



RESEARCH

A Lost Generation: Do Gen Z have it worse than their parents?

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Executive Summary

Britain's intergenerational settlement is at risk. On almost every metric – whether student finance, labour market outcomes, housing, or long-term savings – the outlook for Gen Z is set to be worse than that of their parents and grandparents. During the last decade, the UK has undergone a shift in risk and wealth from young to old. The consequence is delayed asset accumulation, an insecure future, and growing intergenerational disparities.

While these pressures are often considered in isolation, their interaction is central. Westminster has begun to engage with some of these pressures, particularly student finance. But the response has been shaped less by what matters most, and more by what is most visible. Policy has focused on specific technical failures without addressing the underlying causes of structural imbalance. As a result, individually defensible decisions have accumulated into a settlement that is, in aggregate, less favourable for younger cohorts.

Despite this, policymaking has not adapted. Decisions continue to be assessed primarily for their short-term fiscal impact, rather than for how they shape outcomes across generations.

For young people, the once vaunted “graduate premium” is diminishing. Since 2007, graduate wages have fallen by 9 percent in real terms, while non-graduate wages have stayed stagnant. Graduates now have to contend with rising student loan debt - a reality previous generations never did.

Britain's student loan debt is distinctly high for public education. Compared to the US, it's more than double – and the highest of any public university system in the OECD. Given the sharp rise in inflation since 2021, and the unfavourable interest rate formula, Plan 2 student loan balances rose sharply while students were still in education, leaving many graduates with significant debt before they have earned their first salary.

The system produces a “squeezed middle”. With high marginal tax rates and most graduates trapped in a lifetime of repayment, the end result is lower productivity and a clear disincentive to earn more. Middle earning Plan 2 graduates face a marginal tax rate of 51 percent, but still see their balances rise. At the extreme, postgraduates can face a 77 percent marginal tax rate.

The purpose of student finance has become distorted and reflects this shift in risk and wealth. What was meant to be a vehicle to help finance higher education has morphed into a minor revenue-raising platform, with graduates picking up a tab they were never meant to carry. Due to repayment threshold freeze at the Autumn Budget 2025, the Government is now expected to bear practically none of the costs towards financing Plan 2.

At the same time, economic inactivity has climbed sharply among young people. Between 2018 and 2022, the likelihood of 16–24-year-olds with health conditions being out of work more than doubled, driven primarily by long-term sickness and worsening mental health. Notably, non-graduates are 2.5 times more likely to be inactive than graduates.

The graduate premium, previously viewed through earnings, should now primarily be seen through employment outcomes – and potentially health. Young graduates enjoy a 87.6

percent employment rate, with 67.9 percent in skilled employment. By contrast, non-graduate employment sits at 70.3 percent, with only 23.7 percent in skilled employment.

This structural decline can be viewed across multiple policy areas, in particular housing. Owning your own home is fundamental to the British psychology. It is a cultural staple constant across generations. Yet, increasingly Gen Z will not achieve this distinctly British milestone. For them, the journey is steeper. While house prices were rising, salaries are not.

Since 2007, house prices in London have risen 96 percent, in Manchester by 78 percent, and Birmingham by 67 percent. Gen Z now face the largest gap of any generation between housing aspiration and reality.

Today, Gen Z are increasingly living with their parents. In 1997, the most common living arrangement for young adults (18-34) was as a couple with one or more children. By 2017, the most common arrangement was living with their parents. The first age at which more than 50 percent of young people leave their parents' home is 24 – a year higher than 2017.

While many are opting to stay at home, others are choosing to rent. But like house prices, rents across the UK have soared - making it that much harder to save. Renting, once a transitional stage on the path to home ownership, has increasingly become the ceiling for Gen Z. For many, it is no longer a stepping stone but a holding pattern; one that delays asset accumulation, prolongs reliance on family support, and narrows economic mobility.

Gen Z are pessimistic about their asset future, but increasingly, older generations are more likely to be pessimistic about Gen Z's futures than they are. Despite the collective intergenerational worry, support has not been forthcoming. In policy terms, the inverse has occurred, with trade-offs frequently disadvantaging Gen Z.

Long-term savings is perhaps the clearest illustration of how economic risk has shifted between generations. To achieve adequacy, Gen Z must now become their own pension fund managers, navigating investment choices, contribution rates, target replacement rates, and drawdown strategies - precisely at the moment when their capacity to bear this risk is lowest due to stagnant wages, high housing costs, and student loan repayments.

It is now almost certain that Gen Z will enjoy a less favourable retirement than previous cohorts. Gen Z will likely have to retire later, with the State Pension age on track to be at least 68 by the time they retire – compared to 67 currently. It is unlikely that the State Pension will exist in its current form, due to the fiscal pressures of the triple lock. Many Gen Z'ers doubt the State Pension will exist at all by the time they retire.

The policy challenge is not to eliminate every disadvantage facing Gen Z, but to reduce the structural barriers that prevent asset accumulation and long-term financial security. The first step is embedding generational analysis into policymaking. At present, policymakers have the tools but no blueprint - and without a clear view of the scale of the problem, any intervention will be incomplete.

To this end, the report recommends:

- 1. The Government should establish an intergenerational fairness commission to assess the socioeconomic outcomes of Gen Z against previous cohorts.**

2. The Office for Budget Responsibility should produce regular generational impact assessments of major fiscal decisions.

By establishing an intergenerational fairness commission, the scale of the intergenerational fairness issue would be laid bare. Specific instances of policy failure would be uncovered, and the Government would receive targeted and actionable structural recommendations to begin to tackle the status quo. Likewise, mandating the OBR to produce generational impact assessments would strengthen political accountability and aid long-term policymaking. By considering intergenerational impacts, this should disincentivise long-term policymaking for short-term fiscal gain.

Undeniably, disappointing outcomes for Gen Z asset accumulation are the key factor in this equation. If Gen Z are to enjoy asset accumulation equal even to their parents, relief is necessary, whether this by freeing disposable income or by strengthening incentives.

To aid this effort, the report recommends:

- 3. The Government should undo the freeze in student finance repayment thresholds enacted at the Autumn Budget 2025.**
- 4. The Government should review and reform the Lifetime ISA to ensure it remains an effective tool for first-time buyers.**
- 5. The Government should introduce targeted incentives to encourage higher pension contributions among graduates with student loans.**

Reversing the freeze in Plan 2 thresholds is only a first step to addressing constrained disposable income. The freeze acts as a double dose of fiscal drag for graduates and is demonstrably punitive. Rather than strengthening the burden of student finance, relieving it, particularly for the “squeezed middle”, should be a priority.

Higher inflation since 2019 has meant a longer term of repayment as well as the added psychological burden of rocketing debt. The revenues gained are moderate, at only £400m a year, and do not represent a substantial challenge to fund. The Government does save £5.6bn in a one-off reduction in borrowing in 2026-27, but this is precisely the trade-off that has led to accusations of intergenerational unfairness; particularly given the current generous retirement settlement.

Action is also needed to combat the core drivers of delayed asset accumulation: housing and long-term savings.

While this report does not make any supply-side recommendations, which are essential, existing demand-side support schemes should still function effectively within current market conditions. The current Lifetime ISA is largely redundant and in need of reform. In the areas with the highest-skilled jobs, it is entirely ineffective. In London, it gets you around £100,000 below the value of the average home. Uprating or varying the threshold by region would provide a more useful tool for first-time buyers to finally get onto the housing ladder.

On long term savings, some previous cohorts, with generous DB and State Pensions, have got “their turn twice.” Their schemes were more lucrative, easier to understand, and require

no management. With DB schemes largely closed and the value of the State Pension uncertain, Gen Z are increasingly required to contribute to and manage their own pensions which – more often than not – will lead to inadequate outcomes.

To help bridge this gap, the Government should increase incentives for young people. Such measures would help address the structural trade-off facing Gen Z between repaying student loans, saving for a house deposit and saving adequately for retirement.

Gen Z now face a system that requires sophisticated financial knowledge and active management, but provides neither the education nor the economic capacity to succeed. They must save more, understand more, and plan more carefully - all while earning less, paying more for housing, and servicing debts their parents never faced.

Yet Gen Z are distinctly ill-equipped to make these decisions and suffer from a profound information gap when it comes to pensions education. Information gaps are more significant than they were in the past. With risk individualised, combined with lacklustre financial education and cohort overconfidence, the consequences could be catastrophic.

To help bridge the gap, the report recommends:

- 6. The Government should fund a national pensions adequacy campaign, delivered alongside the FCA's targeted support regime, to improve pension literacy among Gen Z.**

To be effective, the campaign should meet Gen Z where they are - through social media platforms, schools, universities, and apprenticeship education. Previous generations were not more financially savvy - they operated within a system that did not require them to be.

Without intervention, the UK risks embedding a cohort-wide retirement crisis that will become apparent only when Gen Z reach their sixties - by which point the fiscal and social costs of remediation will be far higher than the cost of prevention today.

This structural gap in financial education has created a vacuum. Into this vacuum has stepped unregulated and potentially harmful advice. Gen Z has increasingly turned to social media for investment advice. This has given rise to “finfluencers” – social media personalities who use their platforms to promote financial products and share insights with their followers, many of whom are not authorised to provide such advice.

To further aid adequate retirements the report recommends:

- 7. The Government should strengthen enforcement against “finfluencers” and other forms of unregulated financial advice circulating on social media.**

Providing financial advice is a regulated activity in the UK, overseen by the FCA. While many influencers may be well-intentioned, many are not. The rise of influencers has coincided with an increase in online fraud and scams targeting young people. While victims of financial crime have traditionally been older, modern scams are increasingly targeting younger demographics.

These scams represent a distinct trend. They are not simply old scams transitioning online. Equipping Gen Z with the tools to combat this, while strengthening enforcement, should help to reduce the incidence of harm.

Contents

Executive Summary	
Scope and Purpose	
Decoding Gen Z	
Student Loans	
The Facts	
Plan 2 Explained	
Comparing Plan 1 & 2.....	
Rethinking the Graduate Premium	
A Different Graduate Premium?.....	
Housing Trends	
Home Ownership	
Where Does Gen Z Live?.....	
Long-term Savings	
Why Minimum Saving Is Not Enough.....	
The Knowledge Gap	
What does Westminster think?	
What Westminster Is Watching.....	
What Westminster Is Missing.....	
The Politics Of Inaction.....	
Policy Recommendations	
Establishing the facts	
Strengthening accountability.....	
Dealing with repayment thresholds	
Demand-side housing reform	
Achieving Gen Z adequacy.....	
Improving pensions literacy	
Reducing online harms.....	

Scope and Purpose

This report examines whether Generation Z in the UK are economically worse off than their parents, and if so, in what ways. The central research question is: to what extent do the economic outcomes facing Gen Z differ from those experienced by previous generations at comparable life stages, and what are the implications for public policy?

Rather than focusing on a single indicator, the report adopts a holistic approach to generational wellbeing. It assesses outcomes across four core domains: higher education and student finance, labour market outcomes and the graduate premium, housing access, and long-term savings and pensions. Together, these areas capture the key channels through which economic advantage or disadvantage accumulates over the life course.

The analysis draws on publicly available datasets including the Office for National Statistics (ONS), HM Treasury, the Institute for Fiscal Studies (IFS), the OECD, and relevant sector bodies. Where appropriate, outcomes for Gen Z are compared with those of Millennials and earlier cohorts at equivalent ages, rather than at a single point in time, to provide a more meaningful assessment of generational change.

In addition to quantitative evidence, the report incorporates policy and institutional analysis to examine how structural shifts in taxation, student finance, housing markets, and pension provision interact to shape outcomes for younger cohorts. While there is a growing body of literature on individual pressures facing young people, much of this research remains fragmented and siloed.

The approach taken is analytical rather than econometric. The report is designed to identify structural relationships and emerging trends across policy areas, rather than establish direct causal effects.

Moreover, public debate frequently relies on headline statistics or generational narratives that obscure how policy design has shifted risk from the state onto individuals over time. There is comparatively little work that brings these strands together to assess whether today's settlement for young people represents a structural break from the experience of previous generations.

This report seeks to fill that gap by providing an integrated, cross-cutting assessment of generational economic outcomes, grounded in both data and policy context. It reframes the question of whether Gen Z are “worse off” away from short-term earnings alone, and towards a broader conception of economic wellbeing - encompassing security, opportunity, and the ability to build assets over time.

In doing so, the report highlights where current policy frameworks may be misaligned with long-term economic sustainability, productivity, and intergenerational fairness.

Finally, the report is explicitly forward-looking. It does not seek only to diagnose the challenges facing Gen Z, but to inform debate about how policy might respond. Drawing on

the evidence presented, the final section sets out practical, targeted policy recommendations aimed at improving economic outcomes for younger cohorts while supporting long-term growth and fiscal sustainability.

Decoding Gen Z



Speak to Gen Z and you get a sense of their economic pessimism. This is possibly unsurprising. Of late, the UK has grappled with a pandemic, its recovery, a war in Ukraine, and a subsequent cost of living crisis, at the precise moment Gen Z has come of age.

While not unusual - other generations have, of course, come of age during economic crises - Gen Z has grown up in a unique context; one dominated by a cycle of uncertainty, which in turn has informed their fiscal psychology. Gen Z's early memories were formed during the financial crisis, they were schooled through austerity, and went to University during the pandemic. They have endured a succession of deep crises and uncertainties in the formative years, more so than their immediate predecessors.

Millennials came of age in the optimistic "things can only get better" era - in Gen Z's experience, they usually don't. Gen Z are yet to live in a sustained era of good economic growth. In their average remembered lifetime, Gen Z has experienced an annual growth rate of around 1.26 percent, compared with 2 percent for millennials.¹ This is, of course, a crude measure. But it should begin to illustrate the economic conditions Gen Z has grown up in.

Student loans have become, perhaps predictably, a much discussed topic in this debate. Once seen as aspirational, many feel that going to university has become

¹ Rather than birth year alone, this analysis anchors cohorts to the point at which individuals typically begin to retain lasting memories (around age four), providing a more accurate proxy for the environments that shape attitudes and expectations. Reference years



for Gen Z and Millennials are calculated by adding four years to the midpoint of commonly used birth-year ranges.

too costly. They argue that the once heralded 'graduate premium' has faded, and they are condemned to a future overshadowed by higher taxes.

Most Plan 2 graduates won't pay back their loans, as interest consistently outstrips repayments. In practice, this means that most graduates are levied with an extra 9 percent tax for the majority of their working lives. This dynamic is clearly visible in the aggregate figures. In 2024–25, £15bn of interest was added to England's student loans, compared with just £5bn in total repayments.

The debate on loans has centred around the interest rates, and repayment terms for those with a Plan 2 student loan. As a Plan 2 (and Postgraduate) loan holder, this is a subject worth interrogating. Not just for my personal finances, but as a fundamental input to the productivity debate, which was central to the tax rises we saw in November.

These graduates either face a lifetime of a 9 percent 'graduate tax' or very high marginal tax rates. To borrow some of the Government's lexicon, many Gen Z'ers argue that as a result, work does not pay.

In part, this debate has grown in prominence due to the increasing number of total graduates. Achieving a degree is no longer a travail of the elite. In 2018, the UK achieved Tony Blair's target of getting 50 percent of young people into university. With half of all young people pursuing degrees, this is a question that affects a substantial number of young people.

But if graduates are struggling, school leavers are not faring much better. It's true that the 'graduate premium' is not



what it once was. Not just because we've seen a convergence in graduate and non-graduate wages. The reality is more concerning.

The lens through which to view this 'premium' is now predominantly through labour market outcomes. Compared with non-graduates, graduates are more likely to be employed, more likely to be economically active, and will likely be healthier.

Young people face challenges across the board. Whether these are labour market outcomes, housing costs, pension adequacy and the ability to retire, the indicators are worrying.

Generational unfairness plays a large part in this. According to a 2026 survey by Hymans Robertson Personal Wealth, 80 percent of UK adults believe younger generations are worse off financially than 20 years ago. While KCL [research](#) has shown 78 percent of those aged 29 and under believe the cost of living is worse relative to their parents' generation.

61 percent of Gen Z [believe](#) their generation will have to work harder to achieve equal outcomes to their parents – a break in a key (if unspoken) tenet of the Western social contract. Others argue that they won't have access to the benefits their parents have - i.e., the State Pension - but have borne greater costs, for example in student loans.

Gen Z are predominantly the ones with Plan 2 student loans, where previous generations benefitted from free or lower priced higher education. Gen Z face lower real wages, worse labour market outcomes, higher housing costs, lower pensions adequacy, and worsening mental health and economic inactivity.

Such a phenomenon could have profound implications for British politics. Gen Z [made](#) up just 9 percent of the electorate in 2020, but are expected to make up 25 percent by 2030. It is therefore not only important to understand their views on the big issues, but the situations in which they live.

Long-term sickness inactivity among 16-to-34 year olds grew (2019-23) by

57.1%

Gen Z have, on average:

£53k in student loan debt

-9% Growth in graduate wages since 2007

0% Growth in non-graduate wages since 2007

Student Loans

The image features a dark blue background with two decorative, leaf-like shapes. One shape is a lighter shade of blue and is positioned in the upper right quadrant, pointing towards the top right. The other shape is a darker shade of blue and is positioned in the lower right quadrant, pointing towards the bottom right. The text 'Student Loans' is centered on the left side of the image.

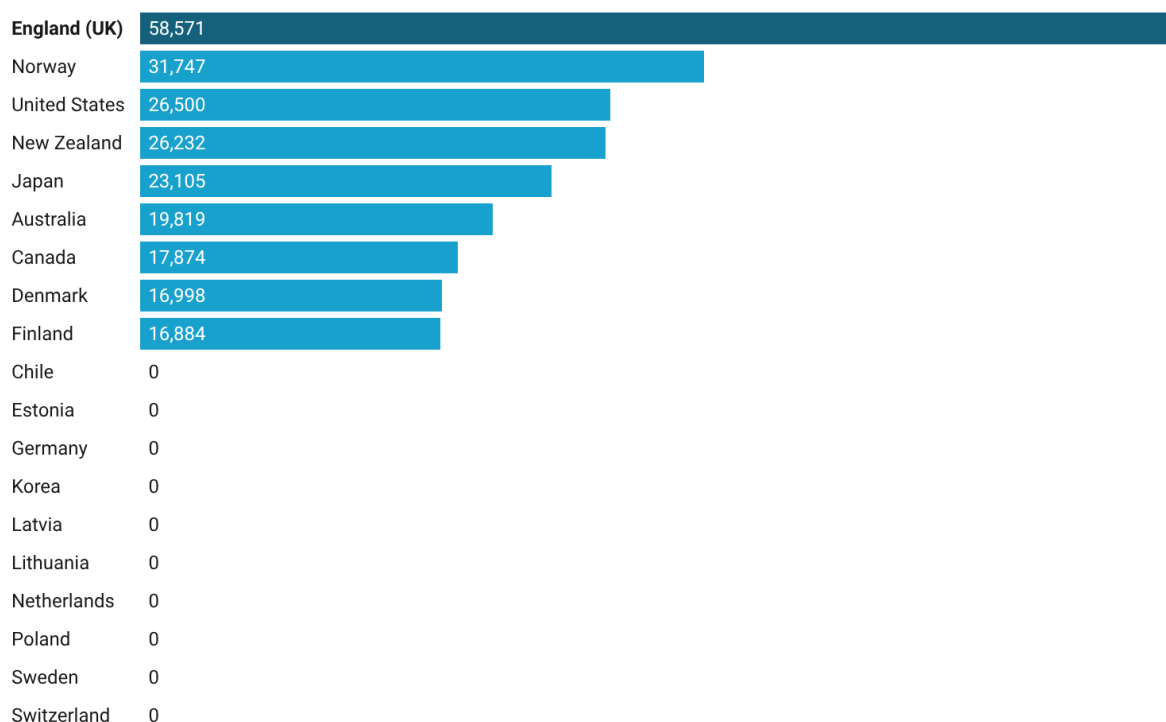
The Facts

Graduates have not historically been a major focus for policymakers. Outcomes for this historically 'elite' group are unlikely to gather much sympathy, either from Government nor the wider public. This, in large part, may explain how this situation has arisen. Student debt has become one of the most visible economic pressures facing Gen Z, but no corrective action has been forthcoming.

Perhaps part of this problem is the widespread proliferation of myths surrounding student finance. Popular myths - such as the claim that it is "not real debt" or effectively "free money" - have likely contributed to this perception. These include the misguided perception that the UK does not have high student loan debt. When compared with some of the mind boggling numbers you often hear from the US, it does seem like an excellent deal. But this perception is contrary to the facts. [OECD](#) data indicates that England has the highest average student loan balance among the countries included in its analysis of public university systems.

England has very high student loan debt relative to the rest of the OECD

Average amount of student loan debt at time of graduation per student



USD (\$)

Chart: Dods Political Intelligence • Source: OECD, Education at a glance (2022) • Created with Datawrapper

This includes the United States, where the average undergraduate student loan is more than half of those in the UK. The average [debt](#) among English borrowers who finished their course in 2024 was £53,000, when they first became liable to repay the debt. A sum that substantially outstrips the rest of the country in debt terms.

Crucially, the Plan 2 cohort of student loan holders hold a substantially higher amount of debt than preceding generations. In 2008, the value of student loans was considerably smaller relative to now. Tuition fees then were £3,000, with a maximum maintenance loan of £1,500. The average [amount](#) owed by these students, when first liable to repay, was £11,800, compared with £53,000 now.



Plan 2 Explained

Most student loan holders have a Plan 2 loan. These loans were taken out between 2012-2023, and were the first loans of the £9,000 a year tuition fee era.

Plan 2 student loan holders pay an extra 9 percent of their income in tax on earnings over £28,470. In theory, the system is intended to be progressive. By ensuring that the lowest earners do not pay anything, the aim is that lower earners are not burdened by high repayments, whilst higher earners pay larger sums quicker. The repayment term is 30 years, and once this lapses, so does the loan.

The terms of Plan 2 have changed slightly due to the Government's [announcement](#) in April 2026 that the interest on Plan 2 and 3 loans will be capped at 6 percent for the 2026/27 academic year. Originally, while studying, Plan 2 student loans accrued interest at RPI plus 3 percent. RPI is a controversial measure of inflation. RPI is widely [criticised](#) as a measure of inflation as it tends to overstate price growth relative to the more widely used Consumer Prices Index (CPI) by around 1 percentage point. The effect is that student loan balances continue to rise sharply while students are still in education, leaving many graduates with significantly larger debts before they have earned their first salary. In 2017, the Institute for Fiscal Studies [calculated](#) that graduates accrued approximately £6,000 in interest while still studying.

Given the sharp rise in inflation since 2021 and the application of RPI-linked interest rates during study, the interest added to loan balances before graduation is likely to be materially higher in cash terms.

To hedge against this in the wake of the Iran conflict, the Government unveiled its temporary interest cap for the 2026/27 academic year. Plan 2 graduates will now accrue a maximum of 6 percent, depending on their earnings.

Student loans operate differently to commercial loans. Commercial loans operate on a risk based system. Typically, a higher earner would command a lower interest rate as their perceived risk would be lower; and a lower earner would command a higher interest rate. This is a simplification - loan terms depend on various factors - but the general principle holds.

However, student loans operate inversely and vary by income. A graduate earning below £28,470, accrues interest equal to RPI, but does not make repayments. Graduates earning between £28,470 and £51,245, accrue interest of RPI plus up to 3 percent and repay 9 percent of their income over the £28,470 threshold. Once they earn over £51,245, they accrue RPI plus 3. Given the Government's recent announcements, the interest follows the same formula, but is capped at 6 percent. The intent behind this system is to ensure that the repayment is as progressive as possible.

In technical terms, the repayment structure is progressive. Higher-earning graduates do indeed pay more. Yet when the tuition system is considered as a whole - rather than student finance alone - its progressive credentials become less clear.

While high earning graduates pay substantial sums in monthly repayments, graduates whose families can afford to pay tuition upfront pay nothing. The result is that the wealthiest graduates do not pay anything, whilst everybody else pays.

The progressivity of the system can be called further into question when looking at repayments as a percentage of earnings. In absolute terms, the highest-earning graduates repay far more than the lowest earners – with the lowest lifetime earnings decile paying around £10,000 in repayments and the highest paying £78,000. In practice, the lowest earners pay a higher percentage of lifetime earnings than the highest earners.

The highest earners repay less as a percentage of lifetime earnings than the lowest earners

Repayments by lifetime earnings decile (1-10) under the system applying for the 2022 university entry cohort

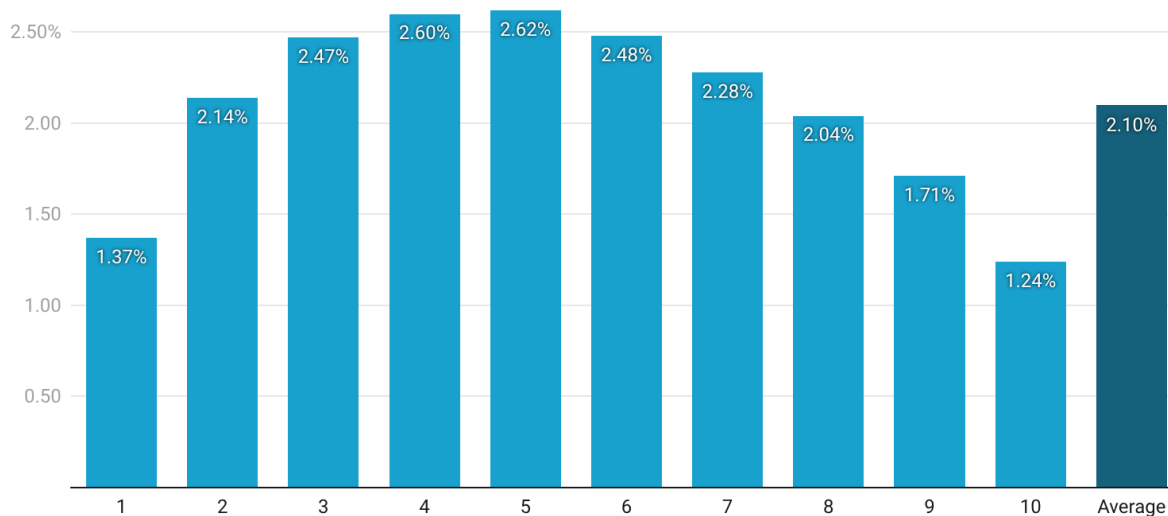


Chart: Dods Political Intelligence • Source: Institute for Fiscal Studies • Created with Datawrapper

While the highest earning graduates pay 1.24 percent of their lifetimes earnings in repayment, the lowest pay 1.37 percent. The average pays 2.10 percent.

Prior to the interest rate cap, according to the Institute for Fiscal Studies (IFS), graduates with an average loan balance of £53,000 had to earn around £66,000 before repayments exceed the interest accruing on their loans. Now, with interest capped, this figure stands at £64,700. Earn under this, or have a higher balance, and graduates are only paying off interest, not the principal. Graduates who earn above the £64,700 mark, however, tend to pay off their loans relatively quickly – freeing themselves from repayment before the write-off deadline.

By contrast, the overwhelming majority of Plan 2 holders will not repay their loan before the 30-year deadline; only 32 percent are forecast to do so. Most graduates will not even pay down their balance at all, at any time. In practice, most Plan 2 graduates will make repayments for the majority of their working lives. The Government's cap on interest does little to shift this calculus in any meaningful way. Indeed, distributional gains are concentrated among those likely to repay in full – or higher earners. Lower and middle

earners see limited benefit, as they are still unlikely to ever pay off the loan. The result is a system that often functions more like a graduate tax than a conventional loan.

Here, those most affected are the squeezed middle, trapped in a lifetime of repayment at higher rates. Those who can afford to pay upfront do not pay in, and those who earn under the threshold do not pay anything - while Plan 2 graduates who earn up to £64,700 are just paying off varying amounts of interest for 30 years.

This has obvious effects for a graduate's tax burden, especially for middle-to-high earners. If a Plan 2 graduate earns over £51,245, their marginal tax rate rises to 51 percent, compared to 42 percent for non-graduates, but they now accrue interest at the highest possible rate. Crucially, at this income, their balance rises still.

The trend worsens as graduates earn more, leading to accusations that the system is punitive and disincentivises work. By design, those who earn more, and therefore pay more, pay the highest interest rate by virtue of their income. When interacting with marginal rates, the result is a longer term of repayment at very high marginal rates.

If a Plan 2 graduate earns between £100,000 and £125,140, their marginal tax rate rises to 71 percent, compared to 62 percent for non-graduates. Add in a postgraduate loan and this rises to 77 percent. In this scenario, post-graduates tend to pay down their loan relatively quickly, but the short-term costs are substantial. If graduates have children, this is further complicated by the tapering of child benefits and the personal allowance, along with the steep cliff edges that accompany this.

The issue has sprung to the fore of political discussion post-Autumn Budget 2025, where the Government froze income tax thresholds, as well as Plan 2 repayments thresholds - meaning that Plan 2 graduates are to suffer from a double dose of fiscal drag. For those on the edge of income tax bands, which many graduates may be, the pain will feel more acute.

Many graduates, in this instance, argue simply that it doesn't pay to work harder, or to find higher paying jobs. It is simply not worth it. With RPI heightened over the last few years, many are consistently paying large sums in, whilst seeing their total balance rise still.

Regardless of the perceived inequalities, the real question for policymakers is whether this situation is tenable. If the status quo persists, there could be a measurable impact on productivity. Anecdotal evidence suggests that this is a genuine debate among Gen Z'ers. Tips on when not to take a higher salary and how much to salary sacrifice have become mainstream, as increasing numbers of people seek to protect their finances. Even absent perfect causal evidence, the incentives are clear.

The £100,000 cliff edge is well documented and not exclusive to graduates. For a worker with no student debt earning £99,000, a £2,000 pay rise can cost them almost £28,000 in tax and childcare subsidies. But of course, the additional tax burden plus higher interest rate, make an already non-optimal situation worse - leading to a position where high earning graduates are further incentivised not to take higher paying jobs.

Whether any of this will translate into long-term consequences for the British economy remains to be seen. Given the context of the 2024 Autumn Budget – where debates surrounding productivity were so central to fiscal decision making – it's certainly a line of inquiry worth following.

Long-term fiscal risks are also a factor here. The UK has an ageing population, and a more productive younger population will be needed, among other solutions, to help fund the policy consequences. If student finance represents a downward pressure on productivity in the medium term, there could be a measurable impact on the country's balance sheet.

Comparing Plan 1 & 2

Over the past few months, the debate on student loans has centred around interest rates. Many graduates have labelled the regime as one of the key culprits of injustice. Here it is worth looking at what the previous system looked like. Pre-2012 loans or Plan 1 were introduced in 1998, under the Blair Government. Forgetting the gross amount, which was considerably lower, the terms of Plan 1 loans were also considerably more favourable.

For instance, Plan 1 loans lapsed after 25 years, whereas Plan 2 loans were extended by 5 years to 30 years. The interest rate terms were also considerably better. Plan 1 interest rates were calculated as either RPI or the Bank of England base rate plus 1 percent, whichever is lower. This has led to a staggering divergence in the rate of interest being charged to each cohort. The average highest interest rate for Plan 1 loans has been 2.7 percent, whereas the average rate for Plan 2 is over double, at 6.3 percent.

Plan 2 terms were much worse than their predecessor

Maximum interest rate by student loan type

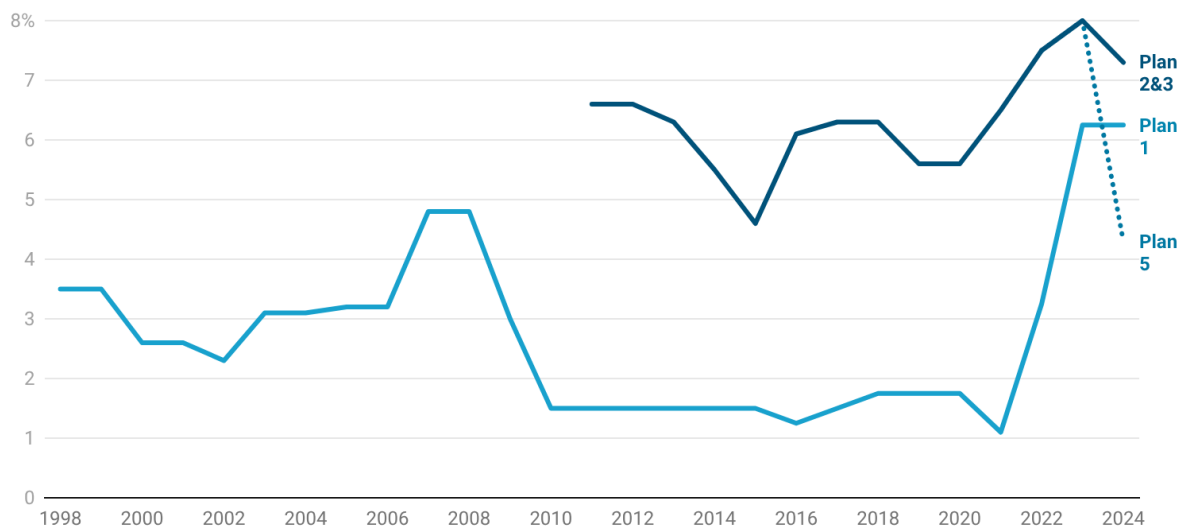


Chart: Dods Political Intelligence • Source: Student Loan Company • Created with Datawrapper

Of course, Plan 2 loans have been around for a shorter period of time, and it is understandable that some may argue that the average rate may have been skewed by Covid-era inflation. It's true that Plan 1 & 2 loan highest interest rates did converge considerably around 2023. In September 2023, Plan 1 rates peaked at 6.25 percent, where Plan 2 hit 7.3 percent. Plan 2 rates peaked in 2024 at 8 percent. Prior to that, rates had been radically different over the same periods.

On student loans themselves, the maths is not difficult. It is abundantly clear that Gen Z are worse-off than their parents and previous generations; both in terms of debt levels and repayment terms. This is neither by accident, nor controversial.

Pre-2012 graduates paid off their loans, on average, in 11 years, and were not burdened with high levels of debt. There were largely no productivity consequences as the system was much more affordable for graduates. With debts cleared relatively quickly, the system

did not act as a graduate tax for those that held the loan. The reality for Plan 2 graduates stands in stark contrast.

Ultimately, the basic principle across Plan 1 and Plan 2 is the same. Graduates were to contribute toward the cost of their education, not pay it in full. There's obviously a difference in the amount: £3,000 for Plan 1 and £9,000 for Plan 2 – but the basic principle is the same. When Plan 2 was introduced following the Browne Review, the Government's stated intention was that the state would continue to subsidise a significant portion of every pound of loan issued.

Despite the tripling of the display price tag, it was never the intention for students to pay the full cost of their education. The Browne Review was [explicit](#) that graduates would only contribute “when they can afford to repay” and that the burden would be shared between graduates and the taxpayer.

However, by stealth, this has collapsed. Since 2022, the Government has sought to claw back the costs of higher education and student finance - shifting the burden increasingly onto graduates. Given the [changes](#) at the Autumn Budget 2025, the Government will now bear just 3 percent of the total cost of financial higher education. This is down from 9 percent before the Budget, and around 15 percent in 2022.

The Government's decision to raise the repayment thresholds at the Budget [gave](#) them a one-off £5.6bn in savings, as well as £400m savings per year. While the previous freeze in 2022 had initially been proposed for one year, it was then extended to three.

This shift in cost and risk has been gradual. But, threshold freezes have become a straightforward path to extracting further revenues and improving the fiscal position. The risk for graduates going forward is that the threshold freeze is extended again – and even higher sums are extracted. The latest freeze means that in the long run, the Government is expecting to pay basically none of the costs towards financing higher education.

For the average 2022 university entrant, lifetime repayments are [forecast](#) to reach around £56,000 - against average borrowing of around £48,000. For the highest-earning half of graduates, that figure rises to around £74,000. In both cases, graduates repay more than they ever borrowed.

The political justification, [linking](#) the repayment threshold freeze to helping “bring down NHS waiting lists” by the Chancellor of the Exchequer, Rachel Reeves, was, for many, confirmation of this trend. What was meant to be a vehicle to finance higher education has now morphed into a minor revenue-raising platform, with graduates picking up a tab they were never meant to carry. Now, their monthly contributions are not solely paying for their education – they are helping to finance the NHS, a service used predominantly by older generations.



Rethinking the Graduate Premium

All the above is not entirely a bug in the system. Much of it is by design. In 2010, the Government was facing the immediate aftermath of the financial crisis. It follows that substantial revenues were needed to fill budget deficits, especially in education. The rationale is not without merit.

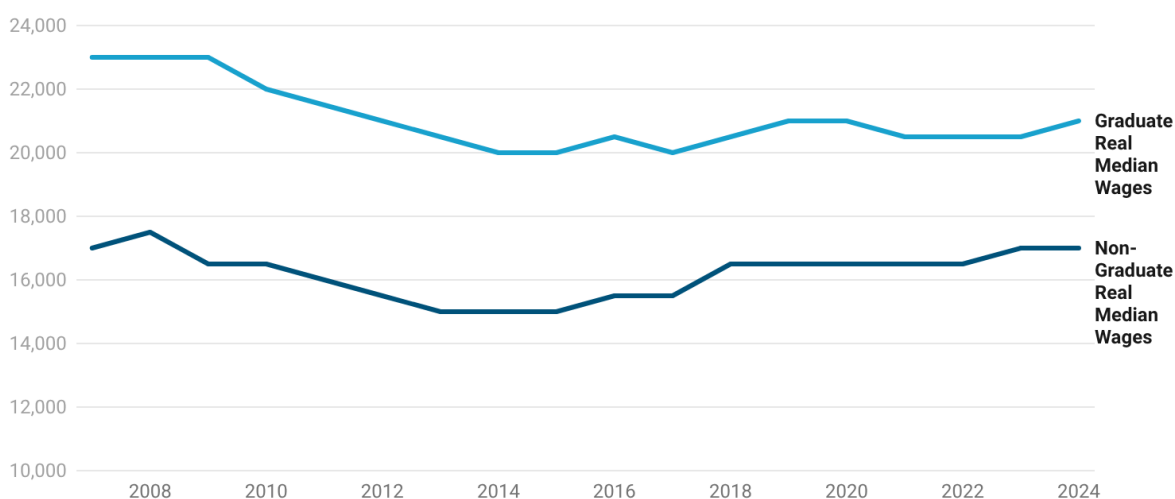
It's also true that the issue of graduates never being able to fully repay their loans was [raised](#) immediately, when an increase in tuition fees was first presented to the House of Commons in 2010. Then Business Secretary, Vince Cable retorted that the premium enjoyed by graduates – cumulatively over £100,000 at the time, across working lives – ensured that a University degree was very much value for money.

But the graduate premium has both a symbolic and material importance. First, the promise of better outcomes is what makes university a symbolic achievement of upward mobility. The premise underpinned Blair's target of getting 50 percent of young people to university. But of course, that promise must meet reality. If outcomes for graduates are not materially better than they would have otherwise been, the system risks losing its economic purpose – both for the state and graduates.

Various figures are given to represent the graduate premium, and there is no single representative figure. Put simply, it is the difference in income between graduate and non-graduate earnings. According to the best available [statistics](#) from the Office for National Statistics, the graduate premium for young graduates (21-30) is around 23.5 percent – which is considerable. Yet this has fallen relative to 2007, when it was around 31.5 percent.

Graduate wages have fallen slightly, while non-graduate pay has been stagnant since 2007

A comparison of median salaries for graduates and non-graduates from ages 21-30 (excludes post-graduates)



(£)

Chart: Dods Political Intelligence • Source: Graduate Labour Market Statistics, Department for Education (2024) • Created with Datawrapper

Rather than a rise in earnings for non-graduates, this convergence is being fuelled by a real decline in earnings for young graduates, from around £23,000 in 2007 to £21,000 today. Over the same period, non-graduates salaries have stayed flat at £17,000.

Research by HESA and Warwick University [found](#) a similar phenomenon, noting that the graduate premium had declined significantly. A common instinct is to attribute this to simple economic logic that expanding the supply of graduates inevitably dilutes their earnings premium. On this reading, the erosion was foreseeable, and graduates should not have been surprised.

But the international evidence does not support this conclusion. In the United States, graduates today earn considerably more relative to non-graduates than they did in the late 1990s, even as the share of degree holders has risen sharply over the same period. The same pattern holds across Canada, France, Spain and the Netherlands - graduate premiums have held up or increased despite expanded enrolment. As the Financial Times analysis of the Luxembourg Income Study [noted](#), worsening graduate fortunes appear to be a specifically British problem, and one that is better explained by the UK's persistently weak productivity growth and the relative absence of skilled job creation than by any inherent dilution effect from widening access to higher education.

The implication is significant. The declining graduate premium in the UK is not primarily a story about too many graduates - it is a story about too few well-paying graduate jobs. Since the early 1990s, the share of managerial and professional roles in the UK economy has grown only modestly, leaving a growing graduate population competing for a labour market that has not kept pace. This is the context in which Cable's £100,000 cumulative premium was calculated and it is a context that has since materially changed.

Falling wages are not a graduate versus non-graduate inquiry. Across the board for young people, earning outcomes are disappointing. It is certainly true that the traditional graduate premium seems to have fallen. But while graduates salaries have sunk, non-graduates earnings are exactly the same - everybody is worse off, relative to the previous generation.

This is not a foregone conclusion. More students does not necessarily mean a declining premium - and the experience of comparable economies demonstrates as much. The UK's problem is not that too many young people went to university. It is that the economy they graduated into was not equipped to make productive use of them.

On the measure of earnings alone, it is not entirely fair to say the graduate premium has disappeared - but it has certainly lost some of its shine. Crucially, the premise on which the entire financing model was constructed has weakened considerably since it was designed.



A Different Graduate Premium?

This may prompt a rethink of the premium itself. However, there are other ways to measure a 'graduate premium'. Labour market outcomes being the obvious other metric. Many of us would have been told by our parents, that in order to get a 'good' job, we should go to university.

On this front, there can be no doubt that graduates enjoy a premium. In employment terms, the conventional wisdom holds. Having a degree means you are not only much more likely to have a job, but to be in skilled employment.

Young graduates enjoy an 87.6 percent employment rate, with 67.9 percent of them being in skilled employment. By contrast, non-graduates suffer substantially worse outcomes. Non-graduate employment sits at 70.3 percent, with only 23.7 percent of non-graduates in skilled employment.

Graduate status continues to shape the labour market

A comparison of graduate and non-graduates by employment and inactivity rate from ages 21-30 (excludes post-graduates)

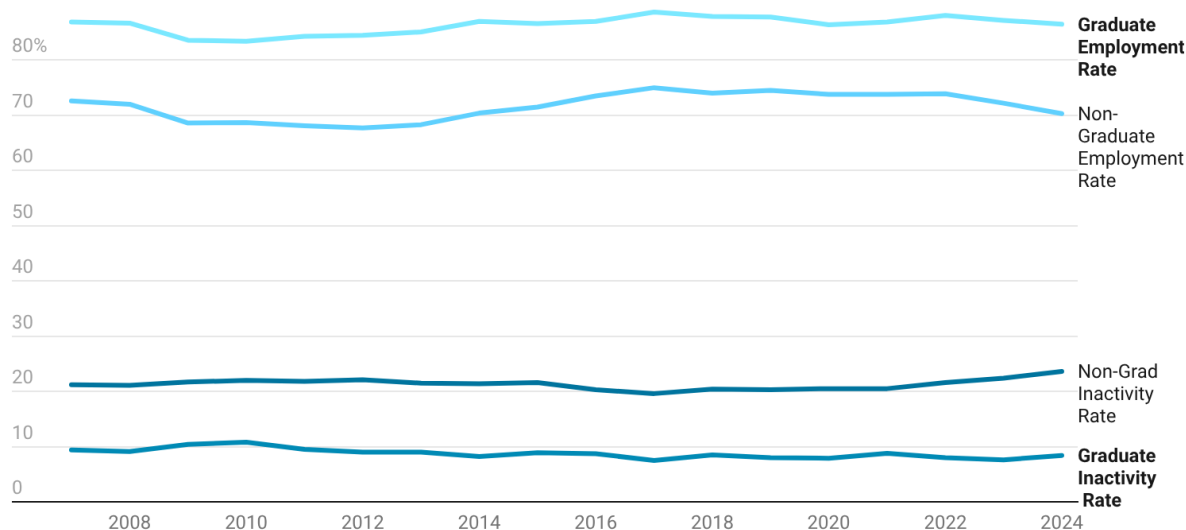


Chart: Dods Political Intelligence • Source: Graduate Labour Market Statistics, Department for Education (2024) • Created with Datawrapper

The same is true for inactivity rates. Graduates are far less likely to be economically inactive than non-graduates, and the gap is widening. Since the pandemic this has accelerated. In 2019, 20.3 percent of non-graduates were inactive. In 2024 this rose to 23.6 percent. Graduates saw a more controlled rise from 8 to 8.4 percent.

This is a substantial gap. 1 in 5 non-graduates are inactive, whereas only 1 in 12.5 graduates are.

More worrying is what is driving this trend. Rising economic inactivity due to ill health and long-term sickness has been well documented since COVID. For young people, this trend

has become particularly acute. Between 2018 and 2022, the [likelihood](#) of 16–24-year-olds with health conditions being out of work more than doubled.

The Darzi Report, [commissioned](#) by the Government to investigate the NHS post-COVID, found that long-term sickness was the most common reason for people to be inactive. Lord Darzi noted that the fastest growth in long-term sickness absence was for 16- to 34-year-olds, with growth of 9.5 percent between 2015 and 2019, rising to an astonishing 57.1 percent between 2019 and 2023.

There is no single reason driving the rise in economic inactivity. Rather, the increasing prevalence of health conditions, particularly mental health and musculoskeletal issues, are driving this trend. The factors behind this rise are complex and often complicated by the existence of multiple conditions.

According to the [ONS](#), the most prevalent health condition among those economically inactive due to long term sickness was depression, bad nerves or anxiety. Even where it is not the primary condition, mental health is a key issue that policymakers have to grapple with.

There has been a [larger](#) proportion of people reporting five or more health conditions for both the youngest and oldest who are long-term sick, with 23 percent of those aged 16 to 34 years reporting five or more health conditions in 2023, up from 17 percent in 2019.

This trend is also visible in Universal Credit (UC) data. Strikingly, UC claimants in their early twenties [were more likely](#) than those in their thirties or early forties to report a limiting health condition, making young adults the group with the sharpest rise in health-related UC claims in recent years.

ONS Graduate Labour Market Statistics suggest that educational attainment is at least correlated with lower rates of inactivity among young people. However, there remains limited research examining the drivers of this trend. These figures nevertheless provide a preliminary and thought-provoking indication of a potential new graduate premium.

With earning outcomes converging, it may time to for a rethink of the traditional graduate premium. The conventional wisdom of “go to University and get a good job” holds. To be in employment and more specifically skilled employment, higher education continues to be a prerequisite. More importantly, the graduate premium may now primarily be thought through employment and potentially health outcomes, rather than earnings.

Housing Trends

The image features a dark blue background with two large, stylized leaf-like shapes in a lighter shade of blue. One shape is positioned in the upper right quadrant, and the other is in the lower right quadrant. The text 'Housing Trends' is centered on the left side of the page.

Home Ownership

Owning your own home is, in many ways, fundamental to the British psychology. It is cultural staple constant across generations. Ideas tying home ownership to British democracy have been mainstream in UK politics, across party lines, since the 1920s. To this day, owning their own home remains a key milestone for many Britons.

Yet in recent decades, this promise has become increasingly unattainable. For Gen Z, it is beginning to feel impossible. While this trend varies in severity across regions, especially in London, when examining Gen Z's comparative outcomes, housing must be a key metric.

Gen Z attitudes to home ownership are emblematic of this trend. According to the National Centre for Social Research, Gen Z [faces](#) the biggest gap of any generation between housing aspiration and reality, but the majority still want to buy. According to [Barclays](#), Gen Z adults are more than twice as likely as the national average to be aspiring to buy a new or first home in 2026 (34 percent compared to 16 percent).

Despite the aspiration, their attitudes are pessimistic. 65 percent of Gen Z [believe](#) it is harder for young adults to buy a home than it was for their parents' generation. Interestingly, millennials, Gen X and Baby Boomers are more likely to be pessimistic about Gen Z futures than Gen Z.

There seems to be collective agreement that Gen Z face an uphill struggle to achieve home ownership. Again, this is not solely a generational problem. House prices in the UK's five largest cities have risen substantially. In London, the average house price is over £500,000 – representing an over 250 percent increase since 2001.

House prices have risen substantially in the UK's 5 largest cities

Comparison of average house prices (£) in the UK's 5 largest cities (2001-2025)

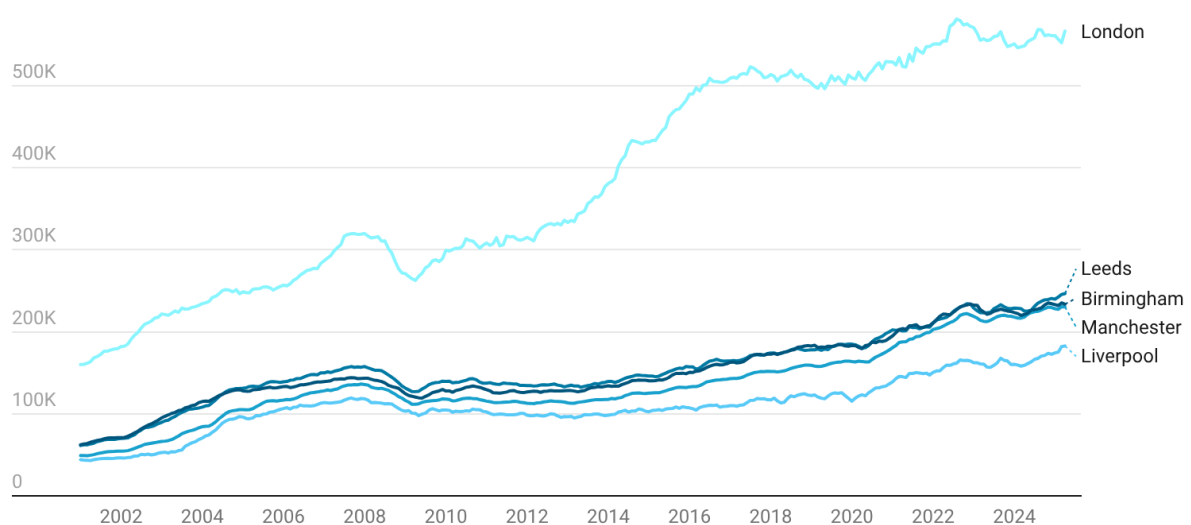


Chart: Dods Political Intelligence • Source: HM Land Registry • Created with Datawrapper

But for Gen Z, the journey is steeper. While house prices were rising, salaries were not keeping pace. Again, this phenomenon can be viewed through the graduate premium lens. Since 2007, the real median wage for graduates (21-30) has fallen by 9 percent, with non-graduates' wages remaining the same. In the same period, house prices in London have grown by 96 percent, in Manchester by 78 percent, and in Birmingham by 67 percent.

While house prices have soared, wage growth has been disappointing for young people

A comparison of house prices in the UK's 5 largest cities vs. Real Median Wages for young people (21-30)

City	Value in 2007 (£000s)	Value in 2025 (£000s)	% Change (2007–2025)	Salary	Real Median Wage 2007 (£)	Real Median Wage 2025 (£)	% Change (2007–2025)
London	287	561	96	Graduate	23,000	21,000	-9
Birmingham	139	233	67	Non-Graduate	17,000	17,000	0
Manchester	128	228	78				
Liverpool	114	174	53				
Leeds	150	240	60				

Table: Dods Political Intelligence • Source: HM Land Registry & Office for National Statistics • Created with Datawrapper

In all of the UK's major cities life as a young person is becoming extraordinarily more expensive than it was for previous generations. With house prices significantly outpacing wage growth, the countries pessimism on homeownership for Gen Z seems to be justified.

According to [research](#) by the Building Societies Association, since 2006 about 7.2m people would have been expected to buy their first home, but only 5m have achieved homeownership in that time – resulting 2.2m “missing” first-time buyers. During the immediate aftermath of the financial crisis the missing buyers were broadly split across all age groups, but in more recent years they have tended to be those in the younger bracket – particularly those under 30.

This trend can be seen further looking at the time it takes to raise a deposit for a mortgage. According to [Generation Rent](#), the time it takes to save for a mortgage deposit in England hit 10 years in 2023. Compared to just a decade before, where it took on average 6.8 years.

However, the headline figures masks quite significant variation by region. The North East is the least effected region, where it takes the same amount of time to raise a deposit as it did in 2012. London is the worst affected. There, it takes an extra 4.3 years to save for a deposit, making the average time to save for a deposit in the capital 18.3 years, compared to 14 years in 2012.

Without significant financial assistance, primarily from family, young people are being locked out of home ownership.

Yet for many the reality could be far worse. Generation Rent's calculations are based on a relatively aggressive saving rate. On average, Gen Z would have to save £2,512 a year to raise the average deposit of £45,979 in that time.

The average nominal salary for a graduate aged 21-30 is £34,000 – post-tax and accounting for student loans, they would have to save around 10 percent of their salary. In [contrast](#), 18-34 year olds have only around £2-4,000 in cash savings and £2-5,000 in investments.

However, there is some evidence that this trend may be easing. According to [Barclays](#), confidence in the housing market among 18-34 year olds improved from 33 percent in January 2025 to 40 percent in December, but affordability remains a significant barrier.

In the BSA's April 2025 Property Tracker, first-time buyers are still ranking mortgage affordability as the biggest barrier to buying a home, with two-thirds (65 percent) selecting this. Raising a deposit was also highlighted as a significant obstacle to homeownership, with 62 percent of would-be homebuyers citing this.

Most successful first-time buyers are stretching themselves to get on the property ladder, with many using higher loan-to-income and higher loan-to-value mortgages to mitigate the challenge of raising the initial deposit. Choosing to have a higher monthly repayment, supported in part by wage growth, is likely to be the biggest factor that has enabled successful first-time buyers to achieve homeownership.

While the Bank of Mum and Dad remains influential, which Barclays says supports a third of recent Gen Z buyers, perceptions around the necessity of support from family or friends also appear to be easing, with four in 10 (43 percent) Gen Z saying inheritance or financial assistance is now essential, compared to 63 percent at the start of 2025.

It's clear that Gen Z's desire to get on the property ladder is resilient. But that resilience is being tested. Although there's been some relief recently, structural barriers remain. House prices have risen much faster than earnings, and the time to save a deposit has grown significantly. Getting onto the housing ladder is exceedingly difficult for a lot of the UK, but for Gen Z the journey is steeper. With wages stagnating for non-graduates, and falling for graduates, the future of homeownership for Gen Z looks uncertain – despite Gen Z's optimism.



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Where Does Gen Z Live?

As property ownership becomes a more distant goal, many Gen Z'ers are looking to alternatives, which is having significant consequences for their living arrangements. In 1997, the most [common](#) living arrangement for young adults (18-34) was as a couple with one or more children. By 2017, the most common arrangement was living with their parents – with 32 percent of young adults opting to not move out.

In 2017, the first age at which more than 50 percent of young people had left the parental home was 23. Two decades earlier, more than 50 percent of 21 year olds had already left home. According to the [latest](#) ONS data this trend has worsened by a year, with 49 percent of 24 year olds living with their parents. Men are driving this trend, with 55 percent of them choosing to stay with parents, compared to 43 percent of women. However, both men and women are choosing to live with their parents for longer.

The economics of moving out are undoubtedly a factor in this. Many Gen Z'ers are choosing to stay with their parents in order to save more. As wages have stagnated or dropped, for many living with their parents longer is the only route to saving, and therefore home ownership.

Others are choosing to rent. According to the [Ministry of Housing, Communities and Local Government](#), the most common age group among private renters was 25 to 34 year olds (30 percent). Gen Z also spend the highest percentage of their income on rent than any other age group, spending around half (49.7 percent) of their income – making it that much harder to save their income for a house deposit.

But like house prices, rents across the UK have soared.

Rents have soared across the UK since 2021

A comparison of the percentage increase in rents across the UK (England, Scotland, Wales, and Northern Ireland).

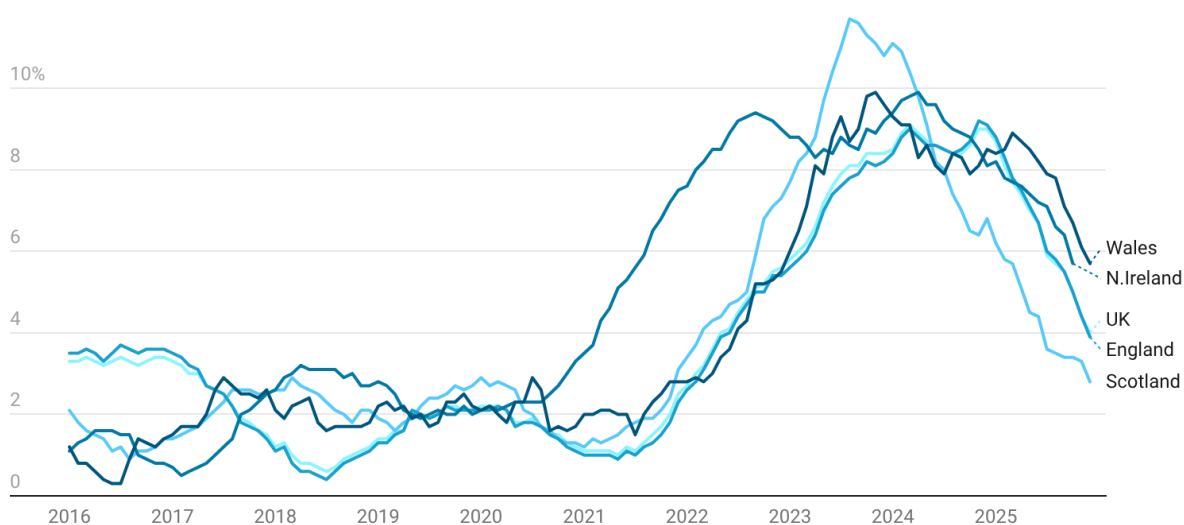


Chart: Dods Political Intelligence • Source: Office for National Statistics • Created with Datawrapper

This trend peaked in November 2024 where rents soared 9 percent across the UK, and by 9.2 percent in England. Since then, the pace of rent increases has begun to slow, but they are still rising above inflation – rising at around 4 percent across the UK.

While there are tentative signs that rent inflation may be easing, this offers little structural relief for Gen Z. High rents are fundamentally reshaping life choices. When close to half of disposable income is absorbed by housing costs, the capacity to save, invest, or plan for the future is severely constrained.

Renting, once a transitional stage on the path to home ownership, has increasingly become the ceiling for Gen Z. For many, it is no longer a stepping stone but a holding pattern; one that delays asset accumulation, prolongs reliance on family support, and narrows economic mobility.

In this context, it is unsurprising that growing numbers of Gen Z are reassessing when, or whether, they can afford to leave their parents' home – if it is worth it at all, until much later in life.

The background is a solid dark blue. There are two large, stylized leaf shapes in a lighter blue color. One leaf is in the upper right quadrant, and the other is in the lower right quadrant, partially overlapping the text.

Long-term Savings

Long-term savings is perhaps the clearest illustration of how economic risk has shifted between generations. While previous cohorts benefited from defined benefit pensions, stable employment, and a predictable retirement settlement, Gen Z are entering a system in which responsibility for retirement outcomes has been individualised - without a commensurate increase in incomes, stability, or trust.

Gen Z's relationship with long-term savings and pensions is unique. For many, their perceptions begin negatively, already tarred with the brush of intergenerational unfairness. One likely complication is the shifting of the retirement age. Gen Z has [ambitious goals](#) on retirement, hoping to retire at 60 - earlier than any other generation. Crucially, this is well before today's new State Pension age (SPa) of 67. Gen Z will likely have to retire later, with the SPa on track to be at least 68 by the time they retire

According to the [Pensions Policy Institute \(PPI\)](#) and the Institute and Faculty of Actuaries (IFoA), a significant proportion of Gen Z does not believe the State Pension will exist by the time they retire. Less than half (46 percent) think it will survive, with nearly one-third (31 percent) expecting it to be abolished. Nobody knows whether the State Pension will survive. But this scepticism combined with legitimate questions over the long-term fiscal sustainability of the pensions triple lock, is fundamentally shaping Gen Z's approach to retirement planning.

Aside from the State Pension, the pensions landscape has transformed fundamentally in recent years. The shift from defined benefit (DB) to defined contribution (DC) has had significant consequences for both returns and the management of pensions.

In a DB scheme, employees are paid a promised pension based on factors such as salary and length of service. In DC schemes, employees and employers contribute to a pot that is invested to achieve returns, which is then paid out in retirement. DB schemes are often more lucrative, easier to understand, and require no management from the employee. DC pensions, by contrast, are harder to understand, require active planning, and are often inadequate due to a lack of employee contributions.

This is not merely a technical change in pension administration. It represents a fundamental transfer of investment risk, longevity risk, and adequacy risk from institutions to individuals. Gen Z must now become their own pension fund managers, navigating investment choices, contribution rates, and drawdown strategies - precisely at the moment when their capacity to bear this risk is lowest due to stagnant wages, high housing costs, and student loan repayments.

As DC pensions are built via contributions, the size of one's pension when you reach retirement age, is obviously dependent on the size of one's contribution throughout their working lives. Whereas with DB, you are simply paid a 'final salary'.

With DB schemes largely closed, Gen Z are increasingly required to contribute to and manage their own pensions, whereas many workers in previous generations did not. The shift from defined benefit to defined contribution pensions has transferred much of the investment and longevity risk from institutions to individuals. While many in Gen X missed out on DB, and have the unique challenge of missing the initial rollout of autoenrollment, Gen Z face a unique challenge on general asset accumulation, in which they could

potentially hedge against inadequate pensions. More broadly, Department for Work and Pensions (DWP) [figures](#) suggest that those retiring in 2050 could receive around 8 percent (£800) less private pension income a year, than those retiring today if current saving patterns persist.

This comparison may even understate the challenge, as it assumes equivalent contribution patterns and investment returns - neither of which Gen Z can rely upon given their constrained financial circumstances.

The retirement benefits Baby boomers received were far more generous than Gen Z will receive. Baby boomers, on average, had more stable forms of employment and less precarious working arrangements. This does not mean that baby boomers themselves have not been subject to intergenerational unfairness. But, they have accumulated significantly more wealth, quicker than previous generations – and definitively faster than Gen Z.

When it comes to investing in their own retirement, the figures for Gen Z are worrying. According to the [Money & Pensions Service](#), only just over half (54 percent) of working 18 to 25 year olds are contributing to a pension, with 1 in 3 (29 percent) having never contributed.

However, this trend is being driven by those in part-time roles. The majority of working young people who are not paying into their pension are casual workers, working zero-hour contracts, and / or are earning less than £10,000 annually.

In contrast, 71 percent of young people in full-time employment are contributing, likely due to auto-enrolment. Major strides in pensions adequacy have been achieved with auto-enrolment, by ensuring that most full-time workers are contributing something. But there is much more to do.

The presumption by many is that auto-enrolment is the minimum amount needed to enjoy a good retirement. This is emphatically not the case. According to [DWP](#), a male born in 2002, with median earnings and a typical earnings profile who is automatically enrolled from age 22 and works continuously to SPa can expect an annual income of £24,000 when combining State and private pensions. This provides a Target Replacement Rate (TRR) of 64 percent, below the level recommended by the Turner commission (67 percent). Of course, this assumes that the State Pension exists, either in its current form, or at all, by the time they retire.

Auto-enrolment has significantly increased participation, but it was never designed to deliver adequacy on its own. For Gen Z, relying on minimum contributions risks embedding a cohort-wide shortfall that will only become visible decades later, when the scope for correction is limited, and the social safety nets designed to catch them may be diminished, or abolished.

Why Minimum Saving Is Not Enough

The pension adequacy challenge becomes acute when viewed through the lens of the earlier chapters in this report. Consider a typical Plan 2 graduate:

Sarah, age 25, earning £34,000:

- Take-home pay (after income tax and National Insurance): c.£26,000
- Student loan repayments (9 percent on earnings above £29,385): c.£415 annually
- Auto-enrolment pension contributions:
 - Employee: c.£1,700 annually
 - Employer: c.£833 annually
 - Total pension saving: c.£2,533 annually
- Average rent in a major city (49.7 percent of take-home income): c.£12,900 annually
- Remaining for all other expenses: c.£11,000

From this £11,000, Sarah must cover food, transport, utilities, council tax, and any additional pension saving needed to reach adequacy.

To achieve the Turner Commission's benchmark of a 67 percent replacement rate, total pension contributions are typically estimated at around 12–15 percent of gross income over a working life. On this basis, Sarah would need to save an additional £1,500–£2,570 annually on top of current minimum auto-enrolment contributions.

This would represent around 14–23 percent of her remaining disposable income after rent and existing pension contributions, placing significant pressure on her ability to balance current living costs with long-term saving.

The squeeze is structural, not individual. Gen Z faces higher housing costs relative to income, student loan repayments that previous cohorts did not face to the same extent, and weaker real wage growth than graduates experienced in the mid-2000s. Each of these factors constrains pension saving; taken together, they make achieving adequate retirement provision significantly more challenging without access to additional financial support or higher-than-average earnings.



The Knowledge Gap

Gen Z face a form of financial harm that is genuinely unprecedented. Previous generations made major financial decisions - where to invest, how to fund retirement, whether to buy a home - in an environment of limited information channels, where advice was largely regulated, personalised, and delivered by professionals or employers. Gen Z's reality is fundamentally different. Gen Z make these decisions inside an algorithmically curated, largely unregulated information ecosystem, one optimised for engagement rather than accuracy, at precisely the moment when those decisions carry the highest long-term consequences.

For Gen Z, this is a structural vulnerability, one created by the intersection of three forces unique to Gen Z: a profound financial education deficit, a pension system that places the full burden of decision-making on the individual, and an unregulated online advice economy that has rushed to fill the gap. Understanding this dynamic - and the harm it causes - is essential context for the policy recommendations that follow.

When it comes to pensions education, Gen Z suffers from a profound information gap, one with serious consequences for their retirement security. According to research by Standard Life, [51 percent](#) of Gen Z are unable to put a figure on how much is in their pension. More concerning is the mismatch between confidence and competence. While 60 percent of Gen Z say they have "a good understanding of pensions", only 10 percent [pass](#) basic pension literacy tests. Misplaced confidence is arguably more dangerous than outright ignorance for long-term decision-making, as those making these decisions may be less likely to seek financial advice.

Gen Z's overconfidence is well-documented. Research by [Get Britain Pension Ready](#) found that the high levels of understanding indicated by those aged 18-24 appeared to be misplaced when tested against actual knowledge of pension products. Moreover, 39 percent of Gen Z believe they are currently enrolled in or receiving payments from a final salary pension scheme, despite DB schemes having largely closed well before Gen Z entered the workforce.

Information gaps within pensions are more significant than they were in the past. Previous generations, with DB pensions, never needed to think about TRRs, contributions per month, or the size of their pension pots. This is largely a Gen Z and millennial problem - two generations required to make sophisticated financial decisions without the education, tools, or resources to do so effectively.

The structural gap in financial education has created a vacuum, and into that vacuum has stepped an unregulated online advice ecosystem. Research suggests Gen Z are [increasingly](#) turning to social media for advice about pensions and retirement planning. This is particularly prominent among 18-to-24-year-olds, 30 percent of whom said they would turn to social media; nearly four times the national average of 8 percent. Crucially, 90 percent of young people have acted on financial advice received via social media.

This represents an intergenerational harm with no direct equivalent for previous generations. Their parents received financial guidance through employers, regulated advisers, or DB pension administrators. For Gen Z, the primary source of financial guidance is a social media feed, algorithmically optimised to maximise engagement, not to serve their long-term financial interests. They were not given the tools to navigate this environment, and the regulatory framework has not kept pace with it.

Financial education in the UK is widely regarded as being lacklustre. Combined with the fact that as a generation, Gen Z aren't saving or investing enough, the widespread proliferation of financial advice on social media – otherwise known as “finfluencers” – has the potential to be a toxic cocktail. For Gen Z's retirement and long-term savings, it could be devastating. Combined with the fact that Gen Z face more complex financial decisions than any previous generation, and possess fewer institutional guardrails, the proliferation of unregulated financial advice on social media has the potential to be deeply damaging.

This trend exists for a reason. Gen Z life is on their phones. Their friends, media, news, and wallet all exist in that world. It makes sense, therefore, that their first port of call for advice, be that investment, pensions or otherwise, would be their phone – in particular social media. Yet this has given rise to “finfluencers” – social media personalities who use their platforms to promote financial products and share insights with their followers, many of whom are not authorised to provide such advice.

The scale of this audience is striking. According to [research](#) from Santander UK, only one in four young adults received any financial education at school, and only 13 percent felt those lessons were applicable to their lives. In the absence of formal guidance, nearly a third (31 percent) of young people turn to social media influencers for financial advice - with 25 percent of those relying specifically on TikTok. Nearly two-thirds (62 percent) of 18-to-29-year-olds follow social media influencers, 74 percent trust their advice, and 90 percent have acted on it. This is not a fringe behaviour. It is currently functioning as the dominant financial education system for a generation.

The financial consequences are substantial. Action Fraud [recorded](#) over 30,000 reports of investment fraud between January 2023 and January 2024, with average losses exceeding £25,000 per victim. FCA [research](#) has shown that around 800,000 people lost money to investment or pension-related scams in the 12 months to May 2024.

More broadly, fraud is increasingly mediated through digital platforms. UK Finance data [suggests](#) that around 70 percent of authorised push payment (APP) fraud originates online, including through social media and technology platforms. Harm linked to social media financial advice is already significant. Research from Which? and TSB [found](#) that more than half of those who act on such advice report losing money, while [analysis](#) from Barclays suggests that over half of investment scams now originate on social media platforms.

Taken together, this points to a structural shift in how financial harm is generated. Social media is not simply a channel through which scams are advertised, but an environment in

which financial decision-making is actively shaped - often without the safeguards associated with regulated advice.

What makes this particularly intractable is precisely what makes it generational. The cold calls and unsolicited post that characterised investment fraud targeting older cohorts were, at least, clearly separable from everyday life. For Gen Z, these scams are woven into the same feeds they use for news, entertainment, and social connection - indistinguishable in format from legitimate content, and amplified by the same algorithms. A generation that was never taught to evaluate financial information formally is now being asked to do so in the most hostile possible environment.

Providing financial advice is a regulated activity in the UK, overseen by the Financial Conduct Authority (FCA). Enforcement has been limited to date. While the FCA has brought charges against nine high-profile influencers, these cases are not expected to go to trial until 2027, and there have so far been few, if any, major convictions. The enforcement gap is structural. Perpetrators frequently operate across jurisdictions beyond the FCA's immediate reach, and the volume of non-compliant financial promotions continues to grow. The FCA's own [data](#) shows it removed or required amendment of 19,766 non-compliant financial promotions in 2024-25 - a 97.5 percent increase on 2023. The scale of the problem is accelerating far faster than enforcement capacity.

In [evidence](#) given to the Treasury Select Committee, representatives from the FCA argued that online scams originating from social media financial advice represent a new phenomenon - not simply old scams transitioning online. They are a distinct trend enabled by the combination of digital platforms, algorithmic content distribution, and a generation seeking guidance in the absence of formal education. This is the key point. Influencer fraud is not a variant of traditional financial crime. It is a product of the specific environment Gen Z inhabit, one they were given neither the education nor the regulatory protection to navigate safely.

Viewed through the lens of intergenerational fairness, the influencer problem represents a compounding disadvantage. Previous generations did not face this. Their financial decisions were made within a system that provided institutional support, employer guidance, and regulated advice. Gen Z face the opposite: individualised risk, minimal education, and an unregulated advice market that actively profits from their inexperience. The consequences; poor pension decisions, financial losses, and eroded trust in formal institutions will compound across lifetimes. The cost of inaction is not merely financial. It is generational.

The pension challenge facing Gen Z is not one of personal responsibility or financial literacy alone. It is structural. Previous generations were not more financially savvy - they operated within a system that did not require them to be. DB pensions, stable employment, affordable housing, and the absence of student loan repayments meant that adequate retirement provision was largely automatic.

Gen Z face the inverse; a system that requires sophisticated financial knowledge and active management, but provides neither the education nor the economic capacity to succeed.

Gen Z must save more, understand more, and plan more carefully than their parents - all while earning less, paying more for housing, and servicing debts their parents never faced.

By the time inadequacy becomes visible - at retirement - it will be too late to correct. For Gen Z, pension policy is not about comfort in old age. It is about avoiding late-life poverty. The challenge is not whether individuals are making optimal choices within the system, but whether the system itself is designed for their success.

Without intervention, the UK risks embedding a cohort-wide retirement crisis that will become apparent only when Gen Z reach their sixties - by which point the fiscal and social costs of remediation will be far higher than the cost of prevention today.

**What does
Westminster think?**



What Westminster Is Watching

The past few months have seen Westminster awaken somewhat to the economic challenges facing Gen Z. Despite this, the dots are yet to be fully connected. As is often the case, Westminster's engagement with Gen Z's economic challenges has been shaped less by what matters most, and more by what is most visible – leaving the underlying structural drivers shaping outcomes unaddressed.

Nowhere is this more evident than student finance. Student finance - specifically Plan 2 - has absorbed the bulk of political attention. This is perhaps understandable. Policy failure very rarely carries such a specific and visible cost. Graduates can see the repayments on their payslips and the numbers are striking. With a large share of Gen Z having pursued higher education, this issue affects an increasingly significant electoral cohort.

Plan 2 loans were introduced in 2012 against the backdrop of the financial crisis and a funding crisis for universities. The system was designed during the coalition Government and taken forward by Sir Vince Cable, then-Secretary of State for Business, Innovation and Skills, and Lord Willetts, then-Minister of State for Universities and Science. The original rationale reflected the fiscal constraints of the time. As Cable explained, in 2010 the choice facing government was stark: drastically cut student numbers, strip further education of funding, or ask graduates to contribute to the cost of their education out of future earnings.² The graduate premium, then estimated at over £100,000 cumulatively across working lives, appeared to justify the latter.

Even among the architects of the system, there is now recognition that the current model is generating economic distortions. Sir Vince Cable reflected that the system “in retrospect clearly represents a level of taxation on younger graduates which is unacceptable and a massive disincentive.” He identified the interest rate formula - RPI plus 3 percent - as having become “completely out of control” and “unacceptable,” noting that concerns were raised at the time, but that the Treasury insisted on this structure as a condition of funding the scheme. Lord Willetts acknowledged that “exactly how you calibrate the system must be up for debate,” recognising both the political and cost of living pressures that Plan 2 now generates.³

Even the Chancellor of the Exchequer, Rachel Reeves, has now [accepted](#) that the “student loan system is broken” - despite describing the system as “fair and proportionate” only months earlier.

Both ex-Ministers nonetheless maintain that the underlying principle - that graduates contribute toward the cost of their education - is the only viable model. This view is shared across the political spectrum, even by those most critical of the current settlement. Oliver Gardner of Rethink Repayment agrees that full student loan forgiveness is not pragmatic given current fiscal constraints.⁴

² Dods Research, Interview with Sir Vince Cable, February 2026.

³ Dods Research, Interview with Lord Willetts, March 2026.

⁴ Dods Research, Interview with Oliver Gardner, March 2026

Consensus on the existence of a problem does not, however, extend to agreement on its causes, its scale, or what to do about it.

It is at this point that the Westminster response begins to diverge. Understanding the roots of that rupture is important, as this variance in views informs policymakers' perspectives on how to approach remediation, as well as longer-term reform.

So far, proposed policy responses have focused around the two most visible issues: the interest rate formula and repayment thresholds. Of the two, interest rates have attracted the most political heat.

Sir Vince Cable described Plan 2 rates as “completely out of control,” arguing that they have produced a situation where graduates pay “very substantial sums over very long periods and way in excess of the cost of the provision of the university education.” Both the Conservatives and Liberal Democrats have pledged to cut Plan 2 rates, with the Conservatives committing to cap them at RPI.

The Government has responded to pressure from graduates by temporarily capping Plan 2 interest rates at 6 percent. While protecting borrowers from inflation-driven spikes is welcome, it misses the bigger issue - the overwhelming majority of Plan 2 holders will never repay their loans in full. For them, lower interest rates make little difference.

Lord Willetts concurred with this assessment. While understanding the political pressure around rates, he argued that “the most important thing is the repayment threshold” - the amount graduates actually pay each month - which is not directly affected by the interest rate. Reducing the rate may ease the psychological burden and shift the long-term calculation of whether a degree is financially viable, but it offers limited immediate relief to graduates managing monthly budgets. For Lord Willetts, acting on interest rates, without simultaneously addressing thresholds, risks appearing to respond while leaving the core problem in place. Capping interest rates may ease headlines, but it does little to change the reality of how the system works for most graduates.

On thresholds, the political picture is more divided. Only the Liberal Democrats have pledged to undo the freeze enacted at the Autumn Budget 2025.

The Government has defended the freeze on fiscal grounds, with the Chancellor linking it explicitly to NHS funding. For Toby Whelton of the Intergenerational Foundation, that justification was confirmation of a longer trend; that what “was going to be a loan system to help young people through university” has become “a means of extracting from the young.”⁵

Whelton argued that the repeated freezing of thresholds - in 2016, then 2022, and again at the 2025 Budget - has “in some way done more harm, or just as much harm” as the original tripling of tuition fees, gradually transforming a mixed-funding model into what he characterised as “a completely privatised model.”

Lord Willetts was clear that threshold policy matters more than the interest rate debate has so far acknowledged. He argued for a “balanced package” addressing both, while also

⁵ Dods Research, Interview with Toby Whelton, March 2026

advocating for a return to means-tested maintenance grants. The shift to an entirely loan-based maintenance model, he argued, has significantly inflated overall debt levels, leaving low-income students graduating with more debt than their wealthier peers - an outcome he regarded as straightforwardly “not right.”

A second, but growing, strand of debate, particularly prominent on the Conservative benches, concerns the quality and economic value of degree courses. Helen Whately, Shadow Secretary of State for Work and Pensions, framed the Conservative approach around two specific failures: the excessive debt burden driven by high interest rates, and “debt-trap degrees”: courses that fail to lead to graduate-level employment, leaving many with “no realistic prospect of ever paying off that debt.”⁶

She pointed to 700,000 graduates currently on out-of-work benefits as evidence that the system is failing to deliver on its core promise. The Conservative policy response combines interest rate reform with a doubling of apprenticeships and controls on low-value degree courses - with savings from the latter intended to fund the former. Whately was explicit that the party would not announce policies it had not worked out how to fund.

This framing connects to a broader and more contested debate about student numbers. Sir Vince Cable stated that, knowing what he knows now, he would “actually now cut the number of students” and “impose much stricter controls by the regulators over the kind of courses that universities offer.” He argued that the proliferation of graduates has suppressed the graduate premium - in some cases making it negative - and that the incentive structure needs rebalancing toward apprenticeships and more flexible, vocational university offerings. He acknowledged this would represent a reversal of a generation of higher education and social mobility policy, but argued the situation had “now got to the point” where that reversal was necessary.

Lord Willetts took the opposite view firmly. Reducing student numbers would be “very dangerous” and regressive, he argued, with the biggest losers being “the marginal student in the lower incomes” - those for whom university represents a genuine route to upward mobility. Rather than top-down controls on participation, he argued for maximum information and individual choice: “there should be a range of different options available, and then individuals, as adults, choosing.” On this, Willetts and Cable - both architects of the same system - now occupy sharply different positions.

Oliver Gardner of Rethink Repayment added a further dimension. The presence of above-inflation interest rates from the outset of Plan 2, he argued, “demonstrates that they [policymakers] can't have known that was a fair system” - suggesting the problem was not merely one of subsequent policy drift, but of original design. For Gardner, high debt levels represent “a really bad starting point” that makes a lifetime of repayment structurally inevitable for most graduates, regardless of how parameters are subsequently adjusted.

Government policy on student finance remains set for now. The initial response from Ministers was to be resistant to reform, and in policy terms, the inverse has occurred. The decision at the Autumn Budget 2025 to freeze repayment thresholds shifted even more of

⁶ Dods Research, interview with Helen Whately, February 2026

the costs of higher education onto younger cohorts, at precisely the moment when political debate suggested some relief was overdue.

Internally, the Labour Party picture is more complex, representing the largest and most significant schism in the debate. A number of Labour MPs are actively lobbying the Government on this issue, and the Chancellor's own public acknowledgement that the system is "broken" suggests some recognition that the current position is politically unsustainable in the medium term.

Jas Athwal, the Labour MP for Ilford South, [introduced](#) a Westminster Hall debate in February 2026 on the topic, describing "a system that millions of young people believe is rigged against them and in urgent need of reform." Throughout, he argued that "the whole system needs to be reformed. Tinkering around the edges is not going to cut it anymore; we are looking for a much fairer system." During the course of this debate, Athwal was joined by a chorus of Labour MPs who criticised the state of student finance. Luke Charters, the Labour MP for York Outer, described Plan 2 as a "dog's dinner of a system".

Some MPs are beginning to raise these issues explicitly on intergenerational grounds. Peter Prinsley, Labour MP for Bury St Edmunds and Stowmarket, argued that "education should expand opportunity, not entrench intergenerational unfairness." Chair of the Education Committee, Helen Hayes, has argued that the Plan 2 generation are those "who have found themselves increasingly locked out of the housing market, unable to put down roots in their community, and squeezed by the cost of living and the cost of renting in particular. Plan 2 loans add unfairly to those cost pressures."

The Government's position is driven, in significant part, by fiscal pressure. Freezing the thresholds will generate the Government around £400m a year in revenues, alongside a crucial £5.6bn one-off reduction in borrowing in 2026-27. Given the tight and precise fiscal constraints the Government is operating within, the Treasury's instinct to protect the fiscal position is entirely predictable. But this is precisely the trade-off that underpins accusations of intergenerational unfairness and framing it as a choice within younger cohorts, rather than across generations, obscures that.

The key question is whether this recognition translates into policy change, or whether fiscal constraint continues to take precedence. Any resolution will require the Government to prioritise graduates both economically and politically - a calculation that, for now, it has declined to make.

The current fixture in Westminster on interest rates would not provide immediate relief to graduates on the cost of living. It may, however, ease the psychological burden for graduates, as well as shift the long-term calculation as to whether a degree is financially viable for graduates - especially for the squeezed middle. A lower interest rate means that the income needed to start paying off the principle, rather than solely interest, falls slightly, and a larger proportion of students may be able to clear their loans.

Failure to act on repayments thresholds, however, risks the continuation of a system where the highest earners pay comparatively smaller amounts as a percentage of lifetime earnings than the lowest earners. It means embedding a system which produces a "squeezed middle" and disincentivises further work due to high marginal tax rates.



What Westminster Is Missing

What is largely absent from the debate across all parties is an explicit recognition of intergenerational dynamics as a structuring principle. The relative deprioritisation of Gen Z's interests, in favour of other cohorts, has shaped policymaking over time. These decisions have compounded into a generational settlement that is less secure and materially less favourable for Gen Z. For student finance, the 2025 threshold freeze is just the latest example.

More broadly, a continued focus on short-term fiscal outcomes - alongside a relatively generous settlement for older cohorts - has contributed to growing political tension. The policy responses proposed for student finance - such as adjusting interest rates, repayment thresholds, or course provision - are symbolic of the wider state of play.

The responses are targeted at specific technical failures within the student finance system. None engage with the broader finding that Plan 2 represents a gradual transfer of risk and cost from the state onto a generation of graduates. This is especially true because student finance has transitioned from a mixed funding model to one funded almost entirely by graduates. Without this framing, even well-designed reforms risk addressing symptoms rather than underlying causes.

Sir Vince Cable has since acknowledged student finance as a source of intergenerational imbalance, particularly given the trade-offs that have led to current outcomes. The discussions around Plan 2 give an insight into these trade-offs. Cable identified the 'original sin' on both thresholds and interest rates. During the design phase, Cable identified that in a world where higher inflation became the norm, the system would become "very difficult." Yet, he asserts this was the only way the Treasury would fund the scheme.

In hindsight, this risk was foreseeable, reflecting a broader tendency to prioritise short-term fiscal objectives over long-term generational outcomes. The system was always going to cause graduates immense hardship in a world with higher inflation, particularly given the presence of above inflation interest for many graduates. Compound this with various threshold freezes and the system becomes even more distorted and harmful towards young graduates.

These decisions were no doubt made in the context of rising pressures to the public finances. Plan 2's creation came amid the backdrop of the financial crisis; whereas the recent threshold freeze was influenced by the need for larger fiscal headroom in an increasingly volatile world.

Relying disproportionately on younger cohorts to support fiscal consolidation risks entrenching intergenerational imbalance - particularly when they already face higher costs than their parents ever did. As a result, Whelton argued that "student finance might be the most blatant example of an intergenerationally unfair system, because it's so clearly man-made." The lack of an intergenerational lens in policymaking led directly to these trade-offs, and their explicit comfort with making them. This attitude can be extended to multiple policy domains, thus leading to further policy failure for Gen Z.

A key driver of this imbalance is the reduced capacity for younger cohorts to accumulate assets, particularly in housing and long-term savings. House prices have far outpaced earnings since 2007, which has led to substantial difficulties for Gen Z. On balance, Gen Z will not enjoy the distinctly British milestone of owning their own home in the same numbers as previous generations.

As Whelton notes, the divergence in homeownership means that “whenever house prices go up there’s a transfer of wealth from young people to older generations.” But policy solutions have not recognised this problem explicitly. There have been no targeted solutions on either housing or pensions for young people.

Even as house prices rise, the demand side policy interventions, meant in part to aid first-time buyers, have become difficult to use and marred in complexity. The Lifetime ISA (LISA) illustrates the problem. Its £450,000 property price cap - frozen since the scheme’s introduction - now excludes most first-time buyers in London, where high-skilled and graduate employment is most concentrated. In the capital, the cap leaves buyers around £100,000 below the value of the average home. Should somebody purchase a property over this value, they are required to pay a penalty. Whelton agreed that uprating or varying the threshold by region is “obvious” - yet no action has been taken. As property values have continued to rise, the LISA threshold has stayed frozen, limiting access to homeownership for younger cohorts - essentially levying a tax on ambition.

Instead, Westminster’s focus has largely been on student finance. While important, as Cable notes, housing is a “much more serious” structural issue, and the “area with the greatest inequality”. The lack of progress made on earnings, combined with rising house prices, has meant very high house price to income ratios relative to previous generations. England’s affordability ratio has [more](#) than doubled, rising from 3.54 in 1997 to 7.71 in 2024. The increase is even more pronounced in London, where the affordability ratio has nearly tripled since 1997, reaching 11.06. For context, the ONS’ affordability threshold is 5.0. So almost everywhere is unaffordable, compared to the inverse previously.

With housing largely unaffordable, this has pushed many Gen Z’ers into a lifetime of renting, further constraining their ability to save and accumulate assets. Lord Willetts shared this assessment. He argues for both housing and pensions, the UK has made it “much harder for the younger generation.”

It’s largely true that access to housing has gone backwards across generational lines, which has a fundamental effect on Gen Z’s ability to accumulate assets. Lord Willetts noted baby boomers have been the largest beneficiaries of contemporary housing policy. They were the “biggest beneficiaries of things like council house sales” as well as more secure employment and laxer regulation around mortgage requirements. For Cable, the results are that “a whole generation of young people are unable to acquire property.”

To address this, Cable argued that “more house building on a much bigger scale, particularly social house building, seems to be the absolutely crucial area to address generation inequality.”

In their manifesto, the Labour Party [pledged](#) to build 1.5m new homes, recognising that “the dream of homeownership is now out of reach for too many young people.” But progress needs to be faster.

Lord Willetts observed this and argued that “to be frank, it's looking pretty difficult at the moment.” The inability to achieve widespread home ownership so far, has led to, in Whelton’s view, young people becoming “a precariat class.”

Long-term savings provide one of the clearest illustrations of how economic risk has shifted between generations, and according to Lord Willetts “is a case study in intergenerational unfairness.” As this report finds, to achieve adequacy, Gen Z must now become their own pension fund managers, navigating these choices, precisely at the moment when their capacity to bear this risk is lowest due to stagnant wages, high housing costs, and student loan repayments. It is almost certain they will now enjoy a less secure retirement than previous generations.

The shift from DB to DC has meant that young people are no longer guaranteed a good retirement, and with a lesser ability to accumulate assets, Gen Z possess a very limited tool kit in which to hedge. For many, inadequate pensions can be subsidised by their asset purchases, namely their house. In the main, Gen Z will not have that option.

Whately recognised this explicitly. She argued that “if homeownership in the next generation is going to be a lot rarer, they're going to be paying rent out of their pension and their pension is not going to be what they hoped for. That's a problem.” On this front, she said more needs to be done to “reduce the tax burden on young people and help them build savings and ownership.”

Lord Willetts noted that compounding policy changes have meant that “what should have been another intergenerational contract, into a once-off special offer.” He agrees that this shift represents “a transfer of risk” but also a shift “very crudely in the amount of money.” He notes that “the amount that the next generation have in their auto-enrolled DC pots is very low compared with the value of the defined benefit pensions of the previous generation.”

The Government’s pensions commission terms of reference [explicitly](#) recognises the shift in risk, but not along generational lines, nor does it address the structural barriers to young people’s capacity to save due to the pressures identified in this report.

Understanding how these pressures interact on a intergenerational level, taking into account student finance and these barriers to saving, are crucial to ensuring adequacy. Quite rightly, the commission is focussed on those whose retirement is approaching. Yet achieving adequacy is a lifelong task, and ensuring that Gen Z are able to achieve this should be a priority. This is particularly pronounced given Gen Z’s likelihood to seek unregulated financial advice on social media. Failure to account for Gen Z’s issues, alongside those of older cohort, risks furthering intergenerational inequalities that are already ubiquitous.

Whately argued that “it feels like they're [the Government] kicking it down the road” and “we need to have that conversation.”

Whelton identified older generations as having “got their turn twice.” He argued that it is only recently that the UK shifted to “a state-funded retirement model” – arguing that older generations did not need to pay in, but “now it’s their turn, they reap all the benefits.” Much of the time, this debate is accompanied by analyses of the generosity of the pensions triple lock – becoming a political battleground along generational lines. All the major parties shared the commitment to the triple lock until at least the end of this Parliament – which makes it a rare moment of consensus in British politics.

Yet, policymakers are divided as to whether young people should receive targeted support. When contrasting the terms of the triple lock to that of student finance and the political support behind both, the merits of Whelton’s views are sharp.

The degree of generosity now is, to an extent, beside the point. The UK’s ageing population combined with a tight fiscal outlook means that it is almost certain the retirement settlement will not be as generous for Gen Z as it is now. As Cable expressed, the triple lock “is clearly gratuitous and has proved to be extremely expensive.” The triple lock will almost certainly be abolished in the future, and whatever replaces it will have to be less generous.

But some Gen Z’ers see a worse outcome. Gardner argues that “young people aren’t fully aware of the scale of what will probably be a pensions crisis.” His view that there “probably isn’t going to be a State Pension when we retire” is one shared by many young people. Although figures like Sir Vince would argue that this would only happen in a “fantasy world”, it is a real fear that substantial amounts of young people hold.

But even if this does not come to pass, the idea of a less generous retirement settlement, despite carrying a higher burden with student finance and others, does excite tensions along intergenerational lines. This tension, for Whelton and Gardner, operates within a broader landscape of intergenerational unfairness. They argue that a core element of the social contract has weakened. The expectation of upward mobility has become less certain by continual trade-offs in favour of older generations.

Gardner argued that:

“This whole idea that you go to university in order to get a good job and earn this graduate premium is becoming less and less certain. So not only are the wages not rising and in real terms are falling, you also then have this cost on top that previous generations didn’t have.”

The effects of this on young people are being overlooked. According to Gardner, Rethink Repayment have heard from young people who “aren’t able to start families”, are not able to buy houses, or are not “saving into their pensions as much as they should.”

Similarly Whelton argued that these milestone are “becoming out of reach.” The resulting consequences could be catastrophic. If Gen Z are kept out of the intergenerational compact which has defined Britain’s politics since at least the 1920s, this represents a fundamental shift in the relationship between young people and society. The continual inability to accumulate assets, to get on the housing ladder, or achieve a secure retirement, could redefine the country’s relationship with work, but also government.

The relative political silence on earnings, housing, and pensions for young people is telling. Until Westminster develops a more coherent cross-cutting approach to intergenerational

fairness, piecemeal reforms to student finance alone won't address the structural disadvantage Gen Z faces. While many of the proposed reforms for student loans may offer immediate relief, they do not tackle the structural drivers of intergenerational imbalance.

The “original sin which Sir Vince recounted is just one example of this trade-off in action. The recent decision to freeze thresholds at the Autumn Budget 2025 is another. There is relative consensus in Westminster that Gen Z face very high structural barriers, but the gap between acknowledgement and action reflects a deeper structural problem. At present, there is no embedded mechanism within government for assessing the cumulative, cross-cutting impact of policy decisions across generations. Fiscal decisions are assessed primarily for their immediate impact on the public finances. They are not routinely assessed for their distributional consequences across age cohorts, and politicians need not face the cumulative impact of their decisions.

The result is that individually defensible decisions - freezing repayment thresholds, maintaining the triple lock, delaying housing reform - accumulate into a settlement that is, in aggregate, deeply unfair to younger generations. Nobody deliberately designed this outcome, but nobody is equipped to prevent it either.

Without adopting this lens, these trade-offs will continue to be the rational choice in government. Shifting more of the cost of higher education to graduates is a rational economic choice. In very crude terms, the state sharing less of the burden is a desirable outcome. Having no counterweight embedded in the policymaking framework continues to make this trade-off routine. While distributional analysis is a core feature of UK policymaking, it does not systematically account for intergenerational effects, only orthodox ones, such as income.

Whelton argues that what this “fails to capture [is] that increasingly in the UK, inequality can't just be captured by like traditional metrics of class or earnings.” Understanding that Gen Z “higher earners don't necessarily have a better quality of life compared to older generations” is key. Any solutions that do not account for this will no doubt continue to dampen aspiration for Gen Z.

This can be viewed across multiple domains, such as ensuring that demand-side incentives in the housing market continue to function effectively. Uprating the threshold of the LISA costs money, and would no doubt benefit higher earners. A conventional distributional analysis would flag this, and represent a potential obstacle. Yet, as this report has explained, Gen Z face substantial structural barriers to buying their first homes compared previous generations. Any distributional analysis should therefore compare across intergenerational lines to provide a fuller picture. Embedding an intergenerational lens into the policymaking framework could help shift the calculation towards reform in housing and other domains.

Embedding this framework would also strengthen accountability for policymakers. At present, the Government does not have to directly face the consequences of policy impacts based on how they cut across generational lines. Having to do so would ensure that policymakers have to provide political justifications for their decisions or, in the best case, simply have better information with which to tackle these issues.

Attempting to tackle these intergenerational imbalances requires a radical rewiring of the policymaking process.

At present, policymakers are ill-equipped to deal with this challenge. The data needed to understand these problems are not there. They are already a step behind. Policymakers have the tools, but no blueprint. Without a clear understanding of both the scale and the drivers of these dynamics, policy responses will remain partial and reactive.

The Politics Of Inaction

Any explanation of inaction along policy framework lines alone is, at best, incomplete, and at worst, disingenuous. The politics of the intergenerational compact are a defining factor in this calculus, and shape the incentives in this debate. The erosion of this compact is not the result of a single decision, nor is it necessarily deliberate. It is, however, largely a consequence of demographic structure and cohort size - which continues to exert a significant pull on political decision-making.

Lord Willetts captures this dynamic succinctly. In a modern democracy, he argues, "if you're a big cohort, you've got market power, and you've got political power," and without any deliberate plotting, a large generation inevitably shapes the world in its image. The scale of the Baby Boomer cohort has created structural advantages for that generation relative to those that followed, not through conspiracy, but through the ordinary mechanics of democratic politics.

This is compounded by a self-reinforcing cycle on the other side of the generational divide. As Whelton argues, "there's just the blunt fact that their cohort size is larger, so they have more votes" - and this is compounded further by persistently poor turnout among young people.

When policy fails to address younger cohorts' concerns, disillusionment reduces turnout, which in turn weakens the incentive for policymakers to respond. It is therefore unsurprising that successive governments have appeared unwilling to shift these trade-offs - the electoral arithmetic simply doesn't demand it. The consequences of this are visible in specific decisions. Whelton is direct on this point; the threshold freeze was enacted because graduates were identified as the path of least political resistance for the maximum fiscal gain. In political terms, these trade-offs are rational, given existing incentives.

The electoral arithmetic compounds this further. Gen Z comprised 9 percent of the electorate in 2020, but are projected to reach 25 percent by 2030. For now, political incentives remain weighted toward older voters. The demographic that benefits most from the triple lock, from house price and asset inflation, and from the defined benefit pensions that have largely closed to new entrants. Until Gen Z's electoral weight catches up with their economic disadvantage, the political incentive to act remains limited.

Yet there are reasons to think this dynamic may be shifting - gradually. Within Westminster, the pressure for change is building from several directions simultaneously, even if it has not yet translated into policy. Whelton notes that by the next election, the median voter will be a millennial. Crucially, Millennials are not following the traditional political trajectory with age, precisely because they have not reached the key economic milestones - homeownership, financial security - to the same extent that historically drove that shift. In this sense, they remain closer in outlook and interest to Gen Z than to the generations above them, further weighting the electorate toward younger concerns over time.

Lord Willetts cautions that this shift "is happening, but surprisingly slowly," as older generations live longer and owner-occupiers remain disproportionately represented

among voters. But he concedes it will eventually happen, and that politicians would do well to think rigorously about younger generations' interests before it does.

The political consequences of continued inaction are uncertain, but potentially significant. Gardner argues that as Gen Z's electoral weight grows, parties risk losing younger voters to actors offering more credible responses - whether that is the Greens, a reformed Conservative offer, or pressure from within Labour itself. The Chancellor's public acknowledgement that the student loan system is "broken" may be an early signal that the political calculation is beginning to shift, even if policy has yet to follow. As Gardner puts it, young people are increasingly expressing that "this is not fair" - and sooner or later, that sentiment will carry electoral consequences.

There is a further dimension to this that Westminster has yet to fully reckon with. The 2024 general election returned the largest cohort of Gen Z MPs to date. Many of them hold Plan 2 student loans. They are, for the first time, personally subject to the structural barriers this report has described - paying down debt that outpaces repayments, unable to save adequately for a deposit, navigating a pension system that places the full burden of adequacy on the individual. This shift alters the nature of the debate, with policymakers increasingly experiencing these dynamics directly. Luke Charters has argued that "our generation is picking up the cost of their mess".

For previous parliaments, intergenerational unfairness was an abstract concern; one that was not necessarily visible to older generations. That is no longer straightforwardly true. Whether this translates into sustained political pressure remains to be seen, but it represents a change in the texture of the debate that should not be underestimated. The voices arguing from inside Westminster that the system is broken are no longer speaking entirely on behalf of others.

It is unlikely that any of this is enough will be enough to cut through the orthodoxy and shift trade-offs in Gen Z's favour in the near term. For now, both the economic and political incentives hold. Given the fiscal pressures the Government is facing, U-turning on student finance, or strengthening financial incentives for young people, is not a priority. On student finance, the Chancellor indicated as much herself at her second Mais Lecture - despite recognising the system was "broken", she argued "politics was about priorities" and it was not "front of the queue."

Instead, the Chancellor said the Government would focus on alleviating child poverty and getting young people who are not in education, employment or training, back on track. Yet, the Chancellor framed the policy trade off by saying "if you tell me you shouldn't have done child poverty, you should've reformed the student loan system... I just strongly disagree with that." The Chancellor's comments illustrate the trade-offs identified in this report.

Framing policy choices as trade-offs within younger cohorts, rather than across generations, risks obscuring the underlying imbalance. It is a false equivalence.

However, the Chancellor argued that future students will see some improvement. At the Autumn Budget 2025, the Chancellor announced a new maintenance grant for lower income students. While details remain limited, the policy should alleviate some of the burden of student finance by reducing the amount needed to be taken in loans.

However, this does obviously not help alleviate large debt burdens for graduates. Nor does it tackle the structural drivers of unfairness within the loan system. The overwhelming majority of students, particularly those lower income students, will still face a lifetime of repayment. The Chancellor's expression of the trade-off necessary to remediate this suggests that relief is not to be expected soon.

This does not mean action is impossible now. The consensus identified in this report - that intergenerational imbalances are real, significant, and growing - provides a foundation. Older generations are not indifferent to the prospects of their children and grandchildren. Lord Willetts notes that a significant group of older voters now say their vote would be influenced by what is being offered to younger generations. That is a political resource that remains largely untapped.

What is missing is the institutional architecture required to translate this emerging consensus into coherent policy. Without a cross-cutting framework for assessing intergenerational impacts, piecemeal reforms to student finance alone will not address the structural disadvantage Gen Z faces. The following recommendations are intended as an initial step toward establishing such a framework.



Policy Recommendations

The analysis in this report suggests that the economic challenges facing Generation Z are structural rather than temporary. Rising housing costs, student loan repayments, and weaker long-term savings prospects are reshaping the economic settlement facing younger cohorts. Addressing these pressures will require targeted policy responses that improve financial resilience, strengthen incentives to save, and restore intergenerational balance.

The policy challenge is not to eliminate every disadvantage facing Gen Z, but to reduce the structural barriers that prevent asset accumulation and long-term financial security.

The following recommendations are intended as practical steps towards achieving this, but recognise that more ambitious policy on housing reform need to be implemented alongside this.

Establishing the facts

The terms of reference for the commission should include an explicit mandate to assess generational outcomes on crosscutting measures, looking at student finance, labour market outcomes, housing, and long-term savings. Any recommendations should inform fiscal policy with the explicit aim of restoring the intergenerational compact that has underpinned British social policy for decades.

Recommendation

- 1** The Government should establish an intergenerational fairness commission to assess the socioeconomic outcomes of Gen Z against previous cohorts.

Strengthening accountability

Recommendation

2

The Office for Budget Responsibility should produce regular generational impact assessments of major fiscal decisions.

These assessments should accompany Budgets and Spending Reviews to evaluate how tax and spending decisions affect different age cohorts over the long term, building on the OBR's existing work on fiscal sustainability and demographic change. By doing so, policymakers would be held to account on the intergenerational fairness impacts of Government policy.

Dealing with repayment thresholds

The freeze in thresholds acts as a double dose of fiscal drag for graduates and is demonstrably punitive. For Plan 2 graduates, higher inflation since 2019 has meant the value of their loans has grown sharply, and the freeze compounds this further. With ongoing conflict in the Middle East presenting an upside risk to the near-term inflation outlook, this trend is set to worsen. The revenues gained are moderate, at only £400m a year and would therefore not represent a substantial challenge to fund. While the Government does save £5.6bn in a one-off reduction in borrowing in 2026-27, the trade-offs for graduates are too great. The Government should not seek to make long-term policy for short-term fiscal gain, particularly when the intergenerational balance is skewed already.

Recommendation

3

The Government should undo the freeze in student finance repayment thresholds enacted at the Autumn Budget 2025.



Demand-side housing reform

Recommendation

4

The Government should review and reform the Lifetime ISA to ensure it remains an effective tool for first-time buyers.

While the fundamental driver of housing affordability pressures in the UK is a persistent shortage of housing supply, existing demand-side support schemes should still function effectively within current market conditions.

Property price growth has significantly outpaced the scheme's original parameters, meaning the £450,000 purchase cap now excludes many first-time buyers in high-cost areas. These areas, such as Greater London, also tend to be where graduate employment opportunities are most concentrated. Updating the scheme's thresholds would help ensure the policy remains aligned with current housing market conditions and continues to support younger households attempting to access home ownership.

Achieving Gen Z adequacy

This could include allowing additional voluntary pension contributions to reduce student loan repayment liabilities, or providing government matching contributions for pension saving by graduates with outstanding student debt. Such measures would help address the structural trade-off facing Gen Z between repaying student loans and saving adequately for retirement. The fiscal cost of such incentives would require careful costing, but should be weighed against the long-term consequences of cohort-wide retirement inadequacy.

Recommendation

5

The Government should introduce targeted incentives to encourage higher pension contributions among graduates with student loans.

Improving pensions literacy

Recommendation

6

The Government should fund a pensions adequacy campaign, delivered alongside the FCA's targeted support regime, to improve pension literacy among Gen Z.

The campaign should focus on explaining contribution levels required for adequate retirement income, the risks of relying solely on minimum auto-enrolment contributions, and the basics of long-term investment. To be effective, the programme should meet Gen Z where they are - through social media platforms, schools, universities, and apprenticeship education - while ensuring that guidance is delivered through regulated and trusted sources. The programme should be delivered through the Money and Pensions Service in partnership with pensions providers, consumer groups, employers, universities, and digital platforms.

Reducing online harms

This should include increased resources for the Financial Conduct Authority to investigate and prosecute individuals providing unauthorised financial advice, alongside closer cooperation with social media platforms to identify and remove harmful financial promotions targeting young people.

Recommendation

7

The Government should strengthen enforcement against “influencers” and other forms of unregulated financial advice circulating on social media.



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