Gavin Oldham script for Friday 15th May 2026

Starter Capital Accounts & Incentivised Learning

It's now over fifty years since Sir Keith Joseph stated his ambition to 'break the cycle of deprivation', but the situation today is every bit as bad as it was then — indeed worse. As Paul Johnson describes in his new book, 'Challenging Inequalities', he not only shows how levels of income and wealth inequality have increased significantly over the past decades but also refers to the challenge in family structures. As he says in the first chapter, *'Children born into circumstances of poverty and lone parenthood are particularly unlikely to do well in education and beyond.'*

The Centre for Social Justice report 'Lost Boys' set out this issue last year, and the recent NEET report from UCL shows the extent of this problem graphically. Meanwhile, the Office for National Statistics has also reported a consistent rise in the percentage of young people aged 20-34 living in their parental home, where that option is open to them: that's over a third of young men — compared with a fifth of young women.

These statistics convey the challenge for young people right across society, but they are particularly acute for those suffering real disadvantage in terms of low income and broken families. Young people in care experience particularly high levels of insecurity and isolation and, dependent on their local authority's policy towards adult care leavers, they can experience a real cliff-edge as their residential arrangements draw to a close following their adolescence.

At least in the United Kingdom we have strategies designed to make this transition as calm as possible: for example, Children's Minister Josh MacAlister is exploring ways in which each adult care leaver can have at least two reliable adults as points of reference.

Meanwhile, the challenges overseas are now coming right to our doorstep as huge numbers of young people from nations suffering both poverty and disruption seek safe havens throughout Europe, including in the United Kingdom.

The BBC Question Time programme following last week's election results was particularly notable due to the audience's comments. It wasn't just the frustration felt by older people — what really stood out was the sense of despair among so many young people.

There was intense criticism of the challenge of leaving university with a massive debt burden, and with no chance of being able to have your own home. But the sense of disconnect went much deeper than that: while the Labour government has lifted the two-child welfare cap and put forward proposals to lower the voting age, these are minor issues compared with the big challenge of inter-generational unfairness which is clear for all to see — including such massive youth unemployment — and which has been the result of both Labour and Conservative policy stagnation over the past sixteen years.

There was also a sense of despair amongst commentators of all ages: that no matter how hard people worked, they saw little return for their extra effort. The words 'stealth taxes' — the freezing of tax thresholds — didn't rise to the surface as such but, both in the Question Time audience and in 'on the street' broadcast interviews, you could feel that sense of diminishing returns which gives rise to so much despair: and again, that policy of freezing tax thresholds has been relentlessly pursued by both Conservative and Labour governments — see its disproportionate impact on middle ground incomes. No wonder they have both been massacred in the polls, with the electorate saying, 'a plague on both your houses'.

Meanwhile, as Tony Blair reflected recently, Government finances are heading for the cliff edge, while young people are suffering the most. Seventy-five years of debt-fuelled Attleean universality, then crowned with an excessively generous pandemic furlough scheme, have resulted in public finances close to the point of total collapse, with the annual cost of interest on public debt now exceeding both the defence and education budgets combined.

So, what are the key ingredients needed to break the cycle of deprivation? It obviously helps hugely to have a stable family environment but, as we've said above, so often that's not possible.

The problem is accompanied by a general retreat by both the main parties from appreciating the value of a sense of individual ownership for all which can contribute to personal empowerment. The previous Labour government understood the significance of this. Gordon Brown may not have got all his decisions right as Chancellor — his decision to sell off gold reserves has so far cost the United Kingdom about $35 billion — but he did introduce both the ‘All Employee Share Ownership Plan’ and the Child Trust Fund.

Individual ownership is important because with it comes a sense of responsibility and participation. The Share Foundation, which has been operating the Junior ISA and Child Trust Fund schemes for the Department for Education for the past fourteen years and which also runs a substantial recovery campaign for the Child Trust Fund generally, has put forward proposals to Government for a Child Trust Fund Mark 2.

The key features of this proposal are:

1. The new starter capital account would be based on an initial starter credit of £500 and it would be established as an ‘HMRC-Allocated’ account as at the child's first birthday. It would only apply for children from low-income backgrounds —in other words, in receipt of Child Tax Credit.
2. A programme of incentivised learning for life skills would be provided from primary school age in order to ensure a good standard of financial awareness by adulthood, providing the opportunity to earn an additional up to £1,500 into their account. The effectiveness of incentivised learning has been clearly evidenced in The Share Foundation’s work for young people in care, which we’ll explain in a moment.
3. The enacting legislation would include an ‘automatic release at 21’ process, which would ensure that the value in their accounts would be delivered to these young adults at a time when it would make a major contribution to their life prospects.

The automatic release process is as follows — this is what we have proposed for the current scheme:

1. Child Trust Fund account providers with unclaimed account owners who had reached their 21st birthday would identify these unclaimed accounts and notify HMRC of their identity, including their National Insurance number.

2. The HMRC would establish whether those individuals feature as benefit recipients, via a company payroll or in the student loan system, or through any other current relationship involving receipt from or payment to government. HMRC would then confirm to the account provider that these accounts should be closed and the proceeds paid to an HMRC transfer account for onwards payment as appropriate. HMRC would, if at all possible, notify the young adults of their impending receipt.

3. All identified accounts for which HMRC have no current links would be informed as such to the account provider, who would re-test on a quarterly basis going forwards.

We are still pushing hard for Government to accept this automatic release process for the current scheme; thus far they have failed to give sufficient priority to deliver it. They have gone some of the way: last week HM Treasury announced plans to contact thousands of young people aged 21 about ‘forgotten Child Trust Funds’ in a bid to reunite account holders with their accounts. However, while this is a step in the right direction, it is not going far enough.

We’re disappointed that there’s no focus on HMRC-allocated accounts in the Government’s announcement. As the Government was responsible for opening these accounts — in legal terms, they are the ‘Settlor’ — it should also be their responsibility to deliver them. The proportion of low-income recipients is 70% higher for HMRC-allocated accounts than for those accounts which were opened by the child's own family: so, there's a real concentration in terms of disadvantage in this segment, which also has the highest proportion of unclaimed accounts.

We suspect that one of the reasons for this is because there was no statutory requirement to maintain identification of HMRC-allocated, as opposed to family-opened, accounts, notwithstanding that their role was 'Settlor'.

It's also questionable whether these letters will result in action. If someone is not aware they have an account, will they act or simply ignore the letter, thinking it does not apply to them?

If the Government were to agree to automatic release of HMRC-allocated acounts at 21 years of age, we estimate that £369 million would be in the hands of low-income young adults forthwith. And with all the current Child Trust Funds coming into maturity by 2029, delivering them should now be a key priority for the Government.

Turning to the Conservative Opposition's approach, they would prefer to give National Insurance breaks to young employees to help fund a saving scheme for them — this may represent a small concession to those lucky enough to find jobs, but it doesn't start to address individual ownership opportunities for disadvantaged young people who struggle with NEET status.

Enabling individual ownership for the most disadvantaged costs money, of course, and that means addressing those challenged public finances. However, this is where inter-generational inequity really cuts in, and it's not just about the triple-lock pensions policy. It's also about Governments holding onto the mantra of a 'free at the point of use' health service for all, which is the direct result of those seventy-five years of Attleean universality.

Many people enjoy the benefits of private health insurance throughout their working lives but, when they retire, the use of this funding process drops like a stone. This leaves the state to pick up the tab just as they enter the healthcare-intensive part of their lives.

If the NHS was able to draw down on mandatory private health insurance for wealthy old people as their services were used, it would release tens of £billions. This would then allow the receipt of at least £10 billion in inheritance levies to be hypothecated in order to fund individual ownership of accounts and life skills for disadvantaged young people.

We have proposed this for the past four years, to both Conservative and Labour governments; it's been pushed back by the Conservatives because they don't want to upset their elderly voters (many of whom are now voting for Reform), and by the Labour government because they are still clinging on to the ideology of Attleean universality — and thereby resisting calls for lower demands on public finances, more competitive services and efficiency improvements in the interest of maintaining a bloated and ineffective state monopoly.

So, we do need to look at both the necessary inputs and outputs in order to achieve individual ownership for disadvantaged young people. In the UK, we do need to move away from imposing stealth taxes and from policy stagnation: but if government still can't finance individual ownership for these young people, we should encourage philanthropists to put their shoulders behind the wheel and help.

So our work at The Share Foundation has led us to a new strategy of providing these starter capital account resources but life skills are also essential for turning the dial from a 'poor me' attitude to looking ahead: this is a crucial transformation.

For young people in care throughout the United Kingdom, The Share Foundation has moved a long way beyond simply setting up accounts for young people. One of the most formative experiences was to take inspiration from the strategy developed by microfinance, which uses a combination of loan finance and community relationships in order to achieve attitudinal and educational change, in a way that simply cannot be delivered through grants.

Taking inspiration from Muhammad Yunus, the founder of the Grameen Foundation and former Chief Adviser of Bangladesh, we developed the concept of incentivised learning for these very disadvantaged young people so that they could ‘earn as they learn’. We learnt from the microfinance experience that grants, which are the automatic resort for Government in delivering welfare support, represent ‘being fed for a week’ compared to a focused learning experience which teaches ‘how to feed yourself for a lifetime’.

As a result, this has brought about a response from participating young people of persistence, which is just not possible as a result of presenting webpages on financial education or printed materials for distribution through local authorities. You should bear in mind that many young people in care have experienced schooling to be every bit as disruptive as their residential life.

We've now seen over two and a half thousand young people take this incentivised learning programme which we call Stepladder Plus, and the impact on reducing the NEET rates for these adult care leavers is clear: we estimate that it’s already saved over £12 million in welfare benefits projected to cover the lifetime cost of NEET status.

Natasha will explain how the process works ..

We’re now working with Sussex University in order to provide quantitative research on this, and there's a real focus on local authorities which have endorsed our approach enthusiastically, including Essex, Staffordshire, Liverpool, Cardiff, Sheffield, Bradford, Barnet, Cumbria, Swansea, etc.. Meanwhile, the Scottish Government provides half of the cost of the incentivised learning process in that country: a real encouragement to the English, Welsh and Northern Irish Governments to do likewise.

As Natasha has explained, a real threshold in the six-step course is Step 4, where we ask young people aged 15-17 to write 250-500 words setting out their hopes and plans for the future. Their responses are truly inspirational, and we look forward to analysing them methodically in order to demonstrate the attitudinal transformation that has taken place by this stage in the course.

At Cambridge, this approach is known as ‘non-experimental evaluation’: that is, rolling up our sleeves and getting on with the job, and letting the research accompany, rather than precede, that process. Of course, it helps to have philanthropic support in order to make this possible — it’s provided the majority of the £1.7 million cost of incentives so far — but that’s not an insurmountable barrier. The British Bankers’ Association demonstrated that by donating over £400,000 a couple of years ago to enable coverage throughout the United Kingdom for incentivised learning.

I’m also aware, as Julian Le Grand has set out, that the Michael Dell initiative in the United States will be establishing starter capital accounts there over the next few years, but the next step should be to take some of these techniques for both accounts and attitudinal transformation and see if we can get them working in those countries suffering real poverty and disadvantage. This would not be The Share Foundation's role — it's a UK-centric charity. But I hope that Share Alliance can build on its ‘non-experimental evaluation’ research in order to show how we can break the cycle of deprivation overseas as well as in the United Kingdom.

Obviously, we don't have a global Department for Education to help set out the regulations and structure: that's a challenge, although I'm aware that some countries such as India have made great progress in this respect. We'll hear more about that from Professor Matthew Agarwala this afternoon.

But let's imagine that a major international media organisation such as CNN was prepared to help set these arrangements in place. They have access to huge numbers of wealthy philanthropists among their first world audience, while at the same time having close relationships with corporate banking clients in Africa such as Afrexim and Zenith.

If they were able to link this access to wealth participation with organised structures for delivering resources and life skills empowerment for young people from really disadvantaged backgrounds, imagine the change that could be achieved – and all without having to rely on the United Nations for administration.

The problem is that governance bodies, whether national or international, are all so short-termist in their perspective; and they are so vulnerable to collapsing support from national governments, such as we've seen with the cuts in overseas aid budgets of the United States and the United Kingdom.

This is why we do need to think outside the box in order to achieve results; the more direct we can make the link between the sources of money and the outputs for disadvantaged young people, the better. It's what I describe as 'disintermediation' and it's why I yearn to see the hypothecation of inheritance taxes for inter-generational rebalancing – it's currently hard to detect this happening anywhere across the world.

If there was a constitutional requirement to ring-fence these levies for the benefit of disadvantaged young people, huge numbers of wealthy individuals (such as the family of Samsung's late chairman Lee Kun-hee) approaching their final days would feel much more positive about setting aside some of their assets for this purpose (in Samsung's case that's $8 billion). It's what I describe as the 'Black Hole of Economics', and it's why the inter-generational rebalancing conference is so important.

A presumption in favour of egalitarianism is not the same thing as seeking to abolish inequalities entirely – if you do that, it subdues the yearning for individual achievement. It is therefore positive rather than negative, and it seeks to deliver its aim as a result of providing individual opportunity for all. It seeks a more equitable and fairer world, but without removing the ability for people to achieve their potential in life.

If you believe that <u>everyone</u> deserves a chance to vote, go to school, get a good job, and participate in society, then you are an egalitarian. When laws seek to make life fairer, they are becoming more egalitarian. So when you see the word 'egalitarian', think about the combination of equality and freedom of the kind to which Thomas Jefferson referred when he said, 'We hold these truths to be self-evident: that all are created equal; that they are endowed by their creator with certain unalienable rights; and that among these are life, liberty, and the pursuit of happiness."

We should not give up hope for a logical and long-term approach to break the cycle of deprivation. Just because government profligacy has thoroughly destabilised public finances, it doesn't mean that we should turn our backs on the need to move towards a more equitable world. The challenge is that we've seen failure to deliver from both the socialist left and the capitalist right: we need to think afresh about how to achieve Thomas Jefferson's vision for all, in a way that is genuinely egalitarian.

Gavin Oldham OBE

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