Coping with the crunch: the consequences for older people
New research from Age Concern and Help the Aged

Older workers

- 60% of older workers say that the economic downturn means they may need to work for longer than they originally planned. But more than one in five also fear that the recession could force them to stop work sooner than expected.

- 28% of older workers feel that, if the current economic crisis forces their employer to make cuts, they are at greater risk of redundancy because of their age.

- 1 in 8 workers aged over 50 say their job is not very secure and 6% say they are very likely to lose their job.

- Only 1 in 5 (22%) people aged 50+ say that the economic downturn has not affected their retirement plans at all. Since the start of the recession twice as many people aged 50+ have reduced the amount they are saving and paying into pensions as have increased it.

In retirement

- 6 out of 10 people aged 60+ (59%) are not confident that the Government will help older people cope during the recession.

- 42% say they are struggling to afford essential items.

- 22% are cutting back on food.

- 42% are cutting back on socialising.

- 41% are cutting back on electricity.

- 38% are cutting back on gas.
In times of economic crisis, societies stand or fall together. People in retirement are not a breed apart, and workers in their 50s and 60s face challenges similar to people half their age. But, at the same time, the needs of different age groups are not identical. If politicians are ‘age-blind’ in their response to the recession some distinctive problems facing people aged over 50 will go unaddressed.

As a society we must strive for an age-friendly recovery, with the benefits of government intervention being felt by different age groups in proportion to their need. The long-term prospects for people aged over 50 must not be damaged irrevocably by the current downturn.

Our top concern is for people in their 50s and 60s who may be permanently disadvantaged by the timing of this recession. People approaching retirement are facing up to the reality of low annuity and savings rates and a massive fall in stock markets. And one in four of those approaching state pension age have outstanding credit commitments. Older workers may have to choose between living with far less than they expected – for decades to come – or carrying on in work for longer than planned. But for some, delaying retirement will not be an option; they are getting caught up by redundancies and a shrinking labour market. Unemployment is rising for everyone, but for older age groups the statistics show that spending six months out of work usually leads to permanent retirement.

Meanwhile, people already in retirement have been hit hard by economic turmoil in the last two years. Sky-rocketing prices have been eating into fixed incomes, and inflation for pensioners – particularly the oldest and poorest – remains far higher than for the rest of the population. Further problems lie in store. Savings and investment returns have fallen for those who were lucky enough to have a nest-egg. Also, older people rely more on their local neighbourhood than other age groups, so boarded-up shops and the possibility of higher crime in the future could have a huge impact. All this is happening in the context of one in five older people still living in poverty and a state pension still linked to the Retail Price Index rather than earnings.

Age Concern and Help the Aged believe these are challenges which must be urgently tackled if we are to ensure that the recession does not result in a ‘lost generation’ of people whose lives and livelihoods are devastated.

What has happened to our economy?

Since the beginning of 2008 the UK economic climate has changed dramatically. After experiencing 15 years of constant economic growth the UK has fallen into recession. The IMF is now predicting that for 2009 the UK economy will contract by 4.1 per cent. What started as a shortage of credit for inter-bank lending in the financial markets in the summer of 2007 has become a global crisis. The collapse of major banks has been narrowly prevented with huge intervention packages from central banks and governments. While the banks may have been saved, house prices, stock markets, interest rates, levels of lending and, until recently, the value of sterling, have all been falling.

The recession: key facts

- Unemployment is now above 2.2 million for the first time since 1997
- Interest rates have fallen by 4 percentage points since October 2008, to a historic low of 0.5%
- Despite a recent pick-up in mortgage approvals for house purchase, the figures for April 2009 were still 28% lower than in April 2008
- The Government is likely to have to borrow £95 billion in 2008/9 but actual revenues will be down by £12.5 billion. It is predicted that public debt could rise to as much as 80% of GDP by 2016
- The FTSE 100 stands at about 4,300 today, which is over 25% down on May 2008 and 32.85% down on May 2007
1 Older workers in the recession

When older workers lose their jobs they find it much harder than other age groups to find another. Employment and skills support for people out of work must be ‘age-proofed’ to meet the needs of people in their 50s and 60s. And ministers must scrap the Default Retirement Age, which is forcing thousands of people out of work at the height of a recession.

With unemployment over 2 million for the first time since 1997, many people in their 50s and 60s are fearful of a premature end to their working life, at a time when they can least afford it. During 2008–9, the number of unemployed people aged over 50 has climbed by 111,000 (an increase of 48 per cent). Broadly speaking, the pattern of rising unemployment and falling employment is similar for over-50s and other adults over the age of 25. However, for the over-50s the implications of being jobless are extremely severe. Data collected before the recession showed that men out of work in their 50s have only a 1 in 5 chance of being in a job two years later. And the longer over-50s stay out of work, the worse their chances of working again become.

It is vital that the measures being introduced to tackle unemployment include clear provision for older workers. Only by ensuring that the over-50s can either retain or find new employment during the recession will their long-term incomes as pensioners be protected. It is also important that the skills and abilities of older workers – including those who lose their jobs – are maintained and renewed, as the economy will depend on these people to boost both labour supply and consumer demand as the economy recovers. In the early 1990s, the employment rate for men of 50+ fell 7 points and did not recover for nearly 10 years. Labour supply in the subsequent upturn was suppressed by the premature exit of more than 300,000 older workers. Yet our research indicates that Jobcentre Plus is not providing effective support for the over-50s. Many feel that advisers do not understand their situation, the types of barriers they face, or what type of support will help them.

Tackling age discrimination against older workers is vital: the value they add to the workforce needs to be recognised. To help end the ageist attitudes older workers face in the job market, the Government must scrap the national Default Retirement Age of 65. It gives employers permission to force older workers out of employment on the cheap. The Government should also provide a package of support for unemployed people over the age of 50 within three months of them losing their jobs. Jobcentre Plus staff should receive additional training to improve the support they provide to older clients. The Government should also initiate a rapid programme of research into the employment prospects of the over-50s: what works and what doesn’t for this age group.

‘Last week the Shropshire Star, a local paper, advertised an evening at the Beacon Community Centre in Market Drayton, Salop with respect to employment. The age limit for those persons attending and considered for employment was stated as 64 years of age! Is this not discrimination?’

2 Declining pensions and assets

The finance industry must encourage many more people to shop around for their annuity. Unless it is clear that competition is working, a system of automatic brokerage for annuities should be introduced.

The rapid decline of the stock market has wiped hundreds of millions of pounds off the value of pension funds – an average decline of 25 per cent. Even if recent signs of recovery are sustained, the drop in values will take many years to reverse and will prove a further burden to those companies that still have to fulfil obligations to provide retiring employees with defined benefit pensions. The recent report from the National Association of Pension Funds paints a very gloomy picture for defined benefit pension schemes. Based on responses from employers offering 100 pension schemes, it shows a significant weakening of confidence in defined benefit schemes since the autumn of 2008. Half the defined benefit schemes currently open to new members are expected to close (the ONS estimates that there were 2,240
such schemes in 2007, comprising 28 per cent of the total). About a quarter of all defined benefit scheme providers anticipate that they will switch employees to some form of defined contribution or hybrid/career average scheme. The pressures of the recession were clearly paramount in the pattern of responses from employers.

Individuals with defined contribution pensions have received a double whammy. Their pension depends on both investment returns and the value of annuities – and both have also fallen rapidly. A 65-year-old man who cashed in a £100,000 pension fund in January 2008 might have received a lifetime income of £7,300 a year. By January 2009 his income might have been under £6,000 a year, taking into account both the fall in fund values and the fall in annuity rates. Of course, most people of pension age have far less money in their pension funds to play with.

‘With finishing work I could not keep going. I was paying Council Tax and rent all out of my pension. I was getting back in [debt] and I started using credit cards more than if I were working. I moved up here, all went on credit card, cooker etc. Trouble is if you keep paying monthly they keep putting the limit up. The more they put it up, the more you spent and I couldn’t pay it back… I [only] had the works and old age pension, couldn’t keep it up.’

Shopping around for an annuity can mitigate the fall to some extent, but the best course of action for many people is to delay buying an annuity. In order to do this, people will have to be able to either carry on work, or rely on an alternative income. For many, this will be difficult if not impossible, particularly for those affected by the national Default Retirement Age or hit by the recent rises in unemployment. There is a real danger that the economic crisis will be not just a temporary phenomenon, but one which could affect the incomes of older people for the next 20–30 years. In turn, this could affect government liabilities as the numbers entitled to means-tested benefits such as Pension Credit could be much higher than predicted.

### 3 Older savers

‘Perhaps you could explain to me and my mother just how she is supposed to survive when her source of income is suddenly reduced in this way, while her costs are rising, and when she clearly has no way of making more money.’ Letter to Age Concern, April 2009

The 2008 Budget included a welcome package for low-income savers. The Government should also allow older people on Pension Credit to make savings through the Savings Gateway scheme.

There are also difficulties for pensioners dependent on income from savings. Almost three-quarters of pensioners receive savings income. Although for the majority the amount is small, savings interest can still make a useful contribution to annual income. Others keep their savings as a cushion against unforeseen events, and for this group it is vital that savings keep pace with inflation.

We were delighted that the 2008 Budget responded to our calls to increase the amount of savings pensioners can have without losing means-tested benefits and to ensure that low-income savers are helped to reclaim tax overpaid on their savings. Increased advice and information to help older people make the most of their money is essential – not just through one-off campaigns, but year-round.

Many prudent people with low incomes try to build up their savings in retirement, as protection against bad times in the future. The Government’s refusal to let older people on Pension Credit apply for the Savings Gateway scheme, which will subsidise the savings of younger people on means-tested benefits, is a missed opportunity.
The changing face of pensioner poverty

All political parties should commit to a goal and timeline for ending pensioner poverty. Pension Credit and the basic state pension should be increased in line with the true rises in costs of living experienced by older people. Jobs can be created by taking action to end fuel poverty.

On the face of it the poorest pensioners, who are largely dependent on state incomes, may appear to have little to lose from the recession. Certainly, their financial outlook has not deteriorated to the same extent as has been true for people in the run-up to retirement or with high savings and investments. Indeed, as poverty is most commonly assessed in relative terms, if overall household incomes stagnate or drop, the headline figure for pensioner poverty might even fall.

However, even if the relative situation of the poorest older people is not worsened by the recession, pensioner poverty remains unacceptably high. In 2007–8, 2 million pensioners were living in poverty. The Government should set targets to tackle and abolish pensioner poverty.

‘If somebody asked me for money, I just cried. I said, “I can’t do it. Can you wait until next week?” They say, “We can’t – we are taking you to court.”’

Meanwhile, the poorest pensioners have been particularly hit by rising prices. Overall inflation as measured by the Retail Price Index was below zero in March 2009 but inflation rates for pensioners, particularly the poorest, paint a different picture. The latest figures for the first quarter of 2009 show a year-on-year rise of 6.8 per cent for single pensioners and 5.2 per cent for pensioner couples. This is because basic items which form the majority of older people’s spending are still historically high.

The most striking example of this is the cost of fuel. The National Audit Office estimates that average domestic bills for England and Wales rose in real terms by 55 per cent for gas and 42 per cent for electricity between 2004 and 2008. This has been devastating for pensioners on low fixed incomes. A 2008 Help the Aged survey found that 36 per cent of people aged 60+ in Great Britain (over 4.5 million) sometimes stay or live in just one room of their home in the winter to keep warm and save heating costs. The number of older households in fuel poverty is estimated to be 2.7 million. And while the economic crisis will not last forever, the transition to high energy prices is likely to be permanent, with prices never returning to their 2004 levels.

‘I am . . . getting very worried about the way fuel prices are going up even more. I am stuck in the house even more as I cannot find the cash to put [petrol] in the car. My gas, electric and water [bills] are all sky-high and are set to go up even further . . . I am lucky if I have money left each month after I pay all my bills.’

Measures to address long-term fuel poverty among older people must be put in place. Indeed, they could be beneficial not just to pensioners but to the whole economy, creating jobs and preventing the worst predicted impacts of climate change.

Financial education and debt

Money advice and information needs to be targeted at older people to help them maximise their income. The Financial Services Authority needs to take action to improve the financial capability of people in retirement.

The recession brings an increased need for pensioners to be savvy with the money they have, to make sure they get the most from it. A recent Which? report noted that 7 out of 10 people admitted they were confused by the 4,000 different tariffs available from gas and electricity suppliers. More advice and support are essential in our increasingly complicated world, where older people are less likely than other age groups to shop around, and have less access to the internet for price information and discounted offers.

And while the propensity to use consumer credit decreases with age, there are indications that levels of debt among older people are increasing. Research for Help the Aged into financial education and older people revealed that a quarter of the older population are approaching state pension age with outstanding credit commitments, and credit users in their late 50s and early 60s owed on average four times as much in 2005 as their counterparts did in 1995.
The research also found that high levels of credit use may be influencing the timing of retirement. It highlighted that one in eight of the over-60s are still paying off a mortgage, as are 4 per cent of 80- to 84-year-olds. The report also shows that unlike borrowers in other age groups, older people use credit cards not just to pay for non-essentials but also to pay bills or even to buy food.

At the same time it is clear that older people are not using some of the sources of credit which are available to them. Less than half a per cent have a Social Fund loan and less than half a per cent are using equity release products.

The same research study found that there was a scarcity of information and financial education available for older people. Financial education about planning for retirement is widely available but there is a dearth of provision for older people post-retirement. Although the current Financial Services Authority financial capability strategy includes a target for ‘older people’, it covers a very broad group (everyone aged over 40), and it is not yet clear how financial education will be delivered to this population.

The study further reveals that older people are far less likely to seek financial education once they are in the later stages of retirement. When faced with a reduction in income, older people are far more likely to cut back on essential items and go without rather than seek advice on how to optimise their existing savings and make sure that their money is being spent efficiently.

6 Struggling local economies

Businesses should chase the ‘grey pound’ as a stable source of consumer demand which can stimulate growth. But older people’s spending needs to be ‘unlocked’ by improvements in the appeal and suitability of products, services and environments – including local neighbourhoods. A universal service obligation for the major banks should be introduced to reverse the decline in local banking services and free access to cash.

Rows of boarded-up shops are a sad reflection of the recession the country is mired in. Not only do they signal local economies in decline, they also potentially become a hotspots for anti-social behaviour and drag down the whole character of an area. Older people are uniquely affected by the closure of local services and shops with 45 per cent of people aged 70-plus having a mobility difficulty, making it much more difficult to travel further. In addition, with only three in ten over-65s ever having used the internet, most older people do not have the choice of using online communities and retailers – it is local or nothing at all.

The impact of the withdrawal of local services is even more severe in rural areas, which have a higher-than-average proportion of older people.

Sadly, the recent closures of local businesses and shops are part of a longer-term decline that has hit the country. Between 1995 and 2000, the UK lost roughly 20 per cent of some of its most vital institutions: corner shops, grocers, high street banks, post offices and pubs – amounting to a cumulative loss of over 30,000 local economic outlets. The recent departure of major names such as Woolworths and recession pressures hitting small businesses mean that the lifeblood is being sucked out of another wave of neighbourhoods. Job losses are compounding this by further reducing the spending power of local communities. Present and future governments will need to introduce measures to prevent a new generation of ghost towns following in the wake of the communities destroyed by the recession of the 1980s. In the short term it is vital that action is taken to prevent any further increase in the levels of isolation experienced by frail older people.

It is here, more than anywhere else, that older people could be part of the solution. While on the one hand one in five pensioners live in poverty, many older people do have assets and wealth. With £250 billion of annual spending by 50+ households and about £560 billion of wealth held by the over-50s, businesses will need to win older customers if they are to stay afloat. Making sure that older people can access, use and therefore support local shops and services should be a priority in the strategy to rescue local economies. This means, for example, fixing pavements so older people are in less fear of falling when they leave their homes, more public toilets so that those with incontinence are not trapped in their homes, and making sure...
there are benches for people to rest on during short walks. These and other small but potent improvements could empower older people to play a more active role in their communities both economically through their spending power, and in terms of their participation in civic leadership, volunteering, local decision-making and caring for grandchildren while other family members work.

Perhaps the most urgent measure to support local economies would be a new universal service obligation on the major banks to reverse the decline in local banking services and free access to cash. Over the past ten years the number of bank branches has dropped by 21 per cent, with 900 communities losing all their banks. Given the amounts the Government has invested in the major banks, this would be a very small accommodation to ask for in return. Services could also be operated through post offices, enabling their longer-term survival.

7 Crime and scams

High-visibility measures are needed to reassure older people who are fearful of increased crime. And further steps are needed to educate people about scams and frauds.

In difficult economic times, the likelihood of older people falling victim to crime can be expected to increase. So far there have been only small increases in certain types of crime and it remains the case that crime levels are at a historically low level. That said, research highlights that older people see crime as one of the major political issues which they want to see addressed – and older people are more likely than other age groups to believe national crime rates are rising. Reassurance is essential to prevent increasing fear of crime.

The recession may also increase the number of older people targeted by scams and frauds. A recent Help the Aged survey revealed that seven out of 10 older people in Britain, more than 6.6 million people, are targeted by scams every month, either by telephone or letter. The survey found that:

- over a third (38 per cent) said they are not confident in their ability to spot bogus offers of free holidays or prizes
- a quarter said that, if they received a phone call offering a free holiday, they would not end the call immediately.
- 60 per cent said that if they received a suspected scam phone call or were offered a prize they would not discuss it with a family member.

‘The man who phoned me was very convincing. He was educated, and said he had been contacted by another company to offer me advice. I wasn’t making that much money on my savings so eventually I thought I would have a punt . . . I’ve lost all my money. It never goes away. I wake in the knowledge of it every morning. I am still being targeted by these people.’ (Elizabeth Day, aged 64, who lost £500,000 in a share scam)

Some 3.2 million people worldwide are defrauded by mass marketing scams annually. Research published by the OFT has revealed that UK consumers lose about £3.5 billion to scams every year and that older people who are targeted are likely to lose nearly twice as much per scam as other people.

Conclusion

The evidence in this paper shows that older people face specific problems associated with the economic crisis. People approaching retirement must not be disproportionately affected by the current downturn. For some, this recession will mean a premature end to working life, with the lifelong impacts this implies. Even those who keep their jobs are facing up to the reality of low annuity and savings rates and a massive fall in housing and equity markets. Many will have to work for longer or see their retirement income suffer.

The needs of people who are fully retired must not be ignored. Improving incomes, preventing crime and ensuring that communities serve older people’s needs are all priorities during the recession. Age Concern and Help the Aged believe that these challenges must be urgently tackled. Otherwise, a short-term crisis will lead to long-term disadvantage for vulnerable older people.
We are calling for:

- An end to age discrimination against older workers. The Default Retirement Age of 65 must be abolished.

- The finance industry must encourage many more people to shop around for their annuity. Unless it is clear that competition is working, a system of automatic brokerage for annuities should be introduced.

- The Government should allow older people on Pension Credit to make savings through the Savings Gateway scheme.

- All political parties should commit to a goal and timeline for ending pensioner poverty. Pension Credit and the basic state pension should be increased in line with the true rises in costs of living experienced by older people.

- Money advice and information need to be targeted at older people to help them maximise their income. The Financial Services Authority needs to take action to improve the financial capability of people in retirement.

- A universal service obligation for the major banks should be introduced to reverse the decline in local banking services and free access to cash.

- High-visibility measures are needed to reassure older people who are fearful of increased crime. Further steps should be taken to educate people about scams and frauds.

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Age Concern England and Help the Aged have joined together to form a single new charity dedicated to improving the lives of older people.

Age Concern is a federation of registered charities. Age Concern England (charity number 261794) has merged with Help the Aged (charity number 272786) to form Age UK, a charitable company limited by guarantee and registered in England registered office address 207–221 Pentonville Road, London, N1 9UZ, company number 6825798, registered charity number 1128267. Age Concern and Help the Aged are brands of Age UK. The three national Age Concerns in Scotland, Northern Ireland and Wales have also merged with Help the Aged in these nations to form three registered charities: Age Scotland, Age NI, Age Cymru.