



Briefing

Poverty in later life

June 2023

Age UK
7th Floor, One America Square
17 Crosswall
London
EC3N 2LB
T 0800 169 87 87 F 020 3033 1000
E policy@ageuk.org.uk
www.ageuk.org.uk

Age UK is a charitable company limited by guarantee and registered in England and Wales (registered charity number 1128267 and registered company number 6825798). Registered address: 7th Floor, One America Square, 17 Crosswall, London EC3N 2LB. VAT number: 710 3843 66. The Age UK Group consists of Age UK and its subsidiary companies and charities. ID204775 01/22

Introduction

Age UK believes that all older people should have enough money from state and private sources to live comfortably and participate fully in society. However, too many in the UK face poverty and financial disadvantage which prevents them from making the most of later life. This briefing looks at levels of pensioner poverty in the UK, changes over time, groups at greatest risk from the impact of poverty and rising prices for older people.

Key points and policy recommendations

- The latest figures show 2.1 million (18%) of pensioners in the UK live in relative poverty.
- Some groups are at particular risk –
 - 37% of private tenants and 36% of social rented sector tenants, live in poverty compared to 13% of older people who own their home outright.
 - 29% of Asian/Asian British pensioners and 25% of Black/Black British pensioners are in poverty compared to 17% of White pensioners.
 - 26% of single older women live in poverty compared to 21% of single older men and 14% of pensioner couples.
- Financial disadvantage is not just about living on a low income – it is made even harder to manage when people have extra costs, for example due to disability or care needs or if heating bills are high because they live in a cold, poorly insulated home.
- The Government should set out a clear reform programme to end poverty in later life, with a focus on supporting the groups at greatest risk of poverty. This should be done in partnership with third sector and other organisations.
- The State Pension should provide an income sufficient to cover basic needs and the Government should commit to retaining the triple lock. In addition, people need opportunities to build up private incomes which allow a comfortable retirement.
- If everyone had an adequate income from State Pensions and private resources, there would not be a need for means-tested top ups and additional one-off payments such as the Winter Fuel Payment. However, there is a long way to go and, in the meantime, it's important that current support is maintained, and benefit take-up increased through: on-going publicity, changes to administration to make systems more jointed up, and looking at

ways of placing less onus on the individual to navigate a complicated benefits system.

- 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.

What do we mean by poverty?

We consider people to be living in poverty when their resources are not enough to meet their basic needs and to allow them to take part in society. This could mean struggling to cover food and energy bills, watching every penny spent, worrying that nothing is set aside for a sudden emergency such as the cooker breaking down, or being unable to afford the cost of transport to visit a friend or go to a social club. Steep rises in the cost of living over the last year or so have made life even harder for those trying to manage on a low income.

Poverty and low income can be defined and measured in different ways and people's individual needs and circumstances vary. However, the most used definition is to say that someone in the UK is in poverty if they live in a household with an income below 60% of current median (or typical) household income, taking into account the number of people living in the household. Unless otherwise stated, in this paper we define poverty in this way, and we use figures calculated after people have met their essential housing costs. These figures are drawn from the annual Department for Work and Pensions (DWP) *Households Below Average Income* (HBAI) statistics – the most recent edition provides information up to 2021-22. See the appendix for more information.

Other ways to look at poverty include:

- Material deprivation, which is measured by asking if people lack certain goods and services and is also covered in the HBAI report (see below).
- Minimum income standards – these look at the cost of goods and services required by different households to reach an acceptable standard of living, as seen in the extensive work by the Joseph Rowntree Foundation.ⁱ
- Self-reported measures - people are asked how well off they consider themselves.
- Measures based on a range of factors, not just income. For example, the Social Metrics Commission has developed a measure that aims to include 'inescapable costs' and also takes into account any savings someone has access to.ⁱⁱ

Why are people in poverty in retirement?

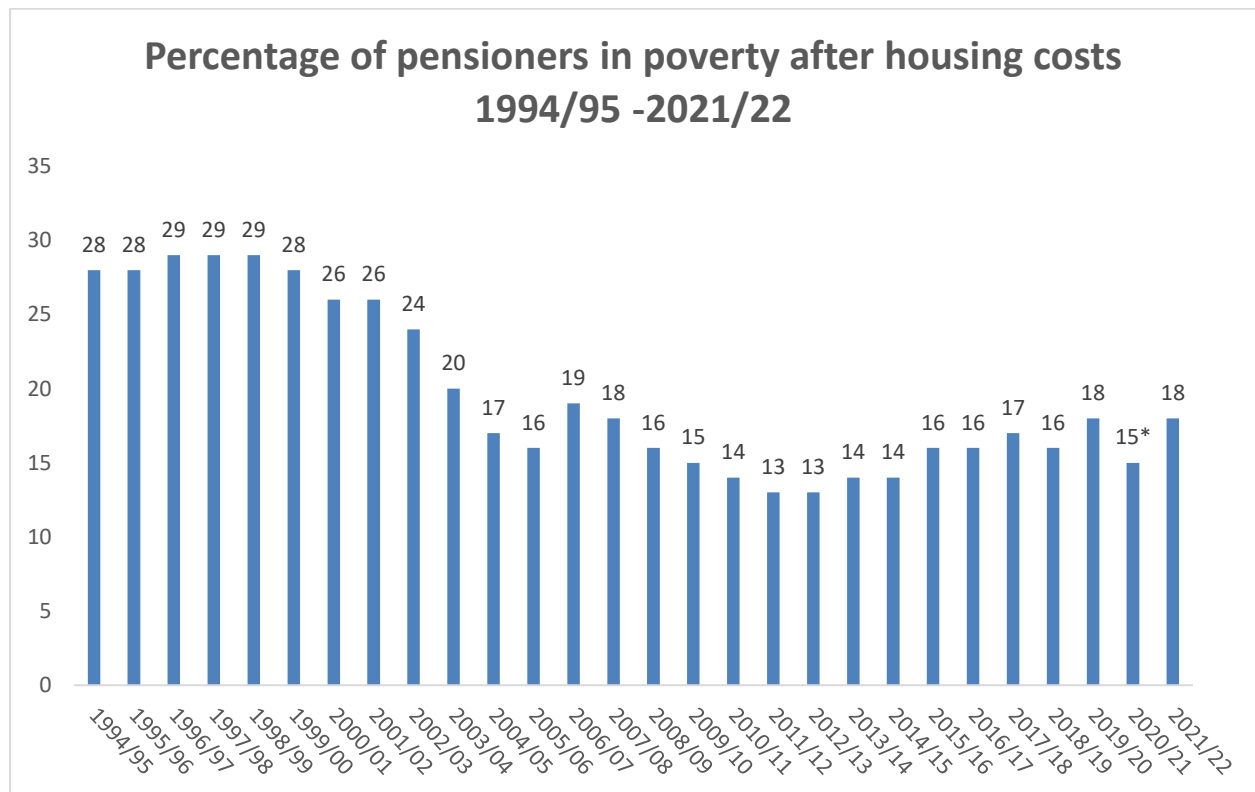
People's financial position in retirement is generally linked to their circumstances over the course of their lifetime. Private pension provision, in particular, is closely related to employment history – both time spent in work and earnings levels. On average, women have lower individual retirement incomes than men reflecting their lower average earnings and time out of the labour market or working part-time raising children and providing care to older and disabled relatives or friends. Other factors associated with lower income (before and after retirement) are being from a minority ethnic group, having a disability, caring and being self-employed. The impact of these, often overlapping, characteristics are explored in the Pensions Policy Institute's work on the 'underpensioned'.ⁱⁱⁱ

As well as lifetime income, retirement finances are affected by decisions people take about saving. However, even the best financial plans can be thrown off track by life events such as illness, redundancy, bereavement, or relationship breakdown.

Once people have reached retirement, they often have little opportunity to increase pension income or savings, however, they may be able to improve their financial situation by claiming social security entitlements. Worryingly, many miss out – the latest estimates show around £2.4 billion of Pension Credit and Housing Benefit alone are unclaimed by pensioners in a single year in Great Britain.^{iv} Older people may not know what is available for them, may feel they are not entitled to any help, may be put off by the claim process, or struggle on alone reluctant to ask for help.

Levels of pensioner poverty in the UK and changes over time

Based on the most commonly used definition set out above (that is, income of less than 60% typical household income after housing costs) 2.1 million pensioners (18%) are living in relative poverty.^v



* Data collection for the year 2020-21 was affected by the pandemic and DWP has said figures are subject to additional uncertainty so may not be strictly comparable with previous years.

Source: *Households below average income: for financial years ending 1995 to 2022*, DWP 2023.

The chart above shows that the proportion of pensioners in poverty is much lower than it was 25 years ago. However, the main reduction occurred in the first decade of this century falling from 29% in the later 1990s to 13% by 2011/12. Rates have risen since then so the most recent figures show 18% of older people in poverty in 2021/22.^{vi}

A similar picture is found if we look at the numbers, rather than the percentage, living in poverty. After housing costs, 2.9 million pensioners were in poverty in 1998/99, falling to between 1.6 million in the first half of the 2010s (2010/11 to 2013/14) then rising to 2.1 million in 2021/22.^{vii}

Some groups of older people are at greater risk of poverty

As stated above, in 2021/22 18% of pensioners in the UK had incomes, after housing costs, of less than 60% median household income.

- Of these, over half (or 10% of all pensioners) had incomes of less than 50% median income (sometimes described as 'severe poverty').
- 9% had incomes above 60% but less than 70% of median income (sometimes described as 'just above the poverty line').

Groups at higher-than-average risk of being in poverty include:^{viii}:

- Tenants: 37% of private tenants and 36% of social rented sector tenants, live in poverty compared to 13% of older people who own their home outright.
- Pensioners from minority ethnic groups: 29% of Asian or Asian British pensioners and 25% of Black or Black British pensioners, live in poverty compared to 17% of White pensioners.^{ix}
- Older pensioners: 20% of those aged 85+ and 19% of those aged 80-84 live in poverty compared to 15% of 65-69 year olds.
- Women: 19% of pensioner women living in poverty compared to 16% of pensioner men.
- Single older women: 26% of single women pensioners live in poverty, compared to 21% of single men and 14% of pensioners in couples.

Material Deprivation

The annual DWP HBAI report also includes a measure of 'material deprivation' among pensioners. This is based on questions which ask if people have access to 15 basic items or services that research has shown to be a good indication of quality of life among older people: for example - having a damp free home, being able to pay regular bills, and seeing friends or family at least once a month. People are considered to be in material deprivation if they reach a certain threshold which links to lacking at least 3 of the items. The latest figures from DWP, found that around 700,000 people aged 66 or over (6%) were in material deprivation in 2021/22.^x

In the survey, if respondents do not have the item, or do not take part in the activity, they are asked why not. They can say that they do not have money for the item, or can choose from other options including saying that their health prevents them, or it is too much trouble.^{xi}

The table below gives the responses to some of the items and the main reason people give for saying no. For example, it shows that 6% of pensioners say they

would not be able to replace their cooker if it broke, with the main reason being lack of money. On the other hand, health or disability is the most common reason why nearly a quarter (25%) of people do not go out socially at least once a month.

Material Deprivation selected items and services lacking among pensioners and the most common reason for ‘no’ response, 2021/22

Item of Material Deprivation	Percentage responding ‘no’	Most common reason for ‘no’ response
Able to replace cooker if it broke down	6	No money for this
Have a damp free home	5	Other reason
Home kept adequately warm	3	No money for this
Have access to a car or taxi, whenever needed.	6	No money for this
Go out socially at least once a month	25	Health/disability prevents me
Take a holiday away from home	36	Health/disability prevents me

In addition, 6% of pensioners said they would not be able to meet an unexpected expense of £200.

Although, for some of the items, money is not the main reason for a ‘no’ response, information provided shows there is still an association. For example, health or disability is given as the main reason why 25% of people aged 65+ say they do not go out socially at least once a month. However, among the poorest fifth the proportion who do not go out once a month is much higher (31%) than among the richest fifth (14%).

Living on a low income

Living on a low income can be hard work. People tell us how they cut back and do without, constantly worry about making ends meet, and are always looking for ways to save money. This can be cutting back on food shopping or trying to use less energy by turning off the heating as much as possible. People also tell us how they are missing out on enjoying life – for example, not being able to socialise or have the occasional treat such as special food, a meal out, or buying something for the grandchildren.

'It would mean so much to us I would be able to have a treat now and then like fish and chips, at the moment we have nothing left out our pensions after food shopping and bills etc' (Comment from older woman to Age UK's Campaigns Team on how a reduction in energy bills would help.)

Some people face particularly challenges. Those with ill health or disabilities can face additional costs such as, extra heating due to limited mobility, high laundry bills, the need for special diets, and having to pay other people for care or support at home. Housing conditions also have an impact, for example, those living in poorly insulated homes in need of repair are likely to face higher household bills.

The impact of rises in the cost of living

High inflation is putting additional pressure on the budgets of those with low and modest incomes. In April 2022, State Pensions and benefits rose by just 3.1% whereas inflation was 9%. After that inflation rose further and remained high throughout the year – the lag between prices rising and benefits increasing to match causes great hardship. Rising energy bills have been a major contributor to this.

In early 2023, Age UK commissioned a survey of people aged 60+ in Great Britain to find out more about the impact of rising prices.^{xii} Findings include:

- 57% were worried about paying their households energy bills and a similar proportion (54%) said they had cut back on heating and power.
- 45% were worried about being able to afford other essential items such as food.
- 31% said they had cut back spending on food and groceries.
- 29% had cut back on transport or their vehicles
- 5% had left home to keep warm.

Age UK's Campaigns team has received a huge number of comments demonstrating the impact of high inflation on people's lives. A few examples of those received in January to March 2023 are given below.

I very rarely put my heating on, I sit under a blanket most of my days. I sit in candlelight every evening but still my bills are around £100. I just don't know what else I can cut.

I am in my late 70s caring for a disabled husband also in late 70s. Because of his health issues he gets very cold. We don't smoke, drink, rarely go out. His only comfort is keeping warm and watching tv. They took away the free licence for over 75s and put the heating up, because we have a private pension we have to pay for

everything. Worked hard all our lives in the public sector. Very little financial help for us middle grounders who contributed towards small private pension all our lives.

...food bills rising daily now, I am diabetic and have arthritis so need good food regularly.....Not been using heating more than an hour a day which is not enough, just afraid to have it on more due to bills being higher than I can afford. I am 74 and deaf.

I am currently spending over a quarter of my state pension towards energy. Had to cut back on food shopping, having less treats. Watching every penny I spend.

I am crippled with pain and not being able to put heating on enough to stay warm is making my fibromyalgia and arthritis unbearable. I would be in less pain if I could afford heating. I barely have it on and my monthly bill is £350. My bill has tripled in the past year. I am starting to think I need to not have hot water either as the cost is too much.

At the moment I walk around my house with a dressing gown over my clothes. I only put it on for 2 hrs in the evenings. Would be lovely to feel warm again and be able to buy more food. At the moment it's definitely eat or heat.

Conclusions and policy recommendations

Some people can look forward to a comfortable retirement, and it is good news that poverty levels are considerably lower than they were a couple of decades ago. However, there are over two million pensioners living in poverty. The impact on current and future poverty should be considered in all policy decisions which are likely to affect retirement income. And while income poverty is easiest to measure and track, it is important to continue to look at other measures, such as material deprivation and the JRF Minimum Income Standard, which provide a broader picture of the experience of older people.

Age UK's policy calls

- The Government should set out a clear reform programme to end poverty in later life, with a focus on supporting the groups at greatest risk of poverty. This should be done in partnership with third sector and other organisations.
- The State Pension system should provide an income sufficient to cover basic needs and the Government should commit to retaining the triple lock for the rest of this Parliament and beyond. In addition, people need opportunities to build up private incomes which allow a comfortable retirement.
- If everyone had an adequate income from pensions, there would be far less need for means-tested top ups and additional one-off payments such as the Winter Fuel Payment. However, there is a long way to go and, in the

meantime, it's important that current support is maintained, and benefit take-up increased through: on-going publicity, changes to administration to make systems more jointed up, 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.

Appendix

The Households below average income (HBAI) statistics

These annual DWP statistics provide a wide range of information about poverty and low income.^{xiii} In this briefing we mainly use a definition of relative poverty whereby people are considered to be in poverty if they live in a household with an income of less than 60% of contemporary household income. HBAI also looks at 'absolute poverty' using 2010/11 household income, as a baseline.

While 60% is the threshold generally considered as the poverty line, figures are also given on the numbers and proportion of people with incomes below 50 % and 70 % of household income.

Income is after paying taxes such as income tax, National Insurance and council tax, and can be measured before or after housing costs (BHC or AHC). If income is on an 'after housing costs' basis this is the income remaining once people have paid certain costs such as rent, mortgage interest and water charges.

To compare living standards of different size households, income is adjusted to take into account people living in the household using an agreed scale – described as 'equivalisation'.

The DWP gives the example of three households which each have an income of £300 a week. The process of equivalisation, as conducted in HBAI, gives an equivalised income of £448 to the single person, £300 to the couple with no children, and £214 to the couple with children.^{xiv}

ⁱ <https://www.jrf.org.uk/income-benefits/minimum-income-standards>

ⁱⁱ <https://socialmetricscommission.org.uk/>

ⁱⁱⁱ <https://www.pensionspolicyinstitute.org.uk/sponsor-research/research-reports/2022/2022-12-07-the-underpensioned-index-2022-edition/>

^{iv} *Income-related benefits: estimates of take-up 2019-20*, DWP February 2022.

<https://www.gov.uk/government/statistics/income-related-benefits-estimates-of-take-up-financial-year-2019-to-2020>

<https://www.gov.uk/government/collections/income-related-benefits-estimates-of-take-up--2>

^v *Households below average income: for financial years ending 1995 to 2022*, DWP, 2023.

<https://www.gov.uk/government/statistics/households-below-average-income-for-financial-years-ending-1995-to-2022>

^{vi} As above, table 6.3tr

^{vii} As above, table 6.1tr

^{viii} As above, tables 6.5db and 3.5db

^{ix} Due to the small number of older people in non-white groups this is based on a three year average

^x As above, table 6.10db

^{xi} As above, table 6.11db (AHC)

^{xii} Source: Online and CATI survey conducted by Opinium on behalf of Age UK between 2nd and 30th January 2023 (2,700 adults aged 60+). Sample is Great Britain only and weighted to be nationally representative of the 60+ GB population. Figures included in Age UK report

<https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/safe-at-home/age-uk-energy-public-policy-report-march-2023.pdf>

^{xiii} *Households below average income: for financial years ending 1995 to 2022*, DWP, 2023.

<https://www.gov.uk/government/statistics/households-below-average-income-for-financial-years-ending-1995-to-2022>

^{xiv} <https://www.gov.uk/government/statistics/pensioners-incomes-series-financial-year-2021-to-2022/pensioners-incomes-series-background-information-and-methodology>