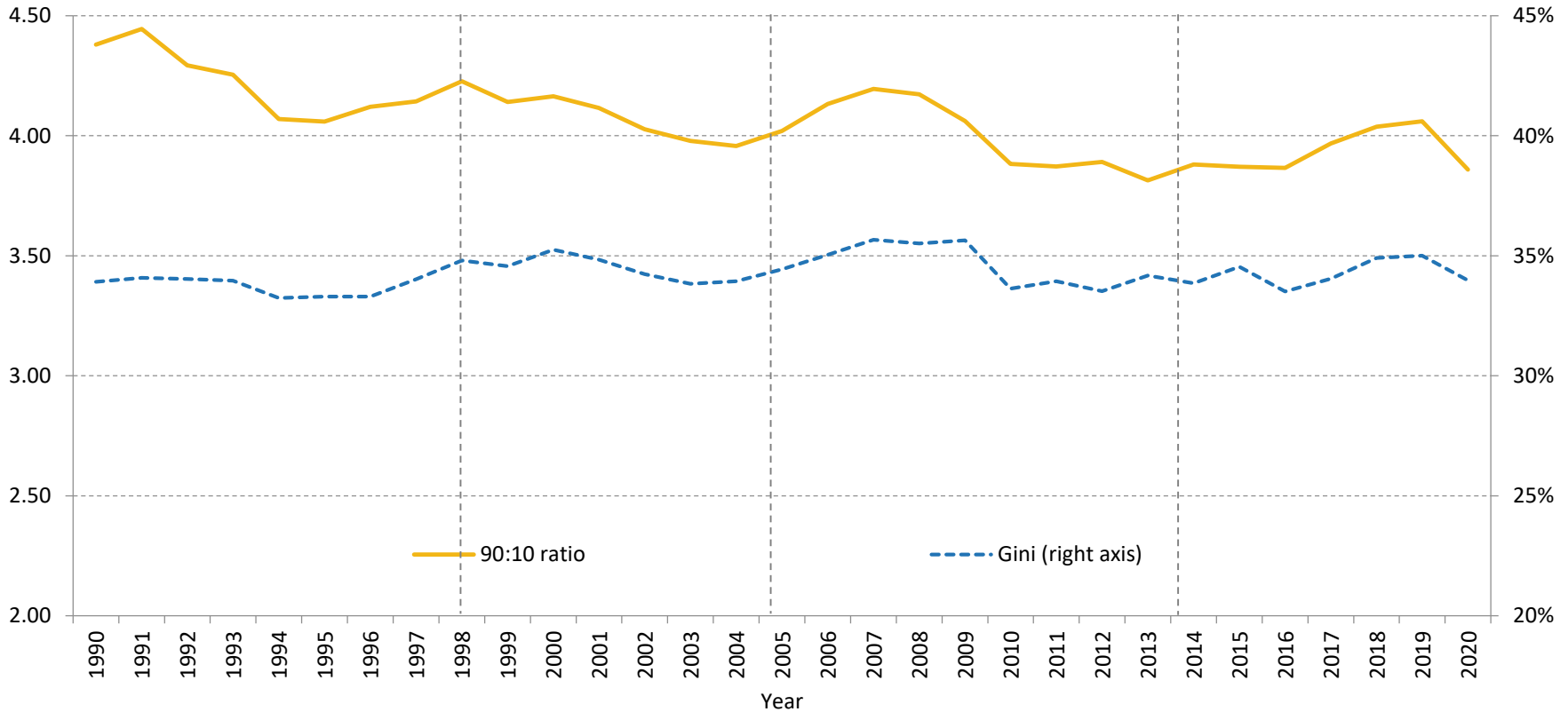


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# Household income inequality has, if anything, declined since 1990



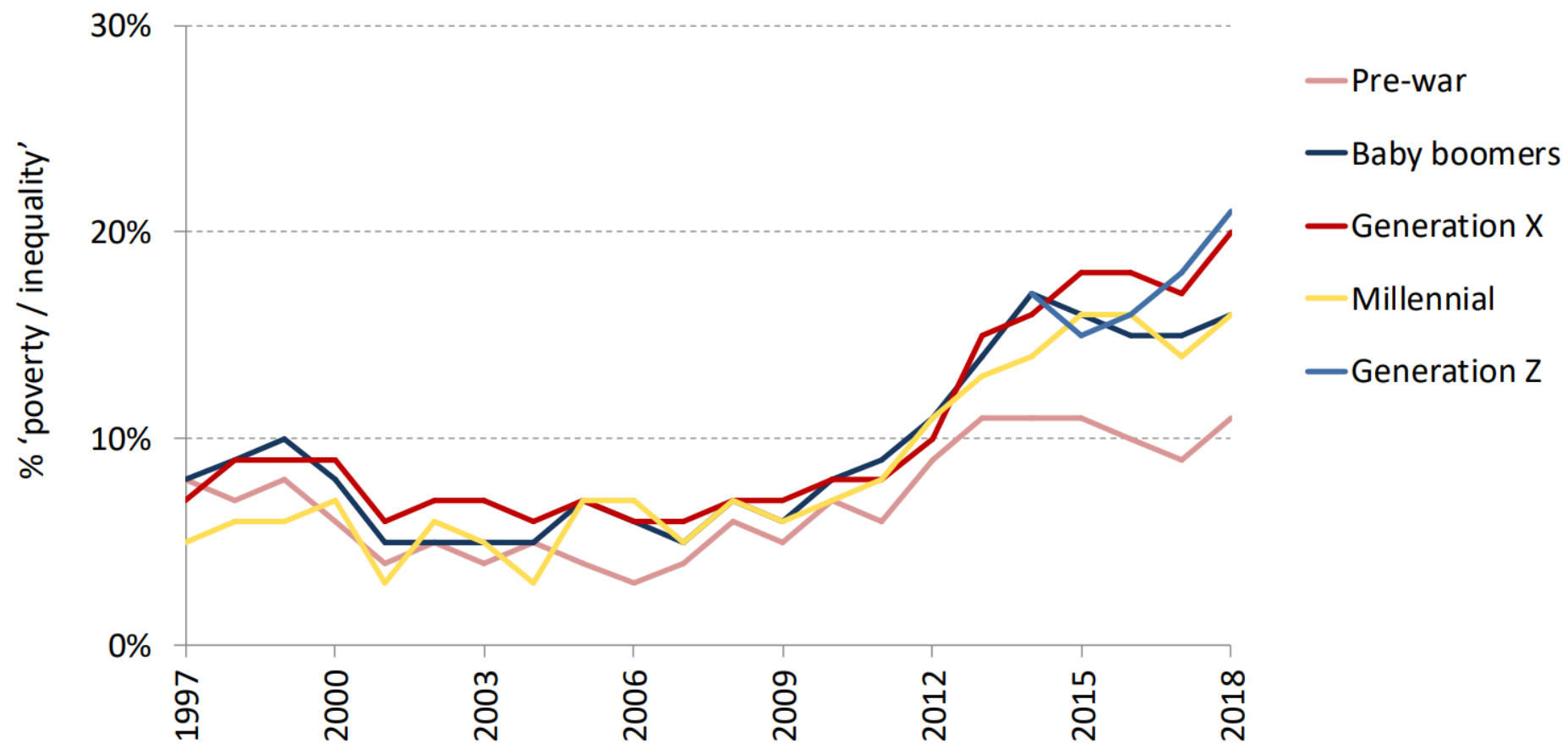
Inequality in net household income in the UK, 1961–2020



# Yet more people think inequality is the most pressing concern

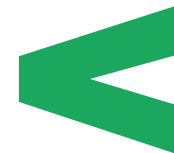


Proportion saying poverty/inequality is most pressing issue



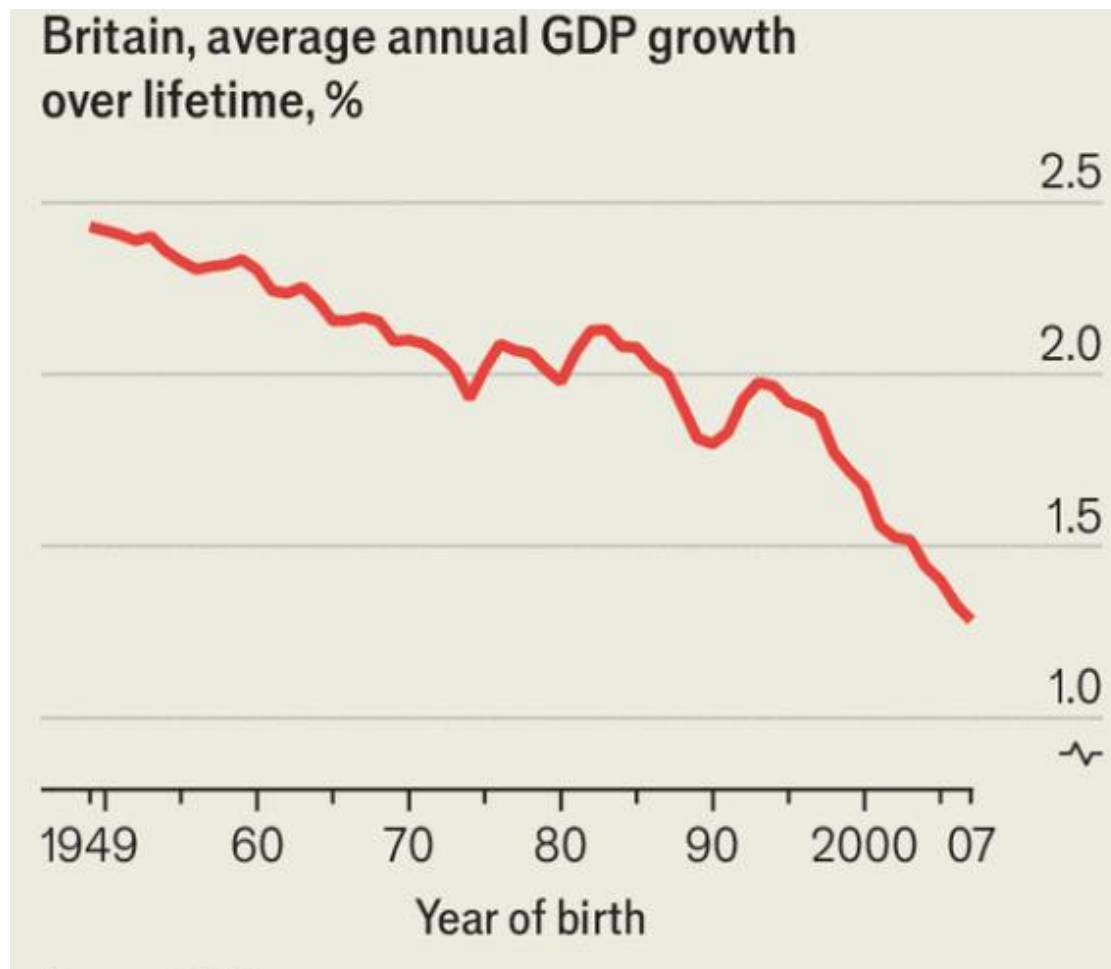
Source: Benson, Duffy, Hesketh and Hewlett (2022)

# Younger generations experience less growth



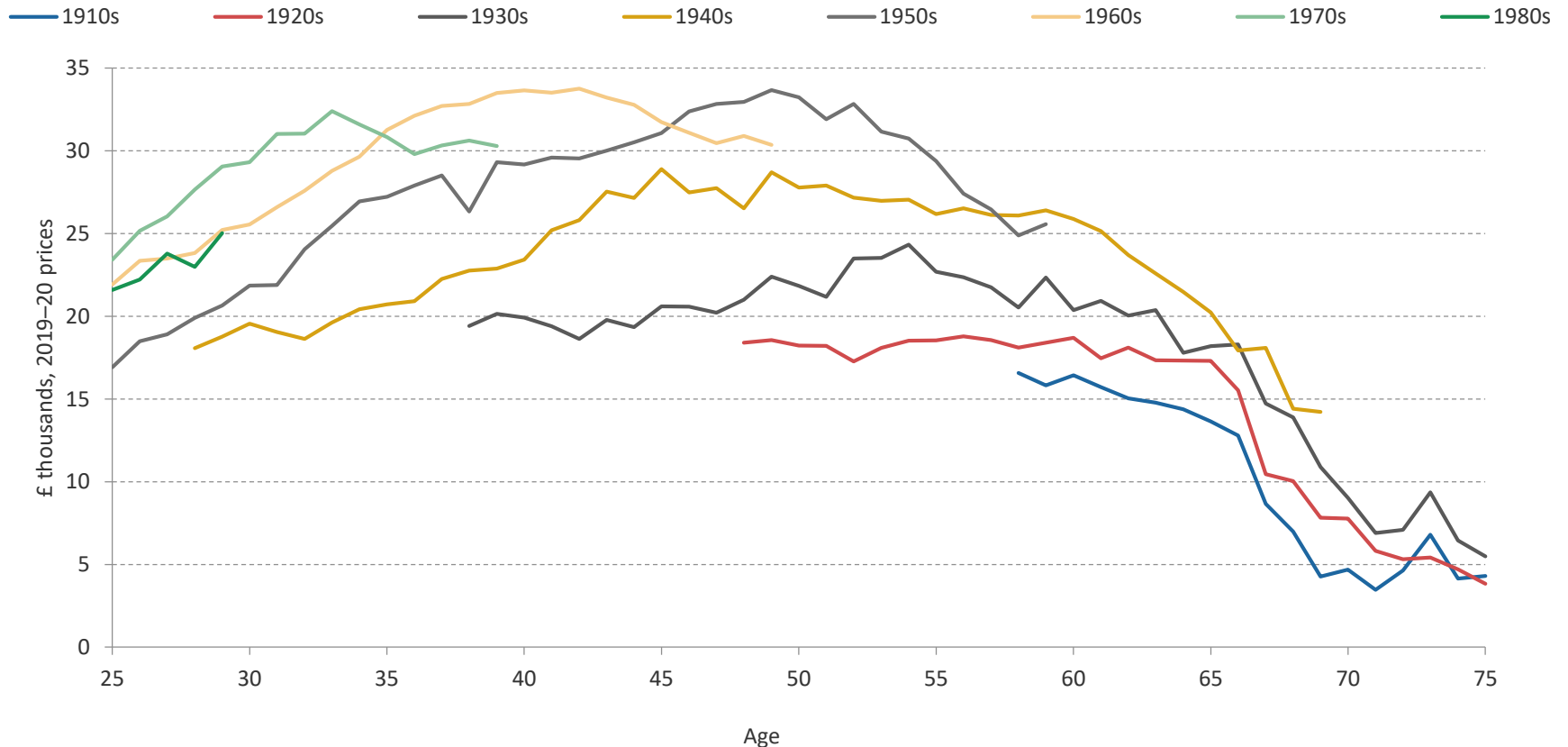
**Inequality**

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# No more generational growth in wages

Real median gross individual earnings among those in work, for men born in different decades



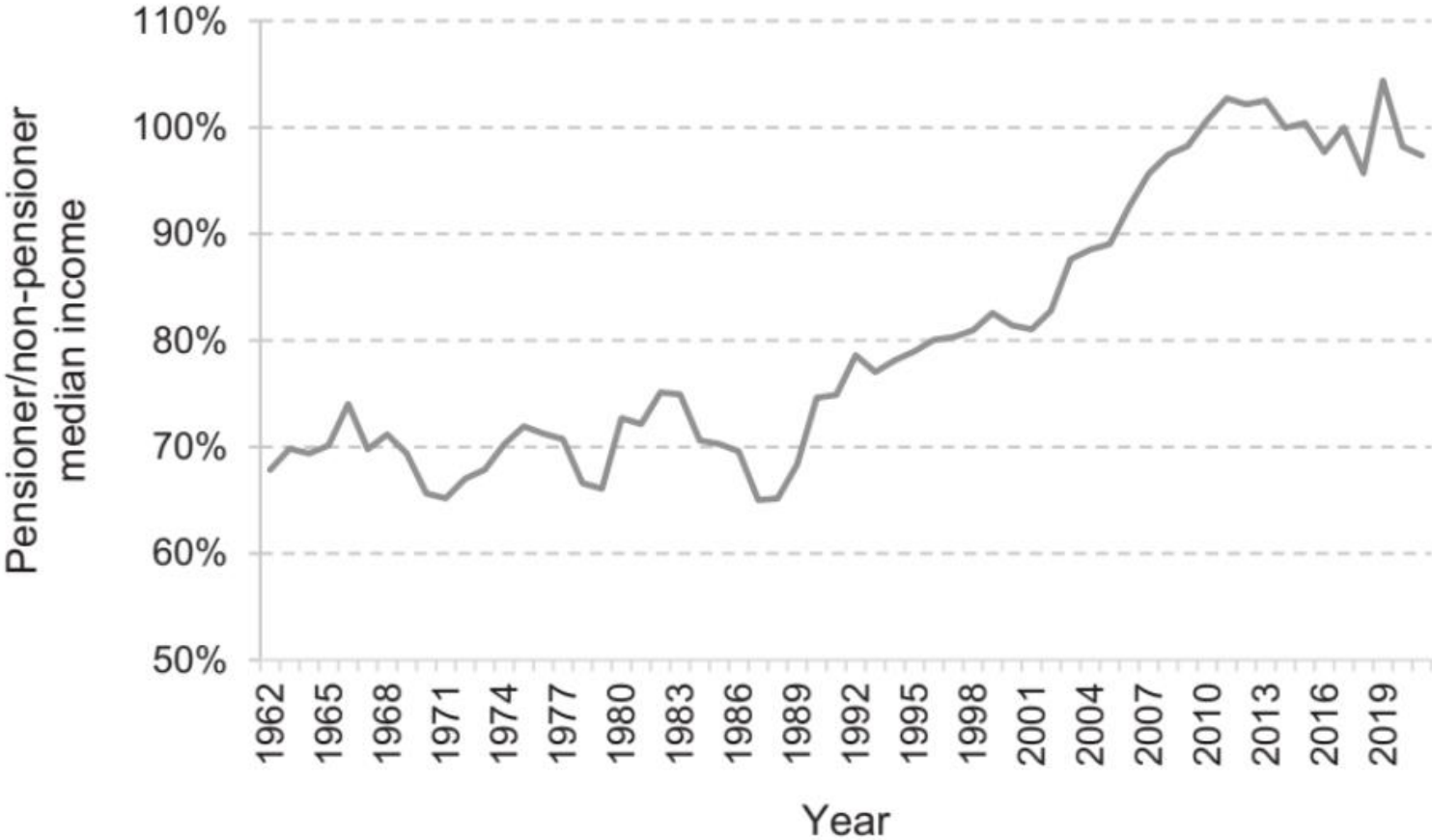
# Astonishing catch-up in pensioner incomes

Median pensioner AHC income as fraction of median non-pensioner income



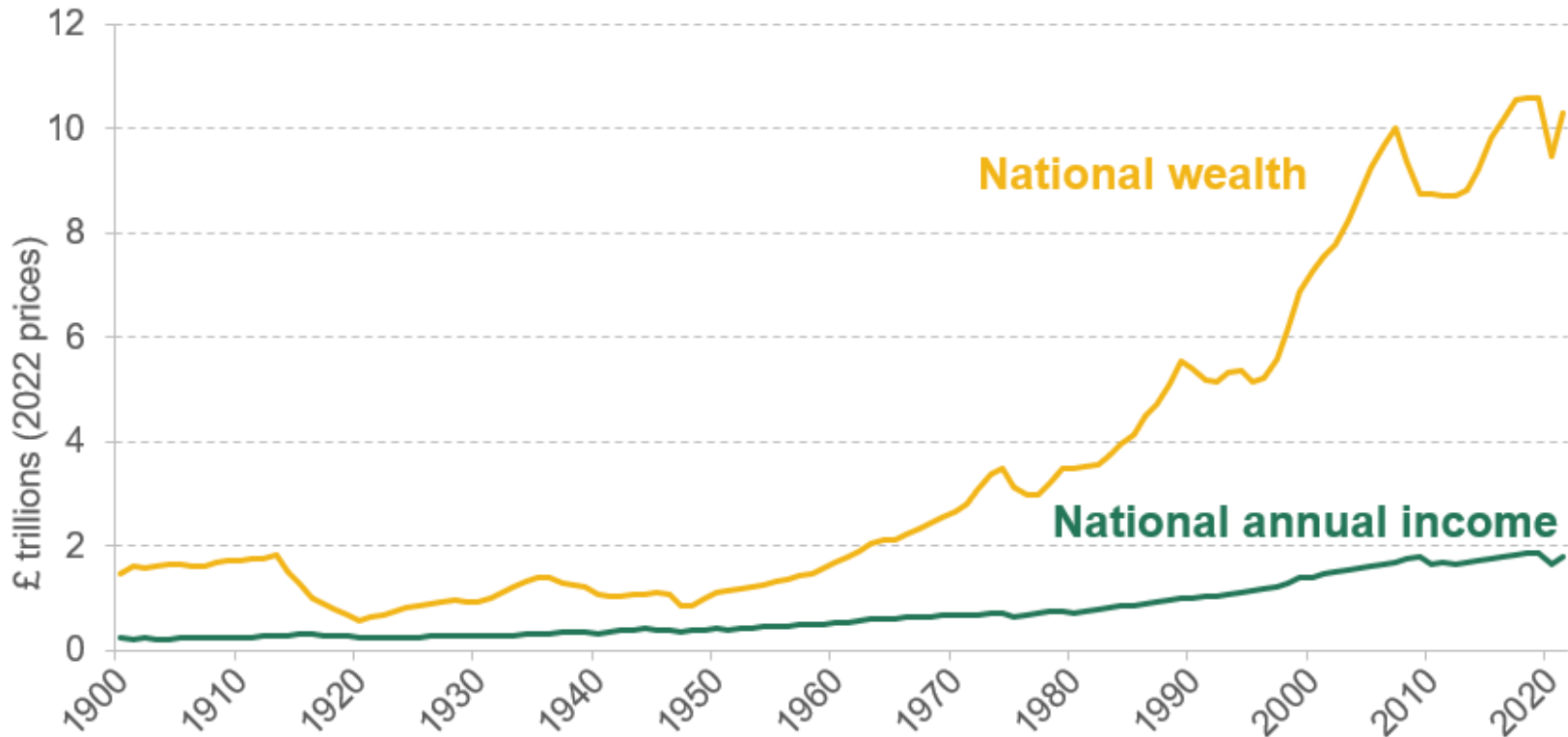
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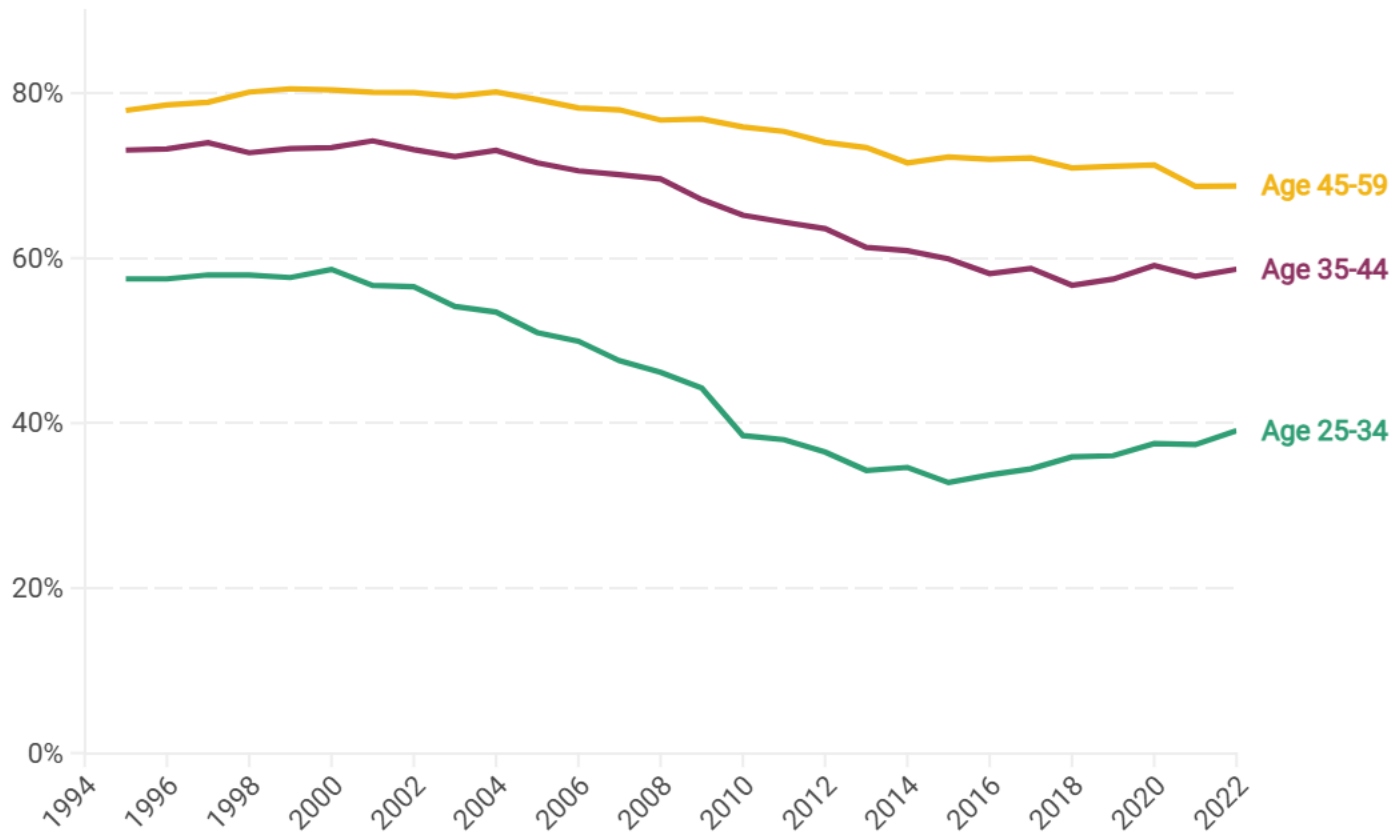


# Wealth has become far more important relative to income

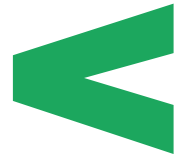
## National income and national wealth



# Big drops in homeownership for those of working age



# Concentrated among those on middle incomes

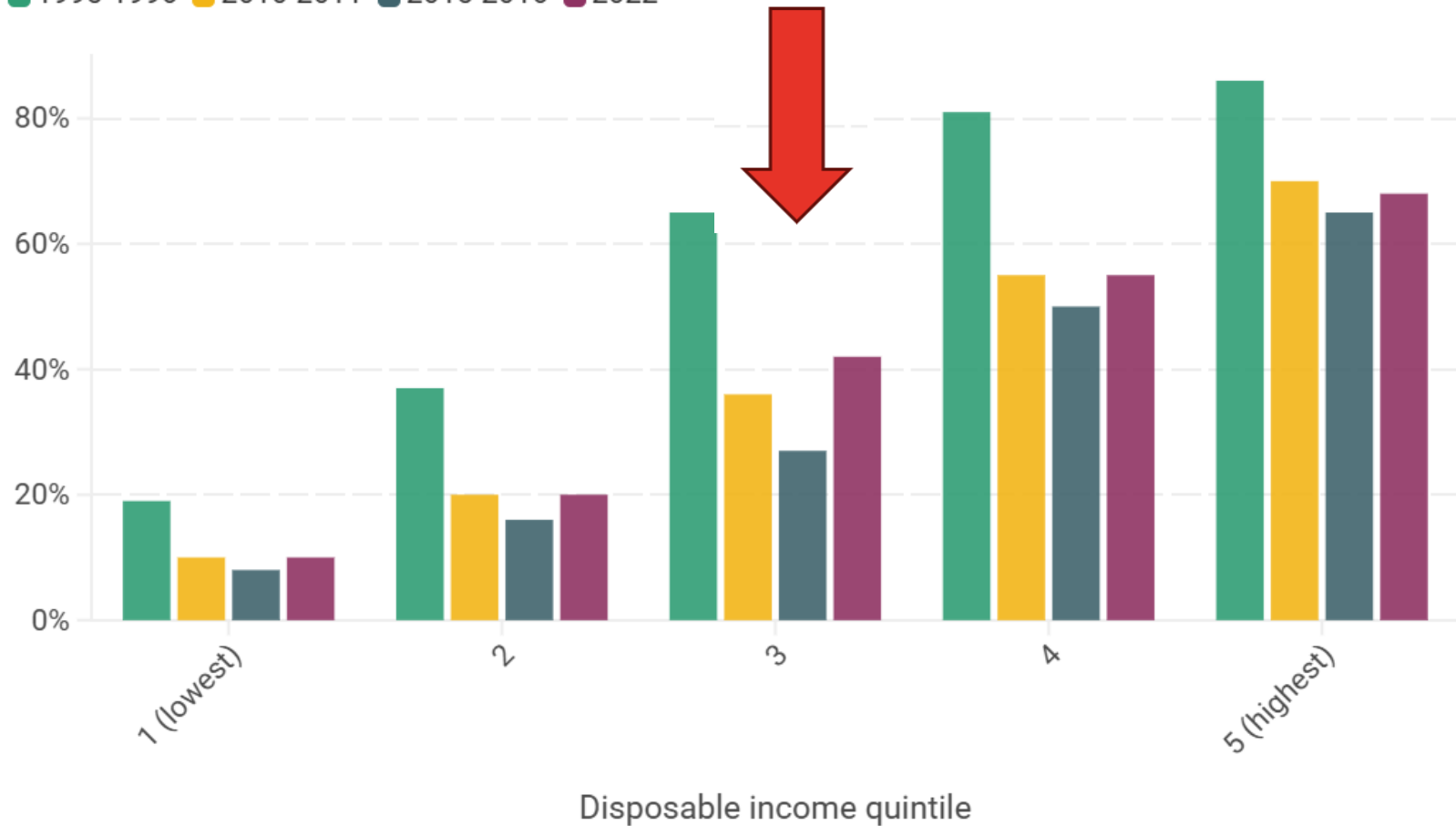


**Inequality**

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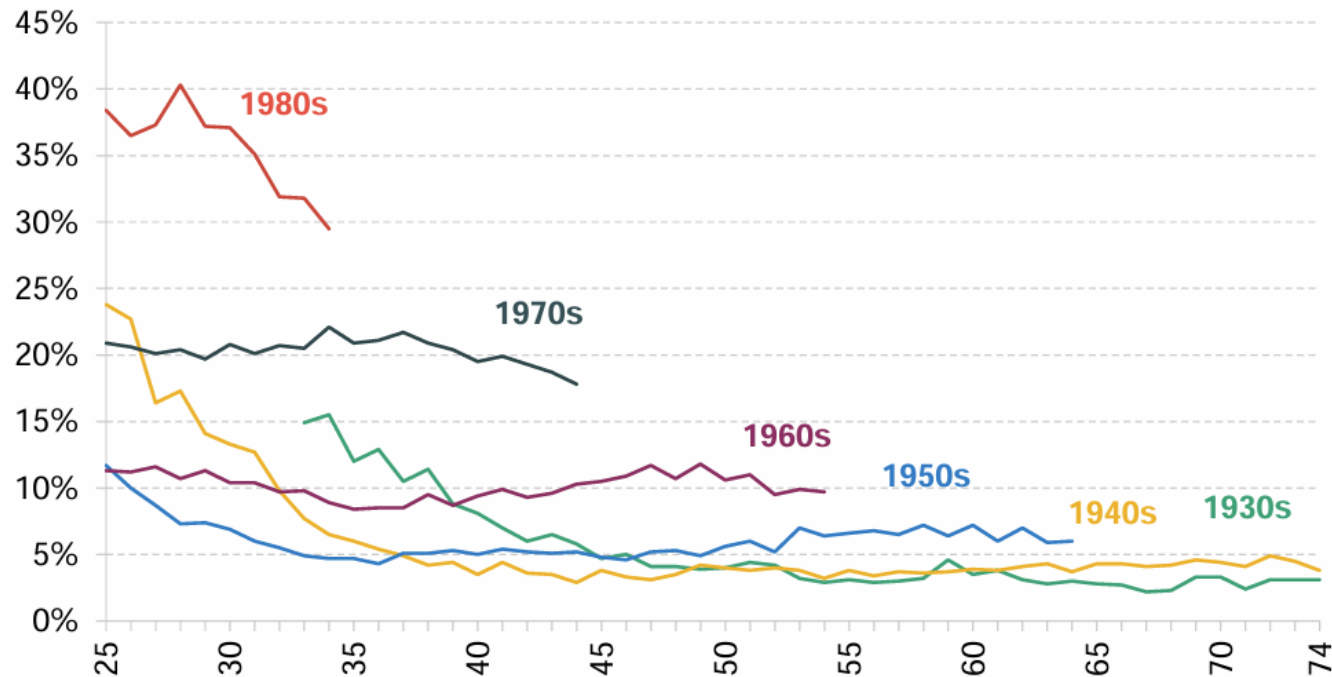
## Home ownership rates of 25-34 year olds by income quintile

■ 1995-1996 ■ 2010-2011 ■ 2015-2016 ■ 2022



# The growth of private renting

Proportion of people living in private rented accommodation, by age and decade of birth



Source: Cribb, Emmerson, Johnson, Karjalainen and O'Brien, 2023. Figure 8.

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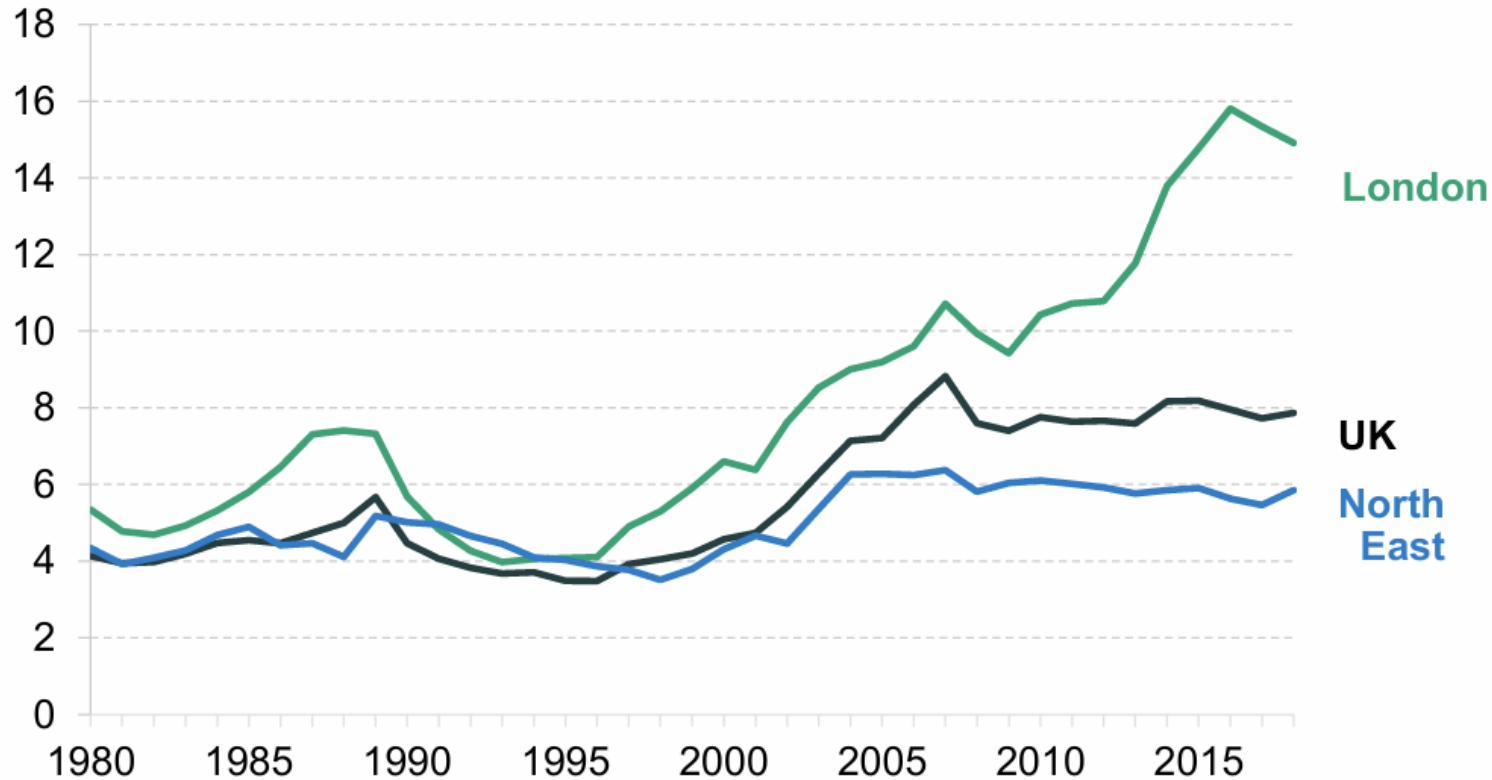
# Wealth inequality is increasingly shaping society



- **Children's and parental wealth are even more closely related than their earnings**
- **Inheritances are having a growing negative effect on social mobility**
- **Those with wealthier parents:**
  - do better in education,
  - earn more
  - save more
  - get on housing ladder sooner
- **Big differences by region and by ethnic group**

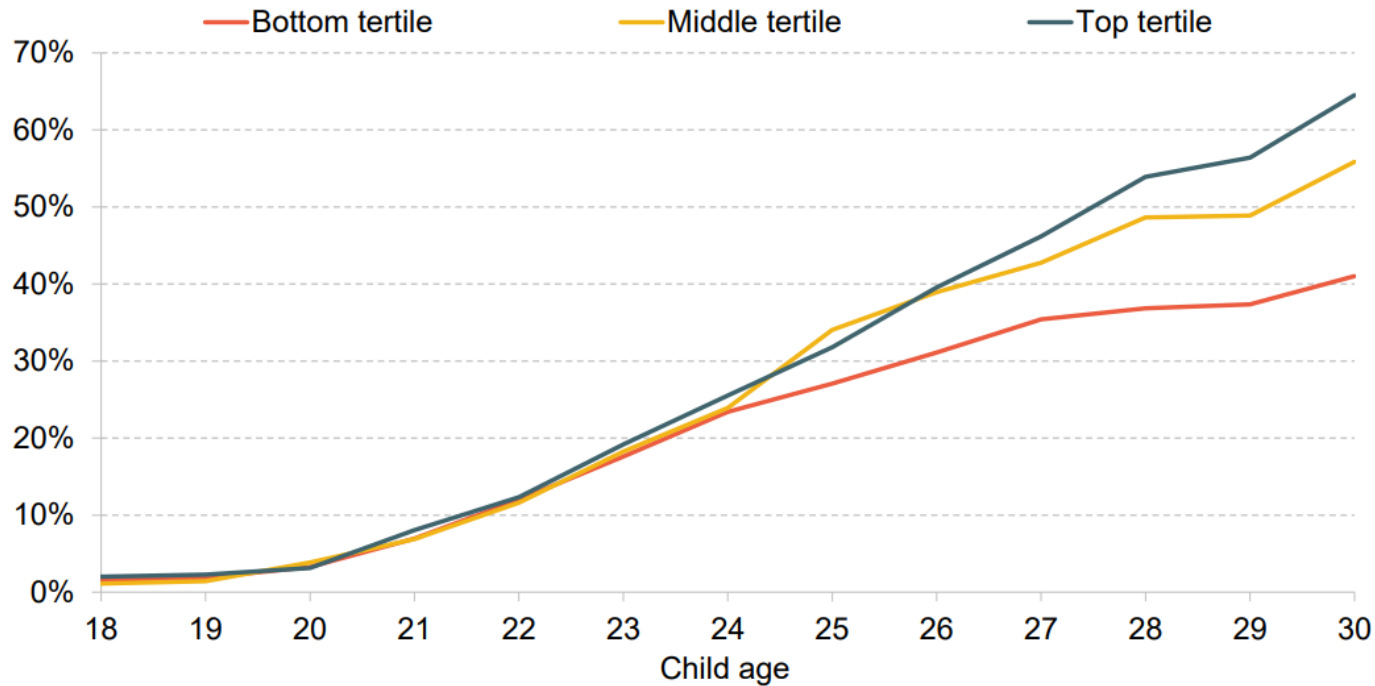
# House prices (and housing wealth) rose much faster in London

House price to annual household earnings ratio



# Those with wealthier parents buy homes sooner

## Homeownership rate by age and parental wealth tertile



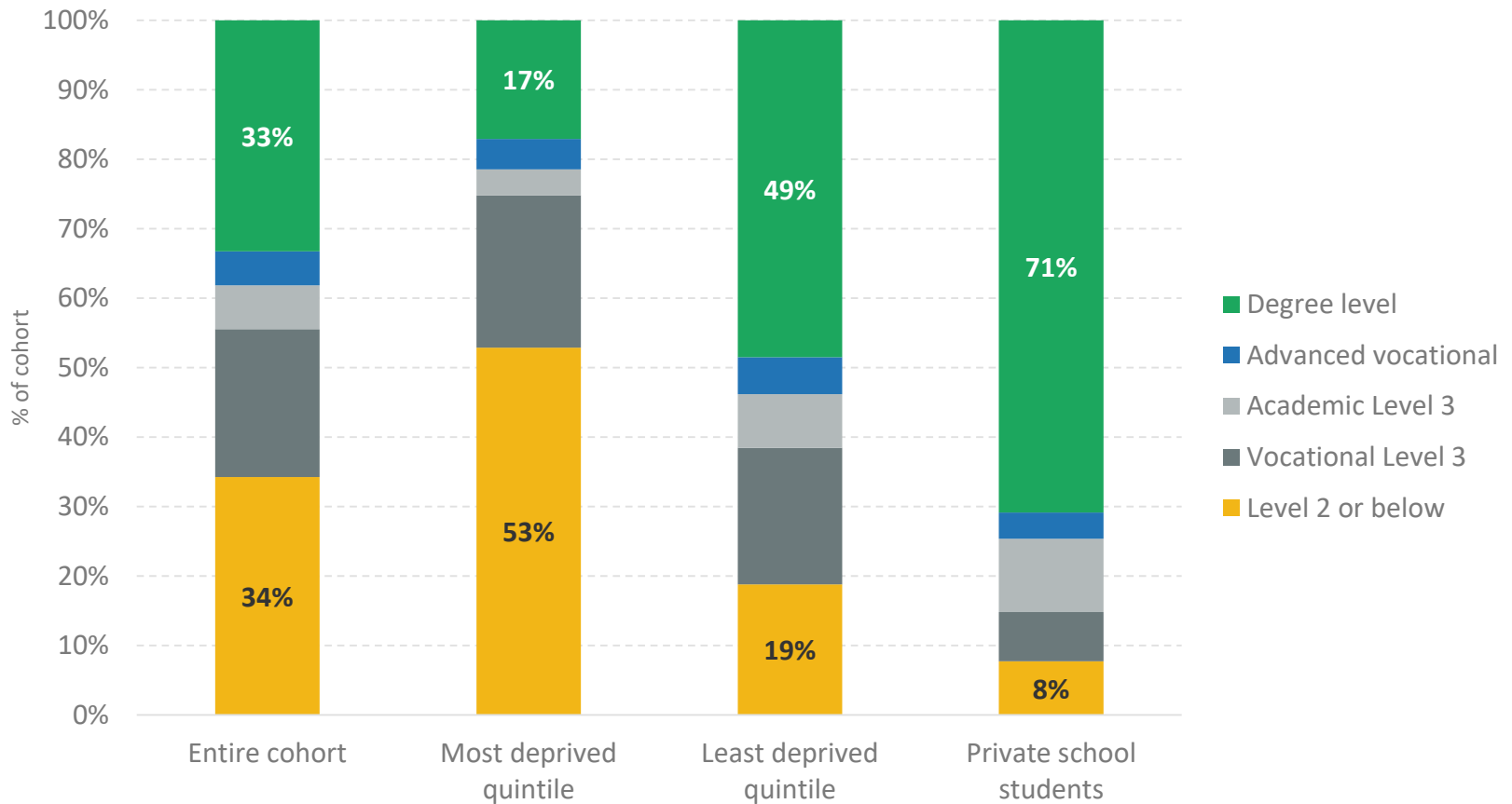
Source: Figure 7.2 of Davenport et al. (2021)

# Variable changes in housing wealth have had consequences for next generation

- Peter Levell and David Sturrock show, causally, that children of parents who benefited from the house price boom have enjoyed advantages:
  - Have greater property wealth themselves
  - More likely to buy (and live) in London, and so more able to access high paying jobs
  - More likely to enter highest paying occupations

# Sharp inequalities in education by socioeconomic status

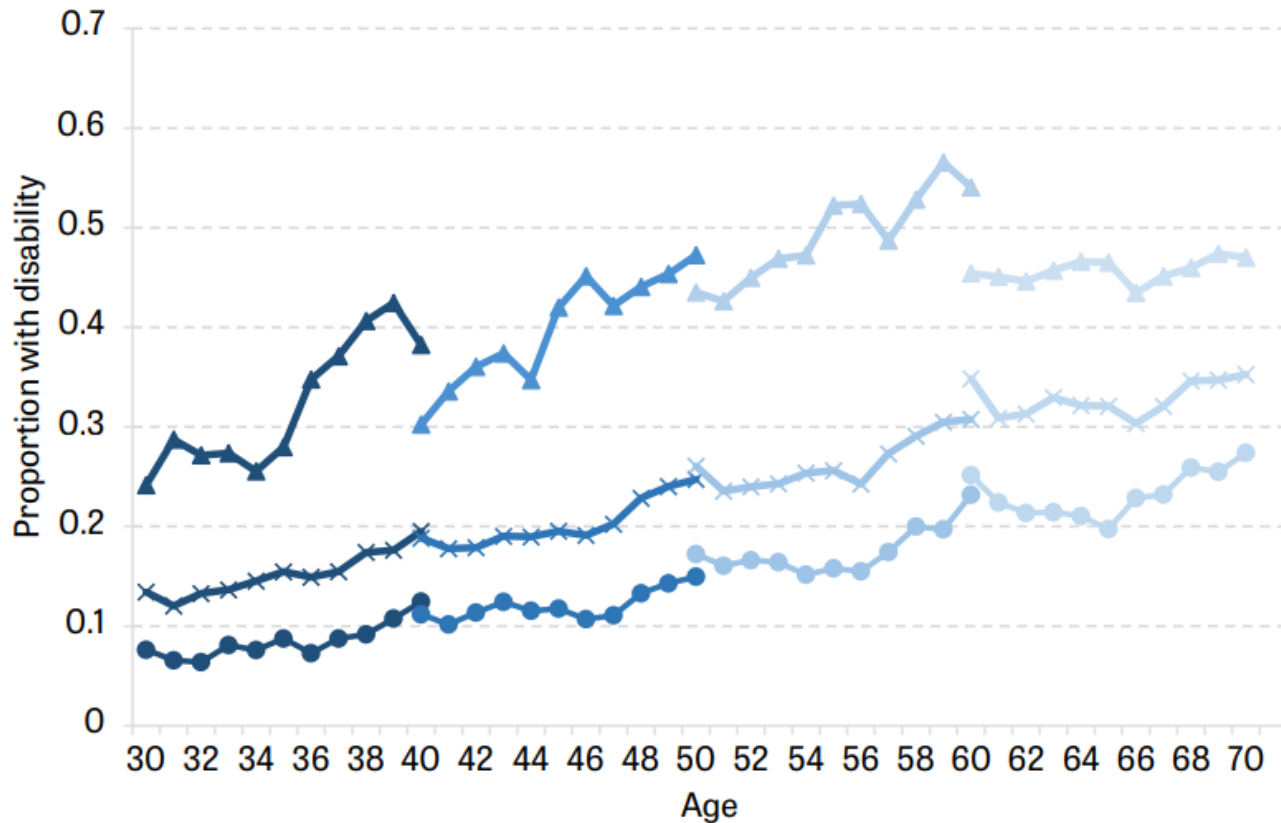
The distribution of educational attainment among 26-year-olds in England by socioeconomic status, 2016



Source: Figure 33, Farquharson et al. (2022).

# Education is a stronger determinant of disability than is age

Proportions reporting limiting long standing disability



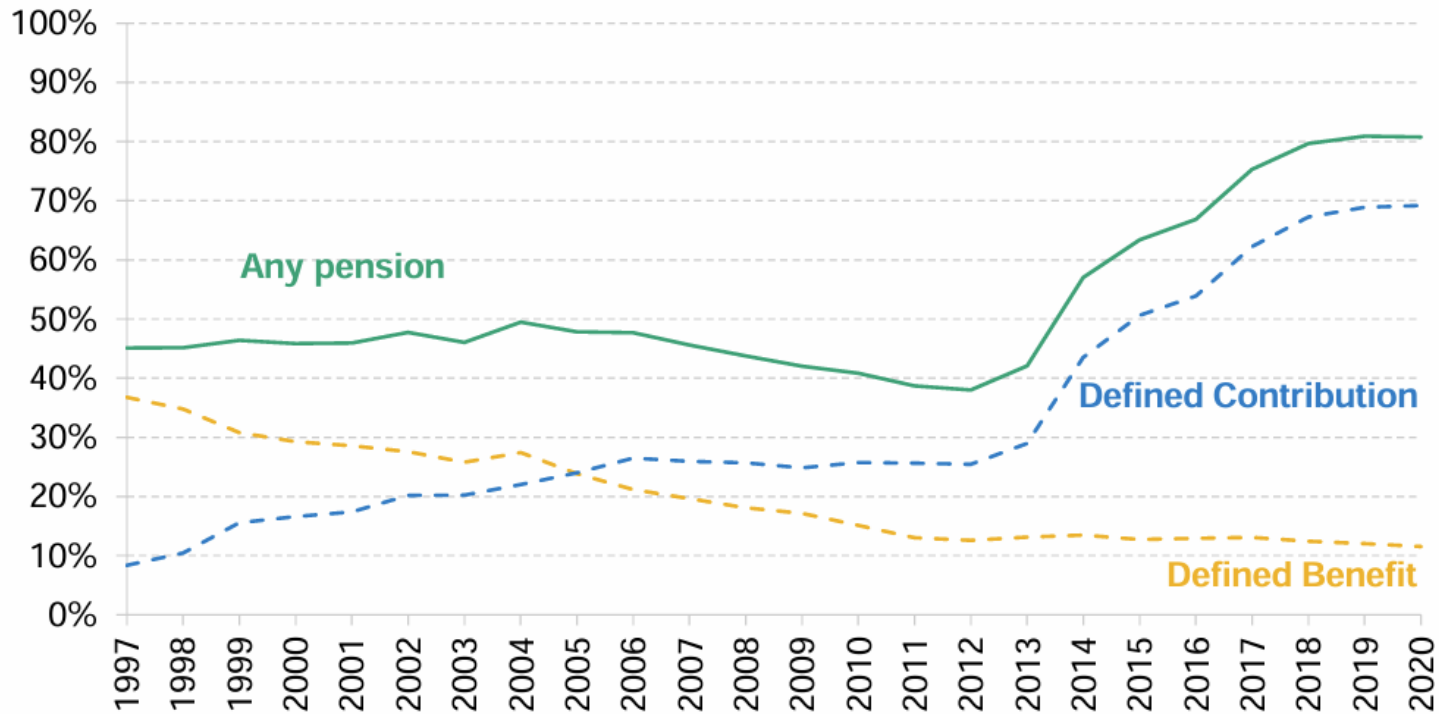
- Born 1975-1984
- Born 1965-1974
- Born 1955-1964
- Born 1945-1954
- ▲ No qualifications
- × A/O levels/GCSE
- Degree

# Other changes have helped older generation



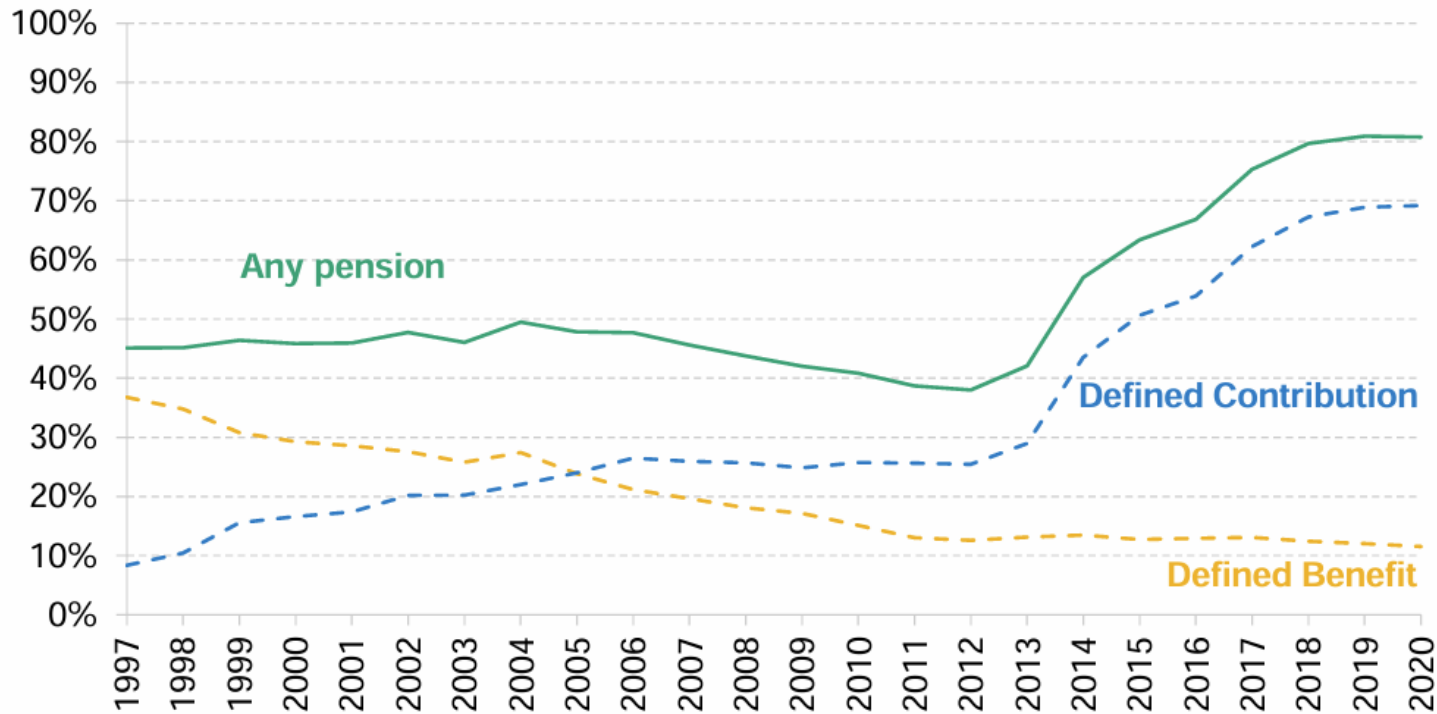
- **Collapse in private sector DB schemes**
  - From >40% to <10% in active DB schemes over 30 year period

# The collapse in private sector DB coverage



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Average contributions to DB schemes > 3 X DC



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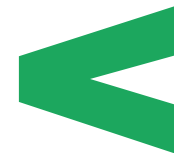


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  - 1985 health spending = education spending
  - 2025 health spending > 2 x education spending

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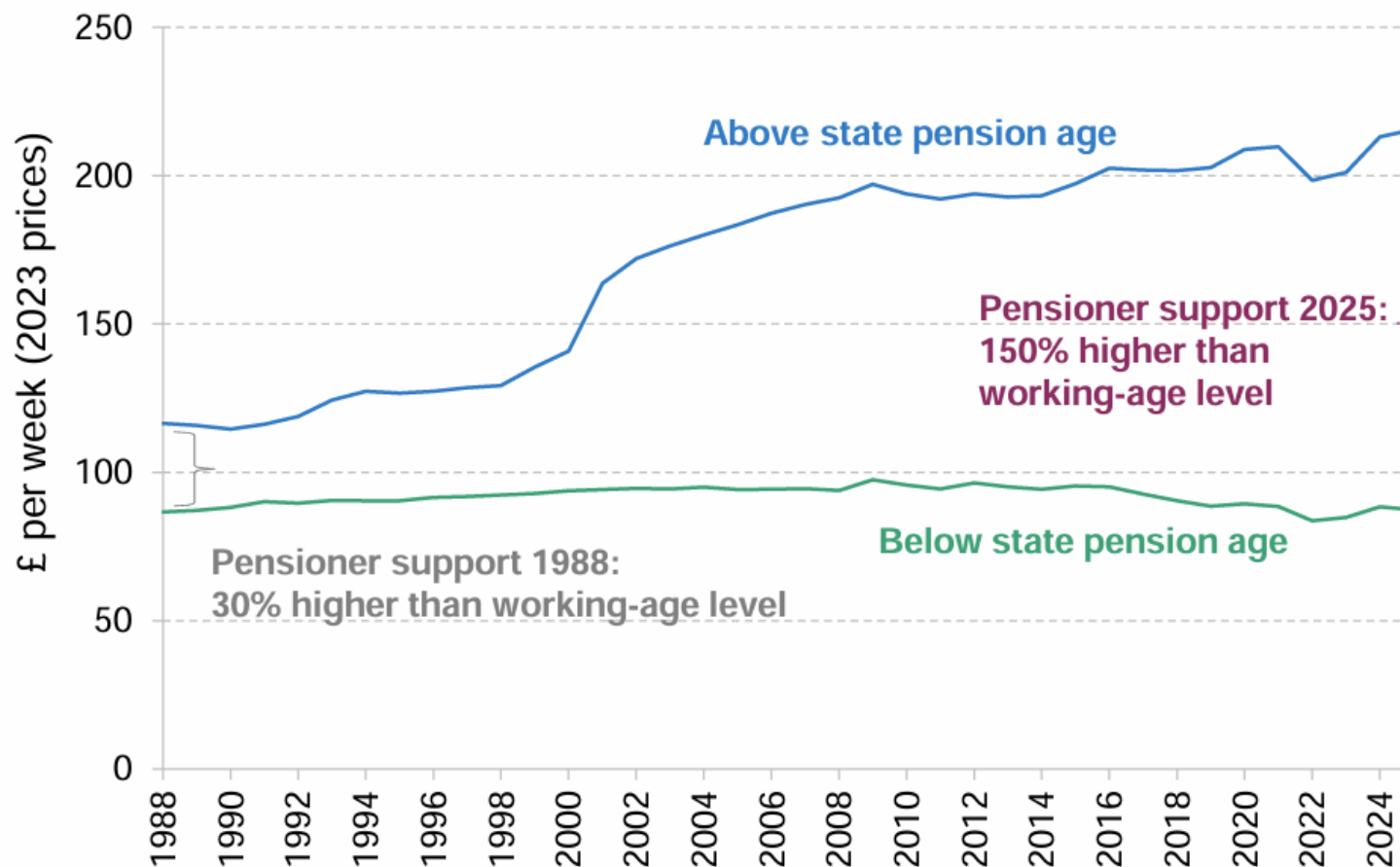


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- **Minimum incomes for those over pension age up dramatically relative to under pension age**



# Basic support for those above SPA is now much higher than for those below

Real levels of basic financial support through Pension Credit and Jobseeker's Allowance / Universal Credit



Source: Cribb, Emmerson and Karjalainen (2024), Figure 1.1. Notes: Support above state pension age: Pension Credit. Support below state pension age: Jobseeker's allowance (now same level as Universal Credit). © Institute for Fiscal Studies

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- **67 year old earning £30k faces marginal tax rate of 20%**
  - 27 year old graduate faces rate of 37%

# Some concluding thoughts

- **Some insights**
  - Inequalities of outcome and opportunity are inextricably linked
  - Income redistribution only partially protects from harms of inequality
  - “Macro” policies need to deal with inequalities up front
  - Some inequalities are a signal of deeper market problems
  - Lack of growth can make some inequalities worse or harder to bear
- **Some challenges**
  - Housing and wealth need to move centre stage
  - Big spatial inequalities pose a special challenge
  - Health can be the ultimate consequence of other inequalities
  - Threats of political and social polarisation