Sustainable Funding for Social Care and Intergenerational Fairness

National Pensioners Convention

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Introduction

1. This submission to the Intergenerational Fairness Forum (IFF) is made on behalf of the National Pensioners Convention (NPC); Britain's largest pensioner organisation representing around 1m older people, active in over 1000 affiliated groups across the UK. The NPC is run by and for pensioners and campaigns for improvements to the income, health and welfare of both today's and tomorrow's pensioners. We welcome the opportunity to set out our views in this consultation.

2. For years the social care system has been failing the needs of those who are reliant on the service. At the heart of the problem are issues of complexity, the unfairness of means-testing, a postcode lottery of charges and little support for family carers. In addition, there are concerns surrounding the standards and quality of care services, the training, remuneration and employment conditions of the care workforce and the lack of a robust and effective regulator. The system is therefore in urgent need of reform.

3. However, one of the major barriers to providing a comprehensive, joined-up service remains the artificial distinction between nursing care which is funded through taxation and provided free at the point of delivery by the NHS, and social care which is means-tested on the individual in the community. Today, frail elderly people are moved as quickly as possible from hospital into nursing homes, or they spend a long and stressful period at the end of their lives, paying a high cost for inadequate care in their own homes.

4. Not only has the division between nursing and social care made the possibility of providing good quality, seamless support more difficult to achieve; it has also been responsible for incorrectly labelling illnesses such as dementia as social care and pushing services beyond the boundaries of the health service. Part of any move towards resolving the future funding of social care must therefore also address how a new National Care Service should look.

Assessing the cost of a national care system

5. In seeking to promote a National Care Service, it is important to understand how much money is currently circulating in the adult social care system. In broad terms, expenditure is broken down as follows:

- £16.4bn spent by local authorities (2015/16) [1]
- £23bn was paid through tax-funded disability benefits (Attendance Allowance, Personal Independent Payments and Disability Living Allowance) [2]
- £12.5bn was spent by the NHS on the long-term care of older people [3]
- £8bn was spent privately by self-funders in residential/nursing homes and on domiciliary care (estimated to be half of local authority spending) [4]

[1] https://www.ifs.org.uk/uploads/publications/budgets/gb2017/gb2017ch5.pdf
[2] www.fullfacts.org
[3] https://www.ifs.org.uk/uploads/publications/budgets/gb2017/gb2017ch5.pdf
[4] https://www.ifs.org.uk/uploads/publications/budgets/gb2017/gb2017ch5.pdf

6. This gives an existing total public spend on social care of £28.9bn (largely raised through taxation) including the NHS contribution, but excluding disability related benefits.

7. However, an expanded National Care Service would seek to go further than simply the existing model of provision. As well as providing free domiciliary and residential care to all existing users who are currently self-funding (estimated to be 250,000 in residential care and up to 200,000 still at home), it would have to also take account of the following unmet needs:

   - Provision of services for up to 1.2m older people who have needs that are currently excluded from the system
   - Modernisation programme of residential homes
   - Improved terms and conditions for care staff
   - Improved regulation and monitoring

8. The total cost of such a social care system could therefore be estimated to be nearer an additional £12bn [5] (based on the following assumptions):

   - £8bn is already being paid by self-funders that would need to be met by the public purse
   - Extending provision to 1.2m older people with relatively low level needs, would largely involve home care services rather than residential or nursing care. The cost of this could be around £2bn [6]
   - A modernisation programme of care homes of £540m [7]
   - Improving the pay of all care workers to the living wage (higher than the legal minimum) is estimated to cost £1bn [8]

Responsibility for and sources of funding social care

9. The choice we face as a society is to therefore find the additional funding by diverting existing spending from one area to another, accepting the need to pay additional tax – or a combination of the two. The options include:

   - An increase in Income Tax of 1% would raise £5.4bn in 2020/21 at the basic rate and £1.7bn at the higher rate. To raise this amount of money would be equivalent of adding 0.9p in income tax. For someone earning £25,000, a 1p rise in income tax would cost them £184 extra a year
   - In general terms, increasing National Insurance by 1% would raise an extra £5.6bn from employers and £4.3bn from employees. . For someone earning £25,000, a 1% rise in National Insurance would cost them an additional £168 a year

[5] An estimated additional cost now of £12bn would increase with growing needs as the population ages. Whilst it could be assumed that the elasticity of taxes with respect to GDP would to some degree lead to growth in taxes over time [as GDP grows so also will revenues even with unchanged tax rates], there would remain a question as to whether revenues would grow fast enough? This depends on the relative rate of growth of costs [with rising numbers of old people and costs of care rising fast given the low rate of productivity growth in the care sector] compared with the 'automatic' increase in revenues as GDP grows. Further calculations on future funding costs will therefore be needed

[6] Based on original estimates contained in Securing Good Care for Older People, Wanless Social Care Review, Kings Fund 2006

[7] £540m according to Calculating the cost of efficient care homes, Joseph Rowntree Foundation, September 2008

[8] https://www.theguardian.com/social-care-network/2015/jan/20/care-workers-better-pay-conditions

- Extending National Insurance to pensioners so that those in work above state pension age would pay 6% employees' National Insurance Contributions would raise around £0.9bn a year [9]
- Abolishing the Upper Earnings Limit on National Insurance contributions would raise an estimated £10bn a year [10]
- Over the next three years, Corporation Tax is due to be reduced from 20% to 17%. The cost of this phased reduction is £7.5bn. There is a political argument to be had as to whether this tax cut is a good use of public money, at a time when services like social care are under emense pressure
- Pension Tax Relief of around £38bn a year is currently paid at two rates, with around two thirds going to higher rate tax payers. Restricting pension tax relief at 20% for everyone would raise an annual £12bn [11]

The position of self funders

10. All the evidence shows that those who fund their own care are already subsidising local authorities and the public purse. About 44% of care home residents are fully self-funded, 36% are council-funded, 7% are paid for by the NHS and 13% are supported by their local council, but with some sort of third party top-up.[12] Furthermore, those who do self-fund their care are subsidising local-authority funded residents by more than £100 a week.[13] This is grossly unfair.

The position of unpaid family carers

11. There is also a need to recognise the important and different role played by 'family/informal carers' against that of employed care workers. Supporting carers is an important part of personalising care and support. Women are the majority of paid and unpaid carers across the UK, generally underpaid and undervalued for providing an increasingly skilled demanding service. Inadequate funding of care means that women sacrifice their own employment prospects by providing a free service to taxpayers.

12. However, many support services are not available to existing carers, and this places a sometimes intolerable burden on many individuals; a large number of whom are themselves of pension age. Essential to supporting this army of unpaid carers is the need for greater recognition of their role and the value they provide. This should include paying the carer's allowance to older people in addition to their state pension and giving carers the right to have their needs assessed by their local authority and receive any appropriate services and support.

Intergenerational Fairness

13. Not all pensioners are poor – in the same way that not all 25 year olds are poor. But inequality is a growing problem in the UK. While austerity measures in Britain continue to hit the poorest families hardest, a wealthy elite has seen their incomes spiral upwards. This is not a question of age, but of social class and wealth. For example, the five richest families in the UK are wealthier than the

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[9] https://www.kingsfund.org.uk/sites/default/files/field/field_publication_file/Commission%20Final%20%20interactive.pdf
[10] A Decent State Pension for All Generations, NPC, June 2013
[11] www.ft.com Self-funding care home resdients subsidise council places, 15 February 2017
[12] https://www.ftadviser.com/pensions/2017/10/26/treasury-expected-to-axe-employers-pension-tax-relief/
[13] https://www.laingbuisson.com/

bottom 20% of the entire population.[14] That's just five households with more money than 12.6 million people – almost the same as the number of people living below the poverty line in the UK.

14. Government should therefore do much more to raise revenues from those who can afford it – by clamping down on companies and individuals who avoid paying their fair share of tax and by starting to explore greater taxation of extreme wealth – rather than relying on cuts to services, pensions or benefits that have a disproportionate impact on the poorest in society.

15. Younger people's falling long-term economic prospects are not down to older people in society hoarding all the wealth. Increased university tuition fees, unemployment, poorer job opportunities, lower pay and rapid house price inflation are the real causes of hardship amongst the young.[15] It should therefore be recognised that a creative way of dealing with the funding crisis in the social care sector will be needed. For example, reducing pension tax relief to 20% across the board affects those with higher earnings who are unlikely to be the very young, raising additional funding through income tax would affect all age groups – including those 5m or so older people who still pay tax and extending National Insurance to those above state pension age would directly affect the older members of society. If these changes were considered as a package of reforms, along with the others mentioned in item 9 above, there would be more than sufficient funds to introduce a National Care Service for all, which was free at the point of delivery and of the highest standards available.

Conclusion

16. The challenge of an ageing population will clearly demand that society provides for their needs, even if it means reordering the priorities for public spending. There is no evidence that today's workers are not willing to pay sufficient taxes to fund the kind of system that they wish for their parents and themselves as they get older. In addition, the role of in-house and public sector provision needs to be re-built and there should be a re-introduction of specialist geriatric wards into hospitals. Publicly provided care homes and care services, based on high levels of training and workforce development should play an essential role in setting and maintaining standards and quality across the sector.

17. There is now widespread agreement that there needs to be a long-term solution to the issue of social care funding. However, this has been tried many times before, with very little success. The announcement of a new Green Paper in the summer of 2018 therefore gives the opportunity for that wider debate with the public. However, it should also be recognised that current public expenditures (and possibly any options arising from the Green Paper) reflect priorities which do not include adequate resources for social care or the needs of older people. This must be addressed.

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[14]Tale of Two Britains: Inequality in the UK, Oxfam, March 2014
[15]Young Against Old?, TUC Touchstone Pamphlet, 2015