

Poverty in later life – the facts

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Introduction

This briefing looks at how we define poverty and gives information about older people living on a low income: the extent of poverty in later life, changes over time and who is at greatest risk.

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 also to allow them to take part in society.ⁱ 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 needed to visit a friend or go to a social club.

How is poverty measured?

Poverty and low income can be defined and measured in a number of ways and people's individual needs and circumstances vary. However, 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 the current median (or typical) household income, taking into account the number of people living in the household and, for children, their age. This can be measured before and after housing costs: we generally use the after housing costs figures because this is what people are left to live on after meeting their essential accommodation costs.

A wide range of information about poverty and low income is produced in the annual DWP report *Households below average income* (see box below).ⁱⁱ

Households below average income (HBAI)

This DWP report provides a great deal of information about low income among different households in the UK. Unless otherwise stated we 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 per cent of contemporary household income. HBAI also looks at 'absolute poverty' using 2011/12 household income, as a baseline.

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

Income is net of taxes such as income tax and National Insurance, and can be measured before or after housing costs. 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 who is in living there using an agreed scale – described as 'equivalisation'. The DWP give this example:

Consider a single person, a couple with no children, and a couple with two children aged fourteen and ten, all having unadjusted weekly household incomes of £200 (BHC). The process of equivalisation, as conducted in HBAI, gives an equivalised income of £299 to the single person, £200 to the couple with no children, but only £131 to the couple with children.ⁱⁱⁱ

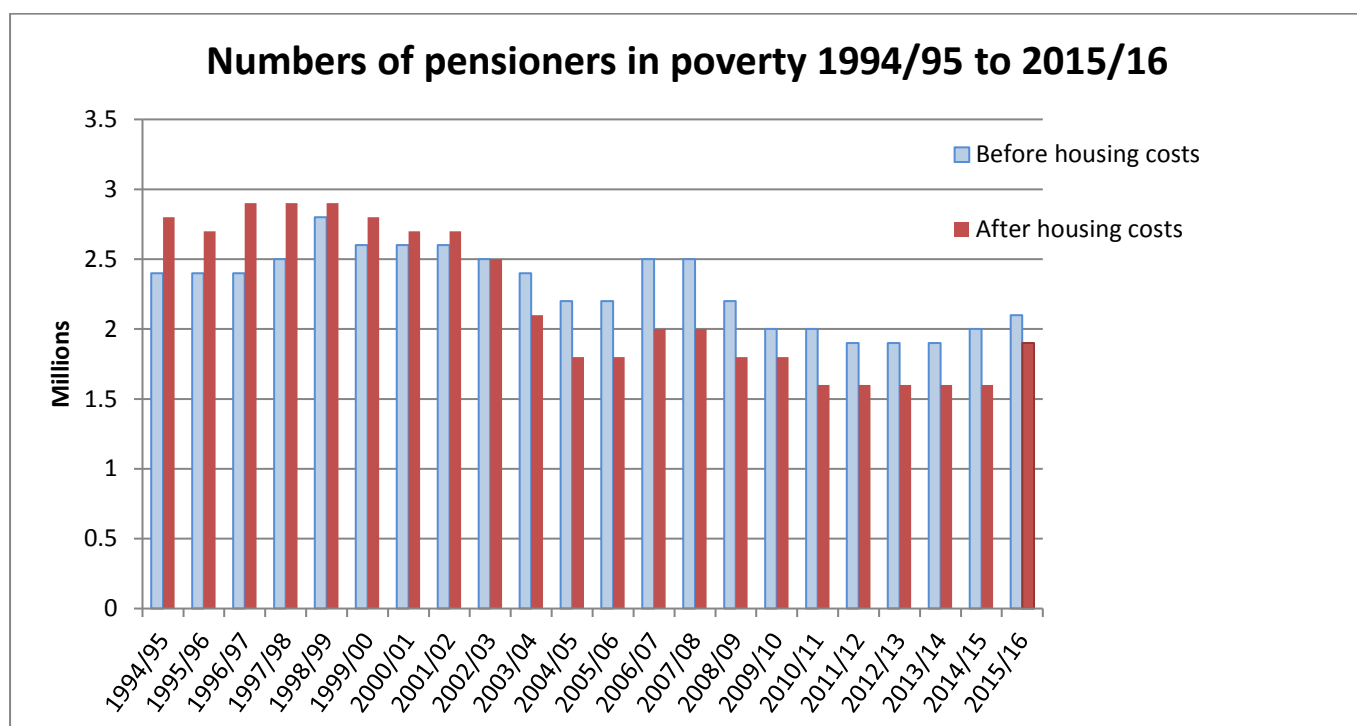
Other ways to look at poverty include:

- Material deprivation, which is measured by whether people are lacking 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 in order to reach an acceptable standard of living, as seen in the extensive work by Joseph Rowntree Foundation.^{iv}
- Self-reported measures - people are asked how well off they consider themselves.

Levels of pensioner poverty in the UK and changes over time

Using the definition set out above (that is, income of less than 60 per cent typical household income after housing costs) 1.9 million pensioners (16 per cent) are living in relative poverty.

The chart below shows poverty rates before, and after, housing costs. It can be seen that the numbers of pensioners in poverty has fallen over the last 20 years. Looking at the after housing costs measure, the main reduction occurred in the first decade of this century. Since 2010/11 the numbers remained more or less the same until 2015/16 when, worryingly, numbers rose.



Source: *Households below average income 1994/95 to 2015/16*, DWP 2017.

The risk of being in poverty

Information is also published on the proportion of people living on low incomes. Among all pensioners in the UK in 2015/16:

- 16 per cent had incomes, after housing costs, of less than 60 per cent median household income.
- Of this 16 per cent, half (or 8 per cent of all pensioners) had incomes of less than 50 per cent median income (sometimes described as being in severe poverty).
- 9 per cent had incomes above 60 per cent median income, but less than 70 per cent (these can be described as living 'just above the poverty line').

Some groups are at greater risk of living in poverty:

- Older pensioners: 19 per cent of those aged 80-84 and 21 per cent of those aged 85+ are in poverty compared to 13 per cent of 65-69 year olds.
- Single pensioners: 20 per cent of single pensioners living alone, compared to 13 per cent of couples with no-one else in the household.
- Renters: 33 per cent of private tenants and 29 per cent of social rented tenants, compared to 12 per cent of owner occupiers.
- BME pensioners: 27 per cent of Asian or Asian British pensioners and 30 per cent of Black or Black British, compared to 14 per cent of white pensioners.v

Material Deprivation

The annual DWP HBAI report also includes a measure of 'material deprivation' among people aged 65 and over. This is based on questions asking 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 3 or 4 items or more. The latest figures from DWP, found that 800,000 pensioners aged 65 or over (8 per cent) were in material deprivation in 2015/16.

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 they can choose other options, such as their health prevents them, or it is too much trouble.

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 eight per cent of those aged 65+ say they could not afford to replace a cooker if it broke, while over a fifth (22 per cent) do not go out socially at least once a month.

Material Deprivation items and services lacking among pensioners aged 65 and over: selected items and the most common reason for ‘no’ response, 2015/16^{vi}

Item of Material Deprivation	Percentage of 65+ or over responding no	Most common reason for ‘no’ response
Being able to replace a cooker if it broke down	8	No money for this
Able to pay regular bills	2	No money for this
Having a damp free home	6	No money for this
Keeping the home adequately warm	3	No money for this
Have access for a car or taxi, whenever needed.	11	No money for this
Go out socially at least once a month	22	Health/disability prevents me
Take a holiday away from home	38	Health/disability prevents me

In addition 10 per cent of people aged 65+ said they would not be able to meet an unexpected expense of £200.

The link between low income and material deprivation

As set out above 16 percent of pensioners are in relative income poverty and 8 per cent of those aged 65+ are in material deprivation. However, there is limited overlap, as only two per cent of people aged 65+ are in both relative poverty and material deprivation.^{vii} This may partly reflect the different responses that people can give to the material deprivation questions – for example, people can say they do not carry out an activity due to health reasons. Having said that, even if money is not the main reason for a ‘no’ response, information provided in the HBAI report shows this may still have an impact. For example, while 22 per cent of all aged 65+ do not go out socially at least once a

month, with health or disability being the main reason given, the proportion is much higher in the lowest income groups (24 per cent of the poorest fifth and 29 per cent of the next poorest fifth) than among the richest fifth of those aged 65+ (10 per cent).

Qualitative research conducted by Kotecha et al for DWP^{viii} explored the reason for the small overlap between income poverty and material deprivation. They found that although income level does have an influence on material circumstances, a much wider range of factors contributed to 'pulling up' or 'pushing down' material circumstances of a person living on a low income. These factors are:

- Social support networks
- Health
- Financial management
- Area and housing support
- Attitudes and priorities

The researchers found that factors linked to housing and area could increase or reduce material deprivation. For example, negative aspects included: high rents, high transport costs, and poor access to local amenities. Living in a peaceful safe area with nearby amenities helped offset the impact of low income, as did having a good housing situation.

Having informal support from family and friends, as well as support from government in the form of welfare payments, free bus passes, free prescriptions and support from local authorities had a significant positive impact on the material circumstances of those living on low incomes. Health was an important factor and those with poor health were more likely to face material deprivation as this limited independence as well as imposing additional costs of living. The research also points to the importance of financial management approaches and notes that attitudes shaped how people felt about their material circumstances and organised their spending.

Further information about people's day to day experiences are described in the Age UK report '*Living on a Low Income in Later Life*'^{ix}, which documents the daily struggles of coping on a low income. Our report found that participants worked incredibly hard to manage financially. They kept a close eye on their budget and managed their resources very carefully. This involved enormous effort, discipline and resourcefulness. However, the constant need for restraint and 'existing' with little prospect of a situation improvement could be emotionally draining and have an impact on their mental health.

More recently Age UK has produced an 'Index of Wellbeing in Later Life' which shows how a wide range of factors contribute to overall feelings of wellbeing in later life. Financial resources are important but so are other factors including personal circumstances, social and cultural participation, health, and satisfaction with local services and facilities.^x

The impact of an unexpected expense

People may manage day to day on a low income by budgeting carefully but have problems when they face extra costs or an unexpected expense as seen in the examples of calls to Age UK advice line below.

- A woman contacted Age UK on behalf of a relative in her 80s who was sleeping downstairs because it was too expensive to put the central heating on. She then had her gas fire disconnected by the gas company as there was a smell of gas. She was in arrears with her bill and could not afford the cost of a new fire and the fitting.
- A low income sheltered housing resident in her 70s contacted us about possible help to get a new washing machine. She had been turned down by the local authority welfare assistance scheme and she was having to wash everything by hand which was causing her a lot of pain.

Conclusions

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 still 1.9 million (16 per cent) pensioners living in poverty and worryingly, the most recent figures saw a small rise after a number of years when levels of pensioner poverty had remained steady. 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.

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i This is based on the definition used by the Joseph Rowntree Foundation.

<https://www.jrf.org.uk/report/we-can-solve-poverty-uk>

ii *Households below average income: an analysis of the income distribution 1994/95 – 2015/16*, DWP, 2017. <https://www.gov.uk/government/statistics/households-below-average-income-199495-to-201516>

iii https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/563431/pensioners-incomes-series-2014-15-methodology-quality.pdf

iv <https://www.jrf.org.uk/report/minimum-income-standard-uk-2017>

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

vi *Households below average income 1994/95 – 2015/16*, table 611db, DWP, 2017

vii Information from DWP HBAI team.

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

ix *Living on a low Income in Later Life* (2011). Age UK

x <http://www.ageuk.org.uk/professional-resources-home/research/health-wellbeing/wellbeing-research/>