Older people in the UK: under attack from all directions

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Abstract

Britain’s aged population has, so far, been spared the worst of the government’s austerity policies, which have impacted most on young people and those of working age. However, this has not gone unnoticed by a number of political pundits who are sowing inter-generational divisions, marshalling often highly selective facts to promote the argument that tomorrow’s elderly population, the so-called ‘baby boomers’, have been living on credit that their children will have to repay. These arguments are falling on fertile soil. A combination of actions and failures to act by the government will mean that many older people will be much poorer than they had expected. This has profound implications for health; it is unsurprising that financial disadvantage in old age is associated with poorer health but less well known is the ‘disappointment’ paradox whereby those who were protected from adversity earlier in life suffer more when it confronts them in old age. While each problem is, individually, recognised, the gravity of their collective consequences does not yet seem to be appreciated by health professionals who will have to care for the future generation of elderly people, and who in time will join their ranks.

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Britain’s aged population has, so far, been spared the worst of the government’s austerity policies, which have impacted most on young people and those of working age. However, this has not gone unnoticed by a number of political pundits who are sowing inter-generational divisions, marshalling often highly selective facts to promote the argument that tomorrow’s elderly population, the so-called ‘baby boomers’, have been living on credit that their children will have to repay [1, 2]. These arguments are falling on fertile soil. A combination of actions and failures to act by the government will mean that many older people will be much poorer than they had expected. This has profound implications for health; it is unsurprising that financial disadvantage in old age is associated with poorer health [3] but less well known is the ‘disappointment’ paradox whereby those who were protected from adversity earlier in life suffer more when it confronts them in old age [4]. While each problem is, individually, recognised, the gravity of their collective consequences does not yet seem to be appreciated by health professionals who will have to care for the future generation of elderly people, and who in time will join their ranks.

The issue attracting most concern is the crisis in social care. Despite widespread consensus that something must be done, the government has shown no willingness, or even seemingly interest, in tackling it [5]. The Westminster government’s response to the Dilnot Report on the future of care and support for older people [6] has been postponed until the 2013 spending review, more than a year later than expected. This delay has been described by the Alzheimer’s Society as a ‘catastrophic failure of leadership … a betrayal of older people in this country’ [7]. The report set out proposals for affordable funding of social care that addressed many of the weaknesses with the existing system and, at least initially, attracted widespread support. However, informed sources suggest that the Treasury is now questioning its fundamental principles. The absence of cross-party agreement on the way forward means that what is rapidly becoming a national scandal is unlikely to be addressed any time soon.
The second issue is pensions. The attacks on public sector pensions, even though we now know that the future cost as a share of national income will fall [8], are well recognised but there has been less attention to the poor performance of private pensions. The OECD’s 2012 Pensions Outlook [9] contains extremely worrying news for pensioners in the UK. For the past 15 years, the British pension system has been characterised by a large scale retreat from defined benefit schemes, in which employees know from the outset what they can expect to receive in retirement, to defined contribution schemes, in which they know only what they will pay in, so that their pension will depend on how well the manager of their pension fund can increase its value. The OECD has tabulated the average annual return on investment in pension funds in its member states. The UK did not come bottom; the USA and Spain fared worse. However, it joined them as one of only 3 of the 22 countries from which data were available to achieve, on average, negative growth, at 0.1% per annum between December 2001 and December 2010. All other countries saw positive growth, with funds in Denmark and Norway achieving 4 and 4.1% per annum, respectively. The cumulative difference is enormous: £100 invested in a Norwegian fund in 2000 would be worth £149 a decade later, while the same sum invested in the UK would be worth £90, a 65% difference (authors’ calculations).

In a world of global financial markets, every fund manager can invest in the same things, so why is there such a difference in performance? One major reason is the extremely high level of fees charged by fund managers in the UK [10]. These fees are charged not only by those selling the pensions and managing the funds, but also by large numbers of others who take a cut every time shares are bought and sold, even though many of the transactions now take place virtually automatically. One consequence is that many young people in the UK now think that it is pointless to invest in a private pension [10], and it is difficult to blame them. This has not gone unnoticed. Last year the company managing the Danish state pension scheme decided to begin operations in the UK, calculating that if one person invested a certain amount in a standard British pension fund while another invested the same in the Danish system, the British pensioner would receive a final pension pot worth about two-thirds of that received by their Danish counterpart [11]. However, once again, the government, which has been lobbied extensively by the authorities in the City of London, has resisted measures to tackle this exploitation of those contributing to pensions.

The third issue arises from the tax system. The decision to freeze the higher tax allowance for older people, rather than increasing it with inflation, and to abolish it for new pensioners, was labelled the ‘granny tax’ on Twitter even before the Chancellor had finished making his 2012 budget speech. However, his expressed intention to merge income tax and national insurance contributions will have much worse consequences for older people in the future, given that at present pensions are exempt from the latter [12].

The fourth area relates to universal benefits. The government is now letting it be known that, after the next election, it will be looking hard at means-testing benefits such as bus passes and winter fuel allowances [13]. While this can be defended on the narrow grounds that wealthier pensioners do not need them, many suspect that the real reason for withdrawing them is more subtle and is part of a wider attack on universalism that encourages those pensioners who will no longer receive such benefits to ask why anyone should get them at all [14]. By moving to a welfare system that progressively excludes the middle class, soon all that will be left is a threadbare service for the poor, inevitably of lower quality and with less public support.

The final issue arises from changes in the organisation of health care. Older people often have multiple and complex health problems, requiring inputs from a range of professionals in different settings [15]. Co-ordinating their care is challenging at the best of times. However, in England, where the government is attempting to implement the most extensive changes to the health system since the creation of the National Health Service, there are widespread concerns that it will become very much more difficult. The precise nature of the health system that will emerge at the end of this process is very unclear and it is not even certain that the government understands it, but it is already becoming clear that community services will in future be delivered by private for profit providers. They are unlikely to greet with enthusiasm those with the most complex, and thus expensive and unpredictable, problems. Moreover, the failure of the economy to grow, increasingly recognised as being due in large part to the government’s economic policies, threatens further to reduce the access by older people to advanced medical care, such cancer treatment, where outcomes at older ages lag well behind those in some other high-income countries. In 2010, British pensioners were already at a greater risk of poverty than in all but three other European Union countries, Cyprus, Bulgaria and Spain (although more recent data would surely add Greece to that list) [16]. As their economic situation deteriorates further, the adverse effects on their health will increase, with profound consequences for an increasingly cash-strapped and fragmented health system.

Key points

- Older people in the UK are facing threats on four fronts.
- There is a crisis of social care and no prospect of resolution.
- Pensions are inadequate.
- Tax changes risk creating greater hardship.
- Universal benefits are under threat.
Conflicts of interest
None declared.

References

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