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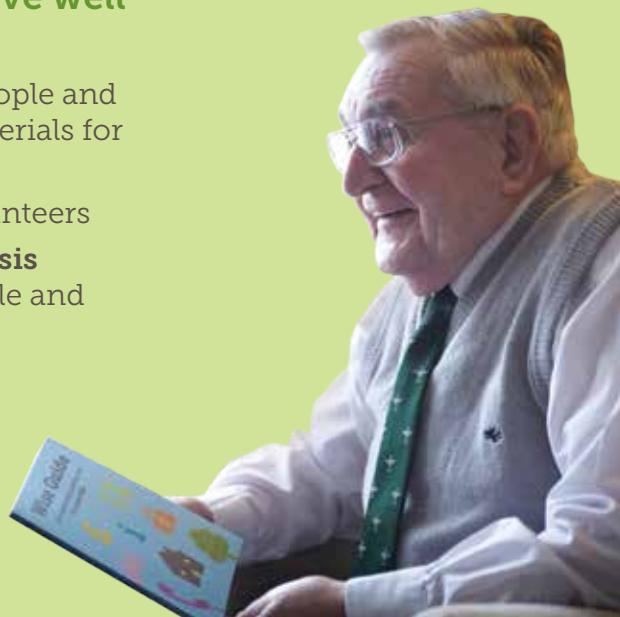
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THE GENERATION GAME

Spending priorities for an ageing society

FOREWORD



Baroness Sally Greengross is a crossbench peer and chief executive of the International Longevity Centre – UK

We are now entering a key period in UK politics, the outcome of which will shape the health and welfare landscape for older people for the next five years at least – and possibly for a lot longer. The party conferences of 2015 fall between an election, at which gaining the older vote was a target for all the parties, and the autumn spending review, which will set in stone the priorities revealed in the recent summer budget.

In terms of the final shape of that review, interestingly, one of the key pillars of the future welfare terrain – the ‘living’ wage – wasn’t mentioned in the Conservative party’s pre-election manifesto. Something that was promised – the implementation of the key element of the 2014 Care Act, the ‘care cost cap’ – has subsequently been postponed for five years. Whatever structures replace this will define the content and shape of health and social care in England for many years ahead. Obviously as the post-election euphoria fades and the harsh reality of restrictive spending limitations hits home, there is still much to play for in achieving the right balance between supporting both working age and older people.

The spending review should reveal just how the new government plans to fairly balance the needs of older people against other sectors of society. It needs to show just how it plans to finance the support people require to prepare properly for later life, including incorporating the new pension freedoms. It needs to show how it will help people manage the risk of needing care, and provide access to the right guidance and advice about how best to plan for

and prioritise the range of different costs faced in old age.

It is to be hoped therefore that in framing the review, the government will look closely at the full extent and trend of pensioner poverty. For while the top-line figure of pensioner poverty has fallen, pockets of extreme poverty in this group, particularly among those who are entering old age with a pre-existing disability, remain. They also need to strike the right balance between resolving both pensioner and working age poverty and prospects, especially among disabled people, under 25’s and single mothers.

Another issue which should be a significant driver for the review is how the government plans to address the need for people to work longer into older age as part of its goal to resolve the challenge of skill shortages in certain sectors of the economy. The issue of training and re-skilling at all ages, but particularly for older people in terms of employment retention and recruitment, is critical. So too are the ramifications of an older retirement age, along with its implicit corresponding reduction in ‘grandparenting’ opportunities. Thus working age parents risk being forced out of, or denied, employment because of lack of available childcare.

In the review, the joining up of health and social care and the management of long-term chronic conditions, including dementia and end of life care, also require further underpinning, together with an associated improvement in both retaining good health and in prevention of ill-health at all ages. The hope is that the government fully understands the scale of the current crisis in health and social care and uses the spending review to seek to resolve both the short-term pressing issues and to begin the development of a long-term sustainable solution to the funding of both the lifestyle and health needs of people in later life.

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Report editor: Ed Wallis

FIT FOR THE FUTURE

The promotion of individual wellbeing should become the unifying purpose of public health, the NHS and social work, writes PAUL BURSTOW



Rt Hon Paul Burstow was the health minister responsible for crafting the Care Act. He has led a number of influential commissions into health and social care.

BY THE TIME the NHS celebrates its centenary in 2048, there will be over 100,000 centenarians in the UK. A profound shift is well underway in the age structure of our population. We are becoming an older society.

Our health and care system would still be recognisable to Beveridge and Bevan. Hospital based, treating illnesses, patching people up. It is essentially a healthcare system designed for 1930s needs, when lives were shorter and communicable and childhood diseases dominated.

The healthcare needs of today are different. Non-communicable, often lifestyle related, diseases dominate. Many people have more than one long-term condition or disability. In old age the successful management of long-term health problems can make all the difference, avoiding the need for hospitalisation and reducing the risk of frailty and greater dependency on family and institutional care.

In 2014, NHS England's chief executive Simon Stevens made the case for change in his Five Year Forward View. The report achieved a remarkable degree of consensus across the party divide and health professionals.

The report laid bare the financial challenge faced by the NHS over the next five years: a funding gap of £30bn by 2020. The government has pledged an extra £8bn funding by 2020, this is on top of the £2bn voted in the March 2015, but in exchange has asked for the NHS to make the £20-£22bn savings.

The efficiency challenge this represents is unprecedented. In his interim report on operational productivity in NHS providers,

Lord Carter estimates that "savings of up to £5bn per annum by 2019/20", could be achieved "provided there is political and managerial commitment to take the necessary steps and funding to achieve these efficiencies." Carter's £5bn is a good start but it demonstrates the scale of the task. Where will the rest of the £22bn come from?

Work by Monitor highlighted between £10.6bn and £18bn of potential productivity gains through changes to existing services, delivering the right care at the right place at the right time and implementing new ways of delivering care.

Despite social care spending falling by over 15 per cent between 2010 and 2015, contrary to what was set out in the coalition's 2010 spending review, social care was crowded out by the NHS 'debate' during the 2015 general election. Three-quarters of that reduction in spending was achieved by reducing the amount of care provided.

Directors of Adult Social Services have warned of the fragility of the care marketplace. In 2011 when Southern Cross collapsed, banks and big providers rallied around to avoid a business failure turning into a human tragedy. Since then the Care Quality Commission (CQC) has been given new responsibilities in the event of provider failure. However, will the care sector rally around again if fragility turns to failure?

Health and social care are two sides of the same coin, yet the contrast between them is stark. Health funding has increased from £97.5bn in 2010-11 to £116.4bn in 2015-16, a 19.3 per cent increase. Over the same period, social care funding has decreased from £14.9bn to £13.3bn, a 10.7 per cent reduction, and more in real terms

when demography is taken into account. We are heading for a shortfall of £7bn a year by 2020, according to the Nuffield Trust.

The over 65s are the biggest consumers of health and care services, accounting for 43 per cent of all emergency admissions to hospital and 44 per cent of planned admissions. For an older person 10 days in hospital can cost them 10 years of muscle loss.¹ A wait of just two days cancels out the benefits gained from intermediate care. The longer a medically fit person lingers in hospital the frailer they become and the more remote the prospect of a return to the life they led before. Put another way, poorly performing hospitals are frailty factories shunting costs onto social care.

What to do?

There is no single reform, nor amount of money, sufficient to ensure we have an NHS fit for 2048. However, as Lord Rose recently argued in his report on 'Leadership in the NHS', a good starting place would be clarity of purpose.

The Care Act 2014 offers some pointers. It establishes a new organising principle for adult social care, namely the promotion of individual wellbeing. For too long, the physical, mental, social and relational dimensions of human health have been kept in discrete professional and institutional silos. The promotion of individual wellbeing should become the unifying purpose of public health, NHS and social work.

The Care Act also charged councils with a new duty to prevent and postpone dependency and frailty. This is essential to bend the demand curve for health and care services and it throws down the gauntlet of reform.

In 2012 the Local Government Association (LGA) embarked on an adult social care efficiency programme to devise and test comprehensive and innovative approaches to help make savings, protect services and deliver the government's vision for social care. As the LGA's reports document, a new model of social care is developing which focusses on interventions that enable people to recover, and maintain their independence and social connections.

Councils embracing this model have developed a new frontline for their adult social services. For example, in Shropshire the council has set up a social enterprise, People2People. Led by staff and users, it aims to work with its 'customers' to identify what is affecting an individual's life, calling on this deeper knowledge to devise community-based solutions tapping into networks of local support.

This approach means that the council can offer practical support to far more people. A key marker of success is the proportion of these initial contacts that lead to workable solutions. Results are promising: 75 per cent of enquiries are dealt with at this stage avoiding the need for an assessment or an offer of formal help.

A similar approach has been pioneered by Sutton Council's adult social services. Community social workers have the task of working with people to foster their own support networks, reducing social isolation.

Other councils have tried and tested a range of preventative measures to assist people in crisis, focussing on recovery, rehabilitation and recuperation. Success depends on a joined-up approach both between social services and the NHS, and within the NHS itself.

As well as overhauling NHS commissioning, the 2012 health reforms established health and wellbeing boards to promote integrated working. These boards have had mixed results so far. Some are fulfilling their potential and becoming system leaders shaping local health and care systems around shared goals, addressing the social determinants of ill health. Others have degenerated into talking shops, while some have failed even to find a common language to start the conversation.

The boards should focus on improving the wellbeing – health status – of the population they serve, challenging unjustifiable variation in performance and outcomes achieved.

It is still early days for the boards: evaluation is needed and investment in developing their capability to realise their potential as system leaders. If a transformation fund of the sort proposed by the King's Fund were established as part of the 2015 spending settlement it should make such capacity building a requirement.

Getting the relationships right, building trust and systems leadership are prerequisites for the kind of devolution now being worked through in Manchester and Cornwall to succeed. While integration is essential to delivering better outcomes and better use of existing resources, it is not sufficient.

Two critical and often overlooked parts of the health and care jigsaw that have much to contribute are mental health and housing.

The independencies of physical and mental health in the management of long term health conditions and in the treatment of such things as heart disease or cancer has not been widely reflected in models of care. It has been estimated to cost the NHS £13bn a year, quite apart from the wider costs to society and the individual.

Appropriate housing can make a decisive difference to a person's ability to live independently, as research by Aston University for the ExtraCare Charitable Trust has shown. Models of housing with care offer later life choices that can reduce the call on health and care services. This was recognised in 2014 with an agreement between the NHS, LGA and National Housing Federation, and health and wellbeing boards need to reflect this in the way they operate.

NHS England's Vanguard programme offers an opportunity to prototype new ways of working that bring mental health, housing and social care into the mix. The Vanguards take forward some of the thinking in the Dalton review into options for providers of NHS care. But they must find ways to ensure that the local debates about organisational reform start with clarity about the shared purpose.

Much has been made of the Better Care Fund (BCF), established in April 2015. The fund is the biggest ever pooling of health and care resources. However, it is still a drop in the ocean and its goals, such as hospital admission avoidance and better discharge co-ordination, are short-termist.

A single budget covering all locally commissioned health and care services must be the goal. The BCF could become the vehicle for this, with health and wellbeing boards the driver. The BCF can help to break down the wall between health and care but that is just the beginning. The promotion of individual wellbeing requires bespoke approaches; what better way to achieve integration than at the level of the individual shaped by their lived experience through a personal budget.

A single budget for health and social care calls into question the 'middleman' role of the Department for Communities and Local Government, in distributing the social care spending 'settlement' reached by the Department of Health and Treasury. This role should be dispensed with and the Department of Health made responsible for a single settlement for health and care, and the settlement should be ring-fenced.

Until there is one shared purpose – a single spending settlement and a single budget – too many opportunities for transforming services and reducing demand for health and care will be missed.

There is a bigger economic case for investing in prevention and new models of care and health. As the number of people of a working, taxable age shrinks or becomes stagnant, causing gaps in the job market, the need to support longer working lives will grow. For many families the pressures of juggling both caring for frail parents and young children can become overwhelming and trigger a decision to quit work or reduce working hours. UK plc can ill afford to lose these sandwich generation workers.

Wellness and care services are a vital part of our economic infrastructure. Access to reliable and affordable household and personal services, including wellness services, can help families to cope and fulfil the wishes of many to maintain the normal patterns of daily living for as long as possible.

Debates about the ageing society tend to pose the questions in terms of 'them and us'. Rather, we should talk about what we want for our older selves – a life well lived, opportunities to contribute and a good death. ■

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IN THE BALANCE

It is time for politicians to offer a new settlement: dignified care and support, but on a ‘something for something’ basis, paid for by older people themselves, writes ANDREW HARROP



Andrew Harrop is general secretary of the Fabian Society

Everyone knows the grey vote is important to politicians. Indeed it was pensioners who handed victory to the Conservatives in this year’s election, with the Tories securing a 24 percentage point lead over Labour among the over-65s. But in recent times public spending on older people has sometimes been discussed as if it were little more than an electoral bribe. So is expenditure on areas like pensions and healthcare being protected for purely political reasons? Not necessarily: look through an international lens, and you immediately see good reasons why the UK should safeguard spending on older people. For, when compared to our global

peers, our expenditure on age-related provision looks both effective and far from extravagant.

Figure 1 shows that the UK allocates a fairly typical share of its national income to public healthcare, of which around half is dedicated to older people. Researchers for the US Commonwealth Fund have concluded this pays for some of the most effective and equitable care in the world. Meanwhile, UK public spending on pensions is amongst the lowest in the developed world. But because we also have a mature private pension system, as a whole our pensions deliver fairly good results for older people: the OECD calculates that only the

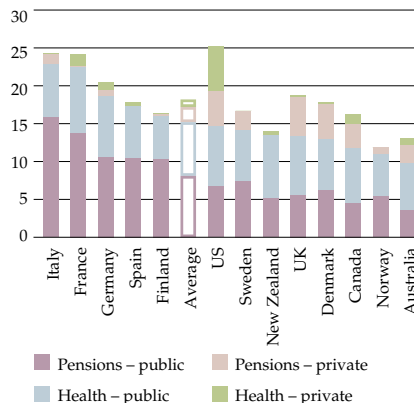
US, Canada and Spain have systems which replace more of the earnings of an average worker. There is no room for complacency on pensions: continuing reforms to both the state and private systems will be needed in coming years. But the UK should be wary of paring back a system that is financially sustainable and delivering improving results for older people.

Despite all this, there is a big problem. It is not with the amount we are spending on older people in isolation; but on how this sum compares to our expenditure on everything else. For when the overall size of the spending ‘pie’ shrinks and some activities are protected, other areas must suffer disproportionately.

In the summer budget, the chancellor announced that the NHS in England will receive £10bn of new money by 2020 and he confirmed that the key benefits for older people will be protected once again. The result is that spending in these areas will decline by only one percentage point of GDP over the next five years. During the same period George Osborne announced that overall public spending (excluding debt repayments) will fall by 5 percentage points. By simple arithmetic, this means that expenditure on everything apart from health and protected pension benefits must fall by 4 points, from 27 per cent of GDP in 2014/15 to 23 per cent in 2020/21 (figure 2).

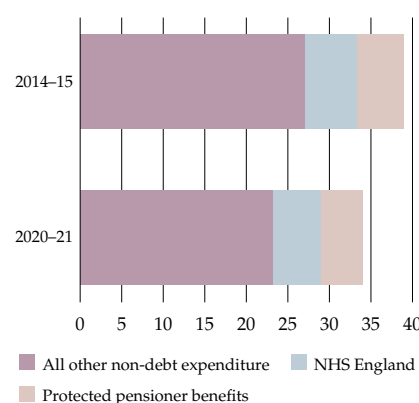
What this means is that pension and healthcare spending is crowding-out other commitments that are arguably just as valuable. In particular, by safeguarding spending on these areas, we are signifi-

FIGURE 1
Public and private spending on pension and healthcare in advanced economies, 2011–2012



Source: Welfare Trends 2015, OBR. Public sector data for 2012, private sector for 2011.

FIGURE 2
Public spending as a share of GDP, 2014–15 and 2020–21



Source: Economic and Fiscal Outlook, July 2015

cantly reducing what we spend on investment for the future, on activities ranging from early years and further education to science and economic infrastructure. And on top of that, in the budget the chancellor announced major cuts to the incomes of poorer families with children, even though the evidence shows that living standards are closely linked to child wellbeing and development. It is increasingly hard to defend a social security system designed to provide protection from poverty for pensioners, but not for children as well.

This special safeguarding of healthcare and pensioner benefits is often questioned in terms of intergenerational unfairness, with commentators asking whether older people are being protected at the expense of younger cohorts. But it can equally be thought of as a misallocation of public resources across each person's lifetime, since younger people will benefit from pensions and healthcare in time. We risk spending too small a share of public revenue in ways that will benefit people in the first half of their lives, when the investment might bring most value, and too great a share later on.

For this spending review the die is now cast, but soon something will have to give because future-oriented spending cannot be squeezed indefinitely. There are two ways forward. Either, the UK must return to a higher level of public spending that is more comparable with that of our international peers and our own experience since the second world war. This would mean gradually raising taxes and taking a slightly less aggressive approach to debt reduction. Or, if we choose to accept a permanent retrenchment of the state, we must allocate spending more evenly between age-groups.

In practice this second course will be extremely difficult. This is not just for political reasons, or because our expenditure on older people is already modest and effective. It is because there are strong upward pressures on pension and healthcare spending: the Office for Budget Responsibility projects that population ageing and cost pressures in healthcare will lead to spending in these areas rising by between 1.6 and 2.3 per cent of national income, during the course of the 2020s. Against this backdrop, even freezing age-related spending as a share of GDP would be a

huge challenge; there is little chance of replacing some of it with investment-style expenditure.

The answer must therefore be to modestly increase taxes over time, so we can pay both for old-age and for the future. And this should include raising the taxes paid by more affluent older people, so they both contribute towards and benefit from rising spending. This last point is important, both because pensioners pay less in tax than younger people with the same standard of living and because the National Institute of Economic and Social Research has shown that, without action, this generation of pensioners will receive more from the state over their lives than they have paid in.

Persuading people to pay more tax is never easy, but the new revenues needed in any single year are modest (around one quarter of a per cent of GDP). And, if we do not pay more in tax, the costs of an ageing society will not disappear. We will just end up funding them in different ways through private contributions. For example, today, some older people have to pay huge sums out-of-pocket for social care, but because the NHS is adequately resourced, they spend little on private healthcare. This situation would be very unlikely to last, were the government to continue to shrink health spending as a share of national income: all developed countries are spending more on health, if not in our public systems, then privately. Part-privatisation of healthcare would probably end up costing society more, while offering less scope for pooling resources between people who are rich and poor, or healthy and sick.

The story would be similar with pensions, if a cheap Australian-style means-tested system was introduced. Eventually people might pay less tax than otherwise, but they would instead have to save far more themselves (Australia is introducing compulsory contributions of 12 per cent of earnings). Today's workers would also face the injustice of having to pay for generous pensions for their parents which they would never receive themselves.

And there is another dilemma. Safeguarding spending on healthcare and pension benefits (in the context of a shrinking state) is not just posing problems of intergenerational balance. It is also leading to misallocations within the resources devoted to older people. In particular, spending on social care, supported hous-

ing and community-based services are being unduly squeezed simply because these do not form part of politically protected budgets (they are the responsibilities of local rather than national government).

Politicians – on left and right – say they want a government that invests 'upstream' to prevent problems arising, seamless services which give people control and a state that boosts the capacity of families and communities. But in reality, by starving these services of the money they need, we are stripping independence and dignity from hundreds of thousands of people, placing huge burdens on families and shunting extra costs onto the health service.

With the rapid rise in the numbers in late old age, with chronic health conditions and disabilities, demand for these services is rising fast. But funding has been falling and if present trends continue, in England public spending on social care for older people could drop to below £6bn a year by 2020 (just as spending on healthcare for older people grows to around £60bn). Things may not turn out quite so badly, because the Treasury will come under huge pressure to fund the implementation of the National Living Wage for the social care workforce (the government may end up using money it had previously identified to pay for the planned cap on social care fees, which the summer budget delayed by four years). But extra money for care workers, while increasing the quality of support people receive, will do nothing to address the inadequate quantity.

Without significant new spending, social care and supported housing will come closer and closer to collapse. In these areas of spending, the sort of strategic choices which will eventually need to be made with regard to all age-related expenditure cannot be kicked-down the track. The government must decide now: will new money be found or not? If any spending decisions must be 'zero-sum', will such new money come at the expense of younger generations or other spending on older people? Or will the government start the reckoning we need on tax?

I hope it does because social care for older people is in crisis. It is time for politicians to offer a new settlement of dignified care and support, but on a 'something for something' basis, paid for by older people themselves. ■

FAMILIES IN AN AGEING SOCIETY

Policymakers can help babyboomers reinvent their image, from being a lucky generation to a giving one, argues RYAN SHORTHOUSE



Ryan Shorthouse is the founder and chief executive of Bright Blue

HOGGING HOUSES. AVOIDING the chancellor's axe. Beneficiaries of generous pensions and healthcare from government. This is the stereotype of a babyboomer, today's 50 and 60-somethings who have become the new bankers: lambasted for their apparent selfishness.

The babyboomers have indeed been a lucky generation. Between 1995 and 2005, the average net financial wealth including housing of those aged 55–64 tripled, whereas it reduced by two thirds for those aged 25–34. As this large cohort transits to retirement, many will enjoy generous pensions and consume a greater proportion of public resources, especially on healthcare in later life.

But it is quite wrong to assume that babyboomers just take from society; they are actually great givers. There is some evidence to suggest that they are giving

more support – both financially and practically – to their children and increasingly their elderly parents than in the past.¹

A majority of all couples with young children have received some form of financial support from their parents. Likewise, the Family and Childcare Trust found that 35 per cent of young families rely on grandparents for childcare, estimated to be worth in aggregate anything between £4bn to £50bn. A large number of baby boomers are what researchers label the 'sandwich generation', with caring responsibilities both upwards and downwards.

The babyboomer cohort are also set to contribute an increasing amount to the economy in future years, especially because of the phasing out of the default retirement age and rising state pension age. The majority of over-50s say they want to continue working beyond state pension

age and gradual retirement – where people reduce their hours but continue being employed – is becoming more common. Grandparents in England are already more likely to be in paid work compared to those in other European countries.²

This state of affairs – with older people providing more care and working longer – alters the traditional life-cycle model of the family: where those in middle-age are net contributors and those at either end of life are net consumers. As Professor Emily Grundy has noted: "In Britain, the balance of intergeneration exchanges is downward rather than upward, in contravention of the depiction of older adults as 'burdens' on younger generations."

So this common conception of affluent babyboomers extracting resources away from younger generations is simplistic and in fact detracts from more pressing

public policy problems. First, it masks the more significant socio-economic differences that exist within generations, with inequality more pronounced among older generations due to the maturing of assets and potential for higher earnings.

Second, and most importantly, it distracts from the inequalities that emerge as a result of these generous intergenerational transfers. Affluent babyboomers are able to and indeed do transfer more resources to their children; recent analysis by the Social Market Foundation of the British Household Panel Survey signifies that people with equivalised household incomes of £30,000 or more are three times more likely to donate money regularly to their adult children than those on equivalised household incomes of £10,000 or less. Educational and employment opportunities, as well as home ownership, are becoming more determined by family background.³

Analysis of time use surveys, which have tracked the diaries of 66,000 people for nearly half a century, suggest that people spend more time than a few decades ago both working and looking after their children, squeezing the time for recreation and community activities. Evidence suggests that trust and social capital in the UK, therefore, have eroded, meaning support from families rather than friends and neighbours – even the state, in some cases – has become more important. As the Executive Chair of the Resolution Foundation, David Willetts has argued, “The future is tall, thin families in a wide, flat world. This is why the family is becoming so important for delivering the intergenerational contract”.

The deepening importance of family wealth to how we do in life is increasing inequality of outcomes. This will mostly offend those on the left of the political spectrum, but it also undermines the principle of reward being linked to effort, which frustrates those on the right of the political spectrum.

The approach to this challenge should not be to penalise a natural and admirable motivation: to pass on resources to your children to help them out. Of all types of taxes, for example, the public believes inheritance tax is the most unfair. Instead, policymakers should seek to devise policies that will make it easier for those babyboomers on more modest incomes to support their wider family, practically and financially.



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So, for instance, we know that the employment rate of over 50s is rising and will continue to do so. Being a working grandparent will become more common. It will be important to ensure they have flexible working arrangements to juggle their work and family commitments. The new shared parental leave and transferable tax allowance that have been recently introduced should be extended to the babyboomers. A young couple with children should be able to transfer any of 50 weeks paid shared parental leave to one of their own parents. And, if a grandparent leaves the labour market to look after their grandchildren, a certain proportion of their personal tax allowance should be transferable to their children if they are a basic rate taxpayer.

Those on modest incomes ought to be encouraged to save through the introduction of new tax-free, high interest contributory top-up accounts, paid into through a new optional class of national insurance contributions. Government should top up these accounts for those on the lowest incomes to encourage further saving. These accounts could then be drawn down from when the individual faces tougher times – being on universal credit or during parental leave. But, if they get to retirement and still have a surplus in their account, they should be able to access the funds, or transfer them to their wider family.

These are just small steps advocated by Bright Blue to strengthen the role of

familial support from baby boomers on modest incomes. Actually, they are doing quite a lot already: for instance, over 1 in 5 families on equivalised annual incomes between £10,000 and £14,999 per annum give regular financial support to their adult children. Likewise, research shows that 18 per cent of those on low incomes regularly prepare cooked meals for their adult children, 16 per cent regularly give lifts in a car to their adult children, and 16 per cent regularly do the decorating, gardening or housing repairs for them. The key is to develop flexibility in the labour market and a savings culture that allows babyboomers to enhance the support they provide.

The babyboomers, excited about slowly settling into retirement and enjoying time with their grandchildren, now have the opportunity to transform their image of being a lucky generation to a giving one. Policymakers can help more of them to do it. ■

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HOMES FOR LONG LIVES

A strategic approach with housing at its core could tackle some of the ageing society challenges vexing our politicians, and benefit all generations, writes CLARE TICKELL



Dame Clare Tickell is chief executive of Hanover Housing Association

A PREVAILING NARRATIVE ABOUT baby boomers at best paints them as lucky and, at worst, as a generation who have profited at the expense of younger people. Wrongly, it suggests older people are all relatively wealthy and have all escaped the pain of austerity Britain.

However, allowing blame for our nation's woes to be indiscriminately attributed to this generation deflects attention from the real issues. It is time for policy makers and politicians to lead a coherent and honest debate on how we finance our ageing population.

Housing must be at the centre of our strategy for how we meet the needs and expectations of the rising numbers of older people. After all, there are two significant challenges that threaten the government's long-term spending plans: the guarantee of a decent income for those

of non-working age, and meeting the rising demand for care and health services for our ageing population. A preventative approach with housing at its core could tackle both challenges: minimising individuals' housing-related expenditure (or utilising untapped equity) thus reducing the need for income bolstering by the state, and reducing individual demand for services by keeping people independent for longer.

There are two existing policy drivers that, with tweaking, could facilitate this preventative approach.

First, boosting housing supply for everyone, regardless of age. If the supply of housing for all is increased, ensuring a wider range of options, there would be more scope to help older people move home when the need or desire arises, and get more movement in a market characterised by blockages. Current incentives

have concentrated on stimulating supply for younger owner-occupiers. Without broadening this – in particular, considering how to extend both volume and choice for older people – a significant opportunity is missed that would have benefits across the whole supply chain.

Secondly, local public services must be delivered in an integrated way – but with housing providers acknowledged as key partners who can facilitate such an approach. Our buildings – often in the heart of a community – and our staff, who are in regular contact with residents, can enable the delivery and targeting of public services. Using our community resources intelligently in this way means that the overall service would be greater than the sum of all its parts.

The potential that housing has as this kind of enabler has some way to

go, though. In particular, we know that people living on a modest fixed income in rented accommodation and/or with limited equity have substantially reduced housing choices. We also know that access to decent housing that is sympathetically designed, accessible for those with limited mobility and well situated within communities facilitates independence and wellbeing for older people. This, in turn, reduces pressure on emergency services and prevents premature admission to care homes and hospital.

However, we are not building enough homes and we are not making the best use of our existing stock. The quality of new housing, especially when it comes to space standards, is generally disappointing. The range of options, particularly if you develop support or care needs and are not wealthy, is also limited. The mantra of health and social care integration is being repeated more loudly, but the reality is that housing's power to prevent, maintain and restore in relation to health and wellbeing is not reflected in local service provision. If we carry on as we are, younger generations will spend a bigger proportion of their income on rent or mortgage costs for the privilege of living in smaller spaces. Older people will increasingly live in homes that are limiting in wellbeing terms because the alternatives are not plentiful, accessible or attractive enough.

These problems are not insurmountable but they need political will, and investment, if they are to be tackled sustainably. Parliamentarians are privately uneasy about costly blanket exemptions in the welfare system for older people, for example. However, there are irrefutable affordability dilemmas and choices posed by increased longevity which will not go away if they are not debated. Rather, they will become more urgent and divisive as we tinker around the margins and consider issues in isolation rather than systemically. Already we are seeing increasing polarisation between generations, in part because of the lazy babyboomer debate and the misinformation that results.

Homes that appeal to everyone and joined-up public services could benefit us all as citizens and as taxpayers interested in value for money. It is possible to embed a preventative approach at the same time as responding to day-to-day pressures – provided additional resources have been

identified first. The Institute for Fiscal Studies has been consistent in its message that the triple lock guarantee is unsustainable. They are right to say that we should consider all options.

There is a challenge to think beyond immediate 'cashable savings' and find a way of measuring social return on investment

Indeed, think tanks are well-placed to issue tricky challenges. In 2013, we asked nine think tanks to do just this in our Hanover@50 Debate. The Fabian Society, for example, questioned whether age should still be used as a proxy for need. All the think tanks agreed that building more homes, suitable for all ages, was essential to future-proof us as a society. They also agreed on the value of preventative approaches – many, including ResPublica and the Centre for Social Justice, highlighted the desirability of co-produced services that are more sustainable and effective in the long run, although not cheaper, than flying visits by carers.

Any strategic approach by our leaders also needs to be mindful of the following.

First, we need to invest to save. This could involve incentivising innovation by devolving more funding locally and evaluating what works for informed future spending rounds. There is a challenge to think beyond immediate 'cashable savings' and find a way of measuring social return on investment. Also, while there has been a move away from central direction and grants, there is scope for encouraging investment in adaptations that help older people to stay in their existing home if that is desired, as well as ensuring that new homes are built to 'lifetime home' or similar design standards.

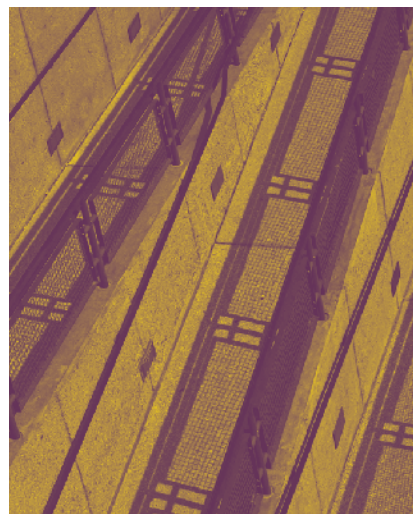
Second, we need to adopt a more robust and assertive approach to local service provision. Lots of older people on modest incomes have felt the brunt of reductions in local public services and this manifests itself later in demand for acute services. Locally, we need to find a way that sustains a minimum preventative offer to older people. In the Hanover@50 Debate, for example, Policy Exchange suggested a com-

munity levy on new developments aimed at older people that could pay for care and support as part of a 'grand bargain'.

Thirdly, we need to consider barriers to maximising income, especially as equity release products are still viewed with mistrust. The Smith Institute, in the Hanover@50 Debate, recommended a 'financial MOT' for the over-50s. Yet an emerging concern is the difficulty of accessing even small mortgages once over 50. This stops people from moving to more suitable accommodation where they have an equity gap or want the option of access to more funds.

Critically, we need to encourage a debate that joins these issues up. It is well known that people are living longer. Likewise, the resulting pressure on health and social care systems is understood. We need a sensible debate about how we finance this sustainably, maximise quality of life and minimise unnecessary cost and anything that accelerates dependency. Decent choices in housing for older people are an integral part of this, offering solutions which are far reaching.

This will make it easier to address head-on the awkward questions which need to be considered about when it is appropriate universally to protect older people's income and access to services – and understanding the implications if those protections are removed, particularly in the housing, health and care spheres. These are difficult conversations which make policy makers very nervous. All the more reason for the debate to be stimulated from interested but independent others – the fierce urgency of now is upon us. ■



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GOOD INCOMES IN LATER LIFE

Considerable reform has not yet brought stability in pensions and benefits for older people, writes CHRIS CURRY



Chris Curry is director of the Pensions Policy Institute (PPI)

THE FIVE YEARS of the coalition government saw major reforms in nearly every area of state and private pensions. State pension reform saw the creation of a new single-tier state pension – replacing the current system of the basic state pension plus earnings-related add-ons – and a framework for ongoing increases in the state pension age. Changes to private pensions have been even more wide-ranging, with the introduction of automatic enrolment, caps on fund managers' charges and legislation to improve scheme governance. There has also been public sector pension reform, restriction to pensions tax relief and the introduction of 'freedom and choice' at retirement to access defined contribution pensions pots. These policies will impact on pensioners' incomes for decades to come. However, most of these changes have focussed on – and will impact – future pensioners.

The direction of travel of incomes in retirement for future pensioners is clear – the state will provide a minimal level of support, enough to keep pensioners out of poverty. The new state pension – although set at a much higher level – will eventually deliver a lower average state pension than the current system of the basic state pension and state second pension would have done.

The rest of income will come from private sources. That doesn't mean the government has no role or influence on that income, however. Automatic enrolment is designed to increase savings, 'freedom and choice' has proved to be popular with the electorate and could help improve the perception of pension saving, and the recently announced consultation on pensions tax relief suggests that reforms might be designed to incentivise further saving

(as opposed to the tax relief reforms in the last parliament, which were designed to increase tax collection).

Underlying this strategy is a desire to reduce future state expenditure on pensions and benefits, in light of the increasing proportion of the population that will be living to older ages. Even with these changes in place, the latest projections suggest that spending on state pensions is projected to rise over the projection period, from just below 5.5 per cent of GDP today to 7.3 per cent of GDP in 2064–65.

However, it is possible, even with current legislation, that spending – and state pensions – will be lower. This projection assumes that the new state pension remains 'triple locked' indefinitely: rising by whichever is the higher of inflation, earnings or 2.5 per cent. In fact, legislation only requires that the new state pension is



increased by average earnings growth. If this were the case, state spending on pensions is projected to be only 6 per cent of GDP by 2064–65.

Although the new state pension is likely to be increased in line with the triple lock for the remainder of this parliament, there is no guarantee beyond that. If the new state pension were to be increased by earnings rather than the triple lock, those starting work today might need to save an additional 4 per cent of automatically enrolled earnings each year to make up the difference. Achieving this is likely to require further government support – potentially through a reformed tax incentive system, but there are other options. These range from initiatives to increase education and engagement, guidance and advice, through to increasing the minimum automatic enrolment contributions or using automatic escalation, where contributions increase with pay rises.

Even the new state pension will only affect those people who reach state pension age in April 2016 and beyond. For those already of state pension age and above – more than 12 million of them today – the impact of the recent plethora of reforms will be minimal.

It is true that, in part by continuing to link increases in the basic state pension to the triple lock throughout the last parliament and this one, the incomes of pensioners as a group have been protected relative to the rest of the population. In addition, some specific headline initiatives have also been aimed specifically at this age group. Median income for pensioners in 2013–14 was 7.0 per cent above its 2007–08 level, while median income

for non-pensioners remained 2.7 per cent below its 2007–08 level.

But this needs to be placed in context. Pensions and benefits are a large part of income for many pensioners, and for many there is no opportunity for increasing income – either immediately or in the future – through changing work or savings patterns. Income derived from savings is also an important part of pensioner incomes, and low interest rates have resulted in either a reduction in income or an increase in the rate at which capital is used – capital that is unlikely to be replaced. Income from private pensions at best tends to increase in line with prices (some of which, as a result of the change in legislation in 2010 will now be linked to the lower consumer price index (CPI) rather than the retail price index (RPI)) and in many cases private pension income is level and so does not increase at all.

More importantly, not every individual pensioner will have shared the increase of 7 per cent, which compares the average income of all pensioners in 2007–08 with the average income of all pensioners in 2013–14. Over that period older (and lower income) pensioners will have died, while younger (and higher income) pensioners will have newly retired, so the average income of the group increases even before any actual changes in individual incomes takes place.

Looking ahead, the current pensioner population will not benefit from the triple lock to the same extent as those receiving the new state pension, as only the basic state pension will be increased in this way – the state second pension will be increased in line with CPI.

And while the new state pension will be set above the level at which pension credit kicks in and savings credit will be abolished for new state pensioners, many current pensioners will still be reliant on the pension credit to support their basic income.

It may well prove difficult, in a world of two different state pension systems – one for older pensioners and one for younger pensioners – to find a pension credit level that is high enough to help ensure that older, poorer pensioners benefit from the triple lock and are kept out of poverty, but low enough not to undermine the value of the new state pension.

Pensioner poverty has reduced substantially in recent years, and today pensioners are no more likely to be in poverty than the rest of the population. However, this can be slightly misleading, as many pensioners are kept out of poverty by disability benefits. Although both attendance allowance and disability living allowance can play a crucial role in supporting pensioners' incomes, no allowance is made for the additional costs that those benefits are paid to meet. Even with disability benefits, there is a very high concentration of pensioners with incomes only just above poverty levels, with pension credit currently set just above the poverty line. Relatively small changes in pensioner incomes – lower means-tested benefits, changes to some universal benefits, lower take up of benefits – could have significant impacts on poverty rates.

There may come a time where the complexity of running two different systems is no longer worth the additional spending that moving existing pensioners (perhaps once they reach an older age) to the new state pension would require.

So, although there has been considerable reform to both the private and state pension systems, it seems unlikely that we have yet reached a position of stability in pensions and benefits for pensioners. In particular, many of the recent changes will not improve the position of current pensioners. The benefit of the triple lock has been helpful relative to the rest of the population, but should not be over-emphasised. Means-testing will still have a crucial role in avoiding pensioner poverty in the short term, and in the long term the state's role in directly providing pensioner incomes will diminish considerably. ■

THE HIDDEN COST OF THE RISING PENSION AGE

To pay for the costs of tomorrow, today's younger old
need to be helped to stay healthy and productive for longer,
writes CLAUDIA WOOD



*Claudia Wood is chief executive
of Demos*

TAKING ACCOUNT OF Britain's 'ageing population' now seems to be a prerequisite for any discussion about the NHS, social care, pensions, housing or welfare reform. But with a predicted 101 per cent increase in those aged over 85 from 2010 to 2030, it's hardly surprising that policy makers and practitioners alike have identified it as the predominant challenge to almost every public service and area of state spending over the next decade. However, when politicians consider whether the UK is "ready for ageing", as Lord Filkin put it in 2013, the readiness (or otherwise) of the labour market rarely gets a mention.

Yet it underpins the ability of our public services to meet the needs of this new demographic. In order to pay for an NHS groaning under the weight of increasing cases of dementia, for example, the government needs us all to work for longer and pay more in income tax. But the rise in pensionable age (to 67 by 2028) is only one part of the solution, and (by putting more older people in the labour market and ergo eligible for unemployment

benefits) in some ways contributes to the problem. The other parts of the solution are surely a labour market flexible enough to enable older people to work for longer; a welfare-to-work regime that supports people into jobs even later in life; and a benefits system that recognises that working age benefits will need to fill the income gap for people in their late 60s, who may be in poor health and are yet unable to draw a pension. Unfortunately we do not yet have any of these three elements in place.

A flexible labour market

Requiring people to work longer cannot always mean staying in the same job. Many professions are physically demanding, stressful, or require long hours – something a 30-year-old may be able and willing to accomplish may be less appealing when he is approaching his 70s. Even less physically demanding office jobs usually require people to work full time, with regular hours – thanks to a workplace culture which favours the young, free and single in spite of progress made

on flexible working legislation. Those with family or caring commitments, or those whose health may make it difficult to maintain long and regular hours, can lose out. For example, Age UK and Carers UK point to a rise in unemployment among older women (who are most likely to be carers) of nearly a fifth between 2010 and 2012, while flexible working among this group fell from 38.3 per cent to 36.8 per cent. Ros Altmann, who was the government's Business Champion for Older Workers and is now a peer and minister, reported unemployment among older women was costing the economy £20bn a year.

As such, many older people may find themselves falling between the gap of work and retirement, occupying an uneasy space of unemployment in their 60s. Of course, such a gap has always existed, but it has now shifted later – the plight of those relying on a state pension made redundant in their 50s has now become the plight of those in their mid-to late 60s, when finding another job to bridge the gap may be next to impossible.

Welfare-to-work

It is for this reason that the welfare-to-work regime must also become 'ready for ageing'. Yet the Work Programme has an exceptionally poor record when it comes to helping the harder to place (such as disabled people) into work – despite the performance related payment regime, the phenomenon of 'parking' hard to employ individuals and 'creaming' more employable candidates remains a problem, and older people certainly fall into the former category. The Centre for Economic and Social Inclusion found in 2014 that the Work Programme's successful job outcomes declined in line with the age of the candidate – from 25 per cent of 18–24s experiencing a successful job outcome, to just 5 per cent of over 60s. It is unsurprising, then, that 46 per cent of unemployed people aged over 50 have been unemployed for 12 months or more, compared with 30 per cent of all jobseeker's allowance (JSA) claimants.

Benefits

As the pension age rises, therefore, a sizeable minority – failed by an inaccessible labour market and an unresponsive welfare-to-work regime – will experience a period on unemployment benefits in later life. Again, older people may fall into the uneasy space between JSA and employment and support allowance (ESA) – not as physically fit as their younger JSA counterparts, but not necessarily qualifying for ESA. The work capability assessment (WCA) has been proven to perform poorly on a number of fronts as a stringent eligibility assessment test for ESA: it may well struggle to capture the physical limitations commonly experienced in old age. It is likely most older unemployed people will be placed on JSA along with the mainstream of unemployed adults – accessing no additional welfare-to-work support in spite of the additional barriers to work they may face.

Rising inequality

So we can see that the workplace, welfare-to-work support, and the benefits system are not 'ready for ageing' – even though working into our late 60s and beyond will soon become essential if we hope to see the pensions system and public services cope with our changing demographic. And the impact of this will be unevenly spread.



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One's capacity to work longer depends on one's health, and one's job – and mutually reinforcing inequalities mean it is likely that those who most rely on the state pension will also be those who are unable to keep working. Physically demanding, poorly paid jobs are the preserve of the young. What happens when an ailing building labourer or a cleaner finds they cannot work until pensionable age? Will their employer offer them flexible hours, or a horizontal move to make use of their skills and experience? Or will they be expendable – and find themselves at Jobcentre Plus with very limited options given their skills set and failing health? Their plight is very different from an ageing recruitment consultant, whose well-paid desk job and private pension allows for early retirement, or flexible working perhaps into his 70s.

In short, raising the pension age may leave many of the so-called 'younger old' (people in their 50s and 60s) with an extended period of economic inactivity before they draw the state pension. Those most likely to rely on this income are also those whose jobs, or health, make it difficult for them to work until pensionable age.

And this doesn't just have implications for the benefits bill – NHS and social care costs may well rise once these younger old hit their 70s and 80s and the health impact of unemployment and resulting pensioner poverty come to fruition.

Conclusion

At a time when public services are struggling to meet the rising health and care needs of today's 'older old', it may seem an unaffordable luxury to consider what will happen to those upstream when the pensions age increases – those 50-somethings

who may currently be fit, healthy, and employed. But if we hope to pay tomorrow's costs, it is vital that today's younger old need to be helped to stay healthy and therefore productive for longer.

Yet securing investment from local and national government to promote healthy ageing and preventative services has always been a struggle, in the face of gaping funding shortages at the more acute end of social care and in spite of the robust evidence base demonstrating the cost effectiveness of such spending. So if we are to really shift our spending priorities on this front, we need a major rethink regarding what we consider to be 'healthy ageing'.

The fact is, the evidence showing that employment is good for one's health is overwhelming. Helping older people stay in appropriate work for longer will not only reduce the health and care costs associated with lower incomes, but also with mental and physical inactivity and social isolation in later life. A virtuous circle is thus formed – working keeps you healthy, and staying healthy enables you to work.

With this in mind, helping older people work longer is without doubt an investment in healthy ageing. The Department for Work and Pensions and Department of Health both stand to make savings – why not combine resources? Both should ensure that the labour market is more accessible to and flexible for older people, so people can work the hours and in the positions that match their capabilities. Jobcentre Plus and Work Programme providers should be more aware of the skills older people bring to the table and know how to sell this business case to employers. Public sector employers must lead by example, providing suitable opportunities for older employees to reskill and use their experience in different ways – such as training or mentoring new recruits. And the WCA should recognise the physical barriers to work experienced by older people and provide appropriate financial support.

Increasing the pension age seems on the face of it a simple solution to the financial burden of our ageing society. But unless our labour market and welfare-to-work regime underpins it, it is unlikely the sums will add up: the savings made by delaying pensions spending will be significantly undermined by increased benefits, health and care spending. ■

THE VIEW FROM THE PARTIES



**“We need a retirement system that recognises inequalities” –
DEBBIE ABRAHAMS**

EARLIER THIS YEAR, during one of my regular door knocks, I called at a house and the door was opened by an elderly woman in her late 70s. She was dishevelled, distressed and clearly confused. She had an empty bubble wrap pack of medication in her hands and she said to me “I don’t know what I have to do”.

At another house, an elderly man, also in his late 70s, told me he was struggling to care for his grown-up daughter who had learning and physical disabilities, and wondered what Labour’s plans were for this. I will never forget the anguish in his face as he explained his fear for the future.

At a meeting with a local carer’s group I listened as predominantly elderly carers described the hundreds of hours a week they spend providing often back-breaking care for their loved ones. This, they told me, they mostly did without support or respite.

I could fill this whole article with stories of the cases I have had of older people in failing health or becoming increasingly infirm or with dementia, and their families not being able to get any support to help with their care. This is not an indictment of my local social services department, who try their best to help.

This reflects the diminishing resources for social care, as local government budgets have been slashed, the lack of integration between our health and social care systems, and an NHS which is struggling to cope. But it also speaks volumes of the political system which has failed to provide

leadership or policies to address the ticking time bomb that has been ignored for years: our ageing society.

Fact 1: There are 10 million people over 65-years-old. By 2050 this will have doubled, and eight million will be over 80-years-old.

Fact 2: We may all be living longer but some of us are living longer than others and in better health: healthy life expectancy is 70 years for men in affluent Richmond, but a few miles away in deprived Tower Hamlets it is only 52.5 years.

Fact 3: Since 2010, £4.6bn has been cut from adult social care budgets – in spite of the passing of the Care Act in 2014 and the right, for example, of needs assessments for carers.

Fact 4: 87 per cent of social services departments only provided adult social care for people with substantial or critical needs.

Fact 5: Last year there were over half a million avoidable emergency admissions as frail elderly people are blue-lighted to A&E departments.

Fact 6: In England, delayed discharges of older people because of inadequate social care at home or in the community has cost the NHS £526 million since 2010.

In a country that boasts being the 5th wealthiest in the world, we are failing to provide basic care for our older people. Instead we see the insurance vultures circling with glee at the prospect of personal budgets coming their way. Delivering a National Care Service, as proposed by Andy Burnham, to be provided on the same basis as the NHS could be a game changer for older people and their families.

What about pensions? I hear you say. And you’re right. Governments of all hues have done much to address ‘pensioner poverty’ through the increase in the state pension and the triple lock guarantee – at 1.6 million people we currently have the lowest level of pensioner poverty in 30 years, although if you’re one of the 1.6 million you may not think this is a cause for celebration.

‘Auto enrolment’, the enrolment of all employees in a private workplace pension was designed to address the poverty faced particularly by people on low incomes and women who may not have accrued enough contributions to be entitled to a full state pension in their autumn years. But the opportunity for people on low incomes – for example, those on zero hour contracts or seasonal work – to benefit from auto enrolment was watered down by the former coalition government.

My concern is that in years to come, as the working population falls even further (in 2008 there were 3.2 people of working age to one of pensionable age, in 2033 it is projected that this will fall to 2.8), the state pension will shrink again; and while auto enrolment may be a buffer for many, it won’t be for the poorest. We will see inequalities widen even more.

The coalition government, in a fit of magnanimity, increased pension flexibilities to enable those lucky enough to have a pension lump sum to invest it as they see fit. But they paid little heed to putting in additional safeguards to prevent potential miss-selling or provide adequate advice, so we may soon be discussing a new pensions scandal.



Finally, as the government has deemed that the state pension age will increase to reflect that we are all living longer, I'd like to propose research into a more appropriate metric than life expectancy, for example healthy life expectancy, as the basis for determining state pension age.

Some people live longer and in better health than others; we need a retirement system that recognises these inequalities. ■

Debbie Abrahams is Labour MP for Oldham East and Saddleworth



“New technology can transform experiences and deliver efficiencies” – GEORGE FREEMAN

THERE IS A truth in our society that we can no longer ignore. With a rapidly ageing population, the UK faces a new demographic reality. In 2015, we had a million more pensioners than at the beginning of the parliament. At the end of this parliament, we'll have another million more. The public policy questions raised by an ageing society are ones that must be addressed. How do we rethink our public services to meet this new challenge?

Representing a rural seat with a large and growing elderly population, I am passionate about making sure we provide security for those who have worked hard and paid into the system all their lives.

Under the Conservatives, we have already seen many vital pension reforms to support older people. We also protected pensioner benefits for the duration of the last parliament, and have committed to protecting them throughout this new parliament too.

Having put these measures in place, the challenge this parliament is using innovation and new technologies to address the equally important issues in relation

to helping elderly, often less mobile, citizens access key public services, particularly healthcare. With a larger elderly population driving an explosion in demand for new medical treatments, how do we make the system sustainable while also providing dignity and security for those patients?

NHS leaders have set out the challenge very clearly in the 'Five Year Forward View': by the end of this parliament health costs will be up by a staggering £30bn per year. NHS senior management have committed to delivering £22bn of efficiency savings, and asked the government to put in an additional £8bn. To the surprise of many, the Conservatives were the only party which pledged to the electorate to do just that – funding the pledge from growing tax receipts from a growing economy.

It then comes down to looking at how to drive innovation and reform within the system to deliver the £22bn of efficiencies and improve the standard of care for older people. That's why I believe that UK leadership in technology and innovation across our healthcare system is central to transforming the lives of older people, and one of my key missions as the first ever minister for life sciences.

Keeping the system sustainable means keeping patients out of one of the most expensive places on earth to be – advanced western hospitals. We can do this through earlier diagnosis, telehealth and using technology to allow elderly people to remain in the comfort and security of their own home, closer to the care of neighbours and family. Of course, good healthcare isn't just about technology, but technology can help patients remain longer in the most caring place of all, their local community.

In policy terms, that means a fundamental adoption of technology across our healthcare system: electronic health records to cut out the costs of NHS paper bureaucracy; remote monitoring and telehealth allowing older people to be diagnosed and treated out of hospital; and genomics and informatics to unlock precision medicine so we stop giving the wrong drugs to the wrong people.

Take one example: the lack of co-ordination through the patient pathway, which means older people have to give the same information over and over again to GPs, consultants and care workers. We're driving forward an integrated patient record which can be updated in real time

and shared by all health and care professionals involved, as well as seen and updated by patients themselves. That's why I'm so proud my patient data bill and Jeremy Lefroy's private members' bill were adopted recently in the Health and Social Care (Safety and Quality) Act. From 1st October, the NHS number will be used as a single patient identifier across all services and a legal duty to share information will be introduced, so that people's care can be coordinated across the system.

This will transform the quality of care in the NHS, helping join up the various parts of the system and ensure that older people no longer have to spend hours repeating their medical histories, instead investing that time in making sure they get the quality care they deserve.

Fundamentally, 21st century technology has the potential to allow us not just to deliver the necessary efficiencies, but to improve our health and care service to patients and users, and empower our elderly patients to take more control of their own lives and condition. Giving older people the dignity and security they deserve is crucial. Transforming the way older people are cared for through the use of new technology and innovation is one example of how the Conservatives are continuing to make that vision a reality.

George Freeman is Conservative MP for Mid Norfolk and Minister for Life Sciences at the Department of Health and the Department for Business, Innovation and Skills



“We are in a hopeless moral muddle” – DR JOHN PUGH

JONATHAN SWIFT'S GULLIVER encounters the Struldbrugs on the island Luggnagg who live on forever but continue to decline and age. The inhabitants of Luggnagg pay them only a pittance after their 80th birthday and consider them legally dead,



incapable of employment, holding property or civic engagement.

In the developed world as yet we do not have a problem with immortality, but we do have with longevity, and are currently looking for more benign solutions than found in the pages of Swift. Part of that response must be the efficient delivery of effective and compassionate relief for the ailments and infirmities of old age, and whole industries – public and private – are devoted to that.

In health terms, therapies have the potential to generate additional problems. For example, the better management of cardiovascular conditions is a contributory factor to the increased incidence of dementia, as more people live to greater ages. Successful medical intervention in previous centuries was largely about restoring independence, not prolonging dependence. Indeed as medical science progresses, expectations rise and ailments once accepted as the inevitable consequences of ageing are seen as occasions for remedial action.

Governments ponder over whether we are spending too much or too little of our time and money on dealing with this problem and, equally important, where that time and money should come from.

The first question for most societies is the easier one. It's one where the Rawls' principle of 'the veil of ignorance' works

best. Regardless of their own age, most citizens don't expect old people to put up with what they would not be happy putting up with themselves – and frankly, in most developed societies, there is a pretty low threshold for what people are prepared to put up with.

It is still a moot point as to whether setting such a notionally high standard of care with a top heavy demographic pattern can work as an economic model without propelling society into an economic nose-dive, or generating dysfunctional levels of inter-generational discord.

The problem may be aggravated by greater hostility from the older generations to balancing factors such as net migration of younger people from other cultures. Equally it may be aggravated by diminishing respect for age within a culture and the promotion of youth.

A society's capacity to manage longevity is not simply a matter of economics. It is also a matter of values – and, if I may be allowed a party political plug, genuine, liberal values provide a strong backdrop.

The second big question – whether the resources come from the individual, the family or the taxpayer, and what their liabilities and responsibilities should be – is what clever people like Andrew Dilnot are asked to answer. Though the policies for apportioning cost, however sagacious,

are often thought to be unfairly sabotaged by those in charge of government purse strings. Usually this is on the grounds of the extent or the uncertainty of the taxpayer's liabilities. This is often thought of as the big problem. It isn't.

The real problem is the lack of settled will on the part of society as to how far an individual can be held personally responsible for their own destiny. How far can we fairly expect people to manage and prepare for their own ageing? It crops up when we discuss selling homes. It crops up when we discuss buying Lamborghinis with a pension pot or when the prudent elderly saver berates the prodigal elderly spendthrift.

It's an ethical not an economic question and our real problem is that, as a culture, we are ethically confused. We are happier claiming individual rights than acknowledging social responsibilities.

Take, for example, the care of our bodies, which is largely seen as the quest for eternal youth and beauty. We run and exercise to keep slim and in order to (in *Daily Mail* speak) show off our toned contours. As age erodes both youth and beauty, it is often seen as a simple personal choice whether one keeps up the effort, given the increasingly disappointing results.

However, it's not. After a couple of decades of hedonistic wine-swilling, diabetes beckons as the waistline expands, and after that, hypertension and a life of pharmaceutical cocktails. Our management of our own health is not without social impact.

I am far from advocating the sort of health fascism recommended from Sparta onwards by most totalitarian regimes, or the enforcement of leotards, sweat bands or jogging. What I want to point out is that self-neglect is not a wholly self-regarding act.

Dealing with the demographic 'time-bomb' may require that we recalibrate quite a few of our social attitudes and amend behavior. We require cultural changes that are not in the gift of politicians, but which they can signal.

Our problem is not simply that we have a lot of dependent elderly people, or that we lack the resources to allocate appropriately, but that we are in a hopeless moral muddle. ■

Dr John Pugh is the Liberal Democrat MP for Southport



GENERATION GAP

Fairness between the generations has taken its rightful place at the centre of political debate, writes DAVID WILLETTS

IT IS UNUSUAL for three think tanks from different parts of the political spectrum to come together to analyse a single issue. It shows the importance of achieving fairness between the generations – and also how it breaks the usual conventions of party politics. It has for example seen my party, the Conservatives, pledging substantial public spending for pensioners. Less remarked upon but equally significant, the coalition government significantly extended labour market regulation to them. The abolition of the compulsory retirement age in 2011 meant in practice removing the exemption from legal job protection for the over-65s. Just as the first baby boomers got to retirement age, they received the biggest extension of labour market protections since we signed up to the EU Social Chapter.

It is very important to analyse public policy through the framework of its impact on different generations. This does not mean that the different generations are necessarily in conflict. The evidence is, for example, that young people support income protection for pensioners – they want their granny to be okay. Behind this there is another point too – made by both Andrew Harrop and Paul Burstow in this report. At any one moment this looks like the distribution of resources between different generations. But instead you can think of it as redistribution of our total lifetime resources between different stages of an individual's own life cycle. As the great economist Paul Samuelson puts it, "giving goods to an older person is figuratively giving goods to yourself when old."

When we look at what people choose to do with their own money, we see a

fascinating contrast. The compulsory state-based transactions are predominantly from young to old. But the voluntary, personal inter-generational transactions are by and large transfers from older to younger people. It is as if individuals are trying to offset the state's redistribution by giving some of it back in the best way they can – by helping their own children and grandchildren. This is part of the political appeal of cutting inheritance tax – older owner-occupiers think it means they can leave more for their own children and grandchildren.

This opens up the question of whether we can make it easier for these transactions between the generations to take place on a voluntary basis. Ryan Short-house is right that a key challenge for public policy is to make it easier for the baby boomers to give to other generations. It should be easier to give away some or all of your state retirement pension. It is not going to be means-tested, but there is a small but significant minority of affluent and younger pensioners who may think they do not need it. They could tick a box identifying a charity they would like to donate it to – and that could certainly include a children's charity.

One of the biggest challenges is housing and here too there is an opportunity for more voluntary exchange. There is a lot of underused accommodation, as many older people live in houses too big for them. They can sell up and trade down but it does not always release as much equity as hoped, and sometimes the wrench from a place full of memories is too painful. One way forward would be to make it easier for older owner-occupiers to share their accommodation with younger people. There could even be an explicit exchange – help with shopping and a few household chores in return for low cost accommodation. Surprisingly little of this goes on – partly as there is a suspicion about these arrangements. Social services worry both about vulnerable elderly people and about young people, so they are heavily regulated. It should be possible to make these arrangements easier.

The limited supply of housing is a national scandal. One of the worst ways in which older people can sadly damage the interests of the young is by opposing new housing developments. It feeds through into public spending pressures too – housing benefit spending has shot up over the

past 20 years as housing costs have gone up. One of the best ways to save money on housing benefit is to enable more houses to be built. It does not feed through quickly, but in the long run it is crucial to bringing down this spending programme, now running at £25bn.

There is more that public policy can do. The British labour market is one of the great success stories of the past few years with a surge in employment – especially among pensioners. But, as Claudia Wood rightly points out, there is a danger that workers in the 50s and 60s fall between job seeker's allowance and employment and support allowance. Indeed, employment for sick and disabled people now stands out as one of the areas where our labour market still needs to do far better. We are going to need more focus on initiatives for helping disabled or frail workers back into work in their 50s and 60s. I personally believe that advances in technology will help here. There will be more sophisticated physical aids to offset disabilities, which in turn will help make it possible for people with disabilities to stay in work.

Looking back over the excellent essays by contributors to this volume, one can see there are some very big public policy challenges here. Chris Curry points out that if we are to operate two different pension structures – one for younger and one for older pensioners – there are going to be difficult challenges in setting the value of pension credit straddling both. There is the challenge of ensuring access to long-term care. These pressures are intensified by the introduction of the 'national living wage', which is actually a policy transferring resources to adult workers who have often found themselves working on very low wages in care homes.

My book, *The Pinch*, came out five years ago. It was an attempt to bring the whole issue of fairness between the generations into the mainstream political debate. That is where it certainly is now, and we are fortunate that these leading think tanks are working together with leading charities to make their contribution to it.

David Willetts is the Executive Chair of the Resolution Foundation and the author of The Pinch: How the Baby Boomers took their children's future – and why they should give it back.

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Independent Age and **RNIB** have come together to commission this series of essays to help stimulate a debate about spending priorities for an ageing population. We need to find the fairest and most sustainable funding settlement as the country adapts to demographic change. We are therefore delighted to be working with Bright Blue, CentreForum and the Fabians at this important moment ahead of the 2015 spending review.



Bright Blue is an independent think tank and pressure group for liberal conservatism. Founded in 2010, it generates policies to improve the economy and society based on liberal conservative insights. As a community for liberal conservatives, Bright Blue is at the forefront of thinking on the centre-right of politics.



CentreForum is an independent, liberal think tank which develops evidence based policy solutions to some of the major problems facing Britain. Its main focus is on education policy, and in particular on policies which ensure that every child from any background is able to realise his or her full potential.



The Fabian Society is Britain's oldest political think tank. Founded in 1884, the Society is at the forefront of developing political ideas and public policy on the left. The Society is alone among think tanks in being a democratically-constituted membership organisation and was one of the original founders of the Labour Party.

This report represents not the collective views of the organisations involved but only the views of the individual authors.