DEMOS

BOUNCING BACK
BOOSTING YOUNG PEOPLE'S FINANCIAL WELLBEING AFTER THE PANDEMIC

CIARAN CUMMINS
BEN GLOVER

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15 Whitehall, London, SW1A 2DD
T: 020 3878 3955
hello@demos.co.uk
www.demos.co.uk

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Ciaran Cummins and Ben Glover

FOREWORD

WE MUST ACT NOW TO SECURE YOUNG PEOPLES' FINANCIAL WELLBEING

Life is full of trials and tribulations; some large, some small, sometimes planned, often a surprise.

Such challenges might include a reduction in income, a family emergency or a broken-down car. What's important is our ability to withstand these challenges and ideally to bounce back stronger.

The Covid-19 pandemic has been testing for all of us. But for those people without good financial resilience, when the unexpected arrived it was even tougher to deal with the challenges and to recover.

In particular, the pandemic has brought to the fore issues faced by young adults in building their financial wellbeing. From the cost of living, the burden of debt, wage stagnation and the challenges of getting onto the housing ladder, the barriers have never felt more present for younger generations.

For Yorkshire Building Society, the desire to improve financial wellbeing sits at the heart of our purpose. Since our foundation over 150 years ago, we've focused on helping people to save and to achieve the security of a home of their own.

Helping young people to strengthen their finances is a key part of our ambition. To understand better the challenges they face, and how we, our peers and policy-makers can help to improve their financial wellbeing, we've worked with Demos to undertake this research which seeks to provide a helpful contribution to this important debate. To that end, this report's authors surveyed young adults and spoke to a wide group of experts from across youth and civic society organisations, policy institutes and financial services. They've since produced a number of workable, targeted solutions that could pave the way for a healthier financial future for younger generations.

The research findings were stark – the barriers faced by today's young adults are substantial. Confronted with spending comparatively significant amounts on essentials such as housing costs and bills, close to half of young adults now have low financial resilience. Particularly worryingly, nearly a third have fallen behind on bills and credit card repayments in the last six months.

There's some cause for optimism. Many young people are saving for the future and understand the importance of paying down debt. But still, young adults said that they don't know enough about saving and were less likely to be building a savings habit by putting money aside regularly in a dedicated savings account.

It's clear that we must act now to address these challenges and support the financial futures of younger generations.

A number of targeted, workable policy measures emerged through the course of the research, which we fully endorse.

To help young people to feel more confident in managing their finances, dedicated financial education should be strengthened and be mandatory from primary school level across the UK. We also encourage greater support from employers, who are well-placed as a trusted source of advice for their employees.

To make it easier for young adults to build a regular savings habit, the government should act to increase significantly the uptake of direct from salary saving, and consider how young adults might elsewhere be incentivised to save for emergencies.

And to address the impact the cost of living has on young people, a dedicated minister should chair an expert commission with a mandate to make actionable policy recommendations across government.

By treating these serious challenges with the urgency they deserve, we can help new generations of young adults prepare for life's trials and tribulations with the good financial wellbeing to bounce back stronger.

Mike Regnier
Chief Executive of Yorkshire Building Society

RECOMMENDATIONS

To boost the financial wellbeing of young people after the pandemic, we recommend that:

- The government makes tackling the cost of living crisis for young people, particularly in relation to household bills, an urgent priority. To make sure this is addressed with sufficient focus, the government should establish a commission to assess why the cost of living hits the young so hard, and what can be done to secure the financial wellbeing of future generations.
- The government considers extending existing schemes, such as Help to Save, beyond those on benefits to, for example, people under 30 who aren't claiming benefits but are on low incomes, or looks at a new, tax-incentivised savings scheme specifically to help under-30s with emergency savings.
- The government paves the way for the implementation of mandatory primary school financial education by the end of this Parliament.
- Education providers work in partnership with employers to help them to offer more financial education and support to employees, with a particular focus on young employees. This should be facilitated through a dedicated outreach programme over the coming years.
- The government should consider what they can do to significantly increase the uptake of payroll-deducted saving schemes by the end of this Parliament, beginning with a consultation with employers and looking at auto-enrolment options.
- Financial education providers should ensure they provide advice on what to do if someone turns to you for financial help, to ensure that young people in particular are well equipped to deal with this scenario.

EXECUTIVE SUMMARY

The pandemic has been challenging for many of us, with young people particularly affected. We find that close to half (47%) of young people (those aged between 18-30) now have low financial resilience - meaning they are over-indebted or have little capacity to withstand financial shocks.[1] In contrast, just 38% of 31-50s and 17% of those aged 51+ have low financial resilience.

We find that the primary driver of low financial resilience among young people is over-indebtedness. Young people are significantly more likely to have fallen behind on domestic bills and credit card repayments in the last six months: 31% of 18-30s have done so, compared to just 3% of those aged 51+.

This could be driven by higher outgoings among young people which - despite what is sometimes said about spending on frivolities like coffee and avocados - we find is largely due to higher spending on essentials, particularly rent or mortgage payments, and bills. We find that young people are spending more than twice as much as older people (aged 51+) on essentials; this equates to nearly £1,300 more per month.

It's vital policy makers get to grips with what appears to be a cost of living crisis for young people. We recommend that the government makes tackling the cost of living crisis for young people, particularly in relation to household bills, an urgent priority. To make sure this is addressed with sufficient focus, the government should establish a commission to assess why the cost of living hits the young so hard, and what can be done to secure the financial wellbeing of future generations. Chaired by a dedicated Minister, this commission should have a clear mandate to make policy recommendations that are actionable across government. It should be composed of experts and 'experts by experience': young people that are suffering due to the cost of living crisis, ensuring young voices are heard at the heart of the commission's work.

Notwithstanding this difficult backdrop, we find that young people are often doing the right things financially, saving for the future and paying off debts. They are more likely to be saving at all than any other age group and almost three quarters (72%) see the sense in saving for the future so that they will not have to save even more later on.

However, while young people are slightly more likely to be saving at all than other age groups, they are less likely to be putting their savings to the best of uses. Just 43% of young savers are putting their savings into a savings account, compared to 68% of savers aged 51+. They're also less likely to be using savings vehicles such as a cash ISA: 21% of young savers compared with 33% of savers aged over 51. This means that young people could be failing to develop positive savings habits at a young age - a key issue when it comes to having an accessible savings safety net to fall back on when hit by a financial shock.

With the recent closure of the Help to Buy ISA to new applicants, and the Lifetime ISA only available for the long-term savings goals of buying a first home or retirement, now is a good time for the government to take stock of its existing subsidised saving schemes. Given the low uptake by young people of these tax efficient savings products which allow easy access, we recommend that the government considers extending existing schemes, such as Help to Save, beyond those on benefits to, for example, people under 30 who aren't claiming benefits but are on low incomes, or looks at a new, tax-incentivised savings scheme specifically to help under-30s with emergency savings.

1 In this research we've followed the definition set out by the Financial Conduct Authority's (FCA) nationally representative Financial Lives Surveys. These describe people as having low financial resilience if they "are over-indebted or have little capacity to withstand financial shocks". Financial Lives 2020 survey: the impact of coronavirus. Financial Conduct Authority, 2021. Available at: https://www.fca.org.uk/publication/research/financial-lives-survey-2020.pdf. P.14. [Accessed 2/9/21]

Furthermore, young people know less about saving: they're more than twice as likely than the national average to say they don't know enough about saving. Financial education is currently mandatory at secondary school in England, but not at primary school. This means that we could be failing to educate future savers and spenders at a young enough age. We endorse recent calls[2] for mandatory primary school financial education and recommend the government pave the way for its implementation of this by the end of this Parliament.

In addition, our research suggests that young people are more likely than other age groups to think employers have a responsibility to help them if they face financial difficulties. This suggests they could be a trusted, well-placed source of advice. We therefore recommend that education providers work in partnership with employers to help them offer more financial education and support to employees, with a particular focus on young employees. This should be facilitated through a dedicated outreach programme over the coming years.

Attendees at our roundtables also highlighted the benefits of payroll-deducted saving schemes, arguing they can be a useful way of increasing savings rates among young people. Wider evidence suggests they can be effective in boosting savings rates, and we recommend the government should consider what they can do to significantly increase their uptake by the end of this Parliament, beginning with a consultation with employers and looking at auto-enrolment options.

More positively, young people are more likely to have someone to turn to if faced with an unexpected cost: 63%, ahead of the 56% national average, say they know a person or organisation who could help. In particular, young people report being much more likely to get financial help from friends than other age groups. While there are positives to this - friends could be a good source of help - there are potential risks too, not least that this is an unregulated form of lending.

To address this, we recommend that financial education providers should ensure they provide advice on what to do if someone turns to you for financial help, to ensure that young people in particular are well-equipped to deal with this scenario. Extra resources should be made available to the FCA and existing providers of financial guidance and advice to enhance their capability and help them drive awareness of the support available.

2 Lekarski, P. 'Give all primary school children a financial education, MPs urge'. MoneySavingExpert, 2021. Available at: https://www.moneysavingexpert.com/news/2021/07/primary-financial-education-report/ [Accessed 2/9/21)

INTRODUCTION

Prior to the pandemic, we knew that the situation facing many young people's finances was fraught. Reporting throughout has confirmed fears that this group would be among the worst hit - some even speaking of them facing a financial 'long Covid'.[3] Key to this is the question of whether young people have the financial resilience - the capacity to withstand financial shocks - to weather the storm. Answering this question is vital for individuals, financial service providers and policymakers to know how best to respond to the challenges young people face now and in the future.

There is already increased recognition among policymakers that greater resilience must be a guiding principle of our post-Covid renewal, something Demos has separately argued for. In March 2021 we published *Build Back Stronger*, the culmination of our Renew Normal commission into how life in the UK after the pandemic ought to change. This put individual and family-level financial resilience at the heart of a broader strategy of resilience that our research showed was needed to bounce back stronger from the pandemic.[4] This paper furthers our efforts to highlight the importance of resilience to policymakers.

To better understand young people's financial resilience, we conducted two polls in June 2021. These were of 1,000 18-30 year olds weighted to be representative of the population, and a further nationally representative poll of 1,000 UK adults. We then analysed the results and presented these to three expert roundtables with representatives from the world of policy, business and youth civil society, to help develop a small number of targeted, workable policy solutions to boost the financial resilience of young people.

DEFINITIONS

In this research we've followed the definition of low financial resilience set out by the Financial Conduct Authority's (FCA) nationally representative Financial Lives Survey. These describe people as having low financial resilience if they "are over-indebted or have little capacity to withstand financial shocks".[5] The FCA recognises - as do we - that the exact criteria can vary. Resilience can encapsulate broader emotional considerations beyond directly financial ones, for example, to include health considerations, life events and financial capability (i.e. literacy or confidence). We have stuck with the FCA's core defining components of low financial resilience but address some of these broader considerations in our findings.

These components are over-indebtedness, low or erratic income and having low savings, and someone may have one or more of these and count as having low financial resilience (with a combination suggesting the lowest levels of financial resilience). To capture these same characteristics amongst our polling questions we mirrored those used by the FCA to measure low financial resilience.

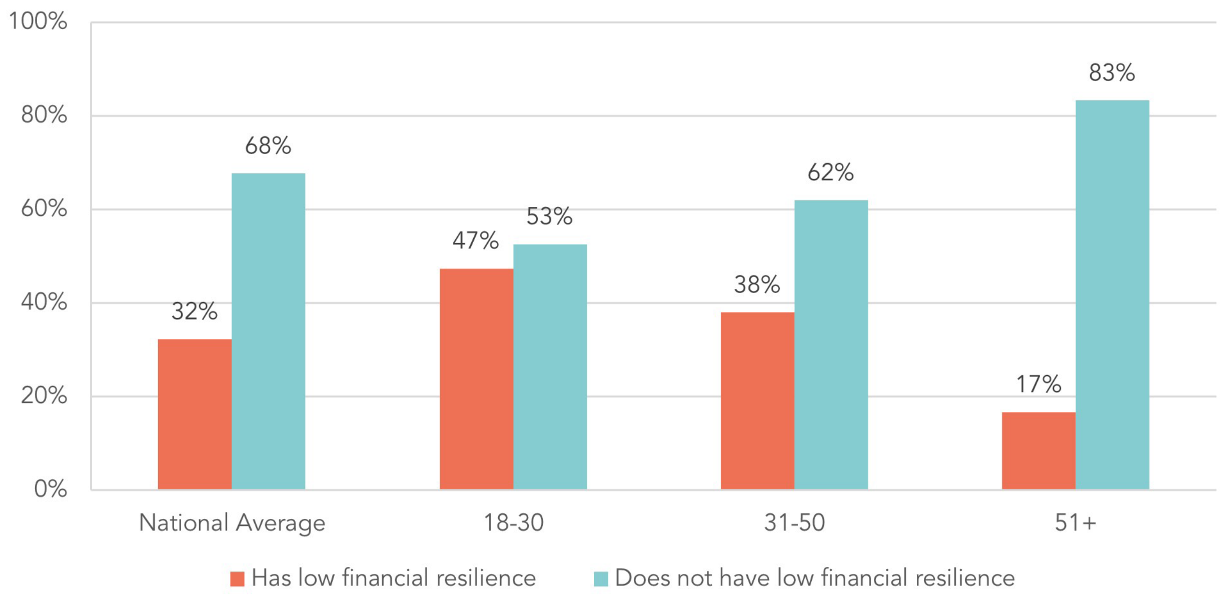
3 Hunt, M. 'The financial 'long Covid': why young people's lives will take a decade to recover'. The Telegraph, 2021. Available at: https://www.telegraph.co.uk/money/consumer-affairs/financial-long-covid-young-peoples-lives-will-take-decade-recover/. [Accessed 2/9/21]
4 Demos. Build Back Stronger. Demos, 2021. Available at: https://www.telegraph.co.uk/money/consumer-affairs/financial-long-covid-young-peoples-lives-will-take-decade-recover/. P.34. [Accessed 2/9/21]
5 Financial Conduct Authority. Financial Lives 2020 survey. P.14

SECTION 1
THE STATE OF LOW FINANCIAL RESILIENCE FOR YOUNG PEOPLE

We already knew that many young people had lower financial resilience than other age groups going into the pandemic. The FCA's measure in February 2020 was 24% of 18-24 year olds and 26% of 25-34 year olds having low financial resilience, and in their October 2020 survey, the largest proportional increases included adults aged 18-34.[6]

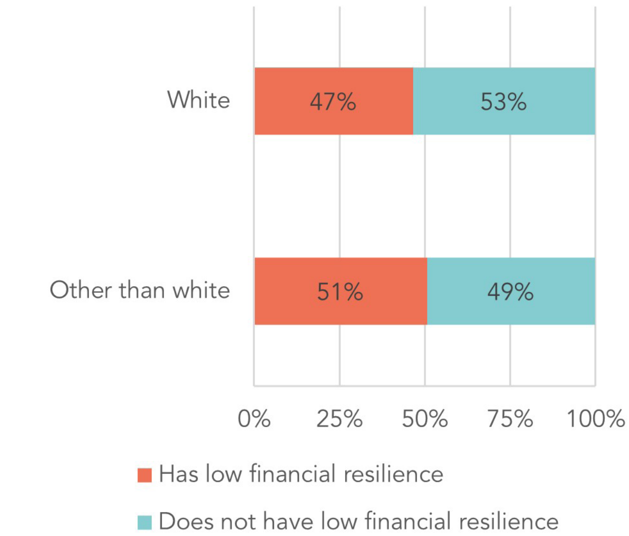
In our research we found that financial resilience had continued to worsen for young people, with 47% having low financial resilience, above the national average of 32%, as Figure 1 highlights.

FIGURE 1
LOW FINANCIAL RESILIENCE ACROSS AGE GROUPS



6 Financial Conduct Authority. Financial Lives 2020 survey. P.84

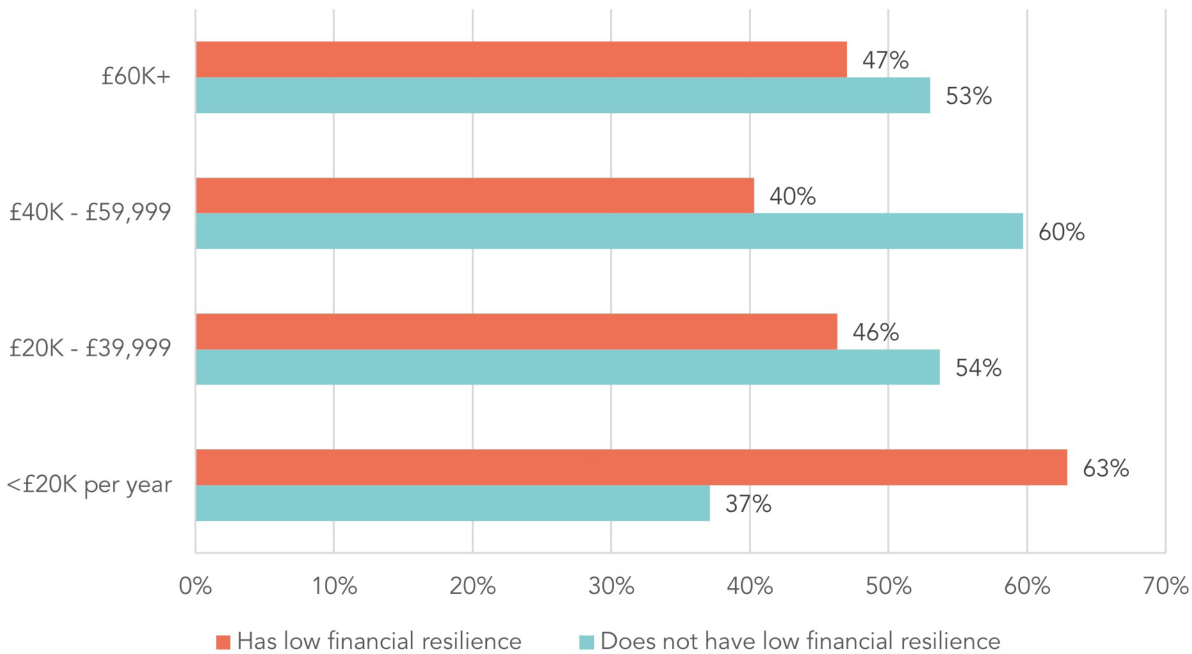
FIGURE 2
LOW FINANCIAL RESILIENCE BY ETHNICITY



Within this cohort, we found little difference between 18-24s and 25-30s or men and women, but we did see some difference by ethnicity. As Figure 2 illustrates, non-white ethnic groups are more likely to have low financial resilience.

We also found that while 18-30s in poorer households are more likely to have low financial resilience, some higher earners have lower resilience than more average earners. This suggests that low income isn't the sole determinant of low financial resilience for this age group and that other factors matter.

FIGURE 3
LOW FINANCIAL RESILIENCE ACROSS 18-30S BY HOUSEHOLD INCOME

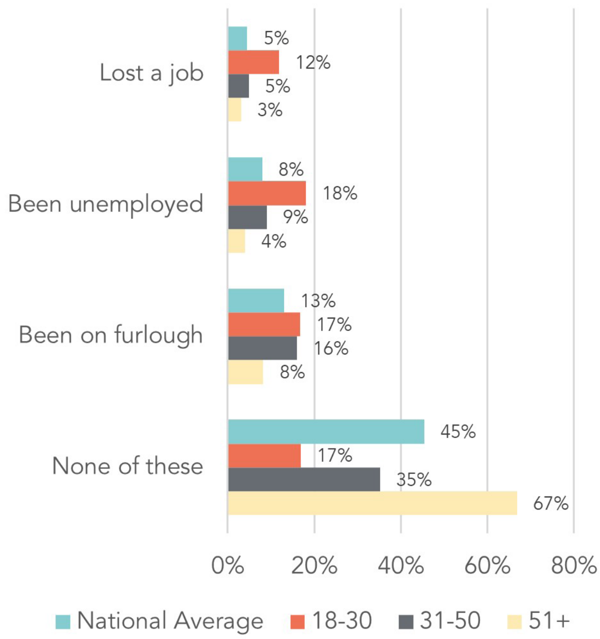


SECTION 2
THE DRIVERS OF LOW FINANCIAL RESILIENCE AMONG YOUNG PEOPLE

Our evidence review found a wide range of drivers of young people's low financial resilience: from a pre-existing policy environment that was slow to deal with mounting problems for young people's resilience[7], to young people being some of the worst placed for the particular financial shocks of the pandemic in terms of employment.[8] In addition, particular cohorts within the 18-30s face compounding challenges, including Black and Asian people's experiences in the job market,[9] refugees' financial exclusion,[10] and young carers spending.[11]

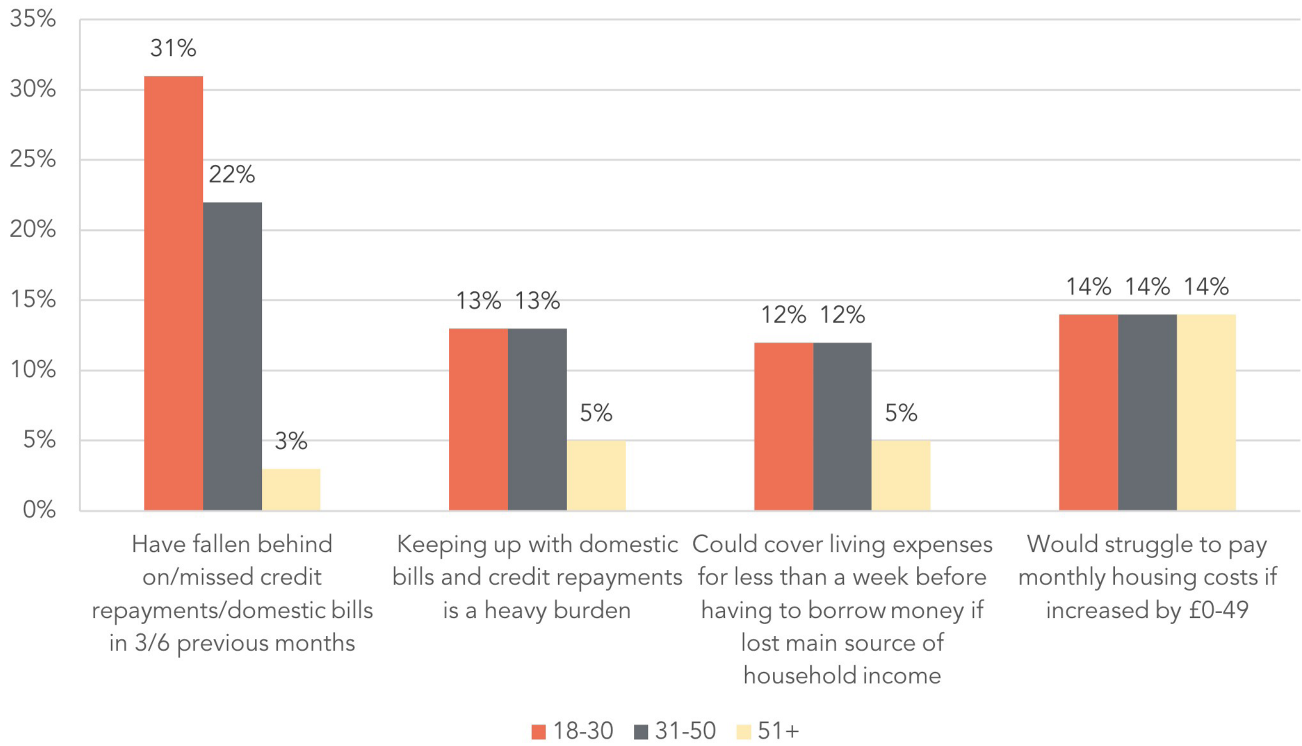
Unsurprisingly, therefore, our research found young people are much more likely to have been negatively impacted by the pandemic in terms of life changes, likely partly explaining (and in some cases possibly partly explained by) their low financial resilience. This includes changes directly impacting their finances, such as having been on furlough (17%) or having lost a job (12%) and being unemployed (18%). Perhaps most tellingly, just 17% of 18-30s have not experienced these or other life changes detailed in our poll, well below other age bands.

FIGURE 4
LIFE CHANGES SINCE THE START OF THE PANDEMIC ACROSS AGES



7 Landreth-Strong, F. 'It's time to tackle young people's economic insecurity'. RSA, 2021. Available at: www.thersa.org/blog/2021/02/its-time-to-tackle-young-peoples-economic-insecurity [Accessed 2/9/21].
8 Costa Dias, M., Joyce, R., Norris Keiller, A. COVID-19 and the career prospects of young people. Institute for Fiscal Studies, 2020. Available at: www.ifs.org.uk/uploads/BN299-COVID-19-and-the-career-prospects-of-young-people-1.pdf [Accessed 2/9/21]
9 Henehan, K. Uneven steps: Changes in youth unemployment and study since the onset of Covid-19, Resolution Foundation, 2021. Available at: www.resolutionfoundation.org/app/uploads/2021/04/Uneven-steps.pdf P.12. [Accessed 2/9/21]
10 OECD. Advancing the Digital Financial Inclusion of Youth. OECD, 2020. Available at: https://www.oecd.org/finance/advancing-the-digital-financial-inclusion-of-youth.pdf P.49. [Accessed 2/9/21]
11 Carers Trust. My Future, My Feelings, My Family, Carers Trust, 2020. Available at: https://carers.org/downloads/what-we-do-section/my-future-my-feelings-my-family.pdf P.7. [Accessed 2/9/21]

FIGURE 5
COMPONENTS OF LOW FINANCIAL RESILIENCE BY AGE



When looking at the components of low financial resilience, it's clear that 18-30s are an outlier on keeping up with bills and that this is the main driver of low financial resilience among this cohort. The following statements are intended to capture the aforementioned components of low financial resilience as defined by the FCA: over-indebtedness, low or erratic income and having low savings.

The reasons for this will likely include higher monthly spending by 18-30s on many essentials such as rent, bills, travel and childcare as indicated in figure 6. However, as this chart also suggests, their higher luxury spending may also play a role here too. However, it is worth highlighting how this could be capturing a variety of behaviours, complicating the assumption of a luxury's dispensability. If we consider the mental health implications of the pandemic, it draws attention to the possibility that a young person's consumption of alcohol or cigarettes, for example, may be a result of a dependency and so shouldn't be conceptualised as a 'luxury' per se.

Following the Office for National Statistics' (ONS) categorisations, if we collate the above into discretionary and non-discretionary spending, where non-essentials are gym membership, luxury items, social activities and non-essential travel (some of which has obviously been curtailed in the period in which we polled), we can see in the chart that the young face higher costs driven by essentials, and their non-essential spending is a fifth of their overall, the same as the national average.[12] This reflects the situation they faced entering the pandemic, as the ONS found in June 2020 when they analysed household expenditure from March 2019: "Younger households [...] spend a lot proportionally on essentials and relatively little on goods and services that have been unavailable under lockdown. This could limit their ability to cut back on spending if their income were to fall".[13]

12 The ONS defines discretionary spending as "spending on goods and services where the consumer exercises some degree of choice over whether or not to buy and how much they spend (the price and amount purchased)". It defines non-discretionary spending as "spending on essential goods and services, where the consumer has little choice but to continue to buy regardless of price and income pressures." ONS. 'More than one-fifth of usual household spending has been largely prevented during lockdown'. ONS, 2020. Available at: https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/articles/morethanonefifthofusualhouseholdspendinghasbeenlargelypreventedduringlockdown/2020-06-11. [Accessed 2/9/21]
13 Even expanding this to include items that, per the ONS' categories, can overlap between essential and non-essential (insurance, education, clothes), it is still the case that 18-30's outgoings are driven primarily by essentials. For the ONS' categories, see: http://www.ons.gov.uk/visualisations/dvc824a/datadownload/household_spending.xls.

FIGURE 6
EXPENDITURE BREAKDOWN ACROSS AGES

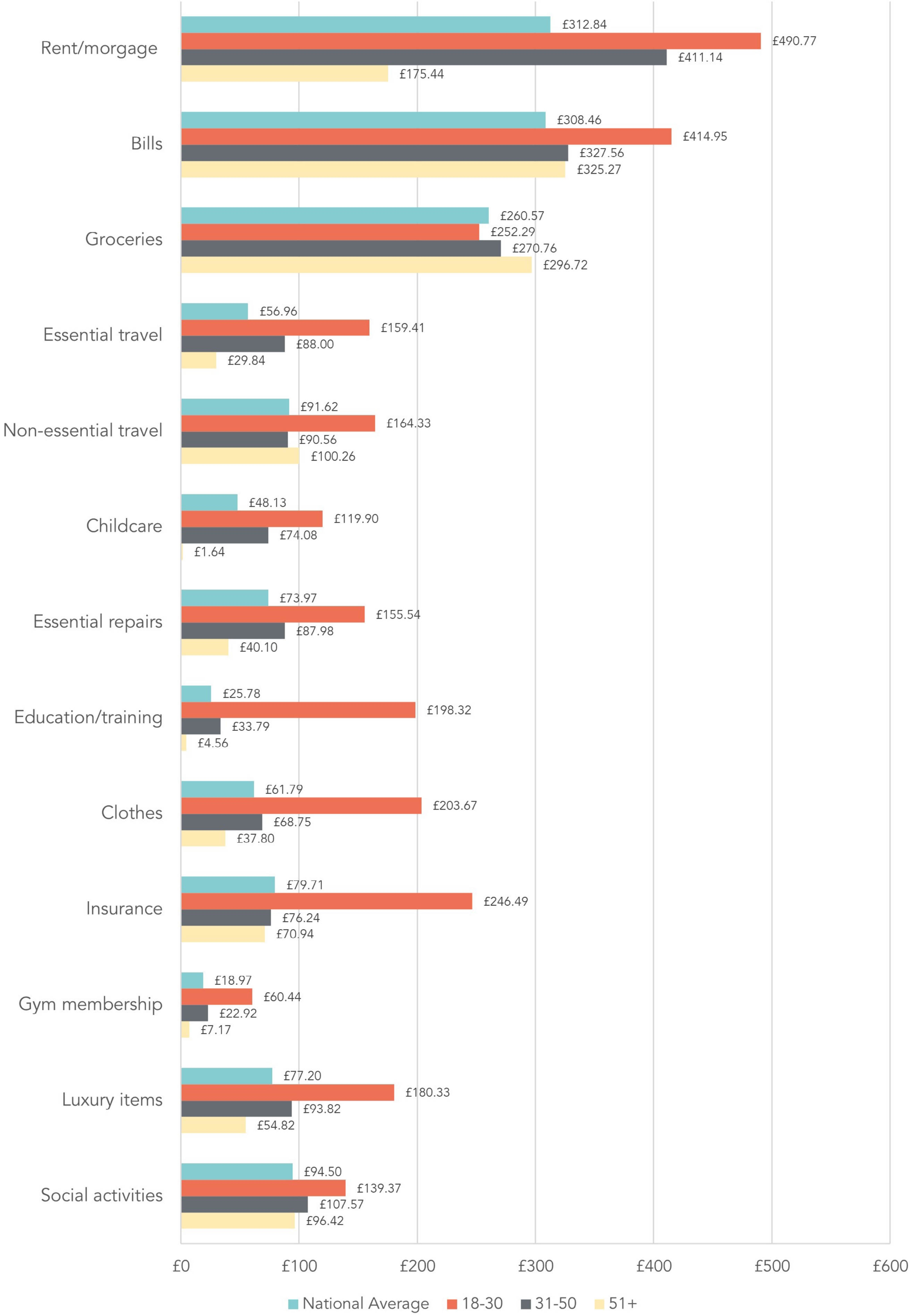
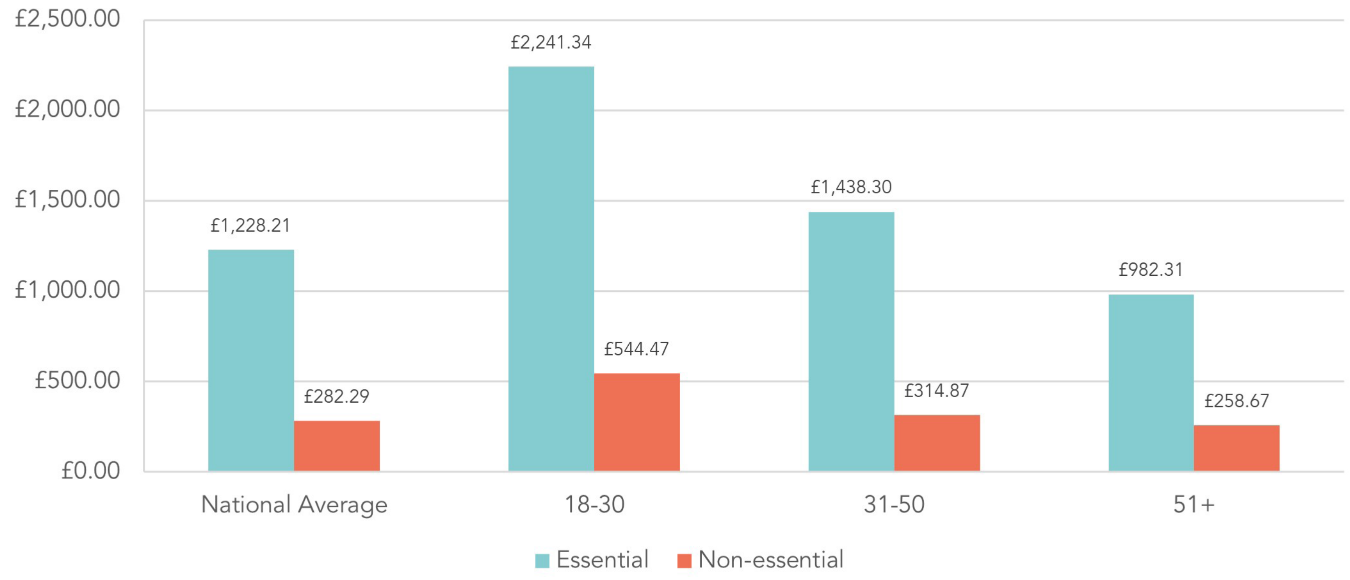


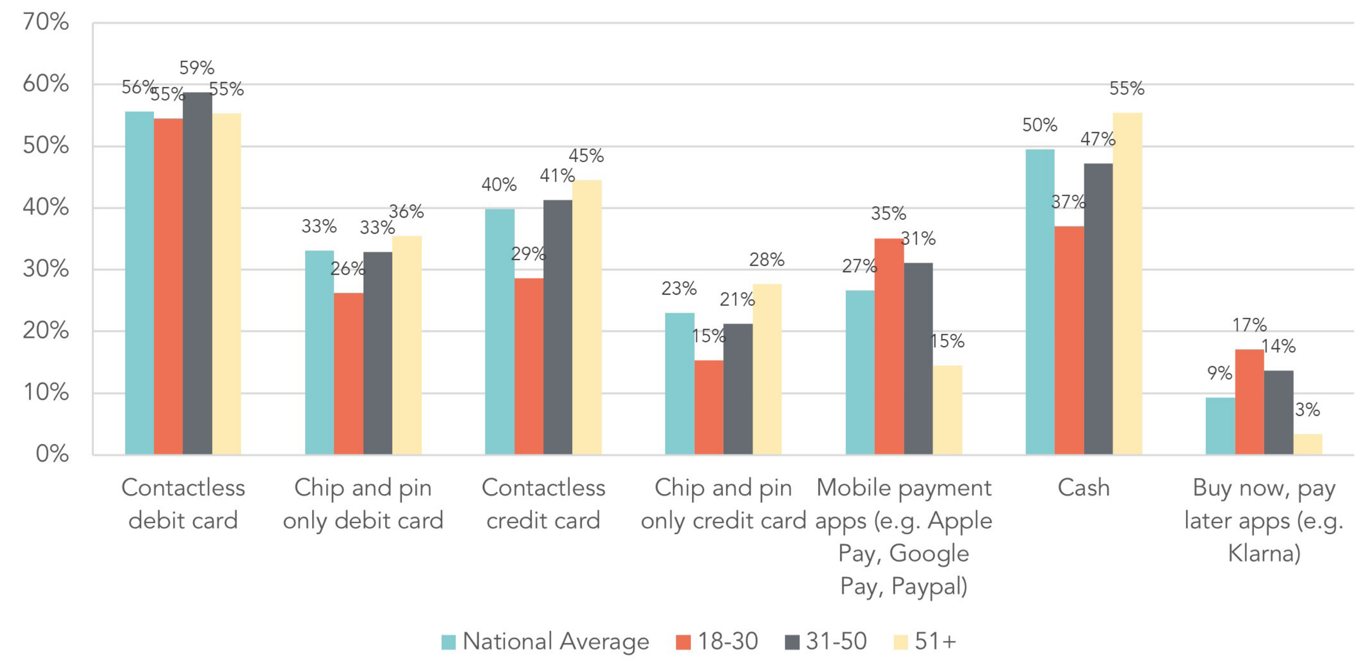
FIGURE 7
MONTHLY NON-/ESSENTIAL EXPENDITURE BREAKDOWN ACROSS AGES



This higher spending could also explain why young people are much more likely to use 'buy now, pay later' (BNPL) schemes than other age groups, though still a fairly small proportion overall. This may also be connected to their greater use of mobile payment methods compared to other age groups, as these schemes can be integrated with such payment methods.

Moreover, it could be the case that use of these payment methods and schemes jointly reinforce a preference for more frictionless, digitally-enabled retail experiences in general. The potential risks from BNPL were highlighted in our roundtables, and similarly the various dangers of associating these with mobile payment have been noted in the FCA's February 2021 Woolard Review.[14]

FIGURE 8
REGULAR PAYMENT METHOD FOR GOODS AND SERVICES



14 FCA, The Woodlard Review - A review of change and innovation in the unsecured credit market FCA, 2021. Available at: https://www.fca.org.uk/publication/corporate/woolard-review-report.pdf p.42.

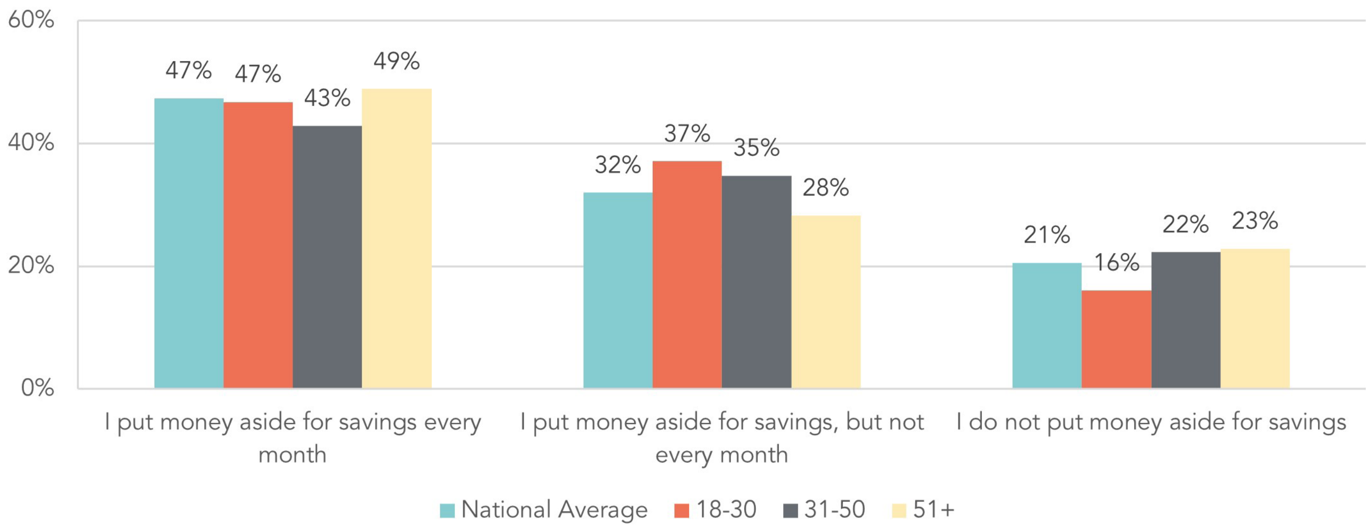
SECTION 3
SAVINGS BEHAVIOUR

There is a mixed picture for young people's saving at present, with the Office for National Statistics reporting in its latest Personal and Economic Well-being report (May 2021) that "those in the youngest age group were less financially resilient than older age groups [...] despite a higher proportion reporting that they were able to save for the year ahead."[15] This mixture is reflected in our findings with, surprisingly, young people coming out as slightly more likely to be saving at all, though also reporting being more likely to be saving less frequently: 47% save monthly (in line with the national average), 37% save less frequently than this, and just 16% do not save at all, fewer than any other age band.

This is less surprising when we see that savings makes sense to nearly three quarters of young people. 72% of 18-30s agreed with the statement "it makes sense for me to save now, otherwise I will have to save even more later on", with just 21% disagreeing with the statement.

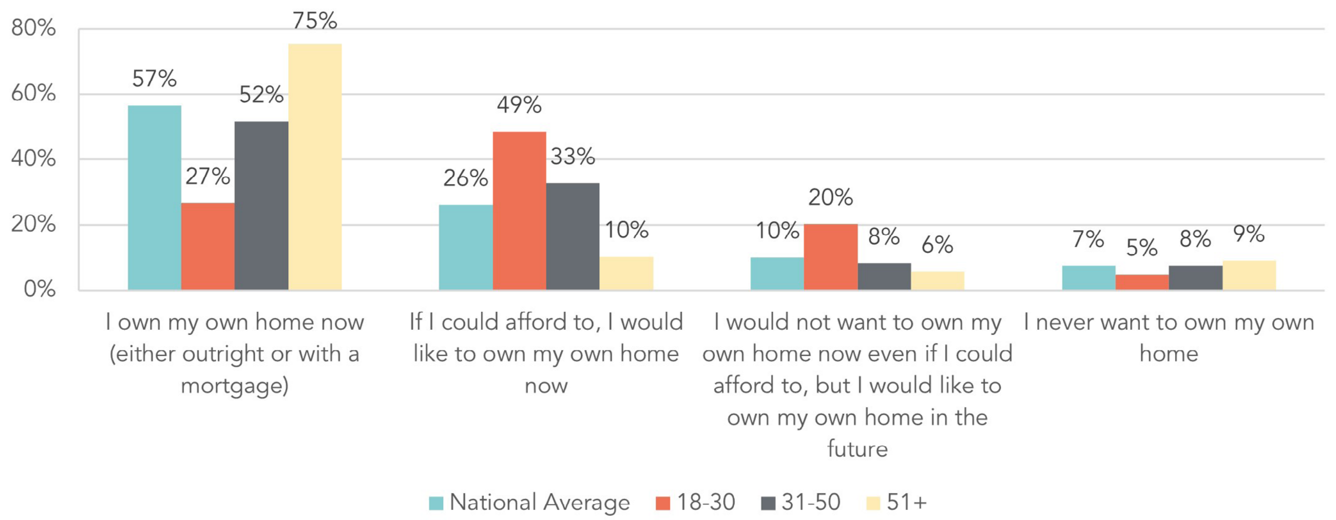
Turning to people's intentions with saving, the dream of homeownership is far from dead for young people - even if out of reach for many right now as figure 10 highlights. Just 27% of 18-30s own their own home at present, yet 49% express the desire to become homeowners right now if it were affordable.

FIGURE 9
SAVING FREQUENCY ACROSS AGES



15 ONS. 'Personal and economic well-being in Great Britain: May 2021'. ONS, 2021. Available at: ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/personalandeconomicwellbeingintheuk/may2021. [Accessed 2/9/21]

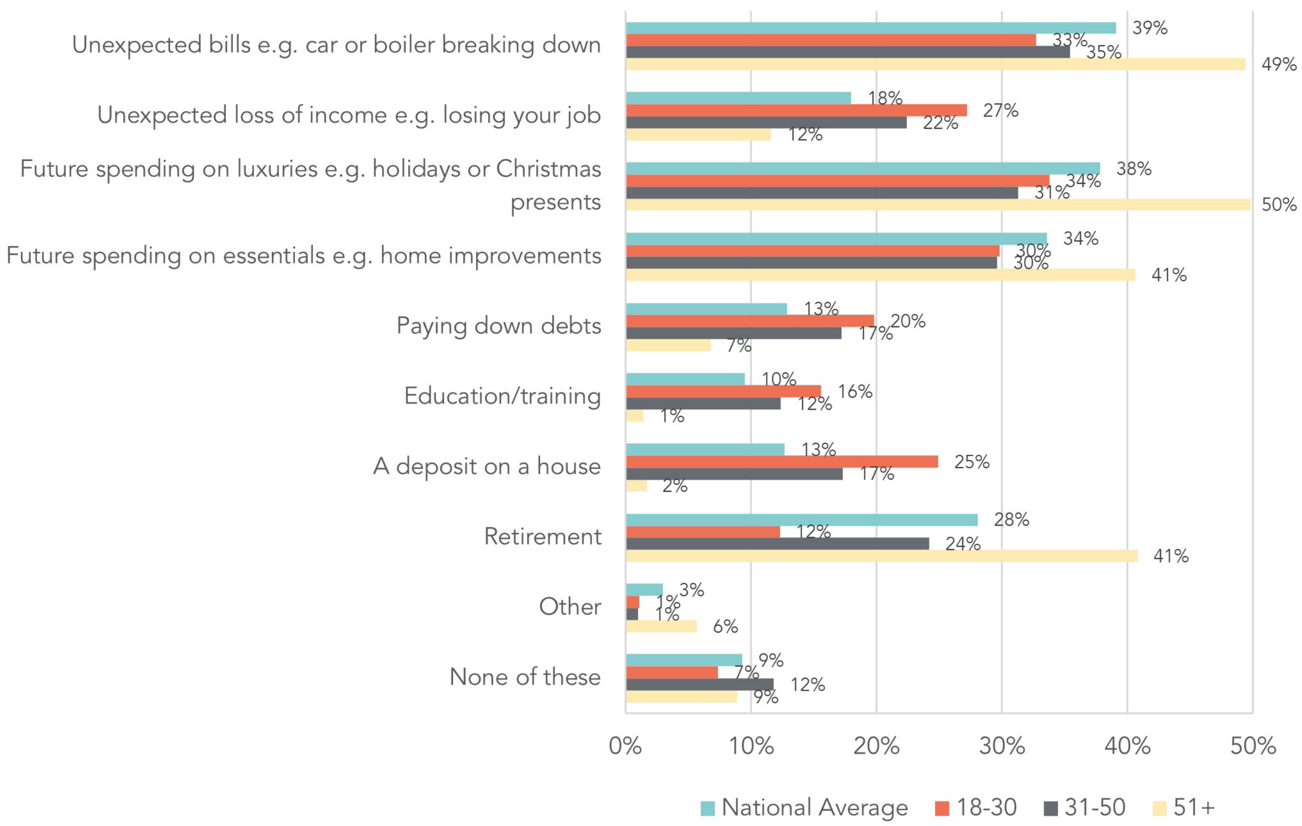
FIGURE 10
HOME OWNERSHIP STATUS AND INTENTIONS ACROSS AGES



That just 5% - fewer than any other group - say they would never want to own their own home undercuts the often held assumption that this desire is a thing of the past.

This could explain why young people are much more likely to be saving for a house deposit than others, at 25% compared with the national average of 13%. Despite the higher luxury spending discussed above, 18-30s are also less likely to be saving for future luxury expenses (34% compared with the national average of 38%), and much more likely to be saving for investments in themselves or property - 16% on education or training alongside the aforementioned housing deposits. Finally, the results point to a generation aware of the need to tackle current and potential future financial insecurity, with more savings to pay down debts than any other group, or to anticipate an unexpected loss of income. In line with the initial look at the drivers of their low financial resilience above, however, young people are the least likely to be saving in case of unexpected bills.

FIGURE 11
REASONS FOR SAVING (EXCLUDES PENSIONS) ACROSS AGES

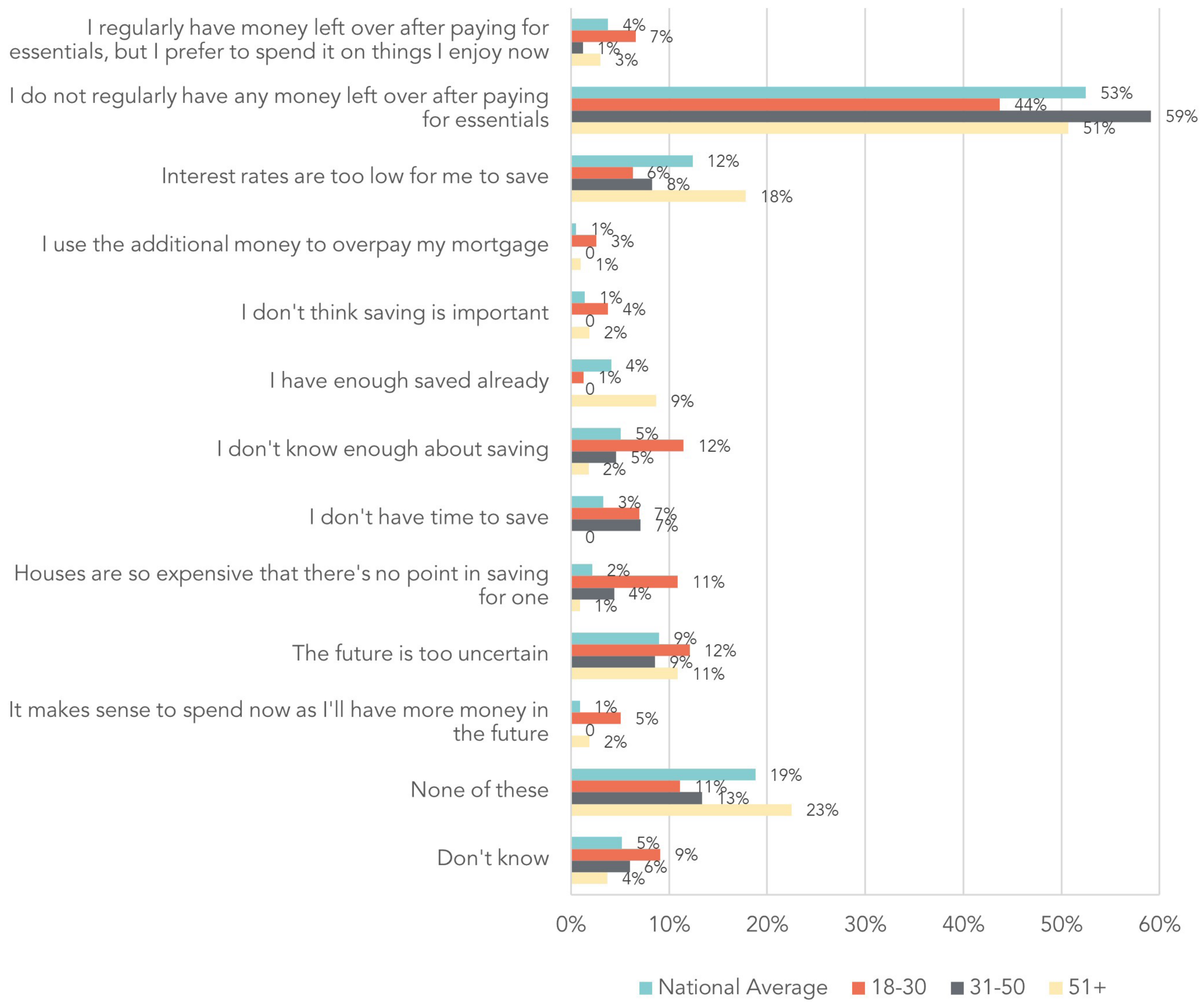


Non-saving among young people will of course be driven by a range of factors but Figure 12 suggests these include: not knowing enough about saving, housing unaffordability, expectation of higher earnings and a desire to spend now. However, it is important to flag that by far the most important reason for non-saving among young people is still insufficient income after spending on essentials, even if this is less important than among other age groups.

Finally, when it comes to how young people choose to save, young people are more likely to be storing cash than other age groups, a result which is not straightforward to interpret. There is the possibility that this has been interpreted by some as synonymous with current account saving. As our roundtable participants highlighted, some young people may view the ability to divide current account funds into pots of money on newer banking apps (which are not necessarily structured as separate savings accounts) as 'storing cash'. Nonetheless, as a separate option for current account saving is given, this does suggest that 18-30s are storing cash; perhaps, as was raised in our workshops, these are young people being paid cash-in-hand.

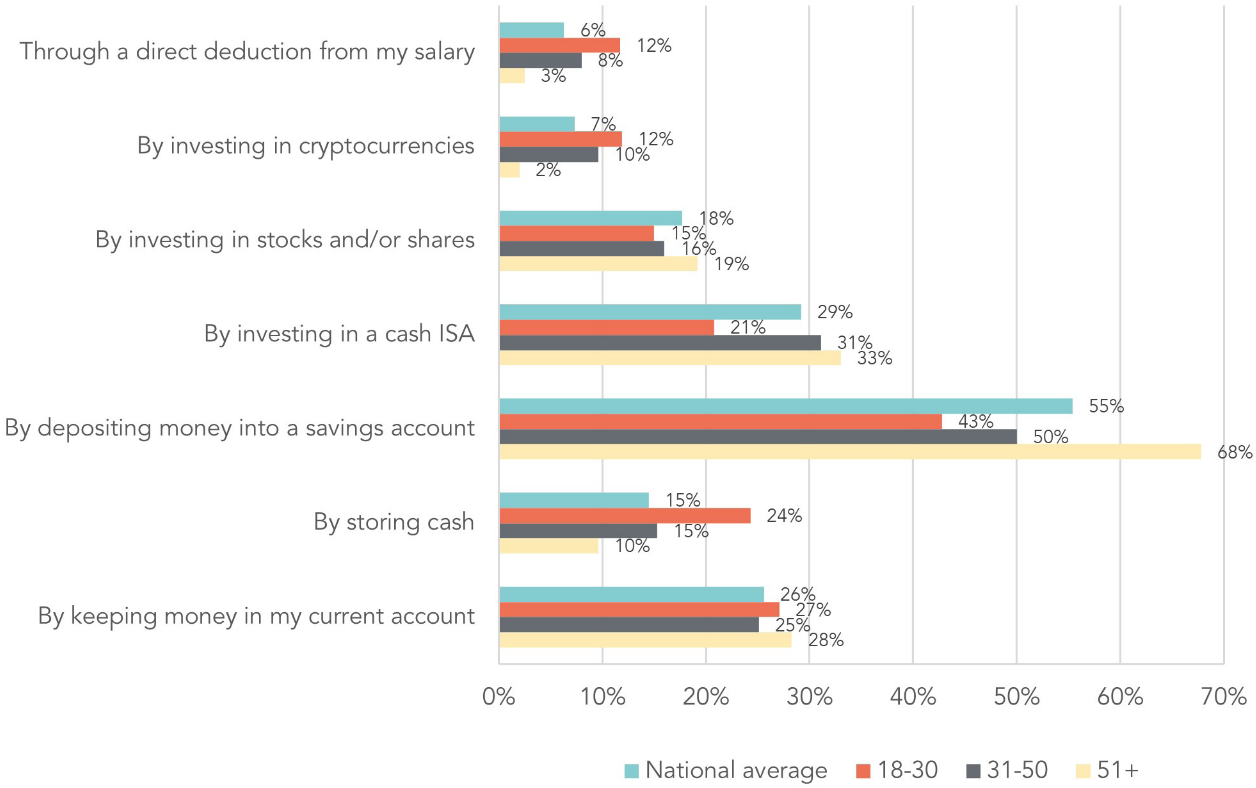
Of course, those who do say they tend to save by storing cash may be reporting that they simply are in the habit of doing so, even if they do not, on reflection, prefer to do so. Furthermore, not all of those who report storing cash are solely storing in this way – this could be a common, albeit unintentional, means in which they retain money. What this all suggests is that the result has captured three things: accidental responses, misinterpretations of 'storing cash' as synonymous with current account savings, and genuine storing of cash by those who plan for this and those who don't.

FIGURE 12
REASONS FOR NOT SAVING ACROSS AGES



In contrast with all of this, young people engage least in the conscious, intentional savings methods that prove most popular with other age bands, namely cash ISAs (21% of young savers against the national average of 29% of savers) and savings account deposits (43% of young savers against the national average of 55% of savers). This should be of concern to policy makers as it suggests young people may not be getting into the good habit of putting their savings into a place which isn't mixed with money for day-to-day expenses and delivers a return. Good savings habits aren't simply about getting a return on your money – they are a conscious, deliberate and regular act which help the saver build an accessible, emergency financial safety net. Moreover, in an era of low interest rates, this might mean losing out on very little, but if interest rates rise, young people will have more to lose, especially if they failed to build the habit of saving regularly into an account specifically designed for that purpose when young.

FIGURE 13
MEANS OF SAVING ACROSS AGES

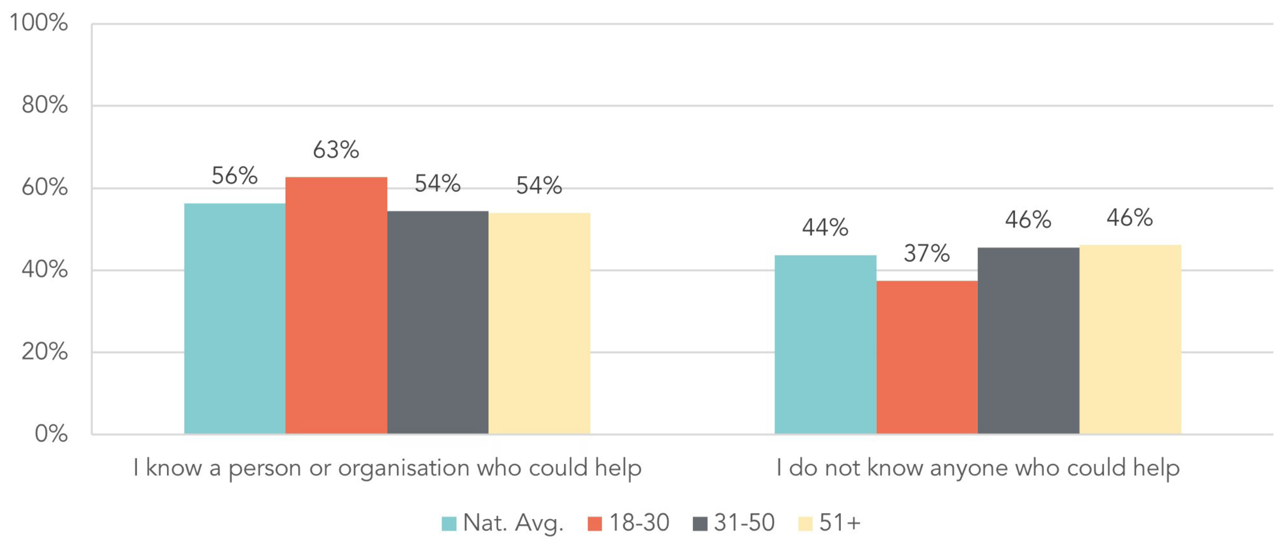


SECTION 4
FINANCIAL SUPPORT NETWORKS

A final set of findings reflect the differences in formal and informal support networks people have to turn to when faced with unexpected financial costs. We found that young people are more likely to have someone to help them with their finances. It goes without saying that this will not be true across the board; for example, for those without such social capital, or for those whose family (and friends) are themselves in financial difficulties.

Digging into this further, young people report being much more likely to get financial help from friends than other age groups. While there are positives to this - friends could be a good source of help - there are potential risks too, not least that this is an unregulated form of lending.

FIGURE 14
HAVE SOMEWHERE TO TURN FOR SUPPORT IF FACED WITH AN UNEXPECTED COST (ACROSS AGES)



SECTION 5
BOUNCING BACK

We now consider what policy makers, financial institutions and employers could do to boost young people's financial resilience as we emerge from the pandemic.

TACKLING THE COST OF YOUNG LIVING CRISIS

We have seen in this report that young people are much more likely to have low financial resilience than other age groups, and that the key driving component of this is falling behind on bills and other payments. We've also seen that young people are spending much more on bills and essentials than other groups - what appears to be an emerging cost of living crisis for young people.

These two insights are no doubt linked: it is of course harder to keep on top of your bills if they are higher. Given this, there appears to be a strong case - from a financial resilience perspective among others - to tackle the cost of the young's living crisis. While how to achieve this precisely is beyond the purview of this paper, we recommend that the government makes tackling the cost of the living crisis for young people, particularly in relation to household bills, an urgent priority. To make sure this is addressed with sufficient focus, the government should establish a commission to assess why the cost of living hits the young so hard, and what can be done to secure the financial wellbeing of future generations.

Chaired by a dedicated minister, this commission should have a clear mandate to make policy recommendations that are actionable across government. It should be composed of experts and 'experts by experience': young people that are suffering due to the cost of the living crisis, ensuring young voices are represented at the heart of the commission's work.

The commission should act in a participatory fashion, harnessing the experiences of young people across the country to understand how to tackle this issue.

DRIVING POSITIVE SAVING BEHAVIOUR

While young people are slightly more likely to save than other groups, they are also less likely to be using specific savings vehicles than other age groups, such as savings accounts or ISAs.

In an era of low interest rates, this might not mean young people are losing out on much. But failing to build the habit of using savings vehicles at a young age could mean that when interest rates do rise - assuming that does happen - young people could lose out.

In terms of why young people are less likely to use savings accounts or ISAs than other age groups, further research is required to understand the drivers of this behaviour in greater detail. However, our findings allow us to posit a number of potential reasons.

First, young people are much more likely to report saving for an unexpected loss of income than other age groups. This could suggest that they need to be able to access their savings easily and at short notice - a sense no doubt reinforced by their experience during the pandemic, with young people much more likely to lose their jobs than other age groups. In turn, this could put them off utilising longer term savings vehicles that restrict their ability to access their savings.

With the recent closure of the Help to Buy ISA to new applicants, and the LISA only available for the long-term savings goals of buying a first home or retirement, now is a good time for the government to take stock of its existing subsidised saving schemes. Given the low uptake by young people of these tax efficient savings products which allow easy access, we recommend that the government considers extending existing schemes, such as Help to Save, beyond those on benefits to, for example, people under 30 who aren't claiming benefits but are on low incomes, or looks at a new, tax-incentivised savings scheme specifically to help under-30s with emergency savings.

EMPLOYER-LED FINANCIAL EDUCATION

We found that young people often don't know as much about saving as other age groups, which could also be driving low uptake of savings products. This suggests that there is an enhanced need for well-designed and targeted financial education.

Across our three roundtables with policymakers, experts and people who work with young people in financial difficulties, there was a strong sense that young people don't have enough financial education to make informed financial decisions at key life stages, such as leaving school and starting university.

In England, financial education is currently mandatory at secondary schools, but not primary schools. This means that we could be failing to educate future savers and spenders at a young enough age. We endorse recent calls[16] for mandatory primary school financial education and recommend the government pave the way for its implementation of this by the end of this Parliament.

Our research also suggests that young people are more likely than other age groups to think employers have a responsibility to help them if they face financial difficulties. This suggests they could be a trusted, well-placed source of advice. We therefore recommend that education providers work in partnership with employers to help them offer more financial education and support to employees, with a particular focus on young employees. This should be facilitated through a dedicated outreach programme over the coming years.

Attendees at our roundtables also highlighted the benefits of payroll-deducted saving schemes, arguing they can be a useful way of increasing savings rates among young people. Wider evidence suggests they can be effective in boosting savings rates,[17] and we recommend the government should consider what they can do to significantly increase their uptake by the end of this Parliament, beginning with a consultation with employers and looking at auto-enrolment options.

WIDENING THE SCOPE OF FINANCIAL EDUCATION

Young people report being much more likely to get financial help from friends than other age groups. There are positives to this - friends could be a good source of help - but potential risks too, not least that this is an unregulated form of lending.

We've seen that there is a need for young people to know how to make better financial decisions for themselves. It's also really important that young people know what to do if their friends turn to them for help: what is appropriate or inappropriate advice, and who they can signpost their friends to for help. To address this we recommend that financial education providers should ensure they provide advice on what to do if someone turns to you for financial help, to ensure that young people in particular are well-equipped to deal with this scenario. Extra resources should be made available to the FCA and existing providers of financial guidance and advice to enhance their capability and support them to drive awareness of the support available.

16 Lekarski, P. 'Give all primary school children a financial education, MPs urge'

17 Evans, G., McAteer, M. Getting Workforces Saving: Payroll Schemes with Credit Unions Final Report February 2021. The Financial Inclusion Centre, 2021. Available at: https://moneyandpensionsservice.org.uk/wp-content/uploads/2021/04/getting-workforces-saving-payroll-schemes-with-credit-unions-final-publication-report.pdf. P.8. [Accessed 2/9/21]

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15 WHITEHALL, LONDON, SW1A 2DD
T: 020 3878 3955
HELLO@DEMOS.CO.UK
WWW.DEMOS.CO.UK