



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

Torsten Bell and Conor D'Arcy

June 2018

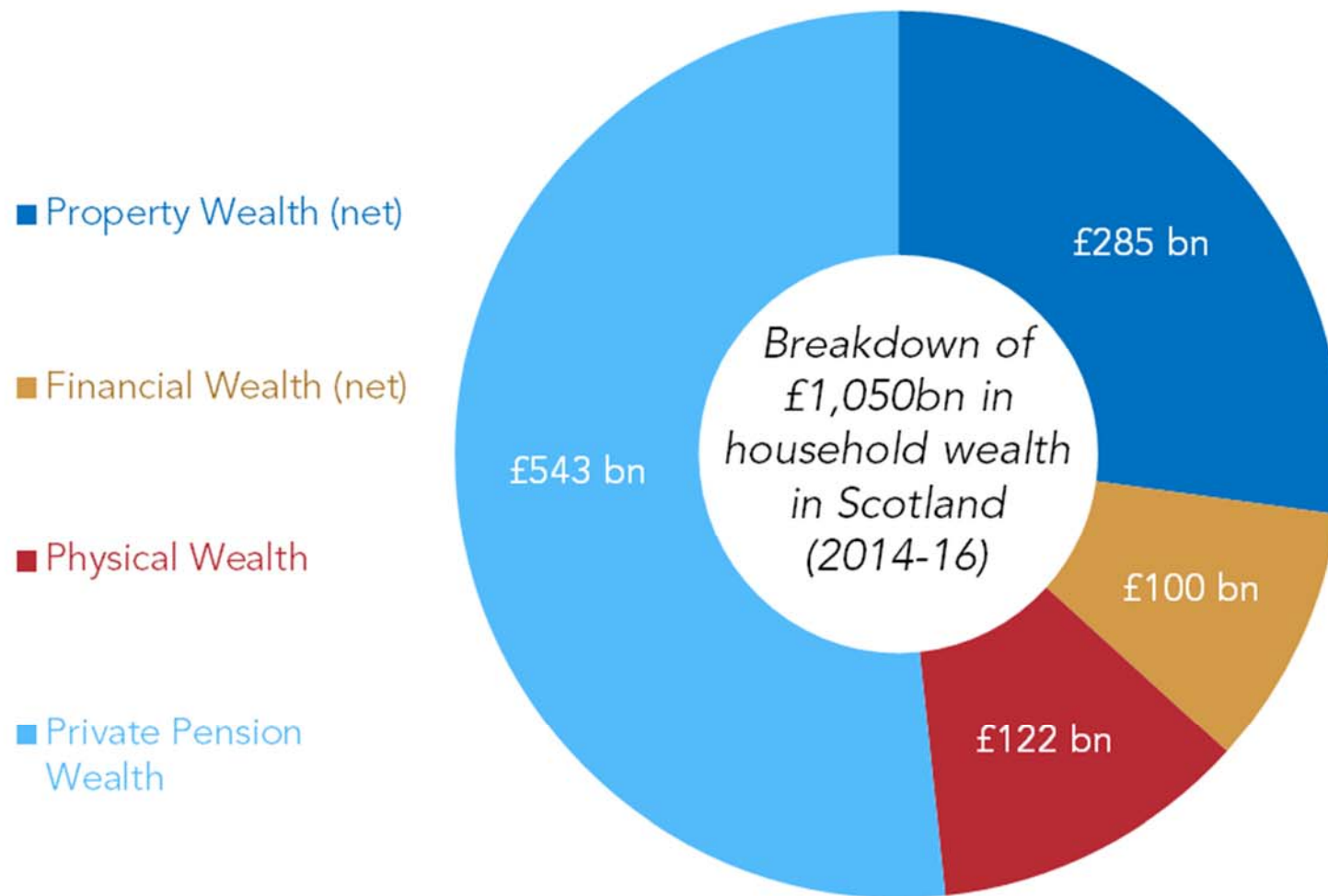
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Acknowledgements

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

RF

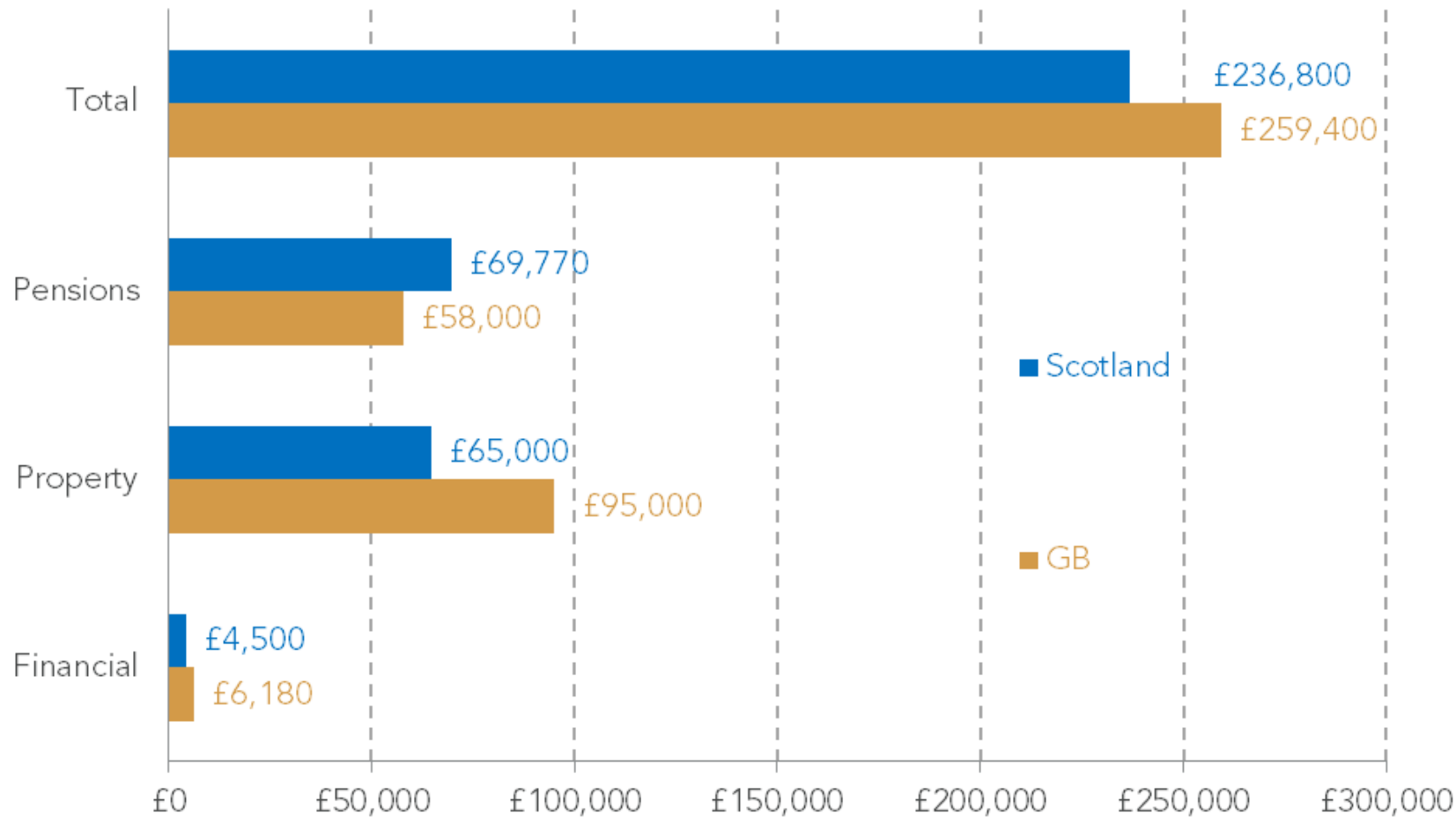


Notes: Unless specified, all figures in this report are in 2014-16 prices
Source: RF analysis based on ONS, Wealth and Assets Survey (WAS)

The typical Scottish household is less wealthy than GB average but gap has narrowed



Median household wealth by type of wealth, 2014-16



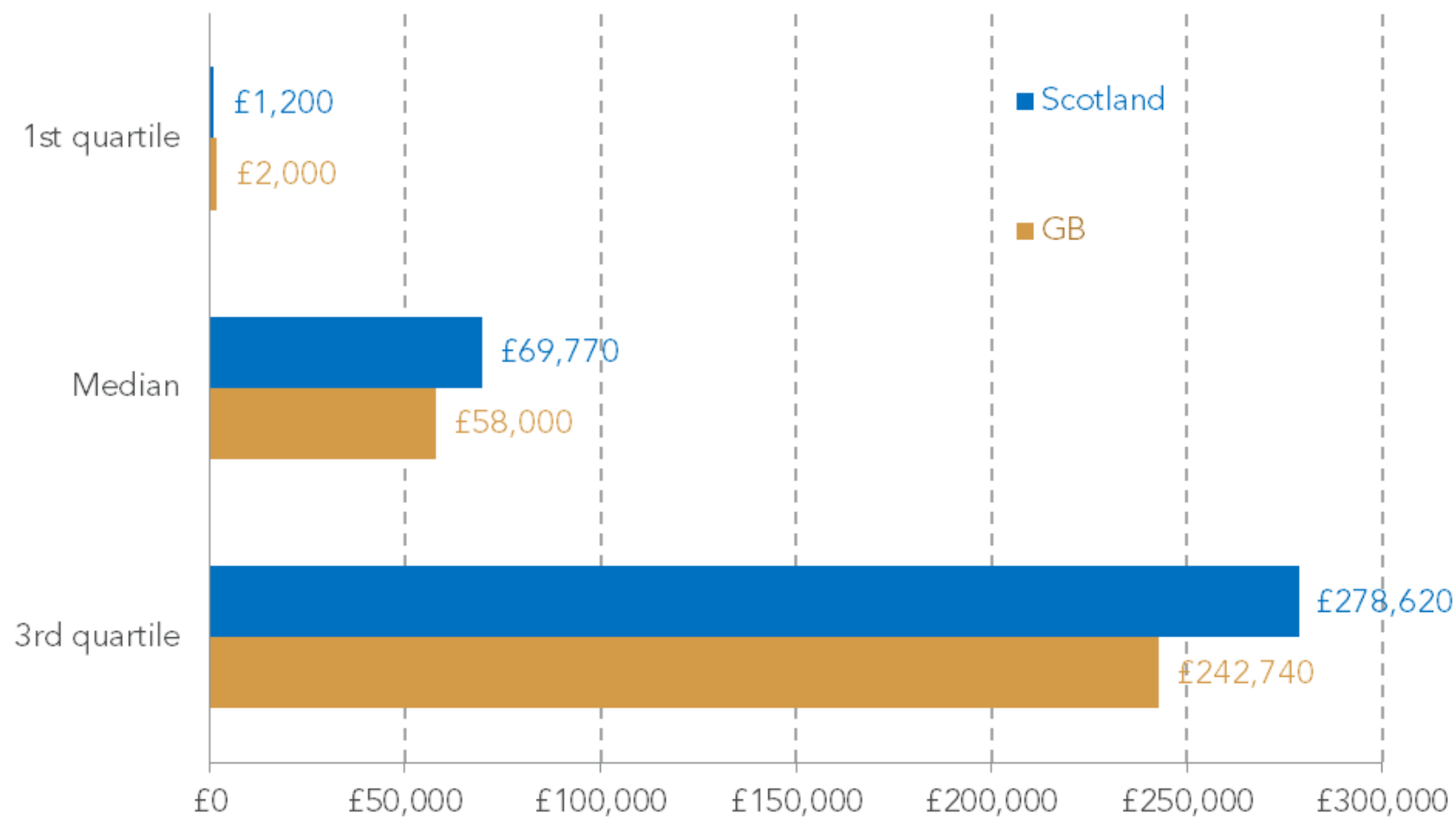
Source: RF analysis based on ONS, WAS

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

With pensions playing a bigger role for Scottish households

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

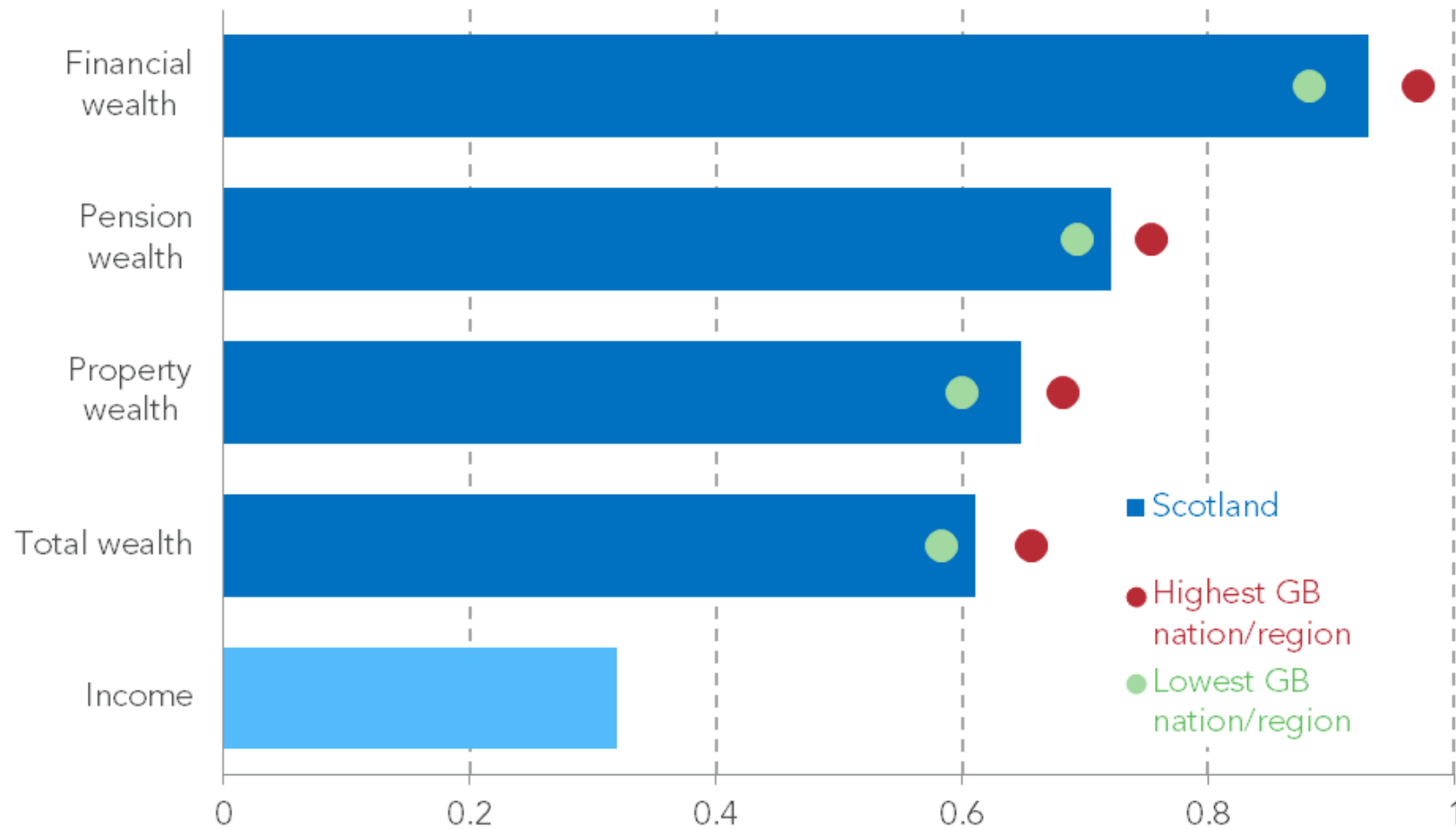


Source: RF analysis based on ONS, WAS

But that wealth is very unequally shared

RF

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

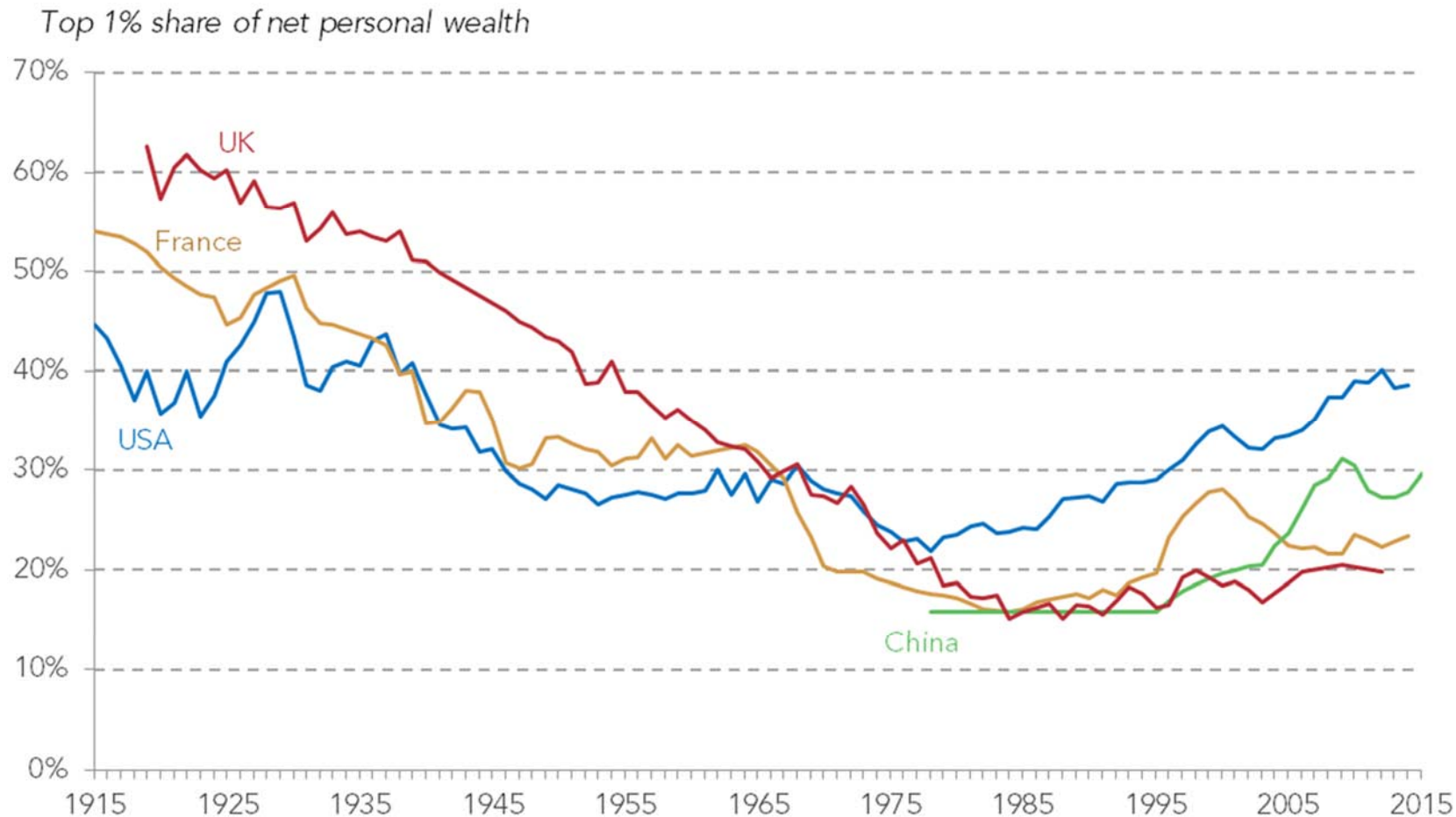
At a UK level, wars and policy gave us falling wealth inequality...



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

RF



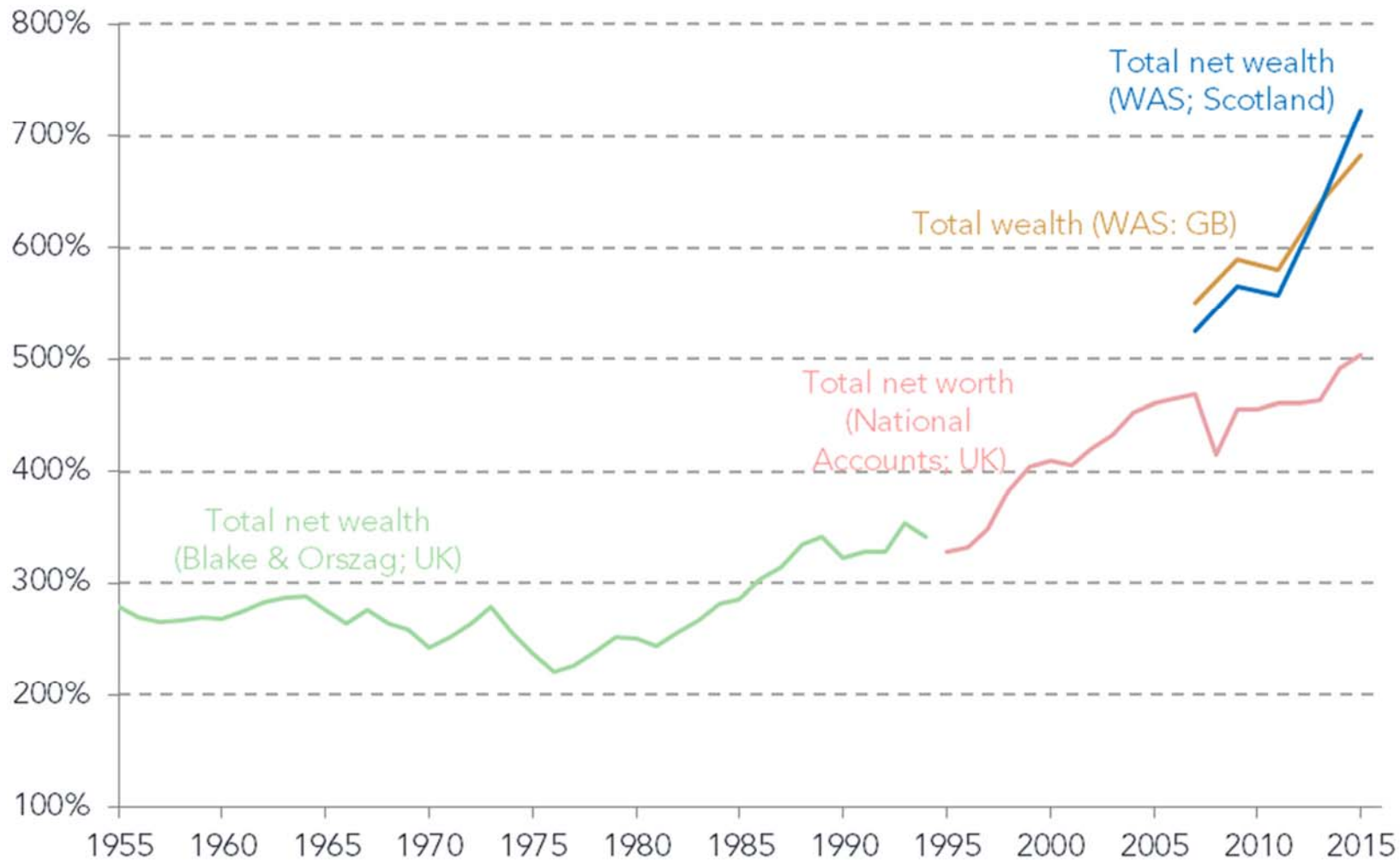
Source: F Alvaredo, AB Atkinson and S Morelli, *Top Wealth Shares in the UK over more than a Century* (2016)

SO SHOULD WE JUST RELAX?

Don't relax 1: size matters...

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Aggregate wealth as a percentage of GDP: 1955-2016



Source: RF analysis for Scotland based on ONS, WAS and Scottish Government, Quarterly National Accounts. For more on UK/GB data see: C D'Arcy and L Gardiner, The Generation of Wealth, Resolution Foundation, June 2017

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

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

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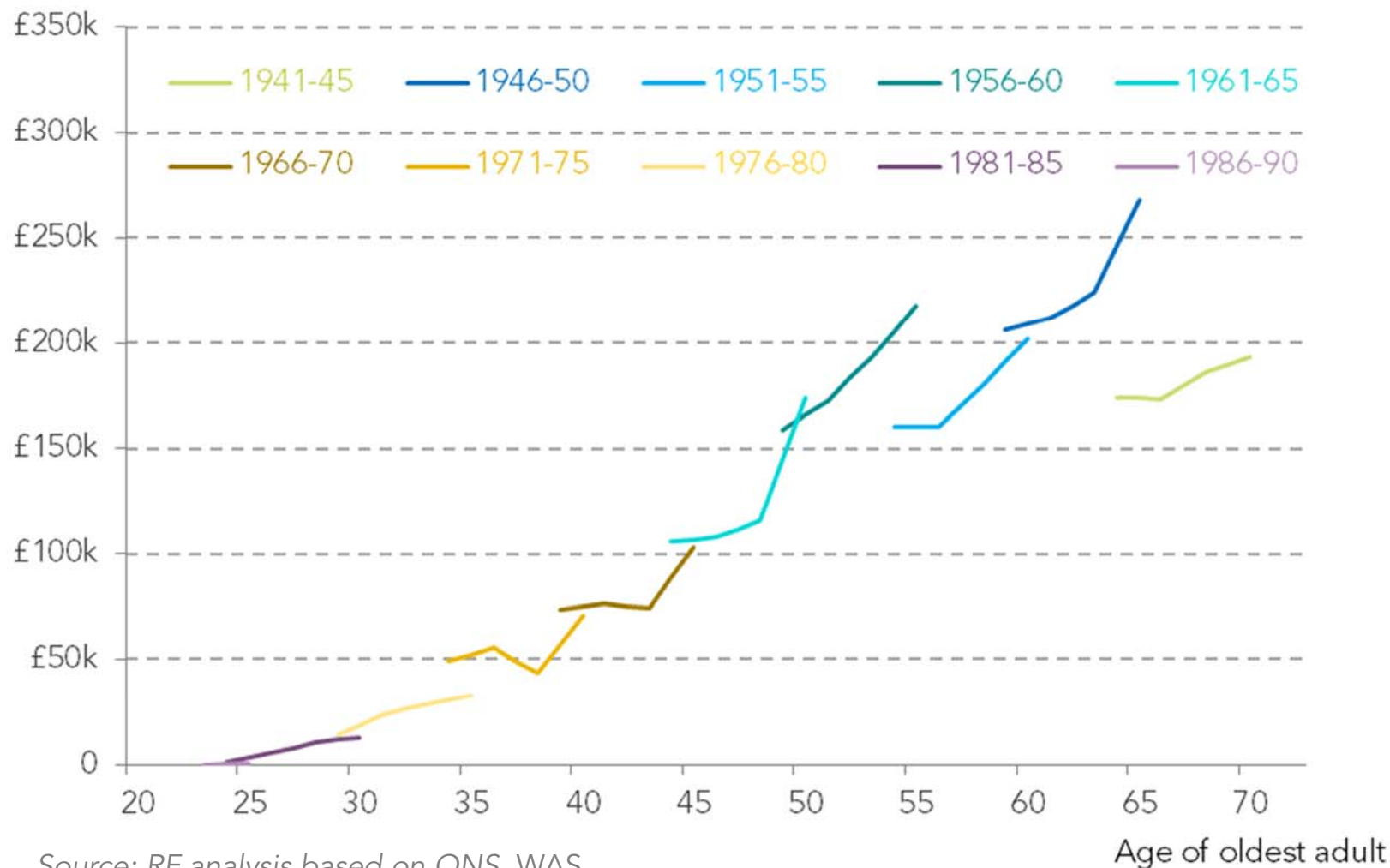
It would now take a very high income family (in the top 10 per cent of households, with a £58,000 income) 19 years of saving every single penny to become a truly wealthy family (in the top 10 per cent wealthiest households with assets of over £1 million).

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

RF

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



Source: RF analysis based on ONS, WAS

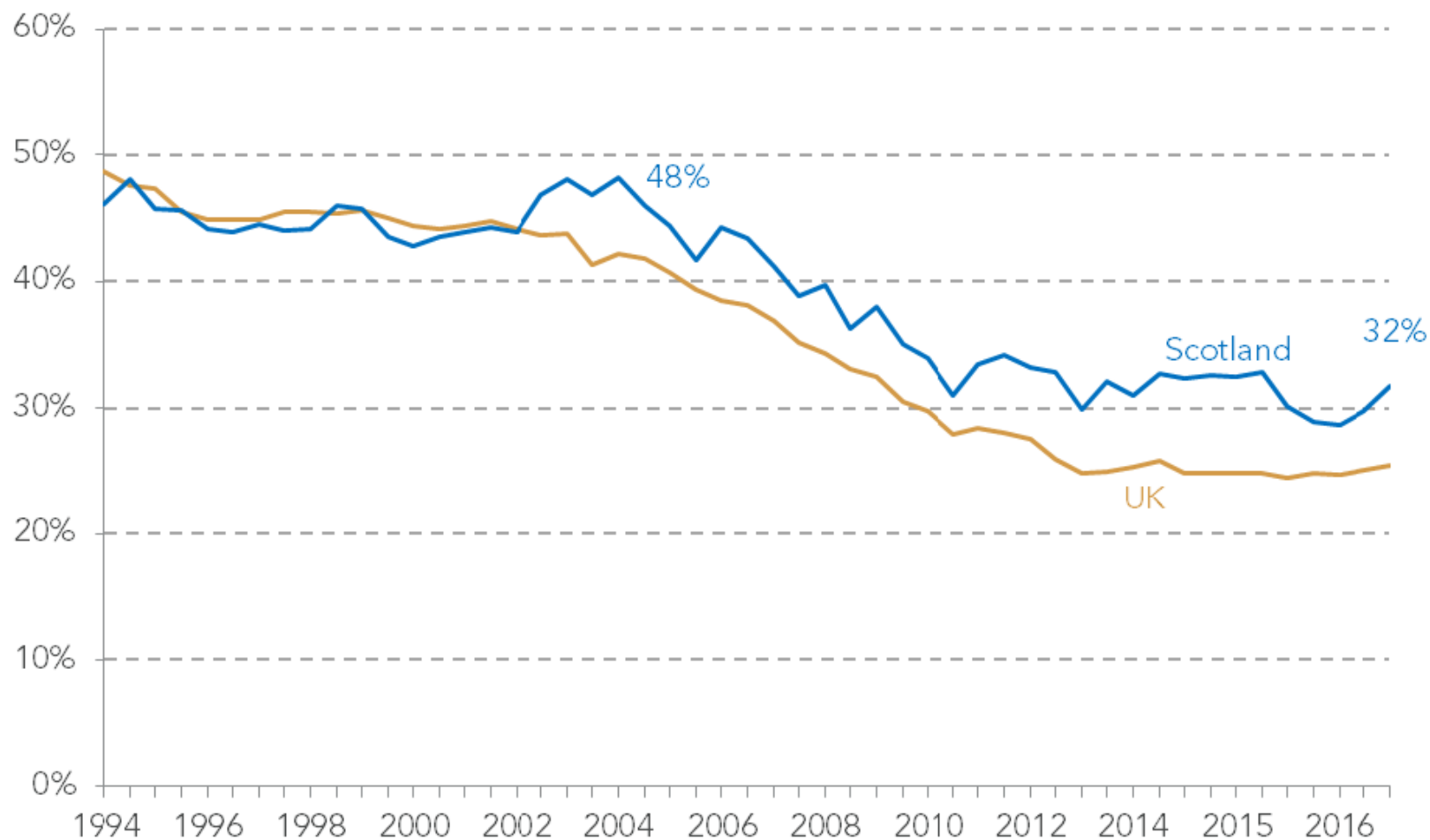
No cohort born since 1965 is seeing higher wealth than their predecessors at the same age.

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)

Don't relax 2: generational divides have grown

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Homeownership rates among 25-34 year-olds, 1994-2017



Source: RF analysis of ONS, Labour Force Survey

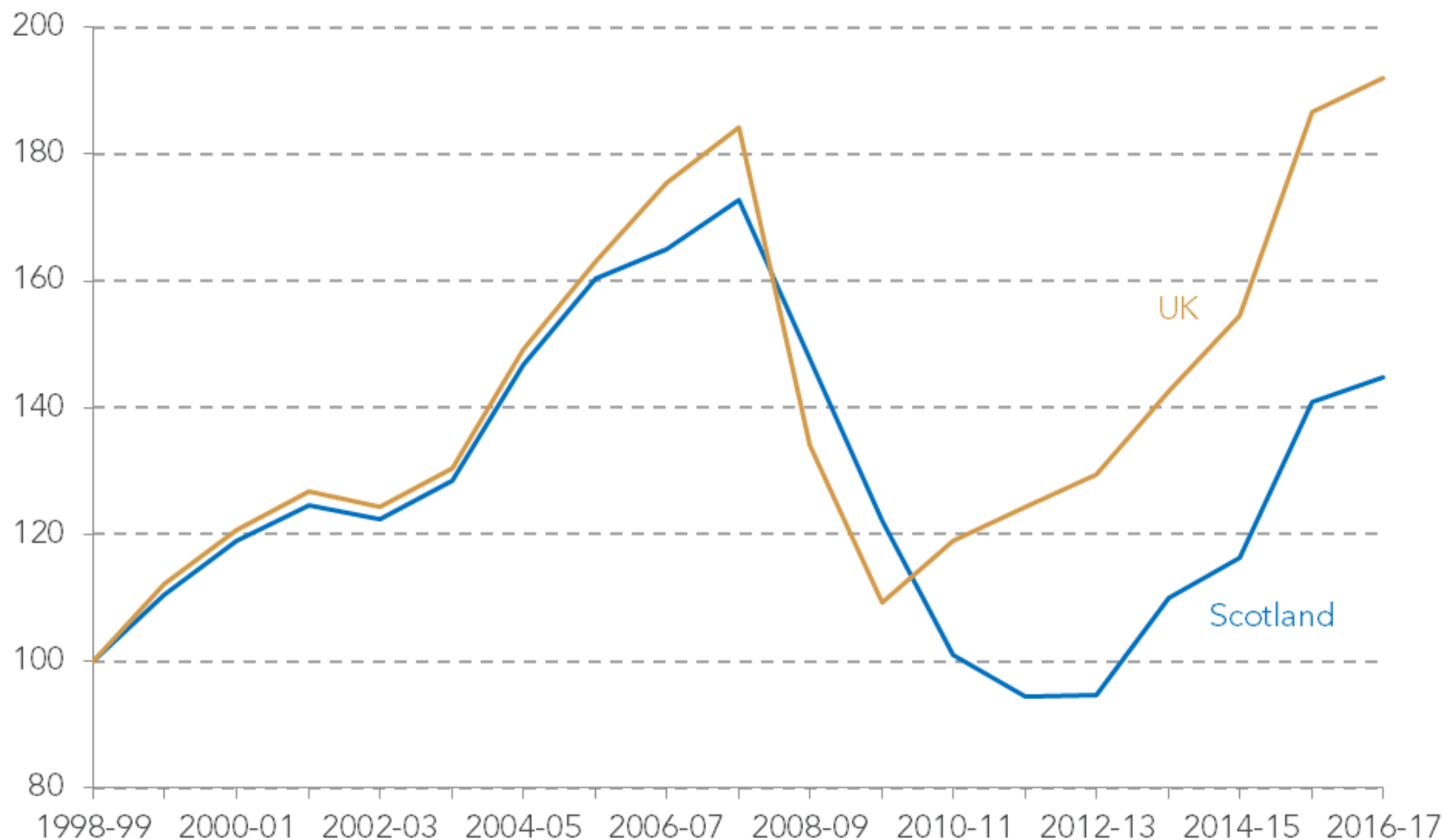
Scotland has lower home ownership rates than the UK as a whole, but slightly higher rates for young adults.

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

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



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

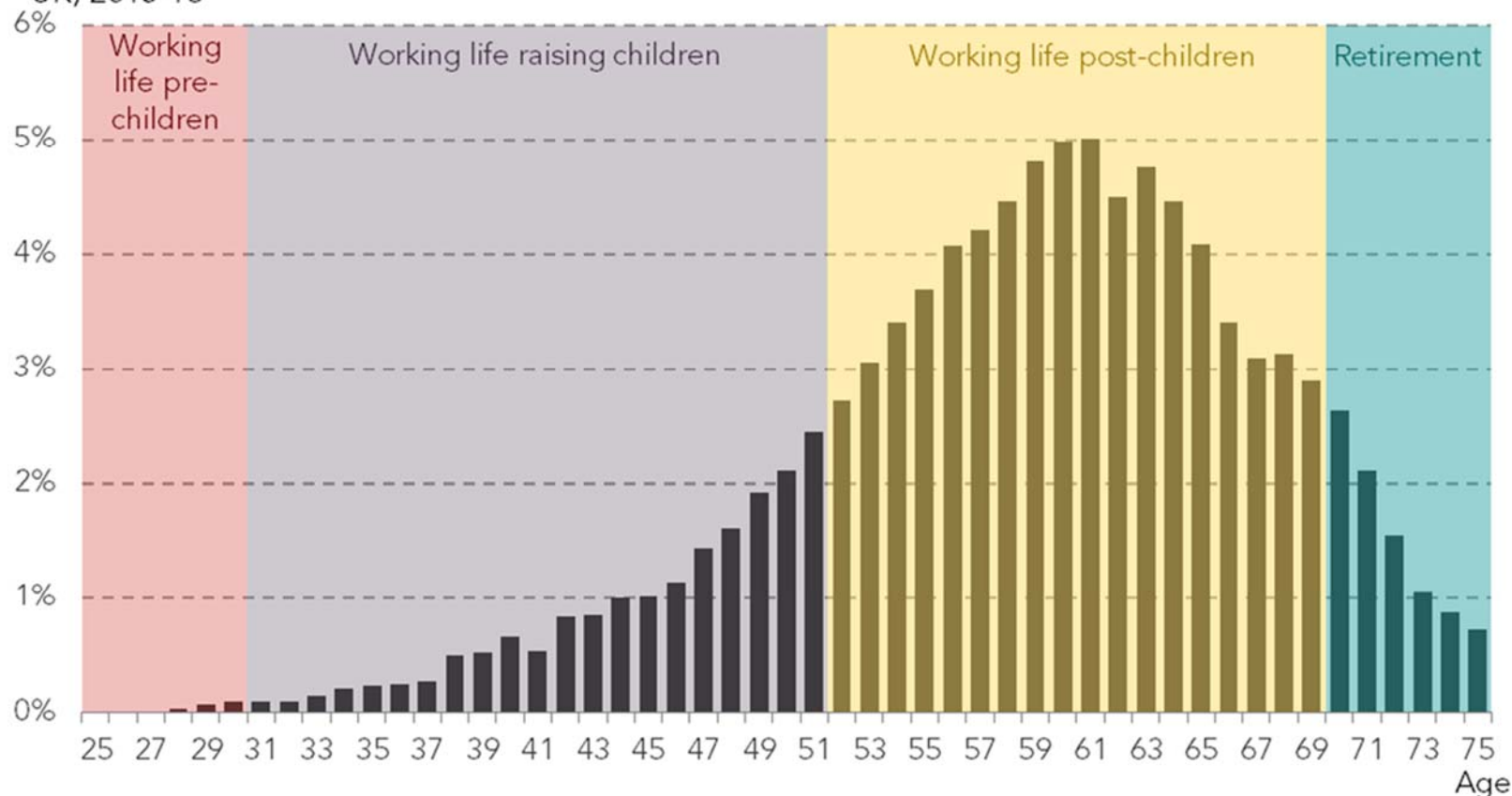
Inheritance tax revenue raised from Scottish estates rose by 31 per cent in just three years up to 2016-17

Growth was even faster across the UK given higher property wealth in England

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



Proportion of adults aged 20-35 by age at which their parents have died or are expected to be deceased:
UK, 2015-16



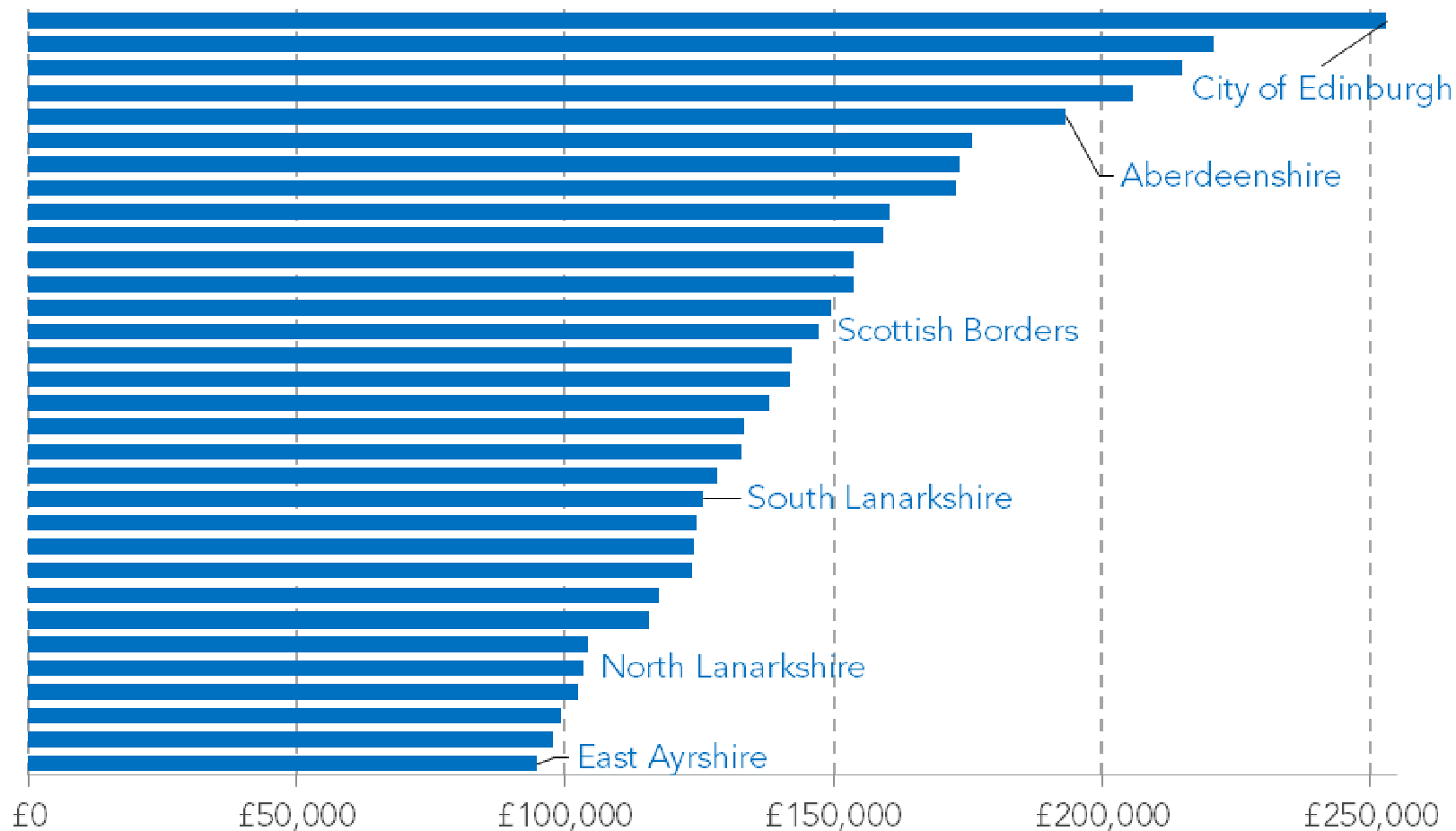
Millennials will inherit more than previous generations, but those inheritances will be unevenly shared and the most common age for millennials to inherit (UK wide) is projected to be when they are in their early 60s

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

Don't relax 4: The wealth boom can leave places and people behind

RF

Average house price by Scottish local authority, March 2018



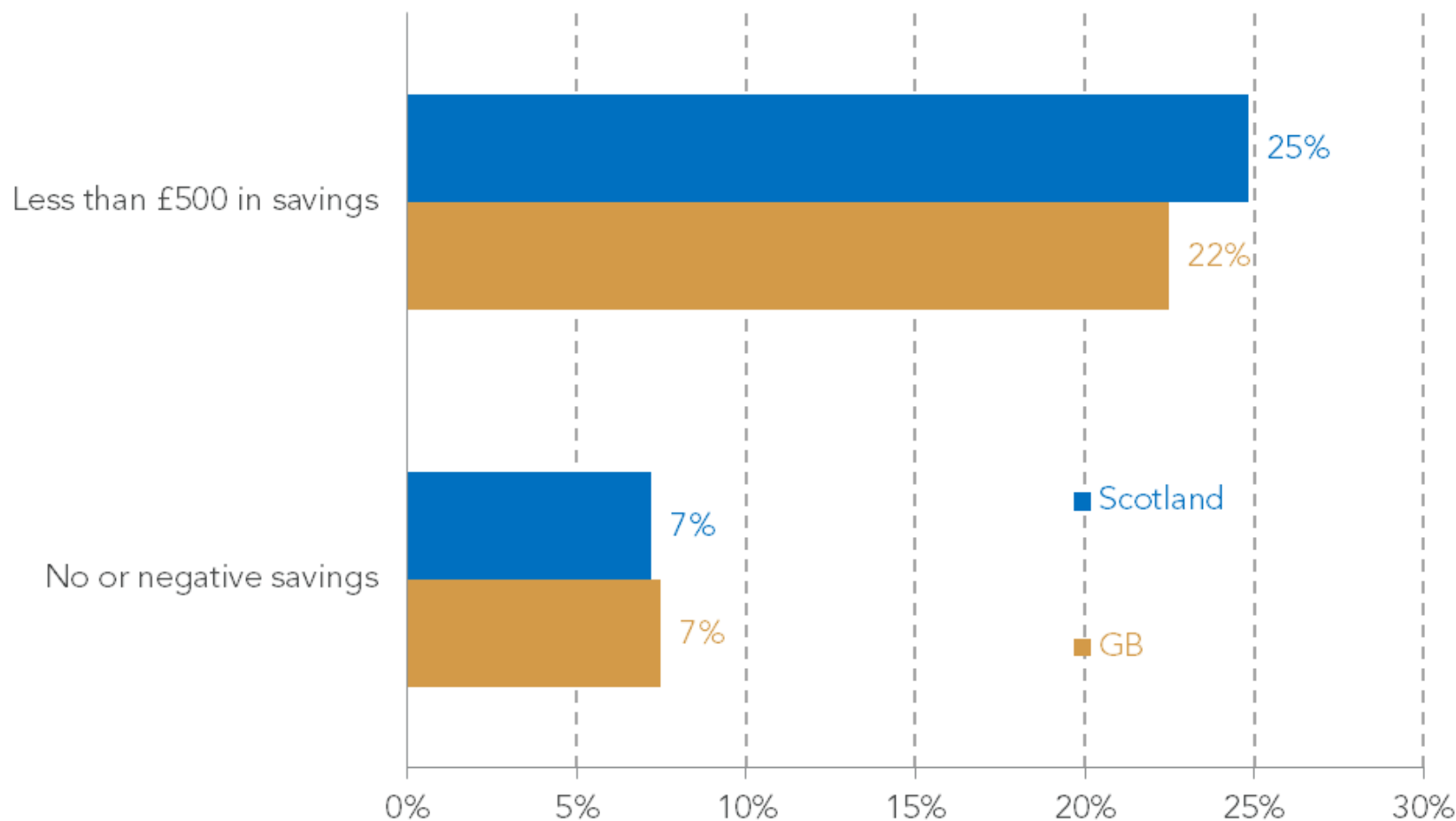
Source: RF analysis of UK House Price Index

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...



A quarter of Scots have less than £500 in savings

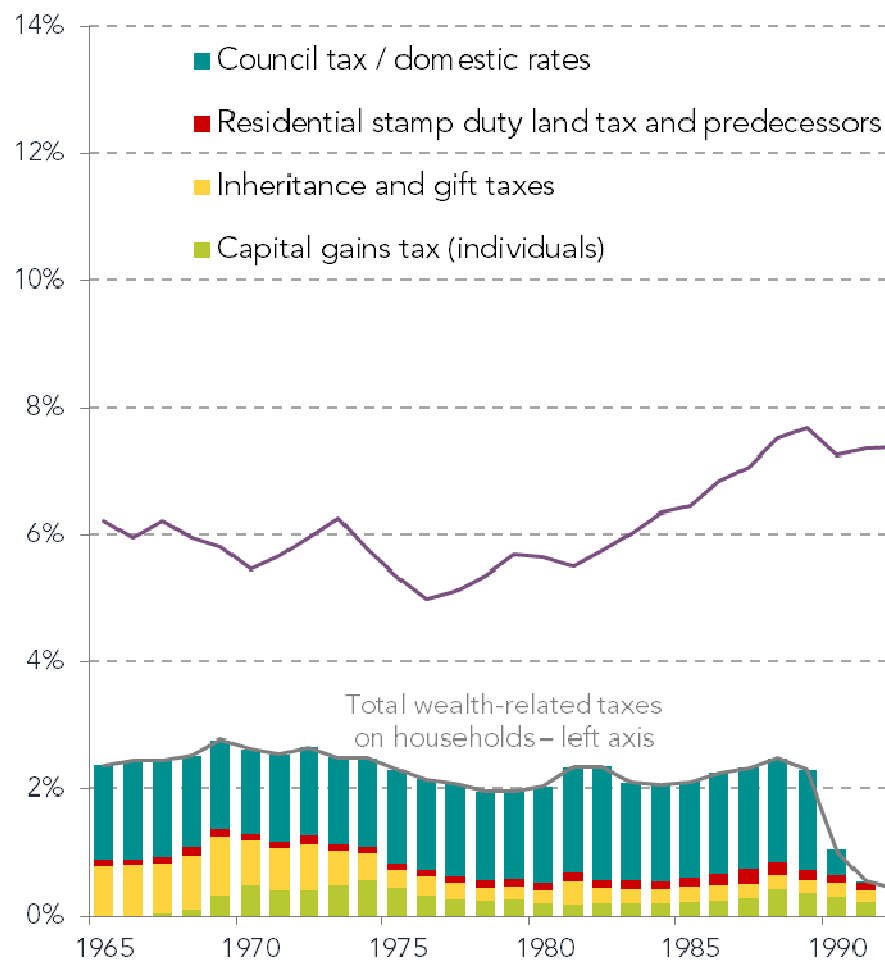
Notes: 'Savings' defined as net balance of current accounts, savings accounts and ISAs

Source: RF analysis based on ONS, WAS

Don't relax 5: wealth is undertaxed

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Wealth-related taxes on households as a proportion of GDP



Household wealth as a proportion of GDP

Total household net wealth – right axis

700%
600%
500%
400%
300%
200%
100%
0%

Source: RF analysis of ONS, Annual Survey of Hours and Earnings and Annual Population Survey

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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