

Consultation Response

Age UK's submission to the Intergenerational Commission's call for policy solutions

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Introduction

The Intergenerational Fairness Commission has produced a detailed and extremely useful body of work looking at the position of different generations in relation to a number of key areas. It is important to have a good evidence base as the issues are complex and – too often - commentary in the media and elsewhere can be based on very broad generalisations.

Age UK has always emphasised the importance of looking at differences within, as well as between, age groups and cohorts, in order to get a comprehensive picture of the current situation on which to base policy change. As an example, the baby boomers as a generation, have done well on some measures when compared to current younger generations, but by no means all have prospered. Without understanding diversity within generations, policy reforms could focus too much on age or cohort without considering wider circumstances. As the Resolution Foundation comments in relation to the diversity in financial wealth among people in their 60s, ‘this acts as a welcome reminder that treating baby boomers as a homogenous group who are all wealthy is not only incorrect but can also point to flawed conclusions when it comes to policy responses’.ⁱ

Age UK welcomes the opportunity to contribute to this call for evidence on policy solutions. We work to improve later life for current and future older people and, as a charity, our role is to focus on more disadvantaged older people. Where relevant we support intergenerational solidarity although we don’t develop positions outside our expertise on ageing and older people. So, for example, it is not our role to put forward plans that specifically focus on the position of young people today, although we do look at policy that will affect their retirement prospects. It is well-evidenced through research that increased positive intergenerational contact reduces age based prejudice so it’s important that policies increase intergenerational contact.ⁱⁱ

1. Key recommendations

Attitudinal change

Older and younger people are often subjects of discrimination. We need to work hard to break down discrimination of all types.

Housing

People in all age groups can face problems in finding suitable, affordable housing. There are a number of policy approaches that we would like to see to improve housing options, to enable older people to move to more suitable property where appropriate, and to encourage intergenerational communities.

Pensions

Maintaining the value of the State Pension is important for all generations, particularly those with low and modest incomes.

To maximise the private pension prospects of younger people we need to extend and increase automatic enrolment and provide more support to help people make appropriate decisions when they retire.

Wealth

There is great wealth inequality within, and between, generations. We believe there is scope for greater public and political debate about wealth and capital taxes but we recognise any change would bring considerable administrative and political challenge.

Means-tested benefits

The decision to freeze means-tested working age benefits again should be reconsidered. At Age UK we can see the impact this is having on people unable to work up until Pension Credit age which has risen sharply over recent years.

Social care

There are major inadequacies in our current social care system. This affects older (and younger) disabled people who need care, and puts pressure on families trying to support them. It also has an impact on society more widely, for example, due to pressures on the NHS when the lack of suitable care keeps people in hospital unnecessarily.

We need provision of high quality care, with a funding system where the contributions individuals make are fair, transparent, and straightforward. The system must be underpinned by some form of risk pooling to protect those with the highest needs.

2. Treating all generations fairly

Age UK is keen that policy change promotes rights and opportunities for all people irrespective of factors such as class, age, disability, ethnicity and gender. In terms of age, it is important that the debate does not pitch younger generations and older generations against each other. There are parallels between the experience of older and younger people in terms of age discrimination. For example, both younger and older people can face discrimination in areas such as employment, access to insurance, having a voice and stereotyping in the media. Equality legislation has helped to address some of these issues and it is important that we build on the progress that has been made.

Problems and desired outcomes will often be similar for people across the age range although the scale of the problem and ways to address concerns may vary. For example, difficulties finding suitable affordable rented housing are currently much more prevalent for younger people whereas lack of social care provision affects many more older people than younger. However, this does not necessarily make these issues of intergenerational unfairness, but a reflection of how housing and care policies are not currently meeting the needs of all generations.

In this report we look briefly at housing, pension provision, wealth, the social security system, work, and care, setting out reforms we feel would make a fairer system.

3. Housing

The housing difficulties that many younger people face have been well documented in respect of lower levels of home ownership than previous generations, and a greater reliance on the private rented sector which can be expensive, poor quality and insecure. However, concerns about rented accommodation are increasingly affecting older people, and Generation Rent has estimated that by 2035-36 there will be around a million households aged 65+ in the private rented sector.ⁱⁱⁱ

There is debate about encouraging older people in larger homes to move to release properties for younger people. We think the benefit of this is overstated, given that older people 'downsizing' may end up competing for some of the smaller properties that would also suit younger people. However, we do agree that there needs to be a range of housing options if we want to encourage older people to 'rightsize'. This includes increasing the supply of adaptable mainstream and retirement housing, and increasing access to social rented housing which may be the preferred and most suitable option, especially for those

with little or no home equity. Below we set out a range of policy approaches we would like to see to improve housing options, enable older people to move to more suitable property where appropriate, and to encourage intergenerational communities.

- In order to enable older people to move there must be suitable alternative property with sufficient space to accommodate family, friends or a carer, and located in age friendly places where people want to live, with good transport links and access to key services.
- People also need good independent information and advice about their options, and in some cases, practical help to alleviate the complexity and stress of moving.
- Higher accessibility standards help to deliver homes that work for both younger and older people and extend the range of options available. The lifetime homes standard needs to be applied to all new homes to achieve accessible and flexible housing for all age groups. Younger people wanting room for a double buggy will be just as grateful for level access to a property and a roomy hall as a disabled older person using a wheelchair or walking frame.
- Older people should not be put under pressure to leave their existing home, especially when there are limited local downsizing options. Where downsizing is not preferable, realistic or viable - older homeowners may need help with adaptations, repairs and heating to remain independent and to live in comfort.
- Planning guidance should put stronger obligations on local authorities to address and understand the needs of older and disabled people. Local authorities need to encourage more age friendly and intergenerational housing developments - as well as specialist retirement housing if we are to break down the intergenerational tensions and create more cohesive communities.
- We should encourage forms of housing with care and support that give older people more control over their lives and allow them to stay connected with younger people in their local community. This means investing in good quality extra care housing to buy and rent.
- The private rented sector needs urgent reform if it is going to cater for the needs of younger families and older people. It seems likely that there will be a significant increase in future generations of older people living in private rented accommodation. We need to address issues of affordability, security of tenure and adaptability to make this sector work for all age groups.

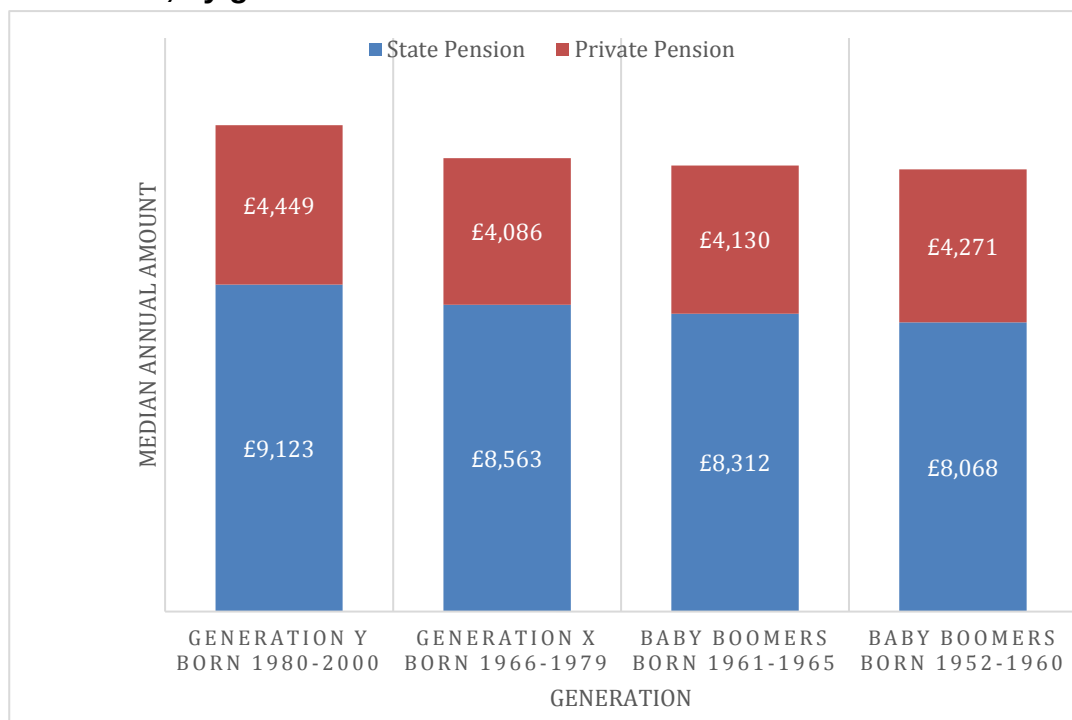
4. Fairness in pension provision

While retirement income depends on a range of individual factors, such as lifetime earnings, there have also been changes over time to State and private pensions affecting provision for different generations. In terms of the State Pension, we are moving to a flat-

rate scheme which provides a higher pension than the old system for some groups, (such as self-employed people and some low income workers and carers) but a lower pension for others. Similarly, while fewer younger people will benefit from defined benefit private pensions than among those retiring now, a higher proportion are likely to have some private provision due to the roll out of automatic enrolment.

The chart below, taken from the Cridland Independent Review of State Pension age, shows the projected median State and private pension levels for different generations on the basis of current policies.^{iv} It can be seen that projected State Pension income will rise for successive generations (due to the triple lock), while the picture for private pensions differs. Generation X (born 1966-1979) are projected to have the lowest median income and generation Y (born 1980-2000) the highest (see chart below). The report puts this down to the issue noted above, that while the youngest generation is less likely to have high levels of defined benefit pensions, there will be wider membership of defined contribution pensions following automatic enrolment.

Projected median average amounts of State and private pension in first year of retirement, by generation



Source: PENSIM2 Figures in 2016/17 earnings terms, Cridland State Pension age review Final Report, 2017.

However, there is diversity within all generations and we need to be cautious about long-term pension projections. While the position looks quite positive for median pensions for

the youngest generation, this could change – for example, if there are changes to the way that the State Pension is uprated, working lives become more fractured so people are not consistently paying into a private provision, or if people draw down too much of their pension savings early.

Policy reforms around pensions

The State Pension is, and will remain, a major part of retirement income and is particularly important for low and mid income groups of all ages. Research shows that reliance on State Pension increases over retirement for all cohorts.^v Some argue that ending the triple lock would be a way of evening up the balance between generations, but it is younger generations that are set to lose most if the policy is changed. The chart above shows a higher State Pension for younger generations due to the triple lock. If, for example, this was replaced by an earnings link, the State Pension level would be unchanged. Any proposals to change pension uprating must take into account the effect on younger and older generations both at the point when they start to receive their State Pension and the impact over the course of retirement.

In respect of private pensions, while it is positive that automatic enrolment is increasing pension membership, more needs to be done to maximise the income of future retirees.

Age UK would like to see:

- More people brought into automatic enrolment through lowering the earnings threshold and all eligible jobholders saving from their first pound of earnings.
- Increasing contributions so that saving delivers an adequate income in later life.
- Steps to reduce the scarring effect of fractured employment and pension saving – for example, private pension credits for carers.
- Automatic enrolment for self-employed people.
- Greater help through Pension Wise and product defaults for people at retirement – embedding this at the heart of the retirement process will help many of today's younger savers.

5. Wealth

There are wide differences in average wealth between generations. Median household wealth rises by age peaking around the early and mid-sixties and then falls in later life. This pattern of wealth is to be expected based on people's life stages. However, there are also cohort effects and baby boomers, as a generation, have benefited from the rise in homeownership and increases in house prices. There are also wide differences within

generations and, importantly, wealth such as property and financial wealth can be passed on to younger people during a lifetime or on death. As this type of wealth transfer is mainly within families, inequality among younger generations is likely to widen between those who come from wealthy families and those who do not.

Overall levels of household wealth have increased substantially over time and the Resolution Foundation's report on wealth, states that wealth inequality is almost twice the level of income inequality.^{vi} We agree with the report's conclusions that the 'distribution and accumulation of wealth should take greater prominence in economic and policy debates'.

It would be possible, and in Age UK's view, desirable and appropriate, to look at whether we have the right distribution of taxes based on income, spending, and wealth, given only around 4 per cent of total UK tax receipts currently come from capital taxes (inheritance tax, capital gains tax, stamp duty) and a similar proportion is raised from council tax (based partly on property value and partly on who lives there).^{vii}

However, we know that in addition to significant administrative complexities to introducing or extending capital or wealth taxes, there would be major political challenges. For example, inheritance tax has been described as the most unpopular tax^{viii} even though in 2014-15, only around 4 per cent of deaths led to a charge.^{ix} Attempts by political parties to suggest a greater use of capital to fund social care have been quickly branded the 'death tax' and the 'dementia tax' making debate around the pros and cons of such proposals difficult. As it is we have a care system where some older people end up using nearly all their capital to meet long term needs, and others with substantial wealth who are lucky enough to have good health, pay little or nothing towards care, to the benefit of themselves and their heirs. This is plainly unfair.

6. Social security

We have looked at the State Pension above, as part of pension policy, and here we consider the position in relation to means-tested social security benefits. Reforms have been introduced over recent years with the aim of incentivising work and reducing social security spending and have mainly affected people of working age. This has meant there is a growing gap between the level of means-tested support for people not in work before, and after, reaching State Pension age. For example, the standard rate of Pension Credit for a single person is currently £159.35 a week while, the standard level of Universal Credit/Jobseeker's Allowance is £73.10. Age UK believes these differences reflect the very low level of working age benefits rather than an overgenerous system of benefits for pensioners. For example, the income that a pensioner receives from Pension Credit,

housing costs benefits, and Winter Fuel Payment still falls just below what the Joseph Rowntree Foundation has calculated is the 'Minimum income standard' for pensioners. This is based on what the public think people need for an acceptable minimum standard of living.^x

And while it is not in our remit to comment on support for younger people and those with young families, we are very concerned at the level of working age benefits, in the context of an increasing State Pension age. As a major provider of information and advice, we are approached by people who are unable to work up until State Pension age/Pension Credit age and are struggling to manage on working age means-tested benefits. (Pension Credit age has risen steeply since 2010 as it is linked to women's State Pension affecting low income men and women in their early 60s). The decision to freeze working age benefit levels again this year despite rising prices will add further pressure, and we believe this should be reconsidered.

7. Work and earnings

The Resolution Foundation has highlighted the lack of earnings progression and the difficulties that many low income workers, particularly older workers, have in escaping low pay.^{xi} Its report 'A mid-life less ordinary?' focusses on the 1.8 million households aged 50 to State Pension age who are described as 'low to middle income' – a group who are in work and have little reliance on means-tested benefits, but are still on low or modest incomes. These 1.8 million households make up nearly three out of ten (28 per cent) of all households aged 50 to State Pension age (broadly speaking baby boomers) and a third of all working age low to middle income households. They were found to have household income no higher than eight years ago and the report concludes they 'face a struggle to maintain living standards at a time of life when many save for retirement'.^{xii}

Age discrimination is still rife, and affects both older and younger workers. Among the over 50s, a third report having experienced this. We do not believe that the Equality Act necessarily needs strengthening, but we do consider there is scope for improved enforcement where there is (possible) age discrimination. Also the ACAS early conciliation system should be reviewed to ensure it is operating in a balanced manner that does not disadvantage specific groups who are bringing particular complaints (e.g. a younger worker with an age discrimination complaint).

Flexible working is another policy solution that can benefit people of all ages. While Age UK has conducted detailed research with people aged 50 and above, many people want to work flexibly for a variety of reasons regardless of their age.^{xiii} However, flexible work that genuinely helps employees balance work with personal responsibilities is often hard to

come by, particularly for people working in lower-skilled roles, which can include many young people. Age UK would like to see a system of 'flexible by default' introduced whereby employees can assume they can work flexibly unless their employer can demonstrate otherwise. This could be trialled in the public sector. This would be accompanied by an end to the rule of working for an employer for 26 weeks before making a request.

In addition to improved flexible working, many carers would also benefit from a statutory carers leave. We have recommended this should be five days of paid leave followed by a further, longer period of unpaid leave. Our analysis of older workers also shows that as little as five hours caring has a significant impact on the carer's ability to stay in work.^{xiv} The Government should place more emphasis on helping people make transitional arrangements in order to keep working, either directly or through employers.

We are also calling for a 'Career MOT at 50', which would provide advice on how to keep working and ensure that a person's pensions and other finances are in the best possible place ahead of retirement. Please see our paper 'Creating a Career MOT at 50' for further detail.^{xv} Other interventions at different points in the life course might also be beneficial and should be considered.

The MOT should also consider training, which is integral for helping people to enter and progress in work. Currently, public funding for work-based training becomes more limited past the age of 25, and although 24+ Advanced Learner Loans are available we have seen a decline in the number of older people participating in learning from 713,000 learners aged 45-59 in 2012/13 to 467,000 in 2015/16.^{xvi} We recommend a thorough review of Further Education funding for all those aged 25 and above, which should also consider the role that employers play in delivering training to their workforce.

8. Care

The impact of a dysfunctional social care system stretches across all generations. While most recipients of support are older, around a third of those supported are younger disabled people (who receive about half the funding). People receiving support can be subject to poor quality, and occasionally abusive, care in environments they have not chosen to live in. Some also have to grapple with a system of means-testing that is asking them to make life-altering decisions about their life savings and home. For their children and grandchildren, this can be an incredibly stressful process, and one in which they are often not given the information, advice, and support they desperately need. In many

cases, they are called upon to pick up the baton where support isn't forthcoming from a local authority or where the support offered is inadequate.

Furthermore, with the rise of delayed transfers of care from hospitals caused by a lack of social care in the community, few would argue against the suggestion that the failure to tackle social care has an effect on everyone who relies on the NHS, whatever their age. So, we all have a huge stake in getting social care right. How we choose to fund social care is fundamentally a political question, but in reaching an answer, we believe there are some key principles and factors that should be considered:

- Many older people accept that where they are able to, they should contribute towards the care they are receiving and relevant accommodation costs. However, any system that assesses their ability to pay must be transparent, simple to navigate, fair, and acknowledge that older people and their families are typically engaging with it at a time of distress. The current system would pass none of these tests.
- Given the unpredictability about levels of need, and the length of time a person will need care, if at all, any system must be underpinned in part by a system of risk-pooling. It is not right that those who end up having the highest needs are the most disadvantaged by the current system.
- Funding must not be seen as the sole problem that needs to be solved in social care. Any reform must be focused first on creating and maintaining a functioning system of high quality care with fit for purpose residential settings and a skilled and supported workforce. As urgent as new funding is, the answer to long-term change is not just about the money.
- We are not convinced that reforms that aim to stimulate new financial products to protect against social care costs will ultimately be successful. Our experience with pensions suggests that it took the introduction of the 'soft compulsion' of automatic enrolment to increase private pension saving and it is far harder for people (and providers) to plan for the more unpredictable need for future social care. International examples would further suggest that relevant insurance products are not viable with many schemes in the USA, for example, recently shutting down. Requiring people to pre-fund their care through financial products throughout their working life would bear heavily on young people with stagnant earnings, and we think that at this stage pension saving should be the priority.

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- ⁱ <http://www.resolutionfoundation.org/app/uploads/2017/06/Wealth.pdf>
- ⁱⁱ [https://www.ageuk.org.uk/Documents/EN-GB/For-professionals/Research/Making_Intergenerational_Connections-Evidence_Review\(2017\).pdf?dtrk=true](https://www.ageuk.org.uk/Documents/EN-GB/For-professionals/Research/Making_Intergenerational_Connections-Evidence_Review(2017).pdf?dtrk=true)
- ⁱⁱⁱ <https://d3n8a8pro7vhmx.cloudfront.net/npto/pages/6390/attachments/original/1510344761/Adler.LifeinRS.November.pdf?1510344761>
- ^{iv} *Smoothing the transition* Independent Review of the State Pension age, Final Report, 2017.
<https://www.gov.uk/government/publications/state-pension-age-independent-review-final-report>
- ^v *Dependency on the State Pension through retirement* Pensions Policy Institute, forthcoming.
- ^{vi} <http://www.resolutionfoundation.org/app/uploads/2017/06/Wealth.pdf>
- ^{vii} <https://www.ifs.org.uk/uploads/publications/bns/bn09.pdf>
<http://cdn.budgetresponsibility.org.uk/March2017EFO-231.pdf>
- ^{viii} See for example <http://www.telegraph.co.uk/opinion/2016/04/11/why-everyone-hates-inheritance-tax-even-if-theyll-never-pay-it/>
- ^{ix} <https://www.gov.uk/government/statistics/inheritance-tax-statistics-commentary>
- ^x <https://www.jrf.org.uk/report/minimum-income-standard-uk-2017>
- ^{xi} <http://www.resolutionfoundation.org/app/uploads/2017/10/Great-Escape-final-report.pdf>
- ^{xii} <http://www.resolutionfoundation.org/publications/a-mid-life-less-ordinary-characteristics-and-incomes-of-low-to-middle-income-households-age-50-to-state-pension-age/>
- ^{xiii} https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/active-communities/rb_sept12_a_means_to_many_ends_older_workers_experiences_of_flexible_working.pdf
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- ^{xvi} FE data service, participation in FE and skills statistics