Age UK Chief Economist's Report

Spring 2014

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Contents

Key insights in this issue

- People aged 65 and above contribute approximately £61bn a year, or almost five per cent of the UK's entire GDP
- This is made up of their employment contribution (£37 bn); informal caring activities (£11.4 bn), childcare (£6.6 bn) and volunteering (£5.8 bn)
- For retired households, the poorest 10 per cent pay more of their gross income in tax than any other decile group
- The cost of heating a home has increased by at least 1.6 times more than pensioner income since 2003/04
- This is largely a result of indirect taxes – particularly VAT – having a disproportion effect on the lowest incomes
- It is a fallacy that older workers take away job opportunities from younger people. In the UK, and across the EU, there is a positive relation between employment rates among older and younger workers
- While income inequality in non-retired households has been decreasing since 2009-10, income inequality among retired households has been increasing

Foreword

Welcome to the Spring 2014 edition of the Age UK's Chief Economist Report. Whilst the economic activity is picking up and the UK is finally leaving the period of disappointing economic performance behind, we are less optimistic about any positive consequences this recovery might have for older people.

This edition presents a comprehensive estimation of the economic contribution of people aged 65 or over in the UK. We include the monetary value of their paid employment, informal caring, and volunteering activities and find they amount to £61bn –almost 5 per cent of the size of the UK's economy.

The report also includes an analysis of the implications of cash transfers received and paid by retired households for income inequality. In contradistinction to non-retired households, income inequality among retired households has been growing since 2009-10. The note sheds some light on the role of net cash transfers as an additional source of heterogeneity among older people, the majority of whom are not 'having it so good'.

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Overview

Gross Domestic Product

Gross domestic product (GDP) increased by 0.7 per cent in the fourth quarter of 2013, which puts the annual growth in 2013 at 1.8 per cent.

Despite this positive aggregate growth, the economy is deemed to be 1.4 per cent below its pre-recession level in Q1 2008. Output for the services industries has surpassed its pre-recession level by 1.3 per cent but the production industries lag behind their pre-downturn output level by 12.3 per cent. Moreover, output in the Construction and Manufacturing industries are also below the levels reached in Q1 2008 by over 11 per cent and 8.8 per cent, respectively.

Despite these rather subdued estimates, the governor of the Bank of England triumphantly announced that the UK economy is growing robustly (see Prospects section later), which, to begin with, depends on the definition of 'robust economic growth'. We are not so hopeful about the employment perspectives of older workers. A higher proportion of workers aged 50 or over is employed in the public sector and in manufacturing industries than their younger counterparts. Public sector employment is subject to reductions and recruitment restrictions, and the manufacturing industries have recorded, as mentioned above, growth rates that have not been high enough to return output to the pre-recession levels. It is hard to envisage, therefore, where additional well-paid and fulfilling job opportunities for this age cohort may originate from.

Labour Market

There are 7.9 million people aged between 50 and 64 and almost another 1.1 million aged 65 or over are in employment (the employment rate per cent of this age group has reached the 10 per cent mark).

In turn, about 390,000 people aged 50 or over are unemployed, of whom 44.3 per cent have been fruitlessly looking for a job for one year or more.

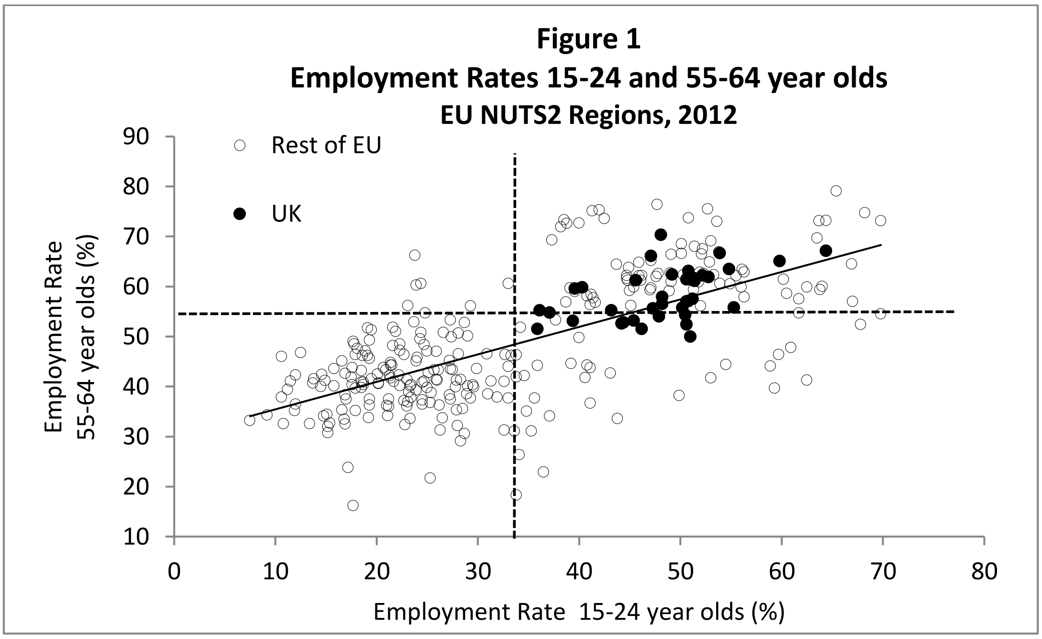
During the fourth quarter of 2013, 31,000 people aged 50 or over were made redundant –almost 28 per cent of all redundancies in the period (the largest share among all age groups). Over the year, almost 136,000 employees aged 50 or over have lost their jobs.

The flipside of redundancies is known as re-employment rates –i.e. the percentage of people made redundant during the previous quarter who are back in employment. The latest figures (Q4 2013) show a marked improvement compared to previous quarters: 41.6 per cent of people aged 50 or over found a new job within three months of having lost their previous one.

Yet, older workers are more likely to lose their jobs and less likely to find another one if they are made redundant than other age groups.

Some commentators are of the opinion that the increasing employment rates of older people are hampering the job opportunities of younger cohorts. The overwhelming majority of economists opine this statement is wrong (one of the few instances of almost unanimity among my colleagues!) –so wrong that they have coined a fancy name for this: the 'lump of labour fallacy'.

Without undertaking a fully-fledged analysis, we looked at employment rates among people aged 15 to 24 and older workers across most regions in the European Union[1]. The following figure presents the data, which show that actually regions which exhibit higher employment rates of older workers do present *higher* employment rates of their younger counterparts. The chart also shows that the UK exhibits higher employment rates than average for both age groups and also a positive relation between employment rates among older and younger workers.



Source: Eurostat

One explanation as to why older workers fare so badly during a recession is provided by a very recent paper looking into US data[2]. The authors conclude that workers aged 55-61 face more volatility in employment and unemployment along the business cycle than workers aged 25-54 as a result of exhibiting lower wage volatility. So, in recessions, the wages of older workers fall less, relatively speaking,

[1] 308 NUTS (Nomenclature of Territorial Units for Statistics) 2 regions. NUTS 2 is a geographical classification. In England, for example, the North East is a NUTS 1 region; Tees Valley and Durham is a NUTS 2 region within the North East; and Durham or Darlington are NUTS 3 regions within Tees Valley and Durham.

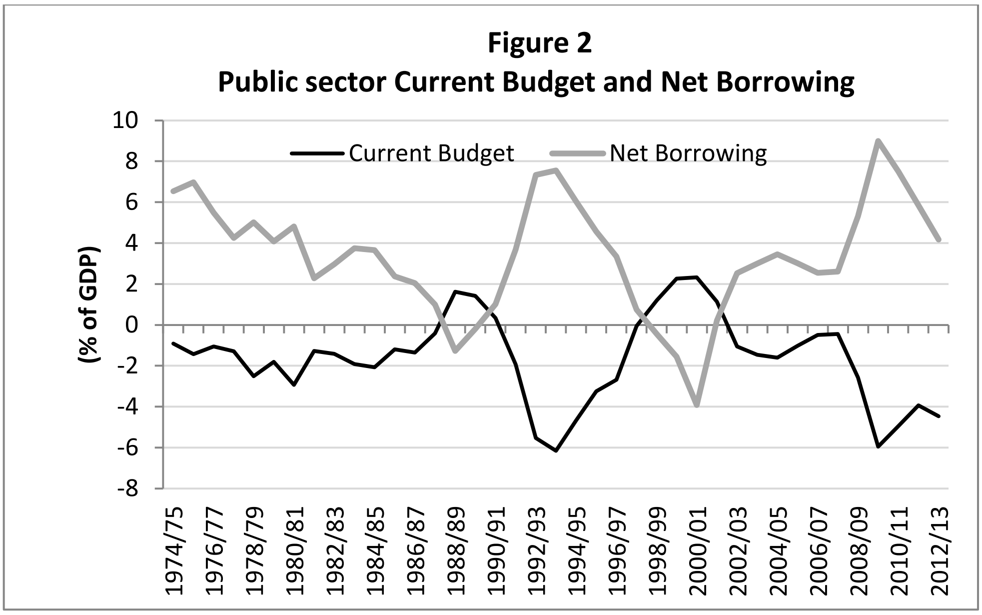
[2] Hairault, J-O; Langot, F; and Sopraseuth, T. (2014). Why is Old Workers' Labor Market More Volatile? Unemployment Fluctuations over the Life-Cycle. IZA Discussion Paper No 8076. Institute for the Study of Labor. Bonn, Germany.

than those of younger workers but job flows out of employment and into unemployment are higher for the former.

Public finances

As explained in a previous report[3], the government bases its fiscal policy on the measures excluding the temporary effects of the financial interventions. In particular, net borrowing (or net lending if there is a surplus), which measures the overall budget deficit (or the public sector's accruing net financial indebtedness) and the current budget indicator, which measures the difference between current receipts and spending.

The current budget is currently running in a high deficit but net borrowing has continued to fall.



Source: HM Treasury

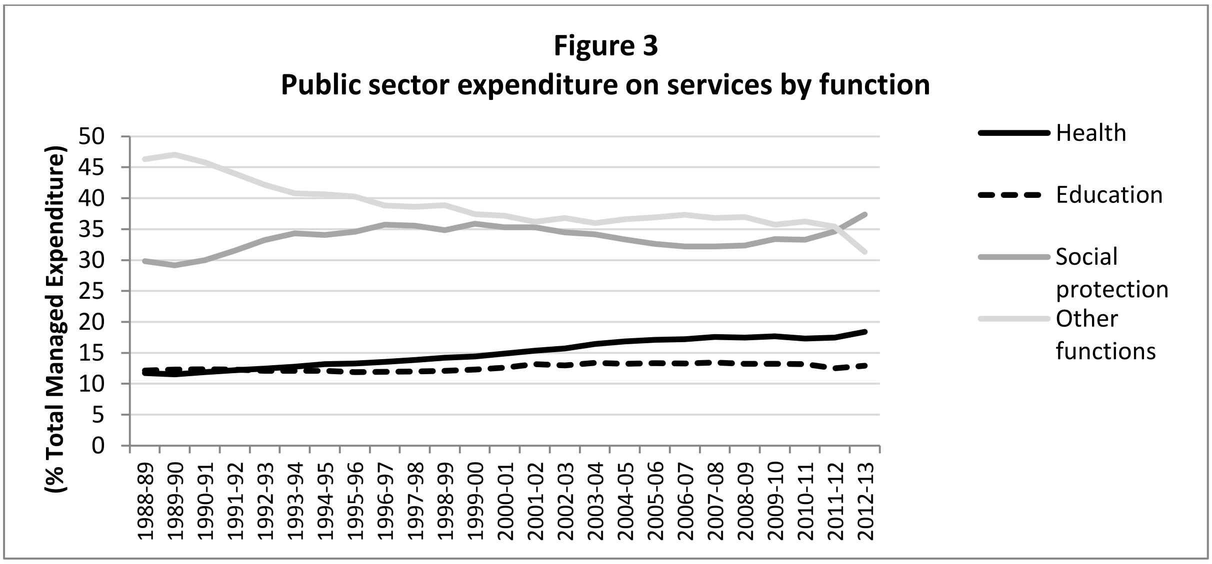
Looking into public expenditure by function, it is worth remembering that 'social protection' includes public expenditure on social benefits such as sickness and disability benefits, income support, family benefits, unemployment benefits, etc., plus public expenditure on social care and pensions.

The following two figures present long term trends on public expenditure by function both in terms of total managed expenditure (TME)[4] and of GDP. Social protection

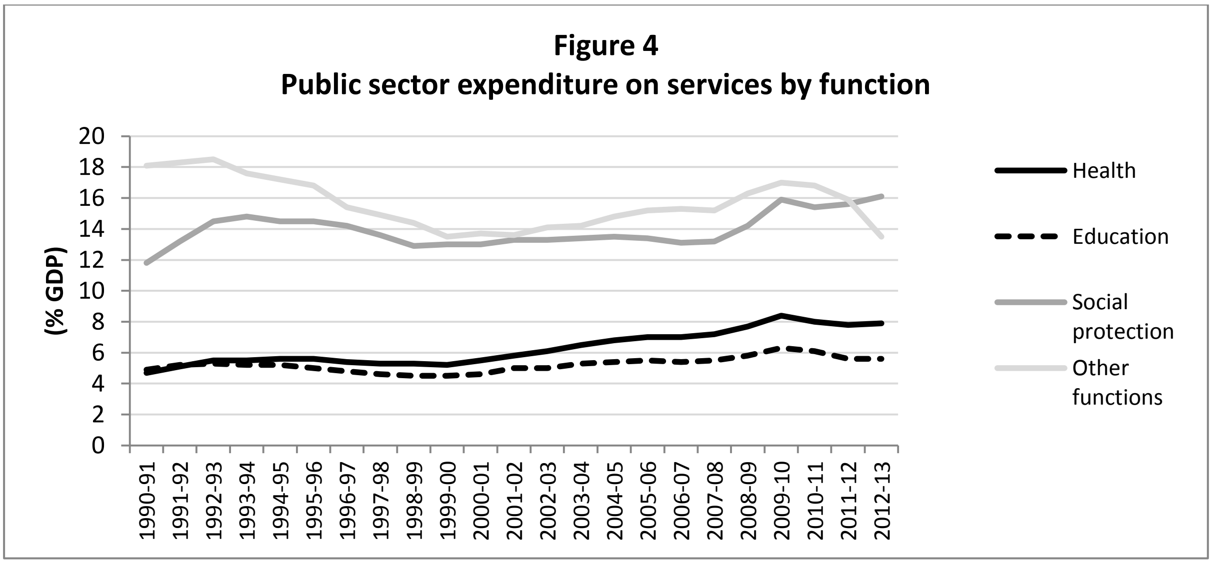
[3] Age UK Chief Economist's Report, Autumn 2012 - http://www.ageuk.org.uk/Documents/EN-GB/For-professionals/Research/Age%20UK%20Chief%20Economist%20Report%20Autumn%202012.pdf?dtrk=true

[4] Total managed expenditure (TME) comprises the current and capital expenditure of the whole public sector; central government, local government, and public corporations, but not financial transactions such as government lending or buying of shares. TME is the Government's preferred measure of total public expenditure.

has grown slightly but steadily since 2007/08. Public spending on health has increased both in terms of TME and as a proportion of GDP.



Source: HM Treasury



Source: HM Treasury

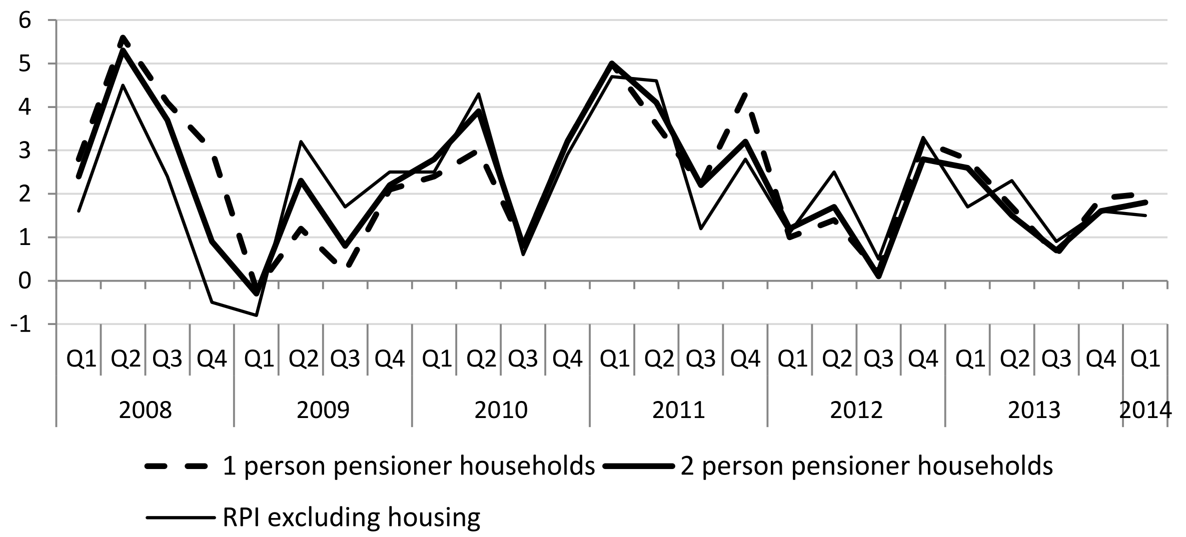
Prices

Inflation

The ONS Pensioner RPI increased by 2.7 per cent and 2.4 per cent for 1-person and 2-person pensioner households, respectively, over the year to the first quarter of 2014.

The next figure shows that over the last two quarters, pensioner households have faced a marginally higher inflation than the population as a whole after excluding housing costs.

Figure 5
Quarterly Inflation Rates, 2008-2014
Pensioner Households and All excluding housing costs



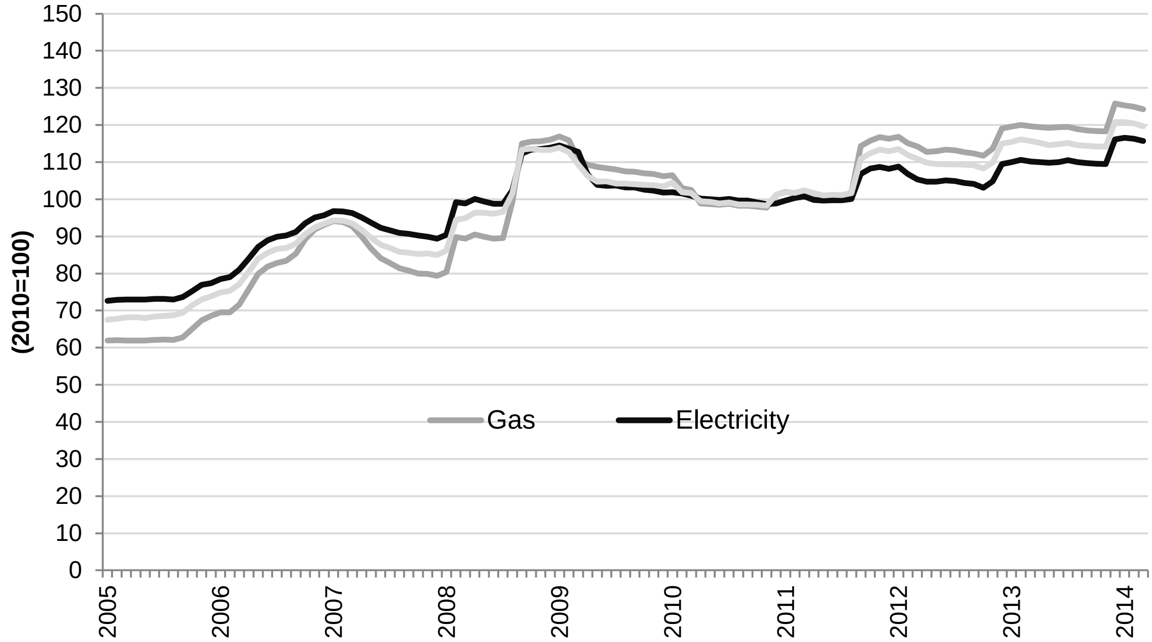
Source: Office for National Statistics

Retail Energy prices

We monitor the evolution of gas, electricity and heating oil retail prices relative to the consumer price index (CPI), given their incidence on family expenditure among older people.

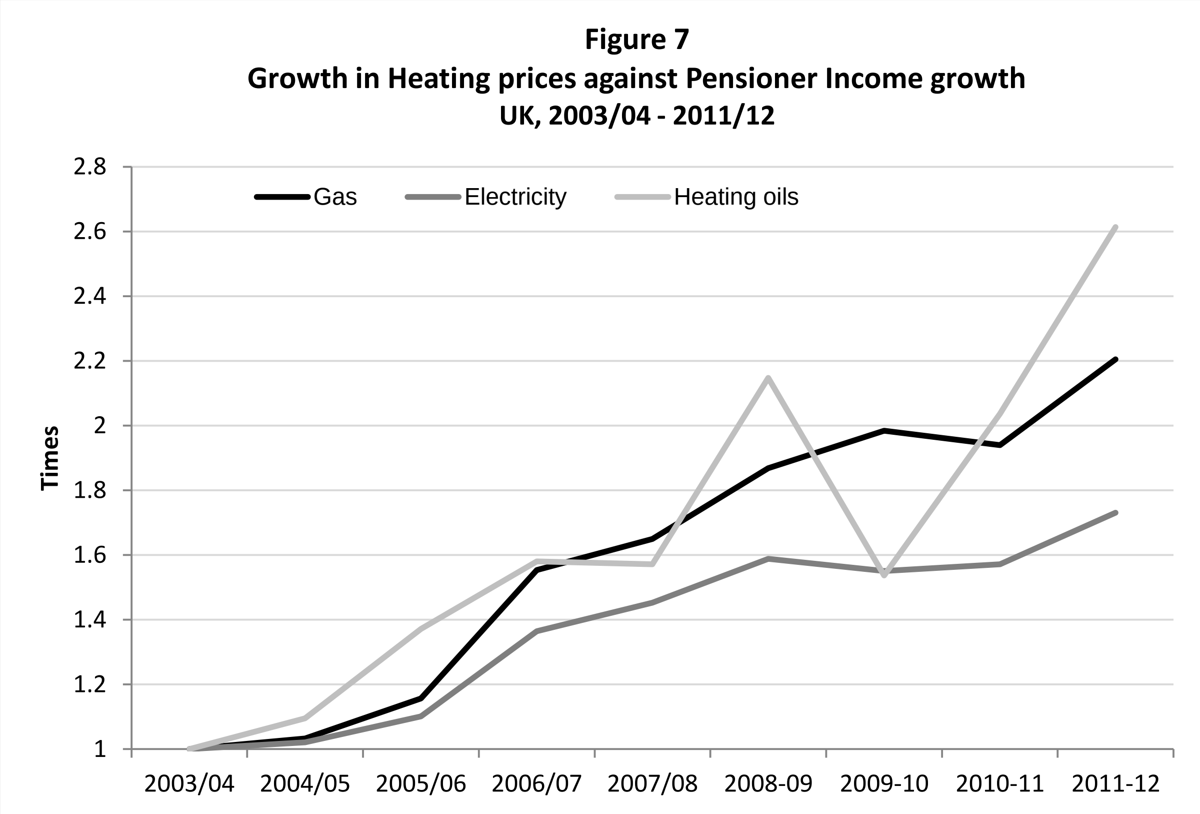
Domestic energy prices grew above the CPI between 2005 and 2009, and after a slight reduction (for gas and electricity), since the end of 2001, they have been creeping back up again. They are currently at or over the peak levels for the period. It is worth noting that the evolution of retail gas and electricity prices vis-à-vis that of the CPI has mirrored each other since 2009.

Figure 6
Monthly Retail Price Indices relative to the CPI, Fuel Components 2005-2014



Source: Office for National Statistics

We can only compare the growth in energy prices and in pensioners' income until 2011/12. The following figure shows the cost to heating houses has grown more than twice compared to the average pensioners' income since 2003/04.



Source: Department for Work and Pensions and Office for National Statistics

Spotlight on Cash Transfers and Income Inequality

Less than half of people aged 65 and over have incomes high enough to pay income tax. However income tax is only one part of tax revenue and even the poorest households pay are liable to taxes such as VAT.

We wanted to explore the state income and tax contributions made by different retired households so we analysed data on average incomes, taxes and benefits by income decile groups of retired households for 1977-2011/12 based on the Living Costs & Food survey compiled by the Office for National Statistics[5].

This comment on the effects of these cash transfers on inequality across retired households is written against the backdrop of increasing income inequality among retired households (as measured by the Gini coefficient, for which the closer to 100 per cent, the higher the inequality) since 2009/10 and decreasing inequality among non-retired households since 2010/11:

[5] Office for National Statistics (2013); The Effects of Benefits on Household Income, Historical Data, 1977-2011/12 - http://www.ons.gov.uk/ons/rel/household-income/the-effects-of-taxes-and-benefits-on-household-income/historical-data--1977-2011-12/index.html

Table 1
Gini Coefficients for Equivalised disposable income
(Percentages)

Year	Households	
	Non-retired	Retired
2009/10	33.6	24.3
2010/11	34.2	26.0
2011/12	32.7	26.3

Source: Office for National Statistics[6]

The official definition of retired person in this context is "anyone who describes themselves (in the Living Costs & Food survey) as 'retired' or anyone over minimum National Insurance pension age describing themselves as 'unoccupied' or 'sick or injured but not intending to seek work'". In turn, a retired household is "one where the combined income of retired members amounts to at least half the total gross income of the household."

All the data below (including those for taxes and benefits) have been adjusted according to the size of the household (i.e. 'equivalised'[7]) and expressed in 2011/12 prices by means of the implied expenditure deflator for household sector.

First, it is worth taking a long-term view of household income of both extreme deciles (in terms of income) –i.e. the poorest 10 per cent of households and the richest 10 per cent. Secondly, we need to present some definitions.

Final income is composed of

- Original income (i.e. income from wages and salaries, self-employment, private pensions, annuities, and investments),

plus

- Cash benefits (including Job seeker's, Carer's Allowance, Attendance Allowance, Disability Living Allowance, and employment and support allowances; widows' benefits; Income Support and Pension Credit, Housing Benefit; and State Pension)

plus

- Benefits in kind (NHS, bus and rail travel subsidies, etc)

minus

[6] ONS (2013). *The effects of taxes and benefits on household income, 2011/12 - Reference Tables*. Available on: http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-280824

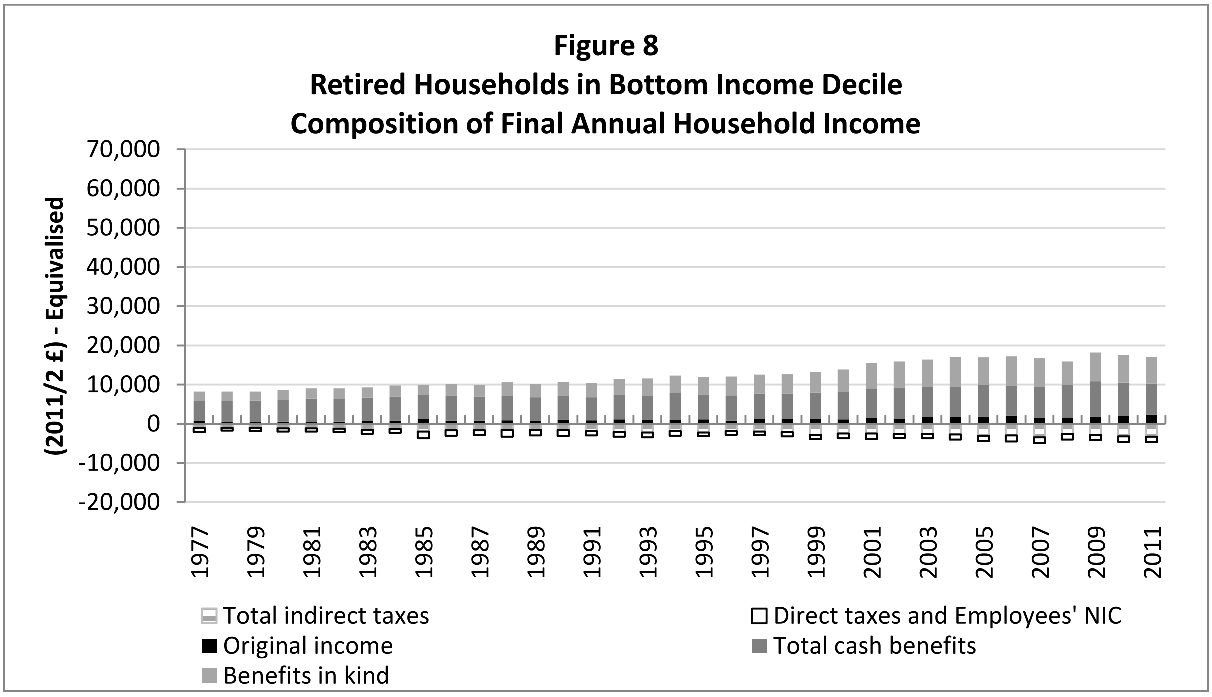
[7] Using the modified OECD equivalisation scale. The only equivalised concept published in the ONS tables is disposable income. We have applied the same equivalisation factors for each decile to all the other items.

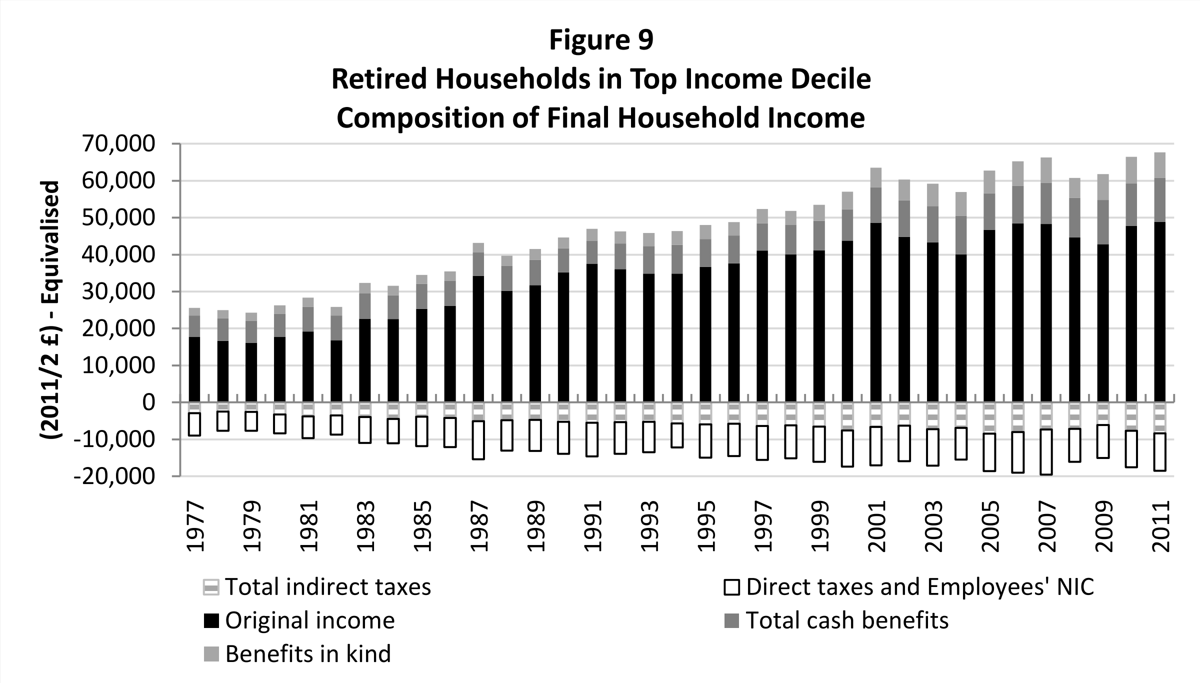
- Direct Taxes (e.g. Council tax, Income tax, etc.) and Indirect Taxes (e.g. VAT, duties on petrol, tobacco, alcohol, etc.)

The first two items -original income and cash benefits- make up the 'gross income'.

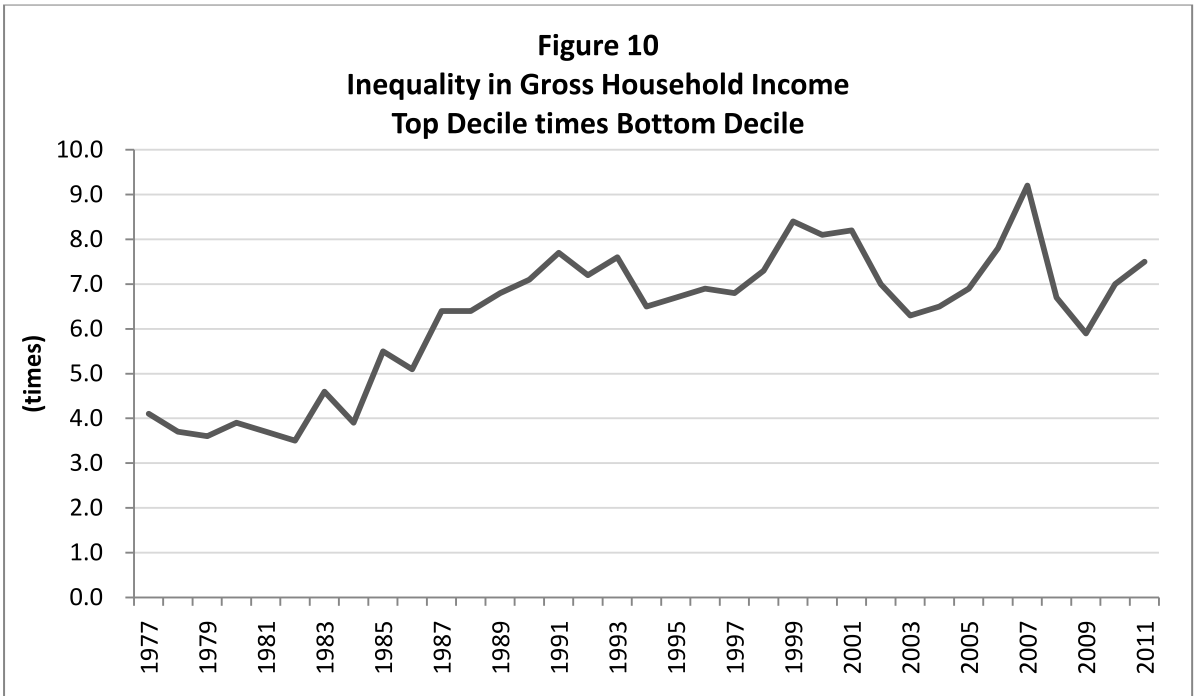
The following two charts show the evolution and composition of final household income for these groups.

Average annual gross income of households in the poorest decile amounts to £17,000 and taxes paid amount on average to just over £4,600, which makes an average final household income of under £12,400 for this group (it has been falling since 2009). With regards to the richest 10 per cent, their average gross income amounted to almost £61,000 in 2011/2; after having paid almost £8,400 in taxes on average, the average final household income for this group amounted to almost £57,600 (and it has been rising since 2008).





In fact, the gap between the top and bottom decile groups has increased since 2009, reversing a reduction started in 2007. The long-term trend, though, is that of increasing inequality among retired households as measured by this ratio.

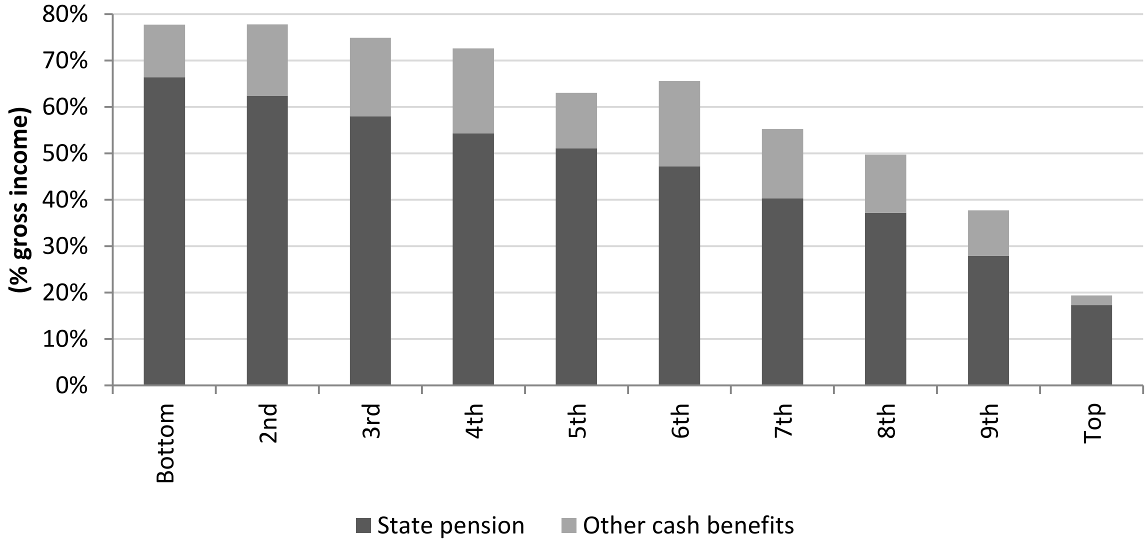


We want to concentrate in this chapter on cash transfers between retired households and the public exchequer (in other words, all the cash benefits received and all the taxes paid in by these households) and to consider whether this transfer is reducing or deepening inequality (i.e. whether its net effect is progressive or regressive) across this group.

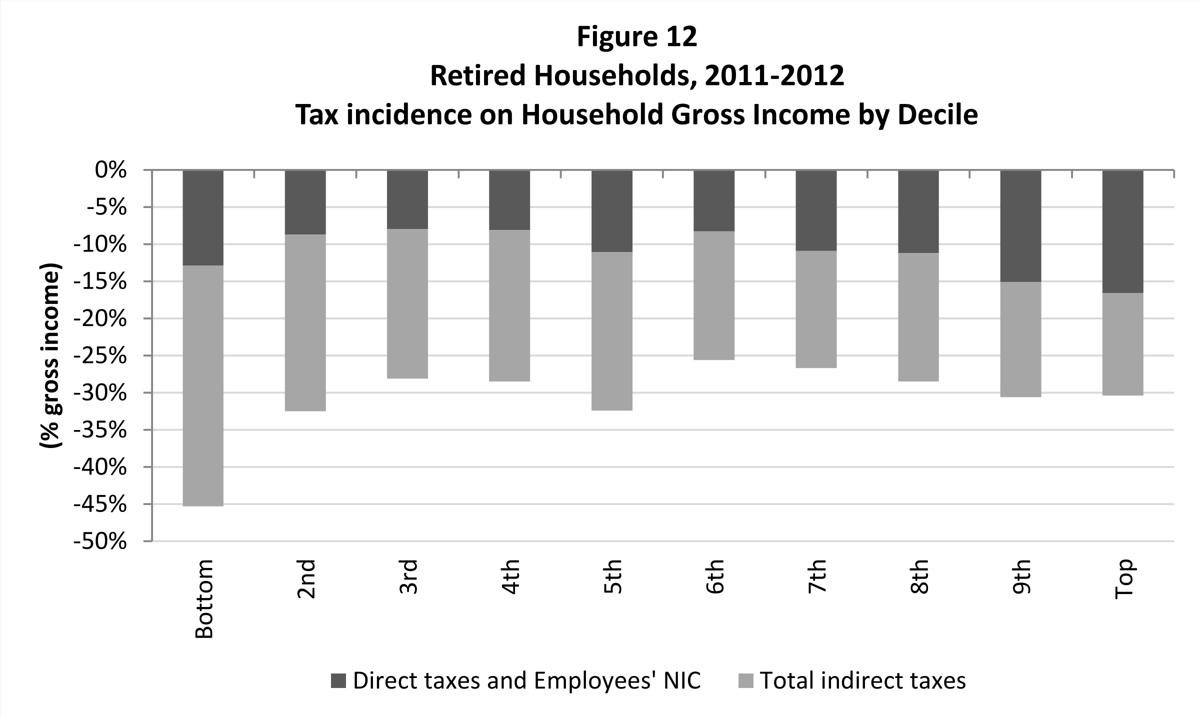
As seen earlier, the official definition of cash benefits includes state pensions. However, it could be argued that a State Pension is different to other benefits as it is a payment which individuals are entitled to based on years of contributions into the national insurance system. In contrast, other items defined as cash benefits are generally income-related or intended for specific needs. Hence, the following chart separately shows the relative importance of state pensions and the other cash benefits to household gross income by income decile.

State pensions represent almost 67 per cent of the average gross income for the bottom 10 per cent and merely 17 per cent for the top 10 per cent. Even for the third richest decile of households, they make up about 37 per cent of their average gross household income. We conclude that state pensions are a crucial element of household income for the vast majority of retired households.

Figure 11
Retired Households, 2011-2012
Contribution of Cash Benefits to Household Gross Income by Decile



As important, and more worrying, is the picture depicted by an analysis of the incidence of taxes on gross household income. The following chart shows that, on average, the poorest 10 per cent of retired households pay as much as 45 per cent of their gross household income, against about 30 per cent among the rest. The bulk of this regressive effect of taxes is to do with the incidence of indirect taxes, of which VAT makes up around 40 per cent.

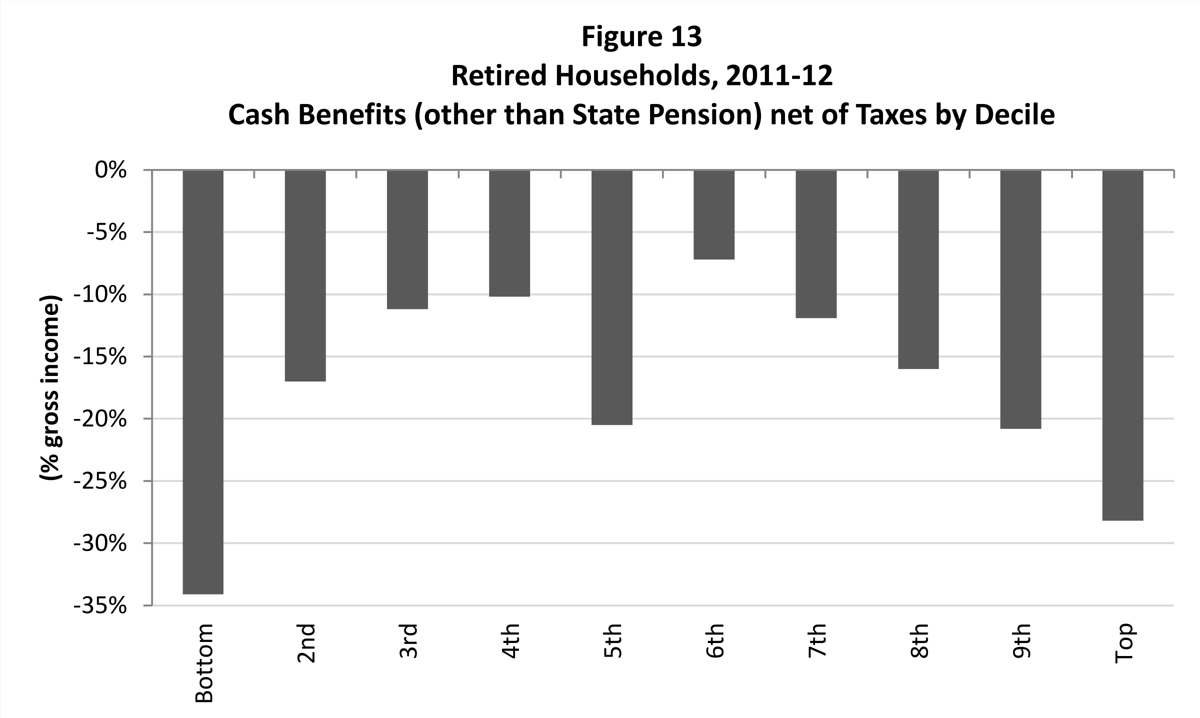


Finally, we consider net cash transfers (other than State Pension) between retired household and the state. That is, the difference between the cash benefits received and the taxes paid. The chart below shows that all retired households, on average, paid more money in taxes than received in cash benefits –regardless of their income level. However, it is striking that relative to their gross income, the highest proportion falls on the bottom 10 per cent poorest households.

It is even more remarkable if we consider the role of the main cash benefits received by retired households. Income-related benefits such as Pension Credit and Housing Benefit support low income older people; attendance and disability living allowances help with the extra costs of disability while winter fuel payments provide help towards winter heating costs.

All retired households are receiving in one hand less cash than what they are giving back to the Exchequer, but the bottom 10 per cent poorest are proportionally losing more of their gross income.

If these cash benefits would allow poorer households to 'fund' the amount of taxes they paid, it would be a peculiarly inefficient mechanism to transfer public funds to and fro between the public coffers and private households. As we see, the data show that this is not even the case: even of the poorest households the state is extracting more cash than what it is giving them in benefits.



Of course, there are benefits in kinds to be considered too –of which, healthcare public spending through the NHS represents over 95 per cent of total. If we include these benefits, we find that all retired households get a positive net transfer of total benefits minus taxes, and often when social security spending is described the state pension is not considered separately to other benefits.

However, here we focused on cash transfers of benefits and taxes, and excluded state pension because it is different to other benefits as it is an entitlement based on a lifetime of NI contributions.

The main finding is disappointing: in cash terms, the poorest 10 per cent of retired households are giving proportionally more than the amounts they are recipients of in terms of their gross income than any other decile group. Therefore, we conclude that cash transfers are not progressive in the way that might be expected. This indicates there is a further work to be done to ensure our tax and benefits systems provide the right balance between contributions made and support received at different income levels.

The Economic Contribution of Older People[8]

Summary

The monetary value of the direct economic contribution of employment, informal caring, including childcare, and volunteering by people aged 65 or over amounts to £61 bn (approx. 4.6 per cent of Gross Value Added).

Employment contribution amounts to £37 bn; informal caring activities adds another £11.4 bn, childcare is worth £6.6 bn and volunteering represents another £5.8 bn.

Introduction

In 2004, Age Concern England published the report "The Economic Contribution of Older People" by Pamela Meadows and Volterra Consulting, which estimated the monetary value of employment, informal caring, childcare, and volunteering by people aged 50 or over.

Meadows and Volterra found that the employment contribution of those aged 50 and over amounted to £200 bn (equivalent to 24 per cent of the 2004 total national output), unpaid care added another £15 bn; childcare represented a further £3.9 bn and volunteering was worth around £5 bn (all these figures are expressed in 2004 prices).

This note updates these estimates, using similar but not the same methods and data sources to the 2004 report, given that some of the methods used in the original report have been revised by the ONS (for example, to value informal caring) and new surveys have been developed since 2004. Moreover, we focus on the population aged 65 or over, not the 50 or over.

We express the estimates both in pounds sterling and as a percentage of Gross Value Added (GVA). GVA is a measure of the production of goods and services in a country or region. The more familiar Gross Domestic Product (GDP) is actually the GVA plus taxes on products and minus all the subsidies on products. Consequently, GVA is more appropriate than GDP to analyse the contribution to economic activity by, for example, industrial sectors such as agriculture, manufacturing, banking, etc., or, as in this report, by age cohorts.

The following sections describe how we obtained the estimates for each of the four domains –employment, caring, childcare and volunteering.

[8] We are grateful to Mr Vinal Karania, Research Adviser at the Social & Economic Research Team in Age UK, for his help with this section of the report.

Employment

The 2004 report estimated the share of regional employment for the 50+ population and applied this proportion to the regional GVA per head. Instead, we used GVA per hour -a closer measure of labour productivity.

Alternatively, GVA per job could be used, adjusting for part-time and full-time, which would still be a better basis than GVA per head. However, to apply employment rates to a job-based measure assumes a one-to-one correspondence between the number of jobs and the number of people in employment, which is not completely accurate as some people hold more than one job. Therefore, we estimated the hours worked by people aged 65 or over by region.

Using data from the Labour Force Survey (average for the four quarters of 2012), we estimated the average number of actual hours of work by workers aged 65 or over by region in the UK, which we then multiplied by the number of workers aged 65 or over in each region working part-time and full-time, respectively, to obtain the total number of hours worked by this age cohort in each region (Table 2).

Table 2
People aged 65 or over
Total Actual Hours Worked by Region, 2012

Region	Total Hours PT	Total Hours FT	Total Hours
North East	504,431	391,079	895,510
North West	1,187,057	1,116,728	2,303,785
Yorkshire & Humberside	844,823	993,451	1,838,275
East Midlands	739,720	1,150,047	1,889,767
West Midlands	1,221,862	1,226,560	2,448,423
East	1,073,012	1,807,896	2,880,908
London	1,208,330	1,846,201	3,054,530
South East	2,583,047	1,915,688	4,498,735
South West	1,038,443	1,641,727	2,680,170
Wales	601,016	990,111	1,591,127
Scotland	782,393	1,041,744	1,824,137
Northern Ireland	195,727	0	195,727

Source: Labour Force Survey

The following table presents the regional GVA per hour in 2012:

Table 3 Regional Gross Value Added per Hour, 2012	
Region	**(£)**
North East	1,289
North West	1,290
Yorkshire & Humberside	1,264
East Midlands	1,283
West Midlands	1,277
East	1,400
London	1,862
South East	1,542
South West	1,340
Wales	1,217
Scotland	1,438
Northern Ireland	1,208

Source: Regional Labour Productivity revisions, ONS

Only one paper looked into the differences in the age-productivity relationship by region and sector of economic activity –it was published in 2013 and used data for Austria[9]. It reported the accepted finding that labour productivity does not diminish with age, and it also found that whilst the pattern differs across regions, age effects at the industry level are of a higher magnitude. Given that no other research has investigated age and productivity across regions, here we assume older workers in each region have the same labour productivity as the total regional workforce. Then, the product of the GVA per hour and the total number of actual hours older workers put in is an estimate of the GVA produced by the 65+ workforce –Table 4 presents the results.

Table 4 Regional Gross Value Added (£m), 2012 Total GVA and GVA produced by Workforce aged 65 or over			
Region	**Total**	**65+**	**65+ (%)**
North East	41,423	1,154	2.79%
North West	122,873	2,971	2.42%
Yorkshire & Humberside	90,913	2,323	2.56%
East Midlands	80,512	2,424	3.01%
West Midlands	95,295	3,127	3.28%
East	113,712	4,033	3.55%
London	286,603	5,686	1.98%

9 Mahlberg, B.; Freund, I.; Crespo Cuaresma, J.; and Prskawetz, A. (2013): *The age-productivity pattern: Do location and sector affiliation matter?*, ECON WPS - Vienna University of Technology Working Papers in Economic Theory and Policy, No. 01/2013

South East	192,208	6,939	3.61%
South West	101,083	3,591	3.55%
Wales	47,622	1,937	4.07%
Scotland	107,780	2,623	2.43%
Northern Ireland	30,156	236	0.78%
UK	1,310,180	37,045	2.83%

Source: see text

The workforce aged 65 or over contributed £37bn to total Gross Value Added in 2012 (almost three per cent). The lowest proportion is found in Northern Ireland and London and the highest in the Wales and the South East region, reflecting both the number of older workers and the number of actual hours they work, on average, in each region[10].

Caring

The 2004 report distinguished between informal provision of care for less than 35 hours a week and for 35 hours a week or more. For the purpose of valuing each type of care, that report adopted two different rates: for care activities under 35 hours a week, the hourly rate used in the Household Satellite Account for combined practical care and personal care was adopted, whereas a residential care weekly fee –also from the Household Satellite Account- was used to value care provided for 35 hours or more a week.

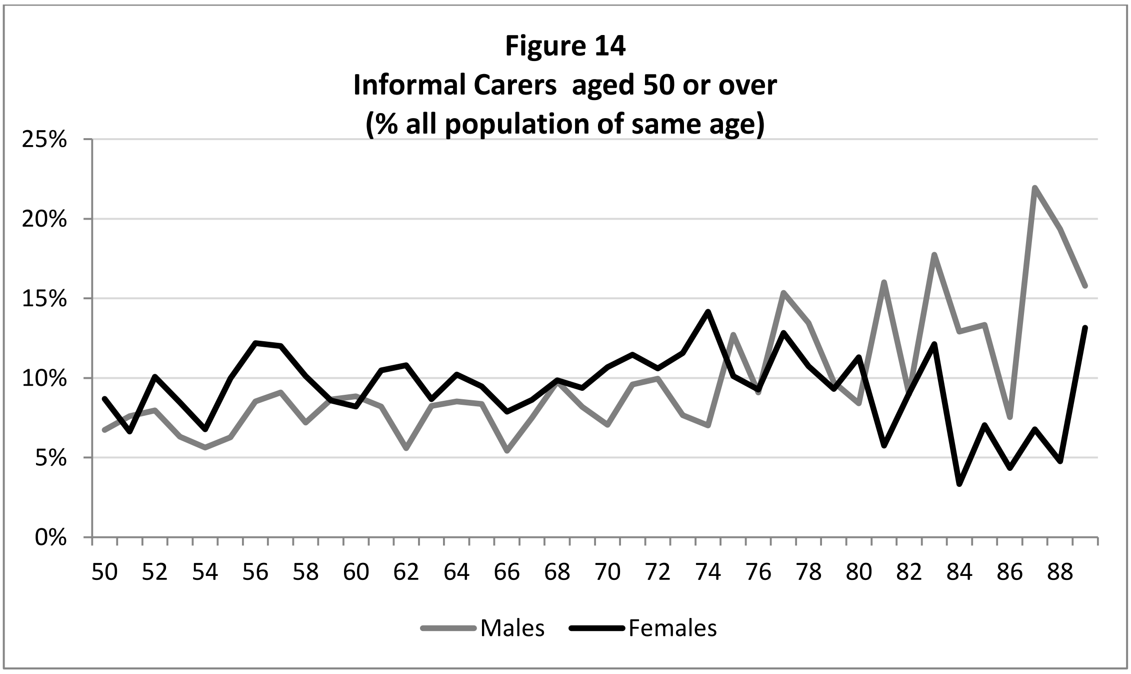
The recent paper "Valuing Informal Adultcare in the UK" by Rosemary Foster and Valerie Fender, from the ONS, looks into the value of care from the point of view of its recipients, not its providers. However, the methodological considerations discussed in that paper regarding valuation are applicable. The authors point out that the use of a residential weekly fee has been reconsidered given that this ignores economies of scale obtained in nursing and residential homes, and therefore they recommend the use of the same valuation technique as less time-intensive care, as a more appropriate market equivalent –that is, the adoption of the median hourly pay for care workers, home carers and senior care workers excluding overtime, from the Annual Survey of Hours and Earnings, which amounted to £7.91 in 2012. Consequently, we applied this rate for both types of care.

[10] We used figures for regional GVA estimated on a residence basis –that is, where the income of commuters is allocated to where they live rather than their place of work. Compared to workplace-based estimates, residence-based GVA per head is about 9 per cent higher in the East of England and 6 per cent higher in the South East; in contrast, it is almost 9 per cent smaller in London. For all the other regions, both estimates are the same. We prefer to express the results as based on where people live rather than where the economic activity takes place.

However, it is worth noting that this is a conservative approach based on a relatively low rate. For example, in order to value unpaid care, the Centre for International Research on Care, Labour and Equalities -based at the University of Leeds- uses the unit cost for adults and older people receiving home care produced by the NHS Information Centre[11]. The average cost for one hour of local authority home care stood at £34 in 2012[12]. (For a recent review of the approaches to the monetary valuation for informal care, see the 2012 paper by Faria, Weatherly, and van der Berg, "A review of approaches to measure and monetarily value informal care"[13]).

In order to estimate the number of people aged 65 or over providing informal care and the number of hours provided, we used data from the second wave of the Understanding Society survey. We extrapolated the results to the total population by age, using the population estimates by the ONS.

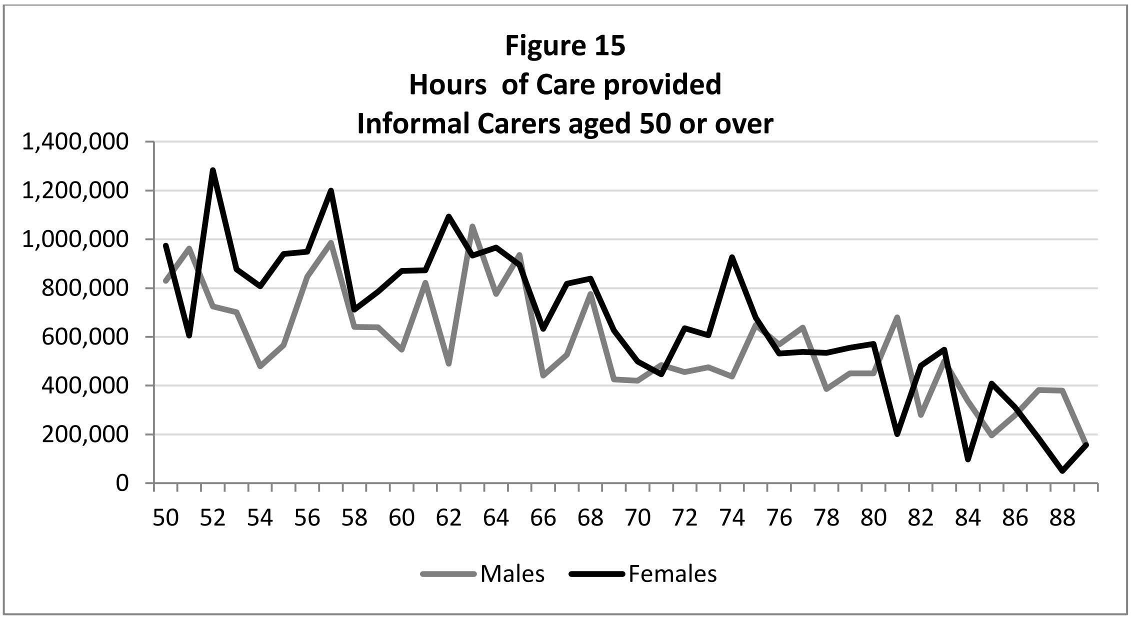
The following figure presents the proportion of men and women aged 50 or over providing informal care as a percentage of the total number of men and women of each age (we have truncated the data at 89 years). It is worth noting that the proportion remains fairly stable between ages 50 and 73, and that even though a higher proportion of younger women tend to provide informal care compared to younger men, the gap is not large.



Source: Understanding Society

[11] http://circle.leeds.ac.uk/files/2012/09/valuing-carers.pdf
[12] http://www.pssru.ac.uk/project-pages/unit-costs/2012/
[13] In: *Unit Costs of Health and Social Care 2012*,Personal Social Services Research Unit, University of Kent, Canterbury, UK.

Figure 15 shows that the number of hours drops with age and that the average of hours of informal care provided by men and women under State Pension age is relatively constant:



Source: Understanding Society

Once we apply the median hourly pay rate excluding overtime for care workers, home carers and senior care workers to these estimates for the number of hours for people aged 65 or over, we obtain that the economic value of informal care provided by the 65+ population amounts to £11,431 million.

Childcare

The 2004 report considered the economic contribution of childcare by grandparents. For this purpose, the authors used data from the 1999 Parents' Demand for Childcare Survey to estimate the number of families with children using grandparents as a source of childcare, the national average figure for weekly hours of care from the 2001 edition of the same survey[14], and the hourly rate for childminders from the Household Satellite Account.

Instead, we use the value of the economic contribution of informal childcare by grandparents from our 2012 work (jointly with Grandparents Plus)[15] updated with the latest wave (Wave 3) of the Understanding Society survey. In that study, we found that informal care provided by grandparents is worth £7.3 billion a year (readers are

[14] Detailed data from the 2001 edition had not been made available at the time the report was being written, hence the authors' use of the 1999 data to estimate the extent of grandparental informal childcare.

[15] http://www.grandparentsplus.org.uk/wp-content/uploads/2013/05/Briefing-paper-on-grandparental-childcare.pdf
See also http://www.esrc.ac.uk/news-and-events/features-casestudies/features/27195/more-childcare-for-grandparents.aspx

referred to this report for details of the methods applied to arrive at this figure). The most recent figure is £7.5bn.

This report focuses solely on the population aged 50 or over. Consequently, we will adjust this figure, using the estimate by Prof. Michael Murphy, from the London School of Economics, that of the 11 million grandparents in the UK, less than 1 million are aged under 50[16]. Assuming, furthermore, that these younger grandparents dedicate as much time to informal care of their grandchildren as their older counterparts –data from the Time Use Survey 2005 would suggest this might be the case- we obtain that informal childcare by grandparents aged 50 or over is worth £6.75bn (i.e. 90 per cent of £7.5 billion).

Volunteering

The 2004 report estimated the number of people aged 50 or over involved in voluntary activities and the average hours of volunteering using data from a special module in the National Statistics Omnibus Survey 2001. The authors then applied the lowest hourly rate in the Household Satellite Account (i.e. that for clerical and secretarial work) to estimate the value of volunteering.

We used the latest data from the Community Life Survey 2013 by the Cabinet Office which records participation in voluntary activities by age as well as the estimated number of hours per week spent on informal and formal volunteering by regular volunteers between August 2012 and January 2013.

We have only considered formal and informal voluntary activities (excluding informal childcare) performed at least once a month. With regards to the number of hours, we used the weekly mean for regular volunteers (equivalent to 1.8 hours[17]). Tables 5 and 6 present the relevant data.

Table 5
People aged 50 or over volunteering at least once a month
Aug 2012-Jan 2013

Age Band	Informal	(% all pop)	Formal	(% all pop)	All	(% all pop)
50 to 64	3,967,824	34.4%	3,518,745	30.5%	7,486,569	64.9%
65 to 74	2,249,817	38.7%	1,754,450	30.1%	4,004,267	68.8%
75 and over	151,502	3.0%	140,358	2.8%	291,860	5.8%
All 50+	6,369,143	28.5%	5,413,553	24.2%	11,782,695	52.6%

Source: Community Life Survey 2013

16 Department of Health (2009). *2009 Annual Report of the Chief Medical Officer*. London, UK.
17 Community Life Survey 2013, Table 4.2

Table 6 People aged 50 or over. Average hours of volunteering per week Aug 2012-Jan 2013			
Age Band	**Informal**	**Formal**	**All**
50 to 64	7,142,083	9,852,486	16,994,569
65 to 74	4,049,670	4,912,459	8,962,130
75 and over	272,704	393,002	665,706
All 50+	11,464,457	15,157,947	26,622,404

Source: Community Life Survey 2013

To obtain an estimate of the economic value of volunteering, we choose the average hourly pay for all employees (rather than for the lowest paid workers) from the Annual Survey of Hours and Earnings 2013 (£11.56), in order to reflect the wide variety of voluntary work by this age cohort.

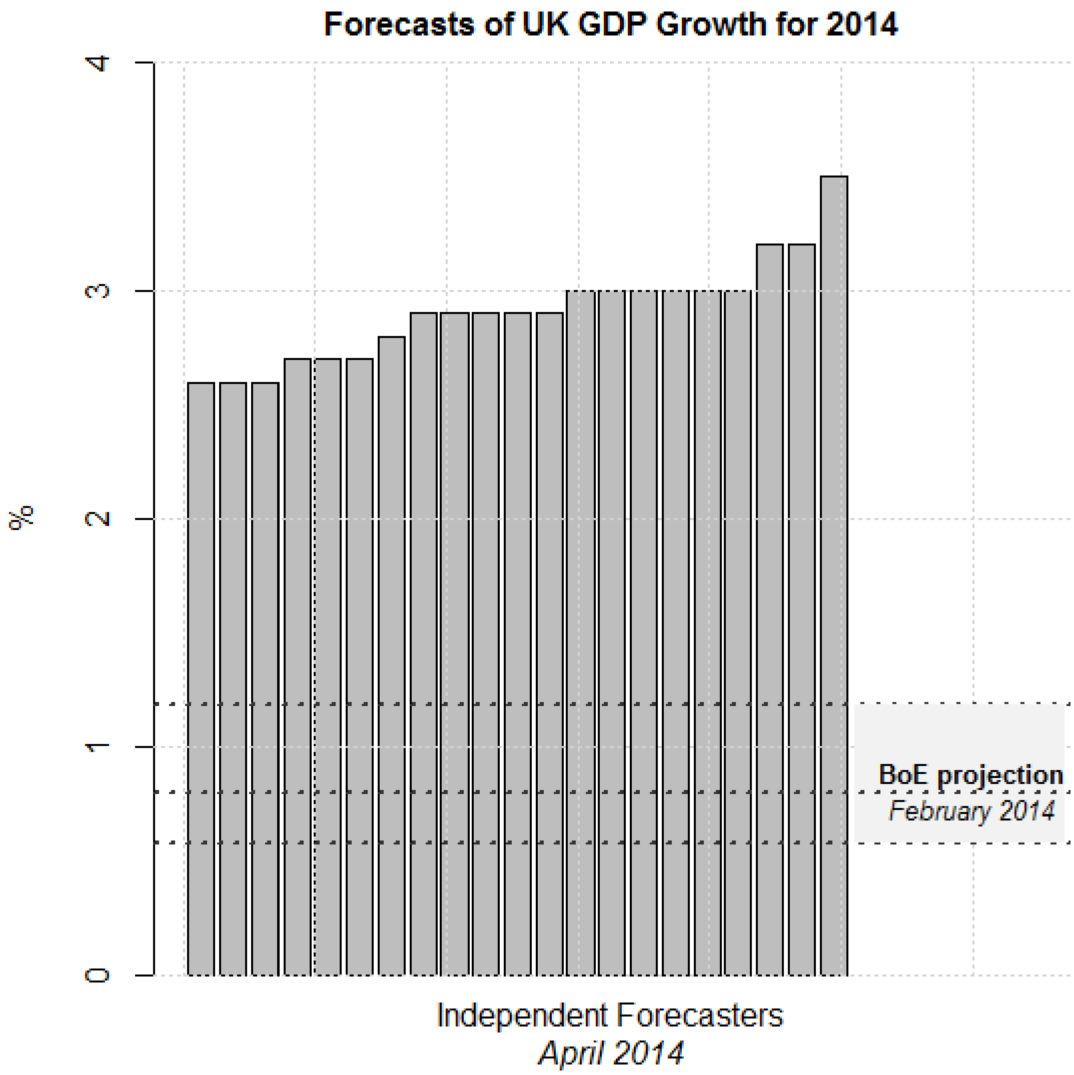
The result amounts to £5,787 million.

Prospects

"In the United Kingdom, recovery has finally taken hold. The economy is growing robustly…" "The UK recovery has gained momentum…" With these bold statements, the Bank of England (BoE) started their two latest inflation reports, respectively (November 2013 and February 2014). But it did not take it long for the ominous "buts" to appear: in November, the BoE added: "But significant headwinds — both at home and abroad — remain, and there is a long way to go before the aftermath of the financial crisis has cleared and economic conditions normalise." More recently, in February, the warning was to do with unemployment: "But the future path of unemployment is highly uncertain."

The private forecasters were more upbeat than the Bank of England about short term economic performance. The following figure presents the latest forecasts of GDP growth by independent forecasters for 2014 compiled by HM Treasury and the projections by the Bank of England. There is a clear discrepancy between how most independent analysts expect the UK economy to fare this year and what the Bank of England foresees (although there is a two-month delay -and in the current economic climate, two months are a long, long time).

Figure 16



Source: HM Treasury and Bank of England

It is very likely that economic activity will experience a modest growth (even more modest if measured per person, considering a projected increased in the UK population by 0.6 per cent in 2014[18]). And here comes our own 'but': but it will fall well too short of what all of us living in the UK need –in particular, it will certainly not provide a boost power enough to alleviate, let alone erase, the hardships and penury endured by the almost 180,000 people aged 50 or over who have been unemployed for one year or more, and those surviving on low incomes (who, as shown earlier) pay more in taxes than the amounts they receive in cash benefits from the Exchequer.

[18] Source: ONS (2013). *Summary Results, 2012-based National Population Projections*. Available on http://www.ons.gov.uk/ons/dcp171776_334073.pdf

Moreover, the link between economic (or productivity) growth and increases in real wages has been all but broken for the last 30 years as a result of rising inequality[19], which led Blanchflower and Machin to present the following pessimistic note in a recent article: "*We believe that unless the division of economic growth becomes more fairly shared to offset long-run trends towards greater inequality, and unless productivity can be boosted to generate wage gains for all workers, then poor real wage outcomes for typical workers may be here to stay... Realistically, it is hard to see the levels of real wages at the start of the recession being restored for quite some time*."[20]

The silver lining of modest economic growth may be starting to make its appearance in the horizon but, even if it materialises, whether it will translate into more and better jobs, better health and social care, better pensions –in short, better quality of life for older people is a dispiriting moot point.

[19] See "The chartbook of economic inequality", Tony Atkinson, Salvatore Morelli. *Vox*, 26 March 2014. Available on: http://www.voxeu.org/article/chartbook-economic-inequality

[20] "Falling real wages in the UK". David Blanchflower and Stephen Machin. *Vox*, 12 May 2014. Available on: http://www.voxeu.org/article/falling-real-wages-uk