CSD Working Paper

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CSD Working Paper 06-10

2006

Center for Social Development

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Attitudes towards the Child Trust Fund: what do parents think?

Abstract

The Labour government has recently introduced the Child Trust Fund. This pays all new babies a £250 or £500 capital endowment from government. This is locked into a special account until the child's 18th birthday. Parents are key to the success of this policy as they will make many of the key decisions about savings and investment. Little is known, however, about what new parents think of this policy. This paper addresses this by providing original evidence on what parents think of the basic features of this policy; whether the Child Trust Fund will make them more likely to save; attitudes towards the responsible use of the Child Trust Fund; and whether parents would prefer money spent on different forms of assistance rather than the Child Trust Fund.

Introduction

The Labour government in Britain has recently introduced the Child Trust Fund[1]. This pays all new babies born from September 2002 a capital endowment from government of at least £250. Babies from low-income households (less than £13,910 a year for tax year 2005/6) qualify for an additional £250 payment once the family's Child Tax Credit award has been finalised. The Child Trust Fund vouchers have to be placed by parents into a special account that is locked until the child's 18th birthday. Family and friends can contribute up to £1,200 a year into these accounts and there is no tax to pay on any interest or gains. When the child turns 18, they are free to use their Child Trust Fund as they please. The first Child Trust Fund vouchers began to be issued from January 2005 (Her Majesty's Treasury 2003; www.childtrustfund.gov.uk).

The Child Trust Fund forms part of a broader engagement with 'asset-based welfare'. This is the view that the stock of assets that an individual owns is an important element of their individual welfare and well-being (Sherraden 1991; Bynner and Paxton 2001). The Child Trust Fund is the first policy of its type anywhere in the world, and it has stimulated international attention (Boshara and Sherraden 2003). Parents are crucial to the success of the Child Trust Fund. This is for several reasons. First, parents are supposed to open an account in their child's name. They have to

[1] The results in this paper are derived from an Economic and Social Research Council funded project on 'The Assets Agenda: principles and policy' (RES 000-27-0164). I am very grateful for the financial assistance received from the Economic and Social Research Council.

choose among the three main types of account on offer, namely an interest-bearing cash account, a stakeholder account or a non-stakeholder shares account (the latter two invest funds on the stock market). Only if parents do not open an account within the first year of receiving the Child Trust Fund does Her Majesty's Revenue and Customs (HMRC) step in and open a stakeholder account for the child. Second, parents will make many of the key decisions about saving once the account is opened. Parents will decide how much to save, particularly during the early years of their child's life. Third, as the child gets older parents will probably play an important role in guiding children how to use their accounts.

Initial indications suggest, however, that this policy is not working as well as it might. According to official figures, of the 2.30 million Child Trust Fund vouchers issued by February 20 2006, 1.48 million accounts had been opened by the end of this period. This means that around 820,000 accounts have not been opened, which is roughly a third of the total vouchers issued (www.hmrc.gov.uk/stats/child_trust_funds/feb06.pdf). While the proportion of unopened accounts has fallen over time (for instance, under half of the 1.92 million vouchers had been invested by the end of August 2005 as compared to two-thirds of the 2.30 million vouchers by February 20 2006), perhaps as a result of this policy beginning to bed down, a sizeable proportion is still left unopened. This has led some commentators to question whether parents value this policy. In January 2006 Carl Emmerson, deputy director of the Institute for Fiscal Studies, stated that it is not clear whether the unopened accounts signal that parents are simply taking their time to choose among the different accounts or, more worryingly, that parents are failing to engage with this policy (news.bbc.co.uk/1/hi/business/4620154.stm, accessed 20/2/2006).

Little is known, however, about what parents think of this policy. Although forthcoming work on baseline savings information on the Child Trust Fund commissioned by HMRC will enhance our knowledge of saving (www.pfrc.bris.ac.uk/), the evidence base is still small. This paper seeks to add to our current evidence base by presenting evidence derived from focus groups on the reaction of parents towards the Child Trust Fund. The aim is to learn from experience and derive information useful for the development of this policy. In doing so it seeks to enhance evidence-based policy-making. The discussions were shaped by two main themes. First, what were parents' reactions to the current version of the Child Trust Fund. The object here was to identify the good and bad features of this policy as it currently stands. Second, what were attitudes towards alternatives to the present policy. Part of this focused on different ways of designing the Child Trust Fund. The discussion also examined attitudes to alternatives to the Child Trust Fund. The evidence presented in this paper is from a small-scale qualitative study and so care has to be taken not to exaggerate the impact of these results. Nevertheless, the focus groups did provide a broad indication of what parents think of this policy.

Methods

Focus groups were used in this study. Focus groups are a familiar tool of social research (Kreuger 1994; Morgan 1997; Bloor, Frankland, Thomas and Robson 2001). They have been used in several studies related to assets research. These have been used to generate standalone findings as well as combined with other research methods (Commission on Taxation and Citizenship 2000; Edwards 2001; 2002; Rowlingson and McKay 2005). Focus groups were selected for this study for two main reasons. First, as tool for exploration. Focus groups allow participants an opportunity to shape the issues being studied as well the options under discussion. This is valuable for research that may not know at the outset all the issues that matter (Morgan 1997). The importance of this is confirmed by that fact that a substantial proportion of parents has left their Child Trust Fund unopened. This suggests that the policy has left some of the key concerns of parents unaddressed. Second, focus groups allow for group deliberation or interaction (Morgan 1997). This group interaction can provide clues as to what options for design are likely to command public assent. This is useful for helping determining which versions of the Child Trust Fund, if any, are likely to garner public support.

The evidence in this paper comes from 7 focus groups in England convened in January and February 2006. About 8 parents attended each group, with 58 participants in all. The study covered parents who receive the standard £250 voucher as well as those who qualify for the higher £500 payment. About a third of participants had the higher £500 payment. Although the bulk of participants were female, a function of the fact that parents' groups are dominated by mothers, several men took part in the study. Individuals were each paid a £20 incentive payment for taking part in the discussion. The discussions lasted about one hour. At the end of the session, participants filled in a brief sheet setting out some basic details about their account (asking for example whether they had added to the account).

Sites were based in both northern and southern England and covered both urban and rural locations. Three groups were held in Cambridgeshire, three in Derbyshire and one in London. One pilot was also held in London in December 2005 although data from this pilot is not used in the results here. The parents groups were all based at

Sure Start centres[2]. These centres are based in deprived areas of the country and provide facilities and activities for families with young children living within the area. Sure Start centres were selected for several reasons. First, they offered a way of accessing parents from low-income households. Parents from low-income households were often reluctant to identify themselves because they felt a stigma was attached to belonging to such households. By being based in deprived areas, Sure Start offered a way of accessing parents who qualify for the £500 payment without too much intrusion. Second, the centres helped isolate the impact of household income on reactions to the Child Trust Fund (household income is used to decide the different Child Trust Fund payments). Sure Start centres are open to all who live in a neighbourhood, and this includes the affluent and non-affluent. These centres allowed an insight into the views of higher-income parents who share much of the same environment as low-income parents. This helped reduce the possibility of other factors (such as living in an area with better public services) coming into play between low and high-income households. The groups that were convened drew in people from a wide range of income backgrounds. Third, the centres possess facilities supportive of discussion groups (such as meeting rooms, on-site crèches). In addition, as most of the participants already attend groups at the centres, they provide a familiar and welcoming environment for parents.

Letters were sent out to the directors of the Sure Start centres detailing the nature of the project and the desired content of the groups. Sure Start staff then recruited the members of the groups. Time constraints during the groups meant that it was not possible to consider all areas of interest. Consequently, the discussions had to be

[2] Sure Start Centres are similar to the Head Start programme in the United States.

inevitably selective in the topics covered. The theme of what parents think about the present version of the Child Trust Fund was broken down into two main topics for discussion. First, what do parents think about the basic features of the Child Trust Fund. This covered attitudes towards the size of the initial endowment, the 'progressive universalist' structure, and the 18 year duration of the accounts. Second, attitudes towards saving. Saving was chosen because it features prominently in official justifications of the Child Trust Fund as well as fitting in with the broader emphasis on the 'asset-effect' within the literature on asset-based welfare (the view that assets have an independent effect on welfare and well-being). The theme of what people consider about alternatives to the Child Trust Fund looked at two main things. First, attitudes towards imposing restrictions on how grants are used. The issue of 'use restrictions' provokes controversy within the theoretical literature (Ackerman and Alstott 1999; Le Grand and Nissan 2000; White 2003). Previous empirical research on the attitudes of 18 years olds in England towards capital grants also suggests that the issue of restrictions is a particular area of concern (Gamble and Prabhakar 2006). Second, parental views about alternative ways of spending public funds committed to the Child Trust Fund. This considered the option of abolishing the Child Trust Fund in favour of increased spending on income benefits or public services.

What do parents think about the present version of the Child Trust Fund?

Size

A range of commentators in recent times has advocated paying capital grants to young people (Haveman 1988; Ackerman and Alstott 1999; Le Grand and Nissan 2000). For instance, Julian Le Grand and David Nissan (2000) suggest that all 18 year olds should qualify from a £10,000 grant from government. All these proposals have in common the payment of a substantial grant to young people. The Child Trust Fund is much smaller in size. This provokes comment (Ackerman 2003; Paxton 2003; Clouston 2005). For example, Dane Clouston, the director of the Campaign for a Universal British Inheritance, says the Child Trust Fund is, ‘pathetically small’ (Clouston 2005, 80). The modest size of the Child Trust Fund raises the question as to what parents think about the size of the grant. Do they view it as a token or gimmick?

Most of the parents were happy with the size of the initial endowments, feeling them to be about right. The prevailing view also seemed to be that it would be churlish to complain as it is a gift from government.

- *Parent, £500, Derbyshire*

250 is a nice little starter and 500 you can’t complain can you really.

- *Parent, £250, Cambridgeshire*

I think it’s better than nothing. It’s a lot more than what people got in the past

Questions were raised from within the groups about what the grants would be worth in 18 years if there were no additional payments from any source. Using figures from the government, it was explained that if the grants were placed in a normal interest account with no further payments from any source, then the grants would roughly double (so £250 would be worth around £500, and £500 roughly £1000). Most parents felt that these figures would not be worth much in 18 years time. Two themes emerged from this particular discussion. First, parents typically emphasised the importance of adding to the accounts over the 18 years in order to increase its value. Second, the broadly positive attitudes towards the initial endowments did not diminish with the knowledge of what it could be worth in 18 years if left untouched. Most felt that something was still better than nothing.

- *Parent, £500, Cambridgeshire*

Say for some sad reason I stay on income support for the next 18 years, I'm still not going to have £250 I'm going to be able to give on my child's 18th birthday for a present. And the government is going to give her 500 and that's got to be better than nothing.

Questions about the Le Grand and Nissan £10,000 scheme were used to explore parental reactions towards a substantial increase in the size of the Child Trust Fund. Opinions were divided about this idea. Many parents reacted positively to this proposal.

- *Parent, £250, Cambridgeshire*

To be perfectly honest, given the choice between the two, I would prefer to have the £10,000 and have those three restrictions than the £250, £500 that we've all got because like I say I've had feelings about why this has come about, lets not dress it up as something it isn't. Let's just say what it is. It's money for education, to start your own business or to get you on the first rung of the housing ladder. It makes far more sense.

Balanced against this, however, were concerns about the costs of such a programme. A substantial proportion of parents felt it was not realistic financially to provide £10,000 grant. They were also concerned about whether their children would use this grant responsibly.

Progressive universalism

The Child Trust Fund provides an example of ‘progressive universalism’. The payment of £250 to all new babies marks the universal part of the Child Trust Fund, while the additional £250 payment is the progressive element. There was a mixed reaction to this structure. There was strong support for the payment of a grant to all new babies. Most parents felt that if it should go to one baby, then it should go to all babies. Some parent did question, however, whether children from very rich backgrounds should get it. The prevailing attitude, however, as that all should get it. The sentiment was that it was not fair to a child to deny them a grant simply because of their parents’ circumstances. Policy should treat children independently of parental background.

This emphasis on treating children separately from parents fuelled a concern with the progressive element of the Child Trust Fund. Most parents were against a two-tier payment and were in favour instead of a single flat-rate grant. This view was shared by parents who received the £500 as well as £250 payments. Although recipients of the £500 grant were happy with the extra amount, they felt that everyone should get the same.

- *Parent, £500, Cambridgeshire*

I think everyone is the same at the end of the day, people like me who are on income support, why should I get £500? I know it's my child but at the end of the day just because I'm on a lower income shouldn't mean I should get more money. I think everyone should be treated the same.

- *Parent, £500, Derbyshire*

If you work you'll only get £250. Whereas I don't work and so we'd be entitled to £500. But why deny someone who's working?

The emphasis parents placed on treating children separately from the parents meant that they tended to think that the financial circumstances of the household should not be taken into account when deciding on the grant. In addition, attention was drawn to the way that household income might change over time, so a rich family could be poor in 18 years time and vice versa. Parents thought that the best way of dealing with these household dynamics is simply to make a single flat-rate grant.

Sibling rivalry

The progressive structure of the Child Trust Fund fuels a charge of unfairness from some commentators. Carl Emmerson and Matthew Wakefield (2001) argue that the progressive structure creates the possibility that children within the same family might receive different endowments from government. In particular, household income might change so that while one child qualifies for a £250 voucher, a brother or sister might be entitled to a higher £500 payment. Emmerson and Wakefield argue that the provision of different grants highlights an intrinsic unfairness with the Child Trust Fund.

Worries about siblings were a particular concern of parents. This issue was raised by parents themselves in virtually all of the groups. Alongside concerns about information, this issue constituted the principal source of parental dissatisfaction with the Child Trust Fund. The issue was not, however, about children receiving different amounts but rather about those children who did receive and Child Trust Fund and those brothers and sisters who did not. Parents emphasised treating their children equally. Generally speaking, they did not regard the possibility of different children getting different amounts as particularly problematic. They thought that a child who received the £250 payment would also benefit from a higher household income, and so parents could be better able to save than in circumstances in which a child receives £500.

- *Parent, £250, Cambridgeshire*

I don't think different amounts are a problem, I just think one getting it and one not is going to cause fights when they're older.

- *Parent, £500, Derbyshire*

They've all had a starter whether it's 250 or 500, but if parents could make sure when they turn 18 they both get the same amount

This lack of concern with siblings getting different endowments contrasted with the general criticisms parents levelled at the progressive element of the Child Trust Fund. This highlights that the responses that parents made were not always consistent.

Most of the groups had parents with children born before the September 2002 cut-off date for the Child Trust Fund in addition to a child or children who received the grant. They felt that the policy was unfair to those siblings born before the September 2002 cut-off.

- *Parent, £500, Derbyshire*

I've got three children who didn't get it and I got two that did. The first three didn't get it, so for them that aren't going to get it when they're older, to have money given, well that'll be unfair … my eldest three going to think, well when they're 18 they've got such and such, what have we got? We can't afford to save because we're only on benefits. Five children, so like when my eldest one turns 18, and he [points to baby] turns 18, he's got £1000, what have I got, where's mine?

- *Parent, £250, Cambridgeshire*

I don't think it's fair. I've got a 7 year old that doesn't get it and I've got two children who do get it. I haven't opened an account for her yet because I can't afford to, but in a few years time when their money comes in, she's going to feel her brother and sister have got money in the bank but she hasn't because I haven't personally been able to put any money in.

Although parents understood the view that policy had to start somewhere, and that this problem would erode in the future, there was still a view that the policy was unfair to brothers and sisters born before September 2002.

Parents with children who did and did not have the Child Trust Fund took various steps to correct this perceived unfairness. Most reported they would save for the children without the grant first before putting money into the Child Trust Fund. This situation was more difficult, however, for parents with children on the £500 payment as they reported more difficulties in saving.

- *Parent, £500, Cambridgeshire*

What I did was actually drill off the money off a credit card believe it or not, so that both of them had accounts together … they've got to both be equal. When my daughter hits 18 she needs to have the same as what the other one will get.

When asked what government could do for children who did not get the grant, most parents said that the government should provide grants for the other children that do not currently receive it. When parents were asked whether all other children up to age 18 should be able to qualify for a Child Trust Fund (to cover situations where parents have teenagers up to the age 18 as well as a new baby), parents felt that if older children were still at school then they should get a Child Trust Fund. Another alternative suggested by parents themselves was to allow them to divide up the Child Trust Fund between children who do and do not receive the grant.

Locked nature of grants

Most parents supported the fact that money in the Child Trust Fund is locked away for a substantial period of time. Parents felt that the locked nature would help them save for their child. They stated that if the account could be accessed at any time, then it was likely that the money would be spent on various expenses as they crop up. In some cases, parents said the locked nature seemed to encourage family and friends to add to the account because they knew the money was going to the child.

- *Parent, £500, Cambridgeshire*

I think that's good because it's so easy for children or parents just to dip into it. I think it's good that it stays there for 18 years, they can't touch it, but I think in 18 years that the child shouldn't be able to touch it either, that they should get guidance

- *Parent, £250, London*

One person gave us money for her that they wouldn't have given us. They didn't give it to any of the other grandchildren and they probably wouldn't have given it to us if we all could get our hands on it.

Parents felt that the accounts should if anything have a longer lifespan. Most were happier if the account could mature when the child was in their early 20s rather than 18 as they thought that children would be more likely to use it wisely at 21 than 18.

Saving

Too much information

The majority of focus groups had parents who had not opened accounts, and in these groups around one quarter of parents had not opened their child's accounts. The evidence from the focus groups suggests that parents are not failing to engage with the policy. When asked about their overall reaction to this policy, most parents responded in a positive fashion, saying that they believe it is a good idea and support it in principle.

- *Parent, £500, Derbyshire*

It's basically a good idea, it needs fine tuning I think, but it's a good idea

- *Parent, £250, Cambridgeshire*

I think it's a good idea, but I think more information should be readily available

Those parents who failed to open accounts say that the main reason for this is to do with the information associated with the policy. One the one hand, there were complaints about too much information. Many parents reported being overwhelmed with leaflets and fliers from financial bodies.

- *Parent, £250, London*

I think there's too much. I've picked leaflets, and fliers, and key features and things, from Lloyd's bank, and from Abbey National, all that sort of thing. And they provide too much waffle and not enough key features. They don't tell who is actually running the fund? Is it Deutsche fund managers running it? Or, if I want to find out how the *fund is doing, where do I find out where the fund is? What's it in? And at the end of the day, when they're 18 I know that if it's £250 and you don't add to it it's not going to be that much, even in a unit trust. But you want the best out of it, and I don't think there's what I call a bells and whistle guide to the different funds.*

- *Parent, £250, Derbyshire*

You just got that much information you don't know where to start

Parents said that the first year of their baby's life was a demanding time for them, and they did not have the time or energy to sift properly through the information they received. On the other hand, concerns were expressed about the quality of the information that was available. It was reported that information was often confusing and incomplete.

- *Parent, £500, Cambridgeshire*

Well, me I don't personally know much about stakeholder, this that and the other. You can read and read and read and read, and it doesn't really make much sense, especially to a single mum, blah blah blah, I've been given a cheque, there you go, you've got so much time to sort it out. And you just get blinded by it all, and to me it's just a bit too complicated.

Concerns were expressed about the presence of hidden charges and lack of transparency. In some cases it was said that financial providers appeared to lack the information themselves.

- *Parent, £250, Derbyshire*

When I went to enquire at the bank they said oh it's higher up what's doing it, it's not the actual branches what are doing it … it's customer service higher up.

When asked what sort of information parents would like, the most popular answer was for a simple and transparent fact sheet setting out key features of the policy. This would provide information on what the Child Trust Fund would be worth in 18 years if various amounts were placed in the account, what charges are associated with the account, where money for the accounts are invested, and which organisations are doing the investing. The government was seen to have a key role in the provision of such information.

- *Parent, £250, Cambridgeshire*

Probably more information on, maybe statistics on what stock markets have done over the last few years. As a parent who doesn't know much about the stock market, you can make an educated decision based upon facts that you can actually see, the rises and falls, and draw your own conclusions from everything.

- *Parent, £500, Derbyshire*

People who supply it, what they charge, the interest rate.

One option proposed by some of the parents was for government to open automatically an account for the child, and the parents could then switch this if they were unhappy with this account. There was also some support for a smaller number of providers in the market, which would make the task of choosing among the options easier. These possibilities were not, however, universally accepted. Some concern was expressed about the possibility of collusion between government and providers if there are a small set of providers, and some liked the fact that parents are responsible for choosing an account themselves. There was general agreement, however, that the current information base is not adequate and this acts as a barrier to the successful operation of this policy.

Saving

Of those who had opened an account, some people reported that the Child Trust Fund had made them think differently.

- *Parent, £250, London*

I can only talk for myself. For my first one, for birthdays and Christmas he got money, he got money, he always got money for christening. And that just went. You always found something to spend it on. With her I must admit, for christening, all that money has gone into a savings account. And now, when her birthday comes I've said to the godparents, I don't want any more toys or clothes. I've given them the account and told them to do what they want. And that's it.

- *Parent, £250, Derbyshire*

Because I'm not good at saving money but I've had that incentive to start saving for it and so I've started saving for it. Somebody's helped me out by putting an amount in an account for them, I'm not just going to leave that account. Like everyone else, £250 or £500 in 18 years is going to be nothing so I'm building on that so that the *interest on that is all building up and so she is going to have something when she's older. I've never had that opportunity, I never got given so many thousands of pounds when I turned 18, or even now when I'm 21 I've never had any amount of money given to me so I want her to have an opportunity that I didn't have.*

What appeared to be important were the initial funds provided by government. This seemed to help kick-start saving. Parents said that family and friends had shown interest in saving into the accounts, especially around the child's birthday or Christmas. Some parents explicitly asked that on these special occasions, family and friends place deposits into the Child Trust Fund instead of buying presents. Around two-thirds of parents stated, however, that they had not added to the accounts.

Of the accounts that were opened, most parents opted for an interest bearing cash account. Some parents were wary of investing in shares because of previous bad experiences with the stock markets as well as endowment mortgages. Others stated that they were not happy to take risks with their child's money. Parents recognised that share accounts have an element of risk, but felt that as the Child Trust Fund is not their money but their child's, they should not put it at risk. Parents said, however, that if the child wishes eventually to move it into a share-based account, then that would be up to the child.

- *Parent, £250, Derbyshire,*

I went for a normal savings account, at the end of the day that money's my daughter's so I just went for a normal savings account. … She can do what she wants with her money, but I didn't want to risk her money.

One concern expressed with saving within the social policy community is that low-income individuals are not in a position to save. Writing in his capacity as the director of the Child Poverty Action Group, Martin Barnes (2002) argues that low-income individuals lack the financial resources to save into assets. Although recent work suggests that low-income individuals are able to save if sufficient incentives are in place (Kempson, McKay and Collard 2005), worries about the capacity of low-income individuals to save are a persistent concern with asset-based welfare.

In the focus groups parents who received the £500 payment reported more difficulties in saving than those with the £250 voucher. The former often said that they could not afford to save much.

- *Parent, £500, Derbyshire*

We can't afford to put any extra on a regular basis. I mean every now and then, birthday or Christmas when he gets some money. But I can't afford to do regular savings.

While it is true that parents from low-income households found it more difficult to save, they did not tend to regard the Child Trust Fund as a middle-class policy and unfair. They tended to see different capacities to save as a fact of life and thought at least the Child Trust Fund gave the child something.

- *Parent, £500, Derbyshire*

It's up to you, you know, if you want a better job and get paid more then get more training and get another job. It's your responsibility at the end of the day.

- *Parent, £500, Cambridgeshire*

If you got the money to save you do, if you don't you don't, there's nothing you can do about it.

Parents were asked whether they preferred their children to have a policy like the Child Trust Fund or simply a grant for their children without the savings element as they reached adulthood. The latter would simply be a mark of citizenship. While a straightforward grant had a number of supporters, the majority of parents favoured some sort of savings element.

What do parents think about alternatives?

Responsible use

Most proposals for capital grants are concerned with the issue of responsible use. That is, they are concerned with individuals 'blowing' their stakes on things such as alcohol (Le Grand and Nissan 2000; White 2003). There is disagreement, however, over whether restrictions should be placed on how grants are used. Some commentators argue against imposing such restrictions (Ackerman and Alstott 1999)[3].

[3] Ackerman and Alstott do not dispense with restrictions entirely, however, as they suggest making grants only available to those that have graduated with a high-school diploma.

Others insist that assets should only be used for specific purposes, such as starting a business, buying a home or investing in training (Le Grand and Nissan 2000). The Child Trust Fund imposes no restrictions on how funds are used. If family and friends contribute the maximum annual savings limit of £1,200 into these accounts, then young people will have access to a substantial sum of money when they turn 18. In the focus groups almost all of the parents were concerned about the possibility of stakeblowing.

- *Parent, £500, Cambridgeshire*

Worried in case that, everyone knows when they're 18 they're going to get this money and all of a sudden they've got all good friends and everything. Next thing you know, they're down the pub, you know against the wall, and for what?

- *Parent, £250, Derbyshire*

I'm not saying every 18 year old is that same, because they're not, but most 18 year olds, they'll say 18 grand, I know what I'm going to do with that, go out Saturday night, get absolutely bladdered, holiday, get a car and then they'll be in debt. And then they'll be thinking when they're 21, oh my god.

Parents favoured the responsible use of the grants, and they said that they would want the money to be spent on things such as university or college or buying a home.

Although there was general emphasis on responsible use, there was less agreement about whether formal restrictions should be imposed on how the Child Trust Fund is used. Some felt that while parents should play an important role in guiding and educating their child to use their Child Trust Fund wisely, ultimately it should be the child's decision on what to spend their fund on. These views were consistent with the suggestion by Will Paxton and Stuart White (2006) to implement a system of targeted mentoring. Paxton and White say that while full-blown restrictions on use are probably impractical, education programmes with additional assistance for specific individuals could be used to guide people to use their stakes wisely.

- *Parent, £250, London*

If you educate them throughout their lives and you teach them how to deal with money then probably you wouldn't have such a problem with them just blowing it. Having said that, there's no guarantee, anyway, even, if you do put restrictions on it, there's no guarantee.

- *Parent, £250, Derbyshire*

I think that's where your parenting comes in, you try to influence your child to try and use that money or to save it for if they need a car to get to work or something a bit sensible. Not just to blow it on a car, but if they need a car to get from a to b, say for deposit on a mortgage, or if they need it for their university fees. I think you've got to influence the child haven't you to use it for something, not to just blow it

Although some parents favoured general guidance, others wanted formal restrictions on grants. However, parents wanted parents rather than government to frame these restrictions.

- *Parent, £500, Cambridgeshire*

At the end of the day if the government is going to give you money and then they decide, then that's just taking my child back. It's like I'm supposed to be the parent, I'm supposed to be responsible. Nobody's given me the chance. Here's the money, you're not allowed to touch it, it's for your child but we're going to tell you how to spend it. What's the point of giving it?

- *Parent, £500, Derbyshire*

Not a free country if government starts saying that. It's your money, at the end of the day it's your child's money. No matter what you say or do, they're going to do what they're going to do with it aren't they? But you can't start saying we say you can't do this, you can't do that.

Parents wanted some form of parental control over how their child spends their funds, suggesting as one option that children should be required to get parental consent before enacting spending plans. Parents recognised that this might lead to problems for those families in which parents and children did not have a good relationship, but maintained nevertheless that parents should have some form of control.

This concern about of parental control dissuaded some from saving into the Child Trust Fund. Although these parents reported that they would save for their children, they reported that they had set up and were saving in a different account over which they could exercise control. In some cases parents reported that financial advisors had advised them not to save into the Child Trust Fund but to save into a different account precisely because of this concern about parental control.

- *Parent, £250, Cambridgeshire*

When we spoke to this financial adviser, he actually advised us not to put any extra money into that particular account because it was going to get locked up and because you has no control over how your child spent it. He actually advised that if you did want to make regular savings, you should open a separate account to which you do have control

Spending on income benefits or public services

One of the key criticisms of asset-based welfare is whether this policy represents the best use of scarce public funds (Emmerson and Wakefield 2001; Davey 2006). This fuels Liberal Democrat opposition to the Child Trust Fund which, alone among the major political parties, pledged to abolish the Child Trust Fund as part of its 2005 general election campaign. Ed Davey (2006), the Liberal Democrat shadow education secretary, argues that the money for the Child Trust Fund would be better spent on early years education.

Two main alternatives were discussed in the focus groups. First, higher spending on income benefit. In particular parents were asked if they would prefer the money spent on the Child Trust Fund to be spent instead on boosting their Child Benefit, which they can access immediately and choose to spend how they wish. Initially parents were asked this question in relation to the current level of the Child Trust Fund. Thus, the option was to use the £250 or £500 endowment to boost Child Benefit. For those in receipt of the £250 payment, this meant about an extra £5 a week for their baby's first year. For those who received the £500 grant, this would amount roughly to an extra £10 a week on their Child Benefit for a year. Faced with choice, there was general agreement for the Child Trust Fund over the income supplement on Child Benefit. This covered those who received the £500 as well as £250 payments. Parents argued that their child would probably benefit more from the savings in the future than the extra income today.

- *Parent, £500, Derbyshire*

I prefer the voucher because at the end of the day my Child Benefit, it goes on things like nappies and things like that, whereas if they registered my Child Benefit it wouldn't get saved for it

- *Parent, £250, Derbyshire*

My child's Child Benefit gets spent on her nappies, on her clothes, on her this and on her that. She's not going to see the benefit of that when she's older is she? 'Oh I've got a fiver a week extra, so mum bought me some nappies'. She's not going to think like that is she?

Parents were then asked about their views about the extra on Child Benefit if the Child Trust Fund was £1,000 for all instead of their current levels (this would mean around an extra £20 a week for the baby's first year). Again, most parents favoured the Child Trust Fund, although some parents said they would waver if the money were increased. Parents did not show an appetite, however, for Child Benefit being cut to finance a higher Child Trust Fund, preferring a mix of income and assets policies.

Second, parents were asked for their views about spending money dedicated to the Child Trust Fund on public services instead, especially pre-school and primary education. The response of most parents were in favour of the Child Trust Fund rather than extra money on public services. Parents tended to be more reluctant about spending money on public services rather than Child Benefit. A common view was that enough of peoples' taxes had already gone to pay for education.

- *Parent, £500, Derbyshire*

You pay your taxes, you pay for them, they should be getting enough by now

- *Parent, £250, Cambridgeshire*

I'm totally against that because I think we've paid in for years to taxes that should have gone in for education anyway

Parents were also cynical about the government's motivations for public services, believing that government would use the provision of policies such as the Child Trust Fund to justify cuts in public spending elsewhere.

- *Parent, £500, Derbyshire*

What I want to know is are they going to be penalised for having money in the bank account when they leave school. That's what I think the government's going it for, so they don't have to pay as much for when they can't get a job, when they've got a family to look after or whatever. I say they're going to get penalised, saying you've got all that money in there, live on that.

There was not support for rolling back public services, although when asked some parents were willing to countenance cuts in specific areas of public services to fund a higher Child Trust Fund. In some of the groups, some were prepared to support cuts in higher education spending to fund a higher Child Trust Fund for all.

Conclusion

This paper has presented original evidence on the attitudes of new parents to the Child Trust Fund. Care has to be taken when interpreting these results because parental attitudes were not always consistent. For example, the general bias against the progressive element of progressive universalism runs counter to the broad refusal of parents to be excised about the possibility that within families different children might receive different endowments from government. The presence of such inconsistencies means that it is not always easy to draw firm policy conclusions. Nevertheless, the general picture is one of support for this policy with concerns about specific elements of its design. The main sources of frustration relate to worries about siblings who do not have a Child Trust Fund as well as the information connected to this policy.

There are no easy answers to these problems. A policy of allowing parents to split the Child Trust Fund among siblings will add to the complexity of administering this scheme and might ultimately prove impractical. Allowing grants to be provided to older siblings will inflate the costs of the programme and might not be viable in the spending round. Similarly, while stream-lining the number of providers seems initially attractive in terms of reducing the quantity of information that is sent to parents, this needs to be set against the possibility of greater collusion among different providers. The challenge for policy now is to see whether such issues can be resolved.

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