Financial resources and pensioner poverty: a quantitative analysis of the Understanding Society survey (USoc)

Working Paper

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About the author

Dr Matt Barnes is a Senior Lecturer, and Co-Director of the City Q-Step Centre, in the Department of Sociology at City, University of London. He specialises in the secondary analysis of large-scale survey data and his research focuses on poverty, work, disadvantage and social exclusion.

Matt has undertaken a number of research projects on older people for various government and third-sector funders. In 2022 Matt produced research for Independent Age on *longer-term pensioner poverty and poverty transitions* that explored how older people's income changes over time, and how older people move in and out of poverty. In 2019/20 he led research that provided quantitative evidence for Independent Age's *In Focus* project. He has also recently carried out research for Independent Age exploring *Poverty amongst the oldest old*; for the Scottish Government looking at *Poverty in Perspective* (which drew on a previous project with Demos). Matt's previous research on *Child poverty transitions* (for the Child Poverty Unit) and his book on *Social exclusion in Great Britain* both used longitudinal data to look at poverty transitions and poverty histories. Matt also teaches data analysis skills and a module on measuring poverty for third year undergraduates.

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Introduction

This paper builds on the research in Barnes (2022) '*Longer-term pensioner poverty and poverty transitions*', which sought to explore how the experience of poverty changes in older age. The research built on government research that has shown that whilst entering poverty, and staying in poverty, may be relatively uncommon for older people - around 4 per cent of pensioners enter poverty each year - those that it does happen to can experience low living standards (DWP, 2021a). The research used analysis of survey data from *Understanding Society: The UK Household Longitudinal Study*.

The key findings from Barnes (2022) were:

- Pensioners who enter poverty tended not to have been living on high income previously. The majority of pensioners who entered poverty were in the second poorest income quintile or the middle quintile a year earlier.
- Many of the same groups of pensioners that are at greater risk of poverty in later life also have a greater risk of entering poverty past State Pension age: for example, single women, Asian older people and older renters (both private and social) are significantly more likely to enter poverty past State Pension age.
- As income movement in older age is more 'static' than in younger groups, due to less movement in and out of the labour market, those who enter retirement already in poverty are highly likely to stay there.
- The impact of even one year of poverty in older age cannot be overstated. Any experience of poverty puts someone at an increased risk of experiencing material deprivation – such as not having an annual holiday, going out socially with friends and family, and having a cold or damp home – compared with a person who avoids poverty completely. The longer the duration in poverty, the more severe the impact on material deprivation, with two thirds of pensioners who spend four to six years and seven to nine years in poverty lacking at least one key deprivation item.
- The loss of social benefit income is a major factor in older people entering poverty. Likewise, an increase in social benefit income is a key driver in lifting older people out of poverty.

This new research seeks to explore in more detail what pushes older people into poverty (and what helps them exit from poverty). This will provide evidence to aid policy making that attempts to prevent older people from entering poverty and to help those already in poverty to escape. The first part of this paper looks at certain household events that can impact on the income of the household; namely bereavement, and other changes to household composition, such as separation.

The second part of this paper looks more broadly at how we measure financial resources in older age. A pensioner's living standards are traditionally measured according to their household income (comprised of social benefit income, pension income, earnings and so on). This would mean that a pensioner with a household income of £200 per week and no savings would be deemed to have the same living standards as a pensioner with a household income of £200 and £10,000 of savings. The latter pensioner may use their savings to help fund their standard of living. It is particularly pertinent to consider savings alongside income given the current ‘cost of living crisis’, as savings can be used to absorb rising prices in the short and medium term.

This research therefore takes a broader look at the financial resources of pensioners, and considers the role liquid assets, such as savings, play in pensioners’ living standards. Recently, the Social Metrics Commission (SMC) has developed a poverty measure that takes into account income and other financial resources of the household. This paper explores this broader approach in more detail, and compares pensioner poverty using the SMC approach with the more traditional low-income approach (where poverty is measured as household income below 60% of the population median and other financial resources are not taken into account).

Methodology[1]

This research uses data from the Understanding Society survey, and, the Family Resources Survey/Households Below Average Income. Both are large-scale social survey datasets used by academics, third sector organisations, and policy makers to understand the social and economic circumstances of UK society. Both datasets can be downloaded from the UK Data Service.

Understanding Society survey (USoc)

USoc is a large-scale household panel survey that is repeated annually with 40,000 households from across all four countries of the UK (USoc fieldwork is conducted over a two-calendar-year period, with each individual being interviewed on a yearly basis). Questions cover a broad range of topics, including income, work, family composition, health and social relationships. Although it is a population survey, interviewing people aged 10 and above, because of its sheer size it includes a large number of older people, and covers many topics relevant in older age, including detailed information on household income and socio-demographic and economic characteristics. The first wave of the survey was carried out in 2009-10, and the latest data used in this report is from 2018-19 (wave 10).

USoc is also the dataset used in the government’s *Income Dynamics* (DWP, 2021a) publication, which provides information on changes in household income over time. When measuring income changes, *Income Dynamics* compares two consecutive years of USoc data to observe how an individual’s household income changes from one year to the next - for example, the percentage of people that enter (or exit) poverty. However, *Income Dynamics* does not produce detailed statistics about poverty transitions for older people.

Income Dynamics also provides information on persistent poverty, which is measured as having low income for three or four years of a four-year period. Statistics are presented for the population as a whole and specific life stages, including older age. As part of this analysis *Income Dynamics* produces statistics on the percentage of older people in persistent poverty by various characteristics, including family employment status, family type, ethnic group, and tenure.

[1] There is a more detailed description of the methodology in Barnes (2022).

The research uses the Special Licence version of USoc dataset (ISER, 2020). This version of the dataset includes some variables with a higher disclosure risk not available on the End User Licence version of the dataset, including the household's Council Tax charge, which is deducted from household income as an unavoidable tax.

Family Resources Survey (FRS)/Households Below Average Income (HBAI)

The Family Resources Survey is a large-scale survey that collects detailed information on household income. It also collects information on economic activity status, earnings and skills at the individual level. Each year around 20,000 households are surveyed, containing around 34,000 adults, of which around 9,000 are pensioners. In this research the sample size of pensioners is increased by combining datasets from three consecutive years: 2016/17, 2017/18 and 2018/19.

The Family Resources Survey is used by the government to produce annual poverty statistics – the Households Below Average Income series. These statistics present the proportion of the population, and of various subgroups, below various low-income thresholds. The corresponding datasets are made available to analysts to use for their own research.

Data limitations

All surveys gather information from a sample of people rather than the whole population, and hence analysis of survey data provides estimates that can be generalised to the population, rather than precise figures. Although samples are selected to be representative of the population, often they are not. This can be for a variety of reasons, such as people not responding to the survey and surveys oversampling under-represented groups to ensure a big enough sample size for subgroup analysis. Weights are added to the survey datasets to adjust for unequal selection probabilities, differential non-response, and potential sampling error. Weights are applied to all analysis used in this report. In addition, USoc is a longitudinal survey meaning it suffers from attrition as people drop out of the survey year on year. To deal with this, USoc's longitudinal weights are applied to all analysis.

USoc and FRS/HBAI survey private households in the United Kingdom and therefore individuals in nursing or retirement homes, for example, will not be included. The effect of the exclusion of older people who live in residential homes is likely to be small overall except for results specific to those aged 80 and above (DWP, 2021b).

There are of course many challenges with measuring the financial resources of the household. Financial resources are difficult to measure accurately – for example, people may not know, forget, or misreport their income, particularly benefit income (Bruckmeier et al, 2018). Such mis-reporting may be exaggerated when exploring changes in financial resources in longitudinal surveys, for example a respondent may report their income correctly one year and incorrectly a year later, suggesting their income has changed when it may have not.

The data used in this report covers a period prior to the recent pandemic and the social and economic change that has ensued. Hence it is important to remember that the financial circumstances of pensioners presented in this paper may have subsequently changed as a result of fluctuations in the wider economy.

This report uses tables to convey the findings. Interpretation of the analysis focuses on the key messages. The analysis of events (Part 1) should be treated with caution because of low sample sizes.

Part 1. Key household events in older age

This section looks at some specific events that can happen in older age which can have a direct impact on the income of pensioner households. Before describing the events the analysis will focus on, it is useful to outline how household income is measured.

Household income

To calculate a household's income, all sources of income from all household members are added together (social benefits, pension income, investment income, labour income, private benefit income, and any other income flowing into the household). There are a number of other adjustments made to total household income, including using net labour income (deducting income tax payments and National Insurance contributions). Council Tax is also deducted. Housing costs, namely rent or mortgage payments (mortgage interest only, not capital repayments – which are considered to be an investment rather than a cost), plus service and water charges, are also deducted.

Larger households need more income to achieve the same standard of living as smaller households, as they need to heat a larger accommodation, buy food and clothes for more people, and so on. Without taking this into account a single-person household would be deemed to have a higher standard of living than a larger household with the same income. To allow comparisons across households of different size, income is adjusted using equivalence scales. This research uses the modified-OECD equivalence scale (After Housing Costs measure) which attributes 0.58 to the first adult in the household, 0.42 to each other adult (aged 14 and over), and 0.20 to each child (aged under 14) (OECD, 2018). By definition then, a single person with £58 is deemed to have the same standard of living as a couple with £100. A couple household is the baseline (0.58 + 0.42 = 1) and where analysis in this paper reports 'equivalised income' it should be read as income for a couple. Incomes are adjusted for inflation so they are in real terms corresponding to January 2019 using the Consumer Price Index (ONS, 2020).

The focus is on events that affect the size and composition of the household, and hence can have an impact on the sources of income that the household receives. If someone leaves the household (for example because they die or as a result of a separation) the sources and amounts of income that the household receives could change. For low-income households this could result in an income change that results in a poverty transition.

The events that this research considers are:

- Bereavement
- Partnership dissolution e.g. separation
- Partnership formation e.g. partnering
- An adult household member leaving the household e.g. an adult child moving out
- An adult household member joining the household e.g. an adult child moving in

The Understanding Society survey tracks the same individuals from one year to the next, and this analysis uses data from the 2017/18 and 2018/19 surveys to identify changes that pensioners experienced. Because household events are not that common in older age, sometimes the analysis looks to previous survey years to see, for example, whether pensioners have experienced a bereavement over the past three years. This increases the sample size and the possibility for more robust analysis.

Bereavement

In older age, the loss of a partner to bereavement can have a marked impact on the surviving pensioner's income. Research for Independent Age (Seymour et al, 2018) showed that alongside feelings of grief and health problems, women typically see their household incomes fall after the death of their partner, while men tend to see their incomes increase. Bereaved women can lose sources of income tied to their partner - for example, work-related disability benefits and occupational pensions.

The Understanding Society survey identifies around 1 per cent of pensioners having experienced a bereavement in the past year. It is important to point out that this estimate is not capturing all pensioner deaths, as it excludes single pensioners who died. Instead it is capturing pensioners, still alive in 2018/19, who experienced a household member dying over the last year. This, of course, is highly likely to be their partner, but could also be a non-partner who they lived with in a 'complex household[2]' (for example an adult child). But far and away the most likely scenario is the death of a partner. Note that the Understanding Society survey may also underestimate levels of bereavement as respondents may not wish to take part in the survey, and provide information about their household and household changes, so soon after a bereavement.

[2] A 'complex household (or family)' is a technical term used in surveys to describe compositions that are not simple household (or family) structures such as a single person or couple, or a 'nuclear' family (a lone parent with dependent children or a couple with dependent children). Hence a complex household (or family) does not contain only one person or a single nuclear family. There are many types of complex household (or family) which are too numerous to list, but generally include more than two generations or multiple 'families' in the same accommodation.

Table 1

Bereavement in older age by age group

		All pensioners	
		%	Unweighted Count
Household member died in 2018/19	No	99%	6678
	Yes	1%	59
Unweighted base		100%	6737

Base: Individuals of pension age in 2017/18
Source: Understanding Society survey 2017/18 - 2018/19

To increase the sample size of pensioners who have experienced a bereavement, the analysis identifies pensioners who have experienced a bereavement over the previous three years (that is, over the period 2016/17 – 2018/19). The sample sizes of pensioners who have experienced a bereavement are still small though, and hence the analysis presented in this section should be treated with caution.

Table 2

Bereavement: Household member died in last three years by socio-demographic characteristics

		Household member died in past three years		Household member died in past three years			
		No household members died	Household member died in last three years	Household member died in 2018/19	Household member died in 2017/18	Household member died in 2016/17	All pensioners
Age group	Pensioner: SPA-69	25%	16%	22%	9%	16%	25%
	Pensioner: 70-74	31%	23%	16%	32%	20%	31%
	Pensioner: 75-79	20%	21%	17%	18%	26%	20%
	Pensioner: 80+	24%	41%	44%	41%	38%	25%
Age group and sex	SPA-69 Male	11%	6%	12%	1%	6%	11%
	SPA-69 Female	14%	9%	10%	8%	9%	14%
	70-74 Male	15%	7%	2%	11%	8%	15%
	70-74 Female	16%	16%	15%	21%	11%	16%
	75-79 Male	10%	6%	6%	5%	8%	10%
	75-79 Female	10%	14%	12%	13%	18%	10%
	80+ Male	10%	16%	17%	19%	11%	11%
	80+ Female	14%	25%	27%	21%	28%	14%
Family type	Single man	11%	31%	33%	29%	30%	11%
	Single woman	22%	55%	58%	50%	57%	23%
	Couple without children	59%	12%	9%	18%	8%	57%
	Complex household	8%	2%		2%	5%	8%
Ethnic group	White	98%	99%	100%	96%	100%	98%
	Asian	1%	1%		3%		1%
	Black	1%	0%		1%		1%
	Mixed background	1%					0%
Unweighted base		100%	100%	100%	100%	100%	100%
		6552	185	59	63	63	6737

Base: Individuals of pension age in 2017/18
Source: Understanding Society survey 2017/18 - 2018/19

Pensioners who experienced a bereavement over the past three years were disproportionately likely to be:

- Older; two in five (41%) were aged 80 and over
- Older single female (25% were female aged 80 and over)

There were not marked differences according to ethnicity. In many ways the findings presented here show that bereavement tends to happen in late older age and that females, on average, live longer than males. However, patterns of bereavement can vary, and some older people can be in earlier stages of older age when they experience a bereavement.

Table 3

Change in broad income sources for pensioners who experienced a household bereavement

		Household member died in past three years		Household member died in past three years			
		No household members died	Household member died in last three years	Household member died in 2018/19	Household member died in 2017/18	Household member died in 2016/17	All pensioners
Change in social benefit income	Income increased	18%	27%	24%	33%	23%	18%
	Income not changed	69%	58%	50%	55%	68%	69%
	Income decreased	13%	16%	26%	12%	9%	13%
Change in private pension income	Income increased	15%	27%	41%	24%	18%	16%
	Income not changed	73%	53%	31%	61%	66%	72%
	Income decreased	12%	20%	28%	15%	16%	12%
Change in investment income	Income increased	26%	27%	22%	32%	28%	26%
	Income not changed	50%	41%	35%	46%	41%	49%
	Income decreased	25%	32%	43%	22%	31%	25%
Change in labour income	Income increased	6%	3%	3%	3%	3%	6%
	Income not changed	84%	90%	92%	86%	92%	84%
	Income decreased	9%	7%	5%	11%	5%	9%
Change in private benefit income	Income increased	0%	1%			2%	0%
	Income not changed	100%	98%	100%	96%	98%	100%
	Income decreased	0%	1%		4%		0%
Change in miscellaneous income	Income increased	2%	2%	1%	1%	4%	2%
	Income not changed	96%	97%	98%	98%	96%	96%
	Income decreased	2%	1%	1%	1%		2%
Unweighted base		100%	100%	100%	100%	100%	100%
		6552	185	59	63	63	6737

Base: Individuals of pension age in 2017/18
Source: Understanding Society survey 2017/18 - 2018/19
Note: Income changes recorded from 2017/18 - 2018/19
Note: An income change is only recorded if more/less than 20% and a minimum of £10
Note: Social benefits includes tax credits and all state benefits, including State Pension.
Note: Private pension income Includes occupational pensions income.
Note: Investment income Includes private pensions/annuities, rents received, income from savings and investments.
Note: Private benefit income includes trade union/friendly society payments, maintenance or alimony and sickness or accident insurance.
Note: Labour income includes usual pay and self-employment earnings. This also includes income from second jobs.
Note: Miscellaneous income includes educational grants, payments from family members and any other regular payment.

This table measures changes in different sources of household income from 2017/18 to 2018/19. A change is only counted if that source of income has gone up (or gone down) by 20% and by at least £10 per month. The table shows that:

- There is considerable change in certain sources of income irrespective of bereavement, for example, around half of pensioners saw a change in their investment income. Consequently, for pensioners that experienced a bereavement, a change in investment income is most likely to happen.
- However, compared to all pensioners, bereavement is most likely to be associated with a change in private pension income, and, any change is more likely to happen in the year closest to the bereavement rather than in subsequent years (although sample sizes are small, so again, findings should be treated with caution).

- There is also evidence of social benefit income changing after a bereavement, and again the evidence suggests this happens closer to the bereavement than in subsequent years.
- The table points to instances where income could go up or could go down after a bereavement but the sample sizes are too small to disaggregate any further.

Table 4

Start/stop claiming benefits for pensioners who experienced a household bereavement

		Household member died in past three years		Household member died in past three years			
		No household members died	Household member died in last three years	Household member died in 2018/19	Household member died in 2017/18	Household member died in 2016/17	All pensioners
Household receipt of Council Tax Reduction	In receipt in both waves	24%	35%	17%	33%	52%	24%
	Started receiving	4%	16%	23%	13%	13%	4%
	Stopped receiving	3%	6%	6%	6%	6%	3%
	Not in receipt in both waves	69%	43%	54%	48%	29%	69%
Household receipt of Pension Credit (includes Guarantee Credit & Saving Credit)	In receipt in both waves	10%	10%	1%	15%	13%	10%
	Started receiving	1%	1%	3%		1%	1%
	Stopped receiving	1%	2%	3%	2%	2%	1%
	Not in receipt in both waves	88%	87%	93%	84%	84%	88%
Household receipt of Housing Benefit	In receipt in both waves	10%	10%	10%	9%	12%	10%
	Started receiving	1%	1%			2%	1%
	Stopped receiving	1%	1%	3%			1%
	Not in receipt in both waves	88%	88%	87%	91%	86%	88%
Household receipt of Disability Living Allowance	In receipt in both waves	6%	5%	1%	9%	6%	6%
	Started receiving	1%	1%	2%			1%
	Stopped receiving	2%	4%	13%			2%
	Not in receipt in both waves	91%	90%	83%	91%	94%	91%
Household receipt of Attendance Allowance	In receipt in both waves	6%	7%	8%	4%	7%	6%
	Started receiving	2%	2%	0%		6%	2%
	Stopped receiving	1%	8%	23%	1%		1%
	Not in receipt in both waves	91%	84%	68%	95%	87%	91%
Unweighted base		100%	100%	100%	100%	100%	100%
		6552	185	59	63	63	6737

Base: Individuals of pension age
Source: Understanding Society survey 2017/18 - 2018/19
Note: Income changes recorded from 2017/18 - 2018/19
Note: Number of benefits started(stopped) counts all benefits, including those not listed in table

The Understanding Society survey collects detailed information about household income, including whether the household is in receipt of specific social benefits. This analysis looks at five social benefits particularly relevant to pensioners: Council Tax Reduction, Pension Credit, Housing Benefit, Disability Living Allowance, and, Attendance Allowance. There is some evidence to suggest that:

- Pensioners who experience a bereavement are disproportionately likely to start receiving Council Tax Reduction.
- Pensioners who experience a bereavement are disproportionately likely to stop receiving health or caring benefits such as Disability Living Allowance, and, Attendance Allowance. This may be because the bereaved partner was receiving this benefit before their death.

Table 5

Change in amount of benefits for pensioners who experienced a household bereavement

		Household member died in past three years		Household member died in past three years			
		No household members died	Household member died in last three years	Household member died in 2018/19	Household member died in 2017/18	Household member died in 2016/17	All pensioners
Household receipt of Council Tax Reduction	Decreased by £100+ per month	1%	2%	3%		4%	1%
	Decreased by £50-100 per month	2%	5%	3%	6%	6%	2%
	Decreased by £20-50 per month	2%	5%	2%	8%	4%	2%
	Stayed the same (-£20 to +£20 per month)	90%	73%	77%	67%	75%	89%
	Increased by £20-50 per month	2%	10%	8%	15%	6%	3%
	Increased by £50-100 per month	2%	3%	6%	2%	2%	2%
	Increased by £100+ per month	1%	2%		2%	3%	1%
Household receipt of Disability Living Allowance	Decreased by £100+ per month	2%	3%	9%	2%		2%
	Decreased by £50-100 per month	0%	0%	1%			0%
	Decreased by £20-50 per month	0%	1%		2%	1%	0%
	Stayed the same (-£20 to +£20 per month)	95%	94%	90%	95%	97%	95%
	Increased by £20-50 per month	1%					1%
	Increased by £50-100 per month	0%	0%		1%		0%
	Increased by £100+ per month	1%	1%			2%	1%
Household receipt of Attendance Allowance	Decreased by £100+ per month	2%	7%	21%	2%		2%
	Decreased by £50-100 per month						
	Decreased by £20-50 per month						
	Stayed the same (-£20 to +£20 per month)	96%	89%	79%	98%	90%	96%
	Increased by £20-50 per month	0%	1%			2%	0%
	Increased by £50-100 per month						
	Increased by £100+ per month	2%	3%	0%		8%	3%
Unweighted base		100%	100%	100%	100%	100%	100%
		6552	185	59	63	63	6737

Base: Individuals of pension age
Source: Understanding Society survey 2017/18 - 2018/19
Note: Income changes recorded from 2017/18 - 2018/19

Again, delving a bit deeper into changes in these benefits, this analysis shows by how much per month individual benefits change for pensioners who have experienced a bereavement. Unlike the analysis on the previous page, this analysis includes pensioners who have continued to receive the benefit but the amount has changed.

- Although we know that only a minority of pensioners who experienced a bereavement saw a change in benefit receipt, for those that did, the changes in income for Council Tax Reduction tend to be smaller.
- For those that see a change in caring benefits, such as Disability Living Allowance and Attendance Allowance, the change can be larger, for example income from the benefit can decrease by £100 or more per month. A change in caring benefits may have been connected to the person who has now died.

Table 6

Poverty transitions for pensioners who experienced a household bereavement

		Household member died in past three years		Household member died in past three years			
		No household members died	Household member died in last three years	Household member died in 2018/19	Household member died in 2017/18	Household member died in 2016/17	All pensioners
Poverty transitions	Remained in poverty	10%	11%	5%	12%	16%	10%
	Entered poverty	4%	4%	6%		6%	4%
	Exited poverty	5%	4%		8%	4%	5%
	Remained out of poverty	81%	81%	89%	80%	75%	81%
Income quintiles 2017/18	Poorest quintile	15%	17%	5%	20%	24%	15%
	2nd poorest quintile	21%	23%	29%	15%	24%	21%
	Middle quintile	21%	25%	30%	28%	16%	21%
	2nd richest quintile	20%	23%	21%	21%	26%	21%
	Richest quintile	23%	13%	14%	16%	10%	22%
Unweighted base		100%	100%	100%	100%	100%	100%
		6478	183	59	61	63	6661

Base: Individuals of pension age
Source: Understanding Society survey 2017/18 - 2018/19

The final analysis in this section looks at the association between bereavement and poverty transitions. As with the other income changes discussed in this section, a poverty transition is measured across 2017/18 – 2018/19. Given small sample sizes, the most robust analysis considers pensioners who experienced a bereavement over the past three years.

- Pensioners who experienced a bereavement over the past three years were no more or less likely to experience a poverty transition that other pensioners.
- Of course, many pensioners who experienced a bereavement were not on low or middle income in the year prior to the bereavement, and hence may have been protected from slipping into poverty. The sample sizes are not large enough to disaggregate by prior income quintile, but this could be an avenue for further research.

Changes in household composition

Another key event that pensioners can experience that could have an impact on household finances is a change in the composition of the household (other than bereavement). This could be caused by partnership dissolution or formation, or an adult household member leaving or joining the household.

Table 7

Change in household composition in older age

		All pensioners %	All pensioners Unweighted Count
Changes in household composition	Household stayed same	98%	6435
	From couple to single	0%	25
	From complex hhold to single	0%	7
	From single to couple	0%	18
	From complex hhold to couple	1%	56
	Complex hhold that has increased	0%	18
	Complex hhold that has decreased	0%	15
Unweighted base		100%	6678

Base: Individuals of pension age in 2017/18 (who did not experience a bereavement)
Source: Understanding Society survey 2017/18 - 2018/19

As with bereavement, other changes to the household are relatively uncommon in older age, with the vast majority of pensioners seeing no change in the number of people they live with from one year to the next. The most common change was from a complex household to a couple (1%) - most of these were initially a pensioner couple living with another adult, for example an adult child.

Given the small sample sizes, the analysis identifies pensioners who have experienced a household change over the past three years. Note that a change from complex household to single is not included in the following tables as the sample size is too low (despite looking over a three-year period).

Table 8

Change in household composition (for pensioners who did not experience a bereavement) by socio-demographic characteristics

		Experienced change over the last 3 years: from couple to single Yes	Experienced change over the last 3 years: from single to couple Yes	Experienced change over the last 3 years: from complex hhold to couple Yes	Experienced change over the last 3 years: complex hhold increased Yes	Experienced change over the last 3 years: complex hhold decreased Yes	All pensioners
Age group	SPA-69	33%	24%	47%	47%	52%	25%
	70-74	30%	36%	35%	27%	31%	31%
	75-79	15%	19%	12%	19%	10%	20%
	80+	22%	21%	6%	8%	7%	24%
Age group and sex	SPA-69 Male	6%	9%	27%	24%	32%	11%
	SPA-69 Female	26%	14%	20%	23%	21%	14%
	70-74 Male	7%	17%	22%	21%	27%	15%
	70-74 Female	23%	20%	13%	5%	4%	16%
	75-79 Male	5%	4%	9%	14%	9%	10%
	75-79 Female	11%	15%	3%	5%	0%	10%
	80+ Male	8%	11%	4%	7%	4%	10%
	80+ Female	13%	10%	2%	1%	2%	14%
Family type	Single man	25%	5%	0%			11%
	Single woman	70%	7%	2%			22%
	Couple without children	5%	85%	93%	6%	16%	59%
	Complex household		3%	4%	94%	84%	8%
Ethnic group	White	99%	97%	98%	82%	94%	98%
	Asian	1%	1%	1%	10%	3%	1%
	Black	0%	2%	1%	6%	2%	1%
	Mixed background		0%	0%	1%	1%	1%
Unweighted base		100%	100%	100%	100%	100%	100%
		84	64	160	61	59	6552

Base: Individuals of pension age in 2018/19 who did not experience a bereavement in the last three years
Source: Understanding Society survey 2017/18 - 2018/19

Despite looking across three years, the sample sizes are small and hence, again, the analysis presented in this section should be treated with caution.

- Younger pensioners are disproportionately likely to go from living in a complex household to living as a couple. This is likely to be when an adult child moves out of the household.
- Ethnic minority pensioners (e.g. Asian pensioners) are most likely to live in a complex household (e.g. a multi-generational household) and to experience a change such as the complex household increasing in size.

Table 9

Change in broad income sources for pensioners who experienced a change in household type (and who did not experience a bereavement)

		Experienced change over the last 3 years: from couple to single Yes	Experienced change over the last 3 years: from single to couple Yes	Experienced change over the last 3 years: from complex to couple Yes	Experienced change over the last 3 years: complex increased Yes	Experienced change over the last 3 years: complex decreased Yes	All pensioners
Change in social benefit income	Income increased	35%	21%	43%	34%	38%	18%
	Income not changed	50%	45%	40%	50%	51%	69%
	Income decreased	15%	34%	17%	16%	11%	13%
Change in private pension income	Income increased	20%	19%	37%	30%	30%	15%
	Income not changed	68%	62%	53%	55%	60%	73%
	Income decreased	12%	18%	10%	15%	9%	12%
Change in investment income	Income increased	29%	29%	39%	24%	31%	26%
	Income not changed	54%	46%	38%	62%	38%	50%
	Income decreased	17%	24%	23%	14%	31%	25%
Change in labour income	Income increased	3%	23%	8%	31%	24%	6%
	Income not changed	73%	61%	48%	38%	47%	84%
	Income decreased	24%	16%	44%	31%	29%	9%
Change in private benefit income	Income increased	2%	2%		5%	1%	0%
	Income not changed	98%	98%	100%	95%	99%	100%
	Income decreased			0%	0%	1%	0%
Change in miscellaneous income	Income increased	6%	5%	6%	7%	4%	2%
	Income not changed	92%	95%	89%	86%	86%	96%
	Income decreased	2%		5%	7%	10%	2%
Unweighted base		100%	100%	100%	100%	100%	100%
		84	64	160	61	59	6552

Base: Individuals of pension age in 2017/18
Source: Understanding Society survey 2017/18 - 2018/19
Note: Income changes recorded from 2017/18 - 2018/19
Note: An income change is only recorded if more/less than 20% and a minimum of £10
Note: Social benefits includes tax credits and all state benefits, including State Pension.
Note: Private pension income Includes occupational pensions income.
Note: Investment income Includes private pensions/annuities, rents received, income from savings and investments.
Note: Private benefit income includes trade union/friendly society payments, maintenance or alimony and sickness or accident insurance.
Note: Labour income includes usual pay and self-employment earnings. This also includes income from second jobs.
Note: Miscellaneous income includes educational grants, payments from family members and any other regular payment.

Like the experience of a bereavement, a change in household composition can mean that the income sources of pensioner households can alter. The analysis is to be viewed with caution because of low sample sizes, but there are indications that:

- Social benefit income is more likely to increase for families that decrease in size (e.g. from complex household to couple), and to decrease for families that increase in size (e.g. from single to couple). As with bereavement, a change in household composition may unlock access to certain social benefits, and changes to overall household income may alter eligibility for income-related benefits.
- The previous analysis suggested that younger pensioners are disproportionately likely to go from living in a complex household to living as a couple and that this could be when an adult child moves out of the household. Consequently the analysis suggests that these pensioners could also see a decrease in labour income (again, it is likely to be the adult child that is working and no longer in the household).

Table 10

Start/stop claiming benefits for pensioners who experienced a change in household type (and who did not experience a bereavement)

		Experienced change over the last 3 years: from couple to single	Experienced change over the last 3 years: from single to couple	Experienced change over the last 3 years: from complex hhold to couple	Experienced change over the last 3 years: complex hhold increased	Experienced change over the last 3 years: complex hhold decreased	All pensioners
		Yes	Yes	Yes	Yes	Yes	
Household receipt of Council Tax Reduction	In receipt in both waves	40%	13%	6%	13%	0%	24%
	Started receiving	18%	3%	3%		4%	4%
	Stopped receiving	7%	16%	2%	10%	3%	3%
	Not in receipt in both waves	36%	68%	89%	78%	93%	69%
Household receipt of Pension Credit (includes Guarantee Credit & Saving Credit)	In receipt in both waves	23%	10%	3%	13%	3%	10%
	Started receiving	6%	5%	1%	3%	4%	1%
	Stopped receiving	4%	7%	1%	1%	1%	1%
	Not in receipt in both waves	67%	79%	95%	84%	92%	88%
Household receipt of Housing Benefit	In receipt in both waves	22%	11%	4%	5%	0%	10%
	Started receiving	7%		1%	3%	4%	1%
	Stopped receiving	1%	3%		4%	3%	1%
	Not in receipt in both waves	71%	86%	95%	88%	92%	88%
Household receipt of Disability Living Allowance	In receipt in both waves	14%	3%	3%	4%	2%	6%
	Started receiving	3%	2%	1%			1%
	Stopped receiving	4%	3%	2%	7%	4%	2%
	Not in receipt in both waves	79%	93%	95%	90%	95%	91%
Household receipt of Attendance Allowance	In receipt in both waves	3%	1%		1%		6%
	Started receiving	4%	2%	3%	2%		2%
	Stopped receiving	3%	7%		1%	1%	1%
	Not in receipt in both waves	90%	90%	97%	97%	99%	91%
Unweighted base		100%	100%	100%	100%	100%	100%
		84	64	160	61	59	6552

Base: Individuals of pension age
Source: Understanding Society survey 2017/18 - 2018/19
Note: Income changes recorded from 2017/18 - 2018/19
Note: Number of benefits started(stopped) counts all benefits, including those not listed in table

Despite the small sample sizes, there is some evidence of certain benefits starting or stopping after a household change.

- Although the vast majority of pensioners that changed from a couple to single (and who did not experience a bereavement) did not change income source, these pensioners were disproportionately likely to start receiving certain social benefits such as Council Tax Reduction, Housing Benefit and Pension Credit.
- Likewise there is some evidence that pensioners that changed from single to a couple were disproportionately likely to stop receiving certain social benefits.

Table 11

Change in amount of benefits for pensioners who experienced a change in household type (and who did not experience a bereavement)

		Experienced change over the last 3 years: from couple to single	Experienced change over the last 3 years: from single to couple	Experienced change over the last 3 years: from complex hhold to couple	Experienced change over the last 3 years: complex hhold increased	Experienced change over the last 3 years: complex hhold decreased	
		Yes	Yes	Yes	Yes	Yes	All pensioners
Household receipt of Council Tax Reduction	Decreased by £100+ per month	1%	1%	0%			1%
	Decreased by £50-100 per month	3%	2%	2%	3%		2%
	Decreased by £20-50 per month		2%	1%	3%		2%
	Stayed the same (-£20 to +£20 per month)	79%	87%	95%	89%	100%	90%
	Increased by £20-50 per month	8%	2%	1%	1%		2%
	Increased by £50-100 per month	3%	3%				2%
	Increased by £100+ per month	5%	4%	1%	3%		1%
Household receipt of Pension Credit (includes Guarantee Credit & Saving Credit)	Decreased by £100+ per month	5%	2%	0%	5%	1%	1%
	Decreased by £50-100 per month	0%		0%	1%		1%
	Decreased by £20-50 per month		2%	1%			0%
	Stayed the same (-£20 to +£20 per month)	89%	92%	99%	90%	95%	95%
	Increased by £20-50 per month	1%	3%		1%		0%
	Increased by £50-100 per month	3%	1%				1%
	Increased by £100+ per month	0%			4%	4%	2%
Household receipt of Housing Benefit	Decreased by £100+ per month	4%	6%		2%	3%	2%
	Decreased by £50-100 per month				0%		0%
	Decreased by £20-50 per month	3%			3%		1%
	Stayed the same (-£20 to +£20 per month)	85%	91%	97%	92%	92%	94%
	Increased by £20-50 per month	3%	2%	1%			1%
	Increased by £50-100 per month			2%			0%
	Increased by £100+ per month	5%			4%	4%	2%
Household receipt of Disability Living Allowance	Decreased by £100+ per month	7%	5%	2%	7%	4%	2%
	Decreased by £50-100 per month	1%			2%		0%
	Decreased by £20-50 per month						0%
	Stayed the same (-£20 to +£20 per month)	88%	93%	97%	90%	96%	95%
	Increased by £20-50 per month						1%
	Increased by £50-100 per month	1%					0%
	Increased by £100+ per month	3%	2%	1%	2%		1%
Household receipt of Attendance Allowance	Decreased by £100+ per month	1%	4%			1%	2%
	Decreased by £50-100 per month						
	Decreased by £20-50 per month						
	Stayed the same (-£20 to +£20 per month)	94%	96%	97%	98%	99%	96%
	Increased by £20-50 per month						0%
	Increased by £50-100 per month						
	Increased by £100+ per month	4%		3%	2%		2%
Unweighted base		100%	100%	100%	100%	100%	100%
		84	64	160	61	59	6552

Base: Individuals of pension age
Source: Understanding Society survey 2017/18 - 2018/19
Note: Income changes recorded from 2017/18 - 2018/19

This analysis shows the magnitude of any income changes and includes pensioners whose income changed while continuing to receive the particular benefit (the previous analysis focused on starting and stopping the benefit).

- A change in receipt of Council Tax Reduction for pensioners who went from couple to single was the most common benefit change (but still for only a minority of pensioners).
- Some pensioners (again a minority) saw their amount of benefit change quite considerably (by at least £100 a month) after a household composition change.

Table 12

Poverty transitions for pensioners who experienced a change in household type (and who did not experience a bereavement)

		Experienced change over the last 3 years: from couple to single	Experienced change over the last 3 years: from single to couple	Experienced change over the last 3 years: from complex hhold to couple	Experienced change over the last 3 years: complex hhold increased	Experienced change over the last 3 years: complex hhold decreased	All pensioners
		Yes	Yes	Yes	Yes	Yes	
Poverty transitions	Remained in poverty	11%	6%	3%	7%		10%
	Entered poverty	14%	3%	2%	6%	6%	4%
	Exited poverty	7%	5%	3%	7%	3%	5%
	Remained out of poverty	68%	86%	91%	79%	91%	81%
Income quintiles 2017/18	Poorest quintile	20%	13%	7%	15%	3%	15%
	2nd poorest quintile	33%	19%	18%	24%	28%	21%
	Middle quintile	19%	24%	21%	24%	19%	21%
	2nd richest quintile	14%	26%	15%	19%	28%	20%
	Richest quintile	14%	17%	39%	18%	22%	23%
Unweighted base		100%	100%	100%	100%	100%	100%
		84	64	158	61	59	6478

Base: Individuals of pension age
Source: Understanding Society survey 2017/18 - 2018/19

As with the other income changes discussed in this section, a poverty transition is measured across 2017/18 – 2018/19. Despite the small sample sizes, there is some evidence to suggest that:

- The majority of pensioners who experienced a change in household composition did not change poverty status. This is because many were not near the poverty line at the time of the change in household composition.
- Poorer families (from the poorest and second poorest quintile) were disproportionately more likely to go from couple to single than families further up the income distribution.
- Pensioners who went from couple to single were disproportionately likely to enter poverty (but again, this was still the minority).

Summary

This section has explored some of the key events that can happen in older age that could have an impact on household income. Events such as bereavement and change in family structure (e.g. separation) are relatively rare in older age. These events may be under-represented in survey data as people may not want to take part in a survey soon after such an event has happened. Consequently, because of the low number of pensioners who experience a bereavement or change in family structure, sample sizes for the analysis are low – hence the results should be regarded as preliminary and viewed with caution

These issues aside, the findings indicate that:

- Bereavement seems most likely to impact a change in social benefit and private pension income, with health/carer benefits most likely to stop.
- Excluding bereavements, changes in family structure are again rare, but the analysis suggests that younger pensioners are disproportionately likely to go from a complex household to living as a couple (which could be the result of an adult child/ren moving out of the home), and other changes in complex families.

- Ethnic minority pensioners (e.g. Asian pensioners) are the most likely to live in complex families and hence to experience a household change.
- There is some evidence that social benefits, particularly income-related benefits such as Council Tax Reduction, Housing Benefit and Pension Credit can increase when family size reduces – but this is still the exception rather than the norm (at least looking at transitions over one year, close to the event).

As discussed above, the low sample sizes used in this analysis means that it can primarily be viewed as exploratory analysis and as a stepping stone to further research. One of the drawbacks of the analysis presented here is that it was not possible to focus on the impact of household events that happen to poorer pensioners. Events such as bereavement and change in family formation (e.g. separation) happen to pensioners across the income distribution, and, financially at least, these events may have the most impact on the poorest pensioners. Drawing on the whole tranche of Understanding Society survey data, going back to its inception in 2009, and further back to the British Household Panel Study (which ran from 1991-2008), may provide a larger sample of events to analyse.

The Understanding Society survey also captures other events that could impact on pensioner incomes. One area of particular relevance to pensioners is the onset of ill health. This can lead to a range of outcomes that could impact household income, such as leaving the labour market (for younger pensioners), being eligible for social benefits, relying on care (often from a partner) and so on. The Understanding Society survey asks a number of health-related questions, including subjective health, specific illnesses as diagnosed by a health professional (e.g. heart disease, angina, cancer etc.), the General Health Questionnaire (GHQ-12) which is used to assess mental health, the Warwick-Edinburgh Mental Wellbeing Scales which were developed to enable the measuring of mental wellbeing (WEMWBS), and a short form health survey used to measure quality of life, physical and mental health (SF-12). Hence there is much scope for further research in this area.

Another potential source of data for further research is the Understanding Society Life Events Survey (ISER, 2022). Throughout 2020 respondents from the Understanding Society Innovation Panel were asked to complete a monthly Life Events survey asking for a simple yes/no question about whether they had experienced an event in the last month, including being diagnosed with a new health condition, or whether they had gone to hospital as an outpatient; changed jobs, started or stopped working; moved house; and, stopped or started living with a partner. The Innovation Panel is a sample of only 1,500 households though, so sample size is likely to be an issue, particularly if the focus is on poorer pensioners.

Other panel surveys, such as the English Longitudinal Study of Ageing (ELSA) would also be useful sources of data. The aim of ELSA is to explore the unfolding dynamic relationships between health, functioning, social networks and economic position in people aged 50 and over who reside in England. ELSA collects detailed financial information, including sources of income and various forms of wealth, allowing for an analysis of the impact of life events on the financial circumstances of pensioners.

Part 2. Exploring wider financial circumstances in older age

Given the current cost of living crisis, demonstrated by the rising prices of essential items such as food and energy, an obvious point of interest for research is around 'cutting back' – evidencing the financial circumstances of older people, their expenditure and living standards, and how these change over time. Although surveys such as Understanding Society track pensioners over time, allowing, for example, researchers to observe what happens to (low income) pensioners' expenditure and living standards when their income falls, unpicking the complexity of changing household financial circumstances is not straightforward. Furthermore, as the data from surveys such as Understanding Society often lags one or two years behind the present day, current economic issues will not yet be reflected in the data.

Yet, relevant to understanding how pensioners cope in a financial crisis, and an area of research that seems under-developed, is comparing the living standards of pensioners at different levels of income – and exploring what other forms of financial resources pensioners use (such as savings) to fund their living standards. This section begins by exploring the expenditure and deprivation of pensioners at different income levels, from the poorest 20 per cent to the richest 20 per cent. It then examines the other financial resources that pensioners can draw on, particularly the resources of pensioners with low levels of income. The Social Mobility Commission have developed a method of using 'Total Resources Available' to measure a household's financial resources - which includes taking into account household income and liquid assets - and the research compares that approach with more traditional methods that consider income only.

How living standards vary by income level

In this section income quintiles are used to differentiate pensioners according to their household income. The income quintiles divide the whole population (including children and working-age adults) into five equally sized groups from lowest to highest household income (after housing costs are deducted). Box 1 shows levels of income for a couple (with no children) and a single person (with no children) at various thresholds – quintiles, median and 60% of median. For example, couples in the bottom (poorest) quintile had net household income (after housing costs, namely rent or mortgage interest payments, are deducted) less than £272 per week (£158 if a single person).

Box 1. Money values for various income statistics by household type, 2019/20

Income statistic	**Couple pensioner with no children**		**Single pensioner with no children**	
	Range	Median	Range	Median
Bottom (poorest) quintile	<£272	£191	<£158	£111
Second quintile	£272-406	£339	£158-236	£197
Third quintile	£407-549	£476	£237-318	£276
Fourth quintile	£550-757	£633	£319-439	£367
Top (richest) quintile	£758+	£984	£440+	£571
Median	£476		£276	
60% Median	£285		£166	

Source: Households Below Average Income, 2019/20 (DWP, 2021c)

The bottom income quintile (the poorest 20% of people) maps closely to the standard definitions of poverty in the UK. According to DWP (2021b) in 2019/20 22% of the population were in ‘relative low income’ (below 60% of median income after housing costs) and 18% were in ‘absolute low income’ (below 60% of 2010/11 median income held constant in real terms).

Statistics from the Office for National Statistics (ONS, 2019) demonstrate how pensioner expenditure varies by income level (see tables on next page). Important to note here is that some areas of expenditure are relatively stable across income levels, at least for the middle quintiles, although the poorest and richest do show differences. For example, non-discretionary expenditure such as ‘food and non-alcoholic drinks’, ‘housing, fuel and power’ and ‘household goods and services’ are similar across the second to the fourth income quintiles. It is the more discretionary expenditure such as ‘recreation and culture’ that decrease more substantially as pensioners get poorer. The differences between the poorest quintile and the second quintile may approximate, to some degree, what happens when pensioners ‘cut back’ – for example by spending disproportionately less on ‘recreation and culture’ and ‘transport’ (which could be transport to the place of recreation/culture). ‘Miscellaneous goods and services’ also varies across quintiles and includes items such as personal care and insurances.

Table 13

Expenditure of one adult retired[1] households by equivalised disposable income quintile group[2] (OECD-modified scale)

UK, financial year ending 2018

		Lowest twenty per cent	Second quintile group	Third quintile group	Fourth quintile group	Highest twenty per cent	All house-holds
Lower boundary of group (£ per week)[3]			204	276	345	460	
Weighted number of households (thousands)		1,000	780	690	520	520	3,520
Total number of households in sample		190	150	120	90	100	640
Total number of persons in sample		190	150	120	90	100	640
Total number of adults in sample		190	150	120	90	100	640
Weighted average number of persons per household		1.0	1.0	1.0	1.0	1.0	1.0
Commodity or service		Average weekly household expenditure (£)					
1	Food and non-alcoholic drinks	26.50	30.10	34.00	40.50	37.40	32.40
2	Alcoholic drinks, tobacco and narcotics	5.70	5.40	7.70	5.60	[6.70]	6.10
3	Clothing and footwear	4.40	5.20	8.90	6.90	[12.10]	7.00
4	Housing (net)[4], fuel and power	37.50	46.50	41.80	45.00	41.10	42.00
5	Household goods and services	9.60	18.40	26.00	21.00	34.10	20.10
6	Health	1.80	3.30	2.90	6.00	[4.50]	3.40
7	Transport	9.80	15.50	20.30	30.90	44.30	21.40
8	Communication	7.30	8.80	9.20	9.80	12.00	9.10
9	Recreation and culture	16.60	22.20	29.00	36.10	97.40	35.20
10	Education	..	..	..	..	..	..
11	Restaurants and hotels	8.40	12.70	13.30	19.60	38.00	16.40
12	Miscellaneous goods and services	8.90	17.20	27.40	61.70	43.50	27.30
1-12	All expenditure groups	136.40	185.30	220.70	284.30	371.90	220.70
13	Other expenditure items	15.10	22.00	30.80	35.00	94.50	34.40
Total expenditure		**151.40**	**207.30**	**251.40**	**319.30**	**466.40**	**255.10**
Average weekly expenditure per person (£)							
Total expenditure		**151.40**	**207.30**	**251.40**	**319.30**	**466.40**	**255.10**

Note: The commodity and service categories are not comparable to those in publications before 2001-02.
Please see background notes for symbols and conventions used in this report.
1 Includes households mainly dependent on state pension and not mainly dependent on state pension.
2 The income measure used to create the deciles/quintiles is consistent with previous Family Spending reports. However, this differs from ONS' preferred measure of income. For more details please see the methodology section of this bulletin.
3 Quintile groups have been calculated separately for retired and non-retired households.
4 Excluding mortgage interest payments, council tax and Northern Ireland Rates.

Source: Office for National Statistics

Expenditure of two adult retired[1] households by disposable income quintile group[2]

UK, financial year ending 2018

		Lowest twenty per cent	Second quintile group	Third quintile group	Fourth quintile group	Highest twenty per cent	All house-holds
Lower boundary of group (£ per week)[3]			232	332	457	640	
Weighted number of households (thousands)		110	340	790	960	1,020	3,230
Total number of households in sample		20	80	180	220	240	740
Total number of persons in sample		40	150	360	450	470	1,470
Total number of adults in sample		40	150	360	450	470	1,470
Weighted average number of persons per household		2.0	2.0	2.0	2.0	2.0	2.0
Commodity or service		Average weekly household expenditure (£)					
1	Food and non-alcoholic drinks	49.70	60.00	56.10	62.40	73.20	63.60
2	Alcoholic drinks, tobacco and narcotics	[11.90]	7.60	11.10	14.60	16.40	13.50
3	Clothing and footwear	[6.80]	9.00	13.30	19.10	23.90	17.70
4	Housing (net)[4], fuel and power	24.60	42.00	49.50	49.10	63.40	52.10
5	Household goods and services	27.40	25.70	32.30	35.70	50.70	38.20
6	Health	[5.60]	5.30	6.70	10.60	16.80	10.90
7	Transport	[25.50]	35.80	41.70	56.90	96.70	62.40
8	Communication	10.60	10.80	11.80	15.30	16.40	14.20
9	Recreation and culture	25.40	36.20	59.80	80.30	140.80	87.80
10	Education	:	..	..	..	..	[1.20]
11	Restaurants and hotels	[10.50]	27.80	30.30	35.60	63.80	41.50
12	Miscellaneous goods and services	30.60	24.90	26.80	41.50	54.80	39.90
1-12	All expenditure groups	228.70	285.10	339.30	422.10	619.90	443.00
13	Other expenditure items	31.30	28.30	41.30	54.10	99.20	61.70
Total expenditure		**259.90**	**313.40**	**380.70**	**476.30**	**719.10**	**504.70**
Average weekly expenditure per person (£)							
Total expenditure		**130.00**	**156.70**	**190.30**	**238.10**	**359.50**	**252.30**

Note: The commodity and service categories are not comparable to those in publications before 2001-02.
Please see background notes for symbols and conventions used in this report.
1 Includes households mainly dependent on state pension and not mainly dependent on state pension.
2 The income measure used to create the deciles/quintiles is consistent with previous Family Spending reports. However, this differs from ONS' preferred measure of income. For more details please see the methodology section of this bulletin.
3 Quintile groups have been calculated separately for retired and non-retired households.
4 Excluding mortgage interest payments, council tax and Northern Ireland Rates.

Source: Office for National Statistics

One way of measuring living standards, particularly amongst the poorest pensioners in society, is to ask about their access to goods and services. The Family Resources Survey asks pensioners a suite of 15 questions that cover:

- At least one filling meal a day
- Go out socially at least once a month
- See friends or family at least once a month
- Take a holiday away from home
- Able to replace cooker if it broke down
- Home kept in a good state of repair
- Heating, electrics, plumbing and drains working
- Have a damp-free home
- Home kept adequately warm
- Able to pay regular bills
- Have a telephone to use, whenever needed
- Have access to a car or taxi, whenever needed
- Have hair done or cut regularly
- Have a warm waterproof coat
- Able to pay an unexpected expense of £200

When pensioners say they do not have a good or service, they are asked whether this is because:

- They do not have the money for this
- It is not a priority on their current income
- Their health / disability prevents them
- It is too much trouble or tiring
- They have no one to do this with or help them
- It is not something they want; it is not relevant to them
- Other

Pensioners can give more than one answer, as there could be multiple reasons why they do not have an item.

A pensioner is counted as being deprived of an item where they lack it for any reason except ‘it is not something they want; it is not relevant to them’. The exception to this is for the unexpected expense question, where a pensioner is counted as deprived if they cannot pay. The items can be analysed separately but a combined deprivation measure is calculated using a ‘prevalence weighting’ approach. Prevalence weighting gives more weight to items that most pensioners have and therefore - abiding with the notion of ‘relative poverty’ - greater importance is assigned to those items that are more commonly owned in the pensioner population.

Table 14

Material deprivation by income quintile

		Quintiles of (net equivalised) household income (After Housing Costs)					
		Lowest income quintile	2nd lowest income quintile	Middle income quintile	2nd highest income quintile	Highest income quintile	All pensioners
Whether pensioner materially deprived	No	87%	90%	95%	97%	99%	94%
	Yes	13%	10%	5%	3%	1%	6%
Unweighted base		100%	100%	100%	100%	100%	100%
		3897	7073	6515	5607	4984	28076

Weighted column percentage, unweighted count
Base: Pensioners
Source: Pooled HBAI/FRS 2017/18-2019/20

An analysis of the combined measure of material deprivation by income quintile shows that:

- There are not huge differences between pensioners in the poorest quintile and the next poorest quintile.
- There are some differences between the bottom two income quintiles and higher income quintiles.

What perhaps is most noticeable from this table is that there is only a relatively small overlap between low income and material deprivation. Only 13% of pensioners in the lowest quintile experience material deprivation. To further explore an understanding of the relationship between income and deprivation, the following table disaggregates the reasons why pensioners go without items – and categorises 'Do not have the money for this' and 'It is not a priority on current income' as 'financial reasons'. Pensioners may go without certain deprivation items for reasons unconnected to their financial circumstances - for example, a pensioner may not 'see friends or family at least once a month' because of their limiting health rather than because they cannot afford to do so.

As the following table shows, only a minority of pensioners in the lowest quintile go without goods and services that many would consider to be 'necessities' for financial reasons, for example:

- 18% of pensioners in the poorest quintile would not be able to pay an unexpected expense of £200.
- 17% of pensioners in the poorest quintile do not have a holiday for financial reasons.
- 12% of pensioners in the poorest quintile say they are not able to replace their cooker if it broke down.

In other words, the majority of income-poor pensioners can afford the range of items included in the table (again, the difference between the poorest income quintile and the second poorest income quintile is not large).

Table 15

Material deprivation by income quintile

		Quintiles of (net equivalised) household income (After Housing Costs): Lowest income quintile	2nd lowest income quintile	Middle income quintile	2nd highest income quintile	Highest income quintile	All pensioners
Pensioner: Would you be able to pay an unexpected expense of £200	Yes	82%	87%	93%	97%	99%	92%
	No	18%	13%	7%	3%	1%	8%
Pensioner: Can you take an annual holiday away from home	No - Financial reasons	17%	13%	6%	3%	2%	8%
	No - Non-financial reasons	32%	33%	30%	25%	15%	27%
	Yes	51%	54%	64%	71%	83%	64%
Pensioner: Are you able to replace cooker if it broke down	No - Financial reasons	12%	10%	5%	2%	1%	6%
	No - Non-financial reasons	2%	1%	1%	0%	0%	1%
	Yes	86%	89%	94%	97%	99%	93%
Pensioner: Do you go out socially at least once a month	No - Financial reasons	7%	5%	3%	2%	1%	3%
	No - Non-financial reasons	19%	20%	17%	12%	7%	15%
	Yes	74%	75%	80%	86%	93%	81%
Pensioner: Do you have access to a car or taxi, whenever	No - Financial reasons	6%	4%	2%	1%	0%	3%
	No - Non-financial reasons	8%	7%	5%	3%	1%	5%
	Yes	86%	89%	94%	96%	99%	93%
Pensioner: Do you have your hair done or cut regularly	No - Financial reasons	5%	4%	2%	1%	0%	3%
	No - Non-financial reasons	7%	7%	5%	3%	2%	5%
	Yes	88%	89%	92%	95%	97%	92%
Pensioner: Are you able to pay regular bills	No - Financial reasons	3%	2%	1%	1%	0%	1%
	No - Non-financial reasons	1%	0%	0%	0%	0%	0%
	Yes	96%	97%	99%	99%	100%	98%
Pensioner: Do you have a telephone to use, whenever needed	No - Financial reasons	3%	2%	1%	1%	0%	1%
	No - Non-financial reasons	4%	4%	2%	1%	1%	3%
	Yes	93%	94%	97%	98%	99%	96%
Pensioner: Is your home kept in a good state of repair	No - Financial reasons	3%	2%	1%	1%	0%	1%
	No - Non-financial reasons	2%	1%	1%	1%	0%	1%
	Yes	95%	97%	98%	98%	99%	97%
Pensioner: Do you see friends or family at least once a month	No - Financial reasons	2%	1%	0%	0%	0%	1%
	No - Non-financial reasons	5%	4%	4%	3%	2%	4%
	Yes	93%	95%	96%	97%	98%	96%
Pensioner: Do you have a damp-free home	No - Financial reasons	2%	1%	1%	1%	0%	1%
	No - Non-financial reasons	6%	5%	4%	3%	3%	4%
	Yes	92%	94%	95%	96%	97%	95%
Pensioner: Is your home kept adequately warm	No - Financial reasons	3%	2%	1%	1%	0%	1%
	No - Non-financial reasons	1%	1%	1%	0%	0%	1%
	Yes	96%	97%	98%	99%	99%	98%
Pensioner: Are your heating, electrics, plumbing and drains working	No - Financial reasons	1%	1%	1%	0%	0%	1%
	No - Non-financial reasons	1%	1%	1%	1%	0%	1%
	Yes	98%	98%	99%	99%	99%	99%
Pensioner: Do you have a warm waterproof coat	No - Financial reasons	1%	0%	0%	0%	0%	0%
	No - Non-financial reasons	1%	1%	0%	1%	0%	1%
	Yes	99%	99%	99%	99%	100%	99%
Pensioner: Do you eat at least one filling meal a day	No - Financial reasons	0%	0%	0%	0%		0%
	No - Non-financial reasons	1%	1%	1%	1%	0%	1%
	Yes	99%	99%	99%	99%	100%	99%
Unweighted base		100%	100%	100%	100%	100%	100%
		3853	7027	6451	5536	4908	27775

Weighted column percentage, unweighted count
Base: Pensioners
Source: Pooled HBAI/FRS 2017/18-2019/20

One reason why only a minority of pensioners in the poorest income quintile are materially deprived could be that income is not an adequate measure of financial resources in older age. Older people may use other financial resources, such as savings, to fund their standard of living, especially to avoid going without goods and services that many perceive as ‘necessities’. This may be particularly likely in older age as people have had time to accrue savings. Savings are counted as money in current and savings accounts, ISAs, stocks and shares, and so on – but not pension savings (i.e. accrued pension contributions). As Table 16 shows, the propensity to have savings increases with age. Four in five (80%) of young adults (age 16-24) in the poorest income quintile have no savings, compared to 70% of adults aged 35-44 and 36% of pensioners aged 75+. Nearly a quarter (23%) of pensioners in the poorest quintile aged 75+ have substantial savings (£14,250+) compared to just 5% of those aged 35-44 and 2% of young adults.

As mentioned, pensioners may view using their savings as part of their spending strategy. However, this may not be true for all pensioners or for the whole savings pot - some may want to reserve part of their savings for longer term outlays such as inheritance and funeral costs. Another issue is that pensioners do not know how long they (and their partner if they have one) will live for, making it difficult to know how quickly to draw down their savings.

Table 16

Financial circumstances by age group for the lowest income quintile

		Age of head of household							
		16-24	25-34	35-44	45-54	55-64	65-74	75+	All
State Support as a percentage of gross household income		33%	38%	40%	38%	37%	81%	86%	47%
Occupational and/or personal pensions as a percentage of gross household income		1%	1%	0%	1%	10%	7%	6%	3%
Earnings as a percentage of gross household income		40%	54%	53%	51%	40%	6%	2%	39%
Investments as a percentage of gross household income		1%	1%	2%	4%	8%	5%	4%	3%
Other household income as a percentage of gross household income		24%	4%	3%	3%	2%	0%	2%	5%
Family in receipt of any of these state benefits (for pensioners): DLA, PIP, AA, PC, HB	No	89%	74%	69%	68%	70%	65%	70%	72%
	Yes	11%	26%	31%	32%	30%	35%	30%	28%
Total savings & investments	No savings	80%	73%	70%	63%	52%	43%	36%	61%
	Less than £5,000	16%	17%	20%	19%	17%	23%	25%	19%
	£5,000 but less than £10,000	2%	5%	3%	6%	6%	9%	12%	6%
	£10,000 but less than £14,250	1%	1%	2%	2%	3%	4%	4%	2%
	£14,250 but less than £20,000	1%	1%	1%	2%	3%	4%	5%	2%
	£20,000 or more	1%	3%	4%	9%	20%	16%	18%	9%
Unweighted base		100%	100%	100%	100%	100%	100%	100%	100%
		1613	2763	3138	3023	3343	2207	1915	18002

Weighted column percentage, unweighted count
Base: Adults in the lowest income quintile
Source: Pooled HBAI/FRS 2017/18-2019/20

This table illustrates the financial circumstances of pensioners according to income quintile. It shows the proportion of household income that comes from different sources, whether households are in receipt of state benefits particularly aimed at pensioners, and the levels of savings and investments. A number of findings appear important in helping to understand the context of the living standards of the poorest pensioners.

- The lowest and second lowest income quintile again show similarities. Both rely heavily on state support for their income (accounting for around four-fifths of their income), with the second lowest income quintile having slightly more income from occupational or personal pensions.
- Although two in five (40 per cent) of pensioners in the lowest income quintile have no savings at all, one in five have savings of over £14,250 (the threshold for starting to contribute to the cost of social care) and around one in six (16%) have savings of £20,000 or more.

Table 17

Financial circumstances by income quintile

		Quintiles of (net equivalised) household income (After Housing Costs) [S_OE_AHC]					
		Lowest income quintile	2nd lowest income quintile	Middle income quintile	2nd highest income quintile	Highest income quintile	All pensioners
State Support as a percentage of gross household income		85%	77%	60%	43%	23%	58%
Occupational and/or personal pensions as a percentage of gross household income		6%	12%	23%	35%	43%	24%
Earnings as a percentage of gross household income		4%	5%	10%	14%	20%	10%
Investments as a percentage of gross household income		4%	5%	7%	7%	14%	7%
Other household income as a percentage of gross household income		1%	1%	1%	1%	1%	1%
Family in receipt of any of these state benefits (for pensioners): DLA, PIP, AA, PC, HB	No	67%	61%	67%	76%	91%	71%
	Yes	33%	39%	33%	24%	9%	29%
Total savings & investments	No savings	40%	32%	22%	17%	10%	24%
	Less than £5,000	24%	24%	20%	17%	10%	19%
	£5,000 but less than £10,000	11%	12%	10%	9%	6%	10%
	£10,000 but less than £14,250	4%	5%	6%	6%	4%	5%
	£14,250 but less than £20,000	5%	5%	6%	6%	4%	5%
	£20,000 or more	16%	21%	35%	45%	67%	36%
Unweighted base		100%	100%	100%	100%	100%	100%
		3897	7073	6515	5607	4984	28076

Weighted column percentage, unweighted count
Base: Pensioners
Source: Pooled HBAI/FRS 2017/18-2019/20

Table 18

Living standards by income and savings status

		Income and savings measure: Poorest quintile, savings < £14,250	Poorest quintile, savings £14,250+	2nd poorest quintile, savings < £14,250	2nd poorest quintile, savings £14,250+	3nd poorest quintile, savings < £14,250	3nd poorest quintile, savings £14,250+	4th poorest quintile, savings < £14,250	4th poorest quintile, savings £14,250+	5th poorest quintile, savings < £14,250	5th poorest quintile, savings £14,250+	All pensioners
% in income/savings category		11%	3%	19%	7%	13%	9%	10%	10%	5%	13%	100%
Total expenditure in last month (equivalised)		£1,030	£1,303	£1,086	£1,303	£1,123	£1,412	£1,343	£1,629	£1,872	£2,498	£1,303
Behind with bills now or in past 12 months	No	96%	99%	97%	99%	97%	99%	98%	100%	99%	100%	98%
	Yes	4%	1%	3%	1%	3%	1%	2%	0%	1%	0%	2%
Whether pensioner materially deprived	No	85%	97%	87%	98%	92%	99%	94%	100%	98%	100%	94%
	Yes	15%	3%	13%	2%	8%	1%	6%	0%	2%	0%	6%
Pensioner: Can you take an annual holiday away from home	No - Financial reasons	21%	5%	17%	3%	9%	2%	6%	1%	4%	1%	8%
	No - Non-financial reasons	32%	32%	34%	29%	36%	23%	33%	18%	20%	14%	28%
	Yes	48%	63%	49%	68%	55%	75%	61%	81%	76%	85%	64%
Pensioner: Are you able to replace cooker if it broke down	No - Financial reasons	16%	1%	14%	0%	9%	0%	5%	0%	2%	0%	6%
	No - Non-financial reasons	2%	1%	1%	0%	1%	0%	1%	0%	0%	0%	1%
	Yes	82%	98%	85%	99%	90%	99%	94%	100%	98%	100%	93%
Pensioner: Do you go out socially at least once a month	No - Financial reasons	8%	2%	6%	2%	4%	1%	2%	1%	1%	0%	3%
	No - Non-financial reasons	20%	16%	22%	15%	22%	12%	17%	8%	11%	5%	16%
	Yes	72%	81%	72%	84%	75%	87%	81%	91%	88%	95%	81%
Unweighted base		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
		3072	825	5283	1790	3920	2595	2764	2843	1440	3544	28076

Weighted column percentage, unweighted count
Base: Pensioners
Source: Pooled HBAI/FRS 2017/18-2019/20

Pensioners with no or low savings will have little extra financial resources, other than their income, to draw on to fund their standard of living. It is clear from the table above that some pensioners in the lowest income quintile (and second lowest quintile) do have substantial savings - for example, around one in five of pensioners in the lowest income decile have savings over £14,250.

The next step in the analysis is to explore whether there are any differences in the standard of living of pensioners with similar income, but with different levels of savings. The table shows that although only a minority of poorer pensioners have substantial savings, there are quite stark differences in their living standards compared to poorer pensioners with little or no savings.

- Expenditure is higher for those with substantial savings. Pensioners with substantial savings in the bottom two quintiles spend around £1,300 per month compared to just over £1,000 for pensioners on similar income but with little or no savings.
- Very few pensioners say they are behind with bills, but pensioners with substantial savings in the bottom two quintiles are less likely to be behind with bills than pensioners on similar income but with little or no savings.
- Pensioners with substantial savings in the bottom two quintiles are less likely to be materially deprived than those little or no savings: 3% of those in the bottom income quintile with substantial savings are deprived compared to 15% of those with little or no savings.
- Looking more closely at those items that poor pensioners are particularly likely to go without for financial reasons, shows, again, that those with no or low savings are more likely to be deprived. For example, 16% of pensioners in the poorest income quintile with no or low savings would not be able to replace their cooker if it broke down compared to 1% of pensioners on a similar income with substantial savings, and, 21% of pensioners in the poorest income quintile with no or low savings cannot afford an annual holiday compared to 5% of pensioners on a similar income with substantial savings.

More generally there are not marked differences amongst pensioners in the lowest two income quintiles (and sometimes the middle income quintile) with little or no savings. This suggests that savings may play a key role in lower income pensioners being able to afford a number of these goods and services, and is relevant to the current 'cost of living' crisis as it points to certain groups of pensioners who may be more able to absorb rising prices to commodities such as food, energy and fuel. It is important to remember that the findings presented here are from 2017/18-2019/20, so before the 'cost of living' crisis struck. If low-income pensioners with no or low savings are much more likely to go without items and afford sudden expenses such as replacing a broken cooker, they are particularly likely to be affected by the rising prices the country is facing now. Furthermore, this group of pensioners may be hidden from traditional 'poverty analysis' that looks solely at household incomes and does not consider other financial resources.

Pensioners can use savings differently of course. Some pensioners may dip into their savings for unexpected or uncommon expenditure, such as an annual holiday or repairing a cooker. Some pensioners may choose to draw down their savings to supplement their income to fund their expenditure needs. And some may choose to draw down their savings more slowly, or not at all (wanting to provide inheritance or having savings to cover future expenses such as funeral costs).

Including savings as part of a household's financial resources is not something new, despite most poverty analysis only using income as measure of spending power. The Social Metrics Commission (SMC, 2018) argue that the measures previously used to measure poverty have systematic flaws. The next section explores the SMC approach in more detail.

A wider measure of financial circumstances in older age

The Social Metrics Commission (SMC, 2018) argue that the measures previously used to measure poverty have systematically overestimated poverty amongst families with significant available assets, and particularly pension-age families. As the analysis above has demonstrated, some low-income pensioners seem to be protected from deprivation by their level of savings and hence income alone is not an ideal estimate of their living standards. The SMC also highlight a number of other problems with traditional income-based measures of poverty:

- They underestimate poverty amongst families with someone who is disabled;
- They fail to adequately account for the impact that inescapable costs have on families, in terms of their ability to make ends meet;
- They misrepresent the lived experience of families at or around the poverty line when economic shocks impact on the economy; and
- They fail to create a full picture of the nature of poverty that families experience in the UK and the range of factors that impact on these families and those at or close to the poverty line.

The SMC have developed a poverty indicator that goes beyond a simple measure of people's relative income by taking into account core living costs such as housing, childcare and the extra costs of disability. The SMC have achieved this by using a measure of the resources that families have available to meet their needs. This is called Total Resources Available (TRA) per week. Poverty is then defined as having TRA below 54% of the three-year smoothed median population TRA[3].

[3] The 54% threshold was chosen to produce a similar proportion of the population 'in poverty' as the 60% median income measure and is a benchmark that allows monitoring of whether poverty has increased or decreased over time and how the composition of people in poverty has changed (SMC, 2018).

Total Resources Available (TRA)

Total Resources Available (TRA) includes:

- All sources of post-tax earnings and income, including all benefit and tax credit income (as per the calculation of income used in the DWP poverty measure).
- Liquid assets available for immediate use (judged to be total stock of liquid assets divided by 52); This includes capital in current accounts, savings accounts, TESSAs, other accounts, gilts, trusts, stocks and shares, unit/investment trusts, SAYE, PEPs, national savings capital/deposit bonds, and other assets[4]. It does not include total values of pension funds, nor illiquid wealth such as housing.
- A deduction of inescapable family-specific recurring costs that families face from housing and childcare (the 'After Housing Costs' DWP poverty measure also deducts housing costs); and
- A deduction of inescapable extra costs of disability; this deducts the value of disability benefits received Disability Living Allowance, Personal Independence Payment and Attendance Allowance[5].

Total Resources Available (TRA) is then equivalised using the modified-OECD equivalence scale (After Housing Costs measure) which attributes 0.58 to the first adult in the household, 0.42 to each other adult (aged 14 and over), and 0.20 to each child (aged under 14) (OECD, 2018). Resources are adjusted for inflation so they are in real terms corresponding to January 2019 using the Consumer Price Index (ONS, 2020).

[4] Full information can be found in the Family Resources Survey Derived Variables Specification https://doc.ukdataservice.ac.uk/doc/8802/mrdoc/excel/8802_dv_summary_2019_20.xlsx

[5] The SMC measure also deducts debts, such as the costs of servicing interest and repaying capital on loans. However these measures are not captured adequately in FRS or USoc and hence not included in this research.

Table 19

Family resources by population group

		Population group			
		Child	Working-age adult	Pension-age adult	All
Total Resources Available (per week)		£698	£1,147	£2,402	£1,359
Total income (per week)		£510	£621	£630	£602
Liquid assets (per week)		£302	£631	£1,822	£851
Recurring housing costs (per week)		£94	£90	£32	£77
Extra costs of disability (per week)		£6	£10	£18	£11
Childcare costs (per week)		£14	£5	£0	£6
Total Resources Available (per week) =	£0	0%	0%	0%	0%
	<£150	11%	8%	2%	7%
	£150-300	25%	16%	8%	16%
	£300-450	23%	17%	16%	18%
	£500-1000	25%	30%	25%	28%
	£1000+	15%	28%	49%	31%
Total income (per week) +	£0	2%	2%	3%	2%
	<£150	4%	3%	1%	3%
	£150-300	20%	13%	9%	13%
	£300-450	30%	21%	24%	23%
	£500-1000	38%	48%	51%	47%
	£1000+	6%	13%	12%	11%
Liquid assets (per week) +	£0	36%	31%	26%	30%
	<£150	39%	34%	16%	31%
	£150-300	9%	9%	8%	9%
	£300-450	5%	5%	5%	5%
	£500-1000	5%	8%	11%	8%
	£1000+	7%	14%	34%	17%
Recurring housing costs (per week) −	£0	11%	26%	74%	34%
	<£150	74%	55%	18%	50%
	£150-300	14%	17%	7%	14%
	£300-450	1%	2%	0%	2%
	£500-1000	0%	0%	0%	0%
	£1000+		0%	0%	0%
Extra costs of disability (per week) −	£0	90%	89%	82%	87%
	<£150	10%	10%	16%	11%
	£150-300	0%	1%	2%	1%
	£300-450		0%	0%	0%
	£500-1000			0%	0%
	£1000+				
Childcare costs (per week) −	£0	76%	92%	100%	91%
	<£150	22%	8%	0%	9%
	£150-300	1%	0%		0%
	£300-450	0%	0%		0%
	£500-1000				
	£1000+				
Unweighted base		100%	100%	100%	100%
		6641	18803	7897	33341

Base: Individuals
Note: Amounts in £s are per week and equivalised to represent a couple family (bar liquid assets which are unequivalised)
Note: Total Resources Available to family = Net income + Liquid assets - Housing Costs - Extra costs of disability - Childcare costs
Note: Net income is all sources of post-tax earnings and income, including all benefit and tax credit income
Note: Liquid assets are those available for immediate use including savings and investments such as Premium Bonds (the total stock of liquid assets is divided by 52 to get a 'weekly' amount)
Note: Housing Costs include rental and mortgage costs
Note: Extra costs of disability is estimated by deducting the value of disability benefits (Disability Living Allowance, Personal Independence Payments, and Attendance Allowance)
Source: Understanding Society survey 2018/19

This table shows the different components of the SMC measure. To summarise:

- Total Resources Available to family = Net income + Liquid assets - Housing Costs - Extra costs of disability - Childcare costs

The monetary amounts in the table are equivalised (bar liquid assets) to allow the comparison of different family types, and the amounts represent a couple family with no children. It is clear from this table that the SMC measure will increase the financial situation of pensioners relative to other population groups, compared to when solely using income to reflect a family's financial situation. For example:

- One in ten (10%) of pensioners live in a family with Total Resources Available of less than £300 per week, compared to a third (33%) of working age adults and a third (36%) of children.
- The difference is less so when using only income as a measure of financial resources; 16% of pensioners live in a family with income of less than £300 per week compared to 19% of working age adults and 25% of children.

The main reasons for this is because the SMC measure also includes liquid assets in its measure of Total Resources Available. Pensioners are more likely than other population groups to have liquid assets - this is partly a reflection of the time that pensioners have had to build and consolidate these assets. For example:

- Only 26% of pensioners live in a family with no liquid assets, compared to 31% of working age adults and 36% of children.
- 42% of pensioners live in a family with liquid assets of less than £150 per week (£150 x 52[6] = a pot of £7,800), compared to 65% of working age adults and 75% of children.
- 45% of pensioners live in a family with liquid assets of £500 per week or more (£500 x 52 = a pot of £26,000), compared to 22% of working age adults and 12% of children.

Pensioners are also less likely to have housing costs given so many own their own home (also very few will have childcare costs). Pensioners are more likely to have disability costs, and on average these are low in comparison to other income and liquid assets – however, for those with health or disability issues the costs could be significant.

[6] SMC divide a household's total liquid assets by 52 to get a 'weekly amount'.

Table 20

Family resources by family type

		Family type										
		Pensioner, single					Pensioner couple					
		Quintiles of Total Resources Available					Quintiles of Total Resources Available					
		Lowest quintile	2nd lowest quintile	Middle quintile	2nd highest quintile	Highest quintile	Lowest quintile	2nd lowest quintile	Middle quintile	2nd highest quintile	Highest quintile	All pensioners
Total Resources Available (per week)		£97	£216	£328	£588	£3,359	£162	£348	£551	£983	£5,271	£2,154
Total income (per week)		£172	£282	£341	£408	£514	£211	£380	£505	£656	£878	£565
Liquid assets (per week)		£17	£13	£42	£224	£2,870	£27	£38	£95	£355	£4,409	£1,629
Recurring housing costs (per week)		£73	£56	£33	£28	£16	£46	£45	£28	£15	£7	£25
Extra costs of disability (per week)		£20	£23	£21	£16	£8	£29	£26	£20	£13	£8	£15
Total Resources Available (per week)	£0	10%					4%					0%
	<£150	76%	3%				37%					3%
	£150-300	13%	89%	51%			53%	32%				16%
	£300-450	1%	5%	41%	35%		5%	62%	23%			13%
	£500-1000	0%	2%	7%	58%	18%	0%	6%	75%	57%		22%
	£1000+		0%	1%	7%	82%		0%	2%	43%	100%	45%
Total income (per week)	£0	19%	1%	1%	1%	2%	18%	2%	1%	1%	2%	2%
	<£150	21%	2%	2%	3%	3%	19%	1%	0%	1%	0%	2%
	£150-300	53%	66%	44%	34%	22%	41%	20%	8%	5%	2%	21%
	£300-450	5%	28%	44%	37%	34%	18%	62%	37%	17%	11%	27%
	£500-1000	2%	4%	9%	22%	31%	4%	14%	51%	65%	55%	37%
	£1000+	0%	0%	0%	3%	8%		0%	2%	11%	29%	11%
Liquid assets (per week)	£0	67%	67%	47%	18%	2%	67%	63%	38%	18%	1%	26%
	<£150	31%	31%	45%	22%	2%	27%	30%	37%	16%	0%	18%
	£150-300	0%	2%	7%	34%	2%	4%	4%	19%	17%	1%	9%
	£300-450	2%	0%	1%	19%	3%	1%	2%	5%	18%	1%	5%
	£500-1000	0%			6%	26%		1%	1%	29%	12%	11%
	£1000+				1%	66%				3%	85%	32%
Recurring housing costs (per week)	£0	31%	37%	56%	69%	88%	60%	52%	73%	85%	94%	74%
	<£150	61%	62%	43%	29%	10%	36%	45%	23%	13%	5%	23%
	£150-300	8%	1%	1%	2%	1%	4%	3%	3%	2%	2%	2%
	£300-450	1%	0%	0%	0%	0%	0%	1%	1%	0%	0%	0%
	£500-1000					1%						0%
	£1000+	0%									0%	0%
Extra costs of disability (per week)	£0	76%	71%	73%	80%	90%	74%	71%	78%	85%	90%	82%
	<£150	23%	28%	27%	20%	10%	21%	27%	19%	13%	9%	17%
	£150-300	1%	2%	1%	0%		5%	2%	2%	2%	1%	1%
	£300-450				0%		1%	0%				0%
	£500-1000											
	£1000+											
Unweighted base		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
		210	532	564	606	856	255	565	812	1184	2250	7834

Base: Individuals of pension age
Note: Amounts in £ are weekly amounts and unequivalised
Note: Total Resources Available to family = Net income + Liquid assets - Housing Costs - Extra costs of disability - Childcare costs
Note: Net income is all sources of post-tax earnings and income, including all benefit and tax credit income
Note: Liquid assets are those available for immediate use including savings and investments such as Premium Bonds (the total stock of liquid assets is divided by 52 to get a 'weekly' amount)
Note: Housing Costs include rental and mortgage costs
Note: Extra costs of disability is estimated by deducting the value of disability benefits (Disability Living Allowance, Personal Independence Payments, and Attendance Allowance)
Source: Understanding Society survey 2018/19

Table 21

Family resources by socio-demographics of pensioners

		Family type				Age group				Ethnic group				
		Single man	Single woman	Couple without children	Complex household	Pensioner: SPA-69	Pensioner: 70-74	Pensioner: 75-79	Pensioner: 80+	White	Asian	Black	Mixed background	All pensioners
Total Resources Available (per week)	£0	0%	1%	0%	0%	0%	0%	0%	0%	0%	1%	1%		0%
	<£150	1%	2%	2%	5%	2%	2%	3%	3%	2%	6%	9%	3%	2%
	£150-300	6%	9%	7%	12%	8%	9%	7%	6%	7%	17%	20%	16%	8%
	£300-450	22%	24%	11%	14%	14%	15%	16%	18%	16%	20%	23%	16%	16%
	£500-1000	25%	27%	24%	26%	23%	24%	27%	28%	25%	19%	31%	16%	25%
	£1000+	45%	36%	55%	42%	52%	50%	46%	45%	49%	37%	15%	49%	49%
Total income (per week)	£0	2%	3%	2%	4%	2%	2%	4%	3%	3%	3%	4%	4%	2%
	<£150	1%	1%	2%	4%	2%	1%	1%	2%	1%	5%	2%		1%
	£150-300	5%	9%	8%	13%	8%	8%	9%	11%	8%	13%	11%	6%	9%
	£300-450	22%	28%	23%	23%	21%	25%	25%	27%	24%	23%	21%	49%	24%
	£500-1000	56%	52%	50%	47%	52%	52%	50%	50%	51%	41%	57%	27%	51%
	£1000+	15%	7%	14%	9%	16%	13%	10%	7%	12%	15%	5%	14%	12%
Liquid assets (per week)	£0	30%	35%	22%	22%	27%	26%	25%	25%	25%	42%	45%	33%	26%
	<£150	21%	23%	14%	24%	17%	17%	19%	20%	18%	15%	35%	21%	18%
	£150-300	8%	11%	8%	6%	6%	8%	9%	11%	9%	6%	7%	8%	9%
	£300-450	5%	5%	5%	6%	5%	6%	5%	6%	5%	8%	4%		5%
	£500-1000	10%	9%	12%	10%	9%	11%	12%	12%	11%	7%	5%	6%	11%
	£1000+	25%	18%	38%	33%	37%	33%	29%	26%	32%	22%	3%	33%	32%
Recurring housing costs (per week)	£0	61%	64%	82%	69%	72%	76%	75%	76%	75%	70%	39%	72%	74%
	<£150	21%	19%	16%	28%	20%	18%	17%	16%	18%	20%	31%	12%	18%
	£150-300	16%	17%	2%	3%	8%	6%	7%	7%	7%	10%	27%	15%	7%
	£300-450	1%	1%	0%		0%	0%	0%	1%	0%	0%	1%	1%	0%
	£500-1000	0%	0%		0%	0%	0%	0%	0%	0%	0%	2%		0%
	£1000+	0%	0%						0%	0%				0%
Extra costs of disability (per week)	£0	83%	80%	84%	76%	87%	84%	82%	76%	82%	76%	86%	84%	82%
	<£150	13%	16%	15%	23%	11%	14%	16%	21%	16%	22%	10%	9%	16%
	£150-300	4%	4%	1%	1%	2%	2%	2%	3%	2%	2%	3%	5%	2%
	£300-450	0%	0%	0%	0%	0%	0%	0%	0%	0%			2%	0%
	£500-1000		0%					0%		0%				0%
	£1000+													
Unweighted base		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
		757	1558	4739	843	2311	2367	1526	1693	7324	273	138	64	7832
	% of pensioners in each socio-demographic subgroup	11%	23%	58%	8%	27%	29%	19%	24%	98%	1%	1%	0%	100%

Base: Individuals of pension age
Note: Amounts in £s are per week and equivalised to represent a couple family
Note: Total Resources Available to family = Net income + Liquid assets - Housing Costs - Extra costs of disability - Childcare costs
Note: Pensioner characteristics measured in 2015/16
Source: Understanding Society survey 2018/19

Table 20 above looks only at pensioners (as does the rest of the analysis in this section). There are clear gradients in financial resources across the TRA quintiles, as to be expected, but particularly noticeable are:

- Single pensioners in the lowest quintile have just £97 TRA per week, on average
- Couple pensioners in the lowest quintile have just £162 TRA per week, on average
- Around two-thirds of single (and couple) pensioners in the lowest two quintiles have no liquid assets
- The lowest two quintiles have the highest recurring housing costs, particularly single pensioners

The following table (Table 21) compares the TRA and components of TRA by different types of pensioner family. Finances are equivalised, and represent a couple family, so both single and couple pensioners can be included in the same table. Only a minority of pensioners (12%) have a low TRA (<£300 per week), but these are disproportionately likely to be:

- Black (30%)
- Asian (24%)
- Complex households (18%), complex households are disproportionately likely to have minority ethnic pensioners

Looking more broadly at the pensioner population, what is clear from this analysis is the inequality in TRA among older people, particularly between the highest quintile and everyone else. Single pensioners in the highest quintile had an average TRA of £3,359 per week compared to just £97 per week for pensioners in the lowest quintile. There is a steady increase in total TRA as you progress up the quintiles, but the difference between the 2nd highest and the highest income quintile is still vast (£588 compared to £3,359, a gap of £2,771). The main reason why the highest quintile have so much TRA is their amount of liquid assets (single pensioners in the highest quintile have £2,870 and couple pensioners in the highest quintile have £4,409) – a huge savings pot to draw on. Differences in income are marked across the quintiles – for single pensioners this rises by around £100 per week as you move to the next quintile – and there are differences in housing costs and disability costs, but given these costs refer to a minority of pensioners, it is the wealth of liquid assets that drives the inequality between the top quintile and everyone else.

This section now goes on to use the SMC measure[7] to explore the impact of (persistent) poverty on living standards in older age. The Understanding Society survey is used for the analysis[8,9].

- **SMC** define persistent poverty as being in poverty in the current year and any two or more of the previous three years, where poverty is measured as having *Total Resources Available* below 54% of the three-year smoothed median population Total Resources Available.

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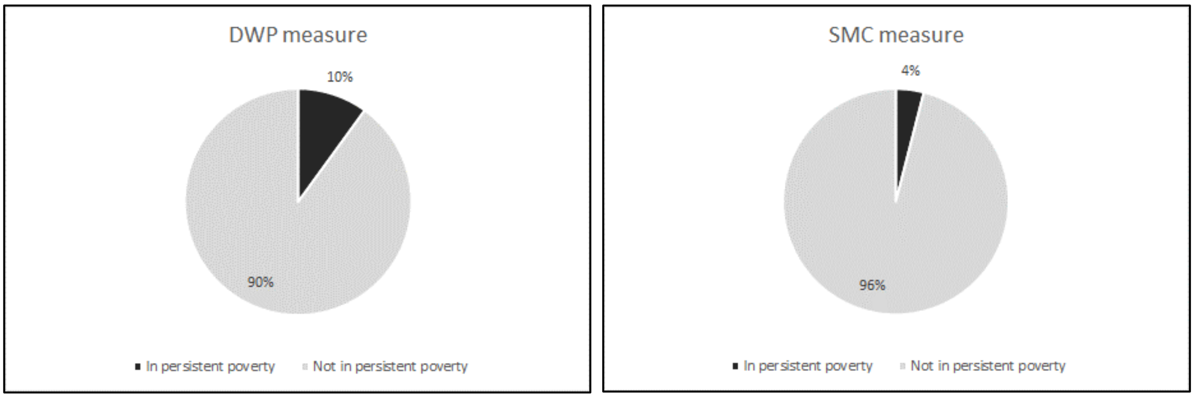
[7] The SMC make their syntax available for analysts here https://socialmetricscommission.org.uk/code-download/ The author is very grateful to Dr Juliet Stone, Centre for Research in Social Policy, Loughborough University, for help amending the code to be used with the 2015/16-2018/19 Understanding Society datasets . The 'Social Metrics Commission' is the exclusive and original source of the SMC Poverty Measure.

[8] See Section 1 for a summary of the Understanding Society survey.

[9] Measures of assets are available in the Understanding Society survey, meaning that they can be used in the SMC measure of persistent poverty. However, the assets questions are only included in the Understanding Society survey every fourth wave (starting from 2012–13). To accommodate this data limitation, SMC assume that, when measuring poverty persistence, families' position with regards to assets and debt remain constant over time. Whilst this is clearly not a true reflection of reality, it is the best available approach.

- **DWP** define persistent poverty as being in poverty in any three or more of the previous four years, where poverty is measured as having net *total household income* after housing costs below 60% of the population median. The DWP approach means that a family can be in persistent poverty, whilst not being classed as being in poverty that year (e.g. where they were in poverty for three continuous years but moved out of poverty in the current year of assessment).

Table 22



		DWP measure		
		Not in persistent poverty	In persistent poverty	Total
SMC measure	Not in persistent poverty	92%	8%	100%
	In persistent poverty	46%	54%	100%
Total		90%	10%	100%

Base: Individuals of pension age
Note: SMC measure of persistent poverty is being in poverty (below 54% of the three-year smoothed median population TRA) this year and any two of the previous three years
Note: DWP measure of persistent poverty is being in poverty (below 60% of median net disposable household income after housing costs) in any three or more of the previous four years'
Source: Understanding Society survey 2015/16 - 2018/19.

As alluded to above, the SMC measure identifies fewer pensioners in persistent poverty than the DWP measure. It is also important to note that the overlap between the two measures is not strong – only around one half (54 per cent) of pensioners in persistent poverty according to the SMC measure are in persistent poverty according to the DWP measure. This suggests that there is some difference in the profile of pensioners captured by each measure.

Table 23

Family resources of pensioners in persistent poverty

		SMC measure		DWP measure		
		Not in persistent poverty	In persistent poverty	Not in persistent poverty	In persistent poverty	All pensioners
Total Resources Available (per week)	£0	1%	14%	1%	5%	2%
	<£150	1%	28%	2%	7%	2%
	£150-300	5%	58%	6%	22%	7%
	£300-450	16%		14%	32%	16%
	£500-1000	27%		26%	19%	25%
	£1000+	49%		52%	15%	48%
Total income (per week)	£0	4%	12%	3%	5%	4%
	<£150	1%	12%	1%	2%	2%
	£150-300	8%	36%	6%	32%	9%
	£300-450	24%	35%	22%	48%	25%
	£500-1000	51%	5%	55%	13%	50%
	£1000+	11%		13%	0%	11%
Liquid assets (per week)	£0	24%	78%	24%	40%	26%
	<£150	18%	22%	17%	26%	18%
	£150-300	9%	0%	9%	14%	9%
	£300-450	6%		5%	5%	5%
	£500-1000	12%		11%	7%	11%
	£1000+	32%		33%	9%	30%
Recurring housing costs (per week)	£0	76%	35%	79%	36%	75%
	<£150	17%	40%	16%	36%	17%
	£150-300	6%	21%	5%	25%	7%
	£300-450	0%	2%	0%	1%	0%
	£500-1000	0%	1%	0%	0%	0%
	£1000+	0%	1%	0%	1%	0%
Extra costs of disability (per week)	£0	82%	73%	81%	92%	82%
	<£150	16%	25%	17%	8%	16%
	£150-300	2%	2%	2%	0%	2%
	£300-450	0%	0%	0%		0%
	£500-1000	0%		0%		0%
	£1000+					
Unweighted base		100%	100%	100%	100%	100%
		6776	277	6145	577	7053

Base: Individuals of pension age
Note: SMC measure of persistent poverty is being in poverty (below 54% of the three-year smoothed median population TRA) this year and any two of the previous three years
Note: DWP measure of persistent poverty is being in poverty (below 60% of median net disposable household income after housing costs) in any three or more of the previous four years
Note: Pensioner socio-demographic characteristics measured in 2015/16
Source: Understanding Society survey 2015/16 - 2018/19

Overall, pensioners in persistent poverty using the SMC measure have fewer financial resources than pensioners in persistent poverty using the DWP measure:

- Two in five (42%) pensioners in persistent poverty using the SMC measure have Total Resources Available less than £150 per week compared to only 12% when using the DWP measure.
- Three quarters (78%) of pensioners in persistent poverty using the SMC measure have no liquid assets compared to two in five (40%) of pensioners in persistent poverty using the DWP measure

Conversely the DWP measure of persistent poverty captures some pensioners with significant liquid assets:

- One in five (21%) pensioners in persistent poverty using the DWP measure have liquid assets over £300 per week (£300 x 52 = £15,600)

This means that not only does the SMC measure identify fewer pensioners in persistent poverty than the DWP measure, but it also captures a different financial profile of poor pensioners. Clearly this is determined by SMC measure being more focused on those with lowest resources (the bottom 4 per cent of pensioners) and also by the definition of each of the measures; the SMC measure takes into account a wider range of financial resources than the DWP measure, which focuses mainly on income. The result of this is that overall the SMC measure identifies pensioners with lower Total Resources Available, and total income and total liquid assets. The amount of housing costs does not differ markedly between the two groups, and the SMC measure captures a higher proportion of pensioners in persistent poverty with disability costs.

Table 24

SMC and DWP measures of persistent poverty by socio-demographic characteristics

		SMC measure		DWP measure				
		Not in persistent poverty	In persistent poverty	Not in persistent poverty	In persistent poverty	Unweighted base		% of pensioners in each socio-demographic subgroup
Family type	Single man	97%	3%	83%	17%	100%	606	9%
	Single woman	96%	4%	82%	18%	100%	1398	23%
	Couple without children	97%	3%	93%	7%	100%	4257	59%
	Complex household	94%	6%	97%	3%	100%	729	9%
Age group	Pensioner: SPA-69	97%	3%	92%	8%	100%	2969	41%
	Pensioner: 70-74	96%	4%	89%	11%	100%	1823	25%
	Pensioner: 75-79	97%	3%	87%	13%	100%	1167	16%
	Pensioner: 80+	96%	4%	88%	12%	100%	1031	18%
Ethnic group	White	97%	3%	90%	10%	100%	6537	98%
	Asian	79%	21%	81%	19%	100%	258	1%
	Black	82%	18%	71%	29%	100%	130	1%
	Mixed background	96%	4%	73%	27%	100%	65	1%
SF-12 Physical Component Summary (PCS)	No disability	98%	2%	90%	10%	100%	2867	44%
	Mild disability	97%	3%	90%	10%	100%	1472	23%
	Moderate disability	94%	6%	85%	15%	100%	1007	17%
	Severe disability	96%	4%	91%	9%	100%	888	15%
SF-12 Mental Component Summary (PCS)	No disability	97%	3%	90%	10%	100%	4214	67%
	Mild disability	96%	4%	89%	11%	100%	1345	22%
	Moderate disability	95%	5%	91%	9%	100%	543	9%
	Severe disability	89%	11%	86%	14%	100%	132	2%
	All pensioners	96%	4%	90%	10%	100%	6990	100%

Base: Individuals of pension age
Note: SMC measure of persistent poverty is being in poverty (below 54% of the three-year smoothed median population TRA) this year and any two of the previous three years
Note: DWP measure of persistent poverty is being in poverty (below 60% of median net disposable household income after housing costs) in any three or more of the previous four years
Note: Pensioner characteristics measured in 2015/16
Source: Understanding Society survey 2015/16 - 2018/19

Given the previous findings illustrating the differing financial resources of poor pensioners under the two different persistent poverty measures, it is useful to explore whether the two measures identify the same socio-demographic profile of pensioners.

- The SMC measure is slightly more likely than the DWP measure to identify those living in complex households as being in persistent poverty (6% in complex households compared to 4%

of all pensioners using the SMC measure, 3% in complex households compared to 10% of all pensioners using the DWP measure).

- Asian pensioners are disproportionately more likely to live in complex households than White pensioners, and hence the SMC measure is slightly more likely than the DWP measure to identify Asian pensioners as being in persistent poverty (21% of Asian pensioners compared to 4% of all pensioners using the SMC measure, 19% of Asian pensioners compared to 10% of all pensioners using the DWP measure).
- The SMC measure is slightly more likely than the DWP measure to identify those with a severe disability as being in persistent poverty (11% with severe disability compared to 4% of all pensioners using the SMC measure, 14% with severe disability compared to 10% of all pensioners using the DWP measure)

The research now goes on to explore whether these different financial and socio-demographic profiles means that the experience of persistent poverty varies according to whether the SMC or the DWP definition is used.

Table 25

Subjective financial situation by Persistent poverty measures

		SMC measure		DWP measure		
		Not in persistent poverty	In persistent poverty	Not in persistent poverty	In persistent poverty	All pensioners
Subjective financial situation - current	Living comfortably	47%	25%	49%	29%	46%
	Doing alright	37%	39%	37%	40%	37%
	Just about getting by	14%	26%	13%	26%	14%
	Finding it quite difficult	2%	7%	2%	4%	2%
	Finding it very difficult	0%	3%	0%	2%	0%
Subjective financial situation - future	Better off	4%	4%	4%	4%	4%
	Worse of than now	14%	12%	14%	14%	14%
	or about the same?	83%	84%	83%	83%	83%
Satisfaction with income	Completely dissatisfied	2%	5%	2%	4%	2%
	Mostly dissatisfied	3%	7%	3%	6%	3%
	Somewhat dissatisfied	7%	12%	7%	8%	7%
	Neither Sat nor Dissat	13%	15%	12%	15%	13%
	Somewhat satisfied	16%	23%	15%	20%	16%
	Mostly satisfied	41%	28%	41%	35%	40%
	Completely satisfied	19%	11%	20%	12%	19%
Unweighted base		100%	100%	100%	100%	100%
		6787	278	6155	578	7050

Base: Individuals of pension age
Note: SMC measure of persistent poverty is being in poverty (below 54% of the three-year smoothed median population TRA) this year and any two of the previous three years
Note: DWP measure of persistent poverty is being in poverty (below 60% of median net disposable household income after housing costs) in any three or more of the previous four years
Note: Subjective financial situation measured in 2018/19
Source: Understanding Society survey 2015/16 - 2018/19

In general there is little noticeable difference in the subjective financial situation of persistently poor pensioners according to each of the poverty measures.

- Persistently poor pensioners under the SMC measure were slightly more likely than persistently poor pensioners under the DWP measure to find their current financial situation quite or very difficult (10% v 6%) and to be dissatisfied with their income (24% v 18%)

Table 26

Average (mean) amount of expenditure of pensioners by persistent poverty measures

	SMC measure		DWP measure		
	Not in persistent poverty	In persistent poverty	Not in persistent poverty	In persistent poverty	All pensioners
Amount hhold spent on food from supermarket/store in last 4 weeks (equivalised)	£313	£257	£318	£253	£311
Amount hhold spent on meals/snacks outside the home in last 4 weeks (equivalised)	£84	£48	£88	£39	£82
Amount hhold spent on alcohol in last 4 weeks (equivalised)	£44	£20	£46	£24	£43
Unweighted base	100%	100%	100%	100%	100%
	6787	278	6155	578	7050

Base: Individuals of pension age
Note: SMC measure of persistent poverty is being in poverty (below 54% of the three-year smoothed median population TRA) this year and any two of the previous three years
Note: DWP measure of persistent poverty is being in poverty (below 60% of median net disposable household income after housing costs) in any three or more of the previous four years
Note: Expenditure measured in 2018/19
Source: Understanding Society survey 2015/16 - 2018/19

Again, there are not noticeable differences in the expenditure of persistently poor pensioners according to each of the poverty measures (the amounts given cover a 4-week period).

Table 27

Financial difficulties by persistent poverty measures

		SMC measure		DWP measure		
		Not in persistent poverty	In persistent poverty	Not in persistent poverty	In persistent poverty	All pensioners
Adequate heating	Yes	98%	93%	98%	96%	98%
	No	2%	7%	2%	4%	2%
	Doesn't apply	0%		0%		0%
Problems paying Council Tax	Yes	1%	5%	1%	3%	1%
	No	99%	95%	99%	97%	99%
Problems paying bills	Up to date with all bills	99%	96%	99%	98%	99%
	Behind with some bills	1%	4%	1%	2%	1%
	Behind with all bills	0%	0%	0%	0%	0%
Unweighted base		100%	100%	100%	100%	100%
		6787	278	6155	578	7050

Base: Individuals of pension age
Note: Financial difficulties measured in 2018/19
Source: Understanding Society survey 2015/16 - 2018/19

Again, there are not noticeable differences in the proportion of persistently poor pensioners experiencing financial difficulties according to each of the poverty measures. Pensioners in persistent poverty using the SMC measure were slightly more likely to be behind with bills, including paying Council Tax, than pensioners in persistent poverty using the DWP measure - but the vast majority of pensioners were up to date with all bills.

Table 28

Number of items deprived of by persistent poverty measures

		SMC measure: Not in persistent poverty	SMC measure: In persistent poverty	DWP measure: Not in persistent poverty	DWP measure: In persistent poverty	All pensioners
Number of deprivation items pensioner's household goes without		.8	2.0	.8	1.5	.9
Number of deprivation items pensioner's household goes without	0	56%	32%	57%	33%	55%
	1	24%	21%	23%	30%	24%
	2	10%	16%	10%	14%	10%
	3 or more	10%	32%	9%	24%	10%
filling meal a day: yes	Not mentioned	1%	3%	1%	2%	1%
	Yes mentioned	99%	97%	99%	98%	99%
go out socially: yes	Not mentioned	14%	29%	14%	22%	14%
	Yes mentioned	86%	71%	86%	78%	86%
see friends/family: yes	Not mentioned	3%	10%	3%	6%	3%
	Yes mentioned	97%	90%	97%	94%	97%
holiday away from home: yes	Not mentioned	34%	56%	33%	54%	35%
	Yes mentioned	66%	44%	67%	46%	65%
replace broken cooker: yes	Not mentioned	4%	17%	3%	10%	4%
	Yes mentioned	96%	83%	97%	90%	96%
home good state of repair: yes	Not mentioned	4%	10%	4%	9%	5%
	Yes mentioned	96%	90%	96%	91%	95%
services good working order: yes	Not mentioned	2%	6%	2%	5%	2%
	Yes mentioned	98%	94%	98%	95%	98%
damp-free home: yes	Not mentioned	4%	5%	4%	6%	4%
	Yes mentioned	96%	95%	96%	94%	96%
home kept warm: yes	Not mentioned	2%	4%	2%	3%	2%
	Yes mentioned	98%	96%	98%	97%	98%
has telephone: yes	Not mentioned	1%	3%	1%	2%	1%
	Yes mentioned	99%	97%	99%	98%	99%
access to car/taxi: yes	Not mentioned	6%	19%	6%	15%	7%
	Yes mentioned	94%	81%	94%	85%	93%
hair cut regularly: yes	Not mentioned	6%	16%	5%	11%	6%
	Yes mentioned	94%	84%	95%	89%	94%
warm waterproof coat: yes	Not mentioned	1%	2%	1%	1%	1%
	Yes mentioned	99%	98%	99%	99%	99%
pay unexpected expense: yes	Not mentioned	5%	25%	5%	11%	6%
	Yes mentioned	95%	75%	95%	89%	94%
Unweighted base		100%	100%	100%	100%	100%
		6787	278	6155	578	7050

Base: Individuals of pension age
Note: Material deprivation measured in 2018/19
Source: Understanding Society survey 2015/16 - 2018/19

This analysis looks at whether pensioners go without a range of deprivation items. Pensioners in persistent poverty using the SMC measure were slightly more likely to be materially deprived than pensioners in persistent poverty using the DWP measure:

- One third (32%) of pensioners in persistent poverty using the SMC measure lacked 3 or more items compared to 24% using the DWP measure

Some of the items with the largest difference across the different poverty measures are:

- 25% of pensioners in persistent poverty according to the SMC measure cannot afford to pay an unexpected expense of £200 compared to 11% according to the DWP measure

- 17% of pensioners in persistent poverty according to the SMC measure cannot afford to replace a broken cooker compared to 10% according to the DWP measure
- 10% of pensioners in persistent poverty according to the SMC measure do not see family and friends at least once per month compared to 6% according to the DWP measure

Table 29

Number of items deprived of for financial reasons by persistent poverty measures

		SMC measure		DWP measure		
		Not in persistent poverty	In persistent poverty	Not in persistent poverty	In persistent poverty	All pensioners
Number of deprivation items pensioner's household goes without for financial reasons		.2	.6	.2	.4	.2
Number of deprivation items pensioner's household goes without for financial reasons	0	90%	68%	90%	79%	89%
	1	6%	17%	6%	12%	6%
	2	2%	6%	2%	3%	2%
	3 or more	2%	9%	2%	6%	3%
filling meal a day	Have	99%	97%	99%	98%	99%
	'Not have - No money for this or not a priority'	0%	0%	0%	0%	0%
	'Not have - Other reason'	1%	3%	1%	2%	1%
go out socially	Have	86%	71%	86%	78%	86%
	'Not have - No money for this or not a priority'	1%	5%	1%	4%	1%
	'Not have - Other reason'	12%	24%	12%	18%	13%
see friends/family	Have	97%	90%	97%	94%	97%
	'Not have - No money for this or not a priority'	0%	0%	0%	0%	0%
	'Not have - Other reason'	2%	10%	2%	5%	3%
holiday away from home	Have	66%	44%	67%	46%	65%
	'Not have - No money for this or not a priority'	5%	12%	4%	12%	5%
	'Not have - Other reason'	30%	44%	29%	42%	30%
replace broken cooker	Have	96%	83%	97%	90%	96%
	'Not have - No money for this or not a priority'	2%	11%	2%	6%	3%
	'Not have - Other reason'	1%	6%	1%	3%	1%
home good state of repair	Have	96%	90%	96%	91%	95%
	'Not have - No money for this or not a priority'	1%	3%	1%	2%	2%
	'Not have - Other reason'	3%	7%	3%	7%	3%
services good working order	Have	98%	94%	98%	95%	98%
	'Not have - No money for this or not a priority'	0%	1%	0%	1%	0%
	'Not have - Other reason'	1%	5%	1%	4%	2%
damp-free home	Have	96%	95%	96%	94%	96%
	'Not have - No money for this or not a priority'	1%	1%	1%	2%	1%
	'Not have - Other reason'	3%	4%	3%	4%	3%
home kept warm	Have	98%	96%	98%	97%	98%
	'Not have - No money for this or not a priority'	1%	2%	1%	3%	1%
	'Not have - Other reason'	1%	1%	1%	0%	1%
has telephone	Have	99%	97%	99%	98%	99%
	'Not have - No money for this or not a priority'	0%		0%	0%	0%
	'Not have - Other reason'	1%	3%	1%	1%	1%
access to car/taxi	Have	94%	81%	94%	85%	93%
	'Not have - No money for this or not a priority'	1%	4%	1%	3%	1%
	'Not have - Other reason'	5%	14%	4%	12%	5%
hair cut regularly	Have	94%	84%	95%	89%	94%
	'Not have - No money for this or not a priority'	1%	4%	1%	3%	1%
	'Not have - Other reason'	4%	12%	4%	8%	5%
warm waterproof coat	Have	99%	98%	99%	99%	99%
	'Not have - No money for this or not a priority'	0%	1%	0%	0%	0%
	'Not have - Other reason'	1%	1%	1%	1%	1%
pay unexpected expense	Have	95%	75%	95%	89%	94%
	'Not have - No money for this or not a priority'	4%	22%	4%	10%	5%
	'Not have - Other reason'	1%	3%	1%	1%	1%
Unweighted base		100%	100%	100%	100%	100%
		6787	278	6155	578	7050

Base: Individuals of pension age
Note: Material deprivation measured in 2018/19

This table restricts the analysis to those pensioners not having the items due to financial reasons (do not have as 'no money for this', or, 'not a priority on current income'). Again, pensioners in persistent poverty using the SMC measure were more likely to be materially deprived due to financial reasons than pensioners in persistent poverty using the DWP measure.

- 32% of pensioners in persistent poverty using the SMC measure lacked at least 1 item compared to 21% using the DWP measure

Again it was certain items that drive the difference between the two measures:

- 22% of pensioners in persistent poverty using the SMC measure cannot pay an unexpected expense of £200 due to financial reasons compared to 10% using the DWP measure
- 11% of pensioners in persistent poverty using the SMC measure cannot afford to replace a broken cooker due to financial reasons compared to 6% using the DWP measure

Table 30

How pay unexpected expense by persistent poverty measures

		SMC measure		DWP measure		
		Not in persistent poverty	In persistent poverty	Not in persistent poverty	In persistent poverty	All pensioners
how pay unexpected expense: savings	Not mentioned	54%	44%	56%	35%	54%
	Yes mentioned	46%	56%	44%	65%	46%
how pay unexpected expense: income, not cutting back on essentials	Not mentioned	56%	77%	55%	77%	57%
	Yes mentioned	44%	23%	45%	23%	43%
how pay unexpected expense: income, cutting back on essentials	Not mentioned	91%	87%	91%	90%	91%
	Yes mentioned	9%	13%	9%	10%	9%
how pay unexpected expense: use a form of credit	Not mentioned	96%	94%	96%	98%	96%
	Yes mentioned	4%	6%	4%	2%	4%
how pay unexpected expense: money from family or friends	Not mentioned	99%	94%	99%	98%	99%
	Yes mentioned	1%	6%	1%	2%	1%
how pay unexpected expense: spontaneous: other	Not mentioned	100%	100%	99%	100%	100%
	Yes mentioned	0%	0%	1%		0%
Unweighted base		100%	100%	100%	100%	100%
		6202	191	5734	484	6381

Base: Individuals of pension age
Note: Material deprivation measured in 2018/19
Source: Understanding Society survey 2015/16 - 2018/19

Those pensioners who could afford to pay an unexpected expense of £200 were asked how they would do it. The most common reasons for pensioners in persistent poverty who could afford to pay an unexpected expense of £200 were 'using their savings', or, 'using their income and cutting back on essentials'. Earlier analysis has shown that pensioners in persistent poverty using the DWP measure were more likely to have savings than pensioners in persistent poverty using the SMC measure; consequently:

- 65% of pensioners in persistent poverty using the DWP measure who could afford to pay an unexpected expense of £200 said 'using their savings' compared to 56% using the DWP measure

Summary

The SMC approach to measuring poverty uses a calculation of the uses Total Resources Available to families, which includes liquid assets as well as income. This methodology will increase the financial situation of pensioners, compared to other population groups (children, and, working age adults), in contrast to approaches that solely using income to reflect financial resources, such as the DWP measure of persistent poverty. This is because pensioners are more likely than other population groups to have liquid assets. This is, in part, a reflection of the time that pensioners have had to build and consolidate these assets. As a consequence of this, and the stricter definition of persistent poverty, the SMC measure identifies far fewer pensioners in persistent poverty than the DWP measure.

The SMC measure of persistent poverty also deducts unavoidable costs such as housing, disability and childcare. Clearly, pensioners are less likely than other population groups to have housing and childcare costs. Although pensioners are more likely to face costs of disability, those that do could face a substantial impact on their spending power, especially if they are low-income pensioners. Also, by only deducting the value of health-related social benefits, it can be argued that the SMC measure underestimates the true costs of disability and health problems that pensioner families face. Other research has suggested that that households with disabled members face considerable extra costs that go beyond the welfare benefits that are designed to help disabled people live more independently or finance support (Schuelke et al, 2022).

The inclusion of liquid assets in a calculation of Total Resources Available is a key reason why the persistent poverty rate for pensioners is much lower using the SMC rather than the DWP approach. Another reason is because the persistent poverty criteria used in the SMC measure - being in poverty this year and any two or more of the previous three years, rather than the DWP criteria of being in poverty in any three or more of the previous four years - identifies a lower incidence of persistent poverty per se.

When directly comparing these two approaches to measuring persistent poverty in older age, the SMC measure tends to identify pensioners with lower levels of Total Resources Available – 42% in persistent poverty using the SMC measure have less than £150 per week compared to 7% using the DWP measure. This is because some pensioners in persistent poverty using the DWP measure have significant liquid assets, whereas pensioners in persistent poverty using the SMC measure tend to have no or little liquid assets (78% have no liquid assets compared to 40% using the DWP measure).

Consequently, pensioners classified in persistent poverty using the SMC measure record lower levels of living standards than pensioners classified using the DWP measure:

- Pensioners in persistent poverty using the SMC measure were slightly more likely to be behind with bills, including paying Council Tax, than pensioners in persistent poverty using the DWP measure (although the vast majority of pensioners are not behind with bills).
- Pensioners in persistent poverty using the SMC measure were more likely to be materially deprived due to financial reasons than pensioners in persistent poverty using the DWP measure.
- The SMC measure is more likely than the DWP measure to identify pensioners living in complex households (including Asian families) and pensioners with a severe disability.

The findings here suggest a number of areas for further research. In particular, more research is needed to unpick how pensioners utilise income and liquid assets to fund their standard of living. Furthermore, the decision by SMC to add a weekly amount of liquid assets to Total Resources Available - by dividing the amount of liquid assets a family has by 52 – is an area for further investigation. There is not an ideal way to take liquid assets into account and combine with other financial resources, notably income which represents more of a flow of resource into the family. The SMC method also does not exclude an amount of liquid assets for emergency purchases. It may be that pensioners in particular, but also low to middle income families put aside an amount of liquid assets for 'a rainy day' which would not be used to fund more day-by-day purchases.

Hence it would be useful to explore at what level of income pensioners draw on liquid assets to fund their standard of living – and whether this differs for items considered as 'necessities' compared to more discretionary items. This would help us understand whether pensioners have a level of liquid assets that they will not draw down, for example to cover emergency items, funeral costs, or inheritance. Some of these questions can be explored with further analysis of social survey data, although qualitative research with a purposefully selected sample of poorer pensioners may also shed light on these issues.

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