

Living conditions and quality of life
**Intergenerational inequalities:
How to close the gaps?**



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Introduction

Over the last 15 years, societies across the EU have experienced major challenges arising from the 2008–2012 economic crisis, the COVID-19 pandemic, the rising cost of living, Russia’s war on Ukraine and hikes in energy prices. The impact of these crises has been uneven across age groups – for example, more young people lost their jobs during the pandemic than any other age group as they were disproportionately represented in the service sectors that were forced to shut. The effects persist, shaping the living conditions and life prospects of current generations. For this reason, the differences across generations have raised concerns and prompted reflection on whether the policies to alleviate economic and social shocks can be improved and better targeted.

However, focusing on the immediate consequences of the crises may have drawn attention away from some longer-term trends in the lives and work of different age groups.

Some of these trends are positive, such as improving health across all age groups, and can be seen as resources that can make European society more resilient to future challenges.

This policy brief aims to depict some of the social trends that either were persistent or changed considerably over the last decade and a half, sometimes contrary to expectations. It hones in on developments that are important but receive somewhat less attention in policy planning in the areas of income, housing, work and employment, and health. These areas represent several themes in current European policy discourse and have been addressed in recent research by Eurofound. The intention is to develop a clearer sense of the direction of social change and bring medium- and long-term perspectives into policy thinking.



Policy context

The topics addressed in this study – income, housing, employment and work, and health – are key areas of social policy in the Member States. They are also targeted by EU measures – such as European Social Fund Plus and the Recovery and Resilience Facility – to support the post-pandemic recovery and to tackle the rising cost of living.

The age-group focus resonates with the Commission communication on demographic change in Europe. The communication considers factors that can shape the life prospects of young people, including those who are not in employment, education or training (NEET). In this context, it is relevant to monitor the divergent income trends between the young and old, which constitute a potential risk of poverty, and could inform the implementation of the Council's recommendation on adequate minimum income.

The issues of unmet need for medical care and the need for mental health support have been included because of their relevance to the EU mental health strategy, set out in the Commission communication on a comprehensive approach to mental health, which highlights access to treatment as well as the need for prevention.

Understanding the dynamics of social change is important in order to draw lessons from economic and social crises and to support efforts to improve EU resilience in terms of health (and the risk of pandemics), to adapt social services to a new reality (preventing unmet basic needs) and to effectively target social assistance at those in most hardship. However, while social issues are addressed by particular policies, it remains a constant challenge to maintain an intergenerational perspective and to consider the life course implications for various age groups.

Member States and EU institutions select certain social indicators for various strategic and policy purposes, establishing targets and monitoring their achievement – for example, in regard to the 2030 targets concerning poverty and social exclusion, the European employment strategy, the implementation of the European Pillar of Social Rights (and the Social Scoreboard for monitoring it), preparation of the European Semester and reviewing developments at EU and Member State levels.

Perception of social issues is arguably shaped by the indicators selected to measure them. Developments in the ever-changing social landscape might be captured effectively by existing indicators or could benefit from additional indicators and analyses to enhance the evaluation and refinement of policies. Social indicators, such as those reviewed in this study, are the subject of monitoring, analysis and development in several specialised EU bodies – such as the Social Protection Committee and its Indicators

subgroup; the Employment Committee and its Indicators Group; and the specialised committees of the European Parliament – and across the Commission’s services. Eurostat is responsible for the development and delivery of EU-wide comparable social statistics.

The analysis in this policy brief covers selected indicators that are within the expertise areas of the aforementioned bodies but could also be relevant for a broader set of policymakers in the EU, including the Members of the European Parliament in the new term starting in 2024.

Key findings

Income

- Since 2008, incomes in the EU have grown most for the population aged 60 and over. Discrepancies between the old and the young are most pronounced in southern Europe, where the income of the oldest age group has increased, while that of the youngest age group has decreased. By contrast, people aged under 60 have fared better than those aged 60 and over in eastern European countries in recent years.
- The share of benefits (especially pensions) directed towards the population aged 60 and over has increased substantially in the past two decades, especially in southern European countries, with the effect that an increasing share of public benefits is distributed to individuals with the highest incomes. By contrast, income trends among younger groups are mostly driven by employment – or the lack thereof.

Housing

- Renting has become more common among younger age groups and has increased especially among those aged 30–39, rising from 38% to 45% between 2010 and 2019. There has been a notable rise in the proportion of people renting since 2019 across all age groups.
- Housing costs increased more for tenants (by 23%) than for homeowners (by 8%) between 2010 and 2019, deepening an already existing gap between the two groups.
- Severe housing deprivation in the EU is most common among tenants.

Work and employment

- The share of older workers in the labour market has grown since 2007, driven by employment expansion among people aged 50 and older, especially women. Employment has grown at a far slower pace among young age groups, with considerable declines during the 2008–2012 economic crisis and the COVID-19 pandemic.
- While employment rebounded after the pandemic, the average hours worked by workers had not recovered by mid-2022, particularly for those in the 25–29 and 30–49 age groups.
- A large gap has opened up post pandemic between women with high and low educational attainment in average hours worked. It signals a potential polarisation in the female population in terms of labour market engagement.

Health

- The self-perceived general health of Europeans has improved on average over more than a decade and mostly in the middle and older age groups.
- Rates of chronic illness have increased over time too and, concerningly, even among younger age groups. The overall rate of chronic illness in 2020 (35.2%), the first year of the pandemic, was slightly lower than at the peak of the period studied, but it increased subsequently, reaching 36.1% in 2022. An increase from 2020 to 2022 is seen in all age groups, including the youngest (16- to 24-year-olds), for whom the rate of chronic illness in 2022 was 15.8%.
- Unmet need for medical care increased sharply for all age groups in 2020 and continued growing in 2021. For young people, unmet need for mental health support was a key aspect of this. The proportion of people reporting unmet medical need declined in 2022 but has not fallen to the pre-pandemic level of 2019.



Exploring the evidence

Data sources and approach

The analysis in this section looks at trends across age groups in selected indicators pertaining to four areas: income, housing, employment and work, and health. The time period ranges from just before the 2008 financial crash up to 2022, after the COVID-19 pandemic.

The review focuses on the EU level and is based on descriptive estimates, highlighting notable changes in trends over the period. The section on income deviates from this approach, examining differences in trends between four groups of Member States. While there are differences between and within Member States, these cannot be detailed in the limited space of this policy brief.

Box 1: About birth cohorts and age groups

In a strict sense, an examination of intergenerational differences should define a generation as a birth cohort – people born within a specific time period. However, the data needed to monitor birth cohorts over time are scarce, especially at EU level. Intergenerational differences in this analysis refer to differences between age groups over time, although these age groups at different points in time come from different birth cohorts. In any case – focusing either on birth cohorts or age groups – there is a so-called age–period–cohort identification problem, which makes it difficult to separate the effects of life course events in particular periods (such as the particularities of growing up in a specific era or the labour market conditions when a cohort transitioned from school to work) from age-related factors such as the point at which people stand in their life course (which, for example, determines their health or their eligibility for a pension). Nonetheless, identifying trends across age groups, and disruptions to such trends, provides information on who experiences changes in society, helping to alert policymakers to areas where closer monitoring and potential action are necessary.

The data for the analysis come from two key sources for monitoring developments at EU level: the EU Statistics on Income and Living Conditions (EU-SILC) survey and the EU Labour Force Survey (EU-LFS).

As the discussion draws on several sources in recent research, the specific age groups vary somewhat, depending on the data.

Income

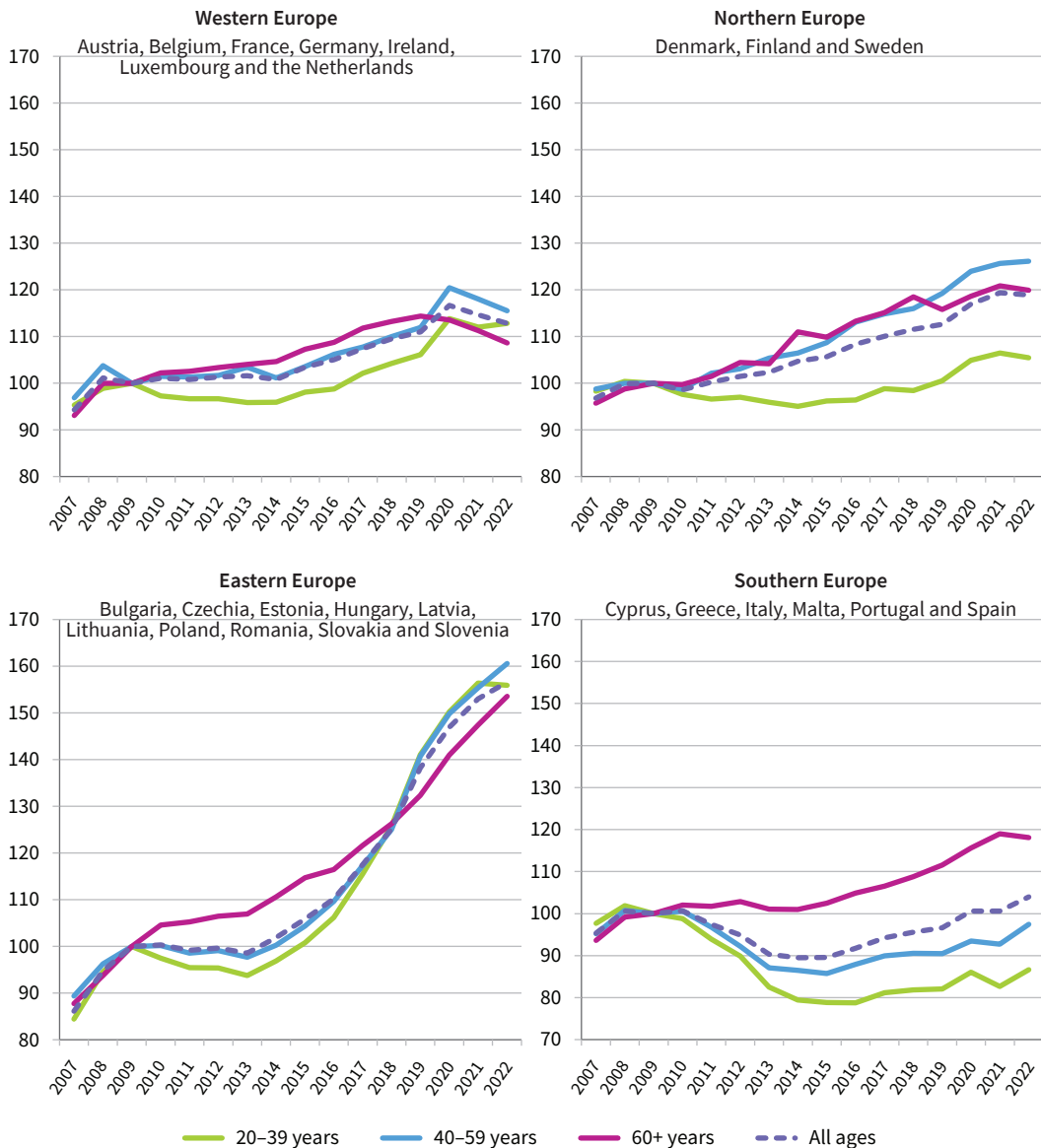
Income dynamics

Income trends over the past decade and a half vary considerably across generations in Europe. On average, the income of the EU population aged 60 and over has steadily increased since 2008, the year of the financial crash that led to the Great Recession. Increases in the other age groups were less consistent: 40- to 59-year-olds experienced income stagnation, while the youngest group (20–39 years) experienced income declines up to 2013, with slight improvements thereafter.

Trends across geographical regions

Age-specific income trends differ across Member States, with a strong geographical pattern. The discrepancies between the old and the young are most pronounced in southern Europe, where the average income of the oldest age group increased between 2008 and 2022, while it decreased for the youngest (Figure 1). In northern Europe, incomes rose for all generations, but growth for the population aged 60 and over outperformed that of the youngest age group. By contrast, the income of the young has grown more strongly than that of those over the age of 60 in western Europe since 2015, and in eastern Europe the two younger generations have fared better than the oldest age group in recent years.

Figure 1: Changes in gross income as a percentage of 2008 values, by age group and country group, EU, 2006–2021



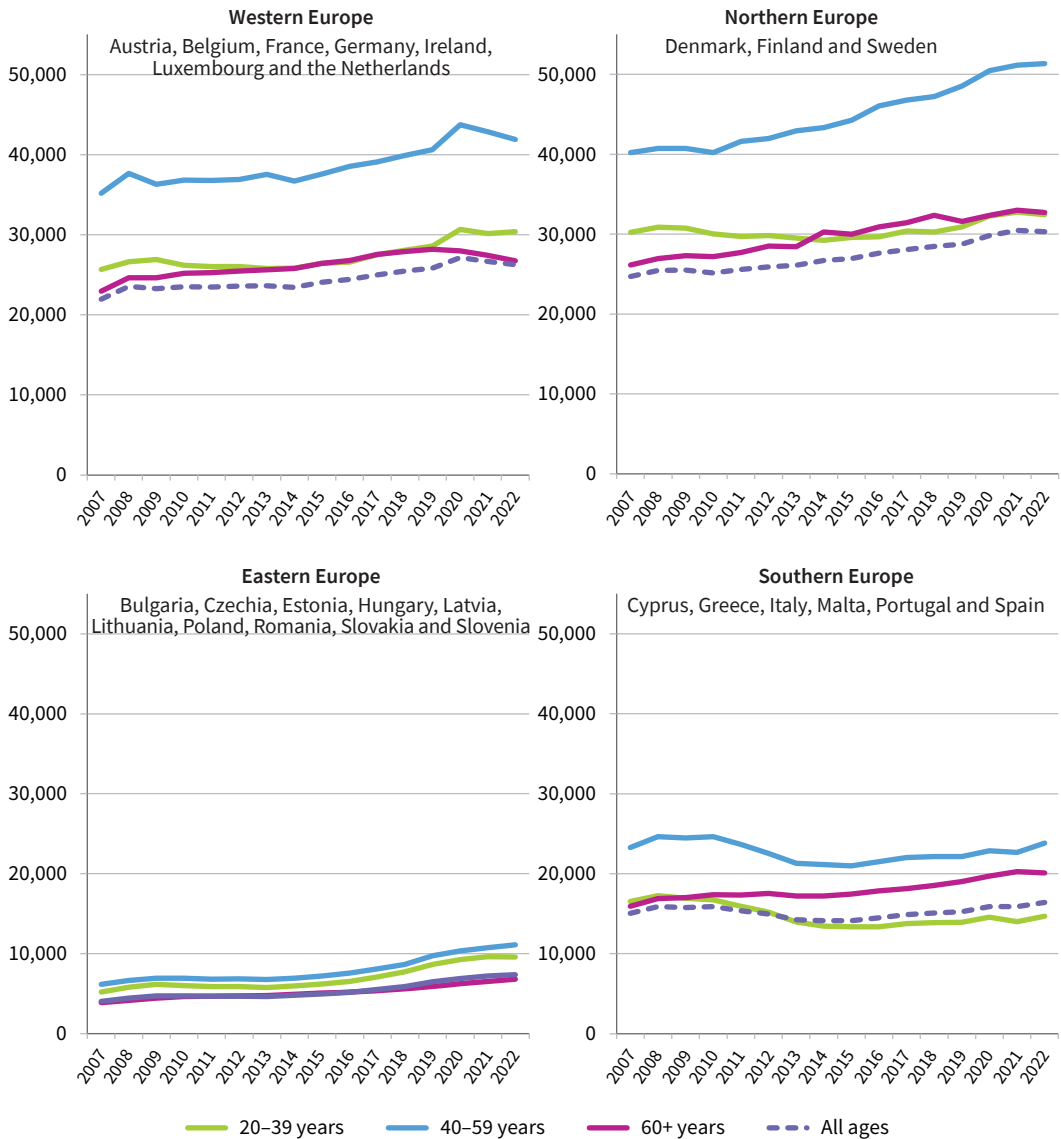
Notes: Refers to income over 2006–2021. Population-weighted averages. Annual gross income was calculated at individual level. Disposable income is measured in 2020 euro; income in other years than 2020 is adjusted for the change in purchasing power as measured in the Harmonised Index of Consumer Prices; income in countries outside the euro zone are transformed into euro using 2020 exchange rates. 'All ages' shows averages per capita for the entire sample including children. Croatia is excluded due to lack of EU-SILC data up to 2010.

Source: EU-SILC 2007–2022

Leaving age group differences aside, the data highlight the considerable disparities in average incomes across the country groups – income levels in the northern and western

groups well exceed those of the southern group, which in turn are higher than in the eastern group (Figure 2).

Figure 2: Mean gross income, by age group and country group, EU, 2006–2021 (absolute values)



Notes: See Figure 1.
Source: EU-SILC 2007–2022

Drivers of long-term trends

The most important driver of income trends in the oldest age group is increases in eligibility for and the size of public pensions, which have raised incomes in this group (especially for women). By contrast, income trends among the young are mostly driven by employment – or the lack thereof – especially in southern Europe.

The labour market participation of women has grown tremendously across age cohorts, which has increased their incomes and pension entitlements. As a result, the rises in public pensions were particularly large for women in the 60-plus age group; the income of women in this group grew in all Member States, albeit starting from low levels. However, income disparities between women and men persist,

with women earning less than men on average – both during their working life and after retirement.

Recent developments

The COVID-19 pandemic and the curtailment of economic activity contributed to deepening the intergenerational divide. Employment and income loss mostly hit the young, who will also have to bear the longer-term consequences such as high public debt and disruptions to education, while the income of older generations was often protected through public pension schemes.

Evidence for the intergenerational implications of the rising cost of living in the wake of the pandemic is mixed. Some studies suggest that older people are more exposed to the impact of high inflation rates due to their consumption patterns, but the young are more vulnerable to the rising cost of living given their lower

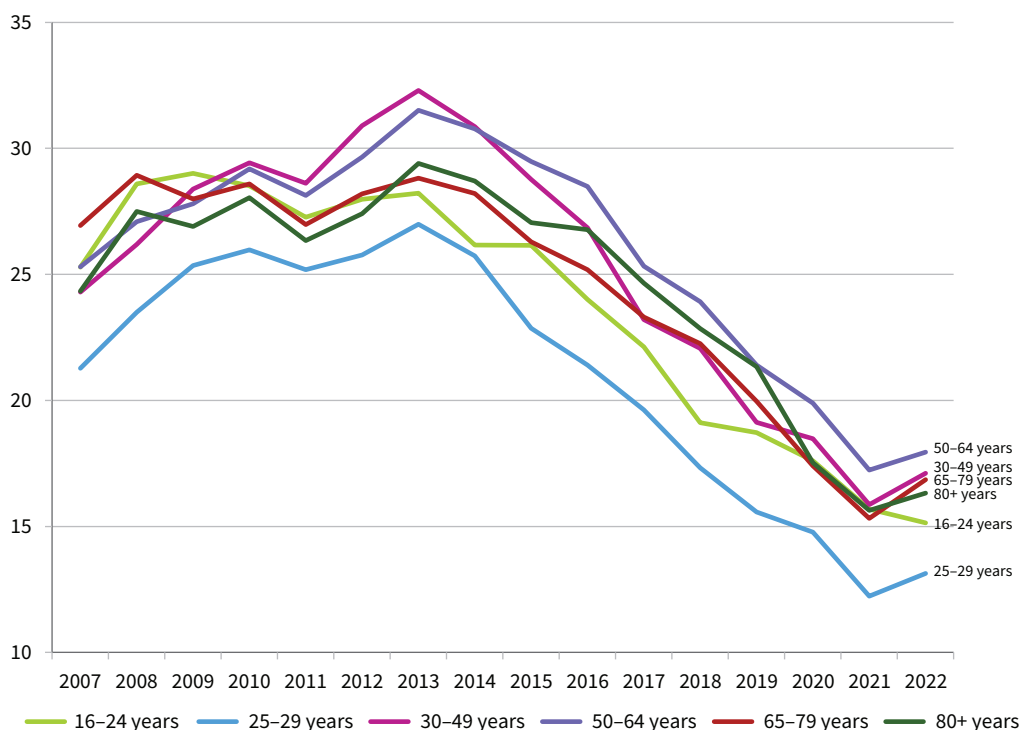
savings. Recent evidence suggests that financial distress is greater among vulnerable groups of any age, with potential regional differences, depending on the age-specific spending structure and varying inflation rates for different consumer goods (for example, see Caisl et al, 2023).

Making ends meet

Despite the divergence in income levels between old and young, the overall trend in the EU is one of a diminishing perception of hardship across the age groups among people living independently (that is, not with parents; Figure 3). The proportion of people reporting difficulty making ends meet rose following the 2008 financial crash and peaked in 2013, after which the figure declined until 2021.

The shock of the pandemic and the subsequent challenges presented by inflation did not translate immediately into increases in

Figure 3: People with difficulty making ends meet, by age group, EU (%)



Notes: The chart shows the percentage who reported their household had difficulty or great difficulty making ends meet. People living with their parents were excluded. Croatia is not included in the estimates until 2010 due to lack of data.

Source: EU-SILC 2007-2022

this indicator to the extent that might have been expected. First, the prevailing societal distress during the pandemic may have taken forms other than economic hardship alone. Furthermore, a sudden rise in hardship was prevented due partly to a type of freeze in the economy, whereby job retention measures were broadly applied and dismissals either were not necessary or were postponed. The successful policy responses across the EU that preserved employment and assisted the population in dealing with rising energy costs are likely to have forestalled economic hardship. However, the protracted rise in inflation from 2021 onward may explain the reversal of the trend in 2022, when difficulty making ends meet rose in all age groups except 16- to 24-year-olds.

Housing

Income differences between the generations have implications over the life course; they are the reason that the options available regarding housing arrangements differ depending on age group. Leaving home, for young people, and obtaining and keeping a home, for all age groups, have become increasingly difficult across Europe.¹ Driving these challenges are the unaffordability of accommodation (house prices in the EU rose between 2014 and 2022, with a slight decrease in 2023) and, especially, the sharp increases in utility and other housing costs since 2021.

Age of leaving home

The age at which young people leave home is related to having a job, educational choices and family formation. Their ability to secure housing diminished during the economic crisis of 2008–2012, as access to mortgages and financial support decreased. The high prevalence of temporary jobs also contributed by increasing their income insecurity. Young

people's prospects of leaving home continued to weaken with the COVID-19 pandemic, which intensified negative expectations about the future income of young people.

The average age of leaving home rose in the EU in the aftermath of the economic crisis, according to Eurostat, suggesting that some young people encountered barriers preventing them from starting to live independently. The age of leaving home then decreased slowly from 26.5 in 2015 to 26.2 in 2019; it rose again to 26.5 in 2020 and 2021, but decreased slightly to 26.4 in 2022.

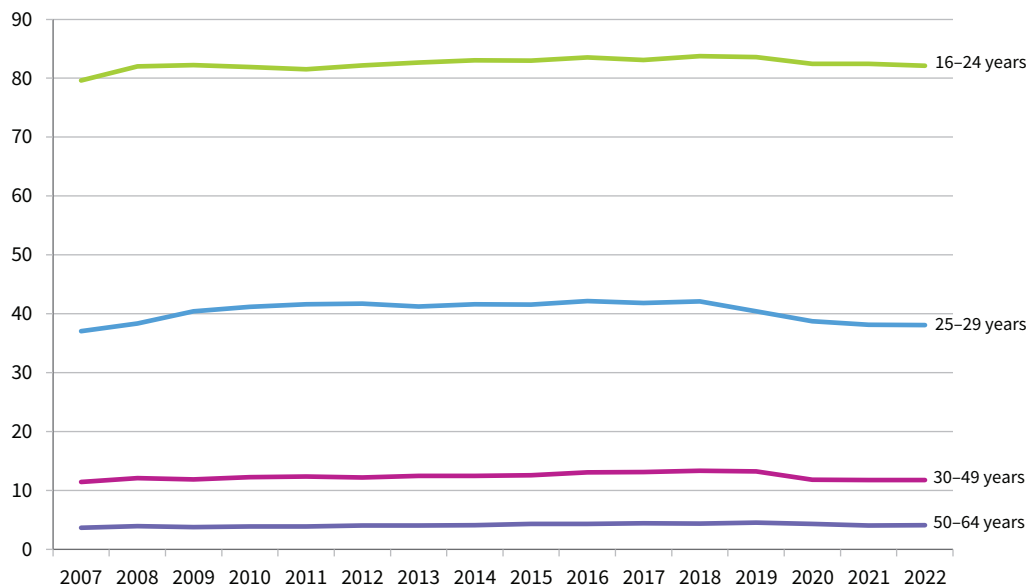
Young people living with parents

With regard to the proportion of young people living with their parents, the 25–34 age group is often highlighted in the reporting of statistics because it is the age group within which most transitions from the parental home to other accommodation occur. EU-SILC data indicate that between 2010 and 2019, the proportion of people in that age group living with their parents increased by 6 percentage points or more in Belgium, Croatia, Cyprus, Greece, Ireland, Italy and Spain; on the other hand, there was a 4–6 percentage point decrease in Austria, Bulgaria, Estonia and Latvia.

In the EU as a whole, the proportion of 25- to 34-year-olds living at home increased slightly from 2010 to 2019 – from 29% to 30.5% (with a peak in 2016 of 30.8%). During the years of the pandemic, the percentage remained relatively steady at 30.4% in 2021 and 30.3% in 2022.

If we look at people under 30, broken down into two age groups (16–24 and 25–29), over the period from 2007, the trends at EU level are quite stable (Figure 4). For them too, the rates did not increase during the pandemic – rather, they slightly diminished from 2019 to 2022. (However, the proportions across Member States differ starkly.)

¹ This section highlights the findings of the Eurofound report *Unaffordable and inadequate housing in Europe* and provides 2022 updates for selected age breakdowns.

Figure 4: People living with their parents, by age group, EU (%)

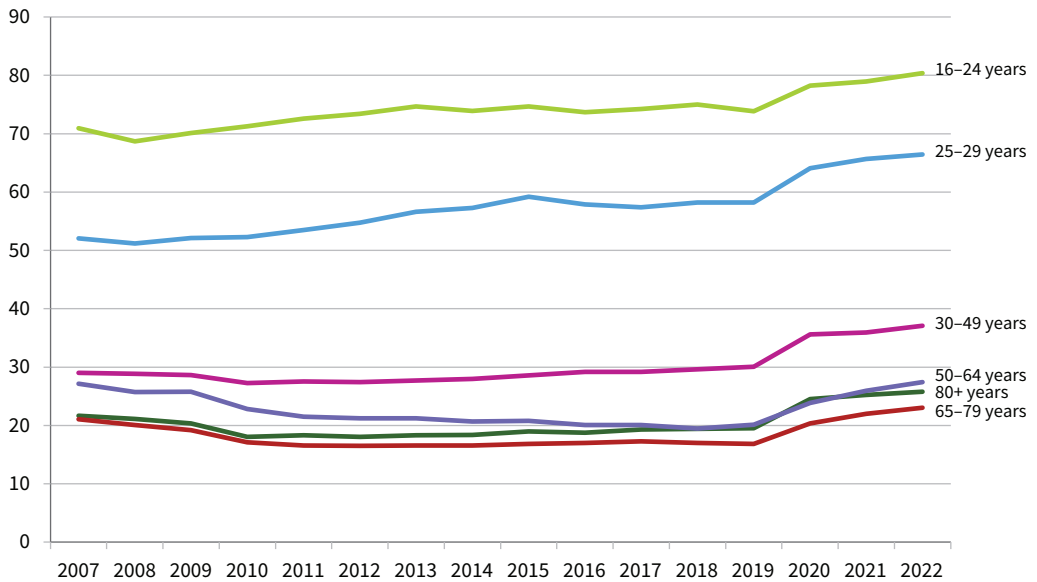
Notes: Croatia is not included in the estimates until 2010 due to lack of data. The 65–79 and 80+ age groups are not shown due to values less than 1%.

Source: EU-SILC 2007–2022

Tenure

In the meantime, the type of tenure that people obtain is changing. The overall proportion of homeowners reported by Eurostat lately is lower than any year since 2007 (69.1% in 2022, with a peak in 2012 of 71%). The decrease in home ownership is concentrated among young people and low-income groups, according to the Organisation for Economic Co-operation and Development. Renting has become more common among young people and has increased especially among those aged 30–39, rising from 38% to 45% in the EU between 2010 and 2019. The trend is most apparent in eastern Europe, where home ownership declined in tandem.

Since 2019, the rising proportion of tenants (living in rented accommodation) among people not living with parents is notable across all age groups (Figure 5). However, the trend for the 16–24 and 25–29 age groups has risen over the entire period reviewed. Although the percentage of renters within each group gets progressively lower as the age rises (indicating increasing home ownership rates over the life course), recent trends suggest that owning one's own home is likely to become a reality for fewer people and to take place later in life than before.

Figure 5: People living in rented accommodation (not with parents), by age group, EU (%)

Notes: Croatia is not included in the estimates until 2010 due to lack of data. People living with their parents were excluded.
Source: EU-SILC 2007–2022

Main challenges

Of course, there are other important differences in housing arrangements beyond the distinction between home ownership and renting – such as outright ownership versus having a mortgage, and renting public or social housing versus renting in the private market. Member States differ regarding these parameters, but broadly speaking, the main age-group-related differences in terms of challenges to housing policies are twofold: first, that people on social housing waiting lists are generally younger than social housing tenants, and second, that outright homeowners with poor living conditions (in the sense of being at risk of poverty and struggling to keep their homes adequately warm and to pay utility bills) tend to be older and to live in rural areas.

While housing arrangements and cultural norms regarding tenancy differ across the Member States, there is a strong case for policymakers in the EU to focus in the long term on improving measures addressing the excessive burden of housing costs and the

regulatory setup for renting. This argument is backed up by several findings, outlined below, from the report *Unaffordable and inadequate housing in Europe*.

- Housing costs for tenants rose in most Member States from 2010 to 2019; in the EU overall, they increased by 8% for homeowners and by 23% for tenants.
- The gap between the amounts that tenants and homeowners spend on housing (housing costs net of housing benefits as a proportion of disposable household income) widened from 2010 to 2019.
- Severe housing deprivation in the EU is most common among tenants. (The severe housing deprivation rate is one of the Social Scoreboard indicators and measures the population living in an overcrowded dwelling with one of the following issues: a leaking roof, no bath/shower and no indoor toilet, or considered too dark).

Employment and work

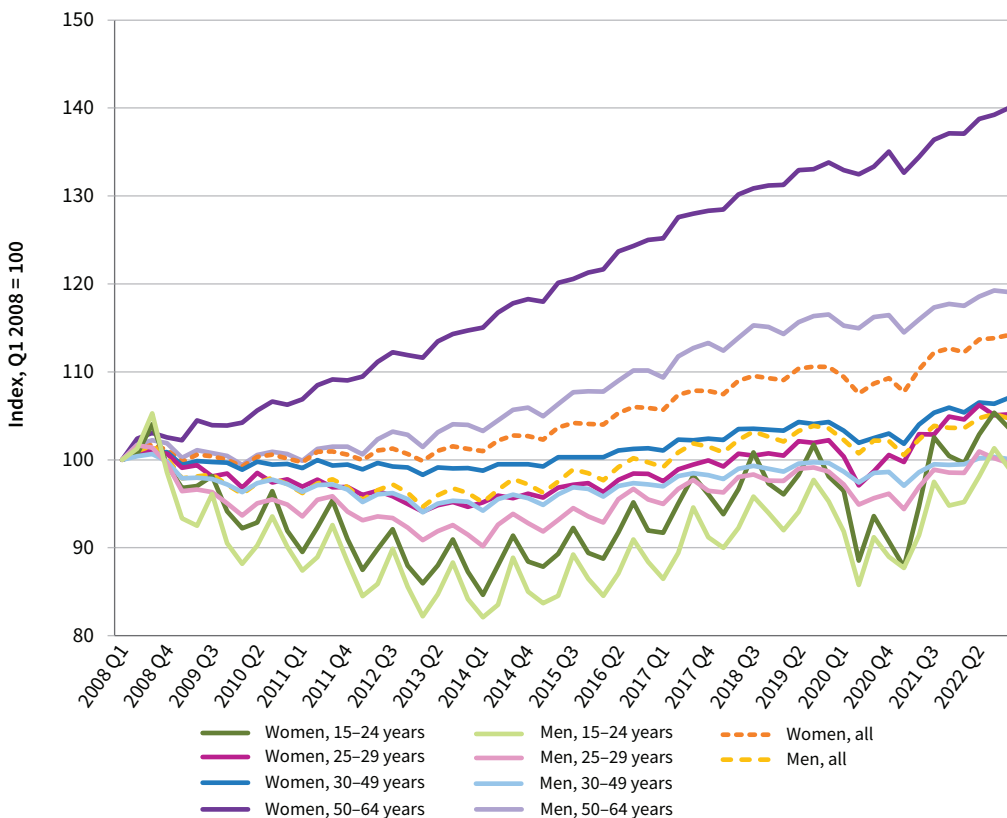
Employment indicators are watched closely in policymaking due to their importance for the economy. An employment rate of 78% by 2030 is one of the key EU targets and is related to the implementation of the European Pillar of Social Rights; the rate in 2022 was 74.6% (for 20- to 64-year-olds). Although the employment rate rose steadily after the economic crisis, the freeze of the economy during the COVID-19 pandemic in 2020 raised fears that mass unemployment would follow. The employment impact – most job loss occurring among the young, women and workers with low educational attainment, and in sectors such as tourism and hospitality – has been well documented. However, the job retention schemes of the Member States moderated the negative impact on employment (compared with the US, for example).

The recovery of the EU labour market was fast and strong, with unemployment falling to historical lows and job vacancies reaching historical heights, so that labour shortages emerged as a key challenge in many sectors. Employment rebounded to the pre-pandemic level in 2021 and grew further in 2022.

Employment trends

The largest employment expansion over the longer term, since 2008, has occurred among workers aged 50 and older, especially women (Figure 6). For younger age groups, employment grew at a far lower pace. However, the NEET rate decreased. One of the big policy concerns since it grew considerably during the economic crisis, the NEET rate increased in the first year of the pandemic compared with 2019, but by 2022 it had fallen to an all-time low.

Figure 6: Change in employment rates, by sex and age group, EU, Q1 2008–Q3 2022



Note: Index of employment rates, where Q1 2008 = 100.

Source: Eurostat [LFSQ_PGANNWS], replicated from Eurofound, 2023c.

Working time

A development that was not anticipated as a consequence of the pandemic concerns working hours: even though employment in the EU rallied and labour shortages increased in the aftermath of the crisis, hours worked did not bounce back in the same fashion. The total hours worked (an aggregate of all hours worked by all workers in the EU) reached the pre-pandemic level in the second quarter of 2022, but the average hours worked per worker had not rebounded as of the end of 2022 (ECB blog, 2023) – as paradoxical as it may seem. Over the long term, average hours worked were declining in the years prior to the pandemic across the board; however, the pandemic had uneven impacts on hours worked and was followed by an uneven recovery.

Breaking down the data by age, the gap in average hours worked between 2019 and mid-2022 (the date of the most recent data available by age) was particularly wide for the 25–29 and 30–49 age groups (especially men).

The exception to the trend was workers with high educational attainment, whose average hours worked had already exceeded the pre-pandemic level in 2021 (Figure 7). The rebound was larger for highly educated women than for men with similar attainment. However, the largest gap among workers, when broken down by sex and educational attainment, is between women with high and low educational attainments, raising concern about a risk of polarisation in the female population in terms of whether and on what terms they participate in the labour market.

Figure 7: Trends in average actual weekly hours worked in the main job, by sex and educational level, EU, Q2 2019–Q2 2022



Notes: Index of average actual weekly hours worked where Q2 2019 = 100. Data for 15- to 64-year-olds.

Source: EU-LFS ad hoc extraction, replicated from Eurofound, 2023c.

The trends in working hours drew the attention of observers especially after 2022, when average hours worked per worker also declined in the US and, similarly to the EU, did so regardless of rising employment. Initial concerns included a risk of recession; however, other employment indicators in both the EU and the US remained positive.

The changing trends in working hours deserve attention in order to establish the causes and implications. Attempts at explaining the decline have alluded to sectoral impacts (such as increasing employment in the public sector, assuming that working hours there are more moderate or excesses are prevented better), labour hoarding (retaining workers when uneconomic in anticipation of a rebound in labour demand) and high levels of sick leave (ECB blog, 2022). While the topic of sick leave specifically is not addressed in this policy brief,

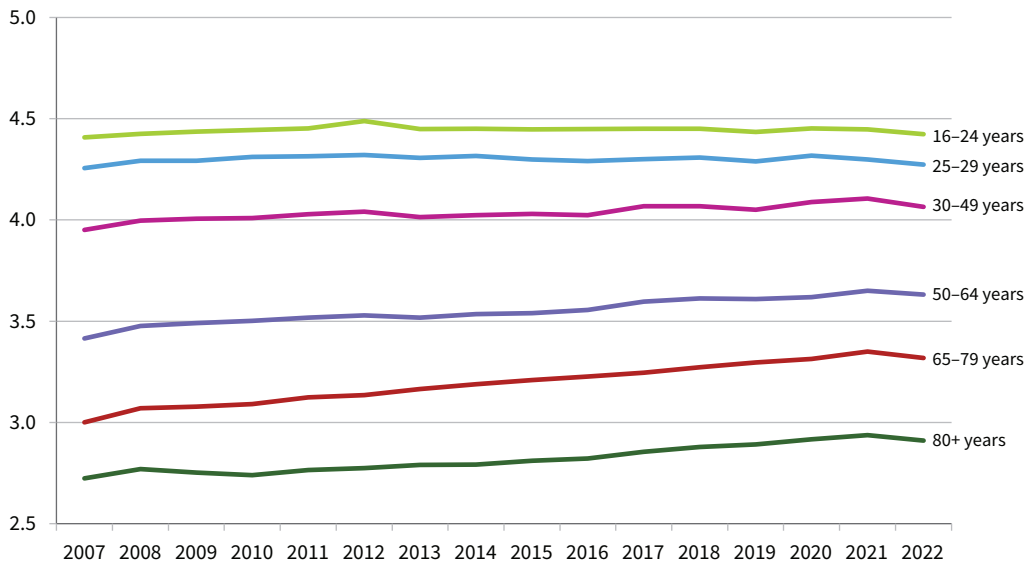
the next section looks at the broader issue of health trends, to give background information on health as a resource for workers and populations alike.

Health

Self-perceived health

Although European societies continue to age, Europeans' perception of their health improved continuously over the past decade and a half. A considerable contributor to this improvement is the better health reported by older age groups (Figure 8). The huge health crisis and the challenges of the COVID-19 pandemic do not seem to have reversed this overall trend at the scale of the entire population: the upward trend continued even during 2020 and 2021.

Figure 8: Self-perceived health, by age group, EU (scale 1–5)



Notes: Self-perceived general health is measured on a scale of 1 to 5, where 1 means very bad, and 5 means very good (reverse coded from original dataset). Croatia is not included in estimates until 2010 due to lack of data.

Source: EU-SILC, 2007–2022

Chronic illness

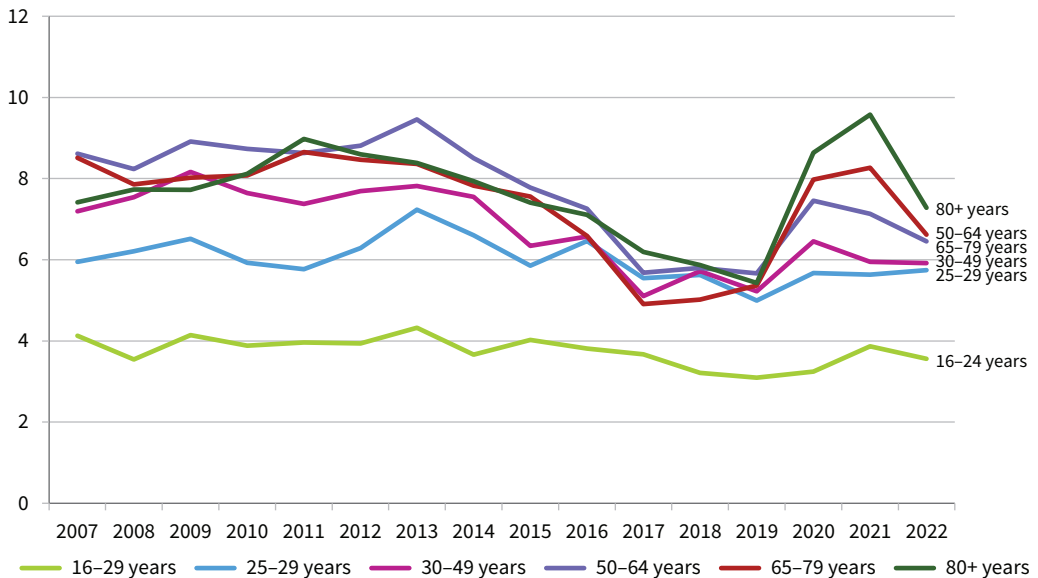
Next to the steady health improvement in middle and older age groups, on average, there are different dynamics regarding chronic illness. The prevalence of reported long-term illness and health problems remained similar (with small fluctuations) over time, with a small increase for all age groups.

On average, the overall rate of chronic illness in 2020 (35.2%), the first year of the pandemic, was slightly lower than at the peak of the upward trend in 2017 (36.5%). However, it increased subsequently, reaching 36.1% in 2022. An increase from 2020 to 2022 is seen in all age groups, including the youngest (16- to 24-year-olds), for whom the rate of chronic illness in 2022 returned to its peak (in the period reviewed) of 15.8% in 2017. However, it is not yet certain whether and how specific chronic diseases account for variation in the trends among the age groups over the last 15 years and especially in the aftermath of the pandemic (2021–2022).

Unmet medical need

Alongside a quite sharp rebound in reported chronic illness after the pandemic, there was a similar upward tendency in unmet medical need – the health variable that probably showed the largest change in trend during the pandemic (Figure 9). Despite the allocation of significant additional resources to health systems and the reorganisation of work practices to meet demand over the course of 2020, unmet medical need continued to rise in 2021, albeit at a slightly slower pace. This overall increase was caused by the continued rise in unmet need among the youngest (16–24) and the oldest (65–79 and 80+) age groups, whereas the rate stabilised or receded somewhat in 2021 for the age groups in the middle. It suggests that even if health systems were mobilised and better resourced, there were limits to their capacity to clear the backlog. In 2022, the rate of unmet medical need declined but had not fallen as low as prior to the pandemic for any age group.

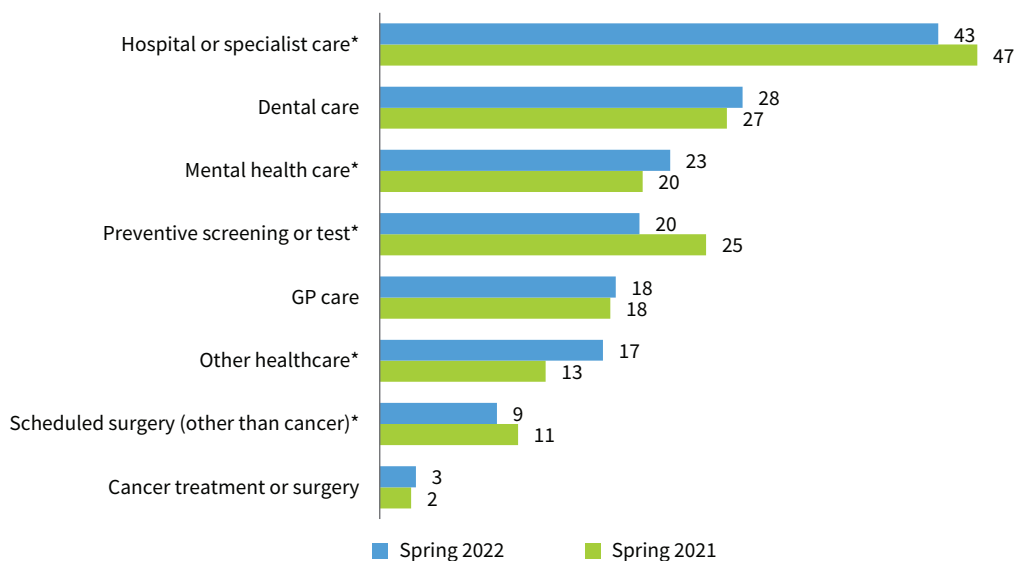
Figure 9: Unmet need for medical examination or treatment, by age group, EU (%)



Note: Croatia is not included in the estimates until 2010.

Source: EU-SILC, 2007–2022

Figure 10: Unmet need for various healthcare services, EU, 2021–2022 (%)



* denotes a statistically significant difference ($p = 0.05$) between spring 2021 and spring 2022.

Source: Eurofound, 2022, p. 7

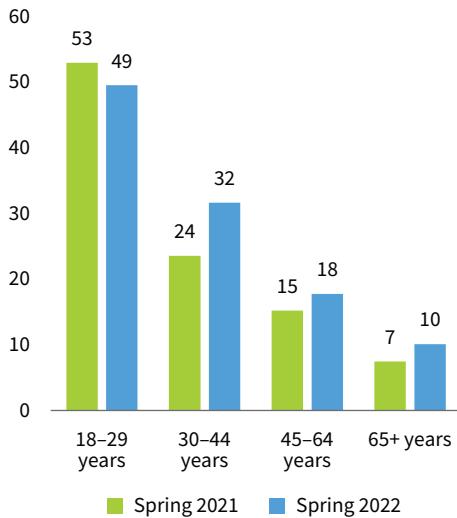
Types of unmet need

In its *Living, working and COVID-19* e-survey, conducted in 2020 and 2021, Eurofound asked respondents about the types of unmet medical need they experienced. This established that the most common unmet needs were – in order of prevalence – hospital and specialist services, dental care, mental health care, preventive screening or tests, GP care, other healthcare, scheduled surgery (other than cancer) and

cancer treatment (Figure 10). Lack of access to all these healthcare services proved to be a lasting issue that was not resolved in the second year of the pandemic (2021). This presents policymakers with a challenge to design improvements that will boost the resilience of health and healthcare services in any potential future crises.

The sharp rise in and persistence of unmet medical need in 2020–2021 reversed in 2022 but did not quite fall to pre-pandemic (2019 or even 2018) levels.

Figure 11: Unmet need for mental healthcare, by age group, EU, 2021–2022 (%)



Note: All changes between spring 2021 and spring 2022 are statistically significant ($p = 05$).

Source: Eurofound, 2022, p. 8

Mental health support

A particular phenomenon during the pandemic was an increase in the need for mental health support. According to the *Living, working and COVID-19* e-survey, every second respondent (53%) in the 18–29 age group reported an unmet need for mental healthcare in 2020, although with a slight decline in 2021 (49%; Figure 11). Prevalence was lower for older age groups, but it increased from 2020 to 2021.

According to a study by Eurofound, *Social services in Europe: Adapting to a new reality*, there was a relatively successful switch to and expansion of remote mental health support services for the general population (as distinct from specialist services): online counselling multiplied, and a wide range of digital mental health tools (helplines and apps) became available. These types of services could increase access to mental health support enormously. However, gaps in the evidence remain regarding the true scale of the increase in supply and take-up of digital mental health support services. Evidence is also lacking on their quality, impact and efficiency.



Policy pointers

Tackling intergenerational inequalities should include generation-conscious policy reforms that take a life course perspective and consider the following pointers.

Regarding income

The data on income highlight challenges that are likely to persist in an ageing European society and across the Member States. They suggest a rethink is necessary of the policies that have led to large differences and divergent trends between the incomes of younger and older age groups (such as in southern Europe). An understanding of income differences and their implications for economic and social security over the life course could also be of benefit if more attention were paid to individual income (as used in the current analysis) in addition to the commonly used measure of household disposable income. To capture developments in the area of intergenerational inequalities in a timely manner, especially during fast-erupting crises such as the COVID-19 pandemic or the energy crisis, improved access to linked administrative data (for example, from tax registries or public health insurance) could help to identify groups at risk faster. However, few Member States so

far have the data infrastructure in place for secure and regulated access to such data.

In seeking a more equal allocation of the economic burden arising from crises such as the 2008–2012 economic slump or the COVID-19 pandemic, policies need to ensure that inequalities are addressed effectively both between and within the age groups, so that public transfers, including public pensions, alleviate the situation of those who experience most hardship. This means strengthening income protection and securing minimum incomes for low-income groups, including older people on low incomes.

More differentiated and better-targeted policies are needed to minimise policy costs in the long term while protecting those who are most financially insecure. A perspective of intergenerational fairness should be incorporated into policymaking when balancing reduced fiscal revenue and increased spending needs. It is also important to consider socioeconomic differences in working life expectancy and general life expectancy when implementing important pension reforms such as increased retirement ages.

In recent years, reassessment of the redistributive role of welfare systems has gained traction, pointing to the potentially growing importance of the redistributive function of public pensions (for example, Vanhuyse et al, 2021). However, existing redistribution mechanisms do not only contribute to alleviating inequalities but can also aggravate them, such as in the case of old age pensions that support the rising incomes of older people, while income protection measures are less effective in boosting the incomes of younger age groups. As this policy brief has highlighted, an increasing share of public benefits is distributed to individuals with the highest incomes via old age pensions, especially in southern Europe.

A focus on promoting the consistent labour market participation of young people to improve their income security is a key priority. Minimising disruptions to career paths and incomes, including people's contributions to pension funds, is central to improving the earnings prospects of younger generations as well as social protection over the life course and income in old age (also see the section 'Regarding work and employment' below).

Regarding housing

The data shown reveal that in the EU as a whole, the proportion of young people living with their parents is quite stable over time, as is the average age of leaving home. However, more attention should be paid to the changing tenure type of those who live independently. Renting has become more common among young people, evidence that backs up the popular concern about the rise of 'generation rent'. In fact, across all age groups, an increasing proportion of people are renting their accommodation compared with previously – which may mean that a smaller proportion of the current young generation will change their tenure type in later years.

The policy focus should be directed towards the challenges that are associated with living in rental accommodation compared with home ownership and include the increased housing costs of tenants and the higher rates of severe

housing deprivation in this group. Policymakers should also address the regulatory setup and policies for renting with regard to optimising rental costs and ensuring the quality of accommodation.

Regarding work and employment

The review of recent trends in employment reiterates the evidence on the continued growth of employment for people over 50 and slower employment growth for young age groups, among whom employment growth actually declines during crises. Therefore, as mentioned earlier, the entry and participation of young people in the labour market need to remain a policy focus. Disruptions to employment during people's early working lives not only have a negative impact on their subsequent career paths and incomes, but also on their contributions to pension funds and social protection entitlements in the long term. The consequences of recent labour market reforms such as flexibilisation and labour market crises have been borne primarily by younger working cohorts while older workers have been protected. This has increased the intergenerational divide, especially in southern Europe.

More investment in providing opportunities to younger generations is an important lever for tackling the growing skilled labour shortages in Europe. Increased female labour market participation is also seen as an important countermeasure against the shortage in skilled labour. Policies that support parents to combine childrearing and work are important, regardless of gender, to tackle the barriers to people's labour market participation as well as for their economic well-being and independence during working age and in retirement.

Among the recent trends depicted in this policy brief is the apparently paradoxical coexistence of rising employment rates and slow recovery of hours worked per worker. A deeper understanding of the uneven developments in hours worked is necessary for gaining insight into productivity and, in turn, the remuneration prospects of workers.

The review of recent trends in employment calls for:

- the monitoring of both extensive (such as the employment rate based on headcount) and intensive (such as hours worked) labour market dimensions in order to establish the reasons behind and implications of recent uneven developments in respect of age, sex and education
- a more thorough assessment of the gaps in employment and hours worked within the female population, particularly in relation to education – one that considers the risk of polarisation within this population with respect to labour market participation

Regarding health and healthcare

The data show that Europeans of all ages, and especially older people, perceive their health to be improving. This is positive news in an ageing society – a favourable perception of one's own health being both an indicator of quality of life and a resource for resilience, engaging in work and generating income. However, the COVID-19 pandemic has revealed substantial differences between age groups with regard to specific health and healthcare issues that may need new systemic strategies to address them.

First, the huge rise in unmet medical need calls for a more careful assessment of how much of the recent investment in healthcare can be converted into resilience to meet user needs in the event of future crises; the potential greater medical needs of older people are a particular concern.

Second, the known issue of the mental health challenges of young people reached a new level during the pandemic. While there was an expansion of remote counselling, helplines and apps aimed at promoting mental well-being, the evidence is not yet sufficient to assume the mental health challenges for young people have receded.

In the context of the challenges mentioned, a health policy perspective needs to focus on:

- close monitoring of forthcoming data on unmet medical need and taking action to decrease it
- studying the implications of unmet medical need for health and well-being
- assessing the ways in which healthcare services can become more resilient and adaptive in addressing needs in the event of potential future crises



Resources

All Eurofound publications are available online at <https://www.eurofound.europa.eu>

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The various economic and social shocks of the past decade and a half – most recently the COVID-19 pandemic – have ongoing consequences for the living standards and prospects of Europeans, and sometimes these outcomes have been uneven across age groups. Social policies – such as those in the areas of social protection and housing – in some cases have benefited certain age groups over others. The upshot both of crises and of policies is that inequalities between the generations have widened in important areas.

This policy brief examines some of the intergenerational social trends that either were persistent or changed considerably over the last decade and a half, sometimes contrary to expectations. It focuses on significant developments that have received somewhat less attention in policy planning in the areas of income, housing, work and employment, and health. The intention is to develop a clearer sense of the direction of social change and bring medium- and long-term perspectives into policy thinking.

The European Foundation for the Improvement of Living and Working Conditions (Eurofound) is a tripartite European Union Agency established in 1975. Its role is to provide knowledge in the area of social, employment and work-related policies according to Regulation (EU) 2019/127.

