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Policy Commission on the Distribution of Wealth

Wealth inequality: key facts

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Summary

This paper summarises some of the key facts about the distribution of wealth in Britain for the University of Birmingham's Policy Commission on the Distribution of Wealth.

What is 'wealth'?

Wealth, in this paper, refers to a stock of economic resources compared with income which is a flow of resources. We focus in this paper on wealth in the form of personal assets particularly private pension wealth, housing wealth and financial wealth. When analysing data on wealth it is important to consider a range of issues such as how the data was collected, whether the data relate to gross or net wealth and which particular unit of analysis (for example, household or individual) the data relate to.

Sources of data

This paper draws particularly on the Wealth and Assets Survey (WAS) which is the most comprehensive household survey of personal assets in Britain. Two waves of the survey have been carried out – in 2006/8 and 2008/10. We present data from both these waves. Survey data on wealth typically underestimate wealth at the very top of the distribution and researchers often use other sources (eg from the estates of people who have died) to make estimates of wealth-holding at the top. Surveys also rely on respondents being honest and accurate in their answers and it is likely that estimates of housing wealth are not entirely reliable, especially for people who have lived in their homes for some time and at times when prices are falling rapidly.

The distribution of wealth

The distribution of wealth is highly unequal with the top 10 per cent owning 100 times more than the bottom 10 per cent. The distribution of wealth is much more unequal than the distribution of income.

In 2006/8 net property and private pension wealth each accounted for 39 per cent of total wealth but with the fall in house prices and changes in the way the Office for National Statistics calculated private pension wealth, the share of wealth in net property fell to 33 per cent in 2008/10, with private pension wealth accounting for 46 per cent. The most unequal type of wealth is financial wealth followed by private pension wealth and then property wealth. A quarter of the population have negative net financial wealth while just over 10 per cent have net financial wealth of over £100,000.

How wealth varies among different groups

There is a clear link between wealth and age with those in the 55-64 year old age group having the highest levels of wealth, with a median of £416,000 in 2006/8. However, there is considerable inequality *within* this age group. One in ten have less than £28,000 of wealth compared with the top one in ten who have more than £1.3 million. There is also considerable variation by a range of factors including ethnicity, religion, occupation and region. Those from Black African and Bangladeshi groups have particularly low levels of wealth as do Muslims. Those in more professional occupations have much higher levels of wealth. Those living in the South East and London having particularly high rates of wealth, not least housing wealth. It is difficult, conceptually and practically, to distinguish between men and women's wealth in couples. The picture is also complex if we look at single person families as the mean level of single men's wealth is higher than single women's but the top 30 per cent of single women had higher wealth than the top 30 per cent of single men. Lone parents, mostly women, however, have particularly low levels of wealth.

Sources of wealth

Wealth can be earned (eg saved through earnings) or unearned (eg received as a gift or inheritance or as a result of increases in property and/or share prices). The dramatic increase in very high incomes in the 1980s onwards is likely to have enabled a very small group at the top to accumulate even higher levels of wealth. Those in higher social classes are also much more likely to receive an inheritance and/or lifetime gift and much more likely to receive one of high value.

Trends over time

There is much more data on trends in income inequality than wealth inequality. The main long-term trend was for income and wealth inequality to fall during most of the 20th century until the 1980s when inequality began to grow. There is some suggestion that, since 1995, relative wealth inequality may have reduced due to those in the middle benefitting from house price inflation but those at the very top have seen huge absolute increases in wealth and there are still significant numbers of people with no or indeed negative net wealth.

International comparisons

There are difficulties in comparing data on wealth across countries. The UK appears to have relatively high levels of personal wealth compared with countries with stronger welfare states (eg Sweden and Finland) but lower levels of inequality than the USA.

Wealth inequality: key facts

Introduction

This is the first paper from the University of Birmingham's Policy Commission on the Distribution of Wealth. The Commission is focusing on wealth because there has been much less attention paid to wealth than income in both academic and policy discussion. New data on wealth also provides a rationale for this focus. Wealth is closely related to income, of course, as will be discussed in this paper, and both are highly important for people's well-being, current living standards and future life chances. But the main focus here is on wealth. The paper therefore begins by defining wealth and reviewing sources of data on wealth. It then highlights key facts about the distribution of wealth, drawing heavily on the Wealth and Assets Survey reports from the Office for National Statistics (ONS 2009; 2012a; 2012b; 2012c). Another key source is the report from the National Equality Panel (NEP 2010). This paper also leans heavily on Rowlingson and McKay (2012) which can provide further discussion on many of the topics covered in this paper.

What is 'wealth'?

This Policy Commission is focusing on wealth in the form of personal assets but it is important to remember that there are other forms of wealth. For example, wealth can also be conceptualised as 'capital' in the form of financial/economic capital but also in the form of other types of capital such as human capital (knowledge, skills and so on), social capital (social networks and relationships) and cultural capital (symbolic goods including attitudes, language and habits) (Bourdieu 1986, Putnam 2000). All forms of capital play a role in relation to people's life chances and wellbeing but the relative strength of each and the relationship between them is contested. The Policy Commission is focusing on forms of personal wealth most related to financial/economic capital.

We should also bear in mind that, alongside personal forms of wealth, wealth can also be owned by the state (for example, property, land and nationalised industries). There are also other collective forms of wealth such as social housing. Having the right to remain in a property as a tenant may also be considered as having value – but not the kind of wealth that is easily realised. Leasehold properties also have something of an interesting status as the property ultimately reverts to someone other than the current 'owner'. Future rights to state benefits provide another area of controversy, as these generally entail the right to future income streams analogous to private pensions.

While keeping in mind other forms of wealth, this Commission is focusing on personal wealth in the form of personal assets. The Royal Commission on the Distribution of Income and Wealth (1977) provided a useful definition of assets as money that is fixed at a point in time (a stock of economic resources) in contrast to income which is money received over a particular time period (a flow of economic resources). This seems a reasonably clear distinction as we can see the difference, for example, between the flow of money from a monthly wage payment and a stock of money held in a savings account.

However, there are some complexities here. For example, people can receive income from assets (eg from interest on a savings account or rental income from a buy-to-let property). Furthermore, 'capital gains' for example, from inheriting a house, fall somewhere between income and assets and are treated separately in the tax system. In more theoretical terms, economists often talk of the flow of expected future earnings as representing a stock of human capital and the benefits of owner-occupation may be said to constitute a stream of imputed income or rent. So both conceptually, and in practice, a flow of income can be converted into a stock of assets, and vice versa.

So assets are a stock of economic resources but they do not necessarily remain as a stock permanently, and one of the most important classifying criteria for personal assets is 'liquidity', also referred to as 'marketability'. Assets that provide an income stream but which cannot be 'cashed in' or 'realised' are known as illiquid or non-marketable (for example, occupational pensions and trust funds). Assets that can be realised are known as liquid or marketable assets (for example, savings and property net of mortgages). But levels of marketability vary depending not only on the type of asset but also on factors such as the nature of the market and the divisibility of the asset. For example, a house counts as a marketable asset but a less liquid form than money held in an open-access savings account. And the liquidity of property depends on the nature of the housing market at any particular point in time.

Liquidity also depends on the availability and nature of financial products which allow people to borrow against the value of property wealth (eg in terms of re-mortgaging and equity release products). This relates to broader issues of liquidity in the system – the extent to which banks will lend to each other and to individual borrowers. This has become a particular issue since the 'credit crunch'. Also, financial products could be designed to allow for more 'fungibility'. In other words, transfers of wealth from one form to another (eg savings and pensions into housing wealth and vice versa).

As well as considering different aspects or dimensions of assets it is also common to divide assets into three particular types: financial assets; housing assets; and pension assets. Financial assets (usually) represent very or highly liquid forms of money; pension assets are (very largely) non-marketable; and housing assets are somewhere between these two. Two other types of asset are also sometimes discussed. For example, physical assets relate to personal property such as cars, furniture and other valuables such as jewellery, antiques etc. And in small, family businesses, the line between business and personal assets may be blurred with business assets seen as personal assets and vice versa but generally this paper is focusing on personal rather than business wealth.

These different types of assets play very different roles in people's lives. Housing assets provide shelter and contribute to someone's current standard of living. Pension assets provide a current or future income stream and financial assets provide a flexible resource which may be used in diverse ways.

Another important dimension of assets is how they have been accumulated. A broad distinction can be made between assets that have been inherited or given to someone from a family member/generous friend and assets that have been accumulated through one's own personal income - or through increases in asset values (eg property prices). Wealth accumulated through one's own personal income is often categorised as earned wealth whereas wealth accumulated through investing money in housing or savings which then produce a return on investment are categorised as unearned wealth. However, where people make improvements to their property which result in an increase in property value above general trends, or take time to study investments, any increases in wealth could be seen as earned.

Another important dimension of wealth is gross versus net. Net wealth is the value of accumulated assets minus the value of accumulated liabilities, such as debts/mortgages. Jenkins (1990) has argued that, as is the case with income, it is important to distinguish between gross and net assets because most analysis of assets focuses on net assets but gross assets may also say something important about the lifestyles and expectations of different groups. For example, there may be two people with £50,000 in net assets. One may own outright a house worth £50,000. The other may have just taken out a mortgage on a house worth £500,000 (using £50,000 as a deposit). If we know both the gross and the net wealth owned by these two people it gives us a different idea about the living standards of the two groups as the person with gross wealth of £500,000 is likely to be living in a more comfortable property than the person with gross wealth of £50,000.

Assets have a negative form: debt. Debt is usually divided into 'problem debt' and 'credit'. People have 'problem debt' where they owe money on household bills or are struggling to repay credit commitments. 'Problem debt' is most widespread among people on low incomes. Credit, however, is most common among those on middle or high incomes where people use credit to spread expenditure over time, or to borrow against the value of an asset (eg property) either for consumption or to leverage funds for further investment. Debt, particularly problem debt, has been the subject of considerable discussion and research (see Kempson 2002; Department for Business, Innovation and Skills 2010) and so we will not focus specifically on it except in so far as it allows us to measure 'net wealth' (ie assets minus debts).

One important issue for any analysis of wealth (as it is with income) is whether assets should be measured at the level of the individual, the 'family' or the household. This depends on the degree of sharing within families and households. If we measure assets at the household level we will be assuming that all individuals within the household share these resources (or at least the benefits of these resources) and therefore occupy the same position in the asset distribution. This may or may not be appropriate. In the first report on the new wealth survey (Office for National Statistics, ONS, 2009) results were presented for households, with wealth being aggregated across the individuals interviewed in each household. Data was collected from different individuals, but summarised for households.

Another issue which has been considered in relation to income but not really in relation to assets is whether or not, and how, to adjust household resources for the different needs that different households face, using equivalence scales (see Brewer et al. 2006). In relation to income this is important because a weekly income of £300 will provide a much higher standard of living to an individual living alone than to a family of five. But what about wealth? For example, a single person in a particular locality with housing wealth of £200,000 is likely to be much better off than a family of five with a similar level of wealth in terms of the size and/or quality of their housing.

Sources of data on wealth

There are a number of sources of data on personal wealth in Britain. For example, there is data from wills/probate. In the UK Her Majesty's Revenue and Customs (HMRC), and formerly the Inland Revenue, regularly produces estimates of wealth using what is known as the 'estate multiplier method'. This involves taking the data on the wealth of those who have died (and collected for the purposes of probate and Inheritance Tax) and using them as a sample for the wealth of the living. Various adjustments are required for the differential chances of death at different ages, and the greater longevity of the wealthy, and the fact that only around half of deaths generate the necessary information on wealth. Some kinds of wealth are not captured – such as wealth in the form of trusts – and so these need to be added in separately from the main calculations. Other kinds of wealth, and particularly pensions wealth which is often extinguished at death, are also not captured. Hence this method may be described as one that looks at marketable wealth. It is perhaps better than most methods at looking at the wealth of the most wealthy at the top of the distribution, though subject to some caveats given the limitations of the methods described in this paragraph.

There is also data from household surveys such as the Living Costs and Food Survey (LCF), the British Household Panel Survey (BHPS) and the English Longitudinal Survey of Ageing (ELSA). But the new Wealth and Assets Survey (WAS) is the most comprehensive source of data on wealth for most of the population with a total of 30,595 interviews achieved in 2006/8 and 20,170 in 2008/10. In terms of operationalising 'wealth, total wealth in WAS was defined as the sum of four components:

- Net property wealth (ie net of mortgages)
- Physical wealth
- Net financial wealth (ie net of unsecured debt) and
- Private pension wealth

Main results from wave 1 are available in ONS (2009). Main results from wave 2 are available in ONS (2012a; b; c).

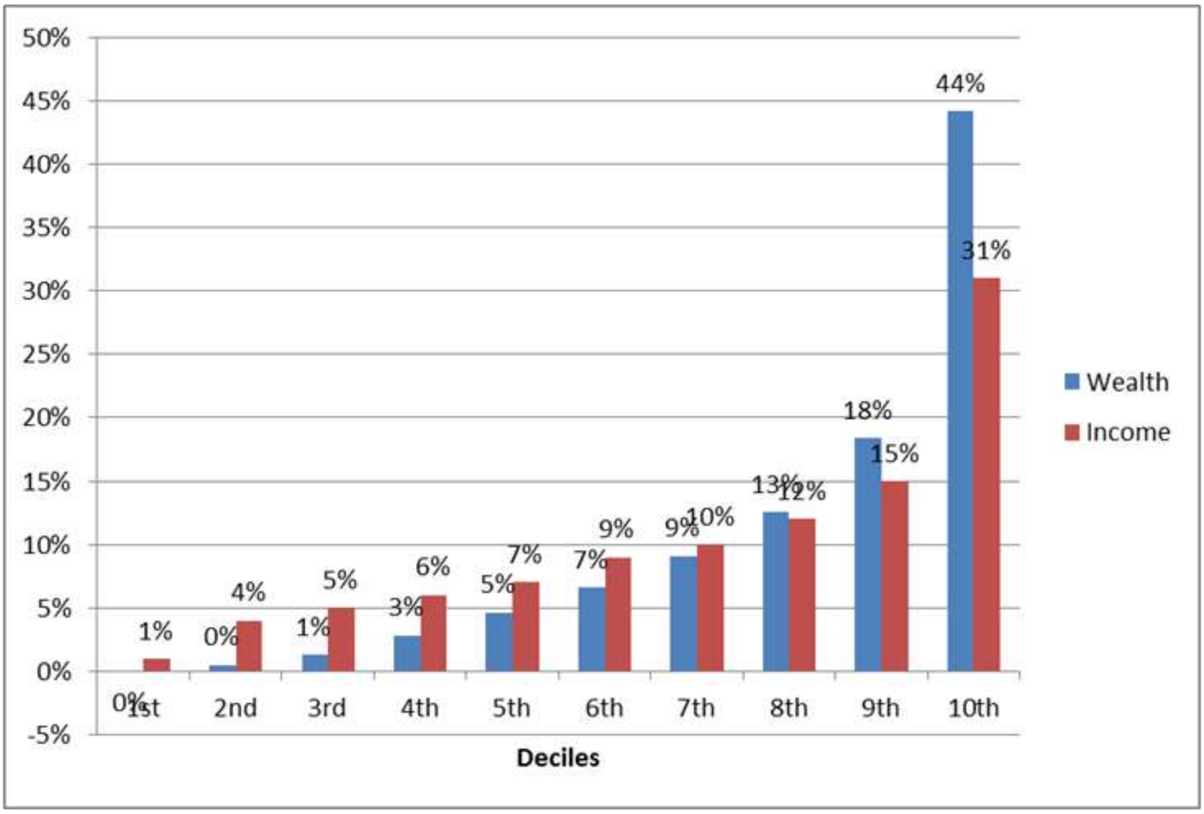
Household surveys are much less likely to cover the very richest households. They also rely on people being willing and able to report their level of wealth accurately. These issues need to be considered when analysing the data.

The overall distribution of wealth

The distribution of wealth is highly unequal with the wealthiest 10 per cent of households more than four times wealthier than the bottom 50 per cent in 2008/10 (ONS 2012b). Another way of describing the distribution of wealth is that the top 10 per cent own 100 times more than the bottom 10 per cent (National Equality Panel 2010).

Wealth is more unequally distributed than income. The top 10 per cent in the income distribution received 31 per cent of income in 2006/8 whereas the top 10 per cent in the wealth distribution received 44 per cent of wealth - see figure 1 (Rowlingson and McKay 2012).

Figure 1 Breakdown of income and wealth in Great Britain by decile



Source: Wealth and Assets Survey 2006-08 [Figure 2.2] for wealth, HBAI for incomes 2008/09 BHC.

Wealth is particularly concentrated among, and within, the top 1 per cent of the wealth distribution. This group has more than £2.6 million of net wealth, compared to a median of £204,500 (ie half the population have less than £204,500) (National Equality Panel 2010).

Wealth inequality is partly a product of lifecycle effects. When people are young they are likely to borrow on the assumption that their incomes will increase in later life. They then, typically, pay off their debts as their incomes rise and then accumulate wealth. When their incomes fall in retirement they then draw on their assets which will consequently fall. So wealth inequality can be partly explained by the fact that younger people and older people will have lower levels of wealth than those in middle age. However, as we shall see later, lifecycle effects do not entirely explain levels of wealth inequality.

There are a number of other ways of representing inequality – deciles and percentiles have already been mentioned above. The Gini co-efficient is another common measure and this summarises inequality in a single measure with a value between 0 and 1. A perfectly equal distribution would have a Gini coefficient of 0 and a perfect unequal distribution would have a Gini coefficient of 1. The National Equality Panel (2010) analysed the 2006/7 Expenditure and Food Survey to calculate that the Gini coefficient for post-tax income (disposable income less indirect taxes) was 0.38 in 2007-08. They then used WAS for the Gini coefficient for personal assets which they found to be 0.61 for total net wealth, a much higher level of inequality than for income. However, the figure for wealth was much lower than had previously been calculated from other sources of data. For example, HMRC analysis of data drawing on the estates of those dying each year gave a figure of 0.67 in 2003. This may partly be a result of the survey method rather than any real reduction in wealth inequality. The difficulties of capturing the very wealthy in surveys may form part of the explanation as the HMRC data on estates is likely to be much more inclusive of the top wealth group.

WAS estimated that total net wealth in the UK in 2006/8 was £9.149 trillion (including private pension wealth). This is £9,149,000,000,000. By 2008/10 total net wealth had increased to £10.33 trillion (ONS 2012b). As mentioned above, net wealth is the value of accumulated assets minus the value of accumulated liabilities, such as debts/mortgages. The greatest proportion of this wealth consisted of property in 2006/8 (39 per cent or £3.53 trillion) and private pensions (39 per cent or £3.6 trillion). Financial wealth and physical wealth each contributed 11 per cent (or £1 trillion each). By 2008/10, private pension wealth had increased to 46.3 per cent of all wealth (£4.8 trillion) whereas net property wealth had fallen to 33.4 per cent (£3.45 trillion) of all wealth due to falling property prices. However, WAS estimates of property values are based on owners' estimates and it is highly likely that owners under-estimate falls in property values so housing wealth has probably decreased more than these estimates suggest. Having said that, around half the increase in private pension wealth was due to changes in financial assumptions used to calculate current and retained Defined Benefit pensions and pensions in payment so the actual increase in private pension wealth may also be lower than suggested by these estimates.

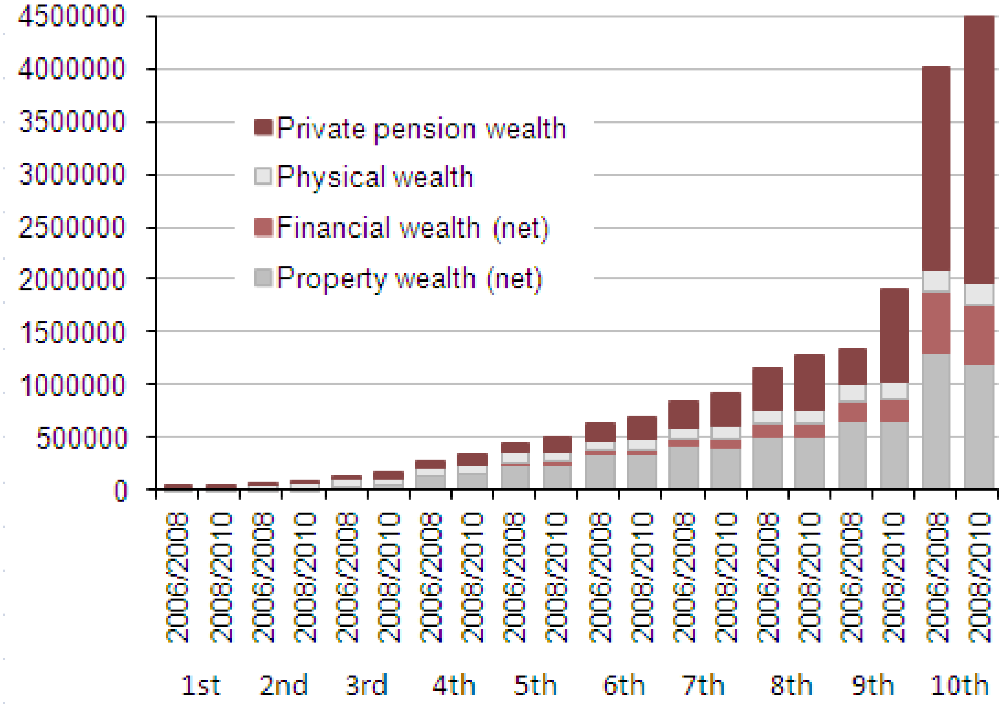
The Gini coefficient for personal assets, overall, was 0.61 according to WAS in 2008/10 – the same level as in 2006/8. But the level of inequality varied considerably by type of wealth as follows:

- 0.81 for net financial wealth
- 0.76 for private pension wealth
- 0.61 for net property wealth
- 0.45 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).

Figure 2 shows the level wealth for each decile of the population, dividing each of the bars into the different types of wealth. The figure also shows change over time between 2006-8 and 2008-10. .

Figure 2 Breakdown of wealth in Great Britain by decile by type of wealth and wave of WAS (ONS 2012b)



As we saw above, financial wealth is the most unequally distributed of the four types of wealth in the Wealth and Assets Survey. In 2008/10, nearly a quarter of all households (24.3 per cent) in Britain had negative net financial wealth (ONS 2012b). This was a slight increase from 2006/8 where the figure had been 23.2 per cent). A further 28 per cent of the population in 2008/10 had some net financial wealth but not very much - less than £5,000. Just over 10 per cent of the population, however, had net financial wealth of over £100,000.

Private pension wealth was the next most unequally distributed form of wealth. The Wealth and Assets Survey 2008/10, found that only 36 per cent of individuals were contributing to a private pension (ONS 2012b). Those in the public sector were much more likely to belong to a current occupational scheme (82 per cent) than those in the private sector (38 per cent). The median value of current occupational pension wealth in the public sector was double that of the private sector (£90,100 compared with £40,000).

The Wealth and Assets Survey does not provide estimates of state pension wealth but Crawford and O'Dea (2012) have analysed the English Longitudinal Survey of Ageing (ELSA) to show the distribution of family wealth in the ELSA sample (which is a sample of people between age 50 and state pension age in 2008/9). Table 1 shows that pension wealth (state and private combined) for this group accounts for about half of all wealth. State pension wealth accounts for about half of all pension wealth for this age group and is much more evenly spread than private pension wealth – or housing wealth. The ratio between the 75th and 25th percentile is only 1.8 for state pension wealth but 19.1 for private pension wealth and 8.0 for net primary housing wealth. State pension wealth is the main source of pension wealth for at least half of those aged 50 to state pension age.

Table 1   Distribution of family wealth and its components (£) in people aged between 60 and state pension age in 2008/9 (from Crawford and O'Dea 2012:10)

	Mean	P10	P25	Median	P75	P90
All pension wealth	360,400	118,700	185,400	285,700	454,100	648,400
State	180,900	96,000	127,100	187,700	225,300	264,400
Private	179,500	0	12,000	90,700	237,800	438,000
Net primary housing wealth	170,100	0	30,000	150,000	240,000	350,000
Net non-housing wealth	135,900	-3,100	100	14,400	81,400	266,900
Net financial wealth	53,400	-4,800	0	8,500	45,000	123,900
Net physical wealth	82,500	0	0	0	3,000	140,000
Total wealth	666,500	142,500	292,800	506,400	793,700	1,179,800

Note: figures are unequivalised (not adjusted for family composition). Figures are in 2008-9 prices and rounded to nearest £100

Apart from physical wealth, housing is the most equally distributed type of wealth. According to the ONS (2012a), the mean net (that is, housing equity after mortgages are taken into account) property wealth for owner-occupiers was £204,000 in 2006/08, falling to £195,000 in 2008/10. The median net property wealth remained at around £150,000 over the same period.

The most equally distributed kind of wealth is physical wealth which, according to the Wealth and Assets Survey is made up of the contents of the main residence, the contents of any additional property which the household owns, collectables, valuables, vehicles and personalised number plates. Virtually everyone has some physical wealth, with the median value rising from £39,100 in 2006/08 to £40,900 in 2008/10 (ONS 2012a). Much of this comprised the household contents of people's main residence, which had a median value of £32,300 in 2008/10. As we might expect, vehicle ownership was widespread, with 75 per cent of households owning one or more cars in 2008/10 (with a median value of £5,000 among vehicle owners).

How wealth varies among different groups

The distribution of wealth varies among different groups. This section begins by considering variation by age and then considers other sources of variation such as ethnicity, occupation, gender and so on.

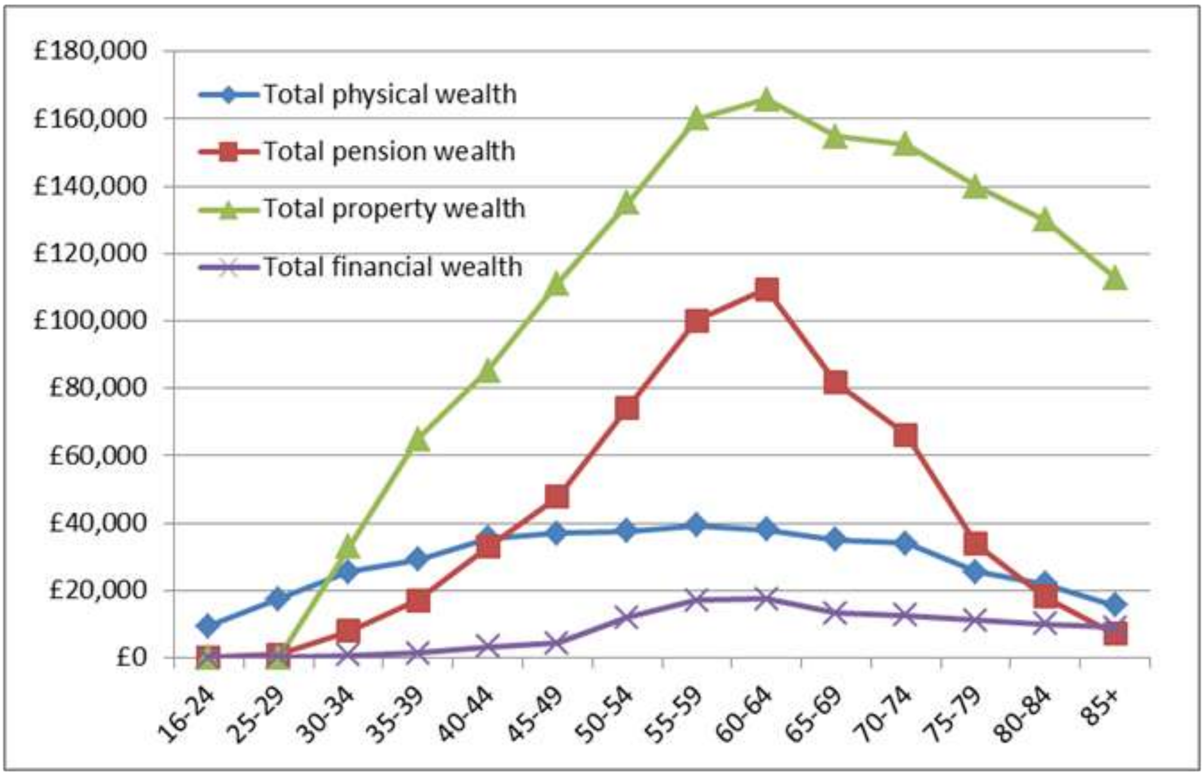
Age/cohort groups

As mentioned above, age is a key issue in relation to the distribution of wealth because it normally takes people considerable time to accumulate assets. So when considering the distribution of assets it is important to note that asset accumulation is a dynamic process associated with the lifecycle (Atkinson 1971). According to general lifecycle theory, young people are typically on low incomes and have not had time to accumulate assets. At this stage in life, it makes economically rational sense to borrow money, given the likelihood of income increasing in future. Later on, in middle age, incomes are higher and so debts can be repaid and money saved for later life when incomes will fall. In retirement, pension wealth will be used and savings may be drawn on. Lifecycle theory therefore predicts an 'inverted-U' or 'hump' shape to the distribution of assets across someone's life. This means that even if people have the same level of lifetime assets, we would expect some inequality in assets with people in late middle age having higher levels of assets than other groups.

The National Equality Panel (2010) clearly demonstrated a link between age and assets, with median total wealth for those with a 'household reference person' aged 25-34 at £66,000, rising to £416,000 for those aged 55-64, but falling to £172,000 for the oldest group (where pension rights, in particular, are much smaller). This is a difference of £350,000 over an age difference of just thirty years and reflected life-cycle saving but also other factors such as the timing of house price increases and the relative generosity of private pension schemes, between more and less fortunate cohorts.

Figure 3 shows that levels of wealth tended to peak (in 2006-8) among those aged 60-64 (by age of the head of the household). Property wealth reached the highest average levels, followed by private pension wealth, physical wealth (goods and possessions) and net financial wealth (savings minus debts). But financial wealth and physical wealth had much less pronounced relationship with age compared with housing and pension wealth.

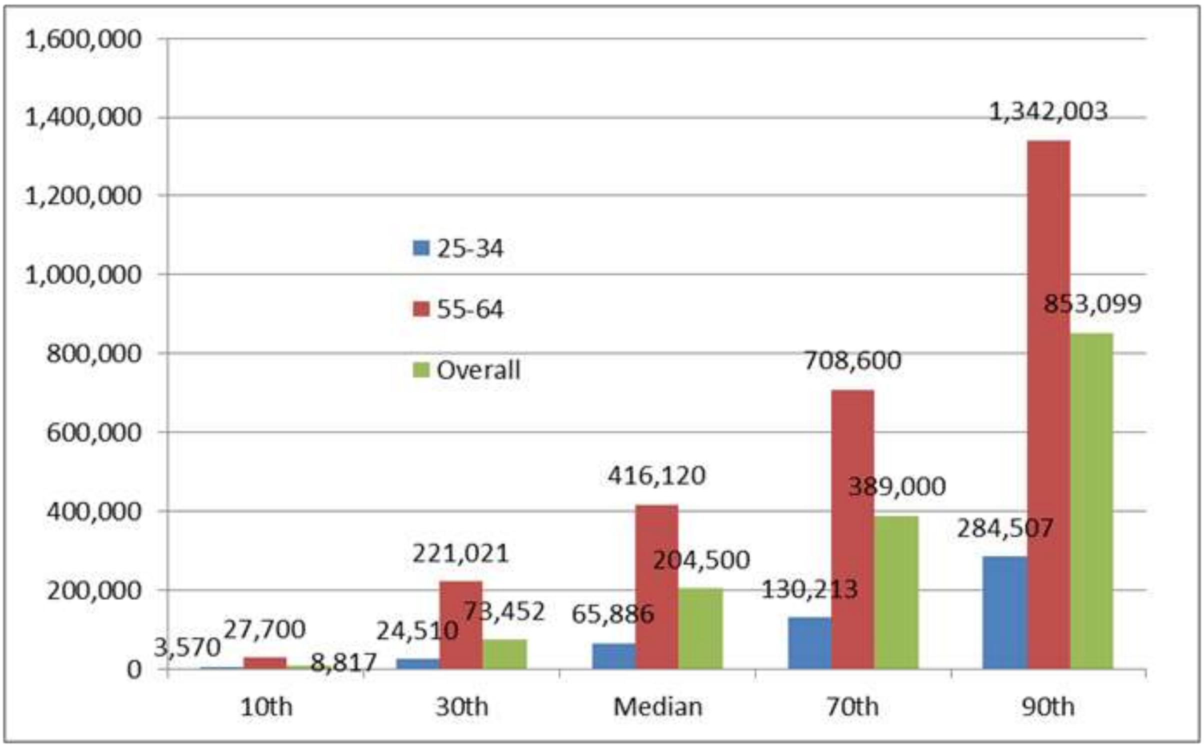
Figure 3 Median level of assets, by age of household head



Source: Analysis of Wealth and Assets Survey

Figure 4 also shows differences by age with median wealth among 55-64 year-olds at around £416,000 in 2006/8 compared with ‘only’ around £66,000 for those aged 25-34. However, the National Equality Panel (2010) have also pointed out that there remains considerable inequality within every age group. For example, among people aged 55-64, that is, those who are nearing or have reached retirement, a tenth of households still had wealth of less than £28,000, but a tenth had more than £1.3 million (see figure 4). And if we focus on 25-34 year olds, a tenth had wealth of around £3,500, but a tenth had more than £250,000. So the ‘lifecycle’ explanation for wealth inequality can only explain part of the overall level of wealth inequality.

Figure 4 Distribution of wealth in Great Britain by age group



Source: ONS using WAS 2006/8 for NEP report.

Lifecycle/ageing is clearly an issue in relation to assets but so too is generation/cohort. Some generations/cohorts may have benefitted from a 'golden age' of wealth accumulation when property and share ownership expanded and house prices and pension pots rose. The baby boom generation (born between 1945-1965) has been identified as a cohort that has benefitted particularly well (Willetts 2010) compared with their children and now grandchildren, some of whom will struggle to get a foot on the housing ladder and will have to pay increasing amounts should they wish to go to University. Of course, some of that older generation may make lifetime gifts and pass on some of their assets to their children to help them so any inter-generational variations in resources may not be as great as the intra-generational variations (see below).

Ethnicity and religion

Ethnicity and religion are another source of variation in wealth levels although, until the WAS, there was insufficient data to be able to reliably document the extent of inequality between different ethnic and religious groups. And even with the WAS, detailed analysis of ethnicity and religion is slightly hampered by the sample sizes for some sub-groups. Nevertheless, the National Equality Panel (2010) shows that there are considerable differences in median total wealth between ethnic groups, part though by no means all, of which will reflect differences in age structure. Table 2 shows that there was considerable variation in wealth by ethnicity in 2006/8 though the pattern is not a simple White versus Black and Minority Ethnic split. White British households had the greatest level of wealth in 2006/8, on average, at £221,000 but these were followed fairly closely by Indian households. Other BME groups were much further behind. The group with the least wealth was Bangladeshi households with only £15,000 total net wealth on average.

Table 2 Median net wealth by ethnic group of household reference person Source: WAS 2006/8

Ethnicity of household reference person	Median net wealth
White British	£221,000
Indian	£204,000
Pakistani	£97,000
Other Asian	£50,000
Black Caribbean	£76,000
Black African	£21,000
Bangladeshi	£15,000

As far as religion goes, sample sizes are, again, relatively small but the National Equality Panel (2010) showed that the group with the largest median net wealth were Jewish people with £422,000 almost twice as much as the next group, Sikh people (with £229,000). Muslim people were by far the poorest group in terms of wealth with only £42,000 of net wealth (see Table 3).

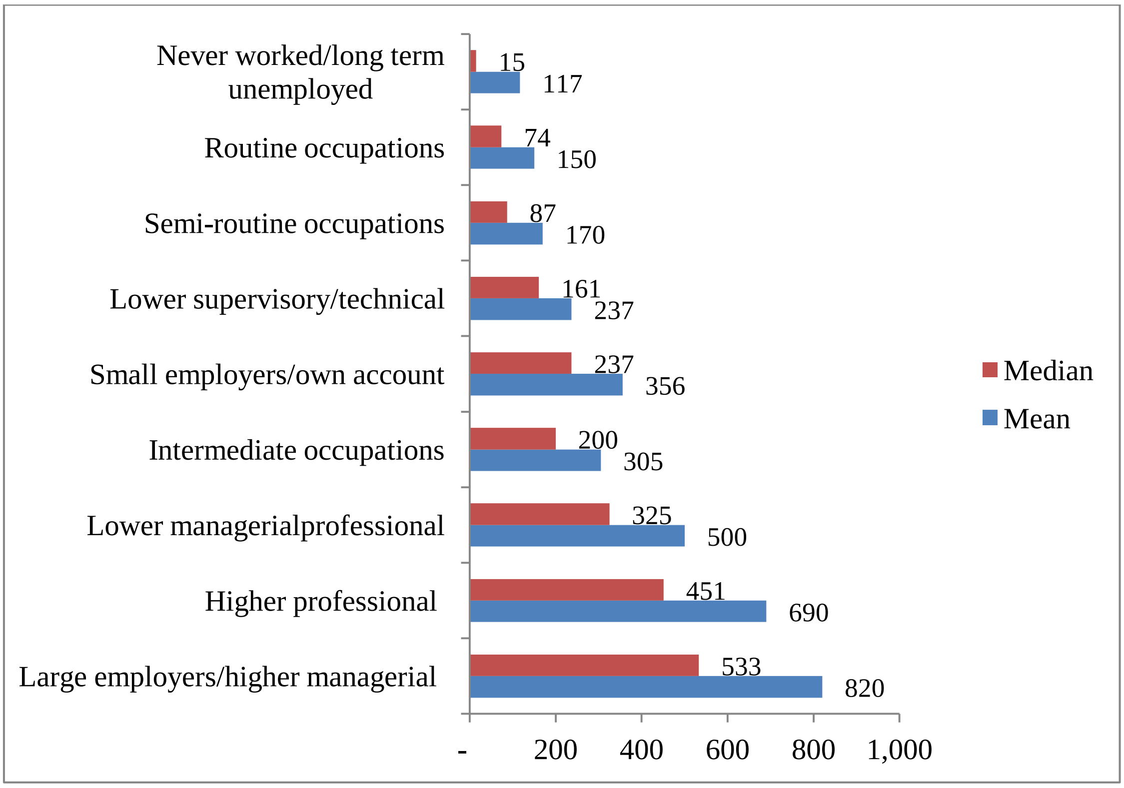
Table 3 Median net wealth by religion of household reference person (Source: WAS 2006/8)

Religion of household reference person	Median net wealth
Jewish	£422,000
Sikh	£229,000
Christian	£223,000
Hindu	£206,000
Muslim	£42,000
Any religion	£161,000
No religion	£138,000

Occupational social class

The differences in wealth between ethnic and religious groups were extremely large but so too were the differences by occupational social class. According to the National Equality Panel (2010), while median total wealth for households classed as in routine occupations was £74,000, for those in the top two occupational categories, it was more than £450,000 (see Figure 5). Mean wealth for the top socio-economic group was £820,000. Average figures, of course, mask variation within groups and even within socio-economic groups there are such variations. For example, the wealthiest tenth of the top two groups had total household wealth of more than £1.4 million, although even these groups contain some households with wealth of under £100,000. Part of this variation reflects age differences and life-cycle saving as some of those in the top socio-economic groups will be relatively young and so have relatively less wealth than others in the same socio-economic group.

Figure 5 Wealth (in £000s) by socio-economic classification



Source: Wealth and Assets Survey, ONS (2009)

Socio-economic status is linked to ethnicity and Rowlingson and McKay (2012) controlled for differences in occupational class to consider the particular effect of ethnicity on wealth inequality. Table 4 shows that ‘White British’ people in managerial occupations had greater wealth than other ethnic groups in the same positions but White British people in intermediate and routine non-manual positions had less wealth than Asian or Asian British/Indian groups in these positions. Black or Black British/Black Caribbean people had considerably lower levels of wealth than other ethnic groups after controlling for occupation.

Table 4 **Total wealth (excluding pensions) – median level – by occupation and minority status**
Source: Analysis of WAS 2006/8 by Rowlingson and McKay (2012)

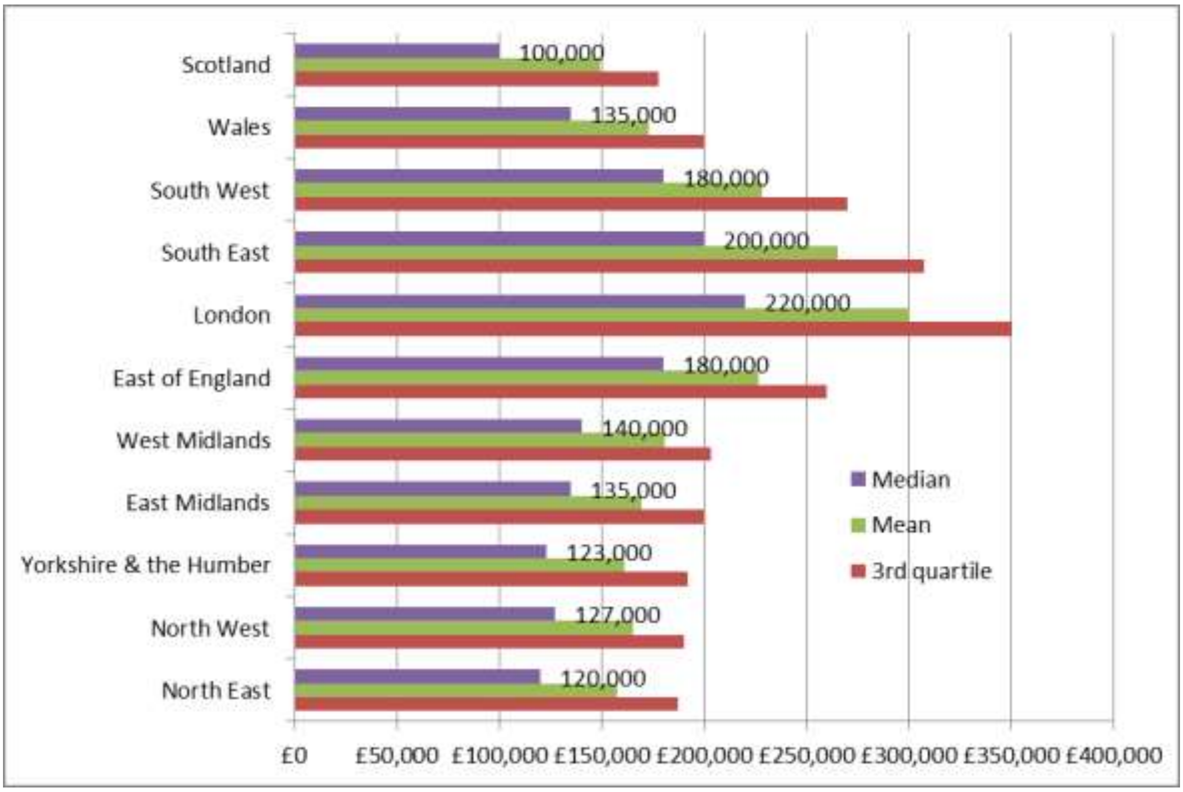
	Managerial occupations	**Intermediate**	**Routine**	**All**
White British	£248,460	£204,040	£112,966	£174,007
Other white	£226,320	£126,560	£32,621	£67,500
Asian or Asian British – Indian	£187,637	£215,520	£187,500	£178,980
Asian or Asian British – Pakistani	£149,280	£149,280	£90,811	£120,300
Black or Black British – Black Caribbean	£132,052	£62,702	£40,070	£62,702
Other minority ethnic groups	£139,953	£115,595	£25,802	£41,500
Total	£240,500	£198,460	£103,500	£163,089

Region

Variations in wealth-holding by region are also important in Britain. It will come as no surprise that, according to WAS, the wealthiest part of Great Britain in terms of total wealth (including private pension wealth) in 2006/08, was the South East of England, with median wealth of £287,900 (ONS 2009). The North West was the English region with the lowest total median wealth, where half of all households had £168,200 or less (including private pension wealth).

As we might expect, the geographical distribution of net housing wealth is even more unequal than wealth more generally. London had the highest property wealth (median of £220,000) in 2006/08 with the South East coming second with a median of £200,000 (ONS 2009) – see figure 6. However, these averages only apply to those with some housing wealth and levels of home-ownership in London are actually the lowest of all the English regions with only 57 per cent of households owning their own homes (ONS 2009). The regions with the lowest average property wealth (among those who own homes) were Scotland, Wales and the North of England. Between 2006/8 and 2008/10 the largest decreases in mean net property wealth were in the North East, Wales and the North West with falls of 8.8, 8.7 and 8.6 per cent respectively.

Figure 6 Net housing wealth by region (from WAS 2006/8 quoted in Rowlingson and McKay 2011)



So there is considerable regional variation in wealth, but there is also considerable variation *within* regions and localities. The South East may be very wealthy overall but there are pockets of severe deprivation in this region just as there are pockets of 'severe affluence' in the North West. Dorling et al.'s (2007: 87) analysis of the geography of poverty and wealth has found that: '*Britain became increasingly segregated and polarised over the past two or three decades of the 20th century'* with increasing concentrations of poverty (and wealth) in different local areas though Levin and Pryce (2011) have argued that there has been no long-term upward trend in spatial housing wealth inequality but that the picture is more cyclical, with rises and falls in spatial inequality. However, they have still argued for more discussion of this and its possible effects on consumption, work incentives and business formation.

Gender

So far in this paper, we have not analysed assets by gender. This is largely because data on assets is normally measured at the level of the household rather than the individual so where men and women live together in couples it is not always possible to accurately identify which assets belong to the man and which to the woman. Of course, in many cases the legal ownership of assets between couples may be quite explicit – such as in the ownership of houses under the arrangement of 'tenants in common' rather than 'joint tenants'.

Issues of ownership, however, are not as clear as they might seem both because legal issues are not straightforward and because legal ownership sometimes varies from perceived ownership. For example, if one member of a couple has an Individual Savings Account (ISA) in their name then we might assume that this asset belongs, legally, to that person individually but if the couple have been married for a long time and have equally contributed to the finances in the couple, then the ISA would probably be divided equally between them were they to divorce. Another complication which Rowlingson and Joseph (2010) have pointed out is the distinction between legal ownership and perception of ownership. For example, if we take an unmarried couple where one member has the ISA in their name, the couple may nevertheless consider the asset as a joint asset, whereas in another similar couple they may take a much more individual view of their assets. Once again, surveys could ask relevant questions to tease out both legal ownership and perceptions of ownership but, in practice, they rarely do.

The approach taken by WAS was to aggregate assets at the level of the household. Presenting results by household includes the implicit assumption that they equally benefit each adult in the household, which of course may not be accurate. It is difficult to justify other 'one size fits all' assumptions either – though sensitivity analyses of different assumptions would be interesting to see. In the WAS, there were limited questions of relevance to the sharing of assets.

Although it is difficult to analyse the distribution of assets within couples by gender it is possible to compare the circumstances of men and women each living in single person households and Table 5 shows key results for these kinds of families. The picture is not entirely clear. The mean level of single men's wealth exceeded that of single women, but the median wealth of single women was greater. Whilst this might suggest that single men's wealth is more concentrated among a relatively few men compared with single women, in fact the top 30% of single women had (slightly) higher wealth than the top 30% of men. Given the gradient within couples – men tending to be of a higher income than their partners – it is also unwise to regard single people as representative of all people. For instance, single women often have higher earnings than women in couples, but the reverse is generally true for men.

Table 5 Total private wealth by gender and age – for single person households above and below State Pension Age (SPA)
Source: ONS analysis of WAS (2006/8) data for NEP (2010) report

	Bottom 30%	Median	Mean	Top 30%
Over SPA				
Single women	£58,846	£182,000	£255,586	£304,480
Single men	£49,550	£157,528	£311,074	£289,660
Under SPA				
Single women	£24,678	£100,733	£206,032	£228,743
Single men	£22,020	£94,081	£226,301	£211,188

Unlike housing assets and some financial savings products, private pensions have to be held individually. Couples cannot jointly hold a pension though one member can receive dependent's or widow/er's benefits and people may see the asset as a joint one. When married couples divorce, private pension wealth is considered as part of the pot for division and so such wealth is considered joint in many cases even if it is held individually. There has been considerable research into gender and pensions (see Ginn 2003; Department for Work and Pensions 2005) which has highlighted the fact that men have built up far greater entitlements to state and private pensions than women due to their more prominent role in the labour market. Women have tended to gain access to private pension entitlements through their status as wives. However, women's participation in paid work is increasing and the 'pension gap' between men and women is correspondingly decreasing, at least as far as the state pension is concerned. The Government Actuary's Department has estimated that by 2025, over 80 per cent of women reaching state pension age will be entitled to a full basic state pension, a slightly higher figure than for men (Department for Work and Pensions 2005). However, there are still differences in terms of private pensions with working-age men more likely to be contributing to a private pension than working-age women (46 per cent compared with 38 per cent) and men's level of contribution is higher. So men are likely to continue to have higher incomes in retirement than women (Department for Work and Pensions 2005).

As mentioned above, assets and debts may be held in individual names during marriage but when marriages end divorce law assumes that assets and debts are shared equally unless other factors are relevant (such as the marriage being very short, one partner bringing substantial levels of assets or debts to the marriage and the care of children requiring one partner to have a greater share of any assets). Westaway and McKay (2007) found that women who divorce suffer disproportionately compared with men in terms of savings and debts. However, this study did not analyse housing assets and Warren et al. (2001) found that single women who were separated or divorced had higher levels of housing wealth than single men who were separated or divorced. This suggests that women may be trading housing wealth for pension wealth on divorce.

Surprisingly, perhaps, Westaway and McKay (2007) also found that women who experience cohabitation breakdown suffer even more, in terms of share of wealth, than women who go through divorce (and more than men who go through cohabitation breakdown), perhaps suggesting that marriage provides some financial ‘protection’ for women, compared with cohabitation. But Warren et al. (2001) show clearly that women with the highest levels of assets are those who have never been married. Those with the lowest levels are lone parents. So partnerships and children seem detrimental to women’s finances. Having said this, there is likely to be a ‘selection effect’ here: women with the greatest opportunities to accumulate wealth are less likely to partner and/or have children.

Another key turning point in financial trajectories is childbirth (Westaway and McKay 2007), with mothers typically working part-time and so reducing their ability to contribute to savings, mortgages and private pensions while fathers become even more likely to do so.

How wealth is accumulated

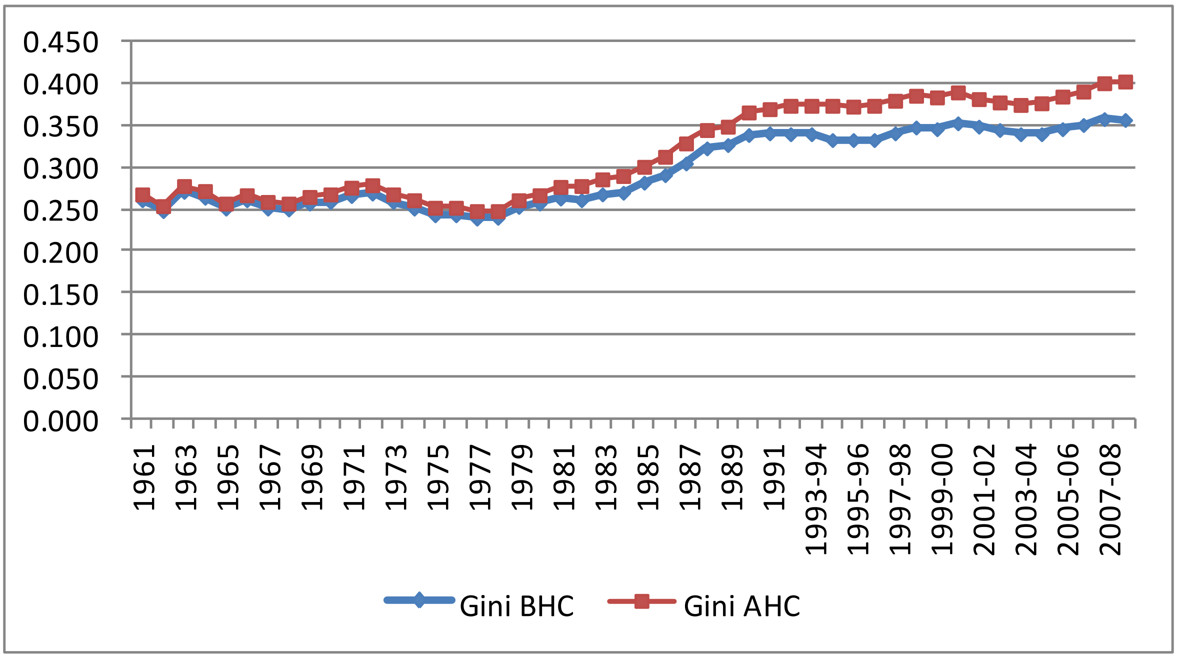
As discussed earlier, wealth can be accumulated in different ways, for example through inheritance/lifetime gifts - or through increases in asset values (eg property prices). Wealth accumulated in these ways are often categorised as 'unearned wealth' but if people have made improvements to their property or taken time to study investments, any increases in wealth could, arguably, be seen as earned. The other main way of accumulating wealth is through one's own personal income. Wealth accumulated in this way is categorised as earned wealth. This section considers how wealth is accumulated in these different ways.

Earned wealth accumulation

The ability of some groups to save their income/earnings was considerably enhanced from the 1980s onwards as incomes grew substantially at the top of the income distribution. From 1979 to 1994/5, incomes rose fastest for the richest (the richest tenth saw their real incomes rise by 60 per cent while the poorest tenth saw only a 10 per cent rise). Hills (2004: 25-26) summarised the trends during this time as '*the poor fell behind the middle; the middle fell behind the top; and the top fell behind the very top*.' Due to this, income inequality soared along with relative poverty. From 1994/5 onwards, the picture was mixed but most groups shared in fairly rapid income growth until the credit crunch. Hills (2004: 26) summarised the trends during this time as: '*the poor catching up on the middle to some extent, but the top moving away from the middle*.' The very top therefore 'stretched' away from the rest.

Figure 7 shows the Gini coefficient for income inequality both before and after housing costs. It shows that income inequality was largely stable during the 1960s and 1970s, between 0.25 and 0.30 but from 1979 onwards there was a massive rise to 0.34 (BHC) and 0.37 (AHC). The rate of growth of inequality slowed down during the 1990s and 2000s but the peak for inequality before housing costs over this period was in 2007/8 at 0.36. And the figure for income inequality after housing costs peaked in 2008/9 at a figure of 0.41.

Figure 7 Income inequality from 1961 to 2008/9 before and after housing costs



Source: FES/FRS data in IFS online spreadsheet:
http://www.ifs.org.uk/bns/bn19figs.zip

There has been an even more dramatic change in the share of income received by those at the very top. Atkinson and Salverda (2003) have used tax records to show that the share of income of the top 0.05 per cent (sometimes known as the 'top ten thousand') fell between the mid-1920s and mid-1970s but then grew rapidly so that by 1999 their share of income was higher than it had been in 1937. Atkinson (2007) presented a similar picture, this time concerning the top 0.1 per cent who received more than 10 per cent of total income before the First World War but then saw their income share fall dramatically from then until 1979. Since then, this group has recovered the ground lost since the Second World War. Figure 8 shows the share of total income received by the top 1 per cent of incomes. In 1950 the top 1 per cent of earners claimed around 13 per cent of total income. This declined to a low of 6.5 per cent in 1978, but thereafter rose strongly to again approach 13 per cent by the year 2000.

Figure 8 Share of total incomes received by the top 1%, 1950-2000[1]

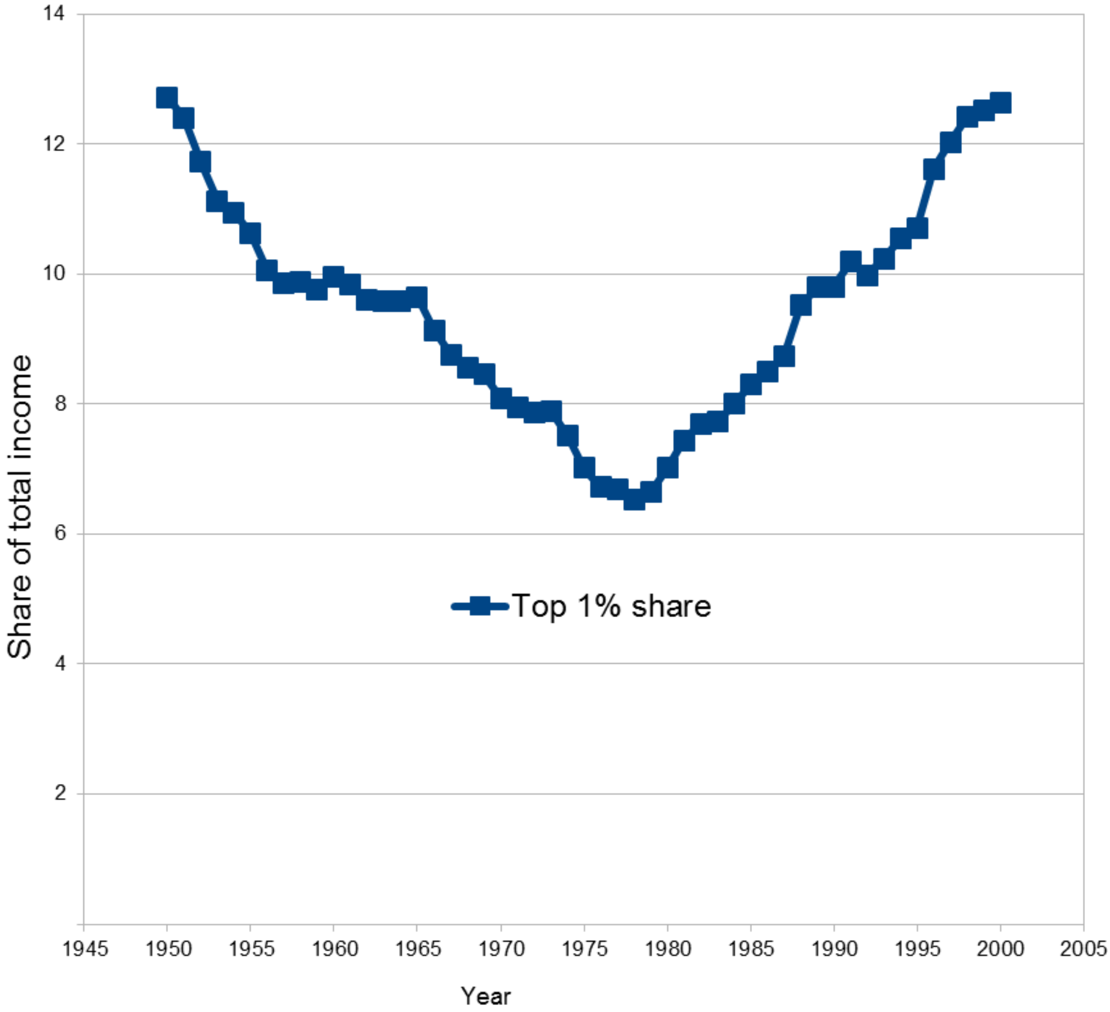


Table 6 shows that the growth in incomes between 1996/7 to 2007/8 was higher at each point towards the top of the income distribution. Those on a median income (the 50th percentile) saw their incomes increase by 7.2 per cent over this period. Those at the 90th percentile (the top 10 per cent) saw their incomes rise by 13.1 per cent. Those at the 99th percentile (the top 1 per cent) saw a 34.3 per cent increase in their incomes and those at the 99.9 percentile (the top 0.1 per cent) saw their incomes rise by 64.2 per cent. The 'squeezed middle' or those on low to middle incomes have consequently become a group of increasing academic and policy interest (Resolution Foundation 2012)

[1] Source: Andrew Leigh, 2007, "How Closely Do Top Income Shares Track Other Measures of Inequality?", Economic Journal, vol 117, No. 524, pp. F619-F633. UK data are derived from: Atkinson, A. B. (2007) 'Top incomes in the United Kingdom over the twentieth century.' In Top Incomes over the Twentieth Century: A Contrast Between Continental European and English Speaking Countries (ed. A. Atkinson and T. Piketty), pp.82-140. Oxford: Oxford University Press.

Table 5 Growth in incomes at different points of the income distribution 1996/7 to 2007/8

Percentile	Overall income growth 1996/7-2007/8
50	7.2
90	13.1
99	34.3
99.9	64.2

Source: High Pay Commission (2011) calculation using the Survey of Personal Incomes, HMRC data

Data does not exist on what proportion of wealth is accumulated through earnings/income (or on what proportion of income is saved among different income groups). But those at the very top of the income distribution certainly have far more, and increasing, capacity to accumulate wealth. Indeed, consumption of luxury goods may overlap with investment in so much as the purchase of expensive jewellery, art, antiques, additional cars and properties is both consumption but also, potentially, accumulation of wealth.

Unearned wealth accumulation

Unearned wealth can be accumulated when share prices and house prices increase purely due to changes in the stock and property markets rather than to any hard work in making investment decisions or making improvements to properties. However, people may nevertheless feel that they deserve any increase in value of assets due to their initial effort in buying stocks, shares and property.

Figure 9 shows changes in house prices from 1990 to 2012. These are based on the Nationwide and Halifax house price indices, the Land Registry mix-adjusted index, Financial Times HPI-MA, new Land Registry HPI, and the Rightmove asking price index. They are therefore based on different methods and different data but they all show a major fall in property prices between 2007 and 2009. There was then a degree of recovery in property prices by 2010, with some indices suggesting that prices had recovered to values close to their pre-crash levels. But other indices show a much smaller degree of recovery. Nevertheless, house prices on all indices, are higher than they were in 2004.

Figure 9 Property prices 1990-2012 drawing on a range of indices[2]

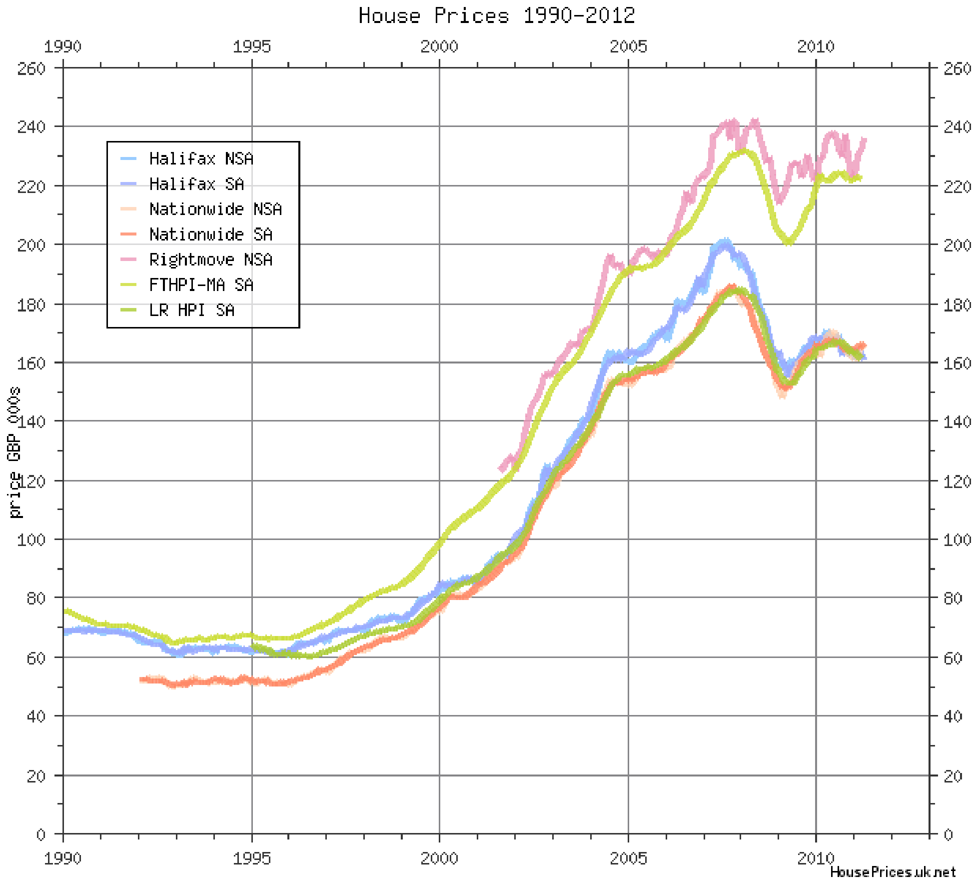


Figure 10 shows trends in the FTSE 100 index from 1996 to 2012. It puts the recent (2008/9) stock market fall into some perspective as there was a much greater fall from 2001 onwards which took much longer to recover from, though the current recovery has not (yet) led to share prices reaching the same level as in 2007. The fall from 2001 onwards was partly due to the effects of the September 11 attacks, not least in terms of $40 billion in insurance losses, making it one of the largest insured events ever. The downturn in stock prices during 2002 was also related to the bursting of the internet bubble and a number of accounting scandals (eg Enron and Arthur Andersen). Stock exchanges across the United States, Canada, Asia, and Europe were all affected.

It is worth pointing out here that the Mirrlees review of taxation discussed the difference between 'normal' rate of return on savings and investments (around 2-4 per cent) and a 'super normal' rate (above 4 per cent) as a possible distinction to be used in relation to taxation and other policy measures (Mirrlees 2010).

[2] http://www.propertyinvestmentproject.co.uk/property-statistics/houseprices.php

Figure 10 FTSE 100 from 1996-2012[3]

Another way to accumulate 'unearned' wealth is through inheritances and lifetime gifts. Rowlingson and McKay's (2005) analysis of the Attitudes to Inheritance survey found that 46 per cent of the public had received at least one inheritance at some point in their lives. But some of these were of no or little monetary value. Only one in twenty of the public had inherited £50,000 or more. And a further one in ten had inherited between £10,000 and £50,000. The survey found strong links between inheritance and social class. Those in middle class occupations were not only more likely to have received an inheritance, but they also had most experience of the larger-valued inheritances. Among social classes A and B (senior and middle-ranking professionals) around one in ten had received an inheritance worth at least £50,000 (at 2004 prices). This compares with only one or two per cent among those in classes D and E. Regression analysis showed that social class was an important factor even after taking into account other factors such as age, tenure and family composition. People from professional occupations were therefore more likely to receive an inheritance, particularly one of great value.

Lifetime gifts are another mechanism for wealth transfer across generations. And WIlletts (2010) for one, has argued that the baby boom generation have a duty to pass on resources to their offspring to compensate them for growing up in a less

[3] http://www.moneyweek.com/news-and-charts/market-data/ftse

favourable economic time. Rowlingson and McKay (2005) collected data on the giving and receiving of lifetime gifts valued at £500 or more. They found that close to one third (31 per cent) of the general public, of all ages, had received gifts worth at least £500 at one point or another. Buying or maintaining a property was the fourth most common use of such gifts overall, followed by education.

There was also variation in receipt of gifts by social class with those in the professional classes (AB) much more likely to receive such gifts than others. For example, 13 per cent of those in social classes AB had received a lifetime gift to help them buy or maintain property compared with only 3 per cent of those in social classes DE (unskilled and semi-skilled manual workers) and C2 (skilled manual workers). The total amount received in lifetime gifts also varied greatly by social class with more than a quarter of those in the professional classes having received at least £10,000 at some point compared with only 5 per cent of those in social classes DE and 6 per cent of those in social class C2. It seems, then, that some of the baby boomer generation may indeed be giving something back to their children to compensate for the less favourable economic climate than that older generation enjoyed (WIlletts 2010). But not all parents have the resources to pass on significant amounts and such gifts mean, effectively, that some people accumulate wealth not on the basis of hard work, skill or merit but by virtue of being born to wealthy parents.

Trends over time

There is a great deal of data on trends over time in terms of the income distribution (see above) but much less data on changes in the wealth distribution. However, we know that, as with income inequality, asset inequality also decreased during the first three-quarters of the 20th century (Hills 2004). Table 7 shows that in 1923, the top 1 per cent of the population in England and Wales owned a staggering 61 per cent of all marketable assets. By 1976, this had fallen drastically and the top 1 per cent in the UK owned 21 per cent. This is a dramatic drop of 40 percentage points but still, in 1976, the top 10 per cent owned half of all assets. The 1980s witnessed a stabilisation in the levels of asset inequality but these then began to rise in the late 1990s. The Gini coefficient measure of overall inequality rose from 64 per cent in 1991 to 70 per cent in 2001 (Inland Revenue 2003). And between 1988 and 1999, the top 1 per cent of the population increased its share of personal assets from 17 per cent to 23 per cent (Paxton 2002). The cause of this rise in asset inequality is unclear but it is probably a result of the increases in income inequality which took place in the 1980s, which then emerged as wealth inequality (Hills 2004). The stock market boom and rise in property prices in the late 1990s are also likely to have had an effect.

The Wealth and Assets Survey can be used to look at trends over time by comparing each wave of data independently but it has only been running for two waves and so it is difficult to show such trends. Nevertheless, the most recent report shows that the top 20 per cent of households had 126 times more total net wealth than the lowest 20 per cent of households in 2006/8. By 2008/10, the difference had reduced to 91 times (2012d). However, these figures do not focus on the very top of the wealth distribution and the focus on relative differences in wealth may obscure changes in absolute differences. For example, figure 2 above showed that absolute levels of wealth increased between 2006/8 and 2008/10.

Cowell et al (2012) produce estimates using the British Household Panel Survey (BHPS) for net worth including financial and housing wealth but not pension wealth. They stress caution in the use of data from this survey for the top 1 per cent due to limitations of sample surveys in gathering data from this group. However, they show that, for the top 1 per cent of the wealth distribution, their level of wealth increased from a minimum of 750,000 Euros in 1995 to 1.23 million Euros in 2005. This is an increase of 480,000 Euros. Those in the middle of the net worth distribution (the median) saw their level of wealth increase from 43,000 Euros in 1995 to 152,000 Euros in 2005. This is an increase of 109,000 Euros, a much lower absolute increase in wealth. However, the ratio between the top 1 per cent and the median reduced from 17 to 1 in 1995 to 8 to 1 in 2005. This means that relative wealth inequality reduced over this time, probably due to increases in housing wealth for those in the middle of the distribution. However, absolute differences became increased.

Table 7 The changing distribution of personal assets[4]

	Share of marketable assets of the …			Gini coefficient (%)
	Top 1%	Top 5%	Top 10%	
(a) England and Wales				
1923	61	82	89	-
1930	58	79	87	-
1938	55	77	85	-
(b) Great Britain				
1950	47	74	-	-
1955	44	71	-	-
1961	37	61	72	-
1966	31	56	70	-
1971	29	53	68	-
1976	25	49	65	-
1986	23	46	63	-
(c) United Kingdom				
1976	21	38	50	66
1981	18	36	50	65
1986	18	36	50	64
1991	17	35	47	64
1996	20	40	52	68
2001	22	41	54	68
2005	21	40	54	70

There is relatively little data on recent trends in wealth inequality though a forthcoming publication from the LSE by John Hills and colleagues will contribute more knowledge here[5].

The Wealth and Assets Survey is also a panel survey and so we can track changes in wealth for individuals within the dataset. As ONS (2012c) suggest, WAS has the potential to help us explore: how an individual's behaviour and attitudes are affected by, or influence, their own or their household's wealth; how different life events can affect household wealth; and, how an individual's circumstances relates to their propensity to either gain or lose wealth. ONS (2012c) have so far only carried out some initial panel analysis and there are only two waves of data so far but we summarise some of the key findings produced here.

[4] (a) Atkinson and Harrison (1978: Table 6.5)
(b) Atkinson et al. (1986: table 1)
(c) HMRC Personal Wealth statistics
Table panels (a) and (b) are from Hills (2004). Panel (c) from HMRC: http://www.hmrc.gov.uk/stats/personal_wealth/13-5-table-2005.pdf

[5] A major book on wealth inequality to be published in spring/summer 2013

Table 8 shows that movements between wealth bands are relatively unusual. Three quarters (73.4 per cent) of those in the lowest wealth band in 2006/8 were still in the lowest wealth band in 2008/10. More than 8 in 10 (83 per cent) of those in the top wealth band in 2006/8 were still there in 2008/10.

Table 8 Individuals by household total wealth bands[1] 2006/08[2], 2008/10

Percentages

Household total wealth, 2006/08[2]	Household total wealth, 2008/10 < £50,000	£50,000 but < £200,000	£200,000 but < £400,000	£400,000 but < £750,000	£750,000 or more
< £50,000	73.6	23.0	2.6	..	..
£50,000 but < £200,000	9.5	62.3	23.7	3.7	0.9
£200,000 but < £400,000	..	10.5	60.1	24.3	4.1
£400,000 but < £750,000	..	2.0	14.1	60.6	23.1
£750,000 or more	..	..	2.4	13.4	83.1

.. These figures have been suppressed as they are based on unweighted data of fewer than 30 cases.

[1] Excludes households which changed structure in any way between waves

[2] 2006/08 figure is based on half sample

Source: Wealth and Assets Survey, Office for National Statistics

Some people, however, did move out of the lowest wealth band and where this did occur, it was much more likely to occur among those who were in employment (61 per cent of such movers were in employment).

Movements into negative net financial wealth occurred to some high wealth groups. For example, over one-fifth of individuals living in households that had moved into negative net financial wealth between 2006/08 and 2008/10 were from households with total wealth of £400,000 or more

Those in the lowest total wealth bands (£50,000 or less in total net wealth) generally became more risk averse in 2008/10. Over two thirds (68.7 per cent) of individuals in such households who were willing to take a financial risk in 2006/08 changed their attitude, becoming risk averse in 2008/10. This compared with 51.6 per cent of individuals from households in the highest total wealth band (£750,000 or more)

Most people (84.3 per cent) did not change their private pension contribution behaviour between 2006/08 and 2008/10. WAS found that 8.8 per cent of individuals who were contributing to a private pension in 2006/08 were no longer doing so by 2008/10. Conversely, 6.9 per cent of individuals who were not contributing to a private pension in 2006/08, were contributing by 2008/10.

Those who stayed in rented accommodation over both waves of the survey had very low levels of financial wealth. Almost four-fifths of this group lived in households with net financial wealth of £5,000 or less.

International comparisons

As well as looking at comparisons over time, it is also informative to make comparisons across countries. The National Equality Panel report (2010) made comparisons of wealth inequality between countries but argued that this was more difficult than comparing income distributions. Cowell et al (2012) have, more recently, explored variations in rates of home ownership internationally, and levels of mortgage indebtedness using the Luxembourg Wealth Study (LWS) which is a harmonised dataset. However, the authors point out a number of some issues with using this data, for example differences between countries in the:

- way data have been collected
- definition and availability of variables
- coverage, coding and imputation

The LWS includes data from 12 countries but Cowell et al (2012) concentrate on five: US, UK, Sweden, Finland and Italy. The UK data is drawn from BHPS so there is no private pension wealth in the analysis, just marketable wealth. In Sweden, the data overestimates the number of single people and also over-estimates housing wealth because of the way that data on housing co-operatives is collected. There are also different definitions of a 'household' in the datasets. However, Cowell et al (2012) find that mean household wealth in Sweden (and to a lesser extent Finland) is much lower than in other countries. This is probably because both of these countries have more generous welfare states, including generous state pensions and high taxation of returns to capital (through taxes on wealth and gifts and bequests) before the 1990s at least. The situation changed, however, from the 1990s onwards with tax and benefit reforms.

All countries exhibit skewed distributions of wealth but particularly in the US where the mean level of wealth is higher than the 75th percentile so can hardly be called 'average'! The top 1 per cent in the US own nearly 30% of total positive net worth, the wealthiest 5% own nearly half and the wealthiest half of all households hold around 95%.

The other four countries have a similar distribution to each other: the top 1% own about 10%, top 5% own 28% and top 50% own 90%. The UK is the only country which shows notable falls in concentration for each of the shares between 1995 and 2000 and 2000-2005. This is due to changes in housing wealth.

Sweden has the lowest mean wealth and relatively low values of wealth held by the wealthiest households but inequality as measured by the Gini, is higher than in the UK and Italy.

With the exception of the UK and Italy, households at the tenth percentile are in debt (negative net worth). The UK was in that position in 2000 but not 2005. The UK observed increases in the share of households holding either zero or negative values of financial wealth but falls in the shares reporting zero or negative values of housing wealth. Average housing wealth increased between 2000 and 2005. Housing wealth inequality fell at the same time

The UK has more 'asset rich, income poor' households as lower and middle income UK households tend to hold higher median net worth than US households but higher income US households hold much greater values of median wealth than their UK counterparts.

Variations in wealth inequality across countries can be explained in a number of ways. Some differences are due to: data collection, survey design and population coverage but also demographics. For example, the age distribution is different in these countries. Household size and composition also varies. Ethnicity may also be a factor. There are also differences in access to credit markets (eg mortgages), student loans, tax incentives etc. And differences in the economy (eg house prices, recessions affecting different cohorts differently). The role of the welfare state and the family in supporting people may also affect individual wealth accumulation.

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