

# **Wealth and Assets in Scotland 2006 – 2014**

**Scottish Government  
Communities Analysis Division**

**January 2017**

## **Acknowledgements**

This report is the result of a three month PhD internship sponsored by the Economic and Social Research Council and the Scottish Government, undertaken by Aniela Kuhl, ESRC intern.

# Contents

|  |           |
|--|-----------|
| <b>Executive summary</b>   | <b>1</b>  |
| <b>1. Introduction</b>   | <b>4</b>  |
| <b>2. Household wealth in Scotland</b>                                     | <b>5</b>  |
| 2.1. Net household wealth in Scotland                                      | 5         |
| 2.2. Relative contribution of wealth components to total net wealth        | 6         |
| <b>3. The distribution of wealth in Scotland</b>                           | <b>8</b>  |
| 3.1. The distribution of total net wealth by decile                        | 8         |
| <b>4. The distribution of wealth components by decile</b>                  | <b>11</b> |
| 4.1. Financial wealth  | 11        |
| 4.2. Private pension wealth  | 12        |
| 4.2.1. Private pension contributions by age and gender                     | 15        |
| 4.3. Property wealth   | 16        |
| 4.4. Physical wealth   | 18        |
| <b>5. Inequality in Household wealth and household income in Scotland</b>  | <b>20</b> |
| <b>6. Wealth inequality in Scotland</b>                                    | <b>22</b> |
| 6.1. Gini coefficient  | 22        |
| 6.2. Changes in the share of total net household wealth and its components | 23        |
| 6.3. Wealth inequality in Scotland and Great Britain                       | 26        |
| <b>7. The least wealthy households in Scotland</b>                         | <b>28</b> |
| 7.1. The share of wealth of the least wealthy households                   | 28        |
| 7.2. The demographic composition of the least wealthy households           | 28        |
| 7.2.1. Age   | 28        |
| 7.2.2. Household type  | 30        |
| 7.2.3. Employment status   | 32        |
| 7.2.4. Educational qualifications  | 33        |
| 7.2.5. Socio-economic group  | 34        |
| 7.2.6. Tenure  | 35        |
| 7.3. Financial assets of the least wealthy households                      | 37        |
| 7.3.1. Ownership of financial assets                                       | 37        |
| 7.3.2. Change in ownership of financial assets over time                   | 38        |
| 7.3.3. Value of financial assets   | 38        |
| 7.3.4. Informal financial assets   | 39        |
| 7.4. Non-mortgage borrowing of the least wealthy households                | 39        |
| 7.4.1. The prevalence of borrowing   | 40        |
| 7.4.2. Change in the prevalence of borrowing over time                     | 40        |
| 7.4.3. The value of borrowing  | 41        |
| 7.4.4. Change in the value of borrowing over time                          | 42        |

|  |           |
|--|-----------|
| <b>8. The Wealthiest households in Scotland</b>                  | <b>44</b> |
| 8.1. The share of wealth of the wealthiest households            | 44        |
| 8.2. The demographic composition of the wealthiest households    | 44        |
| 8.2.1. Age   | 44        |
| 8.2.2. Household type  | 45        |
| 8.2.3. Employment status   | 46        |
| 8.2.4. Educational qualifications                                | 46        |
| 8.2.5. Socio-economic group                                      | 47        |
| 8.2.6. Tenure  | 48        |
| 8.3. Financial assets of the wealthiest households               | 49        |
| 8.3.1. Ownership of formal financial assets                      | 50        |
| 8.3.2. Change in ownership of financial assets over time         | 51        |
| 8.3.3. Value of financial assets                                 | 51        |
| 8.4. Non-mortgage borrowing of the wealthiest households         | 53        |
| 8.4.1. The prevalence of borrowing                               | 53        |
| 8.4.2. Change in the prevalence of borrowing over time           | 53        |
| 8.4.3. The value of borrowing                                    | 54        |
| 8.4.4. Change in the value of borrowing over time                | 55        |
| <b>9. Movement of households across deciles and wealth bands</b> | <b>56</b> |
| 9.1. Movement across wealth deciles                              | 56        |
| 9.2. Movement across household wealth bands                      | 58        |
| 9.2.1. Financial wealth  | 58        |
| 9.2.2. Property wealth   | 60        |
| 9.2.3. Physical wealth   | 62        |
| <b>10. Conclusion</b>  | <b>64</b> |
| 11. Annex 1: Methodology   | 66        |
| 11.1. Wealth and assets survey                                   | 66        |
| 11.2. The sample of Scottish households                          | 67        |
| 11.3. Methodological considerations and limitations              | 67        |

## EXECUTIVE SUMMARY

This report presents analysis of the ownership of wealth by private households in Scotland from the Wealth and Assets Survey 2006 – 2014, with a focus on wave 4 of the survey covering the period July 2012 – June 2014. This report updates the [Wealth and Assets in Scotland 2006-2012](#), which was published in March 2015.

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:

### **The value of total wealth continued to increase in Scotland**

- Total net wealth of private households in Scotland was £865.6 billion in 2012/14, an increase of 22.2% compared to 2010/12. The rate of increase was higher than for any previous period.
- All components of wealth increased in value, although the large increase in value was driven by an increase in the value of private pensions.
- Pension wealth continues to be the largest component of wealth. In 2012/14, 48% of all net private wealth was private pension wealth.

### **Inequality in the distribution of household wealth increased in 2012/14**

- The wealthiest 10% of households owned 43% of all private net wealth – worth £374 billion.
- In contrast, the least wealthy 50% of households owned 9% of all private wealth – worth £76.9 billion.
- The wealthiest 1% alone owned more wealth than the bottom 50%.
- The wealthiest 10% owned 67% of financial wealth; 54% of private pension wealth; 43% of property wealth; and 34% of physical wealth.
- In contrast, the least wealthy half of households owned less than 2% of financial wealth; 2% of private pension wealth; 5% of property wealth; and 18% of physical wealth.
- In 2012/14 wealth inequality increased in Scotland. The wealthiest 10% owned 9.4 times more household wealth than the bottom 40%. This is an increase from 8.8 in 2010/12.
- Inequality in the ownership of household wealth in Scotland was slightly lower than that for Great Britain in 2012/14. However, wealth inequality in Scotland

and Great Britain remains high, with little difference in the pattern of inequality in Scotland compared to Great Britain.

### **Financial wealth remains the most unequally distributed component of wealth**

- Following the recession, ownership of financial wealth has become more concentrated, while inequality in private pension wealth has decreased (but remains high).
- The wealthiest 10% of households owned two thirds of net financial wealth in 2012/14 worth £68.4 billion – 32.8 times more than the least wealthy 50% of households, and two times more net financial wealth than all other deciles combined.
- In contrast the least wealthy 50% of households owned less than 2% of net financial wealth, worth £2.1 billion.
- Private pension wealth, which made up nearly half of all private wealth, was also highly unequal. The wealthiest 10% of households owned over half of all private pension wealth, worth £227 billion - 22.6 times more private pension wealth than the least wealthy 50% of households.
- The least wealthy half of households owned just over 2% of private pension wealth, worth £10 billion.
- The wealthiest 10% owned nearly 43% of private property wealth, worth £102 billion – 7.9 times more than the bottom 50% of households.

### **The least wealthy 30% of households have very few assets, with employment no longer a guarantee against low wealth**

- The least wealthy 30% of households owned very little or no financial, private pension, or property wealth, and less than 7% of physical wealth in 2012/14.
- Single adult households, including single parent households, had very high risks of low wealth. Nearly two thirds of single parent households and over half of single working age households were low wealth households in 2012/14. These two groups also had the highest risks of poverty.
- Nearly half of low wealth households were in employment. However, households with lower educational qualifications and in routine or manual occupations had significantly higher risks of low wealth.
- The ability to increase wealth, for the lowest wealth households, has worsened in 2012/14. In the latest period, nearly 60% of households remained in the same wealth decile. For the least wealthy households, insufficient income can mean a lifetime of low wealth, despite being in employment.

- With the exception of a current account, the least wealthy had very few financial assets, and ownership by the least wealthy decreased in 2012/14.
- The least wealthy households owned £500 in financial assets in 2012/14, less than a tenth of the median value of financial assets owned by the population as a whole.
- The value of financial assets owned by the least wealthy households has not changed, at around £500, since 2006/08. For the whole population, there was a small increase from £5,170 to £5,600, while the median value for the wealthiest 10% increased from £80,500 to £103,416.
- Household borrowing continued to decrease for the least wealthy households. However, more than one in ten of the least wealthy households had arrears on household bills in 2012/14.

**As expected, the wealthiest households are those close to retirement or newly retired**

- Wealth accumulation occurs over a lifetime. Pensioner couples and those aged 55 years and older tend to have the greatest wealth.
- The wealthiest households were more likely to own their home outright; have a degree level or above qualifications; and be, or have been, in managerial and professional occupations.

**The ability to increase wealth, for the lowest wealth households, has worsened in 2012/14**

- Households with very few resources do not have the financial capacity to build wealth. Nearly 60% of households with the lowest wealth, who have little or no wealth, remained in the lowest wealth decile in 2012/14.
- This continues the slowing down in the movement in wealth deciles seen in 2010/12.

## 1. INTRODUCTION

This report provides a detailed analysis of the wealth of private households in Scotland. The analysis is based on new data from 2012/14 – the fourth wave of the Wealth and Assets Survey (WAS), which is the main source of information on the economic well-being of households in Great Britain (England, Wales and Scotland). Our findings provide an update to [“Wealth and Assets in Scotland 2006 to 2012”](#) published in March 2015, which was based on the previous survey periods.

Wealth is one of the key components of the economic system. For individual households, it can be used as a source of finance to improve current or future living standards, to invest in opportunities such as education or entrepreneurial activities, and to provide financial resilience, reducing vulnerability to shocks such as unemployment or illness. Many people will try to grow their wealth throughout their working lives, in preparation for retirement, but households with low income and low starting wealth will find this more difficult. Such inequality in wealth ownership raises fundamental questions of fairness and social justice for Scottish society.

In this report, the measurement and analysis of household wealth is split into four main components: property, financial, physical, and private pension wealth. These are defined on the following basis:

**Property wealth** (net property wealth) is the value of all property owned (the main residence and any other property owned) less any debt on the property (e.g. mortgage) and equity release. It is derived from respondents’ own valuations of their properties, rather than any survey valuation.

**Financial wealth** (net financial wealth) is calculated as the sum of all financial assets (such as bank accounts, savings accounts, stocks and shares) minus all liabilities (such as overdrafts, loans, credit card debt, and arrears on household bills). These can be formal assets, such as savings accounts or loans from banks, or informal assets, such as money held at home, or borrowing from friends and family.

**Physical wealth** (gross physical wealth) is the value of household goods such as appliances, computers, televisions, jewellery, collectables, vehicles, personal number plates, and other valuables. The valuations are derived from respondents’ own estimates of the value of items. Any borrowing to finance such purchases is not included in this estimate (borrowing is included in net financial wealth).

**Private pension wealth** is an estimate of the value of wealth held in private (non-state) pension schemes, expressed as an equivalent ‘pot of money’. It comprises occupational and personal pensions and includes pensions of public sector workers. The estimate is based only on the pension rights accumulated to date and does not include rights which may be built up in future.



## 2 HOUSEHOLD WEALTH IN SCOTLAND

This chapter provides information on the value of total net wealth of private households in Scotland, and the relative contribution of the four components – financial, pension, property and physical wealth.

### 2.1 Net household wealth in Scotland

In 2012/14, total net wealth of private households in Scotland was £865.6 billion, an increase of 22.2% compared to 2010/12. Tables 2.1 and 2.2 below present the value of net household wealth and its components, and the change in value over time.

All components of wealth increased in 2012/14 compared to 2010/12, but the substantial increase in total household wealth was mainly due to the increase in the value of private pension wealth:

- Financial wealth increased by 13.4% to £99.3 billion, due to an increase in the value of financial assets and a decrease in financial liabilities.
- Private pension wealth increased by 39.1% to £418.6 billion, largely due to changes in the annuity and discount values used to value pension wealth.
- Property wealth increased by 6.1% to £238.3 billion, driven mainly by an increase in the value of the main residence (valued by property owners in current prices) rather than by a substantial increase in the number of properties owned. This was the first rise in the value of net property wealth since 2006/08.
- Physical wealth increased by 14.7% to £109.3 billion. This was due to increases in the perceived replacement value of household goods, rather than any significant increase in the number of goods owned.

**Table 2.1 Breakdown of total net household wealth, by components 2006/08 – 2012/14 (£ Billion)**

|  | 2006/08      | 2008/10      | 2010/12      | 2012/14      |
|--|--------------|--------------|--------------|--------------|
| Property wealth (net)                                      | 228.5        | 224.9        | 224.7        | 238.3        |
| Financial wealth (net)                                     | 78.6         | 92.1         | 87.6         | 99.3         |
| Physical wealth (gross)                                    | 84.3         | 89.0         | 95.3         | 109.3        |
| Private pension wealth                                     | 276.3        | 291.5        | 300.9        | 418.6        |
| <b>Total net wealth</b>                                    | <b>667.7</b> | <b>697.6</b> | <b>708.5</b> | <b>865.6</b> |
| <b>Total net wealth (excluding private pension wealth)</b> | <b>391.4</b> | <b>406.0</b> | <b>407.5</b> | <b>446.9</b> |

Source: Wealth and Assets Survey, ONS

**Table 2.2 Changes in total net household wealth, by components 2006/08 – 2012/14**

|  | 2006/08<br>to 2008/10 | 2008/10<br>to 2010/12 | 2010/12<br>to 2012/14 |
|--|-----------------------|-----------------------|-----------------------|
| Property wealth (net)                                      | -1.6%                 | -0.1%                 | 6.1%                  |
| Financial wealth (net)                                     | 17.2%                 | -4.9%                 | 13.4%                 |
| Physical wealth (gross)                                    | 5.6%                  | 7.1%                  | 14.7%                 |
| Private pension wealth                                     | 5.5%                  | 3.2%                  | 39.1%                 |
| <b>Total net wealth</b>                                    | <b>4.5%</b>           | <b>1.6%</b>           | <b>22.2%</b>          |
| <b>Total net wealth (excluding private pension wealth)</b> | <b>3.7%</b>           | <b>0.4%</b>           | <b>9.7%</b>           |

Source: Wealth and Assets Survey, ONS

### Valuation of private pension wealth

The majority of wealth components are calculated directly from the information given by the respondents to the survey. However, private pension wealth is not.

Household total private pension wealth requires separate valuation of different pension types. Wealth from occupational defined contribution (DC) pensions is calculated from the reported value of the fund. The valuation of wealth from occupational defined benefit (DB) pensions is more complicated and is modelled using financial parameters (annuity rates and discount factors) which vary over time.

The large movement in the value of private pension wealth observed in 2012/14 can be largely attributed to changes in these financial parameters used for valuing occupational defined benefit pensions between the periods of July 2010 to June 2012 and July 2012 to June 2014.

The financial parameters (annuity rates) used to value DB pensions have generally decreased between the 2010/12 and 2012/14 survey period. The consequence of this is that a fixed DB pension was valued higher on average in 2012/14 than in 2010/12.

See [Quality Assurance of private pension membership and wealth](#) for further detail, including sensitivity analysis of the changes in annuity and discount rates.

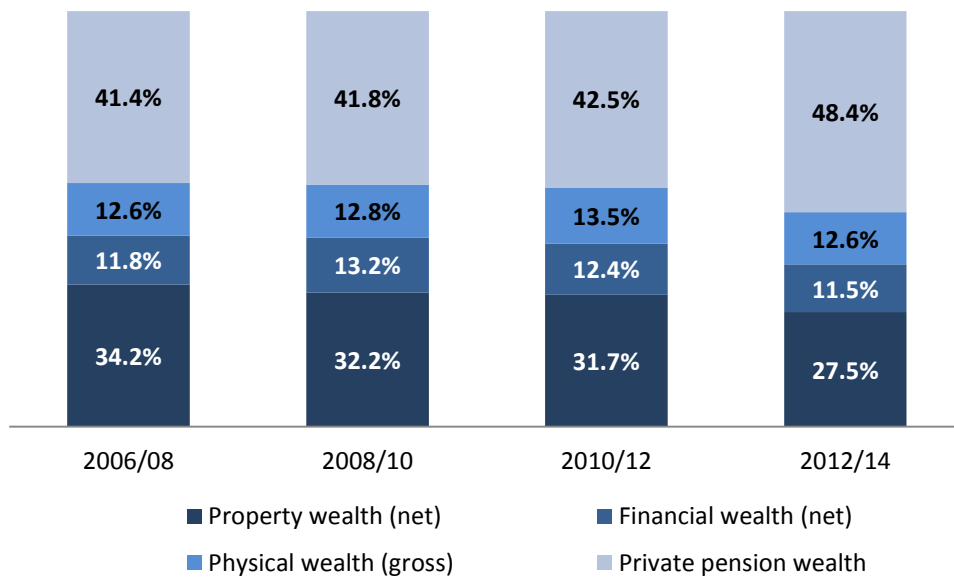
## 2.2 Relative contribution of wealth components to total net wealth

This section looks at the contribution of each of the wealth components to total net household wealth, and how these have changed over time. Chart 2.1 shows the relative contribution of each of the wealth components to total net wealth across each survey period.

- **Private pension wealth** made up 48.4% of all household wealth in 2012-14. The contribution of private pension wealth increased slightly over the first three survey periods, but the substantial increase in 2012-14 meant private pension wealth now makes up nearly half of total household wealth.

- **Property wealth** made the second largest contribution to total net wealth, accounting for 27.5% in 2012-14. Property wealth as a proportion of total net wealth has been consistently falling over the four survey periods, from a high of 34.2% in 2006-08.
- **Physical wealth** accounted for 12.6% of total net wealth in 2012-14. The contribution of physical wealth to total net wealth has been relatively stable since 2006-08.
- **Financial wealth** represented the lowest proportion of total wealth, accounting for 11.5% of total net wealth in 2012-14. The contribution of financial wealth to total net wealth has fluctuated since 2006, but only by 1 or 2 percentage points.

**Chart 2.1 Relative contribution of wealth components to household total net wealth 2006/08 – 2012/14**



Source: Wealth and Assets Survey, ONS

### 3 THE DISTRIBUTION OF WEALTH IN SCOTLAND

This chapter describes how the wealth of private households in Scotland is distributed.

This analysis is based on deciles, which divide the data into ten equal parts so that each part contains 10% of households – from the least wealthy households in the 1<sup>st</sup> decile to the wealthiest in the 10<sup>th</sup> decile. The median is also used to describe the distribution of wealth. The median represents the middle point at which half of households have less and half have more<sup>1</sup>. Findings are presented for total net household wealth, as well as for the four wealth components.

Some households have negative total net wealth, and the same applies to net financial wealth and net property wealth. This causes problems when, for example, calculating the proportion of wealth owned by households in a given decile. In these cases negative values have been set to zero for the analysis. This will underplay the real level of inequality for these wealth types<sup>2</sup>.

#### 3.1 The distribution of total net wealth by decile

The distribution of household total net wealth was highly skewed towards the top. In 2012/14, the wealthiest 10% of private households in Scotland:

- Owned 43% of total net wealth which accounted for almost £374 billion;
- The value of wealth owned by the top 10% increased in 2012/14, following decreases in the previous waves;
- Were 4.9 times wealthier than the bottom 50% of Scottish households combined. The bottom 50% represented a 8.9% share of household total net wealth, worth £76.9 billion<sup>3</sup>.

Chart 3.1 shows that the value of total net wealth increased over the four survey periods. The share of total net wealth, by decile, is shown in chart 3.2. The value of household wealth has been increasing steadily for all but the wealthiest decile between 2006 and 2014. However, for the least wealthy 30% of households this increase is rather marginal.

The bottom 3 deciles own very little wealth: It is only when households move into the 4<sup>th</sup> decile that they are able to accumulate wealth to any degree. In 2012-14, the bottom 30% of households owned 1.9% of total wealth.

---

<sup>1</sup> As wealth is highly skewed, the median values are generally used to report central tendency, as this better reflects the experience of households.

<sup>2</sup> Less than 1 per cent of households in Scotland had negative total wealth.

<sup>3</sup> Estimates include negative wealth values – i.e. households whose liabilities are greater than the value of assets.

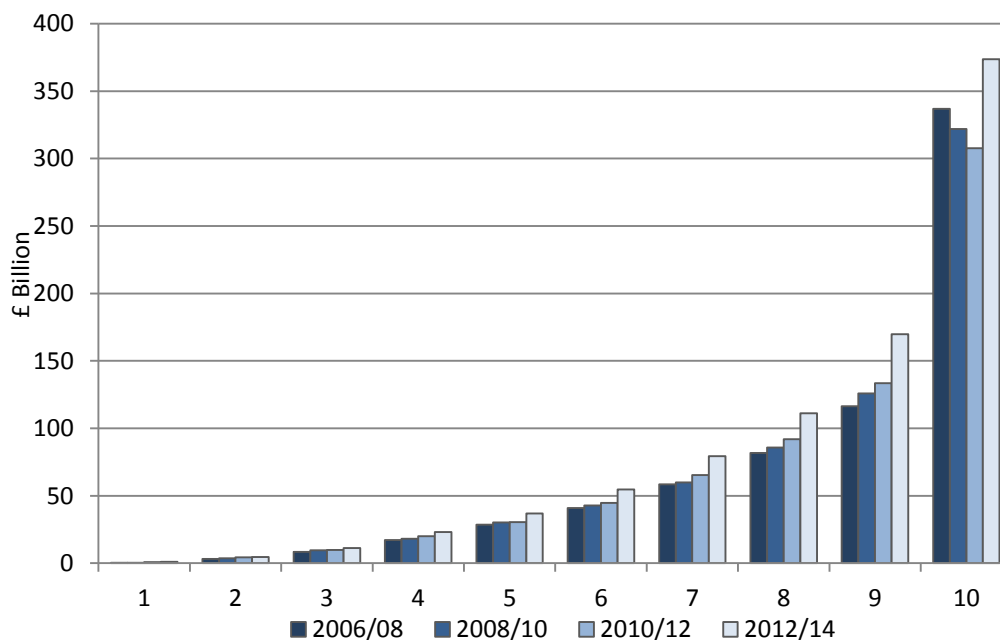
The ownership of wealth remains very concentrated at the top of the distribution. In contrast to the low share of ownership of wealth by the bottom half of households, in 2012/14:

- The top 20% of households owned 62.8% of total net wealth.
- The top 10% of households owned 43.2% of total net wealth.
- The wealthiest 1% alone owned more wealth than the bottom 50%.

The value of household wealth starts to show increases over the survey periods from the 5<sup>th</sup> decile onwards – that is, the value of wealth owned by the wealthiest half of households has increased over the survey periods, while increases in the value of wealth owned by the bottom half of households have been marginal. The wealthiest 10% of Scottish households saw decreases in the value of net total household wealth over the first three survey periods, from 2006 to 2012. In 2012/14, however, net total wealth for the top 10% of households increased substantially, mainly due to the increase in the value of private pension wealth.

In 2012/14, the median of household total net wealth for Scotland was £186,500<sup>4</sup>. This means half of Scottish households had total net wealth of £186,500 or more, and half had total net wealth less than £186,500. For comparison, the median of household total net wealth for Great Britain was £225,000<sup>5</sup>. The higher value of median wealth for Great Britain is largely due to the higher property values in England compared with Scotland.

**Chart 3.1 Value of total net household wealth by decile 2006/08 – 2012/14**

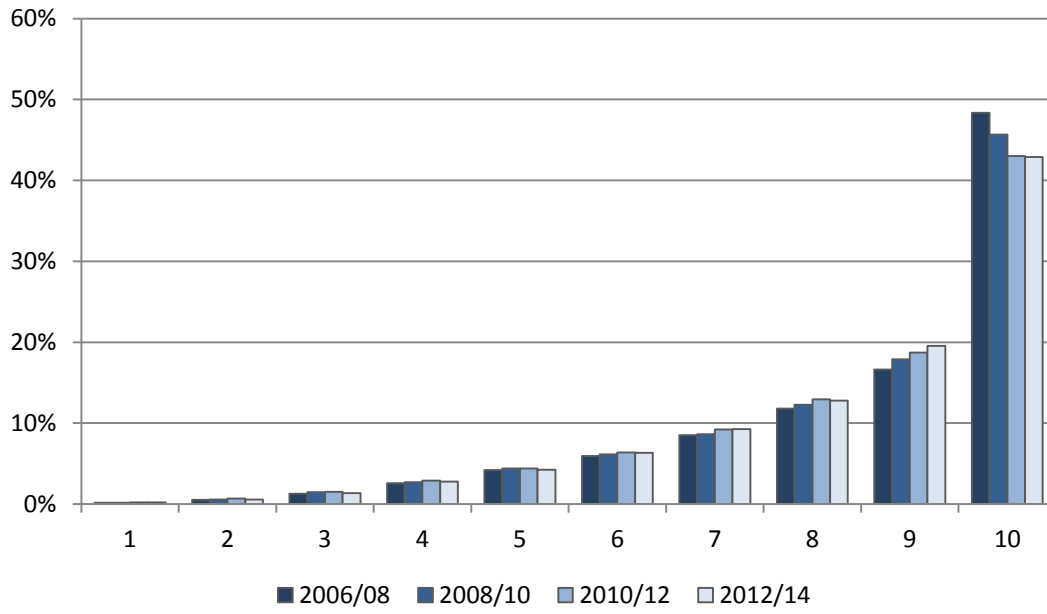


Source: Wealth and Assets Survey, ONS

<sup>4</sup> Estimates include negative wealth values.

<sup>5</sup> Estimates include negative wealth values.

**Chart 3.2 Share of total net household wealth by decile 2006/08 – 2012/14**



Source: Wealth and Assets Survey, ONS

## 4 THE DISTRIBUTION OF WEALTH COMPONENTS BY DECILE

This section provides information on how each of the four wealth components – financial, private pension, property and physical wealth - is distributed across the population. As for the analysis of the distribution of total net wealth, this section presents the components of wealth by decile. This allows the share of financial wealth, private pension wealth, property wealth and physical wealth owned by the wealthiest 10% of households to be calculated, and to be compared to the share of wealth owned by the bottom half of households.

In this section, deciles have been drawn on the basis of the distribution of the relevant wealth component. The households in a given decile are therefore not necessarily the same households as in the equivalent decile for household total net wealth discussed above.

### 4.1 Financial wealth (net)

Net financial wealth was the most unequally distributed of the four wealth components. Chart 4.1 shows the value of net financial wealth, by decile. The share of financial wealth, by decile, is shown in chart 4.2.

In 2012/14, the wealthiest 10% of Scottish households:

- Owned 66.8% of household net financial wealth (£68.4 Billion)<sup>6</sup>.
- Continued to increase the value of net financial wealth owned in 2012/14.
- Had 32.8 times the net financial wealth of the bottom 50% of households combined. The bottom 50% represented a 1.9% share of financial wealth, worth £2.1 billion<sup>7</sup>.
- Had twice the net financial wealth of all other deciles combined<sup>8</sup>.

When considering the total values of financial wealth in 2012/14, the least wealthy 50% of Scottish households combined had almost no household net financial wealth, with the bottom 20% having net negative financial wealth of £3.1 billion (that is when their outstanding financial liabilities exceed the value of financial assets). This trend was similar across all survey periods. In 2012/14, however, net negative financial wealth of the least wealthy 10% of Scottish households decreased for the first time compared to previous survey periods.

In 2012/14, half of all Scottish households had household net financial wealth of £3,400 or more<sup>9</sup>. In comparison, the median value of net financial wealth for Great Britain in the same period was £5,900.

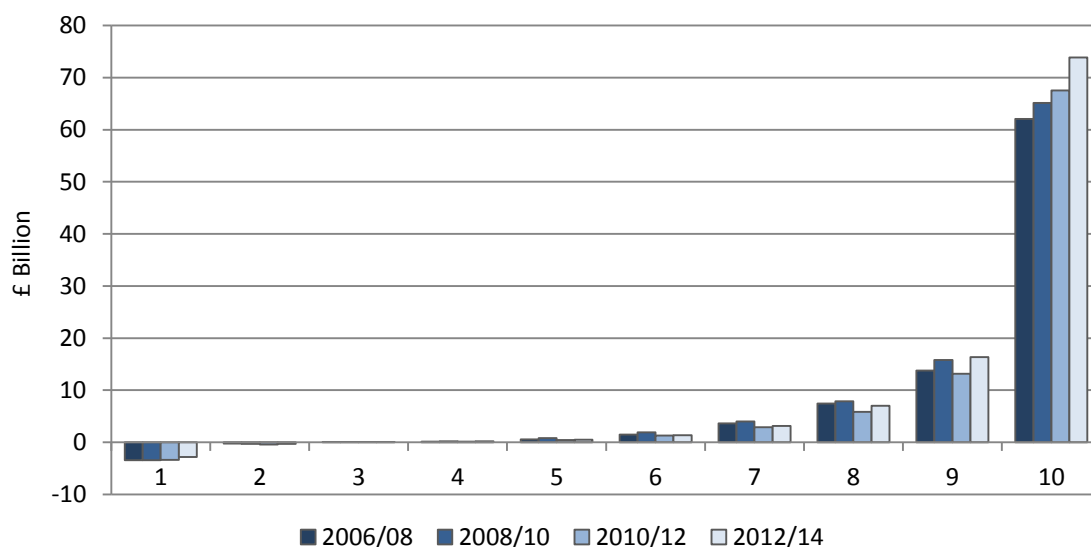
---

<sup>6</sup> Estimates exclude negative values (where the value of financial liabilities, excluding mortgages, was greater than the value of financial assets owned). All negative values were set to zero prior to decile points being calculated.

<sup>7</sup> Estimates exclude negative values.

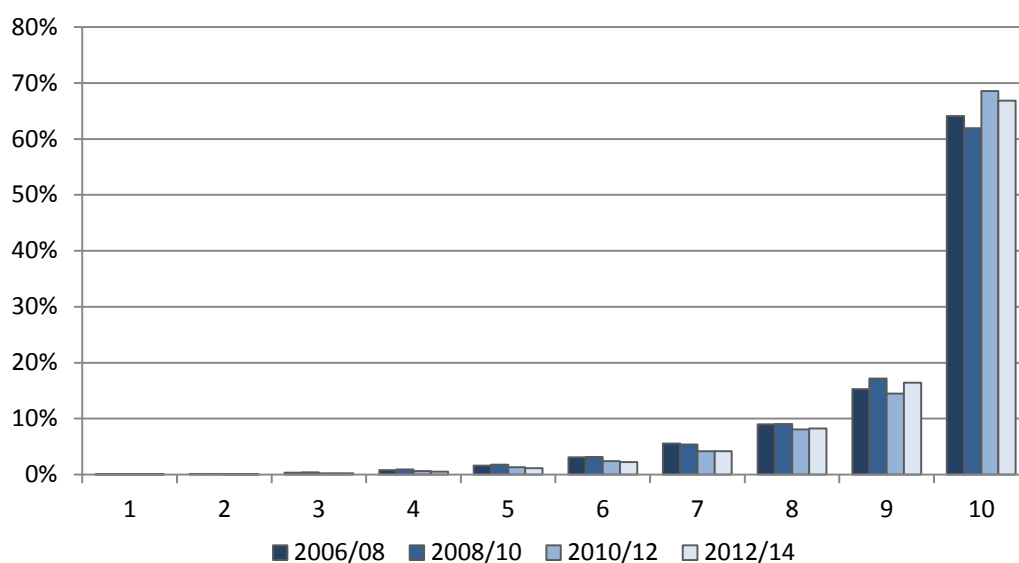
<sup>8</sup> Estimates include households with negative net financial wealth.

**Chart 4.1 Value of household net financial wealth by decile 2006/08 – 2012/14**



Source: Wealth and Assets Survey, ONS

**Chart 4.2 Share of household net financial wealth by decile 2006/08 – 2012/14**



Source: Wealth and Assets Survey, ONS

## 4.2 Private pension wealth

Private pension wealth is the second most unequally distributed wealth component. Many individuals and households have zero, or very little, private pension wealth. Pension wealth is built up through a working life, and hence is closely connected with age and life stage.

<sup>9</sup> The median value is based on all households with financial wealth, including those with negative financial wealth.



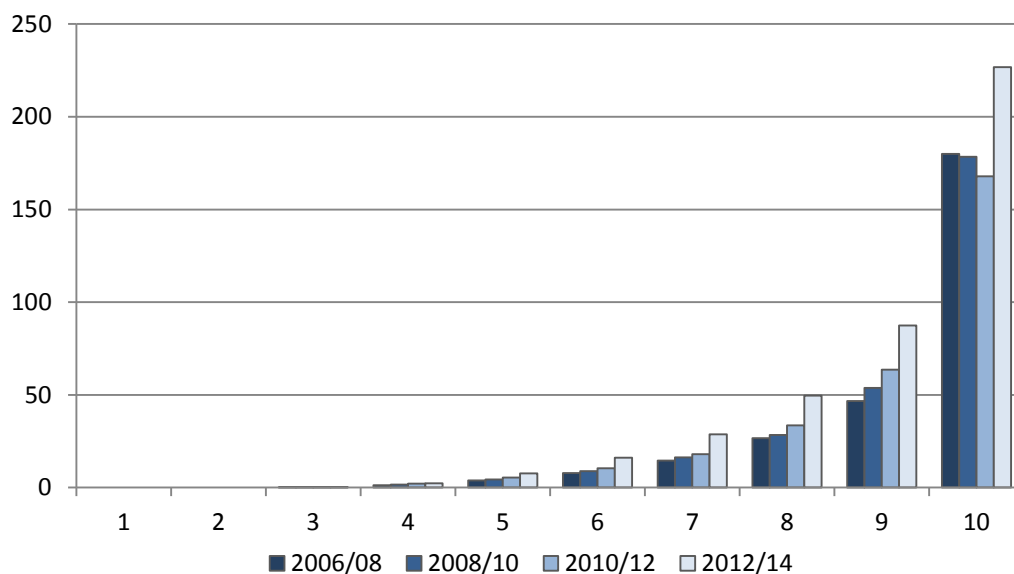
Chart 4.3 below shows the value of private pension wealth by decile, with the share of private pension wealth by decile shown in chart 4.4.

In 2012/14, the wealthiest 10% of Scottish households:

- Owned 54% of private pension wealth, worth £227 billion.
- Had increased the value of private pension wealth significantly in 2012/14, following decreases in previous years.
- Had 22.6 times more private pension wealth than the bottom 50% of households combined. The least wealthy 50% of households owned 2.4% of private pension wealth, worth £10 billion.

In 2012/14, the median value of private pension wealth in Scotland was £47,000<sup>10</sup>. This means half of households had accumulated private pension wealth of £47,000 or more, and half of households had private pension wealth less than £47,000. In the same period, the median household private pension wealth for Great Britain was almost identical (£47,100). However, if the same median is considered excluding households with zero private pension wealth (i.e. including only those households that had contributed to private pension schemes), then half of households contributing to private pension schemes in Scotland had accumulated £112,000 or more of private pension wealth. In comparison, the same median excluding households with zero private pension wealth for Great Britain was £97,300.

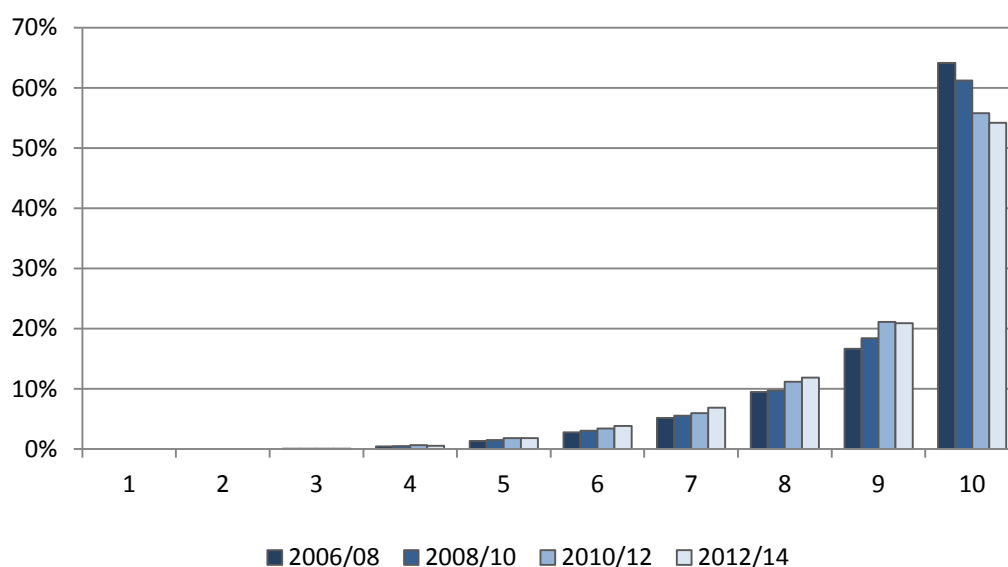
**Chart 4.3 Value of private pension wealth by decile 2006/08 – 2012/14**



Source: Wealth and Assets Survey, ONS

<sup>10</sup> Estimates include households with zero private pension wealth.

**Chart 4.4 Share of household private pension wealth by decile 2006/08 – 2012/14**



Source: Wealth and Assets Survey, ONS

### **Automatic workplace pension enrolment**

Automatic enrolment for pensions was introduced in October 2012. Once fully implemented, automatic enrolment aims to increase the number of individuals newly saving, or saving more, in a workplace pension, and increase the amount that is being saved in workplace pensions. The reforms require employers to automatically enrol eligible employees into a qualifying workplace pension scheme and pay a contribution in the form of tax relief. The automatic enrolment duties are being staged between October 2012 and February 2018 by employer size, starting with the largest employers. The July 2012 to June 2014 WAS data collection period was predominantly following the October 2012 introduction, so WAS data for wave 4 may reflect some changes in pension membership and wealth due to automatic enrolment. However, as the implementation is staged, it may not be until the next wave before the WAS data fully captures the changes. The statistics for all data periods predate the pension flexibilities reform that was introduced in April 2015.

The first three survey periods of WAS took place before the introduction of 'automatic enrolment' in October 2012. The fourth data collection period of WAS (2012/14) was predominantly following the introduction of the new law. Therefore, it was expected that this period may reflect some increases in pension membership and wealth.

While the wave 4 WAS data presented in this report does not appear to reflect increases in pension membership, analysis by the Institute for Fiscal Studies<sup>11</sup> suggests automatic enrolment increased pension saving across the UK by April 2015 (included in the next wave of the WAS). The IFS suggest the increase in pension saving was largely from increases in pension membership, particularly for younger

<sup>11</sup> <https://www.ifs.org.uk/publications/8735>

employees (aged 22 to 29) and relatively low earners on between £10,000 and £16,000 per year. Significant numbers of those not directly targeted by the policy have also been brought into workplace pensions, such as those earning less than £10,000. However, with lower provision of Defined Benefit (DB) pensions, introduction of 'auto-enrolment' means that younger cohorts have higher overall pension membership than their predecessors did but at lower levels of generosity<sup>12</sup>.

#### 4.2.1 Private pension contributions by age and gender

This section explores membership of, and the value of wealth held in, private pension schemes to which individuals are currently contributing. It therefore does not include the pensions that an individual may have contributed to in the past but is no longer contributing to, or pensions from which an individual is receiving an income.

In 2012/14, a third (30.3%) of adults in Scotland aged 16 and over were contributing<sup>13</sup> to a private pension<sup>14</sup>. There was a small decrease in the proportion of people contributing to a private pension in the latest period, down from 34.0% in 2010/12. While fewer people in Scotland were contributing to a private pension than across the UK, the small decrease in the proportion of people in Scotland contributing to a private pension reflects the situation across the UK.

Table 4.1 shows men were more likely to be contributing to a private pension (33.6%) than women (27.4%). For both survey periods, occupational defined benefit (DB) pension schemes were the most common type of private pension contribution; however the proportion of adults in Scotland contributing to a DB pension decreased by 3.8 percentage points in 2012/14 with this decrease equally felt by both men and women (both round 4 percentage points). Employees in the public sector are more likely to contribute to a private pension scheme than those in the private sector. In the public sector, occupational pensions are predominantly DB schemes, which tend to have greater wealth than defined contribution schemes. The decrease in public sector employment in Scotland, particularly for men, may have had an impact on the decrease in the number of people contributing to DB pensions in 2012/14<sup>15</sup>.

---

<sup>12</sup> <https://www.ifs.org.uk/publications/8583>

<sup>13</sup> Either contributing to or retained rights

<sup>14</sup> Estimates are as a proportion of all people aged 16 years and older, irrespective of employment status. This provides an indication of the proportion of the population who may have no income other than Basic State pension at retirement.

<sup>15</sup> Between July 2010 and June 2014, the number of men employed in the public sector in Scotland fell by 7.7%, while the number of women employed in the public sector in Scotland fell by 2.8%. Data extracted from NOMIS, Annual Population Survey year ending June 2014.

**Table 4.1 Percentage of individuals in Scotland aged 16 and over that currently contribute to a private pension scheme, by pension type and sex 2010/12 – 2012/14<sup>16</sup>**

|                              | 2010/12 |       |      | 2012/14 |       |      |
|------------------------------|---------|-------|------|---------|-------|------|
|                              | Men     | Women | All  | Men     | Women | All  |
| <b>No current pension</b>    | 62.9    | 68.9  | 66.0 | 66.4    | 72.6  | 69.7 |
| <b>Any type of pension</b>   | 37.1    | 31.2  | 34.0 | 33.6    | 27.4  | 30.3 |
| <b>Occupational DB only</b>  | 18.3    | 21.6  | 20.0 | 15.3    | 17.2  | 16.2 |
| <b>Occupational DC only</b>  | 7.9     | 4.9   | 6.4  | 8.9     | 6.1   | 7.4  |
| <b>Personal pension only</b> | 7.9     | 3.1   | 5.4  | 6.6     | 2.6   | 4.5  |
| <b>More than one type</b>    | 3.1     | 1.6   | 2.3  | 3.0     | 1.6   | 2.2  |

Source: Wealth and Assets Survey, ONS

The percentage of people contributing to a private pension scheme varies significantly by age. Table 4.2 shows less than 3% of those contributing to a private pension scheme in 2012/14 were young people (aged 16 - 24 years). In the latest wave, the age profile of those making contributions to a private pension has increased. In 2012/14, 53% of people making contributions to a private pension were 45 years or older – compared with 46% in 2010/12.

**Table 4.2 Percentage of individuals in Scotland aged 16 and over that currently contribute to a private pension scheme, by age 2010/12 – 2012/14<sup>17</sup>**

|                | 2010/12 | 2012/14 |
|----------------|---------|---------|
| <b>16 - 24</b> | 4.4     | 2.9     |
| <b>25 - 34</b> | 22.8    | 19.6    |
| <b>35 - 44</b> | 26.8    | 24.4    |
| <b>45 - 54</b> | 30.1    | 33.3    |
| <b>55 - 64</b> | 15.4    | 18.3    |
| <b>65+</b>     | 0.6     | 1.6     |

Source: Wealth and Assets Survey, ONS

### 4.3 Property wealth (net)

Property wealth is the third most unequally distributed wealth component. Charts 4.5 and 4.6 show the distribution of property wealth across the population, and the share of property wealth by decile.

In 2012/14, the richest 10% of Scottish households:

- owned 42.5% of household net property wealth which accounted for £102 billion<sup>18</sup>;

<sup>16</sup> Estimates are as a proportion of all people aged 16 years and older, irrespective of employment status.

<sup>17</sup> Estimates are as a proportion of all people aged 16 years and older, irrespective of employment status.

<sup>18</sup> Households with negative property wealth (where the value of the outstanding mortgage is greater than the value of the property) have been set to zero.

- increased the value of property wealth owned in 2012/14, following decreases in previous years;
- owned 7.9 times more than the bottom 50%. The bottom 50% of Scottish households combined owned 5.4% of household net property wealth which accounted for £12.9 billion<sup>18</sup>.

The least wealthy 30% of Scottish households combined had no property wealth. This reflects that fact that many in this group rent their home, and therefore have no property wealth. However, property owners in the bottom 10% had net negative property wealth (that is when their outstanding mortgage liabilities exceed the value of properties owned). This trend was similar across all survey periods; although, net negative property wealth of the least wealthy 10% has started to deepen since the second survey period of 2008/10.

Some families rent their homes throughout their lives – either through choice or because they cannot afford to buy. Only households who own property can accumulate any property wealth.

Households that do buy a house are likely to accumulate more property wealth as they get older. Younger families are more likely to have low net property wealth as their properties are more heavily-mortgaged than those of older households. By pensionable age however, many families who own their own home are likely to be coming to the end of their mortgage or will own their property outright, and so their net property wealth is the value of the property.

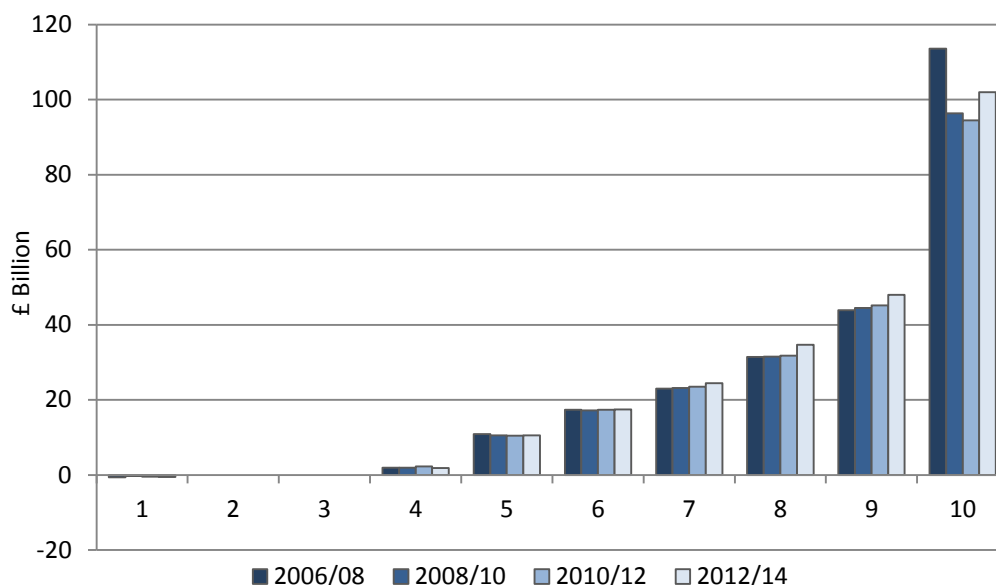
For older households, net property wealth will also capture any increase in property values over their period of ownership. Property values increased rapidly prior to the global financial crisis in 2007/08, especially for those who bought property in the 1970s. Many households who owned their own home at that time will have seen large increases in net property wealth as a result. Younger households buying during or after the crisis may not have experienced the same increase in net property wealth.

In 2012/14, median household net property wealth for Scotland was £60,000, meaning half of all Scottish households had net property wealth of £60,000 or more and half had net property wealth of less than £60,000. In the same period, the median household net property wealth for Great Britain was £85,000<sup>19</sup>.

---

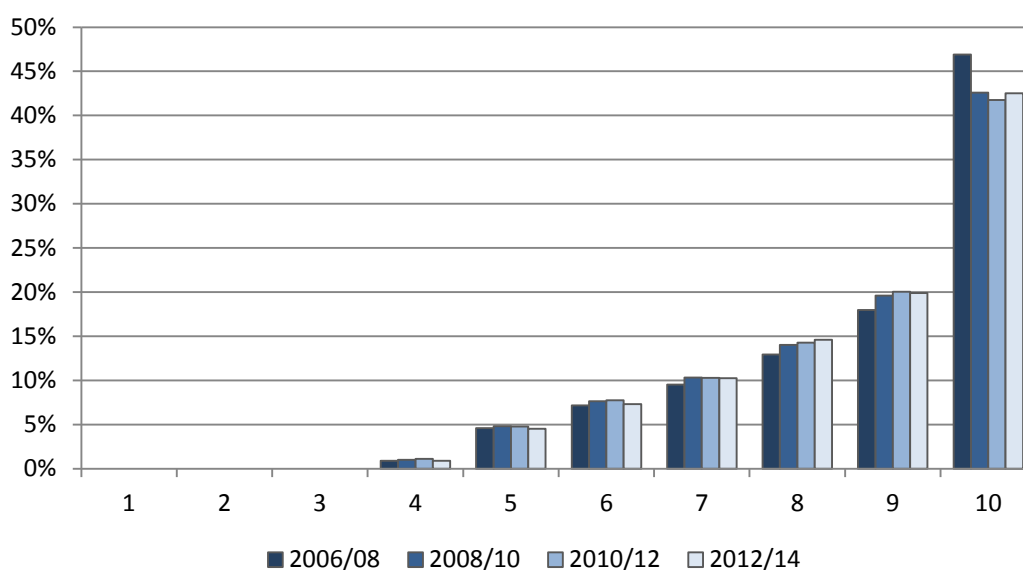
<sup>19</sup> Median values are estimated including negative values.

**Chart 4.5 Value of household net property wealth by decile 2006/08 – 2012/14**



Source: Wealth and Assets Survey, ONS

**Chart 4.6 Share of household net property wealth by decile 2006/08 – 2012/14**



Source: Wealth and Assets Survey, ONS

#### 4.4 Physical wealth (gross)

In contrast to the other wealth components, every household has some accumulated goods and contents. Therefore, household gross physical wealth was the most equally distributed of the four wealth components across all survey periods. Charts 4.7 and 4.8 show the value and share of physical wealth ownership across the population, by decile.

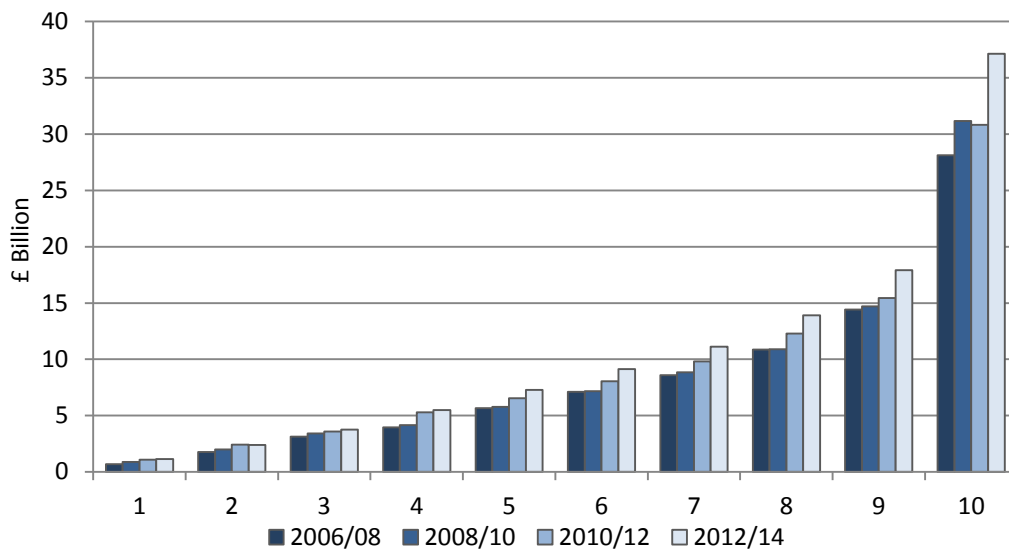
In 2012/14, the richest 10% of Scottish households:

- owned 34% of gross physical wealth which accounted for £37.1 billion;

- were 2 times wealthier than the second wealthiest 10%;
- were 1.85 times wealthier than the bottom 50%. The least wealthy 50% of Scottish households owned 18.4% of household gross physical wealth which accounted for £20 billion.

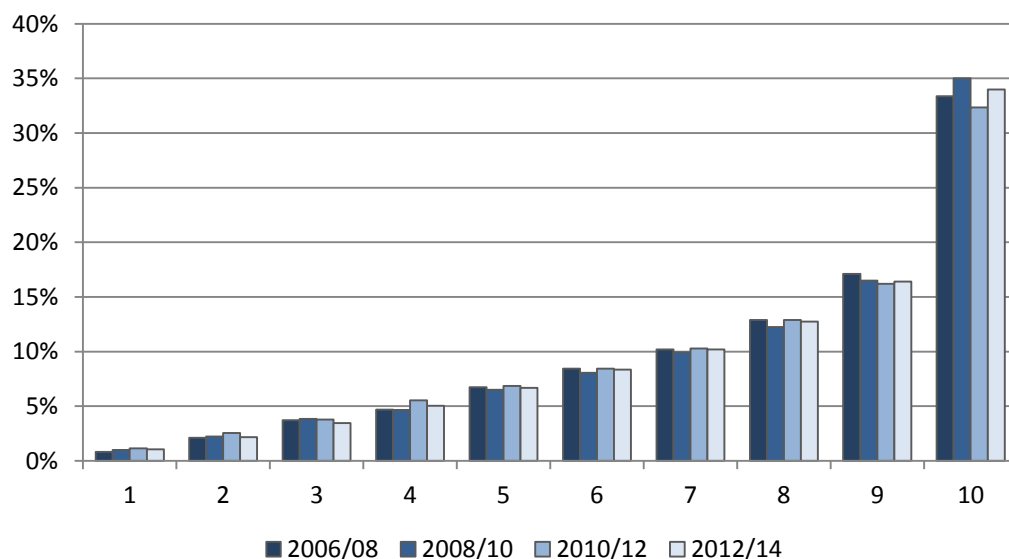
In 2012/14, the median gross physical wealth for Scotland was £35,000, which means that half of households had gross physical wealth of £35,000 or more and half had less. The median gross physical wealth has not change dramatically over the 4 waves of the survey, and is similar to the 2012/14 median across Great Britain as a whole, which was £35,300.

**Chart 4.7 Value of household gross physical wealth by decile 2006/08 – 2012/14**



Source: Wealth and Assets Survey, ONS

**Chart 4.8 Share of household gross physical wealth by decile 2006/08 – 2012/14**



Source: Wealth and Assets Survey, ONS

## 5 INEQUALITY IN HOUSEHOLD WEALTH AND HOUSEHOLD INCOME IN SCOTLAND

This section considers the differences in concentration of household total net wealth and household income for the population of Scottish households. Households with high levels of income often have high levels of wealth. Nevertheless, there are exceptions to this rule. For instance, some young individuals might be on high levels of income but have yet to accumulate comparably high levels of wealth, and conversely some retired people may have relatively low incomes but high levels of wealth.

The graphical presentation of results (chart 5.1 and 5.2) is based on the analysis of percentiles. Percentiles divide the data into one hundred equal parts, so that each part contains 1% of Scottish households – from the least wealthy/with the lowest income in the 1<sup>st</sup> percentile to the wealthiest/with the highest income in the last percentile. The analysis presents the share of wealth/income for the bottom 40% of households, the middle 50%, and the top 10% of households. This is consistent with the Scottish Government Solidarity Target.

Wealth ownership is more polarised than income. Charts 5.1 and 5.2 present the income distribution and wealth distribution showing the income and wealth owned by the bottom 40%, middle 50% and top 10% of households<sup>20</sup>.

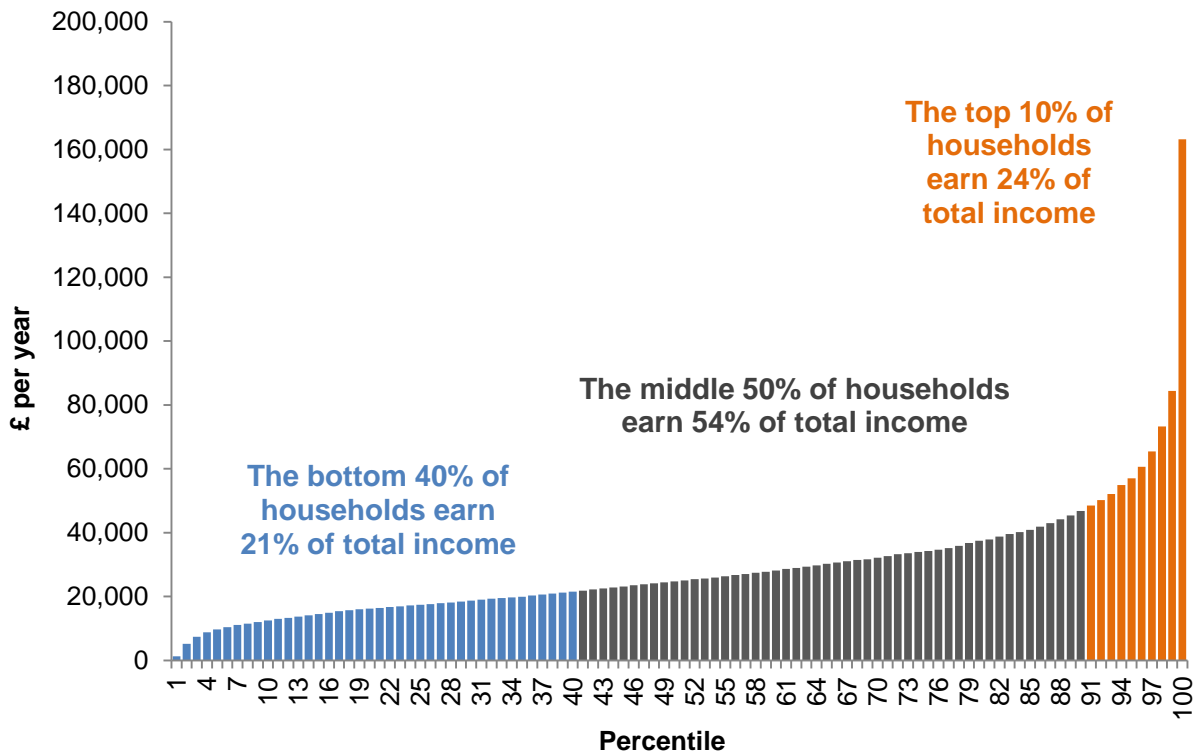
- The bottom 40% of households in Scotland had 21% of income but only 5% of total net wealth.
- The middle 50% of Scottish households had around half of income (54%) and around half of total wealth (52%).
- The top 10% of households in Scotland had 24% of income and owned 43% of total wealth.

---

<sup>20</sup> The distribution of wealth and the distribution of income are based on different data sources, and are calculated separately. Therefore it may not be the same households in each grouping for each distribution.

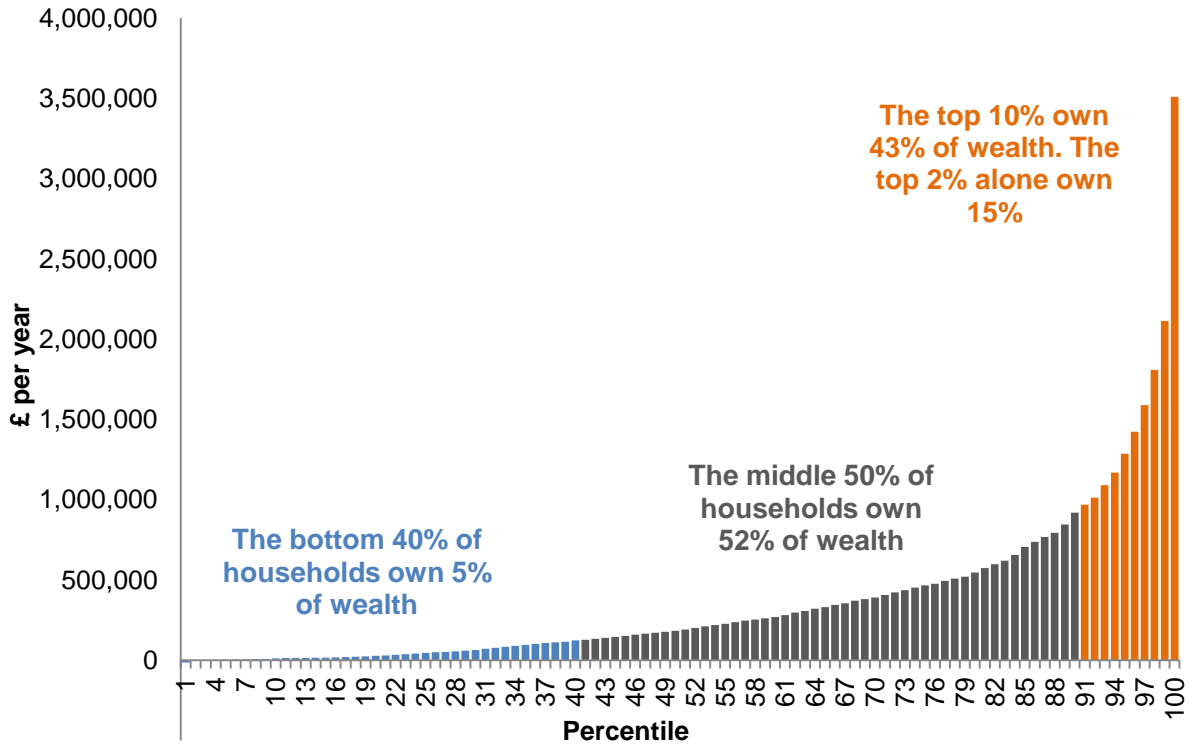


**Chart 5.1 Distribution of household income by percentile, Scotland 2014/15**



Source: Households Below Average Income, DWP

**Chart 5.2 Distribution of total net household wealth by percentile, Scotland 2012-14**



Source: Wealth and Assets Survey, ONS

## 6 WEALTH INEQUALITY IN SCOTLAND

This chapter continues the discussion on the distribution of wealth in Scotland. There is not a single agreed measure of inequality – different measures reflect different aspects of inequality. Preceding sections have provided a description of the distribution of wealth. In this section, two measures of inequality are used to monitor whether wealth inequality is increasing or decreasing over time. The first, the Gini coefficient, is a widely used measure of inequality. The second, the Palma ratio – which is based on the ratio of ownership by the top 10% compared to the bottom 40% – is consistent with the Scottish Government measure of income inequality in the Solidarity target and is reported here for the first time.

### 6.1 Gini coefficient

In contrast to the previous chapter, where the wealth distribution analysis was based on deciles and median values, this section considers the distribution of household total net wealth and its four wealth components using Gini coefficients. The Gini coefficient is the most widely used summary measure of inequality. It is expressed as a number between 0 and 1. A Gini coefficient of 0 represents perfect equality, whereas a Gini coefficient of 1 represents perfect inequality, with one specific group or person owning all wealth and the rest owning nothing. The lower (higher) the value of the Gini coefficient, the more equally (unequally) the wealth is distributed.

Table 6.1 shows the Gini coefficients for total net household wealth and its four components over time. For the first three survey periods, inequality in distribution of total net wealth was decreasing. However, there was no change in wealth inequality in the latest period (between 2010/12 and 2012/14):

- Net financial wealth remains the most unequally distributed component of household wealth, with a Gini coefficient of 0.89 in 2012/14. Inequality in the distribution of net financial wealth decreased in 2012/14, following an increase in 2010/12 around the levels seen in 2008/10.
- Private pension wealth was the second most unequally distributed household wealth component. Inequality of private pension wealth decreased consistently over the four survey periods. However, the distribution remains highly unequal, with a Gini coefficient of 0.73 in 2012/14.
- Net property wealth was more equally distributed than financial or private pension wealth. The inequality in distribution of property wealth has been stable across all survey periods – although it remains quite high, with a Gini coefficient of 0.65 in 2012/14.
- Gross physical wealth remained the most equally distributed wealth component, with a Gini coefficient of 0.47 in 2012/14. This is because all households own some physical wealth, such as washing machines, freezers, telephones etc. In the latest period, however, there was a small increase in the inequality of physical wealth (up from 0.45 in 2010/12).

**Table 6.1 Gini coefficient, Scotland 2006/08 – 2012/14**

|                                   | 2006/08     | 2008/10     | 2010/12     | 2012/14     |
|-----------------------------------|-------------|-------------|-------------|-------------|
| Property wealth (net)             | 0.65        | 0.64        | 0.64        | 0.65        |
| Financial wealth (net)            | 0.90        | 0.89        | 0.93        | 0.89        |
| Physical wealth (gross)           | 0.47        | 0.48        | 0.45        | 0.47        |
| Private pension wealth            | 0.79        | 0.77        | 0.74        | 0.73        |
| <b>Household total net wealth</b> | <b>0.66</b> | <b>0.63</b> | <b>0.61</b> | <b>0.61</b> |

Source: Wealth and Assets Survey, ONS

## 6.2 Changes in the share of total net household wealth and its components

Although the Gini coefficient is the most commonly used measure of inequality in distribution, it does not provide information about where the actual concentration of wealth exists (e.g. in the middle or at the extremes). Moreover, it has been argued that the Gini coefficient is more sensitive to changes in the middle (Atkinson, 1970) and therefore, it does not explicitly capture changes at the top and bottom - which is the focus of much inequality research.

In order to address those issues and provide information on the possible causes of changes in Gini coefficient measures observed over time (table 6.1), additional analysis has been undertaken, looking at the changes in the share of wealth and its components across different population groups. The following analysis, based on the Palma methodology<sup>21</sup>, provides a greater understanding of where changes in ownership of wealth have occurred across different groups. The population of Scottish households has been divided into the 'least wealthy 40%' (deciles 1 to 4); 'middle 50%' (deciles 5 to 9); and the 'wealthiest 10%' (decile 10), based on total wealth ownership. The results are summarised in table 6.2.

<sup>21</sup> Palma 2006, 2011 It is important to note the distribution of wealth does not necessarily follow the distribution of income (on which the Palma methodology is based).

**Table 6.2 Changes in the share of household total net wealth and its components by bottom 40%, middle 50% and top 10% of households, Scotland 2006/08 – 2012/14**

|                                   | 2006/08 | 2008/10 | 2010/12 | 2012/14 |
|-----------------------------------|---------|---------|---------|---------|
| <b>Property wealth (net)</b>      |         |         |         |         |
| bottom 40%                        | 0.9%    | 1.0%    | 1.1%    | 0.9%    |
| middle 50%                        | 52.2%   | 56.4%   | 57.1%   | 56.6%   |
| top 10%                           | 46.9%   | 42.6%   | 41.8%   | 42.5%   |
| <b>Financial wealth (net)</b>     |         |         |         |         |
| bottom 40%                        | 1.2%    | 1.5%    | 1.0%    | 0.9%    |
| middle 50%                        | 34.7%   | 36.6%   | 30.5%   | 32.3%   |
| top 10%                           | 64.1%   | 61.9%   | 68.6%   | 66.8%   |
| <b>Physical wealth (gross)</b>    |         |         |         |         |
| bottom 40%                        | 11.3%   | 11.7%   | 13.0%   | 11.7%   |
| middle 50%                        | 55.3%   | 53.2%   | 54.7%   | 54.3%   |
| top 10%                           | 33.4%   | 35.0%   | 32.3%   | 34.0%   |
| <b>Private pension wealth</b>     |         |         |         |         |
| bottom 40%                        | 0.5%    | 0.5%    | 0.7%    | 0.6%    |
| middle 50%                        | 35.4%   | 38.3%   | 43.5%   | 45.2%   |
| top 10%                           | 64.1%   | 61.2%   | 55.8%   | 54.2%   |
| <b>Household total net wealth</b> |         |         |         |         |
| bottom 40%                        | 4.2%    | 4.5%    | 4.9%    | 4.6%    |
| middle 50%                        | 47.1%   | 49.4%   | 51.7%   | 52.2%   |
| top 10%                           | 48.7%   | 46.1%   | 43.4%   | 43.2%   |

Source: Wealth and Assets Survey, ONS

In 2012/14, the decrease in inequality in the ownership of **net financial wealth** measured by the Gini coefficient (table 6.1) may be attributed to the increase in the share of financial wealth owned by the 'middle 50%' (an increase of 1.9 percentage points). While the middle 50% enjoyed a larger share of financial wealth compared with 2010/12, the situation of the bottom 40% of households worsened in 2012/14. The least wealthy 40% decreased their share of financial wealth by 0.1 percentage points, while the wealthiest 10% of households decreased their share of financial wealth by 1.8 percentage points.

Likewise, the decreased rate of inequality in the distribution of **private pension wealth** measured by the Gini coefficient (table 6.1) is likely to be correlated to the increased ownership rate of this wealth (by 1.7 percentage point) by households placed in the middle 50% of distribution. In contrast, the bottom 40% and top 10% of households experienced a decrease in the share of private pension wealth by 0.1 and 1.6 percentage points respectively.

The increase in inequality of **net property wealth** reported by the Gini coefficient in 2012/14 (table 6.1) reflects the decreased share in this wealth (by 0.5 percentage point) by households placed in the middle 50% of the distribution. At the same time, the more detailed analysis of changes shows that in 2012/14 the situation of households at the bottom 40% of the distribution also worsened, as they decreased their share of net property wealth by 0.2 percentage points compared with 2010/12 (a smaller decrease than seen by the middle 50% of households). In contrast, the wealthiest 10% of households increased their share of net property wealth by 0.7 percentage points in 2012/14.

The increase in inequality in the distribution of **household gross physical wealth** in 2012/14 compared to 2010/12 (table 6.1) reflects a decreased share (by 0.4 percentage points) in ownership of physical wealth by the middle 50% of households. However, table 6.2 shows that more significant changes were experienced by households placed at the bottom and top of the distribution. In 2012/14, the least wealthy 40% of households decreased their share of physical wealth by 1.3 percentage points, while the wealthiest 10% of households enjoyed an increased proportion of physical wealth (by 1.7 percentage points).

Interestingly, the rate of inequality reported by the Gini coefficient for **household total net wealth** (table 6.1) remained at the same level for both 2010/12 and 2012/14 implying that the rate of inequality did not change over the last two survey periods. However, the analysis of changes in the share of wealth across different distributional groups (table 6.2) shows that in 2012/14 the middle 50% of households increased their share of total net wealth by 0.5 percentage points while the bottom 40% and top 10% decreased their share by 0.3 and 0.2 percentage points respectively compared to 2010/12.

While the middle 50% of households owned a relatively stable and close to 50% share of household total net wealth over the four survey periods, it is worth considering how the observed changes at both ends of the distribution affected the situation of the least wealthy and the wealthiest households.

In 2012/14, the Palma ratio<sup>22</sup> (table 6.3) for total net household wealth was 9.4, which means that the wealthiest 10% of households owned 9.4 times more household total net wealth than the least wealthy 40% combined. In contrast, in 2010/12, the Palma ratio was 8.8. Although the Gini coefficient did not report any changes to the level of inequality in distribution of total household wealth, the Palma ratio shows clearly that the situation of the bottom 40% of households worsened against the top 10% (with the middle 50% owning a relatively stable share of wealth over time).

**Table 6.3 The Palma ratio, Scotland 2006/08 – 2012/14**

|                         | 2006/08 | 2008/10 | 2010/12 | 2012/14 |
|-------------------------|---------|---------|---------|---------|
| Share of the middle 50% | 47.1%   | 49.4%   | 51.7%   | 52.2%   |
| Palma ratio             | 11.6    | 10.2    | 8.8     | 9.4     |

Source: Wealth and Assets Survey, ONS

<sup>22</sup> The evidence base on the Palma ratio is based on the analysis of distribution of income. However the main assumption of relative stability in the middle of the distribution holds for total net wealth. It does not hold however for the individual wealth components, especially financial and private pension wealth which have very skewed distributions. Therefore the Palma ratiion was calculated for total net household wealth only.

### 6.3 Wealth inequality in Scotland and Great Britain

Inequality in the ownership of total net household wealth in Scotland was slightly lower than that for Great Britain in 2012/14. Table 6.4 shows the Gini coefficient for Scotland was 0.61 compared with 0.63 for Great Britain. However, wealth inequality in Scotland and Great Britain remains high.

In 2012/14 Scotland was slightly more unequal than Great Britain for physical wealth, the same as Great Britain for private pension wealth and more equal than Great Britain for financial wealth and property wealth.

This differs from the pattern in 2010/12 when Scotland was slightly more unequal than Great Britain for financial wealth, physical wealth and private pension wealth and the same as Great Britain for property wealth and total wealth. However, as Table 6.4 shows changes are small and overall inequality remains high.

**Table 6.4 Gini coefficient for Scotland and Great Britain, 2012/14**

|                                   | <b>Scotland</b> | <b>Great Britain</b> |
|-----------------------------------|-----------------|----------------------|
| Property wealth (net)             | 0.65            | 0.66                 |
| Financial wealth (net)            | 0.89            | 0.91                 |
| Physical wealth (gross)           | 0.47            | 0.45                 |
| Private pension wealth            | 0.73            | 0.73                 |
| <b>Household total net wealth</b> | <b>0.61</b>     | <b>0.63</b>          |

Source: Wealth and Assets Survey, ONS

An alternative way of understanding wealth inequality is the change in the share of wealth ownership. As in the previous section, the share of wealth owned by the bottom 40%, middle 50% and top 10% has also been considered, in order to identify where the actual concentration of wealth may exist. The results are presented in table 6.5.

- Total net household wealth is slightly more equally distributed in Scotland than in Great Britain in 2012/14. This reflects the higher share of wealth owned by the middle 50% of households in Scotland compared with Great Britain. The bottom 40% of Scottish households owned a slightly higher share of total net wealth than those in Great Britain.
- Net financial wealth was more equally distributed in Scotland than in Great Britain in 2012/14. This reflects the greater share of ownership of financial wealth by the middle 50% of Scottish households compared with Great Britain. The largest influence on the levels of inequality was the lower share of financial wealth owned by the top 10% in Scotland compared with Great Britain. It is worth noting however that the bottom 40% of households in Scotland owned a smaller share of net financial wealth than those in Great Britain.
- Although inequality in the ownership of private pension wealth was the same in Scotland as in Great Britain in 2012/14, the middle 50% of households in Scotland owned a greater share of private pension wealth than the same

group in Great Britain. Meanwhile, the bottom 40% and the top 10% of Scottish households owned a smaller share of private pension wealth than the same groups in Great Britain.

- The greater inequality in the ownership of physical wealth in Scotland reflects the smaller proportion of ownership by the middle 50% compared to the same group in Great Britain. In Scotland, the bottom 40% also owned less physical wealth than the same group in Great Britain; but the top 10% of Scottish households owned a greater share of physical wealth than the equivalent group in Great Britain.

**Table 6.5 Share of household total net wealth and its components by bottom 40%, middle 50% and top 10% of households for Scotland and Great Britain, 2012/14**

|                                   |            | Scotland | Great Britain |
|-----------------------------------|------------|----------|---------------|
| <b>Property wealth (net)</b>      |            |          |               |
|                                   | bottom 40% | 0.9%     | 1.2%          |
|                                   | middle 50% | 56.6%    | 53.0%         |
|                                   | top 10%    | 42.5%    | 45.8%         |
| <b>Financial wealth (net)</b>     |            |          |               |
|                                   | bottom 40% | 0.9%     | 1.2%          |
|                                   | middle 50% | 32.3%    | 29.7%         |
|                                   | top 10%    | 66.8%    | 69.1%         |
| <b>Physical wealth (gross)</b>    |            |          |               |
|                                   | bottom 40% | 11.7%    | 12.3%         |
|                                   | middle 50% | 54.3%    | 56.1%         |
|                                   | top 10%    | 34.0%    | 31.6%         |
| <b>Private pension wealth</b>     |            |          |               |
|                                   | bottom 40% | 0.6%     | 0.8%          |
|                                   | middle 50% | 45.2%    | 44.7%         |
|                                   | top 10%    | 54.2%    | 54.6%         |
| <b>Household total net wealth</b> |            |          |               |
|                                   | bottom 40% | 4.6%     | 4.5%          |
|                                   | middle 50% | 52.2%    | 50.7%         |
|                                   | top 10%    | 43.2%    | 44.8%         |

Source: Wealth and Assets Survey, ONS

## 7 THE LEAST WEALTHY HOUSEHOLDS IN SCOTLAND

This chapter looks at the least wealthy 30% of households<sup>23</sup>, referred to as the “least wealthy households”. Those with low wealth have worse outcomes in health, education, access to the housing market and wellbeing – and have less opportunity to grow their wealth. The least wealthy 30% of households own very few assets, and are therefore unlikely to have the capacity to build assets and wealth in the future.

This chapter presents the socio-demographic characteristics of these households and looks at the financial assets and non-mortgage borrowing of this group, and how this compares to the population as a whole.

### 7.1 The share of wealth of the least wealthy households

The least wealthy 30% of households have very few assets, with some having negative assets (where borrowing is greater than the value of assets owned). The share of wealth for this group has not really changed across the four survey periods.

In 2012/14, the least wealthy households owned 1.9% of total net household wealth<sup>24</sup>. The least wealthy households owned:

- 0.3% of financial wealth;
- 0.1% of private pension wealth;
- 0% of property wealth (with negative property wealth for some, where the value of mortgage borrowing was greater than the value of the property);
- 6.7% of physical wealth.

### 7.2 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 households in Scotland.

#### 7.2.1 Age

Building up a stock of wealth is a cumulative process across a person’s life course, often until retirement when individuals may start to draw down pension funds and use savings. However, for some households, low income through working life means little capacity to accumulate wealth.

---

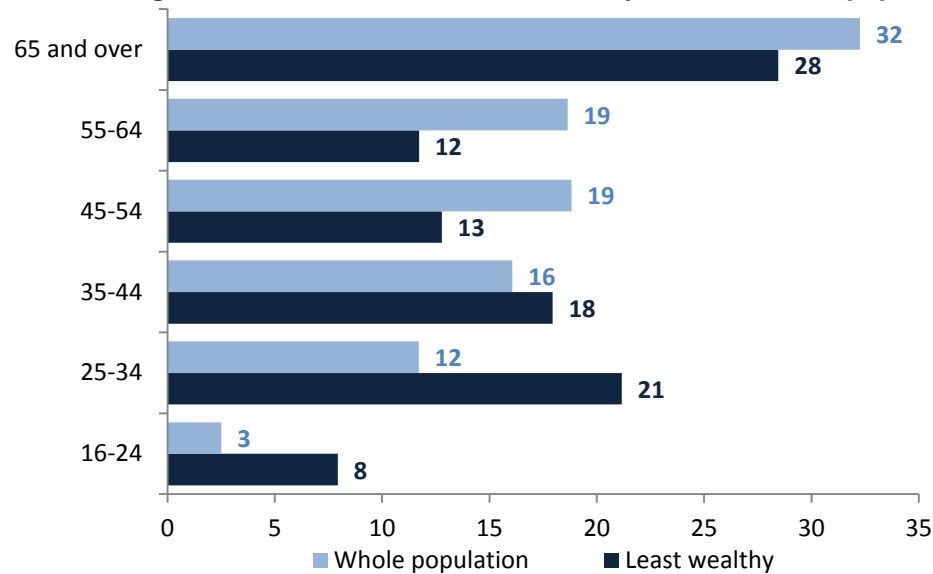
<sup>23</sup> Households were sorted into ascending order by total net household wealth from the least to most wealthy. The least wealthy are the 30% with the lowest total net household wealth.

<sup>24</sup> Negative values have been set to zero.



Chart 7.1 below shows that households with a head of household aged less than 45 years were over represented in the least wealthy households, while older households were less likely to be in low wealth.

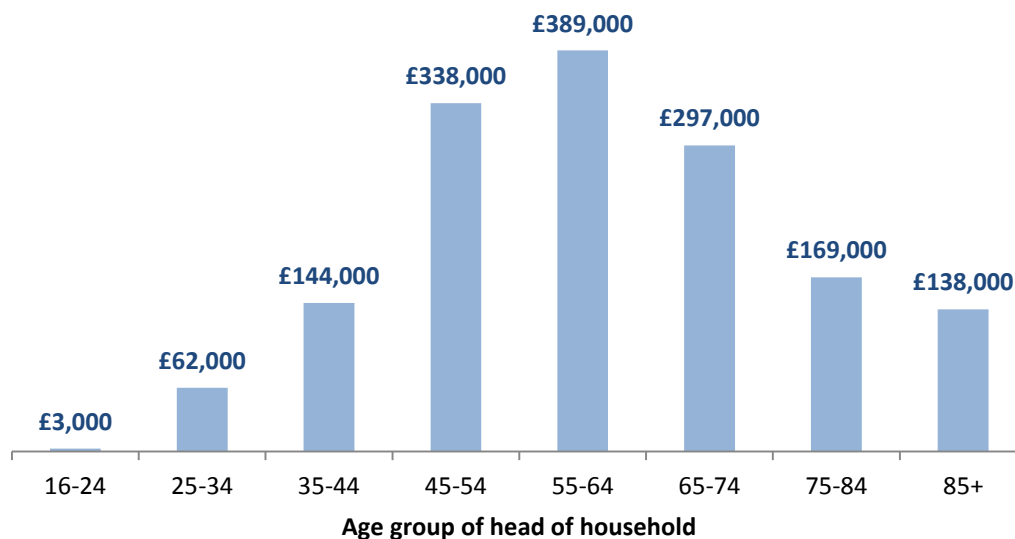
**Chart 7.1 Age of head of household, least wealthy 30% and whole population, 2012/14**



Source: Wealth and Assets Survey, ONS

Chart 7.2 below shows the median wealth by age group of the head of household, and demonstrates the accumulation of wealth through working life, with reductions in wealth in retirement as pensions are drawn down. For younger households, the main component of wealth is property and physical wealth. From the age of 35 years to 74 years, the largest component of wealth is pension wealth – for 55-64 year olds this is around 60% of total wealth. In older age (75 and older) property becomes the main wealth component.

**Chart 7.2 Median wealth by age band of head of household, 2012/14**



Source: Wealth and Assets Survey, ONS

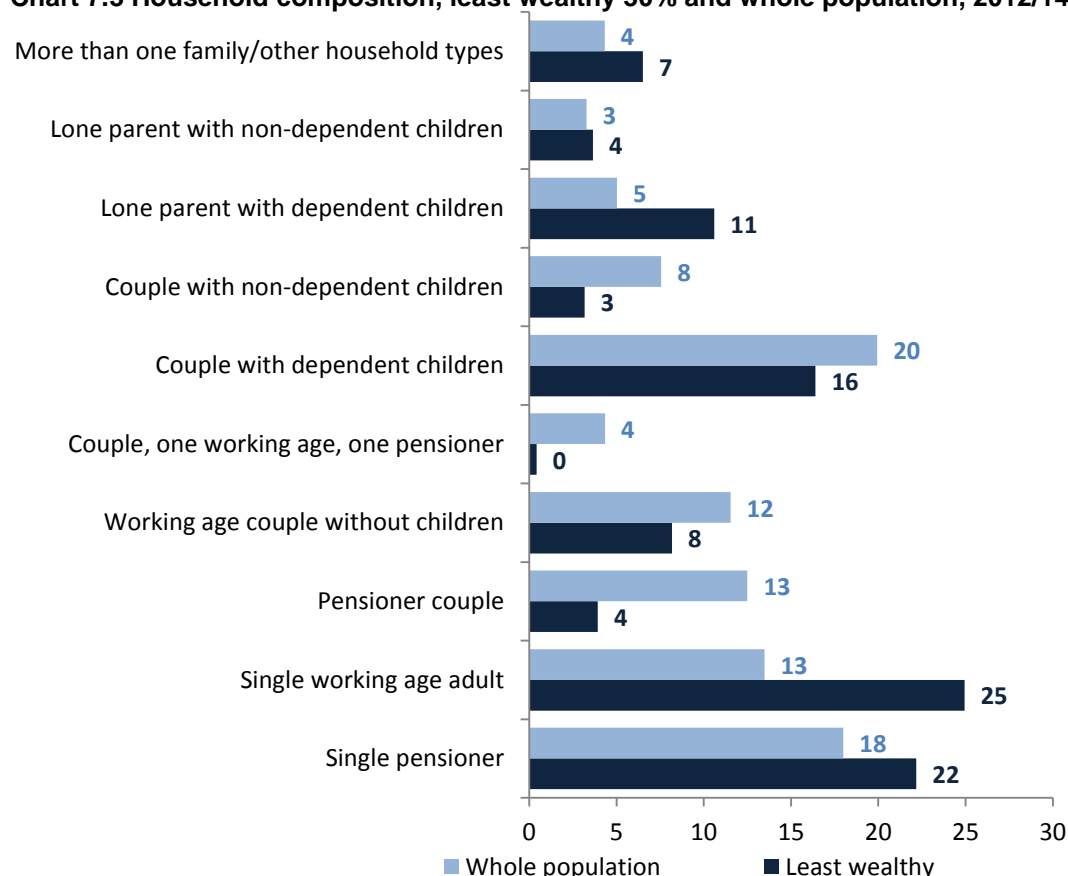
However, while underrepresented in the low wealth group, 28% of those in low wealth were of retirement age or older. For this group, low wealth in retirement reflects a lack of ability to accumulate wealth due to low income and low social mobility through life.

The opportunity for the younger households today to build wealth as they move through life may be more difficult than for previous generations. The Intergenerational Index 2016 UK shows those born in the 1980's are the first post-war generation not to start their working life with higher incomes than the generation immediately preceding it. In addition, house prices continue to increase at a much faster rate than earnings meaning younger households are now less likely to own their own home by the age of 30. Changes in the labour market may make it harder for those who start on low pay to move out of low pay, and under-employment is a problem for many graduates who are not using the skills they gained in higher education.<sup>25</sup>

### 7.2.2 Household type

Chart 7.3 below shows the household type of the least wealthy households compared with the population as a whole.

**Chart 7.3 Household composition, least wealthy 30% and whole population, 2012/14**



Source: Wealth and Assets Survey, ONS

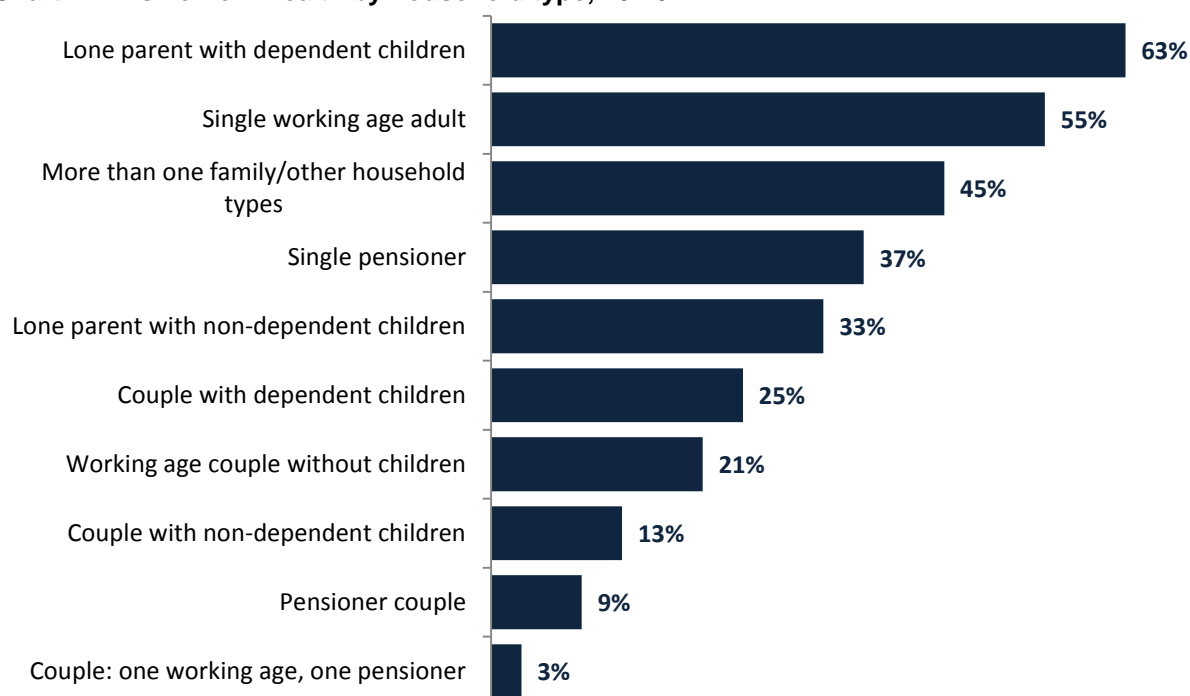
<sup>25</sup> Intergenerational Fairness Index 2016, The Intergeneration Foundation

Single adult households (lone parents, single working age adults and single pensioners) account for around 60% of low wealth households but make up only a 40% of the total population.

Within this single working age adult households were most over represented, accounting for a quarter of the low wealth households. This group also have a higher risk of poverty<sup>26</sup>. Lone parents with dependent children and single pensioners were also over represented in the least wealthy households (with 22% of low wealth households being single pensioner households, and 11% being lone parents with dependent children). Couples without children, and pensioner couples were the least likely to be in low wealth households.

Chart 7.4 below shows the risk of low wealth – the percentage of each household type in low wealth households.

**Chart 7.4 Risk of low wealth by household type, 2012/14**



Source: Wealth and Assets Survey, ONS

Single parents with dependent children have the highest risk of low wealth. Nearly two thirds of single parents with dependent children were in low wealth households in Scotland in 2012/14. Single parent families also face the highest risk of poverty, with a quarter of single parent households living in poverty in 2014/15. There is a clear link for this group between low income and low wealth, with the majority of single parents in employment being in part time employment, which tends to be lower paid and less secure, to fit around caring responsibilities<sup>27</sup>.

<sup>26</sup> <http://www.gov.scot/Publications/2016/06/3468>

<sup>27</sup> Census 2011: 69% of lone parent households were economically active, of which 60% were in part time employment. Family Resources survey 2014/15 shows 65% of lone parent households were economically active. Of those in employment, 62% were in part time employment.

Over half of single working age adult households in Scotland were in low wealth households in 2012/14. This may reflect the lower household income available to single adult households. It may also reflect the lack of employment, particularly for younger age groups, resulting in low income and a lack of resources to build wealth. For young single adults in employment, this is at the start of their working life and so tends to be entry level and therefore lower paid.

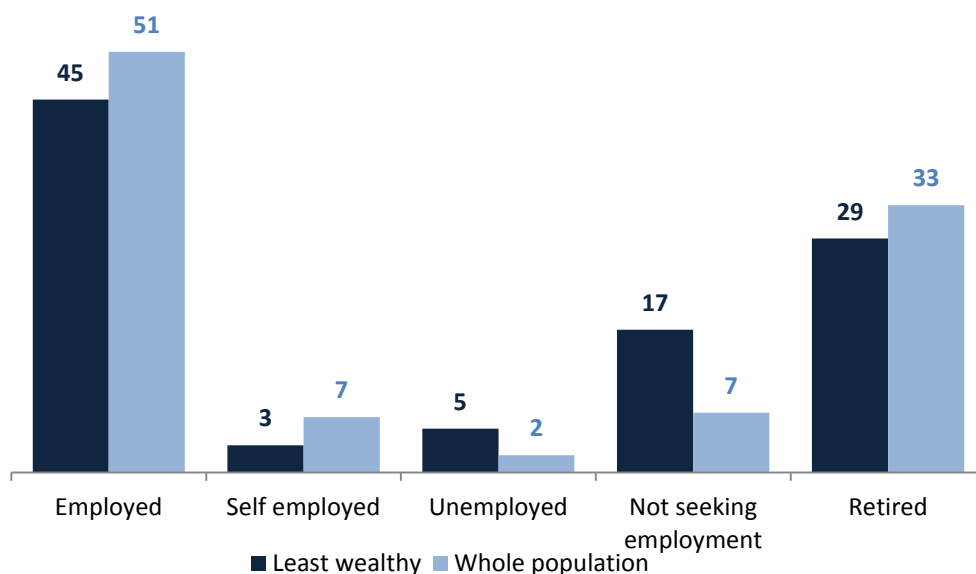
By contrast, couple households have a significantly lower risk of low wealth. A quarter of couples with dependent children were in low wealth in 2012/14. But this risk halves when children are no longer dependent. This reflects the ability to take up employment as children grow into adulthood, and the fact that these couples are likely to be older and so have had more time to build wealth, pay into pensions, and pay back mortgages.

Pensioner couples (either both pensioners, or one pensioner one working age) have the lowest risk of low wealth. This reflects the fact that wealth accumulation is cumulative through life. Pensioners have had their working lifetime to build wealth, with the majority having no mortgage, and having benefitted from the increasing house prices over their lifetime.

### 7.2.3 Employment status

Employment is no guarantee of earning enough income to accumulate assets such as a house. Nearly half (45%) of the low wealth households were headed by someone in employment at the time of the survey. Chart 7.5 below shows the employment status of the head of household of the least wealthy households, compared to the whole population.

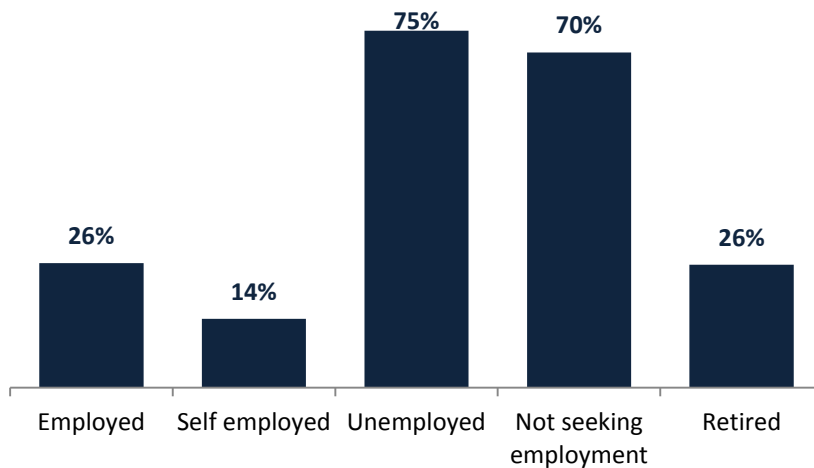
**Chart 7.5 Employment status of head of household, least wealthy 30% and whole population, 2012/14**



Source: Wealth and Assets Survey, ONS

Households headed by someone who is unemployed have the highest risk of low wealth. Chart 7.6 below shows the risk of low wealth by employment status of the head of household. All households where the head of household is not in employment have a significantly higher risk of being in low wealth. While around half of households in the low wealth group were headed by someone in employment, around a quarter of households where the head is in employment were in low wealth.

**Chart 7.6 Risk of low wealth by employment status of head of household, 2012/14**



Source: Wealth and Assets Survey, ONS

#### 7.2.4 Educational qualifications

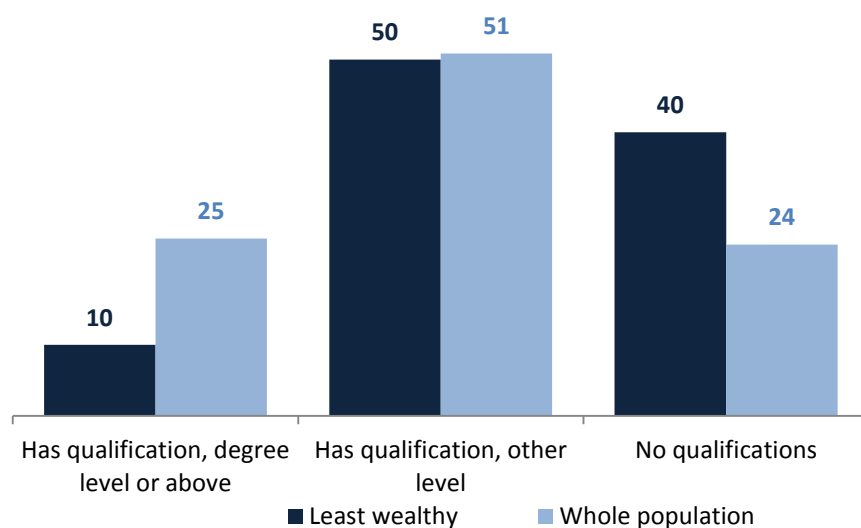
Education is strongly linked to earnings. Research suggests that barely one in ten low-paid workers at the start of the last decade had escaped low pay by the end<sup>28</sup>.

Chart 7.7 below shows the highest educational qualification of the head of household of the least wealthy group, compared with the whole population. The least wealthy households were more likely to have a head of household with no qualifications, with 90% of low wealth households headed by someone with qualifications below university level.

28

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/569410/Social\\_Mobility\\_Commission\\_2016\\_REPORT\\_WEB\\_1\\_.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/569410/Social_Mobility_Commission_2016_REPORT_WEB_1_.pdf)

**Chart 7.7 Education of head of household, least wealthy 30% and whole population, 2012/14**



Source: Wealth and Assets Survey, ONS

There is a strong link between household income and educational outcomes for children. In the UK only one in eight children from low income backgrounds is likely to become a high income earner as an adult<sup>29</sup>. Children in low income households today may not have the opportunity to generate higher wealth in adulthood.

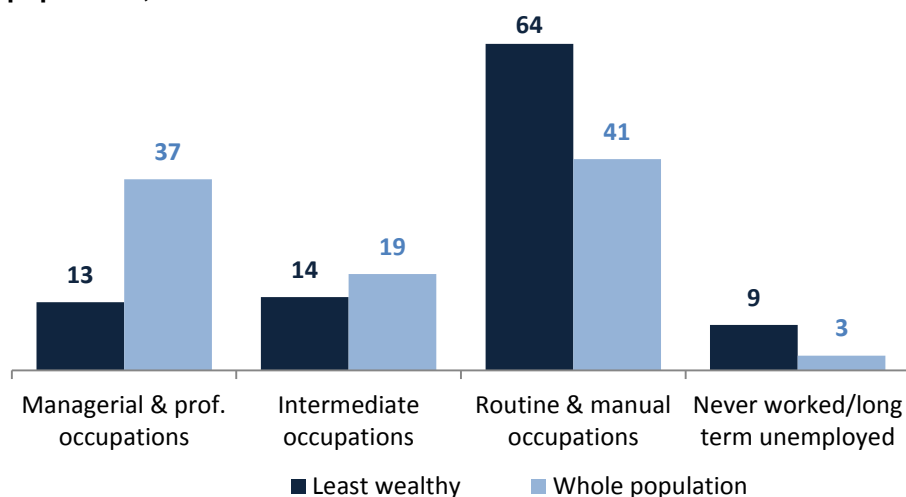
### 7.2.5 Socio-economic group

The socio-economic group of the head of household has a significant impact on the likelihood of being in low wealth. Chart 7.8 below shows the socio-economic group of the head of household of the least wealthy households and the whole population. Nearly two thirds of the least wealthy group were headed by someone in a routine or manual occupation. There are links between the socio-economic group, presented here, and the educational qualifications presented in the section above. Routine and manual occupations tend to be lower skilled and lower paid, so households are less able to set aside money to invest in wealth.

29

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/569410/Social\\_Mobility\\_Commission\\_2016\\_REPORT\\_WEB\\_1\\_.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/569410/Social_Mobility_Commission_2016_REPORT_WEB_1_.pdf)

**Chart 7.8 Socio-economic group of the head of household, least wealthy 30% and whole population, 2012/14**



Source: Wealth and Assets Survey, ONS

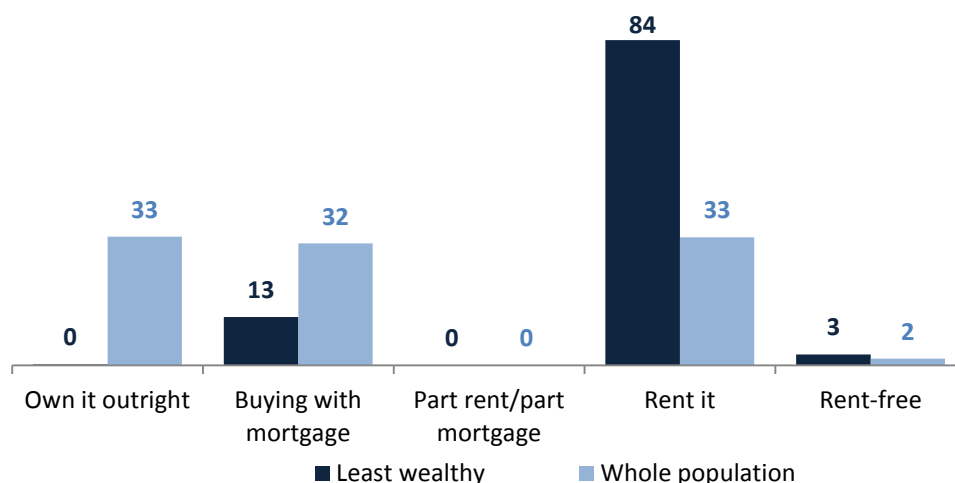
However, 13% of low wealth households were headed by someone in managerial and professional occupations. As noted above, the ability of a household to accumulate wealth is determined by a number of factors, including life stage.

### 7.2.6 Tenure

The least wealthy households were significantly less likely to own a property, and for those that did, the value of the property was at the lower end of the property market.

Chart 7.9 below shows the tenure of the least wealthy households compared to the whole population. Nearly all of the least wealthy households (84%) rent their accommodation, with only 13% buying with a mortgage. In contrast, 65% of the whole population were homeowners (half of whom owned their home outright), with a third renting.

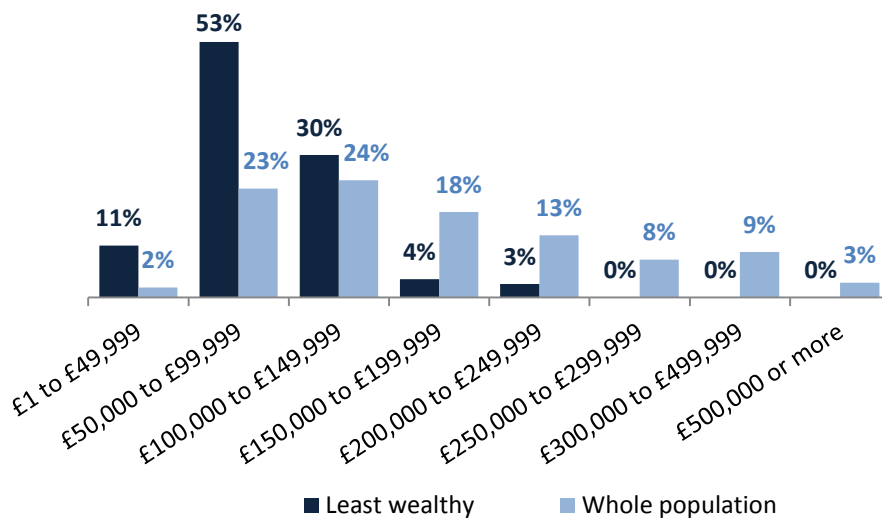
**Chart 7.9 Tenure of main residence, least wealthy 30% and whole population, 2012/14**



Source: Wealth and Assets Survey, ONS

Chart 7.10 shows the value of the main residence, for the least wealthy households and the whole population, for those households who owned a property. In 2012/14, 64% of the least wealthy households, who were owner occupiers, owned a property worth less than £100,000 – this compares with 25% of the whole population. Nearly all (93%) of the least wealthy group who were owner occupiers owned a property valued at less than £150,000, compared with half (49%) of the whole population.

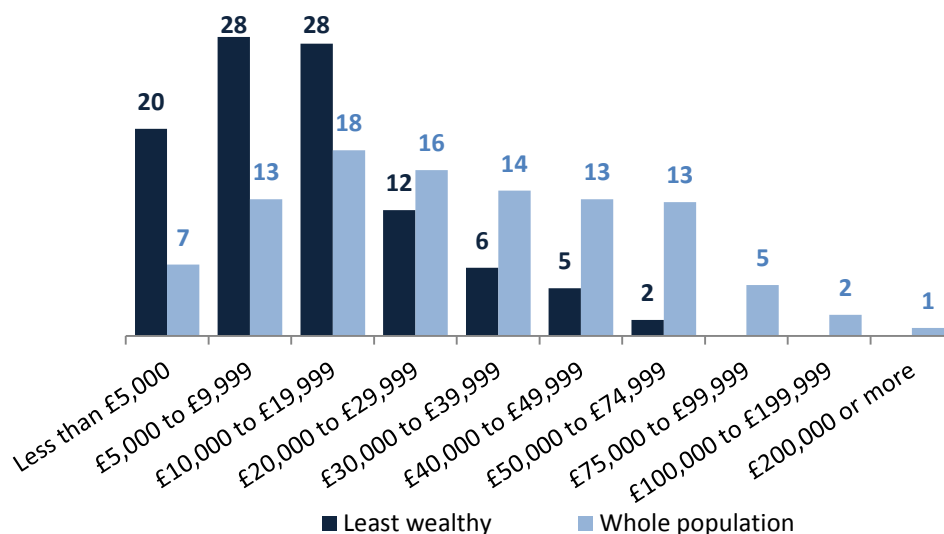
**Chart 7.10 Value of main residence, least wealthy 30% and whole population, 2012/14**



Source: Wealth and Assets Survey, ONS

The least wealthy households, as well as being less likely to own a home, or to own a higher value property, owned significantly less wealth in household contents, than the whole population. Chart 7.11 below shows 76% of the least wealthy households had household contents valued at less than £20,000. This compares with 37% for the whole population. By contrast, nearly half (47%) of the whole population owned household contents valued at £30,000 or more (compared with 13% of the least wealthy households).

**Chart 7.11 Value of household contents, least wealthy 30% and whole population, 2012/14**



Source: Wealth and Assets Survey, ONS



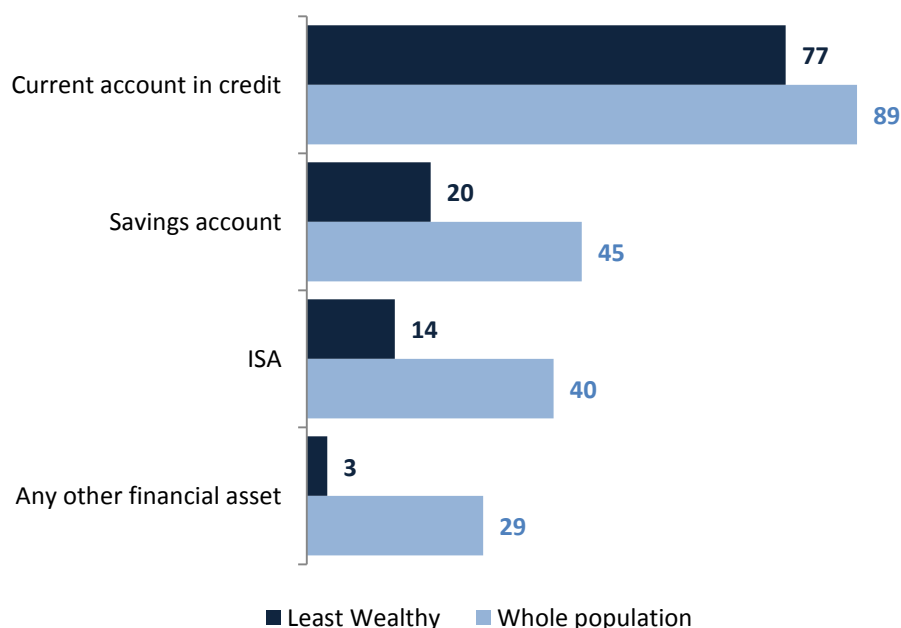
### 7.3 Financial assets of the least wealthy households

This section looks at the ownership of financial assets (both formal and informal) and the value of those assets, by the least wealthy households compared to the whole population. Financial wealth comprises: formal financial assets (such as bank accounts, savings accounts, stocks and shares); informal financial assets (such as money saved at home); and liabilities (such as formal borrowing, overdrafts and arrears on household bills). Analysis is split into two parts: ownership and value of formal financial assets, and the ownership and value of informal financial assets. Analysis of financial liabilities is in the next section.

#### 7.3.1 Ownership of financial assets

The least wealthy households were less likely to own financial assets, such as a current account in credit, savings account, or ISA, than the whole population. Chart 7.12 below shows the proportion of the least wealthy households, and the whole population, who owned formal financial assets in 2012/14.

**Chart 7.12 Ownership of formal financial assets, least wealthy 30% and whole population, 2012/14**



Source: Wealth and Assets Survey, ONS

\* indicates zero value

Insurance products are life insurance, Friendly Society or endowment policies (excluding endowments linked to mortgages). Excludes term insurance policies i.e. life insurance policies which only have a value if the holder dies in the period of the insurance.

Shares include both UK shares and overseas shares.

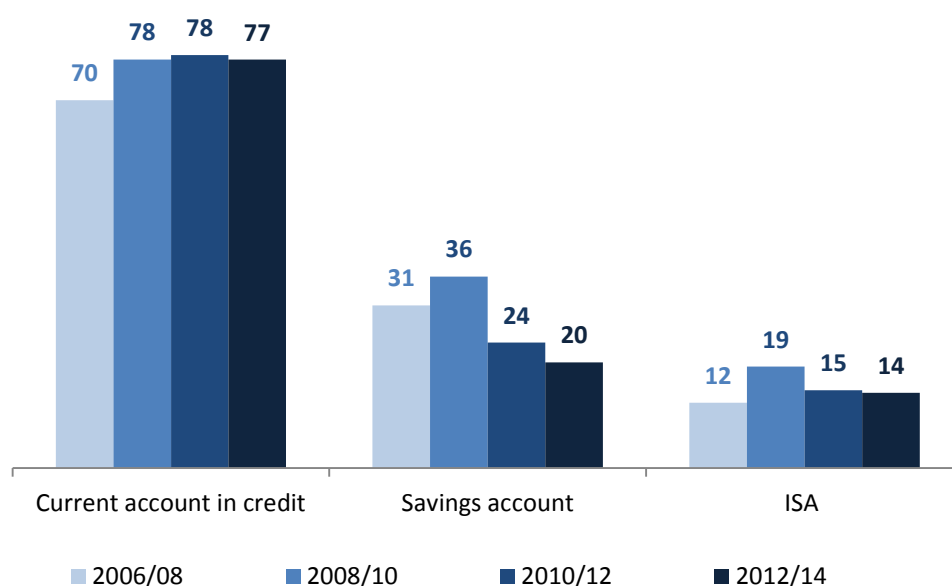
While over three quarters (77%) of the least wealthy households had a current account in credit, this remains lower than for the population as a whole (at 89%), with rates of ownership of other financial assets very low for this group: 20% had a savings account, compared to 45% of the whole population; 14% had an ISA,

compared to 40% of the whole population; and 3% owned any other financial assets, compared to 29% of the whole population.

### 7.3.2 Change in ownership of financial assets over time

As Chart 7.13 shows the ownership of financial assets by the least wealthy households has decreased in 2012/14 compared with the previous period. Following increases in ownership of current accounts in credit, savings accounts and ISAs in 2008/10, the rate of ownership of savings and ISAs by the least wealthy households decreased in 2010/12 and decreased further in 2012/14.

**Chart 7.13 Change in ownership of financial assets by the least wealthy 30% of households, 2006/08 – 2012/14**



Source: Wealth and Assets Survey, ONS

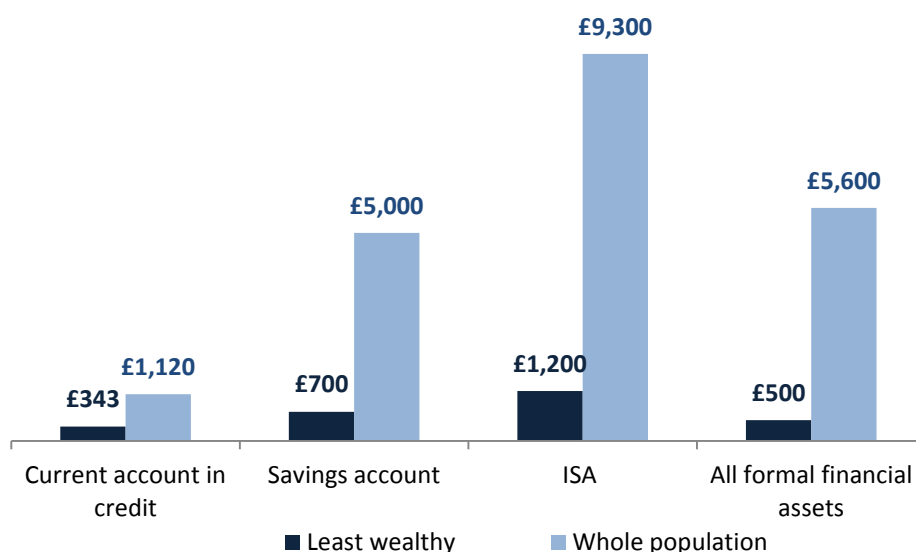
### 7.3.3 Value of financial assets

Chart 7.14 below shows the median value of formal financial assets owned by the least wealthy households and the whole population in 2012/14. The median is the middle value at which half of households have assets valued at less than this, and half have assets valued at more.

The majority of the least wealthy households did not have financial assets except for a current account in credit. The following analysis is based on the least wealthy 30% of households in terms of total wealth, however analysis of the value of financial assets only includes those households which owned financial assets. The analysis only looks at the value of financial assets owned, and does not take account of debts.

The median value of all financial assets owned by the least wealthy households was £500, less than a tenth of the median value of financial assets owned by the population as a whole (£5,600).

**Chart 7.14 Median value of all formal financial assets owned, least wealthy 30% and whole population, 2012/14**



Source: Wealth and Assets Survey, ONS

The median value of cash held in current accounts by the least wealthy group (£343) was around a third of that for the whole population (£1,120). The least wealthy households had around a seventh (£700) of the value of cash in savings accounts as the whole population (£5,000). A similar pattern exists for the value of ISAs, with the value of ISAs owned by the least wealthy households (£1,200) being around an eighth of that owned by the whole population (£9,300). The difference in the median value of financial assets owned by the least wealthy households and the whole population is even greater for all other types of financial assets.

The median value of financial assets owned by the least wealthy households is largely unchanged between 2006/08 and 2012/14, while there have been small increases for the whole population.

The median value of financial assets for the least wealthy households was £500 in 2012/14 – no real change from £450 in 2006/08. Over the same period the median value for the whole population increased from £5,170 to £5,600. At the same time the median value of financial assets of the wealthiest households increased from £80,500 to £103,416.

### 7.3.4 Informal financial assets

The value of informal assets held by the least wealthy increased to £680 in 2008/10 and has subsequently decreased to £350 in 2012/14. This is similar to the pattern seen across the whole population, where the median values of informal assets decreased from £700 in 2006/08 to £554 in 2012/14.

## 7.4 Non-mortgage borrowing

This section looks at the prevalence and value of household borrowing, excluding mortgage borrowing. Non-mortgage borrowing includes borrowing such as credit

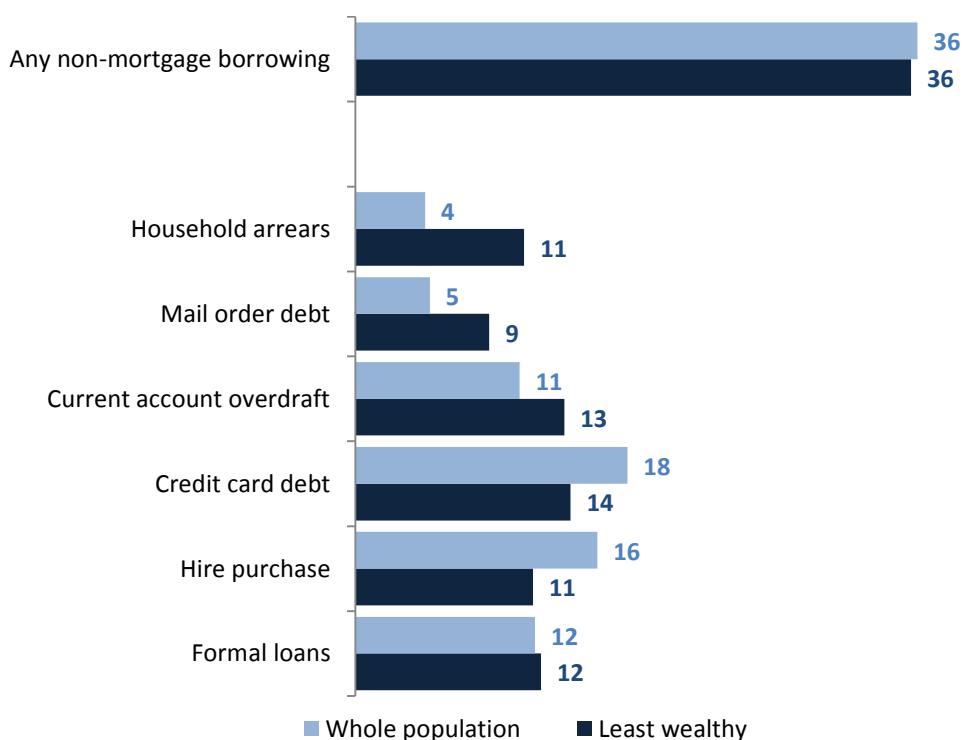
card debt, student loans, overdrafts, formal loans, store card and mail order debt, hire purchase debt and arrears on household bills.

### 7.4.1 The prevalence of borrowing

Just over a third (36%) of the least wealthy households had debts, the same as for the whole population. However, while the overall prevalence of borrowing among the least wealthy households is similar to that for the whole population, the type of debt held differs between the two groups.

Chart 7.15 below shows the prevalence of non-mortgage borrowing, by type of borrowing, for the least wealthy households compared to the whole population. More than one in ten (11%) of the least wealthy households had arrears on household bills – nearly three times the rate for the whole population (4%). The least wealthy households were also more likely to have a current account overdraft than the whole population. While the least wealthy group were less likely to have credit card debt, they were more likely to have mail order debts.

**Chart 7.15 Percentage of households with non-mortgage borrowing by type of borrowing, least wealthy 30% and whole population, 2012/14**



Source: Wealth and Assets Survey, ONS

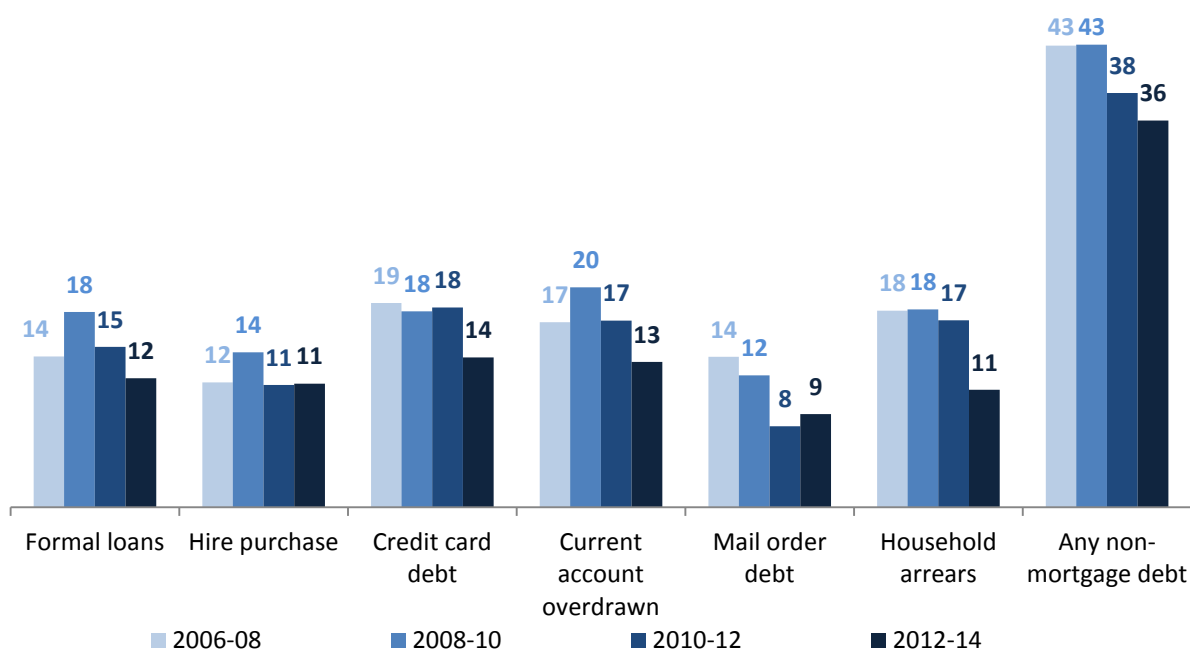
### 7.4.2 Change in the prevalence of borrowing over time

Household non-mortgage borrowing continued to fall in 2012/14 for the least wealthy households. The least wealthy households have reduced the prevalence of borrowing at a faster rate than that for the whole population.

In 2006/08 43 per cent of the least wealthy households had borrowings (compared with 40 per cent of the whole population). This decreased across the survey periods to 36 per cent in 2012/14. For the whole population, 40 per cent of households had non-mortgage borrowings for the first three survey periods, falling to 36 per cent in 2012/14.

Chart 7.16 below shows the changes in the prevalence of non-mortgage borrowing between 2006/08 and 2012/14. There have been decreases in the prevalence of all types of borrowing, with the exception of mail order debt (which increased in 2012/14) for the least wealthy households. Across the whole population, the prevalence of borrowing remained unchanged for most types of borrowing – but there was a decrease in the percentage of households with household arrears.

**Chart 7.16 Percentage of households with non-mortgage borrowing by type of borrowing, least wealthy 30% 2006/08 - 2012/14**



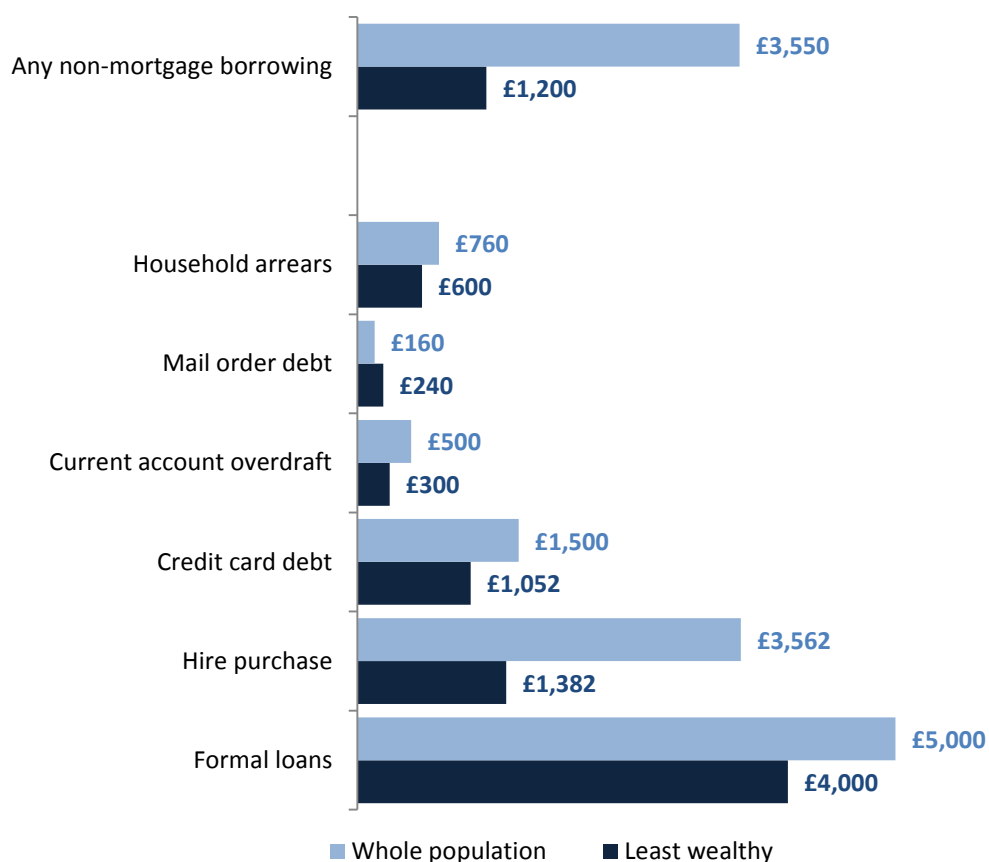
Source: Wealth and Assets Survey, ONS

### 7.4.3 The value of borrowing

While the prevalence of borrowing for the least wealthy households is the same as that for the whole population, the value of borrowing is lower for the least wealthy households. This may be expected, as the value of borrowing is often linked to income.

Chart 7.17 below shows the median value of borrowing for the least wealthy households and the whole population in 2012/14. The median value of non-mortgage debt for the least wealthy households was £1,200 in 2012/14, compared to £3,550 for the whole population. This likely reflects the lower capacity of these households to borrow and repay debts. The median value of household arrears was slightly lower for the least wealthy households at £600, compared with £760 for the whole population. However, as noted above, nearly three times as many of the least wealthy households had arrears on household bills than the population as a whole.

**Chart 7.17 Median value of non-mortgage borrowing, least wealthy 30% and whole population, 2012/14**

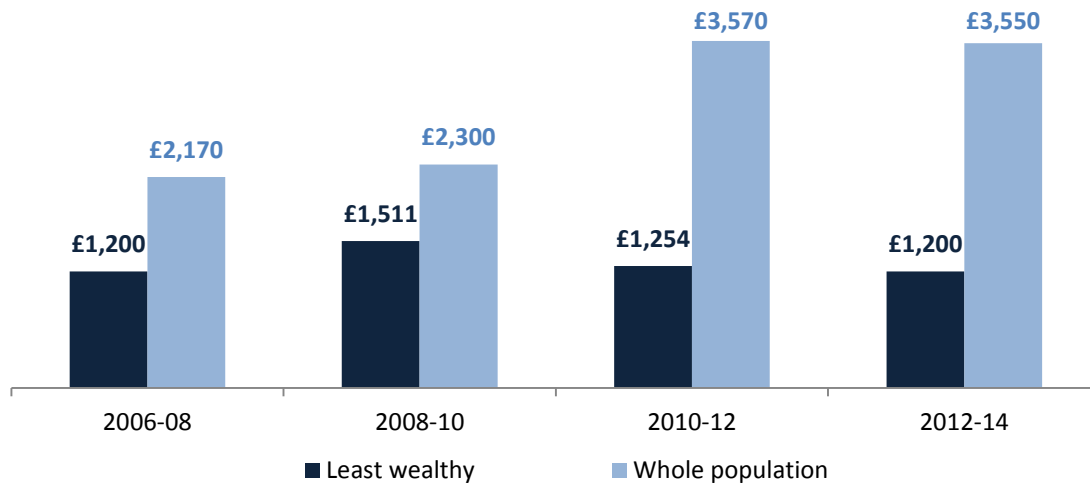


Source: Wealth and Assets Survey, ONS

#### 7.4.4 Change in the value of borrowing over time

The median value of household non-mortgage borrowing for the least wealthy households decreased in 2012/14, and has returned to pre-recession levels. For the whole population however, the median value of household borrowing increased sharply in 2010/12, and has remained at this level. Chart 7.18 below shows the median value of household non-mortgage borrowing over the four survey periods for the least wealthy households compared with the whole population. While the least wealthy households have reduced median value of their borrowing, this is not the case across the whole population.

**Chart 7.18 Median value of non-mortgage borrowing, least wealthy 30% and whole population, 2006/08 - 2012/14**



Source: Wealth and Assets Survey, ONS

For the least wealthy households, there has been a change in the type of household borrowing: the median value of formal loans has increased, and the increase in the value of household arrears has continued in 2012/14. There has however been a decrease in other form of debt – particularly overdrafts, store card debt, and hire purchase debt. Across the whole population, with the exception of store card debt and informal loans, the value of all types of household borrowing increased between 2006/08 and 2012/14.

## **8 THE WEALTHIEST HOUSEHOLDS IN SCOTLAND**

This chapter looks at the socio-demographic characteristics of the wealthiest 10% of households<sup>30</sup>, referred to as the “wealthiest households”. Wealth is a cumulative process, built up over a lifetime, therefore those close to or at retirement age are likely to have greater wealth.

### **8.1 The share of wealth of the wealthiest households**

Ownership of wealth is concentrated within the top 10% of households in Scotland. In 2012/14, the wealthiest 10% of households owned 43.2% of total household wealth in Scotland. The wealthiest households owned:

- 66.8% of financial wealth;
- 54.2% of private pension wealth;
- 42.5% of property wealth;
- 34.0% of physical wealth.

### **8.2 The socio-demographic composition of the wealthiest households**

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

#### **8.2.1 Age**

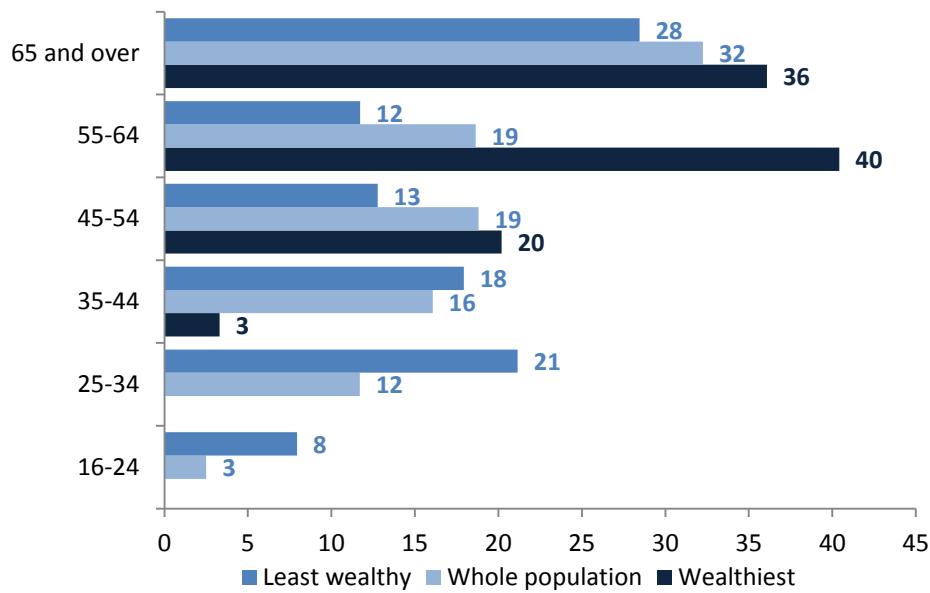
Nearly all of the wealthiest households had a head of household aged 45 and older, and more than three quarters of the wealthiest households were headed by someone aged 55 and older. This reflects the fact that wealth is accumulated over a life course. Chart 8.1 below shows the age group of the head of household of the wealthiest group compared to the whole population and the least wealthy households.

---

<sup>30</sup> Households were sorted into ascending order by total net household wealth from least to most wealthy. The wealthiest are the 10% (in decile 10) with the highest total net household wealth.



**Chart 8.1 Age of head of household, wealthiest 10%, least wealthy 30% and whole population, 2012/14**

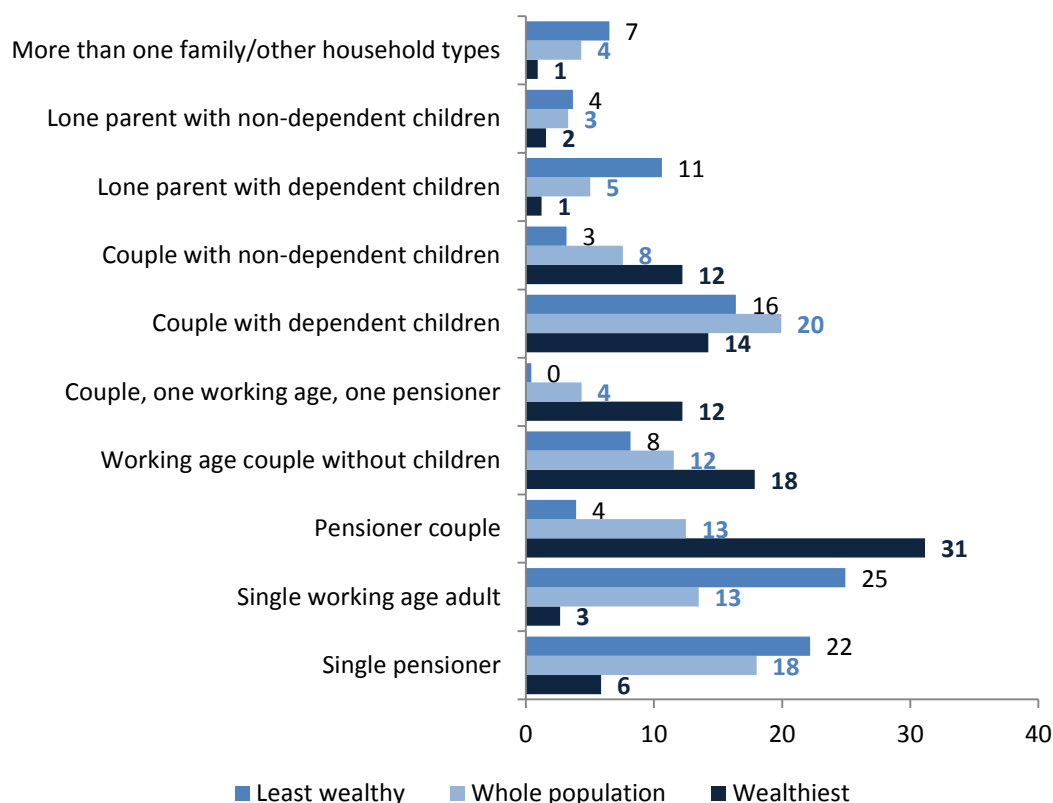


Source: Wealth and Assets Survey, ONS

### 8.2.2 Household type

As expected, pensioner couples were over represented in the wealthiest households – reflecting their life stage. Chart 8.2 below shows the household type of the wealthiest households compared with the whole population and the least wealthy households.

**Chart 8.2 Household composition, wealthiest 10%, whole population and least wealthy 30%, 2012/14**



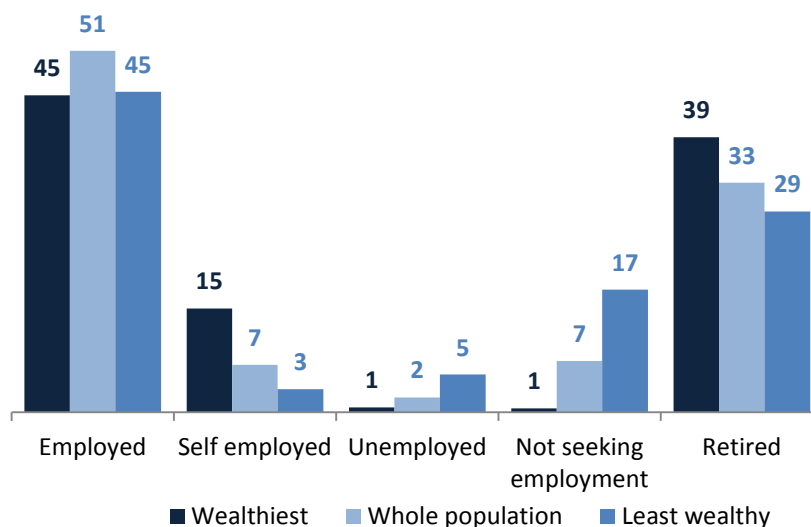
Source: Wealth and Assets Survey, ONS

Couples without children, and couples with non-dependent children, were over represented in the wealthiest households, but less so than pensioner couples, reflecting sufficient income to build up assets, but having less time to date to do so.

### 8.2.3 Employment status

Chart 8.3 below shows the most recent employment status of the head of household for the wealthiest households. Nearly half of the wealthiest households were those where the head of household was in employment, the same as for the least wealthy households. However, retired households were more likely to be in the wealthiest group, reflecting the life stage where wealth accumulation tends to be greatest.

**Chart 8.3 Employment status of head of household, wealthiest 10%, least wealthy 30% and whole population, 2012/14**

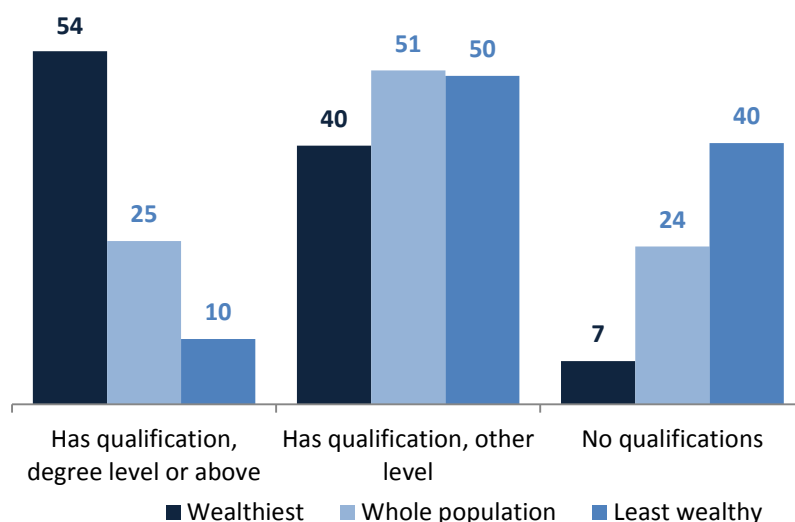


Source: Wealth and Assets Survey, ONS

### 8.2.4 Educational qualifications

Households where the head has a higher level of education were more likely to be in the wealthiest group. Chart 8.4 below shows heads of the wealthiest households were more likely to be educated to degree level or above. Over half of the wealthiest households were headed by a person with university level qualifications, and nearly all had some form of educational qualifications<sup>31</sup>.

**Chart 8.4 Education of head of household, wealthiest 10%, least wealthy 30% and whole population, 2012/14**



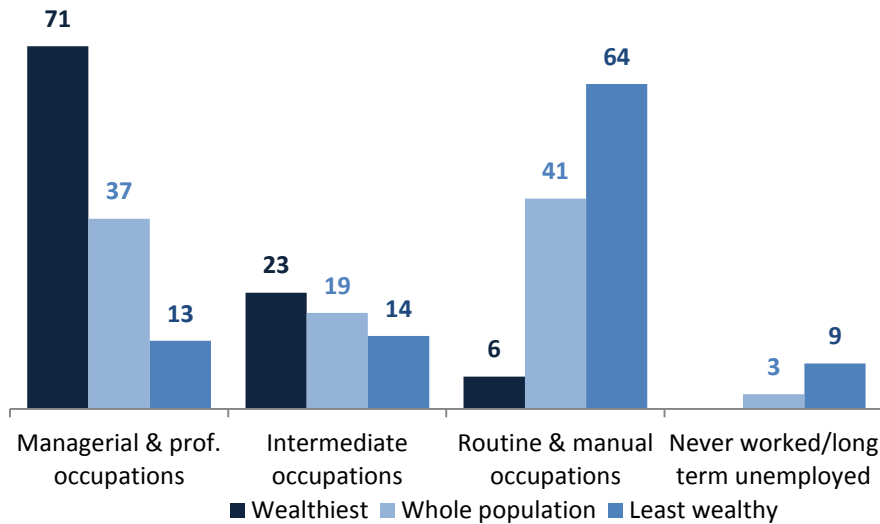
Source: Wealth and Assets Survey, ONS

<sup>31</sup> This refers to educational qualifications only. For older people, educational qualifications may not be as strong an indicator of earnings, as vocational qualifications gained during their working life are not measured here.

### 8.2.5 Socio-economic group

Households headed by someone in a higher socioeconomic group were significantly more likely to be in the wealthiest group. Chart 8.5 below shows the socio-economic group of the head of household for the wealthiest, the least wealthy and the whole population. Heads of the wealthiest households were, or had been, predominantly in managerial and professional occupations.

**Chart 8.5 Socio-economic group of the head of household, wealthiest 10%, least wealthy 30% and whole population, 2012/14**

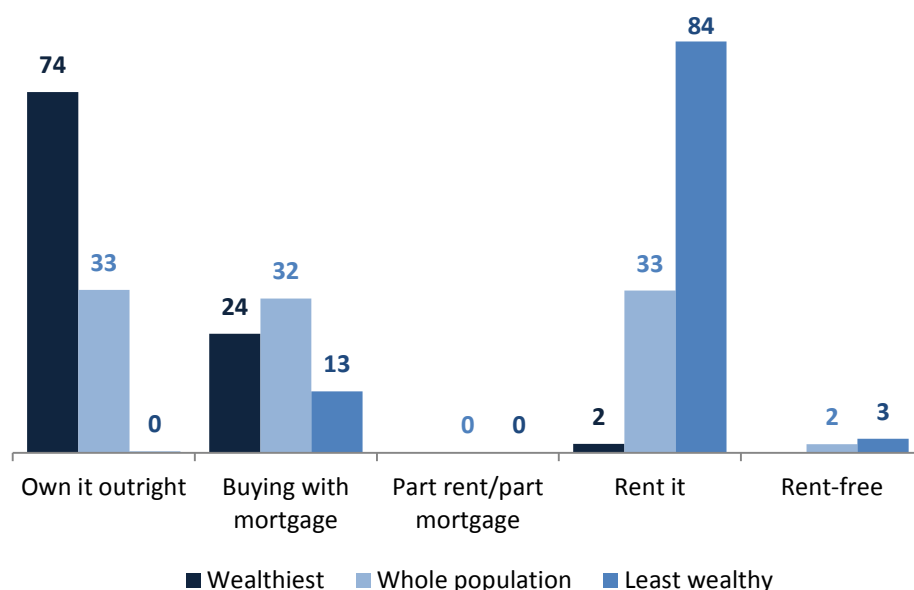


Source: Wealth and Assets Survey, ONS

### 8.2.6 Tenure

Nearly all (98%) of the wealthiest households are owner occupiers – with three quarters owning their home outright. In contrast the least wealthy were predominantly in rented accommodation. Chart 8.6 below shows the tenure of the main residence of the wealthiest households compared with the least wealthy and the whole population.

**Chart 8.6 Tenure of main residence, wealthiest 10%, least wealthy 30% and whole population, 2012/14**



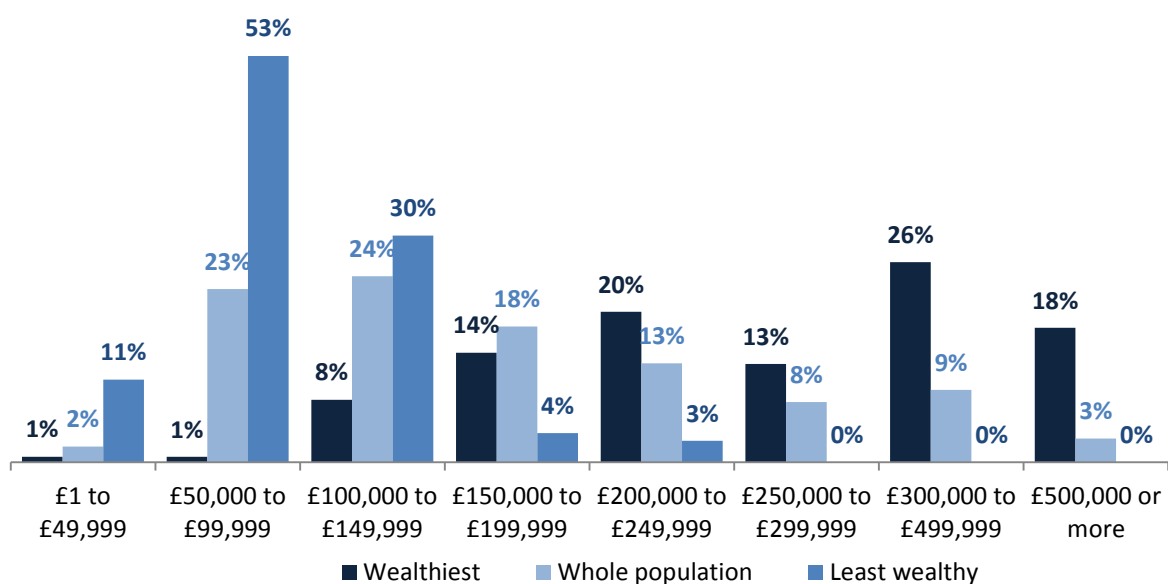
Source: Wealth and Assets Survey, ONS

Chart 8.7 below shows the net value<sup>32</sup> of the main residence for the wealthiest, the least wealthy and the whole population. It is important to note this is a net valuation – the value of the property less any outstanding debt (such as a mortgage) or equity release on the property. The wealthiest households, as expected, own higher value properties. Part of the higher value reflects the high rate of owning outright, with no outstanding mortgage, as this is a net valuation. Similarly part of the lower value of the main residence for the least wealthy group is the outstanding mortgages on the main residence (which will reduce through time, so leading to increases in the net value of the main residence).

The main residence for nearly 60% of the wealthiest households was valued at £250,000 or more, compared with 20% for the whole population. In contrast, the main residence had a net value of less than £100,000 for 64% of the least wealthy households.

<sup>32</sup> The value is the respondents reported value of the main residence, and is the net value – that is the value of the property less any outstanding debt and equity release.

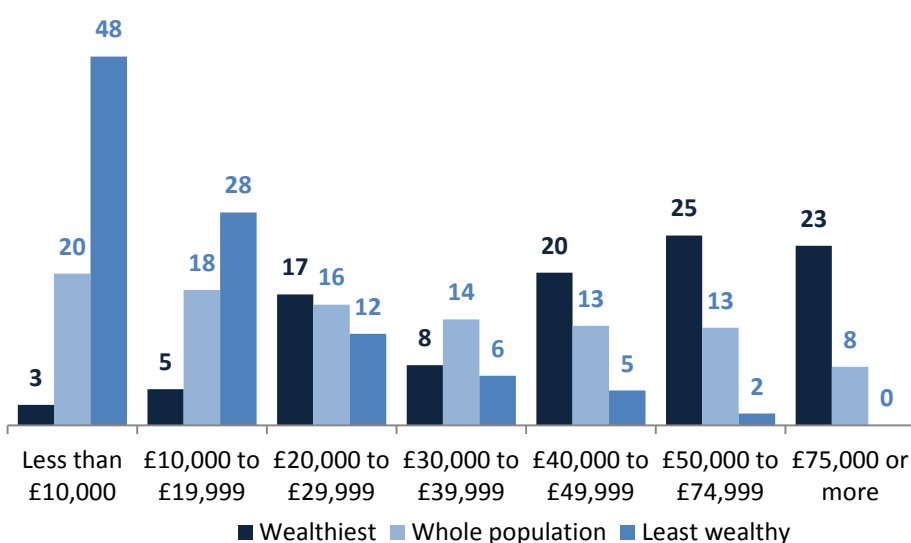
**Chart 8.7 Value of main residence, wealthiest 10%, least wealthy 30% and whole population, 2012/14**



Source: Wealth and Assets Survey, ONS

The wealthiest households owned more wealth in household contents than the rest of the population (deciles 1-9). Chart 8.8 below shows the value of household contents for the wealthiest households and the whole population in 2012/14. Around half (49%) of the wealthiest households had household contents valued at more than £50,000. By contrast, 55% of the whole population had household contents valued at less than £30,000, and around half (48%) of the least wealthy households had contents valued at less than £10,000.

**Chart 8.8 Value of household contents, wealthiest 10%, least wealthy 30% and whole population, 2012/14**



Source: Wealth and Assets Survey, ONS

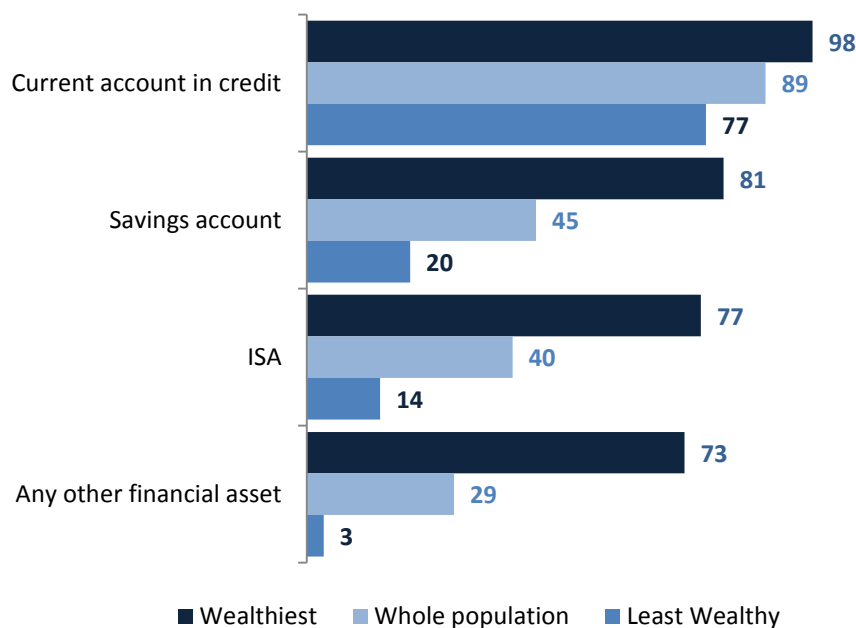
### 8.3 Financial assets of the wealthiest households

This section looks at the ownership of financial assets (both formal and informal) and the value of those assets, by the wealthiest households compared to the whole population. Financial wealth comprises: formal financial assets (such as bank accounts, savings accounts, stocks and shares); informal financial assets (such as money saved at home); and liabilities (such as formal borrowing, overdrafts and arrears on household bills).

#### 8.3.1 Ownership of financial assets

The wealthiest households were significantly more likely to own financial assets than the whole population. Chart 8.9 below shows the proportion of the wealthiest households who owned financial assets in 2012/14, compared to the whole population and the least wealthy households.

**Chart 8.9 Ownership of formal financial assets, wealthiest 10%, least wealthy 30% and whole population, 2012/14**



Source: Wealth and Assets Survey, ONS

The wealthiest households were more likely to own all types of financial assets than the whole population – even for those assets that are thought of as common place, such as current accounts and savings accounts. In comparison, the least wealthy households were only likely to own current accounts, savings accounts and ISAs.

The wealthiest households were:

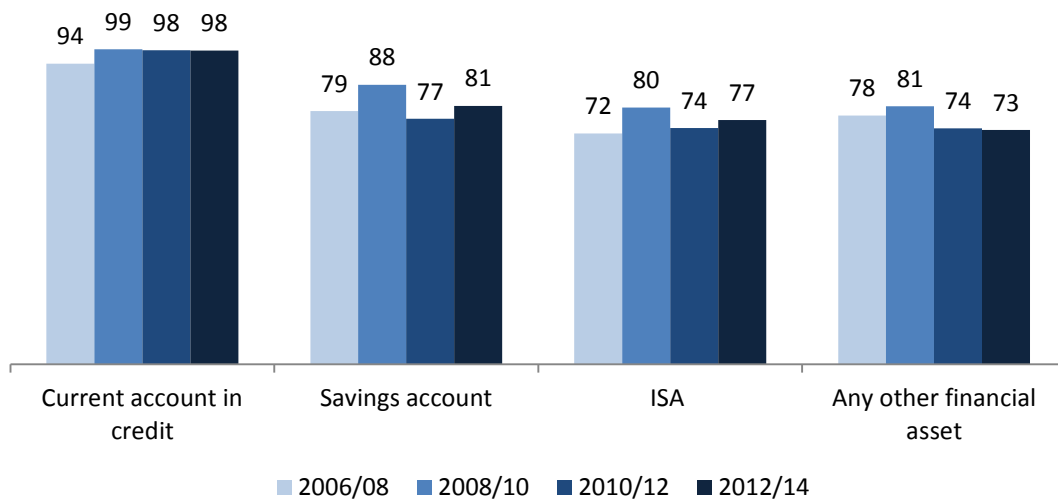
- nearly twice as likely to have a savings account (81%, compared to 45% of the whole population and 20% of the least wealthy households), or an ISA (77%, compared to 40% of the whole population and 14% of the least wealthy households)

- three times as likely to own national savings products or shares;
- four times more likely to own fixed term bonds, investment trusts or gilts and bonds.

### 8.3.2 Change in ownership of financial assets over time

Chart 8.10 shows the rates of ownership by the wealthiest households of financial assets. The rate of ownership of nearly all types of financial assets increased between 2006/08 and 2008/10. Since then, rates of ownership of all types of financial assets except a current account in credit have decreased for all groups. However, the prevalence of ownership of financial assets by the wealthiest households remains significantly higher than for the whole population or the least wealthy group.

**Chart 8.10 Ownership of formal financial assets over time, wealthiest 10%, 2006/08 - 2012/14**



Source: Wealth and Assets Survey, ONS

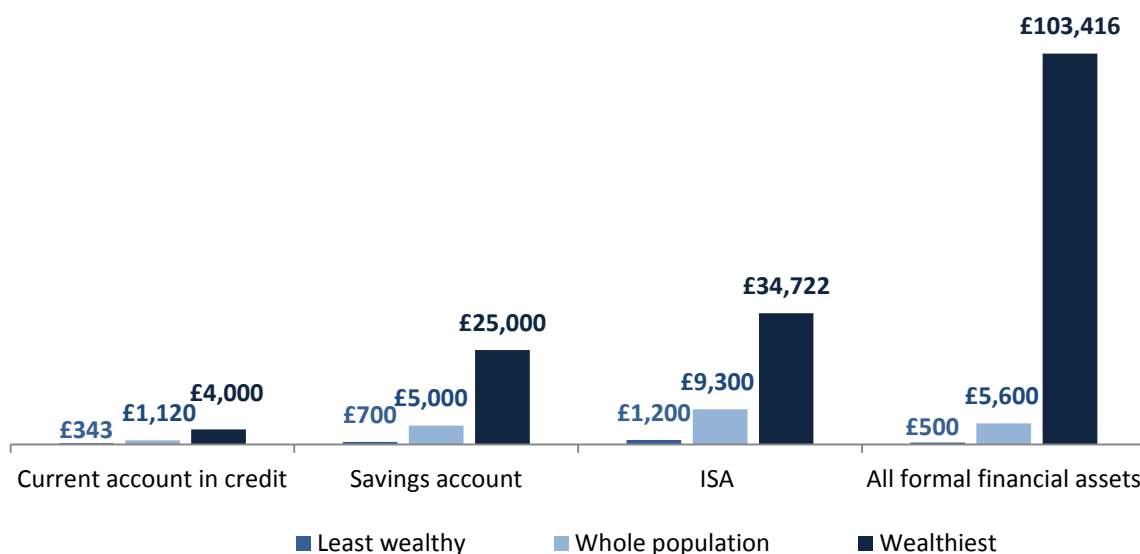
### 8.3.3 Value of financial assets

In 2012/14, the median value of financial assets owned by the wealthiest households was around 18 times that owned by the whole population, and more than 200 times higher than the median value of financial assets owned by the least wealthy households.

Chart 8.11 below shows the median value of financial assets owned by the wealthiest group was £103,416 in 2012/14 – compared with £5,600 for the whole population and £500 for the least wealthy households.



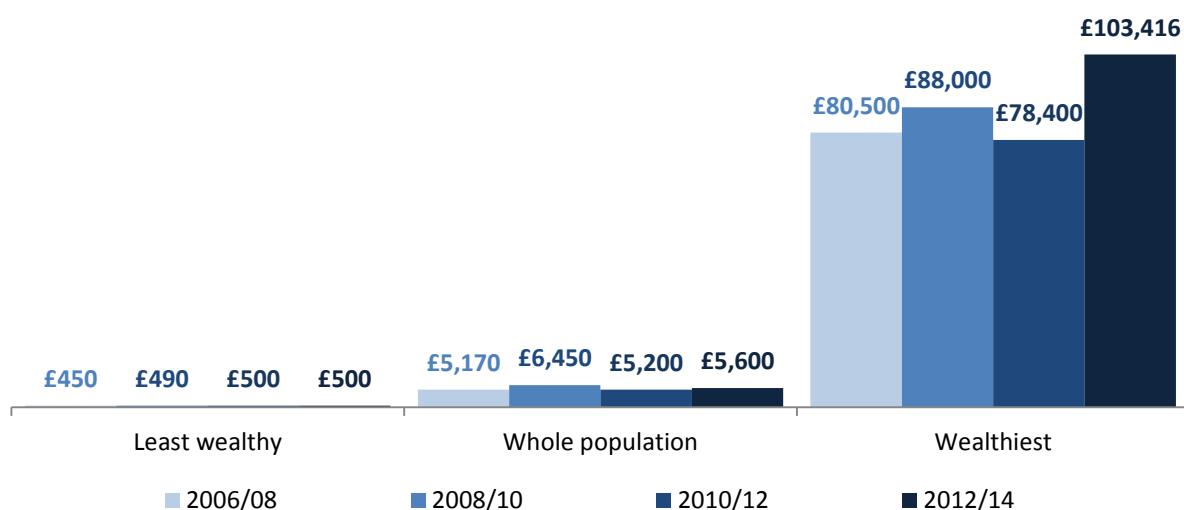
**Chart 8.11 Median value of formal financial assets, wealthiest 10%, least wealthy 30% and whole population, 2012/14**



Source: Wealth and Assets Survey, ONS

Chart 8.12 below shows the median value of financial assets between 2006/08 and 2012/14. Following a decrease in 2010/12, the median value of financial assets owned by the wealthiest households increased by 32% between 2010/12 and 2012/14. In contrast, the median value of financial assets increased by 8% across the whole population and by 0% for the least wealthy.

**Chart 8.12 Median value of formal financial assets, wealthiest 10%, least wealthy 30% and whole population 2006/08 – 2012/14**



Source: Wealth and Assets Survey, ONS

The total value of financial assets owned by all groups increased between 2006/08 and 2008/10. Between 2008/10 and 2012/14, the total value of financial assets owned by the wealthiest households increased by 23%, for the whole population by 21%, but decreased by 31% for the least wealthy households.

## 8.4 Non-mortgage borrowing

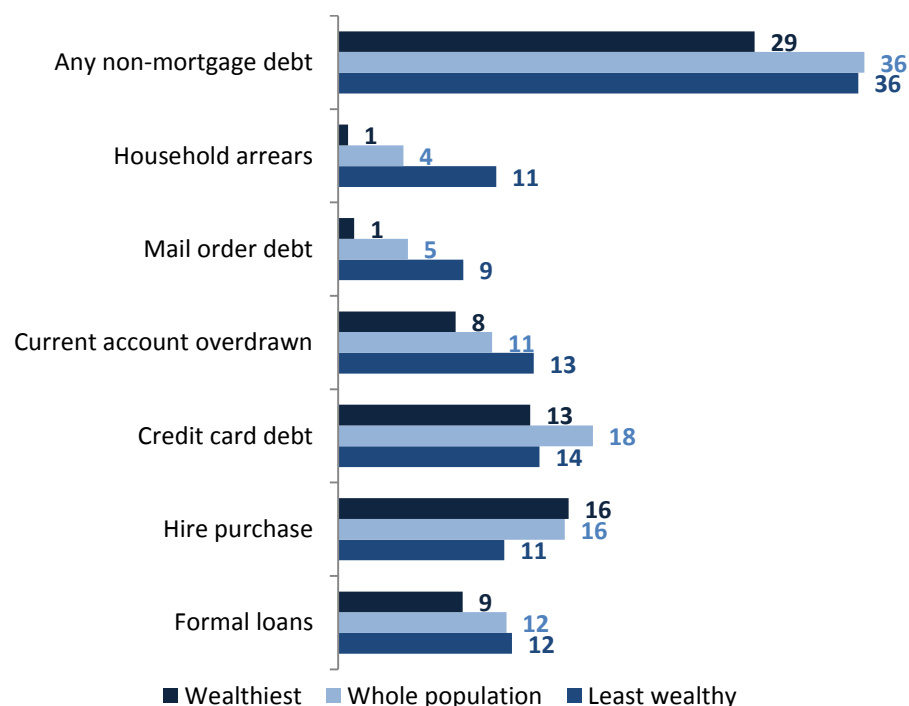
This section looks at the prevalence of household borrowing, excluding mortgage borrowing. Non-mortgage borrowing includes credit card debt, student loans, overdrafts, store card and mail order debt, hire purchase debt and arrears on household bills.

### 8.4.1 The prevalence of borrowing

The wealthiest households, as expected, have a lower prevalence of non-mortgage borrowing than the whole population. In 2012/14, 29% of the wealthiest households had borrowing, compared with 36% of the whole population and the least wealthy households. Chart 8.13 below shows the prevalence on all types of non-mortgage borrowing, with the exception of hire purchase, is lower for the wealthiest group compared to the whole population.

While the wealthiest households were unlikely to have arrears on household bills, as expected, nearly one in 20 households across the whole population and more than one in ten of the least wealthy households had arrears on household bills.

**Chart 8.13 Percentage of households with non-mortgage borrowing, wealthiest 10%, least wealthy 30% and whole population, 2012/14**



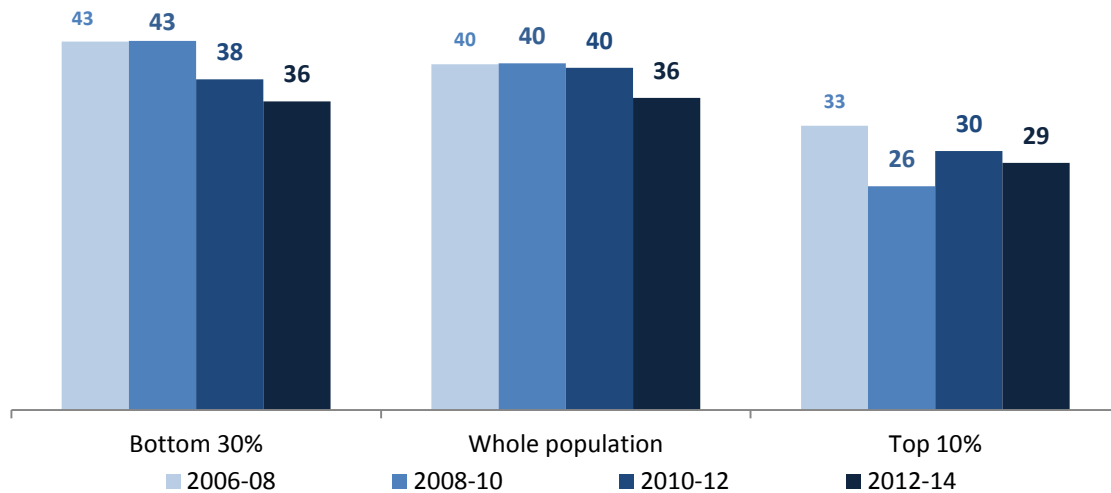
Source: Wealth and Assets Survey, ONS

### 8.4.2 Change in borrowing over time

Chart 8.14 below shows the percentage of the wealthiest households with non-mortgage borrowing across the survey periods. The prevalence of household borrowing for the wealthiest households was largely unchanged in 2012/14, but remains below the 2006/08 levels. Across the whole population (middle set of

columns in the chart) the prevalence of borrowing was unchanged until 2012/14, when there was a decrease. The prevalence of borrowing by the wealthiest households remains lower than that for the whole population, and the least wealthy households.

**Chart 8.14 Percentage of households with non-mortgage borrowing, wealthiest 10%, least wealthy 30%, and whole population 2012/14**



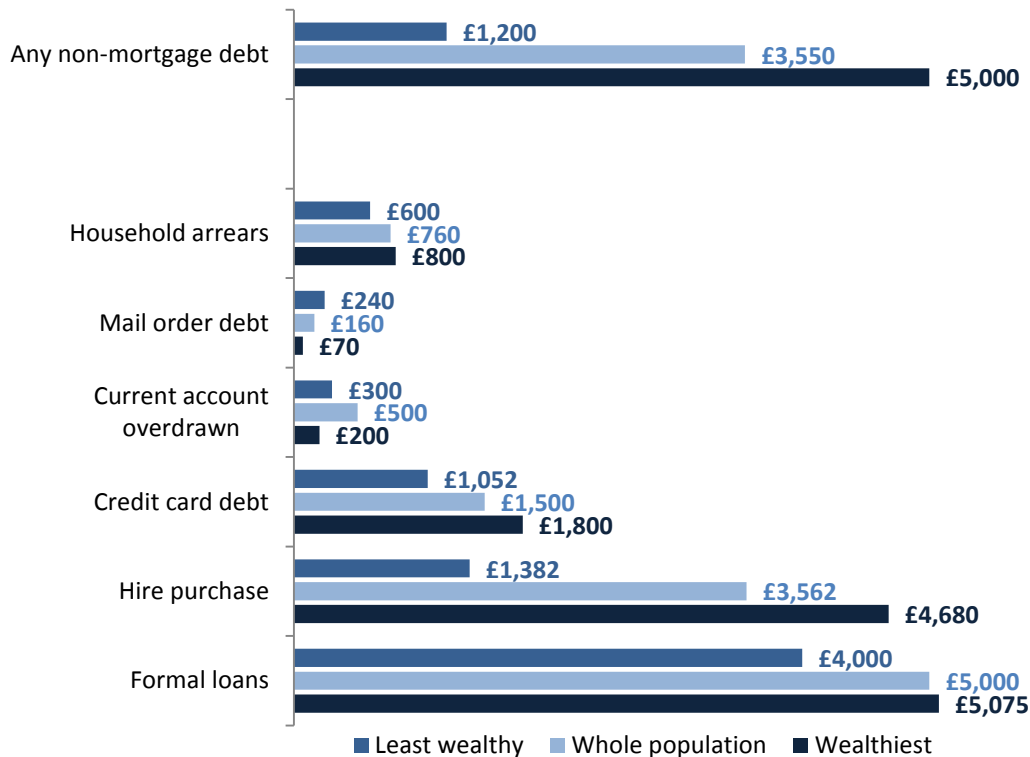
Source: Wealth and Assets Survey, ONS

### 8.4.3 The value of borrowing

While the wealthiest households were less likely to borrow, those that did had higher value borrowing than the whole population. The wealthiest households had a median value of £5,000 in non-mortgage borrowing, compared to £3,550 for the whole population.

Chart 8.15 below shows the median value of borrowing by the wealthiest households was the same as or higher than the whole population for nearly all types of borrowing. As expected, the least wealthy households had lower median value of borrowing than for the whole population across all types of borrowing with the exception of mail order debt.

**Chart 8.15 Median value of non-mortgage borrowing, wealthiest 10%, least wealthy 30% and whole population, 2012/14**

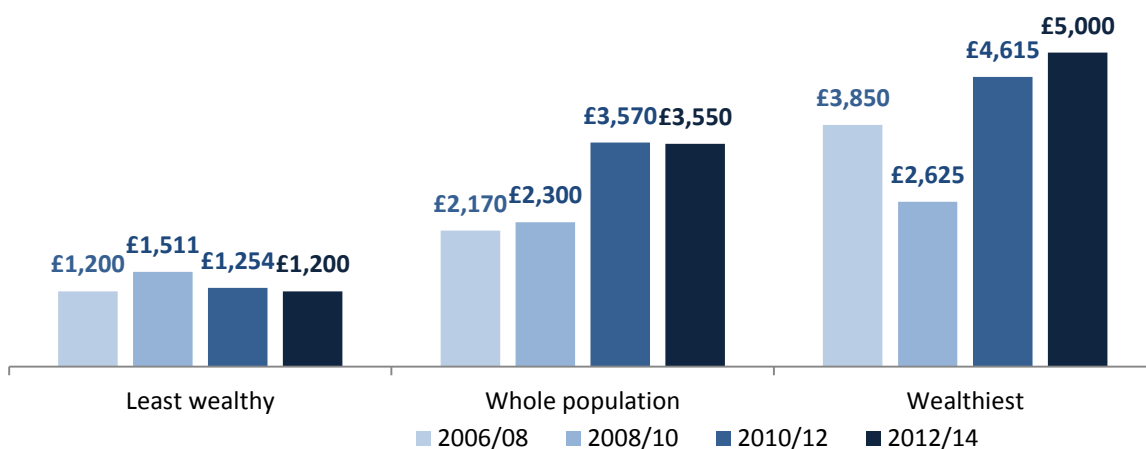


Source: Wealth and Assets Survey, ONS

#### 8.4.4 Change in the value of borrowing over time

Chart 8.16 shows that over the whole period, the median value of borrowings for the wealthiest households has increased by 30% to £5,000 and for the whole population by 64% to £3,550. However, for the least wealthy households the median value of household borrowing in 2012/14, at £1,200 is the same as is 2006/08.

**Chart 8.16 Median value of non-mortgage borrowing, wealthiest households, whole population, and least wealthy households**



Source: Wealth and Assets Survey, ONS

## 9 MOVEMENT OF HOUSEHOLDS ACROSS DECILES AND WEALTH BANDS

This chapter considers the extent to which households moved between wealth deciles and wealth bands<sup>33</sup> over time. In order to capture these movements, this analysis is restricted to the longitudinal sample only, i.e. only those households that were interviewed at the previous survey periods are included.

### 9.1 Movement across wealth deciles

The build-up of wealth accumulation is a cumulative process – generally, as households move through life stages, they are able to increase the value of their wealth. However, for some households, a lack of resources means an inability to accumulate any wealth. Those in the lowest wealth deciles are the least likely to be able to build wealth – in terms of savings, property and pensions – which can be drawn upon in older age to maintain a good living standard in retirement. The capacity to build wealth, and move into a higher wealth band, really only starts to occur for households in the fourth decile and higher.

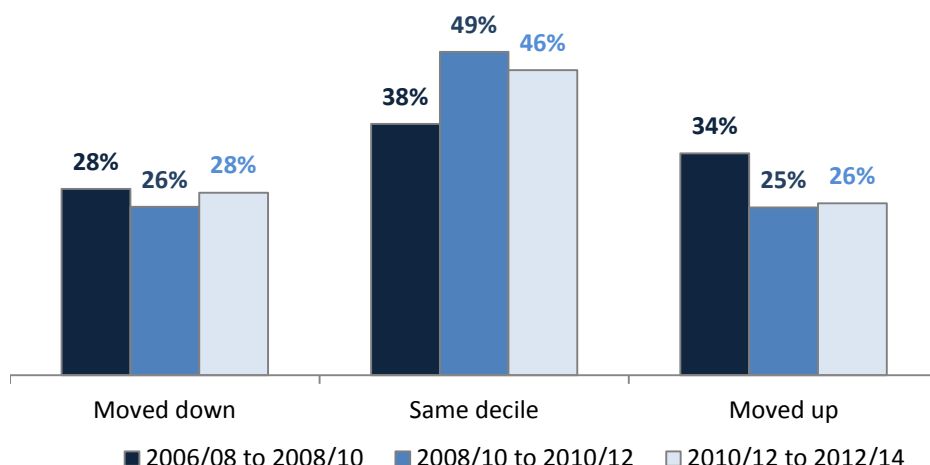
In 2012/14, 46% of Scottish households remained in the same total wealth decile as they were in 2010/12. In the same period, 26% of households moved up and 28% moved down. Chart 9.1 shows the proportion of households which moved down, stayed in the same total wealth decile or moved up between different survey periods.

The slowing of movement between deciles, from 2008/10 to 2010/12, appears to have continued into 2012/14. Between 2006/08 and 2008/10, 38% of households remained in the same wealth decile, while 34% moved to a higher decile, and 28% moved to a lower decile. The number of households moving deciles decreased in 2010/12, with just under half (49%) of households remaining in the same wealth decile between 2008/10 and 2010/12. In the latest period, around half of households (46%) remained in the same decile, with fewer households increasing their wealth enough to move into a higher decile.

---

<sup>33</sup> Wealth bands are a set of 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 a large number 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.

**Chart 9.1 Movement across household wealth deciles, Scotland 2006/08 – 2012/14**



Source: Wealth and Assets Survey, ONS

Nearly 60% of households with the lowest wealth, remained in the lowest wealth decile in 2012/14. This reflects that households with very few resources do not have the capacity to build up wealth. Indeed, this group are likely to have negative financial wealth (loans and liabilities greater than the value of any assets owned), to rent rather than own a property, and not contribute to a pension. A similar picture is seen for the second decile – where half remained in the same wealth decile across the two periods.

At the other extreme, households in the top wealth deciles are likely to remain there over time – with two thirds of the wealthiest households remaining so over the two periods. However, the proportion of the wealthiest households remaining in the top decile decreased in 2012/14. Across the previous periods around three quarters of the wealthiest households remained in the top decile. In 2012/14, this decreased to two thirds.

Where households do move up into higher wealth deciles, the majority of moves were into the adjacent decile. This reflects the cumulative nature of wealth accumulation for many households, as mortgages are paid off, additional years of pension contributions are made, and earnings increases with career progression.

Table 9.1 provides details of the deciles households moved from and to between 2010/12 and 2012/14. The rows show the decile the household was in in 2010/12, while the columns show the decile the household was in in 2012/14. Cells show the percentage of households from a given 2010/12 decile by what decile they are in in 2012/14. The diagonal values (dark blue) present the proportion of households that remained in the same wealth decile across the two survey periods. The additional (highlighted) cells show those deciles that saw a substantial proportion of households moving into them.

For example, looking at the second row of table 9.1, the diagonal cell shows that 50% of households, who were in the 2<sup>nd</sup> decile in 2010/12 were also in the 2<sup>nd</sup> decile in 2012/14. The cell on the left shows that 22% of households had dropped down

from the 2<sup>nd</sup> to the 1<sup>st</sup> decile between 2010/12 and 2012/14; while the cell on the right gives the proportion of households that moved up to the 3<sup>rd</sup> decile over the same period (18%).

Considering the percentages on the diagonal, the most movement occurred amongst households who were in the middle of the wealth distribution in 2010/12 - between the 5<sup>th</sup> and the 8<sup>th</sup> decile. Moreover, from these households, those who were placed in the 5<sup>th</sup>, 7<sup>th</sup> and 8<sup>th</sup> decile, more moved down than up. Households placed in the lowest and the highest decile were most likely to remain in the same position. The majority of moves were into the relevant adjacent decile. This may reflect that wealth accumulation occurs cumulatively, rather than in big changes.

**Table 9.1 Movement of households across total wealth deciles, Scotland 2010/12 – 2012/14**

| DECILE  |      | 2012/14    |            |            |            |            |            |            |            |            |            |
|---------|------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|         |      | 1st        | 2nd        | 3rd        | 4th        | 5th        | 6th        | 7th        | 8th        | 9th        | 10th       |
| 2010/12 | 1st  | <b>58%</b> | 25%        | 9%         | 6%         | 1%         | 0%         | 0%         | 2%         | 0%         | 0%         |
|         | 2nd  | 22%        | <b>50%</b> | 18%        | 3%         | 0%         | 4%         | 0%         | 2%         | 2%         | 0%         |
|         | 3rd  | 3%         | 20%        | <b>48%</b> | 18%        | 5%         | 2%         | 3%         | 1%         | 0%         | 0%         |
|         | 4th  | 3%         | 4%         | 11%        | <b>43%</b> | 25%        | 11%        | 4%         | 0%         | 0%         | 0%         |
|         | 5th  | 1%         | 0%         | 6%         | 28%        | <b>38%</b> | 19%        | 4%         | 4%         | 0%         | 0%         |
|         | 6th  | 0%         | 0%         | 2%         | 2%         | 25%        | <b>36%</b> | 24%        | 6%         | 5%         | 0%         |
|         | 7th  | 0%         | 2%         | 0%         | 1%         | 9%         | 22%        | <b>35%</b> | 24%        | 6%         | 1%         |
|         | 8th  | 1%         | 1%         | 0%         | 3%         | 4%         | 8%         | 23%        | <b>35%</b> | 19%        | 5%         |
|         | 9th  | 0%         | 0%         | 0%         | 0%         | 1%         | 1%         | 8%         | 27%        | <b>51%</b> | 12%        |
|         | 10th | 1%         | 1%         | 0%         | 3%         | 1%         | 1%         | 1%         | 5%         | 20%        | <b>67%</b> |

Source: Wealth and Assets Survey, ONS

## 9.2 Movement across household wealth bands

This section looks at households' movements across wealth bands. Wealth bands are more appropriate for illustrating movement over time where there are large numbers of households with the same value of wealth. 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. Private pension wealth accumulates more consistently across a person's working life, and decreases in value on retirement when income is drawn down.

### 9.2.1 Financial wealth

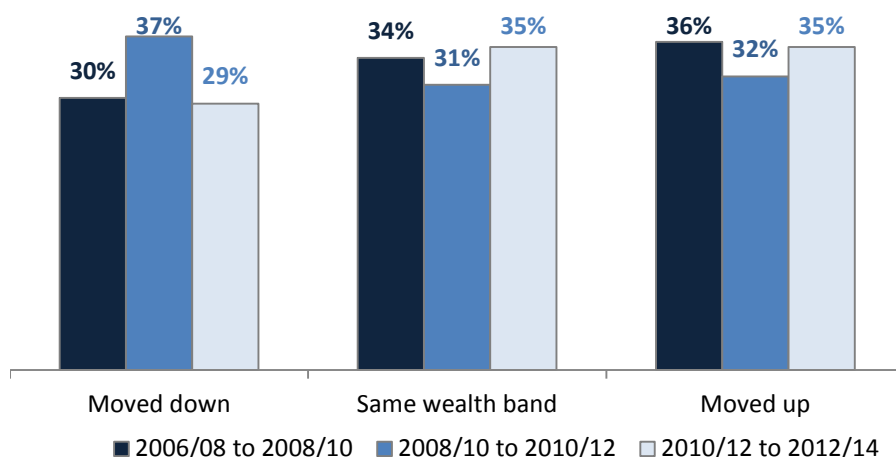
For the analysis of financial wealth the wealth bands used are:

| Financial wealth bands: |                    |
|-------------------------|--------------------|
| 1st                     | lower than -£5,000 |
| 2nd                     | -£5,000 to -£500   |
| 3rd                     | -£499 to -£1       |
| 4th                     | £0 to £499         |
| 5th                     | £500 to £4,999     |
| 6th                     | £5000 to £12,499   |
| 7th                     | £12,500 to £24,999 |
| 8th                     | £25,000 to £49,999 |
| 9th                     | £50,000 to £99,999 |
| 10th                    | £100,000 and more  |

Note that the range of wealth bands is quite narrow, especially for the lowest financial wealth bands. Households near the bottom of the distribution (those with the least financial wealth) have negative financial wealth – non-mortgage debts greater than the value of financial assets. It is not until the 4<sup>th</sup> financial wealth band that households start to have net financial wealth in the form of savings or money in the bank. Only a small percentage of households have high levels of financial wealth in Scotland.

There was a considerable movement between financial wealth bands across all survey periods. Chart 9.2 shows that 35% of Scottish households stayed in the same financial wealth band in 2012/14 as they had been in 2010/12. Of those that changed their financial wealth band, more households moved into a higher wealth band than to a lower one - 35% of households moved to a higher financial wealth band and 29% to a lower wealth band. In contrast, between 2008/10 and 2010/12, 31% of households remained in the same financial wealth band while 32% moved up and 37% moved down.

**Chart 9.2 Movement across household financial wealth bands, Scotland 2006/08 – 2012/14**



Source: Wealth and Assets Survey, ONS

Table 9.2 below provides details of the financial wealth bands that households moved to and from between 2010/12 and 2012/14.

- The most significant movement was observable for households placed in the 2<sup>nd</sup> (-£5,000 to -£500) and 3<sup>rd</sup> (-£499 to -£1) wealth bands. In these groups, more than half of households (combined) moved up, either decreasing their net negative financial wealth or moving into positive financial wealth.
- A high level of movement was also observable for households placed in 7<sup>th</sup> (£12,500 to £24,999) and 9<sup>th</sup> (£50,000 to £99,999) financial wealth bands, but in these groups, more households moved down than up.
- Households placed in the lowest (lower than - £5,000) and the highest wealth bands (£100,000 and more) were the most likely to remain in the same position.



- However, from the households placed in the lowest financial wealth band (i.e. with the most significant debt), 60% (combined) managed to move up between 2010/12 and 2012/14. From households placed in the highest wealth band, 56% remained in the same financial position in 2012/14 as they had been in 2010/12.

**Table 9.2 Movement of households across household financial wealth bands, Scotland 2010/12 – 2012/14**

| WEALTH BAND |      | 2012/14 |     |     |     |     |     |     |     |     |      |
|-------------|------|---------|-----|-----|-----|-----|-----|-----|-----|-----|------|
|             |      | 1st     | 2nd | 3rd | 4th | 5th | 6th | 7th | 8th | 9th | 10th |
| 2010/12     | 1st  | 40%     | 20% | 2%  | 3%  | 12% | 8%  | 5%  | 1%  | 3%  | 6%   |
|             | 2nd  | 20%     | 24% | 6%  | 18% | 18% | 5%  | 5%  | 1%  | 0%  | 2%   |
|             | 3rd  | 0%      | 29% | 14% | 26% | 25% | 5%  | 1%  | 0%  | 0%  | 0%   |
|             | 4th  | 5%      | 10% | 9%  | 39% | 28% | 4%  | 2%  | 0%  | 0%  | 4%   |
|             | 5th  | 6%      | 7%  | 2%  | 12% | 38% | 17% | 7%  | 3%  | 4%  | 3%   |
|             | 6th  | 3%      | 2%  | 1%  | 3%  | 24% | 36% | 15% | 7%  | 6%  | 2%   |
|             | 7th  | 2%      | 2%  | 0%  | 4%  | 12% | 20% | 28% | 19% | 12% | 2%   |
|             | 8th  | 2%      | 0%  | 0%  | 0%  | 9%  | 9%  | 10% | 33% | 22% | 14%  |
|             | 9th  | 4%      | 0%  | 0%  | 0%  | 8%  | 6%  | 14% | 16% | 28% | 24%  |
|             | 10th | 2%      | 4%  | 0%  | 0%  | 7%  | 3%  | 3%  | 9%  | 16% | 56%  |

Source: Wealth and Assets Survey, ONS

### 9.2.2 Property wealth

For the analysis of property wealth the wealth bands used are:

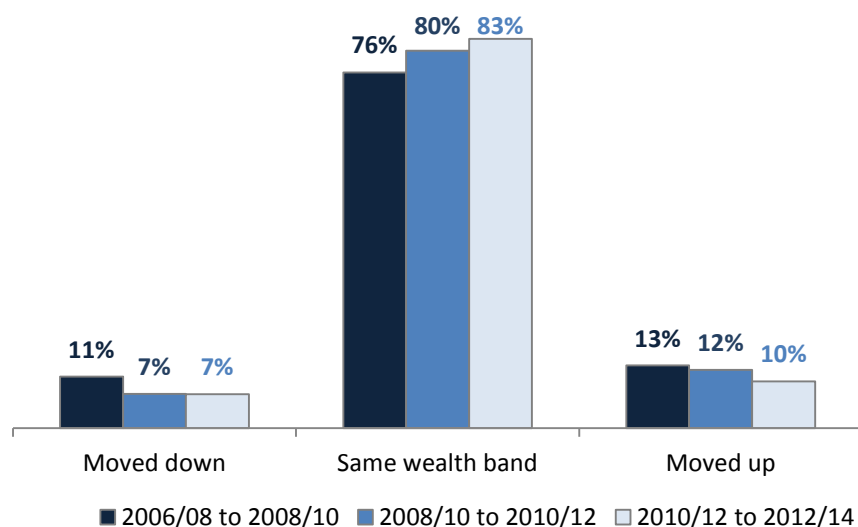
| Property wealth bands: |                      |
|------------------------|----------------------|
| 1st                    | £0 or less           |
| 2nd                    | £1 to £49,999        |
| 3rd                    | £50,000 to £124,999  |
| 4th                    | £125,000 to £249,999 |
| 5th                    | £250,000 to £374,999 |
| 6th                    | £375,000 to £499,999 |
| 7th                    | £500,000 and more    |

There is less movement across property wealth bands than for other forms of wealth. This is because the main residence is usually the only property owned for the majority of households. As mortgages are paid off, net property wealth increases through time, until properties are owned outright. However, property wealth will also increase if housing prices are increasing. Many who purchased property in the 1970s and earlier have benefitted from the large increases in house prices over the last 40 years.

Chart 9.3 shows the proportion of households which moved down, stayed in the same property wealth band or moved up between different survey periods.

- Between 2010/12 and 2012/14, almost 83% of Scottish households did not change their property wealth band, 7% moved down, and 10% moved up.
- This pattern was similar to previous years. Between 2008/10 and 2010/12, more than 80% of Scottish households also stayed in the same property wealth band while 7% moved down and 12% moved up.

**Chart 9.3 Movement across household property wealth bands, Scotland 2006/08 – 2012/14**



Source: Wealth and Assets Survey, ONS

Households in the lowest property wealth band (owning no property, or with mortgages greater than the value of the property) were the least likely to move property bands over the period, with nearly all (93%) remaining in the lowest property band. Many of these households have lower income, and are not in a position to purchase a property.

Across the UK, housing affordability has been steadily declining since 2000, and this was particularly the case for younger adults (aged between 22 and 29 years). Over the last 16 years, the median house price in the UK has risen from 6 times a younger worker’s average income, to over 10 times. This is linked to both lower earnings for younger workers (particularly since the recession) and lower supply leading to growth in house prices<sup>34</sup>.

Younger households whose properties are heavily mortgaged are also included in this group. It will also include those who prefer to rent their property – again, this applies particularly to younger households who may be moving for education and employment. However, there remains a group of households who experience difficulties in entering the housing market, either due to low income, high house prices, or both.

Table 9.3 shows the percentage of households moving property wealth bands between 2010/12 and 2012/14. The highest movement was observable for households placed in the 6<sup>th</sup> property wealth band (£375,000 to £499,999) where 67% remained in the same position, 29% (combined) moved down and only 4% moved up. The second highest movement was observable for households placed in the 2<sup>nd</sup> (£1 to £49,999) and 5<sup>th</sup> (£250,000 to £374,999) property wealth band. In the 2<sup>nd</sup> group, 25% of households moved up and 5% moved down whereas in the 5<sup>th</sup>, 15% moved up and 15% moved down. The vast majority of all recorded movements were into bands adjacent to the original one.

<sup>34</sup> The Intergenerational Index 2016

**Table 9.3 Movement of households across household property wealth bands, Scotland 2010/12 – 2012/14**

| WEALTH BAND |     | 2012/14         |            |            |            |            |            |            |
|-------------|-----|-----------------|------------|------------|------------|------------|------------|------------|
|             |     | 1 <sup>st</sup> | 2nd        | 3rd        | 4th        | 5th        | 6th        | 7th        |
| 2010/12     | 1st | <b>93%</b>      | 5%         | 2%         | 1%         | 0%         | 0%         | 0%         |
|             | 2nd | 5%              | <b>70%</b> | 23%        | 2%         | 0%         | 0%         | 0%         |
|             | 3rd | 2%              | 7%         | <b>81%</b> | 9%         | 0%         | 0%         | 0%         |
|             | 4th | 2%              | 1%         | 8%         | <b>81%</b> | 7%         | 0%         | 1%         |
|             | 5th | 3%              | 2%         | 0%         | 10%        | <b>70%</b> | 13%        | 1%         |
|             | 6th | 8%              | 0%         | 0%         | 8%         | 13%        | <b>67%</b> | 4%         |
|             | 7th | 2%              | 9%         | 0%         | 0%         | 0%         | 13%        | <b>76%</b> |

Source: Wealth and Assets Survey, ONS

### 9.2.3 Physical wealth

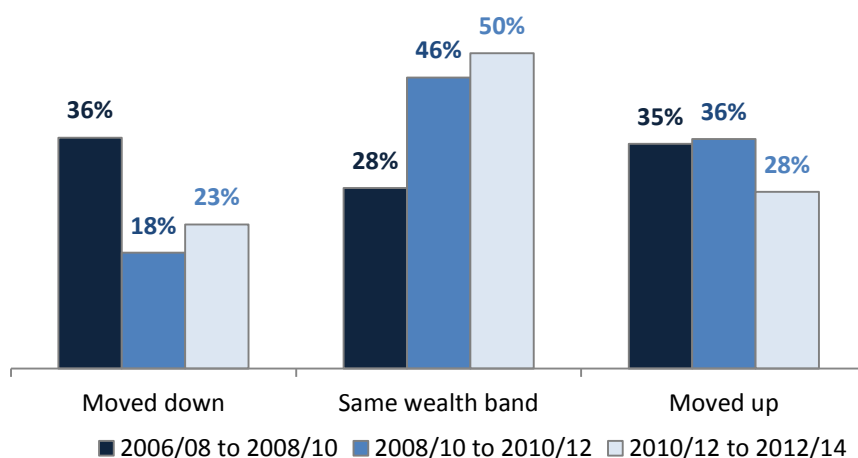
For the analysis of physical wealth the wealth bands used are:

| Physical wealth bands: |                    |
|------------------------|--------------------|
| 1st                    | less than £8,000   |
| 2nd                    | £8,000 to £11,999  |
| 3rd                    | £12,000 to £15,999 |
| 4th                    | £16,000 to £24,999 |
| 5th                    | £25,000 to £29,999 |
| 6th                    | £30,000 to £39,999 |
| 7th                    | £40,000 to £49,999 |
| 8th                    | £50,000 to £59,999 |
| 9th                    | £60,000 to £74,999 |
| 10th                   | £75,000 and more   |

There has been a small decrease in the level of movement between physical wealth bands between 2010/12 and 2012/14 compared with the previous period.

Chart 9.4 shows the percentage of the sample moving up, staying in the same physical wealth band and moving down across all survey periods. While almost 50% of Scottish households remained in the same physical wealth band, 23% moved down and 28% moved up. However, between 2008/10 and 2010/12, 46% of households were in the same position, 18% moved down, but 36% moved up.

**Chart 9.4 Movement across household gross physical wealth bands, Scotland 2006/08 – 2012/14**



Source: Wealth and Assets Survey, ONS

Table 9.4 shows the percentage of households moving physical wealth bands between 2010/12 and 2012/14. This shows a more complex picture of movements between bands. Movement rates varied greatly between bands, with the highest percentage of movers in the 2<sup>nd</sup> (£8,000 to £11,999) and 8<sup>th</sup> (£50,000 to £59,999) physical wealth band. In the 2<sup>nd</sup> group, 19% of households moved down, but 52% moved up. In the 8<sup>th</sup> wealth band, 31% moved up but 46% moved down. Households placed in the first (less than £8,000) and the last wealth band (£75,000 and more) were more likely to remain in the same situation. There was also a lot of movement into bands not adjacent to the relevant original ones, particularly in an upwards direction.

**Table 9.4 Movement of households across household physical wealth bands, Scotland 2010/12 – 2012/14**

| WEALTH BAND |      | 2012/14    |            |            |            |            |            |            |            |            |            |
|-------------|------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|             |      | 1st        | 2nd        | 3rd        | 4th        | 5th        | 6th        | 7th        | 8th        | 9th        | 10th       |
| 2010/12     | 1st  | <b>79%</b> | 4%         | 10%        | 3%         | 0%         | 1%         | 2%         | 0%         | 0%         | 0%         |
|             | 2nd  | 19%        | <b>30%</b> | 7%         | 24%        | 5%         | 10%        | 2%         | 0%         | 3%         | 0%         |
|             | 3rd  | 12%        | 3%         | <b>56%</b> | 14%        | 4%         | 4%         | 2%         | 0%         | 4%         | 0%         |
|             | 4th  | 2%         | 8%         | 11%        | <b>45%</b> | 9%         | 16%        | 3%         | 3%         | 2%         | 2%         |
|             | 5th  | 2%         | 1%         | 3%         | 8%         | <b>53%</b> | 17%        | 5%         | 3%         | 6%         | 1%         |
|             | 6th  | 0%         | 1%         | 3%         | 7%         | 12%        | <b>42%</b> | 17%        | 8%         | 6%         | 5%         |
|             | 7th  | 2%         | 0%         | 1%         | 2%         | 8%         | 20%        | <b>38%</b> | 13%        | 9%         | 7%         |
|             | 8th  | 0%         | 2%         | 0%         | 4%         | 4%         | 2%         | 35%        | <b>24%</b> | 18%        | 12%        |
|             | 9th  | 1%         | 0%         | 0%         | 1%         | 2%         | 7%         | 9%         | 7%         | <b>41%</b> | 31%        |
|             | 10th | 1%         | 1%         | 0%         | 0%         | 0%         | 2%         | 4%         | 3%         | 18%        | <b>70%</b> |

Source: Wealth and Assets Survey, ONS

## 10 CONCLUSION

### **Wealth in Scotland continues to increase**

This report has set out the substantial and increasing level of wealth in Scotland. The value of total wealth increased by 22% in 2012/14 to £865.6 billion. The increase in wealth, both before and after private pensions are considered, was the largest since 2006/08, with increases in all wealth components compared to 2010/12.

### **But considerable inequality in wealth ownership remains – and this shows no change**

Scotland - like the rest of Great Britain - faces stark inequalities in wealth, with the wealthiest 10 per cent owning 43% of all private wealth, 67% of financial wealth, 54% of pension wealth, and 43% of all property wealth. The wealthiest 1% alone owned more wealth than the bottom 50%.

In comparison, the least wealthy 30 per cent of the population owned less than 2% of all private wealth – including very little or no financial wealth, pension wealth, or property wealth.

Inequality in wealth ownership in Scotland increased in 2012/14: the situation of the bottom 40% of households worsened against the top 10%. The wealthiest 10% of households owned 9.4 times the net household wealth of the bottom 40% in 2012/14, compared with 8.8 times in 2010/12.

Inequality in wealth ownership in Scotland was slightly lower than for Great Britain.

### **Particular household types are at risk of low wealth, with a continuing decline in young people's prospects compared to other generations.**

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 and earning lower wages: moreover, regardless of their earnings, have simply had less time to accumulate wealth. Pensioners, especially those in couples, have a lower risk of low wealth than other household types, reflecting homes 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. These groups also have the highest risk of poverty – indicating low wealth is linked to low income. These low wealth groups own very little in assets, with no financial or pension wealth, and are significantly less likely to own property. For many in this group, the only assets owned are their household contents and, even then, the value owned is considerably lower than for other households.

Being in employment is not a protection against poverty and low wealth. Nearly half of low wealth households have an adult in employment – and more than half of working age adults in poverty were in employment. A number of socio-economic

factors contribute to a significant risk of low wealth, many of which are interlinked. 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<sup>35</sup>.

The expectation that households work through their lives to build wealth and be comfortable at retirement may not hold in the future. Evidence from the Intergenerational Foundation<sup>36</sup> suggests there are intergenerational divides appearing in wealth ownership in the UK, with prospects for the younger generation declining. A number of factors contribute to this poor outlook: increasing debt (including student debt); house prices increasing faster than income; changes in the labour market where young people are more likely to start on insecure work and low pay; a lack of growth in pay particularly for younger workers; under-employment for many graduates who are not using the skills they gained in higher education; and, while more younger workers are paying into pensions under automatic enrolment, these workplace pensions are less generous than for previous generations.

### **The ability to increase wealth, for the lowest wealth households, has worsened in the latest year.**

The slowing of movement between wealth bands seen in 2010/12 has continued into 2012/14. In 2012/14, around half of households remained in the same wealth decile, and, of those that did move, more moved down wealth deciles than up. As this analysis underlines, households with the lowest wealth are least likely to increase their wealth. These households with few resources do not have the capacity to build up wealth – indeed they are likely to have no or negative financial wealth, to have little savings, and are more likely to have arrears on household bills.

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 and low wealth continuing into pensioner years.

### **Next steps**

This analysis will be updated for the period 2014/16, following the release of the next wave of WAS data in December 2017.

---

<sup>35</sup> <http://www.resolutionfoundation.org/publications/escape-plan-understanding-who-progresses-from-low-pay-and-who-gets-stuck/>

<sup>36</sup> <http://www.if.org.uk/wp-content/uploads/2016/08/2016-IF-Index.pdf>

## **ANNEX 1: METHODOLOGY**

This annex provides a detailed account of the methodology applied in this report. It starts with an overview of the Wealth and Assets Survey (WAS) dataset used for the analysis and reasons for selecting this dataset as the most appropriate for analysis of how wealth is distributed across the population. A detailed account of the survey design and data collection stages is then given. It is followed by information on the sample of Scottish households. This section concludes with consideration of limitations with regard to WAS and the extracted sample of Scottish households.

### **1.1 Wealth and Assets Survey**

The Wealth and Assets Survey (WAS) is one of the main sources of information on how households in Great Britain (England, Wales and Scotland) are managing economically. The survey has a large sample size and almost complete coverage of Great Britain. The sample of private households in Scotland however excludes households north of the Caledonian Canal, and the Scottish Islands.

The survey focusses broadly on household assets and debts, borrowing and saving, and plans for retirement. Therefore, it allows for a detailed analysis of how wealth is distributed across the population.

The WAS is also a longitudinal survey, which means respondents are interviewed more than once, with about a two year interval in this case. The longitudinal element allows analysis of the levels of change in wealth across all waves from lower levels of wealth and indebtedness (or not). At the time of writing, four waves of the survey have been completed and are analysed in this report. The fifth wave is in progress. Respondents of wave one were invited to take part in a wave two follow up interview two years later. Respondents to wave two were then invited to take part in wave three and so on. In addition to these follow up interviews, a new random sample of addresses was also added to wave three.

Interviews in all waves were conducted using Computer Assisted Personal Interviewing (CAPI). The data collected are split into two categories: household level and person level. The interviews in the main stage were conducted at the homes of respondents, while the follow up interviews took place over the phone. At the household level the interview was conducted with the household reference person (HRP), often the head of the household or their partner; at the person level all individuals over the age of 16 and not in full-time education were interviewed separately. 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.

Wealth is highly skewed. Therefore median values are generally used to report central tendency.

Wealth is measured at household level. This is based on the assumption that wealth, and the economic benefit of wealth, is shared equally across all members of the household, and they benefit equally from household wealth. Analysis of

characteristics in different wealth bands however is based on the household reference person.

## 1.2 The sample of Scottish households

The WAS provides information about the economic well-being of households living in Great Britain including England, Wales and Scotland. This report focuses on Scottish households. These were extracted from the total sample and were used for further analysis. In some cases they have been compared with the total sample of British households. The following table provides details about the time frame of each wave along with a summary of the number of households and individuals interviewed in each wave of the survey in Scotland.

| Survey Period          | Number of individuals       | Number of households | Number of individuals interviewed at previous wave | Number of households interviewed at previous wave |
|------------------------|-----------------------------|----------------------|--|---|
| <b>Wave 1</b>          |                             |                      |  |   |
| July 2006 – June 2008  | 6,199 (inc. 1,102 children) | 2,833                | /  | /   |
| <b>Wave 2</b>          |                             |                      |  |   |
| July 2008 – June 2010  | 4,391 (inc. 760 children)   | 1,995                | 4,169  | 1,875   |
| <b>Wave 3</b>          |                             |                      |  |   |
| July 2010 – June 2012  | 4,540 (inc 733 children)    | 2,069                | 3,087  | 1,417   |
| <b>Wave 4</b>          |                             |                      |  |   |
| July 2012 to June 2014 | 4,057 (inc. 617 children)   | 1,890                | 3,040  | 1,420   |

### Methodological considerations and limitations

There are a number of methodological issues that need to be borne in mind when considering this analysis.

- i. 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.
- ii. In most cases, the analysis is conducted at the household level. This means that all assets or wealth stock held by individuals living within households have been added together to produce household totals.
- iii. Only those designated as ‘private households’ were sampled for the survey. This means that people in residential institutions, such as retirement homes, nursing homes, prisons, barracks or university halls of residence, and also homeless people, are excluded from the scope of the analysis presented in this chapter.



- iv. 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.
- v. Estimates within the analysis have not been equivalised and therefore are not intended to account for differences in household size or composition.
- vi. All estimates within this report are presented as current values at the time of interview, and have not been adjusted for inflation.
- vii. 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.
- viii. Figures and percentages presented in this report have been rounded, and so discrepancies may occur between sums of component items and the totals. This will also occur where variables allow more than one response to be reported. Published percentages were calculated prior to rounding and therefore discrepancies may occur between reported percentages and those that could be calculated from the rounded figures.

It is also important to note that methodological changes have been introduced with the publication of the wave 4 data. Changes to the valuation of pension wealth have been introduced, with the methodology being applied retrospectively. Additionally there have been changes in the financial parameters used to value defined benefit pensions in wave 4 only (see pension Wealth section for further details). For this reason, the analysis in this report differs from that published in previous reports. Any comparison with previously published data is not appropriate. This report uses the latest data for all waves of the survey to present consistent time series.



Scottish Government  
Riaghaltas na h-Alba  
gov.scot

© Crown copyright 2017

**OGL**

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](http://nationalarchives.gov.uk/doc/open-government-licence/version/3) or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at [www.gov.scot](http://www.gov.scot)

Any enquiries regarding this publication should be sent to us at  
The Scottish Government  
St Andrew's House  
Edinburgh  
EH1 3DG

ISBN: 978-1-78652-783-7 (web only)

Published by The Scottish Government, January 2017

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA  
PPDAS261775 (01/17)

W W W . G O V . S C O T