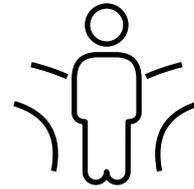
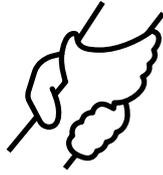
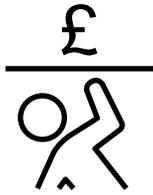


In partnership



# The cost of independence:

## Young people's economic security

Fran Landreth Strong and Hannah Webster

## Acknowledgments

This report, and the survey it is based on, was created with guidance and support from the project's Young Advisors, all aged 16-25 years old. Their reflections on the survey findings and young people's economic security more broadly are included throughout the report. We are grateful for the perspective, expertise, and time they have contributed to this work: Abigail Hutchison, Angel Amisshah Sousa, Eunice Kormi, Jesse Ghartey, Joshua Hillis, Nairn McDonald, Owen Stratford, Precious Odeyemi, Revati Campbell, Saira Khan, Scarlett Emery, and those who have chosen to stay anonymous.

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### Authors' note

Any errors are the authors' own. In some charts included in this report, percentages may total more than 100 percent due to rounding.

### About this report

This report is part of the RSA's **Young people's future health and economic security** project, supported by the Health Foundation. It is a three-year inquiry aiming to better understand young people's (16-24 years old) economic insecurity in the United Kingdom, and to develop systemic solutions for tackling it through policy and practice reform.

The project asks:

1. What is the nature, scale and experience of economic insecurity among young people?
2. What are the drivers of economic insecurity among young people?
3. What is the relationship between economic insecurity and young people's health?

4. How does economic insecurity affect the decisions young people make, their aspirations, and how they think about the future?

5. What policy reform is needed to protect and promote economic security among young people?

The **Young people's future health and economic security** project forms part of the Health Foundation's **Young people's future health inquiry**, through which the RSA is working alongside other organisations (Association for Young People's Health (AYPH), Institute for Employment Studies (IES), Resolution Foundation, Sustrans and University of the West of England) to develop policy solutions to some of the most pressing challenges that young people face.

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# REALISING



**We are the RSA.** The royal society for arts, manufactures and commerce.  
We unite people and ideas to resolve the challenges of our time.

**W**e are the RSA. The royal society for arts, manufactures and commerce. We're committed to a future that works for everyone. A future where we can all participate in its creation.

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**T**he Health Foundation is an independent charity committed to bringing about better health and health care for people in the UK.

Our aim is a healthier population, supported by high quality health care that can be equitably accessed. From giving grants to those working at the front line to carrying out research and policy analysis, we shine a light on how to make successful change happen. We use what we know works on the ground to inform effective policymaking and vice versa.

We believe good health and health care are key to a flourishing society. Through sharing what we learn, collaborating with others and building people's skills and knowledge, we aim to make a difference and contribute to a healthier population.

# EXECUTIVE SUMMARY

**Young people face a unique set of challenges when it comes to economic security – the degree of confidence their financial situation gives them, both in the present moment and about the future. For many, these challenges have been complicated and exacerbated by the Covid-19 pandemic.**

**W**e surveyed 16-24-year-olds in the United Kingdom to better understand young people's economic insecurity at this moment in time. We find that:

1

**Young people are paying a heavy price for growing up, with their financial situation changing significantly as they move into adulthood**

Young people become more financially precarious as they get older, with less access to safety nets and support networks.

Almost half of young people are in a precarious financial situation. This increases as they get older.

As young people get older, they are more likely to be in debt.

At the same time, their access to savings decreases.

Meanwhile, young people are less likely to be able to access support from family as they get older.

2

**Neither work nor welfare are giving young people the economic security they need**

More than half of young people in work are experiencing financial precarity.

Only a third of young people in work feel their work provides them with enough money to maintain a decent standard of living.

One in five young people in work sometimes have trouble meeting their basic living costs because their income varies from month to month.

Over three quarters of young people receiving Universal Credit are financially precarious.

3

**Economic insecurity is risking young people's confidence in their own future health and financial wellbeing, and the future of their generation**

More than half of young people are worried about their mental health and their future. This is higher among the financially precarious.

One in five young people feel their current financial situation has a 'mostly negative' impact on their confidence about the future. This is higher among the financially precarious.

Around half of young people do not believe others like them will be able to own a home, have savings to fall back on, earn enough to support a family or be able to retire and live comfortably in the future.

In order to tackle these challenges, we call for policy change that understands and supports key life transitions, addresses existing systemic discrimination, and embeds a sustainable, long-term approach to change through:

**Policies that recognise and respond to the changing needs of young people as they move into adulthood**

**Pro-young people policies that support economic security and don't discriminate based on age**

**Long-term policies that protect and promote young people's economic security in the future**

# INTRODUCTION

The Covid-19 pandemic has brought upheaval and uncertainty to many young people's lives.

From devastation to the sectors in which they are disproportionately likely to earn a living, to mass disruption to their education as schools, colleges and universities closed their doors to protect lives, young people have fared worst in the pandemic in many ways.

The turbulence of the past 22 months has brought a much-needed spotlight on some of the challenges facing young people today. With young people at the sharp end of the mental health impacts of Covid-19<sup>2</sup> and facing a lasting impact on their employment prospects,<sup>3</sup> we've been forced

to pay attention to how exposed young people are, not least when it comes to their financial situation.

All this has accelerated pre-existing patterns in the challenges faced by young people, some of which are part of the design of our systems.

At a national level, many policies actively restrict the safety net available to young people; young people have lower minimum wage guarantees,<sup>4</sup> receive less in Universal Credit,<sup>5</sup> and for those renting privately, most have access only to the lowest level of housing benefit.<sup>6</sup> Other policy decisions taken in recent years have stripped away support that young people once had access to and imposed greater financial barriers to opportunities, such as the coalition government's removal of the Education Maintenance Allowance and a sharp rise of university fees.

But what does all this mean for how young people feel about their lives and their future, and how does the world around them – for example their experiences of employment, financial support, housing, education and training – improve or worsen their outlook?

## Box 1: What is economic security?

At the RSA, we define economic security as **the degree of confidence that a person can have in maintaining a decent quality of life, now and in the future, given their economic and financial circumstances.**

This definition centres around a few key components when we think about economic security:

1. It focuses on the subjective and cannot be predicted by objective circumstances alone.
2. It is dynamic, related to the past, present and anticipation of the future.
3. It is not binary or fixed, rather it captures a range of experiences that exist somewhere between total security and insecurity and change over time.
4. It goes beyond income and employment status alone, and considers how a person's assets, wider household circumstances and access to support, among other things, shape their situation.

1 We refer to those between the ages of 16 and 24 years old as 'young people' in this report.

2 Banks, J and Xu, X. (2020) The mental health effects of the first two months of lockdown and social distancing during the Covid-19 pandemic in the UK: IFS Working Paper W20/16. Institute for Fiscal Studies [online] Available at: [ifs.org.uk/uploads/WP202016-Covid-and-mental-health.pdf](https://ifs.org.uk/uploads/WP202016-Covid-and-mental-health.pdf)

3 The Prince's Trust and the Learning and Work Institute (2021) Facing the future: Employment prospects for young people after Coronavirus [online] Available at: [www.princes-trust.org.uk/Facing-the-Future-2021-full-report.pdf](https://www.princes-trust.org.uk/Facing-the-Future-2021-full-report.pdf)

4 From April 2022, the minimum hourly wage for those aged 23 and over will be £9.50. This will be lower for 21–22-year-olds (£9.18), 18–20-year-olds (£6.83) and under 18s (£4.81). Gov.uk. National Minimum Wage and National Living Wage rate [online]. Available at: [www.gov.uk/national-minimum-wage-rates](https://www.gov.uk/national-minimum-wage-rates) [Accessed 10 November 2021].

5 From October 2021, eligible under 25s receive a monthly standard allowance of £257.33 if single or £403.93 for a couple under 25. This compares to £324.84 for a single person over 25 or £509.91 for a couple with one or both claimants over 25. Gov.uk. Universal Credit [online]. Available at: [www.gov.uk/universal-credit/what-youll-get](https://www.gov.uk/universal-credit/what-youll-get) [Accessed 9 November 2021].

6 Under 35s living in private housing without a partner are usually only eligible for the Local Housing Allowance shared accommodation rate, which only covers the rent for a single room in a shared house even if the person does not live in shared housing. Gov.uk. Housing costs and Universal Credit [online] Available at: [www.gov.uk/housing-and-universal-credit/renting-from-private-landlord](https://www.gov.uk/housing-and-universal-credit/renting-from-private-landlord) [Accessed 10 November 2021].

Much is still unknown about the scale, experience, or impact of economic insecurity for young people.

This is something the RSA is exploring through our **Young people's future health and economic security** project; a three-year inquiry aiming to better understand young people's economic insecurity and develop systemic solutions for tackling it through policy and practice reform.

In this report we share the findings of a survey conducted by the RSA with youth research agency, YouthSight, in September/October 2021 to begin to explore the current picture of young people's economic security.

We find that:

- 1 Young people are paying a heavy price for growing up, with their financial situation changing significantly as they move into adulthood.**
- 2 Neither work nor welfare are giving young people the economic security they need.**
- 3 Economic insecurity is risking young people's confidence in their own future health and financial wellbeing, and the future of their generation.**

While the period during which this survey took place has been exceptional in many ways, our findings and what they tell us about young people's economic security, can teach us important lessons both for the present moment and for the future.

Informed by conversations with our Young Advisors, we finish by making three calls for system change at local and national levels with the shared aim of centring young people's economic security in policy. These focus on understanding and supporting key life transitions, addressing existing systemic discrimination, and embedding a sustainable, long-term approach to change.

## Box 2: Survey methodology and context

The survey was completed by 1178 16-24-year-olds across England, Northern Ireland, Scotland and Wales.

The survey sample was then weighted to ensure a representative split of males and females, ages (broken down into the following ranges: 16-18, 19-21 and 22-24), and region (broken down into the following groupings: North, South, Midlands, Nations).

The sample size for some groups of young people was too small, meaning we are unable to report reliably on their experiences here. This included: young people who describe their gender in another way than 'male' or 'female', young people providing unpaid care, young people not currently working because of their health or a disability, young people working in the gig economy or self-employed, and young people living in temporary, supported accommodation, or sofa-surfing.

The survey ran from 17-24 September 2021 and was reopened from 5-6 October 2021 in order to ensure a representative sample was reached.

It took place amid concerns about sharp rises in the cost of living<sup>7</sup> and energy prices this winter,<sup>8</sup> and against the backdrop of major policy shifts: both the furlough scheme, which has supported many workers through the pandemic (including around a third of young people<sup>9</sup>), and the Universal Credit uplift, which saw an additional £20 per week in benefits for those on low incomes or out of work (including almost 900,000 16-24-year-olds<sup>10</sup>), were stopped at the end of September 2021.

7 Waters, T and Wernham, T. (2021) UK economic outlook: the future isn't what it used to be. Institute for Fiscal Studies [online] Available at: [ifs.org.uk/publications/15691](https://ifs.org.uk/publications/15691) [Accessed 8 November 2021].

8 Marshall, J. (2021) Bills, bills, bills: How rising energy costs will impact more than others and what the Government can do about it. Resolution Foundation [online] Available at: [www.resolutionfoundation.org/app/uploads/2021/10/Bills-Bills-Bills.pdf](https://www.resolutionfoundation.org/app/uploads/2021/10/Bills-Bills-Bills.pdf)

Footnotes continue on next page.

We call for:

- 1 Policies that recognise and respond to the changing needs of young people as they move into adulthood.**
- 2 Pro-young people policies that support economic security and don't discriminate against young people compared to those older than them.**
- 3 Long-term policies that protect and promote young people's economic security in the future.**

## Box 3: In the words of our Young Advisors: why it's important to talk about young people's economic security now

**Owen, 23 years old:** "There are myriad factors that have contributed to young people from all backgrounds and geographies, bar a very fortunate few, facing some form of economic insecurity from not being able to save and plan, to facing homelessness and inescapable and circling debt. This picture has been worsening for a decade and there has been no serious change or attempt at change".

**Anonymous Young Advisor, 23 years old:** "Right now, it's really important to explore young people's economic security as we: continue to work through the effects of the Covid-19 pandemic; emerge from a near decade of austerity; explore the change in labour patterns for young people and prepare for a possible recession in the coming year".

**Revati, 20 years old:** "With the value of a pound ever-changing (especially post-Brexit), young people are increasingly stuck choosing between surviving and living".

**Anonymous Young Advisor, 21 years old:** "Especially with the pandemic, it has shown how insecure, unpredictable and uncertain the job market is. Young people in insecure job sectors such as nightlife and hospitality face uncertain and precarious conditions such as furlough and redundancy".

**Precious, 17 years old:** "I think it is important to talk about young people's economic security now because it is a matter that, if not now, will affect all young people".

**Anonymous Young Advisor, 25 years old:** "Governments' and societies' response to the pandemic was predominantly to protect the older generations. The recovery is the opportunity to address young people's alienation now".

9 36 percent of young people aged 19-24 years old, and 30 percent of young people aged 18 years old and younger, were furloughed during the pandemic. Office for National Statistics (2021) Characteristics of people who have been furloughed in the UK [dataset] Available at: [www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/characteristicsofpeoplewhohavebeenfurloughedintheuk](https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/characteristicsofpeoplewhohavebeenfurloughedintheuk) [Accessed 8 November 2021].

10 Gov.uk (2021) Universal Credit statistics, 29 April 2013 to 9 September 2021 [online] Available at: [www.gov.uk/government/statistics/universal-credit-statistics-29-april-2013-to-9-september-2021](https://www.gov.uk/government/statistics/universal-credit-statistics-29-april-2013-to-9-september-2021) [Accessed 8 November 2021].

# FINDING ONE

## KEY

**Young people are paying a heavy price for growing up, with their financial situation changing significantly as they move into adulthood.**

**Y**oung people are often treated as a homogenous group, their experiences aggregated to create a generalised picture.

For example, administrative reporting on homelessness, employment and economic activity tend to group young people aged 16-24 together.<sup>11</sup>

While grouping young people together in this way can be useful to gain a snapshot of how their experiences compare to other broad age groups, it can also obscure important differences between young people at different ages and transition points.

Our survey found important distinctions in the experiences of young people at different ages, with young people facing growing financial challenges as they get older.

These challenges show up in a number of key ways which we explore in this chapter.

### Living precariously

We identified a high level of financial precarity among young people through our survey, which increased when comparing young people within the age bands surveyed.

**Almost half (47 percent) of young people are in a precarious financial situation.<sup>12</sup>**

As shown in figure 1, this precarity increases as young people get older, with 57 percent of 22-24-year-olds in a precarious financial situation (compared to 38 percent of 16-18-year-olds and 48 percent of 19-21-year-olds).

### Box 4: Identifying precarity

As is central to our understanding of economic security, we identified precarity based on the reported subjective experience of survey respondents. In order to find out whether, and which, young people are in a precarious financial situation, we asked the following question:

*Thinking about everything that relates to your current financial situation, how well would you say you yourself are managing these days?*

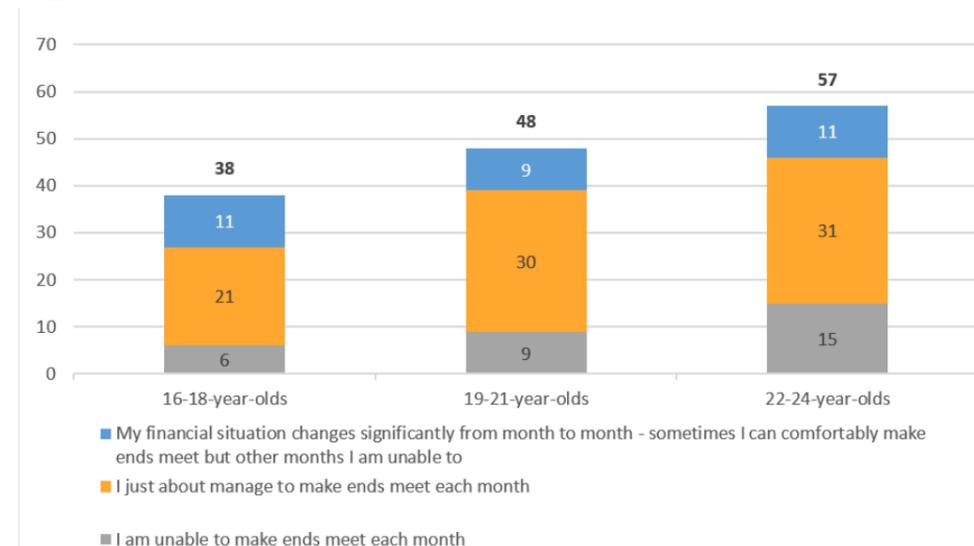
1. I am unable to make ends meet each month.
2. I just about manage to make ends meet each month.
3. I comfortably make ends meet each month but don't have much money left over to save, invest, or spend.
4. I comfortably make ends meet each month and have extra money left over to save, invest, or spend.
5. My financial situation changes significantly from month to month – sometimes I can comfortably make ends meet but other months I am unable to.

Those who selected 'I am unable to make ends meet each month', 'I just about manage to make ends meet each month', or 'My financial situation changes significantly from month to month' were considered to be in a precarious financial situation. Those who selected 'I comfortably make ends meet each month but don't have much money left over to save, invest, or spend' or 'I comfortably make ends meet each month and have extra money left over to save, invest, or spend' were considered to be in a comfortable financial situation.

<sup>11</sup> See, for example, Office for National Statistics (2021) Employment in the UK: October 2021 [online] Available at: [www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/employmentintheuk/latest](https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/employmentintheuk/latest) [Accessed 10 November 2021].

<sup>12</sup> The closest comparable data on young people's financial precarity is from Understanding Society, the UK longitudinal household panel study. It asks respondents of all ages 'How well would you say you yourself are managing financially these days?', and offers the following options to choose from: 'Living comfortably', 'Doing alright', 'Just about getting by', 'Finding it quite difficult' and 'Finding it very difficult'. Our survey differs in that it includes an option for respondents to select if they are experiencing financial volatility from month to month, which we consider to be a key form of financial precarity not captured in other data.

**Figure 1: Percentage of young people who are financially precarious, by age band**



Unweighted base sizes: 16-18-year-olds (361), 19-21-year-olds (396), 22-24-year-olds (421).

## Debt and savings

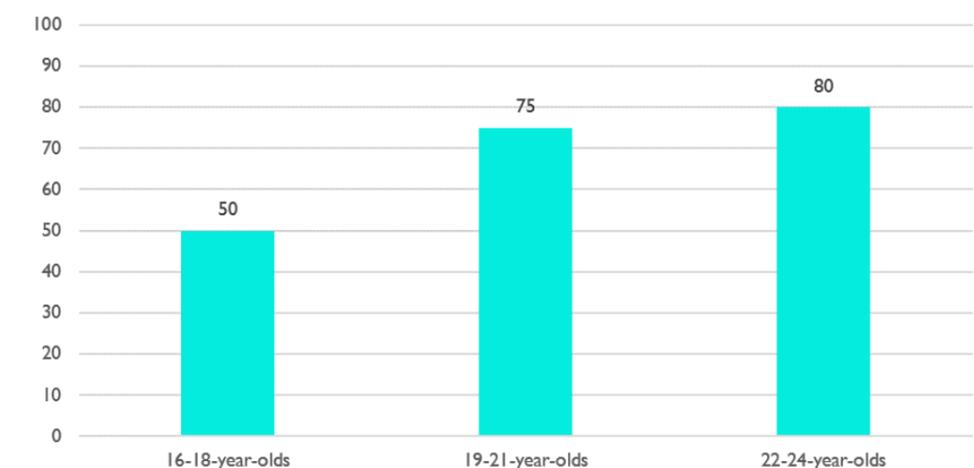
Young people's financial security – in terms of their debt and savings – also changes as they get older. There is an upward trend in the proportion of young people in debt as they get older, with 80 percent of 22-24-year-olds owing money for something.

These figures include money owed for a student loan or a loan directly from university. Even when we remove money

owed associated with university/study costs, this pattern remains, with 48 percent of 22-24-year-olds reporting that they owe money for something (compared to 25 percent of 19-21-year-olds and 13 percent of 16-18-year-olds).

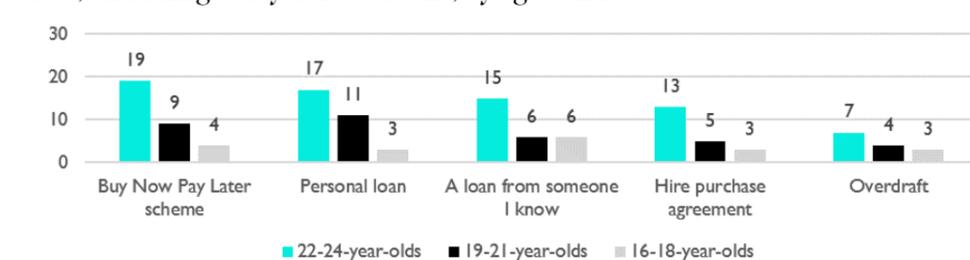
As shown in Figure 3, excluding study-related loans, the two most common things for which 22-24-year-olds currently owe money are a Buy Now Pay Later scheme such as Klarna or PayPal Credit (19 percent) and a personal loan from a bank,

**Figure 2: Percentage of young people in debt, by age band**



Unweighted base sizes: 16-18-year-olds (361), 19-21-year-olds (396), 22-24-year-olds (421).

**Figure 3: Percentage of young people who currently report different types of debt, excluding study-related loans, by age band**



Unweighted base sizes: 16-18-year-olds (361), 19-21-year-olds (396), 22-24-year-olds (421).

building society or other financial institution (17 percent). These also come out on top for 19-21-year-olds, 11 percent of whom owe money for a personal loan and 9 percent for a Buy Now Pay Later scheme. By contrast, 16-18-year-olds are most likely to owe money for a loan from someone they know (6 percent) and a Buy Now Pay Later scheme.

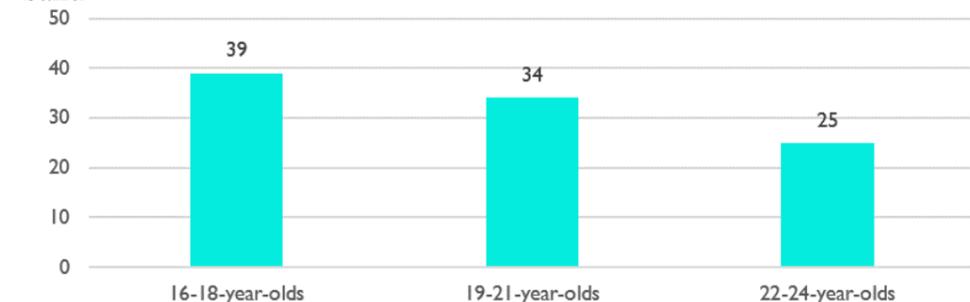
The popularity of Buy Now Pay Later schemes – which allow young people to delay payment on purchases they otherwise may not be able to make – across our survey's age groups reflects a wider increase in their use among young people. According to The Woolard Review, which calls for increased regulation of the unsecured credit market, 25 percent of Buy Now Pay Later scheme users are 18-24 years old, while 50 percent are aged 25-36 years old.<sup>13</sup>

Meanwhile, research conducted by Citizens Advice begins to surface the impact of borrowing in this way, finding that almost a quarter (24 percent) of 18-34-year-olds who used Buy Now Pay Later were unable to pay for food, rent, bills or other essentials because they were making repayments on their purchases.<sup>14</sup>

At the same time as debt rises, there is a downward trend in the level of access to savings young people have as they get older, with only a quarter (25 percent) of 22-24-year-olds reporting that they have savings.

This suggests that young people are not only increasingly getting into debt in order to meet their financial needs, but that many wear down any savings as they get older and have greater financial independence.

**Figure 4: Percentage of young people with access to their own savings, by age band**



Unweighted base sizes: 16-18-year-olds (361), 19-21-year-olds (396), 22-24-year-olds (421).

<sup>13</sup> Financial Conduct Authority (2021) The Woolard Review – A review of change and innovation in the unsecured credit market [online] Available at: [www.fca.org.uk/publication/corporate/woolard-review-report.pdf](http://www.fca.org.uk/publication/corporate/woolard-review-report.pdf)

<sup>14</sup> Poll, H and Byrne, G. (2021) Buy Now...Pain Later? Citizens Advice [online] Available at: [www.citizensadvice.org.uk/Global/CitizensAdvice/Debt%20and%20Money%20Publications/BNPL%20report%20\(FINAL\).pdf](http://www.citizensadvice.org.uk/Global/CitizensAdvice/Debt%20and%20Money%20Publications/BNPL%20report%20(FINAL).pdf)

## Changing support networks

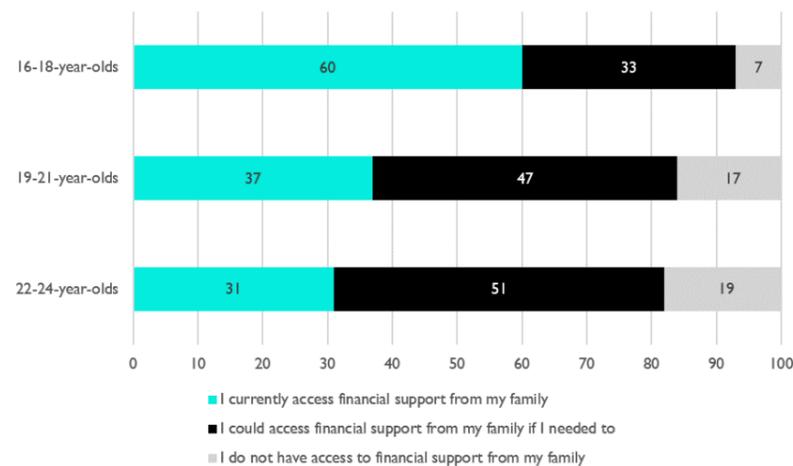
Meanwhile, as young people's precarity increases and their financial security decreases, they are also less likely to be able to access support from their parents/guardians or other family members as they get older.

Our survey highlights a significant drop in financial support, with 17 percent of 19-21-year-olds reporting that they could not access financial support from their parents/guardians or other family members if they needed to (compared to just 7 percent of 16-18-year-olds). It also suggests a continued downward trend in the level of familial financial support young people have access to as they reach the 22-24 age band (19 percent).

Similarly, there is a downward trend in young people's ability to live with parents/guardians or other family members in order to save on rent as they get older, with 17 percent of 22-24-year-olds unable to access this type of support (compared to only 5 percent of 16-18-year-olds).

Unsurprisingly, young people living independently – whether in the rental sector<sup>15</sup> (58 percent) or in a home they own<sup>16</sup> (62 percent) – are more likely to be financially precarious than those living rent-free with family or others (35 percent).

**Figure 5:** Percentage of young people with access to financial support from their family, by age band

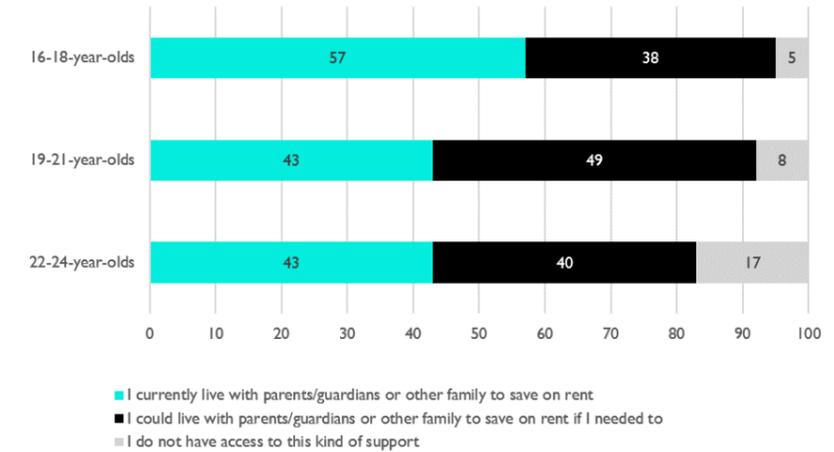


Unweighted base sizes: 16-18-year-olds (361), 19-21-year-olds (396), 22-24-year-olds (421).

<sup>15</sup> Not including student accommodation.

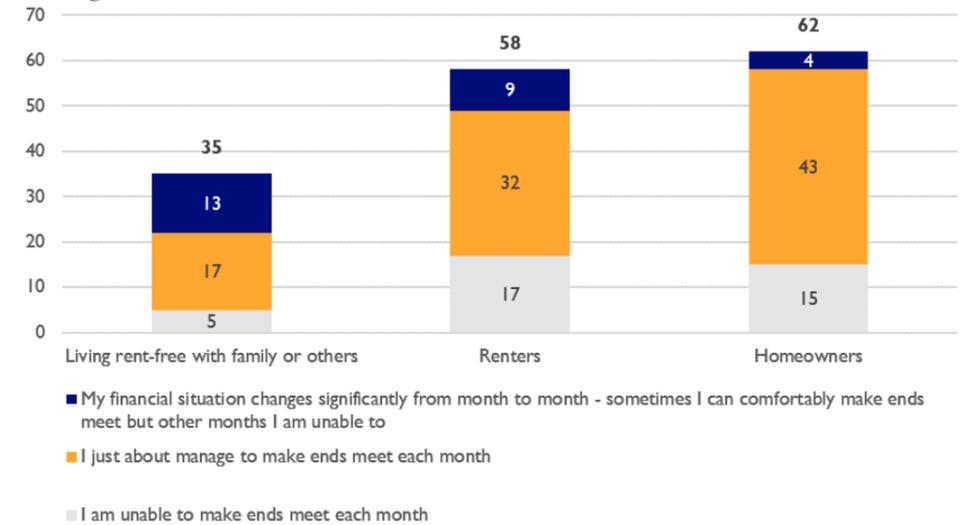
<sup>16</sup> Not including through a shared home ownership scheme.

**Figure 6:** Percentage of young people who are able to live with family in order to save on rent, by age band



Unweighted base sizes: 16-18-year-olds (361), 19-21-year-olds (396), 22-24-year-olds (421).

**Figure 7:** Percentage of young people who are financially precarious, by housing tenure



Unweighted base sizes: renters excluding student accommodation (365), homeowners excluding through a shared ownership scheme (114), young people living rent-free with family or others (394).

Our survey findings show that as young people become less connected to support from family, whether by necessity or choice, they take on greater financial burden. Coupled with more debt and less access to savings, many young people move into adulthood with depleted resources and a weakened safety net.

While some of these findings may seem unsurprising – facing greater financial responsibility is simply part of growing up – they point towards the high price many young people must pay for independence, sacrificing their economic security in order to take the necessary next steps into adulthood.

**Box 5: In the words of our Young Advisors: the challenges young people face as they grow up and become more independent**

**Revati, 20 years old:** "There is an assumption that young people's independence is not truly autonomous, and rather has a safety net from family members [. . .]. However, this is often not the case. Young people are not equipped nor educated on all the tools to keep a stable financial state".

**Anonymous Young Advisor, 21 years old:** "[Economic security] is a big issue but is one that is not spoken about enough for there to be change. Young people face a vast amount of challenges, especially as we become more independent. [It is] an issue that is often overlooked in government discussion [who] carry the dominant expectation that people within this age group can solely depend on their parents when it is not always the case".

**Abigail, 18 years old:** "As young people become independent, they run the fear of asking for help when they need it. This becomes a problem as the stigma around still living at home or relying on other people may leave them in a position of vulnerability as they feel like they have to deal with personal economic struggles alone".

**Precious, 17 years old:** "Challenges I think young people face as they grow up and become more independent is navigating how to spend and manage their money. This is due to not being used to having many expenses and the sudden jump to financial responsibility from not having much before".

**Anonymous Young Advisor, 23 years old:** "Many young people face difficult personal circumstances that present challenges [creating] many different, usually structural, challenges that affect their outcomes as they grow up and become independent".

**Angel, 17 years old:** "I believe that young people from secondary education onwards should be educated on budgeting and financial management as these are essential skills for young people who are becoming more independent to maintain their economic stability".

**Anonymous Young Advisor, 21 years old:** "As young people get jobs and move into the working world, we are not taught how to save, the benefits of savings, budgeting etc. We are also not taught about specific outgoings and the importance of them such as tax, so for some this is an unexpected aspect of earning money, especially when we start earning more".



**Neither work nor welfare are giving young people the economic security they need.**

As we've seen, as young people transition into adulthood, many lose access to the familial support they may once have had access to.

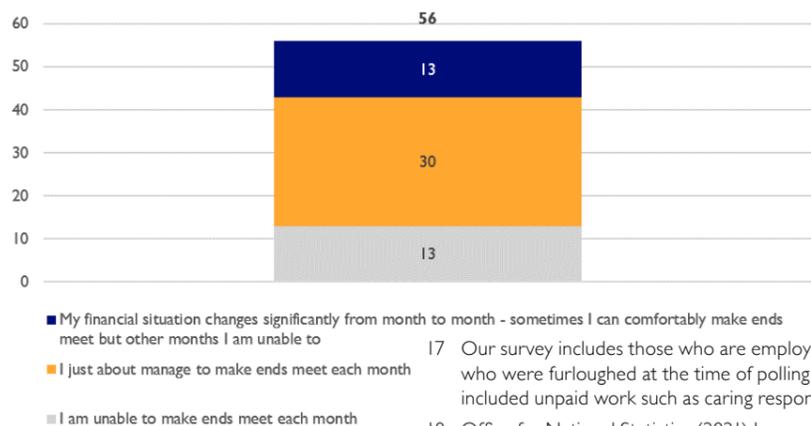
But where historically this transition might have been buffered, and familial support replaced by a new set of safety nets that come with adulthood – earning your own income through employment and access to support from the welfare system when needed – these aren't working for all young people.

**Figure 8: National Minimum Wage and National Living Wage rates from April 2022, by age<sup>21</sup>**

	23 and over	21-22	18-20	Under 18	Apprentice
	National Living Wage		National Minimum Wage		
Hourly rate (from April 2022)	£9.50	£9.18	£6.83	£4.81	£4.81

Source: Gov.uk. Note: The apprentice rate applies to those under 19 years old or in the first year of their apprenticeship.

**Figure 9: Percentage of young people in work who are financially precarious**



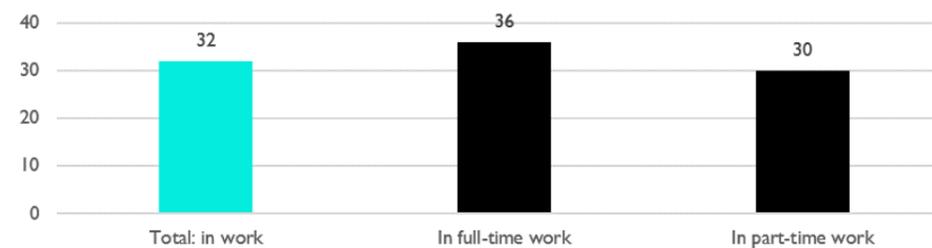
Unweighted base size: young people in work (410).

**Young people in work<sup>17</sup>**

According to the Office for National Statistics (ONS), the highest proportion of low-paid workers by age is among 16-21-year-olds, with 59 percent paid less than two-thirds of median hourly pay.<sup>18</sup> 22-24-year-olds have the next highest proportion of low-paid workers.<sup>19</sup>

In addition, current policy gives young people lower minimum wage guarantees than others, which may contribute to the lack of economic security they report.<sup>20</sup>

**Figure 10: Percentage of young people who feel their work provides them with enough money to maintain a decent standard of living, by employment type**



Unweighted base size: young people in work (410), young people in full-time work (256), young people in part-time work (110).

Within this context, it is not altogether surprising that our survey found that work isn't always protecting young people from economic insecurity, with the majority (56 percent) of young people in work experiencing financial precarity.<sup>22</sup>

For young people in full-time work, financial precarity rises to almost two thirds (63 percent), compared to just under half (49 percent) of those in part-time work.<sup>23</sup>

In-work precarity shows up in other ways too.

As shown in Figure 10, only 32 percent of young people in work feel that it provides them with enough money to maintain a decent standard of living. This is only slightly higher for those who work full-time (36 percent) than part-time (30 percent).

A quarter (25 percent) of young people in work rely on someone else/other people to maintain their standard of living. Unsurprisingly this is higher for those who work part-time (40 percent), but almost one in five (19 percent) young people in full-time work report that they rely on others to maintain their standard of living.

**Figure 11: Percentage of young people in work who have made sacrifices to their living situation in order to keep their financial situation under control**



Unweighted base size: young people in work (410).

17 Our survey includes those who are employed, self-employed and those who were furloughed at the time of polling as in work. We have not included unpaid work such as caring responsibilities.

18 Office for National Statistics (2021) Low and high pay in the UK: 2021. On.gov.uk [online] Available at: [www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/lowandhighpayuk/2021#who-are-the-people-most-impacted](http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/lowandhighpayuk/2021#who-are-the-people-most-impacted) [Accessed 11 November 2021].

19 Ibid.

20 Acting on the recommendations of the 2019 Low Pay Commission, the government has recently begun extending the National Living Wage to more young people through a phased approach; having historically only been available to those aged 25 and older; 23-24-year-olds recently became eligible (in April 2021), and 21-22-year-olds are expected to become eligible at a future stage. Low Pay Commission (2019) A Review of the Youth Rates of the National Minimum Wage: November 2019 [online] Available at: [assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/845076/A\\_Review\\_of\\_the\\_Youth\\_Rates\\_of\\_the\\_National\\_Minimum\\_Wage.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/845076/A_Review_of_the_Youth_Rates_of_the_National_Minimum_Wage.pdf)

21 Gov.uk. National Minimum Wage and National Living Wage rate [online]. Available at: [www.gov.uk/national-minimum-wage-rates](http://www.gov.uk/national-minimum-wage-rates) [Accessed 10 November 2021].

22 It is not possible from our data to compare young people's in-work financial precarity with older age groups. However, data from elsewhere suggests that this trend is present across all working age groups. For more detail, see the latest Understanding Society Covid-19 Study data. Available at: [www.understandingsociety.ac.uk/documentation/data-releases](http://www.understandingsociety.ac.uk/documentation/data-releases) [Accessed 22 November 2021].

23 Around one third of young people surveyed who are in part-time work are also in education; 22 percent are at university or another higher education institution and 10 percent are at school, college or another further education institution.

Meanwhile, around one in five (19 percent) young people in work have an income that varies from month to month and, because of this, sometimes have trouble meeting their basic living costs.

This income volatility reflects wider trends in young people's employment. Young people are by far the most likely to be employed on zero-hours contracts, which do not guarantee employees a minimum number of work hours from week to week: according to ONS data for the latest three-month period, one in 10 (11 percent) of 16-24-year-olds in employment were on zero-hours contracts, compared to just 3 percent on average across all ages.<sup>24</sup>

Our survey also identified some trade-offs that young people in work are making in order to keep their financial situation under control, with around one in five having stayed with friends or sofa-surfed, moved to an area they didn't want to live, lived in inappropriate or unsafe housing, and cut back on food or other essentials, as shown in Figure 11.

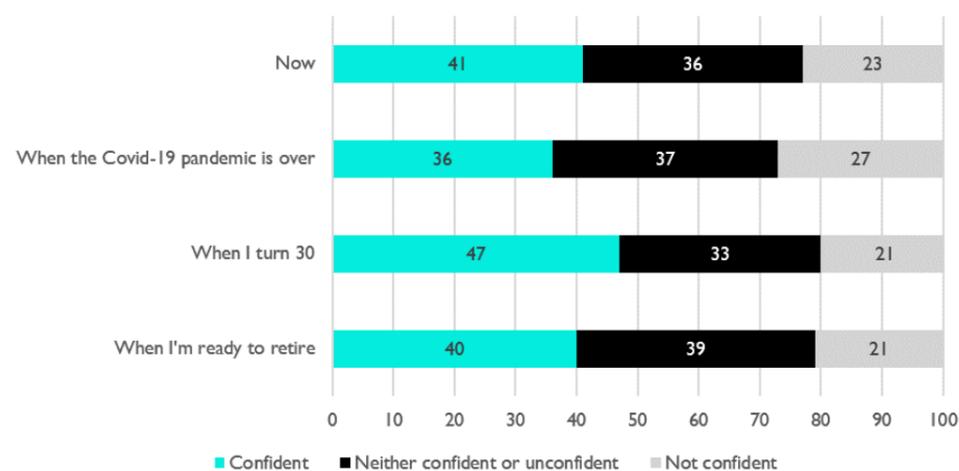
While, for some young people in work, their current financial situation gives them confidence about the future, a significant proportion do not feel this. Between one in five and one quarter of young people in work report that they are not confident that their current financial situation will allow them to live the life they want now and at different stages of the short- and long-term future.

In-work precarity among young people becomes even more stark when contrasted with the experience of those in education, who, by comparison, seem to be protected from the worst of financial insecurity.

The majority of young people in education (71 percent of those in school, college or other further education and 68 percent of those at university or other higher education) are financially comfortable, compared to only 43 percent of both those in work and those doing an apprenticeship or traineeship.

This may come from the stability of regular student loan payments or continued support from parents/guardians or other family members.

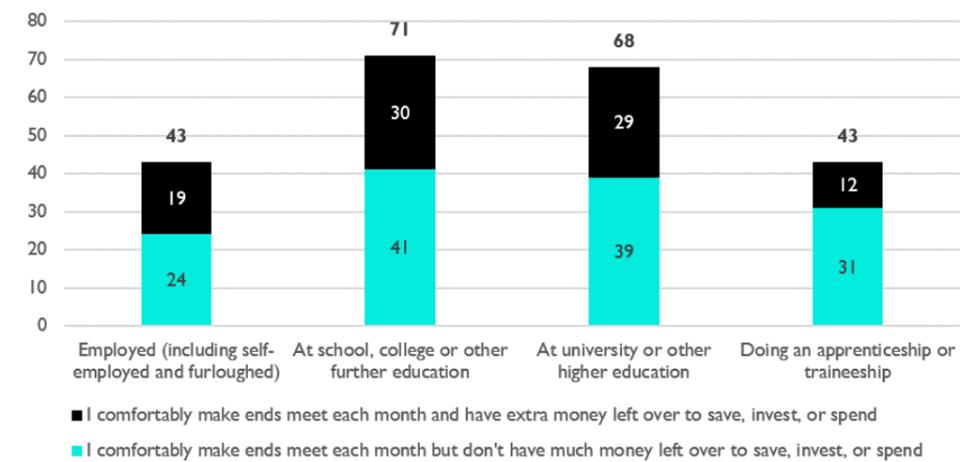
**Figure 12: Percentage of young people in work who feel confident that their current financial situation will allow them to live the life they want in the future**



Unweighted base size: young people in work (410).

24 Office for National Statistics (2021) EMP17: People in employment on zero hours contracts [online] available at: [www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/emp17peopleinemploymentonzerohourscontracts](http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/emp17peopleinemploymentonzerohourscontracts) [Accessed 18 November 2021].

**Figure 13: Percentage of young people who report being financially comfortable, by current activity**



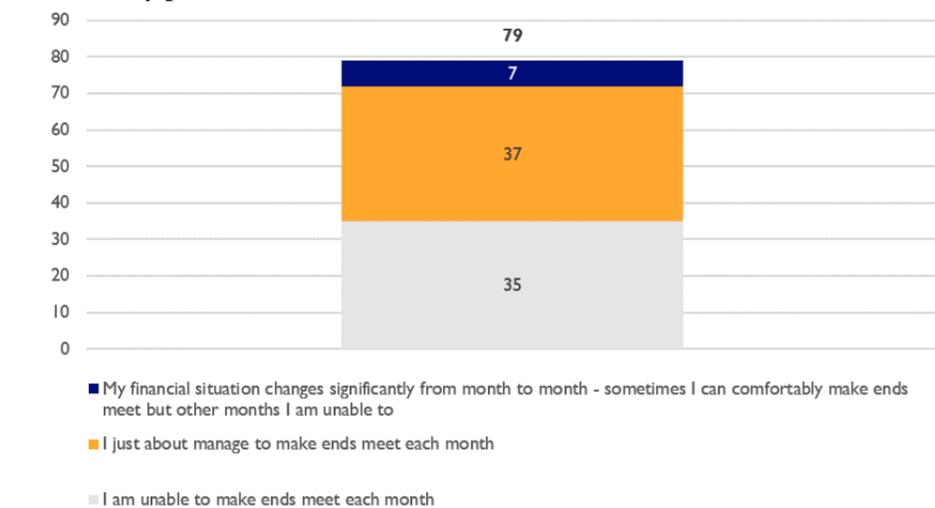
Unweighted base size: in work including self-employed and furloughed (410), at school, college, or other FE (146), at university or other HE (440), doing an apprenticeship or traineeship (96).

### Young people receiving benefits

Like work, the welfare system does not appear to be offering young people protection against precarity. In fact, this is even more acute when looking at benefits, which should provide a safety net for those struggling financially.

The number of young people receiving Universal Credit rocketed during the Covid-19 pandemic, with 16-24-year-olds seeing the largest proportional rise in claimants – from 9 to 15 percent – of all age groups.<sup>25</sup> But our survey finds that **79 percent of young people receiving Universal Credit are facing financial precarity.**

**Figure 14: Percentage of young people in receipt of Universal Credit who are financially precarious**



Unweighted base size: young people in receipt of Universal Credit (97).

25 Handscomb, K and Try, L. (2021) Age-old or new-age? The changing incidence of social security benefits by age. Resolution Foundation [online]. Available at: [www.resolutionfoundation.org/app/uploads/2021/08/Age-old-or-new-age.pdf](http://www.resolutionfoundation.org/app/uploads/2021/08/Age-old-or-new-age.pdf)

As with minimum wage guarantees, young people receive less income from Universal Credit than others on account of their age. A single person under 25 receives £67.51 less per month than a single person over 25, while a couple under 25 receives £105.98 less than a couple where either person is over 25.<sup>26</sup>

Since the Universal Credit uplift was discontinued at the end of September 2021, all Universal Credit claimants have lost out on £20 per week. For young people under 25 years old – many of whom have only ever received Universal Credit with the uplift – this represents a proportionally higher cut to their income than those over 25.

This pattern is replicated in other areas of the benefits system. Jobseeker's Allowance pays up to £59.20 per week for those under 25 years old, compared to up to £74.70 per week for those over 25 years old.<sup>28</sup> When applying for Employment and

Support Allowance – a process that tends to take more than three months – under 25-year-olds are eligible for around £15 less per week than those over 25 years old during their assessment period.<sup>29</sup>

Meanwhile, Housing Benefit for young people under 35 years old who rent privately usually only covers the rent for a single room in a shared house, even if the person does not live in shared housing.<sup>30</sup> Our survey finds that young renters are most likely to be worried about their financial situation, with almost half (47 percent) reporting this, compared to 39 percent of young people living rent-free and 32 percent of young homeowners.

Policy decisions such as these limit young people's access to a financial safety net at a time when many are becoming more vulnerable to financial precarity.

**Figure 15: Monthly standard Universal Credit allowance for over and under 25-year-olds<sup>27</sup>**

Monthly standard Universal Credit allowance from 6 October 2021	
Single and under 25	£257.33
Single and 25 or over	£324.84
In a couple (both under 25)	£403.93 (per couple)
In a couple (either 25 or over)	£509.91 (per couple)

Source: Gov.uk

26 Gov.uk Universal Credit [online]. Available at: [www.gov.uk/universal-credit/what-youll-get](https://www.gov.uk/universal-credit/what-youll-get) [Accessed 9 November 2021].

27 Ibid.

28 Gov.uk. Jobseeker's Allowance (JSA) [online]. Available at: [www.gov.uk/jobseekers-allowance](https://www.gov.uk/jobseekers-allowance) [Accessed 18 November 2021].

29 Under 25-year-olds are eligible for up to £59.20 per week while their claim is being assessed, compared to up to £74.70 per week for those over 25 years old. Gov.uk. Employment and Support Allowance (ESA) [online]. Available at: [www.gov.uk/employment-support-allowance/what-youll-get](https://www.gov.uk/employment-support-allowance/what-youll-get) [Accessed 18 November 2021].

30 Gov.uk. Housing costs and Universal Credit [online]. Available at: [www.gov.uk/housing-and-universal-credit/renting-from-private-landlord](https://www.gov.uk/housing-and-universal-credit/renting-from-private-landlord) [Accessed 10 November 2021].

## Box 6: In the words of our Young Advisors: why work and welfare aren't providing economic security for more young people

**Revati, 20 years old:** "The resources and mechanisms designed to create security are becoming increasingly inaccessible to young people".

**Precious, 17 years old:** "A lot of the time wages do not align with living expenses making it harder for young people to save or even have disposable income as all their money goes to necessities".

**Anonymous Young Advisor, 25 years old:** "Today's heightened competition for jobs induces a feeling of desperation which leads to young people accepting jobs they do not necessarily want, or which are not advantageous for them. The ability for employers to use zero-hours contracts and other tools exacerbate this problem".

**Owen, 23 years old:** "Poor working rights and conditions are highlighted in certain sectors, particularly the gig sector, where the work is insecure due to zero-hours contracts and there is virtually no union representation. This leaves people unable to plan, take up second jobs or have a healthy work-life balance".

**Angel, 17 years old:** "As a young individual who resides in [a London borough], I am aware of the deprivation in the borough, where employment opportunities don't provide the economic stability needed".

**Anonymous Young Advisor, 23 years old:** "Many private sector companies rely on young people's economic insecurity to maintain profitability. They do this by offering low quality work, low pay, limited opportunities for training and progression, zero-hours contracts and other exploitative working conditions".

**Saira, 23 years old:** "The findings [of the survey] indicate a lack of accountability from government and employers to secure and help the future generations build their lives. Young people view their economic security negatively, And rightly so. They are being faced with less jobs, higher requirements for lower skilled jobs as well as an economic climate that stops young people from being able to have a life outside of working".

**Anonymous Young Advisor, 23 years old:** "We need to view [these statistics] as a serious market failure. Young people are often the subject of business need/business greed before being treated according to the value that they bring. Working conditions need to improve in the private sector in accordance with the dignity that should be afforded for young people as both value creators as well as the future of the economy."

**Scarlett, 20 years old:** "Universal Credit is failing young people, social security isn't providing security in practice. [...] Social security needs to be reformed in a way that fully considers wider economic change, particularly the expansion in the gig economy, and with it the implications of heightened precarity for young people".

**Anonymous Young Advisor, 25 years old:** "A lack of knowledge about navigating the job market limits young people's expectations and the opportunities available to them. Some young people are fortunate to enjoy access to this knowledge through family networks, but many do not and suffer from economic insecurity as a result".

# FINDING THREE

## KEY

**Economic insecurity is risking young people's confidence in their own future health and financial wellbeing, and the future of their generation.**

**E**conomic security is about the degree of confidence our financial situation gives us, both in the present moment and about the future.

Our survey surfaces a number of concerning ways that young people's current financial situations affect the ways they think about other aspects of their lives, both now and in the short- and long-term future. It finds that young people who are currently experiencing financial precarity are more likely to feel worried about every area we asked about – their financial, housing and employment situations, their physical and mental health, and their future – than those who are financially comfortable.

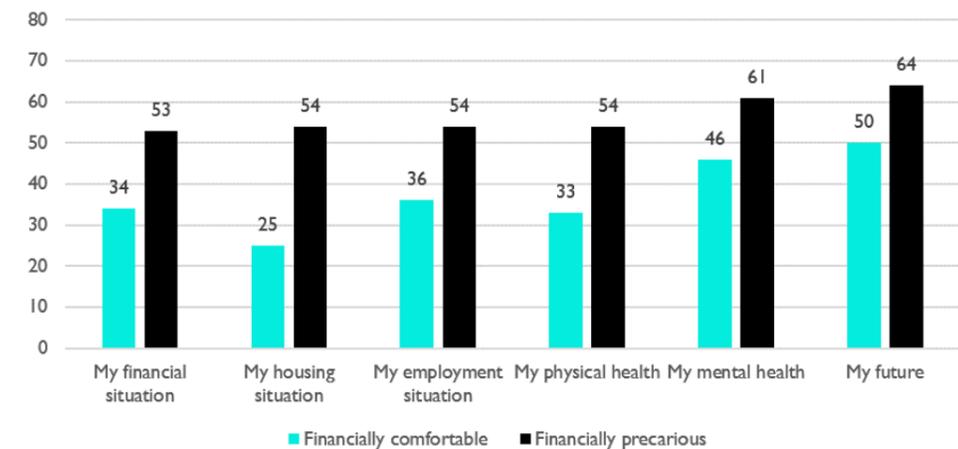
Both financially comfortable and precarious young people are united when it comes to the areas of greatest concern: their mental health and their future. As Figure 16 shows, worry about these areas is more common among those who are financially precarious, but is also alarmingly high among those who are financially comfortable.

When thinking specifically about the effect their financial situation has on their future, while around a third (32 percent) of young people report that their current financial situation has a 'mostly positive' effect on their confidence about the future, one in five (21 percent) feel this effect to be 'mostly negative'. As shown in Figure 17, this relationship is unsurprisingly perceived more negatively among those experiencing financial precarity, with 26 percent reporting that their current financial situation has a 'mostly negative' impact on their confidence about the future (compared to 16 percent of financially comfortable young people).

While the majority of young people feel confident that their financial situation will allow them to lead the life they want in the short- and long-term future, a significant proportion do not. As Figure 18 illustrates, this confidence is less likely to be reported by young people experiencing financial precarity.

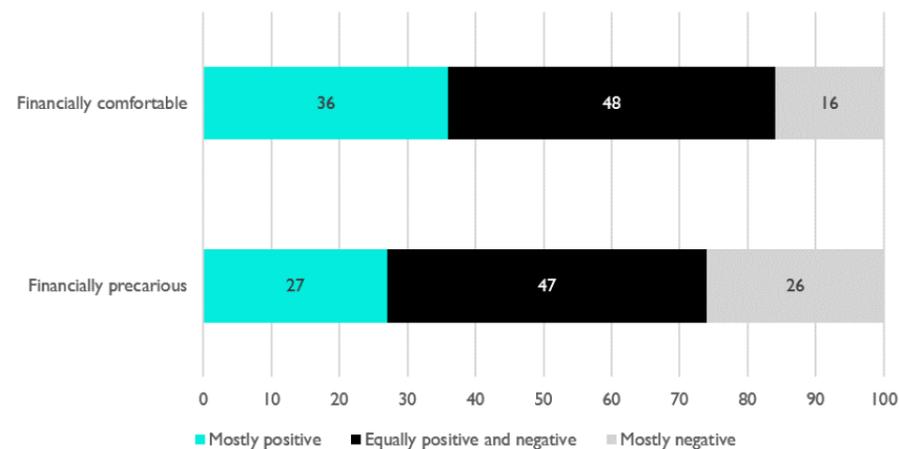
While it is clear that young people's confidence about their future is impaired by financial precarity, it is also evident from our survey that there is a wider issue affecting young people across the economic spectrum.

**Figure 16:** Percentage of young people who are worried about aspects of their lives, by financial situation



Unweighted base sizes: financially precarious young people (564), financially comfortable young people (614).

**Figure 17:** Percentage of young people who feel that their current financial situation has a 'mostly positive' and 'mostly negative' impact on their confidence about the future, by financial situation



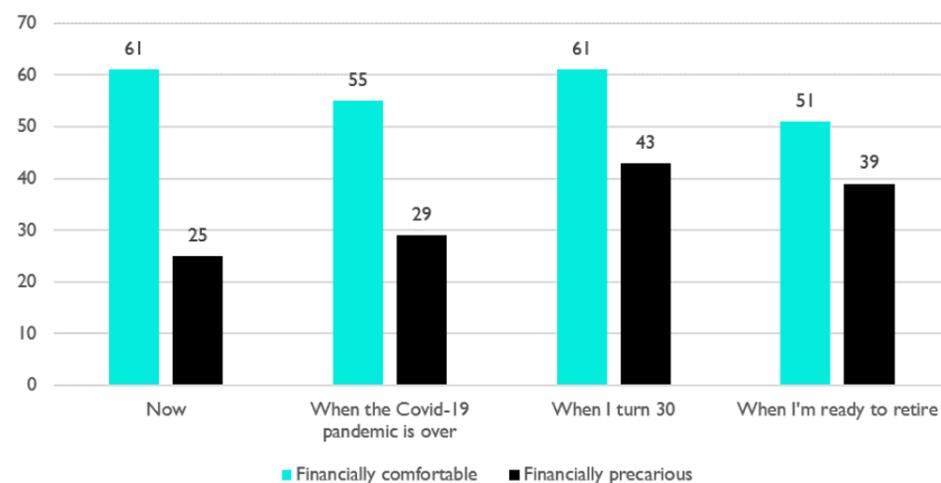
Unweighted base sizes: financially precarious young people (564), financially comfortable young people (614).

Even among young people who are currently financially comfortable, 50 percent report that they are worried about their future.

As shown in Figure 19, between 40 and 60 percent of young people feel that different forms of financial security, such as home ownership, living independently, and earning enough to live comfortably at retirement or support a family, are out of reach for young people like them.

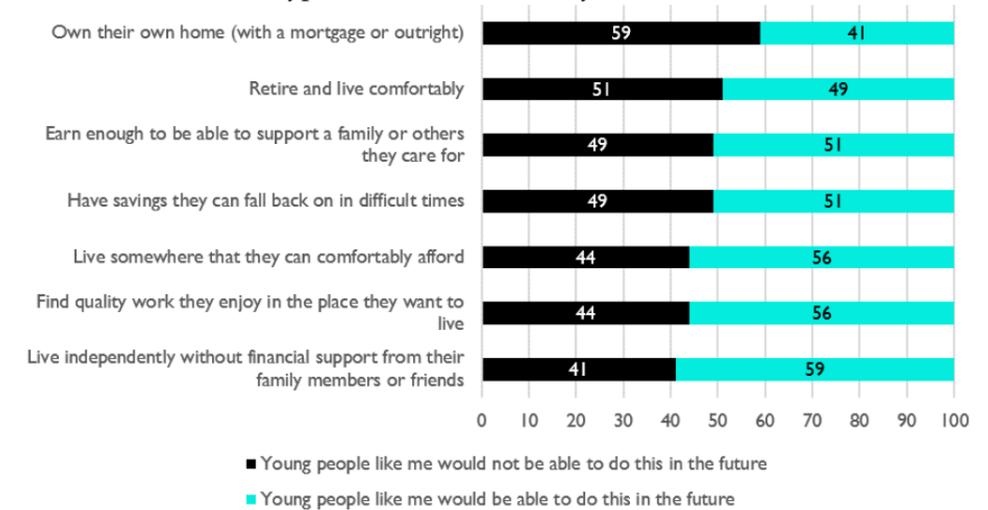
As our survey has highlighted, young people who are experiencing financial precarity now are particularly concerned about their future. But many of those who are currently financially comfortable also lack confidence about their future and the level of security they, and others like them, may be able to achieve.

**Figure 18:** Percentage of young people who feel confident that their current financial situation will allow them to live the life they want in the future, by financial situation



Unweighted base sizes: financially precarious young people (564), financially comfortable young people (614).

**Figure 19:** Percentage of young people that believe others like them would be able to have different types of financial security in the future



Unweighted base size: all young people surveyed (1178).

**Box 7: In the words of our Young Advisors: young people and their future economic security**

**Precious, 17 years old:** "It is important that all young people have economic security to provide them with the best chances in the future to excel, without letting barriers like anxiety about money restrict them from reaching their full potential".

**Abigail, 18 years old:** "There is no faith in the current governmental figures. Thus, there is a concern that even if [young people] are in a position of security at the moment that does not thereby mean they are secure in the long term".

**Anonymous Young Advisor, 23 years old:** "Young people are concerned about whether they'd be able to secure traditional forms of economic security and prosperity in the future. [This can also be] boiled down to young people's general hope for certainty in their future, as many have experienced turbulent economic conditions in their lifetimes".

**Revati, 20 years old:** "Young people's economic security creates a ripple effect on adulthood economic security and the ability to make life plans".

**Owen, 23 years old:** "Some young people are concerned about their immediate future in the very short term, and some are worried they will not be able to take a step onto the housing ladder or plan their financial futures. However, [...] nearly all young people are concerned about some form of their future economic security".

**Anonymous Young Advisor, 23 years old:** "[We require] intervention to create new outcomes for young people to work towards if traditional outcomes, such as home ownership, are no longer feasible. There needs to be an increase in psychological safety along with material safety".

**Scarlett, 20 years old:** "Difficulty finding well-paid work along with soaring house prices also means our generation will struggle to purchase a property in the future. For many of us, we aren't able to invest financially in our futures in the way we would like to".

**Angel, 17 years old:** "So many young people look at their current financial situation and question whether they will be able to maintain the lifestyle they want to live. Such 'luxury' is what society deems to be success. This idea of success has placed pressure on young people and has made them believe that they [need to] struggle to achieve this".

## How does economic insecurity affect different young people?

In this report we look at young people's economic security in a generalised way, in an attempt to increase understanding of this overlooked topic. However, we recognise that some young people face systemic and structural barriers to economic security based on characteristics such as gender, ethnicity, and disability.

Our survey findings do not offer a clear picture about whether some groups of young people experience greater economic security or insecurity than others. Rather, they begin to highlight some of the complexity in how young people's economic security is impacted by a range of different experiences and factors. Some examples of this are highlighted in box 8.

Thinking about economic security forces us to make space for this complexity. It asks us to focus on how a wide range of factors – including forces of structural racism, sexism and ableism – intersect to affect a person's financial situation and the level of confidence it allows them to feel about the present and future.

While this report focuses on young people's economic security as a whole, through the **Young people's future health and economic security** project we will continue to bring to life the complex ways in which economic security plays out for different young people.

### Box 8: Intersectional impacts of economic security

#### Gender<sup>31</sup>

Our survey findings show that young males are significantly more likely to be financially precarious than young females (53 percent compared to 43 percent). Yet it is young females who are more likely to report that their current financial situation has a 'mostly negative' impact on other aspects of their life including:

- their self-esteem (28 percent compared to 18 percent of males).
- their confidence about the future (24 percent compared to 17 percent of males).
- their mental health (21 percent compared to 10 percent of males).

#### Ethnicity<sup>32</sup>

Our survey finds that Black young people are significantly more likely to be financially precarious than both white and Asian young people (70 percent compared to 47 percent and 45 percent respectively). It also surfaces other distinctions relating to some important aspects of young people's financial situation, with young people from ethnic minorities being:

- more likely to report regularly having to borrow money to cover basic living costs (17 percent compared 11 percent of white young people).
- less likely to have access to their own savings (22 percent compared to 37 percent).
- more likely to have moved to an area they didn't want to live (21 percent compared to 14 percent) and lived in inappropriate or unsafe housing (15 percent compared to 11 percent) in order to keep their financial situation under control.

#### Young people who are disabled or live with an illness or impairment

Young people who are disabled or live with an illness or impairment appear to fare similarly to those who are/do not when it comes to financial precarity. However, they are significantly more likely to report that:

- their current financial situation has a 'mostly negative' effect on their confidence about the future (39 percent compared to 17 percent).
- they are worried about their future (71 percent compared to 53 percent) and their financial situation (61 percent compared to 39 percent).
- there aren't many opportunities for them where they live (17 percent compared to 5 percent).

<sup>31</sup> Understanding economic security of young people across the gender spectrum is critical, however the sample size of those who identify in another way to male or female was too small to draw any reliable conclusions or comparisons through this survey.

<sup>32</sup> As is common in polling, our survey groups young people from ethnic minorities together in order to create a large enough sample to report on. This creates a number of issues, namely, it homogenises different ethnicities and masks differences in their experiences.

# CONCLUSION

## What does policy change that centres young people's economic security look like?

It is clear that the current system does not work for all young people, with many forced to trade financial stability for independence, unable to access adequate safety nets, and lacking confidence about their financial future.

Identifying ways to better support young people's financial situation in the present, short- and long-term future – and understanding the complex relationship between these – is crucial for improving their economic security.

Through our research – and with support from the Young Advisors to this project – we have identified a number of ways in which system change should centre young people and their economic security through a different approach to policymaking:

### 1 Policies that recognise and respond to the changing needs of young people as they move into adulthood

Our survey findings highlight an intensification of financial precarity as young people grow up, pointing to a need to further disaggregate the group of 'young people' so that we might understand and address their needs at different ages and transition points.

Policy must go beyond thinking about young people at static points in time, and instead respond to their changing needs as they prepare for, and take steps into, adulthood. It must also address disparities in economic security between young people and respond to the needs of those who are more vulnerable to it at different moments.

### 2 Pro-young people policies that support economic security and don't discriminate against young people compared to those older than them

Our survey findings highlight a lack of economic security for a significant proportion of young people. We also spotlight recent policy decisions – lower levels of minimum wage, Universal Credit, and other benefits such as Housing Allowance – that restrict the financial safety net available to young people.

Policy must provide effective safety nets that actively support young people's economic security, rather than overlooking or disadvantaging them based on age.

### 3 Long-term policies that protect and promote young people's economic security in the future

Our survey findings highlight how young people's current financial situation affects how they feel about their future. They reveal a lack of confidence about the future, felt most acutely by those experiencing financial precarity now, but common among young people across the economic spectrum.

Policy must address young people's concerns about the future, taking a long-term approach to ensure economic security for today's young people, as well as for future generations.

The RSA's **Young people's future health and economic security** project will continue to explore these areas. It will build on the ideas in this report, working with young people, policymakers, and practitioners to co-design policy recommendations for local and national level system change that centre young people's economic security. As well as looking at how policy can be used as a lever for system change, it will explore how practice at the local level can better support young people's economic security through place-based work around the UK.

**Box 9: In the words of our Young Advisors: what needs to change so that all young people have economic security**

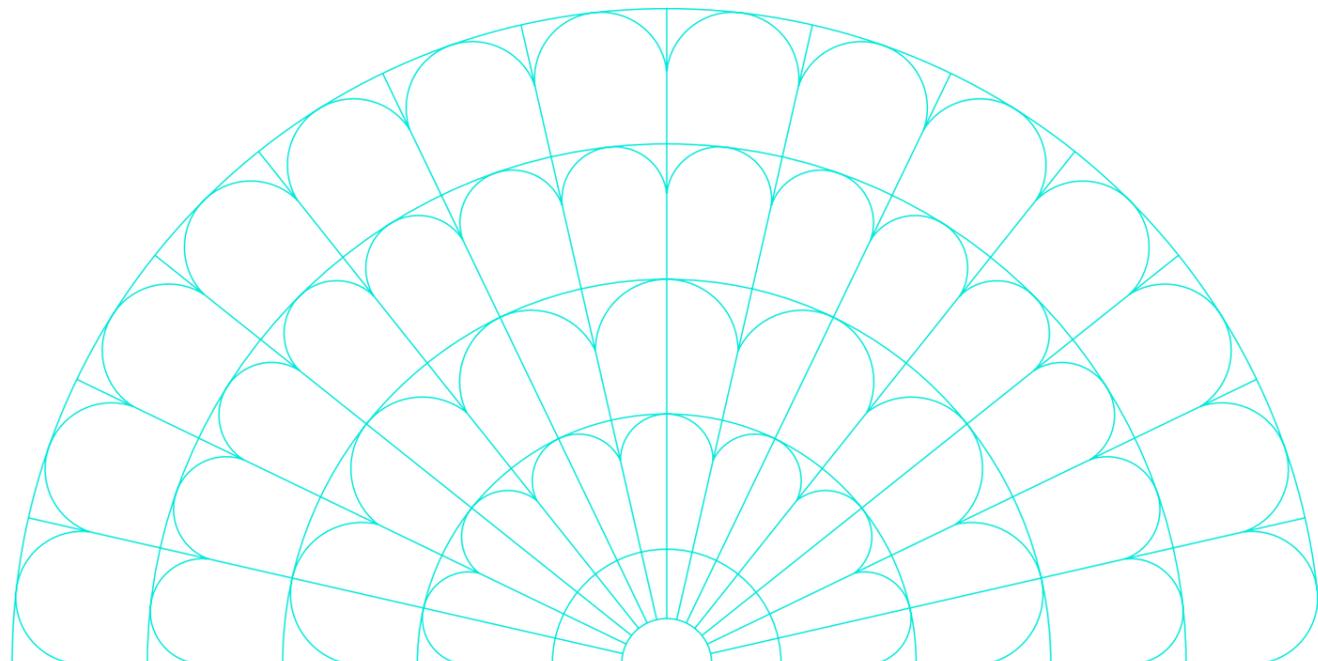
**Revati, 20 years old:** "Many of the issues preventing young people from experiencing economic security are systemic. Whether this be access to education, generational affairs, workplace discrimination. Talking about economic security means addressing greater issues of inequality and gaps/shortcomings in systems and policy".

**Anonymous Young Advisor, 23 years old:** "We must view [the findings of this survey] as a need to reset in the way we think about young people's economic security. Young people's economic security is more than just whether they have enough money for basic subsistence. We need to explore the psychological effects of economic insecurity and whether the country provides enough support to ensure that their emotional needs as well as their financial needs are met".

**Scarlett, 20 years old:** "As the future generation, young people need a seat at the table, their voices need to be heard and their unique experiences understood. [There needs to be] a commitment to listening to the lived experiences of young people, they need to consider us beyond targets to meet".

**Anonymous Young Advisor, 23 years old:** "Young people are the future. The future depends on us. We need to be assured that we will be able to live in order to grow not just ourselves, but our future economies, policies and societies".

**Anonymous Young Advisor, 25 years old:** "From an individual standpoint, economic security alleviates a source of anxiety for young people. From a societal standpoint, a predominant sense of alienation among one generation leads to zero sum games in politics. Economic security would help prevent that situation".



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