LOST

Low earners and the elderly care market

Resolution Foundation

Executive summary

Social care for older people rarely receives the political attention it should. The Resolution Foundation believes that the Government's recent commitment to a Green Paper on social care provides the opportunity for elderly care to become centre stage in the coming months and in the lead up to the next general election.

The Resolution Foundation is an independent research and policy organisation. The Foundation's remit is to promote fair and efficient access for low earners to today's mixed economy. We know that low earners are disadvantaged in the elderly care market, so we therefore intend to produce work in two key areas:

- *Exploring elderly care through the eyes of low earners* – the group earning less than median incomes but not wholly dependent on benefits. They may also be in retirement with modest means, and so rarely meet the means tested eligibility for free care, yet struggle with care costs.
- *Analysing elderly care as a mixed market of funding and provision*, comparing it with the attributes of well-functioning markets and putting forward proposals for how the elderly care market could become both more efficient and fair.

This programme of work will build on the existing body of high quality evidence and analysis already produced by a wide variety of stakeholders such as the King's Fund, the Joseph Rowntree Foundation, PSSRU, CSCI and so on. As yet, and in spite of the high calibre of this work, there have been no agreed policy solutions which have gained a consensus on their implementation. In addition, low earners, in whom the Foundation takes a particular interest and who are particularly disadvantaged in the current elderly care system, have not been a key focus of this work. We therefore seek to add value by drawing this existing work together, and filling gaps where necessary with original research, in order to generate a range of pragmatic and politically and economically feasible policy solutions with a focus on low earners.

As an initial contribution, this report sets out findings from our first piece of research which looks at how low earners fare in the elderly care system, from a variety of perspectives (e.g. low earning care users and carers, as well as low earners navigating the system on behalf of a relative, or planning their own care in the near future).

It also outlines our plans for future work. We would very much welcome comments and ideas at this very early stage in our research.

Findings in this report

In order to establish how low earners fare in the elderly care system, we commissioned two pieces of research.

1. YouGov Survey

- Over 2000 UK adults polled in December 2007
- Explored people's level of understanding and perceptions of the quality and affordability of the elderly care system
- Asked them how they would be prepared to contribute to their care costs and also resolve the wider funding shortage

2. A literature review and qualitative study by Deloitte

- Collated all existing data (ONS statistics, surveys, etc.) relevant to how low earners fare in the elderly care system
- Hosted focus groups and interviews with low earners to ask them about their experiences of elderly care. Grouped them into Care Users, Carers, those planning care, and those navigating the system for someone else.

YouGov Survey

Key messages

- People are not satisfied with the elderly care system and feel the service is deteriorating in both affordability and quality.
- Strong consensus that something needs to be done, and that reform ought to be a policy priority equal to other higher profile NHS reforms.
- People are strongly in favour for care to be provided to the majority for free, and most stated they would be willing to pay extra income tax to secure this outcome.
- There was low awareness, but wide disapproval of the current means testing rules.
- Low earners are more likely to have had some experience of the elderly care system. They are more than twice as likely than average to be care users, and 25 per cent more likely to be carers.

Quality and affordability

- 64 per cent of low earners disagreed with the statement that the system currently provides affordable care, and 68 per cent felt the elderly care was becoming less affordable.
- 75 per cent of low earners surveyed said improving elderly care was equally or more important than improving hospitals, with 73 per cent of all those surveyed believing the same.
- 60 per cent of people on average reported not knowing where to access, or not having been able to access, the information they needed to plan their or their relatives' care needs.

Funding

- 56 per cent on average, and 62 per cent of low earners, supported the statement that "The majority of people should be entitled to free care with only wealthy people paying the cost of their care themselves."
- 45 per cent of low earners stated that they had no provision for their care needs, and were unsure how they would fund them – 6 percentage points lower than average.
- 71 per cent on average, and nearly 75 per cent of low earners, stated they would be willing to pay an extra 1p in the pound on their income tax in order to raise funds to improve the quality and provision of elderly care.

Means testing

- The survey found that 42 per cent of people were aware of elderly care means testing income thresholds, and 43 per cent were unaware.
- 74 per cent on average felt the threshold of £21,500 should be substantially increased, so those with assets of more than this would still be eligible for free care.
- 48 per cent of those we surveyed also felt people's homes should not be included in the asset calculations used to qualify for free elderly care.

Deloitte literature review

Key messages regarding low earners

- Home ownership is relatively high: at 53%, low earners are more likely than those on state support to be home owners, and are more likely than both those on higher and lower incomes to own their own homes outright.
- Retirement income is a principle concern: 48% of low earners claim to worry a lot about not having enough income in retirement, compared to 33% of the wider population.
- Homes are their primary source of wealth: The average value of their home is three times greater than their average liquid assets. Higher income groups have homes only worth double their liquid assets.
- A significant proportion are not eligible for free social care: 72% of those aged over 60 may have too much capital for means tested care.

Deloitte focus group research

Key messages regarding low earners

- Low earners have generally negative opinions of the elderly care system, based on their perception of it being "unfair".

Funding and means testing

- The majority recognise the future need for private contributions to care costs, but were uncomfortable with the concept of equity release. They favour contributory methods – such as social insurance or savings schemes – so that they can "get back what they put in".
- They felt means testing limits were set too low – some felt this was a conscious act in order to exclude as many people from state funded care as possible, particularly with the inclusion of housing assets. Many suggested that this encouraged people to explore ways to "beat the system".
- There was a general belief that there is adequate government funding already to deliver care and improve the system – but this is being lost through waste and inefficiency.

Levels of awareness

- Most have knowledge based on experience, anecdote or the media. Following more detailed questioning, it becomes clear that the majority's assumptions about, and expectations of, the system are often quite different from reality.
- Eligibility rules are the key source of confusion, with many not claiming various benefits and services due to i) the assumption they would not be eligible; ii) not being aware of the services/benefits available or iii) being discouraged by the complexity of the application process.

Carers

- Low earners believe that informal carers save the government money (i.e. in care replacement costs), and should be given more financial and other support.
- Carers in this group themselves feel isolated, have little support, and find it emotionally and financially challenging balancing their own lives with their caring role.
- Despite their frequent and prolonged contact with the system, carers still have relatively low levels of understanding regarding the care system and what they/their relative is entitled to.

Conclusions

Low earners are in a unique position regarding elderly care. They are often ineligible for state subsidised care, yet their relatively low incomes make care costs a much more significant financial burden than for higher earning self-funders. Low earners are therefore likely to see a larger proportion of their weekly budgets spent on care costs than those on both higher and those on lowest incomes. In light of their circumstances, it is understandable that both our survey and qualitative findings indicate that elderly care is a primary concern.

Furthermore, it is likely their difficult position within the elderly care system may become worse:

- The number of self funders will continue to rise as local authorities tighten their eligibility criteria in light of budgetary constraints. Subsequently, a greater number of lower earners (i.e. who have less than critical care needs) will have to cover the costs of their elderly care.[1]
- For those who cannot afford to pay for this care, informal care is crucially important. Estimates suggest that 70 per cent of the care provided in England and Wales is currently delivered by informal carers. Yet the increasing number of elderly living alone, not marrying and not having children will mean there will be fewer children and relatives for older people to rely on for informal care. The current reliance on informal care to fill the shortfall may not be sustainable in the longer term.
- Low earners are more likely to be carers of relatives than the rest of the population. This may have a longer lasting, intergenerational impact, as people who give up work to care for relatives will not be contributing to their pensions, amongst an income group who are already far less likely to have adequate pension savings. Low income carers may therefore be increasing their chances of pensioner poverty, and in turn, of requiring government funded care in old age – increasing future burdens on the state.

It is clear, therefore, that unless significant reform of the elderly care system is undertaken in advance of these demographic changes, the disadvantages faced by low earners will create a vicious circle of spiralling care costs and increasing demand for subsidised care. A robust and holistic analysis of how the care system functions, as we detailed below, is the first step towards facilitating a strategic reform process to establish a fairer and more effective care market.

Our Future plans

As we explain above, the Foundation is still at the early stages of developing our work programme on the elderly care system. The first stage in this process is to explore both how low earners fare in the elderly care system, and how well it functions as a market. These pieces of work are based on the following understandings:

1. The elderly care system is a ‘mixed market’ both in terms of funding and delivery;
2. This market currently suffers from a number of potential weaknesses in both the demand for and supply of care, as well as how these are balanced;
3. These weaknesses disproportionately impact low earners (an assumption which this report begins to explore).

The findings from Deloitte and YouGov summarised in this report are our first contribution to this evidence base, which we will build on by publishing research in the form of a “market map” of the elderly care system:

- This map will describe the current state of the elderly care market, and will also be used as a model to illustrate the possible impact of demographic and policy change on the system as a whole.
- The market will then be audited against attributes common to well-functioning markets as a means of identifying and describing any weaknesses that may exist.

We hope this map, which we plan to launch in spring of this year, will bring greater clarity to a complex system, which is too often assessed and reformed in a piecemeal fashion.

On completion of this analysis, we plan on undertaking a series of projects focussing on some of the key weaknesses which have been identified, in order to develop ways of addressing and resolving them. Crucially, this process will build on, draw together and only where necessary fill gaps in the analysis and policy solutions already developed by existing stakeholders. As such, consultation with a wide range of experts and stakeholders will be central to our work as we develop this research, and we would welcome ideas on how best to take this forward.

[1] The CSCI has also recently concluded that self funders receive poorer quality care and have far less assistance in making care choices that local authority funded individuals. *State of Social Care*, CSCI 2008

1. Introduction

What is the Resolution Foundation?

The Resolution Foundation was established in October 2005 as an independent research and policy organisation, concerned with how people on low incomes fare in today's mixed economy. We aim to deliver change in areas where this income group is currently disadvantaged by producing new research and actively engaging in the policy-making process.

We define this group as those individuals who earn less than median incomes but who are more or less independent of state support – receiving less than 20 per cent of their incomes from state benefits. Households earning between around £14k and £23k and individuals between around £7,300 and £12k would fall into this group.

Our first project – generic financial advice

Our first project has explored low earners' access to financial services, focusing in particular on how to meet their financial advice needs. Following a period of detailed research and consultation, we published proposals for a new national service to provide generic financial advice, targeted at people in this income group, and conducted an extensive lobbying campaign on this issue throughout 2006.[2] This work culminated in the announcement by the Treasury of a review, led by Chief Executive of AEGON UK, Otto Thoresen, to determine how to establish how such a service should be established. The Thoresen Review of Generic Financial Advice will publish its final report explaining how a new national advice service can be delivered.[3]

Who are "low earners"?

In addition to exploring the need for generic financial advice and the feasibility of a new service, we have also carried out broader research in order to gain a clearer picture of low earners – how they live, what they do, and what their daily concerns are. Key facts include:

- 52 per cent of the group are in full time employment, with 16 per cent self employed – a much larger proportion than the national average
- They are more likely to be over 55, or single people under 30, than the rest of the population. They are also most likely to be in the C1-C2 socio-economic category
- 53 per cent of the group own their own homes, and a slightly larger proportion than average own their homes outright.

Why are we exploring the area of elderly care policy?

The Foundation works on a project basis, actively lobbying to ensure that our work delivers outcomes. As such, we had to make sure we moved forward into an area of policy which materially affected low earners within the context of a mixed market, but also where we might add value and could achieve change with this approach. We felt elderly care policy fulfilled this:

- It is an area which directly impacts the lives of low earners;
  Low earners are on the cusp of funded care and other benefits eligibility. Their low incomes means care costs and taking time off work to care for relatives both have a significant impact on their financial wellbeing. This group also have relatively low retirement savings and so may be unprepared for the costs of care in later life.
- The elderly care sector functions as a mixed market of public and private provision;
  Elderly care is funded by a combination of private contributions and government funding, and delivered by a mixture of private, local authority and third sector agencies.
- There is evidence of need for reform;
  Demographic change means that the numbers of older people requiring care will increase significantly over the next decade. However, the resources available to fund this care are limited. This means the current system of funding and delivery will not be sustainable in the medium term.
- There is growing political appetite to resolve some of the policy problems that exist.
  Recent statements to coincide with the Government's Spending Review have suggested that reform of the care system will become central to the political agenda this year. A new Green Paper has also been announced for this year.

We will add value by drawing together, building on and only where necessary fill gaps in the existing body of high quality evidence and analysis already produced by stakeholders such as the King's Fund, the Joseph Rowntree Foundation, PSSRU, CSCI and so on.

[2] Generic financial advice is impartial information, advice and guidance, given in light of people's personal circumstances, that enables them to understand their financial needs and take appropriate action as a result. The Thoresen Review of Generic Financial Advice was established in January 2007 and will report in Spring 2008
[3] For more information about the Thoresen Review, see http://www.hm-treasury.gov.uk/ independent_reviews/thoresen_review/thoresenreview_index.cfm

What is our approach?

We have established that the key understanding that will unify our research in this field, and subsequent policy suggestions, is one which views the elderly care system:

a) from the point of view of low earners, and

b) as a functioning mixed market.

The Foundation views elderly care as a social good. As such, the state has a duty to ensure that everyone receives the care they need, regardless of their ability to pay, and this care must enjoy a minimum standard of high quality and affordability. The most effective way of achieving this is ensuring that the market in elderly care functions more efficiently, to produce fairer and better quality outcomes.

As such, the Foundation's goal will be to establish how a fair and efficient supply of elderly care, focussing on the needs people on low incomes, can be created.

We hope this approach will enable us to undertake an holistic analysis of the current system, and identify economically sound policy solutions to achieve greater efficiency and fairness. This approach also has the advantage of being relatively unexplored, which means the Foundation has an opportunity to add value to the ambitious reform process recently signalled by the Government's Concordat and developed by the 2008 Green Paper.

What are our plans for the future of the project?

The Foundation is still at the early stages of developing our work programme on the elderly care system. The first stage in this process is to build an evidence base focused on the following understandings:

1. The elderly care system is a 'mixed market' both in terms of funding and delivery;
2. This market currently suffers from a number of potential weaknesses in both the demand for and supply of care, as well as how these are balanced;
3. These weaknesses disproportionately impact low earners (an assumption which this report begins to explore).

The findings from Deloitte and YouGov summarised below are our first contribution to this evidence base. We will build on this initial work by publishing research in the form of a "market map" of the elderly care system:

- This map will describe the current state of the elderly care market, and will also be used as a model to illustrate the possible impact of demographic and policy change on the system as a whole.
- The market will then be audited against attributes common to well-functioning markets as a means of identifying and describing any weaknesses that may exist.

We hope this map, which we plan to launch in spring of this year, will bring greater clarity to a complex system, which is too often assessed and reformed in a piecemeal fashion.

On completion of this analysis, we plan on undertaking a series of projects focussing on some of the key weaknesses which have been identified, in order to develop ways of addressing and resolving them. Crucially, this process will build on, draw together and only where necessary fill gaps in the excellent analysis and policy solutions already developed by existing stakeholders. As such, consultation with a wide range of experts and stakeholders will be central to our work as we develop this research, and we would welcome ideas on how best to take this forward.

2. External developments

Recent developments have indicated a significant increase in the pace of reform in the field of elderly care: In October 2007 Pre Budget Report announced a care Green Paper to be published in 2008, whilst in December 2007 the Department of Health published a ministerial concordat.[4] This document claimed *"there is now an urgent need to begin the development of a new adult care system."*

It went on to outline a multi-departmental commitment to a raft of ambitious reforms, many of which may be expected to be developed in the imminent Green Paper. These included:

- Joint working - *"every locality should seek to have a single community based support system focussed on the health and wellbeing of the local population. Binding together local Government, primary care, community based health provision, public health, social care and the wider issues of housing, employment, benefits advice and education/training."*
- Early intervention – a system focussed on prevention, early intervention, enablement, and high quality personally tailored services.
- Personalisation – people will increasingly commission their own care and use their own personal budgets.
- Advice and guidance – *"A universal information, advice and advocacy service for people needing services and their carers irrespective of their eligibility for public funding.."*

[4] *Putting people first: a shared vision and commitment to the transformation of adult social care*

- A set of shared outcomes to ensure people can: live independently; stay healthy and recover quickly from illness; exercise maximum control over their own life and where appropriate the lives of their family members; sustain a family unit which avoids children being required to take on inappropriate caring roles; participate as active and equal citizens, both economically and socially; have the best possible quality of life, irrespective of illness or disability; and retain maximum dignity and respect.

In January 2008, the Government also responded to the CSCI's *State of Social Care* annual report by announcing an investigation into the way in which eligibility criteria for subsidised care was operating at local level and the unintended consequences this might be having. A public consultation on a new funding regime was also announced.[5] In the same month, the Liberal Democrats outlined their vision for care reform, including a non means tested "Care Guarantee" payment to deliver a basic minimum of care for everyone in need; and a roll out of individual budgets for those with chronic conditions and mental illness.

These developments suggest elderly care will become more of a political priority in 2008 and beyond – in stark contrast with the pace of reform and policy development in the years following the Government's rejection of the 1999 Royal Commission on Long Term Care's recommendation for free nursing and personal care.[6]

It can be argued that flagging progress during these years was only given fresh impetus by the Wanless Review, published in March 2006,[7] and the Joseph Rowntree report on feasible funding options the month after.[8] These comprehensive reports provided strong evidence, based on demographic trends and an analysis of the existing system, that elderly care required significant reform. Concurrent developments at local government – mainly the year on year tightening of local eligibility criteria to qualify for subsidised care, as a result of insufficient funding – has added to the increasing awareness that the current system is unsustainable in the face of demographic trends.

Nevertheless, the October 2007 Pre-Budget Report (PBR) and Comprehensive Spending Review (CSR) only heralded an increase in funding for local authorities to provide adult social services of £2.6 billion by 2010-11, a real terms annual increase of 1 per cent a year. Whilst many stakeholders welcomed the Government's aims for reform and the announcement of a Green Paper in the document, the Local Government Association (LGA) described it as providing 'the worst funding settlement for a decade'. Warning that local authorities will be forced to raise Council Tax and implement further cuts in services, it described the current elderly care system as 'creaking at the seams'.

As such, there remain questions regarding the resources that will be made available to deliver the level of change indicated by the most recent policy announcements. The Foundation therefore believes that embarking on a significant programme of research to improve the efficiency and fairness of the current system in a strategic manner will be both timely and extremely valuable to the Government, policy makers and third sector stakeholders in the forthcoming year.

3. What work have we carried out so far?

Our previous work in the area of financial advice began with an analysis of low earners and their experiences of accessing financial advice services. We decided to begin our new work on elderly care in the same vein, and decided to investigate how low earners fared in the elderly care market: whether they were similarly disadvantaged and what their understanding and perceptions of the system were. To answer this question, we commissioned two pieces of research:

a) YouGov Survey

a. Over 2000 UK adults polled in December 2007

b. Explored people's level of understanding and perceptions of the quality and affordability of the elderly care system

c. Asked them how they would be prepared to contribute to their care costs and also resolve the wider funding shortage

b) A literature review and qualitative study by Deloitte

a. Collated all existing data (ONS statistics, surveys, etc.) relevant to how low earners fare in the elderly care system

b. Hosted focus groups and interviews with low earners to ask them about their experiences of elderly care. Grouped them into Care Users, Carers, those planning care, and those navigating the system for someone else.

The survey

Detailed polling data concerning the public's views about elderly care is sparse, and does not feature among the issues regularly tracked by pollsters. However, there is more polling data concerning the public's views about how elderly care should be paid for. This shows that people expect the State to play the major role and suggests a significant gap between expectations and reality:

[5] https://www.gnn.gov.uk/content/detail.asp?ReleaseID=348431&NewsAreaID=2&HUserID=878,793,890,856,779,871,864,845,786,674,677,767,684,762,718,674,708,683,706,718,674
[6] For example: feeding, dressing and personal hygiene.
[7] Securing Good Care for Older People: taking a long term view
[8] (JRF, 2006) Paying for long-term care: Moving forward

- According to MORI research, 82 per cent of people believe that the Government should intervene directly in the provision of elderly care, higher than for other issues it identified.[9]
- A recent Yougov poll for Counsel and Care found that 67 per cent of people think that elderly care should be paid for by the government, with 25 per cent saying it should be means-tested and only 3 per cent that it should be privately funded. The poll also found that 75 per cent of people would be prepared to pay 1p a month extra on their income tax to fund better care for older people, and that 42 per cent of people think that care for older people has got worse over the last five years.
- A MORI poll in October 2007 for the LGA found that 39 per cent of people expect free home care from their local authority, 54 per cent expect to make a contribution and 5 per cent expect to pay for all their home care (this compares to figures of 32 per cent, 49 per cent and 10 per cent respectively from a similar poll in December 2006).

We therefore felt it would be a valuable addition to existing data to commission YouGov to carry out a survey regarding people's current perceptions of the affordability and quality of the elderly care system; their levels of understanding regarding means testing eligibility; and their opinions regarding the future development of the system.

YouGov also asked about people's age, region where they lived, income, and how they identified themselves as relating to elderly care (i.e. carer, care user, planning for care, navigating the system on behalf of someone else, or none of these). This enabled us to carry out a thorough analysis of how perceptions and opinions changed depending on experience and background.[10]

The findings

Overall, the survey found that people were not satisfied with the elderly care system and felt the service was deteriorating in both affordability and quality. There was a strong consensus that something needs to be done, and that reform ought to be a policy priority equal to other higher profile NHS reforms. People were strongly in favour for care to be provided to the majority for free, and most stated they would be willing to pay extra income tax to secure this outcome. There was also wide disapproval of the current means testing rules. These opinions were obviously stronger amongst older individuals and those in contact with the care system (e.g. carers, care users, or those planning their care), nevertheless, consensus was still found among 18 to 24 year olds and those on very low incomes who we might expect not to support increased taxation.

The results demonstrated that low earners[11] are more likely to have had some experience of the elderly care system. They are more than twice as likely than average to be care users, and 25 per cent more likely to be carers. This experience, combined with their particular financial situation (i.e. unlikely to be eligible for free care, though not wealthy enough for care costs not to be a significant burden to their weekly incomes), means their views and perceptions of the elderly care system are particularly interesting.

The survey asked questions regarding four key issues:

1. Quality and affordability of the elderly care system
2. Funding – who should pay for care?
3. Funding – how should the government and the individual pay for care?
4. Means testing

1. Quality and affordability

Key facts:

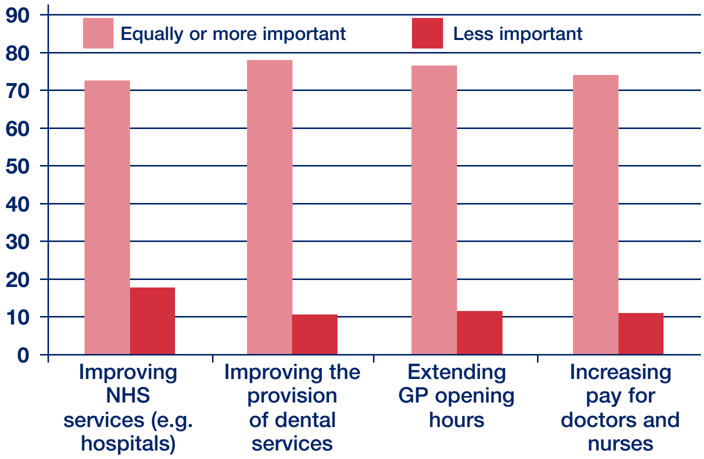
Overall, 64 per cent of low earners (the same proportion as all those surveyed) disagreed with the statement that the system currently provides affordable care, and 65 per cent of people (68 of low earners) felt the elderly care was becoming less affordable.

62 per cent of people surveyed thought the current system did not provide good quality care, and 52 per cent thought quality was getting worse. This compares to 64 per cent and 58 per cent respectively among low earners.

Those who have had contact with the system – care users, carers and those navigating the care system on behalf of a relative – were most convinced of deteriorating standards. The larger proportion among low earners of such people probably explains the differences in the key facts above between low earners and the population as a whole. Although 65 per cent of people felt care was becoming less affordable, this figure rose to 78 among all respondents organising their relative's care, and 70 per cent among carers of all incomes.

[9] Cited in MORI presentation to the Citizens Forum in Downing Street in March 2007
[10] The fieldwork for this survey was carried out online between the 3rd and 5th of December 2007, among 2006 GB adults
[11] We approximated low earners to be those surveyed who reported their household income to be between £8,000 and £24,000 per annum

People were strongly in favour of reform of the care system, prioritising the issue as highly, or even higher, than other "hot topics" related to healthcare reform which have so far received far more policy attention and resources. For example, 73 per cent of the people we surveyed said improving elderly care was equally or more important than improving hospitals, rising to 75 per cent among low earners. Over a third (36 per cent) said improving elderly care was more important than extending GP opening hours – a key objective of the Government's NHS reform strategy.



The complexity of the system arose as a key issue in our survey, with those having contact with the system often reporting it difficult or impossible to access the information they needed. In addition, many of those who had not come into the contact with the system stated they would not know where to find information, suggesting awareness is low overall. Access to information also seems to be a particular problem for those on very low incomes (i.e. those whose household incomes were less than £8000), who are more than twice as likely to report that they have not been able to access the advice they needed to plan their or their relatives' care. Low earners are also more likely to have found it difficult to access the information they need to navigate the care system.

Key facts:

60 per cent of all respondents reported not knowing where to access, or not having been able to access, the information they needed to plan their or their relatives' care needs.

Half of those navigating the system on behalf of an elderly relative have found it difficult to access the information they needed, and 43 per cent of carers have found it difficult.

10 per cent of carers claim not to have been able to access the advice they need at all – suggesting carers are not well supported in their role with the provision of information, advice or guidance.

16 per cent of low earners using the system found the information they needed, whilst 22 per cent found it difficult or impossible.

2. Funding – who should pay for care?

Key facts:

56 per cent of people surveyed and 62 per cent of low earners supported the statement that "The majority of people should be entitled to free care with only wealthy people paying the cost of their care themselves."

However, a significant minority (26 per cent of low earners and 27 per cent of all respondents) felt everyone should be entitled to free care – which increased to 29 per cent in Scotland where free personal care is already available.

Only 6 per cent of low earners thought only the poorest should receive free care – the statement which perhaps most closely resembles the means testing arrangements of the current system.

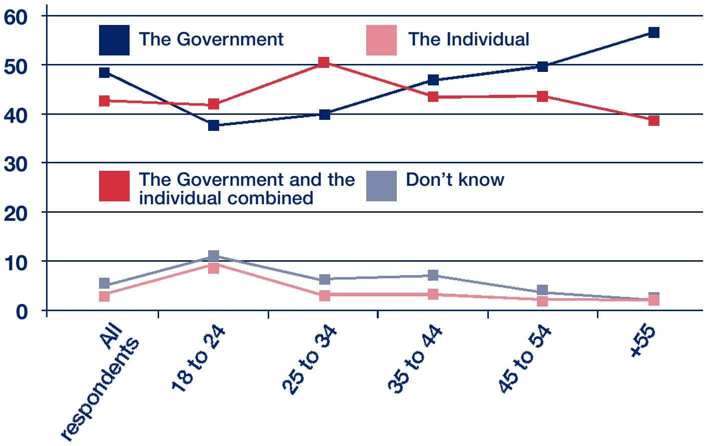
Interestingly, our survey found that low earners were slightly less likely than average to believe that everyone should be entitled free care. This is perhaps an indication of what our qualitative research has found to be a sense of "fairness" amongst low earners, based on the principle of contribution (we explain this further in the next section). This suggests that low earners believe free care should be given to those who have contributed to the system, through tax, national insurance or some other means, rather than free on an unqualified basis.

Nevertheless, low earners most often expect to be wholly funded by the government, and least often think they will have to pay for all of their own care needs. This is again in line with their belief that those who contribute should receive care, in a fair deal with the welfare state. As a group who are mostly working poor (i.e. are on low incomes, but are employed and are not dependent on welfare benefits), it is understandable that this group would consider themselves deserving of subsidised care.

However, this illustrates a significant disparity between this group's expectations and reality – as we will see below, around 70 per cent of this target group may not in fact be eligible for state funded care, and yet over half believe they will have their care totally or mainly funded by the government – almost the same proportion as lower earning individuals.

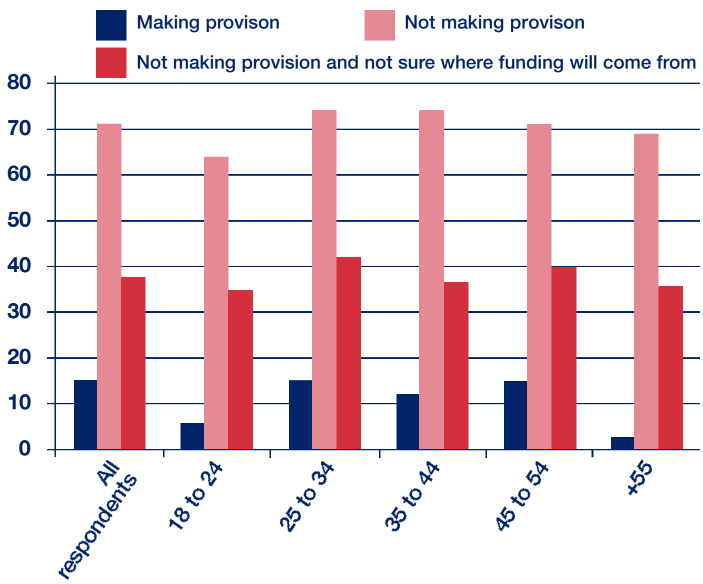
When looking to the future, most people think that the government should pay for any increase in care costs. However, a combination of government and individual contributions was almost as popular an answer, and younger respondents were more supportive of this option than an entirely government funded solution. This suggests attitudes might be changing over time, with a growing understanding that a wholly government-funded care system is not a viable option (though it may be possible that attitudes to funding care change as people grow closer to needing care).

Who should pay for increases in future care costs?



In spite of the relatively high acceptance of the need for individuals to contribute to their care costs, the majority of respondents stated they had not made provisions for this, and were unsure how they would fund their care. More importantly, the over 55s stated they were no more likely to be prepared than the 18-24 age group – indicating preparedness does not increase with age (though evidence suggests that levels of savings do increase with age). This is certainly a serious and wide-spread problem.

Have you made an provision for your elderly care needs?



Other sources of data have shown that low earners are less likely to have prepared for their retirement with a pension or some other savings scheme. This finding is reflected in our survey, as 45 per cent of low earners stated that they had no provision for their care needs, and were unsure how they would fund them, compared to 39 per cent on average. They were also 8 per cent less likely than average to expect to fund their care needs through their pensions or equity in their homes, in spite of other data which shows that they keep the majority of their assets in their homes (three times the amount of their liquid savings).

3. Funding – how should we pay for care?

As we explain above, a wholly government funded care system proved a slightly more popular option than one which combined government and individual contributions. However, when asked what the government ought to do to fund increases in care costs, the most popular option was to increase income tax or national insurance – a method which essentially raises funds from individuals to be used at macro level.

Key facts:

37 per cent of those surveyed (and 40 per cent of low earners) suggested the government increase income tax or national insurance in order to cover the inevitable increases in elderly care costs.

A significant majority of all respondents – 71 per cent – stated they would be willing to pay an extra 1p in the pound on their income tax in order to raise funds to improve the quality and provision of elderly care. This rose to nearly 75 per cent among low earners.

A significant minority (25 per cent) did not have an answer to this question, suggesting there is no clear consensus regarding how to fund the increased costs of the system.

46 per cent of those who had had no contact with the system were unable to answer this funding question.

Nevertheless, what was clear was that the status quo was unacceptable – only 4 per cent believed the system ought to be left as it is – including those who had had no contact with the care system.

It is clear that a significant majority of the population would be willing to pay an extra 1p in the pound to help fund the elderly care system. This corroborates the findings of a survey carried out by Counsel and Care last year, where 75 per cent of people surveyed said they would be prepared to pay 1p a month extra on their income tax. Counsel and Care calculated this would raise an extra £2 billion a year – enough to fund 80 per cent of all care home fees and domiciliary care.[12]

Although our survey found support for this idea was lower amongst 18 to 24 year olds, it still enjoyed majority support with 53 per cent agreeing to the proposal and only 19 per cent definitely against it (28 per cent were unsure of their opinion).

Support was also generally lower among lower income groups, who have less money to spare, but again, the proposal was still supported by a majority, with 63 per cent of those earning less than £5,000 a year still saying they would be willing to pay an extra 1p in the pound to improve elderly care.

Interestingly, low earners were more likely than average to support an increase in income tax or national insurance to fund elderly care cost increases, and more likely to be willing to pay an extra 1p in the pound on their income tax (74 per cent). This again confirms what our qualitative research has found to be a wider sense of "fairness" and support for contributory principles of welfare amongst this group.

When asked how their private contributions to their care costs ought to be collected at an individual level, the most popular option was via some form of compulsory national savings scheme, though this understandably dropped among those earning less than £5,000 a year, reflecting the likely impact of compulsory savings on small weekly budgets. Equity release was clearly the least popular option, nevertheless, support did increase slightly in line with decreasing age of the respondent – suggesting opinions regarding property, and its use for equity in later life, may be changing. Not a single respondent who was planning their care in the near future supported equity release as an option.

Key facts:

46 per cent of low earners (the same proportion as all those surveyed) supported the idea of a compulsory savings scheme to enable individuals to prepare for their future care costs.

34 per cent of those earning £5000 or less favoured this option. An almost equal number were not actively against this option, but were rather undecided and did not know which form private contributions ought to take.

At 72 per cent, support for a compulsory scheme was highest amongst those planning their own care needs – perhaps reflecting this group's experience of assessing their own finances and finding they do not have sufficient savings to access the quality of care they had been hoping for in later life.

17 per cent of those surveyed favoured a private insurance scheme option, with low earners slightly less supportive at 15 per cent.

Only 6 per cent supported an equity release method.

31 per cent of respondents overall were not able to provide a suitable suggestion to this problem, indicating a clear lack of consensus on this issue and acknowledgement that this is a difficult problem to resolve.

[12] http://www.counselandcare.org.uk/assets/library/documents/26_YouGov_survey_release_03.09.07.doc

4. Means testing

Key facts:

The survey found that 42 per cent of people were aware of elderly care means testing income thresholds, and 43 per cent were unaware.

14 per cent were unable to answer this question, who we might assume were also unaware of the income thresholds.

51 per cent of those with no contact of the care system, 63 per cent of 18-24 year olds and 50 per cent of those living in London were unaware of the means testing income thresholds.

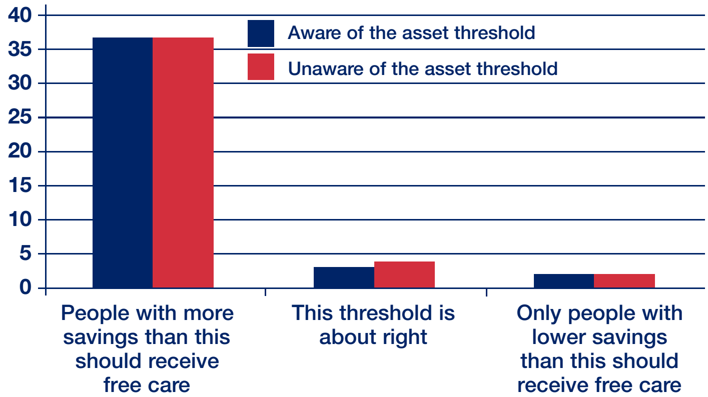
74 per cent of all respondents felt the income threshold was too low (i.e. they felt those with higher levels of assets should still receive subsidised care). Only 4 per cent of respondents felt the current threshold was too high and should be lowered.

Given that low earners are more experienced with the care system than average, it is unsurprising that the survey found low earners are more likely than average to be aware of the means testing rules. Nevertheless, at 40 per cent, the proportion of those reporting not to be aware of the means testing rules was almost as high as those who stated they did know – 47 per cent. However, 13 per cent were unable to answer this question – perhaps suggesting this latter figure could be added to those who were not aware of the means testing criteria.

Both those who were aware, and those who were not aware of the £21,500 asset threshold, were strongly in favour of raising this threshold so that those with higher assets would still be able to receive free care. Nearly three quarters (73 per cent) of low earners felt the threshold of £21,500 should be substantially increased, so those with assets of more than this would still be eligible for free care. However, at just over 10 per cent, a larger proportion of low earners felt the threshold was "about right" compared with 7 per cent of survey respondents overall.

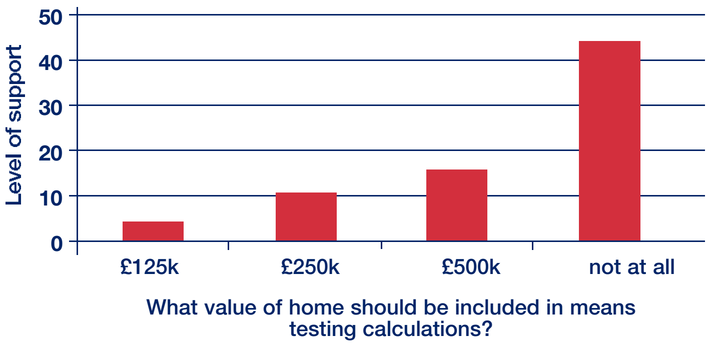
Whilst the percentage of people aware of the means testing thresholds differed significantly between those with and without experience of the elderly care system, the overall percentage of those feeling the asset threshold was too low remained fairly static – with those reporting no contact with the care system only 2 percentage points less likely to think the threshold is too low.

Are you aware of the £21,500 limit on assets for eligibility for state funded care, and do you think this should be raised or lowered?



A significant proportion of those we surveyed (48 per cent) also felt people's homes should not be included in the asset calculations used to qualify for free elderly care. Including houses only over a certain value was also popular, with support increasing as the house price benchmark increased.

Number of people supporting the inclusion of homes in means testing calculation, and at what value



Literature review and analysis

Deloitte began their analysis by drawing together all existing sources of information which held data specific to low earners, and selected those with specific relevancy to the issue of elderly care. The bibliography of individual sources proved very large, however key institutions included:

- Deloitte's own Wealth and Portfolio Choice survey
- The British General Election Survey
- The British Social Attitudes Survey
- ICM polls
- Carers UK
- The Commission for Social Care Inspection
- The DWP
- Financial Services Consumer Panel
- The Joseph Rowntree Foundation
- The OFT
- PSSRU
- The Kings Fund
- The Wanless Report *Securing Good Care for Older People* 2006

This wide ranging review generated a number of important findings relevant to low earners, which have direct and indirect implications for how they might fare in the elderly care system. These include:

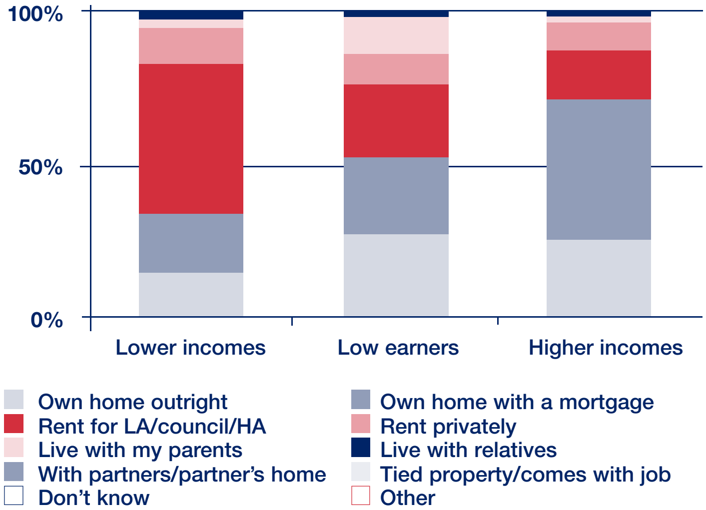
a. The age spread of the low earners shows they are more likely than average to be over 55.[14]

This means there are a higher proportion of people likely to be preparing for their own care in the medium term and dealing with elderly relatives' care as an immediate issue (Carers UK statistics shows that the peak time for becoming a carer is 45 to 54).

b. Home ownership is relatively high

53 per cent of the target group are home owners, and at 28 per cent, low earners are more likely than either those on higher or lower incomes to own their own homes outright (i.e. without a mortgage).[15]

Home ownership



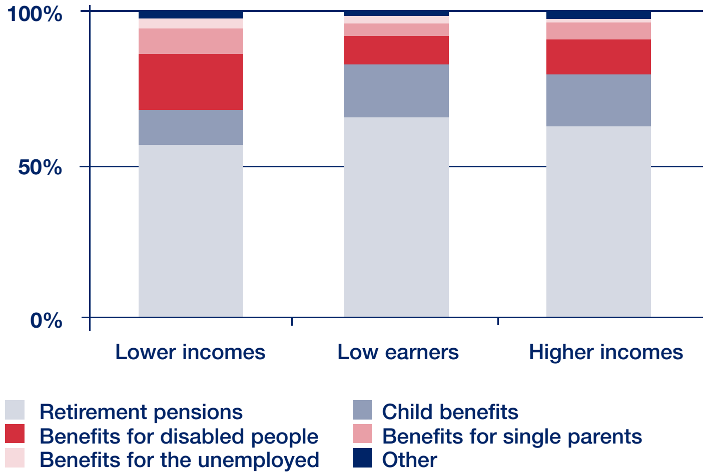
Base: All, 3173 respondents
Source: Deloitte, Wealth & Portfolio Choice, 2002

c. Retirement income is a principle concern

48 per cent of the low earners claim to worry a lot about not having enough income in retirement, compared to 33 per cent of the wider population. This group are also more likely than average to say that the first priority for social benefit spending should be to increase pensions.[16]

Our survey also found that 45 per cent of low earners admit to not having made any provision for care and not knowing how they will pay for care costs, compared to an average of 38 per cent.

1st priority for extra social benefit spending



Source: British Social Attitudes Survey, 2005

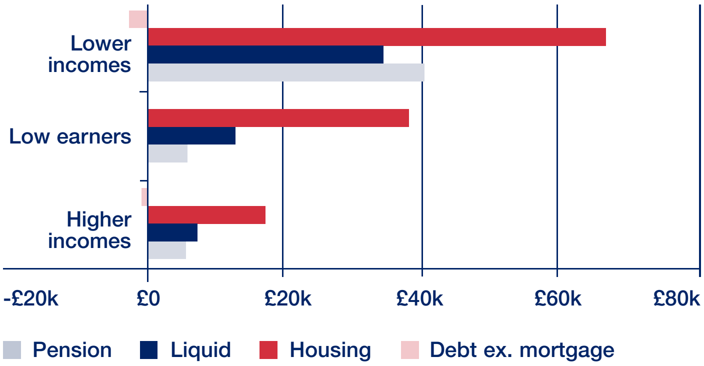
[13] As different data sources use different methods of defining populations by income, proxies were used in some cases (e.g. using income percentiles) in order to identify the target group as consistently as possible
[14] BHPS/Future Foundation analysis, see *Living in the Advice Gap*: Resolution Foundation 2006
[15] Deloitte, Wealth and Portfolio Choice, 2002
[16] BSAS, 2005

Research also indicates that whilst low earners have the lowest relative levels of debt, they have a similar level of average pension wealth (£5655) to those dependent on benefits, indicating dependency on the State for income in retirement. Analysis indicates that 22 per cent of the low earners are likely to have adequate incomes in retirement.[17]

d. Homes are low earners' primary source of wealth

Low earners are more dependent on their home for their wealth relative to other population groups. The average value of their home is three times greater than their average liquid assets. For those on higher incomes, the average value of their home is only double that of their average liquid assets.[18]

Distribution of average wealth



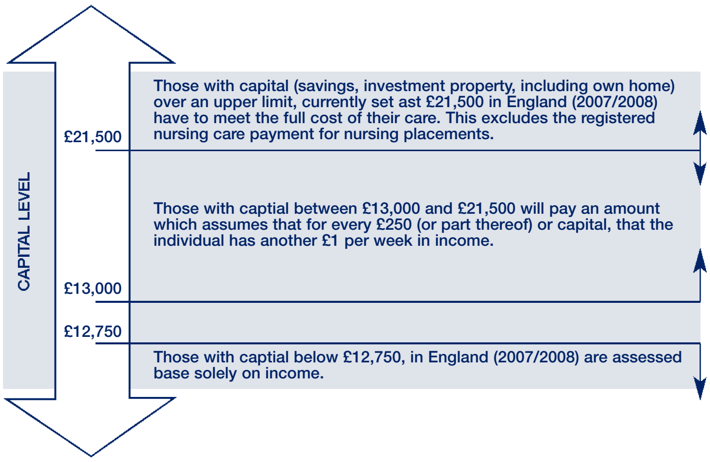
e. A significant proportion of low earners are not eligible for free social care

Although we do not have recent data on this issue, it is clear from previous surveys that a significant proportion of low earners have sufficient capital to be excluded from means tested care. In 2002, for example, 72 per cent of low earners aged over 60 had an average wealth of £18,500, and therefore exceeded the 2002 upper means testing limit. However, of this 72 per cent, 51 per cent were homeowners who were married or living as a couple. For those whose partner remains in the home, housing wealth is not taken into account when calculating capital wealth.

As a result, around 21 per cent of low earners with an average wealth of £18,500 were most likely to have to pay the full cost of their care. However, it is likely that significant proportion of those homeowners with capital over £18,500 would still have to make a partial contribution towards the cost of their care, as they still may have capital of over £11,500 (the upper limit of eligibility for totally free care in 2002), even when their housing wealth has been excluded. Furthermore, a proportion of those homeowners with partners may also not have their partner remaining in the home (as they may require residential care) and therefore their housing capital may still be included in their calculations. 26 per cent of low earners had an average wealth of less than £11,500 in 2002, and so would be eligible for full state funding of their care.

Our recent survey, the findings of which are summarised above, demonstrates that low earners' expectations are very different to reality in the light of these statistics. Our survey found 27 per cent of low earners expect the government to pay for all of their care, whilst another 25 per cent believe the government will cover the majority of the costs and they will only have to make a limited personal contribution. 16 per cent of low earners were not able to answer this question, suggesting they had not considered who would pay for their care in later life.

The current charging regime in 2007-2008 for residential and nursing home care in England takes into account the income and assets (in most cases including and housing wealth) of residents.



f. Low earners are marginally less likely to say government should pay for elderly care

Low earners are slightly less likely to say the government should pay for elderly care, irrespective of costs, than the rest of the population – including those earning both more and less than them.

Qualitative research

As a second phase of work, Deloitte identified the areas of understanding regarding low earners and the elderly care system which had not be satisfactorily addressed by the existing sources of data they had reviewed. These unaddressed areas formed the basis of an investigation using a combination of focus groups and interviews with low earners. This enabled us to gain an insight into their perceptions, opinions and understanding of the elderly care system, which had not been satisfactorily revealed during the literature review.

[17] Deloitte, Wealth and Portfolio Choice, 2002
[18] Ibid

Deloitte divided low earners into four categories according to how they might interact with the care system:

1. users of care (elderly people);
2. carers;
3. "navigators" (i.e. those navigating the care system on behalf of an elderly relative or friend); and
4. "planners" (i.e. those who are planning care for their own immediate future).

Of course, many people can and did fall into some or all of these categories simultaneously. Deloitte carried out a combination of focus groups and depth interviews with individuals based on these categories by using the primary means by which they described themselves.

Our recent poll used the same four categories when asking the question: "How, if ever, have you come into contact with the elderly care system in Britain?". It found that overall, low earners were more likely to have had contact with the elderly care system, particularly as care users:

Contact with elderly care system	Percentage of target group	Average of all survey participants
Care User	2	1
Carer	8	6
Navigator	26	25
Planner	3	2
No contact with system	59	63
Don't know	5	6

Deloitte used the following balance of focus groups and interviews to explore the opinions of each group:

Consumer Groups	Focus Groups	Depth interviews
Recipient of care (elderly)	–	8
Carers	3	3
Planners	4	3
Navigators	2	2
Total	**9**	**16**

The larger number of interviews carried out with elderly people reflects the fact that our elderly participants preferred to be spoken to individually than participate in a group. Deloitte's field work team were able to visit these individuals in their own homes and residential homes, thereby removing the need for them to travel to the focus group sites. The areas to be discussed in focus groups and interviews varied slightly by group – as follows:

Recipients of care
– How they entered the care system – How they planned for care – How they pay for care and how this has impacted on their financial situation – How the receipt of care has impacted on their lives
Planners
– Expectations of growing old and their LTC needs – How they are planning for care – Expectation of care needs – How they expect to pay for care
Carers
– How they have supported dependant in entering and accessing LTC – How providing care has impacted on their personal and financial position – Experience and opinions of receiving benefits relating to care
Navigators
– Expectations of growing old and their LTC needs – How they are planning for dependant's care – Expectation of dependant's care needs – How they expect to pay for dependant's care

Findings

Regarding elderly care – general perceptions

1. The target group have a strong sense of "fairness". They believe, generally, they should receive services from the state according to their contributions to tax and/or national insurance. When applying this point of view to the elderly care system, therefore, it is understandable that low earners have generally negative opinions of it based on their perception of it being "unfair". This perception is being fuelled by a number of factors:

   a. Overall, our participants' main source of concern and frustration is the complexity of the elderly care system. The opaque processes surrounding eligibility for care and benefits has led to a belief that individuals have to "fight" in order to secure what they are entitled to. Low earners believe this can leave the system open to abuse: those who know how to manipulate the system or "shout loudest" receive more, whereas those who are entitled to care and services, but who may be less confident, eloquent or informed, might be overlooked.

Our recent survey confirmed the difficulties experienced universally by those attempting to access information about their or their relatives' care needs. The fact that those with more and less contact with the system reported similar levels of difficulty suggests navigation becomes no easier with experience.

b. Inconsistencies in the application of eligibility criteria not only renders the system complex – the participants of our focus groups were well aware that this meant access to services can (unfairly) depend on where someone lives.

c. The inclusion of the home within the means-testing calculation for government funded care was viewed by the participants as particularly unfair, as it penalises those who have worked and saved to buy their own property.

Its absolutely barmy that you've got to fight for every bit of information that you need. To find out that you can get help in the house, to find out there's all sorts of stuff out there that nobody's every heard of and suddenly find that its taken about eight years to find this information out and you've had all this struggle and your needn't have done that. I mean its just barmy.

This opinion was certainly corroborated by our survey results, which found the majority of respondents from all age and income groups were against the inclusion of a person's home in means testing calculations.

2. Having to "fight" does not sit well with the target group – as we explain at the beginning of this section, they have a strong sense of fairness: in the elderly care context, this means playing by the rules and getting back in services what they have put in through national insurance. The need to be well informed, eloquent and above all persistent in order to receive care services and benefits is a source of discomfort to the target group. This has also fuelled cynicism – with many suggesting that the complexity of the system is the government's way of reducing demand and keeping costs down.

3. In spite of these criticisms, and frequent and unprompted references to "superior" systems in Scotland and other European countries, there is a sense among low earners that major reform will be too difficult – that problems are too ingrained and that reforms may be undone by a subsequent government. Stability of the existing system (although not perfect) was seen as important.

I think its an absolute scandal. If you've been careful with your money and if you've planned for your future.. you get penalised. We haven't got a lot of money but we have got over that band [£21,500 means testing eligibility], and what we should have been doing was having extra holidays and bigger cars.

There must be thousands like myself who were encouraged to save and look after yourself for your old age, but when you see people that just wasted their life and wasted their money getting just as much it just sets you back in thinking, was it all worth it?

We're being penalised for being careful and we've paid into the system, we were always very pleased to pay whatever we had to pay… unfortunately we need it now and we're being penalised.

Care funding

4. As we explain above, Deloitte's literature review of existing sources of data on this subject found that low earners were marginally less likely than higher and lower earners to believe the government should cover all care costs, regardless of the amount. This finding was reflected in our qualitative research, which found that the majority of focus group participants recognise that private contributions will become increasingly important to supplement State funding in the future, in order to deliver adequate care services. They are uncomfortable with the concept of equity release as a means of generating private funding, and favour contributory methods – such as social insurance or savings schemes, so that they can "receive back what they put in".

As we explain above, our survey found that 46 per cent of low earners supported some form of compulsory contribution system, compared to just 7 per cent who favoured the use of equity release products.

Findings from interviews with "Navigators" – planning and organising care for elderly relatives

"Navigators" tend to be informal carers of relatives whose condition has worsened, and so the need for formal (residential or domiciliary) care has arisen. They then find themselves organising this for the relative they have been helping to look after.

They may face resistance from the elderly relative, who remains happy with the status quo, and who may be unaware that their care needs are becoming too much for their informal carer.

The navigators interviewed stated they were willing to contribute to care funding, but found it inherently unfair that their relatives' homes were included in means testing calculations. They were concerned how they would afford to pay care costs given their ineligibility for government funding.

Those who had begun the "navigation" process were finding the system confusing – those who were about to embark on it admitted they did not know where to go for information.

5. The majority of low earners recognise that some people will be unable to afford to contribute to their care costs. In such circumstances, low earners support means-testing in order to ensure those on very low incomes can receive the care they need free of charge. The believe only the "super rich" (i.e. multi-millionaires) should be expected to pay for all of their care (our survey findings support this).

6. Related to this point, the low earners felt means testing limits were set too low – some felt this was a conscious act in order to exclude as many people from state funded care as possible. They particularly felt that the inclusion of housing assets in means testing calculations demonstrated this point. Many suggested that the means testing system encouraged people to explore ways to "beat the system" (as explained above, a prospect that did not sit well with the target group).

Findings from interviews with care recipients – receiving formal care

The case studies of care recipients showed that overall they liked their care homes, and recognised that they needed a level of care their families would be unable to provide informally.

Self-funders were bitter that they had spent all of their savings before the government had started to help them pay for their fees, stating that "What the government does is make us poor before they help". A non-home owner in care did not like the way home-owners were attempting to hide their assets, but at the same time recognised that people would want to keep their own homes and felt it was unfair these were being taken away to pay for care.

7. In spite of their recognition of the need for private contributions, the low earners generally believe that there is adequate government funding already to deliver care and improve the system – but this is being lost through waste and inefficiency. They believe current efforts should focus on making efficiency gains to generate resources for elderly care, rather than through taxation.

I don't mind the family, including her, paying something. Maybe up to half, but I think its unfair if she has to sell her property. They worked hard for that, why should she have to sell that when people who haven't struggled to get their own home should be paid for?

The average person, the ones who aren't poor enough. They have to sell their homes. Its not fair.

I think its unfair when people who've been living in a rented home all their lives would not lose out like that, any home will be worth more than £21,500 so that means no one with their own home will get any support… why should someone be penalised just because they're on their own?

Understanding of the care system

8. Low earners seem to have a reasonable level of understanding of how the care system operates at a basic level. For example, they are aware of the distinction between the local authority/NHS services and the cost of residential care home fees. The majority of participants knew of and mentioned the difference between the Scottish and English care systems without prompting.

9. However, most of their knowledge is based on experience or anecdote, or drawn from the media. As such, any degree of in-depth knowledge is limited. Following more detailed questioning regarding their levels of understanding, it becomes clear that the majority of the participants' assumptions about, and expectations of, the system are often quite different from reality:

   a. Eligibility rules (i.e. interaction with personal circumstances) are the key source of confusion, with many participants not claiming various benefits and services due to i) the assumption they would not be eligible; ii) not being aware of the services/benefits available or iii) being discouraged by the complexity of the application process. Our survey confirmed this low awareness of eligibility rules, with 40 per cent of low earners not knowing the upper asset threshold for means tested care.

   b. Although the group understands there is a split between the NHS and social care system, why this is the case and how this affects front line delivery remains unclear and a source of frustration.

   c. Media stories, for example regarding care homes, were commonly sited as examples of poor practice in the system.

d. Level of awareness of care costs was limited to residential care – there was very low awareness of domiciliary care costs and of the domiciliary care system in general (frequently this group associated elderly care with residential care services only).

Findings from interviews with "Planners" – thinking about their own care

Those interviewed who were planning their own care often already had some experience of the elderly care system, through having been an informal carer or having previously navigated the system for a friend or relative.

There was a sense that planners were delaying their care decisions through reluctance to consider a set of quite difficult options. One admitted: "I worry about if I was to end up on my own what would happen.. I haven't really considered it", another "It's a little bit worrying really so I sort of put off thinking about it." There was a reluctance to consider going into a care home, and concern that care fees would be difficult to pay without the loss of their homes.

Carers

11. The target group recognise that informal carers save the government money (i.e. in care replacement costs), and should be given more financial and other support.
12. Carers themselves feel isolated, have little support, and find it emotionally and financially challenging balancing their own lives with their caring role.
13. Despite their frequent and prolonged contact with the system, carers still have relatively low levels of understanding regarding the care system and what they/their relative is entitled to – our survey found 26 per cent of all carers were not aware of the upper assets threshold for means tested care, and 53 per cent reported it difficult or impossible to access the information they needed to plan care needs.

Findings from interviews with Carers (i.e. those providing informal care to elderly relatives)

Even experienced carers that were interviewed were still unsure of where to get help and information, with most relying on informal advice from other carers or a single individual they had come across by chance (e.g. a particularly helpful social worker or care worker).

One experience carer described the system as a "minefield", and although she considered herself untypical of most carers in that she knew quite a lot about the system, she still admitted that she was confused regarding the assessment system and how her relative would be considered eligible for care or not. She explained how she nearly had to pay £150 a week in home care fees until she pushed for a second assessment, which reduced her bill to £5 a week.

4. Conclusion – what do these findings mean for low earners?

We define low earners as those who earn below median incomes, but who are more or less independent of state support. This places them in a difficult position, unique to this income group, when faced with the means testing criteria of the current elderly care system. They are often deemed too wealthy to be eligible for state subsidised care, yet their relatively low incomes make care costs a much more significant financial burden than for higher earners who might fund their own care. Recipients of care, and their families, are therefore likely to see a larger proportion of their weekly budgets spent on care costs than both higher and lower earners.

Our quantitative findings outlined above help elaborate this point. It shows that low earners tend to be older than average, and more likely to own their own homes. They also hold disproportionately more of their wealth in housing assets (as opposed to liquid savings) than other income groups. At the same time, they are less likely that higher earners to prepare financially for retirement through pensions, and worry more than other income groups as to whether they will have sufficient assets to retire comfortably.

These factors combined mean that the inclusion of housing assets when calculating care cost contributions is of critical importance to low earners – it renders the majority of them ineligible for subsidised care, and also most at risk of having to sell their homes or downsize in order to access their wealth to pay for care. This is in contrast to lower earners, who may not own their own homes and be eligible for subsidised care, and higher earners, who may have sufficient funds to pay for care from their liquid assets, such as savings or annuities, rather than their homes.

In light of these circumstances, it is understandable that both our survey and qualitative findings indicate that elderly care is a primary concern for low earners. They find the system complex and inaccessible, and have encountered difficulties in securing the services and benefits they or their relatives have been entitled to. The level of knowledge of the system is fairly superficial, with those with more contact and experience with elderly care often knowing little more than others.

Above all else, low earners feel the system to be unfair – in the very low level of means testing benchmarks which excludes the majority of low earners from any state funded care; in the inclusion of housing assets which penalises those who have saved; in the way people have to "fight" or otherwise manipulate the system to receive their due.

In spite of this, there is acceptance that increased elderly care costs cannot be met by the government alone. Nevertheless, low earners still believe only the very wealthy should pay for their care costs, and that the majority of people should receive government funded care or only make a small contribution. This system would be supported financially through increased tax or national insurance, with the majority willing to pay around 1p extra in the pound of income tax.

Looking to the future

A number of demographic trends have been well documented, and their impact modelled, on the costs and delivery of elderly care in the future. The most important of these trends – simply that the population is ageing – has led analysts to conclude that the elderly care system requires a 325 per cent increase in funding in real terms by 2041, simply in order to provide today's level of care to the greatly increased numbers of older people (and the larger proportion of those with mental health problems) that will make up the UK's future society.[19]

Whilst such trends will have a overall affect on elderly care costs, which casts doubt on the sustainability of the current elderly care funding model, there are a number of other developments which will have a more significant impact at individual level, and which will serve to exacerbate low earners' difficult position within the elderly care system, as described above.

First, the number of self funders – i.e. those who either wholly or partially pay for their elderly care – is rising, and will continue to do so. This is because local authorities are adjusting their eligibility criteria so that only those with greater care needs are eligible for free home or residential care, leaving those with "lesser needs" (which are now nonetheless significant) to fund themselves, regardless of income. The CSCI and Counsel and Care have both documented this year on year trend – CSCI data shows that in 2005-06, 54% of authorities restricted services to people whose needs were deemed "substantial". This increased to 62% in 2006-07 and - according to councils' official plans - would reach 73% by the end of March.[20] Therefore, a greater proportion of low earners will have to pay the costs of their elderly care, regardless of their income. A such, a larger number of elderly people and their families will be struggling to meet the costs of care from their relatively small weekly incomes. The recent *State of Social Care Report* by the CSCI has also found that self-funders receive a lower standard of care and far less choice than local authority funded elderly – suggesting a lower quality of life will become the norm for greater numbers of low earning elderly.[21]

[19] http://www.pssru.ac.uk/pdf/rs035.pdf
[20] CSCI, *The State of Social Care in England 2005-6*
[21] Ibid

For those who cannot afford to self-fund formal care – which is likely to be a more common situation amongst low earners – informal care (i.e. care provided by friends or family free of charge) is crucially important. Estimates suggest that 70 per cent of the care provided in England and Wales is currently delivered by informal carers. The age profile of our group points to the fact that the numbers of low earners reaching an age where elderly care is required will increase substantially in the next 5 to 10 years, yet the increasing number of elderly living alone, not marrying and not having children will mean there will be fewer children and relatives for older people to rely on to provide them with informal care. This suggests that the current reliance on informal care to fill the shortfall in the supply of formal care may not be sustainable in the longer term.

Finally, low earners are also more likely to be carers of relatives than the rest of the population. The age profile of this group, combined with these factors, suggests that a significant proportion of low earners may be shouldering a dual burden – they may be caring for their elderly parents, but also still supporting (financially and otherwise) their own children. This "squeezed" generation phenomenon, which affects women in particular,[22] will be a significant factor affecting their quality of life, but may also have a longer lasting, intergenerational impact – people who give up work to care for relatives will not be contributing to their pensions. As we have seen above, low earners are already far less likely to have a pension and have adequate pension savings. Low income carers may therefore be increasing their chances of pensioner poverty. In turn, they will then require government funded care in their old age – increasing future costs to the state.

It is clear, therefore, that unless significant reform of the elderly care system is undertaken in advance of these demographic changes, the spiralling costs of delivering care will render many older people extremely vulnerable. Key measures to improve the transparency of the system; provide better information and advice; encourage people to consider and save for their care costs; and revise the variability of local means testing criteria are all of the highest priority for the Government. As our survey shows, such reforms are as important in the eyes of the public as other key Government health reforms – such as improving hospitals, access to dental services, and GP opening hours. And yet relatively little has been achieved in elderly care, when compared with the sea-change in NHS reform, thanks to the resources invested into policy development in these latter issues.

Recent Government announcements suggest that this anomaly has been drawn to policy makers' attention – nevertheless, given current and future budgetary constraints in this area, reform needs to be undertaken strategically and based upon a strong body of evidence and analysis.

The Foundation's future work in this field should prove a valuable addition to this approach: as we explain in the introduction to this report, we plan on building on the evidence presented in this report by developing a "market map" of the elderly care system, which should enable us to identify where weaknesses in this market may be occurring. We believe this map, which we hope to launch in spring of this year, may bring greater clarity to a complex system, which is too often assessed and reformed in a piecemeal fashion. Our goal is to provide a means of viewing the elderly care system more holistically, and as a market which requires a strategic and mutually reinforcing set of reforms to promote a healthy balance between supply and demand.

We will use this analysis to develop a series of pragmatic and politically and economically feasible policy solutions to the weaknesses we identify. Crucially, this will require building on the existing analysis and policy solutions already put forward by various stakeholders in this field. We would very much welcome comments and ideas at this early stage in our research as to how to develop this approach.

[22] Our earlier research also found that there were a higher proportion of woman who were low earners compared to the population as a whole. See *Living in the Advice Gap*, Resolution Foundation, 2006

Appendix one

Who are low earners?

As we explain above, we define our "target group" group as those individuals who earn less than median incomes,[23] but who are more or less independent of state support in that they receive less than 20 per cent of their incomes from state benefits. Once we had identified this group, we commissioned research from the Future Foundation and Deloitte to carry out reviews of existing sources of data which might give a more detailed about who this group were. However, both organisations found few sources of data which were able to do this: the majority of statistical bodies and Government departments focus on gathering information on Britain's lowest earners and the socially excluded. Others may separate data according to gender, socio-economic group or ethnicity, but even where income is taken into account, the income bands used rarely correlate to the Foundation's definition of a low earner.

In response to the dearth of available existing information (both quantitative and qualitative), the Foundation commissioned a number of pieces of new primary research – from the ILC, McKinsey & Co, YouGov and Deloitte – intended to establish a bank of new qualitative and quantitative information about this group: from their basic demographic profile, to the nature of their daily lives and their political opinions.

Demographic profile

Based on an analysis of the British Household Panel Survey (2006), there are 15 million adults who are defined as "low earners".[24] Women are over-represented in the group at 57 per cent. 52 per cent of the group are in full time employment, with 16 per cent self employed – a much larger proportion than the national average.[25]

Low earners are more likely to be over 55, or single people under 30, than the rest of the population. They are also most likely to be in the C1-C2 socio-economic category. Over half are educated to "A" level equivalent and just under a third have no qualifications at all.[26]

53 per cent of the group own their own homes, and a slightly larger proportion than average own their homes outright – reflecting the slightly older age profile of the group.[27]

A more in depth picture

A richer narrative emerges regarding the opinions, concerns and aspirations of low earners when we supplement statistical information with quantitative and qualitative data from surveys and focus groups. These sources have given the Foundation an insight into the daily lives of the target group, including:

Their financial health

Low earners are less likely to have life insurance than higher earners, and far less likely to be a member of an employer's pension scheme (53 per cent compared with 81 per cent). Although the target group are less likely than higher earners to have loans, and owe less in credit, they are much more likely to see these repayments as a burden, and twice as likely to have been two months in arrears on their housing payments.[28] A recent survey carried out by the Foundation also found that they are 40 per cent less likely to use an Independent Financial Adviser.[29]

Using an analysis based on product holdings, levels of savings and debt, and using the FSA Baseline Survey data, we found that 46 per cent of low earners had "mild" financial problems, 22 per cent had "chronic", and 10 per cent were in an "acute" state of financial health. Just 22 per cent were deemed financially "healthy", despite surveys results which found 34 per cent of the target group reporting to be living comfortably and 40 per cent "doing alright" – a similar proportion to those on higher incomes.[30]

Their wider views

As we explain below, our research has shown that low earners have a strong sense of "fair play". They believe in contributing to the state through the taxation and national insurance systems, and expect to receive help when needed in return. They perceive the current welfare system as being unfair: in giving some groups in society more than they deserve; in being spent wastefully (e.g. on defence rather than domestic services); and being wasted through inefficiency and bureaucracy. They feel that those who work and save so as to be independent of state support tend to penalised in the current welfare and benefits system.[31]

Despite these strong opinions, low earners do not identify themselves as a particular group or social category. They are not particularly politically active and have a sense that they have to "just get on with things" – working and juggling the commitments in their private home lives, which leaves little time to consider their group identity or how they might form a unified political voice.[32]

[23] £11,747 for individuals and £22,548 for households
[24] 12 million adults plus 3 million elderly who do not receive means tested benefits (the 20 per cent welfare threshold was not viable for elderly groups as they receive several non-means tested benefits from the government).
[25] *Closing the Advice Gap*: Resolution Foundation, 2006
[26] Analysis from Deloitte's literature review regarding low earners and elderly care
[27] Ibid
[28] *Closing the Advice Gap*: Resolution Foundation, 2006
[29] YouGov Poll for Resolution Foundation, sample size for the survey was 2,010 adults. Fieldwork was undertaken from 25-27 July 2007
[30] *Closing the Advice Gap*: Resolution Foundation, 2006
[31] Analysis from Deloitte's literature review regarding low earners and elderly care
[32] Ibid

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