

## Consultation Response



### Economic and rural impact of cost of living pressures

#### The Economy, Trade and Rural Affairs Committee

May 2022

## Introduction

Age Cymru is the leading national charity working to improve the lives of all older people in Wales. We believe older people should be able to lead healthy and fulfilled lives, have adequate income, access to high quality services and the opportunity to shape their own future. We seek to provide a strong voice for all older people in Wales and to raise awareness of the issues of importance to them.

We are pleased to respond to this consultation on the economic and rural impact of cost of living pressures.

### 1. What are the likely economic impacts of the cost of living crunch?

Around 165,000 older households<sup>1</sup> in Wales will have insufficient income to cover their essential spending this year<sup>2</sup>, with almost two fifths of these (around 70,000) living in poverty or just above the poverty line and/or in receipt of benefits.<sup>3</sup> The poorest older households<sup>4</sup> will need to drastically increase the percentage of their net income spent on essential goods and services from 58% in 2021-22 to 73% in 2022-23 due to higher costs of living.<sup>5</sup>

For older people, essential spending covers rent or mortgage, Council Tax, utility bills, food and drinks, communications in the home such as the telephone and internet, and transport with taxis and vehicle running costs. We're very concerned that, for those living on low and modest incomes, there'll be no wiggle room to meet other expenses and the situation will be worse still for those with disabilities or ill-health who have higher energy needs. Dementia, illnesses associated with falls such as arthritis and osteoarthritis, and respiratory conditions amongst others are all exacerbated by the cold.

Older people are the group most likely to suffer from fuel poverty, where having to spend a disproportionate amount on fuel takes money away from other essentials. A contributing factor is that older people tend to live in older, energy inefficient properties. Wales has some

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<sup>1</sup> Older households are defined as households with at least one person aged 60 or over

<sup>2</sup> 2022-23

<sup>3</sup> Age UK analysis of Living Cost & Food Survey 2019-20. Figures projected to 2022. Spending patterns are assumed to be the same as those in 2019-20. Prices of items are changed in line with ONS inflation output figures for the years to 2021-22, and then by 9-10% to the year 2022-23 for all items except for energy that are increased by the rise in the energy price cap of 54% in April 2022 and an assumed rise of 40% in October 2022. Household income are changed in line with output data (to 2021-22) and then forecast figures (to 2021-22) and then 3.1% for households whose main source of income is benefits and 4.42% for other households (to 2022-23).

<sup>4</sup> By poorest older households we are referring to those older households with the lowest household income after-tax (i.e. those in the lowest income decile).

<sup>5</sup> Age UK analysis of Living Cost & Food Survey 2019-20. Figures projected to 2022. Spending patterns are assumed to be the same as those in 2019-20. Prices of items are changed in line with ONS inflation output figures for the years to 2021-22, and then by 9-10% to the year 2022-23 for all items except for energy that are increased by the rise in the energy price cap of 54% in April 2022 and an assumed rise of 40% in October 2022. Household income are changed in line with output data (to 2021-22) and then forecast figures (to 2021-22) and then 3.1% for households whose main source of income is benefits and 4.42% for other households (to 2022-23).

of the oldest and least thermally efficient housing stock in the UK and Europe and older people are more likely to experience poor health as a result of poor housing.<sup>6</sup>

Older people, defined as being aged 60 and over, are at greater risk of avoidable ill health and premature death from living in a cold home. Often living on fixed incomes, investing in homes to improve home energy efficiency runs the risk of undermining longer term financial resilience and ability to live independently for longer.<sup>7</sup>

Age Cymru's recent survey regarding older people's experiences during the latter stages of the pandemic found that 35% of older people reported the cost of living as a current challenge, this is a 20% increase in comparison to last year, which itself had gone up from the first survey in 2020. During this research older people told us about their concerns about the cost of living crisis and the impact on them. Comments included:

'Being on a fixed income but prices rising a lot. I already don't heat my home I really don't know how I will cope. Also I am becoming very depressed.'

'The continued rise in the cost of living, especially energy prices, my husband constantly feels cold, so we need to heat our home. Our pension is not being increased to cover the rise in the cost of living.'

'Heating costs; have been very cold this winter, trying to economise by wearing thermal underwear and 3 layers of jumpers, with a blanket over me when watching tv. First time in years we have not had the central heating on through the winter. Some fires in the wood burner but they do not heat the whole house. Ditto the gas fire in the sitting room, have kept use of that to the minimum. Water in tap has often been too cold to wash up without boiling a kettle, or clean teeth properly. We have solar panels, run washing machine only on days with sunshine, but very limited in winter months.'

In addition, Age Cymru Advice, our flagship information and advice service, has seen a surge in enquiries around cost of living. A recent caller told us of her experience, and the impact that the cost of living crisis is having on her and her husband:

Margaret Evans (not her real name) contacted Age Cymru Advice at the beginning of May 2022. Margaret, who is in her late 70s and lives with her disabled husband, has been diagnosed with cancer and needs to visit hospital for chemotherapy. As a result of the illness Margaret must keep the heating on most of the day and at the same time pay for travel to and from the hospital. These expenses are on top of the cost-of-living crisis. To pay all their bills the couple started selling some of their possessions and Margaret was particularly upset to part with her late mother's jewellery and ceramics at an auction house. She said she was constantly having to 'rob Peter to pay Paul'. They've had to go into their overdraft at times and have no savings left.

It needs to be emphasised that cost of living hasn't suddenly become an issue for older people, it has now been further augmented by the cost of living crisis.

## **2. How are cost of living pressures affecting the workforce, and how are different groups within the workforce being affected?**

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<sup>6</sup> Age Cymru (2020) EnvisAGE Issue 14: A spotlight on the financial inclusion of older people. Article by Matthew Brindley, Care & Repair Cymru: Improving homes and changing lives for older people in Wales. [Age Cymru | EnvisAGE \(ageuk.org.uk\)](https://ageuk.org.uk)

<sup>7</sup> Welsh Government (2021) Plan to tackle fuel poverty. Consultation outcome and integrated impact assessment. <https://gov.wales/sites/default/files/consultations/2021-04/outcome-summary-tackling-fuel-poverty-2020-to-2035.pdf>

Older workers are facing the highest rate of redundancy caused by the pandemic of all age groups. Recent ONS labour market figures highlight that over 50s are falling out of the workforce following the end of the furlough scheme, with 180,000 fewer in work than before the pandemic.<sup>8</sup>

Older workers who lose their jobs are far more likely to slip into long term worklessness. Over 50s who are unemployed are twice as likely to be out of work for 12 months or more as younger workers and almost 50% more likely as workers aged 25 to 49.<sup>9</sup> For many older people this will mean that they're without income or on reduced hours during a time when they are at most financial need; and being unemployed during this phase of life can have a severe impact upon income in retirement. This was an issue prior to March 2020 that has been exacerbated by the pandemic.

One of the reasons older workers find it difficult to stay or get back into the workplace is due to lack of flexible working options. Older workers are more likely to be living with long term health conditions and/or are more likely to have caring responsibilities. 31% of older people who responded to Age Cymru's recent survey told us that they currently look after or give any unpaid help or support to someone. Of these unpaid carers, 55% have increased the amount of care they provide in the prior three months. A number of carers have also told us that they've had to reduce their working hours, or leave their job to become carers for their loved ones as health and social services struggle to return to normal levels of provision.

Another key issue for older workers is ageism and age discrimination. Age discrimination in employment is now illegal and the Default Retirement Age was abolished in 2011. However, perceptions and stereotypes of older workers – usually negative – are still held and challenging these is of great importance.

### **3. How are rural communities being affected by the cost of living crunch, and to what extent are the pressures they face different to urban areas?**

Fuel poverty is prevalent amongst older people who live in older, energy inefficient properties such as old stone properties that can't be insulated which are prevalent in rural communities, or rural areas away from the gas network. Domestic energy is more expensive for homes not supplied by the national gas grid. Homes in off gas grid areas rely primarily on electricity, heating oil or liquid petroleum gas (LPG).<sup>10</sup> There has been a dramatic increase in the cost of oil which has had a huge impact on finances as many properties are serviced by oil fuelled heating. Oil tends to have to be bought in 500 or 1000 litre packages and the cost of adding 1000 litres to a tank has increased by over double. Smaller delivery quantities are harder to order and many suppliers have waiting lists of weeks.

Estimated levels of fuel poverty are higher in rural areas, and there is some evidence to suggest older people are less likely to compare the energy market for a better energy deal,

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<sup>8</sup>Office for National Statistics (2021) Labour market overview, UK: November 2021 [Labour market overview, UK - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk/labour-market-overview)

<sup>9</sup> Centre for Ageing Better (2020) A mid-life employment crisis: How COVID-19 will affect the job prospects of older workers report (<https://ageing-better.org.uk/sites/default/files/2020-08/Tackling-worklessness-among-over-50s-after-covid-report.pdf>)

<sup>10</sup> Welsh Government (2021) Plan to tackle fuel poverty. Consultation outcome and integrated impact assessment. <https://gov.wales/sites/default/files/consultations/2021-04/outcome-summary-tackling-fuel-poverty-2020-to-2035.pdf>

which itself is made more difficult as there are fewer suppliers of heating oil and liquid gas in Wales.<sup>11</sup>

Another impact within rural communities is the fuel cost as many people who work may have to travel quite long distances to get to an appropriate job and the cost of this has been greatly impacted. As the costs of consumer goods increase some rural communities only have one bus services per week to the nearest town so they rely on local shops for food provision supply as opposed to cheaper supermarkets and these prices have increased exponentially.

#### **4. How effective are the support measures that the Welsh and UK governments have put in place, and what further support might be needed over the coming months?**

For older people on low fixed incomes, relying solely on their State Pension and benefits, the future is looking extremely bleak as there are no more cuts they can make to their household budgets. Without effective government intervention older people are at risk of deep hardship like nothing we've seen in this country for many years.

Age Cymru welcomed the extension of the Winter Fuel support scheme payment for 2022/2023 to include people accessing Pension Credit. However, we were disappointed that those older people on Pension Credit were originally not included in this support scheme, despite knowing that older people are disproportionately impacted by fuel poverty and will be some of the hardest hit. In addition, there are 70,000 households who are eligible for Pension Credit but are not yet claiming it. Welsh Government must redouble its efforts to raise awareness of Pension Credit to ensure that as many older people as possible are claiming what they're entitled to. There also needs to be more information available about where older people can get help if they are struggling with the cost of living, and clarity about the support that is available to them.

We don't believe that support from UK Government has gone far enough and there needs to be immediate action to help all those who need it. We want the UK Government to increase benefits and the State Pension in line with inflation to help all those on a low income, irrespective of age, who are facing unprecedented hardship as prices soar. We also want a one-off payment of £500 for those on the lowest incomes to mitigate the impact of energy price increases.

To support older people to stay or re-enter the workplace the UK Government should abolish the 26-week qualifying period for flexible working, so that job applicants have a statutory right to request flexibility, and the UK Government should introduce a system of "flexible by default", where employees could assume they can work flexibly unless the employer can demonstrate otherwise.

In terms of support through Job Centre Plus, support provided to older jobseekers through must start from day one of a benefit claim, be better tailored to individual needs and recognise the barriers to returning to work often faced by those aged 50+. This should include JCP ensuring all its advisers are trained to address the particular barriers facing older jobseekers.

In addition, Welsh Government and employers should introduce a mid-life career review, to give people the opportunity to plan ahead, re-skill and consider their finances and health.

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<sup>11</sup> Welsh Government (2021) Plan to tackle fuel poverty. Consultation outcome and integrated impact assessment. <https://gov.wales/sites/default/files/consultations/2021-04/outcome-summary-tackling-fuel-poverty-2020-to-2035.pdf>

They should also invest in more training and retraining schemes to help older workers gain new skills and deal with technology.

For those older people who are within three years of their State Pension age and realistically have a very low chance of working again – especially people claiming Employment and Support Allowance, Carers Allowance, or have been unemployed for 12 months or more – should have early access to their State Pension, at the full rate.

In addition, more must be done to tackle ageism and age discrimination in the workplace. This includes through educating employers and managers to avoid discriminating and to challenge stereotypes; and by improving access to redress where people are treated illegally. The UK and Welsh Governments and the Equality and Human Rights Commission should make the case for employing older workers more effectively, including improving awareness of age discrimination.