

## **FINANCE COMMITTEE**

### **DEMOGRAPHIC CHANGE AND AGEING POPULATION INQUIRY**

#### **SUBMISSION FROM UNISON SCOTLAND**

##### **Introduction**

1. UNISON is Scotland's largest trade union representing approximately 160,000 members working in the public sector. UNISON Scotland represents over 100,000 workers employed in health social care and housing services throughout Scotland. UNISON Scotland welcomes the opportunity to respond to the Call for Evidence on Fiscal Sustainability: Demographic change and ageing population.

##### **General**

2. It is clear that Scotland faces an increase in the number of older people in Scotland in the future, which will in turn create pressures on public finances. As stated in the recent report from the Scottish Parliament's Finance Committee, the population aged 65 and over will increase by 21% from 2010 to 2016 and 62% by 2031 and that for those aged over 85 there will be an increase in the population by 38% by 2016 and 144% by 2031.

3. There will clearly need to be increased resources provided to cater for this large group and we believe, the introduction of imaginative and targeted policy and planning initiatives to make the best use of these resources.

4. Whilst there is a tendency to concentrate on the negative aspects of the ageing population, UNISON believes that there opportunities as well as challenges arising from the increasing number of older people.

5. Many older people are living healthier lives to a greater age which will decrease the number of years that they require care. Older people, particularly those with good pensions, have a huge spending power and businesses and policy makers should recognise the needs of ageing consumers. They also make a productive contribution through caring and volunteering in various settings and, since the abolition of the Default Retirement Age many of them are continuing to work well beyond the previous norm of 65.

6. In addition, the population is increasing. As reported in the Registrar General's recent annual report on Scotland's population there has been nine years of continuous growth resulting in the population reaching 5,254,800 by the middle of 2011. Despite a decrease in the number of births, this was outweighed by a decrease in the death rate and, crucially, a greater increase in the inward migration to Scotland, which has brought mainly young people, aged between 16 and 34. More information, arising from the 2011 population census will be released towards the end of 2012.

7. The challenges will be in the increased demand for services both in health, social care, housing and leisure services as all of these affect the way in which older

people can live their lives to the full in as healthy, safe and productive manner as possible. Innovative planning is needed to address all of these needs which will be difficult to implement in a period of austerity. Whilst some of the opportunities above may ameliorate against some of the funding needs, there is no doubt that, particularly in the short term, increased resources will need to be made available.

8. Recommendations made in a recent study, *Ageing in Europe*, included the creation of a Commissioner for Older People, as exists in Wales and Northern Ireland who can assist in developing cross-governmental strategies to prepare for an ageing society. UNISON Scotland recognises the gains that have been made by the appointment of a Children's commissioner for Scotland and the emphasis on children's lives by, for example, *Getting it Right for Every Child* along with early intervention policies and the Scottish Government's stated aim of making Scotland the best place in the world for children to grow up in. We believe that a similar emphasis on older people could have similar benefits and in the long run, be cost effective.

9. Proposals to change the way older people are treated will be challenging to implement in a period of austerity but if viewed in an innovative way could improve their healthy life expectancy and make the provision of care more fiscally sustainable in the long run.

#### **Health and social care**

10. It is recognised that many older people are living healthier to a greater age and that healthy life expectancy will decrease the need for care to a lesser number of the elderly population. However, the increases in the number of over 85s are likely to mean increased spending on dementia, as a greater number of this section of the population are likely to suffer from this.

11. Alzheimer's is still an incurable disease, but more money than ever before is being spent on research to fight it across the globe, including a doubling of funds recently announced by the UK Government. Hopefully, a cure will be developed which will reduce the billions of pounds the disease currently costs the UK taxpayer.

12. To ensure that our elderly people live longer healthier lives, it will be necessary for early intervention measures to be introduced across the whole population to prevent chronic illnesses affecting people in their early to middle lives, which will carry on into old age. Scotland's problems with smoking, alcoholism and obesity need to be addressed across all ages now, to prevent the four main chronic preventable illnesses that affect older people: heart disease, diabetes, high blood pressure and arthritis. Scotland has a high reputation for its treatment, in addition to a vastly improved record in treating heart attacks and strokes, from which many people fully recover and go on to lead productive lives.

13. The measures introduced through the Change Fund over the past few years, through its various projects across Scotland, have started to shift the balance from reliance on care home and hospital settings to care in the home. This has improved the lives of the many people affected by the various projects by the greater efficiency

achieved in delivering the services and integrating social and health care with housing and leisure services.

14. Various studies of ageing have emphasised that the factors which contribute to good outcomes for older people, including income, health provision, wellbeing, social inclusion and participation are all inter-related and required multi agency involvement to ensure that they are all addressed with equal importance and not treated in silos.

15. Current Scottish government proposals for health and social care integration via stronger Health and Social Care Partnerships could be a vehicle for making ageing a positive experience for older people in Scotland. Promoting healthy ageing in health and social care must be a key part of the nationally agreed outcomes that will be set by the Scottish Government. However, UNISON Scotland has concerns about the proposals which will be outlined in our response to the current consultation. We are clear, however, that the proposals must be seen as an opportunity to improve facilities for older people in Scotland and not as a short-term attempt to save money. In addition, the proposals cannot just be seen in isolation from the provision of more directed housing and leisure facilities. UNISON believes that care should be delivered publicly, and not by the current emphasis on privatising care services, which has an adverse effect on the wages and the terms and conditions of the staff who provide them. With the adverse report from privatised care in England we do not believe the private sector can be trusted with care of our elderly people.

16. Similarly, the current Bill to formalise Self Directed support across Scotland should be treated as an attempt to improve services and implement some of the issues highlighted above and not, as we have seen in practice in certain councils, a blatant attempt to use personalisation to drastically cut the amount of care given to older people in a bid to save money.

## **Housing**

17. The housing needs for older people are changing with more and more wanting to live in their own homes, a desire which is matched by the Scottish Government and most agencies working with older people. More public provision is needed of the right kind by creating the availability of specific housing for older people –who are in many cases, living longer on their own and will, therefore, need smaller, more accessible homes, freeing up larger homes for families. The experience of our members working in this field is that there are insufficient numbers of this type of housing to cater for the ageing population and this must be addressed.

18. The forthcoming changes to housing benefit will also create difficulties for older people in larger houses, as they will find themselves in receipt of benefit for only one bedroom, forcing them to downsize or make up the difference between the benefit and the rent themselves.

19. UNISON has long opposed the right to buy policy as we believe the ending of the practice would mean a larger housing stock all round and new stock would be guaranteed to remain in the public provision for all. There is a chronic lack of

suitable social housing, which will need to be addressed, creating expense in the short term, but creating construction jobs which will also benefit the taxpayer.

20. The current trend in housing for the elderly is to move away from sheltered housing as such, to housing with care. This means that the use of 24 hour wardens is being removed and in most cases replaced with a telecare system, backed up with rapid response teams.

21. Age, Home and Community – the Scottish Government's current strategy for Housing for Scotland's Older people 2012 – 2021 highlights some excellent examples of joint working across Scotland, incorporating both housing, social and community aspects. It highlights various examples of support, including helping people in both the public and private sector to downsize houses, often assisting with the move, as well as processing the housing arrangements. Many of these examples have been set up as part of the Change Fund scheme.

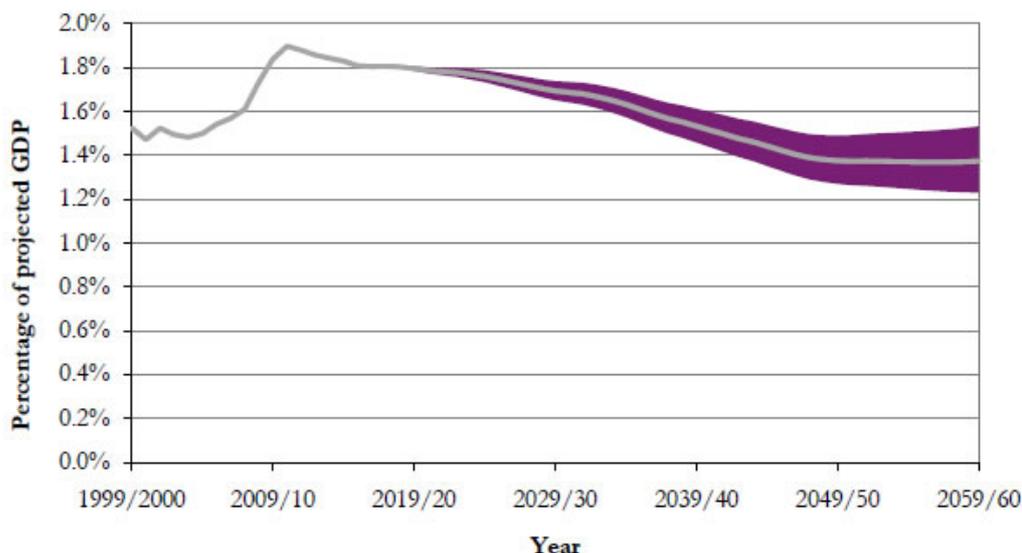
22. Adaptations budgets are currently greatly stretched and our members report that they will become unsustainable in the future, with the increase in need. Most elderly people live in older housing stock, and the Scottish housing model of tenement houses are particularly difficult to adapt for accessible use. There needs to be better use of existing housing and for more amenable access facilities to be built into new housing, both in the private and social sector.

### **Pensions**

23. Extensive work has been done at UK and Scottish level on the long term costs of public service pensions. Demographic change is one of the cost drivers of any pension scheme and this has been reflected in negotiations over the reform of public service pension schemes in recent years.

24. As the chart below (taken from the Hutton report) demonstrates, the cost of public service pension schemes as a percentage of GDP is estimated to fall.

**Chart 1.B: Projected benefit payments as a percentage of GDP – sensitivity analysis**



Source: GAD projections for IPSPC and IPSPC analysis.

Note: The fan chart shows how the projections would be affected by altering assumptions about productivity growth, public service workforce growth and life expectancy (see Annex C of the interim report).

25. This shows clearly that the cost of public pensions will fall from 2% of GDP to 1.8% in 2030 and 1.4% in 2060 as a consequence of the 2007/8 reforms. In addition, other recent changes to schemes will reduce costs even more including:

- Increased member contributions.
- Switching the indexation of pensions in payment from the Retail Price Index (RPI) to the Consumer Price Index (CPI) measure of inflation. This will save at least 15%. Probably more as the latest estimates from the OBR show a widening gap between RPI and CPI.
- Later retirement age.

26. For funded schemes, like the Local Government Pension Scheme (Scotland), regular actuarial reviews take demographic change into account and are reflected in revised contribution levels if required.

27. While these changes show a diminishing impact on public finances that is not the whole picture. We have repeatedly warned that increased contributions will lead to greater levels of opt-out from public service pension schemes. As the Commons Public Accounts Committee has reported, the impact of this on public finances could be significant, but have not been properly assessed by the Treasury.

28. The committee's question only covers public service schemes. The shift from defined benefit (DB) to defined contribution (DC) in the UK has resulted in a general reduction in pension contributions and therefore income in retirement. Employers have taken the opportunity to reduce their contributions and this will inevitably have a negative impact on public finances. This has been highlighted by the OECD and the

Association of British Insurers (Time to Act). While auto-enrolment will establish a pensions floor, this is well short of the 12% minimum benchmark suggested by the industry. The fall in real wages and low confidence in pension products, including high fees, means this position is unlikely to improve.

### **Labour Force**

29. Cuts in public spending have resulted in a sharp fall in the number of public service staff in Scotland, 27,600 (4.5%) in the last year alone. This is likely to fall even further in the coming years. Most of this reduction has been achieved through voluntary redundancy, a process that inevitably attracts more applications from older workers. However, that is balanced by very low levels of recruitment that impacts mostly on young workers and this is reflected in high levels of youth unemployment in Scotland.

30. Increasing the retirement age in a cuts environment will also mean fewer opportunities for younger workers, and as a consequence, an older workforce. This will be particularly challenging in certain occupations.

31. While public policy is driven by cuts in public spending, there is little that can be done to achieve the 'balance' identified by the committee.