Financial citizenship

Rethinking the state's role in enabling individuals to save

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Executive summary

The UK has an under-saving problem. This paper re-examines the foundations of public policies focused on enabling saving through discussion of the emerging concept of financial citizenship, which can be related to a responsibility to save, but also the implications of financialisation more generally for the financial behaviour of individuals and households. Financial citizenship cannot alone guarantee that the under-saving problem will be overcome, but it can, we argue, help in providing the appropriate framework in which savings policy can be made.

The first section examines recent public policy initiatives around financial inclusion and enabling saving. Policy across a wide range of areas is shown to have contributed to the development of new entitlements and duties related to financial behaviour and the financial system. Policy-makers have promoted and supported a range of simple financial products to enable financial inclusion, as well as introducing more accessible vehicles for saving such as ISAs and NEST (the National Employment Savings Trust). The emphasis, however, has been on responsibilities rather than rights. The Labour government's 'asset-based welfare' was highly relevant to the concept of financial citizenship: programmes such as the Saving Gateway can be said to have established guarantees for the kind of support to save that certain households are entitled to, in return for financially responsible behaviour. This initiative has been abandoned by the coalition government, and moreover, various commentators have argued that the 'asset-based welfare' agenda gave way even during Labour's time in office to a narrower agenda around behavioural change. Despite persevering with NEST, which establishes legal minimums for employer contributions into occupational pension funds and offers tax relief from the government, the coalition government's agenda in general advances the move towards individualisation and responsibilisation in saving policy.

The second section argues that financial citizenship has to be understood in the context of the evolution of citizenship more generally. Citizenship confers, traditionally, a right upon citizens to participate in decisions that impact on their well-being (i.e. democracy), and more recently, the right to support from the state to ensure well-being in return for responsible behaviour within society. In general, policy-makers have in recent decades made the argument that citizens have been granted excessive financial support through the welfare state, in return for limited obligations. As such, rather than representing a new frontier in our experience of citizenship, policies around enabling saving instead represent a consequence of policy-makers' attempts to make individual citizens more responsible for their own financial well-being. Citizenship education therefore emphasises participation: while this orientation is appropriate for the political realm, where participation is equivalent to contributing to collective decision-making processes, in the economic realm participation is equivalent to accepting the established order. Financial inclusion is of course desirable – but it should not be seen as synonymous with financial citizenship.

In a financialised society, if we are not financial citizens, then arguably we are not citizens at all. A strong conception of financial citizenship demands that individuals and households can access meaningful resources that to enable financially responsible behaviour, and that citizens have the opportunity and capacity to shape the way the financial system functions. Through discussion of financialisation and new thinking around citizenship, the third section outlines a series of guiding principles for the establishment of financial citizenship. The fourth section then discusses the potential implications of these principles for public policy on saving. The table below summarises both the financial citizenship principles and implications for saving.

Principle	Implications for enabling saving agenda
Duties must be matched by entitlements, which are not contingent upon private sector provision.	It is vital that mechanisms to save are widely available and appropriate to people in a range of financial circumstances – with access guaranteed by the state if necessary. Financial incentives to save, particularly to commence saving, will be appropriate for many individuals and households. People genuinely unable to save, furthermore, should not be punished in the form of reduced access to welfare provision and public services; it is possible to exercise financial responsibility even if saving is unaffordable, and therefore individual rights should not be affected by unavoidable hardship.
The financial system must be 'democratised'.	Increased transparency by financial institutions will enable consumers to make informed decisions about how and where to save. Furthermore, individuals should be given more opportunities to influence where investments based on their savings are directed.
Policies designed to support citizens to engage with the financial system should involve both universal and progressive (or means-tested) support.	Saving is a general obligation associated with financialisation, and it is right therefore that public policy reflects solidarity by making some forms of support available universally irrespective of financial circumstances. However, there is a strong case for additional savings incentives to be offered to those genuinely unable or less able to save than other individuals or households. Society in general will benefit if low-income families are able to establish financial independence through saving, and an inability to save is often the result of unavoidable economic circumstances – that is, the kind of risks that, as citizens, we expect the state to insure us against.
Universal support should be designed in accordance with the life-stage implications for recipients.	While all citizens are entitled to support to save, this support should be focused on young people (who for both structural and behavioural reasons are less likely to be saving large amounts). Incentivising saving early in individuals' lifecourse can help to establish a bedrock of autonomy and resilience that could have a positive impact even after incentives are withdrawn. In return for this support, young people would fulfil their obligations to save independently, and support subsequent generations, at later life-stages.
Policies based on insights from behavioural economics are consistent with financial citizenship.	The nudge agenda has an obvious correspondence with the enabling saving agenda. As such, the main example of a 'nudge' in recent public policy initiatives is directly related to saving, that is, the introduction of automatic enrolment in occupational pension saving. Insights from behavioural economics should be applied to enabling saving more generally, especially where the target group is young people.
Financial citizens have a right to financial education.	Financial education should go beyond simply providing information on the importance of saving. Citizens should be taught about the different forms of saving they could participate in, the benefits and drawbacks of different forms of saving, what happens to their capital once saved in a financial institution, and how to participate in collective decision-making processes related to the design and regulation of saving mechanisms.

While the current set of policies in place are not necessarily inconsistent with financial citizenship, nor are they adequate to enable a meaningful experience of citizenship in a financialised society with regard to how and whether individuals should save. One of the main conclusions of this paper is that there should be a move towards 'matching' contributions from the government, in place of tax relief, not least because incentives of this form are easier to target. In terms of specific initiatives, while NEST fits within a financial citizenship framework, the government could additionally enable accounts allowing more liquid forms of saving for young people only, to help nurture a savings habit while recognising the particular circumstances of this life-stage. The Lifetime Bonus Savings Account (LBSA) developed by Tony Dolphin, in offering matching contributions for consistent saving targeted on low-to-middle income earners, represents a use of public money far more consistent with financial citizenship. The LBSA would replace cash ISAs but need not preclude the rehabilitation of the Saving Gateway, which could be introduced for young people in difficult financial circumstances as a feeder account for the LBSA.

Introduction

In the wake of the global financial crisis, public debate has been dominated by the implications of the uncertain economic climate we are living in. Central to this debate has been the fiscal strategy of the current coalition government, which is based on spending cuts to reduce the budget deficit, and rising unemployment rates. The implications for saving by individuals and families have received less attention. While this is understandable to some extent, it cannot be denied that the UK has a chronic under-saving problem, which has been exacerbated by the financial crisis and economic downturn.

Exploring the under-saving problem in depth is beyond the scope of this paper, although more detail is provided in the appendix. Essentially, however, a high proportion of UK households have little or no saving or investment wealth, and these households are concentrated among those with the lowest incomes. The under-saving problem is compounded by indebtedness, especially for young people, and particularly acute in relation to saving for retirement. Relatively few households are setting aside sufficient funds for retirement.

There is an urgent need for policy-makers to address this problem. This paper argues that this requires us to rethink the foundations upon which savings policy has been based. In short what is required is a 'financial citizenship' framework, outlining the respective responsibilities of individuals and the state regarding saving. Clearly, the scope of financial citizenship extends beyond enabling individuals to save. Developing a citizenship framework on financial issues can, however, help us to plot a new approach to public policy on saving; equally, considering issues around financial rights and responsibilities with reference to a specific, real-world policy dilemma can help us to test the value and validity of the notion of financial citizenship.

In his speech at the Conservative Party conference in 2011, David Cameron claimed that households were paying off their credit card debts in anticipation of difficult economic times ahead. He was wrong; indeed the government's own forecasters had predicted that household indebtedness would rise significantly in the next few years. The reaction focused, however, on an earlier draft of the speech, released to the media in advance, which showed that the Prime Minister had seemingly wanted to go even further by telling the public that they *should* pay off their credit card debts. Again, Cameron was on the wrong side of the government's forecasters, who were expecting consumption to rise faster than income, accounting for half of GDP growth by 2015 (see Office for Budget Responsibility, 2011a; 2011b).

The incident was politically embarrassing for the Prime Minister, but has a wider significance, in that it indicates a profound confusion at the heart of our relationship with the financial system. In many ways Cameron was right to advise people to reduce their indebtedness – and we can presume that many individuals and families hope to do, even if they are not succeeding at the moment. When it comes to issues around debt and saving, what exactly are our obligations as responsible members of society? What kind of resources are we entitled to in order to fulfil our responsibilities? Do we get a say in how rights and responsibilities are determined? Our livelihoods have never been more intimately engaged with the financial system – yet we lack any meaningful sense of what it means to be a citizen in a 'financialised' age.

Looking at savings in particular, what kind of policy agenda would financial citizenship give rise to? Public policy-makers often take as given that individuals have a responsibility to save, but is this accompanied (and should this be accompanied) by a stronger set of rights? The financial citizenship concept seems to complement the more prevalent notions of 'financial inclusion' and 'financial education' in that it involves addressing failures to interact with financial services (and a lack of capability in relation to, or knowledge about, financial services). Yet citizenship suggests a more expansive or ambitious form of participation, include the right to participate in collective decision-making around the operations of the financial system. This is notwithstanding, of course, the fact that 'citizenship' itself is an 'essentially contested concept' which has evolved significantly over several centuries.

This paper's main interest is in low-income households, who potentially have the most to gain from saving and the most to lose from pernicious forms of financial inclusion, and long term savings (including pensions) rather than short term savings. However, in the course of establishing the value of financial citizenship, the paper will consider the rights and responsibilities of *all* citizens, and the implications of *all* forms of financial behaviour. It is based principally on original analysis and desk-based research by the authors. However, a small number of interviews were undertaken with experts and practitioners to inform the analysis:

- Tony Dolphin (Chief Economist at the Institute for Public Policy Research).
- Michael Kenny (Professor of Politics at Queen Mary, University of London).
- Faisel Rahman (Managing Director of Fair Finance).
- Matthew Watson (Professor of International Political Economy at the University of Warwick).

The paper begins by outlining recent public policy objectives related to financial inclusion and enabling saving. The second section accounts for the emergence of financial citizenship in the context of wider changes within our understanding of citizenship. The third section assesses in more detail what kind of rights and responsibilities exist in a financialised society, before outlining a new understanding of what citizenship could mean in this context. The final section suggests what kind of framework and policy ideas that financial citizenship gives rise to, in relation to policy on saving.

1. Public policy on financial inclusion and enabling saving

Both the financial inclusion and the saving agendas are ultimately concerned with enabling individuals and families achieve autonomy. In terms of the latter, saving would directly reduce reliance on the state. In terms of the former, as well as facilitating access to savings vehicles, financial inclusion is vital also for accessing credit, effectively managing the household budget, and even engaging in the labour market. Yet this does not mean there are not tensions and contradictions between financial inclusion and enabling saving as public policy objectives. As will be discussed below, the financial inclusion agenda has been criticised precisely because it leads to superficial engagement with financial services but does not actually enable greater savings rates; in contrast, it has also been argued that the financial inclusion agenda is flawed precisely because it is concerned *only* with increasing saving (and therefore allowing the state to withdraw support) rather than helping individuals to develop financial capabilities or exercise power within the financial system. This section explores the main focus of recent public policy initiatives on financial inclusion and saving, including the orientation of the coalition government towards these issues.

Financial inclusion and enabling saving

Using public policy to incentivise saving is a relatively recent phenomenon. Governments have of course long supported the operation of the financial sector and pensions industry in various ways, but traditionally the only significant fiscal initiative to support saving has been tax relief on private or occupational pensions saving (first introduced in 1921). Tax relief remains available, although it has been restricted and will be restricted further as part of the coalition government's deficit reduction agenda. In 1986 the Thatcher government introduced Personal Equity Plan (PEPs), which offered special tax arrangements designed to encourage wider equity ownership, followed by Tax-Exempt Special Savings Accounts (TESSAs) in 1990 to encourage more people to save. However, neither initiative had a large impact, especially among the poorest members of society, in terms of enabling saving or encouraging financial inclusion more generally (see Jupp, 1997). Research by Jackie Wells (2010) shows similarly that pensions tax relief has only a limited incentive effect, at least in part because people do not fully understand the incentive structure.

Saving is not simply an element of financial inclusion; arguably, it is its main hallmark. It is logical therefore that policy-makers would seek to incentivise take-up of, and widen access to, savings-related financial services – even if their main concern is financial inclusion in general rather than tackling under-saving in particular. However, the election of the Labour government in 1997 coincided with a recognition that, firstly, financial inclusion is not synonymous with saving, and secondly, enabling saving cannot be achieved by tax discounts alone and may require efforts to address financial exclusion at more basic levels.

Sue Regan and Will Paxton (2003) define financial inclusion as 'when citizens have access to appropriate financial products and services *and* the opportunity, ability and confidence (and appropriate support and advice) to make informed decisions about their financial circumstances, as would be regarded as a minimum to organise their finance in society effectively'. Andrew

Leyshon (2007) defines financial *exclusion* as 'the process by which people of low and moderate incomes are directly and indirectly excluded from the formal financial system and denied access to mainstream retail financial services'.

Leyshon argues further that there are five main types of financial exclusion:

> While the earliest geographical studies were concerned in the main which what might be described as 'access exclusion' – such as branch closure – it is now recognised that there are at least four additional forms of financial exclusion: condition exclusion (where potential customers are excluded for failing to conform to defined product preconditions, such as failing a credit scoring test); price exclusion (where products are priced out of the reach of some consumers); marketing exclusion (where undesirable customers are avoided by aiming marketing campaigns at potentially profitable socio-demographic groups), and; self-exclusion (where customers do not even apply for certain financial products, either because they have been refused in the past, they assume that they will be denied, or they are unaware of products that they might apply for) (Leyshon, 2007).

In a landmark study of financial inclusion/exclusion, Elaine Kempson and Claire Whyley (1999) show that poor and workless households were far more likely to be financially excluded, and that the main triggers for exclusion among individuals that had previously been included are a large drop in income – for example through becoming unemployed – and the ending of a relationship. Their qualitative research with financially excluded groups led to the recommendation of a simpler range of financial products, although they recognise that such products do not fully address the causes of financial exclusion.

The introduction of simpler and more accessible products was the main focus of the Labour government's early financial inclusion agenda. Basic bank accounts (BBAs) were introduced in 2003, in partnership between the government and the banking industry, to enable poorer households to open less risky bank accounts. BBAs allow the deposit of wages and benefit payments automatically, direct debits to pay bills, and withdrawals at cash machines. But they have no overdraft facilities or cheque books, and limited debit card facilities. Post Office Card Accounts (POCAs) were introduced by the Post Office, with financial support from the government, in the same year. These accounts allowed certain benefit payments to be deposited automatically, and money to be withdrawn at Post Offices.

BBAs and POCAs reflect the Labour government's opinion that the financially excluded are to some extent legitimately excluded by providers, given their higher risk profiles, meaning that less risky (although less functional) products will encourage providers to offer a more limited form of financial inclusion. They also reflect Labour's association of financial exclusion with the wider issue of social exclusion: accessing even a limited bank account enables households to receive the lowest rates on utility bills, for instance, and is crucial for engaging in the labour market.

In terms of customers attracted, BBAs were largely successful: there were over 6 million accounts opened in only two years. However, the policy has been criticised for various reasons. The utility of BBAs and POCAs is undermined by bank, building society and Post Office branch closures, and the increasing numbers of fee-charging cash machines (Collard, 2007; Leyshon, 2007; Treasury Select Committee, 2006a). Jane Midgeley has criticised the 'particularistic inclusion' offered by BBAs and POCA. She argues that the financial inclusion agenda starts problematically from the assumption of non-participation in the financial system, and so '[c]onsequently the focus of policy is constrained by constructions of the excluded' and therefore policy has not addressed the problems faced as a result of financial inclusion, such as indebtedness (Midgeley, 2005). Indeed, Leyshon argues that financial exclusion is an outcome principally of the business models of financial services providers in an era of expansion and deregulation, rather than the fault of those excluded:

> As firms began to enter each other's markets in search of market share and profits so the widespread cross-subsidisation of consumers across different financial products was swept away so that each consumer increasingly became evaluated in terms of their potential value to the business (Leyshon, 2007; see also Dymski, 2005).

Interestingly, Midgeley reports in addition that the Labour government's plans for universal banking were originally more ambitious, involving the creation of a state-backed basic banking service, but were abandoned following opposition from retail banks, fearing a loss of market share.

Increasing savings rates was therefore not a key element of the Labour government's early agenda on financial inclusion. This was criticised by the Treasury Select Committee in 2006 in their inquiry into the financial inclusion agenda, and as early as 2003 the Institute for Public Policy Research (IPPR) were talking about the need to go 'beyond bank accounts', and designated a higher saving rate as a hallmark of genuine financial inclusion (Regan & Paxton, 2003). HM Treasury's second financial action plan, published in 2007 and covering the period 2008 to 2011, recognised the need to move 'beyond bank accounts' but did not refer to any measures to tackle under-saving; it focused on money advice and third sector lending.[1] These were the main areas for investment through the £130 million Financial Inclusion Fund. Similar plans produced by the devolved administrations in Scotland and Wales were more willing to associate savings with financial inclusion, although both recognise that the policy levers that most impact on saving are not available to Scottish and Welsh administrations (Scottish Executive, 2005; Welsh Assembly Government, 2009). Interestingly, the European Commission (2008) also associated low savings rates with financial exclusion at around this time.

This does not mean of course that the Labour government was not concerned with increasing saving. Rather, Labour did seek to use public policy to enable saving, albeit largely independently of its financial inclusion agenda. Individuals Savings Accounts (ISAs) were introduced in 1999 to replace both PEPs and TESSAs (ISAs could be held in cash or equity). ISAs have been more successful than their predecessors in increasing access to a simple, tax-efficient savings vehicle (HMRC, 2007), although the extent to which they are utilised significantly by low earners is unclear. In terms of pensions saving, the government introduced 'stakeholder pensions' in 2001 to offer a simple, low-cost savings vehicle for low and moderate earners with little or no access to occupational pensions. Most employers were required to make a stakeholder pension product, or a suitable alternative, available to their staff. However, while many stakeholder pensions were established, it is unclear that they succeeded in encouraging low-earners to save more. The government essentially abandoned the policy (although products are still available) in 2006 when it announced plans for 'personal accounts' following advice from the Pensions Commission.

[1] It is worth noting, however, the HM Treasury's Financial Inclusion Taskforce, an independent advisory body first set up in 2005, was given responsibility for monitoring saving in 2008, as part of its more general monitoring of personal finances.

Asset-based welfare

Policy on saving became detached from broader policies around financial inclusion during the early period of the Labour government, but this does not mean that Labour's agenda on enabling saving failed to acknowledge the wider determinants of under-saving. As such, during Labour's second term in government, the agenda on saving was couched within an alternative policy programme, that is, 'asset-based welfare'. Saving was therefore more associated with New Labour's vision for the welfare state than its vision for financial inclusion which, as noted above, was largely a corollary of efforts to tackle social exclusion. It was only during Labour's third term in office that the saving agenda once again became decoupled from the asset-based welfare agenda and more closely associated with the financial inclusion agenda – arguably this represented a narrowing of the objectives of policy on saving. Asset-based welfare policies built upon the relative successes of ISAs and stakeholder pensions, albeit recognising that genuinely enabling saving required efforts to build capability and challenge behavioural traits as well as provide access to products; stronger financial incentives and 'matching' were also proposed in recognition of the unaffordability of saving for many.

The Child Trust Fund (CTF) was the first major policy intervention associated with asset-based welfare, introduced in 2005 (although all children born from September 2002 onwards were eligible for enrolment). Children were awarded £250 at birth and £250 at age 7 (children from low-income families received £500 at both points), with the intention that parents and grandparents would top-up the funds. The trusts were either held as cash or in low-risk equity products with tax-free growth. The fund would become an asset for the child upon reaching age 18. It was hypothesised that possession of the asset, and the process of accumulating the asset, would help to mould the way individuals think and behave – making them more responsible and ultimately productive – and in particular help to ease the transition between adolescence and adulthood, enabling greater self-reliance for young people (cf. Nissan & Le Grand, 2000). Obviously it is too early to tell what 18 year-olds will do with their assets when their funds mature (there will be no new entrants after 2010), but while there is some evidence that the CTF has encouraged families to save more, high-income families have made most use of the scheme, and around one in four families failed to take-up their child's fund (they were therefore automatically enrolled into HMRC's default scheme) (Mitton, 2008).

The Saving Gateway was proposed at the same time as the CTF, although took much longer to come to fruition. Available only to people in receipt of certain means-tested benefits, including in-work benefits, through the scheme the government would add 50p to basic savings accounts for every £1 saved by account holders over a two-year period. A maximum of £25 could be paid in each month, and only new savings would be rewarded (that is, only funds that exceed the previous month's final balance). The scheme underwent two major pilot projects, which were deemed successful: individuals on very low incomes struggled to contribute, but most participants were able to find extra cash to save, by cutting out luxuries or utilising funds they would have saved informally at home (Collard & McKay, 2006; HM Treasury, 2008). Ultimately, however, the Saving Gateway was never introduced – postponed by the Labour government and abandoned by its successor.

Carl Emmerson and Matthew Wakefield (2001) argued when the CTF and Saving Gateway were first proposed that the logic of asset-based welfare was flawed. The programme assumed that one of the reasons that certain households had low earnings and worklessness was because a lack of assets had inhibited the development of economic responsibility; in reality, in the view of Emmerson and Wakefield, the causal relationship runs in precisely the opposite direction. This is certainly a valid point, although it would be unwise to dismiss asset-based welfare on these grounds alone. It is necessary to consider the relationships between the agendas on asset-based welfare and financial inclusion, insofar as they led to certain policies designed to enable saving. Clearly, the CTF and the Saving Gateway represented more than financial inclusion, because financial exclusion was not necessarily a pre-requisite of eligibility. The CTF was aimed at children, or perhaps more accurately young people, and the Saving Gateway set out to address the income-based barriers to saving, rather than focusing on issues of accessibility, product design and money advice. Asset-based welfare in fact seems closer to financial citizenship than financial inclusion (although there is no evidence that this term was employed by policy-makers at the time). The CTF and Saving Gateway clearly embodied a classic 'rights and responsibilities' orientation whereby in return for responsible (financial) behaviour, citizens would be afforded certain rights (to matching contributions) that would allow them to exercise power or autonomy in some ways. A fascinating 2006 paper by Lee Gregory and Mark Drakeford suggested this kind of impact for the CTF, by arguing that social workers could build upon CTF provision to help the social and economic development of disadvantaged children. The fund would give them an element of autonomy at 18; social workers could use this as a catalyst for teaching vital life skills.

However, as Alan Finlayson's (2007) research shows, during the process of implementation for the CTF, the wider asset-based welfare agenda gave way to a narrower agenda around nurturing a saving habit. Saving itself – in place of both financial inclusion *and* asset-based welfare – became the self-fulfilling objective of policy on saving. Although, again, Finlayson does not use this terminology, we can conclude that the need to inculcate responsibility in citizens triumphed over the objective of bestowing new rights within the financial system and wider economy. This seems to parallel the Labour government's understanding of citizenship more generally, which will be discussed in the next section. As such, we arrive at the paradoxical situation whereby asset-based welfare policies are criticised for *only* focusing on enabling saving (even though they seem to be successful in this regard), while financial inclusion policies are criticised for not focusing enough on saving, that is, the real hallmark of financial inclusion. It is of course correct that asset-based welfare was supposed to be about a very deep form of financial inclusion – beyond bank accounts *and* beyond saving – but in practice the Saving Gateway, for instance, took a quite limited form, and eschewed the universality inherent in the CTF. Nevertheless, whether these policies satisfied the criteria of asset-based welfare or not, they may be justifiable on the grounds of enabling saving alone.

Nudge and behavioural change

The idea of 'nudge' has become indelibly associated with the coalition government. However, the 'behavioural turn' in public policy began during Labour's period in government. David Halpern, now heading the Behavioural Insights Team within the Cabinet Office, was first appointed as Chief Analyst within the Prime Minister's Strategy Unit by Tony Blair. The nudge concept is associated with a strand of thinking evident in behavioural economics and psychology that has become increasingly influential across the social sciences, which upholds that we need to understand that forms of behaviour are not entirely rational or instrumental responses to our circumstances. Certain behaviours became self-perpetuating through routine and tradition, even if they lead to sub-optimal outcomes, and there are some traits that most people seem to exhibit which act as barriers to rational decision-making. Jackie Wells (2010) points to a range of behavioural barriers such as procrastination, loss aversion and over-confidence which may indeed be relevant even where individuals have reported lack of available funds as the main reason for not saving.[2]

To nudge individuals is to seek to utilise our behavioural traits in order to help us make more rational decisions. Finlayson's analysis of changes within Labour's asset-based welfare suggests that altering behaviour, rather than developing assets, became a key objective of policy in relation to saving. The design of the Saving Gateway, for instance, which rewarded regular saving, was an attempt to nurture certain behaviour traits in relation to saving, as well as provide an accessible vehicle for saving. The main nudge in Labour's policy programme, as noted above, was automatic enrolment into a 'personal account' occupation pension scheme. 'Auto-enrolment' is an exemplary behavioural change intervention. It utilises the status quo and loss aversion biases, that is, individuals' propensity to resist change even when it is irrational to do so, because of the effort involved in making a decision and the possibility that we will regret our actions (we tend to regret inaction far less). Auto-enrolment means people will be enrolled into an occupational pension by doing nothing; effort will only be required if they decide to 'opt out'. The nudge agenda is often assumed to be synonymous with the retreat of the state, yet NEST and auto-enrolment involve significant intervention into the economy by public authorities.

From the perspective of citizenship, while we may now have a duty to be financially responsible (by, for instance, saving in a pension scheme) we have the right to support to help us fulfil our duty – in the form of the state nudging us towards (non)decisions that are deemed to be in our interests. However, while the nudge agenda has clear benefits in terms of enabling individuals to save, and it is right that public policy is based on genuine advancements in social science, as an embodiment of the relationship between individuals and the state nudge offers only a very limited form of citizenship. As citizenship expert Michael Kenny argues:

> The apparent waning of the disposition to commit to civic initiatives is one reason why some politicians have leaped with gusto upon the idea of 'Nudge' propounded by Richard Thaler and Cass Sunstein… and other behavioural economists. Their focus upon the expert manipulation of the environment in which individual choices are made, appeals both because of its apparently realistic tailoring to the culture of instrumentalism, and since it offers politicians technocratic means of evading the complexities and obduracy of public opinion. Interesting and potentially innovative as some of the initiatives it has promoted may be – for instance the new Personal Accounts system for pensions which will make 'opting in' the default position – 'Nudge' represents a tactical retreat, not a new pathway, from a civic perspective. The contradictory character of public perceptions needs to be engaged and challenged, not bypassed through clever policy design. 'Nudge' backs off from the task of re-animating a civic perspective in contemporary culture (Kenny, 2010).

As such, Kenny does not lay the blame solely at the feet of policy-makers, and instead suggests that citizens' own lack of faith or interest in civic life has contributed to the limited form of citizenship embodied by the nudge agenda. Nevertheless, the nudge agenda unquestionably

[2] See also Berry, 2011b for a review of behavioural barriers relevant to saving among young people in particular. This report argues that a desire for control is one of the key attitudinal tendencies evident among young people that has not yet been adequately addressed by policy-makers and the finance industry.

upholds a technocratic view of civic life whereby the state is simply a mechanism for moulding better citizens rather than a set of democratic institutions through which society can express a collective will. The next section will discuss citizenship in more detail.

The coalition government

It is of course very early in the life of the coalition government to evaluate its approach to financial inclusion and enabling saving. However, a number of decisions and initiatives shed light on the thinking of the Conservative Party, and to a lesser extent the Liberal Democrats. The most high-profile decisions in this regard are the abolition of the CTF, and the abandonment of the full rollout of the Saving Gateway planned for summer 2010. The justification for both decisions was deficit reduction, although it would not be unfair to speculate that the Labour government's asset-based welfare agenda conflicts with the Conservatives' preference against strongly redistributive welfare policies, which is evident in wider plans for welfare reform, and indeed plans for 'the Big Society'. The Liberal Democrats, unlike the Conservatives, have consistently opposed the CTF, on the grounds that investment in early years education should be a bigger priority (White, 2007).

It is possible to identify five further developments since the 2010 general election: firstly, plans for 'Junior ISAs' to replace the CTF, which will be tax-exempt along the lines of existing ISAs, but will not receive government contributions. Junior ISAs will be available to all, irrespective of economic circumstances. This represents a move away from a targeted policy on saving and financial inclusion, typified by the subsidisation of CTFs for low-income families, and in particular by the Saving Gateway. Universal support in the form of Junior ISAs will, of course, most benefit those families able to save the most.

Secondly, the Financial Inclusion Taskforce (FIT) has returned to the issue of basic banking facilities: recognising the partial success of existing initiatives but recommending further action by government (FIT, 2010). However, although the FIT was retained for a period after the election, the accompanying research was commissioned while the Labour government was in office, and the issue of basic banking does not appear to have featured prominently in the coalition government's policy discourse. Thirdly, HM Treasury has set out its agenda to offer a simpler range of financial products for the mass market – explicitly contrasting this approach with basic banking services, which were designed for marginalised customers. The intention is not necessarily to include the financially excluded, but rather to enable all households to make more sensible financial decisions, and promote greater competition (HM Treasury, 2010; see also Devlin, 2010).

Fourthly, greater emphasis is being placed on financial advice, through the launch of the Money Advice Service, and offering annual financial healthchecks to households. The Retail Distribution Review also intends to enhance the independence of financial advice provided at point-of-sale. The advice agenda correlates with moves towards more extensive financial education. This objective was not absent from the Labour government's agenda, as the next section will demonstrate. However, the coalition government has certainly promoted the importance of financial education, and an All-Party Parliamentary Group (APPG) on financial education was established by Conservative MP Justin Tomlinson in 2011. Speeches by Financial Secretary Mark Hoban indicate the government's concern with levels of financial capability, although the evidence on the effectiveness of financial education in improving capability is mixed (see Berry, 2011b). It is worth noting, however, that the coalition government has withdrawn some funding for advice and education services[3], and appears to see such initiatives as local rather than national responsibilities.

The fifth main development is the imminent introduction of the National Employment Savings Trust (NEST) and auto-enrolment. Through these measures, employers will be compelled to automatically enrol low and moderate earners into a low-cost pension scheme (with minimum employer contributions). As noted above, the policy was in fact first established by the Labour government following recommendations from the Pensions Commission in 2005, and was maintained by the coalition government following an independent review in late 2010. It is anticipated that NEST and auto-enrolment will enable several million workers to begin saving for a pension for the first time, although there are genuine concerns about coverage for very low earners and those with temporary or multiple jobs – and of course people without jobs.[4] Auto-enrolment is the clearest embodiment of the government's commitment to the nudge agenda.

It is also worth noting here that the coalition government has decided to significantly raise the basic state pension (or more accurately combine it with the state second pension, which currently pays more to higher earners, to form a citizen's pension) to the level of the minimum income guarantee for pensioners. Although for many people this will mean that they have a larger retirement income from the state, which theoretically undermines the need to save, the government believes that by effectively eliminating means-testing, and providing greater certainty over what to expect from the state, the change will boost saving incentives.

It seems that in the areas of financial inclusion and enabling saving, the notion of personal responsibility is central to the coalition government's agenda, arguably to a greater extent than for the Labour government. According to Mark Hoban, the government 'want[s] to help people help themselves'. Referring to financial advice and NEST/auto-enrolment, he argues that:

> Both these initiatives will promote greater financial responsibility… encouraging higher levels of saving; educating consumers about the costs of retirement; and showing people what they will need to save in order to maintain a decent income (Hoban, 2010a).

Similarly, in an earlier speech, he explained that:

> Our approach has to be one of shared responsibility. Government will make sure that families are offered the advice, the information and the products they need to plan for their own finances wisely and to encourage saving. Industry will play its role by offering products that families can trust; by taking responsibility for conducting their operations in a way [that] avoids the need for government intervention… But only families themselves can ultimately exercise their responsibility and take action now to provide for their own futures (Hoban, 2010b).

The relationship between personal responsibility and the understanding of citizenship that has emerged in public policy will be explored throughout the remainder of this paper. It would certainly be unfair to argue that the coalition government's decision to abandon the CTF and Saving Gateway represents an abandonment of the wider agenda around enabling saving and financial

[3] Justice for All, a coalition which includes Citizens Advice, the Law Centres Federation and Advice UK, argued in March 2012 that the advice sector would lose £51m a year through legal aid cuts from April 2013 on top of £51.3m a year from 2012/13 as a result of funding reductions from local authorities and other sources.

[4] Of course, NEST/auto-enrolment has to be seen in the context of a decline in occupational pensions saving, and to some extent represents only a defensive strategy against this trend.

inclusion. Initiatives such as NEST and auto-enrolment (although these originated under the Labour government) should help millions of individuals to begin saving for retirement. But is there any future for the wider agenda represented by asset-based welfare? The coalition government's emphasis, so far, has been on personal responsibility, therefore seeming to rule out future policies along the lines of the CTF and Saving Gateway. However, this is not to suggest that asset-based welfare represents the only public policy orientation that can successfully combine financial inclusion and enabling saving, nor that the CTF and the Saving Gateway represented ideal solutions in this regard.

2. The emergence of financial citizenship

The notion of financial citizenship depends of course on an understanding of what citizenship is. Financial citizenship has not emerged in an intellectual vacuum in this regard, but instead in an era in which the idea of citizenship is itself up for grabs. The concept of citizenship has for centuries been one of the most powerful and fought-over in public discourse. At a basic level, citizenship implies that, in return for recognising our duties such as obeying the law and paying taxes, we have certain entitlements. What these entitlements are, of course, has changed significantly. In the eighteenth century the citizenship debate centred on civic rights, such as freedom of thought, speech, association, etc. In the nineteenth century citizenship became central to campaigns to recognise political rights, principally the right to vote. The right to participate in collective decision-making processes has therefore become the key touchstone of modern citizenship. The twentieth century was characterised by growing claims concerning social rights, meaning that citizens were entitled to basic welfare provisions such as medical care, education and housing.

The notion of citizenship was effectively marginalised in the 1980s under Margaret Thatcher's government as neoliberal ideology came to dominate public policy. Of course, civic rights and basic political rights remained at the heart of the organisation of British society, but according to Howard Elcock (2011) neoliberalism brought into question the whole idea of a public realm, instead imagining that public interest was merely the aggregation of private interests. With the public realm abandoned, both collective decision-making, and the idea of social rights, became less central to our experience and entitlements as citizens.

Citizenship returned to the public policy arena after the election of the Labour government in 1997. However, it is not the case that New Labour represented a significant break from its predecessor in office. Firstly, John Major's government had begun to rehabilitate the notion of the public realm, although the emphasis was on the responsibility of individuals to be 'good citizens' in terms of ethics and community life, rather than on rights owed to individuals by the state (Davies, 2011). This notion was arguably the key element of the Labour government's discourse on citizenship. Secondly, while the Thatcher government did not defend the notion of citizenship in any meaningful sense, New Labour's version of citizenship was rooted in the notion of consumer choice, and independence from dependency on the state, that had been at the heart of the New Right's wider agenda for the economy and welfare state (Elcock, 2011).

For John Clarke (2011), the Labour government upheld three distinct but overlapping versions of citizenship: firstly, the activated citizen, making contributions to society through work (and to a lesser extent through the community and by contributing to public service reform). Secondly, the empowered citizen, endowed with choice not simply through formal electoral processes but also in relation to the provision of public services. The choice agenda epitomises the consumerist approach to citizenship. The classical liberal conception of citizenship, as reflected in the work of Adam Smith and John Stuart Mill, assumed that civic bonds grew out of our interactions in the market economy, ultimately leading to attempts to decommodify certain 'public goods'. For the New Right and New Labour, in contrast, market-based interactions are *constitutive* of our civic bonds – subjecting public goods to market mechanism is therefore justified and indeed necessary (Kenny, 2010). Clarke argues that while the Labour government sought to enhance our rights as consumers, far more than the Conservative government, it made few attempts to curb producer power, that is, it was not concerned with how our choices as consumers are framed by producer interests.

The Labour government's third version of citizenship, according to Clarke, involved the responsibilised citizen. Responsibility has always been central to citizenship, but New Labour went further in defining acceptable behaviour as taking responsibility for themselves, in the process forgoing the resources they were ultimately entitled to from the welfare state. Responsibilisation essentially reverses the basic logic of how citizenship has developed for centuries, that is, the granting of new rights in return for responsibilities that we already had – in recent years, new responsibilities have been created to reflect the rights we already have. For instance, we have the right to welfare support if we are unemployed; the Labour government continued the approach of its predecessor by insisting that must have a formal responsibility to find and maintain employment. David Morrison (2003) goes further, in fact, by arguing that the Labour government seemed to have redefined citizens' rights as 'opportunities'. In the twentieth century, rights had guaranteed opportunities, but in the twenty-first century, citizens' rights could be removed or diluted if they failed to take advantage of the opportunities offered to them.

The most direct incarnation of the Labour government's understanding of citizenship is of course the establishment of citizenship education within schools. At Key Stage 1 (for pupils aged 5-7) the curriculum aims to introduce pupils to basic life skills such as ethics, debating, agreeing and following rules, recognising others and differences, recognising the local community and environment, hygiene, making choice, the ageing process, etc. There is only one reference to finance, which is a reference to understanding where money comes from under the theme of 'preparing to play an active role as citizens'. At Key Stage 2 (for pupils aged 7-11) the curriculum aims to introduce pupils to a wider range of social and political topics, such as communicating opinions, recognising achievements and mistakes, facing new challenges, research, laws, anti-social behaviour, spirituality, empathy, democracy and political institutions, charity, how resources are allocated, the media, mental health, drugs, relationships, etc. Again, there is only one reference to finance: the objective 'to look after their money and realise that future wants and needs may be met through saving' is included under the theme of 'developing confidence and responsibility and making the most of their abilities'.[5] As such, saving is associated explicitly with responsible citizenship.

Interestingly, the curriculum for Key Stage 3 (for pupils aged 11-14) contains no references to financial issues and limited references to the economy more generally.[6] Key Stage 4 (for pupils aged 14-16) includes more detailed information on the economy and business, but references to finance are limited.[7] The aim of Key Stages 3 and 4 is to develop detailed knowledge about domestic and international politics, and the democratic process, and crucially, to encourage critical thinking. As such, while personal finance seems to be conceived as a part of learning about society and the life skills required by individuals within society, at Key Stages 1 and 2, it is not a central aspect of Key Stages 3 and 4. In other words, finance is not something that individuals are taught to think critically about. The Institute for Citizenship's (2002) teaching resource pack on 'economic citizenship' – intended for Key Stage 4 – is designed to help pupils *understand* the

[5] See http://curriculum.qcda.gov.uk/key-stages-1-and-2/subjects/citizenship/index.aspx.
[6] See http://curriculum.qcda.gov.uk/key-stages-3-and-4/subjects/key-stage-3/citizenship/index.aspx.
[7] See http://curriculum.qcda.gov.uk/key-stages-3-and-4/subjects/key-stage-4/citizenship/index.aspx.

economy, but includes few references to *questioning* economic functions or outcomes.[8] Although there is a section on loans and credit, the pack for the most part deliberately excludes personal finance.[9]

The emphasis in citizenship education is on participation in all areas of politics, society and the economy, and the skills required to participate effectively – and as such is arguably more supportive of individual autonomy than the narrower political education programmes prevalent in the 1970s (Kisby, 2006). For the Institute of Citizenship (2010), which provides the secretariat for the APPG on financial education, the hallmark of 'twenty-first century citizenship' is participation, and political and economic 'literacy' the key means of enabling participation. But it must be recognised that participating in politics and participating in the economy are not the same thing. Participating in politics is essentially about exercising our rights as citizens, and political literacy is therefore closely bound up with developing critical thinking skills. In contrast, participating in the economy is not about exercising rights, but instead about fulfilling our responsibilities as citizens (see Kisby, 2006). The Citizenship Foundation (2010) has produced the guide *My Money, My Rights* which includes more concrete references to legal rights in relation to finance and the economy, but is essentially concerned with promoting consumer and employee rights rather than our rights as citizens.

As noted in the previous section, the idea of 'nudge' seems to embody a rights and responsibilities approach to policy, albeit in a limited format. The notion of citizenship relevant also to the government's agenda on 'the Big Society', which according to the Cabinet Office (2010) is based on the premise that '[o]nly when people and communities are given more power and take more responsibility can we achieve fairness and opportunity for all'. The Big Society was the central theme of the Conservative Party's 2010 general election manifesto, which was titled *Invitation to Join the Government of Britain*. By associating responsibilities and democratic governance the Big Society clearly speaks to key aspects of citizenship. One of the flagship policies of the Big Society agenda is the National Citizens Service, whereby sixteen year-olds volunteers chunks of time to their communities. Furthermore, it emphasises the relationships between citizens, as well as between citizens and the state, therefore invoking the notion of reciprocity – implying that previous approaches to public policy had undermined citizenship by marginalising the importance of reciprocity.

The Big Society agenda also incorporates a potentially innovative approach to financial inclusion, by emphasising the importance of complementary currencies (including time-banking, which can be seen as a form of saving) and credit unions (Cabinet Office, 2011). However, it is not clear how or whether individuals, as financial citizens, have a right to access such initiatives, and what exactly the state will do for people that cannot gain access. The Big Society celebrates these initiatives because they support citizens' abilities to fulfil their duties to be financially responsible, not because they represent the emergence of new rights. Similarly the National Citizens Service is concerned with what individuals can contribute to society in return for the benefits they already enjoy. The Big Society agenda envisages putting more power over public policy into the hands of citizens, but the means by which it will achieve this – by withdrawing the functions of the state –

[8] With one partial exception, that is, a reference to the ethical issues that firms occasionally face. 'Economic citizenship' does of course have an older meaning, not referred to by the Institute. It has been applied to both the exercise of power over the economy by public authorities, through Keynesian macroeconomic management, and the exercise of power by employees within their place of work.

[9] This is not to say that there is no financial education in schools – indeed, the coalition government is seeking to increase its provision – but in general it is not part of citizenship education.

almost devalues the kind of collective decision-making processes that have traditionally been seen as a hallmark of citizenship.

It is into this context that the notion of financial citizenship emerges. Neither public policy-makers, nor stakeholders such as the Institute for Citizenship or the Citizenship Foundation, has offered a clear or comprehensive account of financial citizenship, but it seems that financial issues are broadly associated with the idea that citizens must take responsibility for their personal finances. According to Jonathan Davies, the Labour government upheld the notion of the 'citizen-saver', alongside the 'citizen-consumer', in that it associated the individual responsibility to accumulate assets with the process of becoming independent from the state. In this sense, we can say that financial citizenship played an important, albeit largely silent, role in Labour's thinking on financial inclusion and enabling saving. It was the state's duty to ensure we are financially included, and to some extent informed, but saving itself was part of our responsibilities as citizens (the CTF and the Saving Gateway suggest that support for saving was an entitlement available to some groups).

This is obviously a fairly narrow understanding of financial citizenship. More expansive versions are possible. In 1998 the Banking, Insurance and Finance Union (BIFU; now part of Unite) argued in a statement to the Treasury Select Committee that consumer representation within finance sector regulatory bodies should include *potential* customers – in other words, the financially excluded should be represented in mechanisms for overseeing the financial system. They also argued that banks should be more transparent about plans to close branches, and the distribution of their lending. Interestingly, Andrew Leyshon (whose definition of financial exclusion was discussed in the previous section), actually treats financial citizenship, not financial inclusion, as the opposite of financial exclusion. In an entry on financial exclusion in the International Encyclopaedia of Human Geography, he questions the value of the concept of financial inclusion, instead promoting financial citizenship as the remedy to exclusion. He defines financial citizenship as:

> a concept that recognises the significance of the financial system to everyday life and confers a right and ability on individuals and households to participate fully in the economy and to accumulate wealth (Leyshon, 2007).

For Leyshon, there are a large number of people who are neither excluded nor 'super-included', who may be free to participate in the financial system but lack the capacity to build up significant assets through saving or investment.

This is not to say that Leyshon is necessarily right about financial citizenship. It is unfortunate that the terminology has become confused: financial citizenship is not merely a remedy to financial exclusion, but rather a basic set of rights and responsibilities that should apply whether people are excluded or not. Inclusion alone does not guarantee citizenship. For instance, Leyshon's definition does not include the kind of arguments made by BIFU around representation and transparency within the financial system.

It is clear that the emergence of financial citizenship has been influenced by broader currents within public policy related to citizenship. It is not the case that efforts to include citizenship education in schools, and the emphasis on independence and responsibility more generally, are wrong in principle. However, this understanding of citizenship involves an emphasis on participation which means very different things when applied to the political or economic realms.

The responsibility to uphold financially responsible behaviour is relatively hollow without entitlements to the kind of access and incentives that enable responsible behaviour. And whereas participating in politics involves engaging in collective decision-making, economic participation is about conforming to already-established structures and processes. It is only through political action that these structures can be questioned and, if necessary, transformed, and so financial citizenship must be about political rights as well as entitlements to access financial services in a fair and sustainable manner.

3. Rights and responsibilities in a financialised society

This section builds upon the previous section, to outline a new approach to financial citizenship. It discusses first the process of financialisation. It then discusses the nature and implications of a fuller version of financial citizenship, before outlining a set of principles for what financial citizenship should look like.

Financialisation

As noted earlier, part of the reason that financial inclusion has become so important is that our lives and livelihoods are increasingly entangled with the financial industry. In what Alan Finlayson (2009) describes as a 'realignment of the relationship between the individual and the global financial market', through our experience of new forms on pensions and credit, as well as the increase in the numbers of people with mortgages and equity-linked assets, we are much closer to the global networks of financial transactions. Moreover, through financial innovation, the financial system is no longer simply an intermediary between our livelihoods and the wider economy, but a purposeful actor in its own right upon which a huge amount of trust has been bestowed. Finlayson also refers to the increasing financialisation of the economy more generally, whereby organisations' principal objective has become delivering financial returns at the behest of capital markers, and governments are increasingly mindful of the influence of bond, currency and commodity market actors.

For Finlayson, while financial exclusion is not a good thing, it has to be recognised that financial inclusion – which is demanded by the process of financialisation – leads to insecurity. Clearly, we do not need to agree with the argument that risks in a financialised society are greater than the risks faced by previous generations (such as disease, mass warfare, absolute poverty, etc.) to acknowledge that there are certainly new forms of risk inherent in financialised society. On the one hand are the risks of being exposed to financial market vagaries as we (almost by necessity) save, invest and borrow through financial service providers. On the other hand, of course, are the risks associated with being unable to engage with financial services.

The previous section explored how financial citizenship seems to have been associated with the creation of new responsibilities; although, arguably, policies around financial inclusion and enabling saving (some of which have now been withdrawn) are designed to help us to take on these responsibilities, they have not been framed by a concomitant sense of our rights in financialised society. The Labour government's decision to recapitalise UK banks in 2008 is an interesting example of the lack of clarity over the implications of financialisation for citizenship. It reflects, first of all, the vulnerability of the economy, and our basic well-being, to financial crises. It would have been those *most* included in the financial system that would have been the main victims had major financial institutions collapsed – notwithstanding the fact that the crisis triggered a fiscal crisis and significant economic downturn through which many people's economic circumstances and prospects have deteriorated. Government intervention largely prevented further damage to the financial system, but this intervention occurred with extremely limited public scrutiny (Scorsone & Zambelli, 2009). Additionally, while the Labour government sought to re-regulate the financial system in some ways, following de-regulation in the 1980s, regulatory powers were located in arms-length agencies not under the direct control of elected public servants – and these agencies were charged with regulating conduct within the financial system, rather than overseeing the system as a whole. Gordon Brown's 1997 decision to allow operational independence for the Bank of England also fits this trend. In the wake of the crisis the coalition government has sought to give greater systemic oversight to the Bank of England, albeit without seeking to claim democratic control of the financial system.

This is not to suggest that recapitalisation should not have taken place, nor that the expansion of financial services is *a priori* negative – and this paper is not the place to discuss the merits of various regulatory regimes. Indeed, the banking bailout may have been entirely consistent with our rights, as citizens, to protection by the state from certain economic risks. And it was of course the voting public that elected the politicians that have taken the decision to devolve regulatory authority, recapitalise the banks, etc. The problem is more cultural than political. The UK's political culture presents the (global) financial system as a force of nature, impervious to scrutiny and control by public servants, and knowable only to those with specialist, technical expertise. If the operation of the financial system is to be a meaningful aspect of our experience of citizenship, then the principles upon which the system is based surely need to be subject to greater public debate.

Financial citizenship: towards a new approach

A firm conception of financial citizenship has yet to emerge in public discourse or public policy, despite the fact that financial inclusion has become bound up with the notion of exercising responsibilities. Saving, in particular, has become associated with responsible citizenship – if there ever was the possibility that enabling saving was part of a broader and innovative approach to citizenship based on asset accumulation, this has now been firmly marginalised. This is clearly, however, not a phenomenon unique to financial inclusion and enabling saving policies, but rather representative of the trends within thinking on citizenship, as reflected in public policy more generally. Of course, this is not to say that the policies being pursued by the previous or current governments are in-themselves problematic. The argument here is that they do not express a strong conception of citizenship which guarantees certain rights in return for responsibilities, and mechanisms for collective decision-making.

The RSA's Citizen Power programme is worth referring to at this point. The RSA has advocated place-based agreements known as citizens' contracts in order to reinvigorate the principle of citizenship in civic life (see McLean, 2010). Like 'the 'big society' citizens' contracts are essentially localist in nature; they would be signed by citizens in conjunction with local authorities and other local stakeholders, but supported by national government. Contracts would encompass *rights* to influence local and national politics, community ownership of assets, creative expression and, crucially, resources to support individual autonomy and resilience. They would also involve *responsibilities* to volunteer, participate in politics, protect the local environment, support vulnerable individuals, cultivate civic well-being and, again crucially, strive for independence. There is clearly an element of responsibilisation inherent in these proposals, especially in relation to striving for independence, but responsibilities are imposed within a rights-based framework, including a right to resources that enable autonomy, and indeed a duty to support the rights of others.

In present form, however, citizens' contracts are probably most relevant to the relationship between individuals and public services and/or welfare provision, especially at the local level. Moreover, while they demand greater participation in public life – and support for individuals to participate – citizens' contracts do not necessarily advocate the creation of new forms on collective decision-making in areas directly impacting our ability to strive for independence. A new understanding of financial citizenship would therefore require solutions relevant to our experience of the financial system.

In financialised society, it is fair to say that a *de facto* duty upon individuals to be financially responsible exists, and that this extends to saving. This responsibility has been brought about by welfare retrenchment, coupled with changes in the global economic environment and population ageing, which individualises the provision of welfare. Crucially, policy-makers associated with all mainstream political parties have advanced or acquiesced to this development – yet there has also been very little public dissent. Meeting the duty generally requires significant engagement with financial services. The sanctions for irresponsible behaviour are of course informal rather than formal, that is, irresponsible behaviour is punished by unfavourable financial circumstances rather than punitive measures organised by public authorities.[10] From the perspective of financial circumstances, because financially responsible behaviour demands financial inclusion in the first instance, there must also be a meaningful right to financial inclusion so that individuals have genuine opportunities to behave responsibly.

Over the past decade, of course, the state has intervened to enable financial service providers to offer services to higher-risk customers. This has not, however, extended very far beyond bank accounts; indeed there remain many 'unbanked' households, and even those with basic bank accounts are not fully included in the banking system. More support is required to alleviate the risks inherent in some customer profiles, or further intervention is required so that the state operates as a financial service provider of last resort – arguably the state has already taken on this function in relation to occupational pensions saving through NEST. In addition to access to services, there is also the question of whether we should have a right to access credit – perhaps in particular circumstances, such as when people are starting a business, or buying their first home. Such rights would help to create the sense that financially responsible behaviour is rewarded by access to the full range of benefits available in a financialised society. Financial citizenship would also require greater protection against malign forms of credit, in that it would recognise unfavourable credit arrangements as a key risk for low-income households in a financialised society.

This paper is most interested in saving. If people are to shoulder the responsibility to save, then there must be strong support to save from the state, in accordance with people's ability to save. This means developing appropriate saving mechanisms. There is no reason to doubt the private sector's ability or willingness to (continue to) offer such mechanisms, but meaningful financial citizenship must not be dependent on the interests or indeed goodwill of private providers – there

[10] Of course, the traditional post-war welfare state has not been dismantled in entirety, and the continuing welfare provision by the state allows financially irresponsible individuals, to some extent, to 'free-ride' on the responsible behaviour of others. Any strong conception of financial citizenship should seek to restrict free-riding.

must be an active role for the public authorities, as representatives of collective decision-making by citizens. Furthermore, the RSA's citizens' contract demands the provision of resources to support autonomy and resilience; in relation to saving, this surely translates into strong financial incentives to save. The Saving Gateway and CTF had offered forms of saving incentives for certain groups; while these schemes were not necessarily representative of a financial citizenship agenda, especially in practice, the Saving Gateway in particular represented a recognition by the state that some households required additional support to fulfil their obligations – and the fact that support was not open-ended minimised the prospect of free-riding.

Of course, the state continues to offer incentives to save through the tax system, via products such as ISAs. Support for long term saving will be enhanced by NEST and auto-enrolment, encompassing both tax relief and minimum employer contributions in return for individual commitments. Limits to pensions tax relief, and the amount that can be invested in ISAs, suggest that policy has to some extent tried to tackle dilemmas around the level of incentive required to help us fulfil our responsibilities as financial citizens, without simply subsidising investment gains by those able to save greater amounts. However, policy has proceeded in an *ad hoc* fashion, rather than on the basis of a principled approach to saving incentives. Recent changes to pensions tax relief, for instance, have been largely determined by the wider fiscal environment; there is little to suggest a coherent answer to the question of the balance between long term and short term saving in providing incentives. Tax relief on liquid savings generally takes the form of tax-free interest, yet this means that the state's contributions are determined by the rates of interest offered by private providers, and offers little help to individuals and households able to save only small or negligible amounts.

Fundamentally, financial citizenship demands that citizens have the opportunity and capacity to shape the way the financial system functions. This does not automatically lead to any particular regulatory regime, but the principle that elected representatives have the freedom to determine regulatory regimes and rules on corporate governance, and oversee the operations of key institutions such as the Bank of England, must not be in doubt. Citizenship may guarantee our right to engage in collective decision-making through political processes, but in a financialised society, this right is not fulfilled if the financial system is conceived as exogenous to the democratic polity. Given that, in accordance with genuine citizenship, democratic accountability must reside at the most meaningful level, the *global* nature of the financial system may mean that there should be more emphasis on democratising supra-national public authorities. While this argument has merit, it is also the case that the 'globalisation' and 'global governance' narratives have in recent years been used to shield the financial system from genuine democratic scrutiny (see Berry, 2011b). The Westminster system remains the most meaningful democratic arena in UK politics, and therefore for the sake of financial citizenship, parliamentary sovereignty over financial activity in the UK must be reinforced. This would not necessarily prevent the possibility of democratic engagement at sub- and supra-national levels, where appropriate. Interestingly, Howard Elcock (2011) has argued that the Labour government's response to the financial crisis was flawed as a result of the lack of mechanisms for determining public interest in relation to the financial system.

The possibility that greater democratic oversight of the financial system will improve savings rates, by creating higher levels of trust, should not be discounted (although justifications for a full conception of financial citizenship do not rest on this outcome). Indeed, trust may be further enhanced by democratisation *within* private financial institutions. If we are to uphold our responsibilities to save, we must have more opportunities to influence what happens to our capital in the hands of service providers. Mechanisms for achieving this principle could range from greater transparency over the operations of financial institutions – so that we can exercise meaningful choice as consumers over how to save and invest – to more formal rights to determine where investment based on our savings is directed. Of course, the appropriateness of certain mechanisms would vary according to the savings product in question; long term saving clearly allows for greater direct input than short term savings vehicles – a further distinction is also required between collective and individual pension funds. Nevertheless, if we have a responsibility to save, as an integral aspect of citizenship in financialised society, feedback mechanisms between the public and financial institutions must be clearer.

Financial education will also be vital to a full conception of financial citizenship. The second section noted the government's interest in financial education, as part of its agenda on personal responsibility. The third section demonstrated that, insofar as financial education has been brought into the citizenship curriculum in secondary education, again the emphasis has been on nurturing responsible economic behaviour (saving, for instance, is discussed alongside and in the same way as the tax system and the labour market). Financial education involves generating awareness of consumer rights in relation to some financial services, but not citizenship rights. As such, it is possible to view financial education as an aspect of responsibilisation, and therefore as constitutive of financialisation rather than a progressive response to the process. However, this would be short-sighted. Arguably the limited nature of financial education reflects a limited understanding of financial citizenship. If we are financial citizens, we are surely entitled to education, at the appropriate life-stage, about how the financial system works. While financial education therefore *is* about enabling us to fulfil our responsibilities, in financialised society these responsibilities exist irrespective of education – therefore financial education is *also* about helping us to exercise and demand our rights. The key question may be not whether to offer financial education as a part of financial citizenship, but paradoxically, whether it should be part of the citizenship curriculum or rather a subject in its own right. General citizenship education is understandably focused on issues of participation in civic life, but financial citizenship requires that we not only understand the need to participate in the financial system, but the function of the system and the principles upon which it is based.

The IPPR's response to the financial crisis, Tomorrow's Capitalism, contains recommendations relevant to the prospect of financial citizenship (see IPPR, 2009). For example, the report argues that central banks should have the power to prick asset bubbles, and that the banking sector must be more willing to take a long term approach to lending to business. Bank recapitalisation in 2008 reflects the importance of financial services to the UK economy, but similarly the financial sector must be reoriented towards serving wider economic activities to justify its privileged position. Interestingly, the report does not call for specific policy changes in this regard, but rather cultural change, echoing the argument above that one of the most important aspects of financial citizenship is simply recognising that society has the right to expect financial services to be geared towards upholding the public interest.

The report also condemns the award of mortgages at (or above) 100 per cent of a property's value – this was financially irresponsible behaviour on the part of financial institutions. It also advocates a split between retail and investment banking, to insulate retail customers from investment losses. This recommendation has been taken forward by both the Future of Banking Commission (which included Conservative MP David Davis, Labour MP John McFall, and now-Secretary of State for Business Vince Cable), and more recently the Independent Commission on Banking, established by the Chancellor of the Exchequer George Osborne and chaired by Sir John Vickers (see FBC, 2010 and ICB, 2011). Broadly speaking, both proposals are consistent with the notion of financial citizenship in that they would involve legislative change – presumably in the circumstances that self-regulation has failed – to protect society from vulnerabilities inherent in financialisation. However, both may also have negative implications for some customers, particularly those in danger of becoming financially excluded, if certain financial services become less accessible and more expensive as a result. Of course, this possibility rests on the assumption that investment banks had been cross-subsidising their high-street services with investment returns, which is far from established. Nevertheless, the proposal underlines the importance of the question of whether we should have the a right to affordable products like mortgages and bank accounts, presuming we can demonstrate financial responsibility – rights that the state must enforce if they cannot be delivered safely by the market. In the case of mortgages, it is not clear that the case for a right to provision would be beneficial to society as a whole – but this does not mean that the state cannot support a wider right to housing, met through forms of social housing if not private home-ownership.

Principles of financial citizenship

In a financialised society, if we are not financial citizens, then arguably we are not citizens at all. It is vital that the promise of financial citizenship is fully realised, and not simply treated as synonymous with financial inclusion. However, this may require a renewed vision for citizenship more generally, as well financial citizenship in particular. If financial citizenship incorporates responsibilities it must also incorporate rights, including the right to collective decision-making, as well as the right to participate.

It is possible therefore to outline a series of guiding principles for the establishment of financial citizenship (the next section will discuss the implication for savings policy):

- ***Duties must be matched by entitlements, which are not contingent upon private sector provision.*** Financial services and products which are appropriate to people in a range of economic circumstances must be accessible, to enable individuals and households to exercise financially responsible behaviour. The state should incentivise people to take-up certain products where necessary. Crucially, the availability of appropriate products and services must not be dependent solely on the private sector – if the market cannot guarantee supply, citizenship demands that the state intervenes to protect the well-being of citizens.
- ***The financial system must be 'democratised'.*** This means, in general, financial service providers become more transparent about their operations and investments, so that consumers can make informed decisions about which services and products to engage with and place trust in. Where possible and appropriate, furthermore, customers should have the opportunity to influence how financial institutions operate. More specifically, individuals must be given opportunities to have greater input on where investments based on their savings are directed.

- ***Policies designed to support citizens to engage with the financial system should involve both universal and progressive (or means-tested) support.*** Citizenship depends on social cohesion. Responsibilities are applied to all, irrespective of financial circumstances (although of course some people find them easier to comply with than others); to apply all entitlements in an uneven way would undermine cohesion and ultimately the willingness of many people to fulfil their obligations as citizens. However, there is clearly a case for additional support for people who are committed to financially responsible behaviour but unable to fulfil their obligations due to their financial circumstances – this gives all individuals the knowledge that this support would be available to them if they were unfortunate enough to require it.
- ***Universal support should be designed in accordance with the life-stage implications for recipients.*** In a paper for the Social Security Advisory Committee, a statutory body which advises government on legislation related to benefits, Julia Griggs and Fran Bennett (2009) argue that 'responsibilities could be thought of as being discharged over a lifetime, rather than at one point in time'. Notwithstanding the fact that young people are less likely to have engaged significantly with the financial system on their own behalf, irrespective of their family background, targeted support on young people helps creates a bedrock of autonomy and resilience for this group which could have a lifelong positive impact.
- ***Policies based on insights from behavioural economics are consistent with financial citizenship.*** Policy should always be based on evidence and expertise, which includes advancements in social sciences in terms of behavioural economics and psychology. However, 'nudges' must not be seen as cost-free alternatives to fiscal measures, as effective behavioural change often depends on financial incentives. Furthermore, it must be recognised that the nudge agenda does not on its own represent an appropriate version of citizenship.
- ***Financial citizens have a right to financial education.*** Duties around financially responsible behaviour must be accompanied by a right to resources to develop financial knowledge and capability, including the resources necessary to participate in collective decision-making policies.

4. Implications for policy on saving

It would be unwise to assume that financial citizenship, and the principles outlined in the previous section, provides a straightforward guide to savings policy. Yet given that the responsibility to save is one of the main implications of financialisation for individuals and households, the salience of any conception of financial citizenship can to a significant extent be judged by its ability to underpin a fair and sustainable policy agenda on issues such as saving. The entitlements implied by financial citizenship will be of little value unless they refer to the kind of support people in various

Table 1 Financial citizenship principles and enabling saving

Principle	Implications for enabling saving agenda
Duties must be matched by entitlements, which are not contingent upon private sector provision.	It is vital that mechanisms to save are widely available and appropriate to people in a range of financial circumstances – with access guaranteed by the state if necessary. Financial incentives to save, particularly to commence saving, will be appropriate for many individuals and households. People genuinely unable to save, furthermore, should not be punished in the form of reduced access to welfare provision and public services; it is possible to exercise financial responsibility even if saving is unaffordable, and therefore individual rights should not be affected by unavoidable hardship.
The financial system must be 'democratised'.	Increased transparency by financial institutions will enable consumers to make informed decisions about how and where to save. Furthermore, individuals should be given more opportunities to influence where investments based on their savings are directed.
Policies designed to support citizens to engage with the financial system should involve both universal and progressive (or means-tested) support.	Saving is a general obligation associated with financialisation, and it is right therefore that public policy reflects solidarity by making some forms of support available universally irrespective of financial circumstances. However, there is a strong case for additional savings incentives to be offered to those genuinely unable or less able to save than other individuals or households. Society in general will benefit if low-income families are able to establish financial independence through saving, and an inability to save is often the result of unavoidable economic circumstances – that is, the kind of risks that, as citizens, we expect the state to insure us against.
Universal support should be designed in accordance with the life-stage implications for recipients.	While all citizens are entitled to support to save, this support should be focused on young people (who for both structural and behavioural reasons are less likely to be saving large amounts). Incentivising saving early in individuals' lifecourse can help to establish a bedrock of autonomy and resilience that could have a positive impact even after incentives are withdrawn. In return for this support, young people would fulfil their obligations to save independently, and support subsequent generations, at later life-stages.
Policies based on insights from behavioural economics are consistent with financial citizenship.	The nudge agenda has an obvious correspondence with the enabling saving agenda. As such, the main example of a 'nudge' in recent public policy initiatives is directly related to saving, that is, the introduction of automatic enrolment in occupational pension saving. Insights from behavioural economics should be applied to enabling saving more generally, especially where the target group is young people.
Financial citizens have a right to financial education.	Financial education should go beyond simply providing information on the importance of saving. Citizens should be taught about the different forms of saving they could participate in, the benefits and drawbacks of different forms of saving, what happens to their capital once saved in a financial institution, and how to participate in collective decision-making processes related to the design and regulation of saving mechanisms.

financial circumstances can expect in order to begin saving or increase their saving rate. As such, table 1 outlines the implications that our financial citizenship principles may have for the enabling saving agenda. The remainder of this section discusses specific debates on public policy in light of these implications.

In terms of current policies, the incentives on offer through ISAs and NEST are not inconsistent with financial citizenship, yet are not adequate alone to satisfy the principles outlined above. Tax relief on interest (provided through ISAs) and pensions saving (provided on all pensions saving, but extended to many more individuals through NEST) generally favours wealthier individuals who are able to save greater amounts – this is why both schemes operate with limits on the amount of savings eligible for tax relief. These limits aim to draw the line between incentivising saving and subsidising wealth accumulation more generally – although in the absence of stronger incentives for individuals and households less able to save large amounts, it is not clear that this balance has been successfully achieved.

Interestingly, Jackie Wells' (2010) research in savings incentives shows that most people would prefer a 'TEE' model of pensions saving, rather than the current 'EET' model (when the system is explained to them).[11] This is because people believe that their savings are theirs alone, and should not be taxed by the state – instead they would prefer their income to be taxed at source, before they make arrangements regarding long term savings. It seems consistent with financial citizenship that if people have a responsibility to save for the long term, they should be able to benefit in full from the products of saving (including pension payments), assuming that their income is taxed before savings investments are deducted and that appropriate limits remain in place. Incentives would therefore take the form of 'matching' contributions rather than tax relief.

One of the main challenges facing NEST, which will be introduced in 2012, is the likelihood that young people will 'opt-out' in large numbers following auto-enrolment. Of course, it is hoped that inertia will lead to most people in all age groups remaining enrolled, and indeed those that opt-out will be re-enrolled at later points. However, irrespective of the opt-out rate, it may be that financial citizenship means different arrangements are warranted for young people. Understandably, pensions savings attract greater incentives than other forms of saving, most notably employer contributions (mandatory from 2012), because pensions are designed to fund living expenses during the life-stage when individuals are significantly less able to secure an income within the labour market. However, should this standard apply to all age groups equally? As table 1 indicates, financial citizenship should recognise the particular needs of young people. Therefore, it may be right for young people to be auto-enrolled into a savings vehicle that enables access to their savings, while benefitting from the same incentive structure as regular pensions saving. They could therefore build up funds for large items of expenditure, before embarking on long term savings later in the lifecourse. The benefit of this vehicle being provided through NEST is that at an appropriate age – for argument's sake, around 30 – the pot would be converted into regular

[11] TEE = Tax-Exempt-Exempt; EET = Exempt-Exempt-Tax. The UK currently has an EET pensions system because both funds invested in a pension, and investment gains made from pensions saving, are exempt from tax, but pensioners pay income tax on pensions-in-payment. A TEE model would mean that tax is taken from our employment income before funds for pensions saving are deducted, but pensions-in-payment would then be exempt from income tax.

pensions saving. It would allow young people to develop a habit of long term saving while retaining access to their savings at a crucial life-stage.[12]

The Lifetime Bonus Savings Account (LBSA) designed by Tony Dolphin (2011) would also be consistent with financial citizenship. The LBSA would be offered by private providers, available to every person in the country aged 16 or over (unlike ISAs, individuals would only be able to open one account in their lifetime, although it could be transferred between providers). The key feature of the LBSA is the annual 'bonus': the level of the bonus would depend on the average held in the account over the preceding three years, and would be paid at the following rates:

On the first £1,000:	£1 for every £10
On the second £1,000:	£1 for every £20
On the third £1,000:	£1 for every £30
Amounts above £3,000	No additional bonus

The account is targeted on low-to-middle income earners. The bonus structure is progressive in that it rewards the first £1,000 of saving more than the second, and so on – meaning that those with only small average balances over a three-year period receive disproportionately higher rewards. There would be no limit on deposits, but a limit of around four withdrawals a year. Dolphin suggests that LBSA accounts should be exempt from asset testing for state benefit payments (although this may require an account limit of around £10,000).

Crucially, LBSAs would replace cash ISAs. According to Dolphin, if 15 million people opened an LBSA (the same number with cash ISAs at present), each maintaining a balance of £3,000 or more, LBSA bonuses would cost the Exchequer around £2.75 billion, only £0.5 billion more than the annual cost of tax relief for cash ISAs when interest rates are at 'normal' levels. Clearly, LBSAs are more consistent with financial citizenship than ISAs. They clearly reward a commitment to saving over the medium-to-long term, targeting rewards on individuals demonstrating this commitment who, ostensibly, are least able to set aside funds for saving. Yet they are also universal in nature, establishing rights for all in terms of support for saving. Furthermore, unlike ISAs, the incentive structure is not dependent on the interest rates offered by private providers, but instead is guaranteed by the state through a form of matching contribution.

The LBSA does not need to be seen as an alternative to the Saving Gateway. There remains a case for strong, time-limited savings incentives for the poorest households to help them to kick-start financially responsible habits. In fact, the Saving Gateway could be refashioned as a feeder account for the LBSA (and perhaps, as such, it would not need to run for the full two years). Furthermore, if cost to the Exchequer is a major barrier, both LBSAs and the Saving Gateway could be introduced only for young people. In the case of the LBSA, today's young people would retain their account as they grow older, but they would not initially be available to older age groups.[13]

[12] From the perspective of financial citizenship, it is also problematic, although entirely understandable, that self-employed individuals do not benefit from employer contributions. The three-month waiting period before auto-enrolment may also discriminate against individuals primarily employed in temporary positions. Further research on the circumstances of these groups is therefore necessary. Ultimately, however, if these groups are committed to fulfilling their responsibility to save, the state will have a duty to enforce their right to support broadly equivalent to individuals in standard employment.

[13] As such, the CTF could also be justified on the basis that young people warrant additional support, in return for responsibilities fulfilled later in the lifecourse – although the CTF is not primarily a vehicle for saving.

Various radical options for pensions and saving policy have been advocated in recent years. For example, Eward Engelen (2006) has argued the pension fund surpluses should be used to create a fund that loans capital to people and businesses under-served by financial markets. Engelen bases the plan on the 'vague' ownership status of pension fund surpluses given the level of support from the state and employers provided to pension funds. It is not clear that this proposal represents financial citizenship in any significant sense. It applies only to funds servicing defined benefit pension liabilities – there is no such thing as a surplus in the world of defined contribution pensions, which NEST occupies. And although members do not benefit directly from surpluses (by definition, the level of their future pension has already been determined), it could undermine savings incentives if members believe that their contributions will be used to assist people who may not have demonstrated financial responsibility. However, it would be entirely consistent with financial citizenship for members to *choose* to use surpluses in this way. Rather than mandating how surpluses are used, the state could require pension funds to offer a reasonable set of options to scheme members, in the event of a surplus. Incidentally, while he does not refer to this specific idea, Engelen dismisses the idea of democratising pension investments, preferring instead to locate his proposal in a wider agenda around 'resocialising capital'. However, from the perspective of financial citizenship, democratisation would be the priority – although Engelen's proposal has a progressive intent, citizenship demands the creation of collective decision-making processes.

Whereas Engelen focuses on the products of how certain forms of long term saving should be utilised in the wider economy, Robin Blackburn (2006) focuses on how the wider economy can support long term saving. More precisely, Blackburn suggests a system whereby a levy is placed on company profits – it would be paid in shares into a social fund, which would be used to finance a universal second pension. Essentially the need for long term saving by individuals would be minimised. While Blackburn does not use this terminology, he is ultimately asking whether private firms, as well as individuals, can be financial citizens. Nevertheless, it does not seem to reflect financial citizenship in-itself because it does not specify the financial obligations owed by individuals in return for the right to the universal second pension, nor the mechanisms through which individuals would exercise control over the financial system. Financial citizenship is most relevant within a financialised society where the vast majority of individuals are already intimately engaged with financial services, and compelled through political compulsion or economic necessity to save – Blackburn's plan arguably bypasses this to some extent.

Conclusion

The UK has an under-saving problem, yet its causes are far from straightforward. Issues of financial exclusion, the affordability and complexity of products, behavioural traits, trust in financial service providers, and the appropriate balance between long and short term saving, are all implicated in this regard. This paper has sought to re-examine the foundations of public policies focused on enabling saving through discussion of the emerging concept of financial citizenship, which can be related to a responsibility to save, but also the implications of financialisation more generally for the financial behaviour of individuals and households. Financial citizenship, we have argued, cannot alone guarantee that the under-saving problem will be overcome, but it can help in providing the appropriate framework in which savings policy can be made.

The paper has outlined a series of principles that a strong conception of financial citizenship would encompass, including a right to access appropriate financial services and products (guaranteed by the state irrespective of private provision), 'democratisation' within financial institutions, a mixture of universal and means-tested support, and a right to comprehensive financial education. The principles also, crucially, demand attention to the life-stage of citizens: targeted support on young people helps to create a bedrock of autonomy and resilience for this group which could have a lifelong positive impact.

It needs to be recognised of course that citizenship in the financial or economic realms is not equivalent to citizenship in the political realm. Participating in politics depends profoundly on an ability to access mechanisms of collective decision-making, and engage critically with issues around societal organisation and resource allocation. In contrast, merely participating in the financial system, or the economy more generally, is about conforming to already-established structures and processes. Despite the fact that we are living in a highly financialised society – exacerbated and exposed by the financial crisis – it still seems that issues around how the financial system is organised are located outside 'the political' and therefore remain impervious to forms of collective oversight.

As such, recent policies around saving have emphasised the importance of responsibility, reflecting recent trends in policy development related to citizenship more generally. The other side of citizenship – rights – has received far less attention in relation to financial issues. However, some aspects of the previous government's enabling saving agenda, particularly where this overlapped with its 'asset-based welfare' programme, appeared to suggest a more ambitious approach to saving, encompassing guaranteed entitlement to incentives, matching contributions, support for financial capability, etc. Examples include plans for the Saving Gateway, the Child Trust Fund (although this was not primarily concerned with enabling saving), and NEST and auto-enrolment (which will be implemented by the coalition government in 2012). However, it has yet to be established what the appropriate balance between rights and responsibilities is, and there remains little guidance on how policy can balance long and short term saving, target (potential) savers at the most appropriate life-stage, and indeed circumvent the problem of incentivising saving without simply subsidising wealth accumulation more generally.

It is beyond the scope of this paper to make detailed policy recommendations; clearly, financial citizenship needs to be explored further, and could be developed in several directions. However, it is possible to say that while the current set of policies in place are not necessarily inconsistent with financial citizenship, nor are they adequate to enable a meaningful experience of citizenship in a financialised society with regard to how and whether individuals should save. There should be a move towards ‘matching’ contributions from the government, in place of tax relief, not least because incentives of this form are easier to target.

In terms of specific initiatives, while NEST certainly fits within a financial citizenship framework, the government could additionally enable accounts allowing more liquid forms of saving for young people only, to help nurture a savings habit while recognising the particular circumstances of this life-stage. ISAs have been relatively successful, but the Lifetime Bonus Savings Account developed by Tony Dolphin, in offering matching contributions for consistent saving targeted on low-to-middle income earners, represents a use of public money far more consistent with financial citizenship. The LBSA would replace cash ISAs but need not preclude the rehabilitation of the Saving Gateway, which could be introduced for young people in difficult financial circumstances as a feeder account for the LBSA. It is clear, additionally, that financial education warrants further attention, and investment. However, it is not apparent that current forms of citizenship education are the most appropriate context for financial education.

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Appendix: Under-saving in the UK

Evidence on saving behaviour

The UK has a chronic under-saving problem, particularly but not exclusively among low income families. The problem has been reported by various large scale surveys. The latest data from the Family Resources Survey shows that possession of a savings account is far from universal, even among high income households (see table A1). Yet the possession of savings accounts is of course only half the story. Table A2 shows that an alarmingly high number of households have little or no savings or investment wealth.

In terms of pensions, the Annual Survey of Hours and Earnings shows that occupational scheme membership remains relatively low (see figure A3). Furthermore, this chart is based on full-time employees; occupational pension scheme membership for those in part-time and non-standard employment is considerably lower. We know also that defined contribution (or 'money purchase') pensions are becoming far more important to the UK occupational pensions landscape, and will become more so as the government-backed National Employment Savings Trust (NEST) and auto-enrolment are introduced from 2012. Yet contribution rates into defined contribution schemes also remain low (see table A4), especially for lower income individuals.[14]

In 2011 the Office for National Statistics compiled, for the first time, statistics related to saving for retirement in particular, encompassing long term savings and other investments, based on data from the Wealth and Assets Survey. When you consider the amount of assets needed for basic, inflation-linked annuity products, the dangers inherent in the UK's under-saving problem, accompanied by the move towards defined contribution pensions – whereby more people will need an annuity – are underlined.[15] Of course, when considering retirement income it is most relevant to think about households approaching retirement age. As table A5 shows, we can say that the amount saved for retirement is greater among households headed by someone aged 50-64; although income has a significant impact on levels of saving, there is also a lifecourse effect whereby people save more as they get older.[16] However, even among older age groups, the savings available to most households will fund only relatively small annuity payments.[17]

Furthermore, the under-saving problem is compounded by indebtedness. For many people, engagement with financial services, beyond holding a current account, involves going into debt rather than long term saving. As table A6 shows, debt is particularly common among young people. At the median level, net financial wealth is very small or even negligible for all age groups up to 35-44, despite significantly higher mean scores. At the first quartile, net financial wealth is very small or negligible for all age groups, and as low as *minus* £2,800 for households headed by someone aged 25-34.

[14] NEST will eventually stipulate a minimum total contribution of 7 per cent of qualifying earnings (between £5,035 and £33,540, although these figures are uprated each year), including a 3 per cent minimum employer contribution.
[15] According to January 2011 figures from the Consumer Financial Education Body, a man purchasing an annuity at 65 will need approximately £125,900 for a basic, inflation-linked annuity starting at £5,000 per annum, and £251,800 for the same product starting at £10,000 per annum. Women currently require higher savings to purchase the same products due to higher female life expectancy, although the impact of equalities legislation means this is subject to change.
[16] Alternatively, however, we may be witnessing a generational effect relevant to the baby boomer generation that future generations of older people may not replicate.
[17] Although not all households will need an annuity, where their private pension saving is through a defined benefit scheme.

Reasons for under-saving

It is necessary of course to consider *why* many households find it difficult to save. Various surveys, including those cited above, contain questions around reasons for under-saving. As the information above indicates, income is a major factor – this is referred to here as a structural barrier as it relates to the economic context in which saving occurs. In the Wealth and Assets Survey 2006/08, 81 per cent of people who do not save or save very infrequently answered 'can't afford to' when asked why they were not saving, and 81 per cent of those not saving into a private pension answered 'can't afford to contribute/low income/not working' (ONS, 2009). Similar results were found in Scottish Widows' (2011) recent savings and investment survey, and in qualitative research led by Jackie Wells (2010).

This conclusion is also supported by data on arrears. The Wealth and Assets Survey found that one in ten households are in arrears, rising to 17 per cent of households with any non-mortgage borrowing (ONS, 2009).[18] Saving is understandably a lower priority when there are outstanding bills to pay. People tend to save 'what's left' and would save more if they could (Dolphin, 2011; Wells, 2010). As research by Elaine Kempson and Andrea Finney informs us, unstable income is often as important as low income in leading to under-saving, underlining the link between under-employment and under-saving (Kempson & Finney, 2009). It should not be overlooked therefore that many low income households *are* able to accumulate at least moderate amounts of saving (albeit generally towards the end of the working life). Furthermore, Kempson and Finney show that many low-income households save informally to meet future commitments.

The second main reason given for under-saving is lack of trust in the financial services industry. This was *not* recorded as a significant factor in the Wealth and Assets Survey (it was given as a reason by only 1 per cent of non-savers and very infrequent savers). However, the survey was largely conducted before the onset of the financial crisis. In the later research by both Scottish Widows and Jackie Wells, distrust features much more significantly. It is of course impossible to know precisely how reactions to the crisis impact levels of trust, but a report by the Chartered Insurance Institute (CII, 2010) – which reports a June 2009 YouGov poll suggesting that more than one in five people in Britain will never trust financial services again – suggests trust in financial services has been in decline over a much longer period.

[18] Arrears is defined as 'Unable to make minimum payments on revolving credit or behind with mortgage, fixed-term credit or household bills by two or more consecutive payments'.

Table A1 Percentage of households with different types of savings/investment, by total weekly income

Type of saving	Weekly household income											
	<100	100-199	200-299	300-399	400-499	500-599	600-699	700-799	800-899	900-999	>1000	All
ISA	25	33	26	31	38	41	43	48	51	49	57	40
Other bank/BS account	34	29	30	38	43	48	51	55	60	59	70	48
Sample	*511*	*2426*	*4012*	*3631*	*2641*	*2136*	*1874*	*1511*	*1209*	*1018*	*4236*	*23205*

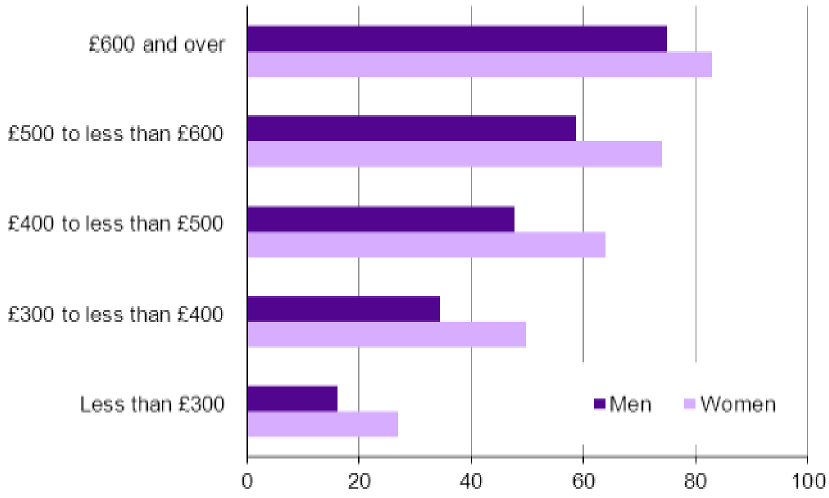
Source: Family Resources Survey 2009/10
1. Household may possess more than one savings/investment product

Table A2 Percentage of households with different amount of savings/investment, by total weekly income

Amount of saving (£)	Weekly household income											
	<100	100-199	200-299	300-399	400-499	500-599	600-699	700-799	800-899	900-999	>1000	All
None	45	46	43	38	33	30	26	22	19	17	12	30
0-1499	16	17	19	20	21	21	22	22	21	20	15	19
1,500-2,999	5	7	6	7	7	7	8	10	8	10	7	7
3,000-7,999	11	12	13	12	13	13	15	17	17	18	18	15
8,000-9,999	4	3	3	4	3	3	4	4	4	5	4	4
10,000-15,999	6	6	6	6	7	7	8	9	9	8	10	7
16,000-19,999	2	2	2	2	2	3	3	3	4	4	4	3
>20,000	10	7	8	11	13	16	15	14	18	18	20	16
Sample	*511*	*2426*	*4012*	*3631*	*2641*	*2136*	*1874*	*1511*	*1209*	*1018*	*4236*	*23205*

Source: Family Resources Survey 2009/10

Fig A3 Percentage of full-time employees in an employer-sponsored pension scheme by gender and gross weekly earnings



Source: Annual Survey of Hours and Earnings 2010
1. Pension is arranged through an employer, main pension only

Table A4 Distribution of members of private sector defined contribution occupational pension schemes by gross weekly earnings and total contribution rates

Gross weekly earnings (£)	Total contribution rates						
	Greater than 0 and under 4%	4 to under 8%	8 to under 12%	12 to under 16%	16 to under 20%	20 to under 24%	24% and over
<200	11	37	20	10	12	x	6
200-299	7	38	26	15	8	x	x
300-399	9	36	30	14	5	3	3
400-499	6	31	32	16	6	4	4
500-599	5	26	33	19	9	5	4
>600	4	18	34	24	10	6	5

Source: Annual Survey of Hours and Earnings 2009
1. All figures are percentages unless otherwise states
2. Pension is arranged through an employer, main pension only
3. Total contribution = employer plus employee contribution (at least one is greater than zero)
4. x indicates figure has been suppressed on quality grounds

Table A5 Saving for retirement among UK households

£	Mean	1st quartile	Median	3rd quartile
Total saving (net)	199,400	1,300	49,800	224,000
HoH = 50-64	*350.400*	*21,100*	*151,900*	*446,500*
Private pension saving	142,900	0	26,000	150,000
HoH = 50-64	*257,000*	*6,500*	*91,900*	*332,100*
Financial saving (net)	35,300	-600	2,800	30,200
HoH = 50-64	*61,800*	*300*	*15,000*	*62,100*
Property saving (net)	21,200	0	0	0
HoH = 50-64	*31,500*	*0*	*0*	*0*

Source: Wealth and Assets Survey 2006/08

1. Pension saving does not include accrued state pension entitlements
2. Financial saving excludes children's assets and trusts
3. Property saving excludes the main residence
4. HoH = head of household or household referent person

Table A6 Distribution of net household financial wealth by age of household (£)

Age of head of household	Mean	1st quartile	Median	3rd quartile	No. of households responding
16-24	3,400	-1,600	100	2,000	917
25-34	10,400	-2,800	500	8,000	3,733
35-44	27,100	-1,000	2,500	24,900	5,872
45-54	47,300	-	8,000	45,600	5,457
55-64	67,300	900	18,000	70,700	5,597
65-74	57,200	1,900	13,900	56,000	4,528
75-84	51,400	2,500	11,300	43,600	3,087
>85	38,600	2,400	10,000	34,500	846

Source: Wealth and Assets Survey 2006/08

1. Results exclude households reporting exactly zero financial wealth, as this is assumed to be anomalous.

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