

# Written evidence from the University of East Anglia and the University of Essex (IGF0073)

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## Summary

We are researchers from the Universities of East Anglia (Hancock and Morciano) and Essex (Pudney) who have for some years been researching disability in later life, the personal costs it brings and the role and effectiveness of disability benefits and publicly-funded social care in supporting older people with disabilities.

The principal findings from our research that are relevant to the Committee's Inquiry are:

1. Standard income comparisons between generations or age groups often make older people appear better off than they really are in relation to younger people, and earlier cohorts appear better off than they really are compared to later cohorts. By including all income sources, including disability benefits in income, without making allowance for the disability costs for which those benefits provide help, standard income comparisons are systematically biased against cohorts or age groups which are most affected by disability.
2. Trends in later life disability display a picture of increasing polarisation: later birth cohorts have fewer older people affected by disability at any age, but with more severe disabilities among those who are affected.
3. Although later cohorts have higher average levels of education, home ownership and real income at any age, we have found evidence that disability has become increasingly concentrated among people on low incomes in later generations.
4. If the low-income-related trends in disability continue, we will see an expansion of disability among older people from low-income groups, but a stable pattern among older people with higher incomes. This has important implications for the division between the state and the individual of the costs of support for people with care needs. Low-income people with disabilities are less likely to have private financial resources and are consequently more likely to be entitled to means-tested public provision of care services and elements of the benefit system (such as the severe disability addition to Pension

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Credit). People on low incomes are also more likely to claim non-means-tested benefits like Attendance Allowance because of their lower capacity to absorb the additional costs of disability.

5. In our opinion, it will be very important for the Department for Work and Pensions (and also the Department of Health and Local Authorities) to take into account the likely strong rise in disability among low-income people when planning future public provision people with care needs.

## **Introduction**

1. We are researchers from the Universities of East Anglia (Hancock and Morciano) and Essex (Pudney) who have for some years been researching disability in later life, the personal costs it brings and the role and effectiveness of disability benefits and publicly-funded social care in supporting older people with disabilities.
2. The aim of this note is to answer four questions concerning disability policy which are relevant to the Committee's Inquiry into Intergenerational Fairness:
  - How should DWP ensure that the between-generation income and disability comparisons it makes in the course of its research are fair?
  - Are there differences between generations in the trends in disability prevalence and severity?
  - Do those generation-specific trends differ between low-income and higher-income members of each generation?
  - What are the likely consequences of those trends for future public provision of disability support?
3. In answering these questions, we focus specifically on older people (over-65s), for whom disability is most prevalent. Our analysis is based on annual cross sectional samples collected by the UK Family Resource Survey in financial years 2002/3 to 2011/12. The FRS is sponsored by DWP and used to derive official statistics on income, poverty and welfare and disability programme targeting.<sup>2</sup> Each cross-section is a representative sample of individuals living in private households in the UK.<sup>3</sup> It excludes people living in care homes. We conducted the analysis for 96,733 respondents aged over 65 and born between 1924 and 1945, splitting the analysis by gender and allowing for differences between the countries of the UK.<sup>4</sup>

## **Making fair comparisons between generations**

4. Our evidence is concerned with intergenerational fairness in relation to public support for older people with disabilities. As we show below (paragraphs 6 and 7), the number and

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<sup>2</sup> See DWP, 2013; Kasparova et al., 2007

<sup>3</sup> We use weighted samples, where the weights are designed to adjust for differences in the propensity for different groups to respond to the survey.

<sup>4</sup> The research is described in greater detail in a published article Morciano et al (2015).

socio-economic characteristics of disabled people varies considerably across birth cohorts. Disabled people face additional living costs that non-disabled people do not have<sup>5</sup> and these costs are not spread evenly across birth cohorts or age groups. Comparisons between generations or age groups are often made in terms of total net cash income which, for many disabled people, includes receipts of state disability support<sup>6</sup>, but without making allowance for the additional costs that support was designed to offset. By including all income sources and neglecting disability costs, income comparisons such as those made in many DWP analyses, are systematically biased against cohorts or age groups which are most affected by disability. In practice, this means that older people appear better off than they really are in relation to younger people, and earlier cohorts appear better off than they really are compared to later cohorts.

5. In the remainder of this evidence note, we use as our measure of economic welfare an income concept defined, for disabled people, as the incomes they would have in the absence of disability-related costs or public support.<sup>7</sup> This is aggregated at the benefit unit level and equivalised using the square root of household size, to allow for differences in household size. In classifying people by their level of income defined in this way, we are implicitly assuming that all disability costs are precisely offset by any state disability support received. Few would accept that state support achieves this, so this is a very conservative adjustment for disability costs.

### **Between-generation differences in disability prevalence and severity**

6. FRS respondents are asked to indicate whether they have disability-related difficulties with various kinds of daily activities – we refer to these as functional difficulties (FD). We measure prevalence as the proportion reporting at least one FD and severity by the number of FDs reported. Figure 1 shows prevalence rates by year of birth, within 5-year age ranges. As expected, prevalence rates increase strongly with age within each birth cohort. Within each age group (apart from the over-80s), there is also a large and statistically significant fall in prevalence across successive cohorts. So, in terms of prevalence, later generations are becoming less disabled at every stage of (later) life. In fact, further detailed statistical modelling reveals that the improving cross-cohort trend is essentially confined to men, with no significant prevalence trend among women (Morciano et al, 2015).

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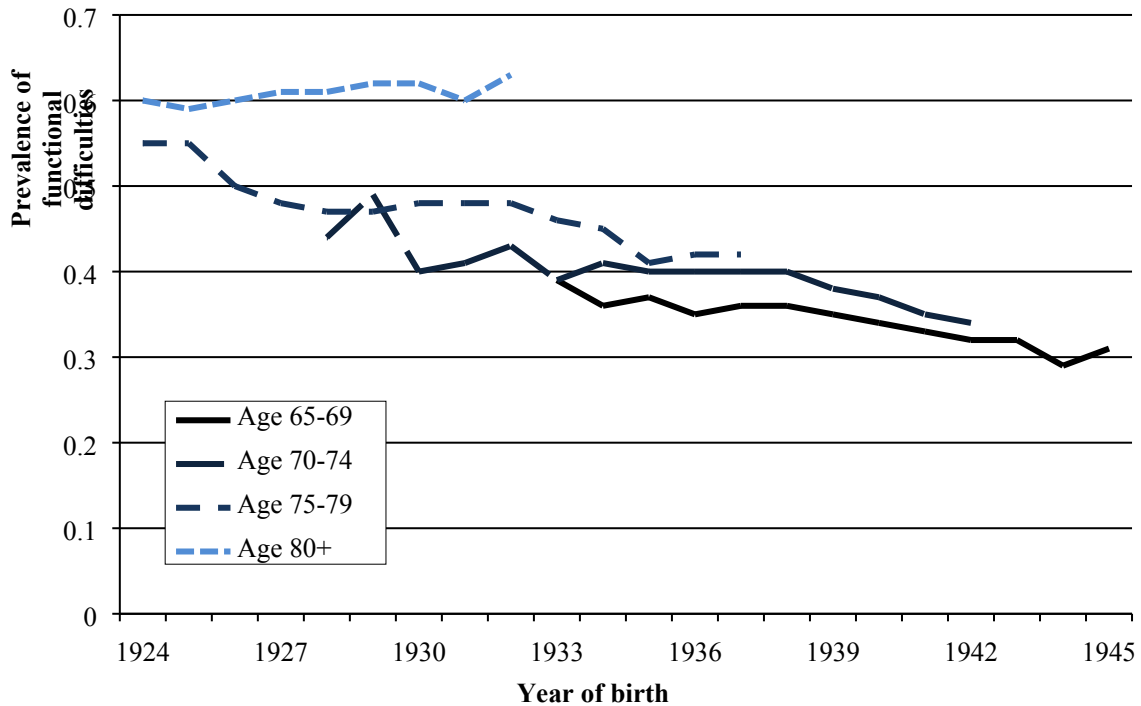
<sup>5</sup> For example, the costs of care services, special transport arrangements, adaptations to the home. These costs can be very large (see Hancock et al 2016 for further detail).

<sup>6</sup> E.g. social care subsidies, Attendance Allowance and the severe disability addition to Pension Credit.

<sup>7</sup> In other words, the sum of wages and salaries, self-employment income, public pensions, non-disability social security income and capital income (interest, rent, dividends, private pensions and annuities), net of income tax. We exclude disability benefits.

**Figure 1** Birth cohort trends in prevalence of functional difficulties

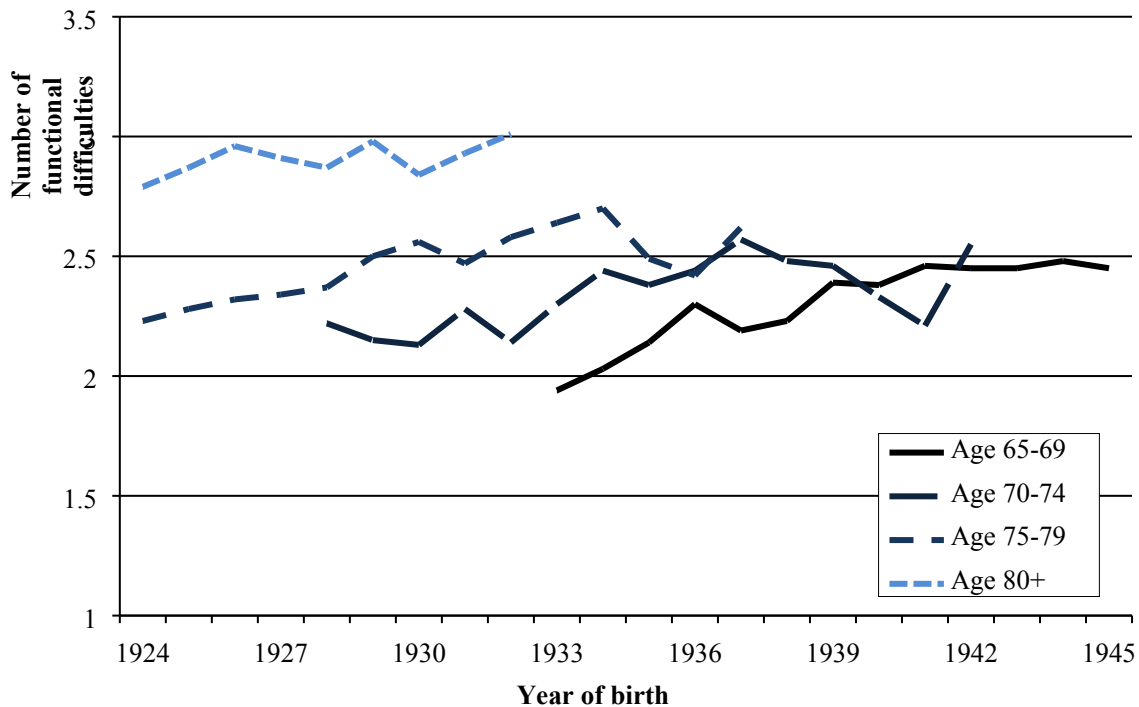
% of people reporting at least one FD; weighted data on respondents aged 65+, born between 1924-1945, interviewed in the FRS survey from 2002/3-2011/12. *Unweighted sample size:* 52,229 women and 44,504 men.



7. The picture is quite different when we look at the severity of disability. Figure 2 shows that, within each age group, average number of difficulties reported by respondents who report any FDs is rising over successive birth cohorts. Detailed statistical modelling (reported by Morciano et al, 2015) finds statistically significant evidence of increasing birth cohort trends in severity, both for men and women. Overall, there is a picture of increasing polarisation: later cohorts have fewer people affected by disability at any age, but with more severe disabilities among those who are affected.

**Figure 2** Birth cohort trends in severity of disability

Average number of FDs reported by those who reported at least one FD; weighted data on respondents aged 65+, born between 1924-1945, interviewed in the FRS survey from 2002/3-2011/12. *Unweighted sample size: 52,229 women and 44,504 men.*



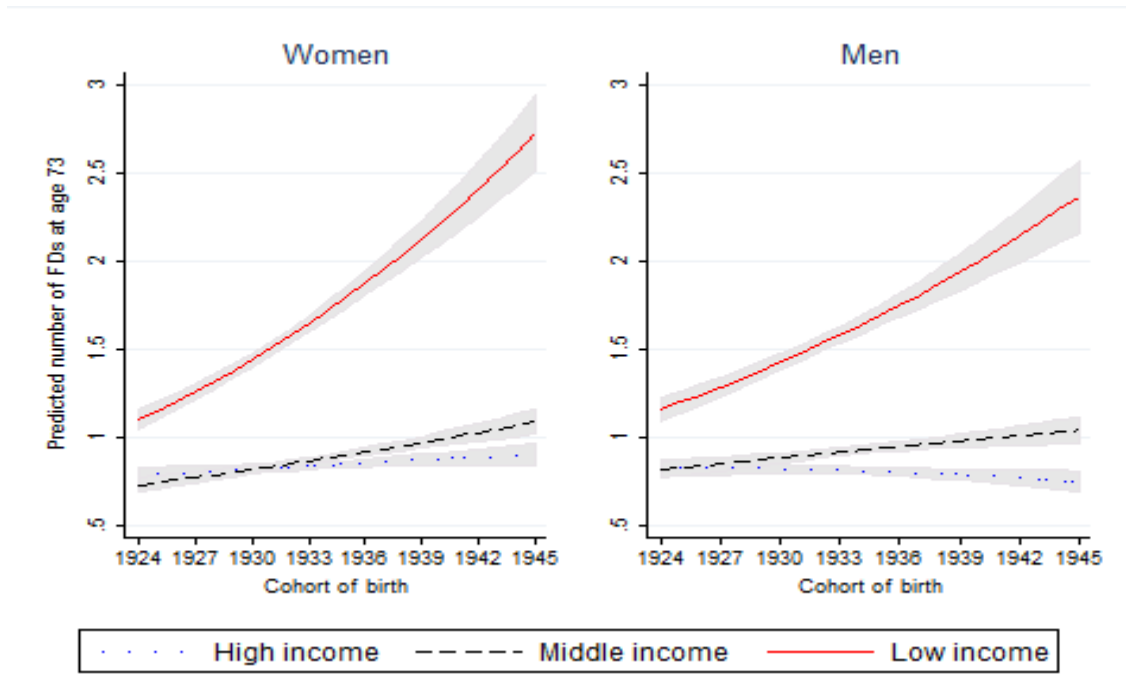
### **Differential trends by income group within generations**

8. The trends in prevalence and severity of disability also vary by socio-economic group within birth cohorts. Although later cohorts have higher average levels of education, home ownership and real income at any age, we have found evidence that disability has become increasingly concentrated among people on low incomes in later generations.
9. Figure 3 summarises the findings from our statistical analysis by comparing predictions of the number of functional difficulties for three hypothetical types of individual: (i) low income; (ii) middle income; (iii) high income.<sup>8</sup> The graphs compare the predicted number of difficulties at age 73 for different birth cohorts. These predictions take account of both prevalence and severity and capture the overall income-specific trends in the predicted number of functional difficulties across birth cohorts. For the low-income male and female groups, the trend in predicted disability across birth cohort is steeply rising – more than doubling in scale between the 1924 and 1945 cohorts. In contrast, the middle-income group (both men and women), display only a slight upward trend in disability. For the high-income group, the trend is flat for women and slightly downward for men.

<sup>8</sup> *Low income*: no post-compulsory education, non-homeowner, 25th percentile of the distribution of income net of disability benefit. *Middle income*: post-compulsory education, homeowner, median of the distribution of income net of disability benefit. *High income*: post-compulsory education, homeowner, 75th percentile of the distribution of income net of disability benefit.

10. There is a striking picture here of disability-related disadvantage for later generations, but it is confined entirely to groups who are also disadvantaged in the other dimensions of education, housing and – especially – income.

**Figure 3** Predicted disability at age 73 by birth cohort and socio-economic status (estimated mean number of functional difficulties (FDs) and 95% confidence bands)



### **Implications for the future**

11. Looking ahead, increasing life expectancy and the ageing of the baby-boomer generation means the over-65 UK population is projected to increase from around 10 million in 2010 to about 17 million in 2035 (Office for National Statistics, 2011). If the low-income-related trends in disability continue, we will see an expansion of disability among older people from low-income groups, but a stable pattern among older people with higher incomes. This has important implications for the division between the state and the individual of the costs of support for people with care needs. Low-income people with disabilities are less likely to have private financial resources and are consequently more likely to be entitled to means-tested public provision of care services and elements of the benefit system (such as the severe disability addition to Pension Credit). People on low incomes are also more likely to claim non-means-tested benefits like Attendance Allowance because of their lower capacity to absorb the additional costs of disability.
12. Previous projections of the public cost of long term care in the UK (for example, Karlsson et al., 2006; Pickard et al., 2007; Wittenberg et al., 2011) have not taken into account the income-related character of cohort trends, and are therefore likely to understate the need of future generations of older people for public support to help with disability costs. It is impossible to be certain, but we think that the projected rise in disability among people on

low incomes is likely to counteract other trends, such as increases in home ownership, which underlie recent projections of falling proportions of older people entitled to public support.

13. In our opinion, it will be very important for the Department for Work and Pensions (and also the Department of Health and Local Authorities) to take into account the likely strong rise in disability among low-income older people when planning future public provision for people with care needs.

*April 2016*

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