

Poverty and financial disadvantage

(United Kingdom)

November 2018

All current and future pensioners should have enough money from state and private sources to live comfortably and participate fully in society.



Levels of poverty

The number of pensioners living in poverty is much lower than it was 20 years ago. However, there are still 1.9 million pensioners in the UK (16 per cent) living in relative poverty (with incomes of less than 60 per cent of typical household income after housing costs), of whom 1.1 million are in severe poverty (incomes less than half of typical household income).ⁱ

Some groups are at greater risk. For example 36 per cent of private tenants and 31 per cent of social tenants are in poverty, compared to 12 per cent of owner occupiers. Ethnicity is also important — 29 per cent of Asian or Asian British pensioners and 33 per cent of Black or Black British are in poverty.

“.....so at the end of the day, it’s absolutely nothing left. I struggle every month.”

Age UK interview about living on a low income

Key statistics

1.9 million

pensioners living in poverty

16 %

of pensioners live in poverty

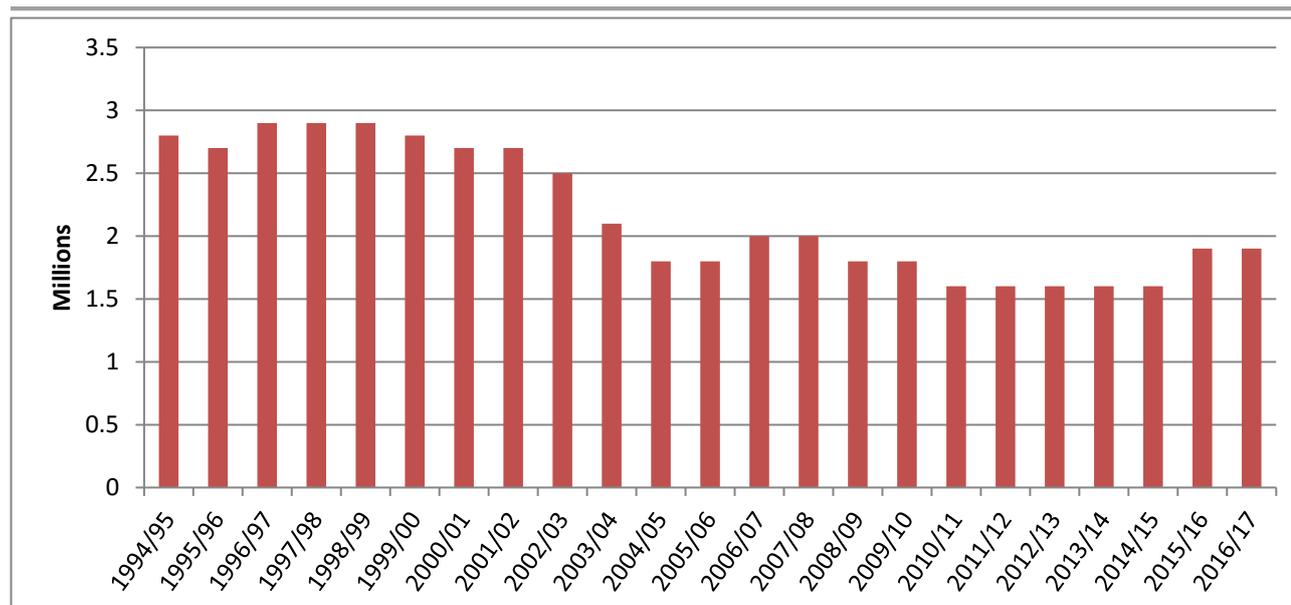
3.8 billion

Pension Credit and Housing Benefit unclaimed each year

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Although poverty levels are much lower than they were 20 years ago, as can be seen from the chart below progress has stalled and the latest figures show more older people in poverty than in the early part of the decade.

Pensioners in relative poverty 1994/95 to 2016/17 (after housing costs)



Source: *Households below average income 1994/95 to 2016/17*, DWP 2018.

Poverty and disadvantage are not just about income

There are also poverty measures and definitions which do not focus solely on income. For example, seven per cent of people aged 65 and over are in 'material deprivation' — a measure based on the lack of certain goods and services most people consider essential, such as a damp-free home and being able to replace a cooker if it broke down.

Different ways of looking at financial disadvantage are useful as there are factors other than income that affect people's standard of living. Some people have extra costs, for example due to disability or living in a hard-to-heat home. And many factors can contribute to improving or reducing standards of living, including social support networks, health, financial management, area and housing support, and individual attitudes and priorities.ⁱⁱ



Income can be increased if people claim their entitlements

Means-tested benefits provide a safety net to protect people on the lowest incomes yet many miss out on this vital support, in spite of work to encourage take-up of benefits. According to the most recent estimates around £3.8 billion of Pension Credit and Housing Benefit are unclaimed by pensioners every year in Great Britain.ⁱⁱⁱ

Many argue that we should be moving to a system where people have an adequate income in retirement without recourse to means-tested support. Reducing means-testing is one of the aims of the new State Pension which applies to people reaching State Pension age on or after 6 April 2016. However, for many people, claiming extra support will continue to be important particularly to help meet costs such as rent and council tax (see Financial Entitlements policy position).

Every year Age UK nationally and locally deals with 7.5 million enquiries – money and benefits being one of the most popular categories. In 2017-18 in England local Age UKs helped people gain £212 million of unclaimed benefits.

“You see my mum who's 80-odd, I didn't realise ... Age UK, could help us much as they have helped her, because she gets Attendance Allowance, she gets Pension Credit. She never knew, or we never knew that you could get help and they did all the paperwork and did everything. ”

Participant, Financial Resilience during retirement project, Age UK

Public Policy Proposals

- The Government should urgently explore why the fall in pensioner poverty has stalled, and set out a clear reform programme, in partnership with third sector organisations, to abolish pensioner poverty. To achieve this goal the Government should work with national and local organisations to investigate the most effective ways of reducing poverty and establish a clear reform programme.
- State and private pension systems need to ensure current and future pensioners are able to avoid poverty in later life. The Government should consider how pensioners who reached State Pension age before 6 April 2016 can be brought into the new single-tier pension without loss of current rights. The State Pension system should provide an income sufficient to cover basic needs, and in addition people need opportunities to build up private incomes which allow a comfortable retirement.
- In the meantime benefit take-up must be increased through: on-going publicity, changes to administration and looking at ways of placing less onus on the individual to navigate a complicated system of benefits.
- Financial disadvantage also needs to be addressed through good social support, affordable essential goods and services, and access to information, advice and support to help people maximise their income and make the most of what they have.

Want to find out more?

Age UK has agreed policy positions on a wide range of public policy issues. Our policies cover money matters, health and wellbeing, care and support, housing and communities. There are also some crosscutting themes, such as age equality and human rights, age-friendly government and information and advice

Further information

You can read our policy positions here;
www.ageuk.org.uk/our-impact/policy-research/policypositions/
Individuals can contact us for information or advice here;
www.ageuk.org.uk/informationadvice/
or call us on 0800 169 8787

Further information

ⁱ Households Below Average Income 1994/5 to 2016-17, DWP 2018.

<https://www.gov.uk/government/statistics/households-below-average-income-199495-to-201617>

ⁱⁱ Kotecha, M. Arthur, S and Coutinho, S (2013) *Understanding the relationship between pensioner poverty and material deprivation*. DWP

ⁱⁱⁱ Income-related benefits: estimates of take-up 2016-17, DWP 2018.

<https://www.gov.uk/government/statistics/income-related-benefits-estimates-of-take-up-financial-year-2016-to-2017>