

**Research into the threats and opportunities of an ageing population in the Isle of Man**



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## Introduction

Globally increasing numbers of people are living longer and enjoying better health as they age. This is a notable achievement of society. A baby born on the Isle of Man during 2013 has a life expectancy of 79 years for males and 83 years for females.<sup>1</sup> This compares to the average life expectancy for people born in developed countries at the start of the twentieth century, which was between 45 and 50 years.<sup>2</sup>

Along with the challenges posed by an ageing population come considerable opportunities. It is imperative that older people in the Isle of Man are able to play their crucial role in our society and economy. How the Isle of Man addresses the challenges posed by its ageing population whilst maximising the opportunities that a socially and economically active, healthy and secure older population can contribute will be key to the Island's prosperity in the years ahead. **The Isle of Man must ensure that it can benefit from its 'longevity dividend'.**

The objectives of this research are to:

- Validate the specifics of not only the demographic challenge, socially and economically, but also identify opportunities to government and the community;
- Consider the extent to which existing government policies and resources are, or are not, aligned to address those challenges and opportunities.

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<sup>1</sup> Department of Health, Public Health Directorate, July 2013

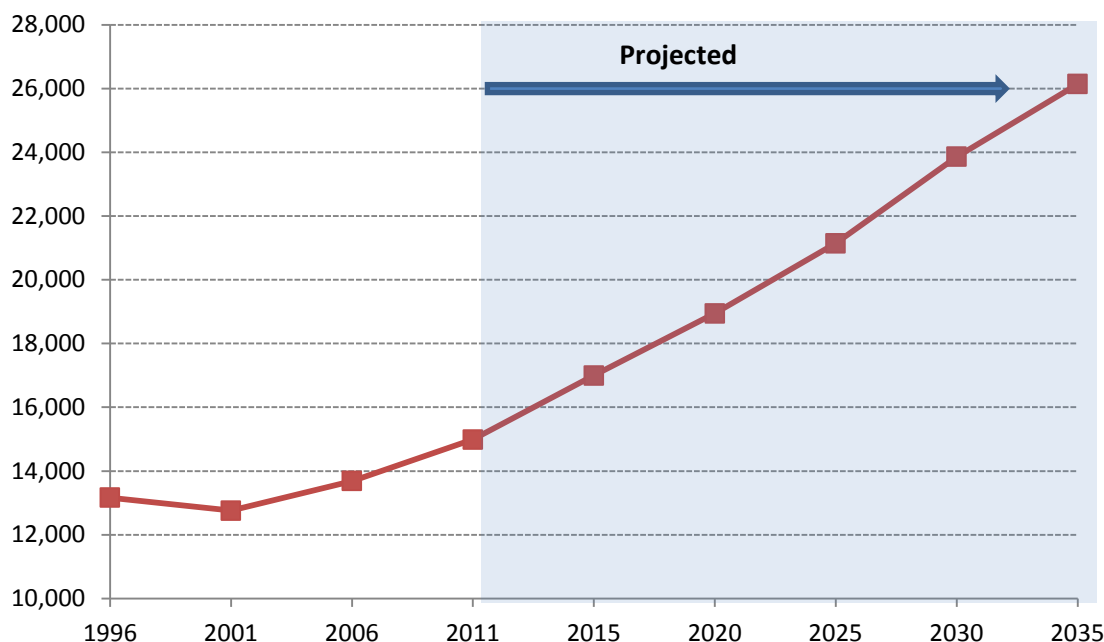
<sup>2</sup> United Nations, "Ageing in the Twenty – First Century: A Celebration and a Challenge", 2012

## Executive Summary

### Introduction

1. The population of the Isle of Man is ageing; the number of older persons is increasing at a faster rate than the number of children or persons of working age. This is an issue being faced across the globe as improvements in healthcare, sanitation and nutrition have meant that people are living longer but not always in good health. This ageing of the population poses both considerable challenges and opportunities. How the Isle of Man addresses the challenges posed by its ageing population whilst maximising the opportunities that a socially and economically active, healthy and secure older population can contribute will be key to the Island's prosperity in the years ahead.
2. Population projections predict that this ageing of the Isle of Man's population will accelerate in the coming years. The projections indicate that by 2035 the total population of the Isle of Man will have grown by approximately 16%. However over this period the number of older persons will have increased by 75%, whilst the number of working age persons increases by only 2% and the number of children by 7%. These projections indicate a seismic shift in the profile of the Isle of Man's population.

### Number of Older Persons in the Isle of Man – Actual and Projected



Source: Economic Affairs Division, Treasury

## Issue

3. This significant increase in the number of older persons has ramifications for the Island's dependency ratio, i.e. the number of working age to non-working age persons. The dependency ratio underpins the social contract upon which the existing welfare state is founded; that contributions from the working population are used to support those who are unable to work.
4. An increase in the number of older persons has significant implications for the Departments of Health and Social Care as the largest proportions of health and social care expenditure relate to older persons. Extremely conservative suggest that healthcare expenditure will need to increase by approximately £46 million by 2035 to provide for the needs of the increased numbers of older persons. These estimates do not allow for the increasing prevalence of long-term illnesses or conditions such as dementia being observed. Similarly cautious estimates predict that expenditure will need to be increased by £118 million for social security benefits and an additional £5 million spent on the provision of social care services, to meet the needs of older persons by 2035. These figures indicate that the present system of funding healthcare, social care and benefits is no longer viable or sustainable, with a view to meeting the costs of an ageing population.
5. Additionally there is a need to review the present system of certain entitlements (e.g. free prescriptions, bus travel and certain benefits) which are provided solely on an age, not need based criteria. Age alone is no longer a reliable indicator of a person's health, wealth or needs. Instead policies need to be realigned to ensure that older persons are treated on an equal footing with the rest of society. To quote from the Joseph Rowntree Foundation:

***"We could start looking at older people as the same as everybody else. If they are wealthy, tax them; if they are frail, they should be able to access services that support them just like anybody else at any age"***

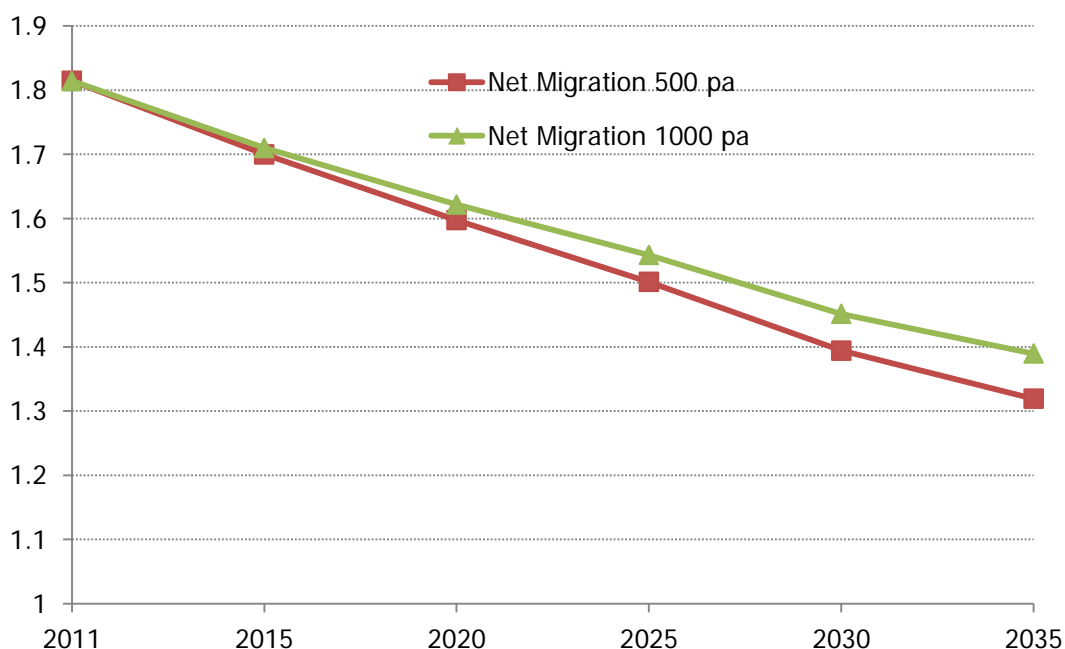
## Solutions

6. One key solution identified is that Government must ensure that its policies enable all those older persons that wish and are able to, continue to work for longer. As people are enjoying longer periods in retirement, in better health, many wish to continue working in some form. Increasing the amount of flexible and part-time opportunities available to older workers, should be a key economic policy consideration. As an older person continues in the workplace, not only are they generating personal income, they are contributing to Government income through the tax they pay. There is a need to move away from the traditional 'cliff-edge' concept of retirement.
7. A survey conducted by the Chamber of Commerce found that overall its members expressed the view that older persons have a positive impact and make a valued

contribution to the work place through their skill levels. Businesses were overwhelmingly supportive of the concept of allowing individuals to be able to choose to defer receipt of their state retirement pension, if they continue to work (whilst accumulating benefits). The survey indicated that businesses were fully supportive of providing flexible working hours, such as part-time, for older workers along with allowing older workers the flexibility to swap into differing job roles and the provision of training or re-training for older workers.

- Higher levels of immigration of working age persons could ameliorate the impact of an ageing population on the dependency ratio as the proportion of persons of working age would be increased.

### Dependency Ratio 2011 – 2035; Different Scenarios of Net Migration



Source: Economic Affairs Division, Treasury

- Fairness and culture change are two key issues at the heart of any changes to related policies. There is a need to ensure that fairness underpins the funding of individual's care and the question of who funds care is addressed. Attitudes to older persons need to change: older age does not imply dependency and should not be equated to some sort of disease or disability. Policies need to be fair and equitable across the differing groups in society; generations, income groups and genders.
- The state pension and the Manx pension supplement will require reform if they are to be provided in the future. There is a need to address a fundamental policy dilemma;

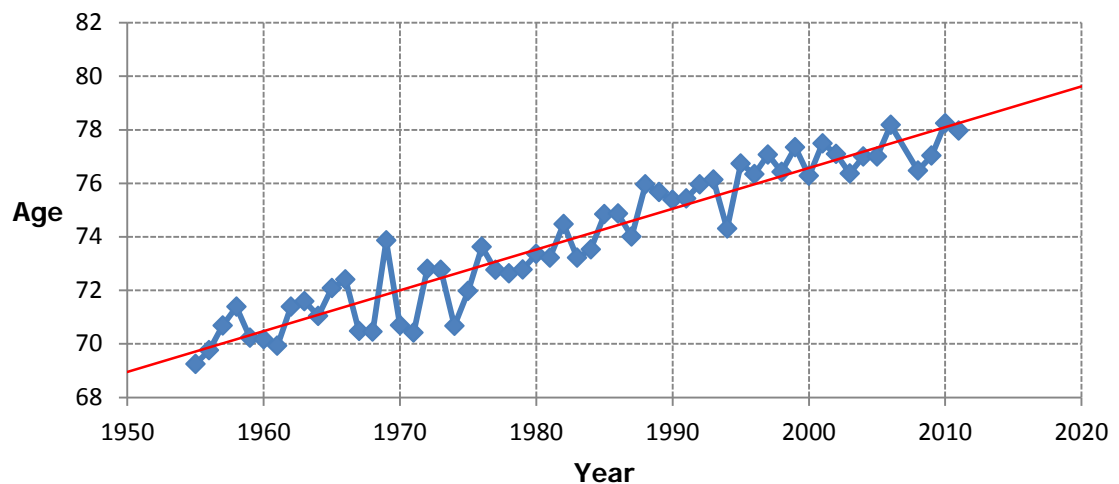
most people agree that the state should guarantee a minimum income in retirement but universal payments are poorly targeted resources and a shifting of wealth from funding from working age persons to retirees, without support of evidenced need. The original state pension was means tested – should this be re-introduced?

11. Older persons presently make considerable contributions to society in terms of volunteering and the provision of care. Without this contribution, Government would face considerably increased expenditure to provide these services to society. It is important that volunteering is given the recognition it deserves and a commitment given to broadening the role of volunteering in the social care environment in the Isle of Man. Similarly consideration needs to be given to the service being provided by carers in the Island, to ascertain whether it is sufficient to ensure the necessary provision of care to support the predicted increased numbers of older persons.
12. Through the course of the examination of the many, varied, complex and intertwined policies, issues and themes associated with the issues and opportunities faced by an ageing population, it is fundamentally clear that isolated and ad-hoc 'tinkering' with policies will be insufficient. It is time to completely review the social policy environment of the Isle of Man, with concepts being taken back to first principle; how to ensure that support is provided in the right form, to the right people at the right time.
13. It is proposed that the recommendations which follow from the Report of the Ageing Population Working Group, form the basis of the Terms of Reference for an independent Social Care Commission. It is suggested that the Commission should be established and report its initial findings by 30 June 2016, so that these may inform the debate prior to the next general election in September of that year.

## 1. Demographics of the Isle of Man

- 1.1 Societal definitions of what is considered to be 'old' are shifting as life expectancies increase. The United Nations uses 60 years and above as a definition to refer to older people. However, for the purposes of this report and to reflect the position of the Isle of Man as a developed country, the age of 65 is used as a reference point for being considered as an older person.
- 1.2 People living longer is not a phenomenon limited to the Isle of Man; the global population is ageing as increasing numbers of people are living longer, due to improved nutrition, sanitation, medical advances, health care, education and economic well-being. The United Nations states "*Increasing longevity is one of humanity's greatest achievements*"<sup>3</sup>.
- 1.3 The chart below shows how life expectancies have increased steadily for persons in the Isle of Man, throughout the second half of the twentieth century.

**Figure 1 Average Age of Death of Persons in the Isle of Man**



**Source:** Economic Affairs Division calculation using General Registry Data

- 1.4 Information on the Isle of Man's population is collected every five years in the census conducted by the Economic Affairs Division of Treasury. The table and chart below show the profile of the resident population of the Isle of Man over the last 15 years, broken down into the following age groups; children, working age and older persons.

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<sup>3</sup> Ibid



**Table 1 – Isle of Man Resident Population 1996 - 2011 by Age Group**

<b>Age Group</b>	<b>1996</b>	<b>2001</b>	<b>2006</b>	<b>2011</b>
Children	13,483	14,509	14,571	15,038
Working age	45,066	49,048	51,800	54,473
Older Persons	13,165	12,758	13,687	14,986
<b>Total</b>	<b>71,714</b>	<b>76,315</b>	<b>80,058</b>	<b>84,497</b>

**Source:** Economic Affairs Division Treasury  
**Note:** Children = persons under age 16  
 Working Age = persons aged between 16-64  
 Older Persons = persons aged 65 or over

**Figure 2 Resident Population by Age Group**



1.5 The census data shows the number of older persons declining between 1996 and 2001. However in the decade since 2001 the number of older persons has increased by 17%. It is important to consider this increase against the rate at which the total resident population on the Island was growing during the same period - 11%. The differences in the rates of growth in the number of older persons and the total population will inevitably cause demographic shift in the composition of the total population, which is shown in Table 2 below.

**Table 2 Isle of Man Resident Population by Proportion of Age Group**

<b>Age Group</b>	<b>1996</b>	<b>2001</b>	<b>2006</b>	<b>2011</b>
Children	18.8%	19.0%	18.2%	17.8%
Working age	62.8%	64.3%	64.7%	64.5%
Older Persons	18.4%	16.7%	17.1%	17.7%

**Source:** Census data, Economic Affairs Division Treasury

**Note:** Children = persons under age 16  
 Working Age = persons aged between 16-64  
 Older Persons = persons aged 65 or over

1.6 The table above shows how the proportions within the age groups of the population are shifting. Between 2001 and 2011 the proportion that older persons comprise of the total population increased from 16.7 to 17.7%. This statistic evidences that the Isle of Man now has an 'ageing population'. This term is used frequently to refer to increasing numbers of older persons, but in demographic terms, there is a more precise meaning. An ageing population is defined by the United Nations as "*the process whereby older individuals become a proportionately larger share of the total population*"<sup>4</sup>. In practical terms this means, that whilst overall total population maybe rising, the proportion of older persons (compared to children or persons of working age) is increasing at a faster rate.

### United Kingdom

1.7 The table below compares the percentage distribution of the populations of the United Kingdom (UK) and Isle of Man by age group, which shows that the Isle of Man has a higher proportion of older persons and a lower proportion of younger persons within its population than the UK.

**Table 3 – Percentage Distribution of United Kingdom and Isle of Man Population by Age Group**

<b>Age Group</b>	<b>United Kingdom</b>	<b>Isle of Man</b>
Children	19.0	17.8
Working age	64.7	64.5
Older persons	16.3	17.7

**Source:** Economic Affairs Division Treasury and UK Office of National Statistics

**Note:** Children = persons under age 16  
 Working Age = persons aged between 16-64  
 Older Persons = persons aged 65 or over

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<sup>4</sup> "World Population Ageing 1950 – 2050", 2002

1.8 Globally, population ageing has been attributed to a twofold cause; reductions in both mortality and fertility. This increase in the proportion of older persons is predicted to accelerate according to both global and local population projection models. For the Isle of Man the ageing trend is accentuated as a consequence of the rapid inflow of workers in the 1980s, many of whom are now of pensionable age with many more in the younger cohorts to follow into retirement.

### **Population Projections**

1.9 Population projections indicate that the scale of the ageing population of the Isle of Man is likely to accelerate. Population projections depend on:

- the accuracy of the base year data;
- fertility rates;
- mortality rates;
- the number and age distribution of migrants.

1.10 The projections presented below are the latest produced by the Economic Affairs Division of Treasury and are based upon the 2011 Census, using current UK fertility and mortality rates. The model also takes into account levels of net migration; which are the result of immigration to and emigration from the Island. In respect of net migration in the projections, the age distribution values used are deduced from analysis of 2006 and 2001 Census data. The level of net immigration is assumed at 500 persons per annum. The dependency ratio here is measured as the ratio of persons of working age to persons of non-working age. This level of migration is the basis for present Government population forecasts.

1.11 The level of net migration into the Island over recent years, in times of prosperity, has attracted attention. In the recent global economic downturn, concerns have increased as the perceived additional drawdown by new residents on publicly funded services or benefits encourages a view that these should be restricted under defined criteria to cut cost pressures. A separate piece of work is being carried out across government, co-ordinated by the Chief Secretary's Office in relation to the assessment criteria for new residents in respect of benefits, housing, health care and education.

1.12 The actual annual level of migration can fluctuate considerably. The assumed level of net migration of 500 persons per annum is an estimate designed to predict the level of migration over a number of years.

**Table 4 Population Projections (Net Migration 500 pa)**

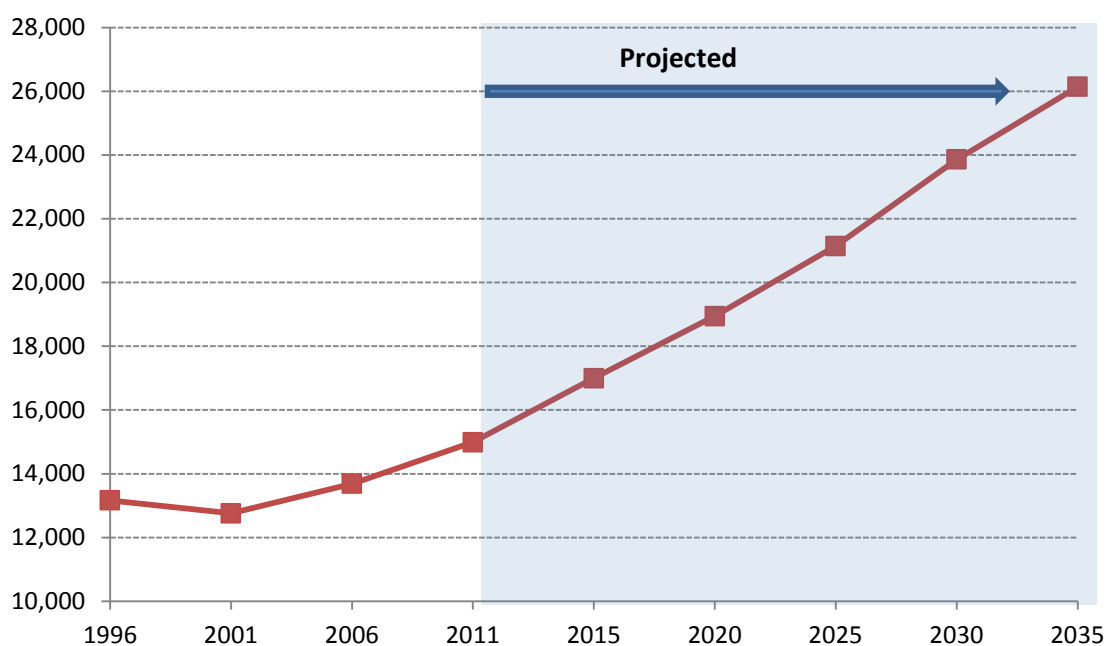
Age Group	2011	2015	2020	2025	2030	2035
0-15	15,038	15,210	15,728	16,027	16,073	16,043
Working Age	54,473	54,754	55,388	55,802	55,676	55,648
Older Persons	14,986	16,999	18,943	21,142	23,861	26,141
<b>Total</b>	<b>84,497</b>	<b>86,963</b>	<b>90,059</b>	<b>92,971</b>	<b>95,610</b>	<b>97,833</b>
<b>Dependency Ratio</b>	1.8	1.7	1.6	1.5	1.4	1.3

**Note:** Dependency Ratio is the ratio of number of persons of working age to the number under sixteen plus persons aged 65 and over.

**Source:** Economic Affairs Division, Treasury

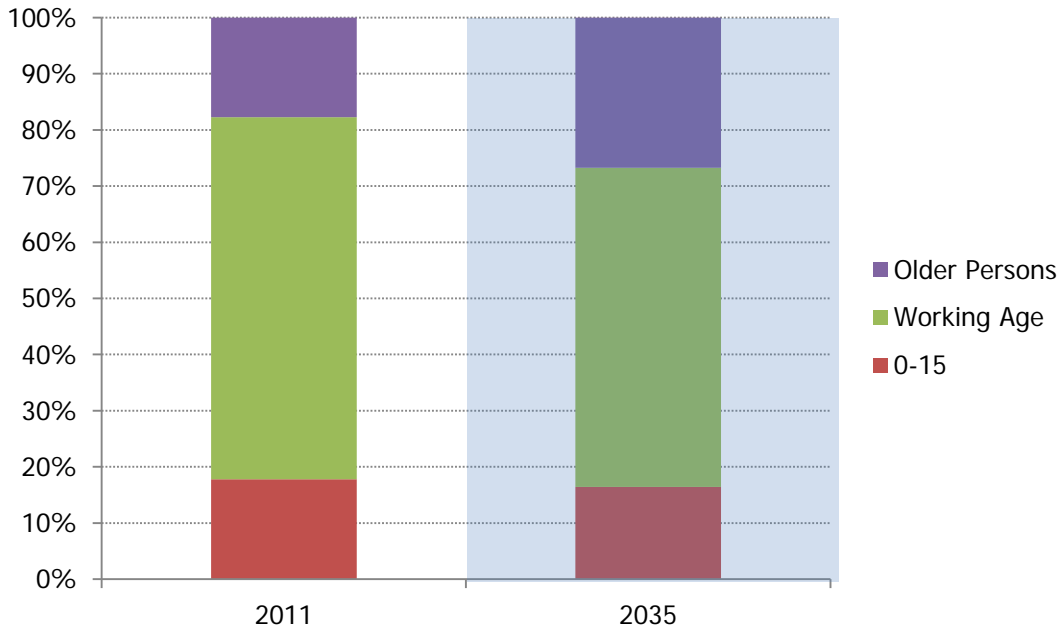
1.13 The projections above indicate that by 2035, the total population of the Isle of Man will have grown by 16%. Over the same period, the number of older persons will have increased by 75% with the number of working age persons only increasing by 2% and the number of children by 7%. These projections indicate a seismic shift in the age profile of the Island's population and are illustrated in the charts below.

**Figure 3 Older Persons in the Isle of Man - Actual and Projected**



**Source:** Economic Affairs Division, Treasury

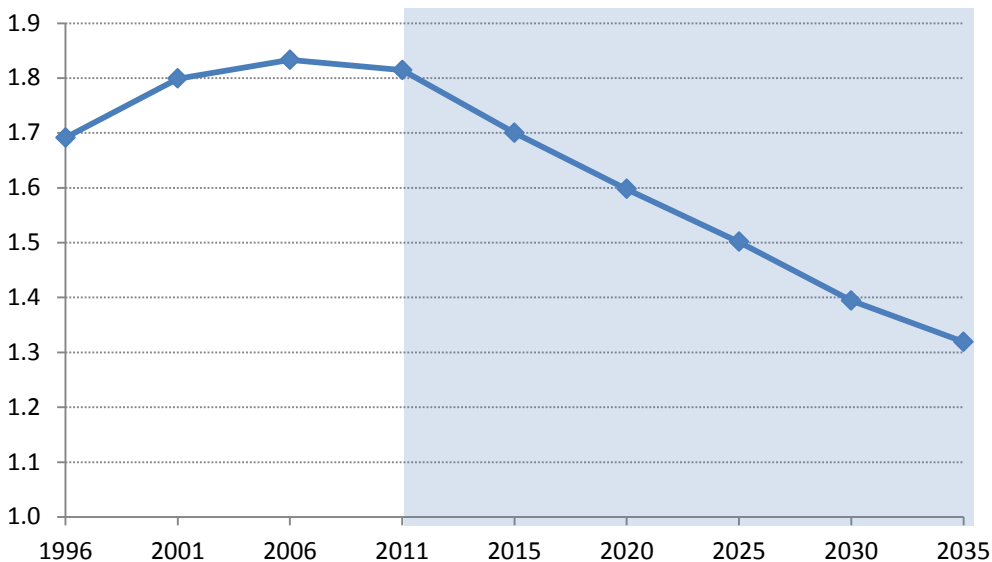
Figure 4 Isle of Man Resident Population by Age Group



Source: Economic Affairs Division, Treasury

1.14 This significant increase in the number of older persons has ramifications for the Island's dependency ratio, i.e. the number of working age to non-working age persons.

Figure 5 – Isle of Man Dependency Ratio 1996 – 2035



Note: Dependency Ratio; number of persons of working age to the number of persons under 16 plus persons 65. Net migration assumed at 500 pa.

Source: Economic Affairs Division, Treasury

1.15 The dependency ratio underpins the social contract upon which the existing welfare state is founded: that contributions from the working population are used to support those who are unable to work.

**Alternative Levels of Migration**

1.16 Levels of net migration have a significant impact on the profile of the Island's population and the dependency ratio. If a net migration level of 1000 persons per annum is assumed (with the age distribution remaining as per the forecast of 500 persons per annum) there is a marked impact on the total population level and on the dependency ratio as the increased number of working age persons reduces the impact of an ageing population on the dependency ratio. The table and chart below illustrate the impact on the Island's demography under a markedly higher level of net migration.

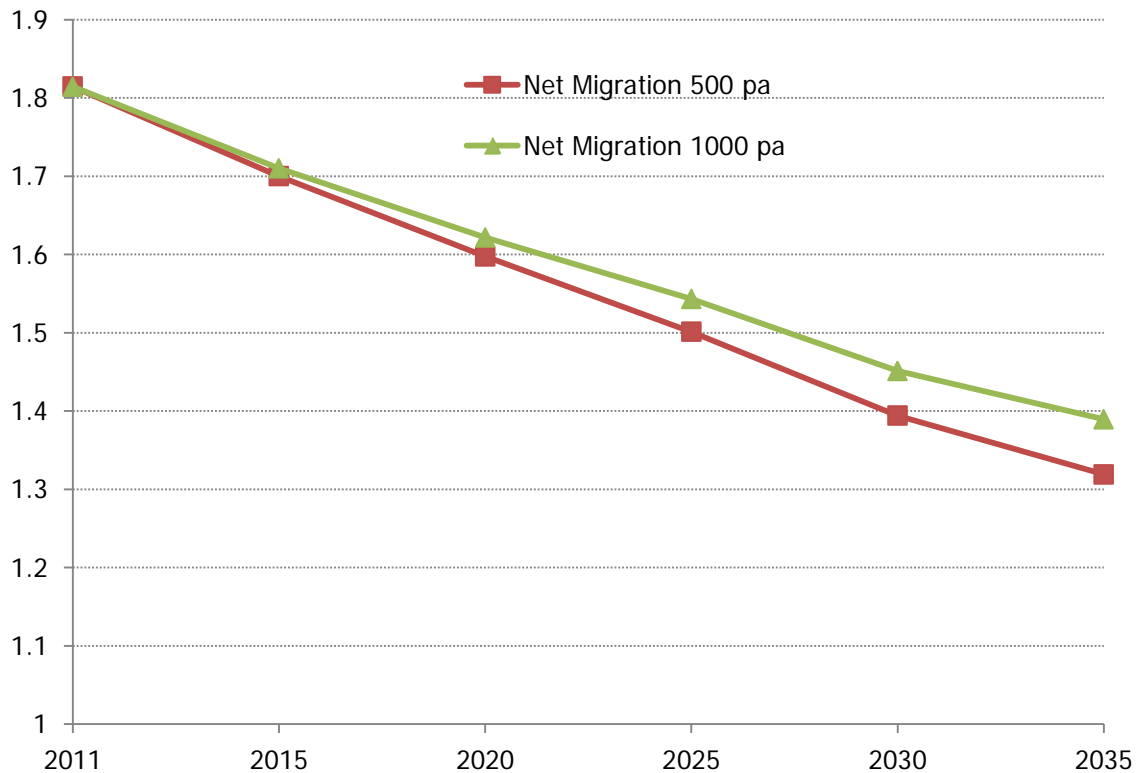
**Table 5 Population Projection (Net Migration 1000 pa)**

<b>Age Group</b>	<b>2011</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>	<b>2030</b>	<b>2035</b>
0-15	15,038	15,680	16,786	17,621	18,207	18,674
Working Age	54,473	56,158	58,623	60,963	62,741	64,623
Older Persons	14,986	17,161	19,364	21,885	25,026	27,836
<b>Total</b>	<b>84,497</b>	<b>88,999</b>	<b>94,773</b>	<b>100,469</b>	<b>105,973</b>	<b>111,132</b>

**Note:** Children = persons under age 16  
Working Age = persons aged between 16-64  
Older Persons = persons aged 65 or over

**Source:** Economic Affairs Division, Treasury

Figure 6 - Dependency Ratio 2011 – 2035; Different Scenarios of Net Migration



Source: Economic Affairs Division, Treasury

The analysis above has considered the dependency ration on the basis of working persons to children and persons aged 65 and over.

### Conclusion

- 1.17 Having established that the empirical evidence proves that the Isle of Man does have an ageing population and that this process is set to continue, the following chapters examine the financial costs and wider opportunities associated with increasing numbers of older persons.
- 1.18 Frequently, the increasing numbers of older persons is referred to publicly in a negative context, with references to the increased cost to the state and individuals in funding associated health and care costs. Focusing solely on the financial cost of older persons is a somewhat short-sighted approach as it overlooks the numerous benefits, the 'longevity dividend' that an increased number of older persons bring to society. Those in this age group make significant contributions, both to society and to the

economy, in their role as caregivers, volunteers, entrepreneurs and more. In the UK, research has suggested that the contribution of older people balances the cost of the 'demographic time bomb' through the hidden value of older people's volunteering, charity and family donations and the provision of care.<sup>5</sup> This is considered in the chapters on Volunteering and Caring within the report. However, whilst this contribution may help to balance the costs associated with an ageing population, it does not offset the fiscal challenges faced.

- 1.19 The scale of the predicted increase in the number of older persons on the Island has wide reaching implications for the Island's economy, health and social care systems. Put simply the scale of the issue is 'too big' to be tackled by even the most effective forms of joint-Departmental working. It is not possible, for example, to look at the impact on the economy, without needing to consider the impact on the present system of state pension funding.

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<sup>5</sup> 'Gold Age Pensioners: Valuing the Socio-Economic of Older People in the UK' WRVS, 2011



## 2. Population and Economic Policy

- 2.1 Population projections confirm that the Isle of Man, along with the rest of the world, faces the issue of an increasingly ageing population. From a policy perspective the issues are to do with whether charges are transient or sustained, and whether, and to what extent, natural economic forces will lessen the need for government interventions in respect of labour shortage and economic dependency issues. Even if this proves to be the case, there is still the matter to be considered as to how continued economic growth should be translated into the future financing of age-related public services, including pensions.
- 2.2 Overall economic strategy is a key factor when considering the implications of an ageing population. In particular, should the strategy remain one of selective development, wherein essentially only high value adding, low labour using, activity is encouraged; or is there a case for pursuing a more expansionist approach which would seek to develop all types of economic activity, including those which generate relatively low profits per unit of labour from a relatively high labour requirement.
- 2.3 The benefits of the former are essentially to do with personal incomes and with containing the pressures on the physical infrastructure and public services that come with an increasing population. The model is sustainable when private investment and economic growth are sufficient to maintain full employment and when government revenues are sufficient to meet with the political consensus on public service provision. The alternative 'go for size' policy would explicitly encompass faster expansion of population. The benefits of such a strategy for growth would derive essentially from increased scale. A comparison of the two strategies along with their implications and issues is provided in Table 5.

**Table 6 Comparison of Economic Strategies**

<b>CURRENT STRATEGY</b>	<b>RAPID EXPANSION ALTERNATIVE</b>
Focus on high value activity with low labour demands, to drive healthy Treasury revenues from both ITIP and company tax on banking and land development.	Unconstrained growth and an expansion of the economy irrespective of labour requirements and value added.
<b>SOME IMPLICATIONS AND ISSUES</b>	
Labour shortages and labour ageing is met by generating greater per capita worker output value and hence greater derived tax revenues.	Expansion in economic mass generates its own economic activity via greater local spend.  Fulfilling extra housing needs and other development generates its own labour demand and economic benefits.  Greater aggregate on-Island spend helps sustain service provision e.g. air links, hospitality and retailing.
The strategy creates and reinforces a need to look towards exporting activity, since that is where the higher value added potential will naturally lay.	Import substitution can occur where total demand reached a level which makes local provision financially viable and areas such as retail and transport benefit from higher total consumer spending.  Longer local supply chains, meaning more VAT revenue and higher multipliers.
The ability to export puts increasing pressure on the need to conform to international standards in regulation, taxation, product quality, governance etc and each of these requirements can be used to restrict market access.	Less reliance on exports for the generation of income and employment.
Need to consider sectors from which most VAT revenue will be generated under the new sharing arrangements.	Increased indirect tax revenues from a given level of GDP.
Contained labour needs in turn contains population level and hence required public service and spending levels.	Greater demands on the environment and the physical and social infrastructure, with implications for public spending. Earlier reaching of current capacity limits of physical infrastructure.
Fast growth does not necessarily create sufficient new jobs to contain rate of unemployment.	Wider range of job opportunities.
	Improved population dependency ratio.
	Political resistance on social and environmental grounds.

2.4 Whilst the focus of much of the debate on ageing issues surrounds affordability there is for the Isle of Man perhaps a wider set of policy considerations that require deliberation. These considerations ultimately are still to do with affordability of provision but they are fundamentally intertwined with the wider economic and fiscal picture.

- 2.5 The Isle of Man has for the last 30 years enjoyed remarkable economic success, such that it now has annual national income (measured as the sum of personal incomes and corporate profit) approaching £4bn, and a resultant per capita national income twice that of the United Kingdom.
- 2.6 Raising the burden of direct taxation is to a large degree an option that immediately comes into conflict with the desirability of low or no taxation on income and capital from the perspective of winning inward business investment and generating on-going economic growth.
- 2.7 If current levels of personal taxation are reconfirmed, then the remaining alternative to reduced provision and funding is direct charging. A 1% increase in the rate of personal taxation would generate around £5 million revenue for Government. User charging is actively encouraged as an option for Departments in An Agenda for Change<sup>6</sup> and Treasury's fiscal rebalancing programme. The principles on which user charging is based are very different from those involving use of general revenues from taxation, not least in ignoring, in its purest form at least, the ability to pay and progressivity, wherein the better off would pay proportionately more. To allow for ability to pay within a user charging system requires greater complexity in charging structures, including exemptions and means-testing.
- 2.8 In the policy debate on 'fairness', planning for the future on account of the pressures of an ageing population will require either a change in or a reaffirmation of the principles on which economic, fiscal, and social policy is currently based.

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<sup>6</sup> <http://www.gov.im/media/628433/agendaforchange.pdf>

### 3. Increasing Pressures on Health and Social Care

3.1 Whereas one must always be cautious in applying UK circumstances, solutions and sentiment to apparently similar situations in the Isle of Man, the recent House of Lords report 'Ready for Ageing'<sup>7</sup> proffers observations concerning the increasing pressures, relating to both health and social care that should be considered carefully in an Isle of Man context.

3.2 There are many demographic similarities between the two jurisdictions, including the incidence of certain illnesses, where there is a close "read across" from UK statistics to the circumstances applying in the Isle of Man. When, therefore, the House of Lords observe;

***"...two thirds of men and 84% of women currently aged 65 will need some social care before they die"***

The Departments of Health and Social care consider that those statistics are locally reliable.

3.3 Similarly, when addressing long-term illnesses or medical conditions, their Lordships highlight that in the period between 2010 and 2030, predicted demand (England and Wales) relating to persons aged 65 and over anticipates;

- an increase of over 45% in respect of people with diabetes
- an increase of over 50% in respect of arthritis; coronary heart disease and stroke
- an increase of 80% in respect of dementia involving moderate or severe cognitive impairment
- an increase of up to 90% in respect of persons with a moderate or severe need for social care.

3.4 Presently it is estimated<sup>8</sup> that there are approximately 1,214 cases of dementia on the Isle of Man. If the prevalence of dementia follows the trend predicted for England and Wales, then it is estimated that there would be approximately 2,185 persons in the Isle of Man with dementia in 2030.

3.5 The treatment and care of people with long-term conditions accounted for 70% of the total of health and social care spending in England in 2010. In the absence of definitive data, both the Department of Health and the Department of Social Care believe that at least this level of spending, pro rata, applies in the Isle of Man. The influence on state spending relating to health and social care derived from the anticipated increases in long-term illnesses or medical conditions shown in paragraph 3.3 above speaks for itself. The effect will be profound.

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<sup>7</sup> Ready for Ageing, Select Committee on Public Service and Demographic Change, House of Lords, March 2013

<sup>8</sup> Based on UK dementia prevalence figures

- 3.6 The 'Ready for Ageing Report' references recent studies by the Nuffield Trust which indicate that even if unprecedented efficiency and productivity savings were made by the NHS in the five-year period to the end of the 2014/15 financial year, the shortfall in healthcare funding by 2022 in England would nonetheless still exceed £30 billion and, across the UK NHS as a whole, would approach £55 billion. It is felt that this alarming situation would particularly impact on elderly persons, as the biggest consumers of NHS spending.
- 3.7 Recognising that Census data has shown that the Isle of Man has a higher proportion of its population beyond the age of 65 than does the UK, this inexorable "gravitational pull", potentially drawing greater and greater levels of state spending into the realm of health and social care, is a circumstance that the Island will certainly experience.
- 3.8 In July 2013, NHS England, an overarching strategic body within the NHS structure, published a document entitled "The NHS belongs to the people - a Call to Action" which seeks to involve NHS staff, patients and the entire public in what is described as "an open and honest debate about the future of the NHS". In the Executive Summary of the document this narrative can be found:
- "Future trends threaten the sustainability of our health care system; an ageing population, an epidemic of long term conditions, lifestyle risk factors in the young and greater public expectations. Combined with rising costs and constrained financial resources, these trends pose the greatest challenge in the NHS's 65 year history".***
- 3.9 The Ageing Population Working Group believes that this sentiment is expressly and directly applicable in the Isle of Man. It would be advantageous for similar public debate to be embarked upon in the Island.
- 3.10 Their Lordships described UK social care spending as "already in crisis", happily a situation which is not the case in the Isle of Man. However, with the expectation of demand markedly increasing, even in the light of tightening eligibility levels, is a trend that the Isle of Man will experience also. It is difficult to dispute a key conclusion in the 'Ready for Ageing' Report that:

***"There should be a sharing of responsibility for social care between individuals and the state. The implementation of the Dilnot Commission<sup>9</sup> proposals makes this sharing explicit and puts a limit on individual exposure".***

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<sup>9</sup> The Commission on Funding of Care and Support, 2011

3.11 The recent advances made by the Department of Social Care in leading public debate on issues such as means testing, together with the planned extension of charging for some services, is advantageous in pursuing long-term changes to the way society thinks about the provision of social care and the role of the state in that. In the Isle of Man, the Department of Health has, for some time, been promulgating the need for debate in respect of the extent to which the Island can, and should, be expected to maintain the current NHS model in the face of increasing pressures and influences that suggest it is not viable in the long term. Speaking after the 2013 budget in Tynwald, the Minister for Health said:

***"It is... clear that now, more than ever, financial and resource constraints place significant pressure on our services and, almost certainly, the way that some of them may be delivered".***

3.12 There is no clearer "significant pressure" than the influence of the growing numbers of older persons in our community, which appears to make it inevitable that health and social care delivery - and financing - will have to be modified to take account of that.

3.13 There may however be a particular political difficulty in modifying healthcare delivery in the Isle of Man or contributions to costs by the individual, if so doing varies the nature of state-provided health care in the Island in a way that makes our "NHS" visibly different to that of the UK. The NHS in the Isle of Man came into existence on the same day as that of its UK equivalent and, whilst recognising differences in scale and supporting structures, is essentially a replication of its UK equivalent. The people of the Isle of Man recognise this and will be wary of attempts to deviate from a model that has consciously paralleled that of the UK for 65 years. It is very likely that political resolve will need to be especially robust, in the context of both health and social care, if the challenge of the ageing population is to be effectively met and meaningful change is effectively brought about and embedded.

3.14 Fundamental components of the Department of Health's Strategy for the Future of Health Services<sup>10</sup> are improvement in the health of the individual through improved lifestyle choices and prevention, early intervention and the management of long term conditions, to mitigate cost and attempt to lessen dependence on high-cost acute medicine delivered in a hospital setting. The House of Lords 'Ready for Ageing' Report endorses this approach and applies it in the case of social care, thereby similarly reflecting the endeavours of the Department of Social Care to promote and enhance the delivery of services in a home setting and to broaden understanding of what constitutes "social care" by involving institutions such as third sector agencies and families.

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<sup>10</sup> [http://www.gov.im/media/78228/a\\_strategy\\_for\\_health.pdf](http://www.gov.im/media/78228/a_strategy_for_health.pdf)

3.15 Whilst the Ageing Population Working Group proffers no express commentary on the decision taken in 2010 to de-merge the former DHSS, it does note the specific endeavours in the English context to draw closer links between health and social care, together with the view expressed within the House of Lords 'Ready for Ageing' Report that;

***"The interdependent nature of health and social care means the structural and budgetary split between them is not sustainable; healthcare and social care must be commissioned and funded jointly.... so that resources can be used more efficiently".***

3.16 The working group would endorse this sentiment in terms of health and social care in the Isle of Man, notwithstanding that responsibility for these key public services may remain within separate government Departments. The development of policies and robust procedures for the implementation of joint commissioning arrangements across Departments with welfare responsibilities is a priority for the Island. This work should be underpinned by an overarching assessment of need. It is self-evidently true that a significant proportion of those people, who are dependent on care services in their middle years, continue to place an increasing demand on services as they age. As a result, an assessment based on those dependent on care post retirement would only provide part of the landscape of care demand.

3.17 The working group also notes the recommendation in the House of Lords 'Ready for Ageing' Report that the UK government.... ***"must set out the framework for radically transformed healthcare for the ageing population before the general election of 2015."*** The working group is conscious of the fact that the Department of Health locally has been closely monitoring the reforms and revisions to the NHS flowing from UK coalition government policies but regards it as essential that, at least, a "watching brief" be maintained in terms of developments designed to serve the interests of effective healthcare delivery from the particular perspective of older persons and any implications emerging for health care delivery locally.

3.18 In conclusion, it is felt that the demographic and social pressures generated by increasing numbers of older persons in the UK, together with likely responses to those pressures, paints a picture which is persuasive in the Isle of Man context. There will be a need for bold and effective political commitment to mould public expectation of health and social care in an environment where it is extremely doubtful that established delivery methods and funding models are sustainable, even in the medium term. Further, health and social care, both in the context of policy-making and frontline delivery, must work in tandem to achieve efficient and effective outcomes, through shared need assessment and joint resource deployment, in order that such outcomes may be clearly established within a broader social policy framework. The role of carers must be an integral part of that policy framework.

3.19 Their Lordships criticise the UK government past and present in their observation that **"Nothing like enough is being done to face up to these challenges"**. We must ensure that the same criticism cannot be levelled at the government of the Isle of Man.



## 4. Current Government Provision for Older Persons

4.1 Isle of Man Government, through its Departments, Boards and Offices presently provides considerable support, financial, medical and social, to older persons. Free travel is provided on the Island's bus and rail network and disposable income is increased through a range of social security benefits. The Department of Social Care is presently budgeting for 2013-14 to pay out in excess of £181 million in age related benefits. Further details are given in the table below.

**Table 7 Benefits Available to Older Persons**

Entitlement	2013-14 Budget £	Average payment £ per week	Current caseload	Qualifying Criteria
Retirement Pension (including State Additional Pension – SERPS/S2P)	122,858,000	126.35	18,700	Must have attained State pension age. Rate dependent on pensioner's NI record.
Old Person's Pension	138,000	60.31	45	Aged 80 or over. Flat rate allowance of £66pw, but reduced by any entitlement to RP.
Pension Supplement	34,717,000	49.65	13,450	Minimum 10 years' NI contributions paid in IOM and ordinarily resident in IOM. Rate dependent on pensioner's NI record.
Retirement Pension Premium	1,867,000	11.40	3,150	Aged 75 or over. Must be ordinarily resident in IOM. Maximum weekly rate = £15.55, however this is reduced by any SERPS entitlement, Age Addition or Invalidity Allowance.
Age Addition	430,000	2.00	3,870	Aged 80 or over. Flat rate allowance.
Christmas Bonus	1,414,800	82.50	18,700	Annual payment, flat rate allowance. Must be entitled to RP, Old Person's Pension or other qualifying benefit. £165.00 paid if pensioner receives addition to RP for an adult dependant.
Nursing Care Contribution	1,885,000	110.00	345	Must be resident in a nursing home in IOM and liable to pay for nursing care. Claimant does not have to be a pensioner to qualify.
TV Licence Refund	766,000	2.80	5,000	Free Licence issued by the BBC if pensioner is aged 75 or over (universal) or if aged between 60 and 74 and in receipt of income support. The average amount paid = current cost of colour TV Licence.
Income Support for Pensioners	13,091,000	145.52	1,730	Means-tested. Includes claimants in residential accommodation, as well as those in domestic accommodation.

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Entitlement	2013-14 Budget £	Average payment £ per week	Current caseload	Qualifying Criteria
Winter Bonus	330,750	282.70	1,170	Annual payment. Must be entitled to income support. Flat rate £300, but pro-rated if accommodation shared with a person(s) also entitled to the Winter Bonus. Not payable if claimant lives in a residential home, nursing home or lodgings.
Attendance Allowance	3,989,000	63.40	1,210	Aged 65 or over at onset of disability. Severely disabled (mentally or physically) and requires frequent care or continual supervision from others, or has a life expectancy of 6 months or less. Neither means-tested nor reliant on payment of NI contributions.

**Source:** Department of Social Care

**Table 8 Benefit Claims in Payment as at 13 Feb 2013 by Age of Claimant**

Benefit Type	Age of Claimant					Total
	60 to 69	70 to 79	80 to 89	90 to 99	100+	
Retirement Pension	7,331	6,874	3,614	814	17	<b>18,650</b>
Income Support Pensioners	420	472	493	214	5	<b>1,604</b>
Attendance Allowance	38	237	501	296	8	<b>1,080</b>
Disability Living Allowance	541	306	52	2		<b>901</b>
Incapacity Benefit	374					<b>374</b>
Nursing Care Contribution	21	55	149	113	3	<b>341</b>
Industrial Injuries Benefit	83	71	24	3		<b>181</b>
Income Support	132					<b>132</b>
Child Benefit	64	11				<b>75</b>
Severe Disablement Allowance	24	14	2			<b>40</b>
Jobseekers Allowance	26					<b>26</b>
Widows Pension	25					<b>25</b>
Carer's Allowance	22	2				<b>24</b>
Bereavement Allowance	13					<b>13</b>
Employed Person's Allowance	3					<b>3</b>
Bereaved Parent's Allowance	2					<b>2</b>
<b>Total</b>	<b>9,119</b>	<b>8,042</b>	<b>4,835</b>	<b>1,442</b>	<b>33</b>	<b>23,471</b>

**Source:** Department of Social Care

- 4.2 It is estimated that over a lifetime a household pays around £78,000 in national insurance contributions, from which two state retirement pensions will be paid out. This estimate does not include any corresponding national insurance contributions by employers.

4.3 In addition to social security benefit payments, various Departments provide a range of other age related entitlements. These are listed in the table below:

**Table 9 Age Related Entitlements given by Isle of Man Government**

<b>Entitlement</b>	<b>Qualifying Criteria</b>
Income Tax Age Allowance	Resident individuals who are aged 65 or over at the start of the tax year. For jointly assessed couples, the allowance is doubled where both spouses are over the age of 65 at the start of the tax year.
Free Dental Treatment	State pension age
Free Prescriptions	State pension age
Free Bus Travel	Persons aged 60 or over
Lower price admission to regional swimming pools, Wildlife Park and tickets at certain Villa/Gaiety events	Persons aged 60 or over
50% reduction on certain part-time education courses.	Persons aged 61 or over
Reduction in Driving Licence and Test Fees	Persons aged 65 to 72

4.4 Council of Ministers has agreed the principle of aligning the age of exemption from payment for public services to the State Pension age. It is intended that these changes will be extended across all public services as soon as practicable.

**Public Transport**

4.5 The Department of Community, Culture and Leisure estimates that the present provision of 'free' bus travel to older persons represents approximately £925,000 in terms of forgone revenue (against a scenario of charging older persons half fare). With both senior citizens and children receiving free travel, not all free journeys are recorded by drivers. The Department of Community, Culture and Leisure advise that combined senior citizen and child travel recorded is 1,818,572 passengers, this being 62% of the total annual passengers. If senior citizens were to pay half fare for bus travel, it is estimated that this would generate approximately £925,000 additional revenue for Bus Vannin. The Department advises this estimate does not include the financial impact of the operation of socially viable services, utilised largely by senior citizens that lack commercial justification for their operation. ).

4.6 This cost needs to be balanced against the, as of yet, unquantified benefits that free bus travel provides to older persons, including social inclusion and quality of life.

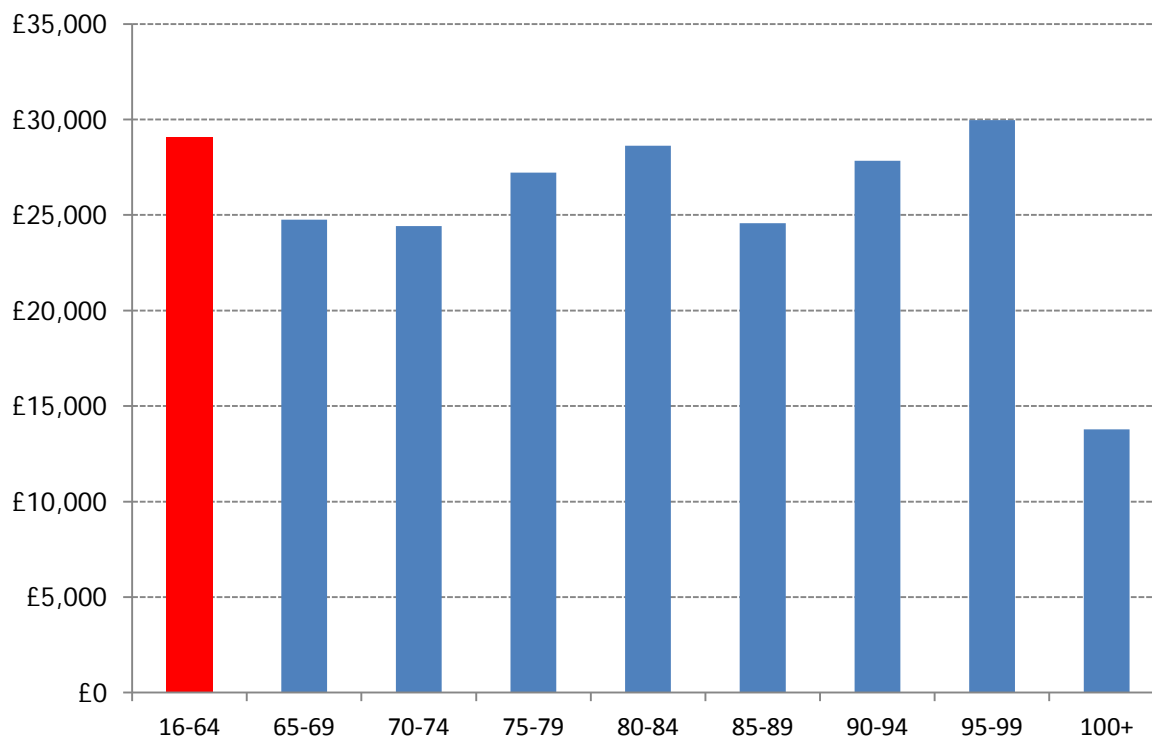
## Policy Implications

- 4.7 *Age is no longer a good indicator of people's needs or income; therefore Government should review whether age alone is a sensible determinant of tax liability, access to services or benefits.*<sup>11</sup>
- 4.8 Currently many entitlements to social security benefits such as retirement pension and other entitlements such as free prescriptions, bus passes etc. are based on age not on need, which may be considered as neither fair nor sustainable. These benefits are either paid from national insurance contributions or taxation receipts; with the shift in demographics the demand on these revenue streams will continue to increase unless Government revisits eligibility criteria.
- 4.9 Many people are fit and active at the current retirement ages of 60 and 65 so are able to still contribute to the economy and are not in need of the support they receive from the state because they have reached retirement age. It is argued that there is a need to challenge the assumptions that people have 'earned' the right to these benefits because they have paid national insurance or their taxes all their lives to a culture where people will be entitled to benefits and support if they require them.
- 4.10 Analysing data on the levels of income of older persons in the Isle of Man as found in Income Tax data indicates on initial consideration that the average incomes of older persons are not substantially different to persons of working age.
- 4.11 However, this analysis must be treated with a degree of caution due to the differing treatment in the data of outlier income groups, namely High Net Worth and Low Income Individuals. The Income Tax data presented in the chart below includes 'High Net Worth Individuals' whose qualify for a cap on the amount of tax they pay at £115,000. A significant number of these individuals are aged 65 and over and most are in receipt of the state retirement pension. The substantial levels of income of these individuals will increase the average level of individual income. At the other end of the spectrum, low income individuals are not issued with a return for completion every year, consequently there will be approximately 3,500 low income taxpayers absent from the data. These are individuals whose levels of income are below the personal allowance levels. It is likely that a significant proportion of these low income tax payers will be aged 65 and over. It is not possible to quantify at this stage whether the inclusion of the High Net Worth Individuals negates the exclusion of the Low Income individuals.

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<sup>11</sup> Ready for Ageing

Figure 7 – IOM Average Income by Age Group



**Note:** Information based income tax assessments for 2011/12 year. Where income has been jointly returned by a couple it has been separated and allocated to each individual as declared. When the income is truly joint it has been split on a 50:50 basis.

**Source:** Income Tax Division, Treasury

4.12 In giving evidence to the House of Lords Select Committee on Public Service and Demographic Change in connection with the 'Ready for Ageing' Report, John Kennedy, Director of Care Services at the Joseph Rowntree Housing Trust suggested that blanket age-related entitlements for older persons is no longer appropriate:

*"We could start looking at older people as the same as everybody else. If they are wealthy, tax them; if they are frail, they should be able to access services that support them just like anybody else at any age".*

4.13 The Treasury and the Department of Social Care have appointed consultants RSM Tenon to review the sustainability and suitability of the benefits system for the Isle of Man. The initial report shows that the current financing of the system is not sustainable. The present system has been heavily influenced by the UK due to the existence of reciprocal agreements for many social security benefits. Historically, when the Isle of Man was more affluent, it added further enhancement to benefits that are not reflected in the UK and for the future are no longer sustainable. RSM Tenon will shortly be starting work to develop options, to present to Tynwald, for a different benefits system for the future.

- 4.14 Should there be a move towards switching from age-related entitlements and benefits to ensuring more targeted support of the vulnerable in society, then the work already commenced by the Department of Social Care, to arrive at a workable definition of 'vulnerable', will be key.

## 5. Financial Implications of an Ageing Population

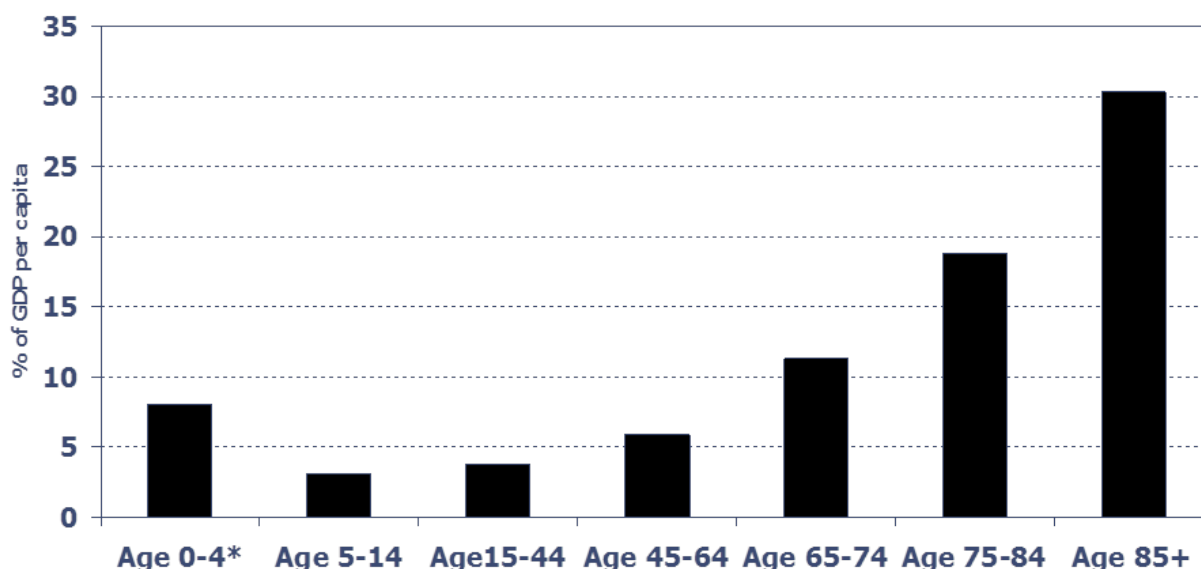
5.1 As the numbers of older persons increases there will be considerable financial implications for Government, in terms of the provision of health and social care, benefits and age-related entitlements.

### Health

5.2 The Department of Health believe that UK statistics relating to health care use by older persons - the costs incurred in treating older persons and matters such as the prevalence of specific chronic conditions in older persons - all "read across" to the Island and that we do not have any markedly divergent situation here - excepting the fact that the Island has a higher proportion of our population over the age of 65 than the UK.

5.3 In 2006 accountancy firm Pricewaterhouse Coopers analysed long-term UK public spending trends, focussing on NHS spending and they included a breakdown of NHS spending by age group. As shown in the chart below, the highest proportions of spending are on individuals aged 65 and over.

**Figure 8 Distribution of UK GDP Spent on NHS by Age Group**



**Note:**

\*Includes cost of births

**Source:**

PwC assumptions based on UK government estimates for 2000

5.4 These findings were supported in a recent publication from NHS England<sup>12</sup>, which gave the following statistics:

- nearly two thirds of people admitted to hospital are over 65
- when they are admitted to hospital, older people stay longer and are more likely to be readmitted
- both the proportion and absolute numbers of older people are expected to grow markedly in the coming decades. The greatest growth is expected in the number of people aged 85 or older - the most intensive users of health and social care
- the study suggests that older patients account for the majority of health expenditure. One analysis found that health and care expenditure on people over 75 was 13 times greater than on the rest of the adult population.

5.5 To quantify the impact of the ageing population on health expenditure in the future on the Isle of Man, the Department of Health has conducted analysis to predict the necessary increase in budgets. This analysis is shown in the table and charts which follow clearly illustrating the scale of the expenditure leviathan facing Government. For example, to meet the healthcare needs of the predicted population by 2020, health expenditure will need to be increased by £13.8 million, with over 75% of this increased expenditure being on persons aged 65 and above.

5.6 These projections are created on the basis of no growth in demand for healthcare services and with no inflationary increases. It must be noted that assuming no increase in levels of demand on health expenditure ignores the reality that this would almost certainly occur, due in part to observable increasing prevalence of chronic illnesses amongst the Island's population.

**Table 10 Projected Isle of Man Health Expenditure by Age Group 2013 – 2035 (£)**

Age Group	2013	2020	2025	2030	2035
Under 10	25,316,445	26,812,614	26,736,800	26,657,142	26,780,531
10 to 64	98,823,56	100,405,014	101,618,355	101,534,999	101,367,213
65 to 69	9,029,039	8,968,674	9,701,801	11,162,458	11,250,457
70 to 74	9,520,949	13,159,096	12,412,286	13,485,730	15,535,406
75 to 79	10,030,087	12,281,532	15,796,906	15,015,452	16,376,799
over 80	25,279,914	30,156,884	36,368,109	46,456,055	52,605,464
<b>Total</b>	<b>178,002,013</b>	<b>191,785,834</b>	<b>202,636,282</b>	<b>214,313,866</b>	<b>223,917,905</b>

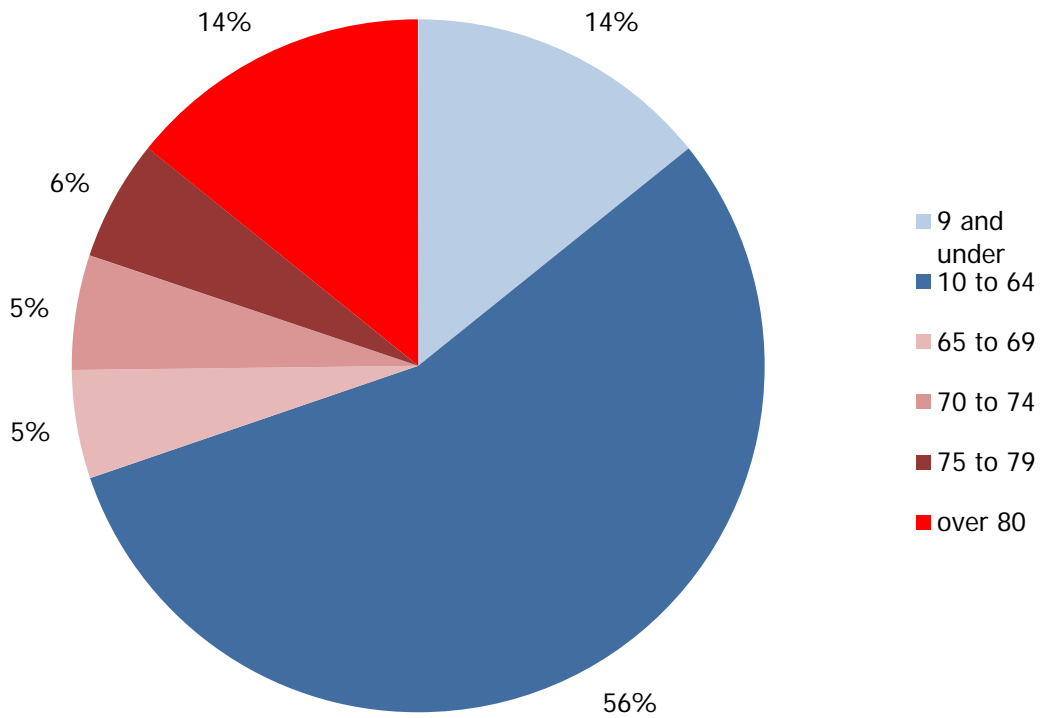
**Note:** based on 2013 prices and assumes no per capita growth in demand or inflation etc.

**Source:** Department of Health

<sup>12</sup> 'The NHS belongs to the people - a call to action', NHS England, [http://www.england.nhs.uk/wp-content/uploads/2013/07/nhs\\_belongs.pdf](http://www.england.nhs.uk/wp-content/uploads/2013/07/nhs_belongs.pdf)

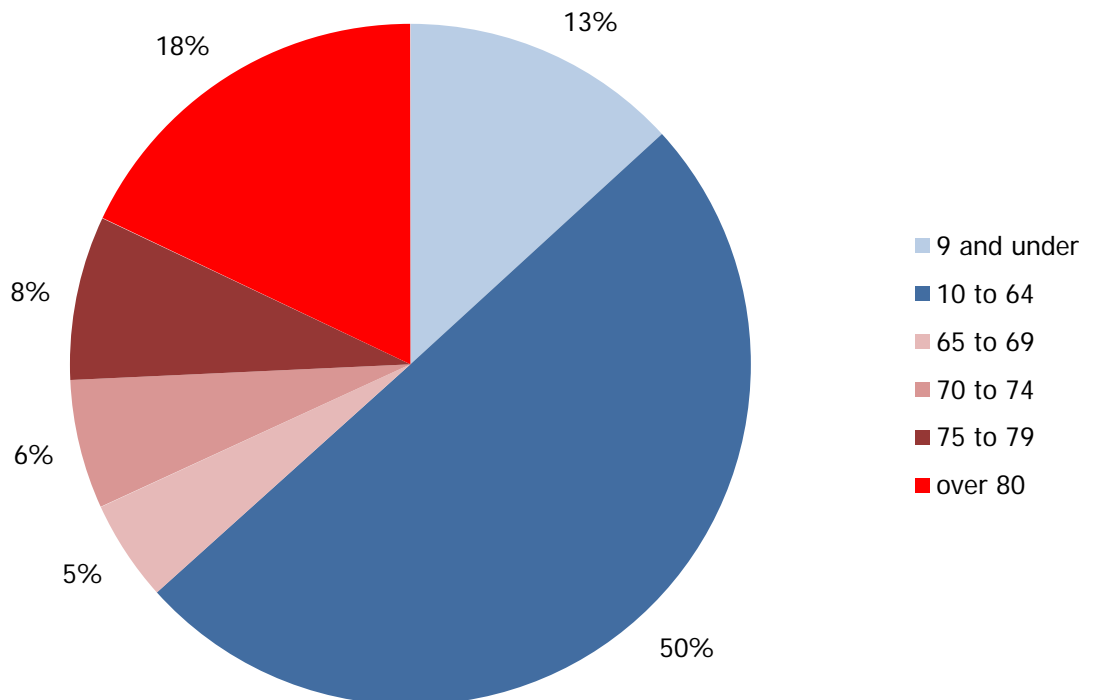


Figure 9 Proportional Distribution of IOM Health Expenditure by Age Group 2013



Source: Department of Health

Figure 10 Projected Proportional Distribution of IOM Health Expenditure by Age Group 2025



Source: Department of Health

## Social Security Benefit Expenditure

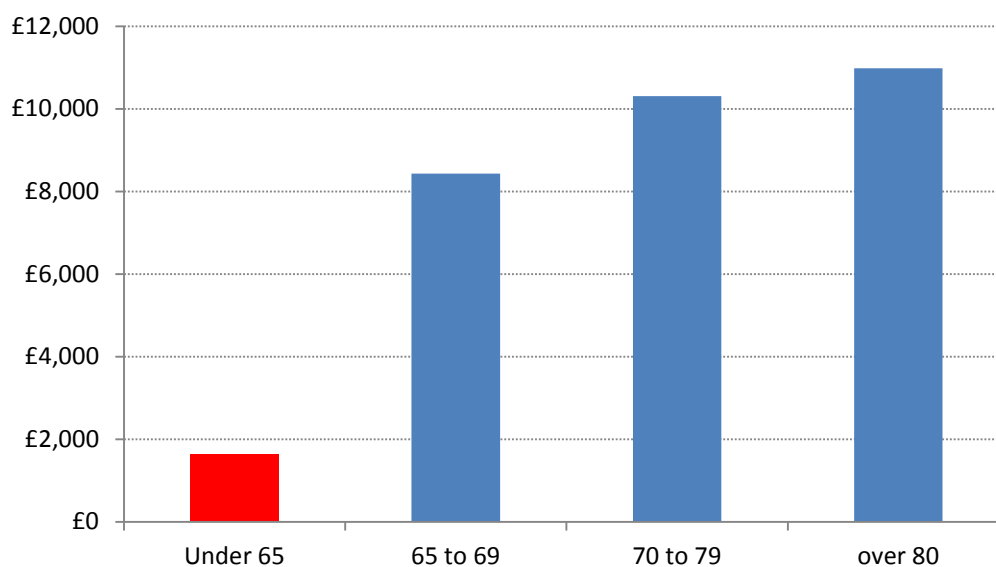
5.7 The projected increase in the number of older persons has significant implications for the welfare budget due to the proportional spend of total benefit expenditure on the older person age groups, mainly due to the provision of the state retirement pension. The Department of Social Care analysed the amount of benefits paid according to the age of the recipient. This analysis is shown in the following table and chart.

**Table 11 IOM Social Security Benefit Expenditure**

Age Group	Social Security Expenditure	Social Security Expenditure per capita
Under 65	£113,489,000	£1,633
65 to 69	£38,041,580	£8,431
70 to 79	£64,979,705	£10,308
over 80	£45,789,725	£10,981

**Note:** Benefit expenditure estimate for 2013/14, per capita calculation using 2011 census data  
**Source:** Department of Social Care

**Figure 11 IOM Social Security Benefit Expenditure Per Capita**



**Note:** Benefit expenditure estimate for 2013/14, per capita calculation using 2011 census data  
**Source:** Department of Social Care

5.8 Using Government's population projections it is possible to project the social security benefit expenditure by the age group of recipient. The impact of the increasing number of older persons and the corresponding increase in expenditure is illustrated clearly in the following table and charts.

5.9 As with the projected health expenditure, the benefit expenditure projections should be approached with caution. The projected expenditure in the following table do not allow for any inflationary increases to the amount of benefits paid out.

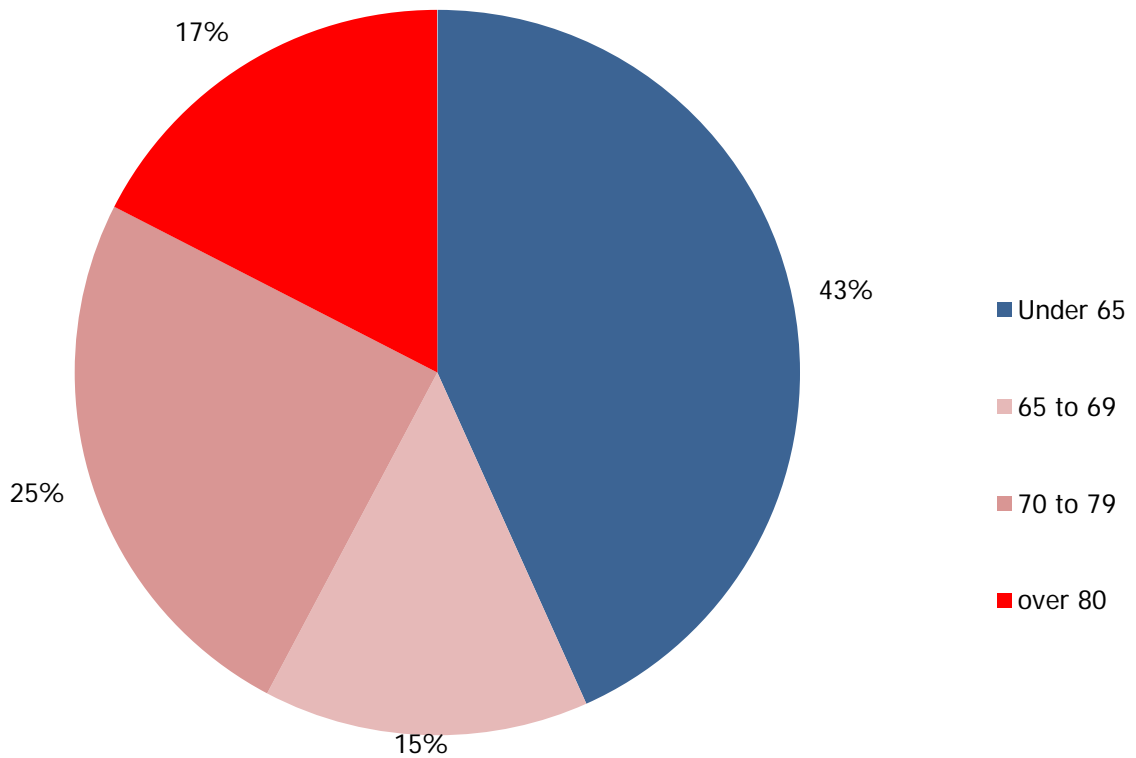
**Table 12 Projected IOM Social Security Expenditure by Age Group (£ Million)**

<b>Age Group</b>	<b>2013</b>	<b>2020</b>	<b>2025</b>	<b>2030</b>	<b>2035</b>
Under 65	113.49	116.11	117.27	117.14	117.05
65 to 69	38.04	43.45	47.00	54.08	54.50
70 to 79	64.98	90.09	97.70	99.67	112.03
over 80	45.79	55.45	66.87	85.42	96.73
<b>Total</b>	<b>262.30</b>	<b>305.10</b>	<b>328.84</b>	<b>356.31</b>	<b>380.31</b>

**Note:** based on 2013 prices and assumes no growth in demand or inflation etc (other than changes in age profile).

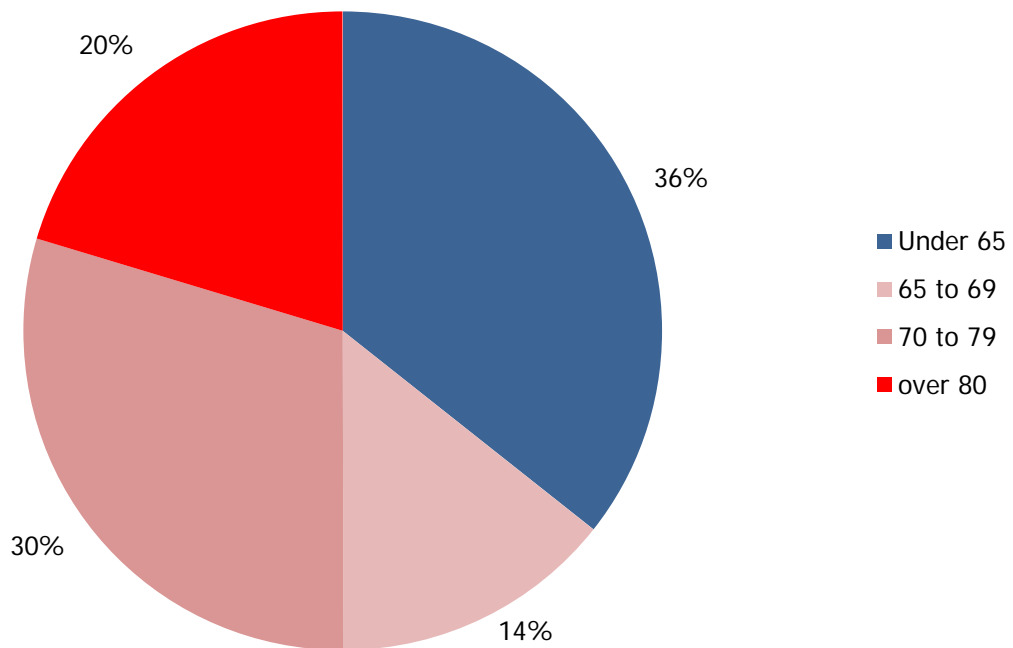
**Source:** Department of Social Care

Figure 12 Distribution of IOM Social Security Benefit Expenditure by Age Group 2013



Source: Department of Social Care

Figure 13 Projected Distribution of IOM Social Security Benefit Expenditure by Age Group - 2025



Source: Department of Social Care

5.10 The Department of Social Care also provides a considerable level of care services to persons aged 65 and over. There is a wide range of services provided and the expenditure on these services is shown in the table below. Older persons are charged for these services and the charts below are net of these charges.

**Table 13 Social Care Expenditure on Older Persons - 2013**

<b>Services</b>	<b>2013</b>
Resource and EMI Centres	£4,970,956
Day Services	£3,560
Domiciliary Care	£1,591,422
Meals on Wheels	£122,160
Age IOM	£534,462
<b>Total</b>	<b>£7,222,560</b>

**Note:** Figures net of charges received  
Meals on Wheels and Age IOM represent services commissioned from the third sector.

**Source:** Department of Social Care

5.11 As with health and benefit expenditure, the level of expenditure on social care will need to increase in line with the increasing number of older persons. An additional £3 million will need to be allocated to the provision of social care services provided to older persons solely to keep apace with the population increases. Once again these figures do not allow for inflation or represent any change in the profile of service users. This ignores the likely increase in incidence of chronic conditions (i.e. dementia) which could cause a person to require social care services.

**Table 14 Projected Social Care Expenditure 2013 – 2035 (£)**

	<b>2013</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>	<b>2030</b>	<b>2035</b>
Social care expenditure	7,222,560	8,192,733	9,129,651	10,189,468	11,499,900	12,598,755

## 6. Fairness and Culture Change

- 6.1 In considering some of the issues relating to this subject, issues of fairness and culture are of considerable significance.

### Fairness

- 6.2 Issues of fairness are inevitably subjective. It is established that life expectancy is rising as is the proportion of people who are beyond the statutory retirement age. As a result more people are requiring assistance due to age related health and welfare issues and the percentage of the population that is working is falling.
- 6.3 Looking forward decisions are needed about how care is funded, what level of care will be provided and who will contribute to the overall cost.

### Position of Other Jurisdictions on Care Funding

- 6.4 The Dilnot Commission set out the following principles for fairer funding of care home costs;
- offer protection to everyone against the risk of high care costs and be clearer, helping people to plan and prepare, and encouraging saving;
  - support everyone in making their personal contribution by opening up available space for financial products, supporting carers and providing targeted state support; and
  - be better aligned with other elements of the care and support system to form a more streamlined and integrated system in which delivery is shaped around individuals not services.
- 6.5 The main ideas in the report of the Dilnot Commission appear to have political support from the Coalition Government. A UK Government consultation is taking place on encouraging people to make provision for their own care costs. The report proposes a care costs cap so that people are aware of the maximum that they would be required to contribute and therefore the 'unknown' element would be reduced. It suggested that these care costs however should not include the "hotel" costs such as food, accommodation and heat which would still need to be met from personal finances.
- 6.6 Jersey, a similar sized Crown Dependency, recently announced their proposed alternative to Dilnot which is a Long Term Care Scheme. The Scheme will be paid for through a separate fund which will be set up and funded by contributions from islanders and an annual contribution from the States.
- 6.7 All long term care benefits and means tested assistance will be paid out of the LTCS fund. The first year's funding (2014) will be entirely funded from the state and then from January 2015 onwards, in addition to state funding, islanders who pay Jersey

income tax will also have to pay a long term care contribution towards the scheme. The contribution, based on net taxable income, will be from all who pay Jersey income tax whether employed, self-employed or pensioners. A tax by any other name. The proposed rate from January 2015 will be 0.5% of net taxable income, rising to 1% in January 2016, which will be held for the following 3 years. However the contribution rate will need to rise over the next 30 years as the number of people needing care increases.

### **Who funds care?**

- 6.8 If people are going to contribute to their own care, a system capable of assessing income and wealth is needed, in order to have a fair system. Means testing could provide an opportunity to assist people contribute fairly to their own care but such systems can be bureaucratic and costly.
- 6.9 It should also be recognised that some people from poorer backgrounds may not be in a position to contribute and these are the same people who are statistically more likely to have health and welfare needs in older age.
- 6.10 If the cost to Government of care for older people is going to rise it will need to raise more funds. This could involve increasing taxation or National Insurance contributions. Options such as Inheritance Tax or Capital Gains Tax may be considerations as the issue of fairness might again arise if those in employment bore the costs of paying for an older population who contributed less during their working lives.

### **What type of care is to be provided?**

- 6.11 It is generally accepted that older people with needs should have these met and if they are unable to fund these themselves then the state should provide them at an affordable cost. This principle relates to all types of social care whether they are provided in the person's own house, a residential home or a nursing home.
- 6.12 The fact that the genders experience older age differently should also be taken into consideration; women tend to live longer than men and as a result they are more likely to be living alone in later years. Of the nearly 15,000 over 65s resident in the Island 54% are female, whereas the figure for the over 80s is nearly 65%. Of the 1,373 females aged 84 or more 77.5% are widowed; for men over 84 the equivalent figure is below 44%.
- 6.13 Women also tend to take more breaks in employment, often to provide care for children or older relatives and this disadvantages them in the sense that they pay less in National Insurance contributions over their working life. Workplace occupational pensions based on defined benefits also pay lower pensions to women who have not paid continuous contributions to their pensions.

### Who will be contributing to the overall cost?

- 6.14 One option is to move to a system where current contributions are provided in advance for the services that those contributing may need in later life. This could be encouraged through voluntary privately arranged systems or by statutory state organised ones. The preference sits within the political persuasions of the decision makers at the time. Such a system, however funded, has the added benefit that changes in demography are automatically accounted for as there is an obvious and inescapable relationship between those currently of employment age and those who will be beyond employment age in the future. They will by definition be the same population cohort.
- 6.15 However the current system uses contributions from the employed to meet current demand with the expectation that when current contributors reach retirement age their needs will be met from the contribution of the employed population at the time.
- 6.16 The Dilnot Commission proposes that individuals be encouraged to take personal responsibility for their care costs up to a point with the state focussing on the area of greatest unpredictable risk.
- 6.17 The Dilnot Commission proposes a cap on the amount individuals pay and a unified system for those whose care needs arise at different points of their lives. The cap was proposed at £35,000 for everyone although a recently launched consultation from the UK Department of Health proposes a £72,000 cap<sup>13</sup>. Included, is a tiered system at various ages to recognise that younger people with care needs will not have had an opportunity to gather income or wealth to meet the cap. Financial institutions are to be encouraged to develop products such as critical illness cover to ensure that the amount of the cap could be payable at the onset of the need removing the anxiety and fear of the individual in an uncertain world. These care costs are differentiated from general living costs but these too would be simplified providing for a nationwide flat rate charge for accommodation, food etc.
- 6.18 There is also proposed a minimum level of personal wealth of £118,000 that any individual should retain for personal expenses; where the charge is in excess of an individual's access to income or savings the state would meet the difference.
- 6.19 The private investment market could be encouraged to provide this service although it must be recognised that policies that carry this amount of risk over considerable periods of time may not be seen as particularly attractive on risk and profitability

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<sup>13</sup> <https://www.gov.uk/government/consultations/caring-for-our-future-implementing-funding-reform>, 18 July 2013



criteria. This may lead to policies being expensive and in some cases inaccessible and result in shortfalls. Undoubtedly there would be objections to such a scheme being made compulsory however the final design must be able to ensure that any shortfalls can be minimised. If a similar policy was to be adopted on the Island calculations would need to take account of the fact that charges for care are currently higher on the Island than in the UK and personal taxation is lower.

- 6.20 The 'Ready for Ageing' Report highlights that the current cohort of older persons benefitted greatly from the housing boom in the 1970s and 1980s.

*"The property boom has led to a very large transfer of wealth to older, better off homeowners, which has increased housing costs substantially for younger generations"*

*"...it does not seem fair to expect today's younger taxpayer – especially those not born to better off parents – to pay more for the increased costs of an older society whilst asset-rich older people (and their children) are protected." <sup>14</sup>*

- 6.21 There is an argument to increase taxation on residual estates and/or current accumulations of wealth, redirecting resources away from wealthier pensioners and their families upon death, to pay benefits for their peers who continue to live and require some sort of state support. The counter argument states that this would in fact be a punitive measure against those who have been prudent and saved money during their lives, worked and paid taxes and made little demand on state resources. Current practice in certain areas already assesses benefits based on income and accumulated wealth and as such the former approach would not represent a totally new change in direction.
- 6.22 Whilst none of these policies would be popular, increasing the tax burden, through inheritance or a wealth tax, would challenge the cultural norm that earnings and wealth accrued in life were the property of one's offspring. The suggestion is not that a tax is imposed on those people who have retired to bolster government coffers but rather that the wealth generated by this cohort, be spread more evenly and allow the current receipts to be invested to meet the future needs of the current working population. Such an approach would represent a significant culture change.
- 6.23 Any changes to this could have an impact on the Island which aims to attract many retired high net worth individuals through our taxation laws. Were these to be changed such individuals may choose to spend their retirement elsewhere. It could also be argued that the retirement and pension age are simply unnecessary

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<sup>14</sup> Ready for Ageing? Report Annex 7 Para 144.

complications and add complexity when a single approach could be adopted for all people whose income and assets are insufficient to meet their care and day to day living expenses.

## **Culture**

- 6.24 Historically older persons were cared for within the family setting. It would seem now that there is a belief that people deserve to be supported in their older years (though not in all areas of their life) and that the state is responsible for doing it. This is regarded in the majority of countries as a given, though not because of age, per se, but because the need for support is typically rising then, although logically it is a policy choice and not an inevitability.
- 6.25 The current system of contributions through National Insurance ceasing once pensionable age is reached could be seen to be inappropriate and creating a myth of unequivocal entitlement. Means testing can in theory be an expensive mechanism in calculating entitlement although systems exist on Island that could avoid overly burdensome calculations. However, a responsibility to contribute if able to, coupled with availability based on need, whilst appearing to offer a more sustainable position would also encourage dissaving and disincentivise wealth creation.
- 6.26 Whilst no reserve was ever established in the UK, on the Island NI receipts have exceeded benefits paid and generated a £700m reserve. However we are now at a tipping point where the Income to National Insurance Fund becomes insufficient to meet the payment of benefits from it. The latest projections are that the National Insurance Fund will be exhausted by around 2050.
- 6.27 Whilst actions are being undertaken to maintain this reserve it may be that in order to meet the short term excess of demand over contributions some of the reserve could be used. Alternative approaches designed to protect the reserve could see changes to universal benefits and other elements of the current pension, tax and benefit system.
- 6.28 Some commentators argue that what needs to change is the belief system, embedded in culture, which ascribes rights to older people based on a presumption that once someone has reached retirement age then they should be considered differently from the rest of the population. The 'Ready for Ageing' Report expands on the attitudes to ageing:

*“Attitudes to ageing*

- *Old is a state of mind not an age. Most people do not consider themselves to be old at the state retirement age.*
- *Old does not imply dependency and should not be equated to some sort of disease or disability.*
- *Many older people continue to contribute and this belies that attitude of some politicians and policy makers who frame the debate on ageing within a dependency narrative which sees older people as a burden and drain on the public purse.*
- *Many of our growing older population are in good health, will retire with a decent income and a strong social network, have much to offer society and will want to combine work with new activities, i.e. volunteering and caring.*
- *Government needs to publish information on the reality which challenges the traditional understanding of older age. There also needs to be stronger recognition that older age includes a vast diversity of people and their circumstances whether they be 60 or 120 or anywhere in between.*
- *Age alone is no longer a good predictor of health, wealth, employment status or activity in society.*
- *People tend to underestimate their life expectancy.*
- *People tend to deny the likelihood of adverse life events or disability and are unwilling to contemplate and provide for future disability or mental illness.*
- *Many believe that the state will look after them when they are older and this means the young generally give little thought to planning for their older age.*
- *Insurance for older age is very expensive due to the length of the policy and uncertainty and risks related to them. Often they are unaffordable.*
- *The state is best positioned to bear the risks related to longevity and the current movement towards individuals bearing the risk is in part why the situation has become so pressing.*
- *Initiatives in respect of incentivising individuals to join a regulated pattern of private schemes or to kick-start a private market in long term care have yet to be implemented sufficiently to be assessed but neither should they be discounted.*
- *Government structures, specifically the split between social and health care, impede joined up service provision and inject inefficiency and waste into the system. Business engineering should be looked at in respect of the provision of appropriate care to those who need it in a timely way.”*

6.29 The general perception of age and the ageing process needs to be addressed and re-focussed, as disability policy has been in the past. It should focus on what people are able to do, contribute and achieve as opposed to highlighting limitations that come with age. The positive aspects of age i.e. experience, knowledge, wisdom, free time and tolerance (it is accepted that not all of these are evident in all people above a certain age however they are qualities that can be associated as such) should be promoted.

- 6.30 There are many campaigns, policies and initiatives highlighting the qualities of older people. For example, B&Q have a recruitment strategy to attract older people and the Womens' Royal Voluntary Service and other third sector organisations "employ" many retired people to deliver a vast array of voluntary services. The Isle of Man Government may be advised to implement an awareness raising scheme to challenge some of the myths about age and in doing so produce policies which highlight personal abilities, skills and positive attributes.
- 6.31 Being able to assist retired people in the Island is an issue which is becoming ever more pressing as the percentage of those represented in the higher age groups increases as a proportion of population. Since the birth of the welfare state responsibility to provide for the wellbeing of the population once they have retired has been the responsibility of the state and has been funded through the National Insurance contribution system. However, people are generally spending a larger proportion of their lives beyond the current working age and have skills, knowledge and experience that represent a valuable resource to the community.
- 6.32 The current position appears unsustainable and adjustments to policy appear needed to protect current reserves and meet forthcoming needs. Such policy will need to embrace the largely subjective issue of fairness. Who is entitled to state support and who the revenue to pay for the support is collected from, are issues which generate strongly held opinions. Some of the potential solutions identified here might be extremely unpopular and would challenge some of the cultural beliefs and norms of our society. Nevertheless, a solution must be found to meet the current and future needs of the ageing population.

## 7. Working Longer

- 7.1 The projected increase in the number of older persons and the corresponding impact upon the dependency ratio, as the proportion of working age persons declines, is a problem facing both the Isle of Man and the international community.
- 7.2 Whilst there are a number of policy options which could offset the proportional decline of the working age population, for example, migration, outsourcing, increases in fertility, enhanced labour-force participation by young people and women, and improvements in labour productivity, most countries have chosen the policy aim of increasing labour-force participation among older persons. Allowing older persons that need or wish to remain in the workplace is crucial to addressing the issue of the dependency ratio and to allow society and the economy to maximise benefits from increased longevity.

### International Context

- 7.3 In 2002 the United Nations published an action plan on ageing<sup>15</sup>, which contains the following declaration:-

*“The expectations of older persons and the economic needs of society demand that older persons be able to participate in the economic, political, social and cultural life of their societies. Older persons should have the opportunity to work for as long as they wish and are able to, in satisfying and productive work, continuing to have access to education and training programmes.”*

- 7.4 The United Nations published a review of progress towards implementing the Plan of Action on Ageing<sup>16</sup> in 2012. This review includes a consideration of economic development and employment and examines how governments and other organisations are enabling older persons to participate in the labour market. The review cites the European Commission’s Lifelong Learning Programme and its call upon Member States to “...*promote access to education, training and lifelong learning for people with nationally identified special needs, such as ... older workers...*”<sup>17</sup>.
- 7.5 The report also refers to the International Labour Organisation’s call on governments “... *as part of their lifelong learning agenda, to focus on providing employment placement services, guidance and appropriate active labour*

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<sup>15</sup> ‘Political Declaration and Madrid International Plan of Action on Aging’, United Nations, 2002

<sup>16</sup> ‘Ageing in the Twenty-First Century: A Celebration and A Challenge’, United Nations Population Fund, 2012

<sup>17</sup> ‘Recommendation concerning human resources development; education, training and lifelong learning’, No 195, International Labour Office

*market measures such as training programmes, supported by legislation to counter age discrimination and facilitate workforce participation.*<sup>18</sup>

### Government Initiatives

- 7.6 The United Nations comments that in most developed countries, extending working lives and increasing employment rates among older workers are seen as an economic investment and are therefore high on policy agendas. Measures introduced included education and training, career counselling, job creation and flexible working schemes.
- 7.7 Countries such as Australia, Bolivia, Japan and Serbia, amongst others have approved laws prohibiting age discrimination in employment. The existing position under Isle of Man employment law is that those employees who have reached their employer's normal retiring age, which is the same for both men and women or, if there is no such age, 65, lose protection against unfair dismissal except in the cases of those types of dismissal which are automatically unfair under Isle of Man employment law (e.g. whistleblowing). It is anticipated that the issue of age discrimination in employment on the Isle of Man will be addressed in the forthcoming Equality Bill.
- 7.8 If the benefits of employing older persons are to be promoted to business, it is necessary to ensure employers could support this initiative without inheriting an onerous responsibility.
- 7.9 A number of countries including Australia, Finland, Netherlands, Norway and the United Kingdom have carried out large-scale government sponsored information campaigns aimed at overcoming employer reluctance to hire and retain older workers. In Singapore, the 'Advantage and Flexi-Works Policy'<sup>19</sup> grants financial assistance to employers who recruit, retrain or re-employ older workers.
- 7.10 A large number of countries have created specific training programmes for older workers. In 2006 the Canadian Government introduced the 'Targeted Initiative for Older Workers'<sup>20</sup> which provides employment and income assistance to unemployed older workers.

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<sup>18</sup> 'Report V: Skills for improved productivity, employment growth and development', ILO, 2008

<sup>19</sup> [http://www.mom.gov.sg/Documents/newsroom/speeches/2010/Factsheet%20-%20ADVANTAGE!%20\(110310\).pdf](http://www.mom.gov.sg/Documents/newsroom/speeches/2010/Factsheet%20-%20ADVANTAGE!%20(110310).pdf)

<sup>20</sup> <http://actionplan.gc.ca/en/initiative/targeted-initiative-older-workers>

## Lump of Labour Fallacy

- 7.11 An argument voiced against initiatives designed to assist older people work longer, is that older persons in the labour market displace young people. This argument is based on what is commonly referred to as the 'lump of labour fallacy'; that there is a fixed number of jobs and that workers are perfectly substitutable for each other. In practice however, younger workers cannot always be easily substituted for older workers.
- 7.12 According to International Labour Office calculations, there is a positive correlation between employment rates of the younger and older population for both men and women. In other words, countries with high employment rates for younger people can also have high employment rates for older workers. More jobs for older people do not mean fewer jobs for younger people. OECD calculations have confirmed this finding.<sup>21</sup> The House of Lords 'Ready for Ageing' Report, goes further and calls upon the United Kingdom Government to publically reject the lump of labour fallacy.
- 7.13 Whilst recognising that there exists evidence that the concept of a 'lump of labour' is a fallacy, the local reality of operating in an organisation with headcount restrictions, such as Government, or amongst smaller businesses, may be that there is little opportunity to increase employment opportunities for older workers without impacting on opportunities for younger workers.

## Part-time and Flexible Working

- 7.14 Part-time and flexible working arrangements are extremely popular amongst older persons wishing to work and may provide a key solution by enabling older workers to continue to receive income and contribute to the economy. In the survey of the Chamber of Commerce members below, part-time and flexible working arrangement was resoundingly the one option firms on the Isle of Man could see as an area to utilise older workers.
- 7.15 It is of critical importance to know the extent to which working-hour constraints discourage older workers from continuing or returning to work, especially beyond the standard retirement age. New working arrangements and innovation at the workplace can help to increase the labour force participation of older workers.
- 7.16 The rise in availability of part-time work over recent years seems to be an important factor in addressing the working time desires of older workers who might otherwise be inactive.<sup>22</sup>

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<sup>21</sup> 'Live Longer, Work Longer' OECD, 2006

<sup>22</sup> 'Employment conditions in an ageing world: meeting the working time challenge' International Labour Office, 2004

- 7.17 The House of Lords 'Ready for Ageing' Report suggests that employers should help older people adapt, re-skill and move to more suitable roles and hours when they want to do so and that Government and employers need to work to end 'cliff-edge retirement', enable more people to work part-time and wind down from full-time work and take pensions flexibly. It should be beneficial for older persons to defer taking state and private pensions.
- 7.18 More radically, the Report suggests abandoning the fixed retirement age implicit in pensions, employment practices, tax and benefit thresholds. The report suggests that incentives in tax, benefit and pensions systems to retire early should be reviewed.
- 7.19 The United Kingdom Department of Work and Pensions is taking steps to encourage employers to move away from operating a fixed 'cliff-edge' retirement age. One publication<sup>23</sup> lists ten facts pertaining to UK retirement practices:
- *"It is NOT a legal requirement for businesses to have a compulsory retirement age.*
  - *The majority of employers work without a fixed retirement age.*
  - *When asked, many businesses that operate a fixed retirement age are not able to give a reason for doing so or cite 'historical reasons'.*
  - *If you are working with a fixed retirement age, you must act within the law and follow strict compliance procedures.*
  - *Having a fixed retirement age can restrict your business growth and there is no firm evidence that having one provides improved workforce management.*
  - *Offering employees choices to work on and have better flexible working options around retirement helps you to retain skilled and experienced workers.*
  - *Having no fixed retirement age can be less costly for you and is welcomed by employees.*
  - *A fixed retirement age represents an unnecessary 'cliff-edge'. Removing it need not increase your administrative and training costs.*
  - *Working without a retirement age need not involve extensive or expensive alignment work to existing pension and insurance arrangements.*
  - *If you work without a fixed retirement age you must be clear on the operation of 'fair dismissal' procedures for staff of all ages."*

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<sup>23</sup> [http://www.dwp.gov.uk/docs/AP\\_Retirement\\_Guide.pdf](http://www.dwp.gov.uk/docs/AP_Retirement_Guide.pdf)



**Isle of Man Context**

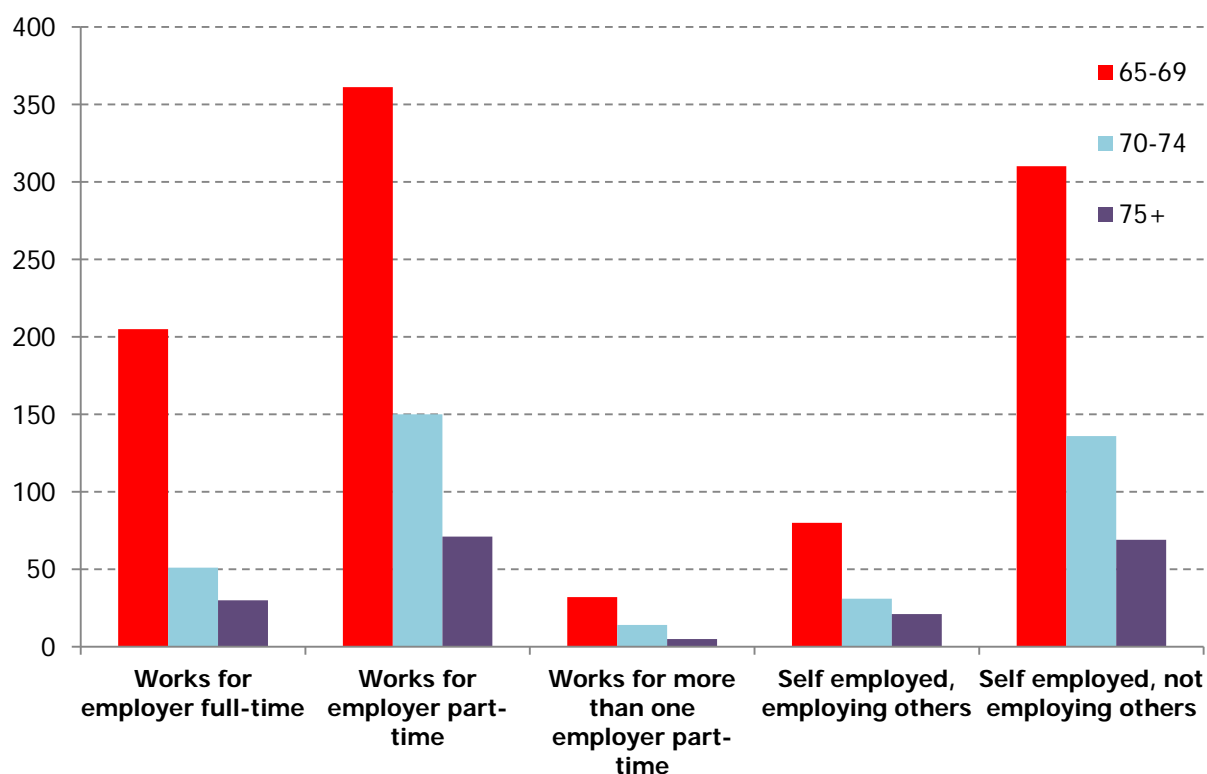
7.20 The table and chart below from the 2011 Census provides details of the economic activity rates amongst older persons. When persons aged above the state retirement age remain in employment, in addition to earning income, they continue to pay income tax and therefore contribute to overall Government revenue.

Employment Status	65-69	70-74	75+
Works for employer full-time	205	51	30
Works for employer part-time	361	150	71
Works for more than one employer part-time	32	14	5
Self employed, employing others	80	31	21
Self employed, not employing others	310	136	69

**Note:** Multiple responses were possible to this question

**Source:** Economic Affairs Division, Treasury

**Figure 14 Economically Active Older Persons – IOM 2011**



7.21 Employers on the Island have shown a willingness to employ older workers. For example, in a recent newspaper article Shoprite advised that it employs 10 men and 14 women aged 65 and over and 4 persons aged 70 and over.<sup>24</sup>

<sup>24</sup> Isle of Man Examiner, 22 July 2013

7.22 For the purposes of this report, the Chamber of Commerce has conducted a survey of its members with regards to the attitudes and barriers for employing older persons which gave the following findings:

**Isle of Man Chamber of Commerce Survey of Members on Attitudes and Barriers to Employing Older Persons - 2013**

**What are the views of your company on the role and contribution of older persons in the work force?**

The overwhelming majority expressed views that older persons have a positive impact and contribution to make based on experience/attitude/approach. Life skills and customer service were cited as positive benefits along with the ability to pass on their knowledge to younger colleagues. There were a few neutral remarks such as 'best person for job regardless of age' with very few negative comments based mainly around physical capabilities (for manual jobs) and struggling to adapt quickly to the changing demands of business/keeping up to date with IT.

**Do you believe increasing the number of older persons in your company's employment would decrease the number of opportunities available to younger workers?**

Yes	40%
Potentially	18%
No	36%
Not necessarily	6%

**Does your company have a compulsory retirement age? If so, what is the age?**

No	66%
Yes 65	26%
Yes Other	8%

**Does your company provide an occupational pension?**

Yes	56%
No	44%

**Do you think an individual should be able to choose to defer receipt of their state pension if they continue to work (whilst accumulating benefits)?**

Yes	98%
No	2%

**Roughly what proportion of your workforce is aged: (a) over 65 (b) over 70?**

Nil	50%
Up to 1%	14%
Up to 2%	22%
Over 2.01%	4%

The balance of answers were given in numbers not percentages so cannot be included in the figures.

**Would your company be open to any of these flexible working options for older persons:**

**(a) flexible hours (e.g. part-time)**

**(b) different roles (allowing older persons to swap job roles, for example into lower responsibility roles)**

**(c) provision of training or re-training for older workers?**

Responses were 94% yes/possibly to all or some of the options. Flexible working hours was the most favoured. The remaining were doubtful or UK policy driven so no local flexibility. One respondent commented 'No particular age group should be highlighted in working options, this would be discriminatory against others and have unforeseen consequences'.

**Are there any barriers that exist for your company in employing older workers? If so, please give details.**

No 66%

The remaining respondents cited physical ability to do the job/increase in illness as possible barriers. One respondent was concerned over the legislative position once a worker is allowed to remain beyond 'statutory' retirement age.

**Does your company have any products or services that have age restrictions (e.g. age limit for mortgage etc). If so please give details.**

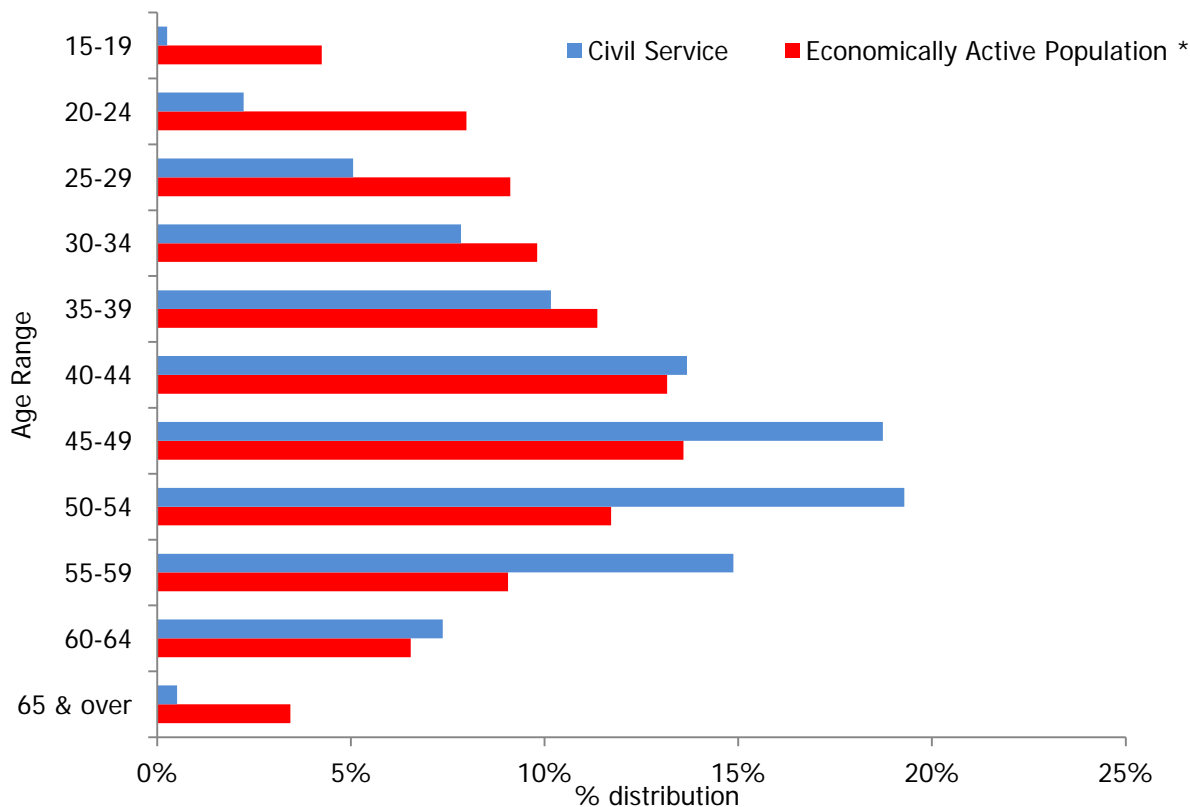
Very few respondents had any age restrictions. The ones cited were loans (although qualified by being responsible lenders to ensure borrowings can be repaid and if evidence of ability to repay then exceptions can be made). Professional indemnity insurance; life assurance and contributing to company pensions were the other restricted products.

## **Government as an Employer**

7.23 Government is one of the largest employers on the Isle of Man when the combined size of the civil and public service is considered. The 2011 Census recorded 10,042 persons employed in the public sector representing 23% of the employed population; 1 in 5 people working on the Isle of Man. Due to the diverse nature of the public service, consolidated age profile data is not readily available, however the chart below

provides the age profile of the civil service solely in comparison with the economically active population.

**Figure 15 Percentage Age Distribution of IOM Civil Service vs Economically Active Population**



**Note:** Economically Active Population Figures from 2011 Census

**Source:** Report of the Civil Service Commission 2011/2012

7.24 Under the civil service regulations, the normal retirement age for civil servants is 65, with extensions of service being available, subject to approval by the Civil Service Commission (normally granted for up to 1 year at a time) up to a maximum age of 70 years.

7.25 Council of Ministers endorsed the Isle of Man Government Retirement Policy which was published in 2012.<sup>25</sup> The policy states that that central Government employing authorities or relevant collective bargaining bodies shall determine the contractual normal retirement age of public servants within their remit, subject to ensuring that

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<sup>25</sup> [http://www.gov.im/lib/docs/hr/HR\\_Policies/isleofmangovernmentretirementpo.pdf](http://www.gov.im/lib/docs/hr/HR_Policies/isleofmangovernmentretirementpo.pdf)

the contractual normal retirement age is no less than the state pension age. The policy further advises:

***“The Council of Ministers expects public servants to retire on reaching their contractual normal retirement age unless there are sound reasons for not doing so.”***

- 7.26 The capability of an older person to carry out a role will need to be carefully reviewed when considering keeping the person on past the usual retirement date. Employers need to be cognisant of their duty of care to the employee, other staff members and the public.

## 8. Reforming Pensions and Savings

### The State Pension/Pension Supplement -Background

- 8.1 Providing the State Pension currently costs the Isle of Man Government £123 million per annum (3.2% of National Income), with a further £36m (0.9% GDP) in respect of the Manx Pension Supplement. Together they represent 60% of the Social Security bill, and 17% of all Government gross expenditure.
- 8.2 As life expectancies increase, the State Pension is being paid out for longer and longer periods. The Turner Commission<sup>26</sup> found that the proportion of adult male life spent in retirement in the UK had grown steadily since the Second World War, from 18% in 1950 to an estimated 30.7% in 2005, with the proportion of adult female life spent in retirement increasing from 26.1% to 36.4% over the same period.
- 8.3 Historically, these payments have been funded through taxation, namely National Insurance, paid for by employees and employers. In addition the Island receives around £39 million from the United Kingdom in respect of the settlement of UK state pension liabilities (around 31% of the basic State Pension bill).
- 8.4 Growth in life expectancy and increasing dependency ratios mean that this model will become unsustainable. The UK estimates that the basic State Pension will rise by a third as a ratio to GDP from 3.8% of GDP to 5.1% of GDP by 2050/51<sup>27</sup> at which point the Isle of Man will be paying in around £350 million per annum on the State Pension alone, more than 3 times what we do today, at current prices. This is after reflecting the current plans to raise the State Pension Age for women to 65 by November 2018. The State Pension Age for men and women will rise to 66 by October 2020, to 67 by 2028. Further rises are likely after this date. Sooner or later a more fundamental look at how individuals provide for and pay for retirement will be needed. The Government Actuary's Report for the 5 years to the 2012 was produced during the summer. The initial findings indicate that the National Insurance fund is likely to run out earlier than originally thought although the changes to retirement age will extend the fund marginally, which confirms RSM Tenon's initial findings and the need to move quickly to reduce the impact of the ageing population on government expenditure.
- 8.5 The chart below shows the impact on the dependency ratio of the increased State Pension age. The analysis of the dependency ratio in earlier chapters is based on the ratio of working age to non-working age persons (i.e. those under 16 and those aged 65 and over). The chart below factors in the present State Pension ages and the

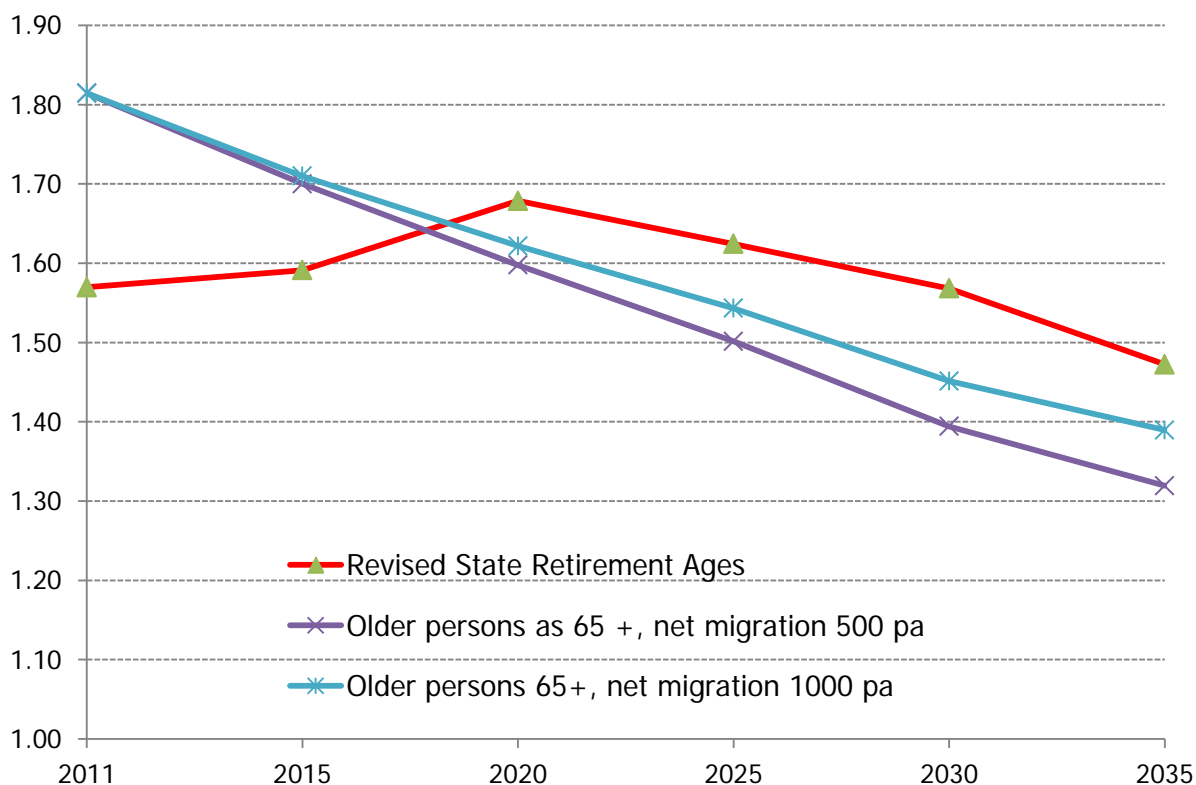
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<sup>26</sup> 'A New Pension Settlement for the Twenty-First Century' 2005

<sup>27</sup> Office of National Statistics – Pension Trends 27th October 2011 Table 5.14)

proposed rises. As would be expected, the corresponding increase in the number of persons of working age, due to the rises in the State Pension age, softens the decline in the dependency ratio.

**Figure 16 Dependency Ratio under Differing Assumptions re Older Persons**



**Note:** Dependency Ratio is the ratio of number of persons of working age to the number of non working age (persons under sixteen plus older persons.) The chart shows the ratio under three different scenarios:

- Persons of non working age = persons under 16 and persons aged 65 and over. Net migration assumed at 500 persons per annum
- Persons of non working age = persons under 16 and persons aged 65 and over Net migration assumed at 1,000 persons per annum
- Persons of non working age = persons under 16 and persons of state pension age and above. State pension age 65 for men, 60 for women and to rise for women 65 by 2018 and to 66 by 2020 and 67 by 2026 for both men and women. Net migration assumed at 500 persons per annum.

**Source:** Economic Affairs Division, Treasury

## Current Principles Underpinning the Present System

- 8.6 There are three different principles which underpin the present system of providing State Pensions which can be described as follows.
- 8.7 **The Contributory Principle;** that a State Pension needs to be earned through contributions. Currently those who do not make sufficient contributions are protected through payments of the means-tested benefit, Income Support (a single person with Pensioner premium at least £160 per week), and many of those who do not pay National Insurance (such as full time parents) get credits.
- 8.8 The Contributory Principle was implicit in the creation of the State Pension in 1911. Arguably it was and remains a smokescreen to call by another name something that is fundamentally a tax. None of the contributions made today are saved to pay the benefits of tomorrow, and those who do not contribute receive benefits, it is therefore questionable to what extent this principle is still relevant as a basis for state provided retirement costs.
- 8.9 **The Reciprocal Principle;** that State Pension arrangements in the Isle of Man should match those in the United Kingdom, that pension entitlements should be portable and easily transferred between the two, such that there is a seamless payment of pension to the retired person wherever they live. In doing this the Isle of Man Government allows UK politicians to decide eligibility, policy and amounts of pension paid. This is not how the State Pension is managed in the Channel Islands, where both income and expenditure levels are determined locally.
- 8.10 **The Generational Principle;** that those of working age should pay towards the living costs of those in retirement. When the State Pension was introduced there was clearly a need for this transfer of income, as there was little or no occupational pension provision.
- 8.11 Comparing Income and Expenditure surveys for working age and retired people some interesting facts emerge<sup>28</sup>. For example 20% of retired people now receive above average income, but have below average spending commitments (usually lower housing costs). Pensioners in the bottom 20% of incomes however, have less than average incomes (£221 per week) compared to those of working age (£284 per week).
- 8.12 At the heart of this is a policy dilemma; most people agree that the state should guarantee a minimum income in retirement but universal payments are poorly

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<sup>28</sup> Pensioner Income and Expenditure, Office of National Statistics, Oct 2012



targeted resources and evidence points to a significant shifting of wealth from working age people to retirees, not always supported by underlying evidence of need. The original State Pension was means tested. It only became universal in 1948, under the extended contributory principle. From that date it could not be considered “insurance”, as everyone benefitted regardless of their circumstances in retirement.

- 8.13 Pensioner incomes have changed dramatically over the last 30 years. Benefits comprise a smaller proportion as the impact of occupational pensions has risen. When the 65-75 age group is examined, benefits are only 30% of income today, with occupational pensions and earnings both more significant.

	<b>1979</b>	<b>1997</b>	<b>2010</b>
Benefits	60%	53%	45%
Occupational pensions	16%	26%	27%
Investments	10%	13%	12%
Earnings	13%	8%	16%
Other	1%	0%	0%
	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Source:** Pensioners Income Series 2010-2011, UK Department of Work and Pensions

- 8.14 Significant proportions of the pensioner population particularly those over 75 still rely on the State Pension for a large proportion of their income (around 50%). What the above shows is that there are two stages of retirement. Increased earnings and occupational pensions in the first decade from 65-75, with more reliance on benefits (including the State Pension) after age 75.

### **Recent Developments**

- 8.15 The planned introduction in the UK of a single-tier basic State Pension in 2016, coupled with the end of contracting out amounts to the biggest change in State Pension provision for decades. Now is therefore a good time to be considering not only if these changes are right for the Island, but the underlying principles on which the current State Pension is based. A working group of officers from Treasury and Social Care is looking at the implications for the Isle of Man following the proposed introduction of the single tier pension in the UK.

### **Private and Occupational Pensions**

- 8.16 Private pension provision has been adversely impacted in recent years by a number of events. Mis-selling scandals, declining annuity rates and the ending of the majority of final salary schemes in the private sector have all resulted in a long term reduction in the value of pension benefits built up to aid retirement.

- 8.17 The UK Government's response has been a form of compulsion through auto-enrolment. This was not implemented in the Isle of Man. Pensions are just one form of wealth that can be realised to provide an income, and the growth in alternatives such as equity release schemes show a real need for solutions which allow retirees to exchange wealth for income. People in the UK can opt out of auto enrolment without any compulsion to provide for potential care/pension needs in the future, so this on its own will not solve the problem.
- 8.18 Private and occupational pensions that are not final salary based naturally take into account changes in areas such as life expectancy and long term return on investments that state provision cannot. Public sector pensions are becoming a hybrid of the two, with cost sharing provisions sharing the fact that the schemes are becoming more expensive to operate over time. There is still a large gap however between the cost and benefit of public sector schemes compared to those available in the private sector.
- 8.19 The challenge in this area is to facilitate the increased amounts of capital required to buy a certain level of expected pension. Tax incentives on the Isle of Man are relatively small due to lower rates of tax, and arguably discriminate as they reward one form of retirement planning (a pension scheme contribution) over others such as buying a second property, or saving in a bank.
- 8.20 The challenge politically is that pensions are in effect deferred benefits, and increasing the amounts people save for tomorrow means less spending now. This may reduce current economic activity, dependent on whether savings are all invested, how and who by. It may even undermine the value of the very investments the saver is reliant on to pay the pension.
- 8.21 So it is far from clear whether increased saving for retirement is beneficial to the economy or ultimately to the person themselves without some form of state guarantee.
- 8.22 Policy in this area should be to increase the opportunities to save and realise assets on retirement. Government can develop policies to encourage long term savings, but needs to ensure that it helps those who would otherwise simply rely on the state, and not those with adequate provision anyway.

## 9. Paying for Care

- 9.1 As established in Chapter 7 from the projections of greater numbers of people living longer, there will be additional financial pressures on housing, health and social care. The Department of Social Care has an estimate<sup>29</sup> that, without changing the profile of the adult social care services which are provided, it will need an annual average increase in funding of £642,000 to meet the needs of the projected increase in older persons.
- 9.2 At present, the Island is heavily dependent on residential care to support older people. The Department of Social Care advises that 76% of its resources for older people are spent on residential care, yet this expenditure only provides for 15% of service users. The table below provides details of the numbers of residential and nursing care beds available in the Island, along with a breakdown of how the care of these residents is funded. Residents in care homes are required to pay for elements of their care, some persons have means to be 'self-funding', other residents fund the payment of their care through the receipt of social security benefits.

**Table 15 Residential and Nursing Care Beds**

Type of Bed	Total No of Beds	Proportion of Residents funded through Benefits	Proportion of Residents Self-Funded
Residential beds	500	48%	52%
Nursing care beds	465	42%	58%

**Note** Nursing care beds includes hospice and EMI beds

**Source:** Department of Social Care

**Table 16 Recipients of Income Support Currently Residing in Care Homes**

Type of Home	No of Recipients	Proportion
Private residential care	149	34%
Private nursing care	195	45%
DSC operated residential care	90	21%
<b>Total</b>	<b>434</b>	

**Source:** Department of Social Care

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<sup>29</sup> Tribal (Rebalancing Adult Services, DSC)

- 9.3 The Department of Social Care has developed the 'Fair Access to Care Services Framework' following a review of access to services. The Framework supports the following principles;
- Provide a clear eligibility criteria for social care services and carer support;
  - Promote access to readily available and understandable information on the threshold of need for access to services;
  - Assess a person's need for social care services. Following assessment, to provide the assessed person or their representative with a written statement of identified need, and the arrangements the Department proposes to make to meet those needs; and
  - Recognise the value of and to support carers in their caring role by assessing their needs and where appropriate providing carer support.
- 9.4 The framework bands group's risk to independence into 4 levels; low moderate, substantial and critical. Based on the analysis of audits conducted within adult services it was proposed that the access criteria to adult social care service are set at moderate and above.
- 9.5 The amount of revenue realised by the Department of Social Care in relation to existing charging for services is significant, amounting to £5.5 million per annum. This excludes grant-maintained or contracted services. The largest stream of revenue within this figure relates to older people's residential services, with charges determined through an income support based calculation, and tapered contributions based on capital and income.
- 9.6 A recent review of charging has revealed a significant disparity between the processes and systems that are used to determine, administer and collect charges for non-residential support across the service. There are no clear policy guidelines that address or support a consistent and clear rationale for charging. Equally the amount of charge levied differs between comparable services dependent upon the respective client group. The review highlighted that older people are currently disproportionately charged for services. This offers limited scope for charging older people for these services further, raising the option for the introduction of charging to other groups, rather than increasing those charges already levied.
- 9.7 The present system for paying for care is seen to be unfair by some. It can be argued that those who have worked hard all their lives, own property and have savings in the bank are expected to pay and to use all their assets towards paying for their care. Alternatively, there are those who could have saved but have not done so, where the state pays for their care through benefits such as income support and finally there are those who would never have the ability to afford to contribute towards their care, who are supported through the benefits system.

- 9.8 As explored in previous chapters, the Dilnot Commission<sup>30</sup> in the UK explored this unfairness and the UK Government is consulting on a cap for the amount of care fees a person should pay.
- 9.9 The 'Ready for Ageing' Report promoted the concept that it is reasonable to expect those who have benefitted by seeing the value of their homes increase, to use this asset to pay for the cost of their care, adapt their homes and to support their incomes. The House of Lords state that "*It is reasonable to expect those who have benefited from the property boom to support their own longer lives....The Committee considers that it is right for those who have benefited from windfall gains to contribute to the costs of their longer lives through equity release, rather than for the full costs to be pushed to future generations*".
- 9.10 There are two options that come under the umbrella of 'equity release'. The simplest form is downsizing – sell property and move to a cheaper one. The other, to stay in the property and realise cash from the equity of the property.
- 9.11 Downsizing of properties as people get older creates certain problems. Figures for England<sup>31</sup> indicate that only 10 -15% of people tend to move in their old age. It would not be unreasonable to imagine that the proportions are broadly similar for the Isle of Man as the reasons quoted for staying in the family home are mainly the strong emotional ties to the home, neighbourhood, the daunting prospect of moving house and the lack of suitable alternative homes.
- 9.12 Further, there is frequently a limited supply of specialist accommodation for people to move into, such as extracare housing<sup>32</sup> and this type of property may be relatively expensive, meaning that the sale of an existing property may not release sufficient funds to purchase a specialist property.
- 9.13 The recent review of housing carried out by the Department of Social Care shows that there are insufficient smaller units or public sector elderly persons units to meet the increasing needs of an aging population. However, it is important not jump to the conclusion that building more suitable units will solve the problem as older people will only move if they want to not because they can. So other options like adaptation

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<sup>30</sup> Fairer Care Funding, The Report of the Commission on Funding of Care and Support, Jul 2011

<sup>31</sup> 'Housing and support for older people: a good practice guide', Shelter, 2006

<sup>32</sup> Extra care housing is sometimes referred to as very sheltered housing or housing with care. It is social or private housing that has been modified to suit people with long-term conditions or disabilities that make living in their own home difficult, but who don't want to move into a residential care home.

of current properties need to be considered as does increasing the supply of new build properties to meet these needs.

- 9.14 In respect of realising assets (or raising cash) against an existing property there are a number of options.
- 9.15 Historically the insurance industry created a package known commonly as equity release. A mortgage would be arranged and the cash raised invested in an insurance bond. The investment return from the insurance bond would fund the mortgage and historically provide a return higher than the mortgage to give an extra income. As investment returns have decreased significantly, this has left older people with no income and a mortgage to pay. Ownership of the property stays with the individual. This is the most commonly referred to product when people talk about equity release.
- 9.16 A lifetime mortgage is another form of equity release. Monthly repayments are often not required, ownership of the home is retained and interest on the loan is compounded. The loan plus compounded interest is repaid by the estate when the mortgagor dies or moves into long term care.
- 9.17 Safer options for home owners are home reversion plans. These allow the home owner to sell all or a percentage of their property whilst maintaining the right to live there without paying rent until the property is sold, on the death of an individual for example or their move into long term care. The plan also offers the potential for a percentage of the property to be left as an inheritance or for further use. At the end of the plan the property is sold and the sale proceeds are shared according to the remaining proportions of ownership. The sale of these products is regulated in the United Kingdom by the Financial Conduct Authority.
- 9.18 Presently neither the Financial Supervision Commission nor the Insurance and Pensions Authority in the Isle of Man regulate either the provision of lifetime mortgages or home reversion plans in the Isle of Man. The Financial Supervision Commission does not currently regulate any mortgages therefore the home revisions plans are not regulated but most lenders in Isle of Man have a UK parent and therefore the big banks will follow UK standards in this area.
- 9.19 The main concern with any form of equity release is that upon retirement, people are left a 'lifetime' debt; a concern that has been heightened over recent years by the negative press coverage of such schemes.

## 10. Volunteering

10.1 There is considerable evidence, both formal and anecdotal, which recognises the significant contribution to society made by older persons, in terms of volunteering. This active engagement can have a huge impact on the fabric of the society in which it takes place. The benefits here include:

- Enabling people to feel they can put something back into the community;
- Providing care and other support for the community that is no longer affordable within Government budgets;
- Utilising the skills and experience of retired people to benefit the local community;
- Improving the health of those that volunteer and thus reducing potential health care costs to Government;
- Combating social exclusion;
- Strengthening the support mechanisms in local communities.

10.2 There is a substantial body of research to show that the benefits to an individual can be significant and include for example:

- Helping to make new friends;
- Increased social and relationship skills;
- Increased self-confidence;
- Combating depression;
- Providing new skills;
- Fun and enjoyment;
- Increased feelings of self-worth;
- Development of new hobbies;
- Improved physical health;
- Providing structure in an otherwise unstructured life.

***“Older people contribute greatly to society, including through volunteering and informal care. Increasing lifespans offer a great opportunity for older people to play an even greater role in public life.”***<sup>33</sup>

***“Everyone who chooses to do so, should be able to work, learn or volunteer. Someone’s age should never be a barrier to fulfilling their potential, realising their ambitions or making a full contribution to the economy or society.”***<sup>34</sup>

10.3 Age UK estimates that people aged 50+ make an unpaid contribution to the UK economy per annum as follows: £15.2 billion as carers, £3.9 billion in childcare as grandparents and £5 billion as volunteers making a total of £24.1 billion. A pro rata

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33 ‘Ready for Ageing’

34 Age UK Agenda for life 2013.

figure for the Isle of Man's population would equate to a total contribution of at least £33 million per annum to the Manx economy.

- 10.4 Figures by the Council of Voluntary Organisations' "It's all about Partnership" presentation stated there are 10,000 volunteers within the Island's Third Sector, indicating 12% of the population are involved in some kind of volunteering. Crossroads Care alone uses 154 volunteers of which 87% are over 65
- 10.5 A study in 2004 by the Joseph Rowntree Foundation classified older volunteers into three groups:-
- "Lifelong" volunteers - those who volunteered because they have always done so;
  - "Serial" volunteers – those who have come back to volunteering later in life after a break for work or family responsibilities; and
  - "Trigger" volunteers who are inspired by retirement to volunteer for the first time.
- 10.6 It is likely that by 2025 the latter group of volunteers will form by far the largest constituent group. It is necessary therefore to understand more about what might trigger people to volunteer after retirement.
- 10.7 Age UK<sup>35</sup> comments that one way to refute the inaccurate and two dimensional stereotypes of older people is to provide an alternative, more truthful portrayal of our lives as we age.

*"A key element of this must be to acknowledge and celebrate the positive contribution older people make, both in economic and social terms. This takes many forms. An increasing proportion of older people participate in paid employment and many more undertake a broad range of unpaid work, including caring for friends and family and voluntary work."*

- 10.8 The Isle of Wight is presently piloting a Care4Care scheme in which older persons can provide care now in return for receiving care later<sup>36</sup>. Scheme members can earn 'care credits' by supporting or caring for an older person in their local community. The hours of support members provide are recorded in their individual care credit account for future use. Should the pilot be successful it is planned that care credits could be transportable, so that if the scheme becomes extensive enough (1 million members by 2015) credits earned in one part of the country could be redeemed at another location or gifted to the common good via local groups.

## Volunteering and Community Participation

*"Nearly 4.9 million people aged 65 and over in England (58 per cent of that age group) take part in volunteering or civic engagement and 28 per cent of people aged 65–74 and 18 per cent of 75+ in England are participating in*

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<sup>35</sup> "Agenda for Life Report" (May 2013)

<sup>36</sup> <http://care4care.org/>



*formal volunteering at least once a month. It is no exaggeration to say that older people provide the bedrock of volunteering in this country and many local community groups are almost totally dependent on them for their existence."*

- 10.9 It is likely that the volunteering movement on the Isle of Man is equally dependent on the contribution of older persons. The Department of Health is leading a Government wide steering group examining the role and contribution of volunteers.
- 10.10 In England the National Council of Voluntary organisations has produced a website designed to act as a 'hub' for members of the public interested in volunteering and listing the vast range of areas available including animal welfare, conservation, sport, heritage and health and social care.<sup>37</sup>
- 10.11 On the Isle of Man contact has been made with CIRCA<sup>38</sup> regarding the establishment of a generic volunteering bureau or 'hub' for the Island and are in the process of taking the proposal to their board for review.

### Grandparenting

*"The contributions grandparents make to their grandchildren, children and by extension to wider society and the economy are hugely significant. Grandparents are major providers of childcare – 43 per cent of children aged under five whose mother is working are looked after by grandparents; 42 per cent of children aged between five and ten, and 18 per cent of 11–16-year-olds. The value of this childcare has been estimated at £3.9 billion in the UK. This huge contribution is largely invisible and deserves far greater public recognition than it currently receives."*

- 10.12 Again it is probable that a similar situation applies on the Island.

### Barriers to volunteering

- 10.13 Several barriers to the involvement of older people as volunteers have been identified in studies in the UK and elsewhere. Whilst some of these are more perceived than real, they include:
- Disclosure procedures which were felt to be unwieldy, prohibitive and expensive;
  - Insurance arrangements for older volunteers are (wrongly) perceived to be problematic;
  - Health and Safety regulations;
  - Lack of access for disabled people;

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<sup>37</sup> [www.volunteering.org.uk/index.php](http://www.volunteering.org.uk/index.php)

<sup>38</sup> Centre for Information Resource Care and Assistance, [www.circa.org.im/](http://www.circa.org.im/)

- Under representation of ethnic minorities amongst volunteers;
- Under representation of non-professional backgrounds amongst volunteers;
- Lack of opportunities for inter-generational volunteering.

10.14 Whilst these factors have been identified as barriers to volunteering elsewhere, statistics on the Island show that more than 150 over 65s have applied for vetting and barring checks and it is estimated that 80% of these are for positions as volunteers. Many others over 65s will be volunteering in positions that do not require police checks to be carried out. People seeking a police check for voluntary posts are not charged for the check in order not to discourage volunteers.

### **Volunteering in the UK Civil Service**

10.15 The value to society of volunteers is significant and in recognition of the value to wider society of volunteering, there is a published aim in the UK to turn the civil service into a 'civic service' by encouraging civil servants to use their time and skills to support voluntary, community and social enterprise organisations. Civil servants are encouraged to spend at least 1 day out of the year volunteering and the Civil Service is committed to giving 30,000 volunteering days each year.

10.16 Initiatives, such as the above, aimed at increasing volunteering amongst younger persons will help develop a volunteering culture and increase the number of 'lifelong' volunteers.

## 11. Housing

- 11.1 The existence of gaps in the types of housing provided for Isle of Man residents was confirmed in the recent Housing Review Consultation by the Department of Social Care. The initial findings of the housing review projects show that there is a lack of suitable housing to address the needs of an ageing population. There are not enough small units for people to downsize to and not enough housing units built to allow people to buy/rent properties that will meet their increased needs as they get older i.e. extra care housing. Some of the current sheltered housing provision could be adapted but the eligibility criteria for the public sector housing needs to be refined on the basis of need and the rents set on ability to pay.
- 11.2 The findings from Housing Review consultation tie in with both the House of Lords "Ready for Ageing" report and the work being done on the Adults Rebalancing programme within the Department of Social Care. Whilst comparisons with the UK are not always relevant, the housing needs for an ageing population are strikingly similar.
- 11.3 The Adults Rebalancing programme has a key project, the aim of which is to provide more services in the community to support older people staying in their own homes for as long as possible. To do this the Department will have to either adapt existing housing or build suitable new housing to meet its needs. The 'Ready for Ageing' report recommends that :-
- "Government, housing associations and house builders need urgently to plan how to ensure the housing needs of the older population are better addressed and give as much priority to promoting an adequate market and social housing for older people as is given to housing for younger people.*
- Other services such as urban planning, banking and product design will need to adjust to an older population and an older consumer base, and will have an important role in preventing the social isolation of older citizens. Older people must be involved in their design."*
- 11.4 The Department of Social Care is looking into the issues raised above but it has already been identified that, if the key aim is to maintain independence for older people, Government needs to be able to provide appropriate housing that keeps them safe and well. There have been numerous cases studies that have proved that older people living in houses that are warm and that have been adapted/designed to meet their needs will reduce the number of hospital admissions incurred.

## What housing problems does the Isle of Man face with an ageing population?

- 11.5 It has been identified earlier in the report that the Isle of Man has a higher proportion of older people as a percentage of the population than the UK and therefore faces similar problems in meeting the housing needs of these older people.
- 11.6 Government does however possess the necessary toolkit to remedy the situation. Further to the Housing Review undertaken by the Department of Social Care two specific work streams will look into the housing needs and the gaps in provision of suitable housing for the elderly. A house condition survey will also identify those houses that may not be suitable for the elderly and which will need to be improved to allow the basic needs of elderly people to keep warm and safe to be met. The provision of suitable public sector housing for the elderly is however complicated by the fact that housing management is split between the Department of Social Care and 17 Local Housing Authorities. The outcomes of the Housing Review may reduce this number substantially. The housing review reports have been drafted and initial findings presented to both national and local politicians. The final reports will be considered by Tynwald in November 2013.
- 11.7 The Department of Social Care is changing the way services to adults are provided, in particular services for the elderly and those with learning disabilities. The work already carried out as part of its rebalancing programme has identified that:-
- There is a lack of integrated health and social care services to provide the care needed in the home rather than in a residential or nursing provision.
  - There is inadequate provision of sheltered housing in the public sector to allow people to downsize to a house they can easily manage.
  - The lack of eligibility criteria for public sector sheltered housing means that those most in need may not always get priority
  - There is no supported or extra care housing in the public sector and only one very small extra care housing provider in the private sector.
  - The equipment and adaptations scheme funded by Government to adapt homes to meet needs, has insufficient funding to meet the growing number of adaptations required. This situation is exactly the same in the UK as the 'Ready for Ageing' report states that:  
***"The Government should support the development of housing adaptation services both by ensuring adequate public funding and by encouraging the growth of secure and easy to understand equity release market that can unlock funds to pay for housing adaptations."***
  - The Isle of Man does not at present have affordable equity release schemes to help fund adaptations or moves to more suitable housing provision or to provide for care in the home. This is another point which is highlighted in the 'Ready for Ageing' report which states that

*“Government should encourage the growth of secure and easy-to-understand equity release markets that can unlock funds to pay for housing adaptations”.*

- 11.8 As part of preserving the independence of the ageing population Government will have to develop more innovative types of housing provision. There is a need to embrace new technologies to develop life-long homes. One such innovation is the “intelligent house” which can monitor older persons movements within their homes remotely i.e. putting on lights when it goes dark, flushing of toilets, putting on kettles etc.
- 11.9 Planning and Building Control Regulation do not inhibit the provision of suitable housing for an ageing population in the Isle of Man. Whilst there are no planning policies aimed specifically at providing suitable housing for older people, there is nothing prohibiting schemes coming forward on land that is already designated for residential purposes. However location of suitable housing is important for an ageing population to avoid people becoming isolated from their relatives, community etc. Older persons housing should be near essential services and amenities, close to the shops and where there is access to social activity and good transport systems.
- 11.10 Current Building Control Regulations on the Isle of Man will ensure buildings are suitable for purpose i.e. doors wide enough for wheelchair access, suitable bathroom facilities such as walk in showers etc.
- 11.11 The problem the Island does face is that the construction industry still needs to recognise and respond to this market for housing to suit the needs of elderly. In February 2012, a YouGov poll for Shelter in the UK concluded that 33% of people over the age of 55 would be interested in specialist housing. It is not unreasonable to assume a similar percentage in the Isle of Man would also show an interest; on current census data, for those over retirement age, this would equate to approximately 5,900 persons. This is a sector of the market that will have money to spend and their move to more suitable homes will release properties for other sectors of the population.

## 12. Carers

### Statistics

- 12.1 In 2011 18% of the Isle of Man population was aged 65 and over. The number of over 65s living in the Island is projected to increase by 41% by 2025.
- 12.2 The 2001 Census found a total of 4,265 carers on Island. However this is likely to be an underestimate as the census figure given for those people suffering from a long term illness was 8,236, 11.5% of the population. This significant divergence in between the number of carers and the number of persons with long term illness may indicate that the question was not fully understood or answered.
- 12.3 The 2011 Census identified a total of 7,044 carers, however there are no updated figures for people suffering from long term illness as this question was not included in the 2011 census. Crossroads Care believe that a more realistic and indeed even conservative figure would be over 10,000 primary carers of people with short term and long term illnesses, disabilities, mental health conditions and drug and alcohol misuse. Many people would not identify themselves as carers because they feel that looking after a relative or a loved one is something they just do. The Census also does not reflect the number of young carers in the Island, a figure estimated by Crossroads to be over 1,000.
- 12.4 Carers for the elderly make up 34% of Crossroads' current database with 39% of carers being over 65 themselves. Many couples find themselves in a mutual caring role, both with specific care needs and managing each other's care. Crossroads' projects give a snapshot of a small percentage of the island's carers, as many try and manage as long as possible without help or do not identify themselves as carers.

### Carer's Charter

- 12.5 A Carer's Charter has recently been published which has been produced by Government Departments and third sector organisations.<sup>39</sup> The Charter outlines a number of principles in relation to Carers which the organisations who signed the Charter (Departments of Health, Social Care and Education and Children, Crossroads Care, Manx Cancer Help and Live at Home) are committed to working together to implement.

### The Over 65s and Caring

- 12.6 . The over 65s are generally in good health, financially sound and contributing to their community, involved in clubs, groups and charitable organisations.

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<sup>39</sup> [www.gov.im/media/750345/carers\\_charter.pdf](http://www.gov.im/media/750345/carers_charter.pdf).

- 12.7 Alongside being a primary source of economical child care for working parents, older persons provide unpaid support as primary carers totalling an estimated £15 billion in the UK<sup>40</sup> and contribute £4 billion in volunteering hours. They are working, caring and engaged, involved with their community, families and neighbours, giving time and experience to others.
- 12.8 Carers Trust key facts show that there are just under one million carers over the age of 65 in England and Wales, and that over 65% of elderly carers have their own long term health issues. There are 700,000 people living in the UK with dementia and two thirds of those are being supported by an unpaid carer, often a spouse or elderly son or daughter. Carers take on the financial responsibility for their cared-for person and lessen their dependence on Government support services and residential care. They often have no choice in whether or not they care, feeling that this is their responsibility; they often do not ask for or access the help to which they are entitled. Mutual caring is a major issue on the increase within the elderly population, with many couples dependent on each other for support.
- 12.9 It is important that the next generation of elderly carers are properly informed, have access to support and services and understand the importance of financial planning, not just for themselves but with the anticipation of taking on responsibility for a loved one or family member. Retired or semi-retired carers' contribution is an invaluable resource now and, with the expected demographic changes, should be one that is utilised to its full potential, giving people the tools to help themselves and others.
- 12.10 The growth in the elderly population will have both negative and positive effects. Proper planning now will enable the Island's community to be best prepared for the impact of caring, helping them to stay healthy mentally, physically and emotionally and more able to look after those that they care for.
- 12.11 The biggest burden on families that care is the financial one, which is something that will affect the way people cope with caring. The current Carers Allowance stands at £59.75 per week if the carer is over 16, cares for more than 35 hours per week, and is not in education for more than 21 hours in the week. The Carers Allowance stops at pension age and carers then have to rely on state pension as they have been unable to pay into a private pension scheme. Young Adult carers already struggle to complete education and are disallowed Carers Allowance if they remain in full time education. In order to help carers to continue to care, thus keeping individuals in the community for longer, it is imperative that they are given the means to provide for

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<sup>40</sup> Age Concern England Age Agenda 2008

themselves and their dependents financially. Priorities need to focus on assisting carers into employment and education, ensuring fair working conditions, providing support to enable this, and recognising how valuable carers are to the economy in preventing the burden of care becoming too much for the state. If carers have no option but to give up their employment and their private pensions then full support should be given to them in order to facilitate their ongoing carers role.