The overlooked over-75s: Poverty among the ‘Silent Generation’ who lived through the Second World War
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Executive summary

This report is about the financial circumstances of the group of older people who lived through the Second World War – sometimes called the ‘Silent Generation’. Our new analysis of incomes data (primarily the Family Resources Survey) looks at the differences between groups of older people and identifies those who are at risk of being forgotten on low incomes.

Our research

In partnership with Dr Matt Barnes of City University London, Independent Age carried out new analysis to better understand the differences in the financial circumstances of older people, in particular of those aged 75 and over.

The information included in this report is based on new analysis of data from the Family Resources Survey (FRS). The FRS is based on the incomes and circumstances of private households in the UK. This government data is collected by the Office for National Statistics (ONS) and the National Centre for Social Research (NatCen) on an annual basis.

We also carried out a number of qualitative interviews to help illustrate the experience of living on a low income in old age.

Our findings stand in stark contrast to the ongoing narrative of intergenerational unfairness, which tends to focus on better-off older people. Too often this debate takes arguments that are true for better off ‘Baby Boomers’ and applies it to all pensioners – irrespective of their age or financial circumstances. In the worst cases, the debate leads to policy calls that would have a significant negative impact on older people with low incomes.

Our analysis shows that those aged 75 and over live on lower incomes, on average, than younger adults. Many are living in poverty and are unlikely to see significant increases in their income during their lifetime.

Our report reveals that:

- older pensioners’ incomes are on average £59 a week lower than younger pensioners, and £112 a week lower than working age adults, or almost £6,000 a year¹

- a fifth of those aged 75 and over are living below the poverty line, including a quarter of single women aged 75 and over

- over 75s are also twice as likely as under 75s to have been in poverty persistently for the last four years.

¹ Median net equivalised household incomes before housing costs.
Being on a low income can make it a struggle to afford the things you need as you get older: paying for transport (such as taxis), getting help around the home, keeping your house warm and in a good state of repair, and meeting non-prescription health costs. It can also affect your ability to stay connected with friends and family.

Among the over 75s, women, single people and renters are particularly likely to be overstretched financially. Beatrice, below, highlights what it’s like to be trapped on a low income as an older person.

Many in this age group are entitled to means-tested or disability benefits but don’t receive them, meaning that they struggle on low incomes, despite their greater need for support.

Indeed, many have no source of income apart from the state.

- **Nearly three quarters of a million over 75s have no source of income other than the State Pension and benefits.** Nearly a quarter of single women aged 75 or over (400,000 women) are completely reliant on state financial support.

- **Over 75s are less likely than younger pensioners to receive Pension Credit when they are eligible.** Of the 1.9 million over 75s who are estimated to be eligible for Pension Credit, 39% (around 750,000 people) don’t claim\(^2\).

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**Beatrice, 82, lives alone in council housing and struggles with her low income.**

She says, “I have to live within my means. Last Christmas, people asked what I wanted and I just said, give me money instead of gifts. I just have to cut my cloth. When you get older, the more you need some things, especially for health. As my knees get worse, I can’t go out without braces.”

She is ‘worried sick’ about the freezer breaking because it allows her to save money through bulk buying: “If it does pack up, I don’t know what I’ll do; all that is playing on my mind.”

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\(^2\) *Income Related Benefits, Estimates of Take-up, GB, Department for Work and Pensions, June 2015*
Because of low fixed income combined with reliance on state financial support and low savings, over 75s are vulnerable – both to political decisions about expenditure on welfare and to personal financial shocks or crisis.

- A third of people aged 75 and over have less than £1,500 in savings (approximately 1.6 million pensioners) and nearly one quarter have no savings at all (approximately 1.1 million pensioners).

- For older pensioners who are living below the poverty threshold, nearly half also have less than £1,500 in savings.

These figures clearly show that poverty is not confined to the young – and that it is not only ‘millenials’ who cannot afford the things they need. Indeed, for older people who have little opportunity to work or increase their income in other ways, poverty can be a persistent threat.

Despite many older people having worked for their whole lives, hundreds of thousands are caught in a poverty trap, from which there is little prospect of escape.

The income of these older people is also highly dependent on political decisions. The new State Pension will not help those who are already past State Pension age, and neither will the Chancellor’s pension freedoms.

With the State Pension ‘triple lock’ only guaranteed until 2020, and take up of Pension Credit still disturbingly low, those aged 75 and above could become even poorer over time. This isn’t a short-term problem. The government estimates that more than 800,000 older people will still be eligible for Pension Credit by 2039.

In fact, Attendance Allowance is one of the only ways in which older disabled pensioners receive more income over time, and it plays an important role in sustaining their incomes. Though we broadly welcome the principle of the government’s proposed reforms to Attendance Allowance, no details have yet been published. If the reforms are not carried out in the right way, older people’s incomes may well be under threat.

What is Attendance Allowance?
It is a weekly cash payment paid by the government to individuals aged 65 or over in the UK who need help with personal care or have difficulties with activities of daily living because they are physically or mentally disabled. It is paid at two rates depending on the level of care needed, £55.10 or £82.30.

3 The new pension freedoms are mainly aimed at people drawing their pension when they first retire, although in December 2015 the government announced plans to allow people to sell their existing annuity from April 2017.

It is vital for the government to take concerted action to ensure older people have the support they need to live independently, and to maintain their dignity, choice and control. This is especially important for three groups of older people who are particularly at risk of poverty: renters, women and single people.

**To address these challenges:**

- The government, and other key agencies, must re-energise their efforts to promote the take up of Pension Credit and other benefits to the groups of older people most at risk of living in poverty – in particular single older people, older women and older renters.

- The government should introduce a ‘triple lock’ on Pension Credit to guarantee that recipients of the ‘old’ State Pension do not suffer a relative decline in their state income.

- The government should ensure that lower income pensioners continue to receive vital universal benefits like the Winter Fuel Payment and the free bus pass.

- The government should guarantee that proposed reforms to Attendance Allowance will not introduce a means test, and will not result in reduced incomes for older people.
Increasingly, we are told that pensioners have never had it so good. This belief has underpinned ongoing political debate around the fair distribution of limited resources, with the current and last governments being broadly criticised for protecting pensioners against the impacts of austerity.

“We are reshaping the state and storing problems for the future by creating a country for older generations. The social contract is a contract between the generations and in Britain it is being broken.”

Lord Willetts, published in the Guardian

“We would scrap winter fuel allowance – just scrap it.”

Ashley Seager, The Intergenerational Foundation

At the same time, however, the government has introduced measures to reduce the rising cost to the state of a rapidly ageing population.

Raising the age at which people become entitled to their State Pension has reduced projected government expenditure. It has also withdrawn the income that people, particularly some women, had been expecting at an earlier age.

The introduction of the new State Pension in April 2016 is also projected to reduce government expenditure, at least over the longer term. Its overall impact will be to even out the amount of State Pension that people receive, with some seeing what they would have received reduced to the new flat rate (currently £155.65 a week) while others seeing it raised up to this level. It is projected to have an overall positive impact on poverty rates among pensioners.

Over the last 15 years or more, average incomes among pensioners have risen and poverty rates have fallen. This is a positive trend and largely reflects higher average incomes from occupational pensions and from earnings for those working past State Pension age. It also reflects increases in women’s pension incomes, because of greater participation in the labour market. Alongside these

7  Updated impact of the single-tier pension reforms, DWP, June 2014
8  The implications of Government policy for future levels of pensioner poverty, Pensions Policy Institute, July 2011
wide-reaching trends, the government’s commitment to the State Pension ‘triple lock’ (which sees the State Pension rise each year by the highest of average earnings, inflation or 2.5%) also contributes towards increased average incomes for pensioners.

However, these positive changes do not apply evenly to all older people. There are large differences in the financial circumstances of older people, with the richest fifth of pensioner couples having average incomes four times that of the poorest.

There are still 1.6 million older people living in poverty, 900,000 of whom live in severe poverty. Pension Credit is designed to increase the incomes of the poorest pensioners. However, take-up of Pension Credit is low, with well over a third of pensioners (up to 1.4 million people) entitled to it, but not claiming.

Following the introduction of the new State Pension in April 2016, we wanted to review the financial circumstances of current pensioners who will not benefit from the new system. Those on the lowest income levels will continue to be reliant on means-tested Pension Credit to raise their incomes to an acceptable level. Without a dramatic increase in the take-up of Pension Credit, many older pensioners will continue to live in poverty. On top of this, those aged 75 and above, are more likely to have care needs and to rely on disability benefits to boost their income.

This new analysis challenges the dominant narrative of older people benefiting ‘unfairly’ from increased protection, and draws attention to the forgotten generation before the ‘Baby Boomers’. This group has lower average incomes than both working age people and younger pensioners.

Who are the ‘Silent Generation’?

This generation lived through the Second World War and started work in the 1940s and 50s.

Half of them are now single, and nearly three quarters of these are women. 6 out of 10 pensioners who are 75 and over are disabled, or live with someone who is.

Three quarters own their own home, but over a fifth are renting. Renting is much more common among single people than couples.

In the UK, there are 4.8 million people aged 75 and over, of whom:

- 2.8 million are women
- 2 million are men
- 4.2 million live in England
- 0.4 million live in Scotland
- 0.3 million live in Wales
- 0.1 million live in Northern Ireland
- Tower Hamlets has the smallest proportion of over 75s (2.8%) and Christchurch has the largest (16.7%)

*In private households. Numbers may not add up due to rounding.

9 Pensioners’ Income Series, DWP, 2015
10 Households Below Average Income, 2012/13, DWP, 2015
11 Income Related Benefits, Estimates of Take-up, Department for Work and Pensions, June 2015
They are more reliant on the State Pension, but less likely to receive income-related benefits when they are entitled, and many have very little in the way of savings to fall back on for emergencies.

It is vital that older pensioners are not lost in the political narrative. ‘Intergenerational fairness’ must go in both directions. Those who lived through the Second World War must be given the support they need to prosper in their older age, rather than being left behind and overshadowed by their more prosperous successors.

In this report, we set out the circumstances those aged 75 and above are currently living in, and provide a clear plan for the government to ensure this group gets the protection they deserve.
Incomes overall are lower among older pensioners. Our analysis found that the incomes of those aged 75 and above are, on average, £59 a week lower than for younger pensioners, and £112 a week lower than for working age adults, adding up to £5,824 a year\textsuperscript{12}.

Even when housing costs are taken off, those aged 75 and over have incomes that are, on average, £52 a week lower than both younger pensioners and working age adults. This amounts to £2,700 a year lower than the working age population (see Figure 2.1 for more details).

Those in the older age group are also less likely to be among the richest in the population – about half as likely as younger adults to be receiving incomes in the top 10% of the population.

Just over a fifth of younger pensioner couples have net incomes of more than £650 a week, compared to only 1 in 8 couples aged 75 and above.

Incomes data are normally presented ‘before’ or ‘after’ housing costs – this is in recognition of the significant and unavoidable element of spending on housing, and allows comparison of ‘disposable’ income once housing costs have been accounted for.

Housing costs tend to have a big impact on the ‘disposable’ incomes of working age adults, pushing their incomes down compared to the incomes of older people, many of whom have lower housing costs having paid off their mortgage.

**Figure 2.1: Average weekly incomes**

![Bar chart showing average weekly incomes before and after housing costs for working age adults, pensioners under 75, and pensioners 75 and over.]

\textsuperscript{12} Before housing costs. All incomes data is presented as median net household incomes, equivalised for household size. Where not specified, incomes data relates to incomes after housing costs.
Why do older people have lower incomes?

The reason older pensioners have lower incomes is partly due to lower levels of pension savings made during their working lives, but also because incomes tend to decline as people age.

The Department for Work and Pensions (DWP) identifies three reasons why older pensioners tend to have lower incomes:

- older pensioners are less likely to be working and receiving income from earnings
- older pensioners benefited less than ‘Baby Boomers’ from the rapid rise in occupational pension coverage during the 1950s and 1960s combined with the significant increase in real earnings
- private pension incomes tend not to increase in line with inflation, so they become lower in real terms over time.

Fewer older pensioners work

On average, earnings make up a much smaller part of older pensioners’ incomes compared to younger pensioners, only 4% compared to 19%.

There are several reasons why fewer older pensioners work. Those aged 75 and over are likely to want to work less and they are likely to face significant age-related discrimination in the workplace.

In addition, 69% of those aged 75 and over have a long-standing illness or disability, compared to 59% of those aged 65-74 and 31% of the general population.

Who is worst affected?

Some groups of older pensioners are particularly likely to be trapped on a lower income.

In particular, women have significantly lower incomes than men, across the two age groups. This is partly because older women are more likely to be living by themselves and therefore have only one income to draw on, but women also receive lower incomes, on average, from every source other than state benefits (see Figure 2.2 overleaf for more details).

Focus on single older women aged 75 and over

- A fifth (19%) or 350,000, have incomes below the poverty threshold of £134 a week.
- Average income after housing costs is £209 a week.
- A quarter (26%) receive Pension Credit and a quarter (25%) receive disability benefits.
- A quarter (23%) have no income apart from the State Pension and benefits, and more than half (58%) receive three quarters of their income from the state.
- 30% have no savings.

13 Pensioners’ Income Series, 2015, DWP (p30)
14 http://age.bitc.org.uk/news-opinion/opinion/post-50-employment-cliff-edge accessed on 01/04/16
15 General Lifestyle Survey, ONS, 2011, Chapter 7
Older women are far less likely than older men to have built up an adequate pension, either the State Pension or a private pension. Most of the difference in older women and men’s incomes (75+) is accounted for by lower levels of private pension income (see Figure 2.2 for more details).

Also, older men tend to have higher levels of income from earnings than women, partly due to the gender pay gap and partly due to men and women’s different working patterns.

Furthermore, the average income of a single person aged 75 or over is just over half (56%) that of a couple. Although people living by themselves don’t need as much money as a couple to reach the same standard of living, there are many ‘fixed’ household costs, such as insurance, heating and other bills which their income needs to cover.

Allowing for this difference between single people and couples, there is still an income gap between men and women aged 75 and above of £24 a week (after housing costs).

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**Figure 2.2: Average amount of gross weekly income from each source**

<table>
<thead>
<tr>
<th>Source</th>
<th>Single women 75+</th>
<th>Single men 75+</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Pension</td>
<td>£287</td>
<td>£353</td>
</tr>
<tr>
<td>Occupational/personal pension/investment income</td>
<td>£54</td>
<td>£146</td>
</tr>
<tr>
<td>Benefits</td>
<td>£95</td>
<td>£143</td>
</tr>
<tr>
<td>Earnings</td>
<td>£132</td>
<td>£132</td>
</tr>
</tbody>
</table>

16 Median net household income, after housing costs, not equivalised
**Trends in average incomes**

Our new analysis of incomes data for the last 10 years shows that older pensioners’ (aged 75+) average incomes rose in the five years leading up to 2010, and since then have stayed level (see Figure 2.3 for more details).

However, the average incomes of younger pensioners continued to increase and have now risen to the same as those of the working age population. The gap between the average weekly income of younger and older pensioners has increased by £8 in the last 10 years.

Incomes for working age adults increased initially but at a slower rate and since 2010, they have decreased as a result of reduced wages and benefit incomes, exacerbated by high housing costs. **Throughout this entire period, the average incomes of older pensioners have been substantially below those of working age adults.**

Two of the main drivers for increased pensioner incomes are:

- more current pensioners benefiting from occupational pension schemes than earlier generations of pensioners, and the relatively high incomes realised from these; and

- the increased provision from the state in the form of State Pension and income-related benefits.

![Figure 2.3: Changing median incomes over time](image)

Median net equivalised weekly income After Housing Costs 2013/14 prices by age

<table>
<thead>
<tr>
<th></th>
<th>Working age</th>
<th>Pensioners: Aged &lt;75</th>
<th>Pensioners: aged 75+</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004/5</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2005/6</td>
<td></td>
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<td>2006/7</td>
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<td>2007/8</td>
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<td>2008/9</td>
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<td>2009/10</td>
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<td>2010/11</td>
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<td>2011/12</td>
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<td>2012/13</td>
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</tr>
<tr>
<td>2013/14</td>
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</table>
The increased average income from the State Pension is the result of the large increase in numbers entitled to the State Second Pension from the 1980s (from 8% to 70%) and higher State Pension entitlement levels for women as a result of their greater participation in the labour market.\textsuperscript{17}

Both of these factors impacted on the incomes of older pensioners to a lesser degree. The ‘Silent Generation’ missed out on some of the economic gains secured by the ‘Baby Boomers’, and more ‘Boomer’ women worked, meaning more were eligible for an increased State Pension.

So, increases in average incomes reflect a new, better-off cohort of people coming into pension age. As individual pensioners get older, their income on the whole stays fixed and sometimes goes down. This could be once they stop working or if their pension is not index linked.

\textsuperscript{17} Pensioners’ Income Series, DWP, 2015

\textbf{The overlooked over-75s:} Poverty among the ‘Silent Generation’ who lived through the Second World War
There are 1.63 million older people who are living in poverty\textsuperscript{18}. The threshold currently stands at £232 a week for couples and £134 for a single person, after housing costs.

Poverty is defined by law as an income level that is below 60% of the household median average.

Older people aged 75 and over are more likely than both younger pensioners and working age people to live in poverty before taking off housing costs. As many as 20% of older pensioners are living in poverty compared to 14% of younger pensioners (and 14% of working age adults).

However, once the considerable impact of housing costs are taken into account, more than 1 in 5 working age adults have ‘disposable’ incomes below the poverty threshold (see Figure 3.1 for details).

Effectively, many older pensioners are lifted out of poverty as a result of having paid off their mortgages. For those who still face high housing costs, the picture is very different. Although many older people own their own home, a substantial minority (20%) are renting – most of whom are in social-rented accommodation.

18 Poverty using the DWP’s HBAI definition, below 60% of household median income. Figures here are after housing costs unless stated otherwise.
Those who are renting with private landlords are particularly likely to be living in poverty – 1 in 3 of them once housing costs are taken into account\(^1\). This is true for both younger and older pensioners.

Among the older group of pensioners, women have lower incomes than men, and single people have lower incomes than couples (see Figure 3.2 for details).

In fact, a fifth (19%) or 350,000 single female older pensioners are living below the poverty threshold, and that goes up to a quarter (26%) before taking housing costs into account.

Poverty over time

Poverty has fallen dramatically among pensioners over the last few decades. However the fall has been slower over the last 10 years, dropping from 17% to 14% for all pensioners.

Despite these improvements in poverty levels, our new analysis shows that older pensioners in the 75 and above age group are most likely to have lived in poverty within the last four years, and are most likely to remain in poverty for the longest (see Figure 3.3 for more details).

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17-64 years | 65-74 years | 75+ years
---|---|---
Number of years in poverty (AHC), 2010/11-2013/14 |
0 | 68% | 76% | 67% |
1 | 15% | 11% | 14% |
2 | 9% | 5% | 8% |
3 | 5% | 4% | 6% |
4 | 3% | 3% | 6% |

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\(^1\) The numbers of older private renters are small, so these figures should be treated with caution

The overlooked over-75s: Poverty among the ‘Silent Generation’ who lived through the Second World War
A third of over 75s have been in poverty at least once in the last four years, compared to a quarter of younger pensioners. In addition, those aged 75 plus have the least prospect of raising their income, meaning they are twice as likely as all other age groups to have lived in poverty for the last four years without a break.

People like Jack, above, told us about their experiences of living in poverty – and having to get by on the little they have.

**What is material deprivation?**
A new measure of material deprivation was created by the DWP in 2008 to capture older people’s living standards and understand their needs and priorities adequately. It asks people about 15 items of spending, whether they have them and if not, why not. For a full list of these measures, please see the appendix.

Just under 1 in 10 pensioners are materially deprived according to the DWP measure. Despite being on a lower income on average, those aged 75 and over are no more likely to report material deprivation than younger pensioners. This may be a feature of the way the questions about material deprivation are asked. When respondents report that they do not have access to one of the items on the material deprivation checklist (eg, having working heating, electrics and plumbing) they are asked why, with answers appearing on a scale between ‘cannot afford’ (eg, I don’t have the money for this) and ‘do not want’ (eg, this is not something I want).

20 It’s technically possible that people might have moved out of poverty and back in between survey interviews.
21 Interestingly, relatively few of these are also living below the poverty threshold, so that the proportion of older people living either in poverty or in material deprivation is higher, just over a fifth.
In general, older people living on low incomes are more likely than younger people to say they do not want things rather than that they can’t afford them. As a result, there is a tendency for older people to report relatively higher living standards and lower levels of financial strain. This may be because they have different attitudes towards spending due to earlier life experiences, or because they have adapted their behaviour to fit with their available income as they age. This may even be the ‘Silent Generation’ continuing to ‘make do and mend’, or to avoid ‘making a fuss’ despite the challenges their low income creates.

Older pensioners are more likely than younger pensioners to go without a holiday. They are also less likely to go out socially once a month or more, or have access to a car or taxi when needed. Importantly, they do not say this is due to insufficient money, but give other reasons. However, it clearly reflects an increased risk of a lower standard of living as people move into older age (see Figure 3.4 for details).

**Figure 3.4: Items of material deprivation**

<table>
<thead>
<tr>
<th></th>
<th>Pensioners under 75</th>
<th>Pensioners 75 and over</th>
</tr>
</thead>
<tbody>
<tr>
<td>Don’t go out socially at least once a month</td>
<td>19%</td>
<td>28%</td>
</tr>
<tr>
<td>Don’t take a holiday away from home</td>
<td>31%</td>
<td>51%</td>
</tr>
<tr>
<td>Don’t have access to a car or taxi when needed</td>
<td>8%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Low income and savings

Our analysis shows that a third of people aged 75 and over have less than £1,500 in savings\(^23\). A similar percentage of younger pensioners have low levels of savings.

Nearly half (46%) of older pensioners living below the poverty threshold, have less than £1,500 in savings and 58% have less than £5,000 (see Figure 3.5 for details). This group of older pensioners has very little resource to draw on if they have an unexpected need for spending or emergency.

Over 75s are also less likely to have high levels of savings or investments compared to younger pensioners. Of those aged 75 and over, 35% have savings of more than £15,000 compared to 41% of younger pensioners.

Having access to savings can be as significant for living standards as income is. It provides a buffer that can be used to deal with an unexpected need for spending and can guard against getting into debt. For people on a relatively low income, it allows them to smooth their spending to balance out the higher and the lower cost periods of the year.

For younger and older pensioners, some groups are much more likely to have very low levels of savings. These include women, those who are single, those who are renting and those who have a disabled adult in the household.

Those with few or no savings are also at risk of falling into expensive debt arrangements when they are required to meet unexpected costs, as Sophia’s and Elena’s stories highlight (overleaf).

\(^{23}\) Liquid assets, ie not including property or other non-liquid assets. The data on savings should be treated with caution. ‘No savings’ specifically relates to cases where either the respondent said that they had no accounts/investments, refused to answer or didn’t know or that some accounts/investments were recorded but that none of them yielded any interest/dividends.
Sophia, 87, lives alone.

Sophia moved to London from Spain 40 years ago. She spent her working life undertaking domestic work in private homes and hotels. She lives in a council basement flat in Chelsea by herself and has no family in England. She finds it very difficult to make ends meet with the cost of living in London so high. Sophia says, “living in Chelsea is for the rich, it’s not for me.”

Sophia took out a loan a year ago so that she could pay to visit her brother’s grave in Spain, as she has no savings. Since then, she has struggled with paying back the debt. Despite having poor health and poor mobility, she does all her own shopping and cleaning and has no help. Sophia would like to have a cleaner, but can’t afford to pay the council charge for cleaning her flat. She buys clothes from charity shops and also visits supermarkets at the end of the day to benefit from the reduced prices.

Elena, aged 77, lives with her daughter.

Elena came to the UK from Greece in her late 50s to help care for her grandchildren. Her pension is around £800 a month. She gives £200 a month to her daughter for household bills and also gives her the annual £300 winter fuel payment.

In her early 70s she got into debt, owing £6,000 from a loan, overdraft and credit card. She has a debt repayment plan set at the minimum level of £150 a month. It will take five years to pay off. She would really like to be able to save money to pay off her debts and because her previous house needs to be repaired before it can be sold. She finds this very difficult.

She manages by shopping in the pound shop and buying fresh food in street markets. She keeps a ‘contingency’ for one-off payments, such as the £200 annual check for her mobility scooter. Elena says, “£20, £30 I put in a little envelope, to keep it in case something happens”. She has three good friends, but says “of course, we can’t do so much, because I can’t pay... It would be great to say, ‘let’s go to lunch’, but at the moment we can’t, because of my money.”
Older people are much more reliant on income from government sources than the working age population. Indeed, many older pensioners have no choice but to rely on state benefits for the rest of their lives – barring a sudden influx of cash – as they are very unlikely to return to work. This support is received via their State Pension entitlement and/or through targeted benefits designed to top up income or to meet the extra costs of disability.

**Just over a third of all pensioners receive at least three quarters of their income from state financial support. Among those aged 75 and above, this rises to 45%.** As many as 1 in 7 (15%) of older pensioners receive all their income from state sources of support.

Among those aged 75 and over, women rely more on state support than men: 23% of single women aged 75 and above have no source of income other than their State Pension and benefits. And 4 out of 10 single women aged 75 and over get income-related benefits, compared to 3 in 10 single men the same age.

For those who are surviving on state benefits alone, money is often very tight.

### Welfare benefits

In 2014/15:

- 1.46 million older people received Attendance Allowance.
- 1.06 million older people received Disability Living Allowance.
- 2.23 million older people received Pension Credit.

Those who are 75 and over are more likely to receive Pension Credit and much more likely to get Attendance Allowance than younger pensioners.

Among the 75 plus group, 17% receive income from Attendance Allowance (AA) compared to only 3% of those aged 65-74. This is not surprising, as they are more likely to be eligible due to increasing disability.

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**Beatrice, 82, lives alone in council housing**

“Every year, it [State Pension] only goes up about £3, but it’s better than nothing. It doesn’t cover the price of things, but what can you do? I just keep a brave face and get on with my life.”

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24 DWP Benefit Caseload data, 2014/15
25 This is people who live in a family where either they or someone else receives AA.
Disability Living Allowance is a working age benefit that people can continue to receive as they reach State Pension age. However as they get older, they are more likely to become eligible for AA (see Figure 4.1 for more details).

**What is Pension Credit?**
It is a means-tested benefit for people on a low income who have reached the female State Pension age. The Guarantee Credit element tops up weekly income if it is below the minimum level (£155.60 for single people and £237.55 for couples).

As many as 1 in 6 over 75s receive Pension Credit, but many pensioners who could receive it don’t claim. **Over 75s are less likely than younger pensioners to receive Pension Credit when they are entitled.** Of the 1.89 million over 75s in Great Britain who are estimated to be entitled to Pension Credit, only 61% claim it. This means there are around three quarters of a million over 75s who are missing out on Pension Credit even though they are entitled to receive it.\(^{26}\)

\(^{26}\) Income-Related Benefits: Estimates of Take-up – Financial Year 2013/14 (experimental), GB, DWP, June 2015

The overlooked over-75s: Poverty among the ‘Silent Generation’ who lived through the Second World War
Pension Credit is a key benefit in keeping people's incomes at a minimum acceptable level, and is set at a level which is close to the poverty threshold. Because it is a passport benefit to a range of other financial support, anyone not claiming it may also be losing out on a much broader range of support. Dorothy's story above, shows the difference Pension Credit can make to older people's income.

Around one in six of those aged 75 and over receive income from Attendance Allowance (AA) and a further 9% receive income from Disability Living Allowance (DLA). Attendance Allowance is the one source of income that is more likely to increase rather than decrease as people move further into retirement and old age. Average incomes get lower as people are less and less likely to work, but the increased take up of AA among older age groups means that the reduction in income is far lower than it would otherwise be27.

It is difficult to establish the take-up rate for DLA or AA because it is hard to identify the eligible population correctly, but it has been estimated that as many as 30% or more of the eligible population are not claiming28.

Although designed to address extra costs associated with disability in old age, disability benefits such as AA also maintain people's income levels. In our 2013 report, ‘Independence Allowance: Developing a new vision for Attendance Allowance in England’, AA recipients told us they used part of their regular payments to: buy items like groceries and white goods, heat their homes and to have ‘a reasonable standard of living’. The report also found that AA has the most significant positive impact for those on a low income and for those who spent their AA effectively to manage their disability – whether that spending was linked to purchasing ‘traditional’ care services, or on other items that had a positive health impact29.

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27 See, for example, data from the English Longitudinal Study of Ageing (ELSA), Economic Domain Tables EL2a, which shows changes in sources of income across six survey waves.
All those over the State Pension age receive an annual Winter Fuel Payment (WFP), which is £200, rising to £300 for over 80s\textsuperscript{30}. Because it is paid automatically, there is no issue around take up, meaning that it definitely reaches the people who rely on it most.

A 2012 study by the Institute for Fiscal Studies (IFS) found that, on average, 41% of the value of the WFP is spent on fuel. For pensioners on lower incomes with little or no savings, the payment represents a vital source of money during colder months. It has been linked to reducing preventable excess winter deaths, and helping with reducing NHS costs on cold-related illnesses\textsuperscript{31}. The importance of WFP is illustrated in Alan’s case study below.

\textbf{Alan is 90, single, and rents privately.}

Alan says he manages on the money he gets because of the ‘extra bits’ of income. He finds the Winter Fuel Payment “a tremendous help,” saying, “It’s because of these things that I’m able to have a reasonable life. The fuel bills are very large. It’s about £40 a month; it was a lot more, but prices of energy have gone down a bit now.” He pays the £300 WFP direct to the energy provider, reducing his monthly direct debits proportionally.

Alan uses his £55 Attendance Allowance and £40 personal budget to pay a carer who visits for an hour four days a week, and three hours one day to do the cleaning. He finds this a great help, and says he would really struggle without it. Alan says, “It’s just enough to make the difference. But my needs are simple. I don’t go out to restaurants, to the cinema or anything... I economise as much as I can, but I’m okay.”

\textsuperscript{30} Lower rates apply for a second qualifying person in a household.

\textsuperscript{31} Summarised in For Richer, For Poorer? A review of the evidence on universal pensioner benefits, Independent Age and the Strategic Society Centre, October 2015.

The 75 plus age group relies on state benefits heavily, so they are particularly affected by changes in government policy. This can be positive – part of the reason that poverty rates among pensioners have fallen so dramatically, in recent decades, is because of poverty-reducing policies implemented by the government.

However, older people are particularly vulnerable to changes in government policy that threaten to reduce their incomes. Currently, there are two ongoing discussions that could leave older pensioners at particular risk of poverty and material deprivation.
First, the government announced in the Local Government Financial Settlement 2016/17 that Attendance Allowance may be devolved to local authorities. Though we broadly welcome the principle of the reform, no details have yet been published. The government has committed to there being no cash losers among current claimants, but they have not committed to guaranteeing older people on a low income will be able to claim this benefit in the years ahead.

Secondly, there is ongoing debate around the provision of universal benefits such as Winter Fuel Payments and free bus passes. Our analysis reveals that removing these benefits from poorer pensioners – or driving down take up by requiring pensioners to apply for them – would have a significant negative impact on the incomes of the 75 plus age group.

Conclusion and recommendations

This report has focused on the financial circumstances of older people, now aged 75 or over, who were born before the Second World War. We have highlighted some of the key differences in circumstances between this group and younger pensioners, who are newly retired or still working.

By understanding the differences between generations, we would like to move away from looking at all older people as a single homogenous group – and to draw attention to the fact that some older people in the UK are still facing poverty and deprivation.

Older pensioners (those who are 75 and older) have higher rates of poverty and lower average incomes than younger pensioners. They are also less likely to claim Pension Credit when entitled. In addition, single older pensioners, renters and women are the most likely to have low incomes.

Most people have little likelihood of increasing their income level once they are fully retired, so they often have to settle for a low income and must adjust their spending. This also often means relying on income from the state, either through the State Pension or means-tested and/or disability benefits.

Nearly half of people aged 75 or over receive at least three quarters of their income from state sources. In this situation, savings can also provide an important ‘mattress’ to meet unexpected spending demands. However, for people already on a low income in this age group, nearly half have less than £1,500 in total savings.

Recommendations

The government, and other key agencies, must re-energise their efforts to promote the take up of Pension Credit and other benefits to the groups of older people most at risk of living in poverty – in particular, single older people, older women and older renters.

Currently, around 3.6 million older people are estimated to be eligible for Pension Credit – of whom 1.34 million do not claim. Take up of Pension Credit is much lower than it should be and in 2013/14, an estimated £2.9 billion of Pension Credit went unclaimed33.

One of the effects of the new State Pension will be to reduce the number of older people who rely on Pension Credit to raise up very low incomes. However, it will continue to be a vital benefit for existing pensioners who will remain in the ‘old’ State Pension system, relying on means-tested benefits to increase their income level.

33 Income-Related Benefits: Estimates of Take-up – Financial Year 2013/14 (experimental), DWP
Our analysis has revealed that women, renters and single people are the most at risk of poverty in the 75 plus age group. To address this, both local and national government must publish a partnership action plan to drive Pension Credit uptake among these groups.

This action plan should be reviewed annually and progress towards increasing the uptake of Pension Credit should be regularly monitored.

There is clear evidence that these approaches can be successful – a recent Pension Credit uptake campaign in Lancashire supported more than 350 local people aged 75+ to claim a total of more than £171,000 per year that they were due34.

What is the State Pension ‘triple lock’?
The State Pension ‘triple lock’ was introduced from April 2011 and restored a link with earnings as well as legislating for a minimum of a 2.5% increase if both earnings and prices were low. In the five years that the ‘triple lock’ has been in operation, the basic State Pension has gone up by just under £17 a week, with the biggest increase being in 2011/12 to match high inflation.

The government should introduce a ‘triple lock’ on Pension Credit to guarantee that recipients of the ‘old’ State Pension do not suffer a relative decline in their state income.

Despite the launch of the new State Pension, existing pensioners will remain in the ‘old’ State Pension system for the rest of their lives. According to government projections, more than 800,000 older people will still be eligible for Pension Credit in 203935.

Given the higher rates of poverty among older pensioners, and their reliance on state benefits, protecting pensioners against price inflation and not allowing their incomes to decline relative to earnings are both important policy objectives.

The IFS has estimated that linking the State Pension to inflation rather than the ‘triple lock’ would result in an increase in poverty from 13% to 15% and a reduction in average incomes among pensioners of 3% by 2022-2336.

While the current ‘triple lock’ for the State Pension effectively maintains the incomes of all pensioners, some of the poorest pensioners currently benefit less than their better-off peers. Currently, Pension Credit guaranteed increases are in line with earnings only. That means that when earnings increase by less than the highest of inflation, or 2.5%, better-off pensioners will benefit from the ‘triple lock’ more than the poorest.

To ensure that the poorest pensioners receive the support they need, the government should introduce a ‘triple lock’ on the Guarantee Credit top up of Pension Credit. This would mean that the Pension Credit income of the poorest pensioners would be topped up by the highest of price inflation, earnings growth or 2.5% every year.

35 Based on projected Pension Credit eligibility set out in: ‘Impact of New State Pension (nSP) on an Individual’s Pension Entitlement – Longer Term Effects of nSP’, DWP, Jan 2016; and population projections in: ‘Table A1-2, Principal Projection – GB Summary, ONS, 29 October 2015
Assuming that the aim of the current State Pension ‘triple lock’ is to reduce pensioner poverty, the Pension Credit ‘triple lock’ could more effectively target the worse off. However, such an approach can only be successful if the take up of Pension Credit is high enough to ensure that those most in need are receiving it.

As such we propose that the government should not consider any change to the ‘triple lock’ on the State Pension until take up of Pension Credit expenditure reaches at least 80%. (Current estimates of expenditure take up were between 67% and 73% for 2013/14.)

The government should ensure that lower income pensioners continue to receive vital universal benefits like the Winter Fuel Payment and the free bus pass.

Amid austerity and cuts to public spending, universal ‘pensioner benefits’ have received growing attention and criticism from some quarters. However, debate has ignored the positive impact of pensioner benefits in influencing people’s behaviour, improving wellbeing and reducing financial worry.

There has also been limited focus on the administrative costs and value-for-money of different reform options, such as the cost of means-testing free TV licences relative to the savings that would be achieved from this.

Political debate on pensioner benefits has far exceeded their significance to the public purse. They currently make up around 1.2% of total public spending.

Further, Winter Fuel Payment is not index-linked in any way, and has stayed at the same level since 2003.

The government should continue to guarantee that lower income pensioners retain access to these benefits beyond 2020.

The government should guarantee that proposed reforms to Attendance Allowance will not introduce a means test, and will not result in reduced incomes for older people.

Though the principle of devolving Attendance Allowance to councils is a good one, no details of the reforms have yet been published. We have concerns about what a devolution of Attendance Allowance will mean for older pensioners, given the crisis in social care funding faced by councils. We are especially concerned for older pensioners who rely on Attendance Allowance to boost their low incomes and help them meet the additional costs of disability.

In particular, additional complications to the application process are likely to drive down take up of this already under-claimed benefit still further.

When it sets out its proposals for reform, the government will need to guarantee that councils will use Attendance Allowance for its intended purpose – to help individuals cover the cost of disability and help prevent or delay their care needs from getting worse. They must also ensure that take up of the benefit does not decline.


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Glossary

**Pensioners** – defined according to the State Pension age. In 2013/14 the State Pension age for men was 65 and for women it was 61 and a half at the start of the 2013/14 financial year and had risen to 62 by the end of the financial year.

**Younger/older pensioners** – in this report ‘younger pensioners’ are aged between State Pension Age and 74; ‘older pensioners’ are aged 75 and above.

**Poverty threshold** – an official measure of relative low income. It means having a household net equivalised income which is below 60% of the population median.

**Housing costs** – incomes and poverty data are presented before and after housing costs (which include rent, water rates and mortgage interest payments).

**Average income** – median income is used to summarise the average total income of households. The median is the middle income when all incomes are put in numerical order.

**Net household income** – the sum of all of the income received by all members of the household that the pensioner is living in minus direct taxes, including Council Tax payments.

**Material Deprivation** – an official measure of living standards, where a family lacks key goods or services.

For more details, see the Data and methodology section.
Data and methodology

The new findings presented in this report are based on the statistical analysis of a number of different data sources.

**Family Resources Survey (FRS) / Households Below Average Income (HBAI) / Pensioners’ Income Series (PIS)**

The FRS is a large-scale survey of approximately 20,000 households that collects detailed information on all sources of income including earnings, pensions, benefits and interest from savings and investments. The survey also collects information on goods and services that households go without and why, as well as a host of socio-demographic and background information. The official poverty estimates published by the Department for Work and Pensions (DWP) appear in an annual publication called the Households Below Average Income (HBAI) series. The Pensioners’ Income Series (PIS) is a separate annual report on the levels, sources and distribution of pensioners’ incomes.

Both series are based on data from the FRS and separate datasets are provided for analysts to use to produce their own findings. The datasets were downloaded from the UK Data Service[^38] and analysed using SPSS[^39].

**Understanding Society (USoc)**

USoc is a large-scale longitudinal survey repeated annually with a panel of 40,000 households from across all four countries of the UK. USoc collects detailed income data which allows for analysis of persistent poverty. Analysis for this report uses data collected across four waves of the survey from 2010/11 to 2013/14. The datasets were downloaded from the UK Data Service[^40] and analysed using SPSS.


A note on some definitions used in this research

- The analysis is representative of the percentage (or number) of pensioners in the UK. According to the government’s Households Below Average Income series (DWP, 2015a4), there are 11.9 million pensioners in the UK. Our estimates are slightly below this (at 11.84 million) due to the slight discrepancy with age of women pensioners, as described below. Population numbers are rounded to the nearest 50,000, unless otherwise stated.

- The datasets we used for this report only provide the age of the respondent and not the month they were born. Hence we define pensioners as men aged 65 and over and women aged 62 and over.

- Total net household income is calculated as the sum of all of the income received by all members of the household that the pensioner is living in, after deductions for direct taxes. This includes income received from welfare benefits (including the State Pension and Housing Benefit) and tax credits, earnings from employment or self-employment, any private pension income, and income from interest from investments and savings.

- Total net household income is calculated both before and after housing costs:
  - Net household income Before Housing Costs (BHC) is gross income minus direct taxes, including Council Tax payments.
  - Net household income After Housing Costs (AHC) is gross income minus direct taxes and housing costs (where housing costs include rent, water rates and mortgage interest payments).

- Total net household income is also equivalised to take into account the size and composition of the household, which therefore allows for a better comparison of different households by taking into account economies of scale. The modified-OECD equivalence scale is used which assigns a value of 1 to the household head, of 0.5 to each additional adult member and of 0.3 to each child.

- Total equivalised net household income estimates are presented in 2013/14 prices and rounded to the nearest pound.

- The median is used to summarise the average total income of households. The median is the middle number (or income) when all numbers (or incomes) are put in numerical order. Using the median allows the average not to be distorted by very high values (or incomes). When looking at the different components of incomes, the arithmetic mean is used as the calculation includes pensioners who do not receive any income from that source (and hence the median may often be £0).

- Poverty is measured as relative low income and identifies poor pensioners as those living in households with net equivalised income below 60% of the population.
median. This is calculated before and after housing costs. Using this methodology, the poverty thresholds in £s per week in 2013/14 were:

<table>
<thead>
<tr>
<th></th>
<th>BHC</th>
<th>AHC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single pensioner</td>
<td>£182</td>
<td>£134</td>
</tr>
<tr>
<td>Couple pensioner</td>
<td>£272</td>
<td>£232</td>
</tr>
</tbody>
</table>

The analysis of household income in this report generally mirrors the methodology used in the Households Below Average Income series. See DWP (2015a) and DWP (2015b) for further details on measuring household income, equivalisation and income poverty estimates.

Material deprivation is an additional way of measuring living standards and reflects that the family lacks the ability to purchase key goods or services. In the FRS, pensioners are asked whether they have (and if not why not) a suite of 15 goods and services. See DWP (2015b) for further details on measuring material deprivation.

- Do you go out socially at least once a month?
- Do you take a holiday away from home every year?
- Do you have access to a car or taxi when needed?
- Could you replace the cooker if it broke?
- Do you have at least one filling meal a day?
- Do you have a telephone to use, whenever needed?
- Do you have working heating, electrics and plumbing?
- Do you have a warm waterproof coat?
- Is your home kept in a good state of repair?
- Are you able to pay regular bills?
- Is your home kept adequately warm?
- Do you see friends or family less than once a month?
- Do you have a damp-free home?
- Do you have regular haircuts?
- Are you able to meet an unexpected expense of £200?

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Acknowledgements

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This report uses data primarily from the Family Resources Survey (FRS). The FRS is a large-scale survey of approximately 20,000 households in the UK. The datasets were downloaded from the UK Data Service and analysed using SPSS. This report uses analysis of the 2013-14 FRS.

Whatever happens as we get older, we all want to remain independent and live life on our own terms. That’s why, as well as offering regular friendly contact and a strong campaigning voice, Independent Age can provide you and your family with clear, free and impartial advice on the issues that matter: care and support, money and benefits, health and mobility. A charity founded over 150 years ago, we’re independent so you can be.

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