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An intergenerational audit for the UK

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Foreword

No family or individual has been unaffected by the impact of COVID-19 and some have been particularly hard-hit. Thousands of people have lost friends or loved ones, while others have lost their jobs and had to look to the state for financial support – perhaps for the first time. Still more fear for the security of their future employment as government-funded employment schemes end and a long and extended economic recovery period looms.

The Nuffield Foundation's support of the Intergenerational Audit predates the outbreak of COVID-19, but the crisis makes this research more important than ever. The scope of the Audit has rightly been broadened to include the health and social impacts of COVID-19 on intergenerational inequality, in addition to the planned focus on economic living standards.
The Audit finds that the social impacts of COVID-19 have intensified existing inequalities both within and across generations. The pandemic has had a direct impact on the mortality of those over 45, but there have also been striking well-being effects on younger workers as well as older people.
It also shows that the economic consequences of COVID-19 have an intergenerational component, with younger and older workers bearing the brunt of job insecurity and falls in living standards. At particular risk are those young people who are leaving education.

The Audit provides valuable insight for policy makers seeking to mitigate some of the worst effects of the pandemic. The government needs to support people through the inevitable restructuring of the economy and, vitally, create opportunities

for those entering or new to the job market. It is also crucial for the government to provide access to housing, skills training and mental health support.

The Intergenerational Audit aligns strongly with the Nuffield Foundation's new Welfare funding priorities which focus particularly on families, work and the interactions between the two, which we believe to be at the heart of many of the challenges and opportunities of a post-pandemic world. The Audit also highlights issues of disadvantage, vulnerability and inequality and their relationships to individual background, characteristics and circumstances that we seek to tackle through the research we fund. We actively encourage innovative research proposals which respond to emerging issues and trends in society.

Successive governments have struggled to develop a coherent strategy to address the changing nature of the UK's intergenerational inequalities. The pandemic makes this challenge more complex but also more important than ever, and it is vital that action on these issues builds on a strong evidence-base. The Intergenerational Audit makes an important contribution to this, through its valuable and timely insights which add to our understanding of how COVID-19 is changing both the economy and society.

Mark Franks
Director of Welfare, Nuffield Foundation

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Executive Summary

The impacts of the coronavirus crisis on health and living standards have varied widely across generations

The coronavirus crisis has caused loss of life, threatened livelihoods, and upended daily life. It has also precipitated swift policy action from governments. Both the economic and health trajectories are fast-moving and uncertain. But even the most cursory of assessments makes clear that there are big age divides in how this crisis has been, and will be, experienced. This makes an intergenerational understanding of what's going on essential, even as the situation, and the policy response to it, continue to develop. This Intergenerational Audit for the UK – supported by the Nuffield Foundation – provides the first comprehensive assessment of the initial phase of the coronavirus crisis for different generations in Britain.

Our focus – as was the case in our first audit last year and is the case in the broader work of the Resolution Foundation's Intergenerational Centre – is on economic living standards. However, we are acutely aware that coronavirus poses other threats, for example in relation to health, longevity and social interaction, that are felt most by different (older) age groups from those (of working age) where the economic effects are concentrated. Given the seriousness of these outcomes, it would be incomplete to only focus on one side of this coin. So, this year, we begin with new analysis that explores the health and social effects of the pandemic, and the complex choices governments

around the world have faced in balancing them against economic priorities.

The greater physical and social threats of the virus for older adults are profound. There was almost no elevation in mortality for under-45s in April 2020, compared to very large rises for older adults, that increased with age: in mid-April the mortality rate was around 60 per cent higher than normal for adults aged 45-74, rising to around 100 per cent higher than normal for adults aged 85 and over. This divergent threat to life is having effects beyond those who contract the virus, with 70-plus-year-olds remaining more concerned than younger adults about leaving home and were 9 per cent less likely than 16-69-year olds to do so in August.

But the effects on mental health and well-being across the age range are more mixed. Poor mental health continues to be highest among the youngest adults. Two-in-five 18-29-year-olds reported experiencing higher-than-normal levels of mental health problems in April 2020, 80 per cent higher than 2017-2019 levels. This picture improved through lockdown, but in June the incidence of higher-than-normal mental health problems remained over 50 per cent above pre-pandemic levels at this age. Poor mental health is also particularly heightened for 65-79-year-olds on pre-pandemic levels. This means that we see a somewhat 'U-shaped' pattern of change on the pre-pandemic situation, with the biggest deteriorations in mental health affecting the youngest adults and younger pensioners. This pattern is clearer still, and extends to the oldest adults, when looking at changes in life satisfaction since before the pandemic. Rates of high life satisfaction had fallen by most in May 2020 compared to 2017-2019 (15 per cent) for under-30s and over-65s (though satisfaction levels remain highest for younger pensioners).

It appears that these bi-modal mental health and well-being changes have been driven by a combination of the health and economic risks this crisis has created, alongside limitations to social interaction. Indeed, the core conclusion across the analysis in this audit is that the virus itself has determined the physical health outcomes across generations, and the shape of the pre-coronavirus economy has driven the initial economic impacts. As we document in this audit, and in much previous work, economic circumstances before the pandemic were becoming

increasingly divided along the lines of age, with younger adults experiencing less security and smaller cohort-on-cohort living standards improvements than predecessors at the same age. That is one key reason why big differences between cohorts during the pandemic have been so apparent, and why we observed the U-shaped pattern of change in mental health and well-being, described above.

Building on these considerations of the health implications of the pandemic, and their interplay with economic outcomes across the age range, the main body of this audit turns to these economic outcomes in detail. We consider 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 the living standards of different cohorts (by which we mean all those people born at the same time – we usually focus on five-year birth cohorts) up to the current crisis, and then provide new analysis of the impact of the coronavirus crisis – in particular the lockdown period – on living standards across cohorts and generations (by which we mean broader groupings of birth cohorts generally spanning 15 or 20 years, as characterised in popular discourse). In each of the four domains, we also hone in on one area where we dig deeper – providing new 'spotlight' analysis on a particular topic, that seeks to move research and policy debates forward.

Our analysis in each of these areas is purposefully separate, such that each section can be read independently by those interested in that issue area. In the remainder of this summary we pull together the key findings from each, and at the end return to what they tell us about generational experiences during the coronavirus crisis in the round.

It should be noted that our focus is largely on adults. We recognise that the longer-term effects of this pandemic may be particularly felt by children, not least via loss of schooling. This is very difficult to assess at this early stage, but an important area for future intergenerational analysis.

Jobs, skills and pay

Pre-pandemic, employment rates for recent cohorts continued to surpass those of predecessors at the same age. Improvements for women have been particularly striking. The 1986-1990 cohort of women was over 50 per cent more likely to be in work at age 30 than the 1951-1955 cohort was as the same age, and the female employment rate at aged 60 jumped from 54 per cent to 60 per cent between the 1951-1955 and 1956-1960 cohorts (reflecting the rising State Pension age).

The flipside continued to be weak pay growth, with the latest pre-coronavirus pay data showing the particularly persistent hangover experienced by those who entered the labour market during the post-financial crisis recession: for those in their 30s, hourly pay grew by just 1.4 per cent in real terms in the three years to 2019 as a whole.

Sectoral segmentation of our jobs market by age was a key feature of the 2010s, with the proportion of 18-29-year-old workers in the low-paying retail, hospitality and leisure sectors rising through to 2016 and falling back only slightly since. This means that at age 24, 31 per cent of the 1991-1995 cohort worked in these three low-paying sectors, up from 26 per cent for the 1971-1975 cohort. And an uptick in zero-hours contract usage for the youngest and oldest workers was a blackspot in an otherwise-improving picture on job quality: for under-30s and workers over 65, the prevalence of zero-hours contracts increased from close to 3 per cent to well above 4 per cent between 2018 and 2019-2020.

Our analysis of the impacts of the lockdown period on those in work presents a clear picture of a U-shaped pattern of change, with the youngest and oldest workers hardest hit. Employment numbers (which include furloughed workers and those temporarily absent from work) fell for under-25s and 65-plus-year-olds from the beginning of the year through to May-July 2020, while actually rising slightly at other ages. Longitudinal data collected during the lockdown shows that more than half of under-25s and people aged 65 and over who were employees before coronavirus had experienced furloughing or were out of work in June, compared to less than one-third at other ages.

The fact that young workers were already increasingly concentrated in the sectors most affected by the lockdown before the pandemic, and that the youngest and oldest workers were most likely to be on insecure contracts (both discussed above), were big determinants of these outcomes. But regression analysis controlling for a range of characteristics shows that age also had a significant independent effect on the chance of employees finding themselves out of work in June (both the youngest and particularly the oldest workers faced the highest risks, all else equal). The very large initial hit to self-employed workers (two-thirds had lost hours or stopped self-employment in June), although evenly felt by age within that group, also had the largest absolute effects at the top of the age range, where self-employment is more prevalent.

Looking forward, although the Government has announced that the Job Support Scheme will now follow the very successful Job Retention Scheme, it alone will not be sufficient to prevent a significant rise in unemployment awaits this autumn. If experienced evenly across the age range, we are heading for somewhere between 11 and 17 per cent of 18-29-year-olds being unemployed later this year. But the imminent rise in unemployment may not be felt evenly across the age range: indeed, the unemployment effects are likely to be more tilted towards young people this time round, given the age mix of employment in the sectors affected by ongoing social distancing. And the fact that the lockdown and furloughing have put various bits of the labour market 'on ice' through much of 2020 is a particular concern for the future pay trajectories of those at the beginning of their careers, when progress is usually most rapid. In 2019, under-30s remaining in work had a typical real hourly pay rise of 5.3 per cent, and 'job switchers' (across ages) a pay rise of 6.9 per cent, compared to typical pay rises of just 2 per cent across all employees. All told, there are reasons to be most concerned about the prospects of young adults in the labour market in the coming months and years.

Spotlight:
Class of 2020: Education leavers in the current crisis

Our spotlight focuses on the employment and pay prospects facing young people leaving full-time education today, and highlights the size and length of employment and pay 'scarring' that they could experience. Even three years after having left full-time education, we estimate that the employment rate of this year's graduates could be 13 per cent lower than it would have been absent the crisis. Employment rates for mid- and low-skilled workers could fall even further three years down the line – by 27 per cent and 37 per cent, respectively. There is a similar story for pay. Moreover, a large proportion of non-graduate leavers tend to begin their careers in sectors that were largely shut in the lockdown and are likely to suffer declines over the medium-to-longer term, such as retail and hospitality. Given the challenges facing today's education leavers, our analysis highlights two sets of policy options for consideration: helping more young people to stay in education for longer, and targeting job support at those who are entering the labour market for the first time.

Housing costs and security

Before the current crisis, we find that the increase in home ownership among young adults was continuing, with 10.2 per cent of 18-29-year-old family units owning in the first half of 2020, up from 9.5 per cent in 2019. But this is still well under half the peak of 25 per cent in 1979. The prevalence of under-30s living with parents or rent-free with other family was also continuing to increase (up to 57 per cent of under-30s by 2019). But these two trends had done little to dent the long-term rise in private renting at this age, which stood at 28 per cent in the first half of 2020, down from 32 per cent in 2016, but far higher than the figure of 12 per cent recorded in the mid-1980s. The progression of the cohorts that have achieved the highest rates of home ownership over the course of their lives into pension age means that ownership continues to rise for 65-plus-year-olds, reaching a new peak of 78 per cent.

A recent uptick in (generally lower-cost) home ownership meant that housing-cost-to-income ratios had fallen slightly for under-30s in recent years – from 21.2 per cent in 2016-17 to 19.9 per cent in 2018-19 – but had remained flat at other ages. But enduring higher overcrowding rates among renters meant that rates of overcrowding had continued to rise for younger families (from 10.3 per cent in 2016-18 to 11.3 per cent in 2017-19), and indeed all working-age families, while remaining flat for families of pension age.

During lockdown, significant minorities of working-age families fell behind on housing payments, particularly renters. There were few differences by age, though, with 7-9 per cent of age groups under 70 falling behind in May. But more recent data from July suggests that falling being with housing payments had become most common at the youngest ages: 14 per cent of under-30s had missed a rent or mortgage payment, compared to 12-13 per cent those aged 30-50, and falling to 3 per cent for 60-69-year-olds and 1 per cent for those aged 70 and over. This will reflect both differential pressures on incomes and other spending, as well as the different coping strategies available. For example, housing cost holidays were particularly likely to be accessed by mortgagors, who are concentrated in their 30s and 40s; while younger adults were most able to move (4 per cent had done so by May, excluding those coming back from university), mostly to their parents' houses.

Looking to the future, our analysis speculates on whether forecast house price falls (which still appear likely, given forecasts for rising unemployment and the usual pattern observed in downturns, even though house prices are currently rising) might accelerate the trend of younger adults getting into home ownership in recent years. We are sceptical: falling prices would certainly help some who have savings or access to parental cash, but concurrent income falls mean our estimate of the number of years required to save for a deposit by a typical first-time buyer barely budges from its current level of 21 years. In addition, tightening credit conditions may restrict access by this group, and the temporary Stamp Duty holiday does little to benefit them. A key question is the extent to which housing costs in different tenures will adjust to reflect these current and expected future income falls. Here, we raise concerns that new mortgagors (most likely to be millennials) and (usually older)

social renters may be in a less fortunate position than recent predecessors, due to interest rates to having room to fall further and a policy shift towards rising social rents. This would put downward pressure on living standards for these groups.

Spotlight:
Lockdown living: Housing quality across the generations

Our spotlight analysis explores the topic of living conditions, which the lockdown brought to the fore. Living conditions differ markedly between age groups: younger people have spent lockdown with less space (16-24-year-olds have on average 26 square metres of liveable room in their homes per person, compared to 50 square metres for those aged 65-plus); are more likely to live in a damp home; and are more likely to have no garden or to live in a derelict or congested neighbourhood than older ones (15 per cent of adults aged 25-34 live in an area where traffic, upkeep and dereliction are serious problems, compared to 10 per cent of 65-plus-year-olds). Moreover, these age differences have increased over time, as housing and neighbourhood improvements have disproportionately benefited older generations. There are also widespread inequalities within age groups, particularly along the lines of ethnicity and income. For example, those aged 55 and older from Black, Asian and minority ethnic backgrounds occupy homes with 30 per cent less useable space than their White counterparts.

Living conditions in lockdown were determined by long-term housing trends such as tenure change, the failure to build sufficient social-housing stock and weak regulation of the private-rented sector. Crucially, lockdown made these housing conditions matter more: even after controlling for key characteristics such as pay and relationship status, the mental health and psychological well-being gap between renters and owners has widened since before the pandemic. As we face the prospect of local or even national lockdowns going into the winter months, both short- and long-term action is needed more than ever before to address the inequalities uncovered.

Taxes, benefits and household income

After a couple of years of stalling pensioner incomes, real disposable household income growth was stronger for pensioners in 2018-19 (at just over 2 per cent) than for people of working age. Typical incomes among 30-49-year-olds rose by just over 1 per cent, but growth was only just above zero for 18-29-year-olds, and incomes fell by 4 per cent for 50-64-year-olds. But the income growth rate was weak across all age groups, continuing the long-term story of weak income growth over the past 15 years, particularly for working-age families. As a result generational income progress has stalled for all cohorts of working age since 2016.

One contributing factor to this outcome has been reductions in working-age welfare generosity. Although there was less policy action on this front in the past couple of years than there had been throughout most of the 2010s, the ongoing roll-out of past policy decisions like the two-child limit and the benefits freeze continue to bear down on working-age incomes, especially when compared to the triple lock on the State Pension. Working-age household incomes (across the whole population, not just benefit recipients) were on average around £200 per year lower in 2019-20 than they would have been had benefits risen with prices since 2015, but pensioner incomes were around £200 per year higher than if the State Pension had followed prices over this period. Working-age benefits are now set to rise with prices, but the triple lock means pensioner benefits are set to continue to outpace them.

Trends in household consumption up to the current crisis also continued the direction of travel of recent years, with only pensioners' consumption growing significantly in real terms. For example, real consumption per adult grew by 5.2 per cent among households headed by 65-74-year-olds between 2016-17 and 2018-19, compared to negative or very small positive changes among households headed by those of working-age (-2.2 per cent for 16-29-year-olds, +1.1 per cent for 30-49-year-olds, and -4.5 per cent for 50-64-year-olds). Older households' consumption also carried on shifting towards non-necessities like restaurants and culture: 35 per cent of the spending of households headed by 65-74-year-olds went to such 'luxuries' in 2018-19, up from 34 per cent in 2016-17. By contrast, younger adults devote increasingly little of their

spending to such goods and services (falling from 33 per cent to 31 per cent over this period).

Our detailed nowcast suggests that real incomes fell between 2019-20 and May 2020, the middle of lockdown, by 4.5 per cent for non-pensioners, with the biggest falls (of 6-8 per cent) occurring for those in their late 40s. These falls were driven by labour market changes, but would have been much bigger and much more regressive without government interventions to support incomes, particularly the boost to benefits. By contrast, pensioners' incomes look to have grown slightly.

Consumption changes during lockdown were determined not just by income changes but also by restrictions on opportunities to spend. When we look at income and spending changes together (which we can only do for people of working-age), we find that adults in their late 20s, 30s and early 40s were most likely to have retained their incomes but reduced their spending in the initial lockdown period – more than a quarter did in these age groups, compared to around one-fifth among the youngest and oldest working-age adults. That said, differences according to income level are much greater than differences across the age range. It is those in early prime age, and particularly those who started out with higher incomes, whose balance sheets are most likely to have strengthened during the initial lockdown period.

Looking to the future, the Government needs to decide whether the temporary boost to Universal Credit and Working Tax Credit, the rise in Local Housing Allowance and additional money for Council Tax Support will extend beyond April 2021. If none of these is continued, then working-age incomes (across all households, not just benefit recipients) would be around £445 per year lower as a result. This would come at a time when the economic shock from coronavirus is likely to be far from over. We also speculate on what the age profile of pre-coronavirus spending can tell us about spending beyond lockdown. Older people face the biggest ongoing health concerns while the virus is still with us, and this group has typically devoted the largest share of spending to activities that bring people together in close proximity. The implied reductions in demand underscore the ongoing risk to jobs that young workers typically do.

Spotlight:

All together now? The impacts of the Government's coronavirus income support schemes across the age distribution

It is very clear that the income hit in lockdown would have been a lot more significant without government interventions to support household incomes: the Coronavirus Job Retention Scheme (JRS), the Self-Employment Income Support Scheme (SEISS) and boosts to benefits, with the biggest element being the £20-per-week uplift to Universal Credit (UC) and tax credits. These three policies are estimated to cost £71.5 billion in the current financial year, more than the government spending on Defence and Public Order and Safety in the previous year.

Our spotlight analysis considers the age incidence of these three income support policies in detail. Whether by accident or design, each of the three programmes has been targeted at different groups. Beneficiaries of the JRS are most likely to be found among the under-25s (peaking at around 250,000 at each age in the early 20s); the beneficiaries of the additional welfare support are most common among those in their early 30s (also peaking at around 250,000 at each age), and SEISS recipients are most likely to be found among those aged 50 to 55 (peaking at around 75,000 at each age).

Our analysis of how the amount spent on these programmes varies by age shows that support was fairly evenly spread across those aged 25 to 55. This is because the profile of spending is dominated by the JRS, by far the most expensive programme. Spending on the JRS is more evenly distributed across different age groups than are its recipients, because younger furloughed workers tend to earn less (the average furloughed employee received £1,400 per month compared to less than £1,000 per month for those aged under 25). This gives us an indication as to who might be at risk when the schemes come to an end.

Wealth and assets

Prior to the current crisis, Britain's wealth boom was continuing, and also continuing to drive much more cohort-on-cohort wealth progress for those born before the 1960s than for those born since. Members of the 1981-1985 cohort had 25 per cent less real total net wealth (defined as 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. For the 1971-1974 cohort at age 44, wealth was 3 per cent lower than that of predecessors 10 years before. By contrast, the wealth of the 1951-1955 cohort at age 64 was 49 per cent higher than that of those coming 10 years before them.

Net property wealth was only improving cohort-on-cohort for older families: the small uptick in home ownership at younger ages had not yet done much to alter the position of the 1981-1990 cohort, which had 25 per cent less real property wealth at age 31 than the cohort ten years before them had at the same age. And the end of the roll-out of auto-enrolment led to a slowdown in improvements in occupational pension scheme membership, which stayed broadly flat at around 80 per cent of employees across age groups between 2018 and 2019, having previously risen particularly rapidly since 2012 for employees in their 20s. While welcome, these past improvements hadn't yet done a great deal to boost the wealth of millennial cohorts compared to predecessors at the same age, given the move towards less generous and riskier defined contribution pension provision.

Wealth helps families to weather economic shocks, and so is a particularly important consideration in the current crisis. We find that younger working-age families were most likely to increase the amount they saved each month during the initial lockdown rather than reduce it, and higher-income young adults particularly likely to do so (45 per cent of 22-29-year-olds in the top half of incomes at that age reported that they had increased saving rates). This will reflect 'enforced saving' due to the restrictions of movement and economic activity during lockdown. 35-44-year-olds were most likely (among those of working age) to increase their use of consumer debt during the lockdown, with one-fifth doing so, although evidence elsewhere in this audit suggests that this group hasn't been too badly hit, on average, in terms of income and spending changes,

underlining that there appears to be a diversity of experiences at this age. Prime-age families with kids at home from school whose spending is least likely to be able to flex down, and those feeling the labour market shock across multiple earners but not eligible for much welfare support, may have had no choice but to turn to consumer credit.

UK equity prices fell sharply in the early months of the coronavirus crisis. For those in their 50s, we expect this effect to have dominated the resilience of house prices so far and dented net wealth (all else equal), by £500 in nominal terms for those in their early 50s. This is because this is the age where defined contribution pension funds make up the greatest share of total wealth. At other ages, continued house price growth through lockdown is expected to have boosted wealth, on average, with a nominal boost of £2,000 or more for those in pension age.

We might expect asset price changes to drive a fall-then-rise in total net wealth over the coming years, driven by house prices, with both the downward and upward relative changes largest for 25-34-year-olds (and absolute changes largest for older cohorts). However, if would-be owners find it harder to get on the housing ladder as a result of rising prices (as has been the result of previous periods of house price growth), intra-generational wealth gaps among millennials could grow.

Spotlight:
Under water: How big will the negative equity crisis be, and who is at risk, in the aftermath of the coronavirus crisis?

Our spotlight analysis focuses on two big questions: what is the likely scale of the possible low or negative equity problem caused by expected short-run house price falls next year; and who is likely to be affected? Negative equity matters for living standards for several reasons. Since home owners in low or negative equity face additional barriers to moving, it reduces the ability to move to a new job and could hamper career progression. Those with low or negative equity also face higher mortgage costs, reducing spending power directly. And, in the event of repossession, negative equity makes families more vulnerable because they are on the hook for the lender's realised losses. This was particularly important during the 1990s recession when repossessions rose from around 15,000 in 1989

to 75,000 in 1991.

Fortunately, the negative equity problem looks set to be smaller today than in the aftermath of the financial crisis. Even in the Office for Budget Responsibility's (OBR) 'downside' scenario with respect to house price falls, 12 per cent of mortgagors could fall into low or negative equity today (loan-to-value ratios below 10 per cent) compared to 15 per cent after the financial crisis. The group of mortgagors likely to fall into low or negative equity today is also more resilient than the same group a decade ago. Compared with the financial crisis, equity risk has migrated up the age distribution, and families with equity risk now have higher income and wealth than those at risk after the financial crisis. The increased resilience among mortgagors is not only because a smaller proportion of young mortgagors take on 'risky' mortgages, but also that a smaller number of young families can access a mortgage at all compared to a decade ago.

Conclusion

The big picture story emerging from this analysis is that it is the coronavirus that has determined the impacts on physical health and social interaction across cohorts, while the nature of the pre-pandemic economy has largely driven the impacts on living standards.

This has manifested itself in profound physical health risks to older adults, and a very clear distinction between the economic experiences of pensioners and working-age families during the lockdown. Pensioners were generally not exposed to the labour market shock (although those above pension age who are working have been hard hit). This means that pensioner incomes look to been a little higher in the first months of lockdown than in 2019-20, while working-age incomes fell dramatically. It is this combination of physical health impacts particularly affecting the oldest, and living standards impacts across the working-age population but somewhat tilted towards younger adults (and perhaps those around pension age still engaged in the labour

market), that we think explains the 'U-shaped' patterns of deterioration in mental health and well-being that we observed in lockdown.

Beyond the divide between working-age families and pensioners, different living standards experiences across ages within the working-age (or working) population are less clear cut. The labour market hit has been clearly U-shaped, affecting the youngest and oldest workers most. But policies to support incomes, including the JRS and boosts to benefits, mean that incomes fell most in lockdown for those in their late 40s. Consumer debt usage has accelerated for 35-44-year-olds; falling equity prices have dented the wealth of those in their 50s; and there were no particularly clear age differences by age (within the working-age population) in the likelihood of falling behind with housing payments in mid-lockdown.

However, it appears that post-lockdown impacts may be more clearly tilted towards the bottom of the age range. By July, younger adults had become the most likely to fall behind with housing payments; young people risk long-term employment and pay 'scarring' effects from starting careers in a downturn; the prospects for a post-coronavirus home ownership increase among aspirant buyers appear limited; and the removal of temporary welfare boosts looks set to provide a major drag on the incomes of young and childrearing-age adults. Reflecting on our discussion of the physical health risks, there is an important age-related feedback loop in some of these outcomes. The ongoing threat to older lives while the virus is with us means pensioners may be most likely to shift their consumption away from face-to-face services in the medium term. The jobs risk for young adults, who are disproportionately likely to work in in these sectors, is therefore amplified.

This takes us to the overall argument that it is pre-pandemic changes across the age range that have largely determined the age incidence of the economic effects in the early months of this crisis. The 21st century consumption changes we have charted mean pensioners increasingly make up the consumer base in face-to-face service sectors. Meanwhile, the likelihood of younger workers finding themselves in these sectors was rising through to 2016 and has only fallen back slightly since. Factors such as the long-term shift towards private renting, particularly at younger

ages; the very different developments in the pensioner and working-age welfare systems pre-pandemic; and the increasing concentration of Britain's growing stock of household wealth at older ages have all similarly determined the age spread of the outcomes we observed in lockdown, and particularly the youth bias that we expect to see in the more enduring challenges.

What lessons should policy makers take away from this first comprehensive assessment of the initial phase of the coronavirus crisis for different generations in Britain? From the outset, governments around the world faced tricky choices in terms of which age (and other) groups' health and livelihoods to prioritise in restrictions and economic reopening strategies (although we note that, at a macro level, successful policy responses appear to have been complementary on the basis of the initial hit to GDP and increase in mortality). In the UK, it was policy – in the form of the initial lockdown – that caused the very different effects across age groups. But policy has also done a good job of ameliorating (on average) the hit to working-age living standards, via interventions like the furlough scheme, welfare boosts and mortgage holidays– although of course many families have fallen through the cracks between different forms of support.

Turning to the future, the speculations we have made are far from certain, not least because they will be determined by policy choices. The Government has choices to make in the near future about the extent to which supposedly temporary welfare boosts are reversed in April 2021. And the swift withdrawal of the JRS that is currently happening will likely necessitate further thinking about how the labour market can be supported over the medium term. Recent announcements to support jobs are likely to prove insufficient in the key low-paying sectors most affected by ongoing restrictions, and little has been said so far about boosting job creation in other sectors. At some point soon, the Government will have difficult decisions to make on how to bring the public finances back on a sustainable footing, and, regardless of whether this done by spending cuts or tax rises, those need to be informed by an understanding of the generational impact of the crisis.

The clear impact of timely government interventions during the lockdown period shows that the longer-term economic – and health-related – damage from this crisis can be influenced by policy makers' choices. Given that long-term generational trends appear to have shaped experiences in the current crisis, the recommendations of our 2016-2018 Intergenerational Commission are particularly worthy of consideration in this context. The experience of the first wave of coronavirus in the UK tragically emphasised that we need a new way of funding social care that can improve care standards for its recipients and working conditions for its underpaid workforce. And we need to restart cohort-on-cohort improvements in living standards and economic security at each age – by halting the slowdown in education attainment in younger cohorts, improving security and conditions in the private-rented sector, facilitating wider asset accumulation (and therefore financial resilience) across younger generations – so as to put the UK in a better position for weathering future crises.

As well as assessing the ongoing implications of the coronavirus crisis across cohorts, these are considerations that next year's Intergenerational Audit for the UK will return to.

Section 1

Introduction

- 2020 has been an extraordinary year. Coronavirus has posed serious threats to both lives and livelihoods around the world, upended daily life, and precipitated swift and unprecedented policy action from governments.
- This year's Intergenerational Audit for the UK reflects these circumstances, providing our usual long-run assessment of living standards across generations, but focusing on the impacts of the coronavirus crisis to date across generations in the UK.
- In this introductory section we provide a brief summary of the concepts underpinning generational analysis, and the importance and salience of such analysis as a tool for understanding modern Britain.

Understanding generations

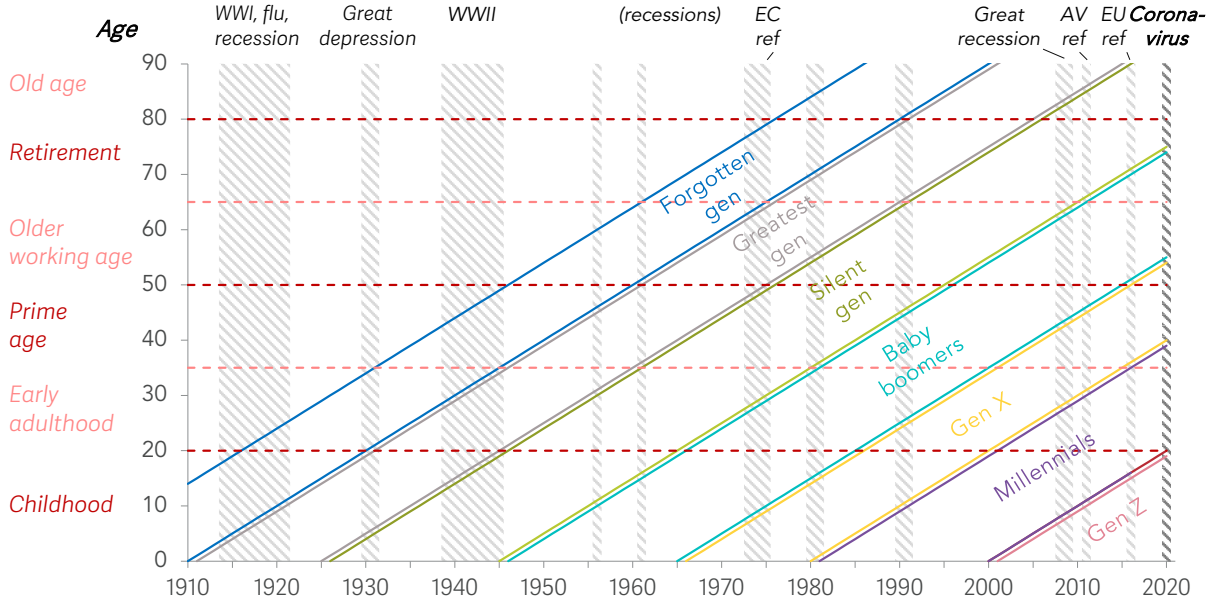
Generational analysis builds on a long tradition of distinguishing groups in society according to their years of birth. The importance of generations as a framework for understanding the world derives from two related ideas. The first is that generations have some degree of collective identity deriving from shared economic experience, values and cultural norms – particularly during the formative years.[1] This can lead to perceived membership of the same group, and identification of these groups in public discourse can have important feedback effects.

In this sense, we can distinguish generations or cohorts (defined by year of birth) from life stages (defined by age at a given point in time). Cutting across these are period effects, or exogenous shocks. Figure 1 provides a representation of these concepts for generations as commonly defined in the UK.

1 In their seminal work defining generations throughout US history, William Strauss and Neil Howe refer to this as 'peer personality'. See: W Strauss & N Howe, Generations: The history of America's future, 1584 to 2069, Perennial, 1991.

FIGURE 1: **The coronavirus crisis represents a huge 'period' effect**

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.

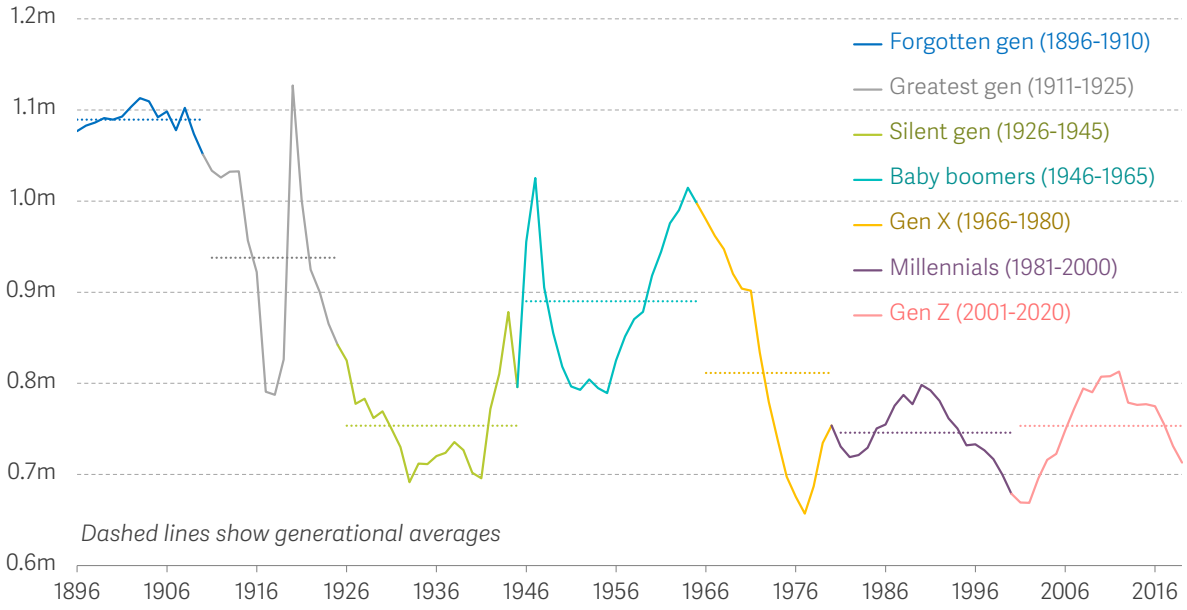
An implication of the above description of generations as having collective identities based on shared experiences is that cohort and period effects intersect. We might think of the current coronavirus crisis as a period effect, but its effects may well be so profound as to shape cohorts' experiences over the longer-term as they age. Given we are still in the midst of what looks to be a very large crisis, this audit does not attempt to disentangle its short-run (period) aspects from the longer-run (cohort) implications. That will be an important topic for future generational analysis.

The second important concept within generational analysis is that the relative size of generations, when they are born and as they age, can play an important role in determining their shared experiences and outcomes. In particular, birth patterns tend to fluctuate, with big generations often followed by smaller ones, and vice versa (Figure 2 shows these fluctuations over more than a century in the UK).[2]

2 T Malthus, An Essay on the Principle of Population, 1798.

FIGURE 2: **Birth patterns have fluctuated dramatically over time in the UK**

Births per year and generational averages: UK



NOTES: Northern Ireland data is unavailable for 2019, and so is estimated based on births in 2018.
SOURCE: ONS, Birth Characteristics (England and Wales); NRS, Births Time Series Data (Scotland); NISRA, Live births, 1887 to 2015 (Northern Ireland).

Historically, economists such as Richard Easterlin posited that it was disadvantageous to be part of a large cohort, due to greater competition for school places, jobs and resources over the course of lives.[3] However, an alternative position is that the big cohort finds itself at an advantage due to its size. When young, its impact on population growth stimulates demand (after all, labour demand is not finite), meaning plenty of work to do for adequate pay.[4] To the extent to which this big cohort is preceded and followed by smaller ones, it also finds itself in a demographic sweet spot during prime age, with relatively fewer children and older people to support within families or via the welfare state. This low dependency position reverses when the big cohort moves into old age, with the smaller cohorts coming behind facing greater requirements to support predecessors during their peak-productivity years. Finally, to the extent that the big cohort has shared views and goals, its democratic weight can be used to ensure that policy decisions favour it.

This second account of the importance of cohort size appears closer to recent experience in many advanced economies. A range of analysis in the UK, including David Willetts' The Pinch, originally published in 2010, shows that the 'baby boomer' generation encompassing the two birth spikes in the mid-20th century and those coming in between (see Figure 2) has experienced a range of economic advantages that can be plausibly partly linked to its size.[5]

3 R Easterlin, Birth and Fortune: The Impact of Numbers on Personal Welfare, Basic Books, 1980.
4 J Keynes, Some Economic Consequences of a Declining Population, Eugenics Review 29(1), 1937.
5 D Willetts, The Pinch: How the baby boomers took their children's future – and why they should give it back, Atlantic, 2010.

Intergenerational issues continue to rise up the agenda, as a complement to other lenses on society

Since the publication of The Pinch, intergenerational issues have risen up the agenda in Britain, as last year's Intergenerational Audit for the UK detailed. The Resolution Foundation's 2016-2018 Intergenerational Commission, and inquiries by the Financial Conduct Authority, various parliamentary select committees and others, are manifestations of the growing salience of this topic in public debates.[6] The age divide in preferences at the EU referendum sharpened focus in this area prior to the coronavirus crisis. And apparently bigger-than-usual differences across the age range during this crisis have only sharpened this focus further.

Importantly, as we set out last year, a focus on generational differences should not be seen as reductive. We mean this in two senses. First, we recognise that generations (generally spanning 15 or 20 years, as characterised in popular discourse), or cohorts (narrower and more consistent groupings, usually spanning five or 10 years), are just one framework through which living standards and experiences in Britain can be assessed. There are longer-established traditions of analysis through the lenses of gender, ethnicity, region, income group and social class. We are not advocating an either/or choice. The fact that cohort comparisons do show divergent outcomes makes it clear that this approach is helpful. While it should never be the only lens for analysis, it is a complementary one to other analytical frameworks. 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.

The second sense in which our focus on generational differences should not be seen as reductive is that it is not simply about pitting different generations against each other. This bears no relation to how we live our lives within families, or the strong public support that exists across age groups for principles of intergenerational living standards progress and mutual dependence.[7] While some outcomes and policy choices are zero-sum across cohorts, many are not. They key lesson from a growing focus on intergenerational issues is not that there is a generational war afoot, but that looking at generations is one way to understand Britain's challenges better.

6 G Bangham et al., An intergenerational audit for the UK: 2019, Resolution Foundation, June 2019.
7 H Shrimpton, G Skinner & S Hall, The millennial bug: Public attitudes on the living standards of different generations, Ipsos MORI/ Resolution Foundation, September 2017.

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 latest data. It does this by considering living standards within four domains:

- Jobs, skills and pay
- Housing costs and security
- Taxes, benefits and household income
- 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 coronavirus. Therefore, we also provide novel and up-to-date analysis of the impact of the coronavirus crisis – and in particular the lockdown period – across generations in the UK, drawing on a broad range of timely data sources and modelling techniques. Some of these sources and techniques have limitations, which we set out throughout this report.[8] But our view is that we must use what information we have available to understand the challenges Britain faces as this crisis continues to unfold. Where possible we also draw early conclusions about what might be to come, but a full assessment of the longer-term implications of the coronavirus crisis for cohort living standards will be the subject of future audits.

Finally, in each of these domains we zero in on one area where we dig deeper – providing novel '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 have been published recently, and in this report we provide abridged versions.

Our focus is, as always, on economic living standards. However, coronavirus poses threats – for example, to health, longevity and social interaction – that are felt more by different (older) age groups, rather to those of working-age where the economic effects are likely to be concentrated. For this reason, this year we also include a short section that disentangles these economic, health and social effects, and the complex choices that governments around the world have faced in balancing them.

8 For example, it is possible that some of the data we rely on, such as the Understanding Society coronavirus datasets as well as more-established surveys like the Labour Force Survey, may be affected by age biases in responses due to switching to entirely online or telephone-based data collection during lockdown. We have not investigated this issue in detail, but all the surveys we use are weighted on the basis of age, as well as other characteristics, which should go some way to minimising biases.

In addition, this audit continues to focus largely on adults. It is quite possible that some of the biggest longer-term impacts of the coronavirus crisis will be on children. Lost schooling may affect life chances and economic prosperity in decades to come. This is not something we dig into (and indeed it is very difficult to assess at this early stage), but we highlight it as an important area for future intergenerational analysis.

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

Accompanying this audit is our microsite, 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

The impacts of the pandemic on the health and well-being of different cohorts

- The coronavirus crisis has posed serious physical health risks, mainly to older adults. This is very different from the economic impacts that are the focus of the remainder of this audit, which are concentrated in working-age, and especially on the young.
- There are clear age divides in mortality and changes to social and daily activity, especially the former where there was almost no elevation in mortality for under-45s compared to very large increases for older adults in April.
- Deteriorations in mental health during lockdown were large too, particularly among the youngest adults and those in their late 60s and 70s, and life satisfaction fell most for the youngest and oldest adults. It is likely that this has been driven by a combination of the health and economic risks this crisis has created, alongside limitations to social interaction.
- Governments face tricky choices in terms of which groups' health and livelihoods to prioritise in restrictions and economic reopening strategies, although at a macro-level, successful policy responses appear to have been complementary.

This crisis has posed a serious threat to the physical health and social interaction of older adults

The focus of our intergenerational audits is on economic living standards, which is a particularly important topic amid a major global recession. But a wholly economic assessment of effects across the age range would be too limited on this occasion. That is because this is not a normal recession. Unlike the financial crisis in the late 2000s (which originated in the financial sector) or the early-1990s recession (which was driven by high interest rates and their relationship to the housing and international money markets), or indeed most recessions, this one has not been caused by economic factors. As a result,

the thing driving the economic deterioration – a contagious virus – has profound effects in other areas, too. Chief among these is the physical health risk posed by the virus itself, which drives second-order effects in terms of behavioural changes to avoid contracting it.

It has been clear from the outset that these effects are concentrated among older people. This stands in stark contrast to the economic effects, which stem from the lockdown and ongoing social distancing, and therefore are primarily felt in the labour market by families of working-age. Such a contrast has led to a focus on the 'health versus wealth' trade-offs of the policy response.[9] In this section we consider the extent to which that dichotomy in outcomes and policy choices manifests itself across age groups in the UK.

Starting on the health side, the threat to (mainly older) lives posed by coronavirus is undeniable. Figure 3 shows rates of excess mortality (weekly deaths over and above the long-run average) in Great Britain, by age group, over the course of 2020.[10] The age divide here is huge: under-45s experienced almost no increase in mortality during the pandemic, whereas those aged 45-plus experienced much-heightened death rates that increase with age.[11] While there is evidence that infections are shifting down the age distribution in the recent rise in cases, lower risk from coronavirus when young and improved treatment mean this is not driving significant increases in mortality at younger ages as yet.[12]

This differential threat to life is having effects beyond those who contract the virus. This was explicit in government guidance during lockdown: over-70s and those with various health conditions (which are more prevalent at older ages) were asked to 'shield', meaning severe restrictions on movement and social lives. This (and perhaps broader virus-related concerns) meant that those aged 70-plus were more likely to follow the stay at home guidelines than younger adults were (88 per cent did in a week in late April/early May, compared to 79 per cent of younger adults). And they were less likely to visit a park or public green space (only 20 per cent did in a week in early April, compared to 37 per cent of younger adults) despite being only very slightly more likely to have a garden than younger adults (93 per cent and 89 per cent did, respectively).[13] It should be noted that we are unable to compare these behaviours to pre-pandemic patterns.

9 A Glover et al., Health versus Wealth: On the Distributional Effects of Controlling a Pandemic, NBER Working Paper No. 27046, July 2020.

10 Excess deaths or the excess mortality rate are viewed as better measures of the pandemic's impact on total mortality than deaths registered as being linked to coronavirus. See: H Krelle, C Barclay & C Tallack, Understanding excess mortality: What is the fairest way to compare COVID-19 deaths internationally?, The Health Foundation, May 2020.

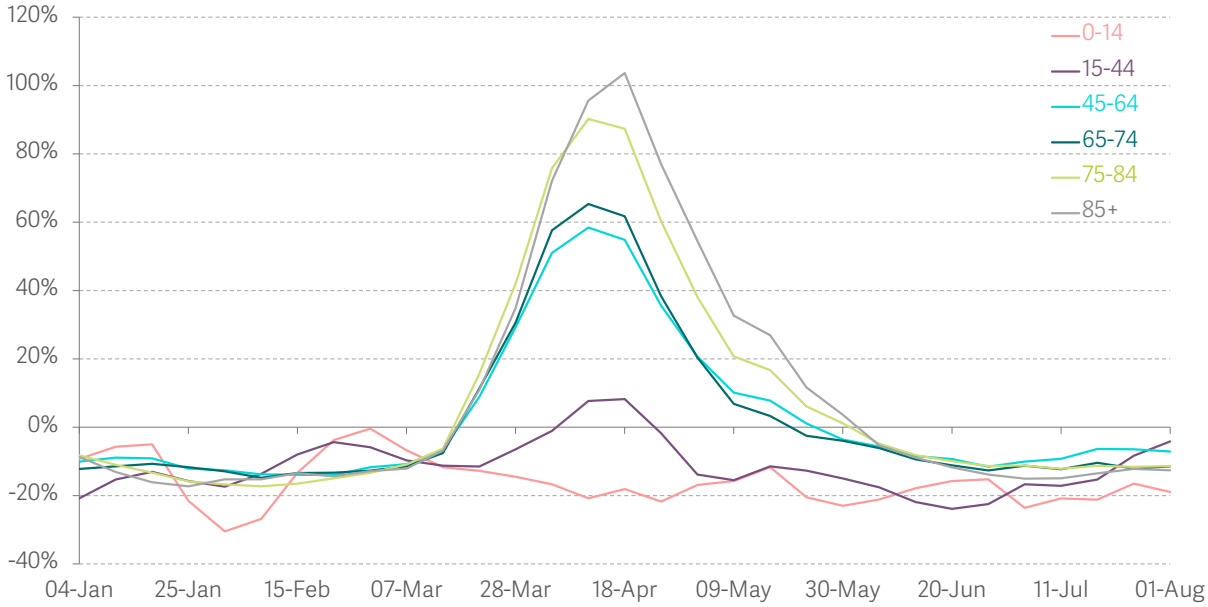
11 Recent research into the coronavirus mortality risk has demonstrated that it increases fairly steadily with age, with population fatality rates doubling fairly consistently for every five to six years of age, a relationship that is consistent from childhood to old age. See: D Spiegelhalter, Use of "normal" risk to improve understanding of dangers of covid-19, BMJ, September 2020.

12 M Stabe, C Cookson & C Bruce-Lockhart, Why UK coronavirus deaths are falling even as cases are rising, Financial Times, August 2020.

13 All figures relate to Great Britain. Source: RF analysis of ONS, Opinions and Lifestyle Survey.

FIGURE 3: **Under-45s experienced no mortality increase during the pandemic**

Excess mortality rate (three-week rolling average) by age group: GB, 2020



NOTES: The excess mortality rate is estimated as deaths in each week in 2020 relative to average deaths in the corresponding week over 2015-2019.
SOURCE: RF analysis of ONS, Deaths registered weekly in England and Wales; NRScotland, Weekly Deaths.

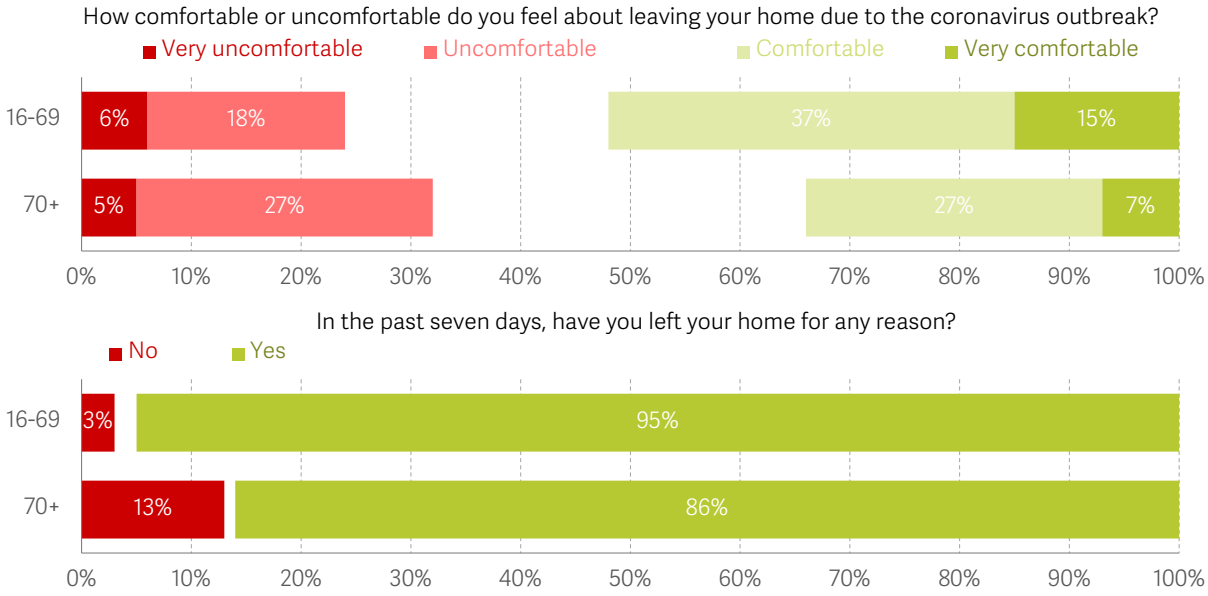
Even after the shielding status was dropped at the beginning of August, 70-plus-year-olds remained more concerned than younger adults about leaving home and were less likely to do so (Figure 4). And they socialised with fewer people in a week (three people, compared to 3.5 for younger adults). Of course, some of these differences might be expected outside a pandemic. But these results suggest that the health risks posed by coronavirus have had knock-on effects on social interaction – particularly in the height of lockdown – and attitudes towards daily activity among older adults in particular.

These greater physical and social threats to older adults appear to dominate public opinion. In July, 63 per cent of 16-75-year-olds thought that the coronavirus crisis had affected older people worse than younger ones. And this was expected to endure: 49 per cent thought older people would continue to bear the brunt of impacts over the next few years, compared to just 16 per cent who thought that younger people will be worst affected in future.[14]

14 Ipsos MORI, COVID crisis: who's been hardest hit, the impact on Britain and generational prospects, August 2020.

FIGURE 4: **Older adults remain less comfortable with leaving their homes and less likely to be doing so**

Views and behaviours around leaving home, by age group: GB, 12-16 August 2020



NOTES: Gaps between bars represent those who responded neutrally ('neither comfortable nor uncomfortable'), didn't know, or preferred not to say.
SOURCE: RF analysis of ONS, Opinions and Lifestyle Survey.

The effects on mental health and well-being across the age range are more mixed

However, when we move beyond a focus on physical health and activity to look at mental health and well-being, the picture across the age range becomes more complex.

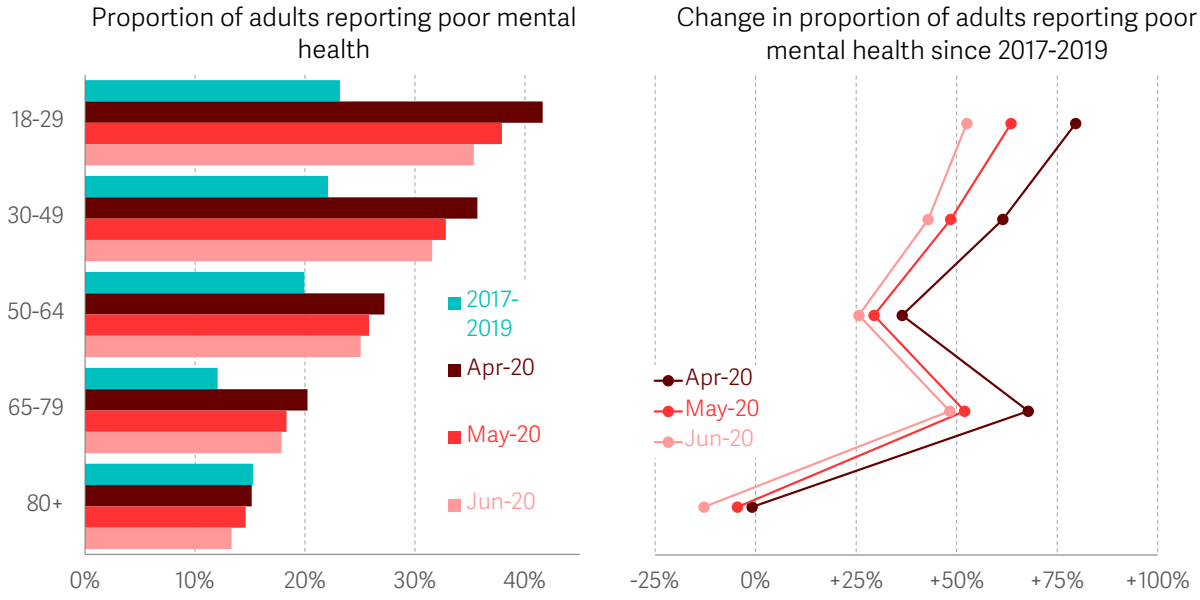
On some measures, it appears that the oldest adults are bearing the brunt, as with physical health. Office for National Statistics (ONS) analysis suggests that age had a significant impact on the likelihood of experiencing higher levels of anxiety during the coronavirus crisis. The odds of reporting higher levels of anxiety between early April and early May were twice as big for those aged 75 and over as for those aged 16-24, controlling for other factors. This stands in stark contrast to pre-pandemic findings, which suggests that anxiety levels tend to be highest in mid-life, declining to relatively lower levels in the mid-to-late 60s, after which rates remain stable.[15] However, these results are contradicted by other research, which suggests that anxiety levels were highest among under-30s during the lockdown, and decreased with age. This research also suggests that anxiety steadily declined from the beginning of lockdown through to late August.[16]

15 Office for National Statistics, Coronavirus and anxiety, Great Britain: 3 April 2020 to 10 May 2020, June 2020.
16 D Fancourt et al., Covid-19 Social Study: Results Release 19, University College London, August 2020.

Switching to a focus on a composite measure of mental health, Figure 5 shows the prevalence of poor mental health across age groups, comparing the months of lockdown to pre-pandemic levels.[17] It makes clear that in the early months of lockdown, younger adults, who usually have the highest prevalence of mental health problems, also experienced the biggest absolute and relative increases.[18] Two-in-five 18-29-year-olds reported experiencing higher-than-normal levels of mental health problems in April 2020, which the right-hand panel in Figure 5 shows is 80 per cent higher than 2017-2019 levels. These levels, and the relative increase on 2017-2019, decreased with age, bar the relative change on 2017-2019 spiking to 68 per cent in the 65-79 age group (which other research suggests has been driven by the experience of women).[19] Since April, levels have fallen and differences across the age range have been tempered slightly. But the picture remains one of poor mental health being most common at younger ages, and particularly heightened on pre-pandemic levels for under-50s and 65-79-year-olds.

FIGURE 5: **Mental health initially deteriorated most for the youngest**

Adults reporting poor mental health, by age group: UK



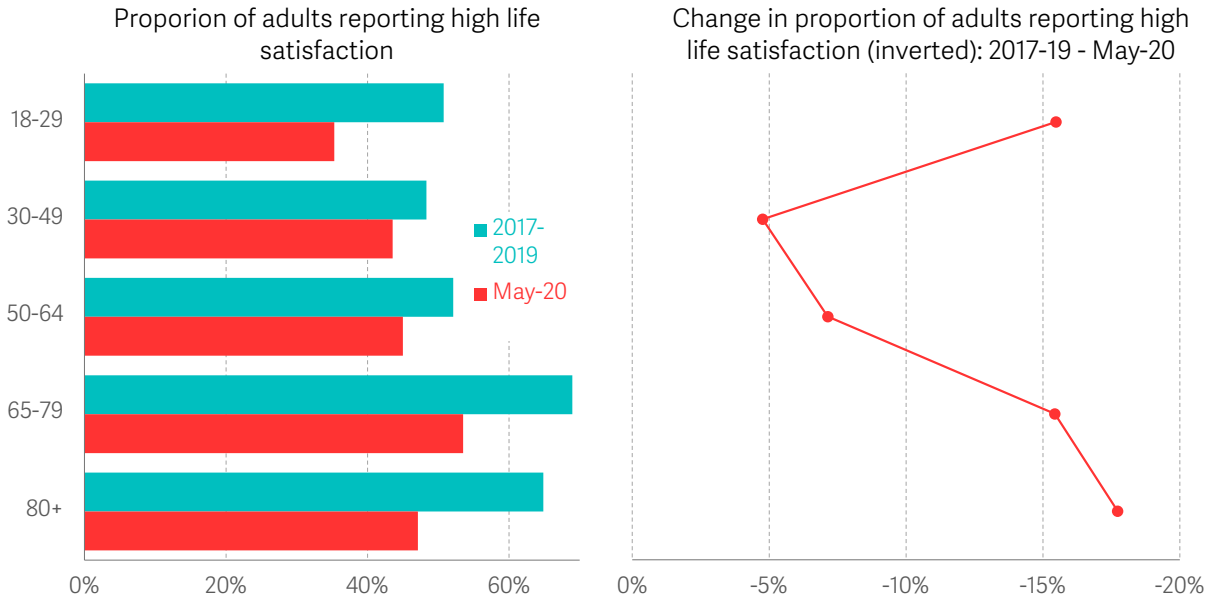
NOTES: As is standard practice, well-being scores associated with poor mental health indicate instances in which individuals report lower-than-usual levels of well-being on at least four of 12 General Health Questionnaire variables.
SOURCE: RF analysis of ISER, Understanding Society.

17 This measure makes use of the Short General Health Questionnaire (GHQ-12). Poor mental health denotes negative answers on four or more of the 12 questions.
18 Recent research has shown that this finding remains robust after adjusting for a number of contextual factors. See: M Pierce et al., Mental health before and during the COVID-19 pandemic: a longitudinal probability sample survey of the UK population, The Lancet Psychiatry, July 2020.
19 These findings are largely replicated in analysis that controls for a range of characteristics. See: J Banks & X Xu, The mental health effects of the first two months of lockdown and social distancing during the Covid-19 pandemic in the UK, Institute for Fiscal Studies, June 2020.

This somewhat U-shaped pattern of change is clearer still, and extends to the oldest adults, when looking at changes in life satisfaction (a common single measure of well-being) since before the pandemic, shown in Figure 6. High life satisfaction had fallen by most in May 2020 compared to 2017-2019 (15 per cent) for under-30s and over-65s, although it remained highest at older ages.

FIGURE 6: **Satisfaction has dipped most for both the youngest and oldest adults**

Adults reporting that they are mostly or completely satisfied with life overall, by age group: UK



SOURCE: RF analysis of ISER, Understanding Society.

One conclusion from this mixed picture by age across different measures of mental health and well-being is that outcomes are likely to be driven by a mix of the physical health, social and economic aspects of the pandemic and lockdown. This conclusion is supported by an investigation of the individual questions that underpin the poor mental health measure shown in the left-hand panel of Figure 5. The increase for under-30s was related to concentration, decision-making capabilities and feelings of worthlessness; while the increase for 65-79-year-olds was associated with feelings of playing a useful role and enjoying day-to-day activities.[20] The former can plausibly be associated with economic experiences (detailed in future sections) and the latter with physical health-related restrictions on social life. Further the increase in anxiety among the oldest adults

20 Looking at the 12-question measure that underpins the poor mental health score, we find that the under-30s deteriorated most on concentration, decision-making and problem-solving capabilities, confidence and feelings of worthlessness. By contrast the deterioration for 65-79-year-olds was on measures of playing a useful role, enjoying day-to-day activities and feelings of happiness. Similar analysis can be found in: J Banks & X Xu, The mental health effects of the first two months of lockdown and social distancing during the Covid-19 pandemic in the UK, Institute for Fiscal Studies, June 2020.

registered in some studies (detailed above) can plausibly be linked to physical health risks. A mixed-methods study of 50-70-year-olds approaching retirement or recently retired similarly highlights the combined effect of health and economic concerns in driving deteriorations in mental health during lockdown for this 'bridging' age group.[21]

In sum, while we may be able to fairly clearly delineate physical health and economic risks by age, these can have similar effects on the broader well-being of both young and old, and for some at certain ages or in particular circumstances, these risks are combined. 'Health versus wealth' may be a starting point for age-distributional thinking in this pandemic, but it is too simplistic a prism through which to view the broader effects of coronavirus across the age range.

Governments have had to balance health and economic risks, although good macro policy approaches have served both well

These very different effects of the pandemic itself and its economic implications across the age range create tough choices for governments. For example, there is a legitimate concern that at some point, the economic damage caused by lockdown restrictions could cause more loss of life years (via suicide, and declining health related to poorer economic outcomes) than the lives saved by the restrictions themselves.[22]

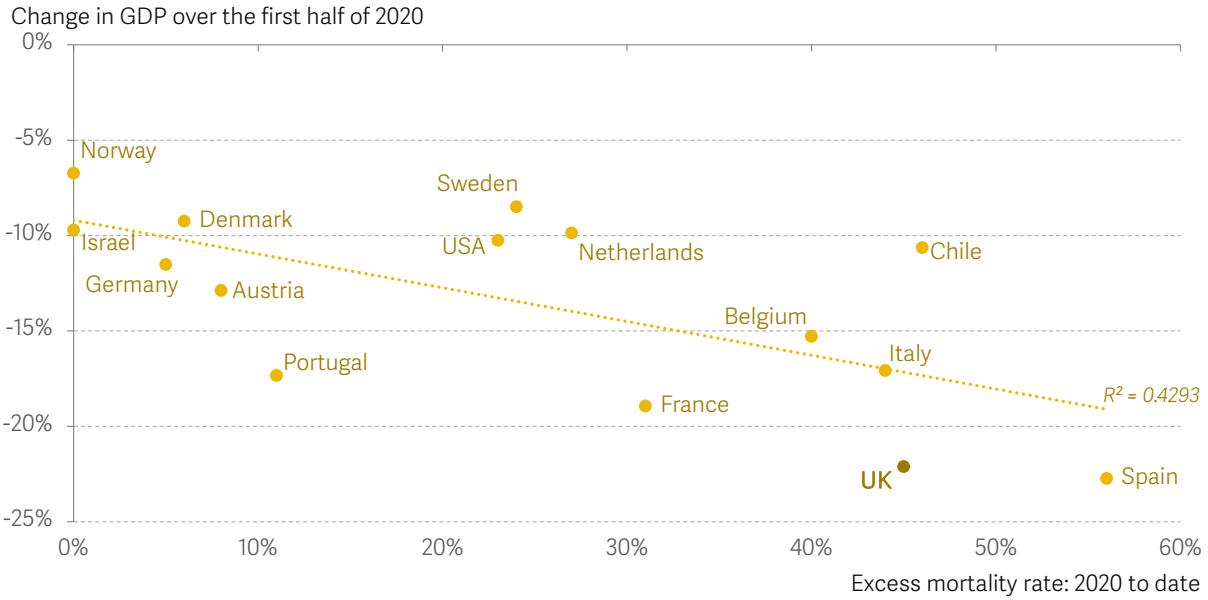
On one (macro) level, the very early evidence does not make this policy trade-off all that apparent. Based on measures of excess mortality and the change in economic output in the first half of 2020, Figure 7 suggests that those countries that have experienced lower mortality have also tended to record a smaller hit to the economy. However, we should be very careful in drawing too strong a conclusion from this finding. It could reflect the good fortune of countries getting fewer coronavirus cases initially, rather than having much to do with smart policy choices on the part of governments. In addition, it is far too early to judge the longer-run relative economic effects of the pandemic between countries, especially as other economic data (such as unemployment rates) can support rather different conclusions, particularly for the UK.

21 Centre for Ageing Better/Ipsos MORI, The experience of people approaching later life in lockdown: The impact of COVID-19 on 50-70-year-olds in England, July 2020.

22 P Thomas, J-value assessment of how best to combat Covid-19, Nanotechnology Perceptions 16, April 2020; M Honeycombe-Foster, Senior Tory MPs demand 'step-by-step' plan to end coronavirus lockdown within weeks, Politics Home, April 2020. For the counterargument to these claims, see: J Portes, Don't believe the myth that we must sacrifice lives to save the economy, The Guardian, March 2020; D Rushe & J E Greve, Trump's 'back-to-work' plan would only make things worse, experts say, The Guardian, March 2020.

FIGURE 7: **Internationally, the health and economic effects of the pandemic have gone hand-in-hand**

Excess mortality rate and change in GDP, selected countries: 2020



NOTES: The excess mortality rate is estimated as deaths over the course of 2020 relative to average deaths in the corresponding period over 2015-2019. Excess mortality data runs up to April-July, dependent on availability by country. Selected countries only, on the basis of availability of excess mortality and 2020 GDP data.
SOURCE: RF analysis of FT, Coronavirus tracked; OECD, Quarterly National Accounts.

Beneath this macro perspective, there are of course legitimate and very challenging choices that governments around the world have been making in terms of how to navigate health-related and economic threats, and therefore (to some extent) the primacy of older lives and livelihoods over younger ones. For example, the recent re-introduction of restrictions in the UK appears to prioritise economic over social activity. This may well mean less economic damage concentrated particularly on those of working-age. However, the broader implications when factors such as mental health and well-being are taken into account are far from clear, particularly in terms of the relative effects across the age range.

It doesn't escape notice, when looking at Figure 7, that the UK has experienced a particularly large output fall in the first half of this year. The remainder of this audit focuses on this side of the coin from the perspective of individuals and households, assessing how this deep recession is being felt across ages and cohorts. Throughout, the broader context provided in this section should be borne in mind. In particular, while we have argued that some health and well-being effects have been quite mixed by age, the biggest outcome in the initial phase of this crisis has been a shocking loss of life at older ages. We live in families and communities not just within our birth cohorts, and so most have been facing these terrible outcomes alongside economic turbulence, not instead of it.

Section 3

Jobs, skills and pay

- Before the current crisis, another good year for employment had strengthened the long-run finding that employment rates for recent cohorts have far surpassed those of predecessors at that same age. For workers in their 30s, the flipside continued to be weak pay growth. And sectoral age segmentation in our jobs market had grown, with younger workers increasingly likely to work in low-paying industries like retail and hospitality.
- The employment impacts of the coronavirus crisis so far present a clear picture of a U-shaped pattern of change, with the youngest and oldest employees hardest hit. The sectors that different age groups work in (which are increasingly associated with age) are a big driver of this, but age has an independent effect, too, particularly for the oldest workers. The very large initial hit to self-employed workers, while quite evenly felt across the age range within that group, has also had the largest absolute effects at the top of the age range where self-employment is more prevalent.
- Looking ahead, with 2.3 million workers still on the JRS in mid-September, a significant rise in unemployment this autumn seems likely, putting us on track for an 18-29-year-old unemployment rate at least around the levels experienced in the financial crisis. And the fact that the lockdown and furloughing have held various bits of the labour market 'on ice' through much of 2020 is a particular concern for the future pay trajectories of those at the beginning of careers, when progress is usually most rapid.
- Our spotlight analysis delves into this concern in more detail, focusing on the employment and pay prospects facing young people leaving full-time education today, and highlighting the size and length of employment and pay 'scarring' that they could experience.

Developments before the current crisis

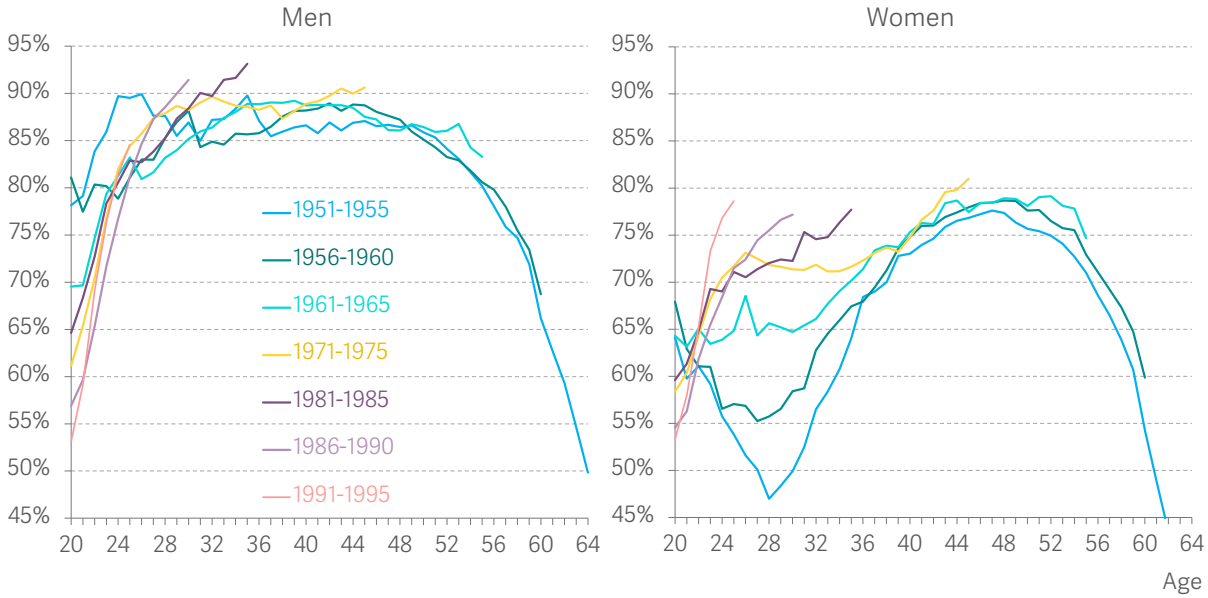
Employment rates continued to improve cohort-on-cohort, particularly for women

We entered the current crisis with the labour market on a very good run when it comes to jobs numbers. The unemployment rate did not rise as high for any age group during the financial crisis as it did in either of the previous two recessions.[23] It then fell consistently from 2014 to reach an average of 3.8 per cent during 2019, very close to rates of the early 1970s, the lowest rate on comparable records. Among younger people, who tend to bear the brunt of periods of high unemployment,[24] it's notable that the 5.5 per cent unemployment rate for 18-29-year-olds in 2019 was comfortably the lowest since comparable records began in the early 1970s (although this is partly the result of rising educational participation rates).

The continuation of this good jobs run up to early 2020 meant that employment rates for most cohorts were surpassing those of predecessors at the same age. Figure 8 shows this for men and women separately. It is only in the teens and early 20s that younger cohorts have lower employment rates than previous ones, but this due mainly to people staying in education longer.

FIGURE 8: **Successive generations have benefited from employment increases, particularly women**

Employment rate, by age, cohort and sex: UK, 1975-2020
Source: RF analysis of ONS, Annual Labour Force Survey (1975-1991); ONS, Labour Force Survey (1992-2020).



23 For background detail, see: S Coulter, The UK labour market and the 'great recession', in, M Myant, S Theodoropoulou & A Piasna (eds.), Unemployment, Internal Devaluation and Labour Market Deregulation in Europe, European Trade Union Institute, 2016.
24 D Bell & D Blanchflower, Young People and the Great Recession, Oxford Review of Economic Policy 27(2), July 2011.

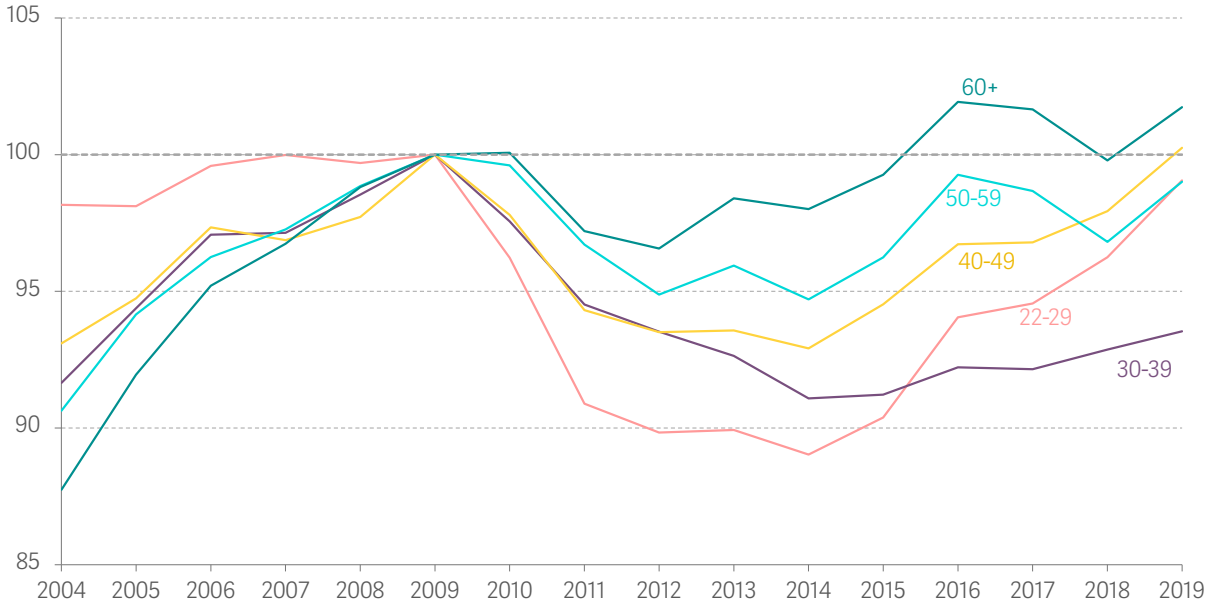
Cohort-on-cohort increases in employment for women around the childbearing years have been particularly striking, more so than in many other developed economies facing similar demographic, industrial and social pressures.[25] For example, Figure 8 shows that the 1986-1990 cohort was over 50 per cent more likely to be in work at age 30 than the 1951-1955 cohort was as the same age (employment rates of 77 per cent and 50 per cent, respectively). Further up the age range, the jump in the female employment rate at age 60 from 54 per cent to 60 per cent between the 1951-1955 and 1956-1960 cohorts shows the strong effects of a rising State Pension age. The pension age is now rising for everyone, which is likely to increase further the impressive employment growth for older adults in recent decades (although it will also put pressure on incomes for those not in work).[26]

Those in their 30s were experiencing weaker pay growth

The flipside, and indeed to some extent the driver,[27] of strong recent employment performance has been a very poor decade for pay. Figure 9 shows that in 2019, only the 60+ age group had comfortably surpassed its previous pay peak from a decade before. This outcome has put a big dent in living standards across working families.

FIGURE 9: **The financial crisis pay hangover for those in their 30s continues**

Index of median real (CPIH-adjusted) hourly employee pay, by age group (2009 = 100): UK



SOURCE: RF analysis of ONS, Annual Survey of Hours and Earnings.

Figure 9 also shows clearly divergent patterns by age in recent years. 22-29-year-old pay,

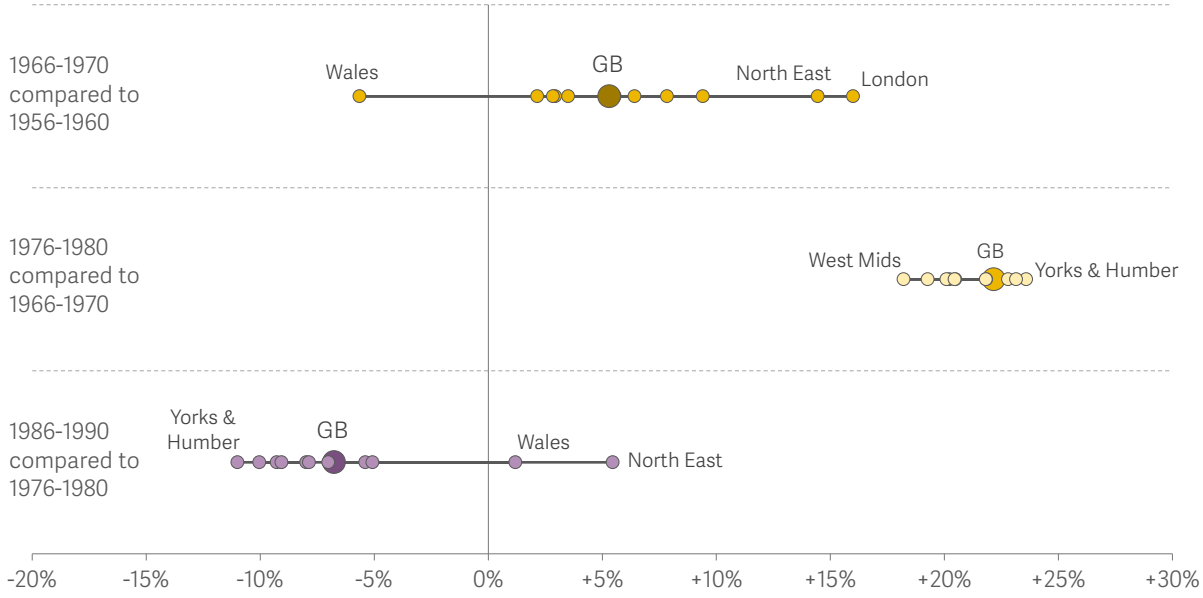
25 F Rahman & D Tomlinson, Cross countries: International comparisons of intergenerational trends, Resolution Foundation, February 2018.
26 The effects and implications of rising State Pension ages were discussed in detail in last year's audit. See: G Bangham et al., An intergenerational audit for the UK: 2019, Resolution Foundation, June 2019.
27 T Bell & L Gardiner, Feel poor, work more: Explaining the UK's record employment, Resolution Foundation, November 2019.

which fared worst in the initial aftermath of the financial crisis, has been growing fairly strongly, while the pay of 30-39-year-olds has close to flatlined (improving by just 1.4 per cent in real terms over the past three years as a whole). This partly reflects the fact that many of those who suffered in their 20s in the financial crisis aftermath are now in their 30s, and have brought their lower wage levels with them. As we discussed in the introduction, this emphasizes the importance of considering how cohorts, not just age groups, have fared; as a cohort ages it carries its labour market experiences with it (something our spotlight analysis at the end of this section explores in detail in the context of the current crisis).

FIGURE 10: **Yorkshire and the Humber has experienced an especially pronounced fall in generational weekly pay progress**

Change in median real (CPIH-adjusted) weekly pay between cohorts at ages 28-29, by region: 1984-2019

SOURCE: RF analysis of ONS, Annual Survey of Hours and Earnings.



The result has been a halt to cohort-on-cohort pay progress at all ages, with younger cohorts actually earning less than predecessors at the same age. Building on recent Resolution Foundation analysis, Figure 10 (in which we switch to a focus on weekly pay, where trends are very similar to those for hourly pay) shows that this story varies quite considerably by region and nation of Great Britain. In particular, the 1986-1990 millennial cohorts in the North East and Wales have bucked the national trend and surpassed the weekly pay of those born ten years before them in the same areas, at ages 28-29. By contrast, this cohort in Yorkshire and the Humber had weekly pay at ages 28-29 a full 11 per cent below that of the 1976-1980 cohort, which had recorded the best improvement on the cohort 10 years before them of any region or nation. It should not be forgotten

that all three of these places have among the lowest pay levels in the country. But to the extent that people judge their lot not just on current levels but also in comparison to predecessors in their own area,[28] millennials in the North East appear to have cause to be more upbeat than those in Yorkshire. As our fuller analysis of these regional difference last year suggested, strong graduate retention in the North East after people go to university there looks to be one of the factors underpinning this outcome.[29]

Job quality was improving across the age range on some indicators, but zero-hours contracts and the rate of job mobility were blackspots

We have previously documented the rise in atypical and sometimes insecure work (such as zero-hours and agency contracts, and 'involuntary'[30] part-time and temporary work) following the financial crisis, that was particularly felt at younger ages.[31] In general, 2019 and early 2020 continued trends of recent years, which saw these forms of work steadily becoming less prevalent.

However, changes in the use of zero-hours contracts have moved in the opposite direction. Figure 11 shows that after a period of relative stability between 2014 and 2018, the proportion of people in employment on zero-hours contracts ticked up quite sharply in the year or so before the onset of the current crisis (from 1.9 per cent in 2018 to 2.6 per cent in 2019-2020). This increase was particularly marked for workers aged under-30 and over-65, where the prevalence of zero-hours contracts increased from close to three per cent to well above four per cent. It's not clear what was driving new growth in zero-hours contract usage in a tight labour market. We should remember that not everyone is unhappy about being on a zero-hours contract, although this group exhibits higher levels of dissatisfaction than other workers.[32] Nonetheless this outcome, and the U-shaped pattern of change across the age range that underpins it, is concerning in light of the coronavirus crisis and how that has affected those with atypical work arrangements.

28 The fact that 45 per cent of people in the UK only ever work in the place where they are born suggests they might. See: C Bosquet & H Overman, Why does birthplace matter so much?, Journal of Urban Economics 110, March 2019

29 For a fuller discussion of the intersection of place and intergenerational progress, see: M Gustafsson, Mapping millennials' living standards, Resolution Foundation, August 2019.

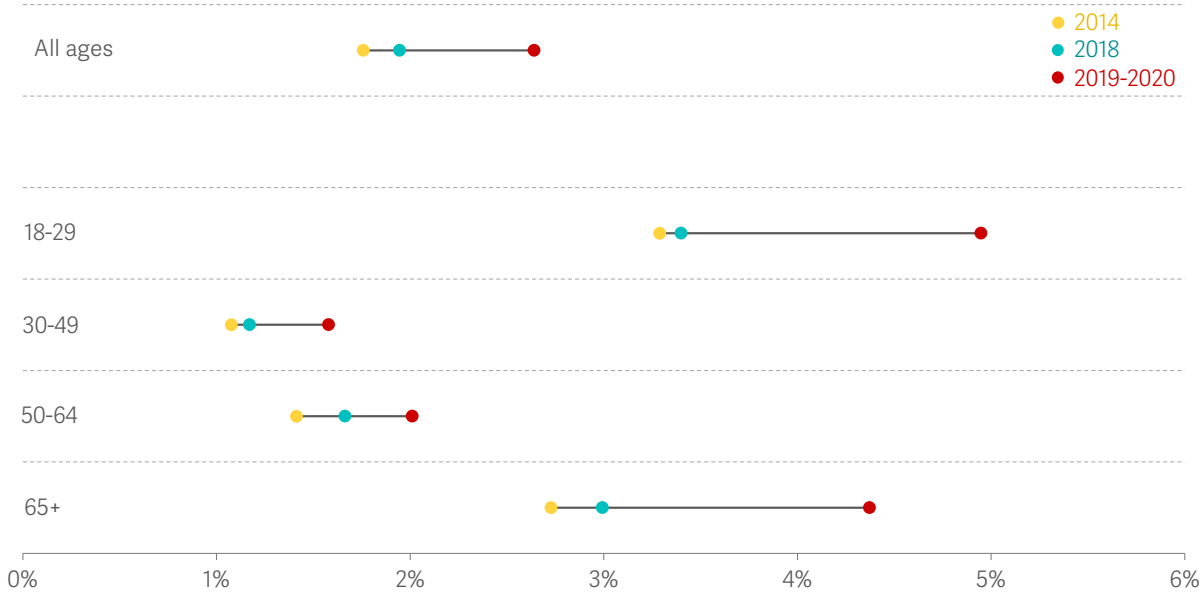
30 Meaning those in these forms of work who say they would prefer a full-time or permanent job.

31 See last year's audit: G Bangham et al., An intergenerational audit for the UK: 2019, Resolution Foundation, June 2019.

32 S Clarke & N Cominetti, Setting the record straight: How record employment has changed the UK, Resolution Foundation, January 2019.

FIGURE 11: **Zero-hours contracts have increased for the youngest and oldest workers**

Proportion of people in employment on a zero-hours contract, by age group: UK



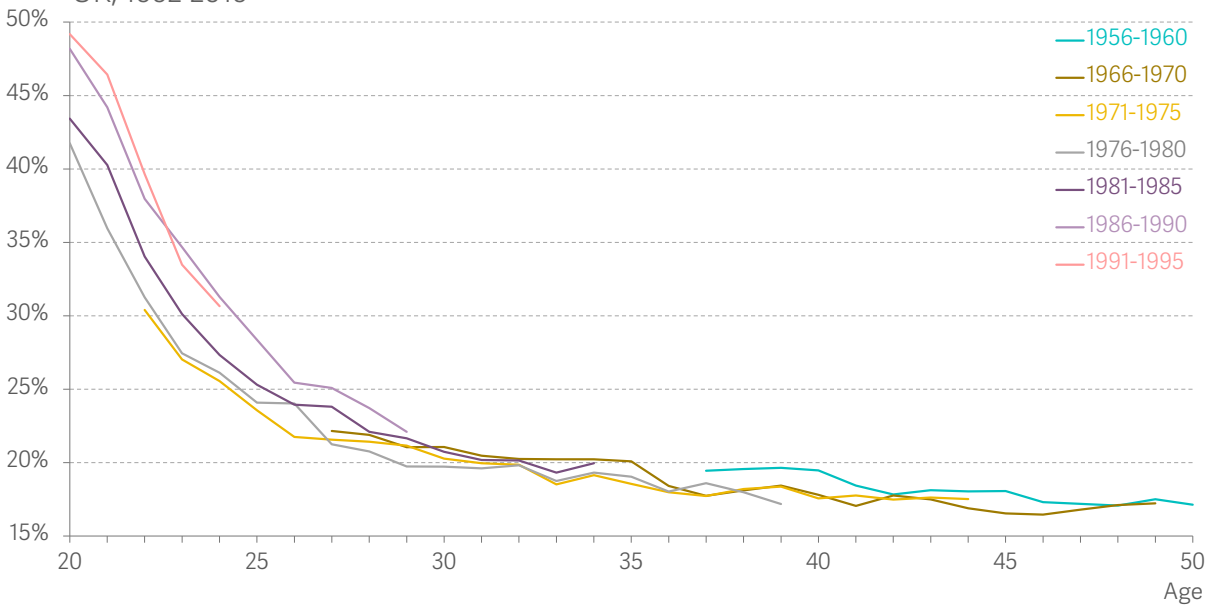
NOTES: 2019-2020 captures all of 2019 and the first half of 2020.
SOURCE: RF analysis of ONS, Labour Force Survey.

Another pre-pandemic trend that appears problematic in light of the pandemic is the rise in the degree of sectoral and occupational segmentation by age. We have previously documented the rising proportion of younger workers in the three lowest-paying occupational groups, which peaked in 2012, while overall occupational upgrading meant that the rates were flat or falling at older ages.[33] This figure has been falling since, but the proportion of younger (18-29-year-old) workers in the lowest-paying industries (retail, hospitality, and arts and leisure) has been more persistent.[34] It peaked at 34 per cent in 2016 and fell only slightly to 32 per cent in 2019. Meanwhile, the proportion of workers aged 30 and above in these sectors has been on a steady decline for more than two decades. This is shown from a cohort perspective in Figure 12. We find, for example, that at age 24, 26 per cent of the 1971-1975 cohort worked in these three low-paying sectors, a figure that rose to 31 per cent for the 1991-1995 cohort. As the following sub-section explores, this trend has played a key role in determining how the coronavirus pandemic has affected workers of different ages (and our spotlight analysis at the end of this section reflects further on young people's reliance on these sectors at the start of careers).

33 G Bangham et al., An intergenerational audit for the UK: 2019, Resolution Foundation, June 2019.
34 These are the three lowest-paying sectors, bar agriculture, which is comparatively very small.

FIGURE 12: **Successive cohorts have been more likely to work in key low-paying sectors at young ages**

Proportion of workers in the retail, hospitality, and arts and leisure sectors, by cohort: UK, 1992-2019



NOTES: This analysis overlooks a small discontinuity in the data connected to the change in the industry coding frame in 2009, because this does not have a noticeable effect on the proportion of workers in the sectors we focus on here at each age. The sectors we focus on are the three lowest-paying, bar agriculture which is comparatively very small.
SOURCE: RF analysis of ONS, Labour Force Survey.

One reason why we've not witnessed very rapid declines in atypical working, progression of young adults out of low-paying occupations and industries, or a particularly strong pay bounce-back in recent years is a subdued rate of job mobility relative to the strength of employment. Voluntary job-to-job moves (i.e. following resignation rather than redundancy) plummeted in the financial crisis and were slow to recover, particularly at younger ages. Worryingly, between 2018 and 2019 the mobility rate actually fell, by five per cent overall and by eight per cent for 18-29-year-olds.

This lack of job mobility when young is concerning because such moves (particularly when they coincide with moving to a different area – moves that have also become much less common, as our analysis last year showed) are an important way to progress careers and increase earnings.[35] Typical pay rises associated with job switches are many multiples of those for 'job stayers'.[36] And as we have detailed previously, the decline in job mobility is coupled with a worrying slowdown in the pace of cohort-on-cohort improvements in educational attainment that began in the early 2000s.[37] There are some tentative signs of this pace picking up a bit in recent years, with 41 per cent of the 1991-95

35 L Judge, Moving matters: Housing costs and labour market mobility, Resolution Foundation, June 2019.
36 Office for National Statistics, Employee earnings in the UK: 2019, October 2019.
37 K Henehan, Pick up the pace: The slowdown in educational attainment growth and its widespread effects, Resolution Foundation, March 2019.

cohort holding degree-or-equivalent qualifications at age 25, compared to 36 per cent of the cohort five years before them at that age. But the hangover from years of slow growth in the fraction going on to hold a degree, followed by slow rates of mobility when people enter the jobs market, help us to understand why challenges in terms of pay, sector and job quality for younger cohorts have endured so far beyond the financial crisis. Alongside the much more upbeat story on overall jobs numbers, this is a critical part of the labour market backdrop to the coronavirus crisis.

The impacts of the initial lockdown on different cohorts

Employment and hours fell for the youngest and oldest workers

It was clear from the outset that age would be an important factor in the effects of the coronavirus crisis on the labour market. The lockdown shuttered some sectors completely – the very sectors that young people have become increasingly concentrated in over recent decades, as discussed above. But these patterns are only just starting to show up in our go-to labour market data.

The headline unemployment rate only began to drift upwards in July this year as lockdown was easing, to 4.4 per cent, up from 3.8 per cent in June (reaching 4.1 per cent on the latest official, three-month measure). It had remained surprisingly low because most people furloughed on the Coronavirus JRS, self-isolating or caring for children while schools and childcare settings were closed tended to report themselves as employed in the Labour Force Survey.[38] The JRS (on which people are paid 80 per cent of pre-coronavirus wages, unless employers 'top up' the government contribution) has also made pay data rather hard to interpret (and with no discernible patterns across the age range as yet,[39] we do not discuss it further here).

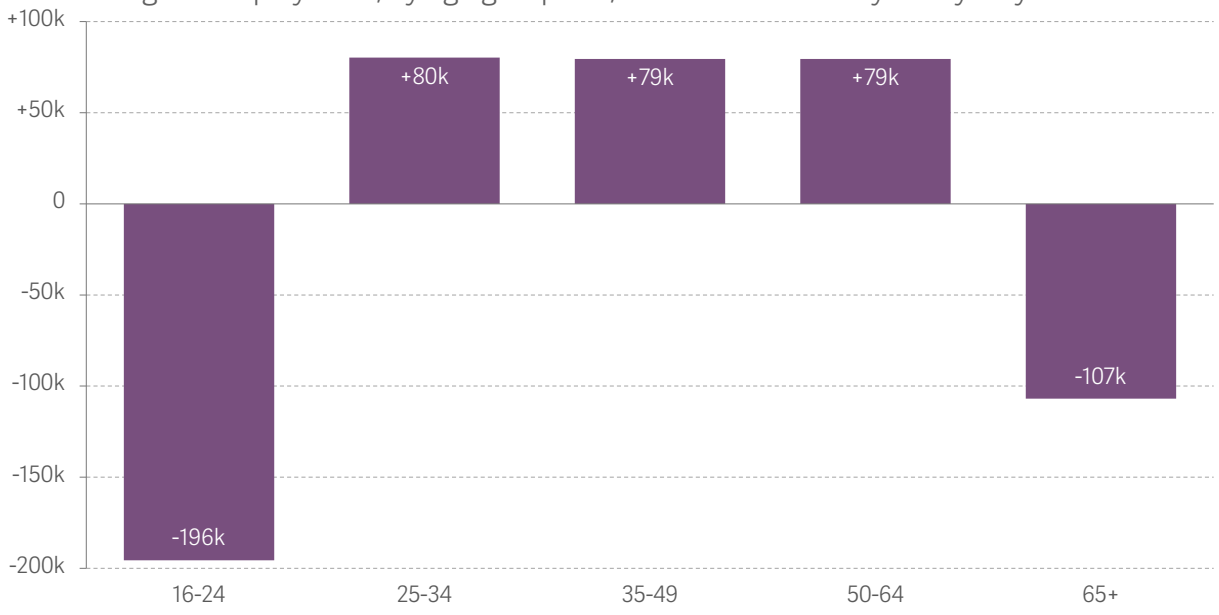
Nonetheless, the latest employment data is starting to show some divergent patterns by age, shown in Figure 13. While the overall employment rate hasn't shifted, employment during lockdown (in May-July 2020) was up on pre-pandemic levels for 25-64-year-olds, but down for the youngest and oldest.

38 For details, see: M Brewer, L Gardiner & K Handscomb, The truth will out: Understanding labour market statistics during the coronavirus crisis, Resolution Foundation, July 2020.

39 Understanding Society data comparing earnings in June 2020 to pre-coronavirus earnings suggests that weekly pay has fallen slightly in nominal terms for employees including furloughed workers, and risen slightly when furloughed workers are excluded. Both measures, and particularly the latter, will be affected by compositional changes stemming from the fact that lower-paid workers are more likely to be furloughed or stop working. Hourly pay has risen in both cases, reflecting these compositional effects plus the fact that many salaried workers (including non-furloughed workers) have reduced hours, pushing up implied hourly pay rates. There are no clear differences across the age range on any of these measures. Source: RF analysis of ISER, Understanding Society.

FIGURE 13: **During lockdown, employment fell for under-25s and those aged 65 and over**

Change in employment, by age group: UK, December-February – May-July 2020



SOURCE: RF analysis of ONS, Labour Market Statistics.

Similarly, official data on hours worked during lockdown – which will reflect furloughing and temporary absences from work, unlike employment and unemployment rates – tells a clear story across the age range. [40] Average hours worked fell between the final quarter of 2019 and the second quarter of 2020 by around one-third for the very youngest (aged under 22) and oldest (aged 65 and above) workers, compared to (still large) figures of around 15-20 per cent for those in their 30s and 40s. In what follows we turn to the more detailed (in relation to the crisis and policy response) coronavirus datasets that have been added to the Understanding Society longitudinal panel, to assess outcomes across the age range so far.

The youngest and oldest employees were most likely to be furloughed or move out of work

Turning first to the experience of employees, Figure 14 shows patterns of furloughing and worklessness by age in June 2020, for people who were in employee jobs prior to the beginning of the coronavirus outbreak. Consistent with outcomes in the earlier months of lockdown,[41] we find a pronounced U-shaped pattern, with under-30s and employees aged 65+ both more likely to have ever been furloughed in the March-June period,[42] or to find themselves out of work in June. The scale of worklessness may appear puzzling (5

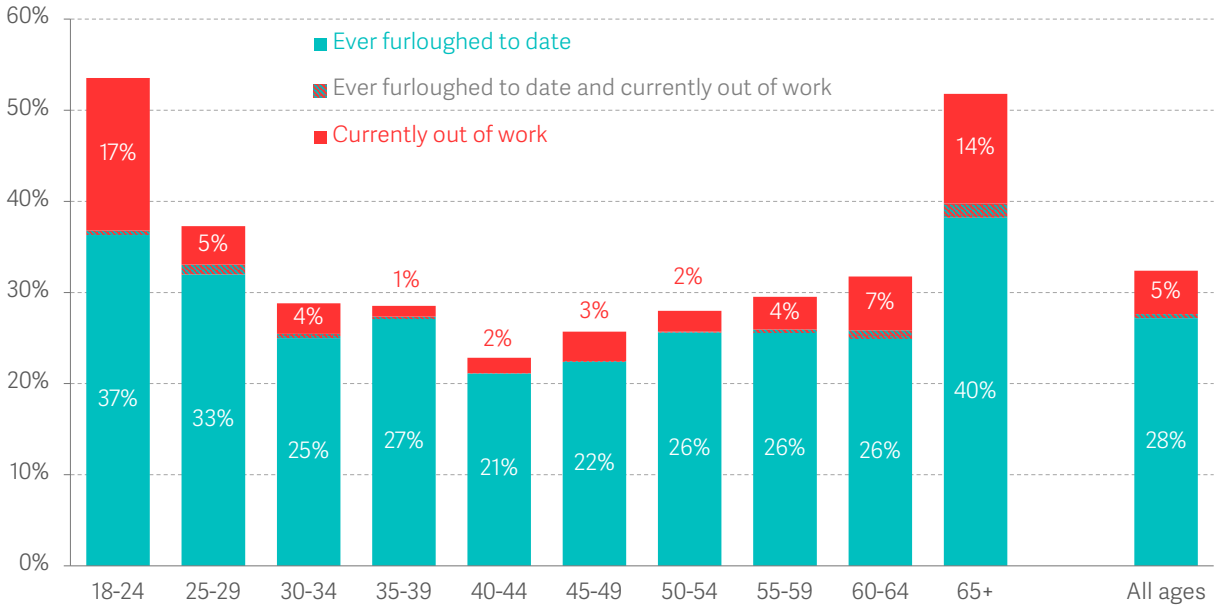
40 M Brewer & K Handscomb, All together now?: The impacts of the Government's coronavirus income support schemes across the age distribution, Resolution Foundation, September 2020.
41 N Cominetti, L Gardiner & H Slaughter, The Full Monty: Facing up to the challenge of the coronavirus labour market crisis, Resolution Foundation, June 2020.
42 We note that administrative data on the JRS shows a less marked increase in the take-up rate at the oldest ages. This is discussed in the spotlight analysis in Section 5.

per cent out of work at all ages) given the limited movement in official employment data, discussed above. This appears to be explained by employment inflows over this period in the Understanding Society data. Mirroring their lower chances of employment exit, these have been strongest for those in their 30s and early 40s.[43]

At the extremes, more than half of under-25s and people aged 65 and over who were employees before coronavirus had experienced furloughing or were out of work in June. Finally, the small shaded areas in Figure 14 show some very tentative evidence that the youngest and oldest employees had been more like to move from being furloughed prior to June to being out of work in June.

FIGURE 14: **Furloughing and job loss during lockdown displayed a U-shaped pattern by age**

Proportion of pre-coronavirus employees who have been furloughed during the coronavirus outbreak or are now out of work, by age group: UK, June 2020



NOTES: Base = all UK adults who had an employee job prior to the coronavirus outbreak. The furlough variable in Understanding Society is absorbing, meaning we can't completely identify those who had previously been furloughed but had come off furlough by June. Data labels include those who have both been furloughed and are currently out of work (the shaded areas).
SOURCE: RF analysis of ISER, Understanding Society.

These outcomes (and the sectoral patterns that underpin them, discussed below) will partly reflect the fact that workers aged 25-49 were more likely to be working from

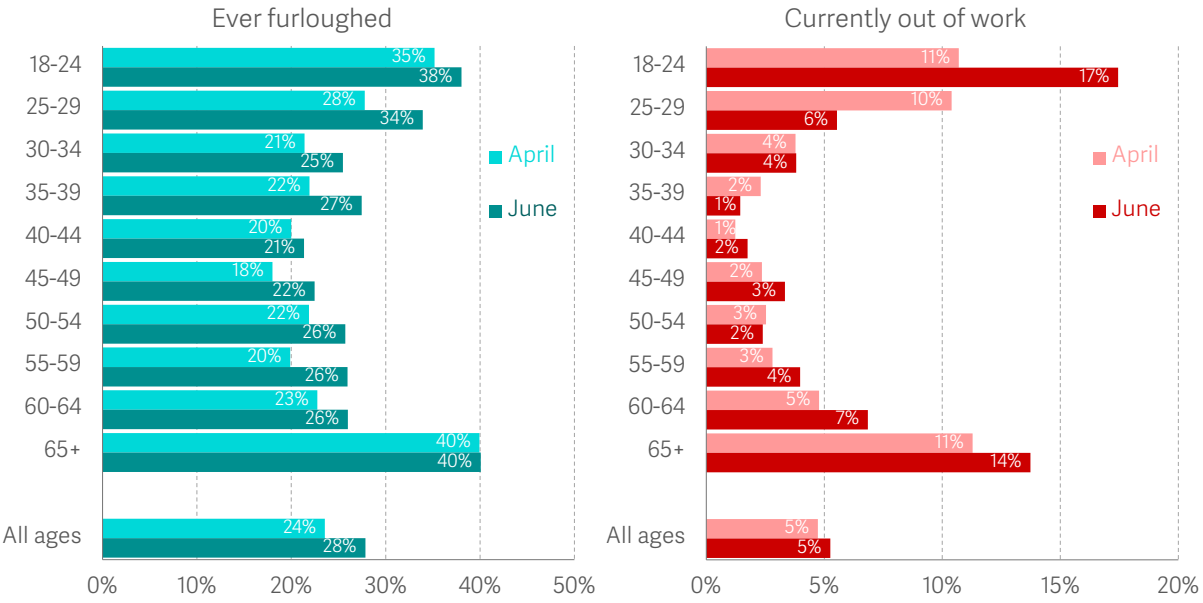
43 The official measure of employment fell by 220,000 between Q1 and Q2 2020, driven entirely by self-employment. The difference stems from the fact that our analysis of the Understanding Society data here focuses on the fortunes of those in employment before the outbreak started, and there will also be people who were out of work at that point but have since move in. Perhaps surprisingly, the Understanding Society data suggests that the number of people in employee jobs or self-employment in June 2020 who reported being out of work in January or February was three-fifths the size of the group flowing in the other direction. As will always be the case, the largest volume of job entries came from under-25s. But the chance of entering was highest among previously workless people in their 30s and early 40s (ages at which 18 per cent of people who were out of work prior to coronavirus had moved into work by June) – the same age groups where job exit has been least common.

home during lockdown than the youngest and oldest workers (33 per cent were in June, compared to less than a quarter of under-25s and 65-plus-age-olds).[44] In addition, under-30s were less likely to think of themselves as key workers.[45]

Figure 15 considers how this picture progressed over the main three months of lockdown, comparing rates of furloughing and worklessness in April and June, by age. The left-hand panel shows that the pattern of ever having been furloughed by age is fairly similar at these two points in time. In contrast, the right-hand panel of Figure 15 shows a clear picture of worklessness among those who were employees before coronavirus becoming more U-shaped by age over lockdown, with pronounced increases for under-25s and people aged 60+ between April and June. Rates were much more similar at these two points in time for 30-59-year-olds, and fell dramatically over the period for 25-29-year-olds (longitudinal analysis confirms this: 55 per cent of 25-29-year-olds who were in employee jobs before the crisis and reported being out of work in April or May were working again by June). This rapid improvement for 25-29-year-olds is an interesting finding that merits further exploration as more data becomes available.

FIGURE 15: **Job loss became more U-shaped by age during lockdown, furloughing less so**

Proportion of pre-coronavirus employees who have been furloughed during the coronavirus outbreak or are now out of work, by age group and month: UK, 2020



NOTES: Base = all UK adults who had an employee job prior to the coronavirus outbreak.
SOURCE: RF analysis of ISER, Understanding Society.

44 For earlier analysis showing the same pattern, see: M Gustafsson, Young workers in the coronavirus crisis: Findings from the Resolution Foundation's coronavirus survey, Resolution Foundation, May 2020.
45 Just over four-in-ten under-30s in work in June thought of themselves as key workers, compared to more than half of 30-64-year-olds. Source: RF analysis of ISER, Understanding Society.

As hinted at above, the stand-out feature of this labour market crisis is its highly sectoral nature. During lockdown some sectors – like hospitality, and arts and leisure – were effectively closed completely, while others continued largely uninterrupted (bar a shift to working from home). We have estimated that the variation in output falls across sectors during lockdown was more than six times as large as sectoral peak-to-trough output changes following the financial crisis.[46] Whatever the precise nature of the restrictions until we get a vaccine, it is certain that ongoing social distancing restrictions (and consumers' reticence to spend given the virus) will continue to affect some sectors far more than others.

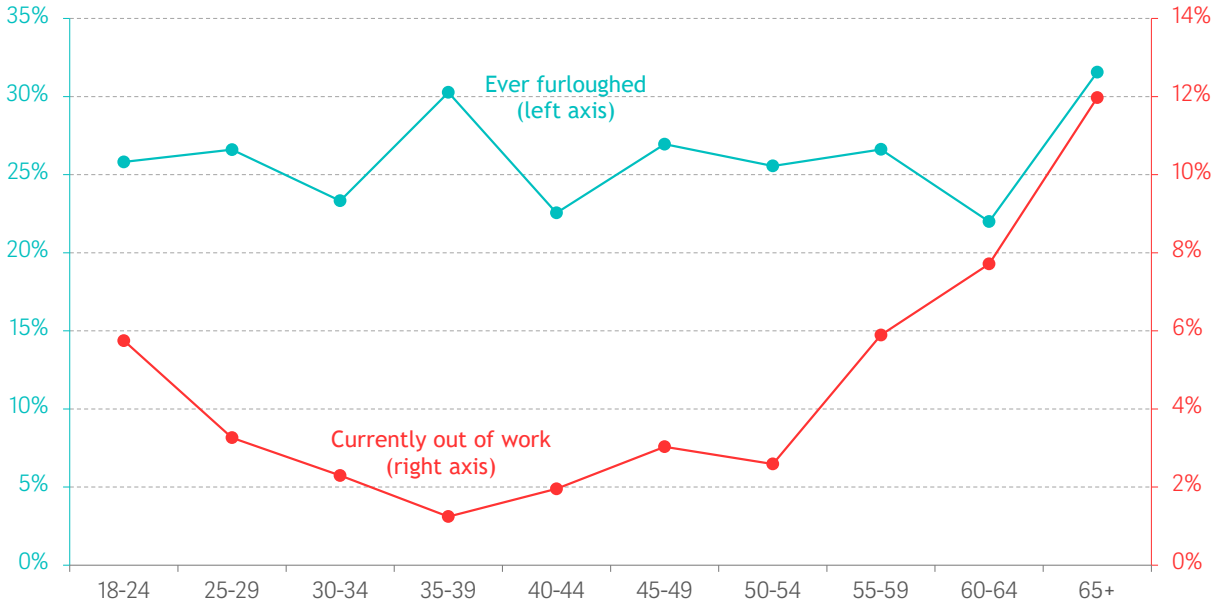
A key question, therefore, concerns the extent to which the sector an employee works in – rather than his or her age per se – determines the patterns we have so far set out. This is difficult to unpick because, as we showed in the previous sub-section, the key lockdown sectors of hospitality, arts and leisure, and retail have become increasingly common places for younger workers to find themselves, so we can't treat age and sector as completely separate from one another. Nonetheless, previous Resolution Foundation analysis suggested that, after controlling for sector and a range of other personal and job characteristics, younger and older employees were no more likely to have been furloughed or workless in April or early May than were prime-age employees. Beyond sector, the only significant factor in explaining furloughing (but not being out of work) was pay: employees in the bottom three earnings quintiles remained more likely than higher-paid workers to have been furloughed, all else equal.[47]

An updated assessment for June, which captures the stronger U-shaped worklessness pattern by age at that point, suggests that age had become a significant predictor of worklessness among those who were in employee jobs pre-coronavirus. This is shown via the predictive margins from logit regressions, in Figure 16, that confirms that the youngest employees were more likely than those in prime-age to be out of work in June, all else equal. We were not able to control fully for atypical and insecure forms of employment in this analysis, but separate analysis of employment impacts during the lockdown showed that they coincided with vastly higher furloughing and job loss than other contracts did.[48] So, alongside the shift towards low-paying sectors among the young, the growth of these contractual forms for the youngest and oldest workers pre-pandemic is likely to have had a bearing on lockdown employment effects.

46 T Bell, L Gardiner & D Tomlinson, Getting Britain working (safely) again: The next phase of the Coronavirus Job Retention Scheme, Resolution Foundation, May 2020.
47 N Cominetti, L Gardiner & H Slaughter, The Full Monty: Facing up to the challenge of the coronavirus labour market crisis, Resolution Foundation, June 2020.
48 L Gardiner & H Slaughter, The effects of the coronavirus crisis on workers: Flash findings from the Resolution Foundation's coronavirus survey, Resolution Foundation, May 2020.

FIGURE 16: **The youngest and particularly the oldest workers were more likely to have lost jobs in lockdown, all else equal**

Predicted proportion of pre-coronavirus employees who have been furloughed during the coronavirus outbreak or are out of work, after controlling for personal and job characteristics, by age group: UK, June 2020



NOTES: Base = all UK adults who had an employee job prior to the coronavirus outbreak. Predicted furloughing and worklessness rates are based on the results of a logit regression on sex, age, ethnicity, industry, whether public or private sector, qualification level, whether in a form of atypical work, firm size, hours worked previously, weekly earnings quintile previously, region, and an urban versus rural indicator.
SOURCE: RF analysis of ISER, Understanding Society.

The worklessness effects shown in Figure 16 are much bigger at the top of the age range: being 60 or older appears to have been a significant risk factor in employee job loss, over and above other personal and job characteristics. As recent research has detailed, there are big risks of long-term worklessness or early retirement within this group.[49] This may have important implications for retirement plans, and income. Pension freedoms may mean more exposure to the ups and downs of asset markets at the point of retirement, and more opportunity to drawdown pension wealth to bring forward consumption, perhaps putting living standards later in life under pressure.

The hit to self-employed people was huge, and felt by self-employed workers across the age range, although concentrated at older ages where self-employment is most likely

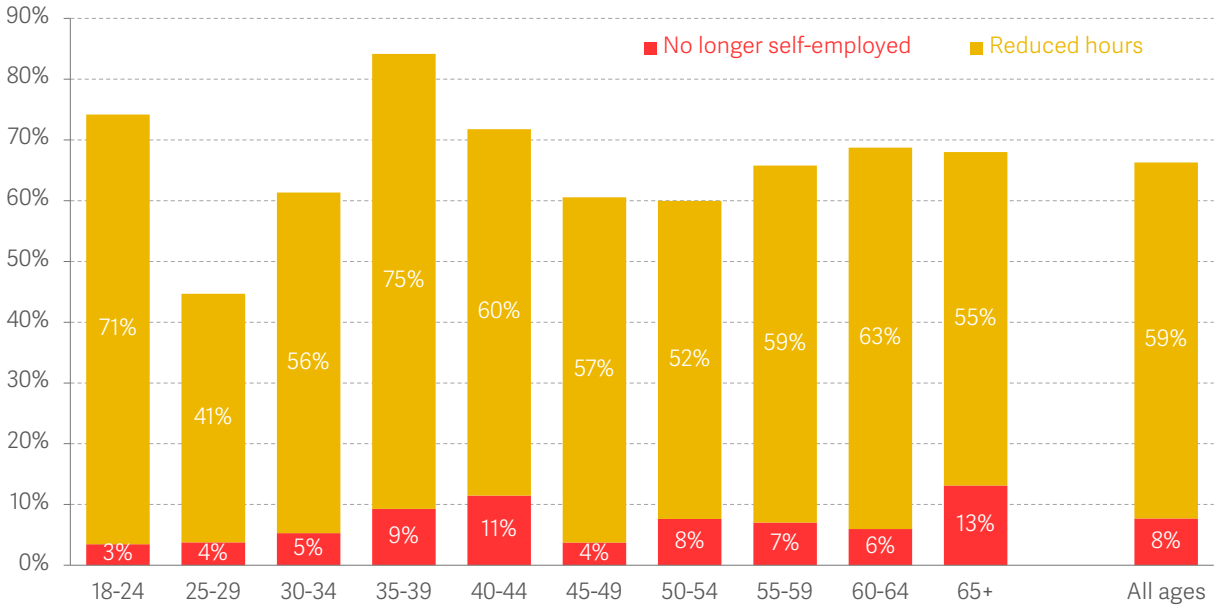
If that's the picture for employees, then what about the self-employed? The position in June is summarised in Figure 17. The clear message is of a very big initial hit to self-employment, with two-thirds (66 per cent) reducing hours compared to before

49 Centre for Ageing Better/Learning and Work Institute, A mid-life employment crisis: How COVID-19 will affect the job prospects of older workers, August 2020.

coronavirus, or stopping self-employment altogether (down from 72 per cent in April).[50] Figure 17 shows relatively even impacts on self-employed people across the age range. However, the fact that self-employed work is much more common when older means that absolute effects are concentrated among older workers: 64 per cent of self-employed people pre-coronavirus who were no longer self-employed in June, and 58 per cent who had reduced hours, are aged 50 and above.[51] Our spotlight analysis in Section 5 explores the age incidence of self-employment in more detail, as well as discussing which self-employed workers have benefited from the SEISS.

FIGURE 17: **The big hit to the self-employed during lockdown was felt by self-employed workers across the age range**

Proportion of pre-coronavirus self-employed workers who have experienced job changes during the coronavirus outbreak, by age group: UK, June 2020



NOTES: Base = all UK adults who were self-employed prior to the coronavirus outbreak (excluding those who also had employee jobs).
SOURCE: RF analysis of ISER, Understanding Society.

Taking the findings so far in this section together, then, the clear picture has been a less severe labour market hit to those in their 30s, 40s and 50s, compared to those at the start and end of their careers.

What next?

If that was the labour market picture for different age groups during lockdown, then

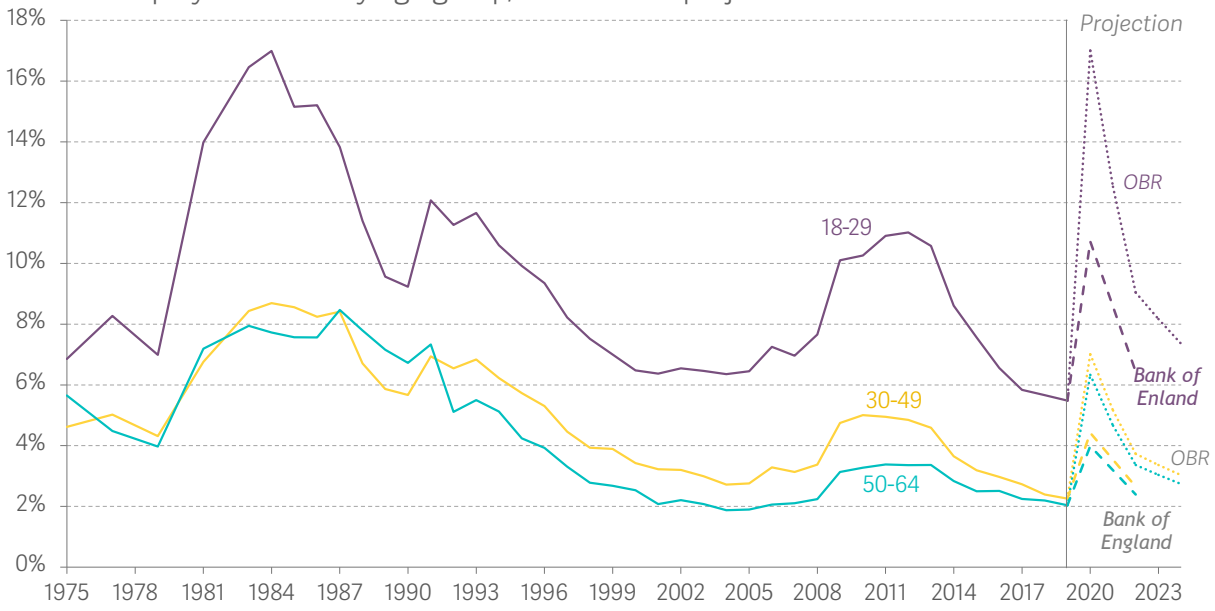
50 These findings match data collected in a survey designed specifically for the self-employed. See: J Blundell & S Machin, Self-employment in the Covid-19 crisis, Centre for Economic Performance Covid-19 analysis Paper No.003, May 2020.

51 For example, 48 per cent of people who were self-employed prior to coronavirus reported a weekly-earnings fall in May, compared to 22 per cent of people in employee jobs pre-coronavirus. See Figure 3 in: N Cominetti & L Gardiner, Earnings Outlook Q1 2020, Resolution Foundation, July 2020.

what might have followed, and still be ahead of us? The JRS and other factors did protect jobs initially, but it seems almost certain that unemployment will rise in late autumn and winter. In mid-September, about 2.3 million workers remained on the JRS and, although the Government has announced a follow-up programme, aspects of its design mean that it is highly unlikely to prevent a significant rise in unemployment.[52] Furthermore, the underlying near-term prospects for the economy remain weak, with ongoing supply constraints in labour-intensive sectors; the weakness of firms' balance sheets going into the crisis; the lack of inflation to deliver real wage adjustments (so that firms can allow wages to fall rather than shedding labour, as happened in the financial crisis); and the sheer uncertainty businesses face in the pre-vaccine period.[53] The recent reintroduction of restrictions only adds to these reasons for concern.

FIGURE 18: **The under-30 unemployment rate is set to rise rapidly**

Unemployment rate by age group, outturn and projections: UK



NOTES: Projection based on OBR forecasts in July 2020 and Bank of England forecast in August 2020. Outturn results based on calendar year averages; projections apply to Q4 of each year (with Q4 2020 representing the peak in both the OBR and Bank of England forecasts). We assume the same proportional increase in unemployment within each age group.
SOURCE: RF analysis of ONS, Annual Labour Force Survey (1975-1992); ONS, Labour Force Survey (1992-2020); OBR, Fiscal Sustainability Report – July 2020 (2020-2024); Bank of England, Monetary Policy Report – August 2020 (2020-2022).

Figure 18 presents an assessment for how unemployment across the age range might change in the next three years. We do this based on forecasts made by the Office for Budget Responsibility (OBR) (in July) and the Bank of England (in August), and assuming that the unemployment rise affects all ages equally (reflecting the fact that

52 T. Bell et al. The Winter (Economy Plan) is Coming, September 2020.
53 See: N Cominetti, L Gardiner & H Slaughter, The Full Monty: Facing up to the challenge of the coronavirus labour market crisis, Resolution Foundation, June 2020; P Gregg, Unemployment: The Coming Storm, UCL, June 2020.

unemployment increases at different ages were similar during the financial crisis).[54] If the Bank's forecast is closer to the truth, then the 18-29-year-old unemployment rate will reach 10.7 per cent, close to its height in the financial crisis; if the OBR is right, then the under-30 unemployment rate could surpass its peak in the 1980s. Either would imply a rapid deterioration in the cohort-on-cohort employment improvements we discussed at the beginning of this section.

What's more, there are reasons to believe that outcomes for younger workers could be relatively worse than the picture in Figure 18 suggests. That is because it might not be correct to assume equal proportional unemployment increases across the age range this time round. Previous Resolution Foundation analysis has drawn on Google mobility trends data from countries that lifted lockdown before the UK to create plausible scenarios for the medium-term (pre-vaccine) path of output in different sectors of the economy.[55] Figure 19 applies these sectoral output reductions (compared to pre-coronavirus output) to the employment mix at each age, to create a stylised metric for the proportion of jobs 'at risk' in the medium-term. The clear picture is that the youngest workers are most at risk, with a pretty even risk across the age range above the age of 25.

Finally, while our analysis of the recent period has focused more on employment than pay (particularly given current measurement challenges), we mustn't lose sight of the fact that this crisis risks damaging people's pay prospects, too – particularly those of younger adults. That is because individual pay rises are highest at the beginning of careers, in a large part driven by younger workers' higher rates of job mobility, discussed earlier in this section. In 2019, under-30s remaining in work had a typical real hourly pay rise of 5.3 per cent, and 'job switchers' (across ages) a pay rise of 6.9 per cent, compared to just 2 per cent across all employees.[56]

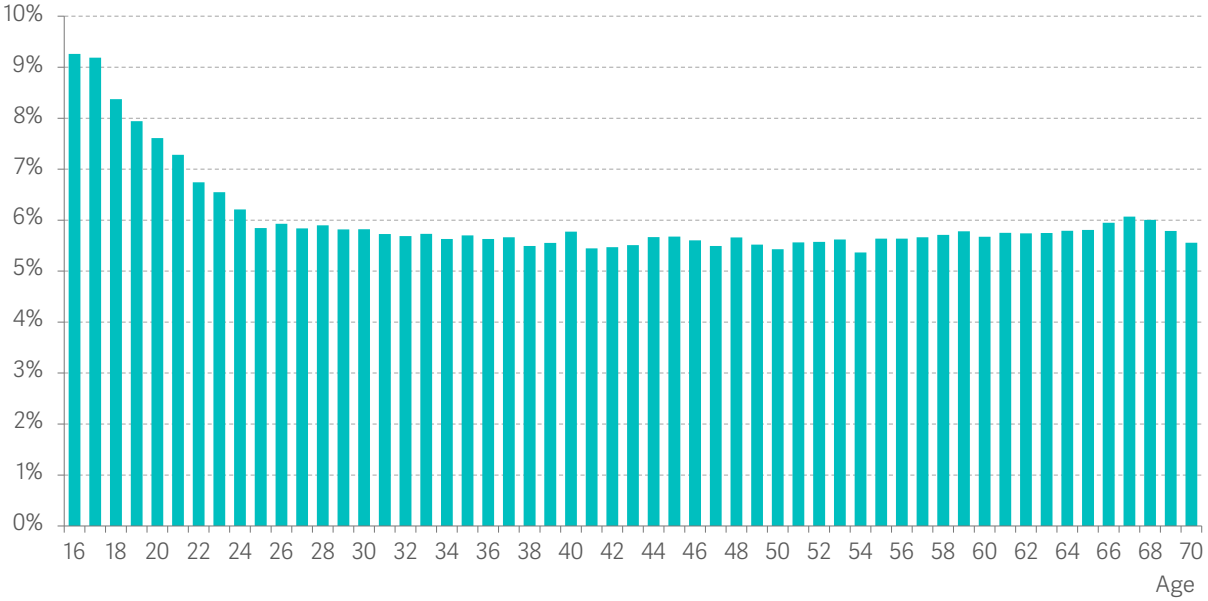
We note these facts here because the particular features of this crisis are likely to mitigate against this pay progress even more than in normal recessions (when job mobility tends to fall). Lockdown caused an unprecedented collapse in vacancies, particularly in the sectors that young adults are most likely to enter.[57] And the JRS and new Job Support Scheme, by design, hold millions of employees' jobs and pay 'on ice' in their February 2020 state. Such a freeze matters much more when you are at an age and stage when you would expect to be progressing fast. As we discussed above, there

54 For a detailed exploration of these two unemployment forecasts and the evidence in favour of each, see: J Leslie & J Smith, Macroeconomic Policy Outlook Q3 2020, Resolution Foundation, September 2020.
55 L Gardiner et al., Easing does it: Economic policy beyond the lockdown, Resolution Foundation, July 2020.
56 Source: RF analysis of ONS, Annual Survey of Hours and Earnings.
57 N Cominetti, L Gardiner & H Slaughter, The Full Monty: Facing up to the challenge of the coronavirus labour market crisis, Resolution Foundation, June 2020

is strong evidence that cohorts carry early labour market experiences with them as they age. So, we might expect to see the echoes of the 2020 hiatus in younger cohorts' future pay trajectories.

FIGURE 19: **The jobs of under-25s are most at risk from ongoing deficiencies in activity in affected sectors**

Stylised estimate of the proportion of jobs at risk in a 'pre-vaccine equilibrium', by age: UK



NOTES: Estimates based on Google mobility trends data, which can be used to capture and forecast the path of the recovery of output post-lockdown in other countries, across sectors of the economy. We use these to create a path for sectoral GVA to early 2021 (our assumed 'pre-vaccine normal'). To estimate 'at-risk' jobs we apply these sectoral GVA estimates to the industrial mix of employment at each age in 2019-2020. See L Gardiner et al., Easing does it: Economic policy beyond the lockdown, Resolution Foundation, July 2020.
SOURCE: RF analysis of ONS, Labour Force Survey; ONS, Google mobility trends.

A tentative conclusion from our forward-looking assessment, then, is that while initial lockdown effects have been quite U-shaped by age, with big negative effects for both the youngest and oldest workers, there are very good reasons to be more concerned about the job and pay prospects of the young in the period to come. One outcome that would temper this conclusion would be if the coronavirus crisis precipitates large-scale early retirement (something we discussed above, but have little data for consideration in terms of future prospects), with implications for the adequacy of retirement income.

The impact of the coronavirus labour market shock on the medium-term employment and pay trajectories of younger workers is a topic that our spotlight analysis that follows explores in depth, considering the ongoing 'scarring' effects of the coronavirus crisis on those unlucky enough to leave education and enter work in its midst.

Spotlight:

Class of 2020: Education leavers in the current crisis

Recessions scar young people's employment prospects and pay

Past experience tells us the impact of recessions are greater for those who have only recently left full-time education, in particular those with lower-level qualifications. Furthermore, we can now see that the cohorts that left education during the recession after the financial crisis have continued to suffer from lower employment rates compared to their counterparts who left education during more auspicious times.[58] And this has happened despite Britain's recovery from the financial crisis being characterised by a 'jobs boom'.

Here, we build on this previous Resolution Foundation Analysis of past recessions to estimate what the future might hold for young people leaving education during, and in the immediate aftermath of, the economic fallout from coronavirus. We use an econometric model drawing on pooled cross-sections of the Labour Force Survey in order to assess the effect of a rise in the unemployment rate (a proxy for wider economic conditions) upon the odds of recent education leavers being in work, being in low-skilled work, and on their average hourly pay.[59] In effect, our model compares employment outcomes for cohorts of education leavers that entered the labour market only a small number of years apart (i.e. in the midst of and after different recessions), while controlling for observed individual characteristics.[60] Our model is calibrated to the OBR's April 2020 unemployment forecasts, which had unemployment peaking at 10 per cent. Those forecasts have now been superseded, but this level lies somewhere in between the latest forecasts for the unemployment peak from the OBR and the Bank of England, which appears a reasonable position to take, as discussed in the previous sub-section.[61]

58 S Clarke, Growing pains: The impact of leaving education during a recession on earnings and employment, Resolution Foundation, May 2019.
59 S Clarke, Growing pains: the impact of leaving education during a recession on earnings and employment, Resolution Foundation, May 2019.
60 These regressions estimate the relationship between the unemployment rate (a proxy for prevailing economic conditions) at the time an individual left full-time education and subsequent labour market outcomes such as pay, employment and the type of job. They therefore control for the time at which a person entered the labour market and the experience they had when doing so, in addition to their qualifications.
61 In April, the OBR projected unemployment to be 10 per cent in Q2 2020, up 6.1 points from the 3.9 per cent unemployment rate that prevailed in Q2 2019. This is a very sharp rise, and indeed roughly twice the size of the average increase in the unemployment rate following the 1990-1991 and 2008-2009 recessions.

Our analysis focuses on the persistent effects of leaving education when unemployment is high, across entire *cohorts*.[62] This complements a wide body of research that focuses on the longer-term scarring effects on employment and pay among individuals who have themselves experienced spells of unemployment when young.[63] The analysis presented below is a summary of a longer paper, published in May this year, which provides more detail on methods and a broader presentation of results.[64]

This economic crisis could prove even more scarring for education leavers than recessions past

We first model the effects of an expected 6.1 percentage point increase in unemployment in the year after leaving education on the likelihood of being employed, according to the number of years since a person left education.[65] Figure 20 presents the results for graduates, mid-qualified and lower-qualified education leavers separately. We find, for instance, that three years after having left education during a recession, the likelihood of a graduate leaver being in employment is estimated to be 13 per cent lower than it would have been had the unemployment rate stayed flat (i.e. the economy not contracted). For those with mid- and lower-level qualifications, these figures are 27 and 37 per cent less likely, respectively.

As Figure 20 shows, our model implies that not only is the size of the recession's impact on employment larger for the lowest-qualified, but it lasts longer too. Of course, the length of time that we can expect scarring to persist depends in part on how quickly the economy recovers. Were the economy to recover more quickly than previous recessions, those leaving education in the economy may find work sooner than expected, with the quicker recovery serving to reduce the overall amount of scarring they'd experience in the longer term.

62 For other examples of this type of approach, see: P Oreopoulos et al., The short- and long-term career effects of graduating in a recession, American Economic Journal Applied Economics 4(1), January 2012; H Schwandt & T von Wachter, Unlucky cohorts: estimating the long-term effects of entering the labor market in a recession in large cross-sectional data sets, NBER Working Paper No. 25141, October 2018; L Kahn, The long-term labor market consequences of graduating from college in a bad economy, Labour Economics, 17(2), April 2010; 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.

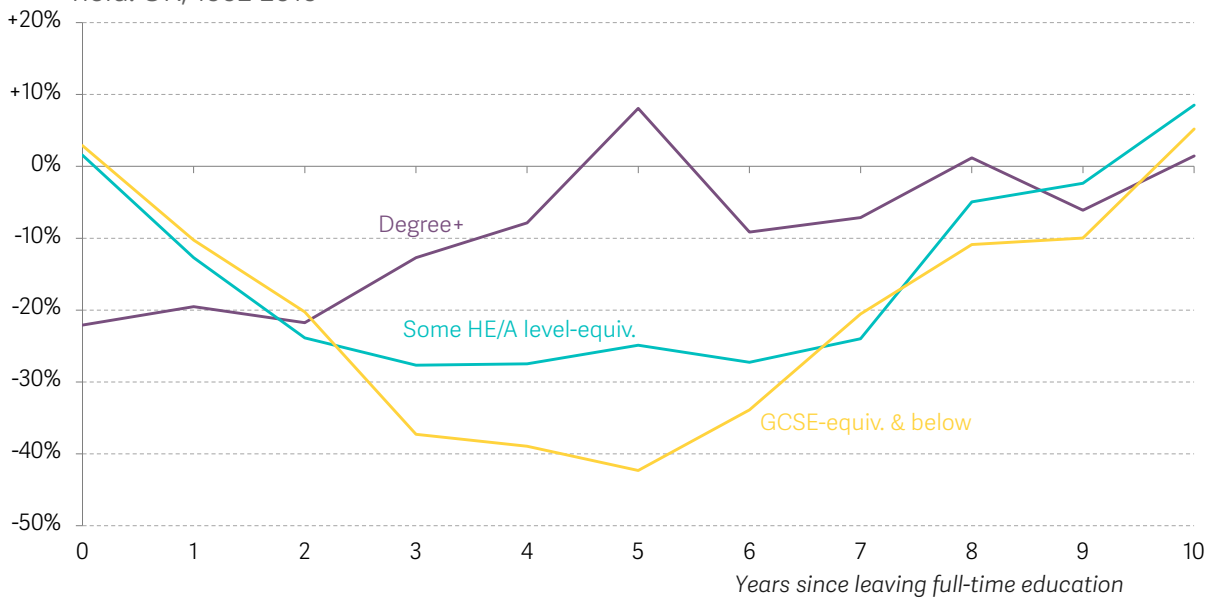
63 For example, see: W. Arulampalam, Is Unemployment Really Scarring? Effects of Unemployment Experiences on Wages, The Economic Journal 111(475), October 2008; P Gregg, The impact of youth unemployment on adult unemployment in the NCDS, The Economic Journal 111(475), November 2008.

64 K Henehan, Class of 2020: Education leavers in the current crisis, Resolution Foundation, May 2020.

65 This model uses the unemployment rate in the year after someone leaves education because we do not know the month someone left education; using the following year means we can be certain this is the unemployment rate that leavers would have been met with.

FIGURE 20: **The impact of coronavirus on unemployment is expected to reduce a low-skilled education leaver's chance of being in work by over one-third**

Change in chance of being employed for a 6.1 percentage point increase in the unemployment rate in the year after leaving full-time education, by highest qualification held: UK, 1992-2019



SOURCE: RF analysis of ONS, Labour Force Survey.

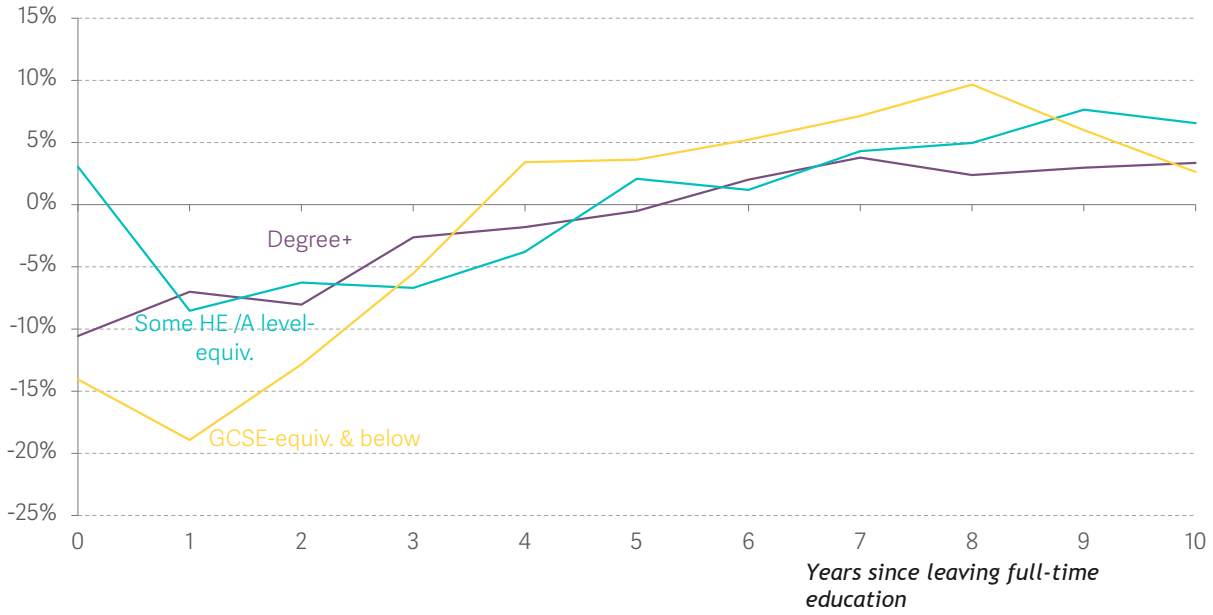
Economic downturns are likely to affect not just whether education leavers find jobs, but also their subsequent pay levels. Figure 21 models the effects of a 6.1 percentage point increase in unemployment when leaving education on average real hourly pay (for those who go on to find work), according to highest qualification achieved and the number of years since leaving.

Two years after leaving full-time education, the real hourly pay of new graduates in the current crisis is expected be 8 per cent lower than had the economy remained stable. Pay for mid-qualified leavers would be six per cent lower and lower-qualified leavers' pay would be 13 per cent lower.

Although the initial effects on pay are larger for those with lower-level qualifications, the slightly smaller effects on mid- and higher-qualified education leavers appear to last a bit longer. However, these estimates need to be considered alongside the odds of education leavers being in work in the first place. Figure 20 showed that under a downturn as severe as the OBR's April projections imply we are experiencing, the likelihood of a lower-qualified education leaver being employed as many as five years after having left education is around two-fifths lower than had the economy not taken a turn for the worse.

FIGURE 21: **In the first three years after leaving education, average hourly pay for today's education leavers is expected to be up to one-fifth lower than it would have been absent the current crisis**

Change in average hourly pay for a 6.1 percentage point increase in the unemployment rate in the year after leaving education, by highest qualification held: UK, 1992-2019



SOURCE: RF analysis of ONS, Labour Force Survey.

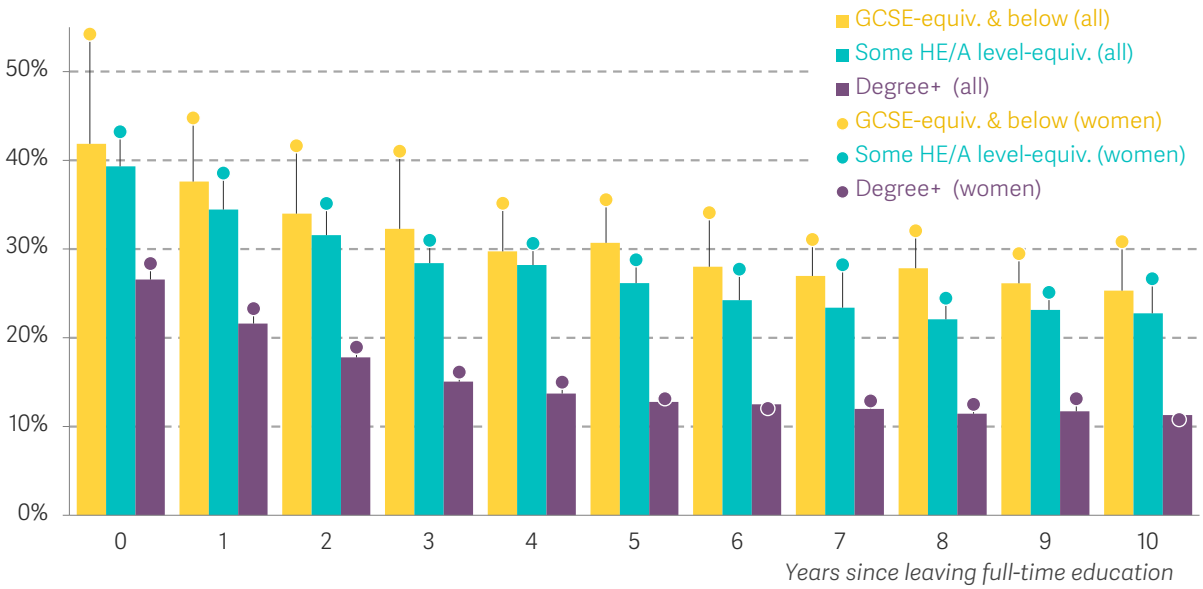
Unlike previous recessions, the most-affected sectors are those that attract a large proportion of those leaving education

So far, we have used data on past education leavers' experience in the labour market in order to predict how today's leavers may fare, in terms of employment and pay, over their first years outside full-time education. The regression models that we use, however, cannot account for the fact that the crisis has affected sectors very differently this time around. For example, Figure 22 shows the proportion of education leavers, by qualification and years since having left full-time education, that work in one of the sectors that were heavily affected during lockdown.[66] It shows that in their first three years after having left education, more than one-third of non-graduate leavers worked in a shutdown sector. One year after leaving education, more than one-in-five graduates work in these sectors.

66 See: M Gustafsson & C McCurdy, Risky business, Economic impacts of the coronavirus crisis on different groups of workers, Resolution Foundation, April 2020.

FIGURE 22: **A larger proportion of non-graduate leavers begin their careers in shutdown sectors**

Proportion working in coronavirus shutdown sectors, by number years since leaving full-time education and highest qualification held: UK, 2009-2019



NOTES: Sectors are: wholesale and retail trade, and repair of motor vehicles; retail excluding food and general retailers; passenger air, sea and river transport; taxi drivers; hotels, restaurants and pubs; real estate activities; photographic activities; renting and leasing of motor vehicles and personal household goods; travel and tour operators; cleaning activities; organisation of conventions and trade shows; other education (sports, recreation, cultural, driving school); arts, entertainment and recreation; repair of personal household goods; dry-cleaning, hairdressing, and physical well-being activities.
SOURCE: RF analysis of ONS, Labour Force Survey.

Moreover, working in a highly affected sector appears to occur more frequently among women (and in particular women qualified to GCSE or equivalent levels) than among the wider leaver population. For instance, the red dots in Figure 22 show that in the year they left education, just under 55 per cent of young women worked in one of these shutdown sectors; and even three years after leaving education, more than 40 per cent of continued to do so. In other words, these sectors serve as something of first rung into the jobs market for a large proportion of education leavers, including nearly half of lower-qualified women in their first years out of school or college.

This is important because an important mechanism behind the pay scarring that we showed in Figure 21 is that, during and following recessions, education leavers at all levels, and graduates in particular, first 'trade down' to lower-skilled occupations, and then get stuck there due to depressed job mobility. But many of the lower-paying roles that education leavers have tended to enter in their first years in the labour market are still operating way below pre-crisis levels now, and are unlikely to reach full capacity in the near future. In other words, the first rung of the employment ladder looks to be broken, and it is unclear when (if ever) it will be mended back to recent conditions.

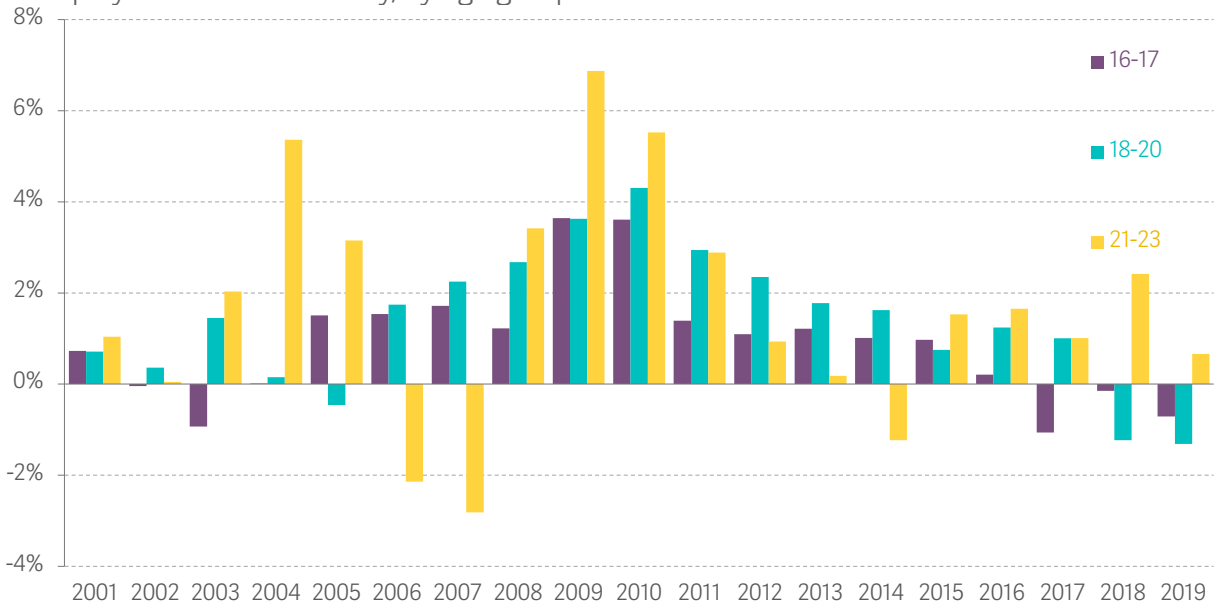
Given these scarring effects for education leavers, it is unsurprising that many stayed on in education in the previous crisis

The analysis so far has identified the extent to which leavers in previous recessions were scarred in terms of both employment and pay. To the extent that staying in education during the worst of the crisis can prevent young people from experiencing that level of scarring (and to say nothing about the benefits of additional human capital), we might expect some young people to have 'ridden out' the worst of the 2008-2009 recession in education.

There is indeed some evidence of this. For instance, the proportion of 16-17-year-olds in full-time education rose from 77 to 85 per cent between 2007 and 2011; among those 18-20-year-olds full-time participation grew from 43 to 49 per cent and among 21-23-year-olds it rose from 18 to 23 per cent. Impressive as that recession-era growth in staying on may seem in isolation, it needs to be disentangled from broader increases in educational participation. To that end, Figure 23 tracks year-on-year changes in the proportion of each age group studying on a full-time basis.

FIGURE 23: **Among 16-23-year-olds, full-time education participation grew more rapidly during the financial crisis**

Annual change in the proportion of young people in full-time study at a school, college, polytechnic or university, by age group: UK



NOTES: Bars are smoothed using a two-year rolling average.
SOURCE: RF analysis of ONS, Labour Force Survey.

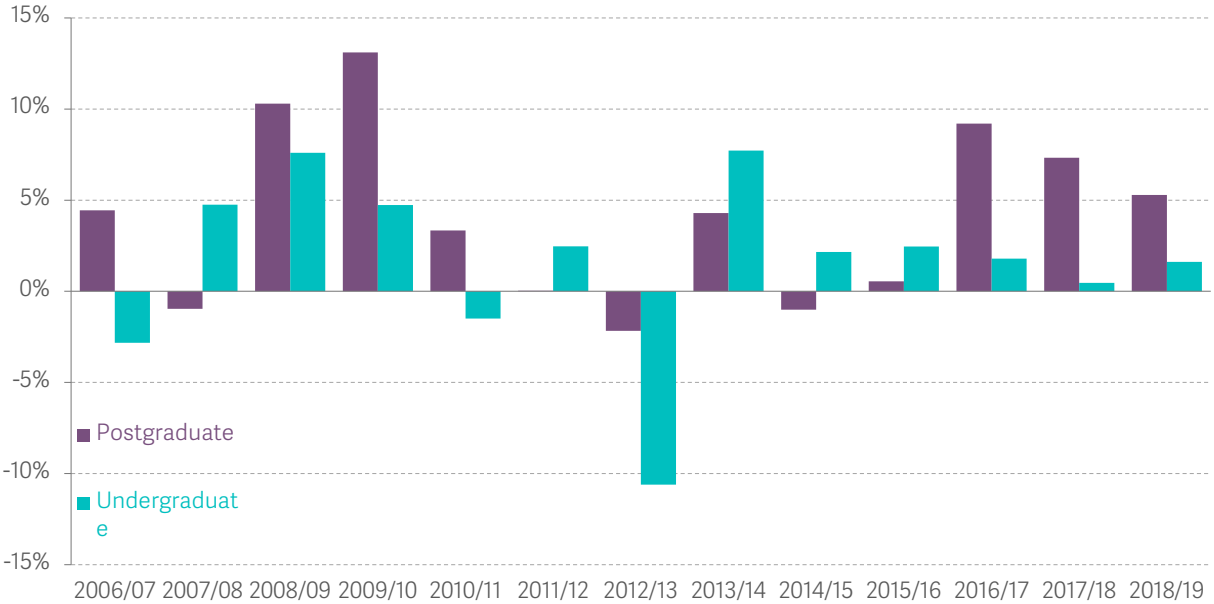
While the rate of growth in full-time participation rose among all groups between 2008 and 2010, the change among 21-23-year-olds was largest, with participation growing by seven per cent between 2008 and 2009. These patterns lend some credence to the

suggestion that young people in general have in the past attempted to seek shelter in education during a recession. However, the reasonably large rate of increase that occurred among 21-23-year-olds hints specifically at graduates forestalling their entry into the labour market in order to study a Master's degree.

One additional way of probing this outcome is by looking at the year-on-year change in the number of first year higher-education students, as shown in Figure 24. While figures that specifically show study by level and mode (i.e. part-time and full-time) are only available from the 2005/06 academic year, there is a clear indication of growth – particularly among full-time, first-year postgraduate students – in 2008/09, 2009/10 and 2010/11 (the onset and peak of the last recession), which would be consistent with graduates delaying their entry into the labour market.

FIGURE 24: **The number of students in full-time postgraduate and undergraduate study rose in the years surrounding the financial crisis**

Annual change in the number of full-time, first-year higher education students, by qualification type: UK



NOTES: These figures include both UK and non-UK domiciled students.
SOURCE: Higher Education Statistics Agency.

Young people will have a range of reasons for wanting to stay on in education, from 'riding out the storm' to additional learning

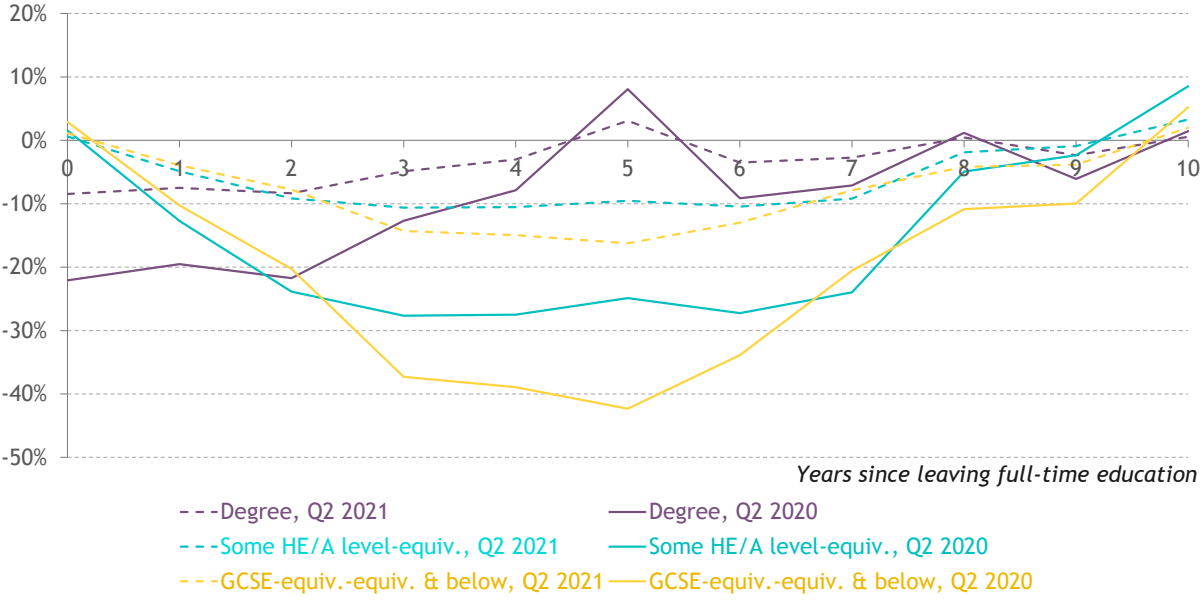
The assumption propping up the 'ride out the storm' narrative mentioned above is that, in the midst of a recession, young people will opt to stay on in education not only for the benefits of the extra education gained but also to avoid unemployment and any gaps in

their CV that could, in time, bias employers against them. As a starting point for thinking about this 'delay' strategy, the regression results shown earlier in this note are instructive.

Taking employment, for example, Figure 25 suggests a lower-skilled young adult delaying education exit by a year in this crisis (which we model as bringing the unemployment rate upon leaving education down from the 10 per cent forecast by the OBR for 2020 to the 6.2 per cent rate forecast for 2021) might see the hit to their employment rate three years after leaving reduced from 37 per cent to just 18 per cent. Ultimately, of course, the size of the benefit incurred by staying in education for an additional year hinges not just on the prevailing unemployment rate near to the time a person leaves education, but also on the speed at which unemployment falls back down, and there are big question marks over how quickly this will happen in this crisis.

FIGURE 25: **Depending on the shape of the current recession, graduates who stay on in education could be substantially shielded from negative employment scarring**

Change in chance of being employed for a 6.1 percentage point (2020) and 2.3 percentage point (2021) increase in the unemployment rate in the year after leaving full-time education, by highest qualification held: UK, 1992-2019



NOTES: The 2020 scenario is modelled based on the change in the unemployment rate between Q2 2019 and Q2 2020 in the OBR's coronavirus forecasts; the 2021 scenario is modelled based on the change in the unemployment rate between Q2 2019 and Q2 2021 in the OBR's coronavirus forecasts.
SOURCE: RF analysis of ONS, Labour Force Survey.

Another motivation to stay in education can be the lower personal cost of any foregone earnings: the biggest cost of staying on in education has always been the foregone earnings, but the decline in job and pay prospects during a recession lowers this cost. Young people deciding between leaving and staying are likely to weigh up how much

better off they'd be by gaining an additional qualification (and any future pay premium that comes with it) compared to going into work and accumulating earnings from a younger age. However, these calculations may need to be adjusted in a recession, when leavers' prospects of finding a decent job are substantially lower than in better conditions. Finally, the unique sectoral effects that have to date characterised this crisis may offer another reason still for young people – and especially those with lower-level qualifications – to stay on in education.

Whatever a person's reason for staying on, many will face substantial hurdles in their attempts to do so. And the large number of education leavers approaching the jobs market head on will struggle to find work. With this in mind, we turn to policy options that could support these groups.

Government should consider policies that help young people to stay on in study, as well as helping leavers navigate a treacherous labour market

The economic fallout from coronavirus will bring substantial challenges to young people. Although some of these challenges, like high unemployment and a scarcity of job openings, were prominent features in past recessions, other challenges – ranging from school, college and university closures to near-shutdowns of certain sectors – are unique to the present crisis. Many young people have had their education interrupted, with a large socioeconomic divide between those who do and do not have the support and resources to learn effectively from a distance.[67]

Our longer paper, published in May, highlighted a number of policy responses for the Government to consider at that point in order to alleviate some of the challenges this group faces.[68] These were broken down into two broad categories: those that will remove barriers for leavers who opt to stay on in education, and those that will help young people navigate their entry into a highly treacherous labour market. Given the temporality of many of those suggestions, we provide only a short summary here.

We encouraged the Government to pursue policies that would both help young people in their ability to continue studying, and also help higher and further education institutions to provide opportunities. These included providing maintenance support for young people in all levels of tertiary education, including low- and mid-level qualifications, as well as well as adding flexibility to the university admissions system for those who wanted to apply. Because students across schools, colleges and universities have had their education, advice and networking opportunities interrupted, if not cut off entirely,

67 See: C Cullinane & R Montacute, Covid 19 impacts: school shutdown, Sutton Trust, April 2020.
68 K Henehan, Class of 2020: Education leavers in the current crisis, Resolution Foundation, May 2020.

we also recommended that the Government consider creating an education leaver innovation fund. We suggested that schools, colleges and universities put forward proposals for additional teaching, advice, and services matching leavers to employers – providing them work experience when vacancies are short on the ground.

These policies were not all pursued – although other policy promoting education have been, as we discuss below – so what has happened to continuing study? We have no data on further education entry, but we do have information on higher education entry. The latest available figures from the Universities and Colleges Admissions Service (UCAS) indicate that education was a more popular destination among this year's group of 18-year-old school leavers than it had been for previous cohorts. As of 10 September, 36.4 per cent (253,890) of all UK-domiciled 18-year-olds had a confirmed higher education place – a record high placement rate.[69] Moreover, 2020 marked the largest year-on-year increase in September placements rates on record, up 8 per cent from 2019.[70] Despite some expectation that students would defer their place over the 2020/21 year, the proportion who have done so is not substantially different from last year.[71] Encouragingly, the proportion of 18-year-olds from the most deprived areas with a confirmed place also reached a record high, at 27 per cent.[72] This is 10 per cent higher than the previous year, and also marks the largest year-on-year increase in September placements rates among 18-year-olds from the most deprived areas.[73]

Of course, these outcomes are partly driven by the last-minute policy switch on exam grading over the Summer, leading to higher-than-expected numbers achieving entry requirements. It could be said that the Government took on the spirit of our suggestion to help young people 'ride out the storm' in education by accident.

In addition to this, on the 29th of September, the Government announced plans to make Level 3 (A level-equivalent) courses free of charge for adults who are both over the age of 24 and do not already have a Level 3 qualification. (This provision is already free for those age 23 and younger.) While this policy change will not directly affect 2020 school leavers (as they are under the age of 24), it will make it easier for other non-graduates to return to study and is therefore welcome.[74]

We recommended that the second set of policies, designed to help leavers who will enter the labour market, should be grounded in the fact that we are likely to see considerable

69 10 September marks 28 days after students receive their A level, and other Level 3, exam results. While there will be some changes in the number of students who have been offered a place at this point, UCAS notes that in most years, 95 per cent of all places are confirmed by this date – making this a reliable indicator of the proportion of 18-year-olds who will be offered a place in the academic year.
70 Universities and Colleges Admissions Service, Daily clearing analysis: 10 September 2020, published 24 September 2020.
71 5.4 per cent of all-age applicants with a confirmed place deferred as of 10 September 2019, as compared to 5.7 per cent who had done so as of 10 September 2020.
72 Indices of Multiple Deprivation (IMD) quintile 1.
73 Universities and Colleges Admissions Service, Daily clearing analysis: 10 September 2020, published 24 September 2020.
74 See: F Elliott, Coronavirus jobs crisis: PM promises free courses and flexible loans, The Times, 29 September 2020.

diversity among the recently unemployed. Some may have left education with an apprenticeship or a career destination in mind, only to find their sector of choice in severe contraction. Others will lack basic numeracy and literacy skills, with few specific job destinations in their plans. The tight labour market of recent years was successful in bringing lower-qualified young people into employment, but they will struggle the most in a loose labour market.[75]

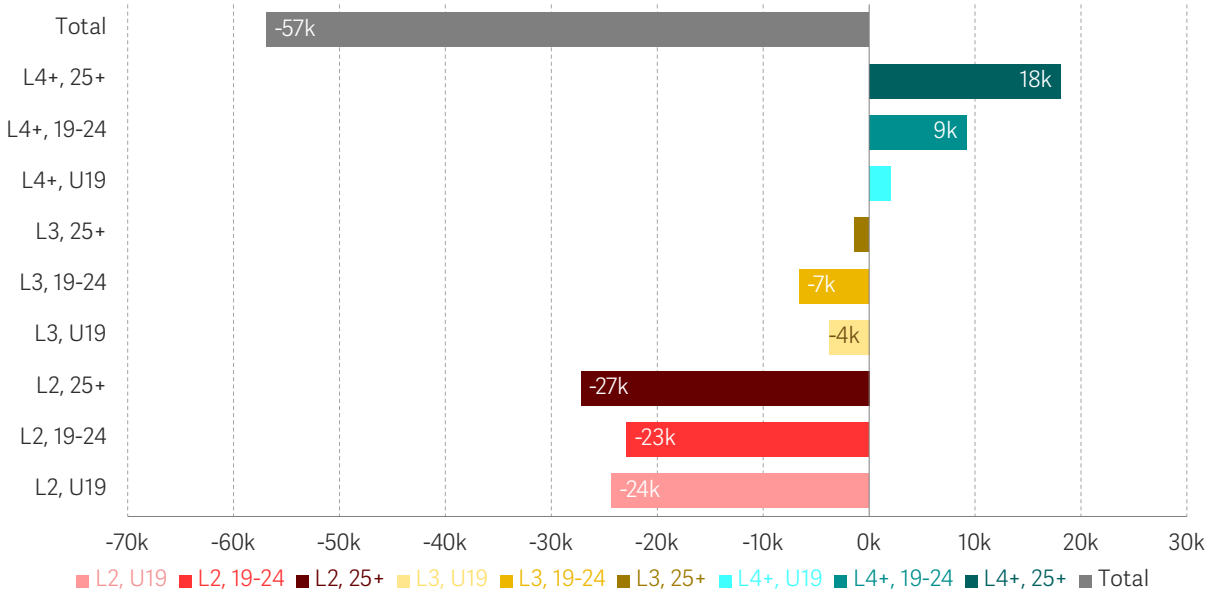
One-on-one advice and support is an important triage tool, but with so few job vacancies opening up, much more will be needed to stave off high levels of youth unemployment. To that end, we recommended that the Government learn from the successes and challenges of the Future Jobs Fund, and develop a job guarantee under which public and private sector employers offer temporary paid jobs to unemployed young adults. The state would cover the wage costs, and the programme would be structured to provide intensive support and target job outcomes. This recommendation was enacted in the Kickstart Scheme, announced in July and set to provide six-month temporary jobs to more than 300,000 young adults at risk of long-term unemployment.

In order to help young people who otherwise would have been destined for an apprenticeship, and given the fall in apprenticeship starts going to younger people (Figure 26), we recommended that the Government prioritise the smaller number of apprenticeship vacancies that remain for younger apprentices under age 25. Additional safeguards to ensure that apprenticeships for 16-17-year-olds do not fall off of a cliff any more than they already have were also recommended. For those young people who had specific career destinations in mind, we called on the Government to pursue a sectoral approach: working with employers to provide work experience and job interviews in sectors that match young leavers' interests and previous study aims.

75 On the 29th of September, the Government announced plans to make Level 3 (A level-equivalent) courses free of charge for adults who are both over the age of 24 and do not already have a Level 3 qualification. (This provision is already free for those age 23 and younger.) While this policy change is welcome in that it will in make it easier for some adults to return to study, it will have little impact on those young people (most of whom are under the age of 24) leaving school with lower level qualifications this year. See: F Elliott, Coronavirus jobs crisis: PM promises free courses and flexible loans, The Times, 29 September 2020.

FIGURE 26: **There has been a large fall in the number of apprenticeship starts going to younger people**

Change in apprenticeship starts, by age and level of study: England, August-December 2015/16 to August-December 2018/19



SOURCE: RF analysis of DfE, Apprenticeship and levy statistics.

Conclusion

The frightening scenarios set out in our analysis help to underscore the important role that swift, and sweeping, policy could play in reducing the amount of scarring that today's education leavers experience. We argued earlier this year that this should include policies to support those entering the treacherous labour market, running the gamut from advice to job guarantee schemes such as the Kickstart Scheme that has now been put in place. In addition, measures to help those who would benefit from staying in education for a little longer were, and continue to be, required. The health and economic consequences of coronavirus are on a scale that few had previously imagined, but the past can teach us lessons about how to avoid some of the worst effects.

Section 4

Housing costs and security

- Before the current crisis, the recent increase in home ownership among under-30s continued, but so did the prevalence of young adults living with parents.
- The ongoing tenure shift towards lower-cost ownership has meant that housing-cost-to-income ratios fell slightly for under-30s in the years up to 2018-19. On the other hand, for some lower-income renters in this group, reductions to Housing Benefit generosity increased the burden that housing costs put on incomes.
- During lockdown, significant minorities of working-age families fell behind on housing payments, particularly renters. Overall differences across the age range were small, although more recent data from July suggests that falling behind with housing payments had become most common at the youngest ages.
- As well as differential pressures on incomes and other spending, this will reflect the different coping strategies available: from housing cost holidays particularly accessed by mortgagors in their 30s and 40s, to the fact that younger adults have been most able to move, mostly to their parents' houses.
- Looking to the future, our analysis speculates on whether potential house price falls might accelerate the trend of younger adults getting into home ownership. We remain sceptical given concurrent income falls, possible credit tightening, and the fact that the temporary Stamp Duty holiday does little to benefit them.
- Our spotlight analysis explores the topic of living conditions, which has come to the fore during the pandemic. We highlight significant differences between age groups, with worse conditions among younger adults, determined in a large part by pre-pandemic tenure trends. Through analysis of changes in psychological well-being across tenures, we show that the lockdown has made these pre-existing problems with housing conditions matter more.

Developments prior to the current crisis

Youth ownership continues to increase, but big home ownership rate gaps persist between cohorts

The marked decline in home ownership rates is a large part of the reason that housing has grown in political salience in recent years. We begin our investigation of housing costs and security for different cohorts with a focus on tenure, tracking the family unit rather than household measures of home ownership (which fail to capture the living arrangements of many young adults, such as those living with friends or family, or renting as a group).[76]

As we have showed elsewhere, the long-term picture is one of home ownership rates and social renting both falling in recent decades. [77] Home ownership has been falling over most of the 21st century, whereas the decline in social renting started in the 1980s. Over this time period the private-rented sector (PRS) has grown. But detailed tenure trends have been far from uniform across the age range.

Families headed by those aged 65 and over have continued the trend of gaining more housing security through home ownership. Home ownership in this group is up by three percentage points since 2015, now reaching a new peak of 78 per cent (see the right-hand panel in Figure 27). The flipside is that social renting is down by three percentage points for this age group over the same period, now at 13.9 per cent.

By contrast, the left-hand panel in Figure 27 shows that for the under-30s, tenure has continued to become relatively more divided between owners and those living with parents or in other's homes. Following a low in 2013 when only eight per cent of 18-29-year-olds owned a home, there is continuing evidence of an increase in home ownership rates for younger age groups (which we documented in last year's audit, and has endured since). In the first half of 2020, 10.2 per cent of 18-29-year-old family units owned their home, up from 7.5 per cent in 2013 and 9.5 per cent in 2019. But this is still well under half the peak of 25 per cent in 1979.

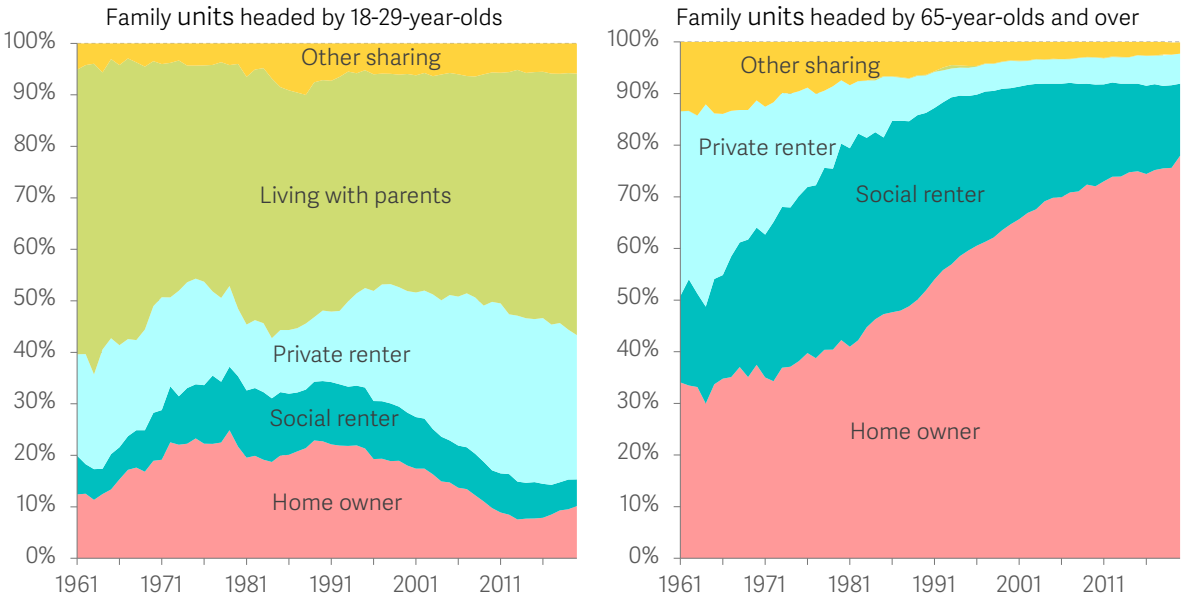
This rise is not confined to just one part of the country; it has occurred in the majority of the UK's nations and regions. But there are differences: the lowest rates of home ownership among young families can be found in London, and this rate has also started to fall in recent years. Between 2018 and the first half of 2020, home ownership rates for the youngest families in the capital fell 1.6 percentage points, from 5.1 per cent to 3.5 per

76 L Judge & A Corlett, Only half of families own their own home – how do the other half live?, Resolution Foundation, December 2016.
77 G Bangham et al., An intergenerational audit for the UK: 2019, Resolution Foundation, June 2019.

cent. The region with the highest home ownership rate for young families is the North West, where 13.9 per cent of 18-29-year-old families owned their home in 2020, up from 10.0 per cent since 2018.

FIGURE 27: **Young adults' home ownership rates are ticking up, but nearly half of 18-29-year-olds still live with their parents**

Housing tenure by age group: UK



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. Data covers the first two quarters of 2020.
SOURCE: RF analysis of IFS, Households Below Average Income (1961-1983); ONS, Annual Labour Force Survey (1984-1991); ONS, Labour Force Survey (1992-2020).

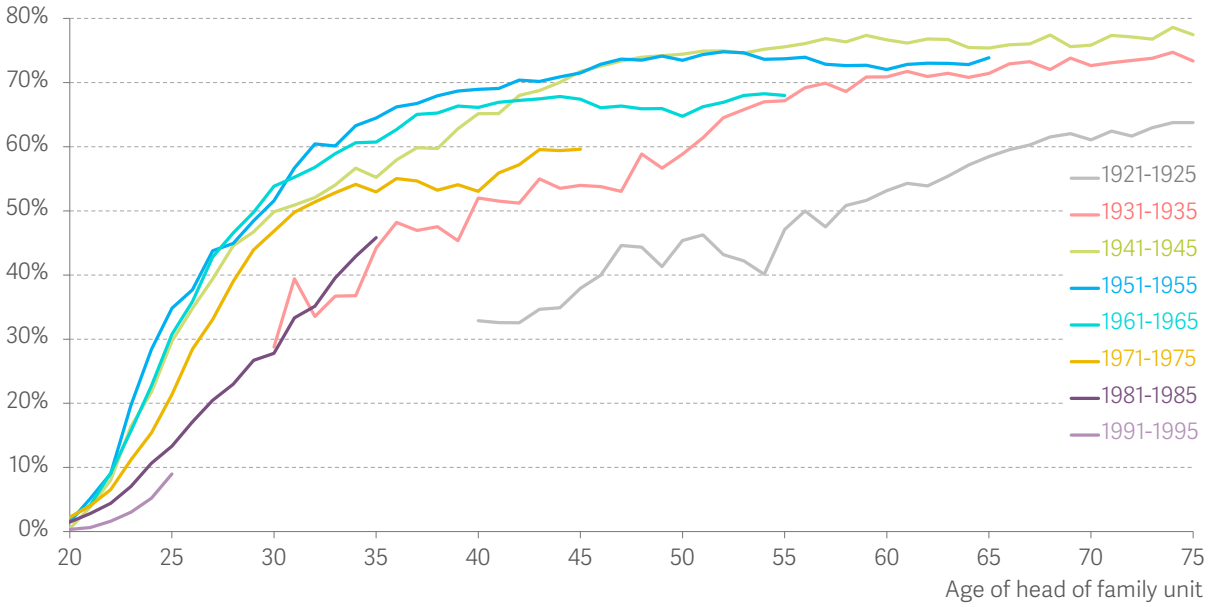
This trend of increasing ownership for most 18-29-year-olds across the country contrasts with the rise of living with parents or in other people's homes. Since 2015, social and private renting combined have fallen by 5.6 percentage points, and living with parents or in another's home have become more prevalent (rising by 3.1 percentage points to 57 per cent of 18-29-year-olds). As we have said before, the decline in young people living independently is partly due to a continuing increase in the number of young people in education, with students being more likely than non-students to live with their parents.[78] But a big part of the rapid increase post-2008 has been due to the financial pressures placed on young people by the financial crisis. As we discuss later in this section, the coronavirus crisis looks to have rapidly, although perhaps temporarily, accelerated this trend.

78 L Gardiner & F Rahman, A Fraying Net: The role of a state safety net in supporting young people develop and transition to an independent, healthy future, Resolution Foundation, October 2019.

These two trends – a short-run uptick in home ownership and the longer-term growth in living with parents and others – had done little to dent the long-term rise in private renting among young people. Rates of private renting among 18-29-year-olds stood at 28 per cent in the first half of 2020, down from 32 per cent in 2016, but far higher than the figure of 12 per cent recorded in the mid-1980s.

FIGURE 28: **Younger cohorts' home ownership rates are rising, but they still lag behind previous cohorts at the same age**

Home ownership rates, by age and cohort: UK, 1961-2020



NOTES: A family unit is a single adult or couple, and any dependent children. 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 covers the first two quarters of 2020.
SOURCE: RF analysis of IFS, Households Below Average Income (1961-1983); ONS, Annual Labour Force Survey (1984-1991); ONS, Labour Force Survey (1992-2020).

In order to see how significant the recent uptick in home ownership for the 18-29-year-old cohort has been, we can transform the age group trends shown in Figure 27 into cohort curves. This reveals that there have been relatively rapid increases in home ownership rates for millennials and generation X in recent years. But looking at the differences between different cohorts at the same age, younger families have a long way to go: 46 per cent of those born in the early 1980s owned their home at age 35, compared to 53 per cent of those born in the early 1970s, and 29 per cent lower than the 64 per cent of those born in the early 1950s who owned at this age. Those born in the early 1980s continue to track the home ownership rates of those born 50 years earlier in the years before the second world war. Despite some progress in recent years, the fundamental challenges associated with high house prices and the associated deposit and income barriers

remain (we speculate later in this section on how these fundamentals may shift in the wake of the coronavirus crisis).

Housing-cost-to-income ratios have fallen slightly, but the social security system is supporting younger private renters with their housing costs less than it once did

As we have documented previously, housing costs increased across tenures in the 1980s and 1990s. Falls in mortgage interest rates and more muted rents growth since the 1990s have been offset by a compositional shift towards private renting – the most expensive tenure in relation to incomes – particularly at younger ages, keeping overall housing-cost-to-income ratios (HCIRs) high. As a result, the long-term picture is one of cohort-on-cohort increases in the share of incomes that housing costs take up, for all generations alive today.[79]

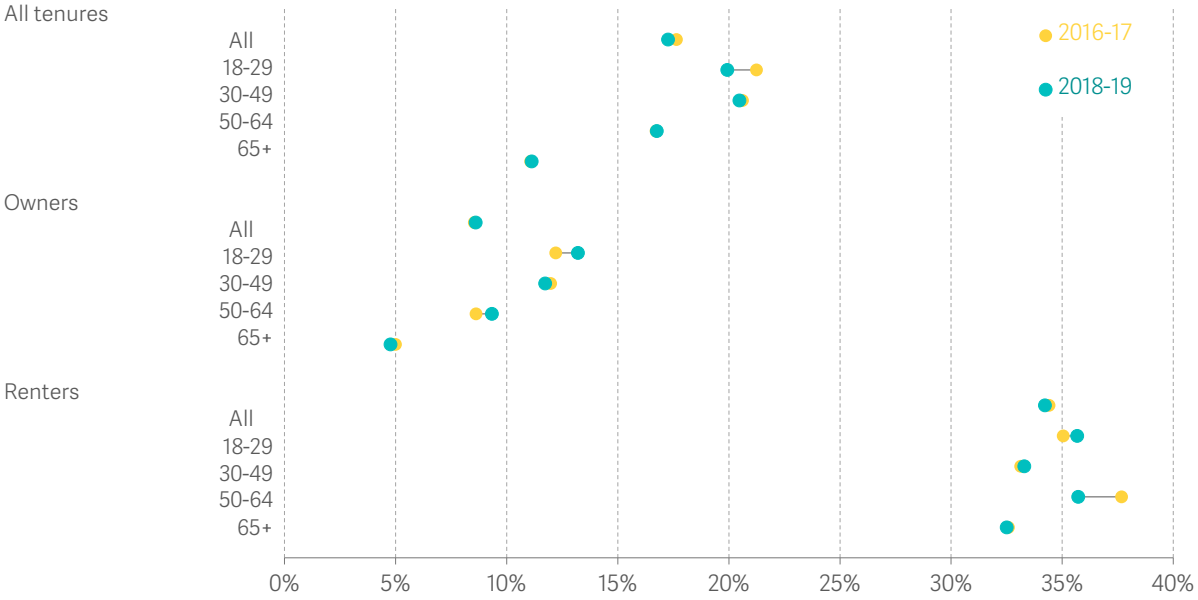
Figure 29 zooms in on the most recent changes in HCIRs by age and tenure. It shows that HCIRs have generally been stable overall for the most recent couple of years, and have fallen for under-30s to 20 per cent, now slightly below the average for 30-49-year-olds. Separating this under-30 group out into owners and renters shows that this fall is driven by the short-run tenure shifts in recent years, described above: as the under-30s have moved from the higher-cost tenure of renting to the lower-cost tenure of owning (and living with parents, where we assume that housing costs and incomes are shared equally within the household), overall housing costs for this group shrink. Paradoxically, as the chart shows, HCIRs within the owner and renter sub-groups have actually risen slightly.

But these recent changes do little to alter the long-term picture. In their early 50s (at age 53), the 1961-1965 baby boomer cohort spent an average of 17 per cent of income on housing costs, up from 10 per cent for the cohort born 30 years before them at that age. And in their late 20s (at age 28) the 1986-1990 millennial cohort spent 23 per cent of income on housing, up from 18 per cent for the 1956-1960 cohort born 30 years before them at the same age.

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

FIGURE 29: **While younger cohorts' home ownership rates are rising, they are still lagging behind previous cohorts**

Proportion of net income spent on housing costs, by age of head of family unit and tenure: GB



NOTES: Excluding principal repayment and including Housing Benefit (in both incomes and housing costs). Incomes and housing costs are assumed to be shared equally within households.
SOURCE: RF analysis of DWP, Family Resources Survey.

Delving within this overall picture, we can consider pressures on HCIRs within particular tenures. One such pressure concerns growing shortfalls in Housing Benefit (and the equivalent housing element in UC), particularly affecting younger adults. Over the past 13 years, the proportion of 16-29-year-old Housing Benefit recipients fully covered by Housing Benefit has fallen by nearly half, from 71 per cent to 38 per cent. By comparison, the proportion of recipients aged 65 and over fully covered has shrunk by much less, from 60 per cent to 51 per cent. This means that the youngest Housing Benefit recipients were most likely to be fully covered in 2005-06, but the least likely in 2018-19.[80]

A big driver of this decline is policy changes introduced since 2011 that have affected the generosity and coverage of Housing Benefit in the PRS. These include the extension of the 'shared accommodation rate' to under-35s, and the impact of LHA cuts prior to this year.[81] As a result, only 23 per cent of private-sector tenants were fully covered by Housing Benefit in 2018-19, down from 40 per cent in 2009-10.

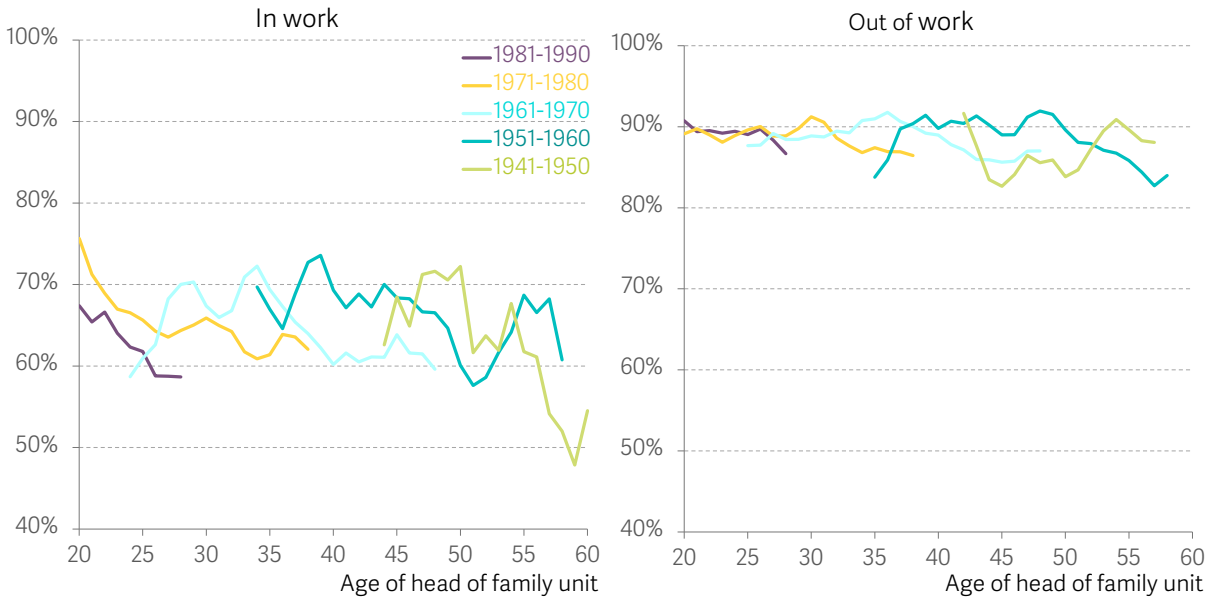
But this is not just a story of benefits generosity – it also reflects labour market changes. The recent jobs boom has resulted in more working-age Housing Benefit recipients being in work, and means-testing means that this group usually does not have its rent

80 See: Resolution Foundation, Housing outlook: Interactive data dashboard, accessed 25 September 2020.
81 For details, see Box 3.1 in: R Joyce, M Mitchell & A Norris Keiller, The cost of housing for low-income renters, Institute for Fiscal Studies, October 2017.

fully covered by the benefit. Zooming in on the private-rented sector, Figure 30 attempts to remove this labour market effect by presenting the proportion of Housing Benefit recipients' rent that is covered by Housing Benefit separately for those in and out of work. Within each of these groups, the differences between cohorts at the same age are much smaller than the declines implied by the figures above (reflecting rising employment shifting the composition of cohorts towards the lower-coverage, in-work group in the left-hand panel). But there is still evidence of cohort-on-cohort declines. The 1981-1990 cohort of millennials in work, in the PRS and who receive Housing Benefit had an average of 59 per cent of costs covered at the age of 28. By comparison, this figure was 64 per cent for those in the 1971-1980 generation X cohort at the same age.

FIGURE 30: **Housing Benefit covers lower proportions of rent for younger cohorts in the private-rented sector**

Proportion of housing costs covered by Housing Benefit for those receiving the benefit in the private-rented sector, by age, cohort and work status: GB, 1961-2019



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 DWP, Family Resources Survey.

Some of this decline may have been driven by wage growth for those in work, particularly as the minimum wage has increased. But the policy changes set out above will also have played a role, as they have in the (smaller) cohort-on-cohort declines across the age range for those out of work, shown in the right-hand panel of Figure 30. The recent increase in LHA rates (discussed below) that was announced in direct response to the pandemic is particularly welcome in this context.

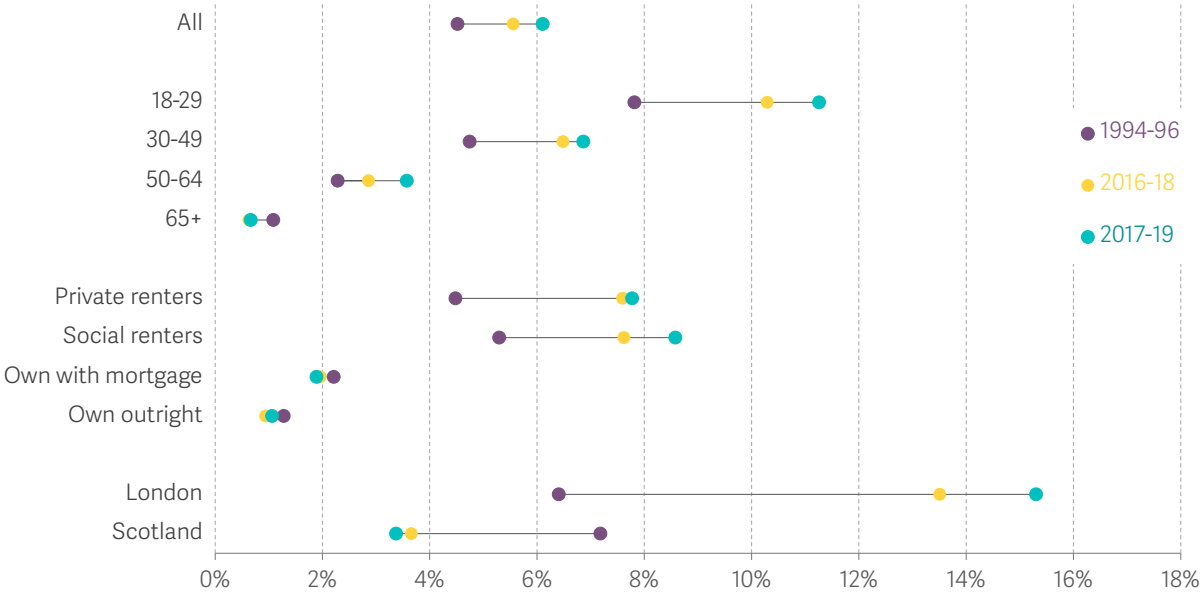
Overcrowding has continued to grow for working-age families

Housing quality has improved over time. On many metrics, young people today have better living conditions than previous generations did at the same age: there are far fewer young people living in damp homes today than thirty years ago, for example. Older cohorts have experienced even larger improvements.[82] But, as our spotlight analysis at the end of this section details, lockdown during the coronavirus crisis has made the remaining inequalities in housing quality and conditions especially pertinent.

Overcrowding is one measure of housing quality that has become substantially worse over the past two decades. All age groups are more likely to live in an overcrowded home today than 20 years ago, with the largest increases among families with children. In social housing especially, the decades-long failure to replenish the social-housing stock has resulted in more families in that tenure living in overcrowded housing: in 2017-19 these families were 62 per cent more likely to live in overcrowded conditions as they were in 1994-96, as seen in Figure 31.[83]

FIGURE 31: **For some groups, overcrowding has increased substantially, with a significant recent deterioration**

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



NOTES: Age ranges refer to the head of the family unit. A family unit is a single adult or couple, and any dependent children.
A family unit is overcrowded if it lives in a household with too few bedrooms to meet the 'bedroom standard'.
SOURCE: RF analysis of DWP, Family Resources Survey.

82 A Corlett & L Judge, Home Affront: Housing across the generations, Resolution Foundation, September 2017.
83 G Bangham et al., An intergenerational audit for the UK: 2019, Resolution Foundation, June 2019.

Moreover, Figure 31 shows that this deterioration has continued in recent years. Across all family units, one-third of the total increase in overcrowding since 1994-96 happened over the latest couple of years. This deterioration was felt principally by working-age families, and driven by increases in overcrowding among renters. By contrast, overcrowding has not changed for families headed by people aged 65 and over in recent years.

The impacts of the lockdown on different cohorts

The likelihood of falling behind with housing payments was relatively even across working-age families of different ages in mid-lockdown

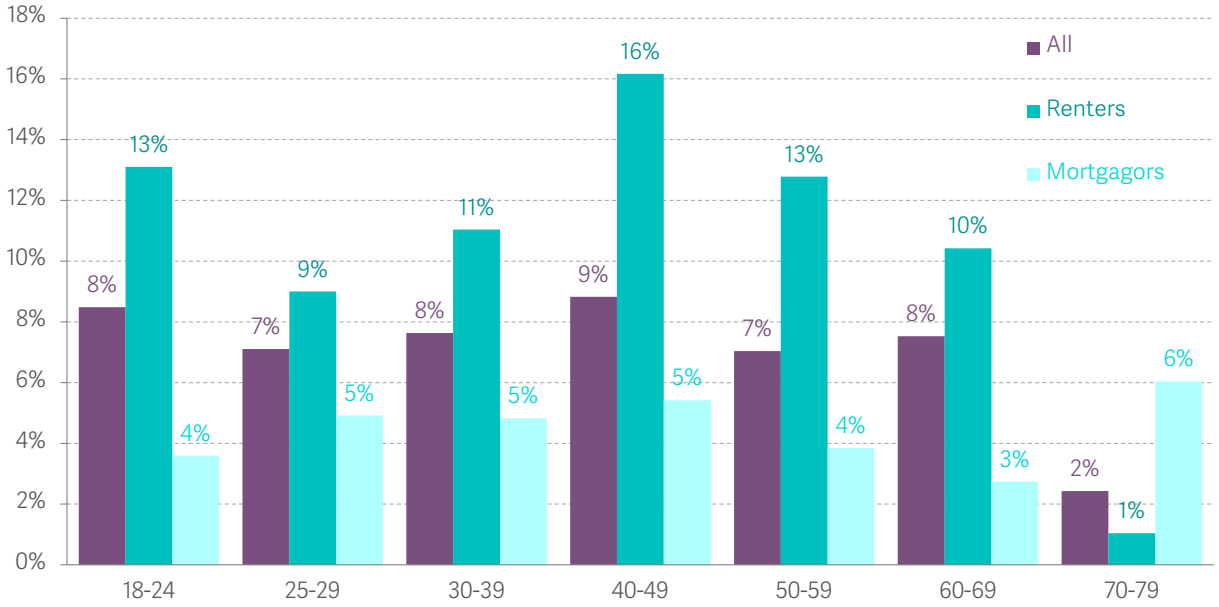
The initial lockdown response to coronavirus brought to the fore housing quality as a key metric for well-being, as more people spent the majority of the day at home. As our spotlight analysis at the end of this section details, long-term trends in housing stock and quality meant that there are striking between- and within-age inequalities. In this part of this section we focus on how people coped with their housing costs and situations during the crisis, and particularly during the lockdown period.

We begin by considering the extent to which people had fallen behind with housing payments in May this year, shown in Figure 32. We note that across all ages, renters were more likely to fall behind on payments than mortgagors.[84] Around one-in-ten of all renters had fallen behind with payments, whereas this figure was around half that (at one-in-twenty) for mortgagors. This reflects a greater likelihood of job loss, furloughing and hours reductions within this group, as well as the higher burden that housing costs place on incomes, discussed above. [85] Across the age range and looking within tenures, there is some evidence that 40-49-year-olds (and 18-24-year-old renters) had been most likely to fall behind with housing payments. This pattern reflects the shape of the income hit detailed in the following section. But beyond these small differences and taking the tenures together, there is not a particularly clear age gradient with respect to who is behind on housing payments, other than the smaller effects observed for those aged 70-plus.

84 For a detailed discussion of changes in spending on rent and mortgages, see: P Bourquin et al., The effects of coronavirus on household finances and financial distress, Institute for Fiscal Studies, June 2020.
85 L Judge, Coping with housing costs during the coronavirus crisis: Flash findings from the Resolution Foundation's coronavirus survey, Resolution Foundation, May 2020.

FIGURE 32: **More renters than home owners were behind on housing costs payments in lockdown**

Proportion of individuals who were behind on housing payments, by age group: GB, May 2020



NOTES: The 'All' category includes renters, mortgagors and those in shared ownership, but excludes outright owners.
SOURCE: RF analysis of ISER, Understanding Society.

More recent evidence from when households were starting to emerge from lockdown suggests a higher prevalence of having missed rent or mortgage payments, and a clearer skew towards young and prime-age respondents. For example, the July edition of the Standard Life Foundation's Coronavirus Financial Impact Tracker survey found that 14 per cent of under-30s had missed a rent or mortgage payment, compared to 12-13 per cent those aged 30-50, and falling to three per cent for 60-69-year-olds and one per cent for those aged 70 and over.[86]

This partly reflects the role of payment holidays, support from the benefits system and the ability to move

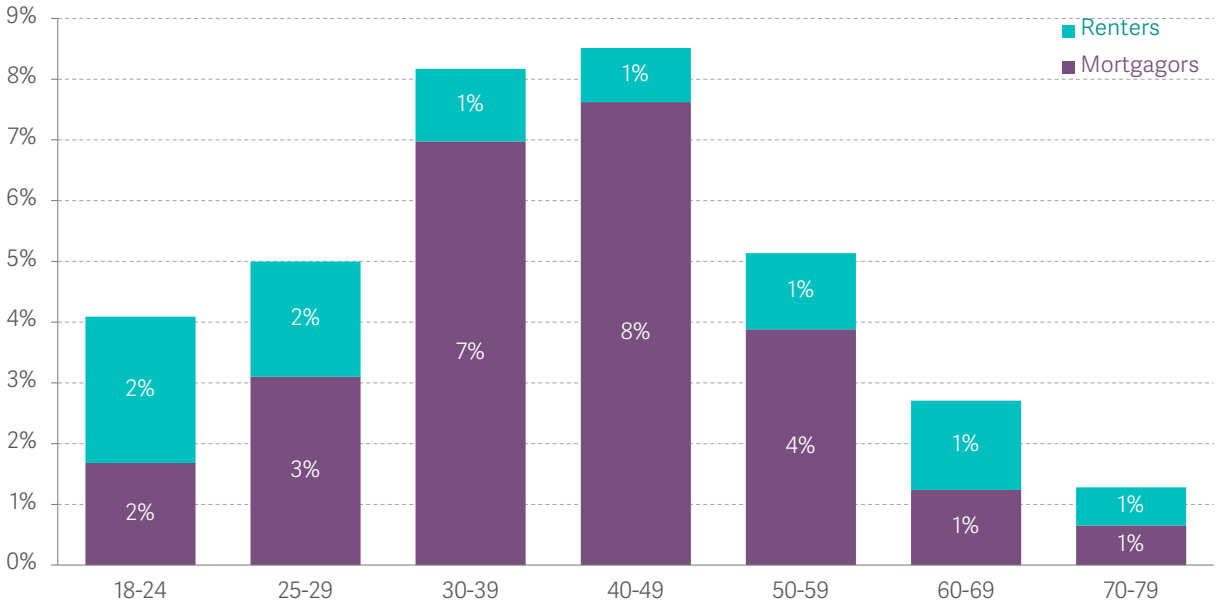
One way in which families were able to avoid falling behind with payments during lockdown was by securing a housing cost holiday. Initial access to housing cost holidays across the age range is explored in Figure 33. Previous analysis has shown that mortgaged owners were more able to secure payment holidays than renters,[87] so the prevalence of mortgaged owners in prime age means this age group were most likely to secure a housing cost holiday, with close to one-in-ten 40-49-year-olds having done this.

86 E Kempson et al., Emerging from lockdown: Key Findings from the 3rd Coronavirus Financial Impact Tracker Survey, Standard Life Foundation, September 2020.
87 L Judge, Coping with housing costs during the coronavirus crisis: Flash findings from the Resolution Foundation's coronavirus survey, Resolution Foundation, May 2020.

Evidence from the Standard Life Foundation survey in July showed a very similar picture both in terms of the levels and shape across the age range shown in Figure 33.[88]

FIGURE 33: **30-49-year-olds were most likely to take out housing cost holidays during lockdown**

Proportion of individuals with a housing cost holiday, by age group: GB, May 2020



SOURCE: RF analysis of ISER, Understanding Society.

To some extent, the dominance of mortgagors in this picture is understandable: it may be less risky for lenders to offer new terms to those with whom they have a secure relationship than it is for landlords to do so, and the benefits system more readily provides support to renters than owners. However, eligibility restrictions (for example, in relation to savings and partners' earnings) and limits on eligible rents mean that the benefits system is by no means a panacea for renters in the face of income shocks, as we explored in relation to Housing Benefit coverage, above.

That said, the increase in LHA rates in April this year will have increased the degree to which the benefits system is supporting families in the PRS to meet rental costs in the face of income shocks. The policy change re-linked LHA rates to the 30th percentile of local rents – reversing the impacts of the cuts since 2012 – boosting housing support most in areas where rents have risen fastest over this period. The youngest private renters are more likely than older renters to live in the places in which rents have grown fast since 2012, especially the big cities, so, all else equal, might be expected to benefit

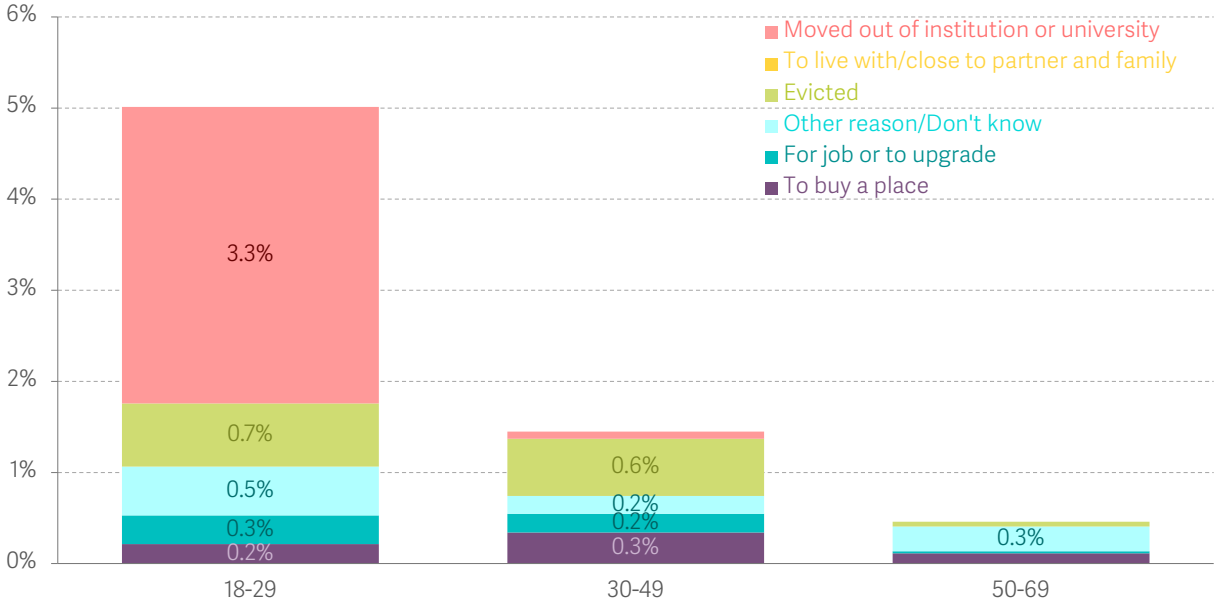
88 The prevalence of payment holidays peaked at nine per cent among 40-49-year-olds, with rates of seven per cent for under-40s and one per cent for those aged 70 and over. See: E Kempson et al., Emerging from lockdown: Key Findings from the 3rd Coronavirus Financial Impact Tracker Survey, Standard Life Foundation, September 2020.

from this policy change most.[89] But as the spotlight analysis at the end of this section shows, in practice those aged 30-49 will see the biggest benefit from this policy change. This is because the benefit system targets families with children, while under-35s have lower entitlements to housing support.

Beyond payment holidays and housing-related benefits, there is one other strategy that was adopted in order to manage housing costs during the lockdown, and that was moving (which, of course, may also be done for other reasons, such as access to space or family support during the lockdown). Figure 34 shows that 18-29-year-olds were by far the most likely to have moved during the crisis by May, with over seven per cent doing so (four per cent excluding those coming back from university) compared to less than two per cent across older ages. Younger people are in the unique position of having spent less time settling down outside the parents' home, and are more likely to have parents with the ability and willingness to accommodate them. In addition, this group is primarily made up of renters, who have relatively short-term and flexible contracts. In this way, they have more flexibility than the average family to adjust their housing costs relatively quickly by changing where they live.

FIGURE 34: **One-in-20 18-29-year-olds had moved in May compared to before the crisis**

Proportion of family units that have moved house since the outbreak of the crisis, by reason and age group: GB, May 2020



Source: RF analysis of ISER, Understanding Society.

89 C McCurdy, Ageing, fast and slow: When place and demography collide, Resolution Foundation, October 2019.

In sum, we can conclude that a relatively even likelihood of being behind with housing payments during lockdown across working-age families – despite large differences between tenures – partly reflects the combined effect of the different strategies and support available to those in different circumstances. Payment holidays have been there particularly useful for mortgagors, benefits boosts have helped renters, particularly those with children, and younger adults have had the greatest ability to move. More recent evidence from July suggests the likelihood of being behind with housing costs has grown since mid-lockdown, particularly at younger ages. And we speculate that these strategies are running out of road, particularly for those age groups that entered the coronavirus crisis in more precarious housing situations.

Of course, alongside these factors affecting the costs side of the equation is what has been happening to earnings and incomes at different ages, as the previous and subsequent sections explore.

Sufficient space to work from home has been most lacking for younger renters

Young renters may also have more reason to move back to their parents' homes based on the amount of space they have available. This and other measures for the pre-coronavirus period are explored in detail in our spotlight analysis at the end of this section. Here we provide additional detail based on a new measure of housing space captured in the midst of the crisis.

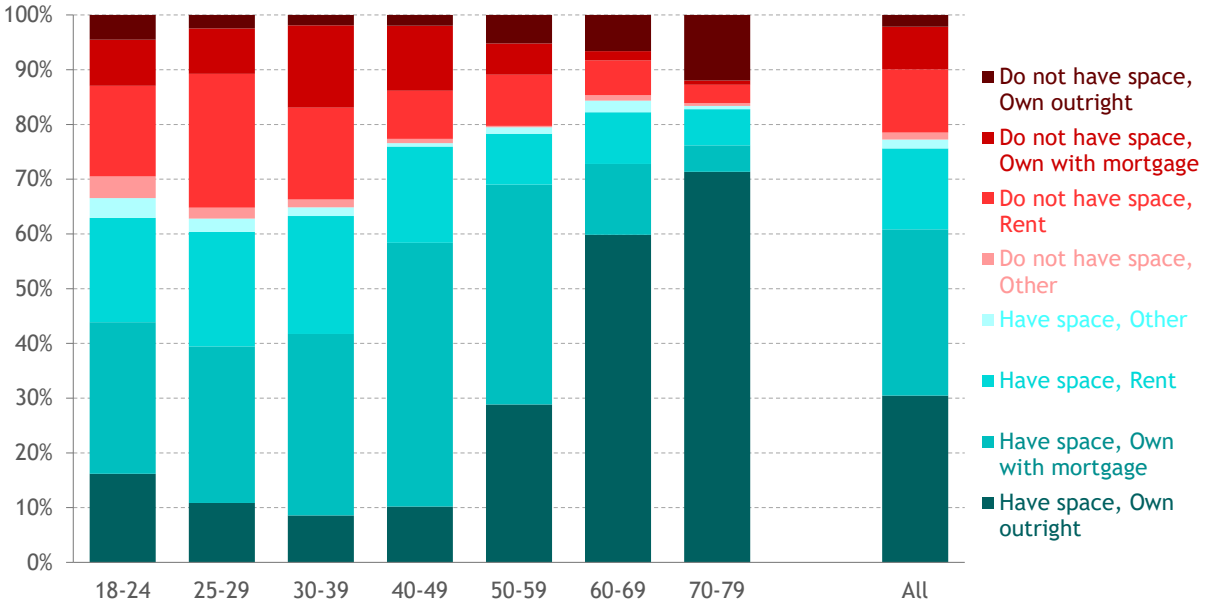
Figure 35 shows that proportion of individuals who have enough desk space for everyone in the household. Across the age distribution, we see a clear gradient where the youngest are the least likely to have enough space, whereas the oldest are the most likely. As we have shown previously, there is a similar age distribution in the proportion of people who have been able to work from home in the crisis, so those most likely to work from home in the crisis are least likely to have enough space to do so.[90]

We can also look at the distribution of desk space across different tenures, as we do in Figure 35. Most outright owners have enough space across the age range, and those who own with a mortgage tend to have enough space. For renters, the picture is more mixed, with similar numbers with and without enough space. This means that renters are the largest group among those who don't have enough space, and that lacking desk space is most likely in the rented sector. Since young people tend to be renters, the issue of less space is mainly an issue for the under-40s. Again, pre-pandemic generational trends – in this instance the increasing concentration of younger adults in the private-rented sector – have had a strong bearing on living standards experiences across generations during the pandemic.

90 M Gustafsson, Young workers in the coronavirus crisis: Findings from the Resolution Foundation's coronavirus survey, Resolution Foundation, May 2020.

FIGURE 35: **Young renters are more likely than not to lack sufficient desk space for everyone in the household**

Proportion of individuals who have enough desk space for everyone in the household they live in, by tenure and age group: GB, May 2020



SOURCE: RF analysis of ISER, Understanding Society.

What next?

What does the coronavirus crisis mean for the longer-term picture on housing costs and security across cohorts? Here we provide brief early thoughts about how it may affect tenure change, housing costs, and location preferences.

Turning first to tenure, although house prices are currently rising, the history of house price falls in previous downturns and the expected rise in unemployment means that forecast falls in house prices still appear likely. We have speculated about whether the house price falls forecast by the OBR (which has nominal house prices falling by eight per cent and real house prices falling by 11 per cent by 2021 in the central scenario, with real prices flatlining thereafter) might accelerate the recent uptick in home ownership for younger families.[91] House price shocks are bad for the economy in various ways, dampening down new supply; reducing consumer confidence;[92] and constraining mobility if households fall into negative equity (a topic we explore in detail in the spotlight analysis in Section 6). But aspirant buyers may be buoyed by falling house prices reducing the significant deposit barrier to ownership.

There are certainly reasons to think that house price falls could boost home ownership among the young. Would-be first-time buyers who already have significant savings (many

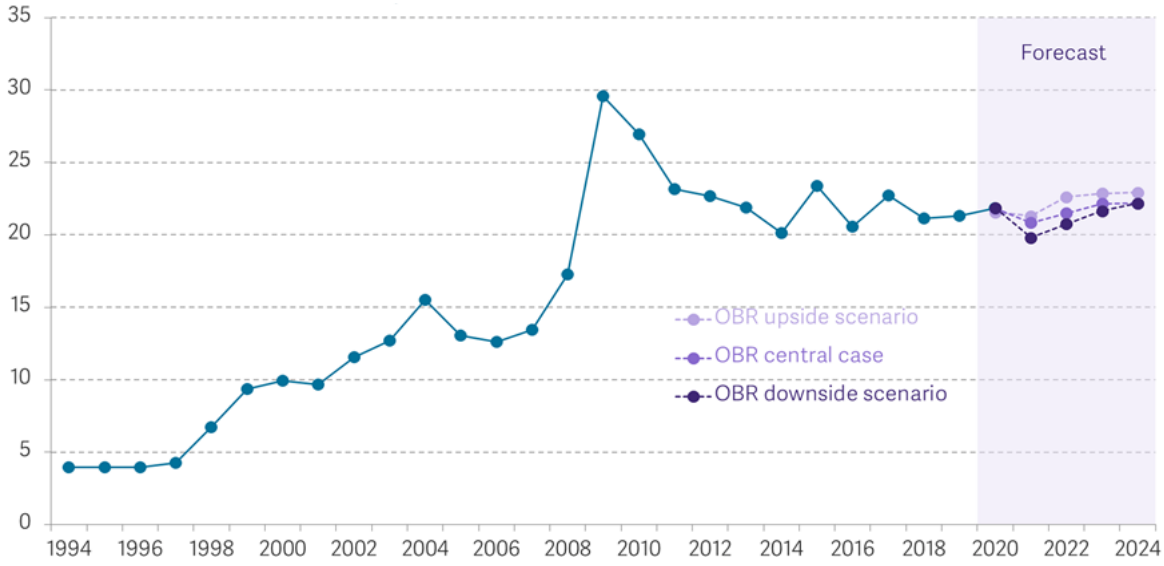
91 L Judge & C Pacitti, Housing Outlook Q3 2020, Resolution Foundation, August 2020.
92 B Etheridge, House prices and consumption inequality, Institute for Fiscal Studies, September 2019.

higher-income young adults have increased saving rates during the crisis, as we show in Section 6), or who have access to parental support to buy a home (something that has become increasingly important for young adults accessing home ownership in recent decades) will find themselves in a more favourable position.[93] But because the forecast price falls are driven by income falls, they can't solve the broader issue around young adults' ability to access ownership.

This is demonstrated by a simple thought experiment, shown in Figure 36. We find the crisis will have hardly affected the length of time the average first-time buyer would take to save for a deposit (currently 21 years) in the coming years, on the basis of saving five per cent of income each year, because the likely hits to income counteract the likely fall in house prices.

FIGURE 36: **Falling house prices go hand-in-hand with falling incomes, leaving first-time buyers still facing a considerable deposit barrier**

Number of years taken by average first-time buyer family unit (head aged 28-32) to save for deposit required to purchase a typical home: UK



NOTES: Assumes median first-time buyer (aged 28-32 years) saves five per cent of family income each year. The median first-time buyer's income is projected forwards by applying the OBR's forecast for wages and salaries to the median income for non-home owner family units, where the lead individual is aged 28-32 in 2019. Median first-time buyer loan-to-value ratio is held constant at 2019 level of 84 per cent during the forecast period.
SOURCE: RF analysis of HM Land Registry, UK House Price Index; DWP, Family Resources Survey; MHCLG Open Data, median loan to value ratio for first time buyers; OBR, Fiscal Sustainability Report, July 2020.

Indeed, there are reasons to believe the next few years may be more challenging for the average first-time buyer than implied by Figure 36. The Figure shows that house price falls in the late 2000s did not coincide with a reduction in estimated years to save

93 S Clarke & J Wood, House of the rising son (or daughter): The impact of parental wealth on their children's home ownership, Resolution Foundation, December 2018.

for a deposit: these were more-than-counteracted by the reining in of housing finance during this period that was codified in 2014 by the Mortgage Market Review. While there have been mixed messages from lenders in recent months, tighter credit conditions are certainly possible.[94] This would be particularly likely if the crisis proves to be long-lasting and banks face larger losses on their loan books. We estimate that if the average first-time buyer loan-to-value ratio fell to 80 per cent – the level observed in the wake of the financial crisis – the number of years required to save for a deposit by a typical first-time buyer would rise to 28 by 2024 in the OBR's central scenario.

Pushing in the other direction, is it possible that the hefty cut to Stamp Duty in place until March might help first-time buyers? We see little grounds for optimism here. This cut has little direct benefit given that, outside London, the average first-time buyer already purchased a home below the previous Stamp Duty threshold, and the change also takes away the slim edge that first-time buyers had over other buyers.[95] House price falls may help some, but we are not overly optimistic about a new dawn in young families being able to get on the housing ladder.

What about housing costs? In the long-run, the evidence suggests private rental costs will move in line with earnings and income (although they grew much faster during the liberalisation in regulations and credit of the 1980s).[96] Given the high proportion of renters who fell behind with housing payments during lockdown, the issue here becomes the time-lag on this effect, with rents rarely re-negotiated mid-lease.[97] So the extent to which residential rents adjust will be a critical question for the housing affordability of younger families in particular. We also note, that having fallen in recent years, social rents are permitted to rise by up to CPI plus one per cent each year for the five years from April 2020 onwards. If registered providers take this route, then there will be some new pressure from housing costs on the incomes of the mainly older lower-income families in this tenure.

When it comes to mortgaged owners, we note that it is not just the long-term path of incomes but also interest rates that determine ongoing housing costs. With interest rates close to zero, the significant rate cuts that reduced borrowing costs during previous recessions (as well as boosting house prices and therefore the assets of those already owning) look unlikely to be repeated today. So, for those older millennials in prime age who are most likely to be recent mortgagors and have the largest borrowing cost burden,

94 Nationwide reduced its standard first-time buyer loan-to-value ratio from 95 per cent to 85 per cent in June for example, although it recently increased this back to 90 per cent. See: BBC, Nationwide offers 90% mortgages to first-time buyers, July 2020.
95 Resolution Foundation, Summer Economic Update July 2020: Resolution Foundation overnight analysis, July 2020.
96 D Miles & V Monro, What's been driving long-run house price growth in the UK?, Bank Underground, January 2020; R Valentine-Selsey & J Daly, How UK residential rents behave in a downturn, Savills, June 2020.
97 It is for this reason that we have previously recommended frameworks from the Government that allow households to negotiate short-term rent reductions without prejudicing long-term rent levels in a second wave of the virus. See: L Gardiner et al., Easing does it: Economic policy beyond the lockdown, Resolution Foundation, July 2020.

there is little hope of the downwards adjustment that benefited their predecessors after the financial crisis.

Finally, when it comes to housing location and preferences, we note there has been a wave of speculation that the coronavirus experience will change people's preferences about where they live, and spark an exodus from the cities to more rural areas.[98] We have not yet seen any substantive evidence for such an exodus. Were it to happen, it could help reduce the pressures on the housing stock in major urban areas – which could help the young, but only if young people's preference to live in city centres endures while older working-age and pension-age people are the ones motivated move to suburbs or the countryside. If it did arise, then it would disrupt a trend we explored last year of a reduction in the rates at which people (particularly young adults) move location for work over the course of the 21st century, driven by faster increases in housing costs in higher-productivity, higher-paying areas than in lower-cost areas.[99] In the other direction, though, if young people's housing preferences also move away from cities and good job opportunities could follow these location shifts (given more opportunities to continue working remotely), then this could reduce the need to move to boost living standards. Overall, though, given that new trends tend to build on existing ones and full remote working had not been accelerating very fast pre-crisis, such an outcome is far from assured.[100]

Building on these considerations, our spotlight analysis that follows considers the nexus of factors, including incomes, location preferences and above all housing tenure, that led to the differences in housing quality and living conditions prior to an unprecedented lockdown that made these conditions much more pertinent.

98 For example, see: A Butcher, Moving to the country: History repeats itself as urbanites flee virus-hit cities for rural retreats, Telegraph, May 2020.
99 L Judge, Moving matters: Housing costs and labour market mobility, Resolution Foundation, June 2019.
100 T Bell & H Slaughter, Crystal balls vs rear-view mirrors: The UK labour market after coronavirus, Resolution Foundation, April 2020.

Spotlight:

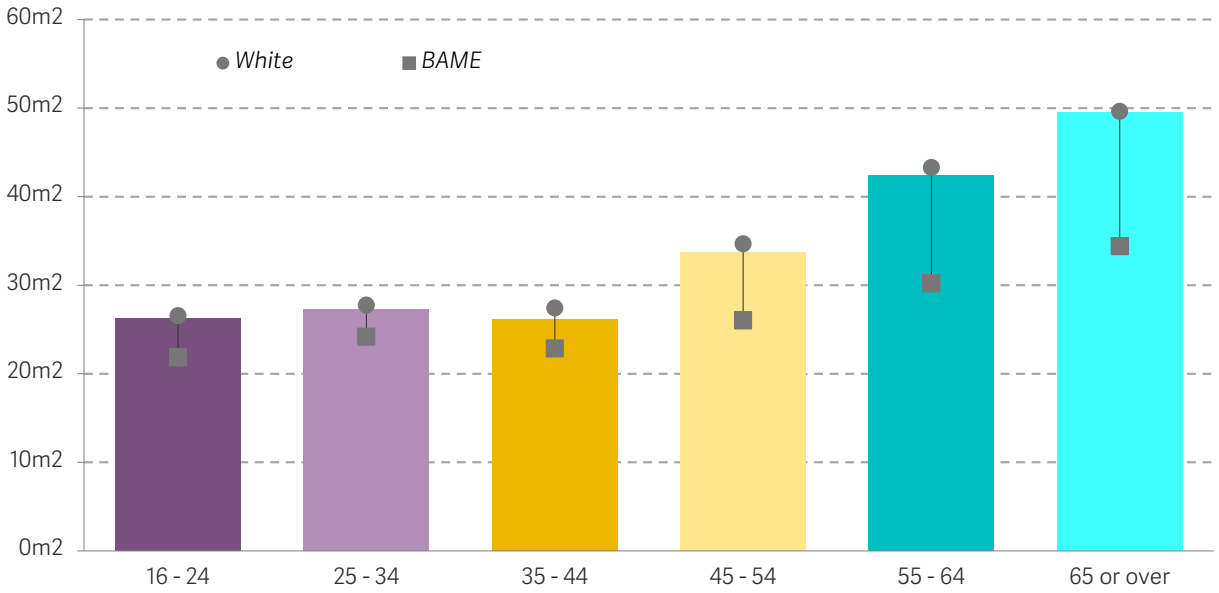
Lockdown living: Housing quality across the generations

Younger people live in less salubrious housing than older people, but the differences within age bands are often just as striking

Living conditions have always been important, but never more so than during the lockdown, when most were enjoined to 'stay at home and save lives'. So how does housing quality compare across and within generations? This spotlight analysis explores that question, looking at long-term trends to understand lockdown housing circumstances. It is a summary of a longer paper which provides more detail on methods and a broader presentation of results.[101]

FIGURE 37: **Younger people's homes are only half as spacious as those of older generations**

Usable floor space per household member, by age band and ethnicity: England, 2014-2018



NOTES: BAME=Black, Asian and minority ethnic. While we acknowledge that there are problems with this term, data limitations restrict our ability to break out our analysis beyond this group.
SOURCE: RF analysis of MHCLG, English Housing Survey.

101 L Judge & F Rahman, Lockdown living: Housing quality across the generations, Resolution Foundation, July 2020.

We begin with a snapshot of how age intersects with four key housing metrics. As Figure 37 shows, younger people spent lockdown in homes with considerably less usable floor space than those in older age brackets: 16-24-year-olds have on average 26 square metres of liveable room in their homes per household member, compared to 50 square metres for those aged 65-plus.

However, differences within age groups can be just as striking as those between. The grey markers in Figure 37 illustrate the variation in usable floor space between white and Black, Asian and minority ethnic (BAME) groups. These show that while the usable space available to those in younger age groups does not vary significantly by ethnicity, far bigger differences are observed further up the age distribution. Those in the 55-64 age bracket and aged 65 and over from BAME backgrounds live in households with an average of 30 per cent less usable space than their white peers.

Not only did younger people spend lockdown in more cramped homes, they were also housed in less salubrious conditions than older generations. In our longer paper we present our analysis of the proportion of each age group living in a home with a serious damp problem. Again, while there is a marked age gradient (those in the youngest age band are almost three times as likely to live in a damp home as those in the oldest), the within-group differences are also strongly related to household income.

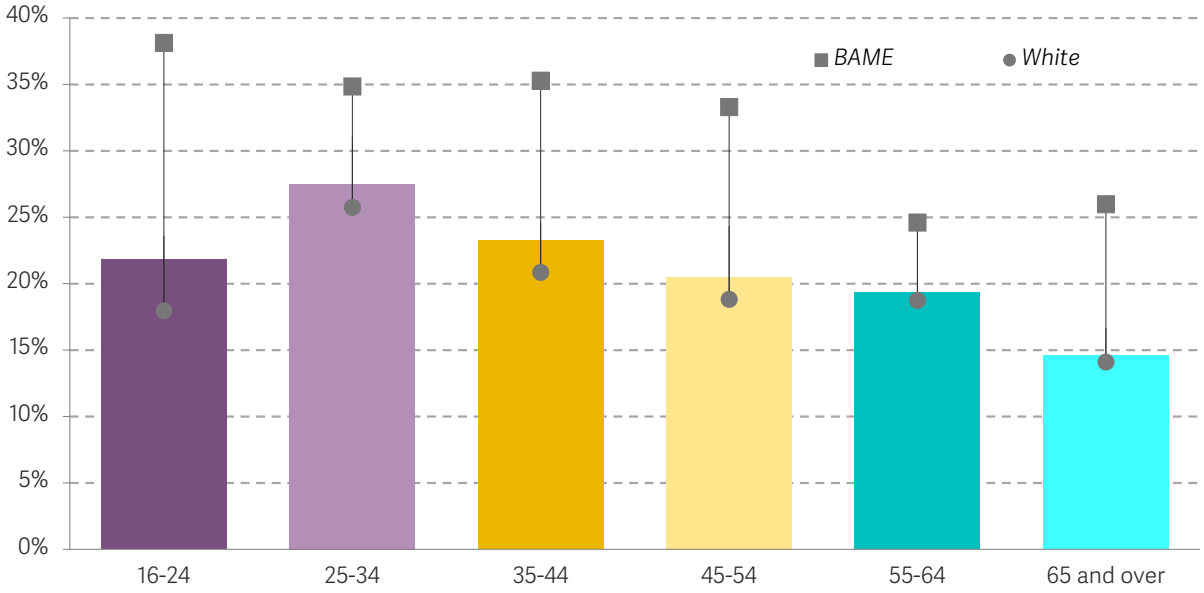
Younger generations have less access to a private outdoor space, and live in less attractive neighbourhoods, than older generations

For most, lockdown did not entirely proscribe spending time beyond the four walls of one's home, so what do different age groups experience when they step outside the door? To begin, young people aged 25-34 are almost twice as likely to lack access to a private garden as those aged 65-plus: in Figure 38 we show that 28 per cent of the younger age group have no obvious garden, compared to 15 per cent of the older. However (and consistent with ONS analysis of access to private outdoor space), we also note significant differences between white and BAME groups that run right across the age distribution.[102] More than one-third of 25-34-year-olds from a BAME background do not have a garden that was observed by the survey interviewer, for example, compared to one-quarter of their white counterparts.

102 Office for National Statistics, One in eight British households has no access to a garden, May 2020.

FIGURE 38: **More than one-third of young people from a BAME group has no access to a garden**

Proportion of individuals with no access to an obvious garden, by age band and ethnicity: UK, 2017-2019



NOTES: BAME=Black, Asian and minority ethnic. While we acknowledge that there are problems with this term, data limitations restrict our ability to break out our analysis beyond this group. Variable derived from assessment made by interviewer, and therefore excludes those surveyed online. Whether the respondent has a garden is not self-reported but 'no obvious garden' refers to the fact that the interviewer did not observe a garden at their visit.
SOURCE: RF analysis of ISER, Understanding Society.

While the ONS analysis has shown that access to public spaces such as parks is more evenly distributed both geographically and by ethnicity, it remains the case that younger people (and especially those from lower-income households) live in less attractive neighbourhoods than older age groups. For example, 15 per cent of adults aged 25-34 lived in an area where traffic, upkeep and dereliction are serious problems in 2014-2018, compared to 10 per cent of those aged 65 and over .

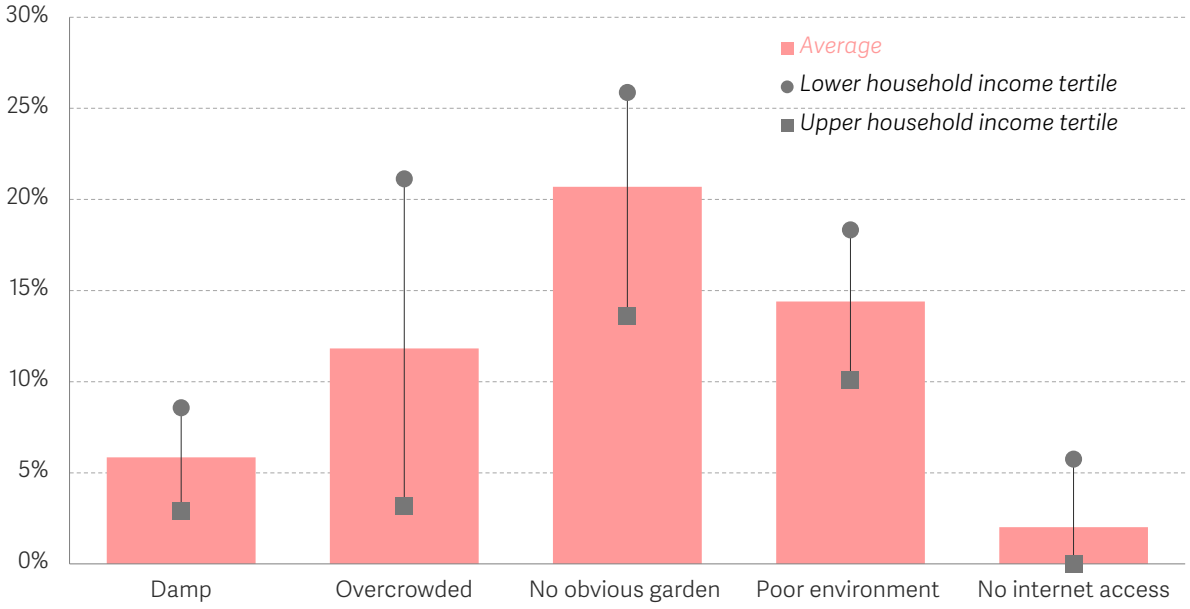
Low-income and BAME children are especially exposed to poor living conditions

Not only did most adults spend a great deal more time in the home than prior to lockdown, but with schools and nurseries largely closed, so, too, did children. Working (or indeed not working) from home is clearly more challenging when living conditions are poor, and education and play can be equally compromised when housing and neighbourhoods are sub-standard. In Figure 39, we show the proportion of those aged 0-15 who live in properties in England that fall below key standards. We find that one-in-20 children are growing up in damp homes, a serious issue given the proven link

between damp and childhood respiratory conditions.[103] More than one-in-10 children lives in homes that breach the bedroom standard and thus are conventionally viewed as overcrowded.[104] One-in-seven lives in areas where problems with traffic, upkeep and/or dereliction is commonplace, while one-in-five has no access to a private garden.

FIGURE 39: **One-in-five children growing up in a low-income household lives in overcrowded conditions**

Proportion of 0-15-year-olds experiencing housing and neighbourhood quality issues, by household income tertile: England, 2014-18



NOTES: Household income tertiles are calculated within age bands. Overcrowded=household breaches bedroom standard. 'No obvious garden' variable derived from assessment made by interviewer, and therefore excludes those surveyed online.
SOURCE: RF analysis of MHCLG, English Housing Survey; ISER, Understanding Society.

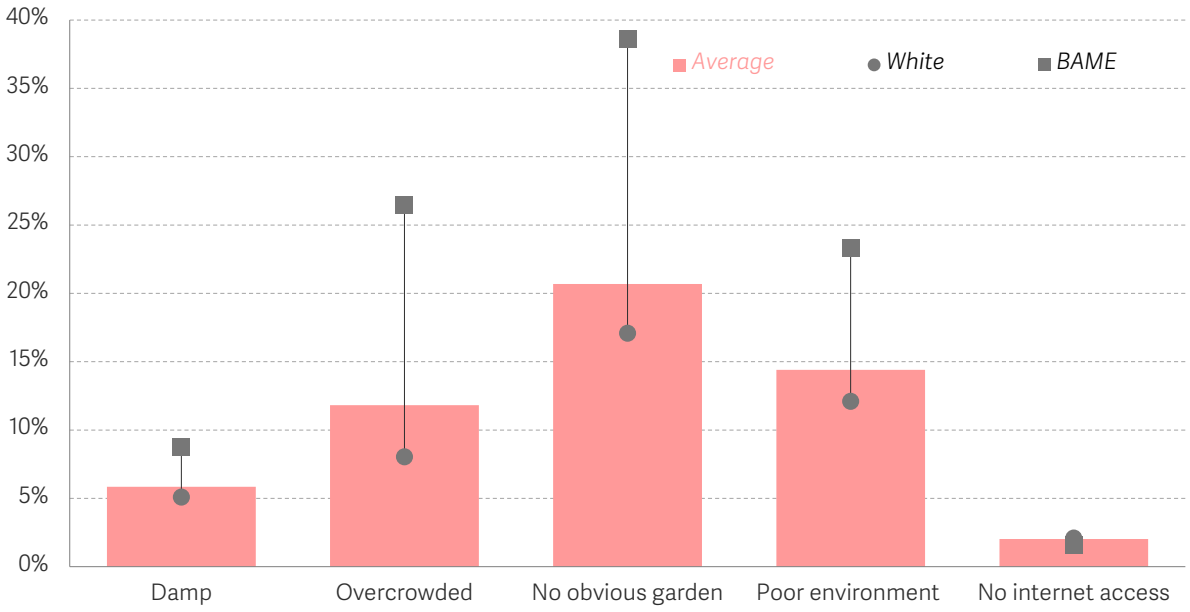
The figures become even more concerning when we focus on children from low-income households. Perhaps most worryingly, Figure 39 shows that more than one-in-five children from households in the bottom income tertile lives in an overcrowded home, with all the significant negative implications that could have for educational progress and personal development during lockdown (and this compares to just three per cent of children from higher-income homes). Over one-quarter have no garden; one-in-five lives in a problematic neighbourhood; and close to one-in-ten lives in a damp home. Finally, compared to their better-off peers who have universal access to the internet, six per cent of low-income children lack

103 M Marmot et al., Health equity in England: the Marmot Review 10 years on, Institute of Health Equity, February 2020.
104 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.

this facility which has been so important for continuing education during lockdown. Comparing children's housing experiences across white and BAME groups, as we do in Figure 40, is equally revealing. Critically, while we observe a similar proportion of children from BAME backgrounds growing up in damp and overcrowded homes as we did for lower-income children in Figure 39, BAME children have an even poorer experience than low-income children overall when it comes to our 'outdoor metrics'. While one-quarter of children from low-income homes has no garden, for example, that figure rises to close to four-in-ten for children from BAME backgrounds. Likewise, 23 per cent of BAME children live in a poor-quality neighbourhood, compared to the 18 per cent we observe when looking at those living in a low-income household.

FIGURE 40: **A significant proportion of children from BAME backgrounds lacks a safe or attractive external space**

Proportion of 0-15-year-olds experiencing housing and neighbourhood quality issues, by ethnicity: England, 2014-18



NOTES: BAME=Black, Asian and minority ethnic. While we acknowledge that there are problems with this term, data limitations restrict our ability to break analysis out beyond this group. Overcrowded=household breaches bedroom standard. We assume that if a child has at least one parent from a BAME group, then they are BAME themselves. 'No obvious garden' variable derived from assessment made by interviewer, and therefore excludes those surveyed online.
SOURCE: RF analysis of MHCLG, English Housing Survey; ISER, Understanding Society.

While many housing quality measures have improved over time, differences between generations have become more pronounced

In many respects, the age profile we observe when looking at housing quality is expected: older people have the double advantage over younger people of higher average incomes, and more time to accumulate and improve their housing stock. But had we experienced a similar pandemic a generation ago which required long periods of time to be spent at

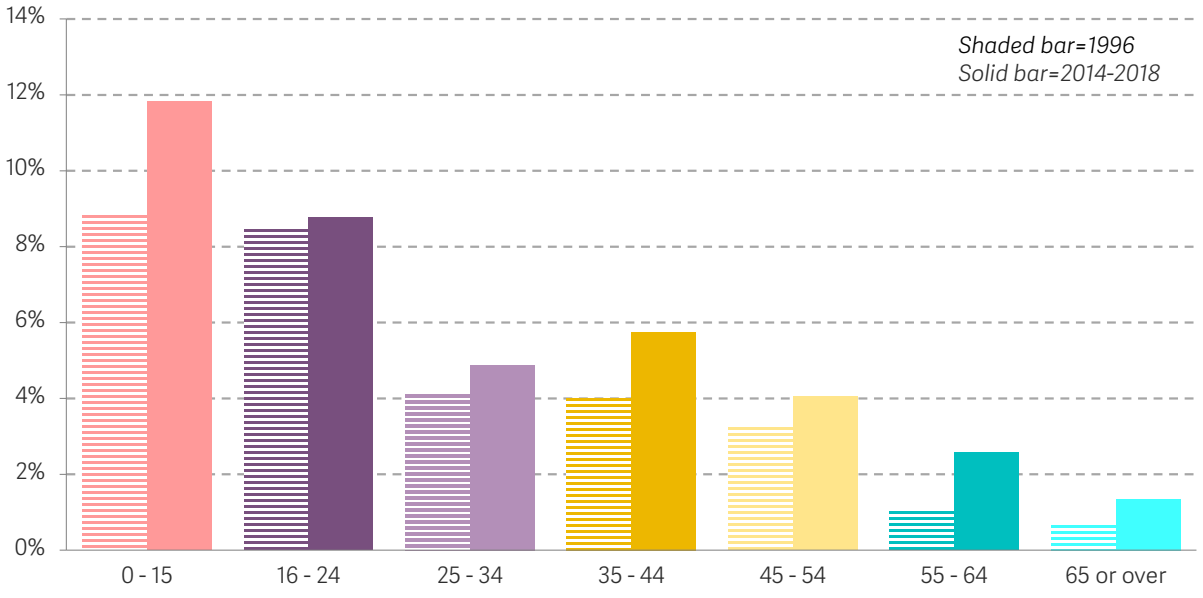
home, would these age disparities have been as sharp? Would young people have spent lockdown in better or worse living conditions than today?

As we have observed before, housing standards have improved dramatically over the generations, and young people are better off today on many measures of living conditions than predecessor generations were at the same age.[105]

There has not, however, been a wholesale upward trend in housing quality over time. Most strikingly, over the past 20 years there has been an increase in overcrowding, especially (although not exclusively) for those in age bands most likely to have dependent children (see Figure 41). Children are 34 per cent more likely to live in an overcrowded home than they were in 1996, up from nine per cent; while 35-44-year-olds are 43 per cent more likely to do so, up from four per cent. But even those in older age groups have been affected: while the proportion of 55-64-year-olds living in overcrowded homes remains very low (1 per cent), this group has seen their rate of overcrowding double over the past 20 years.

FIGURE 41: **Across all age groups, overcrowded housing is more common today than in the past**

Proportion of individuals living in a household breaching the bedroom standard, by age band: England



SOURCE: RF analysis of MHCLG, English Housing Survey; Department of the Environment, English Housing Conditions Survey.

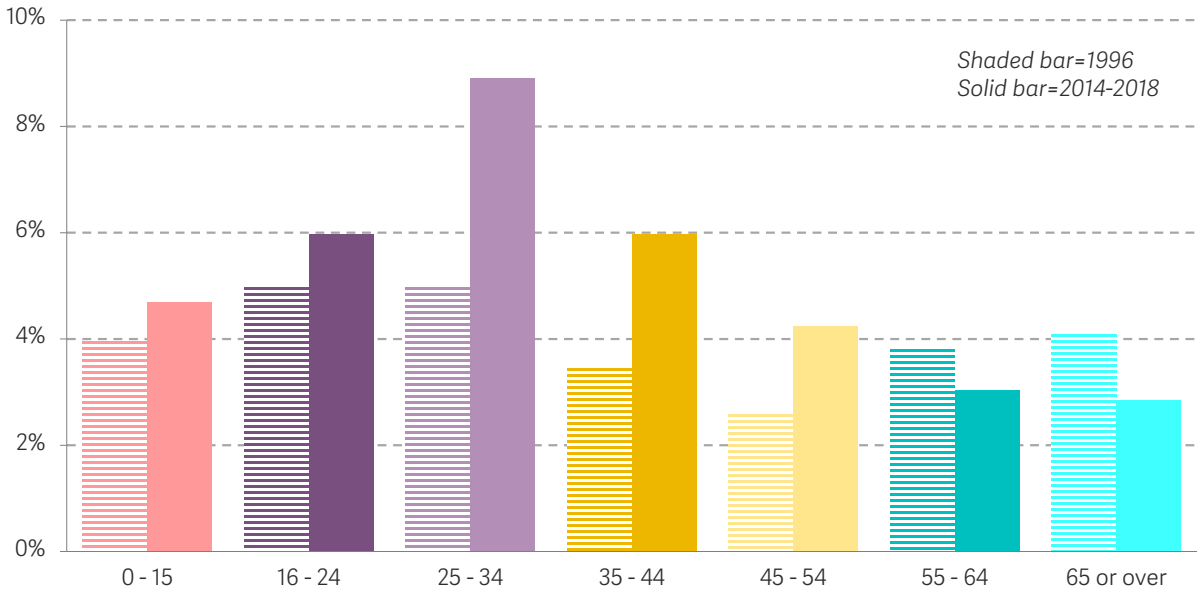
105 A Corlett & L Judge, Home affront: housing across the generations, Resolution Foundation, September 2017.

Shifts in living conditions across the generations can be ambiguous

At first glance, living conditions also appear to have deteriorated over time on other key metrics. In Figure 42 we show how the proportion of individuals living in high-rise homes has changed over time. For younger people (and especially those in the 25-34 years age band), living in homes four storeys or more above ground is much more commonplace than it was 20 years ago (up from five per cent in 1996 to nine per cent in 2016-2018). Yet over the same period, the likelihood of living at such heights has fallen for those aged 55 and over.

FIGURE 42: **Young people are more likely to live in high-rise homes today than 20 years ago**

Proportion of individuals living in homes four storeys or more above ground level, by age band: England



SOURCE: RF analysis of MHCLG, English Housing Survey; Department of the Environment, English Housing Conditions Survey.

Is it fair, however, to construe this as another example of deteriorating conditions across the generations?[106] While there is clearly no upside to living in a damp or overcrowded home, and little to be gained from residing in a neighbourhood with significant liveability problems, high-rise living is far more ambiguous. Indeed, when we analyse the proportion of different age groups living in homes four storeys or more above ground by income tertile, a very interesting picture emerges. Here, we note that for almost all age bands, living at height is most common for those in lower-income households. But that finding

106 For a negative view of high-rise buildings, see: N Boys Smith & A Morton, Create Streets, not just multi-storey estates, Policy Exchange, January 2013.

is inverted for our key 25-34-year-old group, where we observe high-rise living being more prevalent in higher-income households than in lower-income ones.[107]

As a result, we speculate that young people today have made different housing choices to previous generations, in part because preferences have changed over time.[108] Critically, as we have shown before, young people are more likely to live in large urban areas today than they were in the past, benefiting from the many more employment opportunities and services that cities provide.[109] But what may have been a worthwhile trade-off prior to lockdown (a small high-rise home with no garden, for example, in exchange for a well-paid inner-city job and amenities) is clearly a choice that will have been experienced less positively during the lockdown period.

Moreover, it would be wrong to view high-rise living as entirely a lifestyle choice. Comparing results between white and BAME groups, as we do in our longer paper, shows that across all age groups (including the 25-34-year-old category), those from BAME backgrounds are significantly more likely to live in a home four storeys-plus above ground than their white counterparts. Given what we know about the historical allocation of BAME communities to poorer housing stock and neighbourhoods, alongside the continuing intersect between ethnicity and poverty, we should be wary of viewing high-rise living as something that may have been problematic in the past, but which today is largely a matter of choice.[110]

The psychological well-being gap between home owners and renters widened during the initial lockdown

All the forgoing discussion indicates that the living conditions of both young and old are determined by structural constraints far more than simple preferences. As discussed earlier in this section, the most striking inter-generational shift when it comes to housing has been tenure change. In our longer briefing note, we delve into an extended discussion about how long-term housing trends such as these have driven changes in housing quality across age groups. We find that while both public and private initiatives have led to significant housing stock improvement over the years, inadequate regulation has left the private-rented sector (in which so many young people and children now reside) with the poorest quality standards of any tenure. Likewise, the decades-long

107 A not dissimilar picture is found when we look at the proportion of those with no obvious garden. While a lack of private outdoor space is more prevalent for those from lower-income households within most age bands, this is not the case for the 25-34-year-old group, where 28 per cent of individuals from both lower- and higher-income tertiles lack an obvious garden. Source: RF analysis of ISER, Understanding Society 2017-2019.

108 This effect has been observed in studies of the US. See, for example: Y Lee, B Lee & M Shubho, Urban revival by Millennials? Intraurban net migration patterns of young adults, 1980-2010, Journal of Regional Science 59(3), April 2019.

109 See, for example: C McCurdy, Ageing, fast and slow: When place and demography collide, Resolution Foundation, October 2019.

110 See, for example: K Gulliver, Forty Years of Struggle: A Window on Race and Housing, Disadvantage and Exclusion, Human City Institute, October 2016.

failure to replenish the social-housing stock has resulted in families in that tenure being twice as likely to live in overcrowded conditions today as they were two decades ago.

With the link between tenure and housing quality well-established, what does this actually mean for outcomes? Past studies exploring the link between housing and well-being have shown that life satisfaction and anxiety are primarily driven by personal characteristics, but housing conditions do have a significant effect. Even controlling for income, health, marital status and the like, tenure has been shown to influence well-being,[111] and to have an independent effect on stress biomarkers that are recognised as an important determinant of health.[112] Moreover (and relevant to the forgoing discussion of high-rise living), studies have shown the detrimental impact on mental health of living in buildings with risky cladding in the wake of the shocking Grenfell Tower fire.[113]

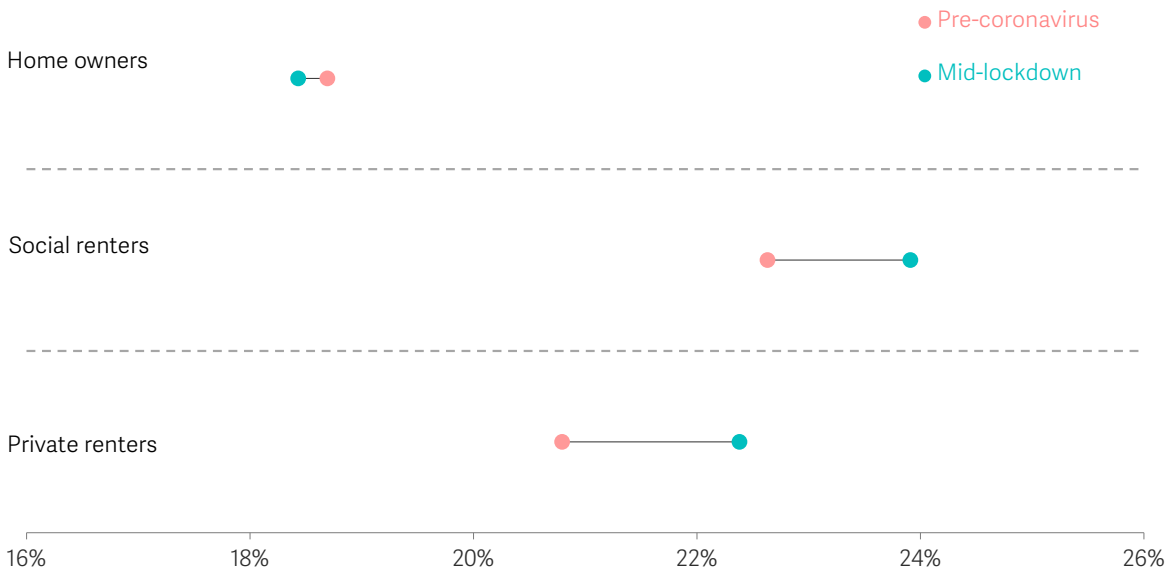
Given that the majority of the population spent a lot more time than usual in their homes during the lockdown, we hypothesise that tenure, as a proxy for housing quality, will exercise a greater independent effect on mental health and well-being today than in the pre-coronavirus world.[114] The Understanding Society coronavirus module fielded in April 2020 provides us with data to test this theory,[115] by examining the prevalence of scores that are associated with poor mental health pre-coronavirus and then during lockdown (which were discussed more broadly in Section 2), and comparing these results having controlled for key personal characteristics known to influence them.[116]

We present the results of this exercise in Figure 43. As this makes clear, in 2017-2019, prior to the onset of the coronavirus crisis, social renters were four percentage points more likely to report lower levels of mental health than home owners, and private renters two percentage points more likely, even when controlling for confounding characteristics. But, as predicted, mental health and psychological well-being in those housing tenures with poorer living conditions have deteriorated still further in the first months of lockdown: social renters were six percentage points more likely to show signs of poor mental health than home owners, and the difference doubled to four percentage points for private renters.

111 Department for Communities and Local Government, English Housing Survey 2014: Housing and Well-being Report, July 2016.
112 A Clair & A Hughes, Housing and health: new evidence using biomarker data, *Journal of Epidemiology and Community Health, May 2019.*
113 P Apps, Revealed: the mental health trauma of residents living in private blocks with dangerous cladding, Inside Housing, April 2019.
114 While recent studies have shown that coronavirus is having a significant effect on well-being, particularly for young adults and women, none to date have explored the role of housing. See, for example: J Banks and X Xu, The mental effects of the first two months of lockdown and social distancing during the COVID-19 pandemic in the UK, Institute for Fiscal Studies, June 2020.
115 Subsequent Understanding Society modules were not available at the time when this analysis was conducted.
116 In line with standard practice, we assume that a score of four or more on Understanding Society's General Health Questionnaire indicates poor mental health at the time of interview.

FIGURE 43: **Renters' well-being deteriorated by mid-lockdown, even after controlling for a range of characteristics**

Proportion of adults reporting poor mental health, controlling for key characteristics, by tenure: UK, 2017-19 (pre-coronavirus) and April 2020 (mid-lockdown)



NOTES: As is standard practice, well-being scores associated with poor mental health indicate instances in which individuals report lower-than-usual levels of well-being on at least four of 12 General Health Questionnaire variables. Characteristics controlled for are: sex, relationship status, presence of children, household size, attachment to employer, hours worked, weekly pay, education level, region, ethnicity and general health status. Due to limitations in the post-coronavirus data and to ensure regression results are comparable in our pre-coronavirus and mid-lockdown scenarios, we control for pay rather than income. We have also used a derived employment variable which indicates attachment to an employer alongside data on hours worked in order to capture furlough as distinct from unemployment in the post-coronavirus data.
SOURCE: RF analysis of ISER, Understanding Society.

Conclusion

Decent living conditions are not just a 'nice to have': they have a profound influence on outcomes including well-being, an effect that was amplified during the initial lockdown period. Given that we are entering a series of extended local restrictions, and perhaps even a second lockdown in the winter months, the problems highlighted here will become all the more important in the near future.

Importantly, the inequalities in living conditions we document here are far from natural: they are the product of long-run housing trends such as tenure change, lack of building and insufficient regulation of privately-rented homes. As a result, while there are successes to celebrate when it comes to stock improvement over time, the inequalities between lower- and higher-income households, and between those from white and BAME backgrounds, are joined by the growing gap we observe between the generations when it comes to the quality of one's home.

Section 5

Taxes, benefits and household income

- After a couple of years of stalling pensioner incomes, pre-pandemic growth in disposable household income was stronger for pensioners in 2018-19 than for people of working-age, although overall growth across the age range was very weak. The long-term story remains one of poor income growth over the past 15 years, particularly for working-age families. As a result, generational income progress has stalled for all cohorts of working age since 2016
- Trends in household consumption up to the current crisis also continued the direction of travel in recent years, with only pensioners' consumption growing significantly in real terms. Older households' consumption also carried on shifting towards things like restaurants and culture, whereas younger households continued to devote increasingly less of their consumption to 'luxuries'.
- Our detailed nowcast, which accounts for the effect of benefit changes as well as labour market outcomes, suggests that typical real incomes fell by 4.5 per cent for non-pensioners between 2019-20 and the middle of lockdown, with the biggest falls (of 6-8 per cent) occurring for those in their late 40s. By contrast, pensioners' incomes look to have grown slightly.
- Looking to the future, we raise concerns about the reversal in April 2021 of the temporary boost in benefits rates, which, alongside the withdrawal of the JRS and other jobs support, will detrimentally affect working-age income growth. This would come at a time when the economic shock from coronavirus is likely to be far from over.
- Our spotlight analysis considers the age incidence of the three key income support policies in lockdown – the JRS, the SEISS and boosts to benefits – in detail. We find that, whether by accident or design, each of the three programmes has been targeted at different groups – giving an indication as to who might be at risk when each of the schemes comes to an end.

Developments before the current crisis

Low generational income progress has been broadly shared by young baby boomers, generation X and millennials

Disposable household income after housing costs is a summary measure of households' livings standards: it brings together employment within households, pay, the impact of direct taxes, benefits, private pension contributions and the cost of housing. In this sense, a focus on incomes ties together many of the themes explored in the previous two sections.

In the past decade there have been some years where household income growth grew reasonably, especially in 2014-15 and 2015-16. But this trend now seems to have turned, with incomes stagnating between 2015-16 and 2018-19. Across all households, typical real annual household income was largely unchanged in the year to 2018-19, rising only 0.2 per cent.

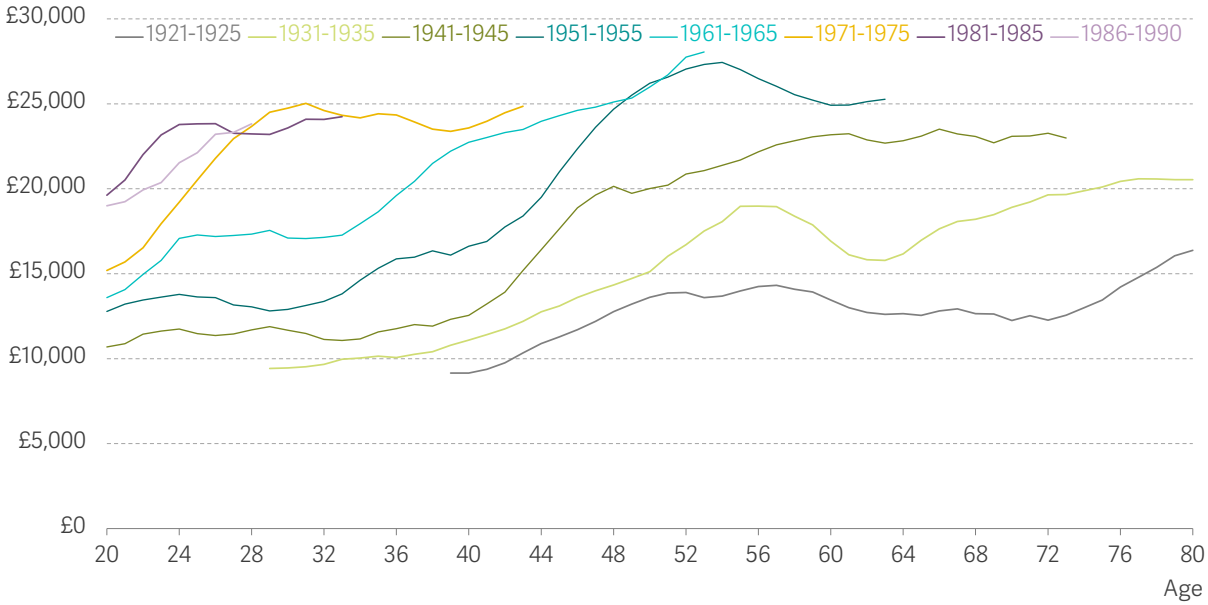
Within this muted picture it is older working-age people who have fared worst: typical after-housing-costs incomes among 50-64-year-olds fell by four per cent in the year to 2018-19. This contrasts with prime-age and younger people, groups for whom typical incomes increased slightly. Typical incomes among 30-49-year-olds rose by just over one per cent, whereas this figure was just above zero for 18-29-year-olds. The age group with the strongest (although still not particularly strong) income growth last year was pensioners: the incomes of people aged 65 and over rose by just over two per cent. This reverses the position we noted in last year's audit, when pensioner incomes had been performing the worst. As we said at the time, this was partly caused by statistical oddities such as the rising female State Pension age and the treatment of pension lump sums in the data.[117]

Figure 44 switches to a cohort perspective and puts these recent changes in their longer-term context. The big-picture story we have told in the past of little generational income progress for cohorts of working age today continues to hold. Both millennial cohorts born in the 1980s had incomes equal to the 1971-1975 cohort 10 or 15 years before them at the same ages (28 and 33). The 1971-1975 and 1961-1965 cohorts had incomes only slightly higher than those 10 years before them at the same age in their early 40s and early 50s (six per cent and three per cent, respectively). By contrast, the 1951-1955 and 1941-1945 cohorts had made much more significant improvements on those 10 years before them in their early 60s and early 70s (17 per cent and 11 per cent, respectively). Weak income growth over the past 15 years means that cohort-on-cohort income improvements have stalled across the board, but cohorts now of working age have fared worst.

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

FIGURE 44: **Cohorts of or approaching pension age today have made the most generational income progress**

Median real household annual net income after housing costs (CPI-AHC adjusted to 2019 prices), by age and cohort: UK, 1961-2019



NOTES: In contrast to our previous assessments of generational income patterns, here we present trends in household income for each individual, rather than just for the head of the household. Incomes are equivalised to account for differences in household size. Data for 1992 and 1993 have been interpolated. Northern Ireland data is missing for 1994-2001. 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 (1961-91); DWP, Family Resources Survey (1994-2019).

The pre-coronavirus period was quieter than the recent past on tax and welfare policy, but earlier decisions continue to have very different impacts by age

An important driver of these income trends is the tax and social security system. Over the past decade, sustained reductions in working-age welfare generosity in Britain have had a considerable impact on the distribution of social security spending across age groups. The 2015 Summer Budget doubled down on working-age benefit cuts implemented during 2010-2015, with reductions amounting to £14 billion by 2023-24. These cuts stand in contrast to largely protected social security spending on pensioners, including via the triple-lock on the State Pension. As a result of these differences, the gap between per-person pensioner and non-pensioner welfare generosity is the largest it has been in three decades.[118] This has been a key driver of the increase in pensioner incomes relative to working-age incomes over the course of the 21st century.

In the past couple of years running up to the current crisis there had been relatively fewer changes to the benefit system, and income tax thresholds also moved less than

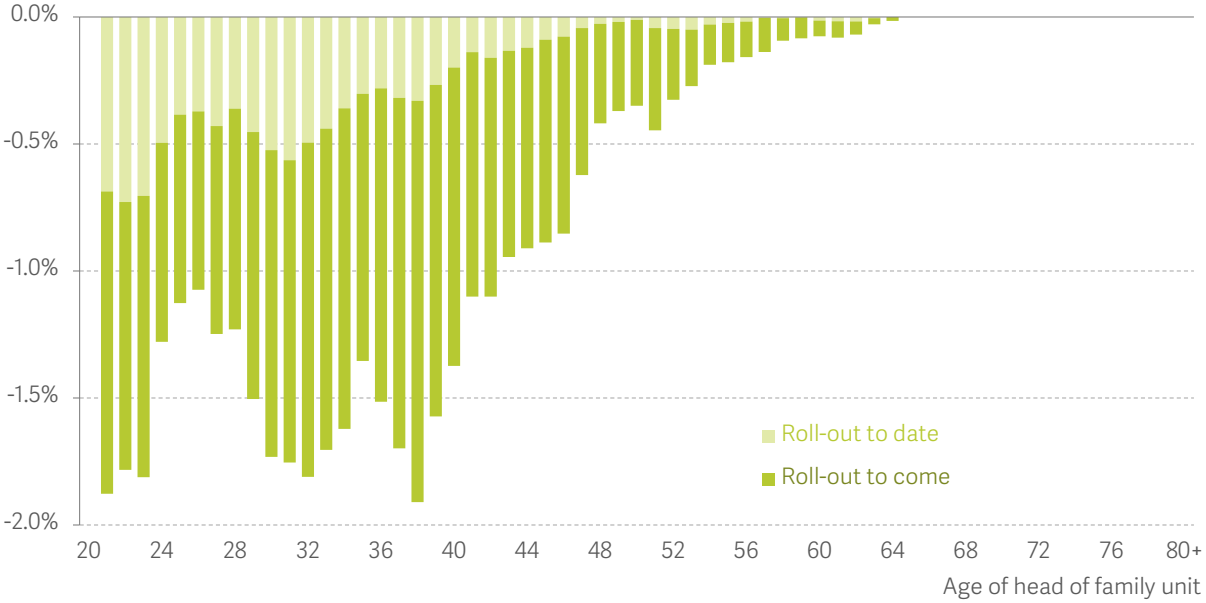
118 L Gardiner, The shifting shape of social security: Charting the changing size and shape of the British welfare system, Resolution Foundation, November 2019.

they had previously. However, some of the changes announced in 2015 only affect new claimants or newly-born children– the two-child limit (worth £2,830 per year, per child) and the removal of the 'family element' (worth £545 per year for families with children) in tax credits and UC – so their roll-out is a slow burn that will continue to bear down on incomes for many years. Both these 'flow' measures only affect new claims and/or children born from 2017 onwards, meaning that a significant minority of the total 2015 package of welfare cuts is yet to be felt.[119]

Figure 45 illustrates the differential age impacts of the ongoing roll-out of these 'flow' policies. Focusing first on the cuts implemented to date, the impact is clearly concentrated at the ages at which families have very young children. In future, the effects will shift up the age range to be spread across childrearing age once in steady state. These policies won't be fully rolled out until the early 2030s, so we should note that many of those who will eventually feel the effects in their late 30s are the same cohort of people (and in some cases, will be the same individuals) already feeling them today in their early 20s.

FIGURE 45: **The ongoing roll-out of 'flows' benefit cuts will shift effects up the age range**

Change in average net income as a result of the ongoing roll-out of the two-child limit and removal of the family element in the benefits system, by age of head of family: UK, 2019-20



NOTES: Income is measured after housing costs, at the household level. Modelling accounts for benefit take-up. The removal of the family element and two-child limit were introduced to UC and legacy benefits in April 2017, but only apply to children born after that date. As a result, the impact of these changes grows gradually over an 18-year period.
SOURCE: RF analysis of DWP, Family Resources Survey, using the IPPR tax-benefit model.

119 Analysis conducted a year ago showed that 27 per cent of the total 2015 package of cuts wouldn't be delivered until after the 2019 election. See: L Gardiner, The shifting shape of social security: Charting the changing size and shape of the British welfare system, Resolution Foundation, November 2019.

The policy decision – to affect inflows rather than the whole stock of the benefit-recipient population – therefore causes large inequities between cohorts at the same age. At the extreme, the two-child limit means that a low-income 30-year-old who had a third child in April 2017 would have a cumulative lifetime income over £50,000 lower (in today's prices) than an identical person who had their third child a month earlier (in the – admittedly uncommon – scenario that they receive full UC entitlements throughout that child's childhood). Given people typically have children in their late 20s and early 30s,[120] these policies have created a big divide in child-related benefits generosity between older and younger millennials.

April 2020 marked the end of the benefit freeze for working-age households. But while the direction of travel is no longer downwards, working-age benefits are clearly now more parsimonious than they were pre-freeze, or indeed pre-austerity (even putting aside any wider considerations, such as sanctions or waiting periods).[121]

What's more, it is not clear that post-freeze, generosity will be increased sufficiently to keep pace with increases in living standards for those who are not benefit-recipients, or indeed, with pensioner living standards. Working-age benefits are set to be uprated in line with CPI from April 2020 onwards (setting aside the temporary £20 per week uplift to the basic element in UC and tax credits in April 2020 in light of the coronavirus crisis, which we discuss below). However, as we expect earnings to increase faster than prices in the medium-term, working-age welfare support will continue to fall behind general increases in standards of living. It is different for pensioners. The triple-lock pegs State Pension uprating to the highest of price increases, earnings growth and a 2.5 per cent backstop. This means that the State Pension keeps pace with increases in general living standards, and sometimes benefits from a ratchet effect when earnings fall below either of the other two elements of the lock (we discuss the turbo-charging of this ratchet in light of current earnings volatility, below).

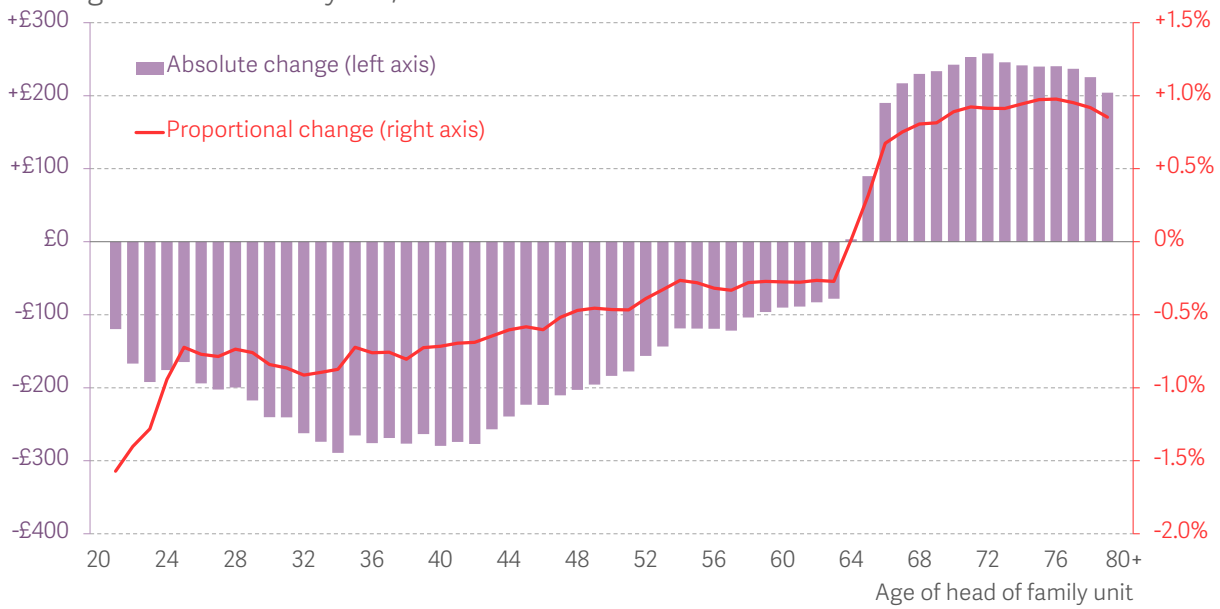
The difference in the recent paths of pensioner and working-age benefits is made clear in Figure 46, which shows the change in average net annual income as a result of actual working-age benefits (frozen) and State Pension (triple locked) uprating policy since 2015, compared to a counterfactual of across-the-board CPI uprating. The difference is stark: working-age household incomes (across the whole population, not just benefit recipients) were on average around £200 per year lower in 2019-20 than they would have been had benefits risen with prices since 2015; while pensioner incomes were around £200 per year higher than if the State Pension had followed prices over this period. While

120 Office for National Statistics, Birth characteristics in England and Wales: 2017, January 2019.
121 A Corlett, The benefit freeze has ended, but erosion of the social security safety net continues: Expected benefit uprating in April 2020, Resolution Foundation, October 2019.

working-age benefits are now set to rise with prices (effectively eliminating the negative bars in Figure 46), the triple lock means pensioner benefits should continue to outpace them.

FIGURE 46: **The benefits freeze and triple lock have pulled in different directions in recent years**

Change in average net annual income as a result of working-age benefits and State Pension uprating policy since 2015, in comparison to across-the-board CPI uprating, by age of head of family: UK, 2019-20



NOTES: Income is measured after housing costs, at the household level. Modelling accounts for benefit take-up. This analysis compares cash freezes to most working-age benefits since 2015 and the triple lock State Pension uprating, to a scenario in which both pensioner and working-age benefits were uprated by CPI inflation over that period.
SOURCE: RF analysis of DWP, Family Resources Survey, using the IPPR tax-benefit model.

Consumption patterns reflect stalling generational progress even more starkly than income trends

Consumption, or the amount spent by households on goods and services from week to week, shows how people are able to convert money into things that matter to their living standards, and is a direct way of capturing people's current standard of living.[122] Consumption data also provides more detail and nuance than income: decisions on how to allocate that spending to different items gives a rounded picture of how much of income is used up, and in what ways. In previous research we took a deep dive into long-

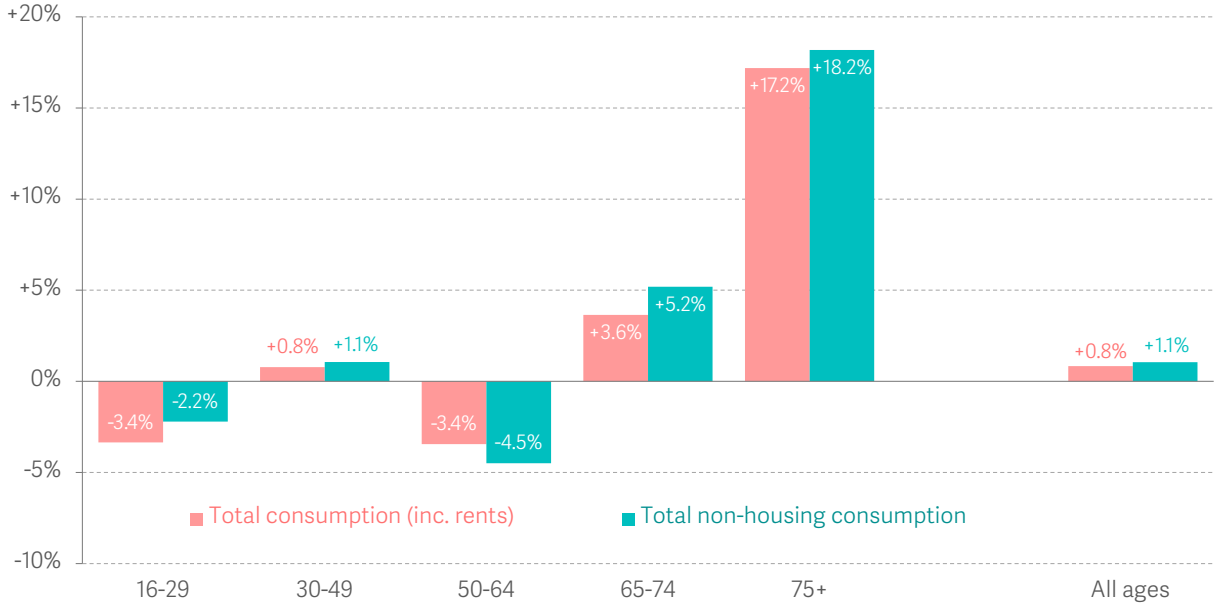
122 An increasing body of evidence suggest that consumption is a better predictor of standards of living than incomes. For example, see: M Brewer & C O'Dea, Measuring living standards with income and consumption: Evidence from the UK, Institute for Fiscal Studies, July 2012; R Blundell & I Preston, Income, Expenditure and the Living Standards of UK Households, Fiscal Studies 16(3), August 1995; B Meyer & J Sullivan, Measuring the Well-Being of the Poor Using Income and Consumption, NBER Working Papers, June 2003; H Noll, Household consumption, household incomes and living standards, GESIS, 2007; H Noll & S Weick, Consumption expenditures and subjective well-being: Empirical evidence from Germany, International Review on Economics 62, November 2014.

term consumption patterns – detailing the increasing role of spending on housing, the shift away from essentials, and the growth in the spending of older working-age people compared to young adults between 2000-01 and 2014.[123] More recently we have explored what spending patterns going into the crisis can tell us about how they have changed in recent months.[124] Here we complement this by providing an update on what has happened to consumption in the couple of years up to 2018-19.

The most recent couple of years of change before the current crisis (shown in Figure 47) reflect the long-term consumption trends we have observed through in the 21st century. We see consumption growth among pensioners, and particularly for the oldest cohort (partly driven by compositional effects connected to mortality).[125] This contrasts with negative or very small positive changes in consumption among households headed by those of working-age.

FIGURE 47: **Older people's consumption continues to grow fastest**

Change in average real household consumption expenditure per adult, by age of household reference person: UK, 2016-17 to 2018-19



NOTES: We did not have access to microdata at the time of analysis, so this analysis is based on the data tables published alongside the Family Spending release. For this reason, consumption is deflated using overall deflators for each series, rather than the usual approach of deflating within each spending category. Without microdata, we are also unable to present our preferred measure of equivalised household consumption expenditure for every member of the household (rather than just the household reference person), or to reweight consumption within each spending category to match figures from the National Accounts in order to correct for growing under-recording of consumption expenditure in surveys. However, most of this under-recording took place prior to the financial crisis, so this is unlikely to affect the results too much.
SOURCE: RF analysis of ONS, Living Costs and Food Survey.

123 D Hirsch, L Valadez-Martinez & L Gardiner, Consuming forces: Generational living standards measured through household consumption, Resolution Foundation, September 2017.
124 F Rahman, Family spending before the coronavirus crisis helps us to understand its potential impact, Resolution Foundation, March 2020.
125 G Bangham et al., An intergenerational audit for the UK: 2019, Resolution Foundation, June 2019.

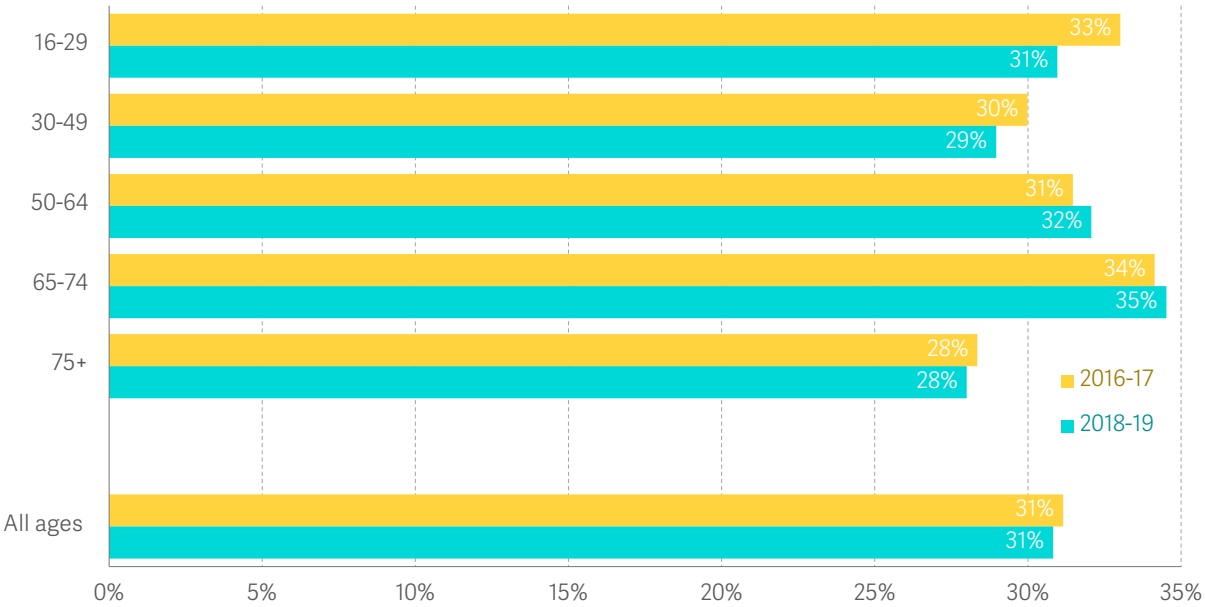
Typically, rents make up a large proportion of the spending among the youngest cohort. In last year's audit and our longer-term analysis of consumption trends, we showed weaker growth in non-housing consumption than total consumption at younger ages, due to growth in rents and a compositional shift towards renting. However, Figure 47 shows little difference between changes in total and non-housing consumption in recent years. As discussed in the previous section, this will reflect home ownership among the young increasing slightly and slow growth in rents.

The weak or negative growth among working-age families reflects the income patterns discussed above. As we said earlier, real disposable household income growth was stronger for pensioners in the year to 2018-19 than for people of working age, with incomes actually falling by 4 per cent for 50-64-year-olds. The decline in consumption for households headed by 50-64-year-olds in Figure 47 is reflective of this.

As we have shown previously, underpinning these overall changes is a shift in what people spend money on. Rents have taken up a growing proportion of younger people's spending (as discussed above), as have other 'essentials' like food, fuel and power. On the other hand, older households (particularly those earlier in pension age) have shifted towards 'non-essential' items like eating out, cultural activities and alcohol.

FIGURE 48: **Luxury spending has continued to shift up the age range**

Proportion of non-housing household consumption spent on restaurants and hotels, recreation and culture and alcohol and tobacco, by age of household reference person: UK



NOTES: We do not currently have access to microdata, so this analysis is based on the data tables published alongside the Family Spending release. For this reason, we are unable to present our preferred measure of equivalised household consumption expenditure for every member of the household (rather than just the household reference person).
SOURCE: RF analysis of ONS, Living Costs and Food Survey.

This longer-term trend has also continued over the past couple of years, as shown in Figure 48. Between 2016-17 and 2018-19, households headed by younger working-age people (aged 16-49) decreased their spending on what might be considered 'luxuries', like eating out or going to the cinema. This is contrasted against the rise in spending on luxuries among those around pension age. Soon-to-be pensioners and recent retirees have each increased the proportion of their consumption that goes to luxuries by one percentage point. In 2018-19, households headed by 65-74-year-olds devoted 35 per cent of their non-housing consumption this category of spending.

As well as having profound effects on household incomes, the particularities of the coronavirus crisis have made many of those fun things in life harder if not impossible to access. It is to incomes, welfare support and spending during the lockdown that we now turn.

The impacts of the lockdown on different cohorts

Income falls in mid-lockdown were largest for the youngest and oldest working-age adults

The initial lockdown had very different effects on the incomes of different types of households. The Resolution Foundation's Living Standards Audit used a detailed nowcasting methodology to estimate how household incomes had changed between 2019-20 and May 2020 (the middle of lockdown), accounting for labour market changes (such as those we discussed in Section 3), tax and welfare changes (in particular the boost to benefits in April 2020), and new government schemes such as the JRS and SEISS. We estimated that after-housing-cost non-pensioner incomes fell 4.5 per cent in real terms over this period, but that the distributional picture was progressive, with the bottom of the non-pensioner distribution relatively protected.[126]

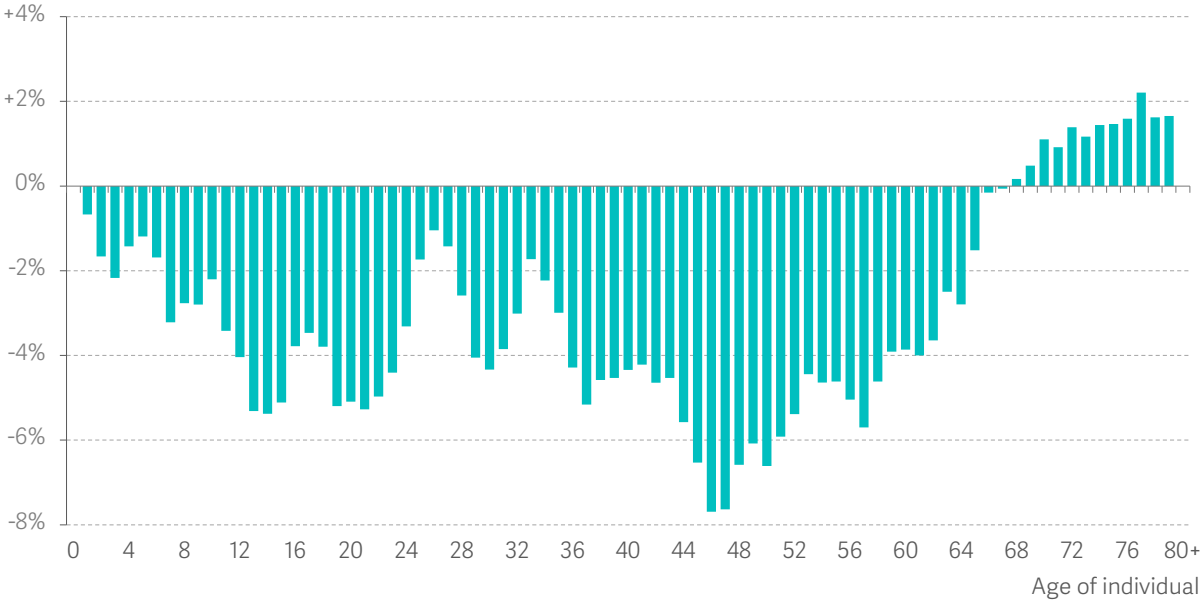
Figure 49 presents our nowcast results by individual age. We find that, compared to 2019-20, incomes in lockdown had fallen most for those in their 40s (with falls of 6-8 per cent in the late 40s), and the youngest adults. This is because couples and those without children look to have fared worst: couples can have multiple earners, increasing the chance of experiencing a labour market shock, and families without children are less likely to receive support from the social security system in the event of a fall in earnings or job loss. In stark contrast, we estimate that pensioner incomes were actually higher in real terms in May 2020 than over the course of the preceding financial year, although this

126 M Brewer et al., The Living Standards Audit 2020, Resolution Foundation, July 2020.

reflects that May 2020 comes just after the uplift to the State Pension and other benefits for those over the pension age, which would normally be counterbalanced by inflationary pressures over the course of the year.[127]

FIGURE 49: **By mid-lockdown, incomes had fallen most for those in their 40s**

Change in real (CPI-adjusted) average equivalised disposable income, by age of individual: UK, 2019-20 to May 2020



NOTES: Income is measured after housing costs, at the household level. This analysis is based on a detailed nowcast of incomes to May 2020, using tax-benefit modelling and accounting for the incidence of labour market changes and the impact of new government schemes (the JRS and SEISS) as well as welfare changes. For details, see Annex 2 in: M Brewer et al., The Living Standards Audit 2020, Resolution Foundation, July 2020.
SOURCE: RF analysis of DWP, Households Below Average Income; RF nowcast.

Our Living Standards Audit also assessed the effects of the crisis at different points in the income distribution within each age band.[128] We found that income changes between 2019-20 and May 2020 were progressive among children, younger adults and pensioners – meaning that incomes one-quarter of the way up the within-age-group income distribution performed better than those three-quarters of the way up – but the opposite was true for those in their 40s and 50s. However, a different analysis following the same working-age families over time showed similar income changes within age groups for families that started out on both lower and higher incomes.[129] This suggests that the within-age-group distributional picture from our nowcast reflects labour market shocks

127 In addition, our nowcast does not capture any impact of lower asset prices on pensioner incomes. See: M Brewer et al., The Living Standards Audit 2020, Resolution Foundation, July 2020.
128 M Brewer et al., The Living Standards Audit 2020, Resolution Foundation, July 2020.
129 For example, 38 per cent of 50-64-year-olds who were in families in the bottom half of incomes within that age group before the crisis reported an income fall, very similar to the figure of 39 per cent for the top half of incomes. The figures for 22-29-year-olds and 30-49-year-olds were also similar. Source: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19).

and other changes that result in households moving around in the distribution, rather than the fortunes of the same households over time.

It is very clear that the income hit would have been a lot more significant without government interventions to support household incomes. Government analysis finds that interventions since March could have been worth around one-fifth of incomes for working households on average, and reduced the scale of income losses for working households by up to two-thirds.[130] Another paper shows that the Government's coronavirus income support schemes successfully protected incomes at the bottom, and restored the welfare safety net to a level of support similar to what it would have been in 2011, before the austerity years.[131] And our Living Standards Audit showed that without boosts to benefits this year, particularly the £20 per week uplift in UC and tax credits, income falls in lockdown would have been much greater and much more regressive. Our spotlight analysis at the end of this section takes a detailed look at the impact of the Government's three main income-support schemes – the JRS, SEISS and welfare boosts – on incomes across the age range.

Those in early prime age for were most likely to experience spending falls alongside no hit to incomes during the initial lockdown

In normal recessions, we would interpret falls in spending as reflecting either falls in income, or increases in precautionary savings behaviour in anticipation of tough economic times ahead. But the shuttering of large sections of our economy and restrictions on travel during the initial lockdown period cut off many spending opportunities, meaning changes in spending were forced upon households, rather than being their own choice.[132] This makes consumption changes more complex to interpret. Here we assess patterns of change in consumption during the initial lockdown across the age range, and how they intersected with income changes. We use data from a survey conducted in May 2020 by the Resolution Foundation with support from the Health Foundation, which explored individuals own assessments of their income and spending changes.[133] As well as being somewhat subjective, this data is limited in only covering people of working-age. However, it is worth exploring because it allows us to look at spending and income changes together.

Our previous analysis shows that although working-age adults' assessment of income changes in lockdown did not differ that much between lower- and higher-income

130 HM Treasury, Impact of COVID-19 on working household incomes: distributional analysis as of May 2020, July 2020.
131 M Brewer & I Tasseva, Did the UK policy response to Covid-19 protect household incomes?, Institute for Social and Economic Research, University of Essex, June 2020.
132 See: Office for National Statistics, More than one-fifth of usual household spending has been largely prevented during lockdown, June 2020.
133 This research uses data from an online survey conducted by YouGov and funded by the Health Foundation. The figures presented from the online survey have been analysed independently by the Resolution Foundation. The views expressed here are not necessarily those of the Health Foundation or YouGov.

families, there were big differences when it came to spending. Higher-income working-age families were much more likely to have reduced spending by mid-lockdown compared to before coronavirus than lower-income ones (57 per cent said they had, compared to 30 per cent in the bottom quintile).[134] This reflects the fact that higher-income families typically spend more on things restricted during lockdown than do lower-income families.[135] By contrast, our survey does not show a particularly clear pattern by age among working-age families.[136]

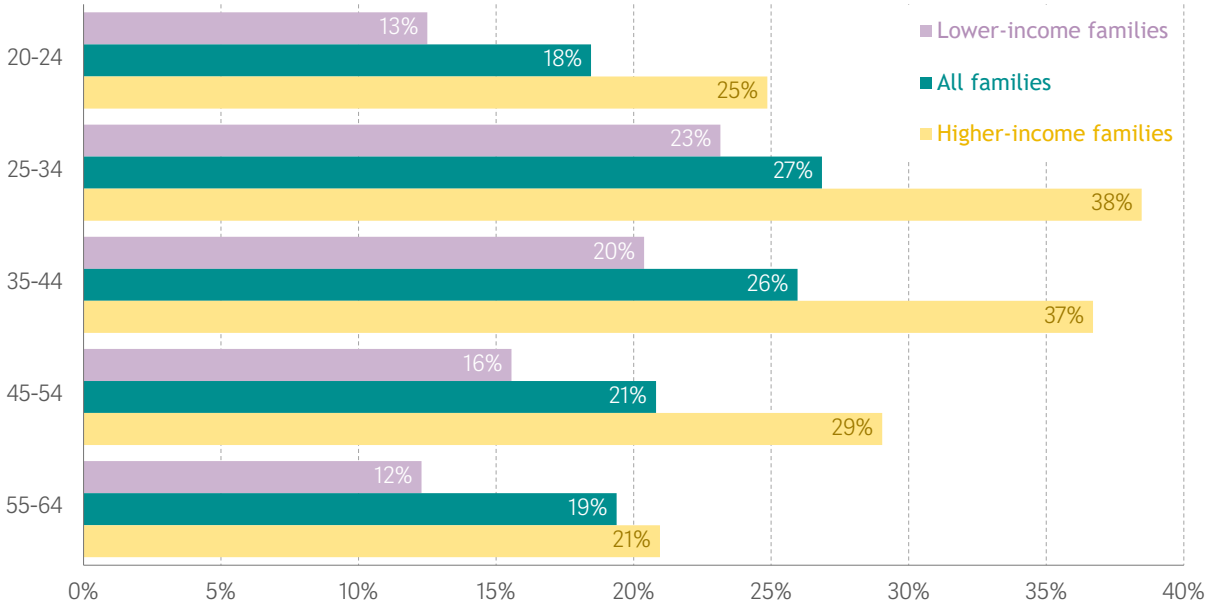
But when we look at spending and income changes together,[137] a clearer pattern emerges. We do this in Figure 50, focusing on those respondents whose household income increased or stayed the same in early May 2020, while at the same time their spending fell. We find that adults in their late 20s, 30s and early 40s were the most likely to have retained their incomes but reduced their spending in lockdown. This is relatively consistent with the patterns of income and labour market changes discussed above and in Section 3, and implies the most 'excess saving' (either precautionary or, more likely, enforced by restrictions on spending) at these ages. While we can't look at pensioner incomes in this dataset, we might infer from the discussion so far in this section that a large proportion would fall into this category. The most striking result from Figure 50, though, is the differences between higher-income families and lower-income families within age bands (which are reflected across all respondents of working-age).[138] Income appears to matter more than age in determining the combination of income and spending changes during lockdown.

We should be careful in interpreting these results. Higher-income families and those in early prime age not being able to spend their money how and when they wanted to during lockdown is not a 'good' thing for their overall utility. But the results in Figure 50 suggest it is these groups' overall balance sheets that were most likely to have strengthened (or been damaged least) during the first months of crisis. The following section on wealth and assets explores these balance sheet considerations in more detail.

134 M Brewer & L Gardiner, Return to spender: Findings on family incomes and spending from the Resolution Foundation's coronavirus survey, Resolution Foundation, June 2020.
135 D Corry, 'Excess saving' in lockdown: a big new economic challenge, New Policy Institute, May 2020.
136 44 per cent of 20-24-year-olds, 57 per cent of 25-34-year-olds, 36 per cent of 35-44-year-olds, 57 per cent of 45-54-year-olds and 30 per cent of 55-64-year-olds reported that their spending was lower in May 2020 than before coronavirus. Source: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19).
137 This analysis rests on modelling techniques to estimate a working-age family income distribution from survey questions on earnings, housing tenure, family structure and benefit receipt. For details of the method and an assessment of its appropriateness and accuracy, see the annex in: M Brewer & L Gardiner, Return to spender: Findings on family incomes and spending from the Resolution Foundation's coronavirus survey, Resolution Foundation, June 2020.
138 M Brewer & L Gardiner, Return to spender: Findings on family incomes and spending from the Resolution Foundation's coronavirus survey, Resolution Foundation, June 2020.

FIGURE 50: **Adults in their late 20s, 30s and early 40s were most likely to have experienced no income hit alongside a spending reduction during the initial lockdown**

Proportion of respondents whose household income has risen or stayed the same and spending has fallen compared to before the coronavirus outbreak began, by age and pre-coronavirus income: UK, 6-11 May 2020



NOTES: Base = all adults aged 20-64 with valid income data (apart from the 'all families' category) (n=5,630), (base by ages 20-24 n=521; 25-34 n=1,343; 35-44 n=1,239; 45-54 n=1,376; 55-64 n=1,151). Family income distribution based on equivalised, disposable benefit unit incomes among 18-65-year-old adults, excluding families containing retired adults or non-working adult students (for details, see the annex of: M Brewer & L Gardiner, Return to spender: Findings on family incomes and spending from the Resolution Foundation's coronavirus survey, Resolution Foundation, June 2020). Lower-income families are those in the bottom half of the distribution within their age band; higher-income families are those in the top half.
SOURCE: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19).

The patterns of income and spending changes we have discussed in this sub-section relate only to the lockdown period (specifically, to May 2020). With opportunities to spend having expanded since and labour market experiences changed for many, the picture now will likely be different. We are not aware of any more up-to-date assessments that include detailed analysis of different age groups, but a survey conducted in July suggested that levels of financial well-being had improved slightly on May, and that levels of financial strain fell with age, on average.[139] Other analysis (based on anonymised bank account data) suggests that the spending of those whose incomes were unaffected by the crisis had only closed a minority of the gap on pre-pandemic spending by July. Those JRS participants and SEISS and UC recipients who had experienced income hits had similar relative spending improvements over time to those without income hits, after a greater initial spending reduction (likely partly related to the wait for payments).[140] It

139 E Kempson et al., Emerging from lockdown: Key Findings from the 3rd Coronavirus Financial Impact Tracker Survey, Standard Life Foundation, September 2020.
140 I Delestre et al., Income protection policy during COVID-19: evidence from bank account data, Institute for Fiscal Studies, September 2020.

seems reasonable to assume an evolution in the lockdown picture we have painted as households emerged from lockdown, rather than a revolution.

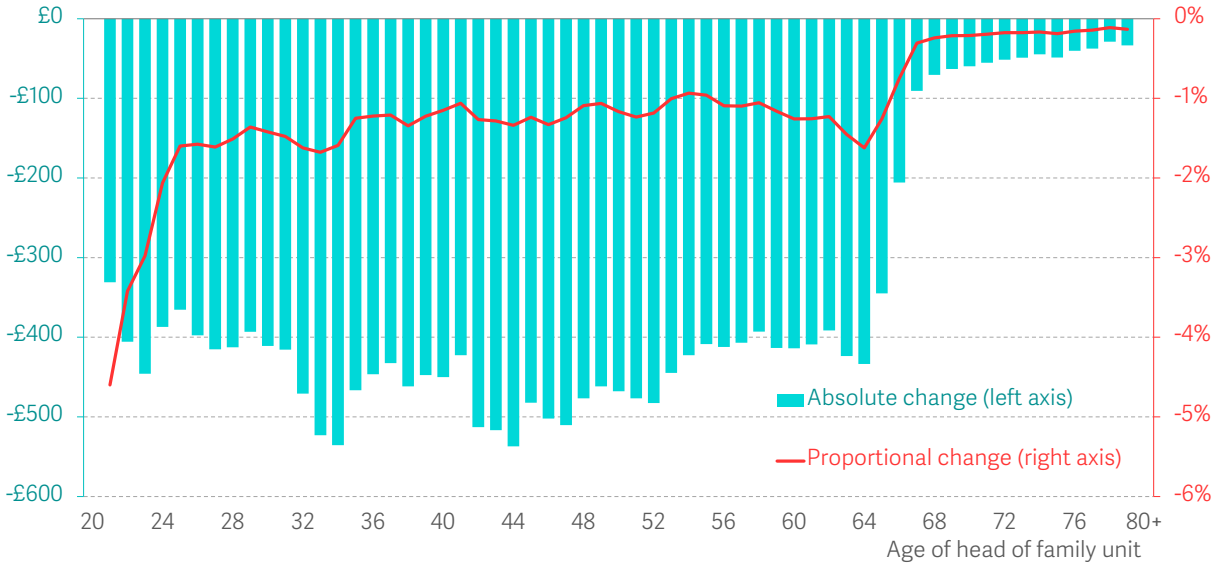
What next?

How incomes and spending across different cohorts might develop beyond the lockdown depends in a large part on developments in the labour market, and how labour market support, including the JRS and new Job Support Scheme, is withdrawn.

But welfare support will also play a key role. There is the potential for a big headwind to income growth in April next year if the temporary benefit increases (the £20 per week uplift to the basic element in UC and tax credits, the LHA increase and more generous Council Tax Support) are reversed (it is current policy intention to reverse the £20 per week uplift and more generous Council Tax Support). Figure 51 shows the impact that all these reversals would have on average incomes (of all households, not just benefit recipients) across the age range. It makes clear how big a deal such a policy reversal would be for household finances for people of working-age,[141] with average working-age incomes around £445 per year lower as a result.

FIGURE 51: **Reversing benefit increases would dent working-age incomes across the age range**

Change in average net annual income as a result of not continuing benefit boosts, by age of head of family: UK, 2021-22



NOTES: Income is measured after housing costs, at the household level. Modelling accounts for benefit take-up. Includes the £1,040 boost to UC and Tax Credits; Local Housing Allowance increase; and Council Tax Support increase. We assume raised unemployment in 2021-22, in line with the OBR's central scenario.
SOURCE: RF analysis of DWP, Family Resources Survey, using the IPPR tax-benefit model.

141 There are small losses in pension age because some pensioners are affected by changes to Local Housing Allowance rates.

The impact is quite flat across the age range despite welfare spending being focused around the childrearing years. This is because the biggest part of the package is the additional £20 per week on the per-family basic element, which has provided a relatively greater boost to the benefits of single people than couples or those with children. If the Government does not maintain these higher rates of benefits into 2021-22, then policy risks shifting from protecting working-age families from an income shock, to causing one.

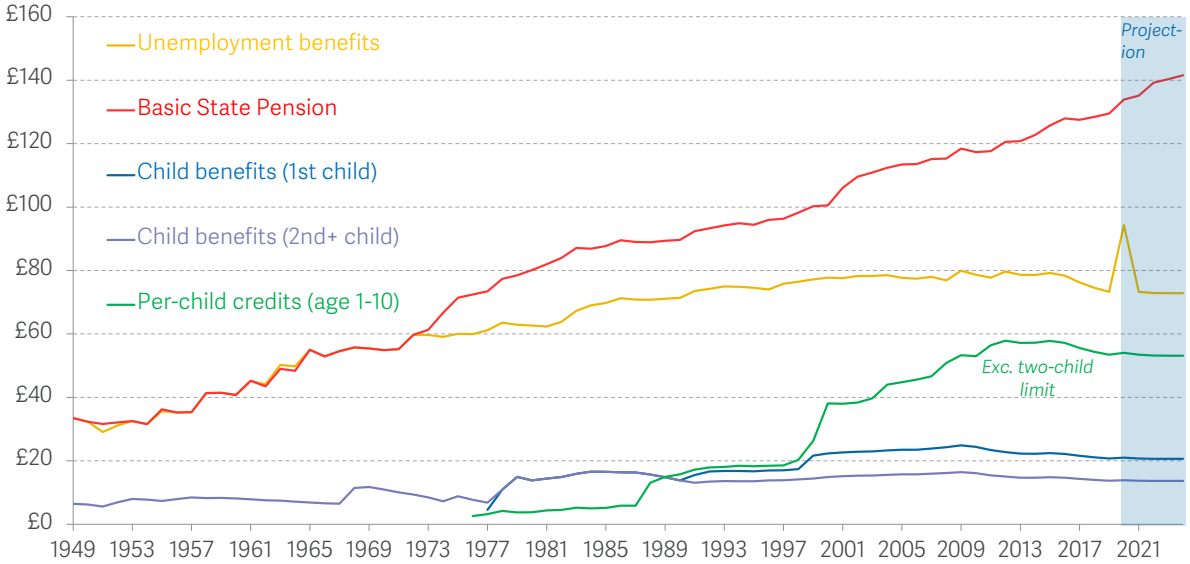
Set against this potential welfare-driven shock to incomes next year is the likely path of the State Pension due to the triple lock. The volatility in earnings that the crisis and policy response (in particular the JRS) have caused means that the triple lock's ratchet effect is set to go into overdrive. In April 2021, when working-age welfare generosity is due to be substantially reduced, the State Pension is expected to rise by the 2.5 per cent uprating backstop (due to very low, or even negative, earnings and price growth this year). Next summer's annual earnings growth rate is then expected to be very strong, at around five per cent, due to the bounce-back from the current year when earnings were substantially depressed due to furlough pay. This figure will determine the State Pension increase in April 2022. The result could be a nominal increase in the State Pension of 11.8 per cent between 2019-20 and 2022-23, compared to nominal growth in most working-age benefits of 3.6 per cent.[142] Figure 52 puts these trajectories in their longer-term context, showing just how big the divergence between working-age and pensioner benefits has been over a number of decades. By the mid-2020s, the basic State Pension looks set to almost double (94 per cent higher than) the main rate of unemployment benefit.

Whatever one's view of the optimal level of the State Pension, the triple lock is a very messy and unpredictable way of achieving increases, particularly in labour market downturns when the incomes of working-age families are put under most pressure. Policy makers will need to consider welfare spending in the round in the coming years, particularly as pressure to reverse the impacts of the coronavirus policy response on the public finances grows. In doing so, they should reflect on which age and income groups have been most affected by welfare spending changes in the previous decade, and the extent to which pressure on incomes from the labour market shock endures across the age range.

142 These figures are updated from analysis in a previous report, which contains a more detailed policy discussion. See: T Bell & L Gardiner, Locked in?: The triple lock on the State Pension in light of the coronavirus crisis, Resolution Foundation, June 2020.

FIGURE 52: **The basic State Pension is expected to rise to almost double the value of the main rate of unemployment benefit in the mid-2020s**

Real (CPI-adjusted to 2020 prices) value of selected major benefits per week: UK



NOTES: 'Unemployment benefits' captures the main rate of UC from 2013 onwards, rather than the contributory ('new style') Jobseeker's Allowance benefit that continues alongside it (which did not benefit from the temporary uplift in April 2020).
SOURCE: RF analysis of IFS, Fiscal Facts; ONS; BoE; OBR; HM Treasury.

Finally, what should we expect for household consumption? To a large extent this will reflect income changes, and so the welfare headwinds to working-age incomes discussed above might contribute to a continuation of the trend of slower consumption growth when young and in prime age. But future household spending will also be determined by the extent to which the pandemic-driven limitations on spending endure. The parts of spending prevented during lockdown – such as restaurants, hotels, and leisure and cultural activities – may continue to be depressed in future given ongoing restrictions and changing preferences. We might speculate that some of the big shift from face-to-face retail to online retail witnessed during the lockdown becomes permanent,[143] for example, and that this also absorbs some of the money people might previously have spent on hospitality and other services.

The age distribution of pre-pandemic spending detailed in this section gives us a particular reason to expect such outcomes: older people tend to spend most in these categories, and they also face a greater health risk from undertaking this spending while the virus remains with us. This theory is tentatively supported by analysis of local economy spending in different parts of the country during lockdown, in which there is evidence that spending was recovering slowest in older places.[144] As we discussed in

143 See: J Martin, Shopping may never be the same again, Office for National Statistics, June 2020.
144 See the trends shown in: Tortoise, Corona shock tracker, June 2020; in comparison to the ages of places detailed in: C McCurdy, Ageing, fast and slow: When place and demography collide, Resolution Foundation, October 2019.

Section 3, it is younger workers who are most likely to be employed in the sectors of the economy that preferences may shift away from. So, the risk is that (justified) shifting spending preferences by (particularly better-off) older families cause the labour market hit to (particularly lower-earning) younger works to endure.

Our spotlight analysis that follows looks in detail at the age-related impacts of the Government's main policy to support incomes during the crisis, and provides further consideration on what might come next as these schemes are withdrawn.

Spotlight:

All together now? The impact of the Government's coronavirus income support schemes across the age distribution

The public health response to the coronavirus pandemic caused an unprecedented decline in economic activity, but also an unprecedented policy response to protect household incomes

The onset of the coronavirus pandemic has led to the biggest shock to the UK economy and the labour market for centuries. In response, the Government introduced three policies to directly protect household incomes: the Coronavirus JRS, the SEISS, and a significant boost to social security benefits. These are estimated to cost £71.5 billion in the current financial year, more than the combined government spending on Defence and Public Order and Safety in the previous year.[145]

This spotlight shows how that support has been felt across different age groups. The analysis presented here is a summary of a longer paper that provides more detail on methods and a broader presentation of results (as well as an annex containing details of our calculations).[146] As we clarify below, these estimates pertain only to the first few months of the crisis. As it continues, the shape of the labour market shock will evolve, the generosity of the JRS and SEISS will change, and new policies such as the Job Support Scheme will begin. How these schemes evolve, and their interactions with our social security system, will likely be different across the age range.

The youngest and oldest workers have been most likely to have been put on the Job Retention Scheme

The JRS has provided over nine million workers with 80 per cent of their salary (up to £2,500 per month) at some point since April 2020. It is by far the largest of the three

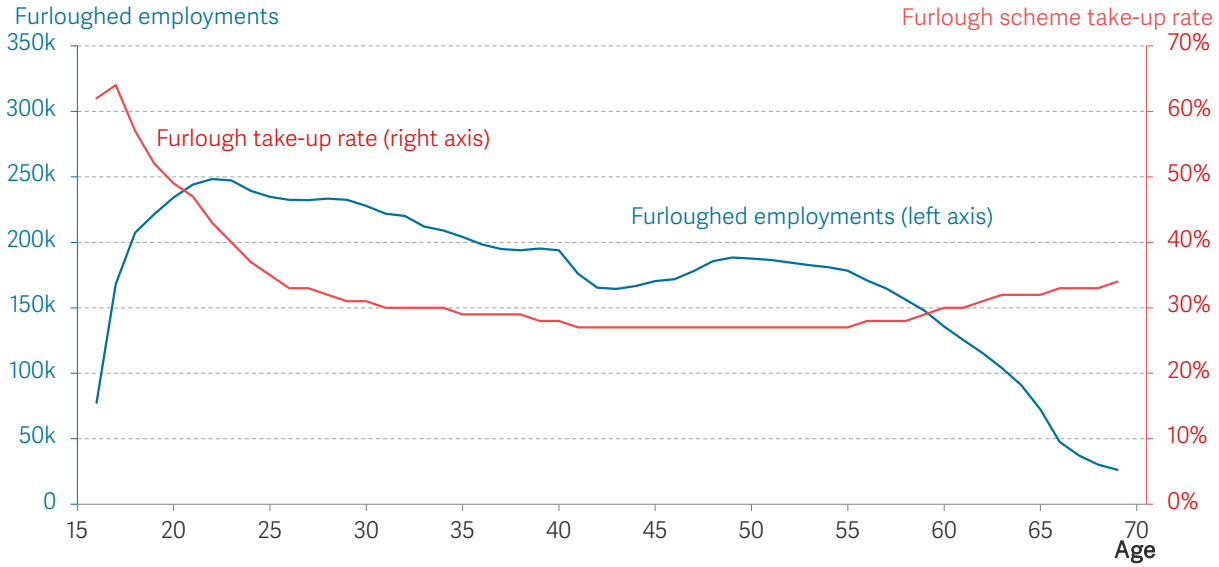
145 As set out in table 5.1 of: HM Treasury, Public Expenditure Statistical Analyses 2020.
146 M Brewer & K Handscomb, All together now?: The impacts of the Government's coronavirus income support schemes across the age distribution, Resolution Foundation, September 2020.

government programmes, with spending on the JRS in 2020-21 forecast to cost more than all working-age and child welfare benefits put together.

Figure 53 shows the number of people of different ages who, at any point since March 2020, have been placed on furlough and had their earnings partially covered by the JRS.[147] It shows that younger people have been more likely to have been placed onto furlough than older individuals: 20 per cent of furloughed employees have been under the age of 25, and 43 per cent under the age of 35 (the dip among those aged 40 to 44 is in line with the dip in the population density at this age). This pattern is even stronger when we look at take-up of the JRS as a fraction of the number of people of different ages who are employees – what we call a take-up rate. Between those aged 30 and 60, the fraction who have been furloughed is a fairly constant 30 per cent, but this fraction is much higher for those aged under 25, reaching over 50 per cent for employees aged 20 or under, for example. It is also a little higher for employees aged over 60 (although the rise at older ages is less pronounced than in the survey data discussed in Section 3). Unsurprisingly, this closely matches the age patterns of the shock to the labour market and hours worked discussed in Section 3.

FIGURE 53: **Young workers are more likely to have been furloughed**

Numbers of furloughed employments and furlough take-up rate, by age: UK, March-July 2020



SOURCE: HMRC, coronavirus statistics.

147 There is no double-counting in this but, as we set out in the annex to our longer paper, this analysis counts all furloughed employees once regardless of whether they were on the JRS for three weeks or several months (information on how long people have been furloughed is not in the HMRC statistics).

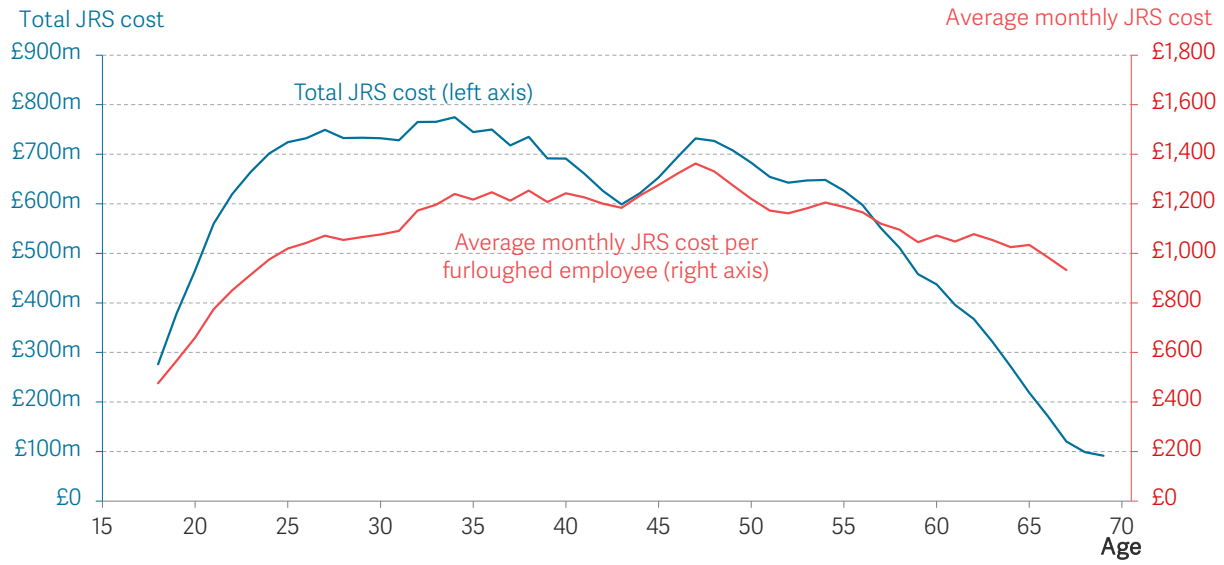
But overall spending on the Job Retention Scheme is more equal by age, because younger furloughed workers tend to earn less than other workers

The official JRS statistics do not include information on the cost of the scheme by age, so we have estimated that by combining HMRC data on who has been placed on the JRS with information from a household panel survey on how earnings of furloughed workers vary by age. The fact that younger workers tend to be paid less than older workers means that we estimate, in Figure 54, that the amount of support provided by the JRS per furloughed worker is highest for those aged 35 to 55 (JRS spend per employee is highest for those aged 47, where the average cost is £1,400 per month).

Figure 54 also shows our estimate of total spending on the JRS by age. Spending is still tilted towards younger adults, with 12 per cent of spending on the JRS going to adults under the age of 35. But the lower earnings of younger workers mean that total spending is distributed more equally by age than is the incidence of being furloughed at all.

FIGURE 54: **The cost of the JRS is concentrated on younger workers, although older furloughed workers tend to receive more than younger furloughed workers**

Government spending on the Job Retention Scheme, by age: UK, March-June 2020



SOURCE: RF analysis of HMRC, Job Retention Scheme statistics; ISER, Understanding Society.

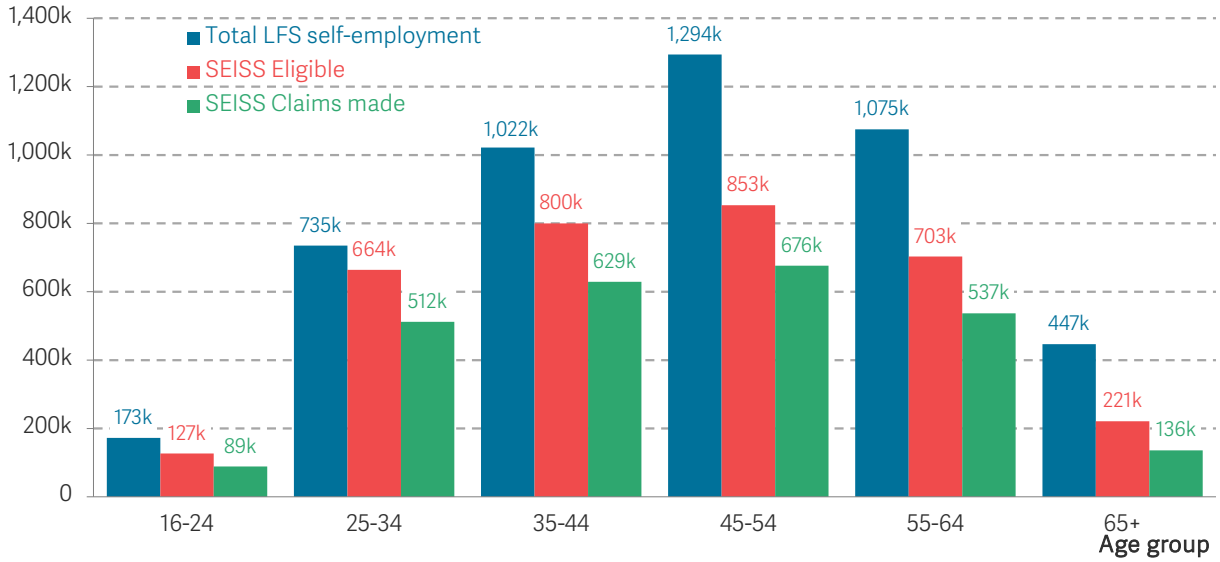
Beneficiaries of the Self-Employment Income Support Scheme broadly reflect the age pattern of self-employment, with younger adults benefiting far less than others

The SEISS allowed eligible self-employed workers whose business has been affected by the crisis to receive grants of 80 percent of their previous years' income, covering the period April to September 2020.[148] There were some important exemptions, though, with those whose income exceeded £50,000, those who paid themselves through dividends, those receiving less than half their total earnings from self-employment, and those who had begun their self-employment business after March 2019 not being eligible. By 31 July, 2.6 million people had claimed the first SEISS grant, covering the period up to mid-July, with the value of these claims totalling £7.6 billion.[149]

Figure 55 shows HMRC's analysis of the age of SEISS claimants, alongside estimates from the Labour Force Survey on the number of self-employed individuals, and HMRC's estimates of the number of self-employed workers who were actually eligible for the SEISS. SEISS recipients peak in the 45-54 age bracket, in line with the age profile of self-employed workers generally. Receipt of the SEISS is particularly uncommon among the under 25s.

FIGURE 55: **Take-up for the Self-Employed Income Support Scheme has broadly reflected the age profile of self-employment**

Self-employment, SEISS eligibility and SEISS receipt, by age group: UK, March-July 2020



NOTES: Excludes those with no age reported.
SOURCE: RF Analysis of ONS, Labour Force Survey (April to June); HMRC, SEISS statistics.

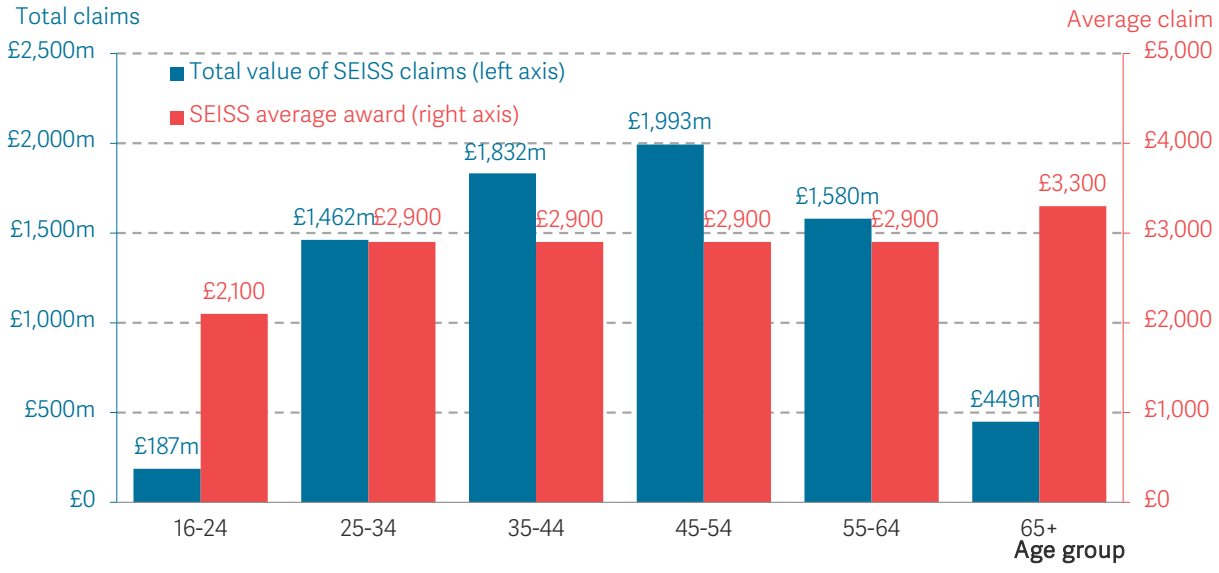
148 Further, much less generous grants to cover the rest of the year were announced at the time of finalising this report. See T. Bell et al. The Winter (Economy Plan) is Coming, September 2020.
149 HMRC, Self-Employment Income Support Scheme statistics: August 2020, September 2020.

As a fraction of the whole self-employed population (rather than just the eligible population), receipt of the SEISS is lowest among workers aged 45-54 and 55-64, standing at around 50 per cent. The main reason for this low coverage is the lack of eligibility (as shown by the red bars compared with the blue bars in Figure 55). Among younger workers, the lack of eligibility for the SEISS is more likely to reflect that they are new to self-employment; among older self-employed workers, lack of eligibility is more likely to reflect that incomes are over £50,000 or that people receive payments via dividends.

Figure 56 shows how the average award for the first SEISS grant varies by age of recipient,[150] and then combines that with the number of recipients to show how the total spending on the programme is distributed across different ages. The mean award per recipient is identical for recipients aged 25-64, but is lower for the under 25s, and higher for those few recipients aged 65 or over. This pattern, plus the data shown in Figure 55, mean that total spending on the SEISS is skewed towards those aged 35-54. Around 680,000 workers aged 45-54 made a claim, with payments totalling almost £2 billion, compared to just over 600,000 claims across all workers aged 35-and-under totalling just £1.6 billion. Less than five per cent of spending went to those aged under 25.

FIGURE 56: **Similar average payments by age mean aggregate support has also reflected the wider self-employment age profile**

Self-Employment Income Support Scheme average award and total claims value, by age group: UK, March-July 2020



NOTES: Excludes those with no age reported.
SOURCE: RF analysis of HMRC, SEISS statistics.

150 The first SEISS grant was to cover lost earnings up to 13 July 2020, covering a three-month period.

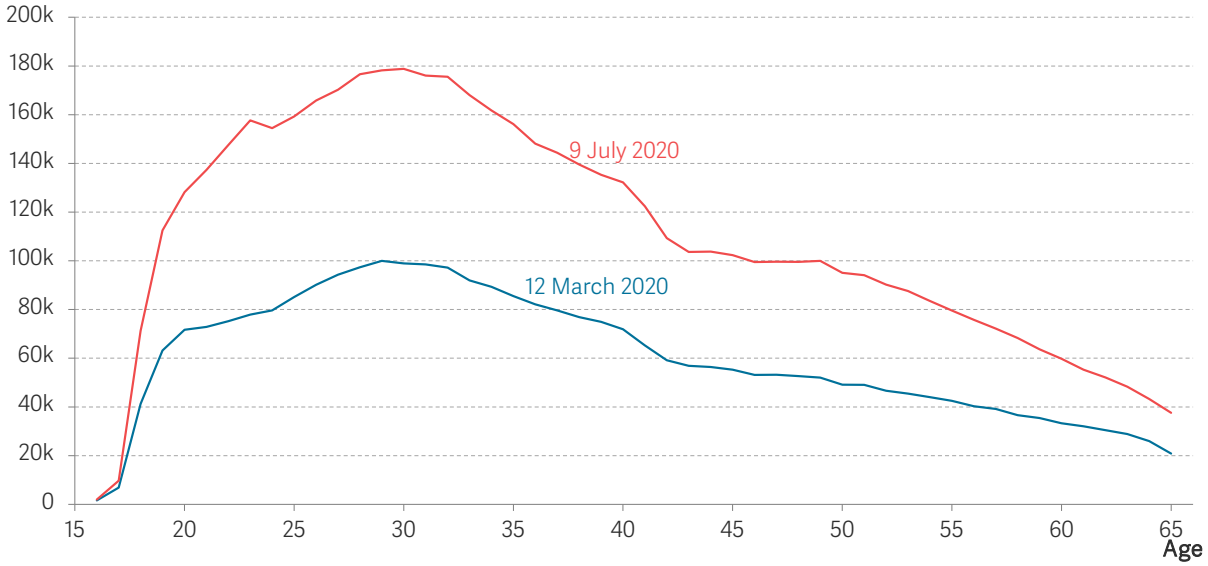
The boost to social security benefits helps both those already receiving these benefits and those who newly claimed in the crisis

Outside of the JRS and the SEISS, support to protect household incomes in this crisis has been provided by the usual system of social security benefits and tax credits. For those who were made redundant – or who were not eligible for the JRS or SEISS – the social security system, and UC in particular, will have been the only source of support. But some people have been able to benefit both from UC and the JRS or SEISS if their income was low enough or they had additional needs.

The main changes to social security benefits in response to the pandemic were a £20-a-week rise in the main rates of UC and Working Tax Credit (WTC), and a rise in the generosity of LHA. The only official analysis of these programmes so far is from the OBR, which estimates the cost of these changes (and some other, very minor, changes to benefits) to be just over £9 billion throughout 2020-21.

FIGURE 57: **The age profile of Universal Credit recipients has remained similar, with young people slightly more likely to have made a new claim**

Individual adults claiming UC, by age: UK



NOTES: Excludes individuals aged over 65.
SOURCE: RF analysis of DWP, Stat-Xplore.

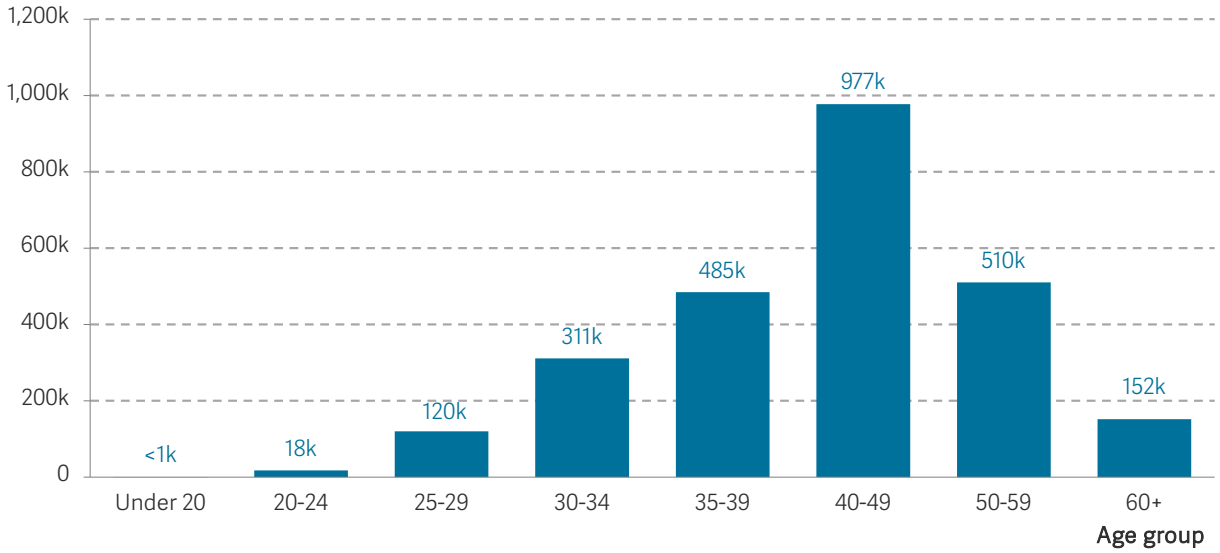
The beneficiaries of these changes, then, will be anyone in families receiving UC, tax credits or LHA. Unfortunately, there is no single source of administrative data that tells us how receipt of all of these varies by age. Instead, we show below what is known for certain about specific aspects of the package, and then use microsimulation models to estimate the age distribution of the beneficiaries of the package overall.

Figure 57 shows the age profile of adults in families who had a live claim for UC in July and in March, just before the imposition of the lockdown.[151] In July, live claims of UC peaked at age 30, with the change from March being a near-doubling of claims at most ages.[152]

The drop-off in receipt of UC among older adults (those aged 40 or over) is partially explained by the drop-off in the population of that age, but also by the way that UC is gradually replacing tax credits, which means that older adults are more likely to be receiving tax credits. Figure 58 gives an estimate of the age distribution of adults receiving WTC in April 2020: it reflects the fact that, although some people without children are entitled to WTC, the overwhelming majority of tax credit recipients have dependent children.[153]

FIGURE 58: **Adults claiming Working Tax Credit tend to be slightly older, with recipients being skewed towards older parents of dependent children**

Number of adults claiming Working Tax Credit, by age group: April 2020



NOTES: We have assumed that for couples, the younger adult is in the same age band as the older adult.
SOURCE: RF analysis of HMRC, Child and Working Tax Credits statistics.

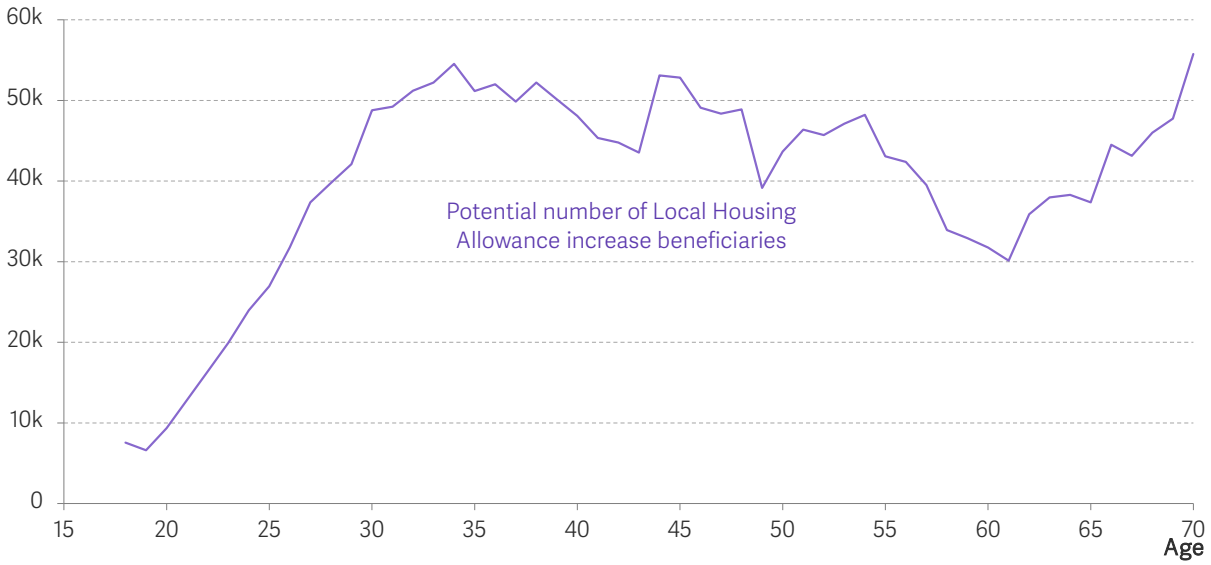
Figure 59 shows our estimate of the age distribution of beneficiaries of the increased spending on LHA (there are no helpful official statistics in this area, so, as the

151 This data source records the ages of both adults in a couple that is receiving UC.
152 Unlike the administrative data on the JRS, which recorded the ages of adults who had been furloughed at any point since April 2020, the data in Figure 10 shows only those receiving in July, and so the true number of beneficiaries since April 2020 will be slightly higher.
153 Because HMRC statistics report only the age of the older adult in the couples, we have assumed that both adults in a couple are in the same age band.

annex in our longer paper explains,[154] this is an estimate based on a tax and benefit microsimulation model), revealing that the number of beneficiaries peaks in the 30-35 age group. There are relatively few beneficiaries aged under 30, perhaps reflecting the fact that single adults aged under 35 have particularly low entitlements to LHA compared with other adults, as they are entitled only to an amount that covers living in a room in a shared house. The number of beneficiaries also falls slightly beyond the age of 35, reflecting the fact that older adults are more likely to be renting from social, rather than private-sector, landlords.

FIGURE 59: **Persons aged between 30 and 50 are more likely to have benefited from the increase in Local Housing Allowances**

Estimated number of beneficiaries of increase in Local Housing Allowance rates to the 30th percentile of market rents, by age: UK, 2020-21



NOTES: Housing Benefit claimants (or UC claimants receiving the housing element) living in private rented accommodation who face a rent shortfall are assumed to benefit from the LHA increase.
SOURCE: RF analysis of IPPR tax benefit model; DWP, Family Resources Survey.

Overall, the age profile of the additional welfare spending reflects that social security benefits and tax credits are more generous to families with children

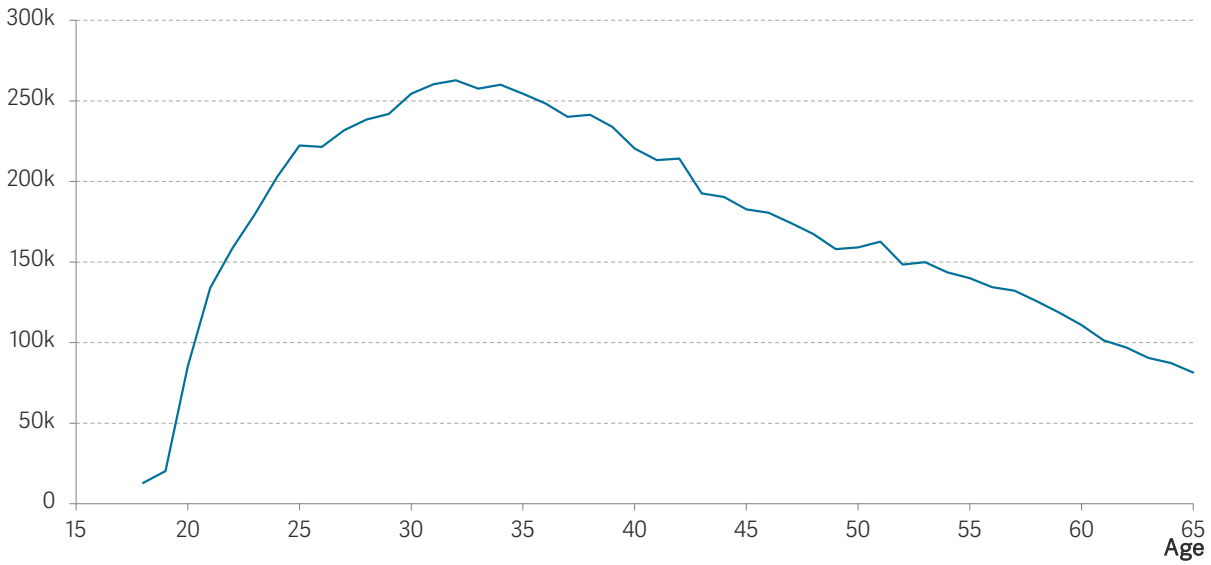
Figure 60 brings together these three estimates to show an assessment of the age profile of those who have benefited from any of the increases to social security benefits. We

154 M Brewer & K Handscomb, All together now?: The impacts of the Government's coronavirus income support schemes across the age distribution, Resolution Foundation, September 2020.

estimate that 8.7 million adults live in families who have gained from these increases; the number of recipients rises steadily with age to peak among those aged 30-35, and then declines steadily with age.[155]

FIGURE 60: **Those in their 30s are most likely to have received additional welfare support**

Estimated number of people in receipt of any additional welfare coronavirus support, by age: UK, July 2020



SOURCE: RF analysis of IPPR tax benefit model; HMRC tax benefit statistics; DWP, Stat-Xplore.

Our estimate of the age profile of the £9 billion additional spending on social security benefits is very similar: peaking among those aged 30-35, and then declining steadily with age.[156] This profile reflects in part the fact that a great deal of social security support for working-age adults is tied to those who are parents on a low income, and so it goes to those in the key child-raising years. It also reflects that some social security benefits have lower entitlements for those aged under 25.

Bringing this all together, we find the profile of government income support during coronavirus is fairly equal among people aged 25-55, with less support for the young and old

Figure 61 repeats our earlier estimates of the number of beneficiaries of these programmes by age, and also provides our own estimate of the number who receive support from any of these programmes (this is lower than the sum of the beneficiaries of

155 Note that these estimates of the number of beneficiaries effectively count both adults in couples who are receiving UC, WTC or LHA.

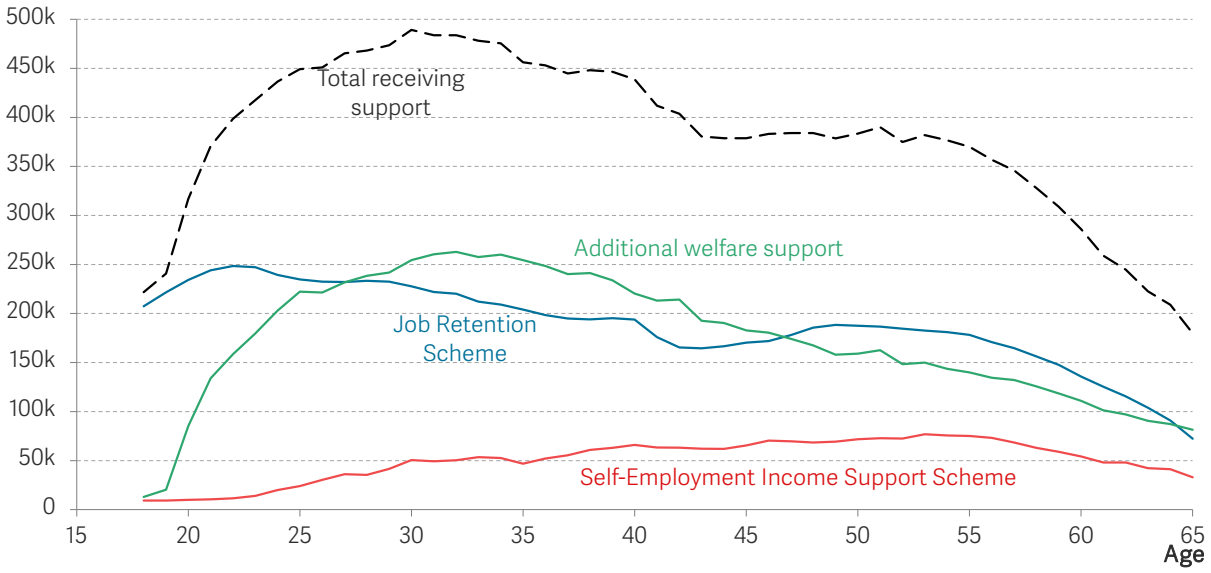
156 The similarity reflects that most of the beneficiaries of the rise in UC and WTC will have gained by the same amount: £20 a week.

each of the three programmes, as someone could be on the JRS or receiving the SEISS but also living in family that receives social security benefits).

It shows that each programme has – whether by accident or design – been targeted at different groups. Beneficiaries of the JRS are most likely to be found among the under-25s; the beneficiaries of the additional welfare support are most common among those in their early 30s; and SEISS recipients are most likely to be found among those aged 50-55. Overall, these programmes together have the most beneficiaries among those aged 30-35 than among other five-year age bands. The number of beneficiaries of any of the programmes falls quite sharply after age 55 – reflecting the fact thatrelatively few people in this age group were furloughed. The number of beneficiaries is also low for those younger than 25 – reflecting the fact that relatively few people in this group benefited from the additional welfare support the Government put in place.

FIGURE 61: **Each support package favours certain age groups, but combined they provide support across most working-age adults**

Estimated number of people in receipt of each government coronavirus support element, by age: UK, March-July 2020



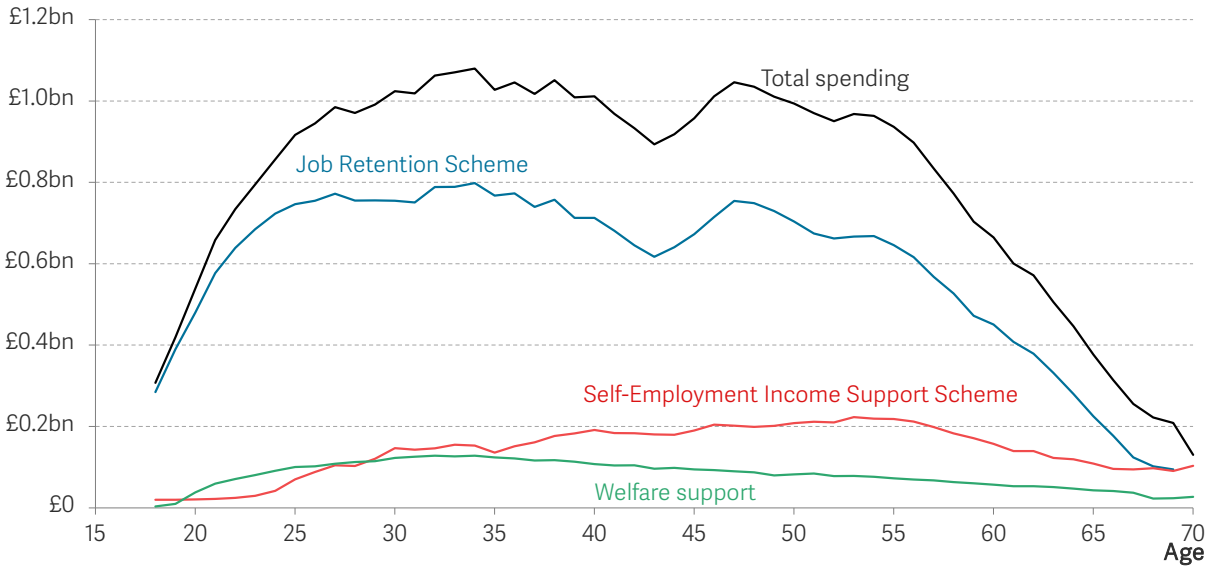
NOTES: Job Retention Scheme figures are actual. Remaining figures are modelled using IPPR tax benefit model, with totals scaled to published data. All modelled figures are smoothed over five years.
SOURCE: RF analysis of IPPR tax benefit model; HMRC coronavirus support scheme statistics; HMRC tax benefit statistics; DWP, Stat-Xplore.

Figure 62 shows how total spending on the three programmes is split across people of different ages. The overall pattern is driven by the JRS, as it is considerably more expensive than the other two programmes. And, as we discussed earlier, the fact that younger furloughed workers have lower-than-average earnings means that spending on the JRS is not tilted towards younger adults in the same way as its beneficiaries are.

This is why we see that total spending on all three programmes peaks among adults aged 30-35 and among those aged 45-50. Figure 62 also confirms that younger workers – particularly those under 21 – receive very little support from these programmes outside of the JRS, but those of older ages also benefit considerably from the SEISS, and from additional welfare spending.

FIGURE 62: **Because of its generosity and scope, the Job Retention Scheme dominates total support spending**

Estimated costs of Government coronavirus support measures, by age: UK, to summer 2020



NOTES: All modelled figures are smoothed over five years. To make the welfare spend comparable, we include only five months' worth of additional spend in this chart, from April to August. JRS spending covers the period up to 30 June; SEISS spending covers the period up to 19 July.
SOURCE: RF analysis of IPPR tax benefit model; HMRC coronavirus support scheme statistics; HMRC tax benefit statistics; DWP, Stat Xplore.

Conclusion

With activity across parts of the economy heavily restricted, the JRS and the SEISS, underpinned by the social security system, no doubt saved millions of jobs and firms and played a crucial role in supporting household incomes during lockdown. But as the country moves from lockdown into a new, reopening phase of this crisis, the challenges for policy makers and family incomes will endure.

A great deal depends on developments in the economy and the labour market, which are in turn mostly driven by the public health response to coronavirus. But the estimates in this report give a clear indication of who might be at risk when the JRS and SEISS schemes (and their successors) end, and when the temporary rise in UC and WTC is removed in April 2021, if the Government proceeds with its current plans.

Section 6

Wealth and assets

- Before the current crisis, Britain's wealth boom was continuing, and also continuing to drive cohort-on-cohort wealth progress for baby boomers much more so than for generation X or millennials.
- Auto-enrolment has not yet boosted the wealth of millennial cohorts compared to predecessors at the same age, partly because of the move towards less generous and riskier defined contribution pension provision. Moreover, the end of the roll-out of auto-enrolment also means there has been a slowdown in growth in membership of occupational pension schemes.
- During the initial lockdown, younger working-age families were most likely to increase the amount they saved each month rather than reduce it, and higher-income young adults particularly likely to do so. This will reflect 'enforced saving' due to the lockdown. 35-44-year-olds were most likely (among those of working-age) to increase their use of consumer debt during the lockdown.
- UK equity prices fell sharply in the early months of the coronavirus crisis. For those in their 50s, we expect this effect to have dominated the resilience of house prices so far and dented net wealth (all else equal), because this is the age where defined contributions make up the greatest share of total wealth. At other ages, continued house price growth through lockdown is expected to have boosted wealth, on average. We might expect asset price changes to drive a fall-then-rise in total net wealth over the coming years, driven by house prices, with both the downward and upward relative changes largest for 25-34-year-olds.
- Our spotlight analysis at the end of this section asks what is the likely scale of the possible low-equity problem caused by these expected short-run house price falls; and who is likely to be affected?

Developments before the current crisis

Britain's wealth boom has continued to benefit older cohorts

One of the most important – but under-discussed – economic trends in Britain in recent decades is the growth of assets in relation to income. Household wealth – which we define as net property wealth, private pension wealth and net financial wealth[157] – has been growing considerably faster than earnings, household income or economic output for four decades. Our detailed assessment of wealth in Britain earlier this year showed that the primary driver of this growth was increases in the prices of the underlying assets. Societal ageing (as older populations tend to hold more wealth), active saving, and repaying debt also play a role, but their contribution is small by comparison.[158] As we discussed in last year's audit, this means that wealth can display much stronger cohort effects than flow measures like earnings and income.[159] Those old enough to have wealth at the time when prices grew rapidly will also have these amplifying effects in their wealth trajectories. In some cases, these rises in the prices of assets – notably housing - also made it harder for those generations who followed to accumulate (as we discussed in Section 4, in relation to the deposit barrier to home ownership).

Wealth is important to living standards for a number of reasons, a key one of which is that it can help families weather economic shocks by dipping into savings or other assets to maintain consumption. So it is particularly important, in the light of the current crisis, to update our pre-coronavirus picture of the distribution of wealth across cohorts in Britain. We do so in the first part of this section, drawing mainly on the latest data from the Wealth and Assets Survey.

We turn first to wealth as a whole, shown for different cohorts in Figure 63. Wealth grew strongly in the two years to 2016-18, which can be seen in the trajectories across cohorts. But the legacy of past growth means that none of the generation X or millennial cohorts had recorded any substantial cohort-on-cohort progress in wealth accumulation, in contrast to the experience of older cohorts. For example, the members of the 1981-1985 cohort had 25 per cent less wealth (in real terms) at age 34 than those 10 years before them did at the same age. For the 1971-1974 cohort at age 44, wealth was three per cent lower than that of predecessors 10 years before. By contrast, the wealth of the 1951-1955 cohort at age 64 was 49 per cent higher than that of those coming 10 years before them.

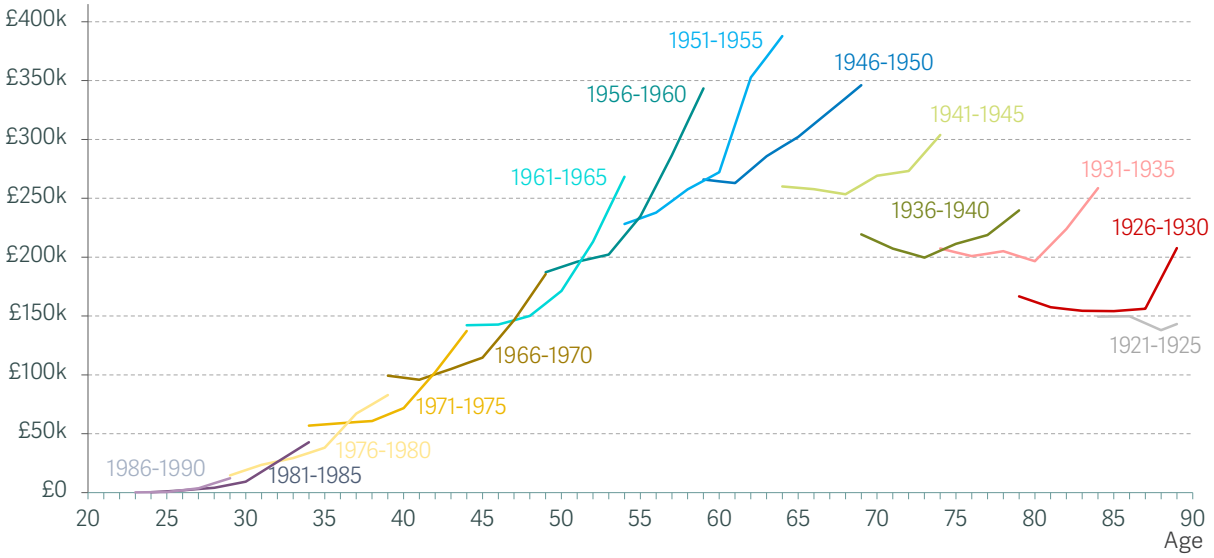
157 In line with others we exclude physical wealth from our analysis, due to concerns about the way survey respondents are asked to value it (respondents are asked about the replacement value of their physical assets, which is generally much higher than its marketable value). For more information, see: 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; 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.

158 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.

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

FIGURE 63: **Generation X and the millennials continue to make no cohort-on-cohort wealth progress**

Median real family total net wealth per adult (CPIH-adjusted to 2018-19 prices), by age and cohort: GB: 2006-2018

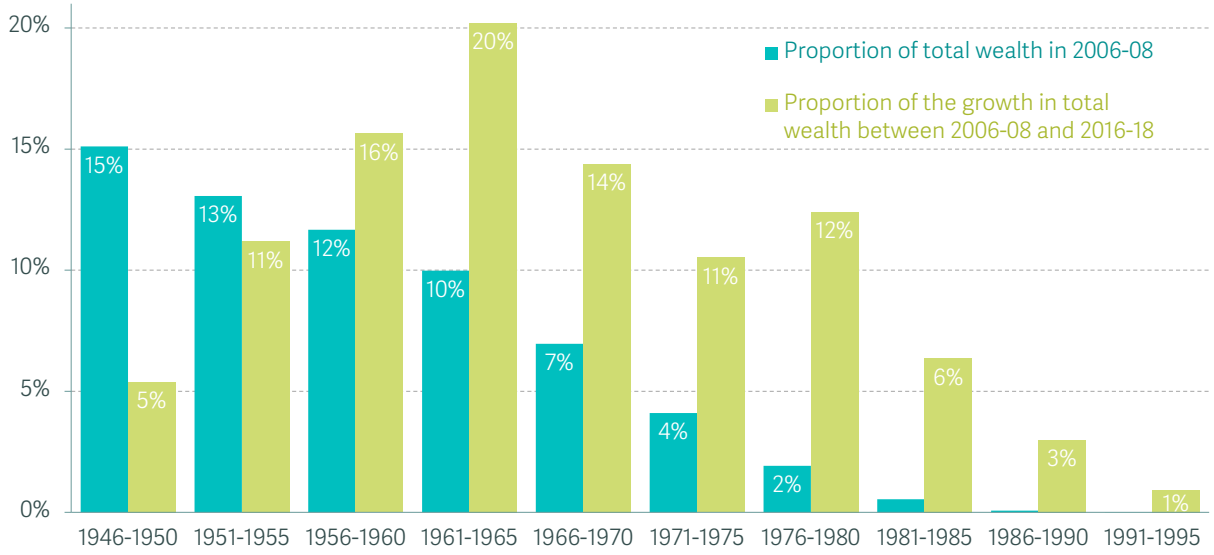


NOTES: Wealth includes net property wealth, pension wealth and net financial wealth. It does not include physical wealth.
SOURCE: RF analysis of ONS, Wealth and Assets Survey.

Figure 64 paints this picture a different way, showing how the £4.3 trillion real increase in wealth between 2006-08 and 2016-18 was shared across cohorts (excluding those older cohorts whose real wealth declined over this period, due to decumulation and mortality).

FIGURE 64: **Younger baby boomers have accumulated the largest share of the post-financial crisis wealth increase**

Levels of and changes in aggregate total net wealth, by cohort: GB, 2006-08 to 2016-18



NOTES: Wealth includes net property wealth, pension wealth and net financial wealth. It does not include physical wealth.
SOURCE: RF analysis of ONS, Wealth and Assets Survey.

The cohorts around older working-age and early retirement over this period gained the most. This will reflect the fact that accumulation is naturally rapid at this life stage, given that wealth tends to peak around retirement, but also that these cohorts had wealth to start with and so were in a good position to benefit from increasing asset values. And of course, they are relatively large cohorts (as we discussed in Section 1), so have more in aggregate.

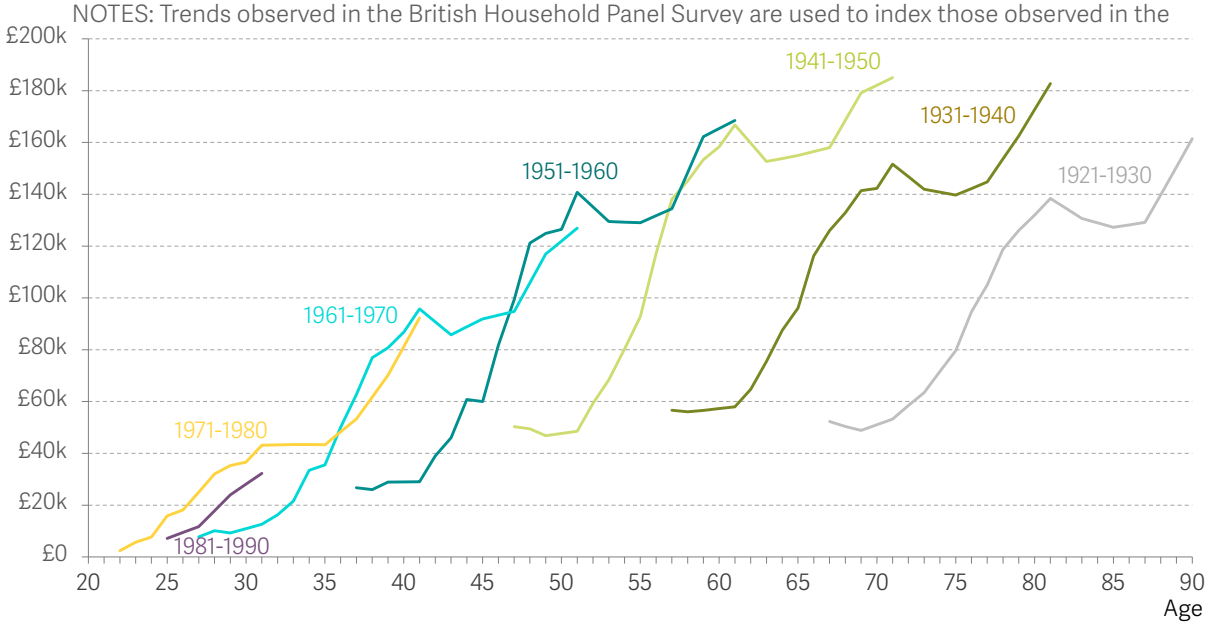
Net property wealth is improving cohort-on-cohort only for those born before 1950

To understand further these trends in total wealth, we can explore its two largest components: property and pensions (financial wealth makes up a much smaller share of the total). We turn first to net property wealth (the gross value of owned homes and any additional properties, less any mortgage debts).

Figure 65 shows trends through decadal cohorts. In each cohort's trajectory we can see the impact of the acceleration of house prices in the 1990s and early 2000s, and their fall-then-rise following the financial crisis. The small uptick in home ownership at younger ages, discussed in Section 4, has not yet done much to alter the position of the 1981-1990 cohort of millennials, which had 25 per cent less real property wealth at age 31 than the generation X cohort ten years before them had at the same age.

FIGURE 65: **Cohort-on-cohort property wealth progress has stalled for those born since 1950**

Mean real family net property wealth per adult (CPIH-adjusted to 2019-20 prices), by age and cohort: GB, 1993-2018



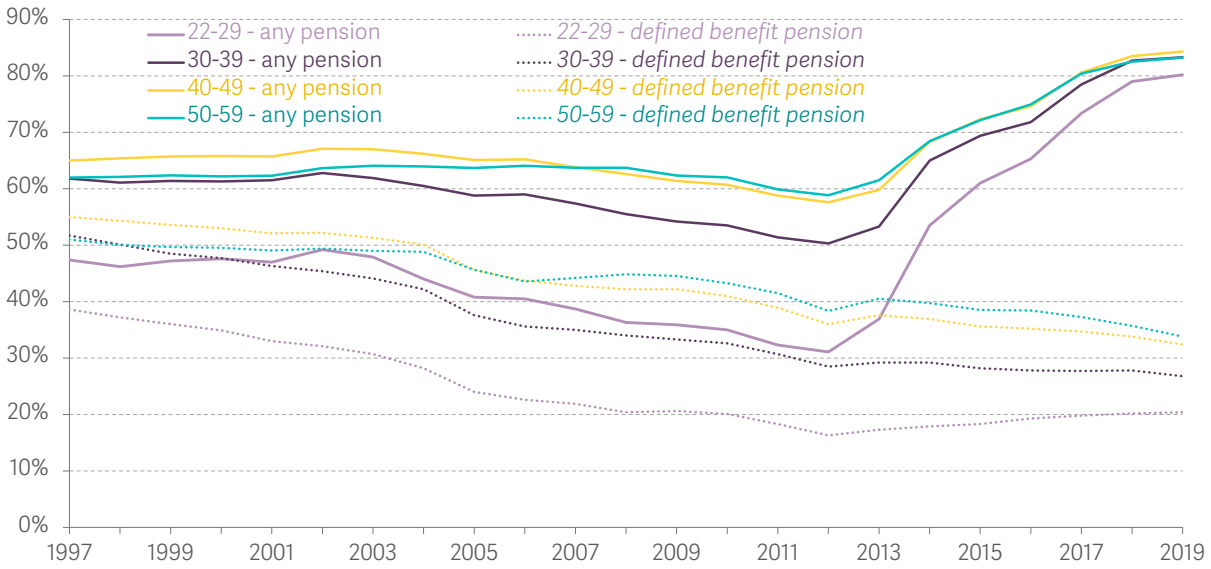
NOTES: Trends observed in the British Household Panel Survey are used to index those observed in the Wealth and Assets Survey backwards.
SOURCE: RF analysis of ISER, British Household Panel Survey (1993-2007); ONS, Wealth and Assets Survey (2006-2016).

The end of the roll-out of auto-enrolment means that growth in pension scheme membership has slowed

The latest trends in private pension wealth are similar to those for total wealth and net property wealth: baby boomer cohorts have experienced the biggest cohort-on-cohort improvements, although all cohorts have progressed to some degree. For example, at age 64 the 1951-1955 baby boomer cohort had 119 per cent more pension wealth than those born 10 years before them at the same age did; at age 44 the 1971-1975 cohort had 43 per cent more pension wealth; and at age 34 the 1981-1985 millennial cohort had five per cent more private pension wealth than those 10 years before them at the same age did.

FIGURE 66: **Improvements in pension scheme membership slowed in 2019**

Occupational pension scheme membership among employees, by age group and type of pension: UK



SOURCE: RF analysis of ONS, Annual Survey of Hours and Earnings.

One driver of these improvements is the successful roll-out of auto-enrolment into defined contribution pension saving in recent years, which has in particular extended saving to younger people, women and those on lower incomes.[160] However, this roll-out is now complete, and as Figure 66 shows, it has been followed by a clear slowdown in rises in pension membership. Occupational pension scheme membership rates had been growing particularly rapidly at younger ages since 2012. But, given that defined contribution schemes tend to be much less generous than defined benefit ones (the

160 For details, 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.

prevalence of which has been falling gradually across the age range but remains more common when older, as also shown in Figure 66), this has not had a particularly large impact on overall pension wealth accumulation.

Instead, the patterns of cohort-on-cohort changes in private pension wealth discussed above reflect defined benefit pensions (and annuitized pension rights for the already retired). The Wealth and Assets Survey values these at the level of the pension pot that would be required to purchase them in the annuities market at that point in time. Rising life 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.[161]

In a sense this is a similar story to that for property wealth. Rising asset values (or, in this case, the falling value of purchasable annuity incomes inflating the implied value of existing defined benefit pension promises) have boosted the wealth of the already-haves. And the same fundamentals (in this case, rising longevity and falling interest rates, reducing the affordability of defined benefit pension for firms, leading them to fall out of favour), alongside regulatory changes that have substantially increased the value and legal weight of pension promises, have restricted access to the asset to new entrants. Defined contribution pensions are not only less generous but also expose the individual to more risk around retirement incomes.[162] The future retirement income adequacy for generation X and millennial cohorts is therefore particularly uncertain.

The impacts of the initial lockdown on different cohorts

Older working-age people were most likely to reduce saving rates during the initial lockdown, while those in prime-age were most likely to take on consumer debt

If that was what Britain's household wealth looked like going into the coronavirus crisis, then what has the crisis done to it? To answer that question, we first consider flows into and out of wealth, looking at savings and debt patterns (we do not yet have the data to speculate on flows into and out of property and pensions, but these are much more difficult to shift quickly and so likely to be less important in the short-run). Again, we rely here on our May 2020 survey which only covers working-age individuals, so unfortunately, we cannot say anything about the position of pensioners, and gives us a picture of how people had responded during the initial lockdown phase.

Figure 67 shows that younger working-age adults were the most likely to have increased

161 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.

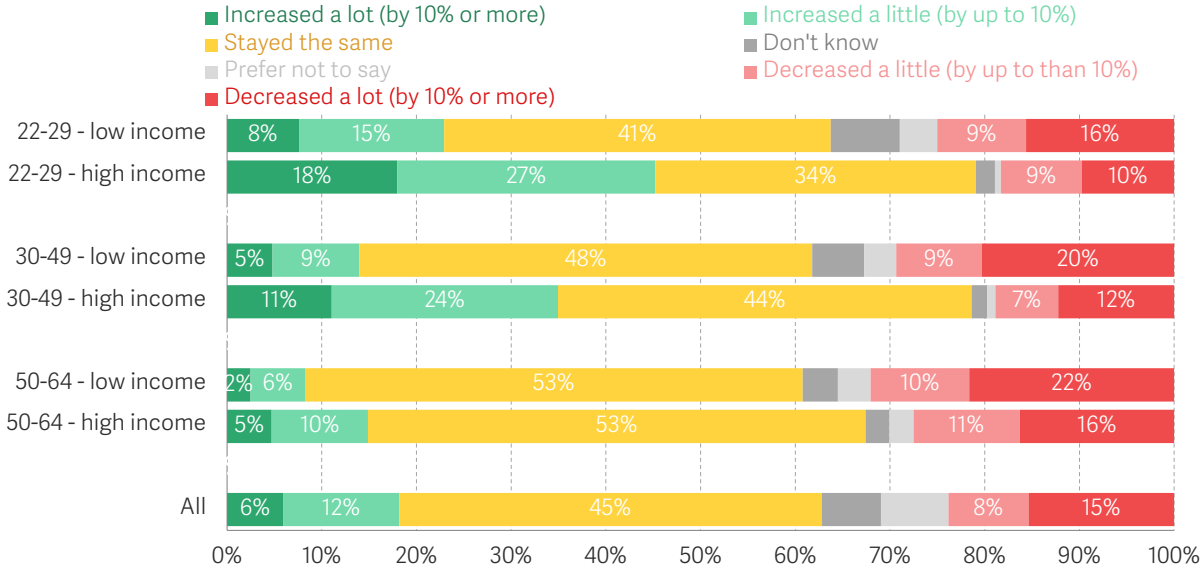
162 E Cannon & I Tonks, The value and risk of defined contribution pension schemes: International evidence, Journal of Risk and Insurance 80(1), March 2013.

the amount they saved each month during lockdown, and the least likely to reduce their savings rates. 50-64-year-olds were the most likely (among those of working-age) to have reduced their rate of saving. Figure 67 also shows that there were clear differences in changes in savings rates during lockdown between lower- and higher-income individuals, particularly at younger ages. At the high end, 45 per cent of 22-29-year-olds in the top half of incomes at that age said they were saving more each month during lockdown than before.

FIGURE 67: **Young adults were most likely to have increased the amount they save each month during the initial lockdown**

Proportion of people whose family saving rate have change compared to before the coronavirus outbreak began, by age group and 18-65-year-old family income quintile before coronavirus (exc. retired and students): UK, 6-11 May 2020

NOTES: Base for RF survey = all adults aged 18-65 with valid income data (apart from the 'all' category)



(n=6,005), (base by categories 20-29 – low income n=334; 20-29 – high income n=230; 30-49 – low income n=847; 30-49 – high income n=719; 50-64 – low income n=58; 50-64 – high income n=382). Family income distribution based on equivalised, disposable benefit unit incomes among 18-65-year-old adults, excluding families containing retired adults or non-working adult students. Lower-income families are those in the bottom half of the distribution within their age band; higher-income families are those in the top half. Question wording = As a reminder, please think about all forms of savings, including bank accounts, stocks and shares, and other investment products, but excluding pensions. Thinking about now in comparison to before the Coronavirus (COVID-19) outbreak started (i.e. the end of February 2020) To what extent, has the amount of money that you/ you and your partner can save or put aside each month increased or decreased, or has it remained the same?
Source RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19).

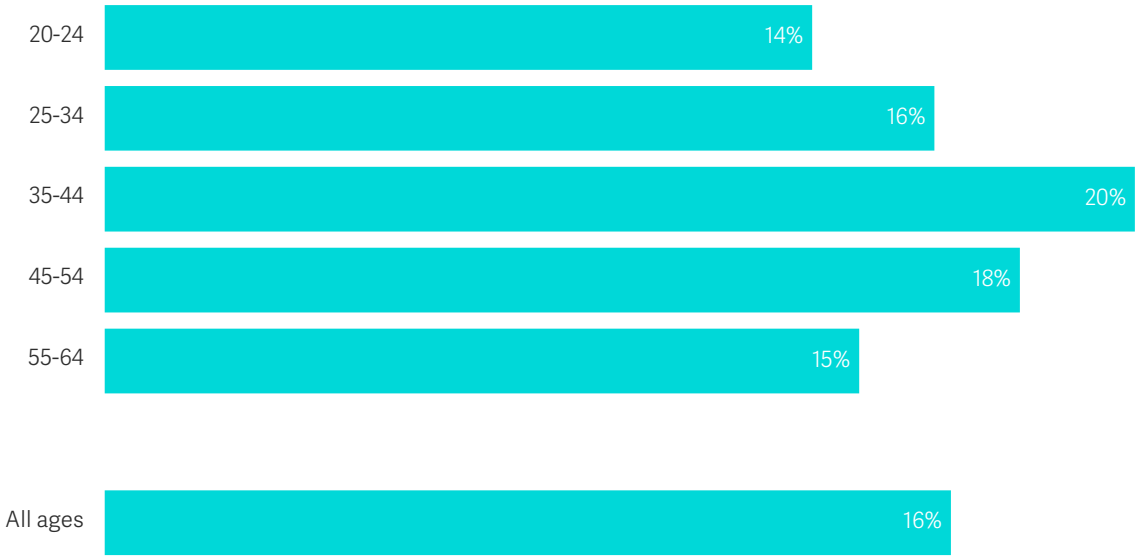
We are not aware of any more up-to-date analysis of savings patterns across the age range. But this pattern in relation to income looks to have continued as lockdown eased,

with households facing financial difficultly more likely to have depleted their savings (which is a slightly different measure) in July than in May 2020, according to a financial tracker survey.[163]

This broadly matches up with the story on income changes told in the previous section: incomes fell less in lockdown for those in their 20s and 30s, and 25-34-year-olds were most likely to have experienced no income hit alongside a spending reduction (implying 'enforced saving'). There were big differences within these age groups, with higher-income families much more likely to have strengthened their balance sheets than lower-income ones, which are also mirrored in Figure 67.

FIGURE 68: **People in their late 30s and early 40s were most likely to have increased their use of consumer debt during lockdown**

Proportion of respondents increasing their use of consumer debt products since the coronavirus outbreak began, by age group: UK, 6-11 May 2020



NOTES: Base for RF survey = all adults aged 18-65 (n=6,005), (base by ages 20-24 n=521; 25-34 n=1,343; 35-44 n=1,239; 45-54 n=1,376; 55-64 n=1,151). Question wording = For the following question, please think about since the Coronavirus (COVID-19) outbreak started in the UK (i.e. the end of February 2020). Which, if any, of the following sources of incomes or support have you started using/ are now using more of to cover your costs? (Please select all that apply)? Consumer debt products = overdrafts, credit cards, personal loans, payday loans and credit purchases.
SOURCE: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19).

Looking at the other side of the balance sheet, Figure 68 shows that it was working-age people in prime-age who were most likely to take on or increased their use of consumer debt products in May 2020, with one-fifth of 35-44-year-olds doing so. The drivers of this outcome are not immediately clear, as it does not appear to match up with the story we have told on incomes or household balance sheets up to this point. We speculate

163 E Kempson et al., Emerging from lockdown: Key Findings from the 3rd Coronavirus Financial Impact Tracker Survey, Standard Life Foundation, September 2020.

that this may reflect a big diversity of experiences in prime-age, with large numbers experiencing no income hit alongside a spending reduction, especially those who started out on higher incomes. But this is also the age at which many people have children, indicating higher spending requirements (that appear to have flexed less in lockdown[164]). And ages 35-44 is around the peak for both being in a couple and one's earnings potential, indicating greater exposure to the labour market shock across a number of earners. So sizable proportions within this group (particularly lower-income families)[165] also found themselves relying more on consumer debt to weather the coronavirus storm.

The fall in equities has dented the average wealth of cohorts in older working-age over the early months of this crisis

As discussed above, changing asset prices have been the major driver of Britain's wealth boom, so how they have moved and where they go next are important considerations.

The fall in equities since the beginning of this year has been dramatic and well publicised, and many, including the OBR, have predicted house price falls. However so far house prices have held up (likely reflecting pent up demand from the lockdown and the effects of the Stamp Duty holiday),[166] as have other asset classes such as UK bonds and foreign equities. In Figure 69, we simulate changes to wealth stocks by applying these recent price changes to the mix of assets recorded in the latest Wealth and Assets Survey data (there are various assets, including ISAs, cash and defined benefit pensions, for which we assume no change). We abstract from the effects of additional savings, dis-saving and debt, discussed above, so this is only a partial estimate of overall wealth changes.

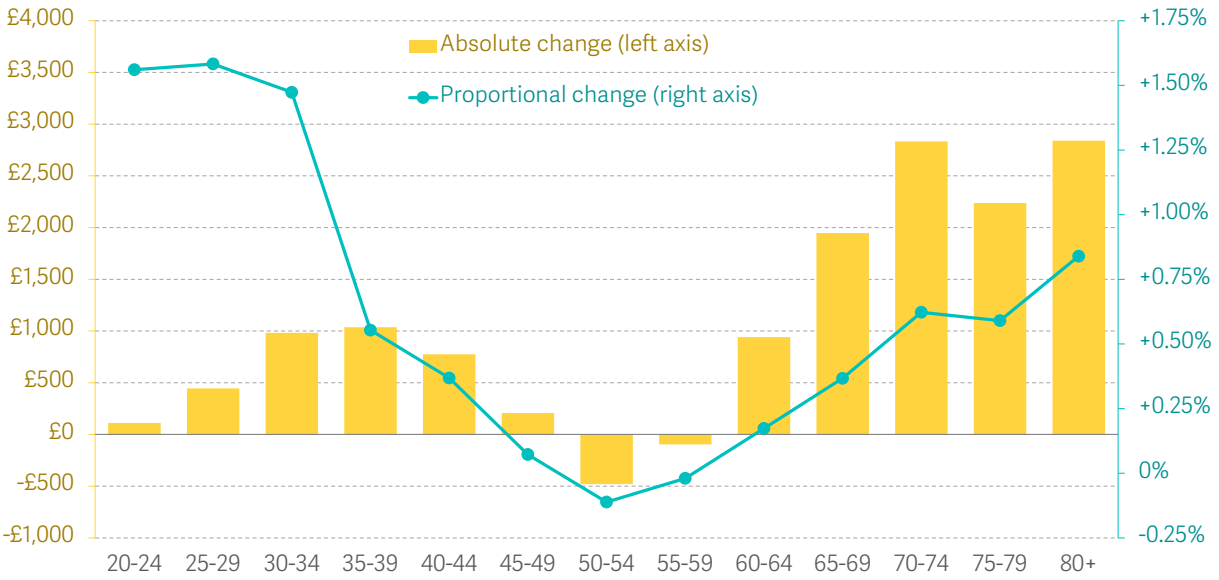
We find that price changes have continued to boost wealth slightly (in nominal terms – but we are talking about a short time-period here) across most ofs the age range. The fall in UK equities, which make up a greater (but still small) proportion of total wealth at older ages, is more than counteracted by the resilience of house prices for older people. This leads to the largest absolute asset-price-driven changes to wealth among people in pension age – a nominal boost of £2,000 or more. However, the associated fall in defined contribution and personal pension values, which make up a large proportion of wealth for those in later working life, dominates this house price resilience at these ages. This leads to falling wealth (as a result of price changes) for those in their 50s, averaging £500 for the 50-54 age group. The relative wealth boost from recent asset price changes is largest

164 M Brewer & L Gardiner, Return to spender: Findings on family incomes and spending from the Resolution Foundation's coronavirus survey, Resolution Foundation, June 2020.
165 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.
166 H Osborne, Nationwide warns of 'false dawn' after UK house prices leap 1.7 per cent, The Guardian, July 2020.

for adults aged 20-34 because at these ages, when people have often just got into home ownership, gross property wealth (where prices have held up) is on average greater than total net wealth pots.

FIGURE 69: **Average asset prices mostly held up during lockdown, providing small boosts to wealth for younger and older adults**

Predicted average nominal change in family total net wealth per adult due to changes in asset prices, by age group: GB, February-summer 2020



NOTES: Wealth includes net property wealth, pension wealth and financial wealth. It does not include physical wealth. Private business assets are excluded as there is no data available to calibrate changes. The composition of wealth is held constant – this analysis only accounts for the changing asset values of the asset mix of each age group as it was in the 2016-18 survey data. House price data runs to July 2020; other asset prices run to September 2020.
SOURCE: RF analysis of ONS, Wealth and Assets Survey; Google Finance; Nationwide house price index; Tradeweb Markets.

What next?

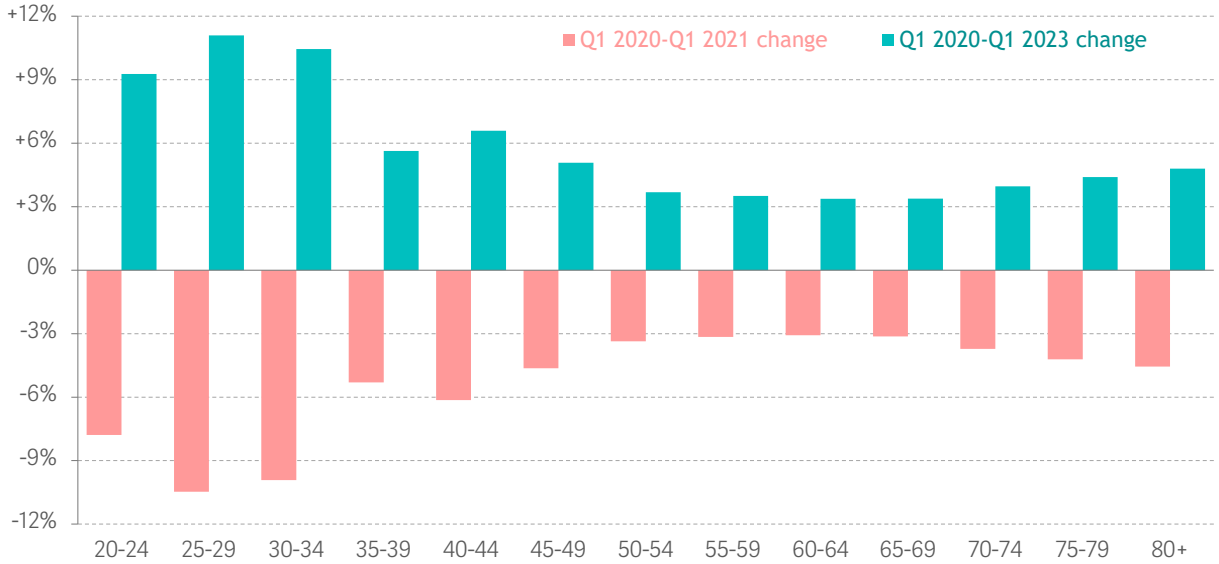
Changes in the accumulation and decumulation of assets in the coming months and years will be largely determined by the trends we have speculated on in previous sections. Increases in redundancies and unemployment in the autumn and winter, and the withdrawal of welfare boosts in 2021, might both precipitate greater reliance on debt or the running down of savings. Unlike the changes we have detailed in this section, we might expect these effects to be concentrated among the youngest adults, and those with children (see Sections 3 and 5). And as we discussed in Section 4, there is limited scope for the expected house price falls next year to accelerate entry into home ownership (and therefore the accumulation of property wealth) all that much, given associated income falls and possible credit tightening.

What about the longer-term impact of changing asset values on the stock of existing wealth? We consider this by repeating the exercise in Figure 69, above, but this time using the OBR's forecasts, rather than changes to date. The central forecasts imply UK equities recovering steadily, but house prices taking a hit of close to 10 per cent (in nominal terms) in 2021, and recovering thereafter. House prices have held up to date, but we judge that such a fall is still likely, given the history of house price falls in previous recessions and the deep income shock to households (see the discussion in the spotlight analysis at the end of this section for further details).

Figure 70 shows our forecast for relative nominal changes in wealth across the age range. As above, house prices dominate, particularly at the ages where gross property wealth is biggest in relation to total net wealth. All else equal, the house price fall that is forecast for the coming year could wipe close to 10 per cent off the total net wealth of 25-34-year-olds (our spotlight analysis at the end of this section speculates on the associated negative equity risks). The recovery in nominal house prices over the three-year time horizon reverses this picture, and by this point equities are also expected to have made up their lost ground (in nominal terms).

FIGURE 70: **The house price fall is coming, and will dent net wealth most for 25-34-year-olds**

Predicted average nominal change in family total net wealth per adult due to changes in asset prices in the coming years, by age: GB

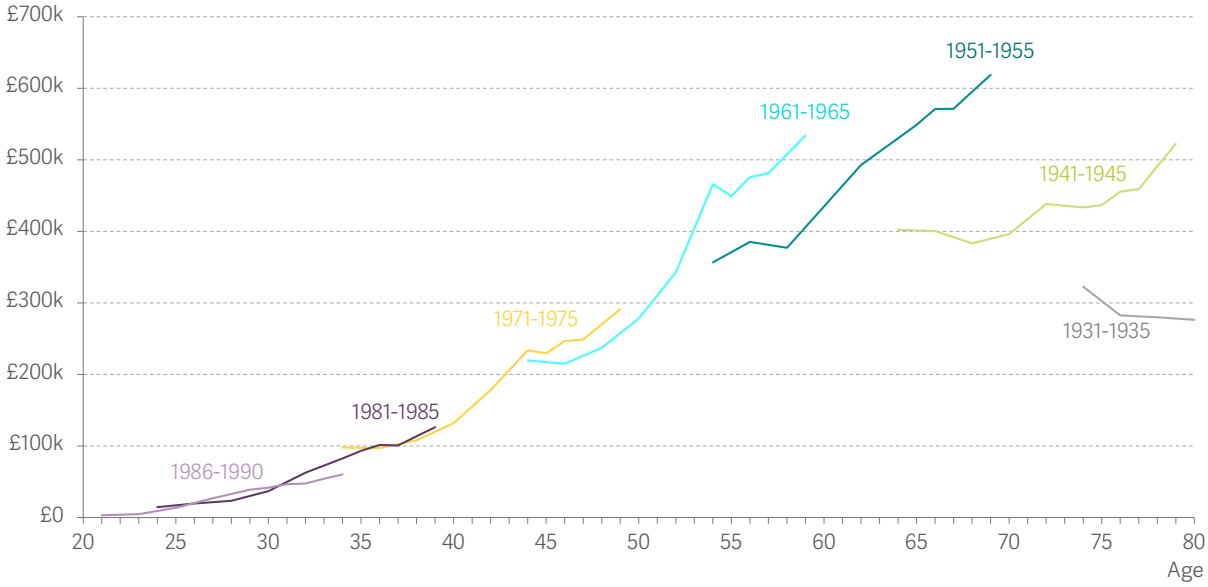


NOTES: Wealth includes net property wealth, pension wealth and financial wealth. It does not include physical wealth. Private business assets are excluded as there is no data available to calibrate changes. The composition of wealth is held constant – this analysis only accounts for the changing asset values of the asset mix of each age group as it was in the 2016-18 survey data.
SOURCE: RF analysis of ONS, Wealth and Assets Survey; OBR, Fiscal Sustainability Report.

What will this mean for cohort-on-cohort wealth progress? We speculate on this question in Figure 71, taking the changes shown in Figure 70 and combining them with modelling of normal accumulation and decumulation patterns for people of different ages and in different circumstances, in order to roughly project cohort wealth curves forward to 2023 (this time using means, rather than the medians shown in Figure 63). The house price blip is visible, but by the end of the forecast, we see improvements in cohort wealth trajectories across the age range, although less so among the millennial cohorts. Of course, our modelling does not account for any effect rising house prices might have on the fortunes of people who have not yet bought homes, but would like to. The risk, as has been the case in the past, is that these asset price increases create a stark divide between the haves and the have nots, both across generations and within them.

FIGURE 71: **Focusing only on existing wealth stocks, house price growth would marginally improve cohort-on-cohort progress for millennials**

Average real family total net wealth per adult (CPIH-adjusted to 2018-19 prices), by age and cohort: GB: 2006-2018, and projection



NOTES: Wealth includes net property wealth, pension wealth and financial wealth. It does not include physical wealth. Private business assets are excluded as there is no data available to calibrate changes. The last survey data applies to 2016-18. Values are projected to 2020 based on normal accumulation and decumulation patterns, and then for an additional three years taking account of the OBR's projection for financial and property asset price changes in its 'central scenario'. Individual wealth levels are adjusted to reflect the predicted change in asset prices as well as the observed accumulation/decumulation of wealth (based on an estimate from changes between 2014-16 and 2016-18 utilising employment status, family composition, existing wealth level and age).
SOURCE: RF analysis of ONS, Wealth and Assets Survey; OBR, Fiscal Sustainability Report.

The flipside, of course, is that a more extended period of falling house prices than forecast by the OBR would dent the relative wealth position of younger cohorts most, and make the risks of negative equity more apparent. Our spotlight analysis that follows zooms in on that risk.

Spotlight analysis:

Under water: How big will the negative equity crisis be, and who is at risk, in the aftermath of the coronavirus crisis?

Introduction

Large falls in house prices can amplify the hardship caused by economic downturns, as property is a key way for families to store and accumulate wealth. They dampen new housing supply, storing up problems for the future; reduce wealth and thereby consumers' ability and willingness to spend;[167] and can have a particularly serious impact on those households that fall into low and negative equity. In this analysis, we take a close look at the last of these issues, asking how big a problem low and negative equity will be in the current coronavirus crisis, and which families are most at risk. The analysis presented below is a summary of a longer paper, which provides more detail on methods and a broader presentation of results.[168]

Economic downturns have different effects across housing tenures. Recession-induced house price falls are often a more immediate problem for mortgagors than other home owners or renters, because their home is dependent on their ability to service the underlying debt. Although the housing situation for renters is less dependent on current house prices, that does not mean that they are less affected in a crisis. Before the pandemic, private renters faced the most acute housing challenges in terms of costs and security, as detailed in Section 4, and these difficulties may be exacerbated in the current crisis if rents do not adjust to match income falls quickly. Much of our previous work has focused on this group, but here we shift our focus to the challenges in a different part of the housing market: home ownership.

The equity position of a household – in other words, the proportion of the value of the home that is owned outright – will reflect the original loan-to-value ratio (LTV), mortgage repayments and subsequent house price changes. It is important to keep in mind that, while the original loan conditions define the starting point, it is subsequent changes in the value of the house that determine the risk of falling into negative equity. Because

167 B Etheridge, House prices and consumption inequality, Institute for Fiscal Studies, September 2019.
168 M Gustafsson, Under water: How big will the negative equity crisis be, and who is at risk, in the aftermath of the coronavirus crisis?, Resolution Foundation, September 2020.

house prices and capital repaid tend to increase over time, it is the most recent buyers that are most vulnerable to the risk of low or negative equity during an economic downturn. This analysis, therefore, considers which groups are likely to be in this category, and how significant the effects on them are likely to be.

Low or negative equity can be a problem for at least four reasons.

First, it can reduce mobility. If the mortgagor has low or negative equity, they may be unable to sell their home because of the large realised financial loss from doing so. This may be true even if the mortgagor has a job offer that would significantly raise their income. Indeed, it has been shown that the effect of negative equity on mobility was quantitatively significant during the early 1990s:[169] one study finds that twice as many households in negative equity would have moved if there had been the possibility of debt moratorium.[170] This introduces an impediment to geographical mobility that will stop people taking advantage of the benefits of the significant wage increases that are often realised by moving regions, or that may be needed to find new work following the likely large rise in unemployment.[171]

Second, falling house prices and the associated declines in personal wealth reduce the ability of some households to take on new credit, thus reducing their spending. This phenomenon was particularly important in the early 1990s recession, and acted to deepen it.[172]

Third, low equity can mean increased risk for mortgage providers and other lenders, which in turn can lead to a tightening in credit conditions, limiting the availability of new credit for future prospective mortgagors. In turn, this might have a depressing effect on house price growth, prolonging the crisis and slowing the recovery.

Finally, the relative size of the equity stake has an impact on the interest rate paid. For people on the standard variable rate or for people who are coming to the end of their fixed mortgage rate term, falling into higher loan-to-value ratios can have a significant effect on the affordability of servicing the mortgage.

House prices have so far been relatively resilient to the coronavirus crisis, but there is a risk of significant price falls

Currently-available house price data suggests that, rather than falling in the aftermath of the coronavirus crisis, house prices have so far remained high and even increased somewhat. However, this is likely to change in the longer term. As Figure 72 shows, all

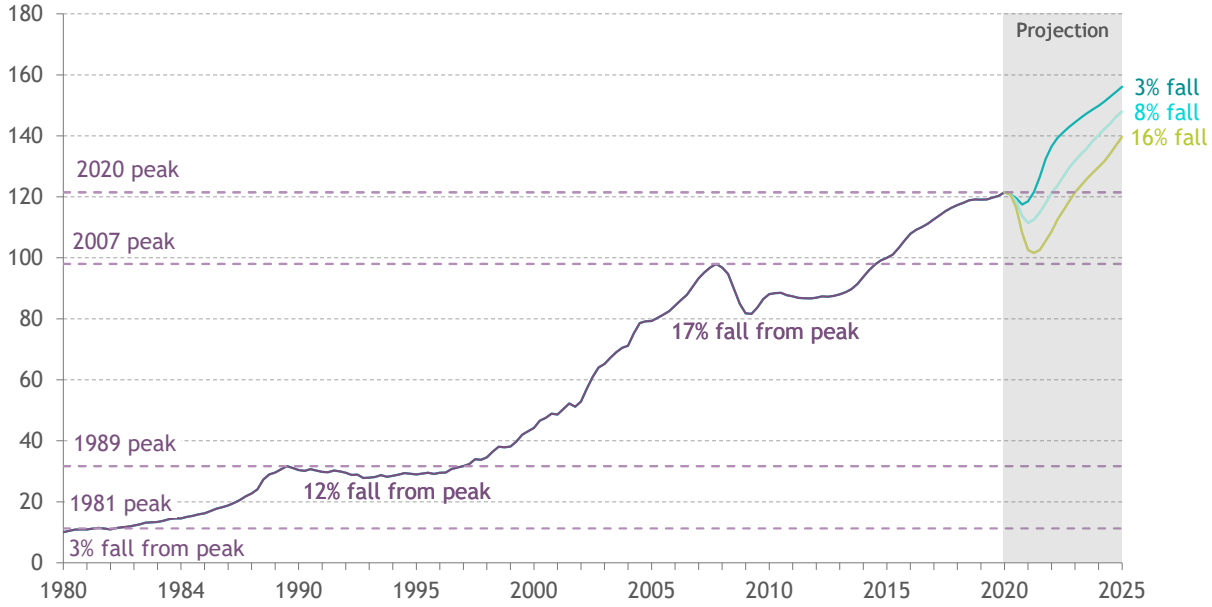
169 T Hellebrandt, S Kawar & M Waldron, The economics and estimation of negative equity, Bank of England, 2009.
170 A Henley, Residential Mobility, Housing Equity and the Labour Market, The Economic Journal 108, 1998.
171 L Judge, Moving Matters: Housing costs and labour market mobility, Resolution Foundation, June 2019.
172 J Cornford, D Dorling & C Gentle, Negative Equity and British Housing in the 1990s: Cause and Effect, Urban Studies, 1994.

recessions that we have data available for have led to falls in nominal house prices, and in the two most recent downturns these house price falls were associated with equity problems.

Both the early 1990s recession and the financial crisis were preceded by a significant loosening of credit constraints, allowing more people to become relatively highly leveraged and house prices to rally, as shown in Figure 72. As those crises unfolded, nominal prices fell by three per cent from peak to trough in the early 1980s,12 per cent in the early 1990s, and by 17 per cent in the late 2000s. In both of the latter cases, these falls in house prices led to rising LTVs and a negative equity problem. Looking at the 1990s crisis, the proportion of recent mortgagors (who bought between 1988 and 1991) in negative equity rose from 11 per cent in 1991 to 21 per cent in 1992.[173] This can be compared to our own estimate that, of those who bought between 2005 and 2008, the proportion of family units in negative equity increased from two per cent to 18 per cent between 2008 and 2009.[174]

FIGURE 72: **The OBR's scenarios suggest falls in house prices next year could be significant**

Index of nominal house prices and projections for 2020-2025 (2015 = 100): UK



SOURCE: RF analysis of ONS House Price Index; OBR.

173 C Gentle et al., Negative Equity and British Housing in the 1990s: Cause and Effect, Urban Studies 31(2), March 1994.
174 Source: RF analysis of DWP, Family Resources Survey.

To get a sense of what will happen in this crisis, we use scenarios produced by the OBR. As shown in Figure 72, in its 'upside' scenario, the OBR forecasts a nominal house price fall of three per cent for 2020, followed by a speedy recovery back to the pre-crisis trend.[175] Their 'central' scenario presents a picture that is not dissimilar to the 1990s: house prices look set to fall six per cent this year, to a trough of eight per cent below pre-crisis prices in the first quarter of 2021. The 'downside' scenario, though, is more reminiscent of the financial crisis, with a 16 per cent fall in nominal prices in 2021, followed by a period during which prices remain around 15 per cent below the trend anticipated in March this year.

Unlike past recessions, interest rates have little room to fall further

House prices are not only influenced by the labour market, but also by the interest rate, because it determines the cost of borrowing, which in turn affects how much people can afford to borrow. Indeed, a recent Bank of England report suggests that falls in interest rates have led to a more than doubling of real house prices since 1985, compared to household income increases that contributed a further 80 per cent rise.[176] In the financial crisis, the Bank of England's decision to dramatically lower the interest rate limited the impact of the crisis on home owners. In addition, forbearance policy and increased income support for those with payment difficulties also helped boost house prices and supported mortgagors.[177] This meant that the 2008 negative equity issues did not last long.[178] Today, the situation is different. Interest rates are already close to zero, and both theory and practice suggest that, as rates get closer to the lower bound, the benefits of further cuts are not fully passed on to mortgagors. This means that policy makers currently lack one of the most effective tools they have to support the economy and smooth house prices during recessions.

Instead, policy makers have looked for other ways to support the housing market. The response to the coronavirus crisis so far has included a move to make three-month mortgage holidays available. The latest figures show that 1.9 million mortgage payment holidays had been issued as of 28 May 2020 – equivalent to one-in-six mortgages – and these provisions have been extended until the end of October this year.[179] This will contribute to preventing repossessions if mortgagors lose their jobs or earnings in the crisis, and in a similar way to the response in 2008, will soften the blow to mortgagors.

175 Office for Budget Responsibility, Fiscal Sustainability Report – July 2020, July 2020.
176 D Miles & V Monro, What's been driving long-run house price growth in the UK? Bank Underground, January 2020.
177 J Aron & J Muellbauer, Modelling and Forecasting with County Court Data: Regional Mortgage Possession Claims and Orders in England and Wales, Spatial Economics Research Centre, LSE, 2011.
178 M Whittaker & K Blacklock, Hangover Cure: Dealing with the household debt overhang as interest rates rise, Resolution Foundation, July 2014.
179 Source: UK Finance.

Based on the OBR's scenarios, there could be a substantial rise in families with low or negative equity

To get at the heart of the scale of the potential equity problem, we use the OBR's scenarios to compare the equity position of mortgagors today with that of mortgagors a decade ago as they faced the financial crisis.

Figure 73 projects forward the average LTV based on the OBR's three scenarios.[180] We use these scenarios to downrate the most recent round of house values reported in the Wealth and Assets Survey, in order to simulate a broad-based house price fall in 2020. We then compare this would-be house value to the value of the outstanding mortgage. In this way, we can estimate what the LTVs of mortgages could be if there was a cross-country fall in house prices.

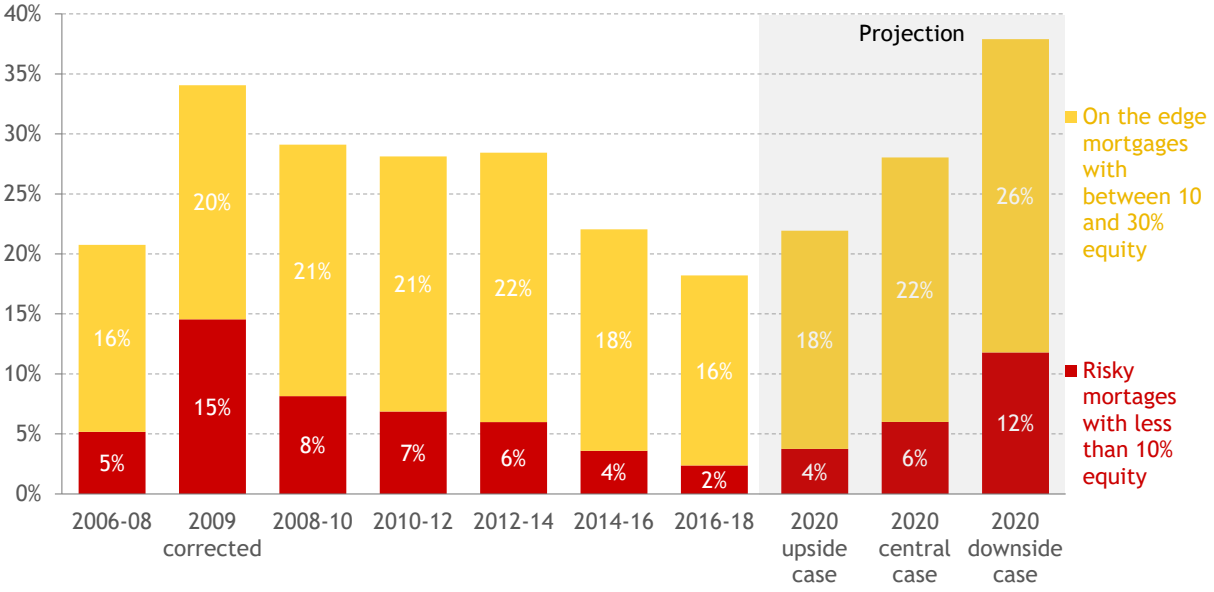
We have also constructed an adjusted average LTV for the single year of 2009 at the peak of the financial crisis. While the Wealth and Assets Survey is good at capturing house prices in stable economic times, it is less accurate in capturing economic fluctuations.[181] In addition, the survey reports data across a period of two years and house prices started to recover in 2010, which means the 2008-2010 data point captures part of the recovery period and does not show the full extent of the crisis. Therefore, we have used published data from the UK house price index to adjust the equity position of mortgagors for the single year of 2009 at the peak of the financial crisis. In this way, we have comparable figures for the actual house price fall in 2009 and the projected worst-case scenario for 2020.

The families most at risk of falling into negative equity are those who have low equity going into the crisis. Figure 73 breaks down mortgagors by the proportions in different equity positions, and shows that a smaller proportion of mortgagors have 'risky' mortgages today – holding less than 10 per cent equity – compared to before the financial crisis in 2008. In Figure 73 we use all three of the OBR's scenarios to stress test the housing market and to assess how falls in house prices affect the number of households with 'risky' mortgages. Falls of 16 per cent, as projected in the OBR 'downside' scenario, would obviously be substantial – coming close to the falls seen in the aftermath of the financial crisis – but the likely length and depth of the coronavirus recession and the inability of policy makers to cut interest rates significantly mean that falls in house prices of this magnitude are certainly not out of the question. This exercise suggests that even in the OBR's downside scenario, however, relatively fewer mortgagor families fall into the category of having 'risky' mortgages compared with the financial crisis.

180 Office for Budget Responsibility, Fiscal Sustainability Report – July 2020, July 2020.
181 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.

FIGURE 73: **Mortgagors had lower LTVs ahead of the current crisis than on the eve of the financial crisis, yet large price falls could affect many**

Proportion of mortgagor families with different LTVs, an estimation of the problem in 2009, and projections using OBR scenarios: GB



NOTES: Mortgagor families refers to family units headed by an adult aged 18+ who owns their home with a mortgage. Numbers refer to the primary residence only. House prices started falling quickly from May 2008, so only a minority of the data points in the year 2006-08, collected up until June 2008, will have been affected by significant house price falls. The data for 2006-08 refer to WAS waves spanning from June to June whereas subsequent data refer to rounds spanning April to April. The 2009 correction is based on a house price fall of 17 per cent.
SOURCE: RF analysis of ONS, Wealth and Assets Survey; ONS, House Price Index.

Our analysis suggests that the current crisis might be challenging for a relatively large proportion of mortgagors, but not at the scale of the financial crisis. In 2020, we are projecting that we might see around 12 per cent of mortgagor families fall into low equity if house prices were to fall by 16 per cent, whereas the comparable figure was 15 per cent in 2009. However, this crisis could lead to higher proportions of mortgagors on the edge of falling into low equity, compared to the financial crisis. In 2009 we see that 20 per cent were 'on the edge', whereas today this figure could rise up to 26 per cent in the OBR's downside scenario.

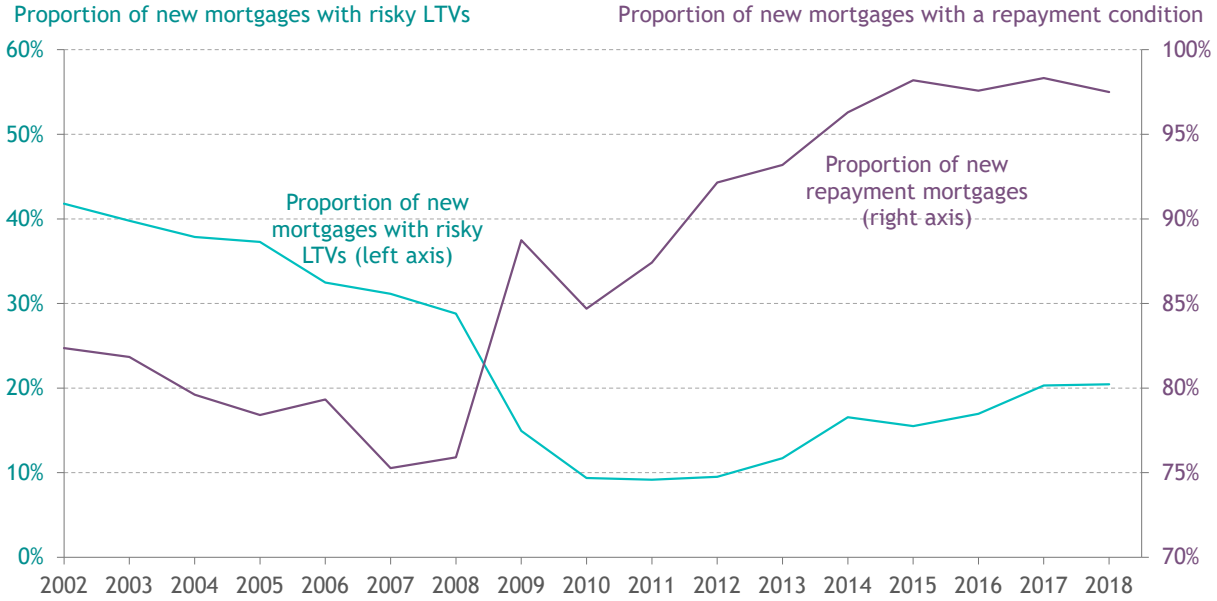
A fall in riskier mortgage lending in recent years means mortgagors currently look more resilient than before the financial crisis

In order to understand how the crisis will affect different groups of mortgagors, it is useful to first look at what has happened to mortgage regulation over the past decade. This way, we can understand how the mortgagor population has changed since the financial crisis and start to tease out some of our more nuanced findings.

The initial LTV is an important determinant of how much risk is currently carried by mortgagors. Crucially for our analysis, high-LTV lending has become less prevalent since the financial crisis. This reflects both the impact of the financial crisis and the tightening in banking sector regulation seen since. As we showed last year,[182] the typical loan-to-value ratio dropped sharply between 2007 and 2009, from 90 per cent to 75 per cent.[183] Indeed, high-LTV mortgage products simply ceased to be offered by many banks.[184] Figure 74 shows that the new lending with high LTVs decreased sharply following the financial crisis, from around one-third to less than one-tenth. Now LTVs in the year of purchase have recovered slightly since the initial decline after the financial crisis, but are still below 2007 levels, meaning that prospective mortgagors on average need a larger deposit relative to the house price to buy a home today than before the financial crisis. Even if credit constraints have weakened slightly in recent years, mortgages in the past decade have been harder to access than in the decade leading up to the financial crisis.

FIGURE 74: **Riskier types of mortgage lending are much less prevalent now than before the financial crisis**

Proportion of mortgagors who buy a new home with a 'risky' LTV mortgage (LTV>=90 per cent), and proportion with a repayment mortgage: UK



NOTES: Families refers to family units headed by an adult aged 18+. Numbers refer to all mortgages taken out by owner-occupiers for their primary residence.
SOURCE: RF analysis of DWP, Family Resources Survey; UK Finance; PRA/FCA.

The financial crisis also led to a sea change in the types of mortgages taken out. There was an immediate jump in the number of mortgages that included capital repayment

182 G Bangham et al., An intergenerational audit for the UK: 2019, Resolution Foundation, June 2019.
183 Ibid.
184 Ibid.

– as opposed to interest-only mortgages that are more dependent on house prices, as shown in Figure 74. This increases the affordability constraints when mortgages are provided, and also contributes to increasing the equity held by mortgagors over time. Both elements work to decrease the risk for mortgagors, but also exclude those on lower incomes from entering the market. In our longer paper, we delve into a longer discussion on how stricter regulation and rapidly increasing house prices have made it harder for prospective buyers to enter the market now than 10 years ago. As a result, fewer mortgages are taken out today than before the financial crisis.

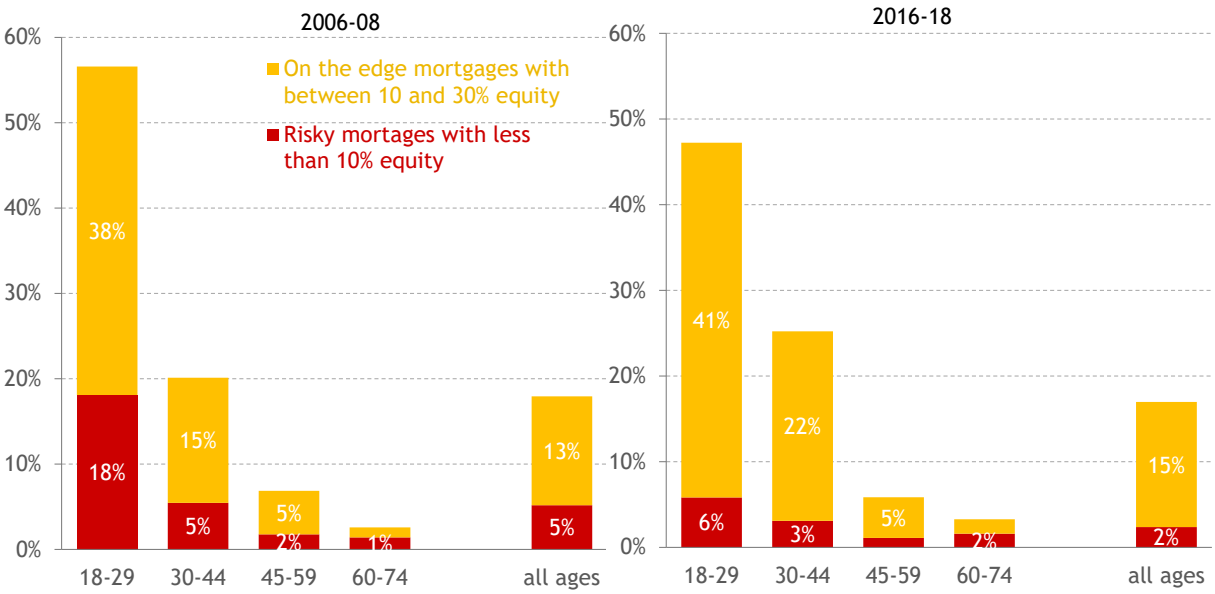
Risk has shifted up the age distribution away from the youngest cohort

With the reduction in high-LTV lending making it harder to access mortgages, there are fewer new mortgagors with risky loans. This means that, ahead of the coronavirus crisis, families in the youngest cohort are somewhat less likely now to hold very low equity than before the financial crisis. Figure 75 shows the proportion of mortgagor families who have low equity cut by age band in the most recent data compared with the financial crisis. Ahead of both crises, it is clear that younger families are more likely to be 'on the edge' of falling into low equity – defined as less than 30 per cent equity here (implying a LTV of 70 per cent or more) – compared with other age groups. That said, Figure 75 also shows that families aged 18-29 today are less likely to hold 'risky' mortgages – that is, less than 10 per cent equity – than was the case before the financial crisis. In 2006-08, 18 per cent of mortgagor families aged 18-29 held equity of 10 per cent or less, whereas in 2016-18, it was just six per cent. There are, however, somewhat more families 'on the edge' this time around. In 2016-18, 42 per cent of mortgagor families headed by 18-29-year-olds held mortgages with an equity stake between 10 per cent and 30 per cent, whereas this number was 38 per cent in 2006-08.

Mortgagor families tend to be older today. As the bar for getting a mortgage has gone up since the financial crisis, fewer young families have been able to buy a house, leading to a clear shift upwards in the age of mortgagor families in the decade following the financial crisis. The number of mortgagor families headed by under-45s has shrunk by over one million to nearly 4.3 million. The number headed by over-45s has decreased slightly and is now around 4.2 million. As younger families are finding it harder to get on the housing ladder, more under-45s today are renting or living in other forms of accommodation, such as living with their parents.

FIGURE 75: **The proportion of young mortgagor families with risky loan-to-value ratios has fallen since 2007**

Proportion of mortgagor families in each age band with lower equity: GB, 2006-08 and 2016-18



NOTES: Mortgagor families refers to family units headed by an adult aged 18+ who owns their home with a mortgage. Includes primary residences only. House prices started falling quickly from May 2008, so only a minority of the data points in the year 2006-08, collected up until June 2008, will have been affected by significant house price falls. The data for 2006-08 refer to WAS waves spanning from June to June whereas subsequent data refer to rounds spanning April to April.
SOURCE: RF analysis of ONS, Wealth and Assets Survey.

However, although the youngest age cohort still has the highest proportion of people who risk falling into low or negative equity, Table 1 shows that the number of 30-44-year-olds likely to be affected will be higher. Consistent with this, the average age of buying a house has risen to 33 in the UK, compared with 31 before the financial crisis.[185] This means there are simply more families in the 30-44 age range who have relatively recently bought a house and so have lower equity.

185 Source: UK Finance, table RL1A.

TABLE 1: **The highest numbers of 30-44-year-olds have low equity, but the highest proportions of 18-29-year-olds do**

Numbers and proportions of family units headed by 18+, at different equity positions, by age and year: GB

2006-08				
Numbers				
LTV higher than 90%	LTV 80%	LTV 70%	LTV less than 70%	All
177,000	198,000	178,000	424,000	977,000
240,000	265,000	378,000	3,505,000	4,388,000
58,000	69,000	98,000	3,056,000	3,281,000
9,000	5,000	3,000	600,000	617,000
			93,000	93,000
484,000	537,000	657,000	7,677,000	9,355,000

2016-18				
Numbers				
LTV higher than 90%	LTV 80%	LTV 70%	LTV less than 70%	All
35,000	142,000	109,000	320,000	606,000
114,000	289,000	525,000	2,753,000	3,681,000
38,000	56,000	107,000	3,228,000	3,429,000
12,000	4,000	8,000	705,000	729,000
3,000	-	1,000	52,000	56,000
202,000	491,000	750,000	7,058,000	8,501,000

As a proportion of mortgagors			
LTV higher than 90%	LTV 80%	LTV 70%	LTV less than 70%
18%	20%	18%	43%
5%	6%	9%	80%
2%	2%	3%	93%
1%	1%	0%	97%
1%	0%	0%	99%
5%	6%	7%	82%

As a proportion of mortgagors			
LTV higher than 90%	LTV 80%	LTV 70%	LTV less than 70%
6%	23%	18%	53%
3%	8%	14%	75%
1%	2%	3%	94%
2%	1%	1%	97%
5%	0%	1%	94%
2%	6%	9%	83%

NOTES: Mortgagor families refer to family units headed by an adult aged 18+ who owns their home with a mortgage. Includes primary residences only. House prices started falling quickly from May 2008, so only a minority of the data points in the year 2006-08, collected up until June 2008, will have been affected by significant house price falls. The data for 2006-08 refer to WAS waves spanning from June to June whereas subsequent data refer to rounds spanning April to April.
SOURCE: RF analysis of ONS, Wealth and Assets Survey.

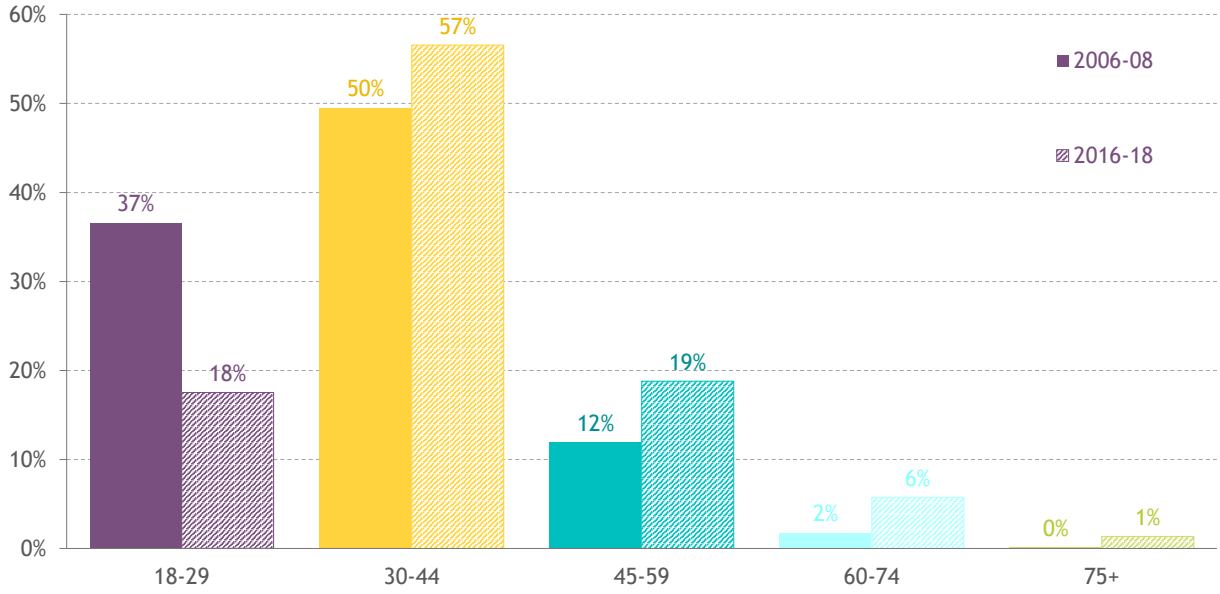
As one might expect, young people not only represent a smaller proportion of the total mortgagor population, but they are also taking up fewer 'risky' mortgages. In Figure 76 we look at the age distribution of all mortgagor families with low LTVs. Looking only at all 'risky' mortgages we can see that the share held by the youngest mortgagors has shrunk: since the financial crisis it has more than halved, from nearly two-in-five to just below one-in-five. Correspondingly, the share of risky mortgages held by 30-59-year-olds has increased from three-in-five to three-in-four.

Using decomposition methods, we find that a large portion of the overall change is due to fewer of the youngest families holding low equity. Fewer families headed by 18-44-year-olds with low-equity mortgages represents nearly four-fifths of the overall change. By contrast, the fact that there are fewer young families who hold any mortgage today than before the financial crisis represents just one-fifth of the change. And to a smaller degree, low equity is not as big of a problem today as it was 10 years ago because fewer young people are getting on the housing ladder. Both the within-group effect of fewer risky mortgages and the compositional age effect of who can get on the housing ladder

are consistent with the same underlying factors: the rapid increase in house prices and less high-LTV lending make the housing market in general, and lower equity mortgages in particular, increasingly difficult to access.

FIGURE 76: **The proportion of risky mortgages held by the youngest has shrunk, meaning that risk is found higher up the age distribution**

Age distribution of mortgagor families in low equity (LTV ratio of 90 per cent or more): GB



Notes: Mortgagor families refer to family units headed by an adult aged 18+ who owns their home with a mortgage. Includes primary residences only. House prices started falling quickly from May 2008, so only a minority of the data points in the year 2006-08, collected up until June 2008, will have been affected by significant house price falls. The data for 2006-08 refer to WAS waves spanning from June to June whereas subsequent data refer to rounds spanning April to April.
Source: RF analysis of ONS, Wealth and Assets Survey.

Those at risk of low or negative equity today have higher income and wealth than they did ahead of the financial crisis

Risk has not only shifted up the age distribution, but it has also shifted up the wealth distribution. As the bar for first-time buyers getting onto the property ladder has risen, more wealth is required to take on risk. In our longer paper, we find that the wealth of those with low equity has increased over the past decade, and nearly three-quarters of the total increase in wealth among mortgagors with low equity is due to an increase in the wealth position of 45-74-year-olds with low equity. But to some extent this is also because there are more 45-74-year-olds today with a high-LTV mortgage than there were a decade ago, and since this group tends to have more wealth, mortgagors today tend to be wealthier.

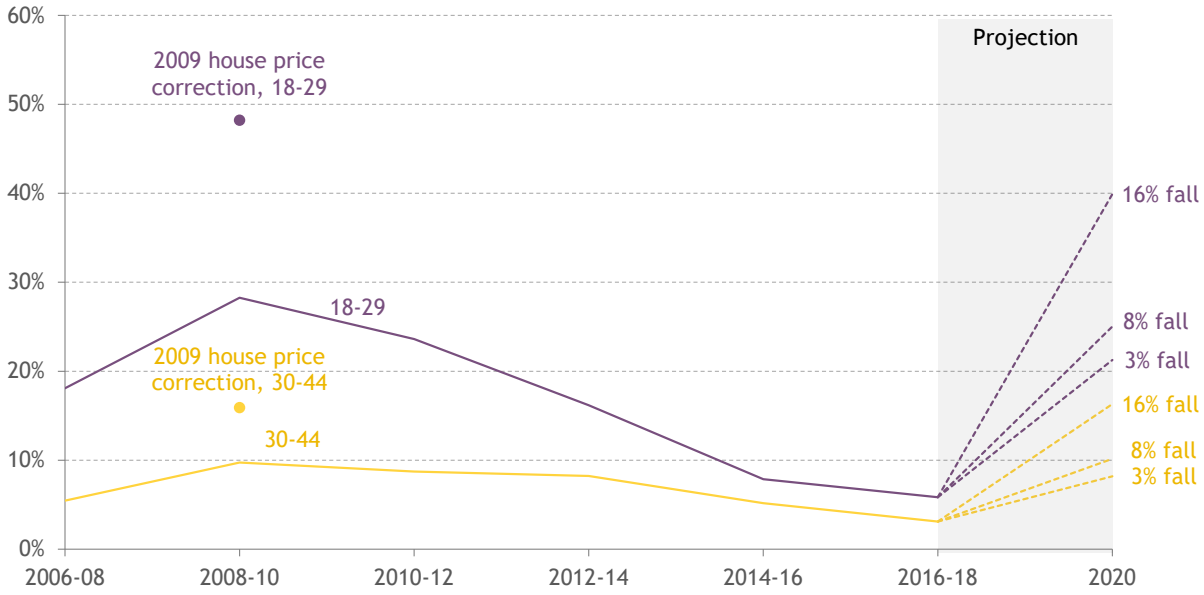
A similar pattern is visible if we consider the income distribution.[186] The average real income for mortgagors in low equity increased from £801 per week in 2007 to £965 per week in 2019, with 30-44-year-olds seeing a particularly sharp increase, which we find to be the main driver of the total change.

But it would be wrong to be sanguine about the risks

Despite the improved outlook for most mortgagors compared to a decade ago, substantial house price falls would come with significant risks to some mortgagor families. While there are a number of reasons for thinking that we face the coronavirus crisis with fewer vulnerabilities than immediately before the financial crisis, recent mortgagors and first-time buyers are still at risk from falling into negative equity.

FIGURE 77: **The under-45s are most at risk of falling into low or negative equity**

Proportion of mortgagor families with 'risky' LTVs (90 per cent or higher), and projections based on OBR scenarios: GB, 2006-08 to 2016-18



NOTES: Mortgagor family refers to family units headed by an adult aged 18+ who own their home with a mortgage. Includes primary residences only. House prices started falling quickly from May 2008, so only a minority of the data points in the year 2006-08, collected up until June 2008, will have been affected by significant house price falls. The data for 2006-08 refer to WAS waves spanning from June to June whereas subsequent data refer to rounds spanning April to April. The 2009 correction is based on a house price fall of 17 per cent.
SOURCE: RF analysis of ONS, Wealth and Assets Survey; ONS, House Price Index.

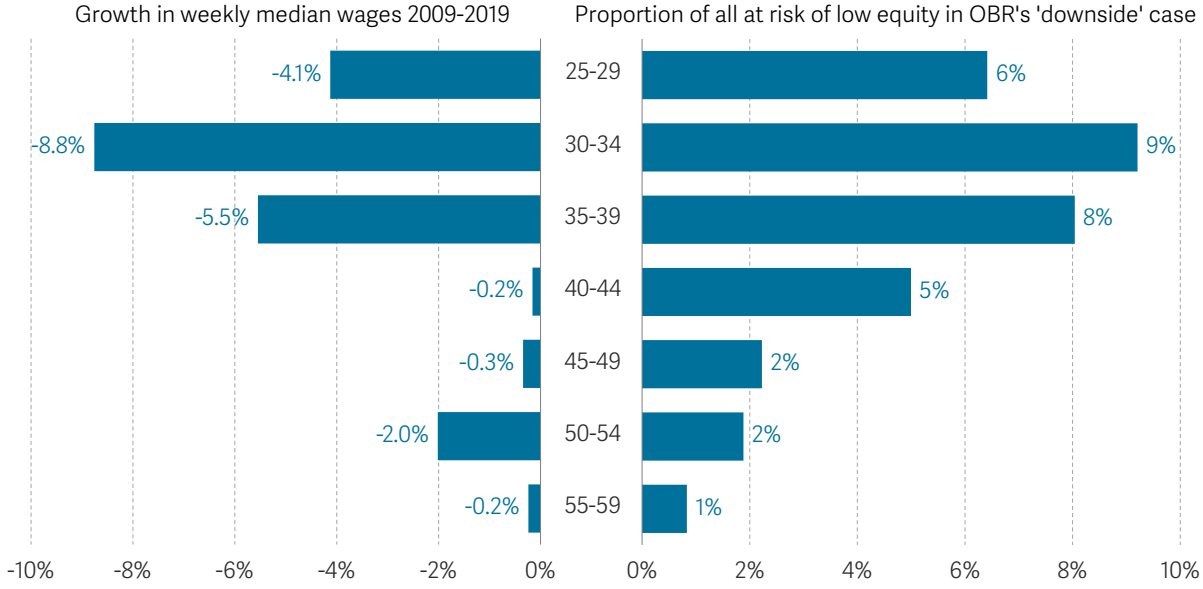
186 We use the Family Resources Survey here although it does not include data on current property values. Instead we have uprated the property purchase price to 2019 prices using regional house price data from HM Land Registry, and subsequently estimated LTVs based on uprated house prices and the value of any outstanding mortgages.

As Figure 77 shows, if the house price falls during the coronavirus crisis turn out to be in line with the OBR's downside scenario, then around 40 per cent of mortgaged families headed by 18-29-year-olds could fall into low or negative equity. This proportion is not quite as high as that in the financial crisis, where our corrected figure shows that 48 per cent of mortgaged families headed by 18-29-year-olds were in low or negative equity, but it would still put a considerable number of young families at risk.

As we have seen, 30-44-year-olds are more likely than younger cohorts to have been able to access the housing market in recent years. This means that these families have been taking on relatively more risk, which we can see in Figure 77. During the financial crisis, 16 per cent of families headed by a 30-44-year-old fell into low or negative equity, which is the same as the comparative figure would be in the coronavirus crisis under the OBR's downside scenario.

FIGURE 78: **The age group most at risk of falling into low or negative equity also had the weakest wage growth since the financial crisis**

Proportion of families in all tenures who would fall into low equity in the OBR's 'downside' scenario, and weekly growth in median wages, by age group: UK/GB



NOTES: Includes primary residences only. The data for 2006-08 refer to WAS waves spanning from June to June whereas subsequent data refer to rounds spanning April to April. Growth in wages is calculated from UK-wide data while housing equity data is Great Britain only.
SOURCE: RF analysis of ONS, Wealth and Assets Survey; ONS, Annual Survey of Hours and Earnings.

Looking back to the financial crisis, we have previously shown that those who left education and entered the labour market during and immediately after the financial crisis in 2008 experienced a deep and sustained pay scarring effect. The pay progression of millennials born in the 1980s was most affected. Figure 78 shows each age group's

growth in real median weekly earnings since 2009. For example, last year those in their mid-30s were typically paid £508 per week, whereas in 2009 people were typically paid £30 more per week at the same age, in today's prices. This means that mortgagors who are in their mid-30s now and facing the challenges associated with low or negative equity come from the cohorts that experienced the deepest economic hit in the previous recession.

Conclusion

In this analysis, we have shown that a smaller proportion of young mortgagor families are in low equity today than in the year before the financial crisis, and that those at risk of low equity tend to have higher wealth and incomes. This reflects both rapid house price growth and the lower availability of high-LTV mortgages, and suggests that mortgagors are better prepared for the current crisis and its associated house price shock than mortgagors were ahead of the financial crisis. Of course, the corollary of fewer young families being mortgagors today is that many young, lower-paid prospective mortgagors are stuck in the private-rented sector and so face higher housing costs, less security and – in some cases – lower-quality accommodation.

Crucially for this audit, fewer and smaller mortgages for younger families, due to higher requirements for deposits and income, means that the risk of falling into low or negative equity has shifted up the age distribution.

Today, young mortgagors tend to hold more equity in their homes compared to 2007, and this means that relatively fewer mortgagors will be facing an equity crisis this time around. But if the depth and length of house price falls are of a similar order of magnitude to those following the financial crisis, many young families are still at risk of falling into low or negative equity. This risk is more than a remote possibility given the size of the prospective recession and the inability of policy makers to further cut interest rates in order to boost house prices. While there is a role for the Government in helping to avoid large-scale repossessions through forbearance policies, there is a risk that we might be entering a deeper negative equity crisis than is currently expected given the apparent resilience of the housing market.

Section 7

Conclusion

Part-way through 2020 might appear an odd time for a stock-take of intergenerational living standards progress. The coronavirus crisis has caused loss of life, threatened livelihoods, and upended daily life. It has also driven, and continues to drive, swift and creative policy action from governments. The situation is still fast-moving, and the quick onset of a deep recession means that both the recent path and near future are particularly uncertain.

But given that even the most cursory of assessments makes clear that there are huge age divides in how this crisis has been and will be experienced, an intergenerational analysis of it while the policy response is still being developed is essential. That is why this year's Intergenerational Audit for the UK provides the first comprehensive assessment of the impacts of the early part of the crisis on different generations, and what the generational implications of its next phase may be.

Our first and starkest finding is that this crisis has posed serious mortality risks that are clearly differentiated by age, with almost no elevation in mortality for under-45s compared to large increases for older adults in April that rose with age. However, when we broaden our health focus to mental health and well-being, we find that both the youngest adults and people in pension age experienced the biggest deteriorations during lockdown compared to the pre-lockdown position.

Moving beyond the health effects of the pandemic, we have looked across four living standards domains: jobs, skills and pay; housing costs and security; taxes, benefits and household income; and wealth and assets. In each, we have documented the latest living standards developments prior to the pandemic. These include the increasing concentration of younger workers in the key low-paying sectors of hospitality, retail, and arts and leisure; the enduring fact of young people living in the private-rented sector or the parental home, despite a recent home ownership uptick; and the continued lack of cohort-on-cohort wealth growth for millennials and members of generation X.

Our analysis has also zoomed in on the impacts of the lockdown in these four domains. Our findings include a U-shaped pattern of employment change, with the youngest and oldest workers hardest hit; poorer living conditions among younger cohorts (alongside very big differences within cohorts along lines of income and ethnicity) that have determined the lockdown experience; and a deterioration in incomes across working-age families, but with the largest falls for those in their late 40s. We conclude that while there is a very clear distinction between pensioners and working-age families in the degree of living standards deterioration during lockdown, there are some more nuanced differences by age among working-age families.

We have also speculated on what might come next. It seems possible that post-lockdown impacts might be more tilted towards the bottom of the age range, driven by factors including which jobs are most at risk from ongoing social distancing restrictions pre-vaccine; the risk of employment and pay 'scarring' for those just beginning careers; the end of temporary welfare boosts; and little optimism about the home ownership prospects of younger aspirant buyers, even if the forecast house price falls come to pass.

Bringing all these findings together, our conclusion is that it is the nature of the virus that has determined physical health outcomes across generations, while the nature of our pre-pandemic economy has largely driven the economic impacts. It is factors including the sectors people work in and the type of contracts they were on; the housing tenure they live in; their relationship with the welfare system; and the levels of wealth they have to fall back on that determined both negative living standards outcomes in lockdown, and the extent to which these could be mitigated (and can continue to be mitigated as the crisis endures). As we have documented in this audit and much of our previous work on intergenerational issues, these factors were moving along different lines for different cohorts pre-pandemic. So, we can say that it is other characteristics that are (and in most cases, have become increasingly) correlated with age – like income, housing tenure, the presence of children or the sector someone works in – that are the major drivers of the lockdown (and possible enduring) experience.

It appears that it is this combination of physical health impacts (and limits on social interaction) particularly affecting the oldest, and living standards impacts tilted towards younger adults, that explains the 'U-shaped' patterns of deterioration in mental health and well-being that were observed during lockdown.

We conclude on the lessons to be drawn by policy makers. Policy – i.e. the lockdown – has had very different effects across the age range in this crisis so far. But policy has also done a good job of ameliorating the hit to working-age living standards across age groups (on average – lots of families have fallen through the cracks between different support schemes). This is in particular due to income support policies like the JRS, but also with

respect to things like mortgage holidays. And of course, the future we have speculated upon will in practice be determined by future policy choices. There are choices to be made in the coming months about the extent to which welfare boosts are reversed next year. And recent announcements to support jobs, such as the Job Support Scheme, may prove insufficient in the key low-paying sectors most affected by ongoing restrictions, with little said so far on boosting job creation in other sectors.[187] And, at some point soon, the Government will have difficult decisions to make on how to bring the public finances back on a sustainable footing, and, regardless of whether this done by spending cuts or tax rises, those need to be informed by an understanding of the generational impact of the crisis.

The huge impact of government policy during the lockdown period should bring confidence that policy can continue to act to limit the longer-term economic damage. Given that pre-pandemic generational trends appear to have shaped recent experiences, the recommendations of our 2016-2018 Intergenerational Commission are particularly worthy of consideration in this context.[188] The objective was re-fuelling cohort-on-cohort living standards improvements at each age. Recommendations included measures to halt the slowdown in education attainment in younger cohorts; to improve security and conditions in the private-rented sector while boosting home ownership in younger cohorts; to improve pension savings rates and reduce the risk around retirement incomes for future pensioners; and to facilitate wider asset accumulation (and therefore financial resilience). And the experience of the first wave of coronavirus in the UK tragically emphasised that we need a new way of funding social care that can improve care standards for its recipients and working conditions for its underpaid workforce. These are important now, and will be particularly important in terms of weathering future crises.

The Resolution Foundation's Intergenerational Centre will continue to monitor the generational impacts of this crisis as it unfolds, with next year's Intergenerational Audit for the UK providing a fuller, medium term, assessment.

187 T Bell et al., The Winter (Economy Plan) is coming: Chancellor ramps economic support back up, but avoidable design flaws will limit its success in stemming the Autumn rise in unemployment, Resolution Foundation, September 2020.
188 Resolution Foundation, A new generational contract: The final report of the Intergenerational Commission, Resolution Foundation, May 2018.

Intergenerational Centre

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We do this by undertaking research and analysis to understand the challenges facing people on a low to middle income, developing practical and effective policy proposals; and engaging with policy makers and stakeholders to influence decision-making and bring about change.

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