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The Crisis for Young People in Britain: Generational Inequalities in Education, Work, Housing and Welfare

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The Crisis of the Millennial Generation

- The Millennial generation - born in the 1980s and 1990s, with many entering the labour market during Great Recession.
- Media labels them 'lost generation,' the 'jilted generation,' the 'wasted' generation, and 'generation rent'.
- This generation were harder hit than other age groups by the Great Recession;
- They are also experiencing the effects of longer-term structural changes, many of whose origins predated the crisis, and some of which may impact on opportunities well into the future.
- changes in the nature of work, the crises in housing and pensions and, most recently, the ramifications of the UK Brexit, which most young people do not support.
- It is widely held that they face more limited opportunities than their parents and may be the first generation to do so since those born at the start of the last century.

Research Questions

- How far and in what life domains have opportunities for the current generation of youth diminished relative to previous generations?
- Do the positive generational gains in opportunities in some spheres, like education and lifestyle choices, offset the apparently negative changes in other spheres, like housing and pensions?
- Are all young people affected, or is this group of young people so socially differentiated that we cannot speak meaningfully about a generational shift?
- If a shift affecting all young people, is it about delayed transitions to adult life and increases inequality between age groups and?
- Or will the disadvantages of this cohort continue throughout their lives creating a genuine intergenerational decline over the lifecourse?
- Will this generation be a one-off 'lost generation,' disadvantaged throughout their collective life time, but followed by new generations which fare better?
- Or are we facing a succession of generations, each made worse off than the ones preceding by ongoing uni-directional changes in economy, society and culture - a scenario which reverses the notions of historical progress through successive generations to which we have been accustomed for two centuries?

What are the Drivers of these Changes in Youth Opportunities.

Most theories point to three main drivers of change:

- Ageing populations
- Globalisation
- Recession and Austerity

Ageing

Demographic change

In the century from 1911 to 2011 life expectancy at birth in England increased for males from 51 to 79 years, and for females from 55 to 83 years. It is expected to rise further by 2032, to 83 years for men and 87 years for women.

- Even with later retirement ages, the age-dependency ratio will decline from 3.2 to one in 2012 to 2.7 to one in 2037.

Effects on young people:

- Pressure on welfare budgets: 80 percent of social/ benefit spending devoted to pensions and health care - which mostly go on older people.
- Young people unlikely to receive same benefits in health care and benefits when old.
- McCarthy et al (2011) calculate that average net lifetime contribution to welfare state will be £159 668 for those born after 2008; £124 486 for Millennials and -£223 183 for the baby-boomers.
- Break down of generational welfare contract.

Globalisation

- Increasing economic competition between states reducing capacity to tax to meet demand for public services (because of tax competition and the mobile nature of capital.)
- Increasing inequality of earnings almost everywhere (although at different rates depending on the political regime), through so called skills-biased technological change and declining trade union power.
- De-regulation in the labour market and ‘flexibilization’ of labour, reducing real earning of the less skilled and increasing the precariat (with up to 40% of young employees in precarious jobs – Hutton, 2014).

Young people are at the sharp end of changes.

Recession and Austerity

Young people in most countries suffered more than other age groups from:

- Rising unemployment
- Reductions in real pay
- Casualisation of work

However, many of the problems affecting young people predate the crisis

- rising youth unemployment since 1980s;
- increasing age inequality in earnings since 1990s.
- Future problems with cost of pensions and health identified in 1990s.

Theories of Intergenerational Change:

1) Delayed Transitions

Social psychologists (Schoon and Lyons-Amos, 2015) conduct life course analysis on the basis of longitudinal data on lives of successive cohorts, going back in the UK to those born in 1958 who were 59 in 2017.

Patterns of youth transitions to adult life have changed significantly. Young people today

- take longer to leave home, gain stable employment, acquire financial independence and to purchase a home;
- slower to cohabit or marry, and to start families.
- slower maturation process also delays traditional patterns of political engagement, and particularly of voting.

Agnostic about lifetime generational change in life chances.

2) Political Economy Perspectives on the Crisis of Youth

Political economists are generally equally cautious about how far we can talk about wholesale intergenerational decline.

- The political economy literature shows how inequalities in incomes and wealth have been increasing relentlessly over time in most developed countries since the 1970s.
- Tend to see changes in terms of increasing inequality within and across age groups.

The 'Lost Generation' and the 'One-Off' Ratchet in Intergenerational Inequality.

According to Willetts (The Pinch, 2010) the baby boomers were a lucky generation. They were a large and politically powerful cohort and exceptionally fortunate historically.

- They entered labour market in 60s when jobs were plentiful and incomes more equal than at any time before or since;
- They bought houses when cheap; paid off mortgages easily as inflation eroded debt, so acquired valuable assets in mid-life which they could use as collateral for higher borrowing and spending.
- They were well entrenched in jobs and careers when globalization restructured work and retired when pensions and health services were still more or less intact.

By contrast Millennials:

- entered LM at time of crisis and at sharp end of globalization;
- found home ownership and private renting unaffordable;
- Would suffer effects of welfare state retrenchment in social benefits when young and in health care and pensions when old.

Willetts criticized for paying little attention to intergenerational inequality

A New Long-Term Dynamic of Growing Intergenerational Inequality

Howker and Malik (2013), in contrast to Willetts, see a long term dynamic of increasing intergenerational inequality which they attribute to:

- Globalisation
- Neo-liberal policy dominance
- An increasing individualism which started with baby boomers but led to a more general culture shift affecting all generations, dating from the Thatcherism of the 1980s.

Individualism is characterized by short-term pursuit of personal gains and the collective selling of the future to meet the demands of the present.

This is seen as leading to a more general societal decline which will make each future generation worse off than the last.

The end of intergeneration progress.

Education, Education ...Under-Employment: The Mantra that Failed

Young people today spend more time in education and gain higher qualifications than their parents.

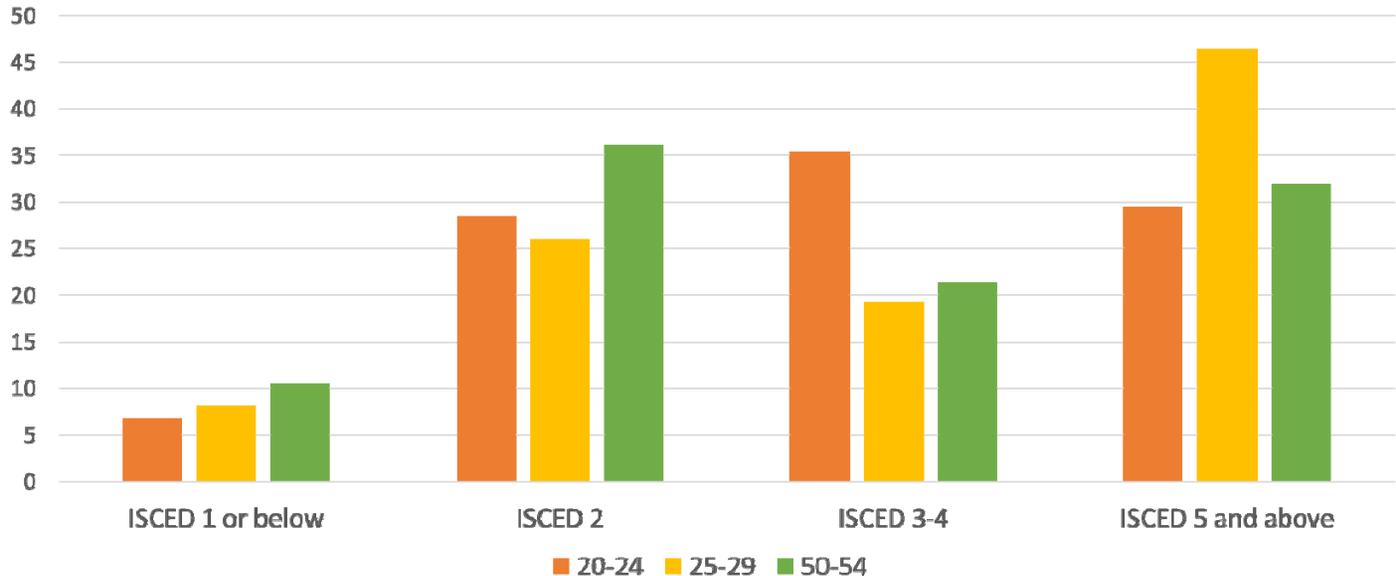
Twice as many continue in upper secondary education and training and fifty percent more gain degrees than did so the 1980s.

Young Women and children of immigrants perceive that they have better opportunities than their parents.

Yet opportunities in education are not translated into better labour market prospects

Highest Qualifications by Age Cohort

Source: Own derivation from OECD (2013b). *Skills Outlook 2013: First Results from the Survey of Adult Skill*.
OECD, Paris. Data for England and Northern Ireland.



Reduced inequality in Qualifications but not in Skills

More inclusive participation narrowed inequalities in qualification outcomes and slightly reduced the social gaps in attainment of qualifications, at least at the upper secondary level.

However, the gains in educational opportunities for young people are to some extent illusory.

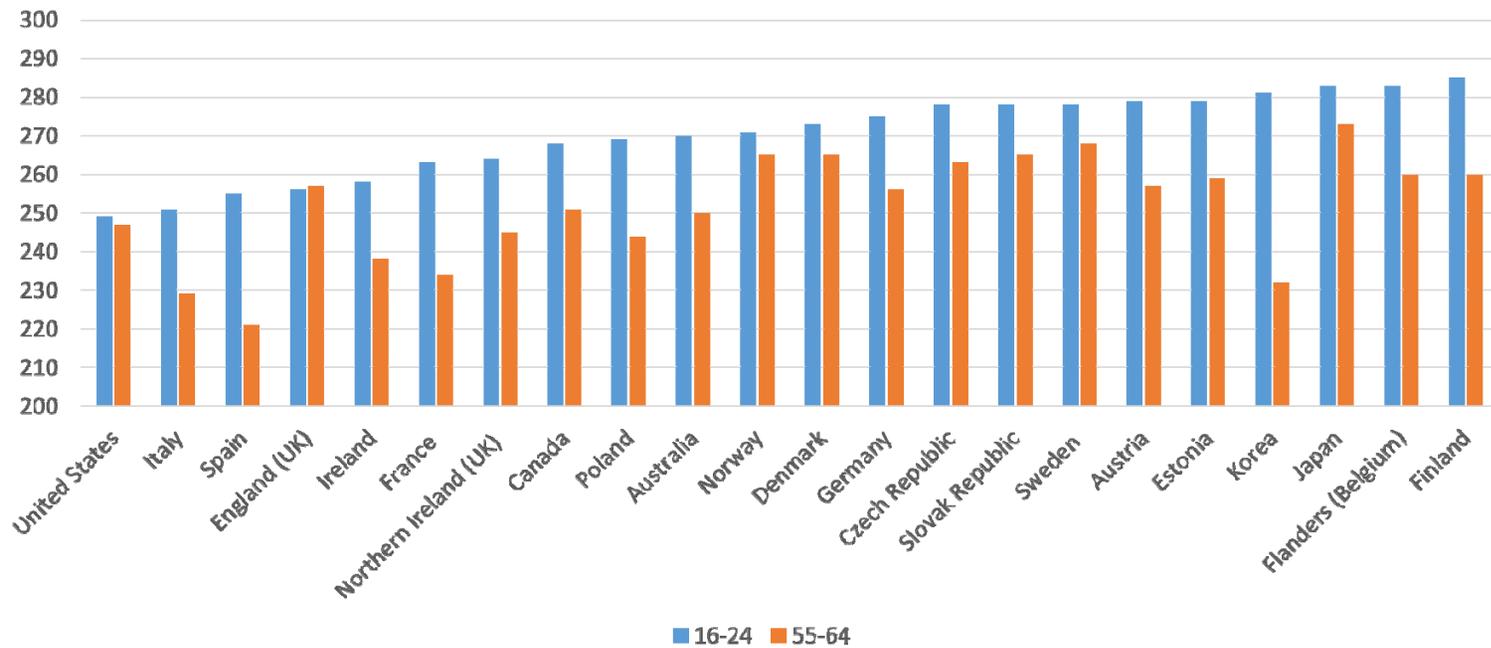
Improvements in the skills we can measure, like literacy and numeracy, have not kept pace with increasing qualifications rates, and inequalities in skills outcomes have reduced less than those in qualifications, if at all.

This suggests that much of rise in qualifications is indeed a question of credential inflation and yields few benefits to young people today in terms of future life prospects.

Our analysis of the occupational destinations of people qualified at different levels suggests a steady erosion of the value of qualifications of all levels on the labour market.

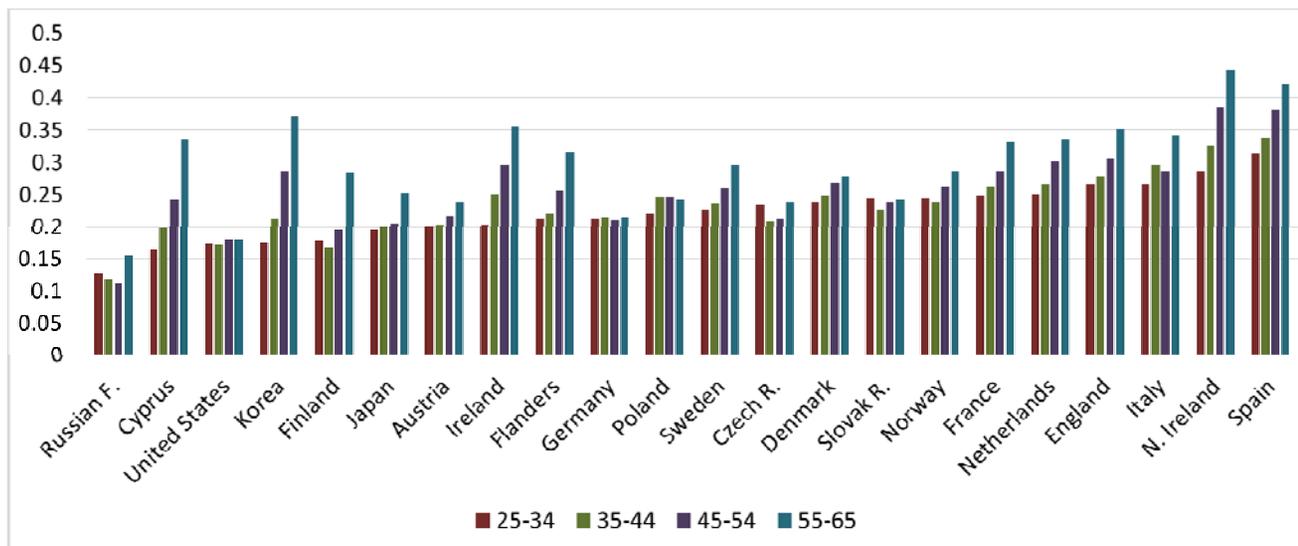
Mean Country Numeracy Scores by Age Group, 16-24 and 55-64

Source: Green et al (2014) derived from data in OECD (2013b). *Skills Outlook 2013: First Results from the Survey of Adult Skill*.
OECD, Paris.



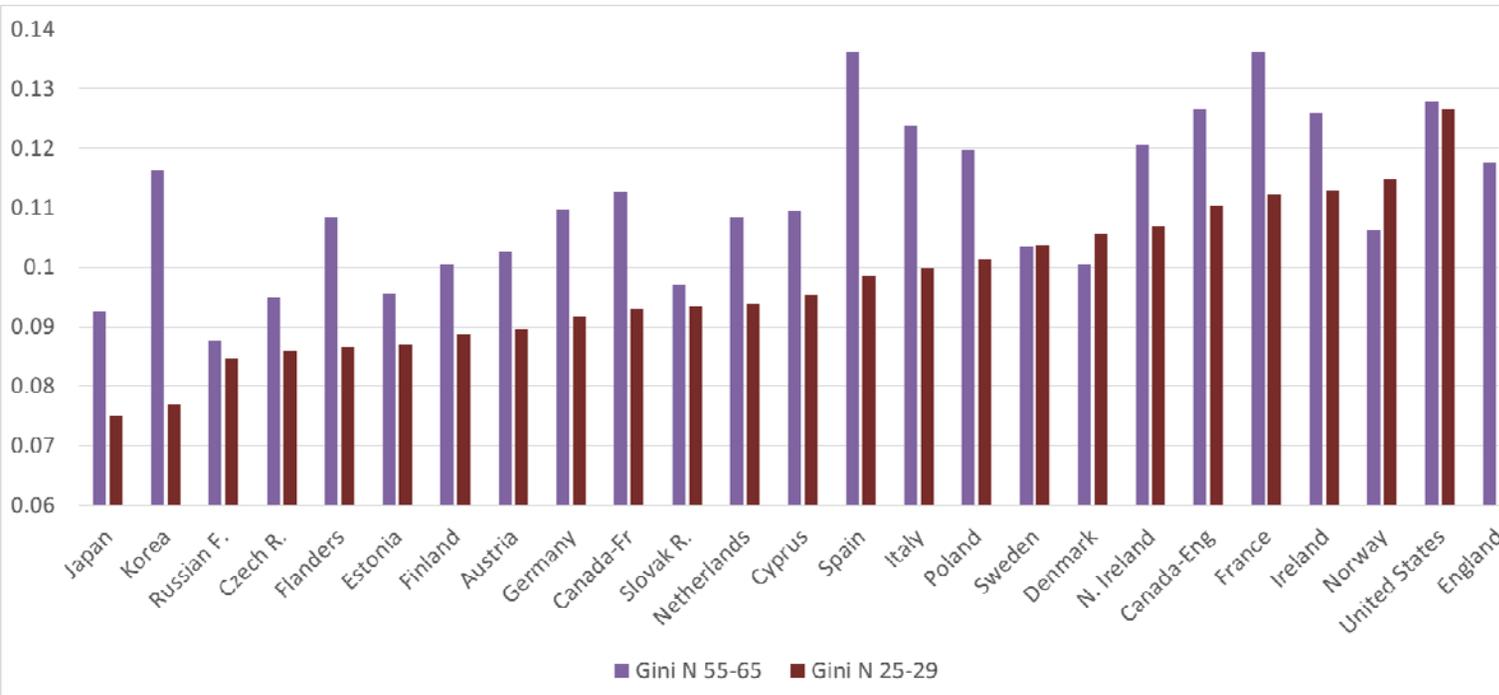
Inequalities in Highest Qualifications in Different Age Groups

Source: Green et al (2015) derived from data in OECD (2013b). *Skills Outlook 2013: First Results from the Survey of Adult Skill*.
 OECD, Paris.



Numeracy Ginis for Younger and Older Age Groups

Source: Green et al (2014) derived from data in OECD (2013b). *Skills Outlook 2013: First Results from the Survey of Adult Skill*. OECD, Paris.



Declining Occupational Status of Graduates, 1992 – 2015

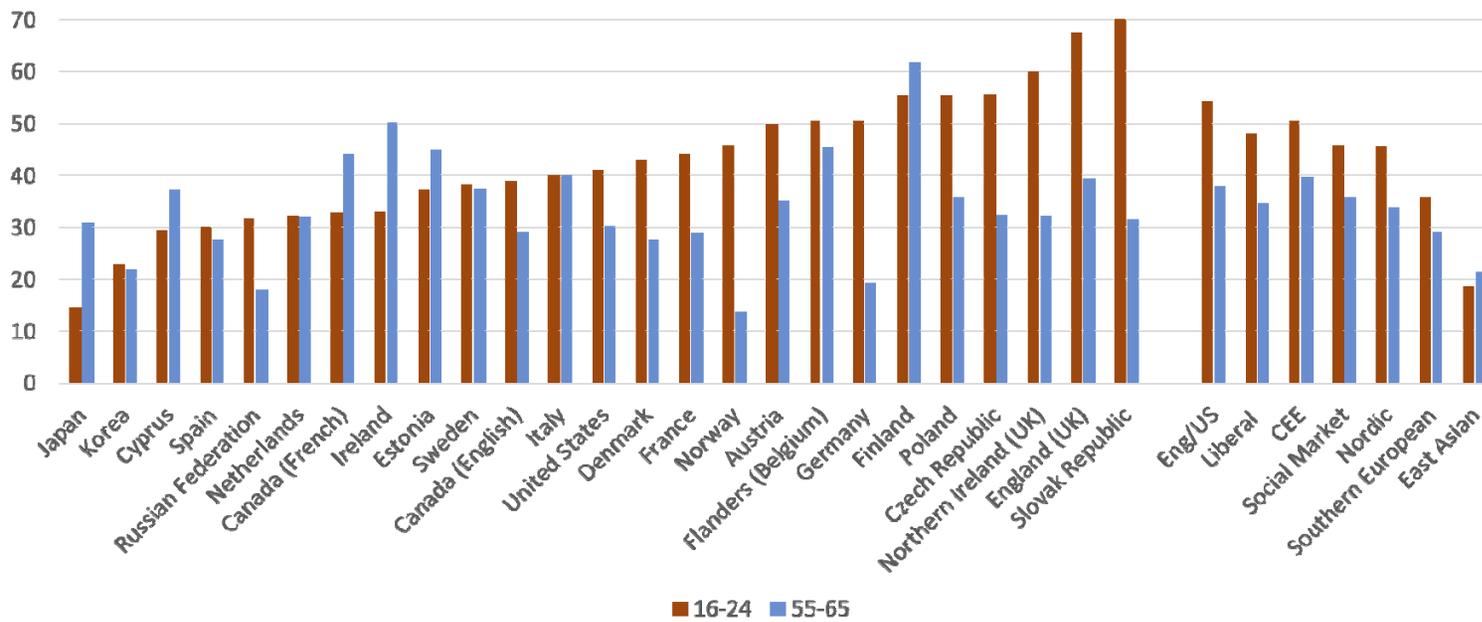
Source UK Labour Force survey

Our analysis shows that amongst 28-32 year olds at each levels of qualification occupational status declined overall between 1992 and 2015. Growing rates of over-qualification and under-employment are most evident amongst graduates.

- Whereas 68.8 percent of graduates in 1992 progressed into ‘graduate jobs’ by age 28-32, only 62.7 percent did so in 2015. Of those who did not, a larger proportion now found themselves in craft and clerical jobs (12.1 compared to 9.2 percent), and a much larger proportion than before were in semi- and unskilled jobs (14.7 compared to 8.5 percent).
- Amongst those with highest qualification at upper secondary level fewer were in craft and clerical jobs (25.3% in 2015 compared to 33.4% in 1992), and more were in low skilled jobs (from 21.9 percent in 1992 to 32.9 percent in 2015).

Social Gradients for Numeracy for Younger and Older Age Groups

Source: Green et al (2014) derived from data in OECD (2013b). *Skills Outlook 2013: First Results from the Survey of Adult Skill*. OECD, Paris.



HOUSING

Housing is source of the most blatant generational inequalities in Britain.

The rising costs of homes has meant that home ownership has become impossible for the majority of young people (some 75%) who don't have parental help.

- For young people buying in the years between 1970 and 1990, first-time buyer home prices had been, on average, at an affordable 2.4 times their average incomes.
- For those buying between 1997 and 2009 the ratio had risen to a quite unaffordable 3.41 to 1.
- By 2016 the average home was costing almost eight times average earnings. (Howker and Malik).
- The baby-boomer cohort now aged 59 had an odds on chance of owning a home by age 30.
- 35 percent of 18-30s owned their homes in 1997, and about 25 percent did so in 2008.
- Joseph Rowntree Foundation predict by 2020 the proportion will drop to around 12 percent (Joseph Rowntree Foundation).

HOUSING 2

At the same time social housing is more scarce due the policy of selling off council homes.

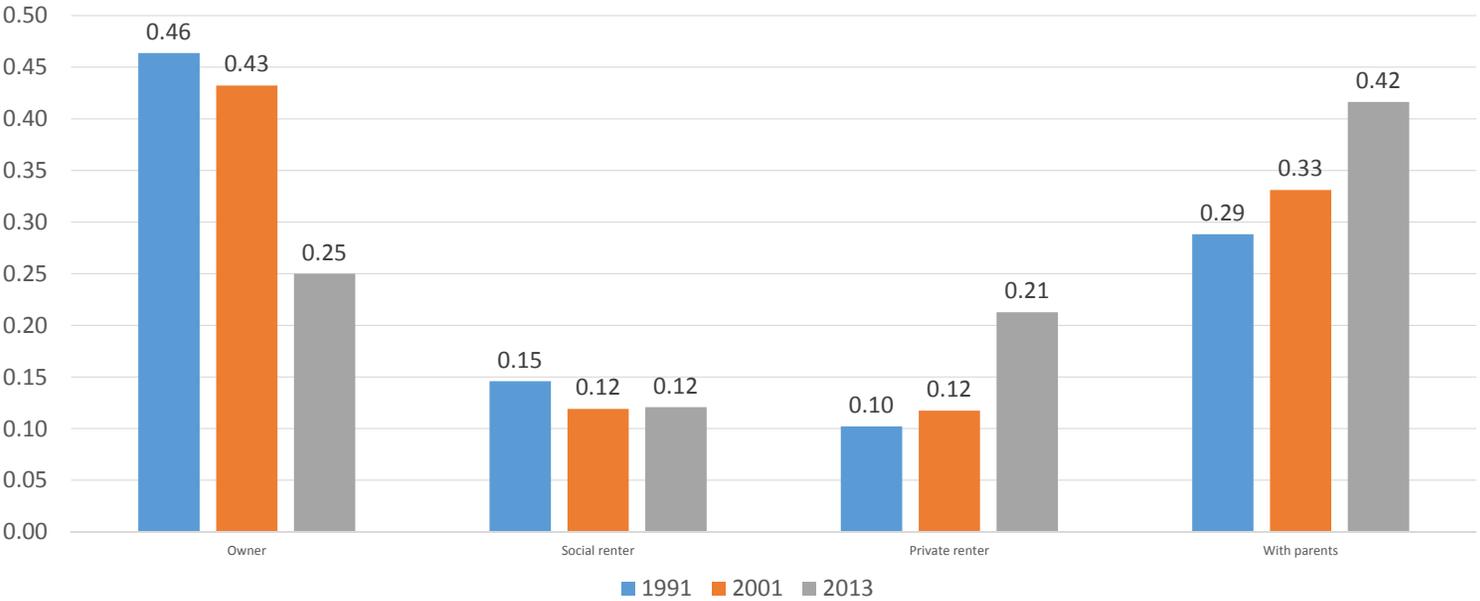
The result is that young people are continue to live with their parents for longer or move into the private rental market.

But the private rental market in the UK is less regulated than in most European countries so rents are extremely high, quality is often poor and tenancies are very insecure.

- the cost of renting rose a massive 37 percent in the five years to 2012, and it has been going up at a rapid rate since then. By 2012, average monthly rents had reached £744 nationally and £1 102 in London. (Dorling, 2014).
- In 2014/5 private tenants paying on average over half of their household incomes on rent (the English Household Survey).
- Young people renting in the private sector pay so much in rent that saving for a deposit to buy a house becomes impossible.
- The median stay in a dwelling for owner-occupiers is 7.1 years and that for social renters 7.8. In contrast, the median private tenant stays only 1.7 years before moving on.

Trends in Proportion of 18 to 34 Year Olds in England Different Tenures, 1991, 2001, 2013

Source: calculations from British Household Panel Survey/UK Household Longitudinal Study data: Weighted estimates.



Intergenerational Decline Meets Social Class Polarisation

Of all the domains in which young people see their opportunities restricted, housing represents the most serious, and the one which most clearly represents a growing gap between generations in lifetime opportunities.

As they grow older most young people may well catch up with their parents' generation in terms of jobs and earnings. Yet in housing, we are witnessing a genuine divergence in intergenerational fortunes, which will almost certainly affect the majority of the young generation throughout their lifetimes.

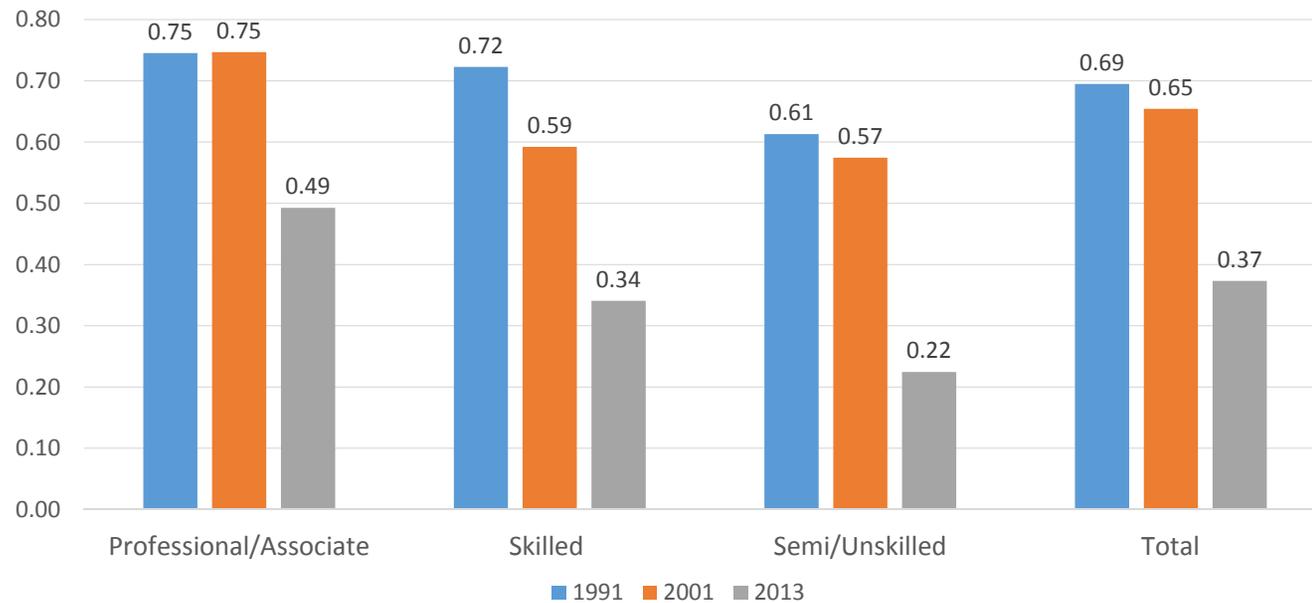
However, at the same time this generational decline is cross-cut by growing class divisions amongst young people.

Housing opportunities are becoming increasingly polarised by social class and social background.

In England, where homeownership has been a major vehicle for social mobility two post-war generations, class polarisation in housing opportunities now works to reduce it.

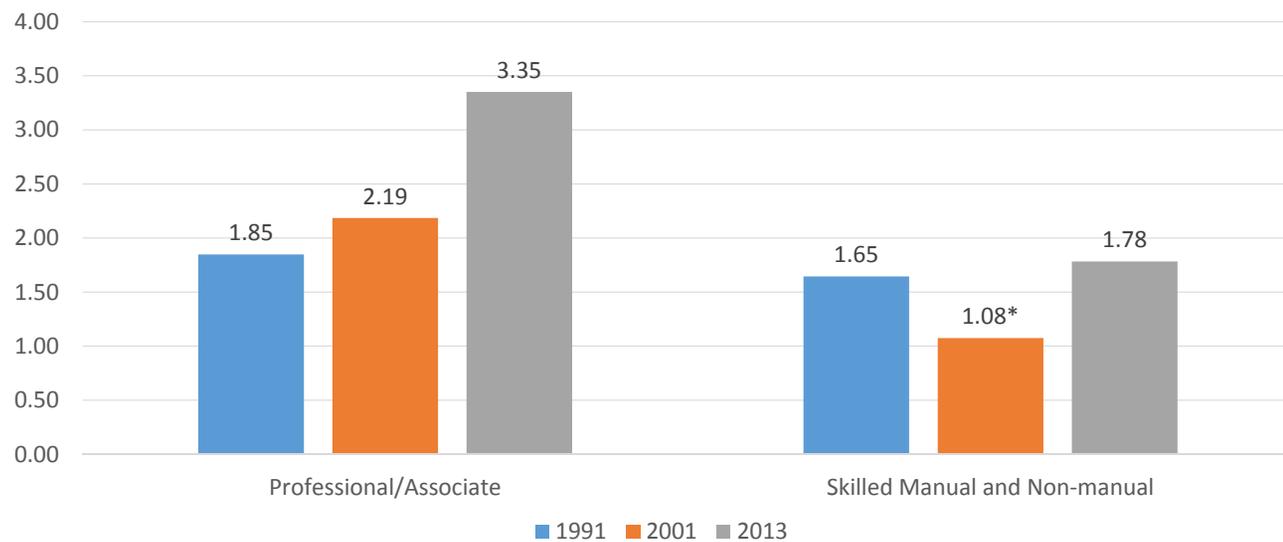
Trends in Proportion of Home Owners by Occupational Class for 25-34 Year Olds, 1991, 2001 and 2013

Source: calculations from British Household Panel Survey/UK Household Longitudinal Study data: Weighted estimates.



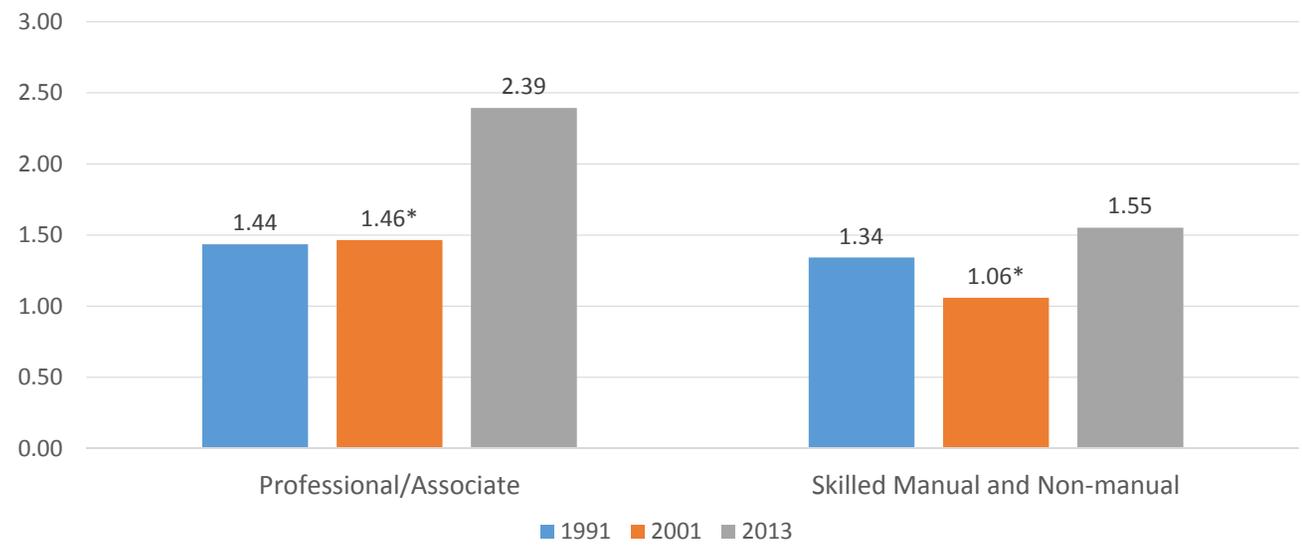
Trends in Odds Ratios for Owning Accommodation amongst 25 to 34s by Occupational Class

Source: calculations from British Household Panel Survey/UK Household Longitudinal Study data: Weighted estimates. The odds ratios are computed cross-sectionally on the three waves of BHPS-UKHLS : 1991, 2001 and 2013. Note: * means that the estimated odds ratio is not significant at the 95% confidence level.



Trends in Odds Ratios for Owning a Home amongst 24 to 34s in England by Parental Occupational Class

Source: calculations from British Household Panel Survey/UK Household Longitudinal Study data: Weighted estimates. The odds ratios are computed cross-sectionally on three waves of the BHPS-UKHLS survey, for years 1991, 2001 and 2013. Note: * means that the estimated odds ratio is not significant at the 95% confidence level.



Policies for Intergenerational Equity. 1. Higher Education Finance

Nearly 50 % of young people now participate in higher education in the UK. The loans they take out to pay for their maintenance and tuition fees now average around £45k.

The new generation of graduates will live most of their adult lives struggling to pay off student loans at the same time as paying historically high mortgages and rents.

The system is grossly inequitable. Firstly, because one generation is paying for something which previous generations had for free and, secondly, because graduates have to pay back the same amount regardless of what they earn and the value of their degrees on the labour market.

A more equitable and efficient solution to financing first degree higher education would be to scrap all loan debt, reinstate more generous maintenance grants, and to finance this by a hypothecated tax on graduates of all ages.

Our provisional calculations suggest that a graduate tax of 2.5% levied on all employed graduates educated at English universities and earning over £21 000 pa would:

- Reduce annual repayments of the average new graduate by two thirds (to £500 pa)
- Require no greater taxpayer subsidy than the existing system
- Over the long term reduce taxpayer costs substantially (as the tax base of graduates increases over time by 50%).

Policies for Intergenerational Equity. 2. Housing

- Britain does not have a shortage of housing.
- Average number of rooms per person has increased over the years, from 1 in 1921, to 1.5 in 1971 and 2.4 in 2011 (Tunstall in Dorling, 2014).
- Danny Dorling calculates that there are currently enough empty properties to house two million people.
- The problem is that the homes are often in the wrong place; at the wrong price; and bought by the wrong people (landlords and investors rather than people who need somewhere to live).

Some Solutions

The major cause of Britain's housing crisis is the tax privileges given by successive governments to property ownership.

The solution is to tax property in the same way as other assets. This would permanently reduce prices and create greater house price stability and a more balanced economy.

- Profits made on the sale of homes (first and secondary) should be subject to capital gains tax as with profits from the sale of other assets.
- The house price boom in the 2000s created net gains in home-owner wealth of about £1 tn pounds – a transfer from the younger generation of buyers to older owners equivalent to the national debt. I calculate that if capital gains tax at 30% had been applied in the five years following the house price boom it would have raised over £90 billion pounds - around £24 billion pa (close to what we spend on secondary schools).
- Council taxes levied on most individuals in the UK are highly regressive, with those in homes worth over £7 m only paying only three times as much as those with homes worth only £70 k. The tax needs to be reformed to be proportionate to the value of people's homes.
- We need a new charter of rights for private renters with longer term tenures and rent control.

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