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Projections of Owner-Occupation Rates, House Values, Income and Financial Assets Among Older People, UK, 2002-2022

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Introduction

This paper contains projections of owner-occupation rates, house values, income and financial assets among people aged 85+ in the UK covering the period 2002 to 2022. The projections have been produced by the microsimulation model CARESIM. CARESIM is a model which simulates the amounts that current and future older people would be required to pay towards residential or home care, should they need that care, under different charging regimes. The projections presented here are produced as an input to those simulations.

CARESIM uses a sample of people aged 65 years and over drawn from the Family Resources Survey and projections involve ageing this sample. The sample is not ‘refreshed’ i.e. people under the age of 65 in the base year (2002) are not brought into the sample as they reach 65. By 2022, therefore, CARESIM projections apply only to those aged 85 and over. For this reason results for 2022 are given only for those aged 85 and over. Results for years between 2002 and 2022 are shown only for those age groups for which CARESIM projections apply.

Methods and assumptions

Full details of the methods and assumptions underlying the projections can be found in Hancock et al. (2006). The points most relevant to the results presented here are:

General

- Results are shown for the total population and in some cases for care home residents and for people receiving home care. Both publicly and privately funded clients are included.
- CARESIM does not assign receipt of services to individual members of the sample but uses the full FRS sample for all three groups with two differences. First, only the older partner in couples is assumed to be resident in a care home or receiving home care, that is the younger partner is omitted from the sample for analyses of service users. Secondly, when the sample is used to represent care home residents or recipients of home care, it is re-weighted according to age group, gender, marital status and housing tenure (owner-occupier or other) to reflect the composition of the care home and home care populations as projected by the PSSRU Long-term Care Finance model (Hancock et al., 2006).
- The unit of analysis is the individual but results are presented separately for those with and without a partner (referred to as single people and couples respectively). In the case

of couples, both partners are attributed the same tenure, house value, income and financial assets. Note that, while CARESIM predicts changes from living with partner to not living with partner as the result of the death of one partner, it does not simulate people leaving or joining an older person's household or an older person moving in with others. A more detailed categorisation of household type would therefore not be appropriate.

Owner-occupation rates

- The projections assume no change in tenure during the remainder of people's lives. The change in proportions who are owner-occupiers is therefore the result of younger cohorts becoming older and older ones dying off.
- Deaths are predicted on the basis of age and gender alone – there is no allowance for lower mortality among owner-occupiers. The projections are therefore likely to underestimate the increase in owner-occupation rates among older people.
- The starting population is the population of people aged 65 and over living in private households. There is no allowance for entry to residential care from this population. Since owner-occupiers are less likely than tenants to enter residential care, the projections of owner-occupation rates for future years probably underestimate rates for the private household population.

House values

- For the base year, estimates of the values of sample members' homes are based on the property's council tax band, controlling also for size and other characteristics of the home, region and certain personal characteristics. These values are updated to the base year by movements in regional house prices.
- Sample members are assumed to remain in their current homes unless or until they enter residential care.
- It is assumed that their homes increase in real value in line with HM Treasury assumptions for rises in real earnings, i.e. by 2 per cent a year.

Incomes

- Income is the total net income of the single person or couple that they would receive when living in their own homes without care needs, i.e. it excludes any entitlement to disability benefits or the severe disability premium payable with Pension Credit, but

includes state and private pensions and any pension credit entitlement other than the severe disability premium.

- Income is before housing costs and housing benefits.
- Income tax liability and entitlement to Pension Credit are simulated by CARESIM. Take-up of Pension Credit is assumed to be 100 per cent.
- For future years, non state income is assumed to keep pace with price inflation i.e. to maintain its real value but no more. State pension is also assumed to be linked to prices. The Guarantee Credit element of Pension Credit is assumed to be linked to earnings but the savings credit threshold is linked to prices. These assumptions predate the changes proposed in the recent pensions White Paper.

Financial Assets

- The FRS does not record exact amounts of capital assets for all respondents. For some respondents there is only banded information. In addition, questions on financial assets are subject to relatively high rates of item non-response. Where exact information on financial assets is missing, estimates are based on reported income from investments. The estimates of financial assets used in CARESIM must therefore be interpreted with caution.
- The values of financial assets reported here are those prior to entry to residential care or starting to receive home care. It is assumed that between the base year and the projection year sample members' financial assets maintain their values in relation to prices. This assumption may be overly simplistic as it does not allow for accumulation of assets through saving or inheritance (other than as a result of death of a spouse), or depletion of assets for example to meet large expenses, support children etc. Modelling asset accumulation or depletion would add considerable complexity to CARESIM and involve assumptions based on limited evidence.

Results

In general, owner-occupation rates decrease with age and tend to be lower for women than for men (Table 1). Owner-occupation rates are lower for single older people than for those living with spouses or partners (Tables 2 and 3). Owner-occupation rates are generally projected to increase over the next twenty years or so. Table 1 shows an increase in owner-

occupation rates among people aged 85 and over from 59 per cent in 2002 to 73 per cent in 2022. Owner-occupation rates for people aged 85 and over with spouses/partners are projected to rise from 70 per cent in 2002 to 83 per cent in 2022 (Table 3).

Table 1: Projected owner-occupation rates of older people by gender and age-group, and mean estimated 2002 house values for owner-occupiers, UK, 2002-2022

	Projected owner-occupation rates, 2002-2022					Mean estimated 2002 house values for owner-occupiers ¹
	2002 %	2007 %	2012 %	2017 %	2022 %	
Men						
65-69	77					171,000
70-74	75	77				163,000
75-79	70	75	78			154,000
80-84	67	70	75	78		161,000
85-89	65	66	70	75	77	144,000
85+	66	66	69	73	76	149,000
90+	67	67	67	70	74	166,000
65+						163,000
Women						
65-69	76					166,000
70-74	68	74				151,000
75-79	65	67	74			143,000
80-84	60	65	67	74		141,000
85-89	57	60	66	67	74	135,000
85+	56	59	63	66	71	135,000
90+	51	58	58	65	67	138,000
65+						153,000
Men and women combined						
65-69	77					168,000
70-74	71	76				157,000
75-79	67	70	76			148,000
80-84	62	67	71	76		149,000
85-89	60	62	67	70	75	138,000
85+	59	62	65	69	73	141,000
90+	56	61	61	67	70	148,000
65+						157,000

Source: CARESIM.

¹ Prices shown to nearest £1,000.

Table 2: Projected owner-occupation rates of single¹ older people by gender and age-group, UK, 2002-2022

	2002 %	2007 %	2012 %	2017 %	2022 %
Single men, living alone or with others					
65-69	54				
70-74	59	54			
75-79	57	58	54		
80-84	57	56	58	53	
85-89	59	52	58	55	51
85+	61	57	57	56	53
90+	65	66	55	58	55
Single women, living alone or with others					
65-69	62				
70-74	59	64			
75-79	59	61	66		
80-84	56	61	62	67	
85-89	55	57	62	62	69
85+	54	57	60	62	67
90+	51	57	57	62	63
Single men and women combined					
65-69	59				
70-74	59	61			
75-79	59	60	63		
80-84	56	60	61	64	
85-89	56	56	62	61	66
85+	56	57	60	61	64
90+	54	59	56	62	62

Source: CARESIM.

¹ Single older people include widowed, divorced, separated and never married.

Table 3: Projected owner-occupation rates of married/cohabiting older people by gender and age-group, UK, 2002-2022

	2002	2007	2012	2017	2022
	%	%	%	%	%
Men with partners					
65-69	83				
70-74	80	83			
75-79	75	80	84		
80-84	73	75	80	84	
85-89	70	75	75	81	83
85+	71	73	75	80	83
90+	69	69	75	76	81
Women with partners					
65-69	83				
70-74	78	82			
75-79	75	77	83		
80-84	74	76	77	84	
85-89	71	76	77	79	84
85+	69	74	76	78	83
90+	59	67	71	76	82
Men and women with partners					
65-69	83				
70-74	79	83			
75-79	75	78	84		
80-84	74	76	79	84	
85-89	71	75	76	81	84
85+	70	74	75	79	83
90+	66	69	74	76	81

Source: CARESIM.

Tables 4 and 5 contain projections of house values for older owner-occupiers for single and married/cohabiting people respectively. Tables 6 and 7 present projections of net income as defined above. Tables 8 and 9 contain projections of financial assets. In each case the lower and upper quartile, median and mean of the distribution of each set of projections is given. In interpreting and using these projections it should be remembered that they are the product of the specific assumptions outlined above and detailed further in Hancock et al. (2006). They are not forecasts.

Differences in the quartiles and medians between the total population, the care home population and those receiving home care are rather less than might be expected. This is because they are derived from the same sample, albeit weighted differently. The weighting affects quartiles and medians much less than it does means. Also, the analysis focuses on people aged 85 and over, is disaggregated by marital status and for house values, restricted to owner-occupiers. Once age, marital status and housing tenure are taken into account,

differences in the incomes of the total population and those receiving care would be expected to be relatively small.

It is also clear that the distribution of financial assets is heavily skewed with the lower quartile point generally being zero and the mean exceeding the upper quartile. In other words 25 per cent of the older people are projected to have zero or very low-value financial assets while just a few have high value assets which bring the mean above the upper quartile. One implication of this is that the mean value should not be viewed as a 'typical' value. The results are also likely to be subject to considerable sampling error due to the relatively small number of FRS sample members aged 85+ with high reported financial assets.

Sampling error is also likely to be one cause of the counterintuitive trend in the mean values of financial assets of married/cohabiting people. These are projected to rise until 2012 and then fall back (Table 9). Another possible explanation is that currently CARESIM does not relate mortality to economic resources. Present generations of people aged 85 and over are likely to be the more affluent of their birth cohort because life expectancy is lower among lower socio-economic groups. This may be even more so for couples than single people because couples are those where both partners have survived. Future generations of people aged 85 and over are also likely to be the more affluent of their birth cohort; but CARESIM does not take this into account, since it does not allow for differential mortality by economic status. The projected financial assets of this group may be underestimates for future years.

The projected distribution of income is also quite skewed. Not only are the mean values substantially higher than the median values, but also among single older people, the mean value is close to (and sometimes a little above) the upper quartile point.

Table 4: Projected house values of single older home-owners, UK, 2002-2022

	2002		2007	2012	2017	2022
	65+	85+	85+	85+	85+	85+
Total population						
House values ¹						
lower quartile	67,000	64,000	76,000	86,000	94,000	104,000
median	104,000	101,000	118,000	129,000	146,000	166,000
mean	132,000	125,000	149,000	164,000	186,000	213,000
upper quartile	167,000	163,000	191,000	209,000	231,000	266,000
Care home residents						
House values ¹						
lower quartile	65,000	63,000	76,000	87,000	95,000	104,000
median	101,000	97,000	116,000	128,000	145,000	167,000
mean	127,000	122,000	148,000	164,000	186,000	214,000
upper quartile	163,000	159,000	188,000	208,000	230,000	266,000
Recipients of home care						
House values ¹						
lower quartile	66,000	64,000	76,000	85,000	94,000	104,000
median	103,000	100,000	118,000	128,000	145,000	167,000
mean	130,000	124,000	149,000	164,000	186,000	214,000
upper quartile	166,000	161,000	191,000	209,000	230,000	266,000

Source: CARESIM.

¹ House values are in April 2002 prices presented to the nearest £1,000.**Table 5: Projected house values of married/ cohabiting older home-owners, UK, 2002-2022**

	2002		2007	2012	2017	2022
	65+	85+	85+	85+	85+	85+
Total population						
House values ¹						
lower quartile	79,000	79,000	88,000	93,000	104,000	118,000
median	126,000	126,000	141,000	147,000	163,000	188,000
mean	161,000	152,000	175,000	187,000	213,000	243,000
upper quartile	200,000	188,000	221,000	240,000	264,000	303,000
Care home residents						
House values ¹						
lower quartile	79,000	79,000	87,000	93,000	105,000	121,000
median	126,000	126,000	140,000	146,000	164,000	194,000
mean	155,000	151,000	173,000	184,000	214,000	246,000
upper quartile	193,000	187,000	216,000	231,000	263,000	306,000
Recipients of home care						
House values ¹						
lower quartile	79,000	79,000	88,000	93,000	104,000	120,000
median	126,000	126,000	140,000	146,000	164,000	192,000
mean	158,000	152,000	174,000	185,000	214,000	245,000
upper quartile	197,000	188,000	220,000	235,000	264,000	305,000

Source: CARESIM.

¹ House values are in April 2002 prices presented to the nearest £1,000.

Table 6: Projected net benefit unit income (before housing costs and disability benefits) of single older people, UK, 2002-2022, £s per year, April 2002 prices

	2002		2007	2012	2017	2022
	65+	85+	85+	85+	85+	85+
Total population						
lower quartile	7,800	7,800	8,600	9,400	10,400	11,100
median	8,500	8,200	9,200	10,100	11,200	12,200
mean	9,500	8,900	9,900	10,700	11,800	12,700
upper quartile	9,400	8,700	9,800	11,100	12,400	13,700
Care home residents						
lower quartile	7,800	7,700	8,600	9,400	10,400	10,900
median	8,300	8,100	9,100	10,100	11,100	12,100
mean	9,000	8,800	9,800	10,500	11,600	12,500
upper quartile	8,800	8,600	9,800	11,100	12,300	13,500
Recipients of home care						
lower quartile	7,800	7,800	8,600	9,500	10,400	11,100
median	8,500	8,200	9,100	10,200	11,300	12,300
mean	9,400	9,000	10,000	10,800	11,900	12,800
upper quartile	9,200	8,800	9,900	11,100	12,500	13,900

Source: CARESIM.

Note: Income is the total net income of the benefit unit presented to the nearest £100. See text for a detailed definition.

Table 7: Projected net benefit unit income (before housing costs and disability benefits) of married/cohabiting older people, UK, 2002-2022, £s per year, April 2002 prices

	2002		2007	2012	2017	2022
	65+	85+	85+	85+	85+	85+
Total population						
lower quartile	10,100	9,000	10,100	11,500	13,000	14,500
median	12,200	10,400	11,400	13,100	14,600	16,300
mean	15,200	13,300	14,100	15,700	16,800	18,300
upper quartile	17,400	14,500	14,900	16,500	17,600	19,500
Care home residents						
lower quartile	9,300	8,900	10,100	11,400	12,900	14,400
median	10,700	10,200	11,300	12,800	14,400	16,000
mean	13,400	13,000	13,600	15,100	16,300	17,900
upper quartile	14,400	13,300	14,000	15,800	17,200	19,000
Recipients of home care						
lower quartile	9,800	9,000	10,200	11,600	13,100	14,600
median	12,000	10,500	11,600	13,200	14,800	16,500
mean	15,000	13,500	14,300	15,900	17,000	18,500
upper quartile	17,300	14,900	15,100	16,900	18,000	19,800

Source: CARESIM.

Note: Income is the total net income of the benefit unit presented to the nearest £100. See text for a detailed definition.

Table 8: Projected benefit unit financial assets of single older people, UK, 2002-2022, £s, April 2002 prices

	2002		2007	2012	2017	2022
	65+	85+	85+	85+	85+	85+
Total population						
lower quartile	0	0	0	0	0	0
median	2,000	2,000	2,000	2,000	2,000	3,000
mean	22,000	19,000	24,000	25,000	29,000	29,000
upper quartile	10,000	8,000	10,000	12,000	13,000	16,000
Care home residents						
lower quartile	0	0	0	0	0	0
median	1,000	1,000	2,000	2,000	2,000	2,000
mean	18,000	16,000	21,000	21,000	24,000	25,000
upper quartile	7,000	7,000	9,000	9,000	10,000	13,000
Recipients of home care						
lower quartile	0	0	0	0	0	0
median	2,000	2,000	3,000	3,000	3,000	3,000
mean	23,000	20,000	26,000	27,000	31,000	32,000
upper quartile	10,000	9,000	11,000	13,000	15,000	18,000

Source: CARESIM.

Note: Financial assets are shown to the nearest £1,000.

Table 9: Projected benefit unit financial assets of married/ cohabiting older people, UK, 2002-2022, £s, April 2002 prices

	2002		2007	2012	2017	2022
	65+	85+	85+	85+	85+	85+
Total population						
lower quartile	(310)	(110)	(250)	(620)	(290)	(170)
median	7,000	5,000	5,000	7,000	7,000	8,000
mean	45,000	43,000	46,000	47,000	42,000	42,000
upper quartile	28,000	22,000	23,000	26,000	28,000	31,000
Care home residents						
lower quartile	(30)	(40)	(90)	(210)	(70)	(40)
median	4,000	4,000	4,000	5,000	5,000	5,000
mean	35,000	37,000	38,000	39,000	36,000	37,000
upper quartile	18,000	18,000	18,000	22,000	22,000	24,000
Recipients of home care						
lower quartile	(420)	(140)	(280)	(720)	(370)	(240)
median	8,000	6,000	6,000	7,000	8,000	8,000
mean	47,000	45,000	47,000	49,000	44,000	43,000
upper quartile	30,000	23,000	25,000	28,000	30,000	33,000

Source: CARESIM.

Note: financial assets are shown to the nearest £1,000. Figures in brackets indicate non zero amounts which are less than £1,000, shown to the nearest £10.

Reference

Hancock, R., Wittenberg, R., Pickard, L., Comas-Herrera, A, Juarez-Garcia, A., King, D. and Malley, J. (2006) Paying for long-term care for older people in the UK: modelling the costs and distributional effects of a range of options PSSRU Discussion Paper 2336, Personal Social Services Research Unit, University of Kent, Canterbury.