Institute for Public Policy Research

SAVING SOCIAL CARE

A FAIR FUNDING SETTLEMENT FOR THE FUTURE

Harry Quilter-Pinner and **Charlotte Snelling**

with **Andrew Kaye** and **Kate Jopling**

November 2017

ABOUT IPPR

IPPR, the Institute for Public Policy Research, is the UK's leading progressive think tank. We are an independent charitable organisation with our main offices in London. IPPR North, IPPR's dedicated think tank for the North of England, operates out of offices in Manchester and Newcastle, and IPPR Scotland, our dedicated think tank for Scotland, is based in Edinburgh.

Our purpose is to conduct and promote research into, and the education of the public in, the economic, social and political sciences, science and technology, the voluntary sector and social enterprise, public services, and industry and commerce.

IPPR
14 Buckingham Street
London
WC2N 6DF
T: +44 (0)20 7470 6100
E: info@ippr.org
www.ippr.org
Registered charity no: 800065 (England and Wales), SC046557 (Scotland)

This paper was first published in November 2017. © IPPR 2017

The contents and opinions expressed in this paper are those of the author only.

The progressive policy think tank

CONTENTS

Summary 3

1. Introduction: The state of care 5

A brief history of social care funding 5

Pressures on the frontline 6

Mind the gap 11

Conclusions 12

2. Filling the funding gap 13

What would success look like? 13

3. Re-directing old age spend 17

Triple Lock on pensions 19

Conclusions 21

4. Raising new revenues 22

National Insurance 22

Wealth taxes 23

Conclusions 25

5. The politics of social care funding 26

A brief history of social care reform 26

Conclusions 34

6. Concluding Remarks 35

References 37

Annex 1: IPPR tax-benefit modelling – methodological notes 40

Annex 2: Equivalised income decile selection 41

Annex 3: Full results of modelling 42

Pensions 44

Annex 4: Triple Lock Assumptions 45

ABOUT THE AUTHORS

Harry Quilter-Pinner is a research fellow at IPPR.

Charlotte Snelling is a research fellow at IPPR.

Andrew Kaye is head of policy and campaigns at Independent Age.

Kate Jopling is a policy and strategy consultant.

ACKNOWLEDGEMENTS

The authors would like to thank Judith Brown (who organised the focus group with Bristol Older People's Forum), Corinna Gray (who organised the focus group with Ageing Better in Camden and Connect Hackney) and Jeremy Bushnell (who assisted with the focus groups). They would also like to thank Miatta Fahnbulleh, Clare McNeil, Alfie Stirling, Sofie Jenkinson, Abi Hynes and Katherine Gibney for their support in producing the research paper. Finally, IPPR would like to thank Independent Age for their generous support which allowed this work to happen.

Whatever happens as we get older, we all want to remain independent and live life on our own terms. That's why, as well as offering regular friendly contact and a strong campaigning voice, Independent Age can provide you and your family with clear, free and impartial advice on the issues that matter: care and support, money and benefits, health and mobility. A charity founded over 150 years ago, we're independent so you can be.

For more information, visit our website at www.independentage.org

Download
This document is available to download as a free PDF and in other formats at:
http://www.ippr.org/research/publications/saving-social-care

Citation
If you are using this document in your own writing, our preferred citation is:
Quilter-Pinner H and Snelling C with Kaye A and Jopling K (2017) *Saving social care: A fair funding settlement for the future*, IPPR. http://www.ippr.org/research/publications/saving-social-care

Permission to share
This document is published under a creative commons licence:
Attribution-NonCommercial-NoDerivs 2.0 UK
http://creativecommons.org/licenses/by-nc-nd/2.0/uk/
For commercial use, please contact info@ippr.org

SUMMARY

60-SECOND SUMMARY

Adult social care has been cut substantially since the onset of austerity. This is increasingly having severe consequences on the frontline including rising unmet need and pressures on quality and safety. These pressures are likely to increase as demand for care grows ahead of available funding, resulting in a £2.7 billion funding gap by 2020/21 and £9.5 billion by 2030/31.

Government must now come up with a long-term sustainable solution to this funding gap. Any solution must be:

- sufficient
- fair
- politically feasible.

Our analysis shows that changes to benefits (e.g. means testing Winter Fuel Payments or scrapping the Triple Lock) are unlikely to raise enough money to fill the funding gap in isolation; are more likely to be regressive; and often garner less political support than tax rises (e.g. National Insurance and Inheritance Tax) which generally raise more money, are more progressive, with more people willing to consider them as an option (particularly true for National Insurance).

However, this does not mean any of these options are an easy sell. The public are sceptical of the idea that the gap should be filled by increases in taxes or a reduction in benefits, partly because many have lost trust in politicians and have accepted the argument that extra funding can be found by making less difficult choices (e.g. efficiency savings or a reduction in tax avoidance). Government must overcome this scepticism – resetting the terms of the debate – if it is to deliver the funding and reform our social care system so desperately needs.

KEY FINDINGS

Adult social care has been cut substantially since the onset of austerity, cumulatively totally 17 per cent of spend from its peak in 2009/10. This is increasingly having severe consequences on the frontline including: significant increases in unmet need; a greater reliance on unpaid carers; strains on quality and safety; growing gaps in the workforce; and greater precarity among providers of care.

These pressures are likely to grow in the coming years without a long-term funding settlement. This is because our growing and ageing population will put more and more pressure on social care budgets, with a forecast funding gap of £2.7 billion in 2020/21 and £9.5 billion in 2030/31 just to maintain existing provision. This gap will be even larger if the government decides (as it should) to expand and improve provision.

In looking to fill this funding gap, government should ensure that any solutions are simultaneously sufficient to fill the gap; inter and intra-generationally fair; and politically achievable. This report has looked at four options – means testing Winter Fuel Payments; scrapping the Triple Lock on pensions; raising National Insurance Contributions and increasing Inheritance Tax – and measured them against these three criteria.

Our headline results suggest that changes to benefits (e.g. the Winter Fuel Payments or Triple Lock) are unlikely to raise enough money to fill the funding gap in isolation, are more likely to be regressive and generally garner little political support. For example, means testing Winter Fuel Payments against Pension Credit would raise just £1.8 billion this year, with the poorest pensioners losing more money than the wealthy.

By comparison, tax increases generally raise more money and are more progressive, with most people willing to consider them an option (at least for National Insurance). For example, a 1 percentage point increase in the employers' main rate of National Insurance would raise an additional £5 billion immediately with those at the top paying a higher share of their income as those on the bottom.

A summary of our conclusions (in the crudest form) is presented in table 1.1.

TABLE 1.1: SUMMARY OF RESULTS

	Sufficient	Fair	Politically Achievable
Means Test Winter Fuel Payments	Only raises a relatively small amount of money	People on low incomes pay larger share than those on high incomes	Some political support if targeted at the wealthiest
Scrap Triple Lock	Could raise substantial amounts of money in the long term, but only if wages remain stagnant	People on high incomes pay larger share than those on low incomes	Some support this but fear it will hit vulnerable pensioners (who are also more likely to vote)
Increase National Insurance Contributions	Raises substantial sums of money in the short and long term	People on high incomes pay larger share than those on low incomes	Support for NICs but concern that it might hit low- and middle-income families
Increase Inheritance Tax	Raises substantial sums of money in the short and long term (assuming limited avoidance)	People with higher wealth pay larger share than those with lower wealth	People are instinctively opposed to a wealth tax. Would need substantial work to win support for it

Source: Authors' analysis

However, this does not mean any of these options are an easy sell. The public are sceptical about the existing terms of the debate – that the gap should be filled by increases in taxes or a reduction in benefits – partly because many have lost trust in their politicians and have accepted the argument that extra funding can be found by making less difficult choices, for example efficiency savings or a reduction in tax avoidance. Government must overcome this scepticism – resetting the terms of the debate – if it is to deliver the funding and reform our social care system so desperately needs.

1. INTRODUCTION
THE STATE OF CARE

A BRIEF HISTORY OF SOCIAL CARE FUNDING

Adult social care is one the most important but least appreciated public services in the UK. For hundreds of thousands of people it provides vital care and support – in their homes, in the community or in a residential setting – to ensure that they can maintain their independence, dignity and quality of life as they age. This may involve receiving help with basic tasks such shopping or cleaning or 24-hour support.

Unlike its sibling – the NHS – social care is not free at the point of use. People who need help with social care are usually assessed by their local authority to identify their care needs, whether they are entitled to support with care, and if so, how much. Local authorities typically only pay for individual packages of care for adults assessed as having high needs and limited means (see info box).

Info box: How is social care funded?

Under the current system, people with assets of over £23,250 have to pay for their own residential care. When their assets are between £14,250 and £23,250, their local authority will pay some costs but individuals must also make a contribution towards their own care.

When a person's assets fall below £14,250, including their home if they own it, the state will largely pay for care. There is currently no cap on the maximum a person can spend on these services before their assets fall to these levels which results in some facing 'catastrophic care costs' of over £100,000.

Funding provided by local authorities is raised from a mixture of sources including central government grants, the Better Care Fund (a joint NHS and local government fund aimed at joining up health and social care) and local taxes (including business rates and Council Tax) (Cromarty, 2017).

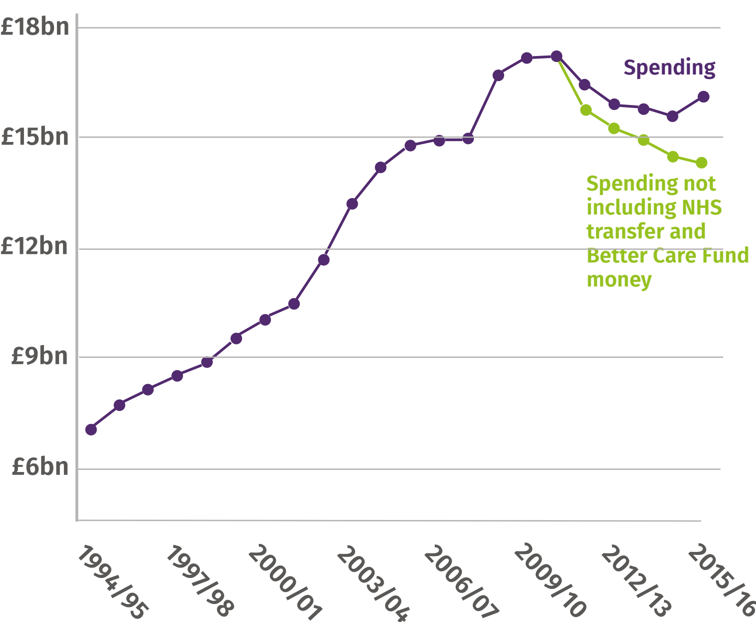
As a result, the budget for social care has always been smaller than that of the NHS. For example, in 2015/16 about £16 billion was spent on public provision of adult social services in England – falling to about £14 billion if transfers from the NHS through the Better Care Fund are excluded – compared to around £116 billion for the NHS (Health Foundation, 2017).

Despite this, the budget has grown over time, largely as a result of the same demographic pressures that have pushed up the NHS budget, including a growing and ageing population. For example, between 1994/95 and 2015/16 spending on social care doubled (see figure 1.1) (ibid).

However, unlike the NHS, since the onset of the austerity in 2010, funding for adult social care has actually fallen. If we exclude transfers from the NHS, the amount spent on adult social care has decreased every year since 2010/11. This cut to spending on social care – cumulatively equalling 17 per cent of spend from its peak in 2009/10 – is starting to have severe

consequences on the frontline. This is especially relevant in areas with the highest need where, paradoxically, cuts have been the deepest as a result of the way in which central government grants are allocated (Phillips and Simpson, 2017).

FIGURE 1.1: SPENDING ON SOCIAL CARE



Source: Health Foundation (2017)

PRESSURES ON THE FRONTLINE

The social care system has attempted to respond to funding cuts by increasing productivity – delivering more for less – with some successes such as the LGA's Social Care Efficiency Programme (LGA, 2014). However, with such a low base of spending to start with there is a consensus that the capacity for further efficiency gains is limited.

Moreover, unlike the NHS, which has the ability to overspend, local authorities are legally obliged to balance their books at year end, although they can redirect funding from other internal budgets to top up social care, which they have done over the last few years largely from reserves (ADASS, 2017).

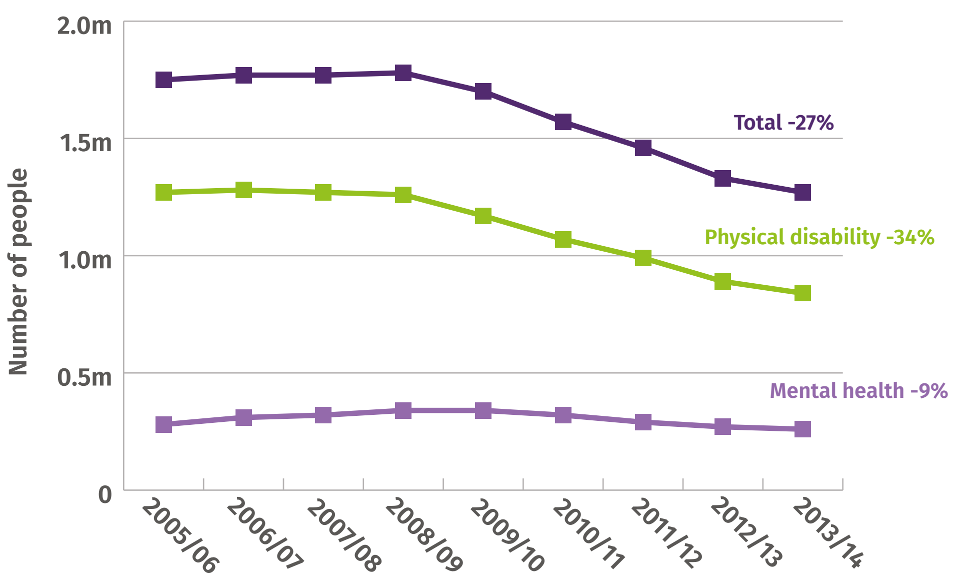
Given these constraints, the pressures of the financial crunch are beginning to show up in other ways. In the remainder of this chapter we discuss five emerging trends on the frontline – unmet need; dependence on unpaid care; strains on quality; workforce pressures; and precarious provision – which are a result of the cuts seen since 2010.

Trend #1: Increasing unmet need

Since 2005/6 half a million fewer older people have been able to access social care – a 27 per cent decrease (Health Foundation, 2017) – with the drop more precipitate for older people than for those of working age (Humphries et al, 2016). This has occurred despite an increase in the number of people in need: last year the number of people aged 65 and over living in England increased by

2 per cent (around 170,000 people), yet the number receiving social care fell by 2 per cent (ibid).

FIGURE 1.2: REDUCTION IN OLDER PEOPLE RECEIVING PERSONAL ADULT SOCIAL CARE 2005/06–2013/14



Source: Health Foundation (2017)

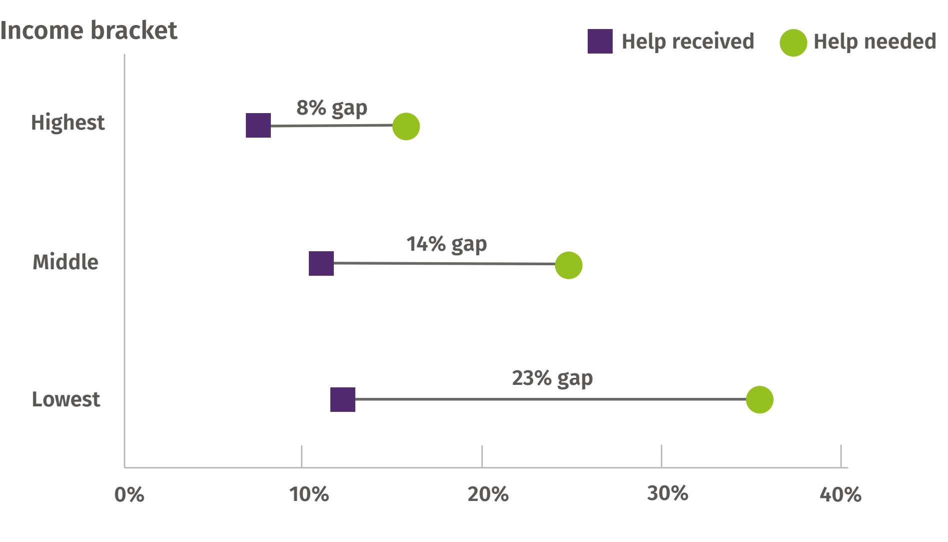
In total, Age UK calculates that that there are now nearly 1.2 million people aged 65+ who do not receive the all of the help they need with essential tasks of daily living (ADLs) such as eating, bathing and dressing but should have done (Age UK, 2017). This is up 50 per cent – from 800,000 – in 2010 (ibid). Moreover, the gap between needs and provision is greatest amongst those on the lowest incomes (see figure 1.3) (Health Foundation, 2017).

Trend #2: Greater reliance on unpaid carers

The reduction in access to formal social care – and in particular decisions by local authorities to increase the thresholds for public support – has resulted in an increased number of people funding some of their care privately, up from 9.5 per cent to 10.4 per cent between 2014/15 and 2015/16 (Charlesworth et al, 2017). However, for many, particularly those on the lowest incomes, this is not an option: they must instead rely on family and friends or go without.

As a result, there has also been an increase in the use of unpaid care provision as a response to the crisis. Age UK has found that the proportion of people who provide unpaid care for family and friends has risen from 16.6 per cent of the population in 2011 to 17.8 per cent in 2015 (Age UK, 2017). Moreover, there is evidence that the intensity of care that they are required to provide has also increased (ibid).

FIGURE 1.3: GAP IN SOCIAL CARE PROVISION



Source: Charlesworth et al, 2017

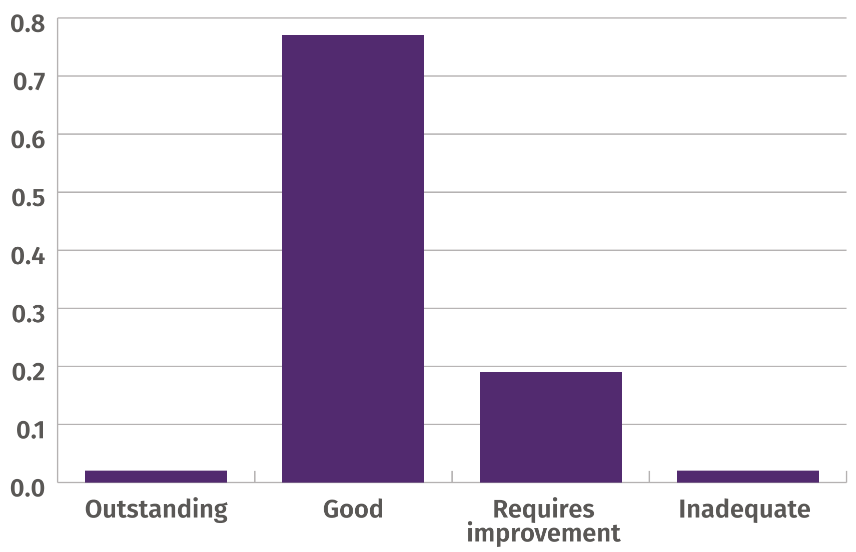
Trend #3: Strains on quality and safety

The squeeze in funding has also impacted on the quality and safety of care provided to those still using the system although the fall out is less obvious. Notably, more than one in five care providers – looking after over 200,000 people – are currently failing to meet the CQC's quality and safety standards (see figure 1.4) – increasing to one in three when we consider nursing homes (see figure 1.6) (CQC, 2017).

Moreover, there are stark variations in quality across the country, with areas such as London at the top of the 'league table' and others like the North West at the bottom. Those in the worst performing areas face little choice with as many as three in five homes failing to meet the required standard (Independent Age, 2017).

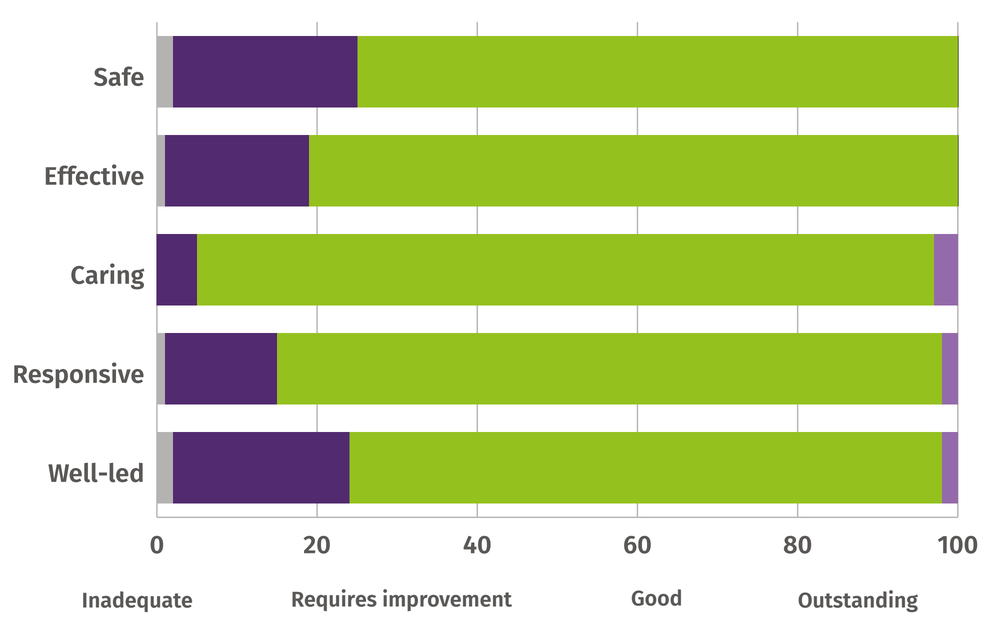
While this performance is poor there is limited evidence that it has deteriorated since the onset of austerity (CQC, 2017). However, this not guaranteed to continue, as recognised by the CQC in its latest reports, which suggests that social care is at a 'tipping point' (CQC, 2017). In particular, there are huge shortages in workforce and providers are financially struggling, conditions which often precipitate problems with quality and safety (ibid).

FIGURE 1.4: CQC OVERALL RATINGS



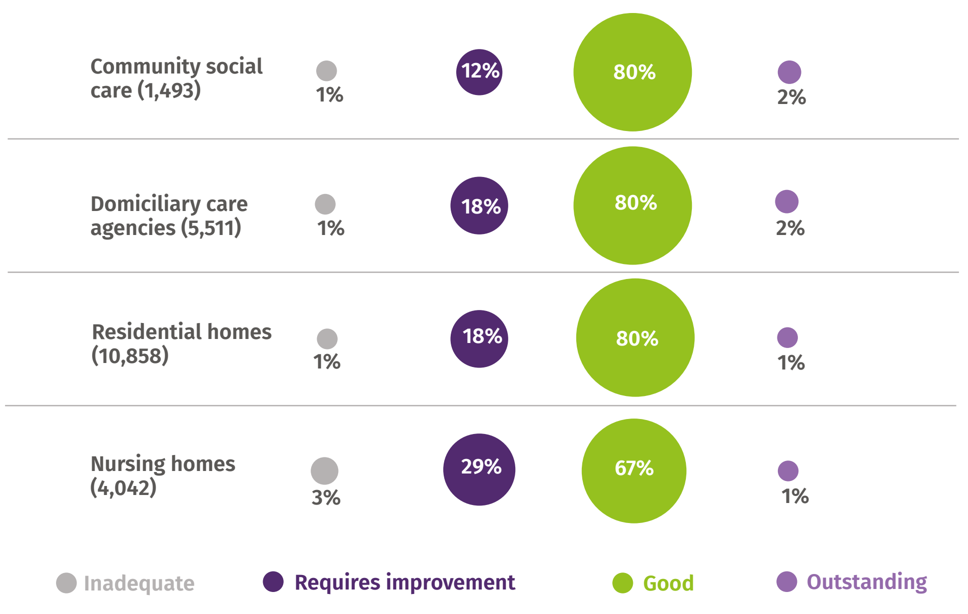
Source: CQC (2017)

FIGURE 1.5: SOCIAL CARE RATINGS BROKEN DOWN BY COMPONENTS OF QUALITY



Source: CQC (2017)

FIGURE 1.6: CQC RATINGS BY TYPE OF PROVISION



Source: CQC (2017)

Trend #4: Pressures on the workforce

Staffing is one of the areas where the financial pressures on social care are most apparent. The CQC finds that one in five nursing homes do not have enough staff on duty to ensure residents received high quality and safe care. This is unsurprising given that in 2015/16 the overall vacancy rate in the sector was 6.8 per cent – up from 4.5 per cent in 2012/13 – and that turnover rates are at 27.3 per cent – up from 22.7 per cent over the same period (Gershlick et al, 2017).

This shortage and high turnover of staff impacts on quality. In particular there is evidence that social care users are experiencing shorter visits from care workers and anything other than the 'core' components of care have been stripped out of their support packages (Charlesworth et al, 2017).

In a recent survey undertaken by the Care and Support Alliance 68 per cent of social care staff who responded said they felt expected by their managers to reduce help offered to people in need of social care – with a particular focus on reducing social interaction and support (Care and Support Alliance, 2017).

These pressures seem unlikely to abate, indeed, depending on the Brexit deal finally agreed they could increase. Independent Age estimate that the sector could face a gap of 200,000 care workers by the end of this Parliament because of restrictions on immigration and a failure to attract British workers. In the longer term this could rise to 1 million (Franklin and Urzi Brancati, 2015)

Trend #5: Precarious provision

Another concerning trend is the growing number of social care providers in the sector in debt or at risk of closure. For example, in the first six months of 2017, at least 69 per cent of local authorities experienced a provider closure (ADASS, 2017). This problem has occurred because local authorities have responded to the cuts in their own budgets by reducing the fee paid to social care providers. For example,

LaingBuisson finds that fee rates have fallen by 5 per cent in real terms over the period 2010/11 to 2015/16 (ibid).

This has led to a growing gap between what the provision of care costs and what payment providers receive. The UK Care Home Association calculates the Minimum Price for Homecare as an estimate of the price that would need to be paid in order to ensure provision is sustainable. It found that only one in ten authorities paid an average price at or above UKHCA's Minimum Price of £16.70 per hour (UKHCA, 2016).

This is concerning because provider failures put at risk the quality, safety and stability of people in their care, as well as reducing the capacity of the sector to care for the UK's older population in the long term. This was most clearly demonstrated by the collapse of Southern Cross plc in 2011, which impacted on the care of tens of thousands of people, with fears that similar cases could be on the horizon.

MIND THE GAP

The trends set out above are all the more concerning because pressures on social care are not expected to abate in the near future. Recent budget announcements – including extra funding for the Better Care Fund and a rise in the Social Care Precept (Cromarty, 2017) – will ensure that funding for social care returns to year-on-year growth. However, growing demand for social care will far outstrip this settlement.

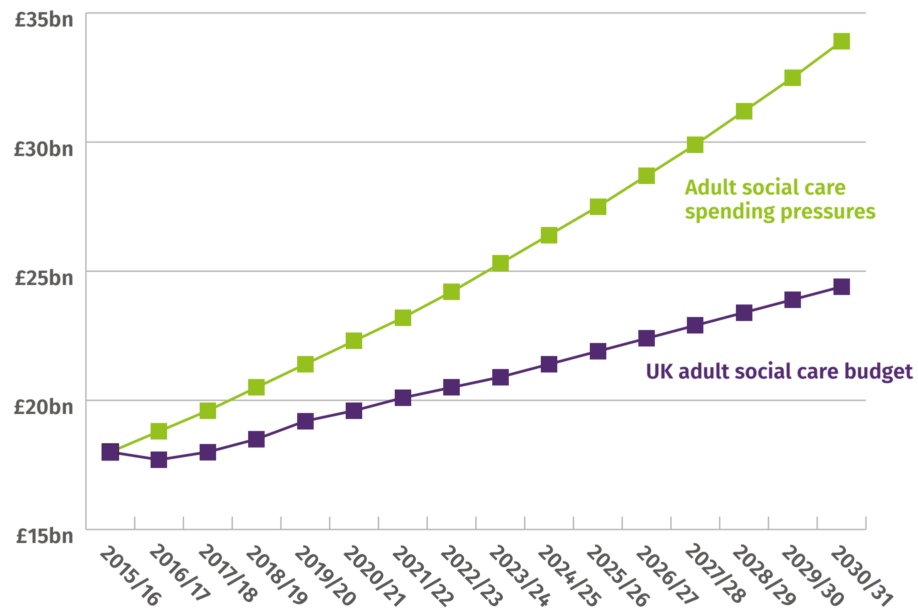
In particular, the UK has a growing and ageing population. The number of people over the age of 85 will almost double by 2030, with one in three babies born in 2016 expected to live to 100 or more (Lawrence 2016). This is a challenge for social care because, as people age, their care needs increase, adding cost pressures to social care, with a growing number needing substantial support (Jagger, 2017).

FIGURE 1.7: GROWTH IN DIFFERENT AGE GROUPS 2015–30

Source: IPPR analysis of ONS (2015)

Most studies estimate that pressure on social care will be greater than on the health sector, rising by an average of 4.3 per cent annum (Roberts 2017). Meanwhile, funding is only likely to rise by 1.6 per cent per annum between now and 2020/21. The result is a funding gap of £2.7 billion per year by 2020/21 and £9.5 billion by 2030/31 (worth 40 per cent of the projected budget) (Health Foundation, 2017).[1] Moreover, this gap only covers the maintenance of the existing level of support and system. If the government decides to increase the level of state support or reform the system (as it should) this gap will grow larger.

FIGURE 1.8: SOCIAL CARE FUNDING GAP



Source: Health Foundation (2017)

CONCLUSIONS

Social care has seen significant cuts since 2010/11, which have led to a number of pressures on the frontline, including rising unmet need and strains on the quality and safety of care. While funding is now growing again, these pressures are due to continue – if not increase – in the coming years as a result of an ageing and growing population. The implication is a significant funding gap.

1 There are a variety of estimates of the size of the social care gap depending on methodology, which vary from £2.3 billion (Age UK)-£4.4 billion (STP extrapolations) for 2020/21. Throughout we refer the Health Foundation's estimates which sit somewhere in between at £2.7 billion.

2.
FILLING THE FUNDING GAP

WHAT WOULD SUCCESS LOOK LIKE?

The scale of the funding gap – and the associated pressures on social care – demand a response from the government. If we want everyone to have access to high quality care, when and where they need it most, we need to find a long-term sustainable mechanism for ensuring the system is properly funded. Both the government and the opposition seem to have recognised this fact.

However, from this point of clarity comes a range of unanswered questions. Should we raise additional money or divert funding from other government budgets? How do we address the issue of both inter and intragenerational fairness? And, what is the right balance between people contributing to the cost of their care and risk pooling across the whole population (to prevent catastrophic care costs for example)?

There are three main options available to the government in looking to fill the funding gap in social care. These are:

1. Raising more revenue from private sources, either in the form of private insurance schemes or out-of pocket payments
2. Redistributing existing government revenue from other services towards social care, potentially including – though in theory not restricted to – winter fuel payments and the state pension[2]
3. Raising more revenue from taxes either on working age people (National Insurance or Income Tax) or pensioners (Wealth Tax).

The challenge for politicians is weighing up the relative strengths and weaknesses of these options. In doing so they should be clear about what they are trying to achieve, both within social care and the mechanism through which it is funded. Our belief is that three main criteria should be satisfied as part of any new funding settlement (see figure 2.1). It should be:

- sufficient (criteria 1)
- fair (criteria 2)
- politically achievable (criteria 3).

Moreover, we are clear that all three of these criteria must be simultaneously fulfilled if we are to address the challenges facing the system. Many of the options that have historically been deemed the most politically feasible – e.g. small rises in Council Tax – are neither sufficient nor fair to the most vulnerable people, and in particular pensioners who require more or better care than it allows (see info box on page 14).

2 This list of possible sources of existing government revenue that could be redistributed to fund social care is not exhaustive. The aim of this work is to start a debate which may well include a wider array of options.

TABLE 2.1: CRITERIA FOR REVENUE RAISING OPTIONS

Criteria	Explanation
Sufficient	The chosen method should raise enough funding to fill the gap and deliver high-quality care for those in need (e.g. at least £2.7 billion by 2020/21 and £9.5 billion by 2030/31)
Fair	The chosen method should raise funding in a way that is fair both to younger generations (intergenerational fairness) and to the most vulnerable pensioners (intragenerational fairness)
Politically achievable	The chosen method should be politically feasible and realistic, given the history of failed reform on this issue

Source: Authors' analysis

Defining pensioner vulnerability

Over the last few years there has been increasing attention given to issues of intergenerational fairness, meaning the differences in living standards – including through benefits and access to government services – between generations over lifetimes. Commentators from across the political spectrum have noted that many of the opportunities available to previous generations – in particular, things like buying a house – are out of reach to young people today.

This conversation has been fuelled by the fact that pensioner incomes have increased significantly faster than working age adults since the financial crisis. For example, between 2010 and 2016 the value of the state pension has been increased by 22.2 per cent, compared to growth in earnings of 7.6 per cent and growth in prices of 12.3 per cent over the same period (House of Commons Work and Pensions Committee, 2016). Partly as a result of this pensioner poverty has also declined rapidly and now sits below the average for the country as a whole (see figures 2.1 and 2.2) (ibid).

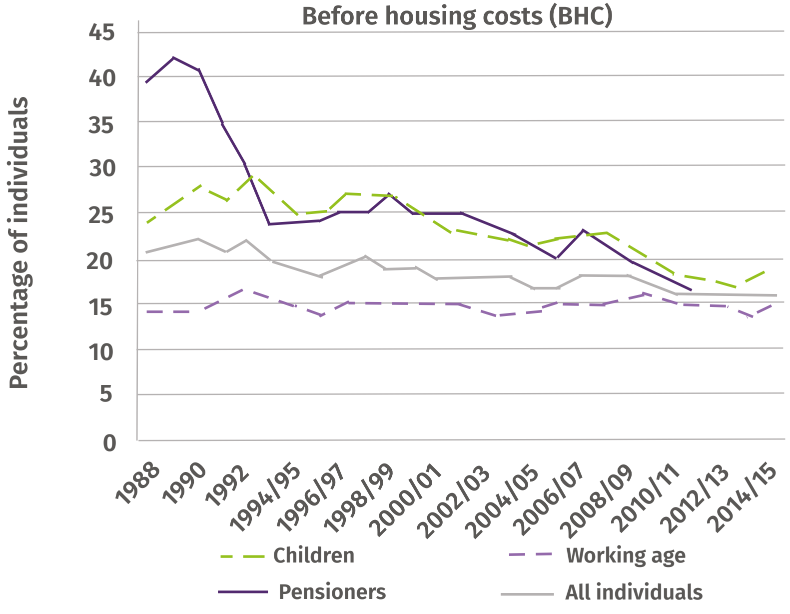
However, generalisations about the wealth of pensioners risks obscuring how far we still need to go as a society to tackle pensioner deprivation. There a large swathes of the pensioner population who face significant vulnerabilities. Notably:

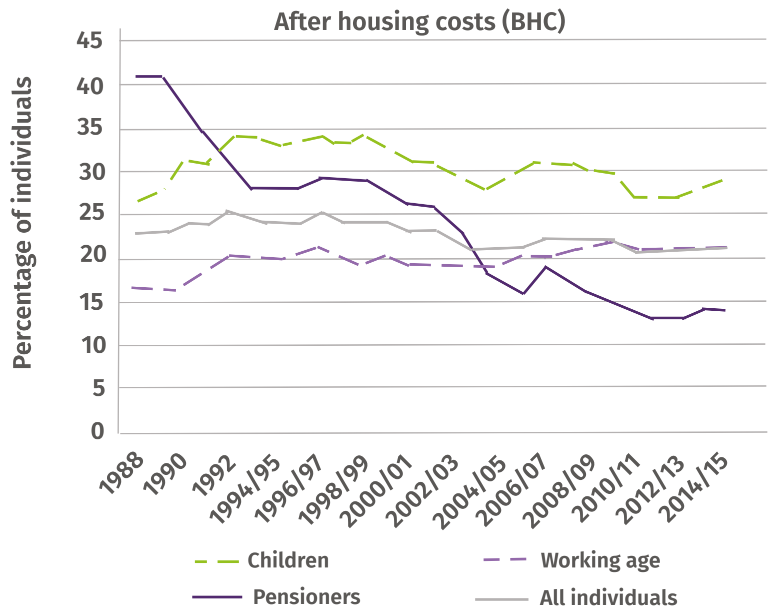
- there are 1.9 million pensioners living in relative poverty in the UK today, representing a slight percentage increase since 2014/15 (DWP, 2017)[3]
- there are also signs that income inequalities within the pensioner population may be growing again (ibid)
- around 800,000 people over the age of 65, or 8 per cent of pensioners, fall below the basic minimum on the Material Deprivation Index – a list of 15 goods and services without which you can be considered deprived – in 2015/16 (McGuiness, 2016)
- as set out previously an increasingly large number of people are not able to access state care and 1 in 10 face catastrophic care costs (in excess of £100,000) (Triggle, 2015).

The challenge for policy makers is to find new revenues for social care in a way that helps pensioners in need – both those on low incomes and all of those who face potentially catastrophic care costs – by giving them access to high quality social care when they need it but not by reducing the incomes of the most vulnerable (e.g. exacerbating or extending poverty).

3 A household is in relative poverty (also called relative low income) if its income is below 60 per cent of the median household income.

FIGURES 2.1 AND 2.2: RELATIVE POVERTY ACROSS AGE GROUPS OVER TIME





Source: House Of Commons Work And Pensions Committee (2016)

It seems unlikely that option 1 – raising more revenue from private sources – will meet the criteria set out above. An increase in out-of-pocket payments (or similar) is unlikely to protect the most vulnerable pensioners, many of whom would end up being unable to afford sufficient care (as we can see currently as a result of the financial crunch).

Choosing from the remaining options is more challenging. To help us assess their relative strengths and weaknesses we have conducted modelling using our tax-and-spend model to identify:

- how much funding each of the options raises (criteria 1)
- how the cost of this is distributed across the populace (criteria 2).

The results of this modelling is presented in chapters 3 and 4, while chapter 5 looks at how politically achievable each of these options are (criteria 3).

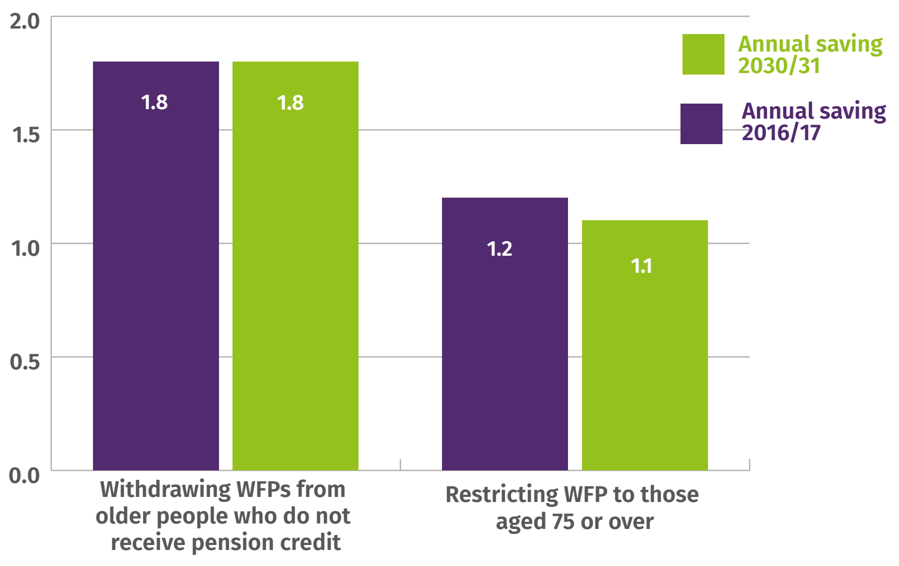
3.
RE-DIRECTING OLD AGE SPEND

As set out in chapter 2, a frequently discussed option for social care funding is redirecting existing government spending. There are endless potential sources of spending that could be considered, however, the debate so far has largely focussed on spending on older people, with the governments pre-election proposals including means testing Winter Fuel Payments (WFP) and scrapping the Triple Lock on pensions (Conservative Party, 2017). This chapter examines how much revenue these options would raise and their distributional impact on pensioners.

Winter Fuel Payments

There has long been discussion about whether certain universal pensioner benefits should become means tested. Such benefits include free TV licenses (at 75 years), free bus passes and WFP (at female state pension age). WFP is usually considered the most viable as a revenue raiser as, at £2.1 billion per annum, it currently costs the tax payer significantly more than the others.

FIGURE 3.1: POTENTIAL ANNUAL SAVING (£ BILLION) IN 2016–17 AND 2030–31 UNDER REFORM OF WFP



Source: Authors' analysis

WFP is the provision of tax-free sum of £100–£300 per year for all pensioners to help pay their gas and electricity bills. The 2017 Conservative Party Manifesto included a pledge to means test WFP in order to fund social care – later

reversed as part of their ‘confidence and supply’ deal with the DUP. But the pledge did not specify what criteria would be applied to this means test (Conservative Party, 2017). IPPR modelled a range of options – including taxing WFP and withdrawing WFP for higher rate tax payers – however, the two options that seemed the most viable were:

- withdrawing WFP from older people who do not receive Pension Credit as recommended by the the IFS (Adam et al, 2012)
- restricting WFP to those aged 75 and over.

This modelling shows that the option that would raise the most money – and therefore perform the best in terms of criteria 1 – is restricting WFP to those on Pension Credit (saving £1.8 billion per annum). However, this is not enough to fill the funding gap and it is also a regressive option in that the poorest pensioners lose a higher share of their income than do the richest (as is mean testing by age).

TABLE 3.1: DISTRIBUTIONAL IMPACT OF RESTRICTING WFP ON SINGLE PENSIONER (ANNUAL CHANGE)

Criteria	Year	Decile 1 – Poorest	Decile 3 – Low/ middle income	Decile 10 – Richest
Restricting WFP to those on Pension Credit	2016-17	- £170 (3.5 per cent)	- £150 (1.6 per cent)	- £140 (0.4 per cent)
	2030-31	- £150 (1.4 per cent)	- £140 (1.1 per cent)	- £140 (0.2 per cent)
Restricting WFP to those over 75 years old	2016-17	- £70 (1.5 per cent)	- £110 (1.2 per cent)	- £90 (0.2 per cent)
	2030-31	- £110 (2.1 per cent)	- £90 (0.7 per cent)	- £90 (0.2 per cent)

Source: Authors’ Analysis. Note: Full results in appendixes 1–3

For example, while older people in the top household income decile stand to lose, on average, 0.4 per cent of their income, or £140 a year, those in the bottom income decile would lose 3.5 per cent of their income, or £170 a year (in 2016/17). This occurs because pensioners in the lower income groups are more likely to be over 80. and therefore receive the higher winter fuel payment, but may not be claiming Pension Credit and will therefore lose a much greater share of their income if WFP is taken away as well.

Pension Credit

Pension Credit is an income-related benefit made up of two parts – Guarantee Credit and Savings Credit – which are available to everyone under a certain income level and over the female state pension age (63 and rising).

- Guarantee Credit tops up your weekly income if it’s below £159.35 (for single people) or £243.25 (for couples).
- Savings Credit is an extra payment for people who saved some money towards their retirement, for example a pension.

The aim of Pension Credit is to top up the income of any pensioners who are deemed to be at risk of falling below a basic minimum which is defined as anyone over state pension age with a weekly income of less than £159.35 (or £243.25 if you are a couple) with extra financial support to those with a disability or who are a carer.

In 2015/2016, around 1.95 million pensioner households received Pension Credit, however this is less than two-thirds of the eligible

population: 1.4 million families who were entitled to receive Pension Credit did not claim the benefit in 2015/16 (DWP, 2017).

This is concerning because this is a significant amount of support – worth £2,000 per year for each family entitled to receive Pension Credit who did not claim the benefit (DWP, 2017) – not provided to potentially vulnerable pensioners.

However, its also problematic because, as alluded to above, Pension Credit is often used as a 'gateway benefit' to other state support (e.g. reductions in Council Tax, free dental treatment etc.). The impact of not claiming Pension Credit is therefore often larger than the value of Pension Credit alone – and would grow further if WFP were means tested against it as well – potentially depriving some of the most vulnerable pensioners of much needed support.

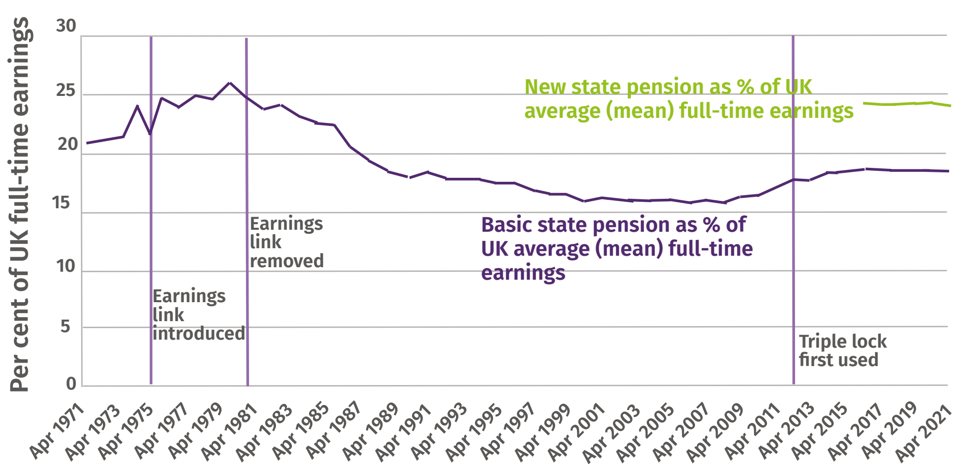
TRIPLE LOCK ON PENSIONS

Another option available to policymakers is redirecting pensions spending on older people into social care. Since 2012, the state pension has grown in line with 'triple-lock'. This states that the Basic State Pension – or now the New State Pension – will grow by the highest of:

- price inflation, measured by the Consumer Price Index (CPI)
- average earnings growth or
- 2.5 per cent.

The government confirmed its commitment to retaining the Triple Lock until 2020 in the June 2015 Budget – although the 2017 Conservative Manifesto proposed scrapping it (ibid), a position which was subsequently reversed as part of the 'confidence and supply' deal with the DUP.

FIGURE 3.2: BASIC STATE PENSION AS A PERCENTAGE OF UK FULL-TIME EARNINGS OVER TIME



Source: House Of Commons Work And Pensions Committee (2016)

This policy was originally justified on the basis of high levels of pensioner poverty and a long-term decline in the value of the state pension relative to average

earnings (House of Commons Work and Pensions Committee, 2016). However, lower earnings growth – and the introduction of the flat rate new state pension – has succeeded in both increasing the value of the state pension relative to average earnings (see figure 3.2) and reducing pensioner poverty relative to the other groups in society (as set out earlier in the chapter) (ibid).

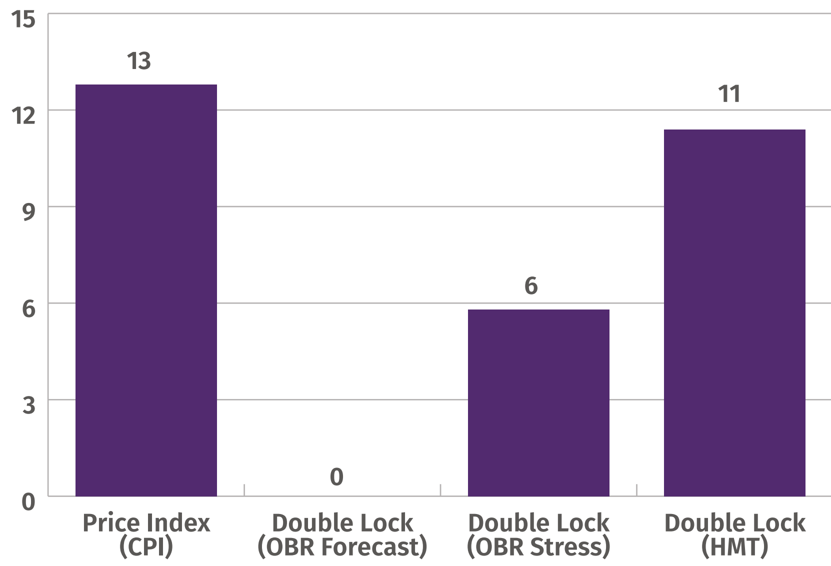
This – alongside the significant cost of the Triple Lock to the taxpayer – has led some to advocate a change of policy. A number of options have been proposed.

- A return to price indexation (inflation), the policy in place until 1980, as advocated by the Institute for Economic Affairs (Bourne, 2015)
- A double lock' as advocated by Baroness Altmann (House of Commons Work and Pensions Committee, 2016) and included in the 2017 Conservative Party Manifesto (2017). This would see the Basic State Pension and New State Pension increase by the highest of either price inflation or average wages.
- A Smoothed Earnings Link which would see BSP and NSP grow by earnings except if inflation exceeded wage growth. In this scenario it would track inflation until it meets a fixed minimum proportion of average earnings at which point it would return to tracking earnings (Emerson and Hood, 2017).

The latter option is considered to be the most effective as it ensures the pension level keeps pace with both earnings and inflation without consistently exceeding both which is the problem with the double lock which always goes up by the higher of the two (the so called 'ratchet effect') (ibid). However, given data availability we have only modelled the first two options set out above.

Moreover, as the impact of this policy is incremental rather than absolute, the savings – and impacts on individuals – are only accrued over time. We therefore modelled the impact of the various policy options by 2030/31 rather than 2016/17 as per the other policy options considered in this report.

FIGURE 3.3: POTENTIAL ANNUAL SAVING (£ BILLION) IN 2030/31 UNDER REFORM OF TRIPLE LOCK



Source: Authors' analysis

This shows that linking pensions back to prices (CPI) is the option that raises the most revenue (£12.8 billion) while, at first glance at least, the OBR forecasts show that the 'double lock' saves nothing. This is because wages are forecast to rise above 2.5 per cent (the element of the Triple Lock that would be dropped under a double lock) meaning there is no difference between the two policies.

However, using the OBR's stress test scenario and HMT's independent forecast's minimum growth estimate – both of which make more conservative assumptions about wage growth – this changes, raising £5.8 billion or £11.4 billion respectively, therefore potentially performing strongly on our sufficiency criteria (though this is not guaranteed and would take time to accrue). This is because under a scenario where wages are lower (below 2.5 per cent) dropping the Triple Lock reduces the pace of pension growth.

TABLE 3.2: DISTRIBUTIONAL IMPACT OF SCRAPPING THE TRIPLE LOCK ON SINGLE PENSIONER 2030/31

Criteria	Decile 1 – Poorest	Decile 3 – Low/Middle Income	Decile 10 – Richest
Price Index (CPI Index)	- £90 (1.1 per cent)	- £210 (1.5 per cent)	- £1,310 (2.6 per cent)
Double Lock (OBR Forecasts)	-	-	-
Double Lock (OBR Stress Test)	- £30 (0.5 per cent)	- £60 (0.5 per cent)	- £390 (1.9 per cent)
Double Lock (HMT Independent Average Forecasts)	- £50 (0.7 per cent)	- £390 (3.1 per cent)	- £660 (1.3 per cent)

Source: Authors' analysis.

Note: Full results in appendix 1-3

On fairness, the distributional modelling shows that this policy – whichever version was selected – would be broadly progressive in that higher income groups would lose a larger percentage of their income than poorer groups. For example, using HMT's figures (a double lock), a single pensioner in the bottom decile would lose £50 (0.7 per cent of their income) compared to £660 for the top decile (1.3 per cent of their income). It could also help to address some of the perceived intergenerational inequity of the last decade by ensuring pensioner incomes do not consistently outstrip wages.

CONCLUSIONS

The evidence presented in this chapter suggests that neither means testing WFP or scrapping the triple lock in isolation will raise enough money – at least in the short term – to plug the social care funding gap (except if wages continue to stagnate when the latter will deliver more significant savings). Moreover, our modelling also raises concerns about the distributional impact of policies such as means testing WFP, particularly against Pension Credit. The political challenges involved in these changes – criteria 3 as set out in chapter 2 – are investigated in chapter 5.

4.
RAISING NEW REVENUES

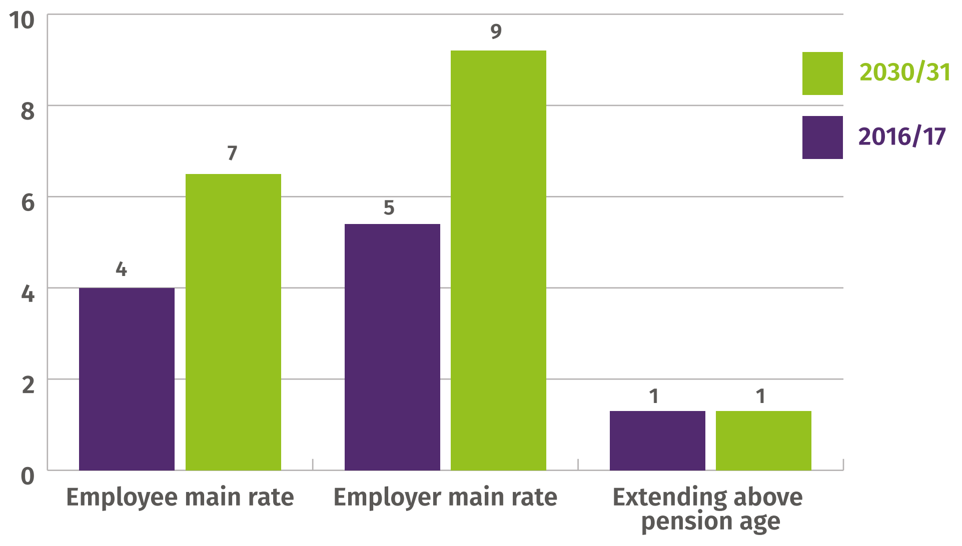
If the government is unable or unwilling to fill the social care funding gap by redistributing older age spend – at least in the short term – then it must look at ways of raising additional revenue through taxation. This chapter examines how this might be achieved by either taxing income (via National Insurance) or wealth (via Inheritance Tax), setting out how much each of these options would raise and the distributional impact of them on people at both ends of the income/wealth spectrum.

NATIONAL INSURANCE

One of the most commonly cited sources of potential funding for health and care is an increase in National Insurance Contributions (NIC). This is often seen as the most viable option for raising extra tax revenue because the public perceive it to operate as an insurance fund for health and care needs in old age, rather than being pooled together with the wider tax base (PWC, 2015).

As it stands, NICs raises around £125.9 billion per year (for the year 2016/17). We have modelled how much additional funding NICs could raise given changes to either employees' (from 12 to 13 per cent) and employers' NICs or by extending employees' NICs to people above the state pension age (see figure 4.1).

FIGURE 4.1: POTENTIAL ANNUAL REVENUE (£ BILLION) IN 2016/17 AND 2030/31 UNDER 1PP INCREASE IN NICS



Source: Authors' analysis

The results show that this option performs well in terms of the amount of revenue it raises (when compared with the £2.7 billion funding gap in 2020/21 and £9.5 billion in 2030/31), particularly a rise in NICs via the employees or employers'

main rate, which would raise £4 billion and £5.4 billion respectively in 2016/17 and significantly more in 2030/31.

Meanwhile, an increase the employers' main rate is also broadly progressive. For example, it would see the poorest working families loose £20 per annum (0.1 per cent of their income) compared to £1,220 per annum for the richest families (1.2 per cent of their income). By contrast an increase in the employee main rate would be less progressive, because people with low or middle incomes would pay the same share of their income as the richest.

TABLE 4.1: DISTRIBUTIONAL IMPACT OF INCREASED NICS ON TWO ADULTS WITH CHILDREN (OR SINGLE PENSIONER)

Criteria	Year	Decile 1 – Poorest	Decile 3 – Low/ Middle Income	Decile 10 – Richest
Employee main rate between secondary and upper earnings limit	2016–17	- £20 (0.1 per cent)	- £120 (0.5 per cent)	- £460 (0.5 per cent)
	2030–31	- £30 (0 per cent)	- £230 (0.7 per cent)	- £630 (0.5 per cent)
Increasing the NI employer main rate	2016–17	- £20 (0.1 per cent)	- £130 (0.6 per cent)	- £1,220 (1.2 per cent)
	2030–31	- £50 (0.2 per cent)	- £250 (0.8 per cent)	- £1,840 (1.2 per cent)
Extending NI above state pension age	2016–17	£0 (0 per cent)	- £10 (0.1 per cent)	- £640 (1.3 per cent)
	2030–31	£0 (0 per cent)	£0 (0 per cent)	- £650 (1.0 per cent)

Source: Authors' analysis. Note: Full results in appendix 1-3

WEALTH TAXES

Wealth taxes – meaning taxes on personal capital, notably housing – are often discussed in the context of the social care funding gap (Barker, 2014). This is because such measures have an intuitive appeal because some older people have significantly higher levels of wealth. For example, baby boomers (those born between 1946 and 1965) hold over half of the country's wealth compared to millennials (those born between 1981 and 1995) who hold only 2 per cent (D'Arcy and Gardiner, 2017).

This wealth gap between those of working age and the older population is partly inevitable because wealth is accrued over a lifetime and peaks at retirement age (ibid), but it is also because of the change in economic and social circumstances – as well as government policy – in the intervening period (ibid).

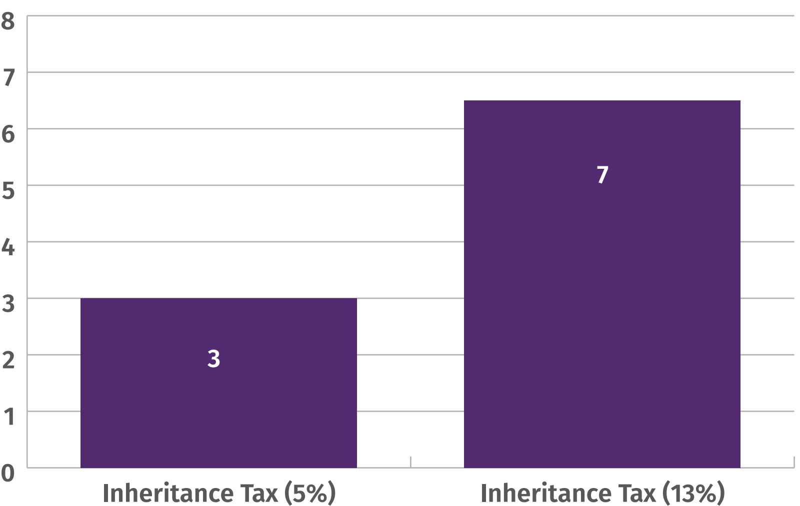
Many have argued that this wealth gap means older people could and should contribute more to the cost of care by selling their houses/assets to pay for care (as many already do) or collectively via a wealth tax. A number of proposals are worth noting.

- An increase in inheritance tax, which currently raises £4.8 billion per year and is levied on estates worth more than £325,000 at 40 per cent. This is basically what was proposed by Andy Burnham (then Secretary of State for Health) back in 2010 when he proposed a 10–15 per cent 'Care Duty' upon death.
- A lump-sum charge on estates above a certain threshold payable at the time of care, in instalments or at death. There may – or may not – be cap on the amount paid by an individual.

- The inclusion of one's wealth (property) in the means test for domiciliary care and an extension of the threshold for support up to £100,000 as proposed by the Conservatives at the 2017 election (Conservative Party, 2017).

We present modelling of a variant[4] on the first of these options undertaken by the Strategic Society Centre.[5] The first is a five per cent 'Care Duty' on estates worth more than £25,000 and the second shows a 13 per cent levy.

FIGURE 4.2: POTENTIAL ANNUAL REVENUE (£ BILLION) UNDER INHERITANCE TAX INCREASE (2007/8)



Source: Strategic Society Centre

TABLE 4.2: DISTRIBUTIONAL IMPACT OF INCREASED INHERITANCE TAX ON DIFFERING ESTATES (2007/8)

	£40,000–£50,000 Low House Value		£100,000–£200,000 Average House Value		£1000,000–£2000,000 High House Value	
IHT (5 per cent)	£1,000	2 per cent of total wealth	£6,250	4 per cent of total wealth	£73,750	5 per cent of total wealth
IHT (13 per cent)	£2,600	3 per cent of total wealth	£16,250	11 per cent of total wealth	£191,750	13 per cent of total wealth

Source: Strategic Society Centre

It is worth noting that these numbers (figure 4.2 and table 4.2) are less robust than the others presented in this paper for a number of reasons.

- Firstly, this modelling uses data from 2007/08 rather than 2016/17 and house prices and total wealth has risen.
- Secondly, this modelling makes no assumption about how these policies interact with the existing Inheritance Tax regime, which would have a big

4 In order to model changes in Inheritance Tax, information on wealth, assets and property values are required – which falls beyond the capability of the IPPR tax-benefit model. We therefore use a variant of the modelling using secondary data.

5 See: http://strategicsociety.org.uk/wp-content/uploads/2013/01/Charges-Taxes-Estates-and-Care.pdf

impact on how much additional revenue this policy could raise and how progressive or regressive the overall wealth tax regime was.

- Thirdly, it makes no assumption about how people will respond to a wealth tax (e.g. by moving wealth around geographically and across the generations to avoid tax).

However, taking the results of the modelling at face value, it shows that a wealth tax of this kind could raise significant sums of money – up to £6.5 billion a year on a 13 per cent tax – as per criteria 1. Moreover, this policy is also broadly progressive in that, as total wealth (the value of someone's property) increases so does the percentage of that wealth paid in inheritance tax as per criteria 2.

For example, assuming a 13 per cent tax rate, someone with a property worth between £100,000–£200,000 would pay £16,250 in tax (11 per cent of their wealth) compared with £191,750 for someone with a house worth in excess of £1 million (13 per cent of their wealth), rising further if this was in addition to the existing inheritance tax regime.

CONCLUSIONS

Our modelling – alongside that of the Strategic Society Centre – shows that both an increase in NICs and a wealth tax could raise substantially more revenue than re-directing existing old age spend. Moreover, depending on the exact design and implementation of these policies, both are also progressive in that those with a higher income (or wealth) contribute a larger share of their income (or wealth) to the tax base. The political challenges involved in these changes – criteria 3 as set out in chapter 2 – are investigated in chapter 5.

5.
THE POLITICS OF SOCIAL CARE FUNDING

A BRIEF HISTORY OF SOCIAL CARE REFORM

For decades, politicians have recognised the need to reform and better fund social care. At the root of this has been an agreement that the separate funding systems and settlements of health and social care services – enshrined in law through the National Health Service Act 1946 and National Assistance Act 1948 respectively – have become unsustainable, leaving social care as a 'cinderella service'.

In 1997, Tony Blair pledged at his first Labour Party Conference as leader that he would put an end to older people having to sell their homes to pay for care. Two decades on – and despite two independent commissions, three consultations, five White and Green Papers and two (formal) attempts at gaining a cross-party consensus (see figure 5.1) – very little has changed (Humphries, 2013).

The problem has not been a shortage of potential policy solutions. In recent years a series of options have been put forward and considered including:

- a near-fully tax funded system often termed a National Care Service (DoH 2010; Barker 2014)
- the adjustment of the means test (and cap on care costs) applied to social care to (amongst other things) stimulate a private insurance market (Dilnot 2011).

The challenge has been gaining political support – among the public and politicians – for such changes.

The rise and fall of Dilnot

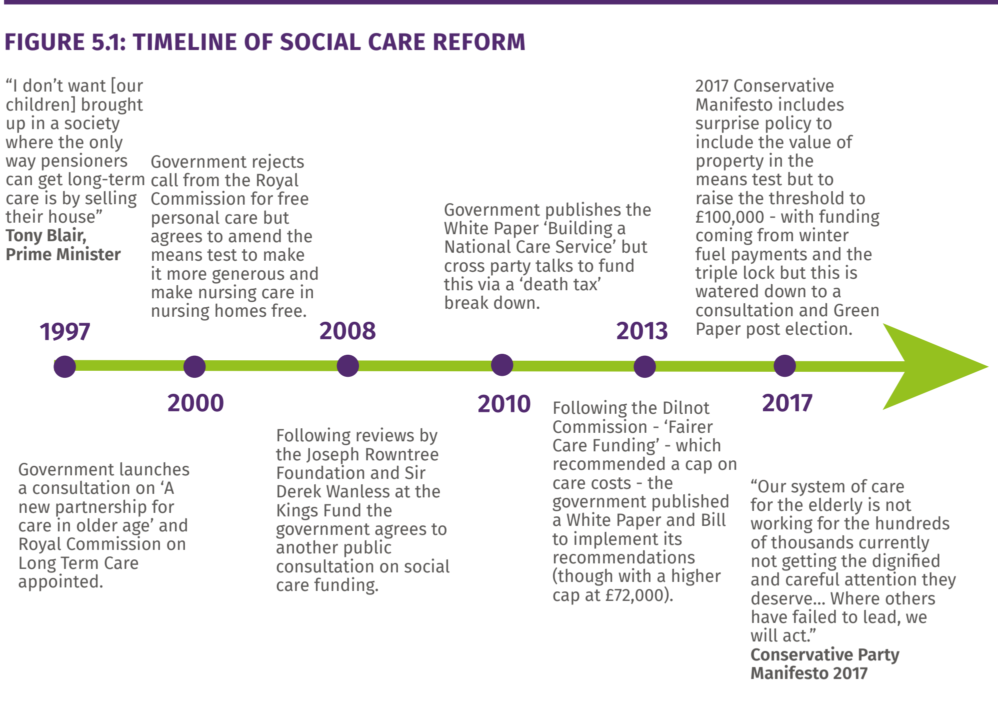
In May 2010, the newly-established Coalition government created the Commission on Funding of Care and Support, led by Sir Andrew Dilnot, to consider how best to achieve an affordable and sustainable social care system for all adults in England. A year later, the commission published its recommendations (Dilnot, 2011) which included:

1. the creation of a cap on lifetime contributions to adult social care of £25,000 – £50,000 to protect people from catastrophic care costs beyond which state would step in
2. an increase in the means test – below which the state covers the cost of care – from £23,250 to £100,000
3. eligibility criteria – and the state's offer of support – should be universalised across the country to reduce the postcode lottery and there should be portability of assessment.

The Dilnot Commission Report appeared to be a significant breakthrough in social care policy. The government stated its support for the central proposals of the Dilnot Commission (a capped cost model and extended means test) in the White Paper, Caring for our Future (HM Government, 2012a) and a draft Care and Support Bill (HM Government, 2012b), although it put off implementing them until the following parliament.

In 2015 the government announced that the introduction of the Dilnot cap would be deferred until 2020 after council leaders asked for the allocated funding to be used to ease the crisis in day-to-day social care services (Triggle, 2015). Theresa May's announcement (see below) during the 2017 election then seemed to scrap the proposal for a cap altogether, although she reversed this position just a few days letter.

FIGURE 5.1: TIMELINE OF SOCIAL CARE REFORM



Source: Adapted from Humphries (2013)

This problem – related to the politics of social care funding – was established once again during the 2017 General Election with Theresa May's decision to promise in the Conservative Party Manifesto to raise the threshold for state support of social care to £100,00 to be funded by means testing WFP and scrapping the Triple Lock, whilst dropping the 'Dilnot cap' (Conservative Party, 2017).

Branded a 'Dementia Tax' by critics – and considered an attack on the Conservative base by many in May's own party – most deemed this move to be a contributing factor in the Conservatives' (relatively) poor performance in the election. Under pressure, the government have now backed down on any firm proposals and have instead promised to undertake another public consultation covering all of the available options and publish a Green Paper on this topic (Queen's Speech, 2017).

The question now facing the government is not just what they should consult on or recommend in the Green Paper, but how they should gain political support for any proposed measures once they have done this. In this chapter we aim to address these questions, collating existing evidence on public opinion about social care reform alongside new qualitative evidence collected as part of this project (see info box below) to set out five lessons on the politics of social care reform.

Methodology

IPPR and Independent Age have conducted three focus groups over the last few months to assess people's perceptions of the sufficiency and fairness of the four possible changes to the funding of social care set out in previous chapters.

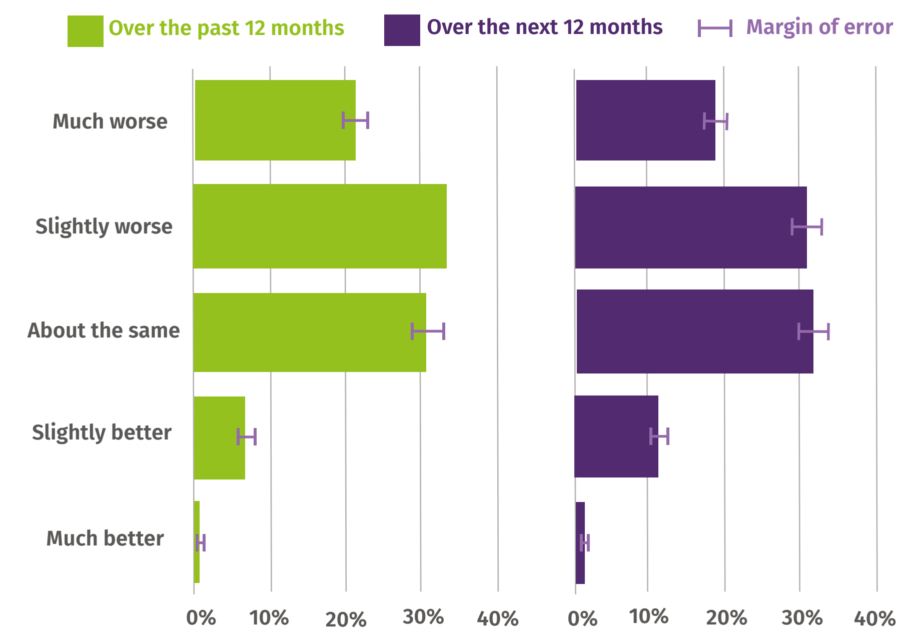
Groups were held in Bristol, London and Leeds. The Bristol and London groups were made up of older people (65+) while the Leeds participants were aged between 40 and 65. Participants were drawn from a range of backgrounds in terms of wealth, living arrangements and ethnicity.

People involved in the focus groups were shown information relating to the impact of the four possible changes to social care funding including the total revenue raised and the impact on household incomes and wealth at both ends of the distributional spectrum and were asked to discuss their sense of whether these changes were fair or unfair.

Lesson #1: The public want more from the social care system and (largely) recognise that more money is needed to deliver this

Polls and our own qualitative research provide strong evidence that people are aware of the pressures on social care and the impact of this on the quality and quantity of care available. For example, recent polling undertaken by Ipsos Mori on behalf of the Health Foundation found that 92 per cent of people believed that social care had got worse - or not improved - over the last year and 50 per cent believed it would do so again over the next year (Health Foundation, 2017b).

FIGURE 5.2: PUBLIC PERCEPTIONS OF THE QUALITY OF CARE NOW AND IN THE FUTURE



Source: Health Foundation (2017b)

There is also evidence that people are unhappy about this trend and want more from the system. A poll undertaken by BMG ahead of the last budget found that care funding was people's second highest priority, ahead of a tax cut for working

families or more funding for schools, but behind funding for the NHS (BMG, 2017). Likewise, a recent Survation poll found that over 70 per cent of people believe care visits should take longer than half an hour (Survation, 2017).

This translates into a willingness to accept that the social care system needs more money. For example, Survation found that only 8 per cent of people said that they didn't think social care needed more funding (ibid) something corroborated in our focus groups as per the quotes below:

> *'The cost of social care is only going to rise, because more people in the country, people are living older, it's only going to get more and more.'*
> **Female, Leeds**

> *'Well, because there's more people all the time, surely the budget's got to go up to cope with the extra people.'*
> **Female, Leeds**

> *'I think the system isn't good but the reason it isn't good is because nobody's putting enough into it. We're expecting a service that they really can't provide in that way without more money.'*
> **Female, London**

Lesson #2: The public fundamentally challenge the current terms of the debate regarding how this gap should be filled

While people understand that social care needs more money to deliver higher quality care for all, they challenge the argument that this cannot be achieved without a redistribution of existing old age spend or an increase in taxes – the logic set out at the start of this paper and that underpinned the Conservative Party manifesto in 2017.

This is partly because some of the public – rightly or wrongly – have accepted the arguments frequently made by politicians that large sums of money can be obtained through methods that would not entail tough choices on the part of ordinary people, for example clamping down on wastage or tax avoidance.

> *'You are attacking the poor and the middle income. The corporation tax, daylight robbery, they rob us, and also the rich, they don't care.'*
> **Female, London**

> *'Why can't we look at the taxing of those on over £50,000? Why can't we look at the non doms? Why are we told that we have to look within this very insular... these very insular parameters?'*
> **Male, Leeds**

> *'I know it's a different argument, but why do we have to accept that it's the only way to do this is to rob Peter to pay Paul? Why...'*
> **Male, Leeds**

> *'Why can't we abolish the Lords and get the money out of there?'*
> **Male, Bristol**

In part, this also appears to be an expression of the lack of trust between the public and their elected representatives. This is trend that has been continually noted in polling and surveys. For example, the latest 'Veracity Index' published by Ipsos Mori (2016) shows that politicians remain the least trusted profession at just 15 per cent of respondents, a precipitous 6 per cent drop on the level of trust they enjoyed the year before. This sentiment was echoed in our focus groups:

'The people in their ivory towers just go 'Yeah, we'll do this,' as they're filling in their expenses claim for their three different houses, and everything.'

Male, Leeds

'I think the way the people that are making all these decisions, it doesn't affect them does it, so you know, they're in a different world.' –

Female, Leeds

The evidence presented in the rest of chapter 5 suggests that people are willing to debate the nuances of – and consider – raising taxes or (to a lesser extent) forgoing benefits.

However it is clear that before this debate is possible the Government must first reset the terms of the debate, to persuade people that these tough choices are the only options, and restore trust in their pronouncements.

Lesson #3: People might be willing to pay more tax or (to a lesser extent) forgo benefits for better care. But they don't think these changes should squeeze people on low or middle incomes

If government can overcome the challenges set out in lesson 2 then the evidence – both from polling and IPPR and Independent Age's research – suggests that people maybe willing to consider raising taxes or (to a lesser extent) forgoing some benefits to fund social care.

For example, a recent YouGov poll found that 61 per cent of people under 60 would be willing to pay more tax to fund social care, compared to just 15 per cent who would not (YouGov, 2016) (see figure 5.3). Likewise, roughly 50 per cent of people (of all ages) are supportive of the principle of means testing WFP (YouGov, 2017) rising further if this is targeted at higher income individuals (YouGov, 2015).

FIGURE 5.3: SUPPORT FOR INCREASING TAX TO PAY FOR SOCIAL CARE

Source: YouGov (2016)

This is (largely) corroborated by the qualitative research that we have undertaken (although changes to benefits were significantly more controversial than a rise in NICs).

'I don't think it's (a 1pp rise in NICs) such a drastic effect on…an average family…I think I'm in the middle (of the income spectrum), it wouldn't bother me. I'd rather pay that extra and get social care back.'

Female, Leeds

'We should fund it through Income Tax and I've never met anybody who's said they wouldn't be prepared to spend a penny or two more if it was going to be spent on a national social care system.'

Female, Bristol

'I'm one of those that thinks that the WFP should be based on need and income.'

Female, Bristol

'I don't agree with the 2.5 per cent (on the Triple Lock), that's like…we're going to throw this same thing at everyone, regardless…(it) should be linked with, I believe, inflation.'

Male, Leeds

However, across the board there is a very real concern that these changes could take much needed support away from people who cannot afford it (on low and middle incomes) rather than targeting these changes on those people who are better off.

'I think these fuel payments should be means tested, but I don't think it's right that the poorer people lose more, that's all that I think's unfair out of that.'

Female, Leeds

'I just don't think these people, who are in the lower band, can afford to lose £170 per year, 'cos they're struggling as it is to pay the gas and things like that already, with losing an extra £170 would put them even further down.'

Female, Leeds

'What worries me is the injustice in the way that they've got this system (for National Insurance) sorted out…that it's actually letting people who are getting over £40,000 get away with murder. So, I think they need to straighten that system up and take more money off the people who've got more money as used to be the case when I was being taxed.'

Female, London

Wealth taxes

While people seem willing to contemplate changes in NICs they are generally less supportive of the idea of an increase in Inheritance Tax. A number of concerns were expressed, including that the wealthiest in society would avoid it and that it represents double taxation.

'Yeah, well, it just goes back to being double taxed doesn't it, 'cos people have paid the tax as they earn it, and then use their money to buy that house, and then…'

Male, Leeds

'Wealthy people, have avoided paying into taxes, and they have been allowed to get away with it, so that's why we don't have that money sitting there, for the person who's honestly struggling.'

Female, Bristol

This is supported by wider polling, which finds that 66 per cent of people believe that inheritance tax should be kept the same or reduced rather than increased (YouGov, 2014), while another poll of the over-40s finds that only 21 per cent believe that home-owners should have to sell their home (or borrow against its value) to help pay for their social care (Survation, 2017).

Lesson #4: People want a fair deal across the generations and are unlikely to respond well to attempts to 'play the generations off against each other'

In recent years there has been much discussion among politicians and commentators about intergenerational fairness, with many arguing that the government's current offer to younger people vis-a-vis older generations is unfair to the former (Gardiner, 2016). However, while the evidence is fairly clear that, to some degree, this is the case (ibid), our qualitative research clearly shows that people perceive attempts by politicians to correct this (or to use this as a reason to make changes) as 'playing one generation off against the other'.

This ran counter to the prevailing view in our focus groups, which was a desire to ensure the social contract worked for both young and old and a sense of genuine concern for other generations. This partly manifested itself in concern about the narrative that all funding for care should come from older people, which participants felt stoked the perceived divide between older and younger generations – and failed to recognise the benefits that younger people might get by better social care funding.

'Again, that just gives the impression of throwing pensioners on the scrapheap, because we become Theresa May's magic money tree.'

Female, Bristol

'But that's, with great respect again, this is just a political ploy isn't it, to set older people against younger people, and vice versa, and that's again.'

Male, Bristol

Moreover, it also came up in the inverse: as a recognition that policies such as increasing NICs would shift all of the the burden for filling the gap onto working people.

'[Younger people] They're going to hate us even more.'

Male, London

'Just thinking about young people, who are starting work and faced with that, sort of, chunk of 13 per cent of their income, and you know, and they're looking ahead 40 years before they're going to see any benefit, and is it going to be anything like the benefits we're getting now.'

Male, Leeds

'I think it's harder for the younger generation, because it's harder for them to get on the property ladder now, because obviously, the properties have gone up in price so much, so therefore, they're

struggling anyway, to get onto that property ladder without adding something extra onto them in that sense.'

Female, Leeds

The implication of this for government is that, instead of highlighting the intergenerational divide and creating a 'new deal' for a specific generation, both rhetoric and policy should be targeted at creating a fair deal for all generations with a recognition of how changes can benefit all generations now and/or in the future. For example, an NIC rise could relieve caring duties on younger generations now, while improving care for older people both now and in the future.

Lesson #5: There will need to be a cross-party consensus and an extensive public awareness campaign to win the argument

There have long been calls for politicians to come together across the political divide to find a consensus on how social care should be funded and reformed. There are a number of reasons to support these calls.

- Firstly, given the lack of public awareness of – and agreement on – the solution to the social care crisis there needs to a clear and compelling public campaign to win support for any proposed reforms. This is harder to achieve if the proposals face opposition from other political parties.
- Secondly, implementing any funding and policy reforms in social care will be a complex process that takes more than one parliament to achieve. Failing to gain consensus across the main political parties risks any progress being undone at the next election.
- Finally, given the current government's lack of parliamentary majority, if any changes, particularly the reform agenda, require legislation, they may well need the support of the opposition to ensure they become law.

Moreover, despite two failed attempts at a cross-party consensus over the last decade (see figure 5.4) there are signs that there is enough common ground to build a shared reform and funding agenda. Both main political parties acknowledge that the system is not working as it stands. Both recognise that funding is inadequate to meet demographic pressures. Both want to join up health and care and pool budgets. And, both claim to be seeking a long-term sustainable solution.

FIGURE 5.4: PERCEPTIONS OF SOCIAL CARE AMONG MPS

Source: ComRes (2017)

This is borne out by recent polling of English constituency MPs conducted by ComRes on behalf of Independent Age, which revealed that only one in 10 MPs in England believe that the current social care system is suitable for the UK's ageing population (ComRes, 2017). Meanwhile, 86 per cent agreed that cross-party consensus is needed to deliver a lasting settlement for health and social care, with four in ten strongly agreeing – with both Conservative (84 per cent) and Labour (88 per cent) agreeing with this (Ibid).

CONCLUSIONS

Over the last few decades various governments have struggled to turn good policy intentions about social care into reality. The political cost of pushing through such reforms has often seemed to outweigh the benefits of doing so. However, the state of care in England is now such that politicians cannot continue to 'kick the can down the road'.

Our qualitative research – alongside other published analysis – suggests that if government can reset the terms of debate and build trust with the public, people maybe willing to consider paying more tax or (to a lesser extent) forgo benefits, particularly if changes are targeted at higher income groups.

However, politicians face an uphill task to overcome public scepticism about the need to do so given prior rhetoric about the possibility of efficiency savings and reductions in tax avoidance. Doing so will require a concerted public engagement exercise, a narrative that avoids stoking the intergenerational divide and is agreed upon across the main political parties.

6.
CONCLUDING REMARKS

Since 2010/11 social care has experienced unprecedented cuts in expenditure, which have led to a number of pressures on the frontline including:

- a growth in unmet need
- a greater reliance on informal care
- strains on quality and safety; rising workforce pressures
- growing precarity in provision.

The evidence presented in this paper suggests that voters are tiring of these trends: they want better quality care that is available to all in need.

While funding is now rising again these pressures on services – particularly a result of the ageing of our population – are not going to abate. This will lead to a significant funding gap for services totalling £2.7 billion in 2020/21 and £9.5 billion by 2030/31. The evidence suggests that this is not something that can be managed through efficiency savings and must be solved by greater investment by government. The analysis set out in this paper looks to assess a number of options to fill this funding gap including means testing Winter Fuel Payments, scrapping the Triple Lock on pensions, increasing National Insurance contributions and increasing Inheritance Tax. We do this against three criteria – that funding sources should be sufficient, fair and politically achievable – with an objective to satisfy all three simultaneously.

The aim of this paper is not to make a specific recommendation to government as, ultimately, all of these options are justifiable. They depend on government – and society at large – making a political judgement and we wish to highlight the tradeoffs involved in each. The results of this analysis are presented – in the crudest possible form – in table C.1.

TABLE C.1: SUMMARY OF RESEARCH FINDINGS

	Sufficient	Fair	Politically achievable
Means Test Winter Fuel Payments	Only raises a relatively small amount of money	People on low incomes pay larger share than those on high incomes	Some political support if targeted at the wealthiest
Scrap Triple Lock	Could raise substantial amounts of money in the long term but only if wages remain stagnant	People on high incomes pay larger share than those on low incomes	Some support but fears it will hit vulnerable pensioners (who are also more likely to vote)
Increase National Insurance Contributions	Raises substantial sums of money in the short and long term	People on high incomes pay larger share than those on low incomes	Support for NICs but concern that it might hit low and middle income families
Increase Inheritance Tax	Raises substantial sums of money in the short and long term (assuming limited avoidance)	People with higher wealth pay larger share than those with low wealth	People are instinctively opposed to a wealth tax. Would need substatial work to win support for it

Source: Authors' analysis

What is clear from our research is that if politicians want to make progress on this issue they will have to think as much about the politics of their solution as the policy design. In particular, while the public accept the need for more funding in social care, they are sceptical about the current terms of debate which imply that this must come from tax increases or benefits cuts. This is partly because of the breakdown in trust between the public and their political representatives, but also because many have accepted the argument that government could fund this through alternative means such as efficiency savings (across government at large) or by clamping down on tax avoidance.

If government can overcome this – if they are able to reset the terms of the debate and build trust – the evidence presented in this paper suggests that people maybe willing to pay more tax (particularly via NICs) or (to a lesser extent) forgo benefits, if they feel that the changes are fair particularly to all generations and to those on low and middle incomes. Winning this debate will require a real and clear public consultation and communications effort – and would likely benefit from a cross-party consensus to create the space to win over the public to some of these proposals.

In the face of the tricky political questions surrounding the issue of reforming and funding social care, previous governments have chosen to 'kick the can down the road'. This is no longer an option. The Conservative Party seemed to recognise this in their 2017 Manifesto, stating: 'Where others have failed to lead, we will act.' Meanwhile the Labour Party promised to: ' seek consensus on a cross-party basis about how it [social care] should be funded.' Now is the time for politicians of all stripes to come together to live up to these promises and deliver the funding and reform our social care system so desperately needs.

REFERENCES

Adam S et al (2012) *Pensioners and the tax and benefit system*, IFS. https://www.nuffieldfoundation.org/sites/default/files/files/Pensioners%20and%20the%20tax%20and%20benefit%20system%20IFS%20briefing%20note.pdf

ADASS (2017) *ADASS Budget Survey 2017*, ADASS. https://www.adass.org.uk/media/5994/adass-budget-survey-report-2017.pdf

Age UK (2017) *Briefing: Health and Care of Older People in England 2017*, Age UK. http://www.ageuk.org.uk/Documents/EN-GB/For-professionals/Research/The_Health_and_Care_of_Older_People_in_England_2016.pdf?dtrk=true

Barker, K (2014) *A New Settlement For Health and Social Care: Final Report*, King's Fund. https://www.kingsfund.org.uk/publications/new-settlement-health-and-social-care

BMG (2017) Independent/BMG Poll: NHS & Social Care Funding a Priority for the Public, BMG Research. http://www.bmgresearch.co.uk/nhs-social-care-funding-priority/

Bourne R (2015) *Why the Triple Lock is a costly economic – and political – mistake?*, IEA. https://iea.org.uk/blog/why-the-uk-pensions-triple-lock-is-a-costly-economic-%E2%80%93-and-political-%E2%80%93-mistake

Care and Support Alliance (2017) *Social workers speak out about the state of care today*, Care and Support Alliance. http://careandsupportalliance.com/wp-content/uploads/2017/09/CSA-Social-Workers-Speak-Out-Report-2017-FINAL-WEB.pdf

Charlesworth A, Firth A, Fisher R, Gershlick B, Gray H, Roberts A, Starling A, Thorlby R and Watt T (2017) *The social care funding gap: implications for local health care reform*, Health Foundation. http://www.health.org.uk/publication/social-care-funding-gap-implications-local-health-care-reform

ComRes (2017) Independent Age Perceptions Of Social Care Survey, ComRes. http://www.comresglobal.com/polls/independent-age-perceptions-of-social-care-survey/

Conservative Party (2017) *Forward Together: The Conservative Party Manifesto*, Conservative Party, https://www.conservatives.com/manifesto

Cromarty H (2017) *Adult Social Care Funding (England) Briefing Report*, House of Commons Library. http://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7903#fullreport

CQC (2017) *The State of Adult Social Care 2014–17*, CQC. http://www.cqc.org.uk/publications/major-report/state-adult-social-care-services-2014-2017

D'Arcy C and Gardiner L (2017) *The Generation of Wealth: Asset Accumulation Within and Across Cohorts*, Resolution Foundation. https://www.intergencommission.org/wp-content/uploads/2017/06/Wealth.pdf

D'Arcy C and Finch D (2016) *Making the Living Wage: The Resolution Foundation review of the Living Wage*, Resolution Foundation. http://www.resolutionfoundation.org/

DWP (2017) *Income-Related Benefits: Estimates of Take-up*, DWP, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/645577/income-related-benefits-estimates-of-take-up-2015-16.pdf

Dilnot A (2011) *Fairer Care Funding: The Report of the Commission on Funding of Care and Support*, Department of Health. http://webarchive.nationalarchives.gov.uk/20130221121529/https://www.wp.dh.gov.uk/carecommission/files/2011/07/Fairer-Care-Funding-Report.pdf

Department of Health [DoH] (2010) *Building the National Care Service*, Department of Health. https://www.gov.uk/government/uploads/system/uploads/attachment_ data/file/238441/7854.pdf

DWP (2017) *Households Below Average Incomes Statistics*, DWP. https://www.gov.uk/government/collections/households-below-average-income-hbai--2

DWP (2016) *Households Below Average Incomes Statistics*, DWP. https://www.gov.uk/government/statistics/income-related-benefits-estimates-of-take-up-financial-year-201415

Emerson C and Hood A (2017) *Moving from a Triple to a Double Lock does little to long-run state pension affordability*, IFS. https://www.ifs.org.uk/publications/9238

Franklin B and Urzi Brancati C (2015) *Moved to care: the impact of migration on the adult social care workforce*, Independent Age. https://www.independentage.org/policy-research/research-reports/moved-to-care-impact-of-migration-on-adult-social-care-workforce

Gershlick B et al (2017) *Election Briefing: A Sustainable Workforce*, Health Foundation. http://www.health.org.uk/publication/election-briefing-sustainable-workforce

Health Foundation (2017) Health and Social Care Funding Explained, Health Foundation. http://www.health.org.uk/node/10302

Health Foundation (2017b) *What does the public think about NHS and social care services?*, Health Foundation. http://www.health.org.uk/sites/health/files/Polling2017_web.pdf

HM Government (2012a) Caring for our Future: White Paper. London: The Stationery Office

HM Government (2012b) Draft Care and Support Bill. Cm 8386. London: The Stationery Office. www.official-documents.gov.uk/document/cm83/8386/8386.pdf

Her Majesty's Treasury [HMT] (2017) *Forecasts for the UK economy: A comparison of independent forecasts – June 2017*, HMT. https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-june-2017

House of Commons Work and Pensions Committee (2016) *Intergenerational fairness Third Report of Session 2016–17*, House of Commons. https://publications.parliament.uk/pa/cm201617/cmselect/cmworpen/59/59.pdf

Humphries R (2013) *Paying For Social Care: Beyond Dilnot*, Kings Fund. https://www.kingsfund.org.uk/publications/paying-social-care

Humphries R et al (2016) *Social Care For Older People: Home Truths*, Kings Fund. https://www.kingsfund.org.uk/sites/default/files/field/field_publication_file/Social_care_older_people_Kings_Fund_Sep_2016.pdf

Independent Age (2017) *Care home performance across England*, Independent Age. https://www.independentage.org/sites/default/files/2017-04/Regional_care_home_performance_briefing.pdf

Ipsos Mori (2016) Veracity Index, Ipsos Mori. https://www.ipsos.com/sites/default/files/migrations/en-uk/files/Assets/Docs/Polls/ipsos-mori-veracity-index-2016-charts.pdf

Jagger C (2017) *The Cognitive Functioning and Ageing Study*, Newcastle University. http://www.ncl.ac.uk/press/news/2017/08/cfasresearch/

Jarett T (2017) *The Care Home Market (England)*, House of Commons Library. http://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7463#fullreport

Lawrence M (2016) Future proof: Britain in the 2020s, IPPR. https://www.ippr.org/research/publications/future-proof-britain-in-the-2020s

LGA (2014), *LGA Adult Social Care Efficiency Programme: The Final Report*, LGA. https://www.local.gov.uk/sites/default/files/documents/lga-adult-social-care-eff-549.pdf

McGuiness F (2016) *Poverty in the UK: Statistics Research Briefing*, House of Commons Library. http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN07096

Office for Budget Responsibility [OBR] (2017a) *Economic and fiscal outlook – March 2017*, OBR. http://budgetresponsibility.org.uk/efo/economic-fiscal-outlook-march-2017/

Office for Budget Responsibility [OBR] (2017b) *Fiscal risk report – July 2017*, OBR. http://budgetresponsibility.org.uk/frr/fiscal-risk-report-july-2017/

ONS (2017) *Overview of the UK population: March 2017*, ONS. https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/articles/overviewoftheukpopulation/mar2017

Philips D and Simpson P (2017) *National standards, local risks: the geography of local authority funded social care, 2009–10 to 2015–16*, IFS. https://www.ifs.org.uk/uploads/publications/comms/R128.pdf

PWC (2015) *What Britain thinks about the future of the tax system*, PWC. http://www.pwc.co.uk/issues/futuretax/what-britain-thinks-about-the-future-of-the-tax-system.html

Queen's Speech (2017) Queen's Speech, HM Government. https://www.gov.uk/government/speeches/queens-speech-2017

Survation (2017), Issues Poll, Survation. http://survation.com/wp-content/uploads/2017/03/GMB-Tables-Q1-8.pdf

Triggle N (2015) Care Costs Cap Delayed Until 2020, BBC. http://www.bbc.com/news/health-33552279

Tuohy C (1999) *Accidental Logics: The Dynamics of Change in the Health Care Arena in the United States, Britain and Canada*, Oxford University Press

UKHCA (2016) *The Homecare Deficit 2016*, UKHCA. https://www.ukhca.co.uk/pdfs/ukhca_homecare_deficit_2016_final.pdf

YouGov (2014) Voters choose greater equality over greater wealth, YouGov. https://yougov.co.uk/news/2014/04/30/equality-more-important-wealth/

YouGov (2015) Labour Party's tax and benefit proposals a hit with voters, YouGov. https://yougov.co.uk/news/2014/09/24/labour-tax-benefit-policies-hit-with-voters/

YouGov (2016) Analysis: the great social care dilemma, YouGov. https://yougov.co.uk/news/2016/01/24/who-should-pay-social-care/

YouGov (2017) How Popular Are The Parties' Manifesto Policies?, YouGov. https://yougov.co.uk/news/2017/05/22/how-popular-are-parties-manifesto-policies/

ANNEX 1
IPPR TAX-BENEFIT MODELLING – METHODOLOGICAL NOTES

To calculate the fiscal and distributional impacts of the different policy proposals, we have used the IPPR tax-benefit model, Family Resources Survey (sample representative of private households across the UK), and DWP Caseload Statistics for 2015/16. Sampling weights recommended for use in the Family Resources Survey have been applied.

For the distributional analysis, we have modelled the difference (£) between a household's annual disposable household income after housing costs (AHC) within the current welfare state system and a household's annual disposable income AHC within a hypothetical welfare state system in which a specified reform has been applied. Results have been calculated for (a) 2016/17, and (b) 2030/31, taking into account policy commitments, economic forecasts, and demographic projections.6

We have studied the distributional impacts across equivalised household income deciles after housing costs, focusing on a bottom decile (1), top decile (10), as well as decile 3 which reflects a low-income household (see Annex 2). Within each decile we have studied the impact for six household types: Single pensioner; Couple pensioner7; Single, working age, no children; Single, working age, children; Couple, working age, no children; Couple, working age, children.

Monetary figures for household savings have been annualised and rounded to the nearest £10. Percentage change figures correspond to an average of each household's percentage change rather than the average change as a percentage of the average income. The percentages for 2016-17 are based on annual income [AHC] in 2016-17 and the percentages for 2030-31 are based on annual incomes [AHC] in 2030-31.

The tax-benefit model applies indirect changes in income, based on wider adjustments (e.g. cost of employer NICs affecting wages, economic context etc.).

For the fiscal analysis, the 'annual saving' takes account of changes both to taxation and benefits (i.e. revenue and expenditure), and is an annual saving amount (i.e. not cumulative) rounded to the nearest £100 million.

6 Results for 2030-31 have been uprated by a grossing factor to account for demographic change and an ageing population in which the 65+ population is expected to increase at a greater rate than the working-age population (ONS 2015, 'Table A1-1, Principal Projection – UK Summary').

7 Pensioner couples are defined as households where at least one household member is over pension age. It is therefore possible that there is one working age household member.

ANNEX 2
EQUIVALISED INCOME DECILE SELECTION

IPPR's analysis considers household income across three deciles (using equivalised household income, AHC).

- Decile 1: The bottom income decile, representing the very poorest of households (in income terms)
- Decile 10: The top income decile, representing the very richest of households (in income terms)
- Deciles 3: Low income households

We have chosen to include households in decile 3 to understand what the impact on low income households might be, both for pensioners and those of working age (affected by changes to National Insurance contributions). Decile 3, while not the poorest, is used to assess the impact on what we expect to be a household with an income is thought to be a minimum income requirement.

The Resolution Foundation produces guidance to inform the Living Wage, both for London and the UK. This methodology estimates the weekly income required for a variety of household types to provide a decent standard of living, and from this calculates the hourly wage required to meet it (if working full-time). We have used these as a benchmark to estimate an average weekly disposable income (after housing costs) which is comparable to the information calculated by the Family Resources Survey and IPPR's tax-benefit model. To calculate an equivalent disposable income after housing costs we have used the Resolution Foundation's 'core' basket, travel and childcare (where applicable) estimates (D'Arcy and Finch 2016). It is decile 3 where the similarities are greatest and where we have chosen to focus.

	Disposable income required (AHC) – UK		Disposable income required (AHC) – London		IPPR tax-benefit modelling, Decile 3 (2016-17)
	Weekly (£)	**Annual (£)***	**Weekly (£)**	**Annual (£)***	**Annual (£)***
Single, no children	183.67	9,550	173.23	9,010	9,120 (Pensioner)
8,980 (Working age)					
Couple, no children	309.93	16,120	309.09	16,070	16,090 (Pensioner)
16,020 (Working age)					
Single, 1 to 2 dependent children**	469.10	24,390	463.77	24,120	15,900
Couple, 1 to 2 dependent children**	547.00	28,440	550.60	28,630	23,540

***Rounded to nearest £10; **Living wage calculations used here correspond to 1 to 2 children, while the FRS households have an unspecified number of children.**

For each decile and household type, combined, the full results presented in Annex 3 include the average (mean) annual income (AHC) for each in the top row of the tables. These average annual incomes presented are for 2016-17.

ANNEX 3
FULL RESULTS OF MODELLING

DECILE 1

Reform option	Date	Annual saving	Poorest single pensioners £4,170 (AHC)	Poorest couple pensioners 6,550 (AHC)	Poorest single working age adult £2,600 (AHC)	Poorest single working age adult w/children £9,660 (AHC)	Poorest couple working age adults £7,200 (AHC)	Poorest couple working age adults w/children £12,380 (AHC)
Increasing the NI employee main rate between the secondary threshold and upper earnings limit by 1%	2016-17	£4bn	£0 (0%)	£0 (0%)	£0 (0%)	£0 (0%)	-£30 (0.3%)	-£20 (0.1%)
	2030-31	£6.5bn	£0 (0%)	£0 (0%)	£0 (0%)	£0 (0%)	- £20 (0.1%)	- £30 (0%)
Increasing the NI employer main rate by 1%	2016-17	£5.4bn	£0 (0%)	-£10 (0.1%)	£0 (0%)	£0 (0%)	-£40 (0.5%)	-£20 (0.1%)
	2030-31	£9.2bn	£0 (0%)	£0 (0%)	£0 (0%)	£0 (0%)	-£20 (0.2%)	-£50 (0.2%)
Extending NI above state pension age	2016-17	£1.3bn	£0 (0%)	£0 (0%)	£0 (0%)	£0 (0%)	£0 (0%)	£0 (0%)
	2030-31	£1.3bn	£0 (0%)	£0 (0%)	£0 (0%)	£0 (0%)	£0 (0%)	£0 (0%)
Withdrawing WFP from older people who do not receive pension credit	2016-17	£1.8bn	-£170 (3.5%)	-£180 (2.8%)	£0 (0%)	£0 (0%)	£0 (0%)	£0 (0%)
	2030-31	£1.8bn	-£150 (1.4%)	- £70 (0.9%)	£0 (0%)	£0 (0%)	£0 (0%)	£0 (0%)
Restricting WFP to those aged 75 or over	2016-17	£1.2bn	-£70 (1.5%)	-£100 (0.4%)	£0 (0%)	£0 (0%)	£0 (0%)	£0 (0%)
	2030-31	£1.1bn	-£110 (2.1%)	-£70 (0.5%)	£0 (0%)	£0 (0%)	£0 (0%)	£0 (0%)

Note: Annual cash loss with average percentage loss in parentheses.

DECILE 3

Reform option	Date	Annual saving	Single pensioners £9,120 (AHC)	Couple pensioners £16,090 (AHC)	Single working age adult £8,980 (AHC)	Single working age adult w/children £15,900 (AHC)	Couple working age adults £16,020 (AHC)	Poorest couple working age adults w/children £23,540 (AHC)
Increasing the NI employee main rate between the secondary threshold and upper earnings limit by 1%	2016-17	£4bn	£0 (0%)	£0 (0%)	-£20 (0.2%)	-£20 (0.1%)	-£80 (0.5%)	-£120 (0.5%)
	2030-31	£6.5bn	£0 (0%)	-£10 (0.1%)	-£60 (0.5%)	-£70 (0.3%)	-£130 (0.6%)	- £230 (0.7%)
Increasing the NI employer main rate by 1%	2016-17	£5.4bn	£0 (0%)	-£10 (0%)	-£20 (0.3%)	-£20 (0.1%)	-£80 (0.5%)	-£130 (0.6%)
	2030-31	£9.2bn	£0 (0%)	-£10 (0.1%)	-£70 (0.5%)	-£80 (0.4%)	-£130 (0.6%)	-£250 (0.8%)
Extending NI above state pension age	2016-17	£1.3bn	£0 (0%)	-£10 (0.1%)	£0 (0%)	£0 (0%)	£0 (0%)	£0 (0%)
	2030-31	£1.3bn	£0 (0%)	£0 (0%)	£0 (0%)	£0 (0%)	£0 (0%)	£0 (0%)
Withdrawing WFP from older people who do not receive pen-sion credit	2016-17	£1.8bn	-£10 (0%)	-£140 (0.9%)	£0 (0%)	£0 (0%)	£0 (0%)	£0 (0%)
	2030-31	£1.8bn	-£150 (1.6%)	- £130 (0.6%)	£0 (0%)	£0 (0%)	£0 (0%)	£0 (0%)
Restricting WFP to those aged 75 or over	2016-17	£1.2bn	-£140 (1.1%)	-£90 (0.5%)	£0 (0%)	£0 (0%)	£0 (0%)	£0 (0%)
	2030-31	£1.1bn	-£110 (1.2%)	-£100 (0.4%)	£0 (0%)	£0 (0%)	£0 (0%)	£0 (0%)

Note: Annual cash loss with average percentage loss in parentheses.

DECILE 10

Reform option	Date	Annual saving	Richest single pension-ers £39,340 (AHC)	Richest couple pension-ers £76,440 (AHC)	Richest single working age adult £48,660 (AHC)	Richest single working age adult w/children £125,690 (AHC)	Richest couple working age adults £78,750 (AHC)	Richest couple working age adults w/children £107,150 (AHC)
Increasing the NI employee main rate between the secondary threshold and upper earnings limit by 1%	2016-17	£4bn	- £20 (0.1%)	- £100 (0.1%)	- £290 (0.7%)	- £230 (0.3%)	- £480 (0.7%)	- £460 (0.5%)
	2030-31	£6.bn	£40 (0.1%)	£140 (0.1%)	- £390 (0.7%)	£300 (0.3%)	- £660 (0.7%)	- £630 (0.5%)
Increasing the NI employer main rate by 1%	2016-17	£5.4bn	- £90 (0.2%)	- £290 (0.3%)	- £570 (1.2%)	- £1,160 (1.1%)	- £810 (1.1%)	- £1,220 (1.2%)
	2030-31	£9.2bn	- £100 (0.2%)	- £380 (0.3%)	- £760 (1.2%)	- £1,050 (1.0%)	- £1,220 (1.1%)	- £1,840 (1.2%)
Extending NI above state pension age	2016-17	£1.3bn	- £640 (1.3%)	- £1,190 (1.5%)	£0 (0%)	£0 (0%)	£0 (0%)	£0 (0%)
	2030-31	£1.3bn	- £650 (1.0%)	- £1,190 (1.0%)	£0 (0%)	£0 (0%)	£0 (0%)	£0 (0 per cent)

Withdrawing WFP from older people who do not receive Pension Credit	2016-17	£1.8bn	- £140 (0.4%)	- £140 (0.2%)	£0 (0%)	£0 (0%)	£0 (0%)	£0 (0%)
	2030-31	£1.8bn	- £140 (0.2%)	- £130 (0.1%)	£0 (0%)	£0 (0%)	£0 (0%)	£0 (0%)
Restricting WFP to those aged 75 or over	2016-17	£1.2bn	- £90 (0.2%)	- £90 (0.1%)	£0 (0%)	£0 (0%)	£0 (0%)	£0 (0%)
	2030-31	£1.1bn	- £90 (0.2%)	- £90 (0.1%)	£0 (0%)	£0 (0%)	£0 (0%)	£0 (0%)

Note: Annual cash loss with average percentage loss in parentheses.

PENSIONS

With pensions being indexed to earnings and inflation under the Triple Lock, rather than absolute benefit amounts, any reform to the triple will fail to make significant savings – or indeed, to cost significantly more – until after a number of years have passed. We have therefore modelled pension reforms in a 2030-31 world, only. The results in the following table show three possible 2030-31 worlds (based on the assumption of the change – either in policy and/or forecasting – starting in 2016-17):

- Current OBR forecasts, exploring the likely savings in the case of (a) a double lock (removing the 2.5 per cent minimum), and (b) a CPI-indexed pension through which the link to earnings is broken (OBR 2017a).
- An OBR stress-test, which uses OBR estimates forecasting the likely impact of an economic shock, such as an oil price crisis, to inflation and earnings. Here we model the difference between the triple and double lock (OBR 2017b).
- A cautious model, using the lowest anticipated forecasts for inflation and earnings, as reported in HMT's independent averages forecast (HMT 2017).

Forecast world	Pension reform	2030-31 saving (vs Triple Lock)	Single pensioner			Couple pensioner		
			Decile 1	Decile 3	Decile 10	Decile 1	Decile 3	Decile 10
OBR forecasts	Double lock	£0	0	0	0	0	0	0
	CPI index	£12.8bn	- £90 (1.1%)	- £210 (1.5%)	- £1,310 (2.6%)	- £100 (0.9%)	- £930 (4.0%)	- £1,290 (1.4%)
OBR stress test	Double lock	£5.8bn	- £30 (0.5%)	- £60 (0.5%)	- £390 (1.9%)	- £60 (0.9%)	- £340 (0.2%)	- £360 (1.6%)
HMT independent average forecasts (lowest estimate)	Double lock	£11.4bn	- £50 (0.7%)	- £390 (3.1%)	- £660 (1.3%)	- £160 (1.0%)	- £800 (3.8%)	- £670 (0.8%)

Note: Annual cash loss with average percentage loss in parentheses.

ANNEX 4
TRIPLE LOCK ASSUMPTIONS

Year	OBR forecasts			OBR stress test		HMT independent average forecasts (lowest estimate)	
	Triple (%)	Double (%)	CPI only (%)	Triple (%)	Double (%)	Triple (%)	Double (%)
2016-17	**2.5**	**2.5**	**0.9**	**2.5**	**2.5**	**2.5**	**2.5**
2017-18	**2.6**	**2.6**	**2.4**	**2.8**	**2.8**	**2.5**	**1.8**
2018-19	**2.7**	**2.7**	**2.3**	**4.9**	**4.9**	**2.5**	**1.7**
2019-20	**3.0**	**3.0**	**2.0**	**4.2**	**4.2**	**2.5**	**1.6**
2020-21	**3.4**	**3.4**	**2.0**	**2.5**	**2.2**	**2.5**	**1.5**
2021-22	**3.6**	**3.6**	**2.0**	**2.5**	**2.0**	**2.5**	**1.7**
2022-23	**3.6**	**3.6**	**2.0**	**2.5**	**2.0**	**2.5**	**1.7**
2023-24	**3.6**	**3.6**	**2.0**	**2.5**	**2.0**	**2.5**	**1.7**
2024-25	**3.6**	**3.6**	**2.0**	**2.5**	**2.0**	**2.5**	**1.7**
2025-26	**3.6**	**3.6**	**2.0**	**2.5**	**2.0**	**2.5**	**1.7**
2026-27	**3.6**	**3.6**	**2.0**	**2.5**	**2.0**	**2.5**	**1.7**
2027-28	**3.6**	**3.6**	**2.0**	**2.5**	**2.0**	**2.5**	**1.7**
2028-29	**3.6**	**3.6**	**2.0**	**2.5**	**2.0**	**2.5**	**1.7**
2029-30	**3.6**	**3.6**	**2.0**	**2.5**	**2.0**	**2.5**	**1.7**
2030-31	**3.6**	**3.6**	**2.0**	**2.5**	**2.0**	**2.5**	**1.7**

KEY
2.5 Triple Lock
AWE
CPI
AWE/CPI

GET IN TOUCH

For more information about the Institute for Public Policy Research, please go to www.ippr.org

You can also call us on +44 (0)20 7470 6100, e-mail info@ippr.org or tweet us @ippr

Institute for Public Policy Research

Registered Charity no. 800065 (England & Wales), SC046557 (Scotland), Company no, 2292601 (England & Wales)

The progressive policy think tank