The other levelling up

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The COVID-19 pandemic has worsened inequality between generations, which poses problems that urgently need to be addressed, writes ***Paul Riseborough***

Geographic inequalities are at the very top of this government's agenda, for reasons of fairness and electoral calculus. On nearly any measure you care to look at – wealth, productivity, high quality jobs –the UK is one of the most geographically unequal societies in the developed world. Changing this will change lives for the better.

Yet focusing on regional disparities risks masking other, just as important, inequalities: those between the generations.

Covid-19 is the biggest global economic shock since the Second World War, but its effects have been asymmetric. Young people have been hit hardest: one in three young people aged 18-24 have been furloughed or let go - twice the rate of working age adults overall. Young people are more likely to rent. Citizens Advice suggest that 1 in 3 renters have lost income because of the pandemic, and that half a million are now behind on their rent (to an average of £730), with many fearing eviction. This is a precarious generation.

This isn't new. Pronounced intergenerational inequality existed long before the pandemic. The Resolution Foundation's Intergenerational Commission's 2018 report found that 'boomers' gain 20% more in benefits and tax breaks than they put into the welfare system. This is a generation that benefited from asset inflation, defined benefit pension schemes, free education and an unprecedented period of sustained economic growth. But the proceeds of this growth have not been distributed equally and the ladder has been removed for the next generation.

How do we tackle this problem? The task of rebalancing between generations is complex. Robust policy interventions risk unintended consequences. Older generations tend to vote more than the young and are keen to hang on to what they have accumulated. Yet there are things we can do to tilt the board in favour of the young.

First, we need to tackle social mobility, which is as much a generational challenge as a class one. Young people need access to high quality training in subjects that the economy of tomorrow will demand. The race is on to avoid a permanent scarring on younger generations of long-term early-career unemployment, scars that can overshadow a whole career. The financial services industry can help here by providing apprenticeship roles in a range of tech-related areas including cybersecurity, software development and DevOps. Closing the gap between what we teach and what the economy needs while ensuring access to training is equitably distributed will be vital.

Second, we need to help young people save. More than 11 million people in the UK have less than £100 in savings and younger age groups score badly. This isn't just about how much–– it is also about how often. Building a savings habit is crucial to in building a degree of financial resilience. Even a small savings cushion can help individuals make better financial decisions. In 2020 Nationwide created Start to Save, a new savings account to help our members develop a savings habit. 86,090 of them who had less than £100 in savings with the Society previously now have £100 or more saved. This is the tip of the iceberg of course, but it shows progress can be made.

Third, let's tackle the pressure that finding somewhere to live exerts on the personal balance sheets and mental wellbeing of young people. For renters, let's end Section 21 no-fault evictions, which allow landlords to evict tenants with as little as eight weeks' notice without giving a reason, and introduce a tenant support financial package, including a raise to local housing allowance, tenant hardship grants and support for those in arrears.

For home buyers, let's make the process easier and more digital and support the market to provide more choice. Last year, the number of first-time buyers increased for the first time after a decade of decline but this was due to Help To Buy, creating a short-lived bubble. We need to reduce the need for young people to come up with vast deposits to buy property by offering mortgages with higher loan-to-value ratios which provide up to 90% of the cost of a first home.

If we are to come out of the pandemic stronger, more at ease with ourselves as a nation, more hopeful for the future, we need to put in place a policy framework that prioritises intergenerational fairness. It's time to lower that ladder again.

Paul Riseborough is a member of the Executive Board at Nationwide Building Society. He writes here in a personal capacity.