

**NEWS RELEASE**

**Strictly embargoed: 00:01 11 March 2010**

**20-30 YEAR WINDOW OF OPPORTUNITY TO HELP LOW EARNERS PAY FOR SOCIAL CARE**

Councils can play a greater role in supporting individuals who are ineligible for state funded care to access the equity in their homes to pay for their care. Many low-income households lose out in the current care and support system as they are too rich to qualify for state support, having over the threshold of £23,000 of equity in their house, and too poor to meet care costs out of their relatively low incomes.

- 84% of low earners<sup>1</sup> over 65 years old own their own home<sup>2</sup>: they are asset rich, and income poor.
- Low earners are defined as households on an average income of £15,800<sup>3</sup>

*Funding Future Care Need*, published today by the Resolution Foundation, argues that there is a 20-30 year window of opportunity when older generations will have significant amounts of housing equity that could be used to meet their care costs. Like many other organisations, the Resolution Foundation has argued that a lasting funding settlement is crucial in the long-term. However, more needs to be done now to help those who are going without care. Although it is not clear that younger generations will be in a similar situation in the future, the Foundation believes that accessing this equity is part of an interim solution to help those who are struggling to pay for their care now.

The Resolution Foundation's work has identified that councils already have the powers in place to help individuals access their equity in a safe and easy way. However, these powers are often not used, not understood and implementation varies across the country.

**The report recommends that:**

1. Existing deferred payment schemes (to fund residential care) must be actively and consistently promoted across the country
2. The option for a council to use a charging order power in combination with their well-being power should be used in the short-term to help people access their equity to meet care needs (other than residential)
3. In the longer-term councils should be given the powers to provide interest-free loans secured against homes to enable people to fund their older age care and support needs

**Sophia Parker, Acting Director of the Resolution Foundation said:**

*“Low earners are squeezed in the current care system - excluded from help because of modest assets, yet unable to afford care costs. Today’s report shows what can be done immediately to help people pay for the care and support they need now.”*

*“The Resolution Foundation is not advocating that this is the solution to our funding crisis in long-term care but we do believe it is an interim solution to help many low earners who currently end up going without or relying on inadequate informal care. In the longer-term the cliff-edge many low earners currently face must be ended in a reformed social care system.”*

*More on low earners and social care:*

The Resolution Foundation, which works to improve outcomes for low earners, also found that<sup>4</sup>:

- Low earners are more likely to have experience of the care system:
  - They are twice as likely to be care users
- Low earners, many of which are self-funders, say they find the system complex, inaccessible, and unfair.

The Government’s Green Paper, and the options it presents, could offer an end to the cliff-edge that low earners currently face by creating a more transparent and fairly funded system. The Foundation would however urge caution as to where the cut off point for contributing and means-testing falls, so that low earners are not overlooked or penalised.

The Foundation’s research has also shown that, whilst a lasting funding settlement is crucial, this goes hand-in-hand with a reformed system<sup>5</sup>. The Foundation was therefore also pleased the Green Paper pointed to:

- A new national minimum entitlement which will end the current unfairness and confusion experienced by low earners.
- A key role for local authorities to manage the market of care and support providers. As many low earners are self-funders this will help improve their access to the care they need.
- A commitment to provide everyone who needs care and support with a national assessment, information and advice, and personalised care and support. This will offer low earners the advice and support they need to make the most of their modest income and get the care they need.

***/Ends***

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Sophia Parker, Acting Director, and Matthew Whittaker, the report’s author, are available for further comment or interviews.

All the Foundation’s research, reports, briefings, seminar notes are available on our website [www.resolutionfoundation.org](http://www.resolutionfoundation.org)

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**Note to editor:**

<sup>1</sup> At its broadest, we define the group as including all those with below-median income (from all sources) who are not dependent on state support. For the purposes of analysis, precise definitions depend on the data source being used: details are provided in Appendix 3. However, as a proxy, we consider the low earning group to comprise those households in income deciles 3, 4 and 5: that is, with equivalised<sup>1</sup> gross annual income between £13,500 and £25,800. Around 7.2 million households fall into this category in the UK, accounting for around 14.0 million adults.<sup>1</sup> We define two other income groups in relation to low earners: households with above-median equivalised incomes (income deciles 6-10) are considered *higher earners*, while those with below £13,500 income (deciles 1 and 2) are considered *benefit-dependent*.

<sup>2</sup> 84 per cent of low earner households where the head is aged 65-79 live in owned property, as do 80 per cent of those where the head is aged 80+ (based on analysis of DWP, *Family Resources Survey 2007-08*).

<sup>3</sup>The Resolution Foundation, *Lost: low earners and the elderly care market*

<sup>4</sup> The Resolution Foundation, *Navigating the Way: the future care and well-being of older people*