

# Has Britain Robbed Its children?

by Theo Gregory

Britain has, due to myopic political decision-making, created systemic problems over the last 40 years that threaten the future of emerging generations. The assumption that deregulation and increased competition would ensure equal opportunity within the labour and housing market has been proved misguided. Over the last 20 years, the house-prices-to-earnings ratio has increased from 3.5 in 1981 to over 5 in 2011.<sup>1</sup> The pain of rising house prices, the sharp decline in available social housing and the impact of removing rent regulation has been felt most keenly by the younger generation. This “generation rent” is faced with a relatively small private rental sector which can charge whatever it likes due to the lack of an alternative. However, politicians have been able to disregard equal opportunities for successive generations as voting participation by young people is worryingly low. Restoring intergenerational fairness to British life depends upon younger people reclaiming influence over decisions affecting their lives. Bold political choices reforming vast swathes of Britain will be difficult to attain, but as long as young people remain silent, the situation will only ever get worse for us.

Benefitting from the comparatively low house-price-to-earnings ratio in the 1980s, the baby boomer generation, currently aged between 50 and pension age, invested heavily in houses and now own £1.23 trillion in housing wealth – more than twice any other age group.<sup>2</sup> House prices are also inflated by the 920,000 homes in Britain that are currently unoccupied,<sup>3</sup> many of which are second homes for these baby boomers. With no incentives for people to downsize or sell their properties, these houses remain off the market, strangling supply and ensuring house prices remain far too high for younger buyers. In 1983 a low-to-middle income (LMI) household could save a deposit by setting aside 5% of their

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<sup>1</sup> <http://monevator.com/house-price-to-earnings-ratio-2012/> 1.10.13

<sup>2</sup> David Willetts, 2010: *The Pinch: How the baby boomers took their children's future*, Atlantic Books

<sup>3</sup> <http://www.emptyhomes.com/statistics-2/empty-homes-statistice-201112/> 1.10.13

disposable income over 8 years. By 2010 it would take 31 years.<sup>4</sup> Young people with access to the Bank of Mum and Dad now, more than ever, have a huge advantage over those who don't. Entry into the housing market is becoming increasingly determined by the wealth of your parents. This alarming development will reduce social mobility, keeping those unfortunate enough to be born into a poor family in the rental sector.

Margaret Thatcher's Right-to-Buy scheme radically transformed the UK housing market, enabling many to own their own home and slashing the numbers in the social rented sector from 40% in 1979 to 12% in 2013. Social housing construction has not replaced the 1.76 million homes sold under the scheme since 1980 and the waiting list for social housing has soared to 1.84 million households.<sup>5</sup> The number of households leaving the sector has also declined.<sup>6</sup> The lack of social housing plus the inability to afford to buy has forced 3.36 million households into the private rented sector<sup>7</sup> – including 1.1 million on low-to-middle incomes.<sup>8</sup> Right-to-Buy, combined with the abolition of fair rent provision and the removal of rent regulation, has left younger people at the mercy of the private rental sector. The under-35, LMI households have been disproportionately affected due to the unfair housing market, with the percentage renting privately rising from 14% in late 1970s to 47% in 2010<sup>9</sup>. Concomitantly, private sector rents increased by a third in real terms over the last twenty years.<sup>10</sup> Rents now consume 60% of the income of some households<sup>11</sup> – leaving them unable to save enough to enter the housing market. They are left within a rental sector not designed to house long-term tenants. Unlike much of Europe, rental agreements in Britain are in place for a minimum of six to twelve months and landlords can evict tenants without giving a reason. This contributed to two-thirds of 20–45 year olds, in a Halifax survey, who believed buying a house, rather than renting, means people are more likely to feel settled or

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<sup>4</sup> <http://www.resolutionfoundation.org/publications/housing-solutions-generation-rent/> 1.10.13

<sup>5</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/6910/2039199.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6910/2039199.pdf) 26.9.13

<sup>6</sup> Housing Corporation, "Analysing key trends in the supply and distribution of social housing lettings", 2008

<sup>7</sup> Savvily, 'Marching on who's leading who's lagging?' May 2011

<sup>8</sup> Whittaker, M 'Squeezed Britain: the 2010 audit of low-to-middle earners' 2010

<sup>9</sup> Family Resources Survey 2009-10, Department for Work and Pensions, UK

<sup>10</sup> English Housing Survey 2009-10, Department for Communities and Local Government, UK

<sup>11</sup> [http://www.resolutionfoundation.org/media/media/downloads/Housing\\_Report\\_Final.pdf](http://www.resolutionfoundation.org/media/media/downloads/Housing_Report_Final.pdf) 1.10.13

at home in their environment.<sup>12</sup> The rise in rent prices has affected young people in others way, with the number of Britons aged between 20 and 34 living at home increasing, since 1997, by 20% to 3.2 million.<sup>13</sup> Living at home well into adulthood impairs young people's ability to develop skills only true independence provides. However, as opposed to supporting young people to move out, the current cuts in housing benefits for young people will only force more people back to their parents.

The differences in housing costs, whether it be house prices or rent, between the South East and the rest of country make it part of Britain by name only. Though house prices in the UK rose by 3.3%, if London and the South East are excluded, prices only rose by 0.3%.<sup>14</sup> As inflation stood at 2.7% in August, this was in actually a 2.4% fall in price. Indeed, the percentage of LMI couples without children who cannot afford Local Housing Allowance rents for a one-bedroom flat varies wildly within Britain. In London the proportion stands at a staggering 78% and in the South East 24%, yet in most of the North the figure is 0%.<sup>15</sup> Although outwardly this may seem beneficial to those living in the North, it restricts young people's ability to enter the growing job market in the South, trapping them instead in areas of mass unemployment. This has contributed to the staggering 874% rise in youth long-term unemployment since 2000.<sup>16</sup>

Politicians lack the courage to rectify this intergenerational injustice as older generations vote in greater numbers. Admittedly, the increasing influence of the "grey vote" is partially a natural process due to the demographic structure of Britain, yet this influence is compounded by record low participation and lack of trust in the political process by young people. While the percentage of people aged 65 and over who voted in the 2010 general election was 72%,<sup>17</sup> a study by Nottingham Trent University found only 44% of 18–24 year

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<sup>12</sup> [http://www.lloydsbankinggroup.com/media/pdfs/halifax/2013/1706\\_Halifax\\_Generation\\_Report.pdf](http://www.lloydsbankinggroup.com/media/pdfs/halifax/2013/1706_Halifax_Generation_Report.pdf) 1.10.13

<sup>13</sup> <http://www.ons.gov.uk/ons/rel/family-demography/young-adults-living-with-parents/2011/young-adults-rpt.html> 27.9.13

<sup>14</sup> <http://www.ons.gov.uk/ons/rel/hpi/house-price-index/july-2013/stb-july-2013.html> 27.9.13

<sup>15</sup> Analysis of DWP, *Family Resources Survey and Family Expenditure Survey*; Local Housing rates by Government Office Region

<sup>16</sup> <http://www.tuc.org.uk/economy/tuc-21125-f0.cfm> 27.9.13

<sup>17</sup> <http://www.ippr.org/press-releases/111/11175/young-voters-should-be-required-to-vote-first-time-round> 1.10.13

olds voted. Despite voting participation being abysmally low, 64%<sup>18</sup> of younger voters polled answered that they were interested in political matters. However, only 15% of those surveyed believed politicians treat young people fairly. The chief researcher of this study, Professor Matt Henn, argues that youth involvement in politics requires “a change in political culture”. Sadly, as politicians will only bother to connect with young voters when they believe it to be worthwhile, and younger voters will only participate when they know their vote will affect their future, we are trapped in a circle that ensures the concerns of younger voters are ignored. For our democratic systems to guarantee intergenerational fairness, it is essential to reform our political system and culture. Part of this change must come from electoral reform: the current “first past-the- post” system encourages politicians to consolidate existing “safe seats” – providing no incentives to appeal to the millions that didn’t vote for them. The introduction of voting systems using media popular with the younger generation, such as on-line or by mobile phone, is likely to increase participation. On the other hand, young people must begin voting in greater numbers to force politicians to take them into consideration. The validity of British democracy relies upon voter participation from all ages.

With a fall in average real wages of 9.3% since 2009,<sup>19</sup> it seems likely that many young people will remain unable to save adequately for a deposit. The government must act decisively to rectify the glaring issues within in the housing market. Tax relief to enable landlords to refurbish disused properties, as in Germany, would increase supply in the rental sector, lowering the price. Levying a large tax on empty second or third properties would encourage owners to sell, increasing the available housing stock. Young people need both an extensive house building programme to construct affordable first homes, and the reintroduction of rent regulation such as they still have in many other Western European countries. In Germany and the Netherlands there are controls on how much a landlord can charge as rent and in France the rent for an existing tenant can only be increased in line with inflation. Tenancies are usually long-term and protected whereas landlords in the UK

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<sup>18</sup> [http://www.ntu.ac.uk/apps/news/112458-15/Young\\_people\\_and\\_politics\\_in\\_Britain\\_Major\\_study\\_reveals\\_young\\_voters'\\_pol.aspx](http://www.ntu.ac.uk/apps/news/112458-15/Young_people_and_politics_in_Britain_Major_study_reveals_young_voters'_pol.aspx) 24.9.13

<sup>19</sup> <http://www.ons.gov.uk/ons/rel/regional-trends/regional-economic-analysis/changes-in-real-earnings-in-the-uk-and-london--2002-to-2012/art-changes-in-real-earnings-in-the-uk-and-london--2002-to-2012.html> 26.9.13

can evict without giving a reason. Sadly, we are unlikely to see any of these policies enacted in the current political and economic climate, even if young voters become politically engaged. It appears that in the crucial area of shelter, let alone unemployment and university fees, that Britain's children have indeed been robbed.