



## THE FACTS COVID-19 AND YOUNG PEOPLE

# How has COVID-19 impacted younger people?

**COVID-19 has seen the government spend hundreds of billions of pounds in order to protect the health of older generations. The economic burden of this spending has not been shared equally across the generations...**

### BEFORE COVID-19

Over the last two decades, the gap in government spending per person on pensioners and on adults and children has increased. In 2018/19 the government spent over £6,000 more on each pensioner than it did on each child.

### COVID-19 SPENDING

By March 2021, total government spending on COVID-19 passed £400 billion. This included spending on support for businesses and households, such as the furlough scheme and self-employed grant, as well as spending on public health services directly related to COVID-19, such as PPE, the NHS, and the test and trace system.

### YOUNG PEOPLE & COVID-19

During a recession, young people are generally more likely to lose their job than older, more experienced people. During COVID-19 young people were more likely to be furloughed or lose their jobs entirely.

Furthermore, many of the sectors shut down, such as hospitality and travel, were sectors which

typically employ a high percentage of younger people. As a result, between February 2020 and January 2021, around 3 in 5 employee job losses were among people under the age of 25.

Young people are also less able to cope with a drop in income than older generations as they have fewer savings to fall back on. While homeowners and landlords could apply for a mortgage holiday, young renters still had to pay rent and bills and risk homelessness without government interventions such as eviction bans.

The societal lockdown had a huge impact on young people's mental health. In 2020, 1 in 6 children aged 5 to 16 years were identified as having a probable mental health disorder, compared to 1 in 9 in 2017. That is around 5 children in every classroom of 30. Young adults also suffered a decline in mental health with 27% of young women and 13% of young men aged 17 to 22 identified as having had a probable mental health disorder in 2020. Meanwhile, two-thirds of university students experienced worsening mental health since September 2020.

The repeated lockdowns also meant that children missed out on long periods of in-person schooling, which was detrimental to their educational and personal development and particularly impacted children from disadvantaged backgrounds. University students were also poorly treated throughout the pandemic by having to pay full fees and high accommodation costs for their education despite receiving minimal in-person teaching and barred from using many university facilities.



The government also allowed local councils to increase Council Tax by up to 5% from April 2021. Council tax is an unfair taxation method, as people in larger, more expensive properties pay a significantly smaller proportion of their property's value in tax than people in smaller, less expensive properties. As younger people are more likely to live in these smaller, cheaper properties, they will pay a proportionally higher council tax than older generations despite being less wealthy.

### THE INTERGENERATIONAL CONTRACT

To many it will seem unfair that young people, having made such sacrifices for the physical health of the older generations, should also have to make painful financial sacrifices. The big unanswered questions centre around whether the costs should be paid for by current generations or by future generations. And if it is current generations who should pay, is that best done through taxes on income which hit younger generations hard, or by taxes on wealth and housing, which fall more heavily on today's older generations? This is at the heart of the intergenerational fairness problem.



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### GOVERNMENT RESPONSE

In the 2021 Spring Budget, the government announced the freezing of the threshold at which people start to pay income tax. This is an economic policy tool known as “fiscal drag” and is used to increase tax contributions by pulling more earners into the income tax regime. Furthermore, with inflation set to rise, which pushes up prices, young people are likely to see their wages rise above the tax threshold.

The effects of inflation on wealth are generally less painful for older generations, as much of their wealth is stored in housing assets and pensions, which are better protected against losing their value. In comparison young people's wealth is often stored in cash savings accounts, so as inflation rises, they could see their wealth decrease.

### Sources

- HM Treasury: Budget 2021 (online).
- Office for National Statistics (ONS): Labour market overview, UK: February 2021 (online).
- National Health Service (NHS): Mental Health of Children and Young People in England, 2020 (online).
- Office for National Statistics (ONS): Coronavirus and higher education students: England, 19 February to 1 March 2021 (online).

### Recommended Reading

- Bui, M. (Intergenerational Foundation 2021) [Age Bais: How government spending is skewed against the young](#)
- Kingman, D. (Intergenerational Foundation 2019) [How intergenerationally fair is raising Council Tax:](#)