The end of asset-based welfare as we know it in Britain?
The abolition of the Child Trust Fund and Saving Gateway

Abstract for APPAM conference, Baltimore, 8-10 November 2012
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The Coalition Government, which came to power in the UK in 2010, abolished the two flagship asset-based welfare policies which had previously been introduced by the Labour Government. These were the Child Trust Fund and the Saving Gateway, both of which had been demonstrated to increase savings, particularly for people on low incomes, and appeared to be supported by the Opposition Conservative party. Every child born in Britain from September 2002 had been given a Child Trust Fund and by April 2010, this amounted to 5.8 million children with over £4 billion in the accounts. The Saving Gateway was a matched-savings scheme for people on low incomes which had been through two rounds of piloting before its scheduled introduction in July 2011. The Coalition government cancelled the scheme just weeks before it was due to be launched nationally. The reason given for the abolition of these schemes was the need to tackle the budget deficit. At the same time, however, the government *increased* the amount people could save in tax-free Individual Savings Accounts which benefit those on middle and high incomes.

The paper will draw on data from the Wealth and Assets Survey (which collected data from over 30,000 households in 2006-8) to illustrate the extent of wealth inequality in Britain, with inequality in financial savings being even greater than inequality in housing wealth or private pension wealth. It will then draw on data to evaluate the two asset-based welfare schemes: official statistics relating to Child Trust Fund Accounts from Her Majesty's Revenue and Customs; and survey data from the two evaluations of the Saving Gateway – the first involving 1,500 accounts and the second involving 22,000.

As well as evaluating the success of these schemes, the paper will also consider the politics around asset-based welfare policies. One of the main reasons for the abolition appears to be the lack of a strong lobby group for such policies. The anti-poverty lobby may see them as a luxury compared with maintaining basic benefit levels while the 'losers' from the abolition are children and people on low incomes – two groups with relatively little (or in the case of children, no) electoral power. The arguments for asset-based welfare therefore need to be made more strongly if such policies are to survive in a time of austerity.

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Asset-based welfare in Britain under New Labour

The idea of asset-based welfare emerged in the UK in association with New Labour and this signalled a radical change in Labour party policy in the early 1990s. Before this, many on the political left had largely negative views about private property and personal wealth. For example, the Labour party had originally opposed Margaret Thatcher's Right to Buy Act in 1980 (which enabled council house tenants to buy their properties at generous discounts) and it had also opposed the privatisation of nationalised industries in the 1980s which led to wider share ownership. Under Tony Blair[1], however, Labour's attitude to personal wealth changed. In 1995 the party dropped Sydney Webb's 'Clause Four' of the constitution which had committed them to the '*common ownership of the means of production, distribution and exchange*' rather than individual ownership[2]. This was replaced with a commitment to put "*power, wealth and opportunity in the hands of the many not the few*". This change in Labour's approach was part of their new 'Third Way' in politics and asset-based welfare fitted perfectly within this new framework. Anthony Giddens (1998), a British sociologist, was a key exponent of this approach, arguing for a 'social investment state' to promote individual responsibility in place of a welfare state that might simply hand out money to apparently passive recipients. Kelly and Lissauer (2000:25), at the Institute for Public Policy Research[3], developed this further in relation to asset-based welfare, arguing that: *'centre-left strategy on asset-building should be about encouraging social inclusion and a sense of common citizenship across all individuals regardless of income.'* They argued that policies to promote private property could go hand-in-hand with progressive aims of equality, opportunity and responsibility. A 'baby bond' was one such idea.

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[1] Tony Blair became leader of the Labour party in 1994
[2] This is part 4 of Clause IV which read, from the 1918 constitution, *'To secure for the workers by hand or by brain the full fruits of their industry and the most equitable distribution thereof that may be possible upon the basis of the common ownership of the means of production, distribution and exchange, and the best obtainable system of popular administration and control of each industry or service.'* This became, *'The Labour Party is a democratic socialist party. It believes that by the strength of our common endeavour we achieve more than we achieve alone, so as to create for each of us the means to realise our true potential and for all of us a community in which power, wealth and opportunity are in the hands of the many, not the few, where the rights we enjoy reflect the duties we owe, and where we live together, freely, in a spirit of solidarity, tolerance and respect.'*
[3] A left-leaning think-tank founded in 1988

Once New Labour gained power in 1997, asset-based welfare ideas started to be translated into policy proposals, building particularly on the work of US academics including Michael Sherraden, Bruce Ackerman and Ann Alstott. In 2000, the Treasury published a consultation paper as part of its pre-budget report which emphasised the importance of savings in providing people with independence, security, and comfort in old age. This led to further papers emphasising the behavioural benefits of saving in relation to developing self reliance (HM Treasury 2000; 2001). David Blunkett (2001: 34), a member of the cabinet for most of Blair's premiership, also argued that asset-holding offered:

> *'positive behavioural benefits. People who have a material stake in society are more likely to plan ahead for themselves and their children, and to care about what happens in the community around them.'*

Blunkett (2005) also argued that:

> *Assets policies can offer unparalleled opportunity in the fight to prevent future poverty – stopping people falling into poverty when circumstances change and by enabling families to build inter-generational stepping stones out of poverty. Rather than merely being forced to depend on income support and other passive social policies that ameliorate poverty, assets provide a break to poverty in the future.*

McKay and Rowlingson (2009) have argued that New Labour's support for asset-based welfare was one of the most significant changes in its approach to social security policy compared with the previous Conservative government. Many other policies continued along broadly similar lines to Conservative policy but asset-based welfare was a new approach (along with the focus on reducing poverty).

Asset-based welfare was clearly championed by New Labour but it also seemed to cut across the left-right divide in politics, appealing to those on the left as a way of reducing wealth inequality and supporting those on low incomes but also appealing to those on the right as a way of increasing individual freedom and opportunity. For example, Philip Blond, director and founder of the right-wing public policy think tank, ResPublica, and author of *Red Tory* has argued that:

> *'Without assets, opportunity seldom knocks ...In a society where economic wealth is concentrated, more and more opportunity accrues to fewer and fewer people.'* (p.1) Blond and Gruescu (2010)

Wind-Cowie (2009) and others have also argued for 're-capitalising the poor'. In the foreword to Wind-Cowie's book (2009: 9) on this subject, David Cameron, then leader of the Conservative party in Opposition argued:

In 1980s Britain, Margaret Thatcher led an ownership revolution that gave millions a new stake in our economy. That was truly popular capitalism.... It's now vital that we put wealth back into the hands of the poorest so they can not only lift themselves out of poverty – but keep themselves out too.

The two flagship New Labour policies in this field were the Child Trust Fund and the Saving Gateway and the paper now turns to these for further discussion.

The Child Trust Fund and the Saving Gateway

The Child Trust Fund

The Child Trust Fund (CTF) was a savings and investment account for children living in the UK born on or after 1st September 2002. Vouchers worth £500 were sent to parents in low-income families[4]. Those with incomes above this threshold received £250. Parents received an information pack giving them details of what they needed to do and there was also a website and CTF helpline. Three choices of account were possible:

- Standard savings account.
- Share account (greater risk but possible greater reward).
- Stakeholder account (investment in shares at beginning but then money moved to lower risk investments).

If the parent/s did not make a choice of account within 12 months of receiving the voucher then the government opened a default (stakeholder) account for them. The money in these accounts could not be accessed until the child turned 18. At that point, the young person would be able to spend the money on anything they chose. In 2009, the government started to give top-ups of £250/£500 to children who turned 7. Parents and other family members or friends could add to the accounts at any point up to a limit of £1,200 per year (Prabhakar 2008). It was planned to link the accounts to financial education in schools. Andrew Hagger, of financial website Moneynet, had calculated that by saving £22.50 per month on top of the two £250 payments from the state, a Child Trust Fund with growth at 4 per cent would have been worth £7,964.70 by the time a child reached 18 years of age[5].

So how successful was the Child Trust Fund? The answer to this question depends, of course, on its aims which were broadly set out in HM Treasury's (2001) Green Paper on *Saving and Assets for All The Modernisation of Britain's Tax and Benefit System, Number Eight.* This paper stated that

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[4] low-income families were those receiving the full Child Tax Credit with household income below the CTC income threshold - £15,860 in 2011/12

[5] BBC News, *Child Trust Funds to be scrapped*, 24th May 2010, http://www.bbc.co.uk/news/10146734

> *A Child Trust Fund would meet the Government's objectives for saving and widening opportunity by ensuring that all young adults, regardless of their families' circumstances, start their adult lives with immediate access to a stock of assets. This would provide them with the benefits of having savings – security, opportunity, long-term independence – with those children most in need receiving the most help from the Government. A Child Trust Fund could also form the foundation of Government's efforts to encourage children to develop the saving habit for themselves.* (HM Treasury 2001: 17)

But while these general aims are clear, no specific objectives were set in terms of the scale of saving. Furthermore, given that the first children to receive a Child Trust Fund were born in 2002, it would be 2020 before this group turned 18 and so the main aim of increasing the number of people with assets at age 18 (and/or increasing the size of such assets) could not be achieved, or evaluated, until then. So it is not straightforward to measure the success of the Child Trust Fund and, unfortunately, there has been no official or systematic evaluation of the scheme. However, some statistics have been routinely produced by the government and some small-scale academic research has also taken place to explore how the scheme has worked so far.

Statistics from HM Revenue and Customs (2011a; b) show that from 1st September 2002 to 5th April 2010, 5.8 million vouchers had been issued. The majority of these (71 per cent) were placed into an account by parents. But is this a high level of engagement with the scheme by parents or not? It is clearly a majority of parents but we might wonder why 29 per cent of parents have effectively ignored a voucher worth either £250 or £500. By 5 April 2010, a total of £4.3 billion (£4,306 million) assets were held in these accounts. This sounds an impressive amount but, again, would we have expected this amount to be higher and would the amount saved on top of the money given by government have been saved anyway in a different type of account. In other words, is some of the saving 'deadweight'?

Just over one third (35 per cent) of accounts qualified for the £500 vouchers, which reflects levels of low income and poverty among families with children. In 2010/11, the cost of the scheme was £341 million. The administration costs were around £5 million per year between 2005 and 2011.

The most common type of account (52 per cent) opened by April 2011were stakeholder accounts opened by parents. This suggests that parents were prepared to take some degree of risk with the accounts. A total of 17 per cent of accounts were cash only (the least risky) and 5 per cent share accounts (the most risky).

The key aim of the scheme was to increase the number of young people with assets at age 18 and/or increase the amount of assets young people have. Meeting this aim depends on parents and others making extra contributions to the accounts, on

top of contributions from the government. Table 1 gives details of the extent of extra contributions. Nearly a quarter of accounts (23 per cent) received further contributions from parents, grandparents, family and friends. Once again, we need to ask, is this a high or low level of saving associated with these accounts? This was highest for share accounts (41 per cent) and then stakeholder accounts opened by parents (31 per cent). Only 2 per cent of accounts opened by HMRC received further contributions, suggesting a total lack of engagement with these accounts. The total value of further contributions in 2010/11 was £371 million, with the average contribution per account being £289, far lower than the maximum contribution of £1,200.

Table 1 Further contributions to accounts in 2010-2011

	All accounts opened by 5/4/2011 (000s)	% of total with further contributions in 2010/11	% of total with maximum contribution	Total value of contributions in 2010/11 (£m)	Average contribution In 2010/11 £s
Stakeholder - parent opened	2,896	31	5.3	252	273
Stakeholder - opened by HMRC	1,436	2	5.7	9	243
Shares	255	41	13	42	366
Cash only	959	23	6	68	319
All accounts	5,547	23	6.2	371	289

Source: HM Revenue & Customs 2011b
Note: Maximum contribution is £1,200 per year

Alongside these official statistics there are some smalle-scale academic studies of the Child Trust Fund. For example, Kempson *et al.* (2006) found rather patchy levels of parental knowledge about the programme and a concern about the security of savings (i.e. a preference among many for the cash or stakeholder rather than share-based accounts). But, on a more positive note, there was a general expectation among parents that this would encourage savings to be made for children.

Prabhakar's (2008) focus groups with parents also raised a number of issues about the Child Trust Fund: a lack of information about opening an account; a perception of unfairness to older siblings who did not have an account because they were born before it was introduced; concerns over whether or not young people would use the money responsibly; a view that policies in this field should be universal rather than targeted; and a view that asset-based policies should not replace income benefits or public services. One issue raised by parents about the Child Trust Fund was that parents could not access any money they put it in. This was a deliberate part of the

design of the scheme in order to ensure that the money would be available for the child's own use when they turned 18 but Prabhakar's (2008) research with parents suggested it may deter some from making a contribution where they felt that they may have need of the money at some point and/or where they felt their child would not make best use of the money when they could access it. On the other hand, some parents supported the idea of locking the money out of temptation's way. And some grandparents also liked the idea that they could give money to their grandchildren which their grandchildren's parents would not be able to touch.

It is difficult to give a definitive answer to the question of whether or not the Child Trust Fund was successful because its aims were rather general and long-term. Furthermore, research has not been carried out to test whether or not further contributions to these accounts would have been put in alternative accounts and so amount to 'deadweight'. Blond and Gruescu (2010), however, have argued that, prior to the Child Trust Fund, only 18 per cent of children were having regular long-term savings made for them whereas the Child Trust Fund industry average was 31 per cent. It is impossible to be sure that this higher figure is the result of the Child Trust Fund or other factors but it suggests some impact. And there is anecdotal evidence that some families have set up equivalent savings accounts for older siblings who had been born before the Child Trust Fund was introduced. It would be interesting to carry out further research here and, in particular, see if parents set up similar accounts for children born after the policy was abolished for siblings of children with Child Trust Funds. Research could also be carried out, on a natural experiment basis, into the impact of the scheme over the longer term.

The Saving Gateway

The other flagship asset-based welfare policy in the UK was the Saving Gateway which was due to be introduced nationally in July 2010. This was a scheme designed to encourage people on low incomes (under £16,000 household income) to save by matching £1 of savings with a 50 pence reward (up to a maximum of £25 a month) and with the reward only payable after two years. There is, once again, a question about how successful the scheme was, especially given that its aim was as much about helping people to develop a savings habit as it was about helping them accumulate an asset or financial 'stake'.

The report on the first pilot was very positive about the Saving Gateway. It found that the policy generated both new savers and new savings among existing savers. The average amount saved was £282, with about half of participants saving the maximum of £375. The savers made very positive comments about the scheme and 40 per cent were still regularly saving after the scheme had finished. The main conclusion from the report was that matched savings were central to the success of the scheme (Kempson *et al.* 2005). Overall, the first pilot indicated that the scheme was being successful in encouraging people to save. Many participants also reported positive psychological and attitudinal changes (Collard and McKay 2005).

The second pilot of the Saving Gateway looked at alternative levels of matching and ceilings on monthly savings. Harvey et al (2007) conducted an evaluation of 21,500 accounts which found a mixture of effects. For example, 71 per cent of account holders made a net contribution in at least 16 of the 18 months of the scheme and 61 per cent of all account holders achieved the maximum government match. In qualitative research, those who took part in the scheme said that they were very positive about the incentive for regular saving and that the accounts had got them into the 'habit' of saving. Among those in the scheme on relatively lower incomes, there is evidence of a reduction in spending on food consumed outside the home whereas those on relatively higher incomes saw no reduction on consumption and may have just substituted funds between assets. There were therefore some cautions drawn in the evaluation report, particularly around the issue of deadweight for (relatively) higher income savers who were probably saving anyway. Again we might note that this saving scheme for lower income people went through two extensive pilots before being proposed as a national programme, which may be contrasted with the simple introduction of Individual Savings Accounts (ISAs)[6] and the recent increase in the amounts that may be saved. The Budget 2010 decision not to implement the Saving Gateway for lower income families (which would have happened in July 2010) saves £115m in 2014-15, and this amount was described as unaffordable. The decision to index-link ISAs will cost around £50m in 2014-15.

Why was asset-based welfare abandoned by the Coalition?

There is clearly a debate about how successful the Child Trust Fund and Saving Gateway were, or might have been if allowed to continue. But the decision to abolish these two policies was not taken as a result of any evaluation of them. The main reason given at the time was in relation to the need for austerity. In May 2010, just a fortnight or so after taking power, the government announced that the Child Trust Fund would be scrapped. Chief secretary to the Treasury, David Laws MP explained the reasoning for this as follows:

> *At present, the child trust fund is based on the claim that young people will build up an asset which they can use later in life. But since government payments into the scheme are essentially being funded by public borrowing, the government is also storing up debts which will have to be repaid by the same young people.*[7]

[6] ISAs are a tax-free savings account of particular benefit to higher rate tax-payers - broadly, the top 10% of the income distribution in the UK. ISAs are fairly widespread – held by 42 per cent of households with an average of nearly £15,000 in each according to the Wealth and Assets Survey 2006-8 (see below).

[7] BBC News, *Child Trust Funds to be scrapped*, 24th May 2010, http://www.bbc.co.uk/news/10146734

The Conservative party had previously supported the Child Trust Fund, with its emphasis on individual responsibility and thrift. But the party was now in coalition with a Liberal Democrat party which had never supported it (Ben-Galim 2011). This lack of support from the Liberal Democrats has always been a minor mystery given their long-standing support for 'ownership for all' (White 2007; 2012). Labour advocates of asset-based welfare perhaps could have tried harder in the 1990s and 2000s to bring Liberal Democrats on side but the last time the UK experienced a formal coalition was 1940-1945 so Liberal Democrat support for policies has never seemed as important as support across Labour and Conservative parties. Rather than support the Child Trust Fund, the Liberal Democrats were keen to introduce a new 'pupil premium' to support children from low-income families in schools. They also wished to support more provision of early years childcare (eg SureStart) which they argued would be more effective in tackling poverty than the Child Trust Fund. The Child Trust Fund was therefore scrapped (at least in part) to pay for these other policies. And while the Conservatives had always supported the Child Trust Fund, their core voters would gain much more from Individual Savings Accounts (ISAs) and so these were supported instead. The annual threshold for ISAs (combined cash and stocks/shares) was increased in March 2010 to £10,200 from £7,200 and the government also promised to increase thresholds in future by inflation. The considerable cost of doing this benefits tax-payers, particularly those on higher rates of tax and therefore higher incomes. It also particularly benefits those who can afford to save up to £10,200 per year, a very small group of people on high incomes. Rather than cut ISAs, the government announced, in May 2010, that the £250 top up payments into the Child Trust Fund would cease in August 2010, with no payments for newborns from the end of 2010.

The decision met with some surprise as there had been a suggestion that the scheme might be means-tested, or the payments for 7 year-olds might be scrapped rather than abolish the whole scheme entirely. But there was relatively little protest about the decision, apart from sections of the financial services industry, such as the Children's Mutual, and some academics, such as Julian LeGrand[8]. This was for a number of reasons. First, the Coalition had proposed extensive cuts in a whole range of services and benefits which looked set to affect millions of families in very significant ways. Indeed, public spending in the UK is projected by the IMF to fall below the level of even the US by 2015 (Taylor-Gooby 2010). For example, the government announced its plans to introduce a benefit cap for the first time in the UK. Opponents of the cuts had, perhaps, more important battles to fight.

Support for the Child Trust Fund had always come from a relatively small, if powerful, group rather than from a broad coalition. As Ben-Galim (2011:10) put it:

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[8] Julian LeGrand was a long-time supporter of the Child Trust Fund but, in a cruel twist of fate, saw the birth of a grandson just after the government scrapped the Child Trust Fund

The policy was devised and implemented among a small circle of elites - of thinktanks, academics and personally committed politicians

This had been a very powerful circle at the time (including Tony Blair and David Blunkett) but it lacked more general support and once this circle had fallen from power, there were few others to fight for the policy. The child poverty lobby, for example, had supported Child Trust Fund to some extent but had argued more vociferously for increases in income, particularly when the 2010 cuts were proposed. The tension between income-based and asset-based welfare was clearly highlighted during a time of austerity.

Another issue, highlighted by Ben-Galim (2011), was that there appeared to be no immediate and direct losers. Those with Child Trust Funds were able to keep them and those about to give birth had not received them yet and may not have expected them. The oldest children with accounts were 8 and may have been unaware of them. They certainly had no vote or electoral power to fight to retain the scheme. The decision not to introduce the Saving Gateway was met with even less protest than the abolition of the Child Trust Fund. This scheme had not even been introduced and so there were definitely no actual direct losers from this policy. However, the scheme had reached nearly 6 million children and the parents in these families may feel that any future-born children will have lost out compared with their existing children. It is sometimes thought that universal benefits are more difficult to take away than means-tested benefits because the losers are drawn from all sections of society and therefore have more of a voice to protest with. However, little protest was heard.

Another group that failed to protest was the academic community[9]. Academics had never been united over asset-based welfare and, indeed, some had previously highlighted a number of criticisms of these policies. A key paper here was Carl Emmerson and Matthew Wakefield's piece for the Institute for Fiscal Studies[10] entitled: *The Saving Gateway and the Child Trust Fund: Is Asset-based welfare 'well fair'?* They argue that, rather than providing new financial incentives to save, government should increase incomes and then allow people to decide how much to save for the future. They also pointed out the lack of clear aims for the Child Trust Fund. The government's consultation paper had suggested that a key aim was to make sure that young people had a financial asset when they became adults. Emmerson and Wakefield (2001: 1) argued that if this was the aim then *'a more obvious policy would be to give financial assets to young people rather than to children at birth'* (for example through a capital grant).

[9] Julian LeGrand, from the London School of Economics, being a clear exception here
[10] a politically independent research institute of economists

Another argument against asset-based welfare was that it would do little to tackle the extensive wealth inequality in the UK (see below) and that its onus on individuals to save actually distracted attention from structural inequalities.

What future for asset-based welfare in the UK?

With the demise of the Child Trust Fund a number of alternative policies have started to be discussed. For example, Blond and Gruescu (2010) have suggested an ABC (Asset Building for Children) account to: boost savings; increase financial capability; and promote responsibility and engaged citizenship around children's savings. The account would be open to all children and young people under 18 with a reward scheme and reward card for those who run an active ABC account. Investment gains and withdrawal at age 18 by the young person would be tax exempt. For those living in poverty (60 per cent below the median income), there would be a Fund available to match every £1 in savings with 50 pence from the Fund up to a maximum of £10 per week and £120 per year. The scheme would, Blond and Gruescu (2010: 5) argued, *'facilitate the incentivisation of a mass savings culture.'*

The government, in October 2010, announced its own new tax-free children's savings account to replace the Child Trust Fund, dubbed a "Junior ISA". These were introduced in the autumn of 2011 but there will be no government contribution or matched payments under the scheme. Junior Cash ISAs offer parents a tax-free way to save for children who don't have a Child Trust Fund. Parents can invest up to £3,600 for the 2011/2012 tax year, less any amount they may have paid into any other Junior ISA in the same tax year. Each child can have one cash and one 'stocks and shares' Junior ISA at any one time. Once the child reaches 18, the plan can be cashed in or transferred to an adult ISA, but the plan cannot be accessed or cashed in before this time.

So 'asset-based welfare' appears, surprisingly perhaps, to have been abandoned by the Coalition government. While this will clearly be disappointing to advocates of asset-based welfare, it could prove a useful opportunity to go back to the drawing board and consider, in a more holistic way, the goals of a policy on assets and this, in turn, compels us to consider the reasons why people might need or want personal assets and what the role of the state and other actors might be in relation to this. Rowlingson and McKay (2011:145) call for exactly such a debate which would help formulate a 'comprehensive policy on assets'. They argue that:

> *"'asset-based welfare' was never a holistic policy on assets but focused on financial savings primarily for people on low incomes. Policy has, indeed, rarely joined up the links between pensions, housing and savings and one goal of a comprehensive policy on assets would be to do this. Such a policy would also need to consider how more affluent groups are affected by policy (for example, through the existence of tax relief on private pensions and the*

provision of tax-free Individual Savings Accounts, ISAs). Such a policy would also need to consider policies on assets in relation to the other 'pillars' of the welfare state and in particular income-based policies and services.'

Crucial to this debate is the very high levels of wealth inequality in the UK
The Gini coefficient for personal assets, overall, was 0.61 according to the Wealth and Assets Survey[11]. in 2006/8. But the level of inequality varied considerably by type of wealth as follows:

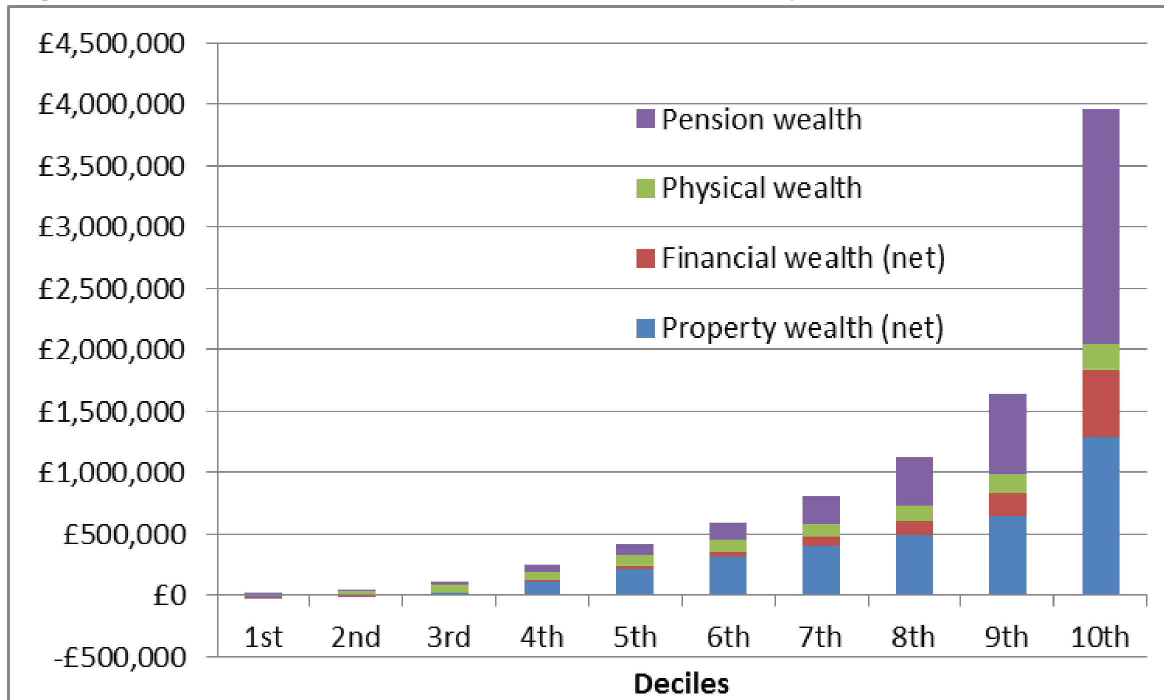
- 0.81 for net financial wealth
- 0.77 for private pension wealth
- 0.62 for net property wealth
- 0.46 for physical wealth

Thus, net financial wealth (money in financial savings, bonds, stocks and shares) was most unequally distributed, followed by private pension wealth and then net property wealth. The least unequally distributed form of wealth was physical wealth (the contents of the main residence and any other property of a household, collectables and valuables, vehicles and personalised number plates). The National Equality Panel (2010) used the same data to make the point that the top 10 per cent of the population are 100 times more wealthy than the bottom 10 per cent.

Figure1 illustrates the distribution of different types of wealth by dividing the population into 10 equal groups by size (deciles) and showing the level of wealth of each decile. This clearly highlights huge inequalities between the bottom deciles and the very top decile. The top decile clearly leap away from the rest in terms of their level of wealth.

[11] The first wave of the Wealth and Assets Survey (WAS) in 2006-8 collected the most extensive and rigorous data on wealth in Britain, gathering information on, among other things: level of assets, savings and debt; saving for retirement; how wealth is distributed among households or individuals; and factors that affect financial planning. The first wave of the survey was carried out between July 2006 to June 2008. Over the two-year period the WAS achieved a sample size of 30,595 private households. Grossed to the population, this represents 24,580,000 households. The 2006/08 WAS survey sampled all private households in Great Britain. This means that people in residential institutions, such as retirement homes, nursing homes, prisons, barracks or university halls of residence, and also homeless people are excluded from the scope of the analysis presented here.

Figure 1 Breakdown of wealth in Great Britain by decile



Source: Wealth and Assets Survey 2006-08 [Figure 2.2], Office for National Statistics

In 2006/08, half of the households in Britain owned 1 per cent of net financial wealth, while the wealthiest 20 per cent owned 84 per cent of net financial wealth. An estimated 62 per cent of households had a savings account in 2006/08. However, 50 per cent of households with savings accounts had £3,500 or less in their account and 25 per cent had £500 or less.

Any future asset-based welfare policies, or asset policies more broadly, need to consider these extensive wealth inequalities. It is interesting to note that it is the Liberal Democrats who are leading this debate with discussions around wealth taxes, particularly the idea of a so-called 'mansion tax', while the Labour party is keen to emphasise 'pre-distribution' rather than 'redistribution' although what this means, beyond trying to increase skills, and therefore wages, is unclear (see Hacker 2011). Given levels of wealth inequality, particularly financial wealth inequality, it is important to increase the level of financial wealth at the bottom, or indeed middle, of the distribution but current asset-based welfare ideas, on their own, will not be sufficient to do this and we need a more holistic policy approach here.

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