Age UK Chief Economist's Report

Summer 2015

Prof José Iparraguirre

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Key insights in this issue

Inequality

- **The Budget did little to help to close the gap between the richest and the poorest pensioners**
- **The Budget allows more affluent older people to be able to leave more of their estate free of Inheritance Tax**
- **Financial inequality is currently growing in the pensioner population: the gap between the richest and the poorest is getting wider**
- **Pensioners are still missing out of £3.7 billion of means-tested benefits to which they are entitled**

Material deprivation

- **Over a million pensioners in this country cannot afford to replace a cooker if it breaks down**
- **Over four million cannot afford a holiday**
- **About a million cannot afford to go to the hairdressers or barbers**

Employment

- **About 1.2 million people aged 65+ are in employment**
- **Workers aged 50+ are the most likely to be made redundant and the least likely to get a new job within three months**

Prices

- **Pensioners benefitted more than the average household from low food prices, but remain the most vulnerable to energy price rises**

Foreword

During the run-up to the General Election in May, there was a cartoon in a national newspaper that showed a rosette-clad politician canvassing door-to-door promising 'a Royal baby' in each year of the next Parliament.

Short of Royal babies, there were promises galore by all parties; but now with the first Budget by the newly elected government, this edition of Age UK Chief Economist's report looks back at the announcements by the Chancellor of the Exchequer, George Osborne, on 8 July, and considers what they may entail for older people.

After the usual review and discussion of recent economic trends, which in this edition includes a comment on long-term unemployment, redundancies and re-employment, we also focus on two key economic aspects in the lives of many older people in the UK: inequality and poverty, and benefit take-up.

We show that inequality increased until shortly after the 2008 crisis as a result of better-off households getting richer *and* the worse-off households getting poorer – and that this happened to both pensioner households and working age households. Official data on material deprivation among pensioners, on the other hand, paint a decidedly grim picture, with 40 per cent of them not being able to afford taking a holiday away from their homes; 23 per cent not being able to go out socially at least once a month and even 10 per cent of pensioners in the United Kingdom not being able to replace their cooker if it broke down.

The material deprivation figures look very worrisome but the figures for non take-up of two means-tested benefits specifically targeted at older people in very low incomes are scandalous: those pensioners most in need of what for many of them are literal lifelines have foregone £3,680 million in 2013/14. A confluence of factors can explain this, but at its root are the low levels of the State Pension that make these benefits so necessary for so many and that access to these benefits is not automatic.

Most commentators opined that the 2015 Budget left older people untouched. In view of the unacceptable levels of material deprivation and the alarming number of pensioners in low income not taking up benefits they are entitled to, 'no news' in this case seems to be 'bad news'. There is a lot to do on behalf of those who are most in need.

What does the July Budget mean for older people?

The Budget the Chancellor of the Exchequer, George Osborne, laid before the House of Commons on 8 July 2015 has been said not to hold any major announcements directly related to or affecting older people. Age UK published a Briefing on that same day[1]. These comments complement our Briefing and expand on some of the measures introduced in the Budget.

For the duration of this Parliament, the government will continue to maintain the triple lock on the basic State Pension and to protect benefits specifically for pensioners, including the Winter Fuel Payment and free TV licences for over-75s (although the latter will be passed onto the BBC from 2018).

Some of the changes to the welfare system that were announced, including the freezing of working-age benefits for four years, the reduction in the household benefit cap, the limit to the Child Tax credit, and the introduction of compulsory apprenticeships or work placements for those aged 18 to 21 to claim Universal Credit, are generally aimed at people aged below Pension Credit age.

More relevant to some older people, though, are the introduction of a new National Living Wage of £7.20 an hour for people aged 25 or over (50p higher than the minimum wage); the rise in the tax-free Personal Allowance by £400 to £11,000 in April 2016 and the new £5,000 tax-free dividend allowance for all taxpayers from April 2016.

The reduction in rents for social housing by one per cent a year for four years may affect older people not on housing benefit. There are just over one million people aged 65 or more who are social renters, of whom 84 per cent do not receive housing benefit. Therefore, the reduction could potentially benefit 171,000 people aged 65 or over. On the other hand, this subsidy will impact on social landlords who will have to absorb the transfer. The Government expects that the absorption may come about through increased efficiencies, but there is a peril that maintenance and even construction may be dented as well.

Another measure with impact on older households is the reduction in inheritance tax: the allowance was raised to £175,000 by 2020-21 on top of an inheritance band of £325,000 at zero rate. This can be passed on to a surviving spouse or civil partner, which means that in effect the threshold for the inheritance tax will increase to £1,000,000 in 2020-21 (with restrictions for estates with net value of over £2 million).

This increased generosity in the inheritance tax will be funded by a reduction in the pension annual allowance (i.e. the amount a person can contribute tax-free into a pension fund) for those with incomes (including employer contributions) above

[1] http://www.ageuk.org.uk/Documents/EN-GB/For-professionals/Government-and-society/Age%20UK%20July%202015%20Budget%20briefing%20080715.pdf?dtrk=true

£150,000 from April 2016. The Institute for Fiscal Studies (IFS) estimated that this allowance will be tapered away from £40k at £150k to £10k at £210k, and concluded that this measure creates a "strong disincentive to increase income between £150k and £210k" and that it makes "no economic sense"[2].

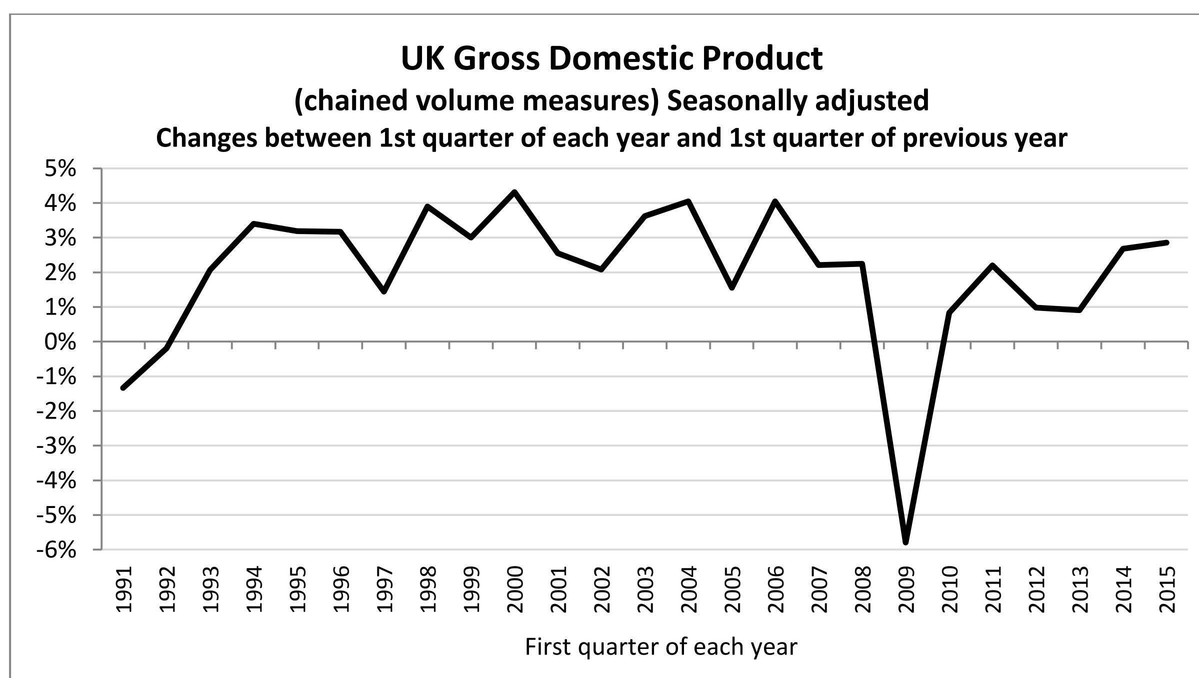
What makes even less economic sense is that there is nothing directly aimed at older people struggling to make ends meet. This Report presents data on material deprivation among pensioner households and I warn you that it is not a pretty read. Those 1.2 million who cannot replace the cooker if it broke down –to take but one of the many poignant figures- were not in the mind of the Chancellor and the economists in HM Treasury who prepared this budget.

We may agree that this Budget did not hold any major announcements directly related to or affecting older people. In this regard, it was a 'no news' Budget. But for those older people in direst need, 'no news' was not 'good news'.

Overview

Gross domestic product

GDP grew by 2.9 per cent compared to the first quarter of 2014. This year-to-year measure shows how the economy has emerged, albeit slowly, out of the deep recession of 2008 since 2010 (see next graph). Over the first quarter of 2015, it only grew by 0.4 per cent.



Source: Office for National Statistics

[2] http://www.ifs.org.uk/uploads/publications/budgets/Budgets%202015/Summer/Adam_tax_.pdf

Labour market

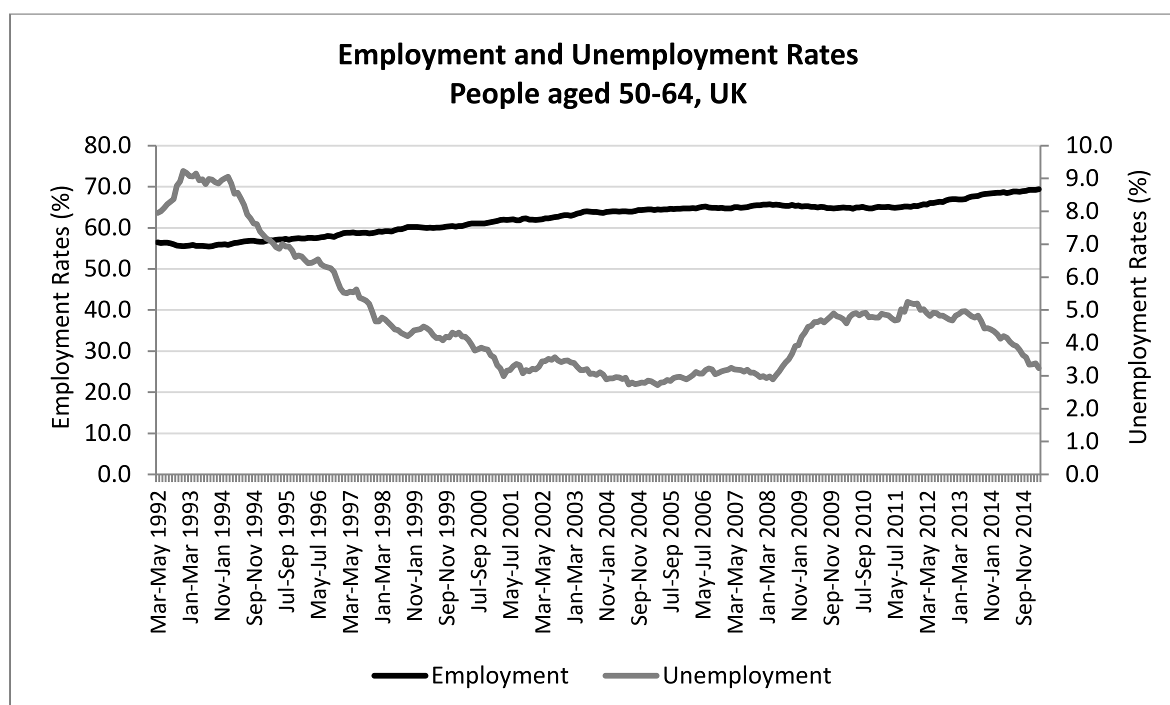
There are 8.2 million people aged between 50 and 64 and almost another 1.2 million aged 65 or over in employment (the employment rate per cent of this age group remains at a record level 10 per cent). In turn, about 275,000 people aged 50 or over are unemployed, of whom 44.3 per cent have been fruitlessly looking for a job for one year or more. Only 5.4 per cent of people aged 50 or over found a new job within three months of having lost their previous one.

During the first quarter of 2015, 35,000 people aged 50 or over were made redundant – over 35 per cent of all redundancies in the period (the largest share among all age groups).

In what follows, we present an overview of the long-term trends in employment, unemployment, redundancies and re-employment of older people in the UK.

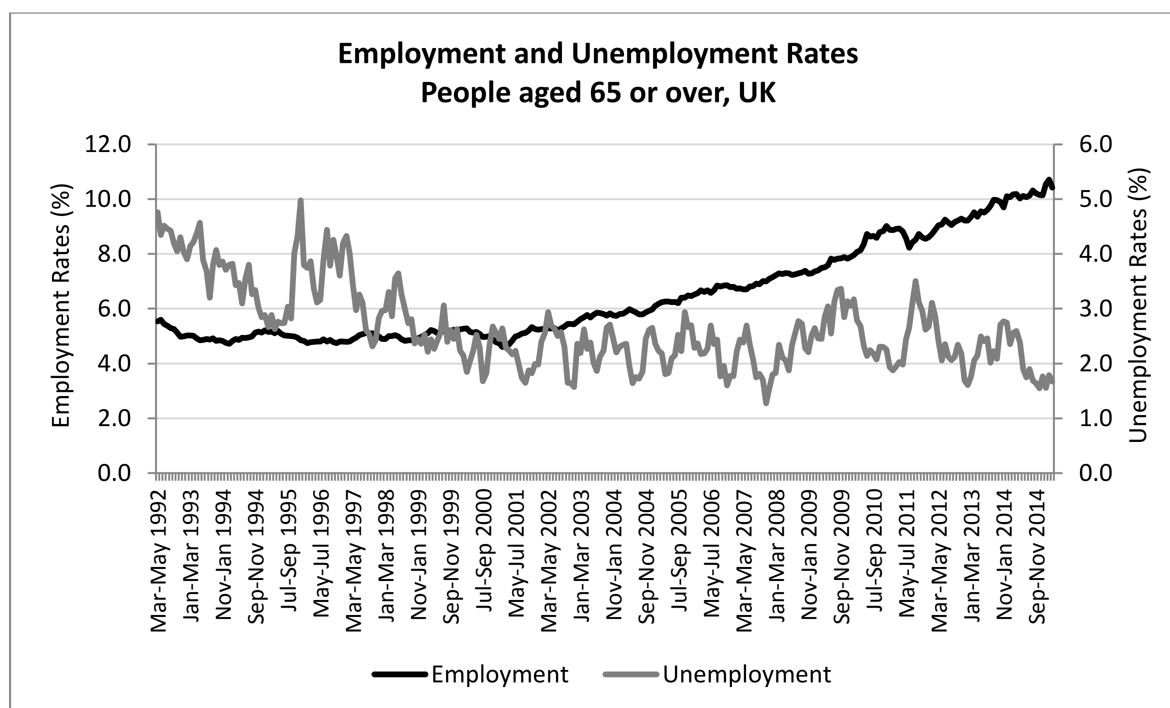
Employment rates of people aged 50 to 64 have been going up at a steady pace over the last 22 years. They have picked up since 2011 after a dip coinciding with the onset of the financial crisis in 2008: 70 per cent of people economically active in this age group are in paid employment.

Unemployment rates for this age group show an improving trend up to, again, the 2008 crisis, but they have been falling since 2013 and now are close to the minimum levels for the last 22 years.



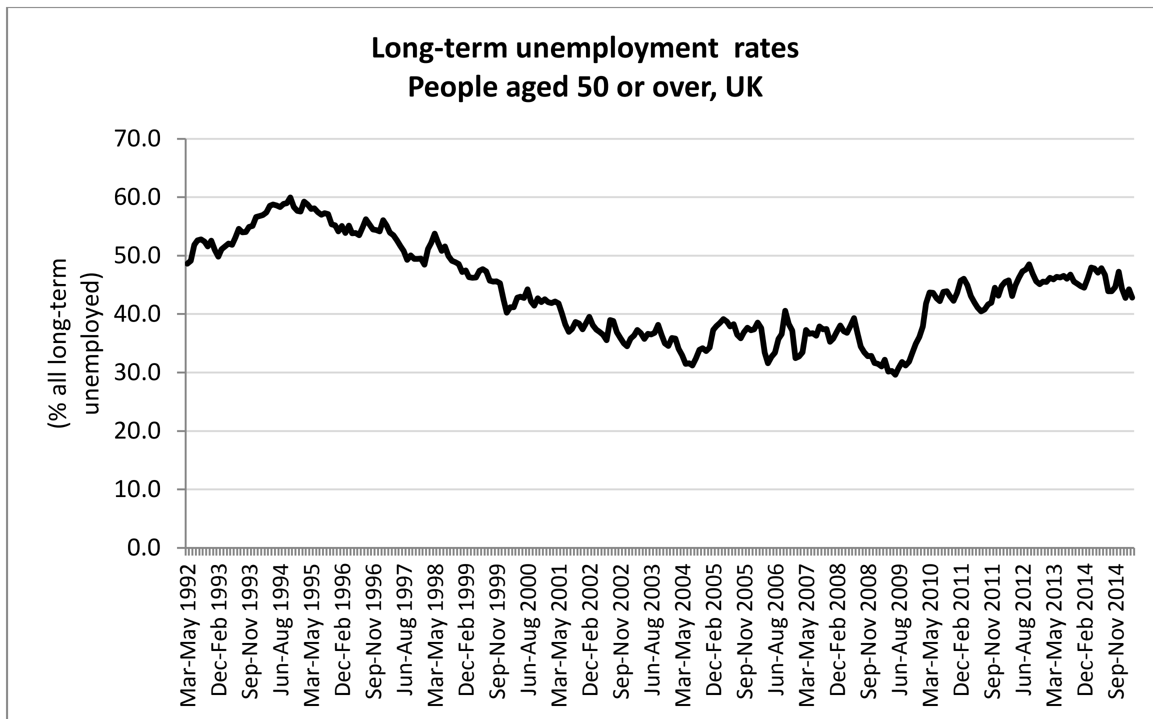
Source: Office for National Statistics

The picture for people aged 65 or over is different. Employment rates for this age group are understandably much lower than for the 50-64 cohort but have broken the 10 per cent mark. Unemployment rates among people aged 65 or over have been more erratic over the last 20 years denoting higher seasonality but they were on a clear negative trend until the 2008 crisis; since then they seemed to have reached a plateau at around 2 per cent.

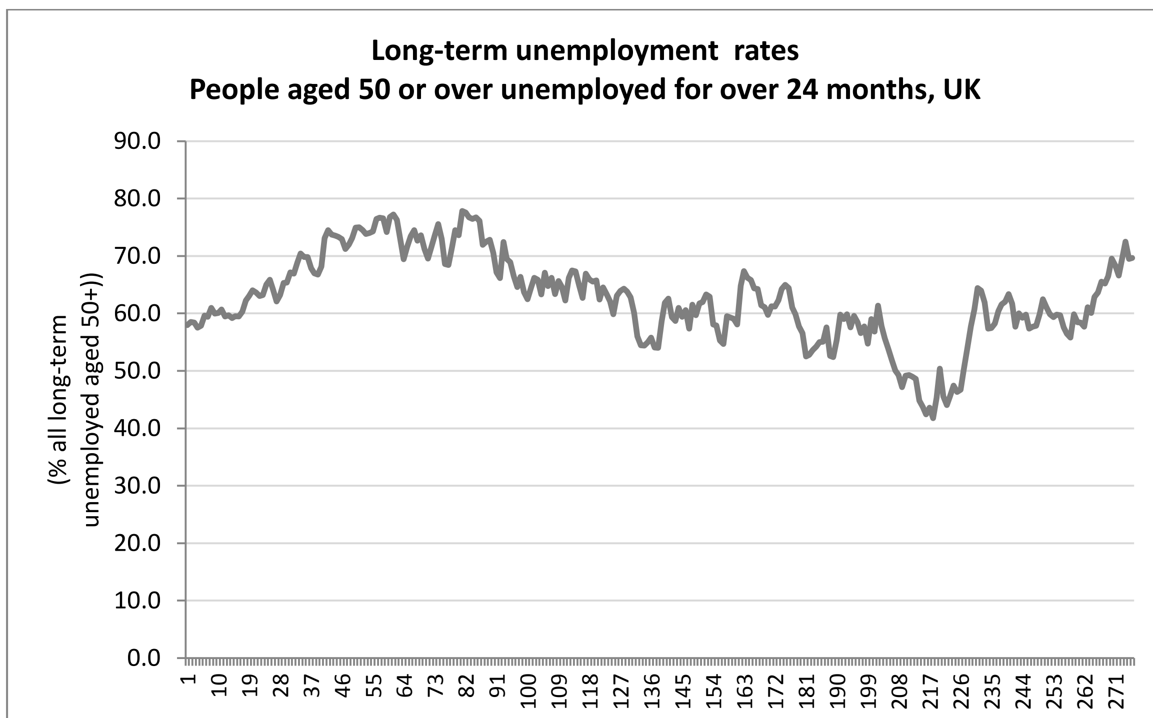


Source: Office for National Statistics

Long-term unemployment (that is, being out of work and looking for a job for 12 months or more) is particularly widespread among older people. The available data are presented for one group of older workers: people aged 50 or over. We see in the following figure that, after two decades of continuous reduction, since mid-2009 there has been a jump in the number of long-term unemployed people in this age group as a proportion of all long-term unemployed workers. A similar trend is found in the proportion of long-term unemployed who have been looking for a job for over one year. Since the end of 2013, there has been another surge and now around 70 per cent of people aged 50 or over who have been unemployed for more than one year in fact have been for more than two.



Source: Office for National Statistics

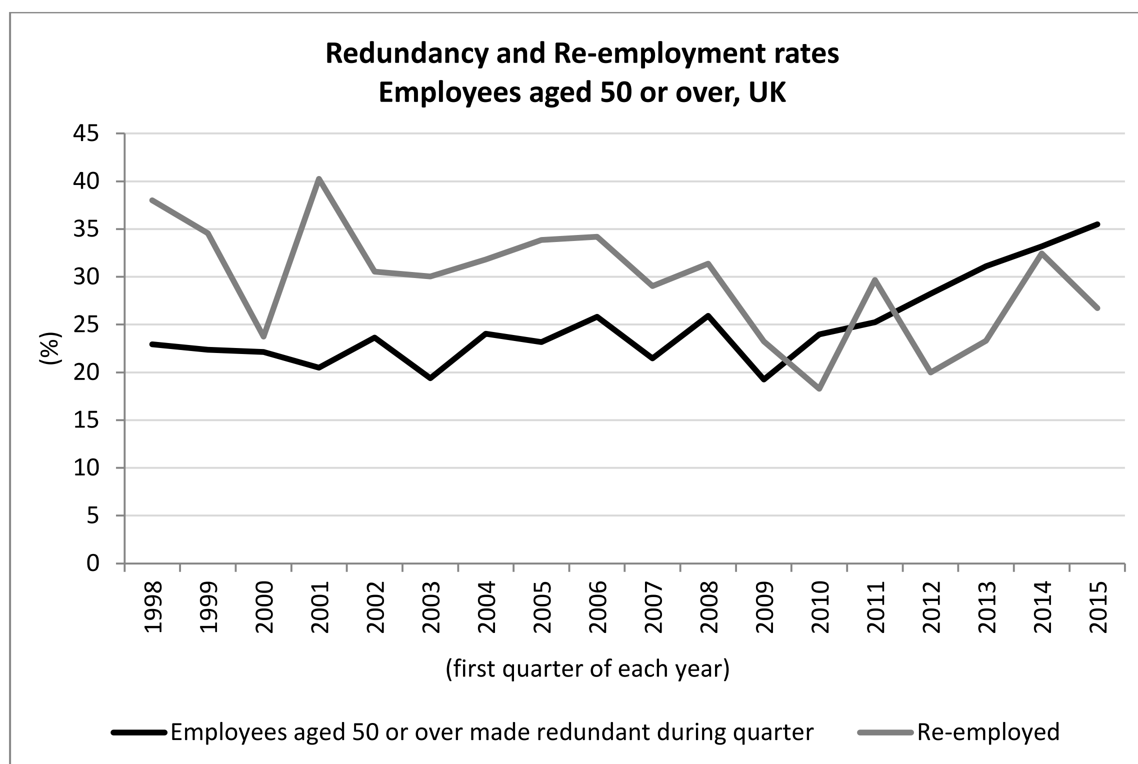


Source: Office for National Statistics

Data for redundancies and re-employment of people made redundant the previous quarter show that redundancy rates have steadily gone up since 2009, whilst re-

employment rates have oscillated since the 2008 financial crisis after a decade-long reduction.

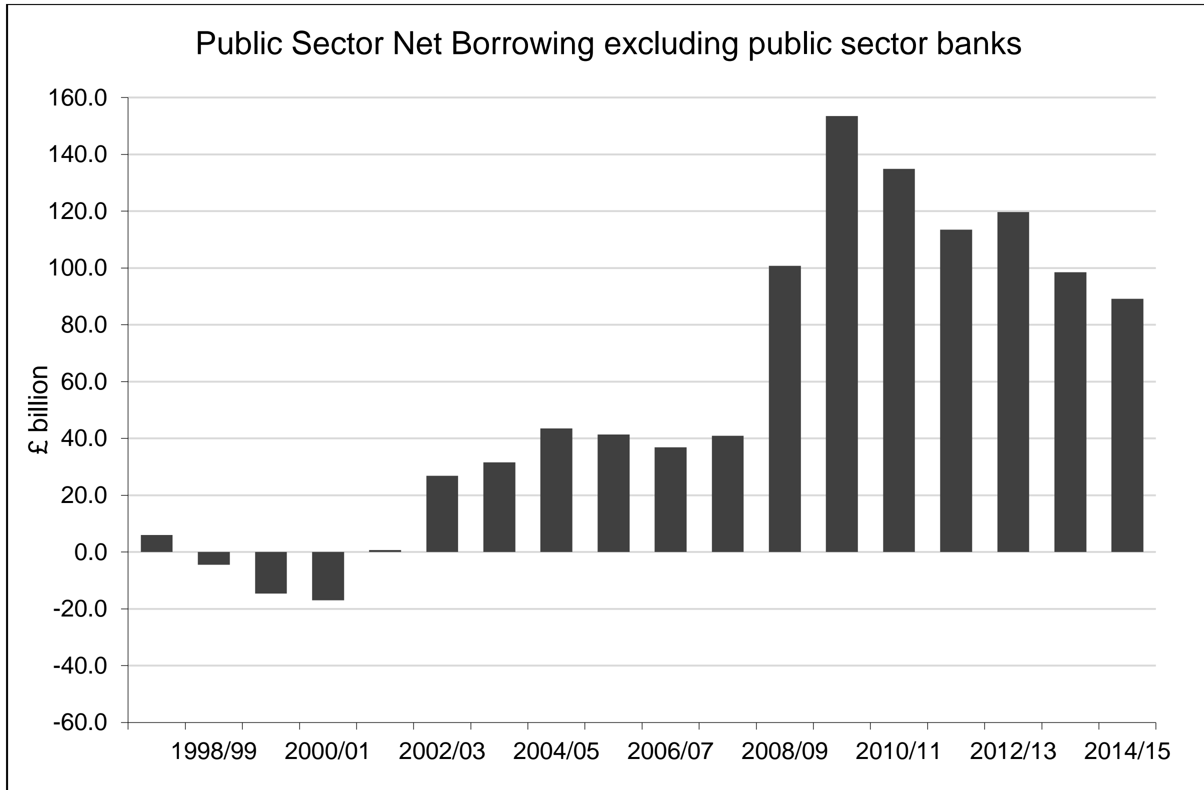
However, if we couple these data on re-employment rates after redundancy with the previous figure on long-term unemployment, it is clear that this dynamism only works for some older workers. If they cannot find a job quickly, they remain out of work for a hugely prolonged period.



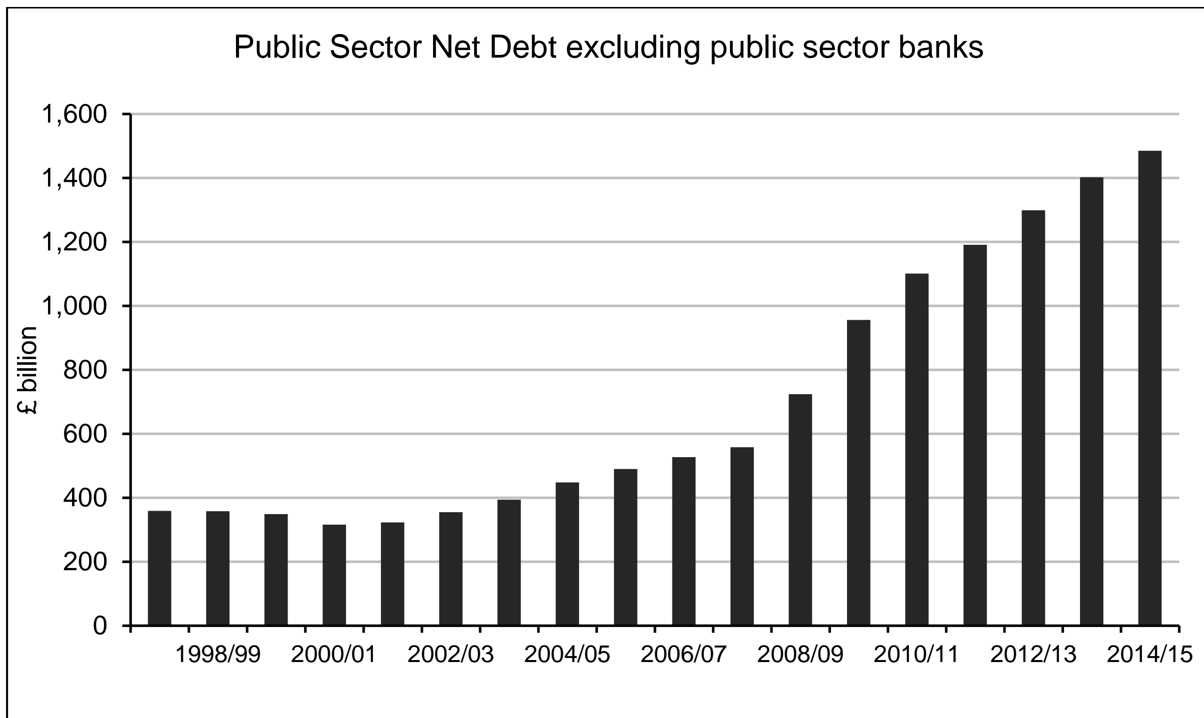
Source: Office for National Statistics

Public finances

The two main figures to highlight in this section are related to the amounts the UK government is borrowing. Despite net borrowing by the government coming down, the volume is still so high (£10.1 billion in May 2015 alone and £89.2 billion for the financial year ending in March 2015) that the total stock of public sector net debt is still on the rise: it stands at £1,500.2 billion.



Source: Office for National Statistics

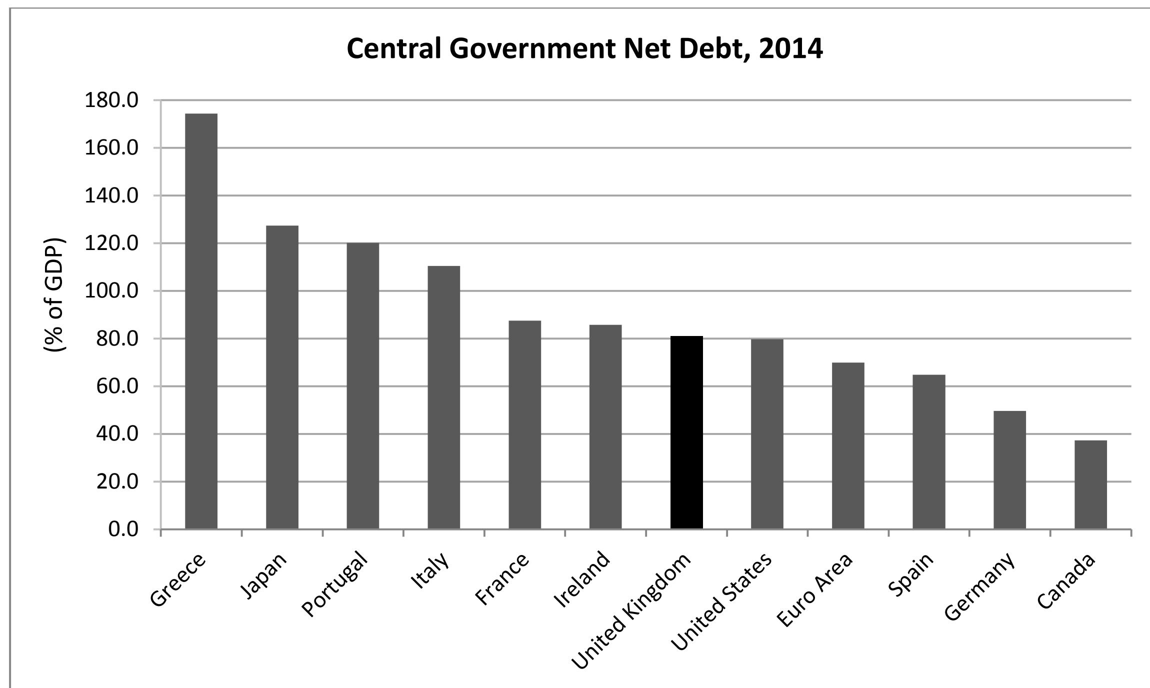


Source: Office for National Statistics

It is useful to express the public sector debt in terms of GDP, because £1,500 billion may represent an impossibly high figure but it could be a drop in a country's economic ocean depending on the size of its economy.

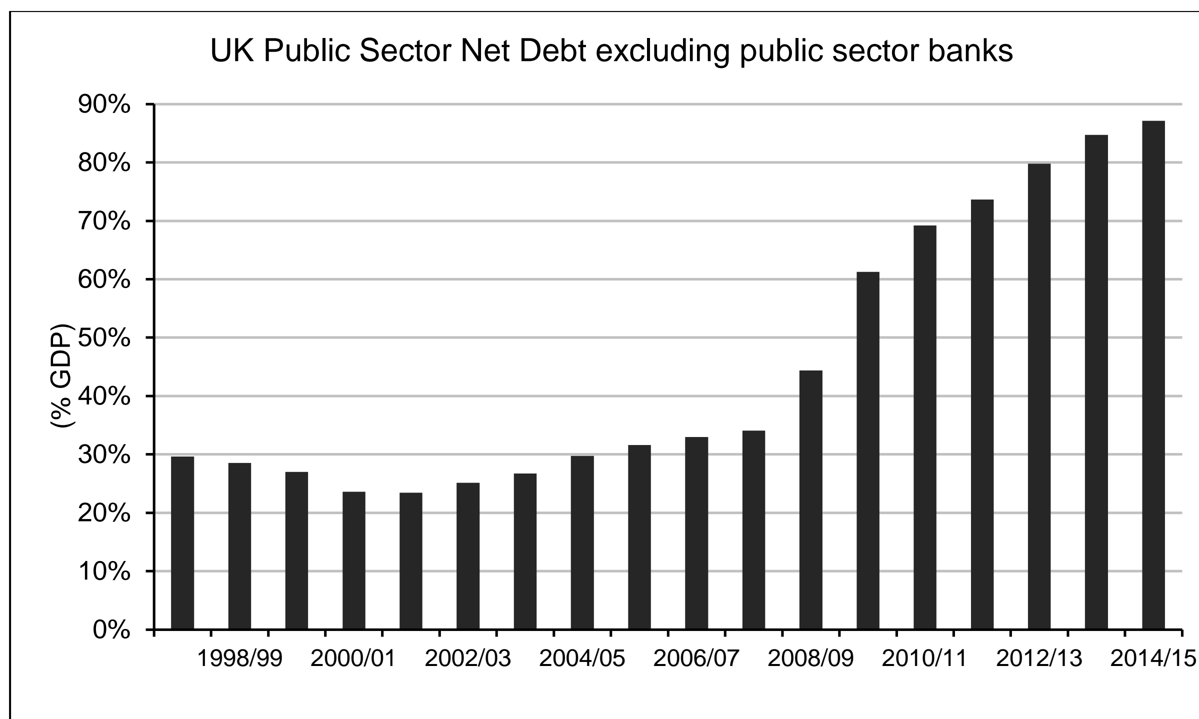
In May 2015, the UK public sector net debt was equivalent to 80.8% of GDP, which means that the equivalent of four-fifths of everything produced last year would be needed at some point to pay off the public debt at its current level.

Although not as high as other developed countries (see Figure below), it is worryingly growing as a percentage of the Gross Domestic Product.



Source: International Monetary Fund

The sizeable impact of the 2008 crisis is clearly visible in the following Figure, even though the figures *exclude* the bail-outs of financial institutions by the government.



Source: Office for National Statistics

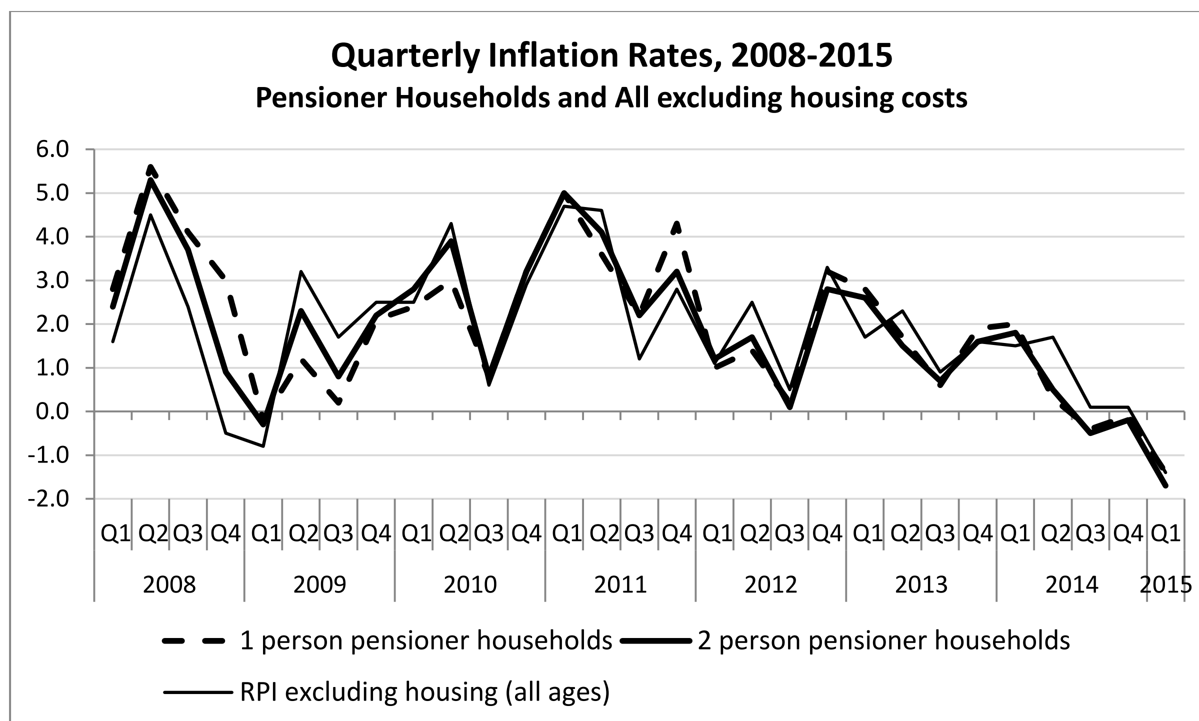
Prices

Inflation

The ONS Pensioner RPI fell by -0.07 per cent and -0.08 per cent for 1-person and 2-person pensioner households, respectively, over the year to the first quarter of 2015. Considering the margins of error behind these estimates, we can conclude that these prices remained flat. So did the RPI excluding housing costs for the population as a whole (which exhibited a marginal increase of 0.02 per cent over the year). The Bank of England's latest projection[1] sets prices close to zero until the end of autumn 2015, rising towards the end of the year; by 2017 inflation is projected to return to the annual target of two per cent. Given that the projection is based on the wearing off of the dampening effects of raised food and energy prices, we estimate that, on average, pensioners will be hit harder than the average household as prices pick up again.

Over the quarter – that is, compared to the last quarter of 2014 - the RPI for pensioners went down by -1.4 per cent and -1.7 per cent for 1-person and 2-person households, respectively, in line with the fall in the overall RPI by -1.4 per cent.

[1] Bank of England. Overview of the Inflation Report. May 2015.



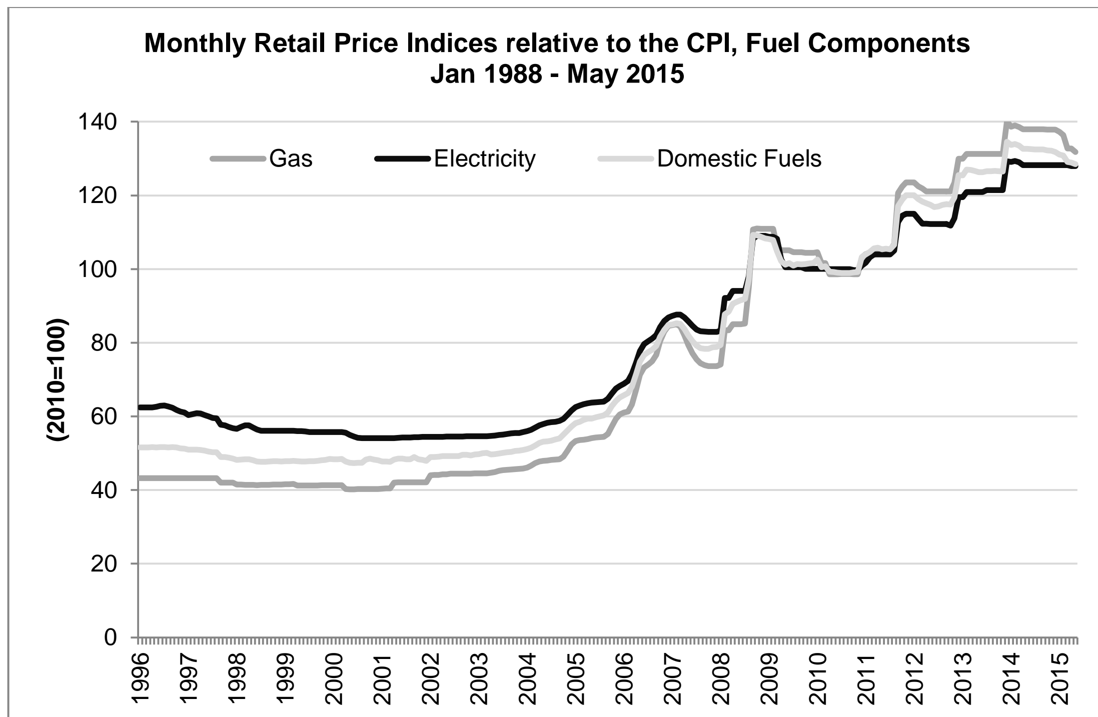
Source: Office for National Statistics

It is worth considering that price indices measure changes in prices weighted by the relative importance of each item in an average household's budget. The average pensioner household has a different consumption structure than the average non-pensioner household, so even though prices go up or down for all households, the impact is felt differently depending on the household type. For example, the group of items 'Food' exhibited more or less flat prices in 2014. In turn, Food represents almost 22 per cent of the average 1-person and 2-person pensioner household's budget but only 9.7 per cent of the average UK household. Therefore, stable Food prices in 2014 had a more positive impact on the budget of the average pensioner household than on the average non-pensioner household, and this difference was reflected in the RPI indices.

Retail energy prices

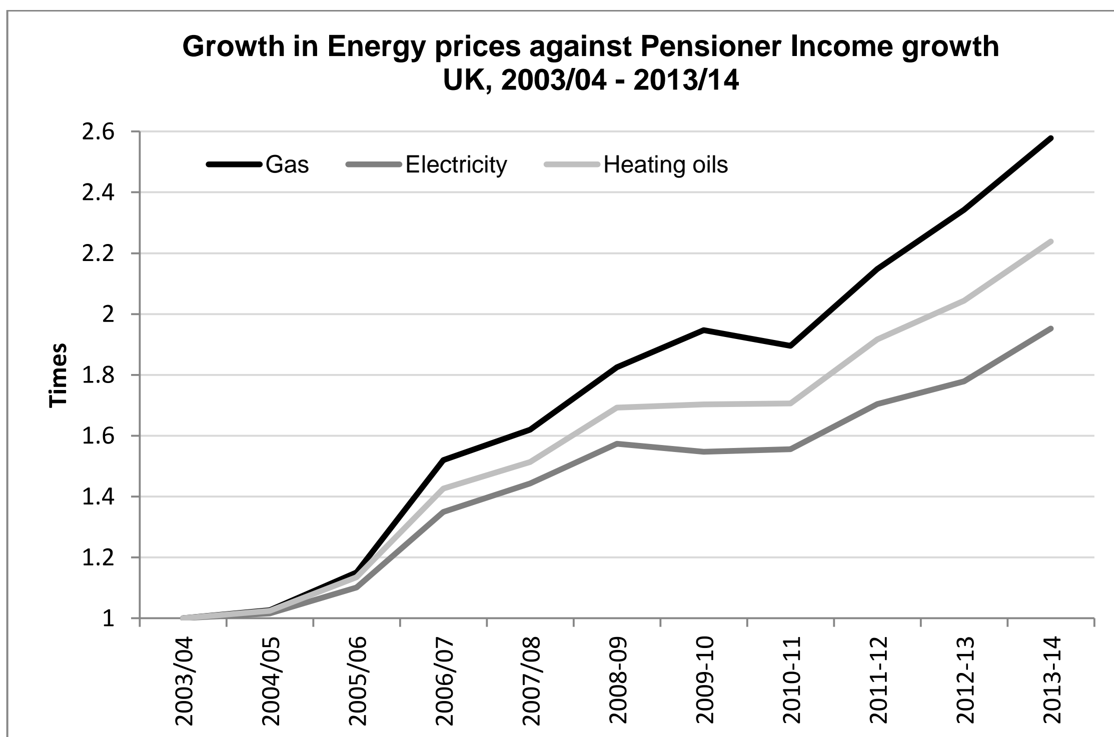
We keep track of gas, electricity and heating oil retail prices relative to the consumer price index (CPI), given their incidence on family expenditure among older people.

Domestic energy prices fell between May 2014 and May 2015 by -4.62 per cent (Gas), 0.35 per cent (Electricity) and -3.20 per cent (Domestic Fuels), whilst the CPI remained virtually unchanged.



Source: Office for National Statistics

Latest available data allow us to compare the trend in energy prices against that in pensioners' income until 2013/14. Compared to 2003/04, energy prices have gone up by 2 to 2.6 times more than pensioners' income.



Source: Department for Work and Pensions and Office for National Statistics

Spotlight on inequality and poverty

Inequality

There are various measures of inequality among older people and also various dimensions on which to focus: income inequality, wealth inequality, health inequality, etc. In this edition we focus on income inequality using the latest available data published by the Department for Work and Pensions.

The DWP uses the Gini coefficient to measure income inequality. The Gini coefficient[2] varies between 0 and 100, where 0 denotes equal distribution (i.e. all pensioners would have the same income) and 100 denotes that one pensioner (or one household, depending on how income is measured) would have all the income. Therefore, the higher the Gini coefficient, the more unequal the distribution.

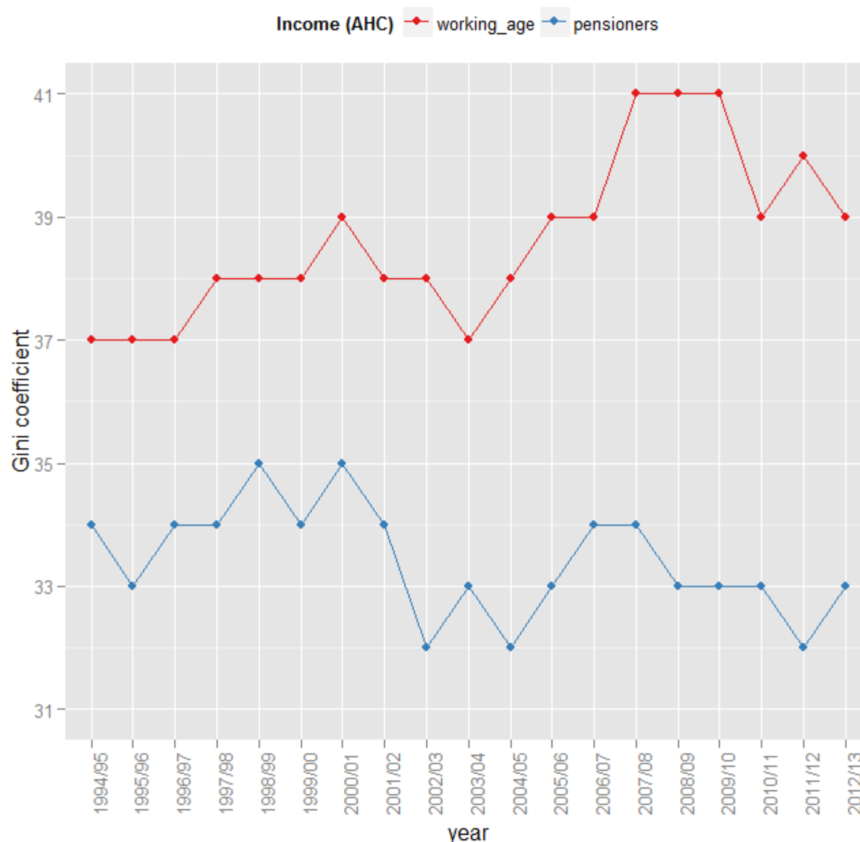
We prepared the three charts below using data for the last 19 years[3] to show the recent evolution of income inequality among pensioner and working age adults.

The first chart shows that, as expected, income inequality is greater among persons of working age than among pensioners. This makes sense, because the disparity in wages and salaries, including bonuses, as well as income from investments, received by people of working age is greater than the disparity in private pensions, investment income, etc., which make up most of the variations across pensioners' income (the bulk of pensioners' income is state pension and benefit income: on average, it represents over 35 per cent of the mean gross income of pensioner couples and over 58 per cent of single pensioners, but even for those households in the middle fifth of the income distribution, state pension and benefit income makes up 51 per cent and 75 per cent, for couples and single pensioners, respectively).

The overall trend of income inequality among working age people has increased since 2003/04 and peaked at around the financial crisis. For pensioners, inequality hovered around 33-35 per cent until 2002/03 and between 32-34 per cent ever since. Interestingly, the latest data show that the Gini coefficients for each age group have diverged since 2010/11, something that only happened between 2002/03 and 2004/05.

[2] Named after the Italian statistician and sociologist Corrado Gini (1884-1965).
[3] Source: DWP.

Income Inequality after housing costs (Gini coefficients).
Working age and pensioner adults, UK, 1994/95 - 2012/13



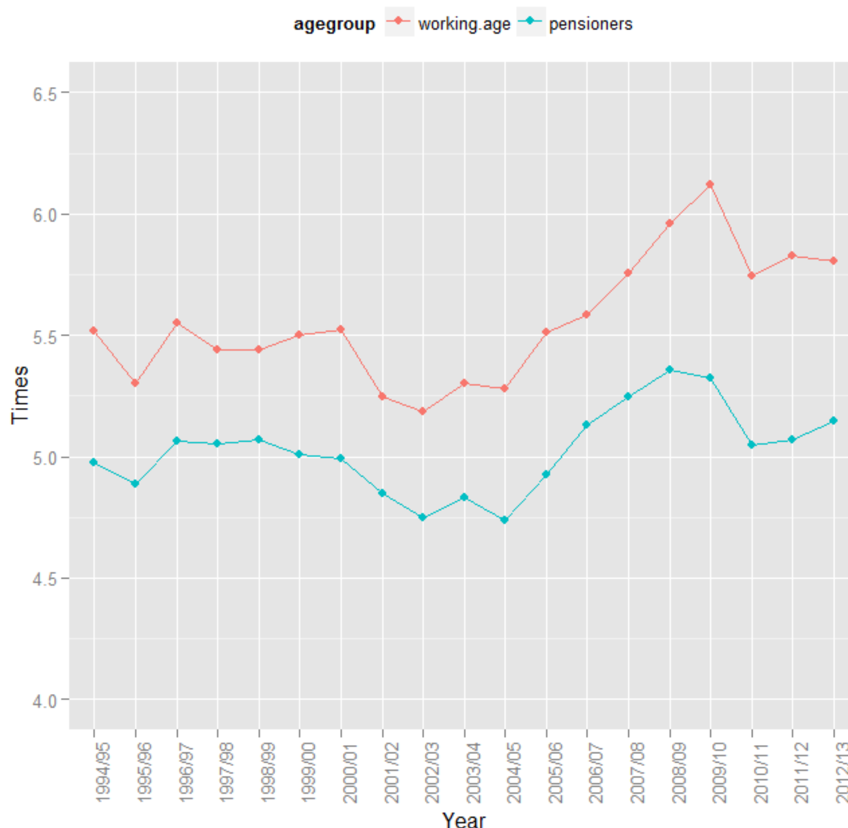
The Gini coefficient captures the distribution of income across the whole population. The second chart shows a different measure of income inequality: the ratio between the average income of the 10th richest pensioners and the 10th poorest pensioners, and similarly for working age households, expressed as the average income of the former times the average income of the latter. This ratio does not include the whole population, but concentrates on both ends of the spectrum and shows by how much the average income of the richest households has differed from those at the bottom of the income distribution –the 'haves' against the 'have-nots'.

We see that, by and large, both groups mirror each other but that until the 2008 crisis the inequality among working age adults was of a similar order of magnitude compared to income inequality among pensioners. However, since the crisis the gap between both groups has increased: inequality among working age adults has grown more than among pensioners.

Finally, starting in 2004/05 income inequality has deepened: the difference between those at the top and the bottom of the income distribution has increased and, after a

brief reduction in the aftermath of the 2008 financial crisis, there are worrying signs that it is growing again, especially among pensioners.

Income Inequality after housing costs (90/10 Ratios).
Working age and Pensioner adults, UK, 1994/95 - 2012/13



The ratios in the chart above can go up or down because of changes in the average incomes of people at the top or the bottom of the income distribution. A reduction in the average income of people on the lowest incomes would be reflected as an increase in the ratio, as would an increase in the average income of those at the top of the distribution. Of course, the economic and social implications would be completely different. For many (though not all) socio-economic phenomena affected by inequality (e.g. life expectancy), it is what happens at the bottom of the distribution that really matters: increasing disparities because of the 'rich get richer' would not have the same consequence as if they were a result of the 'poor getting poorer'.

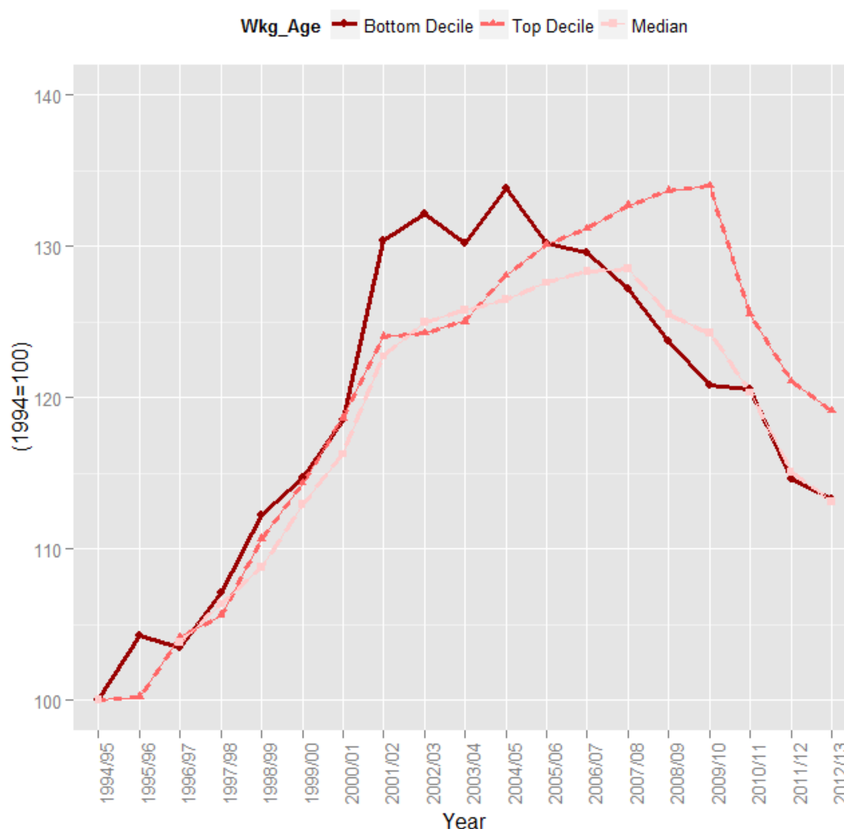
Hence, the following charts depict the evolution of the average income of both working age and pensioner adults in the 10th richest and the 10th poorest deciles as well as in the middle of the income distribution over time (using the initial year, 1994/95 as the base).

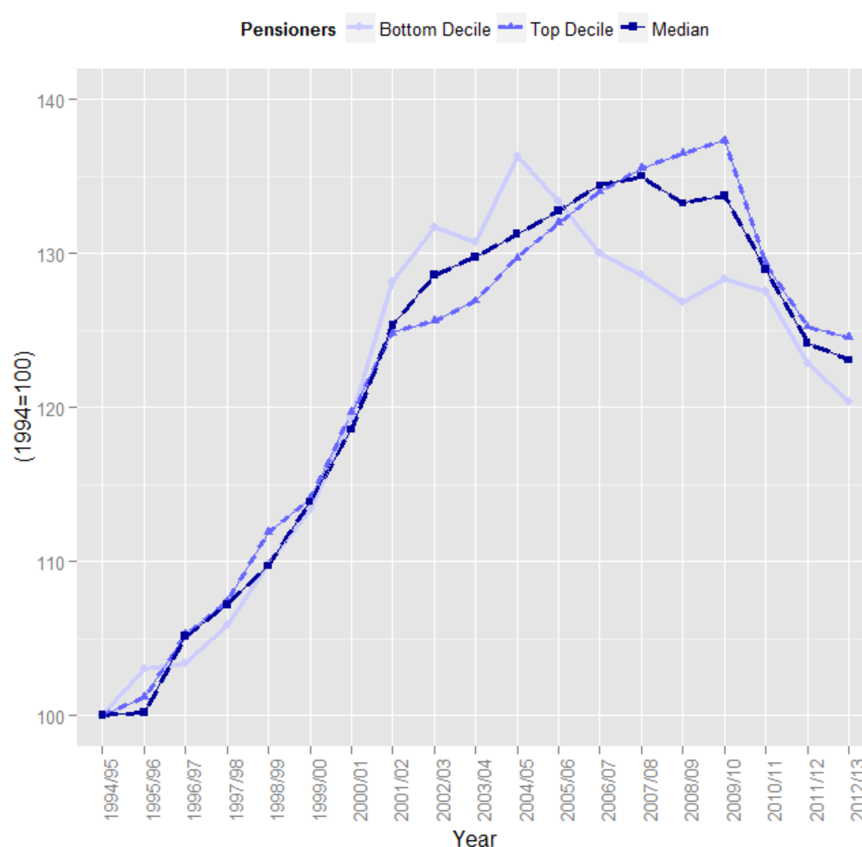
Average incomes for both age groups in the bottom 10th decile have grown between 1994/95 and 2004/05; ever since, they have been falling precipitously, even more so

among working age adults. Regarding the average incomes of people in the top 10 per cent of the income distribution, they have increased continuously up to the aftermath of the 2008 financial crisis. Since 2009/10 they have also significantly come down.

We can see, then, that the rise in inequality between 2004/05 and 2009/10 shown in the chart above (using the 90/10 ratio measure) had to do with the incomes of poorer households falling while at the same time the incomes of richer households kept growing. Furthermore, between 2011/12 and 2012-13, inequality among pensioner households started to go up again *due to the income of the poorer households has fallen more than those at the top or the middle of the distribution.* We do not find the same among working age households, whose income has fallen at a same rate since 2011/12.

Income after housing costs (10th, 50th and 90th deciles).
Working age and Pensioner adults, UK, 1994/95 - 2012/13





Poverty in older age

Poverty can be defined and measured as a relative or an absolute concept[4].

Relative poverty is the result of comparisons between individuals (or households). A simplistic view would conclude that because apart from the richest person in the country, everyone has someone 'above' in terms of amount of income or wealth, everyone is 'poor' in relative terms. Needless to say, this use of the word 'poor' is far from acceptable when it comes to comparing ten-times millionaires with eleven-times millionaires. Hence the need for an acceptable threshold that reflects a level below which income 'falls markedly behind that of the community', as Galbraith put it over 50 years ago[5]. The threshold that has been widely adopted is the 60 per cent of the median household income. It has been contested and it still has many detractors, but most governments, including the UK's, use it as a matter of course.

[4] For a recent evidence review, see: "Age UK Evidence Review: Poverty in Later Life. Age UK Poverty Evidence Review 2014" by Matthew Norton and Sally West. Available on http://www.ageuk.org.uk/Documents/EN-GB/For-professionals/Research/Age_UK_Poverty_in_Later_Life(2014).pdf?dtrk=true

[5] Galbraith, John Kenneth (1958). *The Affluent Society*. London: Hamish Hamilton, p. 252.

The median is the amount that splits the income distribution in two halves; after housing costs, it stood at £386 per week in 2013/14 for a couple with no children[6]. So, the relative poverty income measure captures households living with less than 60 per cent of that amount –i.e. with £232 per week. Therefore, the definition of relative income poverty is living with an income of less than £232 after housing costs for a couple (the corresponding figure for a single person is £134 a week).

There are 1.6 million adults above State Pension Age (SPA) living in relative poverty in the United Kingdom –roughly, 14 per cent of all people above SPA[7].

The Department for Work and Pensions produces two measures referred to as the relative low income and the absolute low income measures but more commonly described as poverty measures. (Despite their names, both are indicators of *relative* poverty). Both indicators are adjusted to reflect the fact that households of different size and composition have different needs and average costs per person. As mentioned, the relative low income corresponds to the proportion of individuals with an income 60 per cent below the median income in 2013/14. The absolute low income corresponds to the proportion of pensioner households with an income 60 per cent below the median household income in 2010/11, adjusted for inflation. The latter is used to compare changes in the income of the lowest income households to changes in the cost of living since 2010/11. The chart below shows its evolution since 1998/99.

The DWP also produces a broader measure of poverty: material deprivation. The Family Resources Survey asks pensioners whether they lack any of the following goods, services and experiences:

- at least one filling meal a day
- going out socially, either alone or with other people, at least once a month
- seeing friends or family at least once a month
- taking a holiday away from home for a week or more at least once a year
- affording to replace your cooker if it broke down
- keeping the home in a good state of repair
- keeping heating, electrics, plumbing and drains in good working order
- having a damp-free home
- keeping the home adequately warm
- affording to pay regular bills like electricity, gas or Council Tax without cutting back on essentials
- having a telephone to use, whenever necessary
- having access to a car or taxi, whenever necessary
- having the hair done or cut regularly
- having a warm waterproof coat
- affording to pay an unexpected expense of £200

[6] Before housing costs it stood at £453. We prefer to use the figure adjusted for the impact of the cost of housing.
[7] Women aged 60 or over (but rising for those born on or after 6 April 1950); men aged 65 or over.

A pensioner is given a score if they lack any of the items for any of the following reasons.

- they do not have the money for this;
- it is not a priority on their current income;
- their health / disability prevents them;
- it is too much trouble or tiring;
- they have no one to do this with or help them;
- Other reason

(The only reasons for lacking the items that do not count as material deprivation are: 'it is not something I want' and 'It is not relevant to me'. For an unexpected expense, if they respond that they cannot afford it, they are counted as materially deprived irrespective of the reason.)

The scores are added together and if someone reaches the specified threshold they are considered to be materially deprived.

Economics sometimes is referred to as the 'dismal science'[8]. The figures for the different material deprivation items make it a dismal read:

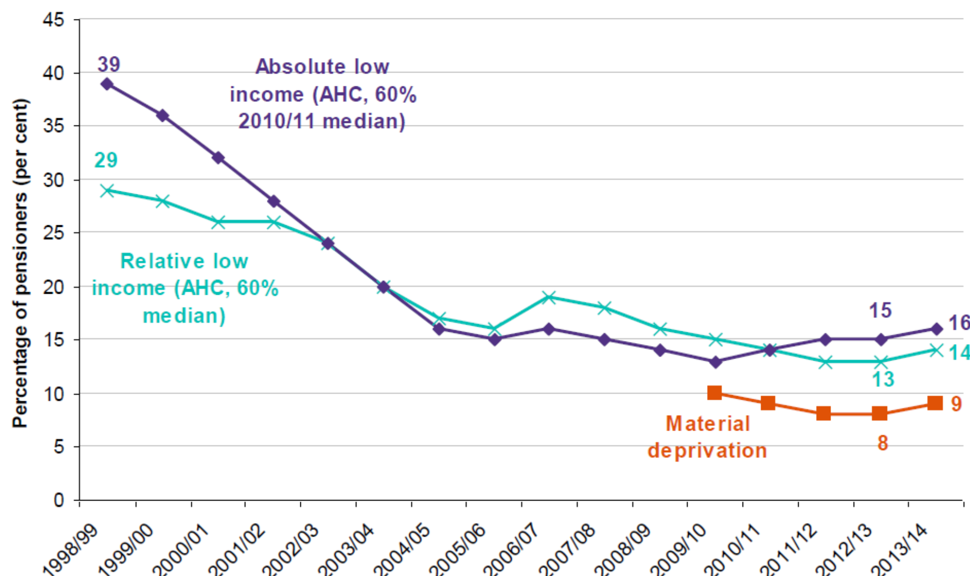
Pensioner material deprivation (after housing costs)	(%)
• Take a holiday away from home	40.0
• Go out socially at least once a month	23.0
• Have access to a car or taxi, whenever needed	11.0
• Able to replace cooker if it broke down	10.0
• Have hair done or cut regularly	9.0
• Have a damp-free home	6.0
• See friends or family at least once a month	5.0
• Have a telephone to use, whenever needed	4.0
• Home kept adequately warm	4.0
• Able to pay regular bills	3.0
• Home kept in a good state of repair	3.0
• Have a warm waterproof coat	2.0
• At least one filling meal a day	1.0
• Heating, electrics, plumbing and drains working	1.0

With 11.9 million pensioners in the UK, there are around 4.8 million pensioners who can't take a holiday away from home; 2.7 million who do not go out socially at least once a month; 1.3 million who do not have access to have access to a car or taxi, whenever needed; 1.2 million who cannot replace a cooker if it broke down; etc.

The following chart, taken from the DWP's publication "Households Below Average Income. An analysis of the income distribution 1994/95 – 2013/14 (June 2015, UK)" shows the evolution of the different measures since 1998/99. Pensioner poverty saw a formidable reduction between 1998/99 and 2005/06. The percentage of pensioners

[8] Term coined by Thomas Carlyle (1795-1881).

in absolute low income has been increasing since 2009; the three measures of pensioner poverty all went up in 2013/14.



Source: Department for Work and Pensions

Spotlight on unclaimed benefits

Pension Credit is a mean-tested, income-related benefit that consists of two parts: the Guarantee Credit and the Savings Credit[9]. The Guarantee Credit tops up the weekly incomes of pensioners earning below the guaranteed minimum level of £151.20 if single or £230.85 for couples. The Savings Credit is an additional benefit of up to £14.82 (for singles) or £17.43 (for couples) a week for pensioners who have a weekly income from pensions and 'assumed' income from savings higher than a set threshold.

Pension Credit (and its Guarantee Credit component in particular) is aimed at the poorest pensioners, for whom financial help would be very beneficial. As Age UK's Poverty Evidence Review 2014 (op. cit., page 18) concluded:

> … it is clear from the evidence that increasing pensioner income is still the most effective route out of poverty, so improving benefit take-up continues to be a key way of addressing numbers of pensioners in poverty.

[9] http://www.ageuk.org.uk/money-matters/claiming-benefits/pension-credit/what-is-pension-credit/

A 2006 report by the National Audit Office[10] found that take-up was lower in relatively richer areas (with fewer people receiving benefits so pensioners are less likely to be aware of the benefit), in rural areas (due to higher isolation from friends and family), among ethnic minorities (because of language and administrative barriers), and among older pensioners (with combined multiple barriers, such as mental and physical ill-health and social isolation).

Also, a 2012 study by the National Centre for Social Research for the Department for Work and Pensions found that older people would favour an automated application process for Pension Credit that notified them of their eligibility

> "...because it would raise awareness of Pension Credit among those who were unaware, and because it would ensure that people received it as soon as they were eligible, avoiding unnecessary hardship'[11].

However, an attempt by the Department for Work and Pensions to encourage take-up by paying benefit automatically for a limited period had little impact and there are still thousands of older people missing out on these –in some cases, in a literal sense - lifelines.

Thousands? Yes: the Department for Work and Pensions estimates that in 2013/14 770,000[12] people who were entitled to the Guarantee Credit had not taken up this benefit, missing out on £2.59 billion–about £3,380 a year per entitled non-recipient[13]. If those missing out on the Savings Credit element of Pension Credit are also included 1.34 million pensioners are missing out on a total of £2.85 billion a year.

Also very worrisome is that statistical analysis by DWP has found that take-up levels (both caseload and expenditure) have not changed significantly over the last three years.

And there is more.

Housing Benefit is a non-taxable benefit that provides help with rent and some service charges. Eligibility and the exact payable amount depends on a number of factors[14] although pensioners eligible for Guarantee Credit are normally eligible for maximum Housing Benefit.

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[10] NAO (2006). Progress in tackling pensioner poverty: Encouraging take-up of entitlements. Report by the Comptroller and Auditor | HC 1178-I Session 2005-2006 | 21 July 2006. National Audit Office. London: The Stationery Office.

[11] Iparraguirre, José (2009). Public Expenditure on Older People in Northern Ireland. A Report for Changing Ageing Partnership. Economic Research Institute of Northern Ireland. Belfast, Northern Ireland (page 46).

[12] The DWP provides estimates as range with a mid-point estimate – where a single figure is used here it is the point estimate.

[13] DWP (2015). Income-Related Benefits: Estimates of Take-up - Financial Year 2013/14 (experimental). 25 June. Available on: https://www.gov.uk/government/collections/income-related-benefits-estimates-of-take-up--2

[14] http://www.ageuk.org.uk/money-matters/claiming-benefits/housing-benefit/what-is-housing-benefit/

In 2013/14 there were 1,760,000 pensioners entitled to this benefit. Official figures from the Department for Work and Pensions show that 260,000 entitled pensioners did not claim it, missing out on around £820 million –or £3,154 on average per entitled non-recipient[15]. Unlike with Pension Credit, Housing Benefit take-up among pensioners has gone up from 82 per cent to 85 per cent between 2009/10 and 2013/14 –a statistically significant increase- although it went down compared to 2012/13.

Unfortunately, the DWP cannot estimate how many people are missing out on both benefits[16]. Therefore, all we can do is sum the amounts though not the numbers of entitled non-claimants. The official figures paint a flabbergasting picture: pensioners entitled to Pension Credit and Housing Benefit have foregone an estimated £3,680 million in 2013/14. To put these numbers in perspective, last year local authorities in England spent £4,960 million in the provision of care homes services to adults aged 65 or over[17].

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[15] DWP (2015). Income-Related Benefits: Estimates of Take-up - Financial Year 2013/14 (experimental). 25 June. Available on: https://www.gov.uk/government/collections/income-related-benefits-estimates-of-take-up--2

[16] We are grateful to Scott Paul Johnston, Team Leader / Principal Statistician at the Income-Related Benefit Take-Up Statistics, Department for Work and Pensions, who corresponded to us explaining that the sample sizes are insufficient to produce reliable estimates.

[17] National Audit Office (2014). "Adult social care in England: overview". Report by the Comptroller and Auditor General.