



Isle of Man
Government

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Review of Ageing Population Report

Economic Affairs

Cabinet Office

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Foreword

It is wonderful to see people of our Island living longer; to have a long and joyful retired part of life is an aspiration that should be available to all.

Alongside this success, there must be a recognition that there are challenges to the individual, society and Government in the provision and cost of benefits and services that will facilitate these aspirations.

However, we must avoid the pitfalls that debates around ageing populations often fall into, as happened in the past, that our elderly are a burden on our economy. In a range of ways, the opposite is true, with our older people benefiting the Island greatly, from caring for grandchildren so that many of us can go to work, volunteering within our local community or providing care to keep people in their homes for longer.

Equally, addressing some of the issues that arise will provide benefits to everyone; providing more suitable housing for older people should free up housing for younger families, lifelong learning not only can help people stay in work longer if they wish, but also help those wanting to change career or learn new skills at any age.

This report looks back to the first in 2013, provides an update as to where we as an Island are now and might be by 2036, and what actions, proposed in 2013 we have acted on and those that we still need to carry forward.

Whilst all of these actions are included in the Programme for Government in some way, we must recognise that many of them take longer than any one Programme for Government or administration and we must continue to work across administrations to achieve them.



Hon R Harmer MHK

Minister for Policy and Reform

Introduction

Increasingly life expectancy is considered to be one of the most significant achievements of any country. However as many developed nations are discovering, it also presents a wide range of issues, with social support and other systems having been created at a time where such increases in life expectancy were not envisioned.

In 2013, the Isle of Man Government undertook a wide ranging research project to establish an evidence base around what the size of the issues facing the Island may look like, and in what areas the most significant impacts were likely to be felt.

The 2013 report identified 11 areas that needed to be addressed in some way in order to deal with the issue of an ageing population. Some of those issues involved funding or changes to how support systems that were in place, whilst others dealt with culture and attitudes towards ageing.

This report updates the evidence base of where the Island is currently and where it is likely to be by 2036 in terms of population, summarises what had been suggested in the 2013 report and then considers what progress the Island has made on the issues that were identified.

As this report shows, the ageing population will continue to be one of the most significant challenges facing the Isle of Man in the future, and regardless of how successful the Island is at attracting younger working people, the challenges will continue and need to be addressed.

Addressing these challenges is important in a multitude of ways; from affordability, for the Government and Taxpayer, particularly in the context of intergenerational fairness, but as importantly for those facing paying for long term care in residential or nursing homes. Similarly, improving on the supply of suitable housing for older people should also improve the housing supply for younger people, by bringing more family homes onto the property market.

Similarly, ensuring that older people now and into the future have suitable and affordable pension arrangements will improve the quality of life for many, which can be a mix of the State Pension and other arrangements.

Recognising the value that older people provide, in the voluntary sector in general but also as carers for spouses, and as grandparents, which may be allowing many younger people to go to work, often whilst having their own care needs at the same time, is vitally important in order to shift the debate away from the "burden of an ageing population" to recognising the value of older people.

Updating data sources

The 2013 report was underpinned by a range of data about the current and expected size of the population and more specifically the older population of the Island, much of which was based upon the 2011 Census results. Since that report has been published the 2016 Census was undertaken and new population projections have been produced, alongside other additional information that is useful when considering the subject of an ageing population.

This section updates the data used within the 2013 report with the latest available data to review the opportunities and challenges the report identified and the actions that Government has taken since that report.

Current Position

Table 1 Isle of Man Population 1996 to 2016

Age group	1996	2001	2006	2011	2016
Children	13,483	14,509	14,571	15,038	14,233
Working age	45,066	49,048	51,800	54,473	51,876
Older persons	13,165	12,758	13,687	14,986	17,205
Total	71,714	76,315	80,058	84,497	83,314

Note: Children: persons under the age of 16
Working Age: persons aged between 16 and 64
Older person: persons aged 65 and over

As the table 1 shows, despite the fall in the overall population, the population aged 65 and over has continued to increase, to the point where whilst the overall population fell, the over 65 population is only slightly behind the estimated older person projection in 2011 of 17,430 by 2016. This shows that the population during the time since the 2013 report has aged faster than was expected, as the projections estimated that 19.9% of the population would be aged over 64, compared to an actual of 20.7%.

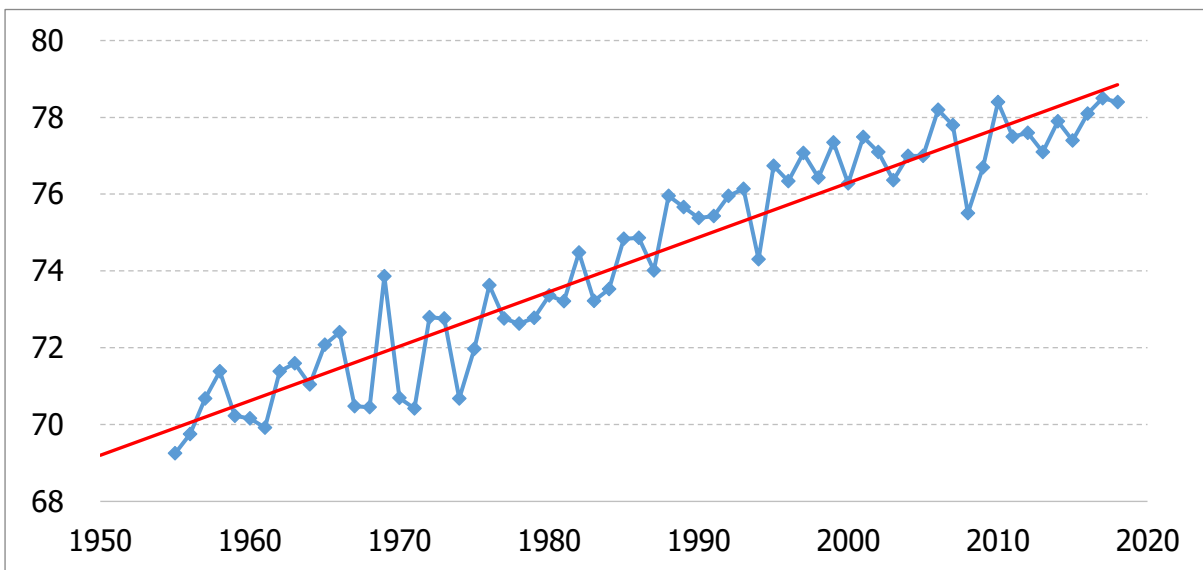
This has been caused by two factors, firstly due to the emigration of young people which has been highlighted in the Meeting Our Population Challenges paper¹ but also because the Island, like many other countries, has a large baby boomer population, which has remained relatively constant in size during the 5 year period.

Whilst life expectancy at birth increases have slowed in recent years, the life expectancy of men and women aged 65 has continued to increase, particularly for men, who's life expectancy at age 65 is 84.2 years, which is only 1.7 years less than women at 85.9 years. Therefore the Island has, as it was when the report was first produced, a larger group of individuals who are likely to live longer than previous generations.

Figure 1 shows the average age of death for the Island from 1955 through to 2018.

¹ Meeting Our Population Challenges, Cabinet Office, February 2018, <https://www.gov.im/media/1360674/2018-02-27-meeting-our-population-challengesv2.pdf>

Figure 1 Average Age of Death 1955 to 2018

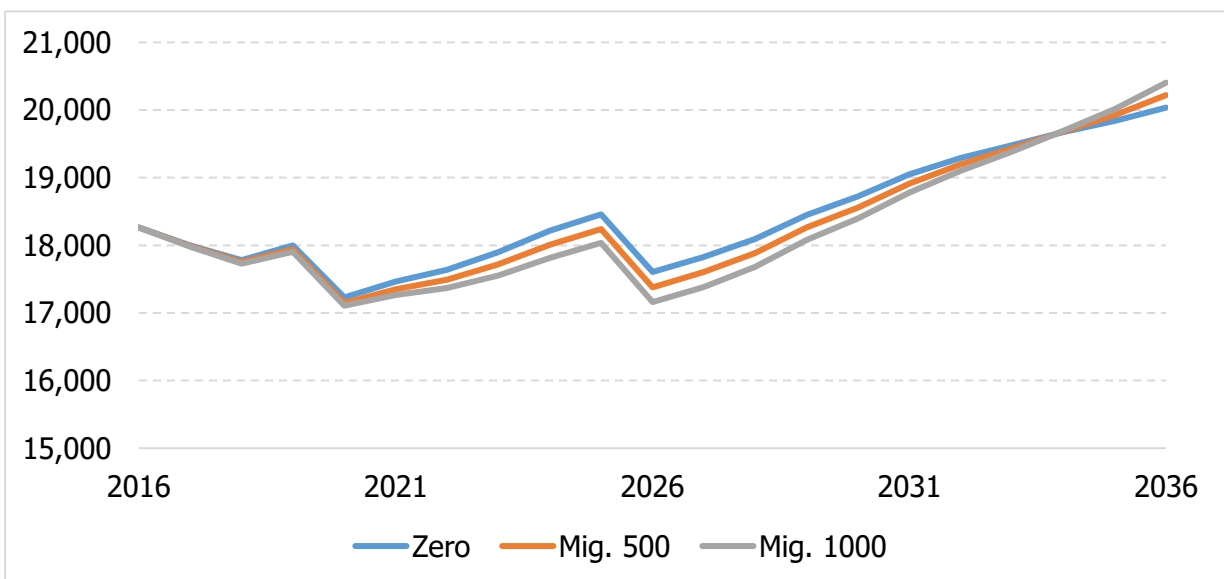


Population Projections

After each census, the population projections are updated to reflect the latest data that is available, with a latest census being the new starting point. Three population models, using 0, 500 and 1,000 net migration were produced and included within the Meeting Our Population Challenges white paper.

However regardless of the level of net inward migration, the total size of the Island’s retirement age population is relatively similar, with a small difference of 369 between zero and 1,000 net migration by 2036. The full table of projections for the retirement age population projections can be found in Appendix One.

Figure 2 Isle of Man Retirement Age Population Projections 2016 to 2036



The drops in the population represent the changing retirement ages as they take effect during the projection period through to 2036.

Due to these changes in retirement ages, the Isle of Man is due to have a smaller retirement age population, under any of the three models, by 2036 than the 2011 projections, upon which the 2013 report was based upon. As Table 2 shows, the reduction is between the range of 3,500 to nearly 3,900 fewer individuals in retirement.

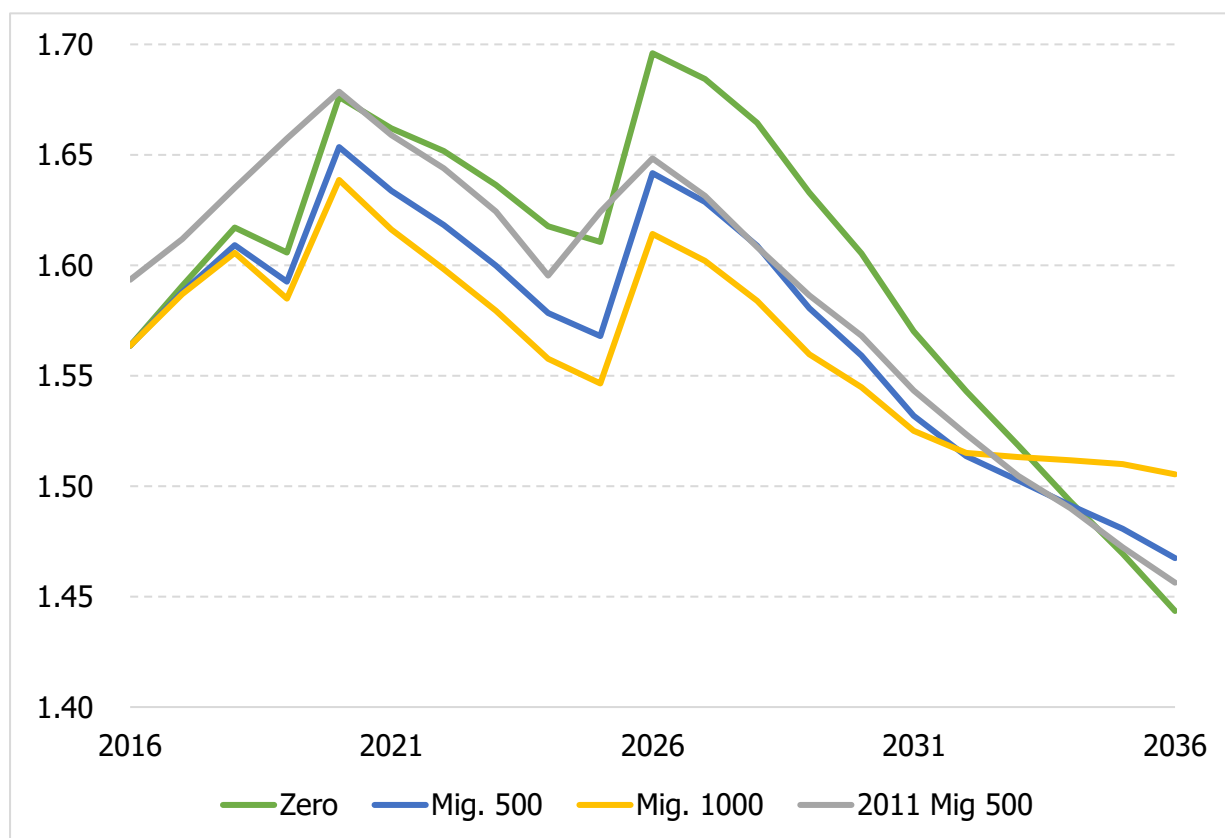
Table 2 Projected Retirement Age Population by 2036

Population Projection	Projected Retirement Age population by 2036
2011 Projection	23,925
2016 Projection - 0 Net Migration	20,035
2016 Projection - 500 Net Migration	20,220
2016 Projection - 1,000 Net Migration	20,405

Whilst the retired population, under all three models, is projected to be lower than was expected in 2011, the reduction in the population between 2011 and 2016 was primarily due to a reduction in the working age population, particularly the younger generations.

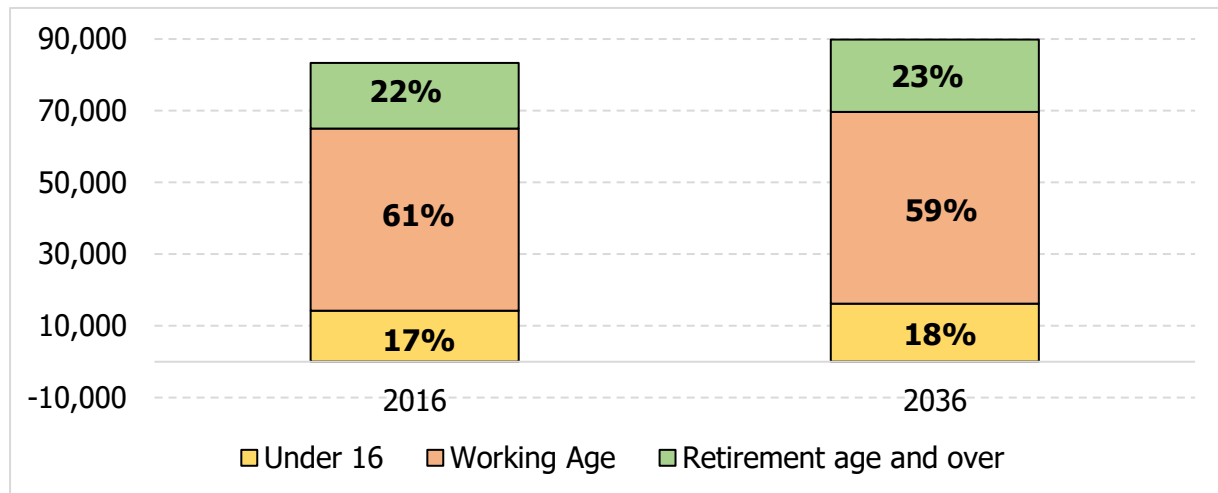
This means that the dependency ratio, which is the ratio of the working age population compared to the non-working age population, of under 16 year olds and those over retirement age, in 2016 is worse than was projected in 2011. However, by the end of the 2036 projection period, the ratio is better in two scenarios, and only marginally worse in one as a result to the pension retirement ages. Figure 2 shows how the dependency ratio is expected to change over time, compared with what was expected in 2011. The full data set for dependency ratios is available in Appendix Two.

Figure 3 Projected Dependency Ratios



For comparative purposes, Figure 3 shows what the composition of the Island’s population looked like in 2016, compared to what it may look like in 2036 using the 500 net inward migration. Data as at 31 March 2019 suggests that inward migration since the 2016 Census has been around 377 people per annum, therefore the 500 net inward migration model has been used in the comparison.

Figure 4 Population Composition 2016 and 2036



Conclusion

Consistent with the 2013 report, the data establishes that the Isle of Man continues to face an ageing population through to 2036 and beyond. The size of the retired population is likely to be smaller, in absolute terms, than was previously expected, however due to the reduction in the working age population between 2011 and 2016, the dependency ratio is, with the exception of the 1,000 net migration model, going to be similar.

This presents a range of challenges to the Island in managing the impact of a retired population on the economy and health and social care systems. For example, in 2018/19 the state pension accounted for 12% of all Government revenue expenditure and research from the UK has shown that the over 65 population accounts for over 40% of NHS spending.

As more people continue to live longer and therefore are more likely to have more complex health needs, this cost is likely to continue to increase.

However whilst there are financial consequences to an ageing population, it also needs to be acknowledged that older people can and do provide significant value to the economy which is not always recognised. The Meeting Our Population Challenges paper produced the first ‘Active Ageing Index’ which focuses on four domains of older people’s lives. One of these domains is participation in society, in which the Island performs strongly in older people providing care to children/grandchildren (34.7%), care to older adults (46.3%) and political participation (50%). Older people also undertake a significant amount of volunteering (9.5%) which provides benefits to the economy.

The following sections of this report detail the issues which were highlighted in the 2013 report, the actions that have been undertaken since then and what might still be left to address.

2013 Report

The 2013 report titled 'Research into the threats and opportunities of an ageing population in the Isle of Man² was commissioned to:

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

The report was based upon a range of demographic indicators such as life expectancy, dependency ratios and projected populations, in general and of older people through to 2035 based upon the 2011 population projections. The data used within the report has been updated in the prior section of this report to provide an updated view of the Island's population.

The 2013 report focused on 11 impacts of the ageing population, which are briefly summarised below.

Population and Economic Policy

The section focussed on two key considerations, as to whether the Island's economic strategy for addressing the issue of an ageing population. Firstly it considered two contrasting strategies of managing the issue in terms of population growth. The first was the 'current strategy' at the time of focusing on high value activity with lower labour demands with a comparison against a 'go for scale' approach of growing the working population without regard to the needs of the labour market or the value added.

It also considered contrasting approaches of raising additional income through direct taxation or through user charging. At the time of the report, linked to the Agenda for Change, user charging was being actively encouraged throughout Government. It was highlighted that a general taxation approach would be a more progressive option, whilst user charging, without a means testing system, is less progressive and charges often represent a greater proportion of income for lower income individuals.

Increasing Pressures on Health and Social Care

The report highlighted the increasing pressure that the older population will place upon both the health and social care systems. At the time of the report, the Isle of Man had recently de-merged the health and social care departments, which at the time, was in contrast to the route that the UK was undertaking.

The report also noted the expected increase in various long term illnesses and medical conditions such as increased levels of diabetes, arthritis, coronary heart disease, strokes, dementia and the increasing need for moderate or severe need for social care.

² Research into the threats and opportunities of an ageing population in the Isle of Man, November 2013, <https://www.gov.im/media/1347343/ageing-population-report.pdf>

Current Government Provision for Older Persons

This section highlighted the range of support that the Isle of Man Government provides to older persons, from the state pension through to age related entitlements. Below is a comparison between the 2013/14 cost and case load and that of the latest financial year 2018/19.

Table 3 Benefits available to Older Persons

Type of Benefit/Pension	2013/14		2018/19	
	Cost (£'000)	Case Load	Cost (£'000)	Case Load
Retirement Pension	123,139	18,839	142,601	18,930
Old Person's Pension (Over 80's)	148	44	141	36
Age Addition	435	3,952	454	4,409
Retirement Pension Premium	1,704	3,082	1,346	2,450
Pension Supplement*	34,823	13,643	36,511	13,722
Nursing Care Contribution	2,210	351	2,901	354
Christmas bonus*	1,419	17,287	974	18,095
Free TV Licence/Refund*	584	N/K	392	N/K
Income Support for Pensioners	12,445	1,630	14,288	1,400
Winter bonus*	365	1,272	768	1,261
Attendance allowance	3,693	1,105	4,593	1,134

Note: * this data is provided only in respect of pensioners. Other individuals may qualify for these benefits as well.

Alongside financial support, there is also a range of age-related entitlements which older persons will qualify for by virtue of their age.

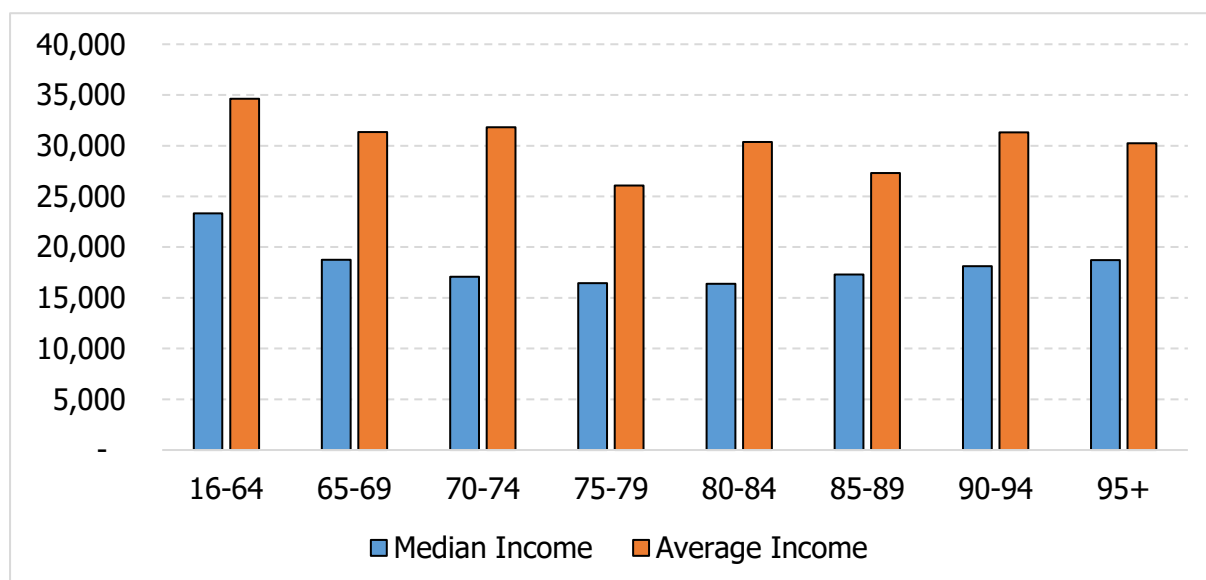
Table 4 Age related entitlements

Entitlement	2013 Qualifying Criteria	2019 Qualifying Criteria
Income Tax Age Allowance	Resident individuals who are aged 65 or over at the start of the tax year.	This has been removed with the increase in the general income tax allowance.
Free dental treatment	State pension age	State pension age
Free prescriptions	State pension age	State pension age
Free bus travel	Persons aged 60 or over	State pension age
Lower price admission to regional swimming pools, Wildlife Park and tickets at certain events	Persons aged 60 or over	Event/venue dependent, varying between 60 to 65.
50% reduction on certain part time education courses	Persons aged 61 or over	No longer offered
Reduction in Driving Licence and Test Fees	Persons aged 65 to 72	Reductions from age 66 to 72, along with reducing period of validity.

The 2013 report discussed a number of policy implications of offering age related entitlements and offered the following view from the Director of Care Services at the Joseph Rowntree Housing Trust, which was:

“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”

Figure 5 Median and Average Income by Age 2017/18 (£)



The data from the 2017/18 National Income accounts shows that as with the working population, there is significant wealth in the retired population, as shown by the difference between the median and average income by age.

In particular the report highlighted the need to challenge the assumption that people have ‘earned’ a right to a certain benefits by reason of having paid National Insurance or taxes throughout their lives, towards a culture where people are entitled to benefits and support as and when they require them.

Financial Implications of an Ageing Population

The 2013 report identified an expected increase in healthcare costs of £42m solely as a result of an ageing population, which assumed no increase in demand or change in prices, which the report itself viewed as ignoring reality, but is useful for isolating individual impacts. This amounts to around £1.9m per year.

Updated projections of the cost impact of the changing demographics of the Island from the Independent Review of the Isle of Man Health and Social Care System³ estimate that the cost of ageing will amount to £35.7m by 2036, or £2.1m per year on average, on the basis of a ‘do nothing’ scenario.

³ Independent Review of the Isle of Man Health and Social Care System, Sir Jonathan Michael, April 2019, <http://www.tynwald.org.im/business/opqp/sittings/20182021/2019-GD-0022.pdf>

Alongside the health and social care impact of the ageing population, there will also be an impact upon social security, with more pensions paid out for longer, along with a potentially greater need for the nursing care contribution.

Fairness and Culture Change

In the 2013 report, the section on Fairness and Culture focussed on two main areas; fairness in care and attitudes towards ageing.

Fairness focused on three areas related to care; who funds it, what type/level of care is provided for that, and who contributes to the cost. Posing questions as to should Government centrally fund all care and through what mechanism should it fund this care (such as raising income tax or National Insurance contributions). What type of care should be provided and whether there should be a joint funding approach such as a self-funded to a certain limit and then capped, or whether individuals should pay for the 'hotel' costs such as the accommodation and food costs whilst the state picks up the 'care' element.

It also considered whether there needs to be a fundamental shift to how society views ageing and the value that the older population can provide. Such that ageing is usually considered in a negative context, such as 'demographic time bomb' or as a burden, whereas using a framework such as the United Nations (UN) Active Ageing Index explicitly acknowledges the benefits that older people provide to society.

Working Longer

The 2013 report highlighted how the UN has been leading on the issue of population ageing, with particular focus on how member countries are enabling, or otherwise, older people to remain economically active if they choose to do so. The European Commission's Lifelong Learning Programme also has a focus on retraining of older workers for new sectors of the economy.

The report also specifically addressed the 'Lump of Labour Fallacy' which is the idea that by keeping older people in work longer, this blocks younger people from joining the workforce, on the premise that there is a fixed number of jobs within an economy and that workers are one for one substitutes of one another. Data from the International Labour Organisation however shows that countries can have high rates of employment for both young and older workers, which has been confirmed by the OECD.

At the time of the report, the Island's employment law did not provide the protection for unfair dismissal for people reaching 65 or the normal retiring age if an employer had one.

The Isle of Man context shows a growing number of older people continuing to stay in various forms of work, with the 2016 census showing increases across the three age categories compared with 2011, as shown in Table 5.

Table 5 Over 65 Economically Active Population

Employment Status	2011			2016		
	65-69	70-74	75+	65-69	70-74	75+
Works for an employer full time	205	51	30	260	64	42
Works for an employer part time	361	150	71	380	152	74
Works for more than one employer part time	32	14	5	39	17	10
Self-employed, employing others	80	31	21	128	65	41
Self-employed, not employing others	310	136	69	326	203	104
Unemployed, seeking/awaiting work	0	0	0	5	2	1
Total – Economically Active	969	371	192	1,112	495	270

Note: Multiple responses were possible to this question, therefore the total will not match the sum of the categories.

Reforming Pensions and Savings

The impact of changing state pension ages on the dependency ratio has been demonstrated in Figure 3 earlier in this report, however the 2013 report also discussed the core principles which underpin the provision of the State pension:

- **The contributory principle:** that a State Pension needs to be earned through contributions, at the time 30 years. The report noted that this principle could be seen to call National Insurance something other than a tax, as none of the contributions are saved for a person's 'pot' but are used to pay today's needs.
- **The reciprocal principle:** At the time of the report, the Island was in a reciprocal agreement with the UK which allowed for a simple transfer between the two countries, however this meant that broadly the Island had to follow the UK's lead on pensions. This link has however been broken with the introduction of the UK Single Tier Pension as the Island did not introduce a similar scheme at the same time.
- **The generational principle:** This principle is based on the concept that the current working population should fund the cost of providing the state pension (and other benefits) to those in retirement. However the state pension was created at a time where occupational pensions, of any kind, were uncommon and therefore this transfer between working and retired made sense. Notably the original State Pension was means tested but was brought in as a universal benefit at a later date.

The 2018/19 Household Income and Expenditure Survey showed that on average, the State Pension comprised 36% of the income for households with an over 65 as the head of the household. However the survey also showed that the State Pension is considerably more important for the lower quartile of income compared with the highest. For those in the lowest quartile, the State Pension on average makes up 74% of their weekly income, compared with only 22% of those in the top quartile.

The report also discussed the changes that the UK was undertaking to bring in auto-enrolment into defined contribution pensions which the Island was not, at the time, following. It also

discussed whether the benefits of this level of 'compulsory' pension contribution would have great enough longer term benefits to offset the loss of spending in the economy now.

The report also noted the potential unintended consequence that moving towards policies around encouraging saving could mostly benefit those who already have adequate provision rather than those that should be making extra provision for their retirement.

Paying for Care

The section on Fairness and Culture change has considered a number of the issues around future care options which this section of the report considered further. It also looked into the various issues around how individuals might look to free up equity from their homes in order to pay for care, primarily through two routes:

- Downsizing from their current property to something smaller thereby releasing capital from the larger house, or
- By using an equity release product such as a lifetime mortgage, an insurance type product or home reversion plans.

In relation to downsizing, the report highlighted issues surrounding both the supply of suitable accommodation to downsize to, but also the demand to want to. If the care or extra-care housing (such as sheltered accommodation) is not in the right place i.e. it forces people to move from their communities and away from local amenities, then they are unlikely to downsize, even if the supply of housing increases.

The number of residential and nursing care beds has also fallen since 2013, by 85 and 12 respectively, as shown by Table 6.

Table 6 Residential and Nursing Care Beds

	2013	2018	2020
Residential Care	500	415	449
Nursing Care	465	477	524*

*Includes 63 beds at Abbotswood which is currently closed

This is in contrast to the expected increase in demand that comes from population ageing, excluding any changes to the need for more care as a result of more complex health needs. Based on the 2016 Census data of those living in residential or nursing care, an estimated 200 additional care beds will be required by 2036⁴. This estimated need raises two key questions; who is going to fund the capital investment need to bring this spaces to market and how will they be paid for when in use.

Volunteering

The 2013 report highlighted the benefits that older people provide in relation to volunteering in various areas, such as with charities or good causes, providing care to children or grandchildren, or care for older adults. The UN Active Ageing Index is made up of four domains, one of which relates to participation in society. When comparing how the Isle of

⁴ Page 18, Future funding Nursing & Residential Care, GD 2018/0032, July 2018, <http://www.tynwald.org.im/business/opqp/sittings/Tynwald%2020162018/2018-GD-0032.pdf>

Man would fit into this index, it scores relatively highly within this index, scoring 14th in voluntary activities, 10th in providing care to children and grandchildren and first in providing care to older adults⁵.

Housing

Whilst the issue of housing has been mentioned within the Paying for Care section with regards to matching supply and demand for sheltered or extra care housing for those that can afford to purchase property, the needs of those in the private and public rental market also need to be considered.

Whilst the majority of those aged 65 or over own their homes outright (71%), there is a still a significant minority that are either renting from the public sector (18%) or from the private sector (5%). Those wanting to downscale may also not wish to purchase a new property depending on their circumstances.

There is also the option to make adaptations to properties that can be made more elderly friendly, or to change building standards to make new properties more suitable to adaptation in the future.

Carers

As the population continues to age, with the retired population due to grow by at least 10% by 2036, it is likely that the number of people with complex health needs will increase as well. Whilst this will put increasing pressure on Government services, the number of people who provide care to a spouse or elderly relative is going to rise.

This will place a strain on families and society as more people are having to provide care to others, whilst either looking after their own caring needs, or trying to continue in employment or education.

Shortly before the 2013 report was prepared the Isle of Man Government launched its Carers' Charter⁶, which details a number of principles that Government and Third Sector organisations are committed to in relation to carers and covers all forms of caring, whether by young people or spouses of the elderly.

As the Isle of Man's Active Ageing Index shows, the Isle of Man has a very high level of provision of care to older adults by those aged over 55. Whilst Census data can be used to show how many people are not economically active due to illness or disability, once a person has reached retirement age, the census does not gather data about whether those individuals have caring needs.

Crossroads Care⁷ do however provide some statistics from the information they hold about carers on the Island:

- 23% of carers support someone for more than 50 hours a week

⁵ Appendix III, Meeting Our Population Challenges, Cabinet Office, February 2018, <https://www.gov.im/media/1360674/2018-02-27-meeting-our-population-challengesv2.pdf>

⁶ The Isle of Man Carers' Charter, 2012. https://www.gov.im/media/750345/carers_charter.pdf

⁷ Crossroads Care, <https://www.crossroadsiom.org/about-us/about-carers/>

- 30% of carers support someone aged over 75
- 24% of carers are aged over 65
- 66% of carers are aged between 30 and 64
- There are 195 young carers although the true figure is properly in excess of 400
- 69% of carers support a spouse or parent

As the 2013 report highlighted, being a carer can place significant financial burden upon individuals and families, particular if care needs are so significant that full time caring responsibilities mean that a carer cannot work. Carers Allowance is available on the Island, at £119.40 per week, with the following requirements attached to it:

- Provide care for at least 35 hours per week
- Be aged 16 or over
- Not be earning more than £119.40 from other sources of benefit, including state pension
- Not in education for more than 21 hours per week
- A residency requirement of having lived in the Isle of Man or UK for at least 2 years in the past 3 years.

The report did focus on how the system needs to be orientated to assist carers to continue with, or re-enter employment or education, or for those retired, to be able to continue to support themselves and their dependents.

Actions undertaken

Since the 2013 report was published, there have been a number of actions, policies and changes which have taken place which have, directly or indirectly looked to address some of the issues identified. There are also areas that continue to be outstanding and these will be highlighted in the next section.

Population and Economic Policy

The Island's approach to growing the population continues to focus on 'high value' employment, rather than 'going for size'. The Locate Strategy⁸ has six key themes which have a focus on creating higher value employment, rather than developing any and all types of jobs.

This strategy shows a continuing commitment to the strategy of going for high value, which should in turn result in higher exchequer benefits than the costs of these jobs and people. However this strategy will not necessarily improve the dependency ratio, because its focus is on value rather than numbers. This is not a drawback to the strategy, but needs to be kept in mind when looking at how the state continues to be funded. A lower dependency ratio can be effectively dealt with, but it requires workers and businesses to be much more productive per person. This will require continual investment in skills and technology.

Increasing Pressures on Health and Social Care and Financial Implications of an Ageing Population

There have been two significant developments since the report was prepared in 2013. Firstly the departments of Health and Social Care have been brought together again in April 2014 in recognition that the two services are not only highly dependent upon one another (such that improvements in social care can help alleviate pressure in health), but also recognising that there is not always a clear line between where health services stop, and care services begin.

Secondly the Independent Review of the Isle of Man Health and Social Care System, which looked at the health and social care systems in a wider context than specifically ageing, has 26 recommendations, however the recommendations will not alleviate the spending pressures that will come from an ageing population. The review highlighted seven funding options, and modelled them together in order to achieve the £100m funding required by 2035/36 (pages 47 and 48):

- Changes to general taxation and charges – 5% additional tax to 10 and 20% bands, £100 charges for various services, increase funding raised from social care charges by 25% and reducing current exemption criteria to increase funding from existing charges by 75%.
- Changes to national insurance and hypothecated tax – 2% increase on employee and employer national insurance and a 3% hypothecated tax on income for all earners.

⁸ Locate Isle of Man Strategy 2018 – 2021, February 2019
<http://www.tynwald.org.im/business/opqp/sittings/20182021/2019-GD-0005.pdf>

- Social insurance and reallocation of funding from other departments – 4% premiums on income for all earnings, 4% co-payment for all earners and a 3% reallocation from other departments.

The report however left the decision to the Council of Ministers and Tynwald about which funding option to implement.

Current Government Provision for Older Persons, Working Longer and Reforming Pensions and Savings

Since the 2013 report, the new Manx State Pension has been introduced which will act as a single pension payment for those retiring as the older pension system is phased out. This removes the various extra pension elements such as the Manx Pension supplement and the concept of contracting out of the additional state pension.

It also increases the number of qualifying years of National Insurance that a person must make to receive the full rate from 30 to 35 years. The pension age increases have also been brought forward to match that of the UK.

The Equality Act 2017 has also been brought into force, and with the age characteristic coming into force in January 2020, this has allowed older people, assuming they are fit and able to, to continue working as they wish.

Whilst there has been changes to the Manx State Pension, other pension changes such as compulsory work place pensions which make people make some level of provision for their own retirement are currently in progress. A consultation was held in 2019⁹ and work is ongoing on how to take this forward.

⁹ Workplace Pensions, Isle of Man Government Consultation Hub, <https://consult.gov.im/treasury/workplace-pensions/>

Areas to be addressed

Some areas that were identified in the 2013 report still need to be addressed and these are discussed in this section.

Paying for Care

Whilst actions exist in both the Independent Review of the Isle of Man Health and Social Care System and as a separate work stream under the Programme for Government, the paying of both residential and nursing care remains an unanswered question both in the short and longer term. Whilst this report does not intend to offer solutions to what is a complicated issue in determining an affordable cost for Government and a fairness to those having to fund it, ensuring that individuals have a level of certainty about what costs they may face, should they need care, is a crucial element of effectively responding to the Island's ageing population.

There is also a significant issue around the number of nursing and residential care beds that are available on the Island.

If admissions rates remain similar to that of the 2011 and 2016 census results, then around 200 additional bed spaces will be required by 2036 to meet the requirements of the ageing population. This will require significant capital investment either by Government or the private sector. The most recent development, the Salisbury Street Nursing Home, cost in the region of £5.3 to £5.6m (although Government purchased the property for £7.9m), which provides 68 bed spaces and Government has begun the construction of another 60 bed unit as a replacement for an existing residential home, at a cost of no more than £11.7m.

However, the loss of Abbotswood Nursing Home (63 beds) in the private sector adds further to the pressure on the number of spaces available for older people. Similarly, staffing these additional beds will need to be addressed.

Whilst the recommendations within the Independent Review into the Island's health and social care services seeks to keep people in the homes for as long as possible and therefore reduce the future need for nursing and residential care bed, there is still likely to be a requirement for additional bed spaces to be made available.

Housing

If Government is to be successful in being able to keep people in their own homes for longer, a key part of delivering this will be that people's homes continue to be suitable for them to live in, along with the necessary support services around them to do so. This may take the form of supported/sheltered accommodation, adaptations to existing housing stock or changes to building regulations that will make future adaptations easier to undertake.

This issue has been considered within Government since around 2011 however there is still no policy in place in relation to this issue. There is a commitment within the Programme for Government in relation to:

“Investigate and report on how to ensure we have accommodation that can meet the needs of an ageing population including ‘care’ and ‘extra care’ housing, and nursing and residential homes’.

A clear policy in this area will provide assistance to industry, who will know that there is likely to be demand and therefore provide more services in this area, and to individuals about what they should be doing and preparing for as they age.

However improving housing for the elderly on the Island would not only have benefits for the elderly, in allowing them to stay in their communities for longer, but also for younger generations. The potential to free up properties which are being under-occupied by older people to families may also help in assisting with the general housing supply on the Isle of Man.

A key part of enabling this will also come from ensuring that the care services needed to keep people in their homes are effectively co-ordinated, which the Peel and the West pilot¹⁰ showed was both necessary (due to the number of agencies potentially involved providing care) and effective by improving how those agencies worked together. Rolling this out across the rest of the Island, when it is appropriate, will be key to achieving this aim.

Carers

Looking after carers will also be key to keeping people in their own homes for longer, as many carers are themselves also dealing with their own health needs as well as the person they live with. The Carers’ Charter in 2012 and the Carer’s Strategy 2007-2010 have not been revisited since they were published and given the important role that carers provide, it is important to keep these updated.

Crossroads Care have produced a report titled ‘The State of Caring in the Isle of Man 2018-2019’¹¹ which provides useful information about the demographics of carers and also includes a number of recommendations that should be considered by Government, along with information that it has.

In an answer to a question asked in the House of Keys in May 2019¹², the Minister for Health and Social Care stated that the Department was looking to work to refresh the Carer’s Strategy in conjunction with third sector organisations.

Working Longer

Whilst the State Pension age has and is set to increase, there is a need to ensure that people are able to continue from a skills perspective. In order for this to be possible, there needs to be a lifelong learning policy in place which supports those wishing to change

¹⁰ Western Wellbeing Partnership <https://www.gov.im/about-the-government/departments/health-and-social-care/integrated-care/western-wellbeing-partnership/>

¹¹ The State of Caring in the Isle of Man 2018-2019, Crossroads Care, <https://www.crossroadsiom.org/assets/Final-Document.pdf>

¹² 1.4. Carer’s Strategy 2007-2010, Page 12, House of Keys, 14 May 2019, <http://www.tynwald.org.im/business/hansard/20002020/k190514.pdf>

careers or develop new skills. An action exists with the Programme for Government to develop such a strategy.

As with housing, this would not only help older people to stay in work longer, if they wished, with the skills that employers are looking for, but also help younger people throughout their careers. Jobs or careers for life are no longer the predominant way of work and providing the ability for people to learn new skills at any point of their working life after school or university finishes will be key to facilitating a more dynamic economy that allows any person to take advantage of those opportunities.

Encouraging people to work longer also raises the question of how those working past the current state pension age are currently taxed. For the purposes of Income Tax, age is irrelevant to how you are treated, but National Insurance is only payable until a person reaches the State Pension age and in the region of 20% of the income generated by National Insurance goes towards funding health care.

As part of the current review of the National Insurance system that was announced by the Treasury Minister, the review is investigating two areas:

1. The implications of those working past state pension age to continue to pay National Insurance; and
2. The implications of making earnings, other than that from employment, subject to National Insurance, such as dividends from owner/operator businesses.

The answers to these two questions may result in change the way that we tax not only older people but those who derive their income from sources other than employment, which would be consistent with the views of the Joseph Rowntree Housing Foundation of:

“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”.

Conclusion

The issues posed by the ageing population as highlighted by the 2013 report continue to be present, with the Island's population having aged more quickly between 2011 and 2016 than was expected due to the reduction in the working age population.

Regardless of which inward migration model, the retired population on the Island is estimated to reach 20,000 people by 2036, with the dependency ratio continuing to deteriorate over the same time.

Government has taken a number of actions to begin to address the issues that arise from an ageing population, such as the introduction of the new Manx State Pension, development of the Locate strategy to attract both workers and employers. The review into the health and social care systems also provides a clear direction regarding the funding of nursing and residential care and the bringing in of the Equality Act which prevents discrimination based on age.

However there are a number of important issues which remain unresolved and need to be addressed in order to effectively cope with the ageing population. Whilst it is the intention to make it possible for people to stay in their own homes for as long as possible, there is going to need to be a level of increase in the number of nursing and residential care bed spaces, which will need to be funded either by Government or the private sector, who may or may not be able to afford the level of capital investment required.

Supporting this ambition to keep people in their own homes for longer, there needs to be a policy and implementation regarding housing provision that addresses the future needs of the population. Whilst the independent health and social care review discusses the services that need to be wrapped around the individual, this ambition may be hindered by their home not being suitable for them.

Supporting carers will also be a key element of keeping people in their homes for longer as well, as they provide significant unpaid support to their relatives or those they care for, which, but for their support, would increase the cost to Government significantly. Therefore the Carer's Strategy and Charter needs to be reviewed and implemented to best support carers.

There is also the need to ensure that people are making some level of provision for their own retirement rather than solely relying on the state, and linked to this, is that Government needs to ensure that as people have longer working lives, both by choice and due to the increasing pension age, that they can reskill as required.

The Isle of Man is not alone in facing these challenges, with most developed countries facing the same or similar issues as the Island. This presents an opportunity to work with others and develop a wider range of policy options.

Importantly, dealing with these challenges not only benefits the elderly (both the current generation and the generations to come) but should also improve the prospects of younger generations, such as through improving the housing supply or through continued training and learning to match the economy's need.

Appendix One – Retirement Age Population Projections

	2016	2018	2020	2022	2024	2026	2028	2030	2032	2034	2036
Zero	18,265	17,781	17,229	17,638	18,216	17,607	18,091	18,723	19,288	19,675	20,035
Mig. 500	18,265	17,754	17,147	17,492	18,009	17,379	17,885	18,557	19,194	19,683	20,220
Mig. 1000	18,265	17,727	17,107	17,369	17,814	17,159	17,682	18,394	19,102	19,691	20,405

Appendix Two – Dependency Ratios

	2016	2018	2020	2022	2024	2026	2028	2030	2032	2034	2036
Zero	1.56	1.62	1.68	1.65	1.62	1.70	1.66	1.61	1.54	1.49	1.44
Mig. 500	1.56	1.61	1.65	1.62	1.58	1.64	1.61	1.56	1.51	1.49	1.47
Mig. 1000	1.56	1.61	1.64	1.60	1.56	1.61	1.58	1.54	1.52	1.51	1.51



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