These new, ten minute briefings from the NPC aim to give you a quick analysis of the current debates surrounding older people in the UK.

Intergenerational Commission
Introduction
The Resolution Foundation think-tank has published the final report from its Intergenerational Commission entitled *A New Generational Contract*, in which they examine the experiences and prospects of different generations in Britain, provide a comprehensive analysis of the intergenerational challenges the country faces and sets out a policy programme to tackle them. The Commission's members included the heads of the CBI, TUC, Institute for Fiscal Studies, Ipsos Mori, Legal and General and the Centre for Better Ageing.

The broad thrust of the Commission's argument is that today's younger generation are worse off than their parents were when they were the same age, especially in terms of pay, housing and pension entitlement. They accept that there is effectively a contract between the generations (for example the state pension system is funded by today's workers paying for the pensions of today's pensioners and society as a whole funds the education of young children), but they claim this contract is breaking down.

In particular they point to low wages and insecure employment, the high cost of renting and the difficulties in buying your own home and the need to reform social care. As the final report is over 200 pages long, this briefing note therefore just deals with the key issues and recommendations that would directly affect older people.

Funding of health and social care
The main recommendations are as follows:

- Anyone working over state pension age, should pay 12% National Insurance (NI) on their earnings and 6% NI on any income they receive from an occupational pension that takes them over the income tax threshold (estimated to be £12,360 in 2020). This would be called a "NHS Levy" because the money would go towards funding the health service – on the basis that as the population ages, the demands on the NHS grow. This would raise £0.9bn in 2020.
- A cap of £50,000 would be introduced on the amount an individual has to pay towards their social care, alongside a floor of £150,000 so that they would keep this amount of their asset. The charges would apply to home care as well as residential/nursing care and local authorities would be encouraged to allow those individuals who were asset rich but cash poor to defer payment until their property had been sold.
- A new property tax to replace council tax would also raise an additional £2.3bn towards the costs of social care.

Analysis
Understandably, when our NI system was introduced in the late 1940s, individuals stopped paying when they reached state pension age. This made sense given that the overwhelming

majority of people also stopped working at that point. However, the number of older people working beyond SPA has grown in recent years to well over 1million, and it seems fair that someone who still works should pay NI on their earnings. However, asking them to also pay NI on any income from their occupational pension introduces a brand new complexity, especially as the report seems to suggest that it would only apply to those who were actually working.

The report also introduces the idea of older people effectively paying for their increased usage of the NHS – but the biggest flaw in the recommendations is on the payments towards social care. An individual would be asked to pay up to £50,000 towards their home or residential care, providing that does not reduce their assets below £150,000. For many older people, this will mean having to use their life savings or selling their property. However, the report lacks any real detail as to how this would happen. What is clear is that neither the NHS levy or this Dilnot Mark II approach to care costs is going to solve the funding crisis in the sector – or introduce a free at the point of need care service that is part of our NHS.

Pensions and Retirement

The main recommendations are as follows:

- The triple lock on the state pension should be scrapped and replaced with an annual increase of earnings + 1% between 2022 and 2035. Thereafter, the state pension will be linked to earnings or inflation, effectively removing the 2.5% guarantee.
- Access to auto-enrolment pensions will be widened to those earning more than £6000 (currently the threshold is £10,000) and the minimum contribution rates for employers and employees should be harmonised over time.
- Pension tax relief should be reformed by introducing a single rate of 28% to replace the existing 20% and 40% rates.
- Changes to the State Pension Age (SPA), such as bringing forward the rise to 68 by seven years to 2037-39 should be adopted, and the SPA should be formally linked to average longevity.
- Inheritance tax should be abolished and replaced with a Lifetime Receipts Tax which will enable individuals to receive £125,000 tax free (rising with inflation). Beyond this threshold, any new gifts or inheritances received would be taxed at 20% up to £500,000, and 30% above that level. This would raise an additional £5bn which would fund a £10,000 inheritance payment to all 25 year olds.

Analysis

The report is the latest attack on the triple lock, and fails to recognise that the UK's state pension is now bottom of the OECD league table. Even after over five years of the triple lock, the basic state pension is still around £125 a week - £70 less than it would have been if the link with earnings had not been broken in 1980.

The hope that auto-enrolment pensions will deliver a decent income in retirement for future generations is also overly optimistic. Contributions rates are half of what they should be, and millions of lower paid workers simply won't be able to contribute enough over their working lives

to build up any kind of decent pension pot. In contrast, there remains the need for a state run earnings related scheme to act as an alternative to the current auto-enrolment, which could use invested funds for public projects, rather than handing billions of pounds of workers' savings to the private pensions industry. Likewise, the proposed changes to pension tax relief could go much further – offering a flat rate of 20% which would raise around £12bn a year towards social care funding.

Despite all the evidence that longevity in the UK has either stalled, or in some areas started to fall, the report presses on with the recommendation that the SPA should rise quicker than currently proposed. For a report that sets itself up as being concerned about the younger generations, it clearly has no problem in making them work longer for very little in return.

Housing

The main recommendations are as follows:

- Council tax should be scrapped and replaced with a progressive property tax, based on up-to-date housing prices. The cheapest 10% of properties would be exempt from tax, and then there would be a 0.85% tax rate above this, with a 1.7% rate on properties above £600,000. Those who were unable to pay could either defer or take out an equity payment with the local authority (eg. the local council would own part of your property). This new property tax would also apply to home owners, rather than renters.
- Stamp duty on housing purchases should be halved.
- Rent increases should be linked to inflation (CPI) for three year periods and there should be greater use of indeterminate tenancies.
- Where developers have negotiated down the number of affordable homes during the building phase on viability grounds, the financial outcome of that development should be examined at the end of the process and the equivalent of any affordable homes reduction clawed back where it is shown to have been unwarranted.

Analysis

The report fails to give any real indication as to how a new property-based taxation system would work, and how much each household would end up paying. It also recognises that some older people occupy houses that are bigger than their needs, but it fails to address the urgent demand for better suited properties to be built that will enable older people to downsize.

The overall suggestion that there is a generational difference in wealth is also undermined by the evidence that inequalities within a generation are greater than those between the generations. It seems that on the one hand older people are criticised for owning their own homes, and on the other told to use their property wealth to fund their own care.

Conclusion

Whilst the report contains considerable data analysis and research, it fails to properly address the needs of older people in relation to care, pensions and housing – and at the same time, also

offers very little to future generations of pensioners either.

National Pensioners Convention
Marchmont Community Centre
62 Marchmont Street
London WC1N 1AB
www.npcuk.org