



Pensioner Poverty

Making ends meet: why pensioner poverty is still an issue

Introduction

We have made great progress in tackling pensioner poverty over the last few decades but progress has stalled and rates are now rising again.

2.1m older people are living in poverty which means they have to make difficult choices every day about how to spend their limited money. That might mean deciding between switching the heating on or buying less food.

This report outlines why pensioner poverty is still an issue in society today and why we must do more to tackle it.

Key facts

- Although poverty levels are lower than they were 20 years ago, the latest figures show **2.1 million (18 per cent) of pensioners in the UK live in poverty**. Rates have risen since 2012-13 when 1.6 million (13 per cent) lived in poverty.
- The State Pension is the largest single source of income for the majority of pensioners, but average **State Pension payments are only around £8,000 a year**.
- Older people from **Black and Asian communities are around twice as likely to be living in poverty** as White pensioners.
- **38 per cent of private tenants and 36 per cent of social rented sector tenants live in poverty**, compared to 14 per cent of older people who own their home outright.
- Financial disadvantage is not just about income coming in – **it is harder to manage on a modest income when people have extra costs, for example due to disability or care needs**.

What we're calling for

- The **Government should set out a clear reform programme**, in partnership with third sector organisations and others, to end poverty in later life.
- The **State Pension system should provide an income sufficient to cover basic needs**, and everyone should have opportunities to build up additional private incomes which would allow a comfortable retirement.
- There is a long way to go to achieve this aim and, in the meantime, **far more needs to be done to increase the take-up of benefit entitlements.**

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.

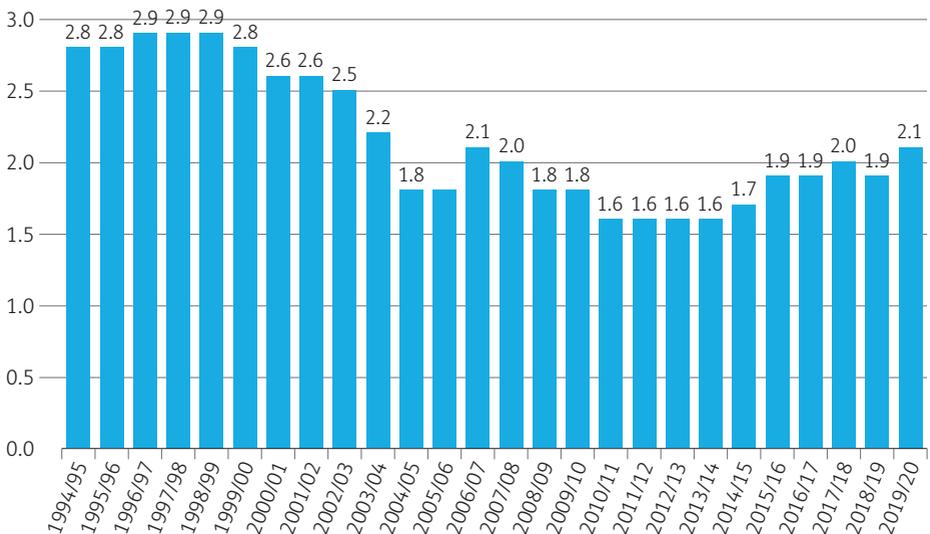
Poverty and low income can be defined and measured in different ways and people's individual needs and circumstances vary. The most commonly used definition is to say that someone in the UK is in poverty if they live in a household with an income below 60 per cent of current median (or typical) household income, taking into account the number of people living in the household.

Unless otherwise stated, 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 DWP Households Below Average Income (HBAI) statistics.

Pensioner poverty is rising again

Based on the most commonly used definition, 2.1 million pensioners (18 percent) are living in relative poverty.ⁱ

The number of pensioners in poverty is much lower than 20 years ago. However, the main reduction occurred in the first decade of this century. From 2010/11 the numbers remained steady at 1.6 million for some time until 2013/14. Since then, worryingly, they have risen reaching 2.1 million in the most recent year.ⁱⁱ



Source: *Households below average income: for financial years ending 1995 to 2020*, DWP 2021. (Figures are after housing costs.)

A similar picture is found if we look at the percentage, rather than the numbers, living in poverty. After housing costs, 29 per cent of pensioners were in poverty in 1998/99, falling to between 13 and 14 per cent in the first half of this decade (2010/11 to 2014/15) then rising to 18 per cent in 2019/20.ⁱⁱⁱ

Some groups are more likely to be living in poverty than others

Some groups of pensioners are at greater risk of living in poverty :

- **Tenants:** 38 per cent of private tenants and 36 per cent of social rented sector tenants, compared to 14 per cent of older people who own their home outright.
- **Pensioners from minority ethnic groups:** 33 per cent of Asian or Asian British pensioners and 30 per cent of Black or Black British pensioners, compared to 16 per cent of White pensioners.
- **Older pensioners:** 22 per cent of those aged 85+ and 19 per cent of those aged 80-84 compared to 17 per cent of 65-69 year olds.
- **Women:** 16 per cent of women compared to 20 per cent of men.
- **Single older women:** 27 per cent of single women pensioners, compared to 23 per cent of single men and 13 per cent of pensioners in couples.



What is it like living on a low income in retirement?

We hear about what day-to-day life feels like trying to manage on a low income from the people who contact us at Age UK. This includes cutting back, doing without, constantly worrying about making ends meet, while an unexpected bill can cause major problems.

Our Advice line receives many calls from individuals, or their families, worried about money. Some examples are:

- A man who was nearly 90 and lived alone had a leaking roof which had recently soaked his staircase. He was receiving Pension Credit and could not afford to get it mended. His family asked if there was any help available.
- A relative contacted us about a man in his 80s who kept having problems with his electricity and could not afford the new fuse box needed. The family were in daily contact, but it was only when they visited and found him in a cold, dark house that they realised the problem as he had not wanted to worry them.
- A couple with health problems told us they were living on a low income and finding it difficult to buy food. On top of that they had a large energy bill and rent arrears.



We heard from 3000 of our older campaigners about what life is like living on a low income. Here is what a few of them said:

“I am 76 years old and disabled, my wife is 70 and also disabled. We worked hard all our lives to have a good last few years but to no avail. I just got my new council tax demand, that’s gone up, the energy suppliers are just as bad, why must it go up, how are we supposed to meet all these hefty increases, cut back by having one meal a day plus dry bread & maybe a cup of tea once a day.”

Krishnasamy

“Not being able to have my house heated so I don’t have to put on a fleece jacket to go down the hall to the bathroom. Always having to take the cheapest choice in food shopping. Worried about a large unexpected bill that can leave me overdrawn in the bank. This one sounds very petty, but not being able to afford even a cheap holiday.”

Ted

“I have worked all my life, beginning with a Saturday job at the age of 12 and I am now 76. Most of my adult life I have two or more jobs at the same time. I have to budget very carefully for every bill...I don’t expect to be ‘rewarded’ for working - it is something we were always brought up to do but I did imagine I would have enough money to live on, which the current pension certainly isn’t. I saved all my life thinking I would have enough money to eke out my pension when necessary, but savings were spent on necessities after retirement and have long-since vanished.”

Florence

The main themes of what older people tell us about living on a low income

The main themes from the 3000 older people who told us to about living on a low income were:

Rising costs

Many people commented on how essential household bills keep getting more expensive while pensions do not keep pace with these increases. People tell us this is pushing them to use their savings or overdrafts to pay for essentials. People said their standard of living declines each year, with many referencing rising council tax bills, electricity and heating costs.

Having to cut down on heating and eating

Several people talked about how they have to penny pinch and cut down, especially if they have an unexpected bill. Some of our campaigners explained they feel guilty having the heating on for an hour, others said they sleep in a sleeping bag at night, wear four layers at home, and worry about being evicted if they can't keep up payments on where they live.

The costs of ageing

People talked about how as they get older, there are more things they have to pay other people to help with, which they would have been able to do themselves before, i.e. gardening and cleaning. They also talked about the huge costs of care, and the financial impact of bereavement.

The link between having enough money and good health

Many people made this connection and said they felt having some more money would mean they wouldn't have to worry about their health and future care needs. Many remarked on how having more money would help with loneliness and their mental health as they could afford to socialise and join clubs which they currently feel cut off from.

Being just over the Pension Credit threshold

Some people said they felt like they were in a worse state having saved up a small amount as it tipped them over the cut off for Pension Credit, meaning they miss out on thousands of pounds a year in support.

Women affected by the rise in State Pension age

A lot of women spoke about the impact the rise in State Pension age has had on them, the fact that they didn't have enough warning and how this has left them really struggling and worrying about affording things in the future. It has had a profound effect on many of their financial plans and they worry about living in poverty in retirement.



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, but it can also be affected by a number of other factors. The main factors that lead someone to find themselves in poverty in retirement are:

Lifetime income

You are more likely to find yourself living in poverty in retirement if you have had low earnings over the course of your lifetime. If you have earned less, you are less likely to have a private pension and are more likely to be reliant on the State Pension.

Some groups in particular are likely to have low lifetime earnings. 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, disability, caring and being self-employed. The impact of these, overlapping, characteristics are explored in the Pensions Policy Institute's work on the 'underpensioned'.

Saving decisions

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.

Benefit uptake

Once people have reached retirement, they often have little opportunity to increase pension income or savings but they may be able to improve their financial situation by claiming social security entitlements. Worryingly, many miss out on these payments – the latest estimates show around £2.2 billion of Pension Credit and Housing Benefit alone are unclaimed by pensioners in a single year in Great Britain.^{vii} 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 process of claiming, or struggle on alone, reluctant to ask for help.

For older people, financial disadvantage is not just about income

Age UK carried out interviews with older people who told us they were finding it difficult to manage financially or were only just getting by.^{viii} Often this was about increasing costs as well as income. People were spending more on utilities, healthcare items, and paying for services or jobs at home than they had done previously. Heating bills were a worry – older people tend to spend a lot of time at home and some live in cold poorly insulation properties. One interviewee told us:

“In winter the bills are very, very heavy. You go to my room now, it’s very cold. There’s nothing I can do to heat my room in winter, it takes ages to start warming up.”

When the people we talked to, or their partner, had health conditions and care needs this could entail extra costs. For example, one woman caring for her disabled husband said:

“The washing machine has to go on every day because [the carers] use a lot of towels. And he gets clean sheets four or five times a week if his catheter bypasses. It all has to be paid for.”

While the people we interviewed all recognised the importance of having a savings cushion to fall back on, not everyone had this. And some had debts that they were struggling to pay. One said:

“I’ll have these debts until I die. It will take me that long to pay them off, I know I won’t.”

We found that people used various mechanisms to cope with living on a low income including maximising income through claiming benefits, staying in work, cutting down, doing without wherever possible, turning down social invitations due to cost, and adopting a mind-set of ‘making do’. Constant and careful money management can be stressful and can mask the levels of financial hardship people are experiencing.

What needs to be done

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. But we mustn't forget the 2.1 million pensioners still 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 consider other factors such as the additional costs of disability or caring, which provide a broader picture of the experience of older people.

What we're calling for

- The Government should set out a clear reform programme, in partnership with third sector organisations and others, to end poverty in later life.
- 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.
- If everyone had an adequate income from pensions, there would be far less need for means-tested top ups and additional payments such as the winter fuel payment. In the meantime, this support is important and benefit take-up needs to be increased through on-going publicity, changes to administration and looking at ways of placing less onus on the individual to navigate the complicated systems.
- Financial disadvantage also needs to be addressed through good social support, affordable essential goods and services, and access to information, advice, and practical help to enable people to maximise their income.
- Current State support should be maintained and improved. The triple lock has increased the level of the State Pension but its job is not done yet - if this is changed it will have the greatest impact on lower income older people who rely heavily on the State Pension.

References

- i. Households below average income: for financial years ending 1995 to 2020, DWP, 2021. <https://www.gov.uk/government/statistics/households-below-average-income-for-financial-years-ending-1995-to-2020>
- ii. As above, table 6.3tr
- iii. As above, table 6.1tr
- iv. As above, tables 6.5db and 3.5db
- v. Due to the small number of older people in non-white groups this is based on a three year average
- vi. <https://www.pensionspolicyinstitute.org.uk/sponsor-research/research-reports/2020/2020-12-08-the-underpensioned-index/>
- vii. Income-related benefits: estimates of take-up 2018-19, DWP October 2020. <https://www.gov.uk/government/statistics/income-related-benefits-estimates-of-take-up-financial-year-2018-to-2019>
- viii. <https://www.gov.uk/government/collections/income-related-benefits-estimates-of-take-up--2>
- ix. Struggling on Experiences of financial hardship in later life, Age UK 2019, https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/money-matters/lr-6064-age-uk-financial-hardship-final_v1.pdf



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