The future of adult social security: pre-funded solution

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Background

> UK is ageing

> Costs

> Who pays ?
  - young
  - old

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Pre-funded model

> Replace current ‘PAYG’ model – with pre-funded arrangement

> Working age people contribute % income into Later Life Care Fund (LLCF)

> LLCF government-backed scheme outsourced to experts

> Once contributors retire, their care liabilities covered by the fund

Benefits

- Greater investment growth than the economy
- Gains greater if investment in technology
- Removes unfairness of young and poor funding older and wealthier cohorts
  - Reform calculates according to OBR spending projections, tax contributions made by those born in 1991 to fund social care with be 34% higher than those born 10 years earlier
- No generation is at risk of funding the care of a disproportionately large cohort

Implementation challenges

- Designing the contribution scheme
- Voluntary v Compulsory
- Period – ‘all life – low rates’ v ‘limited to age 40-65 – greater accuracy’
- Level of payment
- Benefits for all contributors to LLCF

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Transition period

> Most pressing question

> Double Burden - working people fund own care via LLCF and residual care bill for elderly via PAYG

> Must support ‘sandwich generation’ if to support cost more equitably

> Have to identify ways to fund transition – inevitably requires current older generations to provide assistance

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Debate across generations

- Essential for policy makers to consider sustainability and fairness across generations

- Need infrastructure for ‘political’ and ‘public’ consensus to balance ‘competing’ needs of different generations or risk:

- Decisions deferred to future parliaments

- Much needed funds absent from care system

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