

# Understanding pensioner poverty and material deprivation – a synthesis of findings

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## Introduction

DWP publishes statistics on pensioners living on low incomes<sup>1</sup> in the annual Households Below Average Income (HBAI) series<sup>2</sup>. Although income is an important factor in determining living standards, other non-financial factors can impact on living standards. Since 2009/10, HBAI has also included a measure of pensioner material deprivation<sup>3</sup>, which helps to broaden out the analysis of poverty beyond income.

In 2010/11, 12 per cent of pensioners aged 65 and over (1.2 million individuals) were living on a low income; a further seven per cent (600,000 individuals) were materially deprived; with only two per cent (200,000 individuals) being both materially deprived and living on a low income. The vast majority, around 80 per cent of pensioners, do not experience low income or material deprivation.

<sup>1</sup> HBAI defines low income as 60 per cent or less of household equivalised median income, After Housing Costs.

<sup>2</sup> Information on the HBAI series is available on the DWP website [http://research.dwp.gov.uk/asd/index.php?page=hbai\\_arc](http://research.dwp.gov.uk/asd/index.php?page=hbai_arc)

<sup>3</sup> A suite of questions were included into the Family Resources Survey (FRS) (annually from 2008/09) to specifically capture the material deprivation experiences of older people aged 65 and over. Respondents are asked whether they have access to 15 goods and services, which were constructed from extensive independent academic research, from which a material deprivation score is calculated.

## Background

This summary presents synthesised findings from two research reports which explored material deprivation among older people. The first used qualitative face-to-face interviews with 29 people aged over 65 on low incomes, to explore the relationship between material deprivation and low income<sup>4</sup>. The second presented analysis of quantitative data on material deprivation and low income collected in the FRS for people of all incomes aged over 65<sup>5</sup>.

Combining findings from these two reports provides a comprehensive account of material deprivation among older people which will be used to inform the Department's thinking on pensioner poverty.

## Findings

### Types of material deprivation

Quantitative analysis of the 800,000 pensioners who were classified as materially deprived, explored what types of material deprivation pensioners were experiencing. The 15 pensioner material deprivation questions asked within the FRS were categorised into four thematic groups for analysis purposes. These were: social deprivation; financial deprivation; housing deprivation and basic deprivation. Key findings from each thematic group are presented below.

<sup>4</sup> Kotecha, M., Arthur, S. and Coutinho, S. (2013). *Understanding the relationship between pensioner poverty and material deprivation*. DWP Research Report 827, DWP: London.

<sup>5</sup> Bartlett, Frew and Gilroy, (2013) *Understanding material deprivation among older people* DWP In-house research report 14 DWP: London.

## **Social deprivation**

- Ninety-six per cent of materially deprived pensioners lacked a social item (for example, seeing friends and family regularly), the majority lacking at least two social items.
- Having a holiday away from home was the most commonly item lacking, affecting 82 per cent of materially deprived pensioners.
- Qualitative research found that social items were often considered less of a priority, with many instances of low income pensioners cutting back and limiting holidays, social activities and transport. Some found cheaper ways to pursue interests, or reduced their frequency, whereas others simply went without.

## **Financial deprivation**

- Eighty-six per cent of materially deprived pensioners struggled to meet financial commitments (for example, being able to pay regular bills), the majority lacking two financial items.
- Not being able to meet an unexpected expense of £200 was the most commonly cited difficulty (74 per cent).
- Almost 70 per cent said they would not be able to replace a cooker.
- Qualitative research showed low income pensioners had to compromise elsewhere in order to meet an unexpected expense, taking out short-term loans or selling possessions to raise funds. Some pensioners tried to keep bills to a minimum, for example, by only using the heating for short periods and instead wrapping up to keep warm and using a hot water bottle.

## **Housing deprivation**

- Nearly half of materially deprived pensioners were in housing deprivation (for example, lacking items such as having a home in good repair).
- Keeping their home warm, damp free and in a good state of repair, were each lacked by just over 20 per cent of materially deprived pensioners.
- Qualitative research suggested low income owner-occupiers tended to have greater anxiety about keeping their homes in a good state of repair, compared with those who rented their homes.

## **Basic deprivation**

- Twenty-eight per cent of materially deprived pensioners lacked basic items, (for example, having a warm coat).
- Thirteen per cent of materially deprived pensioners lacked access to a phone.
- Qualitative research showed that although lacking basic items was not common, for some low income pensioners this was achieved through cutting back and compromising, for example, some pensioners felt they could not afford to buy clothes often and, therefore, tried to make clothes last as long as possible.
- Of all 15 items in the material deprivation measure, the item least likely to be lacking was one filling meal per day, with around eight per cent of materially deprived pensioners lacking this item. The numbers were too small to draw any conclusions regarding why this item was lacking.
- Qualitative data showed that although most people were managing to have at least one filling meal a day, some people were making compromises in terms of the quality of food, for example, shopping at inexpensive supermarkets or reducing the frequency of meals in order to achieve this.
- The pensioner material deprivation indicator does not include any questions on social care, however, the qualitative research showed that financial pressures were leading some pensioners to cut back on essential care or support with the most basic of tasks such as bathing, dressing and shopping.

## **The relationship between low income and material deprivation**

As described above, low income does not automatically result in a pensioner living in material deprivation. The qualitative research with low income pensioners suggested it was higher living costs, combined with low income<sup>6</sup> which resulted in some pensioners being materially deprived. However, the quantitative analysis with pensioners of all income levels clearly showed that even if

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<sup>6</sup> The qualitative study defined low income as less than 70 per cent equivalised median income, After Housing Costs.

pensioners have an income above the low income threshold, they may still experience material deprivation. This suggests that it wasn't just low income pensioners who sometimes found it hard to make ends meet, due to higher living costs.

Qualitative research found five factors that impact on an individual's living costs and these factors cut across the four types of material deprivation described above. These were:

- area and housing circumstances;
- financial and material support;
- health;
- financial management approaches; and
- attitudes and priorities.

Each individual's living costs are determined by these factors which could either increase living costs, decrease costs, or mitigate some costs. Individuals would have higher living costs when the factors increasing living costs were not outweighed by factors decreasing or mitigating living costs.

For example<sup>7</sup>, Tom's poor health means he has to pay for support to help him with everyday tasks around the home, such as washing clothes and cleaning his home and he also pays for care to help with getting dressed and meals. If Tom had family or friends to support him, these costs could be mitigated. But with limited support from friends or family, Tom has no choice but to pay for others to help him. Because Tom is living on a low income, he is forced to prioritise what he spends his money on, so paying for care and support leaves him less money to spend on other items, like socialising and paying regular bills. Tom has to ration his spending and sometimes makes do without. Tom is materially deprived because the high cost of care and support result in him struggling to afford other essential items.

In addition, the qualitative research also highlighted a number of non-financial factors (for example, living in a unsafe area making people reluctant to leave their homes or get to know their neighbours) that can contribute to an individual living in material deprivation. Where non-financial factors were present, these were most likely to result in social deprivation.

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<sup>7</sup> Please note Tom is a hypothetical example for illustrative purposes and is not a real life case study.

## ***Area and housing circumstances***

- Twenty-three per cent of pensioners living in social rented accommodation were materially deprived, compared with just five per cent of those who own their own homes.
- However, amongst materially deprived pensioners, those living in social rented accommodation were less likely (40 per cent) to experience housing deprivation compared with those who owned their own homes (60 per cent) suggesting social housing, to some extent, shields them from the full effects of material deprivation.
- This conclusion was supported by the qualitative research which also found differences between low income home owners and tenants. Home owners incurred far more expense and were therefore more likely to be unable to address problems in their home, compared with tenants. Thinking about future costs caused considerable anxiety for some home owner respondents.
- Having a good local community and good access to public transport and local amenities were also important in reducing living costs and material deprivation.

## ***Financial and material support***

- Qualitative research found that financial support such as welfare benefits, free bus travel, free prescriptions and support from local authorities made a significant positive impact, with respondents describing how they would be unable to manage without this support. Some pensioners were also found to draw on a range of support from partners, family, friends and neighbours. This support tended to have an overwhelming positive impact which could offset the shortfall in income by mitigating higher living costs.
- Interestingly, the quantitative research found evidence to suggest that being single for pensioners is associated with material deprivation more strongly than it is associated with low income. Being married/in civil partnership/ cohabiting is the most common marital status, however, those who are divorced or separated, single and have never been married or are widowed, account for the majority of the material deprivation only group. This suggests that support

from partners and family could be key to keeping pensioners out of material deprivation.

- As the proportion of single pensioners increases with age, we might expect that material deprivation also increases with age. However, this was not the case, suggesting the relationship between age and material deprivation is complicated by other factors.

### **Health and disability**

- Sixty-three per cent of all pensioners have an Equality Act defined disability, compared with 72 per cent of those in material deprivation and low income and 83 per cent of those in material deprivation only.
- The same pattern was also evident amongst those pensioners with a longstanding illness. The analyses appear to show that disability is more closely associated with material deprivation than it is associated with low income.
- Qualitative research found that health had a profound impact on living costs by restricting respondents' ability to manage independently and by the financial costs associated with poor health.
- Poor health could result in respondents having to pay for help with regular tasks such as gardening or decorating, or everyday tasks such as washing and dressing. Poor health could also make it difficult for people to engage in inexpensive social activities such as walking and respondents could incur extra costs to get around, such as mobility scooters and paying for taxis.
- Whether or not health impacted on an individual's material circumstances, depended on the extent to which these additional costs were offset or mitigated by their financial resources, support from family and friends, attitudes, previous experience of poor health, and life stage.

### **Financial management approaches**

- Over half of the pensioners who state that they could afford an unexpected expense of £200, do so by using their savings. These results suggest that some pensioners, including those with low incomes, may be coping with unexpected expenses through savings.

- Qualitative research found that savings were the key tool for dealing with financial shocks. For those respondents who were able to put some money away, they did so (a) to provide emotional security, (b) to cover known costs, and (c) in preparation for unexpected costs.
- The qualitative research pointed to a degree of financial risk aversion and uncertainty that respondents felt, which prompted them to consider and try to build up some savings or spend some time planning for future possibilities.

### **Attitudes and priorities**

- The qualitative research showed attitudes around living on a low income greatly affected how individuals prioritised and organised their spending.
- Spending preferences and priorities had a direct influence upon whether or not pensioners felt their lives were constrained by their low income. Also, expectations for living standards in retirement and comparisons with other people or with their pre-retirement life influenced the extent to which respondents felt deprived in terms of their material circumstances.
- Quantitative analysis showed that pensioners with high deprivation scores prioritised regularly seeing family and friends, more highly than pensioners with low or mid-level deprivation scores. This backs up qualitative findings about the importance of support from family and friends, suggesting pensioners with high deprivation prioritise this contact by going without other items instead of this contact.

### **Depth of material deprivation**

Quantitative analysis explored material deprivation scores as an indicator of depth of material deprivation. The Material Deprivation Indicator classed pensioners with a score of 20 or over as materially deprived. Analysis showed scores rose steadily from 0 to 50, showing the range of depth of material deprivation experienced by pensioners.

This was supported by qualitative research which found no clear pattern of differences between respondents with a score under 20 or over 20.

Instead, the experiences of respondents could be explained as a spectrum of material deprivation. Their position along this spectrum is determined by a number of different factors (described above), which combine to push down and pull up material circumstances.

The quantitative analysis looked at what types of deprivation contributed to the total material deprivation scores. Pensioners with scores below 20 were mostly attributed to social deprivation. Financial scores rose steadily up to 20, but remained more stable, and contributed about ten points to the aggregate score for those in material deprivation. Looking at those with higher deprivation scores, the contribution of housing deprivation rose to around ten points for those at the top end of the scale, compared with just three to five points for those at, or just above, 20. Deprivation of the most basic items contributes very little to the average aggregate scores and only really becomes prevalent at the deepest levels of deprivation.

## Conclusions

Low income does not automatically result in a pensioner living in material deprivation, some managed well on a low income. For pensioners who were materially deprived, this was often caused because they experienced higher living costs (caused by a range of factors), which made it hard for them to make ends meet. Although income levels do have an influence on material circumstances, pensioners

who have an income above the low income threshold may still experience material deprivation. This suggests that it was not just low income pensioners who sometimes found it hard to make ends meet, due to higher living costs.

The findings also highlighted that pensioners prioritise their spending by cutting back, or going without some items or compromising on quality and frequency, particularly to ensure basic needs and financial commitments are met. Social activities appear to be the most common items pensioners cut back on when money is tight. Cutting back on social activities could deepen deprivation as it could reduce opportunities for pensioners to benefit from support from family, friends and neighbours, support that was shown to be key in reducing material deprivation.

The findings also show that depth of deprivation is also an important issue. For those pensioners in high deprivation, these compromises can be seen across all spending, as their deprivation scores suggest they are experiencing all four types of social, financial, housing and basic deprivation. However, experiencing both social deprivation and financial deprivation was sufficient to score 20, i.e. to be classified as materially deprived.

In exploring the relationship between low income and material deprivation, this research has confirmed the need for a broader poverty measure which looks beyond low income.

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The full report of these research findings is published by the Department for Work and Pensions (ISBN 978 1 909532 14 4. Research Report 827. February 2013).

You can download the full report free from: <http://research.dwp.gov.uk/asd/asd5/rrs-index.asp>

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