

Cost of living parliamentary briefing

May 2022

Background

At Age UK, we are concerned about how the rising cost of living is affecting older people on low and modest incomes. Prices of everyday items are going up so quickly now that they risk being totally overwhelmed. Household energy prices have gone up by 54% for the typical consumer and are expected to rise further in the autumn. With the Bank of England predicting that inflation will reach more than 10% this year, and with State Pension and benefits having only increased by 3.1% in April 2022, this leaves a worrying gap in older people's finances.

The help the Chancellor has announced so far for people on low and modest incomes is nowhere near enough. The Government must take immediate action to provide more help. People of all ages on low and modest incomes need support to meet rising costs right now.

What Age UK would like to see:

- The Government raise the level of benefits and the State Pension during this financial year, so they keep pace with inflation.
- The Government must do a lot more to ensure everyone eligible for benefits, particularly Pension Credit, receives their entitlement.

On energy, the Government must:

- Target direct payments of £500 to those on the lowest incomes to help mitigate the impact of energy price increases.
- Provide further targeted support to improve household energy efficiency for those on the lowest incomes, ensuring a sustainable long-term solution to spiralling bills.
- Introduce improved social tariffs into the energy market and legislate for the continuation of the energy price cap.
- Establish a price cap or alternative protection for households off the gas grid who are reliant on solid and liquid fuels which are not protected by Ofgem's price cap (e.g. oil, smokeless fuel and bottled gas).

The rising cost of living

Higher prices have resulted in older households on the lowest incomes often being unable to cover essential day-to-day costs. From January to March this year, Age UK's Advice Line saw an 8% rise in calls compared with the same time last year, a significant increase on the already very high numbers of calls we experienced during the lockdown a year ago. We are seeing an increasing number of older people coming forward who are anxious and fearful about their ability to cope financially. We are concerned that things will only get worse as the impact of April's energy price rises begins to hit consumer bills.

Housing, energy, food, and fuel are just some of the fundamentals which are now frequently beyond the reach of many on low and modest incomes. Figures show:

- Food and non-alcoholic beverage prices are up 6.7% over the 12 months to April 2022
- Over the same period electricity and gas rose 53.5% and 95.5% respectively with further increases expected because of April's price rise
- Housing costs are also increasing, with costs for owner occupiers rising by 2.9% in the year to April 2022ⁱⁱⁱ
- Fuel prices have seen some of the steepest increases, with petrol at 161.8 pence per litre in April 2022, compared to 125.5 pence per litre the year before.

Household finances are now at a breaking point for many older people on low incomes. With many looking ahead with trepidation. For older people on low fixed incomes, often relying solely on their State Pension and benefits, there are simply no more cuts they can make to household spending which will enable them to balance their budget.

Key statistics

- In 2020/21 between 1.4 and 2.1 million pensioners were in poverty. Older people from Black and Asian communities are around twice as likely to be living in poverty as White pensioners.
- Two million older households won't have enough income to cover their essential spending in 2022-23^{vii}.
- Around 1 in 3 (29%) older households in England will be fuel stressed as a result of April's price cap rises – that means spending more than 10% of their after-tax income on energy bills to maintain an adequate standard of warmth.
- Latest Government figures show in 2020, 770,000 older households (single people or couples) were missing out on their Pension Credit entitlement, losing access both to a crucial source of additional income and to wider linked support such as the Warm Home Discount.
- Our analysis shows that among older households who won't be entitled to the Government's £150 Council Tax rebate as they do not live in bands A-D, one-in-five (21 per cent) are either living in poverty or only just above the poverty line and/ or receiving income-related benefits.

What older people are telling us

We regularly hear from older people who will be impacted by the rising cost of living. We have seen a significant increase in calls to our advice line from older people worried about their bills. This year older people have told us:

Lynn: *“We run a dialysis machine 5 hours a day, 4 days a week. This is life saving and saves the NHS a bed they can ill afford. We can't not run it and it has to stay on 24/7. So our gas/electric has more than doubled. We live simply: no car, no smoking or drinking.”*

Haydn: *“We are the 5th richest country – but who will protect us from poverty? The problem is I am asset rich and cash poor. I think this summarises a lot of people in my village as many of us bought these houses back in the day when we all had two incomes. There will be a lot of us left out. I only eat two meals a day – so I can't cut down anymore on food.”*

Shelia: *“Life is made worthwhile by the things you can treat yourself to. If you're paying these vast amounts of money out, what have you got left to make your life happy?”*

Paul: *“Every week our shopping bill increases so we have to cut back. We are dreading the winter fuel bills which mean we might have to turn the heating off some days. The government should not have broken their triple lock promise at a time when people on a pension need it most.”*

Get in touch with us

If you have any questions or would like to meet to discuss how you can help older people who are unable to cope with the rising cost of living please contact Roshni Mistry, Senior Public Affairs Officer, at roshni.mistry@ageuk.org.uk.