

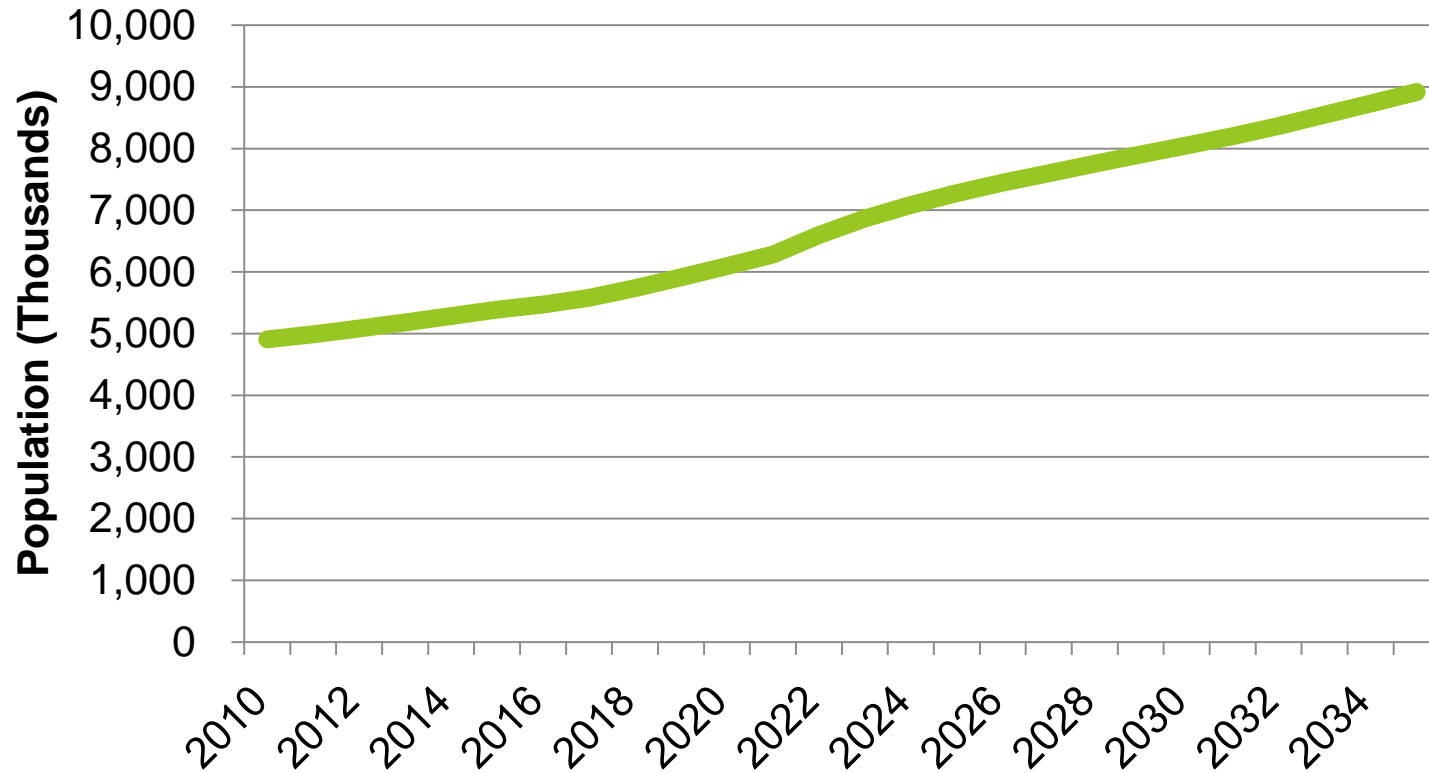
# LONG-TERM CARE AND THE HOUSING MARKET

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- Literature on care has failed to explore the implications of long-term care on the housing market
- It has focussed almost exclusively on:
  1. the demand for long-term care
  2. the supply of unpaid care by family members
- In practice, changes in long-term care preferences and policy affect housing demand, housing costs and real house prices
- Key prospective changes
  1. Increased demand for care linked with demographic change
  2. Switch to care at home care from residential care

## Projection of UK Population aged 75+

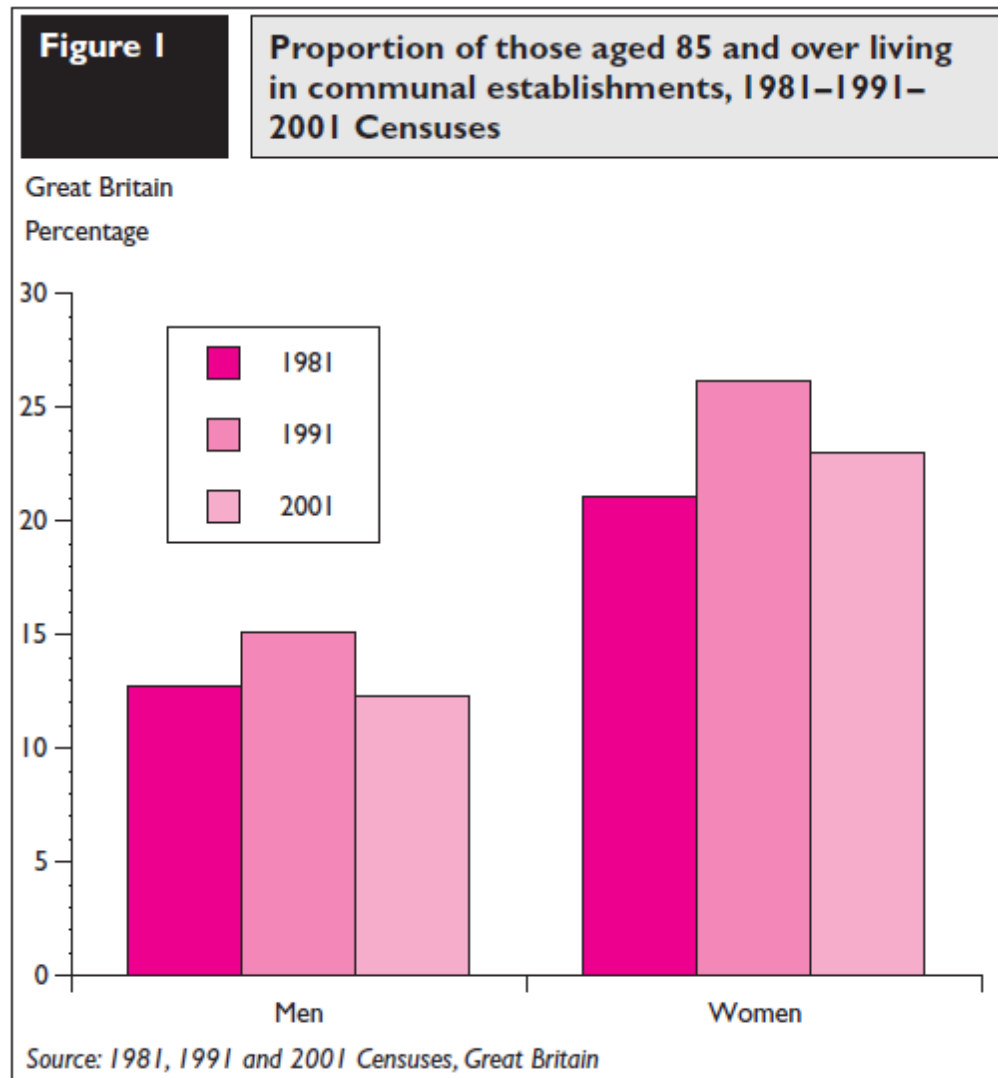


Population aged 80+ expected to increase by 82 per cent between 2011 and 2031, from 2.97 million to 5.42 million (ONS 2011)

- The theoretical and empirical literature tends to assume that the housing market passively adjusts to changes in the residential arrangements for care provision.
- Residential care provision rises to meet demand
- Changing numbers being cared for at home has no effect on housing market

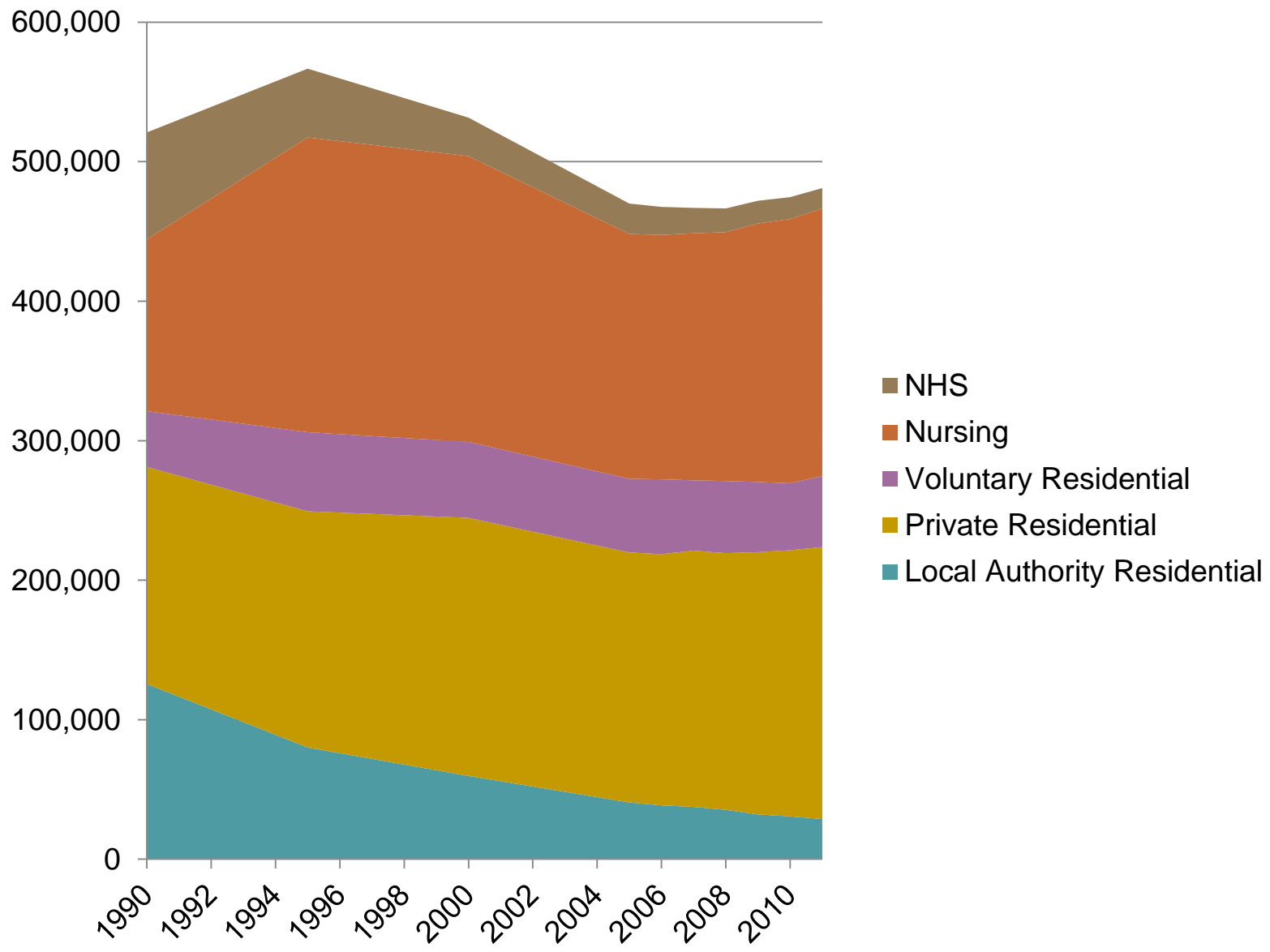
- “The numbers of users of non-residential formal services would need to rise by 59%, from 1.6 million to 2.6 million, to keep pace with demographic pressures. Within this total the numbers receiving local authority home care are projected to rise by 71% from 280,000 in 2010 to 480,000 in 2030. The numbers of older people in care homes (and long-stay hospital care) would need to rise by 67%, from 345,000 in 2010 to 575,000 in 2030 to keep pace with demographic changes.”
- Source: Wittenberg et al: (2011) Projections of Demand for and Costs of Social Care for Older People in England, 2010 to 2030, under Current and Alternative Funding Systems: Report Of Research For The Commission On Funding Of Care And Support, PSSRU

- Numbers of disabled older people receiving care from a spouse or partner are projected to increase faster than the numbers receiving care from an adult child.
- Care by children still needs to increase by 90% over the next 35 years, if the proportion of disabled older people (by age, gender and marital status) receiving care from their children is to remain the same as it is today. (PSSRU Projections (for England))
- Numbers of users of non-residential formal services would need to rise by 102%, from 1.5 million to 3.1 million, to keep pace with demographic pressures; and the numbers of older people in care homes (and long-stay hospital care) would need to rise by 139%, from 345,000 to 825,000. (PSSRU Projections (for England))



Source: Tomasini, C. The oldest old in Great Britain: change over the last 20 years Population Trends 2006

# Care Home Places in the UK 1990-2011

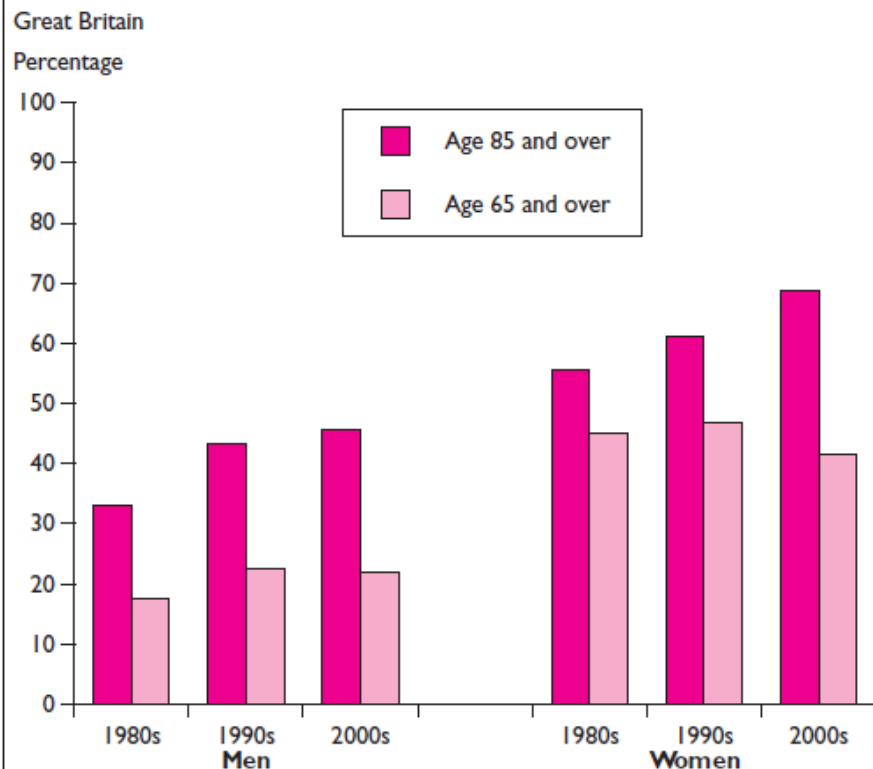




- Market has failed to provide adequate insurance against long-term care needs. Market structure therefore typically a spot market.
- Buyer (local authorities) have monopoly power
  - Major purchaser of care on behalf of those with no means to pay
- Also regulator can change relative price of home care and institutional care
  - National Minimum Wage and National Care Standards as contributory factors to a substantial increase in care home closures in England between 1998 and 2000

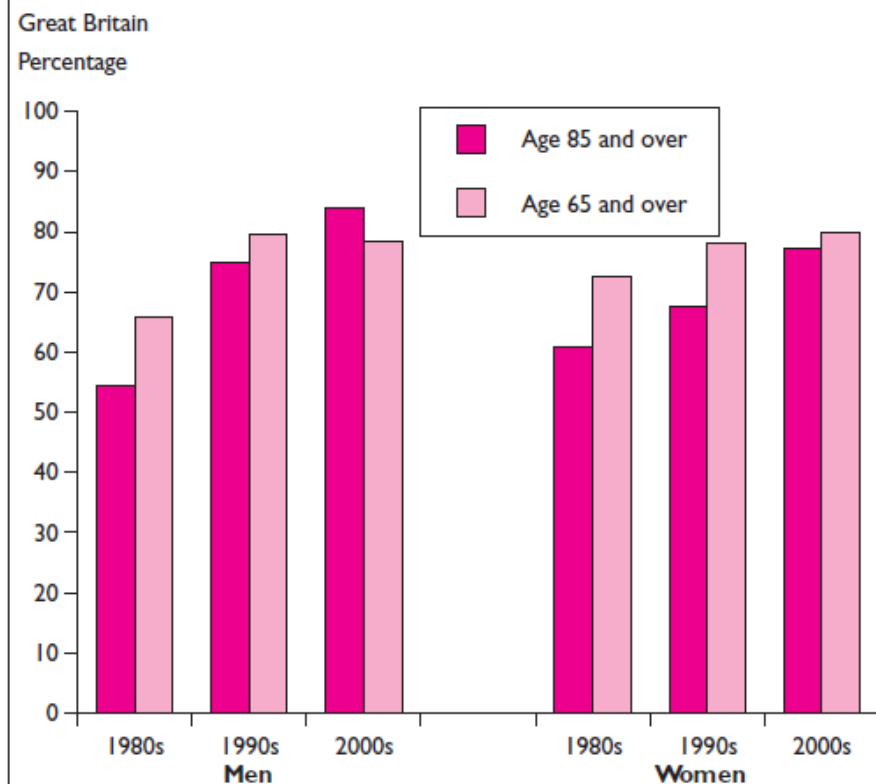
- Possible housing outcomes following the recognition that an individual is in need of long-term care:
  - No change in housing demand if:
    - someone else living in house *or*
    - person living alone receives care at home
  - Reduction in demand
    - person needing care forms joint household
    - person needing care enters institutional care
- House sales precipitated by care needs influence the distribution of bequests.
  - Care at home - beneficiaries inherit full value of the home.
  - Cared for in institution, beneficiaries receive the value of the home net of the costs of care including the accommodation costs.
- Care at home preserves care client's wealth. Given that care is largely provided during the latter stages of life, care at home is ultimately to the advantage of the beneficiaries of the caree's estate.

**Figure 4** Proportion of older people living alone, by sex and age



Source: ONS General Household Survey (author's calculations)

**Figure 5** Proportion of unmarried (single, divorced and widowed) older people living alone by sex and age



Source: ONS General Household Survey (author's calculations)

Source: Tomasini, C. The oldest old in Great Britain: change over the last 20 years Population Trends 2006

- Wanless Review (2006) argued that the first of its six priorities for long-term care should be “to promote the development of domiciliary, day and respite services to enable people to live in their own homes wherever feasible and sensible.”
- Scotland has a National Indicator “to increase the percentage of people aged 65 and over with high levels of care needs who are cared for at home.”
- OECD: “Encouraging home and community care is desirable for users and spending is lower” (Colombo, Ana et al. 2011).
- Also been justified on the grounds of cost – most care packages provided at home cost significantly less than care in nursing or residential care home.
- More intensive home care provision of 20 hours per week cost £284 per week.
- Average weekly fees in 2005 for residential care (£397) and nursing care (£570) (Laing & Buisson, 2011)

- Household formation involving parents going to live with children or children forming a household with older parents, is relatively infrequent in the UK.
- Carees are slightly less likely to live alone, but this effect is relatively small compared with the sharp age gradient in solo living, particularly among women.
- Care and living alone are associated with relatively small houses (using the metric of the number of bedrooms). Hence the house typically affected by the switch from institutional care to care at home will be somewhat smaller than average.
- Increased numbers of the “oldest old” will tend to increase housing demand, particularly if the number of places in institutional care fails to increase due

- There will be an additional 2.45 million people in the UK aged 80+ by 2030.
- On current patterns of behaviour the majority of the additional women and around 40 per cent of the additional men will be living alone.
- Based on the gender composition of the projected increase in population, there are likely to be around 1.1 million additional singleton households by 2031.
- Based on current patterns of health, at least 25 per cent of this age group will have a demand for care.
- In 2010, the UK housing stock comprised 27.3 million dwellings. If neither the current stock of dwellings, nor the number of places in institutional care increases, around 1 per cent of dwellings will be required by additional older people in need of care. Effect on housing market depends on elasticity of response to this increase in demand
- Current QE/Bank deleveraging policy favours private housing relative to care home investment