



ILLUSTRATION BY GIULIO BONASERA

Settle for less: we push our young people to acquire higher-level education – racking up huge debt – and then to accept even the worst-paid jobs on offer

The defrauding of young Britain

The prospects for young people have never seemed so bleak. No wonder they feel society is rigged against them and are so reluctant to vote

By Danny Dorling

If you are young in Britain today you may well be being taken for a ride. Your parents also know this is happening to you but they don't know what to do. In the media they learn of anonymous "Whitehall sources" claiming that the government already knows there is a strong risk that the next generation of adults will end up worse off than today's older generation. They drip-feed this news out, managing down expectations.

The anonymous voices explain that many children and younger adults face the prospect of having lower living standards than those of their parents. These were the same sources that released the Social Mobility and Child Poverty Commission report of autumn 2013 explaining that now, for the first time ever, a grandmother in her eighties can expect to enjoy higher living standards than someone in their twenties who is in work. They said it was because housing costs for the young are now so high and wages, if you are young, are usually so poor. But that was not the only reason the young are worse off. Another factor is that the rich see them as an easy target.

Today a few older people are making ever more money out of a lot of younger people. Look at the steep and accelerating rise in private renting in Britain, especially the increase among families with young children. If you are a young couple today you may well find yourself bringing up your new family while moving from one privately rented home to another. Soon a quarter of all children in Britain will see this as normal. Most do not stay longer than a year or so in any rented home. They continually have to move schools and lose friends. And why is this all

happening? It is so that a few mostly older and much richer people can become very rich by renting out homes that used to be bought by those same families. It began under New Labour around 2003 and it has accelerated with the coalition. It is as if the wealthier old have convinced the young to look away from their money and towards the poorest of their own younger generation to blame for their plight. The young are told to blame other young adults for taking the dole.

It is in London where the young are most gullible and to which the affluent young flock after graduating. New findings from the Office for National Statistics show that the average age of people in the capital has recently fallen to 34 and that the average London wage is now £613 a week. However, half of all Londoners, including almost all younger adults, don't receive this much. And that much is just £15 a day more than the national average wage of £506 a week.

For the median worker, London weighting is a "bonus" of less than £15 a day. Even if you have a good job and are paid as much as people often older than you, is this extra £15 enough to pay for you to live in London as a young adult? House prices in London now average £425,000; the UK national average is £242,000.

At the current rates of change, London house prices, inflated by the forces of globalisation, will be twice the national average within just two years and rents will rise to an even higher ratio. Average prices in London are already more than six times two average people's combined wages. House prices in London are rising by 8.1 per cent a year, prices

in the UK overall by 3.1 per cent, wages by less. If these trends continue, the cost of housing in London will be three times higher than the UK average by 2025 and ten times higher by 2050.

We can tell that the current housing-price trends are unsustainable just by looking at what would happen if they were to continue. By 2050 an average three-bedroomed home in London would cost £7.5m and the same house elsewhere in the country would fetch £750,000 – ten times less! But this is only if prices continue to rise as they are doing. The rich know that never before have prices risen so high for so long. But they also know it does not matter to them, as long as they cash out in time, or so long as they are the ones lending the money rather than borrowing it. It is as if the rich are trying to get the young into ever greater debt because the young are such a good "investment". The young have so many years ahead of them to pay the interest.

A few people are making a great deal of money out of young adults in Britain today. At the same time many of the crumbs that were given to the young to compensate for harder times to come have been taken away. Until recently many youngsters received the Education Maintenance Allowance to help with the costs of going to college and, on a much smaller scale, a child trust fund to build up money for entering adulthood. Now these are mostly gone and the basic child allowance has also been cut for families in which any parent earns twice the average wage (over £50,000 a year). But if you think high earners need to contribute more, why make savings only from families with ►

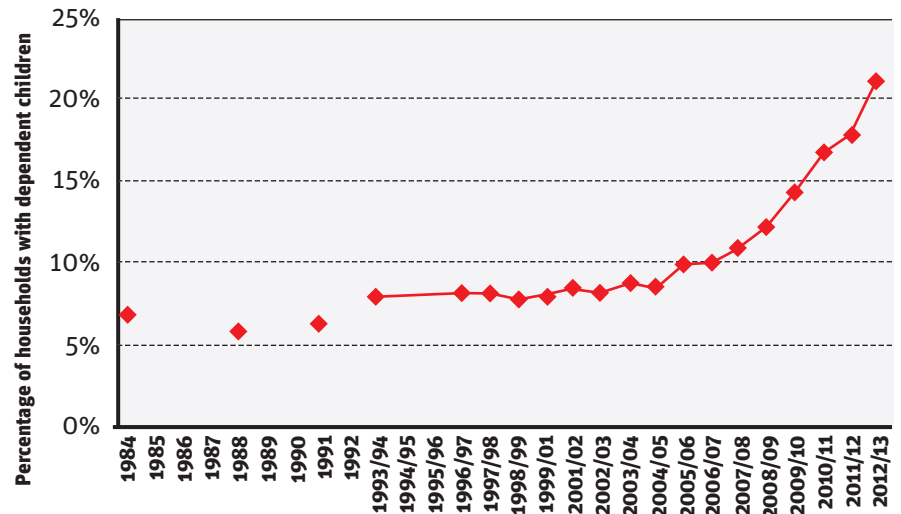
► children? Why did the government not decide to raise money from all people earning over twice the average wage, and not just those who are parents? It has to be because they see they can get away with discriminating against the young.

The young are discriminated against in ways in which it would be illegal to differentiate between men and women, or between more and less disabled people, or on the basis of race or religion. Young people can be paid a lower minimum wage if in work, and a much lower wage if they are an apprentice. If aged under 30 and on low pay or no pay, a young person receives fewer housing benefits than would someone in the identical position but aged 30 or over. However, the greatest recent take from the young has been based on exploiting their gullibility, hope and optimism: university fees.

Half of all young women in England go to university and just over a third of young men. The tuition fees increase will hit women harder than men, but crucially it will not affect people now aged over 20, although it might add to the incomes of a very small minority. For all the many losers to come, there are a few potential winners waiting in the wings. When student loans are privatised the company will be bought by rich investors who will expect to profit from the interest that current students will pay in future.

Some potential investors in the proposed privatisation of student loans may be private pension funds. Those funds mostly pay out to richer pensioners. Hardly any young adults have private pensions and the numbers who do are falling. Only 2.9 million (mostly quite affluent) people have a private pension, half

Households with children in privately rented housing (1984-2013)



the number in 2000 and the lowest number recorded at any time since 1953. However, although the numbers of better-off future pensioners are small and falling, what they expect to get in pensions is large and rising. The pension funds need new sources to “invest” in. Student loans are one such source.

As private money moves from the young and poor towards the older rich, so public money, too, is being diverted in that direction. The government’s £12bn “Help to Buy” scheme helps maintain the value of housing prices. It is especially important to London, to upholding the assets of the rich, as it encourages younger people to borrow and to try to buy a home of their own. It allows a young adult to borrow to buy property worth up to

£600,000, money that almost always then goes to older adults. If that scheme and other such subsidies for the rich are to be funded from the public purse and taxes are not to rise, in future our government will need to make more cuts for the young. It has begun by proposing to cut their benefits entirely, but this will just make matters worse.

Cutting unemployment benefit for under-25s is the wrong policy because it damages the power of the market: it makes the market dysfunctional. When there is a dole, young people do not have to take any work, no matter how bad it is. A floor is put on quality. It is a very low floor. A job worth less to you than receiving £8.11 a day (Jobseeker’s Allowance for those aged under 25) need not be taken; £8.11 is not much, but at least there is a limit below which you need not go.

At present, people aged under 25 are told they are asking for too much in seeking to claim the Jobseeker’s Allowance (JSA) of £56.80 a week. David Cameron proposes removing this altogether if a Conservative majority is returned at the next election. He always looks first to the children and to adults younger than himself for efficiency savings. There are 1.09 million people between the ages of 16 and 24 not in work, education or training in the UK. But if a young adult was unlucky enough to claim the dole for a whole year they would receive just £2,927 to live on.

Cutting benefits for young adults will have a hugely detrimental effect on education and training because of the way it will remove the element of market choice from provision. We know that when the compulsory Youth Training Scheme (YTS) for school leavers was introduced in the 1980s, its impact was detrimental to the long-term well-being of those who were forced to take part. Parasuicide rates among young men who were



unemployed were between ten and 25 times higher than for employed young men.

The compulsion on employers to take a scheme also had a long-term damaging impact on the reputation of the word “training”. It was from the start of the 1980s that “training” began to be associated with failure, and it was also from then that the adjective “higher” began commonly to be put in front of other forms of education to make it clear that there was a continuum from “training” through “further” and up to the dizzy heights of “higher”. Education was no longer a general good. Some types of education had become much better than others. More and more, the message was that the people at the bottom were being trained to do jobs to serve those above them. And if they didn’t do those jobs there should be no other option – no dole.

A year ago analysts noticed that the long-term youth unemployment rate was rising and that the sharp rise in the charts matched perfectly the introduction of the Work Programme in June 2011. The chart on page 27 shows a tenfold rise since then among the very long-term young unemployed. By September 2013 over 25,000 young people in the UK had been claiming JSA for more than two years. Hardly any did so in May 2010.

I grew up in Oxford, where David Cameron was a student, in the years when he was a student there. But I am a few years younger than he is, and was educated on the other side of that city before I went to university, too. I left school, signed on and then took a job working on a children’s play scheme during the summer before I went to university. I did this for three summers in the late 1980s. The play scheme operated only when the children were off school for six weeks. I was at university in Newcastle, where the terms were shorter than school holidays. The dole filled the gap when I was not being paid.

I can see that if you’ve never been turned down, if you’ve never found it hard to get a

job, if you’ve never needed some space and time, you might find it hard to understand that asking for £8 a day to live on is not asking for much. I can see that if you’ve never had a job on a below-average wage, or are so rich that you think mortgages are for the lower orders, you might find it hard to understand why housing costs are unfair.

The Prime Minister claims that his policy is not callous; I agree with him, because callous means unfeeling. It is not unfeeling. It is not the result of his indifference to the suffering of others. I believe he feels strongly that young people should not get the housing benefits and dole to which they are entitled at present. It is obvious that he believes they are not suffering enough when they are living on JSA. He thinks the young of today need to suffer more if they are to be persuaded to try hard enough. I think the proposal to cut state benefits for the under-25s is calculating and

How long before there are student loans for education at 16 and 17?

cruel. It is calculating because it is aimed to secure more votes than it might lose. Does he think that it is possible to tell the young to wait because one day they, too, will be able to exploit those younger than themselves?

People err towards being optimistic; many think that these benefit cuts will not hurt them, or that they will not harm their family and friends, but in future they will. If at first they cut the rights of those aged under 25, how long will it be before they cut rights for older people, and rights to other things we once took for granted? How long before there are student loans for education at ages 16 and 17? In the future, what else will they cut that in the past they suggested was safe?

The Conservative message relies on optimism and on people not thinking too deeply. It relies on a majority of Tory voters, or of

putative Tory voters, believing that somehow they or their children could all become as affluent as the minority of Conservatives who run their party. They call that “aspiration”. The Conservative message relies on at least 10 per cent thinking they can get into the top 1 per cent – or, if not them, their offspring. In truth, the message relies on innumeracy.

Take the housing market, but look at it from afar. Michael Goldfarb wrote recently in the *New York Times* about terraced houses in the area of London where he lives that have tripled in value since 2000. This is where two-bed-and-a-boxroom homes cost over a million pounds and where people in their fifties begin to live more on the money they make from remortgaging or selling their property than on any income from work. “It’s as if the whole British economy is based on housing speculation in the capital,” wrote Goldfarb. And all that speculation relies on the young being naive and buying at inflated prices on enormous mortgages, or paying inflated rents and never being able to save.

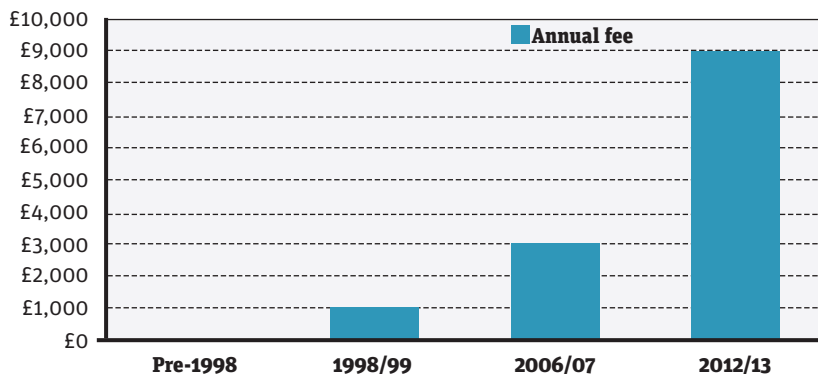
The Help to Buy scheme has been introduced as a short-term measure to try to keep the housing market rolling forward to the next election. Right now you don’t need to save to buy a home in London, as long as a parent will give you 5 per cent of the asking price – say, £30,000. But most people do not have such rich parents. Most people who buy housing in Britain today, and especially in London, are not younger adults, but increasingly a small subset of older ones – the landlords. By some estimates, landlords make up as little as 2 per cent of the population, yet they are taking a rising share of our money.

The Conservative message can be conveyed convincingly only by someone who believes in it. However, that someone needs others not quite to understand how 10 per cent cannot fit into 1 per cent. They need to turn the majority, who once fought for and won the welfare state, against welfare. They need to convince most people that if someone wants to say no to doing a job, any job, it is because they are lazy.

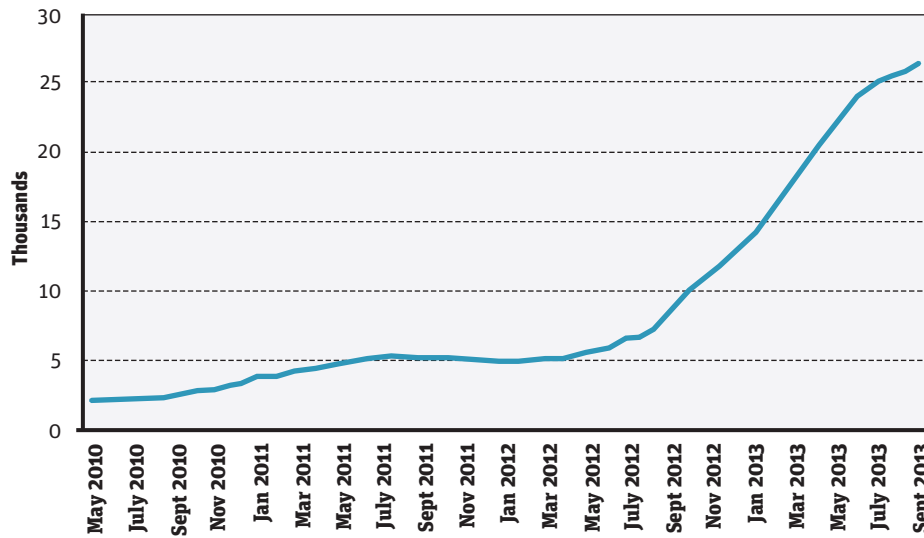
Work gets better only when we have a choice to say no to some work. We need to be able to say that it is too demeaning, too poorly paid, too dangerous or too dirty. Then the employers need to offer us enough money in return if they want that work done. That is what a well-functioning labour market looks like. It is what you get in a good society – a truly free labour market in place of servitude.

For work to be good work, there needs to be choice, including the choice to say no to bad work. The same is true of education and training. Young adults need a choice. It can become good when there is a choice not to ▶

Rise in university tuition fees



Under-25s claiming JSA for two years or more



► take it, when there is a selection of provision and when there is no provider of last resort that you have no option but to endure. No sin-bin unit for the losers.

The same is true of the housing market; it works best where people have a choice, and some housing is regarded as unfit. Markets work when we have a choice to say no. The housing market does not work when governments spend billions to inflate prices artificially so that you have to buy whatever tiny dilapidated property you can afford, and are then made to feel grateful for being able to borrow so much money from people so much better off than you. House prices should have been falling as wages fell but that would have reduced the wealth of the richest.

Good choice can be provided in a private market, or in a mixed market, or in a wholly state-owned market, as was the case with the National Health Service when you could still choose your doctor and there were enough NHS dentists between whom to choose. Good choice is supposed to be the hallmark of the private market but it does not exist if most of those who are supposed to be choosing have no proper options. Make the poor much poorer and push more of the average towards poverty, and you reduce the power and energy of the majority to wield influence in all sectors of society.

If the Conservatives win a majority at the next election, all under-25s will lose the right to housing benefit. Yet 45 per cent of young housing-benefit claimants are parents. Young parents are the very opposite of the fictional, indolent youths with nothing to do. Because young families also need a room for their children, it is those young parents, mostly single mums in their twenties,

who claim the large majority of the housing benefit that Cameron is seeking to cut. Those mums claim it purely to hand over to their private landlords, who then let them live in what are invariably among the poorest flats and houses in town.

What will happen when all these benefits for the under-25s are cut, should the Conservatives win an outright majority in 2015 and implement their proposals? How much more overcrowding will there be in the poorest homes? How much more hunger? How poorly clothed will the poorest become? How easy will it be for any unscrupulous employer to find cheap labour to work any hour of the day and night at any job? The employers might still have to pay the minimum wage, although even that is lower for those aged under 25, but they do not have to provide a minimum-quality job. They know their employees cannot say no.

Already it is compulsory to take any job offered should you be claiming JSA; however, you have a little freedom for a little time over which jobs you might apply for, and then a little choice over your enthusiasm at the job interviews because you are not yet required to lie and say how much you'd like to do a job you'd hate.

At the sharp end, cutting benefits for young adults makes us all worse off. All those who will be working as teachers and trainers on the schemes that become mandatory should know that many of their pupils do not want to be there. All those employing people to do those jobs that both they and their employees know should not be done on such low wages should realise that their workers despise them and would not choose to work for them freely. And as for the cuts to housing benefit, how much more stress, violence and abuse will continue in households because

a young adult cannot leave home until he or she turns 25?

It is the very poorest of the young who are suffering most, but the living standards of the average young person in Britain are also deteriorating and young people's hopes are evaporating. Young people who do comparatively well are also being hit hard. The £9,000-a-year university tuition fee looks very similar to a 49 per cent marginal rate of tax for future graduates, a rate being held in reserve, ready for when they achieve a modest income in the future. However, unlike a general tax that can be used for the common good, their 9 per cent top-up tax rate will go to the rich who buy the loan book.

Finally, what of the most successful of university graduates, the ones who go on to get a starter job in the City, and look to buy that tiny flat close to work? What will happen when they take out their 95 per cent mortgage and start repaying one-twenty-fifth of the borrowed capital out of what they take home after tax? For a few years they might be able to do it, just – until interest rates rise.

The vast majority of our young people are being ripped off. Have we taught them so badly that they do not know it? ●

Danny Dorling is the Halford Mackinder Professor of Geography at the University of Oxford