Age UK Evidence Review: Poverty in Later Life

Contents

Key Statistics

1.6 million pensioners are in **relative poverty**, defined as having incomes below 60 per cent median income after housing costs (AHC) in 2011/12.[1]

- 14 per cent of women pensioners, compared to 13 per cent of men.

- 29 per cent of private tenants and 25 per cent of social tenants compared to 10 per cent of owner occupiers.

- 31 per cent of Asian or Asian British (among which 37 per cent of Pakistani), and 20 per cent of Black or Black British[2].

- 16 per cent of pensioners aged 85 and over, compared to 12 per cent of those aged 65 to 69 and 13 per cent for those aged 70 to 74.

900,000 pensioners are in **severe poverty** (incomes below 50 per cent median income in 2011/12).

800,000 pensioners are in **material deprivation** (they cannot afford things that most people regard as necessities) in 2011/12.

15 per cent (900,000) of pensioners are in **absolute poverty** (60 per cent of median income) after housing costs when comparing the real terms income between 2010/11 and 2011/12. This is an increase of 100,000 pensioners compared to 2010/11.

The numbers of pensioners living in **severe absolute poverty** (below 50 per cent of median income) AHC remained at 8 per cent between 2010/11 and 2011/12.

1.1 million older people live on incomes just above the poverty line – that is between 60 and 69 per cent of median income. These figures have fallen from 38 per cent in 1998-99 to 23 per cent in 2011-12.

In April 2013 the JRF estimated that a pensioner couple need a minimum of £241.25 per week after housing costs (AHC). This means that if pensioners are claiming Pension Credit they should have an income in line with the minimum income required for an appropriate standard of living. However, we know that benefit take-up is nowhere near 100 per cent.

Roughly one in ten households with high or middle income before retirement fall into low income on retirement. Key risk factors are:

- relying solely on the state pension (having no other pension savings);
- stopping work
- having belonged to a skilled trade, administrative work or sales ; and
- becoming single

Background

This paper provides research evidence on poverty: its prevalence and impact. The research in this report has been selected from a wide-ranging review of the evidence sources, but only includes those results which the authors consider generally reliable and timely enough to use.

Why does poverty matter?

Poverty has an adverse effect on both individuals and society. If people live in poverty they may lack basic necessities, have an unacceptably low standard of living, have other associated disadvantages such as poor health, and be unable to fully participate in society. Our society overall suffers if some of our citizens are unable to fully contribute due to their limited resources. Furthermore, people living in poverty and disadvantage may have a greater need for health, care, and other services which will have an impact on the costs of public services.

In order to assess the level of poverty and to monitor whether the situation is improving or getting worse, we need to be able to define and measure it. It is also important to be able to identify those in need in order to target support and services.

How is poverty defined and measured?

Poverty and low income can be defined and measured in a number of ways. Brief information about some of the main ways are summarised below and some are explored in more detail later in this report (See also for example the Poverty and Social Exclusion website: http://www.poverty.ac.uk/).

Definitions:

- **Relative poverty** – this measure is linked to a threshold based on general living standards. As explained further below, the most commonly used definition is that someone is considered to be in poverty if they are living in a household with an income below 60 per cent of the UK median household income. This information can be found in the annual DWP publication *Households Below Average Income* (HBAI) which includes a wide range of data and tables about low income in the UK[3].
- **Absolute poverty** - this uses a fixed level as the low income threshold. The HBAI report includes absolute figures linked to a specific reference year. Previously this was based on 1998/99 income levels (adjusted for inflation) but the most recent edition uses 2010-11 median income.
- **Minimum income standards** – this looks at the cost of goods and services required by different households in order to reach an acceptable standard of living. See for example work by the Joseph Rowntree Foundation[4].
- **Material deprivation** – this is based on whether people lack what most people regard as necessities such as a warm waterproof coat or a damp free home. The Department for Work and Pensions (DWP) has used material deprivation questions as part of its measure of child poverty for some time and has included a measure of

material deprivation among pensioners in the HBAI reports published from 2011 onwards.

- **Self-reported measures** - people are asked how well off they consider themselves.
- Broader and multi-dimensional measures of poverty. In addition to income these include a range of other measures of disadvantage.

The different measures have advantages and disadvantages. For example, the 60 per cent median income figure is useful as it provides an objective measure over a number of years, while other measures such as material deprivation reflect a broader, multidimensional perspective of poverty.

Households Below Average Income (HBAI) series

The Department for Work and Pensions produce an annual report presenting information on living standards in the United Kingdom as determined by net disposable income and changes in income patterns.

‘The low income HBAI report uses net disposable weekly household income, after adjusting for the household size and composition, as an assessment for material living standards - the level of consumption of goods and services that people could attain given the net income of the household in which they live. In order to allow comparisons of the living standards of different types of households, income is adjusted to take into account variations in the size and composition of the households in a process known as equivalisation. HBAI assumes that all individuals in the household benefit equally from the combined income of the household. The unit of analysis is the individual, so the populations and percentages in the tables are numbers and percentages of individuals – both adults and children includes tables and analysis calculated Before Housing Costs (BHC) and After Housing Costs (AHC) measures. The AHC measure tends to be the most commonly used for older people as three-quarters of pensioners own their own home.’ (From HBAI series report, 2013)

Income After Housing Costs (AHC) is derived by deducting a measure of housing costs from the income measure.

The report publishes analysis of the numbers of people who are living on incomes less than 50 per cent median income, 60 per cent median income and 70 per cent median income.

The most recent edition of HBAI, published in 2013, covers 1994/5 to 2011/12. In 2011/12 in monetary terms 60 per cent of median household income (AHC) is £215 per week for couples and £125 for single-person households.

Relative poverty: 60 per cent median income

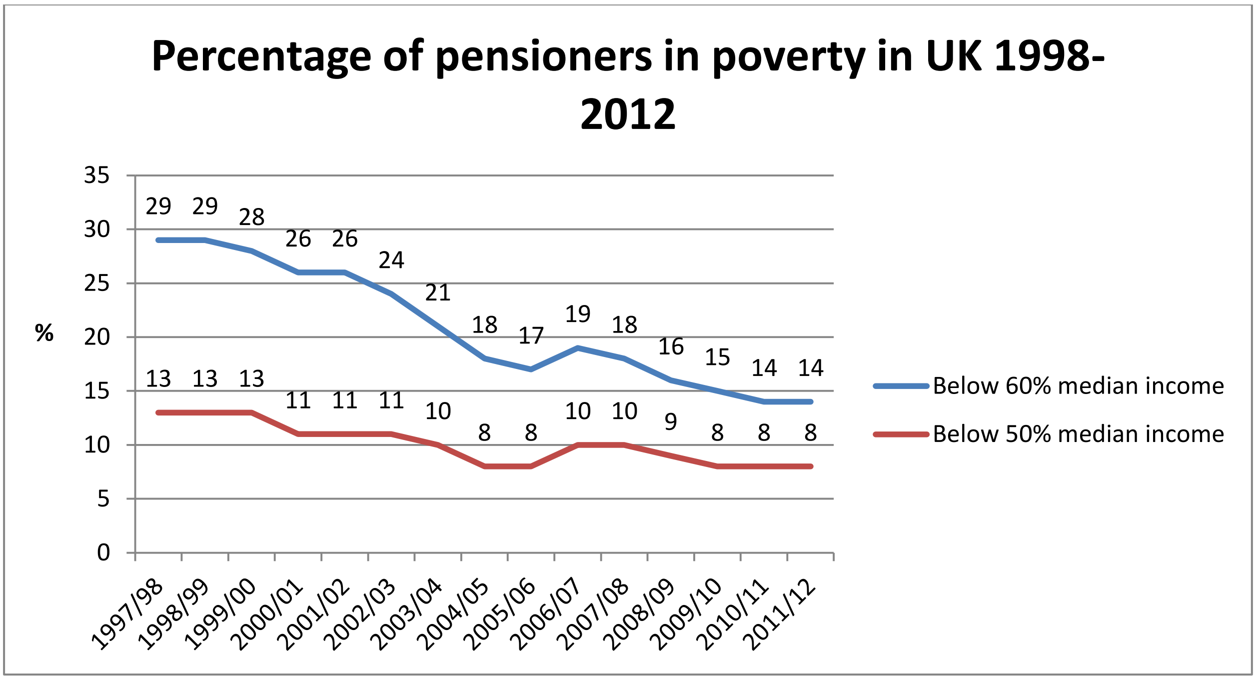
As stated above, the most common definition of poverty is having an income of less than 60 per cent of typical household contemporary income adjusted for family size[5].

Figure 1 shows that relative pensioner poverty as defined as below 60 per cent median income AHC is 14 per cent (1.6m people), which is down 1 percentage point (0.1m people) since 2010/11, and has generally been falling since 1990.

The main reasons that relative pensioner poverty fell slightly in 2011/12 was the introduction of the triple guarantee in 2011/12, which meant that the State Pension was uprated by 4.6 per cent in April 2011 (the highest of earnings, prices or 2.5 per cent). In addition, Pension Credit (Guarantee Credit) was increased by 3.6 per cent to ensure the lowest income pensioners received the full increase of the State Pension.

Pension Credit is a key reason why pensioner poverty has been falling in the longer term. It guarantees a minimum amount of weekly income for those who claim it (£145.40 for a single pensioner and £220.05 for a pensioner couple from April 2013). However, there was a small rise in absolute pensioner poverty since 2010/11. This is because, despite the benefit increases, the incomes of low income pensioners rose by less than RPI inflation – the measure used to increase absolute low income threshold.

Figure 1. Percentage of pensioners in poverty 1998/99 to 2011/12, after housing costs, United Kingdom



Source: DWP[6]

Within the overall figure of 1.6m people in relative poverty, the following proportions are in poverty (after housing costs)[7]:

- 14 per cent of women pensioners, 13 per cent of men
- 29 per cent of private tenants and 25 per cent of social tenants compared to 10 per cent of owner occupiers
- 31 per cent of Asian or Asian British (among which 37 per cent of Pakistani) and 20 per cent of Black or Black British[8]
- 16 per cent of pensioners aged 85 and over live on incomes below 60 per cent median income, compared to 12 per cent of those aged 65 to 69 and 13 per cent for those aged 70 to 74

While we know that certain groups are more like to be in poverty the numbers in each group may be small. So while there are 11.7 million pensioners covered by the report, only 1.2 million are 85 and over, 0.6 million are private tenants and 0.5 million are in non-white ethnic groups.

Relative Poverty: 50 per cent and 70 per cent median income

In addition to data about households below 60 per cent median income, the HBAI series includes information about those below 50 per cent and 70 per cent median income. This can be described as severe poverty and on the margins of poverty respectively.

The historical trend suggests that, based on the 60 per cent median figure, pensioner poverty is gradually falling; however the picture is actually more complicated. The DWP estimates that 900,000 older people are living on incomes below 50 per cent median income[9]. The proportion in severe poverty fell from 13 per cent in 1998-99 to 8 per cent in 2004-05 but since then has remained steady. According to the IFS, this number has remained almost constant over the last 15 years, but it has been increasing as a proportion of older people in poverty: more and more older people who live in poverty are living in severe poverty.

It is also important to factor in that about 1.1 million older people live on incomes just above the poverty line – that is between 60 and 69 per cent of median income. These figures have fallen from 38 per cent in 1998-99 to 23 per cent in 2011-12.

Absolute Poverty: 50 per cent and 60 per cent median income

Absolute poverty is distinct from relative poverty as it refers to the numbers of people who have incomes less than a certain threshold held constant in real terms – meaning it is adjusted for inflation rather than overall income levels across the whole population.

Low-income households containing pensioners saw their income fall in 2011/12 in real terms. Incomes for low-income pensioners rose by less than RPI inflation. There was a 1 percentage point increase to 15 per cent in the proportion of pensioners in absolute low income between 2010/11 and 2011/12, leading to an increase from 800,000 to 900,000 pensioners in poverty in absolute terms.

The numbers of pensioners living in severe absolute poverty (below 50 per cent of median income AHC) has remained at 8 per cent between 2010/11 and 2011/12.

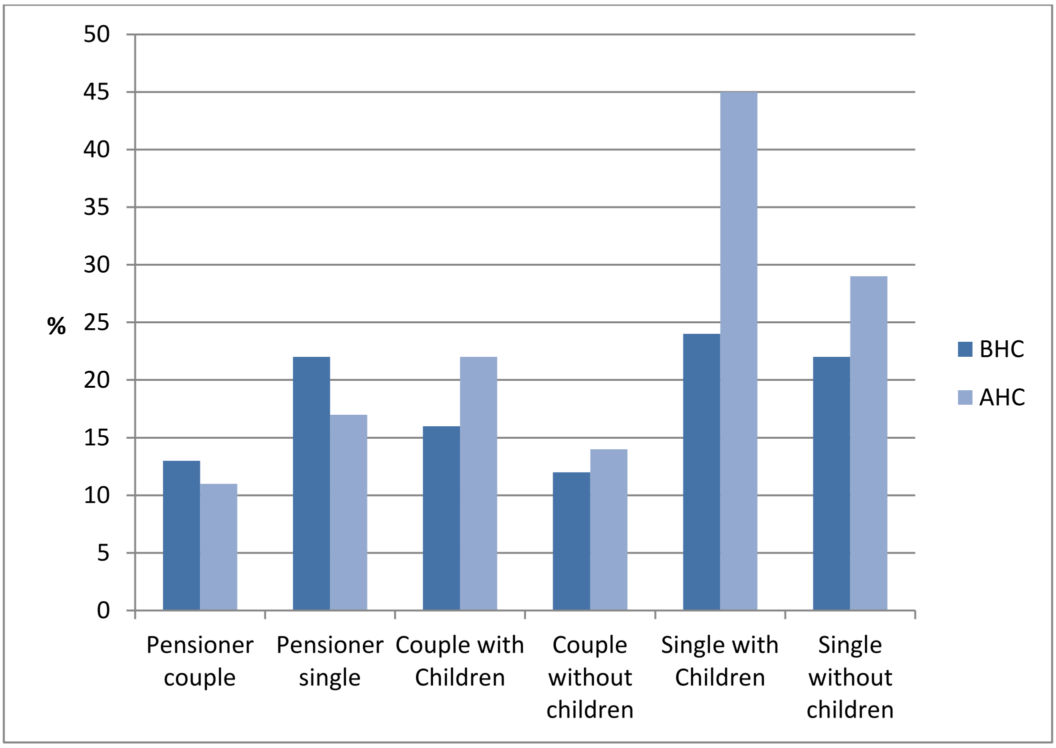
Persistent poverty

Persistent poverty is defined as 'spending three or more years out of any four-year period in a household with an income below 60 per cent of median income' (p 245)[10]. On both Before Housing Cost and After Housing Cost basis, there were slight increases in the incidence of persistent low income among pensioners between 1998 and 2001. Since this time, however the proportion of pensioners experiencing persistent poverty has shown a continuous fall which has continued on an AHC basis to the latest period 2005-2008.

How do older people compare with other groups?

Many older people have low or modest incomes. On average the incomes of pensioners are lower than non-pensioners. However as can be seen from Figure 2 below, using the after housing costs measure, older people are less likely to be in poverty than the population in general. Before housing costs, single pensioners are more likely than many other groups to be in poverty. As many older people rely on benefits in retirement, the lower after housing costs poverty rates will reflect the fact that pensioner means-tested benefits tend to be higher than those for younger age groups. So for example, older people claiming Pension Credit and means-tested benefits to help with housing costs will normally be left with an income just above the poverty level after paying rent and Council Tax, whereas for many younger people benefits will fail to take them above the poverty line.

Figure 2. Percentage with incomes below 60 per cent median income before and after housing costs by family type



Source: HBAI 2011/12, DWP, 2013.

Joseph Rowntree Foundation minimum income standard

Each year the Joseph Rowntree Foundation (JRF) produces ‘A minimum income standard for the UK’ (MIS), which sets out the income needed by different households based on the costs of items and services that members of the public think are needed to reach a minimum acceptable standard of living that allows household members to participate fully in society.

In April 2013, the JRF estimated that a pensioner couple needs £241.25 per week after housing costs (AHC). According to the MIS, if pensioners are claiming Pension Credit, they should have an income in line with the minimum income required for an appropriate standard of living. However, we know that benefit take-up is nowhere near 100 per cent. For example around a third of pensioners entitled to Pension Credit are not claiming it[11].

There is also a question as to whether the current MIS for pensioner households is adequate for meeting the needs of this growing group of older pensioners, who might have significant health problems. The latest study from the JRF, ‘A minimum income standard for the UK in 2013’,[12] finds that older pensioners do not have fewer needs compared to younger pensioners:

> ‘When discussing a minimum acceptable standard of living older pensioners did not need less and there was no evidence that they had lower expectations, or that there were spending economies from life being less ‘full’.’

Material Deprivation

In a research paper for the Department for Work and Pensioners, McKay argues that HBAI income figures are good for measuring changes over time, but might not necessarily reflect the multi-dimensional nature of poverty, and therefore it is best to look at ‘indirect’ measures of poverty[13].

Material deprivation among people aged 65 and over is now measured by DWP and has been included in the HBAI report since 2011. The measure uses questions to find out if people have access to 15 basic items or services that research has shown to be a good indication of quality of life: for example a warm home; whether they are able to pay regular bills; or they see friends or family at least once a month. If they do not have the item they are asked why not. The reason can be financial – they do not have money for this – but also people can choose other options such as their health prevents them, or it is too much trouble. 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, presented in Figure 1 above, show that the percentage of those in material deprivation fell from 9 per cent in 2010/11 to 8 per cent in 2011/12.

The 60 per cent median income poverty threshold shows 14 per cent of pensioners in poverty, whereas 8 per cent are in material deprivation. Of these there is limited overlap, as only 2 per cent are in both relative poverty and material deprivation. Whereas income poverty increases with age, the 70-74 age group are most likely to be in material deprivation.

Figure 3 below shows that that nearly a million people could not afford to buy a new cooker if it breaks down, and over 200,000 cannot afford keep their home warm. These findings are all the more revealing if we consider that, when surveyed, older people are less likely than the population as a whole to report they don’t have items because of a lack of financial resources (the ‘enforced lack’ criterion)[14]. Therefore although the material deprivation measure provides the option to give non-financial reasons for lacking an item the limited overlap between low income and material deprivation among older people could be partly explained by the fact that older people under-report material deprivation[15].

Figure 3. Material Deprivation among pensioners aged 65 and over: specific items, 2011/12[16]

Item of Material Deprivation	Number of Pensioners affected	Percentage of population aged 65 or over
Being able to pay regular bills	323,000	2.76
Being able to replace a cooker	927,000	7.92
Not having a home in good repair	193,000	1.65
Keeping the home warm	263,000	2.25
Lacking one filling meal per day	117,000	1.00

The National Centre for Social Research analysed data from the English Longitudinal Survey on Ageing and identified nine forms of disadvantage associated with poverty. As well as low income and material deprivation these included debt, low wealth and subjective views of financial difficulties[17]. They found that half of older people experienced at least one form of poverty, around a quarter two or more and a small minority (3 per cent) experienced four or more forms of disadvantage. Older people living alone and those relying on state benefits were disproportionately likely to have multiple forms of disadvantage.

Fuel Poverty

Although the "10% measure" of fuel poverty is still reported in the Annual Fuel Poverty Report on Fuel Poverty Statistics from the Department of Energy and Climate Change (for England) [18], a new measure called the Low Income High Cost Indicator (LIHC) is also reported.

As it is now being used widely as the main measure of fuel poverty, it is the one described here. Under the new LIHC definition, households are said to be in fuel poverty if:

- they have required fuel costs that are above average (the national median level)[19]
- were they to spend that amount, they would be left with a residual income below the official poverty line[20]

Figure 4 below shows the number of households by age group in England in 2011 in fuel poverty using this new measure.

Figure. 4 Number and proportion of households in fuel poverty (LIHC) by age group, England 2011[21]

	Number of households in fuel poverty (LIHC)	Percentage of all fuel poor households that are in this group
16-24	137,000	5.7
25-34	287,000	12.0
35-49	761,000	31.8
50-59	485,000	20.3
60-74	461,000	19.3
75-84	198,000	8.3
85+	62,000	2.6
Total (all ages)	2,390,000	100
Total 60+	**721,000**	**30.2**

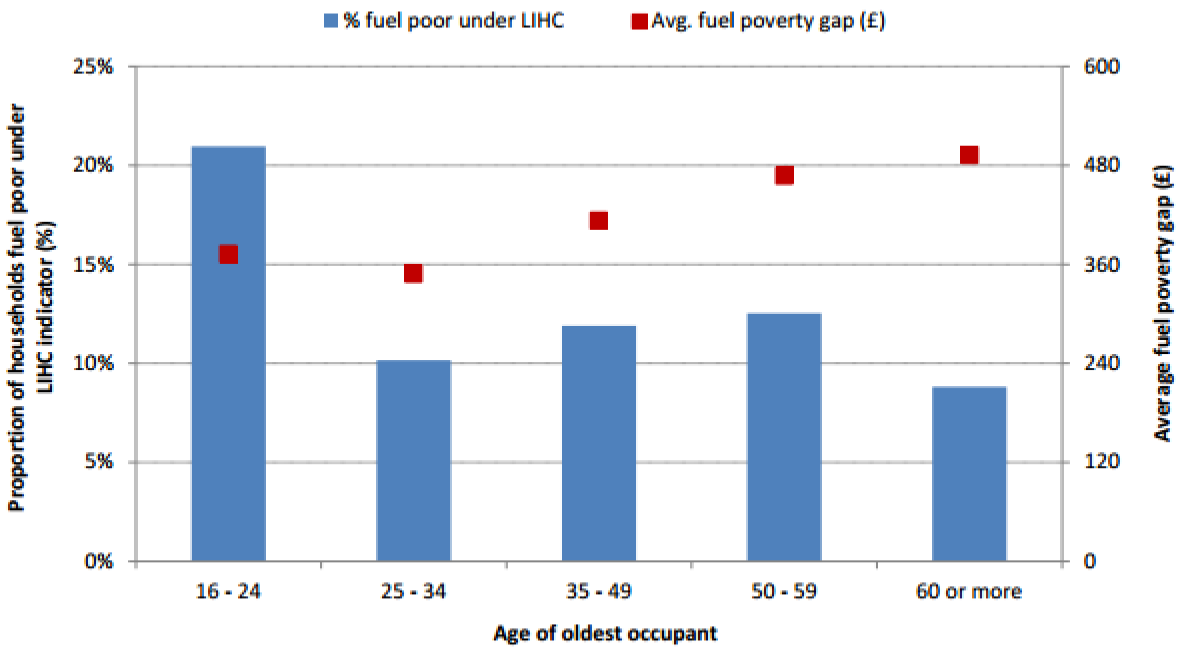
Source: DECC, 2013. Percentages rounded to 1dp

Based on this, we can estimate that there between 1 million and 1.2 million individuals aged 60+ in fuel poverty in England.[22]

Figures for the UK are not available for this measure yet, although they are for the 10% measure.

Figure 5 below shows that, under the LIHC system, prevalence of fuel poverty is highest among households with the youngest adults. However, it also shows that, on the accepted measure of the *depth* of fuel poverty, the fuel poverty gap[23] – the difference between a household's required fuel costs and what these costs would need to be for them not to be in fuel poverty - older households are, on average, the most severely affected.

Figure 5 – Fuel poverty and associated average fuel poverty gap by age of oldest household occupant, LIHC, England 2011



Implications of Government policy for future levels of poverty

In 2011, the Pensions Policy Institute (PPI) conducted analysis for Age UK modelling the future levels of pensioner poverty in different policy scenarios. Figure 6 below indicates that, based on assumptions made at the time, under current policies pensioner poverty would continue to fall, but that this could be improved by policy changes. Introducing the single-tier State Pension in 2016 (as the Government is doing) could reduce pensioner poverty to 10 per cent in 2025. Including current pensioners would reduce it to 7 per cent, while introducing the single tier for future pensioners but also increasing Pension Credit Guarantee by the 'triple lock' would reduce poverty in 2025 to 8 per cent.

Figure 6. The implications of alternative single-tier state pension policies for future levels of pensioner poverty and Government expenditure

	Percentage of pensioners living with household income below 65 per cent of median income AHC (UK)			**Government spending on state pensions and other benefits (percentage of GDP)**
	2011	**2017**	**2025**	**2025**
Current policy (BSP triple-locked, SP2 flat-rate mid-2030s, Guarantee Credit indexed to earnings)	15%	14%	11%	5.7%
Single-tier pension as in Green Paper introduced for future pensioners from 2016	15%	14%	10%	5.7%
Single-tier pension introduced for all pensioners (current and future) from 2016	15%	9%	7%	5.9%
Single-tier pension introduced for future pensioners only and Guarantee Credit indexed to the "triple lock" from 2012	15%	13%	8%	5.8%

Source: PPI[24]

We are not aware of any other recent projections of pensioner poverty. For example, while the Government's Impact Assessment accompanying plans for pension reforms gives projections of numbers of pensioners likely to be entitled to means-tested benefits in the future, it does not look at the impact on poverty. Age UK believes that the impact on poverty should be part of the assessment of any policy reforms.

Entering a low income after reaching State Pension Age

Recent research by NatCen Social Research [25] for Age UK examined the English Longitudinal Study of Ageing to explore the changes in income and economic activity in households with at least one person reaching state pension age (SPA) between 2002/03 and 2010/11. The research defines low income as less than £293 per week for a couple or less than £197 per week for a single person before housing costs in 2010/11 – in line with the 70 per cent median income threshold. Overall, 18 per cent of households had a low income before SPA and 25 per cent after SPA. However there were changes in the composition of the groups, with 11 per cent of households having low income both before and after SPA. Others escaped or entered low income after reaching SPA. Households who entered low income after SPA were characterised by the following:

- never having made pension savings other than the state pension (52 per cent);
- stopping work (69 per cent);
- having belonged to an intermediate occupation such as a skilled trade, administrative work or sales (57 per cent); and
- becoming single, either through bereavement or separation, (14 per cent compared with 7 per cent overall).

The DWP also commissioned research that examined routes into low incomes.[26] This found that there appear to be four key reasons for low income in retirement:

1. Not thinking about retirement
2. Thinking about retirement but not being financially able to plan for it
3. Financial plans in place for retirement but life events affected these coming into fruition
4. Financial planning, but only modest returns from plans

It also suggests that fragmented work histories tended to be a factor in low income in retirement, as did low income throughout working life and where employment stability came relatively late in a person's working life, and they therefore only had a limited time to plan.

For those in group 3, the key 'life events' were relationship-related or were as a result of pension pots being lost or undermined.

Living on a low income: Financial and material support

The qualitative research conducted by Kotecha et al for DWP[27] also 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 material deprivation can occur for different reasons, often reflected by the difference between urban and rural localities, for example: high rents, high transport costs, and poor access to local amenities (p 55). 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 in three ways:

1. providing financial assistance that supplemented low incomes and helped deal with unexpected large expenditure;
2. giving respondents access to goods and services, such as transport or help around the house, that they would not otherwise have been able to afford; and
3. enhancing their social lives and reducing the sense of isolation that they felt. (p 3)[28]

Health was an important factor with those with poor health more like 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.

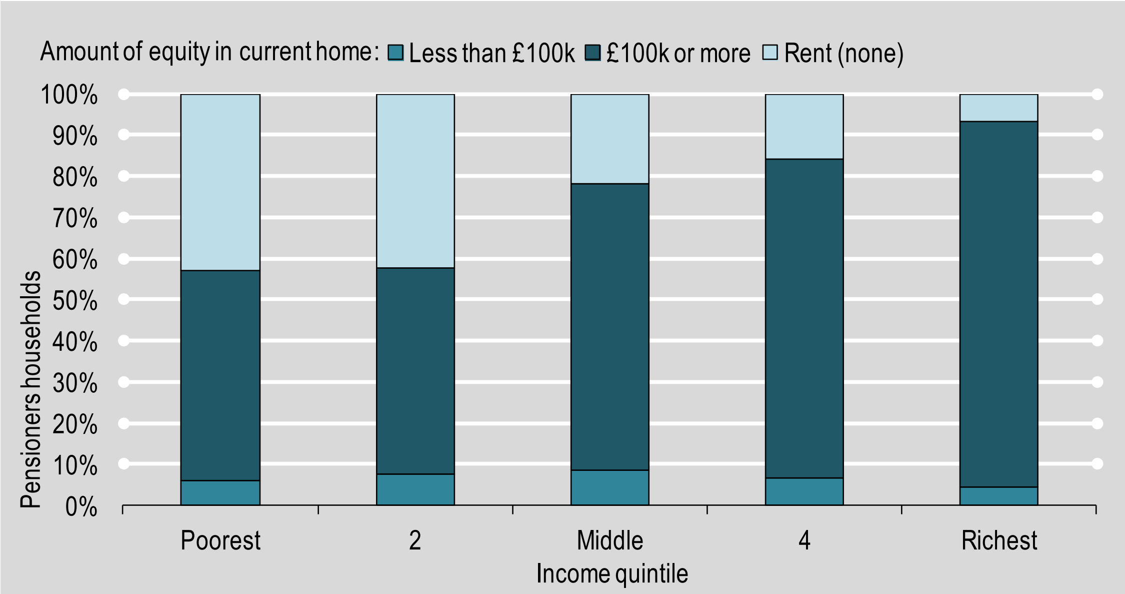
The DWP research draws similar conclusions to the Age UK report ‘Living on a Low Income in Later Life’[29], which documents the daily struggles of coping on a low income. It found that participants worked incredibly hard to manage financially. They kept a close eye on their budget and managed their resources 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.

The relationship between income and wealth

In general there is a relationship between household income and wealth although, partly as a result of the major growth in house prices during the housing boom 1990s and 2000s, there are a number of older people who have houses with considerable value but who only receive a low income – the so called “asset rich, income poor“.

Figure 7 below shows that, for pensioners, the amount of housing equity is related to income, so the higher the income, the greater the housing equity. This demonstrates that generally income and housing wealth are correlated. However, even in the lowest quintile around 50 per cent of households have housing equity worth more than £100,000.

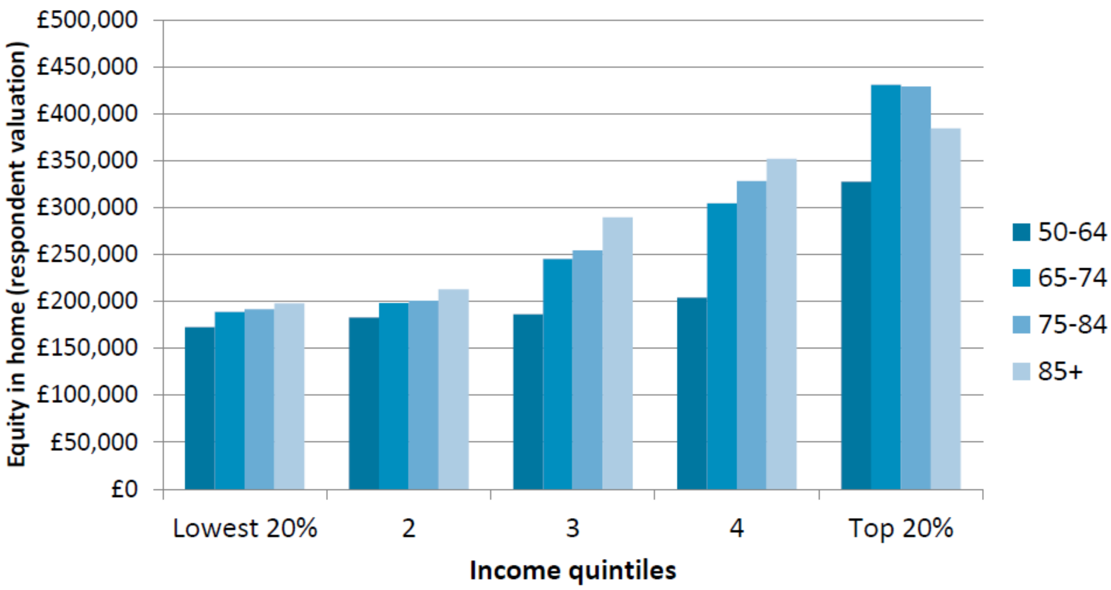
Figure 7 - Pensioners with more or less than £100,000 in housing equity by income quintile



Source: NPI analysis of the English Housing Survey 2008-09. The data is for England.[30]

Figure 8 below shows that property owners in the top 20 per cent have twice the equity of the bottom 20 per cent[31].

Figure 8. Amount of housing equity by income quintile



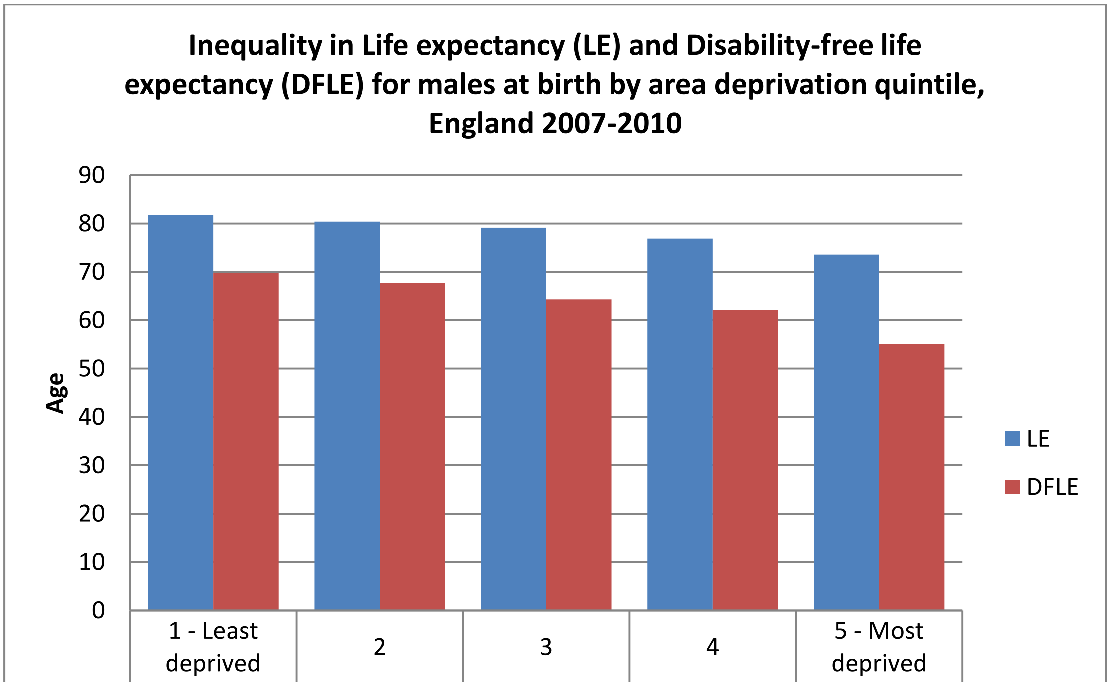
Source: Searle, B Mind the Wealth Gap, data from EHS

Low income older home-owners may be able to use their housing wealth to increase their income. However returns may be modest as the maximum amount released is likely to be only a modest percentage of the equity, as there is a guaranteed occupancy for life. Older people may also be reluctant to use equity release products. For example, they may not like the idea of having a debt based on their home, or they do not want to use their capital because it might limit their future options or affect the estate they could leave to their family.

Poverty and health inequalities

There are links between deprivation, life expectancy and disability. Figures 9 and 10 show life expectancy and disability free life expectancy for men and women by area of deprivation. Those in quintile 1 are living in the least deprived areas in England and those in quintile 5 are in the most deprived areas. It can be seen that the more deprived the area, the lower the life expectancy, and the fewer years people can expect to live free of disability. So for example while men in most deprived areas can expect nearly 70 years free of disability, for those in the most deprived areas this is just 55. For women the equivalent figures are nearly 71 compared to around 57 years.

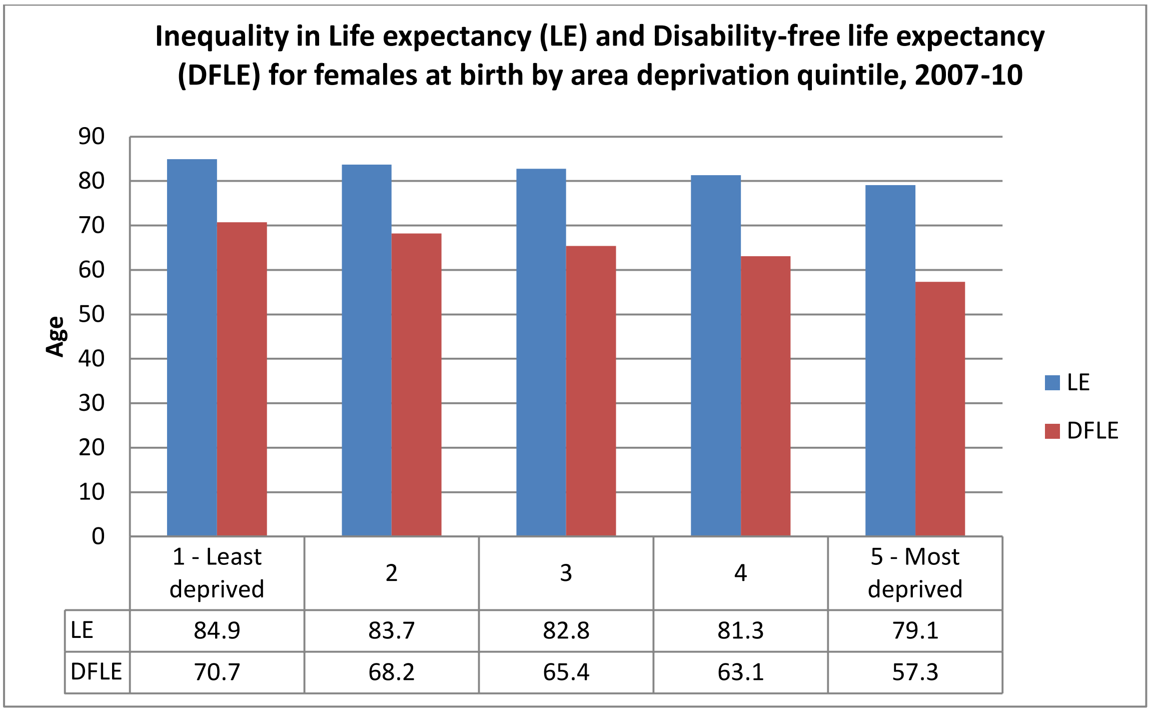
Figure 9



	1 - Least deprived	2	3	4	5 - Most deprived
LE	81.8	80.4	79.1	76.9	73.6
DFLE	69.8	67.7	64.3	62.1	55.1

Source: ONS Sub-national health expectancies, Inequality in Disability-Free Life Expectancy by Area Deprivation: England, 2003-06 and 2007-10

Figure 10



	1 - Least deprived	2	3	4	5 - Most deprived
LE	84.9	83.7	82.8	81.3	79.1
DFLE	70.7	68.2	65.4	63.1	57.3

Source: ONS Sub-national health expectancies, Inequality in Disability-Free Life Expectancy by Area Deprivation: England, 2003-06 and 2007-10

As referred to above, research by Kotecha et al (2013) found that poor health 'pushed down' material circumstances by stopping some people from managing their own care and also produced additional cost associated with managing health conditions. These costs ranged from occasional support or assistance (e.g. taxi to get around) to costly day-to-day support[32].

Debt

A recent report from Age UK and the ILC-UK[33] shows that problem debt is associated with low income. The research defines problem debt as occurring where one of more of the following indicators exists:

- People are paying more than a specified proportion of their income to meet the costs of unsecured debt varying from 10 per cent of income for the poorest fifth of the population to 25 per cent for the richest fifth.
- A subjective measure: when asked about their financial situation people with unsecured debts say they 'not getting along very well', they have 'some financial difficulties' or they have 'severe financial difficulties'.
- People have unsecured debt of £10,000 or more in 2002 terms. This is uprated by the Retail Prices Index so by 2010 the figure is £12,688.

The definition of problem debt is based on unsecured debt, so it does not cover people with mortgages and those who have used capital in their homes to meet expenses

The research shows that around one in eight (13 per cent) of the people tracked between 2002 and 2010 had experienced problem debt on at least one occasion, and one in 20 (5 per cent) were found to have had problem debts more than once. People who moved into problem debt were more likely to experience a decreased quality of life; there was also evidence indicating that problem debt was linked to marital breakdown.

Conclusions

Major progress on pensioner poverty has been made in the last three decades. Average pensioner incomes have increased and poverty has fallen dramatically, largely due to expansion in both occupational and state pensions and increases in state benefits, which the IFS show have risen since the late 1970s.[34] Increases in means-tested benefits, including the introduction of Pension Credit in 2003, have had an important influence on reducing poverty rates from 29 per cent in 1998/99 to 14 per cent in 2011/12. And while the Government has embarked on a major programme of welfare reform which is intended to reduce spending on social security, so far older people's benefits have been protected to a greater extent when compared with benefits for those of working age.

However, 1.6 million older people remain in income poverty and severe pensioner poverty also persists, with 900,000 people currently living on an income below 50 per cent median income after housing costs. Reforms to the state pension and the changing face of private pensions will have an impact on future pensioner incomes. And, for those already retired on low incomes, the levels of benefits and the extent to which these reach those entitled will continue to have an important influence on poverty levels. Any decisions made now can have a far reaching impact. For example recent PPI analysis shows that uprating the state pension by the triple lock rather than increases in average earnings would increase the chance of future pensioners having an adequate income[35].

The evidence tells us that, although poverty is a familiar, everyday term, it is hard to define when referred to pensioners and it means different things to different people. 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, and at other factors including social support, housing and area, health, financial management and attitudes.

However, it is clear from the evidence that increasing pensioner income is still the most effective route out of poverty, so improving benefit take-up continues to be a key way of addressing numbers of pensioners in poverty.

If you have any questions or feedback on this evidence review, please contact phil.rossall@ageuk.org.uk

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