Wealth and Assets in Scotland 2006 To 2012

Scottish Government Communities Analytical Services

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The Scottish Government
Riaghaltas na h-Alba

Contents

Executive Summary

This report presents analysis of Scottish data from the Wealth and Assets Survey 2006-2012, with a particular focus on findings from the third wave of the survey, covering the period 2010/12. This updates the report Wealth and Assets in Scotland 2006-10, which was published in May 2014.

The Wealth and Assets Survey (WAS) is a key source of information on the economic situation of households in Great Britain. The survey focuses on household assets and debts, borrowing and saving, and plans for retirement.

Key findings from this report are as follows:

Aggregate total wealth increased in Scotland in 2010/12

- **Aggregate total wealth of private households increased to £714 billion in Scotland in 2010/12.** However, the rate of increase - 2.4 per cent since 2008/10 - was lower than that between 2006/08 and 2008/10.
- **This change was driven by increases in pension and physical wealth**, which rose consistently between 2006/08 and 2010/12. Property wealth also increased in 2010/12, although it remained at a lower value than in 2006/08. Financial wealth decreased in 2010/12, although it remained higher than in 2006/08.
- **Pension wealth was the largest component of wealth in Scotland in 2010/12** at 42 per cent of total wealth. This was followed by property wealth, which accounted for 32 per cent. Physical and financial wealth made up 14 per cent and 12 per cent respectively.

The distribution of household wealth in Scotland remained highly unequal

- **The wealthiest 10 per cent of households owned 44 per cent of all wealth in 2010/12**. The wealthiest 2 per cent of households alone owned 17 per cent of all personal wealth.
- **In contrast, the least wealthy half** of households in Scotland owned 9 per cent of total wealth in 2010/12.
- **The least wealthy 30 per cent of households** owned around 2 per cent of household wealth.
- The **wealthiest 10 per cent of households** owned 74 per cent of financial wealth, 55 per cent of pension wealth, 43 per cent of property wealth and 33 per cent of physical wealth.
- In comparison, **the least wealthy half of households** owned less than 1 per cent of financial wealth, less than 3 per cent of pension wealth, 6 per cent of property wealth, and 20 per cent of physical wealth.

- **There was a slight reduction in inequality of aggregate total wealth in Scotland between 2006/08 and 2010/12**, driven mainly by a fall in the value of pension wealth owned by the wealthiest households, rather than increases in ownership by the least wealthy households. Inequality in physical wealth also decreased, with increases in the value of physical wealth owned by all wealth deciles.

Of the four main components of wealth, financial wealth was the most unequally distributed

- The wealthiest 10 per cent of households owned almost three quarters of all financial wealth in 2010/12. In contrast, the **least wealthy 30 per cent had no financial wealth.**

- Pension wealth was also unequally distributed, with the wealthiest 10 per cent owning 55 per cent of all private pension wealth, **while the least wealthy 30 per cent owned no pension wealth.**

- Physical wealth was the most equally distributed wealth component, although the wealthiest 10 per cent still owned a third of physical wealth.

Household wealth was much more unequally distributed than household income

In 2011/12, the top 10 per cent of households in the income distribution earned 1.8 times more income than the bottom 30 per cent. For comparison, in 2010/12, the wealthiest 10 per cent of households had 20.8 times more wealth than the least wealthy 30 per cent.

The least wealthy 30 per cent of households have very few financial assets

- With the exception of money in current accounts, the majority of the least wealthy households had very few financial assets. However, the percentage of the least wealthy group who had current accounts in credit increased from 69 per cent in 2006/08 to 79 per cent in 2010/12.

- For those in the least wealthy households who did have financial assets, the value of those assets was substantially lower than the population as a whole. The median value of all financial assets of people in the least wealthy group was just £500, less than a tenth of the median value for the population as a whole at £5100.

The least wealthy were more likely to be single adult and lone parent households

The **least wealthy three deciles** were disproportionately made up of single adult and lone parent households. The risk of low wealth was particularly high for lone parents, with two thirds (67 per cent) of all lone parent households in Scotland in the least wealthy three deciles. Younger households were also overrepresented in the least wealthy group.

Employment does not necessarily protect people against low wealth

Almost half of the least wealthy households were headed by someone in employment.

1. Introduction

This report provides a detailed analysis of Scottish data from the Wealth and Assets Survey (WAS), updating the report "Wealth and Assets in Scotland 2006-10"[1], published in May 2014. WAS is a key source of information on the economic situation of households in Great Britain and focuses on household assets and debts, borrowing and saving, and plans for retirement.

Previous analysis by the Office for National Statistics (ONS) has only provided headline figures for Scotland, tending to focus on GB-wide trends. This report provides Scottish analysis with a focus on the third wave of data covering 2010/12. It makes comparisons with the earlier waves covering 2006/08 and 2010/12. While the first two waves covered the period before and immediately after the 2008/09 recession, wave three data provides an opportunity to examine its aftermath on the wealth of the wider population.

WAS collates information on the following four types of wealth held by households: property wealth, physical wealth, financial wealth, and private pension wealth. More detail on these components of wealth is provided in the box below.

Definitions

Four main components of wealth in WAS

* **Financial wealth:** the value of all financial assets minus the value of all non-mortgage borrowing.

* **Property wealth:** the value of all property wealth minus the value of property debt (e.g. mortgage on property)

* **Private pension wealth:** the value of wealth held in occupational pension schemes to which individuals contribute. These include Defined Benefit (DB) and Defined Contribution (DC) schemes as well as personal pensions.

* **Physical wealth:** the value of items such as cars, and household goods like televisions, computers, and jewellery.

WAS also describes the following

Financial assets: the financial value of current accounts, saving accounts, shares, bonds, cash saved at home, etc.

Non-mortgage borrowing: this includes formal and informal loans, including student loans, credit card debt, overdrafts, store card loans, hire purchase debts and mail order debts.

[1] http://www.scotland.gov.uk/Topics/Statistics/Browse/Social-Welfare/IncomePoverty/wealthscotland

With its broader focus on different wealth types, WAS enables a more rounded analysis of the financial wellbeing of differently-placed households, and makes it possible to move beyond income analysis, which tends to be the focus of poverty analysis.

1.1 WAS Methodology

WAS focuses on households' assets and debts, borrowing and saving, and plans for retirement, allowing analysis of how wealth is distributed across the population. It provides data on household wealth and, as it is a longitudinal survey, allows changes in household wealth to be monitored over time. Wealth is defined here as net wealth: that is, the value of all assets minus any debts and liabilities.

Table 1.1 provides details of the time periods covered by each wave of the survey in Scotland, the number of individuals and households surveyed, and the number of individuals and households in the longitudinal sample.

Table 1.1 Details of survey waves

Survey period	Number of individuals	Number of households	Number of individuals interviewed at previous wave	Number of households interviewed at previous wave
Wave 1				
July 2006 – June 2008	6,199 (inc. 1,131 children)	2,833	/	/
Wave 2				
July 2008 – June 2010	4,390 (inc. 746 children)	1,995	4,130	1,867
Wave 3				
July 2010 to June 2012	4,540 (inc. 733 children)	2,069	3,087	1,417

Individuals over the age of 16 and not in full-time education were separately interviewed to obtain data at individual level. Household level information was collected by interviewing the Household Reference Person (HRP), often the head of household or their partner. In each wave, each household is given a weight in order for the sample to be representative of the whole population. These weights are also assigned to all members of the same household. Estimates represented in this report were computed using these weights.

There are a number of methodology issues that need to be borne in mind when considering this analysis. First, the measure of net wealth in the analysis is based on the personal, private wealth of households. It does not include business assets owned by household members, nor does it include rights to state pensions, which people accrue during their working lives and draw on in retirement.

Second, only those designated as 'private households' were sampled for the survey. Those in residential institutions such as retirement homes, nursing homes, prisons, and barracks or university halls of residence, and also homeless people were not included in the sample and are therefore excluded from this analysis.

Third, the Scottish sample is not fully representative of the geography of Scotland, as WAS does not sample households north of the Caledonian Canal or on the Scottish islands.

Other methodological considerations are:

- Estimates within this analysis have not been equivalised and therefore are not intended to account for differences in household size or composition.

- All estimates within this report are presented as current values (i.e. the value at time of interview) and have not been adjusted for inflation.

It is important to note that a number of changes have been introduced with the publication of wave 3 data. Of the main methodology changes, some are specific to wave 3 (e.g. the weighting strategy), some affect waves 2 and 3 only (e.g. the imputation strategy), and some affect all three waves (e.g. the financial assumptions used in the calculation of pension wealth). All methodology changes were applied retrospectively to waves one and two of the data. For this reason, the analysis in this report differs from that previously published. Any comparison with previously published data is not appropriate.

Further detail on the methodology adopted by ONS for WAS is available in Appendices 1 and 2 of this report and on the ONS website via technical details, Wealth in Great Britain 2010-12 .

1.2 Structure of this report

The remainder of this report is structured as follows.

Chapter 2: Household Wealth in Scotland presents aggregate household wealth over the three survey waves and breaks this down by its four components of financial, property, physical and pension wealth.

Chapter 3: The Distribution of Wealth in Scotland is then presented for aggregate wealth, as well as for the four components. This chapter also looks specifically at the distribution of wealth within the wealthiest decile.

Chapter 4: The Distribution of Components of Wealth in Scotland presents an analysis of how the four components of total wealth - financial, pension, property and physical - are distributed in Scotland, by decile.

Chapter 5: The Least Wealthy Households in Scotland analyses the socio-demographic characteristics of the least wealthy 30 per cent of Scotland's households. It presents information about the financial assets and non-mortgage borrowing of this group and compares this to the population as a whole.

Chapter 6: Movement across Deciles and Wealth Bands examines the extent to which households in the survey moved between total wealth deciles and financial, property, and physical wealth bands between 2006/08 and 2008/10 and between 2008/10 and 2010/12.

Chapter 7: Conclusions offers brief reflections on the findings in the report.

There is also an **Appendix** section at the end of the report. Appendix 1 sets out some limitations of the WAS. Appendix 2 considers changes to the estimates of private pension wealth from those previously published.

2. Household Wealth in Scotland

This chapter presents aggregate household wealth over the three survey waves and breaks this down by its four components of financial, property, physical and pension wealth.

2.1 Aggregate household wealth

Key points:

- Total household wealth in Scotland in 2010/12 was £714 billion, an increase of 2.4 per cent compared with 2008/10. This is a lower rate of growth than the 4.5 per cent increase between 2006/08 and 2008/10.
- The increase in overall wealth was driven by increases in pension and physical wealth. Both these components of wealth increased in value in each wave between 2006/08 and 2010/12.
- Property wealth increased between 2008/10 and 2010/12, but remained below the 2006/08 value.
- Net financial wealth decreased between 2008/10 and 2010/12, although remained above the 2006/08 value.
- Pension wealth made up the biggest component of total wealth in 2010/12 with 42 per cent, followed by property wealth with 32 per cent. Physical and financial wealth made up a smaller proportion with 14 and 12 per cent respectively.

2.1.1 Aggregate total wealth

As shown in Table 2.1, aggregate total wealth of all private households in Scotland in 2010/12 was £714 billion. This was an increase of 2.4 per cent compared with 2008/10, a lower rate of growth than the 4.5 per cent increase between 2006/08 and 2008/10.

Table 2.1 Breakdown of aggregate total wealth, by components, 2006/08 - 2010/12 (*£Billion)*

	2006/08	2008/10	2010/12
Property wealth (net)	228.5	224.9	227.5
Financial wealth (net)	78.6	92.1	87.2
Physical wealth	84.3	89	96.7
Private pension wealth	276.3	291.5	302.5
Total household wealth	**667.7**	**697.6**	**714.0**

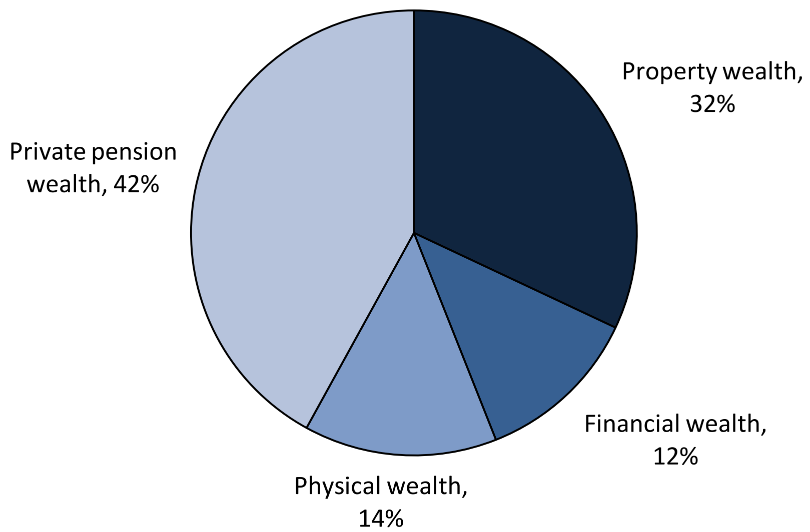
Source: Wealth and Assets Survey, ONS
Note: Values are presented as current values (i.e. the value at time of interview) and have not been adjusted for inflation.

As can be seen in table 2.1, physical and pension wealth increased consistently over the three survey waves. Property wealth fell between 2006/08 and 2008/10, before increasing in 2010/12. However, the value of property wealth in 2010/12 remained below the 2006/08 value. Financial wealth increased substantially between 2006/08 and 2008/10, and then fell in 2010/12, but remained above the 2006/08 value.

2.1.2 Components of total wealth

Chart 2.1 shows the relative contribution of each of the four wealth components to aggregate total wealth. In 2010/12, the component making the largest contribution was private pension wealth, accounting for 42 per cent of all household wealth, followed by net property wealth, accounting for 32 per cent. Physical wealth made up 14 per cent of total household wealth in 2010/12 and financial wealth made the smallest contribution of the four components (12 per cent).

Chart 2.1: Components of total wealth, 2010/12



Source: Wealth and Assets Survey, ONS

Private pension wealth made up a larger component of total household wealth in Scotland than in Great Britain (GB) as a whole, where it made up 38 per cent of the total. Property wealth contributed less to total wealth in Scotland than in GB as a whole, where it made up 37 per cent.

The relative distribution of types of wealth within the total showed very little change between 2006/08 and 2010/12. Property wealth made up slightly less of the total, falling from 34 to 32 per cent, while pension and physical wealth contributed slightly more, increasing from 41 to 42 per cent and from 13 to 14 per cent respectively. Financial wealth contributed the same proportion of total wealth across the period, at 12 per cent.

3. The Distribution of Wealth in Scotland

This chapter considers how wealth is distributed in Scotland, by splitting the population into different sized groups. Findings are presented for aggregate wealth, as well as for the four components of wealth. This chapter also looks specifically at the distribution of wealth within the wealthiest decile.

Key points:

- In 2010/12, the wealthiest 10 per cent of households owned 44 per cent of all wealth, while the least wealthy 50 per cent owned 9 per cent of wealth.

- The wealthiest 10 per cent of households owned 4.8 times as much wealth as the least wealthy 50 per cent of households combined; and 20.8 times as much as the least wealthy 30 per cent of households.

- Wealth inequality is more stark then income inequality. While the 10 per cent highest income households earned around 25 per cent of all household income, the wealthiest 10 per cent of households owned almost 45 per cent of all wealth. The wealthiest 2 per cent of households alone owned 17 per cent of all personal wealth in Scotland.

- There was a slight reduction in the inequality of aggregate total wealth over time in Scotland. The share of wealth owned by the wealthiest 10 per cent of households fell from 49 per cent in 2006/08 to 46 per cent in 2008/10 and 44 per cent in 2010/12. This was driven mainly by a fall in the value of pension wealth held by the wealthiest households.

- The relative distribution of wealth across households was broadly similar between Scotland and Great Britain as a whole.

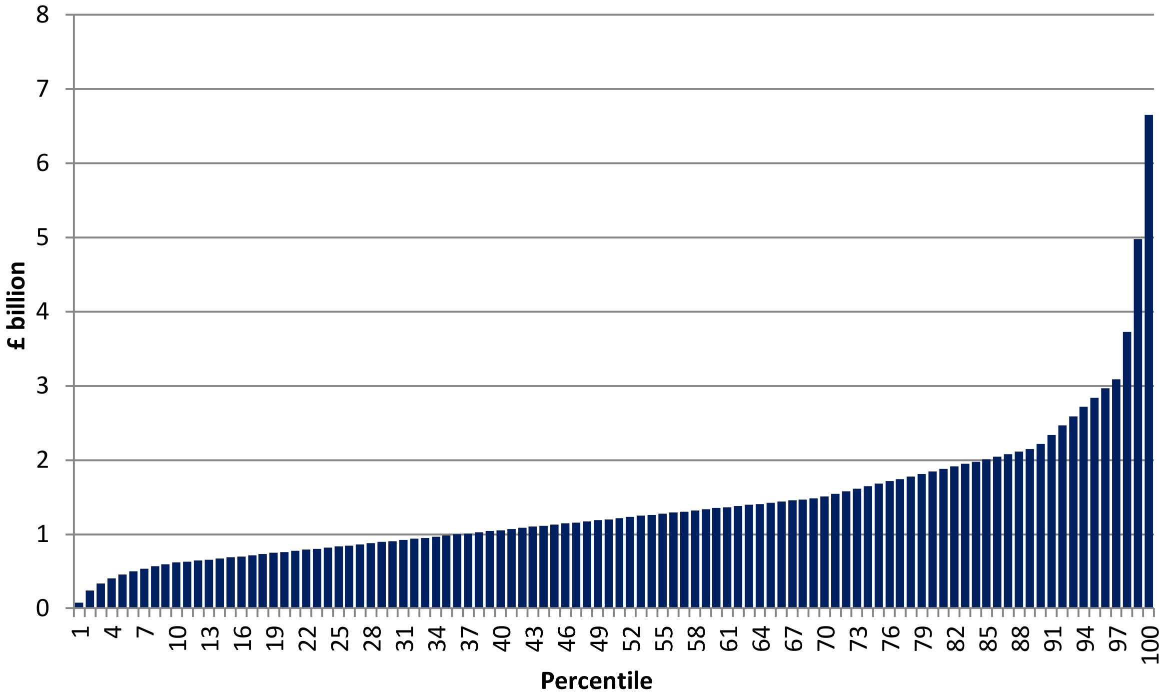
- Financial wealth was the most unequally distributed component of total wealth, with the most wealthy 10 per cent of households owning almost three quarters of financial wealth, while the least wealthy 50 per cent owned less than 1 per cent.

- Physical wealth was the most equally distributed wealth component. The wealthiest 10 per cent of households owned 33 per cent of physical wealth, while the least wealthy 50 per cent owned 20 per cent of all physical wealth.

3.1.1 Household wealth and household income inequality

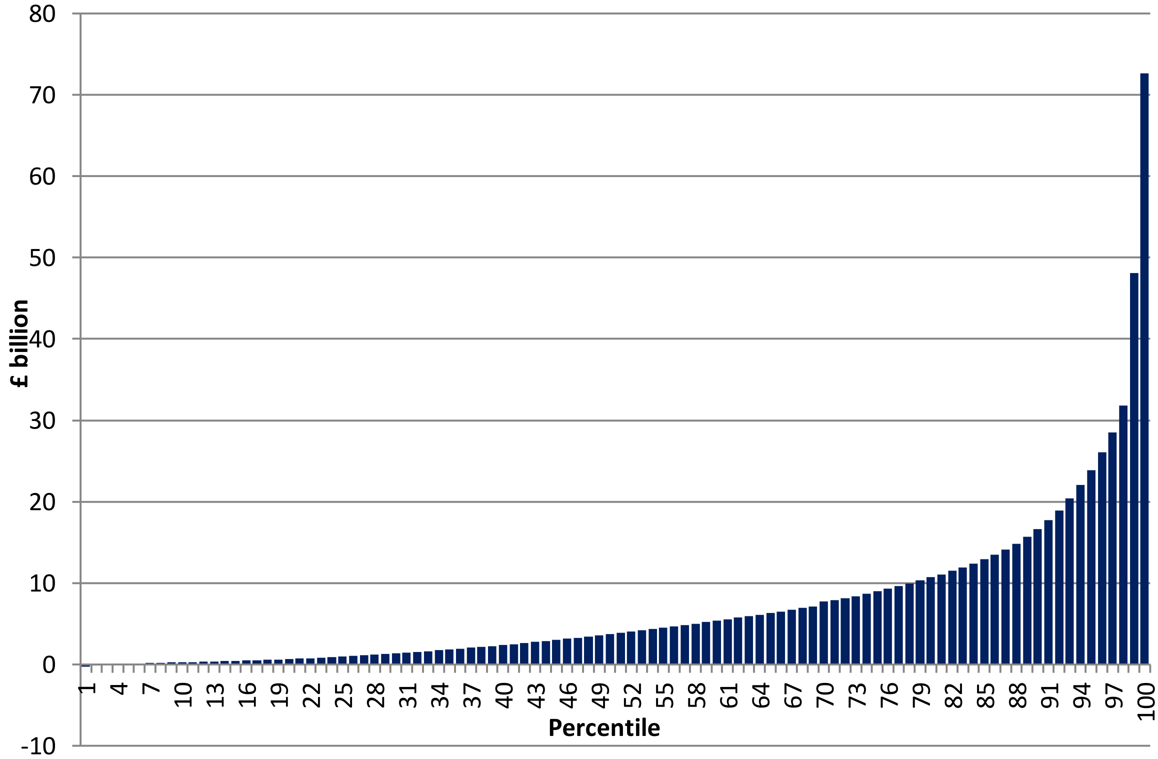
Charts 3.1 and 3.2, overleaf, show household income and household wealth by percentile. Percentiles divide the data, in ascending order into one hundred equal parts so that each part contains 1 per cent of the population in Scotland. The lowest income / least wealthy households are shown in the 1st percentile moving up to the highest income / wealthiest.

Chart 3.1: Distribution of household income in Scotland, 2012/13



Source: Households Below Average Income, DWP
Note: Due to fluctuations caused by small numbers this chart has been smoothed. As such, the figures presented are estimates intended to show the shape and scale of the distribution only.

Chart 3.2: Distribution of household total wealth in Scotland, 2010/12



Source: Wealth and Assets Survey, ONS
Note: Due to fluctuations caused by small numbers this chart has been smoothed. As such, the figures presented are estimates intended to show the shape and scale of the distribution only.

Note that the scale of the chart showing the share of wealth is ten times larger than that for income.

The two charts, considered together, show that income is less unequally distributed than wealth. Chart 3.1 shows a relatively flat distribution, with the exception of a 'spike' towards the top end of the distribution. In 2012/13, the top 10 per cent of households had around 25 per cent of all household income, but the rest of the population had incomes within a relatively narrow range, with only small differences between percentiles.

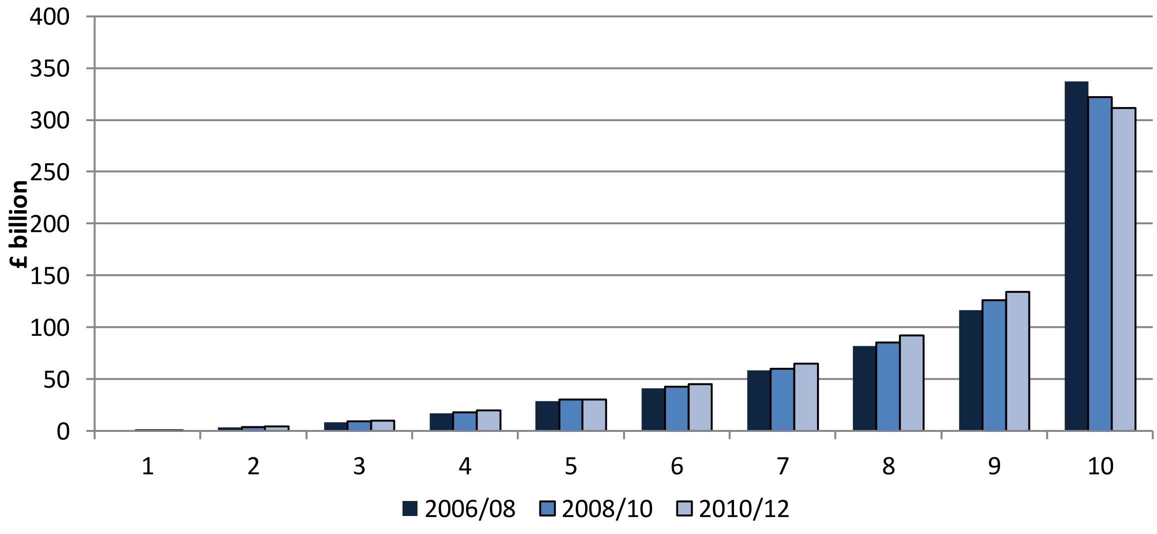
Chart 3.2 shows a much more polarised distribution for wealth. After increasing gradually over most of the distribution, the curve of the graph then has an exponential shape, starting off very low and then rising very steeply. The range of values for each percentile is much wider than for incomes. The wealthiest 10 per cent of households owned 44 per cent of wealth. The top 2 per cent alone owned 17 per cent of all personal wealth in Scotland.

The distribution of wealth is discussed in more detail in the sections below.

3.1.2 Aggregate total household wealth by decile, across the three waves

Chart 3.3 shows aggregate total wealth by decile for 2006/08, 2008/10 and 2010/12. Deciles are similar to percentiles, but divide the data into ten equal parts so that each part contains 10 per cent of households – from the least wealthy households in the 1st decile to the wealthiest in the 10th decile. For a methodological explanation of how wealth deciles are calculated, please see Appendix 1.

Chart 3.3: Aggregate household wealth by decile, 2006/08 - 2010/12



Source: Wealth and Assets Survey, ONS
Note: In wave 1, data on physical wealth was only collected for approximately half of the sample. In order to split the population into deciles, only those that have values for all wealth types are used. Analysis based on deciles may therefore not match the total values for the population but are intended instead to represent the distribution of wealth within the population.

Chart 3.3 suggests that the bottom three deciles own almost no wealth at all.

- The least wealthy **10 per cent** of households owned little or no wealth over 2006/08 to 2010/12;
- The least wealthy **20 per cent** owned less than 1 per cent of wealth, but with a small increase in share of wealth across the three waves;
- The least wealthy **30 per cent** of households increased their share of wealth from just under two per cent in 2006/08 to just over two per cent in 2010/12.

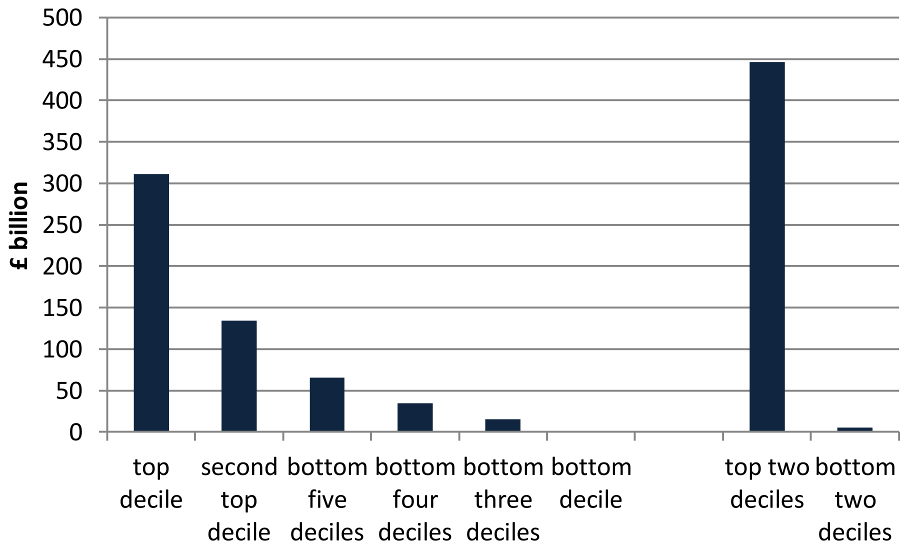
It is only when households move into the fourth decile that they are able to accumulate wealth to any degree. The least wealthy **40 per cent** of households increased their share of wealth from four per cent in 2006/08 to five per cent of all private wealth in Scotland in both 2008/10 and 2010/12.

Chart 3.3 also shows that the total value of wealth owned across the bottom 90 per cent of households increased between 2006/08 and 2010/12. For the least wealthy households, however, the increases in the value of that wealth were small. The wealthiest 10 per cent of households have seen consecutive decreases in the total value of wealth owned over the three periods, but still have considerably more wealth than those in decile 9. This last point is discussed further in the next section.

3.1.3 Inequality in aggregate total household wealth

This section discusses the aggregate wealth of selected deciles and groups of deciles in 2010/12, as set out in Chart 3.4 below. In 2010/12, the wealthiest 10 per cent of households (the top decile) owned 44 per cent of total wealth. The wealthiest 20 per cent (the top two deciles) owned 62 per cent of all private wealth in 2010/12.

Chart 3.4: Aggregate household wealth, selected groups, 2010/12



Source: Wealth and Assets Survey, ONS

The left hand side of chart 3.4 illustrates a range of ratios between the wealthiest 10 per cent and other deciles in 2010/12. To summarise, the wealthiest 10 per cent owned:

- **4.8 times more than the bottom 50 per cent of households combined** (who owned 9 per cent of private wealth). This is a decrease from 5.2 in 2008/10 and 5.9 in 2006/08.
- **8.9 times more than the bottom 40 per cent of households combined.** This was a decrease from 10.2 in 2008/10 and 11.6 in 2006/08.
- **20.8 times more than the bottom 30 per cent combined.** Again, this was a fall from 24.0 in 2008/10 and 28.3 in 2006/08.
- **445 times more than the bottom decile**. This is a substantial decrease from 1070 in 2008/10, which was an increase from 840 in 2006/08. [However, see first paragraph below.]
- **2.3 times more than the second wealthiest 10 per cent,** a decrease from 2.6 in 2008/10 and 2.9 in 2006/08.

It should be noted that the ratios between deciles tend to be quite volatile. This is particularly the case for the ratio between the wealthiest 10 per cent and least wealthy 10 per cent, cited above, which is highly sensitive to very small changes in the wealth of the least wealthy group, which is very close to zero. Care should therefore be taken when interpreting the results, and it may be more useful to think of changes in inequality ratios in terms of indicating the general trend in inequality, rather than focusing on the values.

The right hand side of Chart 3.4 shows the wealthiest 20 per cent of households and the least wealthy 20 per cent. In 2010/12, the wealthiest 20 per cent owned 62 per cent of all private wealth, 87 times more than the bottom 20 per cent. Again, the ratio was lower than in previous years, falling from 115 in 2008/10 and 126 in 2006/8

The bullet points above set out a general reduction in inequality of aggregate total wealth over time. This reduction was primarily due to the fall in the value of wealth for the wealthiest 10 per cent of households over the period, as discussed in the section above. The aggregate wealth of this group fell by about £10 billion between 2008/10 and 2010/12, a 3 per cent fall, and by about £15 billion between 2006/08 and 2008/10, a fall of 4.5 per cent. The *share* of wealth held by the wealthiest 10 per cent of households fell from 49 per cent 2006/08 to 46 per cent in 2008/10 and continued to fall to 44 per cent in 20010/12.

3.1.4 Comparing wealth inequality in Scotland with Great Britain as a whole

Wealth inequality in Great Britain as a whole in 2010/12 was the same as in Scotland in terms of the percentage of wealth owned by the wealthiest 10 per cent of households (44 per cent) and the ratio of the wealthiest 10 per cent to the bottom 50 per cent of households (a ratio of 4.8).

On other measures of inequality, Scotland was slightly more equal in 2010/12. For example, the wealthiest 10 per cent of households were 22.3 times wealthier than the least wealthy 30 per cent of households in Great Britain, but only 20.8 times wealthier in Scotland. The largest difference was in terms of the ratio between the top two deciles and the bottom two deciles, which was significantly higher in Great Britain (where the top two deciles were 105 times as wealthy as the bottom two deciles) than in Scotland (where this ratio was 87).

Inequality ratios for Great Britain as a whole did not change in a consistent direction over the three survey waves, falling between 2006/08, and then increasing slightly between 2008/10 and 2010/12. The fall in inequality in Scotland over the three survey waves means that it has gone from being more unequal to being slightly less unequal than Great Britain as a whole over the last six years on these measures.

3.1.5 Aggregate total household wealth of the wealthiest households

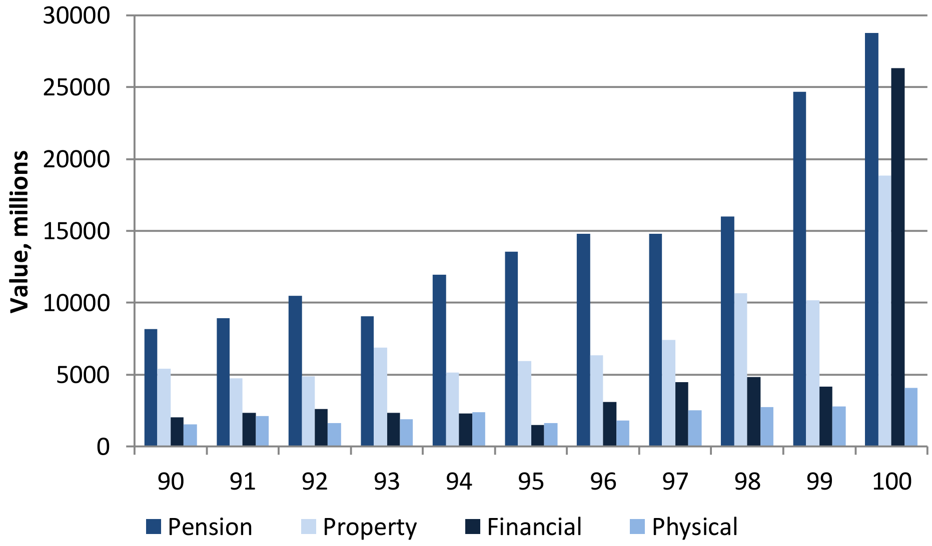
Chart 3.2 above showed a concentration of wealth at the very top of the distribution. While the wealthiest 10 per cent of households owned 44 per cent of all private wealth in 2010/12, much of the wealth was actually held in the top two percentiles. The wealthiest 2 per cent of households owned 17 per cent of all household wealth in Scotland, while the wealthiest 1 per cent owned 11 per cent in 2010/12.

The concentration of wealth within the very wealthiest households is present across all wealth types:

- The wealthiest 1 per cent of households owned 29 per cent of all financial wealth, 10 per cent of pension wealth, 8 per cent of property wealth, and 4 per cent of physical wealth.
- The wealthiest 2 per cent of households owned one third (33 per cent) of all financial wealth in Scotland in 2010/12. They also owned 18 per cent of pension wealth, 13 per cent of property wealth and 7 per cent of physical wealth.

Chart 3.5 shows the value of wealth owned by the wealthiest 10 per cent of households in 2010/12, by percentile. This shows that the value of financial and property wealth owned by the wealthiest 1 per cent of households is significantly higher than in the rest of the top decile. Indeed, the wealthiest 1 per cent owned nearly half (49 per cent) of the financial wealth held by the top decile.

Chart 3.5 Value of assets owned by the wealthiest 10 per cent of households, by percentile



Considering the characteristics of the wealthiest households provides some context for these findings. Households in the wealthiest 10 per cent are significantly more likely to be headed by an older individual. The median age of the head of household for those in the wealthiest 10 per cent was 60 years, compared with 43 years for households in the middle of the wealth distribution. As wealth is accumulated through life, households with older individuals have longer to build up their assets, including property and pension wealth. The wealthiest 10 per cent of households are significantly more likely to own their property outright – 72 per cent are mortgage free, with 26 per cent paying a mortgage. This compares with 31 per cent of the whole population owning their property outright. As net wealth is measured here, the full property value is included as an asset where there is no mortgage.

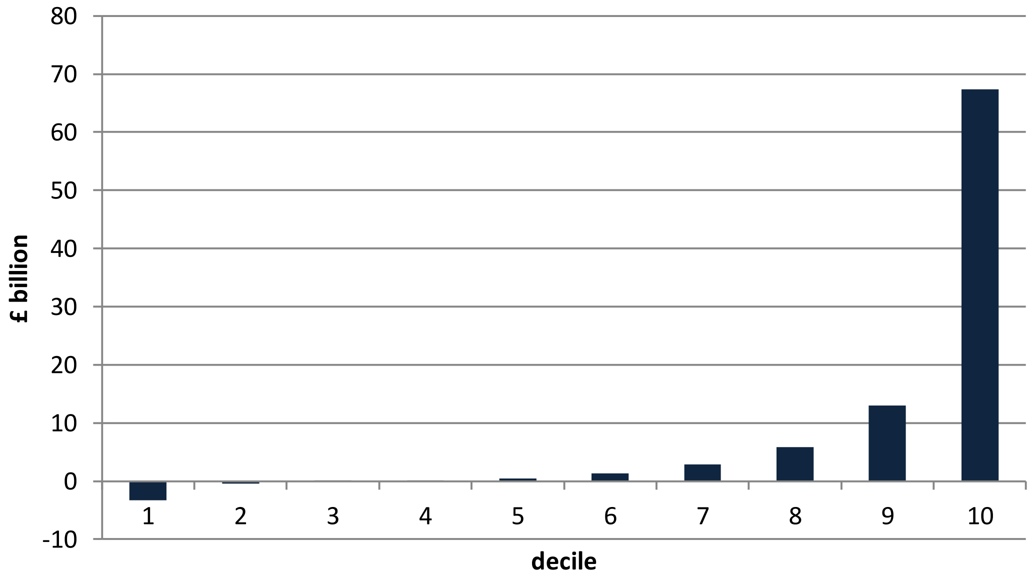
4. The Distribution of Components of Wealth in Scotland

This chapter presents an analysis of how the four components of total wealth - financial, pension, property and physical - are distributed in Scotland, by decile. Note that, in this chapter, deciles have been drawn on the basis of the **distribution of the relevant component**. The households in a given decile are therefore **not** necessarily the same households as in the equivalent decile for total wealth, discussed above.

4.1 Financial wealth

Financial wealth was the most unequally distributed of the wealth components. Chart 4.1 shows the distribution of financial wealth by decile.

Chart 4.1: Financial wealth by decile, values, 2010/12



Source: Wealth and Assets Survey, ONS

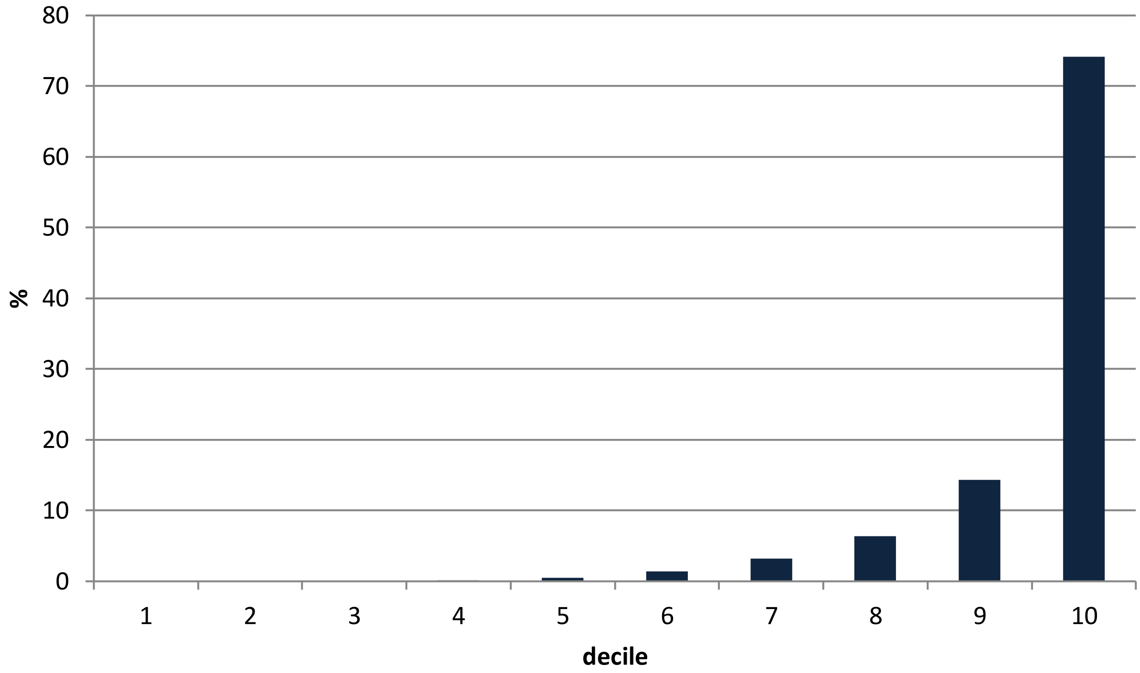
This makes apparent the bottom 50 per cent of households, in terms of financial wealth, owned no financial wealth. Within that, the least wealthy 20 per cent of households had more debt than financial assets, shown in chart 4.1 as negative net financial wealth. The least wealthy 10 per cent of households in terms of financial wealth had £3.3 billion negative wealth – in short, they had more debt than decile 7 had net financial wealth (£2.9 billion).

As noted above, it is not necessarily the least wealthy households in terms of aggregate wealth that have the least financial wealth. It is, in fact, households in aggregate wealth deciles three and four who have the lowest mean net financial wealth. While these households do have net positive overall wealth, they are more likely to have debts outweighing savings when it comes to financial products.

The wealthiest 10 per cent of households in terms of financial wealth had positive financial wealth of 67.4 billion, 3.4 times the wealth of all other deciles combined.

As the net wealth of the bottom two deciles is negative, it is not possible to construct a ratio which includes this. Therefore, Chart 4.2 has excluded negative wealth to illustrate the distribution of financial wealth as percentages of total financial wealth. In this illustration, the bottom 50 per cent of households owned less than 1 per cent of financial wealth, with the wealthiest 10 per cent of households owning almost three quarters (74 per cent). Because of the adjustment made to produce this chart, the actual distribution of financial wealth in 2010/12 is more unequal still.

Chart 4.2: Financial wealth by decile, positive wealth values only 2010/12



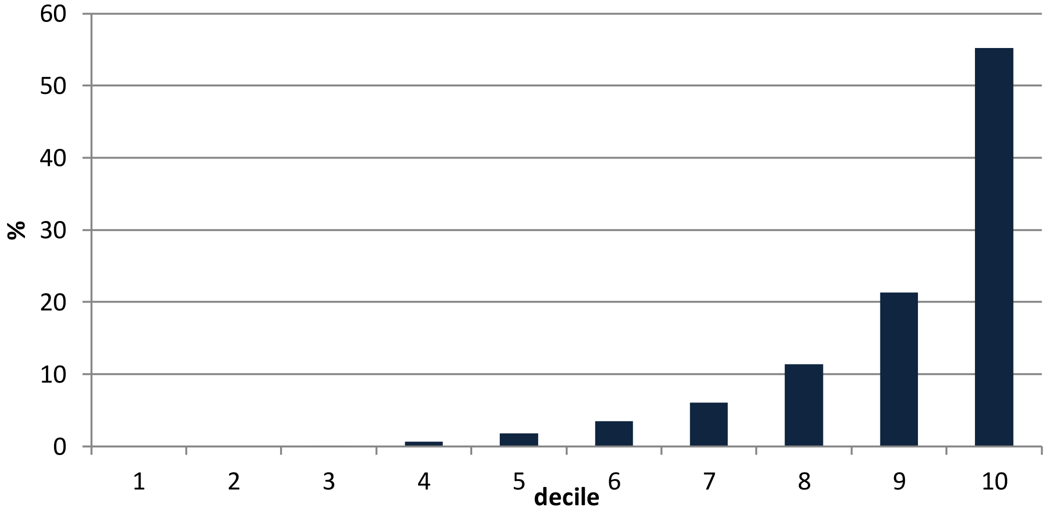
Source: Wealth and Assets Survey, ONS
Note: Negative wealth values were set to zero.

4.2 Private pension wealth

Chart 4.3 shows the distribution of private pension wealth. Private pension wealth was also highly concentrated amongst the wealthiest. The wealthiest 10 per cent in terms of pension wealth owned 55 per cent of private pension wealth, while the bottom 50 per cent owned less than 3 per cent. The least wealthy 20 per cent of households owned no pension wealth at all.

In terms of values of pension wealth, the wealthiest 10 per cent of households owned 22 times as much private pension wealth as the bottom 50 per cent of households combined, and 964 times as much as the bottom 30 per cent of households combined.

Chart 4.3: Pension wealth by decile, 2010/12



Source: Wealth and Assets Survey, ONS

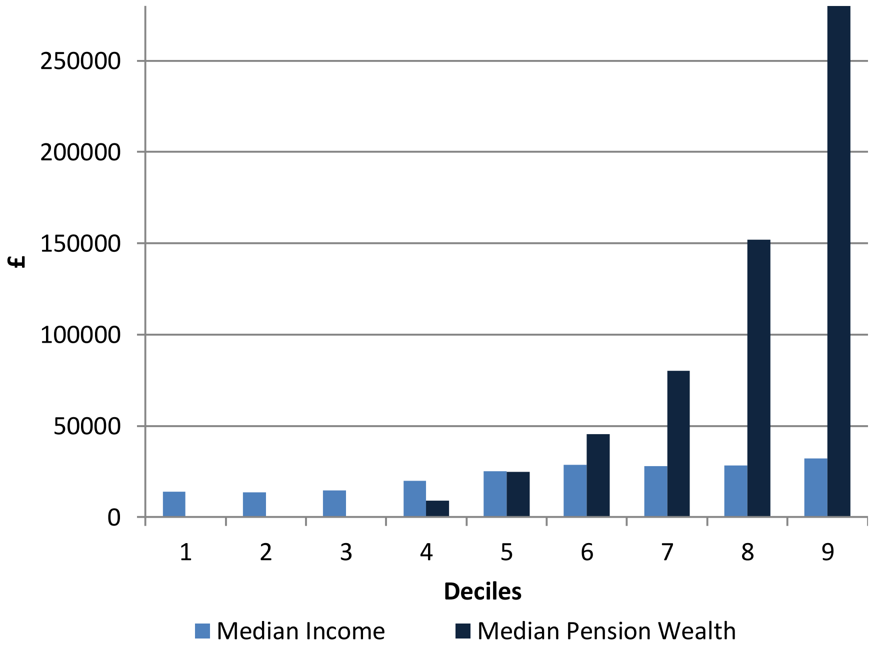
Pension wealth, like other forms of wealth, builds up over a working lifetime. Households in the bottom half of the pension deciles may have little pension wealth because they have yet to build up a pension fund, including younger employees starting to pay into a pension. Pension contributions varied by age, with 58 per cent of people aged 35 to 55 paying into a private pension, compared to just 11 per cent of those aged 16 to 24.

However, the deciles without pension wealth will also include households where contributions to a private pension are not being made due to low incomes. Chart 4.4, overleaf, presents median private pension wealth and median household income by decile. This chart shows the median, or average pension wealth *per household*, and is different from Chart 4.3 which shows the aggregate pension wealth of all households within a given decile. It shows that households only start to accumulate substantial pension wealth from decile 4 onwards, at an income of £20,000.

In Scotland, 43 per cent of working age adults were paying into a private pension. For those contributing to a private pension scheme, around half contribute to an occupational defined benefits pension (current and retained pensions). The value of occupational defined benefits pensions, while showing a small increase between 2008/01 and 2010/12, remains below the values in 2006/08. The value of pensions held by the wealthiest 10 per cent fell between 2006/08 and 2010/12, resulting in a fall in pension inequality.

In 2010/12, 43 per cent of people made contributions to a private pension scheme, almost the same as in 2008/10 (42 per cent). The automatic enrolment for workplace pension schemes came into effect on 1 April 2012, with roll out across employers staged from this date until 2017. The impact of this policy is not measured within the wave three WAS data, as the data only covers the first two months of the scheme, but should start to become measurable in future WAS waves.

Chart 4.4: Median pension wealth and income by decile, 2010/12



Note the tenth decile has been excluded from chart 4.4 to allow smaller values to display clearly.

4.3 Property wealth

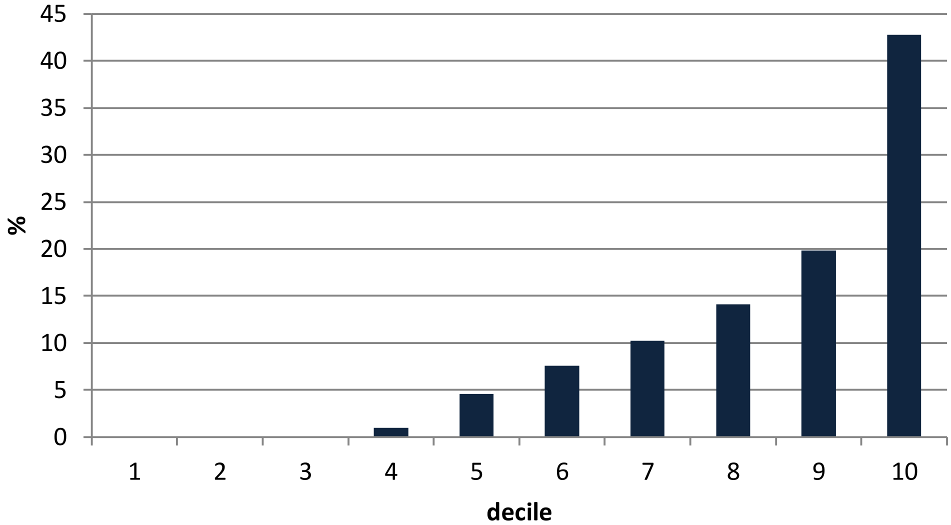
Looking at property wealth, the least wealthy 30 per cent of households had no property wealth in 2010/12, with the least wealthy 10 per cent having net negative property wealth of 0.5 billion, and the second and third deciles having zero property wealth. After this point, the decile distribution for this component is somewhat flatter than for financial and pension, showing a more equal distribution.

It is important to note these figures are net property wealth – the value of the property minus the value of the outstanding mortgage. For families at earlier life stages, net property value will be lower as property is mortgaged. By pensionable age, many households will own their property outright, and so net property wealth is the value of the property. For older households, the net property wealth will also capture any increase in property values over their period of ownership.

As will be shown in the next chapter, the least wealthy 30 per cent in terms of total wealth are substantially less likely than the population as a whole to own property, and any ownership of property in this group is likely to be on a mortgage.

Chart 4.5 shows the distribution of property wealth treating negative values as zero to illustrate the distribution of property wealth as percentages of total property wealth. This shows that the wealthiest 10 per cent of households owned 43 per cent of property wealth, while the bottom 50 per cent owned just 6 per cent. Note that property wealth also includes land ownership. Land ownership is more unequal than other forms of wealth. Estimates suggest more than half of land in Scotland is owned by fewer than 500 individuals[2].

Chart 4.5: Property wealth by decile, 2010/12



Source: Wealth and Assets Survey, ONS
Note: Negative wealth values were set to zero.

The wealthiest 10 per cent in terms of property wealth owned eight times as much property wealth as the bottom 50 per cent of households combined, and 56 times as much as the least wealthy 40 per cent combined. Comparisons with the least wealthy 30 per cent are not meaningful, as this group has negative net property wealth.

4.4 Physical wealth

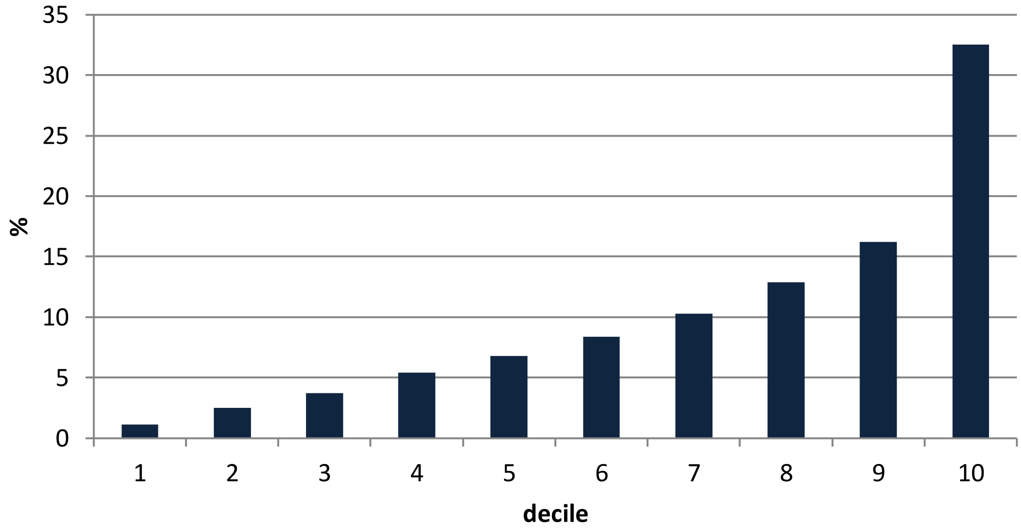
Physical wealth was the most equally distributed component of wealth, but still shows high inequality in ownership.

Chart 4.6 shows the distribution of physical wealth across the population. The wealthiest 10 per cent in terms of physical wealth owned 33 per cent of physical wealth, twice as much as the second wealthiest decile (16 per cent) and 1.7 times as much as the bottom 50 per cent of households combined (20 per cent).

The much lower level of inequality is reflected in the ratios between the wealthiest 10 per cent and other groups. The wealthiest 10 per cent owned twice as much physical wealth as the least wealthy 50 per cent of households, three times as much as the least wealthy 40 per cent, and four times as much as the least wealthy 30 per cent.

[2] Wightman, A (2011) *The Poor Had no Lawyers: Who Owns Scotland (and How They Got It),* Birlinn

Chart 4.6: Physical wealth by decile, 2010/12



Source: Wealth and Assets Survey, ONS

4.4.1 Wealth inequality as measured by Gini coefficients

The final section in this chapter discusses the Gini coefficient, a commonly used measure of inequality, in relation to the components of wealth. A Gini coefficient of 0 represents perfect equality, while a coefficient of 1 represents perfect inequality, i.e. all wealth being owned by a single person.

Table 3.1 shows the Gini coefficients for total wealth and the four wealth components in 2006/8, 2008/10 and 2010/12. The Gini coefficient for wealth overall was 0.61 in 2010/12. Total wealth became slightly more equally distributed over time, with the Gini coefficient decreasing from 0.63 in 2008/10 and 66 in 2006/08. This reduction was largely driven by a fall in the value of private pension wealth owned by the wealthiest 10 per cent of households. There was a small increase in the value of physical wealth owned by the least wealthy 30 per cent which reduced inequality in physical wealth ownership.

Table 4.1 Gini coefficients by wealth component, 2006/08 – 2010/12

	2006/08	2008/10	2010/12
Property wealth	0.65	0.64	0.64
Financial wealth	0.90	0.89	0.93
Physical wealth	0.47	0.48	0.45
Private pension wealth	0.79	0.77	0.74
Total household wealth	**0.66**	**0.63**	**0.61**

Source: Wealth and Assets Survey, ONS

Looking at components of total wealth, the Gini coefficients confirm the findings discussed in the sections above:

- **Financial wealth was the most unequally distributed**, with a Gini coefficient of 0.93, and the inequality of this component increased between 2006/08 and 2010/12.
- **Physical wealth was the least unequally distributed** with a coefficient of 0.45. Inequality in this component has decreased slightly between 2006/08 and 2010/12 due to an increase in the value of physical wealth owned by the least wealthy households.
- Pension wealth had a Gini coefficient of 0.74, and inequality in this component has decreased since 2006/08 and 2010/12, due to a fall in the value of pensions owned by the wealthiest 10 per cent.
- Property wealth had a Gini coefficient of 0.64 in 2010/12, which was largely unchanged over between 2006/08 and 2010/12.

5. The least wealthy households in Scotland

This chapter looks at the least wealthy 30 per cent of households, referred to here as 'the least wealthy households'[3]. It analyses the socio-demographic characteristics of these households and presents information about the financial assets and non-mortgage borrowing of this group, comparing this to the population as a whole.

Key points

- Households in the least wealthy 30 per cent of households have very few assets, owning just 2 per cent of total wealth in Scotland.
- Single adult and lone parent households were overrepresented in the least wealthy households, making up 46 per cent and 11 per cent of the bottom three deciles, but only 31 per cent and 5 per cent of the population overall.
- Younger households were more likely to be in the least wealthy households. Forty-four per cent of households headed up by someone under 45 were in this group, compared to 21 per cent of those headed up by someone aged 45-64. This reflects the fact that wealth tends to be accumulated through life, with younger households yet to accumulate wealth.
- The least wealthy households were more likely to have an economically inactive head not seeking employment (22 per cent compared to 9 per cent in the population overall) and slightly more likely to be unemployed (5 per cent compared to 2 per cent).
- However, almost half of households in the least wealthy group were headed by somebody in work, which suggests employment on its own is no guarantee that a household will be able to build up wealth.
- Households in the least wealthy households were more likely have a head of household with no qualifications (44 per cent) and to be employed in routine and manual occupations (65 per cent) than the population as a whole (30 per cent and 42 per cent).
- A very large majority (84 per cent) of people in the least wealthy group rented their main residence. Only 11 per cent owned their home, compared to 65 per cent in the population as a whole.

[3] Households were sorted in ascending order in terms of total wealth from the least wealthy households to the wealthiest.

5.1 The share of wealth of the least wealthy 30 per cent

The least wealthy households had very few assets across the three waves of the survey. This is true across all types of wealth. In 2010/12, these households owned:

- 2 per cent of total wealth
- No financial wealth (0 per cent)
- 6 per cent of property wealth
- 7 per cent of physical wealth
- No private pension wealth (0 per cent)

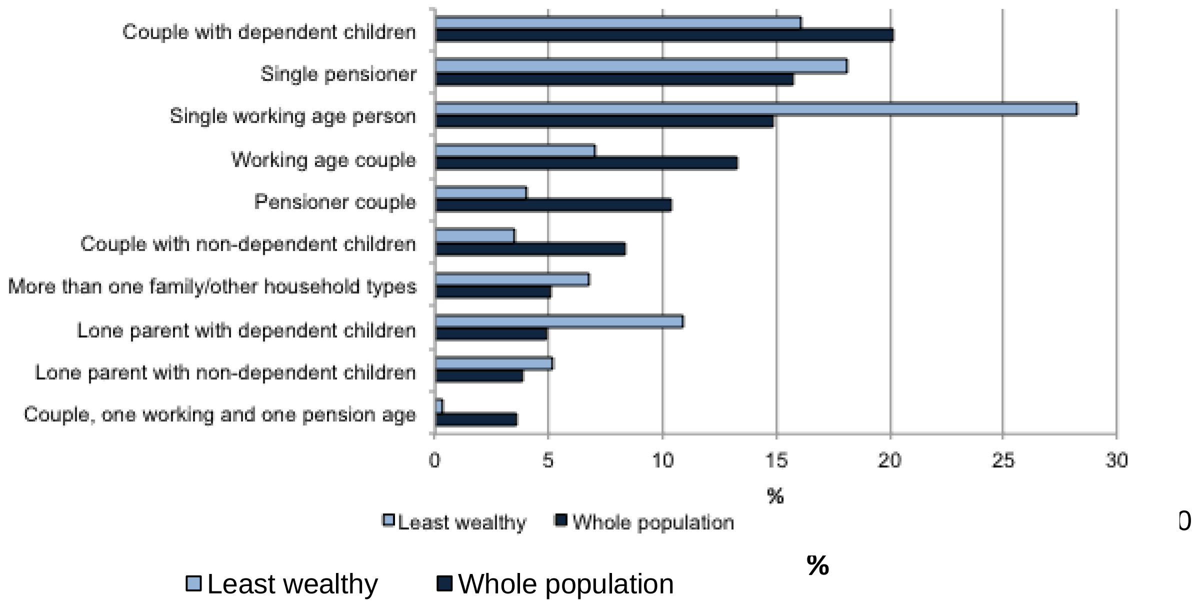
5.2 The demographic composition of the least wealthy households

This section provides information on household type, age, employment status, education, socio-economic group and tenure of the least wealthy 30 per cent of households in Scotland.

5.2.1 Household type

Chart 5.1 shows the household type of the least wealthy households compared with the population as a whole.

Chart 5.1: Household composition, least wealthy 30 per cent and whole population, 2010/12



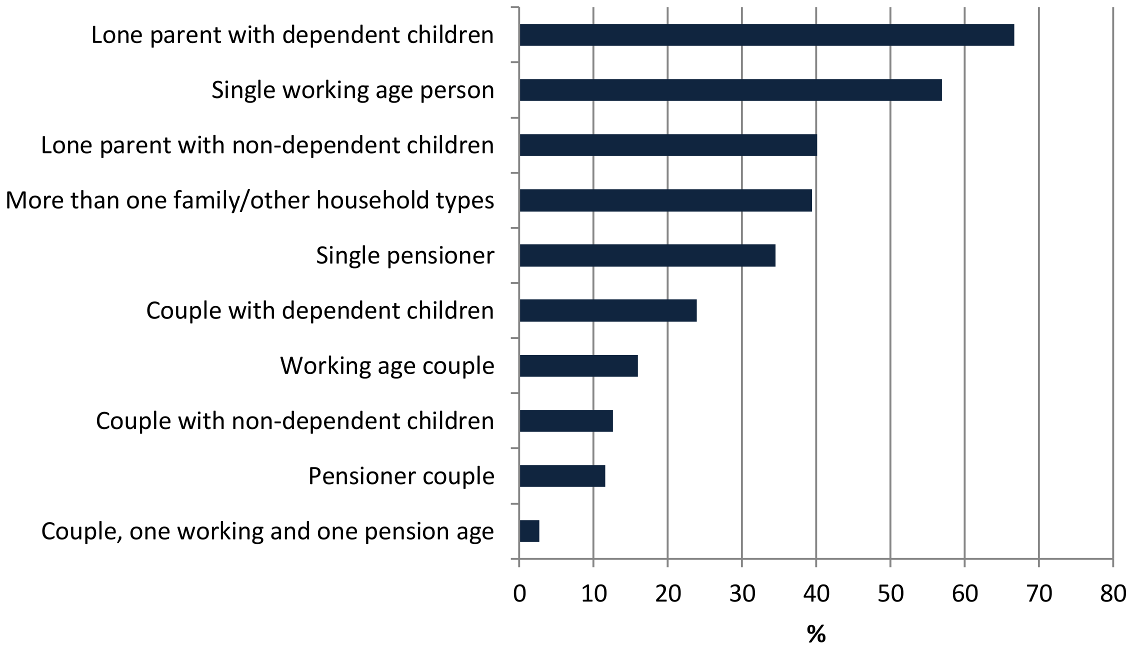
Source: Wealth and Assets Survey, ONS

Single adult households were overrepresented in the least wealthy group. Just under half of the least wealthy households were of this type (28 per cent single adults, 18 per cent single pensioners), compared to less than one in three (15 per cent single adults, 16 per cent single pensioners) in the population as a whole.

Lone parents with dependent children were also overrepresented: 11 per cent of the least wealthy households were lone parent households, compared to just 5 per cent in the population overall.

Chart 5.2 shows the percentage of each household type that is in the least wealthy three deciles.

Chart 5.2: Risk of low wealth by household type, 2010/12



Source: Wealth and Assets Survey, ONS

Lone parents were the most likely to be in the least wealthy households. Two thirds (67 per cent) of all lone parents households in Scotland were in this group. Employment status may provide one explanation for this finding. Current benefit eligibility means this group are not required to seek employment until their youngest child is 5 years old. Additionally, while just under 60 per cent of lone parents were in employment in Scotland, evidence shows that their employment tends to be part time, lower paid, and less secure to fit around caring responsibilities.

Single working age adult households were also very likely to own little wealth, with 57 per cent of all households of this type in the three least wealthy deciles.

By contrast, couple households and couples with adult children were the least likely to be in the least wealthy group. Only 16 per cent of working age couples, 13 per cent of couples with non-dependent children, 12 per cent of pensioner couples and 3 per cent of couples where one half of the couple was a pensioner were in the bottom three wealth deciles.

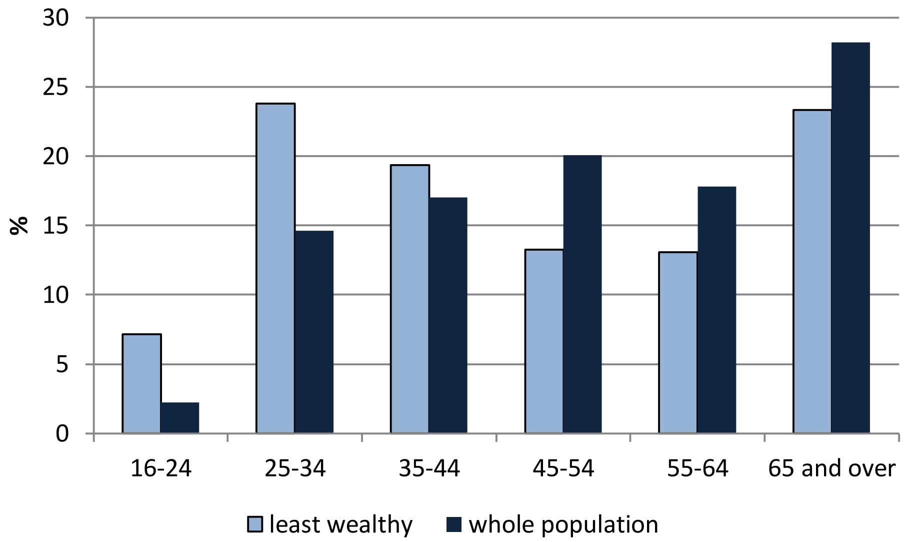
5.2.2 Age

Chart 5.3 shows the age groups of heads of households of the least wealthy households and the population as a whole.

Households headed up by an adult under 45 were overrepresented in the least wealthy group. Forty-four per cent of households headed by someone under 45 were in the least wealthy group, compared to 21 per cent of those headed up by an adult aged 45-64.

Looking at particular age groups, households headed up by a person aged 25-34 made up 24 per cent of the least wealthy households but only 15 per cent of households overall.

Chart 5.3: Age of head of household, least wealthy 30 per cent and whole population, 2010/12



Source: Wealth and Assets Survey, ONS

The relationship between young age and low wealth can be explained by two factors. First, younger individuals tend to have lower earnings, as they are more likely to be in entry level jobs, and thus have less disposable income to save or invest. Second, regardless of income, younger people have simply had less time to accumulate wealth.

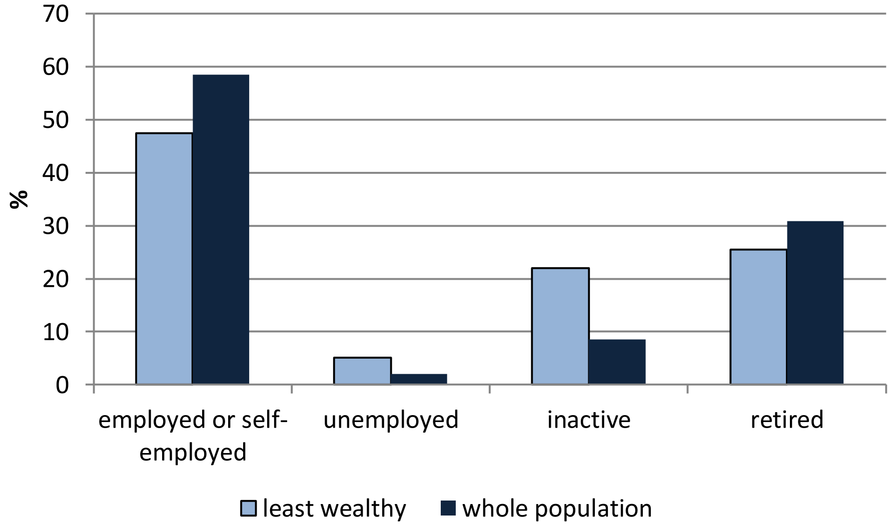
5.2.3 Employment status

Chart 5.4 shows the employment status of the head of household in the least wealthy households, compared with the population as a whole.

Almost half the households (47 per cent) in the least wealthy group were headed up by someone employed or self-employed. This suggests that employment is not enough to protect against low wealth.

Heads of households in the least wealthy group were slightly more likely to be unemployed than across the population as a whole (5 per cent compared to 2 per cent) and substantially more likely to be economically inactive (22 per cent compared to 9 per cent).[4]

Chart 5.4 Employment status of head of household, least wealthy 30 per cent and whole population, 2010/12



Source: Wealth and Assets Survey, ONS

There are differing reasons why a household may not be seeking employment, however many in this group face barriers to the labour market. The lack of participation in the labour market limits the household capacity to increase income and so accumulate wealth.

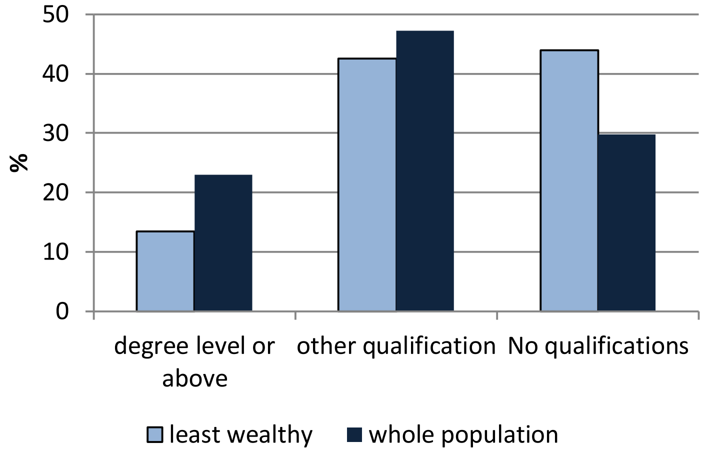
5.2.4 Education

Chart 5.5 shows heads of households' highest educational qualification for the least wealthy group and compares it with that for the population as a whole.

Heads of households in the least wealthy households were more likely to have no qualifications (44 per cent) and less likely to be educated to degree level (13 per cent) than the population as a whole (30 per cent and 23 per cent respectively).

[4] Economically inactive people are those who are not in employment and are not actively seeking employment. This group includes those who have caring responsibilities, those who are unable to take up employment (for example through disability or ill-health) as well as those with private incomes.

Chart 5.5: Education of head of household, least wealthy 30 per cent and whole population, 2010/12



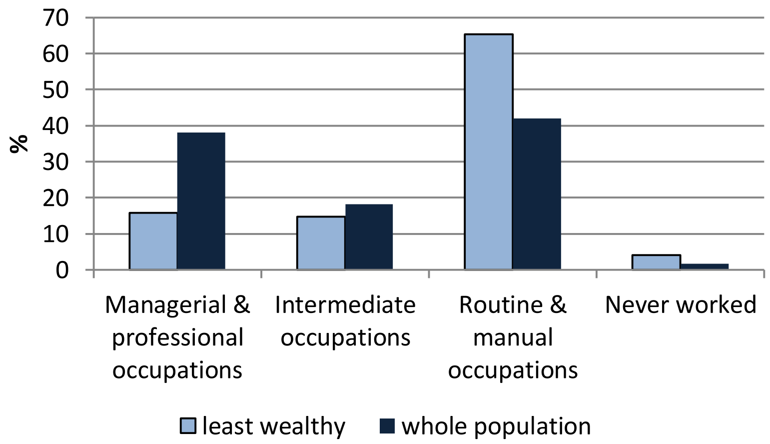
Source: Wealth and Assets Survey, ONS

Education is a driver of both employment status and higher earnings. A lack of qualifications increases the likelihood of unemployment, with higher qualifications leading to many higher level and better paid jobs. A lack of qualifications is also linked with temporary and low paid employment, meaning households may struggle to accumulate wealth.

5.2.5 Socio-economic group

Chart 5.6 shows the socio-economic group of the head of household in the least wealthy thirty per cent of households, and contrasts this with the population as a whole.

Chart 5.6: Socio-economic group of head of household, least wealthy 30 per cent and whole population, 2010/12



Source: Wealth and Assets Survey, ONS

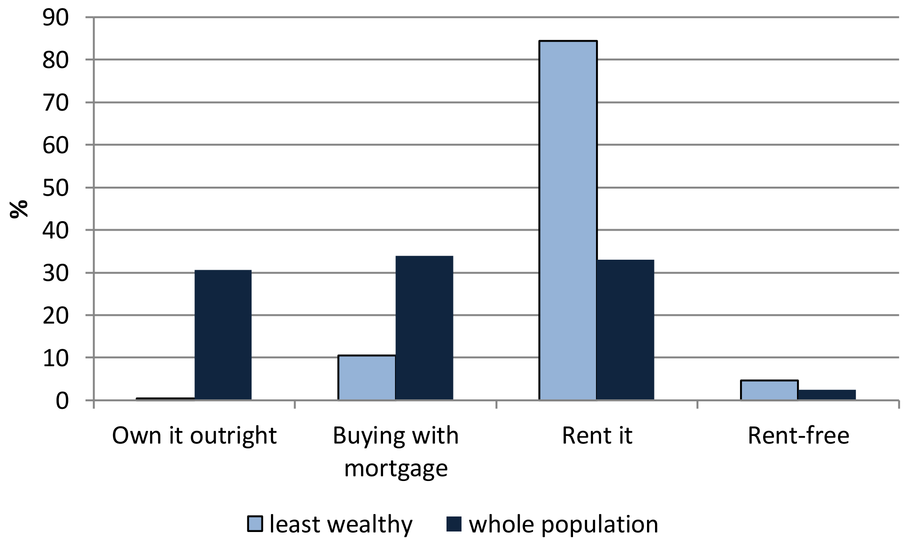
Almost two thirds of households in the least wealthy group were headed up by someone in a routine or manual occupation, compared to 42 per cent in the population overall. Such occupations are generally low paid, making it difficult for these households to set aside money to accumulate wealth.

By contrast, only 16 per cent of the least wealthy group are were employed in managerial occupations, which tend to be relatively highly paid, compared to 38 per cent of the population as a whole.

Tenure

Chart 5.7 shows the tenure of main residence in the least wealthy 30 per cent of households and the population as a whole.

Chart 5.7 Tenure or main residence, least wealthy 30 per cent and whole population, 2010/12



Source: Wealth and Assets Survey, ONS

The very large majority of people in the least wealthy group (84 per cent) rented their home. Only 11 per cent were owner-occupiers, and virtually no one in this group owned their home outright.

In contrast, 65 per cent of the population as a whole were owner occupiers. Almost half of those (31 per cent overall) owned their home outright.

The next section considers in detail the financial assets of the least wealthy households.

5.3 Financial assets of the least wealthy households

Key points:

- Ownership rates of financial assets were lower among the least wealthy 30 per cent of households than the population as a whole. While 79 per cent had a current account in credit, only 24 per cent had a savings account, compared to 47 per cent in the whole population.

- The value of financial assets was also substantially lower among the least wealthy. The median value of all financial assets of people in the least wealthy group was just £500, less than a tenth of the median value for the population as a whole at £5100.

- The percentage of the least wealthy group who had current accounts in credit increased from 69 per cent in 2006/08 to 79 per cent in 2010/12. However, there was no consistent change in this group's ownership rates of other financial assets.

5.3.1 Ownership of financial assets

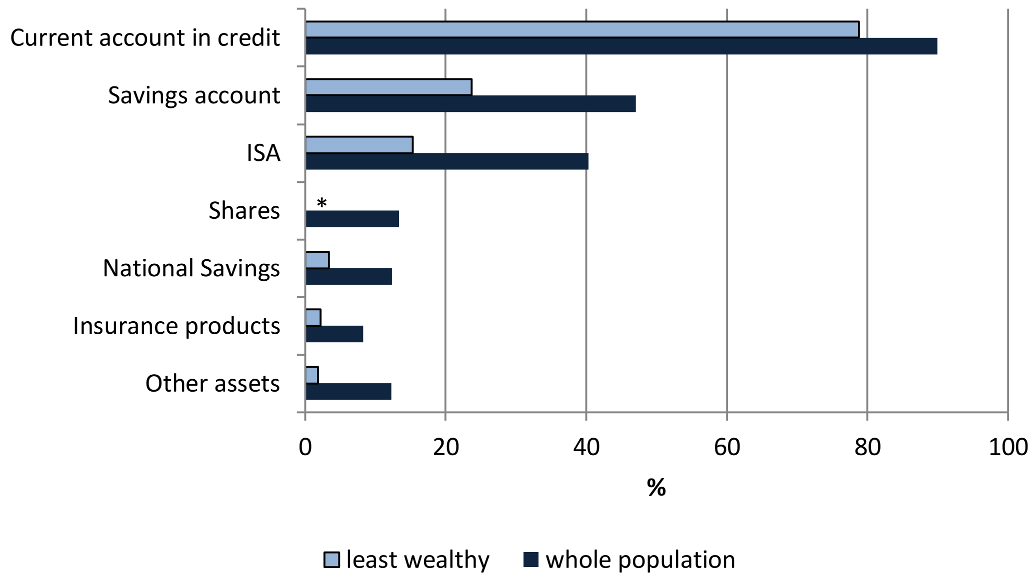
Chart 5.8 shows the proportion of the least wealthy households with a current account in credit, a savings account in credit, an ISA account, and other financial assets. These are contrasted with the proportions for the whole population.

While 79 per cent of people in the least wealthy group had a current account in credit, this was lower than that for the population as a whole, at 90 per cent.

However, rates of ownership of other financial assets were substantially lower among the least wealthy group than in the population as a whole: 24 per cent of the least wealthy households had money in a savings account, compared to 47 per cent overall; and 15 per cent had an ISA, compared to 40 per cent overall.

Ownership of other financial assets such as shares, insurance products national savings or bonds was generally low throughout the population at 13 per cent or less. Ownership of these assets was even lower for the least wealthy households, at less than 3 per cent.

Chart 5.8 Percentage of households with formal financial assets, least wealthy 30 per cent and whole population, 2010/12



Source: Wealth and Assets Survey, ONS
Notes:
Other assets = Fixed term bonds, Unit investment trusts, bonds or gilts;
Shares = overseas shares, UK shares, employee shares;
Insurance products = Life insurance, Friendly Society or endowment policies (excluding endowments linked to the mortgage). Excluding term insurance policies i.e. life insurance policies which only have a value if you die in the period of the insurance.
* supressed due to N<10

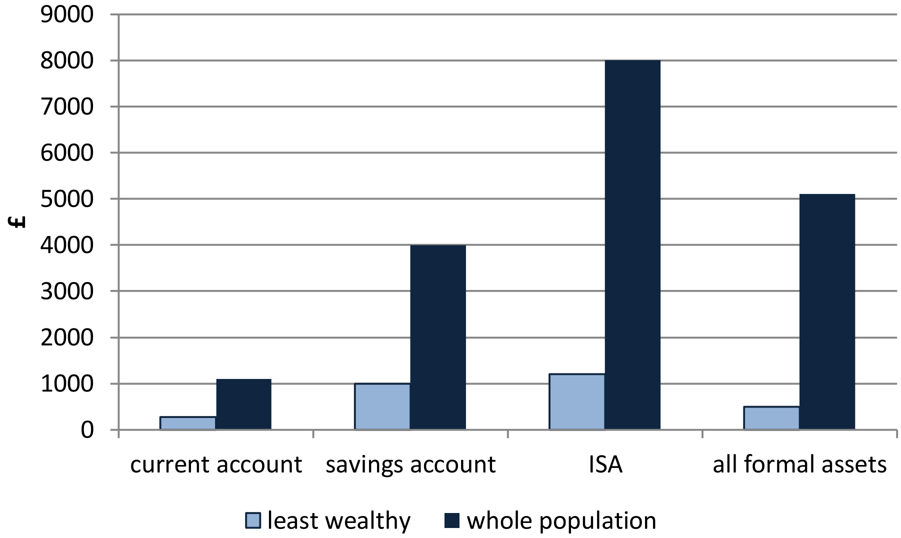
5.3.2 Value of financial assets

Chart 5.9 shows the median value of formal financial assets among those that have them. The median value represents the 'middle point' at which half the people have less and half the people have more.

As discussed above, the majority of the least wealthy households did not have financial assets except for current accounts. The following analysis only includes those households which owned financial assets. In addition, this analysis looks at assets independently of debts. As noted in chapter 2, a large proportion of the least wealthy in terms of financial wealth have negative financial wealth, i.e. more debts than assets.

The median value of all financial assets of households in the least wealthy group was just £500, less than a tenth of the median value for the population as a whole at £5100.

Chart 5.9: Median value of formal financial assets, least wealthy 30 per cent and whole population, 2010/2012



Source: Wealth and Assets Survey, ONS

The median value of current accounts in credit was £300 among the least wealthy households compared with £1100 for the population as a whole.

The gap was larger for savings. Households in the least wealthy group who had savings had on average £1000 in savings accounts compared to £4000 among the population as a whole, and £1200 in ISAs, compared to £8000.

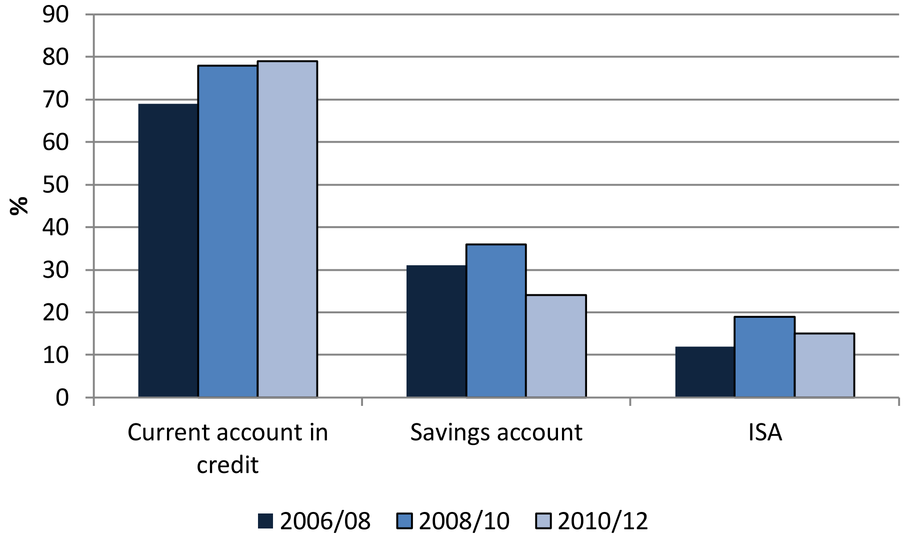
5.3.3 Change in ownership of financial assets over time

Chart 5.10 shows the percentage of households in the least wealthy group holding financial assets over time.

The percentage of households with a current account in credit increased from 69 per cent in 2006/08 to 79 per cent in 2010/12. Change was less consistent for savings accounts and ISAs, with the percentage of holding these assets increasing in 2008/10 but then falling again in 2010/12.

The pattern of change was very similar among the population as a whole, meaning that the *relative* position of the least wealthy group remained unchanged over time.

Chart 5.10: Percentage of households with formal financial assets, least wealthy 30 per cent 2006/08- 2010/12

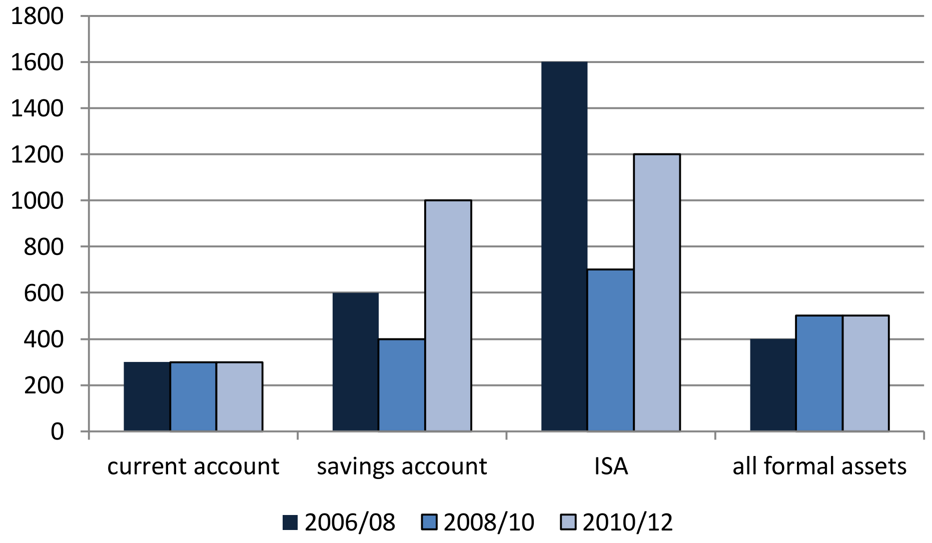


Source: Wealth and Assets Survey, ONS

5.3.4 Change in value of financial assets over time

Table 5.1 and Chart 5.11 show change over time in the median value of financial assets.

Chart 5.11: Median value of formal financial assets – least wealthy 30 per cent, 2006/2008 - 2010/2012



Source: Wealth and Assets Survey, ONS

Table 5:1 Median value of formal financial assets, least wealthy three deciles and whole population, 2006/08 - 2010/12

	Whole population			Least wealthy		
	2006/08	2008/10	2010/12	2006/08	2008/10	2010/12
Current account	1,000	1,000	1,100	300	300	300
Savings account	3,000	2,700	4,000	600	400	1,000
ISA	7,000	6,500	8,000	1,600	700	1,200
All formal assets	**5,200**	**6,500**	**5,100**	**400**	**500**	**500**

Source: Wealth and Assets Survey, ONS
Note: Values are absolute values at the time of the survey, i.e. they are not adjusted for inflation

The median value of all formal assets among the least wealthy group increased only very slightly from £400 in 2006/08 to £500 in 2010/12.

Among the population as a whole, the overall median value of formal assets increased from £5200 between 2006/08 to £6500 in 2008/10, but by 2010/12 had returned to just below its original level. This suggests that the situation of the least wealthy group has not changed substantially, both in absolute terms and relative to the situation of the whole population.

Looking at specific types of assets among the least wealthy, the value of current accounts stayed broadly the same over the three waves of the survey. The values of savings accounts and ISAs among the least wealthy group dropped between 2006/08 and 2008/10, but then increased in 2010/12.

This may suggest that the least wealthy were rebuilding their savings slightly after running them down at the onset of the recession. However, it should be noted that these figures are only for the least wealthy group who have savings. The majority of the least wealthy households had no savings at all.

5.3.5 Informal financial assets

There was little difference between the least wealthy households and the population as a whole in terms of informal assets such as cash savings at home, money given to someone to look after, or informal loans given to others that will be repaid.

Both the percentage of people who have informal assets and their value were relatively low. Seven per cent in the least wealthy households had informal assets, with a median value of £450, compared to 9 per cent in the population as whole, with a median value of £600.

However, it should be noted that given the much lower level of formal assets among the least wealthy, informal assets are relatively more important for this group.

The next section looks at non-mortgage borrowing.

5.4 Non-mortgage borrowing

Key points:

- The percentage of households with some form of non-mortgage borrowing was almost the same among the least wealthy 30 per cent of households and the population as a whole, at 38 per cent and 39 per cent respectively.
- However, the types of borrowing differed. The least wealthy 30 per cent were more likely be overdrawn on their current account and have formal loans, and less likely to have outstanding credit card balances or hire purchase agreements.
- 17 per cent of least wealthy households were in arrears, substantially more than among the population as a whole (6 per cent).
- The median amount borrowed among the least wealthy 30 per cent was £1200, about a third of the amount in the population as a whole (£3500).
- The prevalence of credit card debt increased between 2006/08 and 2010/12 while the prevalence of formal loans decreased among the least wealthy 30 per cent of households.
- The value of borrowing remained about the same between 2006/08 and 2010/12 among the least wealthy 30 per cent, but increased by nearly 60 per cent in the population as a whole.

5.4.1 Prevalence of borrowing

Chart 5.12 shows the percentage of households with non-mortgage borrowing in the least wealthy 30 per cent of households and the population as a whole.

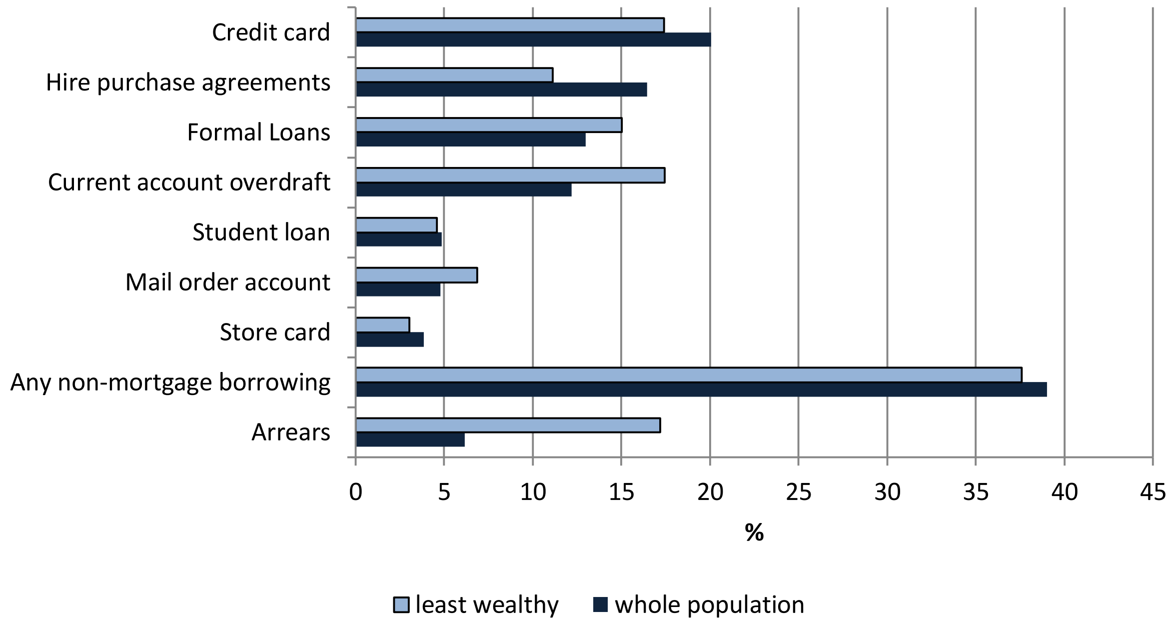
In the least wealthy group, 38 per cent of households had some kind of debt, almost the same percentage as in the population as a whole (39 per cent).

However, the least wealthy were more likely to have different types of debt. They were more likely to be overdrawn on their current account (17 per cent compared to 12 per cent in the population as a whole) and have formal loans (15 per cent compared to 13 per cent for the population as a whole).

In contrast, fewer people in the bottom three deciles had outstanding credit card balances (17 per cent compared to 20 per cent) and hire purchase agreements (11 per cent compared to 16 per cent).

However, households in the least wealthy group were substantially more likely to be in arrears on their debt (17 per cent compared to 6 per cent). Almost all of these arrears were household bill arrears.

Chart 5.12: Percentage of households with non-mortgage borrowing, least wealthy 30 per cent and whole population, 2010/12

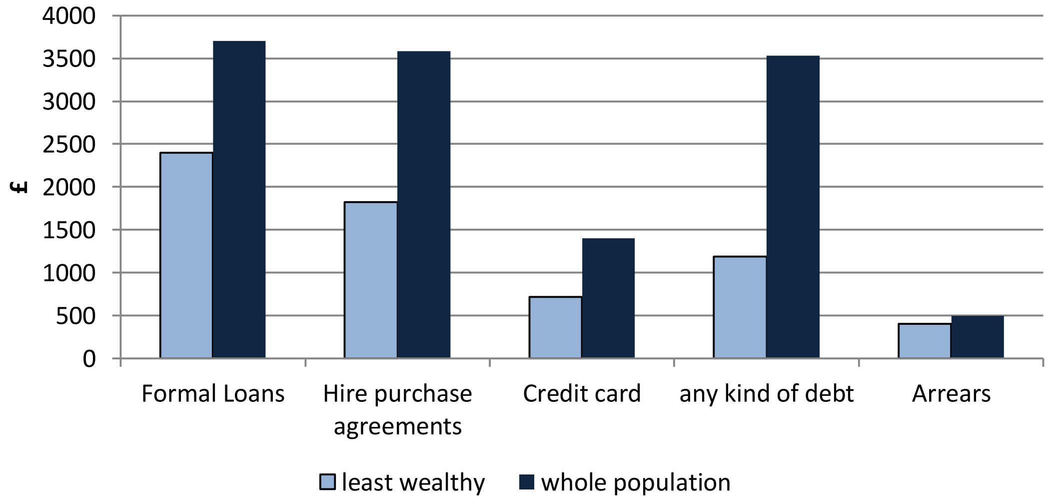


Source: Wealth and Assets Survey, ONS

5.4.2 Value of borrowing

Chart 5.13 shows the median amounts outstanding for household non-mortgage borrowing.

Chart 5.13 Median amounts outstanding for household non-mortgage borrowing, least wealthy 30 per cent and whole population, 2010/2012



Source: Wealth and Assets Survey, ONS

Households in the least wealthy group had lower median levels of borrowing than the population as a whole, at £1200 compared to £3500. This is likely to reflect their lower ability to make repayments and ability to borrow.

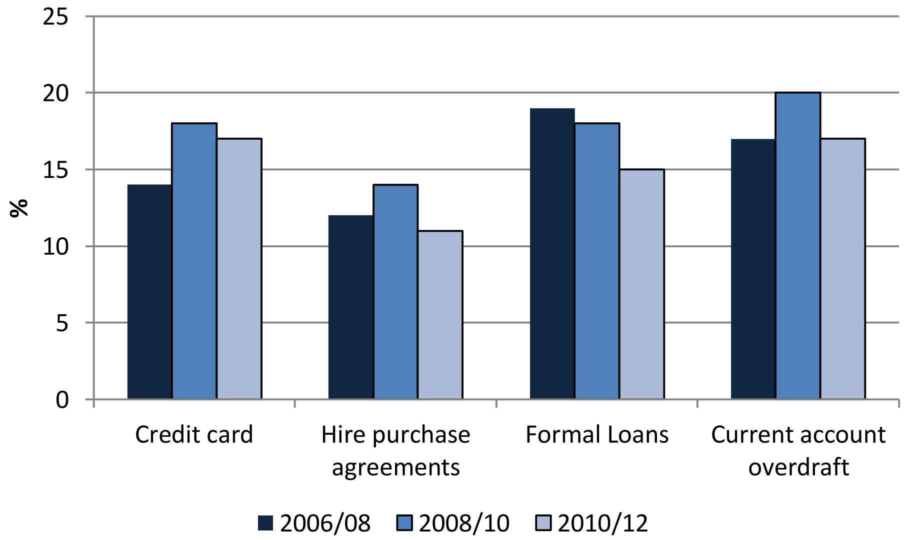
The median level of arrears was slightly lower for the least wealthy group at £400 than the population as a whole at £500, although as noted above, a larger percentage of the least wealthy were in arrears.

5.4.3 Change in the prevalence of borrowing over time

Chart 5.14 shows the percentage of households with non-mortgage borrowing in the least wealthy households over time.

Between 2006/08 and 2010/12 the percentage of the least wealthy households with formal loans fell from 19 per cent to 15 per cent and the percentage with credit card debt increased from 14 per cent to 17 per cent. The percentages with hire purchase agreements and overdrafts increased between 2006/08 and 2008/10, but then fell to their original level by 2010/12.

Chart 5.14: Percentage of households with non-mortgage borrowing, least wealthy 30 per cent. 2006/08 - 2010/12



Source: Wealth and Assets Survey, ONS

The pattern of change over time in the population as a whole was similar, but the increase in the percentage with credit card debt and the fall in the percentage with formal loans was more marked. The percentage of households in the population as a whole with credit card debt increased from 10 per cent to 20 per cent, while the percentage with formal loan decreased from 21 to 13 per cent.

5.4.4 Change in amount of borrowing over time

Table 5.2 and Chart 5.15 show change over time in the median value of borrowing.

The overall value of debt held by the least wealthy households increased from £1200 in 2006/08 to £1500 in 2008/10, but by 2010/12 was back down to its original level.

Over the same period, the value of borrowing among the population as a whole increased by nearly 60 per cent from £2200 in 2006/08 to £3500 in 2010/12.

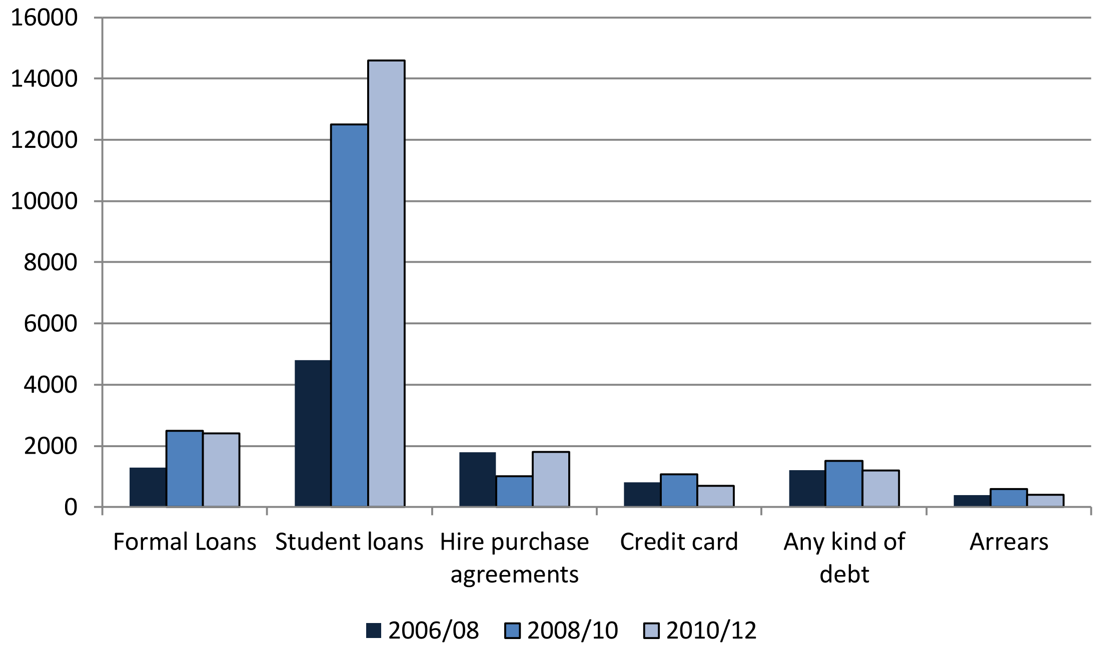
Median value of formal loans increased from £1300 in 2006/08 to £2400 in 2010/12 for the least wealthy households. Other types of debt held by the least wealthy households as well as household arrears stayed broadly the same between 2006/08 and 2010/12, with some small change in 2008/10.

Table 5.2: Median amounts outstanding for household non-mortgage borrowing and median household arrears, least wealthy 30 per cent and whole population, 2006/08 – 2010/12

	Whole population			**Least wealthy**		
	2006/08	2008/10	2010/12	2006/08	2008/10	2010/12
Formal Loans	3,200	3,700	3,700	1,300	2,500	2,400
Hire purchase agreements	3,000	2,900	3,600	1,800	1,000	1,800
Credit card	1,000	1,200	1,400	800	1,100	700
Any non-mortgage borrowing	**2,200**	**2,300**	**3,500**	**1,200**	**1,500**	**1,200**
Arrears	400	600	500	400	600	400

Source: Wealth and Assets Survey, ONS
Note: Values are absolute values at the time of the survey, i.e. they are not adjusted for inflation

Chart 5.15 Median amounts outstanding for household non-mortgage borrowing and median household arrears – least wealthy 30 per cent, 2006/08 - 2010/12



Source: Wealth and Assets Survey, ONS
Note: Values are absolute values at the time of the survey, i.e. they are not adjusted for inflation

The population as a whole also saw an increase in the median value of formal loans and student loans, but of a much smaller magnitude. The median value of formal loans increased from £3200 in 2006/08 to £3700 in 2010/12. The median value of credit card debt in the population as a whole also increased slightly from £1000 to £1400 between 2006/08 and 2010/12.

6. Movements Across Deciles and Wealth Bands

This penultimate chapter describes the extent to which households in the survey moved between wealth deciles and wealth bands between 2006/08 and 2008/10 and between 2008/10 and 2010/12. Wealth deciles have been discussed above. ‘Wealth bands’ are defined on the basis of set boundaries that remain the same over time and show the *absolute* position of a household in a pre-defined distribution. Wealth bands are more appropriate for illustrating movement over time where there are large numbers of households with the same value of wealth, or where households cannot be separated into higher or lower deciles, as is the case for financial, property and physical wealth.

This analysis was restricted to the longitudinal sample only, i.e. those households that were interviewed at all survey waves. This means this analysis follows people over several years and as such this sample will increase in age over this period. It may be expected therefore that this group might be more likely to accumulate wealth between waves and so it should not be assumed the whole population has seen an increase in wealth on the basis of this analysis.

6.1 Movement across total wealth deciles

Key points:

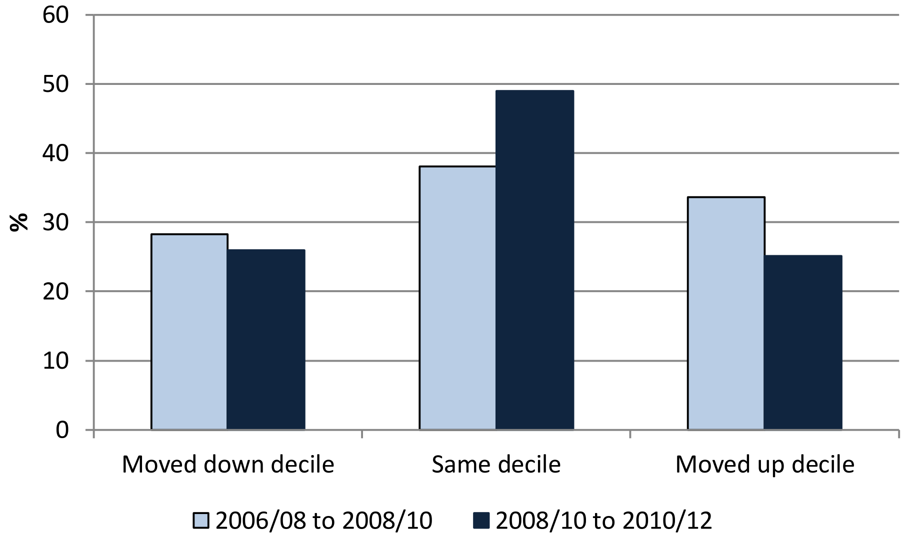
- Just under half of households remained in the same wealth decile between 2008/10 and 2010/12, and about the same amount moved up as moved down.
- This is a lower level of movement than between 2006/08 and 2008/10, when 38 per cent of households remained in the same decile.

Chart 6.1 shows the movement of those households included in both waves across different wealth deciles. Just under half (49 per cent) of households stayed in the same wealth decile in 2010/12 as they were in 2008/10. Almost the same percentage moved to a lower wealth decile (26 per cent) as moved to a higher one (25 per cent).[5]

Movement within the distribution appears to have slowed down over time. Between 2006/08 and 2008/10, 38 per cent of households stayed in the same decile, while 34 moved up, and 28 per cent moved down.

[5] While the percentage moving up and down will by definition balance across the population as a whole, this need not necessarily be the case here as deciles for each wave were calculated for the whole sample whereas the analysis on whether people moved decile included only those that were in the longitudinal sample.

Chart 6.1 Movement across household wealth deciles, 2006/08 to 2008/10 and 2008/10 to 2010/12



Source: Wealth and Assets Survey, ONS
Note: In wave 1, data on physical wealth was only collected for approximately half of the sample. In order to split the population into deciles, only those that have values for all wealth types are used. Analysis based on deciles may therefore not match the total values for the population but are intended instead to represent the distribution of wealth within the population.

Table 6.1, overleaf, provides details of the deciles the households moved from and to. The rows show the decile the household was in, in 2008/10, while the columns show the decile the household was in in 2010/12. Cells show the percentage of households from a given 2008/10 decile by what decile they are in in 2010/12.

The values in the (green) diagonal present the proportion of households that remained in the same wealth deciles across the two waves, while the yellow cells show those deciles that saw a substantial proportion of 10 per cent or more move into them.

For example, looking at the second row:

- 44 per cent of households who were in the 2nd decile in 2008/10 were also in the 2nd decile in 2010/12;
- 23 per cent had dropped down from the second to the first decile between 2008/10 and 2010/12; and,
- 23 per cent of households had moved up from the second to the third decile over the same period.

Looking at the percentages on the diagonal, we see that most movement occurred amongst households who were in the middle of the wealth distribution in 2008/10, while those in the lowest decile and those in the highest decile were most likely to stay in the same position over time. Households in the third, seventh and eighth deciles were least likely to stay in the same relative position. The majority of moves were into the relevant adjacent deciles.

Table 6.1: Movement of households across total wealth deciles, 2008/10 to 2010/12

		2010/12									
		1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
2008 /10	1st	61	28	6	5	0	0	0	0	0	0
	2nd	23	44	23	4	3	0	0	4	0	0
	3rd	7	20	40	22	6	3	0	0	1	0
	4th	4	3	24	47	13	5	2	2	0	0
	5th	0	1	3	20	46	19	5	4	2	0
	6th	0	1	2	4	19	44	17	13	1	0
	7th	0	1	0	0	7	28	41	18	6	0
	8th	1	0	1	0	3	3	22	40	23	6
	9th	0	1	0	1	0	2	10	23	50	14
	10th	0	0	0	0	0	2	3	3	16	76

Source: Wealth and Assets Survey, ONS

6.2 Movement across wealth bands

This section presents an analysis of movements across wealth bands. This analysis is presented for financial, property and physical wealth only as these wealth types can increase or decrease in value more dynamically than pension wealth. For private pension wealth, this accumulates more consistently across a person's working life, and decreases in value on retirement when income is drawn down. For these reasons, movement across pension bands is not applicable.

6.2.1 Financial wealth

Key points:

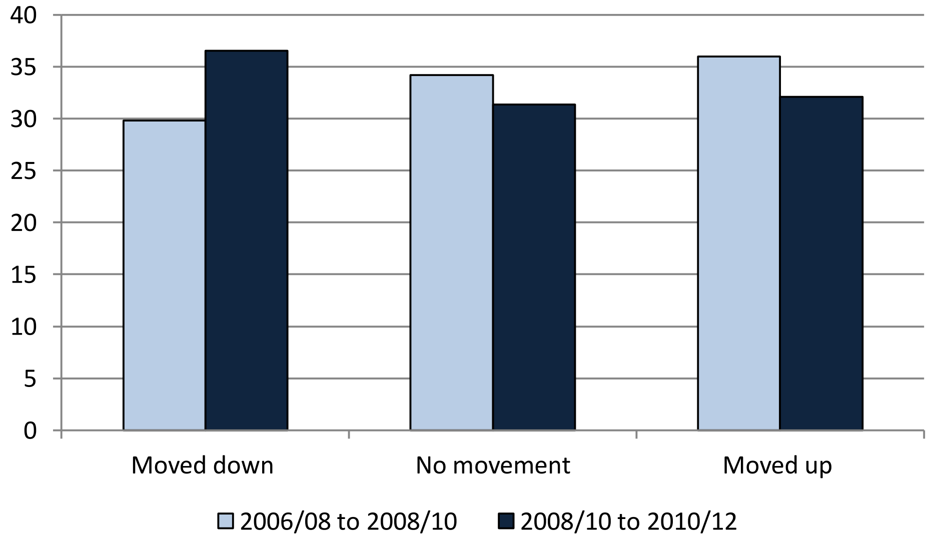
- About a third each of the population moved down a financial wealth band, remained in the same position and moved up a wealth band.
- However, slightly more households moved into a lower band by 2010/12 than moved up, a reversal of the situation between 2006/08 and 2008/10.
- The majority of those with negative or zero financial wealth improved their situation and upwards movements were substantial in some cases, e.g. 12 per cent of those with net debts of over £5,000 moved up four bands into the £500-£5,000 category.

There was considerable movement between financial wealth bands. Chart 6.2 shows movement across financial wealth bands: 31 per cent of households stayed in the same band in 2010/12 as they had been in 2008/10. There was a slight general downward movement of households, with slightly more households (37 per cent) moving to a lower band than to a higher band (32 per cent).

However, it should be noted that many of the financial wealth bands are quite narrow, representing the level of savings and debts held by those near the bottom of the distribution with only a small percentage of the population having high levels of financial wealth. This is compared with property wealth where, for those that own property wealth, there is more equitable distribution and a greater range of wealth. As such, the high levels of movement between financial wealth bands might be expected.

The situation was similar between 2006/08 and 2008/10, although slightly more households were accumulating financial wealth, with 36 per cent moving up a financial wealth band, and 30 per cent moving down. The percentage of households maintaining their financial wealth was also slightly higher at 34 per cent.

Chart 6.2: Movement across financial wealth bands, 2006/08 to 2008/10 and 2008/10 to 2010/12



Source: Wealth and Assets Survey, ONS

Table 6.2 provides details of the band households moved to and from between 2008/10 and 2010/12. Again, there was more movement in the middle of the distribution, while those with significant amounts of net debt of over £5000 and those with large amounts of net financial wealth (over 100,000) were least likely to move. Households with zero wealth or debts of less than £500 in 2008/10 were the least likely stay in that band, with 51 per cent having moved up, and 35 per cent having moved down. Similarly, 55 per cent of those with debts of more than £5000 moved into a higher band, and 62 per cent of those with debts of between £500 and £5000 moved upwards. These upwards movements were substantial in some cases: 12 per cent of those with debts of over £5,000 and 23 per cent of those with debts of between £5000 and £500 were in the £500 to £5000 band by 2010/12, an upwards move of four and three bands respectively.

Table 6.2: Movement of households across financial wealth bands, 2008/10 to 2010/12

		2010/12 value of financial wealth									
		<-5,000	-4,999 – -500	-500 – -1	0 – 499	500 – 4,999	5,000 – 12,499	12,500 – 24,999	25,000 – 49,999	50,000 – 99,999	100,000 +
2008/10	<-5,000	45	19	2	9	12	5	6	1	1	0
	-4,999 – -500	15	23	8	18	23	5	1	4	2	0
	-499 – -1	10	26	13	25	18	0	8	0	1	0
	0 – 499	2	15	10	37	29	2	3	2	1	0
	500 – 4,999	7	8	3	17	35	17	8	1	2	1
	5,000 – 12,499	6	7	0	5	25	23	23	5	3	2
	12,500 – 24,999	5	6	4	3	14	22	20	11	10	5
	25,000 – 49,999	4	0	0	3	9	9	19	25	20	11
	50,000 – 99,999	5	0	0	6	9	9	6	20	26	19
	100,000 +	1	1	0	0	4	10	7	9	16	53

Source: Wealth and Assets Survey, ONS
Note: Percentages may not sum to 100 due to rounding

Another notable move was that 10 per cent of those in the highest wealth band of over £100,000 moved down four bands into the £5,000 to £12,500 category, suggesting these households were either running down their financial wealth or shifting it into other assets such as property or pensions.

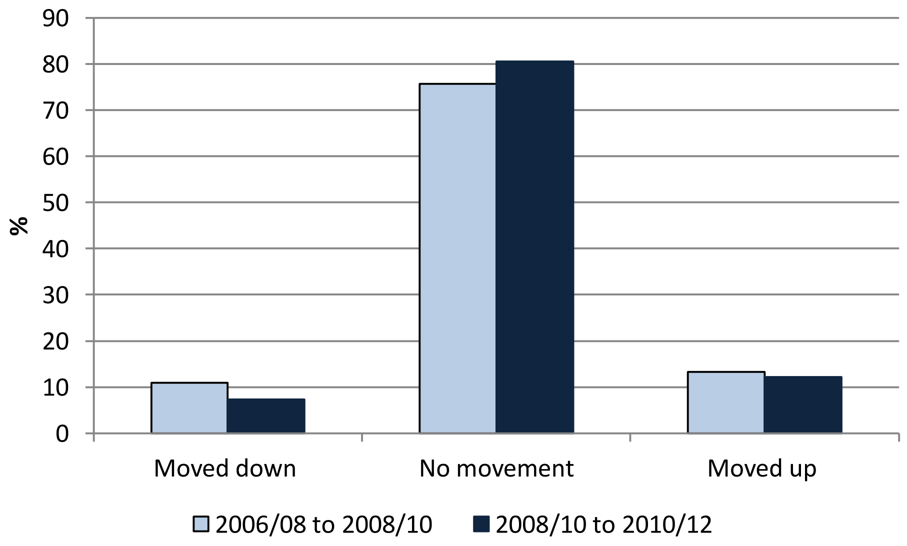
6.2.2 Property Wealth

Key points:

- A large majority (81 per cent) did not change property wealth band between 2008/10 and 2010/12. This is consistent with change between 2006/08 and 2008/10.
- Slightly more households improved their situation than lost property wealth, reflecting rising house prices and mortgages being repaid over time.
- Almost all households without any property wealth remained in this position by 2010/12. However, households with a small amount of properly wealth of less than £50,000 displayed one of the highest levels of movement, with 27 per moving to a higher wealth band.

Chart 6.2 shows the percentage of the sample moving up, staying in the same property wealth band and moving down between 2006/08 and 2008/10 and between 2008/10 and 2010/12.

Chart 6.2: Movement across property wealth bands, 2006/08 to 2008/10 and 2008/10 to 2010/12



Source: Wealth and Assets Survey, ONS

A very large majority (81 per cent) of households did not move between bands between 2008/10 and 2010/12. This reflects the fact that for the majority of households, property wealthy is held in the form of their main residence which households do not generally change often. Slightly more households moved up a band between the two years (12 per cent) than moved down (seven per cent), reflecting house price increases over time and households reducing their property debt by paying their mortgage.

The situation was similar between 2006/08 and 2008/10, with 76 per cent of households showing no movement, 13 per cent moving up a wealth band, and 11 per cent moving down.

Table 6.3 shows the percentage of households moving from a given property wealth band in 2008/10 by what band they were in in 2010/12. This confirms that there was little movement in property wealth, with almost all moves into bands adjacent to the relevant original one.

Table 6.3: Movement of households across property wealth bands, 2008/10 to 2010/12

		2010/12 value of property wealth						
		<=0	1 – 49,999	50,000 - 124,999	125,000 - 249,999	125,000 - 249,999	375,000 - 499,999	500,000+
2008 /10	**<=0**	92	4	2	1	0	1	0
	1 – 49,999	12	61	26	1	0	0	0
	50,000 - 124,999	1	7	81	11	0	0	0
	125,000 - 249,999	1	1	10	77	11	1	0
	125,000 - 249,999	1	1	0	14	70	12	1
	375,000 - 499,999	4	0	0	4	19	46	27
	500,000+	4	0	0	4	5	7	79

Source: Wealth and Assets Survey, ONS
Note: Percentages may not sum to 100 due to rounding

Almost all (92 per cent) of households without property wealth in 2008/10 were in the same situation in 2010/12, possibly reflecting the difficulty first time buyers face in being able to access finance in a context of rising house prices, low wage inflation and increases in the cost of living[6]. However, the second wealth band of £1 to £50,000 displayed one of the highest levels of movement, with only 61 per cent staying in this wealth band, 27 per cent moving up, and 12 per cent moving down.

The highest percentage of movers were found in the second highest wealth band, £375,000 to £500,000, where only 46 per cent displayed no movement. The reasons for this are unclear.

6 http://england.shelter.org.uk/news/february_2014/average_earners_need_29k_pay_rise_to_keep_up_with_house_prices

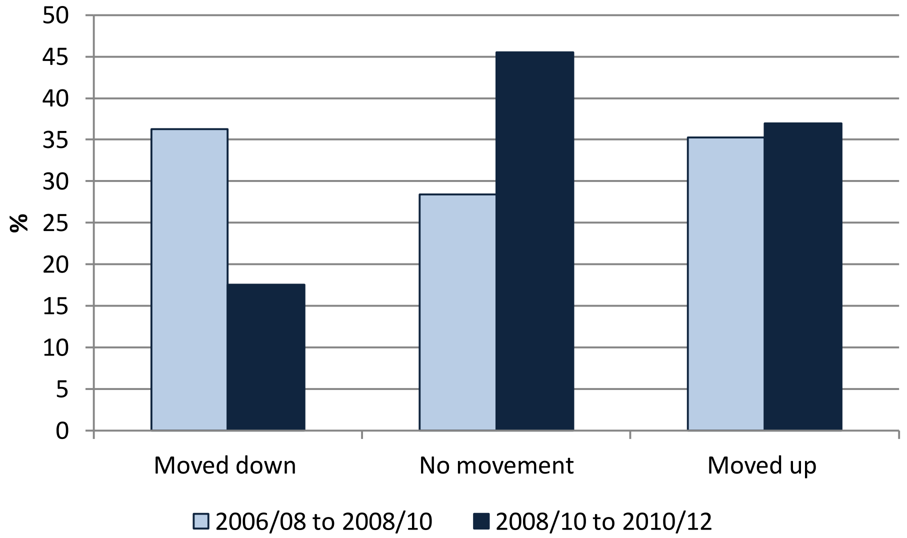
6.2.3 Physical wealth

Key points:

- Physical wealth was the component that displayed the most complex pattern of movement over time. Between 2008/10 and 2010/12, more than twice as many households moved to a higher band as moved down.
- This contrasts markedly with the situation between 2006/08 and 2008/10, when almost equal percentages moved down as moved up. It may be that households sold or did not replace physical assets due to the onset of the global financial crisis, but then started accumulating physical wealth as their situation stabilised.

Chart 6.4 shows the percentage of the sample moving up, staying in the same physical wealth band and moving down between 2006/08 and 2008/10 and between 2008/10 and 2010/12. Between 2008/10 and 2010/12, 45 per cent of households remained in the same wealth band, while more than twice as many (37 per cent) moved up as moved down (18 per cent).

Chart 6.4: Movement across physical wealth bands, 2006/08 to 2008/10 and 2008/10 to 2010/12



Source: Wealth and Assets Survey, ONS

This contrasts markedly with findings from 2006/08 to 2008/10, when only 28 per cent displayed no movement, and almost equal percentages moved down as moved up (36 and 35 per cent respectively). A possible explanation is that households sold physical assets or did not replace worn out assets due to the onset of the financial crisis, but then started accumulating physical wealth again as their situation stabilised.

Table 6.4 shows the percentage of households moving from a given physical wealth band in 2008/10 by what band they were in in 2010/12. This shows a more complex picture of movements between bands than for other types of wealth. Movement rates varied greatly between bands, with the lowest percentage of movers in the second lowest (17 per cent) and third highest band (18 per cent), and the highest in the lowest and highest bands (68 per cent and 66 per cent), but also the third lowest (52 per cent) and the second highest (54 per cent).

Table 6.4: Movement of households across physical wealth bands, 2008/10 to 2010/12

		2010/12 value of physical wealth									
		<8,000	8,000 - 11,999	12,000 - 14,999	15,000 - 24,999	25,000 - 29,999	30,000 – 39,999	40,000 – 49,999	50,000 – 59,999	60,000 – 74,999	£75,000 +
2008 /10	<8,000	68	7	10	4	4	5	0	1	0	1
	8,000 - 11,999	13	17	20	21	10	5	7	4	1	2
	12,000 - 14,999	14	4	52	13	5	8	1	1	1	0
	15,000 - 24,999	5	2	6	35	15	21	8	4	2	2
	25,000 - 29,999	2	1	4	7	42	25	7	4	4	4
	30,000 – 39,999	0	2	1	6	13	37	21	9	5	7
	40,000 – 49,999	0	1	1	4	1	11	39	16	18	9
	50,000 – 59,999	0	0	0	2	8	5	20	18	29	18
	60,000 – 74,999	0	0	1	0	0	5	10	7	54	23
	£75,000 +	0	0	0	1	3	4	2	1	24	66

Source: Wealth and Assets Survey, ONS
Note: Percentages may not sum to 100 due to rounding

There was also a lot of movement into bands not adjacent to the relevant original ones, particularly in an upwards direction. For example, ten per cent of households who owned between £8,000 and £12,000 of physical wealth in 2008/10 had moved to the £25,000 to £30,000 category, and 21 per cent had moved to the £15,000 to £25,000 category.

7. Conclusions

Scotland has substantial wealth

This report has set out the substantial and increasing level of wealth in Scotland. The value of total wealth increased in 2010/12, although the growth rate has slowed since 2008/10.

But wealth ownership shows considerable inequality

The report has also emphasised that Scotland – like the rest of Great Britain - faces stark inequalities in wealth, with the wealthiest 10 per cent owning nearly half of all financial, property, pension and physical wealth in Scotland. In comparison, the least wealthy 30 per cent of the population owned no financial or pension wealth, and only 6 per cent of property wealth and 7 per cent of physical wealth.

While wealth ownership did become slightly more equal in 2010/12 , this was mainly due to a fall in the value of assets owned by the wealthiest 10 per cent of households, rather than any significant improvement for the least wealthy households.

Particular household types are at risk of low wealth

Wealth accumulation is a process that occurs over an individual's lifetime. Younger households are less likely to have accumulated wealth as they tend to be at the beginning of their careers, earning lower wages, and, regardless of their earnings, have had less time to accumulate wealth. Pensioners, especially those in couples, have a lower risk of low wealth than other household types. This reflects properties that have their mortgages repaid, accumulated increases in property values over long periods, and accumulated pension wealth.

In comparison, single adult and single parent households have a high risk of low wealth and the associated propensity for household bill arrears, borrowing, and low levels of savings. Single adult households, both with and without children, tend to rely on only one source of income, which makes it more difficult to accumulate wealth, especially for households with children. These low wealth groups own very little in assets, with no financial or pension wealth, and are significantly less likely to own property (either outright or with a mortgage).

A number of socio-economic factors contribute a significant risk of low wealth, many of which are interlinked. Unemployed and economically inactive households have a high risk of low wealth. However, nearly half of low wealth households are in employment or self-employment. This suggests employment is no longer a protection against low income and low wealth. Households need sufficient income to be able to accumulate wealth. Those in low wealth households in employment are more likely to be headed by someone without qualifications, in routine or manual occupations. Often this employment is low paid, and can be temporary, and the experience of low pay can be long lasting. This increases the risks of low income, meaning households do not have the capacity to accumulate wealth.

Movement between wealth bands has slowed in the latest year

In 2010/12, around half of households remained in the same wealth decile, but of those that did move equal proportions moved up as moved down wealth deciles. This is less movement than in 2008/10. Middle wealth households are more likely to increase their wealth, with the wealthiest and least wealthy households least likely to change their wealth.

For the least wealthy households, this can mean a lifetime of low wealth, despite being in employment. In the medium term, this can mean little or no financial resilience to be able to cope with shocks. In the long term, low income and low wealth can mean poverty continuing into pensioner years.

Next steps

This analysis will be updated for the period 2012/14, following the release of the next wave of WAS data at the end of 2015.

Appendix 1

Some limitations of the survey

The measure of net wealth is based on the personal, private wealth of households. It does not include business assets owned by household members, nor does it include rights to state pensions, which people accrue during their working lives and draw on in retirement. As only private households were sampled, people in residential institutions, such as retirement homes, nursing homes, prisons, and barracks or university halls of residence, and also homeless people are excluded from the analysis.

Survey data relies on respondents being honest and accurate in their answers. Where possible, attempts have been made to compare estimates with other sources. Survey data on wealth typically underestimates wealth at the top of the distribution. Estimates have been compared against a variety of sources including other social surveys (e.g. the Family Resources Survey), the Census, HMRC data on ISA holdings and house purchase data from the Land Registry. Outliers exist in WAS data; they reflect the highly skewed nature of WAS data. All outliers were checked for supporting evidence from interviewers. Where appropriate, edits were made to 'correct' outliers. In many cases, interviewer notes supported the validity of outliers and these remain in the WAS datasets. Given the skewed nature of wealth data, and the impact that outliers can have on parametric estimates, this report does not report on any mean values. Mean values, particularly when exploring change across waves, can lead to the reporting of spurious change with the inclusion of extreme outliers. For this reason, all wealth estimates are reported on using the median and/or deciles.

As with most surveys, some values are imputed; WAS was no exception. These imputations are based on techniques that try to match a missing value from a respondent to the closest non-imputed value from other respondents with very similar characteristics to those of the respondent for whom data is missing. For example, a respondent in a sample unit might choose to provide a range for the value of their residence. In such instance the imputed value would reflect the value of similar homes in the area, for which other respondents provided a value.

The survey collates information on some types of wealth such as pension which required complex calculations. The ONS notes that some estimates of the value of wealth held in private pension require modelling which has been done using a method developed by the Institute for Fiscal Studies (IFS). The financial assumptions used in the IFS model changed between waves 1 and 2, and this has had an impact on the results. More detail on this can be found in the pension wealth methodology of the ONS report on Great Britain at: Changes to the estimates of private pension wealth from those previously published from the Wealth and Assets Survey

For pension wealth, the estimates only include the pension rights accumulated to date; for people who are still working, they do not include rights which may be built up between then and when the person retires. Wealth from Defined Benefit (DB) pensions (current, retained and pensions in payment) is calculated using financial assumptions (discount rates and annuity factors) which change over time. Wealth from Defined Contribution (DC) pensions is calculated from the reported value of the fund. More details on this can be found here: Pensions - Concepts and Definitions

Calculation of deciles

When calculating deciles for each wealth type the population is sorted in order of increasing wealth and divided into ten equal groups, ranging from the ten per cent with the least wealth to the ten per cent with the most wealth.

For some wealth types it is unlikely that an exact figure will be available for the household value. For example with property wealth, there will be many households with values rounded to the nearest £10,000. As such, the point at which the population would be split might fall in the middle of a group of households which all have the same value. Where this happens, households are randomised into the deciles on either side to ensure that each decile has approximately ten per cent of the population.

One consequence of this is that analysis of movements between deciles across waves may see households moving from one decile to the other purely due to this process of randomisation. As such, for all wealth types apart from total wealth, wealth bands are used for longitudinal analysis instead of deciles. This ensures that households only move across bands if the value of wealth has increased or decreased in absolute terms. This analysis has not been carried out for pension wealth as it is less susceptible to short-term increases and decreases in value and is more likely to be accumulated over the course of a working life then drawn upon in retirement.

This does not affect total wealth, where the population does indeed split equally into deciles and the results are identical with both methods.

It should also be noted that deciles are calculated for each wealth type independently. Those households in the bottom decile for one wealth type may be in a higher decile for other wealth types and vice versa.

Sample size in 2006/08

A methodological decision at wave one (2006/08) to reduce the burden on respondents resulted in a selection of questions, including components of physical wealth, to be asked only of a subset of households. The ONS notes that this reduced sample was sufficiently large to produce robust results and does not affect the reliability of the wealth distributions at a household level. Estimates for Scotland were computed based on this assumption.

The estimates of aggregate physical wealth for wave 1 are therefore based on responses from 1,599 households (of the 2,833 households), adjusted using a 'rating up factor' of 1.7683 in addition to the standard weighting procedures. Similarly, estimates of total wealth deciles, and the subsequent analysis using these deciles, were also based on this reduced sample. As a result, estimates of wealth by decile may not sum to estimates of total wealth for the population. When interpreting this analysis, overall estimates of wealth for Scotland should be used for the extent of wealth accumulated and analysis of deciles should be used only for the distribution of wealth within the population, e.g. the share of wealth that goes to the top 10 per cent of the population compared to the bottom 10 per cent.

At subsequent waves, all households were asked the full suite of questions on the components of net wealth. Consequentially 2008/10 and 2010/12 estimates of total household and aggregate total wealth are both based upon the full responding sample. Each wave has been weighted appropriately to allow for comparisons to be made across the waves.

Appendix 2

Changes to the estimates of private pension wealth from those previously published from the Wealth and Assets Survey

Unlike other measures of wealth estimated in the Wealth and Assets Survey (WAS), where respondents are asked to estimate the value of their assets, estimating the value of private pension pots is less straightforward.

When wave 1 data were first being processed, the ONS worked closely with the Institute for Fiscal Studies (IFS) to develop the methodology for the calculation of private pension wealth. The basic methodology has remained unchanged and was explained in detail in Wealth in Great Britain 2008/10, Part 2, Chapter 5: Annex on Pension Wealth Methodology, 2008/10. This current annex reports on changes in some of the assumptions that have been made which have affected the overall estimates.

Following the publication of wave 2 data, where the estimates of pension wealth increased considerably between waves 1 and 2 of the survey, the ONS, in liaison with experts in other government departments, undertook a study to evaluate whether the methodology for calculating private pension wealth could be improved, as the change was thought to be largely unrepresentative of the actual change to pension wealth during this time period. The increase was due primarily to the increase in the modelled estimates of defined benefit pensions, which use some external data: annuity rates and discount factors.

The results of this work made recommendations to change the financial assumptions used, and it was agreed that these changes should be applied to all waves of WAS available to date, so that private pension wealth is calculated on a consistent basis across existing and future waves of the survey.

In addition to the changes to the financial assumptions, the estimates of pension wealth have also changed due to the way in which the selection of individuals eligible for current occupation pensions is carried out; updated imputation of wave 2 data using information collected at wave 3; and the imputation of a small number of non-respondents at wave 1.

The methodology changes were applied to all waves of WAS, so private pension wealth is calculated on a consistent basis across existing and future waves of the survey. Because of this, analysis from wave one and two of the WAS differs from that previously published.

Compared to the previous release of Wave 1 and 2 data, the changes and improvements have resulted in lower estimates of pension wealth but relatively unchanged estimates of membership levels.

Further details are available in the ONS publication Chapter 7: Technical Details, Wealth in Great Britain 2010-12

This publication is available at **www.gov.scot**

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