



Work and Pensions Committee

Oral evidence: Intergenerational fairness HC 705-ii

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Members present: Rt Hon Frank Field (Chair), Heidi Allen, Ms Karen Buck, Neil Coyle, John Glen, Steve McCabe, Jeremy Quin, Craig Williams

Questions 71 - 139

Examination of Witnesses

Witnesses: **Sally West**, Income and Poverty Strategy Adviser, Age UK, **Dan Wilson Crow**, Policy and Communication Manager, Generation Rent, **Ashley Seager**, Co-founder and advisory board member, Intergenerational Foundation, and **Neil Duncan-Jordan**, National Officer, National Pensioners' Convention, gave evidence.

Q71 Chair: Welcome. Some of you know the procedure, and that is I ask you to identify yourselves for the sake of the record, say who you are, what you do, and then we will start the questioning with Craig. Dan, can you begin, please?

Dan Wilson Crow: My name is Dan Wilson Crow. I am the Policy and Communications Manager at Generation Rent.

Sally West: I am Sally West. I am Strategy Adviser at Age UK.

Ashley Seager: I am Ashley Seager, the co-founder of the Intergenerational Foundation.

Neil Duncan-Jordan: I am Neil Duncan-Jordan, National Officer for the National Pensioners' Convention.

Q72 Chair: Dan, just before I bring Craig in, given the case you have been putting forward so well over the last couple of years, and you represent an organisation, who is behind you? Is it Rowntree or another foundation like that, making sure your voice can be heard?

Dan Wilson Crow: We started off as a federation of local tenants' groups. We received funding initially from the Nationwide Foundation and currently our main funding is coming from the Joseph Rowntree Reform Trust along with private donations.

Chair: They are spending their money on something useful at last. Great.

Q73 Craig Williams: Ashley, in your foundation’s written evidence—I will just read it out so that I get it right—you argue that, “The main function of the welfare state is to redistribute resources between different stages of the same individual’s life rather than between different individuals”. Does this mean a particular individual’s lifetime contribution should equal their withdrawals? Is this achievable or even desirable?

Ashley Seager: I think the answer to all those questions is broadly yes. We formed ourselves in 2011 because we felt that this had become completely out of kilter in recent decades, and particularly now. As a result of rising longevity primarily, and of political decisions that affect people’s relative incomes over their lives, you now have a situation where particularly wealthy pensioners who are living a long time are starting to take more out of the pot than they paid in over their working lives, so we think a good broad principle is that people should take out roughly what they put in. It is not achievable for every individual; that would be an impossible computer model to run, but nevertheless we think the broad principle is that each generation should roughly pay for itself as it is born, lives and dies, in a sense, so that you do not get one generation hugely supporting another. Is it achievable? Yes, probably. Is it desirable? Certainly.

Q74 Craig Williams: How do you think it would be achievable?

Ashley Seager: I think that is what the Committee is here to look at. We think you only have to look at the adjustments that have happened since the financial crisis in terms of austerity, where benefits to those of working age and the young have been cut sharply but they have risen sharply for older generations—for the grey vote, if you like—and we think that should certainly stop, because it is progressively getting worse. Things like the triple lock are exacerbating the problem, which is not to say anyone wants to clobber deserving poor pensioners, but we take the view that a lot of public spending and tax breaks goes to one sector of the population, the over-60s, which Andrew Dilnot for one, the former boss of the IFS, has described as the richest cohort Britain has ever seen or will probably ever see again.

Q75 Chair: That is true. Before I bring Karen and Jeremy in, Ashley, can you just tell us which good people are backing you?

Ashley Seager: We are largely self-financed with a few donors. We are completely non-party political. We do not—

Q76 Chair: Are you crowd-financed?

Ashley Seager: No, we are not. I give my time. This is not something I do full time. I give my time pro bono to this organisation. When I was a journalist on *The Guardian* years ago I started to write about what was going wrong, even before the financial crisis, so I teamed up with my other co-founder, Angus Hanton, who also has his own business, and we work for it pro bono and we scrape enough money together to pay some researchers and so forth.

Q77 Ms Buck: Following on from that last answer, have you, has anyone, provided a factual underpinning for an analysis that shows how perhaps the post-war generations have or

have not paid for themselves, so that we can see? You have analysed a problem, but I am still unclear about the extent to which today's generation, the previous generation, the coming generation, will or will not be paying for themselves through their contributions. Above all, and underneath that, you need a little bit more analysis that says it may be true of homeowners but not of tenants, it may be true of the top 20% but not true of the bottom 80%. Has that work been done?

Ashley Seager: There is plenty of work that has been done by us, by the Joseph Rowntree Foundation, by the Institute for Fiscal Studies, by Lord Willetts's Resolution Foundation. There is a growing body of data showing where the problem lies, in housing, in pensions, in student loans and so forth.

Q78 Ms Buck: Can I stop you? I understand that. I have seen an awful lot of that information. We have seen some of it at the Committee. What I have not seen is ideally even a graphic representation that goes to the heart of what you have just analysed, which is we are all talking about some generations paying for themselves or not, some generations being better off than others, but I have not seen that data brought together and analysed so that I can say that the generation that are retiring today are benefiting a great deal more than they paid in, but the generation that will retire in 20 years will not, for example.

Ashley Seager: We have looked at doing a broad study like that. We do not have the money at the moment. It is a big undertaking because there are so many variables of which age group you take, precisely when, as they move through life. We have not specifically done it. We have tried to put a number on if you were born in 1950 you received this, this and this. If you died or have not yet died, you have had this, this and this, but there are so many dependent variables, such as what age you retired at, did you retire with a public sector pension or a private pension? Did you have a house or not? How much did it go up in value? We have found that it is an enormous undertaking that does need to be done. We have not done it specifically.

Q79 Ms Buck: I worry slightly, as someone who can believe in the concept of this inquiry, that that very fundamental factual base on which we are making these assumptions does not exist.

Ashley Seager: I think that is a harsh conclusion. I know where you are coming from, and I have some sympathy with it. We have sat in our meetings and thought, "How do we do this?" and the answer is we do not have the computing or the financial power to do it ourselves. We have been talking to people like the IFS and the Joseph Rowntree Foundation, "Let's get this done. Let's do the sort of once-and-for-all Stern review kind of report on this." It needs doing. We all know the direction that things are going and that things are getting worse but we have not put precise numbers on it.

Q80 Jeremy Quin: In response to your last question to Craig, I am checking how sure we are of the position going forward in terms of those retiring. There have been a lot of comments that we have the richest generation of pensioners retiring right now, and that may be true. We still have quite a lot of DB schemes working their way through, a higher proportion of home ownership than has been the case for former generations. Looking forward, there may be a case that a triple lock is necessary because pensioners will not be retiring in such a good financial state in five, 10 or 15 years' time. I just wonder if you can

reflect on that—whether we are being unfair to future pensioners because one particular cohort that is going through now, the baby boom generation, have had a luckier time than some earlier generations.

Ashley Seager: Assuming, in a sense, if we make changes now, does it impoverish young people when they become pensioners?

Jeremy Quin: Exactly. I am worried that we may look at a particular cohort that is going through right now and make changes to pension provision that will affect a future generation coming through that may be less financially secure than today's pensioners.

Ashley Seager: Our analysis shows that whatever you do, future pensioners will be poorer than today's wealthy pensioners. That is leaving aside today's poor pensioners, who are not our concern. It is almost certainly true that that will be the case. Our worry is that all the burden of adjustment currently is falling only on young people, and that those safely over what we call the drawbridge—safely into a DB-funded retirement with a house, with a mortgage paid off that was paid one-third by the taxpayer through MIRAS and so on—the drawbridge is drawn up and everyone else falls into the moat around the castle. Some adjustment is necessary. We recognise rising longevity means you have to work longer and you are almost certainly not going to have as comfortable a retirement as those currently retired. We wish that state pension age had been raised earlier, as I think Lord Willetts or perhaps Steve Webb, or both, said to you two weeks ago. That would have been good.

It has to happen. We acknowledge that there is a lot involved for future young people. At least if you are raising the state pension age now, you do get to a stage where people such as myself, in their 50s, homeowners for some decades, quite comfortably off, get caught and have to work longer as well. At least they are sharing in that adjustment, even if they are not yet over the drawbridge.

Q81 Heidi Allen: Neil, I don't think you are a fan of this debate, are you?

Neil Duncan-Jordan: No, I think that is unfair.

Heidi Allen: Okay. Well, that is what I was going to ask you. What are your views on this debate about intergenerational fairness? Do you think it is a distraction from real inequality issues? Is there any sympathy for this debate, and do you see merit in it and people feeling this way?

Neil Duncan-Jordan: There is merit in debate always, of course. I think the problem is to try to pitch one generation against another, and that is our concern. These debates tend to, on occasion, have that tone about them.

Chair: I felt sure she was attacking me, Neil.

Neil Duncan-Jordan: We take the view that austerity has affected young and old across the board. We do not want to get into a position where somebody says the cut to the housing benefit to the under-25s is better or worse than the £4.6 billion that has been cut from social care. That is a divisive and race-to-the-bottom argument, which we really do not want to get involved in. How can you pitch that against the other? I think that is very negative.

Ashley's point about the drawbridge is interesting. It is not one that we would subscribe to. This idea that there is a generation that pulls up the drawbridge and does not then help its fellow members is complete nonsense, when you look at how families operate. I was at a meeting in Winchester earlier this week. Pensioners are members of families. They are concerned about their children and grandchildren, just like the grandchildren are concerned about their grandparents.

This idea that there is an antagonism is why we described it as a phony war. We do not believe there is that antagonism between older people and younger people. It might appear in the media, it might appear in think-tank reports and so on, but it is not how we live our lives. That is just not how we get along. The problem is that there is inequality in Britain—rising inequality. The top richest five families own the equivalent wealth of the bottom 12.5 million people in this country. That is a massive problem of inequality that cuts across age groups. It is not about “pensioners are rich and younger people are poor.” It is about there is a group in society that is considerably richer than most other people. That is why we were worried that the Committee might take a distraction or a turn to not look at the real issues, but we are very happy with the debate, of course.

Q82 Heidi Allen: Can I just follow on from that? You are absolutely right and nobody wants to do that, because ultimately it is not the fault of either end of the spectrum. It is Government policy that drives people to live the lives that they have. We are trying to be a little bit more analytical about it in terms of, is there evidence that where public funds are being focused we are creating that imbalance? Do you see any evidence of that?

Neil Duncan-Jordan: Yes. One of the things that we called for George Osborne to do, and obviously he is not going to do it, was to reform pension tax relief. There is no justification that the most tax relief subsidy goes to the better-off. That is absolutely ridiculous. We argued we should have a 20% flat rate and the money that was saved, which we calculated to be £12.5 billion, should go to fund our social care system which is in crisis at the moment. That would be a better use of public money. You are quite right. One of the problems that I found with some of the contributions that people have made to the debate is about the housing issue. The assertion to pensioners, “There is an assumption that you bought your house in the 1960s and it rose in value because you have stayed there all that time and that is your fault,” which does come across, is nonsense. That is not their fault any more than younger people are now benefiting from low interest rates and that is their fault, and older savers are not getting a return. It is wrong to look at it in that way.

Q83 John Glen: May I come in here? I totally accept your observations on inequality in society, and the Committee and all parties would probably be very interested in that and ready to do an inquiry on that. What we are really talking about here is the equitable distribution across different generations in an era of constrained resources. It is a fact—it is not a fault but it is a fact—that people who bought houses in the 1980s did it on a very different basis of debt and affordability than today. It is also a fact that the low interest rates are having an impact on savers, on people with savings of a senior generation, and are an advantage for mortgages. There is no need to load this debate with an emotive “Whose fault is it?” What we are trying to understand, and surely it is legitimate for us to do so, is the distribution and the balance of emphasis of support that we give as a society across our welfare system to different generations. Surely that is a sensible thing to do when we have constrained resources. It is about quantifying the advantages that the different generations

have had and where they have got to. Is that analysis not a more reasonable one rather than loading it up with other issues that we could probably look at better separately?

Neil Duncan-Jordan: To be honest, a lot of the issues are connected so it is not easy to isolate them. There is no problem in looking at it, but what are you going to do to people who bought their houses at a different period and are now retired? If you think they are too wealthy or they have gained too much, which is the implication of what you are saying—

John Glen: No. See, this is wrong. I am not saying—

Neil Duncan-Jordan: Well, I am not quite sure what you are saying.

Q84 John Glen: What I am trying to understand is that over different generations there are different advantages and disadvantages through the experiences they have had. We can surely profile with reasonable assumptions the different experiences of different generations and we can draw some conclusions about the distribution of support that we are giving to those generations today. I am a bit surprised that you take this proactive, pre-emptive defensive position before we have reached an analysis that Karen is trying to drive at where we know the facts of the situation.

Neil Duncan-Jordan: I suppose my concern comes from the initial call for evidence that was put out by the Committee, which did imply rather, in fairly negative terms, that there was a group of pensioners that are basically stealing the future of future generations. That call-in notice was very badly worded, in my view.

Q85 John Glen: We will have a word with the Clerks, but I suppose we are responsible ultimately. I just don't accept the basis of your response.

Neil Duncan-Jordan: Fair enough, and I don't accept yours—

John Glen: What I was trying to say, from my point of view, and I think the Committee's point of view, is that we want to try and get to a fair assessment—

Neil Duncan-Jordan: I understand.

John Glen: —of where we as a society treat different generations, in order that we can have some informed conclusions about the distribution of limited welfare payments and resources. There is no question of blame. It is a question of facts of different life experiences. I accept the data are not complete, and that is probably where we need to think about it.

Q86 Chair: Neil and then Sally, may I ask you questions about the triple lock? In fact this inquiry began with the triple lock. Neil, the statements that you have been making present the triple lock as being about maintaining living standards in the future for pensioners, but is it not true that what it will do is make up for what are perceived relative losses of pensioners from previous decades? The triple lock as it now stands must improve the relative position of pensioners, mustn't it?

Neil Duncan-Jordan: Absolutely. Just to take you back, in 1980 the link with earnings and the state pension was withdrawn, of course. At that time the basic state pension was 26% of the average earnings. Now it is 18%, so over that period we have seen the sort of loss

that you are indicating. We had the 75 pence debacle in early 2000. Gordon Brown introduced a 2.5% minimum because he did not want that happening again.

Q87 Chair: Although he caused it to happen, did he not?

Neil Duncan-Jordan: Yes, absolutely, but he regretted that later, I think, and so the 2.5% minimum came in then. Then the coalition Government in 2010 changed the link from the Retail Price Index to the lower Consumer Price Index, and introduced the triple lock as part of that. I have seen reports that it is unsustainable. In four of the last five years the old system of RPI and 2.5% would have given you more than the triple lock, so it is only in this latest round that the triple lock has delivered a 2.9% increase because earnings in September 2015 were 2.9%.

There was an argument, very prevalent around the late 1990s and beyond, that pensioners needed to share in the growing prosperity of the nation, and indexation was a way of doing that. Barbara Castle obviously had the link between the best of inflation or earnings. That changed over time and now we have the triple lock. The triple lock is not unsustainable, but you have to bear in mind that you have to have some form of indexation. You have to tie it to something, otherwise people will be left with the same amount of money year-on-year-on-year. At the moment it is 2.5%, CPI or average earnings. These things fluctuate. In September average earnings were 2.9% but pretty soon afterwards it was much, much lower, and now it is lower than 2.5%.

Q88 Chair: The aim of the lock, Neil, is to ensure that pensioner incomes increase with national prosperity.

Neil Duncan-Jordan: Indeed.

Chair: That will be the single link, would it not? What you have now is two other links that in fact can ensure that you increase more than that in certain circumstances.

Neil Duncan-Jordan: The 2.5% guarantee is there to avoid people getting a zero increase or a very low increase. For example, if we just had a link with inflation—CPI—

Q89 Chair: But Neil, if the country got a zero increase, why are we making out the case that pensioners should get above that?

Neil Duncan-Jordan: Because we are talking about older people on very limited incomes. You know, 2.9% of £115 is only 3 quid a week more. These are not huge amounts of money that we are talking about.

Q90 Chair: No, but your argument is now different, isn't it? It is now about being an anti-poverty weapon.

Neil Duncan-Jordan: No, it's—

Chair: Because you are putting it forward that pensioners—and it is not true of all pensioners, but true of too many of them—are relatively poorer than many other sections of the community—

Neil Duncan-Jordan: That is true.

Chair: —and that the triple lock will protect them, but it also protects people like me, who does not need it.

Neil Duncan-Jordan: It does, but pensioners on higher incomes pay tax, of course.

Chair: But even after we have paid tax, Neil, it is still a pretty good deal.

Q91 Chair: Sally, I am not saying you shouldn't have your cake and eat it—it is quite a good philosophy to have, if you can get it—but what you are saying is that, if I may put it very crudely, the younger generation should shut up on this issue, because when they get old they will get all the benefits, such as the triple lock, that the pensioner lobby is delivering for them. But isn't it true, given that society probably feels it is unsustainable, unlike what Neil has argued, they will only get that better deal by drawing it for much fewer years? So it is a slight distortion of the debate to tell younger people just to buy into this for today's pensioners, because they won't get it on the same terms when they reach a more distant retirement age. Might you respond, please?

Sally West: It is certainly true that state pension age is going up, as we all know, and is likely to go up further for younger people. I am not sure that that is because of the triple lock. I think that is considered in line of longevity and other aspects.

Looking forward, if you think about the new state pension, which anybody reaching state pension age from next month will receive, all the costings the DWP has done are based on assuming that there will be a triple lock going forward indefinitely. And even looking at those costings for the triple lock, we all know that some people will be better off and some people will be worse off as a result of the new state pension, but going into the future the new state pension will cost less than the current state pension system, had it continued. And that is with the triple lock. If you take away the triple lock, it is going to reduce future pensioner incomes even further.

Our concern is lower-income pensioners and future pensioners, and the state pension is a really important element of income for current pensioners and for future pensioners. If you look at, for example, the work by the Pensions Policy Institute, they have looked at the difference that uprating the new state pension by the triple lock will make going forward. We are talking about younger people now and what they will receive in the future. The chance of having what they have defined as an adequate income is much increased if you have the triple lock for a younger worker on lower income. From the more recent work they have done on under-pensioned groups—looking at women, people from black and minority ethnic groups, self-employed, disabled people—you can see that their income, compared to the same research a few years ago, has improved because the state pension is going to be better for these groups. But again you can see that if the triple lock did not stay in place then that will make quite a substantial difference to their income.

I think the arguments that state pensions are about current pensioners needs to be put in the context of the lower-income groups, who are younger now, that I think we are all concerned about. They will be even more reliant on a decent state pension.

Q92 Steve McCabe: I want to ask about this idea that you want to raise the state pension age faster—the sort of thing that the Cridland review is probably going to look at. The Intergenerational Foundation is quoted as saying, “This is the best way to guarantee intergenerational fairness”. I have to say, I am not quite clear how that works. I would have

thought that if you were a younger person and we embarked on a rapid escalation of the state pension age, you stand to be quite a substantial loser. Could you explain that to us?

Ashley Seager: It is really as I said before, that if you have increasing longevity—I come from an economics background—you have to recognise that people will have to work longer if they are to have a longer retirement. We have to accept that that does impact young people, but it also includes quite a few late boomers like myself, in a way. We are saying yes it has to happen, but it might as well happen sooner rather than later, because if it is left too late, the burden on younger generations and those not even born will be that much greater, if you see what I mean. It is a question of speed of adjustment.

Q93 Steve McCabe: I do see what you mean, but what I am trying to figure out is, if you are, say, in your early 20s at the moment and you are being hit with tuition fees, the difficulties in housing, the need to save for a pension and the contributions you are making to existing pensioners, and what you can look forward to is a rapid escalation, is that really about creating more intergenerational fairness? It sounds to me like you are getting lumbered with the bill for what has happened before.

Ashley Seager: We realise this is a tricky area, because it is a question of do you consider that young people will be young forever? You are dealing with a moving feast, that young people become middle-aged and then become old. We believe in fairness between all generations at all times if possible. We realise that there is a late adjustment to unexpectedly fast increases in longevity and we would want that adjustment to happen in the most even way possible, because we can't sit here and just say, "You can't raise the state pension age because it will kill young people." We do recognise that there is an adjustment that needs to be made. We would want the adjustment to be recognised in things like universal benefits paid to older pensioners. We would like them to be reduced, or linked, or given only to pensioners whose only income is the state pension. We want the drawbridge generation, if you like, to make some contribution to the fact that they are living longer. No one is blaming them for that, Neil. I think it is great that they are living longer.

Neil Duncan-Jordan: They are not always healthy, of course, but they do live longer.

Ashley Seager: That is another debate. We think rising longevity is fantastic, and it is no one's fault that they are in a house that has gone up a lot in value. We are pointing out that those perks and benefits won't be available to today's young and generations not yet born.

Q94 Chair: I am interested in your comment about housing being a perk. It is more than a perk; it is the gold reserves, isn't it? If you look at my pattern of buying in London, where I wanted to buy, a place where I could never ever think about buying now, where I was totally overwhelmed by indecision when I went to Birkenhead, the house I was going to buy was sold last year. The price was less than £23,000. It was sold for a sum that was more than I have earned as an MP. That is Birkenhead, which is marvellous news for those in Birkenhead who have got hold of the gold reserves.

John Glen: You mean in terms of 37 years?

Chair: Yes, 37. It is more than I earned, a rather nice house in Birkenhead, but nevertheless it has given a capital gain of more. So housing isn't a mere perk. I think it is

fundamental to this shift in resources, because people coming along behind me are going to have to pay £800,000 instead of £23,000.

Ashley Seager: Correct.

Chair: That is the big gain, isn't it?

Ashley Seager: Yes, it is a very important analysis, but that is not available, almost certainly, to young people.

Q95 Chair: But my gain, both in London and could have been elsewhere, has been at the expense of young people. I merely wanted to pick you up on the phrase that it was a perk. It is not a perk. It is one of the big drivers of this debate that we are discussing.

Ashley Seager: Yes. It is one of our key focuses. As an economist, what you realise, looking at the housing market, is that rising house prices don't make the country any richer at all. They just transfer, exactly as you say, money from young people to old.

Q96 Neil Coyle: The Government are not building enough housing, rather than those who have been fortunate enough to buy at the right time.

Ashley Seager: Yes, that is part of it.

Q97 Jeremy Quin: I wanted to continue that train of thought for a minute. It has always been the case that those who are lucky enough to own their own home—and back in the 1950s that was a much lower proportion than has been the case for the last 30 years—have tended to then pass it on to their children, or there was an inheritance that flowed from it. That has obviously always been the case for those who are lucky enough to own their own home. That still remains the case today. The reality is that because of longevity the people inheriting that home are no longer young.

Ashley Seager: They are often retired.

Jeremy Quin: They are often retired, but it is just a thought that, as a result of longevity, there has been a slip in the generation that is fortunate enough to inherit the home. People are inheriting it too late to use that as their family home, but they are still receiving it and they still in some cases, rashly or not rashly, will have the expectation that they will receive that inheritance. Is the real unfairness between those who don't have parents who have homes, or family that have homes, and those who do? I wonder whether we are miscuing on this.

Ashley Seager: I think you are absolutely right, because people come forward with, "It is okay, because the high house value will trickle down," and we call for grannies now to skip a generation and pass on to a 30 year-old, rather than a 60 year-old, but that is not really the thrust of your question. It is that if you don't do something about this you maintain inequality within generations over generations. The haves remain the haves, the have-nots remain the have-nots, and it gets worse the more house prices rise. That is absolutely correct.

Q98 Chair: It is also how housing, the gold reserves, is being handed down within particular generations. The chances are if you have your own house and there are other people in the family whose houses will come to you, or be shared among a group of your age group, it is how those gold reserves are being concentrated among the few at the expense of the many, isn't it? It is not just our own owner-occupied; it is our family structures. We all got on the ladder at the same time. There is quite a lot coming down to us through the generations.

Ashley Seager: But of course when we got on the ladder back then we also had tax assistance, didn't we, through MIRAS?

Sally West: I think there is perhaps quite a lot of agreement on this. Older people worry about their children and their grandchildren and I think throughout this debate people don't just think about people of the same age; they think about their families. Where a 60-year-old is much more likely to inherit a property than they would have been in the past, if they are well off they will be supporting their children, so I think it is that support within the generations. Our concern is that if the debate focuses on, for example, means-testing winter fuel payments, that is not really going to address the fundamental issues of whether there is housing, affordable housing for younger people, or indeed suitable housing for older people who wish to move. I think those are broader issues than we can solve by looking at changing the triple lock or the winter fuel payment.

Q99 John Glen: Can we turn now to the issue of pensioner benefits and winter fuel payment, free television licence, bus pass? Despite the fact that some of these things were brought in in 1997 and 2000, so they were not part of the social contract—they were added on—I think most people would feel very comfortable that the poorest pensioners would receive these. I understand, Ashley, your proposal is to have means-tested benefits, but how can that be done without adding complexity? The argument has always been that it is expensive to bring in this mechanism of means-testing, and reducing the take-up of those who really need it but may feel stigmatised for applying for it. Do we not have a problem where although there is probably broad agreement about people buying cashmere jumpers and claret—which is what some of my constituents have said to me on occasion, a small number I must admit—that is not really an appropriate use? Obviously there are mechanisms to put that money back, voluntary schemes, but rational economic behaviour says that if you receive something you hold on to it, and that steps have to be taken. Are we not into a problem here in terms of how to change this, given the cost of your proposal?

Ashley Seager: No, I don't think so, because we means-test every other generation without seemingly having a problem. I don't see why that argument really holds water. You can quite easily do these things. The DWP has lots of computer programs.

John Glen: Some of them work too.

Ashley Seager: That is helpful.

John Glen: Child benefit.

Ashley Seager: I think the argument is lazy that it is too difficult and too expensive to means-test for pensioners when we means-test for every other sector of the population.

Q100 Chair: It would not bring much money in, would it, Ashley?

Ashley Seager: Steve Webb told you that it was a rounding error, the winter fuel allowance. He said it was £2 billion. Actually it is £3 billion, but if you add up bus passes, winter fuel allowance and so on, they come to £7 billion or £8 billion a year. I am reminded of a US Senator who once said, “A billion here, a billion there and soon you are talking serious money”. £7 billion or £8 billion is serious money. I would take it away from wealthy pensioners and give it to poor pensioners, for example; increase the basic state pension but restrict it to the poorest.

There is something going wrong. I met a wealthy pensioner the other day, who said, “Me and my friends love it when the winter fuel allowance comes in. We book London’s top restaurant and go for a massive splash-up meal.” Is that an appropriate use of public resources at a time when we are borrowing £80 billion or £90 billion a year and the national debt is 83% of GDP and rising? I don’t think it is. Is it fixable? Of course it is. Does it play well on the doorsteps with pensioners? Probably not; and with wealthy pensioners who vote, almost certainly not.

Sally West: I would suggest that there are not that many very wealthy pensioners.

Ashley Seager: Our figures show that there are 2 million pensioner millionaire households now.

Neil Duncan-Jordan: The DWP thing showed the number of people paying top rate tax is about 300,000 pensioners, so it isn’t quite 2 million.

Ashley Seager: Wealth held in pension funds and houses.

Neil Duncan-Jordan: No, I am talking about paying tax. This thing about housing and wealth, you only realise that when you sell it. That is a nonsense argument about people sitting on all that wealth. It is only realisable later on in the day. But I want to go back to your point, John—

Q101 Chair: Before you leave that, though, it is not totally accurate, is it? My living standards are relatively higher than they have ever been, because I have no housing costs.

Neil Duncan-Jordan: Yes, I understand that.

Chair: I have a big capital store because of that housing.

Neil Duncan-Jordan: Yes, that is the point I am making.

Chair: But it also makes sure that my living standards are higher, because I now have no costs attached to it.

Neil Duncan-Jordan: Well, you have maintenance costs and so on and so forth.

Chair: But they are minor, aren’t they?

Neil Duncan-Jordan: Well, compared to a mortgage yes, of course they are. The point about the means-testing is that you have to draw a line where you are going to means-test, of course. At the last election Labour said that they would means-test at around about £42,000. That was their assumption—that “wealthy” was that level. If you did it at pension credit level it would be considerably lower than that, of course; we are talking about less

than £10,000 a year. The amount that it would have raised at the £42,000 level was about £150 million—a very, very small amount. I take on board Ashley’s point that all money is money, but it is not billions of pounds. That is the reality.

You have to look at why we’ve got a lot of these things in the first place. We’ve got a lot of these additional universal benefits because our state pension is widely regarded as inadequate. I mean, £115 a week after paying in 30 or 40 years’ national insurance is not a huge amount of money on the basic state pension.

Q102 John Glen: Moving to £155 in the years ahead.

Neil Duncan-Jordan: We are talking about existing pensioners, of course.

Q103 Chair: Neil, wasn’t it more than that, in that these sops were handed out so that a Government did not have to increase the basic rate, and because they were not part of the basic rate they did not have to be uprated?

Neil Duncan-Jordan: Absolutely, and the winter fuel payment when it was first introduced covered about a third of the average fuel bill. Now it is about an eighth. In fact it was cut by the last Government. It hasn’t kept pace because it is not linked to anything.

Q104 John Glen: Do you think it is an efficient mechanism for the poorest pensioners?

Neil Duncan-Jordan: Paying things universally is the best way of getting it to those who need it most; there is no doubt about that. Because if you means-test, all the evidence shows that of some of those who need it most don’t come forward to claim. So it is the best way of targeting, if you like, but of course you give it to everybody. Our view is that you could use the taxation system to address that on the wealthier pensioners who have been identified—the ones who are buying claret or going out to restaurants or whatever. We accept that. But means-testing would be inefficient and expensive, and it probably would miss some of those who need the help most.

Q105 Steve McCabe: I wanted to ask Ashley about these savings. I don’t know how much serious costing has gone into this, but presumably there is quite a high level of administrative costs by reverting to that means-testing approach. As I recall, that was largely why that was ruled out when things like the winter fuel allowance were introduced in the first place. Has that been factored into the figures you are giving us today?

Ashley Seager: I always find it hard to accept when one generation or two generations are told, “We are going to cut tax credits or child benefit, that is fine, but we can’t cut anything for pensioners because it is too difficult.”

Q106 Steve McCabe: No, but that is not the question I asked. I asked: have you factored in what the cost of the means-testing element that you are proposing would be?

Ashley Seager: We have done an FOI to the Treasury asking that and we are waiting for an answer. We do not really believe that these costs are very high. We would scrap winter fuel allowance—just scrap it. Alistair Darling told me once that it was brought in on the 75 pence debacle, which I didn’t think was a debacle. Inflation was very low and I was not

sure why one section of the population should be better rewarded over inflation than any other at the time, but politically it didn't play well on the doorsteps.

Chair: It certainly didn't.

Ashley Seager: No, I can imagine, even though as an economist you would think it is linked to inflation, inflation is very low, happy days for everybody, in a sense. So I didn't think the 75 pence thing was a disaster at all, but that is the origin of the winter fuel allowance. Something else was brought in at the time as well, but that escapes me right now. I don't think the costs are high, no.

Sally West: Can I pick up on the issue of means-testing? Ashley, you said that lots of systems are means-tested, and they are. Most pensioner benefits, low-income benefits are means-tested, pension credit, housing benefit. For all the efforts that we are all making all the time we know that about one-third of pensioners entitled to pension credit do not take that income up. There has been a lot of work within DWP, within organisations. We are trying all the time. A lot of what we do is helping people fill in forms but for various reasons, which I won't go into in any detail here, we know that means-tested benefits just don't always reach some of the people who need them most.

Ashley Seager: Our argument is essentially that more money that is given to rich pensioners should be focused on the needy pensioners and the poorer ones. There is no point in binging people like my mother even more money than she is already enjoying at the moment, as a retired teacher with a paid-off house.

Q107 Neil Coyle: Would you include attendance allowance as one of the benefits you would means-test? What is the Intergenerational Foundation's position on this? You made the point that other groups are always subject to means test. That is not the same for the disability allowance, the personal independence payment or attendance allowance. Would you include those benefits in your means-tested system?

Ashley Seager: We will have to come back to you on that. I personally do not have a view on it.

Q108 Neil Coyle: Contrary to the Chair's question earlier, I did have a quick look at Age UK's submission and I could not find anything in there suggesting young people should shut up—I will just say that to start—but what you do say in there is that half of pensioners in work would not qualify, or do not earn enough, to pay income tax. But we heard from the chair of the Resolution Foundation who was saying that you can have two people doing the same job side by side and one of them pays national insurance and the other doesn't. I know they are different but he was suggesting that that is quite a hard system to defend. What is Age UK's position on that? Would it not be fairer to have two people working in the same place, doing the same job, of different ages, both paying national insurance?

Sally West: Yes, I can understand the arguments for that. I guess the arguments on the other side are that we are wanting people to carry on working, staying active, as long as they can if that is what they want to do and it is potentially a disincentive for people who have not had a chance to make much private provision and want to eke out their pension income. I think there is also an issue around the nature of national insurance and the state pension. Although it is a pay-as-you-go system, our state pension is based on having made

contributions for many years. I have already had people coming to me and saying, “I started working when I was a teenager. I have been working for well over 35 years. Why is it that I still pay national insurance when I’ve not reached my state pension age yet?” and I guess people who had already perhaps paid national insurance for many, many years might feel it was unfair that they continue to pay after state pension age. I think we would need a bit more analysis. What is the income that it would bring in? What do people think about it? We have not discussed it with the sort of panels that feed into our policy work. I think there are probably arguments on both sides.

Q109 Neil Coyle: We explored that in one of the other sessions and there does seem to be a lack of evidence to suggest it would be a deterrent to older people continuing in work, but doesn’t this come back to the same point you were making before about the personal willingness to support your own family versus the public need to support the whole of society? It is Government’s job to make that bigger. National insurance is not just for you and when you pay national insurance it is not just—I’m not paying for myself, I am paying for broader society to benefit. So I would be interested to see Age UK develop more on this.

Sally West: Yes. I think there is quite a debate about whether you think national insurance is just another tax or whether you think it is more similar to a contribution towards a private pension where it is not directly related to what you pay but you have to have this long contribution record in order to get a state pension. It is considered a bit in the recent Office of Tax Simplification report on aligning tax and national insurance and again they say people argue on both sides, so it is perhaps an interesting one to consider further.

Q110 Ms Buck: I am going to annoy Neil in a minute as well, so stand by for that. Dan, can we go back to housing? What I would like to ask you is for some thoughts on the distributional impact of housing. What is happening in terms particularly of social security? We can open it up as we have done a little bit into aspects and the whole agenda, but I am interested to know what the changing patterns of home ownership and tenure shift mean for state spending, and in particular welfare spending on housing support, and also incomes and what is happening to people at different ages in different tenures and how much income they have left after housing costs, because that is obviously a key driver of poverty for people among the younger age groups. Can you tell me a little bit about what is happening with tenure and what it means for social security and for income?

Dan Wilson Crow: If we go back 20 years or so to when house prices were at a multiple of income of 2 or 3, someone buying in the 1990s will be paying off their mortgage by now. They may well have bought when they were in their 20s so they may have another 20 years of working left with no housing costs apart from maintenance and so on. A generation later, 20-something, there is no option really but to rent. House prices are so high that they need a really high deposit to be able to access a mortgage that has affordable repayments. The cost of rent they have to pay under a system where we have market rents means that they have less to put away at the end of the month. A lot of those people are claiming housing benefit. Nearly 1.5 million private renters were in receipt of housing benefit late last year and about half of those are in work. We are seeing people needing to supplement their incomes from work, their earned incomes, with benefits.

Q111 Ms Buck: Can you clarify what I think is the case—that the trend to claim housing benefit as a private tenant in work is going up?

Dan Wilson Crow: It is, yes. It has more or less doubled since 2008. When you have more people renting, they are renting for longer, taking longer to eventually buy a house or indeed they might not buy a house while they are still working, we will see more people depending on housing benefit while they are working. If they are not claiming at the moment, once they retire they may well need to start claiming housing benefit if they do not own a home. At the moment there are about 1 million private-renting households where the head of the household is aged between 45 and 65, so in the next 20 years they are likely to be retiring and still renting privately because it is so difficult to get a mortgage past the age of 40. That would essentially quadruple the number of pensioners who are renting privately and you can see the impact on the housing benefit bill because of that.

Q112 Ms Buck: The second part of the question is: what do we know about what is happening to disposable incomes for people in the private rented sector, not entirely but partly because of the disconnection between local housing allowance rates and what is actually happening in rents? Can you tell us from your experience what is happening to the incomes of private renters? Are they getting poorer?

Dan Wilson Crow: Rents have been going up faster than inflation in recent years. The Office for National Statistics has recently changed its methodology on that. We are seeing 2.5% a year in rents. If you are getting a new tenancy, that is likely to be a larger increase than if you renew your current tenancy. With rents essentially going up faster than earnings, that really eats away at someone's income, combined with other expectations put on private renters because of the stage of life that most of them are at. There will be graduates with student debt to pay off where they expect to pay more into private pensions, there is a lot of pressure on their disposable income, and many people are struggling to lead the sort of life their parents might have led, whether that is starting a family or just enjoying increasing living standards as they develop their careers.

Q113 Ms Buck: Perhaps Ashley and Dan, before I annoy Neil: is there a tax-social security answer to this, or at least is there something that you would suggest that needed to be done within the tax and social security systems to try to address the particular issues around the growth of private renters and what is happening to their incomes?

Dan Wilson Crow: There have been a number of attacks on young people's eligibility for housing benefit, which is part of the problem. Under-35s are only eligible for a shared-room allowance and that really limits where they can live and constrains that age group. We would like to see that reversed. But ultimately we see it as a problem of supply in the market generally, so to really fix the problem you need to build a lot more houses.

One other thing we would like to see—it is not a tax and benefit system area—is limits on rent increases within a tenancy. In a lot of areas where there is high demand a landlord might feel they can get away with raising the rent by 10%, 20%, because the tenant has no option, really. Limits on that would help stabilise renters' lives. They would not have to face moving. Evidence suggests that a lot of landlords will limit, will not raise the rent by an unreasonable amount year on year, so we would like to see that become an accepted standard in the industry.

Q114 Ms Buck: Before I ask Ashley on that, I was very struck by the work that Danny Dorling has done, which you are probably familiar with, the concept of the golden generation in terms of home ownership; a version of what Frank was saying. Only half of today's 85-year-olds had a mortgage in their 50s. Then it went up to 86% of today's 60-year-olds, and today's 30-year-olds haven't got there yet: home ownership is only at 36%. So it is not linear; it is peak and trough. There is a real risk, isn't there, that that pattern will lead to a greater concentration of home ownership, which in turn will feed the private rented sector, which in turn will drive up the housing benefit bill? What can we do about that?

Ashley Seager: Basically on the tax and benefit question on the housing sector, we approve of the Chancellor's recent reduction of the tax benefits enjoyed by buy-to-let. We brought out a paper on that. We like to think he was following our recommendations but he probably wasn't. We think there is an awful lot of work to be done on downsizing by the older generation. Probably our most important report showed that 25 million of Britain's bedrooms, roughly a third, are empty; even after you allow for one spare room per dwelling they are empty.

Chair: We will come back to that in a moment.

Ashley Seager: They are mostly held by those above 60. Families no longer live in family homes. We think you should reduce stamp duty to zero for the over-60s who downsize as an incentive for them to do so. We would also have fewer restrictions on rent-a-room so that these rooms are more used. We have done some work showing that you could quite easily create 4 million new homes by tweaking the planning system to allow what we call downsizing-in-situ, where you own a big house, you divide it into two flats and you live in the lower one and you are still with your friends in the neighbourhood, and so on. We do not think you can build your way out of the housing crisis, that you are dreaming if you think you can. Our work shows that of 200,000 houses built a year, under-occupation by the old takes nearly half away because this is a moving feast. We do not have a crisis of housing; we have a crisis of distribution of housing. That is our view on this.

Q115 Ms Buck: May I ask one question to Neil? I don't want to encroach into the next question. I am playing devil's advocate slightly. In your view, is it reasonable that single people, who are mostly pensioners, enjoy a 25% discount on their council tax?

Neil Duncan-Jordan: It is not just pensioners who get the single-person discount, of course.

Ms Buck: Of course not.

Neil Duncan-Jordan: And you are opening up a whole thing about whether council tax is the right way to raise local government finance and I don't think it is.

Ms Buck: You are deflecting that nicely.

Neil Duncan-Jordan: But that is a whole new debate, isn't it? We think that downsizing isn't a problem for older people in the theory of it, but in the practice it needs quite a bit of help to move at later life, particularly in your 80s or beyond, and that help is not really available. Everybody who has ever moved knows how stressful it is. The later in life that is, the more it is a problem, but despite what you might think, there aren't that many

suitable properties around for older people to downsize to. That is one of the real issues. We have to be careful about saying to people, “That is your family home; you’ve got to move on.” We have to frame it properly. I know Ashley was not saying that, but we have to frame that debate properly.

Ashley Seager: Agreed.

Neil Duncan-Jordan: Assistance rather than a stick; carrots rather than sticks might work. But part of that answer has to be building suitable properties.

Q116 Ms Buck: We actually incentivise people to live alone through the council tax system.

Neil Duncan-Jordan: I am not sure it is a chosen path taken by older people who have lived in a house and then their spouse dies. I think it is a bit crude to say that giving them a 25% discount is incentivising them to stay there. I just don’t see that.

Ashley Seager: It is reducing the encouragement to move, probably.

Neil Duncan-Jordan: You need encouragement to move, not reduced encouragement. You need other encouragements to move. I don’t think it is about that.

Q117 Heidi Allen: Following on from exactly that, because I have to say I do agree with Neil. I look at my mother-in-law, who lost her husband very early on in life, and she does not want to be on her own and it is not about the discount she gets on the council tax.

Ms Buck: I wasn’t talking about life. I was talking about benefits.

Heidi Allen: No, but just on the topic of encouraging people, what could we do to encourage people to downsize, because ultimately this is all about housing, isn’t it, not enough to go round so values go up? An idea we came across last time we took evidence—I am interested in the panel’s thoughts—is would there be merit in not charging stamp duty for people who move to a smaller house? I don’t know how you would do it, smaller or less expensive. What are your views on that?

Ashley Seager: That is exactly what we are calling for. As well as assistance, as Neil says, hand-holding through the process for an 85-year-old who wants to downsize, encouragement through the planning of more suitable housing for older people to retire to. What we basically need to do is swap old people in big houses and families who are in small flats. We need to swap them. It is a lot easier said than done, of course, but there must be ways to do it, financial ways to do it through stamp duty, assistance, hand-holding in some way. You guys could get involved or the Government or estate agents; who knows? But there must be ways to do it and that is where, in our view, the problem really lies. You won’t build your way out of this crisis, I don’t think. We need to free up the empty bedrooms.

Sally West: I think you have got a lot of agreement here that there may be some sort of financial issues, but for a lot of older people it is more, “Is there somewhere suitable? Is there somewhere that is in my area; that I can keep in contact with my own friends and family and services?” and as Neil said, the practical help—“Who is going to help me clear out the loft and who is going to help me do all those things that put all of us off moving?”

Ashley Seager: It is interesting to look at America. They downsize twice as readily as we do and that is an interesting case study. Why? Broadly, because local taxes are much higher than they are here; council tax essentially is much higher. I have a friend who lives in Houston. He said his house is worth £350,000, roughly equivalent. He pays nearly £6,000 a year in local taxes. So what he is saying to me is, “My kids are in university. As soon as they are gone, I’m downsizing.” It is a purely financial decision that the Americans make. They will tell you, “We feel we have a moral duty to downsize,” but the fact is they pay a lot of local tax. They pay lower state, Federal income tax on the other side, so they don’t pay more tax overall than we do. Property taxes are higher and income tax is lower. Property is chronically undertaxed in Britain, there is no doubt, through council tax or CGT or whatever, and that is partly why it is so expensive as well as interest rates being so low. And we had tax incentives, originally—our generation—to buy these things. So it is no surprise we are where we are; it is policy-driven.

Q118 Chair: It is the one asset you can’t take abroad with you, though, isn’t it?

Ashley Seager: People buy a lot abroad though, don’t they, as well?

Q119 Jeremy Quin: My question is taken, but on that particular point I am curious as to whether or not Neil would agree that property is chronically undertaxed in this country.

Neil Duncan-Jordan: Yes, I think it is.

Jeremy Quin: Really?

Neil Duncan-Jordan: Yes, absolutely. Housing wealth, certainly, and the land it stands on; we could certainly start looking at that.

One of the points I wanted to make, though, in response to Heidi’s point, which I didn’t get a chance to answer, was that a little while ago we used to have a discussion about lifetime homes—homes that you could have throughout your life that were adaptable. That seems to have got lost somewhere, and I think that is regrettable. The idea was that you could stay where you were throughout the different periods of your life and the house was suitable for you throughout that period, rather than have to keep changing; when your circumstances changed you have to keep moving. The lifetime homes argument is one for the future, obviously, but I think that is a good thing to look at as well, not just incentivising people to move on.

Q120 Jeremy Quin: I am not double-guessing your answer, which was very clear, but the arguments against higher property taxes have always been that someone has worked hard all their lives, they have paid income tax throughout their life, they are living in their property; should we be fiscally forcing people out of their family home with all the memories because they are not in a position to pay an ongoing, very high property charge? Are you happy with that, Sally, from an Age UK point of view?

Sally West: It is not something that we have made a policy decision on. We would be concerned if people were suddenly facing high rates of tax and, as you say, were forced out of their home, having had a system where it was never the case. I think the whole issue of property and wealth tax is a very tricky one and not something that Age UK has engaged in so far.

Ashley Seager: Nor have we. That is why we say even though wealthy pensioners may have a lot of housing wealth, let's cut the stamp duty if they downsize because that is just more somehow a thing on the doorstep—sorry?

Jeremy Quin: You are carrot, not stick?

Ashley Seager: Yes, absolutely. Well, we would like to be stick but we know it is not realistic so we are carrot people.

Q121 Chair: May I ask Dan a last question? Dan, I am amazed how moderate your demands are. You seem to be accepting the world is going to be skewed against the younger generation and they are going to rent and, therefore, we had better look at how we make renting a bit fairer. When you compare the generation of Ashley and Neil and me, when we left university we expected to get a job. We interviewed people; we chose who we would go for; we expected to have a house; we expected to have a pension; we expected to have savings. All of that has been fulfilled and now, given the levels of rent, I can't see how many of the young people I know could possibly get on the housing ladder unless somebody gives them the deposit. Does Generation Rent have much more radical views that you want to put on the record here about how unfairly the whole thing is rigged against younger people and how, in a sense, the older generation, who are well-off, are getting away with it at your expense?

Dan Wilson Crow: Coming back to the previous points about taxation, we would like to see a shift away from taxing earned wealth to unearned wealth, essentially making sure that if someone's property increases in value that is captured by the tax system, because there are so many people who don't own any property and are being taxed at a much higher rate. We think that is an unfair system, especially for young people who may well have left school and been told that they could expect a job, expect a home of their own. If you shift the incentives away from parking your money in a buy-to-let property, for example, and instead invest that in a productive part of the economy or building a new house or something that will help the wider economy, then that is something we would like to see.

We are keen to see more radical forms of rent control. Two-thirds of properties in the private-rented sector do not have a mortgage on them so the landlords are getting a market rent which in many cases is pure profit. You could bring down rents to a certain affordable level in a local area and have a mechanism whereby a landlord could still gain market rates but pay a surcharge on the income they get on that and then use that surcharge to fund social housing. That would solve the issue of supply, which it always comes back to. We would like to see more exploration of these interventions in the market because at the moment a lot of the Government's policies are really just gimmicks and are not doing a lot to help the majority of private renters.

Chair: Thank you very much. Thank you to all of you for a good session.

Examination of Witnesses

Witnesses: **Ben Franklin**, Head of Economics of an Ageing Society, International Longevity Centre UK, and **Rachael Saunders**, Age at Work Director, Business in the Community, gave evidence.

Q122 Chair: Rachael, might you identify yourself for the record, say who you are, and then Ben, do the same?

Rachael Saunders: I am Rachael Saunders. I am the Age at Work Director at Business in the Community.

Ben Franklin: I am Ben Franklin. I work for the International Longevity Centre and I am Head of Economics of Ageing.

Q123 Jeremy Quin: In “The Missing Million” a concern you raised was about those over 50 who do not have a role and will be—your phrase—forced out of work. Looking at the stats over the last few years, I would view it as one of the great successes that we have so many people of an older generation remaining within the workforce or indeed returning to the workforce. Is that something you are also looking at again? Is it a success? Should we not be welcoming the increase in employment for that generation?

Ben Franklin: My view is that absolutely it is good that employment rates have increased for older ages. Predominantly that is because of more women staying in the labour market, but there is still a significant cliff edge of employment rates between the 50s and the 64s, so that gap just before you reach the state pension age. You see a huge drop off; something like a drop between around 80% in employment to around 16% just before you reach state pension age. The real challenge that that report was highlighting is the catastrophic early retirement, so someone leaving the workforce early, maybe through enforced redundancy or because they have a health issue or they are caring for an elderly relative, and as a result forgoing their income just at a point when it is reaching a peak in their careers and pension contributions as well. The purpose of the report was not saying, “Let’s focus on older people rather than younger people;” it was more, “Let’s highlight some of the risks that do exist.”

My own view is that there are problems with both entry and exit, essentially. Clearly we have seen problems with entry into the workforce. Levels of unemployment and underemployment are particularly high at younger ages but interestingly, at older ages there is overemployment. People want to work fewer hours but are not able to; they are locked into working long hours and that forces them out of the workforce ultimately as well. It was that element that we were trying to highlight with the “The Missing Million” paper.

Rachael Saunders: I think things are moving in the right direction—the number of people over 50 in work is gradually going up, and that is great—but that change needs to be much faster because employment rates do drop off quite quickly when you start getting even into your early 50s, and that is not sustainable with the longevity in terms of life expectancy now.

Q124 Jeremy Quin: What do you attribute it to?

Rachael Saunders: The evidence we have from the report is that there are a number of push factors. Your own health and wellbeing: employers need to get better at supporting people in work with health conditions. Already 50% of people over 50 in work are managing a chronic health condition—that can be anything from diabetes to a bad back—so we need to get better at supporting people who have a health issue to stay in work.

Caring responsibilities: you may have an ill or disabled partner or parent. We need to get better at supporting people through that.

Redundancy: the scale of business transformation means that more of us will be moving between companies, organisations or job roles more often. The problem is, if you lose your job over 50 it is much harder to get back in. We need to tackle bias in recruitment. A whole number of organisations we are talking to are accepting that if a hiring manager is significantly younger than the person who submits a CV there is a real risk of bias there, which is something that we need to deal with.

Training and development: we did a YouGov poll where we asked people how many training and learning opportunities they had been offered at work in the last year and how many of those opportunities they had taken up. What we expect, of course, is that as people got older they would be offered fewer training opportunities and they would take up fewer. What we found is that when they get to that screen on the YouGov survey most people just tick, “This does not apply to me.” They did not even answer the question. They did not see it as relevant to them. So there is something about individuals themselves and their own expectations for their futures in terms of their personal development, but also employers being very explicit that at age late 40s, early 50s, 60s, you have a significant part of your working life ahead of you and they are going to invest in you, which then makes it easy for you to move around between roles in future.

Q125 Neil Coyle: The point you make, Ben, about overemployed people not feeling they can reduce their hours or not being able to reduce their hours so they feel they are forced out of work linked perhaps to what, Rachael, you were saying about people’s health conditions and work. Is there nothing around the duty on employers to provide reasonable adjustments for disabled employees or anyone with a health condition? Does that bit of law need strengthening to ensure that employers take into account reasonable adjustments around health conditions or age-related impairments that could benefit older employees?

Rachael Saunders: It is a law that has generally worked quite well in the sense that people have been able to use it to get the support they need but it has not become overly burdensome. I think the law itself is probably a good one. We need to get more comfortable about the idea that there is not the mainstream of the workforce here and disabled people over there who need special help and support. Many of us will need relatively small adjustments to our working hours or context or responsibilities and that needs to be mainstream rather than just specifically for a group of disabled people who are somehow separate.

Q126 Neil Coyle: But you specifically said that there were people whose health condition was the barrier to staying in work and now you are saying the law works as it is. Those two do not marry.

Rachael Saunders: I think employers and companies can do a lot, if we do not make progress quickly, in that organisations need to take this forward and do more themselves. If we do not drive change fairly soon in a voluntary way then maybe the law needs to change, but I think there is more that can be done without the law changing.

Ben Franklin: I think there is a real challenge that we still exist in a kind of nine-to-five working environment. There is a right for individuals to request flexible working, but there is no right for the employer to grant that, essentially, to enforce that. So you are in that kind of realm. It may well be that people do not realise that they can request flexible working or that they are finding problems of realising that their employers are offering some of these aspects as well; I think there is something around that. We did a lot of case studies trying to understand people's journeys to leaving the labour market at older ages and certainly their concern was, "If I admit to my employer that I want to decrease my hours, then ultimately they may well give me the boot and bring someone else in."

In the longer term when you have a working-age population that is going to start stagnating or shrinking ultimately, the importance of retention of older ages will increase and maybe employers' practices will start shifting, but we need something in the interim to be able to build in some harder flexible-working strategies to support some of these needs, to prevent some of that exit.

Q127 Neil Coyle: Would a duty on employers to take into account reasonable adjustments for any employee over the age of, say, 50, 55 seeking to reduce hours on health grounds be a useful extension of existing law?

Rachael Saunders: I think it does not necessarily have to be age-specific. In the same way as there are adjustments for childcare and so on, let's have a better duty of care for people who are providing support for loved ones or family members. I think it comes back to more than just the policy environment but a culture among employers as well, and good management practices and good line management capabilities.

Q128 Neil Coyle: How do you drive that culture of change if there is no change in the law?

Rachael Saunders: It is also a part of what we are trying to do. At Business in the Community our work on this was kicked off by the research we did with ILC a year or so ago and we are bringing together a group of employers and working with Baroness Ros Altmann, who has a strong interest in this, to say we need to drive change here. We are all living longer; we need to work longer. If you think of how long it has taken on gender or race through a combination of solid legislation, voluntary action and campaign action; all sorts of initiatives, campaigning and legislation have come together and we still have not reached equality. I think with age we are in the early days of developing business leadership on this issue. There are times at which the law is really important.

To answer your question specifically in relation to reasonable adjustments, for example the law on the right to request flexible working, at the moment you can only request flexible working if you have been in a job for 26 weeks. If you are applying for a job and, say, you have a regular appointment on a Tuesday afternoon or you need to be able to work from different places sometimes, you do not have the legal protection for making that request for flexible working in the application process or in your first week or two at

work. You have to wait for 26 weeks. That is an area where the law could make further progress. The law is important but there is an awful lot that I think you can do in collaboration with business. We need to know more about what works for changing people's own mindsets in terms of their expectations so that they then demand more from the people who manage them. The law is important but there is other awareness-raising dialogue to have as well.

Ben Franklin: The CIPD, the professional body for the HR community, are now talking more and more about an age-diverse workforce and how do we embed that with HR professionals. I think that is a really good point.

One of the concerning things is that in all the research about recruitment, retention and all the rest of it, there are very few pieces of research that try to put a cost on the loss of intellectual capital when older people leave the workforce. My assumption, my hunch at least, would be that it is far greater than people believe it to be. Organisational memory is a really important thing but most times when people are thinking about recruiting someone new, it is just those recruitment costs rather than the training, and so on, and the years that they may need to get back up to the level of skills of the person who has left the workforce.

Rachael Saunders: There are companies who have costed that to make their business case on women at work. A number of companies justified their focus on bringing back women after maternity leave by costing the investment they have made in that person before she had her children. I think it would be easy enough to transfer that business case to age.

Q129 Chair: Rachael, can I relate the answer you gave to Jeremy to the session we have just heard? You talked about how overall there is a falling off of employment among people in their 50s. Is that true independent of people's class? Although we have a very wealthy group in this country, there is another group of us who are not wealthy and I doubt whether that group does fall off employment in our 50s. We are in better health and we are sailing on to our occupational pensions and nil cost of housing because all our mortgages are paid off. Is it true that there is a class difference between falling off of employment rates of people in their 50s?

Rachael Saunders: I think I can answer that question better post-65, if that is all right, which is a better illustration because the information we have is slightly better post-65. Post-65 about two-thirds of the people who are still working are working because they have to. They have no choice. They do not have savings or income to rely on. A third of them, though, are doing working longer because they enjoy what they do. It is part of their identity. It is part of who they are and what they value.

Of the 3.3 million people between 50 and 64 who are not working—this is slightly less strong data but I will quote it anyway—only around 350,000 are on unemployment benefit but there is about another two thirds of a million, making up to around 1 million in total, who would like a job and want to work. Of that 3.3 million, some can't work because they have a disability or such significant care responsibilities that it makes it impossible, some maybe have that extraordinary luxury of choice, but the "Missing Million" research gave us 1 million people who would like to work but don't have a job. So there is a significant number there of people who could be making an economic contribution.

Ben Franklin: Rachael raises a very good point. Within our research the most prominent finding among those people who were working over-65s is that they enjoyed their work. That in itself is quite interesting.

Another point related to that is around inequalities in healthy-life expectancy in particular. This is interesting in the context of the raising of the state pension age debate that we are going to be having over the next year or so, that there is a huge amount of inequality, not just in life expectancy but in healthy-life expectancy. Even if you look in different boroughs in London, it goes from around 40 to 50 in Tower Hamlets to 80 in Richmond upon Thames. In that context clearly social class is often underpinning the differences in healthy-life expectancy. Not enough research has been done into this area and it would be interesting to explore why those differences do emerge. Also the data is a little bit murky. But in the context of raising the state pension age it does suggest that for those who continue to work that is great, but for other people it is going to see a continuing drop-off.

Q130 Steve McCabe: I want to ask Rachael about the issue of people remaining in the workforce as the state pension age rises. Could you briefly tell us what you think the major barriers or obstacles to that might be and what the Government can or should do about it?

Rachael Saunders: I think there are two major obstacles to staying in work longer. One is the physical nature of work as your physical capacity changes. The other is skills and knowledge. There are some jobs that get harder to do as your physical capacity changes and even if you do not have what you would describe as an illness, your physical capacity changes as you get older. We talked to BT about engineers who climb up telegraph poles to mend our telephony structure. That becomes harder as you get older.

That leads to the second point: thinking about how to support people to develop their own skills and knowledge so that those skills become transferable and you can have a more flexible career. There are numbers of issues in post-industrial areas where people could work but the job that you could do might not be available to you.

People's physical capacity changing as they get older and having access to jobs and I suppose a broader industrial strategy that makes available good work that requires a different physical capacity is important. I think that where it may be simpler for Government to make intervention is on skills because so much skills resource is targeted at the very small number of years very early in your life, which is really important and the extension for greater numbers of young people is a powerful, transformative thing and it should not be underestimated. At the same time, if you are going to have a 40, 50, 60-year working life, it has to be a nonsense that your only injection of knowledge is up to age 21, so thinking about doing more on lifelong learning has to be something that the Government could do.

Q131 Steve McCabe: Is that something that people almost should be given some kind of choice to opt into at the stage they see it necessary?

Rachael Saunders: That would be a good thing. The direction of policy over the last period has been about partnership with employers on skills and I think that matters. I think, though, there is an expectation that, in partnership with employers and providers, Government drive the agenda still and there is a real role there. Absolutely, individual

choice, especially where it might be a career change, because I think it is very hard to have a credible conversation with an employer as to why they should invest in somebody's skills and knowledge that will result in them working for somebody else; there is just a pragmatism there. Absolutely, in terms of supporting individuals to make those choices and making investments in them over a working life, but also working with employers so that we are all planning better for what skills we will need in the future and investing in our current workforce for that future workforce, as well as young people for the future.

Q132 Steve McCabe: Can I ask one last thing? I get the part about telephone engineers climbing up telephone poles, but I wonder how much work has been done on the different careers and professions. I am struck by the number of teachers I meet who say it is absolutely impossible to envisage being in a classroom at this age or that age. Is that psychological or do we have any evidence that supports these arguments?

Rachael Saunders: What I would like to understand better is teacher retention at all ages. In a separate capacity, I am a local councillor in a London borough and we have an issue with teacher retention at all ages. I think that is something about how people feel about the profession and their resilience in work. I would love to see that data by age.

Ben Franklin: We did do some data on the proportion of the workforce that is over 50, over 60 and also the drop-off in employment rates among older people. It is true, education is one of the worst in this area. I think health and social care is first, education is second and then you go down to ICT towards the end of it. Education is one of those areas where, again, it may be a push or a pull. It may be because pensions are relatively good for teachers—although less so going forward—and that kind of helps to pull them out of work, or it may well be the sort of stress levels associated with the job as well. But education is going to have a real problem in attracting and retaining talent over the next 10 to 15 years, given the demographic change.

Q133 Ms Buck: But how much of this is because we are not terribly good at adapting to reductions in hours? It does seem to me that going full-on in most of these jobs is impossible, but working the equivalent of two days a week is something a lot of people would want to do.

Rachael Saunders: Yes, and I would suggest that we need to get better at that at every stage in the working life as well.

Q134 Ms Buck: Why are we not good at it?

Rachael Saunders: The right to request flexible working for everybody, rather than just parents and carers, is quite new, so the legislation is great and new and people are adapting to it. I think that it is about investing in the best possible line management. Very often we find that an organisation is signed up, HR is all for it, but then you have a great mass of people we call line managers who need to be more skilled and better at supporting people. I also think that it is a big culture change and it is something where quite young people drive that culture change. We have been talking about this for so long and if you are 21, 22, 23 quite often you come into work expecting that flexibility and increasingly it is a very good thing that fathers as well as mothers expect to spend time with their children, so that is another kind of cultural driver. But if you have been working for 20, 30 years and

the way in which you have demonstrated your value is that you are there and you are reliable and you are ready to pick things up when needed, then it is a big shift in your expectations and your sense of value, as well as the expectations of your manager. It feels like something we have been working on for a long time. Some organisations are way ahead and they are doing well, but very many are catching up.

Ben Franklin: There is a broader point as well, which is not just related to older people, that we have a flexible labour market that has high levels of self-employment, part-time employment and temporary employment, zero-hours contracts and all the rest of it. How do we invest in career development in some of those bits that are not fashionable, that are not the full-time jobs? I think we are still getting our heads around how we manage some of these processes and improve the productivity of labour over the long term as well. That is not just related to older people; that is younger people and underemployment and all the rest of it.

Q135 Heidi Allen: Ben, following on from that, talking about getting the best out of employees, in your evidence you alluded to the fact that you felt jobcentres were not providing the support that older workers need. Ironically, I had an email from a couple in my constituency yesterday saying exactly that: they are over-60s, want to go back to work, highly skilled, PhDs coming out their ears, and have no idea where to start. I have to be honest, I found myself going, “How do I reply to this email? I don’t know either.” What can jobcentres do better and is it the jobcentre’s responsibility?

Ben Franklin: I think this is a difficult question. In a sense, when we are thinking about how we support the missing million, we do not quite know what works. The Fuller Working Lives programme that the previous Government put in place suggested lots of pilots, but clearly that is just one stage in a process before you get large-scale intervention. We did some qualitative case studies with people, and most of the people who found employment after a period out of employment found it completely by themselves or through the networks that they had. It is a real challenge, because are those jobcentres connecting with the right employers and the right networks that older people are using? I am not sure they are.

How do we make that happen? I do not know, but maybe we need some sort of evidence review to try to find out or maybe we need to think even further afield. For example, I think there are something like 300,000 long-term unemployed people over the age of 50 and that is a relatively high proportion of overall unemployment among that group. Do we need some sort of outreach programme to tap into some of these individuals rather than having to ensure that they come into a jobcentre themselves? How do we reach out to some of these people before they are lost in the economic inactivity statistics forever? I do not have a silver bullet in this area. I think it is a really challenging thing, but it is certainly something that jobcentres do not have their head around and maybe there is an issue about using technology and using networks that older people are using to try to reach out to some of the people who are in long-term unemployment.

Rachael Saunders: Could I suggest one of those recognised pilots that has some impact, which is midlife careers reviews. This is something that came from BIS and DWP has used in jobcentres as a way of having a structured conversation with an individual about what their future looks like and what their options might be, which is slightly different

from the normal interaction that you would have with a jobcentre adviser. The reason I particularly mention it is because it is something that a number of our members are really interested in taking on. If it is something that can happen, a form of support for people out of work—which is also happening in work—to think about their future and what their future development might be, it gives it a degree of value that could potentially be quite transformative.

Ben Franklin: I think the crucial point is the earlier you get someone, the better. The idea is that they would not decide on leaving the workforce in the first place and maybe a mid-career review can help in that regard. It has been shown that the longer people are in unemployment, the less likely it is that they are will ever get a job again. We have to catch people early, before they have reached those long-term unemployment statistics and ultimately fall out of the statistics altogether.

Q136 Neil Coyle: We had a session with the Employment Minister, who talked about the development of work coaches. Have either of you been involved at all in how the Department is taking forward work coaches, including their training and accreditation, and would you welcome the chance to do so?

Ben Franklin: Yes, I would. I have not worked with that. A colleague of mine might have done but I am not 100% sure.

Rachael Saunders: Yes, I have not been directly involved, but I would be more than happy to.

Q137 Neil Coyle: Okay, so people would welcome the chance. Just very quickly, on the opposite side to getting older people back into work, older people who are already in work are not paying national insurance. Do you think it would be a huge disincentive to work if they were required to pay national insurance?

Ben Franklin: My view is that there is not much evidence on this at all. In terms of hard policies that have been shown, through empirical data, to raise employment rates at older ages, only state pension age has really been shown to have done that. The case behind the national insurance exemption is relatively weak, when younger workers do not get that. You could raise revenue of around £1 billion to £2 billion if you got rid of that exemption, which given it is £4 billion today in terms of the Government's cuts, it is quite an interesting angle. But I would say whatever happens, it needs to be evidence-based. We need to do some modelling around this and try to understand behavioural changes that are going to take place. My hunch is that most older workers do not realise that they are going to get that exemption anyway until they are in there, so there is that point. But let's do some modelling around it and try to investigate.

Q138 Neil Coyle: Phasing it out over time rather than hit those already working would be the move here perhaps?

Rachael Saunders: I have no evidence about incentives or disincentives, but I would ask that a group that is particularly looked at is low-paid, mostly women with broken career histories, an insecure relationship with work, who have often taken time out of work for care. They are a substantial number of the people currently working beyond 65 and the impacts on that group, both the impact on their income and the potential of them building

up more pension provision that helps them later when they are not able to work, make it important to be particularly looked at in making these decisions.

Q139 Chair: Yes. A thing for the national insurance side though, isn't it, eventually?

Rachael Saunders: Yes.

Chair: Really important. Thanks a lot for your help.