The £1 trillion pie: how wealth is shared across Scotland

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Acknowledgements

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Scotland’s total household wealth is now over £1 trillion

Breakdown of £1,050bn in household wealth in Scotland (2014-16)

- Property Wealth (net) £285 bn
- Financial Wealth (net) £543 bn
- Physical Wealth £122 bn
- Private Pension Wealth £100 bn

Notes: Unless specified, all figures in this report are in 2014-16 prices
Source: RF analysis based on ONS, Wealth and Assets Survey (WAS)
The typical Scottish household is less wealthy than GB average but gap has narrowed

Median household wealth by type of wealth, 2014-16

- **Total**: £236,800 (Scotland) vs £259,400 (GB)
- **Pensions**: £69,770 (Scotland) vs £58,000 (GB)
- **Property**: £65,000 (Scotland) vs £95,000 (GB)
- **Financial**: £4,500 (Scotland) vs £6,180 (GB)

In real terms, typical household wealth rose by 25% in Scotland from 2012-14 to 2014-16, vs 13% for GB

Source: RF analysis based on ONS, WAS
With pensions playing a bigger role for Scottish households

*Total household pension wealth by point in distribution, 2014-16*

Source: RF analysis based on ONS, WAS

- **1st quartile**
  - Scotland: £1,200
  - GB: £2,000

- **Median**
  - Scotland: £69,770
  - GB: £58,000

- **3rd quartile**
  - Scotland: £278,620
  - GB: £242,740
But that wealth is very unequally shared

*Gini coefficient at household level by type of wealth and income, 2014-16*

Source: RF analysis based on ONS, WAS and DWP, Family Resources Survey
THE GOOD NEWS THAT GETS FORGOTTEN
At a UK level, wars and policy gave us falling wealth inequality...

Source: F Alvaredo, AB Atkinson and S Morelli, Top Wealth Shares in the UK over more than a Century (2016)
...below that of many other countries

Top 1% share of net personal wealth

Source: F Alvaredo, AB Atkinson and S Morelli, Top Wealth Shares in the UK over more than a Century (2016)

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So should we just relax?
Don’t relax 1: size matters...

Scottish wealth has grown from being five times GDP to more than seven times over the last decade.


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Don’t relax 1: size matters because bigger wealth gaps mean you can’t earn your way to being rich

It would now take a very high income family (in the top 10 per cent of households, with a £58,000 income) 19 years of saving every single penny to become a truly wealthy family (in the top 10 per cent wealthiest households with assets of over £1 million).

A typical household would need to save every penny of their £25,500 income for 43 years.
Don’t relax 2: generational divides have grown

Percentiles of total family wealth per adult in Scotland by cohort (CPIH-adjusted, 2017 prices)

- No cohort born since 1965 is seeing higher wealth than their predecessors at the same age.
- At age 35, those born in the second half of the 1970s had one third less wealth than those born just five years before (£33,000 vs £52,000).

Source: RF analysis based on ONS, WAS

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Don’t relax 2: generational divides have grown

Scotland has lower home ownership rates than the UK as a whole, but slightly higher rates for young adults.

However, the story of declining ownership is the same north or south of the border.

Source: RF analysis of ONS, Labour Force Survey
Don’t relax 3: Inheritances are becoming a bigger deal...

Index of real-terms revenue from inheritance tax in Scotland and the UK, 1998-99 = 100

- Inheritance tax revenue raised from Scottish estates rose by 31 per cent in just three years up to 2016-17.
- Growth was even faster across the UK given higher property wealth in England.

Source: RF analysis of Scottish Government, Government Expenditure & Revenue Scotland 2016-17

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Don’t relax 3: Inheritances are becoming a bigger deal but are not a silver bullet

Source: RF analysis of ISER, British Household Panel Survey / Understanding Society

Millennials will inherit more than previous generations, but those inheritances will be unevenly shared and the most common age for millennials to inherit (UK wide) is projected to be when they are in their early 60s.
Don’t relax 4: The wealth boom can leave places and people behind

Average house price by Scottish local authority, March 2018

The average house price in Edinburgh is more than twice that in North Lanarkshire.
Don’t relax 4: The wealth boom can leave places and people behind

Proportion of people in 2014-16 that have...

Less than £500 in savings
- Scotland: 25%
- GB: 22%

No or negative savings
- Scotland: 7%
- GB: 7%

Notes: ‘Savings’ defined as net balance of current accounts, savings accounts and ISAs
Source: RF analysis based on ONS, WAS

A quarter of Scots have less than £500 in savings
Don’t relax 5: wealth is undertaxed

Wealth taxation (UK wide) has not risen with wealth increases. The biggest wealth tax (Council Tax) is devolved. Recent modest reforms have improved council tax in Scotland, unlike in England, but the tax could still be much more closely tied to property values.
WHERE DOES THAT LEAVE US?
It’s time to talk about wealth

• Scotland has seen big wealth increases in recent years to total over £1 trillion for the first time – closing the gap with England and with higher typical pension wealth

• That wealth is very unequally held, by class, generation and region

• Looking ahead growing inheritances and bigger wealth gaps relative to income levels are good news for many but challenges to those that wish to reduce inequality or increase social mobility

• Many, but far from all, policy levers that are relevant to wealth and its distribution are devolved, from housing policy to property taxation

• So there’s a lot to talk about
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