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ASSET STRIPPING

CHILD TRUST FUNDS AND THE DEMISE OF THE ASSETS AGENDA

REPORT

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Introduction

On 24 May 2010, after only a few weeks in office, the Conservative–Liberal Democrat Coalition government announced that, as part of a package of measures designed to cut public spending by £6.2 billion, the Child Trust Fund (CTF) would be abolished, saving the government just over £500 million a year. As a result, children born in the UK in 2011 will no longer receive £250 at birth and a further £250 when they reach the age of seven (£500 for poorer families and disabled children). In June 2010, its first budget, the Coalition government also announced that it would not be going ahead with the Saving Gateway (SG) scheme, which was designed to encourage low-income families to save through matched savings incentives and had been scheduled to commence in July 2010.

The Child Trust Fund and Saving Gateway were rare examples of 'asset-based welfare' policies. Designed and implemented by central government, these policies offered opportunities for families to build assets that had never existed before. Universal and progressive in provision, the Child Trust Fund was unique and meant that every child in the UK would have an asset from birth.

Yet the scrapping of these policies has been met with very little resistance from the public or policymakers. This paper aims to understand why the government was able to abolish the Child Trust Fund and cancel the roll-out of the Saving Gateway at seemingly no political cost. In doing so, it aims to inform the wider assets agenda – both in the UK and internationally – to build stronger support for new policy ideas in the future.

Based on analysis of available data and literature, as well as interviews with key stakeholders[1] this paper will first provide a short history of the CTF and SG in the UK, identifying the key rationale and drivers for their development. It will analyse the available data on the success and limitations of these policies, and consider the abolition of the CTF and cancellation of the SG.

The argument presented is that the primary reason for both changes was that the policy agenda was built on foundations that were too narrow. There was a perception that there were no direct losers from scrapping the CTF and cancelling the roll-out of the SG; the Labour government never fully integrated asset-based welfare into their thinking, and defined it largely in terms of savings; and there was little support for the programme outside a discreet, relatively small group of policymakers. Other reasons, such as the present government's approach to spending cuts and a lack of endorsement from the Liberal Democrats, also contributed to the policy's demise. Long-term policies, like CTFs, require wide and diverse support from the public and from policymakers to survive political change – this simply did not exist.

The need for an assets agenda has not disappeared; arguably, it has only strengthened. There is a growing expectation that individuals will need to (at least partly) fund long-term services such as social care[2] and pensions in partnership with government. And as tuition fees for higher education are also set to rise, it is clear that individuals and families are more likely to need additional savings and assets in the future. This, alongside long-standing issues of high levels of wealth inequality and low levels of savings among low and middle-income households, means that having an asset base is increasingly important.

1 Key stakeholders were interviewed including academics and policymakers involved with the design and implementation of the asset-based policy agenda, as well as providers of child trust funds and other financial services providers.

2 See Dilnot Commission 2011 for new proposals on partnership funding for social care provision.

Through this analysis, IPPR presents lessons from the UK's short experiment with asset-based welfare policies.

The assets agenda: background

The idea of asset-based welfare was linked to wider thinking about the future of the welfare state throughout the 1990s and early 2000s. The role of the welfare state was evolving: as well as providing a safety net, it was also expected to empower and enable individuals to bring about change themselves. Together with academic evidence that ownership of assets had a powerful effect on a range of outcomes, such as employment, health and wellbeing,[3] policymakers were thinking about how to develop asset-based policies.

The UK's assets-based welfare policy was embedded from 2005 with the establishment of the Child Trust Fund, but policy ideas on assets had been floating around academic and policy circles for a number of years beforehand. Michael Sherraden's 1991 book *Assets and the poor: A new American welfare policy* was influential in creating the momentum for UK academics and policymakers. At about the same time, Professor Julian Le Grand published 'Spreading it around' (1991), which proposed a grant for young people financed by the proceeds of inheritance tax. However, it was not until 2000 that this agenda began to materialise into real policy ideas, with both IPPR and the Fabian Society publishing policy papers on the matter.

IPPR's paper *Ownership for All* (Lissauer and Kelly 2000) proposed a 'baby bond': a universal Opportunity Fund in the form of a capital endowment of £1,000 that would be paid to each individual either at birth or at age 18. Families, friends and other key organisations such as businesses would be encouraged to contribute extra funds to the initial endowment, and contributions would be matched by the government. In the Fabian Society's *A capital idea*, Nissan and Le Grand (2000) proposed that every 18-year-old should receive a capital grant from the state. Financed from reforming inheritance tax, this grant could be used as a 'springboard to opportunity', for example for a mortgage, investment in education, or to start up a new business.

The thinking in these documents helped to underpin the foundation for the Child Trust Fund, which was a universal account established for every child, with a contribution from the government and the opportunity for family and friends to top it up. The commitment to implement a Child Trust Fund featured in Labour's 2001 election manifesto as part of a wider assets agenda (Labour Party 2001).

The idea had spread fluidly from academics and thinktanks to politics. The Labour government highlighted its commitment to the assets agenda and its links to the welfare state by suggesting that savings and assets were as important as pillars of the welfare system as work and skills, income, and public services (HM Treasury 2001). There was particular support from the higher echelons of the government at the time and this spread through a number of key government departments, including the Treasury, education, employment and social security. Throughout interviews conducted for this paper, a number of key politicians were mentioned, such as then-prime minister Tony Blair, education and employment minister David Blunkett and chancellor Gordon Brown. Blair and Blunkett were credited with driving this agenda forward; Brown with the decision to fund CTFs. Other Labour politicians were also mentioned, such as Ruth Kelly, who as a junior minister in the Treasury at the time was critical in shaping and pushing the policy through that department.

3 See for example Sherraden 1991, Paxton and Bynner 2001, Paxton and Regan 2001

The main actors were a selective group of ministers who, together with government advisers (both civil servants and special advisers), thinktankers and academics, comprised a small group of policy experts or elites. While this was certainly crucial in turning ideas into policy at a relatively fast pace, it was also a critical shortcoming of the agenda, in that it never embedded the concept of assets into the wider political agenda and arguably made it easier, in time, to abolish.

The asset agenda: policies

The Child Trust Fund gave the parents (or guardians) of every child born since September 2002 a voucher valued at £250 or £500 (depending on family income and whether or not the child had a disability) with which to open a CTF account. If the parents did not open an account within a year of their child being born, HM Revenue and Customs (HMRC) automatically opened one for them. From September 2009, the parents of children reaching the age of seven received a second voucher, again worth £250 or £500, to invest in their child's CTF account. Parents and family friends could also invest an additional amount, up to £1,200 a year, into a CTF. No tax was paid on any gains or interest. Money in the accounts can only be accessed when the child reaches 18 years. An additional £100 was provided by the Department for Schools, Children and Families for children in care of a local authority. And during 2010, children receiving disability living allowance received an extra £100 or £200 (depending on the degree of disability). There were three main types of accounts available – stakeholder, shares and savings, offering different investment choices in shares, bonds and cash[4] – as well as ethical and sharia CTFs.

A phased but rapid abolition of this policy was announced by the Coalition government in May 2010. The official rationale for the abolition of CTFs – apart from the need to cut public spending – was that it would be dishonest for the government to endow children with an asset when public debt was so high. However, other objections also lay behind the decision, such as disappointment at the rate of additional savings into CTFs by low-income families and the perception that there were no direct losers from scrapping this policy (discussed below).

From August 2010, payments at birth were reduced to £50 (£100 for lower-income families) and payments at age seven were stopped immediately. From January 2011 all payments were stopped. As a result, one of the world's few universal asset-based welfare policies was brought to an abrupt end.

The Saving Gateway was different to the CTF. It was extensively piloted by the previous Labour government and scheduled for roll-out on 1 July 2010. The SG was a targeted scheme that offered people on a range of benefits, and those earning less than £16,000, the opportunity to open a savings account into which they could save up to £25 a month over a period of two years. Eligible participants would be entitled to one SG account through their adult life. At the end of the two-year period, the government would have added 50p for every £1 in the account. Its introduction was cancelled because the Coalition government said that it could not afford the cost at a time of substantial public spending cuts. As with the CTF, this decision prompted little fuss, outside the circle of advocates of support for saving by low-income families.

4 Stakeholder accounts had to follow government guidelines with money invested in shares and bonds across a number of companies. Share accounts provided a riskier option where parents could invest money in shares or bonds which were subject to market fluctuation. Savings accounts are similar to bank or building society accounts offering interest. For more information see http://www.direct.gov.uk/en/MoneyTaxAndBenefits/ChildBenefitandChildTrustFund/ChildTrustFund/SettingupaChildTrustFundaccount/DG_193686

Before examining the successes and shortcomings of these policies and how they combined to form the assets agenda, it is helpful to understand the vision – what the assets agenda was trying to achieve.

There seems to be a consensus that the high-level policy objectives were clear. As one of the interviewees remarked, it was clear that the agenda was about 'life chances and social mobility'. In announcing the CTF in their 2001 manifesto, the Labour party framed it as a programme designed 'to extend to all children the advantages that come from reaching adulthood backed by a financial nest-egg', as part of the welfare state, with the aim of reducing inequalities and creating opportunities (Labour Party 2001: 27).

At the same time, the policy agenda was described as being too narrow, focused on short-term goals and on savings rather than asset-building – particularly as policies were devised for implementation.

> **'When it was framed it was about assets and when it was implemented it was about savings.'**

This is consistent with how the government planned to implement the agenda. For example, to achieve the aim stated above, the policy instrument was the CTF, using savings 'to promote opportunity for the next generation' (ibid: 27).

As well as blurring asset policy into savings policy, Labour never really fully integrated asset-based welfare into its thinking. These policies always played second fiddle to spending on services such as education and spending on tax credits, which were seen as critical in lifting families out of poverty.

Responsibility for asset policies fell mostly within the Treasury's remit. This raises the question of whether, if this agenda had sat in a different government department, such as education or the Cabinet Office, there would have been additional scope to adhere more closely to the original core objectives.

> **'Had it been in a different department, it might have been better. But it had to be a financial product when it was in the Treasury – you have to be able to measure it, and it's easier to sell. The earlier stuff fell away and it was simply seen as a savings product.'**

Among the interviewees, a debate emerged about the extent to which the policies had to be practical. Some argued for a pragmatic approach, incrementally building the agenda; others felt that taking that approach was to give up on the vision too soon.

> **'Yes it was the first step … CTFs were the flagship programme. It meant that it was focused on products – there was no overarching theme and not trying to change habits. But you need to save to build assets and so have to start somewhere.'**

These comments also reflect the view that asset policies for the most part translated into savings policies; there was very little consideration given as to how they could be linked to other ideas, such as endowments or grants.

The SG was always less controversial – it was only ever piloted, and was not conceived as a universal programme. While the wider objectives placed it in the same policy space as

CTFs, it was much more explicitly focused on savings for low-income families and building financial education.

How effective were Child Trust Funds and the Saving Gateway?

Child Trust Funds

It is a remarkable achievement that all children born between September 2002 and December 2010 now have a CTF. The government's statistical report in 2010 showed that the parents/guardians of 74 per cent of eligible children opened a CTF account for them (HMRC 2010b). CTFs for other children were opened by the government – either by default, if accounts weren't opened within a year, or by the local authority for children in care. This report also shows that the government had issued over five million CTF vouchers, and that the amount held in those accounts exceeds £3 billion. Since the scheme's inception, approximately one-third of all accounts have been entitled to extra government contributions, meaning that low-income families, or families identified with additional needs, such as disability, have received booster payments as intended in the policy design.[5]

The government's distributional analysis published in 2010 showed that, on average, £289 was added to each CTF every year. By breaking this down into more detail, some interesting patterns emerge. In 2009/10, 22 per cent of CTFs received 'top-ups', most likely from family and friends (HMRC 2010a). This is less than was hoped for: an early evaluation predicted that 70 per cent of parents would add money to the CTF (Kempson et al 2006). It is likely that the accounts receiving top-ups were in higher-income families: of CTF accounts that received additional payments in 2009/10 (that is, that were eligible for higher initial payments because of household income level and/or disability) 12 per cent were topped up, by an average of £181, while 27 per cent of CTFs ineligible for additional government payments were topped up, by an average of £313.

Table 1
Top-up contributions by CTF type, 2009/10

	Account receives additional government payments?		
	Yes*	No	All accounts
Accounts receiving top-ups	12%	27%	22%
Average contribution	£181	£313	£289

Source: HM Revenue and Customs 2010a: 7, table 2
* Accounts eligible for higher initial payments because of household income level and/or disability

Data from particular providers offers additional analysis. For example, one of the largest providers of CTFs shows that direct debits had been set up in 30 per cent of CTFs that received additional government payments.[6]

In summary, while there were top-ups being paid into accounts where additional government payments were received, the majority were paid into accounts where the account holder (the child) was more likely to be from a higher-income family. Overall, top-ups were less widespread than had initially been anticipated by parents themselves.

It is also worthwhile to consider the geographical distribution of top-ups. With the exception of Northern Ireland, which had a lower rate of 17 per cent of accounts, other areas across the UK were closer to the national average of 24 per cent, with a range of

5 See HMRC 2009: 9, table 4
6 Data supplied by provider.

20–26 per cent. However, the value of top-ups differed, with London and the South East comparatively higher than other areas.

Table 2
Accounts with top-up contributions by region, 2009/10

	Accounts receiving top-ups	Average contribution
North East	20%	£236
North West	20%	£248
Yorkshire and The Humber	20%	£251
East Midlands	22%	£259
West Midlands	20%	£256
East	24%	£296
London	24%	£381
South East	26%	£317
South West	24%	£265
England	22%	£293
Wales	20%	£246
Scotland	22%	£261
Northern Ireland	17%	£271
United Kingdom	**22%**	**£289**

Source: Adapted from HMRC 2010a: 8, table 2.1

This data is a catalyst for a debate about the effectiveness of the CTF, especially as a universal scheme. For many – proponents of CTFs in particular – the universality of the scheme was perceived to be the most successful feature of the CTF. It was also seen to be essential. All children in a particular cohort now had a CTF, and three-quarters of the UK's children had had an account voluntarily opened for them. Arguably, a targeted scheme would have struggled to generate that breadth of coverage.

> **'[It was important that] it gave kids with no asset an asset; it was for everyone.'**

> **'I wouldn't belittle the achievement to get a nationwide children's account – it was a really big achievement. I don't know any other country that has tried it.'**

As well as being universal, the CTF was intended to build a savings habit – and the evidence suggests that it was doing just that for approximately one in five families (see table 1). These top-up rates raise the question of whether CTFs were the most effective way of embedding a savings culture. For some, the answer was unequivocally yes:

> **'While 100 per cent of eligible children were entitled to a CTF account, a remarkably high number of families opened their own account. Seventy-five per cent of accounts were voluntarily opened before the year was up. This level of engagement for a relatively small exchequer investment of £520 million [per annum] is unheard of. For example – the exchequer gives up £27 billion a year in pensions tax relief but only 40 per cent of**

people have a pension plan; the exchequer gives up £2 billion a year in tax on ISAs but only 29 per cent of those eligible contribute.'

But this was not a consistent view – others felt that individual savings accounts (ISAs) generate wider reach and achieve more:

'The development of the ISA was far more beneficial – 29 million people have experienced ISAs and it goes across boundaries … If the same can be achieved with the Junior ISA that would be considered a success.'

A note of caution should be added here about comparing ISAs and CTFs: they are different policy instruments, designed and delivered with different objectives in mind. The CTF was a universal programme for newborn children only, whereas anyone over 18 can have an ISA.[7] The universal design of the CTF means that the reach will be constrained or enabled by the number of children born in that year, but had it continued more people would have had CTFs than ISAs.

Some of our interviewees commented that the disparities particularly in top-up payments meant that CTFs were not cost-effective and essentially offered yet more tax relief to high-earning families.

'Long-term policy is always difficult, and it's difficult to prove the cost-effectiveness. Could the £250 or £500 be spent better? It was probably not the best policy in terms of value for money – but I don't know – there wasn't enough evidence. It could have probably been made more cost-effective.'

The universality of the scheme means that there is no way of testing the counterfactual – what would have happened if there had not been a CTF. We can only speculate that with traditionally low levels of saving in the UK, it would be unlikely that the reach of any alternative, non-universal measure would have been as wide.

Saving Gateway

Regarding the second half of the asset-based welfare package, the final evaluation of the Saving Gateway pilot (Harvey et al 2007) highlighted that:

- Many participants had little experience of using savings products before the pilot.
- Almost everyone who opened an account contributed to the account in the first month, with 71 per cent continuing to contribute for 16–18 months.
- Many attempted to contribute sufficiently to ensure a maximum match by the government. The maximum matchable contribution limit was reached in almost seven out of ten (69 per cent) account months across the pilot.
- There seems to have been a positive impact on people's behaviour. The qualitative research found that many participants were positive about the impact of the matched contribution as an incentive to save and to set a target to strive towards.
- The concept of matching was easy to understand. The preferred matching rate was 50p for every £1 saved, but participants were also aware that this was a high rate of return and lower rates would still provide a significant incentive.
- There was little support and guidance to help savers transition to other savings products once the pilot scheme had finished.

7 On 1 November 2011, a Junior ISA will be established, extending this policy to newborn children (see below).

Many of these findings were echoed by our interviewees – in particular that the matching was simple to understand and embedded savings habits. An emphasis on matching and simplicity are also features of the 'Life-Course Savings Account' that IPPR recently proposed to encourage low-income families to save (Dolphin 2011). It should be noted that some of the providers did not find the scheme cost-effective and may have been reluctant providers in a roll-out of SG.

The abolition of the Child Trust Fund and cancellation of the Saving Gateway

As already mentioned, one of the first acts of the Coalition government on coming to power in May 2010 was to scrap the CTF. A month later, the government announced that it was not going ahead with the planned roll-out of the SG. The evidence presented so far suggests that while there were positives associated with both of these policies, there were also limitations. The following section explores why the CTF was abolished and the SG not rolled out, and what might have made a difference to the government's decision. It suggests that the primary reason for the CTF being scrapped was that the constituency that CTFs were built on was too narrow, in combination with the perception that there were no direct or immediate losers from the decision. Other reasons, such as the Liberal Democrats never endorsing this policy, are also analysed. On the SG, the principal reason is similar: the supporting lobby wasn't present and there were too few direct losers from the decision not to roll it out, but other reasons such as cost were probably influential here.

The official rationale given for the scrapping of the CTF was fiscal. The Coalition government is committed to cutting the UK's budget deficit; the CTF was seen as additional expenditure that would further burden future generations with interest payments purely to provide them with an asset. This is the official line from government.

It is clear that not everyone agreed that this was the only reason that the policy was abolished. Proponents had suggested to government ways to adapt the CTF to reduce the cost, for example by automatically using the first few child benefit payments as the initial CTF contribution, or by scrapping the payments for seven-year-olds. Although none of these would have been ideal, they did offer real ways to reduce the cost for the Treasury.

Other factors, however, are probably more significant. For example, neither coalition partner was tied to the CTF as a policy, or even to the concept of the CTF. In fact, the Liberal Democrats had long opposed it and scrapping the CTF was in their 2010 election manifesto (Liberal Democrats 2010). Many Lib-Dems argued that low-income families were not saving enough, and that the money could be better spent in other areas, such as supporting social mobility through early years services or the pupil premium.

> **'It was cut because the Lib-Dems wanted to get rid of it. The Tories would have reduced it – probably by half from £512 million to £275 million. The Lib-Dems have a view that you get better value for investment for Sure Start [children's centres] and other programmes. They have essentially moved the CTF to [fund] two-year-old places [for disadvantaged children]. Pity you have take it away from Peter to pay Paul. The Lib-Dems wouldn't challenge that.'**

Some interviewees also voiced criticism over the Liberal Democrat position.

> **'I don't quite understand the Lib-Dem position because the CTF is a Lib-Dem product – it helps people be better citizens, it's about financial literacy. I never really understood why they were so opposed to it – it always surprised me.'**

> **'The Lib-Dem position is flawed. Let's suppose pupil premiums work – then cutting the CTF cuts the legs off, because you will have raised levels of educational attainment, but kids won't have any way of being able to pay for university – the inequality will just open up somewhere else.'**

This criticism also makes some within Labour reflect on whether they could have done more to get Lib-Dem support earlier, and perhaps it had been a mistake to dismiss the Liberal Democrats.

> **'We didn't spend time trying to gather cross-party support. The Tories really liked it, but we never spent any time with the Lib-Dems on it, which turned out to be a problem. At the time, no one cared about them – but it turned out to be a problem.'**

> **'If there was engagement with Lib-Dems, there would have been the potential to link this to social mobility … also to the liberal agenda of personal responsibility.'**

The Conservatives were for the most part indifferent to the CTF; many probably thought that, as a product which could enhance personal responsibility, the CTF was reasonable. But the financial crisis and coalition negotiations meant that the CTF was an easy policy to lose.

> **'The Tories thought "this is kind of nice" but that it wasn't that important – it wasn't essential. When they went through every line of spending, they probably thought "this can go". And the Coalition dynamics meant that it was impossible for it to survive. The Lib-Dems had a manifesto commitment to abolish the CTF. So it meant that it was implausible that it would survive. If the Lib-Dems hadn't had the commitment in their manifesto, then maybe it would have been adapted.'**

The current political and fiscal environment sheds additional light on this policy decision. In the 2010 election campaign, David Cameron promised to protect pensioner benefits such as TV licences, winter fuel allowances and free bus passes. By ringfencing these spending decisions, the government has had to find other cuts, and welfare for families – particularly low-income working families – is being hit hard (Lawton and Gottfried 2010). The abolition of the CTF has contributed to these savings.

Other interviewees talked about the lack of foresight or political strategy. There was probably an opportunity to concretely connect the agenda to other areas of policy, such as higher education or pensions, which were reformed throughout the Labour government's three terms in office.

However, irrespective of party politics, the lack of a direct constituency for the CTF ultimately made it an easy target for abolition. As suggested above, the policy was devised and implemented among a small circle of policy elites – of thinktanks, academics and personally committed politicians.

'We were inattentive about creating a lobby or constituency because we didn't need it. There were 10 people needed to create policy – but it also means that not that many people were needed to abolish it.'

There was never a real lobby formed that would offer support. In fact, some of the policy lobbies that could have – such as the child poverty lobby – were concerned that policies like the CTF could detract from the government's goal of halving child poverty by 2010 and eradicating it by 2020.

'There was not enough of the child poverty lobby who supported it. The child poverty lobby was disillusioned and were more focused on tax credits. They still had expectations of child poverty eradicated through unlimited tax credits. That lobby was unrealistic and non-reflective, a non-thinking lobby. But we also didn't invest enough.'

Organisations such as the Child Poverty Action Group (CPAG) recognised that the CTF had the potential to reduce intergenerational poverty, but argued that it would not have a measurable impact on reducing income poverty levels, and that it wasn't, therefore, the most effective policy to reduce child poverty (Kober 2003). Other arguments against CTFs included that it would put additional pressure on low-income families to save, when that was almost impossible for some families (CPAG 2005), and that it would undermine cash transfers, with the ensuing risk that people would be asked in effect to pay for their own welfare provision. In reality, these concerns were not real risks, as there was never an intention to undermine the existing policy framework; asset-based policies aimed to complement rather than replace existing provision.

There was also a perception in government and among the public that there were no obvious and direct losers from the decision to abolish CTFs. Children who had a CTF were not losing their money, and at any rate their accounts weren't accessible for another decade. For new parents, it was not something they ever expected. And many saw the CTF as a gimmick, a luxury that could be ditched in times of austerity. Of course, this is too simple an explanation – there are indeed losers, for example, in a family where one child has a CTF and another does not.

'While there are no immediate losers, there are definitely losers … So it's not so much about the lack of ability to build a constituency, but rather the inability to shift long-term thinking.'

One interviewee described the policy thinking that was likely to have taken place, showing that from the government's perspective it wasn't a difficult decision.

'The questions that you need to ask are (a) is there a policy lobby or constituency? And the child poverty lobby didn't have a strong voice on this issue … If there was a stronger lobby, Lib-Dems would have definitely considered not cutting it or reforming it. The second question is when you go through spending decisions, you always need to do a 'who are the winners and losers assessment'. Everyone worked out that there were no clear losers – you weren't taking money away from anyone. And proximity – parents felt that it wasn't hitting them directly because they couldn't access the money and their kids couldn't access it for a couple of years. It didn't hit anyone's pocket directly. You can't really do much about the latter, but could have done more about the

former. We didn't create a movement – we never asked ourselves how to build support and constituency.'

Other reasons cited included the cultural dimension and the difficulties in long-term thinking, where parallels can be seen with issues such as climate change.

'The asset-building agenda is something new. Recycling, climate change – we don't like changes in general. The whole idea of changing habits is cultural and in the UK it doesn't really exist. So [the CTF was] easier to abolish because it's not embedded in people or in the culture.'

The SG had only been piloted, and so it was easy for the government to decide to not roll it out. People don't miss something that they have never had. If asset-based policies had been more deeply embedded in political and public debates, the result could have been very different. The debate on changes to child benefit that was stirred by the chancellor's announcement to means-test it shows just how controversial these decisions could have been.

Lessons for supporters of asset-based welfare

There was consensus from all the interviewees on the need for an assets agenda, but no real agreement on what it should be or how it should be delivered. Some reflected that the recession had highlighted the importance of families having something to fall back on; others commented that they were already starting to think of new ways to shift the agenda to respond to the government's policy programme.

In considering whether similar policy design would be effective, some argued that the agenda needed to be more savings-focused, because that's what people responded to and it is an easier argument to win with the current government. Others argued for recalibrating the agenda so that the current government could commit to it. And a few thought that there was no point in trying to persuade the current government at all, as there would be no extra money and there is little appetite. Instead, these interviewees said, the target should be to change the nature of the debate for the latter half of this decade.

'In theory you could do something different – like not give [assets] at birth – maybe linked to buying a house, [paying for] social care. Politically, the government won't want to touch CTFs because they are too closely linked to Labour and would be seen as Labour's legacy. So maybe link to pensions or social care saving.'

'The only really organised policies are pensions. It's really difficult because you don't know who's in government for that time and you never know how the government will change. Will you be penalised if you save for your own care? You never know what the government will do and what policies they will introduce. But if there was a government scheme, with cross-party support, you could start provision for different groups – for example families with disabled kids. It might be helpful to start with one group and then move to another.'

Some interviewees argued that the policy instruments were broadly right, but that some tweaking would be beneficial – for example, to incorporate more behavioural devices, such as auto-escalation (where participants' contributions automatically increase

annually), to be more prescriptive on what the money could be used for, or to retain the universalism of the accounts but start them at age 11 or 14, so families would have a greater stake in the accounts. Regardless, even with these suggestions, it was the building of a constituency and the argument that this is a long-term challenge that requires prioritisation and attention. The quotes below highlight the range of ideas that interviewees had about how to frame the debate differently if they have another chance.

> **'I would use Pinch[8] arguments, intergenerational justice, fairness. It wasn't really about wealth and now there would be scope to talk more about inheritance tax.'**

> **'Create a wider lobby … I would want this to be on the chat rooms at mumsnet[9] because then there would be people keen to defend it. And also, what role could grandparents play – especially because they were the ones using CTFs quite a lot so that money went directly to their grandchildren.'**

> **'You have to get people focused on the ends not the means. The message has to be fairly blunt. CTF, assets, SG are all means – they are not outcomes. The challenge is what are we doing to stop people not having enough money to retire on? What are we doing to help youngsters not ending up with their parents in debt? We need blunt messages to change the debate so that it's for the long term.'**

> **'People need to change behaviour, it needs to become part of everyday life. Any new product needs to focus on low income – as the middle class has choices. Children already have tax allowances and so people on these incomes can save anyway. Matched funding and cash at the beginning really makes the difference – it's simple and easy to understand. Also it's cultural – so bigger shifts are necessary.'**

While some of these suggestions envision an assets agenda evolving beyond savings, others appear to be bound by that framework. The challenge it seems is daunting: how to (re)define the assets agenda, and how to spark a different public and political debate in order to build support.

Where next for an asset-building agenda in the UK?

The Coalition government announced the creation of a Junior ISA scheme (JISA) in October 2010 (HM Treasury 2010). The JISA is a new children's savings account. The tax-free accounts will be available from 1 November 2011 to all children who do not have a CTF. Contributions into the account will be limited to £3,600 per year and children will be able to access the accounts from age 18 (HM Treasury and HMRC 2011).

The government has framed the JISA as a cost-effective replacement for the CTF.

> **'[T]hat the government is committed to encouraging saving for children, within the constraints of the public finances … it is clear that there is an**

8 See Willetts 2010

9 Mumsnet is an online forum for mums. Leaders of all major political parties participated in online debates before the last general election because of its reach and influence. See http://www.mumsnet.com/

appetite for families to have a clear, simple and tax-free savings option for their children, following the end of Child Trust Fund eligibility.'
HM Treasury 2010

However, the JISA is a pure savings product, which is essentially different to the CTF and is not universal. Among our interviewees, a division existed between those who blur the boundaries between savings and assets and those who argue that they are separate agendas. For example, there were diverse views from the participants about the extent to which JISAs offer similar benefits to the CTF. Supporters pointed to the JISA as a demonstration of the Coalition government's commitment to the savings agenda. However, without the contributions and universality, it is indeed a financial product aimed at savings, rather than an asset-building tool.

'There is no savings strategy and there is nowhere for people to save anything. Interest rates are so low that there are no incentives – particularly for low-income families. Junior ISAs are nice on paper, but they won't work in raising savings rates. Saying that there's no money is just an easy way out. I wish they would have had been more innovative. Where will savings come from if government doesn't encourage it?'

'It's utter nonsense and slightly embarrassing for the government – it just gives them cover. But politically it shows that they felt that they had to do something – you can't just do nothing. But as a policy it's a non-policy, it will make no difference.'

Some are trying to think creatively about how they can persuade the government to rebuild an assets agenda that ties into the current policy priorities, for example on social mobility. Throughout the interviews, strategies were discussed for evolving this agenda so that it might speak to the current government, for example, by focusing on a particular area, such as tuition fees.[10]

Conclusion

The Child Trust Fund and Saving Gateway were landmark policies in the UK and marked an attempt to create an assets agenda. A cohort of UK children now has an asset. But the change has proved short-lived. With a change of government, a progressive asset-based policy agenda was wiped out almost instantaneously. There are still some asset-based policies – like tax relief on pensions – but they tend to be regressive (Dolphin 2011). There are a range of reasons for the demise of this progressive agenda that have been analysed throughout this paper, from policy design to implementation, but far and away the most crucial was the inability of its creators and supporters to embed this agenda in the political landscape. The foundations of this policy agenda were not firm enough to withstand the political cycle.

Policymakers in the UK need to learn the lessons, and gather new momentum to rebuild the case. Looking internationally – such as to the US and Canada, where assets policies tend to be built locally and 'bottom-up' – would provide an opportunity to reframe the agenda, build new coalitions and embed the agenda with different stakeholders. And there are lessons to be learnt on policy design – for example, the importance of universality in the CTF (with an automatic default option if the account isn't opened within a specific time

10 But if the main concern is low-income families, this might have little relevance, and in any case it is likely that most will repay their tuition fees through their salaries.

period) and matched savings incentives in the SG, which need not be high (Cramer 2007). A single policy framework with a simple matching system for different savings vehicles also requires further consideration.

With economic growth sluggish in the UK, there may yet be other assets experiments to come as policymakers and individuals are forced to think differently about building assets for themselves and for future generations.

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