

A MILLENNIAL MANIFESTO

Twelve ideas to help government win over young voters

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INTRODUCTION

Several analysts have pointed to what they perceive as unfair treatment of young people in the UK relative to how the population in general is treated. The feeling that insufficient attention is paid to the problems and difficulties they face is reportedly widespread among young people themselves. Some opinion polls have suggested that dissatisfaction among young voters was one of the reasons why the government lost ground in the 2017 General Election, instead of improving their position as they had been widely predicted to do.

Commentators point to the triple lock that state pensioners enjoy, with the promise that their pensions will rise with inflation as measured by the Retail Price Index, or with the growth in average wages, or at 2.5 percent, whichever of these three values is the greatest. They contrast this with the sluggish growth since the Financial Crisis in the wages that non-pensioners have to live on. Indeed, some groups of workers have seen their spending power decline as wage increases have been outstripped by inflation's price increases.

It has been regarded as a truism by politicians that the older age groups are more likely to vote than their younger counterparts, and that there are also more of them. This has given older people more political clout than that exercised by young people, and is reckoned by some to have caused politicians to pay more attention to the problems and needs of the old than to those of the young. It is a common complaint that 'the young are being heavily taxed to provide benefits for the old.' And it is true that tax-supported services are in general used more by the old than by the young.

Pensioners receive free travel passes and a winter fuel allowance; the young do not. While young people under 25 can buy a railcard to cut their train costs by a third, senior citizens can enjoy the same privilege, often for a longer period. Institutions that offer discounts to young patrons usually offer similar discounts to senior citizens. It really does seem to young people that any perks and privileges available to them pale into insignificance compared to those on offer to the elderly. Many of those who say they speak for the young claim that society is tilted against them.

A large part of the problem is that young people do not have the earning power that older people do. Nearly all students take out loans to finance their university fees and living costs while at university. Those starting their first jobs are lacking in experience and skills, and start on low wages. Those on minimum wage find that it is lower for young people under 25.

Despite their low earning power they have to pay taxes. Those above the lower tax threshold currently set at £11,500 per annum pay 20 percent on income above that. Someone on £21,500 a year, well below the current average salary of £27,000, will have to pay a 20 percent income tax on the £10,000 that is above the threshold. This takes £2,000 from them.

Furthermore, the threshold for National Insurance (NI) is set even lower, currently at £8,164 per year. They have to pay 12 percent NI on all earnings above that figure. For a person on that £21,500 a year, this will take a further £1,600 from their earnings in National Insurance. Thus, of their nominal pay of £21,500, they only take home £17,900 by the time the state has taken its cut. And this ignores the fact, well known to economists, that the so-called employer NI contribution of 13.8 percent is in fact taken from the wage pool that would otherwise be available to be paid in wages.

It is not only taxes on their incomes that impact upon young people with low earning power. They pay 20 percent VAT on the things they buy such as clothes or consumer goods including electronics. They pay excise duty on alcohol if they drink, and on tobacco if they smoke. They pay Air Passenger Duty (formerly known as Airport Tax) when they travel by air, and the UK levies it at the highest rate in the world.

In short, many young people on low incomes are taxed at every turn, and few make substantial use of the services these taxes are supposed to pay for. What this suggests is that the state takes too large a toll of the low earners. Young people, most of whom do not have enough money to even barely get by, are being impoverished by the demands the state makes of them.

RECOGNIZING THE PROBLEMS FACED BY THE YOUNG

Young people seem to want to do the things that for decades have been part of young people's way of life, with the added possibilities and opportunities that modern technology and new developments make possible. Most of them want to socialize with friends, both in person and on social media, to enjoy music and travel, perhaps to work abroad for a spell. Some want to engage with friends in recreational pursuits such as sporting activities. Many enjoy attending concerts, or simply hanging out with their peers over a few drinks.

Many of them want to add to their educational and vocational qualifications to be in line for a rewarding and fulfilling career as adults. Many want to own their own

home at some stage, preferably in places where they want to live, and in places that are attractive and safe to live in.

All of these things cost money to some degree, and therefore young people are constrained in their enjoyment of such things by a lack of funds. In some cases they face the problem of a shortage of supply; this is especially true in the case of housing. They face house prices that have been made artificially high by constraints upon building, and most of them cannot, on modest means, accumulate the sum required for a deposit on a mortgage. This is one reason why home ownership among the young has plunged.

Recognition of the problems that young people face is a first step; introducing measures to meet some of those problems head on and diminish their impact is a second one. There is a series of policy changes that government might bring in to improve the opportunities open to young people, and to diminish some of the burdens that fall upon them. We explain twelve of these below:

1. MENTAL HEALTH

Most young people do not need to make extensive use of NHS facilities. Except for people who are disabled, or have the misfortune to suffer serious illness or accidents, the young are among the healthiest groups in the population. It is older people who incur conditions that require NHS treatment. The one exception is mental health. Mental illness is a condition that does impact on many young people, causing great distress and constraining life and its enjoyment.

Mental health has not enjoyed the same degree of attention that has been given to other illnesses. It is less visible than many other forms of illness, and there has been an unfortunate tendency on the part of some to treat it as if it were the sufferer's own fault, denoting some degree of lack of character or self-control.

Young people, in particular, would be helped if mental illness were to be accorded the status and the resources available to other illnesses. This would greatly help to get rid of any stigma attached to it, and help young people to realize that help is available, and that their condition can be treated with the support of trained helpers. It would become the norm for those suffering from depression or low self-worth to seek and receive expert assistance that could aid them towards recovery.

2. MORE HOUSES

Most young people are priced out of the housing market because there are not enough houses on the market, and there are not enough houses because there is insufficient land with planning permission to build upon. Government should devolve to each local authority the power to buy land within it or adjacent to it, and give them the power to grant planning permission and sell it for housing development. In effect this policy would devolve the green belt down from being a policy of national control to one in which each local authority exercised jurisdiction over the part of it within its area.

For environmental reasons, government should exempt verdant land (woods and meadows) from this policy. Even with the exclusion of verdant land, this would release sufficient land for 1 million new homes to be built, mostly at the edges of towns and cities, which is where people want them. This would make housing more available and more affordable, bringing more of it within range of what young people might afford. This would put home-ownership among the choices open to young people.

Given the price difference between land without planning permission and that which has planning permission (sometimes one hundred-fold), this would have the added advantage of bringing a huge cash stream into government without the need to increase taxation on the current generation or to borrow from the future generations. That it would do so while doing much to make home ownership accessible to the young makes it politically feasible as well as desirable.

3. HELPING GENERATION RENT

Young people who choose to rent accommodation, or who have no alternative but to do so, face a variety of problems. The cost can be a very high proportion of their earnings. The decision to abolish agents' letting fees may help, and if many more houses are built as suggested above, the increase in supply will ease demand pressure and help keep costs of rentals down as well as house prices.

Rent controls are not the answer. Indeed, they are the opposite of the answer. Unable to charge market rents leads to properties being withdrawn from the market. And the inability to charge economic rents leads some landlords to economize on repairs and maintenance, leading to rapid deterioration of property. The Swedish economist Assar Lindbeck wrote, "In many cases rent control appears to be the most efficient technique presently known to destroy a city - except for bombing." Cities which have tried rent control have suffered in consequence. It wins the support of current tenants at the expense of future ones and removes the incentive to keep lets in good condition.

In addition to high rental costs, many young people also face the problem of insecurity. Many tenants have to leave after a year, and the continual moving house undoubtedly imposes a stress on them. Landlords are naturally wary of any leases that might establish permanent security of tenure or the right to force them to sell the property to tenants.

A solution might be to introduce 3-year leases, with an Act passed that specifically exempted landlords who used them being made liable to further security of tenure or of being forced to sell the property. This would give tenants the security of not having to move as each year's lease expired, and it would give landlords the security of being able to stick with known and trusted tenants without prejudice to their property. Properties do not earn landlords any money in the period between tenancies, so the measure to allow longer-term lets would benefit them financially.

Many young people would like to finance stays overseas by working full or part time to earn money to help them do so. Currently there are regulations in place designed to protect domestic labour in many countries that prevent them doing so. Work permits or visas are usually required, and even where these can be obtained, the process is frequently both costly and time-consuming.

Young Britons would like to be able to work for periods in other countries, particularly in English-speaking ones where they would not be at an employment disadvantage. This covers several categories of employment, ranging from casual work in bars and restaurants up to software design and high-tech industries. It is also the case that young people in other English-speaking countries would like to live and work in the UK for a period. An exchange would be to mutual advantage.

The government should seek to reach agreement with Canada, Australia and New Zealand, and if possible the United States, so that young people under the age of 30 would be allowed to stay and work in each other's countries for up to 2 years without the need for work permits or visas. This 'freedom of movement' for young people in the above English-speaking countries would enable young people to gain valuable work experience as well as learning about each other's cultures.

The US would be concerned about security, but this might be covered by the already existing requirement for an ESTA (Electronic System for Travel Authorization) for visitors there. An agreement between governments would simply add the right to work for up to 2 years for under 30s without the need for a work permit.

Ideally the governments of these countries would accept this for young citizens of each of the others, but it could start by the UK making individual deals with each of them, and encouraging them to reach similar deals with each other. After the system has been in place and observations have been made about how it works in practice, it might subsequently be extended to include young people of selected other countries.

5. COST OF TRAVEL

Air Passenger Duty (APD) adds significantly to the cost of air travel. From April 2017 it is levied at a rate of £13 for flights below 2,000 miles in the cheapest class, and £26 for such flights in other classes. For flights of over 2,000 miles it is levied at £75 in the cheapest class, and £150 for other classes. This is charged for each leg, so a return flight would see it doubled. It is included in the cost of a ticket, increasing it substantially in many cases. It is the world's highest airport departure tax, and is currently charged on everyone over 16.

Even though they mostly have low earning power, foreign travel is an important part of the lives of many young people. They like to travel for brief visits to other countries with friends, or sometimes to meet friends in other countries. It helps to enrich their experiences and to expand their horizons.

The cost of air transport has been coming down over the years in terms of the number of working hours it takes to buy a ticket, but the APD has made it more costly and more difficult for young people on low incomes. The government should raise the age limit to 30, not charging it for passengers under that age.

The ostensible reason for the tax, namely to reduce emissions and aid the environment, was never very plausible. As newer aircraft have become more fuel efficient, the tax might have been reduced accordingly, but it has increased instead, showing that it is there to bring in revenue rather than to aid the environment.

Government should aid young people in their desire to visit other countries and learn about them by exempting them from this tax. It is unlikely that young people who pay the APD contribute much to the Treasury, so the cost of exempting them from it would not be large. It would, however, enhance their lives and make a significant difference to their opportunities.

6. RESHAPING STUDENT LOANS

Students in England borrow money from the Student Loans Company in order to finance their university education. The average student in England leaves university with over £50,000 of debt. Even before graduation, some £5,800 has been added in interest to the principal sum.

The 2017 General Election saw Jeremy Corbyn promise free university education and cancellation of student debt. This was retracted after the election when the costs were examined, and reduced to “an ambition.” Commentators claim that the election promise mobilized students to vote Labour because they wanted a free education.

It seems inappropriate that those already better intellectually equipped and destined for higher lifetime salaries should be funded at the expense of those who are less fortunate and will earn less. Nonetheless, the English system seems to have achieved a very bad perception, in that students feel the burden of such debt even as they start their working lives.

Government could reduce the pressures on them by moving to a system of higher education finance more like that used in Australia. Fees there are paid by the Higher Education Contribution Scheme and recovered from the graduates when they achieve a sufficiently high salary. Universities are allowed to charge different fees for different courses, in that some are more costly to provide.

Higher Education in England could be similarly financed, without students feeling the burden of debt, through a graduate tax surcharge. It might be levied at 5 percent of salary deducted at source when the graduate is earning over £22,500, and 8 percent when salary tops £30,000. As in Australia, there would be no interest charged, but the amount would be indexed up each year in line with inflation. This way students do not feel as though they’re taking on large debts while they are studying, but still end up paying back taxpayers for their investment.

It is worth noting that the default rate in Australia is 17 percent, compared to England's 45 percent, and that the average Australian student repays the cost of their education within 8 years. The change to such a system could achieve similar results in England. It could also considerably reduce the stress of what is currently perceived as a burden of debt upon students.

7. SHORTER UNIVERSITY COURSES

Another method of reducing the education costs that graduates will ultimately have to repay through a graduate tax surcharge would be to take a leaf out of the University of Buckingham's book. Buckingham pioneered the introduction of two-year degrees by adding an extra term in the summer. Students could fit in as much teaching and study as a more conventional three-year degree, but could fit it into two years by foregoing the summer vacations.

Other universities could be given incentives to offer similar opportunities. The advantages are that only two years of tuition costs are incurred, rather than three, and the graduate will be able to enter the job market a year earlier than they might otherwise, bringing a year's extra earnings if they wish, and an earlier start on the promotion ladder.

Universities that chose to offer this option might further emulate Buckingham by adding a graduate year, allowing students to gain a bachelor's and a master's degree within three years if they wish to. Those who took this option would join the job market with a postgraduate degree, giving them an advantage over their contemporaries who did a conventional three-year bachelor's degree.

Not everyone would favour such an option. Some would argue that the summer vacations provide the opportunity for internships, which are becoming increasingly essential to gaining entry to a good job after graduation. Others point to the mind-broadening travel opportunities that summer vacations offer. And some would suggest that the process of growing up and finding oneself at university can best be done at a more leisured pace than a two-year degree allows.

On the other hand, the shorter course means there is less to repay through a subsequent graduate tax surcharge, and determined students will probably find a way to fit internships into the shorter vacations. The point of making such course available is that they give potential students more options and more choices.

8. THE NATIONAL INSURANCE BURDEN

HMRC takes 20 percent of earnings above £11,500 per year, which constitutes quite a burden on young people with as yet low earning power. An additional burden is imposed by the need to pay National Insurance at 12 percent on all earnings above £8,164 per year. The reason the threshold is lower is an anomaly that comes from the pretence that this is an insurance premium. When it was first introduced,

National Insurance was presented as if it were a state version of a private insurance policy.

Even though the pretence is now widely disregarded, and it is recognized as a tax, and an employment tax at that, it still has a different name and is calculated on a different basis. This is why the threshold is different. Its 12 percent is levied on some low earners who make less than the £11,500 tax-free allowance.

It comes as quite a shock to many young people starting out in relatively low-paid jobs to receive their first pay-slip and see how much the state has taken from their already meagre wage packet. There are two things the government should do to rectify this.

The first is to finally abandon the pretence that this is some kind of insurance. Governments have been reluctant to merge it into income tax because they fear the reaction when people understand that the basic rate is not 20 percent as advertised, but 32 percent. It is more than that if the so-called “employer contribution” to NI is recognized as a further payment from the employee out of wages they would have received. The government could circumvent this embarrassment by calling it an employment tax, imposed in addition to income tax, but calculated on the same basis. This would mean raising the threshold above which it is levied to £11,500, and raised in line with any future increases in the income tax threshold.

The second thing they could do would be to recognize the problems faced by young people starting out on low wages, and levy it at a lower rate on those aged under 25. Instead of charging them 12 percent, they could introduce a ‘youth band’ at 8 percent. For a young person earning £21,500 per year, this would represent a saving to them of £533, or more than £10 a week. For a person on low earnings, this constitutes an important difference.

9. RECREATIONAL DRUGS

Many young people take recreational drugs. Occasionally some of them smoke a cannabis spliff with friends. Many of them pop an ecstasy tablet to help them enjoy late night dancing at a club. Some of them try amphetamines or snort a line of cocaine. Consumption of any of these drugs is currently against the law. Indeed, two of them, ecstasy and cocaine, are class A drugs with severe penalties attached to their use.

The policy of prohibition, penalties and punishment has clearly not succeeded in eradicating their use. What it has done is to put many young people into conflict with the law. They regard the police as enemies who try to apprehend and punish them for what they regard as innocent pleasures. These drugs obviously have some negative effects on health, but so do nicotine and alcohol, both legal drugs. It is disputed whether they are any more harmful than tobacco and alcohol, or indeed, any more addictive.

If these recreational drugs were legalized, young people would be brought back into the framework of society, instead of feeling it is out to oppress them and spoil their pleasures. It would enable quality controls to be established so that young people could be assured that what they were taking was what they expected it to be, instead of being adulterated, perhaps with toxins, or supplied in unregulated massive overdoses.

Medical help and advice could be sought without fear of prosecution. Recreational drugs could be sold by licensed traders who had to adhere to strict regulatory guidelines. What is currently dangerous to young people could become safe. The government could even tax them, as it taxes tobacco and alcohol, raking in a tidy revenue, no doubt, from the proceeds.

Crucially, with such drugs made legal, there would be no network of illegal suppliers and dealers carving out street territories in criminal gangs. Young people would no longer murder and maim each other in turf wars to control local drug markets because there would no longer be any money at stake. Young people would not have to break the law to obtain supplies, and legalization would remove the criminal rewards. This would save police time and prison space, enabling more serious crimes to be pursued and punished instead.

Legalization of recreational drugs would thus benefit society as a whole as well as making the lives of the young people who wanted to use them both easier and safer.

10. COUNCIL TAX

Many young people who move into rented accommodation in towns and cities after securing their first job find that in addition to rent levels much higher than they expected, they are faced with a hefty bill for council tax. For those renting property the tenant will have to pay if they have a fixed-term tenancy or lease for six months or more. This applies to everyone over 18. For multiple occupancy accommodation, where tenants might rent separate bedrooms but share some common facilities such as bathroom and kitchen, the landlord will pay the council tax, but will almost always factor this into the rent charged to the tenants.

Council tax is by no means insignificant. In 2017 the average in the UK was just under £1,600 for a band D property, so a couple renting such a place between them would be jointly liable for the council tax at £800 each. This average conceals wide variation between different localities. It is generally, but not always, the case that desirable places have high council taxes.

Young people do not, on the whole, make the same demand on local services as older people do. They put our garbage to be collected, they have their streets swept and their potholes filled, but they tend to make fewer demands on council social services as older people or families with young children do.

There are exemptions for fulltime students or people on apprenticeships or approved trainee schemes, but young people in work will generally be liable. A young

person who is not a student, sharing accommodation with a fulltime student, for example, will have to pay the whole council tax for the property because the student is exempt.

Life could be made easier for young people if there were to be introduced a council tax discount for those under 25 years of age. They might receive a 50 percent discount. This would give young people starting out time to build up their earning power for a few years before they became liable for council tax at the full rate. There are already discounts available, often for people living alone, or for a property which is not a fulltime residence, so the addition of a discount for under 25s would not be difficult to implement. All that would be required is proof of age from passport or birth certificate or other approved document.

This might be funded by increases for those over 25, who will usually have higher earning power, or by a grant from central government. It would make a big difference, however, to young people on the margins, struggling to make their way in a first-time job in the city.

11. PAYING FOR SOCIAL CARE

The government discovered in the recent election what could easily have been predicted: that older people do not like the idea that a significant part of the value of their home will be confiscated after their death to pay for any social care they have needed, rather than passed on to their children or heirs.

There are indications, too, that young people do not like the idea that they must accept a lower standard of living in order that their taxes can fund benefits, including social care, for the elderly. Given that someone has to pay for social care if it is to be provided, and that it is a fantasy to suppose that this can be borne by “business” without damaging the economy and its potential to provide jobs and growth for the future, a possible solution adopted by several countries is that people should pay for their own future needs while they can afford to do so.

Since about one in ten are estimated to need future social care, this is eminently insurable. As other countries have discovered, the insurance has to be mandatory to prevent people opting out if they think they might not need it. Other countries, including the Netherlands and Japan, have compulsory social insurance systems to fund future care needs.

The UK government should institute a requirement that people aged 30 and over should take out social cover from a group of approved, but competing, private insurers. Its own role would be to assist with the premiums on a needs basis for those unable to manage it themselves.

This move would solve the problem of paying for social care without putting too great a burden on those starting out on the earning ladder. People over 30 will generally be earning more than their younger counterparts and better able to afford the

premiums. With decades of payments before the estimated 10 percent will need social care, the premiums could be quite low.

This measure would go some way towards redressing what commentators have termed the imbalance between young and old in terms of benefits and payments. Older people would have the security of knowing their future care needs would be covered without part of the value of their homes being taken away. And young people would be relieved of part of the tax burden that pays for the care of the elderly.

12. RICHER PEOPLE, NOT YOUNG PEOPLE, PAYING MORE OF TOTAL INCOME TAX

When the American gangster Willie Sutton was asked why he robbed banks, he replied in puzzlement, “Because that’s where the money is.” Similarly with taxation governments tax the rich more because they have more. It seems just to most people that the rich should contribute the largest share of the total tax take, while those less well-off should contribute the least. And young people, featuring among the low earners, should pay a smaller share of the total than should the better off.

Famously in the 1980s tax cuts, whereas the top 10 percent were paying 35 percent of total income tax when the top rate was 60 percent, their share went up to 48 percent shortly after the top rate went down to 40 percent. In other words, they had been paying just over one third of the total and were now paying just under half. It was one object lesson among many that raising top tax rates does not necessarily mean that high earners will pay more of the total, while lowering top rates can mean high earners paying a bigger share.

The well-to-do already pay the largest share of income tax. Currently the top 1 percent of earners contribute 27 percent of the total. In 1979 when the top rate was 83 percent (and 98 percent on investment income), their share was only 11 percent. The top 10 percent of earners currently pay 59 percent of total income tax, while the bottom half of earners pay less than 10 percent between them.

The record strongly suggests that lowering top tax rates can lead to the rich paying a higher proportion of total income taxes. The reasons are probably that lower rates make it less rewarding to use legal shelters to avoid them, while they also make it more rewarding to do more work and to expand businesses. The lower rates also yield more because they broaden the tax base.

If income tax rates were set at a figure designed to have the rich paying an even higher share of the total, it would take the pressure from low-earning young people and make it possible to reduce their income tax burden. There is an argument to be made and won here, because lowering tax rates looks at first glance like helping the rich. Government could do it on a trial basis, promising to reverse it after two or three years if it did not result in high earners paying more of the total.

A similar picture can be seen with Corporation Tax. Receipts from it are now at a record high despite the rate falling from 30 percent in 2008 to 19 percent today.

The Exchequer is taking in over £10bn more money at the lower rate than it did at the high rate.

The pattern is essentially the same as for income tax: it is that lower rates make business activity more worthwhile, so more of it happens. The broadening of the tax base is also helped by the fact that lower Corporation Tax rates make the UK a more attractive place for foreigners to do business.

Some call for higher tax rates and glibly promise where the “additional revenues” will be spent. This is fantasy because there will be no “additional revenues.” Government should instead consider lowering the top rate of income tax and the Corporation Tax rate to levels that will ensure that top earners and businesses will pay a higher share of the total tax take. This will mean that low earners, including many of the young, will be paying a smaller share.

CONCLUSION

The initiatives outlined in this paper are all ones which could make life easier for young people struggling to get by on low earning power. They do so not by lavishing out promised goodies funded at the expense of future generations, but by the targeted removal, or at least lowering, of some of the burdens and costs young people in particular face.

Some of these measures would cost the Treasury some tax yield, others would not. The argument is that young people with low earning power currently bear a greater burden they should in fairness be bearing. If taxes have to be raised from others, or better yet, if government could manage to make itself cost less, it would redress some of the current age imbalance.

Taken together these proposals constitute a manifesto for young people that could enhance their lives and the opportunities available to them.