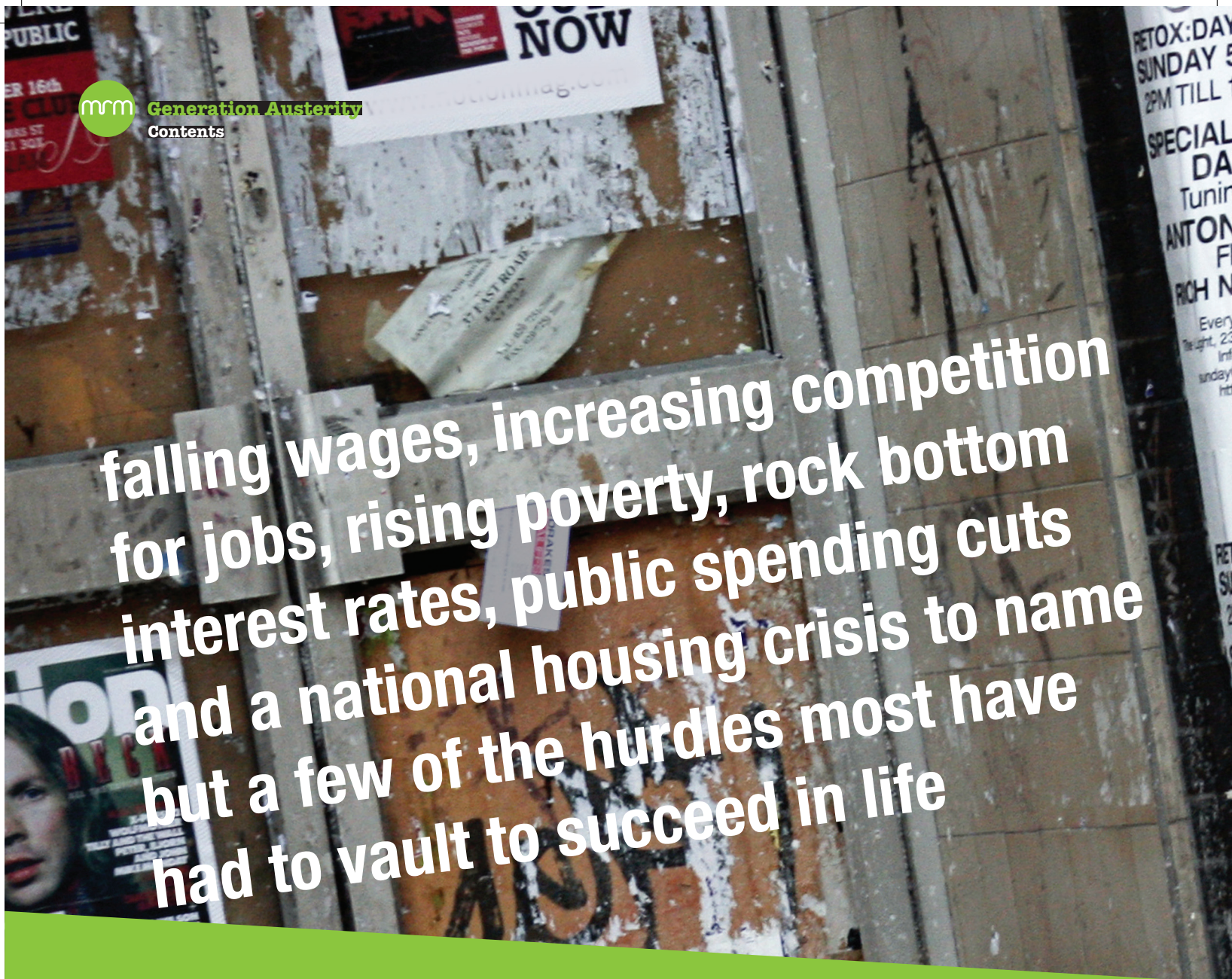


# Generation Austerity







falling wages, increasing competition  
for jobs, rising poverty, rock bottom  
interest rates, public spending cuts  
and a national housing crisis to name  
but a few of the hurdles most have  
had to vault to succeed in life

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# Executive Summary

As the UK emerges, blinking, from arguably the deepest economic crisis of the post-war era, the children of 'Generation Austerity' are beginning to surface. These young people – 20-29 year olds whom we will call 'Generation A' – have spent much, if not all, of their working lives in a climate of financial and political uncertainty. Most have known nothing other than a national drawing of the purse strings in their adult lives: falling wages, increasing competition for jobs, rising poverty, rock bottom interest rates, public spending cuts and a national housing crisis to name but a few of the hurdles most have had to vault to succeed in life.

## So how has this affected the perceptions, attitudes and beliefs about the world of the children of Generation A?

That is the question at the core of this study and the results of our research have been stark.

In essence, we discovered a highly conservative (with a small c) generation of

twentysomethings. Few would argue that young adults have traditionally been far more footloose and fancy-free than their parents and grandparents. Yet our study suggests that today's twentysomethings are, if anything, more anxious about the world than are older generations. The children of Generation A are less confident about their rights to help from the state and their entitlement to life opportunities than older adults. They feel less entitled to state hand-outs and help, like unemployment benefit and free education or healthcare. They also feel less likely to qualify for paid leave from work and are more pessimistic about job opportunities.

As our experts suggest, this could be a reaction to the fact that many of the national policy changes under the Government's austerity programme have happened at their expense, such as the introduction of university tuition fees, and changes to state benefits.





The bleak socio-economic landscape has also affected Generation A's attitude towards foreign nationals. Twentysomethings believe foreign people coming to live in the UK should be less entitled than British nationals to state services and benefits. There is a consensus that foreign nationals should not be allowed to benefit from rights that they themselves, and other UK nationals might not be entitled to.

Perhaps the proliferation of this type of attitude might seem obvious in times of economic hardship. Yet, our research revealed that the conservatism of Gen As runs deeper than their views about society and the economy. We uncovered lifestyle attitudes that smack of frugality and 'no frills'.

For example most of our twentysomethings were in favour of a 'back to brass tacks' approach from the financial services they used. Most wanted banks to strengthen their core offering, rather than innovate. Their top priorities were for branches to stay open later into the evening, and for banks to open more branches near to where they lived and worked. Low on their list of priorities were high-tech services, such as online video call centres.

So has half a decade of fiscal belt-tightening spawned a generation of social and economic conservatives? Is Generation A the first set of twentysomethings in history who are genuinely more conservative than their parents? Let us look into the issue.





**Generation Austerity**

**Chapter 1: No Sense of Entitlement**

# Chapter 1

**No Sense of  
Entitlement**





Young adults have often been accused of thinking 'the world owes them a living'. Yet if there is any age group who feels a sense of entitlement, it is most decidedly not Generation A. Our 20-29 year olds felt less entitled to basic rights than any other age group, flying in the face of any notion that they are the generation that is lazy or spoilt. Generation A emerged as the group which felt the least entitled to each one of a number of common UK rights our researchers discussed with them.

In contrast, a sense of entitlement increased amongst the participants in our survey the older they were, with entitlement peaking with the Baby Boomers (aged between 60-69) and those aged 70-79.

## WHAT SERVICES SHOULD BRITISH CITIZENS BE ENTITLED TO?

79% FREE EDUCATION

75% HEALTH CARE

71% EMPLOYMENT OPPORTUNITIES

57% TWO DAYS OFF WORK EVERY WEEK

53% UNEMPLOYMENT BENEFIT





## expert view

### Education

Today, nearly four in five (79%) twentysomethings feel British citizens should receive a free education at some stage in their lives. This figure increases to 82% for those between 30-39, and to 89% for those aged between 50-59. Those aged 70-79 feel most strongly that Britons should be entitled to free education – 90% of this age group agreed with this statement.

### Healthcare

The results are similar when we posed the question of whether British citizens should be entitled to free healthcare. While 75% of out twentysomethings agreed they should, the figure rose to 89% when we asked 60-69 year olds and 92% when the same question was put to 70-79 year olds.

### Employment

Despite being keen to get a foothold on the career ladder, only 71% of younger people felt that all British citizens of working age should be entitled to a job. To put this in context, those at and close to retirement age were more likely to believe this was a basic right: 76% of 60-69 year olds and 73% of 70-79 year olds agreed.

### Weekends off

And the sense of entitlement follows through to the workplace with only 57% of 20-29 year olds thinking that working adults should be entitled to weekends off work, every weekend. By comparison, 68% of 40-49 year olds and 70% of 50-59 year olds felt this was a right.

### Benefits

Generation A feels even less entitled to benefits than to other rights. 53% of 20-29 year olds felt that they were entitled to benefits if unemployed. Of those of working age, 68% of 50-59 year olds and 63% of 40-49 year olds felt entitled to benefits while looking for a job.

**Vivi Friedgut, a director at financial education company Blackbullion**

“Young people are conscious that the public purse is lighter and are therefore conforming to the new financial reality and the general consensus that we should be slightly more mindful of where public money is placed.”

**Dr Tim May, chief executive of the Wealth Management Association**

“This thought-provoking analysis presents a picture of a generation of young workers shaken out of traditional expectations by the global financial crisis. They are sceptical of the state's ability to support them in future and want a sound, reliable financial system to enable them to achieve their life goals. These findings present a clear challenge to wealth management firms to engage with Generation A, and to show them how a long-view investment strategy can help them to maximise their opportunities in life.”





# Chapter 2

# Immigration

**If Generation A is relatively opposed to the idea the State owes us a living, it is even less generous in its assessment of what foreign nationals in Britain are owed – or, indeed, could contribute. This is particularly significant as Generation A will increasingly occupy positions of influence and power as the UK's immigrant population grows and as greater numbers of nations join the EU enabling them to live and work in this country.**

Asked to consider the potential implications of immigration following the joining of five candidate countries to the EU, more than a third (37%) of 20-29 year olds thought that foreign nationals who come to live in the UK should not be at all entitled to benefits if they are unemployed.

More than a quarter (27%) of our twentysomethings thought that foreign nationals should not be allowed free healthcare. And nearly a quarter (24%) said people who come from abroad to live in the

UK should not be entitled to State-funded teaching. Given that many of the children of Generation A had missed out on a free university education, it was, perhaps, not a surprise.

Similarly, more than one in five 20-29 year olds (22%) felt that non-UK citizens should not be entitled to opportunities to get employment.

Our researchers found a general negativity among Generation A respondents at the prospect of immigration from the candidate countries.

Some 57% said they were worried about foreign nationals coming to the UK and taking their jobs, while 63% said they were worried about immigrants putting pressure on the welfare state.

Only 34% felt immigration from candidate EU countries could be good for the UK economy because of the skills and expertise the UK's new foreign residents would bring.





**“Given that foreign nationals bring with them cheap labour, longer working hours, et cetera, they do contribute to the economy and so I think that they are equally entitled to the same rights.”**

**MINITA VARGHESE, 23  
RESEARCH ASSOCIATE**







# "WHAT SERVICES SHOULD FOREIGN NATIONALS LIVING IN BRITAIN NOT BE ENTITLED TO?"

37% UNEMPLOYMENT BENEFITS

27% FREE HEALTHCARE

27% STATE-FUNDED EDUCATION

22% OPPORTUNITIES TO WORK



expert view

**Calum Fuller, journalist  
for Accountancy Age**


"Figures such as 26% of 20-29 year olds believing that foreign nationals who come to live in the UK are not at all entitled to two days paid leave from work weekly and 27% of 20-29 year olds thinking that foreign nationals should not be allowed free health care suggests a strong element of xenophobia. Resentment has never fostered strong and sustained economic growth or political stability, and it is a situation that ought to be monitored closely."





# Chapter 3

# The Financial Crisis and Generation A's Personal Finances



**"I'm very basic with my banking and all of the in-depth more detailed stuff goes completely over my head because it's never been explained to me in a simple enough way for me to understand life"**

**DANIEL WATKINS, 26  
VISITOR SERVICES  
CO-ORDINATOR AT A  
TOURIST ATTRACTION**





When it comes to banking, pensions and savings, the same thread of conservatism appears to flow through the thinking of the children of Generation A.

## Banking

Following the worst economic crisis since the 1930s, 20-29 year olds desire traditional and core services, with high street bank branches particularly important to them, despite the ubiquity of online banking in today's digital world.

Nearly six in 10 (59%) of our twentysomethings thought it was very important for bank branches to stay open into the evening and 40% thought it important to have more branches near where they lived or worked.

When asked about technology-related services, enthusiasm began to wane: four in 10 thought banks should provide free WiFi, internet stations or iPad stations in branches, while a third (33%) thought it was important for banks to be able to provide a text queuing system. Just three in 10 (30%) thought banks should provide private online video call centres or Skype meetings so they could discuss financial queries with their bank online. Meanwhile, only 26% thought banks should provide video cash machines in branches.

## Pensions

Again, conservatism, frugality and austerity rule the motivations of our Generation A group when they think about their financial futures. We asked them about the idea of a work salary saving scheme, in which an employer keeps back part of an employee's salary each month to give back to them in a lump sum when they leave. If you were to be part of such a saving scheme, we asked our twentysomethings, how much of your monthly salary would you be willing to sacrifice per month? Nearly six in 10 (59%) said they would join such a scheme – equal to, or more than, the proportion in any other equivalent age group – with some 41% saying they'd be prepared to save more than 2% of their salary.

**"I think it's important that banks tailor their opening hours more to the 21st century, and that they are able to deal with the ebb and flow of 'normal' life"**

**BEN PARKINSON, 24  
COPYWRITER AND  
BLOGGER**

## Savings

The children of Generation A are under no illusion that they will need cash – and lots of it – in the future. We asked our twentysomethings how much, in today's money, they thought they'd need on an annual basis to fund their retirements. The average answer was a whopping £42,149, nearly four times the £12,115 salary equivalent of the national minimum wage. Similarly, we gave them a range of options for what they would do if they suddenly came by £1,000 (save it, pay off debts, give it to charity, spend on a party, cosmetic surgery or none of the above). A resounding 45% of 20-29 year olds said they would save the money.

With house prices currently rising at their fastest rate since before the 2007 bubble burst and mortgages still hard to find, Generation A truly understands the need to save for a deposit on a home. Offered a range of options for their number one saving priority, the clear leader was "a house or flat" with more than a third (37%) choosing this option.







expert  
view

**"WHAT  
IS THE MOST  
IMPORTANT THING  
FOR YOU TO  
SAVE FOR  
RIGHT NOW?"**

**UK AVERAGE:**

**20-29 YEAR OLDS:**

UK AVERAGE:

**14%** A HOUSE  
OR FLAT

20-29 YEAR OLDS:

**37%** A HOUSE  
OR FLAT

UK AVERAGE:

**33%** A HOLIDAY

20-29 YEAR OLDS:

**24%** A HOLIDAY

UK AVERAGE:

**23%** AM NOT (OR CANNOT)  
SAVE RIGHT NOW

20-29 YEAR OLDS:

**24%** AM NOT (OR CANNOT)  
SAVE RIGHT NOW

UK AVERAGE:

**7%** CHRISTMAS

20-29 YEAR OLDS:

**7%** CHRISTMAS

UK AVERAGE:

**22%** RETIREMENT

20-29 YEAR OLDS:

**3%** RETIREMENT

UK AVERAGE:

**2%** GOING OUT  
WITH FRIENDS

20-29 YEAR OLDS:

**5%** GOING OUT  
WITH FRIENDS

Vivi Friedgut, Blackbullion

"With banking scandals and high levels of consumer distrust, it is not surprising that we are seeing a back-to-basics attitude towards banking and finances in general when coupled with a low level of product knowledge will have significant repercussions – giving Generation Austerity an outlook, and behaviour patterns, which make long-term financial security difficult.

"This has negative repercussions on an individual and a national level. The industry must be more transparent and forthright and we must raise national levels of financial capability across all age groups. Greater financial knowledge and confidence will give Generation Austerity maximum opportunity for long financial security."

Calum Fuller, Accountancy Age

"Banks need to strengthen their core offering, particularly after losing sight of their primary purpose ahead of – and to some extent during – the economic crisis of the last five or six years. Since many of those attempts to innovate backfired, Gen As can be forgiven for their conservatism. In particular, I agree strongly with the suggestion that banks should open later and on longer hours over weekends. I work 9-5 from Monday to Friday – essentially the hours my bank is open, making it quite difficult for me to visit a branch and get things done. While I can do much of my banking online, I still prefer dealing with staff."

George Littlejohn, Senior Adviser, Chartered Institute for Securities & Investment

"This report is fascinating and troubling in equal measure. 'Generation A' faces a tough time, certainly by comparison with the baby-boomers. This lucky latter group were encouraged from their early working lives to convert income into savings – mostly through pensions – to provide for later years. Now that income is no longer the 'right' it once seemed to be in the boom years for 20-somethings, the focus may be shifting for GenA to build their human as opposed to financial capital in the short term – a recognition that their ability to generate earnings from their labours is a key asset on their "balance sheets." Skills are a key element in the development of that capital, building on the knowledge they have gained at school and university."





# Conclusion

Frugal, self-sufficient, realistic (perhaps even pessimistic) and, most of all, conservative – these are certainly not adjectives traditionally lavished on young men and women in the first flushes of young adulthood.

Yet, in the second decade of the 21st century, we appear to be witnessing the emergence of a new kind of twentysomething – one who has been on the receiving end of around five years of economic misery.

This Generation Austerity report suggests today's young adults are cautiously aware of the limitations of the welfare state, suspicious of economic migration and determined to get on the housing market. They seem to reject the buy-now-pay-later culture of the Baby Boomers and want to see a return to traditional financial services.

As some of our experts say, who can blame Generation Austerity for its social and economic conservatism? After spending the first years of their adult lives seeing a continual trimming of the public fat, they are bound to be less care-free, more concerned.

Yet, there is a powerful ray of sunshine in all this gloom. If our young adults are more aware of the need to save and plan, if they are more suspicious of the boom and bust that led us to a near catastrophic downturn, then we will surely be in safer hands as they grow older and take positions of power as the next generation of young adults emerges.





# Our Experts

## Vivi Friedgut, Blackbullion

Vivi Friedgut is the Founder of Blackbullion, empowering people with the skills to master their money. With a career background in the private banking industry, Vivi has experience managing the financial assets of extraordinarily wealthy individuals – but now brings that personal finance expertise to benefit people in schools, universities, corporates and the public sector.



Vivi Friedgut



Tim May



George Littlejohn

## Tim May, Chief Executive of the Wealth Management Association

Tim joined the Wealth Management Association as Chief Executive in November 2010, having been a co-opted board member for 11 years. Tim began his career as a teacher in 1976 and in 1979 began a career in the City with Chemical Bank. This was followed by seven years with Citicorp on the Retail Banking side and spanned activities in Systems, Personnel and Operations, with a final role as Chief of Staff at the Stockbroker Scrimgeour Vickers Asset Management.

## George Littlejohn, Senior Adviser, the Chartered Institute of Securities and Investments (CISI)

George Littlejohn qualified as a chartered accountant with Pricewaterhouse Coopers in London before becoming a journalist with The Economist. He is Senior Adviser to the Chartered Institute for Securities & Investment (CISI), the leading global professional body in the investment field, focusing on its London continuing professional development programme and on new financial clusters round the world, notably in Moscow. He also advises the Institute and others on the development of conferences and seminars.

## Methodology

2,042 UK adults were surveyed by ICM between 24 and 26 May 2013. Contents of this report are based on a nationally representative sample of 335 young people in the UK aged between 20 and 29.

## About MRM

MRM is an award-winning communications consultancy specialising in the financial services sector. With headquarters in Covent Garden, London, our clients include some of the most respected brands operating in and around the financial services sector.





**FOR MORE INFORMATION**

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