Independent Age

Poverty in later life

How people in older age move in and out of poverty, and what should be done to reduce it

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Contents

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1. Introduction

Older people are often presented as the classic 'babyboomer' stereotype, with large private pensions and substantial property wealth. But people in later life are a wide and varied group, and not everyone is enjoying a financially secure retirement. We want to ensure the voices and experiences of people in later life don't get lost in wider conversations about poverty in the UK.

Since the dramatic falls in the proportion of people over State Pension age living in relative income poverty in the 1990s and 2000s – from highs of 29% to a low in 2011–12 of 13% – it has often been considered a 'solved issue'.[1] But, since 2012, there has been a slow but steady rise in income poverty among older people, with now almost 1 in 5 older people (18%) in relative income poverty after housing costs (AHC).[2]

In this report, we'll highlight new research we've commissioned from City, University of London into income dynamics in later life, set out our policy calls for tackling poverty in later life and discuss the different ways of defining and measuring poverty.

Throughout the report, we use the word 'pensioners' to refer to people above State Pension age. It's important to note that, because we will be discussing income dynamics over a long period, the State Pension age may be different depending on the year being discussed: for example, in 2011 the State Pension age was 60 for women, but in 2018 it was 65.

Key messages

- Poverty in later life is a growing problem in the UK.
- There are stark inequalities in later life that greatly increase the chances of entering poverty past retirement age for some groups, including private and social renters, black and Asian older people, and single women.
- Though older people's income fluctuates less than in younger groups, there is still movement in and out of poverty, with 40% of pensioners spending at least one year in poverty in a nine-year period.
- Changes in social benefit income are the biggest single cause for older people entering and exiting poverty.
- Tackling poverty in later life requires an ambitious strategy to tackle poverty at all ages, while maximising the effectiveness of existing programmes.

2. Income dynamics and persistence

All the measures discussed in this report, including the combined measures, measure poverty by using a quantitative 'snapshot' of households taken each year. While this tells you a lot about individual households in an individual year, these measures do not track what happens to those households over time: for example, whether a household stays in poverty for a long period of time – the Department for Work and Pensions (DWP) defines a household being in poverty for three to four years of a four-year period as 'persistent poverty' – or whether a household moves in and out of poverty.

Statistical releases that look at income dynamics in the working-age and child population are relatively common; however, income dynamics in later life are not something that have historically been looked at in much detail. The most detailed study is the Income Dynamics statistical release by the DWP, which looks at characteristics of households (of any age) moving in and out of poverty, and the income events that happen to them, such as entering and leaving work. While there is some breakdown by age, and pensioners are one of the groups looked at, at Independent Age we were keen to go further and look at income dynamics in later life in more detail. How dynamic is income in later life? Who is more likely to enter poverty? What events and drivers impact income after retirement?

We commissioned research from City, University of London, which tracked individuals over State Pension age across a two-year period and a nine-year period. The academics looked at how the income of their households changed and at their movements into and out of poverty.

It's important to keep in mind that income dynamics have the same limitations as static income measures outlined in the appendix.

3. How does Independent Age define poverty in this report?

There are a number of ways to measure poverty, but the best way continues to be lively debate. We have included some of the most common ways of measuring poverty, as well as some of their strengths and limitations, in the appendix.

For our current research, we define poverty using the Households Below Average Income (HBAI) relative income after housing costs definition. This sets the 'poverty line' at 60% of median UK household income in the present day. Households that fall below this 60% median are defined as being in 'relative poverty'. Households that fall below 50% of median UK household income are described as being in 'severe relative poverty'. Despite the limitations of this measure, which we will detail in this report, this poverty measure is the most commonly used definition and provides a lot of comparabilities to ensure our analysis is in line with other major statistical releases, like HBAI and Income Dynamics.[3]

However, we are mindful of the limitations of looking just at income when defining poverty. To counter this, we are also conducting a piece of qualitative research using a much more flexible definition based on the stories of people identified through our services and those who self-define around measures of financial difficulty.

We are also supportive of the approaches used to broaden the understanding of poverty and introduce more nuance into poverty definitions that exist in the Joseph Rowntree Foundation's Minimum Income Standard and the Social Metric Commission's measure of poverty.

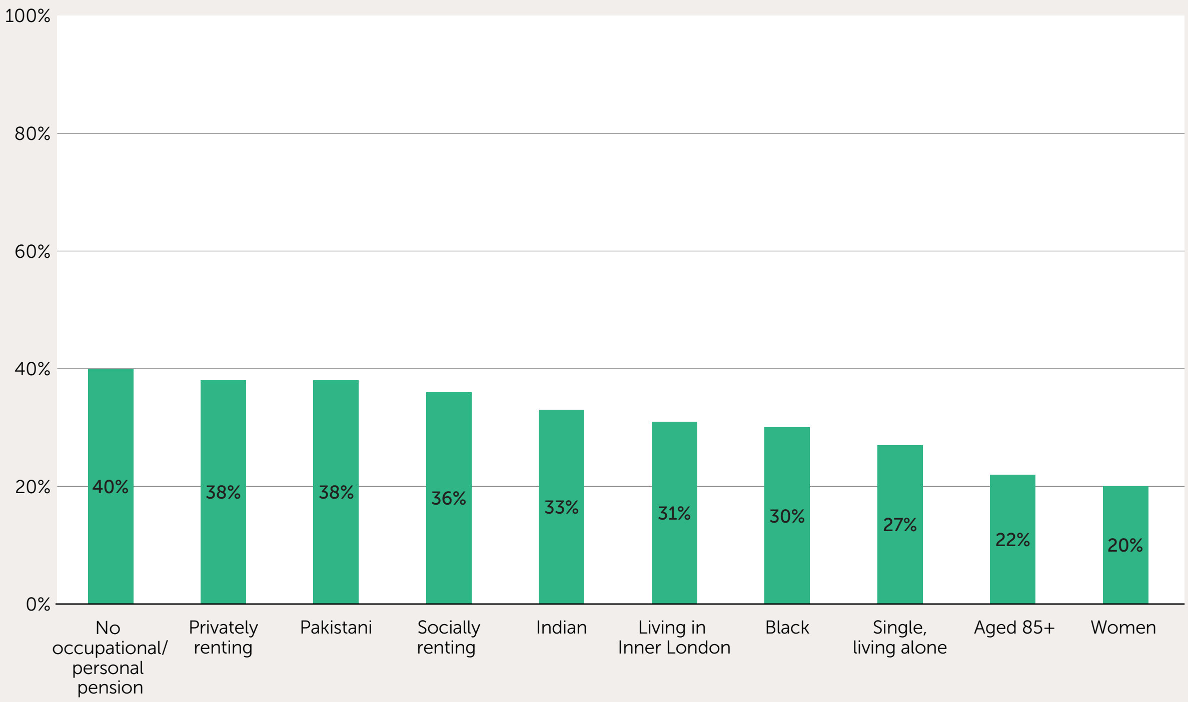
All statistics in this report are taken from our newly commissioned research by City, University of London on the causes of poverty in later life, unless stated otherwise.[4]

4. Who is more at risk of being in poverty in later life?

Pensioners who enter poverty tended not to have been living on high income previously. The majority (58%) of pensioners who entered poverty were in the second poorest income quintile a year earlier, and another quarter (25%) were in the middle quintile.

The HBAI statistical release can identify which groups of older people are most at risk of being in poverty in a single year:[5]

Figure 1: Proportion of older people in poverty by sociodemographic characteristic

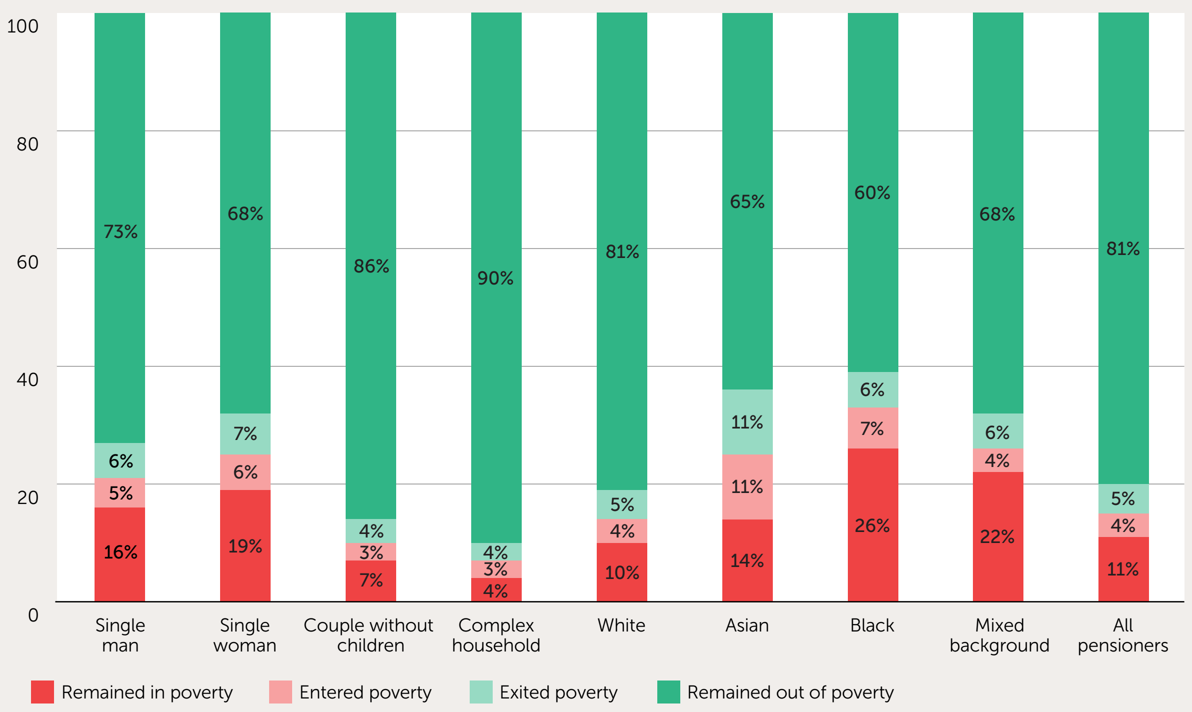


Some groups of older people are at much greater risk of being in relative poverty than average, with some groups more than double the pensioner poverty rate of 18%.

Source: HBAI, 2019–20.

There is a lot of overlap in these groups: for example, women are more likely to be aged 85+ and to be single and living alone. Similarly, black, Asian and other ethnic minority groups are much more likely to be renting and living in Inner London.

Figure 2: Poverty transition by sociodemographic characteristic



Movement into and out of poverty can vary greatly by sociodemographic characteristic. We can see that Asian older people have high rates of people moving into and out of poverty. Large proportions of black older people, mixed background older people and single men and women remained in poverty from one year to the next.

Base: Individuals of pension age.

Source: Understanding Society survey, 2017–18 to 2018–19.

Note: Poverty measured as below 60% median equivalised total net household income after housing costs.

The research we commissioned from City, University of London looked at income dynamics past State Pension age over a two-year period. This included looking at sociodemographic groups of older people although, because of sample size limitations, some categories had to be grouped together, such as Asian and black older people.

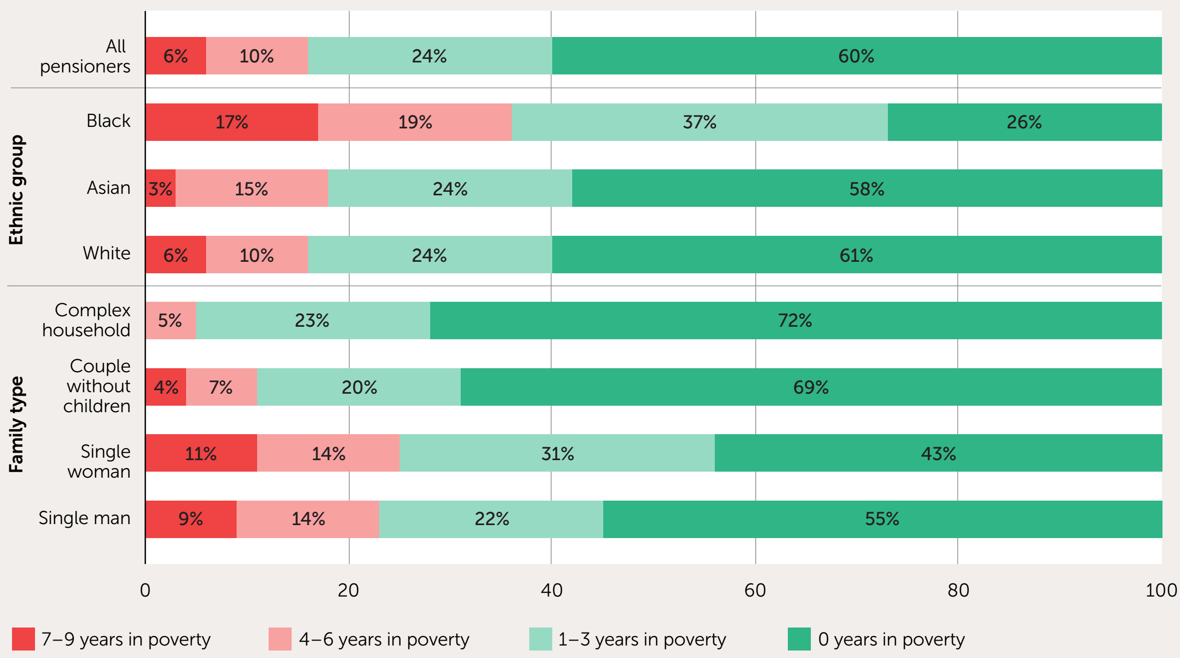
The research has confirmed that many of the same groups that are at greater risk of poverty in later life also have a greater risk of entering poverty past State Pension age: for example, single women, Asian older people and older renters (both private and social) are significantly more likely to enter poverty past State Pension age. This implies that the inequalities we can observe in pensioner poverty statistics are not just a 'carry-over' from working age – with these groups having entered retirement already in poverty – but that these inequalities are playing out past State Pension age as well.

With Asian older people particularly, we can see a very 'elastic' environment, with relatively high proportions of older people moving in and out of poverty compared with the average. It is possible that this is related to older Asian people being much more likely to live in 'complex working households' (defined in the data as three or more people living in a household with at least one member of the household working). This kind of multigenerational arrangement leads to a household income that fluctuates more than average because of members moving in and out of the workforce, and working members of the household likely to be supporting older members. Sample sizes of working complex households with older Asian people living in them were too small to look at specifically in the data, but this is something we plan to investigate in future qualitative work.

5. Who is at greater risk of persistent poverty in later life?

As well as looking at income over a two-year period, City, University of London also investigated income over a nine-year period (from 2010–11 to 2018–19) to explore trends in income dynamics over a longer time. They found that, although pensioners overall are more 'static' than younger groups, there is still a considerable amount of movement into and out of poverty: for example, they found that two in five pensioners (40%) spent at least one year in poverty during this period.

Figure 3: Number of years in poverty (from 2010–11 to 2018–19) by sociodemographic characteristic



Some sociodemographic groups are more likely to spend more years in poverty, particularly black older people, single women and single men.

Base: Individuals of pension age.

Source: Understanding Society survey, 2010–11 to 2018–19.

Note: Poverty measured as below 60% median equivalised total net household income after housing costs.

When looking at the data for these nine years, around one in 20 (6%) pensioners was longer-term poor, which means they experienced poverty for seven to nine years of the nine-year period. Certain groups of pensioners are more likely to experience longer-term poverty, in particular people who are:

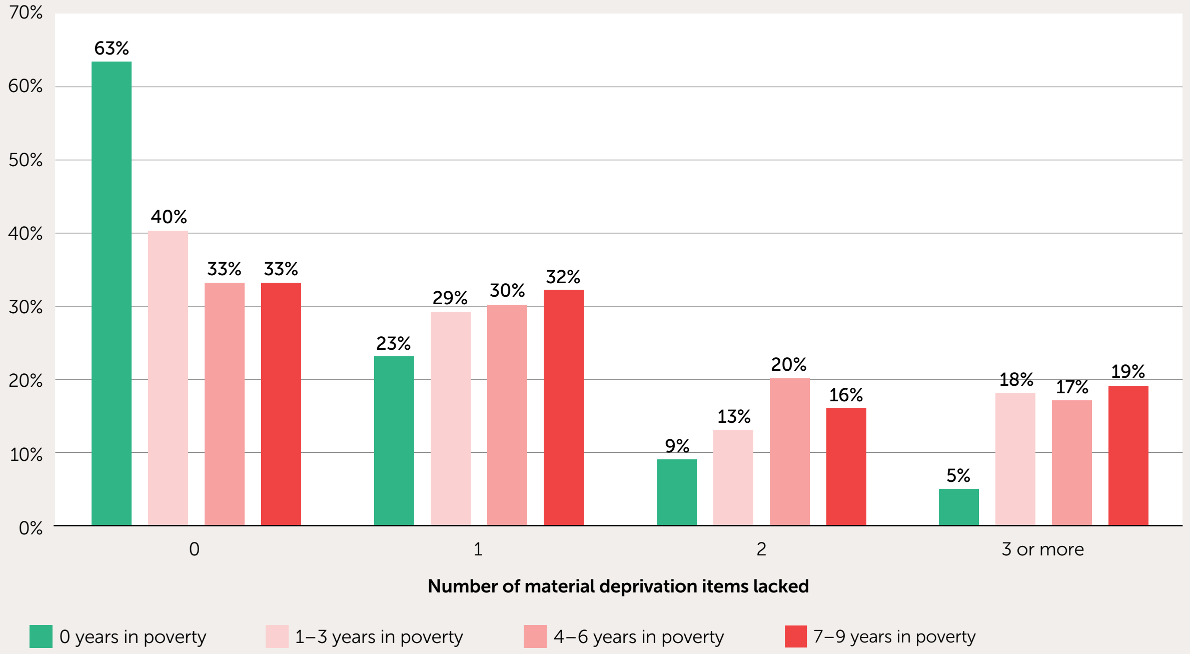
- Single – 11% of single women and 9% of single men experience longer-term poverty
- Black – 17%, although larger sample sizes would be needed to determine whether this is statistically significant
- Renters – private renters 25% and social renters 19%.

As income movement in older age is more 'static' than in younger groups, this means that those who enter retirement already in poverty are highly likely to stay there. Pensioners who experienced persistent poverty in the first period (from 2011–12 to 2014–15) were more likely to continue to experience another period of poverty. For example, more than half (57%) of pensioners aged State Pension age up to 69, who experienced persistent poverty in the first period (from 2010–11 to 2014–15), also experienced persistent poverty in the second period (from 2015–16 to 2018–19).

While the research focused on poverty past State Pension age, it is clear that one of the likely drivers of poverty in older age is having a low income in working age. Looking at longer-term poverty by poverty status in the first year (2010–11) of the period shows that one in five (21%) older people approaching State Pension age *and* already in poverty in 2010–11 went on to experience long-term poverty (seven to nine years). This is far greater than for those who approached State Pension age not in poverty.

The impact of even one year of poverty in a nine-year period cannot be overstated. Any experience of poverty puts someone at an increased risk of experiencing material deprivation compared with a person who avoids poverty completely in this period. Material deprivation as a measure of poverty is covered in more detail in the appendix but, in short, it is a list of key items that much of the UK population would consider essential. This list includes annual holidays, going out socially with friends and family, and a regular haircut. The longer the duration in poverty, the more severe the impact on material deprivation, with two thirds (67%) of pensioners who spend four to six years and seven to nine years in poverty lacking at least one of the key deprivation items.

Figure 4: Number of material deprivation items lacked (in 2018–19) according to longer-term poverty status (from 2010–11 to 2018–19)

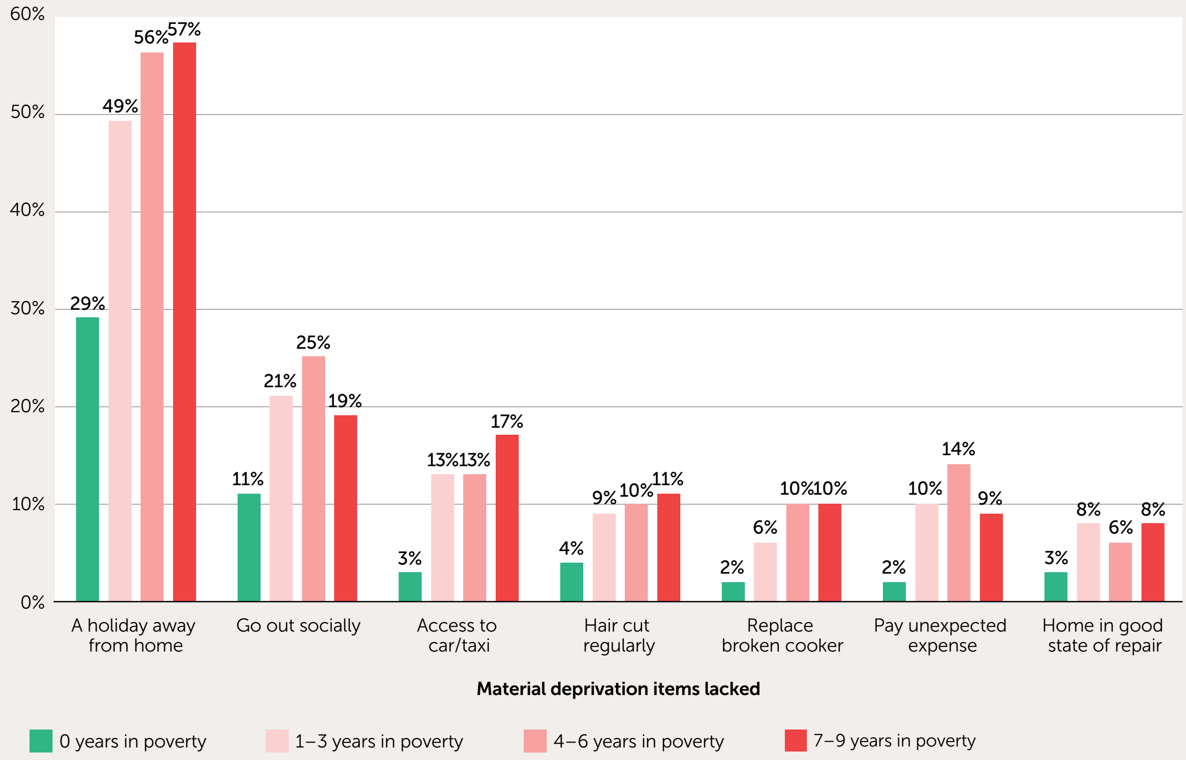


Base: Individuals of pension age.

Source: Understanding Society survey, 2010–11 to 2018–19.

Note: Poverty measured as below 60% median equivalised total net household income after housing costs.

Figure 5: Material deprivation (in 2018–19) according to longer-term poverty status (from 2010–11 to 2018–19)



Base: Individuals of pension age.

Source: Understanding Society survey, 2010–11 to 2018–19.

Note: Poverty measured as below 60% median equivalised total net household income after housing costs.

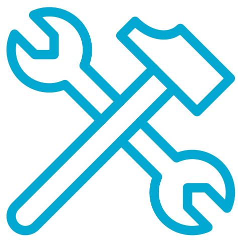
Note: Charts should be read as 29% of pensioners who spent zero years in poverty did not have a holiday, 49% of pensioners who were in poverty forone to three years did not have a holiday, and so on.

Older people who spend at least one year in poverty in a nine-year period are...

...twice as likely to have a damp home.

...three times as likely to have a cold home.

...twice as likely not to have a filling meal every day.



...four times as likely not to have services in working order.

...twice as likely not to see friends or family regularly.

6. Why do older people enter poverty?

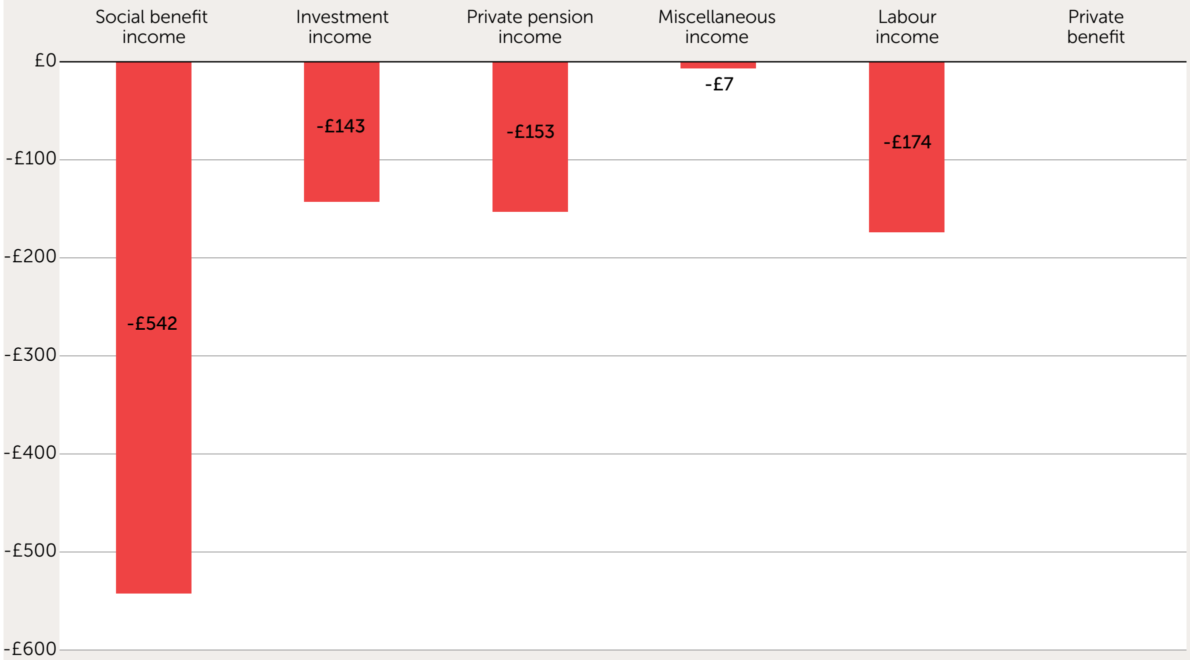
Early findings from City, University of London's analysis of income events that cause people to enter poverty are not clear cut, because most often it is not a single income event, but a combination of different income events happening close together. It is also harder to investigate some events that we know are difficult to capture quantitatively, such as bereavement and separation. This is mostly because of sample bias: if a respondent's partner had just died, or if they were going through a tough separation, they would have been unlikely to want to continue to participate in an annual survey.

However, the analysis of income sources, and how these changed over two years, suggests that loss of social benefit income is a major factor in older people entering poverty. Social benefits in later life can include Pension Credit, Council Tax Reduction or Housing Benefit. Three in five (61%) pensioners who enter poverty during later life have experienced a reduction in social benefit income. The average decrease in social benefits for an older couple who enters poverty from one year to the next is £542 a month.

The difference is stark when compared with private pension income, particularly when looking at the magnitude of income impact. A quarter (27%) of pensioners who enter poverty experience a reduction in private pension income. The average decrease in private pension income for a couple who enters poverty is £153 a month.

As the quantitative research has highlighted, this will require substantial qualitative work to investigate causes that are hard to capture in survey data. We will continue to explore what triggers older people to enter poverty both quantitatively and qualitatively.

Figure 6: Average (mean) amount of income fall per month for pensioners entering poverty



Loss of social benefit income represents, on average, the largest loss of income for pensioners entering poverty, more than all other categories combined.

Base: Individuals of pension age who entered poverty.

Source: Understanding Society survey, 2017–18 to 2018–19.

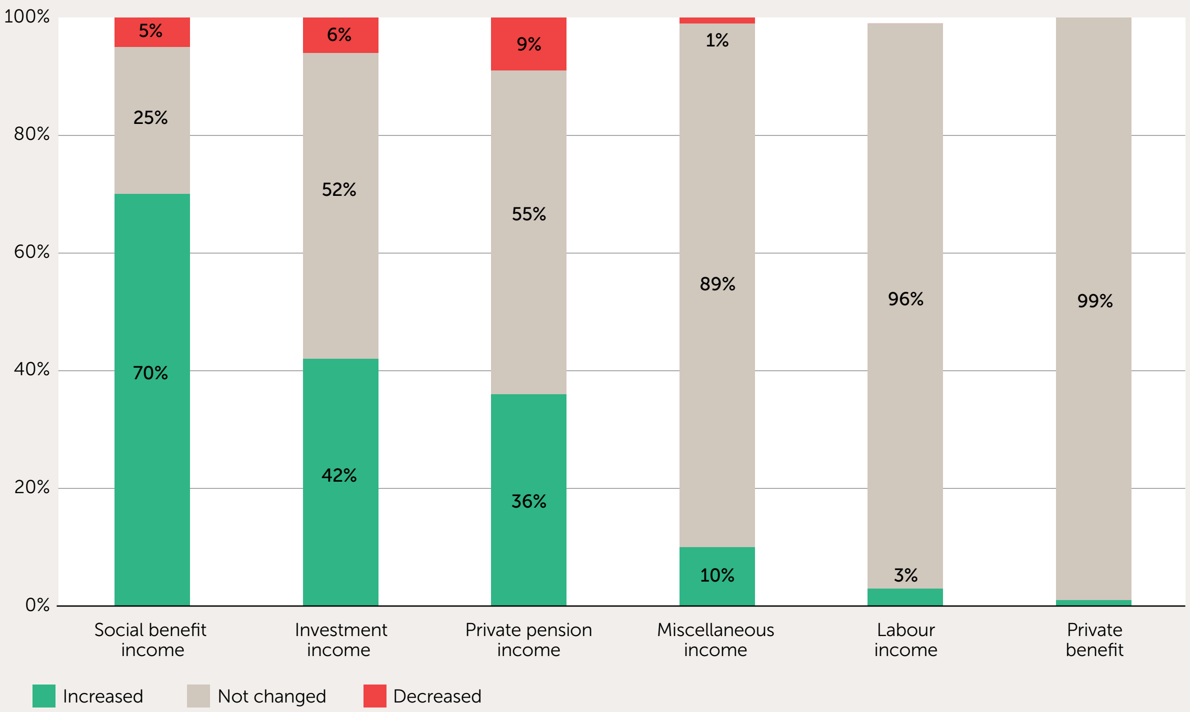
Note: Income is equivalised. Values presented are for a pensioner couple per month.

7. What helps lift older people out of poverty?

Early findings on events that lift older people out of poverty, as you would expect, tend to mirror what pushes them into it. City, University of London's research shows that increases in social benefit income is the most crucial factor, with households in poverty that experienced an increase in social benefit income having 20 times more chance of exiting poverty than households that saw no change. This is particularly true of the 75+ age group, rather than the State-Pension-age-up-to-74 age group, who are more likely to enter or re-enter the workforce to exit poverty. Pensioners living in a household where labour income increased had more than 16 times the chance of exiting poverty than households where labour income did not change.

These findings around social benefit income lifting older people out of poverty chime with research Independent Age commissioned from Loughborough University in 2020 on the underclaiming of Pension Credit. It found that raising Pension Credit uptake from around 60% to 100% could lift 440,000 out of poverty.[6]

Figure 7: Percentage of pensioners who had a change in amount of broad income source alongside exiting poverty



Social benefit income is instrumental in pensioners exiting poverty, although increases to private pension income and investment income are also factors.

Base: Individuals of pension age who exited poverty.

Source: Understanding Society survey, 2017–18 to 2018–19.

Note: Income is equivalised. Values presented are for a pensioner couple per month.

8. Recommendations: What does Independent Age think should happen to reduce poverty in later life?

Protecting social benefits

Pensioner poverty has been rising slowly but surely since 2012 and is now at its highest level since 2008 at 18%.[7] Our research with City, University of London into income dynamics in later life confirms that changes to social benefit income is instrumental in older people both entering, and exiting, poverty. Protection of older people's social benefits is therefore essential to stop this worrying trend.

The triple lock, for example, serves a vital role in protecting the State Pension, a social benefit that suffered a sharp decline in relative value compared with earnings during the 1980s and 1990s. The UK still has one of the least generous state pensions in the developed world according to the Organisation for Economic Co-operation and Development (OECD).[8] Research from the Pensions Policy Institute has also found that scrapping the triple lock could double the amount that a low-paid young worker has to save in order to avoid poverty in older age.[9] Ending the triple lock would therefore not just unfairly affect pensioners during a time of increased hardship, it would damage younger generations' ability to save for their retirement.

The government's decision to suspend the triple lock in 2022–2023 was based on predictions of a large average earnings rise that would substantially outpace inflation. However, even with a substantial earnings rise, this was a missed opportunity to raise the relative value of the State Pension in line with other OECD countries. Independent Age, alongside many older people, are concerned that this one-year suspension could be used as a pretext for scrapping the triple lock entirely from 2023.

Recommendation 1
The government must fulfil its commitment to restore the State Pension triple lock from April 2023.

Recommendation 2
The DWP should conduct a wider review of the adequacy of the State Pension, with the government setting out at what level it wants the State Pension to be valued relative to average earnings.

Recommendation 3
The government should commit to protecting vital benefits for older people that are currently under threat, including by reversing its proposal to scrap free prescriptions for 60–65-year-olds.

Maximising and improving existing programmes

Proactive steps must be taken to tackle poverty in later life, so that older people feel financially secure during their retirement. This does not have to be about reinventing the wheel or investing vast amounts in new programmes. Much can be done by improving, or simply making people more aware of, the programmes and benefits already available that are currently not being utilised effectively. There are lots of entitlements and programmes out there for older people, including Council Tax Reduction, Housing Benefit, Pension Credit and the Disabled Facilities Grant. We want people to have a better understanding of, and access to, their entitlements.

Take Pension Credit as an example – a vital income-related benefit for older people. It has had a very poor take-up rate almost since its introduction, hovering at around 60% for more than 10 years.[10] Studies by the DWP have identified that 'perceived ineligibility' is by far the most common reason why people who are eligible do not claim it. Previous research commissioned by Independent Age has shown that non-take-up of Pension Credit can be associated with £4 billion a year in additional health and social care spending, and that full take-up of Pension Credit could lift 440,000 older people out of poverty. According to the DWP, if all older people claimed all the benefits they were entitled to, including pension credit, pensioner poverty would be reduced to almost zero.[11]

The income older people receive from their pensions can have a big impact on their quality of life. For the increasing numbers of pensioners with defined contribution (DC) pensions, there is also the matter of good quality financial guidance and advice. Without it, there is a risk people will make poor, uninformed decisions about their pensions that could negatively affect the money they receive and their financial security in later life. The Pension Wise guidance service is a simple, free and high-quality way that people aged 50 and over can get financial advice on their DC pensions, yet is only used by a small minority: just one in seven DC pension pots is accessed by a saver who has had a Pension Wise guidance appointment.[12] As with Pension Credit, this service is not being utilised to its full potential. The government should learn from the success of automatic pension enrolment, and pilot an auto-appointment system for the Pension Wise service.

Recommendation 4
The DWP must release a written action plan to increase the uptake of Pension Credit. This action plan must include realistic measurable targets and scheduled and continuous awareness-raising activity, as well as explore more fundamental solutions such as a name change and full or partial auto-enrolment.

Recommendation 5
The government should pilot an auto-appointment system for the Pension Wise service.

Stabilising the housing situation for the most disadvantaged

Successive pieces of research, from Independent Age and other organisations, have confirmed that older renters, both private and social, are heavily disadvantaged groups, and we remain concerned at the slow but steady growth of older private renters. Between 2009–10 and 2019–20 the number of privately renting households in England with someone living in them aged 65 or over increased from 258,000 to 371,000 – an increase of 44%.[13] Our 2018 report on older private renters shed light on severe housing insecurity: for example, older renters feeling they cannot ask for aides and adaptations or repairs to their property, for fear of being evicted through 'no fault' evictions (Section 21) notices. We also spoke to older people who had been evicted, or endure heavy pressure to move, to 'make room' for younger tenants who could be charged more.[14]

Our *In focus* research published in 2020 dug deeper into the situation for older renters and confirmed many of our earlier findings. Older renters were more likely to live in houses with damp and in houses in need of repair. We also heard harrowing stories of older people's struggles with rented accommodation: for example, a man who could not leave his flat for 16 months because the lift in his tenement building was broken and the management company refused to fix it.[15]

The State Pension was not designed to support people with the level of housing costs private renting often entails. Average rent outside London is roughly £171 a week,[16] and the full new State Pension amount is £179.60 a week.[17] Even allowing for Housing Benefit, which not all older private renters would be eligible for, the State Pension does not reflect current or future realities of housing costs. In London, where one in every four pensioners is in poverty, the situation is even more dire, with average rent at an estimated £375 a week.[18]

Both *In focus* and our more recent research into income dynamics in later life confirmed that older renters are among the most likely older people to be in poverty, and to enter poverty after State Pension age. Our analysis has also shown that older Asian and black people, particularly older black people, are much more likely to be renting, increasing the potential for racial inequality in later life in housing tenure.[19] As the UK continues its shift towards private renting, and home ownership becomes less of a realistic prospect for more and more people, the government must ensure it enacts policies that protect those who are renting in later life.

Recommendation 6
The government must keep its promise to introduce the Renters Reform Bill in this parliament. This Bill must include commitments to scrap Section 21 'no fault' evictions, and to introduce secure and standardised 'lifelong deposits', which can be transferred from tenancy to tenancy without having to be repaid every time.

Recommendation 7
The Department for Levelling Up, Housing and Communities should build on the Renters Reform Bill by publishing a Green Paper on affordable, secure tenancies. This should include consultation on the popular and effective local rent controls in place in countries like Germany, and longer tenancy agreements.

Recommendation 8
The government should take up the recommendations made by the Good Home Inquiry, set up by the Centre for Ageing Better and chaired by David Orr.[20] This includes a new national strategy to improve England's existing housing stock led by a ministerial Good Home Champion, as well as a fully funded Good Home Agency to facilitate home improvements for both homeowners and landlords, and administer the Disabled Facilities Grant.

Leadership and accountability

The DWP has talked about developing new poverty statistics for many years.[21] There were recent discussions with the Social Metrics Commission about adopting a version of its measure, but this has not yet come to light. The Secretary of State for Work and Pensions has been critical of existing poverty measures that the DWP uses, such as relative income poverty, but also seems reluctant to commit to a different definition.[22] It is essential to have one consistent and effective measure of poverty so that we can determine when a positive or negative trend is affecting people in later life and take action to make the situation better.

To improve the situation for older people living in poverty, leadership and accountability is desperately needed. Older People's Commissioners, which currently exist in Wales and Northern Ireland, listen to the voices of older people and the organisations who work with them, and protect and promote their rights. The commissioner role is underpinned by legal powers to review the work of public bodies and hold them to account when needed, driving forward improvements to policy and practice. This role currently does not exist in England or Scotland.

Recommendation 9
The role of an Older People's Commissioner should be established in both England and Scotland, with associated legal powers to hold the government and other organisations to account.

Recommendation 10
The DWP should expedite its work on developing a new measure of poverty, which was scheduled to be introduced in 2020. This work must build on the developments made by the Social Metrics Commission and the Joseph Rowntree Foundation, and must be accompanied by a firm commitment and action from the government to tackle poverty at all life stages.

Recommendation 11
The DWP must develop a meaningful strategy to address poverty in the UK, including those who experience poverty in later life.

Endnotes

[1] *Households below average income: an analysis of the income distribution FYE 1995 to FYE 2020*, Department for Work and Pensions, 25 March 2021, see gov.uk/government/statistics/households-below-average-income-for-financial-years-ending-1995-to-2020/households-below-average-income-an-analysis-of-the-income-distribution-fye-1995-to-fye-2020.

[2] *Households below average income: an analysis of the income distribution FYE 1995 to FYE 2020*, Department for Work and Pensions, 25 March 2021, see gov.uk/government/statistics/households-below-average-income-for-financial-years-ending-1995-to-2020/households-below-average-income-an-analysis-of-the-income-distribution-fye-1995-to-fye-2020.

[3] *Income Dynamics: income movements and the persistence of low income, 2010 to 2019*, Department for Work and Pensions, 25 March 2021, see gov.uk/government/statistics/income-dynamics-2010-to-2019.

[4] *Longer-term pensioner poverty and poverty transitions: A quantitative analysis of the Understanding Society survey (USoc)*, City, University of London and Independent Age, 2022, independentage.org/longer-term-pensioner-poverty-and-poverty-transitions-a-quantitative-analysis-of-understanding.

[5] *Households below average income: an analysis of the income distribution FYE 1995 to FYE 2020*, Department for Work and Pensions, 25 March 2021, see gov.uk/government/statistics/households-below-average-income-for-financial-years-ending-1995-to-2020/households-below-average-income-an-analysis-of-the-income-distribution-fye-1995-to-fye-2020.

[6] *The cost of pensioner poverty and the non-take-up of Pension Credit*, Loughborough University and Independent Age, 14 September 2020, see independentage.org/campaigns/PensionCredit/cost-report.

[7] *The cost of pensioner poverty and the non-take-up of Pension Credit*, Loughborough University and Independent Age, 14 September 2020, see independentage.org/campaigns/PensionCredit/cost-report.

[8] *Pensions at a Glance 2019: OECD and G20 Indicators*, Organisaton for Economic Co-operation and Development, 27 November 2019, see oecd-ilibrary.org/finance-and-investment/oecd-pensions-at-a-glance_19991363.

[9] *How would removal of the State Pension triple lock affect adequacy?*, Pensions Policy Institute, March 2018, see pensionspolicyinstitute.org.uk/sponsor-research/research-reports/2018/2018-03-21-how-would-removal-of-the-state-pension-triple-lock-affect-adequacy.

[10] *Income-related benefits: estimates of take-up: financial year 2018 to 2019*, Department for Work and Pensions, 29 October 2020, see gov.uk/government/statistics/income-related-benefits-estimates-of-take-up-financial-year-2018-to-2019/income-related-benefits-estimates-of-take-up-financial-year-2018-to-2019.

[11] *Social Security Committee minutes, 2nd meeting, 2020 (Session 5)*, The Scottish Parliament, 23 January 2020, see archive2021.parliament.scot/S5_Social_Security/Minutes/Minutes20200123.pdf.

[12] *Retirement income market data 2019/20*, Financial Conduct Authority, 29 September 2020, see fca.org.uk/data/retirement-income-market-data-2019-20.

[13] *English Housing Survey: 2019-2020*, Department for Levelling Up, Housing and Communities and Ministry of Housing, Communities & Local Government, 13 October 2021, see gov.uk/government/collections/english-housing-survey#2019-to-2020.

[14] *Unsuitable, insecure and substandard homes: The barriers faced by older private renters*, Independent Age, 27 March 2018, see independentage.org/unsuitable-insecure-and-substandard-homes-barriers-faced-by-older-private-renters.

[15] *In focus: Experiences of older age in England*, Independent Age, 16 April 2020, see independentage.org/focus-experiences-of-older-age-england.

[16] *Private rental market summary statistics in England*, Office of National Statistics, 16 June 2021, see ons.gov.uk/peoplepopulationandcommunity/housing/datasets/privaterentalmarketsummarystatisticsinengland.

[17] *The new State Pension*, Department for Work and Pensions, 2021, see gov.uk/new-state-pension.

[18] *Private rental market summary statistics in England*, Office of National Statistics, 16 June 2021, see ons.gov.uk/peoplepopulationandcommunity/housing/datasets/privaterentalmarketsummarystatisticsinengland.

[19] *In focus: Experiences of older age in England*, Independent Age, 16 April 2020, see independentage.org/focus-experiences-of-older-age-england.

[20] *The Good Home Inquiry*, Centre for Ageing Better, March 2021, see ageing-better.org.uk/good-home-inquiry.

[21] *New poverty statistics developed to help government target support*, Department for Work and Pensions, 17 May 2019, see gov.uk/government/news/new-poverty-statistics-developed-to-help-government-target-support.

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Appendix: What does 'poverty' mean? And how can we measure it?

'Poverty' is not a concept with a firmly agreed definition. It also has many close synonyms and euphemisms, both formal and colloquial: 'struggling financially', 'economic hardship', 'counting the pennies', 'living hand to mouth' and so on.

In the broadest possible terms, someone in poverty is someone, for economic reasons, whose quality of life is below what we as a society would consider acceptable. But how do we define this quality of life that forms our minimum standard of living? How do we explore the economic factors that cause someone to be below this quality of life? And how does this all relate to poverty in later life specifically?

Below is a summary of how different organisations have sought to answer those questions. This information is readily available but often quite scattered so, by bringing it together in one place, we hope to aide discussions on poverty and how it relates to later life. It is by no means exhaustive, but aims to capture the most common measures and approaches and how they relate to older people in poverty specifically.

Income

Income reflects living standards, so it can approximate the goods and services that a household can purchase. As such, it is often used as a measurement of poverty, which is grounded in the goods and services a household can afford. There are two primary measures of income poverty that policymakers tend to consider. These measures are primarily income rather than 'expenditure' measures, but because housing costs can represent such a large portion of a household's outgoings, and are fairly straightforward to calculate, they are usually deducted from income in the analysis. Incorporating housing costs has some other advantages, such as allowing comparisons of households in different housing circumstances. The income of a renting household compared with a household that owns their own home may look similar before housing costs, but quite different afterwards.

Relative poverty

This sets the 'poverty line' at 60% of median UK household income in the present day. Households that fall below this 60% median are defined as being in 'relative poverty'. Households that fall below 50% of median UK household income are described as being in 'severe relative poverty'. Statistics on relative poverty are produced by the DWP as part of its HBAI statistical release.[1]

Relative poverty is the most common way of measuring income poverty, because it focuses on poverty in the present context by taking current median earnings as a benchmark. Its wide usage and acceptance as a measure of poverty allows for good comparability with other research.

Critics argue that relative poverty is a slightly abstract and arbitrary measure, because 60% of household income is, by definition, a moving target that is not necessarily related to living standards. For example, a household could technically move into and out of relative poverty from one year to the next because the average household income amount shifts nationally, but the individual household's specific income and housing costs barely change at all. In that case, it would be hard to argue there has been a meaningful shift for that household.

Absolute poverty

Absolute poverty is a similar measure to relative poverty; however, it sets the 'poverty line' at 60% of median UK household income in 2010–11 instead of the present day. While the amount of median income is fixed, inflation is accounted for, so the amount does increase gradually.

Also produced as part of the HBAI statistical release by the DWP,[2] absolute poverty is preferred by some policymakers because, to an extent, it avoids the problems with relative poverty we have outlined, particularly as the shifts in median income accounted for in the 'relative' measure affect overall levels of poverty. Rather than a moving target, the 'absolute' measure sets a fixed income standard, and sees how people measure up to it over time. However, this measure has its own share of problems. The year 2010–11 is an arbitrary choice and suffers from the same problem as relative poverty: it remains abstract because it is divorced from conversations about actual living standards.

Both measures face the problem of not fully taking into account household savings or wealth. Theoretically, you could have a household with a high value of assets but low income. The classic example is a pensioner couple with a relatively low-to-average pension but living in a house worth hundreds of thousands of pounds that they own outright. That example is still not straightforward, because the house might not be an asset that can be easily tapped into for income, but these income measures cannot easily take account of it, or 'wealth' more generally (although they do take into account income from investments).

An additional problem that both measures encounter is that costs other than housing are not factored in, such as essential goods and services like food, utilities and health costs (prescription charges, dental, optometric costs and so on). For many people in later life particularly, there is also the issue of social care costs, which can be a major drain on household budgets but are not incorporated in these income measures.

Costs and 'expenditure poverty'

Looking at high costs other than housing is not an area that is particularly established or well explored when measuring poverty. This is primarily because it is very difficult to do: although large-scale quantitative survey data, which most measures are based on, is relatively good at getting a sense of people's income, it struggles to get as accurate a picture of their costs other than housing. This is mostly because many people don't have a good sense of their own costs and it is harder to impute an estimated amount for someone in this situation, whereas this is easier, for example, with someone who knows they are getting Carer's Allowance but doesn't know how much. Costs can also be less reliable than income in assessing someone's financial situation: for example, a millionaire with very high costs cannot be said to be in poverty, whereas someone on a low income with very high costs could very well be in poverty.

Despite these issues, 'expenditure poverty' can be a helpful lens to look at poverty. What people spend their money on is arguably more relevant to their overall quality of life than how much money they receive in income. Recent work by Marie Curie, for example, has looked at poverty caused by the high costs at someone's end of life (usually health and social care), which can push households that were previously managing into financial difficulty. This kind of shift would not usually be captured in HBAI income measures, because the household's income would not necessarily have changed.

Expenditure poverty is particularly relevant to people in older age, specifically people aged 75+. From the work we have commissioned on income dynamics in older age from City, University of London, we know that income fluctuates much less in later life than it does in working age, and that major income events that would significantly increase or decrease someone's income happen less frequently as they get older.[3] However, from our conversations with older people, we know that while income can remain stable at a seemingly adequate level, costs can quickly skyrocket. These costs can include the well-documented 'loyalty penalty' for commercial goods and services such as utilities, supporting younger family members financially, experiencing partner bereavement and the knock-on impact of increased housing costs on the individual, and health and social care.

These cost rises will not necessarily be detected through income measures but can have a major impact. People in later life usually have a relatively inflexible income compared with younger groups, mostly because of having left the labour market. This means that there are fewer scenarios where their income could significantly increase or decrease. Therefore, when costs rise, the most common response is to cut back, sometimes harshly, on spending in other areas. This effect may not be entirely economic: there may be cultural or generational factors at play, such as hostility to debt. At Independent Age we hear stories every day of older people turning off the heating, not boiling the kettle to make tea, even severely reducing the amount of food they eat, to cut back on expenditure and avoid debt.

One way to detect expenditure poverty is to look at expenditure on items that tend to be purchased frequently and many would consider 'basic' (food, drink, household consumables, petrol and so on). Office for National Statistics (ONS) researchers did this in their 2017 experimental exploration of an expenditure-based approach to poverty, arguing that 'conceptually, consumption expenditure is thought to be a better measure of achieved living standards [than income] as it is through the consumption of goods and services that people satisfy their needs and wants over time'. It is not surprising that the ONS found that pensioners were the only demographic group with higher expenditure poverty (spending less than the 60% median of average household expenditure) than income poverty (22% vs 17.5%).[4]

While there are not currently any exclusively cost-based measures of poverty in official use (the 2017 ONS statistics were a one-off experiment), increasingly measures are attempting to build costs into their analysis. We will look at some of those in the Combined measures section.

Living standards

The ONS experimental 'expenditure on common items' approach, and the attempt to get closer to a measure of how people 'satisfy needs and wants', is a good introduction to the third component of measuring poverty: actual living standards and quality of life. At first glance this can seem like the obvious way to measure poverty, with poor living standards equalling poverty and good living standards equalling not in poverty. However, the problems come when trying to define 'good' and 'bad' living standards and quality of life.

These terms are heavily subjective; what one person might think of as an 'acceptable' standard of living, another might consider unacceptable. Attempts to reach consensus via focus groups and polling are also fraught with difficulty, given both contradictory attitudes and social stigma around low income. The British Social Attitudes Survey gives a sense of the problem, with the public almost evenly split on the question 'is someone in Britain in poverty if they had enough to eat and live, but not enough to buy other things they needed' (55% saying yes, 44% saying no). Some 10% of the British public believe that 'someone who has not got enough to eat and live without getting into debt' is not in poverty, while 29% believe that 'someone who has enough to buy the things they really need, but not enough to buy the things most people take for granted' is in poverty.[5]

Even if a consensus definition of living standards that categorises someone as in poverty can be reached, there is then the problem of measurement. The measurement may be too specific to be captured accurately in the kinds of surveys used to measure poverty in later life, or it may be too nuanced to fit with the specific variables captured from an individual respondent.

Material deprivation for pensioners

Similar to the points on expenditure, and how it is 'through the consumption of goods and services that people satisfy their needs and wants over time', current measures of poverty that try to centre on living standards often turn to 'material deprivation'. The most prominent measure for older people is the 'material deprivation for pensioners' measure, which is part of the DWP's annual HBAI statistical release.[6]

The material deprivation measure asks a suite of questions focusing on whether people have access to 15 goods and services identified as essential by independent academic analysis. The questions also determine the reason for lack of access, trying to factor in people who do not access some goods or services by choice. This measure weights the different questions according to access in the general population, making the measure effectively a relative one. Depending on their answers and the weighting, pensioner households are assigned a score out of 100. Any household over 20 is defined as being 'in material deprivation'.

While many of the questions are unsurprising for a material deprivation measure (home in good state of repair, able to pay unexpected expense of £200), some are arguably not necessarily 'material': for example, 'go out socially once a month' and 'see friends and family at least once a month'. This again highlights the complexity of trying to capture 'poverty' or 'deprivation'. There are some needs that cannot be satisfied purely through the consumption of goods and services, yet goods and services can help facilitate those needs. It's easier to see someone socially, for example, if you can afford the transport to go and see them, and easier to invite people to your home if you can afford to heat it.

In a similar way to relative income poverty measures, material deprivation scores can be abstract. It's hard to explain simply what a material deprivation score of 27 would look like in reality, and how it might be different from a household with a material deprivation score of 42. Like many of these measures, it is also not a definition of poverty any person in this situation would likely recognise. However, it does provide useful data, and is a good way to get closer to a person's actual lived experience. By digging into the individual responses before they are 'scored', you can construct 'quantitative case studies' that highlight individual circumstances in a powerful way.

Combined measures

While all of the measures of poverty described above are useful, they often suffer from their limited scope: income measures only look at income and not living standards, costs only look at costs and not income, living standard measures are hard to define and quantify so often end up being relatively narrow.

One way to get around this is to atomise poverty, to talk about 'social poverty', 'financial poverty', 'housing poverty' and so on. This can be useful, especially when digging into specific issues, but risks obscuring the bigger picture. Another way to tackle this problem is to build better measures of poverty, which try to correct for the problems of the more standard measures. Two major efforts worth focusing on are the Social Metrics Commission (SMC) measure of poverty,[7] and the Joseph Rowntree Foundation's (JRF) Minimum Income Standard.[8]

The SMC was established in 2016, with the aim of developing a new measure of poverty. The SMC measure of poverty seeks to improve on income-related definitions by incorporating more expenditure. As well as relative income, the measure takes into account housing and mortgage costs, childcare, costs associated with disability, and accessible savings. The measure also looks at families (defined as related people within the same household) rather than whole households, as they argue that families usually share resources whereas multiple unrelated people living in the same household may not. The measure is a big improvement on the 'standard' relative income measure; however, one of the drawbacks of the measure is it does not account for most social care costs. This could lead to underestimation of the proportion of older people in relative poverty.

The JRF's Minimum Income Standard is not strictly speaking a measure of poverty, because it focuses more on what the persistent minimum income for a household should be in the UK to meet 'a standard of living we consider that people should be able to achieve'. Conceptually, this is very similar to a poverty measure because, by extension, anyone falling below this standard of living could be argued to be in poverty. The Minimum Income Standard takes a combined income and living standards approach, grounded in a living-standards-first principle. It uses qualitative research methods and focus group techniques to establish a 'negotiated consensus'. It covers budgets for household costs, utilities, and common goods and services, but also goods and services not usually accounted for such as travel costs, social and cultural participation, and childcare. This is an excellent method for tackling the abstract nature of poverty in most of the measures discussed, because it grounds it in a lived reality.

Endnotes

[1] *Households below average income: an analysis of the income distribution FYE 1995 to FYE 2020*, Department for Work and Pensions, 25 March 2021, see gov.uk/government/statistics/households-below-average-income-for-financial-years-ending-1995-to-2020/households-below-average-income-an-analysis-of-the-income-distribution-fye-1995-to-fye-2020.

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[6] *Households below average income: an analysis of the income distribution FYE 1995 to FYE 2020*, Department for Work and Pensions, 25 March 2021, see gov.uk/government/statistics/households-below-average-income-for-financial-years-ending-1995-to-2020/households-below-average-income-an-analysis-of-the-income-distribution-fye-1995-to-fye-2020.

[7] *Measuring Poverty 2020*, Social Metrics Commission, July 2020, see socialmetricscommission.org.uk/wp-content/uploads/2020/06/Measuring-Poverty-2020-Web.pdf.

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