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SPERI British Political Economy Brief No. 28

The declining salience of 'saving' in British politics.

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In this Brief, the Sheffield Political Economy Research Institute (SPERI) considers how the salience of 'saving' in British political discourse has evolved in recent years. It does so by examining how savers and the saving process have been discussed in the election manifestos of the Conservative Party and the Labour Party since 2005, up to the most recent election in June 2017. The material significance of private saving by individuals has risen in the context of welfare retrenchment, but discourses around saving also encompass moral imperatives.

The notion of 'asset-based welfare' has been used by political economists to capture both dimensions. It suggests that accumulating wealth can have a more positive welfare function than traditional welfare provision – but also that individuals, as (potential) asset-holders, are therefore primarily responsible for their own welfare. However, since the financial crisis, the macro-economic significance of private saving appears to have risen – although this change now appears to have been superseded by a more negative treatment of the saving concept in British political discourse, which may foretell more profound changes in British economic statecraft ahead.

Background

- The apparent need for individuals to save more has risen in significance within British political discourse, in tandem with concerns related to population ageing. This trend is also connected, however, to the processes of 'financialisation' and 'welfare retrenchment'.
- The salience of the concept of saving has therefore increased alongside efforts to instil 'asset-based welfare', whereby individuals are encouraged to accrue financial assets so that they may take greater responsibility for their own well-being, primarily in retirement.
- An array of recent Labour, Conservative and coalition government policies can be associated with this agenda, such as 'automatic enrolment' into workplace pension schemes, tax-advantaged Individual Saving Accounts (ISAs) (and the recent 'Lifetime' and 'Help to Buy' variants of ISAs) and the Saving Gateway incentive scheme for poorer households.
- The policy agenda has not succeeded in producing a higher aggregate saving rate. It has of course coincided with a period of earnings stagnation.
- In practice, moreover, efforts to encourage saving have often focused on a mortgage deposit, rather than a retirement income, as the goal – meaning that a positive discourse around saving has also been paradoxically associated with increased indebtedness. This also helps to explain why – apart from a brief period after the financial crisis – the aggregate savings rate remains relatively low, and indeed is now declining.
- It is clear that the promotion of saving under an individualised, asset-based welfare regime is as much about the morality of individual behaviour, as it is about the material accumulation of wealth.
- Since 2010, the austerity narrative has reinforced this moral economy. However, the macro-economic significance of a higher saving rate has also received greater attention, insofar as it is associated with a higher volume of private investment.

- While the 2008 financial crisis may have altered the contexts in which saving is discussed, the political implications of the Brexit vote in 2016 have arguably been more significant.
- The 2017 general election – in terms of the inconclusive result, but also the programmes that the two main parties offered to the electorate – appears to herald a decisive break in British economic statecraft. If so, we can expect the salience of saving to be transformed.

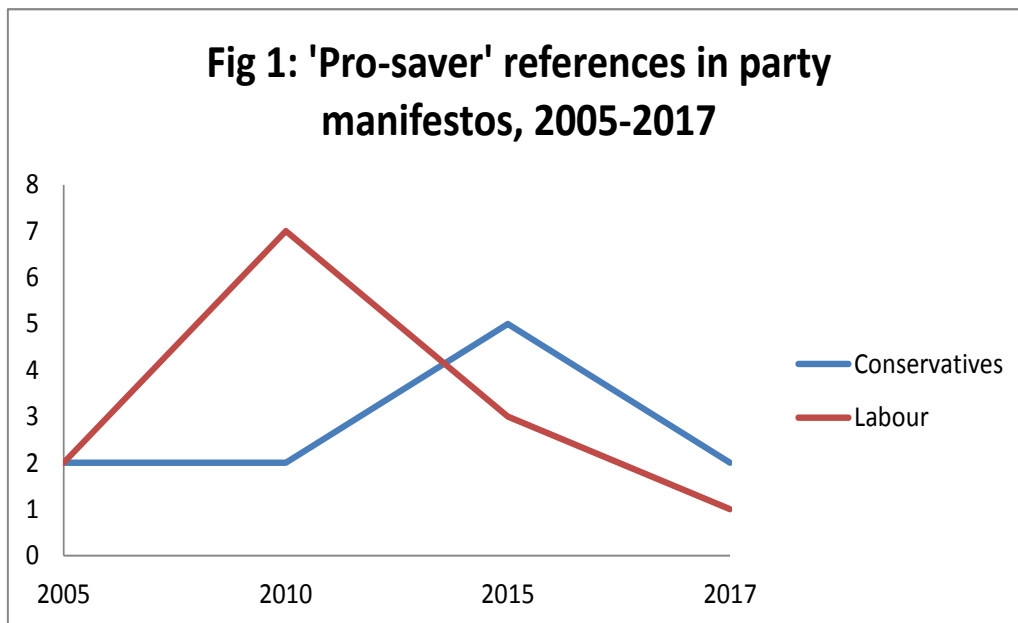
Evidence

- This section presents evidence on the different ways in which saving was discussed in the manifestos of the Conservative Party and Labour Party at the 2005, 2010, 2015 and 2017 elections. Election manifestos are of course only a small part of formal political discourse, but they offer important insights into how the main parties want their governing agendas to be portrayed and understood.
- The research presented here focused on discourse on saving as a specific financial behaviour. It is worth noting, however, that saving and related terms were often used in the party manifestos in more colloquial ways – principally in relation to spending cuts, measures designed to reduce utility bills, and international aid (that is, the role of aid in 'saving lives' in poor countries).

Savers

- In 2015, the Conservative manifesto contained a significant number of positive references to *savers* (5), in terms of protecting or rewarding savers as a specific category of voters.
- For example: 'If you have worked hard during your life, saved, paid your taxes and done the right thing, you deserve dignity and security when you retire.'
- By 2017, there were far fewer such references (2; the same number as in 2005 and 2010). Furthermore, these positive references were counteracted by 2 *negative* references to savers, insofar as the proposed system of social care finance was justified on the basis that saving should be decumulated in later life rather than hoarded.
- For example: 'One purpose of long-term saving is to cover needs in old age; those who can should rightly contribute to their care from savings and accumulated wealth, rather than expecting current and future taxpayers to carry the cost on their behalf.'
- The last time that a main party manifesto included significant reform of social care finance (Labour in 2010), the document was adamant that the new system would protect, rather than utilise, people's savings (despite the fact that the policy reality was rather different). For example: 'A new National Care Service to ensure free care in the home for those with the greatest care needs and a cap on the costs of residential care so that everyone's homes and savings are protected from care charges after two years in a care home.'

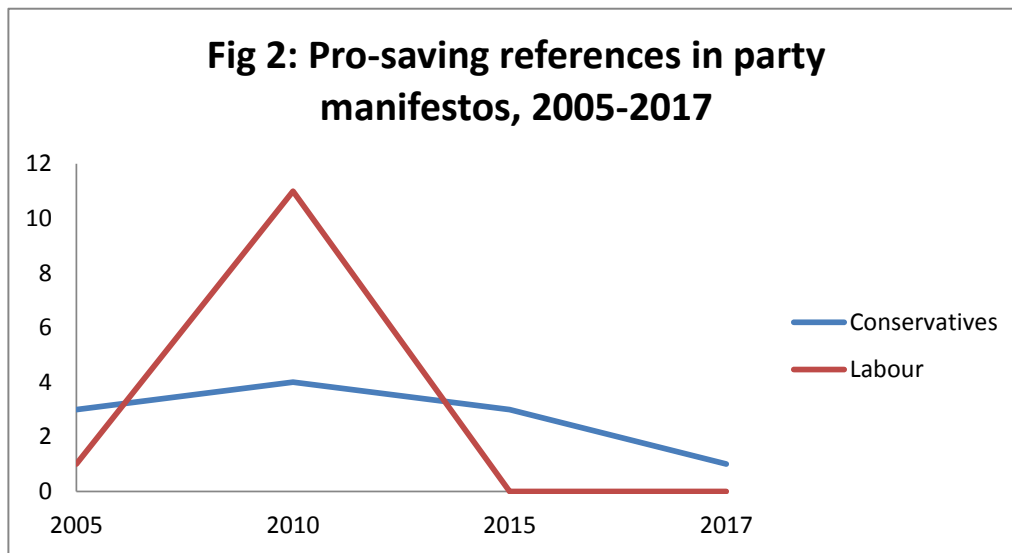
- Accordingly, while positive references to savers featured in the 2005 and 2015 Labour manifestos, this discourse spiked in 2010 (7 references). Some of the 2010 references were linked to attempts by Labour to connect its action on the wake of the financial crisis to the protection of savers' accumulated wealth.
- For example: 'We nationalised Northern Rock, protected people's savings, cut VAT to stimulate our economy, put in place job guarantees to get people back to work, and stepped in to stop repossessions.'
- By 2017, positive references to savers had almost entirely disappeared from Labour discourse, with one minor exception in the party's manifesto (as noted below).



Saving

- References to supporting and encouraging the act of *saving*, including policies designed to incentivise saving, were a permanent feature of the Conservative Party's 2005, 2010 and 2015 manifestos (respectively, 3, 4 and 3 references).
- For example, the 2010 manifesto stated: 'Other measures we will take to encourage saving include: reinvigorating occupational pensions and working with employers and industry to support auto-enrolment into pensions; working with the trade unions, businesses and others to address the growing disparity between public sector pensions and private sector pensions, while protecting accrued rights; and, when resources allow, starting to reverse the effects of the abolition of the dividend tax credit for pension funds.'
- In the 2017 manifesto, in contrast, there was only a single pro-saving reference.
- Having barely featuring in the 2005 manifesto, Labour's 2010 manifesto contained a significant number references to supporting or encouraging saving (11). Many of these references were connected to Labour policies in this area focused on enabling saving by low-income households.

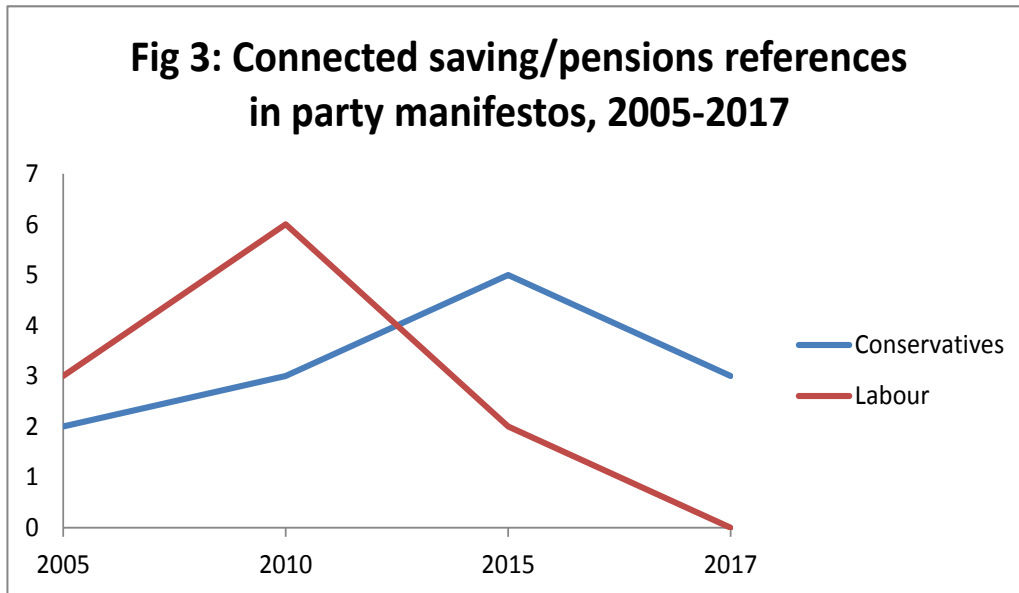
- For example: ‘The pioneering Saving Gateway account for people on lower incomes will be available to over eight million families from July 2010... We will extend this approach even further, giving a boost to savings for more people on middle incomes.’
- Remarkably, this pro-saving discourse had entirely disappeared by the time Labour’s 2015 manifesto (there were also no pro-saving references in the 2017 manifesto).



Pensions and saving

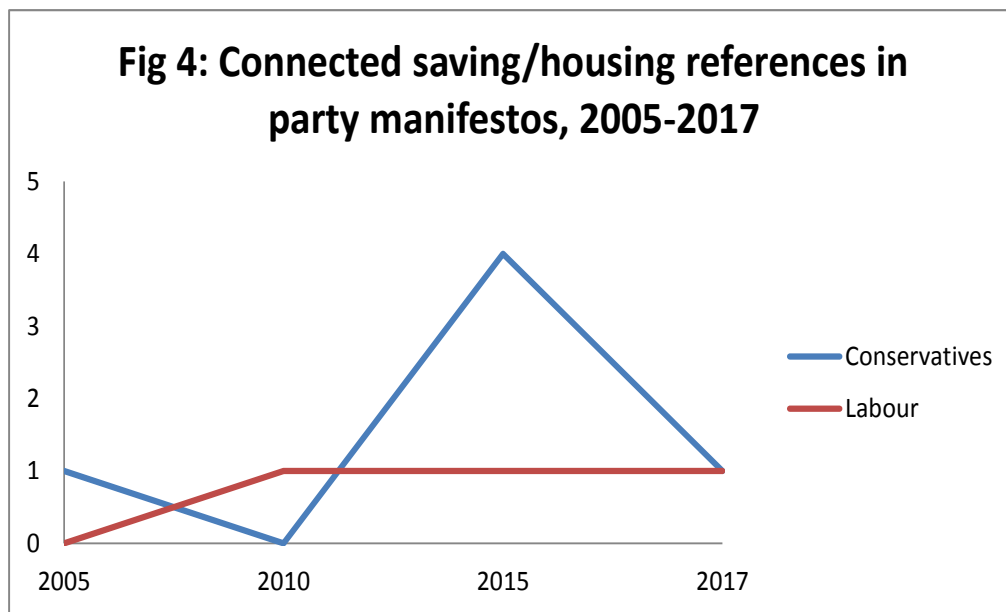
- The Conservative Party has consistently connected its discourse on saving and savers to pensions provision, retirement and population ageing, with such references most present in the 2015 manifesto (5).
- For example: ‘We are replacing the Pension Credit – basically a means test – with a new Single-Tier Pension: whatever people save, they will keep.’
- The connection between saving and pensions was also an important feature of Labour’s 2005 and 2010 manifestos, particularly 2010 as the party associated its discourse on saving with the introduction of ‘automatic enrolment’ into workplace pension schemes.
- For example: ‘We need to go further to secure fairness in later life and ensure that those who plan and save for their retirement are rewarded for doing so.’
- Interestingly, however, it was the Conservative manifesto in 2005 which first introduced the notion of automatic enrolment into a major party’s policy programme. Labour’s 2005 manifesto focused on defending its existing record on workplace pensions.
- As noted above, Labour’s 2015 manifesto contained no pro-saving messages. Its references to pensions generally instead offered a pro-saver message, insofar as the party vowed to protect savings that had already been accumulated from high pensions management fees.

- For example: 'We will reform the pensions market so that pension providers put savers first, and protect consumers from retirement rip-offs'.
- Remarkably, despite a lengthy section on pensions provision, including a paragraph on workplace pensions which echoed the 2015 agenda, Labour's 2017 manifesto made no connections between pensions provision and the act of saving.



Housing and saving

- A crucial and fairly novel feature of the Conservative Party's 2015 manifesto was the significant number of times saving was connected to purchasing a home (4).
- For example: 'Conservatives believe passionately in home ownership. We understand how good it feels when you have worked long hours, saved money for years, and finally take possession of the keys to your first home.'
- This discourse undoubtedly relates to the coalition government's attempt to stimulate the housing market in order to trigger an economic recovery. There were no such connected references in the 2010 Conservative manifesto.
- There were also connected saving/home purchase references in the Labour manifestos of 2010, 2015 and 2017. However, the 2015 reference made a rather negative connection between the two, in proposing a requirement that 'the billions of pounds saved in Help-to-Buy ISAs [a scheme introduced by the coalition] invested in increasing housing supply'.
- Labour's 2017 manifesto offered a more positive association between saving and purchasing a home, albeit very fleetingly: 'Soaring rents are a real problem, leading to more families living in temporary accommodation, more people sleeping rough, and many not having enough money to save up for a deposit or for a rainy day'. This was also the document's only pro-saver reference.



Saving and the macro-economy

- With one very notable exception, recent main party manifestos have neglected to highlight the (potential) macro-economic significance of saving by individuals. The Conservative Party's 2010 manifesto, however, contained a large number of references to saving in relation to economic 'rebalancing' (7), insofar as saving would enable more private investment.
- For example: 'Only by saving more can we finance investment for the future without being dependent on unsustainable inflows of capital from abroad.'
- This discourse had entirely disappeared by the time of the party's 2015 manifesto – as references connecting saving to the housing market increased.
- Labour's 2017 manifesto (and, to a lesser extent, its 2015 manifesto) encompassed a significant emphasis on increasing private investment – but without making the connection to saving by individuals or households.

Analysis

- The dilution of a positive discourse around saving and savers is one of many reasons that the 2017 general election was a remarkable affair, albeit one which has been largely overlooked to date.
- Labour's 2017 manifesto embodies the near-disappearance of saving from the party's discourse, even where its focus on investment strongly implies a higher saving rate in macro-economic terms.
- However, the seeds of this shift were shown in 2015, when even pro-saver references were founded upon a critique of mechanisms for private saving, alongside the relatively negative connection made between saving and the housing market.

- Labour's 2010 manifesto embodied its embrace of an 'asset-based welfare' agenda. This had of course been an important feature of its pre-2010 statecraft, although it hardly featured in the 2005 manifesto.
- We can speculate that the 2008 financial crisis, which problematised the notion of asset-based welfare, paradoxically compelled Labour to seek to defend its record on saving at the 2010 election. The fact that the 2010 manifesto, in contrast to its predecessor, contained relatively few new spending commitments also helps to explain its novel focus on measures related to saving.
- By 2015, Labour's focus shifted away from defending its record in government, towards offering a distinctive offer from the Conservative Party – with the latter having taken on much of New Labour's approach to saving.
- But this dynamic appears to have shifted rather quickly. The Conservative Party's 2017 manifesto did not entirely abandon a positive saving discourse – connected to both housing investment and pensions provision – but it introduced a negative discourse too, related to social care finance. The contrast with the party's 2015 manifesto is stark.
- The Conservative Party's embrace of asset-based welfare peaked in 2015, given that its 2010 manifesto focused more on the macro-economic dimension of saving. It is quite remarkable how rapidly this agenda evaporated.
- This surely reflects the significant differences in economic statecraft between the Cameron and May governments, even if the policy which inspired May's negative references to saving – the so-called 'dementia tax' – will not now be implemented.

Conclusion

The positive discourse on saving which has been a significant feature of British political discourse since at least the mid-2000s has now largely disappeared. It is worth reiterating that this discourse was most strongly promoted by the two main parties at slightly different times: Labour in 2010, and the Conservative Party in 2015. It is telling that both parties were in government rather than opposition at the time, insofar as this suggests that 'asset-based welfare' is an endemic feature of British economic statecraft, irrespective of which party is in government, and irrespective of what parties say while in opposition.

But the 2017 general election appears to have signalled a significant shift. Whereas Ed Miliband's 2015 agenda can now be seen as an important 'gateway' between New Labour and Corbynism, the shift in Conservative discourse has been more abrupt. However, we should be careful before declaring the onset of a new era in economic statecraft around saving; neither party won a majority at the 2017 election. It is possible that both parties – particularly the Conservatives – will revive a positive discourse around saving in order to reassemble a compelling electoral offer. Asset-based welfare is down, but not necessarily out.

Further reading

Berry, C (2016) 'Austerity, ageing and the financialisation of pensions policy in the UK', *British Politics*, 11(2), 2-25.

Berry, C (2016) *Austerity Politics and UK Economic Policy*, Palgrave.

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