



Distribution of Wealth Evidence Gathering

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21st January 2013

James began by talking about the Resolution Foundation's [Commission on Living Standards](#) which focused mostly on income and, in particular, who will it benefit when growth returns. Key issues for the Commission were: wages - low wage work increasing and income stagnation prior to the recession; insecurity of employment; and the benefits system - how can it support work? Wealth was not a direct focus of the Commission but the Commission did consider the role that pension assets might play in funding other policies, including reducing the lifetime limit on Pension Tax Relief to £1m to fund increased investment in affordable childcare. Wealth was therefore seen in part as a source of government funding for particular initiatives.

There was a discussion about why pensions assets were seen as a possible source of funding rather than other forms of wealth taxation. James argued that generous tax relief on pensions for the very wealthy was both a viable source of revenue (politically and practically) as well as a potentially large source of revenue. Also, it would mainly affect the very wealthiest (top 1%). It would also be possible to link policies here (effectively taxing annual pension pots) with the average amount people earn.

We then discussed housing wealth although the Resolution Foundation has been [focusing recently on the private rented sector](#) rather than owner occupation. The issue being researched is how to attract large investors into the sector as it is very fragmented at the moment with many small landlords. This is in contrast with the Netherlands, where large pension funds are landlords. Could NEST do this, perhaps? The research is working with housing associations and other relevant organisations to examine whether a 'build to let' business model could attract large scale investors. We discussed the links between wealth, tenure and security. In countries where the private rented sector provides more security and better quality of accommodation, people seem happier with this tenure and less concerned about accumulating housing wealth. This leads to the question: what is the purpose of housing wealth? There is also an irony in that private landlords sometimes argue that they are over-regulated but countries with a larger private rented sector are actually more, rather than less, highly regulated. The way to stimulate private renting may, perhaps counter-intuitively, be to regulate more rather than less?

The Resolution Foundation focuses on Low and Middle Income (LMI) families and talks to a group of such families each year, qualitatively. Issues of vulnerability/security are raised in relation to assets (and debts). For example, when a washing machine breaks down, people with savings can manage OK but those without may fall into a spiral of debt. Other forms of assets - such as having families nearby (who people can borrow from or get other forms of assistance) can also make a big difference to people's living standards and well-being.

Home ownership also provides a sense of security for this group, though mortgage arrears/negative equity may reduce this for some.

James raised the issue of age and cohort variations in assets. The baby boomers may (largely) have housing wealth but their children are struggling to get a foot on the housing ladder and may be living longer with their owner-occupying parents. Does government have an asset policy for the younger cohort?

How can LMIs be helped to save? James argued that the Saving Gateway would have helped - or some other kind of matched savings scheme. He pointed out that the Saving Gateway was only for those on very low incomes who have little money to save. It could have been extended to LMI groups more generally. And while the scheme would have cost money, ISAs and pensions cost a great deal so why not spend on the Saving Gateway? People also need greater security/certainty in terms of their earnings and benefit income. This would also help them to be able to save.

The bigger issue, however, in the next ten years is [levels of debt](#). A significant group have significant levels of debt so we will need to consider how people can be helped in paying down debt before we can look at asset accumulation. Various provisions can be considered here, not least IVAs (Individual Voluntary Arrangements) which are legally binding agreements providing an alternative to bankruptcy by setting out an agreement about payments from those in debt to their creditors.

For those on Universal Credit/Tax Credits, it might be possible for the system to make it easier (automatic) for people to save small amounts each time they receive state support (see [SMF report](#)). Jam jar accounts, at supermarkets, may also be a way to build on the co-operative movement's schemes (also, providing dividends to members due to spending with the movement as well as saving).

NEST is a key policy targeted at LMIs and it will be interesting to see how this works. One concern is that it raises employer costs so employers might cut pay which would be detrimental to this group. Minimum wages therefore need to be protected.

James asked for more data on the direct relationship between income and wealth. How many people, and what kinds of people, are 'income-rich, asset-poor' and 'income-poor, asset-rich'? ¹

We also discussed student loans and whether these might change attitudes to credit and debt, particularly among those on low incomes.

Finally, we discussed those with moderate wealth levels who sometimes see their housing as a pension but with little real idea about how this will work in practice. As the baby-boomers increasingly retire this may become a growing issue.

¹ Rowlingson and McKay's book on 'Wealth and the Wealthy' discusses this on page 92
See Rowlingson, K. & McKay, S (2011) *Wealth and the Wealthy: Exploring and tackling inequalities between rich and poor*, Bristol: [The Policy Press](#)
See also the IPPR Report on Housing-Rich, Income-Poor: The potential of housing wealth in old age, available at http://www.ippr.org/ecomms/files/housing_rich.pdf