Interim Evaluation of Saving Gateway 2

A report prepared for government

By:

Institute for Fiscal Studies (IFS)
&
Ipsos MORI Social Research Institute

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Executive summary

The Saving Gateway is a government initiative aimed at encouraging savings behaviour among people who do not usually save. Each pound placed into a Saving Gateway account is matched by the government at a certain rate and up to a monthly contribution limit. Matching provides a transparent and understandable incentive for eligible individuals to place funds in an account.

An initial pilot of the Saving Gateway - SG1 - has already been conducted and evaluated. In the December 2004 Pre-Budget Report, the Chancellor of the Exchequer announced a new, larger scale, pilot of the Saving Gateway - SG2. Almost 21,500 individuals have opened SG2 accounts across six areas of England. The design of these accounts – in terms of the match rate and monthly contribution limit – varies across these areas. Alongside the financial incentive to place funds in a SG2 account, the pilots also offer financial education.

This report presents the interim findings from the evaluation of these SG2 accounts.

Characteristics of SG2 account openers

- Among individuals contacted by Random Digit Dialling (RDD) and offered the opportunity to open an account, family incomes are, on average, higher amongst those who actually opened an account compared with those who did not.

- Conversion rates are lowest in East London and Cambridge (the areas offering the least generous match rate) and highest in East Yorkshire (where a £50 bonus is offered for saving at least £50 in the account) and Manchester (where £1:£1 matching is offered).

- Other things being equal, conversion rates are higher amongst individuals with the following characteristics: higher levels of education and numeracy; in employment or have an employed spouse or partner; *without* long-term health problems; a home-owner and/or with some investments.

Saving, money management and financial education

- The qualitative research found limited association between income level and money management - many individuals on very low incomes are also very astute with their money. Instead, differences in upbringing combined with cultural and social factors are suggested as possible explanations for why some people are better savers than others.

- There does, however, appear to be a link between money management and saving behaviour. Individuals who perceive themselves as bad money managers are also likely to be poor at saving, either because they find it difficult to save or more commonly because they do not think saving is important. Good money managers, on the other hand, also *tend* to be good savers, although it is also possible to be a good money manager but have poor savings due to financial constraints.

- Awareness of the financial education aspect of the SG2 package is limited, although there is support for this integrated approach. Indeed, some feel that this approach may be effective in raising interest in financial education among those who would not consider it otherwise.

- Interest in financial education increases, particularly among those with no prior experience of it, once individuals are made aware of detailed aspects of the offer. This suggests that further promotion and communication of the financial education offer could encourage greater participation.

- The most frequently cited barriers to take-up of financial education are lack of time and/or interest, as well issues relating to confidentiality. The money management CD-ROM recently sent to SG2 account holders seeks to address some of these barriers, and its effectiveness will be evaluated in the second stage of the evaluation - Wave 2 – which will be conducted around the time of account maturity in autumn 2006.

Attitudes towards SG2

- There are significant differences in knowledge of the SG2 account features across the pilot areas. Knowledge of the match rate is significantly higher where the match is £1:£1 and account holders are more likely to know the contribution limit where the limit is lower and is, therefore, more likely to be a relevant factor.

- However, the vast majority of account holders are positive about the match rate, contribution limit and account length, regardless of their own account variant.

- Most account holders say the match rate was very important in their decision to open a SG2 account and, on average, it is more important to individuals in areas where the match is higher.

- Reasons for not taking up the offer to open an account include: lack of initial understanding of the account features and benefits; lack of interest in saving generally; insufficient disposable income; and satisfaction with current savings arrangements.

Operation of SG2 accounts

- Transaction data for account openers shows that a contribution has been made to most accounts in most months, with relatively few withdrawals.

- By 31st December 2005, nearly £6 million had been paid in by individuals, and just over £2¼ million of government match had been accrued. The median amount of match accrued was 87.5% of the maximum match available.

- At the time of account opening, less than one-in-ten account holders reported that they intended their contributions to come solely from sources that might be less likely to represent new saving, such as from transferring funds from an existing savings account. Just over one-third stated that their contribution would come solely from sources that might be more likely to represent new saving, such as from future income. This is particularly true for those with lower family incomes or gross financial assets.

- At the time of account opening, most individuals – and in particular those with greater assets and higher incomes – intended to contribute the maximum amount once a month. The most commonly cited reason for saving was either for older age/retirement or for a rainy day.

- In all areas, up to the end of December 2005, the median monthly contribution was the contribution limit with 44% of individuals contributing the maximum in all months.

- Amongst account holders who had no financial assets before they opened their account, seven-in-ten made an additional net monthly contribution after the first month, and over one-in-five had managed to accrue the maximum achievable match by 31st December 2005.

- Those with higher incomes or greater gross financial assets at the time of account opening have typically contributed greater amounts and, therefore, achieved higher balances and accrued a higher government match. These individuals are also more likely to use bank credits or standing orders than cash or cheques.

Impact of SG2

This report examines whether SG2 has so far created new savers or saving. When interpreting the current results on the impact of SG2, it should be borne in mind that the outcomes are observed after the accounts have been open for just four months on average, and some of the patterns might change by the time accounts mature after eighteen months.

- The results are consistent with new saving in terms of whether savings in cash deposit accounts are reported to have increased over the last three months. For example, those who have been offered accounts are 3.9 percentage points more likely than those not offered accounts to say that they have increased such savings by more than two months of maximum SG2 contributions.

- The evidence is less clear when stocks of – rather than changes in the amount of – saving are analysed. This may reflect the fact that changes in

the flow of saving only slowly cumulate into measurable changes in the stock of funds held.

- When considering broader measures of financial wealth that include other assets alongside cash deposits, there is no consistent, statistically significant evidence that during the early months of the pilot, SG2 accounts have led to increases in financial wealth. This suggests that, in order to transfer money into cash deposits, some account holders may have been adjusting their other financial assets in ways that they would not have done in the absence of the SG2 accounts.

- The results for spending outcomes suggest that, at this early stage in the pilots, individuals may be reducing their spending slightly when they have a SG2 account. For example, individuals who were offered accounts are 3.1 percentage points less likely, on average, than those who were not offered accounts, to say that they have spent more than £300 on goods and services during the month before their interview.

- Measured effects at this early stage suggest that a similar positive (and statistically significant) effect on the increase in amounts held in savings accounts is found just for those on lower-incomes or with lower education as was found across the whole sample. However, the estimated increase among those in receipt of means-tested benefits is not statistically significant.

- It is interesting to consider not only the effects averaged across all individuals but also to infer effects on those who actually opened accounts, since the estimated effects on account holders are larger than effects measured across all individuals who were offered accounts. The accounts are estimated to have led to a 26.7 percentage point increase, on average, in the probability that account holders increased the funds that they had in cash deposit accounts during the three months prior to their interview, and a 16.3 percentage point decrease, on average, in the probability that account holders had spent more than £300 on goods and services in the month before they were interviewed.

- The proportion of those offered accounts who actually opened them was lower among: those with lower education compared to those with higher education; those receiving means-tested benefits compared with those who are not; and those with lower rather than higher incomes. Therefore, though similar effects on the increase in amounts held in savings accounts were found across individuals in low and high income and low and high education subgroups, these reflect larger (point estimates of) effects on account openers in the lower education and lower income subgroups than in the higher education and higher income groups.

Conclusions

At this early stage of the accounts, there is some evidence that the SG2 accounts are leading to both an increase in the flow into cash deposit accounts and a reduction in the amount spent. However, the evidence is less clear once stocks of assets, or flows into accounts that include current accounts or investment holdings, are also considered.

These are interim findings. A second stage of the evaluation - Wave 2 - will be conducted when the SG2 accounts start to mature.

Chapter 1: Introduction

1.1 Background

The Saving Gateway is a government initiative aimed at encouraging savings behaviour among people who do not usually save. Each pound placed into a Saving Gateway account is matched by the government at a certain rate and up to a monthly contribution limit. Matching provides a transparent and understandable incentive for eligible individuals to place funds in an account.[1]

A key motivation for the Saving Gateway is 'to increase rates of saving and asset-ownership' (HM Treasury, 2001a) among eligible (lower income) families.[2] In order to measure the effectiveness of different match rates and contribution limits in boosting the number of savers and savings among lower income families the government has, since February 2005, been piloting six different variants of the Saving Gateway in six areas across England.[3] This report contains the interim findings from the evaluation of these accounts.

An initial pilot of the Saving Gateway accounts - SG1 - was put into operation in five areas of England in August 2002.[4] These accounts provided pound-for-pound matching subject to a £25 monthly contribution limit and an overall cap of £375. The accounts lasted 18 months (although maximum match could be achieved in 15 months) and were operated by the Halifax bank. Working age individuals were eligible to open a SG1 account if they were in work and had an income below a certain threshold, or if they were out-of-work and in receipt of certain benefits (HM Treasury and Department for Education and Skills, 2002). The evaluation of SG1 examined the behaviour and attitudes of a group of account openers at the start, and

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[1] Further details on the Saving Gateway policy can be found on the HM Treasury website at http://www.hm-treasury.gov.uk/documents/financial_services/savings/topics_savings_gateway.cfm and the Directgov website at http://www.direct.gov.uk/MoneyTaxAndBenefits/ManagingMoney/SavingsAndInvestments/SavingsAndInvestmentsArticles/fs/en?CONTENT_ID=10010450&chk=U09/4C

[2] More information on Saving Gateway design issues were provided subsequently in HM Treasury (2001b).

[3] These are Cambridgeshire, Cumbria and North Lancashire, East London, East Yorkshire, Manchester and South Yorkshire.

[4] Tower Hamlets in East London; Gorton in East Manchester; Cumbria; Cambridgeshire and Hull.

towards the end, of the account period and compared these to the behaviour and attitudes of a comparison set of individuals. This evaluation found that just over half (56%) of those who built up funds in their Saving Gateway account previously had no formal savings, and that 'the scheme also seems to have encouraged more people to save regularly'. The extent to which this represented new saving will depend on whether, in the absence of the policy, this saving would have taken place. Encouragingly, there was little evidence of people shifting existing assets into their SG1 account or borrowing to 'save'. However, there was also little evidence of individuals reporting they had cut back on expenditure in order to save. Instead, the self-reports indicated that 'the great majority of participants found the money to save from their regular income'.[5]

In the December 2004 Pre-Budget Report, the Chancellor of the Exchequer announced a second pilot of the Saving Gateway - SG2- costing £15 million, that will build on the lessons of the first pilot. The SG2 pilots are much larger in scale: there are almost 21,500 SG2 accounts in operation compared with fewer than 1,500 accounts in the first pilot. The eligibility criteria has been broadened on the second pilot to include individuals aged 16 to 65 with individual earnings up to £25,000 and household earnings below £50,000 *or* in receipt of a main out-of-work qualifying benefit (Income Support, Jobseekers Allowance, Incapacity Benefit or Severe Disablement Allowance). The SG2 pilots also have variation in how the accounts operate: while, like the first pilots, they will all run for 18 months, they vary by area in terms of the match rate on offer (from 20p to £1 for each £1 contributed) and in terms of the monthly contribution limit (from £25 a month to £125 a month). One area also offers a £50 bonus once the first £50 of matchable contributions has been paid.

Alongside the financial incentive to place funds in a SG2 account, the pilots also offer financial education. Account holders in all areas are offered national courses run by learndirect and additional financial education is available in five of the six pilot areas.

Therefore, the evaluation of SG2 will build on the first pilots by exploring the role of different match rates and contribution limits and also examining the impact on a wider

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[5] See p viii and section 5.2 of Kempson, E., McKay, S. and Collard, S. (2003) and sections 5.5 and 5.10 of Kempson, E., McKay, S. and Collard, S. (2005).

group of potentially eligible individuals. In addition, the larger sample size will give greater scope for quantitative examination of the effect of the accounts. A range of potential outcomes of interest are examined, with a particular focus on examining how much is placed in the SG2 accounts and how this varies by background characteristics, and what evidence there is on whether contributions to Saving Gateway accounts represent new saving. It is important to note that this interim report only draws on data gathered during the first few months of the SG2 pilots. Therefore, findings should be seen as preliminary and indicative rather than conclusive.

The rest of this report is organised as follows:

Chapter 2 provides details of how the SG2 pilots operate in each of the six areas, how individuals were recruited to these schemes and what financial education is being provided to account holders. *Chapter 3* uses information collected from a telephone survey conducted in autumn 2005 with account openers, account refusers and those not offered the chance to open an account, to describe how the characteristics of each of these groups vary by area. In particular, the extent to which different background characteristics are associated with a greater likelihood of an individual choosing to open an account is examined, and evidence is presented on what the distribution of financial assets would have been among eligible individuals had the accounts not been offered.

Chapter 4 explores attitudes of account openers, account refusers and members of the control group towards money and savings in general, and *Chapter 5* looks at attitudes towards SG2. Both chapters combine findings from the telephone survey and qualitative research.

Chapter 6 presents information on account openers from a survey completed at the time of account opening and from the administrative data provided by Halifax bank on all transactions paid to, or from, SG2 accounts until the end of December 2005. The aim is to show how use of the accounts varies by both area and background characteristics, such as income and gross financial assets.

Chapter 7 describes and implements the methodology used for identifying the causal impact of the accounts on both the level of savings and measures of expenditure. The results of this analysis, again, use data from the telephone survey which occurred

when accounts had, on average, been opened for just four months. In this sense, all the findings in this chapter are preliminary: a final report will follow in spring 2007 which will present the final evaluation results.

Chapter 8 looks at experience of, and attitudes towards, financial education for account holders, account refusers and members of the control group, again, using findings from the SG2 qualitative research and from the telephone survey. Finally, *Chapter 9* reports findings from qualitative research with SG1 account holders, some of whom are also involved in the SG2 pilots.

1.2 Acknowledgements

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Chapter 2: Methodology and evaluation strategy

2.1 Operation of Saving Gateway 2

The SG2 accounts are operated by the Halifax bank at branches in the pilot areas. The general principle of the SG2 accounts is that contributions made by individuals to their accounts are matched (at some rate) by the government. There are limits to the amount of government match that an individual can receive in each calendar month and the funds in the account earn no interest. The accounts must be kept open for a period of 18 months in order to receive the government match.

The SG2 accounts are being piloted in six areas around England – East Yorkshire, South Yorkshire, Manchester, Cumbria, Cambridge and East London. Different match rates and monthly contribution limits are offered in each area (see Table 2.1). The most generous match rate is offered in Manchester, where the government contributes £1 for every £1 that an individual puts in their SG2 account. The least generous matches are offered in Cambridge and East London, where the government puts £0.20 into the account for every £1 contributed by the individual.

The monthly contribution limit (in other words, the maximum contribution that can attract a government match each month[6]) also varies across the pilot areas. The lowest contribution limits are in Manchester, East Yorkshire and South Yorkshire where the monthly contribution limit is £25. The highest monthly limit is in Cambridge, where net contributions of up to £125 a month can attract a government match.

The final variation is in East Yorkshire where account openers are given an additional £50 once they have saved at least £50 in their account.

The accounts have to remain open for 18 months but the maximum government match that an individual can receive is 16 months of full contributions. This is so that, if individuals need to withdraw money or take a month or two off from contributing, they will have two months in which to catch up before the end of the account.

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[6] A month refers to a calendar month.

Therefore, the maximum amount of government match that an individual can receive varies across the pilot areas. For example, in Manchester the maximum match at the end of 18 months will be 16 months of £25 contributions matched at a rate of £1 for every £1 contributed. This works out as a maximum total match of £400 (16*25*1). Similarly, in Cambridge, where the match rate is £0.20 for every £1 contributed and the contribution limit is £125, the maximum match achievable is also £400 (16*125*0.2). Table 2.1 shows, for each area, the match rate, contribution limit and maximum possible match available.

Table 2.1: Account features and match range achievable in each pilot area, ranked by contribution limit

	Match (per £1.00)	Contribution limit (£ per month)	Match range (total)
Cambridge	£0.20	£125	£0-£400
Cumbria	£0.50	£50	£0-£400
East London	£0.20	£50	£0-£160
Manchester	£1.00	£25	£0-£400
East Yorkshire	£0.50	£25	£0-£250*
South Yorkshire	£0.50	£25	£0-£200

* Account holders in East Yorkshire receive a £50 bonus once they have contributed £50 to the account. Therefore, provided they contribute at least £50 to the account, the minimum government match received will be £75, including both the £0.50:£1 match and the £50 bonus ((0.5*£50)+£50).

2.1.1 Eligibility for SG2

The eligibility criteria for SG2 are less strict than those applied for SG1. In order to be eligible for SG2 (other than living in one of the pilot areas), individuals had to be aged 16 to 65 years old, with either individual earnings up to £25,000 and in a family with earnings below £50,000, or in receipt of a main out-of-work qualifying benefit (Income Support, Jobseekers Allowance, Incapacity Benefit or Severe Disablement Allowance).

2.1.2 Withdrawing money from SG2 accounts

Contributions made by an individual (though not the government match) can be withdrawn from the Saving Gateway account at any time. However, in order to accrue any further government match, the amount withdrawn must be replaced. The quickest

that any withdrawals can be replaced is at a rate of the maximum contribution per month. For example, consider an individual in Manchester (where the monthly contribution limit is £25) who makes a net withdrawal of £50 in month 4. In month 5, this individual can replace at most £25 of this and no additional match is accrued on this contribution. In month 6, this individual can, again, replace at most £25 of the withdrawn funds and, again, no additional match is accrued. By month 7 (assuming £25 has been replaced in each of months 5 and 6), this individual can start making 'new' contributions again (up to the monthly contribution limit) which will accrue additional match.

As mentioned above, the maximum match available over the life of the account is 16 months worth of match on maximum contributions. Therefore, individuals can have 2 months in which they make no 'new' contributions without reducing the maximum match they can attain. In the example given above, assuming the individual had made the maximum contribution in months 1-3 and continued to make the maximum contributions in months 5-18, the amount of government match that would be accrued would be £375 (i.e. £25 short of the maximum possible for accounts in Manchester). This is because, in the example given above, this person has 3 months in which no 'new' contribution has been made (month 4 was a net withdrawal while the contributions in months 5 and 6 were simply replacing the sum withdrawn).

One caveat to this is that, if an individual withdraws money but replaces it before the end of the same calendar month, this will not be counted as a withdrawal. A withdrawal is only counted if it affects the end of month account balance since this is used to determine the amount of match that an account holder has qualified.

Chapter 6 shows that, so far, very few withdrawals have actually been made from the SG2 accounts – in only 1.2% of account months has a net withdrawal been made.

2.1.3 Financial Education

Improving financial information and awareness are important elements of the government policy, and opportunities for financial education were built into the design of the SG2 pilots. Alongside the SG2 account, account openers were offered various types of financial education which varied depending on the pilot area. The

financial education available was detailed in the information leaflet sent to everyone offered an account. Much of the financial education on offer was also available to non-SG2 participants. In all areas, individuals had the opportunity to take part in courses run by learndirect (the learndirect Cash Crescent course was specifically promoted in East Yorkshire). In all areas apart from Manchester and East Yorkshire, other financial education options were also promoted. The financial education available in each area is shown in Table 2.2.

Table 2.2: Financial education available, by area

	learndirect	Other
East Yorkshire	✓	Specifically promoted learndirect Cash Crescent
Cambridge	✓	Family learning courses
South Yorkshire	✓	Adult Learning Grant
East London	✓	Tower Hamlets College
Cumbria	✓	Financial Pursuits
Manchester	✓	None

2.2 Recruitment methods

There were three principal methods through which individuals were recruited into the SG2 pilots. First, individuals were contacted by telephoned, at random, using Random Digit Dialling (RDD). Second, we wrote to a sample of eligible individuals drawn from DWP benefit records, offering them the opportunity to open an account. Third, letters were sent to addresses drawn at random from the Postcode Address File (PAF). The letters sent to both these groups described the accounts and eligibility criteria. Each of these recruitment methods is described in more detail below.

In addition to these methods, some account holders came from two other sources. First, all those who had previously had a SG1 account were eligible to open a SG2 account. Second, everyone receiving the Adult Learning Grant in South Yorkshire was also given the opportunity to open a SG2 account.

2.2.1 Random Digit Dialling (RDD)

Individuals were telephoned, at random, and asked a series of questions to assess their eligibility for an account. If the individual was deemed eligible, they were either offered the chance to open an account or to take part in the research as a 'control'. This allocation was determined at random.

As a result, three types of individuals were recruited through RDD. First, those who were offered an account and opened one. Second, those who were offered an account but did not open one. Third, those who were eligible for, but were not offered, an account. Throughout this report we will refer to the first group as 'RDD openers', the second group as 'RDD refusers' and these two groups in combination as the 'RDD treatment group'. The third group will be referred to as the 'RDD control group'. In total, 4,029 account openers were recruited through this method (for details on the distribution across areas of the RDD sample, see Table A2.1 in the Appendix).

2.2.2 Postcode Address File (PAF)

Addresses in each of the pilot areas were randomly sampled from the Postcode Address File. These addresses were then sent the information pack offering them the chance to open a SG2 account. However, it was not possible to assess whether anyone at these addresses was eligible before the letters were sent. In total, 11,948 people opened SG2 accounts as a result of being sent a letter through PAF. The highest number of these accounts was opened in Cambridge and South Yorkshire – over 3,000 accounts were opened in each of these areas. Between 1,200 and 1,600 accounts were opened in each of the other areas as a result of people having been contacted through PAF – although it should be noted that the number of letters sent also varied by area. Throughout this report, individuals who opened an account as a result of being contacted through PAF will be referred to as 'PAF openers'.

2.2.3 Department for Work and Pensions (DWP) Sample

The third principal recruitment method of individuals into the SG2 pilot was through contacting individuals from DWP benefit records. All these individuals are clients of DWP as a result of being in receipt of one or more of Income Support, Jobseeker's Allowance, Incapacity Benefit or Severe Disablement Allowance at the time of

recruitment. Since all these people are receiving some form of benefit, they are poorer on average than individuals recruited through RDD and PAF. This is discussed in more detail in Chapter 3.

More letters were sent to benefit recipients in Cambridge and East London than other areas. In total, 4,990 people opened accounts as a result of being contacted through DWP records. Those who did not open an account could not be followed up, so information is only available for those who did go on to open an account. These people will be referred to as 'DWP openers'.

In addition to the account openers recruited from DWP records, an additional group of control individuals was also drawn from the DWP records – these individuals were not offered the accounts but, instead, were asked to take part in research into savings behaviour. These people will be referred to as 'DWP controls'.

2.2.4 Saving Gateway 1 participants

All those who opened a SG1 account, as part of the first evaluation of the Saving Gateway policy, were given the opportunity to open a second account as part of the SG2 evaluation. In total, 34.7% of SG1 account holders went on to open a SG2 account. Conversion to SG2 accounts among SG1 participants was highest in East Yorkshire (46.9%) and lowest in East London (16.4%) – this area offered the least generous policy variant under SG2 (see Table 2.1).

For the quantitative analysis, information was only available for SG1 account holders who opened SG2 accounts. The information was limited to transaction data provided by the Halifax bank on deposits and withdrawals, and some background information derived from the account opening questionnaire (discussed in section 2.3). SG1 account holders were not included in the telephone survey because of their relatively small numbers – just 479 went on to open a SG2 account. It was, therefore, preferable to conduct research with this group using qualitative methods – see section 2.3.4.

2.2.5 Adult Learning Grant (ALG) recipients

In South Yorkshire, all those who are receiving the Adult Learning Grant were offered the chance to open a SG2 account (436 individuals in total). Just 30 actually

opened a SG2 account. Consequently, for the same reasons described for SG1 participants above, ALG recipients were not included in the telephone survey. Instead, they were included in the qualitative research strand – see section 2.3.4.

2.3 Data available

This report uses data and findings from four main sources:

- Data from the Halifax bank on all transactions which have taken place for every SG2 account that was opened.
- For the majority of account openers, we have *baseline* information from a paper questionnaire completed at the same time as the account application.
- For a sample of all types of people (i.e. all those described in section 2.2, except SG1 participants and ALG recipients), we have data from a detailed telephone and face-to-face survey conducted between September and December 2005 – Wave 1 of the evaluation.
- Findings from two waves of qualitative research conducted between September and December 2005 with account openers, refusers and members of the control group.

Each data source is described in more detail in sections 2.3.1-2.3.4. Again, it is important to remember that this data represent findings mid-way through the SG2 pilots. A second stage of the evaluation – Wave 2 – will be conducted when the SG2 accounts start to mature.

2.3.1 Halifax transaction data

Information is available for every deposit and withdrawal for each SG2 account that was opened. This data covers the period from account opening up to, and including, 31st December 2005. It includes 21,476 accounts which had been open for between one and 10 months.

The information available on each transaction includes the amount that was deposited or withdrawn, the date of the transaction, the branch where the transaction took place

and the method of payment (e.g. cash, cheque, standing order). This data is used in Chapter 6 to examine the use of accounts by account holders. For example, we look at the number of people who contribute the maximum amount each month, the prevalence of withdrawals of money from the accounts and whether account holders continue to make contributions.

2.3.2 Account opening questionnaire

All account openers were asked to fill in a paper questionnaire when they opened their account. These questionnaires included details of various personal and financial characteristics such as who they live with, employment status, own and family income and asset holdings prior to opening a SG2 account. In addition, the questionnaire also asked about individuals' intended use of their SG2 accounts. Account opening questionnaires were not received from some account holders – across all areas, account opening questionnaires were completed by 78.6% of account holders.

Combining this information on individual characteristics and asset and income details with information from the transactions data, Chapter 6 examines how individuals with different characteristics (such as different income levels and different levels of existing assets) use the Saving Gateway accounts.

2.3.3 Telephone survey

The final quantitative data source is the telephone interview, which was conducted between September and December 2005. In total 11,644 individuals were interviewed. 11,077 of these were interviewed by telephone using CATI (computer assisted telephone interviewing); 567 were unable to be contacted by telephone so were followed up and interviewed in person using CAPI (computer assisted personal interviewing). Interviews were carried out with account holders and non-account holders and with individuals recruited through each of the different recruitment methods described in section 2.2 (excluding those who had SG1 accounts and those in receipt of the ALG).

More specifically, interviews were conducted with 8,286 individuals recruited through RDD; 2,982 of these were account openers, 2,798 had been offered an account but did not open one (and a further 104 had declined to be sent a pack about

SG2) and the remaining 2,402 were from the control group. 2,341 interviews were carried out with people from the DWP sample: 1,682 account openers, 659 controls. Finally 1,017 PAF account openers were also interviewed.

The telephone interview covered a range of topics. Individuals were asked about their income from all sources, their savings and investments, debts, expenditure, attitudes to saving, attitudes to the Saving Gateway in particular (those offered the chance to open an account only) and their personal and household characteristics. These data are used in two chapters of this report. Chapter 3 describes the characteristics of individuals recruited in each area through each method and compares the characteristics of account openers to non-openers. Chapter 7 uses the data on those recruited through RDD to conduct an initial analysis of whether or not the policy has created new savers and new saving. This is done (as is explained more comprehensively in section 7.1) by comparing levels of, and changes in, asset-holdings and expenditure amongst the RDD treatment group, with those in the RDD control group.

2.3.4 Weighting the quantitative analysis

Due to differential response rates and differences in sampling of certain groups, the quantitative data has been weighted for some parts of the analysis in order that the sample is representative.

Since the transactions data analysed in Chapter 6 is the complete set of transactions carried out using SG2 accounts, this data does not need to be weighted. Some account holders did not return their account opening questionnaires so the sample of account openers on whom we have information on their background characteristics from the account opening questionnaire (also analysed in Chapter 6) may not be representative. However, given that we do not know anything about the characteristics of the non-responders, the account opening questionnaire data has not been weighted to take account of non-response.

The telephone data has been weighted for the analysis presented in Chapter 7 and some of the analysis presented in Chapter 3. The weights used for the RDD data control for two factors:

- First, the weights control for the fact that RDD account openers (a self selected sample who, on average, have higher incomes and more wealth than other individuals in the RDD sample – see Chapter 3) are over represented in the telephone interviews.

- Second, the weights control for the fact that, whilst account openers were sampled across areas in proportion to the conversion rate in each area (i.e. more account openers were sampled in areas where the conversion rate was higher), RDD control individuals were sampled roughly equally in each area.

In addition, where analysis is presented in Chapter 3 for all account openers, the account openers sampled are also weighted to take account of the fact that RDD, DWP and PAF account openers were not sampled proportionately to their share of the overall number of accounts in each area.

Where weighted data is used, this is stated in the notes to the relevant tables and figures.

2.3.5 Qualitative research

Two waves of qualitative research were conducted between September and December 2005. The first wave (SG1 research) was conducted in September 2005 and comprised 30 depth interviews with SG1 account holders, across the five SG1 pilot areas. Half of the respondents were also current SG2 account holders.

The second wave of research (SG2 research) comprised 78 depth interviews, conducted face-to-face, with SG2 account holders, refusers and members of the control group. The interviews were conducted across the six SG2 pilot areas in December 2005.

In South Yorkshire, additional interviews were conducted with respondents who were holders of the Adult Learning Grant (ALG) at the time they were invited to open the SG2 account.

Table 2.3 Breakdown of qualitative interviews, by area

Area	Openers	Refusers	Control group
East Yorkshire	7	3	2
Cambridge	7	3	2
South Yorkshire	8 (4 ALG)	5 (2 ALG)	2
East London	7	3	2
Cumbria	7	3	2
Manchester	10	3	2
Total	46	20	12

Qualitative methods, such as in-depth interviews, are ideal for exploring complex issues. The real value of qualitative research is that it allows insight into the attitudes and beliefs of respondents, which could not be examined in as much depth using a structured quantitative questionnaire. Qualitative research utilises smaller samples that are chosen purposively to ensure representation of a full range of views.

It is important that the limitations of qualitative research are taken into account when interpreting the findings. For example, it is not possible to extrapolate qualitative findings to the general population. However, they do give an indication of the breadth of opinion which exists and some of the reasons underlying these opinions. In addition, as with all qualitative research studies, it is important to bear in mind that we are dealing with perceptions rather than facts and, as such, there may be conflicting views.

In the qualitative sections of the report, verbatim comments are used to illustrate a particular viewpoint. It is important to be aware that these views do not necessarily represent the views of all respondents.

Chapter 3: Saving Gateway 2 participants

This chapter examines the characteristics of individuals offered the opportunity to open a SG2 account, as well as members of the control group. It also examines SG2 take-up rate across the six pilot areas. The findings reported here are based on the telephone survey data.

Among control[7] individuals recruited using Random Digit Dialling (RDD), nearly one-in-four (24.1%) report a family income of over £25,000 a year, while about one-in-nine report a family income of less than £5,000 a year. Since the RDD control group was selected randomly, average characteristics of this group are a good indicator of how the RDD treatment group (those offered accounts) would have looked in the absence of SG2.

- In all areas except Cambridge, the majority of the RDD control group report receiving either an income-related benefit, a health-related benefit or both.
- In all areas, a further one-in-three eligible individuals report receiving no benefits or tax credits at all.

Nearly four-in-ten (39.8%) of the RDD control group have savings and investments worth at least £2,000, while just under one-in-six (16.0%) have no savings or investments at all.

- Conditional on other characteristics, those who are most likely not to have any existing savings and investments are male, aged 25-44, on low income and with low levels of education and numeracy.
- About two-thirds of the RDD control group have some form of debt. Median and mean levels of debt are £700 and £4,175, respectively.
- About four-in-ten (42.5%) of this control group have a private pension (either an occupational scheme or a non-employer private pension).

Among individuals contacted by RDD and offered the opportunity to open an account, family incomes are, on average, higher amongst those who actually opened an account compared with those who did not. After taking account of other characteristics, conversion rates are lowest in East London and Cambridge (the areas offering the least generous match rate) and highest in East Yorkshire (where a £50 bonus is offered for saving at least £50 in the account) and Manchester (where £1:£1 matching is offered).

- Other things being equal, conversion rates are higher amongst individuals with the following characteristics: higher levels of education and numeracy; in employment or have an employed spouse or partner; *without* long-term health problems; a home-owner and/or with some investments.

[7] Individuals eligible for SG2 but were not offered the opportunity to open an account.

This chapter examines the characteristics of individuals recruited through each of the three methods described in Chapter 2 for account openers, account refusers and control individuals. In particular, this chapter looks at the demographic characteristics, income and asset holdings of individuals across each of the pilot areas, using information collected from the telephone survey (conducted between September and December 2005). The data for account openers is, therefore, collected *after* they have opened their SG2 account. Later, in Chapter 6, financial information from the account opening questionnaire is presented which refers to income and assets before the SG2 account was opened.

Section 3.1 describes the characteristics (both demographic characteristics and measures of employment status and family income) of individuals recruited into the interim evaluation through each of the different methods discussed in Chapter 2. Section 3.2 compares the characteristics of individuals and conversion rates in each of the six pilot areas by examining those recruited through RDD only. Finally, section 3.3 looks at asset holdings, including assets held in savings accounts and investments, debts, informal savings and private pension membership.

When we are considering reported asset holdings, we sometimes focus only on holdings among the control sample recruited through Random Digit Dialling (RDD) – see section 3.3.2. The rationale for this focus is that since the control group was randomly selected, it should look the same as the treatment group (those offered accounts) would have done in the absence of the policy. The descriptive statistics on the control group are, therefore, intended to give an impression of how asset holdings look among all those offered accounts, not just among account holders. A description of the asset holding of *account openers* can be derived from the account opening questionnaire, but this analysis is postponed until Chapter 6 which presents information on account holders, taken from both the account opening questionnaire and SG2 account transaction data. In the present chapter, we concentrate on asset holding information from the telephone survey.

3.1 Descriptive analysis of individuals by recruitment method

Individuals were recruited into the SG2 pilot project using three methods, as discussed in Chapter 2. This section examines the characteristics of individuals recruited through RDD, the mail-out to DWP clients and the letters sent to addresses from the Postcode Address File (PAF). The characteristics of account openers, refusers and control individuals from all these three samples are discussed in section 3.1.1, while section 3.1.2 compares the characteristics of the RDD treatment group to those of the RDD control group.

3.1.1 Characteristics of account openers by recruitment method

Table 3.1 shows various background characteristics of the individuals in each sample. DWP account openers have somewhat different characteristics from those recruited through RDD and PAF. In general, characteristics associated with having low current income or poor health are more prevalent amongst the sample of DWP account openers. This is because DWP account openers were all people who had some contact with DWP through the receipt of benefits which are targeted on current low income or poor health.

As would be expected of those who are in receipt of some form of social security benefit, DWP account openers are much more likely to be out of work and/or have a long-term health problem - 64.2% of RDD account openers and 67.6% of PAF account openers are in employment compared with just 17.0% of DWP account openers. Also, the majority of DWP account openers (63.2%) report having long-term health problems. Comparable figures for RDD and PAF account openers are 18.5% and 18.2%, respectively.

A similar pattern is evident in the characteristics of partners of account openers from each sample type. Amongst those who are living with a partner, 14.8% of RDD account openers report that their partner has a long-term health problem compared with 25.7% of DWP account openers.

Receipt of income- and health-related benefits is lowest amongst PAF account openers. More than half (51.0%) are not in receipt of any benefits or tax credits

compared with just under half (44.5%) of RDD account openers and less than one-in-seven (14.2%) DWP account openers (who will all have been in receipt of benefits when recruited to SG2, but could have moved off benefits in the interim period).

Amongst account refusers and the control groups, the majority of individuals who are receiving a health-related benefit are also receiving an income-related benefit or tax credit. However, amongst RDD and PAF account openers, most individuals who are receiving a health-related benefit are not also receiving an income-related benefit.

Account holders recruited through RDD and PAF have similar characteristics - 66.2% of PAF account openers live with a partner compared with 64.1% of RDD account openers. Approximately a third of RDD and PAF account openers have only GCSEs or equivalent[8] (31.8% and 33.1%, respectively), whilst a further third have at least a degree (31.3% and 32.4%, respectively).

[8] Equivalent qualifications comprise O-levels, CSEs and vocational qualifications at NVQ level 1 and 2.

Table 3.1 Individual characteristics by sample type

	RDD				DWP		PAF
	Treatment						
	Open	Refuse	All	Control	Open	Control	Open
Female	0.717	0.664	0.673	0.681	0.540	0.486	0.660
Living with partner	0.641	0.500	0.524	0.527	0.460	0.385	0.662
Household characteristics							
Other adult (exc. Partner)	0.215	0.264	0.256	0.232	0.261	0.285	0.185
Pre-school child(ren)	0.104	0.111	0.110	0.121	0.062	0.102	0.088
School-age child(ren)	0.325	0.359	0.353	0.358	0.243	0.271	0.265
Age							
16-24	0.028	0.067	0.060	0.056	0.052	0.084	0.031
25-34	0.178	0.200	0.196	0.215	0.144	0.181	0.185
35-44	0.306	0.284	0.288	0.292	0.220	0.216	0.258
45-54	0.250	0.230	0.233	0.230	0.255	0.250	0.251
55-64	0.222	0.200	0.203	0.189	0.310	0.260	0.260
Education							
No qualifications	0.092	0.199	0.181	0.138	0.146	0.181	0.071
GCSEs	0.318	0.351	0.345	0.345	0.348	0.384	0.331
A levels	0.183	0.147	0.153	0.172	0.163	0.135	0.183
Degree	0.313	0.192	0.213	0.243	0.225	0.175	0.324
Other/Don't know	0.094	0.110	0.108	0.102	0.118	0.125	0.091
Employment status							
Employed	0.642	0.472	0.501	0.471	0.170	0.142	0.676
Self-employed	0.068	0.043	0.048	0.050	0.023	0.026	0.069
Other paid work	0.021	0.017	0.018	0.025	0.024	0.021	0.021
Retired	0.099	0.094	0.095	0.090	0.138	0.096	0.112
Long-term health problems	0.185	0.311	0.290	0.326	0.632	0.591	0.182
Benefit receipt							
Income-related benefits/tax credits only	0.208	0.293	0.278	0.274	0.270	0.379	0.169
Health-related benefits only	0.062	0.070	0.069	0.084	0.271	0.170	0.065
Both income- and health related benefits/tax credits	0.055	0.163	0.145	0.165	0.282	0.294	0.036
Child-related benefits/tax credits only	0.230	0.148	0.162	0.174	0.034	0.026	0.220
No benefits/tax credits	0.445	0.325	0.346	0.303	0.142	0.131	0.510
Ethnicity							
Asian	0.032	0.051	0.047	0.040	0.038	0.040	0.028
Black	0.023	0.045	0.041	0.034	0.049	0.038	0.030
White	0.938	0.895	0.902	0.912	0.897	0.910	0.926
Other	0.005	0.008	0.007	0.011	0.010	0.009	0.013
Refused	0.002	0.002	0.002	0.003	0.007	0.003	0.003
Sample size	2,978	2,898	5,876	2,401	1,562	657	971
Partner's characteristics (those with partner's only)							
Employment status							
Employed	0.711	0.618	0.637	0.657	0.531	0.455	0.705
Self-employed	0.098	0.084	0.087	0.090	0.047	0.047	0.082
Other paid work	0.020	0.010	0.012	0.017	0.019	0.016	0.023
Retired	0.098	0.088	0.090	0.077	0.186	0.142	0.123
Long-term health problems	0.148	0.211	0.198	0.184	0.257	0.332	0.156
Sample size	1,901	1,434	3,335	1,248	719	253	643

Note: Figures for all RDD treatment and RDD control are weighted. Income-related benefits/tax credits comprise Income Support, Job Seeker's Allowance, Pension Credit, Working Tax Credit, Housing Benefit and Council Tax Benefit. Health-related benefits comprise Incapacity Benefit, Disability Living Allowance, Severe Disablement Allowance, Carer's Allowance and Attendance Allowance. Child-related benefits/tax credits comprise Child Benefit, Child Tax Credit and Statutory Maternity Pay.
Source: Telephone survey.

Figure 3.1 shows the distribution of annual family[9] income within each sample type.[10] The highest income group are PAF account openers - a third (33.1%) has a family income in excess of £25,000 a year compared with 29.4% of RDD account openers and just 13.7% of DWP account openers. DWP account openers are the poorest with nearly half (49.1%) having family income below £10,000 a year compared with 18.2% of RDD account openers and 16.2% of PAF account openers. The figures underlying Figure 3.1 can be found in the Appendix in Table A3.1. Table A3.2 in the Appendix also shows the mean, median and quartiles of the distribution of family income within each sample.

It is also clear from Table 3.1 and Figure 3.1 that the family income characteristics of account openers differ from those of account refusers. This is discussed in detail in section 3.2.1 below.

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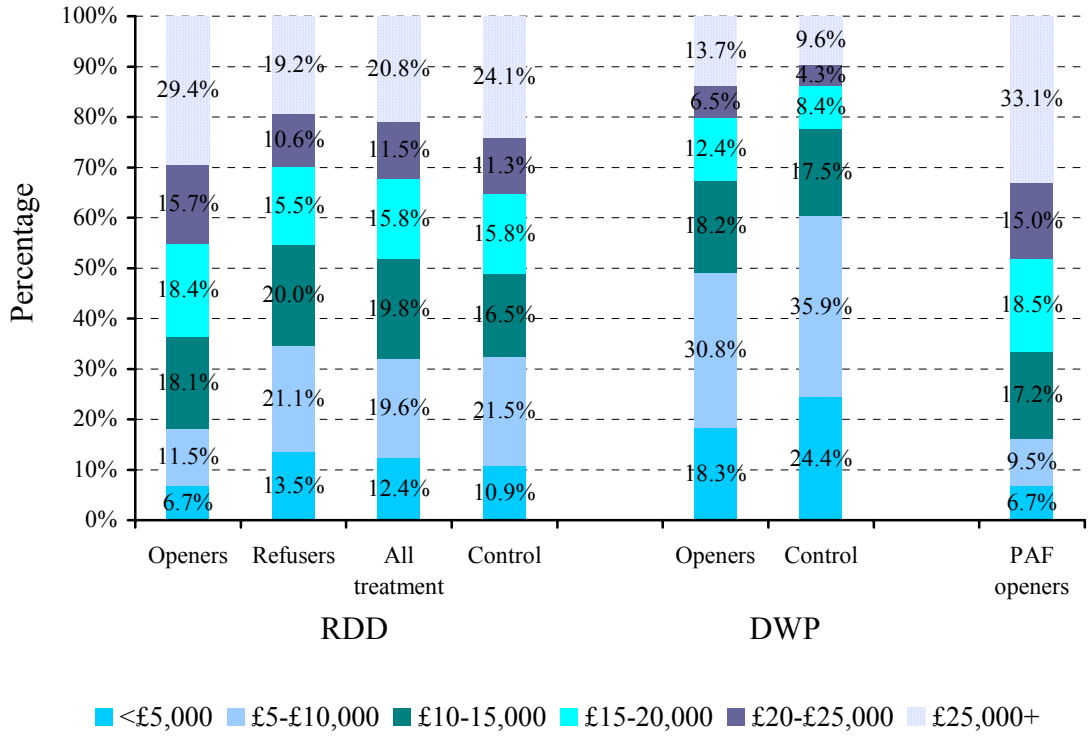
[9] Family income refers to the income of a single individual or the income of an individual and their partner if they are living with a partner.

[10] Income was a key characteristic for assessing eligibility to participate in the SG2 pilots. However, here and throughout the report when data from the telephone survey are used, it should be borne in mind that the incomes of some individuals involved in the pilots would have changed during the several months between initial recruitment and the time of the telephone interviews.

Figure 3.1 Percentage of individuals with total annual family income in certain bands, by sample type



Note: Figures for all RDD treatment and RDD control are weighted.
Source: Telephone survey.

3.1.2 Characteristics of RDD treatment and control groups

Table 3.1 and Figure 3.1 also allow us to compare the characteristics of the RDD treatment and control groups. As explained in Chapter 7, we identify effects of the policy on creating new savers and new saving by comparing the outcomes observed amongst the control group (who should have been unaffected by the policy) with those observed amongst the treatment group (where the treatment group includes all those in the RDD sample offered the chance to open the account regardless of whether they actually opened one or not). Table 3.1 and Figure 3.1 show that the RDD treatment and control groups are broadly similar. There are some differences which, as described in Chapter 7, need to be controlled for in the analysis of the impact of the policy.

3.2 Analysis of individual characteristics by area

The policy offered varies across the pilot areas. If each of the areas were identical, we could examine the differential effect of the policy variants directly by simply looking

at the differences in the responses observed in each area. However, as we have a control group in each area (specifically those who were contacted through RDD and randomly selected *not* to be offered an account), we can examine whether there are differences between individuals in each area and take into account any area specific effects that might be present.

This section looks only at those individuals recruited through RDD. Table 3.2 shows various characteristics of individuals in each of the pilot areas. Though these characteristics were recorded in the telephone interview after the introduction of the policy, they are characteristics which one would expect to have been unaffected by the policy. Several differences are apparent between the areas. The two urban areas (East London and Manchester) have a lower proportion of people eligible for the policy who are living with a partner compared with other areas. East London and Manchester also have the highest proportion of people on income-related benefits (53.0% and 47.9% respectively). In all areas except Cambridge, at least half of those eligible for the policy are receiving either an income-related benefit, a health-related benefit or both (this proportion is 46.4% in Cambridge and is, again, highest in East London at 55.6%). Approximately a further third of individuals in all areas are not receiving any benefits or tax-credits at all.

East London is also very different from the other areas in that it has a large proportion of individuals from minority ethnic groups. In East Yorkshire, South Yorkshire, Cumbria and Cambridge at least 96% of all eligible individuals are white. This proportion is slightly lower in Manchester (87.6%). However, East London is most markedly different with just over three-fifths of those eligible (61.3%) being white.

To the extent that there are differences in attitudes to saving, or saving behaviour, amongst groups with different characteristics, the response to the policy could be different across pilot areas because characteristics vary across areas.

Table 3.2 Individual characteristics by area (RDD control sample only)

	E Yorks	Cambs	S Yorks	E London	Cumbria	Manch	All
Female	0.680	0.704	0.667	0.664	0.694	0.675	0.681
Living with partner	0.562	0.544	0.550	0.417	0.577	0.479	0.527
Household characteristics							
Other adult (exc Partner)	0.182	0.211	0.210	0.265	0.239	0.287	0.232
Pre-school child	0.149	0.120	0.118	0.159	0.078	0.117	0.121
School-age child	0.366	0.384	0.351	0.395	0.312	0.360	0.358
Age							
16-24	0.061	0.072	0.041	0.054	0.052	0.056	0.056
25-34	0.201	0.189	0.233	0.265	0.156	0.266	0.215
35-44	0.303	0.331	0.281	0.316	0.255	0.287	0.292
45-54	0.215	0.213	0.256	0.223	0.244	0.224	0.230
55-64	0.196	0.187	0.179	0.123	0.273	0.147	0.189
Education							
No qualifications	0.127	0.141	0.181	0.140	0.135	0.112	0.138
GCSEs	0.405	0.360	0.337	0.311	0.294	0.362	0.345
A levels	0.160	0.171	0.179	0.154	0.216	0.145	0.172
Degree	0.212	0.219	0.213	0.284	0.244	0.287	0.243
Other/Don't know	0.096	0.109	0.090	0.110	0.112	0.093	0.102
Employment status							
Employed	0.501	0.496	0.434	0.412	0.452	0.519	0.471
Self-employed	0.050	0.056	0.050	0.054	0.036	0.058	0.050
Other paid work	0.036	0.029	0.023	0.022	0.034	0.007	0.025
Retired	0.080	0.096	0.086	0.056	0.140	0.068	0.090
Long-term health problems	0.281	0.336	0.410	0.270	0.353	0.299	0.326
Benefit receipt							
Income-related benefits/tax credits only	0.287	0.256	0.240	0.368	0.234	0.285	0.274
Health-related benefits only	0.088	0.069	0.115	0.027	0.132	0.049	0.084
Both income- and health related benefits/tax credits	0.138	0.139	0.199	0.162	0.156	0.194	0.165
Child-related benefits/tax credits only	0.196	0.203	0.167	0.176	0.158	0.150	0.174
No benefits/tax credits	0.292	0.333	0.278	0.267	0.319	0.322	0.303
Ethnicity							
Asian	0.003	0.008	0.009	0.199	0.005	0.056	0.040
Black	0.000	0.019	0.014	0.142	0.005	0.051	0.034
White	0.992	0.963	0.968	0.613	0.984	0.876	0.912
Other	0.003	0.005	0.007	0.039	0.005	0.012	0.011
Refused	0.003	0.005	0.002	0.007	0.000	0.005	0.003
Family Income							
£0-£5,000	0.091	0.088	0.102	0.125	0.112	0.133	0.109
£5-£10,000	0.201	0.224	0.238	0.230	0.203	0.203	0.215
£10-£15,000	0.154	0.179	0.165	0.152	0.174	0.164	0.165
£15-£20,000	0.176	0.133	0.167	0.167	0.164	0.138	0.158
£20-£25,000	0.132	0.093	0.106	0.120	0.119	0.100	0.113
£25,000+	0.245	0.283	0.222	0.206	0.229	0.262	0.241
Sample size	363	375	442	408	385	428	2,401

Note: Figures for average across all areas are weighted. Income-related benefits/tax credits comprise Income Support, Job Seeker's Allowance, Pension Credit, Working Tax Credit, Housing Benefit and Council Tax Benefit. Health-related benefits comprise Incapacity Benefit, Disability Living Allowance, Severe Disablement Allowance, Carer's Allowance and Attendance Allowance. Child-related benefits/tax credits comprise Child Benefit, Child Tax Credit and Statutory Maternity Pay.
Source: Telephone survey.

3.2.1 Conversion rates by area

Not all of those who were offered SG2 accounts took the opportunity to open them. Since the decision about whether or not to open the account was not random but was taken by the individuals to whom the account was offered, it is possible that the group of account holders will have different characteristics from the group who did not open an account. This section looks just at those individuals who were recruited through RDD and were offered the chance to open an account, in order to examine which characteristics are associated with being more likely to open a SG2 account.

On average, 17.1% of those offered an account through RDD actually opened one. However, conversion rates (the proportion of those offered an account that actually opened one) differ across the areas. As Table 3.4 shows, the conversion rate is lowest in East London (6.5%[11]). This is perhaps unsurprising since this is the area with the least generous policy variant (£0.20:£1 matching, £50 contribution limit). The conversion rate is highest in East Yorkshire (22.8%[12]) where individuals were given a £50 bonus once they had saved at least £50, which provides a strong incentive to at least open an account and contribute for two months.

However, within each area, conversion rates are significantly higher amongst individuals with certain characteristics. Individuals with high levels of education have much higher conversion rates - in Cumbria, 32.5% of those with at least a degree opened an account compared with just 7.9% of those with no formal qualifications.

Conversion rates are also different across individuals with different levels of numeracy. As financial literacy is currently a policy concern, a question was included in the telephone interview which gives some indication of individuals' numeracy and financial literacy. To answer the question correctly individuals needed to understand compound interest, which is used to calculate interest payments in most widely available savings vehicles. The question respondents were asked is:

'Let's say you have £200 in a savings account. The account earns ten per cent interest each year. How much would you have in the account at the end of two years?'

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[11] This conversion rate is not statistically different from the conversion rate in Cambridge.

The answers to this question have been used to produce an index. We have distinguished four levels of numeracy: the highest category (level 4) is those individuals who responded correctly (£242), level three is those who said £240 (in other words, calculated correctly the simple interest but did not calculate the compound interest), level two is those who calculated only one year's interest (i.e. £220) and the lowest level is anyone who gave any other (or no) answer.

The conversion rate is much higher in all areas amongst those with the highest numeracy using this measure. In Manchester, 34.0% of those who managed to correctly calculate the compound interest opened an account compared with just 11.1% of those with the lowest numeracy. This could indicate that those with high levels of numeracy understand best how generous the matching within the SG2 is relative to alternative saving vehicles. However, it could also be the case that numeracy is simply correlated with other characteristics that make individuals better able to save in a SG account. For example, individuals could have higher levels of knowledge of compound interest because they already have other assets on which they have observed the accumulation of interest.

Table 3.4 shows that conversion rates are also higher amongst individuals with higher family income - 24.2% of those in the richest income quintile who were offered a SG2 account opened one compared with just 9.2% of those in the poorest income quintile.[13]

[12] This conversion rate is not statistically significantly different from the conversion rates in Cumbria and Manchester.
[13] Mean incomes in each area for account openers and account refusers are shown in table A3.3.

Table 3.4 Conversion rates by area and individual characteristics

	E Yorks	Cambs	S Yorks	E London	Cumbria	Manch	All
All	*0.228*	*0.103*	*0.162*	*0.065*	*0.218*	*0.197*	*0.171*
Education							
No qualifications	0.163	0.073	0.085	0.028	0.079	0.077	*0.087*
GCSEs	0.212	0.087	0.165	0.049	0.218	0.165	*0.158*
A levels	0.262	0.114	0.190	0.064	0.273	0.249	*0.204*
Degree	0.303	0.145	0.228	0.117	0.325	0.324	*0.251*
Don't know/Other	0.191	0.099	0.140	0.051	0.201	0.163	*0.149*
Numeracy							
Lowest	0.129	0.055	0.092	0.041	0.122	0.111	*0.096*
2	0.249	0.089	0.127	0.069	0.220	0.228	*0.168*
3	0.276	0.130	0.207	0.086	0.281	0.237	*0.216*
Highest	0.367	0.159	0.300	0.113	0.330	0.340	*0.286*
Total family income quintile							
Poorest	0.133	0.054	0.084	0.034	0.137	0.088	*0.092*
2	0.173	0.102	0.128	0.040	0.147	0.183	*0.134*
3	0.256	0.084	0.199	0.088	0.240	0.224	*0.189*
4	0.310	0.115	0.220	0.106	0.280	0.279	*0.232*
Richest	0.299	0.155	0.202	0.102	0.330	0.299	*0.242*
All	*0.228*	*0.103*	*0.162*	*0.065*	*0.218*	*0.197*	*0.171*
Sample size							
Education							
No qualifications	155	105	144	112	163	154	833
GCSEs	373	310	357	230	395	301	1,966
A levels	193	127	153	121	209	167	970
Degree	250	194	194	226	318	327	1,509
Don't know/Other	112	83	110	72	112	109	598
Numeracy							
Lowest	334	258	313	337	371	353	1,966
2	118	93	110	84	106	112	623
3	442	323	398	257	499	412	2,331
Highest	189	145	137	83	221	181	956
Total family income quintile							
Poorest	204	125	173	199	203	220	1,124
2	202	150	196	167	237	226	1,178
3	203	177	191	146	241	221	1,179
4	259	179	198	124	261	197	1,218
Richest	215	188	200	125	255	194	1,177
All	1,083	819	958	761	1,197	1,058	5,876

Note: All RDD respondents offered the chance to open an SG2 account. Figures for average across all areas are weighted. The actual conversion rate across all areas is 16.2%, as shown in table A2.1. The difference between this and the conversion rate shown here across all areas reflects the fact that the sample of RDD account openers for the telephone interview was drawn in proportion to the conversion rate in each area.

Source: Telephone survey.

Table 3.5 shows the results of a multivariate analysis of conversion rates on various individual characteristics. This allows us to control for different personal characteristics simultaneously so we can identify which are significantly associated with a higher probability of opening an account, independent of the other characteristics. The regression presented in Table 3.5 is a regression[14] of a dummy variable (equal to one if the individual opened an account and zero otherwise) on various personal characteristics (listed in Table 3.5).

In Table 3.4, we saw that those individuals with higher family incomes were, on average, more likely to have opened a SG2 account than those with lower family incomes. However, once we control for various other characteristics, we find that those with higher family incomes are no more likely to have opened an account than those with low family income. This is because high levels of education and numeracy are correlated with having high family income. Therefore, in looking solely at the correlation between income and account opening in Table 3.4 we were, in fact, identifying the correlation between education and numeracy and account opening rather than between account opening and income in its own right.

Having other assets, such as investments or owning a home, are all significantly associated with opening an account. Individuals who have investments are 12 percentage points more likely to have opened an account than those without. However, it does not seem that it is just the fact of holding an investment that was driving the relationship seen in Table 3.4 between numeracy and account opening. Even conditional on having other assets, Table 3.5 shows that those with higher levels of numeracy are more likely to have opened an account.[15]

Those with higher levels of education (even conditional on numeracy) are also more likely to have opened an account. Those who are employed or whose partner is employed are also more likely to have opened an account. These people may be better able to save as they have a regular source of income. In contrast, those who reported

[14] A probit regression was used.

[15] It is, of course, possible that the numeracy of those people who opened an account has been affected by having an account. However, these people had only had an account open for on average 4 months at the time of interview and the Saving Gateway explicitly does not operate on the basis of compounding interest, so it seems unlikely that the policy would yet have had a significant effect on account holders' knowledge of compound interest.

long-term health problems are less likely to have opened an account. These people may have higher (or at least more expensive) current consumption needs.

Conditional on all these individual characteristics, conversion rates still differ by area. Comparing East Yorkshire and South Yorkshire, the only difference between the accounts offered in these areas was the £50 bonus offered in East Yorkshire. Table 3.5 shows that, after controlling for other characteristics[16], individuals in East Yorkshire were on average 6.2 percentage points[17] more likely to have opened an account than individuals in South Yorkshire (this is statistically significant at the 5% level).

Comparing Cumbria to South Yorkshire, the only difference between the accounts offered in these two areas is that there was a £25 contribution limit in South Yorkshire and a £50 limit in Cumbria. Individuals in Cumbria were on average 3.9 percentage points more likely to have opened an account than those in South Yorkshire. Again, this difference is significant at the 5% level.

If we compare South Yorkshire to Manchester, the accounts offered differ only in terms of the match rate - £1:£1 in Manchester and £0.50:£1 in South Yorkshire. Assuming that individuals in these areas react to the policy in the same way (conditional on the characteristics included in the regression), the difference between the marginal effects for these areas identifies the correlation between account opening and the higher match rate offered in Manchester. Individuals in Manchester were on average 6.2 percentage points more likely to open an account than those in South Yorkshire and this difference is significant at the 5% level.

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[16] These marginal effects are calculated using Stata 9 and are assessed at the mean of the other characteristics.

[17] In other words the marginal effect reported for East Yorkshire (0.166) is 6.2 percentage points higher than the marginal effect reported or South Yorkshire (0.104): 0.166 - 0.104 = 0.062

Table 3.5 Multivariate analysis of characteristics associated with opening a SG2 account when recruited through RDD

	Marginal Effect	Standard Error
Female	0.052***	(0.008)
Age:		
16-24	–0.043***	(0.016)
25-34	–0.002	(0.015)
35-44	0.003	(0.014)
45-54	–0.000	(0.013)
Account characteristics:		
East Yorkshire	0.166***	(0.018)
South Yorkshire	0.104***	(0.017)
East London	–0.005	(0.014)
Cumbria	0.143***	(0.017)
Manchester	0.166***	(0.019)
Household characteristics:		
Living with partner	–0.012	(0.015)
Other adult (exc. partner) in household	–0.023***	(0.008)
Pre-school child	0.000	(0.013)
School-age child	–0.017*	(0.009)
Employment status:		
Employed	0.044***	(0.011)
Self-employed	0.057**	(0.024)
Retired	–0.008	(0.016)
Does other paid work	0.050	(0.034)
Partner employed	0.060***	(0.018)
Partner self-employed	0.040	(0.027)
Partner retired	0.035	(0.026)
Partner does other paid work	0.138*	(0.077)
Asset ownership:		
Owns home outright	0.075***	(0.016)
Owns home with mortgage	0.039***	(0.010)
Has investments	0.121***	(0.009)
Education:		
Don't know/other qualification	0.037**	(0.017)
GCSEs	0.040***	(0.013)
A levels	0.076***	(0.017)
Degree/still studying	0.089***	(0.016)
Health:		
Long-term health problem	–0.022**	(0.009)
Partner has long-term health problem	–0.003	(0.013)
Ethnicity:		
Asian	0.048**	(0.022)
Black	0.035	(0.023)
Other ethnic origin	0.012	(0.049)
Refused ethnicity	–0.014	(0.062)
Total family income quintile:		
2	0.014	(0.013)
3	0.020	(0.015)
4	0.016	(0.017)
Richest	–0.007	(0.017)
Numeracy:		
Highest numeracy	0.129***	(0.017)
Numeracy 3	0.079***	(0.010)
Numeracy 2	0.071***	(0.016)

Note: Stars denote the statistical significance of the estimated co-efficients: *** = 99% level, ** = 95% level and * = 90% level. Sample size = 5,876. All RDD respondents offered the chance to open a SG2 account. Excluded group is single, white, male respondents living alone from Cambridge (£0.20:£1 match rate, £125 contribution limit, no bonus) who do not own their home, have no qualifications, low levels of numeracy, no long-term health problems, no investments, do not do any paid work and are in the lowest income decile. Source: Telephone survey.

3.3 Asset holdings

The telephone survey included various questions to assess asset holdings of both account openers and non-openers. These are discussed in this section. As this information was collected after the introduction of the accounts, asset holdings of account openers will reflect any changes induced by the policy. Account openers were also asked some summary questions about their account holdings before they opened their SG2 accounts (as part of the account opening questionnaire). This is discussed in Chapter 6; here we look exclusively at ex-post asset holdings.

3.3.1 Asset holdings by sample type

Table 3.6 shows the percentage of individuals of each type who have assets within certain bands. Assets are defined here as the total amount held in savings accounts, investments and any informal savings (such as keeping money at home). Assets held in pension funds are not included in this analysis – membership of private pensions is examined in section 3.3.3. The first point to note is that very few account openers have no assets at all. This is unsurprising since virtually all those who have a SG2 account have some money in it (see Chapter 6 for further details). However, if we compare the percentage of the RDD treatment group who have no savings with the RDD control group without savings, we find that they are very similar (17.6% and 16.0% respectively). This suggests that many of the RDD account openers already had some savings prior to opening a SG2 account. This simple comparison alone is not, however, sufficient to determine whether or not SG2 has so far led to any new savers. A detailed examination of this question is reported in Chapter 7.

Over 60% of RDD and PAF account holders (60.3% and 65.9%, respectively) have at least £2,000 of assets[18]. DWP account openers have lower levels of assets, with only 36.6% having assets worth at least £2,000.

Account holders have had their accounts for 4 months on average when they were interviewed in the telephone survey. Therefore, given the contribution limits imposed on SG2 accounts, most of the holdings of somebody with £2,000 of assets must have

[18] Assets include money held in bank and building society accounts (excluding current accounts), ISAs, stocks and shares, buy-to-let property and various other savings and investments.

been accumulated in non-SG2 assets. Indeed, as Chapter 6 shows, 42.9% of account holders had gross financial assets in excess of £2,000 prior to opening their SG2 account.

By the time of the telephone survey, the majority of RDD and PAF account openers had assets greater than the total of 16 months' maximum contributions to a SG2 account, which represent the maximum contributions that can be made during the full lifetime of the account. In other words, if the assets are in an accessible form then these individuals could contribute the maximum amount to their SG2 account for the remaining lifetime of the account, simply by transferring existing assets. If individuals chose to transfer assets in this way, this could only represent new saving if in the absence of SG2 they would have run down these assets.

Table 3.6 Percentage of each sample type with certain amounts of assets (including formal savings, investments and informal savings)

	£0	£1-£99	£100-£249	£250-£499	£500-£1999	£2000-£5999	£6000+	N
RDD								
Treatment	17.6	15.0	8.3	7.8	15.7	13.4	22.2	5,876
Of which:								
Openers	0.8	6.0	8.3	7.0	17.6	20.2	40.1	2,978
Refusers	21.1	16.9	8.3	8.0	15.3	12.0	18.5	2,898
Control	16.0	13.9	7.9	6.5	15.8	14.8	25.0	2,401
DWP								
Openers	3.0	16.2	16.8	10.9	16.5	12.7	23.9	1,562
Control	23.1	23.3	10.2	7.2	12.2	8.1	16.0	657
PAF openers	1.1	4.6	7.0	5.9	15.5	21.0	44.9	971
All openers	1.5	7.6	9.6	7.3	16.1	18.9	39.0	5,511

Note: Figures for all RDD treatment, RDD control and all openers are weighted. Weights used to calculate average across all openers reflect the fact that RDD openers were over-sampled in comparison to their true representation amongst those offered an account.
Source: Telephone survey.

To put these levels of saving in context, the right-hand panel of Table 3.7 shows the distribution of asset holdings across all non-pensioner benefit units in the UK from the Family Resources Survey (FRS), while the rest of Table 3.7 shows the distribution of (formal) assets held by SG2 respondents using the same bands.[19] This shows that a greater percentage (69%) of RDD refusers have financial assets of less than £1,500

than across all non-pensioner benefit units (61%). However, among RDD and PAF account openers the percentage with less that £1,500 in assets is much lower at 36% and 31% respectively. Furthermore, 19% of RDD account openers and 22% of PAF openers report holding at least £20,000 in assets - this is much more than the 9% observed to be holding at least this amount among the non-pensioner population from the FRS.

Table 3.7 Distribution of asset holdings amongst all non-pensioner benefit units (from the FRS) and amongst SG2 respondents

	RDD			DWP		PAF	All non-pensioner benefit units (FRS)
	Openers	Refusers	Control	Openers	Control		
None	1	34	27	4	40	1	37
<£1,500	35	35	32	57	34	29	24
£1,500-£2,999	10	5	8	7	5	9	7
£3,000-£7,999	19	11	12	12	7	21	12
£8,000-£9,999	5	2	2	2	2	4	3
£10,000-£15,999	9	3	5	4	3	10	5
£16,000-£19,999	3	1	2	1	1	4	2
£20,000+	19	9	12	13	8	22	9
N	*2,978*	*2,898*	*2,401*	*1,562*	*657*	*971*	*24,577*

Note: Figures from the FRS on non-pensioner benefit units calculated using sample rather than population weights.
Source: Family Resources Survey data from Department for Work and Pensions (2006) *Family Resources Survey Statistical Report 2004–05*. Data on SG2 respondents from the telephone survey.

As well as allowing us to examine the total (non-pension) financial assets of people in our samples of SG2 account openers, account refusers and control individuals, our telephone survey data also provide some details on the amounts held in different types of asset. Tables 3.8 and 3.9 show, separately, the two main components of total assets – formal savings and investments. Formal savings includes all types of savings accounts, such as Post Office accounts and building society savings accounts.

[19] The measure of assets used in table 3.8 for SG2 respondents excludes informal savings (which were included in table 3.6) to make the figures more comparable to the measure from the FRS.

Investments include other, more risky assets such as stocks and shares. ISAs are included here as investments. While cash-only mini ISAs are more similar to savings accounts, the information from our telephone survey was not sufficiently detailed to consider these accounts separately from other types of ISA.[20]

Money held in savings accounts is likely to be more accessible[21] than money held in investments. Therefore, it is interesting to look solely at the amount that individuals have in savings accounts (as opposed to less accessible investments), which they can probably most easily transfer to their SG2 account.

Table 3.8 shows that many account holders have a significant amount of money in liquid savings accounts - 52.0% of RDD account openers and 57.1% of PAF account holders have savings of at least £1,000. As we would expect, given that DWP account openers are generally poorer than other account holders, only 30.9% of DWP account openers have savings in excess of £1,000. The control groups, in contrast, have much lower levels of savings. Only 34.9% of RDD controls and 21.5% of DWP controls have savings of over £1,000.

The percentage of individuals with no savings is significantly higher amongst account refusers (43.0%) than controls (37.7%) in the RDD sample. Since both refusers and controls should have been unaffected by the policy, this suggests that those who did open accounts were more likely than average to already have some formal savings (since the weighted mean across the account openers and account refusers, in the absence of the policy, should be the same as the mean across the controls).

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[20] Asking separately about different types of ISA can lead to reporting errors unless the interviewer is able to validate the response, for example by seeing account statements. Since the telephone survey did not allow this strategy, it was decided to ask for information on all ISAs together, and to include this in the questions about 'investments'. We cannot therefore measure balances in cash ISAs separately from balances in other types of ISA or other investments.

[21] One of the categories of savings accounts included is accounts opened on behalf of a child. If these include the recently introduced Child Trust Funds, money held in these accounts will, of course, not actually be accessible to parents. Only 7.9% of RDD account openers report having a pre-school aged child and having an account which they opened on behalf of their child.

Table 3.8 Percentage of each sample type with certain amounts of formal savings

	£0	£1-£99	£100-£249	£250-£499	£500-£999	£1000-£2499	£2500+	N
RDD								
Treatment	36.1	8.6	7.6	7.3	8.4	11.7	20.3	5,876
Of which:								
Openers	2.8	10.3	13.4	10.0	11.6	18.3	33.7	2,978
Refusers	43.0	8.3	6.4	6.8	7.8	10.4	17.5	2,898
Control	37.7	6.7	6.4	6.5	7.8	11.1	23.8	2,401
DWP								
Openers	5.4	19.8	22.0	12.3	9.6	10.7	20.2	1,562
Control	51.9	8.2	7.3	6.9	4.3	7.2	14.3	657
PAF openers	3.2	8.9	11.8	7.6	11.4	17.1	40.0	971
All openers	3.7	11.7	14.6	9.2	11.0	15.8	34.1	5,511

Note: Figures for all RDD treatment, RDD control and all openers are weighted. Weights used to calculate average across all openers reflect the fact that RDD openers were over-sampled in comparison to their true representation amongst those offered an account
Source: Telephone survey.

Table 3.9 shows assets held in less accessible forms. This suggests that account openers are wealthier than non-openers - 62.8% of RDD account refusers have no investments compared with just 28.9% of RDD account openers. DWP account openers, again, look less wealthy than RDD and PAF account holders. Half of DWP account holders (49.8%) do not have any investments, whereas across all account holders only a third (32.3%) have no investments.

A large number of account openers have high levels of investments. Nearly half of RDD and PAF account holders (45.9% and 49.1%, respectively) have investments worth at least £2,000.[22] In contrast, amongst the RDD control group, only 27.9% of individuals have investments above this level.

[22] Evidence from the British Household Panel Survey in 2000 shows that only 16% of all those aged 16 to 64 had in excess of £2,000 in investments at that time.

Table 3.9 Percentage of each sample type with certain amounts of investments

	£0	£1-£99	£100-£249	£250-£999	£1000-£1999	£2000-£4999	£5000+	N
RDD								
Treatment	57.0	7.1	3.4	3.9	4.3	8.3	16.1	5,876
Of which:								
Openers	28.7	7.7	4.1	7.1	6.6	14.6	31.3	2,978
Refusers	62.8	6.9	3.3	3.2	3.8	7.0	12.9	2,898
Control	52.0	7.2	2.9	6.0	4.1	9.8	18.1	2,401
DWP								
Openers	49.8	8.1	3.8	5.9	4.6	8.7	19.1	1,562
Control	66.8	9.4	2.1	3.8	1.5	4.7	11.6	657
PAF openers	26.2	6.6	5.2	6.4	6.6	14.7	34.4	971
All openers	32.3	7.2	4.6	6.4	6.1	13.3	30.2	5,511

Note: Figures for all RDD treatment, RDD control and all openers are weighted. Weights used to calculate average across all openers reflect the fact that RDD openers were over-sampled in comparison to their true representation amongst those offered accounts.
Source: Telephone survey.

Looking solely at gross assets does not, of course, give the whole picture of the wealth of SG2 participants. Therefore, Table 3.10 describes the distribution of non-mortgage debts amongst individuals in each sample. Debt levels do not vary that much amongst individuals within each recruitment type. Approximately two-thirds of all groups have at least some debt. Median debt is slightly higher amongst those recruited through RDD and is lowest amongst the DWP sample.

Table 3.10 Levels of debt by sample type

	Proportion with any debt	*Distribution of total debt (£)* p25	Median	P75	Mean	N
RDD						
Treatment	0.678	0	600	4000	3720	5,876
Of which:						
Openers	0.662	0	560	4000	3629	2,978
Refusers	0.682	0	600	4000	3739	2,898
Control	0.694	0	700	4500	4175	2,401
DWP						
Openers	0.611	0	281.5	2500	2489	1,562
Control	0.654	0	300	2000	2877	657
PAF openers	0.632	0	450	3000	3214	971
All openers	0.632	0	400	3000	3121	5,511

Note: Figures for all RDD treatment, RDD control and all openers are weighted. Weights used to calculate average across all openers reflect the fact that RDD openers were over-sampled in comparison to their true representation amongst those offered an account.
Source: Telephone survey.

3.3.2 Asset holdings by area

The ability of account holders to fund the contributions to their account over the whole lifetime of the account solely through the transfer of assets will depend on the assets they already had prior to opening the account, the form of these assets and the sum of the monthly contributions required to attract the full match is. Since the telephone survey measured assets of account openers after they opened the account, we cannot use this to look at whether or not they have sufficient funds to transfer. However, since the RDD control group will have been unaffected by the policy, we can look at the assets held by these individuals to see in which areas the greatest percentage of people already hold other assets worth at least as much as the maximum contribution to the SG2 account (over the whole lifetime of the account) in that area. In Chapter 6, we include some analysis of asset holdings that account openers reported having when they filled in the account opening questionnaires. Here, we prefer to restrict attention to data collected through the telephone survey in order to ensure that the data source is consistent throughout the chapter.

In East Yorkshire, South Yorkshire and Manchester, the maximum amount that an individual could contribute to the SG2 account over the 18 month period is £400 (i.e. 16 months of contributions at the monthly limit of £25; £25*16 = £400); in Cumbria and East London it is £800 (£50*16); and in Cambridge it is £2,000 (£125*16).

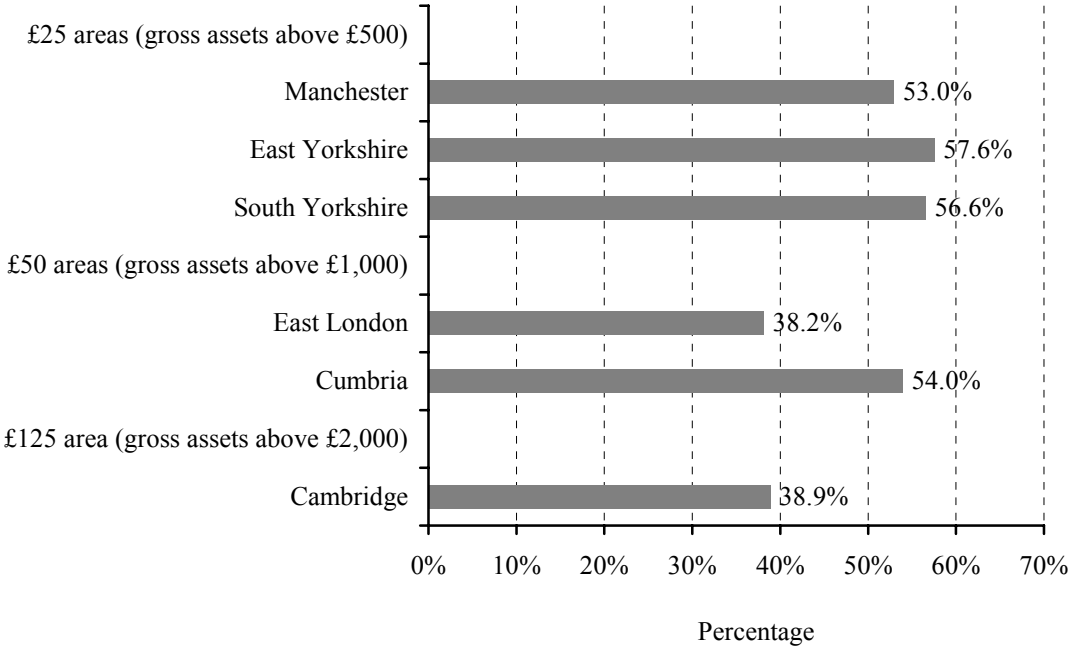
Figure 3.2 reports the proportion of the control sample in each area who report having gross (non-pension) financial assets that are above a certain threshold. The thresholds do not exactly correspond to the maximum contribution limits for each area, but are chosen to be close to those limits and also to match thresholds that can be measured for the asset holdings reported by account holders in the account opening questionnaire. Analysis of this data, including some discussion of similarities to, and differences from, the telephone survey data presented here, is included in Chapter 6, section 6.2 and Figure 6.1.

Figure 3.2 shows that over half of the control group in East Yorkshire, South Yorkshire and Manchester (57.6%, 56.6% and 53.0%, respectively) have assets worth at least £500 (i.e. more than the £400 maximum contribution to the SG2 account over the 18 month period). In general, in the areas where the total contribution limits are higher, fewer people in the control group have assets above the necessary level.

However, there are still a significant number of people with sufficient assets. This is particularly true in Cumbria where 54.0% of the control sample reported assets in excess of £1,000. In East London, 38.2% of the control sample reported assets in excess of £1,000, while 38.9% of control individuals in Cambridge reported assets in excess of £2,000 (see Table A3.4 in the Appendix for more numbers underlying Figure 3.2).

Given that the conversion rate from RDD to account opening was less than 23% in all areas, it is possible that many of those who actually chose to open accounts could have had sufficient assets in other forms to make the full contribution to the SG2 account for the whole lifetime of the account simply by transferring assets, rather than through any new saving (see Chapter 6 for an analysis of asset holdings amongst account openers prior to opening a SG2 account, and its association with individuals' subsequent use of the SG2 account to date).

Figure 3.2 Those with gross financial assets greater than total SG2 contribution limit, % of RDD control sample



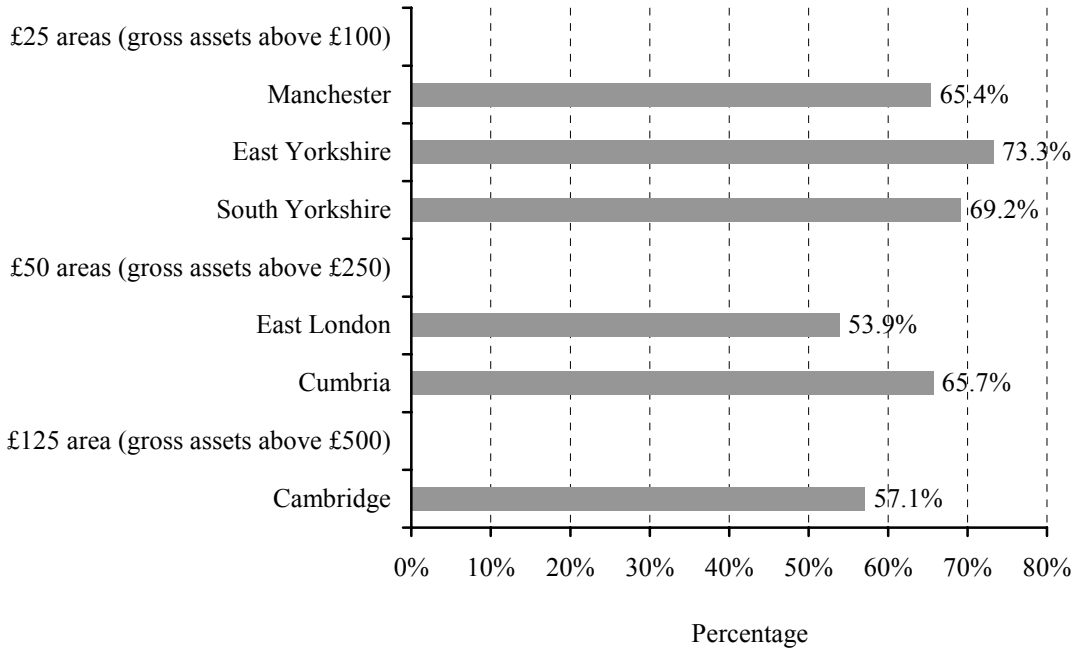
Note: Unweighted. For sample sizes, see Table A3.4 in the Appendix.
Source: Telephone survey.

If we consider how many individuals would have been able to fund their contributions up to the date of the telephone interview solely through the transfer of assets, the numbers are even higher. At the time account openers were interviewed by telephone,

the accounts had been open on average for 4 months. In the £25 limit areas, for example, individuals would have needed £100 of assets to make the maximum contribution through transfer of assets - 73.3% of control individuals in East Yorkshire, 69.2% in South Yorkshire and 65.4% in Manchester have assets worth at least £100. In the higher contribution limit areas, the percentage with sufficient assets is generally lower - 65.7% of individuals in Cumbria and 53.9% in East London have assets worth at least £250[23], while 57.1% of individuals in Cambridge have assets worth at least the necessary £500.

It is possible, however, that in the absence of the SG2 policy, account openers would have run down their assets. If this were the case then transferring assets to a SG2 account (rather than depleting them) would represent new saving. Chapter 7 uses multivariate analysis, comparing the RDD treatment group (those offered accounts) to the RDD control group, to examine whether, during the early months of the accounts, SG2 account openers have been making new saving.

Figure 3.3 Those with gross financial assets greater than 4 months of maximum contributions to SG2, % of RDD control sample



Note: Unweighted. For sample sizes, see Table A3.4 in the Appendix.
Source: Telephone survey.

[23] £200 would be required to make 4 months of full contributions in East London and Cumbria where the contribution limit is £50.

There are some noticeable differences in wealth between the pilot areas. Table A3.4 in the Appendix describes the percentage of individuals in each area with certain amounts of assets. East London has the highest proportion of individuals with no assets (23.3%) compared with 16.0% across all areas. Cumbria has the highest percentage of people with assets worth at least £6,000 (32.7%) compared with 25.0% across all areas. These figures concur with the figures in Table 3.2, which suggested that individuals in East London were more likely to have characteristics associated with having low levels of wealth. For example, Table 3.2 showed that individuals in East London were more likely to be young, less likely to be living with a partner, less likely to be employed, more likely to have dependent children and more likely to be in receipt of means-tested benefits. This suggests that individuals in East London may be less able to make full contributions to the SG2 account simply by transferring assets than individuals in other areas, particularly as East London has one of the higher contribution limits. These differences in average characteristics across areas may be reflected in the behaviour of account openers, but Table 3.5 also showed that indicators of having low wealth are associated with a lower likelihood of opening a SG2 account. In line with this, East London had a particularly low rate of conversion between being offered and opening an account (see Table 3.4).

Characteristics of individuals with no assets and low levels of assets

From a policy perspective, it is important to know what types of people did not hold any assets prior to the introduction of this policy. Since the telephone survey collected information on asset holdings and other characteristics after the introduction of the SG2 accounts, we cannot use it to examine the characteristics of those with no assets prior to opening a SG2 account.[24] However, since it was randomly selected the RDD control group will look the same as the treatment group would have done in the absence of the policy. Therefore, we can examine the characteristics that would have been associated with having no assets if the policy had not been enacted, by looking at the characteristics of those in the RDD control group who have no assets.

[24] The account opening questionnaire did ask for information on the ownership of financial assets and the distribution of gross financial assets among those who chose to open a Saving Gateway 2 account, at the time the account was opened. This information is reported in Chapter 6.

Approximately one-in-six (16.4%) people in the RDD control group have no assets at all while a further 28.5% have assets worth less than £500. Those who have no assets are more likely to be male, aged between 25 and 44, have relatively lower levels of education qualifications and family income, and be unable to answer precisely a question requiring knowledge of compound interest. The full results of a probit regression of holding no assets on various characteristics are reported in the middle panel of Table A3.5 in the Appendix (the dependent variable in this regression is equal to 1 if the individual does not have any assets). Controlling for all these characteristics, we also find that individuals from black and Asian ethnic groups are less likely to hold any assets while those from other non-white ethnic groups are more likely to hold some assets than white individuals.

Looking instead at those who hold either no assets or assets worth less than £500, we find that individuals with assets below £500 are more likely to be aged under 55, be unemployed (but not retired), have lower levels of education qualifications and family income, not report any long-term health problems and (again) be unable to answer precisely a question requiring knowledge of compound interest. The estimated co-efficients on ethnicity and gender are no longer statistically significant at conventional levels. The full results of a probit regression where the dependent variable is equal to 1 if an individual has assets below £500 are reported in the right hand panel of Table A3.5 in the Appendix.

Controlling for these other characteristics, there are no statistically significant differences between the areas studied in terms of the proportion of people holding no or low levels of assets, when we look at the randomly selected control group who should have been unaffected by the SG2 policy.

3.3.3 Pension membership by sample type and area

Along with assets held in savings accounts and the other investment vehicles examined so far in this chapter, some people also hold assets in private pensions. These savings are not accessible in the way that most other savings discussed so far are. An individual could not (at least easily), for example, withdraw money from a private pension to deposit in their SG2 account (though they could, of course, divert an intended flow of saving from their private pension to their SG2 account).

Table 3.11 looks at the proportion of individuals who have a private pension by sample type and also by area. Looking at all those eligible for a SG2 account but not offered one (the RDD control group), about two-fifths (42.5%) have a private pension – this proportion is lowest in East London (36.8%). However, those who actually go on to open a SG2 account are much more likely to have a private pension: about three-in-five (61.2%) of RDD account openers (slightly fewer in East London at 53.7%) have a private pension.

Individuals drawn from the DWP sample are less likely, on average, than those from the RDD and PAF samples to have a private pension. This is what one would expect since (as we have already seen earlier in this chapter) the DWP sample are, on average, poorer than the other two samples and are less likely to be in employment. However, comparing DWP account openers with DWP control group, we can see that the DWP account openers are more likely to have a private pension.

Table 3.11 Proportion of individuals with a private pension (including employer pensions and non-employer pensions) by area and sample type

	E Yorks	Cambs	S Yorks	E London	Cumbria	Manchester	All
RDD							
Treatment	0.423	0.491	0.418	0.306	0.454	0.400	0.419
Of which:							
Openers	0.607	0.625	0.653	0.537	0.619	0.593	0.612
Refusers	0.369	0.476	0.373	0.290	0.409	0.352	0.379
Control	0.468	0.464	0.477	0.368	0.457	0.400	0.425
DWP							
Openers	0.394	0.506	0.367	0.237	0.371	0.284	n/a
Control	0.252	0.295	0.235	0.123	0.387	0.233	n/a
PAF							
openers	0.696	0.651	0.667	0.557	0.749	0.708	n/a
All openers	0.592	0.610	0.594	0.483	0.631	0.600	n/a
Sample size							
RDD							
Treatment	1083	819	958	761	1197	1058	5876
Of which:							
Openers	649	275	467	216	776	595	2,978
Refusers	434	544	491	545	421	463	2,898
Control	363	375	442	408	385	428	2,401
DWP							
Openers	368	269	259	173	275	218	n/a
Control	139	149	81	73	142	73	n/a
PAF							
openers	171	166	168	131	167	168	n/a
All openers	1188	710	894	520	1218	981	n/a

Note: Figures for RDD treatment group and "All openers" are weighted. Figures for "All" amongst the RDD control are weighted to make them comparable to figures for "All" amongst the RDD treatment group.

Source: Telephone survey.

Chapter 4: General attitudes towards saving and money management

The findings reported in this chapter are based solely on the qualitative research conducted with SG2 account holders and refusers, as well as members of the control group. It examines individuals' perceptions of, and attitudes towards, saving and money management, as well as perceptions of banks and other financial institutions.

There appears to be limited association between income level and money management – many individuals on very low income are also very astute with their money. Instead, differences in upbringing combined with cultural and social factors are suggested as possible explanations for why some people on low incomes are better savers than others.

There does, however, appear to be a link between money management and saving behaviour. Individuals who perceive themselves as bad money managers are also likely to be poor at saving, either because they find it difficult to save or, more commonly, because they do not think saving is important. Good money managers, on the other hand, *tend* to be good savers, although it is also possible to be a good money manager but have low savings due to financial constraints.

There is general agreement among all groups that there is a need to increase people's faith in long-term savings options.

Overall, most are happy dealing with banks and other financial institutions, although building societies are seen to be more ethical and customer-focused compared with banks.

This chapter explores the attitudes of account openers, refusers and members of the control group towards money management and saving in general. This information provides useful context for the later chapters which focus specifically on SG2.

The findings in this chapter are based on the SG2 qualitative research with the exception of section (4.6) which reports attitudinal data from the telephone survey (for both the treatment and control group, from all recruitment methods).

4.1 Money management

Respondents vary widely in their approach to money management, from those that are good at managing their money to those that do not manage their money well, either because they do not think it is important or because they find it difficult. (Respondents are classified as good or bad money managers based on a combination of reported money management behaviours and techniques, as well as the respondent's own view of how good they are at money management.)

Income level appears to have a limited impact on money management – many people on very low incomes are astute with their money, and this finding is supported by data from the telephone survey (see section 4.6).

Good money managers use a range of techniques to manage their finances. Some are just very aware of their incoming and outgoing monies and are, therefore, able to ensure that their expenditure does not exceed their income. This is particularly the case for those on very low incomes and we may infer that this is because it is relatively easy to see what is coming in and going out. Others carry out more formal budgeting and planning, looking for places to cut down on expenditure.

> *We always do budgeting and planning. About three times a year we'll have a look and see how things are going. If I need to look at it monthly I do, I know roughly what's going to be coming out every month.*
>
> Refuser, East London

Good money managers often have 'rainy day' money. They put aside a certain amount every month, either into savings or leave it in a current account so that they

are prepared for any unexpected expenses that might occur. Using multiple accounts is common amongst good money managers as it allows them to allocate money to different accounts for different purposes, for example, one for 'rainy day' money, one for paying bills and one for spending money.

> *We set up a second current account and there was so much transferred into it a month to pay for holidays or emergencies so that there was always a little bit somewhere.*
>
> Opener, Cumbria

Many respondents who consider themselves to be good money managers pay their bills by Direct Debit, finding this a useful way to ensure that bills are paid for automatically.

> *We've got all the direct debits and everything sorted out now so it looks after itself. I can just sit back and know that there is enough money to cover everything.*
>
> Refuser, East Yorkshire

Bad money managers' approach to money management is largely reactive. Among this group, many do not think about their money and just live day-to-day:

> *Literally it comes in and it's just like, and I couldn't even tell you what I've spent it on, it's not like I'm down the shop every week, clothes or shoes or anything like that, no, just literally comes in and then it's gone.*
>
> Refuser, East Yorkshire

> *I live from day-to-day. I am battling an addiction to gambling. I'm an escapist person. I don't like to face reality.*
>
> Opener, Manchester

Some bad money managers do make some effort to manage their money but find it difficult as they are easily 'tempted', and do not feel they have the willpower to stop themselves spending:

I tend to take a certain amount and try and manage on that within the month. It does depend on what hits me though. I know I should manage my money better than I do…I'll just buy something if I feel a strong enough urge.

Control, East Yorkshire

Others are aware of the need to manage their money but have become despondent over the years struggling to make ends meet and, as a result, have given up trying to save. Many feel that they do not have enough money to live on so there is no way they can manage their finances effectively.

We're one of the families that is slowly sliding into debt, you can see it and I've sat down many times and thought crikey where's this going to take us, we don't get enough to live on so saving is a bit of a joke in this house. I used to worry about it but can't do that anymore.

Refuser, Cambridge

People tend to manage their money based on how regularly they receive an income. For instance, most people interviewed manage their finances on a monthly basis, with a few, usually those on low incomes, managing their money on a fortnightly or weekly basis. In addition, people who are out-of-work and in receipt of benefits tend to manage their money on a fortnightly or weekly basis, depending on how frequently they receive their benefits.

4.2 Financial products

Most respondents have a current account, either at a bank or building society, as well as some form of savings account or investment such as an ISA or a PEP, premium bonds, endowments or shares. Bad money managers are least likely to own a range of financial products; most only have a current account and those who have savings accounts are unlikely to be using them.

Nearly all good money managers own a range of financial products – the most common combination is a current account, savings account and an ISA. Many have

multiple current accounts and/or savings accounts which they use as tools to manage their money, and some also have a variety of different investments such as ISAs, PEPs and shares.

4.3 Views on credit

Views on credit cards and credit in general are predominantly negative. Respondents tend to hold this view regardless of their own situation. Negative opinions are the result of personal experiences or those of family members and friends. Most report that they do not use credit cards at all or strictly limit their use (though it is important to be aware of the possibility of under-reporting here, with respondents giving the most socially acceptable response).

> *No, I don't like them, don't trust them, credit cards, they're too easy to spend on aren't they? Too easy, people get in trouble. I've had problems with people in the family who have got into problems with credit cards.*
>
> Refuser, Cumbria

However, some people, typically bad money managers, are unable to control their spending on credit cards, and have run up large bills which they are struggling to pay off. There is a perception amongst this group that it is too easy to get credit.

> *They've just sent me another credit card and I've run up £500. They shouldn't send people on benefits credit cards. I'm in roughly £2,000 of debt.*
>
> Opener, Manchester

Similarly, among those who do not have personal problems with credit, there is heavy criticism regarding the lack of regulation of banks and credit card companies and many blame them for the rise in credit culture in the UK.

It is because in this country there don't seem to be strict controls on lending money to people. And once you miss one payment you're automatically hooked. People are tricked.

Opener, Cambridge

There is also a more pragmatic view that credit and credit cards are part of everyday life.

I suppose I'm philosophical, and I think it's a credit world we live in. I'd like to not have them, because I often think how much better off per month I would be if I didn't have to pay off my credit cards, really, but it's just a necessary evil.

Opener, East London

A few are happy using credit cards, using them for convenience purposes or to cover a short-fall, and then paying back in full the next month. A few respondents even see credit cards as a useful way of making money work, by transferring money between different credit cards to take advantage of 0% APR offers. Such views tend to be held by good money managers who are confident that they can control their spending.

I tend to use it if we're going away on holiday, and then when we come back I pay it off. It just saves writing cheques for various things. If it's for a purpose like that then I've got no qualms about borrowing money.

Opener, Cumbria

4.4 Savings behaviour

There is a strong link between money management and saving behaviour in that people that are bad at managing their money are nearly always poor savers (the term "poor savers" is used here to describe people who do not believe in saving or find it difficult to discipline themselves into the habit of saving). Good money managers, on the other hand, *tend* also to be good savers in practice. However, it is important to note that there are some good money managers who cannot find the money to save

despite being careful with expenditure, due to financial pressures such as having a family to support or being on very low income. Thus it is possible to be a good money manager and have low savings, although it is worth noting that this group tended to *believe* in the concept of saving.

Indeed, when looking at saving behaviour over time, both attitudes and personal circumstances come into play. Many respondents are consistently good savers, and have always believed in the importance of saving. This motivation to save appears to stem either from being brought up to save, or from seeing friends and family struggle with money when they were younger. Others say that they have never had a lot of money and, therefore, they value it.

> *My Dad had a really bad road accident when he was 33 and he was in and out of hospital for five years. As he had his own business he didn't get any money so my Mum struggled to bring up three children. So they always drummed it into me that you've got to have something put by for a rainy day.*
>
> Opener, Cumbria

Other people are good savers now but, historically, have not been as good because they have placed little value on it. This change in attitude seems often to be the result of a change in personal circumstances which has made them realise the importance of having money put aside, for example getting married, having a family or becoming ill unexpectedly.

> *I suppose, before I had the accident I didn't think about saving because I was earning proper money and it didn't matter. If I needed something I could afford to pay for it so saving wasn't a real big issue. Money has always been tight since the accident, and I do look at things differently now.*
>
> Opener, Manchester

The attitudes of poor savers vary. Some believe in the idea of saving in principle but say that they do not have the will power to stop spending and, therefore, have never been able to put money aside. Other poor savers simply do not believe in the concept

of saving. They don't value it or think it is important. Many of them live very much from day-to-day and do not think about the future. Some are on benefits and feel secure that this will always be the case, so do not worry about the need to save.

> *I live too much day-to-day I guess. Even when I had residual disposable income, I didn't save.*
>
> Control, Cambridge

The most commonly mentioned explanation for why some people on low income are better savers than others is upbringing. Many respondents feel that their attitudes to saving reflect the example their parents set for them.

Older respondents also feel that their generation is better at saving than younger people, who are felt to be more comfortable living in a 'credit culture' and perceived not to value saving in the same way. Even some younger respondents hold this viewpoint.

> *I think it's just the mindset of my friends, or maybe this whole generation. Nowadays there's more of a carefree attitude, people are happy to go out and entertain themselves rather than saving for a rainy day.*
>
> Refuser, East Yorkshire

Another view is that some people don't save because they assume the government will bail them out of any difficulty.

> *I think there are people who don't work and they don't intend to work and they don't intend to save. And they think that the government should pay for everything for them.*
>
> Refuser, South Yorkshire

4.4.1 Benefits and drawbacks of saving

The most commonly mentioned benefit of saving is the peace of mind it confers, and the security of knowing there is money put aside to pay for any unexpected events or emergencies.

Respondents are less likely to mention drawbacks to saving, except the requirement to cut back on spending and sometimes sacrifice things in order to save. Having a savings account that is not easy to access can also be seen to be a drawback as it can make it difficult to cope with emergencies.

4.4.2 Motivations to save

Control respondents involved in the qualitative research were asked to consider how people could be encouraged to save. Openers and refusers were not asked about this as it was felt their views would be 'contaminated' by their knowledge of the SG2 intervention.

A lack of faith in the effectiveness of long-term savings is thought to be a factor related to some people's reluctance to save. This lack of faith seems largely to stem from the current pension situation in the UK (at the time of fieldwork, the Turner report on pensions had just been published and was receiving significant press coverage). Respondents mention that people would need to see evidence that if they invested their money in the future, it would be safe.

> *I would rather put my money in a cupboard and hide it or put it into an account where I know it's not going to disappear rather than investing it.*
>
> Control, Cambridge

Having a financial incentive is also mentioned as something that would encourage people to save. Indeed, there is some feeling that given low interest rates there is little motivation for people to save.

Others feel that financial education would help as it would raise awareness of the benefits of saving. Providing financial education in schools and universities, in particular, is felt to be a good idea as it could help young people get into the pattern and mind-set of saving.

It is important to note however, that some respondents feel that ultimately it is each individual's own responsibility to save. Among this group, there is some feeling that it is the government's role to make people aware of the different saving options and

the financial education available to them, and then it is the individual's responsibility to make their own choices about saving.

4.4.3 Saving products

As might be expected, good savers are much more likely to compare savings products than poor savers. Most good savers take interest rates into account when deciding which savings account, ISA or investment to take out and, for many, the flexibility of the account in terms of ease of access to funds is also a key consideration. The sources of information used most frequently to compare savings accounts include financial magazines or papers, the Internet, information from banks and building societies and advice of family and friends.

Poor savers are less likely to compare savings accounts, usually because they do not save much or at all. Those with savings accounts tend to have just taken whatever their bank was offering at the time. However, some poor savers do compare credit card and loan rates.

4.5 Interaction with banks and other financial institutions

Nearly all respondents say they are comfortable dealing with banks and other financial institutions. Any problems encountered tend to be of a practical nature such as inconvenient opening hours, long queues, low interest rates and bank charges. More positively, many people trust their bank, and feel that banks in general are there to help you.

> *I find them OK. I don't feel intimidated or anything by them and I can always go in and ask for what I want. I generally do think that they are there to help you, I've always found them quite useful and helpful.*
>
> Opener, East London

Another positive factor mentioned (most frequently by good money managers) is internet banking, which is seen to be a convenient way of managing money and finances. There are, however, some negative views towards banks and other financial institutions, in particular their willingness to provide credit which is seen as unethical.

This morning I had a letter along the lines of: 'we have designated £9,000 for you to borrow, all you have to do is ring this number and quote this code'…and I'm looking at that and it makes me tremble with fear because they love me that much they're giving me £9,000 and then I think get a grip on yourself man, £9,000 how the hell are you going to pay that back.

Refuser, Cambridge

This distrust of banks is most frequently mentioned by those who have some trouble managing their money. Those who are bad at managing their money are also most likely to say they find banks complicated, because of the financial jargon involved.

I think some of it's just too complicated, you go past these notices and it's just like reading a different language, it's something that I just don't understand at all. I think if it was bold and clear enough and it's understandable to me then I'll read it, otherwise it's just like gobbledegook.

Opener, South Yorkshire

A general theme that emerged is that people seem to be more likely to trust building societies than banks. Building societies are perceived to be more ethical than the big high street banks and better at looking after their customers.

I think banks are rip-off merchants. I don't like banks but I don't mind building societies. I think they're fairer.

Opener, Manchester

Certain ones I wouldn't trust - they're out to make as much money as possible out of you, like Barclays. That's why I'm with Nationwide. Nationwide do try to look after their customers - they were one of the few fighting to not charge customers for withdrawing money from machines.

Opener, East London

4.6 Attitudes to saving

One of the aims of the SG2 policy is to encourage people to adopt a savings habit. Therefore, various questions were asked in the quantitative telephone interview to gauge individuals' attitudes to managing their finances.

All respondents to the telephone interview were asked to rate their agreement (or otherwise) with five statements. Table 4.1 reports the percentage of individuals in certain bands of family income who strongly agreed or disagreed with these statements. The top half of the table reports the percentage who strongly agreed with three positive statements about their ability to manage their money. The bottom half of the table reports the percentage who strongly disagreed with two negative statements about money management skills.

Low income people are more likely to say that they are very organised about managing their money day-to-day - 50.1% of those with family incomes below £5,000 a year strongly agree that they are 'very organised when it comes to managing…money day-to-day' compared with just 45.1% of those with family incomes over £25,000. However, 63.0% of individuals in the highest income band strongly agree that they are never late paying their bills compared with just 56.5% of those in the lowest income band.

There is little correlation with income in agreement with the statement that 'I am more of a saver than a spender'. The majority of respondents are more indifferent towards this statement and a similar percentage of individuals in all income bands strongly agree with the statement – just 18.3%, on average, across all groups.

Individuals in lower income families are less likely to say they buy things they do not currently have the money for - 60.4% of individuals with family income below £5,000 a year strongly disagree with the statement that they 'prefer to buy things on credit rather than wait and save up'. In contrast, only half (49.9%) of those with family income above £25,000 strongly disagree with this statement. It is possible that this is because those on very low family incomes are liquidity constrained and so find it more difficult to buy things on credit.

A similar, though less extreme, correlation is seen between income and attitudes to the statement 'I am impulsive and tend to buy things even when I can't really afford them' - 52.8% of those in the highest income bracket strongly disagree with this statement compared with 58.3% of those in the lowest income bracket.

Table 4.1 Attitudes to money management by family income level

	<£5,000	£5-10,000	£10-15,000	£15-20,000	£20-25,000	£25,000+	All
% strongly agreeing with the following statements							
I am more of a saver than a spender	19.9	18.1	17.2	18.5	18.9	18.2	18.3
I am very organised when it comes to managing my money day-to-day	50.1	48.6	46.8	46.5	45.2	45.1	46.9
I am never late at paying my bills	56.5	52.6	56.6	57.9	61.5	63.0	58.0
% strongly disagreeing with the following statements							
I am impulsive and tend to buy things even when I can't really afford them	58.3	56.2	53.3	53.3	54.8	52.8	54.5
I prefer to buy things on credit rather than wait and save up	60.4	56.7	54.2	53.0	55.2	49.9	54.4
Sample size	1,365	2,285	2,083	1,806	1,320	2,608	11,467

Note: All individuals. Unweighted.

Source: Telephone survey.

Chapter 5: Attitudes towards Saving Gateway 2

This chapter examines participants' knowledge of, and attitudes towards, features of the SG2 account. It also focuses on individuals' motivations for opening the account and their perception of the policy intent. The findings are based on data from both the telephone interviews and qualitative research.

Respondents in the qualitative research generally recognised that the SG2 initiative is aimed at encouraging savings behaviour among non-savers.

In the qualitative research, there was agreement that SG2 should be offered to people on low incomes, there is also concern that the government would not be able to afford to launch the account nationally unless it is further targeted. Indeed, some accounts holders, particularly those who are good money managers and savers, questioned whether they are the most appropriate people to receive the account.

Results from the telephone survey show that there are significant differences in knowledge of the SG2 account features across the pilot areas. Knowledge of the match rate is significantly higher where the match is £1:£1 and account holders are more likely to know the contribution limit where the limit is lower and is, therefore, more likely to be a relevant factor.

However, the vast majority of account holders are positive about the match rate, contribution limit and account length, regardless of their own account variant.

- The majority of account holders, across all income groups, think the contribution limit offered is about right, regardless of their own contribution variant. However, higher income individuals are less likely than those on low income, to regard the contribution limit as too high.
- Most account holders say the match rate was very important in their decision to open a SG2 account and, on average, it is more important to individuals in areas where the match is higher.
- Just over three-in-four account holders know how long the account has to be kept open and most (over 80% in all areas) feel that this is about right.

Reasons for not taking up the offer to open an account include: lack of initial understanding of the account features and benefits; lack of interest in saving generally; insufficient disposable income; and satisfaction with current savings arrangements.

In general, account openers appear to be satisfied with the quantity and quality of information they receive about their SG2 account. Most seem to understand the mechanics of their account, although there is some confusion around deposit and withdrawal rules.

All individuals who recalled being invited to open a SG2 account (whether recruited through RDD, PAF or DWP) were asked a series of questions in the telephone survey about their attitudes towards SG2, including their reasons for (not) opening an account and their views on the account opening process and features.

The second wave of qualitative research also explores account openers' and refusers' experience of Saving Gateway and, in particular, their view of the account features.

This chapter combines the findings from both strands of research. The beginning of each sub-section makes clear whether the findings reported are from the telephone survey, the qualitative research or both. Where both information sources are used, analysis from the telephone survey is always presented first, followed by the qualitative findings.

5.1 Initial reactions towards Saving Gateway 2

The initial reactions of account holders and account refusers to the Saving Gateway account are explored in the qualitative research. All account openers in the qualitative research had been recruited through RDD, PAF or DWP, whereas the account refusers had all been recruited through RDD.

Overall, respondents appear to recognise that the government has introduced Saving Gateway to try and encourage people to save, and get into a habit of saving.

> *Some sort of incentive for people to start saving and thinking about saving for themselves, and assuming that if you give them a starting point that they'll continue after 18 months then you're into a regular pattern and it just becomes a habit.*
>
> Opener, South Yorkshire

The government's motivation behind encouraging people to save is thought to be the need to make people less reliant on benefits and less reliant on credit. At the time of fieldwork, the Turner report on pensions had just been published and this is reflected in the number of people who see Saving Gateway linked to the need for people to save for their retirement instead of relying solely on a state pension.

I think it's probably got a lot to do with all this stuff about a lot of people living on credit. But basically the government are running out of money to support people. I think if they can encourage people to save for the future, then that will allow them to encourage people to support themselves.

Refuser, Cambridge

I think they've decided to do it, again to encourage people to save, because without savings, in truth I don't think there's going to be much pensions and things available when you and I get to retirement age.

Opener, Cumbria

There are, however, some more cynical responses as to why the government is implementing Saving Gateway. These include the government using the account to find out more about how much money people have, to locate benefit fraud and to understand how people save their money.

I question where they're going with it, whether they're trying to get people to save more or whether it's just an exercise to find out information about people's habits of savings.

Opener, Manchester

5.1.1 Account openers

The initial reactions of account openers to SG2 are very positive, and these positive perceptions are largely linked to the match rate. Indeed, many initially thought the offer was to be too good to be true, particularly in areas with the highest match rates (£1:£1 in Manchester and £0.50:£1 in Cumbria, South Yorkshire and East Yorkshire). Some respondents thought there must be a catch, and felt they had to discuss it with their partners, contact the helpline or look on the website to be reassured that it was a genuine offer.

I got a letter spelling out what was on offer, and I couldn't believe it. I thought it was too good to be true … You'd need to have the attention span of an amoeba and the financial grasp of the average gnat to have not taken it up I think.

Opener, Cumbria

I thought this is too good to be true. I can't believe this, you know when you look at something and you read it and you go back to it and you're looking for the catch. And I thought it can't be, it can't be, it can't be, but it is.

Opener, East Yorkshire

For account openers on benefits, there was initially an element of suspicion around why they had been invited. Again, doubts were particularly high in areas with higher match rates. Indeed, some respondents thought that the government was trying to find out how much money they had in order to assess whether they should be receiving benefits.

I just received a letter. I looked through it and thought they want to give me £25 pound for every £50 I put into a bank account. Why? What's the catch here? Are they trying to find out how much money I've got so they can stop my Incapacity Benefit? It isn't that I don't trust them, but you do get this impression now and again that the government is just trying to find out that little bit more, that they don't believe you.

Opener, Cumbria

For most account openers, however, the fact that Saving Gateway is a government initiative was reassuring, and gave them confidence that it was a legitimate account.

I thought that because it was connected with the government then they would have to be held to their word - if it had come from anyone else I'd have doubted it.

Opener, East London

For others, it was involvement from the Halifax that reassured individuals rather than government involvement. For some respondents, this just meant seeing the Halifax logo on the envelope or letter whilst for others, it meant actually contacting the Halifax by telephone or in person.

In East London and Cambridge (match rate £0.20:£1), the initial reactions of account openers reflect the spectrum seen in other areas but are less extreme. People viewed the account favourably, but because the match rate is not as high as in other areas they were less likely to think that there is a catch or be suspicious about the government's motives.

5.1.2 Account refusers

Account refusers tend to fall into one of two broad categories, defined by their knowledge of the SG2 account. First is the group who failed to understand the account features and benefits. This group held largely inaccurate initial perceptions of the account as they either mistook the initial telephone call for a marketing or telesales call, or did not have any clear initial perceptions because they did not pay much attention to the information provided.

The second category of account refusers is those who *did* have a good initial understanding of the account benefits and features. The initial reactions of those with a better understanding of the account mirror those of account openers but are not as strong. Most respondents thought it sounded like a good offer due to the match rate but for various reasons they did not take the account out. For some respondents, there was also an element of scepticism about the account, similar to that expressed by many openers which may have been a factor in their decision not to take out an account. These two points are discussed further in Section 5.3.

5.2 Information provided

The qualitative research explores account openers' and refusers' views towards the written information (letter and application booklet) provided about the SG2 account.

Most account openers are positive about the SG2 application pack, feeling that the information provided is well presented and clear. For most, the letter and booklet

answered all their initial questions, and they felt they understood what was being offered and how the account would work without having to seek further advice or information.

The use of a match rate rather than an interest rate is very popular amongst account holders. For those with low levels of financial literacy, a match rate is easier to understand and has much more impact than an interest rate. More financially literate individuals are also in favour of the match rate, though some respondents would also like to have seen a standard interest rate so that they could compare it to the savings accounts offered by high street banks.

> *I think it was best to talk about match rate rather than interest as it jumps out at you and if you're on the ball you can convert it into an interest rate if you want to.*
>
> Opener, Cambridge

> *A lot of people get bogged down with percentages and they're not quite sure what they are, whereas that is just straightforward, you give us £2, we'll give you £1.*
>
> Opener, East Yorkshire

Determining eligibility is one area where the information in the letter and booklet were not entirely adequate, although only for a few respondents. There were no problems for those invited via RDD or DWP, the former because their eligibility had already been established during the initial telephone call, and the latter because they had been invited personally, and for most respondents this was enough for them to assume they were eligible. Other DWP account openers recognised that they were eligible because they were on benefits.

Eligibility was more of an issue for those invited via PAF. The application packs were addressed to households, so it was entirely up to the individual to determine whether or not they were eligible. For some respondents, there was confusion around the exact cut-off age, and the individual/household incomes which would exclude them.

My husband's on quite a good income and I thought well they've got it wrong somehow because they don't normally do that.

Opener, East Yorkshire

Another area which some account openers feel was not sufficiently clear was the explanation of how payment intervals would be divided up (i.e. when one month ends and the next begins).

I wasn't sure if I had to pay it in on the same day every month, or if I could pay it in on the 30th of one month and the 1st of the next,

Opener, Cumbria

5.3 Reasons for (not) opening an account

In this section, data from the telephone survey are presented first, followed by the qualitative analysis.

Table 5.1 shows the reasons why account openers said they chose to open an account. Respondents were allowed to mention as many reasons as they wanted. The responses are shown separately for each area. Unsurprisingly, in all areas a large majority identified the match rate as a reason for opening a SG2 account. Cambridge was the area where most respondents identified the match rate as at least one of the reasons they opened the account, with 81.0% of respondents mentioning this. The lowest proportion was in East London, where 72.9% of account holders mentioned this.

Another prevalent reason was because the account had been recommended to them or had been promoted. This reason is more common amongst account holders in East London, where 11.5% said that they had opened the account because it had been recommended or promoted. Given that this is only a pilot of the policy, relatively little promotion could be done. If the policy was introduced nationwide, recommendation and publicity could become more important factors.

Table 5.1 Reasons for opening a Saving Gateway account

	E Yorks	Cambs	S Yorks	E London	Cumbria	Manch
Government match/interest rate	0.797	0.810	0.795	0.729	0.802	0.793
Good idea/good investment/good value for money	0.029	0.028	0.032	0.015	0.030	0.027
Recommendation/it's been promoted/heard about it	0.107	0.080	0.101	0.115	0.088	0.084
Can spend the government contribution any way I want	0.027	0.032	0.028	0.035	0.036	0.037
Can withdraw money at any point	0.001	0.001	0.002	0.006	0.000	0.002
Information/advice/training offered to people who open an account	0.019	0.015	0.012	0.017	0.017	0.017
Incentive to save	0.021	0.020	0.019	0.050	0.015	0.022
Sample size	1,188	710	894	520	1,218	981

Note: All account openers (RDD, DWP and PAF). Unweighted
Source: Telephone survey.

The qualitative research supports the findings from the telephone survey. Across all areas, the main motivation for people opening an account was the match rate, which is perceived as being a far better return than any saving product on the high street. For most respondents it was the only motivating factor.

> *It explained that for every £5 you put in, you'd get money back or something like that and I remember thinking it sounds like a pretty good return to me you know and 18 months isn't that long.*
>
> Opener, East London

The qualitative research also explores the reasons why account refusers did not open an account. As mentioned in section 5.1, refusers tend to fall into two groups: those who failed to fully understand or engage with the information provided about the account, and those with a good understanding of the account benefits and features but, for other reasons, decided not to take out an account.

Taking the first group, a lack of understanding of the account features and benefits was a factor behind some refusers not opening an account. Some respondents

assumed that the initial phone call was a telesales or marketing call. In other cases, the information provided in the application pack failed to have an immediate impact, and, as a result, these individuals did not read the information thoroughly or fully to appreciate the account benefits. In most cases, when the account features were explained in the interview, these refusers expressed regret at not having opened an account. Suggestions for increasing the initial impact of the telephone call and the application pack include emphasising the match rate and the involvement of the government.

The second group comprises refusers who have a better understanding of the account, either from the initial phone call or from the information in the application pack. Most respondents were impressed by the match rate and thought it was a good offer, but did not take the account for a number of reasons:

- Some respondents intended to open an account but missed the deadline, claiming it had not been made clear to them.

> *I really couldn't see a cut-off point on the letter - it's a real shame as I really wanted to open the account.*
>
> Refuser, East London

- Others, often those with children, simply feel that they do not have the money to save and they could not see of any way of cutting back their expenditure in order to fund the account. Most respondents say they would definitely be interested if they had more money to save.

> *The only reason was not having enough money. We did both look at it but we sat down and worked out how much we get in a month and how much we have to pay out a month, there was literally no extra to mess around with.*
>
> Refuser, Cambridge

- A few refusers considered the account carefully but decided not to open one as they were satisfied with their current savings and investments. Many did not want to go to the trouble of restructuring their savings and opening another savings account, particularly as it only ran for 18 months. Such individuals

already have a variety of savings and investments. A better match rate or longer account length were suggested as factor that might encourage them to open an account in the future.

> *The thing was it was only eighteen months so by the time you've done it and set it up, that's it. I think if they matched it or made it a long period of time that would be more beneficial to us. That would encourage us to open an account, definitely.*
>
> Refuser, South Yorkshire

- Finally, other refusers said they simply weren't interested when contacted at the initial telephone stage and switched off when the conversation turned to money and savings. The issue here seems to be a fundamental lack of interest and belief in saving rather than a failure to understand the account benefits, as even when these were fully explained in the interview, it failed to resonate with the respondents.

5.4 Account opening process and maintenance

In this section, data from the telephone survey are presented first, followed by the qualitative analysis.

In the telephone survey, those who opened an account were asked how easy they found the process (reported in Table 5.2), and those who did not open an account were asked how easy they thought it would have been (Table 5.3). Those who opened accounts overwhelmingly felt that they were easy to open – 61.5% of individuals across all areas thought the accounts were very easy to open and a further 25.6% thought they were fairly easy. However, there is some variation by area. Account openers in East London seem to have found the accounts most difficult to open, with just 45.6% saying the process was very easy and a fifth (20.1%) feeling that it was fairly or very difficult.

Account openers were, however, much more positive about the ease of account opening than non-openers. Only a fifth of non-openers (19.2%) thought that the account would have been very easy to open. However, the main difference is that non-openers feel less strongly one way or the other. Though far fewer say that they

thought it would be very easy to open, the number saying they thought it would be fairly or very difficult is not much higher than amongst openers (15.0% compared with 10.8%). The main difference is that non-openers are simply much more likely to have no particular opinion on the matter – 23.6% have no opinion on how difficult the accounts would have been to open compared with 0.1% of openers.

Table 5.2 How easy was it to open a Saving Gateway account?

	E Yorks	Cambridge	S Yorks	E London	Cumbria	Manch	All
Very easy	0.626	0.601	0.606	0.456	0.700	0.596	0.615
Fairly easy	0.255	0.242	0.271	0.298	0.225	0.271	0.256
Neither	0.020	0.020	0.021	0.046	0.012	0.019	0.021
Fairly difficult	0.076	0.100	0.076	0.137	0.046	0.085	0.080
Very difficult	0.023	0.037	0.021	0.064	0.017	0.028	0.028
Don't know/no opinion	0.000	0.000	0.005	0.000	0.000	0.001	0.001
Sample size	1,188	710	894	520	1,218	981	5,511

Note: All account openers (RDD, DWP and PAF). Unweighted.
Source: Telephone survey.

Table 5.3 How easy did you think it would be to open a Saving Gateway account?

	E Yorks	Cambridge	S Yorks	E London	Cumbria	Manch	All
Very easy	0.204	0.171	0.196	0.207	0.190	0.186	0.192
Fairly easy	0.434	0.415	0.411	0.316	0.400	0.378	0.391
Neither	0.022	0.029	0.027	0.043	0.037	0.028	0.031
Fairly difficult	0.057	0.071	0.078	0.076	0.060	0.093	0.073
Very difficult	0.069	0.071	0.089	0.093	0.057	0.081	0.077
Don't know/no opinion	0.214	0.244	0.199	0.265	0.257	0.235	0.236
Sample size	318	410	372	396	300	323	2,119

Note: Base is all RDD account refusers who recalled being invited to open a Saving Gateway account (779 RDD account refusers did not recall being invited to open an account and so were not asked this question). Unweighted.
Source: Telephone survey.

In the qualitative research, account holders appear to be satisfied with the quality and quantity of information they received about their SG2 account. For many, the quarterly statement is perceived as important because it motivates them to continue saving into their SG2 account.

They send me statements, quarterly statements which are great, so I know exactly what I've put in and I know exactly what I've made so far. I think it's important to show people the progress that they're making with that account.

Opener, Cumbria

5.5 Knowledge of account features and rules

In this section, data from the telephone survey are presented first, followed by the qualitative analysis.

In the telephone survey, those people who had opened a SG2 account were asked about their knowledge of the account features. There are three key features of the account – the amount of money put in by the government for each £1 saved (match rate), the monthly contribution limit and the length of time the account needs to remain open. The first two of these vary across the pilot areas, as discussed in chapter 2 (see Table 2.1 for summary of features by pilot area).

Table 5.4 shows the percentage of account holders in each area who know their match rate. Overall 60.6% of account openers know what the match rate is. However, knowledge is much higher in Manchester - 93.9% - which has the simplest match rate (£1:£1). Knowledge of the match rate is lowest in East London and Cambridge (39.0% and 42.7%, respectively), which are areas with perhaps the most complicated match rate (£0.20:£1). Account holders seem better able to remember the match rate when the match rate is simple to understand.

An interesting observation is that in areas which offer £0.50:£1 matching (East Yorkshire, South Yorkshire and Cumbria), a significant percentage of account holders think the match rate is actually £1:£1. This is most common in East Yorkshire, where 17.6% of respondents think this is the case. This phenomenon is much less common in the £0.20:£1 match areas - only 4.0% of account openers in East London and just 2.4% of account openers in Cambridge think the match rate is £1:£1.

In the areas where the match rate is more complicated (East London and Cambridge), account holders are more likely to say they do not know what the match rate is at all, rather than guess. About 40% of those in areas with a £0.20:£1 match rate (41.3% in

Cambridge and 39.4% in East London) say they do not know what the match rate is. This compares to fewer than 30% saying they do not know in all other areas and fewer than 5% in Manchester.

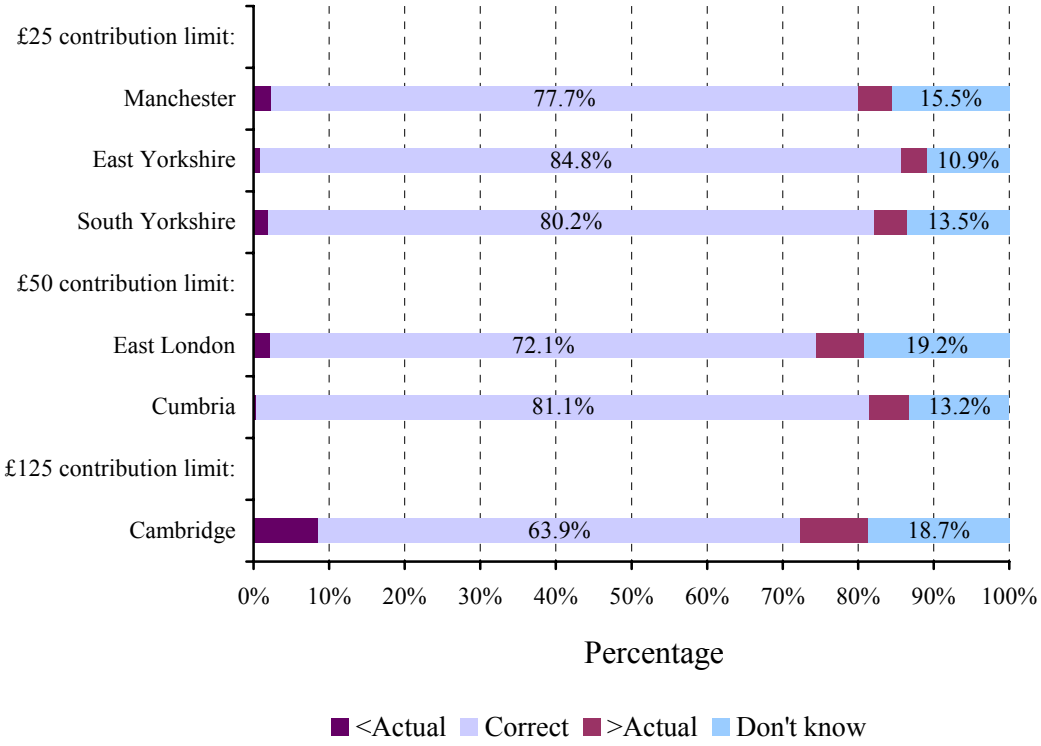
Table 5.4 Knowledge of match rate, percentage of all account openers

	E Yorks	Cambs	S Yorks	E London	Cumbria	Manch	All
< Actual	1.5	2.1	1.2	6.5	1.6	0.3	1.8
Correct	45.2	42.7	60.6	39.0	68.5	93.9	60.6
> Actual	24.7	13.9	20.4	15.0	15.5	0.9	15.4
Of which:							
£1:£1	17.6	2.4	12.8	4.0	11.2	-	-
Don't know	28.6	41.3	17.8	39.4	14.5	4.9	22.2
Sample size	1,188	710	894	520	1,218	981	5,511

Note: Base is all account openers (RDD, DWP and PAF). Unweighted.
Source: Telephone survey.

Figure 5.1 shows the percentage of account holders in each area who know what the contribution limit is (the figures underlying this chart are given in Table A5.1 in the Appendix). Overall, nearly four in five account holders (78%) know the correct contribution limit. Knowledge of the contribution limit is lowest in areas where the limit is likely to be least binding. In Cambridge, where the contribution limit is £125 a month, 63.9% of account holders know what the contribution limit is. In contrast, in East Yorkshire and South Yorkshire, where the contribution limit is £25, 84.8% and 80.2% (respectively) of account holders know the contribution limit.

Figure 5.1 Knowledge of contribution limit amongst account holders by area, percentage of all account holders



Note: For percentage reporting <actual and for sample sizes see Table A5.1 in the Appendix.
Source: Telephone survey.

The length of time the account has to be kept open before an individual receives the government match is the same in all areas (18 months). In all areas except East London, at least three-quarters of account holders know how long the account has to be kept open. In East London, only 67.3% of people know. The percentage of people who have no idea of the account length is also highest in East London (15.8% compared with 8.5%, on average, across all areas). Of those who think they know the account length but actually get it wrong, quite a few think the account has to be kept open for a year rather than 18 months.

Table 5.5 Knowledge of account duration, percentage of account openers only

	E Yorks	Cambs	S Yorks	E London	Cumbria	Manch	All
<12 months	1.3	0.4	1.3	2.3	0.9	1.1	1.2
12 months	7.7	4.5	5.4	8.1	4.9	4.1	5.7
13-17 months	2.8	3.7	2.6	4.0	3.9	4.7	3.6
18 months	75.7	75.4	79.5	67.3	79.5	81.9	77.4
>18 months	3.4	6.5	4.8	2.5	3.0	2.5	3.7
Don't know	9.3	9.6	6.4	15.8	7.7	5.8	8.5
Sample size	1,188	710	894	520	1,218	981	5,511

Note: Base is all account openers (RDD, DWP and PAF). Unweighted. Source: Telephone survey.

The qualitative research also explores account openers' understanding of the account features and rules. In contrast to the patterns observed in the quantitative findings, most account openers interviewed in the qualitative research appear to understand the match rate, monthly contribution limit and account length.

> *Well I know the most you can put in and I know that it's once a month so I'll stick rigidly to that.*
>
> Opener, East Yorkshire

However, rules on withdrawals and deposits are less well understood. Many account holders do not appear to understand what would happen if they wanted to withdraw money or if they missed payments. Others have been withdrawing from the account and not replacing the money correctly, so are losing out on government contributions.

> *I didn't realise that if you missed a month you couldn't put extra in.*
>
> Opener, East London

There also appears to be confusion on the part of Halifax staff around payments and withdrawals. Some account openers *have* managed to pay in more than the maximum monthly amount whilst others have been told by the Halifax that they could *not* withdraw any money. There is also some confusion amongst account openers over the minimum amount that can be saved each month; a few assume they have to pay the maximum monthly contribution every month.

> *I think the only thing I wasn't sure about was whether you were binding yourself to the same amount every month.*
>
> Opener, Cambridge

5.6 Attitudes towards account features and eligibility

5.6.1 Account features

In this section, data from the telephone survey are presented first, followed by the qualitative analysis.

Account openers were also asked what they thought of the various account features and whether they liked what was offered. Table 5.6 shows the percentage of account

openers in each band of family income who thought that the contribution limit on their account was too low, about right or too high. These are shown separately for the three different contribution limits on offer.

What is very clear from Table 5.6 is that, regardless of what contribution limit is offered and what family income people have, most account holders think the limit is about right. The percentages who think the limit is about right are slightly higher in £25 and £50 limit areas (71.2% and 71.7%, respectively) than in the £125 limit area (67.8%).

In the £25 limit areas, there is little correlation with family income in the proportion who think the limit is about right. However, when we look at the proportions who think the limit is too high or too low, there is a clear correlation with income - 9.3% of those with family income below £5,000 a year think the limit is too high compared with just 1.0% of those with family income above £25,000. Similarly, 30.6% of those in the top income bracket think the limit is too low, whilst just 18.9% of those in the lowest income bracket hold this view.

Similar patterns can be seen in the £50 and £125 match areas. Individuals in high income families are more likely to think the limits are too low whilst individuals in low income families are more likely to think the limits are too high.

Comparing the responses across the different contribution limits, we can see a predictable pattern. The percentage (on average across all income groups) who think the limit is too high is lower in the £25 areas (just 4.2%) than the £50 areas (10.7%) and the £125 area (18.1%). The percentage who think the limit is too low is highest in the £25 areas (24.1%) and lowest in the £125 area (13.3%).

Table 5.6 Attitude to monthly contribution limit by bands of annual total family income

	<£5,000	£5-10,000	£10-15,000	£15-20,000	£20-25,000	£25,000+	All
£25 limit areas							
Too high	9.3	8.5	4.5	2.7	1.8	1.0	4.2
About right	70.8	77.5	72.0	69.0	70.7	67.9	71.2
Too low	18.9	13.0	23.2	28.3	27.0	30.6	24.1
Don't know	1.0	1.0	0.4	0.0	0.5	0.4	0.5
% respondents	*94.8*	*95.4*	*94.9*	*94.6*	*92.7*	*93.6*	*94.3*
£50 limit areas							
Too high	23.1	21.2	9.8	7.8	3.0	5.5	10.7
About right	55.6	68.7	71.4	72.8	82.1	74.3	71.7
Too low	21.3	9.7	18.4	18.7	14.9	19.5	17.1
Don't know	0.0	0.4	0.4	0.7	0.0	0.7	0.4
% respondents	*93.0*	*93.9*	*93.7*	*93.7*	*91.4*	*94.0*	*93.4*
£125 limit area							
Too high	26.7	35.7	20.4	17.0	10.4	8.9	18.1
About right	58.3	56.0	69.9	69.2	77.9	70.4	67.8
Too low	11.7	6.0	9.7	12.8	11.7	20.7	13.3
Don't know	3.3	2.4	0.0	1.1	0.0	0.0	0.9
% respondents	*82.2*	*82.4*	*82.4*	*80.3*	*90.6*	*81.3*	*82.7*
Sample size							
£25 limit areas	291	494	553	477	382	692	2,889
£50 limit areas	160	278	266	283	201	436	1,624
£125 limit area	60	84	103	94	77	169	587

Note: Only those who knew the contribution limit or who were unable to give any guess of what it might be were asked what they thought of the actual contribution limit. Therefore, not all account holders surveyed are included in this table. The percentage of account holders asked this question in each income bracket in each group of contribution limit areas is shown in the table (*% respondents*).
Source: Telephone survey.

Account openers were then asked how important the match rate was in their decision to open the account. As we saw in Table 5.1, the vast majority of account openers (79.2%) mentioned the government match as one of their reasons for having opened an account. Table 5.7 shows that when asked directly how important the government

match was in their decision to open an account, most account holders say that it was very important.

In all of the different match areas, individuals in higher income families are more likely to say that the match was very important. In the £1:£1 match area (Manchester), 94.2% of account holders with family income of £25,000 and over said the match was very important compared with 86.7% of account openers with family income below £5,000. This, however, reflects the correlation between income and financial numeracy and education, rather than a direct association between income and the importance of the match[25].

The match rate appears to have been more important for individuals of all levels of family income in the areas where the match rate is higher - 89.7% of account openers in Manchester (where the match rate is £1:£1) said the match was very important in their decision to open an account compared with 80.2% of individuals in East London and Cambridge (where the match rate is £0.20:£1).

[25] An ordered probit was run of opinion of the match regressed on education level, numeracy and income band. Income was not significant after controlling for education and numeracy in any of the different match areas.

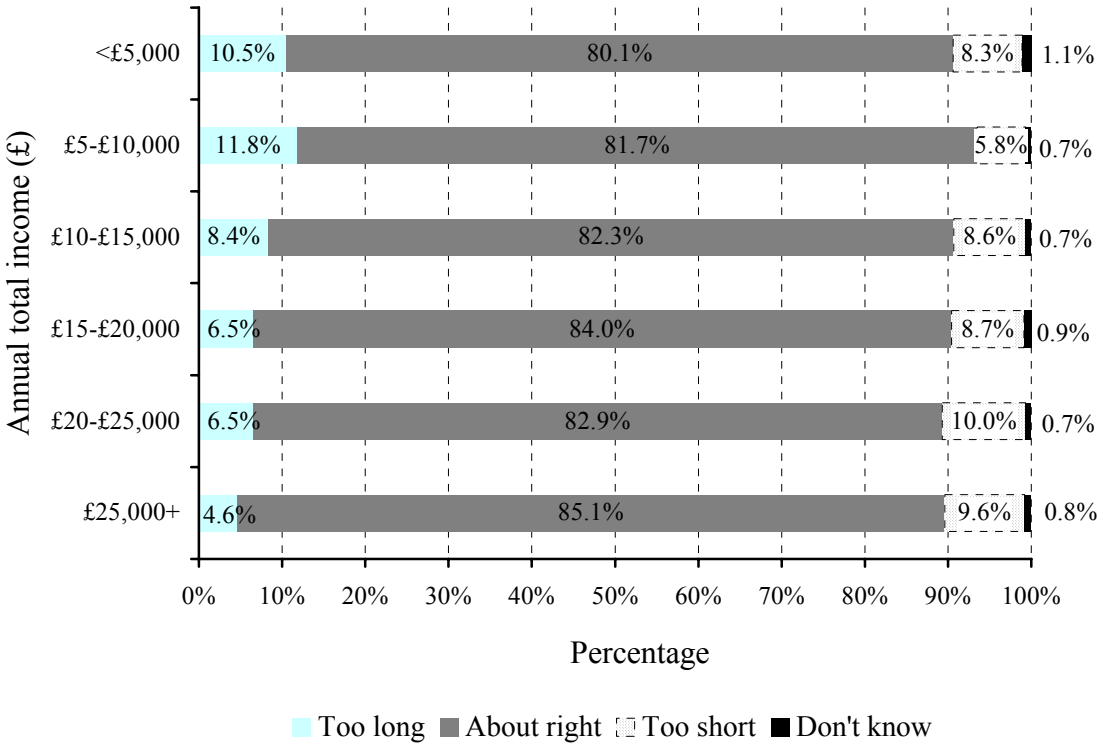
Table 5.7 Attitude to match rate by bands of annual total family income

	<£5,000	£5-10,000	£10-15,000	£15-20,000	£20-25,000	£25,000+	All
£1:£1 match							
Very important	86.7	83.3	88.9	89.7	94.1	94.2	89.7
Fairly important	11.1	15.5	9.2	8.3	4.2	4.9	8.8
Not very important	0.0	0.6	1.5	1.3	1.7	0.9	1.0
Not at all important	2.2	0.0	0.5	0.6	0.0	0.0	0.4
Don't know	0.0	0.6	0.0	0.0	0.0	0.0	0.1
% respondents	*100.0*	*98.9*	*98.6*	*99.4*	*99.2*	*97.8*	*98.8*
£0.50:£1 match							
Very important	84.3	84.9	84.6	85.4	88.7	87.6	86.1
Fairly important	12.1	13.6	14.1	12.8	10.5	10.9	12.3
Not very important	1.2	0.5	1.3	1.6	0.6	1.0	1.0
Not at all important	1.6	0.7	0.0	0.0	0.3	0.4	0.4
Don't know	0.8	0.2	0.0	0.2	0.0	0.0	0.2
% respondents	*77.0*	*76.3*	*80.6*	*78.7*	*77.1*	*79.4*	*78.4*
£0.20:£1 match							
Very important	72.7	78.5	75.3	80.7	82.3	86.0	80.2
Fairly important	19.7	17.2	17.9	16.4	15.0	12.2	15.8
Not very important	5.1	2.5	3.7	1.2	1.8	1.1	2.3
Not at all important	1.7	0.6	1.9	1.2	0.0	0.7	1.0
Don't know	0.9	1.2	1.2	0.6	0.9	0.0	0.7
% respondents	*83.6*	*81.1*	*77.5*	*81.0*	*81.3*	*84.2*	*81.6*
Sample size							
£1:£1 area	90	174	207	156	119	223	969
£0.50:£1 areas	248	411	462	437	353	677	2,588
£0.20:£1 areas	117	163	162	171	113	278	1,004

Note: Only those who knew the match rate or who were unable to give any guess of what it might be were asked what they thought of the actual match rate. Therefore, not all account holders surveyed are included in this table. The percentage of account holders asked this question in each income bracket in each group of match rate areas is shown in the table (*% respondents*).
Source: Telephone survey.

The accounts in all areas have to be kept open for 18 months. Figure 5.2 shows that the vast majority of individuals in all income groups feel that this is the right length of time[26]. However, of those who think it is not the right length, individuals in low income families are more likely to say it is too long while individuals in high income families are more likely to say it is too short - 10.5% of those with family income under £5,000 a year say the account length is too long compared with 4.6% of individuals with family income over £25,000.

Figure 5.2 Attitude to account length by bands of annual total family income



Note: See Appendix Table A5.2 for sample sizes. Only those who knew the account length or who were unable to give any guess of what it might be were asked what they thought of the actual account length. Therefore, not all account holders surveyed are included in this table. The percentage of account holders asked this question in each income bracket is shown in the Table A5.2 (*% respondents*).
Source: Telephone survey.

[26] Only those respondents who knew the account length or who had no idea what the account length was were asked about their opinion of the true account length. Therefore, some individuals are not included in this figure. See table A3.5 in the appendix for the percentage of individuals in each group who are included.

The qualitative research also examines account openers' attitudes to the account features and supports the findings from the telephone survey. Across all areas, most account openers feel that the contribution limit is about right and, within each area, those on higher incomes are more likely to say the account limit is too low. The match rate is seen as a key benefit of the account and, across all areas, it was the main motivation for opening an account.

The qualitative research also captures account openers' views on the account length. Eighteen months is seen by most respondents as a reasonable length of commitment.

> *I like this - when you say 20 years it's hard to visualise, but when you say 18 months or 2 years it's easier to visualise.*
>
> Opener, South Yorkshire

Some account holders also like the requirement to save monthly in order to achieve the maximum government contribution – they see it as a challenge and something that will help them save.

5.6.2 Account eligibility

Many feel that if the scheme were to be launched more widely in the future, it should be offered to people on low incomes. There is concern that it would not be practical to launch the scheme nationally unless the account is more targeted.

> *I don't see they could do it if 8 million people took it up, it would bankrupt the government.*
>
> Opener, Cambridge

There is also a concern that if the account was launched nationwide, people who do not really need the account would take advantage of it.

> *I don't really need this account, I'm quite well off really, it should be aimed at the long-term low income families - people will take advantage of things like this.*
>
> Refuser, East London

There is divided opinion around whether Saving Gateway should be offered to people on benefits or not. Some feel that targeting benefit recipients would be unsuccessful, because they are unlikely to have sufficient disposable income to allow them to participate fully. It is felt that it would be more appropriate to target people who are working, on a low income, but with some disposable income.

> *If I was a single person on benefits there is no way on God's earth that I could possibly save - they're targeting the wrong people. They're targeting people who are already poor and stressed. Maybe they should target people who are starting out on work.*
>
> Refuser, East London

Some account holders, although they are glad to have the account, feel they are not the most appropriate targets as they already consider themselves to be good money managers and regular savers. They feel the account should instead be aimed at poor savers, and/or students and people new to the labour market who could potentially benefit from the account by getting into good saving habits early on.

> *I think they're trying to encourage people to save but there doesn't seem to be any selection of people that they're targeting. It's a bit too easy. The likes of me, I'm getting a lot of benefit from it, but its benefit I probably don't need in comparison with say a young person, a young family starting out.*
>
> Opener, Cumbria

> *The people I think that really need to start to save are these guys in universities, it's going to be hard for these guys coming out of university because they're going to be so hard in debt.*
>
> Opener, Cumbria

Chapter 6: Use of Saving Gateway 2 accounts

This chapter examines how individuals have operated their SG2 accounts, using detailed information on transactions made to, and from, each SG2 account up to 31st December 2005. Information from a questionnaire completed by account holders when they opened their SG2 account is also examined, in order to ascertain how individuals' use of the accounts relates to personal characteristics.

Almost 21,500 individuals have opened SG2 accounts. Analysis of the transaction data shows that:

- A contribution has been made to most accounts in most months, with relatively few withdrawals.
- By 31st December 2005, nearly £6 million had been paid in by individuals, and just over £2¼ million of government match had been accrued.

At the time of account opening, individuals were asked where they intended to get the money from to contribute to their SG2 account.

- Less than one-in-ten account holders reported that they intended their contributions to come solely from sources that might be less likely to represent new saving, such as from transferring funds from an existing savings account.
- Just over one-third stated that their contribution would come solely from sources that might be more likely to represent new saving, such as from future income. This is particularly true for those with lower family incomes or gross financial assets.

At the time of account opening, most people – and in particular those with greater assets and higher family incomes – intended to contribute the maximum amount once a month. The most commonly cited reason for saving was either for older age/retirement or for a rainy day. These findings are also supported by the qualitative research.

In all areas, up to the end of December 2005, the median monthly contribution was the contribution limit with 44% of individuals contributing the maximum in all months.

- Amongst account holders who had no financial assets before they opened their account, seven-in-ten made an additional net monthly contribution after the first month, and over one-in-five had managed to accrue the maximum achievable match by 31st December 2005.
- By 31st December 2005, the median amount of match accrued was 87.5% of the maximum match available.
- Those with higher family incomes and/or greater gross financial assets at the time of account opening have, typically, contributed greater amounts and, therefore, achieved higher balances and accrued higher government match. These individuals are also more likely to use bank credits or standing orders rather than cash or cheques. Again, these findings are supported by the qualitative research.

6.1 Introduction and basic account information

All SG2 account openers were asked to complete a questionnaire when they opened their account. This asked about their intentions in terms of how often they intended to contribute and withdraw funds, how they would finance any contributions and what they would use the funds for on maturity. In addition, respondents were asked about their incomes, gross financial assets and debts. The Halifax bank, who are operating the SG2 accounts, also provided details on each transaction made. This chapter provides descriptive details of how the accounts have been used, up to and including 31st December 2005, and how this relates to individuals' characteristics reported in the account opening questionnaire. Where comparable, some information is also taken from the telephone interviews that took place with a subset of account openers in autumn 2005.

The information on account transactions provided by the Halifax covers 21,476 account holders, of which 11,952 were recruited by Postcode Address Files (PAF), 4,993 from DWP benefit records (DWP), 4,030 from Random Digit Dialling (RDD), 471 SG1 participants and 30 individuals in receipt of the Adult Learning Grant (ALG). In total, 135,485 transactions had been made by 31st December 2005 of which 133,208 were deposits and just 2,277 were withdrawals.

This section uses account transaction data to describe how long the accounts had been open by 31st December 2005 and the distribution of transactions, contributions and withdrawals that have taken place to-date. Section 6.2 describes asset holding at the time of account opening for account holders. Section 6.3 summarises account openers' responses to questions about intended contributions and withdrawals from their SG2 accounts. The transaction data is used to describe the distribution of contributions and withdrawals (Section 6.4), balances at 31st December 2005 (Section 6.5) and the match achieved by 31st December 2005 (Section 6.6). Section 6.6 describes how net contributions and balances at 31st December 2005 vary by both area and other characteristics, such as gross financial assets at the time of account opening. Finally, Section 6.8 documents the transaction methods used by account holders and how these vary by area and other characteristics such as family income.

By 31st December 2005, accounts had been open for between 1 and 10 months, with the median length of time being 7 months and the mean 6.8 months. Across all of the accounts where we have details of both transactions and area, net contributions totalled £5.7 million while the accrued government match was £2.3 million.[27] On average, accounts had been open for slightly less time in East London (mean of 6.3 months). Further details of the number of transactions by both recruitment method and area can be found in Appendix Tables A6.1 to A6.6.

The distribution of number of credits and debits to an account in each month up to the end of December 2005 is shown in Table 6.1. In only 16.0% of account months no deposits were made, while in 98.8% of account months no money was withdrawn. In over three-quarters of account months, one credit and no debits were made. Table 6.1 also shows that account months with no contribution were most common in East London (26.9%) and least common in East Yorkshire (14.0%). While making more than one deposit in a month was not particularly common it occurred more often in Cambridge, which could be due to the higher (£125) monthly contribution limit in that area. To the end of December 2005 at least, withdrawals have been uncommon in all areas.

[27] For a relatively small number of accounts it was not possible to link the account transactions data with the recruitment information.

Table 6.1 Distribution of number of transactions per month, by area and broad type of transaction, by area (per cent)

	0	1	2	3	4	5 plus
All transactions						
East Yorkshire	13.52	78.61	6.45	0.54	0.57	0.30
Cambridge	17.49	74.18	6.34	0.94	0.56	0.48
South Yorkshire	13.86	81.06	4.07	0.30	0.46	0.25
East London	25.85	68.01	4.71	0.73	0.37	0.33
Cumbria	13.62	80.05	4.47	0.84	0.63	0.40
Manchester	16.56	78.77	3.42	0.45	0.47	0.32
Total	*16.04*	*77.44*	*5.02*	*0.63*	*0.52*	*0.35*
Credits						
East Yorkshire	13.99	78.63	6.19	0.42	0.53	0.23
Cambridge	17.95	74.21	6.12	0.80	0.55	0.36
South Yorkshire	14.12	81.07	3.88	0.27	0.45	0.22
East London	26.87	67.95	4.14	0.53	0.37	0.14
Cumbria	14.18	80.04	4.15	0.74	0.58	0.30
Manchester	16.94	78.89	3.14	0.31	0.47	0.24
Total	*16.51*	*77.46*	*4.74*	*0.52*	*0.50*	*0.26*
Debits						
East Yorkshire	98.82	0.98	0.16	0.03	0.00	0.00
Cambridge	98.83	0.85	0.20	0.05	0.03	0.04
South Yorkshire	99.34	0.57	0.06	0.01	0.01	0.01
East London	97.76	1.77	0.28	0.10	0.03	0.05
Cumbria	98.73	0.97	0.20	0.06	0.03	0.01
Manchester	98.90	0.95	0.13	0.02	0.00	0.00
Total	*98.83*	*0.93*	*0.16*	*0.04*	*0.02*	*0.02*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots were also excluded. The unit of observation in this table is each account month, and the number of account months is 140,205. Rows might not sum to one hundred due to rounding.
Source: Halifax transactions records; MORI recruitment data; authors' calculations.

6.2 Background characteristics of account openers

This section presents some details on the information provided by account openers in the account opening questionnaire. These were received for 78.6% of account holders, with the highest response in East Yorkshire (87.0%) and lowest in East London (61.7%). Figure A.1 in Appendix A provides the response rates for other areas.

Details of asset ownership, gross financial assets, gross financial debts and family income of individuals at the time of account opening, by area, are reported in

Appendix A, Tables A6.7 to A6.10. These show that two-thirds (67.6%) of account openers reported owning investments with a further 28.3% having savings but no investments.[28] Just over sixty per cent (63.3%) reported having financial debts. These figures are extremely similar to the responses by account openers to the telephone survey. As shown in Chapter 3 Table 3.9, 67.7% of account openers stated that they had some investments and 63.2% reported that they had some debts.

Ownership of investments was highest among account openers in Cambridge (75.9%) and lowest among account openers in East London (50.2%). A similar pattern is seen for current family income with account openers in East London having, on average, the lowest family incomes and those in Cambridge having, on average, the highest family incomes.

Figure 6.1 shows the percentage (of those that provide a figure) who report gross financial assets that would be sufficient to cover the maximum amount of SG2 contributions without having to carry out any new saving.[29] The figures reported in Figure 6.1 suggest that a greater percentage of SG2 individuals already have greater gross financial assets than the overall contribution limit than was reported in Chapter 3, Figure 3.2. However, it is important to remember that Figure 6.1 shows asset holdings for *account openers* only (i.e. those who were offered the chance to open an account and took that opportunity). In contrast, the data presented in Figure 3.2, Chapter 3, is for all of the controls recruited through RDD – regardless of whether or not they would have chosen to open an account had they been offered that opportunity. Therefore, differences could be due to either the fact that individuals recruited by PAF

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[28] Those with 'savings' are those who report having a Post Office account, a Credit Union account, a bank or building society current account, a bank or building society savings account, a cash Individual Savings Account or another account such as a TESSA. Those with 'investments' are those who report owning a stocks and shares Individual Savings Account, premium bonds, a life insurance policy, stocks and shares, national savings bonds, a personal or occupational pension or other investments such as a venture capital trust. Those with 'no formal accounts' are those who do not report having any of these savings or investments. Individuals are then asked for the gross amount owned across all of these products so it is not possible to split an individual's gross financial wealth between different types of assets.

[29] Given that we are interested here in assessing the potential of individuals to make maximum contributions to their SG2 account simply by transferring funds from existing assets, we would ideally like to focus only on funds held in those assets which are accessible (unless, of course, individuals were able to borrow against less accessible assets). However, the information provided in the account

or from DWP benefit records differ from those recruited by RDD, or from the fact that, on average, those who chose to open accounts were different to those who chose not to.

For the £25 a month areas, the maximum matchable contribution over 16 months is £400. Figure 6.1 shows that 54.5% of those in Manchester, 65.4% of those in East Yorkshire and 71.8% of those in South Yorkshire have more than £500 in gross financial assets at the time of account opening. For the £50 a month contribution limits, the maximum matchable contribution over 16 months is £800. Figure 6.1 shows that 46.7% of those in East London and 62.7% of those in Cumbria have gross financial assets worth more than £1,000 at the time of account opening. In Cambridge, where the maximum matchable contribution is £2,000 (£125 * 16), 62.7% of account openers have more than £2,000 in gross financial assets at the time of account opening.

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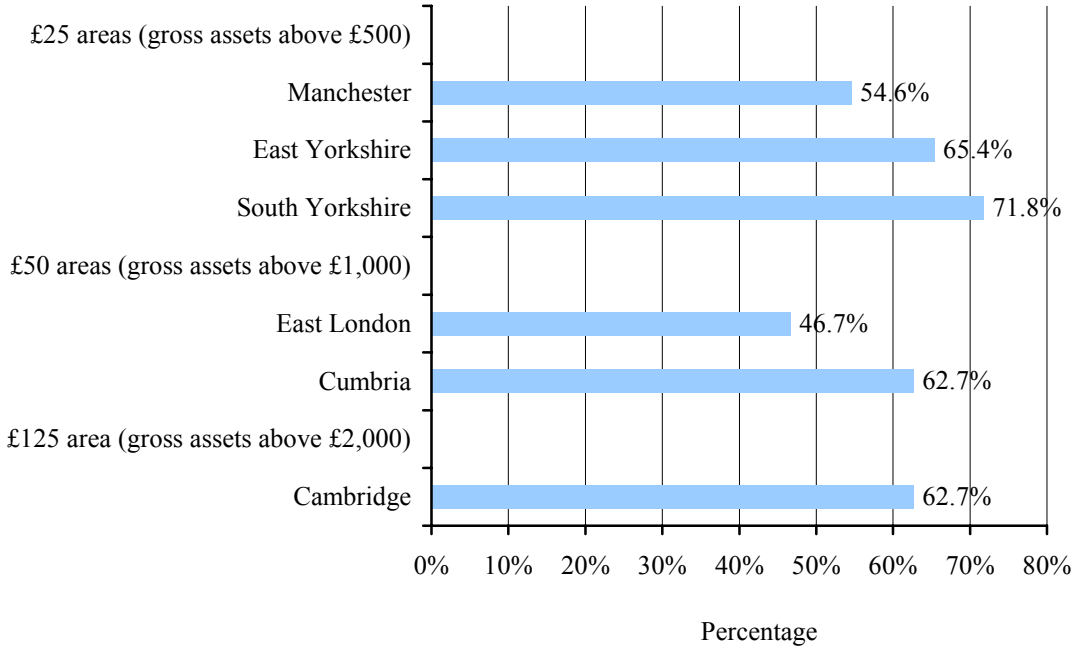
opening questionnaire does not allow us to distinguish between assets held in different types of saving and investment vehicles, so we look here at total gross financial wealth.

Figure 6.1 Those account holders with gross financial assets greater than total SG2 contribution limit, % of those who report a figure for gross financial assets

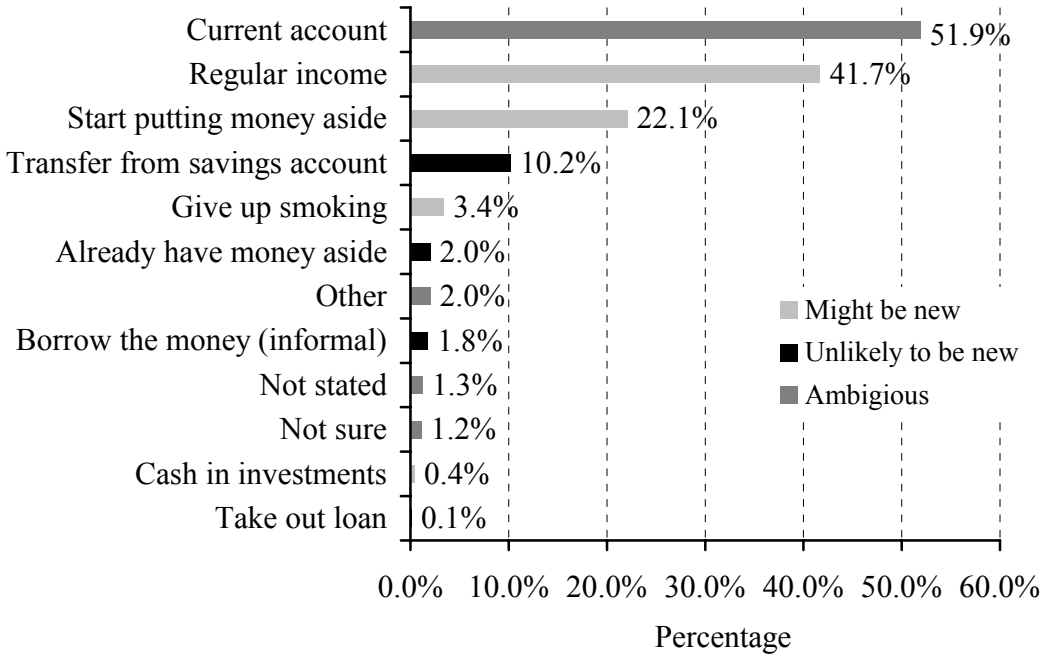


Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis, as are those for whom information from the account opening questionnaire is not available. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Sample size = 16,482. See Appendix Table A6.8 for more details. Those reporting 'don't know' excluded from this figure.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

6.3 Intentions regarding source and regularity of contributions and use and regularity of withdrawals

Account openers were asked where they intended to get the funds to contribute towards their SG2 account. As shown in Figure 6.2, the most commonly cited source was from a current account. It is ambiguous whether or not this would represent new saving (i.e. whether or not it was funds that would have otherwise been spent). Other commonly cited sources were regular future income (41.7%) and by putting money aside (22.1%), both of which are more likely to represent new saving (although it is still possible that these would have occurred in the absence of the policy). Just over one-in-ten (10.2%) account openers report that they intend to transfer funds from an existing savings account, which is less likely to represent new saving (although it is still possible that these funds, in the absence of the SG2 account, would have been spent).

Figure 6.2 Where account holder intended to get SG2 funds from (per cent)



Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis, as are those for whom information from the account opening questionnaire is not available. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Sample size = 16,482.

Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

The responses shown in Figure 6.2 can be allocated to one of three categories: that the saving is 'unlikely to be new' (shaded in red in Figure 6.2); that the saving 'might be new' (shaded in blue); and finally those who report that they will take funds from a current account and those who report both an 'unlikely to be new' and a 'might be new' source of funds are classified as 'ambiguous'. Table 6.2 shows that just over half of individuals (55.1%) are placed in the ambiguous category; just over one-third (35.9%) in the 'might be new' category and 5.6% in the 'unlikely to be new category'. In terms of how this varies by areas, the stated intentions suggest that SG2 contributions are relatively more likely to be new saving in East Yorkshire and relatively less likely to be new saving in Cambridge.

Table 6.2 Where account holder intended to get SG2 funds from, by area (per cent)

	Unlikely to be new	Might be new	Ambiguous	Don't know
East Yorkshire	4.64	40.63	51.60	3.13
Cambridge	8.70	30.77	57.10	3.43
South Yorkshire	4.13	34.21	58.68	2.98
East London	5.56	37.46	51.72	5.25
Cumbria	5.57	38.66	52.30	3.47
Manchester	3.48	38.11	55.38	3.02
Total	5.58	35.92	55.13	3.37

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis, as are those for whom information from the account opening questionnaire is not available. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. The unit of observation in this table is each account, and the number of accounts is 16,482. Rows might not sum to one hundred due to rounding.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Table 6.3 shows how these categories of intended saving vary by income. This shows that among individuals in low income families, intended saving is slightly more likely to be from sources that 'might be new' saving than it is among those with higher family income.

Table 6.3 Where account holder intended to get SG2 funds from, by gross monthly family income at time of account opening (per cent)

	Unlikely to be new	Might be new	Ambiguous	Don't know
Under £430	7.90	41.51	44.95	5.64
£431–£859	6.58	41.23	47.99	4.20
£860–£1,299	5.17	36.47	55.58	2.79
£1,300–£1,719	4.88	35.37	58.54	1.20
£1,720–£2,149	5.41	34.44	58.70	1.45
£2,150–£4,165	4.65	30.26	64.04	1.05
£4,166 & over	9.23	26.15	53.85	10.77
Don't know	5.80	22.90	29.86	41.45
Total	5.58	35.92	55.13	3.37

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis, as are those for whom information from the account opening questionnaire is not available. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. The unit of observation in this table is each account, and the number of accounts is 16,482. Rows might not sum to one hundred due to rounding.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

The relationship between current gross financial assets and intended source of SG2 contributions is shown in Table 6.4. Among those with no gross financial assets, 55.5% report intending to make contributions from sources that might be considered more likely to represent new saving compared with 24.4% of those with gross financial assets of £6,000 or more.

Table 6.4 Where account holder intended to get SG2 funds from, by gross financial assets at time of account opening (per cent)

	Unlikely to be new	Might be new	Ambiguous	Don't know
£0	3.11	55.45	34.87	6.58
£1–£100	3.79	50.89	42.15	3.17
£101–£500	3.32	44.33	50.21	2.14
£501–£1,000	4.43	41.57	52.00	2.00
£1,001–£2,000	5.02	34.39	58.73	1.86
£2,001–£6,000	5.10	32.18	60.99	1.73
£6,001 & over	8.45	24.41	65.97	1.18
Don't know	5.27	35.13	49.69	9.91
Total	5.58	35.92	55.13	3.37

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis, as are those for whom information from the account opening questionnaire is not available. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. The unit of observation in this table is each account, and the number of accounts is 16,482. Rows might not sum to one hundred due to rounding.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Similar questions on the stated source of funds for contributions to SG2 accounts were asked in the telephone survey that took place in autumn 2005. Again, the most common response was that the contributions had come from income or a current account. As shown in Table 6.5, those in Cambridge were more likely to report that the money had come from an existing financial asset. The split by family income is shown in Table 6.6. This shows that those with higher family incomes are relatively more likely to report that contributions are coming from current income, whereas those with lower family incomes are relatively more likely to report that contributions are from reduced spending.

Table 6.5 Source of money that has been put into SG2 account by area

	E Yorks	Cambridge	S Yorks	E London	Cumbria	Manch	All
Unlikely to be new	0.135	0.206	0.136	0.137	0.144	0.105	0.141
Current account	0.304	0.289	0.315	0.273	0.311	0.318	0.305
From income	0.432	0.355	0.422	0.458	0.403	0.423	0.415
Cut spending	0.067	0.061	0.073	0.065	0.066	0.093	0.071
Combination	0.036	0.048	0.027	0.029	0.042	0.030	0.036
Don't know	0.026	0.042	0.027	0.038	0.034	0.032	0.032

Note: Sample size = 5,511. All account openers (RDD, DWP and PAF) who responded to the telephone survey. 'Unlikely to be new saving' includes using money already had saved elsewhere, borrowing money and cashing in investments. 'Cut spending' includes giving up smoking and cutting back on essential and non-essential spending.

Table 6.6 Source of money that has been put into SG2 account by band of family income

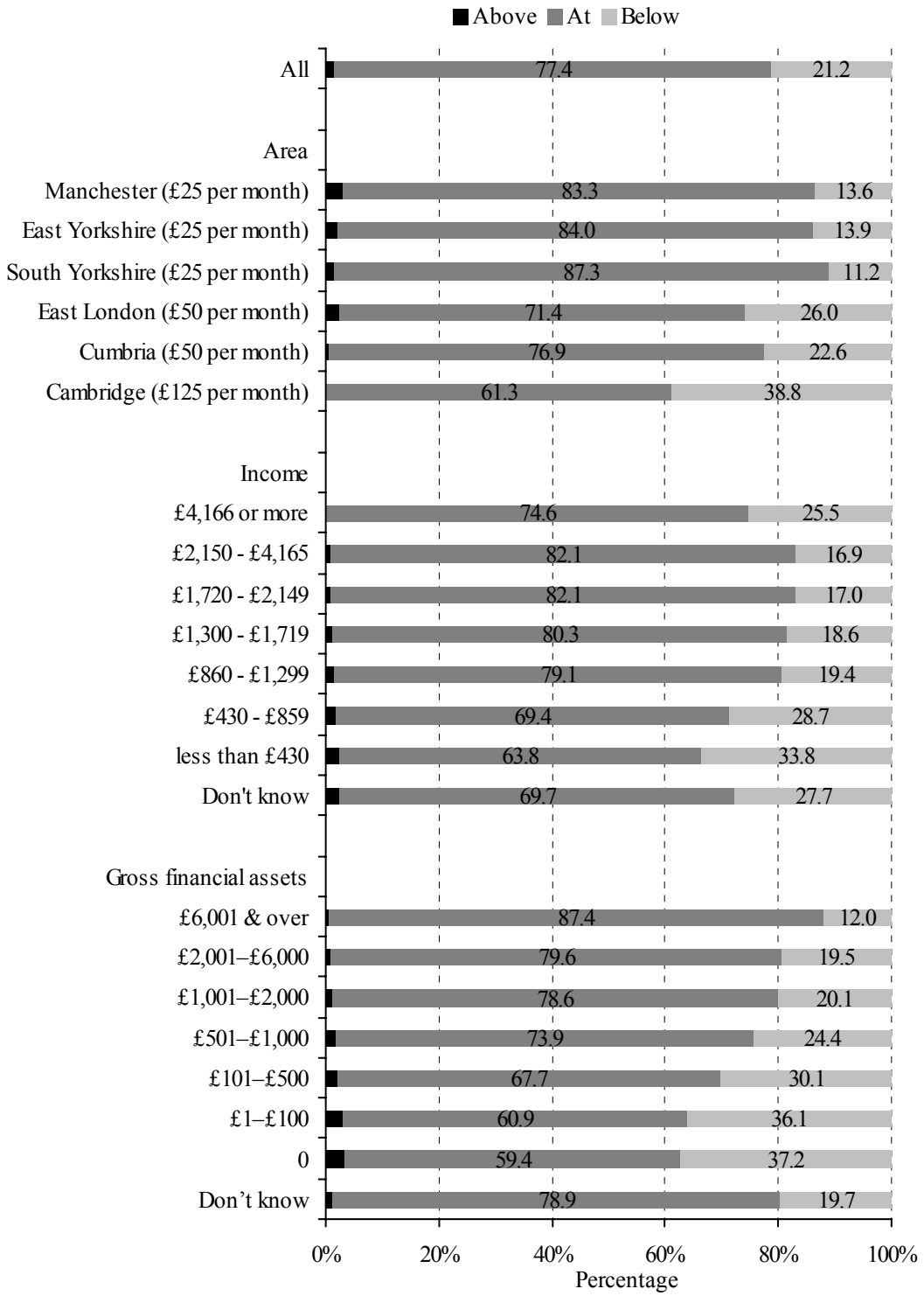
	<£5,000	£5-10,000	£10-15,000	£15-20,000	£20-25,000	£25,000+	All
Unlikely to be new	0.223	0.176	0.138	0.142	0.113	0.103	0.141
Current account	0.288	0.249	0.280	0.308	0.319	0.356	0.305
From income	0.312	0.373	0.429	0.438	0.442	0.443	0.415
Cut spending	0.096	0.118	0.079	0.055	0.064	0.040	0.071
Combination	0.036	0.036	0.044	0.035	0.028	0.033	0.036
Don't know	0.045	0.048	0.029	0.023	0.033	0.024	0.032

Note: Sample size = 5,511. All account openers (RDD, DWP and PAF) who responded to the telephone survey. 'Unlikely to be new saving' includes using money already had saved elsewhere, borrowing money and cashing in investments. 'Cut spending' includes giving up smoking and cutting back on essential and non-essential spending.

The account opening questionnaire also asked account openers how much they intended to contribute each month to their SG2 account. Figure 6.3 shows whether the stated amount was above, equal to, or below the limit that applied in that area split by area, family income and gross financial assets. Appendix A Tables A6.11 to A6.13 present statistics on the distribution of stated amounts (again split by area, family income and gross financial assets).

In all areas, across all income bands, and across all bands of gross financial assets the majority of respondents report that they would contribute the maximum matchable amount to their account (77.4% of all individuals). Only a small percentage of individuals reported that they would contribute more than the maximum amount (1.4% of all individuals), with the remaining intending to contribute less than the maximum.

Figure 6.3 Intended monthly SG2 contribution, by area, family income and gross financial assets at time of account opening



Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis, as are those for whom information from the account opening questionnaire is not available. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. See Appendix Tables A.11 to A.13 for more details. Those reporting ‘don’t know’ excluded from this figure. The unit of observation in this table is each account, and the number of accounts is 16,482.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors’ calculations.

Those in areas with greater match limits were more likely to report that they would contribute less than the maximum amount: across the £25 per month areas, only 12.7% reported that they intended to contribute less than the limit compared with 23.8% in the £50 areas and 38.8% in the £125 area. Those with higher current incomes and current gross financial assets were much more likely to report that they intended to contribute the maximum amount to the account each month. More surprisingly, those with lower gross financial assets were *more* likely to report that they intended to contribute more than the maximum matchable amounts to their account – perhaps suggesting that some in this group had a lower understanding of the incentives provided by the SG2 accounts.

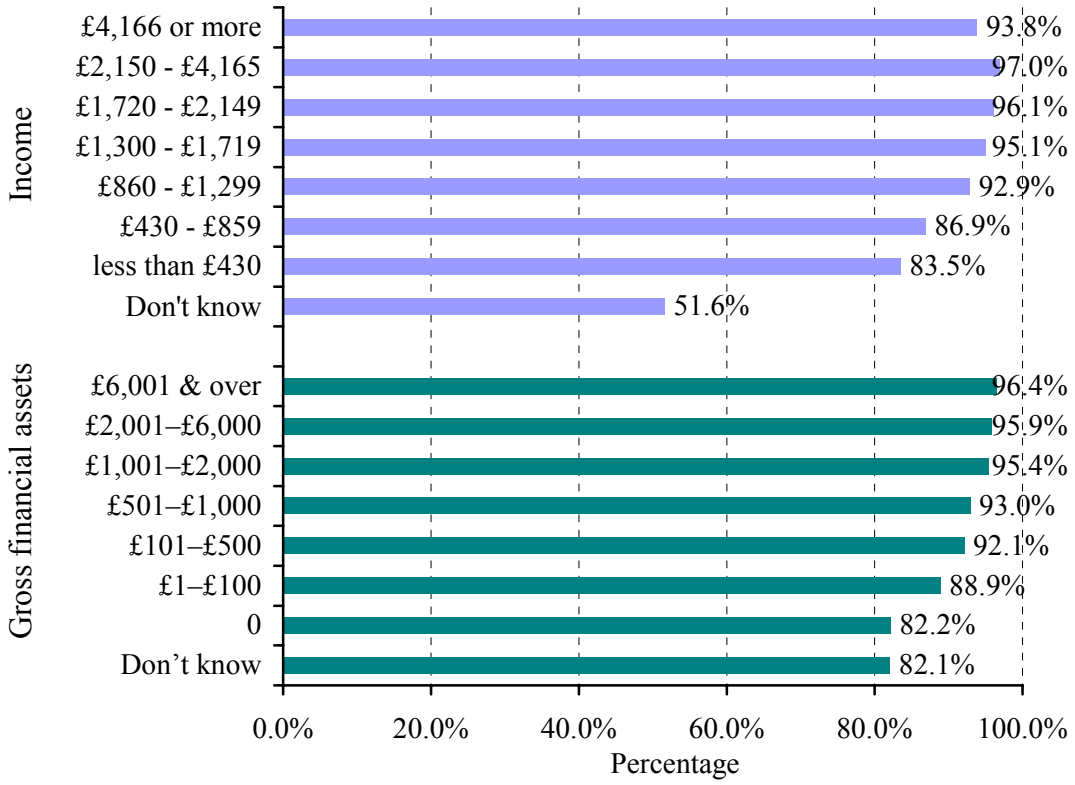
The majority of SG2 account openers reported that they intended to contribute to their accounts once a month, with those in East London being slightly less likely to report that this was the case (Table 6.7). Those with higher current incomes and those with higher gross financial assets were more likely to report that they would contribute to their SG2 account at least once a month (Figure 6.4). Around a fifth expected to make at least one withdrawal a month, while three-fifths stated that they did not know how often they would make a withdrawal (Table 6.8).

Table 6.7 Intended regularity of contributions, by area (per cent)

	Once a month	Every 2 months	Every 3–5 months	Every 6–12 months	Less than 1 a year	As and when I can	Don't know
East Yorkshire	92.26	0.56	0.13	0.07	0.16	4.28	2.54
Cambridge	91.47	0.83	0.25	0.02	0.07	4.83	2.53
South Yorkshire	93.14	0.52	0.11	0.11	0.17	3.09	2.87
East London	86.99	0.71	0.24	0.08	0.31	7.45	4.23
Cumbria	90.48	0.44	0.22	0.18	0.09	5.35	3.25
Manchester	92.76	0.69	0.14	0.14	0.14	3.62	2.52
Total	*91.67*	*0.63*	*0.18*	*0.09*	*0.14*	*4.46*	*2.83*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis, as are those for whom information from the account opening questionnaire is not available. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. The unit of observation in this table is each account, and the number of accounts is 16,482. Rows might not sum to one hundred due to rounding.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Figure 6.4 Percentage intending to contribute once a month, by gross monthly family income and gross financial assets at time of account opening



Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis, as are those for whom information from the account opening questionnaire is not available. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. The unit of observation in this table is each account, and the number of accounts is 16,482.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

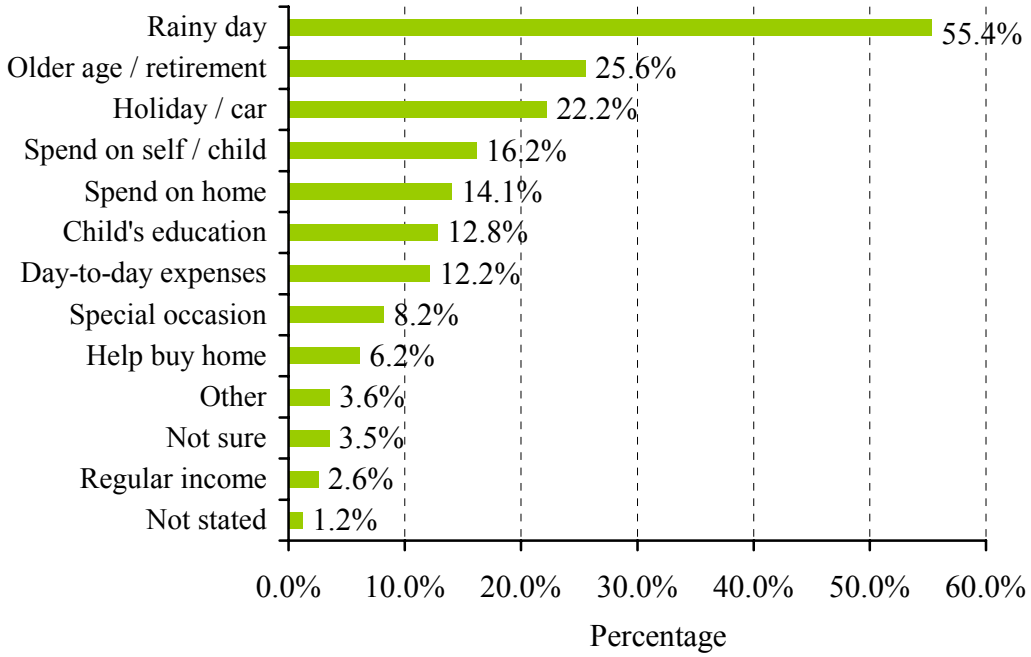
Table 6.8 Intended regularity of withdrawals, by area (per cent)

	Once a month	Every 2 months	Every 3–5 months	Every 6–12 months	Less than 1 a year	As and when I can	Don't know
East Yorkshire	21.57	0.23	0.03	0.20	1.71	32.86	61.38
Cambridge	20.20	0.22	0.12	0.56	1.50	34.91	59.43
South Yorkshire	24.39	0.06	0.06	0.19	1.21	31.06	63.70
East London	21.87	0.63	0.78	1.33	4.00	24.06	62.78
Cumbria	23.30	0.13	0.04	0.35	2.02	30.89	63.01
Manchester	23.91	0.46	0.05	0.23	2.29	30.74	62.30
Total	*22.42*	*0.24*	*0.12*	*0.40*	*1.84*	*31.74*	*61.86*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis, as are those for whom information from the account opening questionnaire is not available. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. The unit of observation in this table is each account, and the number of accounts is 16,482. Rows might not sum to one hundred due to rounding.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Account holders were asked (in the account opening questionnaire) what they would be saving for with their SG2 account. The most common response was that they were not saving for a specific goal. As shown in Figure 6.5 the most commonly cited expected use of SG2 funds from the account opening questionnaire was for a 'rainy day' (55.4% of account openers) and 'older age/retirement' (25.6% of account openers). Respondents to the telephone survey were, again, asked what they intend to use their SG2 funds for. It was still the case that individuals tended not to have a specific goal: the most commonly cited uses were 'rainy day/old age' and 'no particular reason' with this being true across all areas (Appendix A Table A6.14) and all income bands (Appendix A Table A6.15). Those in Cambridge were found to be slightly more likely to report that they were saving for older age or retirement, while those in Manchester were relatively less likely to say this was the case. Those in East London were relatively less likely to state that they were saving for a holiday. In terms of variation of responses by family income, those in higher income families were relatively more likely to state that they were intending to use the funds for their children, while those with lower family incomes were relatively more likely to state that they would be using the funds to pay for regular expenses or bills.

Figure 6.5 Reported expected use of SG2 funds at account opening



Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis, as are those for whom information from the account opening questionnaire is not available. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Sample size = 16,482.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Saving for a 'rainy day' is also the most common response in the SG2 qualitative research. However, the same question asked in the SG1 qualitative research elicited more specific answers (see Chapter 10). Timing of fieldwork is likely to be important here: unlike the SG2 fieldwork, the SG1 fieldwork was conducted shortly before the account maturation date.

6.4 Contributions and withdrawals

This section looks at contributions to, and withdrawals from, SG2 accounts up to December 31st using information from the Halifax account data. In total, we have 140,205 account-months of data. Table 6.9 shows the distribution of net monthly contributions split by area (Appendix A, Table A6.16 shows the distribution of gross monthly contributions). In each area, it is clear that the most common net monthly contribution is equal to the matchable contribution limit. Overall two-thirds of account months (66.7%) saw a net monthly contribution equal to the matchable contribution limit. In the three areas with a £25 per month matchable contribution limit (East Yorkshire, South Yorkshire and Manchester), net monthly contributions equalled the monthly contribution limit 72.2% of the time. In the two areas with a £50

per month matchable contribution limit (Cumbria and East London), net monthly contributions equalled the monthly contribution limit 64.7% of the time, while in Cambridge (which has a £125 per month matchable contribution limit), net monthly contributions equalled the monthly contribution limit 55.9% of the time.

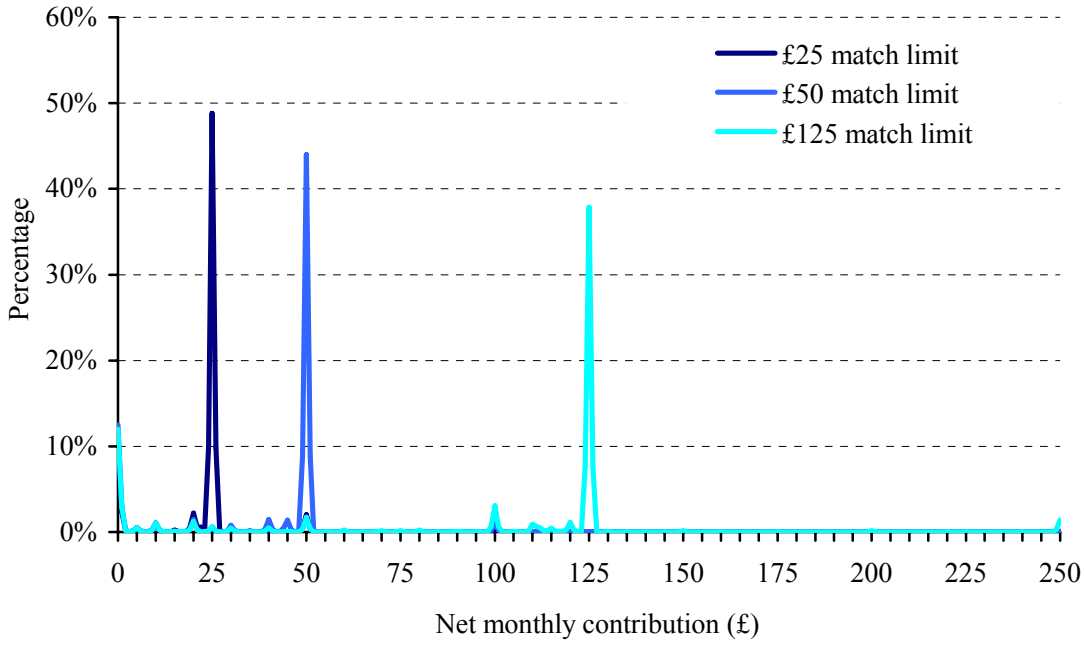
Table 6.9 Distribution of net monthly contributions, by area (£)

	p10	p25	Median	p75	p90	Mean	Mean> 0
East Yorkshire	0	25	25	25	25	21.84	25.98
Cambridge	0	30	125	125	125	91.98	113.90
South Yorkshire	0	25	25	25	25	21.84	25.81
East London	0	0	50	50	50	38.49	55.52
Cumbria	0	44	50	50	50	40.21	47.84
Manchester	0	22	25	25	25	20.59	25.45
Total	*0*	*25*	*25*	*50*	*125*	*41.65*	*50.94*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Total observations (account months) = 140,205, of which 116,399 were account months were a gross contribution was made.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Figure 6.6 shows the estimated probability distribution function of net monthly contributions split by the relevant contribution limit (Appendix A, Figure A.2 shows this across all areas). In all of the areas, the highest density of contributions can be seen at the contribution limit, with the second highest point being no net contribution. There are also some other monthly contributions – typically at round amounts for example at £100. In addition, the higher the contribution limit the lower the height of the estimated spike at that point. This shows that in the areas with higher contribution limits fewer individuals are contributing at that level.

Figure 6.6 Distribution of net monthly contributions, by size of match limit



Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Total observations (account months) = 140,205. Distribution estimated using an Epanechnikov kernel function with a bandwidth of 50p.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Across all areas, four out of nine individuals (44.2%) have, up to the 31st December 2005, always contributed at (or above) the matchable contribution limit. As shown in Table 6.10a, this varies by area. In East Yorkshire and South Yorkshire, both of which have a £25 contribution limit and match at the rate of 50p per £1 contributed, over one-in-two account holders have always contributed at (or above) the matchable contribution limit. In contrast, in Cambridge and East London, where the match rate is relatively less generous at 20p per £1 contributed, only around one-in-three account holders have always contributed at (or above) the matchable contribution limit. Table 6.10a also shows that, in all areas, the majority (90.6% overall) of account holders have made a net contribution after their first month. The percentage is slightly lower in East London, but this could be partly due to the accounts, on average, being open for fewer months in that area (see Appendix A, Table A6.5). It is also the case that a not insignificant percentage of individuals have chosen to take a month off (43.1%), with this being more common among account holders in East London (57.0%).

Table 6.10a Indicators of saving patterns, by area (per cent)

	Always contributes (at least) maximum	Ever contributes more than maximum	Ever contributes nothing to account	Makes contribution after first month	Sample size
East Yorkshire	51.69%	17.44%	38.63%	91.81%	3,492
Cambridge	35.14%	18.01%	45.42%	90.30%	4,804
South Yorkshire	51.59%	20.60%	38.95%	93.04%	4,452
East London	32.51%	19.98%	57.04%	81.65%	2,067
Cumbria	45.85%	10.39%	39.92%	92.23%	3,204
Manchester	45.50%	16.00%	44.55%	90.22%	2,956
Total	44.22%	17.21%	43.10%	90.56%	20,975

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Two accounts were opened in East London in December and therefore are missing from the 'Makes contribution after first month.

Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

6.5 Balances at 31st December 2005

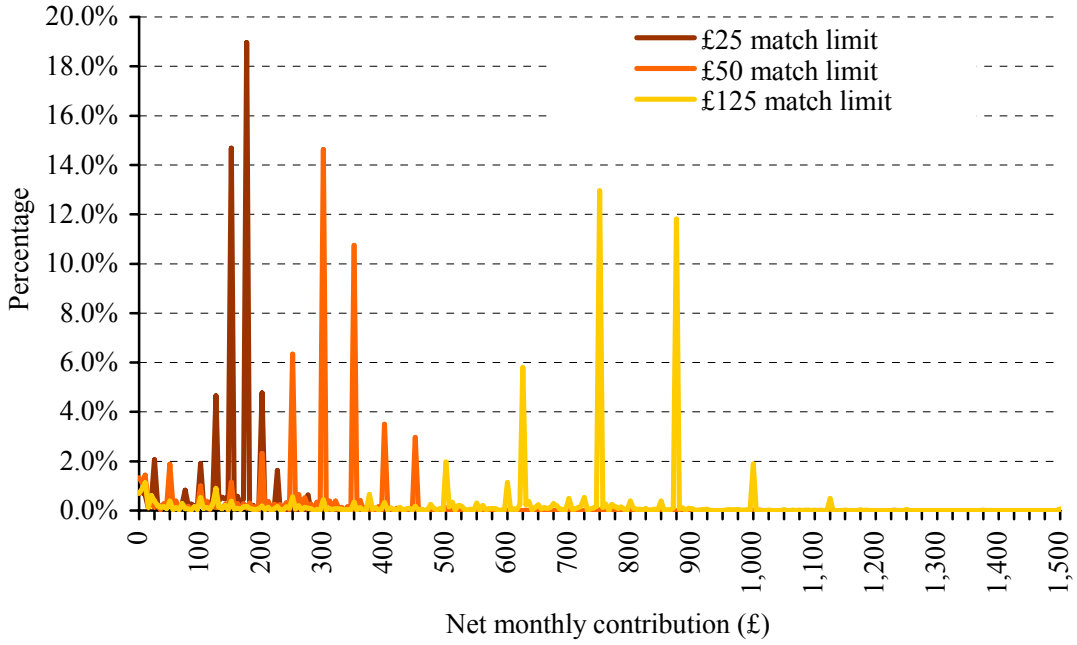
Table 6.10b provides information on the distribution of account balances at the 31st December 2005, split by area. Similarly Figure 6.7 shows the estimated probability distribution function for account balances at this date, again split by contribution limit (Appendix A, Figure A.3 shows this across all areas). Virtually all accounts had some funds in them (99.1% across all areas), with balances being typically highest in the areas with the highest matchable contribution limits. Median balances were £700 in Cambridge (£125 monthly contribution limit); £300 in Cumbria and £250 in East London (£50 monthly contribution limit); £175 in East Yorkshire; £150 in South Yorkshire; and £150 in Manchester (£25 contribution limit). The pattern shown in Figure 6.2 shows that account balances are primarily determined by the contribution limit and the number of months that the account has been open. For example, in the £50 areas spikes in the distribution can be seen at £50 intervals (e.g. £250, £300 and £350), whereas in the £125 area spikes can be seen at £125 intervals (e.g. £625, £750 and £875). This is unsurprising given that the most common net monthly deposit is the maximum matchable contribution (as shown in section 6.4).

Table 6.10b Distribution of account balances at 31st December 2005, by area (£)

	p10	p25	Median	p75	p90	Mean	% > 0
East Yorkshire	35	126	175	175	200	153.01	99.14
Cambridge	70	400	700	803	875	594.87	99.29
South Yorkshire	59	125	150	175	185	144.76	99.35
East London	10	100	250	300	350	236.24	97.15
Cumbria	60	250	300	350	400	281.88	99.53
Manchester	25	120	150	175	200	139.48	99.42
Total	45	145	175	350	750	278.44	99.12

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Total observations = 20,975.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Figure 6.7 Distribution of balances at 31st December 2005, by contribution limit



Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Total observations = 20,975.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Table 6.11 shows how balances at 31st December vary by area and family income at the time of account opening, while Table 6.12 shows how they vary by area and gross financial assets at the time of account opening. Balances are, on average, higher among those with higher family income in East Yorkshire, East London and (especially) Cambridge. There is also evidence of a stronger association between

gross financial assets at time of account opening and SG2 balance at 31st December 2005 than there is with income. This is explored in more detail in section 6.7.

Table 6.11 Median balance at 31st December 2005, by family income at time of account opening (£)

	Under 430	431–859	860–1,299	1,300–1,719	1,720–2,149	2,150–4,165	4,166 & over	Don't know
East Yorkshire	150	160	175	175	153	175	163	150
Cambridge	500	625	700	750	750	750	750	625
South Yorkshire	150	150	150	150	150	150	150	150
East London	183	158	250	250	250	265	228	214
Cumbria	300	300	300	300	300	300	350	295
Manchester	150	150	150	150	150	150	150	175
Total	160	175	175	175	175	200	300	175

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded, as are those for whom information from the account opening questionnaire is not available. Total observations = 16,482.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Table 6.12 Median balance at 31st December 2005, by gross financial assets at time of account opening (£)

	0	1–100	101–500	501–1,000	1,001–2,000	2,001–6,000	6,001 & over	Don't know
East Yorkshire	125	125.5	150	160	160	175	175	151
Cambridge	115	245	485	600	632.5	700	750	650
South Yorkshire	145	126	150	150	150	150	150	150
East London	55	140	250	250	250	300	300	250
Cumbria	190	240	285	300	300	300	300	300
Manchester	125	145	150	150	150	150	150	150
Total	125	150	151	175	175	175	250	175

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis, as are those for whom information from the account opening questionnaire is not available. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Total observations = 16,482.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

6.6 Achieved match by 31st December 2005

Table 6.11 shows the distribution of contributions made that will attract a government match. This differs from the balances given in section 6.4 since some individuals have made contributions that exceed the maximum matchable contribution limit, and some

have made withdrawals in previous months which they need to replenish before they can accumulate further match. Virtually all account holders (99.7%) have built up some entitlement to a government match (the only way that no match could be accumulated is if individuals withdrew all of their account opening contribution in the same calendar month that their account was opened). Table 6.13 shows that at the median, £175 of matchable contributions have been made by individuals with greater average contributions in those areas with higher contribution limits.

Table 6.13 Distribution of matchable contributions at 31st December 2005, by area (£)

	p10	p25	Median	p75	p90	Mean	% > 0
East Yorkshire	50	125	150	175	200	143.56	99.68
Cambridge	100	375	627	750	875	574.34	99.75
South Yorkshire	60	125	150	175	175	137.13	99.84
East London	20	100	245	300	350	199.02	98.60
Cumbria	90	250	300	350	400	278.92	99.94
Manchester	40	105	150	175	175	133.32	99.93
Total	*50*	*126*	*175*	*301*	*735*	*265.56*	*99.70*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Total observations (account months) = 20,975.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Most account holders have built up a large proportion of the maximum government match that they could be entitled to. At the mean, individuals are entitled to 76.9% of the maximum match possible – with the median account achieving a greater amount at 87.5%. As shown in Table 6.14, individuals in East London and Cambridge (where the match rate is relatively less generous) have typically built up the lowest share of the potential match (80.0% and 84.7% at the median respectively). In both East Yorkshire and South Yorkshire, the median account has accrued all of the potential government match to-date.

Table 6.14 Distribution of potential match achieved by 31st December 2005, by area (per cent)

	p10	p25	Median	p75	p90	Mean
East Yorkshire	28.57	75.00	100.00	100.00	100.00	81.62
Cambridge	12.60	50.00	84.67	100.00	100.00	70.93
South Yorkshire	37.14	76.09	100.00	100.00	100.00	82.57
East London	5.71	32.00	80.00	100.00	100.00	64.41
Cumbria	25.00	71.43	90.00	100.00	100.00	79.32
Manchester	23.33	66.67	88.89	100.00	100.00	78.42
Total	17.14	66.67	87.50	100.00	100.00	76.88

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Total observations (account months) = 20,975.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

6.7 Variation in net contributions and balances by background information

This section presents information on how the distribution of net monthly contributions and balances at 31st December 2005 vary by other individual characteristics – in particular, both family income and gross financial assets at the time that the account was opened. Table 6.15 shows the mean level of net monthly contributions by both area and the method by which the account opener was recruited to the SG2 account. Mean net monthly contributions were lower among those recruited from the DWP benefit records than among those recruited either through PAF or RDD. The absolute difference was smaller in the areas with a £25 monthly contribution limit (East Yorkshire, South Yorkshire and Manchester). Within the two areas with a £50 contribution limit, the difference in mean contribution between those from the DWP sample and those from other recruitment methods is larger in East London than in Cumbria. This could be related to the relatively less generous match rate in East London or due to other characteristics of those in East London (see Chapter 3 for more details).

Table 6.15 Mean net monthly contribution, by area and recruitment method (£)

	DWP benefit records	Postcode Address File	Random Digit Dialling	*Total*
East Yorkshire	19.54	23.13	22.29	21.84
Cambridge	74.53	97.33	87.43	91.98
South Yorkshire	20.09	22.18	22.09	21.84
East London	26.86	44.74	37.27	38.49
Cumbria	36.41	42.39	41.88	40.21
Manchester	18.93	20.80	21.85	20.59
Total	33.60	48.13	34.18	41.65

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis, as are those for whom information from the account opening questionnaire is not available. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Sample size shown in brackets.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

The distribution of net monthly contributions by banded family income from the account opening questionnaire is shown in Table 6.16. Equivalent figures for banded gross financial assets are shown in Table 6.17. For most income bands, and for all gross financial asset bands, median net contributions are £25 which is due to this being the median contribution limit faced by individuals, and the fact that most individuals in those areas contribute up to this limit. Mean contributions to SG2 accounts have been higher among both those with higher family income and gross financial assets.

Figure 6.8 presents mean net monthly contributions as a share of the contribution limit, by both monthly family income and gross financial assets at the time of account opening. On average, a net contribution of 81.3% of the contribution limit was made into the accounts each month, with those with higher family incomes and gross financial assets being more likely to contribute a greater proportion of the contribution limit. Figure 6.8 also shows the average net contribution as a percentage of the maximum contribution taken just across months where a positive net contribution was made to the account. On average, when a positive net contribution was made, the net monthly contribution was worth 99.4% of the contribution limit. Moreover, even among the lowest income and wealth groups, the average contribution among those making a positive net monthly contribution was over 90% of the contribution limit.

Table 6.16 Distribution of net monthly contributions, by family income at time of account opening (£)

	p10	p25	Median	p75	p90	Mean	Mean> 0
Under £430	0	0	25	40	50	30.16	42.07
£431–£859	0	10	25	50	100	33.63	44.17
£860–£1,299	0	25	25	50	125	41.12	49.69
£1,300–£1,719	0	25	25	50	125	45.43	53.31
£1,720–£2,149	0	25	25	50	125	46.98	54.80
£2,150–£4,165	0	25	25	100	125	53.06	61.58
£4,166 & over	0	25	50	125	125	63.79	75.04
Don't know	0	10	25	50	125	37.37	48.62
Total	*0*	*25*	*25*	*50*	*125*	*42.36*	*51.68*

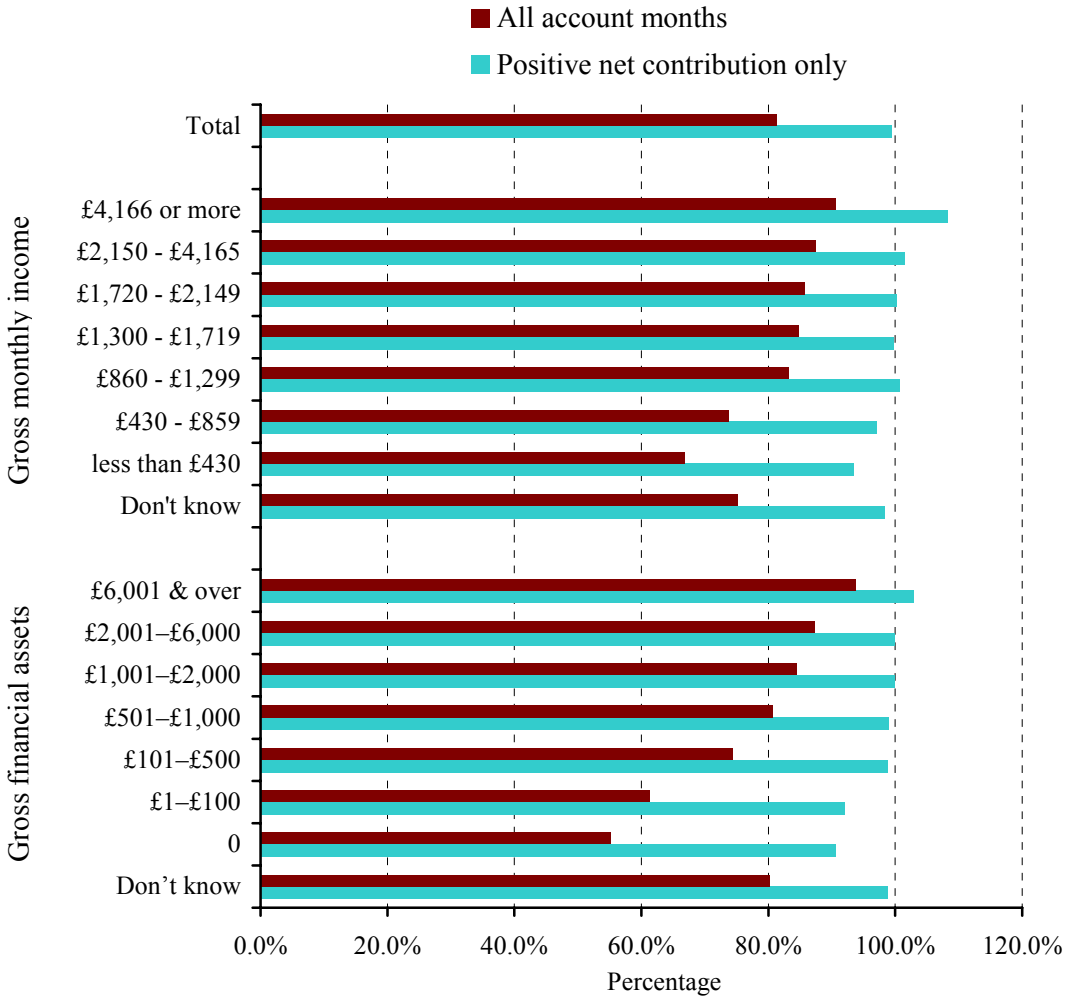
Notes: Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Total observations (account months) = 107,911, of which 90,126 were account months where a gross contribution was made.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Table 6.17 Distribution of net monthly contributions, by gross financial assets at time of account opening (£)

	p10	p25	Median	p75	p90	Mean	Mean> 0
£0	0	0	25	25	50	22.22	36.93
£1–£100	0	0	25	25	50	25.32	37.93
£101–£500	0	10	25	40	50	31.23	41.42
£501–£1,000	0	25	25	50	115	36.96	45.38
£1,001–£2,000	0	25	25	50	125	41.83	49.40
£2,001–£6,000	0	25	25	50	125	45.47	52.16
£6,001 & over	20	25	25	125	125	57.37	62.84
Don't know	0	25	25	50	125	41.59	51.13
Total	0	25	25	50	125	42.36	*51.68*

Notes: Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Total observations (account months) = 107,911, of which 90,126 were account months where a gross contribution was made.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Figure 6.8 Mean net monthly contributions as a proportion of maximum monthly matchable contribution, by gross monthly family income and gross financial assets at time of account opening



Notes: Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Total observations (account months) = 107,911, of which 90,126 were account months where a net contribution was made.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Indicators of saving patterns since the SG2 account was opened are shown by family income in Table 6.18 and by gross financial assets in Table 6.19. Those with higher incomes and those with higher gross financial assets are more likely to have contributed the maximum amount (or more) in every month since they opened their accounts than those with lower incomes or gross financial assets. Correspondingly, those with higher incomes and gross financial assets are also less likely to have had a month in which they have not contributed anything to their account than those with lower incomes or gross financial assets. In particular, 71.3% of those with no gross financial assets at the time of account opening made a contribution to their account

after the first month compared with 90.5% overall. Over one-in-five (22.4%) of those with no gross financial assets at the time of opening the account had managed to accrue the maximum achievable match by 31st December 2005. However, it is possible that these individuals with no financial assets would have began saving even in the absence of the Saving Gateway policy. The initial causal impact of the SG2 accounts on the number of savers, amounts saved and amounts spent, is set out in Chapter 7.

Table 6.18 Indicators of saving patterns, by family income at time of account opening (per cent)

	Always contributes (at least) maximum	Ever contributes more than maximum	Ever contributes nothing to account	Makes contribution after first month	Sample size
Under £430	33.81	14.09	52.71	80.76	1,455
£431–£859	38.51	17.60	47.14	85.81	2,932
£860–£1,299	46.45	17.88	42.10	91.61	3,658
£1,300–£1,719	48.97	17.21	38.40	93.23	3,073
£1,720–£2,149	48.16	17.04	39.80	93.96	2,201
£2,150–£4,165	49.15	17.04	38.61	93.79	2,753
£4,166 & over	44.62	26.15	40.00	96.92	65
Don't know	41.45	16.52	47.54	86.09	345
Total	44.96	17.12	42.46	90.50	16,482

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded.

Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Table 6.19 Indicators of saving patterns, by gross financial assets at time of account opening (per cent)

	Always contributes (at least) maximum	Ever contributes more than maximum	Ever contributes nothing to account	Makes contribution after first month	Sample size
£0	22.35	16.41	64.92	71.27	1,414
£1–£100	24.05	17.79	61.33	79.20	1,293
£101–£500	32.88	18.81	51.99	87.83	1,685
£501–£1,000	40.70	19.22	46.09	92.61	1,150
£1,001–£2,000	44.36	18.98	42.09	94.09	1,454
£2,001–£6,000	49.89	17.32	36.20	94.69	2,315
£6,001 & over	60.80	15.50	29.16	97.06	4,760
Don't know	44.26	16.88	43.26	89.59	2,411
Total	44.96	17.12	42.46	90.50	16,482

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

A similar pattern is shown in Table 6.20. Those with no financial assets, or just informal savings, are found to be relatively less likely to always contribute the maximum or to contribute after the first month, and are relatively more likely to have a month with no net contribution. They are also relatively more likely to contribute more than the maximum matchable contribution limit, perhaps suggesting that those in this group are relatively less likely to understand the account rules.[30] Those with investments are relatively more likely to always contribute the maximum, to make a contribution after the first month and are relatively less likely to have a month with no net contribution or to contribute more than the maximum amount. Those with debts are found to be less likely to always make the maximum matchable contribution and more likely to have a month with no net contribution than those without debts.

[30] All of the differences in these indicators of saving patterns between the 203 individuals with no formal assets with those who have formal assets are statistically significantly different from zero at conventional levels.

Table 6.20 Indicators of saving patterns, by asset and debt holding at time of account opening (per cent)

	Always contributes (at least) maximum	Ever contributes more than maximum	Ever contributes nothing to account	Makes contribution after first month	Sample size
Assets					
None	26.67	24.44	62.22	77.78	135
Informal savings only	26.47	20.59	64.71	70.59	68
Savings accounts only	33.86	17.58	52.98	82.86	4,658
Holds investments	50.37	16.83	37.29	94.27	11,141
Don't know	34.79	16.88	51.67	83.54	480
Debts					
No debts	54.58	17.47	34.19	93.43	4,899
Has debts	40.04	17.00	46.74	89.20	10,425
Don't know	48.53	16.75	38.86	89.90	1,158
Total	44.96	17.12	42.46	90.50	16,482

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded.

Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

The percentage of account holders who have always contributed the match limit is broken down by family income and area in Table 6.21, and by gross financial assets and area in Table 6.22. The proportion who have always contributed the maximum amount is particularly low among lower income and gross financial asset account holders in East London and Cambridge. These are the areas that offer a relatively less generous match rate.

Table 6.21 Percentage always contributing at least the match limit, by area and monthly family income at time of account opening

	Under 430	431–859	860–1,299	1,300–1,719	1,720–2,149	2,150–4,165	4,166 & over	Don't know
East Yorkshire	36.36	46.78	51.94	58.06	53.68	59.81	37.50	40.00
Cambridge	22.99	28.75	36.13	38.13	39.16	39.07	46.15	29.63
South Yorkshire	42.24	47.28	53.26	55.12	53.08	54.11	50.00	54.93
East London	22.53	23.67	37.60	40.84	44.76	48.68	20.00	27.50
Cumbria	34.36	36.89	47.28	52.56	48.18	52.80	75.00	46.00
Manchester	41.16	38.42	48.09	47.27	52.08	51.81	33.33	54.55
Total	*33.81*	*38.51*	*46.45*	*48.97*	*48.16*	*49.15*	*44.62*	*41.45*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis, as are those for whom information from the account opening questionnaire is not available. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. The unit of observation in this table is each account, and the number of accounts is 16,482.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

In Cambridge, where the contribution limit is £125, even among those who report having more than £6,000 of gross financial assets it is still the case that only half of account holders have always contributed the maximum each month. In contrast among those with more than £6,000 of gross financial assets in East Yorkshire (which has a £25 contribution limit, a 50p match rate and a £50 bonus for those contributing £50), 72.6% of account holders have always contributed at least the maximum amount in all months.

Table 6.22 Percentage always contributing at least the match limit, by area and gross financial assets at time of account opening

	0	1–100	101–500	501–1,000	1,001–2,000	2,001–6,000	6,001 & over	Don't know
East Yorkshire	30.11	26.41	36.42	45.87	53.02	60.38	72.62	47.60
Cambridge	12.89	10.96	17.19	20.68	29.29	34.01	50.31	34.48
South Yorkshire	29.06	29.73	37.08	45.32	52.71	58.07	65.58	53.74
East London	13.14	20.61	31.10	35.63	31.73	43.90	56.70	30.74
Cumbria	20.57	21.14	31.19	46.54	47.42	49.85	62.99	43.94
Manchester	23.51	31.56	40.83	51.10	46.77	53.96	66.24	52.43
Total	*22.35*	*24.05*	*32.88*	*40.70*	*44.36*	*49.89*	*60.80*	*44.26*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis, as are those for whom information from the account opening questionnaire is not available. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. The unit of observation in this table is each account, and the number of accounts is 16,482.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Finally, Table 6.23 reports the results from multivariate analysis examining the factors associated with higher net monthly contributions and those associated with higher account balances at 31st December 2005. In the middle panel, the results from two ordinary least squares regressions are reported with net monthly contributions as the dependent variable, i.e. the data used in these regressions contain one observation per account per month. The right hand panel shows the results from two equivalent regressions but with account balance at 31st December 2005 as the dependent variable, i.e. the data used in these regressions contain one observation per account. For each dependent variable, the results from two different specifications are reported: the first controls only for area, recruitment method and time since the account was opened while the second includes many other individual characteristics from the account opening questionnaire including asset ownership, employment status, household demographics, age, self-reported health and education.

In the specifications that control for the fuller set of characteristics, higher contributions are seen in the areas with higher contribution limits and among those recruited by RDD and (particularly) PAF. It is also the case that those with greater assets (as indicated by housing tenure, having greater gross financial assets or lower debts), those with higher family income and those reporting that they intended to contribute to the SG2 account from sources that were less likely to represent new saving (i.e. those things marked in red in Figure 6.2, namely that the reported intended

source for payments into their Saving Gateway account, was either from transferring from existing savings, money already set aside or from informal borrowing) tend, on average, to be associated with having greater monthly net contributions and, therefore, greater balances at 31st December 2005.

Turning to relationships with how long individuals have had their accounts open, it is unsurprising that those who have had their accounts open for longer have, on average, higher account balances at the 31st December (for the two balance regressions the 'months open' variable is the number of calendar months since the account was opened). There is also no evidence that net monthly contributions are different for those who have had their account open for longer (for the two net monthly contribution regressions the 'months open' variable is how long the account had been open by the relevant month).

Table 6.23 Multivariate analysis of net monthly contributions and balance at 31st December 2005

	Net monthly contributions				Balance at 31st December 2005			
	Co–eff	s.e.	Co–eff	s.e	Co–eff	s.e.	Co–eff	s.e
East Yorkshire	21.09***	0.82	13.52***	2.27	–203.4***	23.69	–246.4***	40.68
Cambridge	89.83***	1.17	80.60***	2.35	254.3***	22.71	200.1***	40.02
South Yorkshire	19.50***	0.98	11.78***	2.24	–206.0***	23.05	–250.0***	40.16
East London	37.42***	3.00	31.33***	4.47	–79.9***	22.27	–113.1***	39.30
Cumbria	39.95***	0.82	31.59***	2.26	–71.3***	23.66	–119.1***	40.51
Manchester	19.78***	0.82	13.93***	2.23	–206.3***	23.15	–237.7***	39.97
Months open	0.32**	0.14	0.29**	0.12	50.9***	3.04	49.0***	3.15
PAF	3.02***	0.73	1.74*	1.02	27.8***	7.13	17.2**	7.16
DWP	–6.23***	0.48	–3.53***	0.53	–45.0***	7.72	–27.5***	8.41
Owner occupier			4.54***	0.59			29.9***	8.27
Own outright			2.29***	0.50			15.2*	8.20
FT employment			1.35**	0.56			10.1	9.11
PT employment			1.06	0.74			6.9	10.35
Couple no kids			1.37*	0.74			10.7	10.88
Single parent			–3.07***	0.79			–20.5*	11.50
Couple with kids			–1.90**	0.83			–10.8	12.09
Other			2.67***	0.83			17.2	12.25
'Unlikely to be new'			6.06***	0.77			39.3***	12.35
Assets 1-500			5.10***	0.96			34.0***	13.24
Assets 500-1,000			6.38***	0.82			41.0***	12.51
Assets 1,000-2,000			8.59***	0.75			56.4***	11.67
Assets 2,000-6,000			9.50***	0.68			61.4***	10.42
Assets 6,000+			12.81***	0.67			82.3***	10.00
Debt 1-50			–1.89	1.69			–13.8	26.48
Debt 51-100			–2.97**	1.21			–17.3	20.56
Debt 101-250			–1.76**	0.83			–10.7	15.32
Debt 251-500			–3.35***	0.78			–22.0*	12.77
Debt 501-1,000			–3.99***	0.78			–25.6**	11.62
Debt 1,001-2,000			–3.97***	0.74			–25.5**	11.78
Debt 2,000+			–4.74***	0.50			–30.4***	7.65
Income 430-859			0.78	0.82			4.9	12.11
Income 860-1,299			2.19**	0.87			13.4	12.99
Income 1,300-1,719			2.89***	0.95			17.0	14.14
Income 1,720-2,149			3.28***	1.00			20.3	15.22
Income 2,150-4,165			3.65***	1.04			22.2	15.52
Income 4,166+			9.83***	3.42			68.3	46.39
Health good			0.11	0.47			0.5	7.20
Health fair			1.45**	0.58			8.9	9.54
Health poor			2.01**	0.86			12.7	12.52
Health v. poor			3.04***	1.01			19.7	15.73
Disabled			0.30	0.59			2.6	9.37
A level			0.26	0.46			1.7	6.94
Degree			1.11**	0.54			6.6	7.35

Notes: Stars denote the statistical significance of the estimated co-efficients: *** = 99% level, ** = 95% level and * = 90% level. The base group is single renters with no children who have no qualifications above compulsory schooling, are not in employment, have gross monthly income below £430, no existing assets or debts, said their contributions to SG2 would come from sources that were more likely to be new saving, report being in very good health and were recruited through RDD. A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Rows might not sum to one hundred due to rounding. Dummy variables for missing information also included. Sample size for net monthly contributions = 140,205 and for balances at 31st December 2005 = 20,975. Standard errors in equation for net monthly contributions clustered at the account level. Income refers to gross monthly family income.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

6.8 Transaction methods

The Halifax transactions data also contains information on how contributions and withdrawals were made (e.g. cash, standing order). In order to open an account, individuals had to make an initial payment either by cash or cheque. For this reason, most transactions during the first month of each account are through cash and cheques – 37.0% and 55.1% of transaction during the first month were made by cash and cheques, respectively (see Table A6.12). However, after the accounts had been open for a few months, the most common methods of depositing and withdrawing money were cash, bank credits and standing orders.

The transaction methods used vary somewhat across the areas. Standing orders are most common in East Yorkshire and South Yorkshire where the contribution limit is low (see Table 6.24). The use of cash is most common in East London. However, much of this variation by area may be reflecting differences in the transaction methods used by individuals with different levels of family income and assets, since the family income and assets of individuals vary across the pilot areas (as discussed in Chapter 3).

Table 6.24 Distribution of transaction method, by area (per cent)

	Cash	Cheque	Transfer	Bank credit	Standing order	Account close	Interest
East Yorkshire	39.2	10.53	1.87	30.96	16.90	0.48	0.05
Cambridge	28.68	21.00	1.78	41.07	6.98	0.47	0.02
South Yorkshire	32.72	10.89	2.17	33.94	19.86	0.42	0.01
East London	44.06	12.20	2.63	30.62	8.46	1.84	0.18
Cumbria	40.42	10.90	1.91	34.62	11.67	0.26	0.22
Manchester	33.78	8.56	1.18	41.88	14.17	0.33	0.11
All	*35.36*	*12.9*	*1.89*	*35.94*	*13.3*	*0.53*	*0.08*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Total observations (transactions) = 149,948. "Account close" refers to the few transactions which involved individuals closing their accounts. "Interest" refers to cases where interest was paid by the Halifax on some SG2 accounts – though SG2 accounts should not have earned any interest, it was decided that these payments would not be reversed.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Table 6.25 shows how transaction methods used vary across income bands. Cash is most commonly used by those with the lowest family incomes. Over half (55.8%) of transactions made by those with family income of less than £430 a month were in cash. In contrast, those with higher family incomes are more likely to use bank credits and standing orders.

Table 6.25 Transaction type, by family income at time of account opening (per cent)

	<430	431–859	860–1,299	1,300–1,719	1,720–2,149	2,150–4,165	4,166 & over	Don't know
Cash	55.79	47.05	33.28	27.92	26.39	19.59	25.47	39.31
Cheque	15.32	16.06	20.85	21.82	23.08	24.51	27.14	16.65
Transfer	2.19	2.74	2.66	2.75	2.70	2.51	1.88	3.57
Bank credit	16.83	22.11	30.17	35.61	36.60	41.87	35.28	28.60
Standing order	8.96	11.42	12.60	11.61	10.88	11.19	9.81	11.37
Account close	0.89	0.60	0.42	0.26	0.33	0.32	0.00	0.50
Interest	0.03	0.02	0.02	0.02	0.01	0.01	0.42	0.00
Total	*100.00*	*100.00*	*100.00*	*100.00*	*100.00*	*100.00*	*100.00*	*100.00*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis, as are those for whom information from the account opening questionnaire is not available. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. The unit of observation in this table is each account month, and the number of account months is 115,291. Rows might not sum to one hundred due to rounding.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

This picture is reinforced when we look at transaction methods used by individuals with different levels of existing assets (Table 6.26). Amongst those who had no assets prior to opening a SG2 account, 54.7% of transactions were made using cash. In comparison, only 20.1% of transactions made by individuals with at least £6,000 of assets were made by cash (many of which may be accounted for by deposits in the first month, as mentioned above).

Instead, high wealth individuals are much more likely to have used bank credits and standing orders - 54.0% of transactions made by the highest wealth individuals were by standing order or bank credit compared with just 26.2% of those made by the lowest wealth individuals. This could suggest that high wealth (and high income) individuals are more confident that they will be able to make a regular contribution and so set up a standing order rather than paying in cash in an ad hoc manner. Indeed, if we look at the value of contributions made by each of the transaction methods (Table 6.27), we see that transactions made by bank credit and standing order are more likely to be for the maximum amount - 81.6% of deposits made by bank credit and 83.8% of deposits made by standing order were at the monthly contribution limit compared with just 64.3% of deposits made in cash.

Table 6.26 Transaction type, by gross financial assets at time of account opening

	0	1–100	101–500	501–1,000	1,001–2,000	2,001–6,000	6,001 & over	Don't know
Cash	54.69	52.43	43.65	38.00	31.68	27.66	20.06	35.31
Cheque	15.99	16.65	17.64	19.09	19.32	21.36	24.05	20.93
Transfer	2.36	1.88	2.44	2.98	2.57	3.00	2.66	2.92
Bank credit	18.35	19.54	26.84	28.19	34.80	34.36	39.47	29.16
Standing order	7.84	8.90	8.76	11.37	11.33	13.13	13.49	11.17
Account close	0.77	0.57	0.64	0.34	0.27	0.48	0.27	0.47
Interest	0.01	0.03	0.04	0.02	0.03	0.01	0.01	0.03
Total	*100.00*	*100.00*	*100.00*	*100.00*	*100.00*	*100.00*	*100.00*	*100.00*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis, as are those for whom information from the account opening questionnaire is not available. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. The unit of observation in this table is each account month, and the number of account months is 115,291. Rows might not sum to one hundred due to rounding.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Table 6.27 Mean credits and debits, and indicators of SG2 account behaviour, by transaction type

	Mean credit	Mean debit	% credits by this method at contribution limit
Cash	38.37	78.10	64.29
Cheque	53.82	1,209.50	70.24
Transfer	95.68	96.08	77.87
Bank credit	51.90	n/a	81.64
Standing order	37.86	50.00	83.75
Account close	n/a	49.03	n/a
Interest	0.03	n/a	0.00
All	47.07	83.69	73.53

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Total credits = 146,211; total debits = 3,737.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

The SG2 qualitative research also supports this theory. Individuals in families with lower incomes are more likely to say that they prefer to pay by cash and, in most cases, this preference is because paying by cash allows them to keep a close eye on their spending and save what they can afford every month rather than a set amount.

Chapter 7: Impact of Saving Gateway 2

The impact of the SG2 accounts is investigated by taking those recruited through RDD, and comparing outcomes of interest among those offered the opportunity to open an account to the same outcomes among those who were not offered accounts. When interpreting the results, it should be borne in mind that the outcomes are observed after the accounts have been open for just four months on average, and some of the patterns might change by the time accounts mature after eighteen months.

The results are consistent with new saving in terms of whether savings in cash deposit accounts are reported to have increased over the last three months. For example, those who have been offered accounts are 3.9 percentage points more likely than those not offered accounts to say that they have increased such savings by more than two months of maximum SG2 contributions.

The evidence is less clear when stocks of – rather than changes in the amount of - saving are analysed. This may reflect the fact that changes in the flow of saving only slowly cumulate into measurable changes in the stock of funds held.

When considering broader measures of financial wealth that include other assets alongside cash deposits, there is no consistent, statistically significant evidence that during the early months of the pilot, SG2 accounts have led to increases in financial wealth. This suggests that during the early months of the SG2 accounts, in order to transfer money into cash deposits, some account holders may have been adjusting their other financial assets in ways that they would not have done in the absence of the SG2 accounts.

The results for spending outcomes suggest that at this early stage in the pilots, individuals may be reducing their spending slightly when they have a SG2 account. For example, individuals who were offered accounts are 3.1 percentage points less likely, on average, than those who were not offered accounts, to say that they have spent more than £300 on goods and services during the month before their interview.

It is interesting to consider not only the effects averaged across all individuals but also to infer effects on those who actually opened accounts, since the estimated effects on account holders are larger than effects measured across all individuals who were offered accounts. The accounts are estimated to have led to a 26.7 percentage point increase, on average, in the probability that account holders increased the funds that they had in cash deposit accounts during the three months prior to their interview, and a 16.3 percentage point decrease, on average, in the probability that account holders had spent more than £300 on goods and services in the month before they were interviewed.

The proportion of those offered accounts who actually opened them was lower among: those with lower education compared to those with higher education; those receiving means-tested benefits compared with those who are not; and those with lower rather than higher family income. Therefore, though similar effects on the increase in amounts held in savings accounts were found across individuals in low and high income and low and high education subgroups, these reflect larger (point estimates of) effects on account openers in the lower education and lower income subgroups than in the higher education and higher income groups.

This chapter presents the early evidence on the extent to which the SG2 accounts have been successful in encouraging people who do not normally save to start saving. In particular it looks at the extent to which the provision of SG2 accounts has created new savers and generated new saving during the early months of operation of the accounts.

Section 7.1 outlines the methodology employed, while section 7.2 describes the main outcome variables that are used in the analysis. The results of the analysis are presented in section 7.3. Section 7.4 presents findings from the second wave of qualitative research, focusing on the impact that SG2 accounts have had to-date on the saving behaviour of account holders.

7.1 Description of methodology

The aim of our analysis is to identify whether, and how much, extra saving (or equivalently reduction in expenditure) has occurred due to the introduction of SG2 accounts. The main difficulty for assessing this is that we cannot observe directly how much individual account holders would have saved and spent if they had not been given accounts. We do, however, have a random trial in the sense that only some of the individuals who were recruited into the SG2 scheme through Random Digit Dialling (RDD) were offered the opportunity to open an account. Crucially, these individuals were selected at random from the RDD sample. This random selection should mean that the only difference, on average, between individuals who were offered the chance to open an account and those who were not, is this offer of the chance to open the account. This is the main factor we will exploit to assess the average impact of the account on saving and spending across those who were offered the chance to open one.

In order to be able to make this assessment, it is important that we have information on account openers, those who were offered the chance to open an account but did not and those who were not offered the chance. All of these groups are observed in the RDD sample, but not in the DWP or Postcode Address File (PAF) samples. Having assessed effects across all those offered the chance to open accounts, we can then calculate the implied effects just on those who accepted the invitation (this is done in section 7.3.3).

To be more specific about the methodology, the impact of the SG2 accounts is investigated by comparing the outcomes of interest among those who were contacted through Random Digit Dialling (RDD) and offered the chance to open an account to the outcomes of interest among those who were also contacted through RDD but were not offered the chance to open an account. The outcomes of interest include measures of the level of different components of an individual's net worth (such as funds held in savings accounts) and also measures of levels of spending. We also examine measures of the reported change in both some measures of net worth and some measures of spending over recent months.

As the selection into whether or not individuals contacted through RDD were offered the chance to open an account was random, it is plausible to assume that any statistically significant difference in the outcomes between those offered and those not offered can be attributed to the policy. By controlling for other observable characteristics that are correlated with the outcomes of interest, we can also improve the accuracy of the estimated impacts. This is true even if these other factors are uncorrelated with whether or not the individual was offered the opportunity to open a SG2 account (which should be the case as this was done on a random basis).

The simple equation that we estimate has the form shown in equation (1) below. Y_i is the outcome of interest for individual i, X_i denotes individual observable characteristics, and $OFFER_i$ is a dummy variable that takes the value 1 if an individual was offered the opportunity to open a SG2 account and 0 otherwise. Hence λ is the main co-efficient of interest.

$$Y_i = \gamma X_i + \lambda OFFER_i + \varepsilon_i \quad (1)$$

For each outcome of interest, we use three different specifications which vary by the characteristics that are included in X_i. Details of the characteristics controlled for in each specification are shown in Table 7.1. In the simplest specification (specification 1), we only take into account the area within which the individual resides. Our preferred specification is specification 2, in which we also include controls for characteristics such as sex, age, education and household composition, which are likely to be correlated with the outcome(s) of interest but are not likely to have been affected by the SG2 accounts. In specification 3, we include the broadest set of

controls; these include characteristics such as family income, individual earnings, benefit receipt and numeracy. These additional variables are likely to be correlated with the outcome of interest but might also have been affected by the SG2 account. As a result, their inclusion in the equation could introduce bias to the estimates of the co-efficient. For example, account holders might have chosen to increase their hours of work to boost their income, so that they could place the extra funds that they earned into their account. Therefore, for brevity, we only report the estimates of λ from the 2nd specification for most outcomes of interest. In addition, we also examine whether or not the different variants of the SG2 account have a different impact on the outcomes of interest. This is done by running separate equations for each area in order to produce six different estimates of λ.

Table 7.1 Characteristics controlled for in each of the specifications

Controls	Specification 1 Area only	2 (preferred) Plus 'Exogenous' regressors	3 Plus possibly endogenous regressors
Area of residence	✓	✓	✓
Sex	×	✓	✓
Whether live with partner	×	✓	✓
Age (5 age bands)	×	✓	✓
Whether another adult in HH	×	✓	✓
Whether pre-school child in HH	×	✓	✓
Whether other child in HH	×	✓	✓
Education	×	✓	✓
Month of interview	×	✓	✓
Ethnicity	×	✓	✓
Interview method	×	✓	✓
Family Income (quintile)	×	×	✓
Employment status	×	×	✓
Receiving means-tested benefits	×	×	✓
Receiving other benefits	×	×	✓
Earnings	×	×	✓
Housing tenure	×	×	✓
Self-reported health	×	×	✓
Numeracy	×	×	✓

For continuous outcomes – such as level of savings or level of savings and investments – equation 1 is estimated using a linear regression (Ordinary Least Squares – OLS). For outcomes that are dichotomous – such as whether or not an individual's savings are greater than £500 or whether or not their savings have increased in the last three months – equation 1 is estimated using a (non-linear) probit model. In both cases, we report the estimated value of $\lambda\lambda$, which can be interpreted as the estimated impact on the outcome of interest of being *offered* the opportunity to open a SG2 account.[31]

[31] For linear regression estimates (i.e. those estimated using Ordinary Least Squares) this will, by assumption, be a constant. For the non-linear estimates (i.e. those estimated using a probit model), the

It is also of interest to identify the impact of the policy among those who actually opened an account. Comparing the outcomes of interest among those who choose to open an account with those who choose not to would require us to assume that the decision to open an account is not related to the outcome(s) of interest. It is likely that those who choose to open an account are more likely to expect to be able to save over the next 18 months than those who choose not to open an account. This would imply that, even in the absence of the SG2 account, individuals who chose to open an account would have been more likely to save more than those who chose not to open an account. In fact, as shown in Chapter 3, there are key differences between the characteristics of those who chose to open an account and those who did not: for example, those who chose to open an account were more likely to hold investments and have higher levels of numeracy than those who did not.

Therefore, to estimate the impact of actually opening an account we instead simply take our estimates of the impact of the policy on the group offered the chance to open an account and divide through by the proportion of individuals who accepted the opportunity to open an account. So, for example, if the SG2 account increased saving by £10 per month (on average) among those offered the chance to open an account, but the take-up rate was only 50%, then the impact of the policy on those who opened an account will be an average of £20 per month. This makes the relatively weak assumption that the presence of the policy has no impact on those who were offered the chance to open an account but declined to do so.[32]

7.2 Description of evaluation sample

As we described in section 7.1, our analysis will involve using regression techniques to compare certain outcomes relating to levels of (and changes in) saving and spending across individuals in the RDD sample who were or were not offered the chance to open SG2 accounts. In this section, we describe the outcome variables that

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percentage point impact will depend on the other characteristics. In these cases we report the estimated impact at the mean of all the independent variables.

[32] For the linear regression estimates of λλ this is a simple division. However, for the non-linear estimates we estimate an index and divide this through by the proportion of those offered the opportunity to open an account that chose to do so. This index is then converted into the percentage point impact for an individual with certain characteristics.

will be the dependent variables – i.e. the outcomes of interest – in our regressions. In particular, Tables 7.2.1 and 7.2.2 display the mean and *(standard deviation)* of each outcome variable for different groups within the RDD recruited sample that will be used in our analyses. As well as displaying statistics across the whole group of RDD recruited individuals (see the right hand panel of Table 7.2.2), the sub-groups that we consider are: account holders, account refusers, all 'treated' individuals who were offered the chance to open an account and all control individuals.

All of the statistics displayed in Tables 7.2.1 and 7.2.2 are calculated using weights to allow for the fact that account holders (a self-selected sample who, on average, have higher levels of income than individuals in the RDD sample – see Chapter 3) are over represented in the sample of telephone interviews.[33] This weighting should mean that characteristics that would not be affected by the SG2 accounts should be approximately the same, on average, across the treated sample as they are, on average, in the control sample. Appendix Tables A7.1 and A7.2, which describe the background characteristics that are used as independent variables in the regressions for each of the different groups of interest, show that this is indeed the case.

To aid interpretation of Tables 7.2.1 and 7.2.2 and the analysis in the rest of this chapter, it is helpful to describe some of the variables used in slightly more detail. The outcome variables that we use in our analyses include various measures of the level of and change in the savings and wealth that individuals hold, and also measures of how much they are spending. For individuals in couples, we ask for sufficient information so that we can analyse the joint savings and spending of the couple.

The first set of measures of savings relate specifically to the amount of money that individuals report having in cash deposit accounts with, for example, banks or building societies (this measure is called *savings* in the Tables that follow).[34]

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[33] The weights also allow for the fact that treated individuals were interviewed in proportion to account opening conversion rates in each area – so that more of the interviews with treated individuals were conducted in areas where account opening rates were higher – while the number of control interviews was approximately even across the six areas. We allow for this by adjusting the weight on people in our control sample so that the effective proportion of controls from each area matches the effective proportion of treatments from each area.

[34] The full list of accounts is: Account at Post Office; National Savings Account; Account at Credit Union; Savings account at a bank or building society (*excluding all in one or offset accounts*); Other savings accounts (*excluding ISAs or TESSAs*); and (for treated individuals only) SG2 accounts.

Individuals are asked to include their SG2 account if they have one, but to exclude any funds held in current accounts or Individual Savings Accounts (ISAs).[35] When individuals are asked about the level of funds, and changes in the level of funds, that they have in these accounts, they are asked to consider all of the accounts held by themselves and their partner together, and to think about how their level of savings had changed during the past three months.

This measure of savings excludes balances in current accounts. As a result, this measure may be misleading for some individuals who deliberately keep funds in current accounts. We, therefore, consider a second measure of savings that adds balances (and changes in balances) in current accounts[36] onto the measures of savings and saving just described (the description of these broader measures is sometimes contracted to *'savcurr'* in the tables that follow). Since some individuals would not consider funds held in current accounts to be savings (a high balance may, for example, simply reflect the fact that wages or salary have only just been paid into the account), we would not want to report balances including current accounts balances as our only measure of savings. This explains why we report both measures that do, and do not, include current accounts.

For a broader measure of personal net worth, we take the measures of funds held in savings accounts and current accounts just described, add on reported holdings in 'investments' that are in forms that are not cash deposits[37], and net off reported levels of (non-mortgage) debt.[38,39] As with the two previous measures of savings and

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[35] While cash only mini ISAs would fit into this group of cash deposit accounts, the information from our telephone survey was not sufficiently detailed to consider these accounts separately from other types of ISA. Asking separately about different types of ISA can lead to reporting errors unless the interviewer is able to validate the response, for example by seeing account statements. Since the telephone survey did not allow this strategy, it was decided to ask for information on all ISAs together, and to include this in the questions about 'investments' (for the full list of investments see the next footnote). We cannot therefore measure balances (and changes in balances) in cash ISAs separately from balances in other types of ISA or other investments.

[36] Individuals were asked separate sets of questions about their own current accounts and those of their partner; we add on the funds and changes in funds reported for both own and partner's current accounts.

[37] The extra assets that individuals are asked to consider are: Premium bonds; Stocks and shares; National Savings Bonds/Certificates; all types of ISA; TESSAs; Buy to let property; other assets, including PEPs. Since less than 2% of our sample have buy to let property, our measure of savings plus investments is essentially a measure of financial savings plus investments.

[38] The forms of debt that individuals are asked about are: credit card debt; student loans; loans from friends/relatives; hire purchase agreements; store card debt; loans from banks or building societies; loans from commercial loan companies; social fund loans; debt with mail order companies; overdue

savings plus current account balances, we consider values relating to both the level of and changes in net worth. The measure of personal net worth excludes housing wealth and pension wealth and is intended to capture holdings in fairly accessible forms of assets or debt. The elements of financial wealth and debt included in net worth are those that might be most likely to be affected by any saving in a SG2 account.

Since personal saving is the residual of personal income minus personal expenditures, we can also look to see whether SG2 might have led to new saving by looking at whether it has led to people cutting back on their spending. As with savings, we consider several different measures of spending. We ask people about how much they have spent in the last month on food 'to use at home' and (separately) about 'eating out and/or takeaway food'. We also ask people about how much they have spent in the last three months on large or durable items and home improvements[40], and whether or not they smoke. Asking about these separate categories allows us to consider items that it might be more plausible to cut back on (luxuries such as food out and smoking, and durable goods the purchase of which can sometimes be delayed) separately from more essential items (such as food at home). To get at the more general insight that extra saving requires reduced overall expenditure, we also ask individuals to give an overall assessment of how much they (together with their partner) have spent during the last calendar month (*non-durable spend*).[41]

Looking at the statistics reported in Tables 7.2.1 and 7.2.2, a first point of note is that the level of variation (measured by the standard deviation) in most of the continuous variables that are measured in pounds appears to be quite large. This indicates that it

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utility bills; overdue council tax payments; other types of debt. Overdrafts are accounted for in the section where individuals are asked about their current accounts. Individuals are specifically asked to exclude mortgage debt.

[39] We also have a measure of 'informal' savings, held at home or with friends or relatives. In the results reported we have not included this in our measure of net worth. Including this in the definition of net worth does not affect the results that we obtain, and results with the broader definition can be obtained from the authors on request.

[40] The question asks about: 'a car or for things for the house such as furniture, a washing machine; a fridge or cooker or other large kitchen appliance; television or hi-fi equipment; and spending on home improvements or maintenance'.

[41] The precise question wording is 'Thinking now of all your spending, about how much did you (and your partner/spouse) spend during the last calendar month? Please include all monthly spending apart from the large items I have just asked you about. Please exclude all bills such as rent or mortgage repayments, any other loan or hire purchase repayments and utility, insurance and other bills.' If necessary respondents were prompted to think about their spending on clothing, transport and entertainment.

may be easier to find statistically significant results for dichotomous rather than for continuous outcome variables, and this follows from the fact that the variability of the former type of variable is not affected by a few very large (either positive or negative) observed values.

Table 7.2.1 Description of dependent variables across different treatment samples (RDD only)

	Account holders		**Account refusers**		**All treated (weighted)**	
Variable	Mean	*(sd)*	Mean	*(sd)*	Mean	*(sd)*
Savings	£6149	*(£21142)*	£4202	*(£24173)*	£4535	*(£23692)*
Have +ve savings*	0.97	*(0.16)*	0.57	*(0.50)*	0.64	*(0.48)*
Savings > £500*	0.65	*(0.48)*	0.36	*(0.48)*	0.41	*(0.49)*
Change in savings	£328	*(£6240)*	£203	*(£5343)*	£225	*(£5506)*
Savings up*	0.75	*(0.43)*	0.28	*(0.45)*	0.36	*(0.48)*
Savs up > 2 mnth*	0.63	*(0.48)*	0.21	*(0.41)*	0.28	*(0.45)*
Savings up > 100*	0.45	*(0.50)*	0.19	*(0.39)*	0.23	*(0.42)*
Savs + curr acc	£8120	*(£28746)*	£5715	*(£30248)*	£6127	*(£30007)*
Have +ve savcurr*	0.92	*(0.27)*	0.82	*(0.38)*	0.84	*(0.37)*
Savcurr > £500*	0.75	*(0.43)*	0.50	*(0.50)*	0.54	*(0.50)*
Change in savcurr	£496	*(£10682)*	£212	*(£6572)*	£261	*(£7438)*
Savcurr up*	0.66	*(0.47)*	0.37	*(0.48)*	0.42	*(0.49)*
Savcurr up> 2mnth*	0.58	*(0.49)*	0.28	*(0.45)*	0.33	*(0.47)*
Savcurr up > 100*	0.49	*(0.50)*	0.27	*0.44)*	0.31	*(0.46)*
Net worth	£12562	*(£42662)*	£6606	*(£49226)*	£7624	*(£48215)*
Have +ve N.W.*	0.69	*(0.46)*	0.50	*(0,50)*	0.54	*(0.50)*
Net worth > 500*	0.63	*(0.48)*	0.38	*(0.49)*	0.43	*(0.49)*
Change in N.W.	£807	*(£16658)*	£348	*(£7727)*	£425	*(£9804)*
Net worth up*	0.55	*(0.50)*	0.35	*(0.48)*	0.39	*(0.49)*
N.W. up > 2 mnth*	0.48	*(0.50)*	0.29	*(0.46)*	0.33	*(0.47)*
N.W. up > 100 *	0.44	*(0.50)*	0.28	*(0.45)*	0.31	*(0.46)*

Note: All statistics in the table are weighted. The weights account for the facts that: account holders were over-represented relative to their true proportion amongst the treatment group; and whereas the treatment group was sampled differentially across areas according to the number of account holders that were recruited to the SG2 scheme, the control group had approximately even numbers in each area. A '*' on a variable indicates that it is a 0/1 variable, so the mean value can be interpreted as the proportion of people in the group who have the relevant characteristic.
Source: Telephone survey.

Table 7.2.1 (continued): Description of dependent variables across different treatment samples (RDD only)

	Account holders		Account refusers		All treated (weighted)	
Variable	Mean	*(sd)*	Mean	*(sd)*	Mean	*(sd)*
Non durable spend	£465	*(£464)*	£381	*(£378)*	£396	*(£395)*
N.D spend >£300*	0.55	*(0.50)*	0.44	*(0.50)*	0.46	*(0.50)*
N.D spending up*	0.36	*(0.48)*	0.38	*(0.49)*	0.38	*(0.48)*
Durables spending	£1060	*(£6663)*	£662	*(£3246)*	£730	*(£4044)*
Dur spend > £1k *	0.14	*(0.35)*	0.10	*(0.31)*	0.11	*(0.31)*
Spending:						
Food in	£237	*(£157)*	£214	*(£136)*	£218	*(£140)*
Food out	£44	*(£60)*	£35	*(£58)*	£37	*(£58)*
Do you smoke*	0.18	*(0.39)*	0.37	*(0.48)*	0.34	*(0.47)*
Sample size:	raw	*weighted*	raw	*weighted*	raw	*weighted*
Manchester	595	*208*	463	*850*	1,058	*1,058*
Cumbria	776	*261*	421	*936*	1,197	*1,197*
E Yorkshire	649	*247*	434	*836*	1,083	*1,083*
S Yorkshire	467	*155*	491	*803*	958	*958*
Cambridgeshire	275	*84*	544	*735*	819	*819*
E London	216	*49*	545	*711*	761	*761*
All	**2,978**	***1,005***	**2,898**	***4,871***	**5,876**	***5,876***

Note: All statistics in the table are weighted. The weights account for the facts that: account holders were over-represented relative to their true proportion amongst the treatment group; and whereas the treatment group was sampled differentially across areas according to the number of account holders that were recruited to the SG2 scheme, the control group had approximately even numbers in each area. A '*' on a variable indicates that it is a 0/1 variable, so the mean value can be interpreted as the proportion of people in the group who have the relevant characteristic.
Source: Telephone survey.

Table 7.2.2 Description of dependent variables across different samples (RDD only)

Variable	All treated (weighted) Mean	*(sd)*	RDD Controls (weighted) Mean	*(sd)*	Whole sample (weighted) Mean	*(sd)*
Savings	£4535	*(£23692)*	£5018	*(£18157)*	£4675	*(£22229)*
Have +ve savings*	0.64	*(0.48)*	0.62	*(0.48)*	0.63	*(0.48)*
Savings > 500*	0.41	*(0.49)*	0.40	*(0.49)*	0.38	*(0.49)*
Change in savings	£225	*(£5506)*	£233	*(£5381)*	£227	*(£5470)*
Savings up*	0.36	*(0.48)*	0.32	*(0.47)*	0.35	*(0.48)*
Savs up > 2 mnth*	0.28	*(0.45)*	0.25	*(0.43)*	0.28	*(0.44)*
Savings up > 100*	0.23	*(0.42)*	0.23	*(0.42)*	0.23	*(0.42)*
Savs + curr acc	£6127	*(£30007)*	£6758	*(£24928)*	£6309	*(28627)*
Have +ve savcurr*	0.84	*(0.37)*	0.83	*(0.37)*	0.84	*(0.37)*
Savcurr > £500*	0.54	*(0.50)*	0.55	*(0.50)*	0.55	*(0.50)*
Change in savcurr	£261	*(£7438)*	£333	*(£9094)*	£282	*(£7953)*
Savcurr up*	0.42	*(0.49)*	0.40	*(0.49)*	0.42	*(0.49)*
Savcurr up> 2mnth*	0.33	*(0.47)*	0.33	*(0.47)*	0.33	*(0.47)*
Savcurr up > 100*	0.31	*(0.46)*	0.31	*(0.46)*	0.31	*(0.46)*
Net worth	£7624	*(48215)*	£8460	*(£41605)*	£7867	*(£46393)*
Have +ve N.W.*	0.54	*(0.50)*	0.54	*(0.50)*	0.54	*(0.50)*
Net worth > 500*	0.43	*(0.49)*	0.44	*(0.50)*	0.43	*(0.49)*
Change, net worth	£425	*(£9804)*	£525	*(£10195)*	£454	*(£9918)*
Net worth up*	0.39	*(0.49)*	0.38	*(0.49)*	0.39	*(0.49)*
N.W. up > 2 mnth*	0.33	*(0.47)*	0.32	*(0.47)*	0.33	*(0.47)*
N.W. up > 100*	0.31	*(0.46)*	0.32	*(0.47)*	0.31	*(0.46)*

Note: All statistics in the table are weighted. The weights account for the facts that: account holders were over-represented relative to their true proportion amongst the treatment group; and whereas the treatment group was sampled differentially across areas according to the number of account holders that were recruited to the SG2 scheme, the control group had approximately even numbers in each area. A '*' on a variable indicates that it is a 0/1 variable, so the mean value can be interpreted as the proportion of people in the group who have the relevant characteristic.
Source: Telephone survey.

Table 7.2.2 (continued): Description of dependent variables across different samples (RDD only)

Variable	All treated (weighted) Mean	*(sd)*	RDD Controls (weighted) Mean	*(sd)*	Whole sample (weighted) Mean	*(sd)*
Non durable spend	£396	*(£395)*	£419	*(£490)*	£402	*(£425)*
N.D spend >£300*	0.46	*(0.50)*	0.49	*(0.50)*	0.47	*(0.50)*
N.D spending up*	0.38	*(0.48)*	0.38	*(0.49)*	0.38	*(0.48)*
Durables spending	£730	*(£4044)*	£594	*(£2106)*	£691	*(£3591)*
Dur spend > £1k *	0.11	*(0.31)*	0.11	*(0.31)*	0.11	*(0.31)*
Spending:						
Food in	£218	*(£140)*	£221	*(£155)*	£219	*(£145)*
Food out	£37	*(£58)*	£38	*(£59)*	£37	*(£59)*
Do you smoke*	0.34	*(0.47)*	0.33	*(0.47)*	0.33	*(0.47)*
Sample size:	raw	*weighted*	raw	*weighted*	raw	*weighted*
Manchester	1,058	*1,058*	428	*432*	1,486	*1,490*
Cumbria	1,197	*1,197*	385	*489*	1,582	*1,686*
E Yorkshire	1,083	*1,083*	363	*443*	1,169	*1,526*
S Yorkshire	958	*958*	442	*391*	1,400	*1,349*
Cambridgeshire	819	*819*	375	*335*	1,194	*1,154*
E London	761	*761*	408	*311*	1,169	*1,072*
All	**5,876**	***5,876***	**2,401**	***2,401***	**8,277**	***8,277***

Note: All statistics in the table are weighted. The weights account for the facts that: account holders were over-represented relative to their true proportion amongst the treatment group; and whereas the treatment group was sampled differentially across areas according to the number of account holders that were recruited to the SG2 scheme, the control group had approximately even numbers in each area. A '*' on a variable indicates that it is a 0/1 variable, so the mean value can be interpreted as the proportion of people in the group who have the relevant characteristic.
Source: Telephone survey.

If we compare mean outcomes across groups, we see that individuals who opened SG2 accounts tend to have higher levels of savings, wealth and spending, and also greater increases in savings, than are observed in any of the other groups that we consider. This is unsurprising, given the self-selected nature of the sub-group of account holders and the characteristics of this group that were described in detail in Chapter 3.

What is perhaps more interesting, is to look at differences between the 'all treated' group and the 'RDD controls' group, the two groups into which allocation was random. Differences in means between these groups would be returned as the coefficient on a 'treatment' variable (1=treated, 0=control) in a regression of the

outcome variable in question on this treatment dummy and a constant.[42] It is suggestive to note that for many of the outcomes that we consider, means look very similar for both treated and control individuals. There is some difference (in the direction that is consistent with new saving) for the variables indicating whether savings have gone up in the last three months and whether this increase has been by more than 2 months' worth of maximum matchable contribution, and also for the level of spending in the last month. Similar differences are not apparent for variables indicating (for example) whether savings have gone up more than £100 in the last three months, or for the variables relating to savings including current account balances, or those relating to net worth.

7.3 Regression analysis of whether SG2 has led to new saving

7.3.1 Analyses of whole sample, and by area

(a) The different specifications

Section 7.1 explained the regression framework that we will use for the analysis in this section. We also explained that we have three different specifications for our regression analysis: the first including only the 'treatment' variable and indicators of area of residence; the second which adds other controls which we are confident are exogenous (i.e. unaffected by the SG2 accounts), and the final one which adds some controls that may have been affected by the SG2 accounts. We have run each specification pooling the analysis sample and also (minus the area indicators) separately for each area.

Table 7.3.1 reports the estimated effect of being offered an account on whether a respondent has more than £500 in savings accounts[43], and whether they report that the

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[42] Since these differences can be calculated directly from this table, we do not report these regressions later in the chapter. Rather, we prefer to always include area effects in the regressions in order to avoid comparing average outcomes among treated people in each area to the average outcomes of controls across all the (somewhat diverse) Saving Gateway 2 areas.

[43] The £500 threshold was chosen to be close to the median level of savings in the RDD sample, but this is rounded to coincide with one of the thresholds of the 'banded' information on savings that we received from some individuals. This rounding helps limit any possible impact from the fact the exact amounts of savings had to be imputed for those who did not give an exact answer. There are also similar indicator variables based on thresholds in the level of savings plus investments, total net worth,

amount that they have saved in these accounts has increased during the last three months. Results are reported from all three specifications described in Section 7.1. Since both of these outcomes are measured by dichotomous (0/1) variables, both the regressions used are probit regressions. Here, and throughout this chapter, the results that we report for probit regressions are not simple coefficients but rather are calculated 'marginal effects'[44]; standard errors (of the marginal effects) are reported in parentheses. To illustrate the interpretation of the marginal effects, the '–0.025' reported 'over all treated' in the second specification for the top regression indicates that being offered a SG2 account is associated with a 2.5 percentage point lower probability of having more than £500 in savings accounts at the time of interview (which was on average four months after the accounts had been opened), and one star indicates that this is statistically significant at the 10% level. The result in the corresponding cell for the bottom regression indicates that having been offered a SG2 account is associated with a 4.4 percentage point increase in the probability of savings (in savings accounts) having increased during the past three months, and this is significant at the 1% level (three stars).

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and overall spending. Each of these thresholds was chosen in a way similar to that described here, i.e. to be a round number equal or close to the median value of the variable of interest in the RDD sample.

[44] Marginal effects are calculated using STATA 9.1 and are measured at the mean of the independent variables.

Table 7.3.1 Marginal effects on 'treatment' in regressions for whether individuals report having more than £500 in savings accounts, and for whether individuals report that savings have increased in the last 3 months

Dependent variable = 1 if have more than £500 in savings accounts **Regression type**: probit						
Specification	1 Area only		2 (preferred) Plus 'Exogenous' regressors		3 Plus possibly endogenous regressors	
Over all treated	–0.026**	*(0.013)*	–0.025*	*(0.013)*	–0.029**	*(0.014)*
Regressions by area:						
Manchester	–0.047*	*(0.029)*	–0.057*	*(0.030)*	–0.060**	*(0.031)*
Cumbria	0.030	*(0.032)*	0.056*	*(0.033)*	0.052	*(0.035)*
East Yorkshire	–0.040	*(0.032)*	–0.042	*(0.034)*	–0.055	*(0.035)*
South Yorkshire	–0.040	*(0.029)*	–0.034	*(0.031)*	–0.045	*(0.033)*
Cambridgeshire	–0.013	*(0.032)*	–0.022	*(0.033)*	–0.048	*(0.036)*
East London	–0.058**	*(0.029)*	–0.060**	*(0.030)*	–0.063**	*(0.031)*
Dependent variable = 1 if amount in savings accounts has increased in last 3 months **Regression type**: probit						
Specification	Area only		Plus 'Exogenous' regressors'		Plus possibly endogenous regressors	
Over all treated	0.039**	*(0.012)*	0.044***	*(0.012)*	0.046***	*(0.013)*
Regressions by area:						
Manchester	0.023	*(0.028)*	0.040	*(0.029)*	0.053*	*(0.030)*
Cumbria	0.043	*(0.031)*	0.048	*(0.031)*	0.043	*(0.032)*
East Yorkshire	0.064**	*(0.031)*	0.069**	*(0.032)*	0.073**	*(0.033)*
South Yorkshire	0.073**	*(0.028)*	0.086***	*(0.029)*	0.097***	*(0.030)*
Cambridgeshire	0.015	*(0.030)*	0.018	*(0.031)*	0.007	*(0.031)*
East London	–0.000	*(0.028)*	0.002	*(0.029)*	0.004	*(0.029)*

Note: For sample sizes see the 'whole sample' column of Table 7.2.2. Stars indicate statistical significance at the 1% (***), 5% (**) and 10% (*) levels. Standard errors of marginal effects are reported in (brackets).
Source: Telephone survey

Comparing the different columns of Table 7.3.1, we see that for the outcomes considered, the results of interest are generally very similar (in terms of magnitude and significance of marginal effects) across our three specifications. This pattern also holds for the other outcomes that we consider. Therefore, in the remainder of the chapter we report only one of the specifications, namely that which includes the regressors that we can be sure are 'exogenous', as well as (where relevant) the area indicators, alongside the treatment variable.

The results concerning whether or not the SG2 accounts are associated with new saving are somewhat mixed. For both of the outcomes for which we report results, positive marginal effects would be consistent with SG2 accounts being associated with new saving. For the outcome relating to whether or not savings have increased (the bottom part of the table), such a positive association would indicate that those who were offered a SG2 account were more likely to have increased their funds held in savings accounts than were otherwise equivalent individuals in the control group. This would be interpreted as reflecting SG2 accounts inducing individuals to contribute to savings accounts (which include the SG2 account). For the outcome relating to whether or not savings exceed £500 (the top part of the table), this positive association would indicate that relative to those in the control group, those who were offered an account had *higher* probability of having more than £500 in savings accounts at the time of interview. Although (most) individuals could not have saved £500 in their SG2 account by the time of the interview, random selection into being offered an account means that, in the absence of the account, we would expect no difference in the average likelihood of having £500 in savings between those offered accounts and those in the control group. Thus, if the SG2 accounts have induced individuals to do extra saving, then we would expect this to show up as an *increased* likelihood that those who were offered accounts have savings above a given threshold such as £500, and so individuals in this group should be more likely than individuals in the control group to report holding more than £500 in savings. The results reported in Table 7.3.1 are consistent with the hypothesis of new saving for the outcome that relates to a change in saving, but having the contrary sign for the outcome that relates to the stock of savings held. We consider this mixed pattern of results in more detail in the next subsection (7.3(b)), where we report results for a fuller set of outcomes relating to the level of, and change in, holdings of funds in savings accounts.

(b) Outcomes relating to saving and savings

Table 7.3.2 reports the 'marginal effect' of being offered a SG2 account on various outcomes relating to funds held in savings accounts. The first three rows of results are

for measures relating to the *level* of savings that individuals have.[45] The dependent variable in the first (OLS) regression is the level of savings held, measured in pounds. The dependent variables in the second and third regressions are, respectively, indicators of having positive savings and of holding more than £500 in savings[46], and the dichotomous nature of these outcomes is reflected in the 'probit' form of the regressions. The four regressions reported in the bottom panel of the table are for outcomes that relate to the reported change in savings (flow of *saving*) during the last three months. The first of these is an OLS regression for the change in the level of savings in the last three months, measured in pounds. The final three (probit) regressions are for indicators that take the value one if, respectively: savings are reported to have increased during the last three months; savings are reported to have increased by more than two months' worth of maximum matchable contributions during the last three months; savings are reported to have increased by more than £100 during the last three months. For the second of these outcomes, the minimum threshold for saving which results in the indicator having value 1 is different depending on which area an individual lives in. In other words, the minimum threshold is £50 in Manchester and East and South Yorkshire where the monthly SG2 contribution limit is £25, £100 in Cumbria and East London where the limit is £50, and £250 in Cambridge where £125 can be contributed each month to a SG2 account. For each outcome, we report the marginal effects of interest for a regression that pools the data on all six of the SG2 areas, and also for separate regressions on each single area.

If the SG2 has successfully induced individuals to do extra saving, then we would expect to find a positive relationship between these outcomes measuring saving and savings, and being offered the chance to open a SG2 account. We would expect to find this both for outcomes concerning the level of funds held in the accounts, and also for the flow of saving into these accounts which is measured by the change in this level of funds over the last three months.

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[45] For individuals who live as part of a couple, all measures of savings and saving are for the joint holdings (or payments) of the couple.

[46] The marginal effect 'overall' reported in Table 7.3.2 for having savings greater than £500 (i.e. the figure −0.025 in the first column of table 7.3.2) is the same result as was reported in the middle panel of table 7.3.1.

As anticipated in the previous section 7.2, more statistically significant effects are found when we consider outcomes that are measured by a 0/1 variable than when we consider variables that are measured as a level of pounds. A pattern to the results seems to be more evident for the outcomes relating to the flow of saving than for those relating to the stock of savings. For the latter set of outcomes and the regressions that pool the data across all six areas, the only statistically significant result suggests that being offered a SG2 is associated with a 2.5 percentage point reduction, on average, in the likelihood of holding more the £500 in savings accounts. This result has the 'wrong' sign to support the hypothesis that SG2 could have led to people holding more savings, but it is statistically significant only at the 10 per cent level. Furthermore, when the areas are considered separately for these outcomes on levels of savings, there is little evidence of a pattern in the sign of statistically significant results.

The results that are most clearly consistent with the SG2 having led to new saving are those for the outcomes relating to whether an individual reports having increased the amount of funds in their savings accounts during the last three months, and whether they report this increase to have been greater than two months' worth of maximum matchable contributions. Considering all areas together, the marginal effect for the former variable indicates a 4.4 percentage point increase in the likelihood of having saved a positive amount (as was reported in the middle panel of Table 7.3.1); while that for the latter variable indicates a 3.9 percentage point increase in the likelihood of having saved more than two months' SG2 contributions. Both of these are significant at the one per cent level. Considering each area separately, the point estimates of the marginal effects on being offered an account are always positive for these two outcomes, and seem to be strongest (in size and significance) in South Yorkshire and weakest in Cambridge and East London, the two areas with relatively low match rates and high contribution limits.

While these results for whether individuals have increased their savings seem consistent with the hypothesis that the SG2 might have led to new saving during its first four months, the effect seems largely to disappear if we consider whether individuals have increased their holdings of savings by more than £100 during the last three months, and there is also little evidence of the SG2 being associated with

measurable increases in the level of funds that individuals have in their savings accounts. The fact that the SG2 does not seem to be associated with people increasing their savings by more than £100 during a three month period may reflect the fact that, in three areas (Manchester and the two Yorkshire areas), £100 exceeds three months of maximum matchable contributions, and in none of these three areas is there a significant association between being offered a SG2 account and increasing savings by more than £100. It is also perhaps not surprising that, at this early stage in the lifetime of the SG2 accounts, effects on saving are most likely to be observed as small changes in the flow of saving that people are doing. If the SG2 is to be successful in helping some individuals to increase their saving and savings, then we would expect to see it first having an effect on the flow of saving that people are doing, and only over time will this cumulate into a measurable change in the stock of funds that these individuals have in savings accounts. To check if this mechanical explanation could lie behind the pattern of our findings for these variables relating to funds in savings accounts, it will be interesting to see if there are any detectable effects on saving account balances by the time of account maturity when the second wave of the SG2 evaluation is conducted.

Table 7.3.2 Marginal effects on 'treatment' in regressions for different outcomes relating to savings and change in savings

Dependent variable & Regression type	Overall	Manch	Cumbria	E Yorks	S Yorks	Cambs	E Lond
Level of savings (£) OLS	–588 (538)	–1072 (827)	–3362* (1757)	2368* (1356)	–1406 (859)	326 (1051)	–700 (576)
Savings positive = 1 Probit	0.019 (0.013)	0.048 (0.033)	0.081** (0.032)	0.043 (0.033)	0.019 (0.032)	–0.025 (0.031)	–0.070** (0.032)
(Savings > £500) = 1 Probit	–0.025* (0.013)	–0.057* (0.030)	0.056* (0.033)	–0.042 (0.034)	–0.034 (0.031)	–0.022 (0.033)	–0.060** (0.030)
Change in savings (£) OLS	3 (164)	–175 (128)	30 (515)	254 (546)	–38 (203)	39 (249)	–142 (327)
Savings increased = 1 Probit	0.044*** (0.012)	0.040 (0.029)	0.048 (0.031)	0.069** (0.032)	0.086*** (0.029)	0.018 (0.031)	0.002 (0.029)
(Savings up > 2 months) = 1 Probit	0.039*** (0.011)	0.051* (0.027)	0.049* (0.028)	0.047 (0.031)	0.070** (0.028)	0.016 (0.023)	0.003 (0.024)
(Savings up > £100) = 1 Probit	0.008 (0.011)	–0.017 (0.024)	0.049* (0.028)	–0.029 (0.028)	0.023 (0.025)	0.030 (0.027)	0.003 (0.024)

Note: For sample sizes see the 'whole sample' column of Table 7.2.2. Stars indicate statistical significance at the 1% (***), 5% (**) and 10% (*) levels. Standard errors of marginal effects are reported in (brackets).
Source: Telephone survey

In summary, it seems that there is some evidence that SG2 accounts have led to individuals increasing the amount that they pay into savings accounts. In the next subsection we consider whether this evidence is robust when we consider broader measures of wealth.

(c) Outcomes relating to broader measures of financial wealth

The previous subsection has presented evidence that SG2 accounts have led to individuals paying more into cash deposit accounts. It is interesting to explore whether there have also been increases in the overall amounts that individuals are contributing to financial assets, or whether the funds that are being paid into savings

accounts may have been diverted from other assets. We explore this in the current subsection through similar analyses to those reported in the previous subsection, but for broader measures of financial wealth. First, we consider a broad measure of financial net worth that comprises savings (including current account balances) plus investments minus debts. Second we consider whether the changed pattern of results that we observe for financial net worth is also evident when we consider a measure of wealth that is closer to the measure of savings considered in the last section. In particular we look at a measure of wealth that simply adds current account balances onto holdings in cash deposit accounts.

The measure of financial net worth is quite a broad measure of non-pension wealth. As described in detail in section 7.2, this measure of wealth includes the holdings in cash deposit accounts that were our measure of savings in the previous subsection, plus holdings in 'investments' that are not cash deposits, plus balances in current accounts, minus any non-mortgage debt.

Table 7.3.3 presents results for a similar set of outcomes to those considered in Table 7.3.2, but now the outcomes relate to levels of and changes in financial net worth. For this broader measure of wealth, the results from Table 7.3.2 that most supported the hypothesis that SG2 has been associated with new saving during its early months are substantially weakened. In particular, the point estimates for the relationship between being offered a SG2 account and having increased net worth, and for this increase being by more than 2 months' matchable contributions, become smaller and are not statistically significant at conventional levels. Indeed, none of the marginal effects reported in Table 7.3.3 are positive and statistically significant at the five per cent level.

Table 7.3.3 Marginal effects on 'treatment' in regressions for different outcomes relating to financial net worth (savings + investments – debts) and change in financial net worth

Dependent variable & Regression type	Overall	Manch	Cumbria	E Yorks	S Yorks	Cambs	E Lond
Level of net worth (£) OLS	–1022 (1146)	–1291 (2038)	–4670 (3945)	3982* (2277)	–3269* (1785)	2450 (3005)	–3329* (1981)
Net worth positive = 1 Probit	–0.010 (0.014)	–0.039 (0.032)	0.064* (0.033)	–0.009 (0.034)	–0.002 (0.032)	–0.046 (0.033)	–0.037 (0.033)
(Net worth > £500) = 1 Probit	–0.026* (0.014)	–0.041 (0.032)	0.021 (0.034)	–0.015 (0.034)	–0.050 (0.032)	–0.017 (0.034)	–0.060* (0.032)
Change in net worth (£) OLS	–60 (279)	–519** (204)	–1016 (1060)	604 (583)	396 (469)	1071* (612)	–699 (570)
Net worth increased = 1 Probit	0.011 (0.013)	0.010 (0.031)	0.033 (0.032)	0.020 (0.032)	–0.003 (0.030)	0.013 (0.032)	–0.026 (0.031)
(Net worth up > 2 month) = 1 Probit	0.007 (0.012)	0.028 (0.030)	0.017 (0.030)	0.004 (0.032)	–0.008 (0.030)	0.021 (0.029)	–0.020 (0.030)
(Net worth up > £100) = 1 Probit	–0.007 (0.012)	–0.014 (0.028)	0.017 (0.030)	–0.018 (0.031)	–0.020 (0.029)	0.011 (0.031)	–0.020 (0.030)

Note: For sample sizes see the 'whole sample' column of Table 7.2.2. A total of 287 observations are lost for the 'change in net worth' regression, due to missing data. Stars indicate statistical significance at the 1% (***), 5% (**) and 10% (*) levels. Standard errors of marginal effects are reported in (brackets).
Source: Telephone survey

Having seen that the evidence that SG2 may have led to some new saving becomes substantially weaker when we consider a broad measure of financial net worth, it is interesting to see whether the same pattern is also evident if we consider measures of wealth that are closer to the measure of cash deposits that was considered in subsection 7.3.1(b). A measure that is relatively close to the measure of savings considered in that subsection is one that simply adds funds (or changes in funds) in current accounts onto the measure of (changes in) cash deposits. In section 7.2 we noted that some individuals may keep important stores of funds in their current accounts. For other individuals a high balance in their current account may not represent a store of savings, but may simply reflect the fact that their wages (or some

other large payment) had just arrived in the account at the time that they were interviewed. Such individuals may well have intended to spend these funds in the days and weeks after their interview. Section 7.3.1(d) examines the impact of the SG2 accounts on the amount individuals spend, which is an indirect way of testing whether or not balances held in current accounts really represent saving (i.e. lower spending) or are being gradually spent.

Even without such information, it is informative to consider measures relating to funds in savings accounts plus funds in current accounts. For our empirical analysis, the important factor is that random allocation into being offered a SG2 account should mean that individuals who save in their current accounts, and those with high balances simply because they have recently received a payment, should affect measures of current account wealth in the same way, on average, for both the treatment and control groups that we include in our regressions. This means that any evidence that the effects on flows into savings accounts reported in Table 7.3.2 become weaker when we include current accounts in our measure of saving would seem to be informative. In particular, such evidence would seem to be quite a strong indication that individuals who were making extra transfers into their savings accounts were doing this by reducing their current account balances *in a way that they would not have done in the absence of SG2*.

Table 7.3.4 again repeats the analysis of Table 7.3.2, but now only current account balances, and changes in these balances, are added onto the measures of savings and saving used in the previous subsection. With only current account balances added into the definition of saving and savings, the results that most seemed to support the hypothesis of SG2 accounts leading to new saving are substantially weakened. Again the point estimates for the relationship between being offered a SG2 account and having increased savings, and for this increase being by more than 2 months worth of matchable contributions, become substantially smaller and are not statistically significant at conventional levels (with the exception of a weakly significant result in South Yorkshire for having increased savings).

Table 7.3.4 Marginal effects on 'treatment' in regressions for different outcomes relating to savings plus current account balances, plus change in saving plus current account balances

Dependent variable & Regression type	Overall	Manch	Cumbria	E Yorks	S Yorks	Cambs	E Lond
Level of savcurr (£) OLS	–762 (716)	–1297 (938)	–4863** (2401)	3335* (1737)	–2330** (1152)	1733 (1503)	–1350* (744)
Savcurr positive = 1 Probit	0.005 (0.010)	–0.022 (0.025)	0.057** (0.023)	0.011 (0.022)	0.014 (0.023)	–0.009 (0.024)	–0.049* (0.026)
(Savcurr > £500) = 1 Probit	–0.006 (0.014)	–0.046 (0.033)	0.061* (0.033)	0.015 (0.034)	–0.015 (0.033)	0.010 (0.034)	–0.081** (0.033)
Change in savcurr (£) OLS	–60 (251)	–259 (159)	–1064 (972)	378 (548)	–132 (338)	993* (571)	86 (198)
Savcurr increased = 1 Probit	0.021 (0.013)	0.008 (0.031)	0.016 (0.032)	0.028 (0.033)	0.055* (0.031)	0.005 (0.032)	0.021 (0.031)
(Savcurr up > 2 months) = 1 Probit	0.008 (0.012)	0.019 (0.030)	0.013 (0.030)	0.007 (0.032)	0.038 (0.030)	–0.022 (0.028)	0.006 (0.028)
(Savcurr up > £100) = 1 Probit	–0.002 (0.012)	–0.014 (0.028)	0.013 (0.030)	–0.020 (0.031)	0.011 (0.029)	0.004 (0.030)	0.006 (0.028)

Note: For sample sizes see the 'whole sample' column of Table 7.2.2. Stars indicate statistical significance at the 1% (***), 5% (**) and 10% (*) levels. Standard errors of marginal effects are reported in (brackets).
Source: Telephone survey

The evidence presented in the previous subsection indicated that SG2 accounts have led to individuals increasing the balances that they have in savings accounts. However, to date, there is no statistically significant evidence that in the early months of the SG2 accounts there has been an increase in broader measures of savings (either our measure of net financial worth or balances across both current and savings accounts). These two findings together suggest that individuals may have been finding some of the money that they have transferred into SG2 accounts by adjusting current accounts and other elements of their net worth in ways that they would not have done in the absence of SG2. We can use our regression framework to directly investigate whether such associations are evident.

First, we considered whether balances held in current accounts were less likely to have increased amongst account holders than amongst otherwise identical control individuals. We found point estimates (measured across all areas) that were consistent in sign with the notion that individuals had been transferring money from their current accounts to their SG2 accounts, but these results were generally not statistically significant at the ten per cent level. When the outcome variable measured whether or not the current account balance had remained constant or increased (rather than had strictly increased), the –1.6 percentage point marginal effect was significant at the 10% level.[47]

We also found negative coefficients suggesting that SG2 accounts have been associated with a reduced likelihood of individuals making payments into investments (a category which includes cash ISAs), but once again these were not significant.[48] Finally, we also looked at whether SG2 might have been associated with individuals transferring money out of informal savings (held by friends or family or kept at home), but again we found no significant effects.[49]

In other words, when we investigate more directly whether money has been transferred into SG2 accounts by adjusting current account balances or other elements of net worth in a way that would not have happened in the absence of SG2, we are unable to precisely identify single elements of net worth that have been adjusted.

A key aim of the SG2 is not only to increase saving into and balances in savings accounts, but to also increase overall holdings of funds in financial assets. Our current results do not seem to show any significant effects on savings plus current account balances or on financial net worth at the time of the telephone interview (which, on average, was four months after accounts had been opened). It may be that such effects are more likely to show up at the maturity of the SG2 accounts, if individuals exhaust possibilities for transferring existing assets during the lifetime of their SG2 accounts.

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[47] Given the lack of significance, we choose not to report further results here. They are available from the authors on request.
[48] Again the results are available from the authors on request.
[49] Indeed the point estimates suggested that those offered SG2 accounts may have been less likely both to decrease or to increase their informal savings – in other words that they had been more likely to leave such savings unchanged. However neither effect was significant and again results are available on request.

For now, the results suggest that during its early months of operation, the SG2 may well have increased payments into savings accounts, but this result does not carry over to broader measures of financial wealth. In the next subsection we consider whether the SG2 seems also to have been associated with individuals finding 'new' savings from their expenditures that they would not have found in the absence of the account.

(d) Outcomes relating to spending

The final set of outcomes that we consider are those relating to the amount of spending of individuals. With these outcomes, a negative relationship between the outcome and being offered an account would be consistent with individuals spending less (and saving more) due to the SG2 accounts.

We do find some negative marginal effects on treatment for these spending outcomes, as reported in Table 7.3.5. In particular, the point estimates for the marginal effect on the likelihood of spending more than £300 (the median level of spending in the sample) on goods and services during the last month is seen to be negative in all areas. When all areas are considered together, the marginal effect of a 3.1 percentage point reduction in the likelihood of spending more than this amount is seen to be statistically significant at the 5 per cent level. Across the whole sample, we do not find any statistically significant evidence of a reduction in spending on food (either in the home or outside), on large and/or durable goods, or on smoking.

Overall the results for spending outcomes suggest that individuals may be reducing their spending slightly when they have a SG2 account and some of the funds being paid into savings accounts may represent new savings that individuals have been able to find. If this is correct then it is possible that the effects will feed through into measured savings and net worth by the time that the SG2 accounts mature.

Table 7.3.5 Marginal effects on 'treatment' in regressions for different spending outcomes

Dependent variable & Regression type	Overall	Manch	Cumbria	E Yorks	S Yorks	Cambs	E Lond
Spending on non-durables (£), OLS	–20.9* (11.3)	–52.1 (39.5)	5.3 (21.7)	–38.3 (27.2)	–20.4 (24.2)	5.0 (23.8)	–27.5 (23.5)
(Spend on n.ds > 300) = 1 Probit	–0.031** (0.014)	–0.012 (0.033)	–0.029 (0.033)	–0.027 (0.034)	–0.043 (0.032)	–0.023 (0.034)	–0.041 (0.033)
(Spending > year ago) = 1 Probit	–0.006 (0.013)	0.022 (0.031)	0.006 (0.031)	–0.033 (0.032)	–0.039 (0.031)	–0.023 (0.033)	0.021 (0.032)
Spending on durables (£), OLS	160.0** (73.8)	–107.5 (134.7)	523.2*** (166.4)	148.2 (175.5)	40.4 (184.0)	–102.4 (126.0)	369.7 (246.9)
(Durables spend > £1k) = 1, Probit	0.000 (0.008)	–0.008 (0.018)	0.023 (0.020)	–0.002 (0.020)	0.002 (0.020)	–0.028 (0.018)	0.021 (0.014)
Spending on Food In (£) OLS	–2.8 (3.5)	–4.6 (7.8)	–14.5* (8.1)	–7.9 (11.2)	–11.9 (7.3)	–1.0 (8.2)	4.6 (8.4)
Spending on Food Out (£) OLS	–0.5 (1.5)	0.3 (3.8)	–3.3 (3.0)	1.7 (4.0)	–0.0 (3.8)	–3.9 (3.7)	0.3 (3.6)
Smoker = 1 **Probit**	–0.001 (0.013)	0.026 (0.032)	0.001 (0.031)	–0.017 (0.031)	–0.003 (0.031)	–0.018 (0.032)	–0.001 (0.029)

Note: For sample sizes see the 'whole sample' column of Table 7.2.2. Sixteen observations are lost for the 'spending on non-durables' regression, due to missing data. Stars indicate statistical significance at the 1% (***), 5% (**) and 10% (*) levels. Standard errors of marginal effects are reported in (brackets).
Source: Telephone survey

7.3.2 Analyses by population sub-groups

In the results discussed above we have found some evidence that the SG2 accounts may have led to increases in some types of saving and reductions in spending, but the results have been somewhat mixed depending on which outcomes we have considered. It seems likely that these mixed results reflect the fact that some SG2 account holders are contributing to their accounts without doing new saving by transferring existing assets into their accounts. One might, therefore, expect to find stronger effects if one could analyse a group of individuals who were less likely to have large stocks of existing assets when they were offered the SG2 account. We attempt to do this by conducting our regression analysis for subgroups of the sample defined according to education levels, income levels, and whether or not they report being in receipt of means-tested benefits.

When we split the sample by education, 'low education' refers to having been educated up to age sixteen or lower, and approximately 57 % of the (weighted) sample fall into this category. The income split is defined according to the approximate median family income in our (weighted) sample observed separately for singles and couples. Single individuals with a gross income below £800 a month, and those in couples with a gross joint income below £1,900 a month (which is roughly 50% of each group) are defined as 'low income'. Individuals in the group receiving means-tested benefits must be receiving at least one of Income Support (or Pension Credit for the few older individuals in the sample), Job Seeker's Allowance, Housing Benefit, Council Tax Benefit and the Working Tax Credit – approximately 43% of our (weighted) sample receive at least one of these benefits.

We report results for four of our outcomes of interest: whether or not individuals have increased their savings (in saving accounts) during the last three months; whether or not this increase has been by more than two months' worth of matchable contributions; whether or not this increase has been of more than £100; and whether or not they have spent more than £300 in the last calendar month. For comparison, we also report the results obtained when considering the whole sample, and for reasons of sample size we do not split by area when we have already divided the sample into sub-groups.

Table 7.3.6 Decomposition of estimated marginal effects by education, benefit receipt and income

Dependent variable & Regression type	All	Low education[a]	High education[a]	On means-tested benefits	Not on means-tested benefits	Lower income	Higher income
Savings increased = 1 Probit	0.044*** (0.012)	0.040** (0.017)	0.055*** (0.021)	0.024 (0.017)	0.056*** (0.017)	0.039** (0.016)	0.050*** (0.019)
(Savings up > 2 months) = 1 Probit	0.039*** (0.011)	0.041*** (0.015)	0.045** (0.019)	0.026* (0.015)	0.045*** (0.016)	0.043*** (0.014)	0.037** (0.018)
(Savings up > £100) = 1 Probit	0.008 (0.011)	0.010 (0.014)	0.012 (0.019)	0.003 (0.013)	0.008 (0.016)	0.021 (0.013)	–0.001 (0.017)
(Spend on n.ds > 300) = 1 Probit	–0.031** (0.014)	–0.005 (0.019)	–0.056*** (0.021)	–0.031 (0.020)	–0.038** (0.018)	–0.017 (0.019)	–0.043** (0.019)
Sample size:							
Raw	*8,277*	*3,961*	*3,474*	*3,172*	*5,105*	*3,988*	*4,289*
weighted	*8,277*	*4,271*	*3,164*	*3,540*	*4,737*	*4.279*	*3,998*

Notes: Stars indicate statistical significance at the 1% (***), 5% (**) and 10% (*) levels. Standard errors of marginal effects are reported in (brackets).
[a] When the sample is split according to education level we lose 842 observations due to having insufficient information on the basis of which to categorise some individuals.
Source: Telephone survey

The results reported in Table 7.3.6 suggest that the impact of the SG2 accounts on each of the subgroups considered are very similar to those across the whole sample. The estimates suggest that the SG2 accounts have led to those with lower levels of education being 4.0 percentage points (statistically significant at the 5% level) more likely to report that their balances held in savings accounts have increased, and 4.1 percentage points more likely to report that these balances have increased by more than the maximum matchable amount over the last two months (statistically significant at the 1% level). There is no statistically significant evidence that the SG2 accounts have led to those with lower levels of education reporting that their balances held in savings accounts have increased by more than £100, or that their spending on non-durable items was below £300 per week.

For those in receipt of means-tested benefits, the SG2 accounts have led to a 2.6 percentage point increase in the proportion reporting that their balances held in savings accounts have increased by more than the maximum matchable amount over

the last two months, although this is only statistically significant at the 10% level. There is no statistically significant evidence of any impact of the SG2 account on other measures of increases in saving, or on the level of non-durable spending, among those in receipt of means-tested benefits.

For those on lower incomes, the SG2 account is estimated to have increased the likelihood that balances in savings accounts have grown by 3.9 percentage points (statistically significant at the 5% level), and increased the likelihood that balances in savings accounts have grown by more than the maximum matchable limit over the last two months by 4.3 percentage points (statistically significant at the 1% level). There is no statistically significant evidence that balances in savings accounts have been increased by £100 or more, or that the SG2 accounts have led to lower income individuals being less likely to spend more than £300 per week on non-durable items.

If anything, Table 7.3.6 suggests that the effects from the Saving Gateway may have been stronger for the more highly educated than for the less educated, and for those not on means-tested benefits relative to those on benefits. One possible explanation for these results is that those on means-tested benefits and those with low education find it particularly difficult to reduce their already low expenditure in order to save in a SG2 account. The more stable patterns for the lower education and means-tested benefits groups are the converse of what we would expect if these splits of the sample were capturing that the SG2 accounts could more quickly affect the overall savings of those who had few assets when they were offered the accounts. However, it should be noted that the rate of conversion from being offered an account to being an account opener was substantially lower among those who were less educated or on means-tested benefits (or indeed who had lower family incomes), than they were for the respective comparison groups (see section 3.2.1). These low conversion rates would tend to make it hard to find statistically significant effects on saving in the sub groups in question.

7.3.3 Analyses for account openers

The analyses that we have conducted thus far have aimed to identify whether or not the Saving Gateway has been associated with statistically significant changes in saving or spending across all individuals who were offered the chance to open an

account. Since a sizeable proportion of those offered accounts did not open them during the account opening period, it is also of interest to consider the effect of the accounts across only those individuals who actually opened accounts.

One method that we might think of for doing this is to use our regression framework to compare account openers to control individuals. This would be done by inserting two variables that separately identify account openers and account 'refusers' (who were offered but did not open accounts) in place of the variable identifying those offered accounts, in our usual regressions. By doing this the regression effectively compares average outcomes for account openers, and for account refusers, to those for the control sample.

The results reported in Table 7.3.7 indicate how self-selection into the groups of account openers and refusers, can make causal inference from the results of such a regression misleading. If we consider the regression for whether or not funds in savings accounts have increased during the last three months, we see that the marginal effect of being an account opener is very large, at 41.4 percentage points. To argue that this represents the effect of the accounts on the likelihood that account holders have increased their saving, one must argue that (after taking into account observable characteristics) there is no selection such that even in the absence of the account those who in fact opened accounts would have been no more likely to increase their savings than individuals in the control group. If that were true, then random selection into the group that was offered accounts would mean that those who in fact refused accounts would, in the absence of the accounts, have been no more or less likely than individuals in the control group to have increased their savings. Thus, the marginal effect on the 'refuse account' variable could be interpreted as the effect of the Saving Gateway on individuals who were offered accounts but did not open them. This reasoning suggests that the Saving Gateway has led to a 3.4 percentage point *reduction* in the probability that those who did not open accounts have increased their savings, and this effect is statistically significant at the one per cent level. This result indicates that there are some unobservable differences between individuals which explain both the choice of whether or not to open a SG2 account, and also the amount that individuals save.

Table 7.3.7 Association between whether or not an individual chose to open an account and their subsequent saving and spending patterns

Dependent variable & Regression type	All	Account opener	Refuse account
Savings increased = 1 Probit	0.044*** (0.012)	0.414*** (0.013)	–0.034*** (0.014)
(Savings up > 2 months) = 1 Probit	0.039*** (0.011)	0.339*** (0.015)	–0.028** (0.013)
(Savings up > £100) = 1 Probit	0.008 (0.011)	0.189*** (0.014)	–0.034*** (0.012)
(Spend on n.ds > 300) = 1 Probit	–0.031** (0.014)	0.036** (0.015)	–0.045*** (0.015)

Note: For sample sizes see the 'whole sample' column of Table 7.2.2. Stars indicate statistical significance at the 1% (***), 5% (**) and 10% (*) levels. Standard errors of marginal effects are reported in (brackets).
Source: Telephone survey

The impact of the bias created by selection is even more striking if we consider the results from the final regression reported in Table 7.3.7, for which the dependent variable is whether or not individuals have spent more than £300 on goods and services in the last three months. In this case, the effect of the Saving Gateway would tend to induce individuals to spend less (which would be indicated by a negative marginal effect), but the fact that SG2 account openers tended to be individuals with relatively higher incomes (as shown in Chapter 3) would tend to mean that these individuals would spend more than control individuals, thus making the association between spending and being an account opener a positive one. The reported marginal effects indicate that the bias created by selection dominates the effect that showed up when we ran the regression to identify effects across all those offered the opportunity to open an account. So the regression seems to suggest that the Saving Gateway has led to account openers spending more (and saving less), and to account refusers spending less (and saving more), than would have been the case in the absence of the account.

An alternative to attempting to identify effects on account openers directly from a regression, is to use the results of our analysis of effects across all individuals who

were offered accounts, together with knowledge of the proportion of eligible individuals who opened accounts and the assumption that the account did not affect the behaviour of individuals who did not open accounts, to infer the effect on outcomes just for those who did open accounts.

For continuous outcome variables that can be analysed using an OLS regression, it is quite simple to make this kind of inference. For example, the (insignificant) point estimate in our analysis of how much individuals have increased the amount of funds they have in savings accounts during the last three months suggested that individuals who had been offered accounts had increased their savings by £3 more, on average, than those who had not been offered accounts (see Table 7.3.2). This value must be the average of the average effect on account openers and the average effect on account refusers. Since we suppose that account refusers have not done any extra saving due to the SG2 accounts, we can infer that this average effect implies an effect on account holders that is equal to the effect across all individuals who were offered accounts, divided by the proportion of account holders in the group of all individuals who were offered accounts.[50] It follows that, since approximately 17.1% (as shown in Chapter 3, Table 3.5), or one in 5.85, of individuals who were offered SG2 accounts actually opened them, the inferred effect on account holders would be £17½ extra saving over the three months.[51]

This approach can also be applied in cases where the discrete nature of the outcome involved requires that we use a probit regression. However, in such cases the procedure for inferring effects across account holders is not quite as simple as dividing marginal effects by 0.171. In Table 7.3.7 we report inferred effects across account holders for three dichotomous outcomes that are analysed using probit

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[50] If there are n_1 account holders and n_2 individuals who did not open accounts, and the marginal effect is denoted by x, then we can write down the overall effect as the average of the effects on the two groups weighted by the size of the groups: $x = (n_1 x_1 + n_2 x_2)/(n_1 + n_2)$.
The assumption that there was no effect on those who did not open accounts implies that $x_2 = 0$.
Substituting in and rearranging gives: $x_1 = x (n_1 + n_2) / n_1$.

[51] £17½ is calculated as £3 * 5.85.

regressions, and so we calculate these average effects using a procedure that allows for the non-linear nature of the regression analysis.[52]

The results in Table 7.3.8 show that the effects on account holders are substantially larger than effects measured across all individuals who were offered accounts. Our point estimates suggest that the account may have led to: a 26.7 percentage point increase (significant at the one per cent level), on average, in the probability that account holders increased the funds that they had in savings accounts during the three months prior to their interview; a 26.2 percentage point increase (significant at the one per cent level), on average, in the probability that account holders increased the funds that they had in savings accounts by more than two months' worth of Saving Gateway contributions; and a 16.3 percentage point decrease (significant at the five per cent level), on average, in the probability that account holders had spent more than £300 on goods and services in the month before they were interviewed. We also see that the rather small marginal effect, across all individuals who were offered accounts, on the probability of reporting that holdings in savings accounts increased by more than £100 in the three months before the survey, could correspond to an average effect on account holders of around 5.4 percentage points, although this point estimate is not statistically significantly different from zero.

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[52] The procedure exploits the fact that, in the probit framework, we estimate a single coefficient that measures the effect of being offered an account on the linear index that underlies the probit model. The assumption that the true change in this index is 0 for people who did not open accounts allows us to infer the average change across account openers and we use this inference to back out the average effect on the probability that the outcome of interest takes a value of one. The procedure is most simply explained in a series of steps.

1. Calculate coefficients for the probit regression of interest, including a regressor for 'treatment' that indicates whether or not individuals were offered accounts.
2. For individuals who actually opened accounts, predict the probability that the outcome of interest would have taken value one if the coefficient on treatment were equal to the estimated coefficient divided by the proportion of those offered accounts that opened them (i.e. divided by 0.171 if we are considering effects across all six areas).
3. For the same set of individuals considered in step 2., predict the probability that the outcome of interest would have taken the value one if they had not been offered the account (i.e. predict this probability after setting 'treatment' to zero).
4. Calculate the average difference between the two probabilities predicted at steps 2. and 3., across the set of individuals who actually opened accounts.

The average difference that is calculated at step 4. is the number that we report in table 7.3.8. It can be interpreted as the average effect of the account on the probability that the outcome of interest would have taken value one for an account holder, and is measured across the group of account holders given their characteristics.

Table 7.3.8 Calculated effects on account holders

Dependent variable & Regression type	Effect across all treated	Average calculated effect across account holders
Savings increased = 1 Probit	0.044*** (0.012)	0.267***
(Savings up > 2 months) = 1 Probit	0.039*** (0.011)	0.262***
(Savings up > £100) = 1 Probit	0.008 (0.011)	0.054
(Spend on n.ds > 300) = 1 Probit	–0.031** (0.014)	–0.163**

Note: For sample sizes see the 'whole sample' column of Table 7.2.2. Stars indicate statistical significance at the 1% (***), 5% (**) and 10% (*) levels. Standard errors of marginal effects are reported in (brackets).
Source: Telephone survey

In the previous subsection, we saw that the effects of the SG2 accounts on those who have lower family income or lower levels of education were similar to (but slightly below) the estimated impact on all those offered the opportunity to open a SG2 account. We suggested that although less well off groups might have been more likely to undertake 'new' saving if they opened a SG2 account, it could be difficult to find effects across all account holders because of low conversion rates. We can now use the methodology of this section to take account of these low conversion rates and infer effects on account holders within different sub-groups of our sample.[53] The results of this exercise are displayed in Table 7.3.9.

[53] In order to do this we need to know the relevant conversion rates. We do not actually observe these since we do not know the incomes, education levels, or benefit receipt of the full RDD population of individuals offered accounts at the right point in time. From the sample who gave telephone interviews, we estimate conversion rates of 13.3% and 23.1% respectively for the low and high education groups; 10.6% and 21.8% respectively for the benefit and non-benefit groups; and 13.5% and 21.0% respectively for the lower and higher income groups.

Table 7.3.9 Decomposition of inferred marginal effects on account holders, by education, benefit receipt and income

Dependent variable & Regression type	All	Low education	High education	On means-tested benefits	Not on means-tested benefits	Lower income	Higher income
Savings increased = 1, Probit							
All	0.044***	0.040**	0.055***	0.024	0.056***	0.039**	0.050***
(s.e)	(0.012)	(0.017)	(0.021)	(0.017)	(0.017)	(0.016)	(0.019)
Acc holders	0.267***	0.333**	0.232***	0.252	0.256***	0.344**	0.226***
(Savings up > 2 months) = 1, Probit							
All	0.039***	0.041***	0.045**	0.026*	0.045***	0.043***	0.037**
(s.e)	(0.011)	(0.015)	(0.019)	(0.015)	(0.016)	(0.014)	(0.018)
Acc holders	0.262***	0.392***	0.204**	0.318*	0.221***	0.446***	0.134**
(Savings up > £100) = 1, Probit							
All	0.008	0.010	0.012	0.003	0.008	0.021	–0.001
(s.e)	(0.011)	(0.014)	(0.019)	(0.013)	(0.016)	(0.013)	(0.017)
Acc holders	0.054	0.090	0.056	0.025	0.042	0.229	–0.034
(Spend on n.ds > 300) = 1, Probit							
All	–0.031**	–0.005	–0.056***	–0.031	–0.038**	–0.017	–0.043**
(s.e)	(0.014)	(0.019)	(0.021)	(0.020)	(0.018)	(0.019)	(0.019)
Acc holders	–0.163**	–0.034	–0.222***	–0.240	–0.164	–0.122	–0.273**

Note: For sample sizes see Table 7.3.6. Stars indicate statistical significance at the 1% (***), 5% (**) and 10% (*) levels. Standard errors of marginal effects are reported in (brackets).
Source: Telephone survey

The point estimates in Table 7.3.9 do suggest a sizeable impact of the SG2 accounts on the likelihood of those with lower levels of education or lower family incomes having an increased level of balances in savings accounts. The estimated impact is particularly large when considering the likelihood that the balance held in savings accounts has increased by more than the maximum contribution limit over two months. This is estimated to have increased by 39.2 percentage points among those

with lower levels of education and 44.6 percentage points among those with lower levels of family income, with both estimates being statistically significant at the 1% level.

The results in Table 7.3.9 indicate that there are cases in which the point estimates from our regressions, coupled with information on conversion rates, do suggest stronger effects (on average) for account holders from the low education group, the means-tested benefit group and the lower income group, than for account openers in the relevant comparison group (i.e. those with higher levels of education, those not on means-tested benefits and those on higher incomes respectively). However, there are almost no cases in which differences in this direction could be statistically significant – a possible exception is for the lower versus higher income groups and the outcome relating to increasing savings by more than £100 or two months of maximum matchable contributions.

7.4 Impact of Saving Gateway 2

The second wave of qualitative research also explores the impact of SG2 on attitudes to saving, saving behaviour and money management.

Most of the account holders involved in the qualitative research were good savers and money managers prior to opening the account. SG2 appears to have had a limited impact to-date on the attitudes of this group towards saving, since most of them have always believed in, and valued, the idea of saving.

What SG2 *has* done for existing savers is to encourage some of them to save more regularly, due to the need to save monthly in order to achieve the maximum government contribution.

> *It's made me think about saving more regularly given that if you miss a month you can't put extra in. I'm thinking about it, I suppose, in terms of paying a bill.*
>
> Opener, East London

SG2 appears to be having a bigger impact on new savers, both in terms of saving behaviour and changing attitudes towards saving. New savers who are managing to

save regularly into the account are very positive about saving, and for some there is a real sense of achievement. They intend to keep saving into the account in the future, and to carry on once the account matures. It is important to be aware of the possibility of over-reporting here, however.

> *I'll definitely carry on saving, I won't give up. I'll carry on say even if I've got £2 it'll just go in, I'll just go to the bank and put that in so yeah it's helped me a hell of a lot.*
>
> Opener, East Yorkshire

There are also new savers who have not been able to save regularly into their SG2 account. Most started off with good intentions but have not been able to find the money to save into the account, usually because they are on very low incomes, bad at managing their money or both.

> *I am really cross with myself. It would be £800 and I just can't get the money together to do it*
>
> Opener, Manchester

Chapter 8: Financial education

This chapter looks at experience of, and attitudes towards, financial education among account holders, account refusers and members of the control group. The findings described here are based on both the qualitative research and telephone survey.

Awareness of the financial education aspect of the SG2 package is limited, although there is support for this integrated approach. Indeed, some feel that this approach may be effective in raising interest in financial education among those who would not consider it otherwise.

Interest in financial education increases, particularly among those with no prior experience of it, once individuals are made aware of detailed aspects of the offer. This suggests that further promotion and communication of the financial education offer could encourage greater participation.

The most frequently cited barriers to take-up of financial education are lack of time and/or interest, as well issues relating to confidentiality. The money management CD-ROM recently sent to SG2 account holders as part of the financial education offering seeks to address some of these barriers, and its effectiveness will be assessed in the second stage of the evaluation - Wave 2 – which will be conducted around the time of account maturity in autumn 2006.

The SG2 qualitative research explores respondents' experience of, and attitudes towards, financial education, training and advice available via SG2, as well as perceived barriers to participation in financial education generally. Quantitative evidence on awareness of financial education opportunities associated with SG2 is presented in Section 8.3.

8.1 Previous exposure to financial training

There is considerable variation between respondents relating to the scope and amount of financial training and advice (formal or informal) they have received, ranging from respondents who have never had any financial education, to others who work in the area of finance, and some with formal financial qualifications.

Those without higher education or A-levels appear to be least likely to have received any financial training or advice, most commonly because they are not particularly interested in finding out more about financial issues, and have little interest in, or unprompted awareness of, the sources of information and advice available to them.

Of this group, some believe that managing money is down to common sense. Others feel there is little point in learning more about money management and savings as they do not have any money to save.

> *I don't think anybody could train me to save any better than I already do. It's just a money thing isn't it? They can't give me any more money so I can't save it any better.*
>
> Opener, Cumbria

Among some of those who have never received any financial training or advice, there is a feeling that accepting education would mean facing up to their financial situation and would implicitly mean they would have to admit they have a problem, which in turn could make them feel stigmatised.

> *I'd feel a bit ashamed if I did, I think it would make me feel stigmatised and out of control.*
>
> Refuser, Cambridge

There is little awareness of local sources of financial information among this group which is probably reflective of the lack of interest they express.

Some respondents occasionally seek advice or information relating to specific financial issues, such as choosing a mortgage or pension. Many of these have seen an accountant, financial adviser or mortgage adviser in the past, and say they would act similarly if they had other financial questions. Other sources of financial information that they are aware of include banks, Citizens' Advice Bureaux, the Internet and learndirect.

Other respondents have a high level of awareness about the financial education opportunities available to them. Some have already undertaken some sort of formal financial training, either as part of their job, or for personal reasons. These include courses in accountancy, budgeting, business, finance and money management, and even MBAs. Others keep up-to-date through reading financial magazines, newspapers or financial information on the Internet. This group is characterised by people with degree/diploma-level education.

8.2 Views on different methods of financial education

Respondents were asked for their views on the different methods of financial education available via SG2, including the money management CD-ROM, attending a course in person, doing a course on-line, learning using a financial game and going to a drop-in centre for financial advice.

Out of all the financial education methods discussed, the money management CD-ROM is by far the most popular option, regardless of respondents' personal circumstances, demographics or prior financial education. A key benefit of this method is seen to be its convenience; respondents would be able to look through it in their own time, picking out the modules or information that are of most interest to them. It is also seen to be a confidential way of finding out more information – privacy was an important factor for a number of people. Young people seem to be particularly interested in the money management CD-ROM, but there is support for it across age-groups.

I think a CD-ROM would probably be more effective than a lot of things really, especially for me, and younger people who are computer literate.

Refuser, Cambridge

The only negative responses to the money management CD-ROM are from respondents who are not computer literate, typically older respondents, and those who do not have a computer at home. In addition, some respondents would rather speak to someone in person rather than looking up information on their own.

The idea of attending a financial course in person elicits mixed reactions. The predominant feeling is that having to go along to a course in person is inconvenient, due to the need to make a regular commitment to attend. Attending a course also has a stigma attached for some people – they feel it would label them as someone who cannot manage their finances.

I'm not going to go through four days of stuff to get to one bit of information at the end of it that may possibly help me.

Opener, Cumbria

I think courses like that have a certain stigma attached and I'd be afraid of sitting in a room full of idiots.

Opener, East Yorkshire

On the positive side, some respondents like the idea of attending a course in person as they are more comfortable speaking to someone face-to-face than learning on their own. On balance, doing a course on-line is received more favourably due to the confidentiality and convenience associated with online learning.

When there's a website there, you don't feel a little bit apprehensive about meeting people; you can sit and read it on the computer in the comfort of your own home.

Opener, South Yorkshire

When asked for their views on a financial game as a method of financial education, views are predominantly negative. Many feel this approach might trivialise money and saving, which they believe is the wrong message to give people. However, there is strong support for the idea of a financial game in a school context as part of lessons around money and finances. There is a lot of support for the government doing more to encourage financial education in schools in general.

The idea of a free drop-in centre for independent financial advice is seen favourably by those who like to speak to someone in person rather than learning on their own, typically single people who do not have anyone to talk to about their finances and have not received much financial education or advice in the past. A caveat is that it would be important to ensure that they could go to the centre without drawing attention to themselves, for example, locating the centre in a large office block.

Interest in financial education is certainly higher once the different methods of financial education have been discussed, particularly among those who have never received financial information or advice in the past. This indicates that better promotion and communication of available financial education options is likely to be successful in terms of encouraging participation.

8.3 Saving Gateway and financial education

The telephone survey found that the majority of SG2 account holders had not heard about the financial education opportunities associated with SG2, though awareness varied somewhat by area and was seen to be highest in East Yorkshire where the promoted scheme was the learndirect 'Cash Crescent'. High awareness of that particular scheme may well partly have reflected the fact that in each area, knowledge of the existence of the non-Saving Gateway specific learndirect schemes was somewhat higher than knowledge of the other financial education options[54]. For example, Figure 8.1 shows that, in Cambridge, only 14.6% of account holders had heard of the Family Learning Courses, while Figure 8.2 shows that 61.3% had heard of learndirect.

[54] See section 2.1.3 for a list of the education options available in each area.

The telephone survey contained questions about awareness of financial education opportunities that were asked of all individuals who were offered Saving Gateway accounts. Knowledge of the financial education available is not any higher amongst account holders than among non-account holders. Figure 8.1 shows that in Cambridge, for example, almost identical proportions of account openers and non-openers had not heard of the Family Learning Courses (85.4% and 84.4%, respectively). Figure 8.2 shows that the same is true of knowledge of learndirect. The fact that account holders do not seem to be more aware of financial education opportunities than non-openers is interesting. This is because those who have been through the process of opening an account might be thought to have had more opportunity to become exposed to information on the available financial education and training, and also because the group of account openers has higher levels of education than the group of non-openers on average (cf. Chapter 3 and the Appendix to Chapter 7). Furthermore, the qualitative research has suggested that the least educated are the least likely to have ever received financial training (see section 8.1).

Even amongst those who were aware of the financial education available, very few had yet made use of the opportunities available. This is particularly true of the Financial Pursuits game offered in Cumbria, as Figure 8.1 shows.

Figure 8.1 Knowledge and use of area-specific financial education options among account openers and non-openers, by area

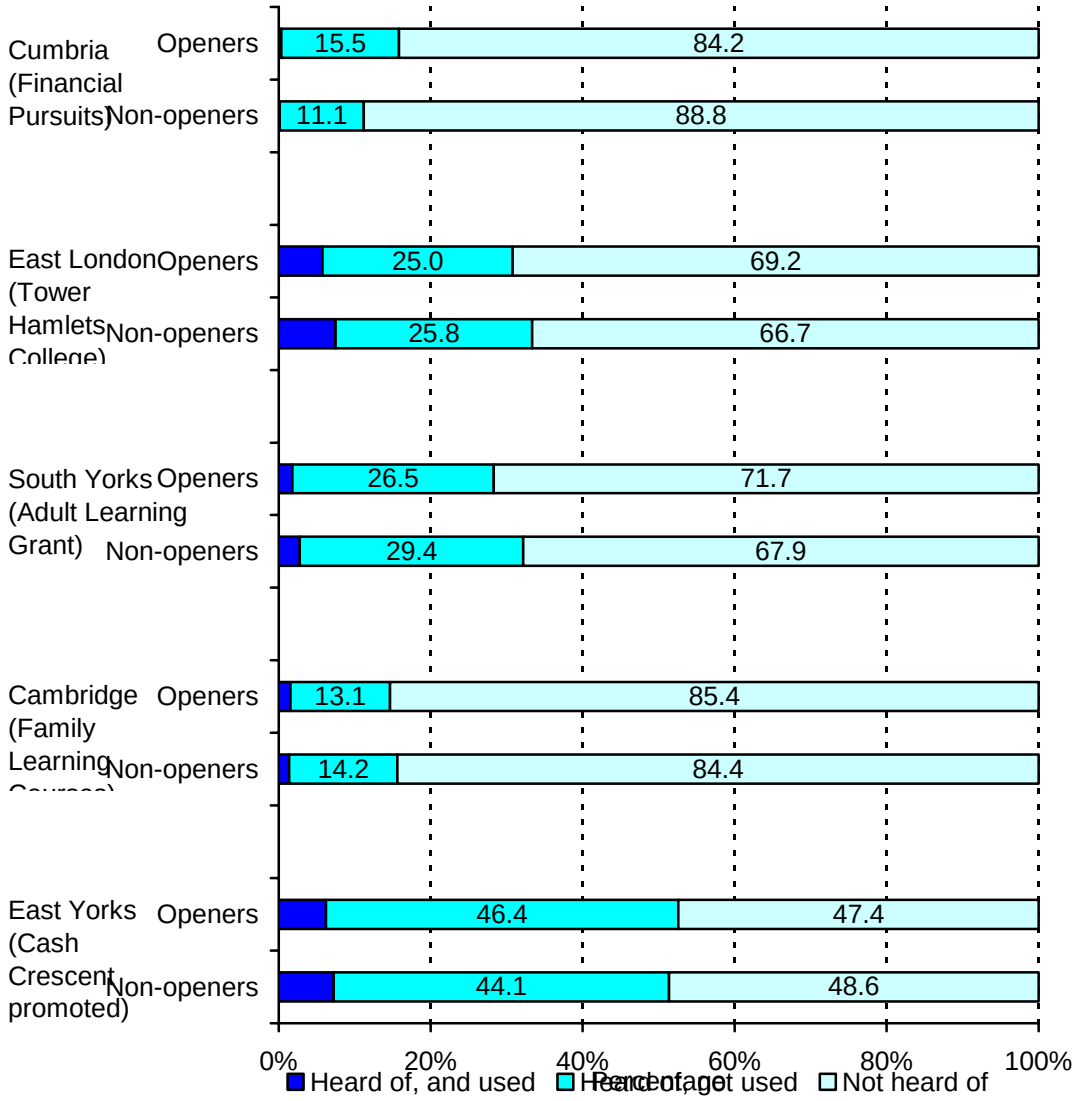
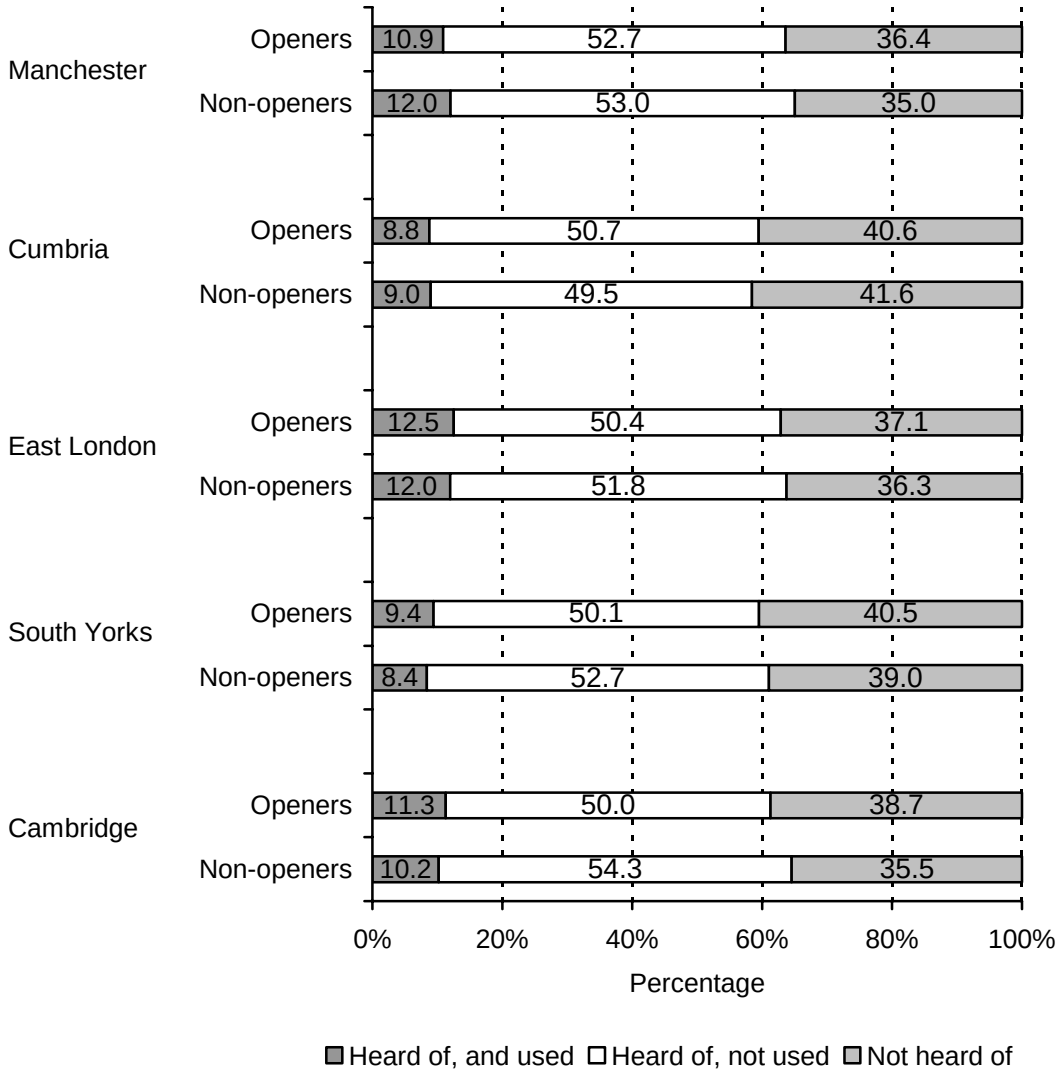


Figure 8.2 Knowledge and use of learndirect courses among account openers and non-openers, by area



These low levels of awareness and usage exist despite the fact that account openers were also made aware of financial education opportunities via monthly statements, in SG-related correspondence, via the application leaflet and at account opening. Qualitative research suggests that perhaps low levels of awareness can be explained by the fact than none of the qualitative respondents had noticed the information about local financial education at the back of the application leaflet. This was either because they had found out all they needed to apply before getting to that page, or because they had simply overlooked it. As a result, there is currently little perception of a link between SG2 and financial training. It is also worth noting that some mechanisms to

increase awareness of financial education, for example through printouts on statements, postcards and bookmarks were implemented at a later stage of the pilot and so the survey results may not capture increases in awareness resulting from these initiatives.

There is, however, support for providing financial information and education as part of the Saving Gateway 'package', as long as it is not compulsory to take up the financial education. Suggestions include sending out a CD-ROM with the application pack or providing a list of available financial education and advice options on a reply paid postcard, with the option for respondents to indicate which are of interest.

There is a general feeling that people would be more likely to take up financial education if it was offered to them as part of the Saving Gateway package than if offered independently because of the association with such a positive policy.

> *Having seen what they've already offered me once, I would automatically look at the financial training to see whether it could save me some money as well.*
>
> Opener, Cumbria

However, it is important to note that a few respondents are not as enthusiastic about the government's involvement in providing financial education. Concerns here relate to perceptions of government becoming involved in areas which respondents see as part of their private and personal life.

> *I think I'm more than capable of looking after that myself. I don't think government should be holding people's hands every inch of the way. Like I said before, you have to look after yourself. I can't be doing with nanny states*
>
> Opener, East Yorkshire

8.4 Barriers to financial education

The most commonly mentioned barrier to taking up financial education is lack of time. For many people, attending a regular course just is not possible due to their other commitments.

> *It's just finding the time to be honest really. I'm not in a position at the minute to be able to go out and do an evening course because I've got two children to look after, and I have them every evening as such.*
>
> Opener, Cumbria

Confidentiality is also a frequently mentioned barrier; some respondents would not be comfortable discussing their finances with strangers on a course, or even getting one-to-one advice in person.

On-line or computer-based financial education help to overcome these issues is supported for people who lack time; these methods can be used at home at a convenient time, and the privacy aspect of on-line/computer training appeals to those who are concerned about confidentiality.

The third and most difficult barrier to overcome is a fundamental lack of interest in financial education. As discussed previously, providing financial information and education as part of the SG2 'package' may increase interest in financial education among those who would not consider it otherwise. Other than that, it is important to make sure information and advice is readily available to people. It is then up to the individual to choose whether or not to take it.

Chapter 9: SG1 participants' views of SG2

This chapter presents the findings of qualitative research conducted among SG1 account holders, some of whom also opened a SG2 account. The qualitative research with this group explores knowledge of, and attitudes towards, both SG1 and SG2, motivations for opening the accounts, as well as reasons for not taking up the offer and perceived impact of SG1 on savings behaviour.

SG1 account holders comprise a mixture of those with little or no prior experience of saving and money management and those who consider themselves to be considerably more adept at saving.

Regardless of their "success" at saving in the SG1 pilot, participants are spontaneous advocates of Saving Gateway and have a good grasp of the policy intent. Some reported that successfully completing SG1 gave them a real sense of achievement and increased their confidence in their abilities to save.

At account maturation, some respondents continued to save while others spent their money. The former are more likely to be individuals who consider themselves to be 'good money managers'.

This chapter presents findings from qualitative research conducted with 30 SG1 account holders in September 2005. Half of these participants also took part in SG2. The chapter starts with a discussion on respondents' attitudes to saving and money management, followed by their assessment of SG1's impact. Those who went on to open a SG2 account were asked about their approach to the account this time around. Finally, there is a brief discussion on the need for financial education and respondents' awareness of specific financial education opportunities.

As highlighted in the methodology section (Chapter 2), qualitative research is useful in helping to explain why particular outcomes have been achieved. However, it should be noted that the findings in this chapter are based on 30 depth interviews and are, therefore, designed to be illustrative only. The findings reported here also draw on published quantitative findings from the previous evaluation of SG1.[55]

9.1 Personal characteristics

Respondents involved in the qualitative evaluation of SG1 were fairly homogeneous in terms of their demographic composition. This ties in with the SG1 quantitative findings which found that SG1 participants were largely drawn from 'groups with low incomes, young families with children, particularly lone parents; recipients of state benefits and in-work tax credits; and tenants of local authorities and housing associations'.[56]

Despite their demographic homogeneity, SG1 respondents are more variable in their attitudes to saving and money compared with their SG2 counterparts. Those who are less good at managing their money tend to have little or no savings prior to SG1, often borrowing from friends and relatives and generally finding it difficult to plan ahead.

> *From an early age my spending habit has been to get it on credit, then you have to pay it back…I'm not very good.*
>
> SG1 account holder, Manchester

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[55]Kempson, E., McKay, S., and Collard, S. (March 2005) Incentives to save: Encouraging saving among low income households: Final report of the Saving Gateway Pilot Project, Personal Finance Research Centre, University of Bristol
http://www.pfrc.bris.ac.uk/publications/Reports/SG_Incentives_to_save_final.pdf
[56] ibid

On the other hand, the more experienced money managers often plan their expenditure and keep up-to-date with their financial situation by checking statements, calculating incomings and outgoings, or looking at their account on the internet. There were examples of this group trying to make the best use of their available money with strategies such as buying everything on credit cards to get loyalty points or taking advantage of interest free offers. They often own a range of financial products including ISAs, bonds, savings accounts, PEPs and private pension schemes. These experienced money managers claim to have always saved throughout their lives, having been brought up to consider the importance of savings.

> *My attitudes have always been the same. I wouldn't cut back on things to save... I've saved a little tiny bit when I haven't had much. It's been according to what I've had.*
>
> SG1 and SG2 account holder, East London

> *I've always been careful with money - you should always have something for a rainy day at least.*
>
> SG1 account holder, Cumbria

Respondents who consider themselves to be good money managers had better outcomes at SG1, in that they were able to save more successfully.

9.2 Long-term impact on savings behaviour

The SG1 account appears to have had a greater long term impact on those who consider themselves to be 'good savers' than on those who are not so positive about their saving abilities. Positively, among some of the respondents who consider themselves to be 'good' savers, the Saving Gateway account seems to have acted as an incentive to help them save more during the account period, and a few continued to put aside more money than previously between the end of SG1 and the beginning of SG2.

> *The first one I've kept it on, £5 a month, I have not spent any of the money yet.*
>
> SG1 and SG2 account holder, Manchester

Although all respondents are enthusiastic about the scheme, there are only a few instances of 'poor savers' saying they changed their saving behaviour as a direct result of the SG1 account. These respondents feel that Saving Gateway changed their attitude towards saving as they now saw its direct benefits, were more confident in doing it, and realised they could in fact afford to put money aside each month.

> *It [Saving Gateway] has changed my attitude [to saving]… I'm determined to save £15,000 before I retire.*
>
> SG1 and SG2 account holder, Cambridge

> *I didn't save before the first one… I save £300 direct debit [now].*
>
> SG1 account holder, East London

However, among many of the respondents in this sample, long-term saving behaviour seems unaffected by the SG1 experience with both 'poor' and 'good' savers appearing to revert to their previous behaviour towards the end of the account period.

> *I wouldn't think I had changed a lot. I had saved about the same amount previously.*
>
> SG1 account holder, East London

> *The thing had come to an end; I got out of the routine. Plus I haven't really had anything to add.*
>
> SG1 account holder, Cambridge

This actual reported behaviour contrasts with quantitative evaluation data gathered at the end of the SG1 pilot, where most respondents said they thought they would continue to save in the future, although it noted those who had saved the maximum amount in their Saving Gateway accounts were the ones most likely to expect to continue saving regularly[57].

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[57] ibid. When asked at maturity, four in ten (40 per cent) Saving Gateway participants said that they intended to continue to save regularly, whilst another five in ten (47 per cent) said they would save as and when they could. Only six per cent did not intend to save at all, although a similar proportion was unable to say

There were people in the qualitative study who stated that although they had every intention of saving after the first Saving Gateway, in practice this did not happen. In particular, they did not feel they had the same incentive from other saving products to make the effort to save as before, which would therefore potentially involve sacrifices elsewhere.

> *I'll be honest, if I have a limited amount of money left, and it's a choice between saving, investing, and enjoying myself and I don't mean stupid enjoying myself, but, like I say, going out and doing something, I'd rather do it and pay and go out and do things with the money.*
>
> SG1 and SG2 account holder, East Yorkshire

Although there were respondents who had not saved since SG1, the incentives offered in SG2 did encourage many to start saving again.

For some respondents, Saving Gateway has also had other impacts beyond direct effects on saving behaviour. It has educated some about using banks, something they had not necessarily done before, and it has made some people realise the value of saving and the impact it could have on their lives. Saving Gateway has also given some a sense of satisfaction, confidence and achievement at completing SG1.

> *Boy, I was so glad I did it. I saved the whole lot, the whole £375. Things I need, I thought I don't really need it. I struggled and I did it.*
>
> SG1 and SG2 account holder, East London

9.3 Use of funds from Saving Gateway 1

At the end of the first Saving Gateway, participants with money left in their account were free to switch it to another account, either with the Halifax or with another provider. All were sent leaflets about other options offered by Halifax, including details of ISAs. If participants did not choose to switch their money to another account, it was transferred to a standard Liquid Gold deposit account with the Halifax by default.

According to the quantitative data gathered around three months after the SG accounts closed, in practice three in five (60%) SG1 account holders who still had money in their account when the account expired retained a Liquid Gold account. About one in nine (11%) opened a new account with Halifax (in many cases this was an ISA) and a further one in five (20%) transferred their money into an account with another provider. According to the quantitative analysis on the whole, those who had transferred their money to an account other than Liquid Gold were more likely still to be regular savers.[58]

Those who retained a Liquid Gold account have done so because this is perceived to be the easiest route, despite offering very low levels of interest.

> *I don't have time for that [financial advice]. I'd rather just leave it in one account than move it all around the houses, at least that way I know exactly how much I have.*
>
> SG1 and SG2 account holder, East London

Our qualitative research highlights no clear demographic patterns regarding what people chose to do with their savings after the end of SG1. However, as might be expected, the 'good' money managers are more likely to still have their SG1 savings, whereas those who said they were not very good at money management are more likely to have spent it. Similarly, those who reported being more familiar with financial saving products before SG1 are more likely to have transferred their funds to accounts or products bearing higher levels of interest, such as ISAs.

Some people used SG1 to save for a specific purpose, like a family holiday, home improvement or computer, whereas others spent their money on unplanned ad hoc expenses. Again, this appears to reflect the extent to which people consider themselves to be good money managers.

It may be that respondents did not consider this specific purpose while they were saving and only decided when the account matured. Indeed, it will be interesting to note the extent to which those who have gone on to open a second SG account, and

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[58] ibid

who for the most part are not saving for a specific purpose, actually use their money for a specific purpose when they are re-interviewed towards account maturation.

Of those who have spent their SG1 savings, spending has been on a wide variety of items, including:

- Home decoration
- School supplies, such as school uniforms
- Holidays
- Furniture
- Deposit for right to buy
- A car for the disabled
- Children/grandchildren
- Christmas presents
- Household, insurance, credit card and catalogue bills
- Personal emergencies.

9.4 Methods and amount of saving

SG1 account holders who are also holders of the new SG2 account are saving in a very similar way to the approach they used the first time, despite a change in match rate. For example, those who saved the maximum by direct debit the first time by and large continue to use this approach, and those who went to the Halifax when they could, dipping into the account when necessary, continue in this fashion.

In common with SG2 findings, those who are saving by standing order/direct debit and those who treat the account as a bill, rather than a savings account, are less likely to withdraw funds and more likely to save regularly.

> *With Gateway Savings [sic] the first time I looked at it like a bill, I never went back.*
>
> SG1 and SG2 account holder, East London

9.5 Perceptions of Saving Gateway 2

Respondents recognise that the purpose of the scheme is to help people on low incomes to get into the savings habit by acting as an incentive for people to save during the life of the account.

> *[Saving Gateway is] for people like me who don't save.*
>
> SG1 and SG2 account holder, East Yorkshire

> *To try and get people to save, to teach people to save. I wouldn't know if it was successful, but for me it was good.*
>
> SG1 account holder, East London

Some respondents also feel that Saving Gateway may help to promote a saving culture, stopping people from getting into debt and relying on credit to purchase goods.

In line with findings elsewhere, there is some feeling, particularly among those on higher incomes (i.e. personal incomes close to £25,000 or household incomes close to £50,000) and those who already feel they are quite good at money management, that they are not the most appropriate recipients of the scheme.

> *It's not really for people like us, it's for people who are not good [at money management]… to get them in the bank.*
>
> SG1 and SG2 account holder, Manchester

> *I think it's a good idea, but I would still save even if I didn't have it*
>
> SG1 and SG2 account holder, East Yorkshire

Even in the areas where the match rate has declined considerably from the first wave, respondents remain very positive about SG2 and were happy to be offered the opportunity to open another account. Those that opened a SG2 account tended to do so quite quickly after receiving the invitation. It was noted that, even at its lowest rate, the Saving Gateway account still offers better interest rates than a bank or building society.

[SG2 has] a bit less of an incentive, but it's still good.

SG1 and SG2 account holder, East Yorkshire

It gives a massive incentive...I would be happy if Gateway became a proper savings account, done, run by the government. I would invest all my money in it. I would take it out of the banks, and I would say, right, I'll put it all in.

SG1 and SG2 account holder, East Yorkshire

However, there are instances where people do say they are finding it harder to save this time around, as they were 'spoilt' by the higher match rate that was initially offered. There are also people facing other demands on their money, such as higher household bills, which they did not have at the time of SG1.

Most probably if that [the 1:5 pound ratio] had come out first time we still would have done it, but we got spoilt.

SG1 and SG2 account holder, East London

There is a slight lack of awareness of the change in match rate and maximum saving amount. This suggests that not all recipients read the accompanying literature in depth, partly because they assumed the account would have the same rules as previously.

Positively, respondents note that this time around they appreciate that the account is available at a wider variety of branches, which made it easier to deposit money.

You had more of a choice this time about where to go.

SG1 and SG2 account holder, Manchester

Some mentioned that they feel they received a better service in SG2 than in the first account. This may be related to the fact that Halifax staff are more knowledgeable now than during SG1, and because there are now Saving Gateway champions located in all participating Halifax branches.

[On SG1] at first you were treated like second class saver … it was sit over there and we'll come over and deal with you in a minute… you didn't get the same sort of treatment as what the general public were getting…The second time, it's been OK.

SG1 and SG2 account holder, Manchester

9.6 Reasons for non-take up of Saving Gateway 2

Respondents who did not take up the account the second time it was offered failed to for a number of reasons, most of which are not to do with the account itself, which as mentioned above, is very well received. Reasons for not taking up the SG2 account offer include:

- Mislaying the documentation and therefore missing the application deadline.

There was a date you had to do it by, but unfortunately when things get busy things go missing under piles of paper. And I didn't do it.

SG1 account holder, Cambridge

- Their circumstances no longer enabled them to save. For example a major expense (e.g. house flooding), debts to pay off such as credit card bills, income declining through loss of a job, or a death in the family.

Couldn't afford to open it at the time, weren't sure which way our finances were going to go just then. Thought it was fantastic though that we'd have the chance to have another.

SG1 account holder, Cambridge

- An incorrect perception that participating in SG2 would take the respondent over the amount of savings allowed before benefit entitlement is affected. This incorrect perception was partly driven by a belief that the savings threshold is lower than it is in reality.

However, there were a few respondents who made an active choice not to open a SG2 account. These people did not have very successful outcomes at SG1 and felt they

were poor savers and would therefore not benefit from SG2. These people could have perhaps benefited from some kind of educational intervention or further assistance to encourage them to participate.

> *I didn't do very well the first time, so I thought it would be better to let someone else have a go.*
>
> SG1 account holder, Manchester

9.7 Financial education

There is some recall of the financial education options offered at SG1, although none of the participants in the interviews took these up. Some respondents recall being offered financial advice by their housing associations which was sometimes felt to be useful, although this was not always taken up.

Generally, respondents tend to think they do not need any financial education, although some do think it may be needed in the future for specific information on financial products such as mortgages. Some respondents in the Cambridge area also remembered being sent a newsletter during SG1, which they enjoyed reading and where they found some useful tips. There is no recall of the education opportunities at SG2, however.

Chapter 10: Conclusions

This evaluation was conducted when accounts had been opened for between one and ten months of an eighteen month lifespan. The findings in this report must be regarded as interim since some possible effects of SG2 may only become evident as accounts approach maturity. A second stage of the evaluation will be conducted around the time of account maturity.

Building on the first Saving Gateway pilot (SG1) which involved 1,500 account holders, the second Saving Gateway pilot (SG2) is a much larger trial with almost 21,500 accounts. The larger scale of this second evaluation has been useful for several reasons. First, it has provided scope to examine different specifications of the SG2 accounts and financial education opportunities. Second, it has provided scope for a broader range of individuals to be invited to open accounts with the eligibility criteria extending further up the income distribution than was the case in SG1. Third, it has enabled the use of quantitative evaluation techniques to conduct a thorough investigation of the extent to which SG2 is creating new savers and generating new savings.

As part of the SG2 evaluation, qualitative depth interviews were conducted with SG1 account holders soon after the SG2 pilot began. These found that regardless of their success in saving into the SG1 account, respondents are spontaneous advocates of Saving Gateway and many note that successful completion of SG1 gave them a real sense of achievement and increased their confidence in their abilities to save. These qualitative depth interviews also showed that, at account maturation, only some respondents continued to save while others spent their money. Those who consider themselves to be 'good money managers' are more likely to have continued saving.

Conversion rates between being offered an SG2 account and actually opening one vary significantly with the particular account features offered. Even after taking account of differences in individual characteristics, conversion rates are lowest in areas offering the least generous match rates, and highest where a £50 bonus is offered for saving at least £50 in the account or where the match is most generous (£1:£1). Individual characteristics are also important as, other things being equal, conversion rates are higher amongst individuals with the following characteristics:

high levels of education and numeracy; in employment or have an employed spouse or partner; without long-term health problems; a home owner or with some investments. This is also borne out in the qualitative research which shows that account openers tend to be more interested in, and knowledgeable about, savings and money management. Among account refusers, reasons for not opening an account include: a lack of initial understanding of the account features and benefits; a lack of interest in saving; insufficient disposable income; and satisfaction with current saving arrangements.

The qualitative research also explores account openers', refusers' and control group's interest and knowledge of financial education opportunities. Respondents vary widely in terms of their interest in, and prior experience of, financial education. However, most feel that financial education should be provided in a convenient and confidential format. The money management CD-ROM recently sent to SG2 account holders seeks to address these issues, and its effectiveness will be assessed in Wave 2 of the evaluation. Although there are financial education opportunities linked to the SG2 pilot, this link is not currently recognised by participants.

Transaction data (up to the end of December 2005) showed that substantial amounts of money have been paid into SG2 accounts. By 31st December 2005, nearly £6 million had been paid in by individuals, and just over £2¼ million of government match had been accrued. Supplementary data from questionnaires completed by individuals when they opened their accounts suggested that fewer than one-in-ten account holders reported that their contributions would come solely from sources that might be less likely to represent new saving. Conversely, just over one-in-three reported that their contributions would come solely from sources that were more likely to represent new saving, with this proportion being somewhat higher among those with lower incomes and gross financial assets at the time of account opening.

The impact of the SG2 accounts is investigated by comparing the outcomes of interest among those who were contacted through Random Digit Dialling (RDD) and offered the chance to open an account, to the outcomes of interest among the RDD control group who were not offered the chance to open an account. It is crucial to the evaluation strategy that, among the RDD sample, selection into being offered accounts was determined randomly.

The results suggest that during the early months of their operation, SG2 accounts may have been associated with some increase in saving into cash deposit savings accounts. In particular, the results show that during the three months before their interviews, those offered accounts were more likely than those who were not, to have increased the amount in these savings accounts and to have increased it by more than 2 months worth of maximum SG2 contributions. On the other hand, at this early stage in the pilots, there is no statistically significant evidence that those offered accounts have higher stocks of (as opposed to greater increases or smaller reductions in) funds in savings accounts.

There is also no statistically significant evidence that, in the early months of the SG2 accounts, those offered accounts have been more likely than those not offered accounts to increase their holdings of broader measures of savings (either a measure of net financial worth or balances across both current and savings accounts). This suggests that individuals may have been finding some of the money transferred into SG2 accounts by adjusting current accounts and other elements of their net worth in ways that they would not have done in the absence of SG2. Evidence that those offered SG2 accounts seem to have been spending slightly less on goods and services than those not offered accounts, is a more positive indicator that some of the funds paid into the SG2 accounts during the early months may represent new savings.

The findings for levels of saving, and for changes in broader measures of wealth, may both become stronger as SG2 account lifetimes extend. If there are some individuals who will exhaust the possibilities for transferring existing assets into a SG2 account during its lifetime (i.e. reshuffling their portfolios), then this would make it more likely that there will be measurable effects of SG2 on broader measures of wealth as the accounts approach maturity. The small effects on stocks of wealth may reflect the fact that changes in the flow of saving only slowly cumulate into measurable changes in the stock of funds held. In light of these possibilities, it will be crucial to examine evidence from the second stage of the SG2 evaluation which will be conducted around the time the accounts start to mature, prior to drawing firm conclusions about the relationship between the SG2 accounts and saving behaviour.

From a policy perspective, it is interesting to consider whether effects seem to differ for different subgroups of those offered accounts: for example, between relatively

lower and higher income individuals, those in receipt of means-tested benefits and those who are not or those with only compulsory school education and those with some further or higher education. Measured effects at this early stage suggest that a similar, positive (and statistically significant), effect on the increase in amounts held in savings accounts found across the whole sample is also found for those on lower incomes or with lower education. The estimated increase among those in receipt of means-tested benefits, however, is not statistically significant.

It is also interesting to consider not only effects averaged across all individuals who were offered accounts, but also to infer effects on those who actually opened accounts. As the majority of those offered the chance to open an account did not do so, the estimated effects on account holders are substantially larger than effects measured across all individuals who were offered accounts.

As conversion rates differ between groups with different characteristics, similar effects found on the increase in amounts held in savings accounts are estimated to reflect larger (point estimates of) effects on account openers amongst sub-groups with low conversion rates. Specifically, the results suggest that there have been larger effects on the increase in the amount held in savings accounts for lower education and lower income groups and for those on means-tested benefits. However, those who did not choose to open an account may not, had they chosen to do so, have been affected in the same way as those who actually did. It might, for example, be that the lower income individuals who have opened SG2 accounts are those who felt most able to find funds to save in an account. Therefore, average effects on the savings of a larger group of lower income account holders could be smaller.

Appendix

Tables for Chapter 2

Table A2.1: Information sent and accounts opened for those recruited through RDD, by area

	Packs sent	Accounts opened	Conversion rate
Cambridge	3,898	400	10.3%
Cumbria	4,185	913	21.8%
East London	4,262	277	6.5%
East Yorkshire	4,062	928	22.8%
Manchester	4,262	841	19.7%
South Yorkshire	4,128	670	16.2%
All	*24,797*	*4,029*	*16.2%*

Tables for Chapter 3

Table A3.1 Proportion of individuals with total annual income in certain bands, by sample type

	<£5,000	£5-10,000	£10-15,000	£15-20,000	£20-25,000	£25,000+	N
RDD							
Treatment	0.124	0.196	0.198	0.158	0.115	0.208	5,876
Of which:							
Openers	0.067	0.115	0.181	0.184	0.157	0.294	2,978
Refusers	0.135	0.211	0.200	0.155	0.106	0.192	2,898
Control	0.109	0.215	0.165	0.158	0.113	0.241	2,401
DWP							
Openers	0.183	0.308	0.182	0.124	0.065	0.137	1,562
Control	0.244	0.359	0.175	0.084	0.043	0.096	657
PAF openers	0.067	0.095	0.172	0.185	0.150	0.331	971

Note: Figures for all RDD treated and RDD controls are weighted.
Source: Telephone survey.

Table A3.2 Distribution of total annual household income by sample type

	p25	Median	p75	Mean	N
RDD					
Treatment	8,319	14,400	22,999	23,475	5,876
Of which:					
Openers	12,000	18,599	26,700	28,723	2,978
Refusers	7,799	13,579	21,923	22,392	2,898
Control	8,104	15,400	24,672	24,246	2,401
DWP					
Openers	6,000	10,283	17,620	18,053	1,562
Control	5,184	8,111	13,779	17,101	657
PAF openers	12,520	19,200	28,200	28,239	971

Note: Figures for all RDD treated and RDD controls are weighted.
Source: Telephone survey.

Table A3.3 Mean total annual household income by area and sample type (RDD only)

	Treatment			Control
	Openers	Refusers	All	
East Yorkshire	27,802	20,689	22,310	22,002
Cambridge	33,124	24,508	25,395	25,887
South Yorkshire	30,202	22,814	24,010	21,853
East London	27,072	23,799	24,012	24,837
Cumbria	28,549	21,673	23,172	24,225
Manchester	27,544	21,453	22,653	27,038
Sample size				
East Yorkshire	649	434	1083	363
Cambridge	275	544	819	375
South Yorkshire	467	491	958	442
East London	216	545	761	408
Cumbria	776	421	1197	385
Manchester	595	463	1058	428

Note: Figures for all RDD treatment and RDD control are weighted.
Source: Telephone survey.

Table A3.4 Percentage of RDD control sample with certain amounts of assets (including formal savings, investments and informal savings)

	£0	£1-£99	£100-£249	£250-£499	£500-£999	£1000-£1999	£2000-£5999	£6000+	N
E. Yorks	13.2	13.5	8.5	7.2	6.3	6.9	18.5	25.9	363
Cambs	12.8	13.6	8.0	8.5	10.1	8.0	14.4	24.5	375
S. Yorks	14.3	16.5	6.3	6.3	9.1	8.6	15.4	23.5	442
E. London	23.3	12.0	10.8	7.4	8.3	8.6	13.2	16.4	408
Cumbria	14.0	13.0	7.3	5.5	6.2	8.3	13.0	32.7	385
Manchester	20.1	14.5	7.2	5.1	7.7	7.7	14.3	23.4	428
All	16.0	13.9	7.9	6.5	7.8	8.0	14.8	25.0	2,401

Note: Figures for average across all areas are weighted.
Source: Telephone survey.

Table A3.5 Multivariate analysis of characteristics associated with having no assets and having assets worth less that £500, RDD control group

	No assets		Assets < £500	
	Marginal Effect	Standard Error	Marginal Effect	Standard Error
Female	–0.055***	(0.017)	–0.034	(0.025)
Household characteristics:				
Living with partner	–0.018	(0.028)	–0.026	(0.044)
Other adult (exc. partner) in household	0.026	(0.018)	0.052*	(0.027)
Pre-school child	–0.016	(0.023)	–0.004	(0.036)
School-age child	0.000	(0.017)	0.025	(0.027)
Age:				
16-24	0.042	(0.045)	0.227***	(0.055)
25-34	0.099***	(0.035)	0.278***	(0.041)
35-44	0.072**	(0.031)	0.163***	(0.041)
45-54	0.014	(0.027)	0.078**	(0.040)
Employment status:				
Employed	–0.006	(0.020)	–0.099***	(0.030)
Self-employed	–0.032	(0.035)	–0.106**	(0.052)
Retired	–0.034	(0.028)	–0.208***	(0.043)
Does other paid work	–0.003	(0.048)	–0.059	(0.071)
Partner employed	0.001	(0.032)	–0.079*	(0.048)
Partner self-employed	–0.043	(0.041)	–0.209***	(0.057)
Partner retired	0.040	(0.055)	–0.012	(0.074)
Partner does other paid work	–0.045	(0.068)	0.098	(0.125)
Education:				
GCSEs	–0.060***	(0.019)	–0.090***	(0.035)
A levels	–0.072***	(0.020)	–0.179***	(0.037)
Degree/still studying	–0.085***	(0.019)	–0.184***	(0.036)
Don't know/other qualification	0.008	(0.027)	–0.093**	(0.043)
Health:				
Long-term health problem	0.035*	(0.018)	0.087***	(0.027)
Partner has long-term health problem	0.022	(0.031)	0.057	(0.044)
Ethnicity:				
Asian	0.137***	(0.048)	0.048	(0.057)
Black	0.098**	(0.047)	0.022	(0.058)
Other ethnic origin	–0.100***	(0.033)	0.144	(0.102)
Refused ethnicity	–0.019	(0.097)	–0.120	(0.161)
Income quintile:				
2	–0.016	(0.019)	–0.049	(0.034)
3	–0.078***	(0.019)	–0.120***	(0.037)
4	–0.101***	(0.020)	–0.171***	(0.042)
Richest	–0.115***	(0.022)	–0.274***	(0.042)
Numeracy:				
Highest numeracy	–0.070***	(0.019)	–0.157***	(0.033)
2	–0.015	(0.016)	–0.058**	(0.025)
3	–0.011	(0.024)	0.019	(0.039)
Area:				
Cambridge	–0.015	(0.026)	0.009	(0.040)
South Yorkshire	–0.014	(0.025)	–0.034	(0.038)
East London	0.039	(0.030)	0.046	(0.042)
Cumbria	0.010	(0.027)	–0.011	(0.039)
Manchester	0.045	(0.029)	0.022	(0.039)

Note: Stars denote the statistical significance of the estimated co-efficients: *** = 99% level, ** = 95% level and * = 90% level. Sample size = 2,401. All RDD controls only. 16.4% of individuals have no assets and 44.9% of individuals have assets worth less than £500. Excluded group is single, white, male respondent living alone in East Yorkshire who has no qualifications, low levels of numeracy, no long-term health problems, does not do any paid work and is in the lowest income decile.
Source: Telephone survey.

Tables for Chapter 5

Table A5.1 Knowledge of account rules – contribution limit (percent of all account holders)

	E Yorks	Cambs	S Yorks	E London	Cumbria	Manch	All
< Actual	0.9	8.5	1.9	2.3	0.4	2.3	2.3
Correct	84.8	63.9	80.2	72.1	81.1	77.7	78.1
> Actual	3.4	8.9	4.4	6.4	5.3	4.5	5.1
Don't know	10.9	18.7	13.5	19.2	13.2	15.5	14.5
Sample size	1,188	710	894	520	1,218	981	5,511

Note: Sample size = 5,511. All account openers.
Source: Telephone survey.

Table A5.2 Attitude to account length by bands of family income (percent)

	<£5,000	£5-10,000	£10-15,000	£15-20,000	£20-25,000	£25,000+	All
Too long	10.5	11.8	8.4	6.5	6.5	4.6	7.7
About right	80.1	81.7	82.3	84.0	82.9	85.1	83.0
Too short	8.3	5.8	8.6	8.7	10.0	9.6	8.5
Don't know	1.1	0.7	0.7	0.9	0.7	0.8	0.8
% respondents	*82.8*	*88.1*	*87.2*	*85.1*	*86.3*	*85.1*	*85.9*
Sample size	457	807	865	785	619	1,201	4,734

Note: Only those who knew the account length or who were unable to give any guess of what it might be were asked what they thought of the actual account length. Therefore, not all account holders surveyed are included in this table. The percentage of account holders asked this question in each income bracket is shown in the table (*% respondents*).
Source: Telephone survey.

Tables for Chapter 6

Table A6.1 Account holders and number of transactions, by recruitment method (number)

	Account holders	Total transactions	Credits	Debits
Adult Learning Grant	30	216	205	11
DWP benefit records	4,993	32,919	31,730	1,189
Postcode Address File	11,952	70,897	70,192	705
Random Digit Dialling	4,030	27,281	26,997	284
Saving Gateway	471	4,172	4,084	88
Total	*21,476*	*135,485*	*133,208*	*2,277*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis.
Source: Halifax transactions records; MORI recruitment data; authors' calculations.

Table A6.2 Total amount contributed and withdrawn, by recruitment method (£)

	Paid in	Taken out	Net	Matchable	Accrued match
Adult Learning Grant	4,486	188	4,298	3,983	1,992
DWP benefit records	1,237,106	71,570	1,165,536	1,136,416	501,300
Postcode Address File	3,809,821	125,913	3,683,908	3,486,155	1,200,236
Random Digit Dialling	1,031,995	41,490	990,505	947,450	487,772
Saving Gateway	147,621	8,960	138,661	141,706	72,412
Total	6,231,030	248,121	5,982,909	5,715,710	2,263,712

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Amount paid in less amount taken out might not sum to net contribution due to rounding.
Source: Halifax transactions records; MORI recruitment data; authors' calculations.

Table A6.3 Distribution of different recruitment methods, by area (percentage).

	DWP benefit records	Postcode Address File	Random Digit Dialling	*Total*
East Yorkshire	20.01	13.09	23.03	*16.65*
Cambridge	18.93	28.93	9.95	*22.90*
South Yorkshire	12.84	26.27	16.65	*21.23*
East London	11.68	10.10	6.87	*9.85*
Cumbria	20.97	10.41	22.66	*15.28*
Manchester	15.58	11.19	20.84	*14.09*
Total	*100.00*	*100.00*	*100.00*	*100.00*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Columns might not sum to one hundred due to rounding.
Source: Halifax transactions records; MORI recruitment data; authors' calculations.

Table A6.4 Account holders and number of transactions, by area (number)

	Account holders	Total transactions	Credits	Debits
East Yorkshire	3,492	23,763	23,419	344
Cambridge	4,804	29,492	28,937	555
South Yorkshire	4,452	27,578	27,333	245
East London	2,067	10,542	10,150	392
Cumbria	3,204	21,595	21,211	384
Manchester	2,956	18,127	17,869	258
Total	*20,975*	*131,097*	*128,919*	*2,178*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded.
Source: Halifax transactions records; MORI recruitment data; authors' calculations.

Table A6.5 Time that account has been opened, by area (months)

	Min	Median	Max	Mean
East Yorkshire	4	7	10	7.10
Cambridge	4	7	10	6.57
South Yorkshire	3	7	10	6.71
East London	1	6	10	6.28
Cumbria	4	7	10	7.17
Manchester	4	7	10	6.91
Total	*1*	*7*	*10*	*6.81*

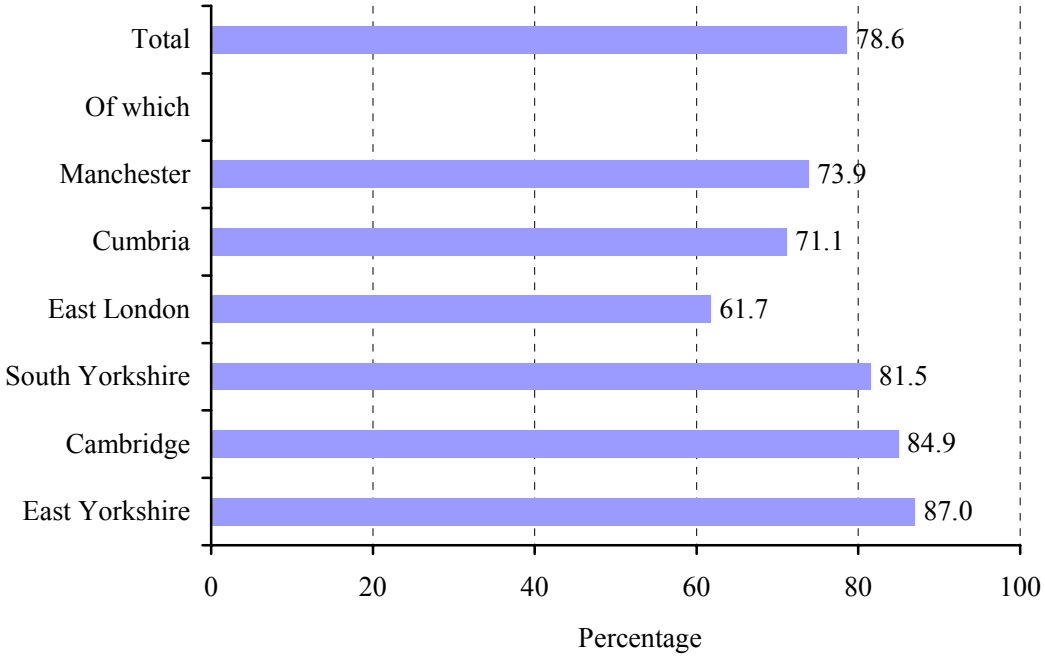
Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded.
Source: Halifax transactions records; MORI recruitment data; authors' calculations.

Table A6.6 Matchable contributions by 31st December 2005, by area (£)

	Total credits	Total debits	Total net credits	Total matchable funds	Match payable
East Yorkshire	548,492	14,273	534,219	501,315	409,058
Cambridge	2,912,254	54,695	2,857,559	2,759,112	551,822
South Yorkshire	730,473	86,002	644,471	610,483	305,242
East London	523,712	35,403	488,309	411,370	82,274
Cumbria	926,499	23,355	903,143	893,655	446,827
Manchester	437,493	25,244	412,249	394,086	394,086
Total	*6,078,923*	*238,973*	*5,839,950*	*5,570,021*	*2,189,308*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Total observations (account months) = 20,975.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Figure A6.1 Whether information from account opening questionnaire available, by area (percentage).



Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Table A6.7 Asset ownership amongst account holders, by area (percent)

	Savings and investments				Debts	
	No formal accounts	Savings accounts only	Holds investments	Don't know	Has debts	Don't know
East Yorkshire	1.18	29.07	67.30	2.44	62.73	6.98
Cambridge	0.90	21.16	75.88	2.06	60.16	6.86
South Yorkshire	0.91	24.59	71.78	2.73	65.30	7.08
East London	2.12	42.24	50.24	5.41	59.17	8.46
Cumbria	1.05	27.07	68.58	3.29	61.78	7.55
Manchester	2.11	39.58	54.70	3.62	70.27	5.91
Total	*1.23*	*28.26*	*6759*	*2.91*	*63.25*	*7.03*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis, as are those for whom information from the account opening questionnaire is not available. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Rows might not sum to one hundred due to rounding.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Table A6.8 Distribution of gross financial wealth, by area (percent)

	0	1–100	101–500	501–1,000	1,001–2,000	2,001–6,000	6,001 & over	Don't know
East Yorkshire	8.86	9.35	11.40	7.18	9.25	13.96	25.62	14.39
Cambridge	5.52	5.36	6.98	5.81	8.29	14.56	39.18	14.29
South Yorkshire	6.45	7.13	10.55	7.36	9.67	15.71	28.75	14.36
East London	13.71	10.27	12.86	6.82	8.15	9.64	20.45	18.10
Cumbria	7.68	7.68	9.56	6.98	8.51	14.87	30.23	14.48
Manchester	15.39	10.31	13.24	8.34	8.52	12.14	17.91	14.15
Total	8.58	7.84	10.22	6.98	8.82	14.05	28.88	14.63

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis, as are those for whom information from the account opening questionnaire is not available. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Rows might not sum to one hundred due to rounding.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Table A6.9 Distribution of gross financial debts, by area (percent)

	0	1–100	101–250	251–500	501–1,000	1,001–2,000	2,001 & over	Don't know
East Yorkshire	30.29	3.09	3.65	5.86	7.74	7.94	28.35	13.07
Cambridge	32.97	3.01	3.29	5.12	7.06	6.40	28.63	13.50
South Yorkshire	27.62	2.98	3.97	5.82	6.70	7.41	32.06	13.45
East London	32.37	2.58	3.76	5.49	6.43	6.43	26.88	16.06
Cumbria	30.67	3.59	3.91	5.70	8.12	7.28	26.77	13.96
Manchester	23.82	3.44	4.03	6.28	7.15	7.42	35.00	12.87
Total	*29.72*	*3.13*	*3.73*	*5.67*	*7.21*	*7.17*	*29.78*	*13.59*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis, as are those for whom information from the account opening questionnaire is not available. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Rows might not sum to one hundred due to rounding.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Table A6.10 Distribution of income, by area (percent)

	Under 430	431–859	860–1,299	1,300–1,719	1,720–2,149	2,150–4,165	4,166 & over	Don't know
East Yorkshire	10.14	20.48	22.06	16.96	13.86	13.93	0.26	2.30
Cambridge	6.40	13.73	20.15	19.42	14.59	23.09	0.64	1.99
South Yorkshire	6.39	17.25	23.24	19.90	13.86	17.12	0.28	1.96
East London	14.26	23.51	20.22	14.97	11.21	11.91	0.78	3.13
Cumbria	8.56	18.91	22.55	20.54	12.02	14.87	0.35	2.19
Manchester	12.69	18.00	25.24	17.64	12.14	12.64	0.14	1.51
Total	*8.83*	*17.79*	*22.19*	*18.64*	*13.35*	*16.70*	*0.39*	*2.09*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis, as are those for whom information from the account opening questionnaire is not available. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Rows might not sum to one hundred due to rounding.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Table A6.11 Amount intended to place in SG2 account per month, by area (£)

	0–5	6–10	11–25	26–50	51–75	76–100	101–125	Don't know
East Yorkshire	0.40	2.63	**82.58**	1.55	0.07	0.20	0.03	12.55
Cambridge	0.44	1.30	6.37	7.67	0.96	10.52	**54.87**	17.87
South Yorkshire	0.36	1.19	**86.66**	0.99	0.08	0.28	0.03	10.42
East London	0.78	1.80	8.23	**64.89**	0.47	1.41	0.08	22.34
Cumbria	0.48	1.36	6.19	**76.22**	0.31	0.18	0.00	15.27
Manchester	0.50	1.47	**82.55**	2.24	0.05	0.37	0.09	12.74
Total	*0.46*	*1.59*	*48.30*	*18.26*	*0.35*	*2.88*	*13.61*	*14.56*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis, as are those for whom information from the account opening questionnaire is not available. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Rows might not sum to one hundred due to rounding. Figures in bold indicate the response consistent with intending to contribute the matchable limit each month.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Table A6.12 Amount intended to place in SG2 account per month, by income at time of account opening (percent).

	0–5	6–10	11–25	26–50	51–75	76–100	101–125	Don't know
Under £430	0.96	3.85	45.09	16.63	0.21	1.92	5.84	25.50
£431–£859	0.55	3.31	48.81	17.43	0.41	1.67	7.64	20.19
£860–£1,299	0.36	1.48	51.28	18.67	0.46	2.02	12.08	13.64
£1,300–£1,719	0.36	0.94	49.01	20.14	0.42	3.12	14.64	11.35
£1,720–£2,149	0.27	0.55	50.89	18.31	0.05	4.23	17.13	8.59
£2,150–£4,165	0.29	0.33	46.02	18.38	0.33	4.58	22.85	7.23
£4,166 & over	1.54	0.00	35.38	20.00	1.54	1.54	24.62	15.39
Don't know	1.74	1.45	23.48	9.57	0.58	2.32	5.80	55.07
Total	*0.46*	*1.59*	*48.30*	*18.26*	*0.35*	*2.88*	*13.61*	*14.56*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis, as are those for whom information from the account opening questionnaire is not available. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Rows might not sum to one hundred due to rounding. Figures in bold indicate the response consistent with intending to contribute the matchable limit each month.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Table A6.13 Amount intended to place in SG2 account per month, by gross financial assets at time of account opening (percent).

	0–5	6–10	11–25	26–50	51–75	76–100	101–125	Don't know
£0	1.13	5.37	48.16	14.71	0.28	1.70	3.11	25.53
£1–£100	1.01	3.09	51.51	17.48	0.62	1.62	3.94	20.73
£101–£500	0.53	3.03	54.36	19.35	0.12	2.85	4.93	14.84
£501–£1,000	0.17	1.83	53.65	19.30	0.52	3.57	7.39	13.57
£1,001–£2,000	0.41	1.24	53.03	19.39	0.34	2.82	11.21	11.55
£2,001–£6,000	0.17	0.82	51.32	19.31	0.39	4.02	15.08	8.90
£6,001 & over	0.15	0.25	44.12	19.47	0.29	3.21	25.50	7.00
Don't know	0.75	1.04	42.35	15.43	0.41	2.24	10.54	27.25
Total	*0.46*	*1.59*	*48.30*	*18.26*	*0.35*	*2.88*	*13.61*	*14.56*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis, as are those for whom information from the account opening questionnaire is not available. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Rows might not sum to one hundred due to rounding. Figures in bold indicate the response consistent with intending to contribute the matchable limit each month.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Table A6.14 Intended use of money from Saving Gateway by area

	E Yorks	Cambridge	S Yorks	E London	Cumbria	Manch	All
Rainy day/old age	0.265	0.324	0.279	0.306	0.276	0.235	0.276
For myself/my education	0.029	0.013	0.022	0.044	0.016	0.029	0.024
For my children/my children's education	0.073	0.073	0.083	0.123	0.069	0.100	0.083
To meet regular expenses/pay bills	0.024	0.048	0.013	0.029	0.029	0.051	0.032
To buy a home/buy something for my home	0.047	0.077	0.047	0.063	0.072	0.092	0.066
Holiday	0.162	0.154	0.163	0.094	0.177	0.170	0.160
To provide a regular income	0.003	0.001	0.001	0.000	0.004	0.003	0.002
For a special occasion	0.043	0.014	0.035	0.038	0.028	0.033	0.032
Other reason	0.146	0.138	0.128	0.148	0.126	0.152	0.139
No reason/don't know	0.352	0.292	0.350	0.296	0.324	0.301	0.323

Note: Sample size = 5,511. All account openers (RDD, DWP, PAF).

Table A6.15 Intended use of money from Saving Gateway by income band

	<£5,000	£5-10,000	£10-15,000	£15-20,000	£20-25,000	£25,000+	All
Rainy day/old age	0.284	0.271	0.256	0.258	0.290	0.294	0.276
For myself/my education	0.047	0.040	0.015	0.013	0.018	0.023	0.024
For my children/my children's education	0.051	0.072	0.075	0.078	0.098	0.106	0.083
To meet regular expenses/pay bills	0.049	0.031	0.038	0.034	0.032	0.019	0.032
To buy a home/buy something for my home	0.063	0.069	0.085	0.063	0.043	0.066	0.066
Holiday	0.145	0.172	0.167	0.153	0.169	0.152	0.160
To provide a regular income	0.009	0.001	0.000	0.002	0.004	0.001	0.002
For a special occasion	0.022	0.034	0.039	0.028	0.032	0.033	0.032
Other reason	0.129	0.143	0.132	0.135	0.134	0.149	0.139
No reason/don't know	0.324	0.318	0.322	0.354	0.321	0.309	0.323

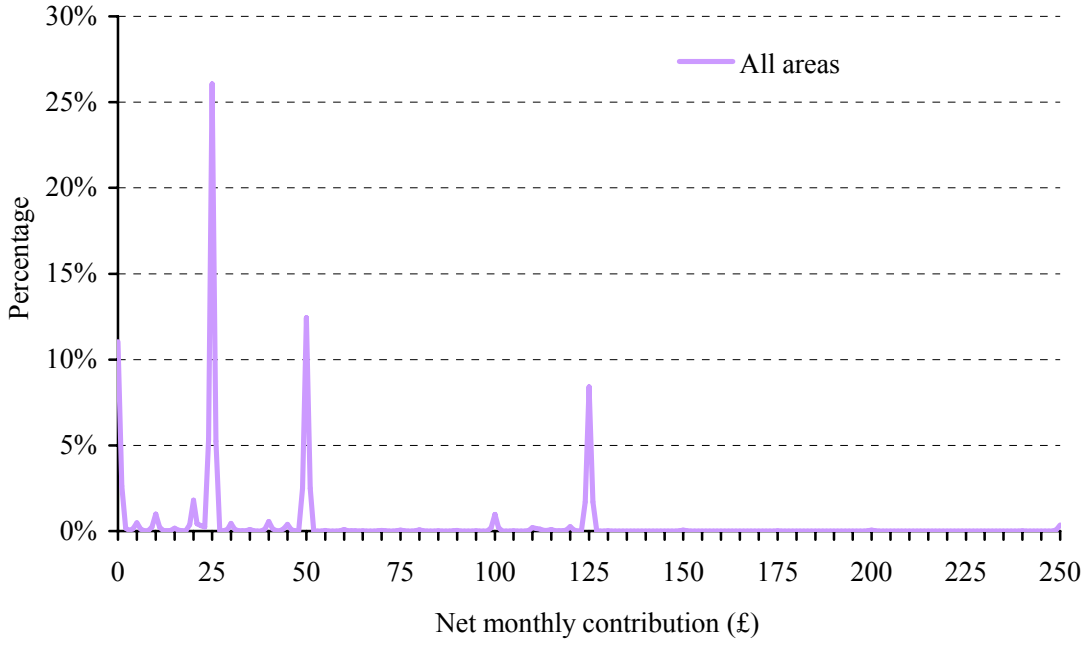
Note: Sample size = 5,511. All account openers (RDD, DWP, PAF).

Table A6.16 Distribution of gross monthly contributions, by area (£)

	p10	p25	Median	p75	p90	Mean	Mean> 0
East Yorkshire	0	25	25	25	25	22	26.07
Cambridge	0	31	125	125	125	94	114.25
South Yorkshire	0	25	25	25	25	25	28.82
East London	0	0	50	50	50	41	56.46
Cumbria	0	45	50	50	50	41	48.07
Manchester	0	22	25	25	25	22	26.31
Total	*0*	*25*	*25*	*50*	*125*	*43*	*51.93*

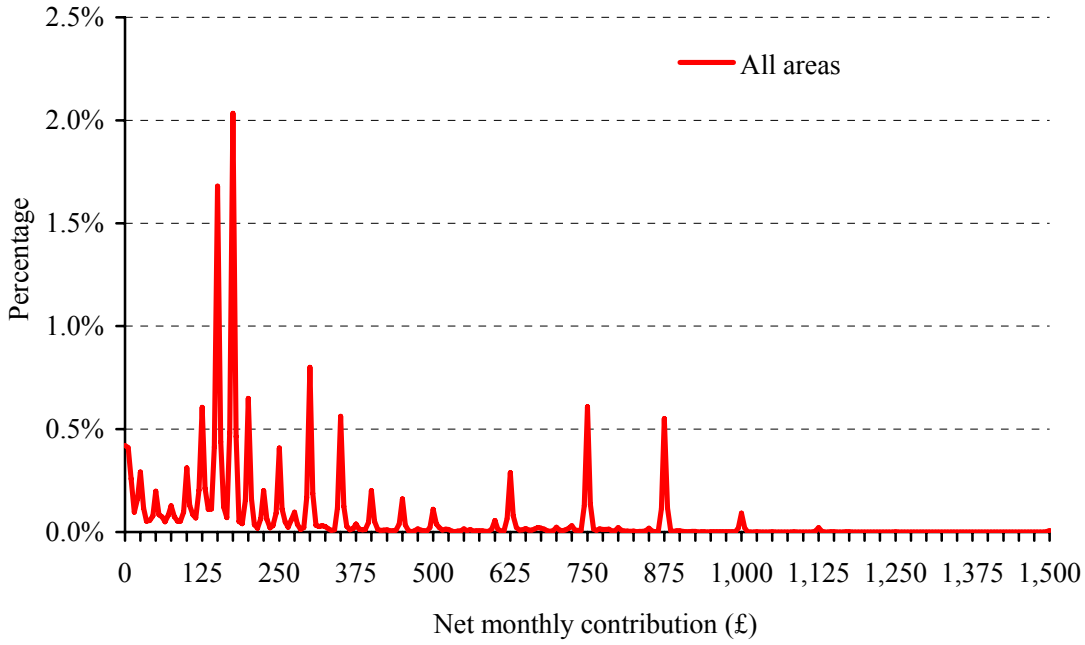
Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Total observations (account months) = 140,205, of which 117,052 were account months were a gross contribution was made.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Figure A6.2 Distribution of net monthly contributions, all areas.



Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Total observations (account months) = 140,205.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Figure A6.3 Distribution of balances at 31st December 2005, all areas.



Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Total observations (account months) = 20,975.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Table A6.17 Distribution of transaction method, by months since account opened.

Month	Cash	Cheque	Transfer	Bank credit	Standing order	Account close	Interest
First	37.01	55.09	7.56	0.08	0.02	0.20	0.05
2nd	37.39	15.60	2.64	32.50	11.22	0.44	0.21
3rd	34.90	13.76	1.93	36.11	12.61	0.52	0.16
4th	34.07	13.39	1.80	37.12	13.00	0.59	0.03
5th	34.08	12.97	1.81	37.44	13.08	0.60	0.02
6th	33.68	12.71	1.71	37.75	13.59	0.53	0.03
7th	36.61	10.31	1.62	35.13	15.84	0.46	0.03
8th	44.15	6.14	1.12	32.54	15.41	0.55	0.09
9th	34.74	6.13	0.85	36.36	21.28	0.56	0.07
10th	41.51	1.89	3.77	35.85	13.21	3.77	0.00
All	*35.59*	*18.8*	*2.68*	*30.93*	*11.44*	*0.48*	*0.08*

Notes: A small number of account holders for whom information such as recruitment method and area is not available are excluded from the analysis. Those recruited through the Adult Learning Grant or Saving Gateway 1 pilots also excluded. Total observations (transactions) = 149,948.
Source: Halifax transactions records; MORI recruitment data; MORI account opening questionnaire; authors' calculations.

Tables for Chapter 7

Description of independent variables in the regression sample

Table A7.1: Description of independent variables across different treatment samples (RDD only)

	Account holders		Account refusers		All treated (weighted)	
Variable	Mean	*(sd)*	Mean	*(sd)*	Mean	*(sd)*
Treated *	1	*(0)*	1	*(0)*	1	*(0)*
Exogenous regressors:						
Female *	0.72	*(0.45)*	0.66	*(0.47)*	0.67	*(0.47)*
Couple *	0.64	*(0.48)*	0.50	*(0.50)*	0.52	*(0.50)*
*Age 16 – 24 **	*0.03*	*(0.16)*	*0.07*	*(0.25)*	*0.06*	*(0.24)*
Age 25 – 34 *	0.18	*(0.38)*	0.20	*(0.40)*	0.20	*(0.40)*
Age 35 – 44 *	0.31	*(0.46)*	0.28	*(0.45)*	0.29	*(0.45)*
Age 45 – 54 *	0.25	*(0.43)*	0.23	*(0.42)*	0.23	*(0.42)*
Age 55 – 64 *	0.22	*(0.42)*	0.20	*(0.40)*	0.20	*(0.40)*
Age 65 +	0.02	*(0.13)*	0.02	*(0.14)*	0.02	*(0.14)*
Other adult in HH*	0.22	*(0.41)*	0.26	*(0.44)*	0.26	*(0.44)*
Preschool kids *	0.10	*(0.31)*	0.11	*(0.31)*	0.11	*(0.31)*
Older kids*	0.32	*(0.47)*	0.36	*(0.48)*	0.35	*(0.48)*
Degree *	0.31	*(0.46)*	0.19	*(0.39)*	0.21	*(0.41)*
Partner degree *	0.18	*(0.38)*	0.08	*(0.27)*	0.10	*(0.30)*
Month interviewed:						
September *	0.42	*(0.49)*	0.33	*(0.47)*	0.35	*(0.48)*
October *	0.49	*(0.50)*	0.46	*(0.50)*	0.46	*(0.50)*
*Nov/Dec **	*0.09*	*(0.29)*	*0.21*	*(0.41)*	*0.19*	*(0.39)*
Ethnicity:						
*White **	*0.94*	*(0.24)*	*0.89*	*(0.31)*	*0.90*	*(0.30)*
Asian *	0.03	*(0.18)*	0.05	*(0.22)*	0.05	*(0.21)*
Black *	0.02	*(0.15)*	0.05	*(0.21)*	0.04	*(0.20)*
Other *	0.01	*(0.08)*	0.01	*(0.10)*	0.01	*(0.10)*
CAPI interview *	0.02	*(0.15)*	0.08	*(0.26)*	0.07	*(0.25)*
Manchester *	0.21	*(0.41)*	0.17	*(0.38)*	0.18	*(0.38)*
Cumbria *	0.26	*(0.44)*	0.19	*(0.39)*	0.20	*(0.40)*
E Yorkshire *	0.25	*(0.43)*	0.17	*(0.38)*	0.18	*(0.39)*
S Yorkshire *	0.15	*(0.36)*	0.16	*(0.37)*	0.16	*(0.37)*
Cambridgeshire *	0.08	*(0.28)*	0.15	*(0.36)*	0.14	*(0.35)*
E London *	0.05	*(0.22)*	0.15	*(0.35)*	0.13	*(0.34)*

Note: For sample sizes see the 'whole sample' column of Table 7.2.2. A "*" on a variable indicates that it is a 0/1 variable, so the mean value can be interpreted as the proportion of people in the group who have the relevant characteristic. Rows for which the text is *pale italics* describe the sample in terms of a category that formed the omitted group from a mutually exhaustive set of groups.
Source: Telephone survey

Table A7.1 (continued): Description of independent variables across different treatment samples (RDD only)

Variable	Account holders Mean	*(sd)*	Account refusers Mean	*(sd)*	All treated (weighted) Mean	*(sd)*
Possibly endogenous regressors:						
*Employed FT **	*0.32*	*(0.47)*	*0.25*	*(0.43)*	*0.26*	*(0.44)*
Employed PT *	0.33	*(0.47)*	0.23	*(0.42)*	0.24	*(0.43)*
Self-employed *	0.07	*(0.25)*	0.04	*(0.20)*	0.05	*(0.21)*
Unemployed *	0.03	*(0.16)*	0.08	*(0.27)*	0.07	*(0.26)*
Carer *	0.10	*(0.30)*	0.15	*(0.35)*	0.14	*(0.35)*
Ill: no work *	0.05	*(0.21)*	0.14	*(0.35)*	0.12	*(0.33)*
Retired *	0.10	*(0.30)*	0.09	*(0.29)*	0.09	*(0.29)*
Oth non FT work*	0.01	*(0.12)*	0.02	*(0.15)*	0.02	*(0.15)*
*Partner emp/SE **	*0.52*	*(0.50)*	*0.35*	*(0.48)*	*0.38*	*(0.49)*
Partner ret *	0.06	*(0.24)*	0.04	*(0.20)*	0.05	*(0.21)*
Part. oth no work*	0.42	*(0.49)*	0.61	*(0.49)*	0.57	*(0.49)*
Benefits						
Means tested *	0.26	*(0.44)*	0.46	*(0.50)*	0.42	*(0.49)*
Other *	0.52	*(0.50)*	0.61	*(0.49)*	0.59	*(0.49)*
Income quintile:						
1st *	0.13	*(0.33)*	0.26	*(0.44)*	0.24	*(0.42)*
2nd *	0.17	*(0.38)*	0.23	*(0.42)*	0.22	*(0.41)*
3rd *	0.21	*(0.41)*	0.19	*(0.39)*	0.19	*(0.39)*
4th *	0.25	*(0.43)*	0.17	*(0.37)*	0.18	*(0.39)*
*5th **	*0.24*	*(0.43)*	*0.16*	*(0.36)*	*0.17*	*(0.38)*
No earnings *	0.27	*(0.44)*	0.47	*(0.50)*	0.43	*(0.50)*
Earnings (£/mnth)	635	*(649)*	522	*(2024)*	541	*(1863)*
Tenure						
Own outright*	0.25	*(0.43)*	0.14	*(0.35)*	0.16	*(0.37)*
Mortgage *	0.54	*(0.50)*	0.38	*(0.48)*	0.41	*(0.49)*
L-t sick *	0.19	*(0.39)*	0.31	*(0.46)*	0.29	*(0.45)*
Part l-t sick *	0.10	*(0.29)*	0.11	*(0.31)*	0.10	*(0.30)*
Fin numeracy:						
Good *	0.45	*(0.50)*	0.34	*(0.47)*	0.36	*(0.48)*
Excellent *	0.21	*(0.41)*	0.11	*(0.31)*	0.13	*(0.33)*

Note: For sample sizes see the 'whole sample' column of Table 7.2.2. A "*" on a variable indicates that it is a 0/1 variable, so the mean value can be interpreted as the proportion of people in the group who have the relevant characteristic. Rows for which the text is *pale italics* describe the sample in terms of a category that formed the omitted group from a mutually exhaustive set of groups.
Source: Telephone survey

Table A7.2: Description of independent variables across different samples (RDD only)

Variable	All treated (weighted) Mean	*(sd)*	RDD Controls Mean	*(sd)*	Whole sample (weighted) Mean	*(sd)*
Treated *	1	*(0)*	0	*(0)*	0.71	*(0.45)*
Exogenous regressors:						
Female *	0.67	*(0.47)*	0.68	*(0.47)*	0.68	*(0.47)*
Couple *	0.52	*(0.50)*	0.53	*(0.50)*	0.52	*(0.50)*
*Age 16 – 24 **	*0.06*	*(0.24)*	*0.06*	*(0.23)*	*0.06*	*(0.24)*
Age 25 – 34 *	0.20	*(0.40)*	0.22	*(0.41)*	0.20	*(0.40)*
Age 35 – 44 *	0.29	*(0.45)*	0.29	*(0.45)*	0.29	*(0.45)*
Age 45 – 54 *	0.23	*(0.42)*	0.23	*(0.42)*	0.23	*(0.42)*
Age 55 – 64 *	0.20	*(0.40)*	0.19	*(0.39)*	0.20	*(0.40)*
Age 65 + *	0.02	*(0.13)*	0.02	*(0.13)*	0.02	*(0.14)*
Other adult in HH*	0.26	*(0.44)*	0.23	*(0.42)*	0.25	*(0.43)*
Preschool kids *	0.11	*(0.31)*	0.12	*(0.33)*	0.11	*(0.32)*
Older kids*	0.35	*(0.48)*	0.36	*(0.48)*	0.35	*(0.48)*
Degree *	0.21	*(0.41)*	0.24	*(0.43)*	0.22	*(0.42)*
Partner degree *	0.10	*(0.30)*	0.12	*(0.32)*	0.10	*(0.30)*
Month interviewed:						
September *	0.35	*(0.48)*	0.31	*(0.46)*	0.34	*(0.47)*
October *	0.46	*(0.50)*	0.43	*(0.49)*	0.45	*(0.50)*
*Nov / Dec **	*0.09*	*(0.29)*	*0.26*	*(0.44)*	*0.21*	*(0.41)*
Ethnicity:						
*White **	*0.94*	*(0.24)*	*0.91*	*(0.28)*	*0.91*	*(0.29)*
Asian *	0.05	*(0.21)*	0.04	*(0.20)*	0.05	*(0.21)*
Black *	0.04	*(0.20)*	0.03	*(0.18)*	0.04	*(0.19)*
Other *	0.01	*(0.10)*	0.01	*(0.12)*	0.01	*(0.10)*
CAPI interview *	0.07	*(0.25)*	0.04	*(0.20)*	0.06	*(0.24)*
Manchester *	0.18	*(0.38)*	0.18	*(0.38)*	0.18	*(0.38)*
Cumbria *	0.20	*(0.40)*	0.20	*(0.40)*	0.20	*(0.40)*
E Yorkshire *	0.18	*(0.39)*	0.18	*(0.39)*	0.18	*(0.39)*
S Yorkshire *	0.16	*(0.37)*	0.16	*(0.37)*	0.16	*(0.37)*
Cambridgeshire *	0.14	*(0.35)*	0.14	*(0.35)*	0.14	*(0.35)*
E London *	0.13	*(0.34)*	0.13	*(0.34)*	0.13	*(0.34)*

Note: For sample sizes see the 'whole sample' column of Table 7.2.2. A "*" on a variable indicates that it is a 0/1 variable, so the mean value can be interpreted as the proportion of people in the group who have the relevant characteristic. Rows for which the text is *pale italics* describe the sample in terms of a category that formed the omitted group from a mutually exhaustive set of groups.
Source: Telephone survey

Table A7.2 (continued): Description of independent variables across different samples (RDD only)

Variable	All treated (weighted) Mean	*(sd)*	RDD Controls Mean	*(sd)*	Whole sample (weighted) Mean	*(sd)*
Possibly endogenous regressors:						
*Employed FT **	*0.26*	*(0.44)*	*0.25*	*(0.43)*	*0.26*	*(0.44)*
Employed PT *	0.24	*(0.43)*	0.22	*(0.42)*	0.24	*(0.43)*
Self-employed *	0.05	*(0.21)*	0.05	*(0.22)*	0.05	*(0.21)*
Unemployed	0.07	*(0.26)*	0.07	*(0.26)*	0.07	*(0.26)*
Carer *	0.14	*(0.35)*	0.14	*(0.35)*	0.14	*(0.35)*
Ill: no work *	0.12	*(0.33)*	0.15	*(0.35)*	0.13	*(0.34)*
Retired *	0.09	*(0.29)*	0.09	*(0.29)*	0.09	*(0.29)*
Oth non FT work*	0.02	*(0.15)*	0.03	*(0.17)*	0.02	*(0.15)*
*Partner Emp/ SE **	*0.52*	*(0.50)*	*0.39*	*(0.49)*	*0.38*	*(0.49)*
Partner ret *	0.05	*(0.21)*	0.04	*(0.20)*	0.05	*(0.21)*
Part. oth no work*	0.57	*(0.49)*	0.57	*(0.50)*	0.57	*(0.49)*
Benefits						
Means tested *	0.42	*(0.49)*	0.44	*(0.50)*	0.43	*(0.49)*
Other *	0.59	*(0.49)*	0.63	*(0.48)*	0.60	*(0.49)*
Income quintile:						
1st *	0.24	*(0.42)*	0.24	*(0.43)*	0.24	*(0.42)*
2nd *	0.22	*(0.41)*	0.20	*(0.40)*	0.21	*(0.41)*
3rd *	0.19	*(0.39)*	0.18	*(0.39)*	0.19	*(0.39)*
4th *	0.18	*(0.39)*	0.18	*(0.39)*	0.18	*(0.39)*
*5th **	*0.17*	*(0.38)*	*0.20*	*(0.40)*	*0.18*	*(0.38)*
No earnings *	0.43	*(0.50)*	0.45	*(0.50)*	0.44	*(0.50)*
Earnings (£/mnth)	541	*(1863)*	£522	*(£652)*	£536	*(£1608)*
Tenure						
Own outright*	0.16	*(0.37)*	0.16	*(0.37)*	0.16	*(0.37)*
Mortgage *	0.41	*(0.49)*	0.41	*(0.49)*	0.41	*(0.49)*
L-t sick *	0.29	*(0.45)*	0.33	*(0.47)*	0.30	*(0.46)*
Partner l-t sick *	0.10	*(0.30)*	0.10	*(0.30)*	0.10	*(0.30)*
Fin numeracy:						
Good *	0.36	*(0.48)*	0.40	*(0.49)*	0.37	*(0.48)*
Excellent *	0.13	*(0.33)*	0.15	*(0.36)*	0.14	*(0.34)*

Note: For sample sizes see the 'whole sample' column of Table 7.2.2. A "*" on a variable indicates that it is a 0/1 variable, so the mean value can be interpreted as the proportion of people in the group who have the relevant characteristic. Rows for which the text is *pale italics* describe the sample in terms of a category that formed the omitted group from a mutually exhaustive set of groups.
Source: Telephone survey