

Valuing the Positive Contribution of Older People to Northern Ireland Society:

Final Report

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Executive Summary

Introduction and Context

1. This report investigates the potential future costs and contributions associated with the ageing population of Northern Ireland.
2. Over recent decades there has been a long term trend towards growing numbers of older people in Northern Ireland, driven primarily by demographic trends, but influenced by improving overall prosperity, as well as medical and other technological advances.
3. The trend towards growing numbers of older people is expected to continue: according to the latest, 2012-based population projections, there is expected to be an additional 318,000 persons aged over 60 living in Northern Ireland by 2062. By then, the proportion of people aged 60 and over is projected to account for 33.6% of the overall population of Northern Ireland.
4. This ageing trend among the Northern Ireland population represents a fundamental demographic shift, one that will have very important implications for the economy, the labour market and demand for public services. It also represents an opportunity to maximise the economic and social contribution that older people can make to Northern Ireland society.
5. In terms of economic effects, the retention of older workers in the workforce longer has the potential to generate productivity gains through holding large amounts of experience and skills in the workforce for longer. The expectation that more people will work longer is also expected to confer benefits on individuals (through maintained or increased earnings), on business (through the retention of loyal, skilled and experienced workers) and on the economy as a whole (through the productivity and expenditure impacts of older workers).
6. The expected continued increase in the population of older people in Northern Ireland will also have implications for the future demand for public services that older people require, such as health services and social care. It also has an implication for public expenditure, including the future costs of providing benefits to an ageing population.

Future Costs of Service Provision

7. This report has produced forward estimates of levels of public expenditure likely to be needed to maintain current levels of age-related public service provision to the increasing population of older people in Northern Ireland over the period to 2062. The table below provides a summary of these costs for the period 2012-2062; these costs are presented in undiscounted form and are in 2012 prices.
8. The annual cost of the age-related public expenditure programmes considered in this report are expected to increase in real terms, from approximately £2.44 billion p.a. in 2012 to £6.67 billion p.a. in 2062 (all in 2012 prices and undiscounted). Overall costs over the period as a whole are expected to amount to just over £231 billion (2012 prices, undiscounted).

Table E1: Northern Ireland: Summary of Expected Future Public Expenditures benefiting older households (£millions), 2012 prices

Expenditure	2012 costs	2062 costs	2012-2062 costs undiscounted	2012-2062 costs discounted
Pension Credit	275	147	7,233	3,572
Disability Living Allowance	342	638	27,156	11,469
Attendance Allowance	204	432	17,410	7,204
Carers Allowance	82	278	9,212	3,612
Winter Fuel Payments	61	97	4,143	1,790
Warm Home Scheme	5	9	384	162
Health costs	1,235	4,623	146,844	56,308
Community Care Grants	3	5	219	94
Housing benefits	217	406	17,283	7,299
Rate relief	3	5	218	94
Public transport	17	31	1,317	556
Funeral Payments	1	2	84	36
Overall costs	2,445	6,673	231,503	92,196

Source: Development Economics

9. The table also presents expected future costs of the programmes in discounted terms, based on a discount rate of 3.5% p.a. In discounted terms, the future costs of providing age-related services over the period 2012-2062 are expected to amount to just over £92 billion (2012 prices).
10. Excluded from the analysis in the Report are future costs associated directly with the provision of the State Pension to older people in Northern Ireland. The rationale for this is that the current and expected future eligibility of older people to receive the State Pension is based on accumulated National Insurance contributions. In particular, future State Pension costs can be considered as a current and future expenditure liability that has resulted from past contributions to the public exchequer in the form of accumulated National Insurance contributions arising from participation in the workplace.
11. The analysis and modelling used in preparation of this report was undertaken prior to the March 2014 budget delivered by the Chancellor of the Exchequer. The Budget contained a number of major changes and reforms to the private pensions industry, some of which are effective from 27 March 2014 and others which are subject to consultation. These include:
 - a proposal that pensions could be taken as a lump sum rather than invested in an annuity;
 - confirmation of new, higher pension income drawdown limits;
 - confirmed introduction of more accessible qualifying criteria for flexible drawdown; and
 - confirmed greater flexibility for retirement savers with smaller pension pots.
12. These changes will give individuals with private pension plans more flexibility and options in choosing financial products that best suit their circumstances. However, we do not consider that there is sufficient evidence that the Budget changes will make material differences to the estimates of future economic contributions of older people that are contained in this report.

Future Revenues Attributable to Older People

13. The report has also provided forward estimates of future tax and charge revenues attributable to the work-based earnings and other activities of older people in Northern Ireland. The table below provides a summary of these expected revenues for the period 2012-2062.
14. The annual level of public revenue attributable to older people from the sources considered in this Chapter is expected to amount to £1.44 billion in 2012, rising to £2.84 billion in 2062 (2012 prices, undiscounted). Overall, public revenues over the appraisal period as a whole are expected to amount to around £118.6 billion (2012 prices, undiscounted).
15. In discounted terms, the future public revenues attributable to older people in Northern Ireland over the period 2012-2062 are expected to amount to £49.86 billion (2012 prices, discounted at 3.5% p.a.).

Table E2: Northern Ireland: Summary of Expected Future Public Revenues attributable to older people and older households (£millions), 2012 prices

Revenue source	2012 revenues	2062 revenues	2012-2062 revenues undiscounted	2012-2062 revenues discounted
PAYE	103	282	10,509	4,249
Employee National Insurance	56	157	5,681	2,279
Employer National Insurance	123	345	12,817	5,165
Tax paid on non-earned income	309	576	24,573	10,370
VAT	507	883	39,330	16,821
Excise duties	119	196	9,000	3,884
Domestic rates	171	333	13,687	5,750
Inheritance tax	41	68	2,724	1,174
TV licences (net)	10	(4)	269	173
Overall revenues	1,438	2,837	118,590	49,865

Source: Development Economics

Other Financial and Non-financial Contributions of Older People

16. In addition, this report has taken into consideration a range other contributions made by older people and households in Northern Ireland, including:
- volunteering services provided by older people;
 - caring services provided by older people, covering both adult care and childcare;
 - replacement parenting services provided by older people;
 - financial and asset transfers made by older people to family members, including grandchildren; and
 - other contributions made by older people to civic and community life.

17. Not all of these contributions can be monetised, but those that can be so valued are summarised in the table below. All values are presented in 2012 prices: the 2012-2062 contributions are presented both in discounted and undiscounted (3.5% p.a.) form.

Table E3: Northern Ireland: Summary of Other Financial Contributions (£millions), 2012 prices

Contribution source	2012 value	2062 value	2012-2062 value undiscounted	2012-2062 value discounted
Volunteering	815	1,129	55,898	24,704
Care	1,018	1,902	81,101	34,225
Childcare	89	84	4,469	2,095
Replacement parenting	250	240	12,818	6,016
Overall Value of Contributions	2,173	3,356	154,285	67,040
Financial assistance to family members	230	447	18,373	7,718

Source: *Development Economics*

18. The annual level of contributions from older people that generate wider public benefit are expected to amount to £154.28 billion over the 2012-2062 period (2012 prices, undiscounted). In discounted form these are expected to amount to just over £67 billion over the same period.
19. In addition, the financial transfers to family members made by older people are expected to amount to £18.37 billion (undiscounted), which is equivalent to £7.72 billion when discounted at 3.5%.

Overall Value of Net Contributions

20. When considered together, the overall costs and contributions considered so far in this report can be summarised as set out in the table below.¹ Hence, when the wider contributions are taken into account, it is expected that over the 2012-2062 period there will be a net contribution of £41.4 billion made by older people (undiscounted), and that this contribution is estimated to be worth £24.7 billion in discounted terms (2012 prices). This calculation excludes both the cost of future State Pension liabilities as well as the accumulated value of qualifying pre-2012 National Insurance contributions made by older people (and those who will reach the age of 60 over the 2012-2062 period) which has generated entitlement to State Pension payments.

Table E4: Northern Ireland: Summary of Costs and Financial Contributions associated with older people (£millions), 2012-2062 (2012 prices)

Source	2012 value	2062 value	2012-2062 value undiscounted	2012-2062 value discounted
Costs of service provision (excluding pensions)	2,444	6,674	231,503	92,196
Contributions via taxes made by older people	1,438	2,837	118,590	49,865
Value of volunteering and other services provided by older people	2,173	3,356	154,285	67,040
Net Contributions	1,167	(481)	41,372	24,709

Source: *Development Economics*

¹ Financial transfers to family members are excluded from this table

21. It is also important to bear in mind that the overall results presented here for Northern Ireland do not include any attempt to value additional contributions expected to be made by older people, and in particular that it is not possible to value or to compare against the costs & contributions considered as part of the table above, including:
- the value of the indirect economic benefits of childcare provision (such as additional earnings – and therefore also the concomitant direct and indirect tax receipts. These would be generated as a result of family members being able to participate more fully in the workplace, due to more affordable childcare being made available from grandparents and other older people);
 - the value of financial transfers to family members – estimated to be worth some £7.7 billion (2012 prices, discounted at 3.5%) over the lifetime of this appraisal; and
 - contributions made by older people to civic life, including involvement in local democratic institutions and the governance of schools, colleges, health boards and other community-based institutions.
22. A further consideration is the potential contribution of older people to the overall value of expected future economic output in Northern Ireland. Overall, in discounted terms, we expect older workers to contribute £102 billion of future economic output (GVA) expected to be produced within Northern Ireland, which is equivalent to 12.5% of the expected Northern Ireland total. In non-discounted terms the aggregate contribution is expected to be £244 billion (13.1% of the expected total).
23. However, it would not be valid (because of the double-counting of the wage component of GVA) to simply add the estimate for future GVA contribution to the other estimates for economic contribution presented elsewhere in this report. However, the estimated GVA provides an alternative and complementary perspective on the value of older peoples' economic contributions to the Northern Ireland economy.

1: Introduction

- 1.1 This document is the final report associated with the research contract “*Valuing the Positive Contribution of Older People to Northern Ireland Society*” contracted by the Commissioner for Older People for Northern Ireland (COPNI).
- 1.2 The report was commissioned in order to highlight and provide evidence for the many areas where older people make a valuable and positive contribution – in economic, fiscal and social terms – to community and public life in Northern Ireland.
- 1.3 As well as the results of the assessment, this report also provides information regarding the data, literature and other sources of evidence that has been utilised in the estimation of the potential future financial costs and socio-economic contributions associated with the increasing population of older persons in Northern Ireland.
- 1.4 The period of assessment for these estimates covers 50 years from 2012 to 2062: this period was chosen because it corresponds to the period of time covered by the most recent release of long term demographic projections for the population of Northern Ireland.
- 1.5 The structure of the remaining Chapters of this report is as follows:

Chapter 2:	<ul style="list-style-type: none">• provides the context for the study, by examining in brief the changing demographic profile of Northern Ireland and, in particular, the expected absolute and relative increase in the numbers of people aged 60 and over expected in the next 50 years
Chapter 3:	<ul style="list-style-type: none">• introduces a range of current, age-related public expenditures that benefit older people in Northern Ireland, and provides estimates for likely future levels of expenditure in real terms (i.e. in current prices) assuming that current policy priorities are maintained
Chapter 4:	<ul style="list-style-type: none">• assesses the current and potential future contributions of older people to UK and Northern Ireland Executive revenues through income tax, expenditure-related taxes, local property taxes and other types of taxes, fees and charges
Chapter 5:	<ul style="list-style-type: none">• considers the non-financial and wider contributions of older people, such as through the provision of childcare and other forms of care, through their volunteering and through other forms of community involvement
Chapter 6:	<ul style="list-style-type: none">• provides an overall assessment of the financial and non-financial contribution of older people in Northern Ireland.

2: Demographic Context and Assumptions

Introduction

- 2.1 This Chapter provides the context for the study, by examining in brief the changing demographic profile of Northern Ireland, and in particular the expected absolute and relative increase in the numbers of people aged 60 and over that are expected over the next 50 years.
- 2.2 This demographic shift will have important implications for the economy of Northern Ireland, as well as the demand for public services.

The increasing older population of Northern Ireland

- 2.3 Over recent decades there has been a long term trend towards growing numbers of older people in Northern Ireland, driven primarily by demographic trends but influenced by improved medical and other technological advances, a rising level of general prosperity over many decades, improved housing standards and a long term commitment to improving living standards for older people by successive Governments. The rising numbers of older people in society is therefore a testament to human technological and economic achievement, as well as social progress, and it is something to celebrate.
- 2.4 Data from successive censuses over the past 100 years confirm this progress. In 1901, there were estimated to be a total of 111,000 persons aged over 65 in Northern Ireland, representing about 9% of the total population. By 2011, the number of older people in Northern Ireland had grown to 264,000 persons, accounting for around 15% of the overall population.²
- 2.5 However, the focus of this study is on a broader definition of older persons. For the purpose of this study, an older person is defined as someone who is aged 60 and over: this definition is used because it reflects the responsibilities of the Commissioner for Older People in Northern Ireland.
- 2.6 The overall usually-resident population aged over 60 of Northern Ireland was found by the 2011 Census to be slightly more than 358,000 persons.³ The latest Census also confirms the long term ageing trend for the population as a whole. The median age in Northern Ireland in 2001 was 35 years, but by 2011 this had risen to 38 years.⁴
- 2.7 The best source of predictions regarding the likely long term trend for population change in Northern Ireland are the population projections released by NISRA. The most recent of these is the 2012-based projections series that were informed by data from the 2011 Census, and which were released on 6th November 2012.⁵

² NISRA Statistical Bulletin: Census 2011 Population results for Northern Ireland, released 16 July 2012

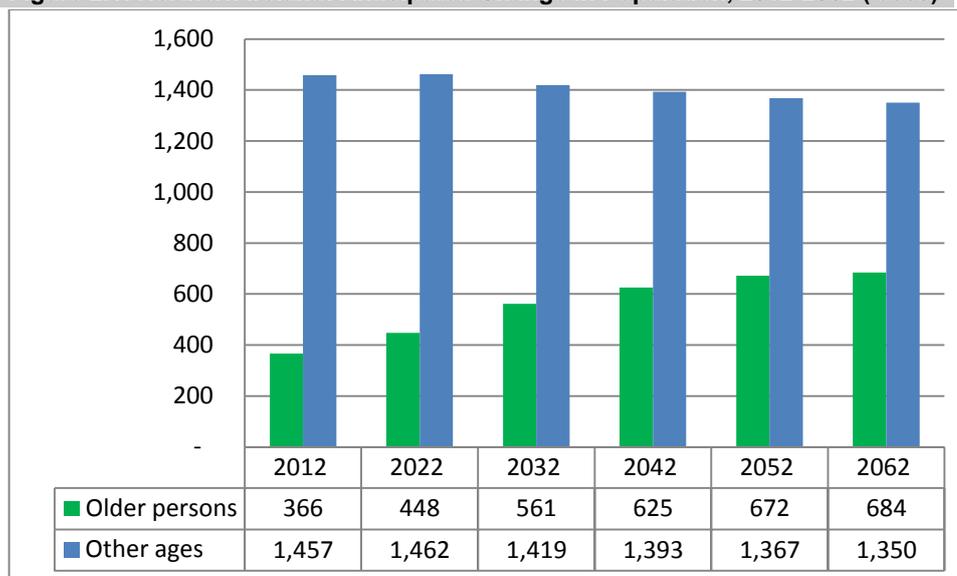
³ NISRA: Census 2010, Population and Household estimates for Northern Ireland, September 2012

⁴ NISRA Statistical Bulletin: Census 2011 Population results for Northern Ireland, released 16 July 2012

⁵ NISRA/ONS 2012-based population projections

- 2.8 The 2012-based projections are based on a Census-derived estimate of the 2012 baseline for the Northern Ireland population aged 60 and over of approximately 366,000 persons, representing 20.1% of the estimated (2011) total population of 1.824 million.
- 2.9 According to these 2012-based projections, the growth in the population of persons aged over 60 in Northern Ireland will amount to an additional 318,000 persons by 2062. By 2062, the anticipated number of people in Northern Ireland aged 60 and over is projected to increase to 684,000, which would represent 33.6% of the then anticipated overall population (2.034 million) of Northern Ireland.

Figure 2.1: Northern Ireland: Anticipated Change in Population, 2012-2062 ('000s)



Source: NISRA 2012-based population projections for Northern Ireland

- 2.10 It is also notable that the population aged 60 and over is expected to increase between 2012 and 2062 by a considerably greater number (318,000) than the Northern Ireland population as a whole (210,000) over the same period.
- 2.11 It is also noticeable from the chart above that the increase in the population of older people is expected to occur steadily over the period 2012-2052, but that this trend will start to level out over the final decade of the period under consideration.
- 2.12 While the expectation is for an 87% increase in the population of over 60s as a whole, a more detailed breakdown by age band indicates that the largest proportion of the increase will be among those older people aged 70-94. The projected increase for this sub-set amounts to 243,000, representing a 131% increase for this age-grouping.
- 2.13 The largest proportionate increases, however, are expected among the very oldest citizens. The expected proportionate increase for those aged 90-94 between 2012 and 2062 is 501%, and for those aged 95-99 it is 1,406%.
- 2.14 In 2012 there are estimated to be just over 240 centenarians in Northern Ireland, but by 2062 it is expected there will be around 11,800. This would represent an increase of over 4,800% in this oldest age group.

Table 2.1: Northern Ireland: Anticipated Change in Population, 2012-2062

Age Group	2012-2062 Population Change ('000s)	% change
60-64	11.8	13%
65-69	24.4	28%
70-74	47.1	72%
75-79	51.1	99%
80-84	51.8	139%
85-89	48.3	223%
90-94	44.4	501%
95-99	27.3	1,406%
100 and over	11.6	4,821%
All over 60s	317.8	87%
<i>All ages</i>	<i>210.2</i>	<i>12%</i>

Source: NISRA 2012-based population projections for Northern Ireland

- 2.15 The ageing of the Northern Ireland population therefore represents a fundamental demographic shift, one that will have very important implications for the economy, the labour market and the demand for public services. It also represents an opportunity to maximise the economic and social contribution that older people can make to Northern Ireland society.
- 2.16 The 2012-based population projections that are summarised in the table and chart above underpin the model that is used in this report to assess the monetised costs and benefits of older people to Northern Ireland society. Relevant aspects of these projections include the following:
- The projections provide quantified estimates for projected future populations of both males and females, and are provided for the mid-year of each future year.
 - The projections provide estimates for each age-year⁶ (60,61, 62, etc.) up to 89, and also projections for those in age groups 90-94, 95-99 and 100 and over.
 - The projections are set out for each year up to 2037, and then five-yearly (2041, 2046, 2051, etc.) up to 2061, and there are also projections for 2062.
 - In order to provide a full set of projections, the five yearly projections for 2037-2061 have been interpolated for each of the intermediate years (2038, 2039 etc.) up to 2060. This was done to enable a consistent approach to the quantification of costs and benefits, and to make easier the aggregation and discounting of expected future costs and benefits over the full 50-year period of the analysis (2012-2062).

Implications for workforce participation

- 2.17 One of the most important areas that will be influenced by the ageing of the overall population is the workplace. For example, over the period 2011-2021 alone, the population aged 60-67 in Northern Ireland is expected to increase by an average of 2,200 persons per year. Representing

⁶ The ONS projections provide mid-year estimates of population and consider age at last birthday

an increase of just over 15% in total, this is one of the highest growth rates of any segment of the overall potential workforce in Northern Ireland.⁷

- 2.18 Moreover, the implications of the phasing out of the default retirement age – coupled with a gradual raising of the State Pension Age – is that an increasing proportion of people aged 60 and over are likely to continue to work beyond the age traditionally thought of as the ‘retirement age’. For example, survey evidence published by the Equality Commission for Northern Ireland found that 61% of those surveyed were planning to continue to work beyond the state retirement age.⁸ Additional research undertaken by Age NI also found that 88% of older people thought that they should be supported to remain in work as long as possible.⁹
- 2.19 A review of long-term trends suggests that older workers in Northern Ireland as ‘traditionally’ defined, (i.e. women aged 50-59 and men aged between 50-64) have tended to have lower employment rates and lower economic activity rates than the equivalent population groups in England, Scotland and Wales. However, the data also shows that employment and economic activity rates have increased over time in Northern Ireland for both men and women.¹⁰
- 2.20 Research published by the Office for National Statistics found that the percentage of men and women in Northern Ireland aged 50 working to the respective state pension ages had increased over the period 1996-2008. However, the extent of this increase was lower in Northern Ireland than in the other three UK countries. This differential was especially noticeable for women: the economic inactivity rate of females in this age group was about 14% in Northern Ireland, compared to just 7% elsewhere in the UK.¹¹
- 2.21 The phenomenon of increasing numbers and proportional representation of older workers will have a number of important and far-reaching effects. At the most basic level, increasing the numbers of older workers will lead to a larger workforce and an expansion of overall economic output: research published by NIESR, for example, predicted at a UK-level an increase in total labour force participation of 2.5% and a GDP increase of 1.5% for every one-year increase in the State Pension Age.¹²
- 2.22 As the Policy Exchange has also pointed out, retention of older workers in the workforce longer has the potential to generate productivity gains through holding large amounts of experience and skills in the workforce for more time. The Policy Exchange research also identified that certain business sectors – including agriculture, manufacturing, education and health – are particularly dependent on a larger proportion of older workers for their respective workforces.¹³
- 2.23 The expected change in workforce behaviour is becoming more widely recognised as conferring benefits on individuals (through maintained or increased earnings), on business (through the retention of loyal, skilled and experienced workers) and on the economy as a whole (for example, through the productivity and expenditure impacts of older workers).

⁷ 2012-based National Population Projections, published by NISRA, November 2013

⁸ ECNI: *Awareness of the Age Regulations and attitudes of the general public in Northern Ireland towards age related issues*, June 2008

⁹ Age NI, 2009

¹⁰ ONS: Population Trends (Autumn 2009), *Older Workers in the UK*, page 13-14:

¹¹ ONS, *Older workers in the UK: variations in economic activity status by socio-demographic characteristics*, Autumn 2009

¹² *Macroeconomic Implications of Pension Reform*, NIESR, May 2009

¹³ Policy Exchange: *Too much to lose – understanding and supporting Britain’s Older Workers*, 2012

2.24 For example, the Chartered Institute for Personnel Development (CIPD) have identified a range of benefits that older workers can contribute to businesses and the economy as a whole.¹⁴ These include:

- the contribution that older workers can play in addressing skills gaps and skills shortages in individual businesses and in particular sectors where labour shortages are acute;
- older workers remain the main untapped source of labour, and their numbers are growing significantly;
- older workers are keeping healthy and fit longer;
- increasing proportions of older people wish to work longer if the conditions are right;
- a smaller proportion of employees are paying into pension schemes, so they are likely to need to work for longer; and that
- compulsory retirement is now illegal except in very special circumstances.

2.25 The same report from CIPD highlights four areas where retaining and recruiting older workers can confer particular business advantages, and in particular that older workers:

- have **skills** and **experience** in abundance; they have benefited from a lifetime of training and on-the-job experience;
- can often be more **flexible**, and many of them would like to work part-time to phase gradually into a period of semi-work/semi-retirement;
- often have extensive and extended networks and large amounts of **knowledge** accumulated both in-work and outside of work that they can bring to bear in the modern workplace; and that they
- are usually less likely to change jobs frequently; and that they usually display high levels of **loyalty** towards their employers.

2.26 As well as echoing many of these benefits, a report from the Institute of Directors also highlighted the important role that older workforce participants play through both entrepreneurship and in fulfilling senior management positions (including Non-Executive Directorships) in businesses and business networks.¹⁵ Of course, similar types of contributions are also made by older workers in the public sector and in the voluntary and not-for-profit sectors of the economy.

2.27 Interestingly, an international business survey conducted by the Economist Intelligence Unit suggested that, although the benefits of older workers are widely recognised by firms, the most significant barriers to capturing these benefits in full are outdated human resources strategies.¹⁶ Interestingly, the same survey revealed that it is small and medium sized businesses that were more likely to be actively seeking to recruit and retain older workers compared to larger businesses.

¹⁴ CIPD: *Managing a Healthy Ageing Workforce: A National Business Imperative*, March 2012

¹⁵ Institute for Directors – *Extending working lives*, July 2009

¹⁶ Economist Intelligence Unit: *A silver opportunity? Rising longevity and its implications for business*, March 2011

Other implications: public services and civic contributions

- 2.28 The expected continued increase in the population of older people in Northern Ireland will also have implications for the future demand for public services that older people require, such as health services and social care. It also has an implication for public expenditure, including the future costs of providing both the state pension and other benefits.
- 2.29 There are a number of payments and benefits that are triggered (amongst other criteria) by a household head reaching either 60 years of age or the State Pension Age. The age-related benefits and payments that are considered as part of this report comprise the following:
- Pension Credit;
 - Attendance Allowance;
 - Carer's Allowance;
 - Disability Living Allowance;
 - Community Care Grants; and
 - Funeral Grants.
- 2.30 Obviously, most of these payments are triggered by other criteria (such as income levels, or ill health and/or disability). It is also the case for some payments (such as Carer's Allowance) that other groups in society can also be eligible for the same types of payments.
- 2.31 Each of these benefits/expenditure areas is introduced in turn in the following Chapter, as well as the main assumptions that are used in estimating future levels of expenditure for each. As a general point, however, where eligibility for a payment includes a person reaching age 60, the assumption is maintained that future eligibility will continue to be triggered at that age. However, where eligibility is triggered by a person reaching State Pension Age, it is assumed that eligibility will vary according to the currently legislated timetable for increases in the State Pension Age.
- 2.32 Following the Chancellor of the Exchequer's announcement in the December 2013 Autumn Statement, it is now the case that future increases in the State Pension Age may occur more quickly than had been expected hitherto. The previous Government had legislated for increases based on the findings of the Turner Report, but the latest announcement proposes to link increases in the State Pension Age to future increases in average life expectancy.
- 2.33 Apart from the implications for future public expenditure on benefits that are linked to the State Pension Age, another potential future implication of older people working longer is the ability of older people to provide other beneficial contributions to their communities through volunteering.
- 2.34 This is because people who are working (especially on a full time basis) have a reduced capacity to provide services to their community through volunteering. Existing research (discussed in a later Chapter of this report) has revealed that propensities to volunteer are linked

to age: however, future propensities may be affected by the need for people to continue to work for longer.

- 2.35 The potential ‘volume and value’ of future volunteering effort by those aged 60 and over in Northern Ireland is likely, therefore, to be influenced by changes to the State Pension Age. The approach we have taken in this report is to take this factor into account by making adjustments to future propensities in line with both (1) currently legislated and (2) expected future changes to the State Pension Age.

Sources of assumptions proposed for the modelling

- 2.36 Given the expected continued increase in the absolute numbers of older people and their representation as a proportion of the overall Northern Ireland population, the removal of the default retirement age, the future raising of the state retirement age and the increased recognition of the value of older workers by employers, the expectation is that the numbers of older people in employment in future years will steadily increase across Northern Ireland.
- 2.37 The modelling of the estimated future numbers of older workers (those aged 60 and over) in employment requires assumptions to be made about the following variables:
- **Numbers of working age residents:** the number of older people (60 and over) by age year expected to be resident in Northern Ireland over the period that the model is considering: i.e. 2012-2062. This data – for males and females – is sourced from the 2012-based population projections for Northern Ireland published by NISRA that have been introduced and discussed earlier in this Chapter.
 - **Employment rate of older people:** the approach used in this report considers both the current and potential future rates of employment for older workers in Northern Ireland. These rates currently differ for males and females, and for reasons introduced above, the expectation is that the employment rates for both males and females are likely to display a rising trend in future, but will not increase at the same rate. Data on current employment rates are obtained from the ONS (via the Labour Force Survey), and assumptions regarding potential future trends are being developed based on:
 - analysis of past trends; and
 - assumptions regarding the potential impact of changes in behaviour that could result from imminent legislative changes with respect to the state pension age.
- 2.38 The assumptions about future employment rates by age-year also need to take into account the expected ages at which older people become eligible to receive the State Pension.

3: Public Expenditure Costs

- 3.1 In this Chapter a range of age-related public expenditures are considered that benefit older people in Northern Ireland. These include the costs of providing age-linked benefits. They also include public expenditure on healthcare and social care costs of those older people who encounter age-related illness or disability.
- 3.2 Other items of expenditure that are considered in this Chapter include:
- healthcare and social care costs;
 - housing costs, including measures to address fuel poverty and rebates of domestic rates for lower income households;
 - payments for Attendance Allowance, Disability Allowance and Carers Allowance targeting older householders;
 - costs of providing Community Care Grants;
 - costs of providing free access to public transport for the over 60s;
 - costs of providing payments towards funeral payments for older people on very low incomes are also included; and
 - costs of providing free TV licences to householders aged 75 or over (although the licence fees paid by households 60-74 are offset).
- 3.3 It should be noted that some of these costs are borne by the UK Government, while others are borne by the Northern Ireland Executive and/or local government. The stance taken in this report is to consider all public sector expenditure costs equally no matter which branch of Government bears the direct cost.
- 3.4 Excluded from the analysis in this Chapter are future costs associated directly with the provision of the State Pension to older people in Northern Ireland. The rationale for this is that the current and expected future contributions of older people to the State Pension is based on past, current and expected future (for those still working) National Insurance contributions. On this basis, future State Pension costs can be considered as a current and future expenditure liability that has resulted from past contributions to the public exchequer in the form of accumulated National Insurance contributions arising from participation in the workplace.
- 3.5 In effect, we have assumed that past contributions (which are excluded from the analysis) will balance current and future State Pension liabilities in real terms.
- 3.6 This approach is considered to be more practicable than the alternative approach of including into the analysis the present value of past (i.e. pre-2012) National Insurance contributions made by people in Northern Ireland who are currently or in future will be eligible to receive the State Pension.

- 3.7 In the remainder of this Chapter we set out the assumptions and results from all of the included items of age-related public expenditure as listed above.

The Benefits System

- 3.8 In this sub-section we estimate potential future public expenditure on a number of age-related Benefits programmes run nationally or by the Northern Ireland Executive.

Pension Credits

- 3.9 Pension Credit is an income guarantee that has been established by the UK Government to provide a minimum standard income for older people. In Northern Ireland, about 25% of older people are understood to qualify currently for this payment.¹⁷
- 3.10 According to the DWP's economic impact assessment for the reform of the pension system¹⁸ (October 2013), as a result of the introduction of the single tier pension future levels of expenditure on Pension Credits are expected to be significantly reduced in future years. Based on an assumption of future rates of eligibility for Pension Credits among older Northern Ireland residents of 8.5%, then we estimate that the potential future level of payments benefiting Northern Ireland could be £275 million p.a. in 2012, falling to £102 million in 2022, and rising thereafter to £147 million p.a. by 2062 (all in 2012 prices).
- 3.11 The estimated increase in annual spending at 10-year intervals is set out in the table below:

Table 3.1: Northern Ireland: Estimated Future Expenditure on Pension Credits, 2012-2062 (£millions), 2012 prices

Annual expenditure by year:	£ millions p.a.
2012	275
2022	102
2032	121
2042	135
2052	139
2062	147
Overall spending 2012-2062	7,233

Source: Development Economics

- 3.12 The expected overall future level of spending on Pension Credits over the 50-year period 2012-2062 is therefore just over £7.2 billion (2012 prices).

Other Benefit Payments

- 3.13 Additionally, information has also been assembled on a range of other benefit payments that are age-related or which otherwise make a significant contribution to the incomes of older households in Northern Ireland. The additional payments that are considered in the report are as follows:

¹⁷ According to DSDNI's Social Security Statistical Bulletin there were about 92,000 claimants in August 2013, which represents about 25% of the estimated 2013 population of the over 60 population in Northern Ireland (based on the 2012-based population projections).

¹⁸ DWP: Pensions Bill Full Economic Impact Assessment, October 2013

- **Disability Living Allowance:** this benefit is payable to people who have become disabled and need assistance with personal care and/or mobility. In Northern Ireland, it is estimated that about 21.9% of older people currently qualify for this payment.¹⁹
- **Attendance Allowance:** this benefit is paid to people who become more severely disabled and require greater levels of assistance with personal care and other needs. In Northern Ireland, it is estimated that about 22% of older people qualify for this payment.²⁰
- **Carers' Allowance:** this is a benefit paid to someone who looks after a severely disabled person (i.e. a cared-for person who qualifies for Attendance Allowance or Disability Living Allowance, for example). It has been estimated that around 50% of Carers' Allowance payments are triggered by the recipient of the care being an older person.²¹
- **Community Care Grants:** these grants are intended – *inter alia* – to help people remain living in the community rather than entering institutional care. Estimates suggest that around 25% of all grants paid in Northern Ireland are made to older people.²²

3.14 The table below sets out estimated 2012 levels of public expenditure on each of these areas, and then presents forward projections of potential future levels of payments assuming maintenance of current sets of eligibility criteria, except where these would change in response to changes in State Pension Age. The forward-estimates are presented at 10-yearly intervals, and all financial values are expressed in 2012 prices.

Annual expenditure by year:	Disability Living Allowance	Attendance Allowance	Carer's Allowance	Community Care Grants
2012	342	204	82	3
2022	428	256	122	4
2032	532	333	161	4
2042	587	384	200	5
2052	629	414	239	5
2062	638	432	278	5
Overall spending 2012-2062	27,156	17,410	9,212	219

Source: Development Economics

3.15 The overall total of future payments of Disability Living Allowance could therefore amount to some £27.2 billion, with Attendance Allowance payments totalling just over £17.4 billion, Carers Allowance just over £9.2 billion and Community Care Grants £219 million (all 2012 prices, undiscounted).

3.16 In addition to the payments listed in the table above, the Northern Ireland Executive provides financial assistance to people on very low incomes to help meet with certain funeral costs.

¹⁹ Based on the data tables provided with DSDNI's Social Security Statistical Bulletin, August 2013

²⁰ Source: based on Northern Ireland Social Security Statistics Bulletin, August 2013 and ONS population data

²¹ Economic Research Institute of Northern Ireland: Public Expenditure on Older People in Northern Ireland (September 2009), pages 56-57. However, based on 2013 DSDNI data this proportion now appears to be 48%.

²² Economic Research Institute of Northern Ireland: Public Expenditure on Older People in Northern Ireland (September 2009), page 65

Estimates suggest that currently around 55% of all funeral payments are made to older people in Northern Ireland.²³

- 3.17 If these payments to older people on very low incomes are assumed to increase in future in line with expected demographic changes, then the annual financial liability to the public sector could increase from an estimated £1.2 million per annum in 2012 to just under £2 million per annum by 2062 (all in 2012 prices). Overall expenditure over the 50-year period is expected to amount to £82 million in 2012 prices.

Health and Social Care

- 3.18 Public expenditure on health and social care in Northern Ireland are inter-related and will be considered alongside each other in this report.

Current Policy Priorities and Patterns of Expenditure

- 3.19 Current priorities for the delivery of health services to older people in Northern Ireland can be identified from the DHSSPS Service Framework for Older People (September 2013). These include:²⁴

- encouraging greater levels of physical activity and exercise;
- healthy eating and nutrition;
- mental health wellbeing;
- addressing the onset and progression of dementia;
- addressing life events such as bereavement and loss;
- encouraging smoking cessation and sensible alcohol consumption;
- falls prevention, including bone health;
- protection from abuse, exploitation and neglect;
- preventing accidents and facilitating safer environments;
- fuel poverty; and
- vaccinations and screening to help avoid illness and allow early intervention.

- 3.20 Research undertaken in 2009 estimated that public expenditure on healthcare for older people in Northern Ireland amounted to £839 million.²⁵ This figure includes expenditure on elderly care in hospitals, in the community and through personal and social services. However, this estimate was specific to people aged 65 and over (i.e. it excluded those aged 60-64).

²³ Economic Research Institute of Northern Ireland: Public Expenditure on Older People in Northern Ireland (September 2009), page 65

²⁴ DHSSPS Service Framework for Older People, September 2013

²⁵ Economic Research Institute of Northern Ireland: Public Expenditure on Older People in Northern Ireland (September 2009), pages 74-76

- 3.21 Data from DHSSPSNI supplied for this study indicates that while expenditure on elderly care (i.e. on those aged 65 and over) in nominal terms has increased over the period 2008/09 to 2011/12, the proportion of overall health expenditure accounted for elderly care (23%) has not changed since 2008/09.²⁶
- 3.22 Unfortunately, DHSSPSNI are not able to identify health expenditure specific to the age group 60-64.
- 3.23 An ageing society does not necessarily mean that public health expenditure will rise disproportionately. If the average age at which incapacitating health problems occur increases at a faster rate than the average age of death, then an ageing society may not place additional financial pressures on public health budgets. However, the issue for Northern Ireland is that healthy life expectancy and disability-free life expectancy appears to be improving at a slower rate than elsewhere in the UK (apart from Scotland).
- 3.24 ONS data for 2008-2010 indicates that both life expectancy and healthy life expectancy are lower in Northern Ireland than the UK averages for males and females. Focusing on healthy life expectancy, males in Northern Ireland can expect to live for 59.2 years in very good or good general health, and for females it is 61.9 years. The equivalent figures for GB (2008-2010) were 63.9 for males and 66.1 for females.²⁷
- 3.25 The ONS report also indicates that both males and females who reach the age of 65 in Northern Ireland can expect a smaller number of remaining healthy years of life ahead of them, compared to the GB average. In the case of both males and females the healthy life expectancy in Northern Ireland is around 7% lower than the GB averages.²⁸
- 3.26 These discrepancies are even more pronounced when one considers disability-free life expectancy at 65. Males in Northern Ireland at 65 can expect around 12% fewer disability-free years ahead of them compared to the GB average, while for females it is 17% less.²⁹
- 3.27 When data for individuals aged 65 for 2008-2010 is compared to preceding data for 2005-2007, the trends for both healthy and disability-free life expectancy in Northern Ireland appear to be static: this is at variance with the overall trend of improvement that was found for GB as a whole (although the trend for Scotland was similar to Northern Ireland).
- 3.28 Older people suffer a disproportionate burden of ill health in society. According to data from the 2011 Census, while those aged over 75 comprised only 6.5% of the Northern Ireland population, they accounted for 23% of all limiting long-term illness.³⁰ The likelihood of multiple health disadvantages also increases with age.

Assumptions regarding future expenditure on health and social care

- 3.29 Estimates of the future aggregate levels of health expenditure benefiting older people in Northern Ireland are informed by a number of datasets and sources of information, coupled with plausible assumptions regarding potential future trends.

²⁶ Source: an email received from DHSSPSNI on 14th November 2013

²⁷ Office for National Statistics: Health Expectancies at Birth and at Age 65 in the UK; 2008-2010: 29 August 2012, Table 1

²⁸ Office for National Statistics: Health Expectancies at Birth and at Age 65 in the UK; 2008-2010: 29 August 2012, Table 2

²⁹ Office for National Statistics: Health Expectancies at Birth and at Age 65 in the UK; 2008-2010: 29 August 2012, Table 4

³⁰ 2011 Census Table DC3304NI

- 3.30 First, estimates of the future numbers of older people in Northern Ireland are obtained from the 2012-based population projections issued by the ONS. These provide age-year projections for males and females up to 2062.
- 3.31 Assumptions regarding the levels of per capita expenditure on health and social care benefiting the Northern Ireland population are obtained from a study undertaken in 2009 which considered this topic in detail.³¹ However, this study focused on the age group 65 and over, so an additional assumption needs to be made regarding the proportion of this figure that it is appropriate to apply to 60-64 year olds. As a working assumption, an adjustment to the over 64 figure has been made based on the ratio of individuals 60-64 who suffer limiting long term illness and disability compared to the proportion in the 65 and over group.
- 3.32 Tables on projected future healthy life expectancy and disability-free life expectancy for Northern Ireland's population are also published by the ONS and are used to inform assumptions about the average age at which acute and incapacitating health problems are likely to occur in future. These tables are also used to reflect the expectation of additional per capita health costs associated with the changing structural composition of the population, including the expected increase in the numbers of very old people, the increasing rate of occurrence of conditions such as dementia, and the severity of other age-related illnesses and conditions.
- 3.33 Another adjustment that needs to be made is with regard to health sector inflation. The model as a whole is undertaken using current prices – i.e. the effects of general inflation are excluded from the model. However, health care costs across the full range of services (not just those that are age-related) have historically increased at a faster rate than the general rate of inflation, driven in part by the costs of technological advances, such as new equipment, drugs and other treatments. Therefore, an additional assumption is made regarding the expected future rate of health sector inflation for all types of health care that will benefit the population of older people in Northern Ireland. These assumptions are developed using ONS data on the average rate of divergence of healthcare cost increases (medical inflation) compared to general cost inflation over the past 10 years for the UK as a whole.

Estimates of Future Public Expenditure on Health & Social Care

- 3.34 Based on the discussion above, the table below sets out estimated 2012 levels of public expenditure on health and social care in Northern Ireland benefiting older people (i.e. aged 60 and over), and then presents forward projections assuming maintained current expenditure priorities. The forward-estimates are presented at 10-yearly intervals, and all financial values are expressed in 2012 prices.
- 3.35 In summary, health and social care expenditures attributable to older people in Northern Ireland are expected to increase from £1.235 billion per annum in 2012 to £4.623 billion p.a. by 2062 (in 2012 prices). Overall expenditure over the 50-year period of analysis is expected to total £146.8 billion.

³¹ Economic Research Institute of Northern Ireland: Public Expenditure on Older People in Northern Ireland (September 2009), pages 67-80

Table 3.3: Northern Ireland: Estimated Future Expenditure on Health and Social Care benefiting Older People, 2012-2062 (£millions), 2012 prices

Annual expenditure by year:	£ millions p.a.
2012	1,235
2022	1,779
2032	2,539
2042	3,224
2052	3,967
2062	4,623
Overall spending 2012-2062	146,844

Source: Development Economics

- 3.36 It should be recognised, however, that public expenditure on health care for older people underestimates the true resource cost because in many cases it is underpinned by a large amount of unpaid care provided by carers and volunteers. According to Carers Northern Ireland, approximately 214,000 people currently provide unpaid care for an ill, frail or disabled partner, family member or friend.³²
- 3.37 This unpaid for care is considered in more detail in a subsequent Chapter of this report.

Housing

Current trends and policy priorities

- 3.38 An ageing society creates future challenges in terms of housing. According to data released by NISRA, there is expected to be an 18% increase (equivalent to around 122,000 households) in the overall number of households that will have formed by 2023 compared to the 2008 baseline position. Of this increase, 27% is attributed by NISRA to the changing age structure of the population.³³
- 3.39 With an ageing society, it is likely to be the case that housing, health and care will become increasingly inter-dependent, and will require effective cross-departmental responses from Government at all levels. It is also likely to be the case that effective responses will increasingly require personalised solutions reflecting the needs of individuals and their support networks.
- 3.40 The ageing of the population and the preference of many older people to stay living independently as long as possible creates a number of challenges, summarised as follows:

The greatest increase in demand [for housing] has come from people living on their own, whether it be couples splitting up or losing a spouse, as people now live much longer and stay single. Housing costs are no longer shared. But it becomes harder and harder for those on their own to maintain their lifestyles. There is consequently a growing paradox of people sitting on their own in homes they can no longer afford to maintain, and without the incomes or capacity to adapt them to

³² Carers Northern Ireland: *Response to Who Cares? The Future of Adult Care and Support in Northern Ireland*, March 2013

³³ NISRA Statistical Report: *2008-based household projections for areas within Northern Ireland*, 26 August 2010

*modern needs. There are also large numbers of people living alone in social or private rented housing with no capital to draw on, and very little security.*³⁴

- 3.41 According to the DSDNI's *Households Below Average Income* report for 2010/11 (published February 2013), 28% of home-owning pensioners are in the bottom quintile for net disposable income.³⁵ This strongly suggests that pensioner poverty in Northern Ireland is found among low-income home owners as well as pensioners living in social housing.
- 3.42 The Northern Ireland Executive is developing a housing strategy across all tenure types, which recognises the need for a balanced housing market providing households with a range of good quality, yet affordable housing choices.³⁶

Estimates of Future Public Expenditure

- 3.43 In terms of potential future public sector costs associated with housing older people in Northern Ireland, two sources of expenditure are considered here (a third area, linked to measures to address fuel poverty, is discussed under a separate heading below):
- **Housing Benefits:** this benefit is paid to households with lower incomes to help with accommodation costs. It is estimated in 2009 that just over 11% of all pensioners in Northern Ireland claim this benefit.³⁷
 - **Lone Pensioner Allowance:** People aged 70 and over in Northern Ireland living alone qualify for Lone Pensioner Allowance, which provides for a 20% reduction on their domestic rates bill. According to 2010 data from DSDNI, about 17,000 older people in Northern Ireland benefit from this allowance, equivalent to around 6% of all pensioners. More recent data suggests that benefits worth £21.8 million have been provided to eligible beneficiaries over the past five years.³⁸
- 3.44 The table below sets out estimated 2012 levels of public expenditure on both Housing Benefits and domestic rates relief, and then presents forward projections of potential future levels of payments assuming maintenance of current sets of eligibility criteria. The forward-estimates are presented at 10-yearly intervals, and all financial values are expressed in 2012 prices.
- 3.45 Annual spending on Housing Benefits is expected to nearly double in real terms over the 2012-2062 period, while expenditure on rate relief is expected to rise comparatively modestly.

³⁴ Housing LIN Viewpoint 49: Dr Nicholas Falk, *Lifelong neighbourhoods – who older people can add value*, September 2013

³⁵ DSDNI: *Households Below Average Income*, 2010/11, page 121

³⁶ Department for Social Development, *Facing the Future: Housing Strategy for Northern Ireland 2012-2017* Consultation Document, 2012

³⁷ Economic Research Institute of Northern Ireland: *Public Expenditure on Older People in Northern Ireland* (September 2009), pages 84-85

³⁸ <http://www.ageuk.org.uk/northern-ireland/latest-news/archive/lone-pensioners-benefit-from-218million-in-rates-assistance/>

Table 3.4: Northern Ireland: Estimated Future Expenditure (£millions), 2012 prices

Annual expenditure by year:	Housing Benefits	Lone Pensioner Allowance (domestic rate relief)
2012	217	3
2022	272	4
2032	338	4
2042	374	5
2052	400	5
2062	406	5
Overall spending 2012-2062	17,283	218

Source: *Development Economics*

Fuel Poverty

Current Policy Initiatives

- 3.46 The issue of fuel poverty is linked to both the income levels of older people, the rising costs of energy and the fact that a disproportionate number of older households in Northern Ireland live in older housing stock.
- 3.47 Since at least 2003 the Northern Ireland Executive has attached a high priority to addressing fuel poverty – defined as the situation where a household would be required to spend more than 10% of income on keeping the house at an acceptable level of temperature throughout. It has also been long-recognised dwellings that are particularly vulnerable to the effects of the cold on health and well-being are those that house an older person.³⁹ In Northern Ireland, the fuel poverty strategy specifically prioritises those people aged 60 years or more.⁴⁰
- 3.48 Government interventions to address fuel poverty have so far included the Warm Homes scheme and a replacement boiler programme targeted at lower income, older households.⁴¹
- 3.49 Research conducted by the Centre for Economic and Social Inclusion⁴² indicates that fuel poverty leads to fuel rationing behaviours among affected households, and that:

“there is strong evidence that pensioner households appear particularly likely to ration fuel use – for example by under-heating bedrooms and turning off heating for some of the daylight hours.

- 3.50 The same research also highlighted that another frequently occurring consequence of fuel poverty among older persons is that affected individuals will reduce the amount of food they eat in order to cut down their food budget to pay for heating bills. Other strategies include people confining themselves to a single room for long periods, and excessive frugality (for example, turning heating off for several hours and/or only heating the living room and leaving bedrooms unheated).

³⁹ Ending Fuel Poverty – a strategy for Northern Ireland

⁴⁰ Ending Fuel Poverty – a strategy for Northern Ireland, page 8

⁴¹ Department for Social Development, *Facing the Future: Housing Strategy for Northern Ireland 2012-2017* Consultation Document, 2012, page 19

⁴² Centre for Economic and Social Inclusion (2008) *Cold Comfort: A Review of Coping Strategies Employed by Households in Fuel Poverty*

- 3.51 Research has identified a range of important health consequences of fuel poverty among the elderly, including the following:⁴³
- increased incidence and severity of respiratory illnesses;
 - increased blood pressure and risk of heart attack and stroke;
 - worsening of arthritis;
 - increased risk of accidents at home; and
 - increased social isolation.
- 3.52 There are also obviously potential health issues among older people who skip meals or who otherwise eat inadequate amounts of food in order to pay for heating instead.
- 3.53 One of the priorities of government, therefore, has been to address the issue of fuel poverty, which affects a greater proportion of Northern Ireland residents than any other UK country. According to the Government's strategy, 42% of households headed by someone aged 60-74 in Northern Ireland are in fuel poverty, and for households headed by someone aged 75 and over the proportion rises to 74%.⁴⁴
- 3.54 Moreover, according to the Government's data, of all the households in poverty in Northern Ireland, 50.2% are headed by a person aged 60 or over.
- 3.55 However, more recent information from Age NI that is based on data from the 2011 housing conditions survey, suggests that fuel poverty is an even greater problem than had been previously recognised. This report⁴⁵ suggests that around 61% of older households (i.e. headed by someone aged 60 or over) were in fuel poverty in 2011.

Sources of assumptions regarding the future

- 3.56 In terms of future public sector costs associated with fuel poverty, two sources of expenditure are considered as part of this report:
- **Winter fuel payments:** this is an annual, non-contributory payment to help people aged 60 and over with the cost of keeping homes heated during cold weather months. The level is set by the Chancellor of the Exchequer as part of the annual budget. Current levels of payment are £200 for qualifying people aged 60-79 living alone, and £300 for qualifying people over 80 living alone. There are also additional payments for others living with people who qualify for the scheme, ranging from an additional £100 to £200 per annum.
 - The **Warm Homes Scheme:** the Warm Homes scheme provides financial support for low income, older, home-owning households (the applicant needs to be 60 years or older) to effect measures to alleviate fuel poverty such as the provision of improved insulation

⁴³ Age NI: Assisting with affordability concerns for vulnerable energy consumers, April 2010

⁴⁴ Ending Fuel Poverty – a strategy for Northern Ireland, page 11

⁴⁵ Age NI: *Fuel Poverty Update*, November 2012, page 2

or more efficient domestic heating systems. An estimated £4.8 million was spent on older people in Northern Ireland through this scheme in 2011/12.⁴⁶

3.57 Estimates of the future aggregate levels of public expenditure on these housing-related items are informed by:

- demographic projections of the future numbers of individuals/households that qualify to receive these payments and allowances (based on 2012-based population projections); and
- estimates of the future proportions of the population that will be eligible to receive the payments, assuming no change to qualification criteria.

3.58 The table below sets out estimated 2012 levels of public expenditure on both the Warm Homes Scheme and Winter Fuel Payments, and then presents forward projections of potential future levels of payments assuming maintenance of current sets of eligibility criteria. The forward-estimates are presented at 10-yearly intervals, and all financial values are expressed in 2012 prices.

Table 3.5: Northern Ireland: Estimated Future Expenditure on Housing Related areas benefiting older people (£millions), 2012 prices		
Annual expenditure by year:	Winter Fuel Payments	Warm Homes Scheme
2012	61	5
2022	67	6
2032	80	8
2042	89	8
2052	92	9
2062	97	9
Overall spending 2012-2062	4,143	384

Source: Development Economics

3.59 The estimated future expenditure on Winter Fuel Payments is, at £4.143 billion, significantly greater than the equivalent funding for the Warm Homes Scheme (£384 million).

Public Transport

Current Policy Priorities

3.60 The Northern Ireland Concessionary Fares Scheme provides free or reduced fare travel on public transport in Northern Ireland for several groups of people. Administered by the Department for Regional Development, prior to 2008 the scheme provided free travel to citizens aged 65 and over. In October 2008 the scheme was extended to include men and women aged between 60 and 64 years.

3.61 The aim of the scheme is stated to be:

‘To promote social inclusion by improving public transport accessibility through free and concessionary fares for members of the community who are most vulnerable, or liable to social exclusion.’⁴⁷

⁴⁶ Based on data provided in Table 2.3 of the Northern Ireland Housing Statistics report for 2011/12, published in 2013

- 3.62 The extension of the scheme to the 60-64 age group followed a review of the scheme undertaken by DRD in 2007, and was in part a response to the introduction of free public transport travel for those aged 60 and over in Great Britain.
- 3.63 The scheme was estimated in 2009 to be likely costing the Northern Ireland Executive approximately £14 million per annum: this comprised of £10 million p.a. for those over 65, and an additional £4 million for the extension of the scheme to those aged 60-64.⁴⁸
- 3.64 Part of the rationale for the provision of free public transport to older people is that a significant proportion of older people do not have access to a private car for financial or health reasons, and the ability for many older people to play an active role in society and to keep in touch with friends, family and other social activity depends on the mobility afforded by accessible and free public transport. As Age NI have stated:
- More than half of older people say that loneliness is a major issue. Many live on the fringes of our communities and we should be doing more to combat their isolation, not taking away their means to play a more fulfilling role in society...access to free public transport is central to the social inclusion and well-being of people later in life.⁴⁹*
- 3.65 The economic and social benefits of the concessionary scheme in Northern Ireland have also been identified as being especially – but not exclusively – relevant to older people living in rural areas.⁵⁰
- 3.66 Encouragement of more people – including older people – to travel on public transport also provides other benefits, such as reduced traffic congestion and reduced environmental impacts from the burning of fossil fuels and the release of other atmospheric pollutants. These additional benefits tend not to be accounted for and valued in assessments such as those produced by the SMF.
- 3.67 It is also relevant to note that a UK-wide report published by WRVS in March 2013 highlighted that a survey of older people identified 14% of older people who have already been affected by reduction of public transport services, and that 10% reported that they now go out less because of limitations on access to public transport services.⁵¹

Sources of assumptions regarding the future

- 3.68 In assessing the potential future financial implications for Government of a continuation of the current policy of provision of free public transport access to those aged 60 and over in Northern Ireland, the approach has been:
- to estimate the per capita costs of the policy, based on 2008 data (based on the findings of the ERINI study cited above and the 2008 mid-year population estimates for Northern Ireland, from ONS);

⁴⁷ DRD (2007): Policy Review of the Northern Ireland Concessionary Fares Scheme

⁴⁸ Economic Research Institute of Northern Ireland: Public Expenditure on Older People in Northern Ireland (September 2009), page 87

⁴⁹ AGE NI statement on free public transport for people in NI (March 2012)

⁵⁰ Rural Community Network: Response to DRD Accessible Transport Strategy Draft Action Plan 2009 - 2012

⁵¹ WRVS: Older People isolated by poor public transport links, 25th March 2013

- to update the 2008 estimate to current prices through the application of an adjustment to take account of inflation (using HM Treasury’s GDP deflator series); and
- the updated per-capita figure is then applied to the projected future population estimates for Northern Ireland (2012-based).

3.69 Based on this evidence, the table below sets out estimated 2012 levels of public expenditure on providing free public transport accessibility to older people in Northern Ireland. It also presents forward projections assuming maintained current policy priorities. The forward-estimates are presented at 10-yearly intervals, and all financial values are expressed in 2012 prices.

Table 3.6: Northern Ireland: Estimated Future Expenditure on Providing Free Public Transport for Older People, 2012-2062 (£millions), 2012 prices

Annual expenditure by year:	£ millions p.a.
2012	17
2022	21
2032	26
2042	28
2052	30
2062	31
Overall spending 2012-2062	1,317

Source: Development Economics

3.70 Future spending on providing existing levels of access to public transport for older people in Northern Ireland could, therefore, amount to just over £1.3 billion (2012 prices) over the next 50 years.

TV Licenses

- 3.71 The current policy of the UK Government is to provide free television licences to households headed by someone aged 75 or over. Given the ability of households to access live TV broadcasts via home computers and other devices, there has been a debate about whether the TV licence will survive in its current form, and whether the costs of the BBC will be met in future through general taxation. However, for the purpose of this study the current regime is assumed to stay in place.
- 3.72 Assumptions regarding the current propensities of older households (60 and over) to own a TV were obtained from the TV Licencing ‘arm’ of the BBC, broken down in age bands (60-74, and 75+).⁵²
- 3.73 Based on this data, estimates can also be made for the levels of revenues contributed by older households (age 60-74) with respect to television licences as well as the resource cost (i.e. foregone revenues) that are implied by the current policy of providing free TV licences to those aged 75 and over.
- 3.74 It is also assumed that current TV ownership rates will stay constant throughout the lifetime of the model, and that the current licence fees will stay constant in real terms throughout the lifetime of the model.

⁵² www.tvlicensing.co.uk

- 3.75 Assumptions regarding the potential future trends for aggregate TV licence revenues (the foregone revenues from the provision of free TVs to those aged 75 and over) were then developed based on household projections for Northern Ireland (up to 2033) sourced from NISRA, and longer term population projections (up to 2062) also sourced from NISRA.
- 3.76 The following table sets out the estimated costs of providing free TV licences to those aged 75 and over, as well as the estimated revenues from TV licences held by households aged 60-74 in Northern Ireland.

Table 3.7: Northern Ireland: Costs and Revenues from TV licences for older households (£millions), 2012 prices

Revenues or expenditure by year:	Revenues for 60-74 Households	Foregone Revenues for 75+ Households	Net Revenues
2012	21	11	10
2022	25	15	10
2032	29	20	9
2042	28	26	3
2052	30	30	0
2062	29	33	(4)
Overall total 2012-2062	1,417	1,148	269

Source: Development Economics

- 3.77 Overall, the continued policy of providing free TV licences for households headed by someone aged 75 can be expected to involve costs (i.e. foregone revenues) amounting to around £1.15 billion (2012 prices) over the next 50 years.
- 3.78 However, these costs are more than offset by the TV licence fees expected to be paid by households in Northern Ireland headed by someone aged 60-74: these fees are expected to amount to £1.417 billion over the same period, implying overall net revenues from older households (headed by someone aged 60 or over) of £269 million over the appraisal period. Indeed, revenues will be larger than costs up until around 2052 (when they are expected to be in approximate balance) and the net cost will amount to around £4 million per annum by 2062.

Summary: Future Cost of Services

- 3.79 This Chapter has provided estimates of future costs for a wide range of age-related public expenditures that would benefit older people in Northern Ireland. The table below provides a summary of these costs for the period 2012-2062; these costs are presented in undiscounted form and are in 2012 prices. (However, TV licences have been excluded from the table as they are expected to generate net revenues over the 2012-2062 period).
- 3.80 Due to demographic and legislative changes, overall annual costs on the programmes considered in this Chapter are expected to increase from approximately £2.44 billion in 2012 to £6.67 billion in 2062 (2012 prices). Overall costs over the appraisal period as a whole are expected to amount to just under £232 billion (2012 prices, undiscounted).

Table 3.8: Northern Ireland: Summary of Expected Future Public Expenditures benefiting older households (£millions), 2012 prices

Expenditure	2012 costs	2062 costs	2012-2062 costs undiscounted	2012-2062 costs discounted
Pension Credit	275	147	7,233	3,572
Disability Living Allowance	342	638	27,156	11,469
Attendance Allowance	204	432	17,410	7,204
Carers Allowance	82	278	9,212	3,612
Winter Fuel Payments	61	97	4,143	1,790
Warm Home Scheme	5	9	384	162
Health costs	1,235	4,623	146,844	56,308
Community Care Grants	3	5	219	94
Housing benefits	217	406	17,283	7,299
Rate relief	3	5	218	94
Public transport	17	31	1,317	556
Funeral Payments	1	2	84	36
Overall costs	2,445	6,673	231,503	92,196

Source: Development Economics

- 3.81 The table also presents discounted expected future costs of the programmes, based on a discount rate of 3.5% p.a. Discounting is a technique used to compare costs and benefits that occur in different time periods, and is based on the principle of time preference. The discount rate of 3.5% has been used because this is the rate that is generally recommended by HM Treasury in the Green Book⁵³ for calculating the present value of future streams of costs and benefits that are relevant to public expenditure programmes.
- 3.82 As can be seen in the final column of the table, the future costs of providing the benefits and services assessed in this Chapter to older people in Northern Ireland over the period 2012-2062 are expected to amount to just over £92 billion (2012 prices, discounted at 3.5% p.a.).

⁵³ HM Treasury – The Green Book: appraisal and evaluation in Central Government (2003), page 26

4: Financial Contributions of the Over 60s

4.1 In this Chapter the contributions of people aged over 60 to Government revenues are considered. The types of contributions that are considered in this assessment are as follows:

- Income tax on earnings from paid work and other income (including pension income for those who have retired).
- future National Insurance contributions.⁵⁴
- Indirect taxation of expenditure from older households, covering Value Added Tax (VAT) and Excise Duties.
- Inheritance taxes paid on the estates of older people.
- Domestic rates levied on properties occupied by older people.

4.2 In addition, the topic of TV licence revenues generated by households where the head is aged 60-74 has already been covered elsewhere in this report (i.e. Chapter 3). These licence revenues are included in a table towards the end of this Chapter setting out a summary of expected future revenues attributable to older people in Northern Ireland.

4.3 Apart from the forms of revenues listed above, there are additional taxes and charges paid by older people that are not covered here, such as Air Passenger Duty. Unfortunately, adequate data is not available to enable Government revenues from these sources to be attributed by age group of the tax payee.

Workplace Earnings of Workers Aged 60 and Over

The current position

4.4 An assessment of the likely levels of income tax paid now and in the future by older people in Northern Ireland needs to take account of both the earnings of those in employment, and the pension and other income of those who have retired or who are no longer working. Each is considered in turn below.

4.5 With respect to the earnings of those in employment, a key source of information is the data for Northern Ireland generated by the Annual Survey of Hours & Earnings published for the Office for National Statistics. At the time of writing, the most recent full set of data from this source is for 2012⁵⁵, and this series indicated that:⁵⁶

⁵⁴ The analysis has excluded past accumulated employee National Insurance contributions but considers future contributions. This is because full payment of the State Pension is dependent on 30 years' of accumulated contributions. It is assumed the great majority of workers aged over 60 will have already satisfied this requirement.

⁵⁵ Data for 2013 began to be released in December 2013, but so far this data is still provisional.

⁵⁶ Source: Annual Survey of Hours and Earnings, Office for National Statistics, 2012

- there were approximately 19,000 males aged 60 and over working on a full time basis in Northern Ireland, and that the median gross weekly pay of these workers was £489.70 per week in 2012, while the mean gross weekly pay was £636.40;
- there were also approximately 7,000 male part time workers aged 60 years and over, with median gross weekly pay of £209.40 and median pay of £211.30 per week;
- for males, the average hours worked for full time workers was 39.0 hours per week, while for part-time workers it was 19.9 hours per week;
- for females, there were approximately 7,000 full time workers aged 60 or over, and 15,000 part-time workers in this age group; the full time workers averaged 36.6 hours while the part-time workers averaged 15 hours worked per week;
- female full time workers had median gross weekly earnings of £430.60 per week in 2012, while the mean gross weekly pay was £524.60; and
- female part-time workers had median gross weekly earnings of £116.30 per week while the mean gross weekly pay for these workers was £144.60.

Sources of assumptions regarding the future: earnings from employment

- 4.6 As indicated above, data on the current situation regarding older people’s earnings is available from ONS via the Annual Survey of Hours and Earnings, as well as occasional ONS technical reports.
- 4.7 Assumptions regarding potential future trends for future aggregated gross earnings from employment were developed with regard to evidence concerning:
- likely future employment rates for male and females, broken down by rates of full time and part time working; and
 - likely future rates of real earnings increases, which will be influenced by considerations including productivity increases, the business sector composition of the economy and legislation (for example, changes to the minimum wage).
- 4.8 The principal evidence that is utilised is long term trends in employment rates for older age cohorts, together with assumptions regarding the potential response to changes in behaviour to changes in default retirement age and State Pension eligibility.

Other Sources of Taxable Income

- 4.9 The most recently released data on the incomes of pensioners in Northern Ireland was published by the Department for Social Development in August 2013 and covers the financial year up to 2010/2011.⁵⁷ Some of the key features of this data set include the following:
- in 2010/11 there were 210,000 ‘pensioner units’ in Northern Ireland, of which 100,000 were couples and 110,000 were single pensioners;

⁵⁷ http://www.dsdni.gov.uk/statistics_and_research-pensioners_income_series

- of the pensioner units, 130,000 were headed by someone aged under 75 and 80,000 were over 75;
- average gross income for pensioner couples was £557 per week and for single pensioners was £246 per week (all in 2010/11 prices);
- for pensioner couples, 41% of gross income was sourced from benefits (including the State Pension) while 28% came from occupational pensions, 10% from personal pension and investment income, and 22% came from earnings;⁵⁸
- for single pensioners, 74% of gross income was sourced from benefits (including the State Pension) while 20% came from occupational pensions, 2% from personal pension and investment income, and 4% came from earnings;
- for pensioner units where the head was aged under 75, 44% of gross income was sourced from benefits (including the State Pension) while 27% came from occupational pensions, 6% from personal pension and investment income, and 23% came from earnings; and
- for pensioner units where the head was aged over 75, 67% of gross income was sourced from benefits (including the State Pension) while 21% came from occupational pensions, 10% from personal pension and investment income, and 1% came from earnings.⁵⁹

4.10 In terms of likely future trends for non-earned income, a number of important changes to State Pensions are currently being implemented, including the equalisation of entitlement ages for males and females, the schedule for the raising of the entitlement age to first 66 and then 67, and the introduction of a flat rate basic pension. All of these changes are reflected in the assumptions made about the proportions of older people who will be eligible for State Pensions for any given year over the period 2012-2062 and the average level of payment that will be received. Although Pensions are not included as a public expenditure liability in this analysis (because Pensions entitlement is conditional on past National Insurance contributions), State Pension income is still subject to taxation and therefore the implication of this element of taxable income of older households is included in the analysis.

4.11 Evidence from the Pensioners Income data series has also been combined with demographic projections in order to develop estimates of future levels of pensioner income from occupational pensions and investment income.

Taxation of income and other earnings

4.12 Older peoples' income from earnings (from employment and other sources, such as occupational pensions and/or investment income) is subject to taxation via the pay-as-you-earn (PAYE) system. In addition, for workers up to a certain age (e.g. currently 64 for males), there is also employee's National Insurance to pay on their earnings (up to a maximum amount). The analysis in this report has excluded past accumulated employee National Insurance contributions but considers future contributions. This is because full payment of the State Pension is dependent on 30 years of accumulated contributions. It is assumed the great majority

⁵⁸ Totals do not sum to 100% because of rounding.

⁵⁹ Totals do not sum to 100% because of rounding.

of workers aged over 60 will have already satisfied this requirement, therefore it is assumed that the majority of National Insurance contributions made by workers aged 60 and over, will be over and above the levels needed to ensure entitlement to the full State Pension.

- 4.13 Employers are also required to pay National Insurance for their workers, but this is not currently subject to a maximum age limit.
- 4.14 Future Government policies with respect to the tax system (especially over an extended period) cannot be known with any degree of certainty, and any attempt to model various alternative changes to the tax system lies outside the scope of this study. The approach to this part of the assessment, therefore, is to assume the continuation of the current national system of personal income taxation (in terms of the types of taxes that are levied, and the thresholds and rates at which liabilities currently apply) and to assess the potential impact on aggregate revenues in terms of the expected numbers of older people in Northern Ireland and the estimates of their future earnings from income and other sources.⁶⁰
- 4.15 The assumptions regarding the future numbers of older people of various ages is sourced from the 2012-based Population Projections series released by NISRA. Assumptions regarding current rates of employment for persons aged over 60 are based on trends sourced from the Labour Force Survey series, with additional assumptions deployed to take into account future changes to the State Pension Age.
- 4.16 Assumptions regarding future threshold and rates for income tax and employees' National Insurance have been sourced from current guidance and advice provided by HMRC via its website and published documents. The approach will also be to assume that the current level of age-related allowances for a portion of income to be untaxed will also remain in place.
- 4.17 However, where current thresholds and allowances are linked to the State Pension Age, the model assumes that these thresholds and allowances will shift as announced changes to the SPA arrangements come into effect. For example, when the SPA for males increases to 66 then 67, it is assumed that the upper age for Class 1 National Insurance payments will increase in line with the raising of the SPA.

Results of the Model: Taxation of earned and other income

- 4.18 The table below sets out the estimated levels of contributions that stand to be made by older people and their employers (via National Insurance) to national (UK) tax revenues through the taxation of earned and non-earned income⁶¹ over the period 2012-2062. The forward-estimates are presented at 10-yearly intervals, and all financial values are expressed in 2012 prices.
- 4.19 Overall, employment related taxation (including PAYE and National Insurance) paid by over-60s employees and their employers is expected to amount to some £16.19 billion over the 50-year period, with an additional £12.82 billion paid by employers through National Insurance payments. As well as the total estimate for employment-related revenue to Government (£29 billion), there is in addition a further £24.57 billion expected to be raised from the taxation of

⁶⁰ The same approach will be taken to estimates of future revenues from employers' National Insurance that is linked to employment of older workers in Northern Ireland

⁶¹ Non-earned income includes income from occupational and personal pensions and investment income

non-employment related incomes of older people over the same period (all values are in terms of 2012 prices).

Table 4.1: Northern Ireland: Estimated Future Direct Tax Contributions paid by older people (£millions), 2012 prices

Annual revenues by year:	PAYE Tax	Employee National Insurance	Employer National Insurance	Income Tax paid on non-earned income
2012	103	56	123	309
2022	153	78	184	387
2032	203	107	248	480
2042	221	117	273	531
2052	265	146	324	568
2062	282	157	345	576
Overall contributions 2012-2062	10,509	5,681	12,817	24,573

Source: Development Economics

Expenditure Related Taxation

- 4.20 An additional source of revenue to Government that is attributable to older people is the indirect taxation – via VAT and excise duties – that is incurred via their consumption expenditure.
- 4.21 Although we have not been able to use detailed household expenditure data specific to Northern Ireland that is broken down by age group, the approach utilised instead has been:
- to identify average weekly expenditure for all UK households broken down into relevant age group categories (from the ONS Family Spending survey); and
 - to make adjustments for lower levels of Northern Ireland household income, using data sourced from the ONS Annual Survey of Hours and Earnings (for working older households) and the ONS Pensioner Income Series data (for non-working older households).
- 4.22 This approach allows an estimate to be made for income-adjusted average levels of household expenditure for older households in Northern Ireland, with spending identified for the following categories:
- food and non-alcoholic drinks;
 - alcoholic drinks, tobacco;
 - clothing & footwear;
 - housing rent & maintenance;
 - water and power;
 - other household goods and services;
 - health;

- expenditure on maintaining and running a private car;
- telecommunications; and
- recreation and leisure.

4.23 It additionally enables estimates for excise revenues from consumption of alcohol, tobacco and vehicle fuels.

4.24 This is undertaken through the use of additional assumptions in terms of average rates of incidence of VAT and excise for the product categories identified by the Family Spending survey. Levels of revenue contributions that might be generated in future years have been estimated based on:

- expected changes in the future numbers of older households, based on the most recent series of projections from ONS/NISRA; and
- expected changes in the future real incomes of older households, based on an assessment of past trends in earned and non-earned income (and drawing from the assessment of trends in these matters, as discussed above).

4.25 The table below sets out estimated 2012 levels of tax revenues in terms of both Value Added Tax receipts and Excise Duty receipts that derive from expenditures made by households headed by people aged 60 and over in Northern Ireland. The forward-estimates are presented at 10-yearly intervals, and all financial values are expressed in 2012 prices.

Table 4.2: Northern Ireland: Estimated Future fiscal contributions from Older Persons' Expenditure: VAT and Excise Duty (£millions), 2012 prices

Annual revenues by year:	VAT	Excise Duties
2012	507	119
2022	647	152
2032	788	183
2042	839	190
2052	886	199
2062	883	196
Overall contributions 2012-2062	39,330	9,000

Source: Development Economics

4.26 Overall, taxation of older people's spending in Northern Ireland over the period 2012-2062 is expected to generate some £48.33 billion in tax revenues (2012 prices), of which about 81% is expected to derive from VAT and 19% from Excise Duty payments.

Domestic rates

4.27 Data on the overall level of domestic rates revenues accruing in Northern Ireland was obtained from the Northern Ireland Net Fiscal Balance report for 2010/11 published by DFPNI in November 2012. Estimates for the proportion of domestic rates currently contributed by older households (headed by someone aged 60 or over) was obtained by reference to data from the 2011 Census on the age breakdown of household units in Northern Ireland. (However, some eligible older households are afforded rate relief – this is taken into account separately below).

- 4.28 Assumptions regarding the potential future trends for domestic rates revenues were developed based on household projections for Northern Ireland (up to 2033) sourced from NISRA, and longer term population projections (up to 2062) from ONS.
- 4.29 We have then applied forward estimates of household formation by age band from NISRA (available to 2032) and then projected further forward based on population projections to 2062.
- 4.30 The table below presents estimated future levels of domestic rates revenues expected to derive from expenditures made by households headed by people aged 60 and over in Northern Ireland. The forward-estimates are presented at 10-yearly intervals, and all financial values are expressed in 2012 prices.

Table 4.3: Northern Ireland: Estimated Future fiscal contributions accruing from Domestic Rates paid by Households Headed by a Person aged 60 or over, 2012-2062 (£millions), 2012 prices

Annual revenues by year:	£ millions p.a.
2012	171
2022	214
2032	263
2042	293
2052	321
2062	333
Overall contributions 2012-2062	13,687

Source: Development Economics

- 4.31 Overall revenues are expected to amount to just under £13.7 billion over the appraisal period as a whole (2012 prices).

Inheritance Taxes

- 4.32 Data on payments of Inheritance Tax by estates located in Northern Ireland for 2012/13 and earlier years has been issued by HMRC.⁶² This data shows that approximately £41 million was paid by Northern Ireland estates in the most recent financial year.
- 4.33 This data is not broken down by age of the deceased. However, UK-wide data is available on this basis, and the assumption used here is that the age distribution for all-UK estates is a reasonable approximation of the estates in Northern Ireland also.⁶³
- 4.34 Unfortunately, the age breakdown is provided only for age groups 45-64 and various age groups 65 and over. If we focus on the age range 65 and over (thereby potentially under-estimating the total contribution of older people), the proportion of all Inheritance Tax paid by this group is 92%. On that basis, it seems reasonable to assume that at least 92% of the £41 million paid in Northern Ireland is likely to have been paid on the estates of older people.
- 4.35 Estimates of the future aggregate levels of Inheritance Tax likely to be paid on the estates of older people in Northern Ireland is informed by the projected increase in the number of older persons and older households over the period that the model is considering (i.e. to 2062).

⁶² HMRC: *a disaggregation of HMRC tax receipts between England, Wales, Scotland and Northern Ireland*, October 2013

⁶³ HMRC Inheritance Tax 2010/11 Table 12.5

- 4.36 Based on this evidence, the table below sets out estimated 2012 levels of public expenditure on providing free public transport accessibility to older people in Northern Ireland. It also presents forward projections assuming maintained current policy priorities. The forward-estimates are presented at 10-yearly intervals, and all financial values are expressed in 2012 prices.

Table 4.4: Northern Ireland: Estimated Future Revenues accruing from Inheritance Tax, 2012-2062 (£millions), 2012 prices

Annual revenues by year:	£ millions p.a.
2012	41
2022	46
2032	50
2042	56
2052	61
2062	68
Overall contributions 2012-2062	2,724

Source: Development Economics

- 4.37 Future tax revenues associated with Inheritance Tax paid on estates in Northern Ireland could, therefore, amount to around £2.7 billion over the next 50 years.

Summary: Future Revenues Attributable to Older People

- 4.38 This Chapter has provided estimates of future tax and charge revenues attributable to older people in Northern Ireland. The table below provides a summary of these public revenues for the period 2012-2062; these costs are presented in undiscounted form and are in 2012 prices. The impact of expected future revenues from TV licences – which were discussed in the previous Chapter – are also included in the table.

Table 4.5: Northern Ireland: Summary of Expected Future Public Revenues attributable to people and older households (£millions), 2012 prices

Revenue source	2012 revenues	2062 revenues	2012-2062 revenues undiscounted	2012-2062 revenues discounted
PAYE	103	282	10,509	4,249
Employee National Insurance	56	157	5,681	2,279
Employer National Insurance	123	345	12,817	5,165
Tax paid on non-earned income	309	576	24,573	10,370
VAT	507	883	39,330	16,821
Excise duties	119	196	9,000	3,884
Domestic rates	171	333	13,687	5,750
Inheritance tax	41	68	2,724	1,174
TV licences (net)	10	(4)	269	173
Overall contributions	1,438	2,837	118,590	49,865

Source: Development Economics

- 4.39 The annual level of public revenue attributable to older people from the sources considered in this Chapter is expected to amount to £1.44 billion in 2012, rising to £2.84 billion in 2062 (2012 prices). Overall public revenues over the appraisal period as a whole are expected to amount to around £118.6 billion (2012 prices, undiscounted).

- 4.40 The table also presents the estimated level of future revenues discounted rate of 3.5% p.a. The discount rate of 3.5% has been used because this is the rate that is generally recommended by HM Treasury in the Green Book⁶⁴ for calculating the present value of future streams of costs and benefits that are relevant to public expenditure programmes.
- 4.41 As can be seen in the final column of the table, the discounted future revenues attributable to older people in Northern Ireland over the period 2012-2062 are expected to amount to £49.86 billion (2012 prices, discounted at 3.5% p.a.).

⁶⁴ HM Treasury – The Green Book: appraisal and evaluation in Central Government (2003), page 26

5: Other Financial and non-Financial Contributions

5.1 Having considered the importance in the previous Chapter of the contributions that older people in Northern Ireland make via direct and indirect taxation, in this Chapter some of the most important types of other contributions made by older people in Northern Ireland are taken into account. There are two broad types of contributions that are considered in this Chapter, as follows:

- contributions to community and civic life in Northern Ireland that are not currently valued by the market or by public authorities, but for which a monetary value can be ascribed; and
- additional contributions for which a monetary value is difficult or not possible to ascribe, or where the beneficiaries are family members rather than the wider community.

5.2 The types of contributions considered in the first group include:

- volunteering services provided by older people;
- caring services provided by older people, covering both adult care and childcare;
- replacement parenting services provided by older people.

5.3 The types of contributions considered as part of the second group are:

- financial and asset transfers made by older people to family members, including grandchildren; and
- other contributions made by older people to civic and community life.

5.4 Each type of contribution is introduced in turn in the remainder of this chapter.

Social Capital and Volunteering

5.5 Within many localities, older people – given their skills, experience and (often) the time they have available – represent a valuable potential resource or asset that is mobilised to address local issues, or to promote or maintain the well-being of communities. Optimising the potential volunteering capacity and efforts of older people requires active citizenship which involves older people:

*taking an active role, participating, volunteering or campaigning with others for the good of the community.*⁶⁵

5.6 ‘Social capital’ can therefore be defined as local citizens playing a role in their communities. Volunteering is a particularly important form of active citizenship and can confer health

⁶⁵ Active Age: *The social and economic benefits of older people actively contributing to community capacity and the ways in which ICT can enable this to happen*, December 2010, page 1

benefits, and an improved self-image to the older volunteer, as well as the provision of benefits to the recipients of the volunteering effort and to society as a whole.

5.7 In Northern Ireland, two types of volunteering are recognised:⁶⁶

- **‘Formal Volunteering’** is “unpaid voluntary work carried out with or under the auspices of an organisation.”
- **‘Informal Volunteering’** is “work carried out outside organisations, often at the neighbourhood level, but outside of one’s immediate family.”

5.8 A comprehensive picture of volunteering in Northern Ireland was obtained from a large household survey undertaken as part of the *It’s all about time* report for the Volunteer Development Agency (VDA)⁶⁷ in 2007. This report revealed that 21% of 50-64 year olds in Northern Ireland were involved in some level of formal volunteering, while the proportion of those aged 65 and over was 17%. The average for the population as a whole (over 16) was 21%.⁶⁸ The report also found that the propensity to formally volunteer was influenced by gender (with females more likely to volunteer) and socio-economic status (with individuals from groups ABC1 three times more likely to volunteer than DEs).

5.9 The study also identified that 35% of 50-64 year olds in Northern Ireland were involved in informal volunteering (the same proportion as the overall population over 16), whereas the proportion for those aged 65 and over was 27%.

5.10 However, other research from the VDA indicated that although the 50+ age group is less likely to get involved with formal volunteering, they are the group most likely to volunteer at least once per week, and they are the group that donates more volunteer time than any other age group.⁶⁹

5.11 The 2009 VDA report provided an estimate of the monetary value of formal and informal volunteering provided by Northern Ireland residents. The value of formal volunteering was estimated to amount to £504 million (2007 prices), while informal volunteering was valued at £434 million.⁷⁰ The overall value of volunteering was therefore estimated to be £938 million (in 2007 prices).

5.12 The VDA research also estimated that the economic value generated by the 50 and over age group through voluntary activities was worth £428 million per year in Northern Ireland in 2007, which was 46% of the overall contribution made in that year by volunteers (aged 16 and over) through formal and informal volunteering.⁷¹ The breakdown was £202 million contributed by older people through formal volunteering and £226 million through informal volunteering.

5.13 Survey research focusing on volunteering contributions by the over-50s in Northern Ireland found that patterns of volunteering changed with age, with people more likely to be involved in informal volunteering as they get older. The research also identified that health problems can be

⁶⁶ VDA, *Making the Connection: Volunteering by the Over 50s in Northern Ireland*, 2009, page 17

⁶⁷ The VDA were a predecessor organisation to Volunteer Now. Volunteer Now was formed in 2009 following a merger of the VDA and nine local volunteer centres across Northern Ireland.

⁶⁸ VDA: *It’s all about time: Volunteering in Northern Ireland*, 2007, Figures 1.2.

⁶⁹ VDA: *Older People Volunteering*, January 2009, page 11

⁷⁰ VDA: *It’s all about time: Volunteering in Northern Ireland*, 2007, Table 1.6 and Table 1.13

⁷¹ VDA, *Making the Connection: Volunteering by the Over 50s in Northern Ireland*, 2009, page 13-14

a reason stopping some people from volunteering, but this was only an issue in a minority of cases with non-volunteers.⁷²

- 5.14 The Government's Volunteering Strategy for Northern Ireland recognises that the over-65s are least likely to volunteer.⁷³ However, various agencies consider that there is existing untapped potential for older people to increase the amount of volunteering that they undertake, as is exemplified in the following passage from the VDA's public policy on older people and volunteering:

This is a particularly pertinent time to be addressing the nature of volunteering for the 'older' age group. Currently about a third of Northern Ireland's total population is aged 50 years old and over. This is set to increase to 38% of the total population by 2029. A major focus of the debate on the changing population profile of Northern Ireland has been on the expected increasing need or dependency on the state by those of pensionable age. However, there is now a growing army of groups both within and connected to the Age Sector which are raising the point that older people contribute a significant amount to the social economy during their life which continues into retirement. This includes older people's commitment to caring for the young, sick or elderly in their own family.

- 5.15 More active involvement in volunteering by older volunteers is associated with a range of benefits, including physical and mental health. Some of the impacts linked to volunteering identified by previous studies include:⁷⁴

...lower blood pressure, stronger immune system, the ability to cope with one's own illness, improvements in self rated health, improved self-esteem, reduced social isolation, increased social support and interaction, improved life satisfaction, healthy behaviours and enhancing community links and connectedness.

- 5.16 Benefits to organisations receiving formal volunteering effort from older volunteers includes the following:⁷⁵

- the experience and maturity gained by older volunteers in the workplace and elsewhere;
- skills and qualifications developed over an extended working life;
- older volunteers have often got more time available and can be flexible in terms of the times they provide their volunteering;
- older people contribute more hours than any other age group; and
- older volunteers are more likely to remain loyal and continue to provide volunteer time.

- 5.17 However, research has also identified a number of organisational barriers involving older volunteers, including:⁷⁶

⁷² VDA: *Volunteering in Northern Ireland: What do we know in 2012?* Page 8

⁷³ DSDNI: *Volunteering Strategy and Action Plan for Northern Ireland*, March 2012, paragraph 6.2, page 19

⁷⁴ VDA: *Older People Volunteering*, January 2009, page 18

⁷⁵ VDA: *Older People Volunteering*, January 2009, page 22

⁷⁶ VDA: *Older People Volunteering*, January 2009, page 23-24

- the inability of some organisations to find roles suited to the skills, experience and interests of older volunteers;
- a lack of resources to adequately supervise and support older volunteers; and
- regulatory, legal and/or insurance constraints.

5.18 Research undertaken by the VDA indicates that 20% of older people who are not currently volunteering would consider it.⁷⁷ The most common reasons cited by individuals for not volunteering include:⁷⁸

- existing work commitments (31%);
- ill health or disability (18%);
- the time commitment would be too large (16%);
- looking after children or the home (10%);
- they consider themselves to be ‘too old to be involved’ (9%); and
- caring responsibilities for someone elderly or ill (8%).

5.19 However, 15% of older people surveyed said that they have never thought about volunteering or never got around to getting involved.

5.20 Other issues that have been identified as potential barriers to older people doing more volunteering include:⁷⁹

- the rising cost of living; and
- inaccurate perceptions of what volunteering means and what the experience of volunteering is like.

5.21 Some additional potential barriers to involvement in volunteering have also been identified that pertain to older people residing in rural areas of Northern Ireland. These additional barriers include shortages of public transport and childcare in rural areas.⁸⁰

5.22 Some data indicates that there may have been a decline in the amount of informal volunteering undertaken in Northern Ireland over the past 20 years.⁸¹ One factor that may be impinging on the amount of informal volunteering undertaken is a cultural trend that involves greater provision of care within the family (spouse, children, grandchildren, etc.) and less towards other people in the community.⁸²

5.23 Projects currently exist that aim to increase the amount of volunteering undertaken by older people in Northern Ireland. For example, the Unlocking Potential Project initiated by the Atlantic Philanthropies and Volunteer Now, aims to increase the number of older volunteers in

⁷⁷ VDA, *Making the Connection: Volunteering by the Over 50s in Northern Ireland*, 2009, page 23

⁷⁸ VDA, *Making the Connection: Volunteering by the Over 50s in Northern Ireland*, 2009, page 28

⁷⁹ VDA: *Older People Volunteering*, January 2009, page 20

⁸⁰ Rural Community Network: *Join in, Get Involved: Build a Better Future*, November 2009

⁸¹ Volunteer Development Agency: *It's all about time: Volunteering in Northern Ireland*, 2007

⁸² Evason, E., Lloyd, K., & Dowds, L. (2005b) *Raising Grandparents, Research Update No.39*, Ark

Northern Ireland by 5% among the 50-64 year old age group, and by 10% among those aged 65 and over. If achieved this target would increase the numbers of volunteers in Northern Ireland by around 7,650 persons.⁸³

Approach Taken in the Modelling

- 5.24 For the purposes of this report, new primary research was commissioned to provide more up-to-date estimates of the amount of volunteering effort contributed in Northern Ireland by over 60s, focusing on different types of volunteering activities being undertaken. The survey involved telephone interviews with 400 people across Northern Ireland aged 60 or over. The research covered both:
- formal volunteering – volunteering that is done on behalf of voluntary sector and community-based organisations; and
 - informal volunteering – voluntary effort expended on behalf of friends or neighbours and that is provided on a bilateral basis (that is, not involving any third-party organisations).
- 5.25 The new survey obtained a virtually equal number of responses from males (198 responses) and females (202 responses). The data collection focused on obtained responses from three age sub-groupings, as follows:
- 60-64 years (147 responses, equivalent to 37% of survey sample)
 - 65-69 years (132 = 33%)
 - 70 and over (121 = 30%)
- 5.26 Apart from quantifying the amount and types of volunteering efforts undertaken, the approach also utilises an estimated price for the value of the different types of volunteering activities undertaken.⁸⁴ The approach taken was to estimate the price that would normally be paid if a non-voluntary sector organisation was procuring equivalent services. In this case, the range of services could be grouped into three types:
- Basic skill level services (such as cleaning, gardening, dog-walking etc.): for services of this type the 2012 national minimum wage (£6.19 per hour) was applied.
 - Mid-level skilled services (such as administration, tutoring etc.): for services of this type a shadow price of £16 per hour was applied.
 - Higher value services (such as organising events, attending committees, mentoring) where a shadow price of £27 per hour was applied.

⁸³ VDA: *Northern Ireland Public Policy for Older People and Volunteering*, November 2009

Table 5.1: Northern Ireland: Formal Volunteering by Over 60s: Average propensities and annual value by volunteering task, 2012 prices

Age Group	Older People 60-64			65-69			70 and over		
Task	Average propensity to volunteer	Average annual hours volunteered	Average annual volunteering value (£)	Average propensity to volunteer	Average annual hours volunteered	Average annual volunteering value (£)	Average propensity to volunteer	Average annual hours volunteered	Average annual volunteering value (£)
Fundraising	11.6%	9.6	154	12.1%	9.3	148	18.2%	14.4	230
Organising events	12.9%	14.2	384	10.6%	6.6	179	10.7%	10.2	275
Attending committees	15.6%	17.4	470	13.6%	7.3	196	12.4%	8.8	238
Providing education	6.8%	6.0	161	5.3%	3.4	92	5.8%	7.8	212
Coaching/mentoring	10.9%	7.7	209	5.3%	4.6	125	6.6%	4.8	129
Administration	8.2%	18.2	292	9.1%	5.1	82	13.2%	8.6	137
Campaigning	4.1%	6.8	108	2.3%	1.0	16	3.3%	0.4	6
Total		80.0	1,778		37.3	838		54.9	1,226

Table 5.2: Northern Ireland: Informal Volunteering by Over 60s: Average propensities and annual value by volunteering task, 2012 prices

Age Group	Older People 60-64			65-69			70 and over		
Task	Average propensity to volunteer	Average annual hours volunteered	Average annual volunteering value (£)	Average propensity to volunteer	Average annual hours volunteered	Average annual volunteering value (£)	Average propensity to volunteer	Average annual hours volunteered	Average annual volunteering value (£)
Shopping	29.9%	32.0	198	29.5%	61.1	378	11.6%	9.2	57
Collecting prescriptions	27.9%	7.5	46	25.8%	6.1	38	9.1%	2.0	12
House-cleaning	16.3%	25.0	155	13.6%	17.5	108	2.5%	3.8	23
Gardening	10.2%	6.3	39	8.3%	18.2	113	3.3%	0.3	2
Other practical household tasks	23.1%	40.5	250	20.5%	40.1	248	8.3%	19.7	122
Providing a lift	29.9%	24.8	153	28.0%	17.8	110	30.6%	14.9	92
Helping someone attend a social activity	17.0%	9.7	60	15.2%	10.2	63	14.0%	7.5	46
Dog-walking	4.1%	5.9	36	3.0%	1.0	6	1.7%	0.4	2
Giving advice or support	29.9%	19.8	122	31.1%	40.0	248	21.5%	20.8	128
Befriending	27.9%	54.0	864	26.5%	27.3	437	22.3%	25.0	400
Total		225.4	1,925		239.4	1,750		103.4	885

5.27 Results are presented separately for formal and informal volunteering services, and they are also broken down separately for the 60-64, 65-69 and 70 and over age groupings. The overall results from the survey research and subsequent modelling indicate that, on average, across Northern Ireland:

- people aged 60-64 provide average annual volunteering to their communities worth £3,703 per annum (with informal volunteering constituting £1,925 of this total);
- people aged 65-69 provide average annual volunteering to their communities worth £2,587 per annum (with informal volunteering constituting £1,750 of this total); and
- people aged 70 and over provide average annual volunteering to their communities worth £2,570 per annum (with informal volunteering constituting £1,750 of this total).

5.28 The results from the model were then utilised to develop assumptions regarding the average propensities for both formal and informal volunteering across a range of activity types for both males and females across the three age groupings. These propensities were then applied to future numbers of older persons in Northern Ireland as per the 2012-based population projections.

5.29 In undertaking this task, the propensities for volunteering for the 70 and over age grouping were applied to the anticipated future populations of 70-79 year olds in Northern Ireland. Adjustments were also made in order to reflect expected future rising employment rates among older people reflecting, inter alia, legislated increases for the State Pension Age.

5.30 However, the survey responses among those aged 80 and over were too low to provide robust assumptions of volunteering among this age group, hence they have been excluded from the modelling. Volunteering among those aged 80 and over was therefore assumed to be zero, which almost certainly implies that the actual overall value of volunteering among older people is subject to under-estimation here.

5.31 The following table sets out the estimated value of expected current and future volunteering effort on the part of older people in Northern Ireland, broken down by formal and informal volunteering. The estimates are provided at 10-year intervals and are in 2012 prices.

Table 5.3: Northern Ireland: Overall expected future value of volunteering among the over-60 population, 2012-2062, (£millions), 2012 prices

Annual value by year:	Formal volunteering	Informal volunteering	Overall
2012	381	434	815
2022	473	525	998
2032	550	616	1,166
2042	565	609	1,174
2052	560	613	1,172
2062	543	586	1,129
Overall value 2012-2062	26,600	29,298	55,898

Source: Development Economics

5.32 Hence, the overall value of the anticipated formal and informal volunteering effort by older people (60-79) over the period 2012-2062 is estimated to be worth some £55.9 billion.

Caring

- 5.33 A previous Chapter of this report examined the health and social care costs associated with the population of older people in Northern Ireland. However, public expenditure on health and social care for older people significantly under-estimates the true resource cost because in many cases it is underpinned by a large amount of unpaid for care provided by carers and volunteers. According to Carers Northern Ireland, approximately 214,000 people currently provide unpaid care for an ill, frail or disabled partner, family member or friend.⁸⁵
- 5.34 It is estimated that between 2001 and 2011 the estimated number of carers in Northern Ireland increased by about 12% (about 22,000).⁸⁶ The number of carers in Northern Ireland is currently estimated to be increasing by around 3,000 per annum. This increase is driven in part by an ageing population, and the fact that more people are living longer with disability and ill-health.
- 5.35 A study commissioned by Carers UK and published in 2011 found that the value of unpaid care provided by carers in Northern Ireland was around £4.39 billion per annum, a figure that was approximately the same as the overall Northern Ireland health budget in that year.⁸⁷ Carers NI are understood to be currently funding research to update this 2011 figure, but this updated figure is not yet available.
- 5.36 Meanwhile, data from the 2011 Census provides an age breakdown of carers providing unpaid care in Northern Ireland.⁸⁸ This Census data indicates that 23.2% of unpaid care is being provided by those aged 60 and over. Combined with the 2011 figure of £4.39 billion and updating for inflation, this suggests that in terms of 2012 prices around £1.02 billion of unpaid care was provided by older people in Northern Ireland during 2012. The average value of unpaid care provided by these people is in the order of £21,000 per annum.
- 5.37 Given this evidence and the demographic projections, the potential future value of unpaid care provided by people aged over 60 in Northern Ireland has been estimated, and the results are set out in the table below. These results are once again provided at 10-year intervals and are in 2012 prices.

Table 5.4: Northern Ireland: Estimated future value of unpaid care provided by people aged over 60, 2012-2062 (£millions), 2012 prices

Annual value by year:	£ millions p.a.
2012	1,018
2022	1,277
2032	1,585
2042	1,752
2052	1,876
2062	1,902
Overall value 2012-2062	81,101

Source: Development Economics

⁸⁵ Carers Northern Ireland: *Response to Who Cares? The Future of Adult Care and Support in Northern Ireland*, March 2013

⁸⁶ *Valuing Carers* (2011) University of Leeds and Carers UK, Table 1, page 5

⁸⁷ *Valuing Carers* (2011) University of Leeds and Carers UK

⁸⁸ Census 2011 Table DC3301NI: General Health By Provision Of Unpaid Care By Age By Sex

5.38 Hence, the total value of unpaid for care provided by people aged over 60 is expected to total £81.1 billion over the period to 2062 (2012 prices).

Childcare and Family Well-being

5.39 Substantial support is provided by older people, including in the role they play as grandparents, to families in Northern Ireland across the generations. With the rise of both two-career and single parent families, grandparents are becoming increasingly central figures in the lives of their grandchildren. Moreover, the middle generation rely on grandparents to sustain family bonds, as wage earners commonly spend more than half their waking hours serving the institutions in which they work.

5.40 Grandparents' contribution to family stability is particularly evident during times of crisis such as divorce and separation. It has been asserted that:

*“the role of grandparents in divorced/separated families is.... arguably the lynchpin to younger generations' ability to negotiate the emotional and practical fallout from relationship breakdown”.*⁸⁹

5.41 This is of particular relevance given the upward trend in divorce in Northern Ireland, which has increased from 1,355 per year in 1981 to 2,343 per year in 2011; and in the dramatic increase in the formation of lone parent households with dependent children, rising by 27% from 50,500 in 2001 to 63,900 in 2011.⁹⁰

5.42 A primary role played by grandparents involves the provision of childcare, ranging from occasional babysitting, to regular help with childcare to being the sole provider of daily, structured care. A study for Grandparent Plus found that nearly two-thirds of grandparents (7 million in total across the UK), help to look after their grandchildren, with most childcare delivered by grandparents aged 55-64, followed by those aged 65-74.⁹¹

5.43 Meanwhile, a study by the Childhood Wellbeing Research Centre notes the prominent part played by grandparents in providing childcare to support maternal labour market participation, thereby enabling mothers to enter and remain in employment.⁹² This is especially important in low income families, for whom formal care is prohibitively expensive. In particular, this study found that grandparents formed the main childcare arrangement for children aged less than 1 year, ahead of all other types of care.

5.44 Grandparents also continue to have a major role in child care arrangements when children start school. Many families find that this type of arrangement offers more flexibility than formal care, by filling in the gaps between the end of the school day and their parents' return from work; or stepping in to provide care when other care arrangements break down.

5.45 The direct value of the care provided by grandparents is considerable: A 2012 study identified that grandparents are saving families £1,880 per child in annual childcare costs, whilst on

⁸⁹ V. Timonen et al: *The role of Grandparents in Divorced and Separated Families*: School of Social Work and Social Policy, Trinity College Dublin (2009)

⁹⁰ Annual reports of the Registrar General for Northern Ireland. NISRA website: <http://www.nisra.gov.uk/demography/default.asp57.htm>.

⁹¹ Sarah Wellard: *Doing it all? Grandparents, childcare and employment: an analysis of British Social Attitudes Survey data from 1998-2009* published by Grandparents Plus (2011)

⁹² June Statham: *Grandparents Providing Childcare: Briefing Paper*, Childhood Wellbeing Research Centre (2011)

average grandparents spend 10 hours every week looking after grandchildren.⁹³ It should be noted, however, that this estimation excludes the value of additional earnings enabled for family members by childcare services provided by grandparents.

- 5.46 The amount of childcare rises considerably for lone parent families, with research by Grandparent Plus noting that amongst the group surveyed, between half and two-thirds of working lone parents rely on grandparents for childcare.⁹⁴
- 5.47 Given this evidence, coupled with the forward-looking population projections for both older people and children aged 2-13 years in Northern Ireland, the potential future value of unpaid childcare provided by people aged over 60 has been estimated, and the results are set out in the table below. These results are provided at 10-year intervals and are in 2012 prices.

Table 5.5: Northern Ireland: Estimated future value of Childcare (2-13 years) provided by people aged over 60, 2012-2062 (£millions), 2012 prices

Annual value by year:	£ millions p.a.
2012	250
2022	268
2032	252
2042	241
2052	248
2062	240
Overall value 2012-2062	12,818

Source: *Development Economics*

- 5.48 The total value of unpaid for childcare (2-13 years) provided by people aged over 60 is therefore expected to total £12.82 billion over the period to 2062 (2012 prices).
- 5.49 However, no estimate is made of the value of additional earnings that are enabled by family members that receive the benefit of childcare services provided by grandparents.

Replacement Parenting

- 5.50 Greater numbers of grandparents are being called upon to care full time for their grandchildren, partly because of changing family structures but also with the increase in social problems such as parental substance misuse⁹⁵, rising rates of incarceration,⁹⁶ and teenage pregnancy. Moreover, those responsible for removing children from parental care are required to give preference to placing children with a family member, as legislated in the Children Act (1989), and this combined with a shortage of foster carers has increased the pressure on grandparents to step in during times of family breakdown.⁹⁷
- 5.51 A study of data from the 2001 Census identifies a total of 173,200 children in the UK being cared for through formal and informal kinship care arrangements.⁹⁸ It is generally believed that

⁹³ Opinium Research: *21st Century Grandparenting Report*. Commissioned by RIAS (2011).

⁹⁴ Julia Griggs: *Protect, Support, Provide: Examining the role of grandparents in families at risk of poverty* (2010). Published by Grandparents Plus and the Equality & Human Rights Commission.

⁹⁵ Aldgate, J. *Living in Kinship Care: a child-centred view*, Adoption & Fostering, Vol 33 (2006), pp51-63

⁹⁶ DCSF & the Ministry of Justice: *Children and Offenders Review*, 2007

⁹⁷ Sarah Wellard: *Too old to care?* Grandparents Plus, 2011

⁹⁸ Nandy et al: *Spotlight on Kinship Care*, University of Bristol, 2011

a large proportion of these children are in the care of grandparents and this is borne out by the evidence derived from the study. The study found that in Northern Ireland, of 451,000 resident children, 5,200 were living with kin, of which 41% were in the care of their grandparents. Most of these grandparents were found to be in their late 50s and early 60s, although 1 in 4 were aged 65 years or over.

- 5.52 A high proportion of the children being cared for by grandparents are there as a result of traumatic family circumstances, not only substance misuse or parental imprisonment, but through bereavement, child abuse or neglect, disability or long term parental illness. In a sample of kinship carer grandparents surveyed on behalf of Grandparent Plus, over half were raising children with special needs or a disability, whilst over a third were caring for children with emotional or behavioural difficulties.⁹⁹
- 5.53 Notwithstanding this, research indicates that children placed with family carers had similar outcomes to those placed with unrelated foster carers, despite the fact that family carers were much more likely to be facing financial or health difficulties and that they received significantly less social work support. Earlier research shows children placed with family carers did better on virtually all measures than those in unrelated foster care.^{100,101}
- 5.54 Many of the financial difficulties faced by older carers arise as a direct result of taking on the care of their grandchildren. Children looked after by relatives who have become approved foster carers are entitled to receive the same level of financial support as unrelated foster carers. In contrast, those relatives who take on care of a child without the involvement of Children's Services are not entitled to any financial support, whilst those receiving children on a Residence Order are dependent on a discretionary, means tested allowance which is usually lower than those received by foster carers.
- 5.55 Caring full time for grandchildren often impacts negatively on the carer's ability to work. In a survey of grandparents undertaken in 2012, about 60% of the children in grandparent care were aged over 7, which meant their carers did not benefit from parental leave.¹⁰² Of the sample, just 36% of grandparents involved in kinship care were working, in contrast with the 73% who were working before taking on the children. A significant minority of grandparents were also told that they must give up work or risk losing their grandchildren to formal care or adoption. Other grandparents faced difficulties relating to the impact of multiple appointments with various agencies, legal bodies, school and medical authorities associated with the transfer of childcare.
- 5.56 Research published in 2010 revealed that it cost approximately £38,000 per year to keep a child in independent foster care in Northern Ireland (2008 prices).¹⁰³ Updating to 2012 prices using GDP deflators provides an estimate of £41,741.
- 5.57 Despite the service rendered to society by grandparents, kinship carers often live in poverty as a direct result of taking on that care. Retirement savings may be depleted and work arrangements

⁹⁹ Sarah Wellard: *Too old to care?* Grandparents Plus, 2011

¹⁰⁰ Sarah Wellard: *Too old to care?* Grandparents Plus, 2011

¹⁰¹ Rowe et al, *Long Term Foster Care*, BAAF, 1984

¹⁰² Gautier, A. and Wellard, S. *Giving up the day job ?* Grandparents Plus, 2012

¹⁰³ Update to the Cost of Foster Care: The Fostering Network, 2010, Table 2 and Table 7

disrupted with some studies indicating three out of four carers experiencing financial hardship as a result of providing full time care of children.¹⁰⁴

- 5.58 The cost of kinship caring is further exacerbated as significant expenditure on legal proceedings is often required when taking on care of a child.¹⁰⁵ Materially, most kinship carers are on lower incomes than other groups of similar ages in the population, despite being broadly similar regarding employment and occupational status prior to undertaking full care.
- 5.59 The cost of caring is not simply restricted to financial hardship but may impact negatively on other family relations and friendships due to the reduction in time and financial resources available to maintaining these relationships.
- 5.60 Based on this evidence, and taking into account demographic projections (which anticipate a small decline in the numbers of children in Northern Ireland over the period in question) the potential annual future value of unpaid childcare provided by people aged over 60 in Northern Ireland has been estimated, and the results are set out in the table below. These results are once again are provided at 10-year intervals and are in 2012 prices.

Table 5.6: Northern Ireland: Estimated future value of Replacement Parenting provided by people aged over 60, 2012-2062 (£millions), 2012 prices

Annual value by year:	£ millions p.a.
2012	89
2022	92
2032	89
2042	85
2052	86
2062	84
Overall value 2012-2062	4,469

Source: *Development Economics*

- 5.61 Hence, the total value of replacement parenting provided by people aged over 60 is expected to total £4.47 billion over the period to 2062 (2012 prices).

Financial assistance to family members

- 5.62 The household survey targeting older households commissioned for this report also asked questions regarding financial transfers made by older people in Northern Ireland in favour of other family members. Specifically, the survey question asked if over the past 12 months any financial assistance had been provided to relatives including grandchildren (other than for birthdays and Christmas) including for the following purposes:

- assistance with school or other education fees;
- assistance with a house deposit;
- assistance in purchasing a car;

¹⁰⁴ Julia Griggs: *Protect, Support, Provide: Examining the role of grandparents in families at risk of poverty* (2010). Published by Grandparents Plus and the Equality & Human Rights Commission.

¹⁰⁵ Wellard S. and Wheatley B. *What if we said no ?* Grandparents Plus, 2010

- assistance with any other major purchase; and
- provision of regular pocket money.

5.63 The following table presents the summary results, including the overall response rates to the questions (based on the overall survey sample) and the average amounts of money that were indicated by respondents as having been gifted to family members.

Table 5.7: Northern Ireland: Responses to household survey questionnaire: financial transfers to family members

Transfer by type	Number of responses	Response rate (%)	Average annual value of transfer by respondent p.a. (£)	Estimated transfer per older household p.a. (£)
Education fees	14	4%	3,500	123
House deposit	11	3%	13,687	376
Car purchase	11	3%	5,075	140
Other major purchase	19	5%	3,893	185
Regular pocket money	66	17%	840	139
Overall average				962

Source: *Development Economics*

5.64 Hence, the results from the survey suggest that the current average annual value of financial transfers made by older households to family members averages £962 per annum.

5.65 Applying this figure to the estimated current number of older households in Northern Ireland yields an estimated total financial transfer value of £230 million to family members made by older households. If these propensities were to continue over the lifetime of the appraisal, the overall value could amount to just under £450 million per annum (2012 prices) by 2062.

Political and Civic Life

5.66 For many people, growing older is not a time for rest and looking to the past, but a productive period with significant amounts of time spent contributing to community and civic life. Contributions made through volunteering have already been covered in this report: other contributions can be manifested in a willingness to participate in democratic and civic processes, such as involvement in governance structures, through to political involvement on single issues or via political parties on a broad range of political issues.

5.67 In particular, some older people provide important roles in a variety of community organisations, such as faith groups, community governance organisations (such as local tiers of government, Boards of School Governors, etc.) as well as community-based cultural, leisure and sports organisations, etc.

5.68 The power of the older population's vote is further amplified by the fact that older people are significantly more likely to cast a ballot than younger people. For example, research focusing on the over 65s notes the electoral register shows that just 56% of 19-24 year olds are registered to vote contrasting with the 94% of those aged over 65.¹⁰⁶

¹⁰⁶ MGM Advantage: *Retirement Nation* (2012)

- 5.69 The traditional view of older people as politically passive and declining in relevance is constantly being challenged as older people are becoming more numerous, more organised and more empowered.
- 5.70 The increasing power of the older population's voice is mirrored in Northern Ireland through the formation in 2008 of Age Sector Platform (ASP), with a membership base of 35 older people's organisations and networks, and which represent 200,000 older people across Northern Ireland.¹⁰⁷
- 5.71 Run by older people, for older people, ASP has volunteers involved at every level. Evidence of the success of this model in empowering older people and ensuring a grassroots led approach to determining issues include the funding recently awarded to ASP by the Department of Justice to tackle fear of crime amongst older people. This came as a response to motions passed at the Pensioners Parliament in 2012¹⁰⁸, and clearly demonstrates how the work of the parliament is used to inform the campaigns organised by ASP. With a mandate garnered from a significantly large membership and issues rooted securely in its constituency, it provides a very effective lobbying force in Northern Ireland.
- 5.72 An analysis by the Atlantic Philanthropies of the advocacy work undertaken by wider organisations representing older people found many successful outcomes in response to their efforts. Key amongst these were the effecting of new legislation such as the extension of equality rights to older people; the provision of new resources and policy initiatives, resulting in extra funding for pensioners struggling with increased costs of living and addressing community safety issues; and the development of a new political concern in forcing issues of ageing up the political agenda.¹⁰⁹
- 5.73 However evidence indicates in a variety of ways that older people are not just pursuing their own interests but contribute to both the democratic capital and social fabric of communities through political and civic action. Evidence for this is found in research undertaken by Volunteer Now exploring trends in volunteering amongst older people in Northern Ireland, which found the prime motivators behind voluntary activity were the desire to improve things or to help others.¹¹⁰
- 5.74 Moreover, a 2007 survey for the VDA found that over 282,000 individuals in Northern Ireland were engaged in formal volunteering. Of these, around one-third were involved in community organisations, while 25% were connected to church or religious groups.¹¹¹ Also, the Tearfund Survey of 2007¹¹² found that 45% of Northern Ireland's population are regular church goers, with three-quarters of 65-74 year olds and 82% of over 75s likely to belong to the Christian faith. Accordingly, many of the volunteers working from the church sector and drawn from their congregations will be older people.

¹⁰⁷ Age Sector Platform, *Annual report 2010*

¹⁰⁸ Volunteer Now: *Volunteer impact assessment: Age Sector Platform* (2013)

¹⁰⁹ The Atlantic Philanthropies *Critical learnings: Tactics in advocacy* (2013)

¹¹⁰ Volunteer Development Agency: *It's all about Time: Volunteering in NI* (2007)

¹¹¹ Volunteer Development Agency: *It's all about Time: Volunteering in NI* (2007)

¹¹² Tearfund Survey *Churchgoing in the UK* (2007)

- 5.75 As stated in the Rural Community Networks (RCN) report on peace-building,¹¹³ churches are often at the heart of rural communities, involving many people and can be used as a force for reconciliation and community cohesion, particularly by providing a leadership role via church based clubs and youth groups; as well as through representation on school boards of governors.¹¹⁴
- 5.76 The RCN report also considers the role in creating a shared future across the religious and social divide, played by other important community institutions. It also highlights that such institutions have important leadership, organisational and infrastructure capital that can be used for the good of the whole community, especially in rural situations. As many of these organisations rely on the commitment of volunteers to function effectively, the role of older people in developing community cohesion yet again comes to the fore.

Summary and Conclusions

5.77 This Chapter has considered a variety of financial, other monetisable and non-financial contributions made by older people and households in Northern Ireland, including:

- volunteering services provided by older people;
- caring services provided by older people, covering both adult care and childcare;
- replacement parenting services provided by older people;
- financial and asset transfers made by older people to family members, including grandchildren; and
- other contributions made by older people to civic and community life.

5.78 Not all of these contributions can be monetised, but those that can be so valued are summarised in the table below. All values are presented in 2012 prices: the 2012-2062 contributions are presented both in discounted and undiscounted (3.5% p.a.) form.

Table 5.8: Northern Ireland: Summary of Other Financial Contributions (£millions), 2012 prices

Contribution source	2012 value	2062 value	2012-2062 value undiscounted	2012-2062 value discounted
Volunteering	815	1,129	55,898	24,704
Care	1,018	1,902	81,101	34,225
Childcare	89	84	4,469	2,095
Replacement parenting	250	240	12,818	6,016
Overall Value of Contributions	2,173	3,355	154,286	67,040
Financial assistance to family members	230	447	18,373	7,718

Source: *Development Economics*

¹¹³ Rural Community Network *Churches and faith based organisations: Role in peace building in rural communities*

¹¹⁴ Rural Community Network: *Response to the consultation on Dealing with the Past*

- 5.79 The annual level of contributions that generate wider public benefit are expected to amount to £154.285 billion over the 2012-2062 period (2012 prices, undiscounted). In discounted form these are expected to amount to just over £67 billion over the same period.
- 5.80 In addition, the financial transfers to family members made by older people are expected to amount to £18.37 billion (undiscounted), which is equivalent to £7.72 billion when discounted at 3.5%.

6: Conclusions and Recommendations

6.1 This report has investigated the potential future costs and contributions that are likely to be associated with the ageing population of Northern Ireland. Specifically, focusing on the likely future population of people aged 60 and over expected to be resident in Northern Ireland over the period 2012-62, it has:

- identified and estimated a range of future public expenditures that are likely to be required to provide services to people aged 60 and over in Northern Ireland;
- identified and estimated the potential tax contributions that stand to be generated via the direct and indirect taxation of older people's expected future income and expenditures;
- identified and monetised the value of the contributions that older people are expected to make via volunteering, caring and replacement parenting over the relevant time period;
- quantified the potential value of financial transfers to family members that are expected to be made by older people over the appraisal time period; and
- identified – but not monetised – the wider role that older people play in civic and community life in Northern Ireland.

6.2 Starting with expected costs of future service provision, the table below provides a summary of the expected future costs of providing age-related services to older people in Northern Ireland over the period 2012-2062. The costs are presented in both undiscounted and discounted form (the latter at 3.5% p.a.) and are in 2012 prices.

Table 6.1: Northern Ireland: Summary of Expected Future Public Expenditures benefiting older households (£millions), 2012 prices

Expenditure	2012 costs	2062 costs	2012-2062 costs undiscounted	2012-2062 costs discounted
Pension Credit	275	147	7,233	3,572
Disability Living Allowance	342	638	27,156	11,469
Attendance Allowance	204	432	17,410	7,204
Carers Allowance	82	278	9,212	3,612
Winter Fuel Payments	61	97	4,143	1,790
Warm Home Scheme	5	9	384	162
Health costs	1,235	4,623	146,844	56,308
Community Care Grants	3	5	219	94
Housing benefits	217	406	17,283	7,299
Rate relief	3	5	218	94
Public transport	17	31	1,317	556
Funeral Payments	1	2	84	36
Overall costs	2,445	6,673	231,503	92,196

- 6.3 Due to demographic and legislative changes, overall annual costs on the programmes considered in this report are expected to increase from approximately £2.44 billion in 2012 to £6.67 billion in 2062 (2012 prices). Overall undiscounted costs are expected to amount to just under £232 billion (2012 prices) whereas costs when discounted at 3.5% p.a. are expected to amount to just over £92 billion over the same period (2012 prices).
- 6.4 Unsurprisingly, the expected overall costs are dominated by health & social care costs (61%). Other particularly significant sources of costs are expected from Disability Living Allowance (just over 12% of the discounted total) and Housing Benefits (nearly 8%).
- 6.5 Turning next to expected future levels of tax and charge revenues expected to result from the economic and other activities of older people in Northern Ireland, the table below summarises these revenues for the period 2012-2062, both in discounted and undiscounted form.

Table 6.2: Northern Ireland: Summary of Expected Future Public Revenues attributable to people and older households (£millions), 2012 prices

Revenue source	2012 revenues	2062 revenues	2012-2062 revenues undiscounted	2012-2062 revenues discounted
PAYE	103	282	10,509	4,249
Employee National Insurance	56	157	5,681	2,279
Employer National Insurance	123	345	12,817	5,165
Tax paid on non-earned income	309	576	24,573	10,370
VAT	507	883	39,330	16,281
Excise duties	119	196	9,000	3,884
Domestic rates	171	333	13,687	5,750
Inheritance tax	41	68	2,724	1,174
TV licences (net)	10	(4)	269	173
Overall revenues	1,438	2,837	118,590	49,865

Source: Development Economics

- 6.6 Overall levels of undiscounted revenues are expected to amount to around £118.6 billion (2012 prices) over the period 2012-2062, whereas these same revenues total around £49.9 billion when discounting is applied.
- 6.7 The largest expected source of future revenues is expected to derive from VAT levied on future consumption expenditure expected on the part of older households (34%). When combined with excise duty payments on items such as fuel, tobacco and alcohol products etc., the overall level of indirect taxation on expenditure amounts to some 42% of the total expected contributions of older people to public finances.
- 6.8 The implications of the results presented in the tables above is that the expected future costs of service provision to the future population of older people in Northern Ireland (2012-2062) is anticipated to exceed expected revenues attributable to older people over the same period. The scale of the margin, in discounted terms, would amount to around £42 billion over the appraisal period (2012 prices).
- 6.9 However, apart from tax contributions there are other types of financial contributions expected to be made by older people in Northern Ireland that are also important to consider. In this report, a number of additional forms of contribution have been assessed and valued: these

contributions, summarised in the table below, in effect amount to a stream of important services provided by older people to the community as a whole, at no cost to the receiver of the service. If these services were not provided, some or possibly all would have to be provided by others, including the public sector. It is therefore valid to assess the value of these services, and to use this valuation as an offset against the net cost of service provision to older people in Northern Ireland.

6.10 The categories of contributions that are taken into account include:

- volunteering services provided by older people;
- caring services provided by older people, covering both adult care and childcare; and
- replacement parenting services provided by older people.

6.11 The table below summarises the anticipated future value of these services provided by older people in Northern Ireland.

Table 6.3: Northern Ireland: Summary of Other Financial Contributions (£millions), 2012 prices

Contribution source	2012 value	2062 value	2012-2062 value undiscounted	2012-2062 value discounted
Volunteering	815	1,129	55,898	24,704
Care	1,018	1,902	81,101	34,225
Childcare	89	84	4,469	2,095
Replacement parenting	250	240	12,818	6,016
Overall Value of Contributions	2,173	3,356	154,285	67,040

Source: Development Economics

6.12 The overall value of these services is expected to amount to £154.285 billion over the 2012-2062 period (2012 prices, undiscounted). In discounted form these are expected to amount to just over £67 billion over the same period.

Overall Value of Net Contributions

6.13 When considered together, the overall costs and contributions considered so far in this report can be summarised as set out in the table below. Hence, when the wider contributions are taken into account, it is expected that over the 2012-2062 period there will be a net contribution of £41.4 billion made by older people (undiscounted), and that this contribution is estimated to be worth £24.7 billion in discounted terms (2012 prices). This calculation excludes the cost of future State Pensions liabilities as well as the accumulated value of National Insurance contributions made by older people (and those who will reach the age of 60 over the 2012-2062 period) which has generated entitlement to State Pension payments.

Table 6.4: Northern Ireland: Summary of Costs and Financial Contributions associated with older people (£millions), 2012-2062 (2012 prices)

Source	2012 value	2062 value	2012-2062 value undiscounted	2012-2062 value discounted
Costs of service provision (excluding pensions)	2,444	6,674	231,503	92,196
Contributions via taxes made by older people	1,438	2,837	118,590	49,865
Value of volunteering and other services provided by older people	2,173	3,356	154,285	67,040
Net costs	1,167	(481)	41,372	24,709

Source: Development Economics

6.14 It is also important to bear in mind that the results presented here for Northern Ireland do not include any attempt to value additional contributions expected to be made by older people, and in particular that it is not possible to value or to compare against the costs & contributions considered as part of the table above, including:

- the value of the indirect economic benefits of childcare provision (such as additional earnings – and therefore also the concomitant direct and indirect tax receipts – generated as a result of family members being able to participate more fully in the workplace due to more affordable childcare from grandparents and other older people);
- the value of financial transfers to family members – estimated to be worth some £7.7 billion (2012 prices, discounted at 3.5%) over the lifetime of this appraisal; and
- contributions made by older people to civic life, including involvement in local democratic institutions and the governance of schools, colleges, health boards and other community-based institutions.

Assessment over 20-year period

6.15 The table below presents the equivalent assessment for a shorter, 20-year appraisal period. When the wider contributions are taken into account, it is expected that over the 2012-2032 period there will be a net contribution of £28.3 billion made by older people (undiscounted), and that this contribution is estimated to be worth £19.6 billion in discounted terms (2012 prices).

Table 6.5: Northern Ireland: Summary of Costs and Financial Contributions associated with older people (£millions), 2012-2032 (2012 prices)

Source	2012 value	2032 value	2012-2032 value undiscounted	2012-2032 value discounted
Costs of service provision (excluding pensions)	2,444	4,147	66,499	44,983
Contributions via taxes made by older people	1,438	2,332	39,470	26,742
Value of volunteering and other services provided by older people	2,173	3,093	55,295	37,800
Net costs	1,168	1,278	28,266	19,559

Source: Development Economics

Contribution to Gross Value Added

- 6.16 A further consideration is the potential contribution of older people to the overall value of expected future economic output in Northern Ireland. We have already examined a component of this contribution – in the form of workplace earnings – as part of the assessment of potential future PAYE revenues attributable to the direct earnings of older people.
- 6.17 Based on data from the Annual Survey of Hours & Earnings, we have estimated the current contribution older workers make to the overall aggregate earnings of workers in Northern Ireland, and have projected this proportion forward based on future demographic projections and estimates of workplace involvement (i.e. consistent with the assumptions regarding PAYE and National Insurance contributions considered elsewhere in the report).
- 6.18 Overall, in discounted terms, we expect older workers to contribute £102 billion of future economic output (GVA) expected to be produced within Northern Ireland, which is equivalent to 12.5% of the expected Northern Ireland total. In non-discounted terms the aggregate contribution is expected to be £244 billion (13.1% of the expected total).
- 6.19 The table below presents the summary of this analysis.

Table 6.6: Estimated Future GVA Contributions attributable to older workers in Northern Ireland (£billions), 2012 prices				
	2012-2062 GVA undiscounted	% of Estimated Northern Ireland total GVA 2012-2062	2012-2062 GVA discounted	% of Estimated Northern Ireland total GVA 2012-2062
Estimated Older Persons' GVA Contributions	244.2	13.1%	102.3	12.5%

Source: Development Economics

- 6.20 It is important to note that it would not be valid (because of an element of the wage component of GVA) to simply add the estimate for future GVA contribution to the other estimates for economic contribution presented elsewhere in this report. However, the estimated GVA provides an alternative, complementary perspective on the value of older peoples' economic contributions to the Northern Ireland economy.

Recommendations

- 6.21 The study has identified that older people in Northern Ireland generate (and are expected to continue to generate) substantial amounts of economic value, through their working, their volunteering and caring, and through their consumption and other activities. These contributions to a large degree offset the costs of the services that are provided to older people.
- 6.22 Clearly, the positive financial and economic contributions made by older people should be highlighted and publicised more widely as part of the media and communications strategy of COPNI and other organisations that act in the interests of older people across Northern Ireland.

- 6.23 Although the current and expected future positive contributions are very substantial, it is also the case that there are things that could be done to increase the value of these contributions even further. The main areas where the contributions could be enhanced further are:
- (1) increased propensities for continued involvement in the workforce on behalf of older workers; and
 - (2) increased propensities for involvement in volunteering on the part of older people.
- 6.24 In terms of workforce involvement, this study assumes rising employment rates on the part of older workers, driven by both a rising State Pension age and the continued impact of the introduction of legislation that prevents discrimination in the workplace on the basis of age.
- 6.25 Even greater involvement than the levels assumed in the modelling could be achieved through raising more awareness amongst employers of positive productivity, and other benefits, that are associated with older workers (such as lower rates of staff turnover and higher workplace loyalty that research has identified as being associated with older workers – as per the evidence cited in Chapter 4 of this report).
- 6.26 Moreover, economic and fiscal benefits would be increased if a greater proportion of older workers continued to work on a full time rather than a part-time basis. However, it should be recognised that part-time working is often preferred by workers of all ages, as it can provide for a better balance of home life responsibilities and other interests, including the ability to provide volunteering and caring services to the wider community.
- 6.27 Although very substantial amounts of volunteering efforts are already provided by older people, there is a significant proportion of older people who do not volunteer but who have the capacity to do so. Obviously, personal preferences need to be respected, but research undertaken by organisations such as Volunteer Now have highlighted that a significant proportion of the population do not volunteer because they do not realise that their skills are relevant and in demand.
- 6.28 Volunteering confers significant benefits on the volunteer as well as the organisations and communities that are in receipt of the services of volunteers. More effort to highlight the mutual and sustained benefits of volunteering would therefore provide a very low-cost way of enhancing the current and expected future value of older people's contributions still further.