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Gregory, James; Lymer, Andy; Rowlingson, Karen

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Personal Savings for Those on Lower Incomes: Towards a New Framework for Assessing the Role of the State in Relation to Savings Schemes

James Gregory*, Andy Lymer and Karen Rowlingson*****

**CHASM, Department of Social Policy, University of Birmingham, UK*

E-mail: j.gregory@bham.ac.uk

***CHASM, University of Birmingham and Department of Taxation, University of South Africa, Pretoria, South Africa*

E-mail: a.lymer@bham.ac.uk

****CHASM, Department of Social Policy, University of Birmingham, UK*

E-mail: k.rowlingson@bham.ac.uk

This article explores the role of the state in helping households to save. Using the UK as an example of challenges faced in other developed countries, it develops a framework for comparing saving schemes along two dimensions: apparent normative motivation for the scheme and likely impact on savers of varying income levels. Using this framework, our analysis suggests that there is much greater state support for high-income savers than low-income savers, even after the recent introduction of the 'Help to Save' scheme. So, while this scheme has provided some support for this group, we propose ways to expand it through providing initial seed funding to each account and greater marketing and accessibility. We note, however, that an important way to help those on low incomes to save is to increase their incomes so they have more capacity to do so.

Keywords: Personal savings, asset-based welfare, citizenship rights, economic and social development, Help to Save.

Introduction

Levels of personal saving in many developed countries are extremely low by historical standards (McKay and Rowlingson, 2018) and those on the lowest incomes are more likely to have debts than savings (McKay *et al*., 2019). Evidence however suggests that personal savings are important, providing not just a cushion to financial shocks (Stepchange, 2018) but also other practical and psychological benefits that aid people to flourish in life (Sodha and Lister, 2006). As such, the development of coherent policy designed to establish and then grow personal savings may be considered an important focus for a government. And this may be particularly important for those on lower incomes, who may be in most need of assistance in developing their personal savings.

In this article we review the key features of various proposed or implemented schemes (i.e. specific examples of saving products that are provided in a market) to support personal savings. In so doing we seek to identify the underlying policy motivations that are driving the creation of various schemes over time. To do this we use the example of a developed country – the UK – that could be considered to be illustrative of similar issues faced in many developed countries and therefore could provide insights of international use. We focus in this article on examining personal (liquid) saving schemes, rather than longer term (such as retirement focused) savings, as these raise distinct issues and have received much less policy and academic attention than pension saving.

After reviewing the evidence for the value of developing personal savings pots, we build on previous literature (specifically Sherraden, 1991 and Prabhakar, 2009) to propose a framework for examining saving schemes along two axes: normative purpose (citizenship versus economic and social development) and apparent distributive impact (benefiting those on higher or lower incomes). We then map some recent saving schemes onto this framework to highlight the mix of purposes that can be found in particular schemes and who is most likely to be receiving the benefits of these schemes. We use this framework to highlight a gap that existed in the UK in scheme provision until recently – schemes that expressly and primarily benefit those on lower incomes.

We then provide a comparative review of the most recently introduced UK saving scheme - Help to Save – and examine the degree to which it addresses the gap in saving scheme coverage that our framework identifies. The article explores the features of this scheme and concludes with several proposals for ways in which it could be developed further to make it more widely applicable to support the establishing and growth of personal savings for those on lower incomes.

The purpose of establishing and growing personal savings

A key reason to establish personal savings, even if only in very limited amounts, is to improve the saver's capacity to cope with financial shocks. For example, research from Stepchange shows that if each UK household had a savings cushion of £1,000 there would be 500,000 fewer households in Britain experiencing problem debt (Stepchange, 2018). Evidence also suggests people with savings tend to enjoy better physical and mental health, including providing a stronger sense of security, optimism and lowering anxiety (Sodha and Lister, 2006; Rowlingson and McKay, 2011; Money and Mental Health Institute, 2019).

However, a challenge to be faced in exploring the role of savings in society is the issue of the necessary trade-off between debt repayments and saving incentives (e.g. see Lymer, 2020). It may not always be appropriate to expect or encourage people in significant debt to save (Kempson and Finney, 2009; Crawford *et al*., 2015). Proposing saving scheme development as a poverty alleviation strategy is also likely to be ineffective at best, and potentially detrimental at worst, to many on the very lowest incomes (if it encourages saving above basic need provision for example were funds do not allow for both to occur). Under such circumstances the use of income-based solutions to lift very low incomes to the point at which savings can even begin to be considered is needed. As such asset-based solutions, such as developing saving schemes, are clearly not appropriate to address the support necessary to assist those on the very lowest income. Nevertheless, there are many people on lower incomes who can benefit from enhanced opportunities to save beyond that which the market may alone provide (Lymer, 2020). It is this population that we are primarily concerned with in this article – namely those on lower incomes but without significant savings - and what role government interventions may have to support their development of personal savings.

The value of establishing savings is not just of personal value to the saver. There is also social value more generally to establishing and growing personal saving (Johnson, 2014). Articulating this value is important given the very large costs such schemes can incur in direct payments or in tax revenue foregone (for example, the costs to the UK Exchequer to support the tax free returns of the largest of the current UK savings schemes - Individual Savings Accounts (ISAs) - is estimated to be £3.3bn in 2019-20 (HMRC, 2019a)).

The determination of the social value of savings raises important questions for social policy, such as:

- how far should an individual be expected to protect him or herself against economic shocks?
- to what degree should they expect the collective institutions of the state to mitigate the risk of sudden economic shocks, e.g. through a more system of social security benefits?
- to what degree should the state intervene in sharing national assets beyond that which the market will provide for?

If we are to expect a Government to provide more help for people to save, should it be on the assumption that this is only a legitimate use of government spending if is used only for express economic or social development purposes; for example, acting as a form of insurance in case of sudden financial shocks? Alternatively, is greater sharing of national wealth an objective that should feature more highly when designing such policies, to help reduce wealth inequality or for other redistributive purposes?

On the one hand therefore, saving schemes could be seen as a way of *replacing* existing social security systems, creating ‘independent’ citizens that are not a ‘burden’ on the state and its taxpayers. On the other hand we can view saving schemes as a *supplement* to traditional forms of social security, augmenting mainstream income transfers and helping to correct some of the inefficiencies of such transfers; for example, by providing a contingency fund that can be accessed quickly by sharing out more of national wealth into private ownership.

In the replacement case, savings are then considered a duty rather than a right (Gregory, 2014, 2016). And we would then expect to see user restrictions as a central feature of savings schemes that seek to provide insurance or economic and social development as their motivations. In the supplementary case however, it would not be appropriate to then reject the ability of recipients to spend these sums largely as they wish.

Comparative review of saving schemes

In the previous section we discussed the purpose of savings, and for a government to wish to see the personal savings in its population. In this next section we will review specific saving schemes to provide an analysis of schemes. This allows a gap analysis to be performed.

To explore these alternative motivations we propose the use of a two-dimensional saving scheme comparative framework, guiding our analysis to compare their motivation and their apparent distributional effect. Such an approach, we suggest, will help us to understand the relative positioning of saving schemes.

Citizenship and Economic and social development

For the horizontal axis of our two-dimensional framework we use Prabhakar's distinction of the analysis of asset-based welfare policies between 'citizenship' and 'social policy' (Prabhakar, 2009). Prabhakar characterises 'citizenship' as (ibid: p.21) rights-based claims to a share of national capital through a variety of proposed mechanisms, such as capital grants (Ackerman and Alstott, 1999; Le Grand and Nissan, 2000; Ackerman *et al.*, 2005), or as sabbatical accounts (Offe, 2000; Supiot, 2001), and primarily, although not necessarily exclusively, on a universal basis. These could also include, for example, supporting the principle of seeking to provide more equal starts in life (Prabhakar, 2009: 10) or may aid development of ‘individual character and responsibility’ (Prabhakar, 2009: 3) – the so called ’asset-effect’ (Sherraden, 1991). The sentiment of the latter was expressed by the former Labour Home Secretary, David Blunkett, as means of giving individuals a ‘material stake in society… to care about what happens in the community around them’ (Blunkett, 2001: 34). Such schemes have been proposed in various places around the world including, for example, in Australia in the form of Matched Savings Accounts by the Leader of the Opposition Mark Latham (Latham, 2002).

In contrast, ‘social policy’ is characterised by Prabhakar in terms of policies designed to expressly ‘connect asset-ownership to economic and social development’ (Prabhakar, 2009: 1) to smooth future (sometimes very specific) consumption, reducing future reliance on the state in the process. Prabhakar argues that use-limitations built into such schemes may aid political engagement and public support for such saving strategies (Prabhakar, 2009: 18) but are in direct contrast to the universalist principles of citizenship motivated schemes.

We therefore treat this normative motivation as an alternative dimension to citizenship in our framework and title it ‘economic and social development’ (ESD). This clarifies a distinction in motive, between a pragmatic universalism and a more value-based universalism. ESD also avoids potential confusion with the more general and everyday use of ‘social policy’.

An example of an ESD scheme outside of the UK is the US Individual Development Accounts (IDAs) proposed by Sherraden (1991, 2002, 2017) which were provided in various forms to support specific development goals of government (e.g. enhancing access to non-compulsory education, starting a business or saving to put a deposit on a home) (Rohe *et al.*, 2017). Similar schemes have been proposed in other countries such as in New Zealand under Prime Minister Helen Clark – in this case related to home ownership saving and tertiary education (Clark, 2005). We treat these as ESD rather ‘citizenship’ schemes because of their use-restrictions, though in some respects they may represent a hybrid combination of both citizenship and ESD.

Positioning specific savings schemes mid-point between these extremes indicates the degree to which a policy may contain elements of both of these traits.

Distributive impact

The vertical axis in our framework maps the extent to which a savings scheme provides relative benefit to those on higher or lower incomes. Our criteria used for this purpose focuses on the economic characteristics of proposed beneficiaries. Specifically, it enables us to highlight the degree to which specific saving schemes can be said to be targeted at those on lower incomes or where they may benefit more those on higher incomes who can save more.

***Insert Figure 1 here ***

Combining these dimensions produces a 6 section framework as outline in Figure 1 that we can use to classify specific saving schemes. These can be differentiated horizontally by either the dominant normative purpose being citizenship or economic and social development (in the left and right most thirds of the framework) or by an apparent mix of purposes (in the middle third). It is to be noted that horizontal positioning is only into one of these three purposes – this axis is not constructed on a continuum basis.

The framework is vertically differentiated by likely distributive impact, with positioning on the vertical axis representing a continuum from the top, indicating the very wealthiest are most favoured by a saving scheme, to the bottom, indicating those on the lowest incomes being the primary beneficiaries.

In the next sections we use this framework to analyse recent and current UK personal savings schemes. This will also highlight areas where no schemes currently exist. We then consider whether these gaps need to be addressed by a more balanced saving policy coverage.

Comparing saving schemes

Saving Schemes likely to benefit more those on higher incomes

In the UK, since their introduction in 1999, the key form of personal saving scheme provision has been so called Individual Savings Accounts (ISAs). ISAs exist in various forms as 'wrappers' to hold cash or shares within but all have the common feature that they are provided with tax incentives in the form of tax-free returns earned on funds saved. A tax-free return benefits most those with most to save, as the tax saving made rises with both the quantum of the return and the level of tax paid by the saver. In practice therefore, ISAs are likely to mostly benefit those on the highest incomes with the highest marginal rate of tax as the tax-free status saves them the most. People on the lowest incomes (i.e. below the personal income tax allowance level) will receive no benefit at all as they would have no tax to pay on these returns made anyway.

Figure 2 confirms this proposition. Approximately ninety per cent of those on the highest incomes hold ISAs compared to less than twenty per cent of those on the lowest incomes. It also confirms that, in terms of the average savings value of total ISA holdings, approximately fifty per cent of those on the highest incomes hold more than £50,000 in these tax free forms whereas a similar percentage of those on the lowest incomes hold less than £2,500 in total. In 2017-18, 10.8 million ISA schemes were subscribed to and £69 billion was invested into these schemes (HMRC, 2019c).

Insert Figure 2 here

Adding funds into such accounts is typically easy to do, by automated bank transfer or in branch. However, they do not lend themselves to micro payments and as such are again likely to be more favoured by those with larger sums to contribute. They also have rewards that are often only paid infrequently (sometimes only annually) and significantly favour leaving money saved for longer periods as rewards are computed on sums held each day. Dipping into funds saved (which until 6 April 2016 could then not be replaced) directly affects returns that accrue and therefore benefit those who can keep sums saved for longer periods.

Taken together, these features of an ISA suggest that, while all have access to these funds in principle, and some at least use them across all income levels (see Figure 2), those who can save longer term and with higher sums are more likely to be motivated most to use such funds (Hilber, 2015).

As such we therefore place ISAs above the mid-point on our vertical axis to illustrate the main beneficiaries of these accounts are those on higher incomes, although not only those on the very highest incomes (see Figure 3).

In terms of placing ISAs into one of our three normative purposes categories, in their pure form, they have no restrictions on how the savings can be spent. There appears no intention that ISA saving should be regarded as a means of rolling back the welfare state, or as an implied duty to save in these accounts to become independent of the state. As such standard ISA schemes do not fall primarily under our economic and social development category. Yet it also, in practice, represents a political economy which systemically favours wealthier individuals and operates a de facto hierarchy of citizenship-rights, we therefore place ISAs at the centre of our horizontal axis, reflecting an ambiguous normative orientation.

This, however, is not the case for more recent and specialised ISA products. In November 2015, Help-to-Buy ISAs (HtB ISA) were introduced to support first-time buyers' savings to buy a property. From their launch to September 2019, these schemes have paid out just over 370,000 bonuses (payable when a house purchase completes) with an average bonus value of £966 (HMRC, 2020). A further form of ISAs, called a Lifetime Savings ISA (LISA), was introduced in 2017 for 18-40 year olds to help save towards a home or to use to create an asset to draw on in retirement. In 2017, 166,000 LISAs were created receiving £517 million in funds (i.e. creating average pots of £3,114) (HMRC, 2019c).

As these schemes have very specific controls on usage, they exemplify our economic and social development classification of saving schemes and should therefore be placed in the right hand boxes in the framework (see Figure 3).

In terms of vertical placement in our framework, both schemes are clearly targeted at those on middle and higher incomes. Given their very limited eligible use purposes they are less likely to be accessible to those on lower incomes. However, as they impose age or first-time buyer status limitations, they are likely to be rarely usable by those on the very highest incomes, who are likely to be older and already have held property assets. As such, we can place the HtB ISA and the LISA lower than unrestricted ISAs but suggest they may be comparably vertically placed given likely similar audiences they will appeal to in similar financial positions.

In 2011 the Coalition Government, introduced another form of ISA account made available only to people under the age of eighteen (operated by adults on their behalf) entitled Junior ISAs (JISA). In 2017-18 607,000 JISAs schemes were subscribed to receiving £902million between them (HMRC, 2019c).

JISA funds must be held to a maturity date when the account owner reaches eighteen. No initial Government stake is provided into a JISA and as such the citizenship aspect of this scheme was less significant to that of the scheme it replaced (the Child Trust Fund – explored further below), where such a stake had been provided. This scheme is in principle open to anyone under eighteen, but in reality it is not being universally used (there are currently approximately 14 million people in the UK under the age of eighteen, ONS 2019, so less than five per cent of eligible people hold these accounts) given no initial stake support or other special treatment beyond its tax free growth status, common to all ISAs, and the fact any sums saved cannot be accessed until the saver reaches eighteen. As such, again, a JISA is of value primarily to those on higher incomes who can provide funds for their children that can be tied up for up to eighteen years. Given this long access limit duration compared to instantly accessible savings in a generic ISA, it can therefore be placed vertically higher than generic ISAs: it is only likely to be used by parents already making use of their ISA cap and able to save for their child with surplus income.

Where the JISA differs in principle from HtB ISAs and LISAs, but shares with more generic ISAs, is that we may regard it as an unconditional stake-holding for the child, as it has no use-restrictions, and thus can be said to sit further to the left on our horizontal axis than HtB and LISAs, alongside the similar positioning of ISAs as a mixed purposed saving scheme.

Having explored the upper half of the framework and having discovered a number of saving schemes appear to favour most those on higher incomes, we can now look at the lower half of the framework to explore policies designed to focus support on those with lower incomes to establish and grow savings.

Insert Figure 3 here

Saving schemes likely to benefit more those on lower incomes

The Child Trust Fund (CTF) was an exemplar of a scheme with an explicit citizenship motivation. This savings scheme was announced in 2001, launched in January 2005 and remained open to new accounts until 2011 (Ben-Galim, 2011). The CTF was a universal scheme (with a targeted top-up for lower-income households so included some degree of progressivity) which built an asset for children to own at the age of eighteen without the need for parents to actively also contribute if they did not choose to so do. Where such contributions were made, however, these funds could grow in the scheme, alongside the initial Government stake, with no tax due (this is unlike savings made by parents for children in the UK at that time which were subject to tax at the parent's marginal rate).

No restriction was placed on how sums saved in CTFs were to be spent (and in fact the scheme was criticised for this on its introduction - Ben-Galim, 2011). On this basis, this scheme can be positioned in our framework in the citizenship column as it can almost entirely be said to be motivated by universally sharing of national assets, without spend limitations explicitly trying to achieve express economic or social development goals. In this crucial respect the CTF is also different from the standard ISA, which we have argued favours those on higher incomes predominately in practice so cannot be classed as a predominately citizenship-motivated scheme.

In terms of its vertical positioning in our framework, children from families on low incomes were given double the initial endowment (£500 rather than £250) compared to those from higher incomes families, with a further top-up also when the child reached age seven. However, given there is compensation for not benefiting from this larger stake for those who have further contributions made on their behalf by parents better able to so do, we place the scheme at the just below the mid-point of our framework (see Figure 3).

This section highlights the fact that all current saving schemes (until very recently), were likely to be benefiting most those on higher incomes and entirely economic or social development motivated, or with a mix of motivation to include some citizenship elements. Citizenship does not feature as a predominate motivation for current UK saving schemes since the CTF ceased and its replacement (JISAs) reverted to a less citizenship focused apparent motivation. In the next section we review the details of the latest saving scheme to be launched in the UK – Help to Save - to explore the extent to which this redresses this very significant imbalance.

The Help to Save scheme

In this section we review the latest significant savings scheme development in the UK targeted at those on lower incomes – the Help to Save (HtS) scheme – and examine the extent to which it fits the gap identified in our above analysis. It outlines the basis of the scheme, then discusses the comparative positioning of this scheme amongst other UK personal savings schemes. We illustrate that the early design of the HtS would have placed it in our framework in a different position from the actual HtS scheme as it was rolled out, after significant design alterations.

Our discussion concludes that while this has many of the features that a scheme targeted on lower income savers should have, there are still various features that limit its value. We conclude by offering several proposals for what more could be done to develop this current scheme further to greater benefit of low income savers.

Basis of the HtS scheme

HtS was announced in March 2016 following the creation of a majority Conservative Government in May 2015 (a scheme that looks remarkably like the discarded (Labour party) Saving Gateway of just a few years before (Kempson *et al*., 2005; Harvey *et al*., 2007). The scheme was piloted during early 2018 and then launched in September 2018 as a matched saving scheme, targeted at low-income, working, households. The scheme allows for contributions of £1- £50 per month. Bonuses paid on this scheme are at the generous rate of 50p: £1 contributed and are payable after two years and then again at the end of year four. This upper contribution cap ensures a limited exposure to costs of paying bonuses to £300 per year per account (i.e. £1,200 over the four-year life of any account).

Only those receiving Universal Credit or Working Tax Credit are eligible to create an HtS account (approximately 3.5 million people). Further, applicants must be working and earning (within their household) at least £529.22 per month to be eligible to open an account (these circumstances do not need to apply throughout the four years but must apply at the point of opening of the account). Those on very low incomes, even if working, therefore cannot benefit from this scheme. As such this scheme can be positioned on our saving policy analytical framework below the horizontal but not at the very lowest level (see Figure 3).

The HtS scheme is mediated through a web or a (smart) mobile phone interface. Physical barriers to use therefore have been largely designed out in attempting to make this an easy to use proposition for its target audience (who are already required to make use of similar tools as part of their benefit management process), although it may be possible that there are some digital inclusion barriers in select cases. With minimum payments of only £1 allowed, this enables those with only very limited means to be able to participate where such small payments may not typically be welcomed into more traditional savings products. The scheme is therefore very easy to access and use for its target audience, in principle. There are no withdrawal penalties.

Significantly, the design of rewards associated with this scheme marks a key change of approach to traditional market-based savings products – recognising expressly the market failure in this area and the need for different product design to suit lower income savers. Unlike the usual approaches applied to determine the return on savings, as shown to be the case for ISAs above, a bonus for the first two years is paid on the highest amount recorded in the account at any point since the account was opened, not on the daily sums held. Therefore, HtS allows individuals to withdraw previously saved funds without sacrificing the bonus on the amount withdrawn – a feature that supports those on lower incomes who typically may need to draw on their savings more frequently than those on higher incomes may need to. This is likely to mitigate the exclusion potential of a requirement for long-term lock-in of funds, which is likely to be a significant disincentive for many lower-incomes individuals as outlined for usage ISAs above.

Take-up of HtS and auto-enrolment considerations

By February 2020, approximately 163,000 people had opened HtS accounts (Figure 4). Of these live accounts 123,000 had actively been contributed to, saving £51 million between them (i.e. an average of £414 each), representing a value deposited in the month of January of just over £4m, following a pre-Christmas dip in sums saved, and with a rising number of accounts being actively contributed to each month (Figure 4 – HMRC, 2020b).

Initial take up of the scheme is therefore relatively low – less than five per cent of the 3.5 million eligible participants over the first year, despite a fairly extensive marketing campaign targeted at the eligible audience (HMRC, 2019b). This raises the question of why this scheme has not been more popular although it seems likely for this target group that one explanation is that they may very little spare cash to save even with the generous match to encourage them to do so (Money Advice Service, 2015, 2016; NEST, 2019).

Insert Figure 4 here

One way of boosting take-up might be to use auto enrolment, as the Centre for Policy Studies (CPS) had previously proposed , citing a rate of eighty-five per cent of the population who are ‘passive savers’, if they save at all (Johnson, 2014: 9). In contrast, the IPPR had not been in favour of auto-enrolment, based on the additional costs and complexity for providers, and the concern that people might regard it as ‘forced saving’ and inappropriate except in the context of pension provision (Dolphin, 2011: 20). Another way of boosting take-up might also have been to seed the accounts with initial funds (as with the CTF). However, this would have significantly added to the costs for the government.

A more fundamental issue, of course, is that those on low incomes have very little, if any, spare cash to put into savings, a point made by Owen Smith, the shadow work and pensions secretary, in March 2016 when HtS was initially announced. Smith used the analogy of stealing someone’s car and then offering them a ride.[1]

Underlying policy motivation for HtS

The introduction of HtS represented a shift in recent Government policy direction in terms of its targeting of a saving scheme support for those on lower incomes. Our analysis confirms a point made in previous literature (Prabhakar, 2009: 18; Johnson, 2014), that it can be a challenge to design a scheme with flexibility for saver use of their accumulated funds (i.e. a citizenship-led motivation for schemes), and perceptions of legitimacy of the use of Government resources to deliver specific economic or societal development goals (i.e. the need for explicit ESD motivations). However, such a challenge is usually only identified when discussing schemes that benefit those on lower incomes. There are rarely any suggestions that funds in standard ISA schemes should be restricted in use.

Examination of withdrawal restrictions are an indicator of the Government’s motivations for this particular scheme as it moved through its design and implementation phases. Initially the HtS proposal suggested that bonuses would be paid in a similar way to more traditional saving schemes - on the basis of average savings at any point - indicating the dominating motivation may be to encourage prudential behaviour and longer-term planning. This would support placing of HtS in the ESD section of our framework, given this express access limitation (an economic development objective) and behaviour adjustment (social development) desire. However, the version of the HtS scheme implemented allowed for withdrawals at any time and, in particular, payment of the bonus is now based on the maximum account total at any point, even if those sums were only briefly held in the account. As such HtS, as a live scheme, appears to have included a more explicit citizenship motivation (i.e. where returns are less obviously linked to specific ESD goals) than was initially proposed.

This 'mixed motivation' placing of the scheme in our framework (see Figure 3) is supported further by statements made by John Glen MP, the Economic Secretary to the Treasury, at its launch who framed HtS in these terms: *'Whether you're saving up to take the family on a much-needed holiday, or to take the next step in life, Help to Save is designed to make saving possible for every hardworking person in this country*' (GOV.UK, 2018). This suggests, at that point, key figures in Government expressly overseeing this scheme were happy to present it in at least partial citizenship terms, not just as an ESD motivated scheme.

This feature of the scheme, as being provided without an explicitly defined use motivation, is further illustrated by recent changes to the online HtS tool used to manage a saver's account, that have enabled savers to freely set their own personal savings goals as a specific saving motivators. However, in examining the most recent online materials and adverts for the scheme (for example, HMRC, 2020c) there remains evidence of some express motivation for this scheme of an economic and social development basis including references to this helping savers to create a 'rainy day fund' (HMRC, 2020c). We therefore position the HtS scheme as a mixed motivated scheme having no clearly primary motivation in its design or application – akin therefore to ISAs and JISAs.

In terms of distributional impact, HtS is targeted only at those eligible for in-work benefits. While it therefore does fit into the lower half of the framework, the only current UK personal saving scheme that sits within this half of our framework, it should not be placed at the lowest point on the vertical axis, as it excludes those not in paid work. It also likely favours low-income households with more secure work and stable expenses, as no stake is provided.

Developing Help to Save further

The analysis above suggests a number of questions to ask of the HtS scheme. Firstly, it is not available to those on the lowest income, perhaps because the generous return might encourage people to save rather than spend on necessities or perhaps to prioritise paying back debts (Lymer, 2020). But this approach reduces the choices of people on the lowest incomes and the possibility of benefitting from this scheme even if they so wished. The need to limit this scheme to working low income savers is perhaps therefore hard to justify and likely could be changed with little cost to the Government given the overall low cost of this scheme (HtS is expected to cost the government only £70m over its first two tax years, and only £70m per year by 2020-21 – just 1.4 per cent of the cost of ISAs (Gregory *et al*., 2017).

There are also issues for this scheme related to its take-up that prior studies and practical experience of previous saving policy implementations have demonstrated (Kempson *et al*., 2005 in the case of the UK and Schreiner *et al*., 2005 in the case of IDAs in the USA), but that HtS appears to have also failed to resolve to date (HMRC, 2018, 2020b). All participants need to open their HtS account online. This is an important consideration for some and ongoing concerns about digital inclusion should not be dismissed (Citizens Advice, 2016; Bulman, 2018). While this has to then be balanced with the desire to allow for small contribution sums to be enabled in both cost and practically effective ways, suggesting automated payment mechanisms will need to be used in at least those circumstances, the ability to open an account other than online may be desirable to grow usage and it is not clear why for larger monthly payments these could not be made in other ways other than only electronically.

This section has outlined the valuable contribution made by the HtS scheme's introduction in creating a targeted saving scheme for some in the UK on lower incomes – a very important gap in its saving policy portfolio at that point. However, we have sought to highlight several areas of change we suggest would be likely to be achievable to make this scheme better able to support more of those on lower incomes to establish and grow savings.

Conclusion

Personal savings provide important resources for people but there is very little academic debate in social policy about the role of government in supporting people to save. This article proposes a new framework for analysing the role of government in relation to personal savings schemes. The framework is based on previous literature on asset-based welfare which suggests the importance of both the normative purpose for any scheme and its impact on savers with different incomes. We then use this new framework to analyse a variety of the personal saving schemes made available in the UK over the last 20 years.

Our analysis highlights the considerable bias present in the UK saving schemes towards benefiting those on higher incomes who can save more and for longer terms. In this context, the newly released HtS scheme, as the only personal saving scheme currently in the UK designed to support those on lower incomes to establish and grow savings, is a welcome development. But take-up is low with only 163,000 accounts open when about 3.5 million people are eligible. We compare this with 10.8 million ISA accounts opened in 2017-18 and show that 90 per cent of those on higher incomes hold an ISA account compared with only twenty per cent of those on lower incomes. Furthermore, HtS was expected to cost the government only £70m over its first two tax years, and only £70m per year by 2020-21 – just 1.4 per cent of the cost of ISAs.

If government is serious about supporting those on low incomes to save, we argue that it needs, first and foremost, to find ways to increase incomes of those on the very lowest incomes, so that people have the capacity to meet their basic needs before they can consider saving. It could then provide seed monies into HtS accounts, alongside the match saving element to support the establishing of savings for those on lower incomes to help bolster incentives to begin to save for those most in need of saving support. More extensive marketing and accessibility would also help to ensure all are aware of this opportunity to save where they are able to. HtS is progress – but the UK still has a long way to go if we want to create a fair and efficient savings regime.

Notes

1 https://www.theguardian.com/politics/2016/mar/14/budget-2016-labour-attacks-governments-help-to-save-scheme, accessed 01/04/2020

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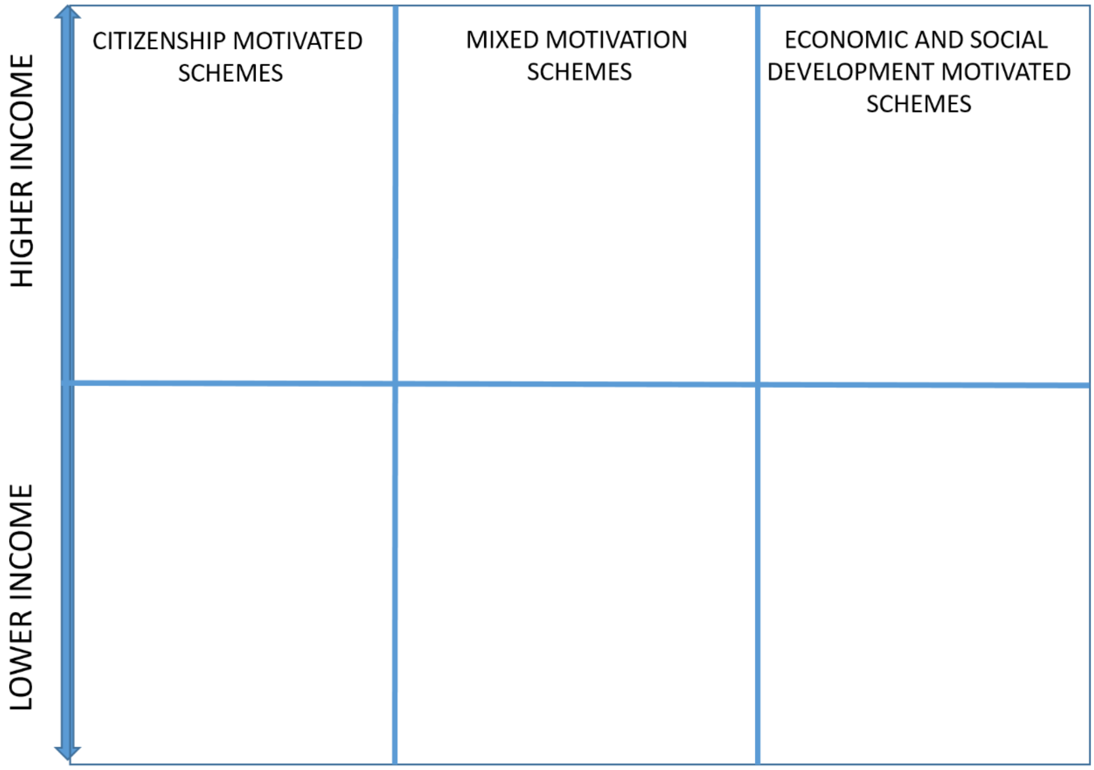

Figure 1. Comparative Saving Scheme Framework

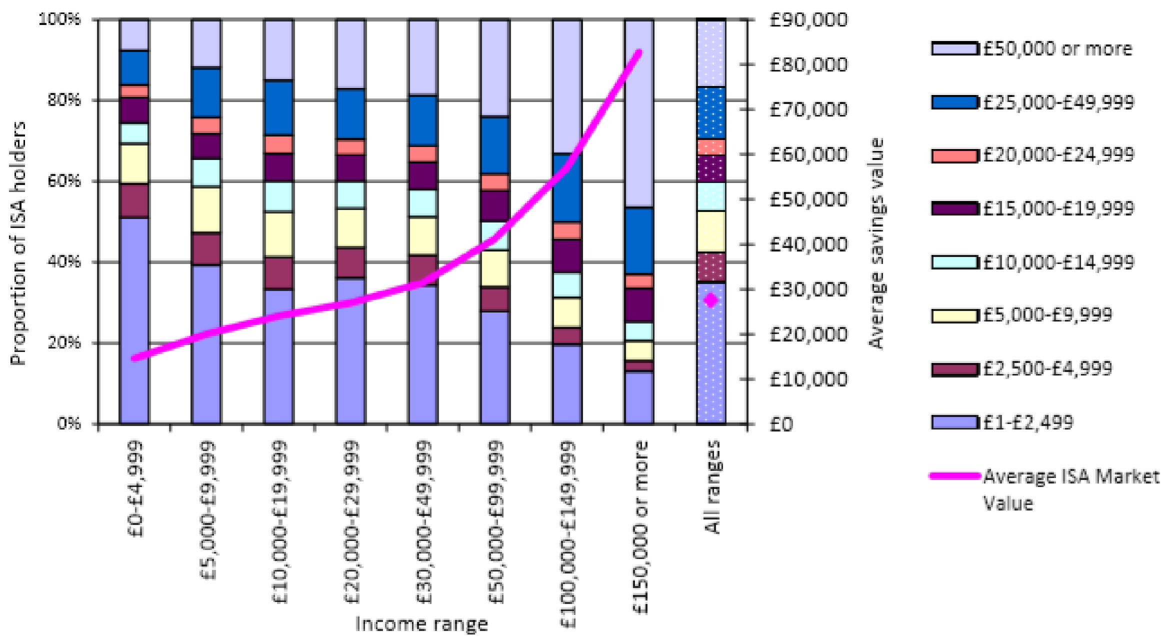

Figure 2. ISA holdings by income band and average ISA savings value, 2016-17

Source: HMRC (2019c)

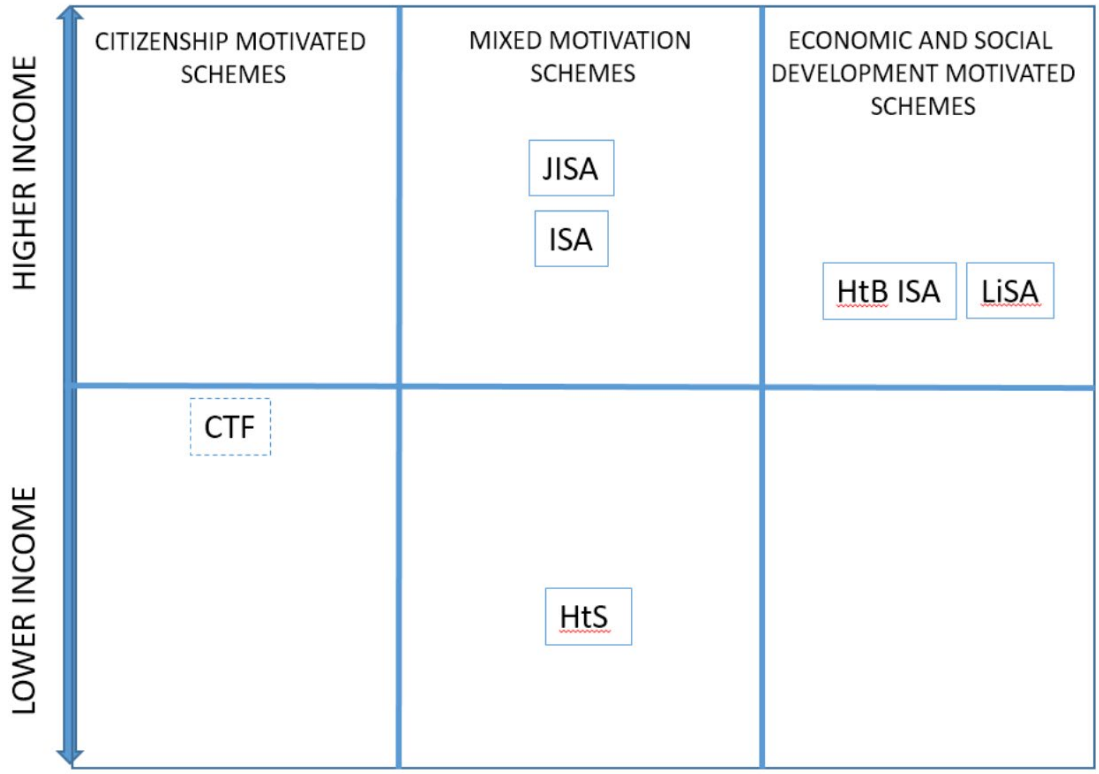

Figure 3. Relative positioning of ISA schemes, Child Trust Funds and Help to Save scheme using the Saving Scheme Comparative Framework

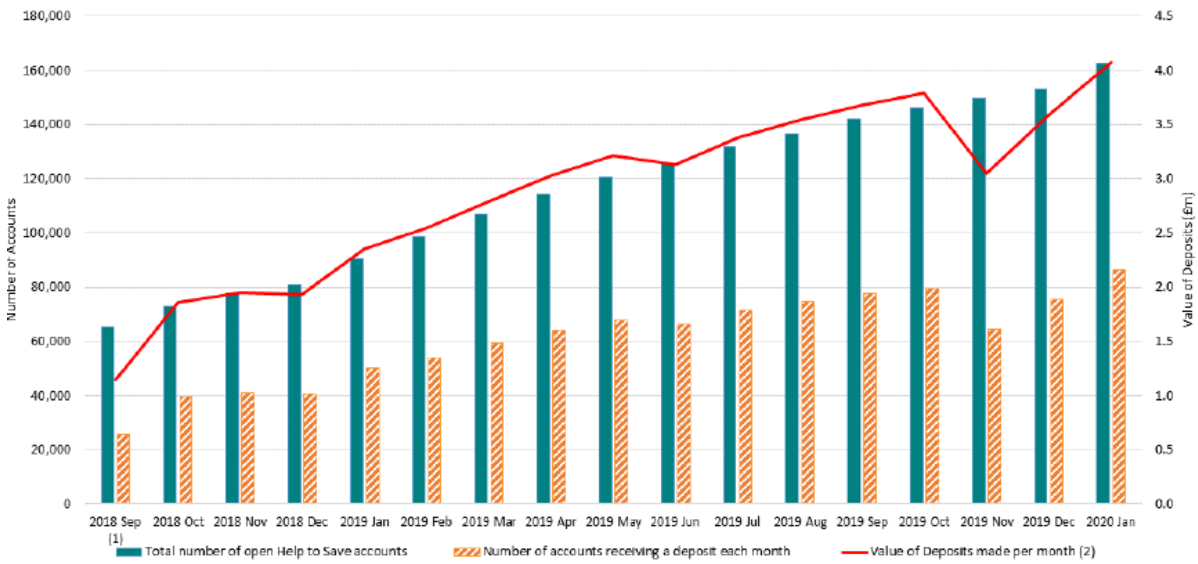

Figure 4. Total number of open Help to save accounts, monthly accounts receiving a deposit, and value of monthly deposits

Source: HMRC (2020b)