



advice and support for older age

**Independent
Age**

**Work and Pensions Select Committee inquiry on Intergenerational Fairness
(19th February 2016)**



About Independent Age

Independent Age is a growing charity helping older people across the UK to live more independent, fulfilling lives.

Founded over 150 years ago, we are an established voice for older people and their families and carers, offering free advice and information and providing services, such as befriending, to promote wellbeing and reduce loneliness.

In addition to this, we use the knowledge and understanding gained from our frontline services to campaign on issues that affect older people, like poverty, loneliness and carers' rights.

For more information, visit our website www.independentage.org

Speak to one of our advisers for free and confidential advice and information. Lines are open Monday to Friday between 10am - 4.30pm. Freephone 0800 319 6789 or email advice@independentage.org

Independent Age is also a member of the Care and Support Alliance: a consortium of over 75 organisations that represent and support older and disabled people campaigning to keep adult care funding and reform on the political agenda.

Independent Age's submission to the Work and Pensions Select Committee on their inquiry on Intergenerational Fairness.

Focus of our submission

The scope of the Committee's inquiry looks to examine the question as to whether the current generation of people in or approaching retirement will over the course of their lifetimes have enjoyed and accumulated much more housing and financial wealth, public service usage, and welfare and pension entitlements than more recent generations can hope to receive.

Our submission will focus on this question within the context of the differential current impact of Government funding and support across the different age groups drawing on both the impact of Coalition policies as well as those under the current Government.

1. 'Intergenerational Fairness' – the context

Whilst Independent Age recognises that there is a need to have a more open and honest debate about what we can afford for an ageing population across all policy areas, we believe that the term intergenerational fairness can at times be used in a contentious manner.

It is our view that referring to 'intergenerational fairness' implies that the greatest differences are found between generations, and not within them. In fact, this is not the case and inequalities within generations are significantly larger than inequalities between them.

For example, the quality of life someone has can depend on something as simple as the place in which they live. In 2012-14 the life expectancy at age 65 for men was highest in Kensington and Chelsea (21.6 years) and lowest in Manchester (15.9 years)¹.

Life expectancy is dependent on things such as income, health inequalities, educational opportunities and housing which transcend generations and affect people of all ages.

It is therefore extremely difficult to make generalisations between people of 'working age' and 'pensioners'. The social and economic circumstances of pre-retirees, new retirees and the older old can vary hugely and it is therefore misleading to treat this group as a single 'generation', the same is true of the working age population. The concept of a generation is itself peculiar – two people may be born mere seconds apart, and consequently live very similar lives, but our broad analysis of society may view them as parts of two different generations.

This point is emphasised by the lack of statistical evidence of intergenerational resentment of any kind. The population is much more likely to support extra public spending on retirement pensions than on benefits for other groups². A 2013 Demos report concluded that there was strong evidence of 'cross generational solidarity and broadly similar values underpinning people's attitudes'³.

¹ ONS, 'Life Expectancy statistics' 2014

² British Social Attitudes Survey, 2013

³ Generation Strains, Duffy et al, 2013

Finally, looking at welfare benefits alone will not give us a balanced picture of the impact of policies on different age groups and therefore this submission will also examine other policy areas such as housing and health.

2. 'To what extent is intergenerational fairness a welfare issue?'

While an ageing population may well contribute to increased spending on older people, it is difficult to conclude that any such increase is unfair to other generations, particularly when the Government has taken steps to mitigate those additional costs by raising the State Pension Age. It should be noted that this change is affecting older people as much as younger generations – the campaign group Women Against State Pension Inequality (WASPI) note, women born in the 1950s are the biggest losers of the new State Pension, many being forced to work years extra to receive an income they thought was imminent.

Many commentators have also argued that during the course of the Coalition Government, pensioners were relatively protected from austerity measures. However, there were a range of policies for which pensioners were not the primary beneficiaries. For example, the sustained increases in the income tax threshold from £6475 in 2010 to £10,600 for the period April 2015-2016 was most beneficial for middle income working age couples with no children⁴.

Further, according to analysis produced by Professor John Hills, LSE, which looks at the impact of a range of tax and benefit reforms over the Coalition Government on disposable income, those in the 20-24 age group did just as well out of the policies as those in the age range 60-69, and in fact, those in their 20s benefited from Coalition reforms significantly more so than those aged 80+⁵.

We also know that there are about 1.6 million pensioners who live on or below the poverty line⁶. Of these 1.6 million pensioners, 900,000 live in severe poverty.⁷ For some this can mean they have to choose between heating and eating. It cannot be right that the debate on intergenerational fairness ignores the poorest pensioners.

The State Pension:

The State Pension makes up the largest aspect of Department for Work and Pensions (DWP) spending,⁸ and one that has been steadily rising from £75 billion in 2010. However, since April 2013, the State Pension has not risen by more than 3% in any year. In monetary terms this amounts to an increase of around £3 a week at most.

Unlike working age couples who will hopefully see their income increase over the course of their lifetime until they retire, once pensioners stop work, they tend to find themselves on fixed incomes with little scope to supplement this. For more than a third (39%) of pensioners, at least $\frac{3}{4}$ of their income comes from a mixture of the State Pension and other benefits⁹. This group of pensioners tends to be made up

⁴ Ibid

⁵ <http://the-sra.org.uk/wp-content/uploads/john-hills.pdf>

⁶ 'How we can end pensioner poverty' Age UK, Oct 2014

⁷ Households Below Average Income 2013/14, Department for Work and Pensions, June 2015

⁸ 2013-14 outturn public sector current expenditure, HM Treasury (2014) Public Expenditure Statistical Analyses, London

⁹ DWP figures, for 2013/14, from the Pensioner Incomes Series

mainly of older and female pensioners for many of whom the State Pension is their main source of income.

For these older people in particular it is absolutely vital that the State Pension keeps up with inflation. In our 2030 Vision report, we heard stories of pensioners who were concerned that their fixed income would not be adequate if prices continued to rise¹⁰.

Universal benefits:

Universal benefit spend on older people is often cited as a key cause of intergenerational unfairness. However this amounts to just 1.2% of the £666 billion of total UK central and local government public spending¹¹.

Furthermore, there is strong research which suggests that if some pensioner benefits were reformed, there would be a knock on effect to the NHS and social services. Analysis by Age UK estimates that the annual cost of cold homes to the NHS is £1.36 billion a year,¹² this means that Winter Fuel Payments play a crucial role in saving money elsewhere.

Free bus passes keep older people connected to their communities and to the world around them. According to Local Government association research, lonely individuals are more likely to¹³:

- Visit their GP, have higher use of medication, higher incidence of falls and increased risk factors for long term care
- Undergo early entry into residential or nursing care
- Use accident and emergency services independent of chronic illness.

All of which present significant extra costs to health and care services which are already overstretched.

Often, investing in preventative benefits reduces costs and improves service elsewhere by reducing demand – it would seem to be both counter-productive and cruel to reduce the provision of these services as a result of some poorly specified sense of intergenerational unfairness.

3. 'How does the welfare system interact with other areas of public expenditure and income and wealth in the wider economy, including issues of health, education and housing?'

As this submission highlighted at the start, to take welfare benefits in isolation when looking at intergenerational fairness would be unhelpful in informing the debate. If this submission was to look solely at welfare, it would neglect the NHS and social care, both of which significantly affect the lives of older people, as well as the housing situation with regards to specialist housing. Examining the protection that pensioners have received from austerity measures through the prism of welfare ignores the impact other austerity measures have had on the quality of life of older people.

¹⁰ Independent Age, '2030 Vision Building a better future for older people in Britain' September 2015

¹¹ 2013-14 outturns public sector current expenditure, HM Treasury (2014) Public Expenditure Statistical Analyses, London

¹² Age UK, 'The cost of Cold Homes', Dec 202

¹³ Local Government Association, 'Combating loneliness: a guide for local authorities' January 2016

Health and care:

Older people are the biggest users of health and social care services in the UK. Over half (51%) of the adult social care budget of Councils with Social Services Responsibilities is spent on those aged 65+¹⁴, with this age group accounting for 78% of supported residents in residential care and 79% of those in receipt of council funded home care¹⁵.

Local authority budgets have been continuously cut over the past five years, and councils have had increased difficulty meeting their statutory requirements. This has resulted in over half a million less people receiving care from their local authorities in 2013/14 than in 2008/09¹⁶. Importantly, those who are not eligible for local authority funded care or whose financial circumstances place them above the means-test must pay for it themselves.

This is a stark contrast to the vision evoked of healthy 'baby boomers' enjoying their early retirements in big houses. In fact, around 70,000 older people have difficulty with three or more 'activities of daily living' such as washing, dressing or cooking and receive no local authority support¹⁷. Consequently, cuts to the NHS and social care have left many older people without the care and support that they need.

We have also seen hospitals consistently missing their four hour A&E target. The last time the 95% four hour A&E target was met was July 2015, and prior to that it had not been met since August 2014¹⁸. Further, more than 150,000 bed days were lost due to delayed transfers in December 2015, up 11% on the previous year.¹⁹ Many of those people stuck waiting in hospital beds will be older people who have no care in place for when they leave.

Given their increased reliance on the health and care systems, it is clear that older people are losing out disproportionately due to the monumental overall pressures facing health and social care in the UK today.

Housing:

Housing is a vast policy area which covers a variety of issues, not all of which are applicable here. Despite its wide remit, it is worth briefly examining a couple of ways in which housing is important in the debate on intergenerational fairness.

It is first worth noting that house prices vary considerably geographically and therefore it could be unhelpful to the debate on intergenerational fairness to focus only on extremely high house prices which are most commonly found in the South East and in London. According to the ONS, the average house price in the North East of England in December 2015 was £155,000. In Yorkshire it was £183,000, and yet

¹⁴ Health and Social Care Information Centre. Personal Social Services: Expenditure and Unit Costs, England 2013-14

¹⁵ Health and Social Care Information Centre. Community Care Statistics: Social Services Activity, England 2013-14

¹⁶ HSCIC, Community Care Statistics: Social Services Activity, England 2013-14 Final release, December 2014

¹⁷ Independent Age and the Strategic Society Centre, 'The Bigger Picture Policy insights and recommendations', November 2014

¹⁸ <https://www.england.nhs.uk/statistics/statistical-work-areas/ae-waiting-times-and-activity/statistical-work-areas/ae-waiting-times-and-activity/ae-attendances-and-emergency-admissions-2015-16-monthly-3/>

¹⁹ NHS England, Combined Performance Summary, Dec 2015

in comparison, the average house price in London was £536,000 with £356,000 the average price in the South East²⁰.

With this in mind, it would be incorrect to assume that all older people are asset rich, living in houses which are worth a lot of money. Whilst three quarters (78%) of over 65s own their own homes, more than half (58%) own property which is worth less than £250,000²¹ and 24% are still renting their homes²².

If there are issues relating to housing supply for first time buyers, there is also an issue for last time buyers. According to think tank Demos, there are around 3.5 million older people who wish to move out of their homes into specialist retirement housing²³. However, according to the same report, there are only about 100,000 properties of that kind on the market²⁴. This could imply that older people staying in their family homes is not so much due to their selfishness and lack of will to move but rather because there are no suitable properties available for them to move to.

It is also worth reiterating here that for many older people who experience care needs as they get older, some of these assets will have to be sold in order to pay for the care services to help them with their day to day living, especially if they have to move into residential care. This apparent wealth is therefore spent on paying for care which is not funded by the state.

4. 'How might other benefits such as Winter Fuel Payments be reformed?'

In our recent report with the Strategic Society Centre, '[For Richer, For Poorer](#)', we highlighted that Winter Fuel Payment was indeed spent on fuel and that by labelling such a benefit, it was used for its original purpose²⁵. We also model various ways of means testing Winter Fuel Payment. As the report shows, means testing the Payment would not save the Government a significant amount of money – amounting to just £1.7 billion in the best case scenario²⁶. The report also concluded that means testing can discourage those who are eligible from taking up benefits that would otherwise have a positive impact on their lives, and budgets for health and care services.

The report also highlighted how Winter Fuel Payments have been successful in reducing preventable excess winter deaths²⁷. Every year there are around 25-30,000 preventable deaths and by paying out Winter Fuel Payment, older people can keep their homes warm through the winter months, stopping them from becoming ill and needing treatment which has knock on effects on the NHS and local authority social care budgets.

There is strong evidence to suggest that Winter Fuel Payment is crucial for those older people who would otherwise struggle to heat their homes, resulting in avoidable admittance to A&E, perhaps developing longer term care needs or even in

²⁰ Office for National Statistics, House Price Index December 2015

http://www.ons.gov.uk/ons/dcp171778_433142.pdf

²¹ Wealth and Assets Survey, published 18 Dec 2015, covering years 2012-14, GB

²² English Housing Survey 2013-14, annex table 1.4

²³ Demos, 'Top of the ladder' report, 2013

²⁴ Ibid

²⁵ Independent Age and Strategic Society Centre, 'For richer, for poorer? A review of the evidence on universal pensioner benefits', 2015

²⁶ Ibid

²⁷ Ibid

extreme circumstances, resulting in excess winter deaths. These knock on effects to the NHS and to local authorities will only result in additional pressures on an already creaking system.

That is not to say that there is not a small but significant group of wealthier pensioners who could afford to bear some of the burden. For these pensioners, universal benefits such as Winter Fuel Payment have minimal benefits. We do not agree with means testing these benefits, as that discourages take up among those that need them, but taxing these benefits as if they were income would allow the Government to recoup a proportion of their costs – overwhelmingly from the richest pensioners.

If enough funding cannot be raised through this method to address the funding shortfalls, especially within health and social care, the Government should look to general taxation to close the gap. In this way, the pensioners on the lowest incomes will not be hit by the increased burden.

5. Loneliness and social isolation

Whilst higher incomes have a positive effect on significant areas of life, it is not the only measure of quality of life. Social contact and relationships with friends and family play a big role in someone's quality of life. Research shows that the quality of these relationships can deteriorate over time, with over 1 million older people saying that they always or often feel lonely²⁸.

The health impact of loneliness is now well documented and has inevitable effects to local authorities and the NHS. According to ONS statistics from the Opinions and Lifestyles survey, 29.2% of people who were 80 or above reported feeling high levels of loneliness, this was in comparison to 14.8% of 16 to 64 year olds²⁹.

Loneliness is something which affects people of all ages but it is particularly prevalent for older people who can lose touch with friends and family, and lose their life long partners. It is vital that measures beyond income are taken into account when 'intergenerational fairness' is being considered.

6. The contribution of pensioners

There is tendency to talk about older people in terms of the support that they require from the state and from others. However, this paints a one sided view and does not acknowledge the value of older people to society. Research shows that older people play an important role in supporting their families and that they can be extremely generous.

More than ¼ of inheritance comes from grandparents according to research by the Social Market Foundation³⁰ and research by the Council of Mortgage Lenders highlights that the proportion of first time buyers aged under 30 who receive assistance with their deposit increased from fewer than one in ten in 1995 to nearly eight in ten by 2011³¹.

²⁸ Campaign to End Loneliness 'Combating loneliness A guide for local authorities' January 2016

²⁹ ONS 'Insights into Loneliness, Older People and Well-being', 2015

³⁰ Social Market Foundation, 'Longer Lives, Stronger families?' February 2016

³¹ *ibid*

Older people also play an extremely important role in providing informal care for their loved ones. Around 14.3% of children (aged 0-15) receive informal grandparental childcare, at the value of £7.3bn a year³². Independent Age's [Bigger Picture research](#) has also highlighted that according to the 2011 Census data, more than 450,000 older people report providing 50+ hours of care to a loved one every week³³.

7. Conclusion

Whilst we need an honest debate about what we as a country can afford for an ageing population, to frame the debate within the context of intergenerational fairness can create an unhelpful comparison between generations.

The reality is that there are many differences within generations which are just as important as those between them, and it is the inequalities which affect those of any age which should be addressed.

³² Ibid

³³ Independent Age and the Strategic Society Centre, 'The Bigger Picture Policy insights and recommendations', November 2014