Young people and social security

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YOUNG PEOPLE AND SOCIAL SECURITY: AN INTERNATIONAL REVIEW

Young people's transition to adulthood has lengthened with increased participation in education and changes in labour markets. Successive UK governments have reduced young people's social security entitlements, and there are plans to limit them further. How does social security work for young people in other countries? This study compares the UK's social security entitlements for young people with five other countries: Australia, Denmark, Germany, Sweden and the USA.

Key points

- Young people in the UK have comparatively low participation rates in education and the highest levels of not being in employment, education or training.
- In the UK, USA and Denmark, more than 20 per cent of 18 to 25 year olds live in poverty.
- More than 70 per cent of German 20 to 24 year olds live with their parents, compared with 50–60 per cent in the USA and UK, 30–40 per cent in Sweden and below 20 per cent in Denmark.
- Apart from in Denmark, fewer than 10 per cent of young people aged 16 to 29 receive unemployment or disability benefits. However, many more live in households that receive state support, most commonly family allowances.
- In Germany's familial policy, parents are responsible for their children until the age of 25. Full social security entitlement is available only to young people who have to leave home.
- Sweden has an autonomous policy whereby young people enjoy full social security rights by the age of 21.
- The UK and Denmark operate a hybrid approach with a gap between the end of parental responsibility and attaining full social security rights.
- While the UK limits help with housing costs to young people, Sweden provides additional support to those aged under 29.

The research
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BACKGROUND

Over the past 25 years, social security entitlements for young people in the UK have been reduced, while recent evidence suggests that young people have experienced rising poverty. Within the context of Government plans to curtail young people's social security rights further, this project examined the social security entitlements of young people in five countries – Australia, Denmark, Germany, Sweden and the USA – and benchmarked them against the UK system.

General structure of social security systems

The UK operates a universal system of social insurance, in contrast to the USA, where it is limited to jobs covered by social security, and Australia, where no such system exists. However, the UK and USA provide only flat-rate benefits, in contrast to the earnings-related systems of Denmark, Sweden and Germany.

Expenditure on social protection in the UK falls between the lowest levels, in Australia, and the highest levels, in Denmark. Similarly, UK expenditure on means-tested social assistance falls between Australia, which spends the most, and Denmark, which spends the least. The UK has one of the highest levels of poverty.

Social security and young people

How social security systems operate for young people can be very different than for the population as a whole. The social insurance systems for the general population which are so important in Denmark, Sweden and to an extent in Germany are much less relevant to young people. This is because many of them fail to qualify through their work record, or they opt out (in Denmark and Sweden where the system is voluntary). Consequently, young people are more likely to depend on social assistance benefits when they live independently.

Parental support remains a significant source of welfare for many people in their twenties. Many remain in the parental home beyond the age when parents have a legal duty to care for them (except in Germany where the responsibility lasts until at least age 25). More than 70 per cent of Germans aged 20 to 24 live with their parents, compared with 50–60 per cent in the UK and USA, 30–40 per cent in Sweden and below 20 per cent in Denmark.

Unsurprisingly, therefore, fewer than one in ten young people receive social assistance benefits in their own right, except in Denmark where they leave home much younger than in the other countries. Many more young people live in households that receive state support, with family allowances being the most commonly received benefit.

The UK, along with Denmark and the USA, has a youth poverty rate of over 20 per cent. The UK has the highest proportion of young people aged 16 to 24 not in employment, education or training.

The following findings demonstrate the countries' distinctive approaches to four key issues.

Parental responsibility

The countries demonstrated two main approaches to the duration of parental responsibility. The UK and Sweden have adopted an age-centred system. Parental responsibility ceases when children reach a particular age, regardless of occupational or residential status. The UK and Sweden treat young people as being independent from age 18, or 21 if they are in education. This method is determined by age, but tempered by education.

In contrast, countries such as Germany have taken an education-centred approach in which parental responsibility ceases only when their children have completed their education. Germany comes closest to this principle, since parents' responsibility continues until their children reach the age of 27 if they remain in education. This system is determined by educational participation.

State support for parents and young adults

The countries used three main methods of supporting parents with dependent children, and children/young adults in their own right. Germany has adopted a consistent familial model where the norm is to treat children as being dependent on their parents until the age of 25. Until then, benefits relating to children are paid to their parents. Unless they have good reasons for doing so, young adults who leave home earlier receive support at a lower rate.

In contrast, Sweden and Australia use an autonomous model. In Sweden, state support for parents can be paid until young people reach the age of 18, or 21 if they continue in education. However, from age 18 young adults can become eligible for the full rate of benefit regardless of whether they live at home. In Australia, benefits are paid at a higher independent rate from the age of 22; no further support for parents is payable from this age.

The UK and Denmark operate a third, hybrid approach. Support for parents through family allowances ends when their parental responsibility ends, but a lower rate of benefit is paid to adult children up to the age of 25 in the UK and 29 in Denmark. There is thus a gap between state support ending for parents and full benefit entitlement, although an overlap exists in terms of partial benefits available.

Young people and housing costs

Previous research has identified leaving home as a cause of poverty, partly because of housing costs. The countries use four identifiable ways of tackling this problem.

1. Sweden has adopted an independence-supporting approach which recognises the difficulties that young people face in making the transition to independent living. It provides housing allowances for childless young people up to the age of 29 to help them to access housing. Denmark has also extended support for people living in high-cost areas to those aged under 30.
2. Germany takes a pragmatic approach. As noted above, their Government expects that young people would normally live with their parents until age 25. If young adults leave home without good reason, they do not receive state assistance with their housing costs (but receive benefits at the stay-at-home rate). However, if there are good reasons for them to leave home, they receive the full adult rates of benefits and help with housing costs.
3. The UK system incentivises young people to stay at home. The Shared Accommodation Rate, whereby single people aged under 35 receive housing allowance based on the cost of shared accommodation, is intended to discourage independent living. However, this system takes little account of individual circumstances, such as whether young adults are able to live in their parents' home.
4. Australia has taken a neutral position, by giving young people neither incentives nor disincentives to make the transition to independent living. Housing cost payments are made by circumstance and not age.

Educational support

The scope of this study did not include maintenance support for young people in education or training. However, the difference in approach between Australia and the UK is striking.

Australia's integrated system for supporting young people focuses on their needs regardless of activity. The Youth Allowance provides benefits for young people in education, training or while looking for work at either a lower dependants' rate (with increasing but means-tested parental support payment for older children), or a higher independent rate. The latter is automatically paid from age 22 up to 24 with no parental support payment.

The UK provides rather less support for young people to remain in education or training. The Government provides limited assistance, according to parental income, for people aged 16 to 19 through the Educational Maintenance Allowance in Scotland, Wales and Northern Ireland and more limited bursaries in England. The UK's proposed Youth Allowance, aimed at the 18 to 21 age group, does not appear to be designed to bridge the divide between support for education and training and (conditional) out-of-work support.

Conclusion

What can the UK learn from these findings? There is a gap in the social protection afforded to young adults in the UK, as state support for parents ends before their children are entitled to full support. This gap might be filled by adopting either the Swedish autonomous model or the German familial model.

The UK also has the highest level of young people classified as being not in employment, education or training. Here, the Australian integrated approach of Youth Allowance benefits, based on need, could provide the basis for reform in the UK.

About the project

The study carried out a literature review on social security for each country to devise a pro-forma. Experts in each country completed this pro-forma and provided standardised information for comparative analysis. Statistical information published in comparable format by the Organisation for Economic Co-operation and Development (OECD) and Eurostat supplemented the pro-formas.

FOR FURTHER INFORMATION

This summary is part of JRF's research and development programme. The views are those of the authors and not necessarily those of JRF.

The full report, **Young people and social security: an international review** by Mark Stephens and Janice Blenkinsopp, is available as a free download at www.jrf.org.uk

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