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An intergenerational audit for the UK

2021

Kathleen Henehan, Maja Gustafsson, Nye Cominetti, Karl Handscomb, Lindsay Judge, Jack Leslie & Lalitha Try

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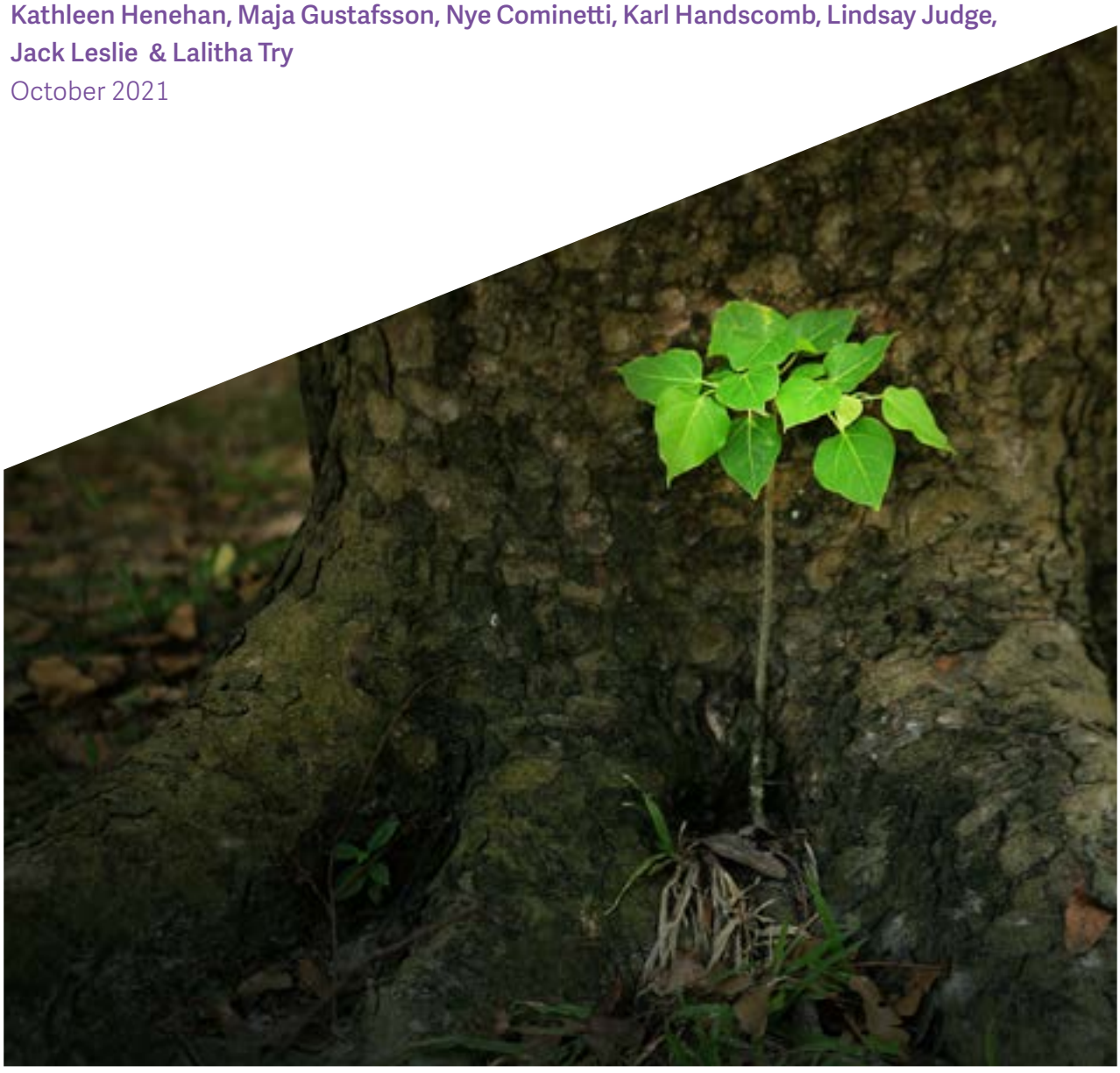

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Foreword

The Nuffield Foundation has funded the annual Intergenerational Audit from its inception in 2019. At that point, little could we have predicted the pace and scale of change that would be wrought by the COVID-19 pandemic, the tragic loss of life, and how the disruption caused by the response to the pandemic would touch everybody. The effects were far from equal. The pandemic exposed and entrenched inequalities in education and training, employment and wages, housing, and health, and these inequalities varied by gender, ethnicity, and across generations.

The analysis underpinning the Intergenerational Audit enables us to examine living standards across generations, and while this should not be the only lens for doing so, it is an important one from which to assess how economy and society are changing. The Audit enables us to consider how generations fare across their life course, how this compares to the generations that come before and after them and provides insights on how risks are distributed within generations. Importantly, it enables us to consider the cumulative effect of incomes, work, housing, and wealth on each cohort and provides valuable framing for policy makers developing specific policies.

Before the pandemic, the 2019 Audit identified the scarring effects of the financial crisis, by tracking the pay of those who left education during the financial crisis. It highlighted reductions in labour market mobility for younger cohorts and raised concerns about the risks to intra-generational inequality of the increasing disassociation between assets and income. Last year's Audit provided important insights on the unequal impacts of the COVID-19 crisis on health, living standards and housing. For example, the mental health and employment impacts of lockdown had the greatest effects on younger and older cohorts. Drawing on the previous findings on scarring, it emphasised the risks to young people entering the labour market and made an early call for government support.

This 2021 Audit brings some good news, like recent increases in young people's employment. On balance, however, it establishes the fragility of the population's living standards and the risks to generational living standards progress, in an economy learning to live with the virus and buffeted by supply chain shortages. Housing arrears have increased across all ages, whilst older workers are more likely to remain out of work. Early indicators suggest that young people are as exposed to poorly paid and insecure jobs now than they were before the pandemic and asset price rises have, on average, been more likely to benefit older people.

The Nuffield Foundation funds research to advance social well-being by understanding the foundations of and pathways to a just and inclusive society. We are delighted to be associated with the Intergenerational Audit which plays a vital role in doing just that. By identifying, explaining, and communicating the social and economic determinants of opportunity and risk across the life span the Audit provides evidence the UK needs to help improve people's lives.

Alex Beer, Nuffield Foundation

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Executive summary

The second year of the Covid-19 crisis has brought new challenges to different generations

In its first year, the Covid-19 crisis was responsible for loss of life and severe illness, for loss of employment and income and, through the various lockdowns, for major disruptions to peoples' daily lives.

Much of this continued into 2021. A sharp rise in virus transmission during the winter of 2020-21 resulted in another 'lockdown,' with social distancing restrictions forcing in-person services to close, and many colleagues, family and friends to stay apart. However, the UK's successful rollout of Covid-19 vaccines, which began in the early months of 2021, has helped mediate the impact of the virus on both public health and the economy. As customer-facing businesses were able to reopen in spring, and most social distancing restrictions removed by the summer, the popular narrative about the UK economy has moved from furlough and job loss, to unfilled vacancies and potential labour shortages.

These fast and sweeping changes have had varied effects across different groups of people in the UK, not least generationally. This third Intergenerational Audit for the UK – supported by the Nuffield Foundation – provides a comprehensive assessment of living standards during the second year of the Covid-19 crisis for different generations in Britain, while also highlighting

longstanding generational living standards patterns that pre-date the pandemic.

Income and labour market differences by age have reduced as the economy has re-opened, but wealth gap between different cohorts have risen

In many ways, the generational story of 2021 differs significantly from the first year of the Covid-19 crisis. For example, younger adults are in the age group that is most likely to have experienced a negative employment change (such as furlough, job loss or pay reductions) over the course of the pandemic. But 2021 has seen employment among the young been on a strong recovery, especially since April, whereas older adults (who had been employed before the pandemic) have been more likely to remain on furlough or out of work. Similarly, although younger adults were more likely to experience income falls than older adults in 2020 and early 2021, these age-related differences have narrowed as the economy has reopened.

But the most striking intergenerational shift during the pandemic has been in the distribution of wealth. Total household wealth in the UK rose by about £900 billion between February 2020 and May 2021, driven by increases in the values of assets like housing and non-UK equities. Older families, who were more likely to hold these assets to begin, accrued the lion's share of these gains: those headed by someone 65 and older held 35 per cent of total wealth before the pandemic and accrued 42 per cent of the increase (£378 billion) since the onset of Covid-19. Younger adults also experienced a relative increase in their wealth: on average, those in their early 30s saw a 13 per cent increase in family wealth between February 2020 and May 2021, compared to a 3 per cent increase among their counterparts in their late 50s and a 7 per cent increase among those aged 80 and older. However, the absolute gap in wealth holdings between generations remain substantial.

This year's Audit considers living standards across four domains: jobs, skills and pay; housing costs and security; taxes, benefits and household income; and wealth and assets. In each, we summarise the latest developments in the living standards of different age groups and cohorts (by which we typically mean

those people born in the same 5-year period), and provide a deep dive Spotlight analysis on specific issues, updating and summarising analysis published earlier this year.

Jobs, skills and pay

The Covid-19 pandemic arrived in the UK during a period of record-high employment, with the 16-64-year-old employment rate reaching 76.6 per cent at the end of 2019. But the structure of the pre-pandemic labour market left some age groups more exposed to the economic effects of Covid-19 than others. Younger cohorts were more likely than their predecessors to work in insecure, lower-paid or customer-facing roles while young. On the eve of the crisis, 18-29-year-olds were more than twice as likely as their older counterparts to work on a zero-hours contract, to work for employment agency, or to work part-time only because they could not find a full-time job. There was also something of an age-related 'U-shape' when it came to the sectors they worked in: during February 2020, 41 per cent of working 18-24-year-olds and 31 per cent and working adults age 65 and older, worked in hospitality, leisure, retail and administrative services compared with between 18 to 22 per cent of their 25-64-year-old counterparts.

It was therefore unsurprising that, when the economic effects of Covid-19 took hold in the UK, young people – and to a lesser extent, their oldest working counterparts –experienced the highest rates of furlough and unemployment. Of those who had been in work before pandemic hit, it was either 18-24-year-olds or those aged 65 and older who were most likely to experience full furlough or worklessness in each month between March 2020 and May 2021. But as the crisis progressed, these age differences began to narrow, and by summer 2021 it was the oldest workers who were most likely to find themselves out of work or on full furlough: during August 2021, the share of employees aged 60-64 (5 per cent) and 65 and older (7 per cent) on furlough was larger than the share of their 18-24-year-old counterparts on furlough (4 per cent). In addition, by May 2021, 15 per cent of respondents to a Resolution Foundation-YouGov survey aged 65 and older who were in work before the pandemic (i.e. in February 2020) were either fully furloughed or not working, as were 13 per cent of

their 18-24-year-old counterparts, compared with only between 4-6 per cent of those aged 35-55.

Despite the extensive labour market disruption over the Covid-19 period, the rate of unemployment has remained remarkably low, thanks to the considerable economic support package. This is particularly good news for young workers: unemployment for adults aged 18-24 reached 13.8 per cent during July-September 2020, above its pre-pandemic rate (10.8 per cent at the start of 2020), but considerably lower than the 20 per cent unemployment rate that existed following the financial crisis. Longer-term unemployment has also remained well below the levels reached during the wake of the financial crisis. An additional contributor to these welcome low rates of unemployment has been a sharp rise in full-time study among younger people: in the two years since May-July 2019, the proportion of 16-17-year-olds and 18-24-year-olds that were in full-time study both rose by 4 and 2.5 percentage points, respectively (an additional 200,000 people in full-time study).

But this isn't to suggest that there won't be risks over the forthcoming months. Although the 2021 labour market has, so far, been positive for younger workers' employment prospects, the quality of work as measured by indicators like security and pay looks to be little different from the pre-pandemic labour market, which as previous Intergenerational Audits noted, left much to be desired. Those young people who were unemployed over the past year, and especially those from disadvantaged backgrounds, are at risk of employment and pay scarring over the longer term. There is also a risk that education interruptions, employment shocks and income loss could hamper social mobility for today's young people. Older workers will be in need of support in the aftermath of the pandemic too, and the Government will need to ensure that those who have been left out of work or on furlough for a long period of time are not be put to one side and left to move into premature retirement.

Taking a longer view, these risks – not just about the number of jobs on offer, but how secure and well paid they are – form part of a wider challenge for the UK's economic strategy. The Prime Minister has recently outlined his goal of moving the UK towards a high-skill, high-wage economy, and improving

labour market rights enforcement and job quality more broadly for workers of all ages will play a role in this. Over the next two years we will explore these challenges in depth, alongside the Centre for Economic Performance at the London School Economics, as part of the Nuffield Foundation-funded Economy 2030 Inquiry.

***Spotlight summary*: The experience of older workers in the run-up to the pandemic**

This Spotlight places the Covid-19 crisis in the context of longer-term trends in employment among older workers, which has been on the rise since the 1990s, driven by increasing employment rates among women.

The fact that the labour market consequences of the pandemic are becoming increasingly slanted to older workers is concerning given the evidence that older workers are both slower to return to work than younger workers, and often return to work at a lower salary, after experiencing a spell out of work. For example, after becoming unemployed in the period 1998 to 2020, 62 per cent of those aged 50 and above had returned to work within 6 months, compared to 74 per cent among those aged 16 to 29, and 72 per cent among those aged 30 to 49. And workers over the age of 50 who have become unemployed over the past 20 years have taken jobs with hourly earnings that were 9.5 per cent lower, on average, than their previous earnings. All this reinforces the importance that the Government provides sufficient help and support to older adults, by ensuring that employment support schemes cater effectively to the specific needs of – and the often high levels of experience held by – older workers.

Housing costs and security

It is well known that there has been a long-term, generational shift in housing for those birth cohorts born after 1960: compared to their predecessors, they are less likely to be homeowners and more likely to be private renters, well into adulthood. For example, at age 34, home ownership rates among those born during 1981-1985 are closer to what they were for their

grandparents' generation (born in the early 1930s) when aged 34 (42 and 37 per cent, respectively) than their parents' generation born in the 1950s (63 per cent). Conversely, members of the 1981-1985 cohort were much more likely to be in the private rented sector (PRS) at age 34 (30 per cent) than those born during 1951-1955 at the same age (7 per cent). The most recent years have seen a partial reversal of this, with a fall in the share of young people private renting, offset by a small uptick in home ownership among 18-29-year-olds, and a small rise in the share of 18-29-year-old family units that live with their parents. But the prevailing story of younger generations being less likely to own – and more likely to privately rent – still holds up.

Attempts to understand how the pandemic has affected housing tenure patterns has been hampered by changes to large-scale data collection methods necessitated by the need for stop face-to-face contact. However, mortgage data provides little evidence of a significant change in youth home ownership rates during 2020: 43 per cent of mortgages went to 18-35-year-olds, up a percentage point from 2019 but down a percentage point from 2018. After falling markedly during 2020, there was an increase in the number first-time buyer mortgages issued during the first two quarters of 2021, but some of this rise will have been driven by stored-up purchases from 2020.

One very noticeable impact of the pandemic on housing is on house prices, which have defied historical norms during downturns, as well as experts' predictions, by rising rapidly over the last year. And although they have grown most for detached homes (a roughly 13 per cent increase between July 2019 and July 2021), they have also risen significantly for properties more commonly sought by young families and other first-time buyers like terraced houses (12 per cent) and flats (7 per cent). Rents have grown more slowly than house prices in the two years running to August – and they even fell in London over recent months. Yet they remain significantly higher than in recent years, suggesting that the housing costs are unlikely to have fallen much, if at all, for renters as a whole.

We do not yet have definitive housing cost or incomes data for 2020-21 (which would allow us to understand whether and how housing costs relative to incomes have shifted for different age groups during the pandemic), but survey evidence suggests that

the Covid-19 pandemic led to a rise in housing arrears in all age groups, and especially among older adults living in the private and socially rented sectors. For example, 2 per cent of 45-54-year-old respondents to our Resolution Foundation-YouGov survey living in the PRS reported that they had arrears in February 2020 compared to 7 per cent in June 2021. This comes on top of rising pre-pandemic housing cost to income ratios, which in 2019-20 remained higher for younger generations than their predecessors at the same age, and especially for those in the PRS.

Looking forward, it's too early to tell whether recent policy changes, such as the Mortgage Guarantee Scheme (which allows some lending facilities to offer 95 per cent loan-to-value mortgages) will have an impact on younger people's home ownership rates. However, as temporary support measures expire this autumn, and the relinking of the Local Housing Allowance LHA to the 30th percentile of private rents is eroded away, policy makers will need to keep a close eye on arrears and housing security for the less well-off across all age groups.

***Spotlight summary*: An analysis of younger adults living with their parents**

When the pandemic broke out, news stories reported anecdotes about the 'boomerangers': young, remotely-working professionals who left their city flats to enjoy the relative space and comfort of their parents' homes. Evidence from the ONS Labour Force Survey indicates a rise in the share of 19-24-year-olds that live with their parents (from 32 per cent on average in 2019 to 37 per cent by the third quarter of 2020). Although evidence from a Resolution Foundation-commissioned survey in June 2021 suggested little change in the share that lived with their parents, it did show that those younger people who have experienced a negative employment shock since the pandemic broke out were more likely to have moved back in with their parents than those who were in work before and during the crisis. Non-graduates, those who worked in hardest-hit sectors and those on lower levels of pay going into the crisis were more likely to move back to their parents' homes than their better-off counterparts.

This movement continues a long pre-pandemic trend for young people with weak labour market positions to be more likely to live with their parents than their better-off counterparts, and for these economically disadvantaged younger adults to be increasingly likely to do so over time. Living with your parents as a younger adult is not inherently good or bad; like much in life, it will depend on personal circumstances. But where deteriorating economic conditions leave increasing cohorts of young people with few options but to do so, policy makers should begin to pay attention.

Taxes, benefits and household incomes

In the years running up to the pandemic, disposable incomes among younger (18-29-year-old) households had been on a rise: median income after housing costs grew by 7 per cent, to £25,500 (2020 prices) between 2017-18 and 2019-20. Among most of their older counterparts, by contrast, income growth had been much less marked: over the same timeframe, median income after housing costs rose by 3.5 per cent among 30-49-year-olds and 2.9 per cent among those aged 65 and older.

This relative improvement for younger households is not enough, though, to overturn what has been a long-term slowdown in generational incomes progress for working-age households as a whole. By the time they reached their late 20s and early 30s, typical household incomes among 1980s-born millennials were roughly equal to those of the generation X cohort (born during 1971-1975) at the same age (i.e. 10 to 15 years before). By contrast, by the time they reached their early 60s, those born during 1951-1955 had incomes that were roughly 10 per cent higher than those born during the early 1940s at the same age.

The pattern of changes to household income during the Covid-19 crisis will obviously be driven by the underlying labour market changes – which has a strong age profile – but will also be affected by household composition, and the operation of the various support programmes. Our July 2021 nowcast estimated that median non-pensioner disposable income (after housing

costs) would grow by 1.5 per cent in 2020-21, but the underlying methodology does not allow a breakdown of this by age.

However, evidence from a series of Resolution Foundation-commissioned surveys during 2020 and 2021 provide some indication to how family incomes (before housing costs) have changed over the course of the pandemic, although only for the working-age population. During the first 10 months of Covid-19, among those who reported their incomes, young people aged 18-24 were slightly more likely to report a fall in their family income (26 per cent) than their older counterparts (for example, 22 per cent of 45-54-year-olds) – in large part because the young were most exposed to employment shocks. As the economy re-opened in the wake of the 2021 winter lockdown, and young people experienced a swifter-than-average return to employment, young people were more likely to report an improvement in their family incomes: 34 per cent of 18-24-year-old respondents to our Resolution Foundation-YouGov survey reported an improvement in their family incomes between February and May 2021, compared with 21 per cent of those aged 45-54.

Official but provisional data suggests that UK households reduced their weekly spending by an average of 19 per cent (£109.10) during the pandemic. Our own surveys find that spending changes over the course of the Covid-19 crisis have varied little by age and more by the presence of children. Early on in the pandemic (during late spring 2020) old respondents of all ages with dependent children living in their homes were more likely than those without children to be report that their family spending had increased, relative to pre-pandemic levels. 27 per cent of 35-44-year-old parents reported that their spending was higher in May 2020 compared to February 2020; just 18 per cent of 35-44-year-olds without children at home reported the same (a 9 percentage point difference). But by June 2021 these differences had mostly disappeared.

The benefit system played a crucial role in protecting living standards for working-age households that lost income or employment since the start of the pandemic, and the temporary £20 a week uplift to Universal Credit (UC) and Working Tax Credits increased the value of that support. That temporary support was withdrawn earlier this month, and this amounts

to a 15 per cent reduction in standard allowances for couples over the age 25; a 21 per cent reduction among single adults over 25; and 25 per cent reduction for single adults under age 25. Although the Government very sensibly decided not to uprate the State Pension by the usual triple lock mechanism this year – with average earnings likely rise by over 8 per cent in May-July, the triple lock would have resulted in the largest nominal rise in the state pension for three decades – benefit policy over the last decade still has a strong generational dimension. We find that the combined effect of benefit policy changes since 2010 would, on average, see a 35-year-old's incomes just under 2 per cent worse off (£706 per year) since 2010, whereas a 70-year-old would, on average, just over 2 per cent better off (£808 per year).

***Spotlight summary*: The changing incidence of social security benefits by age**

As the Covid-19 crisis broke out, there was a significant increase in the number of families receiving income from the benefits system, with 1.3 million more families beginning to receive UC within three months. Between February 2020 and May 2021, the proportion of people claiming means-tested benefits rose among all age groups (for example, there was a 6 percentage point increase among 16-24-year-olds, and a 5 percentage point increase among 30-49 and 60-65-year-olds). More up-to-date data, running to July 2021, shows that, as social distancing restrictions eased, the number of families receiving UC fell, but the number of adults aged 50 or over claiming UC had risen by 34,000 since February.

Over the longer-term, however, our analysis shows how the increase in the number of benefit claimants brought on by the Covid-19 crisis came after several years of a steady decline in the number of people receiving benefits: in 2005, 72 per cent of people received at least one benefit, which had fallen to 62 per cent in 2019. This decline has been driven by increases in the State Pension age, the removal of Child Benefit from high earners, and, especially in the most recent years, a stronger labour market meaning that fewer families were entitled to benefit support. And this in turn has intergenerational

implications: children born from 2016 onwards (who we refer to as generation 'Alpha') have received less (in real terms) benefit income, on average, than previous generations: £93 a week compared to £118 a week for generation Z (born 2001-2015) when they were children. On the other hand, younger working-age adults – today's millennials (born 1981-2000) – received similar levels of average support as generation X (born 1966-1980) did at the same age (£63 per week), but considerably more than the baby boomers (born 1946-1965) once did (£37 per week). And today's pensioners – the same baby boomer generation – receive much more benefit income than earlier cohorts (£287 per week compared to £255 and £171 for the previous two generations) – despite also having more private pension income, on average.

Wealth and Assets

The destabilising effects of the pandemic have, unsurprisingly, had a large impact on saving behaviour across the age range. In a similar pattern to the spending changes, younger adults without dependent children were more likely than older adults (and more likely than their similar-aged counterparts with dependent children) to report an increase in their family's cash savings between February 2020 and June 2021. For example, 33 per cent of respondents to our Resolution Foundation-YouGov survey without dependent children aged 25-34 reported this, compared with 22 per cent of similarly-aged respondents that have dependent children.

Working-age respondents with children were slightly more likely than their counterparts without them to have reported an increase in family's debt between February 2020 and June 2021: 12 per cent of 25-34-year-old-headed families without dependent children reported an increase in debt, compared with 20 per cent of those aged 25-34-years-old with children. Even among those with dependent children, the oldest working-age respondents (those aged 55 and older) were half as likely to have reported an increase in family debt (9 per cent) than their counterparts in either the 25-34 or 35-44-year-old age groups, where 20-21 per cent did.

But wealth changes do not just arise from active changes in

savings and borrowing but also through the appreciation (or depreciation) of assets that a household owns. And the value of housing and non-UK stocks have appreciated substantially over the past year, with UK house prices now close to 11 per cent higher (in July) than when their pre-pandemic level (in February 2020) and world (non-UK) equities being approximately 20 per cent higher. And these passive changes to wealth stocks have dominated the overall change to household wealth during the pandemic asset price rises accounted for 85 per cent of the total increase in UK wealth. Crucially, the returns to these asset price increases will go to those who already own them, with older families – who are more likely to have pension, housing and equity wealth – therefore being significantly more likely to have benefited.

By linking granular information on pre-pandemic wealth holdings to changes in different asset class prices and pandemic-era changes in families' savings and debt, we estimate that, between February 2020 and May 2021, typical family wealth in Britain increased by roughly £0 among 20-24-year-olds, by £1,000 among those aged 25-29, by £9,000 for those aged 45-49, but by £17,000 among those aged 65 and older. Among those aged 30 and older, the vast majority (between 91 and 95 per cent) of wealth gains were accrued through asset price rises. By contrast, the majority of the wealth increase seen by younger families derived from active changes in their saving and debt holdings (92 per cent of wealth gains among 20-24-year-olds derived from active savings and debt changes, as did 57 per cent of the gains among 25-29-year-olds). In proportional terms, the changes to wealth stocks over the pandemic exhibit something of an age-related 'U-shape', in that those in their 30s and early 40s experienced greater proportional increases in wealth than their counterparts of middle and later-working age, but with those aged 65 and over seeing the fastest proportional rise. However, the much lower levels of wealth held by younger adults mean that absolute gaps in typical family wealth have got larger, not smaller.

The large increases in wealth come on top of stalled cohort-on-cohort wealth progress over recent years – where younger cohorts have no more wealth, on average, than those that came before them. Members of the 1981-1985 cohort had 25 per cent less real total net wealth (the sum of net property wealth, net financial wealth and private pension wealth) at age 34 than

those born 10 years before them did at the same age. This stands in clear contrast to members of the 1951-1955 cohort, who, at age 64, had 49 per cent more total net wealth their predecessors born ten years before them, a pattern that has persisted through the pandemic. In other words, the long-term effect of the pandemic is likely to be even larger absolute gaps in wealth between generations.

***Spotlight Summary*: The costs and benefits of buying a first home over the generations**

It would not be a surprise if today's young people look bitterly at the lower house prices their parents and grandparents paid, while those from older generations look jealously at the low interest rates that first-time buyers now enjoy. Our analysis looks at which side really has the greener grass, by assessing how the full costs over the mortgage term of buying one's first home has changed between 1974 and 2020.

Typical first-time buyers from older generations did contend with high interest rates especially in the early years of ownership, but policy helped owners deal with these by providing generous tax relief. Typical first-time buyers today face two different challenges. First, they must find significantly more cash to pay the deposit (because of higher real house prices and tighter lending criteria). Second, they must service a much larger mortgage than their parents' and grandparents' generation. The implications for prospective first-time buyers are significant. They will need to both save for longer in order to get on the housing ladder (or receive a gift or inheritance) and have a higher income than previous generations to cover the costs of buying a first home. As a result, they may also have to forgo other consumption opportunities.

Conclusion

The Covid-19 pandemic has brought sharp and often devastating consequences to people of all ages. Although younger adults faced employment shocks in the greatest proportions (with employment falling to just 50 per cent among 16-24-year-olds during the winter 2021 lockdown), older adults were far more

likely to suffer severe health consequences from the virus (by the end of August, 93,300 75-year-olds and over had died from Covid-19 since the outbreak of the pandemic while 3,187 people under the age of 50 had done so.)

Our four key domains tell a mixed picture for generational living standards over the last year: although the employment picture for young people has greatly improved since the depths of the crisis, some pre-existing intergenerational 'wedges' are likely to have been aggravated, with young people increasingly unlikely to be able to catch up with predecessor generations when it comes to home ownership and wealth. And, despite talk of labour shortages and rising pay in previously-shut down sectors like hospitality, there's little evidence to suggest that pre-existing challenges around the quality and security of work have improved in recent months. Worryingly, the second year of the pandemic has also brought a hint of new living standards challenges to come, including a rise in worklessness among older adults, disrupting decades of employment growth among those aged 55 and up.

In the short term, policy makers will want to ensure that the wind down of pandemic support measures, and the potential for new Covid-19 variants, do not result in high rates of unemployment, income loss, arrears (or illness). Looking further ahead, in the decade ahead, the Government will need to manage the recovery from Covid-19, oversee the decarbonisation of the economy, and smooth the transition to life outside the EU. In doing all this, it should also look to policy that will help restart generational living standards progress: ensuring that future generations find it easier to access secure and well-paying work, live in good quality affordable housing; have steady and adequate incomes; and have the ability to withstand future shocks and enjoy a comfortable retirement through increased assets and wealth.

Section 1

Introduction

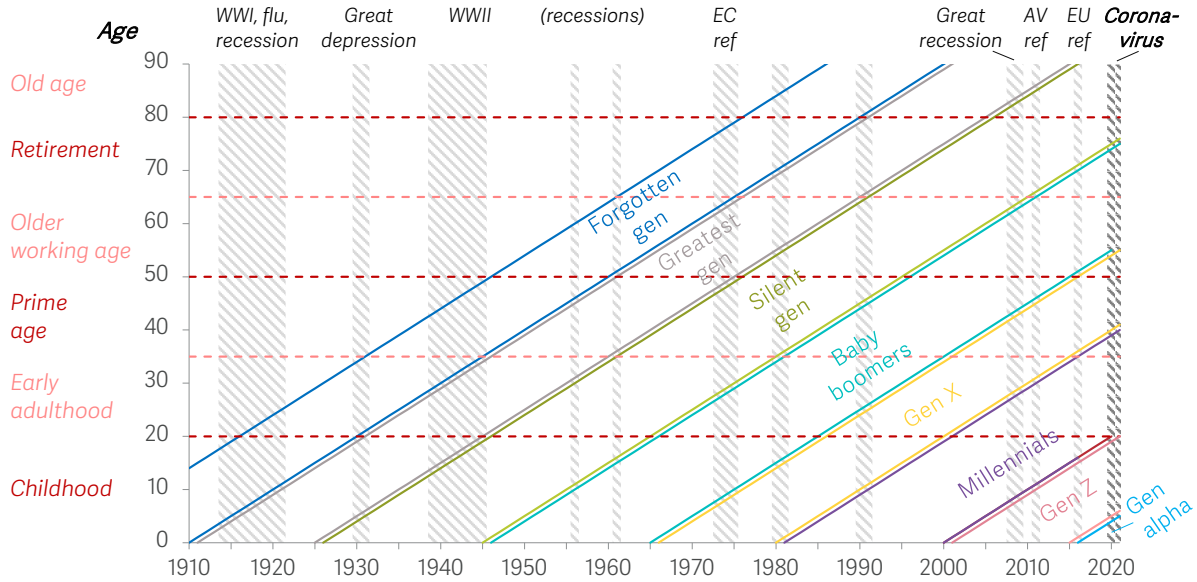
Why generational analysis when there is so much else going on

The second year of the Covid-19 crisis has, like the first year, had sharp and often devastating consequences to people of all ages. Some people may ask why we undertake generational analysis when there is so much else happening in the economy. But it is precisely when there is a lot going on that it is particularly important to consider the effects on people of different ages. Generational analysis builds on the idea of distinguishing between different groups of people in society according to when they were born.

Using generations as an analytical framework has a long tradition and its importance derives from two related phenomena. The first is that generations have at least to some degree a shared economic experience, values and cultural norms, particularly those shaped during the formative years of growing up. This results in a degree of collective identity within each generation. For example, at different points in time there will be exogenous shocks which cut across generations. Historically, these have been wars in the early 20th century; the referendas of Economic Communities in 1975, Alternative Vote in 2011 and the EU in 2016; and recessions in the 70s, 80s and 90s, and the 2008 financial crisis. We are currently living through the most recent exogenous shock: the Covid-19 pandemic. It is already clear that the pandemic will have (had) very different impacts on different generations, and will potentially shape their lives in different ways going forward.

FIGURE 1: **The Covid-19 crisis will have a large 'period effect' for working-age generations' living standards**

A framework for intergenerational analysis: generations, life stages, and period effects: UK



NOTES: Period effects shown include world wars, technical recessions, pandemics and national referenda. This is an updated version of Figure 6 in: L Gardiner: Stagnation generation: The case for renewing the intergenerational contract, Resolution Foundation, June 2016.

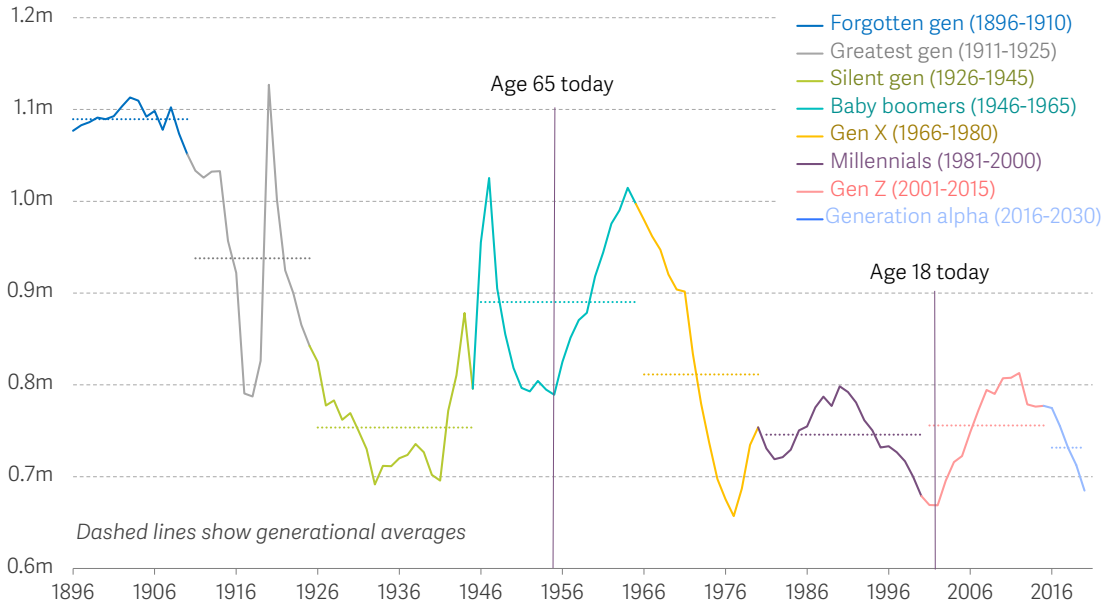
If the impact of the Covid-19 pandemic is profound enough to shape longer-term outcomes as generations age, we might start to see what are called 'cohort effects'. It is not yet possible to know enough about the longer-term implications of the Covid-19 pandemic to be able to distinguish between its short-term (period) and its longer-term (cohort) effects. In this audit we will limit ourselves to observing what we can, and we will leave the important evaluations of longer-term cohort effects to future generational evaluations.

The second phenomena that supports a generational framework for analysis is that the relative size of generations can play an important role in determining their shared experiences and outcomes. Looking at the raw birth numbers is a good starting point for this. Birth numbers have tended to fluctuate with birth booms and busts, as shown in Figure 2. There are three main birth cycles that are of interest to policy makers today: Baby Boomers with a (second) birth peak in the 1960s; the millennials with a peak in the 1980s; and generation Z with a peak in the 2010s. The booms and busts of these generations have implications for public spending across various domains, such as funding for state pensions, schools and early years education. Based on past birth numbers, the country will see a large cohort of young Baby Boomers turn 65 and enter

retirement age over the next decade. At the other end of the age distribution, there will be an increasing number of 18-year-olds going through the education system and entering the workplace over coming years.[1]

FIGURE 2: **The start of a generational shift in the labour market**

Births per year and generational averages: UK



NOTES: Northern Ireland data is unavailable for 2020, and so is estimated based on births in 2019.
SOURCE: ONS, Birth Characteristics (England and Wales); NRS, Births Time Series Data (Scotland); NISRA, Live births, 1887 to 2015 (Northern Ireland).

Intergenerational issues continue to rise up the policy agenda in Britain, but it is far from the only analytical lens

Intergenerational issues continue to rise up the agenda and have gained even more attention in the wake of the uneven impacts of the Covid-19 pandemic. As our Intergenerational Audits have noted in previous years, the publication of The Pinch renewed policy debates around intergenerational fairness. The Resolution Foundation's 2016-2018 Intergenerational Commission, inquiries by the Financial Conduct Authority, various parliament select committees including the Lords' Intergenerational Fairness and Provision Committee and the Youth Unemployment Committee, and others, are indications of the growing appreciation of the importance of intergenerational analysis.[2]

1 For a more detailed discussion on the implications of demographic changes and, specifically, the effect on public services, like education, see: M Gustafsson & D Willetts, A return to boom and bust (in births): How birth cycles will affect public spending pressures over the coming decade, Resolution Foundation, October 2021.
2 See: G Bangham et al., An intergenerational audit for the UK: 2019, Resolution Foundation, June 2019; L Gardiner et al., An intergenerational audit for the UK: 2020, Resolution Foundation, October 2020; L Gardiner et al, A New Generational Contract: The final report of the Intergenerational Commission, Resolution Foundation, May 2018.

But of course looking at generational differences is not the only useful analytical lens. Other established traditions of analysis are those of gender, ethnicity, region, income group and social class. We do not think of these perspectives as competing, but as complementary. Indeed, these frameworks are often particularly useful in combination, which is why our analysis – and particularly the online data and materials that accompany it – includes intra- as well as inter-generational comparisons.

Nor should our focus on generational differences be seen as a spurring competition between different generations or cohorts, or as pitting different generations against each other. That would bear no relation to how we live our lives within families, or the strong public support for a society where people of all ages can experience living standards improvements.[3] This been demonstrated vividly during the Covid-19 pandemic when generations were impacted in different ways, but all contributed to limiting the spread of the virus for the sake of one another. If we have learned one lesson from our research into generational issues, it is not that there is a generational war afoot, but that a generational focus helps us to better understand Britain's opportunities and challenges.

The focus of this audit

This report – produced by the Resolution Foundation with the support of the Nuffield Foundation – takes stock of generational living standards differences in Britain according to the data available to us. It does this by considering living standards within four domains:

- Jobs, skills and pay;
- Housing costs and security;
- Taxes, benefits and household income; and,
- Wealth and assets.

In each of these domains, we summarise the latest developments in cohort living standards up to the current crisis, drawing on the most comprehensive data and honing in on what's changed in recent years. However, most of this data pre-dates the onset of Covid-19 in the UK. Therefore, we also provide novel and up-to-date analysis of the impact of the Covid-19 crisis across generations in the UK, drawing primarily on data from surveys we have commissioned throughout the crisis but also on other timely data sources. Some of these sources and techniques have limitations, which we set out throughout this report.

3 H Shrimpton, G Skinner & S Hall, The millennial bug: Public attitudes on the living standards of different generations, Ipsos MORI/ Resolution Foundation, September 2017.

In each of these four domains we also zero in on one area where we dig deeper – providing a Spotlight analysis that seeks to stay on the pulse of what's changing in Britain today, and move research and policy debates forward accordingly. These pieces of analysis were all released separately during 2021, and in this report we provide abridged versions.

Throughout this analysis, our focus is mainly on five-year birth cohorts. In order to bring these findings together and aid interpretation, we sometimes talk about generations using the definitions that are commonly used in the UK. As shown in the figures above, these are:

- The lost generation, born 1881-1995
- The forgotten generation, born 1896-1910
- The greatest generation, born 1911-1925
- The silent generation, born 1926-1945
- The baby boomers, born 1946-1965
- Generation X, born 1966-1980
- The millennials, born 1981-2000
- Generation Z, born 2001-2015
- Generation Alpha 2016-2030

Finally, accompanying this audit is our microsite, https://www.resolutionfoundation.org/major-programme/intergenerational-centre/dashboard/, which contains interactive data for many of the key indicators covered in this report – including breakdowns by region, gender and other subgroups – and a range of other generational resources.

Section 2

Jobs, skills and pay

Although the years preceding Covid-19 were characterised by high employment rates across all age groups, the pre-pandemic structure of the UK labour market left younger generations substantially more exposed to the disruptions that economic lockdowns and social distancing restrictions have had on people's jobs and pay. Before the onset of Covid-19, younger generations were more likely than their predecessors to work in lower-paid and insecure jobs, and they were more concentrated in sectors that offered in-person services, like hospitality, entertainment and leisure.

Therefore, when Covid-19 hit, it was young people who experienced the highest rates of furlough and unemployment. As the pandemic progressed, however, the relative risk of employment disruption shifted up the age range. The re-opening of much of the UK economy from early summer 2021 brought good news for youth employment, with the employment rate rising faster among 16-24-year-olds than any other age group between the winter lockdown and July 2021. This meant that, by August 2021, the share of older employees on furlough was larger than the share of younger ones that were on the scheme. And those older workers whose employment had been negatively affected were also more likely to have been so for the longer term: workers age 50 and older who were unemployed or on full furlough during May 2021 were more than twice as likely than their younger counterparts to have been in that state for six months or more.

The relative good news story from the past 18 months is that unemployment has risen to a much lesser extent than previously forecast – thanks in part to the Job Retention Scheme. Growth in the share of young people participating in full-time education also helped attenuate the rise in unemployment.

The pandemic has made it hard to interpret many of the indicators usually used to track intergenerational differences in the labour market. It is too early to tell whether policies like the Job Retention Scheme and the Kickstart youth jobs programme have ameliorated the scarring effects felt by young people who have spent much of the

past 18 months out of work. But there is so far little evidence to suggest young people are any less exposed to poorly paid and insecure jobs than before the pandemic. Moreover, the effect of the pandemic on education, employment and earnings could impede social mobility for today's young people and children who are from disadvantaged backgrounds.

As support measures like the furlough scheme are wound down, there is a risk that older workers will find themselves falling into unemployment and out of the labour market altogether. Our Spotlight analysis finds that falling employment among workers aged 50 and older risks undoing decades of growth, particularly among older women, since the 1990s. It also discusses the challenges that older workers face after becoming unemployed. This includes the fact that, compared to their younger counterparts, it takes older workers longer (on average) to return to work, and when they do, they are more likely than younger counterparts to be paid less than in their previous job.

The shape of the pre-pandemic labour market helped determine the profile of those most likely to lose work when Covid-19 struck

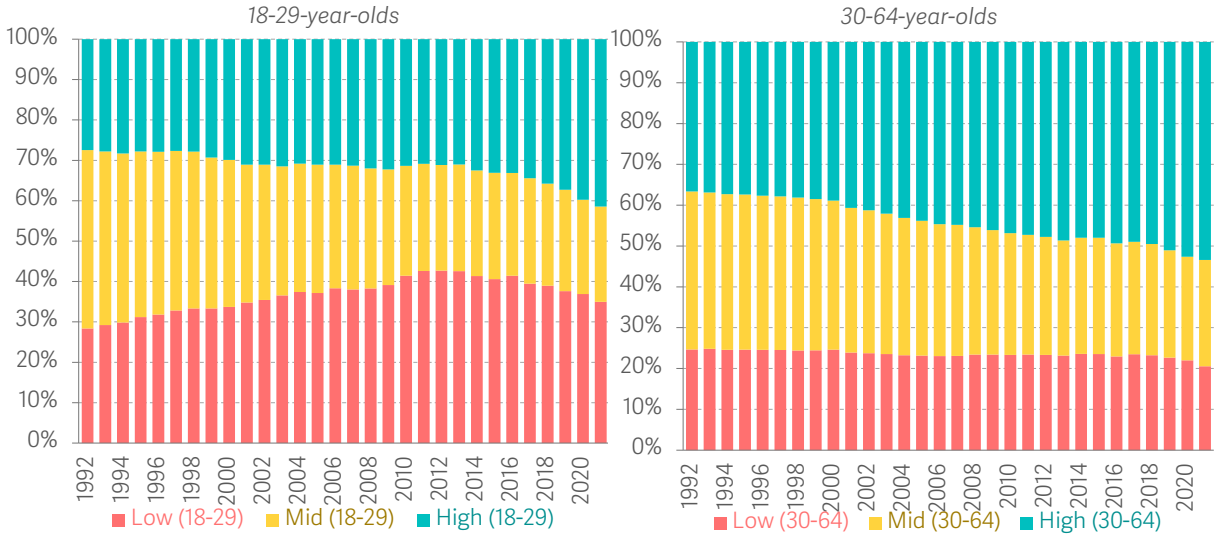
The Covid-19 pandemic arrived in the UK during a period of record-high employment, with the 16-64-year-old employment rate reaching 76.6 per cent at the end of 2019. The last 18 months, by contrast, have seen significant labour market disruption affect millions of workers, and with a clear intergenerational skew, as we will show later in this section. But the way that the pandemic had different impacts on different cohorts reflects changes in the labour market over the past decade or so.

For example, despite the high employment rate that prevailed in the years immediately preceding the pandemic (as we show further in Box 1), the quality of that work had begun to deteriorate – especially for the young. Figure 3 shows that 28 per cent of working 18-29-year-olds worked in one of the three lowest-paying occupations during 1992;[4] this peaked in the aftermath of the financial crisis (at 43 per cent during 2011-13), before falling back to 38 per cent on the eve of the pandemic, in 2019. Although it is worth celebrating the reduction in lower-paid working that occurred since 2012, by 2019 18-29-year-olds in the labour market remained more likely to work in a lower-paid occupation than did previous cohorts at the same age (the share in these occupations rose from 28 to 38 between 1992 and 2019); in contrast, workers aged 30-64 doing so reduced slightly, falling from 25 to 23 per cent over the same time period.

4 Figure 3 also shows the changes since the pandemic hit – we discuss those at the end of this section.

FIGURE 3: **Over recent decades, young people have become disproportionately more likely to work in lower-paid occupations**

Proportion of people in employment working in low-, middle- and high-paying occupations, by age group: UK



NOTES: Occupations are categorised based on average hourly earnings. The three lowest-paying occupational groups are elementary occupations, sales and customer service occupations and caring, leisure and other service occupations. Middle-paying occupations are administrative and secretarial occupations, skilled trades occupations, and process plant, and machine operative occupations. The three highest-paying occupational groups are managers, professionals, associate professionals and technical occupations.
SOURCE: RF analysis of ONS, Labour Force Survey.

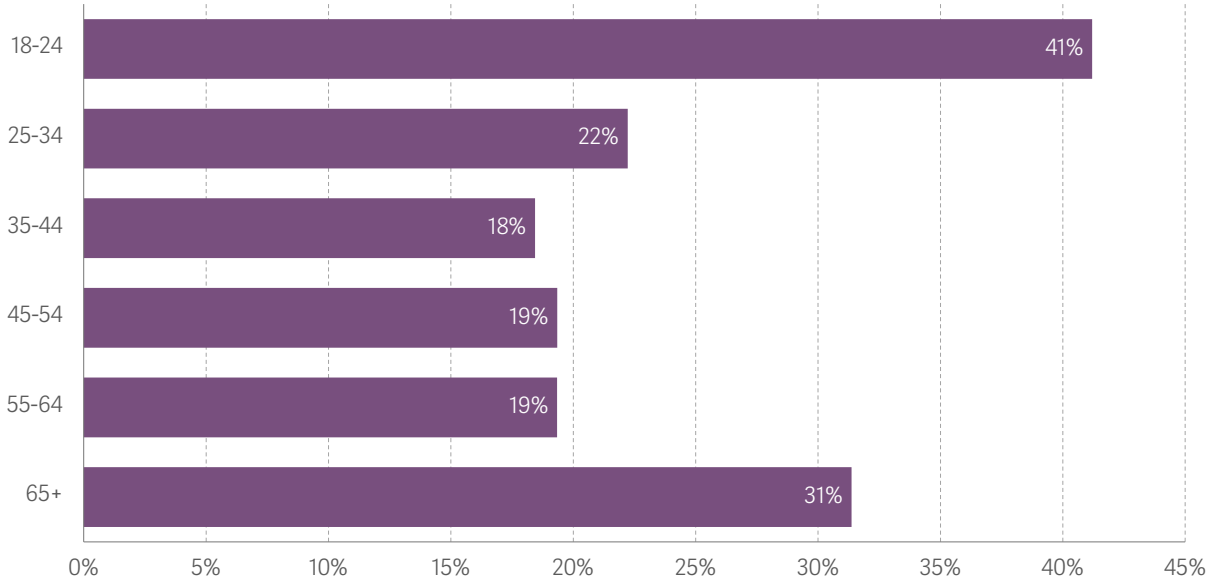
Furthermore, although the share of workers aged 18-29 that worked in one of the three highest-paying occupational categories rose from 1992 to 2019, this 'occupational upgrading' occurred to greater extent among 30-64-year-olds than among 18-29-year-olds (+10 percentage points compared with +14 percentage points).

And this in turn helps explain why, on the eve of the pandemic, the youngest and the oldest people in the labour market were more likely than others to work in sectors that would sustain hits to customer demand as a result of sector shutdowns, social-distancing restrictions and the reduced number of workers commuting into city centres. A Resolution Foundation commissioned survey from YouGov[5] found that in February 2020, more than four-in-ten (41 per cent) working 18-24-year-old respondents and three-in-ten (31 per cent) working respondents aged 65 and older worked in one of the sectors that would experience the highest rates of furlough and job loss: non-supermarket retail, hospitality, administrative services and leisure (see Figure 4).

5 The survey undertaken by YouGov from the 3rd – 8th June 2021, has a sample size of 8,030 adults aged 18+. Results are weighted so as to be representative of the population of that age group.

FIGURE 4: **On the eve of the pandemic, the youngest were most likely to work in sectors that would be exposed to shutdowns or reduced business due to working from home**

Proportion of working respondents who worked in non-supermarket retail, administrative services, hospitality and leisure in February 2020: UK



NOTES: Base is all respondents who were working in February 2020, by age group. Sample size is as follows, 18-24: 394; 25-34: 1,094; 35-44: 1,124; 45-54: 1,049; 55-64: 706; 65+: 297. All figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of YouGov, Adults Age 18+ and the Coronavirus (COVID-19), June 2021 wave.

As well as being in lower-paying, customer-facing occupations, young people had been increasingly likely over the past decade to work in jobs with insecure working conditions or insecure contracts. For example, Figure 5 shows that the proportion of workers classed as 'involuntary part-time' (meaning they work part-time but would like to work full-time) rose steadily from 2008 and peaked in 2013, at just over 8 per cent of younger workers and 4 per cent of their older counterparts. And, although the share of workers that were involuntarily part-time had fallen by 2019, roughly 5 per cent of younger workers were still classed as such (as were just under 2 per cent of their older counterparts).

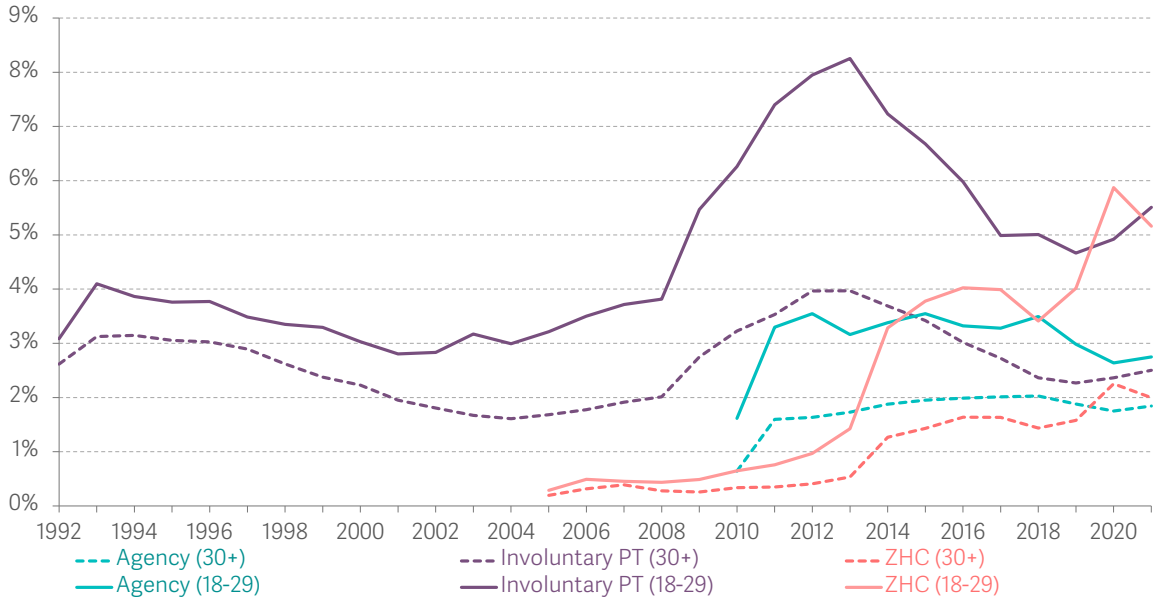
Figure 5 also shows the proportion of workers on a zero-hours contract; this rose sharply between 2012 and 2016 (at which point 4 per cent of 18-29-year-old workers and 1.6 per cent of workers aged 30 and over were employed on one), before plateauing and then falling slightly in 2017.[6] However, this form of work picked up again from 2018 such that, in the year before the pandemic hit, 4 per cent and 1.5 per cent of younger workers and their 30+ counterparts were employed on one. Finally, Figure 5 also shows the proportion

6 Previous Resolution Foundation analysis pointed to increasing amounts of media coverage, and thus awareness, about zero-hours contracts during 2015-17 as one reason for an increase in the number of LFS respondents reporting that they work on one. See: C D'Arcy, Workers on zero-hours contracts hits a record high – but have they reached their peak?, Resolution Foundation, March 2017.

of workers that worked for an agency: the gap between the share of younger workers and those 30+ that worked for an agency has narrowed over recent years, although in 2019, those age 18-29 were slightly more likely to work for one (2.9 per cent) than their counterparts aged 30 and older (1.9 per cent). (Figure 5 also shows atypical working rates since the pandemic hit, which we discuss at the end of this section.)

FIGURE 5: **Heading into the pandemic, younger workers remained more likely than their older counterparts to be in atypical work**

Proportion of working people working atypically, by age group: UK



NOTES: 'Involuntary' refers to those who are in temporary work or work part time, but report that they would like to work in a permanent or full-time role.
SOURCE: RF analysis of ONS, Labour Force Survey.

Workers on atypical contracts would have been in a weak position when the pandemic arrived. Previous Resolution Foundation research found that flexible contract workers comprised a disproportionately large share of those who had lost their job during the first six months of the pandemic. Although just 15 per cent of respondents to a Resolution Foundation-commissioned YouGov survey who were in work in February 2020 had been on a on insecure contract at that time, they comprised 40 per cent of respondents who reported losing their job. and half of those who reported having lost hours (including those on furlough) between February and September 2020.[7]

7 M Brewer et al., Jobs, jobs, jobs: Evaluating the effects of the current economic crisis on the UK labour market, Resolution Foundation, October 2020.

The youngest and oldest workers have been most likely to experience employment disruption during the first 18 months of the crisis

It has been clear since start of the pandemic that the labour market disruption caused by Covid-19 has had a U-shaped pattern across the age distribution, with younger workers (aged under 25) being the most heavily affected, but with older workers (aged 55 and above) also hard-hit.[8] We update that work in Figure 6, which tracks the proportion of respondents who were in work during February 2020 but who experienced a form of worklessness over the course of the crisis – either fully furloughed, unemployed or self-employed and not working. The left-hand panel shows this for workers from all sectors, and the right-hand panel focuses on respondents who in February 2020 worked in non-supermarket retail, hospitality, administrative services and leisure ('hard-hit sectors').

From each month between March 2020 and May 2021, the youngest (18-24-year-old) and oldest (those 65+) respondents were the most likely to have experienced worklessness. For example, in May 2020, nearly half (44 per cent) of previously-working 18-24-year-olds and just over a third (34 per cent) of previously-working adults aged 65 and older were fully furloughed, unemployed, or self-employed without work, compared with roughly 20 per cent of previously-working 35-55-year-olds. As the crisis progressed, and more sectors were able to open up, these age differences began to narrow: by May 2021, 15 per cent of previously-working respondents aged 65 and older were experiencing worklessness, as were 13 per cent of 18-24-year-olds, and between 4-6 per cent of 35-55-year-olds.

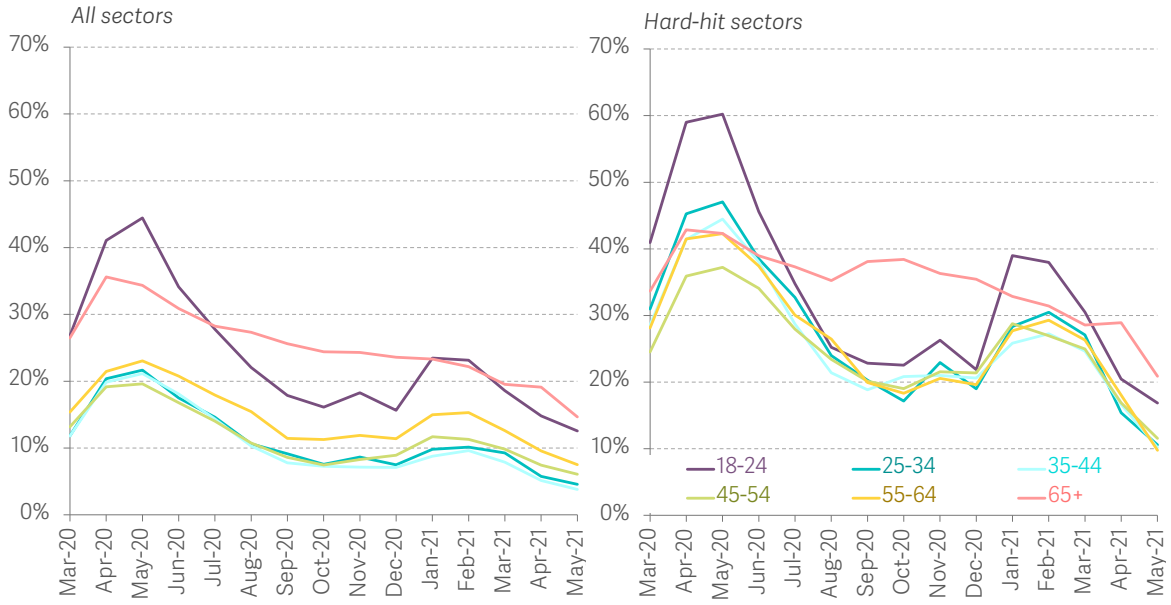
As covered in many previous reports, this pattern by age largely reflects the sectors that different people work in.[9] But that is not the only factor: the right-hand panel of Figure 6 focuses solely on respondents in February 2020 worked in one of the hard-hit sectors, and the patterns are very similar: although during the first 2020 lockdown it was the youngest workers who were most likely to be fully furloughed, unemployed or self-employed without work (60 per cent in May 2020, compared with between 42 and 47 per cent of all age groups), by May 2021, it was workers aged 65 and older who were most likely to be in one of these states (21 per cent), followed by the youngest (17 per cent). (As we discuss in Box 1, however, many of the age-related employment trends that both preceded the pandemic and played out during it mask significant variation within people of different ages.)

8 See: M Gustafsson, Young workers in the coronavirus crisis: Findings from the Resolution Foundation's coronavirus survey, Resolution Foundation, May 2020; M Brewer et al., Jobs, jobs, jobs & Evaluating the effects of the current economic crisis on the UK labour market, October 2020; D Tomlinson, The beginning of the end, Resolution Foundation, July 2020.

9 See: N Cominetti, et al., Long Covid in the labour market: The impact on the labour market of Covid-19 a year into the crisis, and how to secure a strong recovery, Resolution Foundation, February 2021; M Brewer et al., Jobs, jobs, jobs: Evaluating the effects of the current economic crisis on the UK labour market, Resolution Foundation, October 2020.

FIGURE 6: **The youngest and oldest were most likely to have lost work during the pandemic**

Proportion of respondents who were working in February 2020 but subsequently fully furloughed, unemployed or self-employed but not working, by age group and the sector they previously worked in (all sectors, left-hand panel and hard-hit sectors, right-hand panel): UK



NOTES: Base = All UK adults aged 18+ who were in work during February 2020 and had non-missing data for employment status in each month. Sample size for all sectors is as follows: 18-24: 411; 25-34: 1,112; 35-44: 1,156; 45-54: 1,066; 55-54: 726; 65+ 305. 'Hard-hit' sectors refer to: non-supermarket retail, hospitality, administrative services and leisure. Sample size for hard-hit sectors is as follows: 18-24: 156; 25-34: 236; 35-44: 194; 45-54: 199; 55-64: 129; 65+: 85. All figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of YouGov, Adults Age 18+ and the Coronavirus (COVID-19), June 2021 wave.

Official employment figures from the ONS suggest that the trend of faster improvements in employment among the young compared the older continued over summer. Between December 2020-February 2021 and June-August 2021 the employment rate grew more quickly among 16-17-year-olds (6.9 percentage points) and 18-24-year-year-olds (1.9 percentage points) than among either 50-64-year-olds (0.4 percentage points) or those aged 65 and older (0.2 percentage points).[10] We see a similar pattern of older workers experiencing slower returning-to-work rates when we focus specifically on furlough, next.

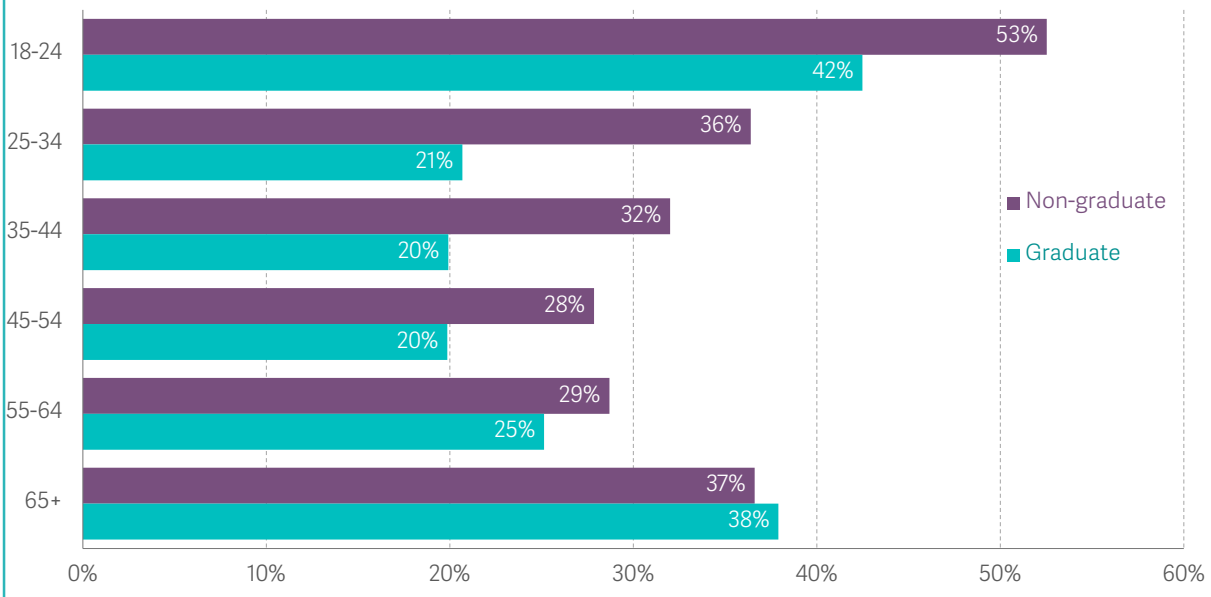
10 The 16+ employment rate grew by 0.6 points over the same time period. See: ONS, A05 SA: Employment, unemployment and economic inactivity by age group (seasonally adjusted), October 2021. Data on the number of payrolled employees does show that the number of 16-24-year-olds that are employed only returned to pre-pandemic (February 2020) levels in July, whereas the number of 25-34-year-old employees remained somewhat lower. Differences between the two can also be explained by education participation, which we discuss late in this section. See: ONS, Earnings and employment from Pay As You Earn Real Time Information, seasonally adjusted, October 2021.

BOX 1: **There are important within-generation, as well as between-generation, employment impacts**

Although the pandemic has had an outsized effect on younger people's employment, some groups of young people were affected more than others. For example, figures from a Resolution Foundation survey conducted in June by YouGov show that more than half (53 per cent) of 18-24-year-old non-graduate respondents who were in work before the pandemic (i.e. in February 2020) had experienced a period of furlough or unemployment between March 2020 and May 2021, whereas 42 per cent of graduates had.

FIGURE 7: **Across all age groups, the odds of a person losing work during the pandemic are related to their educational qualifications**

Proportion of respondents who were employed in February 2020 that experienced unemployment or furlough between March 2020 and May 2021, by education level: UK



NOTES: Base = All UK adults aged 18+ who were in work during February 2020 and had non-missing data for employment status in each month. Sample size for graduates is as follows: 18-24: 132; 25-34: 644; 35-44: 594; 45-54: 500; 55-64: 294; 65+: 130. Sample size for non-graduates is as follows: 18-24: 279; 25-34: 468; 35-44: 562; 45-54: 566; 55-64: 432; 65+: 175. All figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of YouGov, adults age 18+ and the Coronavirus (COVID-19), June 2021 wave.

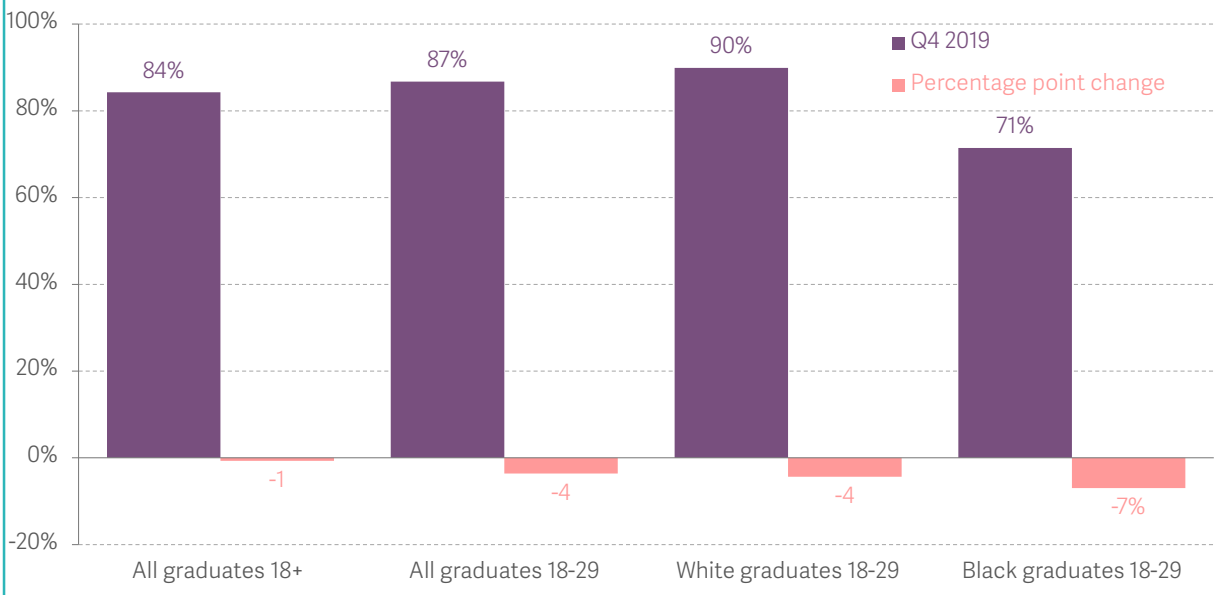
These differences grow as we move up the age distribution: more than one-in-three (36 per cent) of 25-34-year-old non-graduate respondents lost work during the pandemic, compared with just over one-in-five (21 per cent) of their graduate counterparts. In fact, a larger share of non-graduate middle-aged respondents (29 per cent of 45-54-year-olds) lost work than did

25-34-year-old graduate respondents (21 per cent).

Figure 8 shows that the pandemic has also had a differential employment impact among similarly-aged people with similar qualifications. Although employment among all graduates aged 18 and older was just one percentage point lower in September to December 2020 than in September to December 2019, the first year of the pandemic had a larger impact on employment for younger graduates (18-29-year-olds), among whom employment fell by 4 percentage points. Even among young people there were differences: employment fell four points among younger White graduates, compared to 7 percentage points among their Black counterparts.

FIGURE 8: **Employment falls have been larger among young Black graduates than their White counterparts**

Employment rate among graduates in Q4 2019 and percentage point change in employment rate between Q4 2019 and Q4 2020, by selected ethnicities: UK



SOURCE: RF analysis of ONS, Labour Force Survey.

The effects of the pandemic, and downturns in general, on youth employment are not only limited to young people losing their jobs, but also experienced by recent education leavers struggling to find their first job. Between 2019 and 2020, the unemployment rate among graduates and non-graduates who had left full-time education within the previous year grew by 4 percentage points each, to 18 and 14 per cent, respectively. [11] These patterns align with previous Resolution Foundation research that

11 For further discussion, see: K Henehan, Uneven steps: Changes in youth unemployment and study since the onset of Covid-19, Resolution Foundation, April 2020.

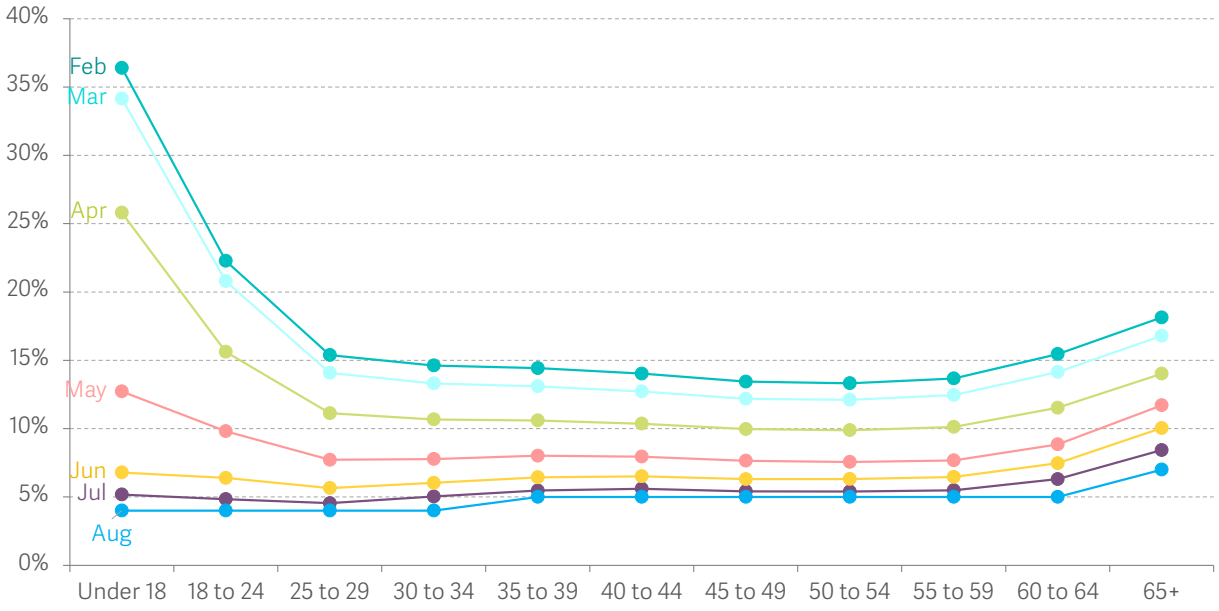
found that leaving education during the midst of an economic downturn can 'scar' a person's employment and pay prospects (relative to their counterparts who left education during normal economic conditions), and that these scarring effects can last for several years.[12]

As the economy started to open up in 2021, the risk of negative employment impacts has begun to shift up the age range

As Figure 6 showed, younger people are much more likely to have experienced furlough or unemployment over the course of the pandemic, but these age differences have attenuated over recent months. For example, the latest HMRC Coronavirus Job Retention Scheme statistics (Figure 9) show that during the winter 2021 lockdown, the share of younger employees on furlough (36 per cent in February) was significantly larger than all other age groups, including older workers (15 and 18 per cent among those aged 60-64, and 65 and older, respectively). These gaps all but evaporated by June and, by the end of August, the share of employees aged 60-64 (5 per cent) and 65 and older (7 per cent) on furlough were both larger than the share of employees aged under 35 (4 per cent).

FIGURE 9: **By summer 2021, older employees were more likely than their younger counterparts to be furloughed**

Proportion of employees furloughed, by age: February 2021 to 31 August 2021, UK



SOURCE: HMRC Coronavirus Job Retention Scheme statistics: 14 September 2021.

12 See: S Clarke, Growing Pains: The impact of leaving education during a recession on earnings and employment, Resolution Foundation, May 2020, and E Del Bono & G Morando, For Some, Luck Matters More: The Impact of the Great Recession on the Early Careers of Graduates from Different Socio-Economic Backgrounds, IZA Discussion Papers 14540, for UK evidence from the financial crisis.

A previous Resolution Foundation report found that older respondents furloughed in May were spread much more evenly across different sectors than younger furloughed workers, who were overwhelmingly represented in sectors that were just coming out from under capacity restrictions, like hospitality, leisure and retail. In fact, older furloughed respondents were over-represented in sectors like manufacturing, construction, and IT and communications, which have been less affected by pandemic-related constraints.[13] That work also showed that older workers are at high risk of being out of work for a long time: 69 per cent of 55-64-year-olds who were furloughed or unemployed in May had been so for at least six months (that is equivalent to 270,000 55-64-year-olds who were fully furloughed or unemployed for six months or more, and equivalent 619,000 45-64-year-olds as a whole). These factors are worrying because, as previous Resolution Foundation analysis from July (which is summarised in this section's Spotlight analysis) showed it tends to take longer for older workers to return to work compared with their younger counterparts, and then when they do, they are more likely to experience a pay reduction. (Interestingly, there is also suggestive evidence that older women have been more heavily affected by the pandemic than they were by previous crises: we discuss this more in Box 2.) Indeed, it's well established that unemployment spells can lead to employment 'scarring,' wherein a person finds it difficult to secure work in future, and where they do find work, they experience a pay penalty.[14]

The key question, in the aftermath of the furlough scheme closing, is what has happened to those who were on furlough in its final days of operation – and how policy makers can ensure they do not flow into unemployment, and especially long-term unemployment. [15] In the run up to the end of furlough, there were an estimated 1 million people on the scheme. There are two pieces of good news. One is that, of the estimated 1 million workers still on furlough in its final month, about half of workers were only furloughed on a part-time basis (i.e. they were doing some work), which suggests that they might not have lost their jobs after the scheme closed.[16] Another is that the latest official redundancy figures, which run to the end of July, do not suggest that employers were increasing redundancies as the end of the furlough scheme neared: in fact, the

13 K Handscomb et al., The Living Standards Audit 2021, Resolution Foundation, July 2021.

14 This scarring could in part be down to a person's skills depreciating while they are out of work, but it could also be attributable to signalling effects, wherein employers are less likely to take on someone with a gap in their work history. To the extent that scarring is caused by the former, we might worry that respondents who have been either unemployed or furloughed over the course of the crisis will find experience some level of scarring in future. Research shows that that a person's susceptibility to unemployment is heightened by factors like having lower-level qualifications, financial deprivation and behavioura lproblems in childhood. See: P Gregg, The impact of youth unemployment on adult unemployment in the NCDS, The Economic Journal 111(475), April 2008; P Gregg & E Tominey, The wage scar from male youth unemployment, Labour Economics 12(4), August 2005. Other research finds that all else being equal, after having an unemployment spell Pakistani and black African women, and black Caribbean and Bangladeshi men, are substantially more scarred than their white British counterparts. See: Y Li & A Health, Persisting disadvantages: a study of labour market dynamics of ethnic unemployment and earnings in the UK (2009–2015), Journal of Ethnic and Migration Studies 46(5), November 2018.

15 For a fuller discussion of the possible impact of Job Retention Scheme's closure on unemployment, see: H Slaughter & G Thwaites, Labour Market Outlook Q3 2021: Prospects for unemployment after the Job Retention Scheme, Resolution Foundation, September 2021.

16 D Tomlinson, Job well done: 18 months of the Coronavirus Job Retention Scheme, Resolution Foundation, September 2021.

redundancy rate between May-July 2021 was, for every age group except 30-49-year-olds, lower than period immediately preceding the pandemic. Among 16-24-year-olds, the number of redundancies per 1,000 employees was 4.4, well below its peak of 16.9 (during July-September 2020) and lower than the period immediately preceding the crisis (December-February 2020, when it was 6.4 per cent). Among workers age 50 and older there is a similar story: the redundancy rate during May-July was 3.7, below its pandemic peak of 14.7 per cent (reached during September-November 2020) and lower than the period immediately preceding the pandemic (4.3 per cent in December-February 2020).[17]

BOX 2: **The Covid-19 crisis has had a worse impact on older women's employment than previous crises**

As well as the employment impacts of the pandemic becoming more skewed to older workers during 2021, there is also suggestive evidence that older women are more heavily affected than in previous crises. Figure 10 compares the impact of the Covid-19 crisis on older employment to the impact of the four main downturns the UK has experienced since the 1980s (by showing the change in the employment rate, the inactivity rate, and the unemployment rate for those aged in their 50s in the four years from the start of each of the previous four recessionary periods).[18]

During previous crises, the employment rate of men in their 50s has tended to fall, whereas female employment has either fallen only slightly (as in the case of the 1980s crisis) or continued rising.[19] So far, the impact of the pandemic on female employment has been worse than the first year of any of those previous crises. Although there are signs that the fall in older women's had begun to improve and then level off by April – June 2021, the effect of the pandemic on employment still remained more severe than the effect of the 1980s recession at a similar point in time. (We will need to wait for figures that cover October 2021 before understanding whether the end of furlough will have a further negative impact.) For older men, a recent improvement in employment means that the impact of the pandemic is now less severe than the 1980s and 1990s recessions, but more severe than the financial crisis. (Employment among

17 ONS, RED02: Redundancies by age, industry and region, 14 September 2021. Furthermore, additional, and more recent, data sources suggest that the scheme's closure is unlikely to have resulted in a rise in redundancies, with Insolvency Service data shows that the number of firms making redundancies was close to a record low in September. Google searches for 'redundancy' increased slightly in September but were well below the levels reached at various points in the pandemic. See: Ben King, Businesses welcome back workers as furlough ends, BBC News, October 2020.

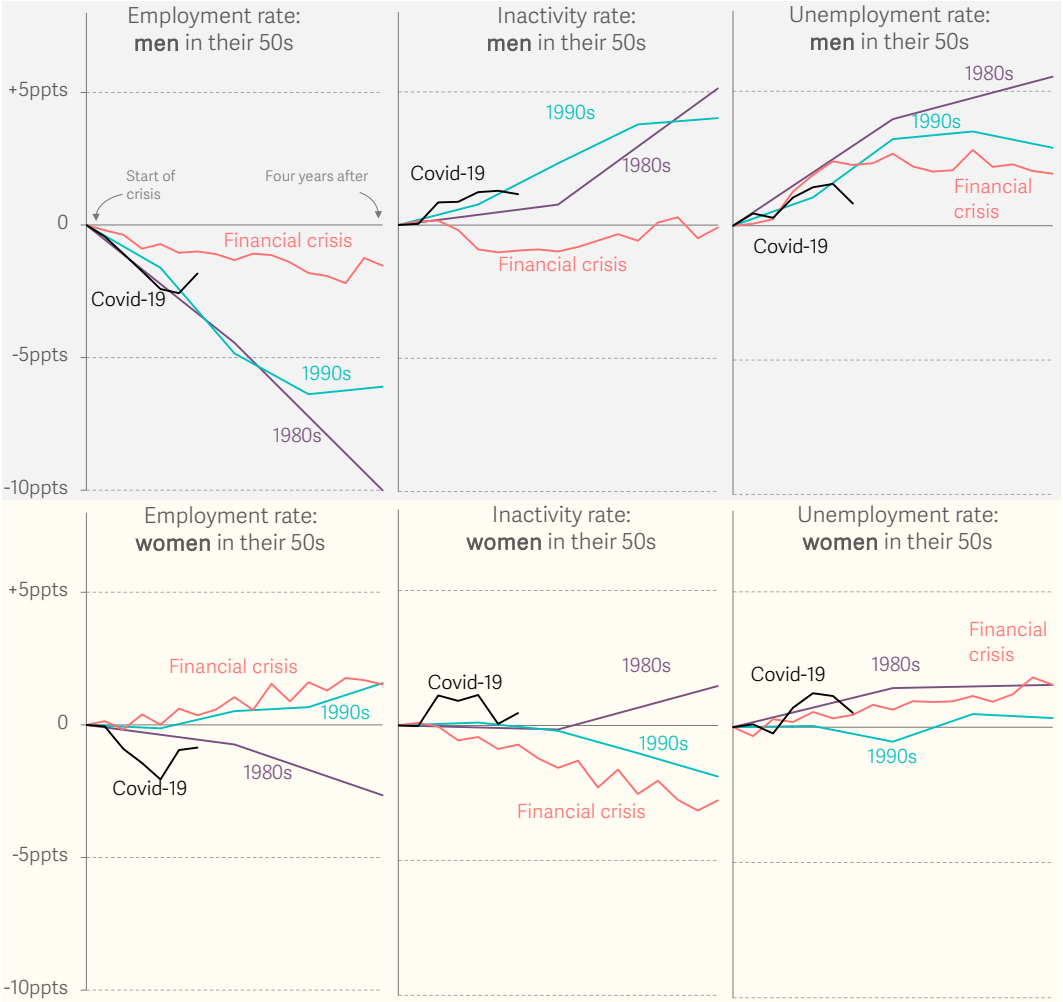
18 We focus on workers in their 50s to avoid trends being affected by the changing state pension age. However, there is little reason to suggest that including those in their early 60s would significantly change the trends set out here.

19 This doesn't mean female employment wasn't affected by those crises – they may have slowed long-term growth in female employment even if they didn't lead to a reduction in the level of female employment.

men in their 50s fell from 83.7 per cent in October – December 2020 and bottomed out at 81.1 per cent in January – March 2021, before rising slightly to 81.9 per cent in April – June 2021).

FIGURE 10: **So far, among those in their 50s, the Covid-19 crisis has been worse for women's employment than the 1980s and 1990s downturns, and the late 2000s financial crisis**

Percentage point change in employment, inactivity and unemployment rates among men and women in their 50s, in the four years after the start of recent economic crises: UK



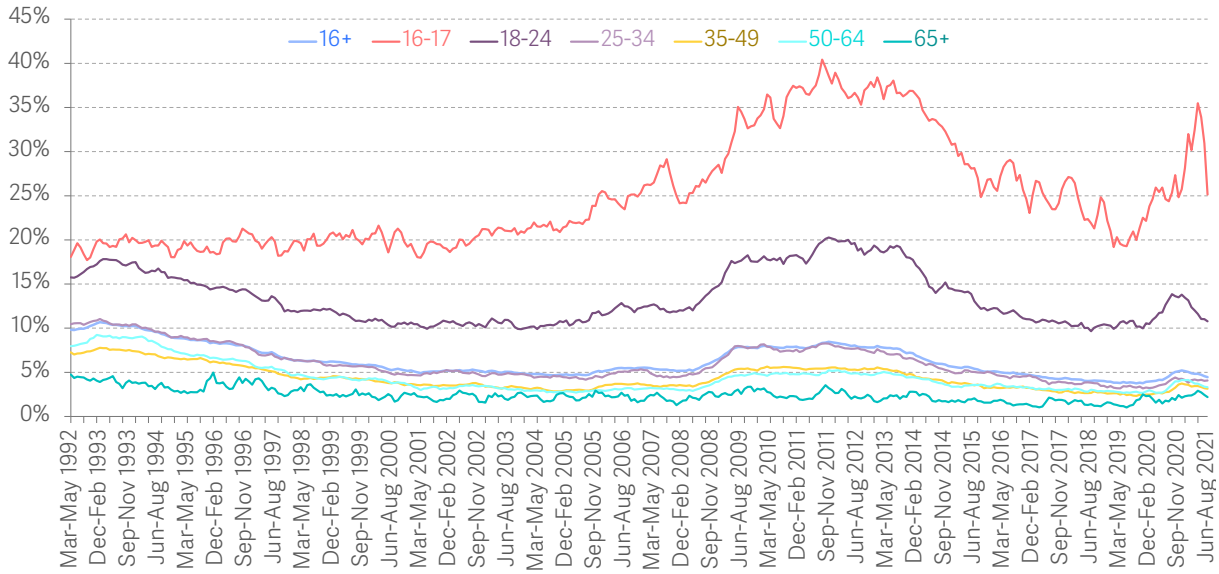
NOTES: Charts show four years from the start of each period. Periods covering the 1980s and 1990s do not perfectly align with the start of those downturns due to data availability. Periods shown date from: 1979 full year (1980s crisis), 1990 full year (1990s crisis), 2008Q1 (financial crisis) and 2019Q4 (Covid-19). The employment and inactivity rates are expressed as a proportion of the population; the unemployment rate is expressed as a proportion of the economically inactive, i.e. those that are either employed or unemployed. The latest data runs to Q2 2021. This is an updated version of F4 in: N Cominetti, A U-shaped crisis: The impact of the Covid-19 crisis on older workers, Resolution Foundation, April 2021.
SOURCE: RF analysis of ONS, Labour Force Survey.

Unemployment rates have remained below those in the financial crisis, thanks in large part to the Job Retention Scheme, as well as younger people moving into full-time study

Despite the extensive labour market disruption, the rate of unemployment has remained remarkably low, thanks to the considerable economic support package. This is particularly good news for young workers and others who have a weak position in the labour market as, when economic downturns arise, it is typically workers with the least experience or the lowest-level qualifications that are first in line for redundancies. For example, Figure 11 shows that in the wake of the financial crisis, the unemployment rate for young people (aged 18-24) peaked at 20 per cent (up from 12 per cent before the crisis), as compared with a post-financial crisis peak of just over 8 per cent among all those aged 16 and older (up from just over 5 per cent).

FIGURE 11: **Unemployment rates for all age groups remain well below those reached in the aftermath of the financial crisis**

Unemployment rate by age group: UK, March-May 1992 – June-August 2021



SOURCE: RF analysis of ONS, Labour Force Survey.

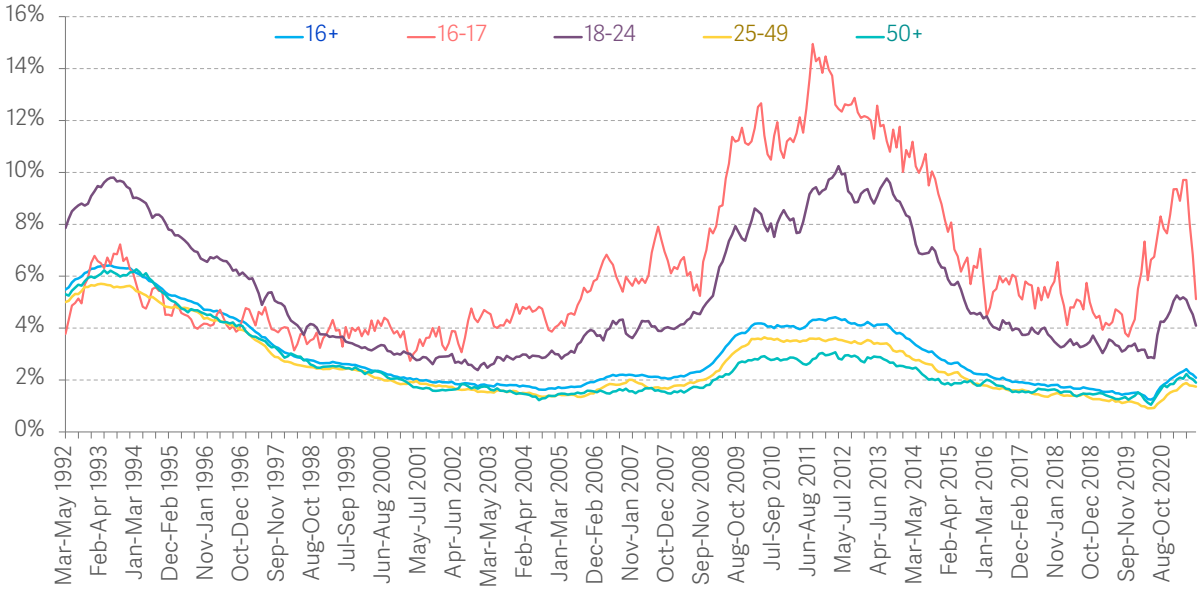
And unemployment rates did rise among all age groups when the pandemic hit (see Figure 11). Among 18-24-year-olds, the unemployment rate reached its pandemic-era peak during October-December 2020, at 13.8 per cent (up from 10.9 per cent before the pandemic, at the start of 2020). Unemployment among all adults aged 16 and older also peaked at the end of 2020, at 5.2 per cent (up from 4 per cent in the period immediately preceding the pandemic). During 2021, the unemployment rate has fallen , particularly from April when social distancing restrictions started to be eased, reaching 4.5 per cent

during June-August 2021, only slightly higher than its pre-crisis level (4 per cent during January-March 2020). The 18-24-year-old unemployment rate has come down markedly: at 10.8 per cent during June-August 2021, it is now marginally lower than during the pre-crisis level (10.9 per cent in January-March 2020).

Focusing on the long-term unemployed, Figure 12 shows that younger people are the most likely to be unemployed for six months or more. Since the onset of the pandemic, the proportion of economically-active people in this state has increased across all age groups, but that increase has been larger than average for those who are younger and older. Across the workforce aged 16+, the share who were unemployed for six months or more increased by a percentage point (to 2.4 per cent) between the quarter immediately preceding the pandemic (January-March 2020) and the winter lockdown period (March-May) of 2021, before falling back to 2.1 per cent during June-August. Rises in longer-term unemployment were sharper among younger age groups, with those aged 16-17 and 18-24 experiencing slightly more than 2 percentage point increases (to 9.7 and 5.3 per cent, respectively) over the course of the pandemic, before falling back (to 5.1 and 4.1 per cent, respectively) during June-August of this year.

FIGURE 12: **The share of people unemployed for six months or more has risen most for both younger and older workers, although it has been falling in recent months**

Proportion of the economically-active population unemployed for six months or more: UK



SOURCE: RF analysis of ONS, Labour Force Survey.

The increases in unemployment and in long-term unemployment over the past year are lower than many forecasts had anticipated, including our 2020 Intergenerational Audit, and are considerably smaller than the increases that occurred in the years after the financial crisis.[20] By contrast, between 2008 and 2010, the share of economically-active adults aged 16+ that were unemployed for six months or longer increased by 2 percentage points, and the share of the 18-24-year-old workforce unemployed for more than 6 months rose by 4 points – roughly twice the size of the rises set out above.

The smaller-than-anticipated growth in unemployment is mainly due to the Coronavirus Job Retention Scheme (JRS), alongside other policies to provide support directly to firms affected by lockdowns or social distancing restrictions. With almost 9 million people on the scheme at some point over the course of the pandemic, the JRS has helped preserve large numbers of viable jobs while firms dealt with lockdowns and other restrictions that limited consumer demand or firms' capacity to meet it.[21]

Additionally, full-time education has played a role in sheltering younger people from unemployment, with many continuing on, or returning to, full-time study.[22] Among those aged 16-17, this could include opting for classroom-based study instead of taking on an apprenticeship; among those aged 18 or over, this could include opting to progress onto higher education, rather than entering the jobs market. And, the proportion of 18-year-olds that entered university reached a record high in the autumn of 2020, with 43 per cent having applied by June (up from 41 per cent at the same point in 2020).[23] On the other hand, young people experienced a disproportionately large drop in apprenticeship starts between August-April 2018-19 and August-April 2020-21. Among 16-18-year-olds starts fell by 30,300 (36 per cent); among 19-24-year-olds they fell by 17,600 (19 per cent) and among those aged 25 and older they fell by 10,100 (7 per cent). Some of these age differences will have been driven by sector: older apprentices are more likely to work in sectors that were able to transition to home working whereas younger apprentices are disproportionately likely to work in in-person services, many of which were temporarily shut down at various points over the pandemic.[24]

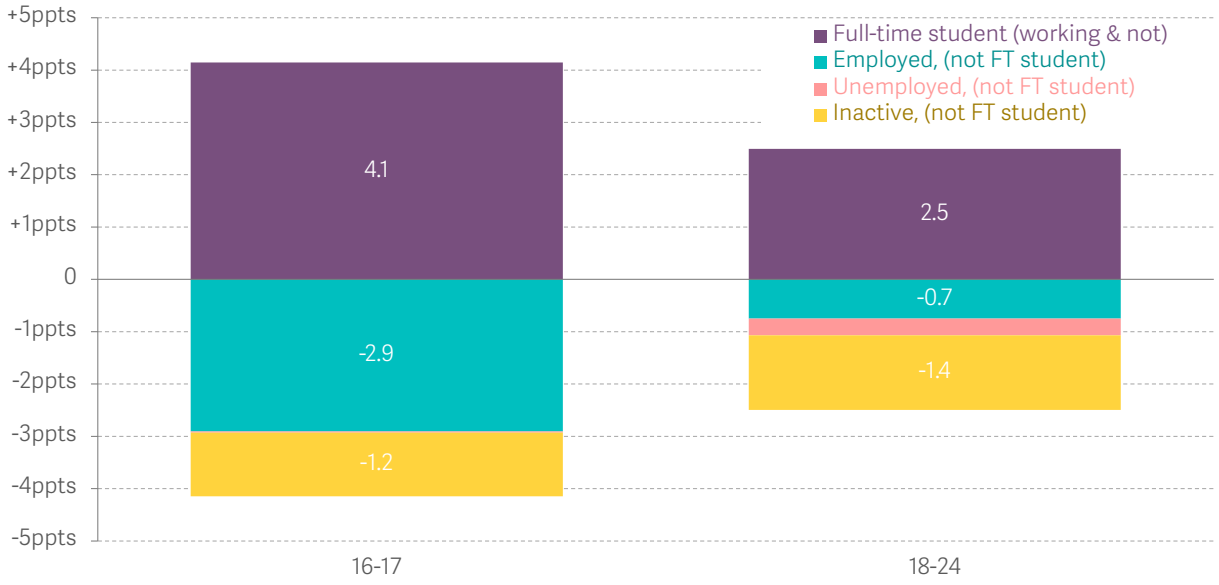
The left-hand panel of Figure 13 shows that the overall increase in full-time study essentially offset the decline in the number of young people who were employed (but not also studying) so that the crisis has had almost no impact on the fraction who are not in education, employment or training (NEET). For example, the share of 16-17 and 18-24-year-

20 For example, in April 2020, the Office for Budget Responsibility (OBR) projected the 16+ unemployment rate to reach 10 per cent in Q2 2020, up from 3.9 per cent in Q2 2019. See: OBR, Coronavirus Reference Scenario, April 2020.
21 For further discussion of JRS take-up, see: D Tomlinson, Job well done: 18 months of the Coronavirus Job Retention Scheme, Resolution Foundation, September 2021.
22 The role of the education system in previous crises is discussed in: K Henehan, Class of 2020: Education leavers in the current crisis, Resolution Foundation, May 2020.
23 Universities and Colleges Admissions Service, 2021 Cycle Application Figures – January Equal Consideration Deadline, 2021.
24 See: Department for Education, Apprenticeships and Traineeships, October 2020.

that were employed (but not in full-time study) fell between May-July 2019 and May-July 2021 (by 2.9 points among 16-17-year-olds and 0.7 points among 18-24-year-olds), and the proportion of young people in full-time study rose by 4 points among 16-17-year-olds and 2.5 points among 18-24-year-olds. Although some full-time students will have lost jobs during the pandemic, it is welcome that young people in education will at least be able to build up human capital and qualifications during the downturn.

FIGURE 13: **Full-time education has helped to limit a rise in youth unemployment**

Percentage point change in proportion of young people in various economic activities between May-July 2019 and May-July 2021: UK



NOTES: Categories are mutually exclusive: Full-time student includes those who are employed, unemployed or inactive while in full-time study. 'Inactivity,' 'Unemployment' and 'Employment' all refer to those who are outside of full-time study.
SOURCE: RF analysis of ONS, A06: Educational status, economic activity & inactivity of young people: People aged 16 to 24 by educational status, economic activity and inactivity (seasonally adjusted).

The pandemic has made it hard to interpret our core indictors of intergenerational progress in the labour market, but there is little improvement in the quality of work that young people are taking up

Normally, we would also look to employment rates and median pay as core metrics for understanding the availability and prosperity of jobs taken up by different cohorts. However, as we discuss in Box 3, the interpretation of some of these metrics during the pandemic has become difficult.

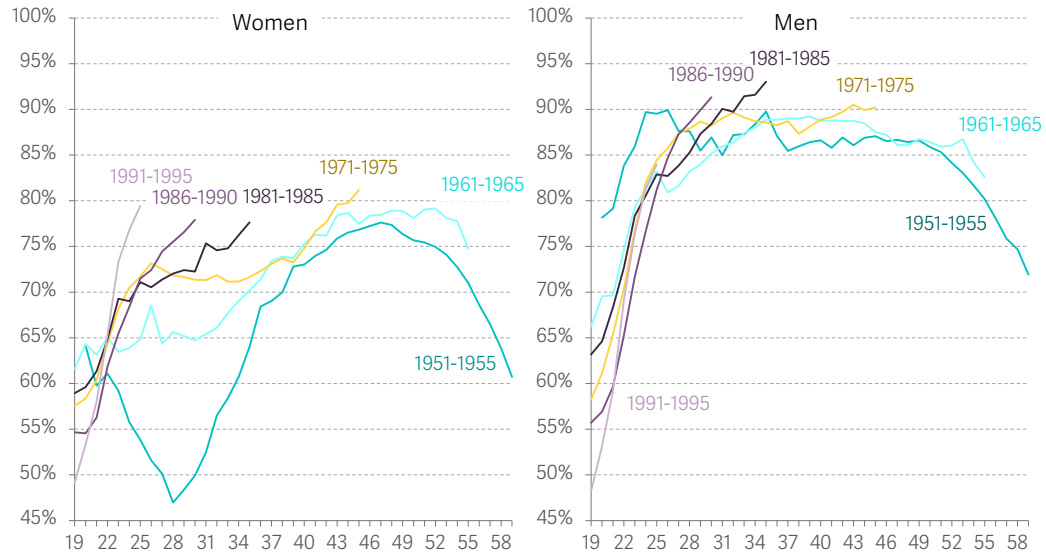
BOX 3: It is not clear whether the pandemic has affected the trend for cohort-on-cohort rises in employment but stalled pay progression for younger workers

Before the Covid-19 pandemic, employment among UK adults had a reached a record high. Importantly, these improvements fed through to most age groups, with successive birth cohorts having benefited from employment increases. This has particularly been the case for women, with those born in the 1980s to 1990s having experienced higher employment rates in their 20s and their early 30s than their predecessors, and those born in the early 1960s more likely to work into their 50s than those born during the early 1950s. (For further discussion of employment among older people, see the Spotlight at the end of this section.)

As Figure 14 shows, these cohort-on-cohort improvements still hold when we include employment data for 2020 and 2021, which is positive news. But we should take interpret these figures with care, as the measure of employment also includes people who were on full furlough who had an employment contract and were being paid, but were not actually doing any work. A true impression won't be available until we have data from after the end of the JRS.

FIGURE 14: **Employment has risen among successive cohorts of young women**

Employment rate, by age, cohort and sex: UK, 1975 – Q2 2021

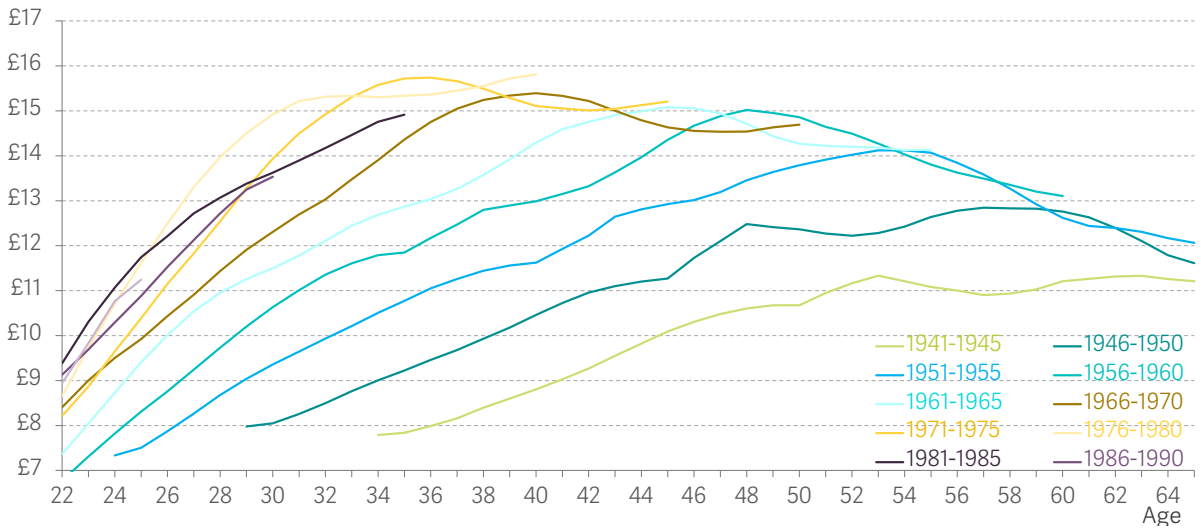


NOTES: Figures for each cohort are derived from a weighted average of estimates by single year of age; cohorts are included if at least five birth years are present in the data.
SOURCE: RF analysis of ONS, Annual Labour Force Survey (1975-1991); ONS, Labour Force Survey (1992-2021).

In contrast to the positive story on employment, the years before Covid-19 had also been characterised by a lack of generational pay progress for millennials and their successors: cohorts born up until the late 1970s could expect to be paid more than their predecessors (when at the same age), but this cohort-on-cohort progression has stalled for those born in the 1980s (Figure 15). This is in part explained by the fact that those born in the early 1980s (1981-1985) will have been in their early careers (and those born in the late 1980s (1986-1990) will have just left education) when the financial crisis hit, putting them at particular risk of experiencing the post-crisis pay squeeze.[25]

FIGURE 15: **Generational pay progress has stalled for those born after 1980**

Median real (CPIH-adjusted) hourly employee pay (2020 prices), by age and cohort: UK, 1975-2020



NOTES: Figures for each cohort are derived from a weighted average of estimates by single year of age; cohorts are included if at least five birth years are present in the data. Data is smoothed using three-year rolling averages.
SOURCE: RF analysis of ONS, New Earnings Survey (1975-97); ONS, Annual Survey of Hours and Earnings (1997-latest).

As with Figure 15, the effects that the pandemic has had on the labour market make it difficult to interpret pay trends in 2020 and 2021. In particular, the fact that lower-paid workers have been more likely to lose their jobs will automatically skew typical pay rates up, but the presence of workers on furlough getting 80 per cent of their previous wage will have skewed pay rates down.[26]

25 For further discussion, see: G Bangham et al., An intergenerational audit for the UK: 2019, Resolution Foundation, June 2019.
26 See: T Bell et al., Understanding the labour market: Pandemic not pandemonium The labour market is normalising, not overheating, Resolution Foundation, July 2021.

Finally, Figure 3 (earlier in this section) showed that, since Covid-19 took hold, the share of workers in lower-paid occupations has continued to fall over 2020 and into the first half of 2021: to just over 35 per cent of 18-29-year-olds and 21 per cent of workers aged 30 and above. This will have been driven by the fact that the types of sectors most likely to shed jobs during the pandemic were lower-paid ones (although, as with Figure 14, this data includes workers who are on furlough), rather than reflecting a strengthening of young people's relative position in the labour market. In previous audits, we have shown the proportion of young people who voluntarily change jobs each year, an important indicator because job mobility is a key mechanism through which young people attain a pay boost: the pandemic has made this indicator close to meaningless in 2020 and early 2021. We have also tracked measures related to job quality, like the proportion of workers in lower-paid industries, and the share working on insecure contracts, which we show below.

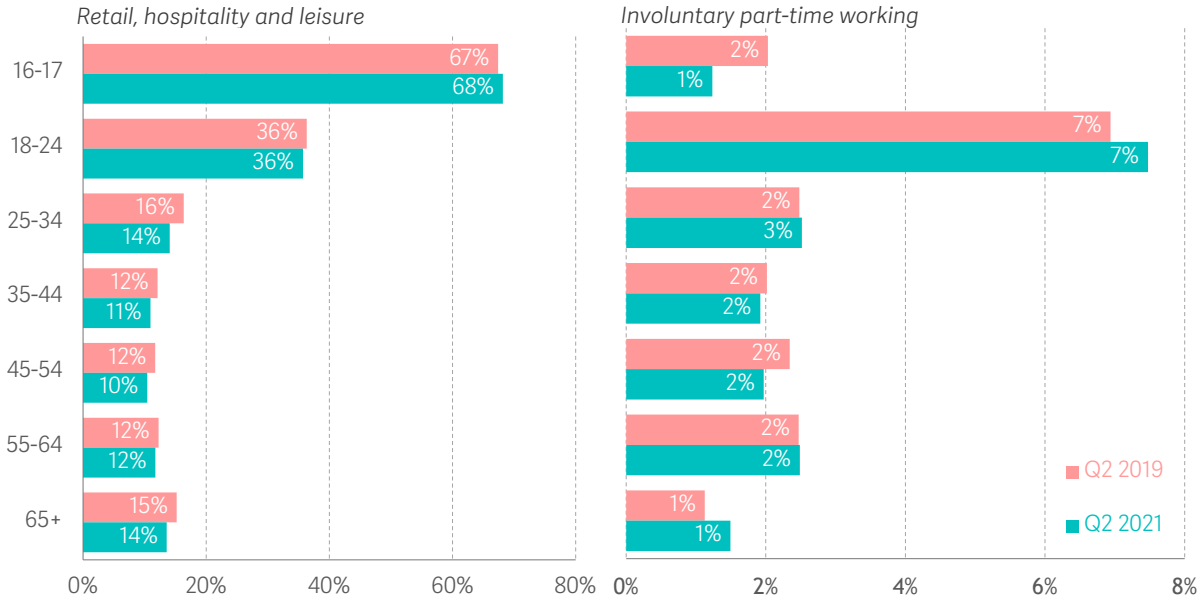
Two indicators that are worthwhile examining relate to the quality of work on offer (although our data runs only to the first half of 2021, so doesn't fully capture the re-opening of the UK economy[27]). The left-hand panel of Figure 16 shows that the proportion of workers working in industries that are generally lower-paid, like retail, hospitality and leisure have shifted very little so far in the recovery (as noted elsewhere, this data will count furloughed workers as being employed). We also find few signs of improvement when we turn to involuntary part-time working (the right-hand panel of Figure 16), which captures the proportion of workers who say they work part-time because they cannot find a full-time job. 7 per cent of 18-24-year-old workers reported this in both Q2 2019 and Q2 2021; 2 per cent of 25-34-year-olds reported this during Q2 2019 and 3 per cent did in Q2 2021.

Other indicators of the quality of work include the fraction of workers on zero-hours contracts. Figure 5 (earlier in this section) showed that, although the proportion of 18-29-year-olds working on a zero-hours contract had fallen somewhat between 2020 and the first two quarters of 2021 (from 5.9 to 5.2 per cent), it remains higher than in 2019 (when 4 per cent of 18-29-year-olds reported working on one).

27 For example, in England, mass gatherings including theatre productions, sporting events and nightclubs opened, without social distancing restrictions from 19 July 2021.

FIGURE 16: **The share of younger workers in lower-paid industries, and the share working part-time involuntarily, was just as high in June 2021 as it was before the pandemic**

Proportion of workers in retail, hospitality and leisure (left-hand panel) and proportion of workers who report working part-time because they cannot find a full-time a full-time job (right-hand panel), by age group and quarter: UK



NOTES: Retail, hospitality and leisure includes: Retail trade excluding motor vehicles and motorcycles, accommodation, food and beverage, travel agency and tour operator activities, creative arts and entertainment activities, sports activities and amusement and recreation. Involuntary part-time refers to the share of employees and self-employed who report working part-time because they cannot find a full-time job.
SOURCE: RF analysis of ONS, Labour Force Survey.

Obviously, all of these indicators would have been affected by the changes in the labour market caused by the employers' responses to the pandemic. For example, the drop in the share of younger workers on zero-hours contracts in 2020 could reflect that younger workers in lower-paid service sectors (who are most likely to be on a zero-hours contract) were among the first to be furloughed or lose their jobs, rather than being a sign of improved job quality in lower-paid sectors. Over recent months, however, there are signs that both the absolute number – and the proportion of young people – in this position is rising. Between January-March and April-June 2021, the number of 16-24-year-olds on a zero-hours contract rose by over 10 per cent (to 313,000), equivalent from 8.3 to 9.1 per cent of workers in that age group. This suggests that, as the economy re-opens, there is little sign of improvement in some aggregate measures of job quality. In other words, we cannot expect the recovery and a large number of job vacancies alone to improve the job quality and pay prospects for future generations.

But one of the most important intergenerational consequences of the pandemic will be the long-term impacts it has on the life chances and social mobility of young people currently in education or in the early part of their employment careers, long after

the most acute effects of the virus pass us by. Although it is very good news that the employment rate has already rising, and that rates of long-term unemployment are so far well below those seen after the financial crisis, those young people who experienced unemployment over the past 18 months remain at risk of employment and pay scarring over the longer-term. And research shows that employment scarring is particularly prevalent among people with lower-level qualifications, and those from with lower-income or ethnic minority backgrounds, so any long-term impacts could exacerbate pre-existing intra-generational inequalities in employment and pay, as well as inter-generational differences.[28]

Other research has shown that school closures, isolation policies and a variation in the accessibility and quality of remote learning or home schooling have all resulted in a substantial amount of learning loss among pupils – with those from disadvantaged backgrounds having on average lost the most learning time of their peers.[29] The sharp fall in the number of people starting apprenticeships during the first year of the pandemic was also concentrated among younger people on programmes at lower-equivalent levels of study, who are more likely to come from lower-socioeconomic backgrounds.[30] The loss of education stemming from both of these occurrences is likely to deepen socioeconomic inequalities, with implications for intergenerational social mobility over the longer-term.[31] Finally, research has found that job loss (either among a child or young person's parents or a young person themself) has been more prevalent among those from lower socioeconomic backgrounds, another event that could widen pre-existing gaps within younger generations and serve as a further stumbling block to intergenerational mobility in the coming years.[32]

Going forward, policy will need to improve the number and quality of opportunities for both younger and older adults who lost work in the pandemic

The Covid-19 pandemic has generated several employment-related challenges for workers of all ages, but especially for the oldest and the youngest in the labour force. These challenges have come on top of a number of pre-pandemic headwinds that have

28 For further discussion, see: J Cribb, A Hood & R Joyce, Does leaving education in a recession have a lasting impact on living standards?, Institute for Fiscal Studies, November 2017; P Gregg, The impact of youth unemployment on adult unemployment in the NCDS, The Economic Journal 111(475), April 2008; P Gregg & E Tominey, The wage scar from male youth unemployment, Labour Economics 12(4), August 2005, and: Y Li & A Health, Persisting disadvantages: a study of labour market dynamics of ethnic unemployment and earnings in the UK (2009–2015), Journal of Ethnic and Migration Studies 46(5), November 2018.

29 For example, the average number of lost learning days that occurred between March 2020 and April 2021 was 61 in England and Northern Ireland, 64 in Scotland and 66 in Wales. See: L Elliot Major, A Eyles & S Machin, Learning loss since lockdown: variation across the home nations, Centre for Economic Performance, London School of Economics, July 2021.

30 K Henehan, Apprenticeships: why new starters are so important, TES, January 2021; K Henehan, Trading up or trading off? Understanding recent changes to England's apprenticeships system, Resolution Foundation, August 2019.

31 R Blundell et al., Inequalities in education, skills, and incomes in the UK: The implications of the COVID-19 pandemic, Institute for Fiscal Studies, March 2021.

32 See for example: L Elliot Major, A Eyles & S Machin, Unequal learning and labour market losses in the crisis: consequences for social mobility, Centre for Economic Performance, London School of Economics, February 2021.

particularly affected the young, like a rise in atypical forms of work, growing occupational segmentation, declining job-to-job moves, and stalled generational pay progress.

The good news is that policy, and specifically the JRS, has helped to prevent what could have been a spectacular hike in unemployment – and one that would have had a disproportionately large impact on younger workers, who are concentrated in sectors most affected by lockdowns and social distancing restrictions. The capacity for the UK's education system to take in additional students has also have played a role in protecting (mostly younger) generations from the scarring effects of unemployment. As the UK recovers from the pandemic and emergency support measures like the JRS are shut down, policy makers need to keep a close eye on those groups that are most likely to fall into unemployment, and longer-term unemployment at that. This will include disadvantaged young people and those with lower-level qualifications, but also older workers – who are more likely to have been furloughed or unemployed for a significant period of time.

To that end, they should continue putting resources into programmes to help young people at risk of longer-term unemployment find work experience, such as the Kickstart Scheme, and to help younger people with mid-to-lower level qualifications find quality work and training programmes, such as Sector-based Work Academy Programmes (SWAPs) and quality job search support through Job Entry Targeted Support (JETS) and Youth Hubs. And if the Government wants to ensure that apprenticeship funding is used to help people access routes to a new career (and not spent on standard work-related training), it should also put into place policies that reorient the apprenticeship system towards young people and new starters.

Older workers will be in need of support in the aftermath of the pandemic too, and it's important that Government puts into place measures that address many of the specific risks older workers face when falling out of work. To that end they should continually evaluate the quality of support older workers are receiving through the 'Restart' employment support programme, in order to ensure that they are not being put to one side. They should also consider additional incentives to help older people back into work (for further discussion, see this section's Spotlight).

But employment and training policy shouldn't be focused on meeting pandemic-driven problems alone. Coming out of this crisis, policy makers should be focused not just on how to get people back into jobs, but on improving the quality of those jobs and the ability for younger generations to achieve the same levels of employment and pay progress that their predecessors have. In fact, making headway on earnings growth and job quality is a necessary (but not sufficient) requirement for the Prime Minister's vision of moving the UK towards a high-wage, high-skill economy over the coming years. We

will explore these strategic challenges more widely in our work, along with the Centre for Economic Performance at the London School of Economics, on the Economy 2030 Inquiry over the next two years.[33]

33 See: Resolution Foundation, About the Economy 2030 Inquiry

Spotlight: Employment trends among older workers[34]

This section has shown that the employment impact of the crisis have been felt most severely by younger and older workers. This Spotlight analysis puts that short-term hit into context by considering the longer-term trends in employment among older workers. In so doing, it raises questions about what comes next for those older workers that have lost work in this crisis, given that older workers take longer than their younger counterparts to return to employment after losing work, and on average face larger earnings reductions compared to their counterparts when doing so.

Over the past five decades, older-age employment has improved markedly

The long-run patterns in older-age employment show a key change from the early 1990s (see Figure 17). Between 1975 and 1990, employment rates among older men fell drastically (by almost 30 percentage points among those near to the state pension age), with those for older women falling too, but the decline was limited to those aged over 60 and was smaller in magnitude than for men.[35] From the early 1990s, though, older-age employment rates have been growing, something that has been linked to the overall strength of the economy (at least, before 2008), the rise of service sectors, and tighter regulations around ill-health related retirement in public pension programmes.[36] Since 2010, it has also been pushed along by increases in the state pension age for women, which rose incrementally from 60 to 65 over the past decade.[37] In 2019, the female 50-64-year-old employment rate was 15 percentage points higher than at the turn of the century, which was nearly twice the 8 percentage point increase in the male 50-64-year-old employment rate over the same 19-year period.

34 This is a summary of a longer Spotlight which was published during April 2021. This summary abbreviates that original publication. In addition to the material set out here, the longer version of this Spotlight looked at the how employment for different age groups had changed during the pandemic; we update and summarise that work elsewhere in this report. It also examined, in greater detail, patterns and trends in older-age employment over recent decades and how older employment in the UK compares on an international basis. See: N Cominetti, A U-shaped crisis: The impact of the Covid-19 crisis on older workers, Resolution Foundation, April 2020.

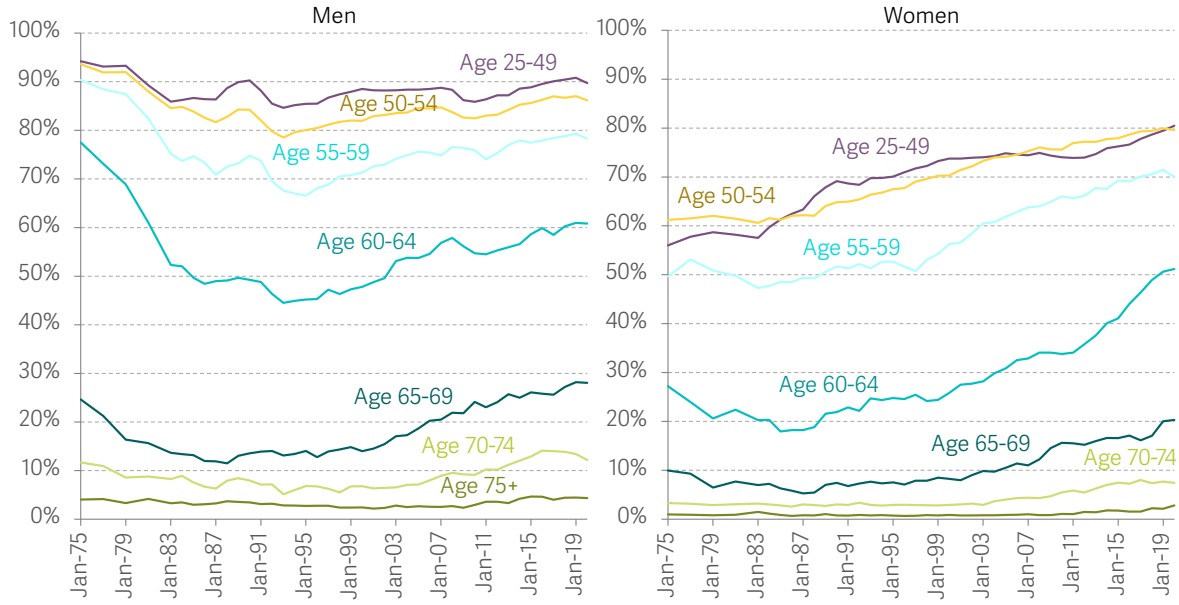
35 A mix of industrial decline and employment policy were at play: older men were more likely to be working in the industries hit hardest by the early 1980s recession, employers used early access to pension schemes as a way of making redundancies among older workers, and a 'Job Release Scheme' 'released' older workers an allowance which was higher than the state pension and unemployment benefits, and was conditional on the employer hiring a young unemployed person. For further details on this and the Job Release Scheme, see: J Banks et al, Releasing jobs for the young? Early retirement and youth unemployment in the United Kingdom, Institute for Fiscal Studies, March 2010.

36 R Disney & D Hawkes, Why has employment recently risen among older workers in Britain?, published in 'The Labour Market under New Labour: The State of Working Britain II' (eds) R Dickens, P Gregg & J Wadsworth, Palgrave, October 2003.

37 Research has shown that the higher female state pension age increased employment among women in their early 60s independent of broader employment growth. See: J Cribb et al., Signals matter? Large retirement responses to limited financial incentives, Institute for Fiscal Studies, 2016.

FIGURE 17: **Employment among older workers has been rising strongly since the mid-1990s, after two decades of falling employment among older men**

Employment rate by sex and age band: UK



SOURCE: RF analysis of ONS, Labour Force Survey.

These post-1990s increases in employment rates among older workers, combined with the demographic bulge of the baby boomer generation, mean that older workers now comprise a greater share of employment today than at any point since 1975 (the period from which we have consistent data). In 2020, 21 per cent of the workforce was aged 55 or above, up from 13 per cent in 2000.

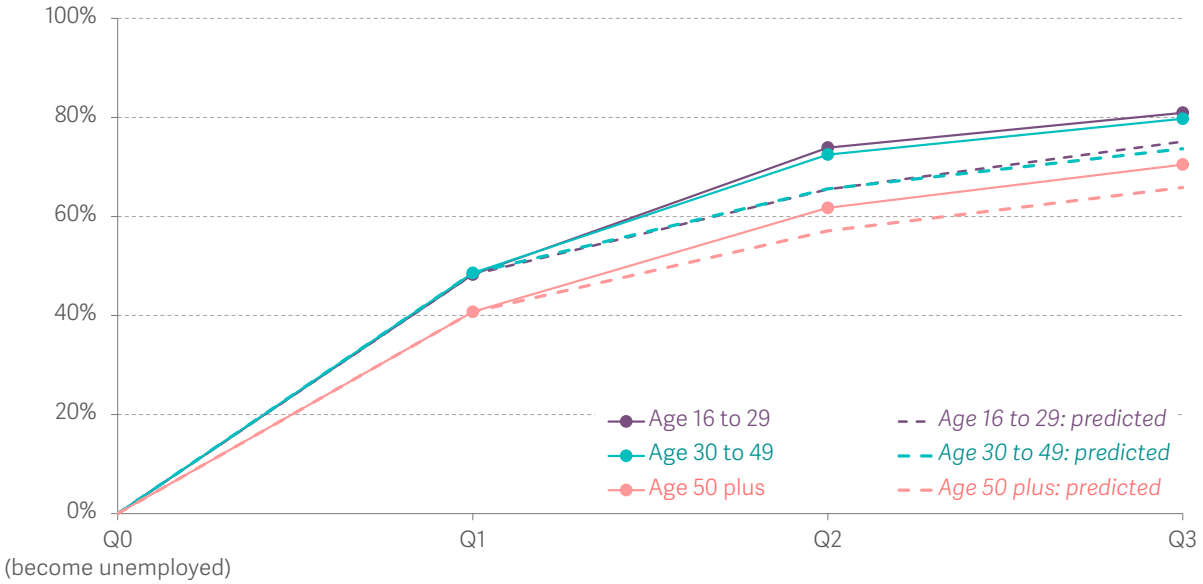
History shows that the short-term impacts of job loss on employment and pay are greater for older workers than for other workers

As we showed earlier in this section, the employment impacts of the pandemic began as a U-shape with age, and have shifted towards being skewed towards the old. And this is problematic because evidence shows that, having fallen out of work, older workers take longer to return to employment after becoming unemployed than their younger counterparts. Figure 18, based on a long span of pre-pandemic data, shows the proportion of adults who, having moved from employment to unemployment in previous quarters, then moved back into employment in the following quarters. On average across the 1998 to 2020 period, 74 per cent of 16-29-year-olds and 72 per cent of 30-49-year-olds had returned to employment two quarters after becoming unemployed, compared to 62 per cent of those aged 50 or over. The gap between workers aged age 50 or over and those aged 30 to 49 narrows (from 10 percentage points to 7 percentage points) once we control for various personal characteristics, but does not disappear. (The predicted rates

of return based on non-age factors like sex, qualifications and pay are shown with dotted lines).

FIGURE 18: **After losing work, older workers take longer to return to work – even if we control for factors like pay and qualification level**

Proportion of adults in employment by the number of quarters after becoming unemployed, by age group: UK, 1998-2020

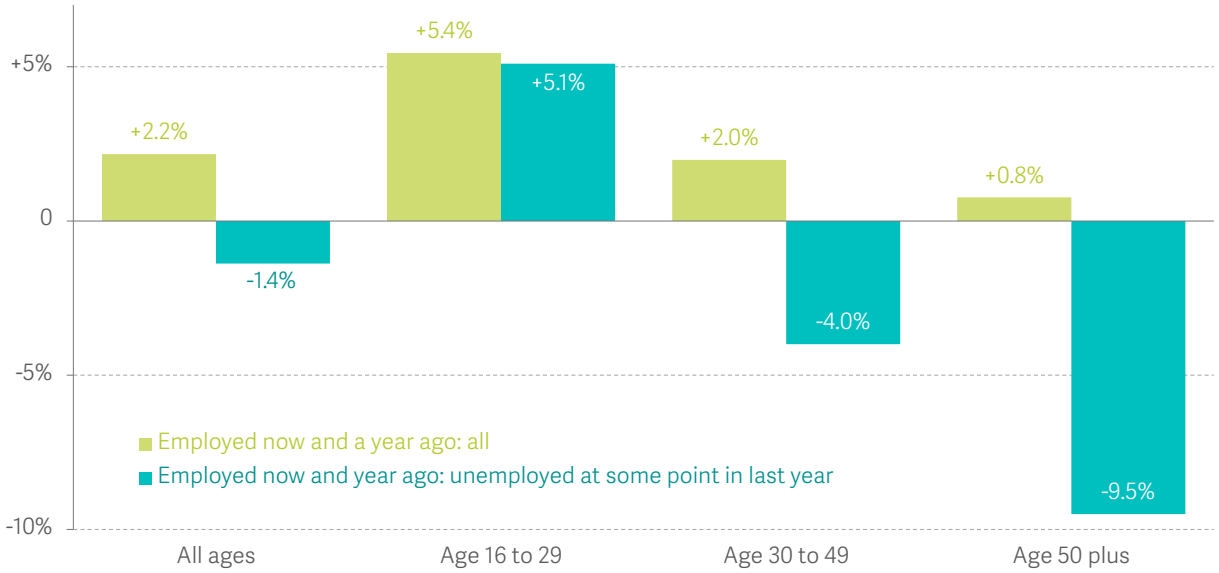


NOTES: The chart shows the proportion of individuals who, after becoming newly unemployed in quarter 0 (that is, they were employed in quarter -1 and unemployed in quarter 0), had re-entered employment by the following quarters. People having re-entered employment in those quarters do not necessarily stay in employment. Predicted values are based on the results of an ordered logistic regression on the above outcomes, including sex, highest qualification level, within-age-band and within-period hourly pay quartile, a period dummy, along with the interaction of the age group variable with those other variables (apart from the period dummy).
SOURCE: RF analysis of ONS, Five-quarter Longitudinal Labour Force Survey.

When returning to work, older workers earn substantially less, on average, than they did in their previous job, and this pay penalty is greater than those who are younger. Figure 19 shows the median change in individuals' earnings among all workers who were currently employed at the time of the survey and were also employed a year earlier, as well as those who were employed at the time of the survey, and a year earlier, but who had also experienced a period of unemployment within the past year (data availability means the analysis only includes those in employee jobs, which is significant, as the self-employed comprise an important part of the older age workforce).

FIGURE 19: **Older workers are particularly likely to face a pay penalty on returning to work**

Median annual change in hourly pay, by whether have experienced some period of unemployment in the past year: UK, 1995-2020



NOTES: Pay data in the Labour Force Survey is only available for employees, so this figure does not include the self-employed.
SOURCE: RF analysis of ONS, Five-quarter Longitudinal Labour Force Survey.

The typical annual pay growth experienced by individual workers that had experienced a period of unemployment in the past year was still strongly positive for the youngest workers (5.1 per cent, not much below the overall rate of pay growth) over the 1995-2020 period; among those aged 30 to 49, it was negative (-4.0 per cent), 6 percentage points below the overall rate of pay growth among that age group. But among those aged 50 and over, the earnings hit for work returners is greater still, with those returning to work after unemployment facing a typical change in hourly pay of -9.5 per cent. Moreover, the impact of an unemployment spell on subsequent weekly pay is greater because older workers returning to work after a spell of unemployment tend to work fewer hours in their next job. On average, the median change in weekly pay for those aged 50 and over who return to work after a spell of unemployment is a fall of 17 per cent. [38]

It is also possible that some older adults will drop out of the labour market altogether after a spell of unemployment: analysis from 2020 found that 5 per cent of older workers (age 50 and above) in paid employment immediately before the crisis planned to retire earlier as a result of the Covid-19 crisis, although 8 per cent said the crisis had caused

38 Among those aged 50 and above that experienced a period of unemployment in the prior year (across the period 1995 to 2020), median hours worked were 37 in the pre-unemployment job, and 32 in the post-unemployment job. By contrast, hours worked pre- and post-unemployment for those in the middle of their careers (age 30 to 49) were the same (36 hours), while young people (age 16 to 29) tended to increase their hours after a spell of unemployment (from 33 to 35 hours) on average.

them to postpone retirement. Planning to delay retirement was more common among those who had been working from home in the crisis, and among those on higher incomes (although there was also an association with the value of an individual's pension having fallen, implying a choice forced on them by outside circumstances). [39]

Flexible working can help older workers stay in work, and employment support programmes should be tailored to meet their needs

For many older workers in the current crisis, falling out of work will have negative implications for their income and retirement savings (especially if they are not among the older families who experienced significant wealth gains during the pandemic, which we discuss in Section 5). Policy levers should therefore continue to be used to promote employment among older workers. Given that around half of workers over the age of 50 said the option to work part-time or flexible hours would encourage them to work longer, workers should be offered the right to request flexible working from day one in a job, rather than after from six months, as at present.[40] And since caring responsibilities and health problems are major reasons for early retirement, workers should be offered a 'right to return' to work following periods of absence for caring responsibilities or for health problems.

Policy makers should also ensure that employment support programmes, including the new 'Restart' scheme which is intended to help long-term unemployed adults find work, cater to the specific needs of older workers[41] and ensure that older adults receive a quality of support that is equal to that of their younger counterparts.[42] Finally, policy makers may also want to minimise the earnings reduction facing older work-returners by trialling a 'return-to-work' bonus; one such scheme existed during the 2000s as part of the 'New Deal' for the over 50s, wherein older workers who returned to work after having been unemployed for six months were paid a tax-free 'Employment Credit' of £60 a week (£40 if the work was part-time), with payments continuing for a year.[43]

39 R Crawford & H Karjalainen, The coronavirus pandemic and older workers, Institute for Fiscal Studies, September 2020.
40 Policy proposals summarised in: L Gardiner et al, A New Generational Contract: The final report of the Intergenerational Commission, Resolution Foundation, May 2018. Based on a policy paper submitted to the Resolution Foundation by the Centre for Ageing Better: P Thomson, A silver lining for the UK economy: The intergenerational case for supporting longer working lives, Centre for Ageing Better, February 2018.
41 See: P Thomson, A silver lining for the UK economy: The intergenerational case for supporting longer working lives, Centre for Ageing Better, February 2018.
42 The Restart Scheme features a 'payment-by-results' funding model which can leave providers with less incentive to focus on older participants, who have a lower probability of finding work, as occurred under the Work Programme, an employment support programme that ran through 2011-17. See: Learning and Work Institute, A mid-life employment crisis, August 2020.
43 The effectiveness of that scheme is unknown, as evaluations did not include control groups. Studies of the scheme indicate the programme helped recipients cope with any costs associated with returning to work. See: S Vegeris, D Smeaton & M Sahin-Dikmen, 50+ back to work evidence review and indicative guide for secondary data analysis, Department for Work and Pensions Research Report No 615, 2010.

At the onset of the Covid-19 crisis, employment among older workers had been on a strong upwards trajectory for the best part of 25 years. It has now taken a step back. The Government's response to this crisis must ensure a successful end to the furlough scheme, and that any employment support provided to older adults is tailored to meet their needs, and is of as a good a quality as that provided to younger adults.

Section 3

Housing costs and security

In the years immediately preceding the Covid-19 pandemic, the proportion of young people that were renting in the private sector had begun to fall, as the share owning homes and living with their parents ticked up. But this did little to unravel the long-term, generational shift in housing, where adults born after 1960 are less likely to own – and more likely to privately rent – than their older counterparts at the same age.

Prior to the pandemic, housing costs relative to income were higher for younger generations than their predecessors at the same age. But there were considerable differences within generations, too: among younger cohorts, mortgagors spent less on housing (even after including the mortgage principal) compared to their counterparts who were privately renting (even after netting out Housing Benefit). But the young and private renters appear to get increasingly less value for money, with overcrowding significantly up during 2018-20 compared with 2010-12.

Temporary changes to large-scale data collection methods have prevented us from examining how the pandemic has affected most housing tenure patterns across different age groups. However, data on mortgage sales provides little evidence to suggest there has been any significant change in youth home ownership rates: 43 per cent of mortgages in 2020 went to 18-35-year-olds, up one percentage point from 2019 but down a percentage point from 2018. There has been an increase in the number of first-time buyer mortgages issued during 2021, but it is still unclear whether this reflects a rise in home ownership rates among the young, as some of the increase will have been driven by delayed sales from the early days of the pandemic and another part could represent sales accelerated to benefit from the stamp duty holiday.

The noticeable impact of the pandemic on housing relates to house prices: although they've grown most for detached homes (approximately 13 per cent between July 2019 and July 2021), they also are up for properties that first-time buyers and young families typically seek, like terraced houses and flats (12 and 7 per cent, respectively) (we consider the impact of house price changes on household wealth in the next section).

Rents have grown more slowly, but they still remain elevated compared to recent years, even in cities like London (where private rents have fallen in recent months).

Data lags mean we don't have definitive information on how housing costs relative to income have changed during the Covid-19 period. However, housing arrears are up among young adults in most forms of housing tenure, and are markedly higher for older working-age adults living in the private and social rented sectors: 2 per cent of 45-54-year-old respondents in the private-rented sector reported that they had arrears in February 2020 whereas 7 per cent reported having them in May 2021.

Our Spotlight analysis, at the end of this section, discusses the proportion of young people that live with their parents, the characteristics of young people that do so, and the link between young people experiencing an employment shock during the pandemic and subsequently moving to their parents' home.

The defining shift in housing over recent decades has been falling home ownership and a rise in private renting among the young

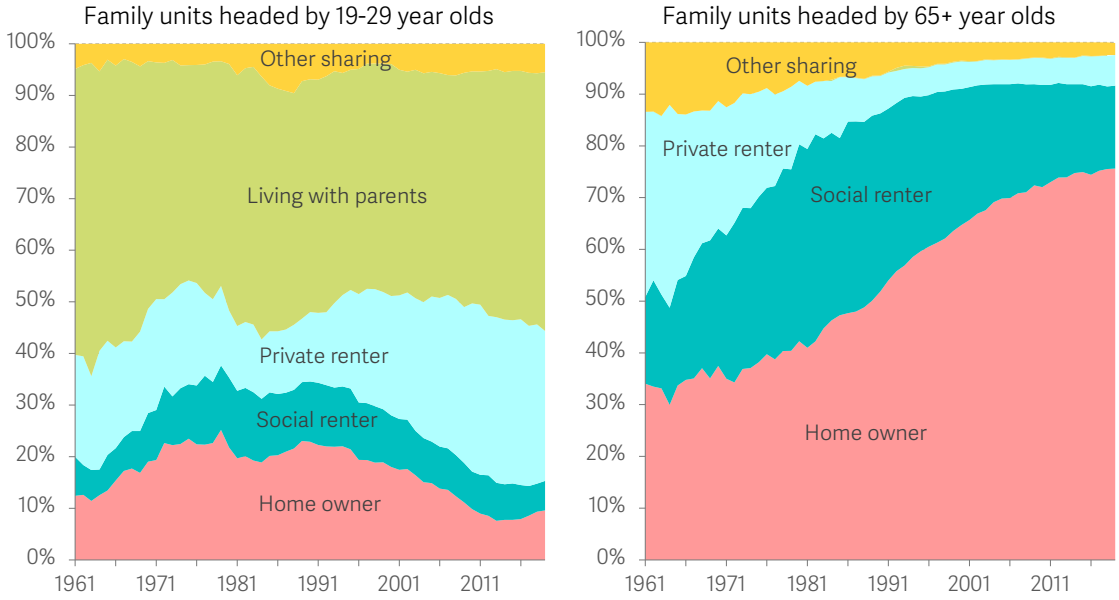
As previous Intergenerational Audits have set out, housing tenure patterns among the young began to shift markedly from the late 1980s: the share of 19-29-year-old family units that owned their own homes fell by two-thirds between 1989 and its lowest point (2013), from 23 to 8 per cent. Over the same timeframe, the share in social rented accommodation fell by more than a third (from 12 to 7 per cent), while the share that lived with their parents increased marginally (from 46 to 48 per cent) and the proportion living in the private-rented sector (PRS) more than doubled, from 12 to 25 per cent.[44]

In the most recent years, as Figure 20 shows, home ownership among the young had been ticking up slightly, rising from just over 7.5 in 2013 per cent to just over 9.5 per cent in 2019. The share of young people in the PRS fell by three points over the period (to 29 per cent), and the share living with their parents grew by 2 points (to 50 per cent). But young people in 2019 were still less than half as likely to own, and more than twice as likely to private rent, than they were thirty years earlier.

44 L Gardiner et al, An intergenerational audit for the UK: 2020, Resolution Foundation, October 2020.

FIGURE 20: **Although home ownership among the young has continued to rise in recent years, young people remain more likely to rent or live with their parents**

Housing tenure by age group: UK, 1961-2019



NOTES: A family unit is a single adult or couple, and any dependent children. 18-year-olds that live with parents and are not full-time students are not counted as separate family units and do not appear in these statistics. These people are likely to be in education at sixth form or college, and so are still 'dependent children'. 'Other sharing' refers to anyone sharing who is not a single adult without children living with their own parents, e.g. single parents living with their own parents, elder family members or lodgers.
SOURCE: RF analysis of IFS, Households Below Average Income (1961-1983); ONS, Annual Labour Force Survey (1984-1991); ONS, Labour Force Survey (1992-2019).

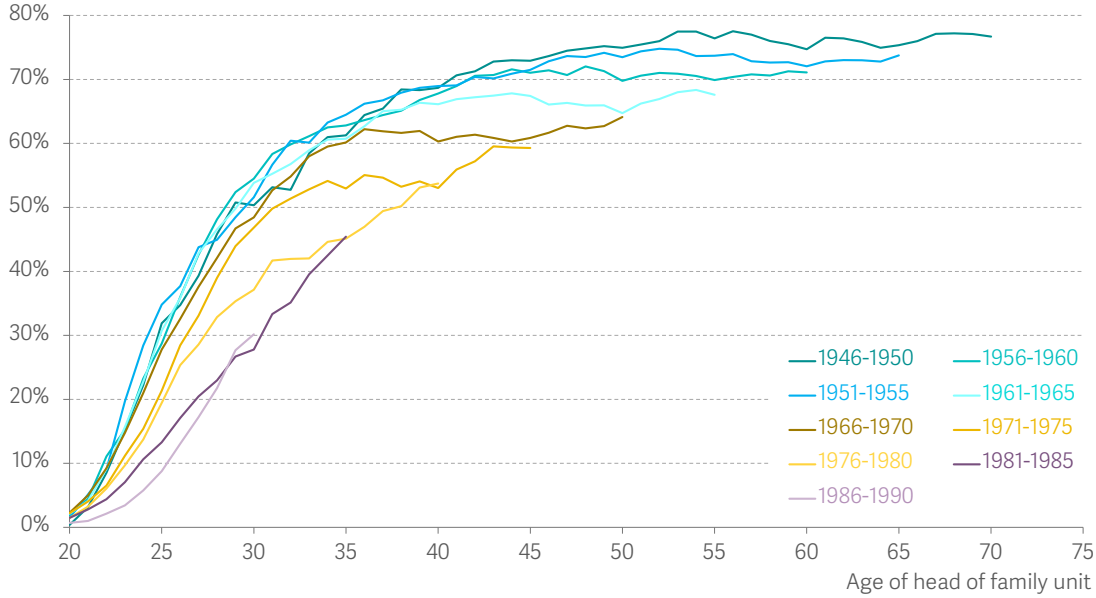
The right-hand panel of Figure 21 shows how the trends have been reversed among older adults. In the year before the pandemic, more than three-quarters (76 per cent) of households headed by someone aged 65 and older owned their home, more than double the 34 per cent that did in the early 1960s. The share that either rented privately or socially had fallen too, with social renting declining slowly but steadily from the 1990s, and private renting falling from the late 1970s.

Taking a longer view allows us to better understand what these tenure changes have meant for different generations. Figure 21 presents home ownership rates by age and birth cohort. It shows that, although those born in the 1980s spent more of their early life outside of home ownership than their counterparts born in the 1970s, they have begun to catch them up now that they've reached their mid-30s. We see a similar trend for those born in the 1970s: although there have been substantial generational gaps during their early adult life, younger cohorts born in the 1970s have started catching up with the cohorts preceding them. But considerable gaps remain: at age 34, home ownership rates among late millennials (born 1981-1985) are closer to what they were for their

grandparents' generation (born in the early 1930s) (42 and 37 per cent, respectively) than their parents' generation born in the 1950s (63 per cent), all assessed when aged 34.[45]

FIGURE 21: **Young people today are only half as likely to be buying a home at the age of 30 compared to some baby boomer birth cohorts**

Proportion of family units owning a home, by age of head of family unit and birth cohort: UK, 1961-2019



NOTES: Figures for each cohort are derived from a weighted average of estimates by single year of age; cohorts are included if at least five birth years are present in the data.
SOURCE: RF analysis of IFS, Households Below Average Income (1961-1983); ONS, Annual Labour Force Survey (1984-1991); ONS, Labour Force Survey (1992-latest).

There are a number of reasons why getting on the property ladder has proven so difficult for younger birth cohorts. As the Spotlight analysis featured in Section 5 shows, house prices have played a major role in raising barriers to entry over recent years, and this has outweighed the effects of lower interest rates: the total cost of buying a first-time property (outright) rose two-thirds over the past half-century, from £154,000 in 1974 to £254,000 in 2020 (in 2020 prices). (See Box 4 for a discussion on the growing income divide between younger home owners, and see the Spotlight analysis in Section 5 for an analysis on the costs for first-time buyers faced by different generations.)

The effect of rising house prices on lower home ownership has been bolstered by social and demographic changes among recent generations, including staying in education for longer, and partnering and having children later in life.[46] Policy changes will also have

45 Our 2019 Intergenerational Audit pointed out that falling home ownership rates and a rising share of younger people living in private-rented accommodation had led to an increase in the proportion of young children growing up in the private-rented sector. In 2018, one-in-four children started school when living in the PRS, up from one-in-ten during 2003. See: G Bangham et. al., An intergenerational audit for the UK: 2019, Resolution Foundation, June 2019.

46 A Corlett & L Judge, Home Affront: Housing across the generations, Resolution Foundation, September 2017; L Gardiner et al., A New Generational Contract: The final report of the Intergenerational Commission, Resolution Foundation, May 2018.

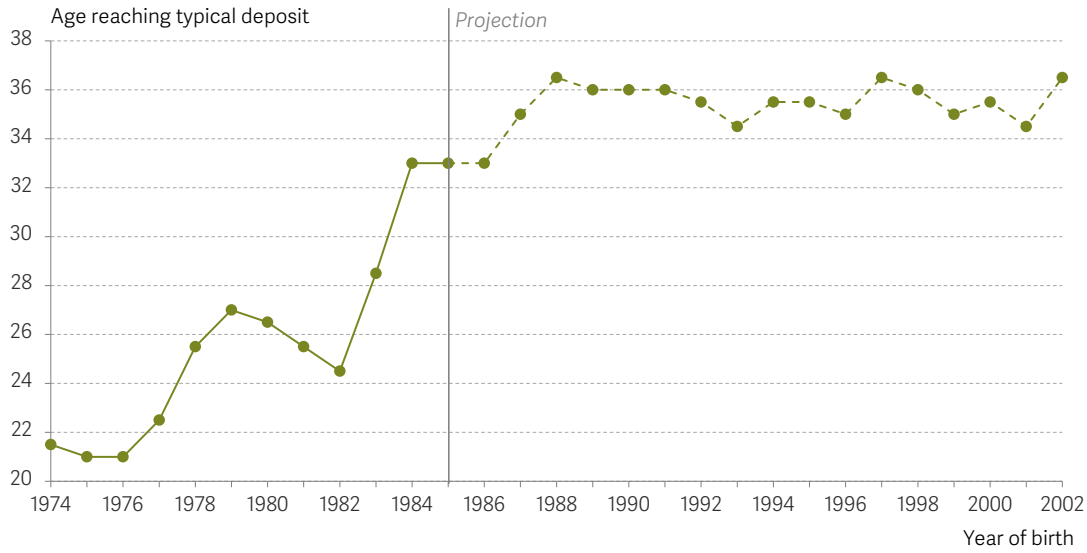
played a role, with the 1980s and 1990s Right to Buy policy boosting home ownership among older generations (which also reduced the number of social-rented properties available today, as it was not replenished).[47]

BOX 4: **Among the young, home ownership has increasingly become the preserve of those on higher incomes**

The rise in house prices over recent decades means that a typical young person will take longer to save up for deposit today than in the past. Recent Resolution Foundation research, summarised at the end of Section 5, finds that, for those born in 1974, the typical age by which someone could have sufficient savings for a deposit was 22. That rose by 11 years, to 33, for those born in 1984 (see Figure 22).[48]

FIGURE 22: **Age at which typical first-time buyer family will have saved required deposit, by year of birth of head, two-year rolling average: UK**

Estimated age by which typical first-time buyer family will have saved required deposit, by year of birth of head of family: UK



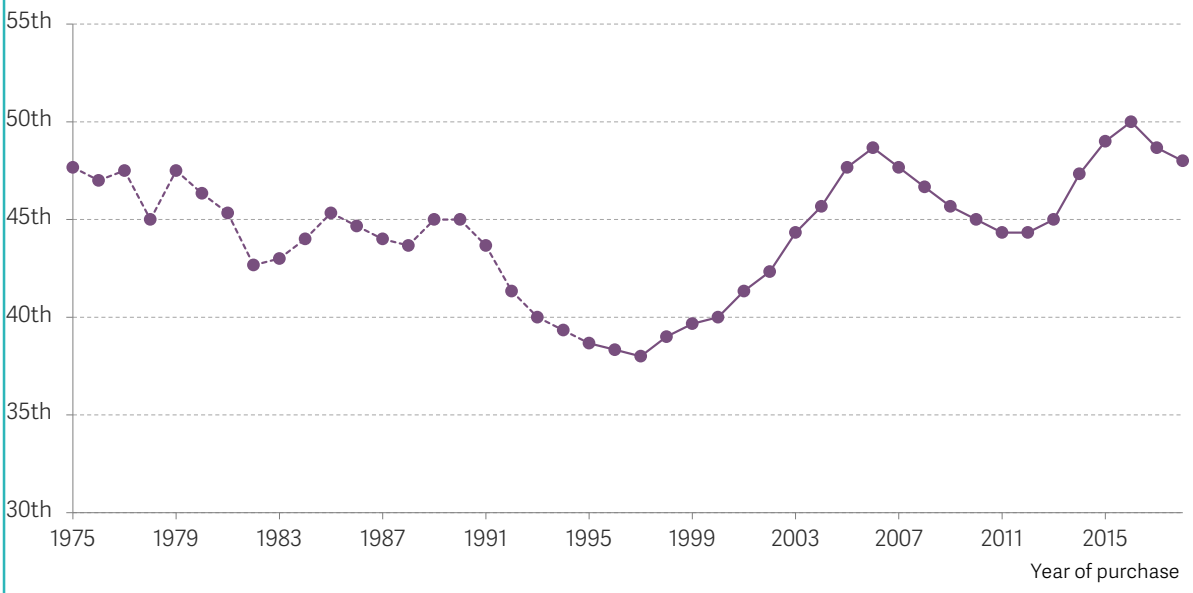
NOTES: The data is smoothed with a two-year rolling average, with 1974 representing an average of 1973 and 1974, and the pattern following for subsequent years. Assumes saving begins at age 20. Projection assumes real wage growth in line with average for each age group since 1962, inflation of 2 per cent, house price growth of 3 per cent (in line with nominal wage growth and assumptions made in earlier analysis), current sight deposit rates continue, and 2020 FTB LTVs continue.
SOURCE: RF analysis of IFS HBAI (FES) 1961-1991; DWP HBAI (FRS) 1994-95-2018-19; UK Finance Industry Tables; FCA, Product sales data; Bank of England, Bankstats.

47 A Corlett & L Judge, Home Affront: Housing across the generations, Resolution Foundation, September 2017.
48 L Judge & J Leslie, Stakes and ladders: The costs and benefits of buying a first home over the generations, Resolution Foundation, June 2021.

The increase in house prices and consequent requirement for larger deposits means that buying a home while young has become increasingly limited to those on higher incomes. For example, the typical first-time buyer family in 1996 was at the 38th percentile of the income distribution of their age group; by 2020, they stand at the 48th (Figure 23).[49]

FIGURE 23: **Today's young people need higher incomes to access home ownership than previous generations**

Income percentile of typical first-time buyer family aged 25-34: UK



NOTES: The data is smoothed with a two-year rolling average, with 1975 representing an average of 1974 and 1975, and the pattern following for subsequent years. Years from 1994 onwards are financial years i.e. 1994=1994-95. Income percentiles are based on gross income and are calculated at the benefit unit level. There is a structural break between FES and FRS data, in order to calculate a consistent series we project the FRS backwards using FES growth rates for each percentile of the income distribution (projected data is denoted with dashed lines).
SOURCE: RF analysis of IFS HBAI (FES) 1961-1991; DWP HBAI (FRS) 1994-95-2018-19; UK Finance Industry Tables; FCA, Product sales data.

Although a person's income is central to the odds of their owning a home, previous Resolution Foundation analysis found that parental property wealth matters too: at age 30, those whose parents do not own property are about 60 per cent less likely to be homeowners.[50] Parental wealth has also become more important over time: during the 1990s and early 2000s, 30-year-olds with parents who own property were roughly twice as likely to be homeowners as those whose parents don't, but from the mid-2000s,

49 L Judge & J Leslie, Stakes and ladders: The costs and benefits of buying a first home over the generations, Resolution Foundation, June 2021.
50 S Clarke & J Wood, House of the rising son (or daughter): the impact of parental wealth on their children's homeownership, Resolution Foundation, December 2018.

they were nearly three times as likely to be homeowners. Our research did not identify the effect of parental gifts or loans, which would help a child accrue a deposit, but other research does find that parental wealth has an independent effect on home ownership (in other words, its impact holds after controlling for factors like education, occupation and pay).[51]

Younger generations spend a greater share of their income on housing compared with their parents at the same age

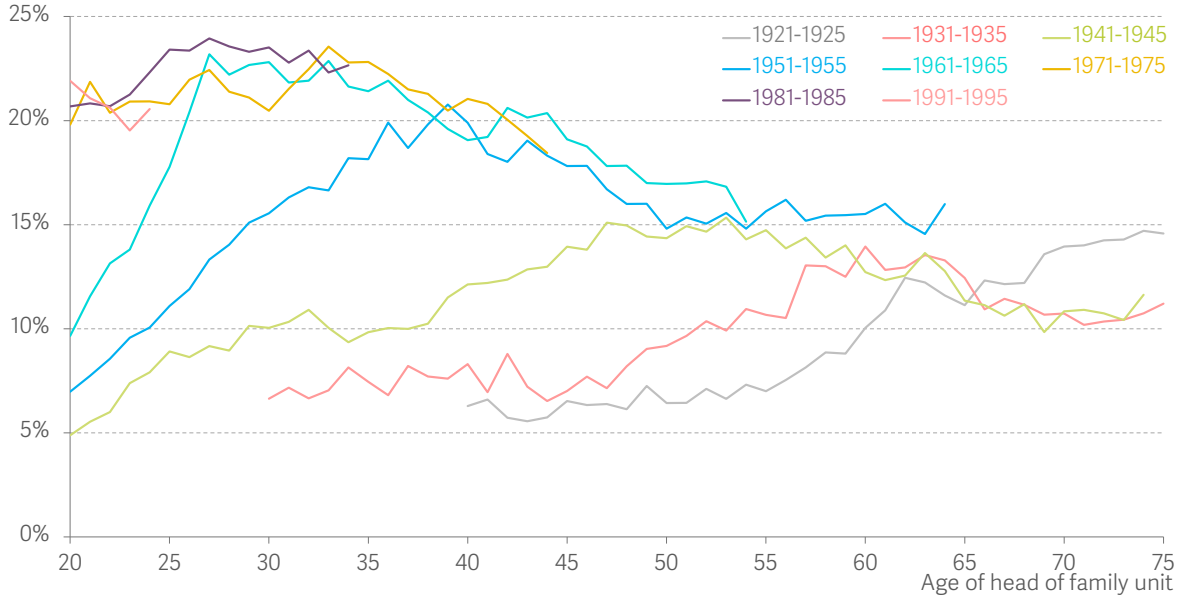
Taking our headline measure of housing costs (which excludes the effects of housing benefit or paying down a mortgage principal), the pre-pandemic trend was for the proportion of income spent on housing costs to be declining marginally for most age groups: among 25-34-year-olds it fell from 24 to 19 per cent between 2008-09 and 2019-20; among pensioners it fell from 12 to 11 per cent. Welcome though these falls were, they mask a longer-term, generational shift in housing costs. Due in part to large increases in housing costs in the 1980s, younger cohorts are spending considerably more of their income on housing than their predecessors were at the same age.

This is borne out in Figure 24, which shows that the proportion of income spent on housing costs at age 40 has more than trebled from those born in the early 1920s (6 per cent) to those born in the early 1970s (20 per cent). Among those aged 30, there's been less of an increase over recent cohorts (while in their early 30s, cohorts born in the early 1970s and early 1980s each spent roughly 24 per cent of their income on housing costs) but even still this represents a substantial increase compared with the share of income those born in the early 1950s spent on housing while the same age (approximately 16 per cent).

51 For further discussion, see: A Davenport, P Levell & D Sturrock, Why do wealthy parents have wealthy children?, Institute for Fiscal Studies, September 2021.

FIGURE 24: **Housing costs relative to incomes have risen for all cohorts born after the 1950s**

Proportion of net income spent on housing costs (gross of housing benefit, excluding principal repayment), by age of head of family unit and cohort: GB, 1961-20

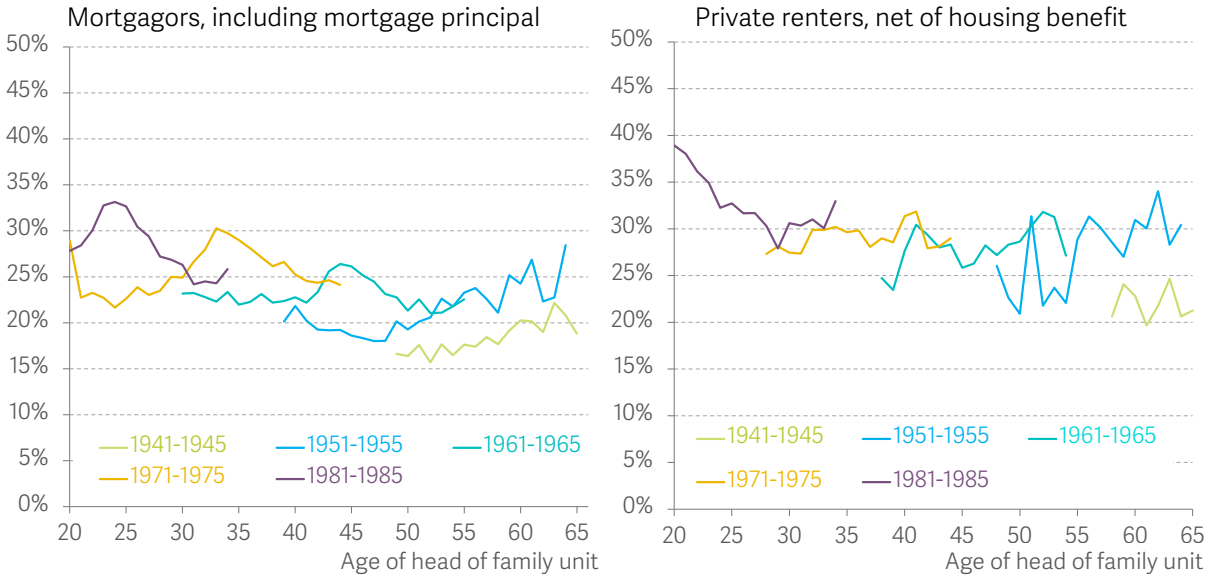


NOTES: Income and housing costs both include housing benefit. Incomes and housing costs are assumed to be shared equally within households. Figures for each cohort are derived from a weighted average of estimates by single year of age; cohorts are included if at least five birth years are present in the data.
SOURCE: RF analysis of IFS, Households Below Average Income (1961-93); DWP, Family Resources Survey (1994-2019).

Housing costs, of course, vary considerably between different tenures with mortgagors consistently spending relatively less on housing (even after including mortgage principal), compared to their counterparts in the PRS (even after netting out Housing Benefit). But, as Figure 25 shows, these cohort-on-cohort patterns persist even if we focus just on mortgagors or just on private renters. Once mortgage principal is included, we find that those born in the 1970s and 1980s spent a larger share of their income on housing than their predecessors born in the 1950s and 1960s, but these differences tend to even out as older millennials (1981-1985) reached their mid-30s. There have also been successive cohort-on-cohort increases in the share of income spent on housing among private renters, even after Housing Benefit is accounted for, although these gaps appear to have narrowed as cohorts reach their 30s and 40s.

FIGURE 25: **At most ages, private renters spend more of their income on housing than their mortgagor counterparts**

Proportion of net income spent on housing costs by mortgagors, including principal; proportion of net income spent on housing costs by private renters, net of housing benefit, by age and cohort: GB, 1961-2020



NOTES: Incomes and housing costs are assumed to be shared equally within households. Figures for each cohort are derived from a weighted average of estimates by single year of age; cohorts are included if at least five birth years are present in the data.
SOURCE: RF analysis of IFS, Households Below Average Income (1961-93); DWP, Family Resources Survey (1994-latest).

As well as the differences in spending by tenure shown in Figure 25, any compositional changes to tenure will also affect the changes in housing costs shown in Figure 24. For example, Figure 26 shows that housing costs for private renters increased sharply for the 1981-1985 cohort over the past five years while young mortgagors have instead experienced a slight fall. Since the number of young mortgagors has increased relative to renters (in line with the pre-pandemic increase in home ownership rates among young people, discussed at the top of this section), and young mortgagors on average have lower housing costs relative to their incomes than renters, then overall costs have decreased, as shown in Figure 25.[52] However, across all cohorts, the relative costs of private-renting (even after factoring in housing benefit) have – at most ages – been higher than the relative costs of a mortgage (including paying down the principal).

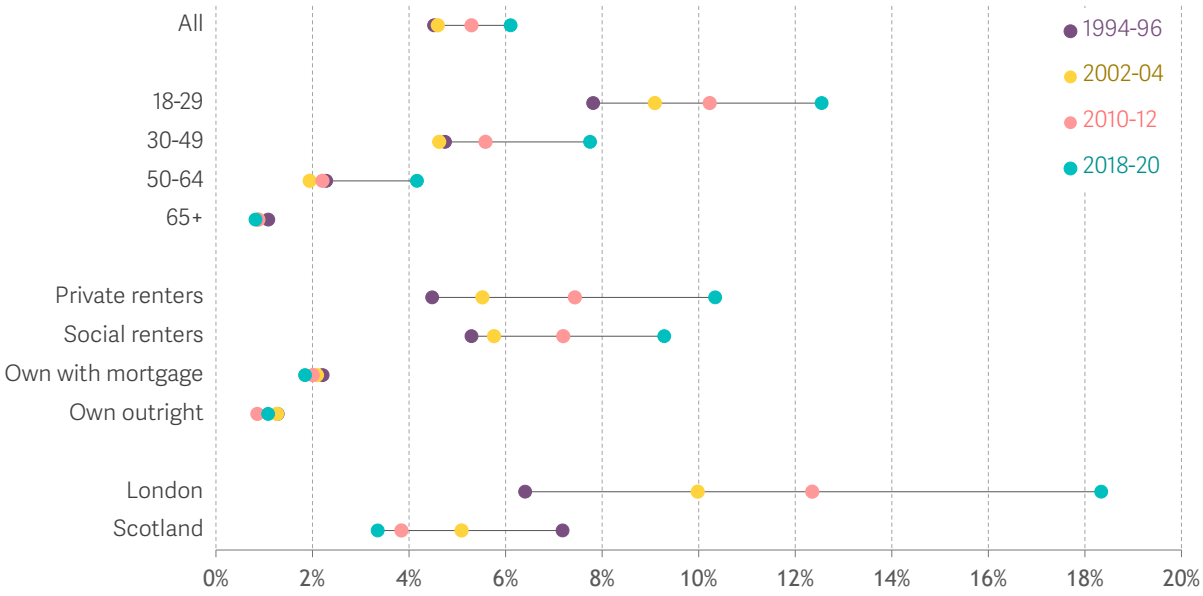
And this higher expenditure on housing does not seem to be matched by a greater consumption of housing services: markers of quality, like overcrowding, have worsened over recent years, especially for private renters. For example, Figure 26 shows that the proportion of young family units living in overcrowded accommodation grew from 8 to

52 For a more detailed discussion, see: L Gardiner et al, An intergenerational audit for the UK: 2020, Resolution Foundation, October 2020.

13 per cent between 1994 to 2020, and that overcrowding trebled, from 4 to 12 per cent, among privately renting households over the same time period.[53]

FIGURE 26: **The share of younger private renters living in overcrowded housing has doubled since 1994**

Proportion of family units living in overcrowded accommodation, by selected groups: UK/GB



NOTES: From 1994-95 to 2002-03 data only covers GB. Age refers to age of head of family unit. Years in the chart refer to two consecutive financial years.
SOURCE: RF analysis of ONS, Family Resources Survey.

The share of households in London living in overcrowded accommodation also trebled (from 6 to 18 per cent) over the same time period; with these high rates of overcrowding likely having proved significantly challenging throughout the course of the pandemic and successive lockdowns.[54]

53 The bedroom standard is premised on the following norms: that a married or cohabitating couple or any single adult aged 21 or over should have their own bedroom; that two siblings of the same sex aged 10-20 could be expected to share a bedroom; and that it is also appropriate for two siblings of different sexes under the age of 10 to share. Any other person in the household aged 10-20 should be paired, if possible, with a child under 10 of the same sex, or, if that is not possible, given a separate bedroom. An unpaired child under 10 is also expected to have their own bedroom.

54 For further discussion of housing quality during the early stages of the Covid-19 crisis, see: L Judge & F Rahman, Lockdown living: Housing quality across the generations, Resolution Foundation, July 2020.

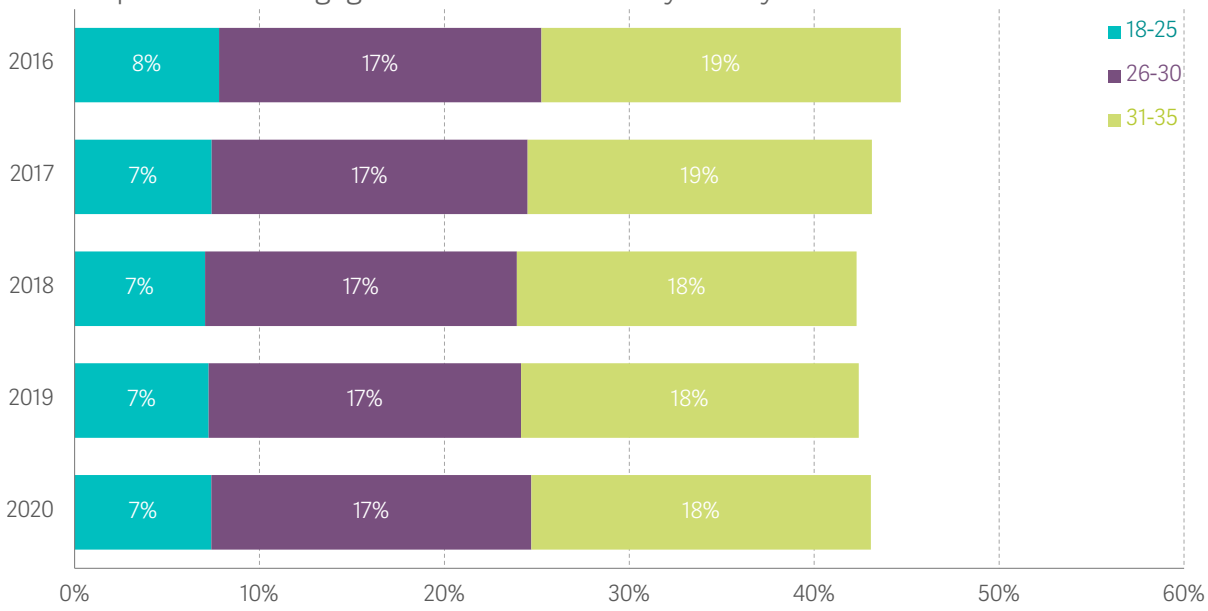
We are unable to track changes in tenure patterns reliably over the course of the pandemic, but there's little to suggest home ownership rates among young people have changed course

Unfortunately, our ability to understand whether tenure patterns have shifted over the course of the past year and a half have been hampered by changes to large-scale data collection methods that took place during the pandemic.[55]

However, the latest mortgage sales data (running to the end of 2020) finds that the share of total UK mortgage accounted for out by younger borrowers has changed little over recent years (see Figure 27). The share of mortgages that went to the 18-35-year-olds group fell by just under 3 percentage points (from 45 to 42 per cent between 2016 and 2018). It also appears to have changed very little during the first year of the pandemic: 42 per cent of UK mortgages went to those 35 and under during 2019 and 43 per cent did in 2020. That's not to say that home ownership among younger adults could not have ticked up during 2021. Increased savings among some young people, a desire to make a move, and the recent introduction of a Mortgage Guarantee Scheme, under which the Government, from April 2021, promised to back particular lenders offering 95 per cent mortgages could all have conspired to push young people onto the property ladder.

FIGURE 27: **The share of mortgage sales going to younger adults has shifted very little over recent years**

Proportion of mortgage sales accounted for by 18-35-year-olds: UK



SOURCE: RF analysis of FCA, Product Sales Data.

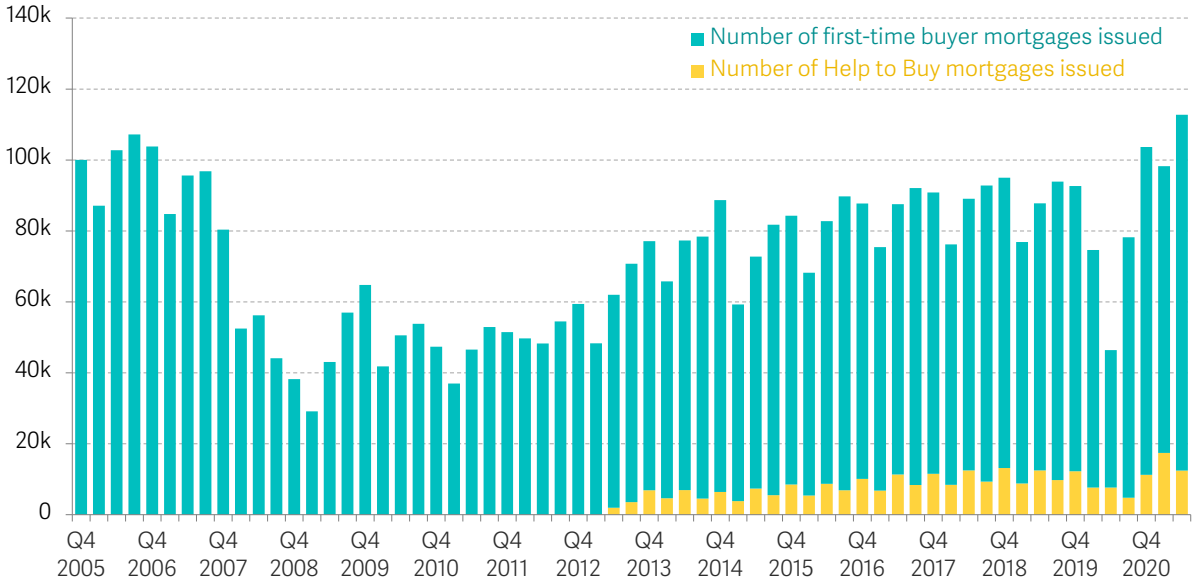
55 For a detailed explanation of how data collection methods have affected our understanding of housing tenure changes, see: ONS, Coronavirus and its impact on the Labour Force Survey, October 2020.

However, some of the mortgage sales data set out above will include younger adults moving onto the next rung of the property ladder rather than buying a residential property for the first time. To that end, Figure 28 sets out the number of mortgages taken out by first-time buyers (FTB), provides us with another indication of whether home ownership among younger generations has ticked up notably in the last year. (The data cannot be broken down by age, but other sources tell us that the median first-time buyer age has been 30 since 2013.)

It's clear the number of FTB mortgages issued in 2020 was, on average, below that of recent years (with new mortgages falling sharply during the second quarter). They have since risen quickly: the number of FTB mortgages issued during the first quarter of 2021 (98,000) was higher than at any point since the mid-2000s, and the number issued during the second quarter of 2021 (113,000) was higher than any point since at least 2005 (when our data series begins).

FIGURE 28: **The number of issued first-time buyer mortgages rose in 2021, but it's not yet clear whether home ownership rates among the young are rising**

Number of first-time buyer mortgages issued: UK



SOURCE: RF analysis of UK Finance Table RL1: First-time buyers, new mortgages and affordability, UK countries and regions.

However, it is not yet clear whether these increases presage a rise in home ownership rates among the young. Much of the increase that occurred during the start of 2021 could reflect stored-up sales that couldn't have occurred during the early days of the pandemic. The stamp-duty holiday and enforced savings accrued during the pandemic may have

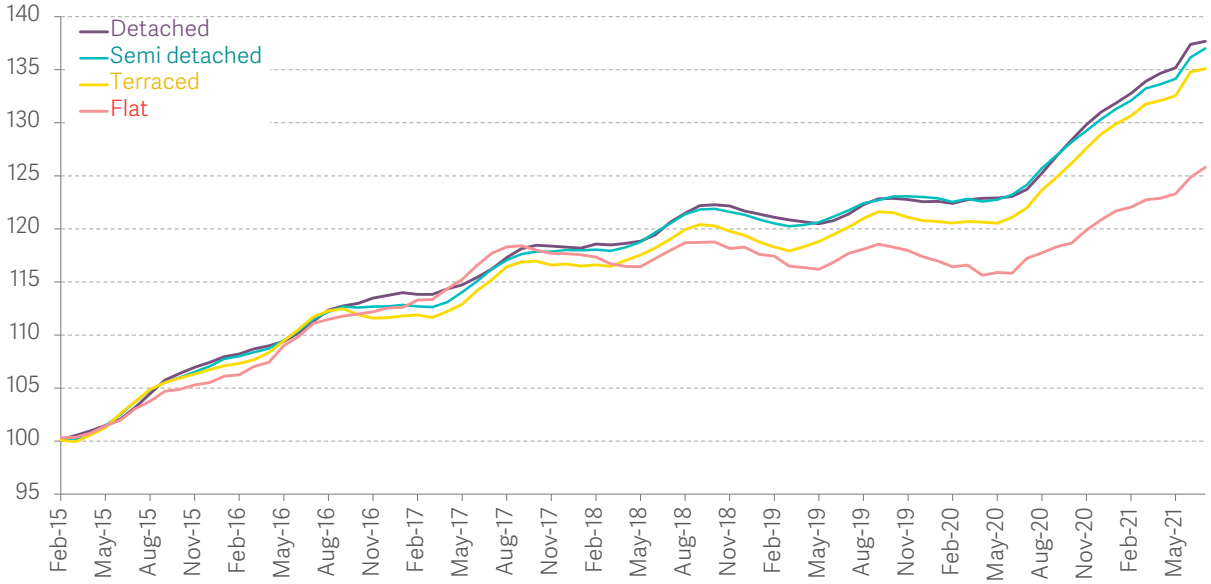
also played a role in increasing the number of FTB mortgages issued.[56] Looking forward, though, sharply rising house prices, which we turn to next, will prove a further headwind to home ownership among young adults.

House prices rose swiftly during the pandemic, with implications for first-time buyers and young families in search of more space

The most striking impact of the Covid-19 crisis on housing is what has happened to house prices. In last year's Intergenerational Audit, we predicted that house prices would likely fall, based upon official forecasts that set out large unemployment rises and a historical pattern for house prices to fall during economic downturns. So far, however, this house price fall has not transpired; in fact, average UK house prices were 10 per cent higher in July 2021 than in July 2019.[57]

FIGURE 29: **Since the onset of Covid-19, house prices among all property types has grown faster than at any point in the past 5 years**

Index of average house price growth, by property type (Jan 2015=100): UK



SOURCE: RF analysis of HM Land Registry, UK House Price Index.

Much media attention has been given to the soaring prices for detached homes with outdoor space: average detached home prices in July 2021 were roughly 13 per cent

56 In England and Northern Ireland, the value of a residential property exempted from the Stamp Duty Land Tax (SDLT) was extended from £125,000 to £500,000 on 8 July 2020, reduced to £250,000 on 1 June 2021, and returned to £125,000 on 1 October 2021. In Scotland, the equivalent threshold was increased from £145,000 to £250,000 on 15 July 2020, with the holiday ending on 31 March 2021. In Wales, the exemption threshold was increased from £180,000 to £250,000 on 27 July 2020, and returned to the original threshold on 1 July 2021. (However, different rates apply to first-time buyers in all nations except Wales.).

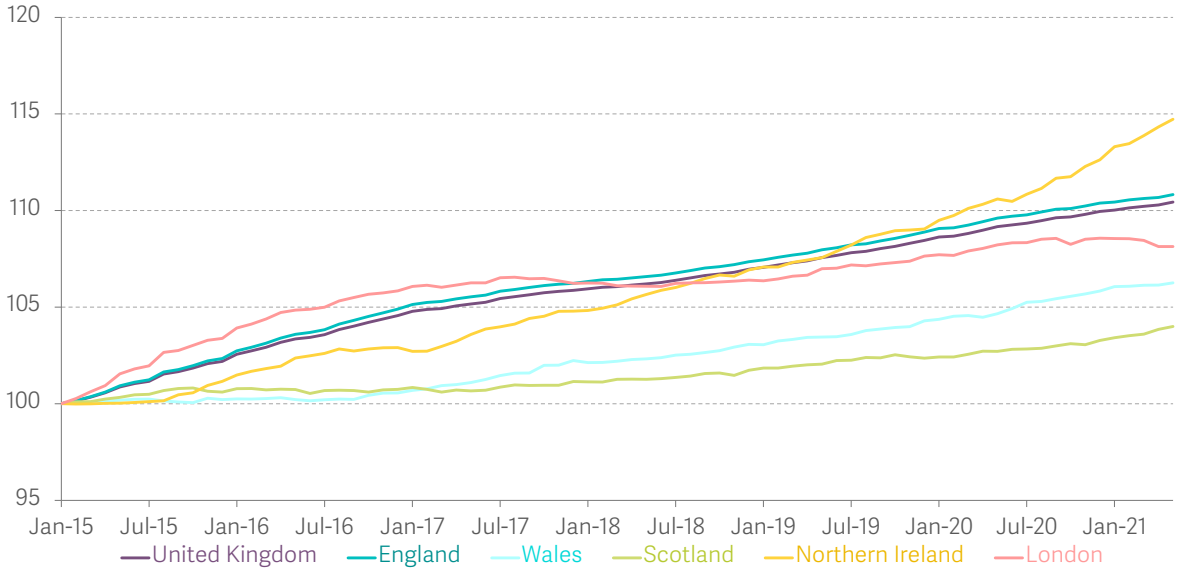
57 Average UK house prices dipped between June and July 2021, driven by the stamp duty holiday (a temporary support measure) which came to an end in July. However, average house prices still remained 8 per cent higher than in July 2020, and 10 per cent higher than in July 2019. For further discussion, see: ONS, UK House Price Index: July 2021.

higher than the same period in 2019. Such properties are normally out of reach for first-time buyers, and so this price change will have little impact on the intergenerational home-ownership gap. However, Figure 29 shows that house prices have risen swiftly among all tenures since March 2020, including among flats (the price rise among flats has been less steep than among houses, but it has been rising faster and for longer than at any point since 2015). For flats, the price grew by 7 per cent in the two years to 2021 and for terraced houses it grew by 12 per cent. The implication is that, although younger families looking for more space may have struggled to move up the ladder during the recent era of price rises, many first-time buyers will have struggled to get onto it at all.[58]

As Figure 30 shows, the steep rise in house prices has not been mirrored in rents, which will offer some relief to those in the PRS. Still, average private rental prices rose by 2.8 per cent between August 2019 and August 2020 (and by another 1.3 per cent in the year to August 2021). Rents dipped in London over recent months, and have risen more slowly than house prices in the rest of England, as well as in Wales and Scotland. However, across the UK they remain significantly higher than before the pandemic.

FIGURE 30: **Rents have grown more slowly than house prices during the Covid-19 crisis, and have fallen slightly in London**

Index of average rental price, by geography (Jan 2015=100): UK



SOURCE: RF analysis of ONS, Index of Private Housing Rental Prices.

58 L Judge & C Pacitti, Housing Outlook Q2 2021: The impact of Covid-19 on housing demand across the UK, Resolution Foundation, May 2021.

Housing arrears have risen among most age groups since the start of the pandemic

A key question relating to the pandemic's impact on housing is whether housing costs relative to incomes have risen over the past year – particularly given the employment and income changes discussed in Section 2 and Section 4 of this report. The Government did put into place a number of housing cost support measures during the pandemic – most notably the relinking of the Local Housing Allowance (LHA) to the 30th percentile of private rents – as well as measures to protect incomes more generally.[59]

But because our main sources for incomes data and for housing costs data is lagged by a year (we do not yet have incomes data for 2020-21), we are unable to get a clear sense of how typical housing costs relative to incomes have shifted for different age groups during the pandemic.[60] But there are several data sources that suggest that arrears rose in the pandemic, a clear indication of where housing costs relative to income have become unmanageable. For example, figures from the Ministry of Housing, Communities & Local Government's (MHCLG) Household Resilience Survey found that housing arrears had increased over the course of the pandemic among mortgagors and private renters. By April-May 2021, the proportion of mortgagors in arrears was 2 per cent, up from 0.5 per cent in 2019-20. 7 per cent of private renters were in arrears, up from 3 per cent in 2019-20 (before the pandemic).[61] (We cannot disaggregate these figures according to age.)

Similarly, our own commissioned surveys have shown that housing arrears rose steadily through the course of the pandemic, and that at least twice as many families experienced more housing stress than we would expect in typical conditions.[62] Figure 31 compares the proportion of adults across age groups and tenure types that reported being behind on their housing costs before the pandemic (February 2020) and in May 2021. Just before the onset of Covid-19, younger people, and especially younger social renters, were most likely to have reported being behind on their housing costs. By May 2021, there was an increase in the share of younger respondents in the PRS who reported arrears (just over 3 per cent of 18-34-year-olds reported arrears in February 2020 compared to 4 per cent in May 2021). However, it was among middle-aged and older private and social renters where the proportions reporting arrears increased most: for example, 2 per cent of 45-54-year-old respondents in the PRS reported that they had arrears in February 2020, and 7 per cent reported having them in May 2021.

59 During the spring of 2020, after the onset of Covid-19 in the UK, the Government linked LHA rates to local rents after having only uprated them minimally in the preceding seven years. See: L Judge & C Pacitti, Housing Outlook Q2 2020: Housing and the coronavirus income shock, Resolution Foundation, April 2020. Support measures which are suggested to have prevented arrears also include the mortgage payment deferral scheme, which was available from March 2020-Mrch 2021. See: UK Finance, Arrears and Possessions, August 2021.

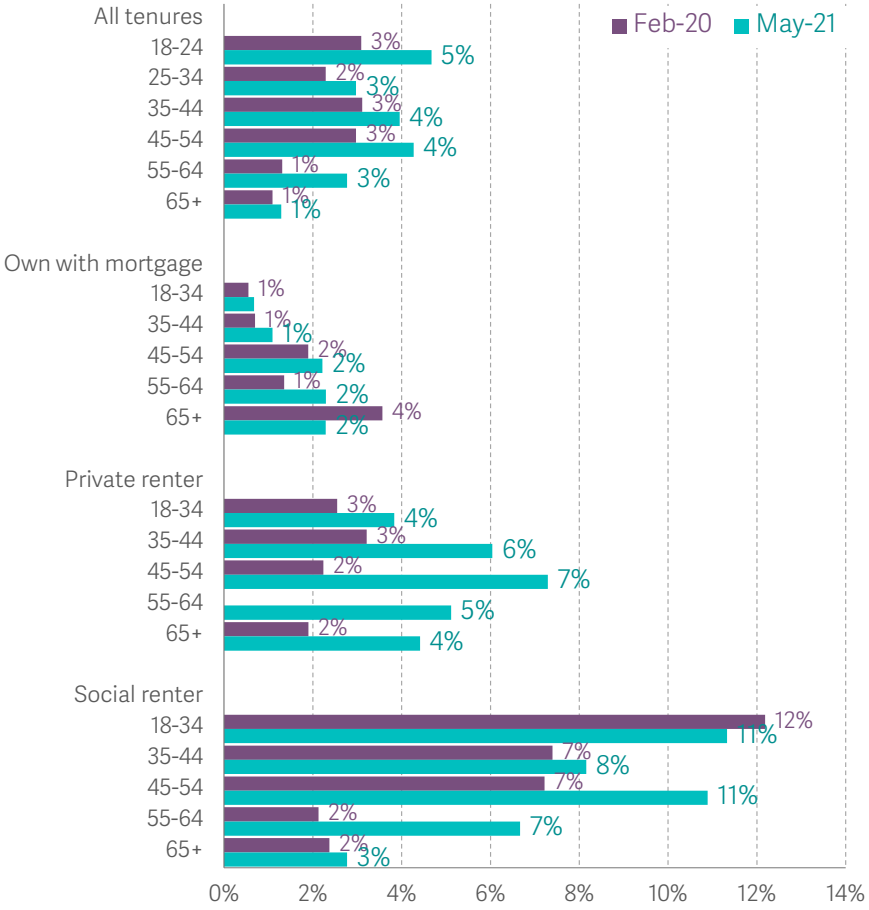
60 These are the DWP's Households Below Average Income (HBAI) data series.

61 For further details, see: Ministry of Housing, Communities & Local Government, Household Resilience Study: Wave 3, October 2021.

62 L Judge, Getting ahead on falling behind: Tackling the UK's building arrears crisis, Resolution Foundation, February 2021.

FIGURE 31: **Housing arrears have grown among all age groups and tenure types since the start of the pandemic**

Proportion of working-age families aged 18+ behind with housing costs in February 2020 and May 2021, by tenure: UK



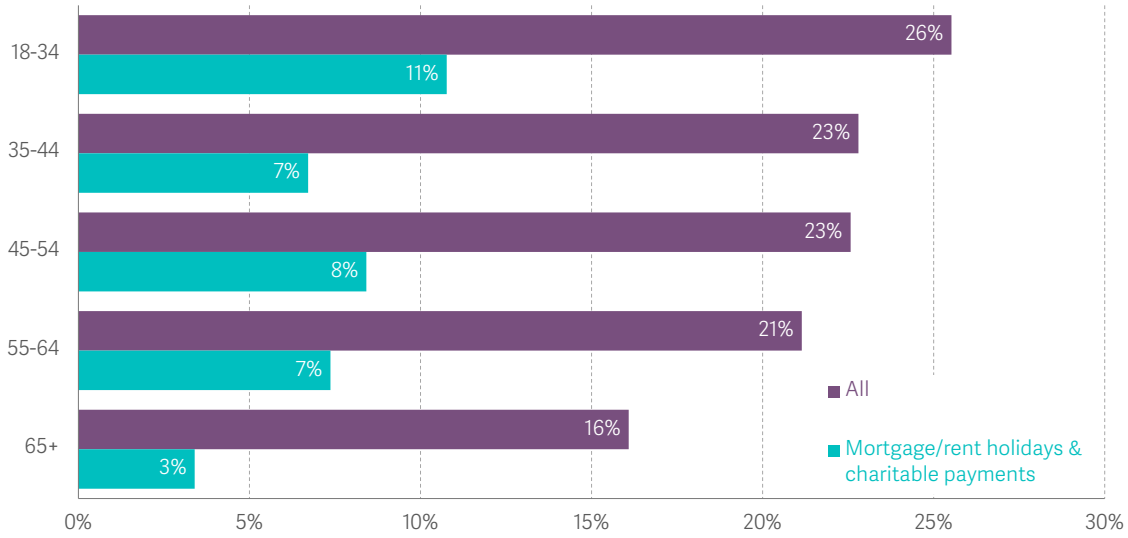
NOTES: Base = all respondents who reported their/their partner's ability to cover housing costs, by age band and tenure type. Sample size for February 2020 is as follows. All tenures: 18-34: 2,079; 35-44: 1,382; 45-54: 1,356; 55-64: 1,188; 65+ 2,025; own with mortgage: 18-34: 545; 35-44: 692; 45-54: 643; 55-64: 281; 65+: 132; social renter: 18-34: 152; 35-44: 157; 45-54: 155; 55-64: 12-; 65+: 255; private renter: 18-34: 592; 35-44: 265; 45-54: 158; 55-64: 92; 65+: 125. Sample size for May 2021 is as follows: All tenures: 18-34: 2,079; 35-44: 1,382; 45-54: 1,356; 55-64: 1,188; 65+: 2,025; own with mortgage: 18-34: 545; 35-44: 692; 45-54: 643; 55-64: 281; 65+: 132; social renters: 18-34: 152; 35-44: 157; 45-54: 155; 55-64: 120; 65+: 255; private renter: 18-34: 592; 35-44: 265; 45-54: 158; 55-64: 92; 65+: 125. All figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of RF-YouGov Covid-19 survey - June Wave.

A significant share of respondents reported having taken some action over the course of the pandemic to help with their housing costs, ranging from applying for a mortgage holiday to cutting back spending (Figure 32). Given that the rise in housing arrears appears to have affected respondents of all ages, it's unsurprising that there are few significant age-related differences. For example, 26 per cent of 18-34s reported having taken one of a wide range of actions to help with housing costs (which includes anything from rent holidays, applying for charitable support, taking on a lodger or moving in with

others) compared with 23 per cent of 45-54-year-olds. 11 per cent of 18-34-year-olds reported having applied for rent reductions, mortgage holiday or discretionary charitable payments, compared with 8 per cent of 45-54-year-olds.

FIGURE 32: **Younger respondents were only slightly more likely than most to have taken some action to cut housing costs since the pandemic**

Proportion of respondents having reported taking some action to help with their housing costs since February 2020: UK, June 2021



NOTES: Base = all respondents who reported whether or not they took some action to help with housing costs since February 2020. Sample size is as follows: 18-24: 732; 25-34: 1,347; 35-44: 1,382; 45-54: 1,356; 55-64: 1,188; 65+: 2,025. 'All actions' includes respondents who reported having applied for, or received, mortgage holidays, rent reductions or discretionary charitable support payments, or who reported moving home to reduce housing costs, cutting back on spending to afford housing costs; borrowing money in order to pay my housing costs; used savings to pay my housing costs or took other people into my home. All figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of RF-YouGov Covid-19 survey - June Wave.

Stepping back, it's clear that the pandemic has added emphasis to longstanding policy challenges relating to intergenerational fairness in housing, particularly when it comes to improving housing affordability and security (especially among younger generations). And the economic challenges brought on by the pandemic have brought new policy pressures, too. For example, now that the support programmes like the JRS and enhanced UC entitlements have stopped, it's vital that Government don't allow growing numbers to fall into further arrears and housing insecurity.[63]

What's less clear is whether the pandemic will have on a longer-term impact on the large, generational changes in tenure set out in this report. This section's Spotlight examines the size and reasons for one trend that has emerged over recent years: the increase in the share of young people living with their parents.

63 The Government has pointed to a new £500m Household Support Fund as something that Local Authorities can use to help those in housing difficulties this winter. See Government launches £500m support for vulnerable households over winter, September 2021.

Spotlight: Boom(erang) Time? An analysis of younger adults living with their parents[64]

There is evidence to suggest that the share of young people living with their parents increased during the pandemic

Since the onset of the Covid-19 pandemic, there have been a number of news stories featuring younger adults, most of whom were professionals newly-able to work remotely, who opted to ride out the pandemic from the relative comfort of their parents' more spacious homes.[65] More recently, the Institute for Fiscal Studies used the ONS Labour Force Survey (LFS) to show that the proportion of young people living with their parents had indeed increased during the crisis.[66] These stories hark back to the experience after financial crisis, when a number of young people, particularly those facing financial difficulties, moved back in with their parents.[67]

Our analysis, also using the LFS, shows a rise in the proportion of 19-34-year-olds living with their parents: from 32 per cent in 2019 (averaged across all four quarters) to 37 per cent in the third quarter of 2020, and down slightly to 36 per cent by the second quarter of 2021. There is a larger rise among those age 19 to 24: some of this will have been driven by students moving home from university as teaching moved online in the 2020/21 academic year.

Evidence from a survey commissioned by the Resolution Foundation and conducted by YouGov in the first week of June 2021 suggested little change:[68] 27 per cent of 18-34-year-old respondents reported that they had lived with their parents in the first week of June 2021, slightly lower than the 29 per cent who reported doing so

64 This is a summary of a longer Spotlight published during June 2021. This summary abbreviates that original publication, which discussed pandemic-era changes in the share of young people living with their parents, potential reasons for the increase in young people living with their parents that occurred before the Covid-19 pandemic, and the characteristics of young people most likely to live with their parents. See: M Gustafsson, Boom(erang) Time? An analysis of younger adults living with their parents, Resolution Foundation, June 2021.

65 See, for example: M Darbyshire, Why it is cool to move back home with your parents, Financial Times, August 2020; R Pohle, Wine rations and board games: meet the adult kids back home for lockdown, The Times, April 2020; H Howard, Rising trend of 'boomerang' young adults returning to live with their parents is here to stay says study, Mail Online, October 2020; H Graham, Meet the young people living with parents for lockdown, The Times, February 2021; J Pinsker, The New Boomerang Kids Could Change American Views of Living at Home, The Atlantic, July 2020; Sky News, Coronavirus: Lockdown 'boomerang kids' add £2,700 to parents' bills, survey finds, August 2020.

66 J Cribb et al, Living standards, poverty and inequality in the UK: 2021, Institute for Fiscal Studies, July 2021.

67 For instance, see: R Fry, Living With Parents Since the Recession, Pew Research Centre, August 2013; E Courtin & M Avendano, Under one roof: the effect of co-residing with adult children on depression in later life, Social Science & Medicine, pp. 140-149, September 2016.

68 The survey undertaken by YouGov from the 3rd – 8th June 2021, has a sample size of 8,030 adults aged 18+. Results are weighted so as to be representative of the population of that age group.

in February 2020, just before the onset of the pandemic.[69] The survey did, however, shed light on the characteristics of young people who moved home during the first 12 months of the pandemic, and we use it for that purpose in the rest of this Spotlight.

Younger people who moved back in with their parents over the course of the crisis were likely to be in a weak employment position

Focusing just on those younger people who are outside of full-time education,[70] we found that, by June 2021, 7 per cent of 18-34-year-olds reported having moved out of their parents' home since the start of the crisis (Figure 33). Some of this movement is to be expected, especially among the groups that typically experience fluctuating living situations, such as the youngest of younger adults (18-24-year-olds), a large share of whom will be finding their feet after recently completing education.[71]

For many, the decision to move out will be based on a variety of factors, including the pay and employment status of their partners, future employment plans and the relationship they have with their parents. Figure 33, however, shows little association between moving out of the parental home and a respondents' labour market status, such as their pre-crisis pay or the types of employment changes they might have experienced over the course of the pandemic.

But when we turn to the 4 per cent of 18-34-year-old respondents who reported having moved back to their parents' home since the onset of the crisis, we find a link both to negative labour market changes since the onset of Covid-19 and to pre-pandemic levels of pay. In particular, those who were in work during February 2020 but have since experienced a period of worklessness (including furlough), are more than 2.5 times as likely to report having moved back to their parents' homes than those who have been working throughout: 8 per cent of the former reported having moved back to their parents' home by June of this year, compared with only 3 per cent of the latter group.

69 Previous Resolution Foundation-commissioned surveys find that the proportion of 18-34-year-olds that reported living with their parents in May 2020 was 27 per cent; in September 2020 it was 26 per cent and in January 2021 it was 25 per cent. These figures are from four waves of online surveys commissioned by Resolution Foundation and conducted by YouGov. Results are weighted so as to be representative of the population of that age group. The January 2021 survey had a total sample size of 6,389 18 to 65-year-olds. Fieldwork was undertaken online during 22 – 26 January 2021. The September 2020 survey wave had a total sample size of 6,061 18-65-year-olds. Fieldwork was undertaken during 17 – 22 September 2020. The May 2020 survey wave had a total sample size of 6,005 adults. Fieldwork was undertaken during 6 – 11 May 2020.

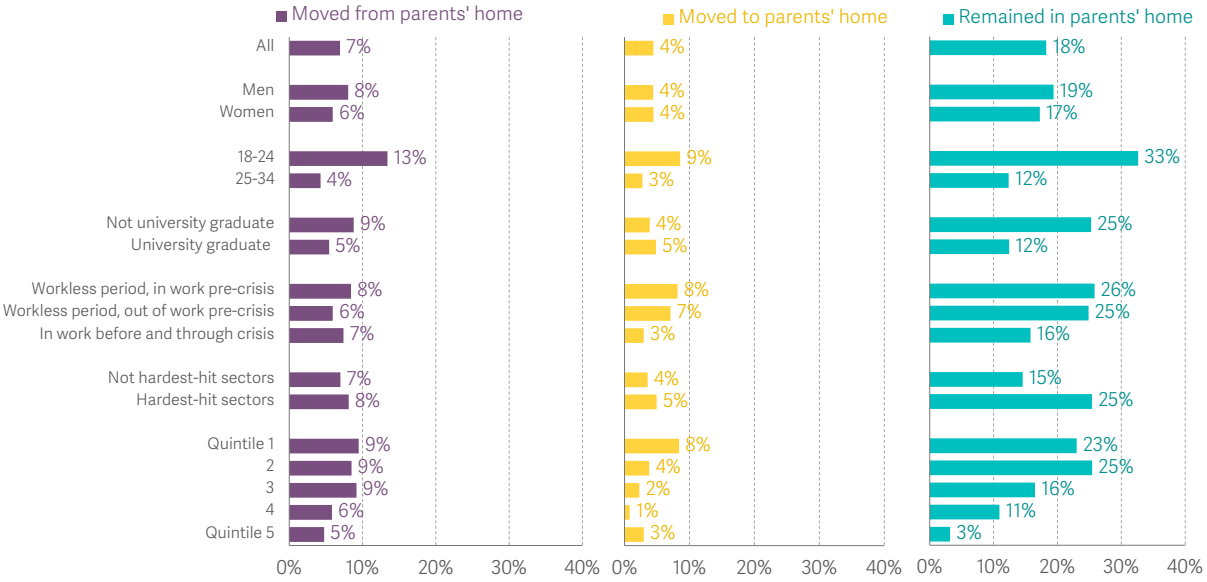
70 In this section of the Spotlight, which focuses on 18-34-year-olds, we exclude full-time students in order to draw a clearer link between Covid-19-related impacts on the labour market and young peoples' housing tenure. Many students' tenure changes will have instead been driven by decisions around halls of residence remaining open and universities moving to online-only teaching in 2020/21.

71 There is evidence that young adults today have a more fluid relationship to the parental home than young adults did in the past, and that fluctuating between living with parents and living independently is becoming more common. For further discussion on this see: K Hill et al, Home Truths: Young adults living with their parents in low to middle income families, Standard Life Foundation, September 2020; S Heath & E Calvert, Gifts, Loans and Intergenerational Support for Young Adults, Sociology, 47(6), February 2013.

Similarly, a larger proportion of respondents in the lowest pre-pandemic weekly pay quintile report having moved back to their parents' home: 8 per cent of those at the bottom of the 18-34-year-old pay distribution did, compared with just 3 per cent of those at the top. In other words, our survey suggests that as in the financial crisis, those who have moved in with their parents since the start of the pandemic were more likely to be in a somewhat precarious financial position.

FIGURE 33: **Younger people who experienced a workless spell during the crisis are more than twice as likely to have moved in with their parents than those who stayed in work**

Proportion of 18-34-year-olds (excluding full-time students) who have moved from parents' home, moved to parents and remained in their parents' homes between February 2020 and June 2021, by personal and work-related characteristics: UK, 3 – 8 June 2021



NOTES: 'Workless period, in-work pre-crisis' include those who were in work pre-crisis and then furloughed out unemployed at some point during the it. The 'hardest-hit sectors' refers to non-food retail, hospitality and arts, entertainment and leisure. Base, by categories: All 18-34-year-olds excluding full-time students: n=1727; Men: n=735; Women: n=992; 18-24: n=427; 25-34: n=1300; Not university graduate: n=696; University graduate: n=937; Workless period, in work pre-crisis: n=114; Workless period, out of work pre-crisis: n=326; In work before and through crisis: n=1120; Not hardest-hit sectors pre-pandemic: n=1172; Hardest-hit sectors pre-pandemic: n=228; Weekly pre-pandemic pay among all 18-34-year-olds: Quintile 1: n=167; Quintile 2: n=199; Quintile 3: n=214; Quintile 4: n=240; Quintile 5: n=229. All figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of YouGov, Adults Age 18+ and the Coronavirus (COVID-19), May 2021 wave.

Indeed, going into the crisis, there was already a clear skew in the types of younger people most likely to live with their parents, with the youngest adults, non-graduates and those at the lower end of the pay distribution being substantially more likely to do so than their older, higher-qualified and better-paid counterparts. The left-hand panel of Figure 33 shows the proportion of younger people who lived with their parents both

during February 2020 and in June of this year, showing that non-graduate respondents were more than twice as likely as graduates to have done so, and those in the lowest pay quintile were more than 7 times as likely to have than their counterparts at the top of the pay distribution to have done so. Similarly, a larger proportion of younger people who worked before the crisis but experienced a period of worklessness during it (26 per cent) were living in their parents' home before and during the crisis, compared to 16 per cent who worked throughout. Relatedly, those who before the crisis were working in the sectors hardest hit by social distancing measures reported living and staying with parents at a higher rate than those who worked in other sectors: 25 and 15 per cent, respectively.

On the eve of the pandemic, young men were almost a third more likely than young women to live with their parents

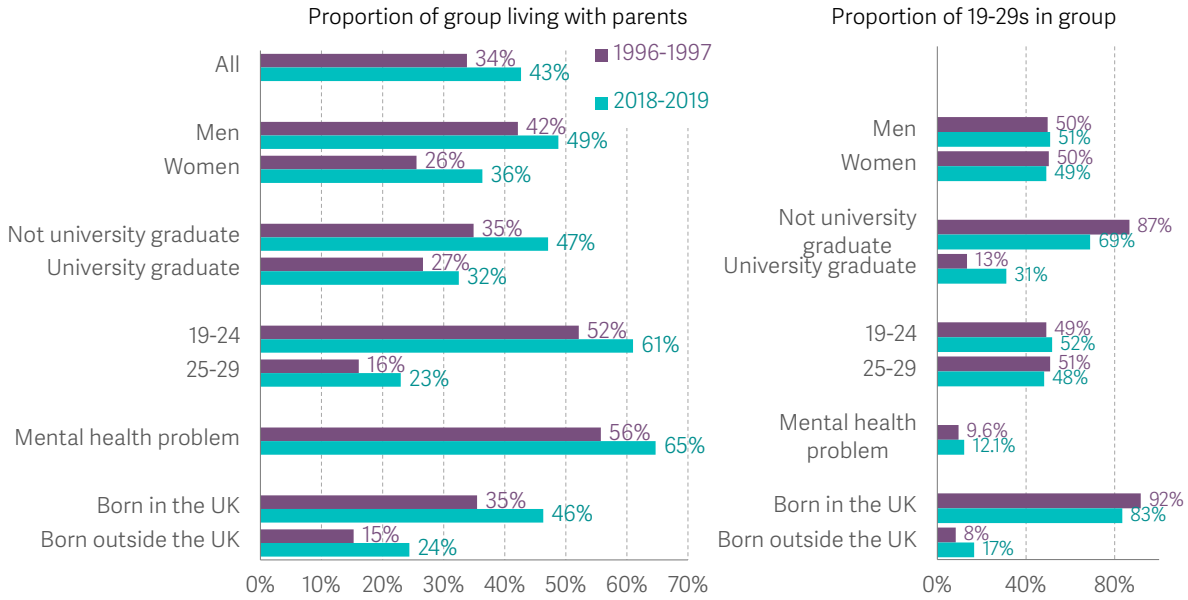
As we show in the longer version of this Spotlight, as well as in the Housing chapter of this report, the share of younger people owning their own home has declined over recent decades, while the share living in the PRS rose. Alongside this has been a substantial increase in the proportion of 19-29-year-olds living in their parents' homes. Some of this of this increase is accounted for by students, but there has also been a 5 percentage point increase in the share of 19-29-year-olds who are not full-time students that live with their parents. However, some groups are more likely to live with their parents than others. For example, Figure 34 shows that one-third more men than women lived with their parents in 2018-2019 (49 and 36 per cent, respectively). Interestingly, though, this actually represents a narrowing of the gender gap since 1996.

There are a number of explanations for these differences: for example, women are more likely than men to form relationships with older adults, meaning that they are likely to fly the nest at earlier ages, and some of the relationship between gender and living with parents has been shown to be channelled through the incidence of having children.[72] Having children can mean both a stronger desire to live independently, and being a parent of young children can make it more likely that a young person is offered social housing.

72 See: ONS, Why are more young people living with their parents? Office for National Statistics, February 2016; J Stone et al, Gender, turning points and boomerangs: Returning home in young adulthood in Great Britain, Demography 51(1), February 2014.

FIGURE 34: **Men, the youngest, and those with mental health problems are among those more likely to live with their parents**

Proportion of 19-29-year-olds who live with their parents by personal characteristics (left-hand panel) and proportion in each group (right-hand panel): UK, 1996-1997 and 2018-2019



NOTES: Mental health figures refer to 1997-1998 rather than 1996-1997.
SOURCE: RF analysis of ONS, Labour Force Survey.

Another group with high (and increasing) rates of living with their parents are those who report mental health problems.[73] Almost two-in-three 19-29-year-olds with mental health problems were living with parents on average in 2018-2019, considerably higher than the two-in-five that lived with their parents overall. It is not possible from this data to work the direction of causality: it could be that young people living with their parents have worse mental health because of their current living situation, but it could also reflect that living with their parents can be a way for those who need it to receive support.[74]

Younger people in part-time, insecure and lower-paid work are increasingly likely to live with their parents

Economic circumstances play a significant role in determining the odds of a young person living with their parents, so an increasingly-unpredictable labour market for younger people will be one of the longer-term drivers of change in the likelihood of living

73 The proportion of people with mental health problems has risen over recent years, although it is unclear whether the increase in the share of young people with mental health problems has any bearing on the proportion of those with mental health problems who live with their parents. For more work on young people, mental health and jobs. See: R Sehmi & H Slaughter, Double trouble: Exploring the labour market and mental health impact of Covid-19 on young people, Resolution Foundation, May 2021.

74 See: G Aeby & S Heath, Post break-up housing pathways of young adults in England in light of family and friendship-based support, Journal of Youth Studies 23(1), October 2019.

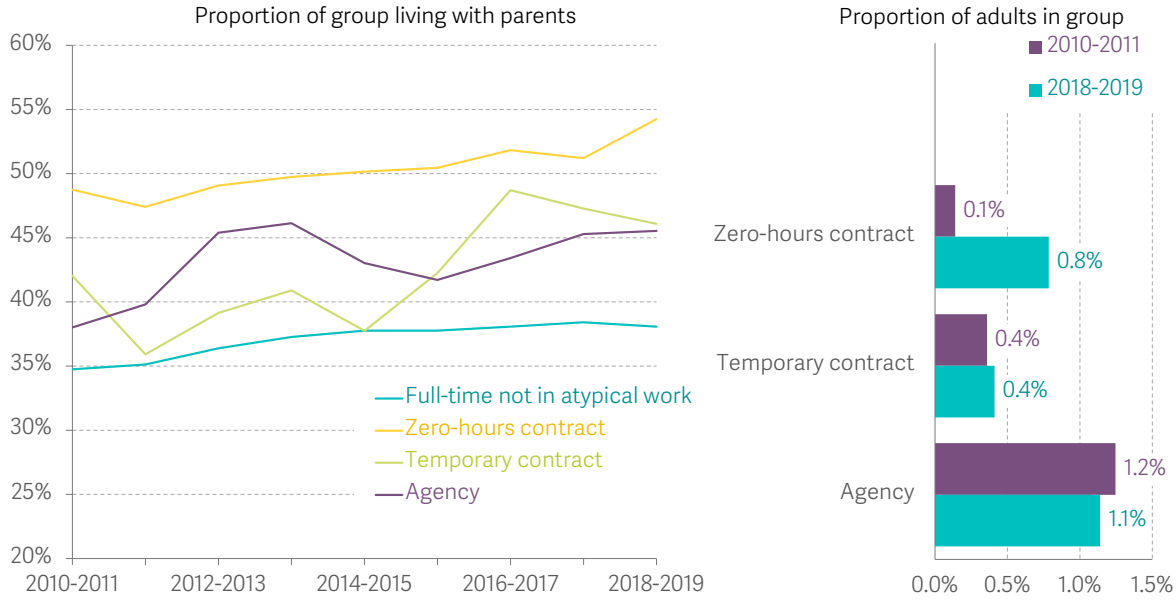
with parents. We start by discussing changes that have happened for young adults in work or in full-time education.

We find only small rises in the incidence of living with parents among those in full-time work or who were full-time students. But there was a 20-point increase – close to a doubling – in the share of part-time workers that live with parents.[75]

Figure 35 looks more closely at the proportion of 19-29-year-olds that live with their parents, according to the type of contract that they work on (data on atypical employment contracts like zero-hours contracts are available only from 2010). Two things are clear: first, that younger people in atypical forms of employment – such as zero-hours contracts or agency working – are much more likely than those on full-time contracts to live with their parents. For example, during 2018-2019, more than half of all 19-29-year-olds on zero-hours contracts lived with their parents (54 per cent), compared with the 38 per cent of full-time workers on standard, full-time contracts who did the same. The rise in the overall proportion of younger people on atypical contracts (see the right-hand panel of Figure 35) means that increasing rates of living with parents among atypical workers will also have played a role in driving up the total share of young people living with mum and dad over recent years.

FIGURE 35: **Workers on zero-hours contracts were a third more likely to live with their parents in 2018-2019 than workers in full-time, typical work**

Proportion of 19-29-year-olds who live with their parents by contract type (left-hand panel) and proportion in each group (right-hand panel): UK, 2010-2019



NOTES: Left-hand panel shows a 2-year rolling average because of the short timelines in this chart.

SOURCE: RF analysis of ONS, Labour Force Survey.

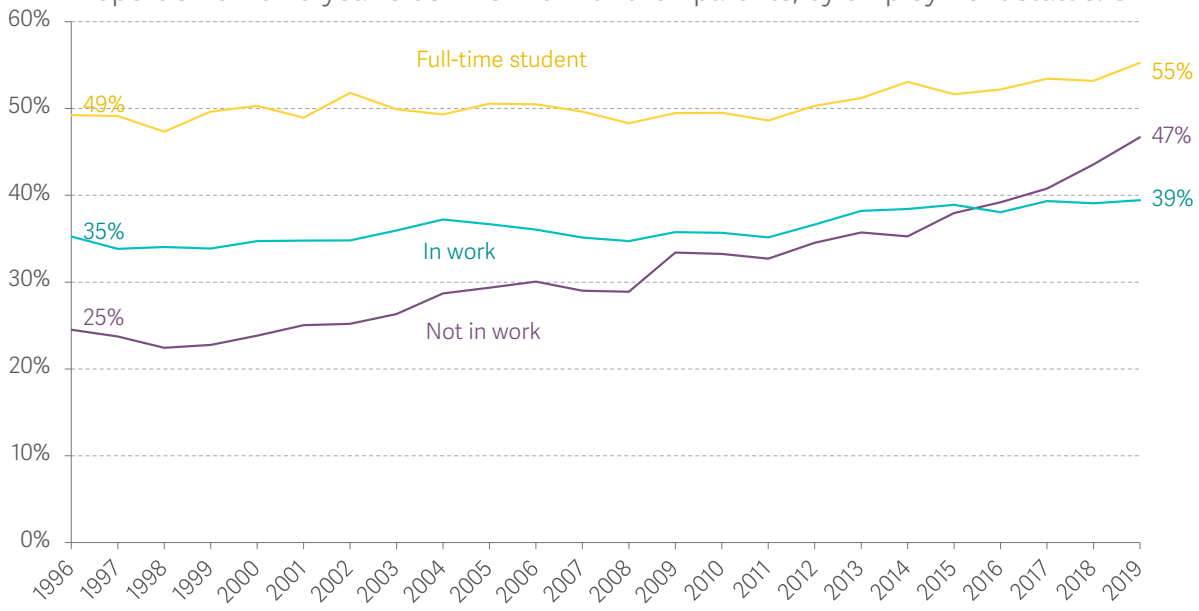
75 For a discussion of why this might have occurred, see Box 3 in: M Gustafsson, Boom(erang) Time? An analysis of younger adults living with their parents, Resolution Foundation, June 2021.

The likelihood that a young person out of work lives with their parents nearly doubled over the two decades before the pandemic

The previous section discussed the 4 percentage point increase (to reach 39 per cent in 2019) in the share of younger workers that lived with their parents, and a similar increase of 6 points (reaching 55 per cent) among full-time students. Although this explains a large portion of the overall increase in the incidence of younger people living with a parent (which rose from 34 per cent in 1996-1997 to 43 per cent in 2018-2019), the final group of younger adults to explain the remaining change is those not in work.[76] As Figure 36 shows, the changes among workless younger adults here have been more dramatic than for students and those in work, with the share living with parents rising from 25 per cent in 1996 to 47 per cent in 2019.

FIGURE 36: **Workless young people have become more likely to live with their parents than their counterparts in work and study**

Proportion of 19-29-year-olds who live with their parents, by employment status: UK



SOURCE: RF analysis of ONS, Labour Force Survey.

Of course, young people out of work are a diverse group: some may be only temporarily out of work, and others may have never worked at all. Through further analysis, which we present in the longer version of this Spotlight, we find that those who left education three to five years ago have seen the largest increases in living with their parents.[77] In particular, those who have never had a job experienced a steep rise in living with parents, with an increase among those who left education three to five years ago (and had never

76 "Not in work" here refers to those who are unemployed, inactive and have never had a paid job.
77 M Gustafsson, Boom(erang) Time? An analysis of younger adults living with their parents, Resolution Foundation, June 2021.

worked) of 26 percentage points, from 40 per cent to 66 per cent between 1996-1997 and 2018-2019. At the same time, the overall proportion of 19-29-year-olds who have never had a job has increased.[78] This suggests that the increasing share living with their parents among those not in work has been boosted by those who left education some time ago and have never had a paid job.

Policy makers should be worried when economic conditions force younger adults to stay with their parents

This Spotlight has considered prevailing narratives around adult children living with parents. The Labour Force Survey suggests that there has been a rise in the incidence of young adults living with parents, but some other sources disagree. What is clear is that those who have moved back to their parents or stayed with parents during the pandemic have been more likely to have been those without jobs, the lowest paid, and those working in the hardest-hit sectors. And these patterns reflect longer-term trends in who is likely to live with their parents: since the 1990s, out-of-work adults, those in atypical jobs and those on lower pay have experienced the largest increases in the proportions living with parents.

78 For an extensive discussion around the reasons for this, see: L Gardiner, Never Ever: Exploring the increase in people who've never had a paid job, Resolution Foundation, January 2020.

Section 4

Taxes, benefits and household incomes

Leading up the pandemic, typical income among 18-29-year-olds had continued to rise faster than among their older counterparts. But the longer view remained sobering: cohort-on-cohort income progress remained weak for younger generations and, more widely, for those who are now of working age.

As with housing costs, data lags mean we don't have definitive information on incomes through the Covid-19 period that is consistent with pre-crisis data. But other survey evidence shows that income changes over the course of the pandemic have, unsurprisingly, tracked the health of labour market, with younger people being more likely to report income falls towards the start of the pandemic (when much of the economy had been temporarily shut down) and most likely to report improvements as the economy reopened again in early summer 2021.

Spending changes over the course of the crisis varied less by age and more by the presence of children, with parents being much more likely to report an increase in their spending early on in the pandemic. But, by the summer of 2021, a larger share of parents and non-parents (of all ages) reported their spending was in line with pre-pandemic levels. Among those who have managed to save over the course of the pandemic, plans to spend savings reflect normal lifecycle patterns rather than generational differences or effects of the crisis: pensioners are far less likely than their younger counterparts to plan to buy a home or major purchase like a car, but much more likely to plan to spend savings in other areas, like going on holiday.

The benefit system played a crucial role in supporting working-age households' incomes over the course of the crisis, and the number of single people with no children receiving income-related benefits grew markedly in the year to the period December 2020 – February 2021: by 1.1 million (a 43 per cent increase). Now that the £20 a week uplift to Universal Credit and Working Tax Credit has been withdrawn, the cumulative effect of benefit policy changes since 2010 has, on average, reduced working-age incomes while boosting pensioner incomes. On average, these changes would see a 35-year-old's income just under 2 per cent worse off (£706 per year) since

2010, whereas a 70-year-old's income would be, on average, just over 2 per cent better off (£808 per year).

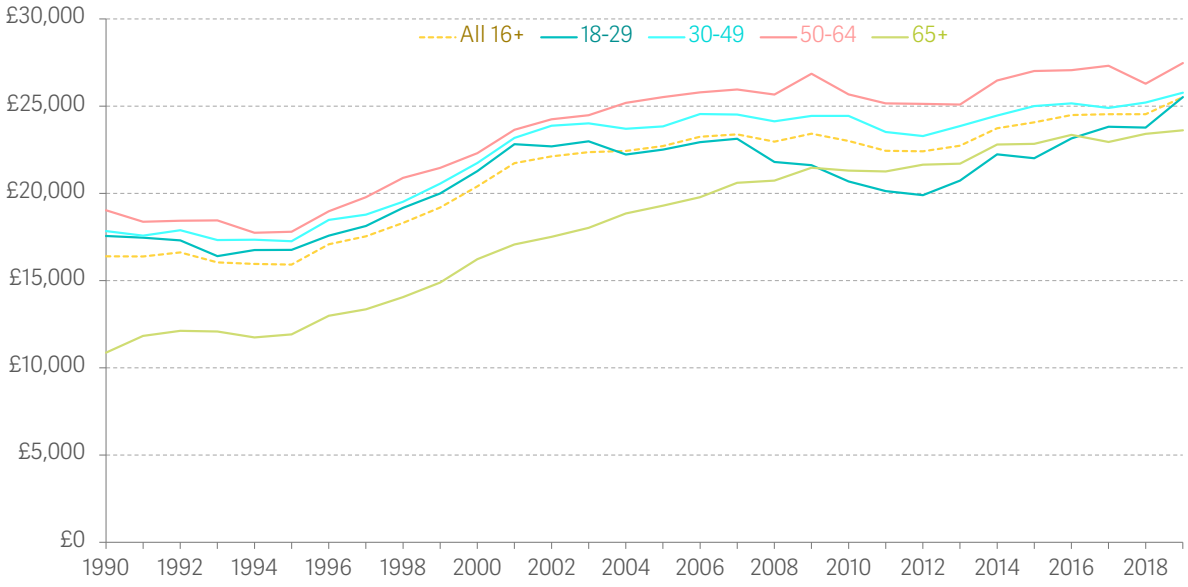
Our Spotlight analysis discusses how the age orientation of the benefits system has shifted over time, and the impact of the benefit system upon incomes (before housing costs) for different generations, amid the backdrop of the rollout of Universal Credit.

Younger adults' incomes had improved in the lead-up to the pandemic but the bigger picture was stalling generational progress

This section focuses primarily on disposable household income after housing costs, which is a key metric for living standards in that it brings together many of the elements previously discussed in this report (employment within households, pay and housing costs) as well as the effects of direct taxes, benefits, and private pension contributions. (See Box 5 for further detail on income measures.)

FIGURE 37: **Heading into the pandemic, younger people's income had been rising faster than that of any other age group**

Typical real household disposable income (2020 prices), after housing costs, by age group: UK/GB, 1990-1991 to 2019-20



NOTES: From 1994-95 to 2002-03 data only covers GB. Figures are in 2020 prices deflated using CPI, after housing costs. Incomes are equivalised to account for differences in household size. Income data before 1992-93 from Family Expenditure Survey is adjusted to align with IFS Fiscal Facts median incomes.
SOURCE: RF analysis of IFS, Households Below Average Income (1961-93; DWP, Family Resources Survey (1994-latest).

In general, income growth between the financial crisis and the onset of Covid-19 has been weak (Figure 37).[79] Figure 37 shows that, after falling in the wake of the financial crisis, typical household incomes among all age groups improved after 2012-13. All ages have seen real rises in typical incomes, but the increase for those aged 65 or over has been smaller than that for younger individuals.[80]

BOX 5: **Measuring and defining incomes in the pandemic**

Disposable household income after housing costs provides a good indication of households' livings standards, as it brings together the effects of household employment, pay, direct taxes, benefits, private pension contributions and housing costs. Unless otherwise noted, we present estimates of household income for each individual in a household (rather than just for the head of the household), as household incomes are equivalised to account for differences in household size. In most cases, we refer to the disposable income a household has after housing costs, as it reflects the resources a household has for maintaining day-to-day living costs, and for saving. However, in order to get a sense of how income and spending have fared over the second year of the pandemic, we rely on data from Resolution Foundation-commissioned surveys, which are based on respondents' household incomes before housing costs are factored in. We note where this is the case.

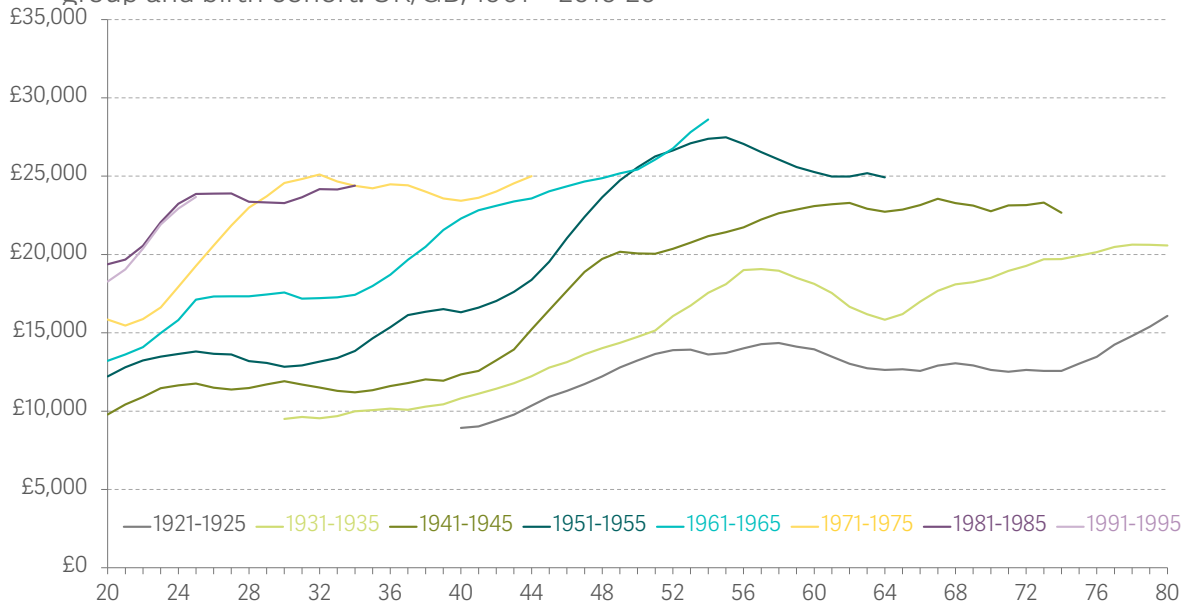
The latest data from the Households Below Average Income series provides an account of how incomes differed between age groups (and the different directions that they had been moving) on the eve of the Covid-19 pandemic. Earlier Resolution Foundation work did produce a 'Nowcast' estimate of how working-age household incomes had changed between 2019-20 and 2020-21, but the confidence intervals on this prediction are too wide when we break it down by age. To analyse how incomes changes during the pandemic, we therefore rely on separate survey results that set out the proportion of respondents who say that their family income has increased, decreased, or stayed the same over the past year.

79 K Handscomb, et. al., The Living Standards Audit 2021, Resolution Foundation, July 2021.
80 The weak rates of income growth among pensioners (compared to other age groups) over recent years will likely have been accentuated by statistical oddities, including the rising female state pension age and the treatment of pension lump sums in the underlying household survey. See: L Gardiner et al, An intergenerational audit for the UK: 2020, Resolution Foundation, October 2020; G Bangham et al., An intergenerational audit for the UK: 2019, Resolution Foundation, June 2019.

How have incomes varied by age over the longer-term? Figure 38 turns to a cohort perspective, showing typical income after housing costs by age for individuals from a series of five-year birth cohorts. It shows that there has been little generational income progress for cohorts that are of working age today, with those born during the 1960s through to the 1990s having typical incomes that are not substantially higher than incomes when at the same age of those born ten years before them. Those born in the 1940s and 1950s, by contrast, have experienced significant income gains relative to their predecessors.

FIGURE 38: **Despite fast growth in income just before the pandemic, cohort-on-cohort income progress remains weakest for younger adults**

Typical real household disposable income (2020 prices), after housing costs, by age group and birth cohort: UK/GB, 1961 – 2019-20



NOTES: From 1994-95 to 2002-03 data only covers GB. Figures in 2020 prices and are deflated using CPI, after housing costs. Figures for each cohort are derived from a weighted average of estimates by single year of age for each single birth year; cohorts are only included if all five birth years are present in the data. Data is smoothed using three-year rolling averages.
SOURCE: RF analysis of IFS, Households Below Average Income (1961-93); DWP, Family Resources Survey (1994-latest).

The reduced level of progress for those born in the 1960s will, to some degree, have been driven by the financial crisis and the recession that followed: with the slope of the income curve for those born during early 1960s levelling out slightly from the time they were in their mid-to-late 40s (around 2009-14). For younger cohorts, however, the period shock of the financial crisis is a bit less clear: it will have played a role in depressing pay progress for those born in the early 1970s (who would have been in their mid-to-late 30s when the crisis hit, and their typical income began to flatten out). And yet the period effect of the post-crisis recession may have mattered

less to income progress among millennials born during 1981-1985, whose typical pay was stalled for much of their late 20s and early 30s (after the recession), and which has not yet exceeded the pay of those born ten years before them at the same age. Of course, these cohort-level figures will mask within-generation differences, which we discuss further in Box 6.

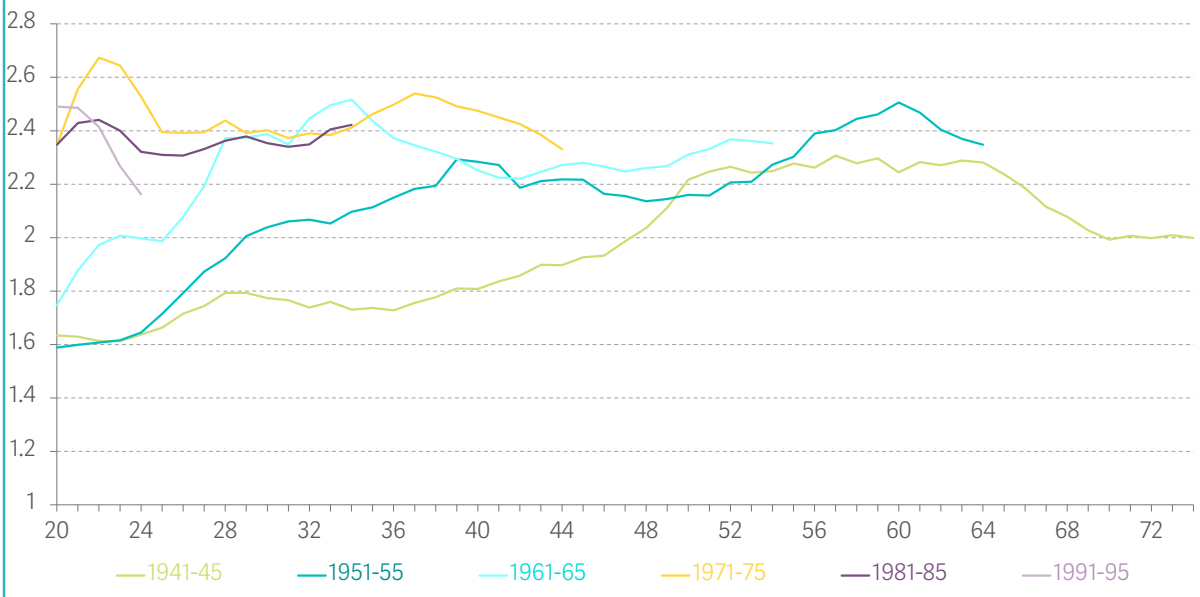
BOX 6: **Cohorts born in the 1970s and 1980s experienced larger relative income gaps when in their 20s than did previous generations at the same age**

Although this Intergenerational Audit, like our previous two, focuses primarily on differences between generations, there are also (of course) income gaps within generations, and these appear to be larger for more recent cohorts.

Figure 39 shows the size of income gaps between those who were 25 and 75 per cent of the way up the income distribution for cohorts born during 1941-1955, 1951-1955, 1971-1975, 1981-1985 and 1991-1995. Among all cohorts there are clearly large gaps between the two points of the distribution, and these will have grown since income inequality increased during the 1980s.

FIGURE 39: **After a long trend of cohort-on-cohort increases in relative income gaps, inequalities have started to fall among cohorts born after 1981-1985**

75:25 ratio of real household net income after housing costs, by age and generation: UK/GB, 1961 – 2019-20



NOTES: From 1994-95 to 2002-03 data only covers GB. Figures for each cohort are derived from a weighted average of estimates by single year of age for each single birth year; cohorts are only included if all five birth years are present in the data. Data is smoothed using three-year rolling averages.
SOURCE: RF analysis of IFS, Households Below Average Income (1961-93); DWP, Family Resources Survey (1994-latest).

Over the longer term, income gaps among young adults have become significantly larger, but recently there has been a change in this trend. For example, at age 24, a person born during 1941-1945 whose income was at the 75th percentile would have had an income 1.6 times their counterparts in the 25th percentile. For those born during 1971-1975, that difference at age 24 had grown to 2.5 times. But for the cohorts born in 1981-1985 and 1991-1995, income gaps have shrunk compared to preceding cohorts. For the youngest cohort the difference at age 24 had decreased to 2.2 times.

It is unclear whether, and when, income gaps between younger cohorts will narrow, plateau or continue to grow. For example, income gaps between the 25th and the 75th percentiles of the 1971-1975 cohort reached 2.5 at age 37 before beginning to narrow slightly. Of course, like with intergenerational income inequality, the prospects for intragenerational income inequality either narrowing, or growing, will in part be subjected to several factors, including the speed and shape of the post-Covid labour market recovery, job security and quality, and changes to the taxes and benefit system.

Younger adults were somewhat more likely to experience income falls early in during the pandemic, followed by gains since the 2021 reopening

How have the economic effects of the pandemic affected incomes for different age groups in the UK? The Resolution Foundation's 2021 Living Standards Audit used a detailed nowcasting methodology to estimate how household incomes had changed between 2019-20 and 2020-21, accounting for labour market changes (including pandemic support measures like the Job Retention Scheme and the Self Employed Income Support Scheme, and tax and welfare changes (in particular the £20 per week uplift to Universal Credit). We estimated that median non-pensioner disposable income (after housing costs) growth will be 1.5 per cent in 2020-21 – an impressive level of growth given that GDP fell 10.8 per cent over the same period.[81]

Support measures like the furlough scheme alongside the availability and uplift to income support measures like Universal Credit (UC) played a significant role in sustaining median incomes over the past year, and, in particular, protected incomes at the bottom of the distribution, (and even increased incomes for those who were not in work). But although our nowcast is able to provide us with a broad overview of how non-pensioner

81 K Handscomb, K Henehan & L Try, The Living Standards Audit 2021, Resolution Foundation, July 2021. This is slightly higher than projections from the OBR in March 2021 (which estimated that mean household income fell by 0.3 per cent in 2020-21, although using a slightly different income concept to us), because our nowcast reflected the stronger-than-expected labour market towards the end of 2020-21. See: Office for Budget Responsibility, Economic and Fiscal Outlook, March 2021.

disposable incomes have fared over the bulk of the Covid-19 crisis (2020-21), uncertainty in the pay data over this period prevents us from estimating a similar 'nowcast' for age groups.

We can, however, get a sense of how different age groups' incomes (before housing costs) were affected between the eve of the crisis (February 2020) and the start of 2021 by analysing results from a Resolution Foundation survey of individuals that was in the field during January of 2021.[82] The left-hand panel of Figure 40 shows change in family income over this time period according to the respondent's age group. (The survey sample was limited to working-age adults, so we cannot present income changes over this period for adults age 65 and older.)

One of the first patterns to emerge from Figure 40 is that the youngest (18-24-year-old) respondents were the least likely to have reported their family income for either February 2020 or January 2021, with four-in-ten declining to provide an estimate. 15 per cent reported an income fall, including 11 per cent who experienced a large fall (of 25 per cent or more). 18 per cent of their 25-34-year-old counterparts reported an income fall (10 per cent of whom reported a large fall) and 16-17 per cent of respondents aged 35-65 reported a fall (between 9 and 10 per cent reported a large fall).

The large amount of 'missing' incomes data for younger adults makes it difficult to compare income changes across age groups. But if we focus only on those who provided income estimates for both February 2020 and January 2021 (the right-hand panel of Figure 40), then it's clear that the 18-24-year-old group was most likely to have reported that their family income fell between the onset of the pandemic and the start of 2021 (19 per cent of this group reported income fell by 25 per cent or more and 7 per cent reported that it fell by less than 25 per cent), compared with 22-23 per cent of all other groups (among whom 12-13 per cent reported an income fall of 25 per cent or more).

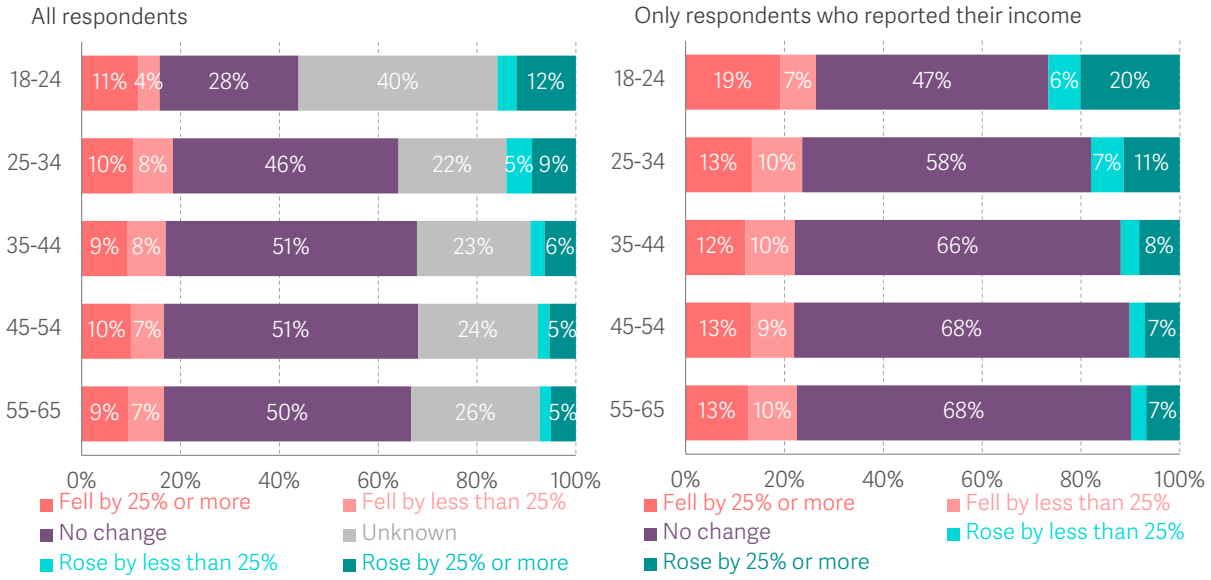
However, Figure 40 shows that 18-24-year-olds were also more likely to report that their incomes rose over this period: for 20 per cent of this group, incomes rose by 25 per cent or more (and for a further 6 per cent they rose by less than 25 per cent). This mixed picture for young people could reflect the fact that younger people often find themselves in changeable employment positions, and more likely to be single, so their overall family income is more sensitive both to changes in their employment status or to benefit policies than is the case for those living as a couple (for example, the £20 a week uplift to

82 The survey was undertaken by YouGov from the 22nd to the 26th January and has a sample size of 6,389 adults aged 18 to 65. Results are weighted so as to be representative of the population of that age group.

Universal Credit, which came into effect in April 2020, represented a rise of 25 per cent in benefit entitlement for a single person aged under 25, excluding any additional elements, such as for children and housing).[83]

FIGURE 40: **Between the onset of the pandemic and January 2021, younger adults were a little more likely to report income changes**

Change in monthly disposable family income (before housing costs) among all 18-65-year-old respondents (left-hand panel) and only those that reported their income changes (right-hand panel): UK, February 2020 to January 2021



NOTES: Base for left-hand panel = all respondents who provided an estimate of their family income (including if unknown) for February 2020 and January 2021.Sample size is as follows: 18-24: 853; 25-34: 1,373; 35-44: 1,290; 45-54: 1,478; 55-64: 1,229. Base for right-hand panel = all respondents who provided an estimate of their family income (excluding those whose incomes were unknown) for both February 2020 and January 2021. Sample size is as follows: 18-24: 510; 25-34: 1,073; 35-44: 993; 45-54: 1,119; 55-64: 908. Family income refers to the combined income of the respondent and their partner, if they have one. Respondents are asked to the report the "amount of income left over from what you receive after paying tax, national insurance, pension contributions, and any other deductions made by your employer, if you have one. Please think about all forms of income, including any benefits received." All figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of RF/YouGov Covid-19 survey January 2021 wave.

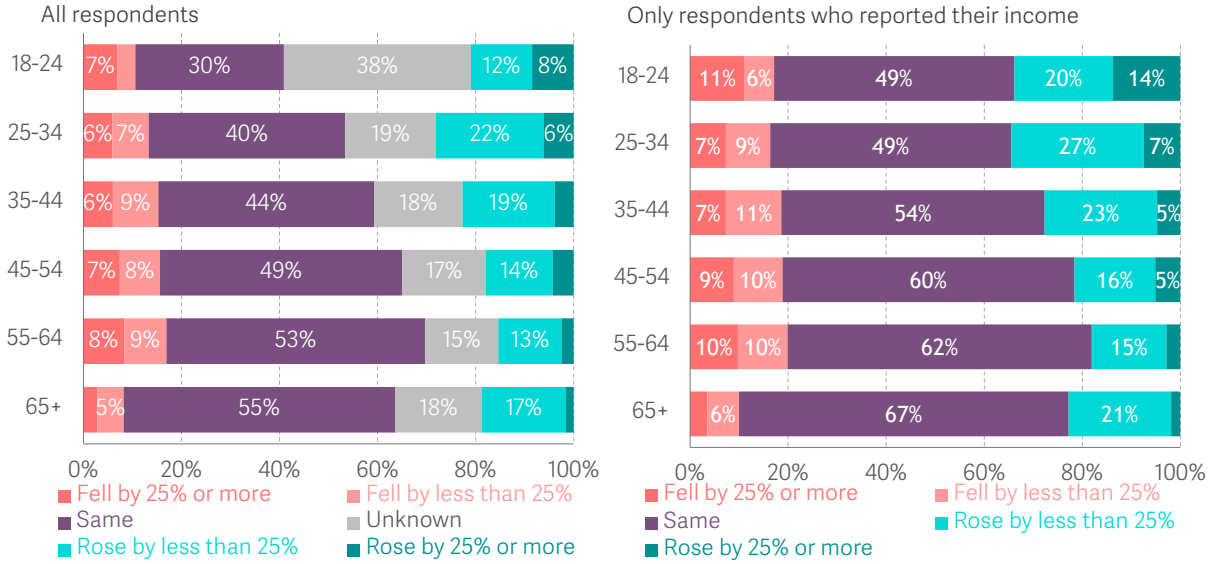
When we narrow our focus to those respondents who reported a negative employment change between the onset of the crisis and the start of 2021, most of these age-related differences, unsurprisingly, fall away. Among those who reported their family incomes and experienced a negative employment change, 58 per cent of 18-24-year-old incomes reported an income fall, as did 62 per cent of 25-34-year-olds, 52 per cent of 35-44-year-olds, 60 per cent of 45-54-year-olds and 63 per cent of 55-64-year-olds.

83 K Handscomb, The big squeeze: Assessing the changes to family incomes over the next six months, Resolution Foundation, September 2021.

But what about income changes since the 2021 winter lockdown? Here we rely on a more recent Resolution Foundation/YouGov survey, conducted in June 2021 which asked respondents to estimate the extent to which their family income had changed between the winter lockdown (February 2021) and the spring reopening period (June 2021).[84] The left-hand panel of Figure 41 presents these results for all respondents, and the right-hand panel focuses on those who answered information on whether and how their income had changed.

FIGURE 41: **Compared to their older counterparts, younger adults were somewhat more likely to report an improvement in income between February and June 2021**

Change in monthly disposable family income (before housing costs) among all 18-65-year-old respondents (left-hand panel) and only those that reported their income changes (right-hand panel): UK, February 2021 – June 2021



NOTES: Base for the left-hand panel = all respondents who answered whether their family income had changed between February 2020 and June 2021 (including those who answered "don't know" or "prefer not to say"). Sample size is as follows: 18-24: 732; 25-34: 1,347; 35-44: 1,382; 45-54: 1,356; 55-64: 1,188; 65+: 2,025. Base for the right-hand panel = all respondents who answered whether their family income had changed between February 2020 and May 2021 (excluding those who answered "don't know" or "prefer not to say"). Sample size is as follows: 18-24: 440; 25-34: 1,199; 35-44: 1,137; 45-54: 1,127; 55-64: 1,011; 65+: 1,670. Family income refers to the combined income of the respondent and their partner, if they have one. Respondents are asked to the report the "amount of income left over from what you receive after paying tax, national insurance, pension contributions, and any other deductions made by your employer, if you have one. Please think about all forms of income, including any benefits received." All figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of RF/YouGov Covid-19 survey June 2021 wave.

84 The survey undertaken by YouGov from the 3rd – 8th June 2021, has a sample size of 8,030 adults aged 18+. Results are weighted so as to be representative of the population of that age group.

18-24-year-old respondents were, again, the least likely to have provided an answer (38 per cent), but, putting this age group to one side, there does appear to be an age-related pattern in the share of respondents reporting that their family income had increased, with younger adults (25-34-year-olds) reporting this at the highest rate (28 per cent) and 55-64-year-olds reporting it at the lowest (15 per cent). These patterns hold when we narrow our focus only to those who provided information about income changes (in the right-hand panel): from 34 per cent of 18-34-year-old respondents to 21 and 18 per cent of 45-54 and 55-64-year-olds, respectively. (Pensioners were included in this survey, and they were somewhat more likely than all to report no change to their incomes.)

These age-related differences reflect how different age groups have experienced the employment-related effects of the crisis over time: as we set out in Section 2, younger adults were more likely to be furloughed or lose work at the start of the crisis and then, among those who lost work, it was the young who transitioned back into working at the fastest rate during the spring 2021 reopening.

Although a smaller share of older working-age adults experienced a negative employment change during the pandemic than those aged 18-24, Section 2 also set out how, by May 2021, those older workers who had lost a job or been fully furloughed during the winter lockdown were transitioning back into work at the slowest rate. This relatively uneven employment bounce back (in terms of age) could explain why the oldest working-age respondent group (55-64-year-olds) were the most likely to have reported falling income during the three months to May 2021 (17 per cent) and the least likely to report growing incomes (15 per cent) over the same time period.

Over the course of the crisis, spending changes have varied somewhat by age and a lot by the presence of children

Provisional ONS estimates show that UK households reduced their weekly spending by 19 per cent (or £109.10 a week) during the coronavirus pandemic.[85] Spending falls during the pandemic were far greater for the highest-income households than the lowest: weekly spending reduced by 20.6 per cent for the richest 20 per cent of households compared to a fall of 12.5 per cent for the poorest 20 per cent. These preliminary results from the Living Costs and Food Survey (LCFS) do not include spending patterns by age group, so we rely on Resolution Foundation-commissioned surveys to obtain a sense of how spending changes have varied by age over the course of the pandemic. However, because our early surveys were limited to working-age UK adults, we are unable to capture how spending has changed among pensioners.

85 These are provisional figures from the Living Costs and Food Survey (LCF) and cover the financial year ending 2021. These figures have not yet been processed as comprehensively as previous years. See: Office for National Statistics, Weekly household spending fell by more than £100 during the coronavirus pandemic, September 2021.

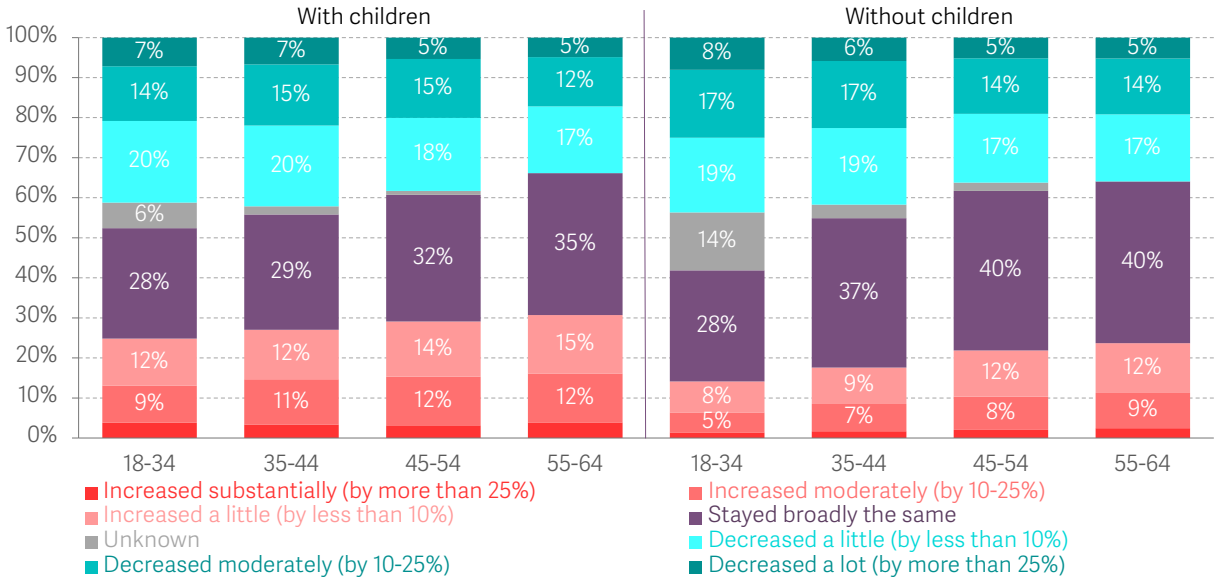
We might expect spending changes during the pandemic to be driven by three factors. First, those people who experienced any form of labour market disruption might reduce their spending to reflect their reduced income. Second, spending may have fallen because people were unable to consume the usual set of goods and services because of the various lockdowns or social distancing restrictions, or because they wanted to avoid the risk of Covid-19, or because spending on commuting and other work-related costs fell when people worked from home; these factors would have predominately affected spending on hospitality and leisure. Third, spending may have changed because Covid-19 affected the cost of certain activities.[86] The age patterns in the overall changes in spending, then, will depend on how important those three factors were for different sorts of families. For example, our 2020 Intergenerational Audit showed that older adults tend to devote a higher than average share of spending towards luxuries, which include hospitality and entertainment.[87]

Our analysis finds that, although there has been some age-related variation in spending changes, other factors – notably whether or not a respondent has dependent children in their household – have had a larger effect. Figure 42 sets out changes in household spending toward the start of the pandemic (between February and May 2020) according to the respondent's age and whether they have dependent children living with them (left-hand panel) or not (right-hand panel).[88] There is only a small amount of age-related variation in spending changes among respondents with children: between 25 to 31 per cent of 18-34, 35-44, 45-54 and 55-64-year-olds with dependent children reported that their family spending rose. Spending rises were somewhat smaller among those without children, ranging from 14 per cent of 18-34 to 24 per cent of 55-64-year-olds. As we have discussed in other work, this difference in spending changes between those with and without children is likely to reflect additional costs of having children at home during successive months of school closures.[89] Among those without children, the age gradient is less clear in part because of the large proportion of 18-34-year-olds that did not provide data on spending changes (14 per cent).

86 For a discussion of how this may have happened for low-income families with children, see: M Brewer & R Patrick, Pandemic Pressures: Why families on a low income are spending more during Covid-19, Resolution Foundation, January 2021.
87 L Gardiner et al., An intergenerational audit for the UK: 2020, Resolution Foundation, October 2020.
88 Figures are derived from by a survey designed and commissioned from YouGov by the Resolution Foundation, in partnership with the Health Foundation (although the views in this report are not necessarily those of the Heath Foundation). The figures have been analysed independently by the Resolution Foundation and are not the views of YouGov. The total sample size was 6,005 working age adults. Fieldwork was undertaken during 6-11 May 2020. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+) according to age, gender, and region.
89 M Brewer & R Patrick, Pandemic Pressures: Why families on a low income are spending more during Covid-19, Resolution Foundation, January 2021.

FIGURE 42: **At the start of the crisis, respondents with children were more likely to report higher spending**

Change in respondent's day-to-day spending among those with dependent children (left-hand panel) and without (right-hand panel): UK, February 2020 – May 2020

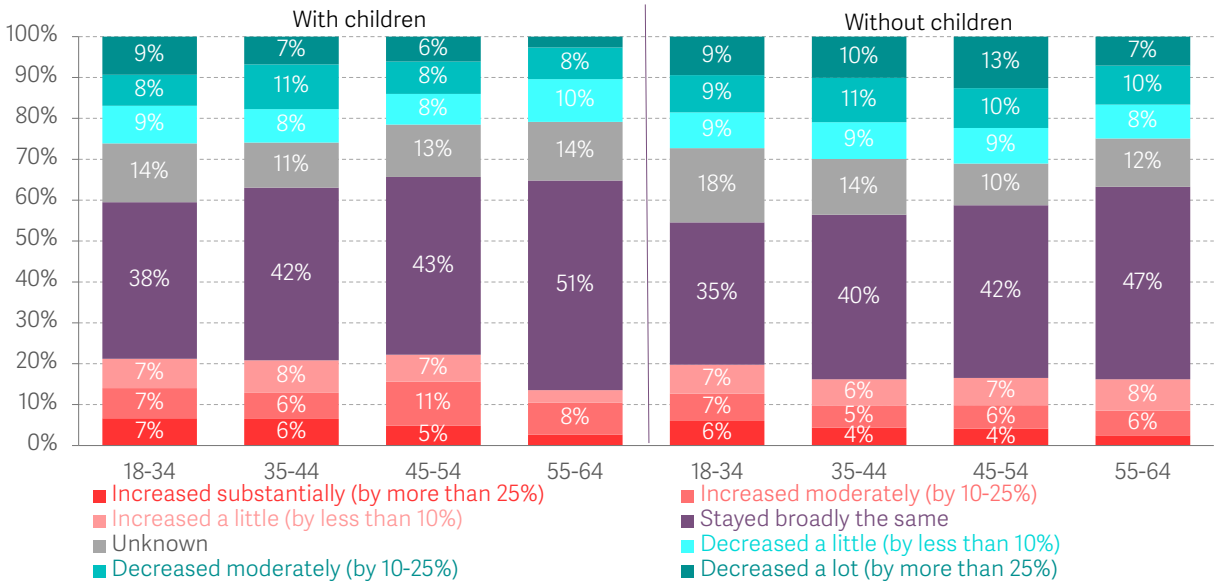


NOTES: Base = all respondents who reported a change in their family's day-to-day spending between February and May 2020. Sample size for respondents with dependent children is as follows: 18-34: 342; 35-44: 652; 45-54: 754; 55-64: 396. Sample size for respondents without dependent children is as follows: 18-34: 1,658; 35-44: 587; 45-54: 622; 55-64: 754. Day-to-day spending includes the respondent and their partner's spending on food, bills, entertainment, clothes, but excluding one-off purchases such as home improvements, booking a holiday or buying a car changed between February 2020 and June 2021. 18-24 and 25-34-year-olds are combined into one age group order to achieve a robust sample size. All figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of RF/YouGov Covid-19 survey June 2021 wave.

By June 2021, when much of the economy had re-opened, some had returned to the office and schools were mostly back open, the proportion of respondents reporting that their family spending was broadly the same as their family's spending before the onset of the pandemic (i.e. in February 2020) had greatly increased (Figure 43). In May 2020, just 29 per cent of 35-44-year-olds with dependent children reported their spending was the same as it was before the pandemic; by June 2021, 42 per cent did. Differences between respondents with and without children were somewhat smaller too: for example, in May 2020, 35-44-year-old parents were nine percentage points more likely to report an increase in spending than their non-parent counterparts; by June 2021 this difference had fallen to just under five points.

FIGURE 43: **By June 2021, the share of respondents reporting that their spending was different from pre-pandemic levels had fallen**

Change in respondent's day-to-day spending among those with dependent children (left-hand panel) and without (right-hand panel): UK, February 2020 – June 2021



NOTES: Base = all respondents who reported a change in their family's day-to-day spending between February 2020 and June 2021. Sample size for respondents with dependent children is as follows: 18-34: 419; 35-44: 651; 45-54: 452; 55-64. Sample size for respondents without dependent children is as follows: 18-34: 1,660; 35-44: 731; 45-54: 904; 55-64: 1,110. . Day-to-day spending includes the respondent and their partner's spending on food, bills, entertainment, clothes, but excluding one-off purchases such as home improvements, booking a holiday or buying a car changed between February 2020 and June 2021. 18-24 and 25-34-year-olds are combined into one age group order to achieve a robust sample size. All figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of RF/YouGov Covid-19 survey June 2021 wave.

Temporary support measures have played a role in shoring up working-age incomes throughout the pandemic

The effects of the pandemic on income, as with employment, appear to have something of an age-related skew: younger people were more likely to report income falls towards the start of the pandemic (when much of the economy had been temporarily shut down) and were most likely to report improvements as the economy reopened again in early summer. But young people who found themselves out of work, like all of their working-age counterparts, were able to benefit from temporary support measures, including the JRS, SEISS and the £20 a week uplift to UC and Working Tax Credits.[90]

The number of people benefiting from these grew rapidly during the pandemic. In fact, the Spotlight analysis at the end of this section shows that between February 2019/December 2020 and December 2020/February 2021, the number of single people with no children receiving income-related benefits had increased by 1.1 million (a 43 per cent

90 See also: M Brewer & K Handscomb, All Together Now? The impacts of the Government's coronavirus income support schemes across the age distribution, Resolution Foundation, August 2020.

increase) compared to the year before, while the rise among all other family types has been just 300,000 (or 8 per cent overall). Our analysis found that, were the temporary uplift to UC and Working Tax Credits made permanent, they would have increased working-age adult incomes by 0.8 per cent on average (£240 per year), and by 1.1 per cent (£300 per year) for children.

However, the Government removed the UC uplift (which had been in place for 18 months) in September. This cut to UC, which will affect the 4 million families on it, would amount to a 15 per cent reduction in standard allowances among couples over the age 25, a 21 per cent reduction among single adults over 25 and 25 per cent reduction for single adults under age 25. At the other end of the age spectrum, the Government have decided not to uprate the State Pension by the usual triple lock mechanism this year: with average earnings likely to have risen by over 8 per cent in May-July, the triple lock would have resulted in the largest nominal rise in the state pension for three decades.[91] Instead, it will rise in 2022 by 2.5 per cent or by September's CPI inflation figure (which is set to be higher).

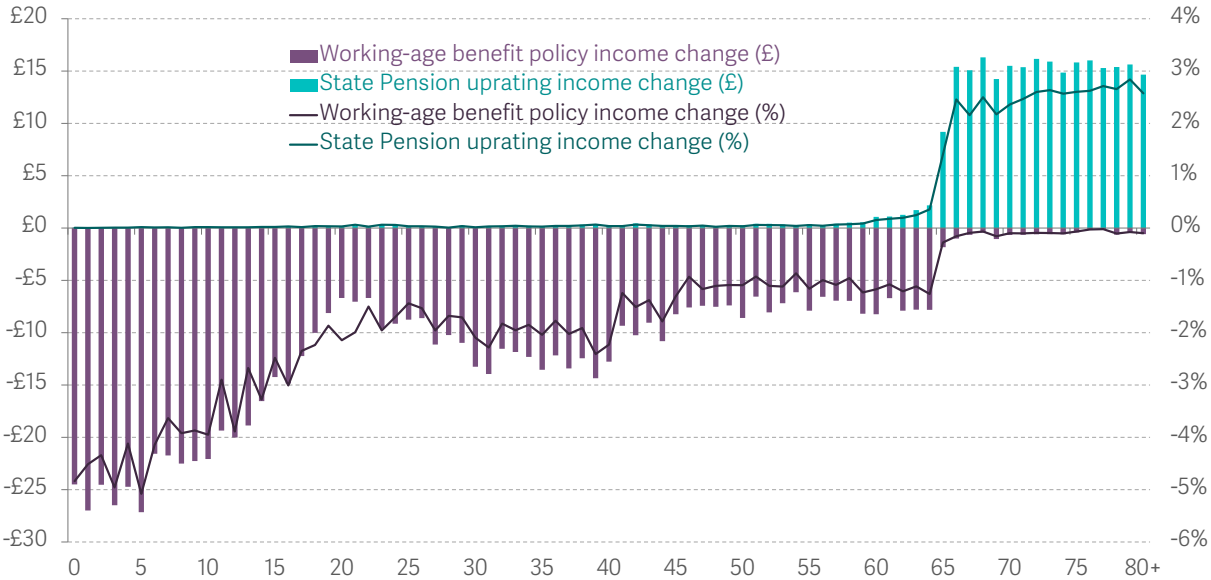
However, tax and benefit changes since 2010 have reduced average working-age incomes and boosted average pensioner incomes

Against this backdrop, we should consider these benefit policy decisions (including the recent withdrawal of the temporary uplift to UC and Working Tax Credits) compared to recent history (Figure 44). As our Spotlight explains, benefit policies that came into play since 2010 have had sharply different income effects across the age distribution. Changes to working-age and Child Benefit policies reduced incomes for children and those of working age between 2010 and 2019-20, whereas the State Pension uprating policy helped to boost incomes for those of retirement age over the same period. On average, a 35-year-old would find their incomes just under 2 per cent worse off (£706 per year) since 2010 as a result of these policies, whereas a 70-year-old would, on average, just over 2 per cent better off (£808 per year). (For reference, the UC uplift put into place during Covid-19 temporarily increased working-age adult incomes by an average of £240 per year and children's incomes by £300 per year[92]).

91 T Bell, A Corlett & D Tomlinson, To govern is to choose: The choices facing the Chancellor this autumn, Resolution Foundation, September 2021.
92 K Handscomb & L Try, Age-old or new-age? The changing incidence of social security benefits by age, Resolution Foundation, August 2021.

FIGURE 44: **Benefit policy since 2010 has cut incomes for children and working-age adults, while boosting pensioner incomes**

Change in average weekly family income for individuals by age as a result of changes to working-age benefits policy and State Pension uprating policy since 2010: UK, 2022-23



NOTES: Policy changes include: reduction in benefit uprating, two-child limit, removal of the family premium, benefit cap, reduction in Council Tax Support, Bedroom Tax, Benefit Cap, removal of the limited capability for work addition, means-testing of Child Benefit. Full roll-out of UC assumed. Effect of uprating State Pension by inflation. We assume that new State Pension at consistent ratio to Basic State Pension. We also assume that CPI inflation in September 2021 will be the same as in August 2021 (3.2 per cent). Incomes are equivalised to account for household size.
SOURCE: RF analysis using the IPPR tax benefit model.

The Covid-19 crisis has affected incomes both across and within age groups, with some evidence that, after dipping last winter, incomes (especially among the working age) began to recover as large sectors of the economy reopened last spring and summer. However, looking towards the coming months, households of all ages are likely to feel an increase in living costs through growing energy costs and rising inflation (the Bank of England projects that inflation will rise above 4 per cent in the coming months, the highest rate in the UK since 2011[93]), and working-age households will experience an additional income squeeze from the rise of 1.25 per cent in employee, employer and self-employed National Insurance Contributions from April 2022.[94] The pandemic has shown that policy can be immensely effective in protecting families' living standards in the face of sharp and sweeping economic change and the evidence suggests it was very successful. It now needs to ensure that these successes won't be undermined in the recovery.[95]

93 For further discussion, see: J Leslie et. al., The Uncertainty Principle: Previewing the decisions to be taken at the Autumn Budget and Spending Review, Resolution Foundation, October 2021.
94 For further discussion of the impact of the new Health and Care Levy, see: T Bell et al., Nationally Insured? New taxes and new spending to address key Department for Health and Social Care priorities, Resolution Foundation, September 2021
95 For a discussion of income changes over coming months, see: K Handscomb, The big squeeze: Assessing the changes to family incomes over the next six months, Resolution Foundation, September 2020.

Spotlight: Age-old or new-age? The changing incidence of social security benefits by age

Nearly two-thirds of the population live in households that receive some income from state benefits[96]

Benefits provide vital support to families: protecting those out of work from abject poverty while ensuring those in low-paid work are – through in-work benefits – better off than if they did not work; helping with additional costs or fulfilling an obligation society has towards other groups – through Child Benefit and disability benefits; supporting activities that contribute towards society – for example through Carer's Allowance; and, providing social insurance for unemployment, ill-health – through contributory Jobseeker's Allowance and Employment and Support Allowance – and for retirement – through the State Pension.[97]

Figure 45 shows that in 2019-20, before the Covid-19 pandemic, 62 per cent of the population lived in a household supported by at least one benefit.[98] By individual benefit: 21 per cent of the population are in a household receiving the State Pension, 35 per cent with Child Benefit income, 25 per cent with income-related benefit income, and 12 per cent with disability benefit income. Of the remaining benefits, disability benefit incomes are more concentrated among older individuals. The remaining benefits (both means-tested and out-of-work contributory benefits, as there is no way to split them in the data) are more concentrated among children, and middle-aged working-age adults with

96 This is a summary of a longer Spotlight published during August 2021. This summary abbreviates that original publication, which included a more detailed analysis of how the value of benefits has changed (for different age groups) over recent decades and of the change in the numbers of families receiving benefits during the Covid-19 crisis (with a particular focus on the rollout of Universal Credit and the move away from legacy benefits). The longer version of this Spotlight (which was published before the Government had proceeded with the removal of the £20 uplift to UC and to working tax credits, and before they announced plans to suspend the triple lock mechanism and instead uprate the State Pension by either 2.5 per cent or inflation in 2022) also modelled the effect on individual's equivalised household income, by age, were the Government to maintain the £20 a week boost to UC and uprating the State Pension by earnings. See: K Handscomb & L Try, Age-old or new-age? The changing incidence of social security benefits by age, Resolution Foundation, August 2021.

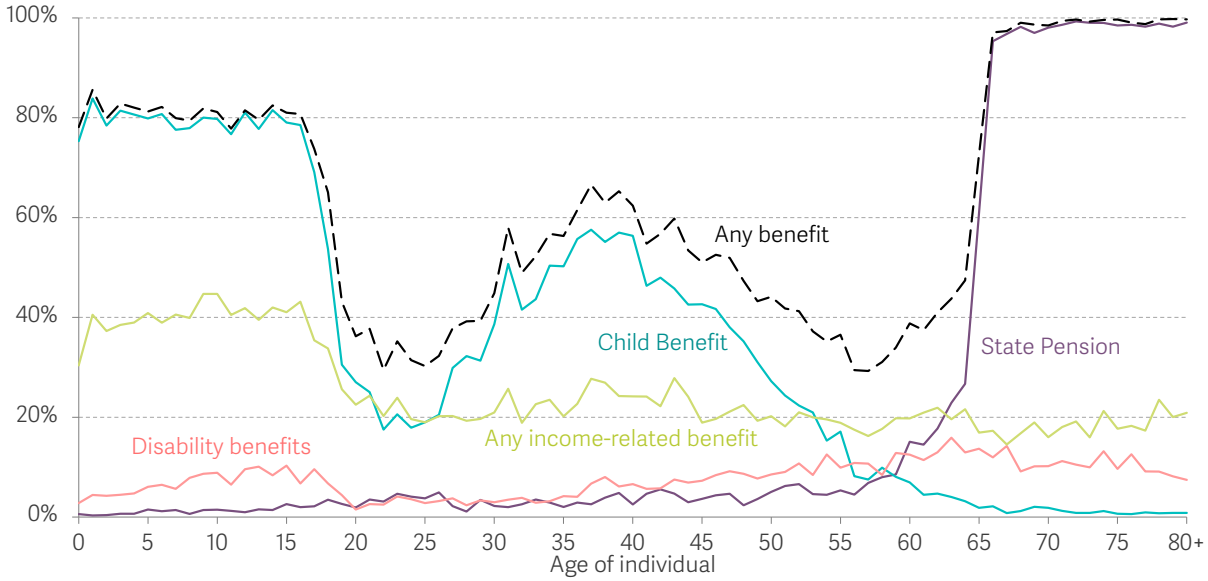
97 Box 1 in the full version of this Spotlight explains the some of the different types of benefits that individuals and families can receive. See: K Handscomb and L Try, Age-old or new-age? The changing incidence of social security benefits by age, Resolution Foundation, August 2021.

98 In this analysis, we consider all of the benefit income that is received by individuals in a household, regardless of who it is intended to support.

children. This is because the means-tested benefits purposefully provide more support to families with children to help with additional costs.[99]

FIGURE 45: **The welfare system provides more support to pensioners and children**

Proportion of individuals living in households that receive income from social security benefits or tax credits, by type of benefit and age: UK, 2019-20



NOTES: Disability benefits include Disability Living Allowance and Personal Independence Payment. Income-related benefits include Universal Credit, Working and Child Tax Credit, Carer's Allowance, Incapacity Benefit, Pension Credit, Housing Benefit, Income Support, Jobseeker's Allowance and Employment and Support Allowance (including contributory-based).
SOURCE: RF analysis of DWP, Households Below Average Income and Family Resources Survey.

In the longer version of this Spotlight, we find that the reach of the welfare system during the mid-2000s was significantly different from that of the welfare system today. Then, more than seven-in-ten (72 per cent) people had some benefit income, compared to around six-in-ten (62 per cent) in 2019-20. And four-in-ten (43 per cent) people had income-related benefit income, compared to one-in-four (25 per cent) in 2019-20.[100] Part of the reason for this fall will be reduced entitlements to Child Benefit and the number of people in households receiving an income-related benefit. Meanwhile, receipt of the State Pension for those aged over 66 has remained relatively unchanged.

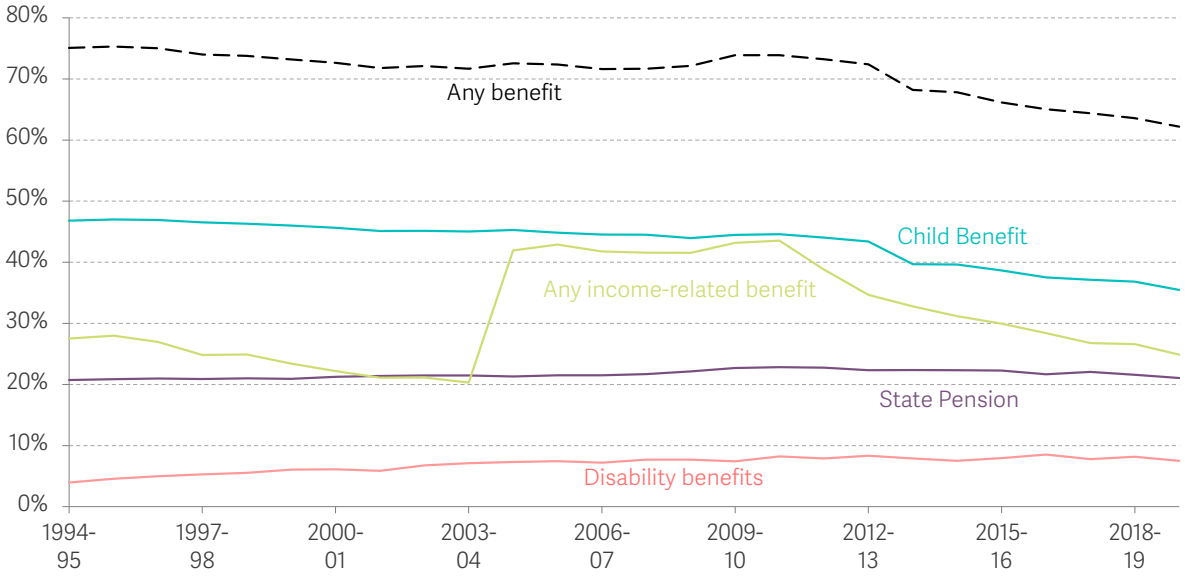
99 It is worth noting that means-tested benefit receipt is typically under-reported in the data used in this analysis (the Family Resources Survey (FRS); see: A Corlett, Improving our understanding of UK poverty will require better data, Resolution Foundation, January 2021. For example, Child Benefit receipt in the HBAI data (79 per cent of 0-15-year-olds in 2019), is lower than the proportion calculated implied by official Child Benefit statistics taken as a proportion of the population (87 per cent). However, the official statistics on the number of children in receipt of Child Benefit include the children of the 354,000 families where an adult is paying the High Income Child Benefit Charge (families can choose to opt out of Child Benefit or pay the charge); if HBAI respondents report that they do not receive Child Benefit if they pay the charge, then the two estimates would be considerably closer to each other. However, the FRS remains the best source to look at benefit receipt within households.

100 K Handscomb and L Try, Age-old or new-age? The changing incidence of social security benefits by age, Resolution Foundation, August 2021

Figure 46 shows a time-series of the proportion of people that live in a household that receives some benefit income. This clearly shows the impact of the introduction of the High Income Child Benefit Tax Charge in January 2013, as well as the reform to tax credits (and their increase in generosity) in April 2003 (the full effect of which is not seen until 2004-05 in this data). The effect of the financial crisis in 2008-09 was a more modest increase of 2 to 3 per cent of the population with at least some household benefit income. Since 2010, there has been a general decline in income-related benefit receipt that has come alongside significant reductions in benefit generosity, resulting from the falling real-terms value of benefits and particular policies such as the two-child limit, the benefit cap and the removal of the family element of the child tax credit.

FIGURE 46: **The falling reach of the welfare state has been driven by reduced eligibility of Child Benefit and income-related benefits**

Proportion of all individuals with any household-level benefit income: UK/GB



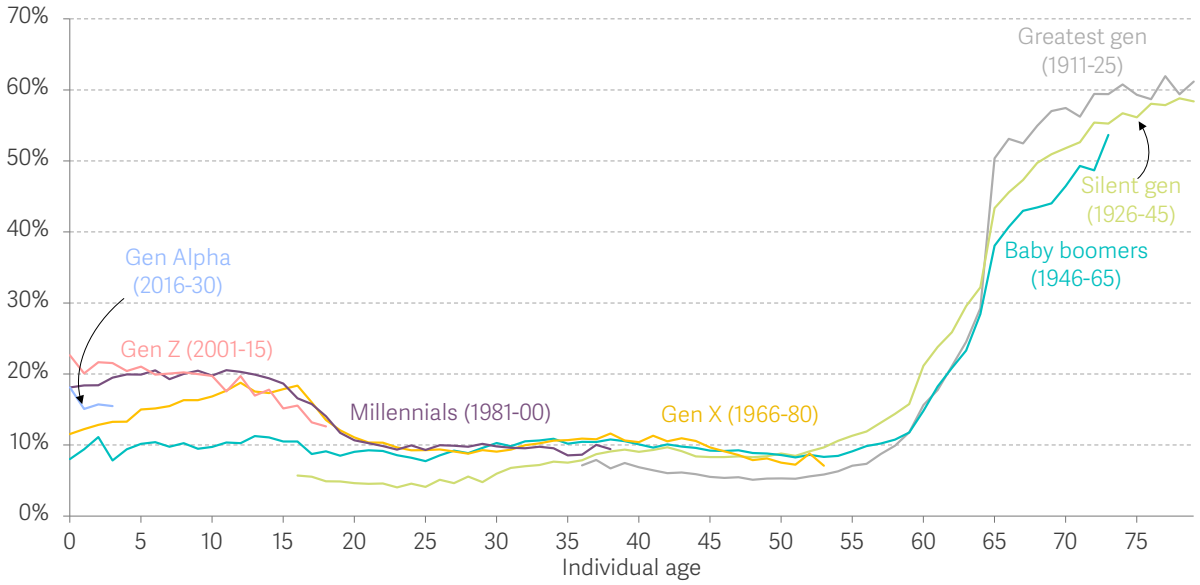
NOTES: From 1994-95 to 2002-03 data only covers GB. Disability benefits include Disability Living Allowance and Personal Independence Payment. Income-related benefits include Universal Credit, Working and Child Tax Credit, Carer's Allowance, Incapacity Benefit, Pension Credit, Housing Benefit, Income Support, Jobseeker's Allowance and Employment and Support Allowance (including contributory-based).
SOURCE: RF analysis of DWP, Households Below Average Income and Family Resources Survey.

How have different generations experienced these changes? Figure 47 looks at benefit income as a share of disposable household income (before housing costs: we look at disposable income before housing costs as benefit income includes support paid to help with housing costs), as each generation experienced it. We can see a similar pattern over the age distribution and by generation, with relative generosity increasing and then falling for children and remaining relatively constant for working-age adults. Millennials in their

20s typically received more benefit income (as a share of their household income) than generation X did; but, now they are into their 30s, the share of their income accounted for by benefits is roughly similar. Much of this will be explained by the changes discussed in relation to Figure 46, although increasing housing costs over time may have also had an effect by pushing up receipt of housing benefit.[101] However, for pensioners the share of income provided by the State Pension actually falls for later generations in our analysis: this is explained by other pensioner income – that from pensioner employment and from private pensions – rising faster than the State Pension (together with other benefits pensioners accrued) over that period (in absolute terms, income from the state pension increased).[102]

FIGURE 47: **Millennials in their 20s typically received more benefit income as a share of their household income than generation X did**

Average weekly household benefit income as a share of disposable household income (before housing costs) by individual age and generation: 1961 to 2019-20



NOTES: Generations calculated by year of birth as shown in the chart. Income deflated by HBAI Before Housing Costs deflator.
SOURCE: RF analysis of DWP, Households Below Average Income.

The Covid-19 crisis has seen the numbers receiving UC finally surpass legacy benefits

The numbers of families on benefits has changed only gradually over recent years, but the Covid-19 crisis has led to a significant increase: the pandemic caused a large rise in Universal Credit (UC) claims, while the number of families on legacy benefits has

101 For example, see figure 9.1 in: OBR, Welfare Trends Report, October 2014.
102 See: A Corlett, As time goes by: Shifting incomes and inequality between and within generations, Resolution Foundation, February 2017.

continued to dwindle.[103] To look at the changing nature of income-related benefits through the crisis, we have to use administrative benefit data, rather than data from household surveys.[104]

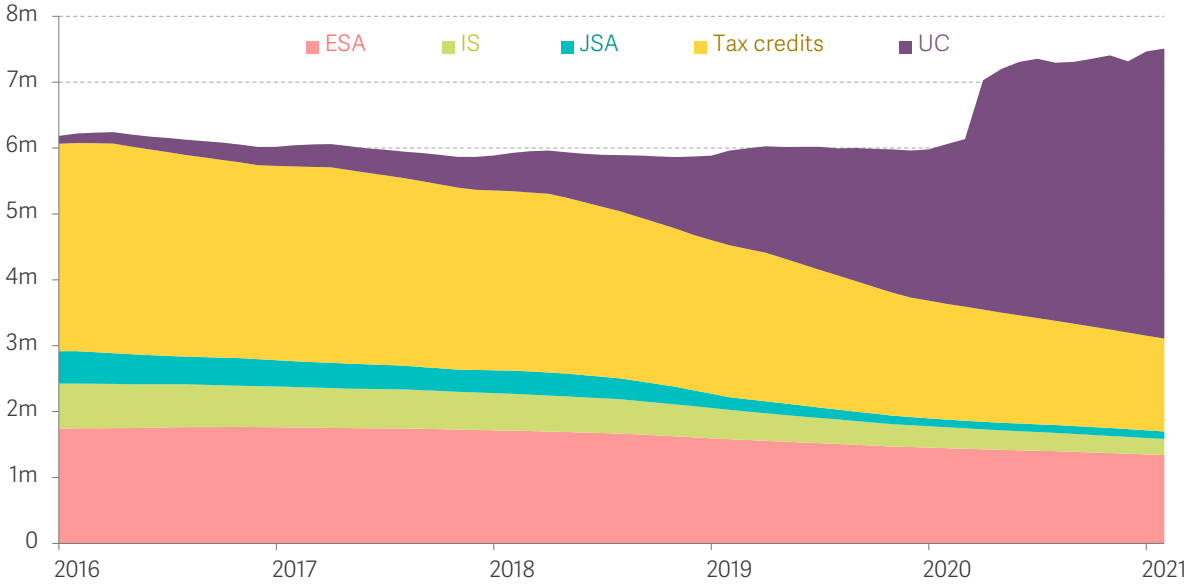
The slow and steady rollout of UC is not so slow anymore

Figure 48 shows how the number of families claiming UC and various legacy benefits has changed since 2015.[105] The number of families on UC has increased since 2015, initially slowly, but with the rate of increase picking up from the start of 2019, when legacy benefits were closed to new claimants in all parts of the country.

FIGURE 48: **Universal Credit continues to steadily replace other income-related benefits, with a rapid jump up at the start of the Covid-19 crisis**

Number of families receiving Universal Credit and legacy benefits: GB

NOTES: UC figures are cases that are in-payment only. Tax credits excludes families who are out of work (and who are likely claiming JSA, ESA or IS as well). JSA figures are claims. JSA and ESA figures are income-based only. Families are able to claim more than one of some of these benefits, meaning we cannot show this data using stacked lines.
SOURCE: Stat-Xplore, DWP; Child and Working Tax Credit statistics: Provisional awards, December 2020, HMRC.



103 Universal Credit has been gradually replacing six different legacy benefits since 2013. It is replacing income-based Jobseeker's Allowance (JSA), income-related Employment and Support Allowance (ESA), Income Support (IS), Working Tax Credit (WTC), Child Tax Credit (CTC), and Housing Benefit (HB). Of these, families can receive at most one of JSA, ESA, IS and WTC, whereas CTC and HB can both be received in addition to any of the other four benefits (or in isolation).

104 Administrative data is more up-to-date than survey data and should be more accurate, although it tells us nothing about the wider circumstances or incomes of the families receiving benefits, so we are not able to update the analysis in Figures 1 to 5. There are some other, smaller, implications: we switch from analysing the UK to just Great Britain (because benefits policy is devolved to Northern Ireland and separate statistics are produced); and we can look at the age only of adult recipients, as there is incomplete data on the age and number of children in families receiving benefits.

105 A very small number of families (under 100,000) claimed UC before 2015 during the initial trials.

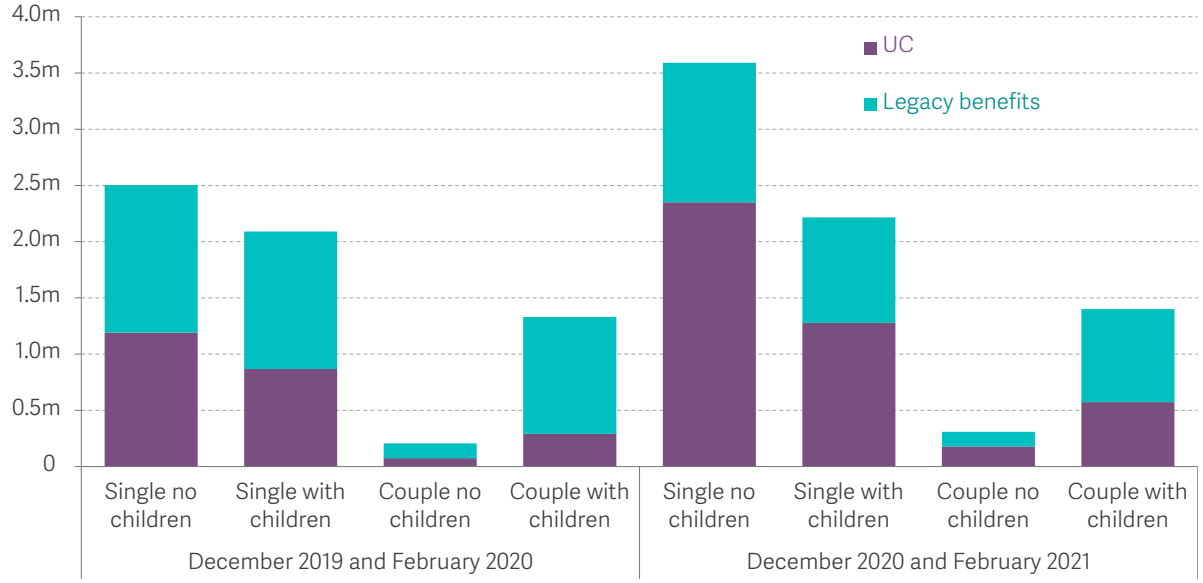
At the same time, the number of legacy benefit families has been declining: over 3 million families were receiving tax credits in December 2015, falling to fewer than 1.5 million by December 2020. Although this decline is principally due to the rollout of UC, reductions in generosity since 2015 (as mentioned earlier) – as well as the strengthening labour market in the run-up to the crisis – will also have meant fewer families were entitled to the means-tested legacy benefits than would have otherwise been the case.

Almost all new working-age benefit recipients since March 2020 have been single and without children

Figure 49 shows the number of families on UC and legacy benefits by family situation for the period from December 2019 and February 2020 (before Covid-19) to December 2020 and February 2021 (the latest complete data).[106] Before Covid-19, more single people were receiving income-related benefits than couples, with 2.5 million single people with no children and 2 million single parents receiving either UC or a legacy benefit.[107] Among couples receiving benefits, the vast majority had dependent children.

FIGURE 49: **Almost all the rise in families claiming income-related benefits in the Covid-19 crisis comes from single people with no children claiming UC**

Number of families claiming income-related benefits, by family situation: GB



NOTES: Legacy benefits are made up of income-based Jobseeker's Allowance, income-based Employment Support Allowance, Income Support, and tax credits. JSA figures are claims. JSA and ESA figures are income-based only. Data for Tax Credits is from preceding December, data for all other benefits is from February. We have used tax credit data for working families, and families with children, and DWP data for non-working families without children. There are no administrative statistics on the number of income-related ESA claims without children, so we have estimated a share of ESA claims based on FRS data.
SOURCE: Stat-Xplore, DWP; Child and Working Tax Credit statistics: Provisional awards, December 2020, HMRC.

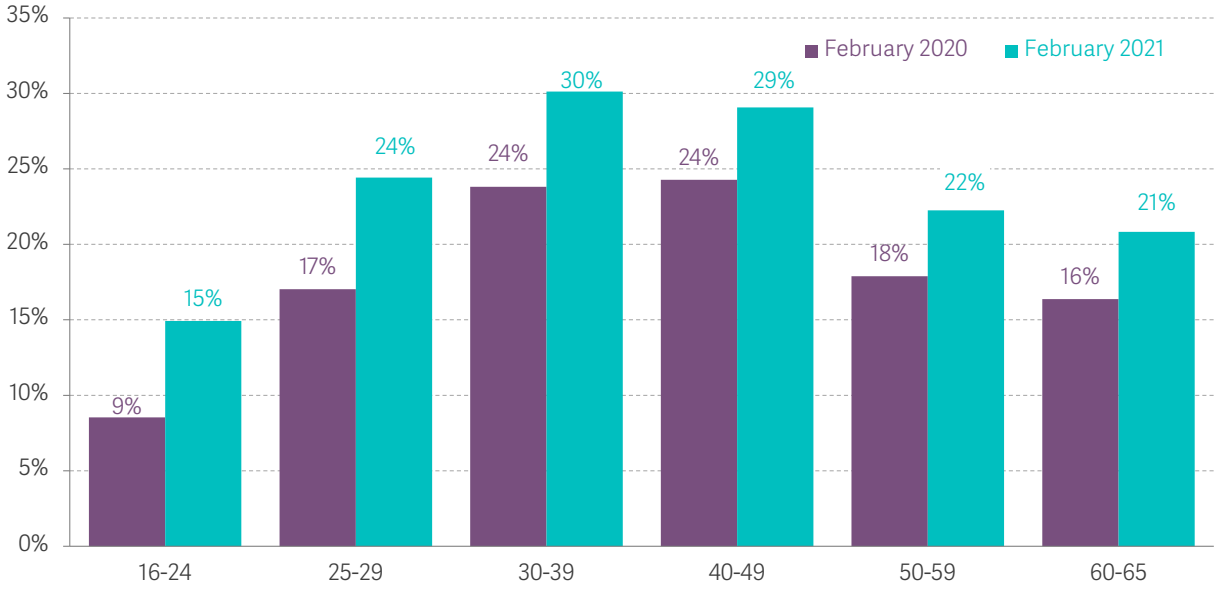
106 December 2020 are the latest tax credit statistics before the crisis, and February 2021 are the latest for other legacy benefits and UC. Legacy benefit data is not available for December 2020. We compare one year on, as that is the latest available data for legacy benefits. More recent UC data is available, but would then be inconsistent with the other data.

107 Although for legacy benefits this could be reflecting the low quality of the partner information for JSA and ESA statistics.

In the latest data, reflecting the situation in December 2020 or February 2021, the number of single people with no children receiving income-related benefits had increased by 1.1 million (a 43 per cent increase) compared to the year before, while the rise among all other family types was just 300,000 (or 8 per cent overall). In other words, of the 23 per cent rise in families claiming an income-related benefit between December 2019 or February 2020 and December 2020 or February 2021, 79 per cent is accounted for by single people without children.

FIGURE 50: **The growth in income-related benefit claimants during the crisis was slightly skewed towards younger adults**

Proportion of individuals who are a UC or legacy claimant, by age group: GB



NOTES: JSA figures are claims. JSA figures are income-based only. ESA figures are income-based and contributory. Age band for tax credits is 60+, but few will be aged over 65. Figures for tax credits are from December as the closet available data, and figures for all other benefits are from February. The population estimates for 2019 were used to calculate the proportion of benefit claimants in both years. Includes UC recipients who are not in payment as they are not identifiable in the UC age statistics.
SOURCE: Stat-Xplore, DWP; Child and Working Tax Credit statistics: Provisional awards, December 2020, HMRC. Population estimates for Great Britain, ONS.

Figure 50 shows the proportion of the population claiming an income-related benefit by age.[108] Before Covid-19, a higher proportion of 40-49-year-olds were receiving a benefit than any other (working-age) age group, at 24 per cent. In contrast, only 9 per cent of 16-24-year-olds were receiving a benefit. During the crisis, the largest increases in the

108 To do this, we again have to use the administrative data on individuals in receipt of UC, not families. As explained earlier, analysis of individuals in benefit data includes some UC claimants who are not in payment, and may miss some legacy partner claimants due to statistical quality. This means that it overstates the number of people actually in receipt of benefit. In particular, between February 2020 and February 2021, there were 1.6 million more single adults in receipt of a UC payment, and 390,000 more couples, totalling around 2.3 million more people. However, the data on individual claimants – including those with nil payments – shows a total of 3 million more UC claimants from February 2020 to February 2021, overstating the actual rise in UC recipients rise by some 28 per cent.

proportion of people receiving a benefit were for 25-29-year-olds, with a 7 percentage point rise (in the year to December 2020 or February 2021), but the 16-24-year-olds saw the proportionally largest rise – a rise of around two-thirds compared to before the crisis from 9 to 15 per cent. Of the increase in benefit claimants of 2.3 million during this time period; 786,000, or 34 per cent, were aged under 30.

Our analysis of benefit receipt by age has necessarily ignored children because of the detail available in the administrative statistics. However, we can look at the total number of children that are in a family receiving an income-related benefit. This proportion fell from 47 per cent in December 2015 to 42 per cent in February 2020, before increasing to 44 per cent as of April 2021 – corresponding to around 6.7 million children.

The long-term picture of reductions in benefit coverage, and generosity, for children and working-age adults was reversed during the course of the Covid-19 pandemic. However, the removal of the temporary uplift, running alongside employment improvements, has shifted the system back towards its previous course. What the pandemic has taught us, however, is that Government policy can quickly – and effectively – put into place policies to improve living standards across the age range.

Section 5

Wealth and Assets

Pre-pandemic data showed that older adults held the majority of household wealth in Britain, with families from younger generations having, on average, less wealth than their predecessors held at the same age. These intergenerational gaps have been made worse by the economic consequences of the Covid-19 pandemic, which has driven significant changes in wealth, largely to the benefit of older working-age adults and, especially, pensioners.

The pandemic's impact on active changes in savings and debt varied by age but also by individuals' experience of the labour market and their personal circumstances. For example, younger people without children were most likely to report that their family's savings increased during the pandemic, driven by 'forced savings' (i.e. being unable to spend on goods and services that were shut down because of social distancing restrictions).

However, changes in household wealth were more affected by changing asset prices than by active changes in savings and debt. Average UK house prices were 12 per cent higher in August than their pre-pandemic level (February 2020) and world (non-UK) equities were approximately 20 per cent higher. These asset price increases benefited older adults, who were more likely to hold them: familied headed by those aged 65 and older held 35 per cent of total household wealth before the pandemic, and accrued 42 per cent (£378 billion) of the total increase in British household wealth (£900 billion) between February 2020 and May 2021.

But when it comes to relative wealth gains accrued over the pandemic, we find something of an age-related 'U-shape' among those 30 and older, wherein both pensioners and those in their early 30s and 40s experienced a larger proportional increase in their family wealth than their counterparts in middle and later-working age. For example, among those in their early 30s, median family wealth rose by 13 per cent between February 2020 and May 2021, among those in their late 50s, it rose

by 3 per cent, and among those aged 80 and older, it rose by 7 per cent. In absolute terms, though, the largest gains went to those who held the most wealth before the pandemic hit.

Our Spotlight analysis assesses the costs and benefits of buying one's first home over the generations. The analysis is based on a thought experiment that estimates the fortunes of the typical first-time buyer purchasing in every year between 1974 and 2020. It finds that, although typical first-time buyers from older generations faced high interest rates, especially in the early years of ownership, today's typical first-time buyer must find significantly more cash upfront for a deposit, and must service a much larger mortgage than buyers in their parents' or grandparents' generation.

Heading into the Covid-19 pandemic, wealth progress for younger generations had stalled

Household wealth, which we define as net property wealth, private pension wealth and net financial wealth, is centrally important for living standards.[109] A key reason for this is because it allows individuals and families to weather economic shocks by drawing down on savings, or monetising other assets, in order to meet living costs in the face of an income hit. It is also one way in which parents can affect the life-chances of their children, whether through direct transfers or inheritances.[110]

It is has been noted for some time that household net wealth has been growing much faster than GDP or average earnings over recent decades: since 1991, the stock of net household wealth has almost doubled relative to GDP (from about three-and-a-half times as large to 7-times as large); since 2006-2008, the stock of household wealth has risen by over one and a half times the UK's GDP.[111] A large part of this has been due to increases in the value of underlying assets, and this additional fact has strong generational implications: it means that those who were old enough to hold wealth when prices began to grow rapidly will have experienced rapid increases in wealth, whereas those

109 In line with others, we exclude physical wealth from our analysis, due to concerns about the way that survey respondents are asked to value it (respondents to the Wealth and Assets Survey (WAS) are mostly asked about the replacement value of their physical assets, which is generally much higher than its marketable value, but in some cases asked about insured value, again a different concept. This is different to the approach for other asset classes which rely on market value assessments). For more information, see: R Crawford, D Innes & C O'Dea, The Evolution of Wealth in Great Britain: 2006-08 to 2010-12, Institute for Fiscal Studies, November 2015). We also exclude private business assets. There are good reasons to do so: data quality is poor (although has improved in recent survey periods); the ONS excludes them from its definition of wealth; and we don't have any way of calibrating changes in average business wealth during this crisis. If they were included, the level and distribution of wealth across the age range would be different because working-age people are more likely to have business wealth.

110 See: A Davenport, P Levell & D Sturrock, Why Do Wealthy Parents Have Wealthy Children? Institute for Fiscal Studies, September 2021.

111 See: G Bangham & J Leslie, Rainy days: An audit of household wealth and the initial effects of the coronavirus crisis on saving and spending in Great Britain, Resolution Foundation, June 2020.

who are now priced out of the housing market have not been able to embark on a wealth trajectory as promising as those of their predecessors.[112]

As a result, well before the onset of the Covid-19 pandemic, cohort-on-cohort wealth progress for those born in the 1970s, 1980s and 1990s had stalled: those born during 1981-1985 had 25 per cent less wealth when aged 34 than those born during 1971-1975 at the same age, and those born during the early 1970s had made no progress on those born in early 1960s: at age 44, their wealth was 3 per cent lower than what it was for the 1961-1965 cohort when they were 44. Box 7 summarises what we know about intergenerational inequalities in wealth.

BOX 7: Our previous Intergenerational Audits illustrated growing generational inequities in the underlying components of household wealth

Our 2019 and 2020 Intergenerational Audits highlighted the large and enduring generational differences in the ownership of different components of wealth: property and pensions wealth (the two largest components of total wealth; the other component is financial wealth, which makes up a smaller share).

Starting with net property wealth (the gross value of owned homes and any additional properties, less mortgage debts), our analyses highlighted the extent to which all cohorts born after 1960 had less property wealth than their predecessors born 10 years before them had at the same age. For example, average net family property wealth at age 30 among millennials born during 1981-1990 was just over £28,000 – 23 per cent lower than the average amount of net property wealth that members of generation X born during 1971-1980 had at the same age. A combination of rising house prices (the value of which would accrue to generations that already owned homes) and falling home ownership rates among younger adults (discussed earlier this report) are behind this stalling of cohort-on-cohort progress in property wealth.

A similar pattern prevails for private pensions wealth. Baby boomer and silent generation cohorts have

112 Societal ageing (as older populations tend to hold more wealth), active saving and debt repayments also play a role, but as we have previously noted, their contribution is small in comparison to asset price rises. See: G Bangham & J Leslie, Rainy days: An audit of household wealth and the initial effects of the coronavirus crisis on saving and spending in Great Britain, Resolution Foundation, June 2020. Our 2019 Intergenerational Audit examined the active and passive components of net property wealth increase between 1993 and 2014. It found that active behaviour (like buying a house, improving a home, or paying off mortgage debt) accounted for one-fifth of net property wealth gains, whereas above-inflation passive house price growth (passive effects) accounted for four-fifths of the increase in property wealth, with the biggest gains for cohorts born in the 1940s and 1950s. See: G Bangham et al,. An intergenerational audit for the UK: 2019, Resolution Foundation, June 2019.

substantially more pension wealth than their predecessors had accumulated at the same age. And, although the share of younger cohorts contributing to a pension scheme had been on a rise (because of a rise in occupational pension scheme membership among younger adults and auto-enrolment policy, where employees are automatically enrolled into a workplace pension scheme[113]) the value of their pension wealth remained lower than their predecessors because they are much less likely to be enrolled on a Defined Benefit (DB) pension scheme and much more likely to be enrolled on a less generous and riskier Defined Contribution (DC) pension scheme.[114]

Net financial wealth (money in current accounts, savings accounts, ISAs, shares, gilts and other financial products, less any unsecured, non-mortgage debts) comprises the smallest of these three components underlying total wealth. Though small, it is still highly generationally-unequal, with our 2019 Intergenerational Audit noting that, during 2014-16, working-age cohorts recorded lower financial wealth than their predecessors at the same age, driven by their having lower gross financial wealth (rather than higher amounts of debts).[115]

Our analyses setting out the value of these wealth components for different generations at different ages was primarily based on the ONS's biennial Wealth and Assets Survey (WAS). The latest WAS figures only run up to the 2016-18 period, so we are unable to update these figures for 2020-21. (We do at the end of this section provide an estimate for cohorts' total wealth holdings that is extrapolated from other data sources but, unlike our previous, WAS-based figures, these cannot factor in lifecycle effects for the 2019-21 period.)

However, because younger cohorts' access to the most valuable components of wealth is either slow to change (for housing) or rare (for the more valuable elements of private pension wealth, which tend to be found in Defined Benefit schemes), we do not anticipate that large-scale changes in the intergenerational wealth differences would have occurred over recent years.

113 The roll-out of pensions auto-enrolment was particularly successful in extending pensions savings to groups who had previously been left out, including younger people, women and workers on lower incomes. As the roll-out is not complete, however, the increase in pension membership rises has slowed. See: L Gardiner & D Willetts, More ambition, less risk – building on the success of auto-enrolment, Resolution Foundation, May 2019; D Finch & L Gardiner, As good as it gets? The adequacy of retirement income for current and future generations of pensioners, Resolution Foundation, November 2017.

114 As discussed in previous Intergenerational Audits, The Wealth and Assets Survey values defined benefit pensions (and annuitized pension rights for the already retired) at the level of the pension pot that would be required to purchase them in the annuities market at that point in time. Risinglife expectancies (which have been the main driver of changes in annuity factors and discount rates) and low interest rates have served to continually inflate the value of defined benefit pensions and pensions in payment in each wave of the survey. Rising asset values have boosted the wealth of the already haves. See: C D'Arcy & L Gardiner, The generation of wealth: Asset accumulation across and within cohorts, Resolution Foundation, June 2017. See also: R Crawford, D Innes & C O'Dea, The Evolution of Wealth in Great Britain: 2006-08 to 2010-12, Institute for Fiscal Studies, November 2015.

115 See: G Bangham et al., An intergenerational audit for the UK: 2019, Resolution Foundation, June 2019.

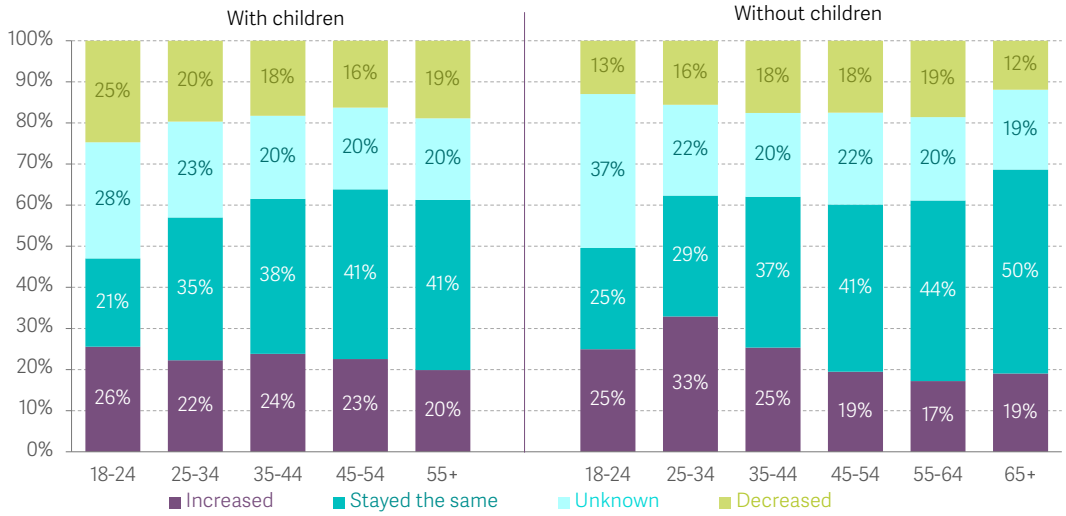
This section looks at how these intergenerational inequalities have shifted over the course of the pandemic. We first turn to an analysis of how active changes in savings and debt changed through the pandemic, and the reasons for those, across different age groups. We then put these changes into a wider wealth context, setting out how changes in total wealth over the course of those 16 months have varied by age, before estimating the current state of cohort wealth trajectories.

Young families without children were the most likely to see their savings rise during the pandemic; young and middle-aged families with children were the most likely to see debts rise

Figure 51, which shows results derived from a Resolution Foundation-commissioned survey of adults age 18+, shows the proportion of respondents who report that their family savings had increased, stayed the same or decreased between February 2020 (immediately preceding the pandemic) and the start of June 2021.

FIGURE 51: **Young people without children are most likely to report an increase in their family's savings between the start of the pandemic and June 2021**

Proportion of respondents reporting a change in family savings according to whether they have dependent children (left-hand panel) or not (right-hand panel): UK, February 2020 – June 2021



Base = all respondents who reported whether their family's savings changed between February 2020 and June 2021. Sample size for those without dependent children is as follows: 18-24: 671; 25-34: 989; 35-44: 731; 45-54: 904; 55-64: 1,110; 65+: 1,988. Sample size for those with dependent children is as follows: 18-24: 61; 25-34: 358; 35-44: 651; 45-54: 452; 55+: 115. Figures for respondents with children aged 55-64 and 65+ have been combined to achieve a representative sample size. All figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of YouGov, adults age 18+ and the Coronavirus (COVID-19), June 2021 wave.

Younger respondents are somewhat more likely than their older counterparts to have reported an increase in their family's cash savings over the course of the pandemic, but only among those who do not have dependent children living with them. For example, 25-34-year-old respondents without children (a third of whom reported increased savings) were more likely than other adults without children (for example, 19 per cent of those aged 45-54) to have seen an increase in their savings.

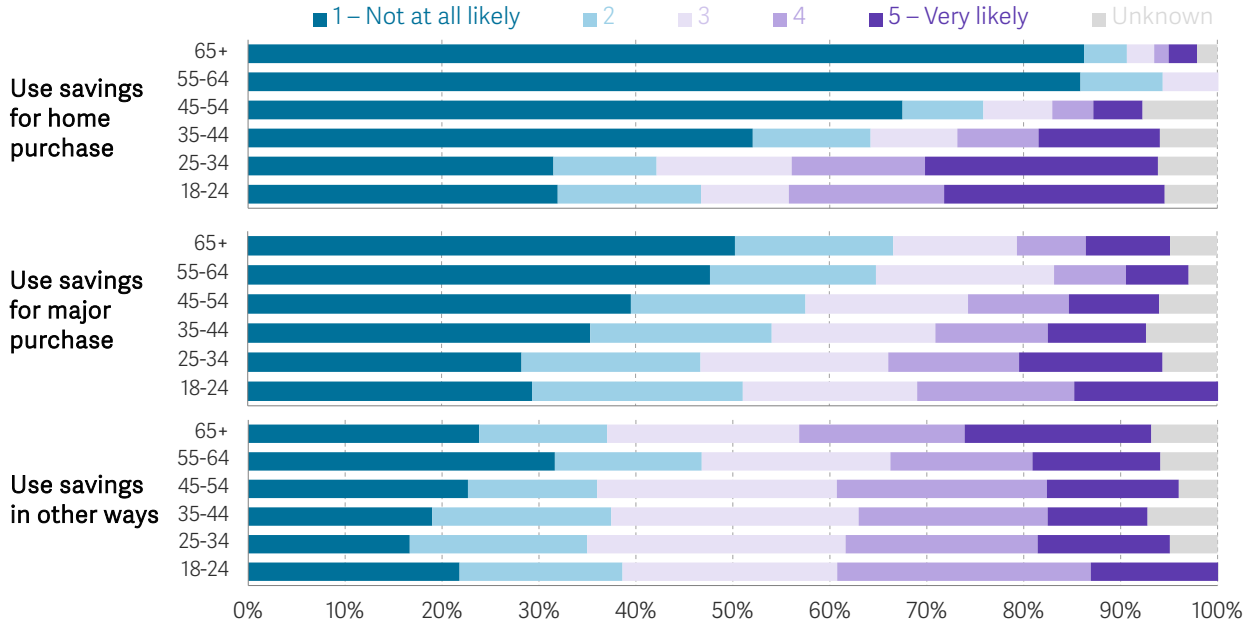
As with our findings on spending in Section 4, we find that savings changes also varied more by the presence of children than by age. Among those with children, age-related differences in savings were less marked, except among pensioners, who were somewhat less likely to have reported an increase in their savings than average – as would be expected, given typical life cycle profiles involve retired people reducing savings over time. Our survey analysis unsurprisingly finds that social distancing restrictions were the most common factor for rising savings among those whose savings increased, and income loss was the most common factor for savings falls, among those whose savings decreased. Box 8 looks into what those whose savings have increased are planning on doing with that money.

BOX 8: **Spending plans among those whose savings have increased during the pandemic**

Focusing only on those respondents whose savings increased over the course of the pandemic, Figure 52 shows that older respondents are much less likely than their younger counterparts to have used their additional savings to buy a home (91 per cent of respondents aged 65 and older reported that it was 'not at all likely' or not likely compared with 48 per cent of 18-24-year-olds) or to have put them towards a major purchase such as a car (67 and 48 per cent). These patterns are fairly unsurprising as they reflect spending changes we that would normally expect to occur over the course of the lifecycle: younger adults and families looking to make purchases that older adults have made decades before, like buying a home and or a car.

FIGURE 52: **Younger and older respondents plan to spend additional savings in different ways**

Proportion of families with increased saving that are planning to use additional savings for home purchase, other major purchase or in other ways: UK



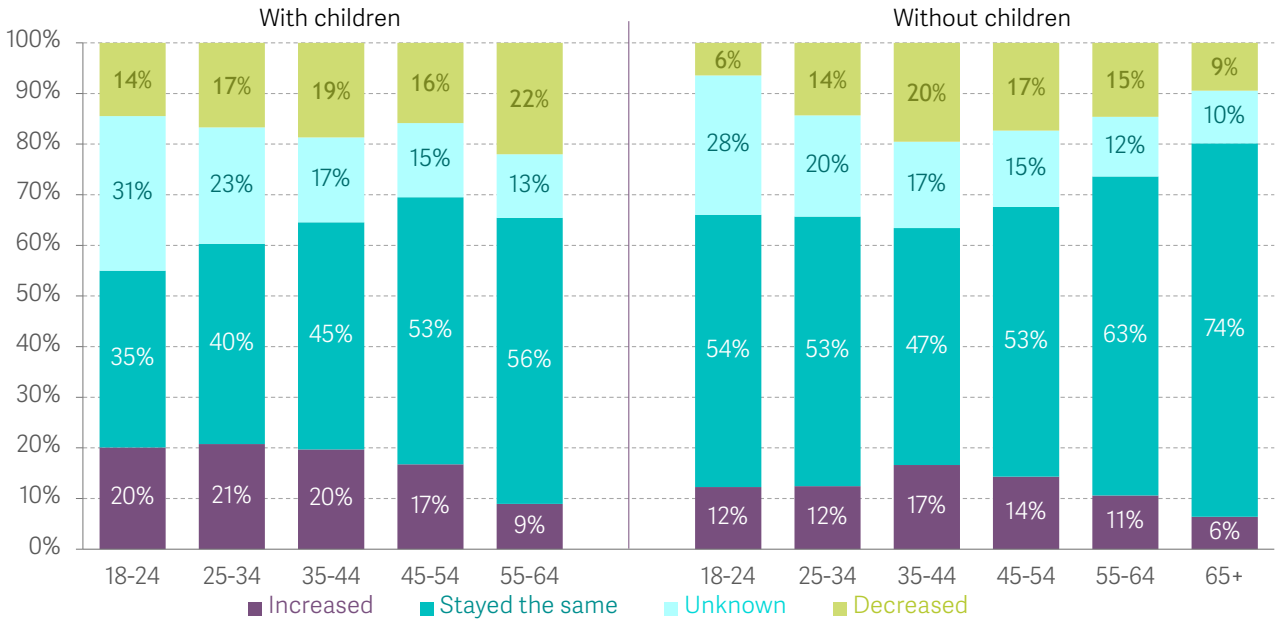
NOTES: Base is all those whose savings increased and who reported planning to use their spending in each of the categories listed. Sample size for each category is as follows: 18-24: 225; 25-34: 509; 35-44: 411; 45-54: 353; 55-64: 273; 65+: 467. All figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of RF/YouGov Covid-19 survey June 2021 wave.

Debts also factor into family wealth. Figure 53 shows changes in respondents' family debt according to their age and whether they have children (left-hand panel) or not (right-hand panel). As with the spending changes shown in Section 4, respondents with dependent children in their family were a little more likely to have reported increased debt between February 2020 and June 2021: 12 per cent of 25-34-year-olds without dependent children reported an increase in family debt, compared with 20 per cent of those with children.

Among those with children, the oldest respondents (those aged 55 and above) were half as likely to have reported an increase in debt (10 per cent) than their counterparts in either the 25-34 or 35-44-year-old age groups, where 20 per cent in each group reported a rise in family debt. Younger families appear particularly likely to have taken on increased debt: this is likely to be partly because they are among the age group that experienced employment change and income loss at the highest rate, and partly because they are also more likely to have faced increased spending pressures that have tended to affect those with dependent children. Among those without children, working-age, and especially middle-aged, respondents were more likely to have taken on additional debt, with pensioners particularly unlikely to have done so.

FIGURE 53: **Young and middle-aged respondents with dependent children were most likely to report an increase in family debt during the pandemic**

Proportion of respondents reporting a change in family debt according to whether they have dependent children (left-hand panel) or not (right-hand panel): UK, February 2020 – June 2021



Base = respondents who answered whether there was a change in their family debt levels between February 2020 and June 2021. Sample size for respondents without dependent children is as follows: 18-24: 671; 25-34: 989; 35-44: 731; 45-54: 904; 55-64: 1,110; 65+: 1,988. Sample size for respondents with dependent children is as follows: 18-24: 61; 25-34: 358; 35-44: 651; 45-54: 452; 55+ 115. Sample size was not sufficient to present findings for respondents aged 65+ with children. All figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of YouGov, adults age 18+ and the Coronavirus (COVID-19), June 2021 wave.

In other words, debt increases were larger among families with dependent children than without, but it was younger and middle-aged families, regardless of their parental status, who were more exposed to debt changes, which is most likely driven by the fact that they were the most likely age groups to experience employment and income changes over the course of the pandemic.

But changes in household wealth have been dominated by passive gains, and the boom in asset prices means that older adults have accrued more than 60 per cent of the pandemic-era increase in total household wealth

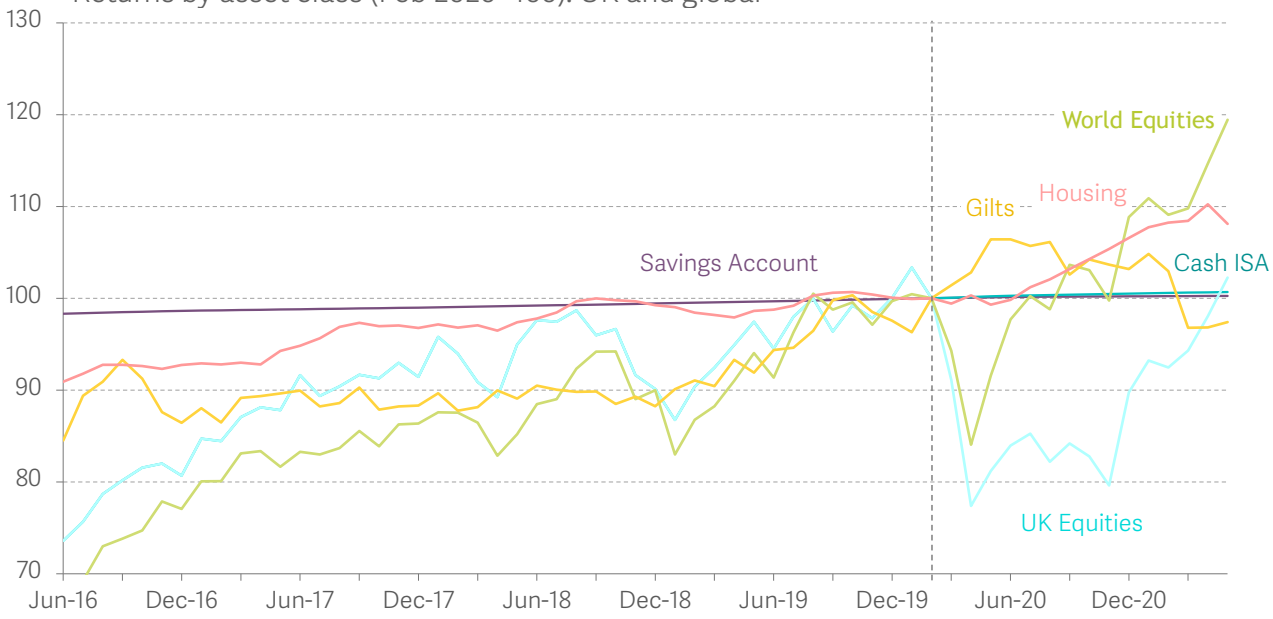
As we showed earlier this year, recent growth in household wealth has been driven much more heavily by changes in underlying asset prices than by active changes to savings and debt.[116] Some asset prices, which had been rising steadily over recent years, accelerated

116 See: G Bangham & J Leslie, Rainy days: An audit of household wealth and the initial effects of the coronavirus crisis on saving and spending in Great Britain, Resolution Foundation, June 2020.

over the course of the pandemic: Figure 54 shows that UK house prices are now close to 10 per cent higher than their pre-pandemic level and global equities approximately 20 per cent higher. These asset changes have driven up net household wealth, with our estimate being that total household wealth in the UK grew by 6 per cent, or nearly £900 billion, between February 2020 to May 2021. Asset price changes account for 85 per cent of the total increase in wealth over this period.[117]

FIGURE 54: **Asset prices have grown markedly since the start of the pandemic**

Returns by asset class (Feb 2020=100): UK and global



SOURCE: RF analysis of Bank of England, Effective interest rates; FTSE Russell, FTSE All-Share Index TR; MSCI, MSCI World Index TR; S&P Global, S&P UK Gilt Index; and ONS, UK House Price Index.

So how much has the pandemic changed wealth stocks among adults of different age groups? As we set out in Box 7, the underlying components of household wealth before the pandemic were not just unevenly distributed between generations, but more unevenly distributed than in the past, with cohorts born after the 1950s (and in some cases early 1960s) holding on average lower levels of net housing, private pension and net financial wealth than their predecessors had at the same age. Box 9 outlines how we have estimated the changes in net household wealth since the pandemic began.

117 J Leslie & K Shah, (Wealth) gap year: The impact of the coronavirus crisis on UK household wealth, Resolution Foundation, July 2021.

BOX 9: Methodology for calculating distributional impact of asset price changes and estimating complete distributional effects of the pandemic on family wealth

This analysis draws on previous Resolution Foundation research which offered the first complete picture of the impact of the Covid-19 crisis across the entire wealth distribution of the UK.[118] We provide here a brief overview of those estimates were calculated.

The Wealth and Assets survey (WAS) provides comprehensive and granular details on household wealth holdings, with the latest WAS data covering the period 2016-18. To estimate how asset price changes have affected wealth levels since then, we take observed wealth holdings in 2016-18 and roll forward the value of wealth until the pre-pandemic period using asset price growth across broad asset class groups. We make a number of assumptions relating to the rate of returns within asset classes, changes in the composition of assets that a household has (we assume no change), and the value of defined benefit pensions.

In order to understand the impact of the pandemic on the wealth distribution, we combine results from our June 2021 YouGov survey on changes to savings and borrowing with data from WAS on asset holdings. Specifically, we model the likelihood that each observation family within the WAS would have experienced an active change in savings and debt during the pandemic based on the results of our survey. This can then be combined with aggregate-level data to ensure that the modelled changes in debt and borrowing match those aggregates since the start of the pandemic.

Thinking about changes in intergenerational wealth stocks in absolute terms, Figure 55 makes clear that the lion's share of wealth gains accrued during the pandemic went to the 'already haves.' For example, those aged 55 and older are estimated to account for 63 per cent of total family wealth; during the pandemic they accrued 63 per cent (£559 billion) of the total increase in British wealth (£900 billion).

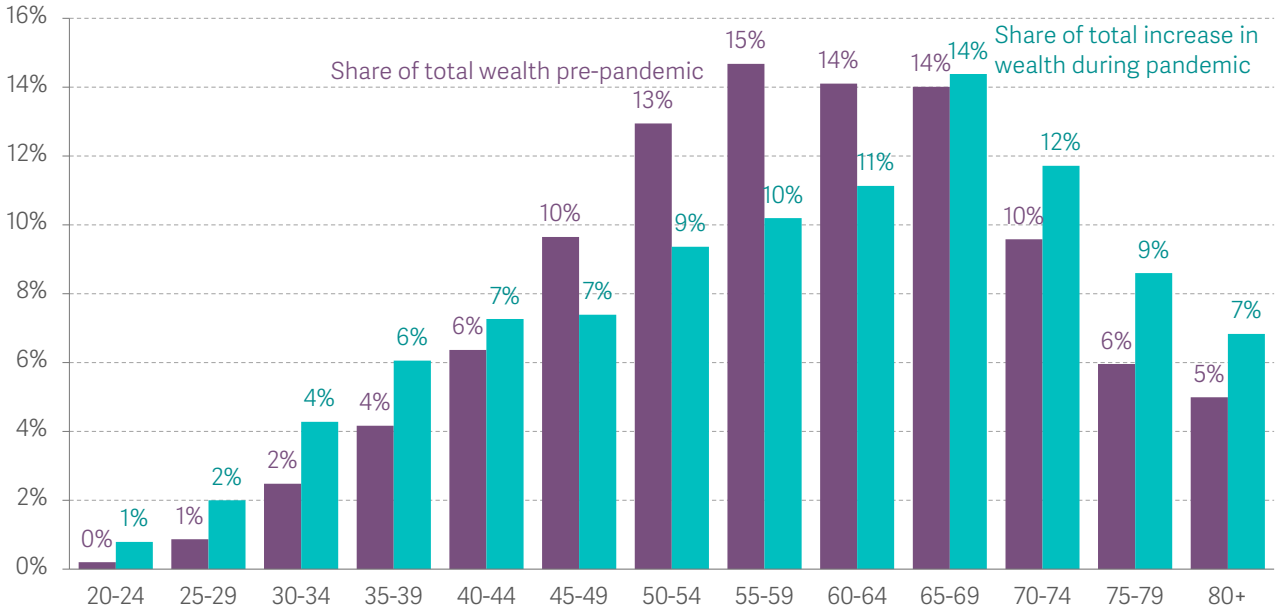
But in fact the gains from the pandemic exhibit something of a of a 'U-shape' among those aged 30 and older. In particular, those in their 30s and early 40's, and those aged 65 and older, saw a greater share of the pandemic wealth gains than was their share of pre-pandemic wealth; by contrast, those in later-working age (i.e. in their late 40s to

118 J Leslie & K Shah, (Wealth) gap year: The impact of the coronavirus crisis on UK household wealth, Resolution Foundation, July 2021.

early 60s) saw a lower share of the pandemic wealth gains than was their share of pre-pandemic wealth. In fact, those aged 65 and older accounted for 42 per cent of the total increase in wealth, or £378 billion, despite owning 35 per cent of the pre-pandemic stock of household wealth.[119]

FIGURE 55: **Respondents aged 55 and older accounted for 63 per cent of the increase in total household wealth during the pandemic**

Share of total wealth and change in wealth during the pandemic, by age group: GB, February 2020 and February 2020 – May 2021



NOTES: Age is based on the age of the survey's 'household reference person' and so other adults within the family could fall into a different age group.
SOURCE: RF analysis of ONS, Wealth and Assets survey; Bank of England, Effective interest rates; FTSE Russell, FTSE All-Share Index TR; MSCI, MSCI World Index TR; S&P Global, S&P UK Gilt Index; and ONS, UK House Price Index.

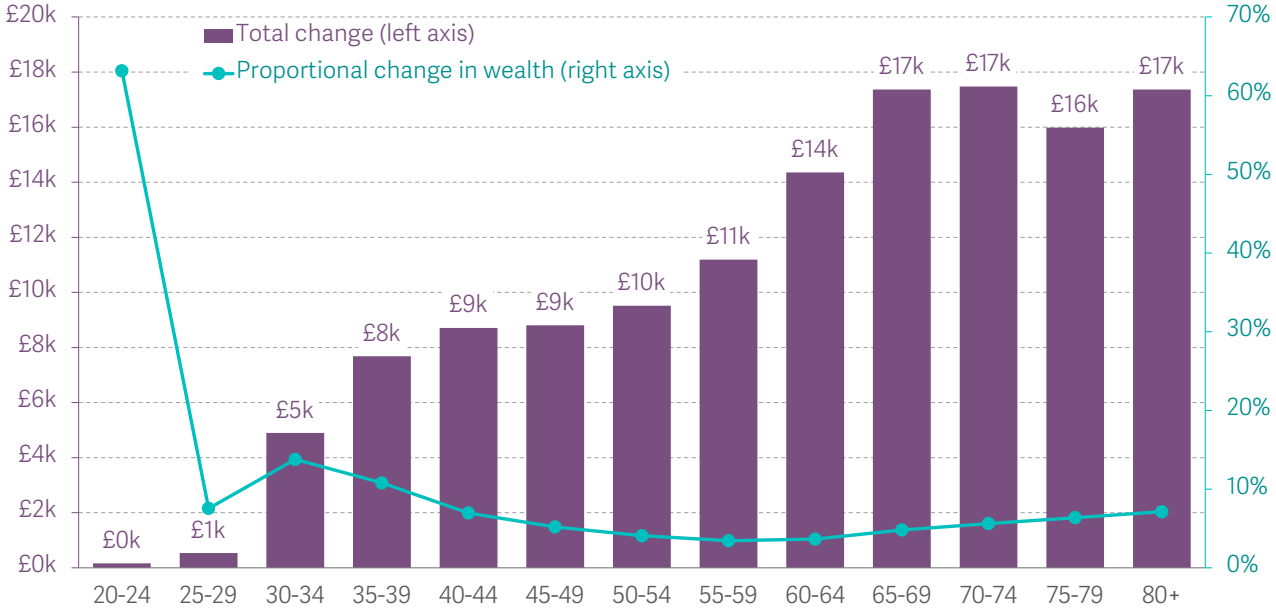
An alternative way of presenting the changes in shown in Figure 56, which plots the percentage and absolute change in median wealth levels for people of different ages. This again shows the 'U-shape' among those aged 30 and older in the percentage change in wealth (for example, those in their early thirties experienced a 13 per cent increase in family wealth between February 2020 and May 2021, those aged 80 and older experienced a 7 per cent rise, whereas those in their late 50s experienced a 3 per cent rise). (In proportional terms, those in their 20s experienced the largest increase in proportional wealth, but these changes reflect the small-to-nil wealth holdings this age group had on average to begin with.)

119 For further discussion of the size, distribution and recent changes in household wealth and its underlying components, see: J Leslie & K Shah, (Wealth) gap year: The impact of the coronavirus crisis on UK household wealth, Resolution Foundation, July 2021.

However, although younger people saw a greater percentage increase in their net wealth than their older working-age counterparts, Figure 56 makes clear that the absolute wealth gaps between the generations have not shrunk, reflecting the sizable generational differences that existed pre-pandemic.

FIGURE 56: **Younger and older family experienced the greatest proportional increases in wealth during the pandemic**

Median change in family wealth per adult during the pandemic, by age GB, February 2020 to May 2021

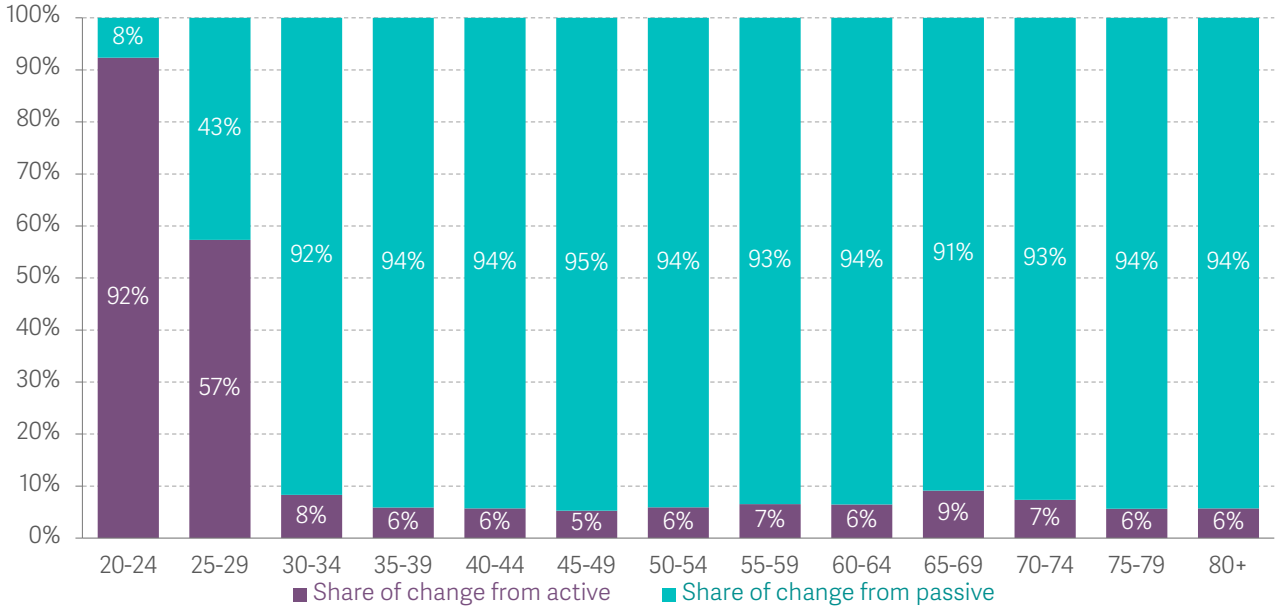


NOTES: Age is based on the age of the survey's 'household reference person' and so other adults within the family could fall into a different age group.
SOURCE: RF analysis of ONS; Wealth and Assets Survey; Bank of England, Effective interest rates; FTSE Russell, FTSE All-Share Index TR; MSCI, MSCI World Index TR; S&P Global, S&P UK Gilt Index; and ONS, UK House Price Index; YouGov, adults age 18+ and the Coronavirus (COVID-19), June 2021 wave.

Because, as discussed in Box 7, younger households are much less likely to hold assets which were exposed to asset price growth over the course of the pandemic (like housing and pensions), the bulk of their increase in wealth over the course of the pandemic will have come from active changes in savings and debt. Indeed, as Figure 57 shows, nearly all of the change in median wealth among those aged 20-24 came from changes in savings or debt, as did 57 per cent of the median wealth change among those aged 25-29. By contrast, wealth changes among those 30 and older were dominated by passive wealth increases, which for example, accounted for 95 per cent of typical family wealth change among those aged 45-49.

FIGURE 57: **Asset price effects explain the vast majority of the increased wealth of those aged 30 and older**

Proportion of median change in family wealth during the pandemic deriving from active and passive changes in savings and debt: GB, February 2020 to May 2021



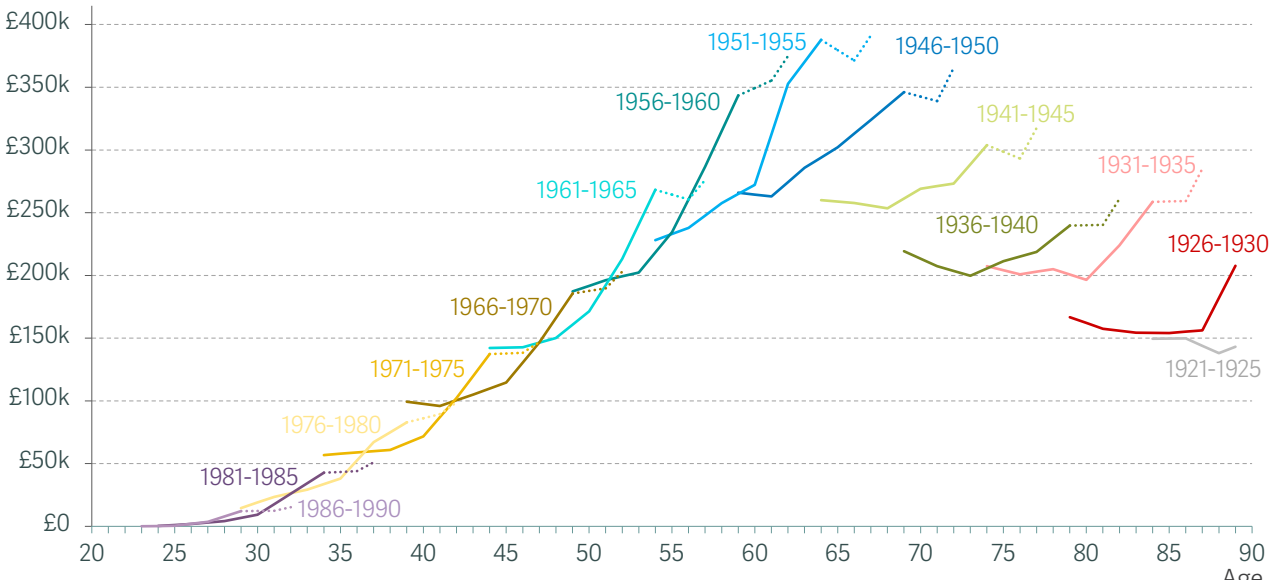
NOTES: Age is based on the age of the survey's 'household reference person' and so other adults within the family could fall into a different age group.
SOURCE: RF analysis of ONS; Wealth and Assets Survey; Bank of England, Effective interest rates; FTSE Russell, FTSE All-Share Index TR; MSCI, MSCI World Index TR; S&P Global, S&P UK Gilt Index; and ONS, UK House Price Index; YouGov, adults age 18+ and the Coronavirus (COVID-19), June 2021 wave.

Pandemic-era changes to wealth holdings will hold back generational wealth progress and could exacerbate future wealth inequalities within younger generations

The large increase in family wealth that occurred over the course of the pandemic is likely to aggravate pre-existing generational wealth inequalities (in absolute terms). It also means that we are increasingly unlikely to see the stalled rates of generational wealth progress, discussed at the start of this section, come unstuck anytime soon. For example, Figure 58 shows our latest estimates reflecting the pandemic changes: we estimate that typical household wealth for those born during 1981-1985 was, at age 36, 23 per cent less than typical wealth held by those born during 1971-1975 at the same age. By contrast, at age 66, typical household wealth for those born during the early 1950s was 44 per cent higher than that held by those born in the early 1940s when the same age.

FIGURE 58: **The pandemic has not improved generational wealth progress for generation X or millennials**

Actual and estimated median family wealth per adult, by year of birth and age: GB



NOTES: We were unable to account for life cycle effects in wealth accumulation and decumulation between 2016-18 and 2021. This means wealth levels are underestimated for those with the strongest active saving (i.e. those just before retirement) and overestimated for those dissaving (later retirees).
SOURCE: RF analysis of ONS, Wealth and Assets survey; Bank of England, Effective interest rates; FTSE Russell, FTSE All-Share Index TR; MSCI, MSCI World Index TR; S&P Global, S&P UK Gilt Index; and ONS, UK House Price Index.

Our 2019 Intergenerational Audit noted that, although inequalities in wealth between generations had been holding flat in relative terms, the rising importance of household wealth compared to income meant that absolute (i.e. cash-level) wealth gaps – both within and between cohorts – have been growing. These gaps are sizeable: for example, when in their late 50s, the bottom tenth of the 1956-60 birth cohort had £1,000 or less of net wealth per adult, while the top ten per cent of wealthiest adults all had at least £1 million each.

And these large wealth gaps will in turn have consequences for future wealth inequality: because wealthier adults are unlikely to consume all of their wealth, and will instead pass it on through inheritances (the beneficiaries of which, previous research shows, will have above average wealth), we can expect absolute wealth gaps to grow even further within younger generations.[120] The pandemic-era increase in wealth, which has gone importunately to older adults whose asset holdings allow them to benefit from passive increases (e.g. through individuals who already have housing, pension and financial wealth) is likely to push this trend further.

120 For further discussion, see: L Gardiner, The million dollar be-question: Inheritances, gifts, and their implications for generational living standards, Resolution Foundation, December 2017; A Corlett, Passing on: options for reforming inheritance taxation, Resolution Foundation, May 2018; P Bourquin, Inheritances and inequality over the life cycle: what will they mean for younger generations?, Institute for Fiscal Studies, April 2021; A Davenport, P Levell & D Sturrock, Why Do Wealthy Parents Have Wealthy Children? Institute for Fiscal Studies, September 2021.

Spotlight: Stakes and ladders: The costs and benefits of buying a first home over the generations[121]

The costs and benefits of buying a home have changed over the generations

Owning one's home is an enduring ambition for many families in the UK today.[122] The English Housing Survey 2019-2020 suggests, for example, that 60 per cent of private renter households 'expect' to buy their own home at some point in time, alongside 28 per cent of those living in social rent.[123] The appetite for home ownership is unsurprising given the tenure's many virtues: it usually provides a stable shelter;[124] can bring with it a sense of belonging and connection to a community;[125] and for many, it is an important signal of identity and achievement.[126] But beyond these benefits, home ownership is also valued as a means of accumulating wealth: buying a home enforces saving and, during periods of house price inflation, can also be the source of considerable capital gains.

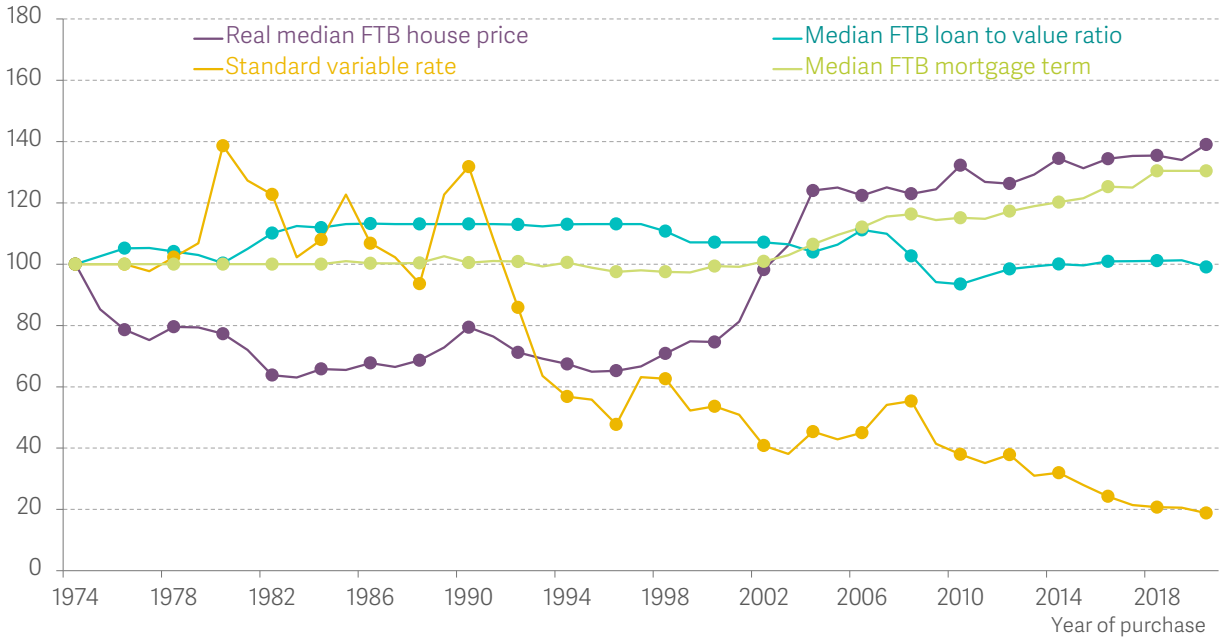
Housing is a key way in which wealth is held in the UK, especially compared to similar European countries.[127] But home ownership is costly. Alongside maintenance, insurance and the like, the majority of families need to take out a mortgage in order to purchase a home. The cost of buying that home over the length of the mortgage depends on four key determinants: the price at the point of purchase; the loan-to-value (LTV) ratio, which will determine the size of the deposit required; the interest rates that prevail over the course

121 This is a summary of a longer Spotlight published during June 2021. This summary abbreviates that original publication, which included a more detailed analysis of the underlying components in the lifetime costs of home ownership for first-time buyers across different generations. See: L Judge & J Leslie, Stakes and ladders: The costs and benefits of buying a first home over the generations, Resolution Foundation, June 2021.
122 For a discussion of the distinction between housing aspirations, expectations and choices, and the multiple determinants of each, see: J Preece et al., Understanding changing housing aspirations: A review of the evidence, Housing Studies 35(1), 2020.
123 Ministry of Housing, Communities and Local Government, English Housing Survey: Headline Report 2019-2020, Annex Table 1.20, December 2020.
124 In 2018, for example, we estimate 9 in 10,000 mortgaged home owners were repossessed compared to 35 in every 10,000 renter families (based on RF analysis of MHCLG, Mortgage and Landlord Possession Statistics Quarterly - Statistical Tables; ONS, Labour Force Survey).
125 See, for example: L Gardiner, VoteyMcVoteface: Understanding the growing turnout gap between the generations, Resolution Foundation, September 2016, which shows renters of all generations vote in lesser numbers than their homeowner counterparts of the same age.
126 See, for example: A McDonnell & C Ibbetson, What are the signs of being a grown-up?, YouGov, March 2021, which suggests the public view owning one's own home as the most important signifier of adulthood.
127 See, for example: M Gustafsson et al., Aftershocks: Financial resilience before and during the Covid-19 crisis, Resolution Foundation, April 2021, which shows that housing wealth is both higher and more evenly distributed in the UK compared with France and Germany.

of the mortgage; and the length of the mortgage term. Likewise, the passive returns on home ownership depend on house price appreciation over the mortgage period. Yet, as Figure 59 shows, each of these factors has shifted considerably over time (there are, of course, non-trivial interdependencies between all four).[128] As a result, it is not obvious ex ante whether the costs and benefits of purchasing a home for a typical first-time buyer have risen or fallen over the generations.

FIGURE 59: **The determinants of the typical cost of buying a home have shifted significantly over time**

Index of first-time buyer mortgage cost determinants (1974=100): UK



NOTES: First-time buyer house price deflated using average earnings to 2020 nominal wage values.
SOURCE: RF analysis of Council for Mortgage Lenders; ONS, House Price Index; ONS, Labour Market Statistics; Bank of England, Bankstats; Financial Conduct Authority, Product Sales Data; DWP, Family Resources Survey.

But how can we best make sense of all these shifting determinants and produce a consistent measure that enables us to compare experiences across the generations? We tackle this challenge with a thought experiment that tracks the fortunes of a typical family purchasing their first home in each of the years between from 1974 to 2020.[129] For simplicity's sake, we estimate the costs and benefits over the entirety of this hypothetical first mortgage, although we recognise that, in reality, large numbers of first-time buyers

128 For example, for an excellent discussion of the role that easier and cheaper credit has played in driving up house prices over time, see: The Redfern Review into the decline in home ownership, November 2016.

129 We assume that our typical first-time buyer takes out a standard repayment mortgage. However, it is important to note that some birth cohorts had a far wider range of mortgage options available. Most obviously, interest-only mortgages were much more commonplace in the run-up to the financial crisis. See, for example: S Galaiya, The rise and fall of interest-only mortgages, Bank Underground, February 2018.

trade up (or down) before they reach that point.[130] Put differently, our thought experiment tells us how the typical first-time buyer in each of the years between 1974 and 2020 stood – or would stand – at the end of their first mortgage (we use a plausible set of future assumptions to project forward for more recent first-time buyers). To compare over time, we adjust for changes in affordability by putting all figures into 2020 average wages values.[131] Box 1 in the longer version of this publication provides more details on the data and the primary method we employ throughout.[132]

Older generations were at the sharp end of high interest rates, but that effect was blunted by policy

We begin our investigation, then, by considering how the interest a typical first-time buyer would have paid over the life course of their first mortgage would have changed over the years (see Figure 60). Those who purchased their first home in the 1970s, 1980s and very early 1990s paid significantly more interest in real terms than those purchasing in the years thereafter. This is unsurprising: the interest rate on a standard variable rate mortgage was consistently above 10 per cent over the whole of this period (it hit a peak of 15.3 per cent in 1980) and rates were also higher in real terms (so even when accounting for higher inflation and wage growth at the time). But Figure 60 also shows that mortgaged home owners in those high interest rate years received considerable policy support. Mortgage Interest Relief At Source (MIRAS), a tax relief applied directly by the lender, reduced the lifetime interest paid by the typical first-time buyer purchasing in the years 1974 to 1984 by at least one-quarter, and continued to provide material help to others for some years to come.[133]

130 That said, the notion of the property ladder up which families rapidly shin is perhaps overstated. The English Housing Survey suggests that in 2017, the median length of residence of a first-time buyer family was between 10 and 19 years (RF analysis of MHCLG, English Housing Survey 2017). For a discussion of the decline in second-steppers and other home movers in recent years, see also: N Hudson, Missing movers: A long-term decline in housing transactions?, Council of Mortgage Lenders, June 2017.

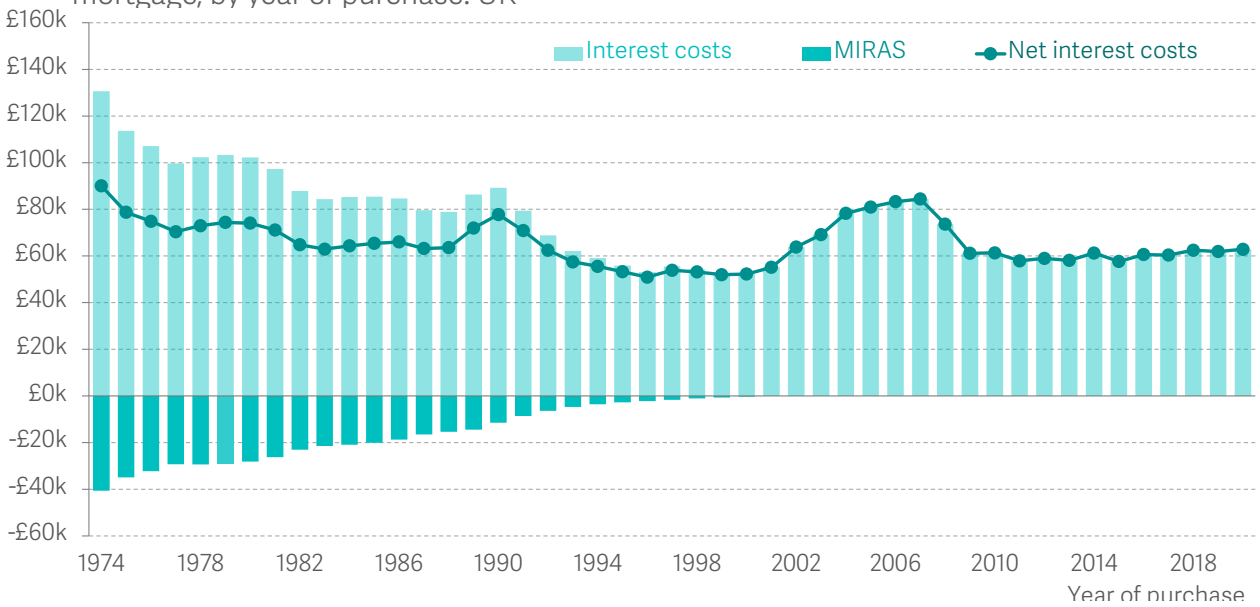
131 We view earnings as a better deflator than consumer prices for this exercise for two key reasons. First, all else equal, house prices should move in line with wages meaning that, had no other inputs in our analysis changed, our estimate of housing costs over the mortgage period would have remained constant (if we compared to the slower growth in consumer prices they would have risen despite no fundamental changes in housing cost). Second, the ability to save for a deposit will largely be dependent on wages and so this measure of housing cost will better track the real experience of prospective first-time buyers. Naturally, income and wages are not identical, but over a long horizon and for the typical first-time buyer, wage growth will be the dominant factor in determining income.

132 See: L Judge & J Leslie, Stakes and ladders: The costs and benefits of buying a first home over the generations, Resolution Foundation, June 2021.

133 MIRAS was reduced from 1988 and finally abolished in 2000. For further information on the tax relief, see: B Pannell, Mortgage Interest Relief, Housing Finance No. 20, November 1993.

FIGURE 60: **Those purchasing their first home in the run-up to the financial crisis look set to have the highest real interest costs of any generation**

Estimated real present value of lifetime interest cost of a typical first-time buyer mortgage, by year of purchase: UK



NOTES: Figures deflated using average earnings to 2020 nominal wage values.
SOURCE: RF analysis of Council for Mortgage Lenders; ONS, House Price Index; ONS, Labour Market Statistics; Bank of England, Bankstats; Financial Conduct Authority, Product Sales Data; DWP, Family Resources Survey.

As a result, typical first-time buyers in the years preceding the financial crisis had the same, if not higher, real lifetime interest costs than those from previous generations (a function not of high interest rates, of course, but also the higher value loans they have had to take out as real house prices began to rise). That is not to say, however, that the interest burden was not acutely felt by first-time buyers from older generations. In the longer version of this Spotlight, we show that the real interest costs were far more front-loaded for the average purchaser in 1974 than in 1992 and 2000.[134] Conversely, the typical first-time buyer purchasing in 1974 had an easier ride at the back-end, spending less in real terms on annual interest payments in the latter half of their mortgage term than those purchasing in 1992 and 2020.

The rapid rise of real house prices in the 2000s has driven up the cost of buying a home

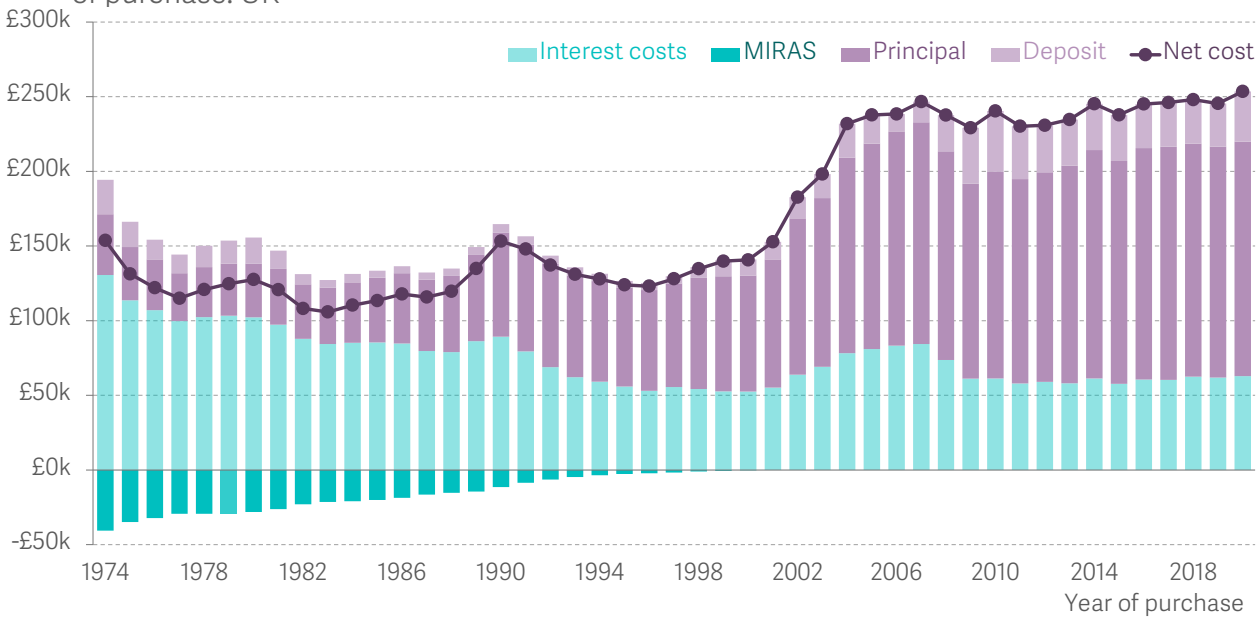
Although older generations had to contend with high interest rates, which often stretched them thin in the early years of ownership, in recent years first-time buyers have faced significantly higher real house prices. We factor in this cost element into

134 See: L Judge & J Leslie, Stakes and ladders: The costs and benefits of buying a first home over the generations, Resolution Foundation, June 2021.

Figure 61, which starkly illustrates how different the capital costs of home ownership have been across the generations. Simply comparing the start and end points of our time series makes the point: the capital required to purchase a home for the typical first-time buyer in 1974 was just shy of £87,000 (all figures in 2020 nominal wage terms), bringing the total lifetime cost (i.e. interest plus capital) to £154,000. In contrast, the equivalent family purchasing in 2020 looks set to pay more than double that amount in capital (£190,000), and a total of £250,000 when we bring interest into the picture as well.

FIGURE 61: **The total cash cost of purchasing a home has increased by two-thirds over the last five decades**

Estimated real present value lifetime cost of a typical first-time buyer property, by year of purchase: UK



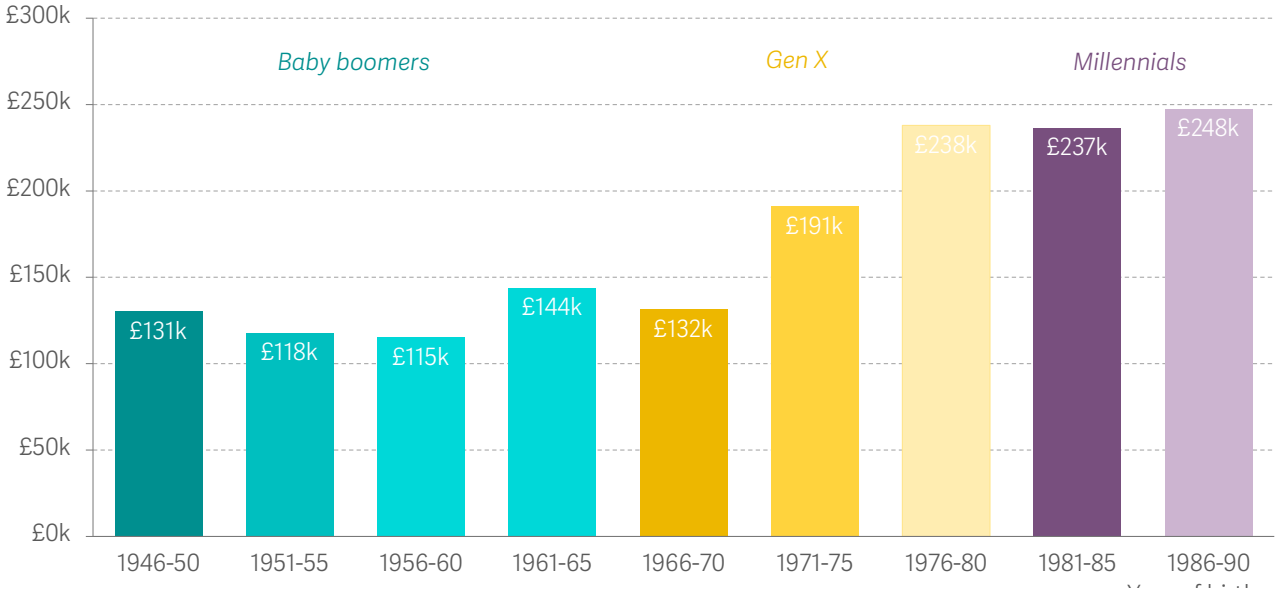
NOTES: Figures deflated using average earnings to 2020 nominal wage values.
SOURCE: RF analysis of Council for Mortgage Lenders; ONS, House Price Index; ONS, Labour Market Statistics; Bank of England, Bankstats; Financial Conduct Authority, Product Sales Data; DWP, Family Resources Survey.

But, as Figure 61 makes clear, these high costs faced by millennial first-time buyers in recent years are not a new phenomenon. It is not just the most recent generation of young people who have faced high costs over the life course of the mortgage; first-time buyers have faced consistently high costs from the early 2000s. Figure 62 makes the point in a different way. Here, we show the total (capital plus interest) cost of buying one's first home averaged for five-year birth cohorts, a presentation that makes the intergenerational disparities abundantly clear. The millennial experience does not differ significantly from that of the later generation X birth cohorts. Instead, what is most striking is the very rapid escalation of costs between the baby boomers and generation

Xers: the typical first-time buyer born between 1966-1970 spent on average £132,000 purchasing their first home, but those born just ten years later (between 1976-1980) faced an average cost of £238,000.

FIGURE 62: **Older generations had to spend considerably less purchasing their first home than later generation Xers or millennials**

Estimated real lifetime cost of a typical first-time buyer property, by year of birth: UK, 1974-2020



NOTES: Figures deflated using average earnings to 2020 nominal wage values. Values for birth cohorts are based on the median age at which those born in a given year bought a house – so people buying houses before or after the median age for their birth cohort may have faced different housing costs to those shown in this chart.
SOURCE: RF analysis of Council for Mortgage Lenders; ONS, House Price Index; ONS, Labour Market Statistics; Bank of England, Bankstats; Financial Conduct Authority, Product Sales Data; DWP, Family Resources Survey.

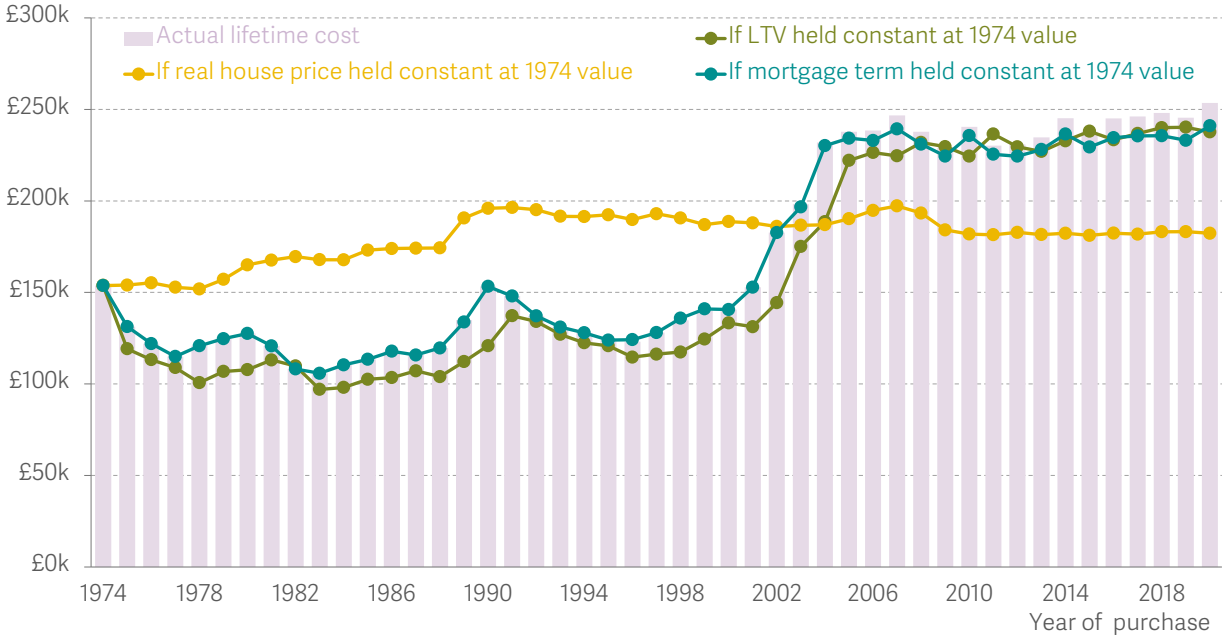
Is the intergenerational pattern we observe here driven solely by rising real house prices? Figure 63 suggest that, yes, this is the case. Here, we isolate the effect of the various determinants of the lifetime cost of buying a home (although, as noted above, in reality a change in one could have knock-on effects on the others). If house prices had remained constant in real terms at 1974 levels, then the estimated lifetime cost of buying one's first home in 2020 would be considerably lower than it is in actuality (£182,000 compared to £253,000).[135] Moreover, this house price effect dwarfs the other changes we have observed over the period. If mortgage terms were the same in 2020 as they were in 1974 (23 years as opposed to the actual 30 years), then the lifetime costs of ownership would be slightly lower for more recent first-time buyers. And for those who took out their first mortgage when credit was more readily available (in 1986, for example, the median first-time buyer LTV was over 95 per cent) have seen their lifetime costs somewhat inflated as

135 Assumes no change in interest rates over the period. However, as previously noted, in reality there is a strong relationship between lower interest rates and rising house prices over the period.

a result (because they will have paid more interest on a larger principal). But given that the typical first-time buyer LTV in 2020 barely differs from 1974 (83 per cent compared to 84 per cent), there is little net effect from this source in recent years.

FIGURE 63: **Real house price increases largely explain intergenerational changes in the lifetime cost of buying one's first home**

Estimated real present value lifetime cost of a typical first-time buyer property and counterfactuals, by year of purchase: UK



NOTES: Figures deflated using average earnings to 2020 nominal wage values.
SOURCE: RF analysis of Council for Mortgage Lenders; ONS, House Price Index; ONS, Labour Market Statistics; Bank of England, Bankstats; Financial Conduct Authority, Product Sales Data; DWP, Family Resources Survey.

Buying a first home still makes good economic sense, but today's first-time buyers will have to give up more to make it happen

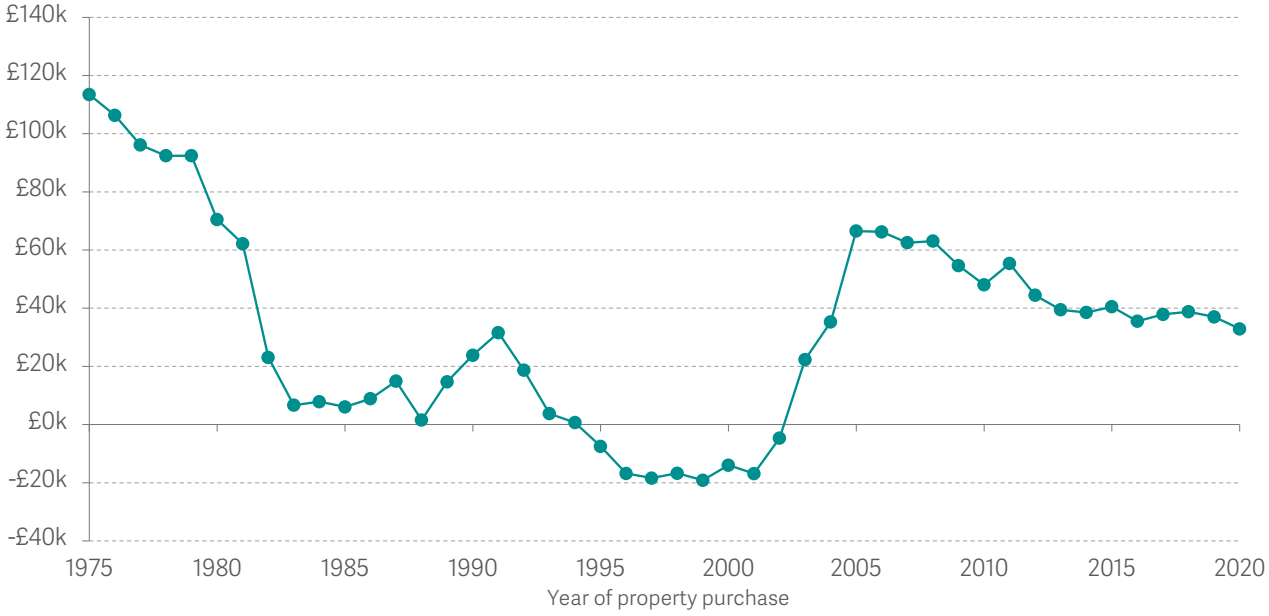
Finally, it is worth considering how the cash-flow analysis we have presented thus far compares with the user cost of home ownership measure that is generally preferred by economists (see Box 2 in our longer publication for more details of the method and data sources used to construct this measure).[136] We present the results of this exercise in Figure 64, which adds further nuance to the intergenerational home ownership story. To begin, this shows that typical first-time buyers in the 1970s and early 1990s had to incur quite a considerable pure economic cost in order to become a home owner. From 1994 to 2004, however, the headwind of rising real house prices made it excellent economic sense to buy one's first home, with the returns during this period often substantially

136 See: L Judge & J Leslie, Stakes and ladders: The costs and benefits of buying a first home over the generations, Resolution Foundation, June 2021.

outweighing the costs. In the period running up to the financial crisis, this picture inverted once again but, since 2012, the pure economic costs of home ownership have gradually drifted down once again.

FIGURE 64: **The economic costs of home ownership have waxed and waned over time**

Estimated real user cost of home ownership over lifetime of a typical first-time buyer's mortgage, by year of purchase: UK



NOTES: Figures deflated using average earnings to 2018 nominal wage values.
SOURCE: RF analysis of Council for Mortgage Lenders; ONS, House Price Index; Financial Conduct Authority, Product Sales Data; Bank of England, Bankstats; ONS, Labour Market Statistics.

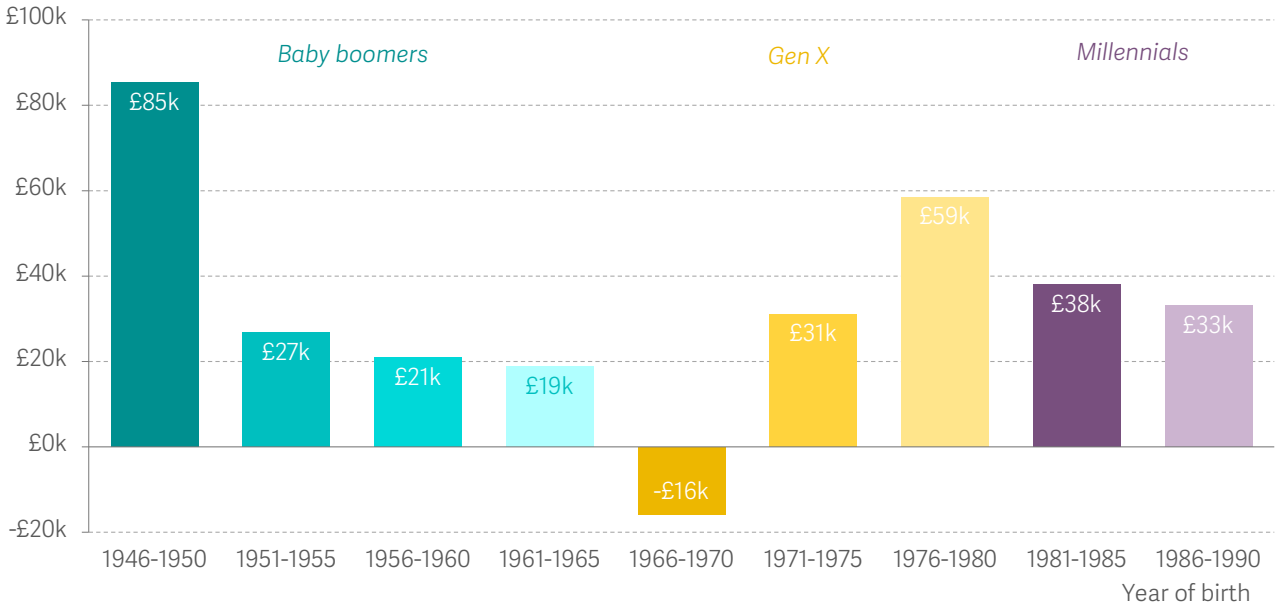
In Figure 65 we draw out the generational implications more clearly by showing the user cost of home ownership over the term of the first mortgage averaged for birth cohorts. The luck of one's birth year could not be more apparent. For the median first-time buyer born in the years 1946-1950, home ownership over the term of the first mortgage was a particularly costly business (an average of £85,000 in real terms). In stark contrast, the equivalent purchaser born between 1966-1970 benefited on average to the tune of £16,000 as a result of buying their first home. But, perhaps most tellingly, on this measure the typical first-time buyer in our two millennial birth cohorts (those born 1981-85 and 1986-1990) actually look set to incur costs purchasing their first home that are not significantly higher than those faced by large parts of the baby boomer generation.

Setting the user cost measure against our cash-flow measure is highly revealing: the former suggests young people today are not significantly disadvantaged compared to previous generations when it comes to buying their first home, while the latter suggests they are. Both measures serve a purpose, but in our view the latter is a more honest

representation of the lived experience of first-time buyers; failing to foreground the required deposit, and indeed the additional capital repayments required during the mortgage life, to purchase one's first home misses a key living standards part of the intergenerational story.

FIGURE 65: **The pure economic cost of buying one's home is as high for the typical millennial first-time buyer as many a baby boomer**

Estimated average real user cost of home ownership over lifetime of a typical first-time buyer's mortgage, by year of birth: UK



NOTES: Figures deflated using average earnings to 2018 nominal wage values. Values for birth cohorts are based on the median age at which those born in a given year bought a house – so people buying houses before or after the median age for their birth cohort may have faced different user cost of home ownership to those shown in this chart.
SOURCE: RF analysis of Council for Mortgage Lenders; ONS, House Price Index; Financial Conduct Authority, Product Sales Data; Bank of England, Bankstats; ONS, Labour Market Statistics. Our analysis of the experiences of the typical first-time buyer between 1974 and 2020 leads to a clear conclusion.

Despite home ownership still being a very good deal for those that manage to get on the housing ladder, millennials need to expend a significantly more than previous generations to purchase their first home. Small surprise, then, that the probability that young people today can do this is significantly lower than it was for previous birth cohorts, as we detail further in the longer version of this Spotlight. Since the tightening of credit in the wake of the financial crisis, the typical first-time buyer has been required to provide a far larger deposit than in previous years in order to access a mortgage. So,

not only do today's aspiring first-time buyers need a larger income relative compared to previous generations, they also require more savings upfront in order to begin to build up property wealth.

Conclusion

Taken together, our findings suggest that the intergenerational home ownership story can only be appreciated fully by looking at cost and benefits in the round, and in real terms over time. While it is true that the typical first-time buyer from older generations contended with often very high interest rates, policy in the form of MIRAS softened this blow. In contrast, today's first-time buyers have to stump up more cash than ever before over the course of their mortgage in order to purchase their first home. Although this will leave them at the end of the process with more housing wealth than previous generations, less of this will stem from passive gains as a result of house price appreciation (under the assumption that future house prices grow in line with wages).

As a result, it is far harder for those lower down the income distribution to build up property wealth in the first place, a function of both the higher deposit required to enter home ownership and the need for a significant income to service the mortgage over time. So, what should policy do to tackle this issue? The current Government approach of stimulating housing supply is clearly part of the solution, although questions abound about the realism of the 300,000 homes a year target,[137] as well as the speed at which new supply feeds through to prices.[138] But if the Government is truly serious about helping prospective first-time buyers, it must rebalance demand between existing owners and aspiring purchasers, rather than simply stoke up a housing market that already excludes many.[139]

137 For a recent discussion of the countercyclicality of housing supply, see L Judge & C Pacitti, Housing Outlook Q1 2021: The impact of Coivd-19 on housing supply, Resolution Foundation, January 2021.
138 See, for example, The Barker review on housing supply, March 2004.
139 For a comprehensive overview of policy solutions that can rebalance demand, see: L Judge & D Tomlinson, Home improvements: Action to address the housing challenges of young people, Resolution Foundation, April 2018.

Section 6

Conclusion

Pulling these four domains together, we find that the recovery from the pandemic has offered a reversal of fortunes in the labour market (with employment among younger adults improving against signs of deteriorating employment among older adults). However, this has done little to offset the longer-term trend of younger generations struggling to catch up with their older counterparts across an array of living standards issues, from housing affordability and ownership, to typical incomes and wealth holdings. And longstanding issues around job quality persist: the reopening period does not appear to have brought with it a reduction in the share of young people on insecure contracts or in lower-paid sectors.

The reopening period has offered something of a less buoyant labour market for older workers compared to their younger counterparts, reversing a trend wherein older employment had risen markedly over recent decades. Older adults were less likely than their youngest working counterparts to have experienced furlough or job loss to begin with, but those that did move into worklessness appear less likely than average to have moved back into work – with furlough rates at the end of its operation being higher for adults in their 50s and 60s than those in their teens and 20s. This is worrying, as people in their 60s giving up work early, or moving into unemployment, could have negative consequences for their retirement savings, and thus incomes, in later life.

On housing, there is little suggestion that the second year of the pandemic has brought with it any large-scale changes to generational tenure patterns. The fast-rising house prices which dominated much of 2020 and 2021 are likely to have served as an additional barrier to buying a home, and therefore done little to reverse the fact that home ownership rates have fallen for each cohort born after the 1960s. Although we do not yet have data that would allow us to assess how the pandemic has affected housing cost to income ratios, it does appear that younger adults overall, and older adults in both social and private rented accommodation, were the most likely groups to have reported additional housing arrears – suggesting that housing cost pressures have had both inter- and intra-generational aspects during the second year of Covid-19.

Official data suggests that younger people's incomes had been on a slight rise in the three years running up to the crisis, which would buck a longer-term trend in which younger cohorts tended to have incomes no higher than their predecessors at the same age. The composition of adults who reported household income falls through the course of the pandemic has, unsurprisingly, tracked the labour market, with younger people being more likely to report income falls towards the start of the pandemic (when much of the economy had been temporarily shut down) and most likely to report improvements as the economy reopened again in early summer.

Pandemic-era changes in wealth, however, do appear to have compounded the pre-pandemic trend for wealth to be increasingly held by older age groups, and cohort-on-cohort wealth progress to have stalled. 63 per cent of the increase in total wealth that occurred over the course of the pandemic went to adults age 55 and over; younger people did experience larger proportional gains in wealth than those of middle-to-late working age, on average, but smaller gains in absolute terms.

Moving forward, policy makers have a long list of short-term concerns to focus on in the recovery: from ensuring the wind down of support measures does not inadvertently lead to upticks in unemployment, arrears or to an increase evictions or debts. These concerns should serve not just as reminder of, but as a reason to tackle, many of the longer-term generational challenges set out in this report. The UK is also on the precipice of a widespread economic change, stemming from the pandemic but also from Brexit and the transition towards a net zero economy (which we are exploring, with the Centre for Economic Performance at the London School of Economics as part of the Nuffield-funded Economy 2030 Inquiry), and the Prime Minister has stated his ambitions to move the UK towards a high-wage, high-skill economy. The UK needs a clear strategy for achieving this, and the strategy itself should include measures to restart generational living standards progress. This means ensuring that future generations find it easier to access secure and well-paying work, enjoy good-quality affordable housing and steady incomes, and are better able to withstand future shocks and live a comfortable retirement through increased assets. But as this pandemic has shown, tackling these challenges is just as critical for living standards and security as it is ambitious.

Intergenerational Centre

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For more information on this report, contact:

Kathleen Henehan
Senior Research and Policy Analyst
kathleen.henehan@resolutionfoundation.org

Resolution Foundation

2 Queen Anne's Gate
London SW1H 9AA

Charity Number: 1114839

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