Article

Young people's well-being and personal finance: UK, 2013 to 2014

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1 . Main points

Around 8% of young people (aged 16 to 24 years) in the UK were finding it difficult or very difficult to get by financially in 2013 to 2014, down from 15% in 2009 to 2010.

Young people who were students in 2013 to 2014 were least likely to be dissatisfied with their household income (22%), but most likely to consider they will be worse off financially in the future (13%).

Unemployed young people reported the largest decrease in the proportion finding it difficult or very difficult to get by financially; from 39% in 2009 to 2010 to 26% in 2013 to 2014.

Around 1 in 5 young people in social rental housing rated their current financial situation as difficult or very difficult compared with an average of 1 in 14 young people in other accommodation types in 2013 to 2014.

Young people in the South West of England were more likely to report a better current financial situation but also more likely to be pessimistic about their future financial situation.

2 . Introduction

This article uses the latest data from the Office for National Statistics's (ONS's) measures of young people's well-being to explore how young people's well-being and financial situation have changed. It focuses on their own "subjective" views about their financial situation and looks at how they relate to other factors such as their employment situation and accommodation. It examines recent changes (2009 to 2013) to see how young people's views of their financial situation are changing since the economic downturn.

We publish 28 measures of well-being for young people aged 16 to 24 within 7 domains. Our measures include 2 self-reported measures of financial situation using data from Understanding Society, The UK Household Longitudinal Survey: the proportion of young people who are relatively satisfied with their household income and the proportion of young people who are finding it difficult or very difficult to get by financially.

Other aspects of personal finance, for example, the proportion of young people who think they will be better off financially in future can provide a picture of how hopeful young people are for the future and data from the Wealth and Assets Survey can be used to explore how well young people are managing bills and other debts. Factors such as being employed or having substantial outgoings such as rent or a mortgage will impact upon a young person's finances and, by extension, their financial well-being[1]. Furthermore, across the UK, regional variations in economic conditions may be reflected in young people's financial well-being. By looking at different employment situations, accommodation types and UK countries and regions, a more comprehensive picture of young people's well-being can be presented.

Recent research by the Resolution Foundation has identified that young people's personal financial situation may be more precarious than that of other age groups, and the "' Is Britain Fairer?" report by the EHRC argues that, "Younger people suffered the greatest drop in income and employment compared to older age groups and now face greater barriers to achieving economic independence and success than they did five years ago." The Joseph Rowntree Foundation's Monitoring Poverty and Social Exclusion Report 2015 states that as a group, young people are worse off financially than they were 10 years ago, whereas older people (aged 65 and over) are better off. It claims that there are 1.7 million people aged 16 to 24 in poverty, which is 400,000 more than a decade ago[2]. Conversely, the over 65s are the only age group to see a fall in the number of people in poverty over the last decade with 600,000 less than 10 years ago.

Furthermore, a recent analysis of the Labour Force Survey by ONS shows that more young people aged 20 to 34 are living with their parents than 20 years ago. Possible reasons for this include the increased deposits required to buy a house and the generally unaffordable housing market, changes to housing benefit and the increasing numbers of young adults going to university. While compared with 10 or 15 years ago younger people are in a worse financial position, there are indications that, since the economic downturn of 2008 to 2009, the financial position of 16 to 24 year olds is improving; this improvement should also be reflected in their personal and financial well-being.

Notes:

1. The term "financial well-being" refers to individuals' self-reported financial situation across 3 measures: satisfaction with household income (on a 7-point scale from very satisfied to very dissatisfied: grouped 1 to 3, relatively dissatisfied; 4, neutral; 5 to 7 relatively satisfied); how well you are managing financially these days (on a 5-point scale from comfortable to very difficult: grouped 1 to 2, comfortable; 3, getting by; 4 to 5, difficult); how you will be financially a year from now (better/same/worse).

2. Calculated on an "After Housing Costs" basis.

3 . Changes in young people's personal finance and well-being since 2009

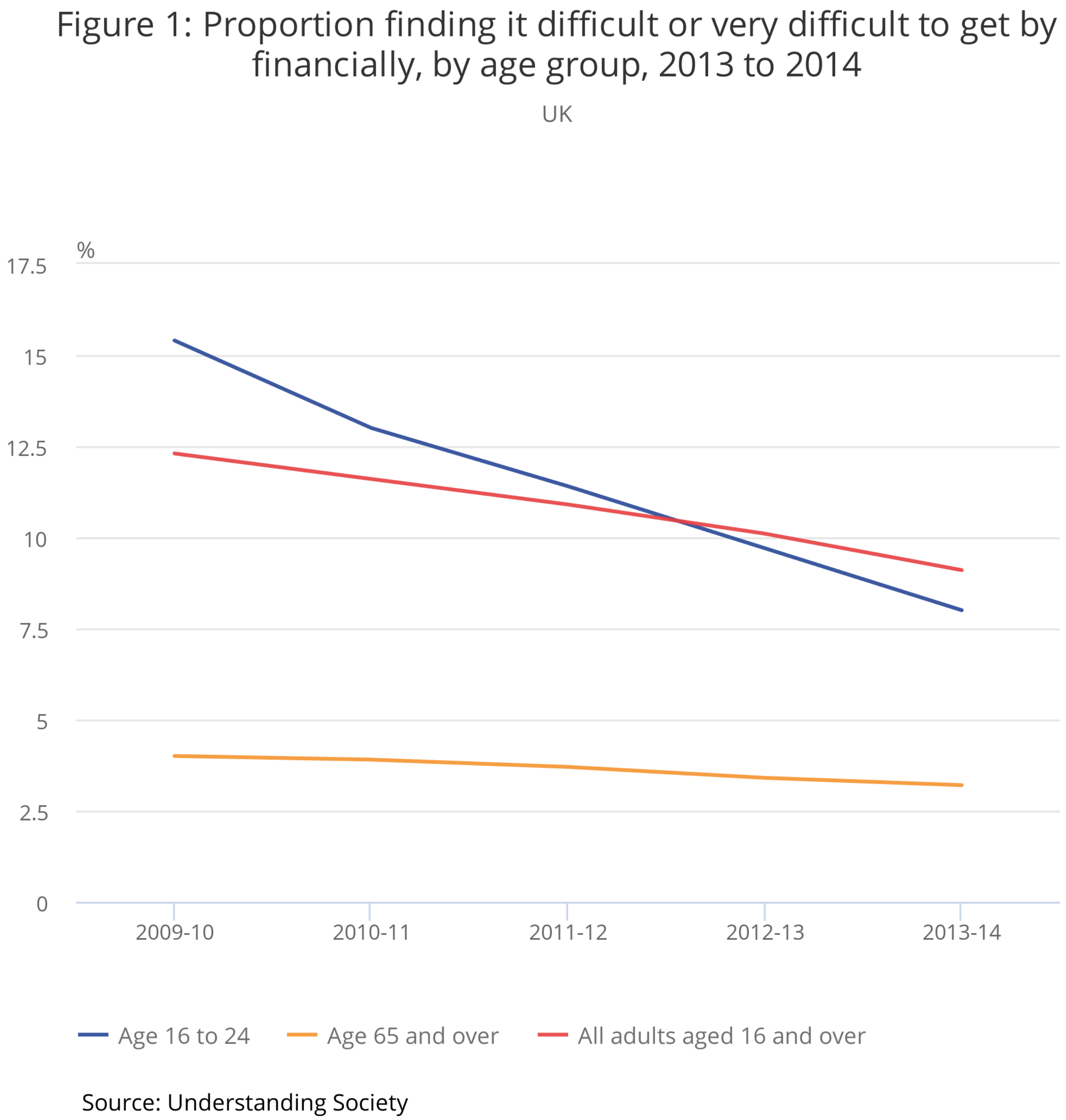
The latest data from the measures of young people's well-being show there have been improvements in young people's overall self-reported financial situation[1]. The proportion of 16 to 24 year olds who were finding it difficult or very difficult to get by financially decreased from 15% in 2009 to 2010 to 8% in 2013 to 2014 and satisfaction with household income among 16 to 24 year olds has shown a slight increase, from 51% in 2009 to 2010 to 56% in 2013 to 2014.

This is consistent with evidence of an improving economic situation for young people as described in the latest report on young people's well-being. Between 2012 and 2015, the unemployment rate among 18 to 24 year olds fell from a high of around 20% to 14% and the young people not in education, employment or training (NEET) rate for 16 to 24 year olds fell from 16% to 13%. Young people's average income has increased and average debt has decreased. Data from the EU Statistics on Income and Living Conditions (EU-SILC) survey show that between 2009 and 2014, median equivalised net income for 16 to 24 year olds increased from just over £13,500 to just under £15,500. Mirroring this increase the Wealth in Great Britain 2012 to 2014 report shows that the median financial debt of young people aged 16 to 24 decreased, from £3,000 in 2010 to 2012, to £2,600 in 2012 to 2014 . Although the debt to income ratio for young people was much higher than for all other age groups (the UK average was 0.15 in 2012 to 2014), it is showing a decline, from 0.47 in 2010 to 2012, to 0.40 in 2012 to 2014. Around 32% of young people reported having debt in 2012 to 2014 but just 16% of those young people with financial liabilities felt their debt was a heavy burden in 2012 to 2014.

In comparison with older people, young people remain less positive about their personal finances; in 2013 to 2014 around two-thirds of people aged 65 and over were relatively satisfied with their household income compared with just over half of 16 to 24 year olds. However, over the last 5 years there has been a steady narrowing of the difference, caused by young people reporting improved personal financial situations. The proportion of people aged 65 and over reporting that they are relatively satisfied with their household income has decreased slightly (from around 67% in 2009 to 2010 to 63% in 2013 to 2014), whereas, as noted above, the proportion of 16 to 24 year olds has increased. Similarly, as illustrated in Figure 1, the proportion of people aged 65 and over reporting they were finding it difficult to get by financially remained stable at 3% to 4% over the last 5 years, whereas the proportion of young people reporting that they are finding it difficult to get by financially has decreased dramatically.

Figure 1: Proportion finding it difficult or very difficult to get by financially, by age group, 2013 to 2014

UK



Source: Understanding Society

The latest data show that young people's overall personal well-being has also improved over the last 3 years [3], following the trend observed nationally (Personal Well-being in the UK, 2015). The proportion of young people who reported high or very high life satisfaction increased from 79% in 2011 to 2012 to 83% in 2014 to 2015, while the proportion who reported the things they do are worthwhile as high or very high increased from 77% to 81% over the same period. The proportion of young people who reported high or very high happiness remained relatively stable between 2011 to 2012 and 2014 to 2015 (71% and 73% respectively), but over the same period, the proportion of young people who reported low or very low anxiety increased from 63% to 66%.

It is clear from these figures that although young people's self-reported financial well-being may be relatively low when compared with older people, there have been improvements in a number of aspects of their financial and personal well-being for 16 to 24 year olds as a whole. However, this general improvement may not fully reflect the experiences of young people in different economic situations.

Notes:

1. Mid-year population estimates show that between 2010 and 2014, the number of 16 to 19 year olds decreased by around 134,800, whereas the number of 20 to 24 year olds increased by around 110,500. However, initial investigations indicate that the improvements in young people's personal financial well-being are not due to a cohort effect. The longitudinal design of the Understanding Society survey means that this could be investigated further in future.

2. Estimates based on Wealth and Assets Survey data have not been tested for significance due to the complexity of the data, for example use of imputed values and complex weighting.

3. Personal well-being is measured on an 11-point scale. A score of 7 to 10 is considered high or very high for life satisfaction, happiness, and worthwhile; for anxiety, a score of 0 to 4 is considered low or very low.

4 . How do young people in different employment situations feel about their finances and well-being?

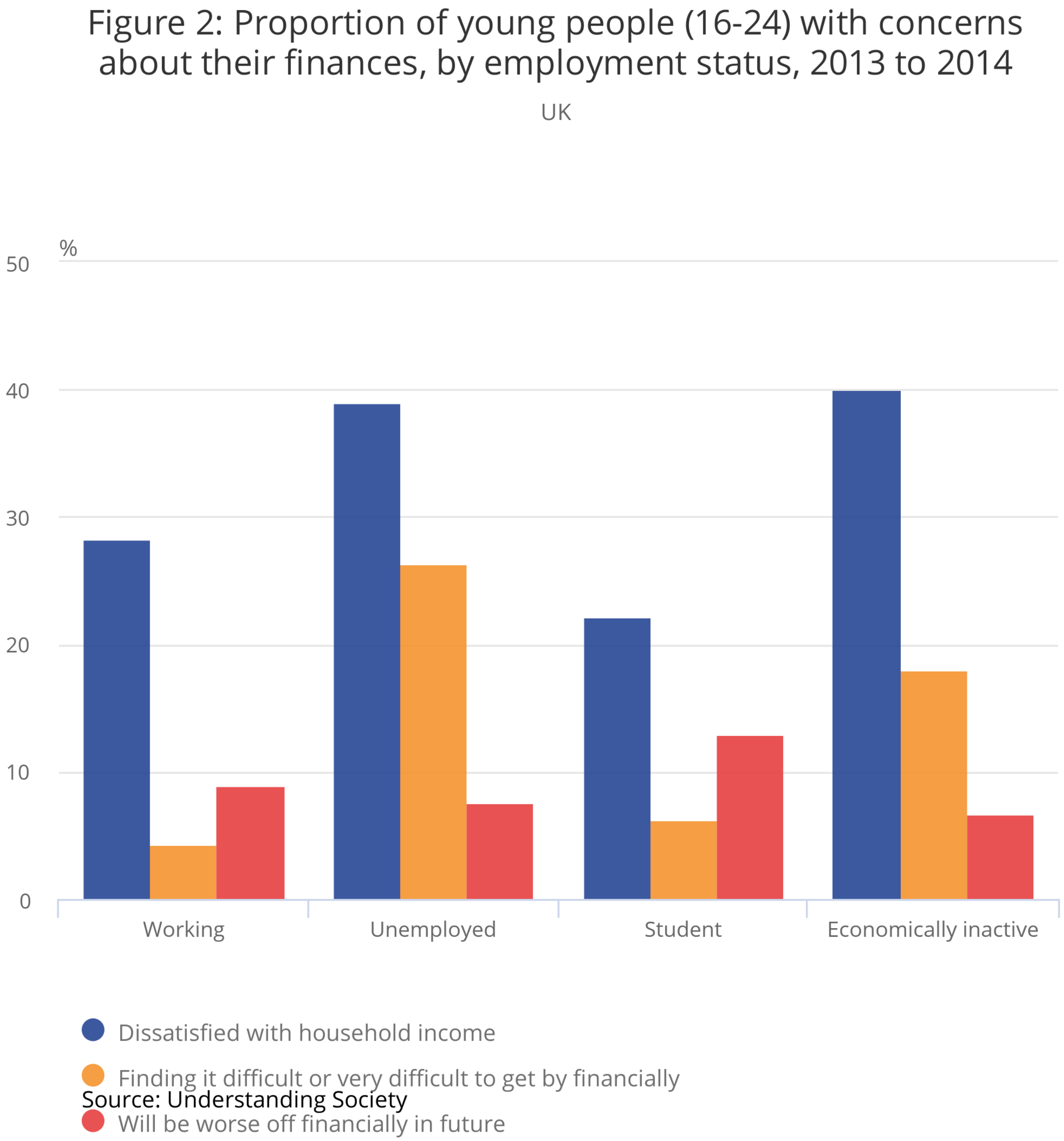
The overall improvements in young people's self-reported financial situation may be masking differences for young people in different employment situations. Looking at the 3 Understanding Society measures [1] of how young people feel about their personal financial situation, it is clear that some groups are not faring as well as others[2].

In 2013 to 2014, young people who were unemployed were nearly 1.5 times more likely than those who were working and almost twice as likely as students to report being relatively dissatisfied with household income (39% compared with 28% and 22% respectively). Figure 2 also shows that unemployed young people and those who were economically inactive were most likely to report finding it difficult to get by financially (26% and 18% respectively). Unemployed young people were around 6.5 times more likely to be finding it difficult than working young people, and 4 times more likely than students. Students and young people who were working were least likely to report difficulties in getting by financially (6% and 4% respectively); three-quarters (75%) of students and young people who were working said they were comfortable financially.

Surprisingly, when asked how they think their financial situation will be in future, students were most likely to think they will be worse off (13%), despite being most likely to report being comfortable at present. It is important to note, however, that students who are also working while studying may rate their financial well-being differently from those students who are economically inactive. In comparison, just 8% of unemployed and 7% of economically inactive young people think that they will be worse off in future. In fact, unemployed young people were most likely to think they will be better off in the future (67%), almost twice as likely as students and 1.5 times more likely than young people who were economically inactive.

Figure 2: Proportion of young people (16-24) with concerns about their finances, by employment status, 2013 to 2014

UK



Source: Understanding Society

Notes:

1. The economic activity groups are derived from respondents' self-categorisation.

Over the 5 years to 2013 to 2014, there has been an increase in the proportion of students reporting that they are relatively satisfied with their household income, from 55% to 62%. No other group has shown a change over this time.

Looking at their current financial situation, all groups except the unemployed have shown an increase in the proportion reporting being comfortable; however, the largest decrease of young people finding their current financial situation difficult or very difficult was among those who were unemployed, from 39% in 2009 to 2010 to 26% in 2013 to 2014.

There have been no significant changes in how young people think their financial situation will be in future, regardless of employment situation.

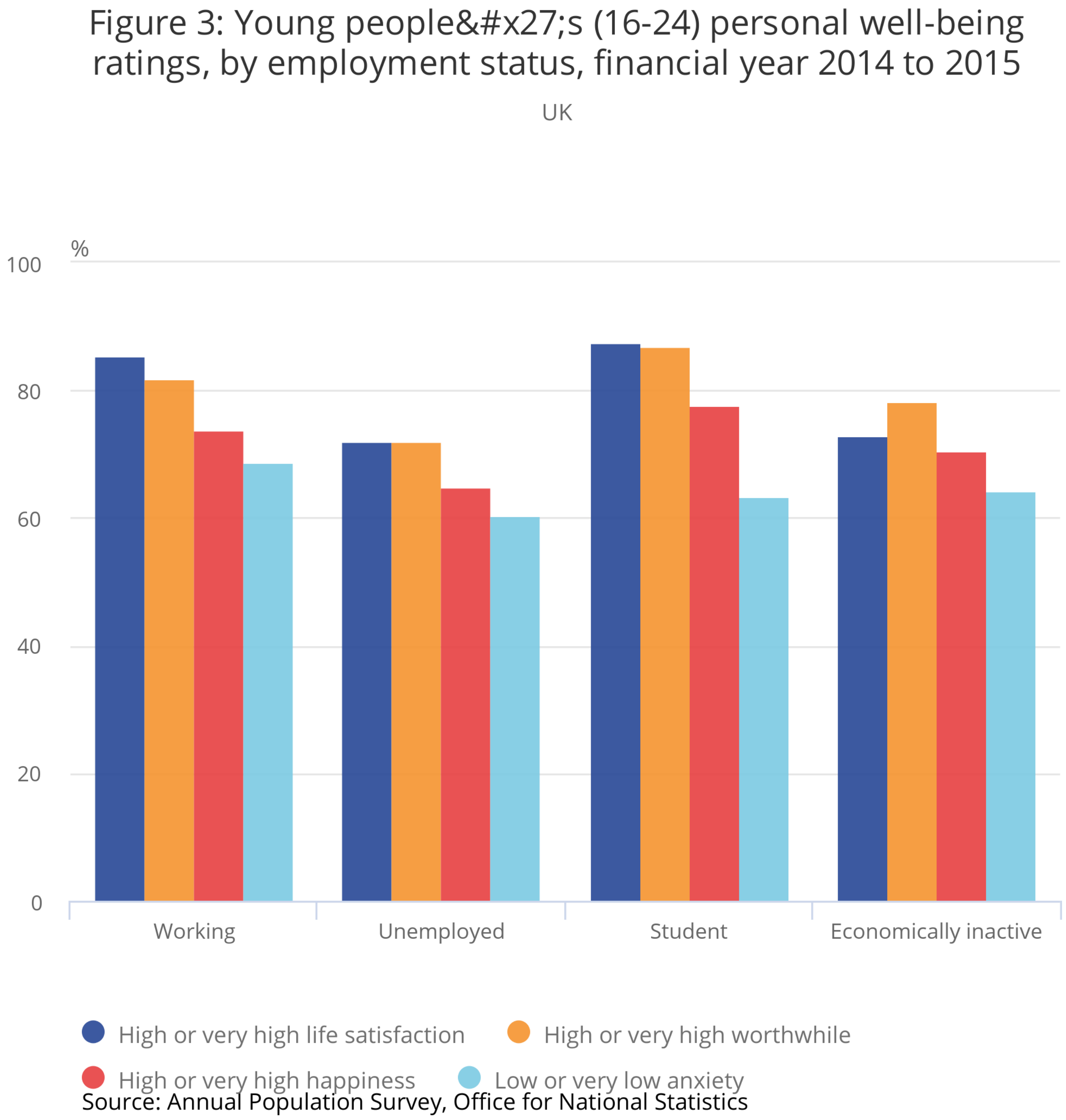
A person's employment situation not only affects their financial well-being; unemployment has consistently been one of the strongest factors associated with how people rate their personal well-being (What matters most to personal well-being?). A recent analysis of national trends showed that while some economic groups reported improvements in their personal well-being, others showed a decline. The data for young people, illustrated in Figure 3, also show differences across different employment situations[3].

According to data from the Annual Population Survey, in 2014 to 2015 students were most likely to report having high or very high happiness (78%), life satisfaction (87%) and sense that the things they do are worthwhile (87%), whereas young people who were working were most likely to report having low or very low anxiety (69%).

Unemployed young people and those who were economically inactive were least likely to report high or very high happiness (65% and 71%) and high or very high life satisfaction (72% and 73%). Unemployed young people were also least likely to report a high or very high sense that the things they do are worthwhile (72%) and were also less likely to report low or very low anxiety than young people who were working (60% compared with 69%).

Figure 3: Young people's (16-24) personal well-being ratings, by employment status, financial year 2014 to 2015

UK



Source: Annual Population Survey, Office for National Statistics

Notes:

1. Economic activity groups are based on ILO definitions and are therefore different from the Understanding Society self-categorised groups. Specifically, the category "student" only refers to those students who are economically inactive.

Over the 4 years to 2014 to 2015, the proportion of young unemployed people reporting high or very high life satisfaction increased from 64% to 72%, mirroring the decrease in the proportion of unemployed young people finding their current financial situation difficult. Similarly, the proportion reporting a high or very high sense that the things they do are worthwhile increased (from 63% to 72%). Young people who were economically inactive also reported an increase in the proportion reporting high or very high life satisfaction (from 65% to 73%) and sense that the things they do are worthwhile (from 69% to 78%) between 2011 to 2012 and 2014 to 2015.

Notes:

1. The 3 measures are: satisfaction with household income (on a 7-point scale from very satisfied to very dissatisfied: grouped 1 to 3, relatively dissatisfied; 4, neutral; 5 to 7 relatively satisfied); how well you are managing financially these days (on a 5-point scale from comfortable to very difficult: grouped 1 to 2, comfortable; 3, getting by; 4 to 5, difficult); how you will be financially a year from now (better/same/worse).

2. The economic activity groups used for the Understanding Society analysis are derived from respondents' self-categorisation.

3. Economic categories from the APS are based on ILO definitions and are therefore different from the Understanding Society self-categorised groups. Specifically, the category "student" only refers to those students who are economically inactive.

5 . How do young people in different accommodation types feel about their finances?

Where you live can have an impact on your personal finances. Paying rent or a mortgage is often a person's biggest outgoing and lower income and high payments would understandably affect your financial well-being. In contrast, living with parents may provide a safety net, allowing young people to feel more financially secure and optimistic.

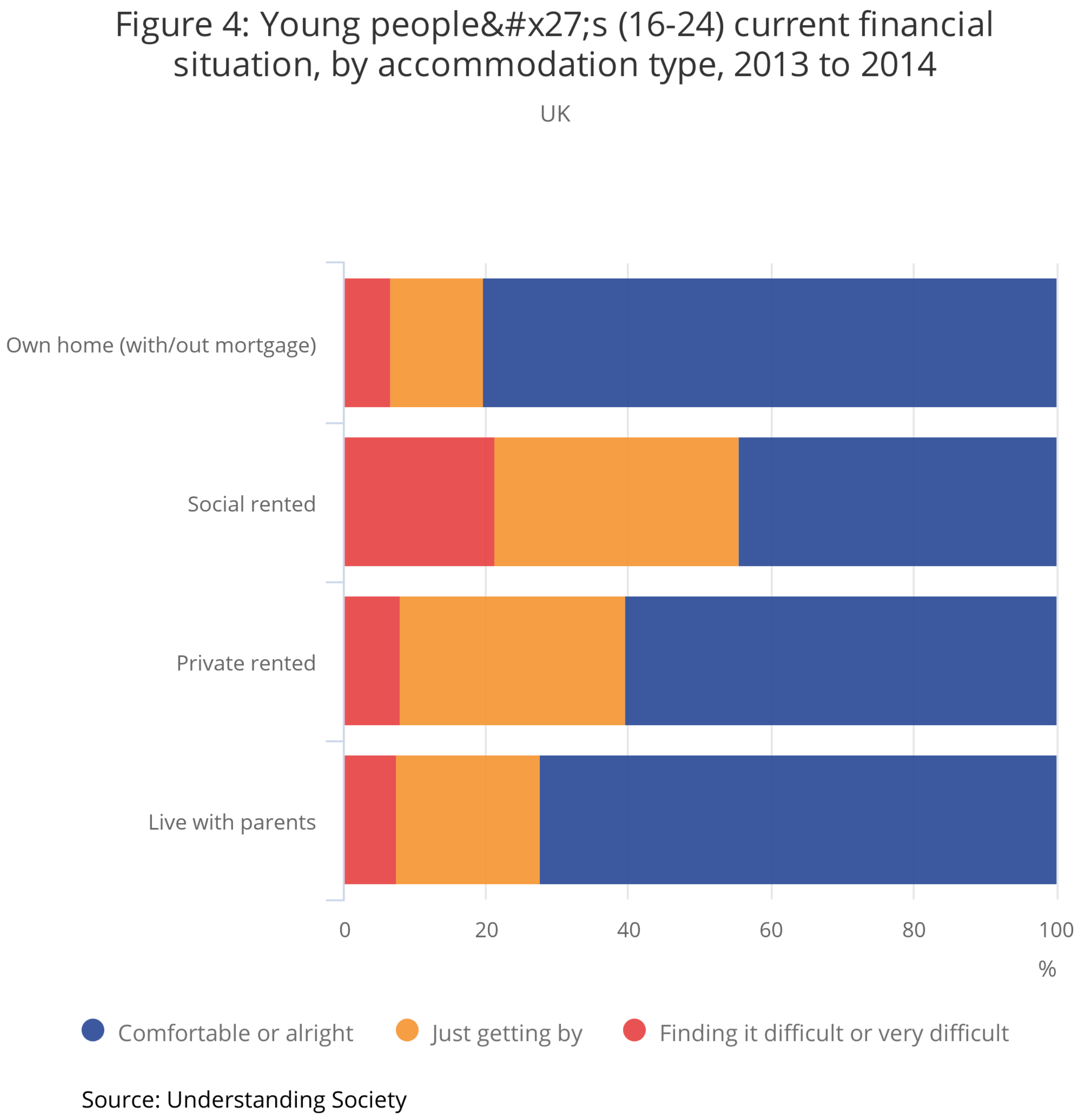
The Understanding Society data for 2013 to 2014 show there is no difference in self-reported financial well-being for young people who live with their parents, when compared with those who own their home. Among 16 to 24 year olds, living with parents is the most common accommodation type, although this declines with age. Data from the Understanding Society survey show that overall, around 84% of 16 to 24 year olds lived with their parents in 2013 to 2014. However, this figure is around 98% for 16 to 18 year olds and 86% for 19 to 21 year olds. Furthermore, figures from the Labour Force Survey show that in 2014, 24% of UK university undergraduates opted to stay at home living with parents whilst studying, compared with 12% in 1996.

The report on the Labour Force Survey looked more closely at young people aged 20 to 24 and revealed that nearly half of 20 to 24 year olds lived with their parents in 2015. However, of those 20 to 24 year olds who were householders in 2015, 91% were living in rented accommodation and only 9% owned their homes (either outright or with a mortgage or loan) in 2015, down from 30% in 1996.

The Understanding Society survey shows that young people (aged 16 to 24) who are renting are less likely to report being financially comfortable than those who own their property or who live with their parents. Figure 4 shows that around 44% of 16 to 24 year olds in social renting reported their current financial situation as comfortable and around 60% of young people in private renting did the same; this compares with 72% of young people who live with their parents and 80% who own their own home. Young people in social renting are most likely to rate their financial situation as difficult. Around 1 in 5 (21%) young people in social rental housing rated their current financial situation as difficult or very difficult compared with around 1 in 14 young people in other accommodation types (7% who own their own home, or live with parents; 8% who rent privately).

Figure 4: Young people's (16-24) current financial situation, by accommodation type, 2013 to 2014

UK



Source: Understanding Society

Young people’s satisfaction with household income or how well they think they will be financially in future does not differ by accommodation type.

Since 2011 to 2012, the proportion of young people who live with their parents reporting their current financial situation is comfortable has increased from 66% to 72%; there have been no changes for young people in other accommodation types.

6 . Are young people in different areas of the UK finding their financial situation harder than others?

Just as a young person's financial well-being is related to their employment situation and, in some cases, their accommodation type, where they live in the UK may also be related to their financial well-being. Country and regional variations in housing affordability, levels of income and employment opportunities and statuses might result in different levels of personal financial well-being.

Looking at each country and region's average scores for the measures of current and future financial situation in 2013 to 2014, there are some differences in young people's experiences. For both measures, a lower score is a better financial situation[1]. Table 1 details each country's and region's scores for both measures.

Table 1: Young people's current and future financial situation ratings (mean scores [1]), by country or region, UK, 2013 to 2014

UK

			Current financial situation		Future financial situation	
	Current financial situation[2]	Future financial situation[3]	Lower confidence limit	Upper confidence limit	Lower confidence limit	Upper confidence limit
North East	2.08	1.61	1.96	2.20	1.52	1.70
North West	2.04	1.60	1.96	2.12	1.54	1.65
Yorkshire and the Humber	2.13	1.54	2.04	2.23	1.48	1.60
East Midlands	2.10	1.55	2.01	2.20	1.49	1.61
West Midlands	2.02	1.62	1.93	2.10	1.56	1.68
East of England	2.16	1.72	2.07	2.25	1.65	1.78
London	2.23	1.60	2.15	2.31	1.55	1.65
South East	2.02	1.63	1.94	2.09	1.58	1.68
South West	1.98	1.75	1.89	2.07	1.68	1.82
Wales	2.13	1.64	2.01	2.24	1.56	1.72
Scotland	1.97	1.63	1.89	2.06	1.56	1.69
Northern Ireland	2.29	1.76	2.14	2.44	1.66	1.85
United Kingdom	2.09	1.63	2.06	2.12	1.61	1.65

Source: Understanding Society

Notes:

1. A lower score is a better financial situation

2. Current financial situation is scored on a 5-point scale, from 'Comfortable' to 'Very difficult'

3. Future financial situation is scored on a 3-point scale, 'Better', 'Same', 'Worse'

Young people in London were finding their current financial situation more difficult than their peers in some other areas, which may be related to housing being less affordable in many London boroughs. ONS housing summary statistics show that London boroughs consistently rank in the 30 least affordable areas of the UK for house prices and the highest 18 areas for private rent to salary ratio were London boroughs. Furthermore, a number of London boroughs are also in the 30 highest charging areas for social rent[2]. Young Londoners reported a higher average score (2.23) for their current financial situation than young people in the West Midlands (2.02), South East (2.02), South West (1.98) and Scotland (1.97). Looking at proportions, only around 64% of young Londoners rated their current financial situation as comfortable compared with 74% in the West Midlands, South East and South West and 73% in Scotland.

Young people in Northern Ireland also reported a higher average score (2.29) than those in the South West and Scotland, which may be related to low disposable income in the country. Around 63% of young people in Northern Ireland reported their current financial situation as comfortable. Gross disposable household income per head (GDHI) shows how much money all the individuals in the household sector have for spending or saving after taxes and benefits. In 2013, Northern Ireland had the lowest GDHI, with the average person having £14,347.

Looking to the future, young people in the South West are the most pessimistic, despite having the lowest unemployment rate for all persons aged 16 to 65 at 4.2%. Young people in the South West reported a higher average score (1.75) than those in the North West (1.60), Yorkshire and The Humber (1.54), the East Midlands (1.55) and London (1.60). Only 40% of young people in the South West reported that they thought their financial situation would be better in future, compared with 54% in the East Midlands and 53% in Yorkshire and The Humber.

Young people in the East of England and Northern Ireland also reported higher average scores (1.72 and 1.76 respectively) than young people in Yorkshire and The Humber and the East Midlands. Around 44% of young people in the East of England and 36% in Northern Ireland reported that they thought they would be better off in future. Young people in Yorkshire and The Humber and the East Midlands were the most optimistic about their future finances across the UK; these were the only regions where over half of young people thought they will be better off financially in future.

A table detailing the regional and country proportions for the two measures has been published in response to a user request.

Notes:

1. The 2 measures are: how well you are managing financially these days (on a 5-point scale from comfortable to very difficult); how you will be financially a year from now (on a 3-point scale, better/same /worse).

2. The geographical difference in social rent price does not necessarily indicate geographical inequality in the affordability of social renting.

7. Background notes

1. The personal well-being data analysed in this report was collected from the Annual Population Survey (APS) which is the largest constituent survey of the Integrated Household Survey. The sample size of the 12 month APS dataset is approximately 165,000 adults aged 16 and over (approximately 38,600 aged 16 to 24) and living in residential accommodation in the UK (England, Scotland, Wales and Northern Ireland). Data used are weighted to be representative of the population and to take account of the fact that responses made on behalf of other household members are not accepted. Personal Well-being in the UK provides more information about the methodology used to collect personal well-being data.

2. The Understanding Society survey is a unique and valuable academic study that captures important information every year about the social and economic circumstances and attitudes of people living in 40,000 UK households (around 6,300 respondents are aged 16 to 24). It also collects additional health information from around 20,000 of the people who take part. Information from the longitudinal survey is primarily used by academics, researchers and policymakers in their work, but the findings are of interest to

a much wider group of people. These include those working in the third sector, health practitioners, business, the media and the general public. The data in this analysis is from Waves 1 to 5 of the survey and has been weighted using the cross-sectional interview weights.

3. Throughout the bulletin, only statistically significant findings are commented on, unless otherwise stated. Estimates based on Wealth and Assets Survey data have not been tested for significance due to the complexity of the data, for example, use of imputed values and complex weighting.

4. Details of the policy governing the release of new data are available from the UK Statistics Authority.