



Briefing

Poverty and financial disadvantage in later life

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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, and the impact of poverty on individuals.

Key points and policy recommendations

- 1.9 million (16%) of pensioners in the UK live in relative poverty.
- Some groups are at particular risk –
 - 35% of private tenants and 34% of social rented sector tenants, live in poverty compared to 12% of older people who own their home outright.
 - 25% of Asian/Asian British pensioners and 26% of Black/Black British pensioners are in poverty compared to 16% of White pensioners.
 - 23% of single older women live in poverty compared to 20% of single older men and 13% of pensioner couples.
- Financial disadvantage is not just about living on a low income – it is also about costs. It can be much 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 triple lock should be retained going forward. In addition, people need opportunities to build up private incomes to help them achieve a comfortable retirement.
- If everyone had an adequate income from State Pensions and private resources, there would be 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 joined 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.

Poverty and low income can be defined and measured in different 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% 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 – at the time of writing, the most recent edition goes up to 2022-23.ⁱ 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 work by the Joseph Rowntree Foundation.ⁱⁱ
- Self-reported measures - people are asked how well off they consider themselves.
- Measures based on a range of factors, not just income. The DWP are developing a new poverty measure, 'Below Average Resources' (BAR), which takes into account savings and some inescapable costs. It published the first statistics in the series in 2024 and asked potential users for their feedback.ⁱⁱⁱ

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

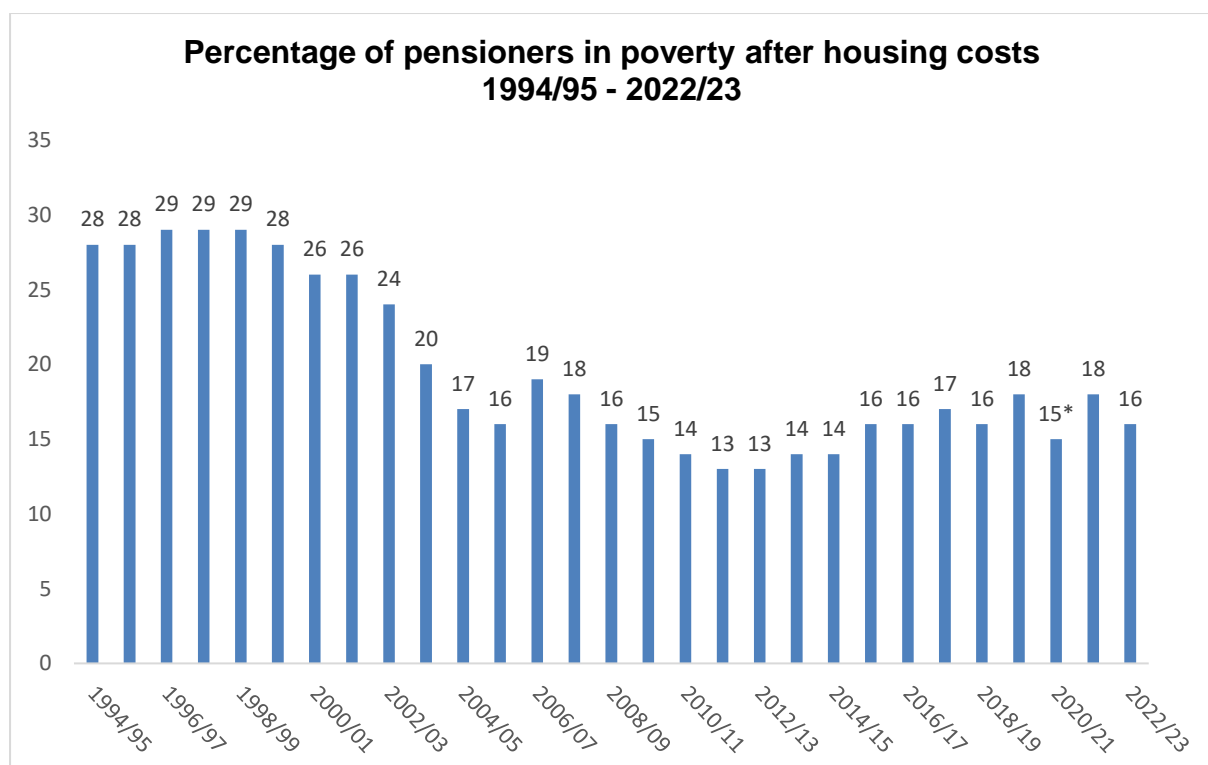
impact of these, often overlapping, characteristics are explored in the Pensions Policy Institute’s work on the ‘underpensioned’.^{iv}

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 £2.8 billion of Pension Credit and Housing Benefit alone are unclaimed by pensioners in a single year in Great Britain.^v Older people may not know what is available, 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) 1.9 million pensioners (16%) are living in relative poverty.^{vi}



* 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 2023*, DWP 2024.

The chart above shows that the proportion of pensioners in poverty is much lower than it was in the mid-1990s. 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 somewhat since then and have generally been between 16% and 18% in the last few years.^{vii}

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 1.6 million in the first half of the 2010s (2010/11 to 2013/14) then rising to around 2 million in recent years, with the latest figures showing that there were 1.9 million in poverty in 2022/23.^{viii}

Some groups of older people are at greater risk of poverty

As stated above, in 2022/23 16% of pensioners in the UK had incomes, after housing costs, of less than 60% median household income.

- Of these, more than half (9% of all pensioners) had incomes of less than 50% median income (sometimes described as ‘severe poverty’).
- 10% had incomes above 60% but less than 70% of median income (sometimes described as ‘just above the poverty line’).^{ix}

Groups at higher-than-average risk of being in poverty^x include:

- Tenants: 35% of private tenants and 34% of social rented sector tenants, live in poverty compared to 12% of older people who own their home outright.
- Pensioners from minority ethnic groups: 25% of Asian or Asian British pensioners and 26% of Black or Black British pensioners, live in poverty compared to 16% of White pensioners.^{xi}
- Older pensioners: 21% of those aged 85+ live in poverty compared to 13% of 65–69-year-olds.
- Women: 17% of female pensioners live in poverty compared to 15% of male pensioners.
- Single older women: 23% of single women pensioners live in poverty, compared to 20% of single men and 13% of pensioners in couples.

It is worth noting that while this briefing focusses on people who are already pensioners, another group at high risk of poverty are those approaching State Pension age. A Joseph Rowntree Foundation report on poverty, found that, based on the 2021/22 HBAI statistics, 25% of working age people aged 60 and over were in poverty – the highest rate among any adults by age group.^{xii}

Material Deprivation

The annual DWP HBAI report also includes a measure of ‘material deprivation’ among pensioners. This is based on questions about whether 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 three of the items. Figures from DWP, show that around 900,000 pensioners (8%) were in material deprivation in 2022/23.^{xiii} 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.^{xiv}

The table below gives the responses for some of the items and the main reason people give for saying no. For example, it shows that 8% 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 (24%) 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, 2022/23

Item of Material Deprivation	Percentage responding ‘no’	Most common reason for ‘no’ response
Able to replace cooker if it broke down	8	No money for this
Have a damp free home	5	Other reason
Home kept adequately warm	5	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	24	Health/disability prevents me
Take a holiday away from home	40	Health/disability prevents me

In addition, 8% of pensioners said they would not be able to meet an unexpected expense of £200.

Living on a low income and the impact of the high cost of living

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.

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.

Steep rises in prices, especially energy costs, in recent times have made life even harder for many. And although inflation has fallen from its peak in late 2022, financial pressures continue.

Age UK commissioned polling of people aged 60 and over in early 2023 and repeated this in early 2024. This found that the impact of the cost of living and energy crisis had eased for some. There were welcome reductions in indicators such as anxiety and coping strategies like cutting heat and power. However, the data shows some are still struggling.^{xv}

2024 findings include:

- 48% were worried about heating their home.
- 43% said they had cut back on heating and power recently.
- 23% said they had cut back spending on food and groceries.
- 22% had cut back on transport or their vehicles.

A few examples of comments from people contacting Age UK are given below.

“Our savings are dwindling, and these were to cover funeral costs. But as both my husband and I have tried to reduce our energy bills as much as we can, we both have ongoing chronic conditions, we need the warmth to stay well.” (Age 65)

“I have cut down on heating and having the lights on. I only have the heating on when it is extremely cold, I sit with a blanket over me or go to bed. I only do washing every two or three weeks, a shower once a week, and only in there for two minutes, only have the kettle on a couple of times a day for a hot drink and eat salads and sandwiches so I don’t have to have the electricity on for the cooker or microwave. I wash my hair once a week to save on water and using the hair dryer and avoid having to iron anything that is washed.” (Age 75)

“I’m desperately worried. I live alone and have no family to help me. I’ve already borrowed to pay for my heating and will have to try to borrow more, even though I can’t pay what I already owe”. (Age 64)

“Our life this winter was miserable. I never thought I would get to 73 and forced to be freezing in our own home”.

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 25 years ago. However, there are still nearly 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 which provide a broader picture of the experience of people living on a low income.

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 should provide an income sufficient to cover basic needs and the triple lock should be retained going forward. In addition, people need opportunities to build up private incomes to help them achieve a comfortable retirement.
- If everyone had an adequate income from pensions, there would be 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 joined 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.^{xvi} 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 measured after paying taxes such as income tax, National Insurance and council tax, and can be 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.^{xvii}

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- ⁱ *Households below average income: for financial years ending 1995 to 2023*, DWP, 2024.
<https://www.gov.uk/government/statistics/households-below-average-income-for-financial-years-ending-1995-to-2023>
- ⁱⁱ <https://www.jrf.org.uk/a-minimum-income-standard-for-the-united-kingdom-in-2023>.
- ⁱⁱⁱ <https://www.gov.uk/government/statistics/below-average-resources-developing-a-new-poverty-measure>
- ^{iv} <https://www.pensionspolicyinstitute.org.uk/underpensioned/>
- ^v *Income-related benefits: financial year ending 2022*. DWP, Oct 2023.
<https://www.gov.uk/government/statistics/income-related-benefits-estimates-of-take-up-financial-year-ending-2022>
- ^{vi} *Households below average income: for financial years ending 1995 to 2023*, DWP, 2024.
<https://www.gov.uk/government/statistics/households-below-average-income-for-financial-years-ending-1995-to-2023>
- ^{vii} As above, table 6.1tr
- ^{viii} As above, table 6.3tr
- ^{ix} As above, table 6.1tr
- ^x As above, tables 6.5db and 3.5db
- ^{xi} Due to the small number of older people in non-white groups this is based on a three year average
- ^{xii} <https://www.jrf.org.uk/uk-poverty-2024-the-essential-guide-to-understanding-poverty-in-the-uk>
- ^{xiii} As above, table 6.9db
- ^{xiv} As above, table 6.11db (AHC)
- ^{xv} <https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/safe-at-home/cold-at-home-energy-and-col-report.pdf>
- ^{xvi} *Households below average income: for financial years ending 1995 to 2023*, DWP, 2024.
<https://www.gov.uk/government/statistics/households-below-average-income-for-financial-years-ending-1995-to-2023>
- ^{xvii} <https://www.gov.uk/government/statistics/households-below-average-income-for-financial-years-ending-1995-to-2023/households-below-average-income-series-quality-and-methodology-information-report-fye-2023#equivalisation-1>